

V. A. Tsvetkov, K. Kh. Zoidov, A. A. Medkov

Market Economy Institute of RAS (Moscow, Russian Federation; e-mail kobiljonz@mail.ru)

IMPLEMENTING URGENT TRANSPORT AND TRANSIT PROJECTS BASED ON PUBLIC-PRIVATE PARTNERSHIP IN RUSSIA¹

The article examines the main areas for implementing urgent transport and transit projects based on Public-Private Partnership (PPP) in Russia. This paper continues the study of theory and practice of using PPP to implement the investment projects aimed at developing and realizing the transport and transit potential of Russia. The authors used the methodological basis of the evolutionary and institutional theory, historical approach, system analysis, and theory of the firm to examine the ongoing projects aimed at developing the transport and transit system in Russia based on PPP, such as construction of high-speed Moscow—Kazan highway with its subsequent extension to the Chinese border, functioning of transport and logistics system in the Chelyabinsk region, infrastructural support for transit cargo shipments along the Northern Sea Route (NSR), participation of foreign investors in the development of Russian sea ports and approaches to them. It is shown that the provision of competitive advantages offered by transit shipping operations on a particular route requires a high speed of cargo transportation with a minimum of stops, handling, and transshipments along the route. The revenues from realizing transport and transit potential can be compared with the amount of resource rent only when Russia builds not just a transit sector but the production and transit sector in its economy. In this regard, the authors focused on defining the opportunity and necessity of organizational transformations associated with building a large public-private transport company that would be able to compete with global sea container companies on Asia—Europe routes. The article elaborated the main areas and measures under the proposed national project "Developing the Transit Economy in Russia: Uniting Eurasia" and its subprogram "Developing the Innovative Rolling Stock for Container and Multimodal Shipping Operations." The finding of the study presented in the article may be used for preparing the state programs and projects that include a system of measures to develop and realize the transport and transit potential of Russia based on institutional and organizational transformations.

Keywords: urgent transport and transit projects, public-private partnership, institutions, organizations, transport and transit potential, transport construction, investments, concessions, transportation and logistics companies, rolling stock

Introduction

The competition of Euro-Asian cargo routes, which is largely caused by the policies of China and the EU, prompts Russia to implement new infrastructure projects based on PPP to develop its own transport and transit potential [1–17]. PPP becomes particularly relevant in Russia given the allocation of significant funds by the EU and international development institutions for infrastructure projects that would provide an alternative to Russian transportation routes. This includes primarily the Baltic countries, which traditionally supported transport projects aimed at bypassing Russia. Now, they are also joined by Ukraine.

However, today, the attention of the Russian state authorities is focused on providing the infrastructure support to major events in the area of foreign policy (2012 APEC summit, 2015 SCO summit in Ufa), sports (2014 Olympics in Sochi, 2013 Universiade in Kazan, 2018 World Cup), and other international events (such as 2017 World Festival of Youth and Students). Only a few large infrastructure projects are co-financed by the National Welfare Fund (NWF). These include the reconstruction of Baikal-Amur Mainline and Trans-Siberian Railway, construction of the Central Ring Road around Moscow, and high-speed railway line Moscow—Kazan. There are still urgent problems of implementing electronic document flow and a "one-stop shop" principle in the cross border movement of cargo.

Following the analysis of urgent projects to develop the transport and transit potential of Russia based on PPP principles, this article examines the hypothesis on feasibility and necessity for the participation of a major state transit PPP-based company in such projects as a condition for their successful implementation. One of the main tasks for such a company should be to ensure the

¹ Original Russian Text © V. A. Tsvetkov, K. Kh. Zoidov, A. A. Medkov, published in *Ekonomika regiona* [Economy of Region]. — 2016. — Vol. 12, Issue 4. — P. 977–988.

high-tech development of the Russian economy, in particular, through the implementation of projects involving foreign investors. The Russian market of transport services has the necessary economic, institutional, and organizational prerequisites for establishing a large company, the activities of which would be focused on developing and realizing the transport and transit potential of Russia. To support the author's hypothesis, we provide the opinions of experts, who confirm the need for creating a single authority to manage the transit of cargo, at least on NSR.

The market economy in Russia cannot develop in a balanced way without involving large economic entities in production and transport processes, which operate on the microeconomic level and implement not only purely economic (aimed at generating and maximizing profits) but also publicly important functions. From the institutional point of view, the sustainable development requires to preserve existing and establish new large public and public-private economic entities, the evolutionary development of which would become the foundation of a balanced economy characterized by "integral spatio-temporal balance and integrity of sustained evolutionary development" [9, p. 144].

