



## Saratov City and Oblast



International Economic & Tourism Development  
Strategic Research on Location Economics and Opportunities

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### Management Summary

With kind support by the German Foreign Chamber of Commerce, the German Honorary Consul in Saratov and others, based on an inquiry by members of the Association of Corporate Travel Executives<sup>1</sup>, this research on the international potential of the Saratov region was initiated by **Barthel.eu Travel Trade Consulting**.

In reply to the support and interest by the organizations and individuals addressed during the research, the study was expanded in order to cover not only the immediate scope of business travel, but the entire economic impact resulting from the existing shortcomings that were motivation for the initial study.

Focusing Saratov, the neighboring location of Samara was used for comparison where necessary.

Saratov is an important industrial location with better ratings by RAexpert.org than Samara. but for the economic climate, Samara leads. Researching about the reason for that discrepancy, the primary reason found was the accessibility of Saratov by air (passenger + freight).

Access by road, rail and ship (Volga) as well as three bridges crossing the Volga makes Saratov otherwise a natural crossroad. A number of universities, giving Saratov national and international reputation can provide excellently trained staff, at this time (2008/09) forced to emigrate to Samara, Moscow or St. Petersburg for decent jobs.

The research confirmed the current situation that flight services to Saratov cannot be booked or ticketed internationally. They can neither be booked online on the local airline's website, but phone calls and immediate purchase by the few authorized agents or at the airport office are required. That includes large and important corporate accounts like Bosch.

A number of recent developments, like OJSC Saratov Airlines<sup>2</sup> announcement to join the new airline construct following AiRUnion<sup>3</sup> or a court ruling to break up Saravia's monopoly at Saratov Airport give reason to expect that the situation with aviation to/from Saratov will face a major shake up shortly.

Another shortcoming is the missing availability of English language information about Saratov and information for travelers to Saratov. A number of ideas have been identified and verified on site and added to the study.

Information by the German Foreign Chamber of Commerce, Moscow (ahk.de), research by a member of the Russian Marketing Guild and management representatives of local companies further qualified this study.

In order to complete the study, the author has visited Saratov in fall 2008 for an unsponsored research. The experience during this trip, as well as the feedback during the numerous meetings with regional managers and government officials, are part of this study.

#### **Saratov has the potential to become an important center for commerce, industry and travel on the Volga within 2-10 years.**

The most important issue to be addressed is to enable international air access for passengers and freight. Where the legal framework has been set, the local government protects the status quo. This study and its attachments address the options.

This **independent and neutral study** contains not only Status Quo but was expressly asked to also provide specific recommendations for future development.

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<sup>1</sup>ACTE, <http://www.acte.org/>

<sup>2</sup>Open Joint Stock Company Saratov Airlines, also known as Saravia, <http://www.saravia.ru/>

<sup>3</sup>A lot of contradictory information, so the study avoids a name but uses „AirlineConstruct“ instead.



## Saratov

### *Status Quo*

### Commerce Rating

According to Expert RA rating agency<sup>4</sup> Russia, Saratov enjoys a very sound and favorable economic and commercial climate, but space to improve:

Business Climate	Samara
City: <b>C++</b> (Quite favorable business conditions, which are improving. Entrepreneurs and investors expand their business.)	<b>B</b>
Saratov has borrowed <b>13</b> place in a rating of sites for accommodation of the information on accommodation of orders for the state and municipal needs, 2007 year.	<b>112</b>
Oblast: Investment climate: <b>3B1</b> (Reduced potential - moderate risk)	<b>2B</b>
<b>5</b> place in a rating of sites for accommodation of the information on accommodation of orders for the state and municipal needs, 2007 year.	<b>31</b>

Inquiring about the reason for this contradictory assessment, the commercial situation was summarized by all sources as follows:

Thanks to different advantages, Saratov has a very high potential as a commercial center, dominating the entire region. Without decent flight services (passenger, freight, express) though, these advantages cannot be cashed in. In a globalizing world, easy access to transportation is vital. Booking tickets by phone, paying cash at the airport offices of the airline is antiquated and insufficient.

It was expressed that the recent development in the Russian aviation industry and the new AirlineConstruct<sup>5</sup> including Saravia is expected to improve that situation shortly. Concern was voiced about political indecision and protectionism of the status quo delaying the necessary development.

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<sup>4</sup><http://www.RAexpert.org/>

<sup>5</sup>A new government owned airline construct is said to be built comprising the airlines of the former AiRUnion and additional local airlines including Saravia. As the name is not clear at time of study, the temporary artificial term AirlineConstruct is used in this study.



### Saratov Regional Advantages

- Very positive economic and commercial climate<sup>6</sup>.
- 14 Universities with 120,000 students (students representing +10% of city population)<sup>7</sup>
- Location of one of 16 Russian locations of the German Goethe Institute<sup>8</sup>.
- Location of one of seven Russian representative offices of the German Government<sup>9</sup>.
- Bosch announced favorable conditions resulting in an expansion of business in Saratov<sup>10</sup>.
- Other large international companies include British American Tobacco or Henkel. Largest exporting companies are Kreking, Balakovo Fibers, Irgiz, and Saratovstroisteklo<sup>11</sup>
- Availability of affordable Translators for full day service<sup>12</sup> (recommended if no Russian is spoken)
- Incoming Tour Operator<sup>13</sup> (multilingual)
- Low labor cost, though increasing<sup>14</sup>.

### Saratov Regional Shortcomings

- Flight Services to Saratov are inadequate and internationally not accessible. 15 hour rail service is an inadequate substitute for missing of adequate flights<sup>15</sup>.
- No awareness by local German Chambers of Commerce. „Saratov, where?“<sup>16</sup> Samara being well known.
- Incomplete or no English websites. Where English is offered, it falls back frequently to Russian. Some websites support German (then usually no English)<sup>16</sup>.
- No freight or express freight capabilities<sup>14,16</sup> (Fedex: min. 7-8 days is inadequate to support demand of industry nations)
- Virtually no information about tourism or (business) visitors possibilities<sup>17</sup>.
- No international city partnership, despite the strong historic relations to foreign cities<sup>18</sup>.
- Limited presentation on trade fairs<sup>16</sup>.
- Limited information for web research<sup>16</sup> (i.e. Google: Saratov ~4 Mio results, Samara: ~19 Mio results)
- Saratov mostly not mentioned in travel guides for Russia, if so, as a stop on a Volga cruise<sup>16</sup>.
- Even Russian travel agencies rarely offer Saratov<sup>19</sup>. Spot checks confirmed the inadequate ability to book flights to be the main reason, followed by missing information about hotels<sup>16</sup>.
- Difficulties finding places offering public WLAN (WiFi<sup>20</sup>) access. Numerous places showing the sign despite ability to offer it. No Internet Café<sup>16</sup>.

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<sup>6</sup>See page 4 Commerce Rating

<sup>7</sup>Source: Saratov Chamber of Commerce, e-Mail 17.11.2008

<sup>8</sup>SLZ (Sprachlernzentrum) Saratov, <http://www.slz-saratov.ru/>,  
<http://www.goethe.de/ins/ru/lp/prj/slz/sar/deindex.htm> (German)

<sup>9</sup>Honorary Consulate, Source: <http://www.auswaertiges-amt.de/> (German)

<sup>10</sup><http://www.sarbc.ru/> 13.09.2008 (Russian)

<sup>11</sup>Source: Russian-American Chamber of Commerce,  
<http://www.russianamericanchamber.org/newsletter/saratovregion.htm>

<sup>12</sup>Contact Barthel.eu for assistance

<sup>13</sup>TK Primavera, <http://www.primavera-tk.ru/>

<sup>14</sup>Source: Norbert Pfannstiel, GM Bosch Saratov + German Honorary Consul

<sup>15</sup>See Page 7 Getting to Saratov

<sup>16</sup>Own research results

<sup>17</sup>See Page 7 Tourism

<sup>18</sup>Council of European Municipalities and Regions (CEMR), <http://www.ccre.org/>

<sup>19</sup>Source: Russian Marketing Guild

<sup>20</sup>WiFi is a trademark of the WiFi alliance and an artificial term for WLAN (**W**ireless **L**ocal **A**rea **N**etwork)



## ***Saratov Scenarios***

The following are general recommendations further detailed in the Attachments.

Saratov Regional Government's main concern must be to offer adequate air transportation and freight to/from Saratov. Passenger transportation may be provided by Saravia, though Air Freight does remain a strategic issue. A strategy to position Saratov as the new freight hub in Southeast Russia is recommended on page 14 Aviation Aviation Scenarios.

In order to attract more international visitors, a number of suggestions shall be considered. They are outlined on page 12 Tourism Tourism Scenarios.

It was not possible during the course of the research to get official information and statistics considered basic in European or U.S. cities, such as details about the Saratov academic environment (i.e. list of high schools and faculties, number of students emigrating after graduation) or commerce details (i.e. amount of freight transported in and out of Saratov per month or amount of potential in air freight). In order to justify development and attract investors, such figures shall be made public available shortly. If not available, a well-founded official guess should be possible.



### Tourism

#### *Status Quo*

#### **Saratov Tourism Information Office**

In the past years, Saratov was not available at ITB (Samara was):



**Saratov**

**Regions present at ITB**

Only thanks to Russian support<sup>21</sup> during on-site research, it was possible to compile a list of possible attractions, conference centers, etc., most of that information is not available in English at all.

In general, Saratov has neither yet identified the strategic economic potential of Tourism nor addressed it.

### **Getting to Saratov**

#### **Air**

***This study contains a separate chapter about aviation and Saravia. Additional information is added in the attachments, so this is only a summary.***

In 2008/09, air service is monopolized by uncompetitive Saravia. Bookings can only be made by phone (good command of Russian language is required) and tickets must be purchased/paid the same day at the departure airport. Ticket on departure is **not** offered! e-Mails (Russian or English) are replied to only with several days delay.

Saravia aircraft (YAK-40, YAK-42 of Saratov manufacture) is usually technically in good shape, though the interior is puritanic and not very well maintained.

As of recent court ruling and planned merger with the rescue company for AiRUnion, it is to be expected that Saravia soon shall (have to) change their operations to support decent international standards.

A new airport is mentioned to be build by 2014, but even official Saratov sources admit, it might be that by then the building may as well just be started.

Despite the economic disadvantageous impact to the Saratov economic development official functionaries also have been found very much protective of the status quo monopolizing Saravia.

<sup>21</sup>by Olga Bleykhman, St. Petersburg based member of the Russian Marketing Guild



### Rail

Weekly rail service is available from Berlin. Preferred connection by Ethnic travelers, except in exceptional cases this service is not used by business travelers.

Several services are offered between Moscow and Saratov with Saratov Rail, requiring pre-reservation and offering single, double or quad sleeper cabins. With a travel time of 15 hours, the train service nevertheless is not considered a decent option for international business travelers.

Train service is also available from Samara, travel time about 10 hours, Samara is serviced for example by Aeroflot and can be easily booked.

**Warning:** International train tickets are *not* automatically recognized by the conductors on the trains and it is strongly recommended to have 30 extra minutes and an official translation of the rail ticket.

As such, the rail service cannot provide access for Saratov to the global economy.

### Cruise

In 2008/09, most visitors to Saratov are passengers on one of the many Volga-cruises. During the visit, a group of American visitors has been interviewed. Details in the attachments. Aside of the impact to day tourism, these cruises have not been identified yet for their potential economic impact.

### Search Engines

In 2008/09, **Saravia** is not existing in the major international travel sites, as the flights can not be booked online and the website is not commonly known. That includes the Online Booking Tools used increasingly by international corporations (incl. Henkel, Bosch), where the flights are simply not existing.

Compared to Samara, **Saratov** returns **4** Mio. hits compared to Samara's about **19** Mio. hits in Google. Most results on Saratov are extremely limited, it proofs rather difficult to dig information. The situation on Wikipedia is similar.

The same is true for the quality of results found.

### Travel Agencies

The remote search for a travel agency in Saratov was unsuccessful. Only from a reference by the German Foreign Chamber of Commerce in Moscow did we learn about Primavera<sup>22</sup>.

The member of the Russian Marketing Guild supporting this study has researched sixteen more travel firms in Saratov. According to Primavera-owner and Saratov Chamber of Commerce, Primavera is the only licensed tour operator in Saratov, offering incoming services.

### Hotels

Four out of twelve hotels found during research can be booked internationally. The minimum rates offered exceed the hotel market in the city center of Berlin, the quality is not on international standards. In order to attract people to travel to Saratov, the entire range of hotels should be bookable with an immediate confirmation. The technology to enable this at reasonable cost is offered by a number of providers.

A list of hotels with their amenities and average room rates should also be made available on the official Saratov website!

Not bookable are the Bohemian hotels, recommended by Primavera as comparable an international 3\*-standard.



<sup>22</sup><http://www.primavera-tk.ru/>





WLAN » see page 10 Internet Access

### **Restaurants**

Saratov enjoys a number of exceptionally good restaurants, but they are usually only known to locals and are said to change often. Service tips are rather unrecognized, though a 10% tip is usually recommendable in full-service restaurants, rounding at least to the next 10 Rubels<sup>23</sup>.

### **Public Transportation**

There is a very good public transportation network in Saratov. Without good command of the Russian language, to understand the usage though is difficult. All boarded buses, mini buses or trams charge 8 Rubles, no matter the distance used. Though considered cheap internationally, the public transportation network is of vital importance to Saratov. As such it happens especially during rush hours that one needs to wait three, four buses to get a seat.

For people used to Western requirements to providers of public transportation, most of the vehicles are visibly old but seemingly functional.

### **Taxi**

Taxis are available throughout Saratov but rates are charged very much individually. Almost all locations in Saratov can be reached at rates of 200 Rubles (~€7) or even less, but if only one taxi is there, the rate may be just doubled. Even Saratov citizens admit openly that the taxi drivers "take what they get". Without command of the Russian language, it is helpful to have the Russian address in written (verbally the taxi driver may misinterpret the street on purpose) and a notepad to agree on the rate.

It is not possible to call for a taxi by phone without speaking Russian.

As with the public transportation, most taxis are rather old though functional.

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<sup>23</sup>Smallest bank note, equals about € 0,35



### Internet Access

There are no Internet Cafés in Saratov.

WLAN (WiFi<sup>24</sup>) access is said to be available and marked on the doors of hotels and restaurants with a specific WiFi-sign. Most of these places do **not** offer WLAN-access, but have done so (somewhat temporarily) in the past. Only with help of local students a small self-service-restaurant without WiFi-sign was found offering WLAN-access.

The non-availability of WLAN includes at least three out of the four so far marketed international hotels.

As the local mobile phone provider (MTS-RUS) does **not** offer data-roaming, international travelers must consider to be "off-line" visiting Saratov.

Comparison: Research on Samara confirmed recent existence of three full-service Internet Cafés. Search was a matter of minutes.

### Languages

In general it must be noted that excellent command of the Russian language and/or local support is recommended for any travelers to Saratov! Taxis are charging individually, so the travel from Saratov to Engels was charged between 200 and 1500 Rubles (at an average of 250-300 Rubles). The same differences have been found on many other services.

Thanks to language university and school training, English and German are often spoken, but quality in shops, hotels and restaurants usually is very limited.

Saratov enjoys to have a supported partner school<sup>25</sup> of the German Goethe Institute, providing language courses for German, English and Russians for Foreigners.

Anyone traveling to Saratov, be it for business or leisure, seeks information about the destination. This is mission critical especially for the travel trade. The managers of two travel agencies in Germany focusing on the Baltics and Russia expressed their interest to sell Saratov but require availability failed on the missing availability of Russian information in general being the main hurdle to attract travelers to regions other than Moscow and St. Petersburg.

A lot of information is available in Russian. Even where English is offered, very often the page comes up with Russian content. Examples on file include but are not limited to official pages of Saratov.

The pages can to some extend being used using a webpage translation service such as Google<sup>26</sup>.

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<sup>24</sup>WiFi is an artificial marketing word used by the WiFi Alliance ([www.wifi.org](http://www.wifi.org)). It is questionable if the usage of "WiFi" is properly licensed.

<sup>25</sup>Sprachlernzentrum Saratov, <http://www.slz-saratov.ru/>

<sup>26</sup><http://translate.google.com/>



### **Places Of Interest**

Selected information. More details see Attachments.

#### ***Architecture***

Saratov enjoys an extremely wide range of the most beautiful Art Nouveau-architecture though many buildings are in rather bad shape. Many doors are made of industrial steel, small balconies have been often attached destroying the facades' Art-Nouveau-impressions.

#### ***Shopping***

There are no "superstores" or western style malls in Saratov. The shopping is concentrated in very traditional small stores and even lots of movable stores on the shopping streets selling anything from towels to shoes to phones to food. Once used to the system, it is possible to find about anything, not only local goods.

Main shopping street is Prospect Kirova.

Though this system uncommon to visitors, it has its own attraction to visitors.

#### ***Saratov Aviation Plant***

The first impression internationally about Russian-made aircraft is „old", „expensive". Saravia operating Yak-42 was in all discussions considered as being negative. Explaining that the Yak-42 is a Saratov-build model was found to be emotionally positive, though the aircraft is no longer in production at Saratov Aviation Plant.

German Honorary Consul Norbert Pfannstiel confirmed the visit to the Saratov Aviation Plant<sup>27</sup> as nevertheless interesting. Airbus offers guided tours at both the Toulouse and the Hamburg plant. Boeing offers the same at their Seattle plant. We assume similar tours are offered in their other locations. A Yak-museum may attract aviation enthusiasts.

The Russian aircraft making industry being currently merged into a central organization, the Saratov Chamber of Commerce had no immediate information about any plans for Saratov. As such it must be assumed that the operations in Saratov will be phased out. A museum may bring Saratov back to the mind of the decision makers for consideration as a location for aircraft development.

