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Top story



Mostotrest targets \$496mn in IPO

Ben Aris

Mostotrest is seeking to raise as much as \$496mn in an international public offering to fund upgrades and expand capacity as the government increases infrastructure spending, reports *The Moscow Times*.

Citing the Russian road and bridge builder, the newspaper report says that Mostotrest is seeking to sell 62.1 million shares for \$6.25 to \$8 each.

Aeroflot included in state privatization plan

Alfa, Russia

Aeroflot may be included in the privatization plan for the next few years, Deputy Prime Minister and Minister of Finance Alexei Kudrin said in the Duma. He did not provide any further detail on the terms of the privatization.

The government plans to sell minority stakes in most of the state-controlled companies in the privatization program, thereby retaining control. However, the government owns 51% in Aeroflot, and will therefore lose control of the national carrier if privatization goes ahead. We therefore believe that the decision to sell the stake in Aeroflot will not be taken quickly.



www.aeroflot.ru

Nevertheless, we view the idea of privatizing Aeroflot as POSITIVE. We like how the company is currently managed; however we believe that privatization will increase efficiency and decrease government interference in the company's fleet and schedule policy. We also think that privatization would reveal its fundamental value. Aeroflot trades with a 35% discount to EM peers.

Risks associated with privatization include a faster-than-expected loss of overflight fees (~\$400m a year). ●

Balkan ports of call

bne

As an historic trading route linking east and west, the Balkans have seen their disputes often centre around strategic access and transit points. With the borders of the region finally settled - according to most anyway - states are increasingly focused on securing commercial, as opposed to territorial, paths to the high seas.

Serbia - essentially landlocked since the demise of its union with Montenegro in 2006 (although the Danube does provide access to the Black Sea) - is particularly keen to open new routes to the Adriatic. Earlier this year, the Serbian infrastructure ministry announced the creation of the company BB Cargo that will participate as part of a consortium of Serbian firms in the tender for the Montenegrin port of Bar, which currently operates below capacity and at a financial loss.

Plans are also afoot to construct a 445-kilometre highway linking its capital Belgrade to Bar, whilst reconstruction of the Belgrade-Bar railway is also being considered. As Milan Celebic, commercial director of the Port of Bar Container Terminal and General Cargo Operator (a majority state-owned company, in which a 54.5% stake and 30-year concession was offered for sale earlier this year), tells bne: "in the previous [failed] tender, Serbia expressed its interest. It was based on the need to have a

strategic solution for the shortest link with overseas destinations. Our expectation is that this interest will be expressed in the following period, as well at the time of the new tender."

The port is currently seeking financial support to purchase cranes and cargo handling equipment, and to support its voluntary redundancy programme - both of which are designed to improve its privatisation prospects. Despite the historical ties between the two countries, Serbia's expression of interest is not without problems. Critics - who describe the move as politically motivated - insist that the port is too expensive, query the cost estimates given for improving the port's functionality and reconstructing the railroad, and point out that only around 8% of Serbia's trade currently goes through Bar. Professor Marija Maksin-Micic, an expert in regional development at the University of Singidunum in Belgrade, emphasises that the other port of interest should be Thessaloniki in Greece.

"Which port would be of greater interest to Serbia, however, will very much depend upon the quality of access to both ports. If construction of the Corridor X highway finishes before that of a highway from Belgrade to the Adriatic sea - which is the most likely scenario - then the port in Greece will be of major interest to

Serbia. The same goes for the reconstruction of the railway in both directions." Indeed, the Thessaloniki Port Authority, the operator of Greece's second-largest port, recently announced that it's looking elsewhere in the Balkans - particularly to Bulgaria, Serbia and Macedonia - in an effort to boost cargo volumes and revenues, and is set to invest in additional infrastructure and storage facilities. Kosovo - which itself declared independence from Serbia in February 2008 - has sought to resolve its own land-locked dilemmas by strengthening ties with neighbouring Albania.

In 2009, the Albanian government agreed to give Kosovo access to the Adriatic via the northern port of Shengjin, with plans to improve road links with Djakovica/Gjakova in western Kosovo. The construction of a highway linking the Albanian port of Durres and Pristina - financed, according to some, at the expense of Corridor VIII (linking Durres to Tirana, Skopje, Sofia, Plovdiv, Burgas and Varna-Constanta) - will also provide Kosovo with important access to the Adriatic Sea. Ship wrecked Croatia, meanwhile, continues to grapple with the burden of its own shipyards, the restructuring of which the EU has made a key condition for concluding accession talks.

The traditional beneficiary of heavy government subsidies (equivalent to some 10% of the value of each ship produced), such assistance violates EU competition regulations. As Dr Visnja Samardzija, head of the European Integration Department at the Institute for International Relations in Zagreb, tells bne, "restructuring of the shipyard sector is a key element in the accession negotiations on the competition policy chapter, which is - together with the judiciary - considered to be one of the two most difficult chapters. The shipbuilding industry enjoyed strong government subsidies in past years and employ around 11,500 people. Out of six state-owned shipyards, only one - Uljanik from Pula - is functioning on a sound basis.

The first attempt to privatize the shipyards failed last year." A number of shipyards are now again up for sale - including Kraljevica near Rijeka and Brodotrogir just outside Split - and will be forced to close if no buyer is found. A request to exclude Uljanik in the port of Pula from the restructuring programme has been submitted to the EU. In the meantime, the yards cannot take new orders, leaving employees facing the prospect of wage cuts and even redundancy. Some 3,000 Croatian workers recently held protests in Split against the planned sales, and more social unrest could further impact support for EU membership (currently estimated at a surprisingly low 30%).

Samardzija, however, believes that the government "is on a good track to finish the privatisation process in this sector in due time and conclude negotiations on this chapter." One of Croatia's own container terminals, Brajdica in the port of Rijeka, continues to attract interest, with five companies (APM Terminals, Dubai Ports World, Hamburger Hafen und Logistik, International Container Services and Grup Maritim TCB) short-listed to establish a strategic partnership with Jadranska Vrata, whose own concession over the terminal runs until 2043.

The partnership is motivated by the need to increase competitiveness, boost cargo volumes and secure investments in new terminal infrastructure and equipment. As with the region's railway networks (a joint-venture, Cargo 10, established by Serbia, Croatia and Slovenia, was launched on October 1 in order to cut travel times), Balkan ports and shipyards - many under-utilized and loss-making - would benefit from similar forms of strategic partnership designed to facilitate regional transit trade and improve efficiency. Suspicions will continue to linger, however, that national and historic ties have an undue influence on strategic considerations. ●

Bering Strait transport tunnel project awarded Grand Prix at World Expo-2010

Ria Novosti

The idea to link Eurasia with North America by a transport tunnel under the Bering Strait has won the Grand Prix Award at an innovation projects competition held during the 4th Civilization Forum at the World Expo-2010 in Shanghai.



"Transport connection between Eurasia and [North] America through the Bering Strait with the simultaneous economic exploration of huge northern territories in Russia, the United States and Canada is a unique opportunity to crucially strengthen

transcontinental and inter-civilization integration," said Aslanbek Aslakhanov, a member of the upper house of the Russian parliament, said at an awards ceremony in the Russian pavilion.

The project would boost the economic power of the Asia-Pacific region and the role of Russia's east in the regional economy, he said.

The project stipulates the construction of a 6,000-kilometer (3,700-mile) highway and pipelines linking Russia's Chukotka Peninsula with the U.S. state of Alaska.

Russia's last emperor, Tsar Nicholas II, was the first Russian leader to approve a plan for a tunnel under the Bering Strait in 1905, 38 years after his grandfather sold Alaska to the United

States. The project was stalled with the beginning of World War I.

More than 100 projects participated in the innovation projects competition at the World Expo, which was held in five categories such as system innovations, new materials and nanotechnologies, energy efficiency improvement and ecology, social and educational innovations, and regional and transborder cooperation projects.

The competition was organized by several Russian scientific and research organizations, including the Pitirim Sorokin/Nikolai Kondratieff International Institute, International Strategic Innovation and Technology Alliance, and Kazakhstan's scientific and technology holding Parasat. ●

Government starts investing into the Russian federal road fund

bne

The Russian government plans to invest at least \$30bn into the federal road fund over the next three years.

The federal budget allows RUB317.97bn (\$10.6bn) for road building this year and RUB353.30bn rubles in 2011, rising to RUB395.30bn (\$13.2bn) in 2013, Federal Road Agency Head Anatoly Chabunin said in an interview with Russian newspaper Izvestiya.

The Federal Road Fund's revenue increase can partially be attributed to the planned increase in gasoline excise taxes in 2011, and is to be allocated to finance road construction and upgrades. ●

Govt to allot RUB50bn for regional road repairs 2011-2012

bne

Russian Prime Minister Vladimir Putin has said that the Russian government plans to allocate RUB50bn for road repairs in Russian regions in 2011-2012, reports Prime-Tass.

The news agency quoted Putin as saying that this figure does not include money to be allotted from the Federal Road Fund. ●

IOC happy with Russia's preparations for 2014 Winter Olympics

Ria Novosti

A delegation from the International Olympic Committee (IOC) has positively evaluated Russia's preparations for the 2014 Winter Olympic Games in the resort city of Sochi.

This is the fourth visit of the IOC Coordination Commission, led by Jean-Claude Killy, to Sochi as part of routine inspections on how Russia prepares for the Olympics.

The IOC is satisfied with the work completed so far and absolutely positive that the 2014 Olympic Games will be held at the highest possible level, Killy told Russian Prime Minister Vladimir Putin.

