

TRACECA - Railways  
Inter-State Tariff and  
Timetable Structure  
TNREG9501

**Progress report 1**  
10 March 1997

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COPIE

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# PROGRESS REPORT 1

Project Title	:	Traceca - Railways Inter-State Tariff and Timetable Structure	
Project Number	:	TNREG 9501 (Contract Number 96/5156)	
Countries	:	Southern republics of the CIS and Georgia : Armenia, Azerbaijan, Georgia, Kazakstan, Kyrgyzstan, Tadjikistan, Turkmenistan, Uzbekistan	
		Local operator	EC Consultant
Name	:	TRACECA Region Ministries of Transport and/or Railways	SISIE
Address	:	83 Bd Exelmans 75016 Paris - FRANCE	
Tel. number	:	33-1-40 71 15 15	
Fax number	:	33-1-40 71 15 18	
Telex number	:		
E-mail	:	sisie@starnet.fr and/or Sisie@wanadoo.fr	
Contact person	:	Nicolas <del>LEBON</del>	
Signatures	:		

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Author of report : J.L. ROMANINI

EC Co-ordinating unit	(name)	(signature)	(date)
EC Delegation	(name)	(signature)	(date)
TACIS Bureau (Task Manager)	D. STROOBANTS	(signature)	(date)

# Traceca - Railways Inter-State Tariff and Timetable Structure

## Progress Report 1

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# 1. PROJECT SYNOPSIS

Project Title	:	Traceca - Railways Inter-State Tariff and Timetable Structure
Project Number	:	TNREG 9501 (Contract n°96/5156)
Countries	:	Southern Republics of the CIS and Georgia : Armenia, Azerbaijan, Georgia, Kazakstan, Kyrgyzstan, Tadjikistan, Turkmenistan, Uzbekistan

- Project objective(s) :
- 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 :
- 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 :
- 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) :
- 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 :

- 80.1 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. SUMMARY OF PROJECT PROGRESS SINCE THE START

### 2.1. Summary

The first tour of Traceca beneficiaries showed a great interest in our project. Their attitude is to favor now project that could bring practical results as opposed to studies that lead only to recommendations.

Participation of our tasks by local heads of Railways and personnel has been high, except in one instance : the Turkmen decided not to attend our first Steering Committee, apparently willing to show their dissatisfaction with present relations between Turkmenistan and the European Union. However they confirmed their interest in our specific project.

The first Steering Committee held on February 11<sup>th</sup> in Tashkent has proved to be a great success, bringing together Traceca heads of Railways. Discussions have been frank and in order to show their willingness to cooperate, they chose « Promotion of Traceca line » as a first subject. Future Committees will take 2 days instead of one so as to discuss more thoroughly matters of mutual interest.

Cost analysis has started by a review of Uzbek Railways. Adjustments to our training programme have been made so as to make more effective future training sessions to SYSMANAGEMENT system. This experience will be useful for the review of Georgian Railways.

As far as assessment of Traceca route competitiveness is concerned, we started by interviewing local operators ; all in all about 100 interviews will have been conducted. Our first findings show that western partners usually make the decisions as regards shipments. As a result we will be conducting interviews of western operators before making our definite comments.

At this point, we gathered that tariff is not, by far, the main problem that concerns local and western clients ; other elements such as speed, safety and information appear more important in their choice.

Generally speaking, these first 8 months led us to adapt the Overall Plan of Operations and request adjustments. These changes appear in § 2.2 « Revised overall plan of operations » on page 8 (form 1.4).



## 3. SUMMARY OF PROJECT PLANNING FOR THE REMAINDER OF THE PROJECT

### 3.1. Summary

Building up good and active cooperation between Traceca Railways and between them and our team will be the main objective of the incoming months.

This will be obtained through common participation in 3 more Steering Committees (May, late July and October) as well as in 2 Study Tours in Europe (April and September). Specific and practical matters will be debated so as to come to conclusions and make recommendations to Traceca States Authorities. For instance, the first Study Tour will be devoted exclusively to review all kinds of cooperation between west European Railways and how to profit from their long experience in this matter.

We will be helped in this first endeavour by western partners such as INTERCONTAINER, UIC of course and Brussels based BCC, SNCF and the French Ministry of Transport.

"3A" tasks (Time-table, Coordination and Operations) which started late in the first period will be almost completed, except for :

- "Technical Constraints and Remedials" to be completed by September 97,
- "Railways Marketing Organisations", expected to be completed by November 97, as it requires active participation of each individual railway and therefore is longer to define.

As for the "3B" group (Tariffs costing and Marketing), technical matters such as costing will be completed in this coming period (March-July). "Preparation of a Marketing Plan" and "Regulatory Authority", which can be considered as the end result of our project, will be completed in October and November 97.

"Free Trade Zones", as they have been redefined in our Inception Report, and "Recommendations for customs procedures" will be completed by summer 97.

As far as the legal aspect is concerned, and particularly UIC membership and recommendations for a Clearinghouse, the studies will be completed not earlier than October.

This planning is based on active cooperation from the Railways and the Caspian Sea Shipping Line. The Black Sea port authorities will be visited as of March and we expect a great deal of help and information from them.

Cooperation is very good at present and we feel that mutual trust has been built up. Should we face any problem on this matter (whatever the reason), delays might have to be extended.

Our precise planning appears in the "Weekly Schedule" hereunder (page 10, paragraph 3.2.).

### 3.2. WEEKLY SCHEDULE

(Form 1.4)

N°	Ref.	TASKS	january 97							february 97							march 97							april 97							may 97							june 97							july 97							august 97							september 97							october 97							november 97							december 97							january 98																																																																																																																																																																																																																																																																																												
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1a		PROJECT MANAGEMENT	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
1b		STEERING COMMITTEES	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
2	3A	TIME-TABLE, COORDINATION AND OPERATIONS	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
3	3A1	Timetables design and performance procedures	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
4	3A2	Wagon owning and allocating system	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
5	3A3	Opportunity for direct freight trains	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
6	3A4	Railways freight marketing organisations	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
7	3A5	Technical constraints and remedies	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
8	3A6	First study tour (Railway technical training)	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
9	3B	TARIFFS COSTING AND MARKETING	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
10	3B1	Assessment of TRACECA route competitiveness	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
11	3B2	International tariff policy	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
12	3B3	Authorities and mechanisms for tariff reviews	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
13	3B4	Costing methodologies	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
14	3B5	Co-ordination structure	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
15	3B6	Cost and revenue sharing agreements	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
16	3B7	Regulatory Authority	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
17	3B8	Preparation of a marketing plan	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
18	3B9	Second study tour in Europe (Training)	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
19	3C	FREE TRADE ZONES AND CUSTOMS PROCEDURES	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
20	3C1	Free trade zones	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
21	3C2	Recommendations for customs procedures	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
22	3D	LEGAL/REGULATORY/INTL AFFILIATION	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
23	3D1	Legal and financial relationships	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
24	3D2	Legal restraints in national railway accounting law	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
25	3D3	Impact and constraints of IIC memberships	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
26	Add.	Clearinghouse	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																
27		REPORTS	[Task activity grid]																																																																																																																																																																																																																																																																																																																																																																																

## **4. PROJECT PROGRESS IN REPORTING PERIOD**

### **4.1. Achievements in comparison with planned results**

#### **4.1.1. Good understanding of the project goals**

This is the Traceca project that is devised to help railways make money on their international business.

It will help them borrow money for infrastructure renovation or development as they will be in a position to repay their debts.

This point has been clearly understood by participants to our first Steering Committee, as the message was again delivered by the invited bankers (EBRD and ADB).

#### **4.1.2. Good cooperation between the railways**

Though this point is not a specific task, good cooperation is the asset most needed for the success of our project.

Co-operation is a by-product of the former railways organisation, as they were all members of the MPS. However goals have changed and the willingness to co-operate on reforms that will adapt railways to free market economy is a real test.

This kind of cooperation already started between Georgia and Azerbaijan, as they are running a container train between Poti/Batumi and Baku along more modern management techniques. We hope that this experience will help us convince each railways organisation that specific block trains of this kind is an adequate answer to clients' expectations.

So far, our project has been widely accepted and supported by railways officials and we hope that actual reforms will follow.

#### **4.1.3. Logistics**

As planned we have set a main office in Tashkent. It is located at the Institute for Road Transport.

Similarly we have set an office in the Ministry of Transport in Tbilissi.

Both installations are satisfactory. They are both close to Traceca team offices which ensures good co-operation with the teams.

#### **4.1.4. Tasks to be performed**

##### ***4.1.4.1. Assessment of Traceca route competitiveness***

In our view, assessing the route competitiveness does not mean that only factual comparisons should be made between prices and delays by such and such a route.

Even in the shipping business, operators are making decisions based upon the image of certain means of transport or a certain route. We have met Uzbek importers (subsidiaries of western firms) paying twice the price for a shipment by road - for the same delay - just because the driver was able to inform the customer on its position every two days.

We have started a review of clients in the Traceca states in order to better appraise how was the railways considered in international freight. Similarly we will be conducting interviews of western shippers.

This helps us better understand why potential clients will, or will not, consider using the Traceca route and substantiate the recommendations made to Traceca railways.

##### ***4.1.4.2. Costing methodologies***

An audit of Uzbek railways has been completed as expected, using SYSMANAGEMENT programme. A book showing all useful figures such as results on a service by service basis has been printed.

This thorough study, based on available railways figures, will give reasonable results. According to our experts the margin of error should not exceed 20%.

As planned, this phase will be followed by (1) a training session of all Central Asian technicians and (2) a similar audit of Georgian railways and a training session for the Caucasus.

#### **4.1.2. Steering Committees**

The first Steering Committee was held in Tashkent on February 11<sup>th</sup> 1997.

This Committee is considered a success by the receiving party as well as by the other attendants. A real co-operative spirit concerning our project was created in Tashkent and might help reach common decisions in the near future.

Following a unanimous vote it was decided that the next Committee would take two days instead of one and that it would be organised in Georgia.

Promotion of the Traceca line was picked up by participants as the main topic to be reviewed. After some brainstorm all attendants were requested to think it over once back home and to list all positive points that could serve as the basis for a sound promotion policy.

