

ECONOMY

WE NEED HEADS, HEARTS AND HANDS FOR RECOVERY

(Interview with Pier Francesco Guarguaglini)

Finmeccanica remains the jewel in the crown of Italian industry, and is one of the few large companies in Europe not to have suffered from the financial and economic crisis. CEO Pier Francesco Guarguaglini talks about the group's current aims and priorities for reviving the national economy.

BY GIAN MARIA VOLTO

Finmeccanica is a reputable, major-league corporation offering innovative products and solutions in a range of business sectors. It is unperturbed by the economic crisis; in fact, it is on the attack. In 2008, Finmeccanica registered EUR 621 million in profits and invested some EUR 1.8 billion - 12% of its revenues - in R&D. "In the past few years, Finmeccanica has had many successes world-wide," says a satisfied Pier Francesco Guarguaglini, head of Finmeccanica. The winning formula? A sound financial structure and a high level of technological expertise. In times of recession such as this, these qualities guarantee the group's success. "Obviously we cannot regard ourselves as immune to economic crises of unpredictable length," adds Guarguaglini, "but a commitment to investment in innovation is without doubt a fundamental lever that we can use to tackle sensitive situations such as this one".

Your group is going from strength to strength, despite the crisis. But what worries you about the current negative economic climate?

"We are living through an economic crisis that is affecting all sectors of production in all the leading countries. It is no coincidence that one of the phrases we keep hearing is "the world has changed", and I believe this to be true. It is therefore inevitable that people are worried, but we also have to look towards the future with some degree of optimism, because otherwise we could enter a negative spiral that it would be difficult to get out of. This crisis might also represent an opportunity: it could help us to understand the importance of the real economy in relation to creative financing and rediscover values that we might have lost, and it could also give rise to new projects and fresh initiatives. The worst thing we could do now, at this sensitive time, is nothing at all."

How has the crisis affected the aeronautics sector?

"The crisis is creating problems, particularly in the commercial aircraft sector, mainly because air companies are finding it so hard to obtain liquidity. Of course we are monitoring the situation closely, but it is certainly not the first negative cycle to take place in the aeronautics sector. Finmeccanica also has a substantial advantage compared with

other companies because its activities are balanced between the civil and defence sectors. Furthermore, the long duration of aeronautics programmes - 30 years on average from definition and planning through development, production and logistical support - means that investments can be spread over several years and that the order, production and shipment aspects of contracts can be better managed. Finally, the sizeable investments we make in research and development mean that we can be ready to grasp the opportunities that will arise in the next positive cycle, when the economy recovers and travel demand along with it.”

More generally, what do you judge to be the effect of the current crisis on the national economy?

“Italy is losing competitiveness, and concrete measures are needed to prevent the country slipping backward. Not only industry, but also public administration, must take action to stimulate the national economy continually, principally by streamlining bureaucratic procedures relating to business initiatives that have an effect on employment and on strategic sectors such as research and universities.”

All problems that have been slowing down the country’s development for some time.

“Certainly there are unresolved questions, which we need to tackle vigorously and efficiently, but Italy has proved more solid and reactive than it might have appeared. Italy’s manufacturing sector also continues to perform well internationally, and its banks have shown themselves capable of coping with the difficult economic environment. Remember that many credit institutions abroad have either failed or have been nationalised. This has not happened in Italy.”

What do you think of government efforts to limit the effects of the crisis?

“Given the difficult economic climate, I think that government measures are moving in the right direction. Take the Tremonti bonds, for example, which are an efficient response to the liquidity requirements of many companies, or initiatives in favour of SMEs, which have also been appreciated by Confindustria. Finally, funds have also recently been allocated for new infrastructure, which could serve as an important springboard for industry. Of course, the crisis is not yet over, so I hope that the government will continue to take a dedicated and intelligent approach in this sensitive period.”

What role should companies be playing?

“The global economic situation demands great efforts from all of us. Companies need to set out long-term business plans that tackle the structural weaknesses of the production system and not only the emergency of the economic crisis. At the same time, discipline and rigour is needed to safeguard corporate financial structures. Meanwhile, public investments aimed at stimulating the economy also have to be restarted. These include spending on infrastructure, but not only on roads and railways. We need to back measures that foster product competitiveness, particularly in the area of technology. This is the only way that our businesses can hope to have an advantage over their competitors when the economy recovers.”

What was Finmeccanica's biggest success in 2008?

“Overall, 2008 was a positive year for the group. One big achievement was certainly the acquisition of US company DRS Technologies, a leader in provision of integrated products, services and support in the defence electronics sector. With DRS we plan to create a major transatlantic centre of expertise in high technology and innovation. To acquire DRS we took advantage of a capital increase operation that was fully subscribed; in itself positive for the group, given the financial crisis. Last year we also obtained a number of contracts in all our core sectors, building a solid system of partnerships at global level.”

What about goals for this year?

“We have already achieved an initial major target in 2009: we recently began negotiations with the government of the Arab Emirates for the acquisition of 48 M-346 advanced training aircraft made by Alenia Aermacchi, and we believe that this success will pave the way for further progress in the international markets, where extensive marketing campaigns for the aircraft are under way. This year we also aim to increase our presence both in Italy and abroad, principally in the US, and to forge strategic partnerships to become increasingly competitive in our core markets. We also want to develop further the defence and security electronics sector and enhance our activities in the civil sector, with a particular focus on transport and energy.”