bne:infrastructure

News
Trains
Planes
Roads
Ships

August 1, 2011 I No 26

www.bne.eu

Contents

Top story

©OECD/ITF, Marco Urban, Marc-Steffen Unger, Simone Neumann

1. Trends in Transport Infrastructure Investment 1995-2009 OECD, International transport forum

VTB Capital

The latest update of annual transport infrastructure investment and maintenance data collected by the International Transport Forum at the OECD shows:

_ GDP share of investment in inland transport infrastructure has remained almost constant in Western Europe (0.8%) and North America (0.6%) over the past decade;
_ Record investment levels were reached in Central and Eastern European countries, with 7.6% growth in 2008/09, amounting to 2.0% of GDP (2009);
_ The balance between road maintenance and investment has remained relatively constant over time in many regions, with maintenance making up 30% of total road expenditure on average.

Investment in inland transport infrastructure (road, rail, inland waterways) as a percentage of Gross Domestic Product (GDP) has declined steadily in Western Europe since the 1970s.

Our first reports from the 1980s noted this decline from an average 1.5% in 1975 to 1.2% in 1980 and further to 1.0% in 1982, after which it levelled off. Our most recent data show that investment in inland transport infrastructure as a percentage of GDP declined again in the 1990s in Western European countries (WECs), to around 0.8% in 2000, where it has remained (Figure 1). However, there are marked differences between countries, especially for recent years, varying from 0.5% in Denmark to 1.1% in Spain in 2009.

Data for North America show a rather constant GDP share (0.6%) since our data series began in 1995. However, the latest estimate indicate a slight growth in the GDP share of investment, reaching 0.7% in 2009. Growth has been particularly strong in Canada, where investment in inland transport infrastructure was recorded at 1.2% of GDP in 2009.

Trends for Central and Eastern European countries (CEECs) differ markedly from those described above. The share of investment in inland transport infrastructure, which until 2002 had remained at around 1.0% of GDP, has grown sharply, reaching 2.0% in 2009 - the highest figure ever reported by these countries (1.9% in 2008). In the Russian Federation the investment share of GDP has been more volatile. Investment accounted for 1.9% of GDP already in 2000 but declined back to 1.2% in 2006. Latest data show renewed growth in investment levels, varying from 1.7% (2008) to 1.5% (2009). Rising levels of investment in Central and Eastern European countries certainly reflect efforts to compensate for the earlier underinvestment in the road network capital stock, reinforced by the demands of growing economies.

Data for Japan show different trend. Historically, transport infrastructure investment has been relatively high in relation to GDP but has been in decline since the 1990s. Expenditures have been affected by general budget cuts since the end of the 1990's, partly explaining the decline in investment relative to GDP. Further, data do not include private investments on roads, affecting overall results.

In Western European countries, the volume of investment (expenditure in real terms) remained nearly unchanged from 1995 to 2000. This period of stagnation appeared to end in 2001 when investment in inland transport infrastructure increased by 15% in real terms through 2003. The level of investment then declined again to 2008 when it was 1.7% above the 2003 level. The latest data for 2009 show growth of 3.6% over 2008 (Figure 2).

The volume of inland infrastructure investment in North America grew by around 30% from 1995 to 2001. Lack of comparable data for the United States from 2003 onwards has somewhat limited analysis, but our estimate based on available data suggests a slow decline in investment volume that continued all the way to 2008. Our estimate for 2009 suggests a 10.5% growth in the volume of investment over 2008 in North America, returning to the 2001 level in real terms.

The volume of infrastructure investment has accelerated strongly in Central and Eastern European countries since 2003. This growth has shown no signs of slowing down and the volume reached yet another record level in 2009.

Investment in inland transport infrastructure increased 7.6% in real terms from 2008 to 2009. Also the Russian Federation shows a surge in investment volume since 2003. Our data show that the growth in the volume of inland infrastructure investment continued strongly in 2009, rising to a new peak in real terms, growing 7.3% from 2008 to 2009.

Data for Japan appear to reflect both the declining public funds available, especially for road investment, and the maturity of the national transport system. Inland transport infrastructure investment in 2008 was nearly 47% lower than in 1995 in real terms.

Data presented in Figure 3 show long-run trends in the modal share of investment in Europe. In the Western European countries, the share of investment in road infrastructure has declined slowly with a gradual increase in rail investment. While the share of road investment amounted to close to 80% in Western Europe in 1975, figures for 2009 put it at 66% of total investment in inland transport infrastructure. The share of inland waterways has remained at a constant 2% in recent years. The rail share of investment is particularly high in Austria (65%), the United Kingdom (55%), Luxembourg (52%), Sweden 45% and Belgium (41%). The trend observed in our data Western Europe is partly a reflection of the political commitment to the railways, and the recent data does not seem to indicate any change in this commitment.

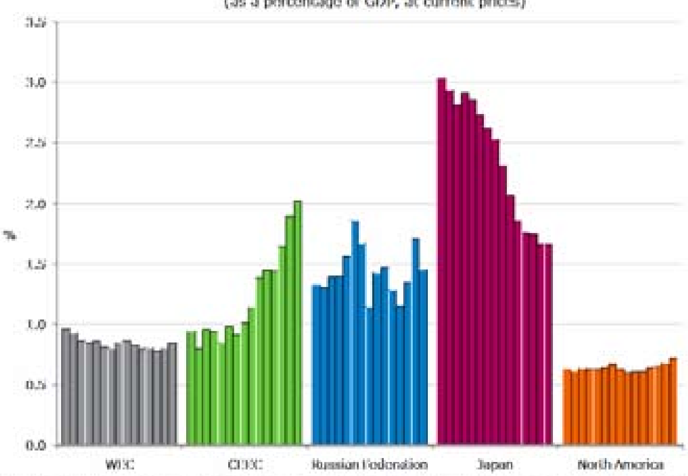
Whereas Western European countries have increasingly directed their investment toward rail, Central and Eastern European countries are investing more heavily in roads. The share of roads in inland transport infrastructure investment increased from 66% in 1995 to 83% in 2009. The last five years, however, suggest a stabilisation of the trend and the modal split of investment remained rather constant from 2005 to 2009.

The available data seems to suggest that the balance between maintenance and investment has been relatively constant over time in many regions. The volume of maintenance for road infrastructure in WECs has increased slightly more rapidly than the volume of investment; the former grew by 25%, while the latter by around 21% from 1995 to 2008. This has resulted in an increased share of maintenance in total road expenditure; from 26% in 1997 to 30% in 2009.

Similar to the growth in volume of investment, the volume of maintenance has grown strongly in CEECs. The share of maintenance in total road expenditure has declined slightly, from 30% in 1997 to 27% in 2009. The increase in maintenance volumes in 2006 and 2007 (Figure 4) was partly due to a major increase in road maintenance in Hungary during those years.

