

TACIS FUND



JUNE 1996

Final Inception Report

DHV Consultants BV

TRACECA - Improvement of Road Transport Services

European Commission - TACIS

DHV Consultants BV
NEA Transport Research and Training

DHV Consultants BV

Laan 1914, no. 35

P.O. Box 1399

3800 BJ Amersfoort

The Netherlands

Telephone +31 - 334682500

Telefax +31 - 334682601

fez@cons.dhv.nl

Final Inception Report

DHV Consultants BV

TRACECA - Improvement of Road Transport Services

European Commission - TACIS

file k.4249.01.001

date 10 June 1996

registration number UDIT-1115

© DHV Consultants BV

No part of these specifications/printed matter may be reproduced and/or published by print, photocopy, microfilm or by any other means, without the prior written permission of DHV Consultants BV; nor may they be used, without such permission, for any purposes other than that for which they were produced. DHV Consultants BV's quality management system has been certified according to NEN ISO 9001.



Project Title : **Improvement of Road Transport Services (Caucasus)**

Project Number : **Traceca 94P508 (Contract # WW.94.07/04.01/B001)**

Country : **Republics of Armenia, Azerbaijan & Georgia**

Name : Local operator EC Consultant
Road Transport Departments in
the 3 Republics DHV Consultants

Address : -Zakian 10, Yer. Laan 1914 no. 35
-Tbilissky Pr, Baku P.O. Box 1399
-12 Kazbegi, Tbil. 3800 BJ Amersfoort

Tel. Number : 563 391 (Yerevan) +31-33-468 2558
319 111 (Baku)
989 602 (Tbilisi)

Fax Number : AT&T 151 832 (Yer.) +31-33-468 2601
38 50 00 (Baku)
+49 5151 130672 ext. 125
(Tbilisi)

E-mail address : UDIT@CONS.DHV.NL

Contact Person : Mr. H.J. Kotchinian (Yer.) Mr. K. Broersma
Mr. A.A. Aslanov (Baku)
Mr. B. Dardjania (Tbilisi)

Signatures : _____

Date of Report : 31 May 1996 Reporting period : January-May 1996

Author of report : K. Broersma

EC Monitoring Team : NEI (Mr. J. Vogelaar) signature/date

EC Delegation : Armenia, Azerbaijan & Georgia

TACIS Bureau : Mr. D. Stroobants
[Task manager] _____

CONTENTS		PAGE
0	INTRODUCTION	3
1	PROJECT SYNOPSIS	4
2	ANALYSIS OF PROJECT	5
2.1	Project Objectives	5
2.2	Main problems/deficiencies	7
2.3	Local "Operators" (situation) and Target groups	10
3	PROJECT PLANNING	
3.1	Overall Plan of Operations	12
3.2	Staffing/Schedule revision	15
4	COLOPHON	17

ANNEXES (Separate enclosure)

TECHNICAL ANNEXES

- A.1 Obtaining modern Heavy Goods Vehicles
- A.2 Carnet TIR and IRU
- A.3 Other related TRACECA projects
- A.4 Joint Venture potential and leasing of (2nd-hand) HGV's
- A.5 Road (Freight) Transport Regulations
- A.6 First DRAFT Business Plan prepared by/with Joint Stock company T...
- A.7 First DRAFT Business Plan prepared by/with Joint Stock company K...

CONTRACT ANNEXES

- B. Overall Plan of operations (form 1.6 barchart of activities in annex B)
- C. Curriculum Vitae of Researcher and Business Group Visit/Business Plan Coordinator
- D. Revised Annex D - Financial Proposal

0 INTRODUCTION

A first draft Inception Report was submitted to EU/TACIS/TRACECA with letter Ref. Kbr/RdR/UDIT-0338 dated 22 February 1996. It was also translated in Russian, and (Russian) copies were forwarded to the TACIS Coordinating Units in Baku-Azerbaijan (received and distributed 24/03/1996) and Tbilisi-Georgia (received with some delay and distributed 10/04/1996).

The Azeri TRACECA Coordinator (Mr. Acrym Sadykhow) said that he was in principle satisfied with the Consultant's (Draft or Pre-) Inception report, and he acknowledged the (4) main problem areas indicated in the report's Synopsis.

In Georgia, Mr. Guram Nakaidze, the recently appointed successor of Mr. Tsomaia as Chief of the "Centre on the Problems of the Euro-Asian transport corridor at the Transport Coordination Council" (tel. 98-63-85 and 99-04-61), had received the copy of the report. The title of 'our' project "Improvement Road Transport Services Caucasus Republics¹⁾" was once more clarified, as the project had a (slightly) different name on the list in Georgia (no. 9 on the particular list shown by Mr. Merabe, the Deputy of Mr. Nakaidze).

