

PUBLIC-PRIVATE PARTNERSHIP AS THE MAIN FORM OF IMPLEMENTING THE TRANSPORT AND TRANSIT CAPACITY OF RUSSIA

The article discusses the theory and practice of the implementation and development of transport and transit potential (TTP) of Russia. This could be an effective way to replace the natural resource rent as the main source of income for the state and economic actors. For the modernization of national economic system the key importance are innovative technologies in the development of transport and transit potential through the organization of the production of goods and services with the highest added value in Russia. We proposed and substantiated the hypothesis about the necessity of creation of a Federal company responsible for the financing and implementation of Russia's transport and transit potential development projects on the principles of public-private partnership (PPP). The authors have revealed the economic, institutional and organizational prerequisites for the establishment of such a public-private partnership company. We have provided the opinions of scientists and experts showing the urgent need to create in one form or another a single operator to transport goods on the territory of Russia and the Eurasian economic Union. To prove the hypothesis, we presented a description and analysis of the factors affecting the value of transit freight transport on Euro-Asian routes. We paid the special attention to identify the reasons of the increasing competitive advantage of Maritime transport in the world's goods movement system. The authors based the main conclusion that, first of all, the created public-private partnership company should be large due to tough competition of developing transit freight by land routes with the global Maritime container services. Secondly, it needs a significant state participation since the management of the world's cargo flows requires the effort of foreign policy and geo-economic nature. We emphasized that this business entity would become an active proponent and lobbyist of the most effective projects for the development of transport infrastructure of the country. The research is based on the methods of system analysis, theory of structural and technological balance of economics, organization theory, evolution and institutional theory and utilises historical approach. The results of the study can be used for the development of the state economic sectoral programmes of structural reforms; indicative plans of innovative development of rail, sea, road infrastructure and transport machine building; as well as for the preparation and implementation of specific projects of financing the development of transport and transit potential on a public-private partnership basis.

Keywords: transport and transit potential, investment projects, public-private partnerships, international transport corridors, Euro-Asian routes, railway transport, shippings

Introduction

The actual fall in demand and world prices for Russia's main exports have urged the replacement of resource rents to other types of income of the state and regional budgets, economic entities and population. In addition, there have emerged the factors affecting the implementation of the transport and transit capacity (TTC) and the volume of Russian exports of transportation services, the proceeds of which would be a powerful complement to the revenues from the supply of hydrocarbons and other raw materials on the world markets. The possibility of public financing for the development and implementation of the Russian TTC as a natural bridge between Europe and Asia has also reduced. These facts caused the increased attention to an institution for the implementation and financing of investment projects in the field of transport infrastructure (TI) such as public-private partnership (PPP) [1–12]. Currently, the relevance of using PPP institution is due, above all, to the need of reducing government spending.

Under these conditions, it requires encouraging private investors to enter into those sectors that have traditionally been financed by the state in order to use their entrepreneurial activity and accumulated business competencies. However, one of the features of the Russian economy is that companies fully or partially owned by the state, are engaged in the most profitable export sectors or are affiliated with them by providing them with different services, thus, in turn, resulting in the high level of compensation for their top and senior managers. That's why, in our opinion, the thesis that the State lacks competence or professional managerial skills has become obsolete. Furthermore, as confirmed

by the practice, the success of PPP projects depends not only on private initiative, but on the interest, activity and entrepreneurial spirit of the influential public servant or a group of politicians, security officials, civil servants, senior managers of large companies with state ownership.

Thus, PPP must not be understood narrowly as a formal institution, which reflects the available legal documents and is aimed at co-financing the construction of infrastructure facilities and their further use. A broader interpretation of this institution, which includes all forms of interaction between the state and private companies in order to develop transport infrastructure seems to be a necessity for more adequate description of reality [13–16]. Such an understanding of PPP makes the efforts of the state and the business community for the resumption of suburban passenger traffic, construction of transport hubs or reconstruction of railway crossings not less important than the construction of roads, bridges and overpasses.

In the context of the ongoing financial and economic crisis, resulted in a cutback of budget revenues and expenditures, the question of whether or not Russia will develop its TTC, is crucial.

Implementation and development of the Russian TTC is the most effective way to replace the resource rents as the main source of income for economic agents. Both the development of a hi-tech basis for TTC and localization of the produce with high value added within Russia become crucial.

Hypothesis justifying the need for establishing a national company which is responsible for financing and implementing the projects on the development of the Russian TTC on PPP principles is put forward in the article. This entity should be the active initiator of and lobbyist for such projects.

