

Northwest Russia: Facts and Events

Newsletter by the Stockholm Region Office in St. Petersburg

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Delegation of St. Petersburg Construction Center at NORDBYGG-2004

St. Petersburg Construction Center (PCC) organized a business-visit of branch professionals to the International construction fair "NORDBYGG-2004", held at Stockholm International Fairs on 15 - 20 March. This is the third joint project

of PCC carried out with the support of the Stockholm Region Office in St. Petersburg.

Such companies as *Incom DSK – 3*, *Macromir*, *Resstroy*, *SpetsHimMontazh*, *Opium*, *Kolskaya Electromagnitnaya Company*, *Krupnopanelnoye Domostroyeniye* etc. mostly from the Northwestern Russia, took part in the visit. A number of presentations and business-meetings took place within the frames of the fair. The members of the delegation also had a meeting with the Stockholm Chamber of Commerce and Industry, and got acquainted with its activities. Promising business contacts were established with several Swedish companies as a result of the visit.

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New Tourist Project in Leningrad Oblast

A new tourist project called *Russia's Silver Ring* will be presented to the Governor of the Leningrad Oblast in April 2004. The new tourist route will connect all the monasteries, convents and fortresses of the Leningrad Oblast located in vicinity to St. Petersburg. According to Sergey Korneev, Vice-President of the Russian Union of Travel Industry, it is a brand project that will require investments of at least 1 million USD. In 2003, taxes from tourism in the Leningrad oblast increased by 3 million rubles (approximately 105 thousand USD) and comprised 28,4 million rubles (about 1 million USD), while the joint tourist flow into the regions neighbouring on Leningrad Oblast increased by 10%. In the summer of 2004, the Russian Union of Travel Industry is planning to establish a united information system on tourist objects in the region.

Source: Piter-T electronic newspaper, e-mail: pitert@mail.rcom.ru

International Environmental Conference in St. Petersburg

The International Conference "Resorts. Ecology. Education" devoted to the 10th anniversary of National Tourism Academy is taking place in St. Petersburg on 15-17 April 2004. It is organized by the St. Petersburg Committee on Tourism and Resorts Development, St. Petersburg Committee on Public Health, Russian Geographical Society and a number of branch organizations. The program of the conference will consist of 3 sections: Healthcare and Resorts Improvement, Ecology and Tourism, Education and Business. The work languages of the event will be Russian, English and Esperanto.

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Pskov Chamber of Commerce and Industry to Celebrate 10th Anniversary

Pskov Chamber of Commerce and Industry is celebrating its 10th anniversary in 2004. Established in 1994, it now consists of 166 members that account for more than 60% of jobs in Pskov oblast. The Chamber unites the companies of various profiles: over 50 plants and industrial enterprises, 8 companies representing light and textile industry, 12 – timber and woodworking sector, 17 – food industry and catering, 11 – construction sector etc.

The Pskov Chamber of Commerce and Industry offers its members a wide range of services, e.g. independent expert examinations, information and translation services, legal support, commercial court of arbitration, publishing and advertising activities.

The Chamber has long-term cooperation agreements with more than 30 chambers of commerce from abroad. The Chamber is currently carrying out the second in its history project with Swedish partners. The goal of the project is to establish contacts between companies from Pskov and Southern Sweden, and to provide business development support.

For the last three years international cooperation has been prioritized in the activities of the Chamber. The objective of this work is to present Pskov region as an attractive partner on the international market. Pskov Chamber of Commerce and Industry invites all interested parties to cooperation.

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SN Brussels Airlines Flights Now in Russia



The aircrafts of SN Brussels Airlines company landed for the very first time in Moscow airport *Domodedovo* and St. Petersburg airport *Pulkovo 1* on 28 and 30 March respectively. From now onwards, SN will connect its Brussels home base five days a week with the capital of Russia. Twice a week throughout spring and summer an Avro Jet of SN will link Brussels with St. Petersburg. Thanks to this time schedule the travel time between Brussels and St. Petersburg, until now only reachable via a stopover in another airport, will become considerably lower. According to SN's Executive Vice President Commercial Philip Saunders, the company not only focuses on business class travellers, it also attracts tourists. With the flight schedule of these new direct services a travel combination of Moscow and St. Petersburg is now possible.

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Pulkovo Airport Development

The launching of the new air route between St. Petersburg and Brussels is in line with the development strategy of the Pulkovo airport. During the first three months of 2004 it has transported 678 824 passengers, 310 910 of them – on international flights. This is an increase of 21.1% and 24.4% respectively, as compared to January-March 2003. The aircraft of the companies operating in Pulkovo has carried out a total of 5 942 flights, nearly 2 000 of them being international. Compared to the same period of the previous year, the number of flights has grown by 21.1% and 17.2% respectively.

According to Andrey Turnin, Head of the Commercial Department of Pulkovo State Enterprise, the capacity of both Pulkovo 1 and Pulkovo 2 terminals will after the ongoing modernization rise by 30%. In 2004, the enterprise is planning to carry about 4 million passengers. The expected increase in the annual passenger flow will comprise about 15-20%.

Sources: Piter-T electronic newspaper, 9 April 2004; Delovoy Peterburg, 6 April 2004.

