

# A thaw in sight

*An immense market but poorly exploited, with undeniable potential yet difficult to break into, Russia is as fascinating as it is irritating. In many ways, road transport is still managed as it was during the Soviet era. But the Russian market for heavy trucks is, literally, exploding. A paradox?*

The explosion which sales of HGV's in Russia are currently going through has not come about by chance. In certain areas, the Russian transport market is growing by 30% per year.

## **Lack of a service culture**

“At the beginning of the 90's, the slump forced many foreign operators out of the country. This drawback had the effect of offering a survival lifeline to Russian transport companies, which are now trying to become competitive on international markets”. This is how Sergey Stanovkin, Director General of Dars Consulting and the organiser of the ‘Russian day’ at the recent ‘Transport Logistic’ show in Munich, sees it. This somewhat forthright message shouldn't hide the fact that Russian logistics providers recently only accounted for 4% of the European market. In 2004, the Russians only carried out 38% of road trade between their own country and Europe, with the larger proportion going to transporters from Poland, Byelorussia and Lithuania. But they are making progress, because in 1998 this figure was just 25%. “Russian transporters have to learn to market themselves”, Stanovkin goes on, “but first of all they have to offer good prices, keep to schedules and guarantee the security which their clients expect of them”.

*“International transport between Russia and Europe is set to grow rapidly”*

Even if we are seeing the emergence of modern companies, managed like Western ones, the typical Russian transport company quite simply has to adapt to the normal requirements of its clients. Arjan Kempers of CIS



*Few Russian logistics providers are yet working to European norms in terms of quality, but there are some.*

Logistics knows the Russian market well, having carried out shipments there for 18 years: “Things are getting a bit better in the big cities, but change is slow. Sometimes you have to wait weeks just to get a price quotation. And yet Russians want to make money quickly above all else. But the price for the same trip can change from 3,200 Euros to 5,000 Euros in just a few days”.

According to Kempers, Western logistics providers are trying to change mentalities by imposing their own quality norms, but it is the large distribution chains (Ikea, Metro...) which may be able to act as the detonator in the domain of full loads. The notion of groupage or part loads is totally absent from the landscape, let alone a simple

pallet-load. Express transport, by contrast, is considerably developing for high value goods.

## **Outlook for growth**

Where interior growth is concerned, Russia has nothing to learn from anybody, with much assistance, it is true, from the price of raw materials, which it quite cheerfully exports. But it will take many years for the situation which exists in the big cities to spread out to the country at large. Russia can also benefit from its location between Europe and Asia. The port of Novorossiysk on the Caspian Sea enables the transit time between China and Moscow to be reduced by 8 days. And the various tentatives to re-start the Silk Route have

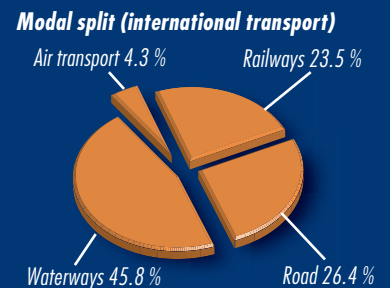
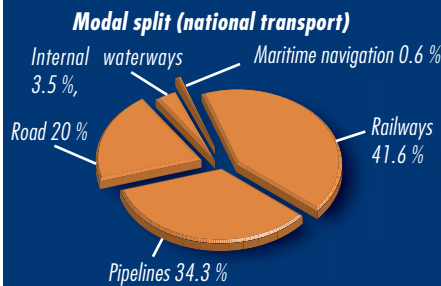


Russian transporters only carry out a minority of international exchanges.

## KEY FIGURES

**Population:** 142,5 million inhabitants  
**GDP / inhabitant:** 2,455 USD

**Growth in 2006:** 6.7 %  
**Road network:** 738.000 km, of which 29,000 of 'express' roads



**CEMT Quotas:** 2,034 annual permits + 1,512 short term permits

ASMAP brings together more than 3000 international transporters and is the Russian member of the IRU. There are estimated to be 20,000 transport companies in Russia.

aroused the interest of the Russian government.

At an international level, all the major transport routes lead to Moscow. "By road, the journey via Byelorussia offers a better road infrastructure, but many shippers prefer to avoid this country for political reasons", explains Kempers. "They prefer to transit through the Baltic states, which share common borders with Russia, but the state of the road network makes the journey very difficult during bad weather, and waiting times at the borders are getting longer. As for the north-south route, which links St.-Petersburg to Moscow, this has not yet been completed and has suddenly changed from 4 to 2 lanes". This, in short, sums up the two major defects of

the Russian road transport system: infrastructure and getting through customs.

### Infrastructure and customs

In the first case, some progress is being observed, but at too slow a rate to absorb the growth in trade. More than half of Russian federal roads are awaiting repair. For the 2002–2010 period, the Russian government had set out a modernisation plan for the road network, which in particular included upgrading 3,700 km of federal roads to carriageways with two lanes in each direction. But this plan requires 68 billion US dollars of investment, and the various loans obtained from the European Bank for

Reconstruction and Development or from the World Bank only amount to 229 to 290 million Euros each. And it would be wrong to count on the EU's trans-European network projects: none of the 30 projects selected in 2005 involves Russia. In 2006, the Transport Ministry launched a call for tenders for 500 million roubles, just... 14.2 million Euros.

The situation with the customs is even more critical. Customs payments account for around 35% of the budget of the Russian government, which is trying to modernise its customs administration, but which is up against the massive inertia of the system. "In 80 to 90% of cases, it is possible to obtain customs clearance in 2 days, and if

you are well prepared by always working with the same customs agency, you can even get down to 3 or 4 hours", considers Rustam Juldaschew, president of the STS Logistics holding company. It should be added that this improvement isn't obvious at all the entrance points into Russia, and that corruption remains a major pitfall. "Progress is being made, but it's slow", is the view of Arjan Kempers. "The whole of the management of the customs administration needs to be changed, and salaries increased to reduce the need for corruption". Perhaps the trials carried out in Kaliningrad with the NCTS system (without a TIR book) may prove to be the beginning of the solution...

Claude Yvens ■