The institutional evolution in Russia takes place through the development of existing and establishment of new companies operating under PPP. E. Yescombe defines joint ventures under PPP as "project companies co-owned by state and private sector," which, among other things, "can be found in PPP for the construction of new facilities (usually, concessions)" [7, p. 417].

It should be noted that a PPP-based company is not necessarily established only for a particular project. It can and should conduct ongoing business operations both at newly built facilities of transport infrastructure and those received at the time of its establishment. In the area of exporting the transport and transit services, the main goal of such a company should be to ensure the competitiveness against the major freight carriers represented by global sea container companies. In this case, unification of material, financial, and managerial resources and competencies provided by the state and private businesses is accompanied by availability, simplification, and lower costs of access to reliable information on key features of transport and transit service market.

The PPP-based company established for transit of cargo and passengers within Russia will, among other things, become a source for the genesis of institutions, persuasive lobbyist for the interests of the industry, developer and distributor of extra- and intraorganizational innovations, corporate culture elements that provide for a balanced achievement of public and commercial goals.

1. Existing Projects of Public-Private Partnership Aimed at Realizing Transport and Transit Potential of Russia

1.1. Public-Private Partnership in the Construction and Operation of High-Speed Lines

The construction of high-speed lines (HSL) Moscow—Nizhny Novgorod—Kazan will be based on PPP in the form of a concession according to the Russian concession laws. The line will be part of Moscow—Beijing HSL.² The Russian-Chinese working group on cooperation in the area of HSL has elaborated a mechanism for implementing this PPP-based project. It provides for the establishment of concessionaire in the form of a special project company tasked with the conclusion and performance of concession agreement on construction of HSL.

According to D. Moeller, the consortium "German Initiative" as well as China may participate in supporting HSL project because the Chinese funds may not be sufficient to finance the construction of the entire track and rolling stock. To this end, the association may allocate the funds for the purchase of technological equipment and finance electrical part of the project, including electrification and power supply, control systems and automation, communications. In addition, it can organize the servicing of rolling stock, including the provision of equipment for the sheds³.

When implementing PPP-based projects, it is necessary to protect to the maximum extent the interests of the high-tech development of the national economy. However, this is not what is happening here. For example, the construction of Moscow—Kazan HSL will involve Chinese and German high-tech equipment and rolling stock. Still, a tender is scheduled on December 2016 for delivery of high-speed

² A tender to supply the trains for high-speed line is scheduled for December. Russian Railways Partner. 2016. Jan. 18. Retrieved from: <http://www.rzd-partner.ru/news/vysokoskorostnoe-dvizhenie/konkurs-na-postavku-poezdov-dlia-vsm-zaplanirovan-na-dekabr/> (date of access: January 18, 2016).

³ Beloglazova, D. (2016, January 13). Vesomyy vkald [Important Contribution]. Gudok. Retrieved from: <http://www.gudok.ru/newspaper/?ID=1323219&archive=2016.01.13> (date of access: January 13, 2016).

rolling stock produced with target localization at 70 %–80 %. For the construction of HSL, the project managers emphasize the need to use the services of a large construction company, even though it is necessary to provide the state support for small- and medium-sized businesses. China Railway Construction Corporation Limited (CRCC), one of the largest state-owned construction companies in China specializing in infrastructure construction, and Siemens together with Sinara Group are being considered to become the main companies for implementing HSL project.

1.2. Developing Transport and Transit Potential of the Chelyabinsk Region

The efforts of authorities and business community of the Chelyabinsk Region aimed at transforming the region into a link that connects the transport projects Eurasian Economic Community (EEC) and the economic belt of the Great Silk Road may become an example of realizing the transport and transit potential of Russia at the regional level. It should be noted that in ancient times one of the routes of the Great Silk Road passed through this region. The main projects for modernizing the transport infrastructure of the region will be the construction of Moscow – Kazan – Yekaterinburg – Chelyabinsk – Beijing HSL and A-310 highway as well as the operation of South Ural Multimodal Transport and Logistics Hub.

South Ural Multimodal Transport and Logistics Hub was built under PPP and opened in May 2015. It should become a Russian dry entry port on the route Russia – China (Xinjiang / Heilongjiang / Hubei) – Kazakhstan – Russia (the Chelyabinsk Region). The transport and logistics hub will serve as a transshipment point for exports of goods produced at the enterprises of the Chelyabinsk Region and other regions to China. In addition, the hub will have production and transit functions.

