

# State Rail Companies To Establish Venture

By [Alexander Panin](#)

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Russian, Belarussian and Kazakh state railway companies plan to sign agreements on a joint venture called United Transportation and Logistics Company with combined assets estimated at 21 billion rubles (\$658 million), Salman Babayev, a vice president at Russian Railways, said at the eight Strategic Partnership 1520 business forum.

He said the deals would be signed at the St. Petersburg Economic Forum in June. The joint venture will be created on equal terms, with each company eventually acquiring a 33.3 percent stake.

Russian Railways will contribute 50 percent plus one share of Transcontainer, the country's largest intermodal container operator, to the joint venture. This stake is currently valued at approximately 7 billion rubles.

“Multiply that number by three and you get a rough estimate of what the future partnership

will be worth,” Babayev said Friday.

Kazakhstan Temir Zholy will transfer its terminal assets and shares in container operator Kedentransservice to the venture, while the Belarussian Railway will contribute its stake in the Brest logistics terminal.

Russian Railways will initially have more shares in the joint venture since its initial contribution is greater, but subsequently the three companies are expected to have equal stakes.

“While our contribution to the venture is considerably higher than that of our partners, they have a right to add more assets or cash,” Babayev said.

But the companies will have equal voting rights from the start, he added.

Last year Russian Railways President Vladimir Yakunin proposed creating a joint venture with Belarus and Kazakhstan to handle container operations across Central Asia.

Experts estimate that annual trade between Europe and Asia will increase to \$2 trillion in 2020 from \$1 trillion currently. The aim of the joint venture is to channel 1-2 percent of this trade to a rail corridor running through Kazakhstan, Russia and Belarus.

In order to achieve this goal, the countries need to invest in infrastructure and improve customs services, experts say.

Belarus, with almost 40 percent of its trade coming in by rail, is already making an effort to decrease the time needed to get all the necessary documents for customs clearance to between five and six hours.

“There will be only two government bodies at the border: the customs and the border guard,” said Vladimir Morozov, head of Belarussian Railway, adding that other agencies would be stripped of border-related functions.

Starting from May 1, Belarussian customs authorities were given the right to perform sanitary inspections of vehicles and goods passing through the border. Also, the working hours of all the border services were synchronized.

For its part, Kazakhstan, besides improving its own customs service, is investing in transportation infrastructure and building new railroads along the planned transit route. One of them is the recently completed 300-kilometer Zhetygen-Khorgas railway, connecting Kazakhstan with China.

Contact the author at [a.panin@imedia.ru](mailto:a.panin@imedia.ru)

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