The Russian premier visited Sochi on Wednesday to escort the IOC delegation during part of its three-day inspection.



More than 200 sports facilities and pieces of infrastructure are to be built in Sochi for the 2014 Winter Games. The cost of building the facilities and infrastructure is estimated at more than \$30 billion.

The southern Russian resort city on the Black Sea won the right to host the Olympics at an IOC session in Guatemala in July 2007 after a close race with South Korea's Pyeongchang and Austria's Salzburg.

Putin, a noted sports fan and participant, was the driving force behind Russia's successful bid. ●

Moscow congestion charge

bne

Motorists looking for a drive in downtown Moscow may be required to pay a toll as early as next year, reports The Moscow Times.

Citing a draft of a development plan for the city passenger transportation network for 2011-13, released by the City Hall's

transport department, the newspaper report says that the draft, released late last week, provided no exact figures for charges but said the measure would help speed buses and trams in the city center, notorious for its traffic jams. ●

Aeroflot and Sheremetyovo to join privatisation list

bne

Russia plans to offer its major infrastructure companies on the public markets over the next three years as it looks to raise massive amounts of cash to help upgrade the country's crumbling Soviet-era transportation networks.

Speaking on Tuesday, Finance Minister†Alexei Kudrin† said that a minority stake in flagship air carrier†Aeroflot† may be sold in 2011 as part of Russia's \$50bn privatisation programme announced last year. A stake in Moscow's Sheremetyevo International Airport will also likely be up for grabs next year, although a meeting on Monday chaired by Deputy Prime Minister†Igor Shuvalov† decided to delay offering a stake in Russian Railways to the market until 2014 at the earliest.

Russia's privatisation programme was inspired by the financial crisis, which convinced the Kremlin that it needs both cash and technical and management input from abroad to modernise its economy. The government has said stakes in key companies such as bank VTB and oil giant Rosneft will be put on the market, although there's been no action thus far as equity markets continue to struggle to make headway.

It's no coincidence that many of the companies that will float minority stakes first are in the transport infrastructure sector. Ahead of the crisis, the government planned to spend \$1 trillion on overhauling the sector. The crisis has put paid to that, so private money is needed to improve ports, roads and rails.

The national flag carrier and its home hub could join the list next year, Kudrin revealed on October 19. "Now we are discussing the sale of only a minority stake, so that 50 percent plus one share remains with the state," he said. "The Russian government increased its control over the airline earlier this year via the purchase of part of a stake owned by billionaire†Alexander Lebedev, but had yet to formally decide what to do with the extra shares. "It currently owns 51 percent of the company, while the Central Bank owns a further 12 percent.

However, a decision on Russian Railways, which is a far more strategic asset than the airline given its dominant role in domestic transportation particularly in terms of cargo will not be made in the next three years, Kudrin said. ●

Russia prepared to reduce Aeroflot stake to controlling

bne

Russian First Deputy Prime Minister Igor Shuvalov says that Russia is prepared to reduce its stake in Aeroflot to controlling, reports Interfax.

The news agency quoted Shuvalov as saying that they'll be deciding whether to reduce our involvement in Aeroflot to controlling, but only if this improves the state of the company.

Unlike similar international airlines, Aeroflot "is in a good situation and its new management has achieved success at improving the corporate structure and providing Russian aircraft manufacturers with orders, Shuvalov was quoted as saying.. ●

Russian Railways OKs IPO of TransContainer

bne

The board of directors of state-owned railroad monopoly Russian Railways has approved the terms of an initial public offering (IPO) of its container shipping subsidiary TransContainer, reports Prime-Tass.

The news agency says that Russian Railways, which currently holds 85% minus one share in TransContainer, is to sell 35% minus two shares in the company during the IPO. •

Sergey Sobyenin, a candidate for the Mayor of Moscow post, said transportation will be the most important issue on the new mayor's agenda. Transport infrastructure companies like Mostotrest, Transstroy and Mosinzhstroy could benefit in the long term

Metropol

Sergey Sobyenin, a nominee for the Moscow mayor, said that the most important task for the mayor is to solve the transportation problem in Moscow. Sobyenin said he would make transport his top priority, if his candidacy is approved by Moscow Duma.

Moscow region's infrastructure construction in the recent years. We believe that these companies could benefit from the new infrastructure improvement projects, valued at RUB 55bn annually, in the long term. •

Transportation infrastructure companies Mostotrest, Transstroy and Mosinzhstroy have been the most active in Moscow and

Sheremetyevo BoD approves consolidation of Aeroflot's Terminal

Alfa, Russia

International Airport Sheremetyevo's (IAS) board of directors has approved the consolidation of OAO Terminal, the owner of the recently built Terminal D.

Aeroflot currently owns the controlling stake in Terminal (52.8%), while state-owned banks VEB and VTB own 25% and 22.8%, respectively. According to IAS's consultants' preliminary (not yet approved) estimates, Aeroflot's share in the united IAS will be ~10%. The deal will be completed in approximately six months.



www.aeroflot.ru

Overall, we view the news as POSITIVE for Aeroflot, as the deconsolidation of Terminal from Aeroflot will enable the air carrier to improve its balance sheet.

Terminal contributes a significant amount (~\$900m) to Aeroflot's total debt load of \$2.0bn and still generates operating losses (-19.4% for 1H10). As a result of the deal, we estimate net debt/2010EBITDA (based on consensus) to decline from 2.8x to 1.5x, which will give the company more flexibility in attracting money for development. ●

Troika's Vardanyan co-funds 'world's longest' cable car

bne

Armenia has opened a \$45mn aerial tramway that it claims is the world's longest and that was co-financed by Troika Dialog chairman and CEO Ruben Vardanyan, reports The Moscow Times.

The newspaper report says that the tramway across the Vorotan River gorge in the country's south spans 5.7 kilometers. ●

Two Russian businessmen buy 25% in railway operator Aeroexpress

bne

Russian businessmen Iskander Makhmudov and Andrei Bokarev have jointly bought a 25% stake in Russian railway operator Aeroexpress from railway operator TransGroup AS, reports Prime-Tass.

Citing a statement issued by Aeroexpress, the news agency says that the value of the deal was not disclosed. ●

Russia infrastructure news

Aeroflot: Restructuring bears first fruits

UralSib, Russia

Improved cost control compensates for lower revenues. We have adjusted our Aeroflot (AFLT RX - BUY) model to take the company's 1H10 IFRS financials and recent market trends into account. The main changes in our model include improved traffic growth, lower passenger yields, and slower cost increases. Improved cost control (opex/RPK was down 10% in 1H10 YoY versus our old projection of a 6% increase in 2010) was the main positive in the reported numbers, and after incorporation into our model, helped Aeroflot's medium-term EBITDA margin to remain close to its previous 12-14% range despite lower revenues.

Aggregate net losses declined at Aeroflot's subsidiaries (from \$68 mln in 1H09 to \$26 mln in 1H10), which we attribute fully to the new management team. We also highlight the company's net debt falling 11% HoH, the reduced influence of royalties on EBITDA (from 46% of EBITDA in 2009 to 36% in 2010E), and the possibility that Terminal 3 (also known as Terminal D) will be spun off from Aeroflot in the near future; this could have improved Aeroflot's net income by \$49 mln and lowered its debt by 50% had it occurred 1H10.

(Please see our desk note published yesterday.) Buy recommendation reiterated, target price \$3.0/share. Our updated financials incorporate 19% revenue and 23% EBITDA growth for Aeroflot in 2010 (and 17% and 14% in 2011), resulting in a 13% EBITDA margin for both 2010 and 2011 and respective net incomes of \$112 mln and \$180 mln. Our new valuation results in a \$3.0/share target price (versus \$3.3/share before), offering 35% upside. Thus, we reiterate our Buy recommendation.

Anna Kupriyanova

Moscow mayor proposes radical overhaul of transportation policy

bne

Newly-appointed Moscow Mayor Sergei Sobyenin late Thursday proposed a radical overhaul of the city's transportation policy to solve the problem of unprecedented traffic jams, reports Prime-Tass.

The news agency quoted Sobyenin as saying that unless we take extraordinary measures, we will face a situation in which transportation will come to a halt.

This will put an end to the city's (economic) activities and have an impact on its security, Sobyenin was quoted as saying.

Novosibirsk to spend \$99.5m on regional transport program

bne

The Russian region of Novosibirsk says it will spend \$99.5m on developing the region's transport system over the next three years.

Under plans, the funds are to be invested into bus transportation in the region's villages, development of commuting trains system, metro development in Novosibirsk and other projects.

Putin to inspect construction of Olympic facilities in Russia's Sochi

Ria Novosti

Russian Prime Minister Vladimir Putin will travel to Sochi to inspect the construction of Olympic facilities together with a high-ranking official from the International Olympic Committee, the cabinet said.

Putin will meet with Jean-Claude Killy, chairman of the IOC Coordination Commission for the 2014 Sochi Winter Olympics, to discuss preparation for the Games.

More than 200 sports and infrastructural facilities are to be built in Sochi by the time of the 2014 Winter Games. The cost of building the facilities and infrastructure is estimated at more than \$30 billion.

The southern Russian resort city on the Black Sea won the right to host the Olympics at an IOC session in Guatemala in July 2007 after a close race with South Korea's Pyeongchang and Austria's Salzburg.

Putin, a noted sports fan and participant, was the driving force behind Russia's successful bid.

