

## INTERNATIONAL ECONOMIC ACTIVITY TRANSPORT AND LOGISTICS COMPANIES IN RUSSIA



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**Abstract.** Current situation in the global economy is characterized the development of integration processes, differences in the degree of development of national economies and different levels of openness to participation in international economic relations, with the evident need in the intensification of trade flows. But there is insufficient development of the research methodological basis of the transport complex functioning in modern science, both at the level of the world economy in general and in the framework of developing the Russian economy. The requirement for a highly developed transport system is further enhanced with the integration in the European and global economy, the transport system becomes the basis for effective integration of Russia into the world community and class in this space corresponding to the level of highly developed countries. The article reveals the characteristic features of foreign economic activities of transport and logistics companies in the domestic market of logistics services.

**Keywords:** foreign economic activity; goods traffic; transportation; logistics.

**JEL codes:** F10; F19.

## **Introduction.**

The global logistics market is currently highly fragmented, there is more than 50 thousand companies, and with over 95% of them is relatively small. The fastest growing segment management, logistics and comprehensive services, growth of 15% and 10% per year, in the overall structure of the global logistics market experiencing a declining percentage of freight forwarding services to 58%. The most developed is the transportation and logistics market in the US and the European logistics market, these markets account for about 90% of global turnover. Among other countries showing dynamic growth include Russia, China, India, Brazil and South Africa. As for Russia, the country is among the countries with high logistics costs. This significantly reduces the effectiveness of production and trade, negatively affects the competitiveness of companies and the country as a whole. A high level of logistics costs in Russia is associated primarily with the inefficiency of the organization of the internal logistics companies and transport-logistic system of the country as a whole, multiplied by huge distances and low quality of Russian roads, poor location of many industries and archaic organization of cargo delivery from producer to consumer.

## **Characteristic features of foreign economic activities of transport and logistics companies**

At the moment, with all the abundance changes on the transport market and the presence of a huge number of freight forwarders, carriers and logistics companies customer still not satisfied with the services quality. Even the implementation of complex decisions not always solves problems of enterprises. Still have breakdowns innings of machinery and terms of delivery, damage or loss of goods, problems with documents, etc. All because didn't analyse the standard problems inherent in the transport industry as a whole, therefore, and individual enterprises in particular.

Problems of transport logistics include almost all the spheres of activities of domestic companies and encompasses to:

- desaggregation of the transport services market;
- the deterioration of rolling stock and the difficulties associated with its update.
- the quality of transport services (in case of attracting foreign transport companies);
- shortcomings of the legislative system;
- problems in the construction of routes of transportation (inefficient transportation);
- insurance of cargoes and vehicles;
- difficulties of organization of transport involving several transport modes;

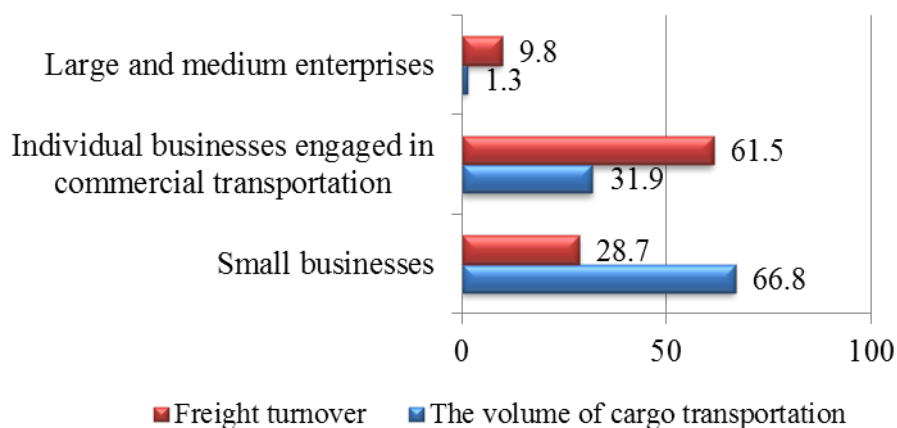
An increasing number of enterprises whose activities are connected with transportation (delivery of raw materials, customer service), decide to transfer all or part of the transport outsourcing. The transfer of transportation services to outsourcing allows focusing on core business

improving the quality characteristics of products and reducing transportation costs. The number of enterprises involved in freight transportation is 1795 throughout the Russian Federation on January 1, 2016.

However, it is not always external carriers provide quality services. This applies primarily to small freight forwarding or transport companies, the first of which have no own rolling stock and operate as mediators between the customer and the carrier, and the second, engaged in the transportation of goods by own vehicles, almost not trying to optimize the process of transportation.

