Ways to increase the competitiveness of the railway transport of Russia

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Railway Transport – a Locomotive of the National Economy

- National income
  - ~1.6% of the National GDP
  - ~1.0% of the consolidated state budget

- Workforce
  - 1070 thousand employees

A strategic element of the transport system

- The value of net assets amounted to 3.5 trillion rubles (€ 73.5 billion) in 2013

- One of the largest consumers of products and services in the country

- Diesel fuel – 10% in Russian Federation
- Electric energy – 5% in Russian Federation
- Ferrous metals – 2% in Russian Federation
GDP of Russia – Trends and Forecasts

GDP Trend in 1992-2013


Forecast of the IMF for the period 2014-2015

- GDP, billion rubles (in trillion rubles prior to 1997 incl.), left scale
- GDP, % to the previous year (right scale)
The effect of investment into infrastructure on growth of output (according to IMF)

**IMF estimation:** an increase of state investment into infrastructure by 1 percentage point of GDP provides for an additional increase of output:

- **In developed countries:**
  - +1.5% (в этот же год)
  - +0.4% (через четыре года)

- **In developing countries:**
  - +0.5% (в этот же год)
  - +0.25% (через четыре года)

Given an increase of state investment into infrastructure in Russia in 2015 by 1 percentage point of GDP (about 770 billion rubles) the growth of industrial output in the same year would increase from 1.6 to 1.85% according to the forecast of the Ministry of Economic Development of the Russian Federation, whereas in four years the additional increase would amount to +0.5 percentage points per year.

**Estimation of the Centre for Strategic Research:** one ruble of state investment into infrastructure multiplies into 1.46 rubles of GDP
Projects of development of the Trans-Siberian Railway Line

By 2015 the transportation of containers along the Trans-Siberian Railway line from the eastern to the western frontiers of Russia will take 7 days.

*The current movement speed amounts to about 1100 km per day (8 days)*

Areas of Activity:

- Development of railway infrastructure
- Cooperation with foreign railways and organizations
- Development of intermodal transportation technologies
- Development of logistics sector
- Implementation of modern information technologies
Prospective network of terminal and logistics centers on the Russian railways

- Baltiyskiy railway port (Shushary, St.Petersburg)
- TLC Kaliningrad
- TLC Doskino (Nizhniy-Novgorod)
- TLC Kleshikha (Novosibirsk)
- Grodekovo
- Ussuriysk
- Artem-Primorskiy-I
- Zabaikalsk
- Nakhodka
- Samara
- YuzhnoUralskiy
- Beliy Rast, Kuntsevo-II, Moscow-Tovarnaya-Yaroslavskaya (Severyanin), Stupino CLG, Mozhaysk CLG, Lyublino, Khovrino

Key:
- First stage facilities of the TLC network creation
- Key satellites of the first stage
- Projects in the Moscow railway hub
Measures to augment the client-oriented approach

<table>
<thead>
<tr>
<th>Organizational</th>
<th>Regulatory</th>
<th>Technological</th>
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</thead>
<tbody>
<tr>
<td>1. Formation of a TLC network</td>
<td>1. Adoption of sector-wide quality standards for provision of services</td>
<td>1. Implementation of new technical resources (freight cars, containers, etc)</td>
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<tr>
<td>2. Provision of services on the basis of “single point of contact” principle</td>
<td>2. Improvement of the regulatory and legal framework</td>
<td>2. Increase of the level of routing of unladen cars</td>
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<td>4. Flexibility in finalizing purchase orders in “regular” shipments</td>
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<td>5. Formation of flexible logistics schemes for unladen train runs</td>
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Additional transport and logistics solutions

Organization of freight train transportation in accordance with schedule

Provision of comprehensive transport and logistics services (CTLS)

Parking (paid temporary stationing of cars along the journey route on the public domain infrastructure upon request of the client)
Freight delivery routes from the countries of the Asia-Pacific Region to Europe

- Busan – Brest/Dobra, 15 trains
- Chongqing – Duisburg, 36 trains
- Suzhou – Warsaw, 1 train
- Zhengzhou – Hamburg, 9 trains
- Chengdu – Lodz, 31 trains
- Brest – Zabaikalsk, Zabaikalsk – Brest, 126 trains

- Usage of CIM/SMGS consignment note
- Successful trial run transportation of high-technology electronics in refrigerator cars during the winter period
GEFCO – Subsidiary Company of Russian Railways

- JSC Russian Railways has purchased from Peugeot S.A. 75% of shares of the GEFCO Company
- At the present time the plan to integrate GEFCO into the structure of the RZD Holding Company is carried out – a package of logistics services is being formed for Russian and international enterprises
- Since October 2013 – young employees of the RZD Holding Company undergo internships on the basis of GEFCO

