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"The megaproject should be in the country. Unreservedly"

Avtodor Group of Companies Vyacheslav Petushenko on the largest and most relevant road construction projects

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Departments of Avtodor Group Vyacheslav Petushenko / Mikhail Tereshchenko / TASS

The construction of the new M12 high-speed highway from Moscow to Kazan has become one of the priority infrastructure projects of the state for the next three years. In April, President Putin instructed to extend the road to Yekaterinburg within the same time frame. In an interview with Vedomosti, the Avtodor Group of Companies, Vyacheslav Petushenko talks about financing this megaproject, including at the expense of private capital, how the increase in the cost of metal structures affected road construction, and the prospects for new projects.

- Let's start with your main project now - the construction of the M12 highway from Moscow to Kazan. What will be the scheme of project financing?

- Last year we signed all the contracts - we have state orders for construction there. We will keep the road at the expense of the funds received from the toll collection. Issues related to the operation of the toll collection system, we will solve ourselves, we will develop the capacities of the state company. Our financing scheme is as follows: 60% is a capital grant (state payments to the investor during the construction phase. - Vedomosti), another 40% are divided into two parts: 150 billion rubles - from the National Welfare Fund and 93.5 billion rubles - attracted funds from the market, or bonds.

- They say that banks are not very determined to buy back these bonds, as they are not covered by state guarantees.

- I haven't heard that. We have very close and mutually beneficial relations with Sberbank, Gazprombank, [VTB](#), VEB. Recently, I held a large meeting with First Deputy Chairman of the Board of Sberbank Alexander Vedyakhin, and they showed extreme interest in the implementation of infrastructure facilities. Among other things, we talked about issues related to further construction after the completion of the M12 project - with the extension of the route to Yekaterinburg. We see market interest in our bonds: we placed the last issue [on the Moscow Exchange] in December - for 14 billion rubles. Applications were then received for 21 billion rubles. Thanks to this, the rate there was quite interesting (the rate of a semi-annual coupon for the entire circulation period of securities - 5 years - was set at 6.75% per annum based on the results of the collection of applications. Initially, the benchmark of the 1st coupon rate was in the range of 6.75-6.80%. - [Vedomosti](#)). The state company is also a state company, it is secured by the obligations of the state. When we take care of them, it's not a private story. Plus, we have calculated repayment mechanisms using borrowed funds. I don't see any problems.

- Will Sber buy out Avtodor bonds?

- We haven't released them yet. But we understand that when everything happens, Sberbank will participate [in the redemption of securities].



Vyacheslav Petushenko

management of Avtodor Group

Born in 1959 in the village of Mezha Kalinin region. Graduated from the Leningrad Civil Engineering Institute

- 1983** after serving in the army, he began his career in the trust "Lendorstroy": he began as a foreman, was a foreman, in 1988 he took the position of chief engineer of the construction department No. 3 of the trust
- 1990** Deputy Chief Engineer, Chief Builder, First Deputy General Director - Chief Engineer, General Director of Lendorstroy CJSC
- 2006** First Deputy General Director, General Director, Director of FKSU "Directorate for the Construction of Transport Bypass of St. Petersburg" of the Federal Road Agency (Rosavtodor)
- 2014** Deputy Minister of Transport of the Republic of Crimea
- 2015** Advisor to the head of Rosavtodor, then head of the Federal Highway Administration "Central Russia" of Rosavtodor
- 2018** First Deputy Directorate of Avtodor Group, since February 6, 2019 - Departments

- Will Sber be the only one?

- No, he won't be alone. Our market is quite large. We [on this project] are actively working with VTB, Gazprombank. Also among the key partners are RSHB, EDB.

- Do they want to fit in with RDIF and partners?

- We're also actively discussing it with them.

- When are you planning to produce the first infrastructure bonds for this construction?

- According to our financial model, it will be in 2022-2023. We do not plan to raise funds on the M12 this year. The year 2021 is quite enough for the promotion of the object and the funds that are now. The sooner we borrow, the more expensive it will

increase the load on the project. But next year we will still attract earlier than planned, because the momentum of work on the project indicates that money will be needed earlier.

- What are these rates, by the way? When will the first builders come to the site?

- This year's task is to go literally every kilometer to work. Now 95% of green spaces have been demolished throughout the route, the soil and plant layer has been removed by 50%. About 1.5 million cubic meters of crushed stone and sand mixture have already been delivered there, four asphalt concrete plants have been delivered. On May 5, we have already done trial asphalt concrete laying on the technological road in Tatarstan (at the eighth stage) and at the asphalt concrete plant site in the Moscow region (at the zero stage). Temporary roads are built by 50%. For the fourth section (passing through the territory of the Vladimir and Nizhny Novgorod regions. - "Vedomosti"), we already have a positive conclusion of the Glavgosexpertiza, which allows us to work there more intensively. The construction site now employs about 7,000 people, there is an active delivery of materials. About 20 sand pits have been opened along the entire route. So we've been on the court for a long time, as you can see.

- Are there any problems with the removal of communications in the Moscow region, as it was during the construction of the Central Ring House?

- We drew conclusions on the results of the construction of the Central Ring House. We concluded agreements with the owners of communications - Gazprom, Rosseti, Transneft. By the end of the year, the vast majority of networks will be rebuilt.

- How much will it cost to complete the road from Kazan to Yekaterinburg, as the president ordered?

