



678 billion reasons Russia gave to invest in the World Cup

WHITE PAPER

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Recent Russian construction projects are having long-term infrastructure impact on the country, could point to future potential for construction equipment manufacturers.

THE SPORT OF SPENDING MONEY ON EVENTS: RUSSIA'S IN ON IT

Russia is a massive country geographically. It's the world's largest nation by land size, spanning two continents. Because of factors like its size, differing climates and population concentrations, infrastructure coverage across regions varies. Some of the remote areas of Russia have not received infrastructure updates since the 1960s. But that's been changing thanks to recent international sporting events in Russia.

Benefitting cities and regions from Sochi on the Black to Sea to Ekaterinburg on the Europe-Asia border, several high-profile, international sporting events in Russia during 2018 and beyond have inspired infrastructure improvements in high-population density areas. And importantly, several remote areas of Russia in need of infrastructure updates have received maintenance improvements through government funds. ■

With stadium, transportation and city center construction projects completed in 2018, Russia has been making a lot of infrastructure improvements. This paper explores the impact of major sporting events on the development of the country's infrastructure. It provides a detailed analysis into construction in the country and can serve as a valuable resource for construction equipment manufacturers engaged — or looking to engage — in the region. Companies like Hitachi Construction Machinery Eurasia, Komatsu

(manufacturing in Yaroslavl, Russia) and Caterpillar (which manufactures some equipment in Tosno near St. Petersburg), and others vying for market position, stand to benefit from these findings.

In this paper, we'll explore the following areas:

- Impact of the 2018 World Cup
 - How Universiade 2019 is influencing construction
 - What construction companies should know about future Russian infrastructure plans.
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DID “THE STARS ALIGN” FOR RUSSIA IN WORLD CUP?



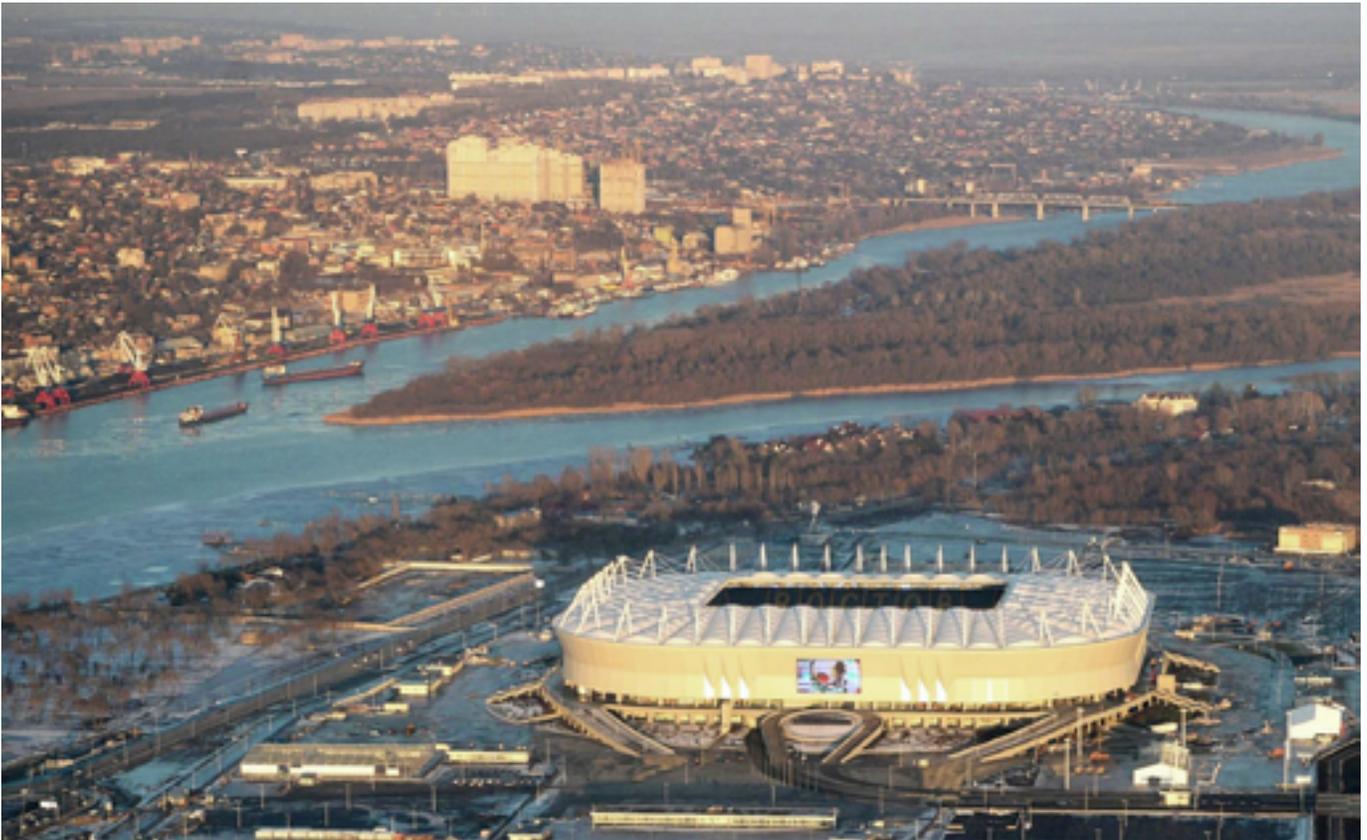
For several years leading up to the summer event, Russia prepared for the 2018 FIFA World Cup. The government spent some 678 billion rubles (\$11 billion USD) with the tagline “Where the Stars Align,” the 2018 Cup lived up to the astronomical feel of the matches. The World Cup is a symbol of hope for countries around the nation and the pride people feel about their teams matches and exceeds the Olympics. ■