It was also clarified that the project addresses road transport in the sense of the *operators that provide cargo haulage services, and particularly international cargo haulage services, and all requirements concerned with that.*

In Armenia, not yet visited during the first mission (17 January-7 February 1996), the report (in Russian) was handed over to the Minister of Transport during the second mission (9-22 April 1996).

The report (English version) was also forwarded to the Monitoring Unit nominated for the project (NEI-Kiev/Rotterdam), with letter Ref. evg/0698/TRACECA/UDIT of 4 April 1996 (together with preceding project documentation).

What was believed to be the final Inception Report was prepared after the second visit made by the Project Manager, jointly with the 'Automotive' (Service & supply) expert, and submitted to EU/TACIS/TRACECA with letter Ref. Kbr/RdR/UDIT-0877 dated 3 May 1996. This report was also translated in Russian and forwarded to the Recipient agencies for information and comments. The reports were also discussed (in early May '96) with the Monitor (NEI, Mr. J. Vogelaar) of the present project.

Lately, more comments on the latest Inception report have been received from Tractebel-TACIS, requesting one 'consolidated' Inception report.

The present, consolidated Inception Report is structured in TACIS format with the (background) information gathered in annexes.

¹⁾ Armenia, Azerbaijan and Georgia (in fact the South-Caucasus Republics).

1 PROJECT SYNOPSIS

Project Title : **Improvement of Road Transport Services (Caucasus)**
 Project Number : **Traceca 94P508**
 Country : **Republics of Armenia, Azerbaijan & Georgia**

Project objective:

- To facilitate development of the domestic and international road transport industries within the Recipient States (Armenia, Azerbaijan and Georgia).
- To assist viable private (to be privatized) autonomous operators in gaining an equitable market share of international traffic.

Planned outputs:

- Pilot or demonstration business plans for common road cargo hauliers and, possibly, for automotive support and service enterprises providing essential operational support to the road transport industry.
- Identified foreign (West European) transport sector partners for joint ventures.
- Manual for investment decisions in capital (commercial vehicle operations related) equipment.

Project activities (main activity groups):

- Liaison with Recipient agencies/enterprises;
- Identification of viable 'parties' interested in international road cargo transport in the Recipient States;
- Identification of foreign (West European) international road cargo hauliers seriously interested in joint ventures with partners from the Recipient States;
- Organisation of 'business' visit(s) of foreign (transport sector) enterprises wishing to investigate the joint venture partnership potential/possibilities in the three Republics;
- Analysis of the comparative advantages of the TRACECA (road) corridor through the (South) Caucasian Republics;
- Identification of investment opportunities;
- Business plan formulation/preparation.

Target group(s):

- Road Transport Departments (of Ministry of Transport, if existing), and (international) road transport enterprises and (private) enterprises interested in providing essential operational support to the road transport industry.

Project starting date: 28 November 1995

Project duration: 12 months

2 ANALYSIS OF PROJECT

2.1 Project Objectives

- To facilitate development of the domestic and international road transport industries within the Recipient States (Armenia, Azerbaijan and Georgia).
- To assist viable private (to be privatized) autonomous operators in gaining an equitable market share of international traffic.

The focus will be on *international* road transport. This is the main 'engine' for the desired truck fleet modernization.

The *domestic* road transport industry will be able to survive using the old (russian made) for some time to come. Domestic supply of road transport capacity presently exceeds domestic transport demand due to the depressed economic situation; there is ample room for 'cannibalization' to keep a sizeable 'old' fleet running at low (repair investment) costs. It seems rather more important, to help develop a Road Transport Department that could provide policy guidance concerning the (domestic) road freight transport (sub-)sector, particularly licensing and taxation (user charges), before undertaking any other activities in this area.

The problem of how to help the country's (private) operators in gaining an *equitable* market share of international traffic, will be addressed through the "Joint Venture formation" approach. The first step is providing the Company (or Companies) succeeding in a JV with a foreign (West European) transport operator with *access per se* to the international transport market. It is impossible --in this stage of a starting process-- to set any quantitative 'norm' to this Company's share that would be considered equitable or *reasonable*.

In addition to these (wider) objectives, the Terms of Reference mentioned *supporting* objectives (which are not necessarily the same as *specific* objectives). These were:

- (1) *determine the size and segmentation of the Recipient States market for inter-urban and international road transport; make medium-term projections.*

This would imply full-fledged National (Road) Transport Studies, preferably based on "Product Studies", for all (3) countries concerned. This is clearly outside the scope of the present Project; it would belong rather to the Traffic Forecasting (Model) exercise -- more than to any other of the TRACECA projects package-- but it is in fact an "overarching" requirement for most of the projects concerned.