He took the unprecedented step of delivering a speech in English at the IOC meeting in Guatemala to select the host city, and was credited with swaying delegates to vote for the southern Russian resort.

Russia has never staged Winter Olympics and Moscow's hosting of the 1980 Summer Games was marred by a U.S.-led boycott involving more than 60 countries.

Sverdlovsk region plans to invest \$2bn on transport

bne

The local government of Russia's Sverdlovsk region are planning to invest \$2.06bn over the next six years to completely overhaul the local transport system, regional officials report.

The regional budget will provide \$1.53bn of the total with the rest coming from the federal budget.

Amongst the projects is a \$133m new metro line in Yekaterinburg metro in 2011. A bypass around Yekaterinburg is also planned.

Russia infrastructure finance & statistics

FESCO reports 1H10 numbers and gives strategic update

Renaissance Capital

Revenue growth in 1H10 was largely in line with our FY10 growth forecast of 31%. FESCO expects \$140mn EBITDA for FY10, which is in line with our \$137mn forecast. Income per railcar is not growing as fast as volumes in the rail business.

FESCO expects to reach pre-crisis levels of income by YE. The company had a hefty 12% EBITDA margin in the liner and logistics business in 1H10, which is the highest historically. Management expects the same margin in 2H10, however it thinks it will level out over the mid-term.

The company provided an extensive strategic update at the conference call: Management will present its strategy to FESCO's board by the end of October.

FESCO's expansion focus is on rail infrastructure not only railcars (it ordered 15,000 railcars to be delivered in 2011-2014) but rail terminals.

It will look closely at the development of new lines of business grain export. It wants to provide a full logistical chain including rail,

port terminals, and shipping. FESCO's management sees high growth prospects for this business and high margins.

FESCO is working on the consolidation of Vladivostok port. Negotiations are apparently not easy, but it expects them to be finalised within the next few months.

It is considering what to do with the bulker shipping business it may consider a spin-off.

We think FESCO's strategic initiatives bode well with a structural growth story in both the container business and infrastructure. FESCO trades at 7x EV/EBITDA 2010E, which is undemanding in our view given the growth prospects of the business

Mostotrest announces IPO price range at \$6.25-8.00/share

Renaissance Capital

Event: Yesterday (20 Oct) Mostotrest (MSTT) set its IPO price range at \$6.25-8.00/share, which corresponds to a valuation for

the company of \$1.55-1.99bn before the deal. Major shareholder Marc O'Polo plans to sell up to 62,060,000 common shares, or 25% of MSTT's total capital. At the same time, MSTT registered an additional issue of 62,060,000 shares, about 40% of which Marc O'Polo plans to buy. After the deal, MSTT's free float is expected to be 34.8-36.7%. The road show for investors started yesterday and will finish in November. According to Vedomosti, the shareholders of Marc O'Polo are Mikhail Abyzov (50%), N-Trans (31.55%) and Arkady Rotenberg (18.45%).

Action: The news is positive for the company, in our view.

Rationale: The company has set a price range that values the company at less than the \$2-2.7bn previously announced by underwriter banks. We estimate that the announced price range reflects the current market situation and will lead to a successful IPO.

Mikhail Safin

Mostotrest: Most of the trust still to be priced in

Aton

We are increasing Mostotrest's target price following the publication of its IFRS accounts and recent improvements in corporate governance. We raise our 12-month target price for Mostotrest from the previous \$6.9 per share to \$8.4 per share. The target price increase is driven mainly by improvements in corporate governance and our reduction of the company-specific risk premium, which resulted in a lower WACC. We reiterate our BUY rating on the shares.

Mostotrest's corporate governance has improved over the year. The company has started to release IFRS financials and introduced a dividend policy with a recommended payout of at least 30% of IFRS net income.

Stock liquidity likely to improve following IPO scheduled for 4Q10. Mostotrest recently confirmed plans to launch an IPO on MICEX and the RTS in 4Q10, offering up to 25% of its shares with controlling shareholder Marc O'Polo Investments cashing out. We believe this will boost the stock's liquidity.

Nevertheless, we advise investors to focus their attention on a number of unknowns which could potentially put pressure on the stock price in the short term.

First, it has not been determined yet how much money will be reinvested. According to Mostotrest, the company's controlling shareholder, Marc O'Polo Investments, is set to offer up to 25% of Mostotrest's shares (out of its current stake of 50.3%) during the IPO. After the placement, Marc O'Polo will use some of the funds raised to purchase Mostotrest's new share issue. Company representatives have said little about how much money will actually be invested back into Mostotrest and few details have been provided on the parameters of the new issue.

Second, Mostotrest's recent acquisition of control over Engtransstroy (ETS) and Transstroymekhanisatsiya (TSM) has yet to prove its worth. While the price paid by Mostotrest for control of the new assets seems reasonable to us, we note that it could end up diluting the profitability of Mostotrest as a group. Moreover, we point to the fact that ETS subcontracts up to 90% of its volumes, which yielded 5.8% gross margin in 2009 vs 25.5% reported by Mostotrest. If ETS fails to secure additional construction contracts for Mostotrest, its impact on the group's value could be very stretched, in our view. Furthermore, we note that in 2009, 93% of TSM's revenues were attributable to sales transactions with a single customer – ETS.

Finally, we note that we valued Mostotrest as a standalone company without incorporating any potential boost in financials from the consolidation of its new subsidiaries. We do not believe it is appropriate to value Mostotrest as a group yet, as the financial results of its newly acquired assets still need to be audited. The first audited consolidated results will be its full-year IFRS results. As such, we valued Mostotrest as a standalone company and used the price it paid for controlling stakes in ETS and TSM as guidance on what these assets are worth.

Russia roads

Altay region to build \$3.4m road

bne

Local government in Russia's Altay region say they will invest \$3.4m into a new road to Biryuzovaya Katun tourist and recreation special economic zone (SEZ) in 2010, Interfax reports.

Gazprom Neft opens road pavement facility at Omsk Oil Refinery

Publication:†Prime-TASS Business Newswire†

Provider:†Prime-TASS†

MOSCOW, Oct 19 (PRIME-TASS) -- Russian oil major Gazprom Neft has launched a facility to produce road pavement materials at its Omsk Oil Refinery in the city of Omsk, Gazprom Neft said in a press release Tuesday.

The financial details of the project were not provided.

The facility is expected to annually produce up to 10,000 tonnes of polymer and bituminous binding materials, and up to 3,000 tonnes of bituminous emulsions.

Government ready to finance bridge construction in Mykolaiv

bne

Prime Minister of Ukraine Mykola Azarov has said that the government of Ukraine is ready to participate in the financing of the construction of a bridge across the River Bug in Mykolaiv, reports Interfax.

The news agency quoted Azarov as saying that they agreed on the construction of a bridge across the River Bug.

Govt to allot 600 mln rbl for Ulyanovsk bridge construction 2011

Publication:†Prime-TASS Business Newswire†

Provider:†Prime-TASS

The Russian government is expected to allocate over 600 million rubles to finance the construction of the second span of an automobile bridge across the Volga River in the city of Ulyanovsk in 2011 under the first stage of the project, the press service of the regional government said in a statement on Wednesday.

The regional government plans to allocate 72.8 million rubles for the construction in 2011.

The investments in the first stage of the project are expected to total 877 million rubles, while the investments in the second stage are expected to total 2.2 billion rubles.

Kaluga spent \$95m on roads

bne

The Russian region of Kaluga spent \$95m on road maintenance and repair this year including repairs to 165km of roads.

Kazan mulls \$1.3bn roads development

bne

The local government of Russian city of Kazan, capital of the Republic of Tatarstan, is mulling investments of \$1.3bn to develop roads in the city, before 2013 when the city will host international sports event Universiada.

The funds are reportedly to be allocated from the federal and regional budgets.

Kyivavtodor to repair 224,000 sq m of roads in time for Euro 2012

bne

Kyivavtodor plans to repair 224,000 square meters of roads by 2012 in the 1.5 kilometer zone around the Olimpiysky National Sports Complex, reports Interfax.

Citing the press service of Kyiv City Administration, the news agency says that the company plans to overhaul 136,100 square meters on Lesi Ukrainky Avenue, Fizkultury Street and Chervonoarmiyska Street.

Current repairs would be done in the 1.5 kilometer zone on 87,800 square meters on Tereshchenkivska, Baseina, Dmymytrova, Hospytalna streets, Tarasa Shevchenko Avenue and Laboratorny Lane, reports Interfax.

Tender for Tomsk's \$94m road junction opened

bne

Russian region Tomsk are to launch a tender for to build a two level transport junction at the crossing of Pushkin Street and Komsomolsky Avenue.

The starting price for the contract is reportedly set at \$94.2m.

Under the contract, construction has to be completed by December 1, 2014.

Participants' bids are accepted before October 29, with the auction to take place on November 10, 2010.

Tula to spend \$167m on roads this year

bne

The Russian region of Tula says it will spend \$167m on developing its road network this year.

The federal budget will contribute \$115m of the total with the rest coming from the regional authorities.

The funds are invested in construction, repairs and maintenance of roads, officials said.

Voronezh region's \$24m roads repairs plan for 2011

bne

Russian region Voronezh has spent a total of \$24m on roads maintenance and repairs in 2011, regional officials report.

Of the total funding, \$22m is reportedly to be allocated from the federal budget.