In North America, the volume of maintenance has been relatively constant over time. The share of maintenance has declined from 33% in 1997 to 31% in 2009, according to preliminary estimates. As with investment data, data on maintenance is also prone to limitations and uncertainties (such as the allocation of spending between maintenance and renewals). ●

Figure 1. Investment in inland transport infrastructure 1995-2009
(as a percentage of GDP, at current prices)



Notes: WECs include Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Spain, Sweden and the United Kingdom. CEECs include Albania, Croatia, Czech Republic, Estonia, FYROM, Hungary, Latvia, Lithuania, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia. North America: United States data 2003-2007 estimated. Public road investment based on Bureau of Economic Analysis data on Investment in Government Fixed Assets (highways and streets). Private road and private rail investment based on U.S. Census Bureau data on Construction Spending. Public rail investment estimated based on Bureau of Economic Analysis data on Investment in Government Fixed Assets (transportation) using fixed share for rail investment based on 2003 data. Inland waterways investment estimated based on data from U.S. Census Bureau data on Construction Spending (from 2003 level annual change). Japan: not including private investments.

2. A Progress Report on the Building of the BRICs

Goldman Sachs Global Economics • Dominic Wilson

Infrastructure in the BRICs has improved notably in recent years, but still remains far behind developed country norms. Infrastructure investment will need to accelerate in the years ahead to prevent it from constraining future growth rates in the BRICs. While recent large-scale plans from the BRIC governments are encouraging in this regard, they will need to do more to attract private investment as well.

Infrastructure is a key determinant of economic growth potential, and thus plays a critical role in our longer-term BRICs' projections. The BRICs have made some progress in improving the generally weak state of their infrastructure in recent years.

However, the degree of progress varies significantly by both country and sector, and levels remain far behind developed country averages.

China and India have experienced the fastest infrastructure growth rates nearly across the board, albeit from low levels. Brazil's infrastructure is relatively underdeveloped and has not seen the same high growth rates.

Russia has much more advanced infrastructure in place than the others due to heavy investment during the Soviet era, but much of this has begun to fall into disrepair due to insufficient investment in maintenance. In terms of specific sectors, the most rapid progress in all four of the BRICs has come in telecommunications, particularly in mobiles and internet.

In order to realize our growth projections, the BRICs will need to invest substantially in infrastructure over the years to come.

Encouragingly, all four have released largescale plans for infrastructure investment. But due to their more strained fiscal positions since the crisis, the BRICs will also have to rely more heavily on private infrastructure funding.

To access this, the BRICs have to continue to improve the business environment and expand financial intermediation in local capital markets.

Recent Progress, But Large Gaps Remain

Infrastructure is a key determinant of economic growth potential, and thus plays a critical role in our longer-term BRICs' projections. More and higher-quality infrastructure has a direct impact on growth: it increases productivity, allowing an economy to produce more output with the same amount of labour and capital inputs.

Infrastructure improvement also has a number of positive indirect effects; studies have found that it attracts foreign investment, encourages international trade, improves health and education, and reduces income inequality. On the flip side, insufficient investment in the provision of high-quality new infrastructure or the maintenance of existing stocks complicates the operation of business and can become a binding constraint on growth rates.

The BRICs have made some progress in improving the generally weak state of their infrastructure in recent years.

However, the degree of progress varies significantly by both country and sector, and levels remain far behind developed country averages (see table). China and India have experienced the fastest infrastructure growth rates nearly across the board, albeit from low levels. Brazil's infrastructure is relatively underdeveloped and has not seen such rapid growth. Russia faces a different situation; while it has more advanced infrastructure in place in most sectors due to heavy investment during the Soviet era, much of this has begun to fall into disrepair due to insufficient investment in maintenance.

In terms of specific sectors, the most rapid progress in all four of the BRICs has come in telecommunications, particularly in mobiles and internet, where the BRICs have experienced average annual growth rates since 2000 of 40% and 31%, respectively. Russia and Brazil now have a similar number of mobile subscribers (per 100 people) as the DM average, while internet levels remain somewhat farther behind. The BRICs appeared to have 'leapfrogged' mainline telephone technology, which has seen only anaemic growth in recent years, and jumped straight to more advanced communication methods. They have also made progress in water and sanitation, the two infrastructure sectors most closely linked to the urbanisation process. Russia and Brazil's higher initial urban concentrations are the primary driver of the much deeper penetration of 'improved' water and sanitation facilities. China and India have seen slow but steady growth in both areas in the past decade, and have nearly closed the gap in water-related infrastructure, but have some way to go in the sanitation sphere.

In transportation, road and rail networks in the BRICs have seen little growth in recent years and remain far less developed than their developed country counterparts. This includes India's road and rail systems, which are dense by international standards but of poor quality, so require significant maintenance investments. The BRICs lag farthest behind the developed world in the power sector:

India's per capita electricity consumption is equal to just 6% of DM levels, while Brazil and China's are only about 25% as high. Russia's power network is much more advanced: it consumes nearly 70% as much electricity as the DM average. Electricity penetration growth rates have been much higher in China than in the other BRICs.

Despite these noticeable improvements in most sectors, infrastructure investment in the BRICs has been insufficient to keep up with the rapid increase in demand.

Back in 2006, we estimated the infrastructure investment required to satisfy growing demand over 2006-10 would be nearly $400bn a year (around 8.5% of GDP). Total infrastructure investment rates are not available on a reliable, cross-country basis. Based on the World Bank's estimates that the private sector finances around 20-25% of EM infrastructure investments and that private investment rates were around 1% of GDP a year over this period, we arrive at a rough approximation that the BRICs' annual infrastructure investment may have averaged about 4-5% of GDP. These calculations involve a large degree of uncertainty, but suggest that infrastructure investment will need to accelerate in the years ahead to prevent it from constraining future growth rates in the BRICs. Anecdotal evidence suggests this may already be an issue in places. For instance, the World Bank estimates that India loses 1ppt in growth every year due to supply bottlenecks, while Russia has had several high-profile transportation system failures in recent years.

BRICs Commit to Improving Infrastructure....

In order to realize our growth projections, the BRICs will need to invest substantially in infrastructure over the years to come. Encouragingly, all four have released large-scale plans for infrastructure investment. Even if these plans are overly ambitious in places, they suggest the BRICs recognise the importance of infrastructure and have placed it squarely on the political agenda.

___ Brazil announced its first 'Accelerated Growth Program' (PAC I) in 2007, aimed at investing nearly $250bn of public and private funds in infrastructure through 2010, and last year increased this goal to nearly $550bn for 2011-14. While PAC 1 did not achieve all of this (only about 63% of spending had been actualised by mid-2010), the government is under amplified pressure to implement PAC 2 more effectively, as Brazil will host two major international sporting events in the next five years (the 2014 World Cup and 2016 Olympics).

___ China has long incorporated infrastructure targets in its Five-Year Plans, the 12th of which was released earlier this year. The 12th Plan outlines a range of goals for expanding China's transportation and power infrastructure, including lengthening road and express railway networks, improving electrical power penetration, and increasing access to oil and natural gas. China also recently boosted infrastructure spending beyond the goals of its last Plan due to the global crisis, during which it implemented a stimulus plan with over half of planned expenditures in the infrastructure sphere.

___ India also uses Five-Year Plans that incorporate infrastructure investment goals. Although formal numbers for the upcoming 12th Plan are not finalised, the Indian Planning Commission has announced a projected increase in infrastructure spending from $500bn in the 11th Plan to $1trn in the 12th Plan.

