

Reiman Quits as Svyazinvest Post Opens Up

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President Dmitry Medvedev's telecoms and IT adviser Leonid Reiman abruptly resigned Friday, saying he was going to "focus on using his expertise" outside the government sector.

The move followed the resignation by the chief executive of state-controlled telecoms giant Svyazinvest, causing industry players to speculate whether Reiman is among the candidates to take over the holding.

"I made a difficult decision to finish a big stage of my life — service to the state. The industry, to which I have devoted so many years, has become a dynamically developing economic segment during this time," Reiman said in a statement Friday, adding that he was grateful to Medvedev and Prime Minister Vladimir Putin for support.

He said, however, that his future work would not involve government projects.

"I will try to focus on using my expertise," Reiman said.

Reiman was let go "at his own request," Medvedev's spokeswoman Natalya Timakova told reporters.

"As far as I know, he is going to get back into business," she said.

Svyazinvest CEO Yevgeny Yurchenko submitted his resignation late Thursday because of disagreements over the future management of a merged company that will be created after the restructuring of Svyazinvest, Kommersant reported.

"I'm totally opposed to allowing one private individual to manage a state asset, regardless of what a great raider of Russia he is," Yurchenko said, without elaborating, Kommersant reported.

The government plans to restructure Svyazinvest, merging its seven regional fixed-line operators into Rostelecom, by May 2011.

Yurchenko also decided to quit because he opposed the conditions of Svyazinvest's purchase of Moscow cable television and broadband Internet operator Akado, Vedomosti reported.

He changed his mind, however, and tried to retract his resignation Friday morning.

"There were indications that part of the discrepancies may be removed. In particular, conditions of the deal to buy Akado may be improved," Yurchenko told Vedomosti.

But it's still unclear whether Yurchenko will ultimately stay in his position, since the resignation procedure has already started, said Putin's spokesman Dmitry Peskov.

"It's unclear at the moment how Yurchenko's petition may be withdrawn because it has been formalized," Peskov told RIA-Novosti.

A spokeswoman for Communications Minister Igor Shchyogolev confirmed Friday that the minister had accepted Yurchenko's resignation.

Sources close to Svyazinvest told newswires that Shchyogolev plans to file a list of candidates to run the company to the Federal Property Management Agency on Monday.

Reiman is among the possible candidates to head Svyazinvest, the sources said.

Among other possible candidates are two deputy heads of Svyazinvest, Mikhail Leshchenko and Viktor Savchenko; Rostelecom deputy director Vadim Semyonov; the chief executives of two Svyazinvest subsidiaries, UTK and Central Telegraph; and Comstar-OTS head Sergei Pridantsev.

Svyazinvest's board of directors may consider Yurchenko's resignation and the appointment of a temporary CEO as early as Sept. 29, a source told Interfax.

Reiman worked his way up through the ranks of the Leningrad City Telephone Company in the late 1980s. He was one of the founders and a board member of Telecominvest, the holding company that started MegaFon.

In late August 1999, newly appointed Prime Minister Putin named him to the Communications Ministry, which he headed until 2008.

Reiman's tenure as minister was marked by both progress and scandal. One of his first moves as minister was to eliminate a rule requiring mobile phone subscribers to obtain an individual license for their handsets.

Reiman raised the status of information technology, creating a dedicated agency to work with the sector. He also had some success in keeping telecoms excluded from the list of strategic industries that limited foreign investment participation.

His ministry was frequently criticized for its approach to frequency distribution for mobile operators. He himself was accused of malfeasance, and embroiled in scandals around alleged ownership of offshore companies that held stakes in Russian telecoms operators. In the nine years that he served, the telecom services sector in Russia grew more than 10 times, reaching more than \$40 billion by the end of 2007.

He left the ministry in 2008, and then became a presidential adviser.

Industry players, however, said Reiman was unlikely to become the head of Svyazinvest.

Reiman earlier indicated privately that he would not be interested in the Svyazinvest CEO role, an industry source told The Moscow Times on Sunday.

"Why would he want to become head of Svyazinvest when it's going to be folded into Rostelecom by the beginning of next year?" another source said.

A third source, a former Svyazinvest official, was convinced that Reiman's resignation from his job as presidential adviser, coinciding with the opening of the Svyazinvest position, was a well-orchestrated and logical next step for him.

"He'll get a chance to realize the projects he considers a priority for the development of the nation's telecoms that he has been unable to do in his role as adviser," the source said.

Analysts said Reiman's appointment as Svyazinvest head was unlikely.

"Such kind of resignations and appointments always happen simultaneously. If the issue involved a career move, his resignation would never be announced before he was appointed to a new position," said Nikolai Petrov, a political analyst with the Carnegie Moscow Center.

"He may be appointed to somewhere, but I don't think that it will happen quickly or that it will be a high-ranking position," he said.

Alexei Minayev, head of analysis at Rye, Man & Gor Securities, said Yurchenko's decision to resign was "impulsive" and unlikely to have been agreed with the government.

"An official of such a rank — if he is in charge of the restructuring process — should accomplish it," Minayev said.

He also said the information on Yurchenko's resignation could affect Rostelecom's shares

negatively.

"A correction of preferred shares is already obvious. Yurchenko's resignation may result in correction of Rostelecom's ordinary shares and the shares of regional operators, which are joining Rostelecom," he said.

While Svyazinvest CEO, Yurchenko was actively buying shares of the regional operators, which could make him one of the biggest minority shareholders with a stake of 2.5 percent in the merged company, Kommersant reported.

Rostelecom's preferred shares plunged by 3.9 percent Friday, versus the broader MICEX Index of 0.3 percent, while ordinary shares took a beating early in the day but recovered to make a 1 percent gain by the close of the market.

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