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Russian Passenger Plane-Makers Get Another $500 Million State Aid

By The Moscow Times

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A Sukhoi Superjet airliner.

The government will give 27 billion rubles ($520 million) to leasing companies to support sales of Russian airliners that have struggled to compete with the foreign Boeing and Airbus planes which dominate the Russian market.

The move is part of a drive to revitalize Russia's civil aviation industry and aims to take advantage of the devaluation of the ruble over the past year, which has boosted the competitiveness of Russian-made planes.

Russian airlines lease around 90 percent of their planes from international leasing firms and have seen the cost of contracts, many of them denominated in U.S. dollars or euros, spiral as the ruble has lost one-third of its value to the dollar over the past year.

Announcing the 27 billion ruble package at a round-table discussion on the future of Russia's

aviation industry last week, Deputy Industry and Trade Minister Andrei Boginsky said "The task ... is to give regional airlines planes with ruble interest rates that would be advantageous to regional carriers."

The cash will be released to Russian leasing companies over three years, beginning this year, he said.

Boginsky also said the government would support the leasing industry by guaranteeing the net book value of leased planes — the original value minus amortization — adding that the measure was "first and foremost to help sales of the Superjet 100," according to a press release on the Industry and Trade Ministry's website.

Launched in 2007, the medium-haul Sukhoi Superjet 100 is Russia's attempt to break back in to the global civil aviation market, but sales have so far been slow.

Earlier this month, President Vladimir Putin said the Superjet's maker, United Aircraft Corporation, would receive a 100 billion ruble ($1.9 billion) recapitalization from the state, which analysts said was to pay down debts generated by the project.

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