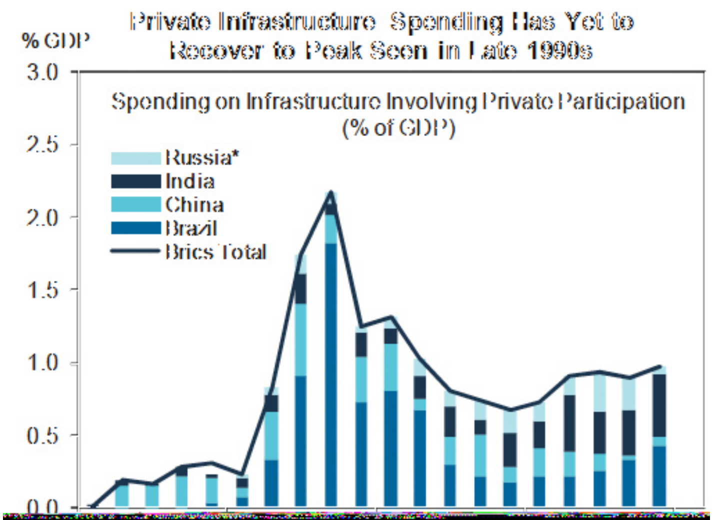
___ Russia announced an ambitious plan in 2007 to spend up to $1trn over the next decade on infrastructure improvements. Unfortunately, much of the proposed spending was scaled back during the crisis, as money went to social spending and bailing out private firms.

Only projects related to the 2014 Olympics, which Russia will host, were left untouched. More recently, Russia has announced plans for additional infrastructure projects (primarily in the transportation sector) linked to the 2018 World Cup, which it was awarded late last year.

...But Financing Concerns Remain

If the BRICs ostensibly seem to recognise infrastructure's critical role in future growth, then why does the underprovision of new stocks and insufficient maintenance of existing stocks continue to be a problem? One major factor is financing, given the unique features of infrastructure, including high capital intensity, elements of natural monopoly and long project lengths, which raise the cost and horizon of necessary investment and increase uncertainty about potential returns.

Once seen as a public-sector responsibility due to these issues, infrastructure financing shifted increasingly towards the private sector in the early 1990s as dissatisfaction with state-owned entities and fiscal pressures triggered a wave of privatisation. Brazil and China, in particular, saw a large increase in the number of projects with private participation. But the 1997-8 Asian crisis and some high-profile project failures led to a sharp retraction in private flows, as investors became wary of host-country risks (particularly government intervention and FX risk). Private flows have begun to pick up as the BRICs have sought to engage investors through creative financing structures, including public/private partnerships and government credit guarantees, but have yet to recover to earlier levels (although the number of projects with private involvement has recovered more convincingly). The vast majority of financing continues to come from public sources, with the private sector bearing only about 20-25% of the cost. But as public finances are more strained since the crisis, the BRICs will have to rely more heavily on private infrastructure funding. To access this, the BRICs have to continue to improve the business environment and expand financial intermediation in local capital markets. ●



3. CEE sees record levels of transport infrastructure investment 1995-2009

OECD

The latest update of annual transport infrastructure investment and maintenance data collected by the International Transport Forum at the OECD shows:

-- Record investment levels were reached in Central and Eastern European countries, with 7.6% growth in 2008/09, amounting to 2.0% of GDP (2009);
-- GDP share of investment in inland transport infrastructure has remained almost constant in Western Europe (0.8%) and North America (0.6%) over the past decade;
-- The balance between road maintenance and investment has remained relatively constant over time in many regions, with maintenance making up 30% of total road expenditure on average.

Investment in inland transport infrastructure (road, rail, inland waterways) as a percentage of Gross Domestic Product (GDP) has declined steadily in Western Europe since the 1970s. Our first reports from the 1980s noted this decline from an average 1.5% in 1975 to 1.2% in 1980 and further to 1.0% in 1982, after which it levelled off. Our most recent data show that investment in inland transport infrastructure as a percentage of GDP declined again in the 1990s in Western European countries (WECs), to around 0.8% in 2000, where it has remained (Figure 1). However, there are marked differences between countries, especially for recent years, varying from 0.5% in Denmark to 1.1% in Spain in 2009. Data for North America show a rather constant GDP share (0.6%) since our data series began in 1995. However, the latest estimate indicate a slight growth in the GDP share of investment, reaching 0.7% in 2009. Growth has been particularly strong in Canada, where investment in inland transport infrastructure was recorded at 1.2% of GDP in 2009.

Trends for Central and Eastern European countries (CEECs) differ markedly from those described above. The share of investment in inland transport infrastructure, which until 2002 had remained at around 1.0% of GDP, has grown sharply, reaching 2.0% in 2009 - the highest figure ever reported by these countries (1.9% in 2008). In the Russian Federation the investment share of GDP has been more volatile. Investment accounted for 1.9% of GDP already in 2000 but declined back to 1.2% in 2006. Latest data show renewed growth in investment levels, varying from 1.7% (2008) to 1.5% (2009). Rising levels of investment in Central and Eastern European countries certainly reflect efforts to compensate for the earlier underinvestment in the road network capital stock, reinforced by the demands of growing economies. ●

4. Mostotrest - Direct Route to Russian Infrastructure

Alfa, Russia

We initiate coverage of Mostotrest with an O/W rating and target price of RUB289 per share. The company offers a unique, transparent way to capitalize on Russia's transport infrastructure construction market, poised for growth to catch up with the needs of the modern economy. We expect the market will grow at a 2010-2015E CAGR of 18%, supported by the recovery of government spending and efforts to attract private money into the sector. Market leadership, a sizable backlog and a strong balance sheet make Mostotrest an attractive investment, while the company's healthy cash generation offers lofty dividends ahead.

Investment Case Russian transport infrastructure market has strong growth potential: The Russian market is set to grow at a 2010-2015E CAGR of 18% on the back of recovery in government spending and efforts to attract private money into the sector through PPP projects. The current state of Russia's transport infrastructure fails to meet the rising need for transportation of goods and increased car ownership, and has become a major bottleneck for economic growth, as suggested by international competitiveness rankings. The burst given to the sector's development by top priority projects for the 2014 Sochi Olympics and 2018 World Cup is set to spill over and will benefit the economy as a whole.

Mostotrest is well-positioned to capture that growth: Mostotrest is the largest player on the Russian transport infrastructure market, with an 8.4% share in 2010, according to consulting agency PMR. The company has diversified assets, with exposure to different segments of transport infrastructure construction (bridges, highways, and airports), a professional management team and vast expertise brought by more than 80 years on the Russian market. It has a solid base for winning new contracts and actively explores opportunities in new fields such as toll road management in Russia.

Valuation & Risks Attractive on multiples: Mostotrest trades at 20-25% discounts to EM peers on EV/EBITDA 2011-12E, simultaneously offering slightly better EBITDA margins than the EM sector and a much more attractive pace of growth (24% 2010-12E CAGR vs. a 11% average for EM).

