

## EUROCOPTER MAY NOT BE THE ONLY WINNER IN A BID ON GAZPROMAVIA CONTRACT

BY KIRILL LEBEDEV, IFS SENIOR ANALYST, NOVEMBER 25, 2009

The results of bidding on the delivery of eight light helicopters for Gazprom-owned Gazpromavia aircompany will be announced soon. State-run Russian Helicopters, a major manufacturer of helicopters in Russia, refused to take part in the bid. The company said that the bidding conditions have been worked out to fit the pre-defined winner.

Gazpromavia requires helicopters with a 2,800 to 3,500 kilos capacity, a requirement met by many manufacturers, so the competition is high. Several Russian and foreign helicopter models comply with this parameter:

- EC-135 and EC-145 (Eurocopter, EU),
- Bell-427, Bell-429, MD Explorer (Bell, USA),
- AW-109, AW-119 (AgustaWestland, England-Italy),
- Mi-2, Ka-226, Ansat<sup>1</sup> (Russian Helicopters, Russia).

Almost all the models do not meet the additional requirements, though. Mi-2 and American helicopters lack the necessary equipment; AgustaWestland models are powered by two engines while the buyer wants one-engine machines; other models have the wrong type of antitorque propeller. Only one model, Eurocopter's EC-135, qualifies for the contract.

This is the second scandal associated with equipment purchase by state-run organizations. GAZ filed a complaint against the Health Ministry to the Federal Antimonopoly Service. The ministry arranged a contest for the delivery of emergency vehicles while the requirements, according to the automaker, were formulated so that only Fiat Ducato matched. GAZ proved its case only after it re-appealed to the Federal Antimonopoly Service. The case was closed because the ministry had already bought the needed vehicles.

With Russian Helicopters, it is different. First, the winner has not been announced yet. Second, EU helicopters are not manufactured in Russia and Eurocopter's winning would

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<sup>1</sup> Manufactured by Kazan helicopter plant



be absolutely disadvantageous for the Russian industry (while Fiat Ducato is partly manufactured in Russia).

Gazpomavia might be advised to make a decision that would be in line with the national interests. For example, along with EC-135 models the buyer may be requested to purchase several helicopters from Russian manufacturers. This scheme aims to modernize the national economy and back up domestic producers.