

## MONTHLY NEWS UPDATE FROM RFE August 2004

Author: Oksana Guselnikova, BISNIS representative Vladivostok

This report contains the following information on the RFE:

- RFE: Aviation News, Telecommunications
- Primorsky Krai: Transportation/Ports/Railway, Business Development, Food-Processing, Foreign Affairs, Banking and Finance, Ecology

---

### RUSSIAN FAR EAST

---

#### Aviation

\* *Russia Jet Direct to launch charter flights to Sakhalin and Kamchatka*

Seattle-based Russia Jet Direct aviation company will offer a charter service to the RFE starting October 5, 2004. The company will operate Boeing 737-800 with a capacity for 144 passengers, which will follow a route Houston-Seattle-Anchorage-Petropavlovsk Kamchatsky-Yuzhno-Sakhalinsk. In summer 2005 the company considers starting a regular flight to Vladivostok (*Source: Vostok Media, August 10, 2004*).

#### Telecommunications

\* *Dalsvyaz net profit up 340 % in January-June period*

Telecommunications Company Dalsvyaz reported its first half net profits increased 340% year-on-year to 928.772 million rubles, according to the company press service. The company's pretax profits likewise increased 340% year-on-year to 1.287 billion rubles in January-June. Dalsvyaz increased earnings 37% in the first half to 4.124 billion rubles, including a 36.8% service sales jump to 4.058 billion rubles. Dalsvyaz's main stockholder is the telecommunications holding Svyazinvest, which owns 38.13% of the company's charter capital (*Source: Interfax, August 2, 2004*).



Dalsvyaz General Director,  
Igor Zabolotny  
[www.dsv.ru](http://www.dsv.ru)

---

### PRIMORSKY KRAI

---

#### Transportation/Ports

\* *Prime Minister son to run Far Eastern Shipping Company*

Far Eastern Shipping Company has appointed Pyotr Fradkov, the prime minister's 26 – year-old son, to the post of deputy general director. Fradkov will be in charge of expanding cooperation with Russian banks and developing new projects, including a joint

venture with Russian Railways, Russkaya Troyka. Fradkov formely worked at Vnesheconombank, where he coordinated the activities of the bank's offices abroad and in Russia. Fradkov graduated from the prestigious Moscow State Institute of International Relations with a degree in international economics and reportedly speaks three languages fluently (*Source: Interfax, July 26, 2004*).

*\* Nakhodka Commercial Sea Port increases cargo turnover with Eurasholding steel exports*

Nakhodka commercial sea port (NCSP), member of a vertically integrated metallurgical group "EurasHolding," handled 4.3 million tons of cargo during January-July 2004 (+33% year-on-year). Spokesman of Eurasholding noted that most of the cargo turnover falls on steel (about 3 million tons) and wood (727,000 tons). The turnover grew mainly due to a significant increase in steel exports, primarily from West Siberian iron and steel plant (+60%), 844,000 tons from Nizhnetagilsky plant (+28%), and 529,000 tons from Novokuznetsky plant (+8%)—all Eurasholding plants (*Source: ZR Press, August 5*).



Nakhodka Port  
[www.ncsp.ru](http://www.ncsp.ru)

*\* FESCO to improve client service*

Net of FESCO agency companies – Far Eastern Shipping Company, Transfes, Transfes Sakhalin, Transfes Kamchatka, Transfes Magadan, TransfesVaninoMarine, FESCO Logistic, jointly decided to further improve their services of transporting cargo to Russian Ports for their clients. Specifically, Fesco adopted upon a plan to introduce a new, “linear” method of client service, which suggests the inclusion of all costs associated with container service at ports into the freight rate. This new method will significantly simplify the paperwork procedure for cargo delivery, increase transparency of transportation charges, as well as reduce the possibility of paying extra money to intermediaries (*Source: Fesco press release, Aug 4, 2004*).

