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Boeing Gets Boost as Russia's Volga Group Orders More Freighters

By The Moscow Times

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A Russian cargo aircraft of Volga-Dnepr.

Boeing won breathing space for its struggling jumbo jet on Wednesday with a preliminary deal for 20 of its 747-8 freighters from Russian cargo airline Volga-Dnepr Group.

The sharp increase in Volga-Dnepr's 747-8 fleet took the Paris Airshow by surprise and eased concerns over the latest version of Boeing's iconic jumbo jet, whose production is ticking over slowly due to a recent drop in sales.

The deal calls for Volga-Dnepr to provide expanded cargo services to Boeing itself, by ferrying parts to its factories.

The company's Antonov-124-100 transporters were recently used to lift shipments to Boeing plants in the Seattle area during a port strike and the mammoth cargo planes will provide permanent logistics support in future, the planemaker said.

"Volga-Dnepr provide a very good service for us in our production system and in turn they are acquiring the product from us, so it seems like a good way to have a partnership," Martin Bentrott, sales vice president for Middle East, Russia and Central Asia told Reuters.

Both Boeing and European rival Airbus have seen orders for their biggest planes dwindle as customers opt for improved twin-engined jets.

At Boeing, that has put a question mark over production of the 747, with analysts warning the company could face a $1 billion accounting charge if the programme was shut down.

The U.S. group has made a concerted push for freighter orders to keep production going, industry sources say.

The 20 aircraft will be acquired through a mix of direct purchases and lease-based transactions. Volga-Dnepr currently operates six 747-8 freighters.

That would add 15 months of production to the 747-8 production line, which has enough work for 24 months at current production rates. However, Boeing said the cargo carrier would take delivery over a longer period of seven years.

Boeing did not say how many of the planes would be bought or how many leased. At list prices, the 20 jets would be worth around $7.4 billion.

Boeing has its own financing arm, Boeing Capital Corp, which is likely to be involved in the deal, industry sources said.

The largest single direct purchase so far was from Germany's Lufthansa, involving 19 passenger versions of 747-8.

Bentrott said recent political tensions between the West and Moscow had not hampered doing such deals.

"Not at all with respect to Volga. The issue between the U.S. and Europe and Russia is not having an effect on our ability to do business; it is more having an impact on the economic environment in Russia itself," he said in an interview.

"It is having an effect on our airline customers and we are having to make some adjustments in terms of delivery timing."

These include Aeroflot, but Russia's flag carrier has not cancelled an order for 787 Dreamliners, Bentrott said.

On Tuesday, an Aeroflot executive was quoted saying the $4.8 billion order for 22 jets, dating back to 2007, was being scrapped but the airline's chief executive immediately denied this, telling Reuters, "we are still in discussions."

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