It is worth noting that the Chinese provinces are ready to subsidize the flow of goods on these routes. In particular, Hubei Province already provides subsidies for the transport of goods on container block trains heading toward South Ural Transport and Logistics Hub. The main task of Russian authorities and companies is to ensure the return cargo traffic to China.

1.3. PPP in Realizing the Transport and Transit Potential of Northern Sea Route and Building the Northern Latitudinal Railway

Usually, the implementation of investment projects based on PPP is the result of lobbying activities by influential business people and business groups. Yamal LNG project and associated projects to develop NSR, build the Northern Latitudinal Railway and Sabetta port are no exception to this rule. The ongoing construction of Sabetta port is based on PPP principles. The federal budget is financing the creation of sea and approach channels, operating waters, navigation and traffic control systems. The investors of Yamal LNG (Novatek, a Russian company, Total, a French company, and China National Petroleum Corporation) are erecting piers, warehouses, utility networks.

The project of Northern Latitudinal Railway is viewed as an alternative route for transportation of oil and gas products. The railway Obskaya – Korotchaevo will be 707 km long and connect Sverdlovskaya and Northern railways. The nonpublic railway Karskaya – Sabetta will be a continuation for the line Obskaya – Bovanenkovo built by Gazprom and is a part of Yamal LNG project. The construction of the Northern Latitudinal Railway also will be based on PPP and financed by the federal and regional budgets, investment program of Russian Railways, loans and funds provided by participants in the project.

The transit significance of the project is as follows:

1. Sabetta port may become one of the key elements of the coastal infrastructure of NSR.
2. Transportation of Yamal LNG products by using ice-class LNG carriers and delivery of materials and other cargo required for construction and operation of facilities involved in production and liquefaction of natural gas and operation of the port will allow reducing conditionally fixed costs per ship passage, including for the transit traffic.
3. Northern Latitudinal Railway can transform Sabetta port into an additional point of entry and exit for transit cargo between NSR and Russian railways network as well as ensure the reliability of the port operation and stability in the nearby area.

According to N. Pegin, "the development of NSR should be the responsibility of a single state agency, and for the management of the national Arctic transport it is necessary to designate a single operator, whose authority should include all the matters related to formation of the cargo traffic, organization and implementation of cargo transport on this route. Moreover, this single operator should be viewed as a joint integrated project of the state and business community, where the state

creates the appropriate conditions and provides guarantees for the carriers so that it becomes more profitable for them to transport cargo through NSR rather than via Suez or Panama canals."⁴

V. Klyuyev draws attention to the fact that "most of NSR are the waters with the freedom of navigation provided by virtue of international law; therefore, the Russian Federation has no exclusive rights to navigation in NSR. In this sense, a direct comparison of NSR with Suez or Panama canals does not seem quite correct. Suez and Panama canals charge a fee for a passage, while it is impossible to introduce a fee for passage of a ship through NSR."⁵ In our opinion, the organizer and the main recipient of revenues from the transit of cargo through NSR shall be the newly created state transport and transit company, which owns the ice-class container vessels and other types of ships.

1.4. Public-Private Partnerships with the Participation of Foreign Companies

It is admissible and expedient to attract investments of foreign companies to the projects aimed at developing the transit communications that are part of a larger macroregion, such as the North-East Asia. To a large extent, they are not part of the national but rather interregional cross-border transport and communication hub. For example, in early 2016, Hyundai Development Company (South Korea) expressed its intention to invest in infrastructure and tourism projects in Primorsky Krai based on PPP principles⁶. One of the areas for investments should be the projects to build the infrastructure of International Transport Corridors "Primorye-1" and "Primorye-2."⁷ For all importance of export-import operations, the development of transport infrastructure, and in particular the ports, should be aimed at realizing the transport and transit potential of Russia. For example, to this end, it would be advisable to include the State Transport and Transit Company, a state-owned company for development of transit shipping operations, among the participants of the joint venture DP World Russia, the agreement on establishment of which was signed by the Russian Direct Investment Fund (RDIF), a national development institution, and DP World (United Arab Emirates), a port operator⁸. In this case, the investments in the development of port, transport, and logistics infrastructure facilities in Russia, which should be provided by the joint venture, would be also earmarked for maximizing the transit shipping operations.

2. Establishing and Organizing the Activities of Major Public-Private Operator for Transit Shipping Operations of Highly Profitable Cargo

2.1. Problems in Operations of Major Container Operator

The Russian market of transport services has the necessary prerequisites for establishing a large company, the activities of which would be focused on developing and realizing the transport and transit potential of Russia. We can point out to the following trends indicating the need for such organizational innovation:

1. Organizational and institutional changes aimed at transforming Russian Railways from a predominantly shipping company into the transport and logistics company.

