Processes of Ukraine’s integration into the common aviation area

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Annotation. Aviation integration is seen as a process of rapprochement and unification in the air transport industry. Conducting a study of the common aviation area of the European Union. Today there is a common transport policy in the EU. Its goal is to provide market conditions and a competitive basis for airlines. The analysis of competition in the market of air transportation of Ukraine is carried out. The main flights passing through Ukraine are singled out. The shortcomings of Ukrainian airlines in the international market have been identified. It is concluded that the air transport industry in Ukraine is still underdeveloped. Ukraine’s accession to the Free Sky of Europe has advantages. Strategic directions of development of the air transportation market of Ukraine are determined.

KEYWORDS: COMMON AVIATION SPACE, AIRLINE, AIR TRANSPORTATION, DEVELOPMENT STRATEGIES, COMPETITIVENESS.

1. Introduction

International economic integration should be understood as a political and economic process of convergence and unification of states with their economic systems interconnected, joint economic policy and supranational political governance.

Nowadays, aviation integration is deemed to be a process of convergence and unification in the air transport industry, which includes the following: interconnected management systems, a joint policy and control. Pertaining to the international integration, general provisions are introduced for the countries interested in such integration, which allows management of aviation activities between these countries.

Air transportation in Ukraine has not been able to be referred to as a competitive market. The availability of healthy competition is obstructed by a certain monopoly taking place at the modern air transportation market in the country [1]. However, one of the most attractive features of the Ukrainian market for foreign investors and manufacturers is the transit location of Ukraine and necessary initial conditions for the creation of a new transport connection system that complies with the European standards.

The open skies agreement with the European Union (EU) opens new opportunities for the air transportation market in Ukraine, both for individual citizens and for the state as a whole. The interest of citizens is as follows: being provided with reasonably priced air services of high quality, increasing the profits of national companies and taxes to the budget, and enhancing the level of air transport safety.

The creation of a “free trade zone” leads to the enhancement of air transportation services and the liberalization of the national aviation market of Ukraine. Within the established Common Aviation Area of the European Union and the third countries involved, the air transportation markets of different countries are actually combined [2].

2. Characteristics of the Common Aviation Area of the European Union

Integration in the transport sector is carried out based on the principles of international economic law, as well as by means of introducing a common transport policy in the European Union, which reflects the supranational nature of European integration [3]. Legal support therefore comprises regulatory documents of EU authorities and international agreements between EU members and other countries.

The purpose of the EU’s common transport policy is to adopt and implement generally accepted rules for international transport to or from the territory of the Member States or for transit transport (Treaty on the Functioning of the European Union, Articles 90-100) [4]. The common transport policy also includes conditions for the provision of services by non-resident carriers, and measures to improve transport safety. The ultimate goal of the common transport policy is to create a common market in the field of transport services. The implementation of such a policy has a particular specificity related to the close interaction between international law and EU law, which provides for the participation of member states in international transport agreements.

In the field of air transport, there is a harmonious combination of international law and supranational levels of legal regulation. According to the tasks of ICAO, the key elements of legal regulation are the development and enhancement of activities in the field of civil aviation with a high level of aviation security, promoting the participation of states in international air transportation and the benefits associated with such participation.

Since 2011, a Joint Commission of the EU and ICAO has been active. This commission has already concluded a number of agreements on air flights and incidents. In 2013, a new aviation security program was agreed and added to the memorandum of cooperation. This program has determined important areas of cooperation, in particular, the exchange of information and funding of certain initiatives in this area.

EU legislation in the air transport sector is mainly based on regulations and structured in accordance with the tasks to be fulfilled. The main goal is to ensure proper market conditions and competitive principles for airlines, regulation of requirements for aircraft, conditions for transportation, safety assurance and other issues.

On 10 June 2013, the European Commission proposed a plan to accelerate the implementation of the Single European Sky project (SES-II +). This project is a set of measures to address the current situation concerning the state monopolies that are responsible for providing air navigation services, which, in turn, has caused a number of protests.

Back in 2005, the EU Commission developed a roadmap for the implementation of foreign policy for air transport, which was based on the three following elements:

1. Gradual alignment of existing bilateral air service agreements with EU law. This is an outcome of the resolution made by the European Court of Justice, which states that the provisions on nationality in such agreements are illegal, but it is permissible for an EU carrier to conduct air transportation from its country to a third country.

2. The need to conclude aviation agreements with key strategic partners. The EU model tends to liberalize airline ownership and regulate security, competition and other issues that have not been regulated at the national level.

3. Creation of a common airspace with neighboring countries. Consistent alignment with the abovementioned requirements of the EU aviation market provides financial and material support.