Key risks include: (1) strong dependence on state financing in respect to implementation of major backlog projects (postponement or other timing shifts which may have a direct adverse effect on revenues); (2) strong competition from other market players; and (3) fixed price contracts with cost inflation of input materials. ●

5. Russian shipyard under scrutiny for misuse of defense order funds

Ria Novosti

Police in St. Petersburg have launched a criminal probe into activities of the management of the Severnaya Verf shipyard that put the implementation of state defense order at risk, Russia's Kommersant daily said on Friday.

According to the paper, preliminary investigation has established that in 2010 the company transferred 5.9 billion rubles (over $212 million), received in line with defense order, in an attempt to save Mezhprombank, which later became bankrupt.

Severnaya Verf was one of the founding shareholders of Mezhprombank.

"Following an inquiry into the management's unlawful activities, which put the obligations under the state defense order at risk and could lead to material losses, investigators opened a criminal case on charges of abuse of power," Kommersant cited a statement issued by prosecutor's office in Kirovsky district of St. Petersburg.

Prosecutors believe that the management of the company did not take appropriate steps to ensure the return of the federal funds and put the implementation of defense order at risk.

The Defense Ministry has already expressed concern over the situation at the Severnaya Verf as the launch of the first Admiral Gorshkov class frigate has been postponed from 2011 until 2012.

Severnaya Verf has signed an exclusive contract with the Defense Ministry on the construction of all new Steregushchy class corvettes and Admiral Gorshkov class frigates under Russia's ambitious arms procurement program until 2020.

At least three corvettes and two frigates are currently at different stages of construction at the shipyard.

Russian President Dmitry Medvedev instructed the government in May to take adequate measures to improve the situation with the state defense order and punish the officials directly responsible for the disruption of the program.

Since Medvedev's orders, a number of military and defense industry officials have been fired and reprimanded for their poor performance in the implementation of the program. ●

6. Sheremetyevo airport may sell new shares in Russia, abroad

Ria Novosti

Russia's largest international airport, Moscow Sheremetyevo may sell new stock on domestic and foreign stock exchanges after its merger with Terminal, the operator of the airport's terminal D, the Transport Ministry said on Tuesday.

The Russian president's draft decree on the consolidation of Sheremetyevo airport's assets envisages the possibility of enlarging the airport's authorized capital through a new share issue as part of its reorganization. The state will retain a controlling stake of at least 50 percent plus one share, the ministry said in an explanatory note to the decree.

Sheremetyevo, which will be reorganized via its takeover of Terminal, will use the proceeds from the new share issue for its development and may also sell the shares of its management company, the ministry said.

Sheremetyevo is currently on a list of Russia's strategic enterprises which must be wholly owned by the state. Its reorganization via the acquisition of Terminal and the search for a strategic partner will require amendments to the Russian legislation.

Ernst & Young international audit firm has valued Terminal at 10.9 billion rubles ($393 million) and Sheremetyevo at 53 billion rubles. Their merger will reduce the state's stake to 83 percent. ●

Russia infrastructure news

7. Aeroflot may sign contract to acquire 50 Boeings and 50 MS-21s

Rencap

AFLT RM: BUY, target price: $3.5

Event: Vedomosti reported today (25 July) that by the end of the summer Aeroflot may sign a contract with Rostechnologii for the acquisition of 50 Boeing 737NG aircraft and 50 MS-21s. Aeroflot is insisting that the cost of the operating leases for the Boeings be at minimum market rates ($380k per month). Deliveries of the first aircraft are expected in autumn 2013, and the final deliveries should take place in 2017. Deliveries of the medium-range Russian MS-21 aircraft should begin in 2016.

Action: Neutral for Aeroflot, in our view.

Rationale: Aeroflot management has repeatedly stated that the contract with Rostechnologii to supply Boeings will be signed only if the state corporation is able to offer the best operating lease rates on the market. In this light, we see the news as neutral for Aeroflot. Regarding the supply of MS-21s, there are more questions than answers: the aircraft still has no flying prototype and it is unclear as to whether the aircraft meets certain technical requirements (e.g. 10-15% fuel savings vs Airbus 320 and Boeing 737) or not.

8. FESCO increases railcar fleet

Renaissance Capital, Russia

Event: FESCO reported yesterday (20 July) that it had acquired MetizTrans, a private railcar operator. MetizTrans operates almost 1k railcars, including 732 gondolas and 120 platforms. 99.9% of shares in companies belonging to the MetizTrans Group were acquired by Transgarant, FESCO's core rail company. The acquisition was financed with debt, and no disclosure was made of the purchase price.

Action: In light of the lack of information on the purchase price, the news is neutral for FESCO, in our view.

Rationale: The transaction increases FESCO's railcar fleet by around 6%. FESCO previously said that the company plans to expand the railcar fleet. By the end of the year the company plans to increase the railcar fleet by 1k, to a total of 20k units. A persistent shortage of railcars on the market is an issue, which can also be solved by acquiring existing businesses.

Ivan Kim

Russia infrastructure finance & statistics

9. Aeroflot 1H11 operating results: Slowdown continues, but company still outperforms the industry

Renaissance Capital, Russia

Event: Yesterday (26 July) Aeroflot published operating results for 1H11.

• The number of passengers of Aeroflot Group (incl. Donavia and Nordavia) increased 14% YoY, vs 22.3% for Aeroflot-Russian Airlines.

• Passengers on international flights grew by 18.1%, vs 8.8% growth on domestic flights.

• The Group's passenger turnover went up 15.5% YoY, vs 20.6% for Aeroflot-RA and vs an 11.3% industry average.

• Passenger load factor decreased 0.1 ppt YoY, to 74.8% (vs 0.5 ppt growth to 75.5% for Aeroflot-RA).

Action: Overall, neutral for the company's shares, in our view.

Rationale: The growth rates within Aeroflot Group's operating performance continue to slow from month to month, although remain above the industry average. The main pressure on the Group's performance came from the results of its Donavia subsidiary, which at the beginning of the year decommissioned Soviet-made Ilushin and Tupolev aircraft. This led to an almost 50% decrease in passenger turnover for Donavia; however, we expect the decommissioning to have a positive impact on profitability, due to the low fuel efficiency of the retired aircraft. Operating results for July and August, which are the hottest months for airlines, will be the most significant for the company and largely will determine its performance in the current year, in our view.

10. RUB marginally weaker amid volatile price action; rouble sovereigns in demand.

VTB Capital, Russia

The rouble opened stronger against the bi-currency basket on Friday, touching the 33.17 level by noon (i.e. 5 kopecks lower than Thursday). Initially, the rouble was well supported by the hopes that the new deal for Greece would help to contain the European debt crisis, a s well as the encouraging oil p rice performance. However, as global risk sentiment later softened, RUB surrendered most of its earlier gains and finished at 33.21. In the meantime, USD/RUB traded at 27.66 during the first hours, the lowest level since May. However, the US dollar later bounced back to 27.77 by the end of the day, which is roughly 3 kopecks higher than Thursday's close. Trading turnover was quite average as MICEX recorded USD 3.5bn of flow (T+1). Rouble interest rates nudged a tad lower on Friday with the 3Y XCCY rate down 3bp to 5.48%. At the same time, the front end of the curve is still somewhat elevated amid ongoing tax payments.

