

Putin Spends \$9.2Bln on Ships

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A female worker on a shop floor of the Sevmash shipyard in Severodvinsk. **Alexandra Odynova**

Prime Minister Vladimir Putin oversaw the signing of seven contracts totaling 280 billion rubles (\$9.2 billion) between the Defense Ministry and the United Shipbuilding Corporation at the Sevmash shipyard in Severodvinsk on Wednesday.

The agreements, which fulfill some of the last remaining requirements of the Defense Ministry for 2011, were signed by Defense Minister Anatoly Serdyukov. They form part of the state's 4.7 trillion ruble naval overhaul program through 2020.

According to a transcript on the prime minister's web site, one-third of the 4.7 trillion rubles will be spent in the next five years.

"The federal budget has allocated 85 billion rubles for the building of nuclear submarines and frigates, ship repairs and technical servicing requirements this year," Putin said. "For 2012, this figure is already 93 billion rubles."

The deals go some way toward drawing a line under a squabble between the Defense Ministry and the United Shipbuilding Corporation, or OSK, over the actual costs of production and contractual stipulations imposed by the government.

Sevmash's director, Nikolai Kalistratov, was removed from his post in April after warnings from President Dmitry Medvedev about reprisals against the defense industry if orders were not fulfilled on time.

Referring to the problems, Putin said the issues with state contracts had been "carefully analyzed." The Defense Ministry included a minimum 20 percent profit for contracted companies in the agreements signed Wednesday, he said. That figure, however, could rise to 35 percent, "but only if it is clearly and precisely understandable that this profit goes toward modernization," Putin said.

The contracts will be fulfilled at Sevmash's shipyard outside of Arkhangelsk — built on top of an Orthodox monastery — and relate to the modernization of the Yasin- and Borei-type nuclear submarines, RIA-Novosti reported. The exact value of each contract was not disclosed.

Serdyukov also signed a contract with Sevmash's director, Andrei Dyachkov, for the construction of an additional Yasin cruiser and a Project 21300 rescue vessel.

On his trip to the northern port, Putin was accompanied by Deputy Prime Ministers Igor Sechin and Sergei Ivanov. Wednesday morning saw the prime minister conduct a meeting related to state defense orders for the Navy in 2012, Interfax reported.

During his time at the Sevmash shipyard, where the signings took place, Putin was given a guided tour of the 23 billion ruble Alexander Nevsky, the first of the Borei-type nuclear submarines and the vessel from which the problem-plagued Bulava intercontinental missiles will be fired. Construction began in 2004, and the Alexander Nevsky is expected to complete sea trials in 2012.

But, citing a source within naval circles, Izvestia newspaper reported Wednesday that sailors are fearful of the Alexander Nevsky because flaws in its digital control systems make the vessel "dangerous" to handle.

Denying that there were any problems with its control systems, Sevmash also refuted claims that there were thousands of small deficiencies and several serious faults with the Alexander Nevsky. The company said all such difficulties had been resolved after the first round of sea trials, Izvestia reported.

Under development since 1993, the Borei and Yasin nuclear submarine programs have been plagued by delays. Sevmash, which is controlled by state-owned OSK, does not have a good record for delivering on time.

The Soviet-built aircraft carrier Admiral Gorshkov, which is being refitted for the Indian navy, is four years behind schedule, and last year the shipyard was ordered to pay \$43 million for breach of contract by a Stockholm arbitration court in relation to unfulfilled orders for a Norwegian company.

Sevmash was also the builder of Gazprom Neft's pioneering ice-resistant offshore production platform that was moved into position for drilling in the Prirazlomnoye field in August. But questions about the platform's construction were raised last month after a video released online appeared to show a metal stairwell on the vessel come adrift in heavy seas and go crashing into the water below.

The company said the stairwell had only been a temporary fixture, but officials admitted off the record that the platform's construction had not been completed prior to its release because of political pressure to finish on time, local news agency Rusnord.ru reported.

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