



TRACECA - Railways
Inter-State Tariff and
Timetable Structure
TNREG9501

Inception report
30 October 1996

COPIE

INCEPTION REPORT

Project Title	:	Traceca - Railways Inter-State Tariff and Timetable Structure	
Project Number	:	TNREG 9501 (Contract Number 96/5/56)	
Countries	:	Southern republics of the CIS and Georgia : Armenia, Azerbaijan, Georgia, Kazakstan, Kyrgyzstan, Tadjikistan, Turkmenistan, Uzbekistan	
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Traceca - Railways Inter-State Tariff and Timetable Structure

Inception report

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1. PROJECT SYNOPSIS

Project Title	:	Traceca - Railways Inter-State Tariff and Timetable Structure
Project Number	:	TNREG 9501 (Contract n°96/5/56)
Countries	:	Southern Republics of the CIS and Georgia : Armenia, Azerbaijan, Georgia, Kazakstan, Kyrgyzstan, Tadjikistan, Turkmenistan, Uzbekistan

Project objective(s)	:	<ul style="list-style-type: none">- to promote trade in the Southern Republics of the former Soviet Union,- to re-develop international railway traffic,- to improve railways economic performance through more accurate cost analysis,- to define long term development strategy in international freight common to all railways,- to enhance railways co-operation by sharing responsibilities on common bodies,- to adapt railway legal environment to world standards
Project outputs	:	<ul style="list-style-type: none">- international freight marketing plan- draft international timetables and tariffs- modern cost analysis methods (SYSMANAGEMENT)- recommendations for the setting up and implementation of a common body (bodies) managing international traffic- recommendations for setting up common bodies in charge of freight tariffs, revenue sharing, disputes, etc..- recommendations for setting up a clearinghouse
Project activities	:	<ul style="list-style-type: none">- review of railway and related operations (wagon allocating system, timetables, technical constraints, port operations, internal marketing organisation)- promotion of modern cost analysis; training of cost and tariff specialists,- analysis of international freight market,- review of customs procedures,- review of transport legal environment in order to compare with western standards and pin-point necessary changes,- managing of Steering Committees of high level officials,- reporting
Target group(s)	:	<ul style="list-style-type: none">- high level officials of the Ministries of Transport, Railways,- officials of Port Authorities and Sea Lines
Project starting date	:	19 July 1996 (date of contract signature : 05/07/96)
Project duration	:	18 months

1.2. Simplified logical framework

1.2.1. Wider Objectives

To assist in the definition, implementation and promotion of international railway services throughout the TRACECA states in order to help railways gain back traffic lost to other transport means.

To improve overall economic performance of TRACECA Railways.

To facilitate trade among the Southern Republics of the former Soviet Union and between the Caucasus and Central Asia region and the rest of the world.

1.2.2. Specific Project Objectives

To define realistic timetables and gather specific commitment of participating railway and maritime routes.

To assess cost structure and relevant constraints, including competitive pressure, propose appropriate pricing / revenue sharing mechanisms and gather commitment of participating railway and maritime routes, help implementing them.

Similarly, to propose and implement mechanisms for the sharing of resources and commercial activities, whenever it would result in a more efficient use of resources, or in improved value for users, in particular, consider the impact of alternative wagon owning structures, of one stop shopping facilities for users, and of state of the art clearing mechanisms.

To define and propose institutional mechanisms allowing transportation professionals to contribute to the strategy and organisation of the railways.

To create and coach a team of professionals from the TRACECA states, in a position to take over co-ordinating / regulatory role after the project finishes.

To define and create a body in order to manage international freight traffic in a manner suited to freight forwarding professionals.

1.2.3. Outputs - Activities

1.2.3.1 Outputs

International freight marketing plan

Based on market analysis conducted in Traceca states and in Europe, the plan will carefully define the kind of service which is up to world standards; it will suggest a pricing policy and promotion means and methods.

As partnerships are vital in freight forwarding business, the plan will suggest target partners with whom agreements should be negotiated.

