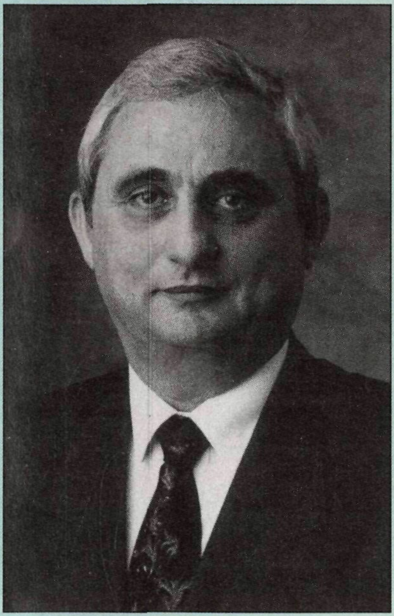
FRUITS OF SUCCESS

Elbit, the Israel-based advanced-weapon-delivery and navigation-systems developer, has become a success story by stealing a march on its Western competitors in upgrading the avionics of eastern European air forces.



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Israeli defence companies have stolen a lead on their Western rivals in securing business from eastern European nations anxious to upgrade their obsolete, largely Russian-equipped, air forces. Elbit is at the forefront of this early Israeli success, and is enjoying the fruits of its work with the Israeli air force in penetrating export markets.

Two weeks after the Romanians selected Israel Aircraft Industries (IAI) to upgrade 100 air force Mikoyan MiG-21s, a letter was received from the Romanians by the company's headquarters. They re-affirmed the award of the contract, but added the condition that "...we want Elbit to supply some of the systems". The demand angered IAI top management, but senior company officials admit that it was almost expected. The rivalry between state-owned IAI and its privately owned defence rival, Elbit, has resulted in some major clashes in the past.

Elbit was one of the first Israeli defence companies to discover the potential business opportunities in eastern European countries. Because it has good contacts in most of these countries, it was no surprise that the Romanians wanted it in the deal. "We are not an aggressive company. Aggressiveness has a negative connotation. But we are a very active one. We don't wait for the potential clients to come to us. We go to find them in every corner of the world," says Emmanuel Gill, Elbit president.

Trained as an electronics engineer, Gill served in the Israeli air force for 19 years. Since 1985, he has been president and chief executive officer of Elbit and the man responsible for the policy which has made the Israeli company such a success.

Based in Haifa, the port town in northern Israel, Elbit develops and manufactures advanced weapon-delivery and navigation systems, as well as diversified night-vision systems for pilots.

Elbit is a major partner in the upgrading of the Singapore air force's Northrop F-5s, with Singapore Aircraft Industries as the prime contractor. The Israeli company is also the prime sales arm for the upgraded Czechoslovakian Aero L-39 trainer which has been selected by the Thai air force. "We realised the potential in a combination of this very good airframe and engine with advanced avionics. We negotiated with some other potential clients," says Gill, but he is reluctant to disclose any details which might endanger the ongoing negotiations.

The extensive experience in developing avionic systems for a demanding client such as the Israeli air force is now a big advantage in the competitive upgrading market — proved again recently when Elbit won a contract to upgrade the IAR 330L Puma helicopters of the Romanian air force. All the Israeli air force's F-16C/D's carry a digital avionics interface computer developed by Elbit.

In early November 1992, Elbit surprised many in the defence industry when it announced that it intends to purchase the electronics manufacturing centre of General Dynamics at Forth Worth, Texas.

"We hope to finalise the deal in January. The fact that Lockheed purchased the Fort Worth tactical-aircraft division will not affect the acquisition," says Gill, revealing that Computer Crossroads of America will be a "strategic partner", which will assist Elbit to market the products, but will not put money into the purchase of the centre. "If we have similar opportunities, we will take them," says Gill.

The financial results of the company, which employs 3,400 people, prove that, while Israel's state-owned defence industries struggled to stay afloat, Elbit expanded. In 1991, the company's revenues totalled \$410 million, of which \$171 million came from the sale of defence systems. The company also manufacturers medical imaging systems and is involved in other industrial and commercial activities.

Net profits in 1991 were \$35.5 million, an increase of 61% compared with that of 1990. Gill says that 1992 was also a very good year. "In the first nine months of the year, revenues totalled \$332 million and net profit was \$22.4 million, proving that our strategy of diversified activity is the right one," he says.

Diversifying its activities, by starting a television manufacturing plant and venturing into operations such as managing the integration of the planned *Voice of America* radio-broadcast relay station in the Israeli desert, has not affected Elbit's main line of activity. The company developed the Opher autonomous terminal-guidance kit for bombs and continues to invest heavily in advanced defence systems, which will enable it to keep its competitive advantage.

Nevertheless, Gill is ready to admit that "...in the current situation of the defence-systems market all companies should be less arrogant and try to cooperate. I hope that we will find a way to do so, even in the Romanian deal. The client wants us and there is no reason why we shouldn't be in."

BY ARIE EGOZI □