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WINTER OLYMPICS

IN THE SUB-TROPICS:
Corruption and Abuse in Sochi



AN INDEPENDENT EXPERT REPORT

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Corruption and Abuse in Sochi



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a special project of the Institute of Modern Russia
www.interpretermag.com www.imrussia.org

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introduction

Russia is a winter country. It's hard to find a place on the map of Russia where there hasn't been snow and where winter sports are not developed. But Putin found such a spot and decided to hold the Winter Olympics there. It's the city of Sochi.

Before the announcement of the Russian application for the Olympics, many citizens, including the authors of this report, were certain that the Olympics would be held in the mountainous regions of Sochi, in the gorges and on the slopes of Krasnaya Polyana. Many people thought then that the Olympics would result in increased prestige for Russia in the world, the development of winter sports, and the creation of a world-class ski resort, the only one in our country.

That is why, immediately after the decision of the International Olympics Committee in July 2007 in Guatemala, millions of Russian citizens – ourselves included – rejoiced at the decision. However, the joy was short-lived. It turned out that the main competitions, both the opening and

closing ceremonies of the Games, would take place at the Imereti Lowlands, a sub-tropical swamp located on the shore of the Black Sea in the basin of the Mzymta River – the warmest place not only in Sochi, but in Russia. The authorities explained this was due to the fact that there was little space for the stadiums and main Olympic Village in the mountains. Putin's personal trip to Guatemala and his assurances that the Olympic facilities would be completed on time, and that enormous sums – \$12 billion – would be spent on preparation played a large role in the success of the Russian application.

As it has become known now, the cost of the Olympics for Russia beat all the world records and now is more than \$50 billion.

The Winter Olympics in Sochi is Putin's personal project. He believed (and likely still believes to this day) that the Olympic Games will be his triumph, and that the participation of athletes from all over the world will be a recognition of his indisputable leadership, both in Russia and in the world.

Subsequent events have demonstrated that the preparation for the Olympics has become a disgrace rather than a triumph. It has become increasingly clear that the Sochi Olympics are an unprecedented thieves' caper in which representatives of Putin's government are mixed up along with the oligarchs close to the government. This caper is not even comparable to Nikita Khrushchev's reckless scheme to plant corn in the Russian Arctic, or the Communist plans to turn the course of the northern rivers. Essentially, the Olympics have exposed in concentrated form the main flaws of the system: abuse, corruption, petty tyranny, cronyism, non-professionalism and irresponsibility.

This is what we will address in this report.



Abuse and Corruption: 2014 Olympics

The Sochi Olympics has gone down in history before it has opened: it is the most expensive Olympics in the history of humankind. With over \$50 billion already spent, it is more expensive than the sports buildings of all 21 other Winter Olympics combined. Furthermore, the lion's share of the funds are government expenditures (from the state budget, loans from state banks, and state guarantees).

Even the most costly Olympics in Beijing in 2008 (we will note that these were the Summer Games) were cheaper than the Sochi Olympics and cost the Chinese \$43 billion, according to official figures.

It is no secret that the preparation for the Olympics in Russia has been accompanied by unprecedented corruption. Below, we provide calculations for the scale of the embezzlements made through two different methods:

METHOD 1: A comparative analysis of the growing expense of the 2014 Olympics relative to the increase in cost of the previous Olympics.

In the summer of 2007 in Guatemala, Putin announced during a meeting of the International Olympic Committee that the overall expenses for the Sochi Olympics would be \$12 billion. At the time, this astronomical figure shocked the imagination of many of those present, as well as specialists. Essentially, Putin was openly announcing that he was prepared to spend twice as much on the Olympics than his competitors, the Austrians and South Koreans, had proposed.

As we now know, the final figure for the expenditures – \$50 billion – is four times the sum originally cited by Putin. Let us remember that.

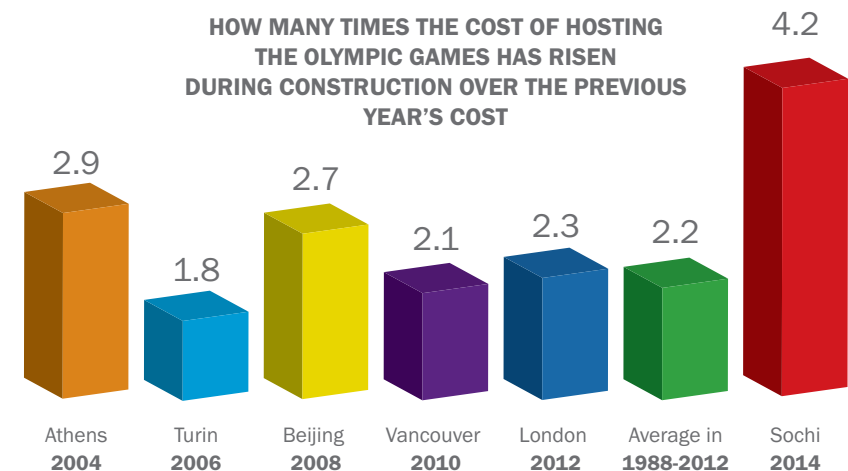
And now let us compare the rise in prices of Olympic buildings compared to construction at previous Games.

*SOURCE: A. Sokolov. Expenditures for Sochi Olympics are record high in the entire history of the Olympic Games. igpr.ru/articles/zatraty_na_olimpiadu_v_sochi
www.sochi2014.com/games/places/objects/sea/central_stadium/*

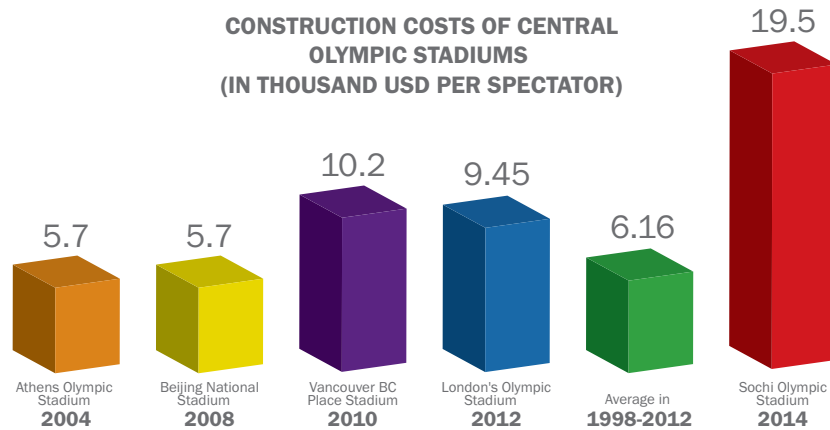
Olympic facilities have generally doubled in price as they have been built. Winter Olympics have increased less in expense than Summer Olympics. The total expenditures on the last Winter Olympics in Vancouver approximately doubled: from \$2.88 billion in 2006 to \$6 billion in 2010. From this we can take away an important conclusion: the more than doubled costs for the Winter Olympics that we see in Sochi is an anomaly and can be explained by banal thievery, corruption, embezzlement, and complete lack of professionalism of the contractors. The cost of the Olympics in Sochi, given the average world parameters for the increase in costs, should have been \$24 billion (the \$12 billion announced by Putin, multiplied by two). The remainder – \$26 billion – consists of embezzlement and kickbacks.

METHOD 2: A comparative analysis of the cost of the Olympic facilities in Sochi relative to their analogues in previous Olympics.