*\* Magistral Container Lines improves Vostochny-Shanghai Service*

The Russian-based forwarding and logistics company Magistral Container Lines LLC (MCL) opened an office in Vladivostok for the best provision of service between Vladivostok and Asian ports. Currently, the company offers weekly service between Vostochny-Shanghai, Vostochny-Ningbo, and Vladivostok-Shanghai ports. Starting July 21, 2004 the company vessels on Vostochny-Shanghai route will stop at Shanghai port twice a week, on Wednesdays and Saturdays. This service is provided by two modern high-speed vessels «Cape Cleveland» and «Cape Creus». In addition, MCL will be the only company providing direct transportation between Vladivostok and Shanghai ports (*Combined sources: Magistral Container Lines Press Release July 27, 2004, and Vostok-Media, July 23, 2004*).



Cape Cleveland  
[www.magistral.ru](http://www.magistral.ru)

*\* Kamchatka Lines opens direct Vladivostok-Magadan service*

Magadan Marine Commercial Port opened a direct shipping line Vladivostok-Magadan. CJSC Kamchatka lines will provide direct biweekly service to Magadan port, which will help decrease transit time and ensure faster delivery. Traffic volume is not high, but specialists believe it will grow by autumn, and the line will be operated by a larger ice-class ship. Up to now, cargo to Magadan had to be shipped through Port Vostochny, 200 km away from Vladivostok (Source: *Konkurent*, #30, 2004).

*\* Vladivostok Marine Fishery Port gains a new shareholder*

Sigma-Invest, LLC won an auction for the sale of federal government stock in Vladivostok Marine Fishery Port that was held in Moscow on July 30, 2004 by the Russia's Fund of Federal Property. Sigma-Invest, LLC offered 175,1 thousand roubles for 27,73% of the Port shares. Besides Sigma-Invest, other 3 companies were bidding on the Port shares: JJSC Kvadraprom, LLC Luchizna, and Vladivostok-based OJSC Turnif. Back in April 2004, a group of Russian and foreign investors, including far-eastern companies LLC Primorvtorsirye and LLC Metal DV acquired a 54% stock in Vladivostok Marine Fishery Port (Source: *Zolotoi Rog*, August 10, 2004).

## **Business Development**

*\* Baskin Robins opens a café in Vladivostok*

A famous U.S. ice-cream chain opened its first café in Vladivostok on August 7, 2004, which marked the appearance of the first U.S. franchising chain in Vladivostok. US Consulate Political-Economic Officer Randall Houston attended the opening ceremony and shared his positive impressions of the café with the local press. This is the third Baskin Robins café in the RFE, the other two being in Khabarovsk and Petropavlovsk-Kamchatsky. Baskin Robins plans to further expand its presence in the RFE.



Political-Economic Officer  
Randall Houston talks to the press  
at the opening ceremony

*\* The volume of foreign investment in Primorsky Krai exceeded \$850 million*

According to Primorsky Krai Administration, by the beginning of 2004 Primorye region accumulated \$852 million of foreign investment, ranking third in the Russian Far East after Sakhalin and the Republic of Sakha. Sakhalin develops large international oil and gas projects 'Sakhalin' and Sakha receives much investment on extracting gas and diamonds in Yakutia. However, the volume of *direct* foreign investments puts Primorye second in the Far East after Sakhalin. 94 % of foreign investment was contributed by enterprises from Korea, Japan, the USA, Switzerland, Great Britain, Singapore, China and Cyprus and was invested into such industries, as hotel business, manufacturing industry, telecommunications, restaurant business, transportation, retail



Chinese Restaurant "Emp eror,"  
downtown Vladivostok  
[www.zrpress.ru](http://www.zrpress.ru)

trade, agriculture, and financial services. In terms of economic potential, Primorye currently ranks 23rd out of 89 Russia's regions and third in the RFE after Yakutia and Khabarovski Krai. In addition, the region ranks third in Russia on the number of active organizations with foreign participation after Moscow and St. Petersburg. Primorye's Statistics Committee reported that at the beginning of 2004 there were 573 active enterprises with Chinese investments, 109 enterprises with US investment, 91 and 81 with Korean and Japanese investments, respectively (*Source: Vladnews, August 4, 2004*).

