

Tender for High-Speed Rail Link Being 'Polished'

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Russian Railways is completing the paperwork for the government to announce a tender for four international consortiums to build a high-speed link between Moscow and St. Petersburg, a top company executive said Wednesday.

"It's like polishing an Easter egg," Denis Muratov, chief executive of High-Speed Rail Lines, a subsidiary of Russian Railways, said of the progress on the paperwork.

The government is expected to announce the tender in December, setting the upper limit for constructing the 658-kilometer line at 627.5 billion rubles, or \$20.6 billion, he said.

The French, German, Chinese and South Korean consortiums, when they bid, will likely drive the price down to about 500 billion rubles, Muratov reiterated.

"We know it's possible, we know it's achievable," he said.

Engineering company Alstom leads the French consortium, which also includes Alstom's key shareholder Bouygues, an industrial group.

Germany's consortium includes Siemens and Strabag.

Industrial conglomerate Hyundai, the state-owned Korea High Speed Rail Construction Authority and Korea's National Pension Service — the world's fifth-largest pension fund, form the South Korean consortium.

China Railway Engineering Corporation — the world's third largest civil construction enterprise, China Railway Construction Corporation and China Development Bank, among others, make up the Chinese consortium.

Spain's Adif dropped out of the pending competition because the country is going through hard economic times, Muratov said.

Construction is scheduled to start after 2013 and finish by 2018, the year Russia hosts the football World Cup.

The government is also planning to spend 50.6 billion rubles to prepare the land for the route, including buyouts of privately held lots. Another 18.1 billion rubles will pay for planning and design, according to the project's budget.

The time to travel between the cities would come down to 2 1/2 hours, two hours less than high-speed Sapsan trains achieve on the current nonspecialized tracks.

The funding arrangement stipulates that the government pay half of the construction costs immediately, while the winning consortium will take out bank loans to cover the rest. The government will then operate the line, paying back the remaining price tag, including interest on the loans, over 30 years. A maintenance fee of about 1 percent of the construction cost will also come from the federal budget.

A plan to build another high-speed rail line, between Moscow and Yekaterinburg, is also in the works.

Russian Railways boosted profit 72 percent last year from a year earlier, the state-owned rail monopoly said Wednesday, Bloomberg reported.

Net income advanced to 208 billion rubles (\$6.9 billion) from 121 billion rubles. Revenue climbed 18 percent to 1.33 trillion rubles.

Russian Railways dropped any plans to sell more bonds this year and expects to raise funds for its investment program by selling a stake in the Freight One cargo unit, said Pavel Ilichev, deputy head of corporate finance.

The rail monopoly will use bridge loans to cover short-term financing needs, Ilichev told reporters Wednesday in Moscow.

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