Fisht, the chief Olympic stadium, is located in the Imereti Lowlands. The opening and closing ceremonies for the Olympic Games will take place there in February 2014. The stadium holds 40,000 fans. Originally, the cost of construction of the stadium was estimated at 7.5 billion rubles (\$230 million). The cost is now claimed to be 23.5 billion (\$780 million), that is, it has tripled. Thus, the cost per fan at the central stadium in Sochi is \$19,500. Let us compare this figure with the expenditures per fan at



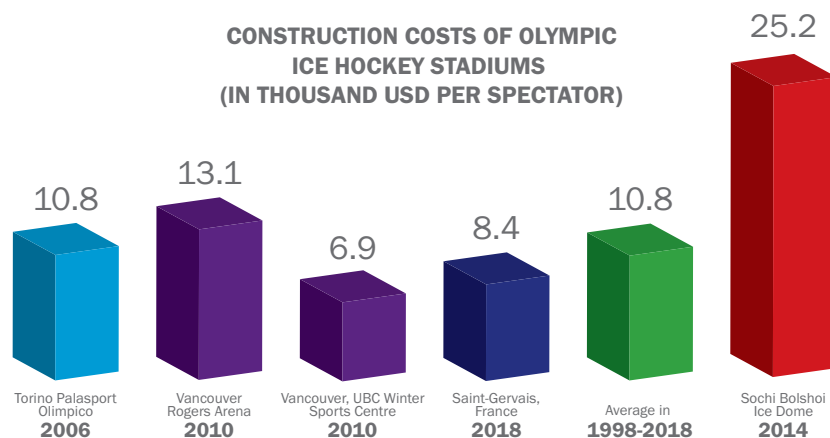
CONSTRUCTION COSTS OF CENTRAL OLYMPIC STADIUMS (IN THOUSAND USD PER SPECTATOR)



other Olympic stadiums: the average cost per fan for the central stadiums of other Olympic Games has been about \$6,000, and the average cost per fan at Putin's stadium is \$19,500 – that is, triple the amount.

The Bolshoi Ice Palace (for hockey) holds 12,000 people and is also being built in the Imereti Lowlands. The original cost was estimated at \$200 million. By 2012, it had risen to \$300 million. The average cost per fan is \$25,000. The average cost of an analogous ice rink per fan in previous

CONSTRUCTION COSTS OF OLYMPIC ICE HOCKEY STADIUMS (IN THOUSAND USD PER SPECTATOR)



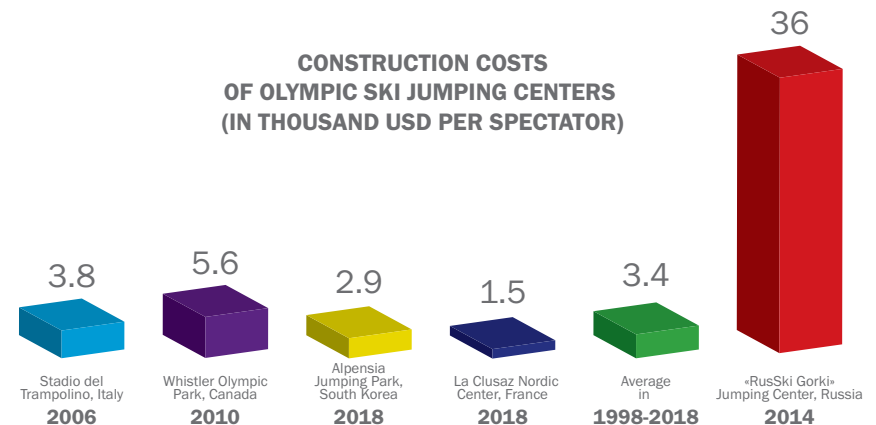
SOURCE: igpr.ru/articles/zatraty_na_olimpiadu_v_sochi
www.sochi2014.com/games/places/objects/mountain/ski_jumping
realty.newsru.com/article/06feb2013/sochi_hr

Olympics was \$11,000. Thus, Putin's hockey stadium is more than twice as expensive as the average stadium anywhere else in the world.

Putin's Iceberg figure-skating palace is also 2.3 times the world average at \$23,000 per fan; the Russian Hills trampoline was \$36,000 per fan, although the world average was \$3,400, that is, nearly 10 times more. The Olympic Village built by Deripaska costs \$363,000 per person; the average for other countries was \$150,000, making the cost of Putin's Olympic Village more than twice the world standard. On the whole, for all the buildings, Putin's cost has been double or triple the world average; thus, by dividing the total cost of \$50 billion by 2.5, the figure of \$20 billion for the actual cost is yielded, with approximately \$30 billion estimated for the amount of stolen funds.

Thus the total scale of the embezzlement is about \$25-30 billion, or about 50-60 percent of the stated final cost of the Russian Olympics. This is the minimum amount of inflation one can expect from a system blighted by kickbacks. We have not taken into account, after all, that the slave labor of migrant workers was exploited in the Olympics. We haven't factored in that the quality of the work has not been comparable at all to the quality of the construction in Vancouver, Turin, or Salt Lake City. The scale of graft in the Olympic budgets defies the imagination. But here is what is interesting: not a single criminal case of fraud, embezzlement, bribe-taking, or kickbacks has reached the courts. The main reason for the epic thievery in Putin's Olympics is the closed nature of the government and the impunity of the criminals close to Putin. That is an indictment of the system.

CONSTRUCTION COSTS OF OLYMPIC SKI JUMPING CENTERS (IN THOUSAND USD PER SPECTATOR)



The Kings of Olympic Contracts

The astronomical sum of 1.5 trillion rubles spent on the Olympics has been controlled largely by business people and companies close to Putin.

The government has tried to promote the myth that the construction of the Olympic facilities is being done through private investment. This is absolutely not the case. The lion's share of the construction is being done either at the expense of the state budget, through state corporations, or through shareholder associations that are either state property or under state control. There are only two large private investors: businessmen Oleg Deripaska and Vladimir Potanin. The rule operating with regard to private investments was that 70 percent of the investments would be covered by loans from the Vneshekonombank (a state corporation!) and 30 percent by private contributions. However, by the end of 2012, the government admitted that practically all the Olympic buildings, without exception, were running at a loss and would never pay for themselves. As Vneshekonombank cautiously put it, "The investors began to view more critically the market risks for realization of the projects. The question of return on investment arose." And they increased the bank loans to 90 percent.

In November 2013, Gazprom, Sberbank, Potanin, and Deripaska demanded 100 percent guarantees from the government on loans for Olympic construction. The reason: all the buildings were constructed at a loss and would never pay for themselves. Thus, if you make the necessary calculations, it turns out that the overall amount of the state capital investment in the program for preparation of the Games was 96 percent! The Olympics are being built at the taxpayers' expense.

The Kings of Olympic Contracts: amounts of budgets (in billion USD)

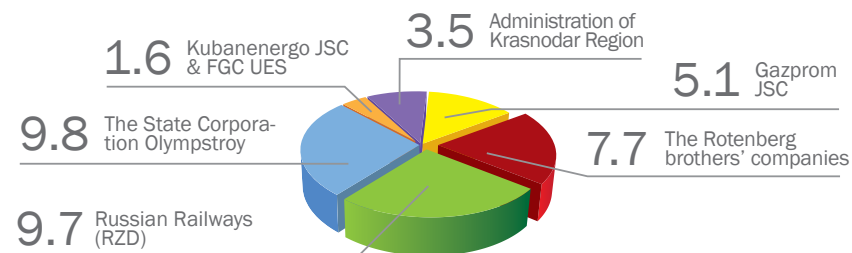


Photo: Nikolay Vashchilin

Vladimir Putin (second from left) and Arkady Rotenberg (first from right) in 1969

Photo: Mitya Alestkovskiy



Vladimir Yakunin

Troika of Champions

The largest investor in the construction of the Olympic facilities is the state corporation Olimpstroy, which controls 303.9 billion rubles (\$9.4 billion) of state budget funds. Originally, the talk was of 143 billion (\$4.4 billion), but in 2011 the government unexpectedly more than doubled the amount of the con-

tribution to Olimpstroy to prepare the Olympics. In an explanatory note, the Ministry of Regions then did not even consider it necessary to account for why it was demanding an increase in expenses, but indicated that these expenditures had already been provided for through the federal budget. Thus, 20 percent of the budget for the Olympics has gone to Olimpstroy. The company is responsible for the building of the stadiums in the Imereti Lowlands, the main Olympic Village, and the infrastructure of other buildings, as well as the coordination of the general preparations for the Olympics. Four managers have followed in succession since Olimpstroy was created in 2007: Semyon Vaynshtok, Viktor Kolodyazhny, Taymuraz Bolloyev, and now Serge Gaplikov. This personnel shuffle indicates the chaos and disruption in the state corporation responsible for the Olympics. Each change in the leadership of Olimpstroy was accompanied by the opening of criminal cases on evidence of embezzlement, corruption, and the exceeding of official authority (after Bolloyev resigned in 2010, 27 criminal cases were filed against him). Yet not a single one of these cases has reached trial.