#### ***Volga***

The Volga is not only used as an industrial waterway but also for leisure activities in summer.

The Volga region is also well known in ornithology. As such, a program to address ornithologists as a possible target group and offering organized groups might prove an interesting market.

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<sup>27</sup>Саратовский Авиационный Завод



### ***Tourism Scenarios***

These are general issues. For more detailed scenarios, please refer to the Attachments.

It is vital in a globalizing world to position a city not only economically but also touristic. Saratov has many hidden advantages. To uncover them and develop the region must be a political priority. First steps can be addressed with limited funding.

### **Saratov Tourism Office**

It is strongly recommended to properly fund a Saratov Regional Tourism Office to compile and market Saratov nationally and internationally.

A contact form on the website, information in PDF-format and availability of multilingual staff for markets specified as strategic is necessary and it must be assured that inquiries are handled quickly.

Following a professional preparation, the following four annual trade fairs are recommended as a first step:

WTM	London	Nov. 10.-13., 2008	lead travel trade fair for the English speaking world
EIBTM	Barcelona	Dec. 2.-4., 2008	lead fair for MICE <sup>28</sup> -industry
ITB	Berlin	Mar. 11.-15., 2009	lead fair for the global travel industry
IMEX	Frankfurt	May 26.-28., 2009	important MICE-fair in Germany to support promotion of Saratov as a conference location.

It is not necessary to have an own stand, in most cases it is possible to participate in a Russian stand.

### **Internet Information**

Having very strong resources in the foreign language and IT students at the Saratov Universities, Saratov has yet to unleash the potential. It would be reasonable for Saratov government to join forces with the universities to improve the existing web presences technically as well as assuring the information to be available in multiple languages.

Such cooperation would and should provide powerful references to Saratov students, used in applications qualifying their potential and value to the local commerce and industry. In return it will improve the quality of the official presentation of Saratov on the Internet. Detailed suggestions are provided in the Attachments.

### **Internet Access for Visitors**

The city administration is urged to enforce availability of WLAN at all places promoting availability advertising it with the WiFi-sign or similar.

A (multilingual) list of such places on the city website is strongly recommended. Showing the places on a map would be helpful.

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<sup>28</sup>Meetings, Incentives, Conferences, Events



### Aviation

#### *Status Quo*

"Right now we have reverted back to a situation where Siberia and the Far East do not have regular air services, neither for cargo nor passengers. This is how it was in 1990," said Olga Trapeznikova, head of communications for Krasair

The situation in Saratov and Saravia is in fact to be considered worse.

#### Saravia

In 2008/09, air service is monopolized by Saravia but **Saravia is not competitive**. Bookings can only be made by phone (good command of Russian language is required) and tickets must be purchased/paid the same day at the departure airport. Ticket on departure is **not** offered by Saravia<sup>29</sup>! e-Mails (Russian or English) are replied to only with several days delay.



As barthel.eu CEO Jürgen Barthel has not been able to meet with Saravia officials during the visit in September/October 2008, it can only be assumed the assessment of one contact to be correct that Saravia to date operates solely on outdated processes comparable to the *Lazy Susan*<sup>30</sup> in the United States 1960s.

Saravia aircraft (YAK-40, YAK-42 of Saratov manufacture) is usually technically in good shape, though the interior is puritanic and not very well maintained. The aircraft engines are fuel burners, as such it is simply impossible to operate competitive and a fleet replacement is vital to make Saravia ready to face the upcoming competition.

#### Airport

A new airport is mentioned to be build by 2014, but even official Saratov sources admit, it might be that by then the building may as well just be started.

It will be outlined in the following scenarios that the acceleration of the development is a vital strategic issue.

#### Competitive Development

As of recent court ruling and planned merger with the new AirlineConstruct, it is to be expected that Saravia soon shall (have to) change their operations to support decent international standards.

Official functionaries also have been found very much protective of the status quo monopolizing Saravia. It must be clear to all involved that the days Saravia has operated under a monopoly are ending.

Saratov as an airport and center of commerce and industry regionally competes with Samara.

<sup>29</sup>TK Primavera, [www.primavera-tk.ru](http://www.primavera-tk.ru), does offer handling of Ticket on Departure in Saratov or Moscow.

<sup>30</sup>See Attachments



### ***Aviation Scenarios***

At the time of the study (2008/09), the Saratov Administration Officials operate very protective of the Status Quo, arguing about the runway length and condition to be exclusively usable by Saravia. This is frightening short-sighted as Saratov is not on its own but competes with cities like Samara as well as misses to address opportunities.

If Saravia can operate, other airlines can operate out of Saratov too. The Boeing 737 for example was originally developed to operate on short and rough runway conditions, including unpaved runways. BAe-146/Avro-aircraft also operates STOL<sup>31</sup>, i.e. at the London City Airport. Court ruling has condemned the monopoly of Saravia at Saratov Airport. With the development of the new AirlineConstruct, Saravia will face competition and must either be made ready for state-of-the-art operations, distribution and technology or it will be uncompetitive and be forced out of business within a matter of two to three years. See page 15 Saravia.

No comparable data was made available by Saravia or Saratov Rail regarding passenger numbers, though simply the fact that the majority of travelers between Saratov and Moscow use the train with an increased travel time of 13+ hours shall be an alarm sign for any airline.

Another strategic issue is availability to service ad hoc flights (General Aviation<sup>32</sup>) and address the necessity for customs and immigrations.

### **AirlineConstruct**

While this study was prepared in 2008/09 (and a reason for its delayed availability), the Russian aviation market is in turmoil. It is very reasonable and in fact a necessity to launch the new AirlineConstruct at earliest possibility. This will result in the merger of Saravia into the new AirlineConstruct, to keep Saravia as an independent entity is commercially illogical. The new AirlineConstruct would be able to attract better prices also for the technological platform needed for all airlines involved.

As of the failure to save AirUnion and merge it into the new airline, internationally the project is questioned, but it is the logical process. It is strongly recommended to see the following suggestions and scenarios not independent, but address it strategically on the superior hierarchy of the AirlineConstruct management.

### **Airport Development**

It is necessary to provide a solution before 2014. Waiting until 2014 for the new airport to become ready will be a head start for Samara and other Russian cities. To remain competitive, Berlin Airport Administration decided to invest several millions in 2007/08 into new terminal facilities and an entirely new terminal at the Berlin Tegel Airport, that is scheduled to shut down by 2011 (replaced by BBI, Berlin Brandenburg International Airport at the location of today's Schönefeld Airport).

The Administration of Saratov is well advised to consider the commercial impact of its protectionism on a medium time scale. Saratov and Saravia will be doomed to a fate as a minor location at commercial disadvantage, most probably to Samara (also serviced by the AirlineConstruct).

In order to speed up the process, two scenarios are possible.

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<sup>31</sup>Short Take-Off and Landing

<sup>32</sup>[http://en.wikipedia.org/wiki/General\\_Aviation](http://en.wikipedia.org/wiki/General_Aviation)



### **Scenario 1: Improving The Existing Airport**

Whereas it seems unlikely to be able to extend the existing main runway, four hurdles can be overcome at the existing airport at relatively low cost.

- » Improving the existing runway by adding a new. With 2.200 meters, this runway allows operation of mid-sized aircraft, likely to be attracted to operate into and out of Saratov.
- » Improvement of the existing terminal and immigration facilities
- » Investment into loading vehicles to support loading and unloading of standard containers as used by midsize jet aircraft. These vehicles can be transferred to the new airport later.
- » Offers to attract international airline operators to service strategic routes. If Saravia shall be protected on passenger flights, it would be of strategic interest to attract air freight carriers, i.e. to connect the Leipzig freight hub to Saratov and flights from other Russian destinations, the Southern Volga region or Western Kazakhstan (i.e. Atyrau), but also Siberia. This could also be interesting for the other airlines' destinations considered for the AirlineConstruct.

### **Scenario 2: Accelerating Airport "2014"**

Subject to political commitment to accelerate the development of the Airport 2014-project, it seems possible to accelerate the economic development of the Saratov region. See page 16



Saratov » Southern Russia Freight Hub.

The development planning for the new Saratov Airport shall consider General Aviation for passenger and freight, as well as customs and immigration facilities and access to rail and road forwarding.

A step-by-step development plan may enable operations for international air operators in an early stage. Given availability of a clear strategy will enable the Saratov Chamber of Commerce as well as the regional Ministries for commercial development to market Saratov pro-actively to air operators and industry. This will ease to attract new companies to the region and strengthen Saratov's competitiveness towards Samara.

### **Saravia**

Despite numerous approaches, not limited to Barthel.eu but also with local Saratov support, it has been impossible to arrange a meeting with Saravia during the on-site-research by Jürgen Barthel. As such, only general suggestions are possible.

If Saravia will not be brought quickly to international standards and commercially competitiveness, the airline risks to follow the fate of the lately grounded airlines in Russia. Saratov government officials voiced the option to consider also a scenario containing a shutdown of Saravia and a relaunch as a new carrier.

During the study (2008) and as Saravia was not available to provide the necessary insights it is not possible to qualify the advantages of the one against the other option. The main considerations that need further research:

- » Current processes. It seems very much that Saravia uses expensive manual processes doomed as soon as competitive services operate flights to Saratov.
- » Yak-42 has a very high fuel consumption and no freight space. Even considering the cost for more modern aircraft, the fuel cost will enable lower cost of operations using such. A major competitive disadvantage.





## Saratov » Southern Russia Freight Hub

European and U.S. freight operators are seeking additional freight hubs in Russia. Depending on the ability to commit to accelerate the airport development scheduled for 2014 and commitment to an investment into the necessary technology (freight loading machines, customs), Saratov was said to have a high potential to attract freight operators<sup>33</sup>, making Saratov a hub of similar importance for Russia than Leipzig has for Germany and Central Europe. **This development is independent of the current financial crisis!**

Such a hub would not only attract air traffic, but also rail and truck feeder services! Their permanent capacity shortage is a main motivator for the search of an alternate hub outside Moscow/St. Petersburg.

Saratov Regional Government would be well advised to set up a work group to prepare the necessary contingency plans and papers. According to the feedback by the freight operators, as of the situation in Moscow and St. Petersburg, it is very likely that a decision to invest into a new hub and into which one will happen within the next two years (until/before 2010).

Requirements to the new location are a clear long term commitment of the regional government for a 24/7-operation (24 hours, 7 days a week) including the necessary infrastructure (ILS<sup>34</sup> Cat III, LAAS<sup>35</sup>), as well as loading/unloading facilities, space for freight terminals built and operated by the cargo service providers.

Freight operators in Leipzig are interested to work with the future hub in a temporary or long term joint venture and share experience to make these operations successful.

**The main necessity is a clear political commitment by the Saratov administrative and political decision makers for a 24/7-operation and development for a Southern Russian Freight Hub.**

If showing a clear strategy, the development may be based on Saratov 2014, enabling limited operations (i.e. freight only) earlier (2011/12).

Further details please see the Attachments.

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<sup>33</sup>Sources i.e. Eastern Air Cargo, Aero Llogic, DHL

<sup>34</sup>Instrument Landing System Category III, [http://en.wikipedia.org/wiki/Instrument\\_landing\\_system](http://en.wikipedia.org/wiki/Instrument_landing_system)

<sup>35</sup>Local Area Augmentation System, [http://en.wikipedia.org/wiki/Local\\_Area\\_Augmentation\\_System](http://en.wikipedia.org/wiki/Local_Area_Augmentation_System)



## Attachments



## Attachments

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## **Fundamentals**

### ***Motivation Of The Study***

The study was motivated as a result of a discussion about Russia at the evening reception of an international travel conference. The group consisted of board members of two of the world wide largest business travel agencies, a representative of the Russian Embassy, the manager of a travel consolidator focusing on ethnic travel to Russia and the author.

The discussion compared the situation on Samara and Saratov on the question of Saratov being the location of one of seven official representations of German government and one of sixteen locations referenced by the German Goethe Institute. Despite a comparable industry and subsidiaries of Bosch and Henkel, Samara enjoys a higher interest by travel and industry.

Main concern addressed immediately by the ethnic agency was the inability to book flights.

It was agreed that Barthel.eu shall research the situation in Saratov and how handling for business, ethnic and tourist travel to Saratov could be improved.

### ***Extended Scope***

In reply to the extensive and active support by organizations and individuals in Russia and the Saratov region, the study was expanded to address the impact of the current transportation shortcomings for the economy of the region. As such, this version of the study is independent and neutral.

During research, a lot of information was found to be contradictory. To qualify, Jürgen Barthel, CEO of Barthel.eu has visited Saratov in September/October 2008 for an unsponsored on-site research, where he has met with local decision makers in politics and industry.

Additional research addressed Russian regional aviation in general, looking in detail at 17 other airports of interest to the contractors. That research on those other airports is under non-disclosure agreement with the contractors and not publicly available. But the knowledge compiled is taken into account within this Saratov-focused study.

### ***Time Scale***

The research was done during the second half of 2008 and information is subject to change. With help of local sources in Saratov and Russia, development is monitored and updated information is available from Barthel.eu.

### ***Simplification***

Russia is a master to come up with impressive results using limited resources<sup>1</sup>. Throughout the research it was a prime directive to consider different steps and their impact to the economic attractiveness of the Saratov region for international markets.

"In the 1960s, NASA observed that a ball point pen will fail to write if it is held underneath the paper being written on, i.e., it is upside down. They recognized that this would be a problem in the weightlessness of space. As the masters of technology, NASA was determined to use technology to overcome this problem. A five million dollar, fourteen month project produced the "space pen" that will write anywhere. At the time, Russian cosmonauts were taking notes in pencil. Each of our core competencies is also a core constraint, limiting our consideration of alternatives." [Courtesy Edward J. Fern]

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<sup>1</sup>Simplification example see attachments



## **Bring Me A Rock**

*What its for*

*Throughout the time I was employed by others, I played a game I call, "Bring Me a Rock." The game has thousands of minor variations but they all follow the same basic format.*

*The game begins when the boss calls me into his or her office and invites me to have a seat. Over the next several minutes of extended conversation, the boss's message can easily be summarized in four words, "Bring me a rock." I'd then return to my own cubicle or office and construct a list of the features I believed the boss's rock should have and begin to study where and how such a rock might be developed.*

*Hours, days, weeks, or months later I'd return to the boss's office and proudly place my rock squarely in the middle of the desk. Aghast or at least disdainfully, the boss would ask, "What the #e!! is that?" Gently I would remind, "You asked me to bring you a rock."*

*"That," derisively, "is not the rock I wanted."*

*Then I would inquire, "Can you tell me about the rock you want?" "Yes!" emphatically, "I will know it when I see it!"*

*Eventually my last boss got tired of the game and let me know I was being laid off. As I heard his words, I realized that I too was tired of the game.*

*If this has happened to you, this blog is just for you.*

*Edward J. Fern, 2. Jan. 2008<sup>2</sup>*

This study is a rock. It will provide valuable information, but it can not and is not intended to answer all your questions. If you are interested to get specific details, Barthel.eu is available to provide further consulting and research at reasonable cost.

Our consultants are experts in travel trade strategy, project and change management, with a focus on aviation, business travel management, hospitality and travel IT.

## **Futuristic Leadership<sup>3</sup>**

*There is a big difference between routine leadership and truly futuristic leadership. Leadership is not a job title. Leaders routinely hold executive positions, but routine leaders rarely renew organizations to attain fresh success in an ever-changing world. Routine leaders tend to manage the status quo, and they thus fall behind what the ever-changing operating environment demands. By contrast, futuristic leaders stay well ahead of the trends. They simply make the future happen.*

*Futuristic leaders achieve results because they truly believe a different future is possible. They literally "see" the future, enable others to see it, motivate them to venture there, lead them there, reward them when they get there, and celebrate their collective success.*

*If you want to create change, you must get out in front of change, create change, and make things happen. As I keep saying ... "the future belongs to those who get there first!"*

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<sup>2</sup><http://bringmea-rock.blogspot.com/>

<sup>3</sup>Frank Feather, Futuristic Leadership A-Z, ISBN 978-0973618723



### **UNWTO: Tourism**

According to the UNWTO (United Nations World Tourism Organization), Tourism is the third most important revenue factor in the world.

UNWTO World Tourism Barometer<sup>4</sup> specifies tourism to include all travel, i.e. business + leisure travel. The top 10 countries attracting Tourism in 2007 have been France, Spain, United States, China, Italy, United Kingdom, Germany, Ukraine, Turkey and Mexico. Russia, on rank 10 in 2006 dropped out of the Top 10, replaced by Austria.

According to UNWTO Market Trends<sup>5</sup> East Europe, which includes Russia accounts for less than half the receipts (330) of the other European Regions (760). The number of arrival increased by 1,3%, also considerably lower than France/Spain (4,5%), Germany, U.K., Italy (~10%) or even China (6%).

Germany alone accounted for more (23,6 Mio) arrivals than Russia (20,2), The U.S. and China accounted for about 50 Mio arrivals each. The Russian Federation qualifies in many figures comparable to a small country like Austria.

German trade magazine FVW reports a study<sup>6</sup> of Business Travel Organization HRG Travel naming Moscow the most expensive destination for business travelers world wide. Saratov hotel rates offered for online booking exceed comparable rates of cities like Berlin.

Not only Moscow and St. Petersburg are of interest to travelers, but they are virtually the only destinations professionally attracting commerce and travel.

A lot of concern was voiced on the bureaucracies related to get a tourism visa. This cannot be changed. But a mere 20 years ago, a visa was required for Germans traveling to the United States and it did not keep travelers from traveling there. As important as it may be to reduce these inevitable bureaucratic visa hurdles, it is to not add artificial hurdles and support travelers interested in the region and to generate interest in the region.

