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**ENERGY NEWSLETTER
PROJECT
FINAL REPORT**

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I. EXECUTIVE SUMMARY

Armenia recently faces energy crisis resulting from the breakdown of the former economic system, blockade by Azerbaijan and Turkey, and the inherent inefficiencies of old technologies. To help to overcome the crisis many foreign countries are offering their help through different energy programs and mechanisms. They, however, discover substantial difficulties with information availability and communication in Armenia. Information availability is the problem for local organizations as well.

Most countries have different publications focused on energy issues, but Armenia does not have any yet. Obviously, the idea of some energy information source creation resides for a long time. Our client, Harutiun Topsacalian, USAID\IDEA came up with the idea of Energy Newsletter establishment in Armenia and order the group to conduct feasibility study and prepare the business plan¹ for the new business start-up and, also, to submit first prototype of the "Energy Newsletter"². In fact, the Energy Newsletter project began its implementation almost month ago. It was not planned by the group and undoubtedly, this is an another achievement of the group.

The purpose of the Energy Newsletter is to establish good communication set-up, to provide energy sector and related to it organizations and people with timely and important information. This newsletter planned to be in three languages (Armenian, English and Russian). "Microsoft publisher 2.0", which has wide possibilities and designed mainly for such kind of publications and allows to

¹ This is completed by the group.

² "Energy Enlightenment" is the name of the of the newsletter.

make high quality copies, is used for the newsletter publication. Newsletter will be 3-colored. However, the resulted costs are not deviated much from an ordinary black and white newsletter publication costs and completely justified by the quality, which, we believe, will attract and please readers.

Market research was conducted by the group, which was carried out through questionnaires distribution, personal interviews and telephone calls. Sample population was designed by nonprobability method of selection: Judgment Sampling.

Research revealed high need in such an information source for energy sector, which has great strategic importance for the development of Armenia. That is why even if it takes long time to reach positive cash flow, this business is worth to start for two reasons: to provide energy sector with timely and important information and establish a new market. When the economic situation in Armenia is rectified and the population is capable to pay market price for the newsletter, the company will have already its market share and begin making profits. So, it is better to sacrifice now, and succeed in the future. Nevertheless, there are still possibilities to improve financial position even earlier by means of business diversification and newsletter introduction to the foreign markets (see Section XIV).

In addition, to start this business the company needs \$ 15'530 initial investment, good location (center of the city, permanent power supply, good telephone communication lines) and professional management team. Detailed financial analysis reader can find in sections below, tables and exhibits are provided in Appendices, documentation is attached.

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III. THE INDUSTRY AND THE COMPANY AND ITS PRODUCT

A. *The Industry.*

There are several publishing organizations in Armenia, but no one has been publishing a Newsletter so far, except French Embassy (Le Bulletin, AMBASSADE DE FRANCE EN ARMENIE). Almost all publishing houses in Armenia are loss making organizations and survive due to government subsidies or sponsorship. Some of them can handle business due to advertisement placement in their newspapers or magazines. The prices for publications are based on demand, that is why revenues can cover expenses only if high volumes are realized.

Newsletter publication Industry is the new one for Armenia. In fact the advantage of this business is that "it can be started by someone with a little capital and some talent. While this business is easy to start, it has little growth potential"¹, in the meaning of introduction to the new big market segments (also, making high profits from some point in the future), especially, if we take into consideration specific character of our newsletter, that is it is, mainly, designed for the energy specialists and it is hardly believable that an ordinary citizen will subscribe the newsletter. So, getting subscription from the population in the nearest future we consider to be unrealistic, though we do not reject the possibility of new market segments identification.

¹ " Entrepreneurship: Starting a new business ", Robert L. Anderson, John S. Dunkelberg, 1990 by & Row, Publishers, Inc.

B. The Company and The Concept.

The purpose of this company is to develop an energy newsletter for Armenia. We strongly believe that an energy newsletter is very important and timely for our country for various reasons. Some of the reasons are:

- ñ to considerably enhance communication between energy enterprises, and Ministry of Fuel and Energy
- ñ to enhance communication between local energy enterprises and foreign projects, consultants, and organizations concerned with the energy issues in Armenia
- ñ to educate Armenian energy specialists what were the steps undertaken by the countries to overcome crisis situation
- ñ inform international agencies and companies about energy and business opportunities
- ñ to introduce Western energy management, financing, and technology concepts to Armenian energy and governmental specialists

There are several European, and Armenian Diaspora organizations working on energy related projects in Armenia. We believe, that this newsletter will provide the means of communication between these companies, at least it will create knowledge about who does what, how and at what stage of development these projects are. It may also serve as a job placement tool, when contractor or Armenians seek qualified personnel. Thus, a good communication set up, is one of the most important goals of this newsletter.

Another function of this newsletter is to introduce complex Western financial, economic, and technological concepts to local energy specialists and enterprises

- Find out information that is not easily available
- Provide reliable source of statistics in energy sector
- Keep truck of information

C. *The Product and Service.*

The company's product is " NEWSLETTER", which is 3-colored and 4-6-page (the page size is A4), with colorful slides and graphs. The frequency of the publication is once in a month. This newsletter will be issued in three languages: Armenian, English, and Russian. Software application " Microsoft Publisher 2.0 " will be used for the newsletter design. The first issue publication is a matter of few days, for evaluation purposes the first prototype is attached.

The newsletter will provide such services as advertisements and announcements placement.

Main topics that will be offered to readers:

1. News
2. Review of technological innovations on energy saving
3. Economic issues
4. Legislative developments in energy sector
5. Energy sector management
6. Specific information on local and foreign energy companies and projects
7. Privatization and energy sector
8. Investment opportunities in RA
9. Alternative energy sources

One of the advantages of this newsletter is that it is unique one, there is no predecessor for it so far. This the first printed media for energy system. In Soviet

times Armenia was receiving different energy related publications from Moscow which provided sufficient information on energy sector. Taking into consideration that in communist times all the Ministries were under the control of Kremlin and centralized decision making mechanism was in use, the need of local information source was not apparent.

Now, when Armenia became an independent country and energy sector development became the problem number one for it, one can realize the timeliness and importance of such an information source creation and the demand for that. The other advantage over the rest local publications is that it will be issued in three languages, which in turn allows to serve more readers than can do local publications as well as in future to get subscription in foreign countries. Quality of the newsletter is another advantage. It will be printed on quality paper and be colorful that also adds value.

Preliminary market research was already conducted. According to market analysis there is high need for such a newsletter in Armenia. Through the survey interests and priorities of the newsletter readers were identified and market size was estimated.² In fact, for the coming three years besides energy sector market the company targeted at the another market segment, which includes international organizations currently working in Armenia. This is a small segment where little growth is expected, but this segment is capable to afford market price of the newsletter.

² Statistical data provide by the Ministry of Energy and Fuel reveals that the potential market size is about 25000.

D. Entry and Growth strategy.

At the beginning this newsletter will be introduced to the two market segments, which are energy sector and international projects, embassies, agencies in Armenia³. As far as the company itself establishing a new market, which is energy sector of RA, and the company, in fact, the monopolist, so there is possibility for aggressive market share and sales projections.

Yet, taking into consideration that population can not afford market price of the newsletter it is not reasonable to make high sales projections, unless the situation is changed. So, we come up with modest projections, which can be easily achieved. The only purpose is to provide the Energy sector and international agencies with important and needed information

IV. MARKET RESEARCH AND ANALYSIS⁴

A. Customers

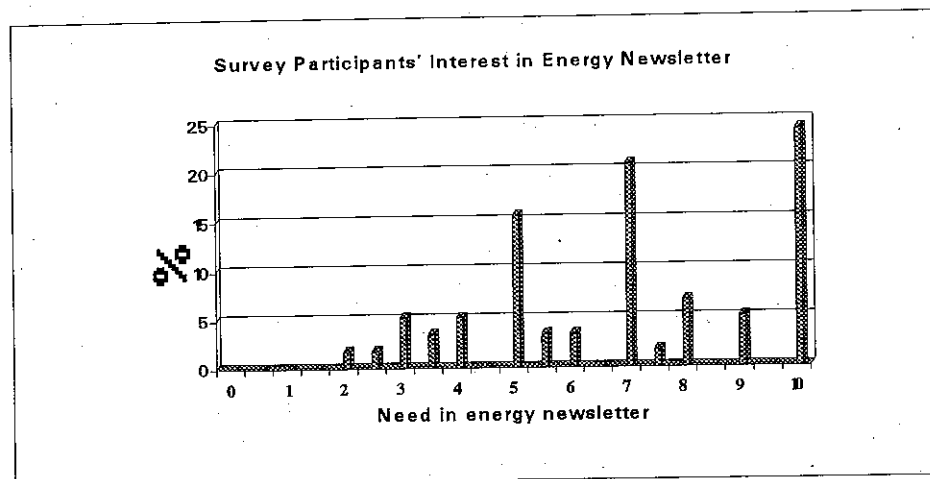
Sample population was designed by nonprobability method of selection: judgment sampling which means the choice was deliberate, not a random manner. Representatives of all the energy related enterprises in Armenia were questioned, and mainly they were managers or Department Heads. Sample size was 231 interviewers, 100 by means of questionnaires and the rest is personal interviews and telephone calls. Only 80% of questionnaires are back.

³ It will also cover Ministries of RA, Government and Privatization Commission, in fact, the number of copies distributed to this organizations is almost negligible in comparison with the main market and has no growth potential). Initial order size is 250 subscribers, according to the results of market research. See ~~DOCU~~ Newsletter orders.

⁴ Results of the market survey see in Appendix 1.

Market Research revealed that almost 100% of sample population (energy sector of RA and international organizations concerned with the energy situation in RA) do not get necessary information on energy issues and energy organizations and projects working in energy sector have high need in energy newsletter. For example, ArmEnergO wants to buy as an organization up to 100 copies of newsletter if it is really informative. Besides, some other international organizations: humanitarian as well as business, government, and embassies are also interested in having information about energy situation in Armenia. (See Exhibit 1.)

Exhibit 1.



Vertical axis represents percentage of survey participants.

Moreover, the majority of survey participants are willing to subscribe personally for such a newsletter: 72% of them definitely wants to subscribe; only 9% do not have an intention; and 19% are hesitating which means that if the newsletter is good enough they will buy.

On the one hand, there is not any analog for energy newsletter in Armenia and consequently there is a lack of information. On the other hand, energy crisis in Armenia has taken attention of many foreign organizations who have carried out or are organizing in Armenia different projects. Such projects deal with problems in energy sector and need information on energy situation as well as on the activities of the other energy related projects which makes energy newsletter very important and useful for them. These factors will greatly assist to capture this (international organizations in RA) market segment during the first months of publication.

In the future when the newsletter proves to be of high quality and informative market will be enlarged to involve also non-energy specialists, especially businessmen who will be interested in making investments in Armenia. Research through personal interviews revealed that there is also a possibility to get subscription from some CIS countries, especially from Russia, as well as from Europe and the USA.⁵ Yet, this kind of network establishment is the matter of time and needs serious research.

The customers are easily reached, because they are either certain organizations or employees of these organizations, and they will get the publication directly from distributors. The distribution will be carried out by the driver-distributor, who is the company employee.

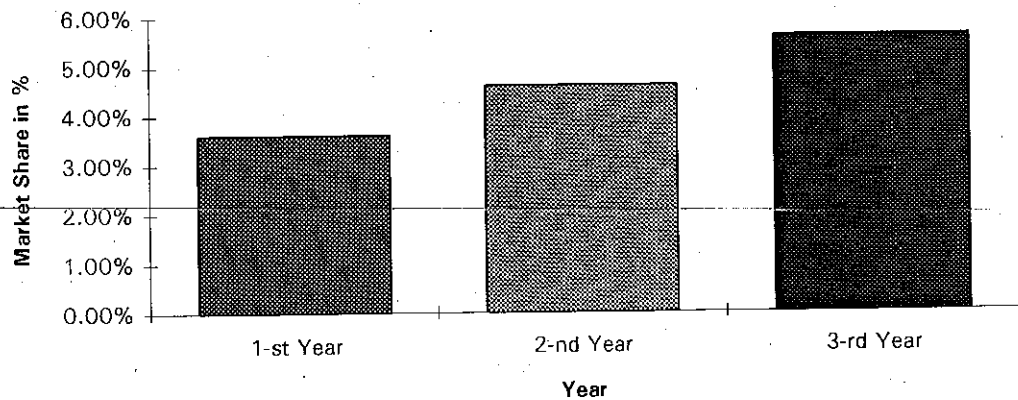
⁵ Rusoil and Russian Ministry of Energy as well as some Diaspora organizations in Europe are interested in subscription if the Newsletter proves to be of good quality.

B. Market Size, Market share and Sales Projections.

Potential market size is 25000, according to the statistics provided by the Ministry of Energy and Fuel. Although the company is the establisher of the new market, thus the monopolist, and has wide opportunity for aggressive projections, but at the same time the company's movements are limited due to the organizational constraints. It will take time before product will be adopted and personal subscription organized. We realize that the process of network of subscribers establishment and distribution organization can be done only smoothly.