- So far, we expect that 130 billion rubles will be able to get from the National Welfare Fund for this. The length of the entire route from Kazan to Yekaterinburg is 800 km, about 400 of them go through the existing road network, 288 km should be built by Avtodor - from Achachita to Dyurtyuli. Rosavtodor [Federal Road Agency] is building an 80 km long bypass of Naberezhnye Chelny and a reconstruction of the site to

Dyurtyuli. Taking into account the cost of building a road to Kazan and taking into account the rise in prices for bitumen and metal structures, I think that the maximum amount of funds for our part will be 260 billion rubles. But there is a task to reduce this price.

- Will there be enough contractors for such a construction site?

- It's a serious problem. We want to split the section from Kazan to Yekaterinburg into small segments so that second-level contractors can enter the auction.

State Company "Russian Highways" (GC "Avtodor")

Non-profit organization

Founder: Government of the Russian Federation.

Financial indicators (IFRS, 2020):

revenue - 2.2 billion rubles,

net loss - 3 million rubles.

Created in 2009 for road management and road network development. Total length of roads: 3,722 km in trust management, 2,785 km in the first category, 1,769 km in toll roads (company data).

- How do builders react to the increase in the cost of metal structures?

- For everyone, this is an unexpected situation that has an extremely negative impact on cost calculations. The price of state contracts is fixed rigidly. When contractors entered [for the tender], the cost of metal was about 46,000 rubles per ton, now - 100,000-110,000 rubles. It is clear that the economy of any contractor will not withstand this. We appealed to manufacturers to fix prices for metal structures, since the construction of M12 is one of the priorities of the state. Now there is an active process to stabilize prices, the government is keeping the issue under control. Builders should not suffer losses, because our task is to build a road and make builders move to other facilities. With the help of the Ministry of Construction and the government apparatus, we are negotiating with manufacturers of metal

structures, and prices for our contractors will be fixed.

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In particular, the Far Western Bypass of Krasnodar, road projects from it to Kerch Bridge, roads from Tsemdolin to St. Portovoy in Novorossiysk, roads from Novorossiysk to Dzhubga, from Goryachy Klyuch to Dzhubga and from Dzhubga to Sochi. Has anything from the project been included in the comprehensive infrastructure modernization plan as you wanted?

- Not yet. The cost of the Dzhubga-Sochi road project is very high - 1.5 trillion rubles, and there is simply no such money on the horizon of 2024. The government instructed us to review the existing technical solutions and try to fit into a lower cost, dipping the construction into stages. Today we drive these 176 km from Dzhubga to Sochi for six hours. And the option that we were considering for implementation is 119 km, and they can be driven in an hour. If you divide the construction into stages, first of all you need to build rounds of Tuapse and Lazarevsky. Tuapse is one of the critical points on this route.

- And the section from Tsemdolina to Portovaya Street in Novorossiysk?

- This is essentially an urban road, and there is a very high cost of work per kilometer due to the fact that it is necessary to transfer communications, overpasses and interchanges within the city limits. We do not see this object in the nearest horizon.

- Has the project of the chord route from Yekaterinburg to Krasnodar become closer to implementation?

- We see it as a very great potential in terms of the connection of the Urals with the Volga region and the Black Sea coast of the Caucasus. Now, to drive from Yekaterinburg to Krasnodar, you must first go to Moscow. And Moscow needs to be unloaded from transit traffic and made sure that the journey from the central part of the country to the sea by car takes less time.

- Did the project have tangible prospects compared to September last year, when you first presented it?

- Yes, we have included the route in promising facilities and are preparing a terms of reference for the study of the financial and economic justification and transport model of the project. It will be a 1600 km long route, you will have to build from scratch.

- And what about your ideas regarding the Golden Ring expressway?

- These ideas are based on how transport links develop. We see the congestion of roads and where they are needed. The M12 highway will pass by Vladimir. This is a very beautiful city, which at one time was the capital of the principality in Russia. It's only 180 km from Moscow, but we don't go there because there's no normal road. And when we build an M12, it will be possible to get to it in 1.5 hours.

- Did you tell the Ministry of Finance that?

- We'll get to Yekaterinburg in 2024. This means that already in 2023, builders will need to be reoriented to the next facility so that their capacities do not stand idle. The country needs expressways. Paid or free is another question. If there were money, maybe you wouldn't have to raise [borrowed] funds to give it later. But in any case, entering the cheap money market is very important. When we started some projects 10 years ago, the money was raised at 12-14% per annum, and in December 2020 we issued bonds at 6.75%.

- But now inflation has accelerated.

- Yes, the key rate is rising. But today we can confidently say that under 8% money in the market can be borrowed.

- Don't you think we're living again in times of megaprojects comparable in scale to the GOELRO plan? Only instead of electricity infrastructure.

- The megaproject should be in the country. Unreservedly. I have complete confidence that this should be done. And not even so that the builders don't run away. It is necessary to assess what was happening on my own: when I was going to St. Petersburg for the forum [St. Petersburg International Economic Forum], I had no doubt that I would go to the M11. I knew clearly what time I would get in the car and

what time I would be in St. Petersburg.

- And in Peregrine Falcon you can also take a nap.

- In the car, too, if not driving. And besides that, get high from the cool road. Plus, I see how many trucks are driving on the new road - it's saving. I remember the January passage along the M7 from Murom to Kazan: steep ascents and descents into ravines, traffic jams of several kilometers. In winter, the trip resembles a struggle similar to the development of Siberia. After all, the economy is developing this way, and we live, it turns out, so.



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