PTN Replaces Analogous Exchanges with Digital



Photo: Interpress,
www.interpress.ru

By the year 2005 all the analogous exchanges of the St. Petersburg Telephone Network, PTN, will give way to digital communication. One third of exchanges will be replaced during the year 2004. Such measures will enable the company to solve the problem of the coupled telephone lines, increase the quality of

connection and provide access to Internet. According to Igor Samylin, Regional director of the PTN branch office, 37% of the PTN telephone network is already connected to digital exchanges. All newly constructed houses will be connected to exchanges through the optic fiber, providing the possibilities for multichannel communication, high-speed Internet access, as well as cable and, in particular, digital television.

PTN currently provides services to 37% of corporate clients of the telephone networks in St. Petersburg.

Source: Delovoy Peterburg, 26 March 2004

New Bill on Public-Private Partnership Investment Scheme

According to the statement of Andrey Mikhaylenko, Head of the Committee on Investments and Strategic Projects of the City of St. Petersburg, the City and the Legislative Assembly of St. Petersburg are elaborating a new bill on the public-private partnership investment scheme. The statement was made during the meeting with the members of the St. Petersburg International Business Association in the Northwest Russia (SPIBA). The public-private partnership investment scheme will be widely applied by St. Petersburg officials in concluding investment contracts.

The Federal Law *On Concession Agreements Concluded with Russian and Foreign Investors* has passed the third reading at the Russian State Duma. However, according to the plans of St. Petersburg officials, the local bill will come into effect earlier and it will be focused primarily on the public-private partnership scheme.

Source: Delovoy Peterburg, 25 March 2004

News of Financial Market

-Tax collection in Northwest Russia:

During the first two months of the year 2004 the tax collection in St. Petersburg has increased by 2,8% and constituted 12,6 billion rubles (approximately 442 million USD).

The tax revenues in Arkhangelsk oblast comprised about 3 billion rubles (approximately 105 million USD), in Leningrad oblast – 4.9 billion rubles (approximately 171 million USD) and in Pskov oblast approximately 640 million rubles. (approximately 22,5 million USD). The three regions showed the growth rates of 42%, 35.8% and 13.3% respectively.

- Investments:

In 2003, investments in Kaliningrad oblast made up 12 billion rubles (approximately 421 million USD)

Investments in St. Petersburg light industry in 2003 constituted 56 million rubles (approximately 2 million USD), or 0.3% of total investments in the industry of the City.

IKEA company invested in projects in Russia about 700 million USD in 2000-2003.

As estimated, the volume of direct investments into Russia from abroad will in 2004 comprise 12 billion USD. The capital inflow in 2004 is expected to make up 3-4 billion USD.

- Industrial growth in Russia:

The GDP growth in Russia in January-February 2004 and the growth of industrial production constituted in January-February 2004 8.3% and 8.1% respectively.

Source: Economics and Time, 29 March 2004

Growth of Investments into Real Estate Sector of St. Petersburg

During the session of the St. Petersburg Legislative Assembly on 24 March Alexander Vakhmistrov, Vice-Governor of St. Petersburg, made a report on the development of investment activities within the construction sector of St. Petersburg. It was mentioned, in particular, that in the year 2000 the City set the task of activating the housing construction and investments into the real estate sector of St. Petersburg. In accordance with the St. Petersburg Law *On Investments into the Real Estate of St. Petersburg*, the executive branch created the mechanism for assigning vacant lots for development and real estate objects on investment terms. By the beginning of the year 2004 the volume of housing construction in St. Petersburg has grown by 64%, as compared to 1999. Over the same period, investments into the real estate sector and the number of new objects put into operation increased by 300% and 387% respectively. Alexander Vakhmistrov noted that such development trends are unique in comparison to the other subject territories of the Russian Federation.

Source: Ekho Nedeli (Week's Echo), newsletter issued by the press center of the St. Petersburg Legislative Assembly, 22-28 March 2004

Financing of Science Park in Peterhof was Fastened to Taxes

The St. Petersburg State University has finalized the work on the feasibility study for the Peterhof Science Park project, approved by the Russian Ministry of Economic Development and Trade. The project implementation is planned for the years 2005 - 2008. The required investment is 9 billion rubles (approximately 316 million USD). The amount of financing from the City budget will depend on tax revenues paid by the actors involved in the economic activities in Peterhof. According to preliminary calculations, Peterhof will annually earn around 200 million rubles (approximately 7 million USD). Extra financial resources are supposed to originate from private investments.

The Science Park status is expected to be granted to Peterhof by the President of the Russian Federation in a month. Nearly 220 innovative projects are going to be carried out on the basis of the Science Park, where Russian "silicone valley" will appear.

Source: Delovoy Peterburg, 30 March 2004.

Tax Reform

The Government of the Russian Federation has drafted the bill on tax reform and submitted it for consideration of the State Duma. According to the bill, the rate of the single social tax will be decreased from the present 35,6% to 26% starting from the year 2005.

At the same time the City of St. Petersburg is going to submit the bill on profit tax exemptions for the consideration of the Legislative Assembly of St. Petersburg. According to the Federal Law, St. Petersburg authorities are entitled to introduce profit tax exemptions in amount of up to 4%.

Source: Delovoy Peterburg, 1 April 2004, Delovoy Peterburg, 9 April 2004