

## Weighty Business

# A Cold-War Plane Lifts Ukrainians In Cargo Market

Antonov's Ruslans Transport Armor, Oil Rigs, Giraffes; Playing Soccer in the Hold

A Legal Snag Grounds Flights

By PHILIP SHISHKIN

KIEV, Ukraine—Whether it's a European army carting armored vehicles to Afghanistan or an Australian zoo airlifting a giraffe, shippers with outsized cargo often turn to aircraft from the same unlikely source: Ukraine's Antonov Design Bureau.

Antonov is the owner and builder of seven Ruslan cargo planes, commissioned in the Cold War to carry Soviet tanks and missiles. Today, space aboard these planes—and 15 others owned by two Russian rivals—is a precious commodity for customers in the West, who pay as much as \$24,000 an hour to rent one.

But now there's an unusual predicament facing the company that one official calls the crown jewel of Ukraine's economy. A European firm won a \$43 mil-



Antonov Design Bureau

A fighter jet emerging from the Ruslan

lion lawsuit in 2002 against the Ukrainian state in a dispute over an oil-refinery contract. When Ukraine refused to pay, the company looked around the West for Ukrainian state-owned assets to seize—and found two Ruslans, one in Canada and the other in Brussels. Fearing further seizures, Antonov recently grounded all flights to North America and Western Europe.

Still, there are plenty of parts of the world where the legal judgment isn't enforced, among them Sri Lanka, Thailand and Singapore, where Ruslans have flown in food, medicine and other relief supplies on contract with Western aid agencies. At the moment, Antonov's five active Ruslans are fully booked through early February.

In building the Ruslans, Antonov stumbled on a niche market that is both growing fast and not well-served by the major Western aircraft makers. Boeing Co.'s biggest cargo aircraft, the 747-400, is roughly the size of a Ruslan. But the Boeing plane is designed to ship containers and other standard-sized commercial loads. Those with special needs, such as an air force shipping helicopters, prefer the Antonov's outsized loading ramps and ability to land at ill-equipped airports and other rough outposts.

European armed forces—after building up for a ground war against the Soviet Union that never came—don't own nearly enough transport planes to supply their 8,000 troops in Afghanistan. So they must rent the Ruslans and other aircraft. Relying on companies from Vladimir Putin's Russia or politically unsettled Ukraine worries Jaap de Hoop Scheffer, the North Atlantic Treaty Organization's secretary-general. "We have to phone Antonov or we have to phone his Russian counterpart" to get transport planes, he says. "And that's a situation I do not like."

Antonov engineers designed the Ruslan aircraft in the early 1980s. "The task was to build a plane for any kind of armaments," says Dmytro Kyva, now Antonov's chief designer, who worked on the project. One unusual twist: It has loading ramps both in the tail and the nose of the aircraft. That makes it easier to load and unload tanks or trailers be-

cause they can drive in one end and out the other. With a hauling capacity of 150 tons, the Ruslan, named after a mythical Russian knight, was a big leap from Antonov's first model, a small biplane with a nose propeller built in 1947.

The Ruslan was a source of pride for company founder Oleg Antonov (1906-1984). Its 33-minute maiden flight in 1982 was classified, but the word had leaked out in Kiev, and people huddled on balconies to watch the plane take to the skies. "When the plane was gaining speed on the runway, I felt it was a grandiose being," says Mykhail Kharchenko, a former crew member who is now in charge of Antonov's flight operations.

After the Soviet Union's collapse in late 1991, Antonov found itself adrift in a newly independent Ukraine. State



Oleg Antonov

funding dried up, as did business from Communist-bloc countries. The company, which took possession of the Ruslans that were on Ukrainian soil at the time of the Soviet breakup, started baking its own bread and growing vegetables to feed its workers.

Antonov needed hard currency, and in its Ruslan fleet it found a bulky cash cow. The planes had already gotten a start working for the West during the Gulf War, when they flew in equipment to extinguish oilfield fires in Kuwait and flew out Iraqi refugees crammed on the cargo floor.

Though designed for the Soviet military, the Ruslans already had some civilian experience carrying equipment for Soviet gas and oil pipelines. Now they were flying power stations, turbines, boats and train locomotives for Western clients. In the late 1990s, a Ruslan flew a giraffe between zoos in Australia. The flight required a slow climb and a low altitude because giraffes could die from sudden changes in air pressure.

The influx of business helped Antonov invest in developing new aircraft, such as a regional jet designed for Siberian flights. Ukraine and Russia are talking about fully restarting the Ruslan production line. The last Ruslan rolled off its last year for one of the Russian owners, but it was built from old parts.

Antonov is fully owned by the Ukrainian government and employs 7,000 people. It doesn't disclose revenue or profits.

In addition to its Ruslans, Antonov owns a single copy of an even bigger plane called Mria, which means "dream" in Ukrainian. It was originally designed during the Cold War when the Soviet Union was trying to match the U.S. space-shuttle program. The Soviet shuttles were to ride piggyback on the Mria before launching into space. The aircraft made its maiden voyage in 1989.

After the Soviet Union's collapse, the space-shuttle program died, and the Mria had nothing to do. In 2001, Antonov dreamed up a publicity stunt. On Sept. 11 of that year, the Ukrainians packed Mria's cargo hold with heavy tanks and other gear and took it aloft to see how much weight it could lift for commercial

purposes. At 253 tons, the payload made the Guinness Book of World Records. After the flight, Mr. Kharchenko was walking across the airfield when a colleague rushed up. "Mykhail, a war has started," the colleague said as he brought word of the terrorist attacks in the U.S.