To create such a company, there are economic, institutional and organizational prerequisites. The idea of the need for such a national operator in any organizational form is fairly common within the scientific and expert community. It is proposed that the national operator should be large enough to withstand stiff competition from global maritime container companies. Moreover, it should be rather state-controlled one since the management of the world cargo traffic is experiencing the serious impact of foreign policy and geo-economics.

1. Organizational and institutional characteristics of PPP in investment projects aimed at the development and implementation of TTC of Russia and its regions

The main institutional issue of providing the effective performance of any PPP-company is to adjust control system. It is well known that “in a corporation with dispersed ownership managers can pursue their own interests, for example, leave the purpose of profit maximization for non-cash and other benefits they can assign at the expense of shareholders” [9, p. 407].

The problem of separating ownership from control can be solved in the following ways:

1) providing a significant proportion of state-owned shares when dispersing the rest of the company’s equity;

2) developing clear guidelines for public representatives in a PPP company’s board of directors and establishing strict monitoring system of executive procedures;

3) enhancing the role of professional corporate culture within a company, which the main goal is to maximize revenues from the export of transport and transit services;

4) appointing a charismatic personality to the post of the company’s CEO, who is given the go-ahead by the top political leadership of the country and an enthusiast of developing the transit economy in Russia.

The significance of the latter condition should not be underestimated because of the underdeveloped impersonal institutional environment in Russia. G. Kleiner notes that “in the specific conditions of Russia the impact of institutions on the behavior of the agents is weakened precisely because of the fact that subsystems of institutions (especially formal ones) are weaker than the corresponding subsystems of agents. Relatively speaking, within the Russian society, social interactions are more likely subject to “the theory of close action” (the influence of direct social and administrative environment) than the “theory of remote action” (the influence of institutional systems)” [10, p. 108].

In order to ensure both the repayment of public funds and a certain level of income to private investors set by the PPP agreement, there are various mechanisms that secure ways of spending funds received from operating infrastructure facility (“painting” of income). Among them, we can mention the mechanism of Tax Increment Financing (TIF), in which the state and/or regions reimburse costs of the investor for the construction of infrastructure facility from additional budget revenues derived from the operation of that facility. It should be borne in mind that “painting” of taxes and other revenues

is likely to limit the government's ability to reallocate financial resources. Similarly, non-tax fees and charges can also be "painted".

Availability of the interested "mixed" (e.g. economic and political) agents in the form of specialized development corporations is fundamental for regional PPP-projects. It is they who should be endowed with the right both to receive budget funds and private investments for construction of transport infrastructure, and of subsequent delivery of the completed facilities to a customer¹.

When using the mechanism of PPP both federal and regional authorities buy out plots and buildings standing on them, as well as (on equal terms with private investors) bear the costs of the transfer of utilities. These activities contain risks of the rent-oriented behavior including the use of insider information and other illegal actions aimed at raising personal income by public servants.

Currently, the most common and popular form of the transport PPP projects is a concession for the installation and maintenance of equipment for video and photo fixation of violations of the traffic laws. Today the issue of the use of such devices for railway crossings is being under consideration. The reasons for the popularity of such PPP projects are their relatively low capital intensity, clearly identified sources of return on investment (e.g. fines and payments), financial security of road users (e.g. motorists, motorcyclists) possessing liquid assets, as well as the ability to transfer the ownership of the constructed facilities to the private sector.

Among the most successful PPP projects, experts note the M11 "Moscow—St. Petersburg" federal highway, which is a part of the "Europe—Western China" and the "North—South" international transport corridors. The attractiveness of toll roads (or their sections) will inevitably increase if the "user pays" principle for all public roads is adhered to.

Already noted the big role of companies with state ownership in the Russian economy requires their active involvement in the preparation and implementation of PPP projects in the transport sector. E. Semenova indicates the prospects of using the "SPV model" (Special Purpose Vehicle), which has been successfully applied in many countries with the developed PPP institution. The meaning of this model is that the companies with state ownership (e.g. public unitary enterprises) are able to participate in PPP projects being simultaneously both on the customer side and partly on the side of the performer. In that case, a state-owned company, together with a private investor creates a special project company, in which the state's share is less than 51 %.

Public participation enhances the ability of a project company to raise funds on the open capital market².

