Transport and logistics centers in Nur-Sultan

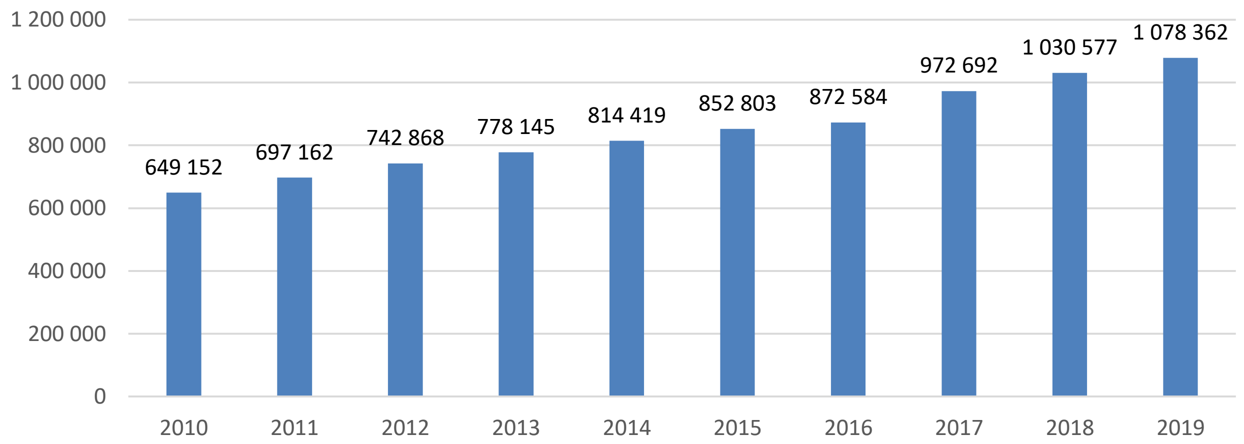
Logistics is the most important element of any business. Modern market realities of the economy require manufacturers not only quality products and services, but also timely delivery. Without effective management of commodity flows, the work of both transnational and small companies such as stores will be impossible.

Considering the logistics market from the point of view of modern development, Nur-Sultan is the second most developed city in Kazakhstan after Almaty.

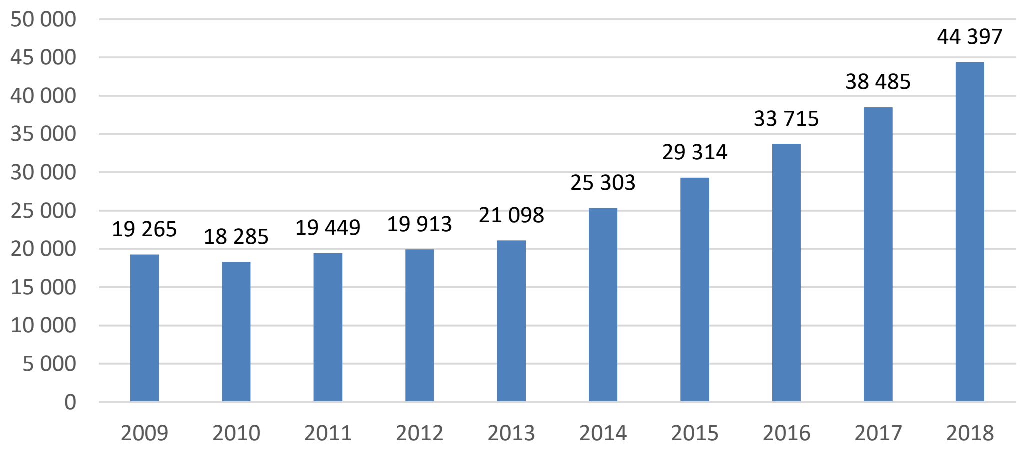
Over the past 10 years, the increase in the population of Nur-Sultan was **over 50%**. According to forecast data, the population number of Nur-Sultan by 2030 will amount to **1.7 million people**.

Also, every year the number of enterprises and organizations in the capital is growing. According to the Department of statistics of Nur-Sultan for 5 years the number of legal entities increased by **1.8 times**, from 25 303 to 44 397.