For Ukraine, “open skies” means the intensification of the process of the air transportation market development due to: update of airport infrastructure; establishment of high technical standards for airplanes and air services; security enhancement; modernization of air traffic control procedures; updating sectoral legislation, etc. In order to solve these problems, it is necessary to implement the provisions of the Concept for the development of the aviation complex and the development of programs for the period
up to 2020 and to ensure the safety of flights by improving the mechanisms of supervision and control of transport activities [5].

3. Analysis of competition in the air transportation market of Ukraine

In 2019, national air carriers attained an increase in the main economic indicators of the industry. 28 national air carriers operated in the market (Fig. 1), which performed 47.8 thousand commercial flights (compared to 46.2 thousand in 2018). 10 air carriers of those specified above have been engaged in passenger transportation [5].

At the same time, 93% of the total volumes are covered by the five national air carriers (see Table 1) that are the following: Ukraine International Airlines (UIA), Wind Rose, Azur Air Ukraine, Sky Up and Bukovyna. Traditionally, the largest passenger traffic was served by UIA [7].

Table 1 Growth of passenger traffic of the top 5 airlines in 2018-2019

<table>
<thead>
<tr>
<th>Top air carriers in 2018</th>
<th>Growth of passenger traffic from 2017 to 2018, %</th>
<th>Top air carriers in 2019</th>
<th>Growth of passenger traffic from 2018 to 2019, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>UIA</td>
<td>16.5</td>
<td>UIA</td>
<td>8.1</td>
</tr>
<tr>
<td>Wind Rose</td>
<td>25</td>
<td>Azur Air Ukraine</td>
<td>33.6</td>
</tr>
<tr>
<td>Azur Air Ukraine</td>
<td>17</td>
<td>Wind Rose</td>
<td>19.7</td>
</tr>
<tr>
<td>Atlas jet Ukraine</td>
<td>74</td>
<td>Sky Up</td>
<td>Multiplied by 7</td>
</tr>
<tr>
<td>Bravo</td>
<td>50</td>
<td>Bravo</td>
<td>-</td>
</tr>
</tbody>
</table>

According to statistical indicators [7], the number of transported passengers increased by 986.9 thousand people in comparison with 2018 (Fig. 2).

During 2019, commercial flights of national and foreign air carriers were served by 20 Ukrainian airports and airfields. According to the statistics, the number of departing and arriving aircraft equaled 153.9 thousand units, which exceeds the number obtained in the previous year 2018 by 15.8 thousand units (Fig. 3). Passenger traffic through the airports of Ukraine increased by 27.6 percent and equaled 16498.9 thousand people.

When visually assessing the real-time flight map (Fig. 4), it is possible to distinguish the main air routes passing through Ukraine, which, in turn, means the loss of Ukraine's benefits in the form of payment for flight performance through its airspace. When comparing foreign and Ukrainian air traffics, Ukraine has a much smaller one.

Factors leading to the bypass of Ukraine's airspace comprise the political situation in the country, the Crimea annexation and military conflict in its Eastern part. Hence, there are flight safety recommendations established by some international institutions and authorities of the European Union to bypass a certain part of airspace in Ukraine, using other routes, and the deterioration of the economic situation takes place in this regard.

The non-competitiveness of air transportation in Ukraine is due to the following factors:
1) UIA monopoly in the air transportation market;
2) Obstacles to the creation of a competitive environment by foreign companies in the air transportation market;
3) Long delay in signing the agreement on Common Aviation Area with the European Union;
4) The air fleet is morally obsolete;
5) The infrastructure of most airports is underdeveloped.
One of the significant problems of Ukrainian air carriers in the international air transportation market is unsatisfactory service. According to the British company named Skytrax, UIA was awarded 2 stars out of 5. The disadvantage is the inflated price factor, low quality of services provided and a number of other factors that sustain the low position of Ukrainian air carriers in international markets.

4. The current situation regarding the processes of Ukraine’s integration into the Common Aviation Area

Ukraine’s air transport system is currently at the stage of integration into the European one. To implement the Single European Sky program, a number of measures have been taken to ensure compliance with Eurocontrol standards. Integration into the Common Aviation Area implies that the system of economic regulation of air transportation ought to be adapted in accordance with EU legislation, which is one of the priority areas [9].

The State Aviation Administration of Ukraine (SAAU), which reports to the Ministry of Infrastructure of Ukraine, monitors the aviation industry in Ukraine. SAAU is responsible for the implementation of aviation policy and the use of the country’s airspace, oversees the safety of air traffic, the flight condition of aircraft, the proper condition of airfields, technical devices and other aviation facilities, manages and regulates the aviation security system.