The subject will be raised again in Georgia and the Committee is requested to come to conclusions on this point.

## **4.2. Deviations from original planning**

Only minor deviations have been experienced as the project has proceeded almost according to the plan.

An addendum has been made to the project.

Changes, alteration and delays are explained below.

### **4.2.1. Addendum**

A particular attention should be paid to compensation problems. This involves several matters from the choice of a common currency to the adoption of compatible book-keeping rules.

An experienced manager of the Union Internationale des Chemins de Fer has been appointed to conduct this task.

### **4.2.2. Assessment of Traceca line competitiveness**

This task started with interviews of international freight operators in Uzbekistan. Such interviews have been also conducted in Georgia. They are more time consuming than expected and interviews in other countries will have taken place in the first quarter of 1997 only.

In the meantime we are reviewing actual files of real shipments from western Europe to the Traceca states.

All these findings will be discussed and commented with selected western clients and transport operators (see hereunder § 5.2.5.). As a result comprehensive information will only be available at the end of the first quarter of 1997 and will be distributed to participants at our second Steering Committee in May 1997.

### **4.2.3. Costing methodologies**

Our main purposes were (1) to make as precise a study as possible and (2) to disseminate this know-how to all Traceca states railways.

This study in Uzbekistan took more time than expected. This was due to the fact that several accounting notions had to be carefully explained to our uzbek counterparts in order to avoid any misunderstanding and computing errors in the programme.

This will speed up the process when we are reviewing Georgian figures and serve as a good experience in our training programme.

Time spent in the beginning will be gained back in the rest of the cost accounting programme and technicians from all networks will have received comparable training.



#### **4.2.4. Steering Committees**

The first Committee had to be delayed due to practical problems that we encountered along with our Uzbek counterparts. Scheduled in late December, the committee had to be postponed to January and then to February 11<sup>th</sup>.

However, Uzbek railways organisation proved excellent and all attendants were satisfied with the results. As far as we are concerned the delay did not create any problem in our overall plan of operations.

#### **4.2.5. Experts**

As explained in our Inception Report, two experts had to resign as their company had been awarded a Tacis monitoring contract.

As a replacement, we have hired new people. One of them, Mr Gritz, being the former general manager of INTERCONTAINER/INTERFRIGO, happened to be free in the meantime. This will help our project as he is well known in railways circles and has had a long experience on railways cooperation.

The task Free Trade Zones has been shortened (see the Inception Report), thus allowing more time to other tasks and particularly to the general management of Study Tours and Steering Committees that have become an essential part of our project.

We also had to redistribute work time between our experts, involving some more deeply than expected. This is due to the fact that trips in Traceca states or in Europe are time consuming and a slightly larger team is more effective than a single expert on one subject. As a result, Mrs Caroff is taking part of the marketing aspects of the project. Similarly, Mrs Kiene, who was in the support team, has been asked to participate in the organisation of the Steering Committees.

These changes do not have any consequence on the total of man x months.

An addendum has been made to our project in order to prepare the setting up of a clearinghouse that would be based upon West European experience. Mr Erwin Noël, expert from the Bureau Central de Compensation in Brussels, has been hired through a contract with Union Internationale des Chemins de fer.

### **4.3. Specific action needed from the local authorities and the European Commission**

#### **4.3.1. Turkmenistan**

Turkmen authorities repeatedly have shown a great interest in our project. Meetings between them and the project management have always been positive. However, no participant was sent to our first Steering Committee. In a meeting just a few days before the Committee, we were told that there were some misunderstandings with the European Union.

We are not in a position to comment on this piece of information. However, it was very clear that our project was not questioned.

We hope that local and European authorities will go on supporting our project.

We do feel that the development of the Traceca line, which crosses the Turkmen territory for a long distance, will bring benefits to all railways involved and we hope that our project will not be delayed by outside problems.

#### **4.3.2. Other countries**

No particular action is requested concerning other countries.

### 4.4. PROJECT PROGRESS REPORT

		Country : Southern Republics of the CIS and Georgia												Page : 16										
Project title : TRACECA - Railways Inter-State Tariff and Timetable Structure		Project number : TNREG 9501																						
Planning period : from start to end of February 1997		Contract number : 96/5156																						
		Prepared on : march 3rd 1997																						
Project objectives : to assist in the definition, implementation and promotion of international railway services throughout the TRACECA states																								
N°	MAIN ACTIVITIES	TIME FRAME												INPUTS			OTHER							
		1996						1997						EC	COUNTERP.	EQUIPMENT & MATERIAL	FLIGHTS EU	PER DIEM						
7	8	9	10	11	12	1	2	3	4	5	6	7	8						9	10	11	12	13	14
1	Project management																		6	9			8	172
23	Steering Committee																		0.5	1			1	7
2	(3A1) Timetables design and performance procedures																		1	1			1	28
8	(3B1) Assessment of TRACECA route competitiveness																		3.5	3			2	26
11	(3B4) Costing methodologies																		1	1			1	18
12	(3B5) Co-ordination structure																		3.25	3			2	54
																			15.25	18			15	305

## 4.5. RESOURCE UTILISATION REPORT

Project title : TRACECA - Railways Inter-State Tariff and Timetable Structure		Project Number : TNREG 9501	Country : Southern Republics of the CIS and Georgia		Page : 17
Contract number : 96/5156		Prepared on : 3rd March 1997	EC Consultant : S.I.S.I.E. - 83 Bd Exelmans- 75016 PARIS		
Planning period : from start to end of February 97		Project objectives : to assist in the definition, implementation and promotion of international railway services throughout the TRACECA states			
RESOURCES/INPUTS	TOTAL PLANNED	PERIOD PLANNED	PERIOD REALISED	TOTAL REALISED	AVAILABLE FOR REMAINDER
<b>PERSONNEL</b>					
EU Experts					
19 Project Management	19,00 work months	6,00 work months	6,00 work months	6,00 work months	13,00 work months
16 Project Management	1,75 work months	0,50 work months	0,50 work months	0,50 work months	1,25 work months
2 Timetables design	2,75 work months	1,00 work months	1,00 work months	1,00 work months	1,75 work months
8 Assessment of TRACECA routes	4,00 work months	3,00 work months	3,50 work months	3,50 work months	0,50 work months
11 Costing methodology	3,75 work months	1,00 work months	1,00 work months	1,00 work months	2,75 work months
12 Co-ordination structure	6,00 work months	3,00 work months	3,25 work months	3,25 work months	2,75 work months
Local experts					
Experts and junior experts	73,00 work months	10,00 work months	10,00 work months	10,00 work months	63,00 work months
Secretary	32,00 work months	6,00 work months	6,00 work months	6,00 work months	26,00 work months
Translators	48,00 work months	8,00 work months	8,00 work months	8,00 work months	40,00 work months
Translators EU	10,00 work months	0,00 work months	0,00 work months	0,00 work months	10,00 work months
	200,25 work months	38,50 work months	39,25 work months	39,25 work months	161,00 work months
<b>EQUIPMENT AND MATERIAL</b>					
Desk-top computers	3	2	2	2	1
Portable computers	1	1	1	1	0
Printers	3	2	2	2	1
Desk-top computers (training)	8	0	0	0	8
Photocopier	2	2	0	0	2

## 4.6. OUTPUT PERFORMANCE REPORT

Project title : TRACECA - Railways Inter-State Tariff and Timetable Structure Prepared on : 3rd March 1997		Project number : TNREG 9501 Contract n° : 96/5156		Country : Southern Republics of the CIS and Georgia EC Consultant : S.I.S.I.E. 83 Bd Exelmans, 75016 Paris - FRANCE		Page : 18
Outputs results	Deviation original plan	Reason for deviation	Comment on constraints & assumptions			
Assessment of TRACECA route competitiveness	Interviews of local operators (importers, exporters, freight forwarders) still in process Comparison between competing routes : in process	Interviews are more time consuming than expected	Western operators are decision makers for most of present traffic (except some raw Interviews of western shippers : to be conducted in March/April 1997			
Costing methodologies (Analysis and training)	More time devoted to Uzbekistan than expected Training delayed	Need for a basic work to be performed on accounting notions Adaptation of training programme to local realities	The thorough basic work achieved in Uzbekistan should allow a quicker pace of work in other countries Full participation of Central Asian trainees is necessary for the training programme, Turkmen's presence seems to be doubtful			
Steering Committees	Two months' delay Full attendance except for Turkmenistan Decision to proceed with steering committees	Problem of organisation encountered with Uzbek counterpart Attendants satisfaction : according to evaluation forms	The delay did not rise any specific problem Turkmenistan's willingness to participate will probably improve after the European Commission's visit to Ashgabat More expertise needed on this issue			
Experts	New experts hired and redistribution of work time between experts	Emphasis given on railway cooperation, study tours and Steering Committees Better overall understanding on the project's major issues	No change in the total m x m			

# 5. PROJECT PLANNING FOR NEXT REPORTING PERIOD

## 5.1. Important observations for project success

### 5.1.1. Turkmenistan

As stated above (See § 4.3.1.), we have encountered a slight problem with the Turkmen side. For our part :

- We are opening a permanent representation in Ashgabad
- We are starting, according to plan, field work in Turkmenistan, hiring local experts as needed

We strongly recommend the Turkmen railways to be candidate for organising the third Steering Committee in Ashgabad in late July 1997.

These are the actions that we can recommend at our project level and that could help forget the small difficulties we encountered in February.

### 5.1.2. Co-operation with outside authorities

Improvement of railways performance alone in international freight will not improve the overall efficiency of rail transport along the Traceca line if other authorities do not cooperate fully.

#### 5.1.2.1. Caspian Sea Shipping Line

All beneficiaries agreed with our team that the CSSL should become a permanent member of the Steering Committee. In fact, its participation in Tashkent has been very positive.

Misunderstanding, mostly based on the shipping line tariffs, can be settled by the kind of face to face discussions we have in the Committees.

It seems clear that their monopoly on the Caspian Sea will no longer be effective and that competition might regulate services and tariffs. It also clearly appears that the CSSL intends to have a positive financial result and that tariffs will be computed according to this goal.

#### 5.1.2.2. Port Authorities

Whether in Poti, Batumi or Turkmenbashi, compatibility of Port Authorities procedures and Railways procedures are of utmost importance.