- (2) *determine the size and characteristics of the truck fleet appropriate to match demand.*

This is the "supply side" of the National (Road) Transport Studies, mentioned under (1), and makes sense only within this (full-fledged) context. It is, therefore, also outside the scope of the present project.

- (3) *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.*

This objective will be addressed in the "Joint Venture" formation attempts, whereby all these aspects are part and parcel of competitive availability and operability standards that will be needed to be successful in international road transport operations.

- (4) *promote adherence to all relevant international conventions on road transport (UN/ECE, TIR, temporary importations, hazardous goods, ...).*

The signing of the (TIR) convention by the republics and IRU membership are necessary prerequisites for (formalized) participation in international road haulage. Georgia has satisfied these requirements, and Armenia will soon be in the same position; Azerbaijan, however, has not yet signed the TIR convention and normally it takes one year after signing the (UN) convention until the National Association can take effectively operate the carnets TIR. The promotion of efficient documentation operations in the concerned republics is rather a multi-(TRACECA)projects effort (ref. "Trade Facilitation, ... "; ref. "Legal ... Framework") than a specific objective of the present project.

- (5) *advise on restructuring and re-deployment of assets belonging to former state-owned enterprises.*

The privatization process, ongoing (Georgia), emerging (Azerbaijan) or expected (Armenia) will modify ownership, probably mostly to Joint Stock type of companies. As long as this process takes place among domestic candidate (new) owners, transaction prices will remain moderate (no foreign, 'market-distorting' buyers), and the new (local) owners will be able to bring their newly acquired assets into a possible Joint Venture construction. Optimal re-deployment of (part of the) assets is then to be determined between the JV-partners. Consultants' role in this process will be to point out prospective opportunities: e.g. what type of repairs or maintenance are likely to be demanded most, and what facilities, equipment and tools are most likely needed for that, at what scale and cost levels.

- (6) *identify and propose remedies for legislation, price controls, monopoly situations, restrictive transit agreements or other regulatory handicaps which hinder the development of the industry.*

Again, this 'supporting' objective should be addressed in a coordinated manner by several of the TRACECA projects together (ref. "Legal ... Framework"; ref. "Trade Facilitation, ... "). The (proposed) analysis of constraints experienced in various, alternative all- or part-road transport corridors between West-Europe, the (southern) Caucasus region and Central Asia, is the contribution that the present project can provide to 'support' this objective.

- (7) *provide advice on subjects related to the foregoing, such as international transit documentation, fleet management, stock control, information technology.*

This is rather an 'output' than an objective. As far as known, the issues on international transit documentation and (related) information technology will (should) be covered by the "Trade Facilitation, ..." project, with support (mainly) from the "Forwarding/Multimodal Systems".

Issues such as fleet management and (related) stock control are part and parcel of the private entrepreneurs' (efficient/competitive) operations, and are to be dealt with in -inter alia- business plan development.

Clearly, from this discussion, the contribution of the present project to the 'supporting' objectives cannot be other than rather limited (ref. no's 3 & 5; and --even more limited-- no's 4, 6 & 7).

The items listed in the (overall) plan of operations/main activities (chapter 3/table) reflect the more concrete addressing of 'specific' objectives of the present project:

- Identification of potential partners interested in Joint Venture formation;
- Preparation and organisation of a visit to the region of a concerned 'Business Group';
- Analysis of comparative (road transport) advantage of the TRACECA Corridor through the (Southern) Caucasus;
- Advising on business plan preparation;
- Advising on Road Transport Department's (re-)organization in each of the (3) republics;
- Advising on road transport taxation, licensing and tariffs.

2.2 Main problems/deficiencies

There is a great desire among professional road transport managers in the Recipient Republics to participate in *international* road transport with their **own** heavy goods vehicles (HGV) and **own** drivers. Presently, the international road transport in Georgia is dominated by Turkish HGV's, whereas the international road transport scene in Armenia and Azerbaijan is dominated by HGV's from Iran.

The problems faced by the entrants from the Caucasian republics to the international transport market are the following:

- 1) Obtaining suitable "Eurostandard" heavy goods vehicles (20+ ton payload HGV's) at reasonable prices;
- 2) Joining international conventions (Geneva convention on T.I.R.²⁾) and arranging bilateral transport (Quota) agreements, in particular with EU member countries which are

²⁾ Georgia has joined the Geneva convention and is a member of the I.R.U. Azerbaijan has become a member of the I.R.U. but is has not yet joined the Geneva convention; and Armenia has joined the Geneva convention but is not yet a member of the I.R.U.

- generally very strict on various regulations;
- 3) Obtaining cargo consignments **abroad** in the first place, as long as the import cargo flows (from West-to-East and from South-to-North) are very dominant with very few 'exports' (return loads) available, probably for considerable time to come (next 5 years);
 - 4) Arranging the required documentation (visa, etc.) for their drivers to operate in- and transit the various, foreign countries.

