

Sector briefing

Aerospace opportunities in Russia

Why Russia?

Aerospace is one of the Russia's highest value adding manufacturing sectors, with between 275 and 300 aerospace companies, including 108 industrial producers, and 111 R&D and design bureaus.

The Russian aerospace industry is one of several **key business sectors** kept under constant review and scrutiny by the Russian Government.

It is estimated by the Federal Target Programme "The Development of Civil Aviation Engineering in Russia for 2002-2010 and to 2015" to spend **\$6.3 billion for the support and development of the aviation industry** as Russia is looking towards the hi-tech sector as a source of its future growth. It has been stated that Russia expects to become the world's third largest aircraft manufacturer by 2015.

Find general information on the **Russian** market conditions on [UKTI's website](#). The [Doing Business Guide for Russia](#) gives an overview of **Russia's** economy, business culture, potential opportunities and an introduction to other relevant issues.



"Russia expects to become the world's third largest aircraft manufacturer by 2015"

Opportunities

The global aerospace industry has been focused on Russia due to the huge growth potential in the Russian market as manufacturers replace and upgrade equipment and look for modern materials, components, and technologies for their products.

Key government organisations representing 80% of the Russian Aerospace:

United Aircraft Corporation (UAC), \$3.81 bn*. A holding consisting of the leading Russian aircraft design and manufacturing companies, focused on the country's aircraft output and improving efficiency.

United Engine-building Corporation, \$1.8bn* UEC consolidates over 80% assets in Russia's engine-building sector. Was established as Oboronprom affiliate to control design and manufacturing of series production of engines for aerospace, energetic and transport.

Helicopters of Russia Holding, \$0.9bn*. The managing body of the consolidated Russian helicopter industry, incorporates 14 helicopter companies, setting new standards of competitiveness, efficiency, technology, and profitability.

Rostekhnologii was established to promote the development, production and export of high-tech industrial products.

Cooperation with the UK

Memorandum Of Understanding was signed at the Farnborough International Airshow 2010 between the United Aircraft Corporation and A|D|S UK. The Russian Association of Aircraft Engine Manufacturers also signed a similar MoU with A|D|S. Aerospace is likely to be a particularly fruitful sector for collaboration, with Russia set to develop Europe's largest aerospace market by 2013.

OPPORTUNITY AREAS IN TRADE

Parts/Products/Platforms

UAC requires a number of parts for existing aircraft and is also to be prime contractor on major upgrade programmes. The wider range of required products includes engines, control drives, power supply units for airfields, frequency converters, avionics, communication systems, navigation systems, on-ground electronic equipment, seals, emergency equipment, interior, fasteners, paints, lacquers.

Significant share of Russian manufacturers including the Aerospace companies need to upgrade their **manufacturing technologies and equipment**. For example, a number of Samara-based aerospace manufacturers of carrier rockets, jet propulsions, aviation engines and different components for them, bearings for aerospace industry, etc., look for state-of-the-art machine-tools and tooling. Regional administrations launch machine tool modernisation programmes in their regions, with recent initiatives in Samara, Ulyanovsk, and the Sverdlovsk Region.

Seaplane production is fast developing and international business partners are sought for design, marketing, supply of propellers and other components.

Advanced Composites

New projects emerging in the Russian Aerospace sector envisage the use of advanced composite materials. UAC has announced a new \$100m JV to manufacture composite wing components in the city of Kazan, Tatarstan. At the inception phase, the JV would import raw material for composite components.

"Aerocomposite" Ltd., created by UAC, deals with design, testing, manufacturing and realisation of composite parts, aggregates and components of civil aircraft. It is currently cooperating with British companies e.g. "Instron", "SciTech" and is eager to find new partners.

Sukhoi, one of Russia's premier aircraft designers, is already designing, producing and testing parts and units built from polymer and composite materials. The new production line will be set up at Kazan's Gorbunov KAPO aircraft-building factory. Initial production, scheduled to begin in the Q1 of 2013, will be for Sukhoi's commercial airliner, the SuperJet 100, and Sukhoi's MS-21 aircraft where composite components will account for at least 30-40%.

NB: Russian industry representatives will also participate in International Composite Exchange Programme in March 2011, UK.

Aircraft Projects

* Revenue in 2009

A number of indigenous aircraft programmes are underway or being planned that present opportunities for companies with contract research and/or consultancy capabilities - SSJ 100; MS-21; Tu-204 SM.

- **SSJ-100**

A medium-haul passenger aircraft. Production version first flight was made in November 2010. The Superjet 100 is undergoing the certification process in 2010. SSJ-100 is supplied richly by international companies, but no commercial orders for the aircraft itself have been fulfilled yet.

