



Establishment of a Ferry Cargo  
Movement Computer System

## Monthly Progress

Report N° 1

30 April 1998

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Tacis Project No.: TNREG 97 - 52

Technical Assistance to the Ferry Terminal in Illychevsk

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Monthly Report No. 1

for the period of

18<sup>th</sup> March - 30<sup>th</sup> April 1998

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## Abbreviations used

Blasco	Black Sea Shipping Company, Odessa
CoSo	Messrs. Computer Solutions B.V., Breda (contractors of TNREG 97-52)
DMT	State department of Maritime & Inland Water Transport, Odessa (a division of the Ministry of Transport of Ukraine)
Pol	Port of Illychevsk (Management of Port of Illychevsk)
RoRo	roll-on-roll-off (trucks, wagons, etc. to load / roll onto ship on own wheels)
RAO	Railway Authority for Odessa Region
TA	Technical Assistance
ToR	Technical Assistance
UKF	Messrs. UKRFerry, Odessa (operator of the Illychevsk-Poti ferry)

# 1. Executive Summary

As part of TRACECA the EC contract no. 97-52 calls for the establishment of a computer system to monitor cargo movements on the ferry terminal in the port of Illychevsk / Ukraine.

Included with that contract is a TA component for one port operations expert to assist the Ministry of Transport as well as other involved organisations with the setting up of an "independent ferry terminal operating unit". This report deals with the TA activities.

The expert has commenced his assignment and travelled to Odessa / Illychevsk on 18<sup>th</sup> March where he has established a working relationship with the organisations and persons assigned to the project for the Ukraine, in particular the DMT (leading authority), Pol (ferry terminal operator) and UKF (ferry ship operator).

During this initial project period he started familiarising himself with the local conditions, the ferry terminal's management, facilities, operations and procedures as well as with the problems involved with this project.

It became apparent to him that especially the Port of Illychevsk (the most important party involved in this project) does as yet not follow the terms and conditions agreed between Ukraine and EC, in particular

- Pol have not yet cleared the main work-site for contract 97-51 (future lorry parking and container storage area) but instead commenced work on a different site
- Pol have as yet evaded attempts to commence serious discussions on the TA's major subject of "creating an independent ferry terminal operating unit"

and DMT is not exerting (sufficient ?) authority / activity to make Pol fulfil it's obligations under the Ukraine / EC agreement.

If not rectified rather soon, this situation will create serious problems for the contractors of contracts nos. 97-51 and 97-52, and may jeopardise the entire project of Illychevsk ferry terminal improvement.

The expert has therefore requested an appointment with the First Deputy Minister of Transport for the purpose of reporting on the problems and proposing / requesting rectifying measures.

It is hoped that this meeting will be within the first days of May.



## 2. Project Objective

### 2.1 General Background

In the context of TRACECA it has been agreed between EC and the governments of Ukraine (Ministry of Transport) and Georgia that a ferry ship connection should be established between the Port of Poti / Georgia and the Port of Illychevsk / Ukraine, suitable to efficiently handle rail-wagons and trucks (in a RoRo-mode), as well as reasonable amounts of containers and general cargo.

For this purpose on the Ukrainian side the existing railway ferry complex (terminal no. 7) in the Port of Illychevsk, which was hitherto used only for the Illychevsk - Varna (Bulgaria) rail-ferry connection should be developed into an efficient, commercially oriented multi-modal ferry terminal.

This objective was to be achieved through three projects / contracts:

**contract no. TNREG 97-50:**

delivery of new cargo handling equipment to the terminal (reach-stacker, ro-ro forklift truck, ro-ro tractors and fire-fighting vehicle)

**contract no. TNREG 97-51:**

- a) refurbishment / upgrading of the existing terminal facilities, ramp, etc.
- b) paving of an adjacent plot of land (ex-Blasco area) for future storage area, complete with access road and dangerous goods area
- c) refurbishment of an existing administration building and construction of an equipment maintenance shed
- d) technical improvement of one of the existing ferry boats of Messrs. UKRFerry to enable it to safely carry highly inflammable hydrocarbon products in rail wagons
- e) improvement of railway facilities and installation of a rail-link for the container storage area

**contract no. TNREG 97-52:**

- a) design, supply and installation of a ferry cargo movement computer system for the ports of Illychevsk and Poti
- b) training and technical assistance in the conceptualisation and creation of an independent ferry terminal operating unit in the Port of Illychevsk

## 2.2 Specific Background

**This report refers specifically to the second part of contract 97-52, namely the TA in the establishment of an independent ferry terminal operating unit.**

During project appraisal it became apparent that for improved efficiency of the terminal not only its physical condition needed improvement.

It was concluded that also the terminal's organisation / management should be improved.

Due to the activities, varying interests and overlapping responsibilities of at least three different "operating organisations" (Pol / UKF / ROW) plus involvement of various authorities (customs, immigration, police, health authorities, etc.) operations are not executed to the efficiency standards provided by modern ferry terminals elsewhere.

