

The Reckless Road to Waste

By [Ben Aris](#)

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RIA-Novosti ran a comparison of how much it costs to build a road in Moscow, the rest of Russia, the European Union, the United States and China. The differences are pretty stark.

China has the cheapest cost at \$2.2 million per kilometer, with the United States and the EU coming in at about the same, \$6 million and \$7 million, respectively.

But the cost of building a road in Russia is among the highest in Europe, with a kilometer costing \$17.6 million throughout most of Russia and \$51.7 million in Moscow, an official at the Transportation Ministry told RIA-Novosti.

Prime Minister Vladimir Putin told delegates at a United Russia party congress in September that the state intends to build 14,000 kilometers over the next five years and that all federally controlled roads would be repaired and upgraded to modern standards by 2020.

So why is road building in Russia so expensive? Companies have to obtain the land in the first place, clean off everything that is on the land and then often reconstruct some of the buildings

elsewhere. If the road construction is in Moscow, the bureaucratic nightmare is much worse.

The clients that want a new road built — usually the city government — hire a contractor to do the actual building and pay it to overcome all of the bureaucratic obstacles on a turnkey basis.

The process is drawn out and difficult. The first job is to get hold of the land over which the road will run.

Moscow is a huge city, but many of the buildings are protected and all construction is heavily regulated by the city government. Real estate prices took off in about 2003, rising to make Moscow one of the top three most expensive cities in the world (although it has since slipped back to No. 56, according to Swiss bank UBS).

While the city government will support the contractor to keep land prices reasonable, the contractor still has to negotiate with the owner as well as tackle the extremely onerous paperwork associated with transfers of ownership to City Hall. Then there is the job of clearing off everything that is standing on the land.

But perhaps the most complicated problem is dealing with what is under the land. In the past 20 years, Moscow has grown beyond recognition, and much of this growth has been carried out recklessly and haphazardly. New buildings and their supporting infrastructure were built on an ad hoc basis as money became available. The end result is that the city is a messy, unmanageable tangle of pipes, power lines and telephone lines, most of which have different owners.

The sewage pipes belong to the municipal government, and if the contractor is really unlucky, there might be a federally owned telephone line — like those connecting the Kremlin to the other government buildings dotted around town — in which case the contractor has to apply to the Federal Security Service for permission to move the lines, even if it is only a few meters. Russia's bureaucracy is never easy to manage even for the most simple projects — and it doesn't get much more complicated than this.

The contractor's job is to wade through this morass, and the faster it can get the work done the more the company earns. "If you compare the actual cost of just building the roads in Russia, then this cost is about the same as in Germany. ... Much of the cost issue reflects the historic approach used from Soviet times," said Maxim Bakshinsky, deputy general director for development of Mostotrest. "Our labor costs are lower, but we have been investing heavily into state-of-the-art equipment."

The high cost of building roads represents all that is wrong with Russia today. Like the city's buildings, the economic system that has been built so far has been cobbled together as money became available to meet specific needs — or simply to make some money on a project.

As modernization becomes one of the country's most important economic strategies, Russia's leaders will be focused on grand planning. This will mean supporting infrastructure with a view of future changes and additions.

It will take years — or even generations — to untangle the jumble that was created in the first

five years of the economic boom that ended in September 2008.

Ben Aris is editor-in-chief of Businessneweurope.eu.

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