Tariffs and timetables :

Draft international tariffs for freight, draft agreement on tariffs and revenue sharing and draft timetables for international freight trains will be issued. They will be carefully established with railway technicians, taking into account related problems and constraints.

A set of performance criteria will be offered to railway technicians.

Cost analysis :

One technician from each railway will be trained to use SYSMANAGEMENT. We shall set up workshops in Tashkent and Tbilissi to perform this training. A thorough analysis will be conducted on Ouzbek and Georgian railways figures; this will serve as a case study for the other railways.

One computer and SYSMANAGEMENT software will be handed over to the trained technicians so that they can use regularly this modern tool back in their office.

Common operational body :

Recommendations will be issued so as to make the railways create a common subsidiary or related body managing international freight operations.

Drafts statutes will be proposed to decision making officials so that this part of the project could be started as soon as possible.

A set of draft agreements with the railways and other operators participating in international traffic will be issued.

Other common bodies :

In order to review tariffs, share international freight revenues on a fair basis, solve disputes, etc... draft agreements will be issued. They will lead to the creation of specialised bodies handling these matters.

Clearinghouse :

International freight can be invoiced anywhere along the line; as a result compensation between railways are of major importance to make sure that each one gets its share of the revenues.

We will issue recommendations so as to set up a clearinghouse; this will be done taking into account the long experience that western European railways have gained in this field; our recommendations will adapt European practices to Traceca realities.

Remedial actions plan :

Even though Traceca railways limited performance do not impair the re-development of international traffic, we will issue a remedial action plan that will help railways to rate technical problems and insist on the most urgent matters.

This will contribute to harmonious future development of railways operations.

Free Trade Zones

Some Central Asian countries expressed their willingness to negotiate the use of port facilities on the Black Sea. We shall review this problem and issue recommendations on ways to negotiate specific agreements with Georgian authorities and to which extent customs and tax privileges could be granted to foreign governments.

Setting up inland free trade zones, though fashionable, seems to be a remote preoccupation. However we will issue a review on current free zone practices and basic bonded warehouse regulation.

1.2.3.2. Activities

Analytical

- ◇ define timetables and quality of service
- ◇ measure costs
- ◇ evaluate competitiveness of the route
- ◇ propose pricing structure
- ◇ clear legal and customs related obstacles

Operational

- ◇ promote pilot trains with selected EU shippers and transport professionals
- ◇ promote and help set up a legal body managing international freight traffic

Gathering commitment / consensus

- ◇ obtain agreement on timetables
- ◇ obtain agreement on pricing
- ◇ obtain set-up for pilot operation
- ◇ obtain agreement on institutional matters

Reporting

- ◇ ad hoc reports
- ◇ progress reports

1.2.4. Inputs

The Consultant's technical assistance will include :

- 78.5 man months of western short term experts,
- 105 man months of local experts and staff,
- interpreters and translators as needed,
- 2 permanent offices in Tashkent and Tbilissi,
- office equipment for 2 permanent offices in Tashkent and Tbilissi,
- computers and software for the use of railway cost and tariff technicians,
- all back office equipment as needed.

These inputs are recorded on the relevant form thereunder.

2. ANALYSIS OF THE PROJECT

2.1. Project context

2.1.1. Background

Traceca states became independent recently. They expect to keep their independence and do not want to rely on one sole import and export channel particularly when it is controlled by their powerful northern neighbour.

Developing the east-west Traceca corridor is of major importance to them, particularly as they have no sea ports of their own (except Georgia).

The collapse of the former USSR affected trade in many ways in this area :

- domestic traffic, moving freely throughout the region, became overnight international traffic submitted to customs formalities and other legal obligations,
- traffic flows, mainly from and to the Russian Federation, have been dramatically reduced (8 fold in some instance),
- south, east and west borders have been opened, thus re-orienting international traffic from an almost exclusive North/South route to a more diversified pattern,
- market economy introduced competition allowing road transport operators to take freight away from railways.

All this resulted in a dramatic reduction of railway revenues at a time when they needed the influx of new capital in order to better maintain, let alone upgrade, their networks. Traceca railways are conscious that international freight revenues, some of them in western currencies, could ease their financial problems and they are eager to re-develop international operations.

