

Germans Revamping Machine Tool Tradition

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The lathe and milling-machine tools that German company Gildemeister wants to produce in Russia are so sophisticated that the plan required a security clearance from the German government.

The technology has a dual purpose, meaning that it can be of interest to the defense industry, and the permit took two years to obtain — even with the support of the two countries' ambassadors, said Gunter Bachmann, a top executive at the company.

Construction of a plant outside Ulyanovsk — which will initially produce machine tools for aircraft and automakers — will hopefully start in August, he said.

Russia is one of the top 10 countries with the highest demand for metal machining tools at a time when President Vladimir Putin has enunciated a goal of a reindustrialization.

"A machine that works on metal is the beginning of any manufacturing," Bachmann, a member of Gildemeister's executive board, said in an interview.

A local plant will allow the company, a global leader in the sector, to save on transportation costs of the equipment that weighs upward of five metric tons and on customs procedures. No foreign machine-tool builders have production units in Russia at present.

Gildemeister, which has plants across Europe and in China, aims to produce 1,000 machine tools per year in Russia to add to its current annual output of 7,000 units, he said.

The 20 million euro (\$25 million) plant, which is expected to crank out the first tools by 2014, will eventually contract Russia-based suppliers for basic parts, but will rely on imports of Siemens computer controls for the foreseeable future.

The reasons for choosing Ulyanovsk include its proximity to Gildemeister's customers — aircraft maker Aviastar and Ulyanovsk Automobile Plant, part of Vadim Shevtsov's carmaker Sollers.

Aviastar plans to ramp up output of the Ilyushin-76 jet and its latest modification, and start mass manufacturing of Tupolev-204 SM passenger jetliners. The auto plant is undergoing an upgrade.

Gildemeister's equipment is used to manufacture auto parts and plane engine parts among other things.

The Ulyanovsk region government agreed to provide tax breaks for a period that is still a matter for negotiation, Bachmann said. He lauded Governor Sergei Morozov for support with such things as purchasing land for the plant and securing required permits.

"We were told that things like that could last very long," Bachmann said. "In Ulyanovsk, they happened instantly."

Eduard Malilov, a marketing manager at the Savyolovsky Machine-Tool Building Plant, conceded that the Germans, like other Western producers in the sector, were a formidable rival.

"It's difficult to compete with the Swiss and the Germans when it comes to quality," he said at the company's booth at an industry exhibition.

Savyolovsky, located 130 kilometers from Moscow in the Tver region, also sells to Aviastar — and sometimes the same type of tools as Gildemeister, he said. Another rival on the market is equipment from China that comes at bedrock prices, he said.

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