

ЕКОНОМІКА ПІДПРИЄМНИЦТВА ТА ПРОБЛЕМИ РОЗВИТКУ АГРОБІЗНЕСУ

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V. Gridasov

candidate of economics, docent
Donbass State Machine Building Academy

D. Holubtsova

student
Donbass State Machine Building Academy

THE INVESTMENT CLIMATE FORMATION OF THE AVIATION INDUSTRY IN UKRAINE

Abstract. *This work describes the modern aspects of the aviation industry of Ukraine. Problems in the aviation industry in our country are analyzed, including the need in invest resources in this area. The modern state of aviation industry of Ukraine is reflected. The article also presents statistical data on the aviation industry in 2013.*

Key words. Aviation industry, globalization, investments, competitiveness, integration process, financial condition, export potential.

ФОРМУВАННЯ ІНВЕСТИЦІЙНОГО КЛІМАТУ АВІАЦІЙНОЇ ГАЛУЗІ В УКРАЇНІ

Анотація. У роботі описано сучасні аспекти діяльності авіаційного комплексу України. Проаналізовано існуючі проблеми в авіапромисловості нашої країни, у тому числі необхідність інвестування в дану сферу. Відображено сучасний стан авіаційної промисловості України. Також у статті наведено статистичні дані щодо авіапромисловості за 2013 рік.

Ключові слова. Авіаційна промисловість, глобалізація, інвестиції, конкурентоспроможність, процес інтеграції, фінансовий стан, експортний потенціал.

ФОРМИРОВАНИЕ ИНВЕСТИЦИОННОГО КЛИМАТА АВИАЦИОННОЙ ОТРАСЛИ УКРАИНЫ

Аннотация. В работе описаны современные аспекты деятельности авиационного комплекса Украины. Проанализированы существующие проблемы в авиационной промышленности нашей страны, в том числе необходимость инвестирования в данную сферу. Отражено современное состояние авиационной промышленности Украины. Также в статье приведены статистические данные относительно авиационной промышленности за 2013 год.

Ключевые слова. Авиационная промышленность, глобализация, инвестиции, конкурентоспособность, процесс интеграции, финансовое состояние, экспортный потенциал.

Introduction. World aviation industry experiences serious changes to date, being in channel of global processes, which touch a world economy. Multinational corporations lead at the market, the interconnectivity of companies, which function in related market segments, increases all anymore. Actually, world aviation industry characterizes globalization which determines and will in future determine high-quality changes at the market [1].

There is growth deceleration of aircraft building in Ukraine because of economic decline and growth of competition with western, and in particular, with Russian developing in the field of aviation industry, and also the maintenance of industry is primary in a public domain resulted in falling of investment attractiveness, both for domestic and foreign investors. The political processes played not the last role in these negative aspects, observed in Ukraine during the period from December 2013 to today. General condition of uncertainty in prospects of the investments inherent both the Ukrainian investors and foreign interested persons. Moreover, it should be noted that the similar state of uncertainty is characteristic both for investors, carrying out relatively small investments in the enterprises of aviation industry of Ukraine and for more large investors, forming strategic directions whole industry. Among these investors can be identified: «Ukrspesexport», «Marshall Aerospace», «HESA» (Iran) and others.

But we should not overestimate the influence of various political processes on the production and marketing activities of above aforesaid potential investors. At the proper approach and adequate

building of production and business relationships cooperation in the aviation industry is not only possible but also promising.

We must find out that Ukraine needs in financing of all spheres of economy. Presently there is activation of investment process in aviation industry of country. According to legislation aviation industry of Ukraine is one of priority industries. Development of this segment allows having influence on contiguous industries, which takes place due to including them in the production cycles of developing and production.

Problem definition. Presently aviation industry of Ukraine has a number of problems which are related with the market conditions of operation, hard competition in the world market on a background low demand on domestic one, the substantial deficit of money facilities for financing of all needs, adaptation of the Ukrainian enterprises to the world requirements on the evidence of the last events in a country.

Relevance of articles is determined by growing interest of investors, both domestic and foreign to the aviation industry of Ukraine. The subject of research is the investment activity in the aviation industry.