Based on these findings, the following ToR as shown / explained below were drafted for the TA component of contract 97-52:

## 2.3 ToR / Project Details

2.3.1 The Terms of Reference for this TA component of contract 97-52 stipulate (see contract 97-52; A3., Technical Specifications, Annex A, Point 4.5 Training and Technical Assistance in the Conceptualisation and Creation of an Independent ferry Terminal Operating Unit):

Quote

In order to offer efficient, fast and commercially sound ferry cargo handling it is planned to create an independent ferry terminal operating unit. The objective of the training and the technical assistance under this sub-project is to assist the Ukraine Ministry of Transport and the concerned entities in this task.

"For this purpose an experienced port operations expert shall be deployed on site for the duration of the project, working side by side with the officials of the port (Port of Illychevsk; Pol), the railways and the ferry company (UKRFerry, UKF). The areas of assistance and training focused by the project are:

- institution building and organisational development
- business planning towards commercialisation
- development of strategic planning
- computerisation
- ferry terminal operations
- human resources development

unquote

2.3.2 In early March the expert was extensively briefed on the project by his superiors in CoSo as well as by the EC Project Co-ordinator. During the briefing it was made clear by the Project Co-ordinator that, apart from the experts above mentioned ToR,

2.3.2.1 his main duties and highest priorities (particularly during the initial months / start-up period) would be to constantly follow-up with the Ukrainian partners to fulfil their commitments under the Ukrainian / EC agreement, especially the commitments

- to clear the future construction site for contract 97-51, the so called "Blasco area" and
- to commence action on setting up an "independent ferry terminal operating unit" for the future management of the ferry terminal.

2.3.2.2 Furthermore the expert was instructed that his official counterpart in the Ukraine shall be the First Deputy Minister of Transport (Mr. L. M. Kostiuhenko) who should however only be contacted when serious problems developed on the Ukrainian side which would require intervention from high authority.

2.3.2.3 Apart from the regular monthly progress reports to be submitted (through / by CoSo), the expert should keep the project co-ordinator well informed on the progress of the entire ferry terminal project, i.e. all aspects of the three contracts 97-50, 97-51, 97-52.



### 3. TA Activities / Progress

Approval for the author (Capt. Dirk Battermann) to be assigned for the position of "Senior Port Management Advisor" for the TA component under this contract TNREG 97-52 was requested by Messrs. Computer Solutions' (CoSo) letter no. b980177/lv dated 3<sup>rd</sup> February '98 and granted by EC "side letter No.1 to contract 9752", dated 20<sup>th</sup> February '98.

The expert's activities during the reporting period were mainly :

- introduction to and familiarisation with the project
- introduction to the organisations / persons involved with the project in Odessa and Illychevsk
- fact finding in Illychevsk and familiarisation with the terminal
- attempting to find a work basis by establishing a work group
- others ( e.g. comply with national registration procedures)

He proceeded on site, i.e. to Odessa / Illychevsk on 18<sup>th</sup> March, accompanying the CoSo's project manager who introduced him to the persons / organisations involved with the project in Odessa and Illychevsk, namely

- the Department of Maritime and Inland Waterways Transport (DMT)  
as local project co-ordinating authority
- the Port of Illychevsk (Pol) as present terminal operator
- Messrs. Ukrferry as ferryboat operator
- the Railway Authority for Odessa Region (RAO) as main cargo mover
- as well as to the project officer of the Tacis Office, Kiev.

Due to national elections there was unfortunately no possibility for the expert to be introduced to the highest authority for this project in the Ukraine, namely the First Deputy Minister of Transport.

During this start-up period of the TA project the expert visited the port of Illychevsk and the ferry terminal quite frequently in order to familiarise himself with the conditions and activities in the ferry terminal as well as to establish a regular, unbureaucratic working relation with the persons in charge in Pol's management and the terminal operations.

The expert's regular work site could not yet be established in the terminal because the project office (supposed to have been ready in March) was only provided by the end of April and is still not very suitable for its purpose.

Introduction to the other participating institutions and persons concerned with the project was also followed up by further meetings / discussions, i.e. with persons from UKF and with DMT.

Further meetings with RAO could not be arranged, despite several attempts.

Although everybody confirms in official meetings and discussions that they welcome the project very much, it is quite apparent that two beneficiaries of the project who should normally co-operate closely (namely Pol and UKF) have developed different points of view to the project,



UKF seems to appreciate the project and tries to get the most benefit possible from it, although they do not always consider the stipulated terms of the Ukrainian / EC agreement and respective conditions of the contracts signed between EC / contractors.

Pol seems to appreciate very much the delivery of hard ware (refurbishment of the terminal area and delivery of equipment) but quite obviously does not support the idea of creating an independent ferry terminal operating unit, for at least two reasons

- if the ferry terminal would be under an independent management, they are afraid it would be taken away from them and thus reduce their organisation and weaken their influence;
- they are of the opinion that they run an efficient organisation (not a cumbersome state monopoly) and do not see the necessity to re-organise the terminal.

It became apparent that Pol is not so much supporting the project as designed / agreed with the EC but seem to try to modify it "in-officially" towards their own plans of developing a (what they call) "multi-modul container terminal" in the ex-Blasco area.

