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Government Backs Huge Loan for Next-Generation Russian Passenger Plane

By The Moscow Times

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An artist rendering of the MC-21 airliner.

The government will guarantee loans of up to $400 million to help fund Russia's next-generation civilian airliner, the MC-21, as Russia fights to curb the threat of Western sanctions that could deprive Russian airlines of their Boeing and Airbus fleets.

The guarantee, which bolsters an investment program in the twin-engine medium range plane worth almost $4 billion, was announced in a decree published on the government's website Wednesday.

Since the crisis in Ukraine expanded into a sanctions tit-for-tat between Russia and the West, the Russian government has poured new zeal into boosting domestic production in sensitive industries, including civil aviation.

Years of underinvestment have weakened Russia's civil aviation industry, and 90 percent

of the fleets operated by Russia's major airlines are Boeings and Airbuses leased from Western leasing companies.

This proved the achilles heel of Aeroflot subsidiary Dobrolyot earlier this month. The company was blacklisted by the EU in July for flying to Crimea, the territory annexed from Ukraine by Russia in March, nixing the company's leasing agreements and leaving it plane-less.

Wednesday's government order backs a 10-year $400 million loan by state-owned lender Sberbank to Russian aircraft maker Irkut, the designer of the MC-21 family of civilian airplanes. The loan is part of a 10-year fixed payment credit line worth over $1 billion, the document said.

The MC-21 is intended to replace the aging Tupolev Tu-154 and Tu-204 airliners, and will compete with foreign aircraft such as the Airbus A320 and Boeing 737. Production models are expected to start rolling off the factory floor in 2017, but the plane has not even been tested yet. A prototype was supposed to fly in 2014, but has been delayed till 2015.

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