This complex of (4) main problems needs to be addressed and resolved more or less simultaneously.

Obtaining suitable "Eurostandard" HGV's (problem no. 1) requires 'venture' capital (who is going to provide it to them?) and/or a Joint Venture³⁾ arrangement with a foreign (West-European) company.

Joining the convention and concluding international/bilateral agreements (problem no. 2) may not be so difficult to arrange but it usually costs quite some time before all (foreign) 'conditions' are considered to be met -by the Republics' emerging organisations- in a satisfactory way.

Obtaining a continuous stream of cargo consignments *abroad* (problem no. 3) and the 'functioning abroad' of the drivers (problem no. 4) calls for an *international network of agencies*, and/or a Joint Venture partner, representing adequately the Caucasian transport entrepreneurs interests in the concerned foreign countries.

The conclusion is that *Joint Venture creation* should be considered priority number 1.

The envisaged strengths of the Caucasus Region partner in a Joint Venture would be:

- (i) the ability to supply relatively in-expensive drivers of good quality (driver-mechanic!), able to cope with the various constraints underway in the Caucasian, Central Asian and Russian 'environment';
- (ii) early access to the local market information networks of possible 'export' cargoes, enabling a maximum of back-hauls in the East-to-West direction (towards Europe).

The contribution of the (West) European partner in a Joint Venture would be:

- (i) the provision of modern Heavy Goods Vehicles (tractors, semi-trailers) allocated for the JV operations;
- (ii) transfer of knowledge and training (mostly on-the-job) in all relevant aspects of international road cargo haulage.

The detailed operational concepts on how to optimize the cooperation (which of the parties does exactly what?) and how to minimize the risks (that mainly the Western partner foresees!) need to be elaborated between the potential partners.

³⁾ On problem no. 1, the (potential) international transporters told the consultants basically just one thing: **BRING US (JOINT VENTURE) PARTNERS FROM WESTERN EUROPE (OR NORTH AMERICA!)** seriously interested in financing of- and/or providing us with (leasing) modern "Eurostandard" HGV's. Some of them added: **WE DO NOT NEED CONSULTANCY** (for this aspect), and: **WE CAN PREPARE-AND WILL SHOW- OUR BUSINESS PLANS TO SUCH INTERESTED PARTNERS AND SEE WHETHER THEY FIND SUCH BUSINESS PLANS ACCEPTABLE;** we are not going to disclose our Business Plans in this highly competitive environment to "consultants".

A promising "all-road transport" concept might be the semi-trailer *relay* (or "post coach") model with *pivoting* points in e.g. Istanbul (Turkey) and in the Kiev (Ukraine) or Rostov-on-Don (Russia).

This is, of course, related with the pros-and-cons of the various transport corridors, "all-road" and "multi-modal" respectively, favoured by the concerned international road cargo hauliers. Five (5) main corridors between the Caucasian countries (West Georgia) and North-Western Europe were identified:

- (1) the transport corridor through Bulgaria (ferry Poti-Varna), Rumania, Hungary, Slovakia, Czech Republic and **Germany**;
- (2) the transport corridor via one of the **Italian** Adriatic Sea ports, e.g. ferry Triëst-Corinthian Gulf or Triëst/Bari-Istanbul, and by road through Turkey to Georgia⁴⁾, but in the future a market for a ferry link Triëst-(i.a.) Poti may develop;
- (3) the transport corridor via Marseille, **France**, with services to Istanbul and the Black Sea (Poti);
- (4) the transport corridor through **Russia**, e.g. via Rostov-on-Don and then more less directly (across the Caucasian mountain range) to Tbilisi; or via the more flat, but longer route to- and along the Caspian Sea to Samoer & Baku;
- (5) a transit route through Turkey --or Armenia (from Poti)-- and Iran to the Central Asian states avoiding the Caspian Sea crossing.

In order to make the *TRACECA corridor* --between Poti in the West and Baku in the East-- to play its intended role of main transit corridor for *road* cargo transport, its comparative advantage over the alternative routes need to be clearly established and convincingly presented to the concerned international road transport industry.

Presently, both the Black- and the Caspian Sea are considered major constraints by road cargo hauliers (*Ro-Ro* transport), due to the long time at sea (travel time on the Black Sea Ro-Ro ferry Varna-Poti is 48 hours, total time with loading and unloading of ferry 60 hours) and the high fare (some US\$ 5,000 both ways for a 18m long HGV combination on Varna-Poti).

⁴⁾ Distance Istanbul-Tbilisi is about 1,700 km (3 days by road).