2. Consolidation of container fleet by several companies to ensure their loading, including on return routes.

3. Signs of monopoly in the container shipment market related to underdeveloped organizational and institutional environment.

The problems in establishing and ensuring the activities of a major container operator in the area of transit cargo shipments include the state support (at least at the level of official statements) for small- and medium-sized businesses, "light" version of the joint transport and logistics company,

⁴ Larionova, T. (2016). Ot idei k realizatsii [From Idea to Implementation]. *Transport Rossii* [Transport of Russia], 8 (919). Retrieved from: <http://www.transportrussia.ru/transportnaya-politika/ot-idei-k-realizatsii.html> (date of access: February 25, 2016).

⁵ Larionova, T. (2016). From Idea to Implementation. *Transport of Russia*, 8 (919). Retrieved from: <http://www.transportrussia.ru/transportnaya-politika/ot-idei-k-realizatsii.html> (date of access: February 25, 2016).

⁶ Hyundai Development Company has experience in implementing PPP projects on BOT (Build — Operate — Transfer) terms — that is, it implements a project proposed by the state, manages the facility for 30 years, and then hands it over to the state. In particular, these terms were used to build a 20 km Busan — Gimhae railway, container terminals in such ports as Busan, Masan, and Ulsan.

⁷ Hyundai Development Company may invest under PPP in Primorye projects // *Russian Railways Partner*. 2016. January 22. Retrieved from: <http://www.rzd-partner.ru/news/investitsii/hyundai-development-company-mozhet-na-usloviakh-gchp-investirovat-v-proekty-v-primore/> (date of access: January 23, 2016).

⁸ The core activity of DP World (UAE) is the management of container cargoes, which generates three quarters of its profits.

elements of monopolistic behavior demonstrated by TransContainer. The establishment and operation of a large public-private corporation or joint-stock company, which tentatively could be named State Corporation (JSC) Rostranstanzit, will allow creating a competitive environment in the transit shipment market. The company will compete for cargo traffic both with global sea container companies and with domestic carriers, such as TransContainer, Russian Railways Logistics, unified transport and logistics company, large private companies, especially if it receives as the assets the container terminals located at the nodal points of transport corridors. An important task of the state transport and transit company should become the increase in the level of cargo containerization, establishment of efficient turnover of containers, and participation in setting up the production of containerizable cargo in the industrial and transit centers of transport corridors.

2.2. Organizational and Institutional Framework for the Formation and Circulation of Express Container Trains

Currently, there are several regulations (primarily, the internal directives of Russian Railways), the requirements of which make it difficult for small- and medium-sized transport companies to access the cargo shipment services of transport on express container trains circulating on a regular basis, namely:

- The length of container train should be at least 71 standard cars.
- It should have one destination station.
- There are different requirements for transportation of different types of containers and other cargo.
- Different rates are established for different types of containers.
- There are rate corridors that allow getting a discount for the rate (up to 25 %) only after providing the guarantees of additional cargo flows.

All these institutional rules stipulate the need to establish and ensure the market presence of large transport and logistics companies.

2.3. Public-Private Partnership in the Modernization and Development of Transit Shipping Operations on Trans-Siberian Railway

Currently, there are active works to modernize the Eastern polygon of Russian railways by using funds from the National Wealth Fund (NWF). Their implementation is caused, above all, by the need to provide the infrastructure support for the growth of export cargo traffic (mostly coal shipping operations) to the Asia-Pacific region. However, to develop the transport and transit potential, special attention should be given to the modernization of Trans-Siberian Railway to allow the circulation of express container trains. First of all, this means improving the profile of track, straightening the small radius curves, especially on the sections of Trans-Baikal Railway, where the traffic at a speed of 120 km/h is yet impossible.

In Siberia and the Russian Far East, it is especially relevant to implement the PPP investment projects aimed at attracting and retaining human resources, including those involved in the maintenance and development of the eastern section of the Trans-Siberian Railway and the area of Baikal-Amur Railway. This requires the subsidies for the maintenance and modernization of housing and utility facilities to prevent the increase in utility rates.

3. Elaborating and Implementing the National Program "Developing the Innovative Rolling Stock for Container and Multimodal Shipping Operations"

3.1. Production of Innovative Locomotives for Express Container and Container-Trailer Shipping Operations by Railway Transport

To organize the circulation of express container trains—the main transportation technology for ensuring the maximum realization of transport and transit potential of Russia—it is necessary to use specialized locomotives. Development, testing, and organization of mass production of such locomotives should become a part of the national project "Developing the Innovative Rolling Stock for Container and Multimodal Shipping Operations." In this case, the terms of reference, part of investments in R&D and organization of production, as well as the firm order with guaranteed payment and advance payments should be provided by the State Corporation (JSC) Rostranstanzit.

