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Challenges of managing the aviation industry during the war with the Russia

The article discusses the current state and management issues of the aviation industry during the war with Russia. To successfully manage the aviation industry during a war, a flexible and effective action plan is necessary to ensure the safety and efficiency of airline and airport operations. The problems outlined in the article may arise not only during a war with Russia, but in any conflict, making it relevant and useful for those working in the aviation industry.

According to estimates by insurance companies, potential losses in the aviation industry in Ukraine are estimated at approximately \$7 to \$10 billion, making it the largest case of aviation insurance in history.

This is at least twice the impact of the largest aviation terrorist attack in history - the 9/11 attack in New York.

The war has dealt a heavy blow to the Ukrainian civil aviation industry, with most companies losing the ability to operate. However, despite this, they have not lost hope of returning to the skies, and some have even managed to fly by entering new markets.

"I cannot even analyze and understand how the aviation industry survives. It is a miracle that airlines have not gone bankrupt yet and are trying to stay afloat," says Andriy Huk, partner of the law firm "Ante" and aviation law expert.

Before the war, the Ukrainian aviation industry was rapidly developing. Over the past ten years, major European low-cost airlines entered the market, and in 2021, Ukraine and the EU signed an open skies agreement. Executive Director of Ryanair Michael O'Leary named Ukraine one of the most promising markets and promised to become the biggest investor in the local aviation industry six months before the war.

Due to the Russian invasion starting from February 2022, the sky over Ukraine is closed for flights, and most airlines have lost their aircraft, leaving thousands of people without jobs.

Those who managed to evacuate their planes in advance have been able to continue flying. Now they fly in Europe and "covet" Asia and South America.

Before the start of the Russian war in Ukraine, insurance companies refused to insure risks for Ukrainian airline aircraft due to general panic. This led to a massive recall of leased planes, as many of them belong to lessors. SkyUp, UIA, and Azur Air Ukraine lost part of their fleet before the war, and Bees Airline lost all its planes. Some planes got stuck at Ukrainian airports after the sky was closed for flights. This created challenges for airlines and aviation industry workers who lost their income and ability to work. Besides earning a living, they need to constantly confirm their qualifications and work, as aviation specialists cannot just "sit idle".

Professionals in the aviation industry are facing difficulties due to the war in Ukraine. Insurance companies refused to provide coverage for the risks of Ukrainian

airlines before the conflict, leading to the grounding and eventual loss of many planes. This created challenges for airlines and aviation workers, who lost income and had to constantly prove their qualifications to stay employed. The government has allowed aviation workers to travel despite the war, but bureaucratic procedures and expensive training make it difficult for them to do so. Many pilots have found work abroad, leaving only a fraction available for employment in Ukraine. However, once the conflict ends, most pilots are expected to return home because they believe that it is better to fly in their own country. One pilot interviewed for the article chose not to leave because of his family and the fact that his son cannot leave due to the war.

The main source of work and income for Ukrainian companies that were able to evacuate their planes is charter transportation for tour operators, humanitarian flights, and so-called "wet" leasing, where a company rents out a plane along with its crew and technical maintenance.

Demand for such services has significantly increased in Europe. After two years of downtime during the coronavirus pandemic, when companies were reducing personnel and limiting flights, travel became relevant again in the summer of 2022.

According to experts, SkyUp has been the most successful company in this field. They claim that this company was also the most prepared for the war.

Not only did the company manage to evacuate almost its entire fleet from Ukraine before the closure of the airspace (only one aircraft remained stranded at "Boryspil" airport), but it has also continued to fly and make a profit, now in Europe.

In six months of the war, SkyUp completed over 4,000 flights, transported over 619,000 passengers to 227 destinations, and even acquired a new Boeing 737-800, thus becoming the owner of the largest available fleet among Ukrainian companies - 12 aircraft.

According to the company's press service, as reported by BBC News Ukraine, SkyUp collaborated with nine airlines under wet-leasing contracts, including Wizz Air, TailWind, Smart Wings, and others.

According to the company, there were no layoffs during the war period, and SkyUp currently employs over 1,200 people, although the workload per employee has decreased.

