



PetrolPlaza Russia Special. Part 3 - Government plans and independent fuel market development

In the third and final part of PetrolPlaza's Russia Special we look into the development prospects of the country's fuel retailing market, analysing the efforts of both government and independent fuel operators.

Russia's fuelling market enjoyed great growth until the latest recession slowed down the country's progress. Projects were put on hold, acquisitions were cancelled and many gas station operators stopped investing in new, innovative products. Although the conditions have not improved hugely, there is some interesting movement in the market coming from independent fuel retailers and the Russian state, which has rolled out an ambitious roadside project.

Development prospects of the independent fuel market

Russia's independent fuel retailers, as mentioned in the previous articles, account for around 60% of the country's gas station market. Having been faced by continuous hurdles and a state which favoured major oil companies, independent operators have been losing ground in recent years.

At a panel discussion dedicated to the challenges of the independent fuelling sector, hosted by the Independent Russian Oil Traders Company in Moscow on May 2015, participants discussed the prospects of the industry under the current economic conditions, particularly the increasing fiscal burden. The meeting was attended by owners and operators of independent filling stations, oil tank farms, oil refineries and oil producing companies, as well as the representatives of relevant social organizations and experts from the oil and gas sector from all over Russia.

The major problems signalled during the panel discussions were the considerable price disparities; a lack of consistency and transparency in price formation processes; manual control over the socially oriented retail fuel prices; supply-demand imbalance; overstated value of business financing; and unfavourable conditions of purchase and sales on the petroleum products exchange, reported InfoTEK.

According to representatives of the Independent Russian Oil Traders Company, "a negative image of the whole independent fuel sector has been created in public opinion due to a weak information policy and a lack of coordination between the independent players in the fuel market. These factors result in

a biased attitude to the independent fuel market sector in public opinion and a lack of effective communication between the state, the major oil companies and the independent players.”

The IndoTEK agency reports that during the meeting the independent fuel retailers came up with a plan of action that included the following goals: a drive for collective fuel purchase; the setting-up a team to deal with the regulatory authorities on behalf of the whole community; the establishment of a system for quality inspection; inventory of the regional markets aimed at collecting accurate and unbiased information on the current state of the industry; development of reliable indicators for analyzing the actual market situation, and launching an ambitious institutional development project focused on the specialized professional community.

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Travel Park complexes. The State's ambitious plan for roadside services

While independent operators battle to improve their business conditions, the Russian state has been taking an active part in roadside service development. Currently, Russia's government is working on a major, nation-wide government programme based on the construction of a network of multifunctional complexes of roadside service facilities named Travel Parks.

A pilot Travel Park complex aimed at hosting the 2018 World Cup fans and Russian tourists is being built in the Novospassky district of the *Ulyanovsk* region. The multifunctional complex will boast a hotel complex offering 50 double rooms with laundry rooms and shower rooms, maintenance stations for trucks, as well as regular service stations, supermarkets, chemist's shops, tire repair centres, carwash stations, a tourist information centre, hair salons and parking lots for trucks and autocampers. The total level of investments in the Travel Park in the Novospassky district will account for around 425 million rubles (\$5.8 million).

This large-scale project is carried out under the leadership of the state companies Rosavtodor and Rostourism and with the participation of the Association of Roadside Service and Tourism Companies, as well as with support from the All-Russian Non-Governmental Organisation OPORA Rossii (Russia's Support). The state authorities are attracting private investors from small, middle-sized and large businesses for this ambitious project. The main partners of the multifunctional roadside service Travel Park complexes project are Gazprom Natural Gas Motor Fuel and Gazpromneft Lubricants, who are responsible for building fuelling and service installations at the complexes.

Owing to the intense and large-scale preparations for the 2018 FIFA World Cup taking place today, the project developers' attention is mainly focused on the regions hosting the event and on the transit hubs and networks for football fans, such as the Samara region, the Volgograd region, the Saratov region, the Ulyanovsk region and the Chuvash Republic. It is in these regions that the Travel Parks are going to be built in the first instance. According to the project managers' estimation, five to six multifunctional roadside service complexes will have been put into operation before the 2018 FIFA World Cup.

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