The subsequent U.S.-led attacks on Afghanistan and Iraq proved a boon to Antonov's transport business. The Ruslans flew power stations, generators and turbines to Iraq for contractors including General Electric Co. "We don't participate in military actions, but we often fly while things are still burning and smoking below," says Alexander Gritsenko, the company's commercial manager. In 2003, the giant Mria, which is bigger than even Airbus's new A380 555-passenger jet, flew oil drills, pumps and generators from Houston to the southern Iraqi town of Basra.



# Plane Lifts Ukrainians in Cargo Market

The biggest post-9/11 business has come from European militaries participating in a peacekeeping mission in Afghanistan. The U.S. has a fleet of 115 C-5 Galaxy cargo aircraft that are manufactured by Lockheed Martin Corp. and comparable to the Ruslans, but the Galaxy craft are reserved exclusively for U.S. military use. Most European militaries never invested in similar planes. To get their gear in and out of Afghanistan, the Europeans had little choice but to call on the Ruslan.

The Europeans have now designed their own cargo plane, which European jetliner maker Airbus is starting to build.

## Beast of Burden

Facts about the Ruslan cargo plane:

Maiden flight	1982
Length	228 feet
Wingspan	242 feet
Takeoff weight	402 tons
Maximum cargo weight	150 tons
Rent per hour	\$12,000 to \$24,000

Source: Antonov

These won't be ready to fly until at least 2009.

Between 2002 and the second half of 2004, Antonov flew 757 missions to and from Afghanistan. But even as the pace picked up, Antonov was facing a growing legal threat. A Cyprus-registered company called TMR Energy Ltd. had signed a contract in the early 1990s to refurbish a decrepit Ukrainian state-owned oil refinery. TMR is part-owned by Glencore International AG, a Swiss-based commodities trading firm founded by businessman Marc Rich, who sold his Glencore stake in 1994.

The contract called for profit-sharing, but TMR claimed it wasn't getting paid its due and sued the Ukrainian government seeking \$43 million. A Swedish court ruled in 2002 that the Ukraine's State Property Fund was liable for the refinery's debts.

TMR lawyers started looking for Ukrainian assets to seize. In 2003, the first Ruslan was seized in Goose Bay, Canada, where it was delivering Italian military cargo for NATO exercises.

Even so, Antonov kept up its European business, hoping authorities there wouldn't let its planes be seized. Last

August, a Ruslan landed in Brussels on a contract with NATO to fly Belgian infantry vehicles to Afghanistan. After parking the plane, chief pilot Dmitri Antonov (no relation to the company's founder) received word on his radio that Belgian bailiffs were on their way to impound the plane. He decided to get right back in the air without his cargo. But the control tower wouldn't clear the plane for take-off.

The crew remained barricaded inside the aircraft for three days, surfing the Internet and even playing soccer in the cavernous cargo hold. They hoped the dispute might be resolved quickly so they could take off again, but Belgian officials and Ukrainian diplomats finally convinced the airmen to unlock the doors. "We patted the fuselage to say farewell to our plane," recalls Mr. Antonov. It remains stranded on the tarmac, its fate debated in the Belgian courts.

Since then, Antonov has halted the Ruslan's flights in Western Europe. "That hit us quite hard," says a Western military official familiar with cargo operations. "There's now a shortage on the market. Sometimes we were not able to get the planes on the day we wanted." The Europeans now must rely on the two Russian suppliers. NATO planners fear a newly assertive Kremlin could try to cut access to the Russian planes if it disagrees with Western military initiatives.

Volga-Dnepr Group, a Russian company that has 10 Ruslans, says it never faces political interference on where it can fly. But for security reasons, the group doesn't fly to Iraq. So when a U.S. customer recently needed to ship vehicles to Baghdad, the Russians flew them from the U.S. to Turkey. The Ukrainians, who don't mind flying to Iraq but can't fly to North America, picked up the cargo in Turkey and took it to Baghdad.

Even if politics doesn't interfere with NATO's plans, commerce sometimes does. Last November France had a particularly bountiful harvest of Beaujolais grapes and shipped many plane-fuls of young Beaujolais wine around the world. Amid a tight supply of conventional cargo aircraft, five of the Russian Ruslans were drafted for shipments to Japan alone. Toward the end of the year cargo space is also tight because of Christmas-season shipments, and the Ruslans join other planes in carrying standard-sized loads. European military planners were worried their troops might be stranded if they ever needed to get somewhere in December.

With all the demand, Ukraine would seem to have a strong incentive to clear up the TMR matter and get Antonov's Ruslans flying again in North America and Western Europe. But Mikhail Chechetov, head of Ukraine's State Property Fund, says simply paying up would set a bad precedent. "That would mean we raised our hands in the air and admitted defeat. And then you can pressure Ukraine," he says. The oil refinery whose profits are at issue isn't owned by the Ukrainian government any more. Its current owner, a joint venture between Russia's Tyumen Oil Co. and BP PLC, says it isn't responsible for the debt.

Mr. Chechetov laments that Antonov "was dragged by its ears" into a dispute with which it had nothing to do. "Antonov is the crown jewel of Ukraine's economy," he says. "It's the pride of the country."