Constructing the Moscow—Kazan high-speed rail (HSR) in Russia is just an example of a special project company (SPC). Institutional framework for PPP in Russia consists of two federal laws: the Federal Law No. 115 "On Concession Agreements" and the Federal Law No. 224 of January 1, 2016 "On public-private partnership". However, one should not place great hopes on these laws and other regulations on PPP. Formal rules can not cover all the variety of the relationships between the government and businesses in the subject of the country's TTC. The fact that the Federal Law "On public-private partnership" is aimed at increasing the spread of private property is not reasonable due to fierce competition from the global transport companies and the nature of the current stage of Russia's development.

The use of the PPP mechanisms is especially important in relation to a number of factors affecting the development of the country's TTC which are as follows: providing if necessary a private investor with a guaranteed minimum income at the level established by the agreement on PPP; the risk of increasing the budget deficit due to incomplete use of the constructed transport communication. Today the difficulty of identifying the parties, who are interested in transit communications, makes these projects disadvantageous.

In our opinion, a big public-private corporation or joint-stock company under the code name of the "Russian Transport and Transit Company" (Rostrastranzit, hereinafter referred to as RTTK) should become the initiator of the PPP projects in developing Russia's TTC. The board of directors of such entity should include representatives of public authorities, acting in accordance with clear government

¹ Protsenko, N. (2014, June 23). GChP pod chestnoye slovo [Public-private partnership on parole]. Ekspert Yug [Expert South], 25–26(315). Retrieved from: <http://expert.ru/south/2014/26/gchp-pod-chestnoe-slovo/> (date of access: March 11, 2016).

² Semyonova, E. (2014, 25 March). Gosudarstvenno-chastnoye partnyorstvo kak odin iz putey modernizatsii rossiyskoy infrastruktury [Public-private partnerships as a way of modernizing Russia's infrastructure]. RISI. Retrieved from: <http://riss.ru/analitics/5217/> (date of access: March 14, 2016).

directives. When selecting PPP projects, it is required to legitimize the priority of the infrastructure projects aimed at releasing Russia's TTC.

Transit freight traffic via the territory of Russia should be viewed primarily as a business matter. At the same time, one should not underestimate the strategic geopolitical and military importance of transit routes, keeping in mind various Chinese, American, Kazakh and other initiatives of the revival of the Silk Road which are going to compete with the Trans-Siberian Railroad.

2. The key internal and external adverse factors affecting the volume of transit cargo traffic via the territory of Russia

In 2015, the volume of transit railway container traffic via the territory of the Russian Federation fell by more than a third as compared with 2014 up to 66 thousand TEU (e.g. twenty foot container equivalent). The transit traffic volume of "TransContainer" which is the leading Russian container operator decreased by 34.6 % to 19.1 thousand TEU mainly due to reducing the share of automotive components in transit cargo traffic from the Far East to Central Asia³. The main factors that influenced the reduction of transit through the territory of Russia are the world financial and economic crisis of 2008 and geopolitical developments. The devaluation of the ruble predetermined the attractiveness of the land Euro-Asian transit routes in favor of Russia. According to the "Coordinating Council on Trans-Siberian Freight Traffic" International Association in the first quarter of 2016 the volume of the Russian – Chinese transit cargo traffic increased from 16,300 TEU to 26,000 TEU, which is 58 % higher than for the corresponding period of the preceding year⁴.

The share of container transit traffic via the territory of Russia is still less than 1 % of the world cargo traffic. The estimates of the profit foregone as a result of the Russia's TTC vary from 800 million to \$3 billion US dollars annually. One can not but accept R. Yuldashev's point of view that "if the money are important for the budget, so it makes sense to enact legislation, to appoint a manager, to negotiate with stakeholders and, after all, to make money. Otherwise, don't waste time talking"⁵.

Table 1 shows some internal and external adverse factors of the transit traffic via the territory of Russia, including those related to improving transit capacity of the competing routes.

2.1. Increasing competitive advantages of the global sea container services (external factor)

Increasing competitive advantages of the global sea container services primarily result from their attractive tariff policy, procedural efficiency and advanced infrastructure as well as the active lobbying by national governments, supranational entities and the leading market participants of the maritime traffic.