The traveling countries have an increasing awareness for economic impact. As Saratov is in the position to strategically address its tourism, it is strongly recommended to address it under the constraints of Geotourism<sup>7</sup>.

According to a statement by UNWTO secretary general Francesco Frangialli, airports influence commerce in a region within three hours distance. Airports beyond that distance usually are considered irrelevant for tourism development. Flights to Saratov are not accessible in international distribution networks, the airport is irrelevant to commerce and tourism. Rail service of 15 hours is equally unattractive. To change Saratov's standing as a commercial and tourism destination, a strategy to integrate Saratov Airport into the global aviation network should be a priority for the regional administration. This can also be achieved by implementing international distribution at Saravia.

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<sup>4</sup><http://unwto.org/facts/eng/barometer.htm>

<sup>5</sup><http://unwto.org/facts/eng/overview.htm>

<sup>6</sup><http://www.fvw.de/index.cfm?objectid=936A85E1-EF8F-1DB2-5E3CAB7C3446EEBF>

<sup>7</sup><http://en.wikipedia.org/wiki/Geotourism>



## Personal Experience

### *Saratov*

### Tourist Information

As a tourist visiting Saratov in September/October 2008, I was astonished that there was no “tourist information” found at the railway station. **Street maps**<sup>8</sup> (Russian, no English) are available at local bookstores, i.e. Dom Knigi<sup>9</sup>. No English (or German) city guide was available at this bookstore.

Thanks to local support I was able to purchase a **mobile prepaid telephone**, which is a necessity as the roaming fees charged to non-Russian mobile-phone-users are indecently expensive. It was a problem to have the mobile phone registered to my passport or German ID-card, though such services **are** provided in Moscow or Saint Petersburg. Later I learned that such **is** available, but the shop woman must have been unaware. So it might be an idea for that service to be offered by the Tourist Information to international customers as a possibility for cross-financing.

### Public Transportation

October 2008, all local buses and trams in Saratov are eight Rubles per way. For travelers not fluent in Russian and without tourist information available local assistance planning routes is strongly advisable.

### Taxi

Taxi rates are subject to demand and supply or the mood of the taxi drive and - very much - subject to fluency in Russian! As such, it is strongly recommended to have an idea about prices. The cost from Saratov to Engels (arranged by a Russian) was double (450 Rubles) than the rate arranged by the visited company for the return to Saratov (240 Rubles). Identified as a tourist, the next day I was asked a price of 1,000 Rubles.

A difference of 400%

It is strongly advised for Saratov to provide a page on the Internet with sample prices for Taxi printable in English and Russian (and other languages) to avoid the impression of an unregulated tourist trap.

### Internet Café

The search proofed time consuming. A number of places referenced in the Internet and researched before departure were closed. Other restaurant places or hotels, even offering the “WiFi”-sign on the doors confirmed existence at entry and admitted only after having ordered that WiFi is no longer available. I consider that scamming.

Saratov students, assisting then the search for a place confirmed the necessity to have a personal computer as no public access is possible. Only one finally found was a “self-service” restaurant offering stable but slow WLAN access: Zapravka (Зарпавка), 23, Voljskaya Street (Волжская), but a very decent coffee and the food was also good, the service friendly! On the corner tables they also had power jacks.

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<sup>8</sup>ISBN 978-5-90357-708-8

<sup>9</sup>Prospect Kirova, corner to Volbskaya Street (Проспект Нирова / Ул Волбская)





### Visitor Feedback

During the stay, I have met a group of American visitors stopping in Saratov on a Volga cruise. They were at loss on Prospect Kirova as they had difficulty interpreting Russian (Cyrillic) street signs. They expressed their difficulty as most letters are "latin", but have a total different pronunciation.

Inquiring briefly about their impression about Saratov, they expressed that they had not been able to find information on the Internet preparing for the trip, the information on the cruise ship also comparably limited about Saratov. They also expressed it would be nice to have some Tourist information boards with English information (not just the name). As of the German heritage, German information should be also considered.

My recommendation would be to promote the use of international symbols and have direction signs placed strategically throughout city center and from/to the most common points of interest.

### Temperatures

Traveling to Saratov by the end of September / early October, my contacts in Saratov strongly recommended winter wear. In fact, the temperatures throughout the trip were about 20°C (70°F). Though in winter the temperatures can reach -30°C (-22°F).

### Travel to Russia

#### Airport Information Moscow

As most travel into Russia requires transfer in Moscow, improved transfer information is recommended to review and improve the information about airport to airport or airport to train station transfers, not only about airport to city. The transfer information should provide average time necessary for the transfer.

#### Passport Control

Arriving in Russia, passport control is a pain. Traveling into the United States, a transfer time of 2 hours is guaranteed as the maximum. In Moscow, I was first out of the airplane, but it took me 2 ½ hours through passport control. Only thanks to a frightening fast driving taxi driver (120km within city limits), I made it to my connecting train in time. It is strongly recommended not to underestimate the time-consumption by Russian border control authorities.

#### Saratov Rail

Thanks to using the taxi, I have reached the train station 30 minutes prior departure. Having booked in Germany and not able to speak Russian caused a major irritation at the coach. The conductor had to take the ticket to the office to confirm it to be a valid document.

Following this first hurdle, the cabin turned out very luxurious, including a power socket, a flat-screen and a DVD-player. Though despite my technical knowledge, the coach attendant and I were unable to play a (region free) DVD. The cabin included a tray with a breakfast and dinner service was provided, though the menu was Russian only, the attendants were all exceptionally patient and friendly.

The return, booked in Saratov at a little **more** expensive than the train ticket was charged in Germany, I encountered the "second class"-cabin, without power jack, breakfast tray or DVD-player, the cabin being generally older. Only upon return and inquiry I was informed the same cabin type I had on the incoming trip would have been about three times as expensive.

**Recommendation for international travelers:** Book train tickets in abroad, but plan the time necessary for the conductors to check the tickets.



### **Saravia**

The personal experience of the author with Saravia was simply a catastrophe. Being an expert for aviation marketing, sales & distribution, the author failed to be able to book the flight from Moscow to Saratov and had to use train instead.

Calling the given number for the agent in Hanover ended in long and unsuccessful waiting times or even the short information to call again later. As such, an e-Mail was sent 27.08. to the e-Mail saravia@saravia.ru as given on the English website inquiring to book the flights from Germany to Saratov and back. On 04.09. a second e-Mail was sent. On 09.09. a mail was received informing that the last flights have been operated for 2008 the previous weekend. Only the same day, about two hours later, the website was updated.

Upon external translation, an e-Mail-reply (gushina@saravia.ru) was sent 10.09. inquiring booking for a tariff that required ticketing by 13.09., forwarded 11.09. to saravia@saravia.ru - this e-Mail was answered 19.09. referring to the Hanover phone lines.

All e-Mails sent in English have been answered in Russian.

An exchange with the office of the German Honorary Consul's office in Saratov provided an alternate contact for the GSA (General Sales Agent) of Saravia in Cologne. The consular office rejected assistance with the booking, referring that they (employed by **Bosch** and representing the **German Honorary Consul**) in Saratov are required to purchase **tickets against cash** at the airport.

The inquiry to the **German General Sales Agent** (GSA, Olympia Reisen) for the given air tariff as published on the website was replied with a booking confirmation at a **+50% increased price**. A check with the general manager of one of the large ethnic travel agencies focusing on Russian customers confirmed that this is their experience too, which is why they simply do not sell Saravia at all. They provided a local contact in Moscow instead.

With this information we decided to cancel the booking with the German GSA too and following the recommendation of an Ethnic agency, despite being more expensive than the airline rate published and a 15 hour ride, booked the train instead.

In overall, being considered **the** airline distribution expert in Germany, the booking proved exceptionally and surprisingly difficult, in fact impossible.

For personal reasons and the necessity to reach a given flight in Moscow, the return travel, planned to be with Saravia also had to be changed to rail.



## Researched Facts

### *Saratov*

#### Population

The population of Saratov is decreasing. An alarm sign for any community. A vital city attracts population growth and does not lose it. From 1989-2002, the population decreased from 904,643 to 873,055, a decrease by 2,430/year. It is expected that the 2010 Census will confirm this trend.

Further, more than 120,000 students are registered at the Saratov universities, usually a pool for a city to attract citizenship. But local research confirmed the situation that especially this intellectual elite to seek their future in Moscow, St. Petersburg or abroad.

#### Touristic Information

In general, not much printed information in English is available on Saratov and its region.

**Trip Planning:** Neither in local bookstores, nor on Amazon books on Saratov, nor the "Southern Volga Region" were found. The largest German bookstore on maps in Germany<sup>10</sup> only offers regional maps of the Southern Volga region, street maps - though on sale in Saratov - have not been said not to be available (not even on order). In comparison, the tourist information and the local bookstores in Leipzig (at train stations, airport, city center) offer Leipzig city guides in Russian for sale and a lot of information is available in English about Samara.

Wikipedia and Wikitravel information is partially outdated and only provides general information. The information on Wikipedia in German and English differs in quality, Wikitravel information is only available in English<sup>11</sup>.

Researching Saratov using the common Internet search engines, the results are dominated by "Women from Saratov", other information on the first pages is commonly private travel reports, of which the majority contains warning about difficulties to get to Saratov and complains that Saravia could not be booked or only with great difficulty.

**In Saratov:** Arriving in Saratov, no touristic information is available. An example is Lipki Park, where a large sign offers the name in English but the entire information then is in Russian only.

For personal experience see Chapter 22 Personal Experience.

A main hurdle for foreign visitors is missing information on the usage of public transportation at strategic places like the railway station, the ship landing, the airport or the bus hub at the Circus as well as the fact that the taxis do not have taximeters and charge individually - typically overly expensive to foreign visitors. Good command of the Russian language is required for individual travelers (incl. business travelers).

For travelers not fluent in Russian it is recommended to arrange for a transfer service<sup>12</sup>.

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<sup>10</sup>Dr. Götze Land & Karte <http://www.mapshop-hamburg.de/>

<sup>11</sup><http://en.wikipedia.org/wiki/Saratov>, <http://de.wikipedia.org/wiki/Saratow>, <http://wikitravel.org/en/Saratov>,  
<http://wikitravel.org/de/Saratow>

<sup>12</sup>Commercially offered by the only licensed Incoming operator Primavera, <http://www.primavera-tk.ru/>



### Getting around

Without knowledge of Saratov and/or command of the Russian language, it is recommended to use transfer services. Primavera<sup>12</sup> offers such services in Saratov as well as for the transfer en route in Moscow.

Some Internet references say that English and German are widely spoken in Saratov. That is true, but does not apply to normal stores, the streets or standard restaurants. Though when approached friendly Jürgen Barthel visiting Saratov found the people always helpful, even when they did not speak anything but Russian!

It is not very common to thank in Saratov, but taken even the more positive when you do: Spasiba.

Getting around in Saratov itself is rather easy, all major locations in the city center are located around pedestrian zone Prospect Kirova and can be reached by foot. For any transportation outside that area, it is strongly recommended to have local Russians arrange for the taxi, order one by phone (and fix the price during the phone call) or check before, which buses to take.

Saratov having hundreds of language students at the University, it is possible to arrange for students supporting translating as low as € 15,-/day (500 Rubles), professional translators charge about € 100,-/day (3,000 Rubles). Paying students about € 30-50,-/day, treating them friendly and inviting them for lunch or dinner, they are mostly very hospitable and take time to show you around.

### Hotels / Apartments

There are usually four hotels (marked bold-italics below) available for international booking. These hotels are international two star or low three star quality. If no other hotel is recommended by local contacts, the Hotel Bohemia, is recommended, located at Yablochkova, 26/28<sup>13</sup>, 410600 Saratov. It can be booked either via incoming tour operator Primavera<sup>14</sup>, Best Eurasian Hotels<sup>15</sup> or the hotel website<sup>16</sup>. In 2008, the rates ranged from 2,500 Rubles/Single to 7,000 Rubles for a suite. This hotel is closest to a good three-star standard.

Known hotels and their European stars-comparison:

- » Bohemia Group<sup>15</sup>: Four hotels (Park Hotel, ***Prospect Kirova***, 25, Slonova)
- » Astoria Group: ***Hotel Volga***<sup>\*\*\*</sup>, ***Hotel Olympia***<sup>\*</sup>, Hotel Europa<sup>17</sup>
- » Slovakia Group: ***Hotel Saratov***<sup>\*\*</sup>, Hotel Slovakia<sup>\*\*\*</sup>, Hotel Zhemchougenazi
- » Hotel Mockba (Moscow), often still offered by online agencies has been closed

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<sup>13</sup>ул. Яблочкова, 26/28

<sup>14</sup><http://www.primavera-tk.ru/> service in English and German available

<sup>15</sup><http://www.besteurasian.com/>

<sup>16</sup><http://www.bohemiahotel.ru/>

<sup>17</sup>Hotel Europe closed at time of visit (2008) for renovation



### Points of Interest

With a very strong German heritage, Saratov offers a wide variety of potential points of interest. Theaters, museums, Art Nouveau architecture, churches, the Volga are general points of interest. Krytuy Rynok (The Covered Market) is located across from the Russian National Circus (see image) founded by the famous Nikitins at the West end of Prospekt Kirova.



The Chernyshevskiy Opera and Ballet Theatre stage excellent Russian and world classics. The widespread interest in classical music is reflected in large audiences of concerts in the Saratov State Sobinov Conservatoire and Philharmonia. International POP-artists visit Saratov occasionally thanks to the large number of students.

Unfortunately, the entire city is in a rather bad shape. Streets in need of new pavement, the entire city even by local population considered as dirty. The same is true for many, rather beautiful Art Nouveau buildings throughout the city, frequently in desperate need of renovation. Instead, rather ugly "balconies" have been added to other buildings, i.e. nearby the Circus.

In order to attract visitors, Leipzig could be taken as an example. Funding has been made available to renovate the original facades, at the same time assuring the facades being cleared or added "architecture", today this area is the most expensive but also with the least empty space. Now slowly the areas surrounding the city center are being addressed.

An example may be the Volga bridge, which is currently being renovated, though in desperate need for that too.

Another problem is the increasing traffic, causing frequent traffic jams. Taxi and bus drivers referred to missing and badly scheduled traffic lights, causing a lot of unnecessary stop&go.

Several Ornithologist's websites refer to the Saratov Branch of the Russian Bird Conservation Union<sup>18</sup> and Saratov as a base for interested hobby-ornithologists.

The General Manager of Primavera referred to existing packages to promote "Volga German" region and heritage. A cultural exchange with Germany would possibly promote more visitors, as would be

A bicycle tour operator expressed interest to learn about potential bicycle tours on the Volga, i.e. Samara to Saratov. Such would require freight capability on the aircraft (transportation of bicycles) or modern touring bicycles for rent on site.

### OWIR

All visitors (business or leisure) to Russia are required to register with the local Visa- and Registrationoffice "OWIR" (Otdel Wis i Registracii). The OWIR in Saratov has not been able to handle my registration, requiring a work-around. A number of reports in the Internet suggest this to be a common problem even when registration is handled by the hotel. As the registration slip is picked up by the hotel before departure, Internet-references urge Russia-travelers to take the registration slip out of the passport before arrival at the airport.

Nevertheless it is strongly recommended even for travelers with private accommodation to book a hotel for the first two nights to assure a proper registration!

<sup>18</sup><http://www.civilsoc.org/nisorgs/russwest/birdcsrv.htm>



## Saratov Universities

In 2008, more than 120,000 students have been registered in Saratov. With 1.1 Million people living in Saratov and Engels, more than 10% of the population are students! Virtually institutes for all different fields of study exist, offering interns and graduates to companies based in Saratov.

The Saratov Chamber of Commerce suggested only 10-15% of the students to emigrate to mainly Moscow or St. Petersburg, but feedback received by students and professors provide a different image. According to that verbal feedback, most of the students are forced to leave Saratov after graduation in order to find decent work. It was expressed to be considered a reason why the population in Saratov reduced in the past years.

The most important universities are:

**The Saratov State University (SSU)**<sup>19</sup> consists of 28 departments and offers more than 90 majors to the 28,000 students enrolled 2008.

Departments: Biology, Chemistry, Computer Science & Information Technologies, Geography, Geology, History, Humanitarian & Social Science, Mechanics & Mathematics, International Relations, Nonlinear Processes, Physics, Philology, Philosophy, Sociology

Institutes: Botanic Garden, College of Administration and Service, College of Radioelectronics, Geology College, Language and Culture Center Slovo, Patent Department, Pedagogical Institute, Regional Scientific Library, Scientific Research Institute of Chemistry, Scientific Research Institute of Geology, Scientific Research Institute of Mechanics and Physics, Scientific Research Institute "Physics of Nonlinear Systems", Volga Region Center of New Informational Technologies.

The Pedagogical Institute of SSU contains Department of Foreign Languages, teaching English, French and German. Students learn the first language as their primary for five years, the secondary language for three years. International student exchange programs are offered.

**The Saratov State Technical University**<sup>20</sup> consists of 89 chairs, 16 faculties, 9 educational-research centers and institutes. More than 1900 academic staff work here. In 2008 SSTU has about 25,000 students.

Faculties: Civil Engineering and Architecture, Electronics and Instrument Making, Engels Institute of Technology, Enterprise Systems Management, Institute of Business and Business Administration (IBBA), International Educational Centre, Power Engineering, Social Systems Management, Traffic Engineering, Transport Construction.

Other important Universities in Saratov are the **Saratov State Medical University**<sup>21</sup>, the **Saratov State Academy of Law**<sup>22</sup>, the **Saratov State Socio-Economic University**<sup>23</sup> and the **Saratov State Agrarian University**<sup>24</sup>.