The requirements established by the regulations for technical specifications of the locomotive used for express container shipping operations should be as follows:

- Capacity (load) should be greater than for passenger locomotives.
- Speed should be higher than for freight locomotives.
- Asynchronous traction engine.
- Dual-system use (ability to operate on railways designed for using both alternating and direct current)⁹.
- Capacity of uninterrupted operation on long runs; number of locomotives sufficient to ensure an effective turnover on main transit routes and pay back the costs of their development and production.

It is necessary to take into account the fact that a two-system locomotive for express container shipping operations with asynchronous traction engine is more expensive than other electric locomotives. Therefore, on the one hand, its production will generate greater added value, but on the other hand, it should be used for driving the trains with highly profitable cargo, such as the cargo in containers. Its use is also advisable for multimodal railway and road (container-trailer) shipping operations of highly profitable cargo.

The contract documents of the state transport and transit company that regulate the development, production, and procurement of innovative locomotives should establish on an institutional level the requirement for maximum localization of their production (at a level of no less than 70 %) to maximize the added value generated in Russia and ensure the economic security. The state transport and transit company should have as many new locomotives as required for organizing their effective turnover on the Russian railway network and entire Russian gauge space ("1520 space") by using the institutional mechanisms of EEC and other international agreements.

3.2. Production of Innovative Well Cars for Express Container Shipping Operations

Another area for innovation development of container shipping operations is the development of new models of long wheelbase well cars that fit, with less friction and loss of speed, into the curves, including those with a small radius.

The use of innovative well cars should be accompanied by institutional evolution aimed at matching on the production and technological levels the new rolling stock, existing railway infrastructure, and existing shipping technologies and at reducing the payback period of the new rolling stock. Institutional environment should ensure the match of technical characteristics of innovative well cars and the state of the railway infrastructure with the requirements for organizing high-speed transportation; elimination of old cars used with innovative well cars during the formation of trains; accelerated depreciation of new rolling stock; and preferential rates for trains consisting of innovative cars, the use of which softens the impact on the track, increases throughput capacity of railway lines, and facilitates the use of efficient transportation technologies (block train shipments, scheduled traffic, minimum uncoupling rate for repairs, etc.).

In accordance with the traffic schedule, full train shipments can be provided only by a major transport and logistics company. This is exactly what the proposed state transport and transit company would become.

3.3. Organizing the Production of Russian Refrigerated Containers

One of the promising areas for realizing the transport and transit potential of Russia is express shipping operations of fish and seafood products by using the refrigerated containers (reefers) both on "East—West" and "North—South" routes. It is also possible to consider the shipping of fresh fish and seafood products in specially equipped tank containers. The need to use refrigerated containers is due primarily to the fact that the existing fleet of refrigerated units and thermos cars is obsolete and has to be decommissioned: in 2017, over 90 % of the existing isothermal rolling stock may be decommissioned. The reefers, which allow transportation of smaller shipments without using any maintenance personnel on the route, represent an innovative alternative to refrigerated units. To ensure the transportation of fish and seafood products to Russian domestic market and their transit, it is necessary to set up and develop the production of reefers in Russia. As long as there is no such production, the operators involved in the shipping of fish from the Russian Far East could be granted

⁹ In our view, such an electric locomotive would be more appropriate for Russian railway network than the dual-system freight locomotive (2EV120), for which the scope of use is not yet fully determined.

exemptions for the purchase of reefers under the tax and customs regime established for the Free Port of Vladivostok. In particular, it is proposed to reduce (cancel) import duties on foreign reefers, which currently account for about 33 % of their cost¹⁰.

3.4. Organizing the Production of Innovative Flatcars for Container and Container-Trailer Shipping Operations

A series of events that took place recently in the transport service market can in the future significantly increase the demand for railway-road (container-trailer) shipping operations. This includes:

- Increase in excise duties on petrol and diesel fuel, higher price of trucks following the weakening of the ruble
- Introduction of a toll fee on federal highways for the vehicles with total weight over 12 tons (Platon system), inevitable increase of such fees in the future
- Improvement of weight control system on federal and regional roads, increase in the collection of fines for exceeding the weight standards
- Increase in the length of toll roads
- Strengthened control over work and rest of drivers
- Transit conflicts with neighboring states that compel the drivers to look for bypass routes (which increases the length of the route), use the ferry lines, and spend long hours on alternative border crossings
- Regularly encountered difficulties in obtaining permits for bilateral and multilateral international road shipping operations ("permits"), imposition of additional services in other countries (such as escorting the trucks), periodic reinforcement of border controls, introduction of new phytosanitary standards, etc.
- Increasing wear and tear of roads, especially the regional roads, amid underfunding of their reconstruction and repairs
- Further extension of tolls for use of all roads to implement the market principle of a "user-paid basis" and eliminate the infrastructural divide, etc.