Reducing of the sea container shipping tariffs is caused by the following reasons:

- global financial and economic crisis, curtailment of both production and consumption of goods in the Asia-Pacific region and the EU, the cargo base shrinkage of the sea routes between Asia – Europe;
- low prices for bunker fuel;
- excessive supply in the market of transport services;
- the increase in capacity of the Suez Canal as a result of the completion of its modernization as well as Egypt's desire to increase the TTC of the country through the development of the sea transit freight service;
- the high efficiency of the current generation of container ships making the Asian – European routes around the African continent more profitable thus saving on payments for passage through the Suez Canal⁶;

³ Obyom perevozok "TransKonteinera" za 2015 god snizilsya na 5,3 % do 1,5 mln TEU [Freight traffic volume of "TransContainer" in 2015 decreased by 5.3 % to 1.5 million TEU]. Russian Railways Partner. 2016. January 21. Retrieved from: <http://www.rzd-partner.ru/news/konteinernye-perevozki/obem-perevozok--transkonteinera--za-2015-god-snizilsia-na-5-3--do-1-5-mln-teu/> (date of access: January 23, 2016).

⁴ Obyom tranzita v soobshchenii Rossiya-Kitai vyros na 58 % po itogam I kvartala 2016-go [Transit traffic volume of the Russian-Chinese communication increased by 58 % in the first quarter of 2016]. Russian Railways Partner. 2016. May 5. Retrieved from: <http://www.rzd-partner.ru/news/transportnaia-logistika/obem-tranzita-v-soobshchenii-rossiia-kitai-vyros-na-58--po-itogam-i-kvartala-2016-go/> (date of access: May 5, 2016).

⁵ Yuldashev, R. (2016, 8 February). Tranzitnyye gruzoperevozki priobrel politicheskii okras [Transit freight traffic acquired political color]. Russian Railways Partner. Retrieved from: <http://www.rzd-partner.ru/interviews/mneniia/tranzitnye-gruzoperevozki-priobrel-politicheskii-okras/> (date of access: February 16, 2016).

⁶ Moreover, long runs will make it possible to use the maximum number of vehicles that otherwise would be idle.

Internal and external adverse factors of the transit traffic via the territory of Russia

№	Factor name	The impact on the realization of the Russian TTC	Factor causality
<i>External factors</i>			
1.	increasing competitive advantages of the global sea container freight services	Reducing cargo base of the “Asia — Europe” land transport corridors within Russia	The global financial and economic crisis; low fuel prices; excessive sea-going ship tonnage; efficiency of container ships; consolidation of the container freight market participants
2.	Chinese project for the development of the Silk Road Economic Belt	The project envisages a number of alternative routes that could potentially become competitors of the Russian transport corridors	Ensuring the growth of sales of Chinese products; the growth of China’s influence on the world economy through the creation of alternative trading partnerships; pursuing a policy of the “soft power” to promote Chinese own interests all over the world
3.	Transit conflicts with neighboring states and the EU members	Closing direct routes and subsequent developing the complex ones which bypass Russia	Cases of the unfriendly behavior of foreign states in respect of the Russian Federation, as well as the introduction of the mutual sanction regime as a result of the strengthening of Russian activities on the world political arena. China’s interest in the availability of the alternative freight traffic routes to Europe and Asia
4.	Independent transport and transit policy of the Eurasian Economic Cooperation (EAEC) member states, e.g. Belarus, Kazakhstan, Armenia and Kyrgyzstan	The lack of real integration in the transport market within the EAEC; squeezing Russian carriers from the Euro-Asian routes and as a result the more expensive access them; reducing cargo base of the Russian routes	Pursuing national interests by the EAEC member states (Belarus, Kazakhstan, Armenia and Kyrgyzstan), including the development of their own TTP aimed at providing the relevant services to Russia
<i>Internal factors</i>			
5.	Establishing and operating of the United Transport and Logistic Company possessing no real assets	The absence both in Russia and in EAEC of the big transport and logistics market participant that can compete internationally	The ongoing liberal economic policy in Russia; change of leadership in the Russian Railways Company; the intention of the Russian authorities to privatize transport assets; contradictions between the companies from the EAEC which are the founders of the United Transport and Logistics Company
6.	The bottlenecks on the Trans-Siberian Railway; problems with the projects aimed at increasing traffic capacity	Inability to maintain high speeds of container trains, reducing the volume of transit cargo traffic entering TSR, especially through the overland border crossings	High costs of both modernization of the Eastern polygon of the Russian Railways and construction of bridges for the passage of container cargo traffic; a set of political and economic obstacles hampering the development of these projects abroad
7.	Difficulties of regular transit traffic along the Northern Sea Route (NSR)	The actual loss of the NSR known as the “Cold Silk Road” for the Russian transport and transit system	Severe climatic conditions; lack of adequate swimming facilities and coastal infrastructure; difficulties in providing way back loading for the extra polar class ships, etc.
8.	Cessation of the through freight “North — South” traffic activity within the Russian inland waterways	The loss of the waterway transit traffic artery that could be the most effective passage of the Great European Water Ring during navigation	Under-funding of dredging, hydraulic structures’ reconstruction and fleet renewal; environmental degradation, causing shallowing of rivers and lakes

— organizational changes such as mergers, consolidation of container service operators and forming of alliances aimed at both reducing conditionally fixed costs and the market power accumulation, etc.