Population of Nur-Sultan at the beginning of the year, people*



Number of legal entities*

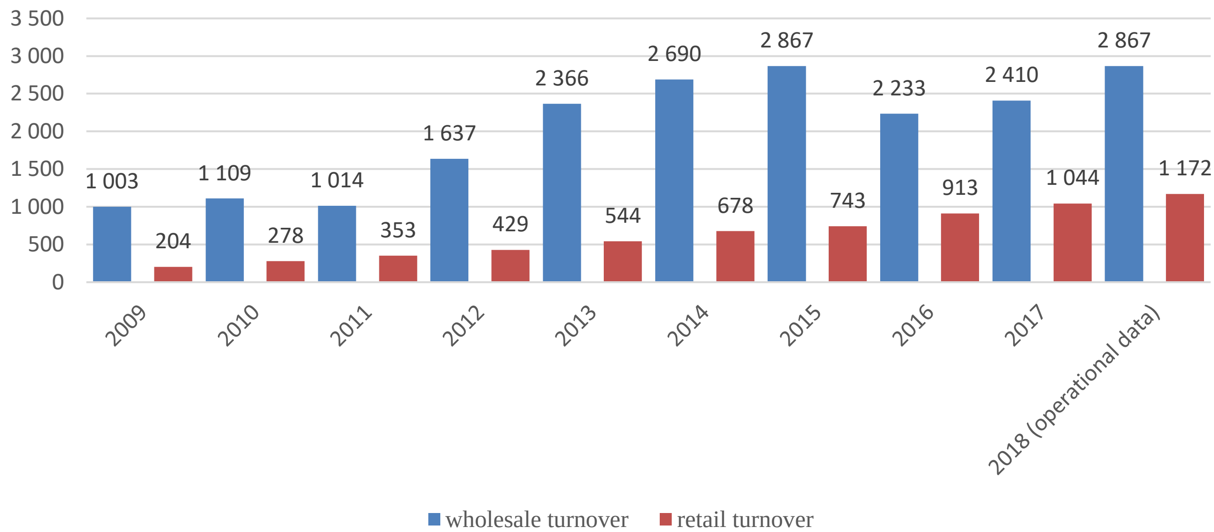


According to the Department of statistics of the city in terms of investment in fixed capital in transport and warehousing, the capital is the leader among the regions of Kazakhstan, the share of the field in total investment of the country amounted to **21.2%.** Investments in transport and warehousing in 2018 amounted to **299.1 billion KZT**, and for 5 years investments in this sector increased **more than 2 times**. At the same time, the predominant share in the field is land transport **- 66%** of the total investment in the city.

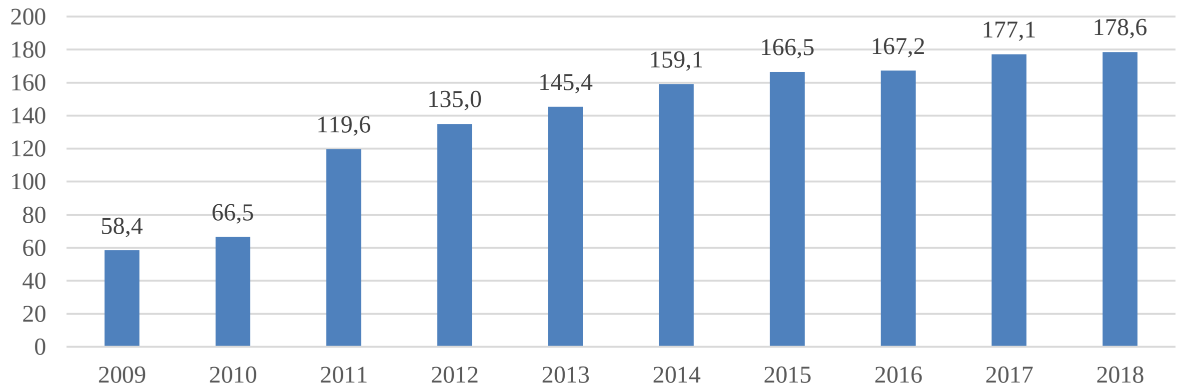
World experience shows that the dynamic growth of the economy leads to a significant increase in the volume of goods circulation and, accordingly, cargo flows, both domestic and international, including transit.

At the end of 2018, the transport of Nur-Sultan transported **178.6 million tons of cargo**. The share of road transport in the total volume of transported cargo was **85.7%,** railway **- 14.3%.** Cargo transportation in the capital since 2009 has increased more than **3 times**, retail and wholesale goods turnover **6** and **3 times** respectively.

Goods turnover in Nur-Sultan, billion KZT *



Cargo turnover of all types of transport, million tons*



**Committee of statistics data MNE of RK*

Trends of the transport and logistics market are such that the business will look for effective transport ways with a quality level of service. Modern transport and logistics centers (hereinafter-TLC) can provide an appropriate level of logistics and uninterrupted cargo flow.

According to subparagraph 1 of paragraph 5 of article 1 of the Law «On transport in the Republic of Kazakhstan», a transport and logistics center is an object of transport infrastructure, including a specially designated area with facilities located on it, designed to perform preparatory, distribution and final technological operations related to transportation of goods and vehicles, including inspection, including customs and border operations in accordance with the legislation of the Republic of Kazakhstan.