Last but not least, railways are the backbone of their transport system and Traceca states cannot afford to let them fall apart. For the western world it would be an incredible setback at a time when concern is growing about road transport environmental impact and supporting railways becomes to be considered a priority.

These are the main reasons which have conducted European Union experts to recommend assistance to the Traceca railway corridor and to include our programme in the general trade facilitation scheme.

2.1.2. Summary of inception period and outcome

During the period from September 9th to October 5th, the Project Director and the Team Leader toured the 8 Traceca countries, in order to get acquainted with the beneficiaries and to get first hand insights into the project contents.

The four "core Traceca countries" (Uzbekistan, Turkmenistan, Azerbaidjan, Georgia) were visited jointly; the four others separately. Travel was traditionally conducted by car and

aircraft; in addition, the team crossed the Caspian Sea on the ferry boat, and went from Baku to Tbilissi by train.

In accordance with instructions received from the Task Manager, the project was introduced to beneficiaries stressing its very practical purposes; as time passed, and reactions were gathered from talking partners, the project was streamlined and focused even further, leading to a project synopsis as shown in annex.

In practice, the real purpose of the railways should be to gain back market share from Turkish, Iranian and other trucks, improve the value of their service to customers, and accordingly set prices at levels commensurate with this improved value.

Our project is geared to precisely just supporting this purpose :

- timetable issues are to be defined within a slightly larger quality of service area, and directly purpose to improve the value of the service to potential customers; all issues related to the movement of trains and ships are concerned, including customs related matters;
- costing issues are part of a broader pricing area, where costing and competitive data would be put to use in order to generate "market" levels for prices, for various levels of service; similarly, those prices would be broken down in order to generate "fair" revenue sharing formulae;
- institutional issues would deal with defining and implementing mechanisms that would make it more convenient for shippers and transport professionals alike to use Traceca, and would ease any difficulties potentially arising from multiple bilateral relationships between involved parties; among related matters : joint marketing of the service (and one stop shopping for clients), joint promotion of the service (and appointment of commercial agents in a position to bring traffic), handling of payment matters (and related clearing of reciprocal claims), management of a pool of rolling stock, ...
- A sensible output of well managed commercial and payment issues would be the setting up of an escrow account, which could be used for clearing internal claims, but most importantly also as a security for the repayment (to EBRD, IBRD, ADB, ...) of infrastructure related loans; this point has not been mentioned with beneficiaries, but may be discussed between interested Western parties, in line with EC's own agenda.

2.1.3. Expectations of the beneficiaries

General expectations :

Expectations on Traceca in general are related to the financing of infrastructure related investments. On this background, it proved essential for our project to create quickly specific expectations, i.e., to define its own added value.

Another widely shared perception is that railways traffics are, so far, essentially dictated by political considerations, where the market plays no or little role; for instance the export of locally grown of mined commodities, through one route or another is largely a matter of government decision, and represents the bulk of the traffic today.

On this background, our purpose to :

- work on timetables is considered a low value, technical matter, as commodities have no choice but to take the train, and "can wait",
- work on costing and pricing is considered a mixture of again nearly useless technical work (replicating what MPS and the yearly pricing conference already does, at the apparently

complete satisfaction of many railways officials), and of unwarranted interference into their internal matters (pricing is a political decision, primarily effecting monetary transfers between shippers and the railways),

- work on institutional issues is considered unwelcome interference into internal matters.

The need to define and stress value added becomes accordingly more acute.

Despite official scepticism on the outcome of our project, railway officials did not question the need to seriously start bringing international freight back to the railways and help restore their financial balance and borrowing capacity.

They conceded that this cannot be achieved solely with bulk shipments of commodities which are carried at comparatively low price and depend upon fluctuating world markets demand. It was generally agreed that implementing a sound marketing policy based on improved services could win back small and medium sized clients and that this could be the starting point of larger scale traffic re-development.

2.2. Main problems/deficiencies

2.2.1. Poor network condition

Traceca railways are generally considered to be in bad condition. However, this does not have a decisive impact on the re-development of international freight. Overall traffic is so low that, unexpectedly, we found that there was enough capacity to suit international transport needs.

