

RESTRUCTURE VLADIMIR KARNOZOV / MOSCOW

Sukhoi merger plans move forward

The transformation of state-owned aviation companies into a single private entity is beginning to gather pace



The new company will produce the Su-35 multirole fighter in Irkutsk

Formation of the Sukhoi Holding Company, ordered by Russian president Vladimir Putin in October, will be completed this year, says the firm's general director Mikhail Pogosyan (*Flight International*, 6-12 November 2001).

The plan calls for the Komosomolsk-na-Amur (KnAAPO) and Novosibirsk (NAPO) production

plants to be changed from unitary state enterprises into joint-stock companies, and their shares transferred to Sukhoi Holding. The next step is to increase the state's shares in the Beriev design bureau and the Irkutsk manufacturer IAPO, with the goal of acquiring controlling stakes, which will also be transferred to Sukhoi.

Last year was immensely successful for the group of companies based around Sukhoi, with all group members reporting rising income and increases in staff.

The strategy for 2002-2010 calls for production of the Su-30MK and Su-35 fighter families at IAPO and KnAAPO, while continuing research into the technologies needed for the next generation of combat aircraft.

NAPO would produce the Su-27IB bomber family and the Su-49 primary trainer. The share of civil production at these factories will grow as more projects, such as the Beriev Be-200 and Be-103 amphibians, the Sukhoi S-80 STOL transport, and the Antonov An-38 regional turboprop, reach the production stage. Further off are the Boeing/Ilyushin/Sukhoi regional jet and the Sukhoi S-21 supersonic business jet.

The first production batch of the customised Su-30MKI fighter is due for delivery to the Indian air force later this month. In December Sukhoi completed the digital mockup of the Su-49, which the Russian air force has already selected as a future primary trainer.

Russian state funding boosted the Su-27IB bomber project last year. Sukhoi is focusing on two Su-27IB variants: the Su-34 strike aircraft and the Su-32FN maritime reconnaissance/strike aircraft. Earlier Su-27IBs are being upgraded with new avionics, with nine aircraft scheduled for flight tests at the end of 2002.

The Su-25SSK demonstrator, developed under a Russian air force initiative, entered flight test late last year. It will be used as a template for modernisation of the ageing fleet of Su-25 attack aircraft.

MAINTENANCE

IAI/EI AI hold maintenance merger talks

Israel Aircraft Industries' (IAI's) Bedek maintenance division may merge with that of Israeli airline EI AI in the face of mounting costs and a downturn in business. Both are located at Ben Gurion International Airport in Tel Aviv.

EI AI maintains its own all-Boeing fleet, but has failed to get substantial work from other customers, and the maintenance costs – 15% higher than at Bedek – have become a heavy burden on the Israeli airline. Sources say that a joint maintenance subsidiary will be established.

Earlier plans to merge EI AI's maintenance division with Bedek met opposition from EI AI unions. Talks will soon resume to formulate the structure of the joint subsidiary.

STRATEGY

ANZ fiasco fails to curb SIA foreign investment

Singapore Airlines (SIA) has restated its plans to continue buying into foreign airlines, despite troubles at associates Air New Zealand (ANZ) and Virgin Atlantic, which threaten to drag the carrier into its first-ever year in the red.

SIA's deputy chairman and chief executive Cheong Kong told employees: "Carrying on as usual would mean stagnation and declining returns on capital. A large carrier with a tiny home base cannot expect continuing growth and steady profits. The reasons for investing in other airlines are as valid today as a year ago."

The Singaporean carrier's strategy of buying into other airlines has been criticised by some analysts and shareholders. Early in 2000, it took a 49% stake in Virgin, and last year a 25% stake in ANZ. While Virgin brought profits to SIA in the year ended 31 March 2001, it has since been suffering, particu-

larly following 11 September. Cheong concedes that Virgin, which "derives over 70% of its revenue from the battered transatlantic route, is hurting, and we will have to share the pain".

SIA's 2001 investment in ANZ nosedived after the New Zealand airline's financial difficulties led to renationalisation, leaving the state with 82%, and diluting SIA's holding to just over 4%. SIA has already lost hundreds of millions of dollars from its involvement with ANZ.

Cheong insists that, despite the ANZ and Virgin setbacks, "none requires abandonment of our objective". SIA reported an 88% drop in first-half net profit late last year, and warned of a loss for the year ending 31 March 2002, which would be the first in its history.

Although some analysts claim to see signs of a recovery in traffic, Cheong says that "convincing signs have yet to emerge".

MERGERS

■ French aeroengine manufacturer **Snecma** has bought **Sabena Technics** share in their Brussels-based joint venture engine maintenance company **Snecma Sabena Engine Services**. The maintenance subsidiary of Belgium's national airline has been struggling since Sabena was declared bankrupt in November. Snecma already owned half the company's shares, and has paid €2 million (\$1.8 million) to acquire the rest.

■ **General Electric's Engine Services** division has signed a deal to acquire **Unison Industries** of Jacksonville, Florida. Unison sells and services sensors, wiring harnesses, switches and other electrical components to the aero-engine and power-generation industries. ■ **The Belgian government** has sold **Brussels Zaventem airport** to the **Brussels International Airport Company (BIAC)**, the current operator of the airport, for €205 million.