



RUSSIAN TRANSPORT MINISTRY DOES NOT EXCLUDE BANKRUPTCIES OF AIRLINES DUE TO LOW DEMAND

News / Airlines



The Russian Transport Ministry does not exclude bankruptcies of airlines in case demand for air transportation remains low, Deputy Minister of Transport Valery Okulov said Thursday.

"We do not exclude the risk of bankruptcy of airlines if the situation does not change towards improving demand and traffic growth," he said.

In 2015, against the background of the difficult economic situation, the reduction of tourist flow and rising costs airline Transaero ceased to exist — before that the second largest player in the aviation market and the largest charter carrier, focused on international tourism. According to market participants, Transaero management chose the wrong policy of building up the airline's fleet, and, accordingly, its debt, taking into account the devaluation of the ruble and increased cost of maintaining aircraft resulted in the inability of the company to service the debt.

Currently a number of Transaero lenders are filing claims for the bankruptcy of the carrier.

According to the Federal Air Transport Agency, Russian airlines' passenger traffic dropped 1.2% year-on-year in 2015 to 92 mln people. Airlines carried 39.5 mln passengers on international routes, decreasing by 15.8% year-on-year. Passenger turnover in 2015 amounted to 226.98 bln passenger-kilometers and declined 6% year-on-year.

According to Okulov, in 2015 the average cost of air transportation increased by 5.6% with inflation of 12.7%. In addition, almost prices for aviation fuel increased by 12% when the share of the fuel accounts for 30% in the cost of transportation. "In general, airlines accumulated losses," Okulov said.

International air carriage in Russia fell 26% year-on-year in 2016, the official said.

"A significant decline was noted on international routes in 2015. 39.5 mln passengers were carried against 47 mln in 2014. I regret saying this trend continues. The decline in January of this year is 26%," Okulov said.

26 FEBRUARY 2016

SOURCE: TASS

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