

PPP Fruit and Vegetable Terminal Yekaterinburg: From micro-economic investment to macro-economic development.

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1 THE OVERALL SITUATION

During communism in Central- and Eastern Europe the production and distribution started top-down, beginning in the centralized “political/administrative” bodies. After the fall of the communist regimes we have to realize:

- for at least two to three generations there is no trading experience/culture in the way we organize wholesale and retail in the Western part of the world
- of course there is a big lack of money “to copy Western style”
- quite often in the last decade there was a certain unwillingness now from the
- atomistic trade partners – after just having gained entrepreneurial freedom - to gather
- again under one umbrella especially in cooperation with government authorities.

These historical and psychological developments/patterns have not been seen within Western governments or money-providing banks. The same business-plan offered by somebody who is just a newcomer with a cultural background from the East or another one whose company has grown experience makes a lot of difference in the success of the market.

A PhD-study has followed in its research the micro-segment of Food-Terminals for which in Central Europe the World Bank, the East European Bank, the EU or the German KfW-Bank had provided money – and where after a short to medium-period the buildings had been quite often transformed for other purposes! This is not only a waste of money concerning the building –project but also a missed opportunity to give a boost to the region, because Food-Logistic Terminals are an excellent tool to mirror the level of developments in distribution. They are not focused for example on one retailer, but have to serve a lot of retailers as well as suppliers and insofar work on the local/national average. With an increase of technical or agrotechnical demands of the Logistic Terminal suppliers and retailers are confronted to educate their people – that might be in “good agricultural produce”, HACCP, IT-technologies. The micro-economic investment into a benchmarking Food Terminal might have a lot of macro-economic effects, if the concept is complex enough and not just fixed on the building-sector.

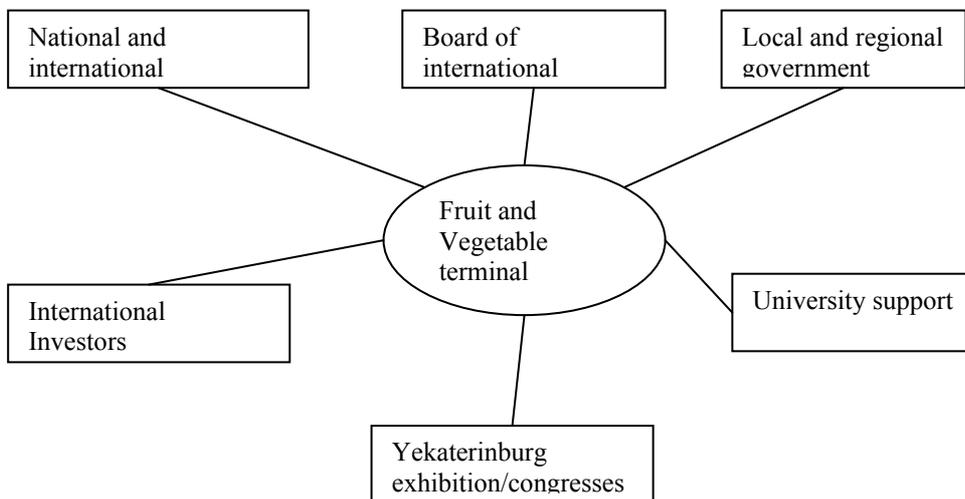
2 PILOT PROJECT YEKATERINBURG

Learning from the mistakes in other areas-now for Russia a pilot-project has been started in Yekaterinburg. Yekaterinburg has one of the highest turnover in Trade in Russia. It is the airport hub between Europe and Asia and should play a major role therefore in serving not only the city but also the Russian regions. The Trans-Siberian Railway is passing the city as well as the major motorways from West to East. In the beginning of December 2006 a site of 62 hectares was reserved for the purpose to start the project. The site is:

- near the airport
- only some hundred away from the railroad-system
- accessible from the major ring connecting Yekaterinburg and the major cities of the Ural-district.

Geographically the site is ideal placed. From the entrepreneurship point of view the city-management offers a great opportunity: the Fruit and Vegetable Terminal is planned as an international joint-venture public private partnership-model. By Western investors modern thinking will be transferred to local government as well as to Russian investors. To reflect all input of all stakeholders an international supervisory board will be established. Stakeholders will be represented directly or indirectly in that Board!

Already from the beginning the project will be defined in the broad sense of a Total Supply Chain starting from agriculture to wholesale, to processing upto convenience-products, to packaging, to tracking and tracing systems, to electronic order picking and RFID-technologies, to HACCP-standards down the line to the retailers. Due to the good relations between local government and Ural Universities they will be integrated part for translations; BA-, MA- and PhD-students; the organization of round tables; penetration of the idea by the Yekaterinburg exhibition and congresses.



2.1 Technical and Operational steps

All buildings are planned modular to give the chance to enlarge the fruit and vegetable area step by step within the 62 hectares total area. The scope does not only see the handling of im-and export or of local production in the terminal, but also the processing – for example of convenience products, which could be supported by new packaging lines etc. All investors will participate from the initial investors, because a “know how pool” will be built up and the penetration of the educational learning will be pushed by the universities as well as by the Yekaterinburg exhibition and congress center. Within 5 to 10 years it is thought to establish satellite terminals in other Russian cities as well as in some of the neighboring countries.