

Overflight Fees Could End With WTO

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Experts say the United States, Spain and France also have overflight fees. **Vladimir Filonov**

Russian airlines look ready to weather the loss of hundreds of millions of dollars of overflight fees from European airlines. An agreement to eliminate the charges was announced Monday by Fernando Valenzuela, head of the EU delegation to Russia.

Foreign carriers have been paying Russia to use its airspace, particularly for flights from Europe to Asia, since the 1970s.

The deal is part of preparations for a joint Russian-EU document on accession to the WTO, to be signed at the Russia-EU summit on December 7.

The European Commission claims that the fees cost EU carriers about \$420 million in 2008. They may now be around \$200 million, said Uralsib analyst Anna Kupriyanova.

The details of the agreements are not made public. "Everything about them is confidential," said Kupriyanova.

Nonetheless, Kupriyanova estimated in an equity research report she authored that Aeroflot received the lion's share of the proceeds — \$194 million a year, or 6 percent of its revenue, from the fees in 2009.

Kupriyanova said this proportion has been going down over time, as Aeroflot's revenue grows. The rest of the fees go to other Russia carriers.

“There are commercial agreements with various companies,” Aeroflot spokeswoman Irina Dannenberg said when asked about the fee agreements. She declined to comment further.

“Transaero has never had and does not now have agreements with any airlines from EU countries that would envisage any payment for flight over the territory of Russia,” said Transaero director of corporate communications Sergei Bykhal.

Kupriyanova suggested in an equity report that Transaero was the recipient of such fees as well.

A Volga-Dnepr Airlines spokesman said the company would only comment after the decision is finalized.

The European Union considers the overflight agreements unfair competition. By using the Siberian route, airlines save a significant amount of fuel when flying to Asia.

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