All or almost all of these difficulties and restrictions can be overcome by using the railway-road (container-trailer) shipping operations. To build the offer this type of transport services, it is necessary, first of all, to ensure the development and production of the corresponding rolling stock. In addition, this requires a well-developed network of terminals and loading ramps owned by a major transport and logistics company. The container-trailer shipping operations will be particularly effective within the activities of such a company. In this case, it is possible to transport only the semitrailers rather than the entire trailer trucks, so that the tractor units with drivers could wait for their arrival at the destination stations and then transport the cargo to final recipients on a "door-to-door" basis.

3.5. Developing and Building the Ice-Class Container Ship for Navigation on the Northern Sea Route

Today, there are only a few reinforced ice-class ships in the world that could make commercial hauls on NSR to ensure the maximum long-term navigation. The transit shipping operations require development and construction of an ice-class container ship for navigation on NSR. For Russian companies, the production and operation of such ships represent a real niche in the global transport market. According to D. Purim, "designing such a container ship is a big step forward. But there is still much to do in order to commercialize NSR. There are also unresolved problems, such as seasonality, imbalance of container equipment, lack of infrastructure for replenishing the stocks on the ships, and providing rescue services. Most importantly, there is no one who could assume the commercial risks associated with the promotion of non-year-round container shipping services on NSR."¹¹ The state transport and transit company should become the entity that would engage in defining the place and role of NSR in the development of transit shipping operations, could act as a customer and buyer of ice-class container ships, and would promote these services in the global transport market.

¹⁰ Mikhaylov, P. (2015, September 1). Lgoty dlya konteynera [Preferences for Container]. Gudok. Retrieved from: <http://www.gudok.ru/newspaper/?ID=1302802&archive=2015.09.01> (date of access: January 14, 2016).

¹¹ Barbashin, A. & Verevkina, V. (2016, Nov. 18). Novaya model [New Model]. Gudok. Retrieved from: <http://www.gudok.ru/newspaper/?ID=1315323&archive=2015.11.18> (date of access: November 23, 2015).

In general, to realize its transport and transit potential, Russia shall develop and implement a national project that could be tentatively titled "Developing the Transit Economy in Russia: Uniting Eurasia." The table below shows the main areas and measures for this project.

Table

Main Areas for Implementing the National Project "Developing the Transit Economy in Russia: Uniting Eurasia"

No.	Area	Description of main areas of the project	Impact on the development of transport and transit potential of Russia	PPP
1.	Establishment and operation of state transport and transit company	Elaborating a business plan, providing state contribution to share capital, including through transfer of physical assets	Emergence of State Corporation responsible for developing and realizing the transport and transit potential deserved by Russia and capable to compete with the global transport companies	Participation of the state as one of the founders of the state transport and transit company, joint financing of projects
2.	Modernization of Trans-Siberian Railway	Works to improve operation characteristics of the line by strengthening the roadbed and straightening the track profile	Increasing the speed of container trains, reducing wear of tracks, improving competitive advantage of the line as a transit communication for East — West routes	Allocating financial resources from the National Welfare Fund
3.	Production of innovative locomotives for express container trains	Ensuring compliance with required specifications for locomotives, procurement by a state transport and transit company of as many locomotives as required for the payback of their production and efficient circulation in the railway network	Efficient production and logistics support for transit cargo shipping operations on railway lines in Russia, EEC, and across the entire "1520 space"	Public private transport and transit company acting as an R&D customer and purchaser, allowing accelerated depreciation and providing preferential rates for the use of infrastructure
4.	Production of innovative well cars	Providing technical capability for increasing the speed of container trains up to 120 km/h and above, organizing mass production to allow for the formation of full trains consisting of innovative well cars	Providing production and technical support to attract transit container cargo to the railways of Russia, EEC, and "1520 space"	Public private transport and transit company acting as an R&D customer and purchaser, allowing accelerated depreciation and providing preferential rates for the use of infrastructure
5.	Production of Russian refrigerated containers	Organizing mass production and ensuring procurement, in particular, by accelerating the withdrawal and disposal of refrigerated units and thermos cars	Occupying the market niche for express shipping operations involving fish, seafood, and other perishable products on Asia — Europe routes	Public private transport and transit company acting as an R&D customer and purchaser, allowing accelerated depreciation and providing preferential rates for the use of infrastructure; state co-financing for preparing the infrastructure of production site

The end of the Table on the next page.