We heard that there had been some customers' dissatisfaction with the Black Sea ports. We expect to be able to start dealing with this matter during the next Steering Committee in Georgia.

As far as the crossing of the Caspian Sea is concerned, our experts are presently analysing the precise difficulties slowing the traffic and generating a lack of confidence in the customers' minds. The inadequacy of terminal facilities is certainly part of the problem but this point is being dealt with by other Traceca programmes. However, some specific problems due to unsatisfactory organisation of loading and unloading procedures still remain.

We only hope that Port Authorities will support railway traffic at least as much as they are supporting road traffic.

### **5.1.2.3. Customs Authorities**

Through-traffic will meet customers' demands only if customs border formalities are simplified and speeded up. This will not only be the result of technical improvements such as the use of new customs documents and customs connection to a computerised network. It will need a strong determination from governments and customs authorities.

At present we can only assume that this will be the case.

## **5.2. Proposals for adjustment of overall planning and their consequences**

The overall planning has been modified and it appears in form 1.4. « Revised Overall Plan of Operations » (See § 2.2. page 8).

### **5.2.1. Overall adjustments**

Adjustments are the results of our first months of analysis in the field. Mainly, the overall time devoted to main groups of tasks has not been changed (group of tasks 3A, 3B, 3C and 3D). However, adjustments have been made inside each group and time has been reallocated to each expert depending upon the work in progress. For instance, in tasks 3B4 and 3B5 Mr Dereudre will spend more time than expected (an estimate of 6 man x months in SYSMANAGEMENT) while Mr Hatton will need 3,75 m x m only.

### **5.2.2. Marketing**

We will allocate one more expert to marketing problems so as to better cover the problems faced by the railways (and maybe a little more time too). As a result, Mrs Caroff will join the marketing team. Actually, we feel that marketing is the cornerstone of the entire project and that co-operation on the Traceca line will be made easier once common marketing objectives have been agreed upon.

### **5.2.3. Project management**

Close relations between the project direction and the heads of railways is a necessity, even more so than in any other project of this sort. Mr Romanini will be more deeply involved on strategic issues (i.e. Regulatory Authorities with Mr Gritz as well as in legal matters).

#### **5.2.4. Committees, Study tours organisation**

We shall be stressing team work with railways officials through :

- A study tour in Europe to be held in April 1997 and focused on one main topic : cooperation between the railways/west European experience
- A Steering Committee to be held in Georgia in late May 1997 on two main topics :
  - co-operation between the Traceca states railways,
  - Traceca line marketing plan(the first Committees' success has led us to extend working sessions to two days)
- A Steering Committee in late July 1997 on topics selected during the session in Georgia
- A Study Tour in Europe in September 1997, focused on the marketing of international freight
- A Steering Committee in October 1997 to approve the basic recommendations

This programme requires time and efforts and we wish to involve Mrs Kiene, so far appearing in this project as back office support, in active participation to the Steering Committees along with the project management.

#### **5.2.5. Market survey in Europe**

Most transport decisions are made by western partners in Europe. A few selected clients will be visited in Italy, France, Belgium, the Netherlands and Germany in order to review and validate the information gathered during our Traceca states interviews of local operators.

#### **5.2.6. Consequences**

All the alterations will not result in any change of the overall number of man x months.

We do not request any budget modification within the present frame of the project and at this point we do not anticipate any need for a time extension.

### **5.3. Plan of Operations for the next period**

The « Plan of Operations for the next period » appears on the next page (form1.6).



5.3. PLAN OF OPERATIONS FOR THE NEXT PERIOD (Work Programme)

N°	MAIN ACTIVITIES	TIME FRAME												INPUTS			EQUIPMENT & MATERIAL	OTHER		
		1997												EC	COUNTRP	EU FLIGHTS		PER DIEM DIEM		
		03	04	05	06	07	08	09	10	11	12	13	14							
1	Project management														6	10			4	135
23	Steering Committee														1	1			2	12
2	(3A1) Timetables design and performance procedures														1.75	3			1	26
3	(3A2) Wagon owning and allocating system														2	3			1	40
4	(3A3) Opportunity for direct freight trains														1	1			1	33
5	(3A4) Railways freight marketing organisations														1	2			1	19
6	(3A5) Technical constraints and remedies														2.75	4			2	60
7	(3A6) Study tour 1														1.25				-	-
8	(3B1) Assessment of TRACECA route competitiveness														1	2			1	20
9	(3B2) International tariff policy														1.5	2			1	19
10	(3B3) Authorities and mechanisms for tariff reviews														1.25	2			1	12
11	(3B4) Costing methodologies														2.5	2			1	40
12	(3B5) Co-ordination structure														3.25	3			2	66
13	(3B6) Cost and revenue sharing agreements														1.25	1			1	12
14	(3B7) Regulatory authority and operators body														1.5	2			1	19
15	(3B8) Preparation of a marketing plan														2.25	3			2	32
16	(3B9) Study tour 2																			
17	(3C1) Free trade zones														2	2			1	33
18	(3C2) Recommendations for customs procedures														1	1			1	19
19	(3D1) Legal and financial relationships														1.5	2			2	31
20	(3D2) Legal restraints in national railway accounting law														1.25	2			2	18
21	(3D3) Impact and constraints of UIC memberships														0.5	2			1	12
22	(3D4) Clearinghouse														3	3			2	34
	REPORTS																			
	TOTAL														40.5	53			31	692

Project title: TRACECA - Railways Inter-State Tariff and Timetable Structure

Planning period: from March 97 to end of July 97

Project objectives: to assist in the definition, implementation and promotion of international railway services throughout the TRACECA states

Traceca - Railways Inter-State  
Tariff and Timetable Structure

# Progress Report 1

## Annexes

Annex A.1 First Steering Committee

Annex A.2 Preliminary Study of the National Railways  
of Uzbekistan



# **ANNEX A.1**

## **First Steering Committee**



Monday, February 10<sup>th</sup>, 1997

**TRACECA  
Railways Inter-state Tariff and Timetable Structure**

**Welcome to Tashkent !**

This first meeting of our Steering Committee is a unique opportunity for all of us to share insights about what we expect from the TRACECA initiative, and start jointly making decisions on the joint operation of truly transcontinental trains.

We will appreciate you to read carefully this document.

Its overall purpose is to make your life easier while you are in Tashkent, and to make the meeting itself as productive as it may be.

The event we will take part in tomorrow is not a seminar delivering information to participants ; it is not a workshop where participants would try and find solutions to the problems raised ; though it may borrow some features from both, it is first and foremost a meeting of decision makers sharing common objectives and coming to make the very decisions needed to achieve them.

In effect, besides the inviting party - our host the Uzbek government, representatives of the TRACECA programme and of our project - , the only persons attending this meeting are :

- one leading representative of each railways network in the core TRACECA region
- one leading representative of the Caspian Sea Shipping Company
- one leading representative of each of the two development banks showing an active interest in the development of railways transportation in the TRACECA region : the Asian Development Bank and the European Bank for Reconstruction and Development

This document package purposes to provide you with all the necessary background information, in written form, so that tomorrow's time could be spent on active discussions and collective decision making, as opposed to one sided presentation of informative material.

A part of the package, this introductory note purposes to deliver you, as concisely as possible, a consistent and comprehensive overview of our objectives, of our findings to date, of our methods of work, and of all concepts used and promoted. We hope that you will find it relevant and useful. It answers many of the questions that we were asked by you and your colleagues back home since we started visiting the TRACECA countries in September 1996, five months ago.

The terms of reference are annexed, which reflect the original intention of the Traceca states and of the European Commission. A copy of the presentation materials will be delivered on Tuesday.

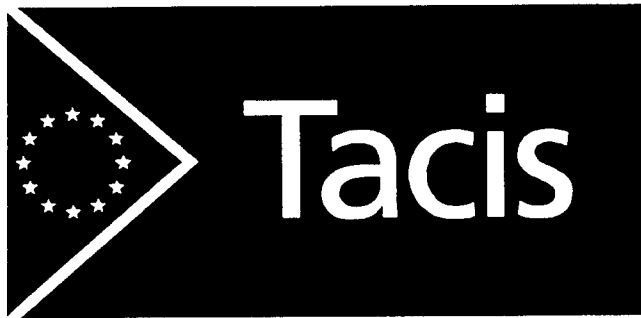
A feedback sheet will also be included, for you to note personal comments on how the next instances of this event could improve on this one.

Most importantly, you will leave Tashkent after Tuesday with an official summary of the meeting and its conclusions.

We hope these conclusions will meet your expectations.

J. Louis Romanini  
Project Director

Vincent Herriau  
Project Manager



TRACECA - Railways  
Inter-State Tariff and  
Timetable Structure

## First Steering Committee

Tashkent, 11 February 97

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TRACECA  
Railways Inter-State Tariff and Timetable Structure

## 1.2 *List of participants*

### 1.2.1 PERMANENT MEMBERS

ARMENIA	Mr V. KARAPETZIAN	Armenian Railways
AZERBAIJAN	Mr R. MUSTAFAIEV	Chief economist of Railways Department
GEORGIA	Mr I. MELKADZE	Deputy head of Georgian Railways, chief engineer
KAZAKSTAN	Mr N. ALTAEV	Head of main economic department, National State Enterprise Kazakstan Temir Yollary
KYRGYZSTAN	Mr N. UREVITCH	Deputy head of Railways
TAJIKISTAN	Mr M. KHABIBOV	Head of Tadjik Railways
TURKMENISTAN		
UZBEKISTAN	Mr N. ERMETOV	President of State Company 'Uzbekistan temir yollary'
AZERBAIJAN	Mr E. KHALIKOV	Deputy Head of Caspian Shipping Company, in charge of economic relations

### 1.2.2 GUEST PARTICIPANTS

Mr SOIN	Asian Development Bank
Mr NORDEN	European Bank for Reconstruction and Development

### 1.2.3 TACIS REPRESENTATIVES

Mr B. SADRIDDINOV	Director of Tashkent CU
Mr M. SIMS	Regional co-ordinator, TRACECA Co-ordinating centre
Mr A. KAMALOV	Uzbek national co-ordinator



TRACECA  
Railways Inter-State Tariff and Timetable Structure

## 1.3 **Scheduling**

1.3.1 Programme  
(see accompanying note)

1.3.2 Proceedings  
(see accompanying note)

## 1.4 **Composition and role of a steering committee**

The steering committee of a project is made of representatives of all groups who have a strong interest in the outcome of the project, jointly sponsor it, and may wish their specific interests and priorities to be taken into account.

