

**EUROPEAN UNION - TACIS**

Technical Assistance to the Southern Republics of the CIS and  
Georgia - TRACECA

**TRADE AND TRANSPORT SECTORS**

Terms of Reference

for

**IMPROVEMENT OF ROAD TRANSPORT SERVICES**

Final Recipients:  
TRACECA Region Ministries of Transport  
(Armenia, Azerbaijan, and Georgia)

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## 1. Introduction and Background

1.1 During May of 1993 a conference was held in Brussels organised by the Commission and attended by authorities of the eight Republics of the south of the former USSR:

- Armenia,
- Azerbaijan,
- Georgia,
- Kazakstan,
- Kyrgyzstan,
- Tadjikistan,
- Turkmenistan,
- Uzbekistan.

The objectives of the conference were :

- to stimulate co-operation among the participating Republics in all matters pertaining to the development and improvement of trade within the Region
- to promote the Central Asian - Trans Caucasian - Europe Transport Corridor
- to identify problems and deficiencies in the Region's trade and transport systems
- to define, in terms of contents and timing a Technical Assistance Programme to be financed by the European Union (EU).

TRACECA (Transport Corridor Caucasus Europe Central Asia) was thence created as a component of the TACIS interstate programme.

The "Brussels Declaration" issued at the conclusion of this conference recommended the European Union to include in the TACIS programme technical assistance to road transport operations, including vehicles, automotive supplies and the services sector, upon which operators depend.

For geographic and logistic convenience this present project is limited to the Caucasus. There are three Recipient States; the Republics of Armenia, Azerbaijan, and Georgia.

1.2 Road transport in the USSR used to be administered by republican ministries of road transport which also provided common carrier transport services. The road transport industry of the FSU exhibited a high degree of vertical integration and monopoly, characterised by own-account operations.

Restructuring is underway. A private sector has emerged spontaneously and some new enterprises have grown quite large in a short period.

The pattern of privatisation of state assets varies from country to country. However, all carriers now operate with a high degree of autonomy from any state control, their accounting is separate, and they must survive without subsidy. In some cases an ad hoc privatisation of vehicles has taken

place, where individuals have put their own money into maintaining their nominally state owned vehicle, and now act as proprietors.

In any case the existing assets concerned are largely obsolete and not adapted to long-distance haulage.

1.3 The preponderance of commercial vehicles operating in the region originate in the FSU. The range of vehicles which were available in the past was limited. Pick-up trucks and full size heavy goods vehicles were not manufactured.

Operators are very interested in expanding their present minor participation in international trucking. Most of their vehicles do not conform to Western standards of efficiency, fuel (petrol/diesel), emission and safety. However the total costs (depreciation and operation) of vehicles imported from the West is relatively high.

1.4 The likely evolution of demand by market segment for trucking is not known. Such information would be an invaluable reference, for business plans proposed by operators in the sector.

Certain current data-base services are available in the Region. Historic data from the days of the FSU is of little value for present purposes.

Transit traffic from Iran and Turkey through the Region has developed. Operators are typically nationals of those two countries, and use Western heavy goods vehicles.

A Ro-Ro service between the ports of Poti and Varna was opened in July 1995. Trade with Central Asia based on barter agreements passes through Iran on trucks. Thus traffic patterns in the region is are evolving, and the trucking industry can adapt to such changes. If the present political stability holds then growth could be rapid.

1.5 Local maintenance, mechanical and bodywork overhaul facilities were part of highly over-centralised para-statal organisations.

The technical capacity of certain plants is impressive, covering full overhaul and small scale parts fabrication. Retreading is under-exploited.

The management structures and the capacity of existing facilities as well as their geographic concentration do not correspond with the evolving market economy needs. They also suffer at present from extremely depressed demand, due to the macro-economic situation.

1.6 Managers of enterprises in the region are for the most part aware of the deficiencies of their equipment and of the organisational structure which they have inherited. In a vibrant local market, or with outside financial assistance they would acclimatise to a free-market system with little difficulty. However neither of these prerequisites are in place.