Running time could be improved but it seems that, for the time being, it is still quite acceptable. Professionals have more serious complaints and we realised that other roadblocks should be removed before this subject becomes an issue.

2.2.2. Crossing the Caspian sea

Falling rail traffic has greatly reduced ferry services. Besides road traffic, apparently more profitable for the Caspian Sea Shipping Line as well as for other related interested parties, seems to be privileged against rail traffic. As a result freight wagons are stuck at the port and a considerable - and unpredictable- amount of time is wasted in the process.

Serious disputes arose between railways and the shipping line when they started charging the railways for the return trip of empty wagons, as this was not the case previously. We were puzzled to realise that this dispute is going on and that railways still hope to make the shipping line change its new policy.

On the contrary, we feel that the Caspian Sea Shipping Line is a natural partner in the development of international rail traffic (and of our project for that matter) and that they should be associated to any future venture.

2.2.3. Border crossing formalities

These are not only time consuming by themselves (our passenger train waited for three hours at the border between Azerbaijan and Georgia) but generate unexpected extra delays.

We witnessed the loading of one ferry in Turkmenbashi. For unknown reasons it took more than 8 hours (for about 50 trucks and as many cars !) even though a 2 hour loading time had been announced.

We were even told that truck drivers eager to board the next ferry would not hesitate to tear customs seals off the wagons so that the customs would block the train for wagon inspection thus making room for trucks on the ferry.

2.2.4. Poor relations between government bodies

Railways, Customs, Immigration, Port Authorities and Shipping Lines do not seem to conduct regular meetings on matters of common interest. As a result they are bound to make decisions without taking into account other parties needs.

2.2.5. Lack of real market consciousness

We encountered officials reacting negatively to the marketing approach. We were once told that they had had « enough of marketing courses » and they were still waiting for the results. Even client dissatisfaction does not seem to move them - at least officially - and they tend to fall back into old habits : « the government should issue decree forcing importers to use wagons instead of trucks » ventured some high ranking railway official.

This profound misunderstanding will have to be overcome by showing very concrete and practical benefits of a sound marketing policy.

2.3. Situation of local operators

The individual railways seem to be commercially in a desolate situation. Even Tacis, which invests significant sums into the promotion of Traceca, would not use it for such visible undertakings as the shipping of food aid; the CU in Turkmenistan praised in their Newsletter the competitiveness of the northern route in unambiguous terms.

Trucks, mostly from Iran and Turkey, are to be seen everywhere, and, according to shippers, would be given the preference (even at twice the price) over railways systematically, as a result of the poor and unpredictable performance of the latter.

The reasons for poor performance are many, but mostly related to the inadequate coordination between railways and between states (customs ...), or to more common preference given to physical productivity rather than to customer service.

Trucks coming from Iran and Turkey with mostly consumer goods, and longing for backhaul freight, would even carry commodities back home, thus eating away at the traditional market of the railways.

As a result, the traffic is at an all time low, and is in the current circumstances unlikely to increase (or rather, the railways are unlikely to gain back market share), unless serious remedial action is taken.

In order to remedy this situation, the four "core Traceca countries" signed an agreement (to be procured soon), providing for reduced rates for cotton and other goods.

We believe, and argued, that such an agreement by itself is unlikely to bring the railways back to financial health; other, supplementary measures are needed, in order to restore the confidence of shippers, gain back traffic, and improve price levels.

2.4. Target groups

The target groups in this project are primarily the high ranking officials of the Ministries of Transport and/or the Railways, whether managing the « trunk line » ALMATY-POTI or the branch lines to other parts of Kazakstan, to Kyrgistan, to Tadjikistan and to Armenia.

Port Authorities in Baku and Turkmenbashi as well as the Caspian Sea Shipping Line are prime partners for the management of the trunk line.

Port Authorities in Poti and Batumi will also be associated to the project whether for its Free trade Zone component or simply for the management of the trunk line.