Ukrainian aviation still has a number of aspects that need to be addressed. One of them is instability in the creation and implementation of state policy in the aviation industry. In this case, it is appropriate to propose the development of a comprehensive program pertaining to the preparation for the Agreement on the Common Aviation Area being concluded and entering into force. The agreement itself should describe a number of relevant issues to be resolved.

The lack of a single plan to liberalize the air transport market is the reason for the lack of clear regulations on the integration of Ukraine’s aviation market into the European Union, which, in turn, can reduce the negative effects of “Open Skies” and liberalize the market without prejudice to the aviation industry.

The key areas of the strategy regarding the development of the air transportation market of Ukraine should be the following [10]:

1) Improving the regulatory provision of air transport at the national level;
2) Increasing the level of air transport safety;
3) Attaining progress in air transportation and increasing the level of its accessibility for citizens;
4) Development of airports, liberalization of the aviation service market;
5) Increasing the number of multimodal transportations and high-speed ground transport connections between the airport and cities, improvement of logistics links and creation of logistics centers;
6) Improvement of air navigation systems;
7) Development of general aviation and unmanned aerial systems;
8) Improvement of qualified training.

Regardless of the status of the Agreement [11], the process of liberalization of the national aviation market can be implemented by signing bilateral cooperation agreements. This process also facilitates the development of regulatory documents implementing EU regulations and directives on civil aviation, as well as bringing the existing national legislation into compliance with EU legislation.

An option to increase the level of competitiveness in the air transportation market of Ukraine is to unite the leading national air carriers. Coordinating the activities of these companies, combining efforts to improve the quality of services provided, can help to improve the image of Ukrainian air carriers in the European transportation market. Also, the unification of these air carriers can lead to the expansion of the route network by coordinating the flight schedules, combining different types of services, and increasing the number of routes to different countries.

Access to resource allocation among the air carriers participating in the alliance can reduce the cost of various services, including the maintenance and servicing of aircraft, the use of the services provided by handling companies, the establishment of joint systems for selling and booking tickets, and others.

5. Conclusions

The air transport industry in Ukraine is still underdeveloped in comparison with other countries, but there has been some improvement in recent years. However, Ukraine can efficiently apply its capabilities in the aviation industry, which is possible if there is some liberalization of access to the national market.

Insufficient state support is a major factor among the political factors. There is no basic state policy for Ukrainian airlines in a difficult competitive environment. The weak point is also a discrepancy legislation of Ukraine in the field of air transport to international and European standards, including the International Civil Aviation Organization (ICAO), the European Union, the European Civil Aviation Conference (ECAC), and the European Organization for the Safety of Air Navigation (EUROCONTROL).

Gradual displacement of a domestic air carrier to foreigners is due to weak state regulation of competition in the Ukrainian market. The weak point is also a discrepancy legislation of Ukraine in the field of air transport to international and European standards, including the International Civil Aviation Organization (ICAO), the European Union, the European Civil Aviation Conference (ECAC), and the European Organization for the Safety of Air Navigation (EUROCONTROL).

At the stage of Ukraine’s integration into the Common Aviation Area, the issue of promotion competitiveness between national air carriers becomes extremely relevant. After all, when entering the market of European air carriers, the situation pertaining to competitiveness in the Ukrainian market can change exponentially. Therefore, in order to maintain Ukraine’s achievements in the international air transportation market, it is necessary to identify the main areas where the development of competitiveness between Ukrainian air carriers can be attained in the period of liberalization and integration.

Ukraine’s accession to the Single European Sky has a number of benefits for both aviation infrastructure and citizens. The benefits anticipated as a result of this accession can be the following [12]:

1) Improving the level of service and increasing the level of flight safety;
2) The growth of supply in the market of air services, resulting in a possible reduction in air transportation prices;
3) Increasing the load of airports in Ukraine and further intensification of the development of “Boryspil” International Airport with its capabilities as a hub;
4) Improving methods of management and increasing the efficiency of Ukrainian air carriers;
5) Improving air connections between the Ukrainian regions and the European Union, which might lead to the emergence of new markets for national manufacturers, including those who represent the aviation industry;

6) Attaining an increase in foreign investment into airports, growth in the number of jobs related to both aviation and services, as well as an increase in the level of remuneration for aviation specialists.

Strategic directions of the development that the air transportation market of Ukraine ought to achieve can be considered as follows:

1) Improving the regulatory provision of air transport at the national level;
2) Increasing the level of air transport safety;
3) Attaining progress in air transportation and increasing the level of its accessibility for citizens;
4) Development of airports, liberalization of the aviation service market;
5) Increasing the number of multimodal transportations and high-speed ground transport connections between the airport and cities, improvement of logistics links and creation of logistics centers;
6) Improvement of air navigation systems;
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6. References