As far as we have 230 orders, we decided to begin with 1% market share and increase it to 3.6% by the end of the year. The increase of the market share 3-times is proved by the condition that the company is the only producer, yet in the following years Ministry of Energy and Fuel plans to establish energy newspaper, which can somehow affect the newsletter sales. During the second and third years we plan only 1% increase in market share every year.

Market Share



Sales projections for 3 years:

Sales projections for the first year by months:

Month	1	2	3	4	5	6	7	8	9	10	11	12
Sales in units (A.&R. vers.)	150	200	250	300	350	400	450	500	600	700	800	900
Sales in Drams (in thousands)	15	20	25	30	35	40	45	50	60	70	80	90
Sales in units (English vers.)	50	50	55	55	60	65	65	70	75	80	90	100
Sales in US. \$	150		165	165	180	195	195	210	225	240	270	300

Sales projections for the second and third years by quarters:

Year	2nd year				3rd year			
	1st Q	2nd Q	3rd Q	4th Q	1st Q	2nd Q	3rd Q	4th Q
Sales in units(A&R)	2845	3030	3225	3435	3630	3810	3995	4169
Sales in Drams (Th)	284.5	303.0	322.5	343.5	363.0	381.0	399.5	416.9
Sales in units (E)	300	310	315	330	330	330	345	360
Sales in US\$	900	930	945	990	990	990	1035	1080

C. Competition and Competitive Edges

During market research it came out that there is a group of specialists in the Ministry of Energy and Fuel who are intended to begin publication of energy

newspaper with scientific orientation. Though they have better access to the information of the Ministry, they are slow at making decisions and are in the process of constitution development for registration. The problem of who will handle this business, when, where and how is remained open so far. The newspaper will be published only in Armenian language which means they will not cover representatives from international organizations. They did not get financing as well. Yet, as an Governmental organization they have better chance to get subsidies from the Government.

This group do not consider quality to be important and intended to have mass production, though it is unlikely that average citizen will buy scientific newspaper. Their newspapers will be sold through kiosks. In the contrary energy newsletter will be distributed directly to the customers which is more convenient for them and will have its constant subscribers. Quality will be hardly comparable with the quality of newspaper. We already created reliable network of information sources that can provide with timely information on energy sector of RA and news from all over the world, as well as taking into account the more popular orientation (less scientific) of the newsletter, we are sure that topics in the energy newsletter will be also more interesting than in the scientific newspaper.

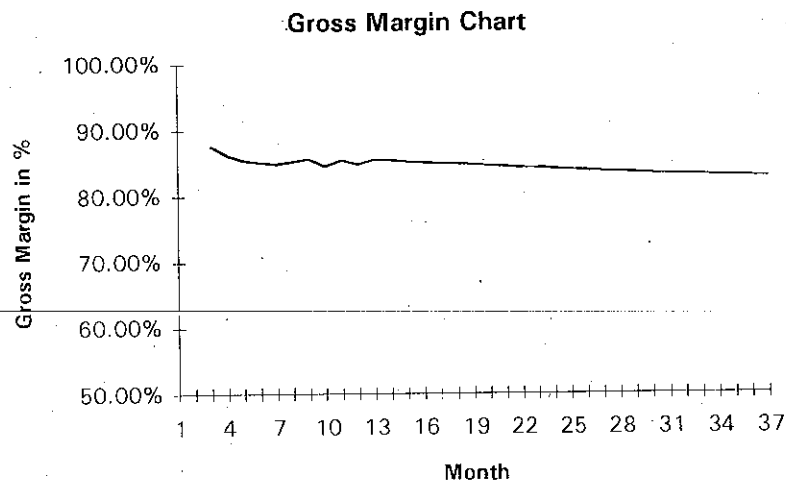
Another advantage over the mass newspaper is that energy newsletter can easily receive constant feedback from the customers (because of direct distribution) which will help keep on with changes in tastes and provide timely needed information. For the first issue preferred topics were identified through market survey (See Exhibit 3. in the Appendix 1).

At last, financing for the six months of operation was received by the company that gives an opportunity to test the newsletter, introduce the newsletter first, conduct an additional market research, develop the right marketing strategy. This is really a good opportunity for this project evaluation and development of the business plan.

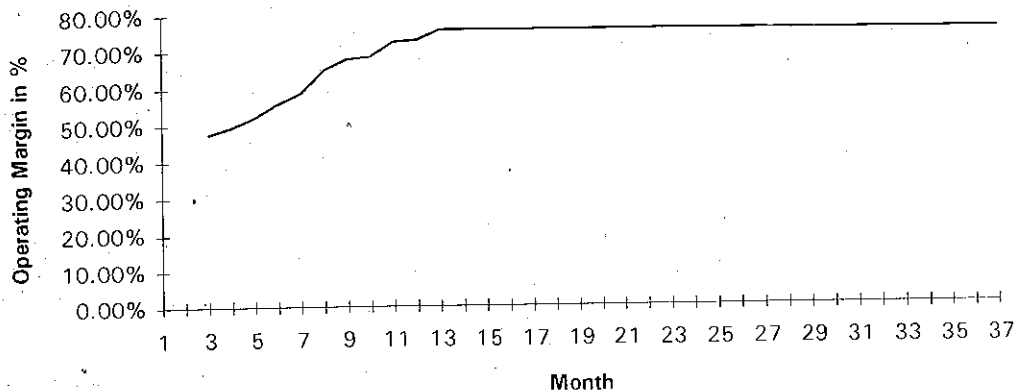
V. THE ECONOMICS OF THE BUSINESS

A. Gross and Operating Margins

The gross margin, which is the selling minus variable cost, of the newsletter is decreasing from month to month. That means that the it would be in fact impossible to reach a break-even sales. As to the operatignmargin, it grows steadily, which means that the reason that the comany does not reach break-even unit sales is to high fixed costs. The graphs for both, operating and gross margin, are given below.



Operating Margin Chart



B. Profit Potential and Durability

As a rule newspapers are either subsidized or make profit (if any) mostly from advertising. This will be true about the newsletter too. It is obvious that the newsletter will carry losses at least for the first year of operation, because predicted sales are rather low (see break even analysis, Appendix 2). Profit stream of the company is very sensitive to sales volume and prices. The main reasons for the company for losses are the low price for the Armenian and Russian versions, which is only 100 drams (\$0.26) by the sixth month, and becomes 200 drams (\$0.53) from the seven month, and high fixed costs.

C. Fixed, Variable, and Semivariable Costs

Variable costs of the publication are paper cost and operating cost of the Xerox machine. Paper cost is calculated by dividing the market price of A3 format paper, which is \$20 for 500 paper, into 500. So, the paper cost for four page newsletter is $\$20/500 = \0.04 , and $\$0.06 (\$20/500 \times 4/6)$. The color Xerox machine operating cost is calculated by the following formula:

$\$8,000/1,000,000 + \$500/50,000 + \$50/5,000 = \0.028 /per one side of A4 format paper. \$8,000 is the color Xerox machine price, \$500 is the equipment price, \$50 is the cartridge price. 1,000,000; 50,000; and 5,000 are correspondingly capabilities of the Xerox machine, equipment, and toner in copies. As far as one A3 format paper is two A4s, we will have four times more for two sides of a A3 format paper for the four page newsletter and six times more for the six page newsletter. So, the operation cost will be $4 \times \$0.028 = \0.11 /per copy for the four page newsletter, and $6 \times \$0.028 = \0.17 .

As to the fixed costs, there are salaries, office rent, depreciation, payroll tax. Payroll tax is 15% for people paid in US \$. According to the Armenian laws, businesses like the newsletter do not pay added value taxes. The only taxes the newsletter is obliged is the tax on profit and tax on payroll. As far as the newsletter will not be making profits, the tax on profit should not be considered.

Salaries of the management team are rather modest (see Appendix 2). The depreciation expenses are calculated by strait line depreciation. We think that the useful life of the facilities is ten years with no salvage value at the end. So, the formula for depreciation calculation is the following:

$(2 \times \$1,800 + \$2,000 + \$8,000) / 120 = \55.00 /per month. Printer cost is \$1,800, color laser printer cost is \$2,000, and color Xerox machine cost is \$8,000. 120 is the number of months in ten years. The office rent is about \$100 per month.

Semivariable costs are utility expenses, telephone, fax, and e-mail expenses, gasoline expenses, maintenance expenses, shipment expenses and miscellaneous expenses. Utility expenses include light, water, and gas (if available). Telephone, fax, and e-mail expenses are calculated very modestly, which start from \$150 up to \$250 to end of the third year. As to the gasoline

expenses, we think the car will driven 50 kms a day in average, which is $50 \times 24 \times 0.15 \times \$0.40 = \$67.2$ /per month. Maintenance expenses include maintenance of the computers, printer, Xerox machine, which is at least \$50 a month. The shipment expenses present newsletter delivery costs, which are \$10 for the first month and will be in average \$30 a month by the third year of operation, and then it will become \$50 a month. Finally, the miscellaneous expenses are for not predicted expenses, which are \$70 a month.

D. Months to Break-even

According to the break-even analysis, the company will not reach a break-even sales at least by the end of the third year. Even though the price of the newsletter is increased up to 200 drams per issue for the Armenian and Russian versions, it does not reach any unit sales (see break even analysis in the Appendix 2).

E. Months to Reach Positive Cash Flow

According to the cash flow analysis (see Appendix #2), the cash flows of the company are decreasing from year to year. As far as the company cannot reach a break-even sales in three years, consequently it will not have any positive cash flows in that period of time.

VI. MARKETING PLAN

A. Overall Marketing Strategy

Marketing Objectives:

1st year: to get 3.6% of market share by the end of the year and reach total sales level.

2nd year: to increase market share by 1% and sales by 30%.

3rd year: to increase market share by 1% and sales by 20%.

Target customers

Target customers are primarily energy enterprises, several Ministries of RA and projects concerned with energy issues, Embassies, Privatization Commission, Government, libraries, scientific centers and others.

The newsletter subscribers are as organizations as well as individuals (employees of that organizations). Most of the survey participants mentioned that they would like personally subscribe for the newsletter.

To meet requirements of the customers the company plans to get feedback from them regularly (telephone contacts, correspondence, survey, interviews, etc.).

Distribution

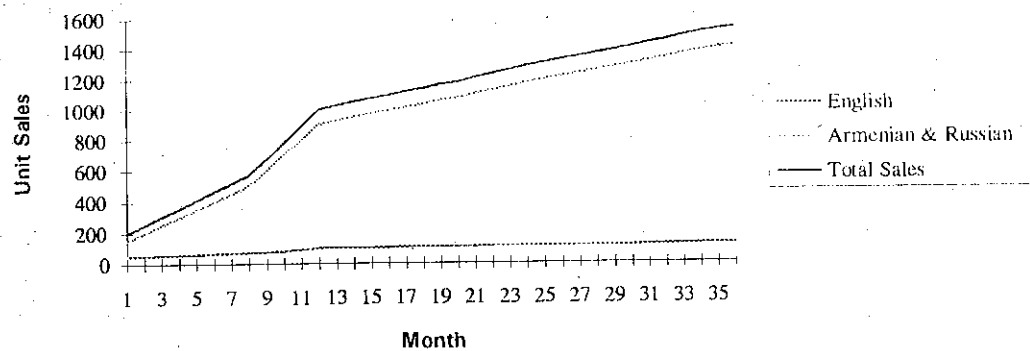
Distribution of the newsletter in Yerevan will be handled by the driver distributor and some few copies will be distributed (for occasional customers) through kiosks.

Distribution will be organized in the following manner. The company distributor will distribute the copies to the organizations to the people specially assigned for farther distribution within organization. Some copies will remain in the organization and the rest will be distributed to the employees who already in the personal subscription list. Payment will be done quarterly and the company distributor is also responsible for receivables collection. According to our projections 40% of sales will be in vash, the other 40% will paid in teh next month, andthe rest, 20%, will be paid as a quarterly subscription.

Promotion and Advertising

No special budget is allocated to the marketing expenses. Sales projections are given in the section III. Sales growth chart is given below.

Sales Growth Chart



To have an effective advertising and promotional program, especially for the first year, the company intends to employ all possible and at the same time affordable means of communication. First, to announce the creation of the newsletter in the popular newspaper. This is worth to do for many reasons:

- wide exposure

- newsletter introduction
- awareness creation
- newsletter availability announcement

Announcement of the creation of the new company also will be made through direct mail, leaflets, billboards, and so on. Such popular and good working in Armenia advertising technique as word of mouth will be pursued by the company.

As the most effective promotional tool the company intends to distribute first issues for free (free samples). Questionnaires will be distributed with the first issue to get feedback from the readers, which will help to evaluate and improve the newsletter. In fact, the advertising campaign will be carried out by the company itself, except few cases of small advertisement placements in newspapers.