Although in 2007 it was announced that parliamentary oversight would be established over the Olympics construction, Olimpstroy was never put on the list of companies that had to report on their activity to the State Duma. The attempt by the Communist deputies to change that in 2011 failed, despite the fact that their initiative was support-

ed by three other factions. The deputies from United Russia all voted against it. Now we can understand why.

The companies that are affiliated with the business of the Rotenberg brothers, Arkady and Boris, childhood friends of Vladimir, come in second place in commanding budget funds.

The Rotenberg brothers built the gas pipeline, roads, airport, Adler Thermal Electrical Station (TES), the cargo and sea ports, and other infrastructure. The total amount of the budget funds and Gazprom funds that their companies received was 229 billion rubles (\$6.9 billion) – 15 percent of the entire Olympic budget. That is, every seventh Olympic ruble has been taken by the Rotenbergs.

Finally, the last company in the troika of leaders is Russian Railways (RR), which is a 100 percent state-owned company.

The head of RR is Vladimir Yakunin, Putin's friend from the Ozero Cooperative. RR is responsible for building automobile roads and railroads, including the most expensive item of the Olympics – the Adler-Krasnaya Polyana Highway, which cost over 260 billion rubles (\$8 billion). Yakunin is also responsible for the reconstruction of part of the Tuaps-Adler rail line, the construction and modernization of train stations (at Adler, Dagomy, Matses, Khost, and Sochi), and the creation of freight yards. In total, according to the companies' annual reports, the amount commissioned is approximately 300 billion rubles (\$9.2 billion) – approximately 20 percent of the Olympic funds from the state budget and from the raising of rail tariffs. That means it is at the taxpayers' expense. In 2008 alone, the Olympics tariff hike was 1 percent on all forms of shipping throughout the country.

At approximately the same time, Yakunin began building his own property in the village of Akulinino. On a parcel of 7 hectares, he put up apartments on a total of 7000 square meters, which included the owner's 3000 m² home, a guest house of 1500 m², a servants' quarters (for 30 people), a sauna of 1400 m², a garage that could hold 15 cars, a 50-meter swimming pool, and a prayer room. According to the realtors' appraisals, the value of the property is \$75 million. Yakunin's confirmed income for 2007, according to the newspaper *Vedomosti*, was \$1.5 million. Thus, Yakunin's legal income was clearly insufficient to build such a costly property and maintain it.

Other Interested Parties

The other major participants in the Olympics construction have received between 4 and 10 percent of the allocated budget funds.

Gazprom – headed by Putin’s friend and subordinate, Alexei Miller – has been involved in four construction projects costing a total of 160 billion rubles (\$4.9 billion); the administration of Governor Alexander Tkachev, famous for Kushchyovka (a mass murder case) and Krymsk (a flood in 2011 in which 153 people died), has a budget of 109 billion rubles (\$3.3 billion), of which 77.7 billion (\$2.4 billion) have already been spent. Local and federal electric companies are also expected to spend 50 billion rubles (\$1.5 billion). German Gref, chairman of the board of Sberbank and a friend of Putin’s since his St. Petersburg days, is building the trampolines, Mountain Carousel resort, and the Hills City with the Olympic media village at a cost of between 75 and 80 billion rubles (\$2.3 billion), which has grown from the 16 billion rubles (\$500 million) originally projected in 2012.

Vladimir Potanin’s Interros and its affiliate, Oleg Deripaska’s Bazel, are the private investors. Potanin has put in 68.6 billion rubles (\$2.1 billion) for the Roza Khutor resort, of which 55.7 billion (\$1.7 billion) is a Vneshekonombank loan.

In 2007, Oleg Deripaska planned to spend about 45 billion rubles (\$1.3 billion). Today, his investment is about 40 billion (\$1.2 billion) in the Olympic Village in the Imereti Lowlands, comprising the freight port and the Sochi airport. Deripaska’s companies also took part in the Kurortny Avenue bypass and received a loan from Vneshekonombank for 22 billion rubles (\$680 million). Since virtually all of these Olympic projects are not profitable, private investors have essentially become victims of the Olympics deal.

In addition, InterRAO has been involved (via the modernization of the Sochi TES), as well as Alrosa, the presidential administration, and other state companies and agencies, accounting for approximately 13-15 percent of the Olympics budget.

The Favorites

The status of various participants in the construction of the Olympics differs radically. Potanin and Deripaska have been forced to invest their funds and take out loans, running the risk that they will never see a return on their investments. Sberbank and Gazprom perceive participation in the Olympics construction as a burden imposed on them by Putin. Russian Railways is building at the expense of the budget and raising tariffs on rail freight, and Olimpstroy is taking billions from the state and remaining a state corporation. Only the Rotenbergs have earned fantastic profits on building the Olympics infrastructure; in fact, their private companies have gained this profit while having their risk reduced to zero, in contrast to the state corporations and other private investors, because the facilities they are building will be turned over to the government.

The astronomical earnings of the Rotenberg family, Putin’s childhood friends, is explained either by the handing over of no-bid contracts or by the lack of proper competition during the tenders. They have received 21 contracts for Olympics constructions at a cost of 229 billion rubles (\$7.7 billion). This is more than the entire expenditure on the Olympics in Vancouver (\$6 billion).

Analyzing Individual Projects by the Rotenbergs

In 2009, the Rotenbergs’ company Stroygazmontazh got a no-bid contract from Gazprom to build the Dzhubga-Sochi pipeline at a cost of 32.6 billion rubles. However, a year earlier, the state corporation announced it would build this same pipeline for 8-10 billion rubles.

For the Rotenbergs, the price was nearly quadrupled, that is, it increased exactly the same number of times as the whole budget for the Olympics has been increased.

FACILITY	CONTRACTOR	CONTRACT PRICE (in \$ million)	SOURCE
Kurortny Prospekt relief road, 2nd & 3rd stage	Mostotrest	2 022.5	Mostotrest Annual Report 2011, Sochi-24
Section of M-27 Dzhubga-Sochi highway (betw. Adler & Vesylolye)	Mostotrest	190.4	Mostotrest Annual Report 2010
Kurortny Prospekt relief road, 1st stage	Mostotrest	181.2	Mostotrest Annual Report 2010
Adler Ring traffic junction	Mostotrest	161.4	Mostotrest Annual Report 2010
Golubye Dali traffic junction in Sochi	Mostotrest	95.5	Mostotrest Annual Report 2010
Dzhubga-Sochi gas pipeline	Stroygazmontazh	1 110.7	Olympstroy Annual Report 2011
Adler TES plant	TEK Mosenergo	922.3	Vladimir Putin at VEB supervisory council meeting in July 2010
Alpika-Servis-Roza Khutor highway	Transstroyemkhanizatsiya	154.8	Mostotrest Annual Report 2010
Reconstruction of Sochi (Adler) Airport	Transstroyemkhanizatsiya	148.2	Mostotrest Annual Report 2010
Alpika-Servis-Roza Khutor highway	Engtransstroy Corporation*	558.8	Mostotrest Annual Report 2011
Sochi Media Centre**	Engtransstroy Corporation*	477	Mostotrest Annual Report 2011, Engtransstroy website
Reconstruction of Sochi passenger seaport	Engtransstroy Corporation*	330.4	Engtransstroy website
Engineering works at Imereti Valley, incl. embankments	Engtransstroy Corporation*	278	Mostotrest Annual Reports 2010, 2011
Planning & surveying, construction & installation works of Sochi Media Centre	Engtransstroy Corporation*	263.5	Mostotrest Annual Report 2010
Mal'yi Akhun complex in Imereti Valley	Engtransstroy Corporation*	212.9	Mostotrest Annual Report 2011
Formula One race track	Engtransstroy Corporation*	163.5	Mostotrest Annual Report 2011
Sochi port cargo area	Engtransstroy Corporation*	154.8	Mostotrest Annual Report 2010
Traffic junction on Dzhubga-Sochi highway	Engtransstroy Corporation*	97.1	Mostotrest Annual Reports 2010, 2011
Project documentation & construction of Sochi seaport with embankments	Engtransstroy Corporation*	85.3	Mostotrest Annual Report 2010
Road from ski jumping centre to main stands and biathlon track	Engtransstroy Corporation*	74.9	Mostotrest Annual Report 2011
Planning, surveying, construction works on biathlon track	Engtransstroy Corporation*	40.9	Engtransstroy website

TOTAL: 7,724.1 \$ million

Now the parameters of the gas pipeline are 530 mm in diameter, 177 kilometers in length, and the cost per kilometer is 4.6 million euros.