## 2. Objectives

The overall objective of the project is to facilitate development of the domestic and international road transport industries within the Recipient States. They are particularly interested in gaining an equitable market share of international traffic.

Supporting objectives are as follows:

- determine the size and segmentation of the Recipient States market for inter-urban and international road transport; make medium-term projections
- determine the size and characteristics of the truck fleet appropriate to match the market demand
- advise and assist in procurement of trucks, taking fully into account the required mechanical availability of vehicles and all of the support services and spare parts supply channels required
- promote adherence to all relevant international conventions on road transport ( UN/ECE; TIR, temporary importations, hazardous goods,...)
- advise on restructuring and re-deployment of assets belonging to former state-owned enterprises
- identify and propose remedies for legislation, price controls, monopoly situations, restrictive transit agreements or other regulatory handicaps which hinder the development of the industry
- provide advice on subjects related to the foregoing, such as international transit documentation, fleet management, stock control, information technology

The end scenario desired is a broadly based industry composed of viable private autonomous operators, both carriers and common support service providers, matched to the foreseen demand for national and international road transportation.

### 3. Scope of Work

#### 3.1 Modus operandi

The Consultant will:

- carry out studies leading to determination of:
  - the present level of activity in the trucking industry
  - the truck fleet owned by the recipient states, and the structure of that ownership
  - the structure and capabilities of the automotive services and supplies industry
- based on the foregoing:
  - enter into close contact with operators and credible entrants to the industry, and mount collaborative pilot projects
  - identify opportunities for investment, of interest to International Financial Institutions (IFI) through their Small and Medium Enterprise (SME) agencies or otherwise, as well as to private enterprises, local and foreign
  - prepare business plans, and actively promote negotiations for business development
- carry out the project in close collaboration with local operators throughout, conduct seminars, and thus ensure a full transfer of technical know-how, and familiarisation with European commercial practice, to the local industry

The elements which follow form a suggested framework for carrying out the project. The activities described are not to be considered limitative, nor is sequence imposed by the order below. The contractor is welcome to enlarge upon the activities described and to introduce his own approach in his methodology, for achieving the project objectives.

#### 3.2. Studies

Data bases available, data collection and processing methods including validation should be described in the contractor's proposal. The objectivity of data sources is to be assured.

This phase of the project is not to be prolonged, or given more emphasis than is needed to generate fully credible low-demand/high demand scenarios to be used for the ensuing work.

##### 3.2.1. Commercial Vehicles Supply and Demand.

It will be necessary to catalogue State by State the current commercial vehicle fleet units in operation. Type, ownership, usage, mileage, age and other characteristics are to be determined.

The market segmentation for common carrier services is to be summarised. Forecasts of demand are to be established. Existing and desirable levels of service to be provided by operators are to be described. Standard commodity and vehicle type descriptions are to be used.

Transport by outside carriers is to be taken into account (eg. Turkish, Iranian or other).

Disequilibriums between supply and demand are to be highlighted and quantified.

International haulage into Western Europe is of particular interest to operators.

Urban transport and distribution is not a concern of the TRACECA programme. Intercity passenger transport will be considered by other projects and is not within this scope of work.

### 3.2.2. Automotive Parts and Services

An investigation of the automotive support industry is to be carried out. Present distribution channels for vehicles, automotive parts, and service facilities are to be determined.

Components of this study should consider:

- the availability of servicing, overhaul and repair facilities
- local parts manufacturing both small and medium scale
- tyre retreading

This section of the study should determine the ability of the local automotive industry to support transport operations with Western type heavy goods vehicles.

The former state transport enterprises possess extensive ancillary facilities such as offices, service bays, warehouses, lodging for drivers, etc., many of which may be redundant to a focused transport enterprise operating in free market. The consultant should make an inventory of these assets, for eventual recommendations for their redeployment or divestiture within the context of the broader study objectives.

