The Moscow Times
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Supercontractor Due in Moscow Public Sector

By The Moscow Times

January 23, 2012



The city-run Moscow Center for Children's and Family Leisure and Health, or MCC, might receive 500 billion rubles ($16 billion) to build kindergartens, housing, schools and medical facilities.

The center will be renamed the Civic Construction Department. City construction head Marat Khusnullin has asked former Vedis Group executive Andrei Belyuchenko to head the new organization.

MCC is already the contractor for the design and construction of kindergartens and municipal housing. Last year, it received 60.35 billion rubles from the city budget as a part of the city's targeted investment program to build 24 kindergartens and 51 housing complexes with a total area of 591,500 square meters.

It is scheduled to receive 226 billion rubles from the same program between 2012 and 2014

for the construction of more kindergartens and housing.

Now a decision is being made to transfer all the program's functions except road and metro construction to MCC. That would be worth an additional 272.5 billion rubles in 2012-14, for a total of almost 500 billion rubles.

A representative of the city construction department said no final decision has been made yet, and an official in the mayor's office said a possibility being considered is to transfer housing and kindergartens to MCC while creating another organization to build hospitals, schools and other structures.

The idea is the same, however. Money for socially significant construction will be distributed by the city government to a city-run enterprise.

The city government is required to observe the law on state orders, under which orders are placed by auction where the winner is decided on the basis of price.

Officials complain that this system results in construction delays. Therefore, the first kindergarten orders MCC will receive will be to finish work begun by subcontractors who underbid by 40 percent to 50 percent of the cost and were then unable to fill the order.

This will be a more effective way of placing orders for the customer since it makes it possible to eliminate possible unscrupulous subcontractors, which is not possible under the law on state purchasing, said Alexander Stroganov, general director of the Center for State Order Placement.

At the end of last year, MCC confirmed that it would implement stricter requirements for subcontractors. It will allow bids for a construction job only if the facility is no larger than other facilities built by the bidder in the last two years. The bidder's revenue for the last three years should be no less than 50 percent of the starting price of the contract.

Furthermore, the head of the company making the bid should have at least 10 years' experience in construction companies at a level of seniority no lower than chief engineer, if the cost of the contract is over 1 billion rubles. If the cost is under 1 billion rubles, the head of the bidding company should have five years of experience.

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