A large part of the pipeline passes along the bottom of the Black Sea. Therefore, it is natural to take for comparison the Nord Stream gas pipeline, which was laid along the bottom of the Baltic Sea. Stroygazmontazh also took part in that pipeline's construction. Two branches, each 1224 kilometers in length, cost 8.8 billion euros, that is, the expenditure per kilometer of a single branch was 3.6 million euros. Furthermore, the capacity of the "Olympic" pipeline is seven times less than that of one branch of Nord Stream.

The cost overrun of Nord Stream compared to the average European pipeline provoked a wave of outrage in the Russian and Western press. And for good reason, as the average cost of construction turned out to be three times as high as the cost of the average European pipeline. Now the Olympic pipeline has turned out to be even more expensive. Its cost is nearly five times greater than the average European price. This was the first, but not the only Olympic cost record set by the Rotenbergs.

The scandalous bids to get contracts to construct the bypass for Kurortny Avenue ended in a victory for several investors. Deripaska won the right to build the first line of the bypass, and a contract for the second and third was won in October 2010 by Mostotrest OJSC. And this happened literally just a few days after it became known that control over Mostotrest had passed to Arkady Rotenberg and his son, Igor. The total length of the second and third lines of the Kurortny Avenue bypass is 10.8 kilometers, and the cost of the contract was 59.36 billion rubles. Thus, one kilometer of the bypass costs more than 5 billion rubles (\$170 million)!

The bypass is a combination of a road, tunnels, and bridges. Even if we proceed from the fact that the bypass is a one continuous tunnel (and that is the most expensive part of the construction project), and

* At the beginning of 2013, Arkady Rotenberg and his son withdrew from Engtransstroy (Inzhtransstroy). This was no accident. As shown by the table, Engtransstroy is responsible for the construction of numerous Olympic infrastructure projects, while the work has fallen behind schedule.

** The construction of the Olympic Media Centre was mentioned in a Human Rights Watch report in connection with violations of the rights of workers who were not paid salaries for up to six months. We can only guess at the quality of the work.

also from the calculation that the average cost of a kilometer of tunnel construction in Europe is \$126 million, we will see an inflation of the cost in comparison to analogous European projects by practically one and a half times.

Then there was the sensational news in March of this year during the construction of the Kurortny Avenue bypass when the tunnel on the third line collapsed after a section of ground above, containing a house, caved in.

Finally, there was the Adler Thermal Electric Station (TES). The contract for its construction in 2009 was given by Gazprom to Mosenergo Fuel and Energy Complex OSJC, a company controlled by the Rotenbergs. Once again, it was no-bid.

In 2010, Putin announced that the cost of the construction of the Adler TES was 28 billion rubles, with a capacity of 360 MWe. Thus, the cost of the station is \$2600 per kilowatt, which is two or three times higher than the average world price for gas-fuel electrical stations.

Investigation Without Results

The many billions spent on the Olympics have already become a subject of wide public discussion. The Accounts Chamber which by law is obligated to oversee government, including budget expenditures prepares such reports quarterly. However they are all classified as "For Internal Use Only." In February 2013, the Accounts Chamber published just the information that Olimpstroy had allowed the increase in Olympic construction by 15.5 billion rubles. The figure, of course, was enormous but it made up only 1% of the budget of the Olympics. It was impossible to believe that the scales of abuse in divvying up the Olympic budgets was 1 percent.

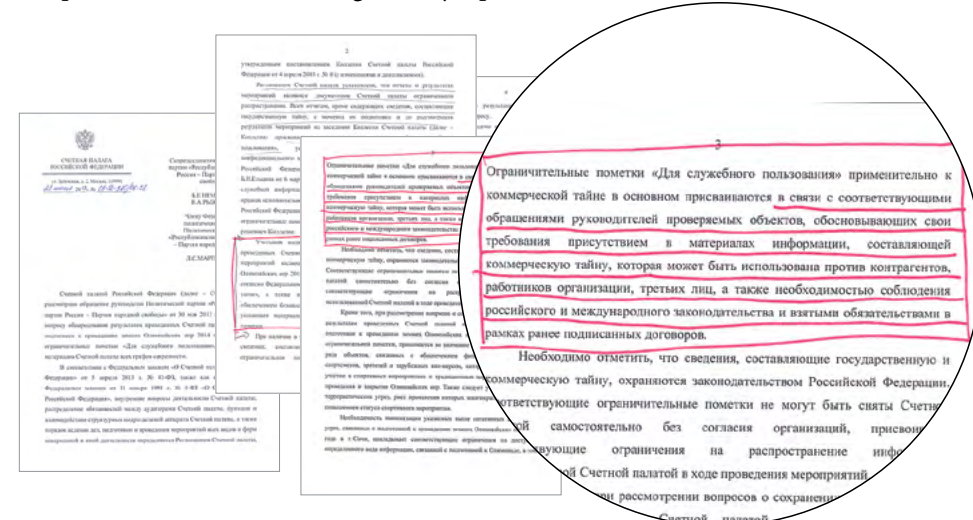
But even these facts and also the concrete violations tolerated during construction were carefully hidden by the government. The Accounts Chamber refuses to publish the figures from the report on the expenditures of funds for the Olympics, and responded to a deputies' request from Dmitry Gudkov with a formal letter. There is no information at all regarding criminal cases No. 326956 and No. 326493 which were opened in

SOURCE: www.newtimes.ru/articles/detail/65093?sphrase_id=3183579
www.sc-os.ru/common/upload/form_14.pdf
www.gazprom.ru/f/posts/18/146500/book_d-l-s_print.pdf
expert.ru/south/2008/06/olimpiyskaya_truba
eegas.com/pipeline_cost_-2010-11e.htm

June 2012 by the investigative unit of the Investigative Department of the Interior Ministry for the city of Sochi on evidence of a crime under Article 169, part 3, section 30, paragraph 4 of the Russian Federation Criminal Code ("Fraud"): Olimpstroy and its sub-contractor Mostovik NPO Ltd. deliberately raised the cost of the construction of the Olympic buildings by a sum of 2.520 billion rubles and 22.973,830 billion rubles respectively. According to media reports citing law-enforcement officers, these cases were prepared to be sent to court. But they never reached trial.

The closed nature of the companies and the failure by law-enforcement agencies and the Accounts Chamber to fulfill their obligations are among the serious reasons for the unprecedented theft of Olympic funds. It can be stated that one record at the Olympics in Sochi has already been set – the record for the number of cuts and kickbacks, the amounts of which the Olympic movement apparently has not realized.

For a complete list of the Rotenberg Brothers' Olympic contracts, see the previous section, The Kings of Olympic Contracts



The Accounts Chamber refuses to publicize actual numbers from the report on the expenditures of funds for the Olympics. Official explanation is as follows: «documents contain trade secrets»

SOURCE: www.rbcdaily.ru/market/562949979108880
sochi-24.ru/ekonomika/sochinskij-dubler-zapoluchil-mostotrest.20101029.24729.html
www.newsru.com/russia/04mar2013/sochi.html
www.sochi2014.com/games/places/objects/sea/central_stadium/



Photo: SK Most

Combined (rail and motor) road from Adler to Krasnaya Polyana.