Some diehard fans do anything they can to watch their team play a match. In short, it's epic. The World Cup provided Russian venues to be on the world stage; it also impacted infrastructure planning across a number of regions.

In total, there were 12 venues across eleven cities. Stadiums were built and/or renovated across the country, including in major cities like St. Petersburg and Moscow. Cities like Kazan were well suited for the tournament because of summer games hosted there between universities in 2013; in short, the region has had experience with international events. Sochi, on the Black Sea, was also well prepared thanks to the role it played in the 2014 Winter Olympics Russia hosted.



Not all the construction projects for the World Cup came with favorable reviews. An interesting note — one that the Russian office of our firm Bazis Group couldn't help but pay attention to given that we have a location in the city — Ekaterinburg Arena in Ekaterinburg had a controversial new design. There were 12,000 temporary seats installed to house attendees. What made it unique — and controversial — was that the seats were set on towers of scaffolding set beyond the walls of the original stadium. Being at the top of those stands could be a bit frightening for anyone afraid of heights. ■



In smaller regions across the country such as Rostov-on-Don (in southern Russia), new stadiums were built to house matches. The Rostov Arena, on the banks of the Don River, will become the center of a new housing and leisure development now that the World Cup is finished. Not to mention, there's a new airport in the region and new hotels there and in other parts of the country

as a result of hosting the World Cup.

The World Cup also had an impact on transportation across the country. From new high-speed rail (for example, a train from Moscow to Kazan that reduces the trip from 13 hours to 3.5 hours) to investing in busing, the tournament had an impact that is intended to last far beyond the few weeks of matches.

SIBERIA'S INFRASTRUCTURE THAWS OUT: UNIVERSIADE IN 2019

Recent and upcoming events have also brought new residential construction to support the new non-residential construction in the areas. While previous investments in remote areas in the country were more focused on maintenance projects, the flurry of recent international events have been an instrument for investment and new developments in areas that previously hadn't experienced such growth.

The upcoming Winter 2019 Universiade — an international student and youth sports competition which will be held in Krasnoyarsk, Russia, in March 2019 — is another example of large-scale sports event fueling infrastructure in Russia, particularly in remote regions. For those unfamiliar with it, the Universiade is coordinated by the International University Sports Federation. ■



It is a prolific Olympics-style event for students and recent graduates ages 17 to 25. Russia hosted the Summer games in 2013 in Kazan.

Preparation for the games in Krasnoyarsk, the third largest city in remote Siberia, has led to new construction in some of the more remote areas of Russia. Not to mention, it has led to reconstruction projects targeting city centers (for example, hospitals and other important buildings). Stadiums have been built along with improvements to local infrastructure to prepare for the games. Construction began more than five years ago on the Winter Sports Academy Regional Sports and Training Complex, complete with skiing courses, training facilities and multi-sport complexes within the massive structure.

The Universiade games are bringing improved infrastructure and construction to Siberia, positioning Krasnoyarsk as a place that could host future regional and international sports events.

When it comes to the impact on more remote areas in the country in places like Siberia, the sporting events have brought much-needed infrastructure improvements, including railways, airports, lodging (for example, a new Marriot in Krasnoyarsk), public buildings such as hospitals and more. Public transportation has seen a shift too. For example, some Russian railways are changing — there are now double-decker trains running between different cities that never had them.