- **MS-21**

A twin-engine medium-range single aisle passenger jetliner. The initial design is to include 33% of **composite** materials, increasing to 40-45% provided a composite wing is added in 2015. The project is supported by numerous international and particularly British suppliers and the certification of the aircraft is planned for 2016, so new international partners could be engaged.

- **Tu 204SM**

An enhanced reduced-weight version of the Tu-204-100, with improved systems. Around 18% of the current production Tu-204 is **composite** by structural weight, and this will increase to 22-25% on the revised design. Deliveries are scheduled to start in 2011. For now Tupolev is ready to cooperate with new partners and suppliers of equipment to assembly and service centers.

Helicopters

Russian Helicopters is the leading Russian full-cycle designer and manufacturer of helicopters for civilian and defence markets. The holding actively works with international suppliers and seeks new partners in the following areas:

- Safety, medical, search and rescue and fire protection equipment for helicopters
- Avionics
- Navigation and connection systems
- Fasteners
- External equipment
- Tools and materials
- Helicopter market analysis and specialized Mass Media

Russian Helicopters have a number of projects like Mi-171M, Ka-32A11BC, Ka-62, Mi-38, Mi-26T2, Ansat, Ka-226T, Mi-34C1 which are in progress now as well as new-generation Mi-38 utility transport helicopters, production to start in 2013. The Mil plant in Moscow is planning to

show the second prototype to potential customers in 2011, with batch production at the Kazan Helicopter Plant scheduled for 2013.

Ulyanovsk Special Economic Port Zone

Creation of Special Economic Port Zone (SEPZ) of interest for companies who wish to manufacture close to their client or localize in Russia. The Ulyanovsk region ranks 1st in Russia in civil aircraft manufacturing. Investor support and international cooperation is welcomed now for the new project-creation of SEPZ.

The conception SEPZ include:

- aircraft maintenance and repairing complex; aircraft conversion manufacturing
- secondary activities: handling, shipping maintenance, cargo transportation, profiled consulting and legal support

Benefits from SEPZ:

- Exemption from customs duties, VAT and excise taxes; property tax for 5 years; land tax for 5 years
- VAT refund for goods/equipment placed in SEPZ
- Profit tax rate reduction to 15.5%

SPACE opportunities (a separate Sector Report on Space to follow in 2011)

Russia intends to create a brand new Spaceport – Vostochny. The project will be implemented in stages, with construction due to begin in 2011. In 2015 the first unmanned launch will take place, and the launch of the space shuttle is planned for 2018. The Vostochny is likely to launch Russia's first manned mission to Mars. The construction of Vostochny will require an investment of \$11.5bn and it is going to become Russia's major spaceport, with most launches to be made from there.

If you have any questions on the opportunities above, contact the UKTI contacts named in this report. Business opportunities aimed specifically at UK companies are added daily to UKTI's website. These leads are sourced by our staff overseas in British Embassies, High Commissions and Consulates, across all sectors and in over 100 markets.

You can be alerted to business opportunities on a regular basis by registering on the UKTI website. [Find out more on UKTI's business opportunities service on the UKTI website.](#)

Major events and activities

MAKS-2011

Contact: www.aviasalon.com/maks

Time: August 16-21, 2011

HELIRUSSIA-2011

Contact: www.helirusssia.ru

Time: May 19-21, 2011

Major Russian Aerospace companies are always represented at international airshows:

Paris Air Show (Le Bourget)

Contact: www.paris-air-show.com

Time: June 2011

Farnborough (UK)

Contact: www.farnborough.com

Time: 2012

Find full details of all events in this country and sector on the UKTI website.

New export events are added daily to the site and [you can register to be alerted to them](#) on a daily, weekly or monthly basis.

UKTI's Tradeshow Access Programme (TAP) provides grant support for eligible Small & Medium Sized Enterprises (SME's) to attend trade shows overseas. Find out more about [UKTI support](#) for attendance at overseas events.

UKTI contacts

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Next steps - How UKTI can help

British companies wishing to develop their business in the **Russian** market are advised to undertake as much market research and planning as possible in the UK. UKTI's team in **Russia** with its wide local knowledge and experience, can provide a range of services to British-based companies wishing to grow their business in global markets.

This can include:

- Provision of market information
- Validated lists of agents/distributors
- Key market players or potential customers in the Russian market
- Establishment of interest of such contacts in working with you

- Arranging appointments
- Organise seminars or other events for you to meet contacts and promote your company in the Russian market

This work is available via our [Overseas Market Introduction Service \(OMIS\)](#) a chargeable service which assists British-based companies wishing to enter or expand their business in overseas markets.

To find out more about commissioning this work, or accessing other UKTI services and specialist advice, please visit the UKTI website to find [contact details for your local UKTI office](#).

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