

Russia Aluminium Association: difficult times continue

Covid-19's unwelcome presence has roiled most of the world. In Russia, Pavel Moryakov, the head of the energy sector of the Aluminium Association (AA), discussed the state of the industry, the role of industry organizations and more. Below are edited excerpts from an interview he did with the organization's publication. For more details, go to www.aluminas.ru/en.

AA: First, can you explain how the Aluminium Association fits in Russian manufacturing, and describe your company's structure?

In Russia, the Government Commission to Increase Sustainable Economic Development has approved a list of backbone organizations. The list of 1,151 companies (as of May 12) from more than 30 branches of the Ministry of Industry and Trade of Russia includes members of the Aluminium Association: Moskabelmet Group of Companies, Kamsky Cable LLC and Uncomtech Management Company JSC.C.



I am CEO of the Moskabelmet Group of Companies, which consists of five companies—Zavod Moskabel, Elkat, Moskabel-Fujikura, Moskabel-Winding Wires and Vorotynsyky Energy-Repair Factory—that produce copper rod, copper wire, winding wire, optical, power, and control cable, as well as other unique

products. The Moskabelmet Group is the leader in Russia of transposed wire. It serves the energy, transportation, construction, mechanical, atomic, defense industrial, and petroleum sectors. It is also one of three companies in the country that makes a full production circle, from the production of copper rods to the production of finished cable and wire products.

AA: How do cable men feel about the current difficult conditions for everyone?

I will not reveal secrets. We work to the limit. We communicate with factories, and everyone has a difficult situation. There are no orders, primarily due to the fact that construction projects stopped. And since there are no new orders, where can one get the money to pay salaries?

Everyone lives in a loan environment. To survive, we need relief. That can be associated both with the provision of interest-free loans for the payment of salaries, and with the abolition of certain taxes. The form of how this will be done—through taxes, the issue of salary subsidies, etc.—is not so important in this case. The main thing is that a working capital replenishment mechanism needs to be created. Business needs a cash infusion.

AA: What measures do you believe would be most effective?

If we are talking about maintaining jobs and enterprises themselves, companies should be exempt from taxes for at least two to three months. Under the circumstances, it

would be logical not to pay VAT, income tax, property tax and other deductions. That would give us a breath of air. We could use these rather big savings to stay afloat. For example, the state has introduced a moratorium on paying rent. That is, the landlord must provide a vacation from rent. It would be interesting to do the same for taxes, with installments, for example, for three years. I hope that crucial decisions for the industry will be made in the near future.



Pavel Moryakov
CEO, Moskabelmet
Group of Companies

AA: How important is government help for industry?

Now more than ever, companies and entire industries need state support. We know about helping small and medium-sized businesses. But most cable factories, and even companies that are members of the Aluminium Association, are big businesses. They need systemic status to receive help. What would be most beneficial? For system-forming enterprises, soft loans for replenishment of working capital are needed. The rate on such loans should be subsidized by the state in the amount of the Bank of Russia key rate. Further, half of the loan should be provided with state guarantees by the Ministry of Finance of Russia.

AA: What is the role of the Aluminium Association? How important is government help for industry?

It is not easy to be a warrior if one is alone in the field. Getting on a government list or getting a subsidy to an enterprise alone is hard, no matter how large a business is. An integrated approach is needed here, and one cannot do that without consolidation centers that form the position of the entire professional community. In our case, this is the Aluminium Association and the Electric Cable Association. They collect us under their banners, and help to cope with the current situation. The Aluminium Association, so to speak, has a wide front, while the Electric Cable Association acts on the flanks, helping cable companies get into the registries.

AA: How does that interaction of industry companies and the association work?

Cable plants, which are key consumers, need the status of a system-forming enterprise. The Aluminium Association

launched a campaign that summarized data from representatives of industries, including energy. Then the Electric Cable Association joined in, and began to help. When associations got down to business, everything became simpler and more understandable. The criteria for selecting companies to obtain the status of a system-forming organization were formed, the necessary subsidies and benefits were determined for enterprises. When there are orders, there is enough money for a salary, yet not everyone understands why associations are needed. It is only when there is a crisis, such as the Covid-19, that the importance of professional associations is no longer in doubt.

In a crisis, it is associations with their vision of the general situation that can reach the regulator and receive additional benefits for the entire sector. It is hard to overestimate the colossal work that associations are doing today. For my part, as the head of the energy sector, I'm ready to invest in this area, to collect and provide the needed data.

AA: As the Covid-19 situation continues, what further actions should cable men want to see from regulators?

As I said, the main pain is the lack of orders. If the budget had not been sequestered and construction had resumed, our industry would feel much better. But it is clear that this



An interior photo of a Moskabelmet Group cable plant in Russia.

option is possible only when the epidemiological situation improves. We expect this to happen in the second half of May. The actions that will soon follow on the part of the government, we roughly understand. But most likely in a month, we will ask to expand the assistance package. And here again, we cannot do without the organizational efforts of the Aluminium Association. Today it is necessary to be in the community as no one can cope alone.

Editor's note: Pavel Moryakov also responded to two questions from WJI.

WJI: Has the Russian industry seen much in the way of staff reductions to date?

In the industry, the reduction was no more than 1-2%. There are some regions where employees were sent on unpaid days off, but these are isolated cases. The group of companies I lead has had no cuts. We can talk about a decrease in industry wages by about 20-30% due to downtime caused by quarantine restrictions. The salary has a fixed part and a bonus for the work done: if the employee did not work, he only gets the fixed part. Our industry is characterized by inertia, and we will probably feel the negative consequences from the pandemic on the economy only in September. Now our group of companies and our colleagues in the industry have long-term projects. We can feel a serious decline when new global projects will no longer be launched in 2021 and beyond in the future three to six months. That's when cuts may follow.

WJI: How long can the Russian aluminum wire and cable sector last if it does not get meaningful support?

State support for the cable industry is not expressed in subsidies, taxes or replenishment of the salary fund. It is in the preservation of investment projects in which cable operators participate. The cable industry without projects is like an airline without passengers. It is impossible to support the cable business as such, because we do not have a consolidated market, and there are no large companies that would hold half of the market. You can't help everyone, the best solution is to preserve investment programs, not cut budgets. Otherwise, some cable operators have a safety margin of three to six months. After all, companies live on loans. If investment is reduced, we can only be saved by a decision at the state level to reduce the credit burden. It is impossible to pay off loans and maintain production in the absence of orders.

About the Russian Aluminium Association

The Aluminium Association is a non-governmental professional body of aluminum producers, suppliers and consumers. Founded in 2015, it includes about 120 companies and organizations from various industries, as well as scientific institutes. There are seven sectors: energy, aviation and space, aluminum chemistry, consumer goods, mechanical engineering, automotive and construction.

Pavel Moryakov heads the energy sector, which represents companies that produce cable and electrical wiring.

The Association manages more than 30 large-scale projects that seek to expand aluminum consumption in Russia, increase the share of national aluminum production in the domestic market, and increase exports. It fosters technology innovation, new products, applications and use as well as opposing counterfeit products, and more. For further information, go to aluminas.ru/en. ■