

Partnerships struck between Russia's aerospace industry and Western manufacturers are nearing fruition. Nearly 250 delegates from around the world discussed progress at the Russian Aerospace 97 conference hosted by *Flight International* and Aviaexport in Moscow on 20-22 May. Max Kingsley-Jones and Kevin O'Toole report

Minister warns industry on need to restructure

RUSSIA'S aerospace industry must regroup around as few as two Western-style integrated companies which will have to survive without state support, warns Andrew Svinarenko, the country's first deputy minister of economics, who has now taken over responsibility for restructuring the country's aviation sector.

"We need to have integrated and market-oriented companies," says Svinarenko, leaving only "two to four" leading aerospace corporations bringing together research, design, manufacturing and marketing. They may also bring in enterprises from outside aerospace, he says. Beneath this, he adds, would be a second tier of around ten major integrated engine and systems houses.

He adds that the new corporations will also have to be increasingly self-financing. "In the past, the industry has always relied on Government funding, but that is wrong," he says.

Svinarenko's comments are the first public statement from the economics ministry on how it intends to conduct its relations with the aerospace industry. Until the shake-up earlier this year, the sector had been under the wing of the

military industrial complex.

The economics ministry will continue with the funding programme put in place through to the year 2000, as well as supporting debt restructuring and research-and-development spending for several civil-aircraft projects, says Svinarenko. He adds that the choice of programmes will be the subject of a review with the transport ministry and with the country's airline industry.

He also pledges that the economics ministry will "...help in developing new forms of financing", steering the industry towards funds from Russian banks and leasing companies. The industry should "...also take advantage of Western partners in aerospace and aviation", he says.

There are also calls within the industry for integration between the defence and civil sectors. Alexey Federov, general director of the AVPK Sukhoi military-industrial grouping, believes that Russia needs at least a couple of broad-based world-class companies to compete with Western giants such as Boeing/McDonnell Douglas.

He says that the basis of this integration could come from bringing Sukhoi and Mikoyan, now part of

the VPK MAPO grouping, together with bureaux such as Ilyushin, Mil and Tupolev, and to create large and diversified state-holding companies. He warns that other enterprises "...may need to be declared bankrupt" as restructuring accelerates.

Alliances are increasingly being discussed within the industry, but it is likely to be at least another two years before major moves are taken, says Federov.

Alexander Ageev, head of strategic planning at VPK MAPO, says that the creation of large consolidated groups is essential if Russia is to compete in export markets.

He says that VPK MAPO itself is still working to achieve "100% integration" between its 12 companies now brought together within the group.

He admits that integration will have to overcome some major hurdles, including the politics and rivalries between the different design and production houses.

Valentin Klimov, general director of Tupolev, bluntly rejected talk of mergers. "Design bureaux and production companies should work as self-contained enterprises, keeping their different traditions and expertise," he says. □

ARIA claims selecting Western aircraft was 'mistake'

AEROFLOT-Russian International Airlines (ARIA) made a "mistake" in attempting to base its fleet around Western-built aircraft, says Valery Okulov, the airline's general director.

"In the past, we thought we could work on the basis of Western aircraft, but we now know that was a mistake. We cannot base our strategy on leasing foreign equipment alone," says Okulov, pointing to the costs of leasing and maintaining Western aircraft types.

He says that a model has been drawn up of the "ideal" fleet, which includes a mix of Western- and

Russian-built airliner types. "The aviation industry in Russia has a chance to take part in our development," he adds.

Okulov's predecessor came under heavy criticism in 1996 over plans to take ten Boeing 737s, in a deal eventually signed in April. ARIA has 13 Western-built aircraft, including ten Airbus A310s, two Boeing 767-300ERs and one McDonnell Douglas DC-10-30F.

ARIA has since signed for 17 Russian-built Ilyushin Il-96Ms and three Il-96T freighters. Okulov says that the Tupolev Tu-204 and increased gross-weight Tu-214

will also form part of the fleet plans through to 2010, in addition to the Ilyushin Il-114 64-seat turboprop. The plan is to use the Il-114 to develop ARIA's strategy of setting up regional hubs all over Russia.

The airline has been working to improve the performance of Perm PS90A engines through the signing of a power-by-the-hour deal with the manufacturer. The aim was to take the engine-



Okulov: Western errors

utilisation rates up from only 5.4h per day up to 6h. Okulov says that the rates are up to 7.8h, and the airline is trying to form similar relationships with other Russian suppliers. Meanwhile, plans are under way to keep the Russian-built fleet in the air. The most pressing issue is the updating of communications equipment to meet the new Eurocontrol rules on radio frequencies, to take effect in 1998. □