Results. Aviation industry of Ukraine develops actively, saving present developments and modernizing existent now production technologies. It allows the Ukrainian aviation to be a player and to be in active demand in the world market that enables to grow the volumes of export. Also co-operative projects is realizing in aviation industry with many countries.

Table 1

DESCRIPTION OF AVIATION INDUSTRY COMPLEX PROBLEMS

№	Characteristics of the problem	Possible consequences
1	2	3
1	Growth of prices on materials, energy resources and salaries, exceeding the planned level	Deficit of current assets, profitability level of products decline
2	Increase of tax rates and levy, liquidation of preferences	
3	Unplanned downtimes because of the equipment technical defects	Disruption of the production schedule, the profits loss
4	Low scientific and technological progress	Reduced competitive advantages of products, low rates of innovation.
5	Political instability	Difficulties of the production process organization in the global market.
6	Lack of support from the state	Decline of investment attractiveness, falling of financing volumes
7	Foreign-policy threats	Difficulties in the process of deliveries and sale products, worsening of relationships with countries-suppliers and countries-users, including fault of the third countries.

Unfortunately, it should be noted the problems arising up in the higher management of public enterprise Antonov, such as demission head of state aircraft manufacturing concern Antonov Dmitry Kiva, who led the company for more than 5 years. One of the main reasons analysts set that the Director General and management group focused on the development of cooperation with Russia, that i on the evidence of the current political situation is a significant problem. In the structure of the group can be identified: the public enterprise (PE) Antonov (earlier ASTC Antonov), its branch «Serial Plant «Antonov», PE «Civil Aviation Plant 410» and Kharkov State Aircraft Manufacturing Company (KSAMC). [2]

Ukraine enounced a desire to co-operate with the French-German consortium of European Aeronautic, Defense & Space Co. (EADS), in particular in the field of aviation manufacturing. The question is, foremost, about civil aircraft building and possibly air transports.

Also it should be noted that, in spite of a political crisis, a partnership between the Russian and Ukrainian airentrprises goes on. So, for example, the Moscow united engine corporation (UEC) and Zaporozhe enterprise «Motor Sich» organize an international engineering center in Moscow. It is assumed that the purpose of developments and production will be engines for the warcraft of fifth generation, intended, foremost, for Russian defensive industry.

In addition it should be noted Alexander Lukashenko’s interesting initiative on the organization of joint aircraft production and helicopters in the Republic of Belarus in cooperation with Russian and Ukrainian manufacturers.

State Agency on Science, Innovations and Informatization announced Ukrainian delivery plan of engines AI-225K-25 China for \$ 5.7 billion. The engine developed by Ivchenko-Progress and released by «Motor Sich» for Chinese trainer aircraft L-15. First deliveries of the engine began in 2001, and until 2041 Ukraine plans to deliver 1920th engines and 3840 to repair that will result in a total production of engines in the amount of \$5.7 billion over 40 years.

Cooperation in this industry led to the creation of an international consortium Sea Launch Company (SLC), founded in 1995, which includes: the American company Boeing Commercial Space Company (affiliate of the Aerospace Corporation «Boeing»), which provides guidance and funding (40% of capital), the Russian Rocket and Space Corporation «Energy» (25%), Ukrainian DB «South» (5%) and «Yuzhmash» (10%), as well as the Norwegian shipbuilder Aker Kværner (20%). Headquartered consortium is in Long Beach, Ca. As performers contracts involved Russian “Designer Bureau of Transport Machinebuilding” and CDB “Rubin”. The initial project cost was \$3.5 billion. [3]

Aviation industry belongs to the strategically important sectors of Ukrainian economy. Our country has an own complete cycle production of airplanes, that makes it attractive for investors. The basic Ukrainian enterprise, practicing aircraft construction, is PE «Antonov».

Aviation industry in Ukraine is perspective enough and profitable. It is determined by the negligible quantity of companies which work in this field.

In Ukraine the following major aviation industry enterprises functionate: PC «Motor Sich» (Zaporozhe); PE «Antonov» (Kiev); LC «Avia-pro» (Kherson); CC «Remschetmash» (Druzhkovka); Kharkov State Aircraft Manufacturing Company (Kharkov), etc.