The second year marketing strategy will be aimed at keeping the existing market segments and identifying potential subscribers, which will be fulfilled mainly by providing readers with important, timeless and interesting topics, which in turn will be possible due to good working information sources that is planed to have by that time.

The third year marketing strategy, aimed at the achievement of the projected sales levels

B. Pricing

Taking into account the uniqueness and importance of the newsletter there is considerable pricing latitude. However, to charge high price ignoring elasticity of

demand is not possible. The situation in Armenia is not advantageous for such a business start-up. No one publication can go on by self-financing: some of them are subsidized by the Government, the others get funds from advertisements placement, and the rest represent different organizations and financed by them. The regular prices for the newspapers in Armenia are 10-40 drams, for monthly issued publications varies from 50-200 drams depending mainly on size. This low prices for publications are the results of severe economic situation in Armenia. So, local people can not afford the real price of the energy newsletter.

However, the design and paper quality of local publications is lower than average, while the EN company newsletter is planned to be of the high quality (paper, design, information, etc.). As survey revealed international organizations are less price sensitive and mainly interested in quality of the newsletter, hence are ready to pay market price of the newsletter. Considering all the pros and cons, the company came up with the solution to ensue the price discrimination policy. Even this can not considerably change the financial situation. So, in this business will invest only interested organization or Government.⁶

As for the price policy, international organizations will be charged \$3 per copy and as for local organizations they will be charged 100 drams per copy.⁷In fact, because of the economic situation in Armenia the company is forced to charge low price from the locals (see survey results), because otherwise it can not get

⁶Of course, into this business will invest the person who has other interest than profit making.

⁷Thus, the English version's price is \$3 per copy and Armenian and Russian versions will be sold by 100 drams per copy.

the subscription from them. Yet, this is an introductory price in order to establish the newsletter and it will be gradually increased (see Appendix 2).

VII. DESIGN AND DEVELOPMENT PLANS

A. Design Development

Good quality design is of the main concern to the company. The most important investigation for that was "Microsoft Publisher 2.0", which has wide possibilities. This program is primarily for the newsletter design creation. By means of it the company can produce well-designed and modern newsletter. Another design consideration is that the company plans to publish 3-colored newsletter, which will please the readers' eyes, to attract their attention by the colorful slides and graphs.

B. Difficulties and Risks.

One of the difficulties that this company can face is that the company can not afford to hire professional designer for the publication. Yet, a little talent needed to work by help of "Software Publisher 2.0". That is why it plans to have on-job training and to encourage team work and studies of other similar publications by staff. Initially, for the design development and it testing the company plans to consult, to get comments from competent people and newsletter readers, and others. So, the company plans to get regular feedback from the readers not only

C. Product Improvement and New Products

The company plans to find out the ways to offer new services of the informative character to attract new market segments (for example, information on new laws,

placement of advertisements and announcements, etc.). On the other hand, the development of the new products, such as business-cards, booklets, and other things that can be made by "Microsoft Publisher 2.0" is considered to be appropriate by the company. This can help to cover expenses as well as to expand business where additional variable costs are negligible and no fixed costs are incorporated. This new services can be offered not only to the same group of customers, thus new market segments may be covered. Especially, we would like to emphasize that business card business is new one in Armenia, and barriers of entry are minimal.

D. Proprietary Issues

One of the most important issues for the company is to get copyright to protect newsletter, thus to register in the copyright office. Also this business, especially in Armenia, start-up and survive if it gets funds, or subscribe by the government until it can have enough strengths to operate itself. Yet, this will make problems with the factual ownership.

VIII. MANUFACTURING AND OPERATIONS PLAN

A. Operating Cycle

The frequency of the newsletter publication is once a month. The operating cycle is one month. We think, the company should plan the topics to be discussed in each issue quarterly. The journalistic for an issue should start in the last week of the previous month to enable the company to collect planned information on time and have enough time for other steps of publication. When an information or an article is available, it is revised by the manager and an energy consultant, after

which it comes the translator's turn to work on it. The articles to be published are edited by the editor (one editor for all three language) before designing the newsletter. One important thing about articles is that the articles to be published should be shown to the author or the interviewed person. The next step of the production is the designing the newsletter by Microsoft Publisher 2.0, which is followed by printing the newsletter on a color printer and making copies by color Xerox machine.

B. Geographical Location

The company location is very important, because we need a space that is located in the center of the city with uninterrupted power supply, telephone communication, and appropriate furniture. The other thing important about the location is the transportation availability for people coming to submit articles and other visitors. Besides, almost all the organizations and ministries that the company will be working with are located in the center of the city. The only disadvantage of such suggestion is high rental price in the center.

C. Facilities and Improvements

To start the business the company will need two computers, a color printer, and a color Xerox machine. The space will be leased because otherwise it requires a big investment, which is not reasonable for such a business. To rent an appropriate office with all the required conditions, the company will pay at least \$100 per month. As to computers, printer, and a Xerox machine, the company is better to buy these facilities rather than rent them, because rental costs for all the necessary facilities are 10% of the initial price. So, it is more reasonable to buy facilities because their prices will be equal to one year rental costs. For example, to rent a computer (IBM PC 486 DX) the company will pay at least

\$150 per month, which means in 12 months the company will pay the exact price of a new computer. The only thing that the company should consider is the maintenance of the facilities, which is at least \$50 a month. The start-up investment for the business is given below.

Office supplies	\$1,000.00
Computer	\$1,800.00
Computer	\$1,800.00
Color Xerox machine	\$8,000.00
Color laser printer	\$2,000.00
Total start-up investment	<u>\$14,600.00</u>

D. Strategy and Plans

We have considered three main alternatives for publication: printing copies on a color printer, making color printed copies by color Xerox machine, and ordering copies to a specialized publishing company. The first alternative is not appropriate to our quality requirements, because it will be stapled pages newsletter, which does not look professional. The third alternative seems attractive, because in this case there will be no need to buy a color printer and a Xerox machine, which require big investments. But the problem with that is high variable costs. Also, the publication costs in this case are so high that they exceed the amount of money needed for a color Xerox machine in one year. Finally, the second alternative is the best most appropriate one, which is making copies by color Xerox machine.

As to make-or-buy and rent-or-buy decisions, we suggest the company buy the facilities. The reason for this suggestion is that there is only one company in Armenia that is in the facility lending business, which is "ARAGAST B" company, which is not very reliable one, and has very high prices (10% of the initial cost).

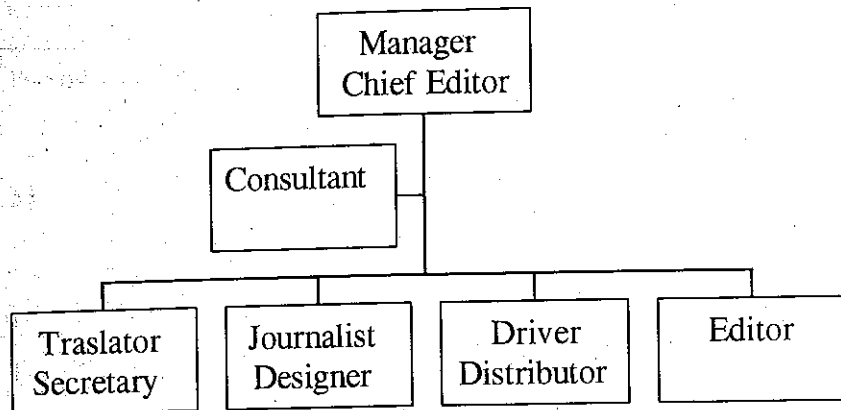
So, taking into consideration this facts and costs, we think that it is better to have high start up costs rather than rent the facilities. Figures that justify our suggestions concerning make-or-buy decision of publication are given below.

The quality control of the publication will be carried out by the manager. It is very important to keep a high quality of the newsletter, because otherwise it will harm the image and consequently the sales of the company.

IX. MANAGEMENT TEAM

All the workers except editors and consultant, who are part time employees, are full time employees at the company. The company management team consists of a manager, translator, journalist, editors, driver. The manager will be responsible for managing the company, doing accounting of the company and all the paper work. He/she will be choosing the articles for publication with the consultant (energy specialist). The translator will be responsible for translating all the articles in all three languages for the publication and secretarial work. Journalist will be responsible for taking interviews with people chosen initially. He/she should also be initiative in taking interviews with people that he/she thinks can be useful for the newsletter. The team is responsible for designing the newsletter. Editors are responsible for editing the articles for publication in three languages. As to the driver, he will be using his own car to drive for the office needs. He will be also responsible for distribution of the issues to subscribers and for purchasing necessary supplies. The organizational chart and salaries are given below.

EN Company Organizational Chart



Salaries

Manager	\$150.00
Translator	\$100.00
Journalist	\$100.00
Editor	\$90.00
Driver (with his own car)	\$100.00
Consultant fee	\$20.00
Free Lance (5x\$10)	<u>\$50.00</u>
Total	\$610.00

X. OVERALL SCHEDULE

The overall schedule is given in the Appendix 3.

XI. CRITICAL RISKS, PROBLEMS, AND ASSUMPTIONS

1. Potential price cutting by competitors

The company's only potential competitor so far (Newspaper and, probably, Newsletter of the Ministry of Energy and Fuel) most likely will be subsidized by the Ministry. This publishing group is not much concerned with quality of the publication (paper, design, etc., except quality of information). Thus, they can charge lower price for their publications.

2. Information control by the Ministry of Energy and Fuel and unfavorable compromise with them

Ministry of Energy and Fuel (ME&F) tries to control information flow in energy sector and wants to have the energy newsletter as its own information organ. So, ME&F can prevent the company to get information from the Ministry as well as influence all the other organizations that have some dependence on or connection with them. In this case the newsletter will lose one of the sources of information. However, this is not the great problem, because we have our own information source in the Government and some specialists from the Ministry of Energy and Fuel (MEF) are ready to provide with the articles.

Last two months were spent on negotiations with the MEF and at last we came to the mutual agreements on most important issues, that is this company should operate independently and MEF should not control all the information covered in

the newsletter, except extreme cases (articles that have strategic meaning to Armenia and carry political information, publication of the last should be proved by the MEF). However, they want the company to make a contract with the information center of MEF and get the information for some fees, which is unfavorable condition for the company and adds to the administrative expenses (in excess of estimates). So, the compromise with the ME&F can cost additional unexpected expenses.

4. Price Increase Assumption

The assumption that price can be increased in the future due to high quality of the newsletter may not be true, because it can affect demand.

5. Personnel

To guarantee the quality of the newsletter the company should hire qualified personnel. But, at the same time, planned salaries are lower than average salaries for the staff the company requires. This can lead to the turnover of qualified specialists in the future.

XII. THE FINANCIAL PLAN

A. *Pro Forma Income Statements*

We could not get any information about similar businesses in Armenia, because there is not one. So, we made assumptions ourselves. According to our income statement analysis, the company will carry losses in all three years of operations (we considered only three years, for details see Appendix #2).

B. Pro Forma Balance Sheet

The pro forma balance sheet of the company is prepared for the first year of operation (see Appendix #2).

C. Pro Forma Cash Flow Analysis

The cash flow analysis are give monthly for the first year of operation and quarterly for other two years. According to our estimates the company will have about 40% of its sells in cash in that month, 40% of sales will be paid in the next month, and the rest, 20% will be quarter subscriptions. The cash needs are very high especially at the beginning, and they keep fluctuating later (see Appendix #2).

D. Break-even Chart

The company does not reach break even unit sales in three years of operations (again, we considered only three years). According to the break-even chart the fixed costs are very high compare to the variable costs.

E. Highlights

The maximum cash the company will need is \$15,530.00, which is needed in the first month. All the cash the company will need for its operations is provided by the investor(s). The company will need some cash at the beginning of each month, which will be spent on the previous months payable like utility expenses, and for that month's operation. We did not consider any loan possibilities, because the only possibility to get financing from a bank in Armenia is a mortgage loan.

XIII. PROPOSED COMPANY OFFERING

The only source of financing will be investors' investments, because as it was mentioned the company cannot get any financing by loans or line credits. The financing will be used to start the business and to be able to operate until it covers its expenses. The amount of money the company will need in three years of its operation is given in the pro forma cash flows.

XIV. CONCLUSION AND RECOMMENDATIONS

As reader can see the company can not reach positive cash flow unless the subscribers can afford market price of the newsletter. In our business plan we consider that the situation in Armenia remains stable for the coming three years. Yet, we examined another scenario as well, but we consider the last less realistic. The 2nd Scenario is based on the assumption of GNP increase per capita, that population can afford market price of the newsletter. In this case the break-even calculations revealed that only the sales of 400 copies is enough to reach break-even (see Appendix 2, Break-even 2nd Scenario). According to this Scenario the company can enjoy profits beginning from the fifth month of business (see Appendix 2 Break-even chart scenario 2).

However, even the current situation of the company can be improved if it involves into related businesses⁸ such as for example business card or booklets production, which can be done easily by the "Microsoft Publisher 2.0". The visit card business is a new and growing business in Armenia. There is high demand for this product in Armenia. Moreover, almost all the international organizations

⁸From now on we consider Scenario 1, that is stable economic conditions in Armenia.

in Armenia are interested in having vizit cards, who, in fact, make one of our target market segments.