2.3 Local "Operators" (situation) and Target groups

Azerbaijan

Mr. Sadykhow, the TRACECA Coordinator, indicated that the present IRTS project should focus upon three key organisations, notably:

- 1- 'Concern' Azeravtonaglat: Its President, Mr. Arif Azi Aslanov has the status of a Minister (and Mr. Nuraddin N. Jafarov is his principal Advisor)⁵⁾. Whenever a Ministry of Transport would be created (no confirmation could be obtained if and when this will happen), Azeravtonaglat would probably be transformed to the Ministry's Road Transport Department.
- 2- SovAvtoBaku, the still-Russian owned ex-SovTransAvto International road carrier (Director Mr. Awas Achmedov and Deputy/Technical Director Mr. Emil Azadov).
- 3- Gate East, the (Holding) Group of Companies exploiting the T.I.R. parks in (more and more places spread over) the country and gradually extending its activities in cargo forwarding, international trucks' maintenance services and (finally) international transport operations.

Georgia

The *Transport Coordination Council* is now in place, with five Sector Heads under the Head of the Council (Mr. Akaki Chkeidze). The sectors are (1) Railways & Maritime transport, (2) Road & Special Transport, (3) Aviation, (4) Research (presumably on all transport sub-sectors) and (5) Economy (presumably covering Feasibility Studies, etc).

The "Centre on the Problems of the Euro-Asian transport corridor at the Transport Coordination Council"⁶⁾ is attached to the Council, and its Head (Mr. Guram Nakaidze) is a first Deputy of the Council's Head ⁷⁾ (Mr. Akaki Chkeidze).

The government work on road transport is the responsibility of the Department of Road Transport. The Department's Chairman (Mr. B. Dardjanja) confirmed that the *TIMOG* project's main recommendations on organisational reform were basically accepted, and would be implemented. The Department (Chairman) is very much interested to receive relevant examples of foreign Roads Departments' organisational structure (organigram) and task

⁵⁾ A letter signed jointly by Mr. I. Sadykhow (Coordinator TRACECA projects) and Mr. J. Kasimov (Head of CU-TACIS) dated 4 April 1996, informed Azeravtonaglat about DHV Consultants executing the IRTS-Caucasus project --as much as possible in cooperation with Azeravtonaglat (including provision of 'space for work').

⁶⁾ The present (April '96) staff of the "Centre on the Problems ..." comprises of the Head, the Deputy Head (Mr. Merabe, with a background in 'hydrotechnics' and 'complex problems'), 1 railway transport specialist, and 1 accountant; there are vacant positions. The main task -of both the Council and the Centre- is, reportedly, coordination and monitoring.

⁷⁾ The official of the Council, responsible for Road (and Special) Transport is Mr. Temur Gorshkov (who is at the moment also the *acting* Head of the Aviation sector in the Council). The Centre has no transport sector specialist yet.

descriptions.

Road transport of goods in Georgia is now 100% privatized or at least commercialized⁸⁾. Currently, one of the Department's main concerns is how to collect the 20% company-income tax from the private road transport operators (both goods and passenger transport); licensing -- and effective control of licensees-- is therefore probably the most urgent requirement. The Department (Chairman) is very much interested to receive documentation on licensing, tariffs and road transport taxation in general.

The IRTS project will furthermore focus its Joint Venture formation attempts on the enterprises identified during the first mission:

- CAUTREXTRANS: Transporter, owning 35 trailers (10 from Germany; Eurostandard?) and 15 (adapted Kraz) pulling unto 28T; moreover, 90 Kamaz (ex-tippers) for 14T payload;
- TbilTransExpedition: Transporter/road transport services provider with whom a (rudimentary) Business plan preparation exercise was started.

GIRCA, the Georgian International Road Carriers Association (ref. IR, section 7.1) may recommend some others of its 'active' members, that might be interested in Business plan preparation exercises.

Armenia

At the kick-off meeting with Minister of Transport and Communications, Mr. Henrik J. Kotchinian⁹⁾, the IRTS-Caucasus project's main objective was explained and a copy of the Draft Inception Report (in Russian), was handed over.

The idea to attempt to get a Group of interested Transport Operators c.s. for a visit to the (South) Caucasian Region with the aim to investigate concrete possibilities for Joint Venture formation is supported by the Minister/Ministry; any correspondence regarding the preparation of such a mission/visit may be directed to the Minister; the Ministry of Transport is the IRTS project's Recipient.

The Armenian Road (Cargo) Transport sector is not (yet) privatized, and the issue of privatization is carefully considered. The Government has a Privatization Plan incorporating some 250 companies (35 were privatized in 1995; about 21 are scheduled for privatization in 1996, etc.), but the State has so far maintained a significant share in Transport companies.

The National Association of International Road Transporters ("TIR Board") has been registered (in Armenia) and its charter is ready. The Deputy Minister is in the process of negotiating IRU membership.