2.2. The adverse impact of the Chinese project for the development of the Silk Road Economic Belt on the functioning of the Russian transit sector of economy

In addition to strategic, political and cultural aspects of the “soft power” policy realization China is developing and testing a variety of the Asian—European freight traffic routes within this project. It is worth noting that even projects with worse indicators of economic efficiency are accepted for consideration. Moreover, the project could weaken the competitive advantages of the Trans-Siberian Railway in servicing transit needs of the loyal customers. The prospect of creating the Manchuria—Suifenhe transport corridor, which is going to be not only an extension of the “Primor’e-1” international transport corridor (ITC), but also to establish through traffic between Irkutsk and Vladivostok (by analogy with the Chinese Eastern Railway, the CER) being parallel to the Trans-Siberian Railway is being under consideration in China.

For example, the 2016–2020 five-year plan for the socio-economic development of China involves the construction of the 3,000-kilometer railway in the province of Heilongjiang, on the Russian frontier⁷. The latter is not only able to reduce the workload of both Trans-Siberian Railway and Baikal-Amur Railway, but also to become a competitor to the Russian main traffic artery⁸. Thus, China is partially implementing the project of constructing the analog of the Trans-Siberian Railway (Transsib-2), a special route for high-speed passenger and container traffic, which is obviously impossible within the constraints of the Russian budget. Being the birthplace of cargo traffic, China has the potential to influence the freight transportation routes. A. Brashkin warns that “the upcoming launch of the Silk Road new transport corridor which bypasses Russia can lead to a certain redistribution of traffic due to special tools, particularly the motivation management of cargo owners and carrier agents by the countries which architect and sponsor the project”⁹.

Chinese companies actively penetrate into the “entry points” of Europe by setting control over the largest Greek port of Piraeus and the Turkish container terminal Kumport as well as the creation of a large logistics center in the Bulgarian sea port of Burgas. presence of sea “entry points” of freight flows to the EU, under the control of Chinese companies, ceteris paribus, lead to a reduction in cargo base passing through the territory of Russian Railways land along the route China—Europe. This circumstance is, ceteris paribus, leads to a reduction in cargo base of the Chinese—European land transport corridors within the Russian territory.

2.3. Transit conflicts of Russia with neighboring states and the EU

The aggravation in late 2015—early 2016 of the transit conflicts with Ukraine, Turkey, Poland, Moldova and the Baltic countries has a negative impact on the Russian TTC development. In addition to the direct losses resulting from the suspension of direct and transit traffic between the countries involved these conflicts create an atmosphere of uncertainty, deforming the decision-making process in a market economy. At the same time, big transport and logistics businesses using an extensive network of routes have a more stable position.

“Transit Wars” create additional incentives to initiate projects aimed at developing traffic routes which bypass the Russian territory. In particular, as a result of the Russian-Ukrainian conflict “Ukrzaliznytsia” has initiated a new project of the “Southern Silk Road” connecting the EU, Ukraine, Georgia, Azerbaijan, Kazakhstan and China. This project has an advantage of reducing the passage time from 12 to 10 days that will allow it to compete with the existing route through the territory of Belarus and Russia (12 days). The efforts to dock the project of the “Southern Silk Road” with “Viking” and “Zubr” container passages, connecting together the Baltic Sea and the Black Sea are being made in order to avoid Russia.

⁷ In addition, 1504 km of railway lines will be put into operation and the rest — upgraded.

⁸ Arabov, P. (2015, December 9). Trinadtsataya ne sekonomit [The thirteenth one won't save]. Gudok. Retrieved from: <http://www.gudok.ru/newspaper/?ID=1320372&archive=2015.12.09> (date of access: December 25, 2015).

⁹ Brashkin, A. (2015, December 22). V budushchem godu izmenenie marshrutov transportirovki gruzov maloveroyatno. Kommentarii i intervyyu [Next year the change in freight traffic routes is unlikely. Comments and interview]. Russian Railways Partner. Retrieved from: <http://www.rzd-partner.ru/interviews/mneniia/v-budushchem-godu-izmenenie-marshrutov-transportirovki-gruzov-maloveroiatno/> (date of access: 30.12.2015).