The German Goethe Institute supports the Sprachlernzentrum (SLZ) Saratov<sup>25</sup>, offering language training German-Russian-German as well as English-Russian-English.

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<sup>19</sup><http://en.sgu.ru/>

<sup>20</sup><http://www.sstu-edu.com/>

<sup>21</sup><http://www.sgm.ru/en/> 5,000 students

<sup>22</sup><http://www.sgap.ru/> 15,000 students (3,000/year)

<sup>23</sup><http://www.seun.ru/> 7,000 students

<sup>24</sup><http://www.sgau.ru/> 19,000 students

<sup>25</sup><http://www.slz-saratov.ru/>

**Conference Facilities**

Source: [http://www.treko.ru/?delta=-10&keyword=&content=pom/pom\\_strana&doGo=1&m=&from\\_m=&city=15&ooo="+city%3D%2715%27&strana=1&beg=10&next=1](http://www.treko.ru/?delta=-10&keyword=&content=pom/pom_strana&doGo=1&m=&from_m=&city=15&ooo=)

Seats	Title	Address	Telephone
20	Business Center «expert»	410003 Saratov St. Zarubina, 18-24	(8452) 78-30-03
	Бизнес-центр «Эксперт»	410003 г. Саратов, ул. Зарубина, д. 18, оф. 24	
20	Saratov Territorial Institute of Professional Accountants	Saratov St. The University, d.28	(8452) 51-47-54 (8452) 50--51-28
	Саратовский Территориальный институт профессиональных бухгалтеров	ул. Университетская, д.28	
20	Business school the Dipole	410005 Saratovs St. Most Garden, 239	(8452) 45-95-59
	Школа Бизнеса Диполь	410005 Саратов ул. Большая Садовая, 239.	
30	Business centre "Parus" a small conference room	410012 Saratov St. Slonova, д. 1	(8452) 683-000 8-917-200-89-99
	Деловой центр "Парус" малый конференцзал	410012 г. Саратов ул. Слонова, д. 1	
50	The company "Business Detail"	410012 g.Saratov ul.Bolshaya garden, 153/163, of.629	8-927-278-58-34
	Компания "Детали Бизнеса"	410012 г.Саратов ул.Большая Садовая, 153/163, оф.629	
50	Saratov Territorial Institute of Professional Accountants	Saratov St. The University, d.28	(8452) 51-47-54 (8452) 50--51-28
	Саратовский Территориальный институт профессиональных бухгалтеров	Саратов ул. Университетская, д.28	
80	Business centre "DIKOMP" the Conference hall	Saratov St. Tankist, 37	(8452) 44-22-55 (8452) 44-22-77
	Бизнес-центр "ДИКОМП" Конференц-зал	г. Саратов ул. Танкистов, 37	
Seats	Title	Address	Telephone
80	Business school the Dipole	410005 Saratovs St. Most Garden, 239	(8452) 45-95-59
	Школа Бизнеса Диполь	Саратов ул. Большая Садовая, 239.	



100	City Hall	410031 Saratov ul.Sobornaya 23/25	(8452) 53-93-53 (8452) 23-85-47
	City Hall	410031 г.Саратов ул.Соборная 23/25	
100	Business center "Parus" Large conference room	410012 Saratov St. Slonova, d. 1	(8452) 683-000 8-917-200-89-99
	Деловой центр "Парус" Большой конференц-зал	410012 г. саратов ул. Слонова, д. 1	
120	Chamber of Commerce and Industry Saratov Region	Saratov ul.Universitetskaya, d. .28	(8452) 502-539 (8452) 510-321
	Торгово-промышленная палата Саратовской области	Саратов ул.Университетская, д..28	
200	Park Hotel "Bohemia"*** Large Conference Room	410001, g. Saratov st Ogorodnaya, 33B	(8452) 96-00-06 (8452) 96-47-55
	Парк-отель "Богемия" * * * Большой конференц-зал	410001, г.Саратов ул. Огородная, 33Б	
200	ОАО СРС "Saratovkontrakt" Large-conference banquet hall	410012, Saratov St. Railway, 72	(8452) 51-20-84 (8452) 51-20-82
	ОАО СКПК "Саратовконтракт" Большой банкетный-конференц зал	410012, г. Саратов ул. Железнодорожная, 72	
500	Business center "Parus" Large conference room	410012 Saratov St. Slonova, d. 1	(8452) 683-000 8-917-200-89-99
	Деловой центр "Парус" Большой конференц-зал	410012 г. Саратов ул. Слонова, д. 1	

These conference facilities have **not** been checked as part of this study.





## ***External Assessments***

### **German Honorary Consul, Saratov**

The main issue is the missing flight connections, not only passenger, but also freight. The missing express freight connection has great impact to global competitiveness for any company doing business in Saratov. Despite a court ruling to open up the market monopolized by Saravia, the local authorities support the market monopoly by referring to either limitations of the airport runway length or by missing airport infrastructure.

### **German Foreign Chamber of Commerce Moscow**

Researching the facts, all contacts in German Foreign Chambers of Commerce (AKH) confirmed potential, but addressed a regular flight service (direct or via Moscow) as the primary demand to be established in a way it can be booked by and ticketed by any travel agency.

A different assessment from the AHK reached us some weeks later by e-Mail, expressing the focus having been to reduce the emigration of Russian citizens with German heritage ("Volga Germans"), which did fail. That assessment does not make sense, as how should improving access to visa reduce that interest. That reason was given in that mail as reason to downgrade Saratov from a consular office to an appointed honorary consul.

Upon that mail, Jürgen Barthel called the AHK verifying the discrepancy in assessment. It was agreed that the second reasoning sounds illogical, but also that Saratov has failed yet to become the center of commerce to justify the consular office. Again the missing ability to professionally book and purchase tickets for Saravia was expressed.

### **Language University Saratov**

Students are excellent trained but commonly leave Saratov at end of study as in Saratov no jobs are being offered. Students themselves qualify university studies as a social divider. Only students with family in Saratov and parents having an income to support the cost related to the study are able to finance the education of their children. Families from the Saratov region are usually not able to participate in university education.

Concern was voiced to have sponsorship programs to enable studies for intelligent students from poor families.



### Solutions

This section contains recommendations and addresses strategic questions. They are suggestions and many of them require to become known to have an impact. So ideas expressed have short-, medium- or longterm impact.

#### **Saratov Regional Government**

##### **Cooperation with the Universities**

Many cities and regions world wide cultivate a close cooperation with their universities. This does not seem to be the case on strategic issues in the Saratov region. As outlined in the study, a cooperation with the different faculties will provide win/win-solutions for both.

Examples that are being addressed at other cities world wide are study and semester projects

- » to qualify and improve the technical basis.
- » to convert all programming to world wide Unicode<sup>26</sup>.
- » to qualify and improve the display of **multilingual** Saratov information on the world wide web.

These projects are not necessarily limited to government-controlled services but also search engines<sup>27</sup>, maps<sup>28</sup>, and search engine optimization<sup>29</sup> of existing websites.

Such experience can then also offered to the local commerce to finance such studies and projects for the universities. The experience also provides valuable e-Commerce-qualifications and -references for the students involved, increasing their value in the IT- and web-industries.

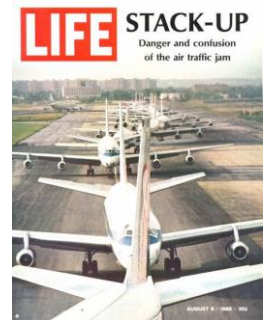
### Airport Development

In order to counter the decreasing population of Saratov it is vital to open the city to the international trade routes. These trade routes are no longer ground-based networks but rely strongly on the speed of air travel.

Western Europe, Asia/Pacific and North America are connected by a multiplicity of air routes, enabling people or freight to be transported from any point in these areas to any other point within typically 24 hours, sometimes 48 hours. The train ride from Moscow to Saratov takes already 15 hours...



Russia is larger than North America and has only a fraction of the air traffic. The total number of flights in Russia is comparable to the flights operated within Germany.



In order to attract commerce, it must be understood that the airport and attracting additional air traffic is a strategic necessity. Whereas Saratov has already first plans to replace the existing airport by the new airport in 2014. As Russia is in the process to open up strategically to global commerce, waiting until 2014 will proof fatal for Saratov's commerce though.

This strategy makes Saratov also less dependent on the plans for the AirlineConstruct. It has been mentioned in the Russian press that Samara may be one hub, automatically disqualifying nearby Saratov as another one.

<sup>26</sup>Unicode UTF-8 is a character set supporting all important languages world wide. Its wide usage makes use of Windows-based limited character sets like ISO-8859-1 (Latin) or ISO-8859-5 (Cyrillic) a unnecessary self-limitation. <http://en.wikipedia.org/wiki/Unicode>

<sup>27</sup><http://www.google.com/>, <http://www.yahoo.com/>, <http://www.wikipedia.org/>, <http://www.wikimedia.org/>, <http://www.wikitavel.org/>, etc.

<sup>28</sup><http://maps.google.com/>, <http://www.openstreetmap.org/>, <http://map.ivolga.ru/saratov/>, <http://maps.yahoo.com/>, etc.

<sup>29</sup>[http://en.wikipedia.org/wiki/Search\\_engine\\_optimization](http://en.wikipedia.org/wiki/Search_engine_optimization), etc.



A freight hub strategy will gain international interest and investments. In the long term, air freight will remain a need for the global markets, where passenger aviation will suffer from increasing fuel-related charges.

An important investment for the new airport would be to have at least contingency plans for a flexible subsurface fueling system instead of fuel-truck based system.

Though it cannot be accelerated much, options are available for a long term strategy. One possible strategy is outlined below.

### **Phase 1: Now-2010**

Preparation of an official long-term aviation strategy. Think BIG. Keep in mind the potential need for additional runways at the new airport. If commercially reasonable, it will only be an issue of availability. Do not limit development by thinking small.

A lot is contingency planning. Prepare best/worse-case-scenarios.

Political commitment for assisted and accelerated bureaucratic handling. Possibly assigned to the Ministry for Investment. The position must be backed by high-level political support.

Political commitment for 24/7 operations of the new airport. Make sure this commitment is politically indisputable in the future. Keep in mind the ceasing powered influence on neighboring citizens. Promote their voluntary relocation to "more quiet areas. Potential: Long term plans for housing at the current airport may motivate neighboring citizens to relocate into new quality homes there, away from the increasing air traffic.

Commitment to repave the runway if an airline is interested to fly Saratov. According to satellite images, the runway has a gross length of 2.200 meters. This is sufficient to support any mid sized aircraft.

Commitment to provide facilities (buildings, equipment) for air freight handling.

Please note: The equipment can be transferred easily to the new airport. The usage already provides training and experience valuable for the success of the new airport.

Attract Freight services to use Saratov: Provide a Free Trade Zone or at least plan such for the new airport. Plan an efficient and fast solution for freight customs: The airports in St. Petersburg and Moscow have a reputation to be inefficient, a chance for any new airport.

Build a "Saratov Airport Marketing Group" and fund them. Use the airport code RTW i.e. for "Reach The World"? Have strong delegations at the air freight events, promote Saratov 2014 aggressively as the third Russian airline hub and promote the possibility for "accelerated development". Secure government funds for such development.

Suggestion: Identify strategic international players and cooperate early.

### **Phase 2: 2011-2014**

Focus the development of the new airport to provide runway, air traffic control facilities for freight services before 2014. Provide ground on a lease basis to air freight operators to build their own facilities on. Their investments will be no cost for the city or region. Provide tax advantages in return for employment and facilitation of the airport services. Assure to have long term commitments in the contracts!

Prepare for passenger flights at the new airport. Again: Think big. Have contingency plans in place in about terminal expansion with direct passenger bridge service. Make sure to prepare quick customs, immigrations and baggage checks in- and outbound.

Implement a close cooperation of the Airport Marketing Group and the Tourism Development. Prepare to provide information to international guests in English and the language of the flight originating country. That includes information how to get downtown and to the hotels.

### **Phase 3: 2015-**

Closing the old airport, move all passenger services to the new airport.

Focus to provide fast and high quality services must be imperative. If Saratov positions itself as an aviation hub in Southern Russia, it competes not only with Moscow and St. Petersburg, but also with Astana and other such highly evolved hubs.

Strategic plans are very important to be available regarding the improving of the commercial development of Saratov.



### ***Visit Leipzig***

As Leipzig has just recently and quite successfully transformed the former East German trade fair airport to a major freight hub for Central Europe, we recommend to initiate a freight partnership with the City of Leipzig, the Leipzig Airport and the Freight Forwarders at Leipzig Airport.

Such a cooperation shall include exchange of experts and outplacement of Saratov management trainees to be educated in Leipzig. Both cities will benefit from such a cooperation. Saratov will gain invaluable knowledge about technologies and processes, as well as the ability to build management relations. Leipzig will be able to benefit from a preferred partnership with an emerging and strategically located new freight hub for Russia/Asia.

Such a cooperation can only function if the Saratov decision makers commit themselves to a long-term strategy. Otherwise Saratov will not be considered a decent partner for Leipzig (and other possible strategic partners on other continents). So it is vital to outline and commit to such a strategy.



## Tourist Offices

Our recommendation for the question of a tourist office is a centralized tourist office somewhere on Prospect Kirova. Staffed with 4 people to enable shift service in summer. An emergency mobile phone for tourist in need of help. All staff to speak at least two foreign languages, preferably different ones.

The tourist office can be cross-financed, offering mobile telephone SIM-cards and cheap mobile phones ("prepaid service) for tourists to purchase. Maps, post cards, souvenirs. In cooperation with the university (foreign language faculty) student escort service could be offered to visitors not capable of the Russian language.

Funding is required to develop and print multilingual information about Saratov, a map with tourist information would be highest on our priority list. It would be helpful to set standard rates for common taxi routes in and around Saratov, being published on flyers or the above mentioned map to make tourists trust and use taxis.

Up-to-date information about (free) public Internet access is recommended. A location next to or adjacent to a cafe offering Internet would be perfect, i.e. at the cinema on Prospect Kirova. This enables tourists to sit down on a cup of coffee, reading the information they got from the tourist office.

Off season, the tourist office can and shall work on the travel related websites of and about Saratov. Depending on their foreign language, they can translate content. Wikipedia and Wikitravel (in multiple language would be a good target.

The focus on e-Commerce should be complemented by the local universities doing dissertations and studies about the reputation of Saratov in e-Commerce, providing further ideas where and how to improve for a competitive standing of Saratov in the Internet.

Fact: A search for "Saratov" in Google brings up Wikipedia, a private page on 2nd rank, Hotelclub.net (offering the default four hotels), the Universities and sponsored links by Hotelclub.net and Club10.com (Saratov Women).

The staff of the tourist office shall attend the most important trade fairs and trade shows. There are many the Russian Tourist Organization provides a major umbrella stand where Saratov could participate. Examples are ITB Berlin, WTM London for general tourism, IMEX Frankfurt and EIBTM Barcelona for the valuable MICE industry (Meetings, Incentives, Conventions, Events). Similar shows of potential interest to Saratov exist in other global regions.

As soon as established, in cooperation with the licensed incoming operator Primavera and Saravia, incoming Fam Tours should be offered to the travel trade. They will promote Saratov as a destination that has a lot to offer. Just working on this study and meeting with the owner of Primavera brought up many creative ideas that could be addressed if a professional tourist office exists.

Various renowned tour operators with a focus on "East" in Germany, expressed their interest in Saratov. Today, Saratov is known mostly in the ethnic business and as a one-day or even half-day stop on a Volga-cruise. But to the tour operators, Saratov's "German heritage" is well known. But without a tourism office and/or English-speaking (or German?) contact, Saratov not available on ITB as a lead travel trade fair in the world, Saratov fails to attract their interest. There are other "easier" destinations - again, Samara was mentioned many times.

## Internet Access

It was a pain to find accessible Internet access. This included hotels and only with local student support Jürgen Barthel was able to locate a quick restaurant offering Internet access (for free if eating or having coffee there). Two tables were placed "convenient" to power jacks, the speed was rather low, one day the access failed but was back up the next day.

The government administration is urged to make sure that offering a WiFi sign or promoting Internet access elsewhere requires the service to work, at least during opening hours and aside of very few technical outages. Otherwise, the usage of the WiFi sign should be illegal and fined. This is about reputation and travelers, especially business travelers are relying on their "connectivity".

As the Tourist office staff shall also be responsible to look after the e-Commerce-presentation of Saratov, Internet access could be provided there. See above mentioned suggestion about locating it next-to or adjacent a café offering Internet access.



### ***OJSC Saratov Airlines, d.b.a.<sup>30</sup> Saravia***

In order to become internationally competitive on its own or as part of the AirlineConstruct, two major issues must be addressed:

- » Implement multilingual support (English first)
- » Improve booking, enable international booking and ticketing

In addition, a replacement of the kerosene-hungry YAK-aircraft must possibly be addressed.



### **Multilingual Support**

Thanks to the Universities of Saratov, multilingual staff is available. In order to enable an international positioning of Saravia is recommended to require English language capabilities for all new employment. As Germany is a strategically relevant international market, requirement of German is recommendable for all positions having possible consumer contact.

Suggestion is to require fluent English plus preferably a second foreign language.

### **Bookability**

In order to connect Saravia into the Russian and global distribution channels, the modernizing of the current processes is vital. The following steps have been verified with world leading specialists for IATA compliant distribution.

Step 1: Enable a "Free Sale" on the website. Similar to small hotels a small database enables booking of up to four seats per flight date, this inventory can initially be manually maintained.

Step 2: Link the web bookings directly into the inventory system (CRS, Computerized Reservations System).

Step 3: Link the CRS with the Global Distribution Systems<sup>1</sup> Amadeus, Sabre and Travelport.

