

# Business

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## State Pharmacies Face Corporate Restyling

By **Sophia Kornienko**  
STAFF WRITER

City Hall passed a resolution to reorganize state-owned drug stores into four state unitary enterprises, Interfax reported Wednesday. Analysts say this may mean the city plans to privatize the sector.

According to the governor's press service, the transition is intended to enhance the supply of pharmaceuticals to the public. "Creating pharmacy networks will make it possible to centralize the purchase of pharmaceuticals, which, in turn, will lower the prices of medicines," Governor Valentina Matviyenko said Tuesday at a meeting of the city government.

Meanwhile, the real reason for creating the four enterprises is not to unite scores of scattered pharmacies, argues Vladimir Gryaznevich of Expert Severo-Zapad magazine. The government's decree, Gryaznevich said in his weekly comment on Ekho Moskvy St. Petersburg Friday, outlines the same procedures as those necessary for pre-sale preparation of the pharmacies for further privatization.

Overall sales of St. Petersburg pharmacies are estimated at between \$200 million and \$220 million in 2003 and are expected to go up to \$250 million this year, Vedomosti reported Wednesday. The enterprises subject to reorganization will share from 10 to 30 percent of the market.

Two state pharmaceutical chains already exist — Alexander Farmatsevtika

summer 2003, Vedomosti quoted Vice-Governor Lyudmila Kostkina as saying. As many as 69 pharmacies are loss-making, Interfax reported. Kostkina said loss-making pharmacies will hardly make it through next summer if the reform is not instituted.

Yury Shcherbuk, head of the health-care committee, said 35 to 39 drug stores will enter each of the four enterprises.

Both Kostkina and Shcherbuk, who do not voice plans to privatize the state-run pharmacies, admit that state pharmacies are unable to compete on the market. Reorganization should help reduce administrative staff and arrange a centralized management system for the pharmacies, officials say.

State pharmacies do have a niche in the market since they prepare medicines to fill individual prescriptions, dispense narcotic and psychotropic products, and sell medicines to the Emergency Ministry.

One region that has succeeded in pulling state-run pharmacies out of the crisis is Nizhny Novgorod, Vedomosti reported. The town's municipal pharmaceutical enterprise, created last summer, includes a total of 111 pharmacies and pharmaceutical kiosks. The chain managed to pay off debts within the first month and brought the purchasing costs of pharmaceuticals for benefit recipients down by 18 percent.

According to Gryaznevich of Expert Severo-Zapad, if the pharmaceutical enterprises are privatized, this will "put an end to money getting stolen from the



ALEXANDER BELENKY/SPT

IP videophone service using Vizufon units like the one depicted here will be available in St. Petersburg at the end of March.

## IP Telephony Reaches City

By **Sophia Kornienko**  
STAFF WRITER

Unlimited international calls — and even videophones — are now a reality, St. Petersburg telecommunications company Telphin announced Wednesday. This month the company will launch a new broadband telephone service in the city.

But experts say the low unlimited access rate will be short-lived once competing services appear: only those with

Installation fees range between \$99 and \$480, depending on the subscriber plan.

Telphin's creator Balt-Group is famous for its other investment projects — St. Petersburg's leading wireless operator Quantum Communications and business center Aquatoria. Balt-Group, which has spent \$400,000 on Telphin's three-month trial, estimates its total initial investment should amount to \$1.5 million.

If the project turns out to be "too popular," Balt-Group's general director

quite legal, but it has been popular with clients, said marketing specialist Konstantin Nesterov of Golden Telecom Moscow, which also features the service, although using standard telephone lines.

In Nesterov's opinion, IP operators should formulate their target client groups more clearly and develop rates specifically to suit those target groups. "I prefer traditional telephones because Internet providers can guarantee quality transmission capacity only between



and Petrokon, Gryaznevich said. Those chains are likely to be restructured to form the four new enterprises.

A total of 146 state-run pharmacies operate in the city, as opposed to 171 in

pockets of the people. Ekaterina Matviyenko's team understand the good prospects of privatization but fail to deliver the information to the public, Gryaznevich said.