⁸⁾ There are still a great number of 'private' companies in the road transport sector for sale; the Road Transport Department will make available a 'data base' on these companies to Consultants, for possibly interested investors.

⁹⁾ Mr. Ashot S. Shannazarian, First Vice Minister of Transport & Communications is a TRACECA Regional Coordinating Committee member.

3 PROJECT PLANNING

3.1 Overall Plan of Operations (see form 1.4 on next page)

The main issues, identified (in the period January-April '96) as the most useful (i.e. requested explicitly by the Recipient Agencies) are the following:

- Identification of potential partners interested in Joint Venture formation;
- Preparation and organisation of a visit to the region of a concerned 'Business Group';
- Analysis of comparative (road transport) advantage of the TRACECA Corridor through the (Southern) Caucasus;
- Advising on business plan preparation;
- Advising on Road Transport Department's (re-)organization in each of the (3) republics;
- Advising on road transport taxation, licensing and tariffs.

A schedule of the activities addressing these issues, placed within the timeframe of 1996 (from January when the first visit was made until November when the final report is foreseen), was presented earlier in a table which has now been revised somewhat (**form 1.4**). More specifically, the "*Plan of Operations for the next period*" (Form 1.6; page 20 at the end of this chapter), shows the foreseen activities during the period June-November 1996.

1. *General tasks*

General activities concern the overall project organisation, (additional) staffing and backstopping, arrangements with local experts/interpreters and logistics.

2. *Liaison with Recipient agencies/enterprises*

Liaison with Recipients is concentrated during (short term) missions/visits (sofar, Azerbaijan & Georgia were visited twice and Armenia once) but other means (fax, telephone, E-mail in as far as available) will be utilized throughout, including the services of local experts.

3. *Identification of potential JV-interested parties*

These activities (have been and) will take place both in the Recipient Countries and in West Europe, mainly in the Netherlands. The intended 'output' is an interested Group of road cargo transport 'professional businessmen', willing to visit the Caucasian Republics in order to seriously investigate their (own) Joint Venture interests. The visiting Group may consist 3-5 International Transport Operators, plus a HGV-Manufacturer and a Supplier/Operator of Tyre-Manufacturing Equipment, all seriously interested in starting Joint-Venture (like) operations in the Caucasian Region.

OVERALL PLAN OF OPERATIONS

Project title: Improvement Road Transport Services (Caucasus)		Country: Armenia, Azerbaijan & Georgia												Page 1			
Planning period: January - November 1996		Project no. Tracca 94P508															
Project objectives: To facilitate development of the domestic and international road transport industries within the Recipient States		Prepared: April 1996															
No	MAIN ACTIVITIES	TIME FRAME: 1996												INPUTS PERSONNEL - EC Consultants	Manweeks Counterparts	OTHERS Trips/Flights	
		January	February	March	April	May	June	July	August	September	October	November					
1	General tasks														2.0	4	
2	Discussions with relevant Agencies/Enterprises														10.0		5
3	Identification of potential JV - interested parties														3.5	2	
4	Preparation & organisation of 'Business Group' visit														5.0	6	1
5	Analysis of comparative advantage of TRACECA Corridor (Caucasus)														4.0		1
6	Advising on Business Plan preparation (**)														7.0	6	3
7	Advising on Repair/Mice Workshops (TIR parks) modernization (**)														3.0	3	1
8	Advising on Road Transport Department (Re -)Organization														3.5		1
9	Advising on road transport taxation, licensing & tariffs (**)														4.0	3	1
10	Conclusions & reporting														4.0		
														46.0	24	13	
														Total			

(**) Subjects to be presented/discussed in Seminar(s)

STAFF ASSIGNMENT SCHEDULE

Project title: Improvement Road Transport Services (Caucasus)		Country: Armenia, Azerbaijan & Georgia												Page 1			
Planning period: January - November 1996		Project no. Tracca 94P508															
Project objectives: To facilitate development of the domestic and international road transport industries within the Recipient States		Prepared: April 1996															
No	MAIN ACTIVITIES	TIME FRAME: 1996												INPUTS PERSONNEL Field - days	Home - days	OTHERS Trips/Flights	
		January	February	March	April	May	June	July	August	September	October	November					
1	Project Manager (KBr)														58	35	4
2	Road Transport Operations (HdB)														55	17	4
3	Repair/Mice Truck Fleet (DH)														17	6	2
4	Researcher/Business Missions & Business Plan Coordination (E:VG)														40	27	2
5	Road Transport Department (Re -)Organisation (NN)														20	10	1
														190	95	13	
														Total			

EC CONSULTANT EXPERTS: KBr K. Broersma
 HdB H.J. de Bree
 DH D.D. Hoekstra
 EVG E. van Garderen
 NN to be nominated

4. *Preparation and implementation of "Business Group" visit*

A first (proposed) Draft Schedule Visit "Road Cargo Haulage Operators" (with alternatives) has been prepared, for consideration and discussion. The West European parties showing initial interest will have more or less specific and detailed queries/questions that must be clarified; the seriousness of intentions of potential partners on both sides needs to be established *before* the actual visit. As soon as sufficient interest has been confirmed, the program will be finalized and the *receiving* countries' main organisations (Roads Department, TIR Associations, main international operators) will be stimulated to start their preparations. The actual visit is scheduled to take place in (early) September '96.