2.4. Independent policy of the EAEC member countries aimed at the development of their own TTC

The TTC development is of great importance for all the EAEC members. However, it is clear that today the EAEC member states are more likely to develop independent transportation projects and often at another's expense. Thus, Belorussia has become the main beneficiary of the majority of transit and sanction conflicts affecting the interests of Russia. Moreover, Belorussia is actively involved in the Chinese project of the Silk Road Economic Belt by constructing on its territory transport and logistic centers alternatively to Russian ones.

Kazakhstan initiates its transportation projects which are largely independent of Russia and often compete with Russian projects. In 2014, Kazakhstan declared the National Program of the TTP development known as "Nurly Zhol—Path to the Future". The important competitive advantages of Kazakhstan are as follows: the development of the Caspian Sea port of Aktau; a terminal at the Chinese port of Lianyungang, owned by Kazakh companies; joint plans with Iran to construct a terminal in the Iranian seaport of Bandar Abbas. Kazakhstan firmly defends its own interests in the field of transit traffic. Kazakhstan is actively preventing Russian companies from the access to the market of truck transportation of goods within its territory by pressing additional expensive services, such as cargo tracking, on the Russian transit carriers.

Kyrgyzstan is interested in constructing the railway connecting it with China and Uzbekistan which is actually a part of the "TRACECA" ITC (the Caucasian—Asian—European International Transport Corridor) bypassing the territory of Russia.

Armenia promotes the project of the Iranian—Armenian railway, which in addition to the high cost and routing in severe mountain climatic conditions, if successfully completed will compete with other rail routes of the "North—South" international transport corridor passing along the western and eastern shores of the Caspian Sea. Chinese investments are considered as the main source of funds for the construction of this project.

2.5. Organizational problems of the United Freight and Logistics Company (internal factor)

Changing the organizational structure of the United Freight and Logistics Company¹⁰ (UTLC) initiated by the new management of the Russian Railways Company (RRC) is another unfavorable internal factor related to the prospects of the Euro-Asian container transit traffic development. Initially, it was planned to establish the UTLC as a big hitter with real assets in order to operate a large-scale integration project. But later it was decided to transform it into the service company with no real transport assets (terminals, rolling stock, etc.). Moreover, the Russian Railways is removing shares of its subsidiaries, namely the TransContainer Company and the Russian Railways Logistics Company, from the UTLC. Transportation companies from Kazakhstan and Belarus are free from the need to bring their stakes in the UTLC to parity with the Russian one. In addition, they are going to manage their customs terminal independently.

Initially, the idea to establish the UTLC was dictated by but not limited to the current political and business interests. For example, funding the UTLC with shares of the TransContainer was largely due to the desire of Vladimir Yakunin, the then president of the RRC to prevent the privatization of this national main container traffic operator. The change of management in the RRC led to a more liberal approach to privatization taking into account the interests of other participants in the transportation market.

Organizational change in the UTLC not only reflects the complexity of the integration processes in the EAEC, but also indicates the priority of the restricted market approach to the establishment and operation of new companies, being a result of the lobbying efforts of specific influential business groups. The shortcomings of the "light" organizational structure of the UTLC that require thorough examination are as follows: inherent difficulties in developing a single transportation policy for the European-Asian freight traffic market as well as the loss of control over freight traffic.

¹⁰ Initially, formation of OTLK as a joint-stock company had a multistage character¹¹. (Implementation of the first stage resulted only in partial formation of the company's joint-stock capital. Later, it was decided to return the participants their contributions to the authorized fund and to form OTLK as an operator of transport services, rather than a full-fledged company holding tangible assets.)

2.6. Bottlenecks of the Trans-Siberian Railway (Transsib) and the actual cut of the railway projects that contribute to increase its cargo base

It should be noted that some weaknesses of the Transsib, which is the main transit artery of Russia, haven't been overcome yet. Primarily, it refers to the Trans-Baikal Railway. Reconstruction of this mainline railroad requires large investments, whereas frequent traffic-bearing surface repair leads to continuous closings of the railway hauls that temporarily reduce its traffic capacity. However, a significant increase in the transport and transit capabilities of Russia is impossible without a large-scale modernization of the Transsib.

Actual termination or extension of a number of infrastructure projects had a negative impact on the volume of the freight traffic cargo base of the Transsib. Reducing the attractiveness of the Khasan—Rajin railway project as a transit communication and a passage of the Trans-Korean Railway is caused primarily by political reasons. The lack of public financing led to the actual rejection of the project of bridge communication between the mainland Russia and Sakhalin Island and subsequent transport connection of the latter with the territory of Japan (Hokkaido), that would provide the Trans-Siberian Railway freight traffic with Japanese goods.