Russia trains

Federal Passenger Co to start returning profit by 2014

bne

Russian Deputy Transport Minister Andrei Nedosekov has said that Russia's Federal Passenger Company, a passenger rail

service subsidiary of state-owned railroad monopoly Russian Railways, is expected to become profitable by 2014, reports Prime-Tass.

The news agency says that the Federal Passenger Company, which started operating on April 1, focuses on long-distance passenger transportation.

First Cargo Company cargo traffic up 30% on year in January-September

bne

The cargo traffic of Russia's First Cargo Company increased around 30% on the year to 220.5 million tonnes in January-September, reports Prime-Tass.

Citing a statement issued by the company, the news agency says that of the total, the company transported 73.2 million tonnes of coal, up 34.3% on the year; 55.7 million tonnes of oil and oil products, up 19.4%; and 19.0 million tonnes of ore, up 19.3%, among other cargo.

Government may open Russian market for railroad car imports

bne

Russian Deputy Prime Minister Sergei Ivanov has said that the government may open the Russian market for railroad car imports, reports Prime-Tass.

The news agency quoted Ivanov as saying that he believed the quality of domestic railroad cars was low, while their prices were high, and the government would have to remove restrictions on imports if no improvements were made.

The quality of (domestic railroad) cars can't compete with the foreign equivalents, Ivanov was quoted as saying.

Govt to mull Russian Railways privatization in 3 years

bne

Russian Deputy Prime Minister and Finance Minister Alexei Kudrin says that the Russian government plans to consider selling stakes in railroad monopoly Russian Railways and Mortgage Agency, or AlZhK, in three years' time, reports Prime-Tass.

The news agency quoted Kudrin as saying that it was decided at a meeting on privatization chaired by First Deputy Prime Minister Igor Shuvalov on Monday that Russian Railways and AlZhK would not be included in the privatization list in the next three years.

The Finance Ministry proposed including Russian flag carrier Aeroflot Russian Airlines, Moscow's Sheremetyevo International Airport, and oil company Zarubezhneft in the privatization list for the next three years, Kudrin was quoted as saying.

Novosibirsk opens \$200m metro station Zolotaya Niva

bne

The Russian city of Novosibirsk has opened its 13 metro station with the new station, Zolotaya Niva at a cost of \$200m according to reports.

Russia, Kazakhstan, Belarus approve unified rail tariffs

bne

Kazakhstan's Deputy Prime Minister Umirzak Shukeyev says that Russia, Kazakhstan, and Belarus have agreed to introduce the same tariffs for railroad transportation of cargo on their territories, reports Prime-Tass.

The news agency quoted Shukeyev as saying that the countries need to develop a single mechanism of discounts and to agree when such tariffs could be introduced.

Russian Railways board OKs selling 35% of TransContainer in IPO

bne

The board of directors of state-owned railroad monopoly Russian Railways has approved selling a 35% minus two share stake in its

container shipping subsidiary TransContainer in an initial public offering (IPO), reports Prime-Tass.

Citing a statement issued by the company, the news agency says that the Russian government approved TransContainer's IPO on October 5.

Russian Railways cargo traffic up 9.9% on year in January-September

bne

State-owned railroad monopoly Russian Railways increased its cargo traffic 9.9% on the year to 999.187 million tonnes in January-September, reports Prime-Tass.

Citing the company's main data center, the news agency says that domestic cargo traffic rose 9.5% on the year to 617.442 million tonnes, while international cargo traffic rose 10.6% on the year to 381.745 million tonnes.

Russian Railways may sell stake in First Cargo Co by year-end

bne

State-owned railroad monopoly Russian Railways could sell a controlling stake in Russia's First Cargo Company by the end of 2010, says the monopoly's President Vladimir Yakunin, reports Prime-Tass.

The news agency quoted Yakunin as saying that Russian Railways has submitted all necessary documents on the deal for approval to the government.

Russian Railways raises 2010 investment 16% from initial plan

bne

The board of directors of state-owned Russian Railways has approved increasing the company's investment program 16%

from the initial plan to RUB315bn in 2010, says the company's President Vladimir Yakunin, reports Prime-Tass.

The news agency quoted Yakunin as saying that Russian Railways increased its investments thanks to higher revenues.

Russian Railways raises 2010 investment 16% from initial plan

Publication: Prime-TASS Business Newswire

Provider: Prime-TASS

MOSCOW, Oct 19 (PRIME-TASS) -- The board of directors of state-owned Russian Railways has approved increasing the company's investment program 16% from the initial plan to 315 billion rubles in 2010, the company's President Vladimir Yakunin told reporters Tuesday.

Russian Railways increased its investments thanks to higher revenues, he said.

The funds are to be spent on the development of infrastructure, purchases of rolling stock, and development of passenger services, he said.

Russian Railways sees 2010 net profit doubling compared to plan

bne

State-owned Russian Railways plans to double its net profit in 2010 as compared to a previous forecast, says the company's President Vladimir Yakunin, reports Prime-Tass.

The news agency says that Russian Railways planned in late 2009 to earn a RUB17.1bn net profit in 2010.

Russian Railways should sell 75% in First Cargo Co

Publication: Prime-TASS Business Newswire

Provider: Prime-TASS

MOSCOW, Oct 19 (PRIME-TASS) -- State-owned railroad monopoly Russian Railways should sell a 75% minus one share stake in its wholly-owned subsidiary†First Cargo Company†to a strategic investor, Russian Deputy Transport Minister†Andrei†Nedosekov said Tuesday.

The sale should be completed before the end of 2010, he said.

„We would like Russian Railways to get as many funds as possible for investments,” he said.

Russian Railways should keep a 25% plus one share stake in First Cargo Company, Nedosekov said.

An initial public offering of First Cargo Company could be made a year after the sale of the stake to a strategic investor, he added.

Russian Railways' President Vladimir Yakunin said on October 13 that a controlling stake in First Cargo Company could be sold by the end of 2010.

First Cargo Company, Russia's largest operator of cargo transportation by rail, was established in July 2007.

Russian Railways to raise RUB150bn by selling stakes `10-`12

bne

State-owned railroad monopoly Russian Railways plans to raise over RUB150bn by selling stakes in 48 subsidiaries in 2010-2012, says Russian Railways Senior Vice President Valery Reshyotnikov, reports Prime-Tass.

The news agency quoted Reshyotnikov as saying that of the total, this year the company expects to raise RUB20bn through an initial public offering of 35% in container shipping company TransContainer and by selling a stake in railway equipment maker Elteza to Canadian engineering company Bombardier and a 10% stake in TransCreditBank.

RZD boosts investment program in 2010 to RUB315bn

bne

RZD President Vladimir Yakunin says that the board of directors of Russian Railways (RZD) approved an increase in the 2010 investment program to RUB315bn from RUB275bn, reports Prime-Tass.

The news agency quoted Yakunin as saying that they revised the volume of the investment program.

RZD ought to sell 75% minus one share in freight one

bne

Russian Deputy Transport Minister Andrei Nedosekov has said that Russian Railways (RZD) ought to sell 75% minus one share in its Freight One subsidiary in order to raise as much as possible for its investment program, reports Interfax.

The news agency quoted Nedosekov as saying that RZD would keep a blocking stake.

Selling such a large stock interest is necessary so that RZD is able to get the most proceeds it can to use for its expanded investment program, Nedosekov was quoted as saying.

RZD ought to sell 75% minus one share in freight

bne

Russian Deputy Transport Minister Andrei Nedosekov says that Russian Railways (RZD) ought to sell 75% minus one share in its Freight One subsidiary in order to raise as much as possible for its investment program, reports Interfax.

The news agency quoted Nedosekov as saying that RZD would keep a blocking stake.

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RZD says Transcontainer cleared for IPO of 35% minus two shares

bne

Russian Railways (RZD) officially confirmed that its board of directors voted last Friday in favor of an initial public offering (IPO) by subsidiary TransContainer consisting of 35% minus two shares, reports Interfax.

Citing a statement issued by RZD, the news agency says that TransContainer officially announced its plans for an IPO last week.

The offering will consist entirely of existing ordinary shares and, pending the necessary permits, Global Depositary Receipts (GDR). The GDR will be listed on the London Stock Exchange, and the shares on the RTS and MICEX, reports Interfax.

RZD to build Sakhalin rail bridge

bne

State-owned Russian Railways opened a 119m bridge in put into operation in Nogliki near Zaozernoye station on the island of Sakhalin the company said.

TransContainer RAS net profit soars to RUB277mn in January-September

bne

The net profit of Russian container shipping company TransContainer soared to RUB277.3mn in January-September

from RUB33.1mn in the same period of last year, as calculated under Russian Accounting Standards (RAS), reports Prime-Tass.

Citing a statement issued by the company, the news agency says that the company's revenue rose 37.5% on the year to RUB16.4bn in January-September and sales profit increased 67.5% on the year to RUB1.5bn in this period.

Transmashholding, Alstom start developing new passenger locomotive

bne

Russian railway equipment maker Transmashholding and France's Alstom Transport have started developing a new electric passenger locomotive for Russian railroads, reports Prime-Tass.

Citing a statement issued by Transmashholding, the news agency says that the ED10 locomotive is expected to consist of between four and 12 rail cars and is to have a speed of up to 160 kilometers per hour.

Two Russian businessmen buy 25% in railway operator Aeroexpress

bne

Russian businessmen Iskander Makhmudov and Andrei Bokarev have jointly bought a 25% stake in Russian railway operator Aeroexpress from railway operator TransGroup AS, reports Prime-Tass.

Citing a statement issued by Aeroexpress, the news agency says that the value of the deal was not disclosed.