## **Food-Processing**

### *\* Revival of Primorsky Sugar Manufacturing Plant*

After 3 idle years, Primorsky Sugar Plant resumed its operations in July 2004. A new owner LLC Grasp acquired the plant after a lengthy period of the plant's bankruptcy and sale procedures. Currently, the plant employs 450 people and produces 350 tons, which is half of the plant's daily output in the old times when it used to supply sugar to the whole Far East and Siberia up to Urals. The company has plans to launch a refined sugar facility, an yeast manufacturing plant, and a brown sugar plant in the future (*Source: ZR Press, August 10, 2004*).

## **Foreign Affairs**

### *\* Moris Hennessi visits Vladivostok*

Moris Hennessy, 8<sup>th</sup> descendant of the founder of cognac producing company "Hennessi," visited Vladivostok. This is his first visit to the Russian Far East, where Mr. Hennessy was mainly aiming to see Vladivostok. "When I told my friends in France that I would be in Vladivostok on Tuesday, they were excited," Moris Hennessy said during his press conference. The purpose of his trip is to get acquainted with regional distributors and learn the opinion about the cognac in different parts of the world. Morris Hennessy was born in 1950 in a town by Paris and now resides in a town of Cognac in France. "Hennessy" House is currently producing 5 types of cognac, the most famous being "Hennessi"- "V.S." and "RICHARD Hennessy" (*Combined sources, Deita, August 4, 2004 and ZRPress, August 6, 2004*).



Philip Hennessy in Vladivostok  
[www.zrpress.ru](http://www.zrpress.ru)

### *\* A Japanese delegation from Tego will visit Vladivostok*

A business delegation of 20 people representing 12 companies will arrive in Vladivostok on August 30, 2004. Japanese companies are interested in exporting to the RFE a wide spectrum of products, such as automotive products, construction equipment, heavy machinery, water heaters, power generators, electric appliances, foodstuffs, etc. Among the mission participants are the representatives of Kokusai Kyoryoku Ginko bank, who are expected to meet with Vladivostok branches or Vneshtorgbank and Sberbank and discuss opportunities for cooperation on financing Japanese exports to the RFE (*Source: Zolotoi Rog, August 3, 2004*).

## Banking and Finance

### \* *Moore Stephens completes audit of Primotsbank for 2003*

Moore Stephens completed an audit of Vladivostok-based Primotsbank for 2003 in accordance with international auditing standards and provided a positive audit opinion on the bank's financial performance. According to the audit report, in 2003 the bank's assets increased 85,5% year-on-year and amounted to \$4,37 mil; net profit grew by 13% year-on-year and totaled \$ 321,000. Primotsbank has been undergoing international auditing annually since 1995 (*Source: Zolotoi Rog, August 8, 2004*).



Primotsbank chairman,  
Dmitry Yarovoy  
[www.pskb.com](http://www.pskb.com)

## Ecology



Vladivostok City dump located by  
Gornostay bay...  
[www.deita.ru](http://www.deita.ru)

\* *Primorye Governor and Vladivostok Mayor to work together on the reconstruction of the city dump*  
Primorsky Krai Governor Sergey Darkin and Vladivostok Mayor Vladimir Nickolaev paid a visit to the Vladivostok dump area located near Rybachy settlement and to an incineration plant. The city dump was officially closed back in 1997. However, municipal authorities were unable to provide an alternative solution for the storage of city wastes and the dump kept growing and polluting the environment. The Governor announced plans for the

reconstruction of the city dump area, which will include utilization of wastes in accordance with eco standards, construction of new wastes storage facilities, as well as construction of water purification system in the bay area adjacent to the dump. In addition, municipal government agreed to finance the reconstruction of the incineration plant to increase its utilization capacity (*Combined sources: Deita, August 6, 2004, and Konkurent # 31, 2004*).