The committee meets regularly in order to review the work to date and the results achieved, and to make decisions as to the future course of action.

It provides the project team with valuable feedback about the relevance and impact of its actions, and advises it on impending problems and available solutions.

## 1.5 **Feedback sheet**

A feedback sheet will be delivered to you on 11<sup>th</sup> February.

## 2. **Traceca and the project**

### 2.1 **Background and objectives of the project**

#### 2.1.1 Traceca and situation in Traceca region

This project is a part of the wider Traceca programme.

Traceca is an initiative of the European Union's Tacis programme. Its overall purpose is to contribute to the better integration of the southern CIS countries into the world economy by improving the transportation routes linking them to the Black Sea.

Traceca has been supporting projects investigating most related issues, and promoting the creation of effective transportation patterns.

This particular project focuses on the operation of the railways, and purposes to foster the creation of the conditions needed for the effective operation of transcontinental trains.

#### 2.1.2 Objectives of the project

The general objective of the project is to ensure the commercial success of the operation of trains crossing the Traceca region, that would translate into a financial success for the participating railways and the shipping line in the Caspian Sea.

It has a definite customer orientation, as it is based on the assumption that the railways will only earn as much as what customers will be willing to give it. The railways should accordingly get organised to offer their present and prospective customers what they expect, at the price they are willing to pay.



## TRACECA Railways Inter-State Tariff and Timetable Structure

This general objective translates into more detailed objectives, of different natures

### 1 Analytical objectives,

Commercial success firstly requires establishing :

- the level of service expected by customers and the way participants can get organised to deliver it consistently
- the “ right price ” for the services, i.e. the price customers will be willing to pay for the service they expect
- acceptable ways to divide the revenue between participants, so that they can concentrate their attention on solving operational issues, and that negotiations be made easier
- the institutions to be created for the route to be lastingly successful, and the agreements to be passed among participants and between participants and the institutions

### 2 Political objectives

Analytical insights are then to be used by the participants to help structure concrete agreements, so that decisions in principle can be implemented.

The project is to use regularly scheduled meetings of high level representatives of participating institutions to achieve agreement between them, and trigger decision making and implementation.

### 3 Commercial objectives

To the extent that trains are effectively organised, that meet precisely the expectations of international shippers, quick action is needed to ensure that those trains will be a commercial and financial success.

As soon as the conditions are met, the project is to promote effectively the route with international shippers.

#### 2.1.3 Terms of reference and inception report

The terms of reference pertain to two of the most critical technical outputs of the project :

- establishing tariffs for the transcontinental route
- defining reasonably achievable timetables for the through trains

Accordingly, the initial proposal of the consultants envisioned to integrate the two outputs into a regulatory framework, that would only pertain to the operation of international freight trains (as opposed to the national framework being developed in collaboration with Traceca’s Legal and Regulatory project).

One output of the project was to be the creation of the regulatory body itself.

This approach however did not specifically address the issue of speed in implementation, and would not have delivered quickly enough tangible commercial and financial results.

Following the inception tour, and in accordance with instructions received from the Task Manager, the consultants integrated rather these technical outputs into a commercially orientated framework, where the instrument for developing international freight would be a commercially motivated entity rather than a more abstract regulatory body.

## 2.2 **Key factors for success**

For this project to be successful, three basic conditions must be met, the project’s set up addresses them.



**TRACECA  
Railways Inter-State Tariff and Timetable Structure**

**2.2.1 agreement on mutually beneficial objectives and related means**

Commercial and operational success needs difficult decisions to be jointly made and implemented.

Agreement can only be reached on areas that are of common concern, and where expected benefits outweigh by far the potential causes for concern and disagreement.

As a result, the project chose to focus on :

- potentially new traffic, which has been nearly lost by the railways to road transport or to other railways routes, and for which action is needed for the business to be gained back
- high value / high service traffic, for which higher than average prices can be expected, so that the focus would be put on improving service rather than on further decreasing prices

As a result, participants would not need to give up existing favourable positions, but rather would be trading anticipated benefits, that can only come true through collaborative action.

**2.2.2 high level support**

Problems in many, difficult areas are anticipated, sometimes outside the scope of influence of the railways themselves (e.g. customs related issues).

For a pilot operation to be successful, such problems must be swiftly addressed, if needed without putting the related regulations into a formal law.

This obviously requires high level support in each of the participating countries, which can only be harnessed if the stakes justify it, and the objectives appear reasonable.

**2.2.3 early, visible successes**

Initial commitment will only be sustained if successes are tangible and occur early enough to justify the time and effort put into supporting the project.

The project therefore puts it as a priority to promote early, profitable direct trains.

**2.3 Usefulness and relevance to individual participants**

This project is meant to be directly useful to all participants :

<u>Participants</u>	<u>Usefulness / relevance</u>
Traceca states	More effective transportation links in and out of the country More financially self sufficient railways companies
Railways and Caspian Sea Shipping Company	Increased revenues and profits Increased ability to obtain financing for the investments needed
Development banks	Increased ability of their clients to repay the loans extended to them Increased relevance of loan applications when they can be linked to commercially viable objectives
International clients	More reliable and more cost effective transportation links



**TRACECA**  
**Railways Inter-State Tariff and Timetable Structure**

## **2.4 Major components and work methods**

Short term objectives are being, or will be met by the following four components.

Other issues are needed, in order to meet longer term objectives, itemised further down in the document.

### **2.4.1 survey of customers**

A survey is being undertaken with prospective users of the Traceca route, with two purposes :

- establishing the very conditions that would make the Traceca route attractive to them
- identifying clients who could make an early commitment, for specific goods and volumes, to the Traceca direct trains, if the above conditions are met

Prospective customers are being asked the kinds of goods they have to ship in and out of the country, the routes they are currently using, problems faced, so as to ascertain whether the Traceca route, given certain explicit conditions, could improve on the current practice. Prices are to be discussed, segment by segment, so as to compare the competitiveness of the Traceca route, for various destinations, at given price levels.

Partial results will be presented tomorrow.

We expect this work module to deliver

- needed information on the steps to be taken for the route to be attractive
- insights as to competitive price levels
- a preliminary list of potential targets for the promotion of direct trains

The first questionnaire used for the survey is shown attached to this document

### **2.4.2 Evaluation of costs**

A thorough evaluation of the cost of operating trains is underway, with two purposes :

- establishing the price level below which the railways would lose money
- providing cost related parameters as a basis for revenue sharing

This evaluation of costs will make extensive use of a software developed by SYSTRA, who works as the consulting arm of the French Railways (SNCF). This software, called " SysManagement ", allows the easy manipulation of cost related data, in a framework that respects the organisational set up of the company using it. It delivers practical insights into the cost of delivery of services, beginning with services internal to the company, and ending with customer orientated services.

In order for the European experts to get familiarised with operating practice, data sources, orders of magnitude in costs, ... presumably similar in all Traceca States, a brief initial methodological work has been effected in Tashkent.

A preliminary study, also in Uzbekistan, will allow an early, practical assessment of costs for the Uzbek railways, possibly applied to the subset of the Traceca routes pilot trains could be run on. As part of the preliminary study, SysManagement will be adapted to the particular case of the Uzbek railways. Since all Traceca railways inherit largely common habits and practices, it is anticipated that further adaptation work for the other Traceca railways would be minimal.



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A training workshop will follow, where delegates from Central Asian States will gather, share their, and the international insights about measuring costs, come up with a common philosophy regarding related matters, learn how to use the SysManagement software, and return home with the microcomputer they would have been using during the training session. As a result, they will be in a position, back home, to use real data from their own network to estimate the cost of their train operations.

The same exercise will be repeated in sequence in Tbilisi for the Caucasus States.

Following these training sessions, support visits will be organised to selected individual states in order to assist in the collection, processing, and interpretation of data.

### 2.4.3 timetable issues

This title may be somewhat misleading, as USSR railways have a world class expertise in designing timetables.

The focus of this work is not in the technical design, but rather in

- the prior identification of potential obstacles to the smooth and reliable operation of the trains,
- the design and organisation of contingency plans that would help overcome those obstacles,
- the incorporation of those parameters into timetables that would be reliable, and
- the support to individual participants formally, contractually committing to those timetables and the related contingency plans

Experts are starting now to visit each country in sequence, meeting with railways managers in charge of exploitation matters, in order to establish what the true obstacles are, and they can be dealt with.

Since there is free capacity at this time, optimising the use of railways tracks should not be a priority ; it is expected that the railways would focus on meeting the very expectations of their customers.

### 2.4.4 joint operation of the trains : related issues

#### 2.4.4.1 first study tour : joint activity

Customers of the Traceca route consider it to be a single route, and expect accordingly the Traceca railways to be co-ordinated in such a way that they appear to be a single entity.

Effective co-operative processes have yet to be implemented that would yield that result.

In order to facilitate brainstorming on these issues, the project is about to organise a study tour,

- in Switzerland with the company Intercontainer / Interfrigo, which has been addressing similar issues for the last 30 years for the European railways companies
- in France, Brussels and possibly Germany, with the freight departments of the railways, for discussions about collaborative schemes between them and with Intercontainer / Interfrigo

The issue is on the agenda of the meeting.

#### 2.4.4.2 second study tour : freight marketing

The marketing of freight by the Western European railways has changed dramatically in the last years.



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Competing effectively with road transportation has become a vital issue for the railways, and they have taken a number of steps to tackle the issue.

A study tour should be organised for railways representatives to meet their western European colleagues and discuss these issues.

#### **2.4.4.3 organisation of a regional clearinghouse**

Inter-company settlement of debts typically generates two kinds of undesired consequences :

- financial expenses, charged by the banks or other financial intermediaries involved in the process
- delays in the transfer of money, and possibly misunderstandings about the amounts claimed

European railways and ferry lines jointly organised a regional clearing house in Brussels, called " BCC " for Bureau Central de Compensation, in order to make the related processes more effective.

