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Q&A: Delta Air Lines Is a Business and a Bridge for Tarasov

By Roland Oliphant

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Tarasov sees the discovery of new cultures as a part of the Russian spirit.

Correction appended

As the son of a military pilot, air travel is in Leonid Tarasov's blood. He flew just two weeks after being born, back to his father's garrison in Ukraine.

Tarasov's 22 years working for foreign airlines in Russia have given him unique experience that helps him track the country's progress and leaves him optimistic about the future.

"Only 4 percent or 5 percent of the Russian population is flying regularly on international routes," he said, "While in Europe it is 55 percent to 65 percent. In a country of 145 million, there's still a lot of room for growth."

Leonid Tarasov

Education

1978-1983 – Moscow Finance University

Work Experience

2005 - Present – Delta Air Lines, country manager and general representative for Russia & CIS
2002 - 2005 – SWISS International Air Lines, regional finance manager for Russia & CIS
1998 - 2002 – SWISSAIR / SABENA, regional finance manager for Russia and CIS countries
1997 - 1998 – Continental Airlines, senior manager finance & administration
1993 - 1997 – Delta Air Lines, accountant supervisor, finance manager
1991 - 1992 – Delta Air Lines, airport customer service agent
1990 - 1991 – Pan American Airways, airport operation agent

Reading now: "The Litigators" (2011) by John Grisham
Movie pick: "One Flew Over the Cuckoo's Nest" (1975) directed by Milos Forman
Favorite restaurant: El Gaucho, three locations throughout Moscow, including 4 Sadovaya-Triumfalnaya Ulitsa
Weekend getaway destination: New York for a weekend, Scotland for a vacation

For Tarasov, 50, running Delta Air Lines in Russia is not just about putting planes in the air. He is obliged to keep a finger on the pulse of both countries' economies, surf a wave of social change as more Russians begin to travel and be in touch with the paradoxical effect that oil price fluctuations have on his business.

His path to the airline business was far from straightforward. Tarasov received a financial education at the Moscow Finance University, and after serving his two years of military service, he took a job at the Stroibank U.S.S.R. — the Soviet Union's nearest equivalent to an investment bank.

But finding himself bored to tears by the Kafkaesque bureaucratic life of a huge Soviet institution, he was soon on the lookout for an escape. And his chance came when he heard Pan American Airways was looking to expand its operations in Moscow in 1990 — a lucky break that he likens to "winning a ticket to space."

His excitement with the work hasn't abated. "Every day something comes up that you have to solve, and this is in your blood for many years. This is what makes this job so exciting. You have to always have an injection of adrenaline into your blood," he said.

By 1991, Pan Am's Moscow operations were swallowed by Delta. Since then, he has worked for seven foreign airlines, including Swiss International Air Lines and Continental Airlines, before returning to head Delta, which is the largest U.S. carrier operating in Russia.

For the Association of European Businesses, or AEB, Tarasov chairs the airline committee — giving him a key insight into the challenges affecting not only his airline, but also the entire industry.

One side effect of such a career is an advanced awareness of risk management. In an industry

at the mercy of national governments, oil prices and even volcanoes, it pays to stay on your toes and keep an eye on the horizon.

Tarasov — who says he can forecast the economic climate eight months in advance by looking at his airline's advanced bookings — sees business on the up and Russia on an irreversible path to global economic, cultural and political integration. In an interview with The Moscow Times he shared details of the source of his fundamental optimism.

This interview has been edited for length and clarity.

Q: What advice would you give for a foreign company looking to enter the Russian market?

A: I always say have a good partner. It's one of the conditions, and there is also the need for mutual interest, mutual cooperation. We just started code sharing with Aeroflot and that is bringing big advantages to both airlines. And looking into the product, they have come a long way since they joined the SkyTeam alliance in 2006.

Q: Have you ever thought of leaving Russia?

A: I've only once considered moving out of the country — actually, to run out of the country would be a better way of putting it. It was during August 1991, when Gorby [Mikhail Gorbachev] was arrested and Moscow was full of tanks. I was quite scared, not for myself but for the future of my kids. I saw these guys on TV trying to explain they were going to get things back to normal — normal by Soviet standards, that is. And to me that was seriously scary. I was ready to run. But on the third day, everything was over, thank God, so I didn't have enough time to prepare my thoughts, or my family, so everything was fine.

In the 1990s, I got invited to join a big multinational company that had opened a business in Samara.

Then traveling within Russia was such a big challenge. To fly to New York City was a big pleasure, but to fly somewhere in Russia ... well, you never knew whether you would make it, how long you would be stuck, or where you would end up. There was so much uncertainty. The headhunter said: "Look, you can commute between Moscow and Samara." I told her that wouldn't work. Obviously this woman had never been in Russia. She said, "Why? It's only a one-hour flight!" I said, "Have you ever tried it?"

Q: What's your secret for successfully managing people in Russia?

A: Just be honest with your colleagues and be yourself. Don't play the boss, just be transparent and make sure your colleagues can rely on you and you can rely on them. This is a very simple practice that works everywhere, in every office. I've tried it all my life. If you trust people, they will trust you back. This is where success lies.

Q: What are the most serious challenges you have faced?

A: In the past there used to be many problems, either related to customs, currency regulations, or tax issues. And not because airlines were targeted specifically, but because there were so many changes in Russian legislation in the mid-1990s and because it was not always changed in the best way. Lawmakers were always in a hurry, and as they tried to solve

one issue, they would create another in another area.

The most recent one was three or four years ago, when customs control introduced a rule that if your baggage was delayed you had to return to the airport in order to claim it in person.