Aviation industry enterprises are active and successive supporters of integration process in a world aviation complex. The companies of aviation industry co-operate with Russia, Germany, China, India, Argentina, Turkey and Poland. A very large value for this sphere has collaboration with the enterprises of Russian Federation and countries of the CIS.

For example, KSAMC is one of apparent players in the aviation market of the CIS, a few last years hold priority on the amount of the produced civil airplanes. PE «Antonov» has partner relations in 76 countries.

For 9 months of 2013 the share of products and services export for an aviation made the about semi billion dollars USA in the total export of enterprises of SK «Ukroboronprom».

For passing 2013 production volumes in aviation industry grew on the average on 20%. So, in the III quarter 2013 production of aviation industry volumes were made by 4.3 billion UAH, and for 9 months 2013 production volumes were exceeded by 12,300 billion UAH. Thus, we may say, that for 2013 this industry grew the indexes.

One of the important disadvantages is that aviation industry is not enough complex supported from the side of the state. Aviation enterprises need in government orders, in order to work not exceptionally for an export. Also there is a necessity of supporting companies, which exploit domestic

air equipment <http://www.lingvo.ua/ru/Search/Translate/GlossaryItemExtraInfo?text=%d1%82%d0%b5%d1%85%d0%bd%d0%b8%d0%ba%d0%b0&translation=technics&srcLang=ru&destLang=en>, and collaboration with them. It is necessary to confirm medium-term development strategy of this sphere that will help to place priorities ahead of basic enterprises, to provide financing. Among the key objectives are: technical reequipment, modernization of industry.

It is impossible to deny, that aviation industry of Ukraine is unprofitable, however in an order to go out on the make-out level of aviation manufacturing, recover the mass production of airplanes and open up the issue of helicopters, financing is needed from the side of the state or investors. It will be required more than 35 billion UAH for covering expenses.

Another positive moment lies in that Ukraine has large potential in aerospace industry. This field kindle interest such countries as Saudi Arabia, Russia, and they try to set the joint production of airplanes family «An» on their territory.

It should be noted that after dissolution of the USSR the collaboration of Ukraine and Russia proceeds in joint military-technical projects, for example, modernization of airplane An-70.

However, it should be remembered that in connection with political instability, therefore, and economic situations, that is Referendum in Crimea and its annexion to Russian Federation, signing the political association agreement with EU, realization of Referendum about creation Donetsk and Lugansk people’s republics, will have influence on aviation industry.

Air traffics occupy a considerable stake in aviation industry and play an important role. Among basic and the most popular Ukrainian airlines it is possible to select: Ukraine International Airlines; Utair Ukraine; Wizz Air Ukraine; Windrose Airlines.

Since a summer 2008 in Ukraine flights are executed by the first budgetary airline of Wizz Air Ukraine. This company is subdivision of the largest low-cost airline of Eastern Europe Wizz Air.

In modern circumstances great importance plays air communication between countries. During the first half-year of 2013 about 90% of total volumes of air traffics were carried out by 5 leading airlines: “Ukraine International Airlines” (53,7% increase), “Wizz Air Ukraine” (increase 52,1% increase), “Utair-ukraina” (growth in 3,3 times), “Windrose Airlines” (4,4% increase), “Air Onix” (growth in 13 times). [4]

Though there are a number of positive moments, still modernization of airlines service and its rising on international market level is required.

During last five years in Ukrainian economy there is a difficult situation, aggravating afterwards last events of end of 2013 till present. Because of it there is a considerable reduction of Gross Domestic Product, real income, downswing paying capacity, that tell on demand on air traffics and services. The consequent effect has become the deformation of air traffic market.

