

# Freight One Suitors Start Forming Ranks

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Getting a controlling stake in the rail cargo company will be no game, as the \$4 billion price could rise on results. **Igor Tabakov**

Globaltrans chief Sergei Maltsev on Thursday appeared to downplay the company's interest in purchasing control of larger, state-owned rival railway transportation company Freight One.

"We are not hardcore fans of Freight One," he said on the sidelines of a meeting.

The Federal Anti-Monopoly Service has so far approved London-listed Globaltrans and three more contenders to bid for Freight One in an auction that the government plans to schedule for later this year.

At stake is 75 percent minus two shares in a company that accounts for a quarter of all rolling stock in Russia and earned profit of 19.9 billion rubles (\$700 million) last year.

The business is especially important given that 85 percent of cargo in Russia is handled

by railway.

Maltsev said Globaltrans decided to vie for the company because it was a "matter of image." Industry experts believe that Transoil, a company owned by Gennady Timchenko, will win the bidding for which the government has set the starting price at 115 billion rubles (\$4 billion).

The starting price is likely to grow 20 percent after the company reports its results for this year's first half, Russian Railways chief Vladimir Yakunin said earlier this month. Freight One is a 100 percent subsidiary of state-owned Russian Railways.

Maltsev said Thursday that Globaltrans was hoping to borrow more than \$5 billion from Sberbank or VTB. If that does not work, the company will try to hire JPMorgan to arrange a Western syndicated loan, he said.

The Federal Anti-Monopoly Service has so far also given bidding clearance to Independent Transport Company owned by Vladimir Lisin, the wealthiest Russian, who is better known for his steel business; Transoil owned by Gennady Timchenko, a co-founder of the major global oil trader Gunvor and an acquaintance of Prime Minister Vladimir Putin; and Neftetransservis.

The government ordered the privatization in a July 28 decree, prescribing that potential bidders should be managing at least 15,000 railcars, registered in Russia, free of government control or any affiliation with Russian Railways and have no overdue debts.

Russian Railways spun off Freight One in 2007 as part of the government's policy to develop competition in rail cargo transportation. Freight One operates 200,000 railcars, compared with 50,000 units at Globaltrans, which bills itself as the country's largest private cargo rail transportation company based on the size of its owned fleet.

Globaltrans, whose profit grew 86 percent last year to \$226 million, will report its results for this year's first half on Tuesday.

Maltsev made the comments about the auction after a roundtable discussion where he and other participants, including a government official, called for new laws to regulate the industry.

"Our legislation is hopelessly outdated for the reality of the free market," said Viktor Kvitko, transportation regulation department chief at the Federal Tariff Service. "It's like a peasant cart that we are trying to equip with a rocket engine."

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