

Putin's Judo Partner to Take Control of Russia's Biggest Airport

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Sheremetyevo, home to Russia's flagship airline Aeroflot, has fallen behind privately owned Moscow rival Domodedovo in terms of passenger numbers and is seen as trailing on customer service.

President Vladimir Putin's long-time judo sparring partner Arkady Rotenberg, together with his billionaire partner Alexander Ponomarenko, are set to become the main owners of Russia's biggest airport — Sheremetyevo — according to an order signed by Putin on Friday.

Putin has ordered a consolidation of the state-owned assets of the airport and the assets of the TPS Avia company. TPS Avia belongs to Rotenberg and his partner Ponomarenko. The state's share in the resulting company must be at least 30 percent, the order said.

In 2013, the TPS Avia company won a contract to expand the airport by constructing a new terminal building and connecting it with the old terminals by an underground train. The company has to finish construction by 2018 and must invest up to \$635 million in the project that also includes a cargo terminal and a refueling complex.

Sheremetyevo is one of the main infrastructure projects for the upcoming 2018 World Cup in Russia, receiving lavish state investment for a new runway that must be finished before the tournament.

In the first seven months of this year, Sheremetyevo has served 17.8 million passengers, surpassing its main rival Domodedovo that served 17.4 million, the AviaPort agency reported. Moscow's third major airport Vnukovo processed 9.3 million passengers.

On Aug. 1 Putin signed a similar decree, ordering the state to consolidate its assets in Vnukovo Airport with the government owning at least 25 percent in the resulting structure. After consolidation, the majority stake in the airport will be owned by businessmen Andrei Skoch, Vitaly Vantsev and Vladimir Kozhevnikov, Forbes reported in 2014.

Domodedovo is already owned by a single private owner Dmitry Kamenshchik.

Rotenberg, 63, has a total net worth of \$1.45 billion as of August, making him the 57th richest man in Russia, according to Forbes' estimates. Over the past decade he has become one of the most influential businessmen in Russia.

Together with his brother Boris, Rotenberg was sanctioned by the U.S. over the Ukraine crisis as a member of Putin's inner circle.

"Both brothers have amassed enormous amounts of wealth during the years of Putin's rule in Russia. The Rotenberg brothers received approximately \$7 billion in contracts for the Sochi Olympic Games and their personal wealth has increased by \$2.5 billion in the last two years alone," the U.S. Treasury said in its statement when it imposed sanctions last year.

In a rare interview, Rotenberg denied that Putin was helping him build his business empire.

"Knowing someone at this level [Putin] did not hurt anybody, but everything that we have achieved was mostly due to hard work," Rotenberg told Forbes in 2012.

Rotenberg has known Putin since childhood, when they trained in the same judo club in St. Petersburg. In the last five years, companies connected with Rotenberg have amassed more than 1 trillion rubles (\$15.4 billion) worth of state contracts, Forbes reported.

Rotenberg's partner in the venture, Ponomarenko, 50, owned the Novorossiisk Commercial Sea Port, Russia's largest commercial sea port operation, with his business partner Alexander Skorobogatko. They sold it in 2011 for \$1 billion. Forbes estimates Ponomarenko's net worth to stand at \$2.6 billion.

Over the past five years, the state has been trying to consolidate all three major Moscow airports into a single holding. This was a challenging task given that the airports have different ownership structures.

Since 1994 Domodedovo Airport has been privately owned by Kamenshchik, under whose leadership it has become the most modern airport in Moscow. Up until 2015, it was handling more passengers than Sheremetyevo. Overall, Kamenshchik's company has invested more than \$1.5 billion into the airport, he told Vedomosti business daily in 2014.

While Domodedovo was becoming more successful, many powerful entrepreneurs set their sights on an increasingly attractive asset. The state has tried to contest the airport's privatization multiple times, but so far has failed. Since 2001, the airport has dealt with up to 6,500 court cases, Kamenshchik told Vedomosti.

Kamenshchik concealed his control over the airport behind a convoluted web of offshore-registered companies, but after a terrorist attack in a terminal building claimed 37 people in 2011, the government ordered that the main owner be revealed. Kamenshchik revealed himself as the sole owner in 2013.

Amid the increasing pressure on Domodedovo, its investment activity has become sluggish and today the airport is visibly overcrowded.

The Russian government has limited resources it can invest into airports, therefore, privatizing them is a logical step, VTB 24 bank's analyst Oleg Dushin told Kommersant FM radio last week. Putin's personal relationship with Rotenberg makes him someone the government can trust, he said.

"The state-run management has already demonstrated that it is not very effective. So there is an attempt to use horizontal connections when there is a shortage of money here and there," said Dushin.

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