Russia planes

Italy and Germany to purchase Sukhoi Superjet 100

Ria Novosti

The Italian Alitalia and the German Lufthansa have been in intensive talks with Russia's Sukhoi aircraft manufacturers negotiating the purchase of Russia's new "Superjet-100".

Sukhoi Superjet 100, designed in partnership with a number of foreign companies, was launched by aircraft manufacturers at a plant in Komsomolsk-on-Amur in September 2007 and made its first flight in this Far Eastern city in May 2008.

Kabardino-Balkaria regional authorities mull \$670m Nalchik airport

bne

The government of the Russian Republic of Kabardino-Balkaria are mulling building a new \$670m airport in the city of Nalchik in the troubled north Caucasus, according to reports.

The new airport would be able to handle international flights to the Middle East, Western Europe and the CIS countries.

Kudrin sees Aeroflot as sale target

bne

Russian Finance Minister Alexei Kudrin has said that Russia may sell a minority stake in flagship air carrier Aeroflot in 2011 as part of its wide-ranging privatization program, reports The Moscow Times.

The newspaper report quoted Kudrin as saying that Russia unveiled a \$50bn asset sale program earlier this year in a bid to reduce the

budget deficit and improve efficiency and corporate governance at key companies. It plans to sell stakes in bank VTB, oil giant Rosneft and shipping group Sovcomflot, among other major companies, and Kudrin said Aeroflot could now be added to the list.

Nordwind Airlines to buy 3-5 planes by March 2011

Publication: Prime-TASS Business Newswire

Provider: Prime-TASS

KRASNOYARSK, Oct 19 (PRIME-TASS) -- Russia's Nordwind Airlines plans to purchase three-five planes by March 2011, the company's CEO Andrei Lengarov said at a news conference on Tuesday.

At present, the airline's fleet comprises nine planes. The company is likely to buy Boeing-767 planes, Lengarov said. In November, the airline is to receive a Boeing-767, which was previously used by flag carrier Aeroflot+Russian Airlines, he also said.

Lengarov did not disclose the size of investments in expanding the airline's fleet and said only that the planes would be bought under operating leasing deals.

Nordwind Airlines was established in 2008 as an international charter airline based at Moscow's Sheremetyevo Airport. It has been operating in the Krasnoyarsk Region since 2009.

Russia's Krasavia has highest flight delay rate in September

bne

Russian airlines Krasavia, Katekavia, and Moskovia had the highest rate of flight delays in September, says Russia's Federal Air Transport Agency, reports Prime-Tass.

The news agency says that Krasavia delayed 106 flights of a total of 538 flights, Moskovia delayed 69 flights of a total 421 offflights, and Katekavia delayed 54 flights of a total of 474 flights.

Sheremetyevo Airport passenger traffic up 32% on year in January-September

bne

The passenger traffic of Moscow's Sheremetyevo Airport rose 32.1% on the year to 14.698 million people in January-September, reports Prime-Tass.

Citing a statement issued by the company, the news agency says that international passenger traffic rose 24.8% on the year to 9.370 million people in this period and domestic traffic grew 47.4% to 5.328 million people.

St Pete's Pulkovo Airport passenger traffic up 27.4% in January-September

bne

Passenger traffic through St. Petersburg's Pulkovo Airport rose 27.4% on the year to 6.553 million people in January-September, reports Prime-Tass.

Citing the press office of Northern Capital Gateway, the airport's management company,, the news agency says that of the total, international passenger traffic outside the Commonwealth of Independent States (CIS) rose 26.0% on the year to 2.955 million people in this period, while CIS passenger traffic increased 26.5% on the year to 527,698 people, and domestic passenger traffic increased 28.2% on the year to 3.070 million people.

In 2009, passenger traffic through the airport fell 4.4% on the year to 6.758 million people. Pulkovo Airport is the largest airport in northwestern Russia, says Prime-Tass.

Transaero passenger traffic up 32.7% in January-September

bne

The passenger traffic of Russian airline Transaero rose 32.7% on the year to 5.006 million people in January-September, reports Prime-Tass.

Citing Transaero, the news agency says that passenger transportation rose 40.7% on the year to 19.253 billion passenger-kilometers in this period.

Ural Airlines passenger traffic up 22% on year January-September

bne

The passenger traffic of Russia's Ural Airlines rose 22% on the year to 1.415 million people in January-September, reports Prime-Tass.

Citing the company's press office, the news agency says that the airline's passenger traffic on international flights, excluding flights to the Commonwealth of Independent States (CIS), amounted to 559,882 people in this period, while passenger traffic to CIS countries amounted to 196,865 people, and domestic passenger traffic amounted to 658,320 people.

Vnukovo Airport passenger traffic up 25.1% on year in January-September

bne

Passenger traffic through Moscow's Vnukovo Airport rose 25.1% on the year to 7.336 million people in January-September, reports Prime-Tass.

Citing a statement issued by the airport, the news agency says that in September, the airport's passenger traffic amounted to 961,546 people, up 17.6% on the year.

Russia ships

Cargo handling at Greater Port of St Pete up 14.8% on year January-September

bne

Stevedore companies operating at the Greater Port of St. Petersburg handled 42.549 million tonnes of cargo in January-September, up 14.8% on the year, reports Prime-Tass.

Citing the port's data, the news agency says that of the total, handling of oil products rose 1.1% on the year to 12.005 million tonnes in this period, while handling of containers rose 34.8% to 13.968 million tonnes.

Investor plans new port for coal on Barents Sea

bne

Russia is set to build a new export terminal worth \$300mn to \$500mn and capable of shipping 18 million metric tons of coal a year via the Barents Sea, says the head of the Lavna Trading Port Company, reports The Moscow Times.

The newspaper report says that the new port is expected to provide a cheaper path to Europe and beyond for Kuzbassrazrezugol, Russia's second-largest steam coal miner, commonly known as KRU.

NCSP 9M10 operating stats

Renaissance Capital, Russia

Event: Yesterday (18 Oct) Novorossiysk Commercial Sea Port (NCSP) reported operating results for 9M10, which indicate that total cargo turnover decreased 4% YoY. NCSP's volume decline is in contrast to around 7% volume growth for Russian ports overall in 9M10.

Action: We think the major driver for the stock is the announcement of the \$2.15bn price NCSP will pay for Primorsk Trade Port (PTP). We think the stock has muted upside potential from current levels. As

for operating stats, NCSP's volumes in 9M10 were affected by 1) the grain export ban from 15 Aug 2010, and 2) low crude oil volumes.

Rationale:

Crude oil volumes were down almost 6% YoY in 9M10, to some extent due to lower export duties on crude and refined products in October vs September, expected by the market.

Grain volumes were affected by the grain export ban. The company said at the conference call post 1H10 results that it considers the transit grain volumes through NCSP as a best-case scenario.

Ferrous metals were down 7% YoY in 9M10. The dynamics are worsening from month to month, given that the demand overseas (primarily from Europe) has decreased.

Container volumes continued to improve and were up almost 90% YoY (in TEU terms) in 9M10. Container volumes are already up 16% vs pre-crisis 2008, which we view as positive.

NCSP to pay \$2.15bn for PTP

Renaissance Capital, Russia

Event: Novorossiysk Commercial Sea Port (NCSP) announced yesterday (18 Oct) that the board of directors would meet to consider convening an EGM to approve the terms of the acquisition of Primorsk Trade Port (PTP), and bank debt financing to fund the acquisition. The purchase price for PTP was set by an independent appraiser at \$2.153bn, assuming PTP's net debt is no greater than RUB10.94bn (about \$365mn). NCSP plans to get up to a \$1.95bn seven-year loan at no more than a 9% fixed rate or LIBOR + 7 ppts floating rate. The put price for shareholders who abstain from voting at the EGM or vote against the deal is set at RUB4.9/share (\$12.05/GDR at the current exchange rate, around 25% upside).

Action: The purchase price of PTP is in line with our expectations, and we see muted upside potential for the stock from current levels.

Rationale: The acquisition multiple of PTP is 12x 2011E EV/EBITDA, given \$2.5bn EV (assuming the entity has \$365mn in debt), and the pro forma multiple of the combined NCSP and PTP is 7x 2011E EV/EBITDA. The combined multiple does not look expensive compared with peers (trading at 10-12x 2011E EV/EBITDA), although we note that the corporate governance issue is likely to weigh on the stock over the short term. At the EGM, minorities are unlikely to be able to vote down the deal, given that 25% is held by the state and Russian Railways (Kadina will not vote, as an interested party). The put will be limited by 10% of NAV, or \$75mn as of 2Q10, which translates into less than a 10% participation ratio.

Russia's NCSP says cargo turnover down 3.9 pct to 62.67 mln T

Ria Novosti

Cargo turnover at Russia's Novorossiysk Commercial Sea Port (NCSP) amounted to 62.67 million tons in January-September 2010, a 3.9 percent decrease year-on-year, the company said on Monday.

"The grain export ban and volatile crude oil volumes have caused a drop in the volume of cargo turnover in the past nine months," NCSP Chief Executive Officer Igor Vilinov said in a statement.

"The grain export ban alone resulted in the loss of almost a million tons of cargo traffic," Vilinov said.

However, Vilinov said the company had seen positive changes in its cargo mix, such as growing share of priority cargoes, including containers, which nearly doubled in volume.