Trading flow in the Russian domestic bond market was rather healthy. We noted demand for the long end of OFZ curve - in particular, OFZ-26205 (YTM 7.83%), OFZ-26204 (YTM 7.64%) and OFZ-26206 (YTM 7.50%) closed some 10-15bp higher in price. Also, the belly o f t he curve w as bid q uite well, w ith a f ocus o n OFZ-25068 (YTM 6.26%) and OFZ-25076 (YTM 6.19%) that gained around 10bp price-wise.

Nikolay Podguzov

11. RenCap's infrastructure fund focused on transport, construction

bne

The infrastructure fund of Renaissance Capital, Renaissance Russia Infra Equities (RRIE), has disclosed information about the investment portfolio: over 50% of assets are invested in transport (25.1%) and construction (26.9%), and about 11% in development companies, RBC Daily reports, adding that the fund's assets are worth about $198m.

12. Transport sector growth rate slows in June, but by less than in recent years

bne

After the minor recovery in May, the growth rate in the real sector started falling again June, Gudok reports, putting the absolute value of its CARGO Index transport indicator at 106% as of the end of June, 2.5 percent points lower than in May.

A similar slowdown, caused partly by the seasonal factor, was seen in 2006, 2007, and 2008, Gudok says, but the absolute value of the transport indicator has been increasing in June compared with May over the past two years. The website says the reversal of the seasonal trend is one of the signs that the post-crisis recovery is going on in the country.

Russia roads

13. Operator calls for doubling road repairs in Russia to 9,000 km per year

bne

Repairs of automobile roads in Russia should almost double to around 8,000-9,000 kilometers per year from the current 5,000 kilometers per year on average, said Anatoly Chabunin, head of state-owned highway operator Rosavtodor, Prime reports. Under the current plans, 5,500 kilometers of roads are to be repaired in 2011, compared to 4,500 kilometers repaired in 2010, Chabunin said, adding that only around 40% of Russian roads are up to standard.

14. Sverdlovsk Region, Avtodor to set up JV to build RUB20bn of roads

bne

The Sverdlovsk Region's government and state-owned highway operator Russian Highways, or Avtodor, plan to set up a joint venture by September to build RUB20bn worth of roads in the region, Prime reports, citing a spokesperson for the regional governor.

The project envisages the construction of a 35-kilometer stretch of highway bypassing the city of Yekaterinburg and connecting the Yekaterinburg-Perm and Yekaterinburg-Chelyabinsk roads and the reconstruction of a 17-kilometer stretch connecting roads to Chelyabinsk and Tyumen, the agency says.

Russia trains

15. Government OKs Russian Railways to sell 100% in Krasnoyarsk plant

bne

The Russian government has cleared state-owned railroad company Russian Railways to sell a 100% minus one share stake in the Krasnoyarsk Electric Train Repair Plant at a public auction, Prime reports, citing a ruling signed by Prime Minister Vladimir Putin that gave no timeframe.

16. Russian Railways eyes RUB60bn/yr in government aid in 2013-14

bne

State-owned railroad monopoly Russian Railways may require RUB60bn of government subsidies in each of 2013 and 2014 if the tariff for rail cargo transportation is increased under a plan by the Economic Development Ministry, the company's President Vladimir Yakunin said in an interview, Prime reports.

Despite tariff increases, Russian Railways is to need 40 billion rubles of government subsidies in 2012 also, Yakunin is quoted as saying.

17. Russian Railways president puts 2012 invest program at RUB330bn

bne

State-owned railroad monopoly Russian Railways expects its investment program to amount to RUB320bn-RUB330bn in 2012, company President Vladimir Yakunin said in an interview, Prime reports.

Russian Railways plans to borrow around 30% of the total sum, Yakunin said.

18. Russian Railways told to pay 5% of net profit in 2010 dividends

bne

State-owned railroad monopoly Russian Railways is to pay RUB3.99bn, or 5% of its net profit, as calculated under Russian Accounting Standards (RAS), in dividends for 2010, Prime reports, citing a government ruling.

The company paid RUB3.61bn, or 25% of net profit, in dividends for 2009, and Russian Railways President Vladimir Yakunin said in May that the company might pay 25% of its net profit in dividends for 2010, the agency says.

Interfax reports that Russian Railways (RZD) said on July 18 that it expects to see dividends totaling RUB11.6bn from its subsidiaries for 2010's operational results, the company said in its annual reporting. This would be an increase of 1,030% from the result for 2009, the agency says.

Russia planes

19. Aeroflot to buy 10 more Sukhoi Superjets, 20 An-148s

bne

Flag carrier Aeroflot Russian Airlines intends to place an additional order for 10 Sukhoi Superjet 100 passenger aircraft and also buy 20 An-148 passenger airplanes, company CEO Vitaly Savelyev said at a meeting with Prime Minister Vladimir Putin, Prime reports.
No timeframe for the acquisitions was provided.

20. CEO says Aeroflot revenue up 22% y-o-y in 1H11

bne

The revenue of flag carrier Aeroflot Russian Airlines increased 22% year-on-year to RUB47.5bn in January-June, company CEO Vitaly Savelyev said at a meeting with Prime Minister Vladimir Putin, Prime reports.

In January-June, Aeroflot's net profit amounted to 2.5 billion rubles, Savelyev said without providing a comparison.

The company increased its passenger traffic by 22% year-on-year in January-June to 6.240m people, raising the number of flights it operated in January-June by 20% to 55,000.

21. Domodedovo Airport held by various companies

bne

Moscow's Domodedovo Airport is owned by a number of companies with various shareholders, the airport's press office said, citing Dmitry Kamenshchik, the chairman of the airport's board of directors, Prime reports.

Earlier in July, Kamenshchik said that the airport did not disclose its shareholders due to a number of reasons, including the threat of a corporate raid. A closed ownership structure allows for more stable work to be carried out at the airport, Kamenshchik said then, adding that "our shareholders are those people who do not like publicity."

The statement by Kamenshchik, Russia's 86th richest man according to Forbes magazine, emphasizes the failure of Russian investigators to determine who owns the country's biggest airport. After the terrorist attack in January that killed 37 people, President Dmitry Medvedev demanded to know who owned the company. The Moscow Times reports that the Investigative Committee said Kamenshchik and Valery Kogan, director of the airport's supervisory board, had admitted that they were employed as consultants to an offshore company called Airport Management, registered in the Isle of Man.

22. Domodedovo Airport may invest RUB60bn in development over next decade

bne

Moscow Domodedovo Airport may invest a total of RUB60bn in its development in the next 10 years, said Dmitry Kamenshchik, the chairman of the airport's board of directors, Prime reports. Kamenshchik said that the airport planned to attract loans to finance its investment program, adding that if the airport fails to do so, the program is to be carried out at the expense of the airport's own funds.

Specifically, the airport plans to invest $250 million in development in 2011, he is quoted as saying. He added that the airport did not rule out holding an initial public offering (IPO) in the long term, but it is not in talks over selling a stake to an investor.

23. Russian agency suspends, cancels operating certificates of 7 airlines

bne

Russia's Federal Air Transport Agency has cancelled or suspended the operating certificates of seven Russian airlines, Prime reports, citing an agency statement.

The agency suspended the licenses of airline Moskovia after a decrease in its flight safety and consumer rights indicators, and suspended the certificate of Beriev Taganrog Aircraft Scientific and Technical Complex due to of the absence of properly operating airplanes.

The agency also cancelled the operating certificates of Aviaenergo, Novosibirsk Air Enterprise, and Avial NV as three months had passed since their certificates were suspended.
The certificates of Yug-Line and Alaniya were also cancelled as the operating period provided by the certificates had expired.

24. Sheremetyevo Airport may hold IPO after merging with OAO Terminal

bne

Moscow's Sheremetyevo International Airport may hold an initial public offering (IPO) after a merger with OAO Terminal, the managing company of the airport's terminal D, according to an explanatory note to a ruling by Russian President Dmitry Medvedev on Sheremetyevo Airport's consolidation, Prime reports.
According to the note, the IPO could be made on domestic or foreign stock exchanges.

25. Sheremetyevo Airport to invest RUB1.3bn in innovative projects by 2015

bne

Moscow's Sheremetyevo International Airport plans to invest RUB1.3bn by 2015 to carry out innovative projects, Prime reports, citing an airport statement.

Specifically, the projects are aimed at introducing new technologies, the development and application of new services for the airport's customers, increasing the energy efficiency and environmental friendliness of the airport's operations, and the implementation of cutting-edge management techniques, the airport said.

26. Sheremetyevo airport eyes passenger traffic doubling 2015

bne

Moscow's Sheremetyevo International Airport expects its passenger traffic to almost double to 37m people in 2015 from about 19m people in 2010, Prime reports, citing the airport.

The airport said it planned to decrease capital expenditures by 17% year-on-year to RUB1.598bn in 2011. Capital expenditures in 2010 exceeded previous forecasts by 66.5% and amounted to 1.929 billion rubles, the airport said.

27. Sky Express passenger traffic up 8.7% y-o-y in 1H11

bne

The passenger traffic of Russian low-cost airline Sky Express rose 8.7% on the year to more than 545,500 people in January-June, Prime reports, citing a company statement.
In June, the company transported 122,400 people, up 24.8% year-on-year, while passenger transportation increased 10.5% to 781.451m passenger-kilometers in January-June.

Russia ships

28. Cargo handling at Greater Seaport of St. Pete up 7% y-o-y in 1H11

bne

The cargo handling of stevedore companies operating at the Greater Seaport of Saint Petersburg increased 7% year-on-year in January-June to 28.25m tones, Prime reports, citing the port's data.

Handling of oil products rose 2% year-on-year to 6.566m tonnes in the period, while the handling of containers increased 19% to 10.985m tonnes.

29. EuroChem to Use Northern Sea Route

Press release

EuroChem today announced that on July 10th and 12th, two Murmansk Shipping Company bulkers will leave the Port of Murmansk and head east for Jingtang, northern China. This will mark the first time EuroChem cargo ships take the Northern Sea Route. The ships will be delivering 44,000 tonnes of iron ore concentrate from EuroChem's Kovdorskiy mine.

Iron ore concentrate is the main raw material used by the metal industry to produce cast iron. China, the leading steel producer globally, represents EuroChem's main iron ore export market.

Igor Nechaev, EuroChem Logistics Director, commented: "EuroChem plans to use the Northern Sea Route for deliveries to China on a regular basis. Using this passage, rather than the traditional routes via the Suez Canal or the Cape of Good Hope, will cut delivery time in half and significantly bring down transportation costs."

The total distance between Murmansk and the ports in northern China is 6,900 miles, via the Northern Sea Route. The Arctic-class dry cargo ships Mikhail Kutuzov and Dmitry Pozharsky, both with a deadweight of 23,000 tons, will be escorted by the Vaygach, a nuclear-powered ice breaker. The cargo ships will cross the Arctic Ocean basin, pass the Bering Strait and make their way along the coasts of Russia, Japan and South Korea. The Vaygach will escort the cargo ships for about 2,000 miles; from the Kara Strait to just off Wrangel Island. The ships are scheduled to arrive at their final destination within the first ten days of August.

With an approximate value of USD 8 million, the iron ore concentrate will be used by large metals companies in the north east of China. Euro_hem plans to boost iron ore concentrate transhipment through the Murmansk Port by up to 3 million tonnes in 2012, thanks to strategic agreements between EuroChem, the Murmansk Commercial Sea Port, Murmansk Shipping Company and FSUE Atomflot.

30. FESCO releases strong operating results for 1H11

VTB Capital

impressive growth in container segment to fuel FESCO's financials - upside risks to our FY11 forecasts - uncertainty over Transcontainer acquisition remains the major drag on the stock

News: FESCO has released selective operating data for 1H11. There was impressive growth in container transportation, both by sea (47% YoY) and by rail (24% YoY), as well as in volumes of freight forwarding and intermodal services (69% YoY).

Our View: FESCO is well positioned to take advantage of the growth in cargo transportation, especially the container segment, and we think that FESCO can benefit from the explosive growth in the container segment. Annualised, the numbers beat our expectations for FY11, implying upside risks to our forecasts.

While we see this as a strong driver for FESCO's financials, until there is more clarity over the Transcontainer acquisition, uncertainty will continue to pressure the stock. The major risk is that Russian Railways, the seller of Transcontainer, might demand a high valuation.

31. NCSP's 1H11 cargo turnover down 1% YoY to 77m tonnes

VTB Capital

adjusted for grain and diesel, flat performance
several cargoes down, iron ore compensating - negative for margins - are better days ahead?

News: NCSP reports that its cargo turnover (consolidated with PTP) was down 1% YoY to 77mn tonnes in 1H11.

Our View: The unimpressive dynamics so far this year are likely to improve significantly in 2H11, supported by the resumption of grain exports from 1 July 2011 (which accounted for 6% of the group's pro forma consolidated cargo turnover in 1H10), with the low base effect kicking in as of August. We note that the start of diesel handling at the two new PTP wharves had a positive effect.

Management had planned to handle a total of 3.5mn tonnes in 1H11. Adjusted for grain and for the supposed additional volumes, NCSP's cargo turnover was flat.

However, most other cargoes demonstrated negative dynamics, with the largest absolute negative contributions coming from ferrous metals (a high margin cargo, down 15% to 3.7mn tonnes) and crude oil (down 1% to 55.7mn tonnes).

As in 2009, in order to fill capacities the company attracted iron ore, a low margin cargo (up 269% YoY to 2.0mn tonnes). These trends are likely to continue weighing on profitability; EBITDA stood at 50% in 1Q11.

In addition to the ban on grain exports, adverse weather conditions in Primorsk hit oil and oil products handling. We therefore believe that the worst might be behind in terms of NCSP's operating numbers.

Elena Sakhnova

32. Russian ministry supports consolidation of passenger shipping companies

bne

Russia's Transportation Ministry supports the idea of consolidating sea and river shipping passenger companies, Transportation Minister Igor Levitin said earlier, Prime reports.
The move was suggested following the deadly sinking of the Bulgariya riverboat on the Volga River on July 10.
The ministry also suggested imposing a ban on passenger transportation by newly-established companies, Levitin said, adding that vessels not equipped with a navigation system would not be authorized to use transportation infrastructure as of January 1, 2012.
The CEO of the state-controlled United Shipbuilding Corporation, Roman Trotsenko, has also suggested consolidating domestic shipping companies handling passenger transportation, Prime reports.