The delay in financing the construction of the railroad between Kyzyl and Kuragino deprived the Transsib of another potential connection with China through Mongolian territory. The catastrophic timing delay of constructing the Russian passage of the railway bridge connecting Nizhnelenskoye (Russia) with Tongjiang (China) is another illustrative example of the actual situation in the Russian transport industry. The Chinese 1755-meter passage of the project is almost completed. But the Russian side has not yet started its work, although it is necessary to build only 310 meters, not including the approaches to the construction facility.

Both postponing the construction of the bridge across the Lena river near Yakutsk and the rejection of constructing the combined rail and road bridge, linking Yakutsk and the Nizhniy Bestyakh station reduces significance and the volume of traffic capacity of the already built railway connecting Berkakit, Tommot and Nizhniy Bestyakh. But the most negative consequence of this development is the impossibility of extending the main road to the Bering Strait, and from there—up to Alaska via a bridge or tunnel facility.

In addition to the factors affecting capabilities of the Trans-Siberian Railway to deliver profitable cargo, there are other barriers to the development of the transit sector of the Russian economy, such as:

1. The actual unreadiness of the Northern Sea Route (NSR) to perform regular transit cargo traffic. Prospects for the conversion of the Northern Sea Route into the global transport artery, or, in the words of Dmitry Rogozin, the “Cold Silk Road”, are unlikely to be implemented in the least foreseeable future. In 2015, the volume of transit traffic through the NSR amounted to just 39,000 Tons.

2. Termination of the “North—South” through traffic within the inland waterways of Russia is a result of infrastructure constraints and prolonged shoaling of its rivers, especially the Volga.

3. Chronic underfinancing of the transportation projects results in a significant increase in their timing while priority is given to large infrastructure projects related to the Crimea and the FIFA World Cup of 2018 to be held in Russia.

Key findings and proposals

1. At present, the socio-economic situation in Russia is characterized by the following processes:

- reduction of the federal and regional budget revenues;
- deterioration of the international situation;
- continuation of the liberal policies aimed at both reducing the public sector through privatization and the maximum spread of the market-oriented management;
- the rent-seeking behavior of various large state-controlled business groups making efforts to participate in the implementation of the large-scale transport infrastructure projects initiated by the state;
- the impact of a number of factors leading to a reduction in transit traffic through the territory of Russia, decreasing the attractiveness of its transport and transit facilities.

2. The government's ability to finance the development and implementation of Russia's TTC as a natural bridge between Europe and Asia has declined. This is the reason for increased attention to the

PPP institution as a mechanism for the implementation and financing of the transport infrastructural projects [1–16].

3. A pretty common, framework nature of the existing Russian legislation on PPP is not able to reflect all aspects of the relationship between the state and businesses in the transport and transit sector development.

4. Transportation activities are interrelated and are subject to the action of the institutional and organizational evolution laws. For example, institutional changes and prohibitions may trigger the emergence of the “complex logistic ways”, forcing the use of less efficient alternative routes. Imposing traffic restrictions on heavy trucks, *ceteris paribus*, is likely to increase the profitability of rail transport.

5. In order to implement the public-private program on the development of the Transsib and the Baikal-Amur Railroad with funding from the National Welfare Fund, a special attention should be paid to the modernization and reconstruction of the Trans-Baikal Railway, especially strengthening the roadbed, straightening the curves of small radius and aligning of the path profile.

6. The development of Russia’s TTC, as well as the growth of global competitiveness of the Russian carriers, requires the establishment of big hitters through consolidation of the existing businesses.

7. The experience of creating the UTLC showed that contradictions between its founders (e.g. the EAEC member countries) and the presence of their own independent TTC development programs don’t allow to fully enjoy the competitive advantages of this integration project. The liberal economic policy pursued by the Russian Government adversely affects the company’s prospects.

8. It should be noted that full or partial participation of private companies in the railway construction projects leads to difficulties with their funding.

9. The implementation of infrastructure projects related to the FIFA World Cup of 2018 is mainly aimed at solving specific problems of cities where football matches are scheduled for. From the efficiency perspective the removal of infrastructural constraints of the international transport corridors, primarily the “Europe — Western China” one, would be more appropriate.