Over the last years, the dynamics of reducing the number of cars for enterprises is about 15-20% per year. While the share of private companies working with one or two machines among all the carriers in Russia during the same period, by contrast increased from 14 to 59%.

**Fig.1: Distribution of cargo transportation volume and freight turnover of road transport enterprises operating on a commercial basis, in January-November 2015% of total<sup>1</sup>**



The cause of these two processes was that small firms receive undue competitive advantages over medium and large enterprises, primarily through low tax rates, cost savings on transport and environmental safety. Commercial carriers in some cases are losing the market and incur losses as a result of free of non-transport organizations, and consumers of transport services it does not receive enough reliable and quality transport service.

As for the problems of deterioration of rolling stock, while today the average age of trucks in the whole country is more than 10 years. To update its fleet with most carriers you can not due to high operating costs.

The leasing schemes of acquisition of transport in practice are unprofitable and high wear and tear is a major reason of accidents and huge transport costs.

<sup>1</sup> Compiled by the authors

At present, more and more shippers and consignees are trying to insure your shipment. Basically insure it was the load and not the vehicle. Upon the occurrence of the insured event the insurance indemnity is to the extent in which the damage to the cargo.

**Table 1 – Average tariffs on cargo insurance, %**

Transport	Rate
Road transport	0.1–0.5
Rail transport	0.1–0.5
Air transport	0,1–0,3
Sea transport	0,1–0,4
Multimodal transport	0,15–0,5

The value of the insurance rate is established depending on the specifics of future transportation: conditions of insurance, type of cargo and its packaging, transportation routes, presence of congestion, cost of cargo, traffic volume, size of the franchise, the existence of protection and support of cargoes and other factors.

The insurance covers damage to or loss of the goods occurred as a result of the accidents and dangers of transportation, theft, robbery, war and strike risks etc., depending on the volume of insurance coverage. Insurance covers losses caused by damage to or loss of the goods, the cost of salvage or repair of the damaged cargo, the cost of the examination. So, in most cases, insurance is issued as a percentage of the value of the goods.

Usually the cost of the damage shall be compensated not to the full extent. In any case, the insurer and the policyholder are looking for the most appropriate combination of cost of insurance and size of insurance payments that is agreed in the insurance contract. Cargo insurance reduces the concern for the process of transportation, which usually has a beneficial effect on all its participants. As for vehicle insurance, it is less common.

Despite the apparent informatization and computerization of life, the flow of information accompanying the transportation process, still far from perfect. This also applies to communication with the driver (especially when his presence in another state or at the border crossing), and monitoring of cargo throughout the transport and control of vehicle condition, its location. This problems can be with domestic flights also. However, there are instances of loss of communication with the machine, which negatively affects the coordination of the transportation process, especially in cases of need for urgent transfer or amend information to the driver.

As for software for transport logistics, the situation is somewhat different. In contrast to the «warehouse» of products, their market is much smaller examples are IN the «Expedition», «IAS Gruzoperevozki 2», «Transtrade», the reviews about them are quite different and don't have

objective analysts. At considerable cost of such programs is not surprising that potential customers are being lost and gradually postpone the idea of purchasing for the future. Maintaining even a single personal vehicle is a quite important process that requires execution of certain actions through the established time intervals. If talk about the carrying out commercial tasks by auto park, then control is given not only to technical condition of vehicles, but also the efficiency of their use.

The problem of insufficient use of vehicle capacity is directly related to unwillingness or inability to complete sending from different shippers. Although groupage cargo transportation is more profitable to the carrier, because each of the owners of such goods, the cost of transportation will decrease slightly compared with the as if his cargo was in the car alone. This is because, though it is not economically justified based on transportation tariffs, in any case, the mileage traversed by the vehicle. So the transport cost per 1,000 km for similar loads of 2 and 5 tons will be almost the same.

Of course, delivery of groupage cargo is associated with a greater number of problems than sending from the same sender to the same recipient, however it is more beneficial, both to the sender (saving shipping costs) and the carrier (the cost of transportation of groupage cargo significantly exceeds the cost of transportation from one sender).

With transition to market relations there was some randomness in the design of transportation process. Today, it is often possible to observe such phenomenon as:

1. Excessively long haul.

2. Unnecessary transportation.

3. Re transportation, in which freight flow from the shipper to be not directly to the consumer, and comes in the intermediate of the logistics chain (database, warehouse, etc.), and thence in the same volume on the same mode of transport for movement to other units or directly to consumers.