2.5. Commitments

Commitment of local counterparts will be mainly ascertained through :

- participation of cost and tariff specialists in cost study workshops (SYSMANAGEMENT software),
- participation of high ranking officials in Steering Committees, making strategic decisions on common bodies,
- participation of high ranking officials to study tours in Europe devoted to (1) setting-up, running and controlling railway subsidiaries and (2) railway freight marketing,

Other commitments :

- logistics support will come from our 2 offices in Tashkent and Tbilissi,
- reports will be delivered according to TOR requirements,
- time-schedules and other activities will be followed according to plans printed thereunder.

2.6. Review of current or completed activities

As stated above, the Project Director and the Project Manager have been visiting the 8 Traceca states as soon as the summer holidays were over and meetings could be arranged. The present Inception Report is based on their findings.

The length of the trip in Central Asia and the Caucasus has resulted in delays for writing the present Inception Report. The Task Manager has been advised in due time of this alteration to the normal schedule and has agreed to postpone the I.R. date to October 31, 1996.

In the meantime, task 11 has been started. A questionnaire has been prepared so that as much information as possible will be gathered through interviews with Traceca states importers and exporters. Interviews will start in Tashkent in the very first days of November.

In depth interviews with freight forwarders will start only when enough pieces of information have been obtained from clients.

All the findings will be presented at the first Steering Committee and will fuel the debate on marketing strategy.

All activities performed from contract starting date to this day are listed on the table « PROJECT PROGRESS REPORT » which we inserted in this IR.

3. PROJECT PLANNING

3.1. Relations with other projects

Two projects are of paramount importance to our own project : traffic forecasting and legal and regulatory matters.

Regional Traffic Forecasting Model is bound to deliver key quantitative data, which will allow us to measure in concrete terms our potential in attracting traffic (so as to further convince the beneficiaries), and to direct our efforts in concretely attracting it; our first meeting did not deliver expected results, and it was agreed that a second meeting would take place as soon as possible. If this project would be unable to, or significantly delay the delivery of expected results, this would seriously hamper our own project, and we would expect the Commission to help us in this matter.

Traceca Legal and Regulatory Framework project identified serious problems in the management of transit wagons (which are opened for inspection by customs officials in countries crossed ... and can be held till the inspection has been carried out); we expect our Traceca colleagues to focus their efforts on the solving of this problem, as it alone can undermine in a devastating way the credibility of the Traceca link. We will also follow closely their related project : Trade Facilitations.

We will follow closely the Forwarding - Multi modal Transport System project as container shipments can become one of the basic traffics using the Traceca line. On the other hand, a regular, competitive, Traceca rail service would greatly help boost container traffic from and to western Europe. We expect to gain much from its analysis of the balance between eastbound and westbound traffics.

As some of our experts are related to the teams of the last 3 projects mentioned above we expect no particular problem in getting information from our colleagues.

Other, infrastructure related projects, will be important in assessing specific physical constraints to the passing of trains, and their impact on possible schedules; we do not however at this stage expect these projects to document serious obstacles to the passing of trains, as early results tend to show that many requests for funding of "kapitalnyi-remont" significantly worsened the picture (cf. Sharzhou bridge).

Finally, we could not get in touch with the « Transcaucasian JV » project, and still plan to do it, as it will deal with related institutional issues. The same applies to Port network Plan and Improvement Programme.

3.2. Project goals and objectives

In order to ensure maximum commitment of the beneficiaries to our project we have to reconcile two apparently different goals :

- the first goal which is, for the railways, to gain back much needed international freight as soon as possible,
- and the main goal, which is to regain some financial ease and borrowing capacity by improving overall economic performance.

Keeping this in mind we sorted the actual project objectives as follows.

3.2.1. To re-start development of international operations

This means that a regular service will have to be run from one end of the line to the other. Timetables will be announced and kept, so that professionals will be confident that, no matter what, their wagons will be picked up on a certain date and delivered on a certified other date.

It means also that operations will have to be made simpler. Asking customers to negotiate with several railways along the line is not the best way to gain back clients that are now used to negotiate door-to-door services with road transport operators.