NCSP's liquid cargo volumes decreased by 5.4 percent and bulk cargo volumes by 11.1 percent in January-September 2010. Volumes of crude oil and refined products at the Sheskharis terminal fell by 3.4 percent in the reporting period, while cutbacks in crude oil were partially offset by growing volumes of fuel oil, the company said in a statement.

Cargo turnover of mineral fertilizers increased by 48 percent year-on-year thanks to sustainable high market demand, NCSP said.

Handling of raw sugar in the third quarter of 2010 grew by 21.2 percent year-on-year. Volumes of iron ore and ore concentrate in the reporting period continued to rebound and totaled 1.268 million tons in the first three quarters of 2010, while average monthly volumes of this cargo in August-September remained at 300,000 tons.

General cargo traffic in the reporting period remained practically on the same level. The volumes of non-ferrous metals, timber, and perishable cargo increased by 28.3 percent, by 29.9 percent, and by 85 percent respectively.

Container traffic of all NCSP's terminals amounted to 325.800 tons, exceeding the volume of the same period last year by 89.2 percent.

Russia could sell 50% minus one share in Sovcomflot by 2013

bne

Russian First Deputy Prime Minister Igor Shuvalov has said that Russia could put 50% minus one share in tanker company

Sovcomflot up for sale by 2013, reports Interfax.

The news agency quoted Shuvalov as saying that they might be able to sell 25% in 2011, 35% minus one share in 2012-2013, that is up to 50% minus one share in three years.

The government is interested in working with Sovcomflot's foreign partners, who have committed to building shipyards in Russia, Shuvalov was quoted as saying.

Russian govt rules to set up special econ port zone in Murmansk

bne

The Russian government has ruled to create a special economic port zone in the Russian city of Murmansk, reports Prime-Tass.

Citing a ruling signed by Prime Minister Vladimir Putin, the news agency says that the proposal to create a port zone in Murmansk was put forward by Dmitry Dmitriyenko, the governor of the Murmansk Region, in August 2009.

Seaport of Saint Petersburg cargo handling up 6% on year January-September

bne

The cargo handling of stevedore companies operating at the Seaport of Saint Petersburg increased 6% on the year to over 9 million tonnes in January-September, reports Prime-Tass.

Citing the port's press office, the news agency says that of the total, handling of coal rose 16% on the year to 2.7 million tonnes in this period, and handling of cast iron increased 32% to 541,000 tonnes.

Seaport of Saint Petersburg cargo handling up 6% on year Jan-Sep

Publication: Prime-TASS Business Newswire

Provider: Prime-TASS

ST. PETERSBURG, Oct 19 (PRIME-TASS) -- The cargo handling of stevedore companies operating at the Seaport of Saint Petersburg increased 6% on the year to over 9 million tonnes in January-September, the port's press office said Tuesday.

Of the total, handling of coal rose 16% on the year to 2.7 million tonnes in this period, and handling of cast iron increased 32% to 541,000 tonnes.

The Seaport of Saint Petersburg comprises four stevedore companies operating at the Greater Port of St. Petersburg, and other facilities.

Seaport of Saint Petersburg hldrs OK integrating three stevedore cos

bne

An extraordinary general meeting (EGM) of shareholders of the Seaport of Saint Petersburg has approved integrating three stevedore companies, reports Prime-Tass.

Citing a statement issued by the port, the news agency says that the port plans to integrate the First Stevedore Company, the Second Stevedore Company and the Third Stevedore Company.

Sovcomflot places \$800mn Eurobonds at 5.375% coupon

bne

Andrei Solovyov, a department head at VTB Capital, says that Russian shipping company Sovcomflot has placed its debut, \$800mn 7-year Eurobonds with the coupon rate set at 5.375% annually, reports Prime-Tass.

The news agency says that VTB Capital acted as one of organizers of the offering.

Transport ministry proposes terminals be constructed at seaports under concession terms

bne

The Transport and Communications Ministry of Ukraine has proposed that transshipment facilities be constructed at maritime merchant ports under the terms of concession, reports Interfax.

Citing the ministry's press service, the news agency says that currently the State Administration of Sea and River Transport is developing a model concession agreement, which will be ready in December 2010.

CIS infrastructure

Azerbaijan and Russia intend to increase mutual railway transportations

APA-Economics

Azerbaijan and Russia have great potential for increasing of railway transportation, Russian Railways Vice President Vadim Morozov informed.

According to him the current volume of the railway transportation between Azerbaijan and Russia is no maximum limit: "We can increase the transportation if we take the railway infrastructure into account. Because of, the current potential is more than actual figure."

He also noted that both Russia and Azerbaijan intend to increase the railway transportations to the maximum limit.

Azerbaijan has successfully implemented execution of North-South transport corridor – Minister Ziya Mammadov

APA-Economics

Azerbaijan has successfully implemented execution of North-South transport corridor, Minister of Transport Ziya Mammadov told journalists.

According to him Azerbaijan is planned to construct totally 8 km road. "The main problem is with Iran. The works in Gazvin-Astara road must be accelerated."

He also noted that the main depositaries of the project are Russia, Iran and India: "25 mln tons of cargo are planned to be transported via this corridor. Consortium will depend on execution of project."

Azerbaijan hosts international forum on development of railways

APA-Economics

Strategic Partnership 1520: Caucasus Region business forum started today, in Baku.

Deputy PM Abid Sharifov spoke about the development of international transport corridor of the government and Azerbaijan's role in East-West and South-North projects.

Speaking about TRACECA corridor Abid Sharifov noted that the transportations have risen by 8 times in 2009 compared with 1998: "15 mln tons of cargo will be transported via Baku-Tbilisi-Kars railway project at initial stage. The road is planned to be launched in 2012-2013."

He also noted that totally, Azerbaijan borrowed \$2 bln in past 4 years for transport sphere. State budget allocated \$ 5 bln to develop this sphere. About the construction of roads he stressed mainly 3 directions – Russia, Georgia and Iran. According to him the 400 km of these roads has been already finished.

Deputy PM says that average annual growth in cargo transportation made 10.5%, in passenger transportation – 9%.

Besides, the purchasing of waggons, restoration of the roads and other works will be conducted in accordance to State Program on Development of Railway for 2010-2014 approved by president. Total cost of the project is \$ 1.2 bln.

Minister of Transport Ziya Mammadov spoke about the urgency of forum and noted that this sphere was an important for economic development.

According to him the amalgamation of Russia-Azerbaijan-Iran is conducted and the cargos will be received in 2015.

Russian Railways Vice President Vadim Morozov says the works on development of infrastructure, modernization in transport sphere have to be conducted for increasing the competitiveness in the region. He also noted that transit cargo transportation, tariff policy will be discussed in the forum.

According to him the trade balance on North-South corridor makes 25-26 mln tons. He considers the transportations on Gazvin-Rasht-Astara route more rational.

Chairman of Azerbaijan Railways Arif Asgerov spoke about the Azerbaijan's economic development and role of railways in this sphere.

Azerbaijan Railways and RosAgroTrans sign memorandum of cooperation

APA-Economics

Azerbaijan Railways and Russian RosAgroTrans signed a memorandum of cooperation and partnership in the sphere of grain cargos.

The memorandum was signed by Chairman of Azerbaijan Railways Arif Asgerov and RosAgroTrans's chairman Konstantin Zasov.

According to document Russia will transport 1.5 mln tons of grain to Azerbaijan in a year. At the same time RosAgroTrans will allocate 1.5 bln rubles in 2010, 2 bln rubles in 2011 for renewing of rolling stock.

The document does not mean RopsAgroTrans to invest capital in Azerbaijan, K. Zasov stressed.

Azerbaijan: Ziya Mammadov: "Transportation tariffs by railway must be increased in Azerbaijan"

APA-Economics

The transportation tariffs via railway must be increased in Azerbaijan, Minister of Transport Ziya Mammadov told journalists.

"We submitted offers in several variants, they are looked through now" he added.

According to him the cheapest transportation are implemented by railway in the world, presently: "In fact, the cost of production is very high. That's why 20% subsidize every year that is unacceptable. Nevertheless, the railway must provide social problems, technical development base on its account."

Belarus to build second belt road around Minsk '11-17

bne

Belarus in 2011-2017 will build a second belt road around Minsk, worth BR900bn, in accordance with President Alexander

Lukashenko's ordinance #532 dated October 13, reports Prime-Tass. Citing the press service of the president, the news agency says that the road will be 158 kilometers long.

Kiev to purchase new transport for Euro-2012

Sokrat, Ukraine

The Kiev municipal council has adopted a decision to implement changes in its program of preparations for the European football championship in 2012. The changes include purchasing 210 new buses, 210 new trolleybuses, and 46 new tram carriages using municipal budget funds and 185 buses and 185 trolleybuses using funds from the EBRD.

Our view:

These changes are an opportunity for UkrAVTO Corporation [AVTO UK] and Bogdan Motors [LUAZ UZ] to increase both their order portfolio and their capacity usage ratio. Etalon and Lviv Avtobus Plant (LAZ) will be the main tender competitors for the companies. Both Bogdan Motors and UkrAVTO Corporation have experienced losses because the Ukrainian bus market has not recovered from the crisis. Therefore, competition will be tense and we expect the tender result to be challenged in court, as we recently saw happen with tenders for supplying trolleybuses to Crimea and Kharkov.

President opens section of Kyiv-chop road in Rivne region

bne

Ukrainian President Viktor Yanukovich opened a section of the Kyiv-Chop road in Rivne region on Tuesday, reports Interfax.