No.	Area	Description of main areas of the project	Impact on the development of transport and transit potential of Russia	PPP
6.	Production of innovative flatcars for container and container-trailer shipping operations	Organizing mass production, building well-developed network of loading and unloading ramps	Improving the quality of service for cargo owners by combining increased speed of shipping operations, improved border procedures, and "door-to-door" delivery	Providing institutional support to overcome infrastructural divide, developing "green" logistics
7.	Developing and building the ice-class container ship for navigation on NSR	Defining technical specifications and number of vessels sufficient for building the offer of services for transit shipping operations on NSR	Providing production and technical support to attract transit container cargo to NSR	Building the firm order and operating the ships by PPP-based company

Conclusion. Key Findings and Recommendations

1. A transit economy is an economic system, in which the passage of power, energy resources, water resources, cargo and passenger traffic through the territory of the country and provision of transit shipping services generate the proceeds that constitute a significant portion of revenues received by the authorities, economic entities, and population of that territory and form a foundation of their well-being. The functioning of transit economy implies not just mere passage of cargo traffic through the territory but also intermediary activities as well as development of industrial and service sectors of the economy [11].

2. The PPP projects in the area of developing and realizing the transport and transit potential of Russia should be initiated by a major public-private joint-stock company, which could be tentatively named State Corporation (JSC) Rostranstranzit. It should be established and operate on PPP principles along with the active work of the representatives of state authorities in the Board of Directors under clear government directives. When selecting the projects to be implemented under PPP, it is necessary to define by law the priority of infrastructure projects aimed at increasing and realizing the transport and transit potential of Russia.

3. Theoretically, the provision of competitive advantages offered by transit shipping operations on a particular route requires a high speed of cargo transportation with a minimum of stops, handling, and transshipments along the route. The revenues from realizing transport and transit potential can be compared with the amount of resource rent only when Russia builds not just a transit sector but the production and transit sector in its economy.

4. To develop transit economy, the Russian Federation needs to implement the program "Developing the Innovative Rolling Stock for Container and Multimodal Shipping Operations" proposed by the authors within the the national project "Developing the Transit Economy in Russia: Uniting Eurasia." The main participant in this project as well as the main customer and operator of innovative rolling stock should be the transport and transit company of the Russian Federation.

5. State Corporation (JSC) Rostranstranzit should be the owner or co-owner of terminals in the sea ports and at border crossings ("dry ports") where the cargo traffic originates and/or is redistributed. We believe that the operation of the company will not affect the negatively competitive environment in the market of export-import and domestic container shipping since it will work in the external environment and compete with global sea container companies and other international carriers operating with the support of their national authorities and international organizations. Rostranstranzit should be the recipient of toll fees for the transit passage of trucks through Russian territory.

6. The complexity, diversity, and flexibility of relations of transport companies, federal and regional authorities should be transferred to internal company processes and to the management bodies of Rostranstranzit. This is because "the firm has not only the constitutional authority and cheap access to the required data that allows it to assess its activities more accurately than the buyer, but at the same time it has more accurate tools for providing incentives and imposing penalties" [11, p. 36].

7. State Corporation (JSC) Rostranstranzit should serve as an incubator for institutions, be a place for the genesis of institutions because "a complete, integrated, and sustainable enterprise represents, in a sense, a micro model of the state as a whole, and the vast majority of socially significant norms allow for the projection to intracompany or intercompany space" [9, p. 391].

Acknowledgements

The article has been prepared with the support of Russian Science Foundation (Project № 16–18–10149).