This objective will be close when regular international service is assured making possible to market a sound commercial offer.

As previously suggested, we consider that the best and fastest way to reach this overall objective is to create a common body (subsidiary ?) which will be in charge of managing international operations.

3.2.2. To improve economic performance by using more accurate cost analysis methods

This objective will be reached when railways management is able to rely on a sound basis for calculating their operational costs.

The first stage will be reached when cost technicians have been trained on SYSMANAGEMENT system. Upon their return they will be able to implement it in their own railways and, when ready, deliver regular accurate information to the upper management of the railways.

3.2.3. To set a long term strategy for international freight development common to all railways

This objective will be reached mainly when :

- the service is clearly defined; this implies agreement on international timetables, agreement on day-to-day operations, agreement on international rail transport regulation, etc...
- prices are agreed upon; this implies to agree on revenue sharing mechanisms as well as price revision systems,
- promotion is assured through commonly agreed channels (railways themselves, other professionals, outsiders) in Traceca countries as well as in foreign countries.

3.2.4. To ensure Traceca countries railways long term co-operation

This will be reached when railways decide to set up common institutions such as :

- a clearinghouse,

- a tariff council
- an arbitration procedure to settle claims

A regular day-to-day co-operation on such practical matters will incline railways managers to develop long-term co-operation on all levels, and at least on international matters, and this is exactly what is needed to stabilise long-term policies.

3.2.5. To adapt Traceca countries rail transport laws and regulations to world standards

This objective will be reached when railways are able to join international institutions such as UIC.

Step by step, this implies mainly to :

- simplify transit procedures and use internationally accepted documents,
- adapt liability rules,
- sign international rail transport conventions and accept CIM procedures,

This is not a comprehensive list, of course, and in the course of this project needed adaptations will be listed.

3.2.6. To facilitate trade in traceca countries

Generally speaking, one of the project objectives is to help facilitate trade in the area. In this respect all above listed objectives will contribute to this goal. However there is still another favourable component and that is to promote Free Trade Zones, or at least as explained above, to make recommendations on the ways to negotiate the use of some port facilities on the Black Sea.

3.3. Project approach

We confirm the detailed approach expressed in our proposal. However, we have been very sensitive to the beneficiaries constant request , i.e. to find ways to re-start development on international rail traffic as soon as possible.

3.3.1. Main adaptation of our project

Beneficiaries impatience, as expressed above, has led us to make recommendations for project changes particularly regarding the following two matters :

Common operational body :

We suggest to study, recommend and implement the creation of an operator common to all railways involved.

This structure would be in charge of defining service conditions with the networks, marketing the agreed service, managing and/or controlling day-to-day operations, invoicing customers, sub-contracting related services, etc...

Of course, technical operations would still be performed by the railways involved (wagon allocating, train formation, etc...).

The structure would act like a separate company, concessionary of international rail services. It could be created as a direct subsidiary of all involved networks or through any other form suitable to them. INTERFRIGO/INTERCONTAINER, the common subsidiary of European railways could be taken as a model for such an operation.

Steering Committees

Such ventures must be undertaken or controlled by people in charge of all strategic decisions.

We are convinced that the only way to have the networks co-operate fully is to organise steering committees of high level officials. Then they will make decisions that can be expected to be implemented by their own people.

We wish to organise 5 Steering Committees, meeting once every 2 or 3 months in a different Traceca state capital. Each meeting would be chaired by the receiving party representative (hopefully the head of the railways) and our management team would act as moderators.

Effective decisions made there would be implemented with the help of our permanent staff and experts.

3.3.2. Clearinghouse

It has been found that reciprocal invoicing and payments, though a smaller concern during MPS years, might become of prime importance between railways belonging to independent states.

This point has been raised in earlier discussions with the Commission. We feel that it would make sense to add a component to our project allowing for effective clearing mechanisms to be implemented.

Drafting specifications for such a component falls within the scope of our project; we believed that the Commission could budget at this time for such a component, including :

- detailed procedural work
- information systems, for procedures to be computerised and implemented error free
- project supervision / overhead

As agreed with the Task Manager, we are addressing, separately, all detailed specifications concerning this new task. However, this activity, along with detailed inputs of experts, flights to Traceca countries and Per Diem are included in our « Overall Plan of Operations ».