CIS infrastructure

33. Belarus' freight traffic by rail up 13.5% y-o-y in 1H11 to 74.5m tonnes

bne

Belarusian Railway's freight traffic increased 13.5% year-on-year in January-June to 74.5m tonnes, a representative in the administration of Belarusian Railway carrier said, Prime reports.
Transit freight traffic rose 13% to 26.1m tonnes, and exports reached 18.1m tonnes, up 31% year-on-year.

34. Belavia inks interline agreement with Belgian Railways

bne

The national air carrier Belavia has signed a one-way interline agreement with Belgian Railways, Belavia's press service said, Prime reports.

The agreement will allow passengers of the Minsk-Amsterdam flight to travel from Amsterdam to Brussels or Antwerp on a new high-speed train FYRA within one hour and 20 minutes.
Passengers will be able to buy one digital airline ticket and transfer to any train on arrival in Belgium without buying additional railway tickets, the press service explained.

35. Black Sea Shipyard builds container vessel for Dutch Damen Shipyard Bergum

bne

The Mykolaiv-based Black Sea Shipyard has finished building a container vessel of 3,800 tonnes deadweight for Damen Shipyard Bergum in the Netherlands, Interfax reports.

The vessel was built under a contract signed in 2009 on the building of two container vessels, the press service said, adding that the first vessel was transferred to the customer in March 2010.

In early 2011 the partners signed contracts to build container vessels of 3,800 tonnes deadweight. The new orders will be realized in March and June 2012.

36. Crimea asks Vnesheconombank to join airport, road construction projects

bne

The Crimean government has proposed that Russia's Vnesheconombank take part in the realization of a project to reconstruct Simferopol International Airport and build a new road linking Simferopol and the south of Crimea, Interfax reports.
The state department for information policy of the Council of Ministers of Crimea reported that the issue of the possible participation of Russian investors in the development of transport infrastructure of the peninsula was discussed at a meeting of First Deputy chairman of the Council of Ministers Pavlo Burlakov with the director of the public private partnership center of Russia's Vnesheconombank, Alexander Bazhenov.

"The reconstruction of Simferopol airport has been included in the list of top-priority projects of the Crimean government headed by Vasyl Dzharty in the transport sphere - the development of air communications, the construction of roads and seaports for large vessels and the creation of yacht marinas," the department said, citing Burlakov.

37. Donetsk airport puts new runway into operation

bne

Donetsk International airport has put into operation a new 4,000-meter long and 75-meter wide runway, built at a cost of $225m, Interfax reports.

"We've been waiting for this day for eight years. The designing of the runway started in the autumn of 2003. Construction started in 2007, but restricted funding in 2008 and 2009 prevented the completion of construction in 2010. However, the runway has been completed and tomorrow regular flights will start," head of Ukraine's Infrastructure Ministry, Vice Premier Borys Kolesnikov, is quoted as saying at the opening on July 26.

38. Donetsk to get overground metro, Ukraine's infrastructure minister says

bne

An aboveground metro, which is more efficient and less expensive than underground railways, will be built in Donetsk, according to Vice Premier and Infrastructure Minister Borys Kolesnikov, Interfax reports.

"It's difficult to imagine Donetsk without a metro. Therefore we're in talks with a company that participated in the design and construction of the Dubai aboveground metro, which is much more efficient than current [underground] metro railways in terms of consumer quality and wagon specifications. I think the preparation of the blueprints will take a year-and-a-half. Aboveground facilities are six to seven times less expensive than underground ones," Kolesnikov is quoted as saying.

The minister said on July 18 that the Infrastructure Ministry was working jointly with foreign companies on designs for a surface metro systems in Donetsk and Dnipropetrovsk.

"There is no sense in going underground where there are no historical city centers," he was quoted as saying at a press conference in Kyiv.

39. Infrastructure Ministry plans to reform railway freight carriage

Foyil Securities

The Infrastructure Ministry of Ukraine supports the idea of transferring freight rolling stock to the railroad freight transportation company created by Ukrainian Railroads (UZ), UGMK.info reported, citing Infrastructure Minister Borys Kolesnikov. The ministry is working on the strategy and will present it in September, the news source informed.

Our view: Ukraine is heading down the similar road Russia travelled since 2007 when it created JSC Freight One, now Russia's largest railway transport operator, to provide freight transportation services. In our view, this move will have a positive effect on the Ukrainian railway transport as it will allow a private and debt-free company to use all available financing options to modernize and expand the existing park of freight cars. However, this alone will not solve a number of other problems faced by UZ, such as unprofitability of passenger transportation, and a more complex approach to the whole rail transport system will be required to make the system work properly. As for the effect on Ukrainian railcar makers, the private company will have to distribute its orders for railcars among Ukrainian companies, such as Kryukiv Carriage (KVBZ, Buy), Stakhanov Carriage (SVGZ, Buy) and others as no single producer will be willing to focus on the Ukrainian market alone foregoing Russia. The new company creation will take some time, and, in our view, first orders may be placed in a year at the earliest. Nevertheless, we see no slowing down of demand for freight railcars in Russia and maintain our Buy rating for KVBZ and SVGZ as we see no fundamental reasons for the stocks to be traded at the current prices.
Alex Nekrasa

40. Kyiv's Boryspil airport increased net profit 45% y-o-y on 1H11

bne

State-run Boryspil International Airport, Ukraine's biggest airport, posted a net profit of UAH232.92m in the first half of 2011, 45.2% more than in the same period last year, Interfax reports. Net revenue rose by 22.6% to UAH637.52m, the agency reports, citing a disclosure to the State Commission for Securities and the Stock Market.

Net profit in the second quarter was up 59.3% year-on-year, to UAH140.187m.

41. Ukraine plans to build new highway between Kyiv and Dnipropetrovsk

bne

Ukraine's Infrastructure Ministry plans to build a new highway between Kyiv and Dnipropetrovsk along the right bank of the Dnieper River, Interfax reports.

"We need to link Kyiv with [the border village of] Uspenka and the border with the Russian Federation. To do this, we are about to design a new trans-Dnieper highway between Kyiv and Dnipropetrovsk, which will run via Kaniv, Cherkasy, Dniprodzerzhynsk with a passage through Donetsk region, and farther via the city of Donetsk to Rostov [in Russia]," Vice Prime Minister and Infrastructure Minister Borys Kolesnikov is quoted as saying.

42. Ukraine to create new radio navigation system for Dnipro River by May 2012

bne

The Ukrainian Infrastructure Ministry plans by May 2012 to create a new modern navigation system for ships plying the Dnipro River, Vice Prime Minister and Infrastructure Minister Borys Kolesnikov said, Interfax reports.

"Radio connection will be fully built by May 2012, and all of the vessels plying the Dnipro River will have quality navigation as there now is on the Rhine and Danube Rivers," he said.
He added that in 2011 freight handling on the Dnipro River would not exceed 6m tonnes, lower than in Soviet times.