The Most Expensive Project in the Most Expensive Olympics

The most expensive construction project in the Sochi Olympics, the overall costs of which exceed the world record and constitute more than \$50 billion, is not the Central Stadium or the trampolines and the bobsled race tracks. Those are all just kopecks by contrast with the 48-kilometer Adler-Krasnaya Polyana Highway.

According to the requirements of the International Olympic Committee for Olympic facilities, a bypass highway was supposed to be built in Krasnaya Polyana next to the existing highway. The

SOURCE: www.skmost2014.ru/opisanie
www.garant.ru/products/ipo/prime/doc/94708/
www.vedomosti.ru/newspaper/article/2010/03/16/228190

organizers of the Games decided to build a combined automobile road and railroad consisting of a four-lane automobile strip and a rail line. It was decided to extend this road along the left bank of the Mzymta, a mountain river. The laying of this road turned out to be environmentally destructive and involved extremely complicated engineering. Essentially, the road is an aggregate of tunnels and bridges built along the river.

Putin assigned Russian Railways OJSC, headed by his friend from the Ozero Cooperative Vladimir Yakunin, to be responsible for building the combined automobile road and railroad (“Program of Construction of Olympic Facilities and Development of the City of Sochi as a Mountain Climate Resort,” approved by a resolution of the Russian Federation Government on 29 December 2007, no. 991, in the version of the resolution of the Russian Federation Government of 31 December 2008, no. 1086).

The SK Most group of companies and Transyuzhstroj Management Co. became the general contractors. It is incredible, but true: the initial jobs, just like the following jobs in laying the highway, were given to these companies without any competition, tenders, or other “stupidities.” The finished jobs nevertheless cost an astronomical sum – \$2 billion. That’s almost as much as the Americans spent on the entire Winter Olympics in 2002 in Salt Lake City.

The law obligating shareholders’ associations with state controlling shares to hold public tenders went into force only on 1 January 2012.

Before 2012, the SK Most group of companies, founded in 2001, belonged to two businessmen – Yevgeny Sur (45.2%) and Vladimir Kostylev (45.2%).

Both entrepreneurs continue to hold only the modest 131st and 135th places in Forbes list of Russian billionaires, with capital of only \$750 million each. In 2012, Putin’s friend Gennady Timchenko bought 25 percent of SK Most’s shares.

The company became famous in 2008, when without any tender, which is an egregious violation of Russian law, by a decree of Presi-

SOURCE: www.forbes.ru/sobytiya/lyudi/162503-drug-putina-milliarder-gennadii-timchenko-sozdaet-stroitelnyi-megaholding
www.garant.ru/products/ipo/prime/doc/6291878/



Photo: SK Most

Vladimir Kostylev



Photo: SK Most

Evgeny Sur

dent Medvedev of 31 August 2008, SK Most got the contract to build a three-kilometer bridge to the island Russky for the Asian Pacific Economic Cooperation summit. The cost of this contract was more than a million dollars. We will note that the text of the decree was not officially published.

That same year, the successful businessmen Sur and Kostylev grew close to Vladimir Yakunin, buying the Millennium Bank, for which Vladimir's wife Natalya was on the board of directors. The acquisition enabled SK Most to get profitable contracts from Russian Railways.

The participation in tenders by companies exclusively affiliated with each other is called "fraud" in world practice, and when one of the parties is a state company, then it is corruption. However, there has been no investigation.

As for the second general contractor Transyuzhstroj, less is known about it. Apparently the owners and the leadership of the company are closely connected with the directors of Russian Railways.

*SOURCE: www.forbes.ru/sobytiya/lyudi/rating/81519-milliard-v-kontse-tonnelya
www.sobesednik.ru/scandals/korrupsiya-v-sochi-bet-mirovye-rekordy*

In particular, Oleg Toni, vice president of Russian Railways for capital construction, was named among the founders of Transyuzhstroj.

It remains to be seen whether Yakunin, head of Russian Railways, has a relationship to this company. For now it is only known that the Transyuzhstroj company, within the framework of Yakunin's activity supporting the Russian Orthodox Church, built the St. Alexander Nevsky Cathedral in the city of Rotterdam.

Thus, the largest construction contract in the history of Russia was landed without a tender by the SK Most group and Transyuzhstroj. We do not doubt that sooner or later, the story of this contract for the most expensive construction project in the country will become the subject of a criminal investigation.

The first expenditures on the construction of the Adler-Krasnaya Polyana automobile highway/railroad in the calculations of 2006 were 91 billion rubles (decree of the RF government of 8 June 2006, No. 357). But already by 2009, the cost of the construction had risen to 266.4 billion rubles (\$9.404 billion in 2012 dollars). Thus the budget increased by two and a half times. That is, one kilometer cost almost \$200 million in 2012 dollars. The price of one linear meter was \$200,000 and one square meter was about \$10,000. This is the price of luxury housing in Moscow! At these prices, proceeding from the average Russian cost of housing of \$1600 per square meter (figures from Rosstat for 2012), you could build 5.5 million square meters of housing and provide living space for 275,000 people (the average housing space per person in Russia is 20 square meters) – that's more than the population of such large cities as Kostroma, Petrozavodsk, and Komsomolsk-on-Amur.

Another comparison: the American program to reach Mars and run the Mars rover Curiosity cost about three and a half times less than the cost of building the Adler-Krasnaya Polyana highway.

For 266 billion rubles, you could build 940 kilometers (and they only built 48 kilometers!) of high-quality four-lane highway in Russia, which significantly exceeds the annual introduction of roads in the country.

*SOURCE: www.forbes.ru/profile/transyuzhstroj
www.prosro.ru/news/51-minregion_zatrati_na_olimpiyskuyu_stroyku_v_sochi
www.skmost2014.ru/opisanie*

Let us compare the average cost of the Sochi road with the average world cost. The length of the highway is 48.2 kilometers, which includes 12 tunnels and 45 bridges. This entire complex project consists of the following structure:

- **The automobile road: 23 automobile bridges of 9 kilometers in length plus three automobile tunnels of 6.9 kilometers in length plus 35 kilometers of regular road**

- **The railroad: 22 railroad bridges of a total length of 11.4 kilometers plus six railroad tunnels of a total length of 11.1 kilometers plus approximately 25.7 kilometers of regular railroad plus three new stations and reconstruction of the Sochi, Adler, and Vesyoloye stations.**

To estimate the cost of the 35-kilometer portion of the four-lane highway, we will use the average European cost – \$10 million per kilometer. Thus, the price of the automobile road without the bridges and tunnels would be \$350 million.

One kilometer of high-speed railroad track, according to average European standards, is \$45 million. Thus, the 25.7 kilometers of regular rail track should cost \$1.156 billion.

To estimate the cost of the 35-kilometer portion of the four-lane highway, we will use the average European cost – \$10 million per kilometer. Thus, the price of the automobile road without the bridges and tunnels would be \$350 million.

One kilometer of high-speed railroad track, according to average European standards, is \$45 million. Thus, the 25.7 kilometers of regular rail track should cost \$1.156 billion.

Accordingly, the cost of the Adler-Krasnaya Polyana highway, calculated on the basis of average world indicators, should be in the area of \$6.133 billion. However, the cost announced in 2009, we will recall, was two and a half times higher than the initial cost indicated in 2006 – 266.4 billion rubles, or \$9.404 billion. Why was \$3 billion added to the budget immediately? Was permafrost discovered in Sochi? Or was this the corrupt rent, as it is customary to call it in the literature of political science, or kickbacks in ordinary Russian?

*SOURCE: www.privetsochi.ru/blog/eco-sochi/16332.html
www.novayagazeta.ru/society/43851.html*

The question of whether the construction of such an expensive and environmentally damaging highway was even advisable is another conversation.

The cost of the road could have been radically reduced by rejecting the construction of the railroads. Then the total cost of the bypass from Adler to Krasnaya Polyana without including the corrupt rent would have been \$2.272 billion, which is four times cheaper than the current cost. Then, to be sure, Russian Railways and its affiliated companies that received the multi-billion ruble contract would not have had to be included in the project.

