FEATURES OF DESIGN, CONSTRUCTION AND ENGINEERING OF INDUSTRIAL FACILITIES IN RUSSIA

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PRODUCTION SETUP IN RUSSIA

Initial situation

- Strong dependence on imports
- High import costs because of low value of rouble
- Not enough added value and diversification (need of modernization and renovation)
- Sanctions:
  - Certain assets
  - Persons
  - Financing
- Volatile rouble
- Low oil prices

+ Low labour costs
+ Cost advantage over other international locations
+ Unique selling propositions
+ Competitive advantages
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Term localization

From the state point of view:

- investments
- taxation base, taxes
- workplaces
- regulation, quality control, protectionism

From the business point of view:

- **Technical/Practical**
  - infrastructure
  - personal
  - know how

- **Business**
  - securing market entry and market share
  - costs, prices
  - currency risk
  - political
  - support, subsidies, preferences, guaranteed purchase
PRODUCTION SETUP IN RUSSIA

Drees & Sommer – our presence

Founded: 1970

Employees in 2016: 2,400

Offices: 41

Construction volume in 2016: € 13.7 billion

Group sales in 2016: € 334.8 million

Expertise Russia and CIS: since 1998

Permanent as OOO locally: since 2005

Location Russia: Moscow, St. Petersburg, regions, CIS, Baltics

Employees: 100

Achievements: international scope of services + local achievements (SRO accreditations)
DREES & SOMMER WORLDWIDE
At our clients’ side worldwide

Represented at 41 locations in 18 countries
- 20 locations in Germany
- 11 locations in Western and Northern Europe
- 1 location in Eastern Europe
- 2 locations in Russia/CIS
- 5 locations in Middle East and Asia
- 2 locations in North and South America
PRODUCTION SETUP IN RUSSIA
Support in technical and economic implementation

- Strategic location and property selection
- Design and engineering of buildings and technologies
- Project management, management tasks, controlling
- Strategic organizational and process consulting
- Finance controlling, consulting and structuring of projects
- Local and approval related functions partly SRO liable

✓ Technical Client
✓ Construction control
✓ General designer
✓ Designer supervision
✓ General contractor
✓ Expert
DREES & SOMMER SECTORS
Industry solutions in focus

Automotive
Healthcare
Life Sciences
Public Sector
Retail
Housing Industry
Hospitality
Manufacturing Industry
Information and Communication Technology (ICT)
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Proper organization of every project

Individual solutions – according to individual customer requirements:
> Corporate standards
> Local requirements

E.g.: international companies, responsible German affiliated company, implementation manufacturing, logistic and office properties
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Strategic Site Selection

Multiple potential sites
- business strategy factors
  ▪ supply chain factors
  ▪ customer market
  ▪ logistical network

3-5 sites
- business strategy factors
  ▪ soft factors
  ▪ site specific factors
  ▪ incentive package

Final site

General Layout

Site specific layout and cost
- Identification & evaluation of site specific factors and risks, e.g.:
  ▪ soil conditions
  ▪ utility availability
  ▪ codes & requirements
  ▪ environmental ...

Final layout and max. incentives

Constr. cost based on ideal site condition €

Constr. cost and site specific cost €+$x$

Incentive negotiation to compensate Site specific cost €+$S_x$ - I
HOW TO PARTNER FOR LOCALIZATION PROJECTS
Example: BIM Engineering (Design, Consulting, Management)
HOW TO PARTNER FOR LOCALIZATION PROJECTS

Example: International Project Management and Control

Compliant
Standardisiert
Zertifiziert nach Deutschen und Int. Systemen
PRODUCTION SETUP IN RUSSIA

The right format for provision of real estates

Property developer- / Developer model
- Construction and sale of properties
- “Build to Suit” solutions

Owner model
- Individual contract, general contractor
- General transferee

Investor model
- Construction and long-term lease

Tenant/ lessee
- Buyer
- Resale properties
- New properties

Combined solutions
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Project preparation– creating basis!

Goals
- Business development
- Manufacturing, sale, representation etc.

Requirements
- Corporate benchmarks
- Processes, logistic, personal
- Location
- Supply Chain

Development requirements
Development scenarios

Market boundary conditions
Flexible solutions
Market relocations
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Purchase of existing real estates and properties

Basic requirements of purchaser
- Technical task

Actual state of real estate
- Zoning, dedication
- Development, Energy supply
- Approval readiness

Due Diligence
Scheduling
Budgeting

Structuring of acquisition of rights
- Investment or rental agreement
- Real estate or property companies
- Partly retention or total replacement of vendor
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Design and approvals

Existing/ available documentation
- Greenfield or Brownfield

Design stages
- Concept
- (Planning project (urban))
- Preliminary project (Stadia „PP“)
- Basic Design (Stadia „P“)
- Detailed Design (Stadia „RD“)
- As-built documentation (Stadia „ID“)

Approvals
- Pre-approvals
- Expertise
- Building permission
- Commissioning approval

Conversion of existing factory hall, Moscow Region

Logistic Park Pushkino, Moscow region
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Construction

Contract models
Local models (SMETA), fixed price or Open Book
Incentive model (Bonus-Malus)

Contractor
- General contractor (formal required is „coordinating contractor“)
- Individual contracts
- Control of subcontractors
- Specialized companies (especially development and infrastructure)

Supplier
- Local, international, German

Building permission and construction start
Control and acceptance of ongoing works
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Commissioning

Acceptance/Commissioning
- Ongoing, hidden works
- Early checking of functionality
- Use of optimization potential
- Start early and retain guarantees

Commissioning approval
- Complete documentation (audit planning, certificates (Russ.), manuals
- Approval is given by government committee

Availability of infrastructure
Development
Supply and disposal

Registration (BTI) and other
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References

Viessmann, Lipetsk/ Russia
New construction production, logistics, office

Siemens, Voronezh/ Russia
Warehouse and connected functions

Extension animal feed, baby food and confectionary production, Russia

ZF Kama, Naberezhnye Chelny/ Russia
New construction (Brownfield) gearbox production

Mercedes Benz Russia, Moscow region/ Russia, new construction, regional logistics center

Manufacture of textile products, Kaluga/ Russia New construction
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