

Top Olympic Investors Complain Over Cost Overruns

By [The Moscow Times](#)

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Some of the biggest investors in the 2014 Sochi Winter Olympics are requesting financial help from the government to help ease the burden from the Games' estimated \$50 billion price tag.

In a letter addressed to Deputy Prime Minister Dmitry Kozak, who is responsible for the 2014 Games, four major companies listed measures they want adopted to help them "secure a minimum return on investment."

The letter was signed by tycoons Vladimir Potanin and Oleg Deripaska as well as the heads of Russia's largest bank, state-controlled Sberbank, and state-controlled natural gas export monopoly Gazprom.

It is the latest in a series of complaints investors have made in the face of costs that are expected to make the Sochi Olympics the most expensive ever and the shaky prospects for profitability once the Games, championed by President Vladimir Putin, are over.

Measures worked out to support crucial projects related to the Games "turned out to be insufficient to guarantee returns on investment in Olympic venues," the letter said, without stating what those measures were.

It cited "a series of problems that were revealed during implementation of the projects that not only made construction more costly but also created hindrances to the future effective use of the venues."

Among the problems it named were the high costs of building in a mountain area with poor infrastructure, uncertainty about the commercial viability of the venues after the Games and the risk of losses after favorable rental rates end in 2015.

A spokesman for Kozak said he was unable to comment immediately on the letter.

Potanin, whose estimated \$14.5 billion fortune makes him Russia's fourth richest man, said last year that he was seeking government aid for more than \$530 million of extra work his company Interros was required to do during construction for his ski resort Rosa Khutor, where downhill events will be held.

Deripaska, whose wealth is estimated at \$8.8 billion, wants to recover \$50 million in unexpected costs, according to court documents in an arbitration court case filed against Olympstroy, which coordinates construction work.

Deripaska's projects include a \$760 million Olympic village, which will host 3,000 people in 47 buildings, and a 42-kilometer road around the venues. He is also spending nearly \$300 million to expand Sochi International Airport.

Kozak was previously quoted as saying that private investors had already spent around \$25 billion, some half of the final expected cost of the Games.

Contractors speaking on condition of anonymity have said corruption is rampant in Sochi and that many forms of it, including money laundering, often push up the price of construction.

Participation in the Games is likely to help the oligarchs' construction companies gain a foothold in the country's lucrative infrastructure market, where spending is expected to remain at seven percent of Russia's rising GDP until 2018.

But other contractors have said that the participation of Deripaska and Potanin, who began their fortunes in privatizations of Soviet assets, is a show of loyalty to Putin, who many Kremlin watchers say calls the final shots in politics as well as business in Russia.

Among the measures the businessmen called for were interest rate subsidies, which Potanin previously said he was requesting on loans, as well as tax breaks on the projects and lower interest rates for renting of land.

In the letter, the company heads suggested they were doing their patriotic duty, saying they had decided to invest despite risks due to the "social nature of the project."

However, they added, the firms "are at the same time public commercial companies whose

aim is to increase the revenues of their shareholders."

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