43. Ukraine's private railcar fleet expands - positive for listed railcar producers

Dragon Capital, Kyiv

Concorde Capital, Ukraine July 28, 2011

News: The EBRD approved a $75m loan for Interleaseinvest, a private railcar company in Ukraine, to help finance its $300m program to acquire 3,000 railcars (please see our Daily from May 23).

(Kommersant) Dragon view: The news supports our view on gradually recovering domestic demand for railcars (exports previously accounted for 80%-95% of domestic railcar output), fueled by growing railway transportation volumes (+9% y-o-y to 225 Mt in 1H11) and improved access to financing

We confirm our positive view on the domestic railcar sector and reiterate our Buy recommendation on traded railcar manufacturers.

Taisiya Shepetko

CE infrastructure

44. Czech state and Skanska settle motorway repair spat

bne

Skanska has dropped claims against the state highways agency as both sides agree to share the bill for repairs to the D11 motorway, Czech Position reported.

While still transport minister Vít Bárta (Public Affairs - VV) launched a public attack on the construction giant Skanska, claiming the company was responsible for defects on certain stretches of motorway, primarily the D11 near Hradec Kralov , and demanded it pay for the repairs. Bárta embellished his campaign with notices reading "Skanska built here" placed on the sections of road in question. Skanska responded by suing the Road and Motorway Directorate (_SD) on the grounds that its reputation had been damaged.

The international construction giant has now requested the Municipal Court in Prague withdraw its claim for K_ 50 million in damages against the state's Road and Motorway Directorate (_SD). "The reasons for the suit have passed," Skanska's spokeswoman, Lucie Nováková, told Czech Television (_T) on Wednesday.

Blame was shared out among all parties involved in the project.

The _SD and Skanska have reportedly settled their differences after an independent inspection of the D11's faulty sections by the Czech Technical University in Prague (_VUT) concluded that errors by a range of state planning organs and project planners in the initial phase of the project caused the faults. In other words, the blame was shared out among all parties involved in the project.

An agreement has been reached with Skanska whereby 50 percent of the costs of the repairs will be covered by Skanska and its subcontractors, and 50 percent by the state," _SD spokeswoman, Martina Vápeníková, said on Wednesday, adding the repair work should begin in August and be completed by the end of the year.

The estimated cost of the repairs is around K_ 100 million.

_SD General Director, Ji_í _vorc, has said the issue has not been definitively settled as a result of the agreement with Skanska. "We estimate that the _SD is to blame for about 20 percent for our part [of the project]. We will demand the remaining part from the project planners and the companies which were supposed to conduct the construction inspections... We wanted to speed up the repair of the motorway and therefore we closed the agreement with Skanska," _vorc said.

Transparency International Czech Republic told _T that the D11 case illustrates grave shortcomings in the Czech state administration. "The situation in which there doesn't really exist any law on the state administration or officials leads precisely to this sense of collective irresponsibility," TI analyst, Stanislav Beránek, said.

45. Hungary govt said to plan more than HUF 250bn of railway developments

bne

The government plans more than HUF 250bn of railway developments -- with a large part coming from European Union funds -- in the coming years, business daily Napi Gazdasag said on Tuesday, MTI reported.

National Development Minister Tamas Fellegi said heavily travelled lines between the capital and satellite cities will be rebuilt.

Preparations are underway for the first phase of investments which involve the reconstruction of Budapest's Nyugati Station and the main station in Vac, north of the capital, at a cost of HUF 34bn and HUF 16bn, respectively, the paper said.

46. Hungary railways MAV said to mull plans for express airport shuttle, central station

bne

Hungarian railways MAV is again considering plans to build an express train service connecting Budapest's Liszt Ferenc International Airport with the city centre, daily Magyar Nemzet said on Tuesday, MTI reported.

Real estate mogul Sandor Demjan originally put forward plans for an express airport shuttle in 2000, but those were shelved in 2002. Since then, a train connection with the airport's Terminal 1 has been created, but Terminal 2 is still not accessible by train, the paper said.

Plans are to extend the tracks to reach Terminal 2.

The Demjan group, which built central Budapest's West End Shopping Centre, is interested in the project, the paper said, citing unnamed sources.

In another railway-related development, MAV has asked engineers to sketch out plans for a big central railway station where trains would feed into from the three main stations: Nyugati (western), Keleti (eastern) and Deli (southern). Such a station could be built on two levels in Kobanya, in the eastern part of the capital, where a lot of trains already pass through.

47. Poland: New high-speed trains for railway - EIB lends EUR 224 m to PKP Intercity

bne

The European Commission has issued the following press release:

Between Gdynia, Warsaw, and Krakow/Katowice new trains will allow for PKP Intercity to provide high-speed passenger connections. The European Investment Bank (EIB) and Polish PKP Intercity signed yesterday a EUR 224 million finance contract for the purchase of 20 intercity trains and a maintenance depot.

The rail operator PKP Intercity, majority-owned by the Polish State Treasury, provides long-distance passenger train services in Poland, based on a long-term Public Service Contract with the Polish Government. The EIB loan, together with a grant from EU-funds, enables the company to purchase 20 trains (electrical multiple units) which will reach a top speed of about 250km per hour, thus practically allowing for a high-speed service. PKP Intercity will operate the trains on existing routes in Poland: Warsaw-Gdansk-Gdynia, Warsaw-Krakow, and Warsaw-Katowice. They are part of a Trans-European Transport Networks project connecting Gdansk, Warszawa, Brno/Bratislava and Vienna. In addition to the rolling stock, the project also comprises a related maintenance depot. The loan complements another EIB loan to PKP PLK dedicated to the modernisation of infrastructure on E-65 line from Warsaw to Gdynia - where the trains will be used.

Anton Rop, Vice-President of the European Investment Bank, called the project an excellent opportunity for the Bank to further increase its support to the Polish rail sector: "This loan will help implementing modern transport technologies in the Polish rail system. It complements the current series of rail investments in Poland that are necessary for an increased shift from cars towards rail transport."

"These new trains will enable passengers in Poland to experience a new level of quality and comfort. With their leading-edge technology, these trains meet the highest functionality and safety standards", said Janusz Malinowski, President of PKP Intercity.

48. Slovak govt publishes decree on interstate motorway to Hungary

bne

Hungary's government has published in a decree an agreement to connect a motorway in Hungary with an expressway in Slovakia, MTI reported.

The decree was published in the latest issue of official gazette Magyar Kozlony.

Hungarian state secretary in charge of transport Pal Volner and Slovakian transport minister Jan Figel signed an interstate agreement to connect the R4 in Slovakia with the M30 in Hungary on June 24.

"We agreed on where to connect the road network, but not on when. In the name of the Slovakian side, I can ensure everybody that the R4 expressway will be completed by 2013 and ready for use, as this is the year Kosice will be a European Capital of Culture," Mr Figel said. The 14km stretch will cost more than EUR 78m to build, but some of this will come from European Union funding, he added.

Hungary plans to finish the M30 two years after the R4 is completed, Mr Figel said.

"We are striving to harmonise our investment plans with Slovakia," Mr Volner said. "We want to built a new bridge between Komarom and Komarno. The construction of bridges over the Ipoly river are also high on our list of plans," he added.