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Russian Watchdog Proposes Privatizing Aeroflot's Budget Airline Pobeda

A privatized Pobeda could focus on domestic destinations and bring down the famously expensive internal flights.

By bne IntelliNews

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FAS argues that Pobeda is cutting its domestic flights to avoid cannibalizing the flights of its group peers Aeroflot and Rossiya. **pobeda.ru**

Russia's Federal Antimonopoly Service (FAS) has proposed the privatization of budget airline Pobeda, part of the national air carrier Aeroflot Group, the RBC news website reported Wednesday citing the letter sent by the head of FAS Igor Artemyev to the Transportation Ministry in July.

FAS argues that Pobeda is cutting its domestic flights to avoid cannibalizing the flights of its group peers Aeroflot and Rossiya. At the same time, the presence of Pobeda on routes brings the price down for other carriers as well, as the prices of the budget operator are on average

10% lower, the watchdog estimates.

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The Kremlin recently urged industry players to bring the prices of domestic flights down, so FAS's suggestion is in keeping with government policy. A privatized Pobeda could focus on domestic destinations and bring down the famously expensive internal flights.

Sources in Pobeda told RBC that Pobeda is switching to foreign destinations because they carry higher margins that allow the carrier to maintain low prices. Also, the carrier runs a fleet of 30 Boeing 737-800s, and there are only about 20 airports in the European part of Russia able to dock those, which would make expansion of regional destinations difficult.

In 2018 the company carried 7.1 million passengers, earning 35.5 billion rubles ($538 million) in revenues and 2 billion rubles profit under Russian Accounting Standards. In 2019 Pobeda plans to carry 10 million passengers, and 25-30 million passengers by 2023.

Sources close to the company told the Vedomosti business daily that Pobeda plays an important role in the ambitious expansion strategy of Aeroflot, which plans to double group turnover to 100 million people by 2023.

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