For today, the transport logistics of Nur-Sultan is at the stage of formation.

In general, there are **11** transport and logistics centers (hereinafter-TLC) in Nur-Sultan. Most of the TLC refers to 3PL operators. The workload of TLC on average is **about 90%.** Rental rates are **1300-3000 KZT/sq.m.** or **80-150 KZT/pallet-place**.

The largest TLCs in Nur-Sultan are «Continental Logistics», «Astyk logistic», «SAPA Logistics», «USCO International» and «AIE Logistics». At the same time, only **1** TLC corresponds to the international level, it is **«Continental logistics».**

***Reference**:*

The main advantages of «Continental Logistics»:

1. Advantageous location. TLC is located on one of the main republican highways on the motorway Karaganda-Nur-Sultan. Close proximity to the bypass ring road, with convenient transport interchange and proximity to the railway station «Sorokovaya» create comfortable conditions for the delivery of cargo;

2. Getting all the necessary services in «one window mode». All the necessary for the operational work of TLC state bodies are located on the territory of «Continental Logistics», the client can track online all the procedures;

3. Modern equipment. «Continental Logistics» is equipped with modern automated WMS systems, new equipment: high-rise reach trucks, shelving structures, more than 70 automatic docks, which allow the processing of goods both food and industrial areas. Container terminal with the ability to connect and store refrigerated containers. Climate warehouse has 22 chambers of different temperature conditions: from minus 24 degrees to plus 5-10 degrees. Also equipped with five special gas chambers for long-term storage of fruit. Separately mounted chamber-vegetable storage for storage of fruits and vegetables in Euro-containers. In the warehouse of dry storage temperature is also constant: 16-18 degrees Celsius.

According to competitors, «Continental logistics» using its advantages in the market, sets the lowest rates on the market, which significantly affects the work of other TLC.

The rest of TLC in Nur-Sultan are regional, among them «Astyk logistic», «USCO International», «Kedentransservice», «SAPA Logistics», «AsSnabService», «AIE Logistics», «ROKOS-Logistic», «Adil Logistic», «Mir

Krup» and «Saqtau logistics». Regional TLCs are focused on meeting the needs of the capital and the surrounding regions of the country.

Reference:

3PL – «Continental Logistics», «Astyk logistic»*, «USCO International», «AIE Logistics», «SAPA Logistics»,* «ROKOS-Logistic»*;*

2PL – «AsSnabService», «Kedentransservice»*, «Saqtau logistics», «Adil Logistic»;*

1PL – «Mir Krup».

The main problem of TLC in Nur-Sultan is a large number of **contractors on the railway tracks inside the city**. Using their position, they **overestimate the tariffs** for travel on their plot, which significantly increases the cost of cargo delivery to TLC.

Conclusions:

Thus, taking into account the trends in the growth of cargo turnover, population and goods turnover, as well as due to the **workload** of existing TLC, the demand for logistics services will increase. Also, the absence of available quality warehouse premises will lead to the demand for warehouse premises of class "A" and "B", which comply with international standards for the storage of cargo.

Reference:

Classification of logistics service operators:

- 1PL (First Party Logistics) - autonomous logistics, all operations are performed by the cargo owner;

- 2PL (Second Party Logistics) - provision of traditional services for transportation and warehouse premises management;

- 3PL (Third Party Logistics) - expansion of standard list by non-standard services (warehousing, transshipment, cargo handling, additional services with significant added value), use of subcontractors;

- 4PL (Fourth Party Logistics) - integration of all companies involved in the supply chain;

- 5PL (Fifth Party Logistics) - management of all components that make up a single supply chain of cargo by electronic means of information.

Best practices of TLC abroad

Experts estimate the share of logistics in the global market at **4 trillion doll. USA***, which is* ***10% of global GDP****.*

WORLD BANK Report provides a ranking of 160 countries by the estimated indicator ***«Logistics Index Performance (LPI)**»****, which is based on six criteria:*

- *Efficiency and speed of customs work.*
- *Quality and availability of infrastructure.*
- *Work with major international players in the market.*
- *Level of competence and quality of logistics services/providers.*
- *Ability to monitor the movement of cargo on the territory.*
- *Number of deliveries in the required time "lead time".*

In 2018, **Germany** *became the leader of the rating. The top ten economies by the criterion of "Logistics" included: Sweden, Belgium, Austria, Japan, the Netherlands, Singapore.*

Germany

*Logistics market in Germany accounts for **13%** of the country's GDP. Logistics industry is one of the largest sectors of the German economy and the third in annual turnover (210 billion euros in 2015) sector of the country, second only to the automotive industry and health care, and the number of personnel involved is in the first place (of the total number of employees in the country, which is 36.6 million people., logistics employs about 7.2%).*

It should be noted that the share of outsourcing in the turnover of the sector exceeds 47%. The volume of services provided by freight forwarding companies engaged in the transport of cargo by road, railway, river and aircraft, as well as courier services and companies operating in the segment of integrated logistics, is more than 80 billion euros.

