New Business Perspectives in Eurasian Traffic

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Evolution of the market in the East

• The production increasing in Russia and in Central/Western China
  ➔ Logistics providers follow the manufacturers

• Delocalization still in-progress (Russia) and in China (from the coast to Central and West China)
  ➔ Needs to deliver the production from these areas to the customers areas

• New markets in Russia, in China and in Central Asia
  ➔ Needs for delivery

• Exploitation of natural resources (Russia : wood, oil, gas/ Kazakhstan : oil, gas/ Uzbekistan : gas, uranium/ China : ore...)
  ➔ Needs to move raw materials to factories and then to the customers

• Crude oil prices uncertainties
  ➔ look for a more competitive mean of transport (train?)
The market: A big potential for multimodal business

• A lot of existing and developing flows:
  > between Europe and the region of Moscow
  > on corridors from Russia to Central Asia: China, Kazakhstan

• The competitiveness of the rail in terms of prices and transit time

Big interest in rail in the Eurasian market

A huge need for multimodal products and partners in this area
Main rail routes from Europe to Asia
Basic rules for the railways in order to be competitive

- Price: Competitive pricing, based on market prices
- Time: Time as key differentiation of rail to sea
- Reliability
- Flexibility and frequency: In order to perceive and to follow the market
- Quality: Western standards, TQM
- Communication and transparency: Ongoing information flow and harmonized T&T tools
- A total integration in the supply chain
- Identify return flows
- Development of partnerships, coopetition
Return on experience

**Positive experience:**
- Working capital savings
- Short lead-time
- Environmental friendly (less CO2 emissions)
- Sustainable and reliable product
- Stability of rail tariff?

**Challenges:**
- Commercial effort & market price
- Lack of customer commitments
- Market intelligence
- Right choice of partners (railway undertakings, terminals, wagon & container providers)
- Huge preparation & investments required
- Organization & SOP, different gauges
- Customs
- Identification of return flows
Most cargo from China to Russia is transported by sea freight - even cargo from the Western parts of China to the Central & Eastern parts of Russia, where you would expect transport costs and transit times by rail to be lower.
What to do?

• Set-up a solution that provides competitive answers to the concerns expressed by customers,

• Secure European Rail solutions

• Cooperate with partners, government and institutions in Russia and China

• Set-up clusters in the 5-6 major cities in the West of China,

• Propose door-to-door supply chain solutions to importers/industrialists,

• Extend solutions to Kazakhstan, Bielorussia, Eastern & Central Europe.
The automotive supply chain in Vesoul-Kaluga

<table>
<thead>
<tr>
<th>Key Figures</th>
<th>2010</th>
<th>2011</th>
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<td>40’HC transported</td>
<td>6,940</td>
<td>14,648</td>
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<tr>
<td>Number of trains</td>
<td>175</td>
<td>351</td>
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The Kaluga program – CKD business

**Mission:** supply the factory of Kaluga with CKD (Completely Knocked Down) parts from the other factories of the PSA group and from the other suppliers in Europe, Russia, China, Japan, Southern America, searching for the best solution...

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<th>Platform Europe</th>
<th>Transport Europe – Russia Kaluga</th>
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<td>Consolidation and loading in containers</td>
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<th>World &gt; Russia</th>
<th>Transport eastern European ports and Russia to Kaluga</th>
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