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**REORGANIZATION OF OWNERSHIP IN SPHERE OF UKRAINIAN CIVIL  
AVIATION**

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*Соколи І.І. Реорганізація форми власності в сфері цивільної авіації України.*

Надається аналіз процесів реорганізації та трансформації форми власності аеропортів та авіаційних компаній України за останні 10 років.

*Ключові слова:* реорганізація, реформування, трансформація, форми власності, цивільна авіація, авіакомпанія, аеропорт.

*Соколы И.И. Реорганизация формы собственности в сфере гражданской авиации Украины.*

Представлен анализ процессов реорганизации и трансформации формы собственности аэропортов и авиационных компаний Украины за последние 10 лет.

*Ключевые слова:* реорганизация, реформирование, трансформация, формы собственности, гражданская авиация, авиакомпания, аэропорт.

*Sokoly I.I. Reorganization of ownership in sphere of Ukrainian civil aviation.*

Analysis of processes of reorganization and transformation of ownership of airports and aviation companies of Ukraine is offered.

*Keywords:* reorganization, reforming, ownership, civil aircraft, airline, airport.

**R**esearch of processes of privatization in sphere of civil aviation of Ukraine has very important scientifically-practical value in modern conditions. Special consideration and the analysis processes of transformation of ownership in sphere of the aviation companies and airports demand the detailed investigations, also the special attention is demanded for the problems and the difficulties inevitably arising at these processes, which importance and influence often have crisis character. Working groups of Ukrainian State aviation authorities, science officers of National Aviation University were engaged in questions of research of processes of transformation of ownership of Ukrainian civil aviation enterprises, in the present work the author presents the analysis of privatization processes in sphere of civil aircraft of Ukraine and offers his own vision of the problem decision aspects of this point.

*The scope* of the work is the analysis of processes of privatization in sphere of the aviation companies and airports of Ukraine, definition of the state problems in the given sphere and development of decisions on the organization of transformation of ownership in Ukrainian civil aviation, directed to its effective development.

**Reforming of the aviation companies**

Dynamics of process of reorganization of ownership of the aviation enterprises in 1993-2002 are presented as the following:

*Results of reforming the state property in Ukrainian civil aviation*

1993

— Zaporozhye aviation enterprise is reformed by separation of state enterprise (SE) «The Airport Zaporozhye»;

— the Nikolaev state aviation enterprise is reformed by creation of SE «Nikolayv International airport» and Nikolaev regional branch of agricultural aviation;

1998

— SE «Airline of Ukraine» were separated from its airport structure of the Vinnitsa, Donetsk, Zaporozhye, Kirovograd, Kiev, Lugansk, Lvov, Kharkov, Khmelnytskyi and Chernovitsky;

— Kharkov state aviation enterprise was separated from International airport of Kharkov;

1999

— from SE Odessa airlines it was separated the SE «Airport Izmail» and SE "Ukraeroruh";

— SE «Odessa airlines» was transformed into SE International airport Odessa and aviation company (order MTY from 03.06.99. №286);

2000-2002

— Sumy SE «Universal-avia» was separated from SE «Airport Sumy»

— SE «Kirovograd airlines» was separated from SE «International airport Kirovograd»;

— SE «Lugansk airlines» was separated from SE «International airport Lugansk» ;

— Chernigov SE «Universal-avia» was transformed into SE «Airport Chernigov»

— Cherkassy SE «Universal-avia» was transformed into SE «Airport Cherkassy»;

— Kherson SE «Universal-avia» was separated from SE «Airport Kherson»

— Poltava SE «Universal-avia» was separated from SE «Airport Poltava»;

— Agricultural aviation company SE Vinnitsa «Universal-avia» was created by separation from Vinnitsa airport;

— Uzhgorod SE «Universal-avia» was separated from SE «International airport Uzhgorod»;

— Ternopol SE «Universal-avia» was separated from SE «Airport Ternopol»;

— Ivano-Frankovsk SE «Universal-avia» was separated from SE «International airport Ivano-Frankovsk» (order MTY from 1/25/2001 №38);

— SE «Airline of Kerch» was reorganised into SE «Airport Kerch»;

— Rovno SE «Universal-avia» was separated from SE International airport Exactly»

— Zhitomir SE «Universal-avia» was divided to SE «Airport Zhitomir» and SE "Zhitomir-avia" aviation company

— Kiev regional agriculture aviation company was crated by reorganisation of Kiev state aviation enterprise "Universal-avia".

The last two large aviation enterprises which were for a long time kept in state property were SE «Lvov airlines» and SE «Donbass-east airlines of Ukraine». JSC "Airline Dneproavia" later was created on the basis of Dnepropetrovsk branch of SE «Ukrainian Airlines».

Finally by 2002 we saw the following completely privatized aviation companies in Ukraine:

— JSC «Vinnitsa aviation enterprise» (100 % of the state actions);

— JSC «Lutsk aviation enterprise»;

— SC "Dneproavia" (100 % of the state actions);

— JSC «Regional company "Universal-avia»;

— JSC «Crimean zone agency of air transportations»;

— JSC «Khmelnytskyi aviation enterprise» «Podillya – Avia »;

— JSC "Spets-Avia»;

— JSC «Airline Constanta»;

— JSC «Airline Bukovina»;

— JSC «Odessa airlines»;

— JSC "National airlines of Ukraine"(100 % of the state actions);

— JSC «Aviation company" Megaline "(100 % of the state actions);

— JSC "Universal-avia" (100 % of the state actions);

— JSC «Airline of Kharkov» (100 % of the state actions);

— SE "Crimea".

Management functions have been transferred to Ukrainian fund of state property in following enterprises:

— SE «Lugansk airlines»;

— SE «the Kirovograd airlines»

— JSC «Kharkov airlines»;

— Poltava SE "Universal-avia»;

— Rovno SE "Universal-avia"

Condition of privatization of the aviation enterprises, management functions by which property were temporary transferred to the Fund of the state property of Ukraine were the following:

— SE «Lugansk airlines» – privatization was temporary suspended.

— SE «Kirovograd airlines» – was transformed into open joint-stock company "Kirovograd airlines".

— SE "Crimea" – was saled in completed property complex.

— SE «Kharkov airlines» - privatization was temporary suspended.

— Poltava SE «Universal-avia – was transformed into JSC «Aviation enterprise of a special purpose "Meridian".

— Rovno SE «Universal-avia – was transformed into open joint-stock company «Rovno airline "Universal-avia".

In Uzhhorod SE "Universal-avia" the functions have been transferred to Fund of the state property of Ukraine, but in connection with the accepted decision of the Ministry of Emergency Measures and cancellation of the decision on privatization of property Uzhhorod SE "Universal-avia", this enterprise was returned to Ministry of Transport. For some time the decision project about transfer Uzhhorod "Versatile person-avia" to sphere of department of the Ministry of Emergency Measures has been on the coordination in the Ministry of Justice of Ukraine.

### Reforming of airports

Though the question on privatization of the airports basically was already solved at the state level, the majority of them were not properly corporated. One part of the airports as experiment have been transferred under jurisdiction of municipal authorities

(for example, "Odessa", "Kramatorsk" and "Severodonetsk").

In the relation of two capital airports and the several airdromes, which were pretending as playing the leading role (despite the obvious leadership of "Borispol"), there was an opinion of perspectivity of their association under the general management, where could enter the municipal bodies, central authorities and military representatives and who would direct the further development of the airport complex ensemble.

We see a bit other situation with the regional airports which can be made profitable. In case of their privatization a controlling stock with «50 % plus one action», or blocking — 25 %, according to the state conception, should be fixed to the state to prevent probable attempts of new owners to reorientate or resell object.

In 1999 attractive enough object - airport "Odessa" - has been transferred in the municipal property by order of Ministry of transport. After more than two years of its functioning under the aegis of the Odessa mayoralty it became clear that this experiment has appeared as extremely unsuccessful and aviation state authority has brought up for the Ministry a question to transfer the Odessa airport back to state property. But the mayoralty of Odessa has agreed upon joint working out of the project and performance of reconstruction of the Odessa airport in 2011-2013 with the Austrian firm «Consulting the Airport Vienna». The approximate sum of the project — \$90 million

As one more unresolved problem there is a separation once a united complex of an airport to single airline company and single airport. For example, in 2006 Lvov city authorities have opposed such a decision. Today the joint order of Ministry of Transport and Fund of state property about restructuring of eight aviation enterprises is already confirmed, which had directed to provide such division and then to gradually draw it from the state property. Subsequently creation of the holding company which will take up the problems of all state airports is also has been planned. Besides, now it's been considered the question of corporatization of "Borispol" and "Simferopol", thus, the process of privatization of the airports now are not over.

According to order of Ministry of transport on July, 26th, 2001 №297-r "About transfer of complete property complexes of the airports of civil aircraft from state in the municipal property" the following airports have been transferred in the municipal property:

— SE "Airport Vinnitsa" Is transferred in the municipal property (the Delivery-acceptance certificate is confirmed at session of country council from 11/14/2001)

— SE "Airport Mariupol" Is transferred in the municipal property (the Delivery-acceptance certificate is confirmed from 18.09.01 at session of city council from 26.09.01)

— SE "Airport Kerch" Is transferred in the municipal property (the Delivery-acceptance certificate is confirmed by the Chairman of Kerch city council).

— SE "Uzhhorod International Airport" Is transferred in the municipal property (the Delivery-acceptance certificate from is confirmed at session of country council from 7.11.01)

— SE "International airport Lugansk" Is transferred in the municipal property (the delivery-acceptance certificate from 11/10/2001).

— SE "International airport Kharkov" Is transferred in the municipal property (the Delivery-acceptance certificate is confirmed from 27.09.01 at session of city council from 27.09.01).

— SE "International airport Kirovograd" Is transferred in the municipal property (the certificate-reception-transfer it is confirmed by the Chairman of the Kirovograd regional state administration with 1/2/2002 of year.)

— SE "Airport Izmail" Is transferred – 20.12.01. At the next session of city council the airport delivery-acceptance certificate has been confirmed

— SE "Airport Ternopol" Is transferred in the municipal property (the Delivery-acceptance certificate is confirmed from 24.09.01 at session of country council from 25.09.01)

— SE "International airport Krivoi Rog" Is transferred in the municipal property (the Delivery-acceptance certificate is confirmed from 25.09.01 at session of Krivorozhsky city council from 27.09.01)

— SE "Airport Cherkassy" Is transferred in the municipal property (the Delivery-acceptance certificate is confirmed from 14.09.01 at session of the Cherkassk country council from 17.09.01)

— SE "Airport Sumy" Is transferred in the general property of territorial communities of area. The delivery-acceptance certificate from 1/28/2002 is confirmed at session of the Sumy regional deputy council.

— SE "International airport Ivano-Frankovsk" Is transferred in the general property of territorial communities of area. The delivery-acceptance certificate of the airport has been confirmed from 06.02.02 by the Chairman of the Ivano-Frankovsk country council.

— SE "Airport Kherson" Is transferred in the general property of territorial communities of area. The delivery-acceptance certificate of the airport has been confirmed from 08.02.02 by the Chairman of the Kherson country council.

— SE "Airport Chernovtsy" Is transferred – the airport Delivery-acceptance certificate is confirmed at session of Chernovitsky country council

— SE "Nikolayv Airport" It is transferred by the delivery-acceptance certificate it is confirmed by the order of the Nikolaev regional state administration from 3/13/2002 of the №132-river

— SE "Rivne International airport" is transferred by the Order of the Chairman of the Rovno regional state administration №49 from 1/31/2002 the

airport delivery-acceptance certificate is confirmed.

— SE “Airport Khmelnytskyi” transfer process was temporary suspended.

For the airports of Sumy, Khmelnytskyi, Rivne, Kherson, Nikolaev, Chernovtsy and Ivano-Frankovsk it was signed the order of Ministry Cabinet of Ukraine on January, 8th, 2002 №3-r “About transfer of complete property complexes of the airports of civil aircraft from state in the municipal property”.

According to the order of the Ministry Cabinet of Ukraine on July, 11th, 2002 №380-r “About transfer of a complete property complex of the airport of civil aircraft from state in the general property of territorial communities of the Poltava area” SE “Airport Poltava” was transferred to the possession of territorial communities of the Poltava area as the complete property complex of civil aircraft.

After the letter on 3/29/2002 №692/08-16 the Zaporozhye regional state administration has refused to accept SE “Airport Zaporozhye” to the property of territorial communities of the Zaporozhye region. SE “Airport Chernigov” doesn't function, due the enterprise has no possibility to cover existing debts of salary payments, to the budget, to the Pension fund and other creditors - the project of the order of enterprises liquidation is now on consideration. The municipal enterprise “International airport Kiev” (Zhulyani) is transferred in the municipal property after the order of the Ministry of transport of Ukraine and the Kiev city deputy council on 2/1/1994 (as performance of decision of Ukrainian Ministry Cabinet on 9/17/1993 №746 “About measurements for development of airport complex “Kiev”(Zhuljany) – “Vasilkiv”).

### Conclusions

1) For today in sphere of the aviation enterprises of Ukraine it is possible to consider processes of transformation of ownership as finished for 80-90 %;

2) The general character of processes of restructuring of ownership in sphere of the aviation enterprises has been directed on crushing of united aviastructures (complexes) of the airport and airline and the subsequent privatization of the new created ones after separate schemes;

3) The organizational mechanism of privatization in sphere of civil aircraft was imperfect and unbalanced – priorities in the scheme of SE's division to airports and airlines were considerably shifted to favor of the airports and to the detriment of property interests of airlines that has led to sharp growth of debts and problems in the organization of industrial activity of airlines;

4) In the course of airport property reforming it was formed 8 large airports-leaders which are successfully carrying out their service activity, - other airports of Ukraine, especially regional and local, are functioning extremely poorly or don't work totally. Reorganization of ownership of regional and local airports has led to occurrence of long bureaucratic procedures of reception-transfer of the airports to new

subjects (local authorities), which were not potentially intended to direction of effective functioning and progressive development of the airports;

5) The general conclusion for the sphere of the aviation enterprises of Ukraine testifies about their destructiveness and the regressivity which conducting to considerable weakening of airlines and destruction of sphere of the local and regional airports. Privatization processes in sphere of airlines practically haven't led to attraction of some visible investments;

6) As a result of reforming of ownership of civil aviation subjects we see the possibility of flexible market maneuvering through the organizational forms of construction of the aviation companies. In modern conditions from the positions of the further reforming of property forms to the direction of effective development of aviation branch and strengthening of positions of the Ukrainian airlines and the airports we see favorable the integration and consolidation of various forms and subjects of the domestic aviation market. As the effective organizational forms directed to strengthening of positions and progressive development of the Ukrainian aviation enterprises we see the following:

- the Regional air carrier as a part of two separate corporate structures – aviation and technical ones which are founded by airlines – operators of the local market. As a part of the authorized capital of corporate aviation structure there are aircrafts and crews, and also an administrative resource (the equipment and the personnel) which reserve independence and build the relations in especially own interests with corporate airline on a contractual basis.
- the Aerotechnical alliance of airlines-leaders capital – weakly integrated structure as a part of the general coordination body and joint technical, study-methodical and maintaining structures.
- Regional agriculture airline which has a basis of administrative and maintaining structures, thus, that founders are independent from each other and operate on the segments of the among themselves divided market
- the Incorporated enterprise airport-airline agriculture airline constructed on a principle of legal association of the local airport and airline-local operator, operating in mutual interests, which will provide attraction of industrial activity in sphere of the local airports, who are really not functioning now, creation for agricultural airlines the favorable conditions for the maintenance and operation technicians, salvation of problems of non-payments and debts in these spheres.
- the Incorporated regional aviation enterprises as a part of the airport and the airline which operates A/C An-24 and An-140 and carrying out transfer flights to capital, forming the transportation mechanism of “hub” type, where we see the center in capital airports “Zhulyani” and “Borispol”, and the given regional airlines are the up-transferring links.

— Consortium type structure of airport and the subjects potentially involved in its activity (at the level of the strong regional airports) constructed by a principle of weak integration. Mutually advantageous functioning of participants grounded on construction the investments to the

development of the airport of interested structures which get the various long-term favourable rights, possibilities and powers from the airport as the form of benefits for investments.

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