International sea container shipping, land and air transportation, contract logistics are leading in terms of growth rates.

*In Germany, the development of transport and logistics centers **is supported by the state at all levels**. The Federal budget participates in the financing of investments through Deutsche Bahn AG (German Railways), it is widely practiced to allocate subsidies to the budgets of the federal lands, as well as targeted subsidies and loans for specific investments. Financial support for investments in logistics centers is provided by both the federal lands and local self-government.*

The German model primarily involves the participation of the public sector, both in the planning phase and in the implementation of TLC development projects.

The German economy spends almost 100 billion euros on the transportation of goods. Logistics centers established with the participation of the state are managed through supervisory bodies, which are set up by various companies participating in the project - investors and/or investment consortia, development companies, city/municipality, associations and unions.

Sources of investment funds in the German model are clearly defined:

- *investors wishing to make infrastructure available to logistics operators;*
- *transport company;*
- *entities forming associations with private capital;*
- *budget funds and trust funds of the federal lands;*
- *programs and federal funds aimed at infrastructure development;*
- *subsidies of cities and regions;*
- *subsidies and European Union programs;*
- *bank loan.*

Functions of the company initiating the creation of logistics center are strictly defined. This is the development of a program for the construction of logistics center and documentation, attracting investors and funds, purchase and development of land, supervision over the construction of logistics center.

*In general, in Europe, large transport and logistics centers are created, as a rule, **with support of the state**. At the same time, some transport and logistics centers were formed using the principle of strategic public-private partnership. Thus, in the Netherlands, the activity of transit logistics centers brings **40%** of income of the transport complex, in France - **31%**, in Germany - **25%**. In Central and Eastern Europe, this average share is **30%**. The total turnover of the European market of logistics services reaches more than **600 billion euros**. Of these, about 30% of logistics functions in all sectors of the economy are annually transferred to logistics companies.*

*The USA logistics market accounts for **8.5%** of the country's GDP, with 10 billion tons of cargo transported by full-trucks (large 22 and 23-ton trucks) only in the domestic market.*

Investments in logistics in America in 2016, according to the Department of commerce, were distributed as follows:

- Robotization and automatization - 48%;

- Touch-controlled technology and Internet integration - 33%;

- Self-propelled or controlled machinery, working without a person - 14%;

- Augmented and virtual reality - 5 %.

Import volume in the USA is 2.2 trillion doll. USA (2016 data), the bulk of the goods arrive by sea or air delivery. Export volume reached 1.4 trillion doll., the main part of export is also delivered by sea and railway transport. In addition, the USA has the world's longest network of roads and railroads, the largest number of airports and the second largest number of sea ports after China.

Current development of the logistics services market in the USA is somewhat different from Europe, where logistics firms are looking for ways to develop in terms of European integration. The question arose before the USA manufacturers - to perform logistics operations on their own or turn to the services of specialized logistics firms. Companies have found that by using effective logistics solutions, they can reduce inventory by 40%. Therefore, more and more American industrial and trading corporations ***are investing in logistics****.*

South Korea

Logistics in South Korea is ***12.8%*** *of GDP. Total volume of domestic and external transportation increased from 486.6 million tons in 1997 to 570.5 million tons in 2001 and amounted to 724.3 million tons in 2006, 896.1 million tons in 2011 and is projected to be 1. 265.5 million tons by 2020.*

The country is implementing a long-term State basic plan for the development of logistics for 2001-2020. ***Considerable funds are allocated from the state budget of South Korea for the development of logistics****. The focus of the government is the expansion of domestic means of logistics, logistics informatization and standardization, development of the logistics industry.*

The second phase of the plan implementation began since 2006. The state has allocated 4.9 billion doll. USA. The funds were used for the construction of five major logistics centers, which are planned to be formed in the strategically important regions of the country – Seoul, Central, Enam, Honam and Pusan, and the expansion of Incheon International airport.

*****Logistics performance index*** *- LPI (Logistics Performance Index) - an index of the World Bank, considering the ease of implementation of the supply of goods and the state of trade logistics at the national and international levels. The indicator measures the performance of supply chains work in international trade and is evaluated every two years.*