At the discussion stage of the construction of the bypass road, an environmental option was proposed to connect Adler with Krasnaya Polyana using canalways with gondolas with a capacity of 180 people in order to obtain passenger and some freight transport using the experience of the alpine countries of Germany, Switzerland, and Austria. The cost of such a road is hundreds of times less. During the campaign for the mayoralty of Sochi in 2009, we proposed exactly this option. However, all less costly and more environmentally sound alternatives were categorically rejected by the authorities.

Now we understand the reason.

During the construction of the road, environmental standards and rules were grossly violated. In the opinion of a number of environmental and civic organizations, during the construction, the river was subject to serious pollution, and vegetation on the surrounding hillsides was massively destroyed. It was noted that the construction did not take into account the rapid nature of the river and such phenomena as landslides and karsts, which are widespread in the Mzymta Valley. Ecologists drew attention to work without permission documentation and also unlawful use of pebbles from the riverbed by construction workers.

On 29 December 2009, after heavy storms in the foothills of Krasnaya Polyana, the level of water in the Mzymta rose, which then brought about the destruction of construction sites at the mouth of the river, and construction machinery was washed away.

*SOURCE: bednenkiy.livejournal.com/752.html#cutid1
gazaryan-suren.livejournal.com/25919.html*

In the summer of 2011, a toxic sludge ended up in the river. The river, which spans a national park, was polluted for 30 kilometers.

The situation was repeated on 18 November 2011. The source of the pollution was the north portal of the No. 3 complex of tunnels on the combined Adler-Krasnaya Polyana highway. Despite the obvious reasons for the past pollution, no one was punished for this. The repeated pollution of the river proves that in constructing the combined Adler-Krasnaya Polyana highway, Russian Railways continued to ignore the requirements of Russian environmental legislation and international environmental standards.

Yury Trutnev, head of the Ministry of Nature, was forced to admit that the Mzymta had suffered significant damage as a result of



Equipment inundated in the floodplain of the Mzymta River on 29 December 2009

Photo: Oleg Smerechinsky



Photo: Suren Gazaryan

In the summer of 2011, a toxic sludge ended up in the Mzymta River

the construction. Not only the river is damaged but the national park that it runs through.

The Mzymta River is the longest river in Russia and flows from the Black Sea.

We regard the construction of the Adler-Krasnaya Polyana highway as an unprecedentedly larcenous and environmentally damaging shady deal, for which Putin and Yakunin bear responsibility. And the owners of SK Most and Transyuzhstroj and their patrons in the management of the railroads, whose names we will soon have the pleasure of seeing on the lists of billionaires, profited from this.

Winter Olympics in the Sub-Tropics – What Next?

The 2014 Olympics will take place in the mountainous region of Sochi (Krasnaya Polyana), but a large part of the competitions, like the opening and closing of the Olympics, will take place in the sub-tropic region of the Imereti Lowlands – the warmest place in Russia and Greater Sochi. With great reluctance, the authorities have discussed what will happen to the Olympic buildings after February 2014. After all, no one plays hockey in Sochi, or does ice-racing or figure-skating. You cannot name a single biathlete, skier, or figure-skater native to Sochi.

NAME OF STADIUM	TYPE OF SPORT	CAPACITY	AFTER OLYMPICS	CONSTRUCTION COST (in \$ millions)
Fisht Central Stadium	Opening and Closing of Olympics	40,000	Soccer stadium (ChM-2018), Russian Championship Games	778.7
Bolshoi Ice Palace	Hockey	12,000	Ice palace and entertainment center to remain	302.9
Olympic Oval ice-racing center	Ice-racing sports	8,000	Exhibit hall	197.3
Iceberg Winter Sports Palace	Figure-skating	12,000	Cycle track	277.7
Ice Cube Curling Center	Curling	3,000	Undecided	50
Shayba Ice Arena	Hockey	7,000	Children's athletic center	35.5
TOTAL		82,000		1,642.1

Moreover, Greater Sochi is a city with a population of up to half a million people. The number of seats in the Olympic buildings is about 200,000. Obviously, the stadiums, except for the days of the Olympics, are going to go empty. Zhemchuzhina, the only previously existing large soccer stadium in Sochi, was filled to capacity of 10,000 fans only once, during its opening.

It is not hard to guess that the athletic buildings will go empty and will fall apart. The authorities have tried to mislead citizens, promising to transport the sports constructions to other cities. In reality, everything is quite different. All the Krasnaya Polyana buildings and stadiums will remain in Sochi. See the table on this page.

Olympic Stadiums in the Imereti Lowlands

The capacity of all these stadiums is 82,000 people. If a stadium that seats 10,000 has never been filled again, then it should not be expected that the rest of the stadiums will be any more popular. Most likely they will remain as memorials to petty tyranny, mismanagement, and voluntarism. The stadiums are predicted to run at a loss, which is why the investors who built these facilities have relinquished them. All the buildings will be transferred to government ownership.

A separate question is the power supply to all these billion-dollar facilities during and after the Olympics and the expenditures on their maintenance. Proceeding from the declared requirement of 650 MWe, the cost of the electricity alone (without the heating) required during the Olympics will be \$1 million a day. To support all the buildings after the Olympics in working condition will also require supplying electricity. Even if we suppose that the electricity requirements will reduce by a factor of two, it will still cost 15 million rubles a day. And taking into account the heating costs to maintain the Olympic buildings, the cost will reach 10 billion rubles a year, which is half of the budget of the city of Sochi! Who will pay for all this? The Sochi city budget? The federal budget? It is entirely unknown. Most likely, the Olympic stadiums will slowly but surely become unfit for use. And this is despite an enormous shortage of winter sports facilities all throughout Russia.

The Risks of the Sochi Olympics

The closer the Olympics come, the louder grow the voices of those doubting that they will be held successfully. The World Biathlon Cup Stage, which took place in early March 2013, exposed only a portion of the serious problems that athletes, fans, and residents of the city will encounter. We have found seven risks in the forthcoming Olympics.

1. ENERGY RISKS

Sochi is a city of energy shortages. The usage of electrical energy by the city amounts to 450-550 megawatts. The Olympic buildings have extremely high energy consumption. In order to ensure the normal functioning of the Games, a capacity of more than 650 MWe is required; that is, the Olympics will require more energy than a city of half a million people. By March 2013, two powerful thermal stations were operating within the city – Sochi with a capacity of 160



Photo: Olga Noskovets

Residents of the village of Kudepsta stage a rally at the proposed site of a planned thermal power plant in September 2012

MWe and Adler with 360 MWe. Thus, the city's own capacity (550 MWe) covers only part of the needs of the city.

With the Olympics, the overall demand for power will be more than 12,000 MWe.

The original plan included the construction of the Kudepsta Thermoelectric Power Station (TPS-367 MWe) and the transfer of electrical energy across the Tuaps district from the Tuaps TPS and the Dzhubga TPS, with a combined capacity of 380 MWe. It was also proposed to buy energy from Kubanenergo.

However, in May 2013, the government passed a law to reject the construction of the Kudepsta TPS, a move motivated to some extent by protests from environmentalists and local residents. The issue of power shortages during the days the Games will be held has become critical, and covering this deficit entirely depends on transferring energy across the Dzhubga-Sochi sector. Moreover, after rejecting the construction of the Kudepsta TPS, without an explanation for the reasons, the government reduced the projected consumption of electricity during the Olympics to 850 MWe. Perhaps this was done in order to calm the IOC.

By March 2013, the construction of the Kudepsta TPS could not begin because of protests by local residents who were categorically against the installation of an environmentally dangerous facility next to residential homes and in a resort zone in general. And it is also impossible to believe that the station will be finished by the opening of the Olympics, since the standard time for building a thermoelectric station is more than two years. The Adler TPS, for example, took two and a half years to build.

Thus, a key issue is the transfer of power across the Dzhubga-Sochi sector.

Throughout 2012, more than a thousand power outages were recorded due to breaks in the power lines and the deplorable condition of network management in the city. That is, on average the electricity shuts off three times a day in various districts of Sochi.

