Role of Russian Railways Logistics in transit development on Asia-Europe axis

In the background of economic stagnation and trade slow-down between China and Europe Russian Railways Logistics focuses on providing even more efficient logistics solutions by combining all transportation modes and offering additional services in order to approach 3PL.

Table 1: Key logistics challenges faced by Russian Railways Logistics

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<th>Route</th>
<th>Integration</th>
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<td>Transport Corridor</td>
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Globalization of cargo traffic, development of the world economy and internationalization of cargo exchange require more complex logistics schemes and optimization of cost on goods transportation and storage, thus demand for integrated logistics solutions grow even in the economic stagnation and trade slow-down periods. In this background Russian Railways Logistics, the subsidiary of Russian Railways Holding, focuses on providing even more efficient logistics solutions based on combination of all transportation modes and offering additional services in order to approach 3PL. Among additional services provided by company are loading/unloading, warehousing and storage, insurance services, customs clearance, information support and consultation. All these make transportation faster, easier and more transparent for the clients. The company develops individual transportation schemes for each project, which is possible due to access of the company to the assets of other Russian Railways subsidiaries and cooperation with the companies, international organizations and authorities.

Russian Railways Logistics operates in Russia and internationally transiting through Russia. The main transportation corridor - Europe-Asia has a strong potential, according to majority of analysts, capacity of rail transit EU-China-EU market will amount to 1,25 mn TEU by 2020. Even though sea freight is the most popular transportation mode on Europe-Asia axis having 99% of all shipped goods on the Southern Europe-Asia route of 20,000 km or up to 45 days via Suez Canal, railway transport is considered to be more favourable as it reduces the cargo delivery twice to maximum of 14-20 days and shortens the route length to 11,000 km of railways, but rail forwarding is more pricey. One of the great advantages RZDL exploits is the fact that the important rail routes are linked to the sea ports: the Baltic Sea - in the North, the Black and the Azov seas in the South, the Northern Sea in the North, and the Sea of Japan - in the East. For instance, Transcontinental West-East route is linked to the Russian Far East and the ports such as Vladivostok and Nakhodka, the port of Vanino, Moreover, RZDL shipped goods from the diverse busy ports of China, e.g. Ningbo, Nanjiang, Qingdao, Yangtian, Yingkou, which are exits to the global sea routes. Thus the cargo may be shipped by sea to other continents.

The most popular rail routes on transport on Europe-Asia axis are Trans-Siberia or Trans-Kazakhstan. In 2012 RZDL developed several container train projects with its joint ventures FELB based in Austria and YuXiLu based in China to serve interest of clients trading between China and Europe. In the view of the company the company individualizes the transit routes (Trans-Siberian and Trans-Kazakhstan) will grow 50 times from 2012 to 2020. In March 2012 RZDL started cooperation with the international container transit transportation operator Far East Land Bridge (FELB) in order to develop transit potential and to organize integrated services for transportation of transit cargo on China-Europe route via Zabaykalsk, Russia. This route through Trans-Siberian railway is popular among shippers from the North China, the North East of China, South Korea and Japan. RZD Logistics acquired 29% of the FELB shares. Currently FELB operates under the effective control of RZDL. Over 5 years on the market FELB has become an important provider of transit container rail transportation services on China-Europe route via Zabaykalsk, Russia and backwards for a number of large companies such as BMW, LG, Samsung. In 2012 FELB transportation load amounted to TEU25,000.

FELB diversified the routes and border crossing points for the cargo from China: via Breast/Malaszewice (Belorussia/Poland) cargo may be distributed to Poland, Germany, Netherland and Belgium, via Dobra/Chop (Slovakia/Ukraine) to Czech Republic, Slovakia, Italy, Austria and Slovenia, via Zabaykalsk (Hun-gary/Ukraine) to Hungary, Southern Germany and Austria.

Another joint venture of RZDL with 16,5% stake along with Russian, Kazakh, Chinese, German partners is YuXiLu, which serves Chengjings-Duisburg route transiting through Kazakhstan. In Aktogay (Kazakhstan) this route may be forwarded to Novosibirsk on Trans-Siberian railway. This route mainly serves the interest of producers from Western and Central China.

In addition to popular transportation projects with joint ventures, RZDL promotes its own projects on delivery of complex oversize cargo by means of special equipment on Asia-Europe axis. Among them:

- Delivery of two BCG-1 produced by Datong Electric Locomotive Plant (China), two-section mainline electric freight locomotives, from China to Belorus transiting through the territories of Kazakhstan and Russia, the route, which is known as a new Silk Road. The transit time from Chinese Alashankou to Belorussian Baranaviči station amounted to 12 days.
- Transportation of GW Wingle 5 produced by Great Wall Motor Company Limited (GWM) from China to Russia in the specialized wagons via Zabaykalsk (Russia)-Manzhouli (Mongolia). The expected traffic volume is 400 cars a month.
- Delivery of aluminum parts for high-speed train “Lastochka” of Deniro-Bus series of a total weight of 134,5 tons produced by Jilin Midas Aluminium Industries from the warehouse in Liuyang, Jilin Province of China via Zabaykalsk-Manzhouli to Yekaterinburg, Russia for Ural Locomotives, joint venture of Sinara Group and Siemens AG. In the long-term perspective up to 2015 Russian Railways Logistics plans to organize up to 100 shipments for Ural Locomotives.

When providing logistics solution on Asia-Europe route RZD Logistics faces number of challenges the company should overcome, namely infrastructural bottlenecks, seasonal fluctuations, demurrage and unstable transport speed due to deficiency of border crossing capacity and changing gauges in the forwarding countries, including transit countries (the 1520 mm gauge of the railways in Russia and the CIS opposed to the European and Chinese standard gauge of 1435 mm), volume imbalances and deficiency of rolling stock for specific directions, price instability due to different tariff system and need for document and train parameter harmonization in all countries.

In order to overcome challenges like tariff and non-tariff barriers, which hinder free movement of goods between China and Europe, RZD Logistics upgrades technical capacities (routing and tracing for safer and faster delivery), offers its customers collection and last mile distribution service (door-to-door), introduces CIM/SMGS consignment note for shipment to far destinations in order to avoid re-expedition on transit route though China, Kazakhstan, Mongolia, Belorusia and Russia. According to preliminary calculations in the upcoming years transportation via Russia may be reduced to 7 days in the framework of «Trans-Siberia road in 7 days» project initiated by Russian Railways, while travel time between the two countries may be shortened to 15 days for the Northern route via Trans-Siberia, to 10 days - for the Southern route via Trans-Kazakhstan. Reaching the speed of 1100 km per day will allow the consignor to cut costs.

Intense traffic on Europe-Asia axis demands the logistics services to be more competitive in regards to time, quality, transport infrastructure and capacity. Based on market demands RZD Logistics provides intermodal transportation by integrating different modes (rail, truck, sea) and offered its customers (mainly manufacturers from the East) container train service on East-West route, and full range of logistics services including terminal and warehouse handling, customs clearance and supply chain management. In the framework of RZD Holding Strategy-2030, a core network of terminal-logistic centers will be set up in the largest transport hubs and industrial zones of the country, primarily those used by participants in international corridors.

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