Market opportunities for providing support services to all transit vehicles are to be identified.

### 3.3. Business Plans

This section of the project is of prime interest to the Recipient States.

Recommendations should be made for the preparation of selected pilot or demonstration business plans, for common motor carriers and, possibly, for automotive supply and service enterprises which could provide essential operational support to the road transport industry. Fully private or so-called JS (ex-state) companies may be adopted.

A balanced focus of activities between the three Recipient States will obviously be necessary.

After approval by TRACECA management the consultant will work with the enterprises in the preparation of business plans. The plans will be prepared in accordance with the requirements of IFI/SME support agencies and venture funds. Assistance in their presentation to potential investors will be provided.

Also, foreign partners for joint ventures should be sought. Technical proposals encompassing outline projects conceived and resourced by West European transport sector partners, with substantiated interest in the region, could be considered.

Local companies are, as the principals, to be closely involved in all aspects.

Notably their managements should be instructed in:

- the preparation of dossiers for soliciting investment capital
- the standard contracts for commercial vehicle procurement (purchase, leasing,...)
- conditions offered (or to be negotiated) for after-sales service, parts supply, guarantees, training of mechanics and managers, technical assistance (eg. estimation of vehicle operating costs,...)
- the European market for commercial vehicles (new, factory reconditioned, second-hand,...)

A straightforward manual for investment decisions in capital equipment is to be produced, based on a typical business plan.

### 3.4. International Conventions / Regulatory Environment

This section of the work is to be carried out in particularly close collaboration with the TRACECA Transport Legal Framework programme. It should complement that project with the technical, operational and commercial assistance to the regions operators.

The Recipient States are in the process of adhering to International Conventions on road transport. However, they lack experience of the working of the Conventions, and of the obligations they impose.

The Consultant is to assist the Recipient States in adhering to the full range of UN/ECE or other Conventions of relevance to them. Assistance is to include active liaison between the international bodies concerned (eg. UN/ECE, IRU, FIATA,...), and the Recipient State agencies for affiliation. This activity has been specifically requested by Azerbaijan.

The Consultant will come into close contact with a wide range of operators and authorities within the motor transport sector. Based on these contacts he is to identify and propose remedies for any price controls, monopoly situations, restrictive transit agreements or other regulatory handicaps which hinder the development of the motor transport industry, or entry into it.

### 3.5. Direct Technical Assistance and Seminars

The Consultant is to provide direct advice on operational matters, technical assistance using case studies, and merging the business plan studies with know-how transfer. For this reason the Consultant should allow for prolonged presence by his experts in the Recipient States.

During the course of the project the Consultant is to organise several on-site seminars for local transport industry managers and officials. These should allow full diffusion of methodology for business plans beyond the pilot studies elected in Section 3.3.

Other subjects of interest for seminars may be derived from the projects Objectives, to cover operational management principles, documentation, banking and insurance procedures connected with TIR and the CMR.



Typical operating targets for competitive road transport within the EU are to be imparted (mechanical availability, utilisation rates, etc). The structure and workings of the road haulage market in the EU is to be explained (and examined for potential applications in the region), including the many specialist services such as brokering for back-hauls, vehicle-off-road, etc., which allow efficient operations.

A review of current advanced technology for road transport operators may be provided. This should catalogue and briefly explain software packages for road operators, logistics programmes, and telematics systems for fleet management. Poor telecommunications in the Caucasus are a very severe hindrance to efficient motor transport operations. The level of sophistication of many Western products may be beyond immediate means, but the awareness of technologies should be imparted to managers for reference, and for possible development of local emulations.

The Consultants Methodology should fully explain his training and know-how transfer programme within the project.

