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TRANSPORT & LOGISTICS SECTOR

OF THE NIZHNY
NOVGOROD REGION

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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SECTOR OF THE NIZHNY
NOVGOROD REGION (RUSSIA)
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European part. This fact makes the city and region's ranks high for, as an example, federal and international retail chains and distribution companies, which benefit from both the opportunities available at the high-capacity market of Nizhny itself, as well as an easy access over a dozen other regions of European Russia via Nizhny.

The Nizhny Novgorod Region in Figures

- Territory – 76,600 km²;
- Population of the Region – 3,214,000; of the regional centre – 1,252,000;
- 80% of the population resides in cities and towns; density – 42 persons per sq.km;
- 400 km east of Moscow: 45-minute flight, 3.5-hour train ride or 4-5-hour drive from it;
- Railway density in the Nizhny Novgorod region is three times higher than in Russia in general, road density is two times higher;
- GRP in 2019: EUR 17.4 bn, up 2% from 2018;
- 43 million consumers live within a 500-km radius of the city;
- The city of Nizhny Novgorod is the administrative centre of the Greater Volga Federal District with 13 other regions and republics and the population of >29.3 m (17% of Russia).

2. REGIONAL EVOLUTION OF THE TRANSPORT INFRASTRUCTURE

Unlike many other Russian areas, the region of Nizhny Novgorod boasts a very well-developed transport infrastructure: it has over 32,500 km of automobile roads, which carry twice as much traffic as the Russian average, and some 1,200 km of railways, three times as high than on average in the country. Geographically located on the confluence of the two largest rivers of European Russia, the Volga and the Oka, it operates both as a passenger and cargo river port and over 1,100 km on inner waterways, via which northern and southern seas may be easily reached.

The backbone of the regional transport infrastructure are *railways*. electrified and double-track for most of their length within the region, they serve the Trans-Siberian and north-south trunk cargo routes, and provide passenger services virtually to all parts of Russia via Nizhny Novgorod. The route between Moscow and Nizhny was among the first private railways of the Russian Empire that opened in 1861, with the Nizhny Novgorod Train Station in Moscow being one of only two railway terminals of the city at that time.



Today, this conventional railway line is upgraded to one of the nation's two trunk routes (the other being that from Moscow to St. Petersburg) allowing high-speed passenger train services. Nizhny is connected with the capital city by 10 fast daily services (in addition to a dozen of conventional trains per day), covering the 440-km distance in 3 hours and 35 minutes at the fastest. The technical study for Russia's first truly high-speed line from St. Petersburg via Moscow to Nizhny Novgorod is now complete and passed on to the Government's approval, the service to be operational around the year 2024.

Nizhny Novgorod is the headquarters of the 'Gorky Railway', one of the 16 subsidiaries of the state-owned 'Russian Railways' company, responsible of managing and operating the railways of 10 regions and republics around Nizhny, with the track length exceeding 11.500 km. In 2019, 'Gorky Railway' handled over 31 m tons of cargo and transported about 42 m passengers.



The Nizhny Novgorod international **airport** 'Strigino' is a modern complex of two runways (ICAO landing category I, classification B), and a 27.800 sq.m. passenger terminal. IATA Safety Audit for Ground Operations' compliant and capable of servicing up to 1.5 m passengers a year through its domestic and international sectors, the airport is one of the most efficient and passenger-friendly air transport facilities of the country, with over 40 destinations within and outside Russia.

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'Strigino' is owned and managed by the Russian 'Airports of Regions' holding company, alongside with 6 other airports across the country. In 2019, 23 airlines transported 1.29 m passengers of 'Strigino', of which about 30% were for international destinations. The airport's cargo terminal today is a facility of just 4.300 sq.m. with the throughput capacity of 100 MT/day. An expansion project is mulled to create a 170 ha industrial and logistics park, which will incorporate about 2 m sq.m. of high class warehousing facilities able to handle up to 10 m tons of cargo each year, however not much detail is known about this project feasibility as of late 2020.



Water transport navigates on the Volga, Russia’s longest river, and to a lesser degree the Oka, which merges with the Volga right in Nizhny’s city centre. The region has 5 cargo ports and about 1.100 km of inner waterways connected to 5 seas: White, Baltic, Azov, Black and Caspian. Passenger (mostly cruises) and cargo services normally run from late April to mid-November at the latest, due to seasonality: almost continuously negative temperatures with significant precipitation keep for about 5 months on average in winters. The river transport is thus the least used mode in the region for passenger and cargo movements.

(Pictured below: the ‘classic’ winter view of the Volga and Oka rivers’ confluence, and the former site of the Nizhny Novgorod cargo port on the opposite bank.)



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3. LOGISTICS AND DISTRIBUTION AS A LEADING SECTOR OF THE REGIONAL ECONOMY

Transport and logistics are among the key sectors of the Nizhny Novgorod economy, worth about EUR 1.2 bn in 2019: with 43 million Russians living in the 500 km radius from Nizhny, and 84 million (more than 50% of Russia's population!) in the 1000 km radius, the region has all grounds to further grow into one of the key distribution hubs of the country. Nizhny's location on the crossroads of the two international transport corridors, West–East (Berlin – Beijing) and North–South (Helsinki – Baku), only backs the tremendous opportunity.

The local market of logistics services is currently dominated by about 15 large companies, both local and federal, while the total number of logistics service providers active in the region of Nizhny Novgorod steadily keeps under 50. An umbrella organization for the sector – The Russian Intermodal Logistics Association (RILA) – has its headquarters in Nizhny Novgorod since over 12 years and represents more than 135 members from all over Russia.