So, for the company will be very easy to capture this market segment, taking its direct and constant contacts with international organizations in Armenia, because most of them are the newsletter subscribers. In addition, we would like to emphasise that the vizit card business start-up will not require neither additional investment nor new employees, thus will not add to the fixed costs; and as for variable costs the last are so negligible that can be ignored. To begin this business the company needs to gather some information in order to make cost-price calculations, and the rest is the matter of getting the orders. Besides, the company has an great advantage over the competition, which is the possibility of advertisement placement in the newsletter.

Another possibility to improve cash position of the company is getting subscription from the Diaspora organizations in foreign countries. Preliminary market research showed that this is the real possibility, yet to make estimates of sales we needed an additional research. We recommend the company to conduct market research to test the opportunity of the market expansion into foreign countries.

APPENDIX 1.
SURVEY ANALYSIS

Exhibit U

**Annual Frequency Preferred
by Survey Participants**

Quarterly	12%
Once in 2 months	11%
Monthly	58%
Twice a month	19%

Personal Subscription

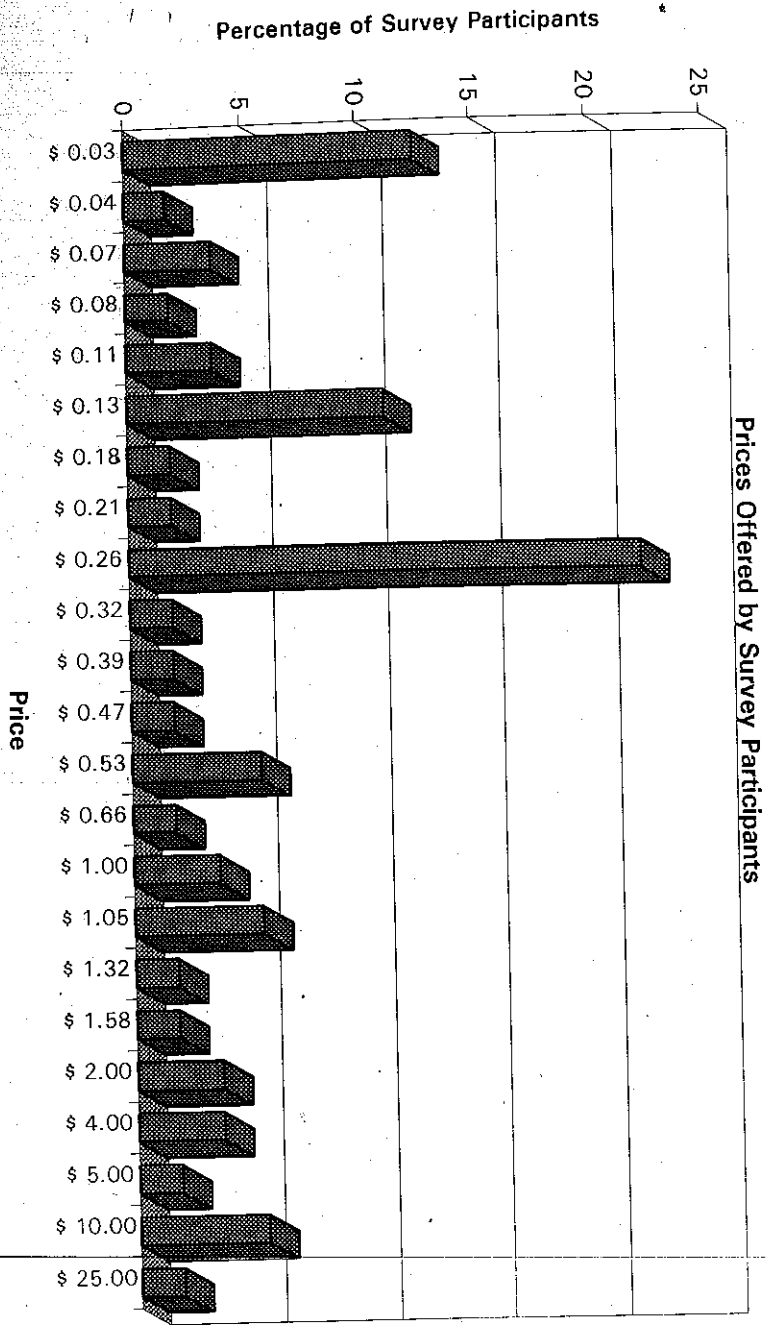
Yes	72%
No	9%
Cannot tell	19%

**Participants' Preferences for the
Newsletter Language**

Armenian only	14%
Russian only	12%
English only	14%
Armenian and Russian	32%
English and Russian	9%
Armenian and English	4%
Armenian, English, Russian	16%
Armenian (average)	37%
Russian (average)	39%
English (average)	24%

Statistical Information

Statistical Parameters	Mean	Max	Median	Min	Mode	St.Dev	25th percentile	75th percentile
Offered Price	1.46	25	0.26	0.03	0.26	3.89	0.13	
Need in newsletter	6.9	10	7	2	10	2.4	5	9.3



Survey Participants' Interest in Energy Newsletter

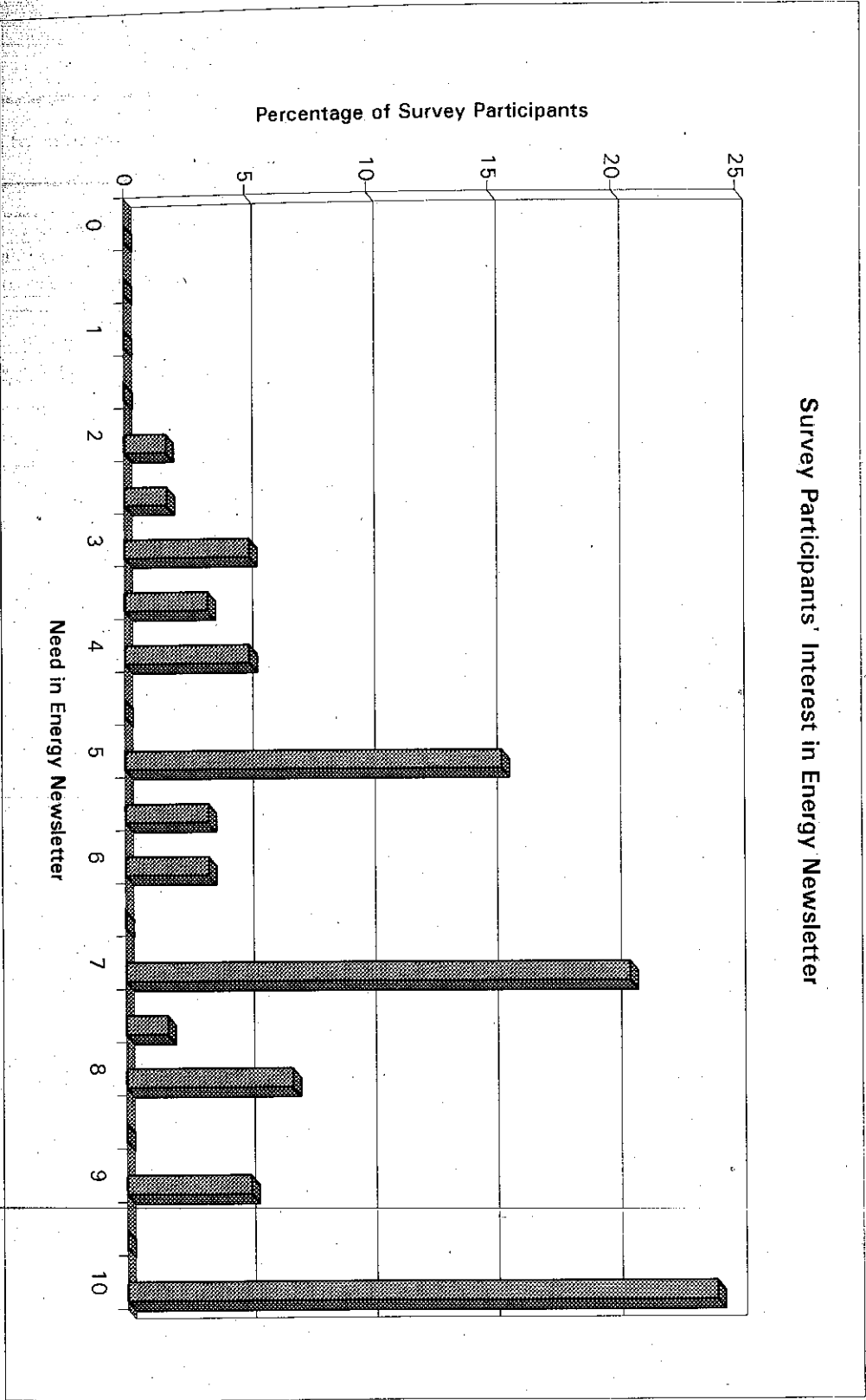
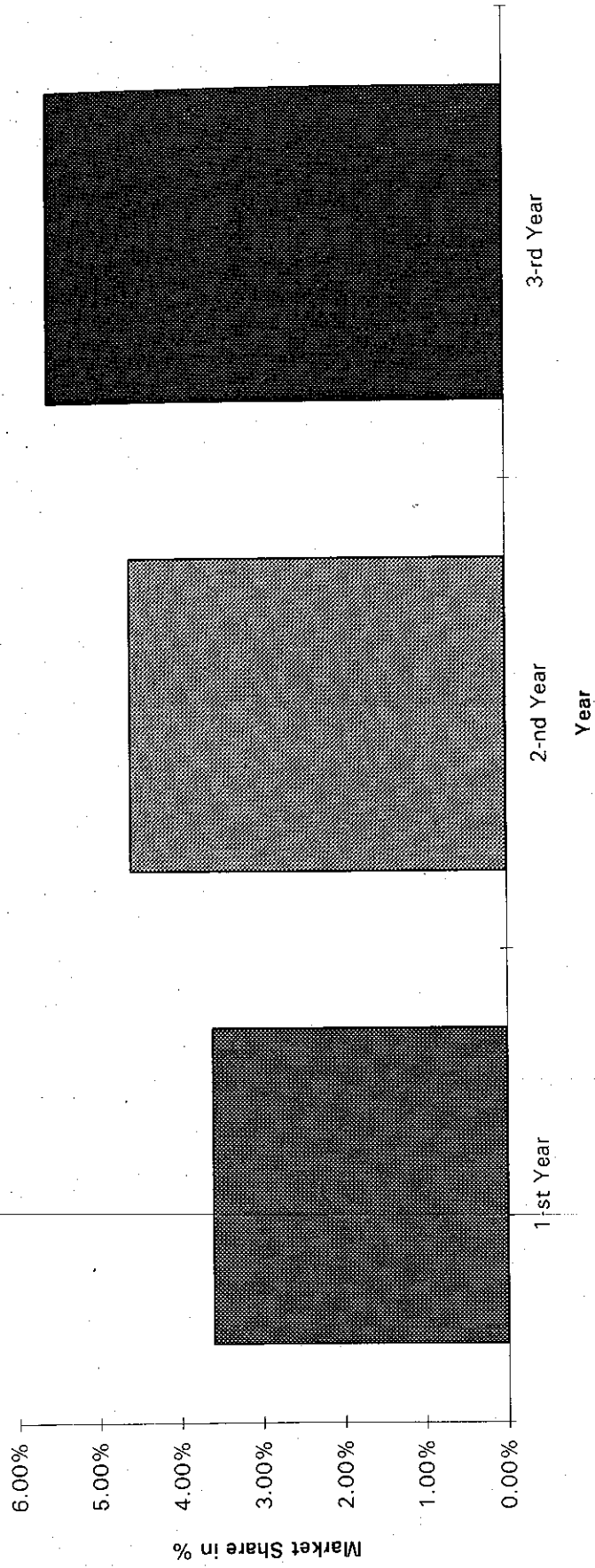


EXHIBIT 3

Topics by priorities

Topic	Priority
Review of technological innovations on energy saving	1
Economic issues (energy sector)	2
Legislative developments in energy sector	3
Energy Sector MGMT	4
Specific information on Energy Companies	5
Advertisements	6