5. *Analysis of comparative advantages of TRACECA Corridor (Caucasus)*

The analysis is aimed at establishing and exposing the (future) comparative advantage of the *TRACECA corridor* --between Poti in the West and Baku in the East-- as the main transit corridor for *road* cargo transport, based on a detailed review of the constraints (problems, costs, risks) of the most 'popular' (3-4) alternative corridors identified between Western Europe and the Central Asian states.

A seminar presenting --and discussing-- the findings of this review may be held in one or more of the (3) Republics with the various (main) 'players' in the road transport sector, whom the IRTS-Caucasus project has by now identified in each republic. This may be done in combination (in September '96) with the visiting Group investigating their Joint Venture ambitions.

6. *Business plan preparation & dissemination (Seminar)*

This (core) activity, provided that the previous activities will have the intended positive outcome, comprises --inter alia-- the following steps/issues to be addressed:

- (1) Aim of the Plan (Time horizon: 3 years with further 5 year-outlook? related to loan & loan conditions; reference to analyses made!);
- (2) Approach to the Business Plan (Plan is action-based: built-up from individual Action Plans, numbered 1 to ..; it deals with three questions: where are we now? where are we trying to get? what must we do to get there? Current situation must be well understood, as well as objective: Become a commercially based company, financially viable and starting to make provisions for its own investment! Be prepared for eventual introduction of private sector capital! from whom?)
- (3) Structure of the Plan:
 - (i) The Business: Where are we now?
 - Characteristics of company/service/finances
 - Institutional Framework (ownership/management/responsibilities)
 - The Market

- Services provided
- Staff and Management
- Assets and Facilities
- Recent Performance
- Projected "Do Nothing" Situation
- Conclusions

(ii) The Plan: Where are we trying to go?

- Revised Objectives for the company (Financial objective to be reached in Target year; Operational targets)
- The Action Plans (e.g. addressing Payment arrears; Revision of concessionary tariffs; Redefining Area(s) of Operations; Reduction of Operational Fleet; Rehabilitation or Capital Repair; Investment in Spare Parts/Maintenance Facilities or Contracting-out Maintenance; Technical Training for Staff; Administration and Information/M.I.S.; Tariff Revisions)

(ii) A Viable Company

- Forecast Financial Performance (after implementation of all Action Plans: internally generated cash flow surpluses to be invested in new trucks replacing fully depreciated ones; sustainable profit level?)
- Risks or Sensitivities
- Conclusions: A Bankable Project?

7. *Advice on Repair/Maintenance workshops (TIR parks) modernization*

This activity will be focused on providing repair- and maintenance facilities tailor-made to the drivers' requirements; most drivers do their own (routine) maintenance, but may need occasionally a specialist mechanic's assistance (advice) or special tools. The service should facilitate in particular *emergency repairs* including supply of spare parts, enabling the driver to continue his journey. Once such facilities/services are operational, "Service Contracts" may be concluded with (large) transport operators whose trucks/drivers frequently call at the TIR park.

8. *Advice on Road Transport Department Reorganization*

This activity (identified primarily in Georgia, but also stated as an important issue in both other Republics) concerns advice on a new or modified organisation with basically the following four (4) basic tasks/sections:

(1) *Dealing with Legal Affairs & Foreign relations*

- Legislative issues (first: modernizing the **Transport Law** for Goods & Passenger Transport respectively & then implementing this new Law);
- Harmonisation of international (cargo) transport documentation;
- Bilateral transport agreements with relevant, foreign countries and administration of negotiated results (e.g. quotas);
- Joining and maintaining international transport conventions.

- (2) *Licensing of motor vehicles*
- Issuing licenses for (1) cargo transport, (2) passenger transport and (3) auxiliary (transport) services;
 - Monitoring of Licensing systems, both in a technical sense -related with (3) Safety Regulations (see hereafter)- and in a financial sense, i.e. assessing the adequacy of Revenue generation for the Republic's Transport Budget.
- (3) *Road Safety Regulations & Vehicle Inspection*
- Technical standards of motor vehicles (for licensing and 'on the road');
 - Regulations on road transport/traffic concerning i.a. (maximum) weights/volumes/sizes, dangerous cargo, driver qualifications, compliance with driving- and rest hours, and with (international) documentation.
- (4) *Road Transport Planning*
- Monitoring and evaluation of motor vehicles licensing and assessment of road transport *demand-supply balance*, i.a. regarding international (road) transport;
 - Dialogue with Public- and/or Private Passenger Transport Enterprises and with Private Road Carriers on conditions and developments in the respective sub-sectors;
 - Forecasting of likely demand-supply (balance) developments in the concerned sub-sectors.