The project includes a contribution by BCC representatives, that could result in the creation of a regional clearinghouse for the Traceca region.

The issue is on the agenda of the meeting.

#### **2.4.4.4 insurance services**

International shippers expect that identical rules governing responsibility of the carriers would apply all along the route.

For the part of transportation carried out by railways in the Traceca region, present liability regulations do not match international standards.

Differences between international conventions partially account for this.

The project, in co-ordination with the Traceca programme, is in the process of

- designing innovative insurance principles that would bridge the current gap, within the current legal framework
- promote adhesion to the Union Internationale des Chemins de Fer, and to related western international conventions

The project is in contact with insurance companies in the Traceca region that are willing to get into this business and cost effectively offer related coverage.

This issue should be on the agenda of a further meeting.

#### **2.4.4.5 information services**

The commercial organisation in charge of the route, for its own effectiveness, and in order to inform customers of anticipated or actual problems, should be in a position to track wagons and their contents.

This requires an effective link to AÑÓ or to equivalent systems, and effective procedures to make use of informations delivered by them, and to forward them to clients as needed.

This issue is being addressed by related Traceca projects.



#### 2.4.4.6 **multimodal transport**

For clients located in areas not in the immediate vicinity of a major railways hub, trucks do have a serious competitive advantage in being able to offer door to door service, which may far outweigh differences in prices. If the distance is less than 1000 km, the advantage may be decisive.

Over longer distances, the railways can only become competitive if they can integrate into a true multimodal scheme, where terminal haulage can be carried out by truck, over smaller distances.

Related issues have been handled by another Traceca project. They may need to be tackled when it will come to promoting direct trains.

#### 2.4.4.7 **favoured status economic zones**

Our terms of reference call for investigations to be carried out on the possible establishment of free economic zones.

In the Traceca environment, two issues are of peculiar relevance, and will be investigated :

- special status harbour facilities in Georgian ports
- bonded warehouses on the Traceca route, and the related customs clearance procedures

The second issue is being addressed by a related Traceca project.

The first issue will be addressed by this project.



### 1.3.1 PROGRAMME

#### February 9<sup>th</sup> to 10<sup>th</sup>

Reception of delegations  
Transfer to Hotel Uzbekistan  
Breakfast, lunch, dinner

#### February 11<sup>th</sup>

8H00-9H30	Breakfast
9H30	Transfer from hotel Uzbekistan to the conference room in Uzbek railways headquarters
10H00-10H10	Opening and introductory speech of Mr RAKHIMOV, Deputy Prime Minister of Republic of Uzbekistan
10H10-13H20	Steering committee : morning session
13H25	Transfer to restaurant 'Ariran'
13H30-14H30	Lunch
14H40	Transfer from restaurant Ariran to conference room in Uzbek railways headquarters
15H00-17H40	Steering committee : evening session
17H40	Transfer to hotel Uzbekistan
18H30	Transfer from hotel Uzbekistan to restaurant 'Navruz'
19H00-21H00	Reception by Uzbek railways at 'Navruz' restaurant Mr ERMETOV, President of Uzbek railways Mr FAIZIEV, President of Uzbeksavdo association
21H00	Transfer to hotel Uzbekistan

#### February 12<sup>th</sup>

Departure of delegation. Transfer to airport



### 1.3.2 PROCEEDINGS

9H30 to 10H00	<b>Transfer from the hotel</b>	
10H00 to 10H10	Opening and introductory speech of deputy Prime Minister of the Republic of Uzbekistan	Mr RAKHIMOV
10H10 to 10H20	History and objectives of TRACECA	Michael SIMS
10H20 to 10H30	Presentation of the SISIE/CALBERSON/SYSTRAL Consortium in charge of the Inter-State Tariff and Timetable Structure	Marc LANDRIN Jean-Louis ROMANINI Vincent HERRIAU
10H30 to 10H50	« Assessment of TRACECA route competitiveness », a first report on clients expectations	Marc LANDRIN
10H50 to 11H10	Questions/Answers	
11H10 to 11H20	« Costing methodologies », a review of « SYSMANAGEMENT »	Olivier DEREUDRE
11H20 to 11H40	Questions/answers	
11H40 to 12H00	<b>Coffee break</b>	
12H00 to 12H10	« TRACECA railways network clearinghouse » addendum to our project	Vincent HERRIAU
12H10 to 12H30	Questions/answers	
12H30 to 12H40	Presentation by Asian Development Bank and European Bank for Reconstruction and Development	R. SOIN (ADB) L. NORDEN (EBRD)
12H40 to 13H00	Debate about financing development of railways	
13H30 to 14H30	<b>Lunch</b>	
15H00 to 16H00	Open discussion : debates on topics selected by participants	
16H00 to 16H20	<b>Tea, coffee break</b>	
16H20 to 16H40	Presentation of the study tour to Europe	Jean-Louis ROMANINI
16H40 to 17H00	General debriefing of the committee's first session, selection of the date and place of the next session	Normat ERMETOV Jean-Louis ROMANINI
17H00 to 17H30	Closing of the session	Marc LANDRIN



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## WHAT IS TRACECA?

The TRACECA programme was launched at a conference held in Brussels in May 1993, which brought together trade and transport ministers from the eight TRACECA countries (five Central Asian republics and three Caucasian republics). It was agreed to establish an ambitious programme of EU funded technical assistance to reinvigorate a transport corridor on an East-West axis from Europe, across the Black Sea, through the Caucasus, the Caspian Sea, and on through Central Asia to the borders of China.

The programme encourages regional collaboration in transport matters, and the interconnection of regional and international systems, both physically and commercially.

Materially, the programme is concerned with ports, railways and roads across the region. Feasibility studies have been carried out and investment interest from the major world development banks has been generated and supported. Several continuing projects are leading to rehabilitation and modernisation of the region infrastructure.

Institutionally, TRACECA encourages development of transport management systems so that they may evolve into dynamic self-supporting entities, capable of thriving under free market conditions.

The programme works very closely with local governments and the international financial institutions.

Much remains to be done. Both the EU and the interested republics remain committed to the TRACECA objectives, and in fact the resolve is growing. Given these circumstances we may expect TRACECA to create something of enduring benefit to the populations of the region, and to be a model of international technical collaboration.

Michaël SIMS  
TACIS Regional coordinator



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Monsieur le Ministre,

Messieurs les Présidents et Directeurs Généraux,

Au nom du Consortium SISIE-CALBERSON-SYSTRA, je voudrais vous remercier chaleureusement de votre présence au Premier Steering Committee organisé à l'occasion de l'étude « TRACECA - Railways Inter-State Tariff and Timetable Structure » qui nous a été confiée par l'Union européenne dans le cadre des projets TACIS.

Mes remerciements vont aussi aux autorités Ouzbèques qui nous accueillent et à la direction générale des chemins de fer ouzbèques qui nous a permis d'organiser cette réunion dans leur magnifique bâtiment.

Vous connaissez déjà Jean Louis ROMANINI ? Directeur de Projet, et Vincent HERRIAU, Chef de Projet. Irina et Anastasia sont nos collaboratrices basées à Tashkent et Pascaline, responsable de notre bureau d'études à Paris, nous a rejoint ici pour quelques jours.

Je salue aussi les représentants de L'Union européenne, Monsieur SIMS et ses collaborateurs, ainsi que les représentants des organismes financiers internationaux : l'ADB et la BERD.

### **Pourquoi un Steering Committee ?**

Quelle signification donnons-nous à cette réunion ?

Il s'agit pour nous d'un espace d'échanges entre Vous, les différentes administrations de chemin de fer, et Nous qui sommes chargés de vous apporter notre concours.

Tout au long de cette journée nous vous rendrons compte des premiers travaux que nous avons réalisés mais nous attendons, aussi, vos commentaires, vos suggestions, vos critiques sur le travail que nous avons réalisé.

C'est à travers un échange de vues constructif, empreint de franchise, que nous progresserons et atteindrons notre objectif qui est de permettre à chacune des administrations de chemin de fer que vous représentez d'adapter sa politique aux besoins de votre pays.

Politique qui doit prendre en compte :

- Les critères de l'économie de marché vers laquelle vous vous orientez,
- Les nouveaux courants d'échanges qui se développent entre vous et le reste du monde,
- Le nouvel environnement, l'évolution de la stratégie économique de chacun de vos pays qui vous conduisent à mettre en place de nouvelles règles de travail entre vous.



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Nous sommes là pour vous aider à y parvenir, mais pour réussir, nous avons besoin de votre participation.

Je vous propose de créer tous ensemble un « club » dont les membres auront plaisir à se retrouver régulièrement dans d'autres Steering Committees pour faire le point sur l'avancement de notre mission, de votre mission.

Et maintenant, si vous le voulez bien, au travail.

Marc LANDRIN  
Consortium SISIE-CALBERSON-SYSTR



## I. OBJECTIVES OF THE STEERING COMMITTEES

The main objectives are as follows :

- ⇒ To review tasks performed and results achieved by the project team
- ⇒ To recommend adjustments, if need be, in the course of the project in order to better achieve project goals
- ⇒ To advise railways and state authorities on actions suggested
- ⇒ To provide a feedback to the project team about impacts of actions suggested

## II. COMPOSITION OF THE STEERING COMMITTEES

Participants to the committees will consist of :

⇒ Permanent members :

- One leading representative of each railway network
- One leading representative of the Caspian Shipping Line

⇒ Committee facilitators :

- Representatives of the project team : Project Director, Project Manager, Experts involved,....
- Representatives of TACIS and TRACECA structures

⇒ Invited parties :

Depending upon committees agendas, third parties might attend.

In Tashkent, representatives of the European Bank for Reconstruction and Development and of the Asian Development Bank will be invited as these banks have shown an active interest in the development of railways transportation in the TRACECA region.

## III. CHAIRMANSHIP

The representative of the railway hosting the meeting will automatically chair de Steering Committee.



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As the first Steering Committee is held in Tashkent, Mr ERMETOV will be the first Steering Committee's Chairman.

#### **IV. PERMANENT SECRETARIAT**

The project team will handle all permanent secretarial matters. It will organize all committee sessions with the host railway.  
It will also handle the distribution of reports and documents issued during each committee session.