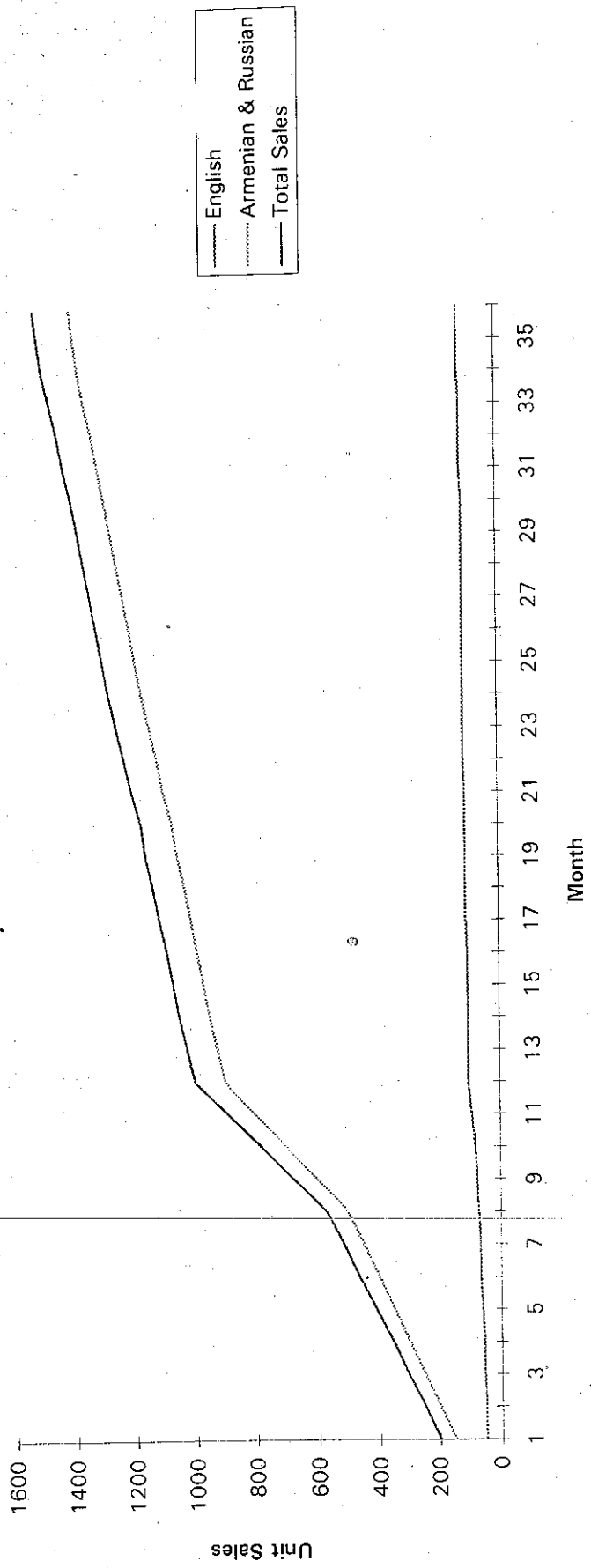
Market Share



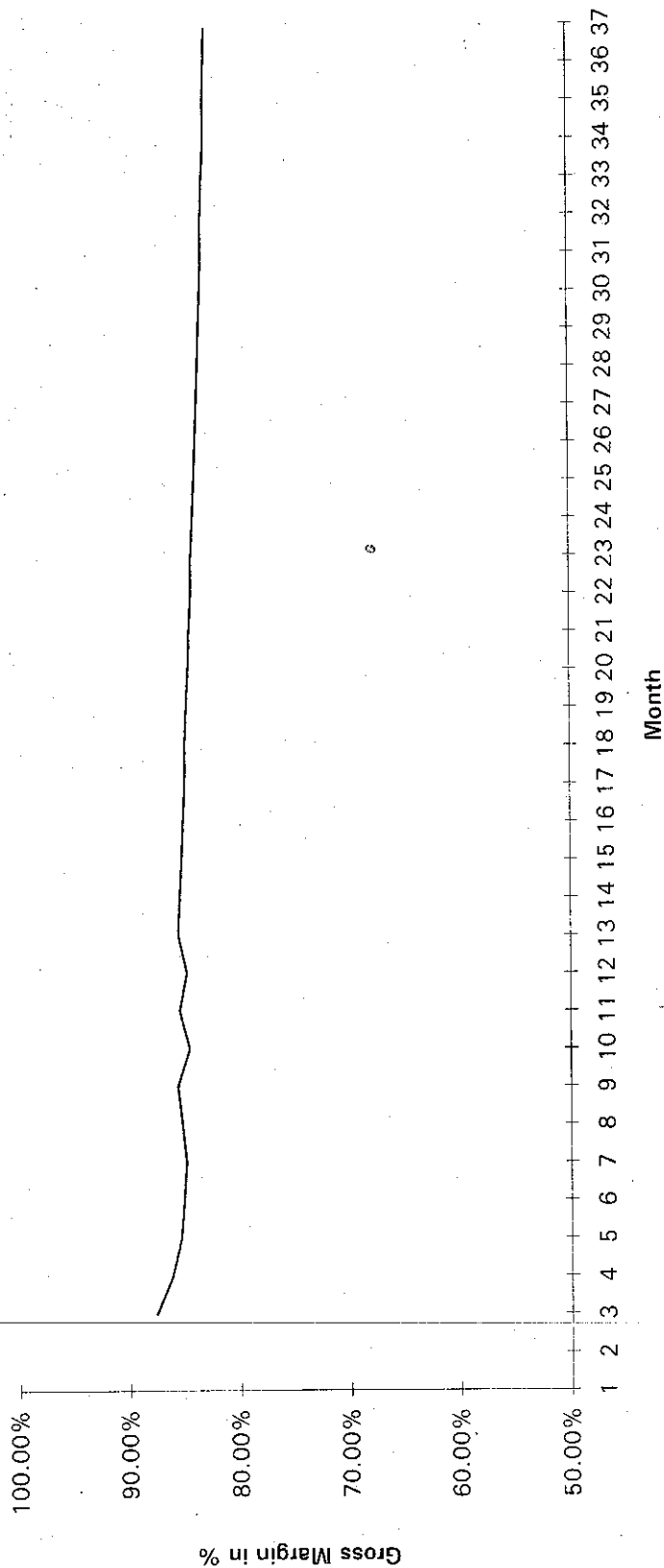
APPENDIX 2.

FINANCIAL ANALYSIS

Sales Growth Chart



Gross Margin Chart

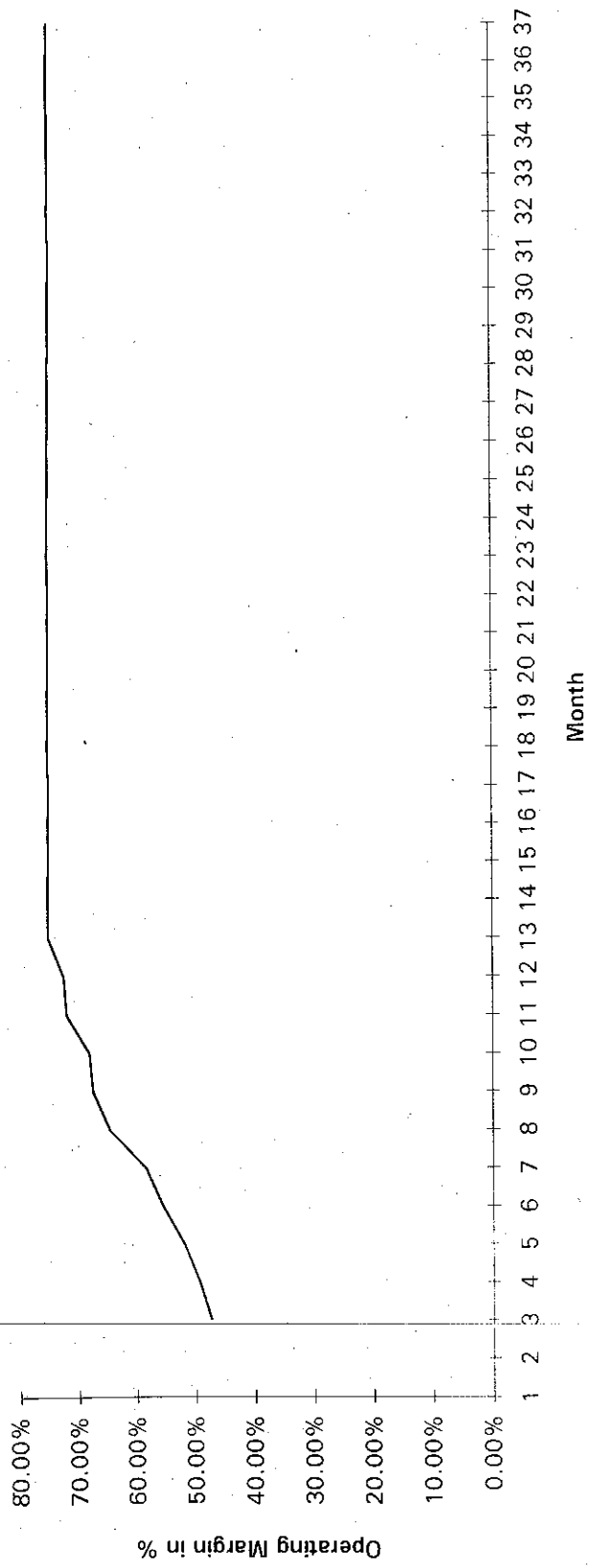


Gross Margin Analysis.

	1	2	3	4	5	6
Price for English Version	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Price for Armenian & Russian Versions	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26
Months	1	2	3	4	5	6
English Version Sales	50	50	55	55	60	65
Armenian & Russian Version Sales	150	200	250	300	350	400
Total Sales	200	250	305	355	410	465
Sales	\$0.00	\$202.63	\$230.79	\$243.95	\$272.11	\$300.26
Advertising	\$0.00	\$100.00	\$100.00	\$120.00	\$140.00	\$160.00
Revenues	\$0.00	\$302.63	\$330.79	\$363.95	\$412.11	\$460.26
Variable Costs	\$30.00	\$37.50	\$45.75	\$53.25	\$61.50	\$69.75
Gross Margin	(\$30.00)	\$265.13	\$285.04	\$310.70	\$350.61	\$390.51
Gross Margin %		87.61%	86.17%	85.37%	85.08%	84.85%

* Variable costs include paper cost, operating cost of the xerox machine.

Operating Margin Chart



Operating Margin Analysis

Price	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Price	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26
Months	1	2	3	4	5	6			
English Version Sales	50	50	55	55	60	65			
Armenian & Russian Version Sales	150	200	250	300	350	400			
Total Sales	200	250	305	355	410	465			
Sales	\$0.00	\$202.63	\$230.79	\$243.95	\$272.11	\$300.26			
Advertising Revenues	\$0.00	\$100.00	\$100.00	\$120.00	\$140.00	\$160.00			
	\$0.00	\$302.63	\$330.79	\$363.95	\$412.11	\$460.26			
VC	\$30.00	\$37.50	\$45.75	\$53.25	\$61.50	\$69.75			
Overhead (FC)	\$121.67	\$121.67	\$121.67	\$121.67	\$121.67	\$121.67			
Operating Margin	(\$151.67)	\$143.46	\$163.37	\$189.03	\$228.94	\$268.84			
Operating Margin %		47.40%	49.39%	51.94%	55.55%	58.41%			

* VC includes paper cost, operating cost of the xerox machine.

\$3.00	\$3.00	\$3.00
\$0.53	\$0.53	\$0.53
34	35	36
120	120	120
1375	1390	1404
1495	1510	1524
\$1,088.75	\$1,096.70	\$1,104.12
\$400.00	\$400.00	\$400.00
\$1,488.75	\$1,496.70	\$1,504.12
\$254.15	\$256.70	\$259.08
\$121.67	\$121.67	\$121.67
\$1,112.93	\$1,118.33	\$1,123.37
74.76%	74.72%	74.69%