Lead supplier of integrated 3PL/4PL logistics services
One of the 10 largest logistics operators in Europe
UTLC – a key instrument for the integration of the transportation systems of the CES member-states

Facilitation of integration of transportation processes within the CES

Augmentation of international competitiveness of the CES railway transport upon the global transportation market

Growth of revenue of national railway enterprises due to increase in volumes of international and transit freight transportation

- 21st June 2013 – Agreement to establish UTLC
- 10th October 2013 – Agreement, stipulating basic principles of establishment and operation of UTLC
- 7th November 2013 – planning schedule of actions to establish the UTLC
- 25th November 2013 – Board of Directors approved the participation of JSC RZD in the charter capital of UTLC, in partnership with railway enterprises of Belarus and Kazakhstan
- March 2014 – Memorandum of understanding between Project office UTLC LLC and DHL Global Forwarding (in June – 2 additional Agreements)
- 29th May 2014 – the Treaty on Eurasian Economic Union signed by the heads of the CES member states

Shareholders

JSC RZD
JSC TransContainer
JSC RZD Logistics

Operational Management Companies

TransContainer
Kazakhstan Temir Zholy
RTR

Transportation and Freight-Forwarding Services

30th August 2014 the Government of the Russian Federation approved the contribution of 50%+2 shares of JSC TransContainer along with 100%-1 shares of JSC RZD Logistics to the share capital of UTLC
The current system of legal regulation of the railway transport

Legal regulation of the railway transport at the global level

At the level of UN and regional commissions

UN Agreements and conventions
(legal regulation, standards and recommended practice in the field of infrastructure, rolling stock, transportation technology and border crossing)

At the level of World Trade Organization

WTO agreements, first and foremost GATT and GATS
(legal regulation of the access for services and their providers to the international markets of the railway transportation)

Legal regulation of the railway transport at the regional level (relating to Eurasia)

OSJD Legal basis
(«Eastern railway legal basis»)

COTIF
(«Western railway legal basis»)

Bilateral and multilateral regional agreements

Bilateral agreements on direct and intermodal railway transportation

EU legal basis

Agreements accepted within the Council for railway transport of the CIS States

Agreements on formation of the Common Economic Space (CES)
Comprehensive amendments and additions into the Agreement on International Goods Transport by Rail (SMGS) and Procedure Instructions to SMGS

REVISED TEXT OF THE SMGS ENVISAGES:

- ✔ Regulation of the procedures on signing, amending and executing contracts for transportations
- ✔ Rights and obligations of parties to a contract for transportation
- ✔ Responsibility of the contacting parties
- ✔ Mutual responsibility of the freight carriers

SMGS standards

- Legal standards, included into the principle text of the SMGS
- Rules, which regulate the order of applying SMGS norms, as well as specialized conditions of transportation, included into the Code of rules of freight transportation – appendix to SMGS
- Clauses for informational purposes, stipulated in the Information Instructions – appendix to SMGS
Formation of the Unified Convention on Direct International Rail Transport

**CONVENTION ON DIRECT INTERNATIONAL RAIL TRANSPORT**

**ATTACHMENTS:**

<table>
<thead>
<tr>
<th>General provisions for Agreement on freight international transportation</th>
<th>General provisions for agreement on passenger international transportation</th>
</tr>
</thead>
<tbody>
<tr>
<td>General provisions for international railway infrastructure</td>
<td>General provisions for usage of the freight cars in terms of international transportation</td>
</tr>
<tr>
<td>General provisions for railway rolling stock in terms of international transportation</td>
<td>General provisions for international transportation of the dangerous goods</td>
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</tbody>
</table>

The Convention regulates both the activity of the OSJD itself and the legal basis for carrying smooth transportation of passengers and cargoes on the entire Eurasian domain:

- Purposes, approaches and activity areas of the OSJD
- OSJD structure
- Decision-making procedure by the highest governing bodies of the Organization
- Conciliation procedures and arbitrage at the OSJD Committee
- Contract for transportation of cargoes (incl. railway-ferry transportation) and passengers
- Usage of freight and passenger cars
- Technical requirements to the infrastructure and rolling stock
Unified transport law

- Unified CIM/SMGS consignment note
- OSJD Draft Convention on Direct International Rail Transport
- Convention concerning International Carriage by Rail (COTIF)
Trans-Eurasian corridor RAZVITIE – project of planetary scale

- High speed transportation
- Power bridge
- Redistribution of the water resources
- Oil and gas transportation
- New cities
- New lines of industry in Europe, Russia, Kazakhstan and China

Within the country: change of the economic model in Russia

Within the structuring of the Eurasian Union: territorial reorganization of Eurasia

Trans-continental frames: “...Europe is to the left and Asia is to the right from Russia” (Vladimir Putin)

Within the planet: RAZVITIE platform for the entire world
Thank you!