#### **V. FUTURE STEERING COMMITTEES**

Steering Committees will be held every two or three months.  
At the end of each committee, permanent members will select the date and place of the next committee.

#### **VI. COMMITTEE'S AGENDAS**

For future committees the agenda will be prepared by the project team. It will be based upon results achieved to that date and priorities expressed by the permanent members.

We expect participants, particularly permanent members, to inform their colleagues or their respective organisations, of the project content and objectives, to the extent that it would help us all to reach the project's goals.

Jean-Louis ROMANINI  
Project Director





## ETUDE DE MARCHE

### I. LA SITUATION JUSQU'EN 1990 : UN RAPPEL HISTORIQUE

On constate une prédominance du chemin de fer dans les échanges de marchandises. 95% des échanges se font avec les Républiques de l'ex-URSS et du COMECON.

### II. LA SITUATION ACTUELLE

Nous constatons une forte chute du trafic, environ 90% par rapport à la période précédente.

Nous avons déterminé quatre causes principales à cette situation :

1. Diminution des échanges entre les nouvelles Républiques et la Russie
2. Echanges encore limités avec le reste du monde
3. Apparition de la concurrence routière avec les transporteurs iraniens et turcs
4. Manque de réactivité des chemins de fer qui n'étaient pas prêts à mener une action commerciale active. Jusqu'à présent la clientèle était une « clientèle captive » qui avait obligation de passer par le chemin de fer selon les directives du plan.

### III. ETUDE DE MARCHE EN OUZBEKISTAN

L'étude porte sur un échantillon de cinquante entreprises, cinquante-deux exactement. L'étude a été réalisée sur les flux :

- à l'importation
- à l'exportation

Pour chacun de ces flux nous analyserons le comportement des grandes entreprises et celui des entreprises de tailles moyenne et petite.

En annexe, vous trouverez un exemplaire du questionnaire que nous remettons à chaque entreprise visitée.

#### 1) l'importation en Ouzbekistan :

La presque totalité des contrats de vente sont conclus C et F destination.

Les expéditions ont un poids unitaire rarement inférieur à plusieurs tonnes. Il s'agit d'expéditions de petits lots ou lots.

La notion de groupage, comme en économie de marché, est peu connue.



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Cela s'explique par les structures de distribution dans le pays. Structures très centralisées dépendant de la puissance publique.

Par taille d'entreprises, nous avons fait les constatations suivantes :

### **Les grandes sociétés**

La majeure partie des trafics se réalise par wagons.  
En général une expédition comprend plusieurs wagons.

Le client expéditeur, qui a la maîtrise du transport, puisqu'il règle le transport, confie en général l'étude et l'exécution de l'opération transport à une société spécialisée : un forwarder.

Le choix du transitaire s'effectue en prenant en compte les critères suivants :

- Sécurité
- Rapidité
- Prix

Ce choix est pondéré en fonction des demandes du client.

La voie principalement utilisée est la voie du Nord, via Brest-Chop ou les ports de la Baltique. Il s'agit de la voie traditionnelle qui était imposée à l'époque de l'URSS par le MPS. Encore actuellement les demandes de tarifs s'effectuent auprès du MPS ou de TRANSRAIL.

Les destinataires ouzbèques sont généralement satisfaits des choix effectués par les expéditeurs. Ils n'ont pas encore le réflexe « économie de marché » qui consisterait à proposer d'autres solutions. Les délais moyens d'acheminement depuis l'Europe sont d'environ un mois.

Les réapprovisionnements pour de petites quantités, de l'ordre de 20T, se font de plus en plus souvent par camion. Le prix du transport est plus élevé mais la livraison s'effectue dans des délais plus courts : environ 20 jours.

### **Les entreprises de taille moyenne**

Peu de trafic avec le monde occidental.  
En cas de trafic le moyen de transport utilisé est le camion.

Pour les articles de consommation courante - vendus dans les bazars - le moyen de transport utilisé est le camion : camion turc et iranien.

### **2) L'exportation d'Ouzbekistan**

Les structures économiques actuelles du pays ont pour conséquence que seules les grandes entreprises ont accès au marché de l'exportation.

Les produits exportés sont des matières premières ou des produits industriels peu élaborés, très peu de produits finis à forte valeur ajoutée.



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En conséquence, les quantités à transporter sont importantes et nécessitent des moyens de transport de masse comme le chemin de fer et le bateau.

La majeure partie des exportations de textiles, de minerais, de coton, sont réalisées par chemin de fer par la voie du Nord.

Pour les pays limitrophes, l'Iran et la Turquie, le camion concurrence le chemin de fer pour des raisons de prix et de qualité d'acheminement.

Sur décision des Présidents des Républiques du Caucase et de l'Asie Centrale, les entreprises contrôlées par l'Etat commencent à utiliser la voie TRACECA.

Globalement, les acheminements s'effectuent valablement mais des difficultés sont rencontrées par les utilisateurs dans les ports, la traversée de la mer Caspienne et la qualité des wagons.

Afin de donner dès le départ la meilleure image de marque possible à la voie TRACECA, nous avons pensé utile de noter ces dysfonctionnements de façon à pouvoir y remédier le plus rapidement possible.

### **Conclusions intermédiaires**

Les résultats de l'étude que nous vous présentons ne portent que sur l'Ouzbékistan. Dans les semaines qui viennent, nous allons procéder à la même étude dans les sept autres pays TRACECA.

La forte chute du trafic par voie de chemin de fer n'est pas due uniquement à la concurrence d'autres moyens de transport.

Cette chute a pour principale origine la diminution des flux entre l'Ouzbekistan et probablement les autres pays du trajet TRACECA et les autres régions du monde.

Mais attention, la clientèle du chemin de fer n'est plus une clientèle « captive ». De plus en plus la clientèle pourra choisir son mode de transport et ses voies d'acheminement.

Parallèlement, les vendeurs ou les acheteurs auront une influence de plus en plus importante sur les contrats de vente.

Le fait de payer le transport vous offre la possibilité du choix du mode de transport. En cas de non paiement, une négociation avec la partie qui règle les frais de transport reste possible.

### **Comment réagir face à une situation évolutive ?**

Nous vous proposons d'analyser le problème ensemble.

Analysons nos forces et nos faiblesses :

- Quels sont les points fort de la voie Nord, notre principal concurrent ?



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- Quels sont les points forts de la voie TRACECA ?
- La politique actuelle qui semble se dessiner, i.e. : aménagement des tarifs, est-elle la seule valable ?
  - Si oui, pourquoi ?
  - Si non, pourquoi ?

Marc LANDRIN  
Consortium SISIE-CALBERSON-SYSTR



## PROFIL REQUIS DU RESPONSABLE DE LA MISE EN PLACE DE SYSMANAGEMENT AUX CHEMINS DE FER

Pour exploiter dans les meilleures conditions et avec les informations les plus fiables et précises possibles, un groupe de travail devra être constitué au sein des chemins de fer. Un coordinateur, désigné par la direction des chemins de fer, aura la responsabilité de le mettre en place et d'exploiter le système de gestion SYSMANAGEMENT.

### Compétences et expériences requises :

- Formation d'économiste avec maîtrise dans les domaines comptables, statistiques, financiers et de gestion.
- Expérience des activités, de l'organisation et du fonctionnement des chemins de fer.
- Capacité de management et de formation d'une équipe de travail.
- Bonne connaissance du système comptable, financier et statistique des chemins de fer.
- Ouverture aux principes de l'économie de marché.
- Intérêt pour l'informatique et un minimum de compétences dans ce domaine (système d'exploitation Windows, tableur, base de données, traitement de texte, etc...).

### Tâches à effectuer :

- Animer le groupe de travail constitué pour les chemins de fer du pays. Ce groupe de travail devra :
  - Collecter les informations comptables et statistiques qui alimenteront le module et permettront d'obtenir les résultats.
  - Assurer la cohérence et analyser les résultats obtenus.
  - Présenter les résultats à la Direction des chemins de fer.
- Développer la modélisation en fonction des besoins d'analyse et des changements éventuels dans l'organisation des chemins de fer.
- Assurer la formation des autres spécialistes des chemins de fer concernés par ce logiciel de gestion.

### Degré de responsabilité :

- Accès aux informations comptables et statistiques des chemins de fer.
- Autorisé à mobiliser les responsables des services concernés par les résultats et des détenteurs des informations nécessaires (comptabilité, finance, statistiques, trafic, matériel roulant, infrastructure, informatique).



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**Disponibilité :**

- Disponibilité entière tout au long de la formation.
- Temps dédié pour développer et intégrer SYSMANAGEMENT au sein des chemins de fer (fonction des modalités de développement décidées par les directions des chemins de fer de chaque pays).

Olivier DEREUDRE  
Transport Expert



**TRACECA**  
**Railways Inter-state Tariff and Timetable Structure**

## **Press release**

Tuesday, February 11<sup>th</sup>, 1997

A meeting was held at the Uzbek railways under the presidency of vice prime minister Mr Rakhimov.

The theme of the meeting was " cooperation between railways companies for a better and shorter access to the Black Sea ".

It was jointly organised by the Uzbek railways and the Takis / Traceca programme, under the sponsorship of Prime Minister Outkour Toukhtamuratovitch Sultanov, and with the active participation of the Asian Development Bank and the European Bank for Reconstruction and Development.

Traceca is an initiative of the European Union's Takis programme. Its overall purpose is to contribute to the better integration of the southern CIS countries into the world economy by improving the transportation routes linking them to the Black Sea.

Traceca has been supporting projects investigating most related issues, and promoting the creation of effective transportation patterns.

The particular Traceca project involved focuses on the operation of the railways, and purposes to foster the creation of the conditions needed for the effective operation of transcontinental trains.

The general objective of the project is to create the basis for the commercial success of trains crossing the Traceca region, that would translate into a financial success for the participating railways and the shipping line in the Caspian Sea.

Mr Rakhimov made an introductory speech, followed by Traceca's Mr Sims and project representatives MM Landrin, Romanini and Herriau.

Four presentations were given, followed by an active discussion by participants, primarily focusing on the ways to jointly promote commercial railways routes.