At the present time, active work is underway in the city to modernize the network and build high-voltage power transfer lines.

Many years of observation have indicated, however, that in February

SOURCE: sochi-24.ru/ekonomika/soderzhanie-olimpijskih-obektov-obojdetsya-v-10-miliardov-rublej-ezhegodno.201336.60696.html
expert.ru/south/2013/01/defitsit-neizbezhen/?n=171

the more favorable weather conditions lead to icing and breakages of even the most modern power lines. So we cannot rely on an uninterrupted transfer of power from Kuban. The most realistic situation is that the power supply will be provided by the city's own internal resources. Obviously, when energy shortages occur, priority will be given to the Olympic buildings. So the risk that the city will live in the dark during the Olympics is very high.

There is a proposal to deploy nine mobile power stations in the Imereti Lowlands with a combined capacity of 200 MWe in order to resolve the problem of supplying power to the Olympics, but that won't help the city.

2. CLIMATE RISKS

In the mountain cluster of Sochi-Krasnaya Polyana, competitions are planned for ski races, biathlon, trampoline jumping, downhill skiing, and other open-air winter sports. The weather in February 2013 in Krasnaya Polyana was characterized by high temperatures in comparison to previous years. Thus, on 7 February (the proposed opening day for 2014), the daytime temperature was +13°C, and on 11 February it rose to +15°C. The average daytime air temperature in Krasnaya Polyana from 7-23 February (the days of the Games) was +8°C (46 F). This was two to four times higher than in the previous five years.



RusSki Gorki Jumping Center

Photo: Michael Dalder/Reuters



Photo: Anton Shipulin

Sochi, Mountain Cluster, September, 2013

There is a hypothesis that the sharp warming of Krasnaya Polyana was caused by the predatory actions of chopping down forests and building tunnels and bridges during the course of construction of the Adler-Krasnaya Polyana highway. Essentially, the road has become a pipe through which warm air from the Black Sea is pumped through the gorge of Krasnaya Polyana. Undoubtedly, this hypothesis needs confirmation through weather observations for a number of years. The situation is made more complex by the fact that not a single full-fledged study has been conducted on the influence of the Olympic construction on the environmental and climate situation in Krasnaya Polyana and Imereti Lowlands.

If our hypothesis is confirmed, that will mean that Krasnaya Polyana will cease to be a winter resort and all the investments in the Games will have been thrown to the wind.

We have no doubt that in the course of conducting the Olympic Games, the authorities will make every effort to hold them whatever the weather may be, including by delivering snow, using snow cannons, and so on. But turning Krasnaya Polyana into a winter resort at a European level is hardly likely to take place. So then why did billions have to be spent to hold the Winter Olympics in the sub-tropics?!

SOURCE: www.energy-experts.ru/news8669.html http://www.fsk-ees.ru/press_center/company_news/?ELEMENT_ID=105455&sphrase_id=14714



Photo: Oleg Smerechinsky

The diving boat Nord, sunk on 14 December 2009 during a storm in the Port of Imereti.

3. LOGISTICAL RISKS

Foreign athletes who have taken part in competitions at the Olympic facilities note the extremely low level of organization of the athletic events. Here is what Marie Doren Aber, the French Olympic prizewinner and world champion in the biathlon, wrote after coming to Sochi for the pre-Olympic phase of the World Cup in the biathlon:

“Sochi is a ghost town. Wealthy homes built like mushrooms in the mud, excavating everywhere, tired workers all around. Everything is empty, everything makes me feel uncomfortable. After the difficult journey here, we waited several hours in the airport. We showed our

SOURCE: www.hrw.org/sites/default/files/reports/russia0213ruwebwcover.pdf

passports many times, photographed ourselves and photographed the rifle, and waited until it was put in the registry. Patience – help us! Now we are living in little wooden homes not far from the stadium. I don’t know what will change here in a year, but for now I think that Sochi is a waste of money, and it doesn’t feel like the Olympic spirit.”

The lack of world-class resort business specialists and mass event organizers leaves no doubt that organizational messes and chaos will be the hallmarks of the Sochi Olympics.

4. TECHNICAL RISKS

During the preparation for the Olympics, several accidents occurred. In December 2009, a grade-seven storm washed away the cargo port under construction.

During the construction of the Adler-Krasnaya Polyana highway, as a result of flooding in the Mzymta River, a large quantity of road construction vehicles were washed away and sank.

During the construction of the Kurortny Avenue bypass, the tunnel collapsed on one of the third-line parcels, and a residential home sank.



Photo: Oleg Smerechinsky

Equipment inundated in the floodplain of the Mzymta River on 29 December 2009.



Photo: Olga Noskovets

During the construction of the Kurortny Prospekt relief road, a tunnel collapsed and a house sank.

Twice, Olympic infrastructure – highways and train stations – has been flooded.

The shore reinforcements built by the Rotenbergs' company Engstrastroy began to fall soon after they were put into use.

In 2012, there were 40 accidents at Olympic construction sites and 25 people were killed.

The poor quality of the construction and the violation of technical standards and rules are connected with the use of cheap and poorly trained labor. A paradoxical development has taken place – despite the astronomical budget of 1.5 trillion rubles (\$46 billion), wages earned often do not reach the workers. Instead, they end up in the pockets of general contractors, sub-contractors, and sub-sub-contractors.

The workers who tried to stand up for their rights to wages became victims of violence. Thus, in June 2013, a resident of Sochi, Mardiros Demerchyan, who demanded his full wages for work at one of the Olympic construction sites, was subjected to abuse and torture by police officers.

In October 2013, a resident of Orenburg, Roman Kuznetsov, who had taken part in the building of the main media center in the Imereti Lowlands, sewed his mouth shut as a sign of protest against the non-payment of wages and demonstrated at the entrance of the media center with several posters.

As a result, thousands of migrants were brought to the Olympic construction sites and are paid miserable wages – and even these are delayed.

According to the human rights organization Human Rights Watch, which published a 67-page report, “Olympic Anti-Records: Exploitation of Labor Migrants During Preparation for the 2014 Winter Olympics Games in Sochi,” more than 16,000 migrants from the former Soviet republics



Photo: Bednenkiy, livejournal.com

Embankments constructed by the Rotenbergs' corporation Engstrastroy were destroyed.



Photo: ITAR-TASS

Twice Adler railway station has been flooded

have worked in Sochi. According to officials of the Federal Migration Service, nearly 14,500 people came from Uzbekistan alone.

We can only guess at the quality of the facilities built.

Moreover, many buildings have not been completed on schedule. In early 2013, about 200 developers disrupted the schedule for the opening of the facilities, including the Kudépsta TPS and the Fisht Central Olympics Stadium. That means that in the last stage of the preparation for the Olympics, work is underway in an emergency regimen when no one is thinking about quality and techniques. It must be noted that the construction of the stadiums in the Imereti Lowlands is being done in a swamp, with hard foundations absent to a depth of 170 meters. The lack of high-quality finished projects and the high seismicity of and irreversible changes in the course of the Mzymta River connected to changes in its bed leave no doubt that the main Olympic buildings are still to bring us quite a few surprises

5. TERRORIST RISKS

The Olympics will take place in the North Caucasus, in a region with a traditionally high terrorist threat level. It cannot be ruled out that some terrorist groups may try to carry out an attack on participants and guests of the Olympics. We hope that Putin, by virtue of his professional affiliation with the KGB, understands these risks sufficiently and will try to minimize them.

The lack of information on the real state of affairs in the North Caucasus does not enable us to realistically evaluate the level of the terrorist threat.

6. BOYCOTT RISKS

Political boycotts of the Olympics have taken place twice – first, in 1980, when 65 countries boycotted the Moscow Olympics to protest the Soviet invasion of Afghanistan; and second, in 1984, when the USSR and countries of the Soviet bloc boycotted the Los Angeles Olympics in retaliation. The attempts to boycott the Olympics in Nazi



Photo: Leftis Pitarakis/AP

Activists protest against Russia's anti-gay laws

Germany in 1936 were not successful – only a number of individual athletes from the US and UK refused to take part in the Games.