2020 AND BEYOND: DOES RUSSIA HAVE WHAT IT TAKES TO OUTBID THE WORLD?

Russia has shown a commitment to funding sports projects, especially for high-profile international events. While the country has hosted several major events included in this paper — and other events such as the 2016 Ice Hockey World Championships — there are other events in the works that could be of interest to global construction equipment manufacturers. In short, more is on the horizon.

Ekaterinburg is bidding to host EXPO 2025, a huge international expo sanctioned by the Bureau International des Expositions (BIE) in Paris. One of three finalist cities with a bid in for the EXPO, the event would further transform Ekaterinburg's infrastructure, expanding on the impact of previous events like the 2018 World Cup. Ekaterinburg's bold theme for the event, "Changing the World: Innovations and Better Life for Future Generations," speaks to the level of commitment hosting this kind of major event would entail. ■

A city on the border of Europe and Asia and the fourth largest city in Russia with a population of nearly 1.5 million, hosting a world's fair would bring a great deal of tourism to the region. It could very well impact lodging and transportation too.

Moving ahead even further, President Vladimir Putin has suggested that Russia could put a bid in for the next available Summer Olympics, which would be in 2032. That would be the first Summer Olympics in Russia in more than 50 years and would, of course, be another massive event on the world stage, one that would no doubt greatly impact infrastructure plans in the host city and surrounding areas.

Recent and pending international events and construction projects point to a need for equipment and resources that can continue to propel construction. Manufacturers of heavy machinery may want to take note and evaluate their market strategy in Russia. Companies like ours can provide in-depth market research for you to determine your business development strategy in Russia.



FOR MORE INFORMATION

We are always happy to be a resource for equipment manufacturers and market research firms looking to conduct research on the construction market in Russia. Overall, we've helped with market research projects in more than 50 countries around the globe.

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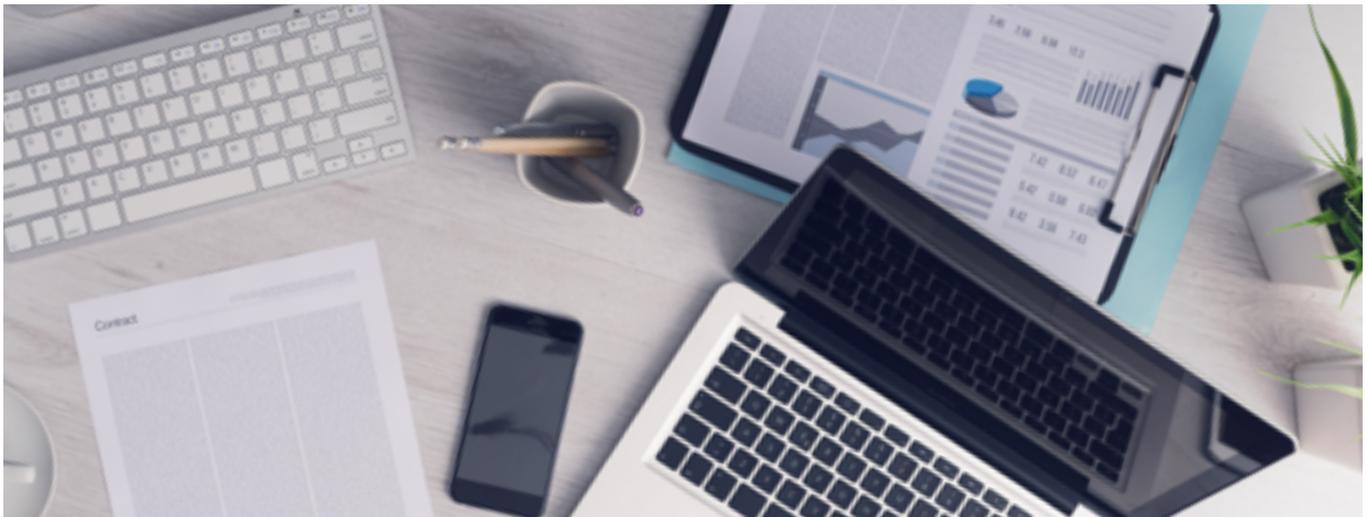
ABOUT BAZIS

Bazis research group would love to continue the conversation with you. Are you experiencing similar challenges when conducting research projects? Are there other challenges you're experiencing that we haven't discussed in this paper?

Bazis offers expertise in multi-country project management. Bazis is a preferred research supplier for international organizations in the B2B (business-to-business) sector. Our areas of subject

expertise include agriculture, construction and healthcare. We also have solid experience with automotive, appliances, industrial products, and IT.

We are always committed to talking to our peers and educating whenever we can. And, if you're a company in need of marketing research in a developing country, we are available to work alongside you.



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