

SkyExpress facing resistance from poor Russian mobility

Air Transport Intelligence news. David Kaminski-Morrow, London (12Jun08)

Russian budget carrier SkyExpress believes lack of population mobility is among the greatest obstacles in its battle to establish a solid low-fare presence in the country.

SkyExpress started domestic services from Moscow Vnukovo Airport in January last year and its preparing to take delivery of its tenth Boeing 737 aircraft.

But speaking at the Institute of Economic Affairs' *Low Cost Air Transport Summit* in London, SkyExpress' Maxim Poberezhnik admitted the carrier was struggling with load factors of 65-70% on a number of routes, far below a target of around 85%.

Poberezhnik says that only 44 million passengers flew domestically last year – a 70% decline since the early 1990s – compared with 136 million who travelled by rail. He states: “Our huge competitor is the Russian sitting at home who doesn't want to move anywhere.”

He cites Bank of Moscow studies suggesting that Russia's population has a relative mobility of just 0.32 compared with 2.5 in the USA and 1.6 in the UK.

“Our target is to raise the mobility of the Russian nation,” he says. SkyExpress, however, is facing several other problems. While the carrier had been marketing basic one-way fares of Rb500 (\$21), oil prices have forced it to add fuel surcharges of up to Rb1,000.

The country has relatively low Internet and credit-card penetration, which has prompted the airline to explore innovative mechanisms such as a dedicated payment card.

Poberezhnik says SkyExpress does not have access to tools to hedge fuel risks, and so “doesn't manage [fuel] prices well”. He adds that Russia has no secondary airports, and turnaround times at its destinations are still averaging 60-90min, reducing the efficiency of its operation.

SkyExpress had been intending to operate 40 aircraft by 2010. But Poberezhnik says the airline has a “very big problem” in trying to source even old aircraft in the country, and expects the airline's fleet to increase to 25-30 jets over the next two years.