Inefficient transportation leads to increase in logistics and particularly transport costs, more transport routes. Transport companies are spending a lot of money on software that can automate the process of finding the most efficient route.

With the existence of any possible means of communication in our country (auto and railway, sea, river, air lines, pipelines) road transport remains the most used. This is especially strange, considering the large territory of our country, because at distances of 700-1500 km, rail transport is much more economical than by road, especially in the conditions of constantly rising prices for fuel.

One of the main problems for transport companies is the problem of constant growth of tariffs for cargo transportation. Index of tariffs for freight transport in the sectors of transport complex as a whole amounted to 108.1 per cent in the growth of producer prices of industrial products in the size 112,0 per cent in December of 2013 to December of 2014 . The tariff increase took place in almost

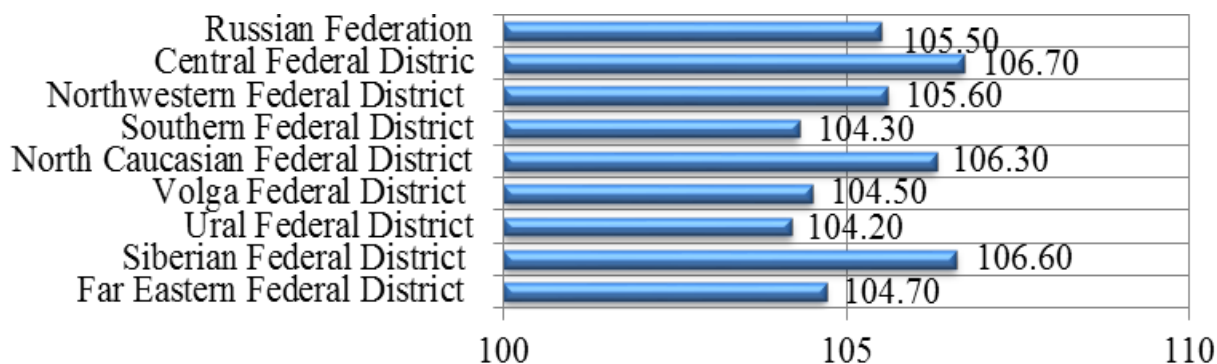
all types of transport, including railway transport – 107,5 %, inland water - 107,6 %, motor – 110,2 %, of 118.2%, marine is 109.1 per cent.

**Table 2– Indices of tariffs for freight traffic in December 2013, %**

	To the period preceding the reporting	By December of 2012
Transport – all types, including	100,0	107,5
Rail transport	100,0	105,6
Sea transport	98,3	95,3
Inland water transport	99,7	106,3
Road transport	100,1	105,3
Air transport	100,7	108,9
Transport - total (without pipeline)	100,0	105,5

The biggest growth in cargo transportation tariffs observed in the Central Federal district in December 2014 to December 2013, where the index amounted to 109.7 % in the southern Federal district – to 109.4 per cent. The lowest increase – 105,9 % took place in the Siberian Federal district. In 2015, the situation has changed a bit, figure 2.

**Fig.2: Indices of tariffs for freight traffic in December 2015, according to the Federal districts (excluding pipelines) in % to December 2014**



The biggest growth in cargo transportation tariffs is noted in the Central Federal district, where the index came in at 106.7 % in the Siberian Federal district – 106.3 per cent in December 2015 by December 2014. The lowest increase – 104,2 % took place in the Urals Federal district.

In addition to these problems there are many different disadvantages in particular:

- the absence of necessary complexity in managing the development and operation of the transport system;
- incompleteness transport structural transformation;
- a high level of uniformity in the use of production capacity of existing infrastructure facilities;

- not match the state of the roads, the pace of motorization;
- saving in the transport sector trends in the aging of fixed assets and their inefficient use;
- regional disparities in transport network development.

## **Conclusion.**

Against the background of growth of demand for transport services and even more significant increase in the forward-looking term in the transport system as a whole and its sub-sectors, there remain several unresolved systemic problems. This poses a threat of slowing economic growth and hinders the development of individual transport enterprises in particular.

As a result, today more than ever topical problem of increasing traffic volumes and increasing economic efficiency of the activities of numerous domestic freight and passenger carriers and freight forwarders. But in order to achieve your goals, you need to carry out proper and timely analysis of the state of the transport market, in particular, the most relevant issues; realistically assess the possibilities and conditions of development; clearly define a way of development is correct and will bring to the company, for example, additional revenue, and what is wrong and will lead to negative consequences that may even lead to bankruptcy.

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