Step 4 (optional): Offer an XML-interface to the makers of Corporate or Leisure Internet Booking Engines.

Steps 2-4 can be achieved by implementing a internal inventory and booking solution (CRS). See CRS. These usually also support compliance with IATA requirement for electronic ticketing, also saving Saravia from excessive, old-fashioned and expensive paper processing.

### **CRS**

The research included solutions provided by Amadeus, Sabre Travel Information Network, SITA, The Eastman Group and Ultitek (alphabetical order).

**As the CRS has not been focus on this study, the following information is incomplete and requires further case based study.**

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<sup>30</sup>doing business as



Own expertise, backed by **all** resources emphasizes the necessity to address Change Management as mission critical. Existing examples include airlines having professional prepared the transition to the new technologies and processes at cost as low as U.S.\$ 700.000 (starting from scratch) but also a regional airline failing and filing bankruptcy after having invested more than € 7.000.000!

### **Recommendation for Saravia:**

As a result of the research (details following), the AutoLink II-based solution offered by The Eastman Group (TEG), having been used for similar implementations before is strongly recommended. Since the late 1980s TEG has developed cutting edge technology in use for example by Lufthansa German Airlines<sup>31</sup>. TEG president Richard Eastman has been working with Jürgen Barthel since 1992 on various projects and proved to be a solution focused and flexible partner. Having an exceptional experience with airline needs the solution provides a globally unmatched flexibility for the airline.

An alternate solution is Ultitek's Siren 2.3 inventory and reservation system, also in use in Russia already. Ultitek uses a \*nix-based technology platform (i.e. Linux), cutting on the license side.

### **TEG's AutoLink II**

AutoLink II is a platform that has been developed specifically to service airlines (such as Lufthansa) to distribute, control and maintain inventory across the different available platforms. It has successfully been used to link seamlessly with the existing airline's existing inventory solutions. This reduces the risks inflicted by a full replacement of all processes by replacing the technology platform in one single step. As such, AutoLink II is an unmatched solution to improve instead of replace at a minimized risk.

### **Ultitek's Siren 2.3**

As all solutions except for TEG's AutoLink II, Ultitek's Siren 2.3 requires a complete replacement of the existing technology-platform and processes, increasing the risk of failure.

The advantage of Siren 2.3 is the usage of \*nix-based technologies (Linux) and reduced dependencies on Windows-licenses as well as their experience with Russian airlines. (see page 41 Ultitek, Ltd White Paper)

### **SITA's Horizon platform**

SITA's Horizon or parts of it is used by airlines of different sizes throughout the world. The solution offers all necessary processes, but aside of the possibility to select from the different modules of Horizon, is known to offer only limited customization ability (one size fits all). Servicing large and small carriers alike, all development is focused on the majority needs and adaptations to custom needs are usually either late or expensive.

### **GDS solutions:**

The solutions offered by the GDSs exceed the need and require complex adaptations within the airline. So the airline is forced to adapt to the technology, the technology does not seamlessly link into the airline's existing processes. As such they are expensive and inflexible. Only major system user airlines such as Lufthansa (on Amadeus) or American Airlines (on Sabre) have an influence to get necessary custom development quickly.

Despite the permanently emerging technologies using cutting edge possibilities enabled by the global Internet, the GDSs are and will for quite some time remain the primary information system for the Internet-based travel portals, as well as the travel agencies world wide! But their influence is fading and to select a GDS solution puts the airline into a strangle-hold. Therefore neutral solution providers linking into the GDS as one of many distribution channels are strongly recommended.

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<sup>31</sup>Reference within Lufthansa is available



### International Ticketing

What good is a booking if it is not also supported by decent and state of the art ticket sales. Alongside with the implementation of a new CRS, international ticket sales will be supported. If processed independently, for Step 1 and 2 must be supported by offering Ticket On Departure<sup>32</sup> and Payment by credit card.

According to IATA requirement, paper tickets are obsolete and internationally no longer supported. As such, support for e-Ticket processes not only improve processes at airport and in accounting, but also major savings and improvement on the international sales process.

Subject to availability of a standard CRS, German Hahn Air is a preferred IATA supplier, offering the technology to process e-ticketing via ARC/BSP, enabling distribution to more than a hundred countries. Being a registered IATA airline, Hahn Air operates this as a standard interline<sup>33</sup> service.

The service is **not** possible without the airline being able to support or offer e-Ticketing.

### Application Programming Interface<sup>34</sup>

The majority of large companies world wide use Intranet-based booking technology (IBE<sup>35</sup>) to directly book flights. These APIs are part of the afore-mentioned solutions but the availability is usually something the companies seek to charge for. As this type of technology is the future, it must be emphasized to address this and understand the cost and availability as a **vital** strategic issue!

### Next Steps

It is strongly recommended to schedule a meeting with The Eastman Group's president Richard Eastman and Ultiteks Chief Operating Officer Ernest J. Sabato, inviting them to Saratov<sup>36</sup>. Optionally, representatives of SITA, Amadeus and Sabre may be invited.

Required for a meeting with these top industry managers, it is vital to have a sound status quo on the technology used, as well as the vision of what solutions are necessary, required and expected. Most such conversions fail for two reasons:

#### » Implied but unvoiced expectations

Professional project management is necessary to avoid (unnecessary) differences by incorrect product specification leading to frustration for undelivered services. See page 20 Bring Me A Rock.

In order to provide a neutral instance and qualification of incoming information, Barthel.eu-expert network is available for contracting by Saravia to provide the necessary unbiased advisory.

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<sup>32</sup>TOD, also called PTA, Prepaid Ticket Advise

<sup>33</sup>Airline to Airline

<sup>34</sup>API, a common programming interface enabling i.e. Internet booking.

<sup>35</sup>Internet Booking Engines. Jürgen Barthel has been responsible for the development of the first such European solutions and is considered globally an expert for that technology.

<sup>36</sup>It was suggested by Saratov officials that these managers shall be interested to travel at own expense to Saratov. Unfortunately, this may work for the AirlineConstruct, but Saravia on its own is too small a player to justify these managers to invest travel expense in addition to their valuable time. It is though highly likely to convince them to invest their time if travel expenses are being covered.





### » Change Management

The changes to daily operations are very complex and involve any and all departments. Any human working in a given environment is reluctant to change: "We always did it this way" or "never touch a running system" being common quotes heard when addressing necessary change.

To avoid subtle offense by conservative staff, a project team must also address the necessary change management to avoid unnecessary friction.

### AirlineConstruct

As of the commercial impact of the new airline under development, it would improve the overall interest by the suppliers if the offer could be provided to the decision makers of the new AirlineConstruct Saravia is said to be merged into.

As of the negative press following the failure of AirUnion, it is important to overcome the reluctance by the smaller but cheaper and more efficient technology providers. As such, it is recommended to invite the decision makers based on coverage of direct travel & expense (T&E).

### Proposal

It is suggested to contract with barthel.eu to provide consulting services to prepare the meetings. Provided that the necessary priority is given to the project by all decision makers involved, it should be possible to qualify the existing processes and the exact needs within a matter of two weeks.

The result is a Request For Proposal (RFP) sent to the technology providers, inviting them to present their solutions within 4-6 weeks<sup>37</sup> after the RFP. It should be possible to schedule their presentations within the same week, deciding on the best offer, continuing the discussions with the selected supplier.

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<sup>37</sup>Subject to visa and travel arrangements



Amadeus Prognosis

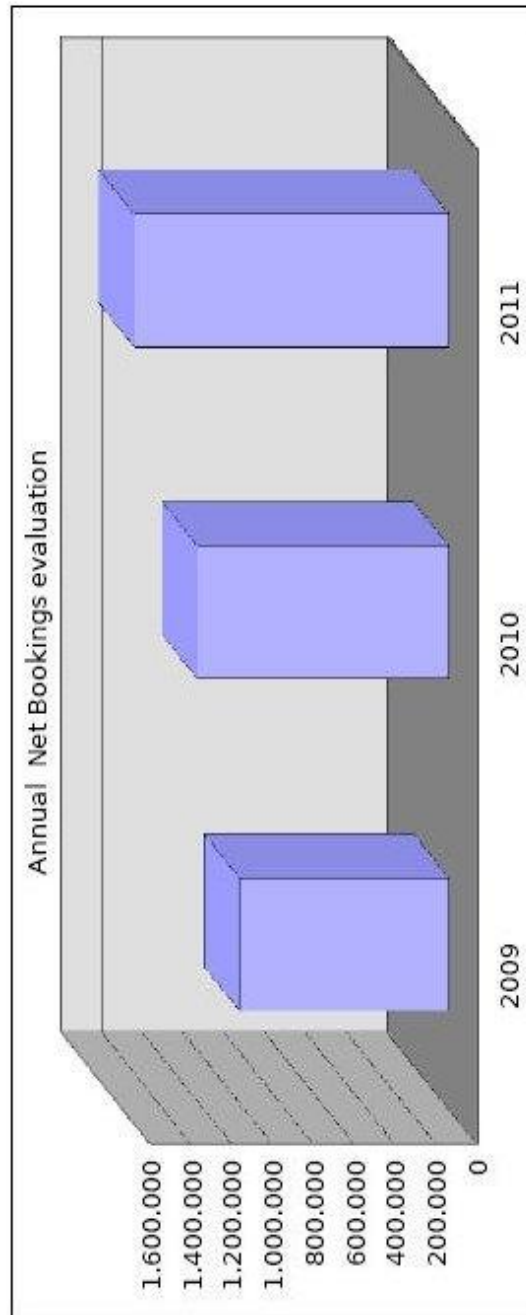
Year	2009	2010	2011
Number of aircrafts	10	12	15
Flight hours per day	10	10	10
Average flight time, hours	2	2	2
Legs per day each aircraft	5	5	5
Average capacity (C + Y), seats	80	80	80
Average Load factor	0,65	0,65	0,65
Average pax boarded monthly	78.000	93.600	117.000
Pax boarded annual	936.000	1.123.200	1.404.000

Annual Net Bookings evaluation 1.029.600 1.235.520 1.544.400

<- this cells could be changed

<-resulting cells

~10 jet aircraft, 50/100 seats





## Ultitek, Ltd White Paper

### Approximate Costs for Airline IT

**Siren 2.3** (inventory and reservation system) Software License \$250K.

Implementation and training \$50K. Maintenance 25 cents per net segment.

Annual royalty \$2500. Included in Siren 2.3 are the following modules:

- Inventory control
- Reservations through all existing distribution channels
- Fares
- Storage and handling of electronic copies of traffic documents
- Ticket sales via terminals connected directly to TAIS CRS, including automated paper ticking and electronic ticketing

**Regina** (departure control system) Software License \$150K.

Implementation and training \$25K. Maintenance 15 cents per passenger.

Integration with other GDS's: about \$10K per link

Call center: \$200K plus links

Frequent Flyer Program: \$500K, maintenance \$50K per year

Other modules available:

- Revenue Management: price will vary according to the detail of the requirements.
- TAIS TravelShop: a flexible tool for arranging online sales for an airline or an agency.

Approximate hardware cost is \$250K.

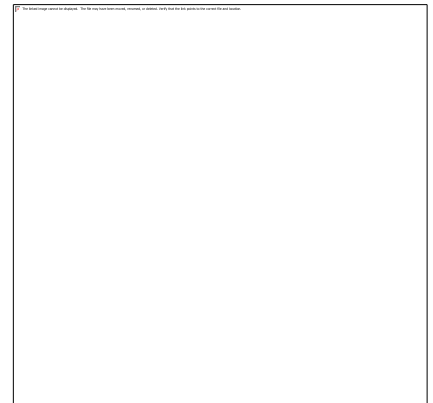


## Lazy Susan and the history of Aviation Technology

From a former public information about the company history, published by Sabre.

### *History*

How would it be if you had to wait 3 hours to confirm a flight reservation! Even after that 3 hours of waiting, it still wasn't a guarantee that your seat would be reserved. It seems barbaric compare to the present but that's how the airline reservation systems were in the past. During the mid 1940's the airline reservation system was dominated by manual labor. It was basically a set of index card (called tiffany cards) that represented flights and was placed on a lazy Susan (picture right). The Tiffany cards would be marked with a pencil indicating a reserved seat. Before it took 12 employees sitting around the Lazy Susan pulling cards then marking them, then putting it back. Can you imagine the margin of human error that could have occurred! It took those 12 employees 3 hours for the various steps that were involved with making a reservation. 3 hours! That was longer than some of their flights. American Airlines was the first to see that their reservation system was inefficient.



American Airlines developed the first electrical/mechanical device in 1946. Its basic task was keeping track of the seat status of flights. This first system was not able to sell or cancel reservations, but it was defiantly a start. By 1963 they implemented SABRE (**S**emi **A**utomated **B**usiness **R**esearch **E**nvironment). The cost of the development and installation for the SABRE system was almost \$40 million. This system was able to handle 85,000 phone calls, 40,000 confirmed reservations and 30,000 ticket sales. As compared to the 3 hours it took to process one reservation (one phone call) it now could handle 2,000 messages per second and create more than 500,000 passenger records. "By 1964, the telecommunications network of the SABRE system extended from coast to coast and from Canada to Mexico. It was the largest, private real-time data processing system -- second only to the U.S. government." By 1976 American Airlines installed the first SABRE system into the Travel Agencies. Soon after other Airlines companies such a United and Continental started putting there own computerized reservation system such as Apollo, Galileo, and System One into Travel Agencies.

In the 1987, Sabre was installed in the first agencies in Europe and Asia. Today Sabre<sup>38</sup> is one of the three Global Distribution Systems dominating global travel distribution, the other two<sup>39</sup> being build using the core Sabre technology.

### *Strategies*

SABRE reduced cost by minimizing lower level employees. With the new reservations system the 12 employees it took to perform the many tasks of making a reservation were no longer needed. By reducing the costs for many employees, the airlines were able to transfer the savings to the customer by offering lower fares. Also it shortened the processing time for one reservation. As described above it took 3 hours to process one phone call and now with the SABRE system they could handle 2,000 messages per second.

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<sup>38</sup><http://www.sabre.com/>

<sup>39</sup>Amadeus and Travelport



## Press Coverage

### ***FVW: Ice Age In The East***

**The Russian Air Union crashes with a big bang. Other airlines receive financial assistance in the billions. Russian aviation in icy turbulences.**

[image] An icy wind sweeps through the Russian aviation. Many airlines fight for their survival.

Georg Jegminat

Silently the snow falls on the silver shining wings and bodies of the Air Union aircraft. They are standing on the airports in Moscow and Krasnojarsk and don't fly any more. Shock frosted the hopes and plans of the Krasnojarsk twins Boris and Alexander Abramovich to build a strong alliance for airlines and form a competitor for market leader Aeroflot.

Frozen also the plans of Lufthansa and Austrian Airlines to build a reliable Russian partner. After all the concept about the Air Union airline group had the sanctions of the former president Vladimir Putin.

The failure of Air Union is only the most spectacular case in Russian aviation. Many smaller airlines are financially drained by the high kerosene prices. Now, as the world financial crisis melts away the investors money, the funds for cash injections are amiss. But the Russian leaders know about the strategic importance of the aviation. Without aircraft many parts of the country with eleven time zones could be reached only by train trips lasting several days. So the political elite intervenes with a firm hand.

**The Abramovichs are out of it**, failed fusing the five airlines into Air Union. The new powers are Vitaly Vantsev as CEO and Moscow's mayor Juri Lushkov. They grabbed the staggering Air Union and moved it over night from Moscow-Domododovo to Moscow-Vnukovo. Because they are shareholders at Vnukovo. „The state holding Russian Technologies now owns the majority in Air Union, but lack of airline management experience the lead is left to Vantsev“ explains Gustav Baldauf, who has returned to Austria. He was short term COO of Air Union. As experienced airliner at AUA [Austrian Airlines] then at Jet Airways, last at IATA in Montreal, he was called as an first aider to Air Union. But to late.

Vantsev now faces a difficult job. Although the deicing of the grounded Air Union aircraft will be the easiest task. He is expected even to join ten airlines, initially as a cooperation named Airlines of Russia. Until 2012 it is expected to transport 20 million passengers a year. Russias largest airline Aeroflot made 10.2 million passengers in 2007. The entire Russian market accounts for annually 40 million passengers. That is less than Lufthansa transports.

[Image] Hopeful start: From 2007 AUA wanted to accompany Air Union as western partner

Now high flying plans circulate. Although the commercial situation of many Russian airlines is disastrous. Aeroflot looks rather well with its 55% decline in earnings. At least they achieve a profit.

**The much demanded** western aircraft with their high leasing rates are hardly financeable. Kerosine remains expensive, despite a decrease of the crude oil by 50%. „That is absurd“, the new Russian president Dimitri Medvedev rants. He ordered the oil companies to lower the rates. Just about 9% the cost of kerosene slipped. Medvedev is forced to avail 1.1 billion US-Dollar to avoid the crash of large parts of aviation.

The reform of the Russian aviation passes through a painful phase. The government wants stable airlines that operate in a sound competitive environment domestically and can keep up internationally. But to often, local governments or oligarchs follow their own goals. Many old jets fill the aprons of the airports. They truly swallow kerosene if they then fly.

Aeroflot and S7, with 5.7 million passengers number two, build the stable duo. The privately managed S7 starts a cooperation with Air Berlin and bids also for Austrian Airlines. This is how the Russian leaders want to see their airlines: As international players. The Airlines Of Russia are still far from that goal. Because still the snow covers the wings of the grounded jets.

[image] Gustav Baldauf, last Chief Operating Officer of Air Union

**“Many contracts were verbal only”**

**Q:** As an Austrian, from January to October you worked with Air Union. What was your job?

**A:** I was Chief Operating Officer, but also meant to function as a bridge head to Austrian Airlines and Lufthansa. As these two airlines have been invited as mentors.