### 3.6 Other Related Projects

Certain reports prepared by Western consultants precede this project. They include:

Roads & Road Transport Study	Russia, Ukraine, Kazakhstan & Bielorrussia	EBRD
Central Asia Outline Transport Strategy		TACIS/EBRD

At the time of writing the following projects within a similar domain of interest are expected to commence shortly:

Transport Legal Reform	TRACECA
Trade Facilitation, Customs Procedures, and Freight Forwarding	TRACECA
Dolphin (road transport and spare parts)	TRACECA
Regional Traffic Forecasting Model	TRACECA

Contact with TACIS, EBRD and other SME support programmes should be fully developed.

The Consultants appointed to carry out this project are to co-ordinate their work closely with all other related activities within the TRACECA region. This particularly applies at the Inception Report stage, when preceding reports by others should be fully assimilated (TACIS will not provide copies of preceding reports for tender preparation). Duplication of effort is to be avoided. The listing above must not be considered limitative.

### 3.7 Local Participation

Consultants should base their activities, especially the writing of business plans, largely in the TRACECA region, carrying out the project in close collaboration with local motor transport enterprises. Local consultants should be engaged to assist in the work.

### 3.8 Foreign Expertise

The Consultant is free to compose his expatriate Team for this project, mobilising long and/or short term participants, as he sees fit. The following domains of expertise should be clearly visible in the proposed staff list:

- business management of SME in the road transport sector
- road transport fleet operations management
- international road transport conventions
- automotive services and supplies

### 3.9 Logistics

The Consultant shall be responsible for arranging necessary living accommodation, transportation, telecommunications, equipment (IT and other), surveys, investigations, document reproduction, printing, secretarial services, interpretation, translation, office space and all other input required for the purposes of the work.

## 4. Time Table and Reporting

4.1 The project is to be completed within a period of ten months. Study and technical assistance activities should be substantially completed within seven months. A final three months of intermittent follow-through activities relating to International Conventions and the Business Plans may be foreseen.

Task durations and staff assignments are to be clearly shown on planning schedules in the proposal. Time on-site and at home office should be clearly visible. Milestones for output and key dates for data acquisition are to be indicated.

### 4.2 Publication of Reports and Deliverables

The output of the project is to be the unrestricted property of TACIS and cannot be considered confidential by the Consultant or any other participants.

### 4.3 Deliverables

The contractor will catalogue in his proposal the Deliverables by which he proposes to address the full range of issues raised in the Objectives and Scope of Work, and his schedule for their provision.

Technical Deliverables may be Business Plans, documentation packages, model procedures, seminar manuals, databases, or any other tool which the Contractor proposes to utilise.

All Deliverables must be provided in both English and Russian, in numbers and formats to be agreed with TACIS.

4.3 All reports are to be delivered in the numbers, languages and locations as follows:

	Bound		Loose-leaf		Diskette (Eng +Rus)
	English	Russian	English	Russian	
TACIS Brussels	5	1	1	1	2
TRACECA CU (per state)	1	5	1	1	0

The word processing programme to be used will be agreed with TACIS (and DOS compatible).

4.4 All reports are to be prefaced by an Executive Summary, and be in accordance with standard TACIS Guidelines. These foresee:

#### *Project Inception Report*

An Inception Report will be issued within two months of the commencement of the project. It will summarise initial findings and propose any modifications to the methodology and work plan. In particular it will:

- adapt the work plan to the needs of each individual TRACECA state taking into account the parallel activities of other Technical Assistance programmes, avoiding duplication of effort, and addressing unfilled needs
- nominate the enterprises and describe the business plans to be prepared

#### *Project Progress Report*

This report will be issued at the end of month 7.

It will be the most substantive of the three reports to be issued. It will contain the full results of studies outlined in Section 3.2, and in separate annexes the Business Plans of Section 3.3.

#### *Final Report*

The Draft Final Report will be submitted at the end of month 10.

Any comments on the Draft Final Report will be issued by TACIS Brussels within six weeks of its receipt. The Final Report incorporating any modifications will be issued one month thereafter (2,5 months after issue of the Draft Final)

## **5. Budget**

The budget for this project is 250 000 ecu.