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Tycoons Seek to Cash in On $17Bln Metro Project

By Alexander Panin

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Workers in a tunnel on the Moscow metro Dark Blue Line. **Maxim Stulov / Vedomosti**

Major businessmen are preparing to cash in on the construction of the Moscow metro as an unprecedented contract worth $17 billion could be broken into smaller pieces and offered to potential subcontractors.

Infrastructure builder Transstroi, owned by Oleg Deripaska, said on Thursday that it was ready to participate in the project.

In mid-August, Mosinzhproekt, an infrastructure design institute owned by the Moscow government, won a tender worth 564 billion rubles ($17 billion) to build 33 stations and 70 kilometers of metro lines in the capital.

Mosinzhproekt was the only bidder since no other participant met the tender's requirements.

Bidders were required to have extensive previous experience in designing and building metro

lines and to have completed metro projects worth a total of over 40 billion rubles last year.

The maximum bid price amounted to 573 billion rubles, but the design institute offered 564 billion rubles.

Under the contract, Mosinzhproekt will design and supervise the construction of several parts of the planned Solntsevo line, which will run from the Delovoi Center station southwest to Novoperedelkino. It will also design part of the second metro ring that will supplement the existing Ring Line, an extension of the Sokolnicheskaya line, several depots and necessary infrastructure.

"Mosinzhproekt will have to make sure it hires enough subcontractors to help it complete all of the projects announced," said Andrei Rozhkov, an analyst at IFC Metropol.

Transstroi could be one of these subcontractors and claims it has a competitive advantage.

"For us it would be interesting to apply the same technology of digging a tunnel like the one we tested in Sochi ... It would be our competitive advantage over other bidders," said Pavel Turbanov, strategic planning director at Transstroi.

He said the company used a new near-surface tunneling technology when it built a highway running from Sochi to Krasnaya Polyana.

"We could also build metro infrastructure, interchanges, depots and the like," Turbanov said.

The metro construction market is attractive as it involves expensive tunnel digging equipment that few companies possess, experts said.

"The market is monopolized, it is difficult for other companies to enter since it requires multi-million startup investments ... This is why the players here keep prices high and make good profits," Rozhkov said.

Alexei Bezborodov, head of the Infranews transportation research center, estimates that metro construction has a profit margin ranging from 10 to 15 percent.

Like Deripaska's Transstroi, other players that could help build the Moscow metro are companies that mostly belong to Russia's wealthiest tycoons, and they are either already involved or are getting prepared to start digging.

A major construction company that is currently building a 6.6 kilometer section of the Tagansko-Krasnopresnenskaya line is SK Most, a company controlled by Gennady Timchenko — a close associate of President Vladimir Putin.

Another metro builder is millionaire Ziyad Manasir, whose Stroigazconsulting recently won a tender to build a 2.7 kilometer stretch of the Zamoskvoretskaya line.

Mosmetrostroi, which belongs to businessman Andrei Bokaryov, has already taken a large piece of the Moscow metro pie — it will build extensions of two metro lines that are almost 17 kilometers long.

One of the biggest construction companies in Moscow is Ingeokom, which is owned by Omsk-based businessman Oleg Shishov, according to recent media reports. It has contracts to build 16 kilometers of metro lines, among them a stretch of the second metro ring line.

All of them will be interested in taking part in the future metro tenders, Turbanov of Transstroi said.

He said Mosinzhproekt would most likely break the big tender it won into smaller bits and offer them to potential bidders. The institute itself will be the chief contractor responsible for project design and document supervision.

According to the Moscow city metro development program, 150 kilometers of new subway lines and some 70 metro stations are to be built in the city by 2020. The authorities earlier estimated that the overall cost of the construction would exceed 1 trillion rubles.

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