The latest statements from US officials and even Georgian officials indicate that these countries intend to take part in the Olympic Games of 2014.

After the boycotts of 1980 and 1984, the International Olympic Committee announced that the refusal of national Olympic committees to take part in the Olympics for political reasons would put the participation of the national teams in the Olympics at risk. This is one of the reasons why the Beijing Olympics of 2008 proceeded without any boycotts, despite mass protests by human rights organizations.

The Olympics application for Sochi submitted in Guatemala in 2007 stated: “The government of the Russian Federation will provide stable political and economic conditions for the improvement of the quality of life of the population in the country. The governing of the country is based on free elections, free expression and the balance of power guaranteed by the Russian Federation Constitution. The Russian political system is wonderfully suited for the successful conduct of the Winter Olympics and the Para-Olympic Games of 2014.”

These statements were lies then, and all the more so now. However, the governments of the overwhelming majority of countries of the world do not pay attention to this, much less the International Olympic Committee. (The absolute support of the IOC for the Olympic activities of Putin and his friends can be explained by the fact that Jacques Rogge was elected before October 2013, and he has every opportunity to remove responsibility for the Sochi Olympics from himself by refraining from running for the next term.)

Thus, a political boycott of the Sochi Olympics is extremely unlikely. But a civic boycott is possible. People are outraged by the unprecedented expenditures and thievery involved in the construction for the Olympic Games, as well by as the destruction of the environment that took place during construction and the political persecution in Russia, and are actively calling for a citizens’ boycott. This would entail a refusal to visit the Olympic events, a refusal to buy goods with

the Olympic logos, and a refusal to watch the Olympic competitions. Many residents of Sochi and representatives of the opposition and environmental and human rights groups support the civic boycott.

The problem is that under the conditions of political censorship, few people know about the citizens’ boycott.

7. RISK OF “HOSPITALITY”

If you think that if you have bought a ticket to the Olympic competitions you will see them, you are mistaken. Due to the efforts of the Russian Federal Security Service (FSB), you must still obtain a “fan passport.” The FSB is not telling us what waiting lines might be involved in this, or what sort of scandals and mess-ups are likely to occur. We can only guess. There is a high risk that the Olympics will take place with half-empty stadiums, which does not add to the athletes’ optimism.

The conditions of the Sochi roads, even before the Olympics, have been characterized by incredible traffic jams, by comparison with which Moscow crawls seem completely tolerable. With the influx of high-ranking Putin bureaucrats and official delegations, used to the regular halting of traffic to let them speed by, the situation on the roads will be a real



Photo: Noa Hoffman

Sochi road



Lost in translation: ridiculous English street signs in Sochi

nightmare. The comments of athletes who have visited Sochi before the start of the Olympic Games are illustrative: “We went to a restaurant and landed in a terrible traffic jam. The road was closed before the arrival of Prime Minister Dmitry Medvedev,” Noah Hoffman, an American skier, said in surprise.

Sochi was never distinguished by its European level of service. Here is what Belarusian biathlete Nadezhda Skardino had to say (and it is hard to suspect her of being capricious or spoiled): “For two days, in three out of three stores, clerks tried to deceive us. When we complained they replied, ‘And what do you think, you have landed in a fairy-tale?’ The prices on goods are not real, and the receipt mechanism suddenly broke down and then it turned out that the total on the receipt was ten times higher than the price of the item purchased. Alright, we know how to get to the bottom of this, but poor foreigners likely will not notice that they are being overcharge.”

The same conditions are likely to await fans and athletes in the hotels and cafes in the city of Sochi. But for the residents of the city, the Olympics will hardly be a holiday. Due to the transportation problems, the flood of official delegations, and the Chekists (KGB), the majority of potential spectators may prefer to stay home.

SOURCE: youtu.be/dVVoZRqIUX8

Conclusion

The Winter Olympics in Sochi has become one of the most monstrous scandals in the history of modern Russia.

1. The site of the Winter Olympics is extremely unfortunate and was selected capriciously. Sochi is a sub-tropical resort area, and winter sports have never been developed here.
2. The scale of expenses is unprecedented—more than \$50 billion, out of which \$25–30 billion (50–60 percent) has been embezzled. The money stolen could have paid for 3000 high-quality roads, housing for 800,000 people, or thousands of ice palaces and soccer fields all over Russia. None of that has happened. Only those oligarchs and companies close to Putin have enriched themselves.
3. The construction of the Olympic stadiums on a sub-tropical swamp without a thorough development of the project is extremely dangerous. The high seismicity of the region of the Imereti Lowlands and the change in the bed of the Mzymta River as a result of the barbaric interference in the course of the construction of the Olympic infrastructure threatens the destruction of multi-billion-dollar complexes.
4. The damage to the environment of the only sub-tropical zone in Russia must be evaluated. It is already clear, however, that the unique flora and fauna of the Imereti Lowlands are lost, the Mzymta River is disfigured, the forest preserves have been chopped down, and the predatory construction of roads, bridges, and tunnels has led to irreversible consequences for the gorges of this region.
5. The construction of the Olympic facilities was assigned to those close to Putin. The lack of honest competition, cronyism and harsh censorship with everything connected to the Olympics has led to a sharp increase in the cost and low quality of work in preparing for the Games.

6. Despite the monstrous fact of the growing cost of the Olympic buildings, not a single investigation of the evidence of theft, corruption, and violation of building standards and rules has reached trial. This has led to irresponsibility and impunity.

7. After the Games, a large number of the Olympic facilities will not be used. And this is at a time when there is a huge shortage of stadiums for winter sports in Russia. Due to the extremely high cost of maintaining Olympic infrastructure, many sports buildings will gradually deteriorate. Billions of government funds invested in the Olympics have essentially been thrown to the wind.

THE SOCHI OLYMPICS HAVE EXPOSED ALL THE FLAWS OF THE ECONOMIC MODEL CREATED BY PUTIN:

CRONYISM (the Olympics have been built by companies and individuals close to Putin)

SECRECY (the lack of proper information about budgets, problems in the course of construction, and harsh censorship of the media regarding all issues of preparation)

UNNATURAL MONOPOLIZATION OF THE ECONOMY (which has become the reason for the multiple increases in prices for construction material and building)

VOLUNTARISM (the decision on the selection of the place to hold the Olympics was made in secret without public discussion)

LACK OF PUBLIC OVERSIGHT (even the agencies under Putin such as the Accounts Chamber and the Duma have not have the opportunity to properly oversee the preparation of the Olympics)

Our Actions

The above-mentioned flaws can be fixed only by changing the political system, and that means changing the crony bandit capitalism of Putin and moving to a full-fledged democracy and competitive economy.

For this to happen, we consider it necessary to create a Public Committee to Investigate Olympic Crimes. Lawyers, economists, public figures, ecologists, and human rights advocates should join the Committee. The work of the Committee should be as public as possible.

TASKS

- **Force the Accounts Chamber to remove all classified designations, including “for internal use only,” on the results of the inspections of the expenditures of state funds on Olympic construction sites.**
- **Bring the dozens of already-opened criminal cases to trial on evidence of fraud, abuse of official position, and theft.**
- **Seek the opening of investigations of the facts cited in this report, notably: the receiving of no-bid contracts worth billions by the Rotenberg companies and the multiple increases in the cost of constructing virtually all the Olympic buildings.**

We believe that the result of the work of the Public Committee should be the punishment of criminals and confiscation of their property stolen during the preparation of the Olympic Games. The Accounts Chamber, the Federal Anti-Monopoly Service, the Investigative Committee, the Prosecutor’s Office, and the Interior Ministry are obliged to become involved in all this. That is their job. However, without public pressure, Putin’s subordinates will not do anything. On the contrary, they will hide their tracks. Ahead is the World Soccer Championship in 2018. The initial amount of financing is astronomical—1.39 trillion rubles (\$43 billion). If we want to see that budget increase to 5.5 trillion at the expense of robbing Russia and all of us (that is, to quadruple, as happened with the Olympics), then the investigation of the crimes at the Olympics must be brought to an end.

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Boris Nemtsov

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