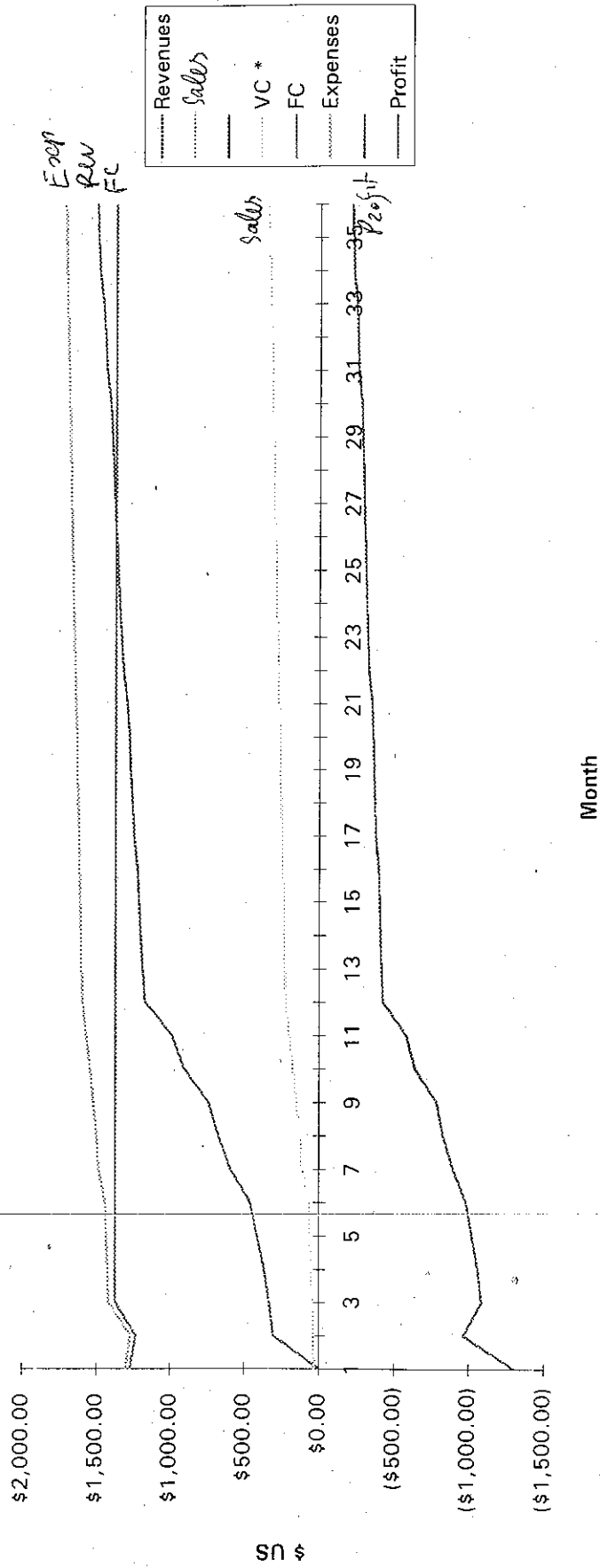
Break-Even Analysis

	1	2	3	4	5	6
Price for English Version	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Price for Armenian & Russian Versions	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26
Months	1	2	3	4	5	6
English_Version Sales	50	50	55	55	60	65
Armenian & Russian Version Sales	150	200	250	300	350	400
Total Sales	200	250	305	355	410	465
Sales	\$0.00	\$202.63	\$230.79	\$243.95	\$272.11	\$300.26
Advertising	\$0.00	\$100.00	\$100.00	\$120.00	\$140.00	\$160.00
Revenues	\$0.00	\$302.63	\$330.79	\$363.95	\$412.11	\$460.26
Variable Costs *	\$30.00	\$37.50	\$45.75	\$53.25	\$61.50	\$69.75
Fixed Costs	\$1,273.17	\$1,232.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17
Expenses	\$1,303.17	\$1,269.67	\$1,418.92	\$1,426.42	\$1,434.67	\$1,442.92
Profit	(\$1,303.17)	(\$967.04)	(\$1,088.13)	(\$1,062.47)	(\$1,022.56)	(\$982.66)

* Variable costs include paper cost, operating cost of the xerox machine.

\$3.00	\$3.00	\$3.00
\$0.53	\$0.53	\$0.53
34	35	36
120	120	120
1375	1390	1404
1495	1510	1524
\$1,088.75	\$1,096.70	\$1,104.12
\$400.00	\$400.00	\$400.00
<u>\$1,488.75</u>	<u>\$1,496.70</u>	<u>\$1,504.12</u>
\$336.38	\$339.75	\$342.90
\$1,373.17	\$1,373.17	\$1,373.17
<u>\$1,709.55</u>	<u>\$1,712.92</u>	<u>\$1,716.07</u>
(\$220.80)	(\$216.22)	(\$211.95)

Break-Even Chart



Cash Flow Analysis

AVG. Price for English Version	\$3.00	\$3.00	\$3.00
AVG. Price for Armenian & Russian Versions	\$0.39	\$0.53	\$0.53
Years	815	1255	1365
English Version Sales	5600	12535	15604
Armenian & Russian Version Sales	6415	13790	16969
Total Sales			
Subsidization	\$4,768.68	(\$10,582.86)	(\$14,955.10)
Sales	\$2,180.00	\$10,408.55	\$12,365.12
Advertising	\$6,948.68	\$4,800.00	\$4,800.00
Revenues		\$4,625.69	\$2,210.02
Variable Costs	\$1,294.50	\$3,102.75	\$3,818.03
Fixed Costs	\$16,237.04	\$16,478.04	\$16,478.04
Expenses	\$17,531.54	\$19,580.79	\$20,296.07
Losses	(\$10,582.86)	(\$14,955.10)	(\$18,086.05)

Pro Forma Income Statement

	1995		1996	
Revenue				
Sales		\$ 6,237.27	74.10%	\$ 15,221.41
Advertising		\$ 2,180.10	23.37%	\$ 4,800.00
Total Revenue	100.00%	\$ 8,417.37	100.00%	\$20,541.71
Variable costs				
Publication	7.58%	\$ 638.04	6.18%	\$ 1,270.30
Paper cost	2.76%	\$ 232.32	2.25%	\$ 462.00
Subtotal	10.34%	\$ 870.36	8.43%	\$1,732.50
Expenses				
Office rent	14.26%	\$ 1,200.32	5.84%	\$ 1,199.64
Telephone/fax/e-mail	33.86%	\$ 2,850.12	14.60%	\$ 2,999.09
Utility expenses	1.43%	\$ 120.37	5.80%	\$ 1,191.42
Payroll taxes	13.04%	\$ 1,097.63	5.35%	\$ 1,098.98
Gasoline	9.98%	\$ 840.05	4.09%	\$ 840.16
Depreciation	17.35%	\$ 1,460.41	7.11%	\$ 1,460.52
Shipment expenses	3.45%	\$ 290.40	1.75%	\$ 359.48
Maintenance expenses	7.13%	\$ 600.16	2.92%	\$ 599.82
Miscellaneous expenses	6.53%	\$ 549.65	2.34%	\$ 480.68
Subtotal	107.02%	\$ 9,008.27	44.58%	\$ 9,157.49
Salaries				
Manager	21.38%	\$ 1,799.63	8.76%	\$ 1,799.45
Translator	14.26%	\$ 1,200.32	5.48%	\$ 1,125.69
Journalist	14.26%	\$ 1,200.32	5.48%	\$ 1,125.69
Editors (three editors)	12.83%	\$ 1,079.95	5.26%	\$ 1,080.49
Driver (with his own car)	14.26%	\$ 1,200.32	5.48%	\$ 1,125.69
Consultant fee	2.85%	\$ 239.90	1.17%	\$ 240.34
Free Lance (5x\$10)	7.13%	\$ 600.16	2.92%	\$ 599.82
Subtotal	86.96%	\$ 7,319.74	35.63%	\$ 7,319.01
Total expenses	204.32%	\$ 17,198.37	88.64%	\$ 18,209.01
Net Income	-104.32%	(\$8,781.00)	11.36%	\$ 2,332.70

1997	
81.25%	\$ 20,800.00
18.75%	\$ 4,800.00
<u>100.00%</u>	<u>\$ 25,600.00</u>
5.59%	\$ 1,430.00
2.03%	\$ 520.00
7.62%	<u>\$ 1,950.00</u>
4.69%	\$ 1,200.38
11.71%	\$ 2,997.76
0.47%	\$ 120.32
4.29%	\$ 1,098.24
3.28%	\$ 839.68
5.70%	\$ 1,459.20
2.34%	\$ 599.04
2.81%	\$ 719.36
1.87%	\$ 478.72
<u>37.18%</u>	<u>\$ 9,518.08</u>
7.03%	\$ 1,799.68
4.69%	\$ 1,200.64
4.69%	\$ 1,200.64
4.22%	\$ 1,080.06
4.69%	\$ 1,200.13
0.94%	\$ 240.64
2.34%	\$ 600.06
<u>28.59%</u>	<u>\$ 7,319.04</u>
<u>73.39%</u>	<u>\$ 18,787.12</u>
<u>26.61%</u>	<u>\$ 6,812.88</u>

Pro Forma Balance Sheet (as of December 1, 1995)

Assets			
<i>Current Assets</i>			
Cash		\$65.27	\$99.00
Inventory		\$50.00	\$250.00
Prepaid Office Rent		\$100.00	\$10.00
Accounts Receivable		\$1,000.00	\$91.50
<u>Total Current Assets</u>		<u>\$1,215.27</u>	<u>\$30.00</u>
<i>Fixed Assets</i>			
Facilities		\$13,139.96	\$50.00
<u>Total Fixed Assets</u>		<u>\$15,455.23</u>	<u>\$610.00</u>
Total Assets			
		<u>\$16,670.50</u>	<u>\$1,140.50</u>
Liabilities			
<i>Current Liabilities</i>			
Operating Costs Payable			\$99.00
Telephone/fax/e-mail Payable			\$250.00
Utility Expenses Payable			\$10.00
Payroll Taxes Payable			\$91.50
Shipment Costs Payable			\$30.00
Miscellaneous Expenses Payable			\$50.00
Salaries Payable			<u>\$610.00</u>
<u>Total Current Liabilities</u>			<u>\$1,140.50</u>
Owner's Investment			\$15,530.00
Total Liabilities and Net Worth			<u>\$16,670.50</u>

Pro Forma Cash Flow Analysis

Periods Dates	1 Jan.	2 Feb.	3 Mar.	4
Price	\$3.00	\$3.00	\$3.00	\$3.00
Price	\$0.26	\$0.26	\$0.26	\$0.26
English Version Sales	50	50	55	55
Armenian & Russian Version Sales	150	200	250	300
Total Sales	200	250	305	355
<u>Cash In</u>				
Sales in cash	\$0.00	\$81.05	\$92.32	\$97.58
Receivables	\$0.00	\$0.00	\$81.05	\$132.84
Advertising	\$0.00	\$100.00	\$100.00	\$120.00
Revenues	\$0.00	\$181.05	\$273.37	\$350.42
<u>Net Cash In</u>	\$0.00	\$181.05	\$273.37	\$350.42
<u>Cash Out</u>				
Start Up Expenses	\$14,600.00			
Cost of Operation	\$30.00			
Salaries	\$610.00	\$37.50	\$45.75	\$53.25
Utilities	\$10.00	\$610.00	\$610.00	\$610.00
Phone/Fax/E-mail	\$150.00	\$10.00	\$10.00	\$10.00
Office rent	\$100.00	\$200.00	\$250.00	\$250.00
Payroll taxes	\$91.50	\$100.00	\$100.00	\$100.00
Gasoline	\$70.00	\$91.50	\$91.50	\$91.50
Shipment costs	\$10.00	\$70.00	\$70.00	\$70.00
Maintenance expenses	\$50.00	\$20.00	\$20.00	\$20.00
Miscellaneous expenses	\$60.00	\$50.00	\$50.00	\$50.00
		\$50.00	\$50.00	\$50.00

<i>Net Cash Out</i>	\$15,781.50	\$1,239.00	\$1,297.25	\$1,304.75
<u><i>Cash Flow/Period</i></u>				
<u><i>Starting Cash</i></u>	\$15,781.50	\$1,007.95	\$973.88	\$954.33
<u><i>Net Cash Flow</i></u>	\$0.00	\$0.00	\$0.00	\$0.00

Appendix 2

	5	6	7	8	9	10	11
Apr.	May	June	July	Aug.	Sep.	Oct.	
	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
	\$0.26	\$0.26	\$0.53	\$0.53	\$0.53	\$0.53	\$0.53
	60	65	65	70	75	80	90
	350	400	450	500	600	700	800
	410	465	515	570	675	780	890
	\$108.84	\$120.11	\$172.74	\$189.26	\$216.32	\$243.37	\$276.42
	\$143.74	\$157.63	\$174.53	\$232.79	\$275.63	\$310.95	\$351.53
	\$140.00	\$160.00	\$160.00	\$200.00	\$200.00	\$300.00	\$300.00
	\$392.58	\$437.74	\$507.26	\$622.05	\$691.95	\$854.32	\$927.95
	\$392.58	\$437.74	\$507.26	\$622.05	\$691.95	\$854.32	\$927.95
	\$61.50	\$69.75	\$87.55	\$96.90	\$114.75	\$132.60	\$151.30
	\$610.00	\$610.00	\$610.00	\$610.00	\$610.00	\$610.00	\$610.00
	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00
	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
	\$91.50	\$91.50	\$91.50	\$91.50	\$91.50	\$91.50	\$91.50
	\$70.00	\$70.00	\$70.00	\$70.00	\$70.00	\$70.00	\$70.00
	\$20.00	\$20.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00
	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
	\$50.00	\$50.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00

Appendix 2

\$1,313.00	\$1,321.25	\$1,339.05	\$1,348.40	\$1,366.25	\$1,384.10	\$1,402.80
<u>\$920.42</u>	<u>\$883.51</u>	<u>\$831.79</u>	<u>\$726.35</u>	<u>\$674.30</u>	<u>\$529.78</u>	<u>\$474.85</u>
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

\$3.00	\$3.00	\$3.00
\$0.53	\$0.53	\$0.53
34	35	36
120	120	120
1375	1390	1404
1495	1510	1524
\$1,088.75	\$1,096.70	\$1,104.12
\$400.00	\$400.00	\$400.00
\$1,488.75	\$1,496.70	\$1,504.12
\$254.15	\$256.70	\$259.08
\$1,234.60	\$1,240.00	\$1,245.04
82.93%	82.85%	82.78%

