

# Western High Speed Diameter: Time to look for feasible alternatives



EBRD Annual Meeting, London, May 2009

## Summary

While St. Petersburg's road maintenance budget as a reaction to the economic crisis has been cut by 75%, federal and city officials are determined to realise the Western High Speed Diameter (WHSD), despite more than quadruplet production costs since 2006. But apart from the unjustified routing of the diameter through residential and important natural areas, it is also still unclear whether there are cheaper and more effective alternatives.

The expected high costs for the city's taxpayers coupled with the entire lack of transparency during the planning and decision making process should alarm the EBRD and other IFIs who have shown interest in the project.

## Background

Russia's flagship public-private partnership (PPP) project, the Western High Speed Diameter (WHSD) motorway in Saint Petersburg, is under threat of failure because of the economic crisis, as the Russian government has postponed the concession agreement with the private consortium and announced a decision to complete the southern section of the road with state money.

The tender for the USD 6.14 billion motorway was won last year by the ZSD Nevsky Meridian consortium led by the Russian tycoon Oleg Deripaska and including among others Strabag and Hochtief, in which Deripaska held shares until recently.

The WHSD project has been opposed by environmental groups as the road is planned to pass through residential areas, across the Gulf of Finland and within the buffer zone of the Yuntolovsky nature reserve. Along with these environmental and social concerns, the Save Yuntolovo environmental movement has also raised questions about the transport effectiveness and financial feasibility of the project.

While infrastructure is seen as a priority for investment in Russia, the lack of a systematic and transparent planning process risks the delivery of poor-performing projects. The possibility of attracting investment seems to be the main driving factor for approving several massive and highly controversial projects – the WHSD, Orlovsky tunnel and Nadzemny Express passenger transportation line – all of which have attracted the interest of the EBRD along with other IFIs. The estimated cost of the three projects exceeds Saint Petersburg's budget in 2009 of USD 8 billion.

## The need for a cheaper alternative solution

The WHSD's construction costs have increased by 470 percent since spring 2006, from 57 to 212.7 billion rubles (USD 1.6 to 6.14 billion). In 2009-2010, the federal government envisages allocating 20.6 billion rubles (USD 617 million) for the construction and the city of Saint Petersburg is planning to contribute another 6.6 billion rubles (USD 200 million).

These spendings stand in dramatic contrast with the budget cuts made because of the economic crisis: Saint Petersburg's income this year is expected to be cut by almost 30 percent from USD 11 billion to USD 8 billion. The budget for road repairs and maintenance in 2009 has been cut by 75 percent, from USD 275 million to USD 70 million.

## The need for a feasible approach to city transport planning

As with many other developing cities, Saint Petersburg is suffering from heavy traffic, low mobility and congestion as the number of private vehicles grows rapidly. According to official estimates, motorisation has reached the level of 300 vehicles per 1000 people, and the average speed in the centre of the city in peak hours has fallen to 15 km per hour.

The municipal authorities have not proposed any adequate response to this situation – transport planning is focused on road network development (206 kilometres of high-speed roads are planned to be built within the city by 2015) and squeezing the public transport system (over the last 10 years, 20 kilometres of tram lines, for example, have been dismantled). Infill construction and destruction of green areas exacerbate the problem and shows the lack of a holistic approach in planning.

The WHSD is viewed by the city authorities as one of the most powerful measures to solve Saint Petersburg's transport problems. The motorway has been declared: (i) to be a part of the IX Pan-European Transport Corridor; (ii) as a way to alleviate inner city traffic and; (iii) a way to let trucks out from the city port. However, no justification has been given for routing an international transit motorway through residential areas. It is also still unclear whether there are cheaper and more effective alternatives to deal with the inner city traffic apart from building a USD 6 billion high-speed motorway linked to the poor and delapidated city road network. As for the seaport traffic, the problem seems to have been solved with the construction of the southern section of the WHSD (from the city port to the Ring road) which is already partly completed.

The economic crisis presents a particularly appropriate opportunity to go back to the planning stage and examine whether there are any other affordable alternatives to this risky and ineffective transport mega-project that popped up in the period when Russia was brimming with oil money.

## The need for open transport planning

Since 2007, road projects in Russia are no longer subject to environmental expertise assessments and are not supposed to undergo public hearings. As the decision-making process is closed, experts and developers have found themselves under constant pressure from the lobbyists of major financial and political interests. The experience of the Ring Road and other projects shows that decisions are de-facto made before expert and technical assessments of projects.

Saint Petersburg needs several open and concurring transportation models to raise the quality of transport planning, and the IFIs need to ensure that they do not finance projects which have not been developed as part of an overall coherent transport plan for the city, one that has been consulted with the public

## PPP: how much does it cost?

Although it has been announced that the concession for the WHSD is frozen until 2011, the original PPP scheme has not been totally cancelled as the city authorities have stated their determination to proceed with PPPs after the most severe phase of the crisis passes.

Earlier the city embarked on one of the largest PPP programmes in the world, including four mega-projects (the WHSD, the Orlovsky tunnel, the Nadzemny express and the Pulkovo airport reconstruction). Despite the scale, the PPP plans are closed to the public concerning possible budget implications. According to the draft Concession Agreement on the WHSD, the lack of revenue from road user tolls will be compensated to the concessionaire from the city budget. Taking into account the cost of the project, which has risen from 57 to 212.7 billion rubles (USD 1.6 to 6.14 billion) from 2006, such arrangements on top would represent a severe burden on the city budget.

According to a presentation by William Dachs<sup>1</sup>, senior finance specialist of the World Bank, Saint Petersburg's potential payments under PPPs are likely to run into several billion dollars. Dachs notes that budgeting for uncertain payments under guarantees is already a pressing problem for the city.

Although the money would be paid from taxpayers' pockets, city officials made it clear at a recent meeting with Save Yuntolovo that they will not disclose any estimations of the possible future PPP payments.

For more information

Vera Ponomareva, Save Yuntolovo  
Saint Petersburg, Russia  
Tel: +7 921 772 70 42  
Email: vera.ponomareva@gmail.com

---

<sup>1</sup> <http://siteresources.worldbank.org/PPPIILP/Resources/3-William.pdf>