

VEB to Bail Out Airplane Manufacturer Sukhoi By Selling EADS Stake

By [The Moscow Times](#)

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SuperJet 100 planes are produced by aircraft maker Sukhoi, which could be bailed out by state-owned VEB.

The government has changed tack in its efforts to save the Russian civil aviation industry.

Plans to tap the expertise of multinational European defense and aerospace heavy-hitter EADS have been abandoned as state-owned Vneshekonombank sells its \$2.3 billion stake in the company and prepares to commit the proceeds to Sukhoi, whose flagship SuperJet 100 plane is struggling to get off the ground.

Vneshekonombank's 5 percent stake has already dwindled, possibly to nothing. On July 26, VEB sold shares in EADS worth an estimated 763 million euros (\$1 billion). The bank's remaining 2.9-percent stake, now worth about 1 billion euros, may also have already been sold, said a source in United Aircraft Corporation, the industry-spanning holding company of which Sukhoi is part, Kommersant reported.

President Vladimir Putin has already approved a preliminary plan to assist civil aviation company Sukhoi by means of the sale of EADS stock, a government employee told Vedomosti.

Representatives of VEB and EADS declined to comment.

Sukhoi is more than \$2 billion in debt and liable to default on its loans by the end of the year. The company's SuperJet 100 was intended to revitalize the Russian aviation industry, but has instead come to typify its losing battle with foreign competitors both at home and abroad.

"Despite all efforts, the Russian civil aviation market has been lost to a great extent by our manufacturers," Deputy Prime Minister Rogozin said last month, adding that almost 80 percent of all aircraft used on domestic routes were built abroad, RIA Novosti reported.

The stake in EADS was originally purchased at depressed market values in spring 2006 by another state-controlled bank, VTB, which initially planned to pass the asset to the newly-formed United Aircraft Corporation while simultaneously drawing EADS into efforts to modernize the Russian aviation industry.

However, VTB's sudden purchase raised suspicion on the part of EADS executives and European politicians, who had not been informed of the deal in advance.

Due to spoiled relations with EADS management, VTB sold its stake to VEB in late 2006 for 995 million euros. Since then the stock has risen steadily, almost doubling in value from 2007 to 2013.

Whether a cash injection, even one this large, can revitalize Sukhoi is questionable. Competition will only intensify in coming years as aircraft manufacturers in developing economies, such as China and Brazil, continue to grow.

The SuperJet 100 has largely failed in the competition with Brazil's Embraer 190 and Canada's Bombardier, losing an order of 20 planes to the Embraer in 2010 when the SuperJet manufacturer failed to meet production deadlines.

United Aircraft Corporation is scheduled to begin production on a mid-range airliner, the MC-21, in 2017, but seems certain to meet fierce competition from China's Comac C919 as well as long-established competitors.

If the Russian aviation industry is to survive, it will have to cooperate with major international consortiums such as EADS, said Alexei Sinitsky, editor of Air Transport Review, adding that the flourishing Chinese, Brazilian and Canadian manufacturers have taken exactly this strategy.

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