References

1. Alpatov, A. A., Pushkin, A. V. & Dzhaparidze, R. M. (2010). *GChP. Mekhanizmy realizatsii [State-private partnership. Mechanisms for implementation]*. Moscow: Alpina Publ., 200.
2. Bazhenov, A. (2012). Gosudarstvenno-chastnoye partnerstvo — edinstvennyy mekhanizm razvitiya Dalnego Vostoka [Public private partnership as the sole mechanism for developing the Russian Far East]. *Promyshlennik Rossii [The Industrialist of Russia]*, 7–8(139), 35–37.
3. Varnavskiy, V. G., Klimenko, A.V. et al. (2010). *Gosudarstvenno-chastnoye partnerstvo. Teoriya i praktika [Public private partnership: theory and practice]*. Moscow: HSE Publ., 287.
4. Deryabina, M. (2008). Gosudarstvenno-chastnoye partnerstvo. Teoriya i praktika [Public-private partnerships: theory and practice]. *Voprosy ekonomiki [Questions of economy]*, 8, 61–77.
5. Delmon, D. (2010). *Gosudarstvenno-chastnoye partnerstvo v infrastrukture. Prakticheskoye rukovodstvo dlya organov gosudarstvennoy vlasti [Public private partnership projects in infrastructure: an essential guide for policy makers]*. Astana: Apelsin Publ., 261.
6. Seldner, A. G. (2011). *Gosudarstvenno-chastnoye partnerstvo. Teoriya, metodologiya i praktika [Public private partnership: theory, methodology, and practice]*. Moscow: IE RAS Publ., 212.
7. Yescombe, E. R. (2015). *Gosudarstvenno-chastnoye partnerstvo. Osnovnyye printsipy finansirovaniya: per. s angl [Public private partnership: principles of policy and finance. Trans. from English]*. Moscow: Alpina Publ., 457.
8. Kvashnina, N. A. Oreshkova, & M. E. (2011). Sistematizatsiya podkhodov k ponimaniyu gosudarstvenno-chastnogo partnerstva v Rossii i za rubezhom [Systematizing the approaches to understanding the public private partnership in Russia and abroad]. *Vestnik finansovogo universiteta [Bulletin of Financial University]*, 6(66), 5–12.
9. Litvyakov, S. S. (2013). Otkor i otsenka effektivnosti proektov v sfere razvitiya transportnoy infrastruktury dlya ikh realizatsii na osnove GChP [Selecting and evaluating the effectiveness of project in the area of transport infrastructure for their implementation under state private partnership]. *Natsionalnyye interesy: priority i bezopasnost [National interests: priorities and security]*, 44(233), 36–47.
10. Kleyner, G. B. (2016). *Ekonomika. Modelirovanie. Matematika. Izbrannyye trudy [Economy. Simulation. Mathematics. Selected works]*. Moscow: CEMI RAS Publ., 856.
11. Williamson, O. I. (1995). Vertikalnaya integratsiya proizvodstva: soobrazheniya po povodu neudach rynka [The vertical integration of production: market failure considerations]. *Teoriya firmy [Theory of the firm]*. In: V. M. Galperin (Ed.). St. Peterburg: Ekonomicheskaya shkola Publ., 2, 534. (Milestones of economic thought).
12. Tsvetkov, V. A., Zoidov, K. Kh. & Medkov, A. A. (2014). *Formirovanie evolyutsionnoy modeli transportno-tranzitnoy sistemy Rossii v usloviyakh integratsii i globalizatsii [Building the evolutionary model of transport and transit system in russia in the context of integration and globalization]*. Moscow, St. Petersburg: IEPER RAS Publ., Nestor-Istoriya Publ., 800.
13. Yakunin, V. I. (2006). *Politologiya transporta. Politicheskoye izmerenie transportnogo razvitiya [Political science of transportation. Political dimension of transport development]*. Moscow: Ekonomika Publ., 432.
14. Bult-Spiering, M. & Dewulf, G. (2006). *Strategic Issues in Public-Private Partnerships: an International Perspective*. Blackwell Publishing Ltd. UK, 216.
15. Flinders, M. (2005). The Politics of Public-Private Partnerships. *British Journal of Politics and International Relations*, 7(2), 215–239.
16. Kenneth, J., Button, R., David, A. & Hensher, A. (2005). *Handbook of Transport Strategy, Policy and Institutions*. Amsterdam; New York: Elsevier, 12.
17. Lee, S. (2006). *Public-Private Partnerships for Development: A Hand-book for Business*. Washington, DC: USAID and the Committee for Economic Development, 30.

Authors

Valery Anatolyevich Tsvetkov — Corresponding Member of RAS, Doctor of Economics, Professor, Head of the Institute of Market Problems of RAS (47, Nakhimovskiy Ave., Moscow, 117418, Russian Federation; e-mail: tsvetkov@ipr-ras.ru).

Kobilzhon Khodzhevich Zoidov — PhD in Physics and Mathematics, Associate Professor, Head of Laboratory, Institute of Market Problems of RAS (47, Nakhimovskiy Ave., Moscow, 117418, Russian Federation; e-mail: kobiljon@mail.ru).

Alexey Anatolyevich Medkov — PhD in Economics, Leading Research Associate, Institute of Market Problems of RAS (47, Nakhimovskiy Ave., Moscow, 117418, Russian Federation; e-mail: medkov71@mail.ru).