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Audit Reveals $191M Overspend on Moscow-St Petersburg Highway

By Alexander Panin

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A construction worker on an unfinished section of the Moscow to St. Petersburg Highway.

Toll revenue on a 72-kilometer section of the new Moscow-St. Petersburg highway will not only not be enough to recoup the billions of rubles spent on its construction, but will fall far short of the road's operational maintenance costs, according to a report released Friday by the Audit Chamber.

At the same time, construction costs have shot up by 6.6 billion rubles ($191 million) to more than 50 billion rubles, the report said.

The gap between operational revenue and expenditure will leave Mostotrest, the private company that will run the section, which starts 258 kilometers from the capital in the Tver region, about 9 billion rubles out of pocket. It also raises doubts about the public-private partnership business model the government is using for the 684 kilometer-long Moscow-St. Petersburg highway, which is being built and put into operation in sections.

Mostotrest, owned by billionaire Arkady Rotenberg, won the right to build the the Tver section in a 2011 tender in which it was the only participant. It will contribute 10 percent of the 50 billion ruble cost of construction. The remaining 90 percent will be paid for by the state.

Under a concession agreement, the company will operate the section after its completion in 2015 as a toll road for 18 years, after which it will be turned over to government ownership.

The Audit Chamber estimated that toll revenue over the 18-year period through 2033 will be 34 billion rubles, while operational and repair costs will total more than 43 billion rubles.

"This means the concession contract will cover neither the cost of the road's construction nor the operational upkeep costs," its report said.

The concession agreements were designed to get private investors to incur part of the road-building costs and to shoulder early maintenance expenses in return for the toll charge fee, Sergei Kelbakh, head of state company Avtodor, which supervises the construction of toll roads, said last year in an interview with The Moscow Times.

In theory, the private investor is incentivized to minimize building costs while keeping the quality of the road up to high standards. The government, meanwhile, receives a fully operational road when the concession period ends, upon which it can begin to make returns on its own investment.

All sections of the Moscow - St. Petersburg highway are planned to be completed by the time the world Soccer championship kicks off in 2018.

Different sections will have different toll charges, but the average fee per kilometer is estimated at 2.2 rubles, meaning the whole trip from Moscow to St. Petersburg will cost 1,200 rubles.

With an average speed on the highway of 130 kilometers per hour, the journey time will be cut to just over 5 hours. Currently the trip can take as long as 10 hours.

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