	Second Year				1-st Quarter
	1-st Quarter	2-nd Quarter	3-rd Quarter	4-th Quarter	
Nov.					
12					
	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
	\$0.53	\$0.53	\$0.53	\$0.53	\$0.53
	100	300	310	315	330
	900	2845	3030	3225	3630
	1000	3145	3340	3540	3960
	\$309.47	\$963.14	\$1,014.36	\$1,061.70	\$1,124.22
	\$398.11	\$447.68	\$963.14	\$1,495.93	\$1,568.88
	\$400.00	\$1,200.00	\$1,200.00	\$1,200.00	\$1,200.00
	<u>\$1,107.58</u>	<u>\$3,177.50</u>	<u>\$3,757.63</u>	<u>\$3,893.10</u>	<u>\$4,020.63</u>
	\$1,107.58	\$2,610.82	\$3,177.50	\$3,757.63	\$4,020.63
	\$170.00	\$534.65	\$567.80	\$601.80	\$673.20
	\$610.00	\$1,830.00	\$1,830.00	\$1,830.00	\$1,830.00
	\$10.00	\$30.00	\$30.00	\$30.00	\$30.00
	\$250.00	\$750.00	\$750.00	\$750.00	\$750.00
	\$100.00	\$300.00	\$300.00	\$300.00	\$300.00
	\$91.50	\$274.50	\$274.50	\$274.50	\$274.50
	\$70.00	\$210.00	\$210.00	\$210.00	\$210.00
	\$30.00	\$120.00	\$120.00	\$120.00	\$120.00
	\$50.00	\$150.00	\$150.00	\$150.00	\$150.00
	<u>\$40.00</u>	<u>\$120.00</u>	<u>\$120.00</u>	<u>\$120.00</u>	<u>\$120.00</u>

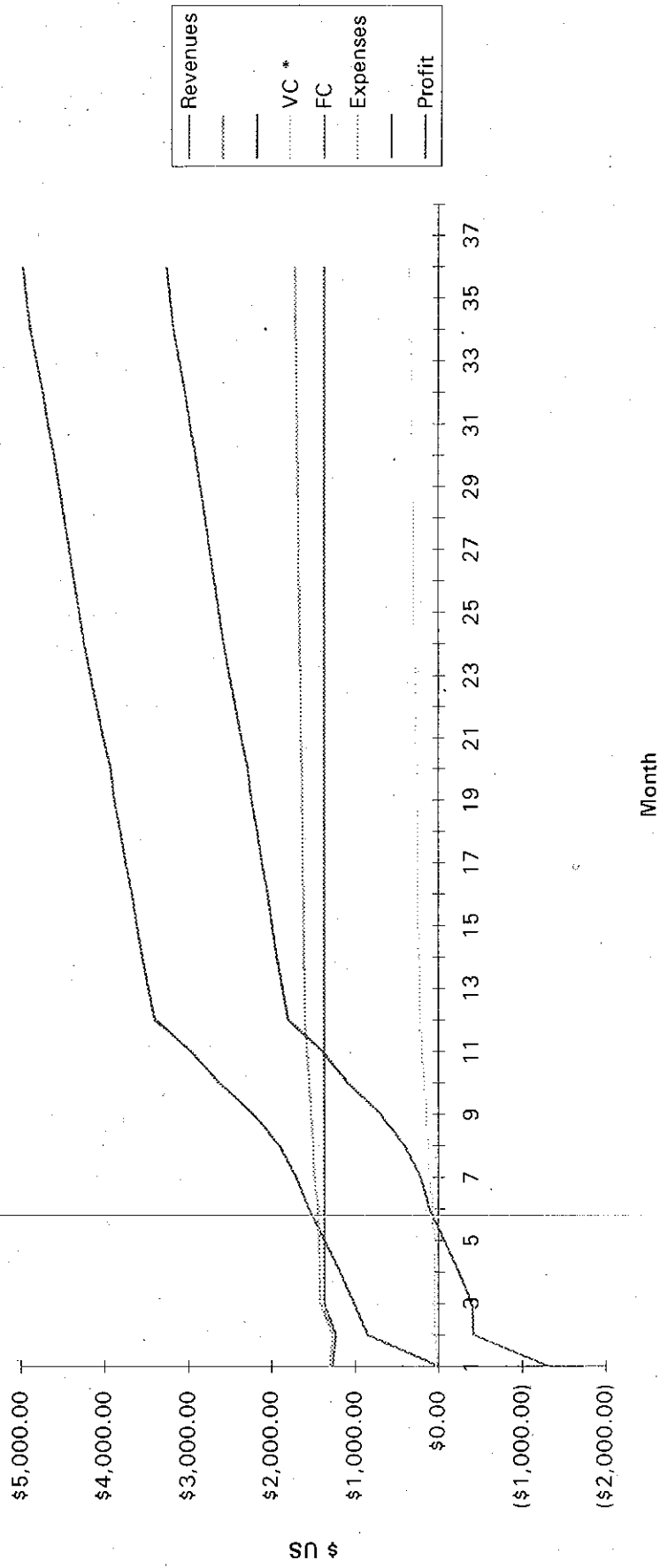
Appendix 2

\$1,421.50	\$4,319.15	\$4,352.30	\$4,386.30	\$4,424.55	\$4,487.70
<u>\$313.92</u>	<u>\$1,005.33</u>	<u>\$1,174.80</u>	<u>\$628.67</u>	<u>\$531.45</u>	<u>\$467.07</u>
<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>

Third Year		2-nd Quarter	3-rd Quarter	4-th Quarter
	\$3.00	\$3.00	\$3.00	\$3.00
	\$0.53	\$0.53	\$0.53	\$0.53
	330	345	360	360
	3810	3995	4169	4169
	4140	4340	4529	4529
	\$1,203.72	\$1,260.94	\$1,315.83	\$1,315.83
	\$562.11	\$1,165.56	\$1,786.50	\$1,786.50
	\$1,200.00	\$1,200.00	\$1,200.00	\$1,200.00
	\$2,965.83	\$3,626.50	\$4,302.33	\$4,302.33
	\$2,965.83	\$3,626.50	\$4,302.33	\$4,302.33
	\$703.80	\$737.80	\$769.93	\$769.93
	\$1,830.00	\$1,830.00	\$1,830.00	\$1,830.00
	\$30.00	\$30.00	\$30.00	\$30.00
	\$750.00	\$750.00	\$750.00	\$750.00
	\$300.00	\$300.00	\$300.00	\$300.00
	\$274.50	\$274.50	\$274.50	\$274.50
	\$210.00	\$210.00	\$210.00	\$210.00
	\$150.00	\$150.00	\$150.00	\$150.00
	\$150.00	\$150.00	\$150.00	\$150.00
	\$120.00	\$120.00	\$120.00	\$120.00

\$4,518.30	\$4,552.30	\$4,584.43
<u>\$1,552.47</u>	<u>\$925.80</u>	<u>\$282.10</u>
\$0.00	\$0.00	\$0.00

Break-Even Chart (second scenario)



APPENDIX 3.

OVERALL SCHEDULE

Break-Even Analysis (second scenario)

	1	2	3	4	5	6
Price for English Version	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Price for Armenian & Russian Versions	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Months	1	2	3	4	5	6
English Version Sales	50	50	55	55	60	65
Armenian & Russian Version Sales	150	200	250	300	350	400
Total Sales	200	250	305	355	410	465
Sales	\$0.00	\$750.00	\$915.00	\$1,065.00	\$1,230.00	\$1,395.00
Advertising	\$0.00	\$100.00	\$100.00	\$120.00	\$140.00	\$160.00
Revenues	\$0.00	\$850.00	\$1,015.00	\$1,185.00	\$1,370.00	\$1,555.00
VC *	\$30.00	\$37.50	\$45.75	\$53.25	\$61.50	\$69.75
FC	\$1,273.17	\$1,232.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17
Expenses	\$1,303.17	\$1,269.67	\$1,418.92	\$1,426.42	\$1,434.67	\$1,442.92
Profit	(\$1,303.17)	(\$419.67)	(\$403.92)	(\$241.42)	(\$64.67)	\$112.08

* VC includes paper cost, operating cost of the xerox machine.

\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
7	8	9	10	11	12	13	14	15					
65	70	75	80	90	100	100	100	100	100	100	100	100	100
450	500	600	700	800	900	925	950	970					
515	570	675	780	890	1000	1025	1050	1070					
\$1,545.00	\$1,710.00	\$2,025.00	\$2,340.00	\$2,670.00	\$3,000.00	\$3,075.00	\$3,150.00	\$3,210.00					
\$160.00	\$200.00	\$200.00	\$300.00	\$300.00	\$400.00	\$400.00	\$400.00	\$400.00					
\$1,705.00	\$1,910.00	\$2,225.00	\$2,640.00	\$2,970.00	\$3,400.00	\$3,475.00	\$3,550.00	\$3,610.00					
\$115.88	\$128.25	\$151.88	\$175.50	\$200.25	\$225.00	\$230.63	\$236.25	\$240.75					
\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17					
\$1,489.05	\$1,501.42	\$1,525.05	\$1,548.67	\$1,573.42	\$1,598.17	\$1,603.80	\$1,609.42	\$1,613.92					
\$215.96	\$408.58	\$699.96	\$1,091.33	\$1,396.58	\$1,801.83	\$1,871.21	\$1,940.58	\$1,996.08					

\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
16	17	18	19	20	21	22	23	24				
100	105	105	105	105	105	110	110	110	110	110	110	110
990	1010	1030	1055	1070	1100	1120	1145	1170				
1090	1115	1135	1160	1175	1205	1230	1255	1280				
\$3,270.00	\$3,345.00	\$3,405.00	\$3,480.00	\$3,525.00	\$3,615.00	\$3,690.00	\$3,765.00	\$3,840.00				
\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00				
\$3,670.00	\$3,745.00	\$3,805.00	\$3,880.00	\$3,925.00	\$4,015.00	\$4,090.00	\$4,165.00	\$4,240.00				
\$245.25	\$250.88	\$255.38	\$261.00	\$264.38	\$271.13	\$276.75	\$282.38	\$288.00				
\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17				
\$1,618.42	\$1,624.05	\$1,628.55	\$1,634.17	\$1,637.55	\$1,644.30	\$1,649.92	\$1,655.55	\$1,661.17				
\$2,051.58	\$2,120.96	\$2,176.46	\$2,245.83	\$2,287.46	\$2,370.71	\$2,440.08	\$2,509.46	\$2,578.83				

Appendix 2

\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
25	26	27	28	29	30	31	32	33		
110	110	110	110	110	110	115	115	115		
1190	1210	1230	1250	1270	1290	1310	1330	1355		
1300	1320	1340	1360	1380	1400	1425	1445	1470		
\$3,900.00	\$3,960.00	\$4,020.00	\$4,080.00	\$4,140.00	\$4,200.00	\$4,275.00	\$4,335.00	\$4,410.00		
\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00		
\$4,300.00	\$4,360.00	\$4,420.00	\$4,480.00	\$4,540.00	\$4,600.00	\$4,675.00	\$4,735.00	\$4,810.00		
\$292.50	\$297.00	\$301.50	\$306.00	\$310.50	\$315.00	\$320.63	\$325.13	\$330.75		
\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17	\$1,373.17		
\$1,665.67	\$1,670.17	\$1,674.67	\$1,679.17	\$1,683.67	\$1,688.17	\$1,693.80	\$1,698.30	\$1,703.92		
\$2,634.33	\$2,689.83	\$2,745.33	\$2,800.83	\$2,856.33	\$2,911.83	\$2,981.21	\$3,036.71	\$3,106.08		

\$3.00	\$3.00	\$3.00
\$3.00	\$3.00	\$3.00
34	35	36
120	120	120
1375	1390	1404
1495	1510	1524
<hr/>		
\$4,485.00	\$4,530.00	\$4,572.00
\$400.00	\$400.00	\$400.00
\$4,885.00	\$4,930.00	\$4,972.00
<hr/>		
\$336.38	\$339.75	\$342.90
\$1,373.17	\$1,373.17	\$1,373.17
\$1,709.55	\$1,712.92	\$1,716.07
<hr/>		
\$3,175.46	\$3,217.08	\$3,255.93

ID	Name	Duration	Scheduled Start	Scheduled Finish	er			December			January			February			March			A				
					20	27	4	11	18	25	1	8	15	22	29	5	12	19	26		5	12	19	26
1	Advance payment report	3d	11/30/94	12/2/94																				
2	Workplan	2d	11/30/94	12/1/94																				
3	First month	19d	12/3/94	12/29/94																				
4	Journalistic for the issue	10d	12/3/94	12/16/94																				
5	Translation	8d	12/5/94	12/14/94																				
6	Editing	2d	12/16/94	12/19/94																				
7	Designing	4d	12/18/94	12/22/94																				
8	Advertising	2d	12/20/94	12/21/94																				
9	Issue publication	4d	12/24/94	12/29/94																				
10	Issue distribution	1d	12/28/94	12/28/94																				
11	Monthly activity report	1d	12/28/94	12/28/94																				
12	Advance payment report	1d	12/28/94	12/28/94																				
13	Second month	22d	1/3/95	2/1/95																				