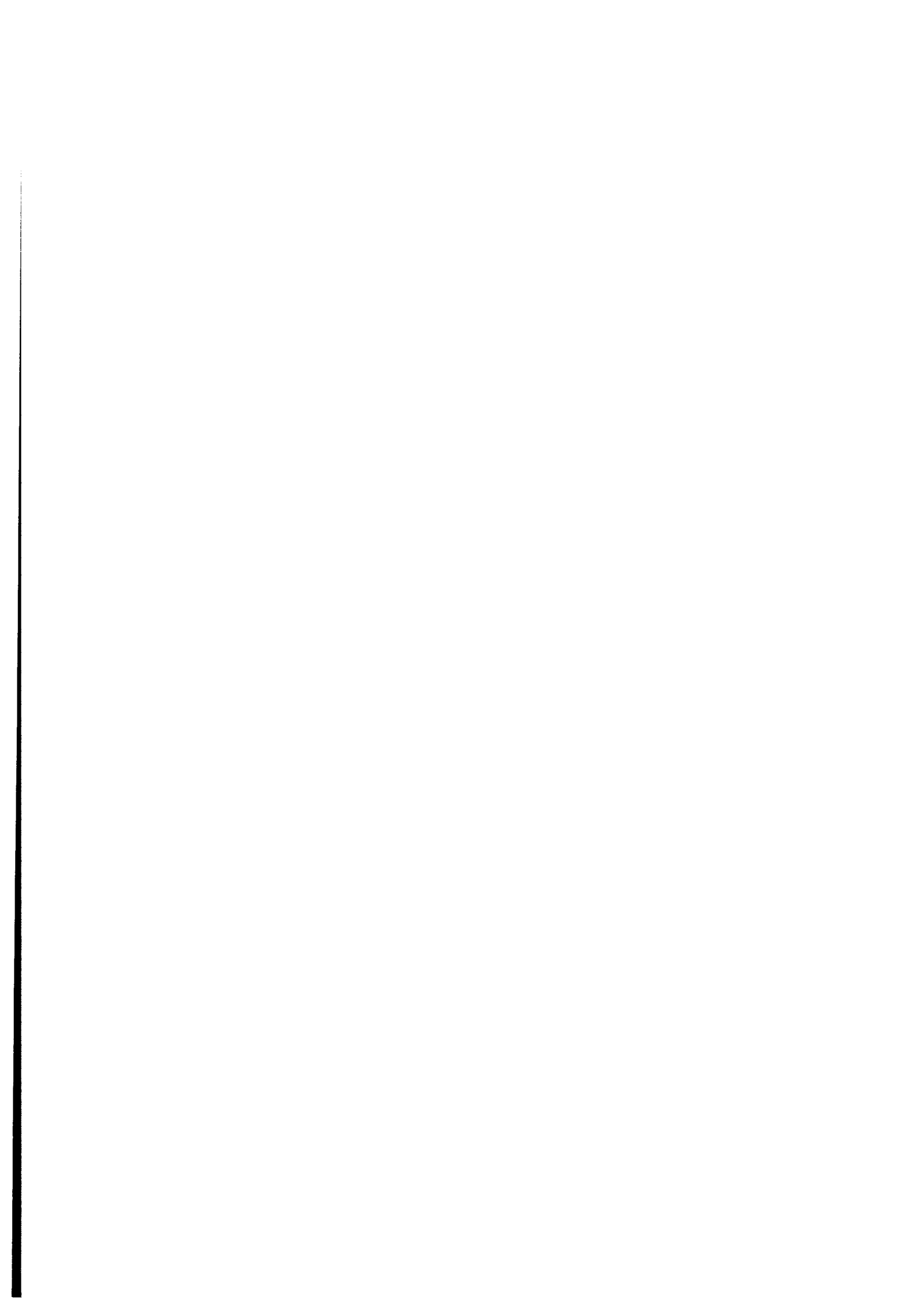
The first presentation presented the point of view of the international clients of the railways, showing what they actually expect from the railways before they would use the Traceca route on a significant scale.

The second presentation showed how Traceca consultants have started working with the railways at measuring operating costs, as a first step towards defining an optimal price structure for the Traceca route.

The third presentation introduced the concept of a regional clearing centres for railways to improve the effectiveness of their financial and commercial operations.

The fourth presentation stressed the interest of the development bankers for the railways in the Traceca region.

The day ended with a renewed commitment of the railways in the Traceca region for regional co-operation, as a necessary step towards commercial success. The participants agreed on the next meeting to be held before mid 1997 in another country of the Traceca region.





## **ANNEX A.2**

# **Preliminary Study of the National Railways of Uzbekistan**

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# INTRODUCTION

The project study covers the 8 Central Asian countries, namely Kazakstan, Tajikistan, Kyrgyzstan, Uzbekistan, Turkmenistan, Azerbaijan, Georgia and Armenia, whose rail networks form a corridor (the Traceca Corridor) via the Caspian Sea ferry crossing.

The final objective is to make this corridor economically efficient and profitable thanks to a study that can be used to make structural improvements in the following areas:

- transport : scheduling, service quality, flexibility, speed, firm commitments on the part of the countries involved
- costs, in market-oriented economic conditions
- current rates
- revenue distribution between these countries.

To facilitate studies, a management information system specifically adapted to transport companies is to be made available to the National Railways of each of these 8 countries.

The railway companies in each of these 8 countries operate following CIS rules and basically share the same organization and structure.

Because the study requires detailed information concerning organization and structure, it was decided to start with detailed analysis of the National Railways of Uzbekistan, since the corridor has to go through Uzbekistan. Georgia will be the second country to be analyzed. The purpose is to configure a reference base. Then, when studying the 6 remaining countries, it will suffice to note how they diverge from this reference base.

The first stage, described in Section 1, constitutes a preliminary study of the organization of the pilot site, the National Railways of Uzbekistan.

# 1. PRELIMINARY STUDY OF THE NATIONAL RAILWAYS OF UZBEKISTAN

## 1.1. The Economic Environment

Data collected from the Economic Expansion Desk (PEE) at the French Embassy (i.e. from the half-yearly trends report) indicate that GDP for the first quarter of 1996 was 1.4% higher than in the previous year.

Industrial activity, which had abruptly collapsed in the two previous years, seems to be recovering :

- industrial output for the first half-year 96 is up 5% over first half-year '95
- investment is up 4.4%, and now represents 30% of GDP
- the energy sector is no longer alone in promoting growth. Mechanical, metallurgical and light industries (including the agribusiness and food sector) are progressing. Upwards trends are also visible in steel-making, where output has increased by 30%, and manufacturing (farm machinery).

Privatization is being pursued. Statistics seem to indicate that the private sector generates 44% of the domestic product. However, it remains difficult to define exactly what constitutes the private sector.

Inflation has been cut to about 4% on average per month during the first half-year and is half what it was in the same period of '95.

Despite a sudden hike of 25 to 50% in prices under public control and of specific consumer goods on April 1<sup>st</sup>, official statistics indicate that household purchasing power has gone up by about 20% in the first half-year. We should point out that purchasing power declined by 40% in '95.

The Government is pursuing a drastic monetary policy. The national currency, issued on 4<sup>th</sup> July '94, was devalued by 40% in '95. Since the beginning of this year, the official exchange rate has only declined by 13%. Exchange controls have been reinforced in an effort to curb black market operations.

The State still drains all foreign currency resources. Almost all exporters must repatriate all export income and exchange it into local currency at their central bank.

The IMF estimates that the country has six months in foreign currency reserves to finance foreign trade (USD 2 billion, which seems to be adequate).

Furthermore, the amount needed to serve the foreign debt does not exceed 10% of export revenues.

The deregulation of the currency exchange market, announced since late '95, has been put off once again until next year.

Uzbekistan's foreign trade is changing rapidly in structural terms, although imports and exports within the CIS have remained virtually constant.

According to data supplied by Uzbekistan's Ministry of Statistics :

- non-CIS exports rose from USD 1,661 to 2,700 million between '94 and '96 (a provisional figure)
- non-CIS imports increased from USD 1,402 to 2,720 million between '94 and '95 (a provisional figure).

## 95 Uzbekistan Imports, By Country :

Within the CIS		33 %
Outside the CIS	Germany	14 %
	United States	11 %
	Turkey	9.5 %
	Great Britain	9 %
	South Korea	7.5 %
	Other countries	6 % (1.5 % for France)

## 1.2. The Structure of Uzbekistan's National Railways

The legal status of the National Railways of Uzbekistan is that of a National Corporation (Uzbekistan Temir Yollari). The organization chart figures in Appendix 1.

The corporation is managed by a Chairman and Managing Director, appointed by the Council of Ministers. The Deputy Managing Director is also appointed by this Council.

The rail organization is divided geographically into six "regions". Each "region" is headed by a Director appointed by the Chairman and Managing Director.

List of regions :

1. Tashkent division - main office in Tashkent.
2. Fergana division - main office in Korand
3. Bukhara division - main office in Bukhara
4. Praralskoye division - main office in Kungrad  
Aral Sea region - Autonomous Republic of Karakalpakstan
5. the Karshi division - main office in Karshi
6. Urgench office - main office in Urgench (the Khorezm region)  
A small division set up on 1<sup>st</sup> October '96 for political reasons.

The third hierarchical echelon includes all production units (passenger stations, freight stations, depots for locomotives and for wagons, track sections, signaling equipment, buildings, etc.).

Services continue to be organized as they were prior to independence, but a reorganization project has been started (elimination of the hierarchical echelon for regional divisions). A few Establishments have already been placed under the responsibility of Management.

The rail network encompasses 3,656 km of line, of which 489 are electrified (see diagram in Appendix 2).

A fleet of 98,856 wagons is available.

Staff totals 56,863 people, including 41,031 assigned to the Transport Sector ('95 data, furnished by the Institute of Technical and Economic Services of the MPS - CNIITEI for all countries belonging to the CIS).

The Company also includes a number of auxiliary bodies :

- industries for major rolling stock repairs and building materials
- freight shipping concerns in which it is a shareholder
- in the crops/livestock farming sector (for land near rail lines)
- handling real estate and staff housing

- its own social institutions (schools, day care centers, hospitals, stores, health care facilities, pharmacies, etc.) including small firms such as Geldor Pharmacy, which supplies medicines for the Railways
- in the restaurant/hotel business.

