17 Feb 2009 19:31 GMT **Dow Jones UPDATE: Russian Railways CEO: Russia Econ Decline Far From Bottom**

-By Alexander Kolyandr, Dow Jones Newswires

LONDON (Dow Jones)--Russia's economic decline is "far from the bottom," Vladimir Yakunin, chief executive of state-owned monopoly Russian Railways, or ***RZhD***, said Tuesday. Railway throughput fell more than 20% on year, he told Dow Jones Newswires, speaking on the sidelines of the Russian Business Week, organized by London School of Economics' Russian Business Society. Yakunin said that the railways started to experience significant drop in throughput in November and that the precise figures for 2008 won't be known until April. Russia's economy ministry expects the country's commodity-driven economy to contract this year by 2.2% from 8.1% in 2007 and 5.6% in 2008. Russia's industrial output in January fell 16% from a year earlier, the sharpest fall in 15 years, as production was cut due to falling demand. Russia's economy ministry Tuesday lowered its industrial production forecast for 2009 to a decline of 7.4% from an earlier estimated fall of 5.7%.

Yakunin said that the volume of nonferrous metals transported in January halved from a year earlier and only marginally increased in February from January. He said transportation of fertilizers, coking coal, cement and construction materials also dropped significantly. The volume of the goods transported by the country's railways is close to its bottom as companies start to empty their stocks, Yakunin said. "They have filled all the possible warehouses with their steel, metals and aluminum, and are waiting for the situation to improve, but sooner or later they would have to sell their stockpiles, and we'll see the rise in transportation," Yakunin said. In a repeat of mid-1990s, Russian producers are starting to delay payments to utilities and transportation companies. Yakunin said Russia's metals and mining companies have payment arrears for transportation, and ***RZhD*** is in talks to resolve the problem by the end of February. He declined to give the total amount of the debt. He said that aluminum giant United Company Rusal has already accumulated a debt for transportation and that ***RZhD*** is in talks with the company "to find a mutually accepted solution". He declined to say how much the company owes, but said that "it's hardly comparable with Rusal's" other debts. Rusal has at least $14 billion debt and is now in talks to restructure it. Officials from Rusal weren't immediately available for comment. He also said that in an attempt to refinance its debt, ***RZhD*** is in talks with Western banks to raise 100 billion rubles, or about $2.75 billion, in ruble-denominated AAA-rated long-term infrastructure bonds in addition to the same amount already in the pipeline.

Fitch Ratings agency downgraded Russia's sovereign debt Feb. 5, to BBB, the second-lowest investment grade, from BBB+ citing the impact of falling commodity prices and capital outflows. Yakunin said that the company has prepared two scenarios - an optimistic one, which envisages budget's support for the investment program, and a pessimistic one, which sees the railway financing the program on its own, resulting in a 50% cut of the 2009 investment program. However he said ***RZhD*** is still ready to develop the giant Udokan copper project according to the plan he presented the time of the tender. Udokan is one of the world's largest undeveloped copper deposits. In September an ***RZhD***-led consortium lost the auction for the rights to develop Udokan to privately owned Metalloinvest Holding, which has yet to pay for the license. ***RZhD***'s plans aren't limited by Russia's borders, as the company is in talks with Mongolia's government on a joint venture in mining projects. Yakunin said that ***RZhD*** itself isn't planning any more mining and metals projects for now, but didn't exclude that ***RZhD***'s banking subsidiaries may be interested in them.