3.3.3. Training

In a former meeting with the Task Manager we agreed to consider that the initial training programme did not seem to fit our project's revised goals as expressed above.

In the meantime we have been working on a new proposal adapted along these lines :

- our target groups being high officials, our programme should be divided solely for this « public » and be delivered on shorter periods (a week or less).
 - railway officials main expressed concern being to re-develop international operations as soon as possible, we suggest to concentrate a one week seminar/visit on studying effective european railway subsidiaries that act as concessionaries of a particular rail transport service,
 - long term success being based on the possibility to regain traffic lost to the competition, we suggest to spend another week in Europe in the sole subject of rail freight marketing.
- We intend to organise a programme with a high added value and we made sure to be helped by such professionals as INTERFRIGO/INTERCONTAINER people.

3.3.4. Other minor changes

Free trade zones

This issue raised little interest with our beneficiaries, and offers little prospects of concrete implementation within our allocated time frame, or even as a direct result of our work. One exception however : if the Georgian ports proved too inflexible, central Asian countries would carefully evaluate proposals by Turkish authorities to use neighbouring Turkish ports to be operated with near free zone status.

We would therefore propose to focus on ways to negotiate agreements with Georgian port authorities for the free use of certain port facilities.

Elsewhere on the Traceca route, regular bonded warehouses should answer most of industrialists needs.

As agreed with the Task Manager, we propose to keep only one of our free zones experts, our Mr. FLEURY who has a past experience on port management.

He will issue recommendations on port zones and a set of common rules for bonded warehouses if they are needed. As a result he will dedicate less time on this subject than indicated in our proposal and we expect to reduce this task to 2 man months only.

Passenger traffic

As agreed with the Task Manager, passenger traffic is excluded from our project, except for tasks, such as costing, for which some hypothesis will have to be discussed as there are consequences even for freight.

Customs procedures

In order to limit duplication of efforts with other projects, we believe that our work on customs procedures should be focused on the practical avoidance of physical checks of merchandises in transit, as it very directly and visibly impacts the quality of service performance of the route we are to promote.

Assessment of Traceca route competitiveness

It appears that we will have to interview (and then convince) european freight forwarders that major actors in international transport in this area. As a result we will have to conduct meetings in the main European shipping centers such as Basel or Buchs in Switzerland, Hamburg in Germany, Rotterdam in the Netherlands and, possibly, Anvers in Belgium.

This will generate unexpected expenses and an additional request for trips costs and Per Diem is included in the next chapter.

3.3.5. Experts list

As we had advised the Task Manager, MM. DERYCKE and MOREAU are on Sema Group Belgium payroll. On October 25, Sema Group Belgium has been definitely awarded the monitoring contract for projects in central Asia. As a result, Brussels monitoring authorities have requested that both experts be bared from participating in Traceca projects.

At the moment, we are gathering CVs of other experts and we will present them to the Task Manager.

M. BURGAUD

As explained above we do not need any longer 2 experts for task 17 (-3C1- Free Trade Zones) and M. Burgaud will not appear as an expert on this project.

3.4. Changes required in budget

3.4.1. Expenses

Expenses related to the training of economists on costing / pricing matters, and the collection of costing data

- | | |
|------------------------|--|
| - living expenses | 8 people x 6 weeks x 50 ECUs = 2400 ECU |
| - transportation | 6 people x 2 return trips x 200 ECUs = 2400 ECU |
| - additional computers | 6 laptops @ 1900 ECU (in order to make sure that eventually all countries would be able to run SYSMANAGEMENT on dedicated hardware |

TOTAL : 16.200 ECU

Expenses related to meetings of the steering committee / working groups

These expenses will be more clearly budgeted when we have reached agreements with all participants.