At present stage the main problems related to aviation industry complex are:

- lack of required financial resources for updating the aviation fleet that results in crisis of civil aviation domestic market.
- lack of owned financial resources for covering required charges, implementation of tasks set to aircraft industry complex;
- lack of credit financing mechanism development of production and delivery (sales), and also realization of the financial leasing of domestic air technics;
- absence of stimulants and support for domestic and foreign financial structures and private investors for investment in aviation and construction industry subject to conditions similar to those of obtaining financial resources by foreign aircraft manufactures;
- deficient or incomplete financing works provided by the state target program of civil aviation development in Ukraine that led to non-observance of implementation terms of number of works on creation new generation of civil domestic aircraft;
- intellectual potential decline of research institutes, designer bureaus and enterprises, producing serial production, breaking the process of aviation scientists, engineers. technicians and highly skilled workers generation;
- intensification of competition both at foreign and domestic markets from the side of foreign aviation manufacturers;
- aggravated scramble for ownership rights and absence of control after aircraft enterprises and organizations.

An important aspect is the unstable financial circumstances of many major concerns of industry. Also negative influence is given by the low volumes of government orders, illegitimate price increase, financing decline and almost absence of support from state side.

From the beginning of 2015 summer navigation the mode of air communication will be simplified between Ukraine and countries of EU, i.e. any European airline will be able to arrive to any Ukrainian airport, as well and the Ukrainian airlines will be able to arrive in any European airport. It can result in upgrading aerservices and decline of flights costs.

According to the confirmed “State development program”, the government invests on infrastructures development of Ukrainian aviation about 15.3 billion UAH: 4.1 billion UAH on development of terminal handler and 11.2 billion UAH on development of aerodromes.

According to conception of government target scientific and technical program of aircraft construction development till 2020, the basic tasks of industry are: development of new air transport An-140T, An-178, domestic helicopters MSB-2, MSB-6, civil setting pilotless aircraft, and also modernization of passenger An-140, An-148, An-158 and transport An-74, An-124 and helicopters Mi-2 and Mi-8. The expected results include: providing production volumes of industry till 2020 more than 100 billion UAH; increasing export volumes of aircrafts and services about 75.3 billion UAH; attracting investments to the industry in the amount of 6.2 billion UAH; maintenance no less 50 thousand of workplaces and establishing no less than 10 thousand of new workplaces. The total financing volume of the measures is estimated in 37.1 billion UAH, including the budgetary financing in 15.8 billion UAH.

Conclusion. From the latest events taking place in Ukraine, as in the political and legal field, so and the economic sphere of the state for the aviation industry enterprises prospects look rather ambiguously, containing as a possible preconditions for successful development, and potential threats to its production.

Tailing of trade barriers and standardization of technical requirements in connection with the expected signing of economic part of contract about an association with EU, and also some other

processes at an international level, related to political activity of our country can be instrumental in expansion of enterprises export potential of aviation industry. It is assumed that Ukrainian construction materials, accessory and especially aviation engines are capable, in principle, to occupy a certain world aviation industry market share. However all of it is possible on condition of timely certification in accordance with western standards and culture increase of production at enterprises. A positive moment in the activity increase of Ukrainian aircrafts also is an influx of modern western technologies to the Ukrainian aviation industry enterprises of all patterns of ownership. At the same time in a prospect it is necessary to turn the special attention on that enterprises of Ukrainian aviation industry, producing highly technological products with a high value added, will run against hard competition from the side of the imported western aerotechics which were already in use. It is not a secret, that lately exactly a similar air transport is used massively by the Ukrainian airlines. Also it should be noted that possibilities which airlines will have in connection with simplification of leasing plans of getting an air transport. In these terms the aviation industry enterprises of Ukraine will have to prove their products' advantages in hard competitive activity. It seems to us that a maximum of efforts must be attached in the maintenance of those enterprises' directions activity of aviation industry, which and before were more competitive. The question is foremost about highly tonnage transport transportations by Ukrainian airs and thereafter their production.

In the near-term outlook in aviation industry it is not ought to expect the economy growing. The way to strengthening of existent positions and their improvement conclude in: deepening in all profitable components and maximization each of them. It is necessary to conduct the revision of suppliers' conditions, expansion of number of services, forming of suggestions for the narrow segments of market, expansion of presence of multiBSP and multiGDS. It is required for the best commercial result. However it should not be forgotten about changeability and instability of both political and economic situations in Ukraine and influence on it of different factors at an international level.

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