Citing the press service of the head of state, the news agency says that today 199 kilometres of the road has been put into operation, while the construction of another 90 kilometres of the road will be completed by the end of the year.

Riga seaport plans to open office in Belarus

bne

Riga seaport plans to open an office in Belarus, reports Prime-Tass.

Citing a source in the Transport Ministry, the news agency says that this possibility was addressed during a meeting with representatives of Riga free seaport.

Simferopol Airport's net profit up 52% over nine months

bne

Simferopol International Airport in January through September 2010 saw a net profit of UAH17.681mn, a rise of 52.1% year-over-year, reports Interfax.

Citing a report issued by the company, the news agency says that the company's income over the first nine months of 2010 rose by 17.7%, to UAH95.95mn.

Ukraine may participate in project for construction of a canal between Caspian and Black Seas

bne

The Ukrainian ministries of industry, transport and communications, and foreign affairs and the respective Kazakh ministries will discuss in the first half of 2011 the possibility of the joint construction of the Eurasia canal between the Caspian and Black Seas, reports Interfax.

Citing the press office of the Ukrainian president, the news agency says that Ukrainian President Viktor Yanukovich instructed his ministers to address the issue.

Ukraine to privatize Kerch Ferry

bne

State-owned shipping company Kerch Ferry is to be privatized, reports Interfax.

Citing a statement issued by the State Property Fund (SPF), the news agency says that the residual value of the company's main assets as of the middle of 2010 was UAH7.72mn, while the initial value was UAH31.57mn.

Ukraine's freight car output jumps 254% yo- y in 9M10

Dragon Capital, Kyiv

Domestic railcar producers continued benefiting from strong demand for freight cars in September, producing 3,839 vehicles (+23% m-o-m and +151% y-o-y) and boosting their 9M10 output by 254% y-o-y to 27,281 cars, for a 42.3% CIS market share. In contrast, passenger car production stood at a mere 15 vehicles in 9M10 (-6% y-o-y). [Companies] The latest data supports our full-year freight car production forecast of 35,100 vehicles, up 179% y-o-y and a new record high, but underperforms our passenger car output estimate of 30 units (+20% y-o-y). We maintain our positive view on domestic freight car production in view of the ongoing enlargement and renovation of railcar fleets by leasing and transportation companies in Russia.

Ukraine's Freight transportation up 10.4% in 9M10

Astrum, Kyiv

According to the State Statistics Committee, freight transportation volumes grew by 10.4% y/y in 9M10. Freight transportation by railways increased by 12.6% y/y, while pipeline transit volumes rose by just 3% y/y.

Astrum's perspective: The lower harvest this year (see related story on agricultural output trends) is the main factor behind a 34% y/y drop in grain shipments over 9M10. At the same time, an increase in steel output in September (see related story on industrial output) led to more steel and steel product transportation that month. We draw attention to the fact that dynamics regarding cement shipments by railways are improving rapidly (from a decline of 30.1% y/y in 1Q10 to a growth of 1.4% y/y in 9M10). This is yet another fact supporting our view that the

construction sector is experiencing renewed growth (see related story in this Astrum Daily for more detail).

Ukravtodor to reconstruct 1,000 kilometres of roads in 2011

bne

The State Road Service of Ukraine (Ukravtodor) plans to reconstruct 1,000 kilometers of roads in 2011, says Ukravtodor Head Volodymyr Demishkan, reports Interfax.

The news agency quoted Demishkan as saying that the target for next year is 1,000 kilometers of roads, and we have every chance of achieving this target.

Demishkan was quoted as saying that the Kyiv-Kharkiv, Reshetylivka-Dnipropetrovsk and Dnipropetrovsk-Donetsk roads, and the approaches to Kyiv, would be reconstructed in 2011.

Eurasia infrastructure

Azerbaijan: Lufthansa Consulting joins project on construction of new plane hangar in Baku

APA-Economics

Silk Way Airlines' maintenance division Silk Way Technics (SWT) aims for establishing a new aircraft maintenance hangar at the company's main base at Baku International Airport.

SWT has contracted Lufthansa Consulting to contribute its broad experience in this field and to assist with the evaluation of the current project progress.

Silk Way Technics has already started the planning process by delivering initial drawings for the hangar building which shall be capable to host up to two aircraft of the size of Boeing 747-400. The company intends to deliver Base Maintenance as well as Heavy Maintenance services including C- and D-Checks especially for Western-manufactured aircraft types such as Boeing, Airbus and ATR.

Lufthansa Consulting will conduct an on-site review and analysis of the planned facility location and of the established drawings and documentation. In close cooperation with a dedicated client's project team the aviation experts will also examine the side-shop requirements and offer recommendations in terms of positioning and size. In addition, the consultants will define the necessary supporting equipment, such as roof-mounted cranes, hangar doors and docks. All results will be delivered in a detailed report with modification proposals for the facility layout and the equipment installation.

Silk Way Technics was established in 2006 and provides high quality maintenance services to airline companies operating in Azerbaijan, in particular also to Azerbaijan Airlines. Quality and safety are the main targets of SWT. Intensive spadework and hire of highly skilled specialists are in progress to offer large scope of maintenance services in the forthcoming new and modern facilities.

Mongolia: New Coal Highway

Monet

With USD 375Mn investment, a 245km road is expected to be built from Mongolia's southwest Omnogovi Province to Ganqimaodu, a border town in China's Inner Mongolia Autonomous Region.

Two firms from China and Mongolia plan to be the main builders in a joint venture, the Mongolia firm owning 51 percent. Construction is scheduled to be completed in two years. The project plan has been submitted to the authorities of the two countries.

The new highway is expected to improve coal transportation and promote economic development in China and Mongolia. Trade between Inner Mongolia Autonomous Region and the neighboring Mongolia reached USD5.3 billion, jumping 33 percent year on year over the first eight months of this year. As of September 22, around 5.2 million tons of coal had been to China through Ganqimaodu.

CE infrastructure

Danube will solve Hungary's environmental disaster, says ecologists

bne

The high-waters of the Danube River will neutralize the impact of Hungary's toxic waste spill, ecologists from Moscow, Chisinau and Kiev agreed on Thursday, reports RIA Novosti.

The newspaper report says that one million cubic meters of toxic red sludge flowed from a burst reservoir from an aluminum plant on October 4 in Ajka, Hungary, approximately 160 km (100 miles) west of Budapest.

Slovak Transport Minister says will save EUR320mn by stopping PPP

bne

The government will save almost EUR 332 million by stopping funding highway construction via PPP projects on three planned stretches, stated Transport Minister Jan Figel on the regular political debate program Na Telo of private television Markiza broadcast Sunday noon, Sita reported.

"That can mean obtaining funds for additional stretches," he stated. While the opposition is speaking about halting the construction of highways, Figel is announcing only a change in the philosophy of its funding. "We might have stopped business to someone," the transport minister remarked in reaction to the opposition's criticism. He wants to use EU funds and the state budget instead of PPP projects to build highways.

The transport minister believes that EU funds are the cheapest available sources. Nonetheless, they require transparency. The ministry is currently holding talks about the construction of the D1 highway stretch below Zilina, namely from Hricovske Podhradie to Dubna Skala, where there will be the longest tunnel.

Furthermore, the minister plans to sign a contract on building the missing stretch below Spissky Hrad and in November, a tender to select the construction supervisor for the stretch near Levoca should be announced. These are the three stretches where the cost cuts have been calculated at EUR332mn compared with the

original proposal of the former government of Robert Fico. The saved costs are to be used for building additional stretches of the D1 highway and repairing first category roads.

Deputy leader of the strongest opposition party the SMER-SD Robert Kalinak pointed out that the price of highways could have been bargained in PPP projects, too. He added that the original price estimate of EUR900mn was reduced to some EUR690mn thanks to negotiations and the development of the economic crisis. He is convinced that highways will not be built in Slovakia in the near future.

"No one has made such a fatal mistake in Slovakia and in this case it lies directly on your shoulders," he said to his partner in discussion. According to the former interior minister, Figel's decisions will be reflected in halting the development of the poorest Slovak regions around Spisska Nova Ves, Levoca and Dolny Kubin in northern Slovakia. He concluded by saying that the highway construction in Povazie region showed how a highway can contribute to lowering the unemployment rate.

Transport Ministry starts process to open up Czech rail market

bne

Transport Minister Vit Barta has started the process of opening up Czech railway services to competition as he asked for a notice of the plan in the Official Journal of the European Union, the ministry's spokesman Karel Hanzelka told CTK.

In line with EU rules, the notice must be published in the Official Journal of the EU at least one year before a tender for rail services is declared. According to the plan about which Barta has informed Brussels, within one year tenders should be opened for services on rail connections Ostrava - Opava - Krnov - Olomouc, Prague - Usti nad Labem - Karlovy Vary - Cheb and Prague - Roudnice nad Labem - Usti nad Labem - Decin.

Trains of alternative rail operators could start to run on the selected routes with the beginning of the 2013/2014 train schedule, or possibly a year later. "The process of opening up the market of passenger railway transport is among the ministry's priorities in the area of public transport and is also part of the government's policy statement," Hanzelka said.

The ministry has picked the first group of rail routes to be offered in tenders based on recommendations of a working group comprising representatives of rail operators, rail track management company SZDC, unions and regional governments.

At present, high-speed trains on Czech railway tracks are operated only by state-run company Ceske drahy which last year signed a ten-year contract with the Transport Ministry.

But previous transport minister Gustav Slamecka pushed through a clause into the contract according to which every year 15 percent of rail transport performance can be exempted from it.

Within ten years, up to 75 percent of long-distance passenger transport performance should thus be competed for. The

Transport Ministry, which orders rail services from Ceske drahy, pays Kc4bn a year to the operator. First private trains should already appear on Czech railway tracks next year, regardless of the ministry's time schedule, as company RegioJet from the Student Agency group wants to launch trains on route Prague - Ostrava by end-June. However, RegioJet's trains will not operate as part of the public service obligation and will therefore receive no subsidies next year.

SE infrastructure

Bulgaria absorbing 100% of EU funding for Lyulin Motorway

bne

Bulgaria absorbing 100% of EU funding for the 19km Lyulin Motorway between Sofia and the Pernik Region, according to BTA.

"We are absorbing 100 per cent of the EU funding for the construction of the Lyulin Motorway," Prime Minister Boyko Borissov told reporters on Sunday while inspecting a junction in the future motorway.

The project should use a total of 142m euros by the end of this year in order to get the full amount of 111m euros in EU financing. The project has so far absorbed 132m euros, which means that what needs to be absorbed until the end of the year will be utilized two months earlier."

"The work on the Lyulin Motorway can serve as an example. A total of 1,900 people are working at the site with utmost dedication. Over 80 per cent of the work is being done by Bulgarian companies. I dream of the day when the way of work and organization at the Lyulin Motorway will be carried over to the Trakia Motorway in 2011," BTA quotes one Bulgarian minister as saying.

EBRD funds road modernisation in romania

EBRD

€11.5 million loan to upgrade transport infrastructure in Sibiu

The EBRD is supporting further modernisation of the transport infrastructure in Romania with a loan of up to €11.5 million to finance the upgrade of the road system in the city of Sibiu, one of the most important cultural centres in the country and a major transport hub in central Romania.

The proceeds of the loan extended to the municipality of Sibiu will be used to finance the rehabilitation of a number of roads in the city, including the renewal of asphalt and pedestrian pavements and an upgrade of water and sewage pipelines along the streets. The investment is part of the EBRD's Urban Road Management and Rehabilitation Framework, aimed at supporting urban road sector reform in Romania.

The project also includes the construction of a new three-lane bridge in Sibiu with access for vehicles, cyclists and pedestrians. It will replace an existing wooden pedestrian bridge and will provide a key connection to the city centre for a large residential neighbourhood, helping to alleviate heavy traffic in the area. The upgrade of the transport system in Sibiu will ensure a more integrated traffic flow in the city, improve accessibility for local residents and will enable the extension of public transport services in areas currently underserved in the city.

The project will be complemented by grant financing provided by the German Agency for Technical Cooperation for the preparation of performance based management and maintenance of roads (PMMR) contracts, which will be used for further implementation of Sibiu's street rehabilitation programme. This will ensure a more competitive and efficient approach to managing road infrastructure in Sibiu, which is expected to be replicated in other cities in the country.

"This is an important project for the citizens of Sibiu and its numerous visitors attracted by the city's unique medieval architecture and historic centre. We are pleased to support the modernization of local streets and road infrastructure in Sibiu with necessary financing in the current conditions when commercial funding remains limited", said Jean-Patrick Marquet, EBRD Director for Municipal and Environmental Infrastructure.

"The new funds will enable the city of Sibiu to implement important infrastructure improvements. We are delighted to have the support of such a reliable partner as the EBRD", said the Mayor of Sibiu, Klaus Werner Johannis.

Since the beginning of its operations in Romania the EBRD has committed over €4.8 billion in various sectors of the country's economy, mobilising additional investment in excess of €8 billion.

EBRD giving €17.6mn to finance Macedonia track renewal

EBRD

The EBRD is supporting further modernisation of Macedonian transport infrastructure with a 17.6 million euros sovereign loan to finance renewal of track along key sections of Corridor X. This is the Bank's first project in the railway sector in FYR Macedonia.

Corridor X is the main north-south route in FYR Macedonia, providing a connection to Serbia and onwards to Europe in the north, and to Greece in the south. Modernisation of the rail network is one of the country's priorities, given its importance for the promotion of local industry and international trade.

The EBRD loan will finance the upgrade of 53 kilometres of track along three sections of Corridor X: Tabanovce to Kumanovo, Nogaevci to Negotino and Miravci to Smokvica. The project will be implemented by the Macedonian Public Enterprise for Rail Infrastructure (PERI) and will support the country's on-going railway reform programme, which is closely aligned to EU norms. In addition it will finance a feasibility study for the completion of rail Corridor VIII to Bulgarian border.

The EBRD investment is complemented by grants financing worth 1.2mn euros from the Bank's Shareholder Special Fund, the Central European Initiative (CEI), together with funding from the governments of France and Germany.

"Supporting the modernisation of transport infrastructure is one of the EBRD's key priorities in its countries of operation. We are pleased to support FYR Macedonia's strategy to develop the country's railway network and to further advance rail sector reform," said Sue Barrett, EBRD Director for Transport.

Looking at the wider EBRD engagement in FYR Macedonia, EBRD Director for Western Balkans, Claudio Viezzoli added: "The Bank values its successful cooperation with the Macedonian government and is committed to expand its activity in the country with increased investments in other sectors of the economy."

"This is the first investment in the railways Corridor X in the past 30 years. The approval of this loan by the EBRD is another confirmation of the strong support by this international financial institution to the policies and reforms implemented by the Macedonian government" said Mr. Zoran Stavreski, FYR Macedonia's Deputy Prime Minister and Minister of Finance.

Since the beginning of its operations in FYR Macedonia, the EBRD has committed more than €510 million in over 40 projects in key sectors of country's economy, mobilising additional investment worth more than €620 million.

EBRD invests 2bn Euros in Bulgaria

Novinite

The European bank for Reconstruction and Development (EBRD) has, according to Novinite, invested over 2bn euros in various sectors of the country's economy since the beginning of its operations in Bulgaria, mobilizing additional investment in excess of 5bn euros.

Today, a delegation of the EBRD board of Directors is expected to present the results of its four-day visit to Bulgaria, during which it obtained up-to-date information on developments in one of the bank's countries of operation.

The purpose of the visit was to get an update on Bulgaria's investment priorities and the EBRD's involvement in the context of the forthcoming country strategy.

The discussions between EBRD board Directors and government representatives were expected to focus on the bank's role in supporting public and private sector investments as well as on Bulgaria's investment climate.

The EBRD has stepped up its activity in the region and is expected to invest close to 500m euro in Bulgaria's private sector by the end of 2010.

Romania EUR 11.5 M EBRD loan to upgrade transport infrastructure in Sibiu

Mirzon

The EBRD is supporting further modernisation of the transport infrastructure in Romania with a loan of up to EUR 11.5 M to finance the upgrade of the road system in the city of Sibiu, a press release informs.

The proceeds of the loan extended to the municipality of Sibiu will be used to finance the rehabilitation of a number of roads in the

city, including the renewal of asphalt and pedestrian pavements and an upgrade of water and sewage pipelines along the streets.

The investment is part of the EBRD's Urban Road Management and Rehabilitation Framework, aimed at supporting urban road sector reform in Romania. The project also includes the construction of a new three-lane bridge in Sibiu with access for vehicles, cyclists and pedestrians.

The project will be complemented by grant financing provided by the German Agency for Technical Cooperation for the preparation of performance based management and maintenance of roads contracts, which will be used for further implementation of Sibiu's street rehabilitation programme.

Romania More money for infrastructure and social security

Mirzon

2011 will bring less money for local authorities, healthcare and economy and more money for infrastructure and social security, compared to the present year.

"The 2011 budget will be based on the principle of a balance between consumption and production and on directing the money, particularly those out of European funds, towards development and infrastructure," the prime-minister Emil Boc stated, recently, in Cluj-Napoca, quoted by Agerpres.

The 2011 wages law will ensure the recovery of the money lost by the 25 per cent cut, the head of the executive further argued

Turkey's to proceed with a high speed train network thanks to China

bne

Turkey and China will cooperate in the construction of a high-speed train network across Turkey, says a high-ranking official from the Ministry of Transportation according to Today's Zaman. The agreement was signed during the Chinese Premier Wen Jiabao's visit to Turkey early this week.

China promised lend 28 to 30bn U.S. dollars to finance the project. The pending Surat Railway Project will be able to continue because of this loan.

Officials from the ministry aim to complete the entire high-speed and 7,000 kilometers long rail network by 2023. Turkey is currently using its own resources to build the Ankara-Konya and Ankara-Istanbul train lines. The government is planning to start building the Karaman-Mersin-Adana line as well.

Turkish Airlines sees a 17.8% passenger increase

bne

Turkish Airlines, the country's national carrier, has posted a 17.8% increase in passengers year-on-year between January and September 2010, according to the Anatolian News Agency.

A statement by the Turkish Airlines (THY) said on Wednesday that THY served 21.9 million passengers in the first nine months of 2010. Occupancy rates also rose by 3.4 points to 74.2 percent in the same period.

Based in Istanbul, Turkish Airlines is one of the fastest growing and prosperous airlines in the world. It carries approximately 25 million passengers a year, with direct flights to 127 international and 37 domestic destinations.

The company was founded in 1933 with a fleet of five airplanes that carried a total of 28 passengers. THY made its first domestic flight in 1933 and the first international flight in 1947. THY posted 389 million Euro of profit in 2009, becoming one of the top companies, following Air China and Ryan Air, in the world that recorded the highest profit in 2009.