

# Russia to Join the High-Speed Rail Club

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June 25, 2013



Russian Railways has considered running Alstom AGV trains on the Moscow-St. Petersburg high-speed railroad.

International rail giants together with state and foreign investment banks are already eyeing the role they can play in one of the most expensive infrastructure projects in the world — the high-speed rail line to be built from Moscow to Kazan, 800 kilometers east of the capital.

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Last week at the St. Petersburg Economic Forum, President Vladimir Putin announced plans to uncork the National Welfare Fund, or NWF, and spend 450 billion rubles (\$13.6 billion) on three major infrastructure projects in the near future.

One of them is a new high-speed rail line to connect Moscow and major cities to the east: Vladimir, Nizhny Novgorod, Cheboksary and Kazan.

Costing an estimated 928 billion rubles, it will become so far the only true high-speed line in the country with trains hurtling along its tracks at up to 400 kilometers per hour. The trip from Kazan to Moscow, which today can take close to 13 hours, will be reduced to 3.5 hours. And it will take an hour on average to travel between major cities on the line.

The existing express train service from Moscow to St. Petersburg and Nizhny Novgorod, as well as from St. Petersburg to Helsinki, is not technically considered to be high speed since those trains rarely run at 220 kilometers per hour.

## **A Mountain of Money**

Russian Railways president Vladimir Yakunin said earlier that project work would start this year and would take a year to complete. Transportation Minister Maksim Sokolov said the whole line could be built as early as 2018, in time for the World Cup, which has Kazan scheduled as a venue.

While time is short, the officials stress that at this point what they have for the project is preliminary calculations and political will. As for financing, it is clear that even if the whole sum announced by President Vladimir Putin were to materialize for the Moscow — Kazan rail line, it will only cover roughly half of the needed amount.

Seventy percent of the total sum required to build the line is meant to come from state funds, and the rest is to be provided by private investors, banks and other sources.

Yakunin said he had so far agreed with the President on 150 billion rubles to be allocated for the project from state coffers. This is the first tranche, and it does not mean that it is all that will be requested, he added. The final price is to be calculated after the project documentation is ready, Yakunin said.

The money could originate from other sources as well, officials have said. This includes budget funds, money coming from the NWF, the Pension Fund, the Russia Direct Investments Fund, investments from companies — Russian Railways being one of them — as well as loans from state and private banks, said Alexander Misharin, first vice-president of Russian Railways and head of Skorostniye Magistrali, a subsidiary of the state rail monopoly which is in charge of high-speed rail development.

"We have to start the project and then the cash will grow around it," Misharin said.

As for the revenues, officials said "active return on investments will start in about 15 years." The estimates are that the budget will get 7.2 percent annually in terms of cash returns and more due to a boosting effect on the economy brought by increased interconnectivity.

According to experts of the Center for Strategic Developments, with the appearance of the

high-speed line, more people will move into the area, average salaries in the region will increase by 30 to 50 percent, and more jobs and orders for the industry will be created.

## **The Early Bird**

Several financial institutions have already expressed their interest in the project. One of them is state-owned Vneshekonombank.

"Estimates of Russian Railways that the project will cost 928 billion rubles, according to our calculations, are close to reality. We are now holding talks and are considering the ways we can support it," the bank's chairman Vladimir Dmitriyev told Itar-Tass.

The European Bank for Reconstruction and Development, which signed a memorandum on cooperation with Russian Railways at the St. Petersburg forum, is also considering involvement in the project. According to the document, high-speed railway infrastructure development is among the areas of the bank's intended partnership with the monopoly.

While it is possible that the money to build the line might be found, taking into account the amount of political will accumulated for the project, railway officials are clear on the fact that Russia lacks the expertise in building high-speed rail and that will have to be imported from abroad.

"We welcome international investors here, those in particular, who can bring new technology to build the main body of the high-speed line," Yakunin said, answering questions about the project at the 8th Strategic Partnership 1520 rail forum that was held in the end of May in Sochi.

Several international rail majors have already offered their help to build the line as well as to provide the rolling stock for it.

"We can bring very high speed technology from Europe and then adapt it for Russia," said Henri Poupart-Lafarge, the president of Alstom Transport, adding that the company has the means and experience to construct the line itself.

"For the rolling stock we can propose Allegro trains that are running from St. Petersburg to Helsinki. Whatever we do, we can localize it at Transmashholding," he said.

Railways chief Yakunin frequently stressed that for a foreign firm to be a successful bidder in railway projects here it would have to think about local production.

Last year Alstom set up a joint-venture with Russia's manufacturing giant Transmashholding and began local production of high-tech railway components for freight and passenger locomotives.

Another company that also plans to take part in the upcoming high-speed rail project is Siemens, a long-time partner of the monopoly that already has a local production of its Lastochka trains together with Russian manufacturer Sinara.

Siemens Russia & Central Asia president and chief executive Dietrich Möller said in an interview that his firm was not only interested in the high-speed rail project but also that he

was ready to compete with rival Alstom.

"First of all, we already have the Sapsan trains on high-speed line Moscow to St. Petersburg in place," Möller said. "We supply and service the trains. We have just started some local manufacturing for the Lastochka trains, which can be used for other trains as well," he said, adding, however, that Siemens is not ready to build the line itself and will only offer the rolling stock and service.

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Original url:

<https://www.themoscowtimes.com/2013/06/25/russia-to-join-the-high-speed-rail-club-a25272>