

How Southern Italy will board the Superjet

The Chairman of Finmeccanica: the agreement with the Russians of Sukhoi is worth more than one billion euros and will have effects on Southern Italy

Southern Italy: over one thousand new jobs in 2006

Guarguaglini: we are betting on regional airplanes

Growth: continuous investment in R&D

(By ANTONIO TROISE)

ROME - The newborn is an aircraft that lands and takes off like a helicopter but after takeoff folds its rotor blades and becomes an airplane. Its name is Tiltrotor BA609 and it is intended only for military or government use. It travels at a speed of 500 km. per hour but can land on a small plot of land. It was introduced last week in Pratica di Mare. It is manufactured by AgustaWestland, a world leader in the helicopter sector and a company of Finmeccanica, Italy's leading high-technology group. In the cockpit of this industrial group there is Pier Francesco Guarguaglini, an engineer from Donoratico, where he was born in 1937. Since 2002, when he landed the office at the top floor of the Finmeccanica building in the centre of Rome, revenues have grown from 7.8 billion euros to 12.5 billion euros. However, Guarguaglini would rather call the attention on another set of figures: "Out of every 100 euros, 14 euros are spent every year for research and development". This is a record number, and not only in Italy. This amount is expected to rise even further after the agreement with the Russians of Sukhoi, which will have positive effects also for the plants in Southern Italy, where Finmeccanica has 11,000 employees, 8,000 of whom in Campania alone. Overall in 2006 the company created over 1,000 new jobs in Southern Italy.

How did the company change in the last five years?

"When I started, Finmeccanica was essentially a financial investment firm. Today it is an industrial holding company, with marketing, technical and strategic functions. In addition, it coordinates actively the various companies".

What are the benefits from a business point of view?

"We have concentrated on the aerospace, defence and security sectors. In these fields, Finmeccanica controls the entire helicopter business, where it is world leader, and a part of defence electronics. Just to give you an example: in Eurofighter, the main European defence cooperation programme, the avionic part is 60% held by Finmeccanica. We have also increased our participation in international programmes.

In other words, have you not been affected by the recession and the strength of the euro?

The euro is something all our competitors have to deal with, excluding the Americans. But to be competitive, the secret is technology. This requires significant and continuous investments. Today 14% of our revenue is spent for research and development. We rank fiftieth in the world, in absolute terms. In 2006 we were fifth in terms of percentage increase on the previous period".

Does that mean that Italy does not have to be always a loser in the international competition?

No. The important thing is to make choices. We have concentrated in areas where we could be leaders. And when the time to invest in another country came we opted for Great Britain, the second market in the world. Today Finmeccanica is the second defence company in the United Kingdom. But the internationalisation process continues. We are now looking at emerging countries, such as India, China, Malaysia. And Russia, in particular".

Speaking of Russia, how are negotiations progressing with Sukhoi to manufacture the new superjet 100?

"We are at the final stage. Besides, there is already an intergovernmental agreement that acts as an umbrella for our industrial arrangements. Now we are finalizing all the aspects of the alliance. We are looking at the specifics, and it will take some time."

But in practical terms, what does this mean for the future of Finmeccanica?

"It can mean a lot. If the new aircraft is successful we will enter an interesting field, regional transportation with leading-edge airplanes with around 100 seats. Finmeccanica will be the majority shareholder of the marketing company whilst the Russians will have the majority of the manufacturing company."

In Southern Italy Finmeccanica means defence, security, railway signalling and, most of all, aerospace with Alenia Aeronautica. Can the benefits of the agreement with Sukhoi spill over into this region?

"Certainly. However the degree of participation of Southern plants will depend on the quantity of composite material that will be utilized by the new superjet".

How much is the superjet agreement worth in terms of investments?

“Over one billion euros. In particular, our share will amount to 450 million euros while 300 million euros will be provided by the the respective governments. From a manufacturing point of view, the Sukhoi plants involved will be two, one in Novosibirsk, in Siberia, and the other in Komsomolsk, near the Pacific.

In other words, another regional aircraft, after the ATR experience....

“Let me tell you, ATR is experiencing a sort of rebirth. Until 2002, orders were no more than 10 lifting bodies a year. In 2006, there were orders for 63 new aircraft plus 25 options. Total sales of the joint venture between Alenia Aeronautica and Eads reached 700 million dollars, a 30% increase on the previous year. The company is a leader in the turboprop sector and the lifting body is manufactured entirely in Pomigliano”.

What are the other areas of excellence in Southern Italy?

“In Grottaglie, in Apulia, we have set up a new plant to manufacture part of the lifting body of the 787. In this case, Boeing asked to make an equity investment, and we accepted, with an outlay of 450 million euros. Now the product is going really strong. In this project significant investments were made also in composite materials. The 767 at the beginning of the 1980s had only 7% of these materials, while the 787 has 85%. But Pomigliano has a strong involvement in this project , as all the design, development and test phase is concentrated there”.

But there is not only Alenia Aeronautica in Campania

“Yes, we should not forget the activities to manufacture radars and air traffic control systems. These products have been sold, among others, in India, Philippines, China and Russia. In addition there are the naval systems. Our products are used on the Orizzonte ships and on the FREMM frigates, which are the core of the Italian Navy”.

The map of FINMECCANICA

	Plants	Employees
1 - ABRUZZO	7	846
2.- CAMPANIA	16	7,798
3 - CALABRIA	2	470
4 - SICILY	5	428
5 - APULIA	12	1,678
6 - BASILICATA	2	224
7 - SARDINIA	1	11
SOUTHERN ITALY	45	11,455