

Private lessons

Soviet builders learn the way of the West

Last week a five-strong delegation organised by Reading University became the first group of UK construction experts to visit the Soviet Union since the failed coup in August. NEDO construction economist Jacquie Cannon reports on Moscow's attempt to grapple with market economics, while Peter Cooper looks at the inroads already made by European contractors.



SELECT

Picture-postcard Moscow: hiding a vacuum of instability and uncertainty for the Soviet Union's construction managers.

Gem of a honeypot still untapped by Western contractors

IN SPRING last year Soviet construction seemed to promise a gold mine. Top officials interviewed by *Building* in Moscow talked about an imminent decree to privatise housing and reorganise construction firms into Western style companies. But nothing happened. A date for a presidential decree was delayed, and then forgotten.

As with many of Mikhail Gorbachev's *glasnost* reforms, disappointment and disillusion followed early hopes. No wonder the hardliners thought a coup would succeed this summer. So what do Western contractors think of the huge Soviet market now?

In January, French

contractor Bouygues handed over the hotel it was building next to an eye clinic in Moscow. Bouygues had led the field with this joint venture project. But now the firm says all schemes are on hold until the political situation becomes clear.

British firm Taylor Woodrow, whose fast-track talents brought Pizza Hut to Moscow last summer, reports that it is not taking on any new work in Russia at present. "We will finish our £25m contract to refurbish, by the end of the year, six factories around the Soviet Union that produce artificial fur," said a spokesman.

But there is some hope for further work. Taylor Woodrow is the leading contender for a contract to build a new airport

terminal for Air Russia, the proposed British Airways/Aeroflot joint venture which is also stalled, pending political developments. And the UK contractor has plans for a network of offices in the newly independent republics.

There is little other evidence of British or French contractors working in Russia, although consultants seem to be having a better time. Management consultants KPMG Peat Marwick McLintock have been training Russian construction executives in Western business practices, and Western merchant banks and accountancy firms have been retained to advise on privatisation.

These are capitalist bees

swarming around a former communist honeypot. The Soviet Union is the biggest oil producer in the world — 12.1 million barrels a day — and the second largest exporter after Saudi Arabia. Oil remains a possible source of vast future wealth, which needs Western expertise to turn it into hard currency.

Privatisation of a number of small businesses, including shops, is now set for 1 October. Yet there is reason to doubt this deadline will be met. For the time being, oil and mineral wealth, a market of 287 million consumers, and vast potential for Western investment, goes virtually untapped.

— Peter Cooper

THE NEED FOR management training in the Soviet Union is urgent. As the country moves towards Western-style free market philosophies, construction company heads are facing the prospect of dealing with market economics and having to use their own initiative.

The main purpose of our Moscow visit was to explain to senior Soviet construction managers how the industry

operates in a market economy. The programme was organised by Reading University's department of construction management and engineering, led by Professor Peter Lansley.

The two-day symposium was attended by construction managers from regions as far apart as Siberia and the North Caucasus. The Reading team presented a series of papers focusing on the origins of demand

for construction, the sources and costs of finance, costs and prices, the role of subcontractors, the structure of construction organisations, and the legal framework for construction in a market economy.

Clueless management

The urgent need for management training in the USSR emerged as an important point. During a vigorous question-and-answer session it became clear that the 100 Soviet delegates were well aware of their lack of experience in working on their own initiative.

Their problems in understanding market economies are immense. Until recently, all construction firms in the Soviet Union were given production targets. They were told what their materials would be, where they would come from, and where their products were to be delivered. The planning system controlled the economy.

Today, planning is dead, leaving a huge vacuum in economic and commercial decision-making. The concepts of risk and individual responsibility are barely understood.

Under the old Soviet system 33 000 trusts, not unlike very large construction firms, each employed thousands of workers. Private companies did not exist. Now there are more than 80 000 private firms of various sizes in the industry.

From the Soviet government's point of view, the construction industry faces a number of problems. First, there is the need to deal with unfinished projects, most of them factories. Some have been abandoned due to

shortages of building materials and components; others because it suited the contractor to move to another site, or simply because there was no manufacturing plant to put inside the factory.

Not all unfinished projects are industrial. Near our 7000-bed hotel, a large concrete structure was an incomplete stadium started before the Second World War.

Many of these projects may still have a potential use. For example, the distribution system for all goods is extremely poor, and many semi-derelict buildings could usefully serve as warehouses.

No through road

Infrastructure is another major problem. Even in Moscow, roads flood very rapidly in the rain. The water dislocates the paving stones and the ballast between the tramlines disappears, making them impassable for cars. Holes in the roads rapidly grow into craters due to lack of maintenance. The Moscow underground system is the one part that works well.

Old buildings in Moscow, which would be listed if they were in Britain, are left to decay. Many would be prime candidates for use in the retail sector.

It was undoubtedly right of agriculture minister John Gummer to take a party of British food retailers to Moscow recently, because it is here that another major problem lies. Food supply this winter will be very difficult. There is an urgent need for immediate help to deal with food distribution and storage, and whatever can be done to relieve the situation by top retailers has to be matched by leaders of the British construction industry.



The death of the planned economy has left many projects unfinished.