The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Shuvalov Offers New Privatization Timelines

By Scott Rose

October 20, 2010



Shuvalov, pictured in a file photo, said after a meeting with Putin that the state's asset sale would run into 2015. **Sergei Porter**

The government expects to drum up 1.8 trillion rubles ($58.5 billion) by 2015 from privatizations of federal property, including stakes in some 900 companies, First Deputy Prime Minister Igor Shuvalov said Wednesday.

Some of the funds raised will go into the federal budget, but cash will also be used to develop the companies, Shuvalov said after a closed-door meeting on state property with Prime Minister Vladimir Putin and several other ministers.

The government will continue with its privatization plan for 2011-13, while "pushing back the horizon" to continue asset sell-offs through 2015, Shuvalov said, Interfax reported.

If the plan wins President Dmitry Medvedev's approval, he said, the government will

immediately start working to implement it.

Among the early targets Shuvalov mentioned were a 100 percent stake in the United Grain Company and 50 percent minus one share in shipping giant Sovkomflot — both of which should be sold by 2013.

The Sovkomflot stake will likely be sold in two transactions, with 25 percent going in 2012 and 25 percent minus one share sold the year after, he said.

"We're sending investors a clear signal for the next three years, and we're prepared to discuss the sale of even larger stakes," said Shuvalov, who was tapped this week to spearhead the government's drive to improve Russia's investment climate.

The state will also seek to wind down its massive hand in the banking sector, with sales of stakes in Sberbank, VTB and Rosselkhozbank.

The state's stake in Sberbank, the country's largest lender, should be reduced to a controlling 50 percent by 2014, Shuvalov said. The Central Bank is the lender's controlling shareholder, with 60.3 percent, and Sberbank CEO German Gref has said he would prefer to see the shares sold on the open market.

Finance Minister Alexei Kudrin has said the state could eventually give up control of Sberbank and other key state assets if that would strengthen the companies and the economy.

The state may also give up control of No. 2 lender VTB Group, Shuvalov said. In addition to the 10 percent stake the government is seeking to sell this year, it could offer 10 percent in 2011 and then 10 percent to 15 percent the following year.

"We have specific plans on sales for three years, and we'll be ready to give up control [in VTB] if investors show interest," he said.

He was less specific on agricultural lender Rosselkhozbank, the country's fourth lender by assets. Shuvalov said the state could sell 25 percent of its 100 percent stake before 2015.

The state's holding in Aeroflot could be whittled back down to a controlling 50 percent — "but only if that will improve the health of the company and, for passengers, the quality of flights," Shuvalov said.

Aeroflot's shares jumped to a two-year high on Tuesday after Kudrin suggested that the state offload shares. The airline bought back about 6 percent of its shares from Alexander Lebedev's National Reserve Bank earlier this year, but the billionaire said last month that he would hang on to his remaining stake of about 20 percent.

Other major stakes mentioned by Shuvalov included up to 15 percent of Rosneft and 25 percent minus one share in Russian Railways.

A 15 percent stake in Rosneft would be worth $10.8 billion based on its market capitalization Wednesday of $71.9 billion. Shuvalov said the stake would be offered between 2012 and 2015, depending on market conditions.

"Beyond the horizon of 2015, the state's participation as a Rosneft shareholder could be reduced, and the state could give up control. However, that's a question for the future," he said.

The stake in Russian Railways would be offered between 2013 and 2015, he said.

Shuvalov also struck two companies off the list of likely privatization targets through 2015: oil pipeline operator Transneft and oil producer Zarubezhneft.

Transneft president Nikolai Tokarev has said that privatizing a stake in the company would be the "worst thing" that could happen to it. Shuvalov said selling the stake would have an influence "structurally, on some of the company's plans and on some of the government's plans." He did not elaborate.

He called Zarubezhneft, which develops oil fields abroad with foreign states, an "interesting asset" but said Russia would need to look into its obligations to other states before offering a stake.

Shuvalov also said the state was ready to sell 4.11 percent immediately in the Federal Grid Company; 8 percent of RusHydro by 2013; part of its stake in Rostelecom after its reorganization with Svyazinvest; and 50 percent minus 1 share in Rosagrolizing between 2013 and 2015.

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