**Q:** Now that was a rather short commitment. Why that?

**A:** Already shortly after my arrival, I have found that there is a lot to work up. After all, five airlines, Krasair, Domodedovo Airlines, Omskavia, Samara and Sibaviatrans were supposed to be fused into one airline. The order by the then president Vladimir Putin to the managers Boris and Alexander Abramovic said: Build an alternative to the large Aeroflot. This order was given in 2006. But Air Union never went to fly. So the Abramovichs now got withdrawn from their appointments.

**Q:** What do you mean by: A lot was to be worked up?

**A:** The work processes in the five airlines was still influenced by the governmental allotment policy from Soviet times. Many contracts were just verbally agreed on and now it seems to be under review, if all these deals have been done in the interest of Air Union. With such fundamentals it sure is difficult to develop new structures and processes. How should you there do an losa-security audit according to lata-rules? Without losa, neither AUA nor Lufthansa would have signed a code sharing with Air Union.

**Q:** The recent developments look like a turbulent crime story. How did it end up with Air Union?

**A:** When the liquidity got amiss, the operating license of Air Union was revoked, the jets grounded. The 14 western aircraft was returned to the leasing companies.

**Q:** But there were immediately other people that took control of the airlines.

**A:** The state holding Russian Technologies is now expected to form an even larger airline. And the Moscow mayor Lushkov took hold as the Vnukovo Airport is owned by the city and he wants more traffic there. Finally the government has taken the matters back into their hands again.



verkehr

GEORG JEGMINAT

I esse niesel der Schiene auf die silbernen glänzenden Tragflächen sind Rumpflader Jets der Air Union. Sie stehen auf den Flughäfen in Moskau und Krasnojarsk und liegen nicht mehr. Schockgefahren sind die Hoffnungen und Pläne der Zwillinge Boris und Alexander Abramowitsch aus dem sibirischen Krasnojarsk, für Airinus einen starken Verbund und Herausforderer des Marktführers Aeroflot zu formen.

Eingeforen sind auch die Pläne von Lufthansa und AUA, einen russischen vertikalen Partner aufzubauen. Das Konzept vom Airline-Verbund Air Union hatte immerhin die Weihen des damaligen Präsidenten Wiktor Putin.

Das Scheitern der Air Union ist nur der spektakulärste Fall in Russlands Luftverkehr. Viele kleinere Fluggesellschaften sind durch die hohen Kerosinpreise finanziell ausgeblutet. Nun, da die Weltfinanzkrise das Geld von Investoren dahinschmelzen lässt, fehlen die Mittel für Finanzinjectionen. Doch Russlands Führung weiß um die strategische Bedeutung des Luftverkehrs. Ohne die Flugzeuge wären viele Teile des Landes nur eif Zentren mit in mehrmaligen Zugreisen zu erreichenden. Also greift die politische Führung mit harter Hand ein.

Die Abramowitschs sind raus, gescheitert an der Fusion von fünf Fluggesellschaften zur Air Union. Die neuen starken Leute sind Vasily Yantsev als CEO und Moskau-Bürgermeister Jun Laschkow. Sie griffen sich die taumelnde Air Union und verflanzten sie über Nacht vom Flughafen Moskau-Domodedowo auf Moskau-Vnukowo. Denn an ▶

# Eiszeit im Osten

Die russische Air Union scheitert mit Pauken und Trompeten. Für andere Airlines stellt der Staat eine Milliardenhilfe. Russlands Luftverkehr in eisigen Turbulenzen.



Ein eisiger Wind fegt durch Russlands Airline-Landschaft. Viele Fluggesellschaften kämpfen ums Überleben.

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verkehr

Vnukowo sind die betraugt. „Die Staatsholding Russian Technologies hält nun zwar die Aktienmehrheit an Air Union, aber mangelt Erfahrung im Airline Management überlässt sie Yantsev die Führung“, erläutert Gustav Baldoni, der nach Österreich zurückgekehrt ist. Er war kurzzeitig CEO der Air Union, als erfahrener Airline bei AUA, dann bei Jet Airways und zuletzt bei der Jet in Montreal war er als Erfinder für Air Union geholt worden. Doch zu spät.

Yantsev steht vor einer schweren Aufgabe. Dabei wird das Entsetzen der abgeordneten Air-Union-Pilger noch die einfache Aufgabe sein. Er soll sogar zehn Fluggesellschaften vereinen, zunächst in einer Kooperation namens Airlines of Russia. Bis 2012 soll sie 20 Mill. Passagiere jährlich befördern. Russlands größte Fluggesellschaft Aeroflot kam 2007 auf 10,2 Mill. Fluggäste. Der gesamte russische Markt zählt jährlich rund 40 Mill. Passagiere. Das ist weniger, als Lufthansa befördert.



Hoffungsvoller Start: Als 2007 wollte AUA die Air Union als westlicher Partner begleiten.

Jetzt kursieren hochfliegende Pläne. Dabei ist die wirtschaftliche Lage vieler russischer Airlines katastrophal. Aeroflot steht mit einem um 55 Prozent gesunkenen Gewinn noch vergleichsweise gut da. Sie erzielt immerhin einen Überschuss.

Die heißt begehrt westlichen Flugzeugen sind wegen hoher Leasing-Raten kaum zu finanzieren. Kerosin heißt teuer, obwohl der Erdölpreis um 50 Prozent gesunken ist. „Das ist lächerlich“, schimpft der neue russische Präsident Dmatri Medwedew. Er befehlt den Oligarchen, die Preise zu senken. Um gerade einmal neun Prozent geben die Kerosinpreise nach. Medwedew sieht sich genötigt, 1,1 Mrd. US-Dollar locker zu machen, um den Zusammenbruch weiterer Teile des Luftverkehrs zu verhindern.



Gustav Baldoni, letzter Chief Operating Officer der Air Union

## „Viele Verträge gabes nur mündlich“

Sie haben als Österreicher von Januar bis Oktober bei der Air Union gearbeitet. Was war Ihre Aufgabe? Ich war Chief Operating Officer, sollte aber auch als Brückenkopf zu Austrian Airlines und Lufthansa fungieren. Die beiden Airlines waren nämlich als Mentoren eingeladen.

Nun war das aber ein recht kurzes Engagement. Woran lag das? Ich habe schon bald nach meiner Ankunft festgestellt, dass sehr viel aufzuräumen ist. Schließlich sollen fünf Fluggesellschaften, Krasair, Domodedovo Airlines, Omakavia, Samara und Sibwestair, zu einer Airline fusioniert werden. Der Auftrag an die Manager Boris und Alexander Abramowitsch vom damaligen Präsidenten Wiktor Putin lautet: Bauen Sie eine Alternative zur großen Aeroflot auf. Den Auftrag gab es seit 2006.

Die Air Union ist aber nie ins Fliegen gekommen. Also wurde den Abramowitschs nun der Auftrag entzogen. Was meinen Sie damit: Es hätte viel aufgearbeitet werden müssen? Die Air Union war bei den fünf Airlines vor noch immer von der staatlichen Zuteilungsgrenze aus der Sowjetzeit

beeinflusst. Viele Verträge waren mündlich geschlossen worden, und offenbar wird nun untersucht, ob alle Geschäfte im Interesse der Air Union abgeschlossen wurden. Bei solchen Grundlagen ist es natürlich schwierig, neue Strukturen und Prozesse zu entwickeln. Wie soll man da das foss-Sicherheitsaudits nach IATA-Bregeln durchführen? Ohne IATA hätten weder AUA noch die Lufthansa ein Code-Share mit Air Union abgeschlossen.

Die jüngsten Entwicklungen wirken wie ein turbulenter Sturm. Wie ging es mit der Air Union zu Ende? Als die Liquidität fehlte, wurde der Air Union die Fluglizenz entzogen, die Jet angeht. Die 14 westlichen Jets gingen zurück an die Leasing-Gesellschaft.

Es gab aber sofort andere Leute, die sich der Airline bemächtigen. Die Staatsholding Russian Technologies soll nun eine noch größere Airline formen. Und der Moskauer Bürgermeister Laschkow griff zu, weil der Flughafen Vnukowo der Stadt gehört und er dort mehr Verkehr haben will. Letztlich hat der Staat das Heft wieder in die Hand genommen.

Die Neuordnung des russischen Luftverkehrs durchläuft eine neue schmerzliche Phase. Die Regierung will stabile Airlines, die sich im Inland einen gesunden Wettbewerb liefern und international mithalten können. Doch zu oft verteidigen Regionalregierungen und Oligarchen ihre eigenen Ziele. Viele alte Jets füllen die Vorfelder der Airports. Sie sind wahre Kerosinverschwender, wenn sie denn fliegen.

Die Aeroflot und die S7, mit 5,7 Mill. Passagieren die Nummer zwei, bilden das stabile Duo. Die privat geführte S7 startet einen Kooperationsvertrag mit Air Berlin und bietet um Austrian Airlines mit. So will die russische Führung ihre Fluggesellschaften sehen: als internationale Player. Davon sind die Airlines of Russia noch weit entfernt. Denn noch liegt Schiene auf den Tagelichen der abgestellten Jets.

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### **S7 + Air Berlin cooperation**

16. October 2008, 13:00h FVW.de<sup>40</sup> reported (in German):

Air Berlin (by Rita Münck)

#### **Russian S7 landing with the Berlins**

Germany's second largest airline, Air Berlin, signed a partnership with Russian airline S7 on thursday. Joining the deal is also Air-Berlin-partner Niki<sup>41</sup>.

In Moscow the new partners signed a code-share-agreement. Subject to government approval they want to operate the routes between Moscow and Düsseldorf, Hanover, Frankfurt, Munich and Vienna, using shared flight numbers.

By connecting their inventory systems<sup>42</sup> the airlines want to enable passengers to fly with one ticket for example from Moscow via Munich to Palma de Mallorca. The Russians themselves operate currently flights only to Frankfurt, Munich, Hanover and Düsseldorf only.

On Wednesday already rumors became public that S7, also bidding for Austrian Airlines<sup>43</sup>, seeks a cooperation with Air Berlin as well. The code-sharing should just be a first step. As Air Berlin informed, both airlines are interested to extend their cooperation to other fields.



"S7 was seaching for some time for efficient development opportunities on an international scale", explained their CEO Vladislav Filev. The cooperation with S7 Airlines offers extensive possibilities in Europe. Thanks to Air Berlin he could get access to the for East Europe increasingly interesting Berlin market as well as tourism-important destinations in South Europe.

Unwavering seems the interest also by S7 about the being sold Austrian Airlines. Aside the Russians, Lufthansa and Air France-KLM remain interested. Despite their offer being financially considered the most attractive, the airline is expected by Austrian media to have only very small chances. A problem being that S7 is no EU-airline. According to EU-law, this is a demand that an AUA main shareholder has to fulfill. Otherwise AUS would loose important route rights. By the end of October the race for AUA should be decided.

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<sup>40</sup><http://www.fvw.de/> [...]

<sup>41</sup>Niki, owned by former Formula-1-legend Niki Lauda is strong in Austria.

<sup>42</sup>CRS

<sup>43</sup>Austrian Airlines meanwhile is being sold to Lufthansa



## **Reuters: Russia's new state airline will stifle competition**

<sup>44</sup>Mon Nov 10, 2008 4:51am EST

By Simon Shuster - Analysis

MOSCOW (Reuters) - Russia is creating a new state giant, Russian Airlines, to absorb carriers crippled by the financial crisis, but experts warn it will sideline Aeroflot and reverse years of progress toward a vibrant airline industry.

Aeroflot (AFLT.MM: Quote, Profile, Research, Stock Buzz), Russia's flagship carrier, will now have a competitor with strong lobbying power and a direct line to state cash. And its expansion plans into eastern Russia may be frustrated by the state's takeover of nearly half the sector.

Lawmakers said that, given the crisis circumstances, it was necessary for President Dmitry Medvedev to hand the fleets and routes of up to eleven carriers to state-owned Russian Technologies, which will fold them into Russian Airlines.

Some warned, however, that the industry will no longer run along market lines.

"It will take not one year but several years before we can talk about competition on this market again," said Sergei Shishkaryov, chairman of the transport committee of Russia's lower house of parliament, the State Duma.

The collapse of the mid-sized firms came earlier this year after fuel prices reached record highs, forcing them to take loans that they could not refinance when the credit crunch hit Russia.

By late August, many could no longer afford to fly. The Russian public was then faced for the first time with the impact of the financial crisis on the real economy, as local media ran images for weeks of airports full of stranded passengers.

### **AEROFLOT SIDELINED**

For over a year, Aeroflot has been eyeing acquisitions in the eastern parts of Russia, including Vladivostok Avia, which had a turnover of around 3 billion roubles (\$111.5 million) in the first half of 2008.

Amid the financial crisis, it could have realized these plans at bargain prices as indebted carriers were forced to sell off stakes to raise cash.

"But the officials swept these ideas aside," said Oleg Panteleyev, chief analyst at aviation consultancy Aviaport.

Under Russian law, aviation is a strategic industry, and Kremlin hawks have consistently pushed for the state to keep it under tight control. Sergei Chemezov, the head of Russian Technologies and a close ally of Prime Minister Vladimir Putin, is a leading figure in this conservative camp.

"When Chemezov showed up with his ambitions to unite the sector, he was given the green light to create this enormous new carrier," Panteleyev said.

Valery Okulov, chief executive of Aeroflot, lashed out the decision to allow it. "It's a pyramid scheme ... To send a new player into a falling market is simply creating a bubble."

But Panteleyev said the new player would be at least as strong as Aeroflot, which has never had a domestic competitor that could threaten its dominant market share.

"If you just look at their objective indicators as aviation firms, without counting the lobbying power of Russian Airlines, I would say they are about equal," he said.

With Chemezov as board chairman at Russian Airlines, its lobbying power is likely to be strong. The powerful mayor of Moscow, Yury Luzhkov, and Deputy Transport Ministry Boris Korol are also expected to join the board when it meets on November 11.

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<sup>44</sup><http://www.reuters.com/article/reutersEdge/idUSTRE4A91XQ20081110?sp=true>





### REGIONAL DEVELOPMENT STUNTED

Among the fallout from the failing airlines was the closure of most internal routes over Siberia and the Russian Far East, which were seen as vital for creating homegrown business in the regions and easing their economic dependence on Moscow.

"That is a much longer-term problem ... I think no one will be ready to provide loans or investments for these local flights after seeing how vulnerable they are," said Yevgeny Ostrovsky, aviation adviser to the transport ministry and head of a leading jet fuel provider.

Virgin Group VA.UL was in talks to open a Russian carrier by 2010, its owner Richard Branson said early this year. But Virgin's spokeswoman Jackie Mcquillan said on Friday: "Nothing like that is coming to fruition in the foreseeable future."

Ostrovsky and Shishkaryov said around 80 percent of internal flights are now going via Moscow or another hub in the European part of Russia.

This forces local businesses to take circuitous and far more expensive routes when shipping their goods, most often flying them to Moscow and then back across Russia to their destination.

"Right now we have reverted back to a situation where Siberia and the Far East do not have regular air services, neither for cargo nor passengers. This is how it was in 1990," said Olga Trapeznikova, head of communications for Krasair, a Siberian carrier set to be folded into Russian Airlines.

(Editing by Chris Wickham)

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## ***Bosch Announces Production Increase For Saratov***

The following is an automatic translation of a Russian information published September 11th, 17:25 by SarBC.ru<sup>45</sup>:

### **Bosch Engels plans to increase production 5-fold.**



Today, in the Saratov team of journalists of central and regional media building orientation to learn about the production of power at engelskom enterprise "Bosch Power Tools". The hotel "Slovakia" to their press conference was organized.

The plant in Engels was established on 5 April last year. According to the director Ltd. "Bosch Power Tools" Lars Kabatnik currently being made "13th professional drill and 75 th career Jigsaw." At the end of the year they should add Angle grinders.

This year, "engelssky Bosch plans to issue 200 000 power, after 2 years - up to 1 000 000 units.

The factory employed 200 people by the end of the year added another 150 in the 2011th will work 800.

Replying to a question about the average salary in the enterprise, Mr. Kabatnik did not call the exact figure, saying only that she was "slightly above average in Saratov."

It was stated that the production of portable power tools and accessories company "Bosch", took 1 st place in the world, gardening equipment - 2 nd.

In Engels power not only collected from finished components: Production of some parts. The main components supplied from Europe and Asia (there are about 100 suppliers).

It is expected that by 2010 Russia will be on power tools market N2 in the world (after USA).

<sup>45</sup><http://www.sarbc.ru/> [...]



## Saratov Region - 1999 Study by American Chamber of Commerce

<http://www.russianamericanchamber.org/newsletter/saratovregion.htm> (retrieved November 2008)



### ***Facts At a Glance: The Saratov Region and The City of Saratov***



*The profile was prepared by Boris Brouk who served as a Chamber intern in summer 2002.*

*The information is derived from the following sources:*

*Ministry for International Affairs and External Economic Relations of the Region*

*(web site: <http://www.mininter.saratov.gov.ru>),*

*<http://www.bisnis.doc.gov/bisnis/country/990525sar.htm>,*

*[http://www.geocities.com/WallStreet/7138/text\\_6.htm](http://www.geocities.com/WallStreet/7138/text_6.htm)*

#### **History**

The Saratov Region was formed in 1934. The history of Saratov, the Region's administrative center, dates back to 1590 when the city-fortress on the was founded. Saratov gets its name from the Tatar word *Sary-Tau* ("Yellow Mountain"). During its more than 400 year history, Saratov has served as the crossroads for many historical events and outstanding people. In the late 19th century, Saratov became a center for industry, trade, and culture. By that time it had become famous for its agricultural products, fishing, and salt industries, as well as manufacturing and metal processing.