9. *Advice on road transport taxation, licensing and tariffs*

This activity highlights the main problem area and (new) tasks of the (new) Road Transport Department (ref. previous item) that are considered to be of highest priority.

10. *Reporting*

Reporting activities concern the Administrative Progress Reports, including technical (Interim) reporting in the form of annexes.

3.2 Staffing/Schedule revision

In view of the revised Plan of Operations, a revision of the Consultant's staffing will be required. It is proposed to incorporate two additional experts in the consultants' team, notably:

- A researcher dealing with the analysis of the comparative advantages of the (Caucasian) TRACECA Corridor, who will also be heavily involved in the 'Business Group' visit preparation and organisation and in supporting Business Plan preparation and dissemination (Ms. E. van Garderen; please refer to her CV, Annex B);
- A representative of the (Netherlands) Ministry of Transport, International Freight Transport Department, advising on the Recipient Republics Road Transport Departments' (re-) organization, as well as on road transport taxation, licensing and tariffs (selection of candidate is ongoing).

The adapted Overall Plan of Operations is attached as Annex C, whereas the Plan of Operations for the next period (Form I.6) indicated the distribution of tasks (activities) among the Consultant's teammembers, and the respective distribution of time allocated.

The next 2-3 week visit to the three Republics is scheduled to start on 6 July '96 (Mr. H.J de Breet and Ms. E. van Garderen).

Breakdown of Costs revision

As a result of the staffing/scheduling revision, there is also a 'budget-neutral' revision of the original Breakdown of Costs, please refer to Annex D.

Technical Annexes A.1 - A.7

Background information, mostly of a technical nature, is contained in annexes at the end of this report, grouped under the following headings:

Annex:	Title:
ANNEX A.1	Obtaining modern Heavy Goods Vehicles
ANNEX A.2	Carnet TIR and IRU
ANNEX A.3	Other related TRACECA projects
ANNEX A.4	Joint Venture potential and leasing of (2nd-hand) HGV's
ANNEX A.5	Road (Freight) Transport Regulations
ANNEX A.6	First DRAFT Business Plan prepared by/with Joint Stock company T...
ANNEX A.7	First DRAFT Business Plan prepared by/with Joint Stock company K...

PLAN OF OPERATIONS FOR THE NEXT PERIOD (Work programme)

No.	ACTIVITIES	TIME FRAME 1996 (months)											INPUTS		EQUIPMENT & MATERIAL	OTHER			
		6.	7.	8.	9.	10.	11.	EC Consultant	Counterpart (manweeks)	Trips/ Flights									
1	General Tasks																		
2	Liaison with Recipient Agencies/Enterprises		X-----X		X-----X														
3	Identification of potential JV - interested parties	X-----																	
4.a	Preparation of "Business Group" visit	X-----																	
4.b	Implementation of "Business Group" visit	X-----																	
5	Analysis of comparative advantages of TRACECA Corridor (Caucasus)																		
6	Business Plan preparation & dissemination (Seminar)		X-----X																
7	Advice on Repair/Mtce workshops (TR parks) modernization																		
8	Advice on Road Transport Department (Re-)Organization																		
9	Advice on road transport taxation, licensing & tariffs																		
10	Reporting on findings/conclusions																		
												EC Consultant	32 weeks						
												Counterpart	20						
												Trips/Flights							
												TOTAL:	(remaining)						

DHV Experts:

Project Manager:
Road Transport Operations Expert:
Automotive/Workshop Expert:
Researcher/Business Group visit organisation:
Min. of Transport (Int. Freight) advisor:

K. Broersma
H.J. de Breet
D.D. Hoekstra
E. van Garderen (additional)
to be proposed (additional) NN (5)

KBr (6)

HdB (8)

DH (2)

E. van Garderen (additional)

EvG (11)

to be proposed (additional) NN (5)

Project objectives: Facilitate development of the international (and domestic) road transport industries within the Recipient States. Assist viable private (to be privatized) autonomous operators in gaining a market share of international transport.

4 COLOPHON

Client	: TACIS FUND
Project	: TRACECA - Improvement of Road Services
File	: k.4249.01.001
Length of report	: 21 pages
Author	: K. Broersma
Contributions	: E. van Garderen
Project Manager	: K. Broersma
Project Director	: R.J. Vaandrager
Date	: 10 June 1996
Authorization	:
