

A Wing and a Prayer

Author: [Artyom Erkanyan](#)

Privatisation seems to offer the only chance of salvation for Armenia's national airline whose wings have been clipped by \$12 million of debt

Crippled by debts and starved of investment, Armenia's national airline company is fighting for its very survival.

"Our debts would have been halved if we'd spent our money more rationally," says Ruben Grigorian, general director of Armenian Aviation Line (AAL). "Instead of investing in development, the old managers of our airlines built churches, country houses and swimming pools. In the place of new planes they bought yachts and cars."

Despite paying off \$1.5 million-worth of debts earlier this month, AAL is threatened with bankruptcy. "This threat has been hanging over us for years," says Dmitri Atbashyan, chairman of the Armenian National Aviation Union.

"Today we're getting together what little resources we have left to try and restore this country's airline. And if we fail, it will be a major loss of sovereignty."

It is a moot point. Air transport is crucial in the tiny landlocked state bordered to the west by hostile Turkey and to the east by equally hostile Azerbaijan, which has enforced a transport blockade for over a decade.

Whilst communication links with Iran remain weak and unreliable, Georgia offers the only outlet to the sea and continues to take advantage of this monopoly.

Air transport provides Armenia with a vital lifeline to the outside world. In 1993, at the height of the war with Azerbaijan, the dilapidated Armenian airfleet saved the former Soviet republic from a potentially devastating famine.

But the ruling elite has been happy to exploit the national airline without turning a thought to its long-term future. Consequently, the volume of airfreight has fallen three-fold over the last 10 years while the number of passengers has dropped from just over one million in 1990 to 350,000 in 1999.

Today, the airline's debt stands at around \$12 million and, with many planes currently surplus to requirements, the annual bill for servicing the fleet totals \$4.6 million. In a bid to generate extra funds, AAL has been earning around \$1 million a year leasing aircraft at knock-down prices to Third World nations.

But, while Armenian planes may be welcomed with open arms in Africa and Asia, Western European airport chiefs complain they fail to meet international standards. AAL aircraft are regularly fined for failing noise and emissions tests. The Armenian government says this problem will soon be addressed when, in around a year's time, the oldest planes will be removed from service.

Around half of the estimated 20 planes are used for international flights but many are nearing the end of their life expectancy. By 2002, five TU-134s will be obsolete whilst another six TU-154s will be broken up for spares in five years' time.

In recent years, the only acquisition has been an A-310 airbus leased in 1998, but it has turned out to be hopelessly unreliable and is currently undergoing major repairs for the fourth time.

An estimated \$200 million is needed to renew the fleet -- a sum equal to half the Armenian state budget. Purchasing new planes is, at the present time, an unaffordable luxury.

Samvel Markarian, deputy head of Civil Aviation Management, comments, "The debts of the aviation companies are preventing the industry from developing. We're bogged down in a problem of swamp-like proportions. The airline is dragging other enterprises that are connected with aviation down with it. In our view, the only solution is to privatise the airlines."

This is not a new argument. Talk of a sell-off has dragged on for the last decade, and a project involving the stage-by-stage privatisation of the industry was developed in 1992.

However, the initiative was stalled when its author, Dmitri Atbashyan, was charged with corruption and imprisoned. Although the union leader has now got his old job back, no efforts have been made to reanimate the project.

"The representatives of the most powerful political clans were given the top aviation jobs. They implemented projects and made commercial deals that led directly to losses," says Atbashyan. "We still have to work out why that was done."

Parliamentary deputy Agasy Arshakyan volunteers an explanation. "They set themselves the target of bankrupting the country's airlines with the aim of buying them back again on the cheap," he says. "In order to do that, companies that were bringing in up to \$10 million a year were purposefully turned into enterprises that are unable to pay their way."

The need for privatisation seems clear to most people, but the government has yet to decide how this can be achieved. There are four options under discussion. The first is to privatise the industry in its entirety. The second option is to sell shares, with the government keeping a controlling stake. The third proposal is to hand over the aviation companies to internal trustee management, and the fourth is to create a joint enterprise with Russia's Aeroflot, which is prepared to provide funding in the form of three airbuses.

The Civil Aviation Management says an announcement will be made in the near future. Aside from Aeroflot, an undisclosed French firm has expressed its interest.

But while Armenian aviation searches for a new owner, a new corporation is being formed in Yerevan with the aim of creating a realistic alternative to the existing state industry. Recently, the National Aviation Union, together with four organisation-partners (a bank, a financial group, an insurance company and a consulting firm) founded an open-type joint-stock company, Avianav-Holding, with \$10 million in capital. The company's forthcoming share issue will be a good test of the direction scheduled for the country's airlines.

Artyom Erkanyan is deputy editor of the Yerevan newspaper, Novoe Vremya

Location: [Turkey](#)
[Stavropol](#)
[Russia](#)
[North Ossetia](#)

Focus: Caucasus

Source URL: <https://iwpr.net/global-voices/wing-and-prayer>