#### **Geographical Position and Climate**

The Saratov Region is located in the southeast of the East European Plain, in the heart of the Volga River Region, 858 km southeast of Moscow.

It occupies a territory of 101,200 sq. km that equals the total area of such states as Belgium, Switzerland, and Albania. The Region extends 575 km from the west to the east and 240 km from the north to the south.

The Saratov Region enjoys continental and moderate climate. Saratov's climate is much like that of Chicago. The average temperature in summer is around 80°F and about 11°F in winter. Snow covers the ground from December and melts down towards the last part of March.



### **Administrative Units and Population**

The Saratov Region consists of 39 administrative areas having their own representative and executive authorities. The population of the City of Saratov is over 900,000 people. The total population of the region is over 2.7 million people.

### **Political Status and Branches of Power**

The Saratov Region is under the jurisdiction of the Russian Federation. The head of the executive branch of power is the Governor. The Regional executive branch is currently headed by Dmitry F. Ayatskov who was re-elected for a second term in March 2000. The Governor forms the Regional Government headed by the Chairman whose appointment has to be approved by the Regional Duma.

The Saratov Regional Duma represents the legislative power. The Regional Duma consists of 35 deputies, representing 35 committees and standing commissions.

### **Natural Resources**

The Saratov Region has significant reserves of natural resources. It has large deposits of natural gas, oil shale, salt, chalk, limestone, clay, sand, dolomites, and aragonite. The oil shale deposits alone equal to over a billion tons. Oil and gas are considered to be the most significant natural assets of the region. The oil and gas production has been developed since 1944. In total, oil deposits of the region are estimated at 500 million MT, 43.1% of which are extractable. Projected reserves of gas condensate are 164 million MT, 56.2 percent of which are extractable.

### **Industry and Major Enterprises**

Over 2000 large and middle-sized enterprises with developed instrument making, electronics, aircraft manufacture, machine-tool manufacture, oil and gas production and processing, chemical, and construction industries represent the industrial sector of the Saratov Region.

The oil/gas and energy generation sectors account for 37.3 per cent of the regional industrial output. The average oil production equals to 1 million MT per year. Crude oil is mainly processed in the Saratov Oil Refinery. The Saratov-Moscow gas pipeline, 843 km long, passes through the Region.

Other important industries include machine building, production of chemicals and petrochemicals. Companies operating in the machine building sector specialize in manufacturing commercial electronics with dual applications (navigation systems and controls for aviation, merchant ships and the Navy, telecommunications and radar equipment, measuring instruments), diesel generators, aircraft, machine-tools (tooth-cutting machines) and equipment for the energy, chemical, and oil industry sectors.

*The Saratov Aircraft Plant* is a manufacturer of various modifications of YAK-42 aircraft for commercial and training purposes. *The Saratov Trolley-Bus Plant* is the major supplier of trolley-buses in Russia. It also exports its production to Europe, Asia, and Latin America. *The Saratov Bearing Plant* specializes in producing a broad line of roller bearings. *Lityi-Element* is the only Russian supplier of lithium batteries used in small-sized measuring instruments, computers, and cardiac implants.

The regional chemical sector accounts for 16 per cent of the industrial output. Rubber products made by *Balakovorezintekhnika* are widely used in the vehicles produced in Russia.

The Saratov Region is considered to be the largest Russian producer of chemical fibers and filaments. Local chemical companies also produce acrylic acid, methyl acrylate, phenol, sulphuric acid and fertilizers.

The construction materials industry is highly developed in the Region. This sector employs approximately 88,000 workers. There are 35 factories, which fabricate reinforced concrete products. As for cement products, the Region holds the first place in the Volga Region area.

The companies producing fabrics, footwear, clothing, and knitwear represent the light industry.

### **Agribusiness**



In terms of total agricultural production, the Saratov Region is ranked as one of the leading in the country. Agribusiness accounts for approximately 15 per cent of the gross regional product. The main trends of the regional agriculture are determined by grain-crops, meat, and milk cattle-breeding, as well as meet and wool sheep-breeding. The Saratov Region is one of the leading Russian producers of winter wheat.

In the volume of grain harvest, the Saratov Region is in the second place in Russia. In the volume of the most valuable hard wheat production, the Region is in the first place.

Agricultural land amounts to 8.5 million hectares and makes up 84 per cent of overall land resources. Over 20 per cent of the regional workforce is employed in agribusiness.

### **Culture and Education**

The Saratov Region possesses an enormous scientific and cultural potential. Saratov is the greatest educational center of Central Russia. It offers a highly skilled and educated work force. In the City of Saratov, there are 11 institutions of higher education, about 30 research and science centers, 12 colleges, 70 vocational schools, more than 100 secondary schools and 25 musical and arts schools. Saratov State University, founded in 1909, is one of the oldest and respected universities in Russia. The Saratov Conservatory is the third biggest in the country after Moscow and Saint-Petersburg.

In the Region there are 12 professional theaters, 25 museums, the oldest circus in Russia and several art galleries. The most famous art gallery is the *Radischev Art Gallery*, which possesses a unique collection of Russian and European masterpieces of art. Art experts have called the Gallery the "Volga Hermitage."

### **Transportation**

Saratov is situated on the crossroads of Europe and Asia. The airport, highways, railway system, and the Volga River connect Saratov with the western part of Russia as well as the Urals, Siberia, and Asia.

The Saratov airport is located in the city and can be reached in less than 15 minutes from the downtown. It offers air service throughout Russia, some of the former republics of the Soviet Union, and a number of major international locations.

Saratov is an important railway junction connecting the center of Russia and the Urals, Siberia, and Central Asia. Since 1993 the city has had the direct railway route Saratov-Berlin. All of Russia's major cities can be reached by train.

Saratov is one of the main river ports on the Volga River. The water routes connect the city with Moscow (the Moscow canal), the Western Urals (the Kama River), the Black Sea (the Volga-Don canal) as well as the Baltic and White seas (the Volgo-Balt waterway). The cargo port was recently expanded and renovated to accommodate heavy industrial use.

Saratov has a well developed public transportation network. Over 300,000 passengers use the services of public transportation. The total length of municipal transportation network exceeds 700 km.



### Foreign Trade

Principal foreign trade partners of the Saratov Region are the companies from the United States, Great Britain, Italy, Holland, Turkey, and Germany. Moreover, the Region has also been actively reestablishing economic and trade relations with Macedonia, Bulgaria, Hungary, Slovakia, and Poland.

Enterprises and companies of the Region export goods into more than 67 countries of the world. The most exportable products include electronic devices, electrical equipment, vehicles, crude oil, oil products, mineral fertilizers, chemicals and petrochemicals. The largest exporting companies are *Kreking*, *Balakovo Fibers*, *Irgiz*, and *Saratovstroisteklo*. The majority of companies with foreign capital have German partners, including *Bosch* and *Henkel*. Other large-scaled projects in the Saratov Region include the modernization of the oil-processing company *Kreking* involving the U.S. and Spanish companies, a joint venture between the *Saratov Tobacco Factory* and *British American Tobacco* that acquired controlling interest in the company, and a lot of other projects.

The August 1998 Russian financial crisis led to the internal production growth that was mainly determined by changes in the export and import dynamics related to ruble devaluation.

### Investment Opportunities

Investment opportunities and a favorable investment climate is one of the core issues of the Saratov Region's development. The regional investment policy, formed in accordance with the federal legislation, has been successfully carried out. The Saratov Regional Duma adopted a number of laws to stimulate and guarantee investments in the Region, including the *Laws On Guarantees of Private Investments in the Region*, *On Stimulation of Investment Activities in the Region*, *On Land*, and a number of other laws and regulations. Under these laws investors are entitled to exemptions from taxes on profit, property, and vehicles paid to the local treasury for 3 years. Moreover, under the *Law On Land*, land for investment projects may be provided on lease (for up to 49 years) or may be bought by individuals or commercial entities.





### Kommersant Information About Saratov

#### Saratov Region<sup>46</sup>

##### // GENERAL INFORMATION

Saratov Region is one of the largest regions of European Russia. A hundred years ago, it was an ordinary backwoods Russian province; but at the same time, it had its own cultural distinctiveness.

The entire history of this region's development is linked with the Volga River. The people of Saratov Province had been farmers since the early days owing to the region's location in the forest steppe zone of the lower reaches of the Volga. It has a favorable temperate continental climate characterized by snowy winters and hot, dry summers.

Saratov Region borders on Penza, Ulyanovsk, Samara, Orenburg, Volgograd, Voronezh, and Tambov regions, as well as Kazakhstan. The administrative center is the city of Saratov, located in a scenic basin of the Volga Uplands. The city covers an area of 377.93 km<sup>2</sup> and has a population of about 900 000.

The region's geographical location favors the development of a high-capacity regional transportation system. Modern airliners will convey you and your cargo to any point within Russia and beyond. The Volga Railway connects the region with the center of Russia, the Urals, Siberia, the Caucasus, and Central Asia. Water routes link Saratov with Moscow, the Western Urals, the Baltic States, and the Black and White seas.

Saratov is a large industrial center with well-developed power, fuel, petrochemical, engineering, metalworking, woodworking, and light industries.

The region has oil and gas reserves that are being explored and developed by AO Saratovneftegaz, one of the industry's oldest specialized companies. The AO Kreking oil refinery is able to satisfy regional demand for refined oil, as well as the fuel oil and bitumen requirements of construction and road-building companies.

Institutes of the Russian Academy of Sciences and a large number of design and research institutes are located in Saratov Region.

The rich cultural traditions of Saratov Province have allowed the cities of Saratov, Balashov, Khvalynsk, Marks, Pugachev, and Petrovsk to be included among Russia's historic sites.

The Radishchev State Art Museum in Saratov has a superb collection of Old Russian, European, Russian Avant-Garde, and Soviet art. Connoisseurs call it the Volga Hermitage.

Saratov Region attracts both business people and tourists. Fresh air and inviting nature have favored the development of holiday homes, health resorts, sports and recreation clubs, and tourist centers. The most popular holiday center is Tantal.

#### HISTORY

The name "Saratov" is encountered in the name of a people on the Lower Volga (Ptolemy, 2nd century) and in the titles of Russian epic poems (byliny) of the Saratov Mountains, the Saratovka River, and the Saratov Steppe. It also survives in the names of the city of Saratov and Saratov Region. Legends and scientific evidence both say that two great turning points in human history—the revelation of monotheism and domestication of the horse—are associated with the Saratov Volga region. This territory was poetically called the "Land of Apple Trees" and the "Land of Liquorice." The Volga, the steppe, and oak forests were the main elements of nature in the region.

The Saratov Volga was evidently the location of one of the centers of the Old Russian state system (Volga Rus). From the 13th to the 15th centuries, these lands belonged to the Golden Horde and then to the Great Horde. The history of the Golden Horde city of Ukek (Uvek) is closely tied to the history of the new Russian city of Saratov, whose name is said to come from the Tatar words sary tau (Yellow Mountain). Thus, in a way, Saratov can be considered one of Russia's oldest cities.

Saratov's history began in the second half of the 16th century, when, after completing the formation of a centralized Russian state, Tsar Ivan the Terrible finally defeated the remnants of the Golden Horde on the Middle and Lower Volga. Following his plan, a series of fortified towns, including Saratov (1590), were built on the southeastern edge of the extended state boundaries.



Flag

<sup>46</sup>[http://www.kommersant.com/t-68/r\\_5/n\\_412/Saratov\\_Region/](http://www.kommersant.com/t-68/r_5/n_412/Saratov_Region/)



Saratov first arose on the right bank of the Volga just above the city's present-day location, where the Guselka River flows into the Volga, forming a cape with a gently sloping plateau. The first town of Saratov was located in the center of this plateau; it was a fortress designed to protect Russian settlers and the Volga trade route from nomads. Two army commanders (voevody), Prince Grigory Osipovich Zasekin and streltsy leader Fedor Mikhailovich Turov [the streltsy were members of special military corps set up by Ivan the Terrible], began construction of Saratov Fortress in July 1590.

Since ancient times, the main Old World trade routes from the Black Sea coast, the Caucasus, Persia, Khorezm, the Urals, and Rus had passed through the Saratov Volga. All of this had an impact on the overall cultural level of the resource-rich territory, on the extent of its development, and on its importance in the Russian state system.

A vast Saratov governorship was formed in 1780, but was soon reorganized into Saratov Province, which was considerably larger than the present-day Saratov Region. The coat of arms of the governorship—three silver sterlets [a kind of sturgeon] on a light blue field, symbolizing the abundance of fish and water—was approved in 1781. The fish are arranged in the form of the letter "Y" symbolizing the choice of the proper path.

Saratov Province was a territory with well-developed agriculture and processing industries, fairly high literacy levels among the population, and highly developed cultural forms (theater, fine arts, literature, and publishing).

Saratov's transformation into the provincial capital was accompanied by the appearance of a large number of private enterprises and rapid growth of trade. Saratov gained a reputation as a merchant city. Rapid industrial growth began, new steam-powered mills and oil-pressing factories were built, and the city became a major grain-trading and flour-milling center. In the 19th century, Saratov was not only a granary, but also Russia's "salt gate" and a center of the oil-pressing and fishing industries. Business brought English, French, Belgian, and German settlers to Saratov, which became the center of the Volga Germans. The city led other Russian provinces in attracting foreign capital to industry and in the number of foreign bank offices. In the 1890s, Western investments built the giants of heavy industry, e.g., iron foundries, metal works, an internal-combustion engine factory, a nail and bolt factory, steel mills, and shipyards. A Belgian tram company helped launch Russia's first tram service in Saratov.

This unique fusion of European cultures influenced the city's architecture. The downtown area preserves a large number of private residences and administrative buildings constructed in the provincial modern, pseudogothic, and Moscow baroque styles of the 19th and early 20th centuries. The buildings of the university campus (built in the finest European tradition), the Covered Market (similar to the Paris market), and the conservatory are particularly striking.

Up to 1917, Saratov was also considered the Volga region's largest religious center. An independent diocese (eparchy) and a bishopric functioned here; and Saratov was second only to St. Petersburg in the number of churches of different denominations. The city had more than 70 churches, chapels, and monasteries, 5 of which operate today. One of these is Trinity (Troitsky) Cathedral, the oldest architectural monument of the late 17th century.

Pre-revolutionary Saratov was famous for Moskovskaya Street, the longest straight street in Europe. Among the Saratov's modern landmarks is a 2.8-km bridge, one of the longest in Europe.

Saratov's history is connected with the names of some of Russia's outstanding figures, such as Peter the Great, Catherine the Great, traveler and writer Aleksandr Radishchev, Cossack rebel leaders Stenka Razin and Emelyan Pugachev, writer and democrat Nikolai Chernyshevsky, Saratov governor and later Russian prime minister Petr Stolypin, geneticist Nikolai Vavilov, first cosmonaut Yuri Gagarin, and philosopher Nikolai Fedorov.

Saratov turned into a major commercial and industrial center of the Volga region. According to the census of 1897, Saratov was the eighth-largest city in the Russian Empire and the third-largest Russian city after Moscow and St. Petersburg.

In the 1890s, Saratov had 18 charitable institutions, shelters, night shelters, inexpensive dining rooms, 2 free hotels, and 24 private societies and communities that represented some of the most interesting associations of people, as for example, a women's trusteeship for the poor, another women's prison committee trusteeship, and assistance for people of insufficient means who wanted a higher education. Today, many of us would be interested in a business support association or an association for aid to shipwreck victims.

In those same years, the intelligentsia gathered strength in Saratov as it did throughout Russia. The government frequently exiled freethinkers to Saratov, which resulted in a more freedom-loving social climate and the formation of numerous intellectual circles in the city.





The first car, imported from Paris, appeared on the streets of Saratov in 1900; and the first movie theater, the Elektrobioskop (now Tsentralny), opened in 1907.

In 1909, Saratov became a university town; and although the university consisted of only a single faculty of medicine, the department heads were future world-famous scientists S. Spasokukotsky, V. Razumovsky, and A. Bogomolets. Also worth noting is the conservatory, which opened in 1912 and became the country's third higher music school.

By 1916, the city had five higher educational institutions. The oldest scientific societies in Russia (medical, hospital, agricultural, archival, and naturalist) laid the foundations for the city's scientific life.

The end of the 19th century gave a strong impetus to Saratov's cultural life. At that time, Russia's first public museum (now the Radishchev State Art Museum), a public theater, and "The Brothers Akim and Petr Nikitin's First Russian Circus" all opened their doors.

Then came 1917. On the night of October 26-27, at 4:00 in the morning, the Soviet executive committee ousted the provincial commissar of the Provisional Government from office and appointed P.A. Lebedev as Soviet provincial commissar.

During the Soviet period, Saratov Region was reorganized into a territory where economic and cultural development greatly exceeded the old levels. New lines of activity that considerably surpassed pre-Revolutionary figures in their extent were repeatedly added to the traditional ones.

The population also increased. As of December 17, 1926, the population of Saratov was 219 547; but according to the All-Union census of 1939, as of January 17, 1939, the population had increased to 375 860.

On the first day of the war (June 22, 1941), 3100 people applied in Saratov to be sent to the front. Then, on October 28, exploratory well N1 in Elshanka near Saratov yielded the first methane gas. During the war, the Kirov Cracking Plant, which supplied fuel to the Stalingrad and Southeastern fronts, was the primary bombing target.

On May 9, 1945, the city held a mass gathering in Revolution Square to celebrate the victory over Fascist Germany.

After the war ended, a new round of economic development began in Saratov.

The Saratov Planetarium began operating in May 1948 in the building of the Alleviate My Sorrows (Utoli moi pechali) Church. Construction of a synthetic alcohol plant began in April 1949; and in June of the same year, the ship Polina Osipenko set out on its first voyage as a floating Pioneer camp of the Saratov city committee of the All-Union Leninist Communist Youth League (VLKSM), the City Board of Education, and the Young Pioneer Palace.