Prior to the war, MAU was the country's leading airline, with the largest fleet, the most diverse range of destinations, and the most flights. The war dealt a heavy blow to the carrier, leaving it with only four out of more than twenty aircraft. Some of the planes were recalled by lessors on the eve of the war, fearing a hypothetical escalation. Others were stranded in Ukrainian airports and could not take off when the airspace over Ukraine was closed due to the conflict.

At first, MAU was among the lucky ones who managed to continue operations.

As reported by BBC News Ukraine, during the first six months of the war, MAU focused on charter flights for European clients and provided flights for sports teams from European and Ukrainian countries.

However, this activity did not bring commercial success. According to Ukrainian Forbes, MAU's revenue decreased threefold to 1.2 billion hryvnias in the first half of 2022. If the company made a profit of 22 million hryvnias in January-June

2021, this year it recorded a loss of 1.3 billion hryvnias. As of September 1, the airline had 1,135 employees - almost 300 fewer than in 2021.

On September 19, Kirill Zvonarev was appointed as the new acting CEO of Ukraine International Airlines (UIA) to replace his predecessor Yevhenii Dykhne, whose contract had expired. However, Dykhne's dismissal was blocked by a court, creating a situation where the new CEO cannot take office and the old one is no longer working. This has resulted in problems with financial operations, as well as a lack of salary payments to UIA employees since September. According to Alexander Polyansky, the head of the UIA trade union, the company's operations are effectively blocked and flights cannot be carried out. The trade unions are preparing legal documents for non-payment of salaries and have already written letters to the State Aviation Service and shareholders, asking them to temporarily leave Dykhne in office, but there has been no response so far.

Experts predict that the longer the war continues, the more difficult the situation will be for the Ukrainian civil aviation, and the longer it will take to recover.

One solution would be to find a way to resume flights even under wartime conditions.

In September, the Minister of Infrastructure, Oleksandr Kubrakov, first voiced this idea, suggesting that the Lviv airport could be opened for flights.

According to experts, the aviation industry would see significant progress if even one airport were to open. Bees Airline, which has lost all its aircraft and is currently grounded, has expressed its willingness to resume flights immediately after the airport opens, but only if safety guarantees are in place.

The CEO of Bees Airline, Yevhen Khainatsky, emphasized the importance of ensuring physical safety in airports, as opposed to seaports where the risk is relatively low. He believes that providing safety guarantees is crucial for insurers to insure aircraft and leasing companies to provide them to airlines.

The issue of reopening airports is complex and requires both political and military solutions, according to Oleksandr Myronenko and Andriy Huk. They suggest that agreements between Russia and Ukraine and PPOs on specific routes could be necessary. Huk cites examples of grain routes and Israel, where airports continue to operate despite military actions, with increased security measures in place.

Huk emphasizes the urgency of addressing the issue of aviation connectivity in Ukraine, especially in western cities, to prevent the demise of the aviation industry due to the ongoing war.

Conclusions

The aviation industry in Ukraine faced significant challenges during the war with Russia. The conflict led to the closure of Ukrainian airspace, which had a severe impact on the country's aviation sector. The management of aviation companies was particularly affected, as they had to deal with a lack of flights, reduced revenue, and uncertainty about the future of the industry.

One of the main problems was the difficulty in maintaining the country's fleet of aircraft. Many planes were either destroyed during the conflict or were unable to leave airports due to the closure of airspace. This situation led to a shortage of available aircraft for both commercial and military purposes.

In addition, the war disrupted the supply chains for aviation companies, making it challenging to obtain spare parts, fuel, and other essential resources. The conflict also had a significant impact on the tourism industry, as many tourists canceled their trips to Ukraine due to safety concerns.

Another challenge was the need to ensure the safety and security of passengers and aircraft during a time of war. Aviation companies had to work closely with government agencies to develop strategies to mitigate the risks associated with flying in a conflict zone.

Overall, the management of the aviation industry in Ukraine during the war with Russia was a complex and challenging task. Companies had to adapt to a rapidly changing environment and navigate numerous obstacles to ensure their survival.

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