## I N B R I E F

### Pulkovo Passengers

■ ST. PETERSBURG (SPT) — Pulkovo Airlines increased passenger carriage in January-February 2004 by 20.7 percent over the same period in 2003, to 257,455 passengers, Interfax reported Thursday.

Domestic carriage was up by 12.3 percent to 148,807 passengers, and international carriage — including the CIS countries — was up by 34.5 percent to 108,638 passengers in January-February 2004.

Freight carriage was also up, by 15 percent.

The state unitary enterprise Pulkovo combines the airport and the airline. Pulkovo's fleet of airplanes includes 46 Russian-made planes.

### Baltiysky Zavod Tanker

■ ST. PETERSBURG (SPT) — Baltiysky Zavod shipbuilders supplied Transocean Shipmanagement, a German company, with a second tanker for shipping chemicals, Interfax reported Wednesday.

The vessel, dubbed the Georg Essberger in honor of one of the founders of the German company, will be used to ship chemicals between continental Europe and Scandinavia.

"Cooperation with Baltiysky Zavod was a very interesting and useful experience for our company," said Stefan Polomsky, managing director of Transocean Shipmanagement in a press release.

Similar tankers cost between \$12 million and \$20 million on the world market depending on the vessel's deadweight and freight handling equipment.

### Ilim Production Up

■ ST. PETERSBURG (SPT) — Ilim Pulp Enterprises increased production of pulp and paper in January 2004 year-on-year by 6.8 percent to 208,600 tons, a company press release said Wednesday.

Cellulose production was up by 4.7 percent to 123,220 tons, cardboard production went up by 12.6 percent to 60,860 tons while trade paper went up by 1 percent to 20,760 tons.

Production of sawn goods went down in January 2004 by 16.3 percent to 32,300 cubic meters. The company press release cited inclement weather as the cause for under-target deliveries of timber.

Ilim Pulp Enterprises produces 61 percent of cellulose in Russia and 77 percent of cardboard.

### \$30M in PayCash

■ ST. PETERSBURG (SPT) — The PayCash international group of companies invested around \$30 million in business development over the course of three years, deputy chairman of the board Viktor Dostov told journalists at a press conference Tuesday.

Dostov said the funds were used to implement PayCash projects in Russia, the United States, Armenia, Latvia and Ukraine.

PayCash launched the iDealer offline payment system in St. Petersburg in March. The thirty pilot payment stations opened in fall 2003 average 100,000 rubles per month in payments.

The PayCash system was developed to improve payments via the Internet.

In July 2003 the company signed a deal with Yandex that resulted in the Yandex.Dengi project uniting about 500 Internet retailers.

Telphin's offer is based on a flat monthly subscriber fee of \$49 allowing unrestricted call time to Russia, Europe, the United States and a number of other regions, the company's general director Yekaterina Pankratova said.

"I used to spend at least \$200 a month on intercity and international calls, and now I am able to call anywhere for a reasonable price," said Oleg Zagonkin, director of City Express St. Petersburg, one of 30 companies that completed a free three-month trial of Telphin.

The service can be installed in homes and offices equipped with a dedicated Internet channel, such as the Asymmetric Digital Subscriber Line, or ADSL.

Sergey Zhidkikh said, additional funds will have to be attracted.

Frequent callers will cost Telphin money, Pankratova said in an interview, but those who make only a couple of expensive calls per month will bring profit.

Stanislav Rybalko of Moscow's leading telecommunications equipment distributor CompTek said the flat rate concept is not flexible enough to suit the diverse needs of clients. The project's significant drawback is that it offers no billing, he said in a telephone interview.

Telphin also offers direct numbers to cities like New York.

The offer to rent direct numbers in other Russian and foreign cities is not

my home and the provider's equipment," Nesterov said.

In Moscow, Internet provider Zenon, which occasionally offers IP phone services to corporate clients, was surprised by the unlimited rate proposed by Telphin. Tario.Net and OSS offer world IP connection ranging between 3 and 40 cents per minute, depending on the country and the type of phone being called. Neither of them has tried a flat rate.

At the end of March, Telphin will introduce one more flat rate plan. For an installation fee of \$800, two IP video-phones can be hooked up in any two locations in the world as part of the St. Petersburg network.

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