

SUKHOI SUPER JET LESS COMPETITIVE

BY KIRILL LEBEDEV, IFS SENIOR ANALYST, 3 SEPTEMBER 2009

The recent trends indicate that extensive use of foreign technology, even in technologically obsolete industries, only delivers positive results in the short term. In the medium and long term, prospects for products manufactured jointly with international companies turn vague.

After Russia's civil aircraft production and design companies stayed idle for many years, the Sukhoi Super Jet regional airplane project became a major hope for the industry revival.

To enhance product quality and minimize the risk of manufacturing obsolete aircraft, the Sukhoi Company teamed up with France's Snecma and Italy's Alenia.

Partnership with the French company resulted in launching a new aircraft engine SaM-146 that is manufactured at the Saturn plant. Italy's Alenia undertook to handle all airliner marketing and maintenance work in Europe. The project is backed by the Russian government that placed orders for 120 SSJ units.

However, this great success for Russia's aircraft industry may eventually appear not long-lasting. This is the first airliner model designed by foreign specialists that Russia is going to manufacture since the USSR disintegration. Notably, 60% to 80% of SSJ components are of foreign make.

True, the use foreign parts and technology makes SSJ better and more competitive. At the same time, the project is prone to specific risks that make the road to commercial success harder.

SSJ saw its first defeat in the bid to supply airliners for the special task aviation squad responsible for transportation of high ranking authorities. SSJ had no chances to win because buying decisions are in a large part based on how and where to maintain jets and where to ship parts from. Regional airliner Tu-334 won the bid.

Another SSJ's failure occurred at the MAKS-2009 aircraft show when Atlant-Soyuz, the Moscow Government Company, bought 45 new airliners including 15 Tu-204 units and 30 Russian-Ukrainian An-148 units. SSJ is Russian aircraft with 80% of foreign components, while An-148 is a foreign made airplane that 80% consists of Russian components. None SSJ airplanes were bought at MAKS-2009.

Following these conspicuous failures, the SSJ producer will most likely come into yet greater frustration after the bid to be held by RosAvia, a new national air carrier that intends to buy around 100 airplanes. It will surely purchase Russian-produced air airliners among others.

The United Aircraft Corporation is facing difficulties. With several promising regional and short-range airliner projects (including SSJ, An-148, Tu-204, An-70 and Tu-334), the UAC has two

tasks of paramount importance. First, the most promising project of the Russian aircraft industry is losing its competitive power. To fight this negative trend, the state corporation should encourage local production of the airliner and ensure that demand for and competitive power of the jet do not decline. Secondly, if SSJ is domestically produced, the corporation should eliminate the traditional problem of Russia's aircraft industry, namely internal competition of Russian-made aircraft models.