

Consortium to Build \$4Bln St. Pete Toll Road

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An international consortium led by investment company VTB Capital, a subsidiary of VTB Group, won a concession to build a 120 billion ruble (\$4 billion) segment of a high-speed toll road in St. Petersburg, the city government announced Tuesday.

The project involves building an 11.5-kilometer segment, including three bridges and a tunnel, which is part of a road that will connect the northern and southern parts of the city and bypass the center.

The consortium — named Magistral Severnoi Stolitsy, or MSS, which also includes Gazprombank, Italian developer Astaldi and Turkish construction company Ictas Insaat — offered more attractive conditions for implementing the project than its rival, St. Petersburg Governor Valentina Matviyenko said.

The other bidders included Sberbank; Terra Nova, which is controlled by State Duma Deputy

Vitaly Yuzhilin; St. Petersburg-based developer Renaissance Construction; French construction group Vinci, and Belgian dredging company Jan De Nul.

"The structure of both consortiums is very strong. Both made proposals whose details were well thought out," Matviyenko said, Interfax reported.

She added, however, that the tender commission had voted unanimously in favor of the MSS offer because the consortium had promised lower costs and a shorter construction period.

VTB Capital already has a successful partnership with Astaldi and Ictas Insaat in a 700 million euro (\$1 billion) project to build a new terminal at St. Petersburg's Pulkovo Airport.

The road project's financial side was the major criterion for choosing a winner, said Zarina Gubayeva, a spokeswoman for the St. Petersburg government's investment and strategic projects committee.

Another deciding factor was the possible risks for the city, she said by telephone.

According to the concession agreement, MSS will run the central section of the highway over the next 30 years and expects to earn 9.67 billion rubles annually from operations. According to the deal, the city will have to compensate a concessionaire in case the project brings lower revenues than expected.

The rival consortium was counting on 16 billion rubles in annual revenue, for which the city would have been liable.

VTB Capital expects that after finishing the central part of the highway the traffic along the Western High-Speed Diameter, as the road is called, will be good enough to reach the forecast revenues quickly, the investment company said in a statement.

According to the Western High-Speed Diameter's managing company, which bears the same name, the central segment is "the most expensive and technically complicated" part of the 213 billion ruble highway project.

MSS named a construction cost of 120 billion rubles, of which it will provide about 70 billion rubles, with the rest being paid from the federal budget, said Oleg Pankratov, head of infrastructure capital and project finance at VTB Capital.

"In order to finance the [MSS share of the] project VTB and Gazprombank will provide the project company a loan of 50 [billion] to 60 billion rubles, as well as required equity," he said in a telephone interview.

The consortium headed by VTB Capital will sign an agreement with the St. Petersburg government and the Western High-Speed Diameter company by the end of this year, with construction being scheduled for the first quarter of 2012, Gubayeva said, adding that it will take MSS three years to complete the project.

She also said the rival consortium proposed a 48-month construction period.

Given that the city needs the highway, which will help solve a number of problems, the tender

commission chose the fastest way to get the project completed, said Dmitry Baranov, an infrastructure analyst at Finam. Building the highway, whose southern section was launched in May, will help relieve traffic, especially in the city center, he said.

Sberbank did not reply to the e-mailed request Tuesday. Other representatives of the second consortium were unavailable.

VTB head Andrei Kostin said global market volatility would not affect plans to complete the project. "We have a firm assurance that we'll build this section over the time period and within the sum stipulated in the agreement," he said, Interfax reported.

In 2009, the St. Petersburg government decided to finance construction of the Western High-Speed Diameter from the city and federal budgets after a consortium led by Oleg Deripaska's Basic Element holding, which had won a concession, was unable to bear the construction costs due to the financial crisis.

The northern access road of Moscow's Kutuzovsky Prospekt is likely to be built as a concession project, Deputy Mayor Marat Khusnullin said, Vedomosti reported, citing media reports.

Regardless of the fact that the project cost has already been reduced from 110 billion to 45 billion rubles, it is still too large a sum for the city budget, he said. Since Kutuzovsky Prospekt generally flows smoothly, there is nothing preventing the building of a parallel toll road.

The additional thoroughfare is necessary to facilitate the functioning of Moskva-City business center and develop the areas slated for the city to expand to, including Rublyovo-Arkhangelskoye. Khusnullin also said the city is moving away from building major intersections and big expensive roads, and is now focused on smaller construction projects. Expensive projects do not help significantly improve the situation, he said, and now the goal is to "achieve a big effect for less money."

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