However at this point we can estimate that we will be requested to bear a part of the participants costs; we will suggest a lump sum of about 300 ECU per participant :

- the budget for one committee would be : $300 \times 7 = 2.100$ ECU per committee

TOTAL for 5 Committees : 10.500 ECU

Expenses related to the assessment of TRACECA route competitiveness :

- trips in Europe :	4 trips at 400 ECU = 1.600
- per diems	12 days at 250 ECU = 3.000
TOTAL :	4.600 ECU

3.4.2. Savings

free trade zones

2 man x months	26.000 ECU
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3.4.3. New Task / Clearinghouse

A separate offer is being sent to the Task Manager. However the amount will be in the range of 75.000 ECU's.

At this time, man x months and other inputs covering this task, though not budgeted yet, appear in our form 3.4 « Overall Plan of Operations ».

3.5. Intended results

They will be regularly reported in Progress Reports on :

- January 31st, 1997
- July 31st, 1997
- October 31st, 1997

The final Draft Report is scheduled for January 31st, 1998

Other technical reports will be provided as shown in our offer.

Memorandums will be issued at the end of each Steering Committee.

3.6. Overall planning

At this point we have been able to adapt our overall planning to what we found in the field. Though we have slightly delayed some tasks we do not expect to be behind of schedule on the overall plan.

Form 3.6 appearing as an annex will show detailed planning.

3.7. Constraints, risks and assumptions

At this point we can only stress that the kind of fundamental decisions that we will ask transport and railways high officials to make, are tough decisions (such as the creation of new bodies taking away some part of their power). Political matters could interfere with our recommendations.

We assume that the need for drastic changes improving rapidly railways financial situation will help us carry the message that we (and the European Union) intend to carry.

3.8. Planning for next period

Planning for the next period appear on form 3.8 as an annex.

We will go on with task 8 (Assessment of Traceca Route Competitiveness) which started in October.

Task 11 (Costing Methodologies) will start in November.

This first Steering Committee, which does not appear as a task, is scheduled for the first week of December.

Traceca - Railways Inter-State
Tariff and Timetable Structure

Inception report

Annexes

Form 2.6	PROJECT PROGRESS REPORT
Form 3.6	OVERALL PLAN OF OPERATIONS
Form 3.8	PLAN OF OPERATIONS FOR THE NEXT PERIOD

2.6 PROJECT PROGRESS REPORT

Project title : TRACECA - Railways Inter-State Tariff and Timetable Structure Planning period : from start to October 31/1996 Project objectives : to assist in the definition, implementation and promotion of international railway services throughout the TRACECA states	Project number : TNREG 9501 Contract number : 96/5/56 Prepared on : 30th October 1996	Country : Southern Republics of the CIS and Georgia EC Consultant : S.I.S.I.E 83 bd Exelmans, 75016 PARIS, FRANCE	Page : 21							
TIME FRAME										
N°	MAIN ACTIVITIES	1996				INPUTS				
		7	8	9	10	EC	COUNTERPART	EQUIPMENT & MATERIAL	OTHER	
1	Project Management					3	1		3	59
8	(3B1) Assessment of TRACECA route competitiveness					0,5	0		0	0
						3,5	1		3	59

3.8. PLAN OF OPERATIONS FOR THE NEXT PERIOD (Work programme)

F.1.6.

Project title : TRACECA - Railways Inter-State Tariff and Timetable Structure		Project number : T NREG 9501		Country : Southern Republics of the CIS and Georgia		Page : 23	
Planning period : November, 1st, 1996 to January 31st, 1997		Contract number : 96/5/56		EC Consultant : S.I.S.I.E 83 bd Exelmans, 75016 PARIS, FRANCE			
Project objectives : to assist in the definition, implementation and promotion of international railway services throughout the TRACECA states							
N°	MAIN ACTIVITIES	TIME FRAME			INPUTS		
		1996	1997	EC	COUNTERPART	EQUIPMENT & MATERIAL	OTHER
		11	12	1			
1	Project Management			3	4	Tashkent Office Equipment	4 70
8	(3B1) Assessment of TRACECA route competitiveness			2,5	4		1 43
11	(3B4) Costing methodologies			3	3	Consultant's computers and software (SYSMANAGEMENT)	3 72
				8,5	11		8 185