In addition the ever-apparent bureaucracy, not only of official authorities (e.g. customs, police, etc.) but very obviously also of the terminal operator (Pol) itself, does not comply with the attitude of a commercially-operated, customer-friendly and service-oriented international ferry terminal and will require to be dealt with extensively.

Because it would be extremely cumbersome and inefficient to try and discuss the subject of independent unit (as well as other matters) individually with each organisation involved, it is the expert's aim to establish with the persons in charge a regular working relationship by constituting a "project work group" through which all items concerning the project could be discussed in detail and thereafter decided within a reasonable period of time.

(N.B. The Dep. Minister's order no. 3 decreed the establishment of a project work group. However meanwhile it became quite apparent that these high ranking persons will not find the time to meet regularly and discuss / decide on all the numerous project details. According to the author's knowledge they have not assembled once.)

The proposal to establish a realistic work group was recommended, first to DMT (as the leading organisation) thereafter to Pol and UKF, shortly after the expert's arrival. But despite everybody's agreement that in principle this is a good idea, it was actually not yet initiated by DMT at the time of this report.

The expert tried to follow-up the subject, however the person in charge in DMT could not be met for a considerable period of time.

In middle of April the CoSo project manager, the project co-ordinator and the expert paid a visit to the ferry terminal in Mukran / North Germany (ex GDR).

They were shown around the facilities and the development of the terminal as well as it's work procedures and organisation were explained to them by the terminal management. This was particularly interesting because that terminal's design done in the mid 1980s was based on the Illychevsk terminal and, after

German re-unification, underwent extensive re-organisation and re-construction towards a commercially operated multi-purpose ferry terminal.

When the expert reported this to Pol the persons in charge expressed great interest in visiting the Mukran terminal.

Complying with required bureaucratic and/or administrative procedures, i.e. registration with immigration police, issuance of a port gate pass, registration of car, etc. as well as follow-up the setting-up of a project office by Pol in the terminal consumed a considerable amount of time.

## 4. Risks / Problems identified

The problems stipulated under the following points should not be overemphasised, as they are (to a certain extend) common with such projects.

However, it is felt that they should be identified and dealt with decisively at this relatively early stage of the project, since they could easily develop into serious problems and even jeopardise the project, if left unchecked.

- 4.1 There are problems of insufficient attitude, dedication and activity, i.e.:
  - 4.1.1 Pol does not yet see the necessity of organising an independent, commercially oriented terminal operating unit.
  - 4.1.2 Too many persons are involved with the subject and passing of information is insufficient.
  - 4.1.3 Pol and DMT need to understand that it is "their project" and the EU experts are to assist / advise / support them in "their efforts" to make this project (of setting up an efficient ferry terminal) a success. Consequently more dedication and effort is required from their side.
  - 4.1.4 Some people appear not to be dedicated to the joint project but to have their individual interests, in particular Pol's main interest appears to be to obtain the Blasco area, not to install a commercially oriented independent terminal unit.
- 4.2 Action on preparatory works for contract 97-51, to be carried out by Pol, need to follow the specification / design and time schedule agreed between Ukraine and EC, e.g.
  - 4.2.1 Pol have not cleared the Blasco area as agreed but an adjacent plot of land. This may prevent the contractor op 97-51 to execute his works according to the specification and time schedule agreed with the EC
  - 4.2.2 Pol have not demolished the two sheds situated inside the Blasco area. Again this may prevent the contractor of 97-51 to execute his contract.
- 4.3 Appointment of 2 suitable persons for computer training in Holland has not been done by DMT. Instead a different training scheme with persons not complying with the agreed conditions has been proposed by various parties (UKF, DMT, Pol).

This may prevent the contractor of 97-52 to fulfil his respective contract obligations in time.



## 5. Conclusions / Recommendations / Action to be taken

5.1 Through Tacis office Kiev the expert has applied for an appointment (hopefully within the early days of May) with the Dep. Minister to report on the problems identified and to request rectifying measures, such as:

5.1.1 All Ukrainian partners should be instructed by the Ministry of Transport to comply strictly to the terms and conditions and time schedules agreed between EC (in close consultation with the Ukrainian partners) and the contractors.

In particular Pol should clear the ex-Blasco area to permit contract 97-51 to commence as per agreed terms, specification and time schedule.

5.1.2 The Ministry of Transport should instruct DMT to quickly establish a realistic, efficient working group to meet regularly and

5.1.2.1 monitor, guide and support the implementation of the project

5.1.2.2 develop a detailed proposal for the establishment of an independent ferry terminal operating unit

It is recommended that this working group should have 6 members, i.e.

- one senior person from DMT (as chairman)
- one senior person from Pol
- Pol's ferry terminal manager
- one senior person from UKF
- one senior person from RAO
- the TA consultant

The persons from DMT, Pol, UKF, RAO should have extensive authority, within the context of this project, to speak and decide in the name of their organisation.

5.2 If no action as per points 5.1.1 and 5.1.2 is taken and/or no marked improvement to the problems stipulated under point 4.1 - 4.3 can be identified before the end of May, it is recommended that the Project Task Manager and Project Co-ordinator call for a meeting with the Ministry of Transport to tackle the problems.