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J'accuse! Label Russia Air Cargo Pirates

Aeroflot Russian Airlines posted a net profit of USD$85.5 million in fiscal 2009—an increase of 260 percent year-on-year. Analysts value this as an astonishing result since the turnover went down by 27 percent to USD$3.35 billion and a 4 percent passenger deficit was announced by the Moscow-based airline.

The item ‘airline revenue agreements’ mentioned in the balance sheet indirectly points to one reason why Aeroflot’s gains went through the roof. This little known item bundles all revenues resulting from code-sharing contracts with foreign airlines plus the royalties non-Russian carriers have to pay for crossing Siberian territory on routes between Europe and the Far East.

As *Air Cargo News FlyingTypers* has learned, Moscow’s transport ministry in general demands one million dollars per roundtrip per year from foreign carriers, bringing it up to seven million if the flights are conducted daily. Aviation experts say that the exact amount to be paid, however, is subject to bilateral agreements.

“Because the Russian government doesn’t make any figures public, there is plenty of room for speculation about the sums flowing in from foreign competitors,” states a former Aeroflot manager.

The payment is in line with statistics delivered by analyst Dirk Steiger (right) of Frankfurt-based Aviainform GmbH who speaks of costs of USD$60,000 for conducting a single roundtrip via Russia.

“Somehow, this is an act of modern piracy,” he exclaims, outraged.

That’s not all by far. Royalties highly distort competition between Russian carriers by also favoring state-run Aeroflot while others like Transaero Airlines, Atlant Soyuz and Siberian S7 Airlines have to earn their money on strictly commercial terms.

Click To View Video Of Dirk Steiger At Air Cargo Americas November 2009.

The only other profiteer besides Aeroflot is carrier AirBridge Cargo, which is part of the royalties' deal based on an arrangement with Japanese carrier Nippon Cargo Airlines (NCA). NCA agreed to channel their 'contribution' directly into the treasures of Volga Dnepr subsidiary ABC for being allowed to cross Russian airspace.

In addition to royalties, airlines have to pay navigation charges when flying to Russia destinations or crossing the country. "These charges, based on distance flown, are in accordance with common international practice," comments analyst Steiger.

Royalties have for a long time been a major financial source for the Russian government to subsidize the ailing domestic aviation sector. From the very beginning, the EU Commission together with the Association of European Airlines—AEA—filed protests, without visible result. Originally the monies collected were to be utilized to improve the poor infrastructure of the country's major airports, but that has not happened. Instead, the money has gone directly into Aeroflot revenue and—to a minor part—ABC, assure aviation experts. This scandalous practice means that international competitors like Air France-KLM, Asiana, NCA, Korean Airlines, Lufthansa and British Airways, just to name a few, are financially supporting state-owned carrier Aeroflot (51.17%) and Moscow-based line-haul operator ABC.

One capacity provider that doesn't participate in this game is Cargolux of Luxembourg. The airline crosses Siberian skies only in the case of urgent, time-sensitive shipments.

"We refrain from flying over Russian territory whenever possible and circumvent the country instead due to cost aspects," confirms the airline's spokesperson, Jeannot Erpelding. Consequently, CV routes its freighters mainly via Baku in Azerbaijan and Kazakhstan's Almaty on their east-west roundtrips. But if oil prices should soar again, it might be a better option to pay royalties instead of avoiding Russia airspace because flying the longer southern routes increases kerosene consumption and costs. Ultimately, the routing of the aircraft is a matter of calculation.

As a prerequisite for becoming a member of the World Trade Organization (WTO), Russia may have to shelve its one-sided royalties' regime and agree to reducing customs tariffs, import duties, and abolishing all barriers to free trade. However, the date for this has not been defined after years and years of talks.

Heiner Siegmund

Women In Cargo Hall Of Fame

Tulsi Mirchandaney

Lise Marie Turpin

Suzan Tarabishi

Marina Marzani

Today, Dragonair unveiled a special livery on one of its aircraft as part of the airline's celebrations marking 25 years of serving Hong Kong.

John Tsang, Financial Secretary of the Hong Kong Special Administrative Region Government, officiated at the livery unveiling ceremony together with Tony Tyler, Chairman of Dragonair; Norman Lo, Civil Aviation Department Director-General; Michael Wong, Director of Information Services; and James Tong, Chief Executive Officer. More than 200 guests including government officials, aviation and travel trade partners, and local and overseas media were in attendance.

Created for an A330-300 aircraft, the spectacular design of the anniversary livery features a golden dragon along the length of the fuselage, together with distinctive Chinese characters highlighting the anniversary theme, "Serving you for 25 years." This special-livery aircraft will fly primarily on the airline's trunk routes to Beijing and Shanghai.

Speaking at the unveiling ceremony, Dragonair Chairman Tony Tyler said: "This is a special time for Dragonair and we are delighted to be able to celebrate with this special anniversary livery. We are a young, dynamic airline that has already come a long way, and I believe we have a very exciting future ahead of us."

Since starting out in 1985 with just one Boeing 737-200A aircraft, Dragonair has developed to become one of the most recognized brands in Hong Kong with a fleet of 29 modern aircraft serving a network of 29 destinations in Mainland China and Asia.

"We are a high-flying brand that Hong Kong people can be proud of, and we were thrilled to recently be named World's Best Regional Airline in the prestigious Skytrax World Airline Awards for 2010. The award reflects well on both Dragonair and our home city—a most timely gift in our anniversary year," Mr. Tyler added.

The aircraft with the unique 25th anniversary livery is also the first in the fleet to feature the updated Brand Hong Kong logo, launched recently by the Hong Kong SAR Government. The logo will eventually appear on all current and future aircraft in the airline's fleet, reinforcing Dragonair's continued commitment to its home city.

HKSAR Financial Secretary John Tsang congratulated Dragonair on the unveiling of the special livery and its success over the past 25 years. "For a quarter of a century, Dragonair has been a key component in our city's international reach, and is a perfect partner for our branding campaign. Dragonair shares many of the same values and attributes that make up the DNA of our city branding," Mr. Tsang said.

"Dragonair is the friendly face of Hong Kong in the Mainland of China and throughout the region. The airline has become synonymous with the city, and we are delighted to have you on board for our branding campaign.

"I look forward to seeing more Dragonair planes adorned with the new logo so that we can continue to spread the message far and wide that Hong Kong is the place to be," Mr. Tsang added.

Dave

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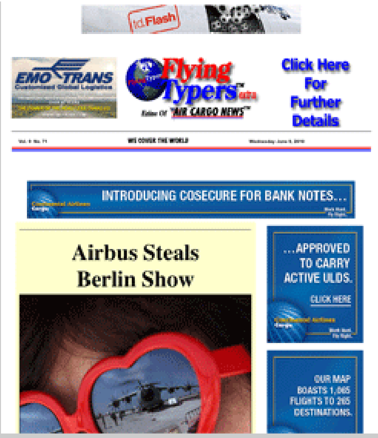

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