ID	Name	Duration	Scheduled Start	Scheduled Finish	er			December			January			February			March			A
					20	27	4	11	18	25	1	8	15	22	29	5	12	19	26	
14	Journalistic for the issue	12d	1/3/95	1/18/95																
15	Translation	9d	1/3/95	1/15/95																
16	Survey conducting	7d	1/3/95	1/11/95																
17	Editing	2d	1/20/95	1/23/95																
18	Designing	3d	1/23/95	1/25/95																
19	Issue publication	2d	1/26/95	1/27/95																
20	Issue distribution	2d	1/30/95	1/31/95																
21	Monthly activity report	2d	1/29/95	1/31/95																
22	Advance payment report	3d	1/29/95	2/1/95																
23	Third month	21d	2/1/95	3/1/95																
24	Journalistic for the issue	11d	2/1/95	2/15/95																
25	Translation	11d	2/2/95	2/16/95																
26	Editing	1d	2/17/95	2/17/95																

ID	Name	Duration	Scheduled Start	Scheduled Finish	er			January			February			March			A			
					20	27	4	11	18	25	1	8	15	22	29	5		12	19	26
27	Designing	4d	2/20/95	2/23/95																
28	Issue publication	3d	2/24/95	2/28/95																
29	Issue distribution	2d	2/28/95	3/1/95																
30	Monthly activity report	2d	2/28/95	3/1/95																
31	Advance payment report	2d	2/28/95	3/1/95																

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Nuclear Energy Market in Izmir

Izmir will experience an "energy fight" this month. Congregation of the domestic and foreign energy firms in Izmir or the first International Energy Fair, and the worry that the sixth Energy congress will form a pro-nuclear platform drove the Greens to action. Aylin Gencoglu from S.O.S. Mediterranean Izmir bureau stated that the preparation for an anti-nuclear program is ready and said: "While protests for erroneous energy policies increase, some are trying to make the country an energy market place as if to fight."

Also, Greenpeace applied to IZPAS [Izmir Fair Organization Corporation] and asked for a place at the international Energy Fair to tell about alternative energy sources.
10/11/94, CUMHURIYET-

Energy Newsletter

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Inside This Issue

1. USAID's Energy Assistance Program
2. EU's TACIS projects
3. New pipeline to by-pass Bosphorus
4. "This Will Be Our Last Hard Winter"
6. Nuclear Energy Market in Izmir

"This Will Be Our Last Hard Winter"

10/22/94 -- "This will be our last hard winter", State Minister Gagik Martirosian declared at a press conference at the Armenian Government. Figures presented seem rather convincing, provided no "unpredictable" events take place, the way it happened in the previous years. According to the Minister, 51 mln.cu.m. of natural gas is stored in the republic (the rest of the amount, to complete 65 mln, as planned by the "Winter-95" program, will be accumulated in November), 64 thousand tons of mazut (heating oil 4-6); another 44 thousand tons is on the way from Batoumi to Yerevan, 52 thousand tons are in Odessa warehouses, and negotiations are being carried out about additional 10 thousand tons; 33 thousand tons of stove fuel (only 3 thousand tons were stocked last year), 10 thousand tons of diesel fuel, and 80 thousand cu.m. of wood. 2100 buildings, instead of the former 700, will be centrally heated in Yerevan this winter. 4-hour electricity supply will be insured for the population. At the same time, the districts with central heating, particularly, Nork, Avan-Arinj, Davidashen, etc., will receive less electricity than the districts with no heating. The population of the earthquake zone will receive liquid fuel. YEREVAN ("Lragir" daily)

Army Oil Cuts in Russia

MOSCOW: Oil companies are refusing to supply fuel to the Russian army because it cannot pay its bill, so the military is being forced to use emergency reserves. Pavel Grachev, the Defence Minister, told the Cabinet. (AP)

European Community Granted 130 Million Dollars Credit To Azerbaijan

European Bank for Development and Reconstruction granted 55 million dollars credit to Azerbaijan for construction of hydro-electrical station on Kura river near Shamkir, speaker of Azeri Parliament, Rasul Guliyev, said in his interview to radio Liberty. Another 75 million dollars are donated to Azerbaijan by European Community to purchase food products. Rasul Guliyev said that grain, butter, meat and other desperately needed food products will be purchased for this sum of money. The meeting of the Directors of World Bank is to take place in November. The issue concerning granting 70 million dollars credit to Azerbaijan will be discussed during the meeting. If such resolution is adopted, those resources would be spent for stabilization of rate of Manat, Rasul Guliyev said. He mentioned that these resources will last Azerbaijan for a year and a half and for this period we must take measures in economy, Rasul Guliyev said. Serious shortcomings in the activity of the Cabinet have become the reason for deep economic crisis in Azerbaijan, Azeri speaker said. As far as bread supply problem is concerned, Rasul Guliyev said that situation will begin to improve from November 10. "We are, practically, isolated from the world due to events of Chechnya since the railway through which 80 percent of Azerbaijan's export-import are carried out is situated in Chechnya".

NEWS FROM ALL OVER THE WORLD

New pipeline aims to by-pass Bosphorus

LONDON, Oct. 18 (Reuters) - A trans-Balkan oil pipeline planned to bypass the congested Bosphorus waterway will provide an alternative route for Russian oil to Europe, an industry official in the region told a conference here. The Albanian, Macedonian and Bulgarian oil Corporation (AMBO) plans to build a 530 mile crude oil pipeline from the Bulgarian Black Sea port of Bourgas to Vlore in south western Albania., AMBO president Vuko Tashkovich said. (corrects length) AMBO plans to load crude from Kazakhstan and Azerbaijan on tankers at the Black Sea port of Novorossiisk and shuttle them to Bourgas for overland pumping to Albania. "The project came about from Turkey putting a ceiling on (oil) exports through the Bosphorus last year," Tashkovich told Reuters at the Oil and Money conference. Crude from the former Soviet republics reaches Novorossiisk, via an existing pipeline network. But that is fast reaching its capacity and congestion is building up as more oil tankers move through the Bosphorus. The existing infra-structure is expected to be upgraded to around 1.2 million barrels per day (bpd) by 2010 from current levels, said Tashkovich. Current levels are around 610,00 bpd, shipping sources said. AMBO's proposed 48 inch line would have a full capacity of 800,000 barrels per day. Tashkovich said he had already approached Kazakhstan ministers over crude supplies but no supply deals have yet been signed. He has not approached Azerbaijan. The line would be a second alternative for Russian oil to be transported to Europe via the Balkan peninsula. "Europe will get another (crude) artery through this pipeline" he said. The consortium is made up of the three governments and is approaching international financing institutions such as EBRD, IFC and World Bank for preliminary funding estimated at \$650 to \$700

(Continued from page 2)

with foreign aid organizations to insure cooperation and to eliminate duplication of effort and material. The center will also establish a secure and appropriate office for the EU center operations, procure computers, office equipment, data

The next article describing the TACIS projects in Armenia will be about the Lahmier International.

loggers, test equipment, and suitable four-wheel drive vehicles. To spread-sheet the industrial site work, the center works on hiring an appropriate staff form the core of an engineering team. It is important to establish a good relationship with various ministries in order to identify priorities of the energy surveys and visit the factories to draw up a final survey list. As to the media, the center wishes to work closely with the media representative's and gain initial news coverage. The evaluation of activities of the center is planned to be monitored by a steering committee. The center has completed the energy survey at the Yerevan Brewery and has identified many good saving opportunities. These are being discussed with the main energy engineering contractors for the US-AID in Armenia, Burns and Roe, and RMA. Under the USAID budget the center will cooperate closely together with the Armenian Government to offer a practical investment program, whereby

million. Tashkovich said preliminary cost estimates were lower than expected as most of the line would follow existing gas pipelines. Much of the roads and communications needed to build the oil pipeline are already in place. A Macedonian company will supply the pipeline thus cutting import costs. Ministers from Bulgaria, Macedonia and Albania are due to meet in the Macedonian capital Skopje early next month to sign a protocol of support for the Balkan pipeline. The three countries have already cooperated in railway and highway networks. Tashkovich said the project would bring political and financial security to the Balkan region through security of fuel supplies and tariffs paid by users of the line. "If we secure the finances then we would like to start construction in spring 1996" he said. Construction is expected to last three and half to four years. --Tanya Pang, London Newsroom, REUTERS

Winter '95 Preparations

Kerosene distribution will begin in Yerevan on November 20. Kerosene will be distributed only in those areas which do not have central heating. (AZG/PAST-10/21/94)

8 Million Kwhr Needed For Day-long Electricity Supply

8 ml. kwhr is necessary, in order to provide the population with 24 hours of electricity, the Armenian Government reported.

Currently, the population consumes only 3 mln. kwhr. Total production of electricity in the republic is about 15-16 mln.kwhr. When the Armenian Nuclear Power Plant resumes operation, this volume will increase by another 8-9 mln. kwhr. At present, about 70 percent of electricity is produced at hydroelectric power plants.

YEREVAN ("Lragir" daily - Past), 10/22/94

the more worthwhile savings projects can be implemented. The further survey at the Avan salt mine has started and there will be some work done at the Ararat Cement Plant, the Yerevan TPP, the Cognac Factory, and the 'Luis' and Cable plants. The work will be finished by the end of the year. The first training seminar based on the findings of the conducted survey was held in October.

ACIS Projects in Armenia: WS Atkins Company

The WS Atkins Company, which has been working in Armenia since 4/15/94, aims to establish an Energy Center in Yerevan, which will provide information, technical assistance and training in the industrial and public service sectors. The immediate focus was the most urgent managerial and operational problems in order to have maximum impact on the Armenian energy crisis. This was planned to achieve 1. introducing technology, 2. improving energy efficiency, 3. identifying and facilitating joint venture opportunities between Armenian companies and the EU energy equipment manufacturers, 4. collaborating closely with other western experts who work in the energy field in Armenia, 5. coordinating energy audits at end users, 6. providing basic training in energy-related issues, 7. organizing small practical workshops throughout the country to demonstrate solutions to energy-saving problems. The center is requested to provide technical engineering help and in order to satisfy this specific need the company intended to set up a working office to introduce modern electronic data logging and measurement techniques known in Armenia. The other things the company plans to do are training engineers from the public services and industrial sector. The center will also organize several seminars and workshops on energy management techniques taking the Armenian conditions as a basis to investigate immediate problems such as distribution of electricity, water pumping and district heating. The main activity of the center will be setting up monitoring projects to measure remedial actions taken as investments made and publish the results. In order to implement the tasks outlined above W.S. Atkins gathers detailed background information on the Armenian energy situation by contact with all the key organizations and establishes working relations

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energy Association. At any one time each of these organizations can have from 1 to 10 separate tasks or projects for the respective republic.

The next Article of Harout Topsyacalian will be about the USAID Energy Tasks in Armenia and Georgia.

Working closely with USAID and providing technical and management support is a private consulting firm called the International Development and Energy Associates (IDEA). They have a separate contract and are responsible for monitoring, coordinating, and providing support to USAID in managing the

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creation of an energy center (W. S. Atkins, UK), Armenian nuclear power plant safety

evaluation (PRAMATOME, Paris), optimization of the Abovian underground storage facility (Gas de France, Paris), rehabilitation of mini-hydro generating station (Electric de France, Paris), construction of hydro-power station on the river Debet (Energy for Armenia, Paris), advice to the Government of Armenia on Iran gas-pipeline (KANTOR, Greece), advice to the government in energy sector (DECON, Germany main contractor, KANTOR, subcontractor, Greece), evaluation of Armenia's potential hydro-carbon deposits (Simon Petroleum Technology, UK), mazut delivery (BRS, Paris). The projects that are under 1994 budget are the following: Implementation of a national energy conservation program, technical support for the development of the gas industry, improvement of the system operation and control practices in Central Asia, common technical and organization requirements for extended security and economy of power systems operation in all NIS, etc.

Black Sea Countries Discuss Common Energy Market

An energy working group from the Black Sea Economic Cooperation (BSEC) countries gathered for the first time on Wednesday to discuss integration in the energy field. Bulgaria's Energy Committee (BEC) chairman Nikita Shervashidze opened the meeting at this Black Sea port saying the event would establish an energy cooperation tradition. Eleven member states set up a Black Sea and Balkan regional energy centre earlier this month as a liaison between the BSEC and the European Union.

Senior officials from Russia, Ukraine, Turkey, Romania, Greece, Armenia, Georgia, Moldova and Bulgaria will exchange information on the energy situation and power strategy in their countries. Egypt and Israel have sent observers, but representatives of member states Albania and Azerbaijan did not turn up, neither did observers from Tunisia, Slovakia and Poland.

"This is the first step towards revealing our potential in creating an energy market for trade with electricity, gas, coal and oil," BSEC deputy chairman Lazar Petkanchin told Reuters. VARNA, Bulgaria, Oct. 19 (Reuters)