



# CENTRAL INTELLIGENCE

## 20% of Russian infrastructure to be PPP up to 2020

The construction industry in Russia has been hit hard by the global economic downturn. The slowdown on the domestic construction market began in 2008 and has intensified in 2009. The majority of construction projects have been suspended and virtually no new residential or commercial property projects have been started. For the first time this decade, the value of construction works will have shrunk – by over 15% in comparison with 2008. Despite this though, it seems that the worst of the storm has passed and market stability should return in 2010, with the promise of growth in 2011.

While residential and non-residential construction activity will remain relatively subdued at least for the next year due to ongoing difficulties in securing financing, most construction contracts will be related to infrastructure development projects. Increased capital expenditure on road and railway construction, as well as airport expansion, will be driven by the federal programme aimed at modernising the country's transport system between 2010 and 2015. This programme will require a total investment of \$420 billion, of which \$147 billion will be sourced from the federal coffers. Assuming a conservative scenario whereby only 10% of the programme will be implemented, this will equate to a \$7 billion annual boost in construction activity each year through to 2015. With the federal budget deficit expected to be 3-7% of GDP over the next three years, much of the funding

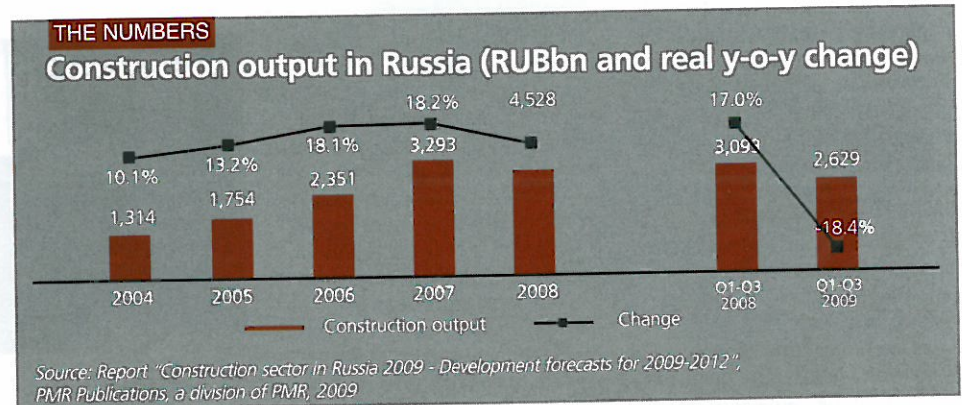
for Russia's infrastructure projects will have to be provided by private investors through schemes such as public-private partnerships and other non-budgetary sources, which will thus increase in importance.

The projects that will provide a boost to the construction industry in the upcoming years include the first public-private partnership (PPP) projects, signed in 2009. These include the \$1.5bn contract for the construction of the first section of a toll motorway between Moscow and St. Petersburg, and the \$2.1 billion contract for the upgrade of Pulkovo Airport. The PPP scheme in Russia demonstrates great potential: 20% of infrastructure development and modernisation projects planned for the next ten years in Russia are to be financed through PPPs.

Apart from transport infrastructure, substantial investment is also planned in the ener-

gy sector. The main projects include the \$1.2 billion reconstruction of the Sayano-Shushenskaya Hydroelectric Power Plant and the construction of several nuclear power plants. Other major infrastructure projects planned in Russia include the new spaceport, Vostochny Cosmodrome, the construction of which should commence in 2011 and is expected to cost \$12.5 billion. Russia's preparations for the Sochi 2014 Winter Olympics and the APEC Summit to be held in Vladivostok in 2012 are also serving to support the country's construction industry. The total investment related to these two events may well eventually exceed \$20 billion. ■

This article was written by Robert Obetkon, construction market analyst at PMR



### 60 SECONDS ON-SITE

# M50 PPP road-widening scheme, Dublin

Richard Neuling, project director at Atkins, on Ireland's most complex road scheme

#### What was the most important part of the project?

Learning how to work successfully with our clients, which has required us to be very flexible and willing to consider alternative ways of designing things. The Spanish contractors have a strong design capability themselves so working as a designer for them required us to pay a lot of attention to ensuring we produced economic, practical designs.

#### What was the biggest challenge on site and how was this overcome?

Redesigning the layout of the interchange to allow the link road to pass over the railway and canal rather than underneath meant we had to prepare a new Environmental Statement and go back through the statutory processes, including an An Bord Pleanála Oral Hearing. This process took around nine months.

#### Were any new methods used during the design or build of the project?

Atkins designed a new detail for precast concrete cantilevers supporting the bridge parapets. We used this detail on most of the 21 new bridges on the scheme and it saved around 4 to 6 weeks at each bridge compared to conventional in-situ.