The total amount of warehouse facilities currently functional in the Nizhny Novgorod region is around 800.000 sq.m., of which class A and B only comprises less than 50%. In addition, some 4.5 m formerly industrial areas may be converted for storage and warehouse use, as mulled by their owners. The biggest players of the warehousing service sector are Volga Industrial Park (180.000 sq.m.), Logoprom (100.000 sq.m.), Sladkaya Zhizn' (80.000 sq.m.), ALIDI (36.000 sq.m. in Nizhny Novgorod and another 150.000 across the country) and Southern (27.000 sq.m.), followed by a number of smaller service providers, each having a capacity of about 20.000-25.000 sq.m.

Although logistics and distribution is one of the larger sectors of the regional economy, its recent development lacks coordination and relevant support from the authorities, which seem to have given more priorities to the regional transport infrastructure upgrade and development. This fact is resulting in many independent investments into new projects that generally ignore the obvious benefits of the region's prime geographic location, multimodality options for their future business operations, and similar projects under implementation in the neighbouring regions. Disbalances in warehouse service quality and availability, as well as unpredictable pricing, actual for Russia in general, are more notable in the region of Nizhny. At the same time, opportunities for new built-to-suit projects are becoming even more attractive for developers and investors, given the saturation and costs of service providers in the nearby area of Moscow, as well as eventual requirements of customer proximity and ability to deliver an uninterrupted and quality service.





4. LATER DEVELOPMENTS, CURRENT SITUATION AND TRENDS

Although the COVID-19 pandemic has certainly influenced the 2020 regional economy as much as all of Russia and many other countries, causing delays for project developments or putting many of them on hold altogether, there are some important ones related to the regional transport and logistics sectors worth mentioning.

High-Speed Rail Project

The Russian Government is taking time to finalise the plans regarding the project developed by the Russian Railways (RZD) earlier in 2020 to build a 1080 km high-speed line from St. Petersburg via Moscow to Nizhny Novgorod. This project supersedes earlier plans to build a 762 km high-speed line from Moscow via Nizhny Novgorod to Kazan.

The cost of the new project is estimated at RUB 2.29 trillion (EUR 32.3 bn), of which RUB 1.65 trillion is for the 659 km St Petersburg – Moscow section, RUB 530 bn for the 421 km section from Moscow to Nizhny Novgorod. To keep costs down, high-speed trains will operate over existing tracks to reach the centres of the three cities. The annual operating costs are estimated at RUB 47.2 bn.



It is envisaged that the Moscow – Nizhny Novgorod section would open first in 2024 and would carry 16.8 million passengers a year. Opening of the Moscow – St Petersburg line would follow in the fourth quarter of 2026. Traffic is estimated at 30.6 m passengers a year, with the current Sapsan high-speed service continuing to operate on the conventional line between the two cities.

RZD Chairman, Mr Oleg Belozyorov, and the CEO of Siemens Mobility, Ms Sabrina Susson, signed a memorandum of cooperation on August 28 regarding the high-speed project. The agreement covers design and consultation, production and supply of equipment, investment and financing.

RZD currently uses upgraded conventional rail lines to operate the country’s two domestic high-speed services: a fleet of Sapsan (Siemens Velaro RUS rolling stock, speeds up to 250 km/h) trains on the Moscow – St Petersburg route (up to 15 services/day), with one daily return service from St. Petersburg to Nizhny Novgorod, and a fleet of Strizh (Talgo 9 stock, speeds up to 200 km/h) tilting trains on the Moscow – Nizhny Novgorod route, with up to 10 daily services.

Multimodal road-air-rail hub project

‘Strigino’ international airport continues to develop a project of creating a logistics and distribution complex to expand its cargo terminal and operations. The project envisages a new facility of 390.000 sq.m. located on a 119 ha land plot to provide air-road cargo multimodality options during the first phase, with the nearby railway line to join the hub at a later stage.

The foreseen investment into the first phase is evaluated at about EUR 250 m and will allow handling up to 10 m tons of cargo a year. When Russian Railways (RZD) may join the project, the hub will serve both passenger and cargo movements becoming a major multimodal transportation unit operating in the region. A temporary railway station ‘Nizhny Novgorod Strigino’ was already built and went into operation earlier in 2020 to allow commuter and some long distance passenger trains, including a newly introduced high-speed service St. Petersburg – Samara, serve the airport, and a permanent station will be commissioned by RZD in 2021.

New Federal Highway Project

As per a number of recent studies, the Russian Federal Government has reconfirmed its earlier decision of 2019 not to further upgrade the existing M7 (E22) highway, but build a brand new trunk route just south of it, to connect the central areas of the country with those in the Urals, via the region of Nizhny Novgorod and the republic of Tatarstan. The first phase (729 km) of the new M12 highway, from Moscow to Kazan, will join the by-far short list of the Russian toll motorways. The EUR 8 bn investment envisages the new highway to be commissioned around the year 2023.



6. USEFUL LINKS

Local logistics and customs brokerage companies

www.alidi.ru
www.trinicom.ru
www.avangard-nnov.ru
www.timelogist.ru
www.gl-logistic.ru
www.logoprom.ru
www.prom-impex.ru
www.pb-logistics.ru
www.rtpnn.ru
www.mlgholding.com
www.kstovopark.ru
www.nn.sovfracht.ru
www.virnik.ru
www.volgaflot.com
www.cargo.rzd.ru

Local cargo transport and expedition companies

www.asmap.ru (association)
www.cargonn.ru
www.nitek-nn.ru
www.nkt-nn.ru
www.forward-trans.com
www.rutus-ntg.ru
www.transmagistral.ru
www.nika-tranc.ru
www.itecorp.ru
www.tk-irsa.ru
www.volgatrans-nn.ru
www.vs-nn.ru
www.transconn.ru
www.gorky-transit.ru
https://gzd.rzd.ru/static/public/ru?STRUCTURE_ID=4

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