Production of the first Saratov refrigerators began in 1951.

Yuri Gagarin studied at the industrial college from 1951 to 1955. An obelisk was set up on the site near the village of Smelovka, Saratov Region, where Gagarin landed after his historic flight.

In November 1952, the city's first trolleybus line began operating on Lenin St. from the railway station to Revolution Square.

In June 1965, the "Saratov" train set out on its first trip to Moscow. Construction of a highway bridge across the Volga was completed in July of the same year.

In 1975, Victory Park was laid out on Sokolovaya Mountain on a Communist subbotnik [in the USSR, a day of voluntary unpaid work, usually on Saturday (subbota in Russian)] and the paved Saratov-Volgograd highway opened for traffic. In 1978, a new railway station building opened, and Saratov television began broadcasting in color.

In 1979, the first radio telescope in Saratov Region began operating at the university. Enthusiasts at the university had built it over a period of four years.

Today, Saratov is synonymous with airliners, refrigerators, automated machine tools, glass, bearings, synthetic fibers, electronics, and space communications.

### **MINERAL RESOURCES**

Saratov Region has a variety of subsurface resources, including gas, oil, salts, and building materials, which have been deposited according to the region's particular geological structure. The first natural gas source was discovered in Elshanka near Saratov in 1941; and a gas pipeline was later built between Saratov, Nizhny



Novgorod, and Cherepovets. Today, the region delivers gas not only to large Russian cities, but also abroad. The gas consists of 94% methane. The largest reserves are located in the Elshansko-Kurdyumovskoe, Sokolovogorskoe, Pesachno-Umetskoe, Goryuchinskoe, Uritskoe, and Stepnovskoe fields. Oil was found soon after the gas discoveries.

Among other resources are the well known Savelevskoe, Ozinskoe, Obshchesyrtovskoe, and Orlovskoe oil shale deposits of the Trans-Volga [the left bank of the Volga, or Zavolzhye]; total identified reserves amount to several billion tons. More than 100 peat deposits located in the valleys of the Khoper and Medveditsa rivers and their tributaries, as well as along tributaries of the Volga. There are deposits of various kinds of building materials, such as chalk, sand, and limestone; and deposits of medium-quality phosphorite containing 20-22% phosphoric anhydride have been discovered on the right bank of the Volga. In addition, the world's second largest aragonite deposit [a semiprecious stone] has been discovered at the Berezovsky quarry in Balakovskiy District and the Chapayevskiy quarry in Pugachevskiy District.

Potassium and magnesium salts alternate with beds of rock salt and anhydride. Potassium salts are used profitably as a valuable fertilizer, which is in especially high demand due to extensive irrigation in the Trans-Volga area.

White writing chalk is used as a raw material for making cement and lime and is also used to fertilize fields in mixtures of peat, manure, and mineral salts. In addition to calcium, chalk often contains phosphorus, which increases its value as a fertilizer. The region has large deposits of limestone, dolomite, and glassmaking sand and more than 50 known deposits of building and ballast sand. Sand accumulations along the Volga River contain reserves of up to 12 million m<sup>3</sup>. There are also famous large deposits of sand that are the required standard for testing the products of cement plants throughout Russia.

Mineral water has been known in Saratov Region since the mid-19th century; however, larger mineral water reservoirs were discovered later near Saratov during oil drilling operations. A thick artesian aquifer of hydrosulfuric mineral water similar to Matsesta [from Sochi] was discovered at a depth of 228 m at Sokolovaya Mountain on the bank of the Volga. The water has a total salt concentration of 1%; it contains boron, bromine, iodine, and hydrogen sulfide and is noted for its radioactivity.

### **ECONOMY**

Saratov Region is part of the Volga economic district and is in third place within it in the scale of industrial development. Engineering and the chemical, oil refining, and food industries account for the largest share of production.

The largest companies in Saratov Region are the Balakovo Nuclear Power Plant (Balakovskaya AES), the Saratov Aircraft Plant (Saratovskiy aviazavod; produces Yak airplanes), and the Khimvolokno Production Association (PO Khimvolokno).

The Volsk-16 chemical warfare test range, a major air base (Engels), and part of the Kapustin Yar test range are located in the region.

In the area of agriculture, the main crops are wheat, rye, corn, millet, barley, sugar beets, sunflowers, mustard, flax, and vegetables and cattle, pigs, sheep, and poultry are raised.

The region's leading engineering companies are located in the cities of Engels and Saratov. Their main products include machine tools, trolleybuses, farm machinery, bearings, diesel engines, and refrigerators.

The chemical and petrochemical industries are concentrated in Balakovo, Saratov, and Engels. They produce chemical and other fibers, general rubber goods, and mineral and phosphate fertilizers.

The building material industry produces bricks, stone, and building blocks.

AO Saratovneftegaz explores for and produces oil and gas from the region's fields. Companies like AO Kreking, which produces refined oil, fuel oil, and bitumen for regional needs, is representative of the fuel industry.

Along with the Balakovo Nuclear Power Plant, the regional power base also includes the Saratov Hydroelectric Power Plant (Saratovskaya GES) on the Volga River. The parent company is OAO Saratovenergo.

The electronics and instrument-making industries are characterized by a high concentration of original technologies and specialists skilled in high-end production. These enterprises have associated research institutes and experimental design offices that work on high-level scientific developments.



The food industry of Saratov Region is the third largest in the Volga region. The meat and dairy industries have more than a 50% share in total output, and flour and cereal production accounts for the rest.

Companies such as Alternativa (batik-style silk goods) and the Dinamo sportswear factory (a wide range of cotton and synthetic goods) represent light industry. Saratov Region is Russia's largest producer of silk fabrics.

There are nearly 100 joint ventures with foreign companies registered in the region. Foreign participants include companies from the United States, Austria, Bulgaria, Hungary, Germany, Great Britain, Italy, Spain, India, Switzerland, Serbia and Montenegro, China, France, Poland, Greece, Canada, Israel, and Guinea-Bissau.

Saratov Region's primary exports are raw materials and chemical and petrochemical products, mainly to the Netherlands, Switzerland, Turkey, and the United States. The region imports mainly high-tech instruments, medical equipment, plastics and plastic goods, pipe, inorganic chemical products, corn, grain, and clothing.

### **AUTHORITIES**

Saratov Region is divided into 38 administrative and territorial districts. There are 12 cities under regional jurisdiction, 5 cities under district jurisdiction, 34 towns, and 597 rural administrations.

The Administration of Saratov Region is the region's highest executive body, and the Saratov Regional Duma is the highest legislative body.

### **CULTURE AND ART**

Saratov is one of Russia's most important cultural centers. Its theaters have already played and continue to play an enormous role in educating the people of Saratov and introducing them to the world of art and literature. Saratov residents especially enjoy the Academic Opera and Ballet Theater, the Academic Drama Theater, the Young People's Theater (the first in Russia), the puppet theater, the oldest circus in Russia, and the Academic Philharmonic Symphony Orchestra.

At the turn of the 20th century, the theater companies of M.M. Borodai and N.I. Sobolshchikov-Samarin gave numerous performances in Saratov, and famous actors performed on Saratov's stages. Sobolshchikov-Samarin himself was a talented actor who did a lot to develop the national theater. D.M. Karamazov, one of the most interesting representatives of the provincial actor's art in the decade before the Revolution, acted in Saratov for many years. Another actor, V.I. Kachalov, began his stage career in Saratov, appearing on the stage of the City Theater for three years.

Saratov was the native city of composer Alfred Shnitke and artists Kuzma Petrov-Vodkin, Viktor Borisov-Musatov, and Pavel Kuznetsov. The Saratov Conservatory has created a dynamic piano school in the years since it was founded. Distinguished professors like I. Slivinsky, A. Sklyarevsky, I. Rosenberg, P. Egert, K. Radugin, A. Satanovsky, A. Shchapov, S. Benditsky, and B. Goldfeder have worked here at various times.

The organizers of the Governor's International Piano Competition in Saratov invite musicians from various countries to take part in it.

Saratov is regarded as a city with solid theatrical traditions, and many actors seek to come here.

**Official Site of the Administration of Saratov Region: <http://www.gov.saratov.ru>**



## Regionen.ru About Russian Provincial Development

In its German October 2008 newsletter, Regionen.ru, related to the German Foreign Chamber of Commerce wrote about the development of the Russian provinces. Translated extract:

### Russians Provinces awoke from their Cinderella sleep

#### Regions increasingly interesting for German companies

by Gerit Schulze, Moskau (bfai)

Facing the fed-up markets Moscow and Sankt Petersburg, German companies increasingly have a look at the more distant Russian areas. The different regions compete for the foreign investors. But the starting conditions in the province is not always easy: Emigration, missing infrastructure, shortages on energy and excessive bureaucracies require much efforts going into the regions, becoming obvious at a conference of the the German-Russian Foreign Chamber of Commerce.

German companies are the most active and risk-willing group of foreign investors regarding the development of the markets in the Russian back-country. "They are present today in 81 of the 83 regions of the country, more spread out than any other commercial community", says Michael Harms, manager of the board of the German Russian Chamber of Commerce (AHK), mid-September 2008 on a conference about the potential of the Russian regions.

For years, Moscow and St. Petersburg were considered the top of the notch for western companies. In both metro-cities money and purchasing power was available, highly qualified employees could be found, the infrastructure worked, offices, housing and hotels meeting western standards and flight connections into the entire world were existing. The traffic routes of the country crossed in its capital and the development of the huge country seemed only possible from here.

### Selected Russian Regions In Comparison (Figures for 2007)

Commercial subject	Citizens (in million)	Gross development investment in billion €	Foreign direct investment in billion €	Industrial production growth in percent	Constructive development in million	Housing construction in m <sup>2</sup> per citizen
Russia total	142.11	189.23	20.28	6.3	94.03	0.4
Moscow (city)	10.46	20.00	11.42	11.5	13.14	0.5
Moscow (oblast)	6.66	10.62	1.52	13.4	6.33	1.1
St. Petersburg (city)	4.57	8.47	0.57	10.0	6.54	0.6
Leningrad (oblast)	1.64	3.66	0.28	2.6	1.61	0.5
Kaluga	1.01	0.74	0.10	14.2	0.44	0.5
Vladimir	1.45	0.94	0.12	12.7	0.40	0.3
Krasnodar	5.11	6.42	0.13	10.7	3.46	0.7
Nishnij Novgorod	3.37	3.48	0.10	8.1	1.56	0.3
Tatarstan	3.76	6.00	0.30	8.8	3.57	0.5
Jekaterinburg	4.40	5.34	0.09	10.1	2.48	0.4
Tsheljabinsk	3.51	3.50	0.29	12.5	1.39	0.5
Novosibirsk	2.64	2.43	0.04	11.1	1.01	0.5
Krasnoyarsk	2.89	3.37	0.00	4.1	1.24	0.4
Saratov						
Other	90.64	114.26	5.32	-123.5	50.86	



But meanwhile German companies increasingly take a look into the more remote regions. Because one decade of development have also provided an upswing and financial power to the cities along the Volga, in the Ural or in Siberia. Traditional industrial companies invest billions increasing productivity, housing construction booms, the income of the people grows in two-digit percentages annually.

This improves the sales potential for foreign products. Especially the industrial centers like the Ural with Chelyabinsk, Tatarstan or Krasnoyarsk, but also regions like Yaroslavl move to the center of attention reports AHK-boss Harms from the first results of the regional survey with Germany companies in Russia.

The AHK also questioned the regional administrations in which businesses they hope for stronger investment from Germany. Agricultural sector, woodworking, construction supplies and infrastructure projects were named repeatedly.

Furthermore the glamorous world of the metropolis with its enormous cultural and leisure related possibilities attracts the smart heads from the gray provincial cities.

The food corporate Kraft Foods struggles with that as well. In the 18.000-citizen-township Pokrov near Vladimir the produce chocolate bars and sweets. But in town itself Kraft Food does not find enough staff. Every day 400 employees from the entire Oblast have to be brought to the company in buses - on corporate expense. "Small towns have almost no interest in investors, as they have to pay the tax income to Moscow anyway" explains Julia Weber-Chubays, responsible for the contact to the local administrations at Kraft Foods in Russia. But as the tax income is missing, the communities can not afford to keep up a decent infrastructure for their citizens. In Prokov for example 200-300 child care places are missing. Now Kraft Food considers to create a company kinder garden to keep the mothers in the company. The corporation also sponsors new parks to the cash-strapped city of Prokov that their employees feel well in their hometown.

Kraft Food sponsors every year one million dollars for social causes in Russia says Julia Weber-Chubays. That includes a schooling program animating children to healthy eating and sports. Who invests in the Russian regions has to calculate such expenses to keep or win employees and to stop the emigration to the large metro-cities.

Background information about all Russian regions, contacts, administrative references and potential employees companies can find on the new Internet portal Regionen.ru that was introduced by mid September 2008 in Moscow. It is a joint venture project of the German-Russian forum and the AHK Moscow and is supported by the German Embassy Moscow and the German Academic Exchange Service (DAAD). On the website you find for example access to more than 6.000 scholarship students having attended exchange and support programs in Germany. They mostly speak perfect German and work today in leadership positions in Russian regions and are close with Germany. As such they are good points of contact for German companies with their expansion in the Russian back country.

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2008 German Federal Agency for Foreign Commerce

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### About The Author

Jürgen Barthel is a renowned expert in the international airline and travel distribution with more than 20 years experience.

His references include more than 30 airlines, including global market leaders such as American Airlines, regional carriers such as VLM Airlines, but also Garuda Indonesia, Air Astana or Aer Lingus.

Working on aviation and GDS robotic solutions since 1992 he has shaped the European travel industry as GDS Coordinator connecting the first-ever internet-based Corporate Booking Engine (IBE) to Amadeus (for which he is a certified train-the-trainer) and as member of several industry standardization bodies.

In 1997 Amadeus CEO David Jones praised Jürgen Barthel at the keynote at the Amadeus Global Conference in Barcelona as example for Amadeus ability to support cutting edge Internet technology.

Jürgen is honorary member of the Airline Sales Representatives Association and works since 1992 on board level with airlines, airports, in the hotel industry, travel IT and in business travel. He is speaker, panelist and moderator on many important national and international travel trade events. From 2001 to 2005 he served honorary as member of the editorial board for ITB Travel Technology Congress.

Since 2002 he manages his own consultancy, operating in a network of world wide leading experts in Travel Information, Aviation, Hotel Industry and Business Travel. Located in Leipzig Barthel.eu is based at the largest European hub for air cargo aviation with scheduled passenger traffic by air to major hubs in Europe as well as high-speed ICE-trains to Berlin, Frankfurt, Hamburg and Munich.



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## Resources

- » Aer Arann, Director Sales
- » aer Ticket Team/Everest Travel, Managing Director (largest German Ethnic consolidator)
- » Aero International (aviation magazine)
- » Aeroflot Germany, Sales
- » Aero Logic, Sales
- » Air Berlin
- » Airbus Industries, A320 Sales, Toulouse
- » Amadeus, Airline Product Management and others
- » American Express Travel, Director
- » Association of Corporate Travel Executives
- » BCD Travel, Vice President
- » Bilfinger & Berger, Construction, Overseas Division
- » bmi Regional, Director Sales
- » Boeing, Hamburg Sales
- » Bosch, Travel Management
- » British American Tobacco, Travel Management
- » Carlson Wagonlit Travel, Vice President
- » Chamber of Commerce Frankfurt
- » Chamber of Commerce Hanover
- » Chamber of Commerce Leipzig
- » Destination Marketing Association International
- » DHL Sales Leipzig
- » The Eastman Group, President
- » Eastern Air Cargo Leipzig
- » eHotel AG, Product Manager
- » Embraer, Sales U.K.
- » Expert RA, Rating Agency
- » Eye-For-Travel, President (<http://events.eyefortravel.com/russia/>)
- » Federal Express, Sales Leipzig
- » Financial Times Germany
- » German Foreign Chamber of Commerce, Moscow
- » Council of European Municipalities and Regions (German Chapter)
- » Fraport, Aviation Sales
- » Gebeco (TUI Study Tours), Product Manager
- » Germania (airline), Sales Manager
- » German National Library, Leipzig
- » Hahn Air, Managing Director
- » Hanover Airport, Director Sales
- » Henkel KGaA, Travel Management
- » Hochtief AG, Aviation Sales
- » Humboldt University Berlin  
Manager of the Travel Department
- » International Air Transport Association (IATA)
- » International Congress & Convention Association
- » Kommersant.ru
- » Leipzig Airport Sales
- » Luftfahrtbundesamt  
(German Federal Aviation Bureau)
- » Lufthansa Systems, Managing Director
- » Marketing Guild of Russia, Member St. Petersburg
- » Meeting Professionals International
- » MICE Contact, President  
(MICE = Meeting, Incentives, Congress & Events)
- » N&N Reisen (Russian Ethnic Travel Agency), Owner
- » Olympia Reisen (Saravia GSA Germany)
- » Primavera Saratov, Director
- » Reuters
- » Russian-American Chamber of Commerce
- » SARBC
- » Schubert Reisen, Director  
(Consolidator for ethnic travel to Russia)
- » Société Internationale de Télécommunications Aéronautiques (SITA)
- » Time to Profit, President
- » Transport Automation Information Systems  
Director Sales
- » United Nations World Tourism Organization (UNWTO)
- » VLM Airlines, Managing Director
- » WestTours Reisen  
Travel Agency of the German Foreign Ministry
- » Wikipedia
- » Wikitravel
- » Wolga Reisen, Managing Director  
(Consolidator for ethnic travel to Russia)