Acknowledgements

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

References

1. Alpatov, A. A., Pushikn, A. V. & Dzhaparidze, R. M. (2010). *GChP. Mekhanizmy realizatsii. In Russian [State-private partnership. Mechanisms of realization]*. Moscow: Alpina Publ., 200.
2. Bazhenov, A. (2012). Gosudarstvenno-chastnoye partnerstvo — edinstvennyy mekhanizm razvitiya Dalnego Vostoka. In Russian [Public-private partnership is the only mechanism of development of the Far East]. *Promyshlennik Rossii [Russian industrialist]*, 7–8(139), 35–37.
3. Varnavskiy, V. G., Klimenko, A. V. et al. (2010). *Gosudarstvenno-chastnoye partnerstvo. Teoriya i praktika. In Russian [Public-private partnerships: theory and practice]*. Moscow: GU-VShE Publ., 287.
4. Delmon, J. (2010). *Gosudarstvenno-chastnoye partnerstvo v infrastrukture. Prakticheskoye rukovodstvo dlya organov gosudarstvennoy vlasti. In Russian [Public-private partnership in infrastructure. Practical cal guide for public authorities]*. Astana: Apelsin Publ., 261.
5. Deryabina, M. (2008). Gosudarstvenno-chastnoye partnerstvo. Teoriya i praktika. In Russian [Public-private partnerships: theory and practice]. *Voprosy ekonomiki [Questions of economics]*, 8, 61–77.
6. Zeldner, A. G. (2011). *Gosudarstvenno-chastnoye partnerstvo. Teoriya, metodologiya i praktika. In Russian [State-private partnership: theory, methodology and practice]*. Moscow: IE RAN Publ., 212.
7. Kvashnina, N. A. & Oreshkova, M. E. (2011). Sistematzatsiya podkhodov k ponimaniyu gosudarstvenno-chastnogo partnerstva v Rossii i za. In Russian [Systematization of approaches to understanding public-private partnerships in Russia and abroad]. *Vestnik finansovogo universiteta [Bulletin of Financial University]*, 6(66), 5–12.
8. Lityakov, S. S. (2013). Otkor i otsenka effektivnosti proektov v sfere razvitiya transportnoy infrastruktury dlya ikh realizatsii na osnove GChP [Selection and evaluation of the effectiveness of projects in the sphere of development of transport infrastructure for their realization on the basis of state-private partnership]. *Natsionalnyye interesy. Prioritety i bezopasnost [National interests: priorities and security]*, 44(233), 36–47.
9. Kleynner, G. B. (2016). *Ekonomika. Modelirovanie. Matematika. Izbrannyye trudy [Economics. Modeling. Math. Selected works]*. Moscow: TsEMI RAN Publ., 856.
10. Furubotn, E. G. & Rikhter, R. (2005). *Instituty i ekonomicheskaya teoriya. Dostizheniya novoy institutsionalnoy ekonomicheskoy teorii. In Russian [Institutions and economic theory: Achievements of new institutional economic theory]*. Trans. from English under ed. by V. S. Katkalo, N. P. Drozdovoy. St. Petersburg: Sankt-Peterburgsky gosudarstvennyy universitet Publ., 34, 702.
11. Tsvetkov, V. A., Zoidov, K. Kh. & Medkov, A. A. (2014). *Formirovanie evolyutsionnoy modeli transportno-tranzitnoy sistemy Rossii v usloviyakh integratsii i globalizatsii. In Russian [The evolutionary formation of model of transport-transit system of Russia in conditions of integration and globalization]*. Moscow: IPR RAN Publ.; St. Petersburg: Nestor-Istoriya Publ., 800.
12. Yakunin, V. I. (2006). *Politologiya transporta. Politicheskoye izmerenie transportnogo razvitiya In Russian [Political science of transport. The political dimension of transport development]*. Moscow: Ekonomika Publ., 432.

13. Bult-Spiering, M. & Dewulf, G. (2006). *Strategic Issues in Public-Private Partnerships: an International Perspective*. Blackwell Publishing Ltd. UK, 216.
14. Flinders, M. (2005). The Politics of Public-Private Partnerships. *British Journal of Politics and International Relations*, 215–239.
15. Kenneth, J., Button, R., David, A. & Hensher, A. (2005). *Handbook of Transport Strategy, Policy and Institutions*. Amsterdam; New York: Elsevier, 12.
16. 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 Market Economy Institute of RAS (47, Nakhimovsky Ave., Moscow, 117418, Russian Federation; e-mail: tsvetkov@ipr-ras.ru).

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

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