When we addressed this to the State Customs Committee, they didn't even recognize the problem. So I used industry statistics to show that almost 2 percent of bags on the global level were delayed or lost during transfers from one airport to another. A passenger cannot wait two days at the airport. Especially if a passenger is flying to Irkutsk via Moscow, and the customs clearance is done in Moscow — then it doesn't make any sense for him to return to Moscow just to pick up his bag.

That's why the specifics of our business were sometimes not even considered when they changed immigration or currency legislation. But that happens less and less these days, and I cannot name any major problem that we airlines have faced lately as a community.

Q: What is the key for dealing with these legislative problems?

A: Of course, the American Chamber of Commerce [AmCham] and AEB are well recognized by the Russian authorities. Normally the issue will be solved faster and more efficiently via these very reputable structures. And that is why the airlines and representatives of the big international businesses tend to participate in these organizations. We tackle a problem and solve it on a common level.

Normally it works. Because we say to the bureaucrats "look, we're not just here to make our modest profit, but also to be a part of the infrastructure in building an economic relationship between Russia and the world." And that argument still works today.

Q: What keeps you up at night?

A: If you think about it, we are probably the most vulnerable global industry. We are dependent on everything — on political situations, on the weather, on volcanoes, on oil prices.

In fact, we are so linked to the macro economy that we can see in our advanced bookings the temperature of the business climate 11 months in advance. Right now it is very good. It's going up. And I can tell you that when 2008 was approaching, we saw that the disaster was coming. Business people were scared to fly, and there was a very substantial drop in bookings. Seven or eight months in advance, I was absolutely positive about what was going on.

In the Western world if the oil price goes up, then business activity usually goes down because it makes things more expensive. In the Russian economy if the oil price goes up, then spending goes up as well. So we are quite well balanced. During the height of the oil crisis, Western businesses reduced their travel a lot because airfares went up, but Russian businesses were spending and investing because they had extra revenue and profits. The Russian market is quite unique in this — it is balanced against the macro level impact of economic negatives.

Now the concern is how fast the macro economy can grow and how successfully Russia can integrate into the market economy. Accession to the WTO is a good sign; it means more business people will be traveling between the United States and Russia and that means more

business for us. My concern then will be which new destinations to open in Russia and most importantly, when. In our business, it is very important to be there first before your competitors get there.

The areas with the most potential are mostly in the European side of the country: Yekaterinburg, Samara, Nizhny Novgorod, Krasnodar, St. Petersburg and possibly Kaliningrad. These are places with lots of Western investment, carmakers are there. They are growing cities.

Q: How does the status of regional infrastructure affect your expansion plans?

A: Once at an AmCham event, I was approached by a regional governor who wanted to persuade me to fly to the capital of his region. He said, "Look, we need you. You have to fly here. We have a very good ex-military airport in the city with a 4,000-meter runway." I said, "Great, it's what we need, but we need something else too." Then I asked him how many three- or four-star hotels they have in the city. And they had one!

Let's imagine the miracle where they invest and get everything up to the required norms and standards. Still that is not enough. If there are no hotels, if there are no well-developed attractions that will bring in tourists or businessmen, then there is no way we could count on the big carriers flying there. They have to solve the problems one by one.

Q: How is the current political climate likely to impact your business?

A: With the elections this year, Russia attracted more attention from the world, which means more political people and correspondents flying, and more business for us. Which is normal. If there is a high-level summit in the country, then of course the flights are busy. If the political climate attracts attention, that's OK — if it prompts more passengers to fly in and out.

The perception I knew in the West is a little bit different from the one here — that if there is a protest, then there is a danger to investment.

The most important thing is that the Russian people finally get over the feeling that they are not allowed to go to the United States and more and more Americans get visas and fly to Russia. What we inherited from the Cold War was still with us up until recently. Now the next generation, like my kids — they are not even aware that Soviet emigration control did not give exit visas — that this kind of restriction used to exist between the countries.

Q: Does the old mentality concerning travel restrictions still affect business?

A: The first time I flew with my wife, the Soviet authorities let us go on the condition that two of our kids would stay in the country. It was just a regular rule. You want to fly with your wife? No problem, your kids stay. If you didn't have kids, then you had to fly separately.

My kids can't comprehend that there could be such restrictions, or why they might be imposed. They know that they can go anywhere they want. And that is positive.

When I was a student, international travel was almost impossible here, but the country was so big and I liked to travel to remote locations like Krasnoyarsk, Chita, Yakutsk, and Urengoi. We didn't really care about the conditions — we were just traveling and discovering the world.

Today, students have different opportunities to discover other countries and cultures. In a few years, these students will be in business, and their perception of travel will be completely different from the generation that grew up in Soviet times. It is a completely different generation, in their perception of the world and world relations.

Q: What does that mean for the country?

A: Russia is well on the way to integration into the global economy and global culture. My kids' generation is going to be completely globally thinking people. It is a global change, and it favors the airline business. People will travel. I've read some analytics that predict that global traffic will double and then triple every 30 or 40 years.

I was in Hawaii just a few weeks ago, and there were so many Russians there. I mean, my God, it's a 30-hour connecting flight! There are Russians everywhere, and I think it is still very much in the Russian spirit to go and discover and find what other cultures look like.

Q: Are you optimistic about the future?

A: I see the signs that Russia has already gone very deep into the integration process. With all the obstacles to the left and the right — on the cultural and political fronts in particular — you can tell it is not going to be easy. But there is no going back. There are many promising signs that Russia will be fully integrated into the global economy, global cultural exchange, and finally even into the global political system and mutual cooperation. There are no longer any grounds Russia could find to be isolated.

The airline business is very much in favor of this because we are a part of the infrastructure of international cooperation. Whether you're talking about culture, politics, or economics — we are the bridge.

Correction: An earlier version of this article incorrectly stated that Leonid Tarasov is 60 years old; in fact, he is 50.

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