Personnel working for these bodies generally are on the Company payroll.

The National Railways, although autonomous in terms of management by virtue of its by-laws, is under direct State control via several permanent regulatory mechanisms.

Each Ministry performs its own audits depending on its duties.

The echelon composed of divisions and production units comes under the authority of Regional Committees.

*N.B. : The Railways is examining ways to reorganize completely and achieve a SNCF-type set-up ; this would involve making infrastructure separate (it could be placed under the direct authority of the Cabinet of Ministers), and establishing business activity sectors (Passenger Transport - Freight Transport - Related Activities).*

We have not been informed of any plans to implement such a reorganization. It is self-evident that the State will not help create this type of organization, which would force it to cover infrastructure costs.

### 1.3. Railway Activities

The Company engages in three separate activities :

- **Transport**, strictly speaking (about 80% of sales)
- **Miscellaneous Industries** (about 15% of sales)  
5 companies handle the bulk of major repairs for tractive stock and trailers; several building materials plants
- **Buildings - Construction** (about 5% of sales).

#### 1.3.1. '95 Activities

##### **FREIGHT**

Freight carried (thousands of metric tons) 46,209  
including :

- coal 3,615
- oil products 10,156
- chemical products 2,723
- cement 3,396
- wood 29
- miscellaneous 20,290

Freight transported (billions of tonnage-km) 16.8  
i.e. an average distance of 364 km.

- Average load/wagon 60.1 metric tons
- Average round trip/wagon 4.51 days

• Average gross weight/freight train	2,903 metric tons
• Average speed/freight train	41.4 km/hr
• Average technical speed	30.7 km/hr
• Per-day output/locomotives	860.7
1,000 tons-km	3,112.0
Wagon tons-km	

### **PASSENGERS**

• Passengers transported (thousands)	14,476
• Passengers transported (millions of passenger-km) i.e. an average travel distance of 173 km.	2,498

### **OTHER ACTIVITIES**

• Major repairs (wagons)	2,506 (number of wagons handled)
• Small-scale maintenance by depot workshops (number of wagons handled)	25,464

### **Source of information:**

Institute of Technical and Economic Services of the MPS (CNIITEI).  
Statistics concerning CIS countries.

### **1.3.2 The Relationship Between Sectors**

Each sector is called upon to supply services for other sectors within the organization. These services are handled case by case on a customer/supplier contractual basis, complete with invoicing, guarantee clauses and the application of penalties for non-compliance with contractual clauses.

The same procedure applies to non-rail services.

It is useful to recall that, from now on, "barter" contracts—the exchange of goods that involves no payments—are prohibited in Uzbekistan.

### **1.4. The "Transport" Activity**

Four transport sectors have been distinguished, based on revenue classification criteria :

- Freight (about 70% of revenues, 10% being international)
- Passengers (about 15% of income)
- Baggage (about 10%)
- Auxiliary activities (about 5%), i.e. :
  - . vehicle rentals (locomotives, wagons)
  - . farming (crops, livestock)
  - . pick-up, storage and delivery services, etc., at the terminals
  - . miscellaneous handling operations for customers
  - . services of all kinds (hotels, restaurants, cafés, stores, etc.)

## 1.4.1. Freight Transport

### 1.4.1.1. General Policy

This particularly profitable sector has attracted widespread attention, especially in light of the considerable drop in traffic levels on record until late '95.

According to the data collected, this decline seemed to have bottomed out by early 1996, when a turnaround seems to have started. This situation is probably tied directly to overall economic trends (See § 1.1 Economic Environment).

The Railways have carried out research on optimizing freight traffic, e.g. :

- promoting cooperation between Central Asian countries
- ensuring meticulous follow-up of freight routes from the network's central train control station in Tashkent
- limiting the waiting time before shipment to 24 hours at each freight station.

At 6.00 AM and 6.00 PM, each of the 6 divisions identifies those wagons that can be loaded and ready to make up a block train of 50 to 60 wagons, generally with a tonnage of about 3,100 to 3,200 tons.

Countries in the CIS strictly apply this train composition rule. It is based on an optimization study considering cost per train/km, tractive stock power, electric power capacity, transport speed standards and the track profile of lines used.

- setting up enterprises to handle pick-up/delivery between plant and rail station; since October '96, a private firm provides this type of service in Tashkent. They work under contract with the Railways.
- starting a shipping corporation in 1994 to boost traffic (Shos-Trans). It posted good results in '95 by developing transport using 40-foot containers. This company's organization and results are included in Appendix 3.
- establishing the Shipping and Contract Department (set up by the Council of Ministers decree in late '95) to facilitate international transport and transit via Uzbekistan.

A joint venture has been set up with the Calberson company, and transport agreements signed by five countries (Uzbekistan, Turkmenistan, Tajikistan, Georgia and Azerbaijan, as well as by Caspian Sea port authorities). Negotiations are under way with a view to signing a similar accord with Iran.

- signing the March '96 agreement on Traceca Corridor rates (Uzbekistan, Turkmenistan, Azerbaijan and Georgia). The intent is to permit a 50% discount on rates set by the CIS Rates Council. It is thought that this measure permitted transport of 36,000 metric tons of cotton in 6 months. The Railways must carry out a study to evaluate the profitability of this traffic category.
- building a new line between Utshkuduc and Sutanizgak to reduce transport distance and overcome the disadvantages of the current line, which crosses the border twice into Turkmenistan (time loss due to changing locomotives and drivers).



The railway company is building this line with State financing, after extensive negotiation. Once completed, the new line will be added to Company assets.

- building the new Gaissar-Baissun-Kalmkurgan line as decided in August '95.
- electrifying the Dzhizak-Samarkand-Karshi-Bukhara line.

#### *1.4.1.2. Freight Rates*

The freight rates applied are those approved by the CIS Rates Council. Rates depend on distance and type of goods, and are expressed in Swiss francs instead of local currencies (the Sum for Uzbekistan) to simplify computation. Payments are made in cash, in foreign currency for international transport or by bank transfer. The latter is fairly complicated: the request to transfer an amount from one account to another one is accompanied by forms to fill in specifying the contract number, mode of transport, description of contents, origin of goods carried and destination.

Each CIS member country has some latitude with which to grant certain discounts.

For domestic rates, a discount may be applied (not to exceed 35%).

For international traffic, the Company Chairman and Managing Director can grant discounts, which are set on a case-by-case basis, according to criteria such as the volume and type of goods to be carried and transport distance. A special rate schedule has been used for the Traceca Corridor since March '96 (See § 1.4.1.1.).

The Rates Committee is not a standing committee. There is one meeting per year since 1993, usually in January, to fix the rates to be applied within the CIS from 1st April to 31st March of the following fiscal year (Alma Ata in January 97).

The 12 countries of the CIS attend this meeting organized each year in a different country. The chairman is the leader of the receiving country.

They work on two basic documents:

- The international railway transit tariff schedule (MTT 8100) applied since 1st October 1977 and complemented by the appendices n° 31 (modifications of the year 1986); The second issue was in 1991.
- The single transit tariff (appendix to an agreement on the international railway traffic - ETT); this document was issued on 1st January 1959 and re-issued on 1st January 1967. An appendix n° 5 was issued in 1992 recapitulating the calculations of international railway tariffs (TUT).

Two months before the meeting, each country of the CIS receives a proposal for new rates. These rates are fixed according to four criteria:

- distance travelled,
- wagon loading percentage (tonnage conveyed/carrying capacity),
- type of freight carried,
- type of wagon.

The rates proposed are amended by the MPS according to the evolution of cost prices indicated by the Committee for Tariffs and Currencies with the MPS, and to the economic data of each country (cost of fuels, energy, wage level, price of metals, inflation rate).

During the meeting, the representatives of each country express their opinion and the proposals may be modified.

In Uzbekistan, the finance department fixes the cost prices for the company so as to make a comparison with the MPS proposals.

Tariffs are expressed in Swiss francs and, each quarter, adjustments are made based on the evolution of the Swiss franc/US dollar parity.

Each railway administration of the 12 countries can apply different rates for a given freight over a given route.

For international transport, this entails an array of route changes in order to avoid transiting through the country which increases its rates. The example of Kazakstan was mentioned to us: this country recently fixed a higher price for carrying cotton and foodstuffs. In this respect, Uzbekistan is discussing with Iran in order to find an opening through the Persian Gulf.

In order to stand up for the interest of the railways of each country, an Inter-State Economic Committee was set up in early 1995 at the CIS level. The head office of this committee is in Moscow; it is made up of leaders of each country and its role consists in coordinating tariffs.

As can be seen, the organization with regard to tariffing provisions is very complex. Despite certain modifications, it is still very close to that existing in the ex-USSR.

#### *1.4.1.3. Customer Base - Shipping - Transport*

A consignment note (printed in 5 copies) is the basic transport document. It is filled in by the customer at the station, where it is checked and a copy (receipt) given to the customer.

The freight station has the necessary equipment and means to pick up goods at the customer's door, load goods onto wagons or into containers (20 foot or less), unload and deliver goods to the customer's door. These " extra " services are billed using a price schedule defined by the State. Part of the corresponding revenue provides the station with income (on average, 40% of the invoiced amount).

The freight station plans shipments, but generally does not collect the portion of the payment that covers transport costs, which is done by the shipping companies. Shipments are generally prepaid.

To a significant extent, the customer base is composed of State bodies that are part of the relevant Ministries, with the status of National Associations, National Corporations or Consortia.

Several of these bodies were mentioned to us. They are connected with :

- the energy industry (gas, petroleum products, coal)
- the cotton industry (Uzkhlopkopromsbyt)
- the metallurgical sector (ores, finished products)
- a specific geographical sector e.g. the line running from Bukhara to Ushkuduk to transport valuable ores (gold, uranium)
- various other goods (Sredazgeldorexpeditia).

Theoretically, customers are supposed to give advance notice of their shipping needs, so that the Railways can plan round trips for wagons and train runs.

International freight customers must work with Railways-approved shipping enterprises :

- 15 shipping companies have contracts with the Railways to handle exports departing from Uzbekistan.
- 36 specialized companies throughout the CIS have signed shipping contracts with Uzbekistan's National Railways.

All of these shippers work with Jourdoexpedit.

As of January 97, the Shos-Trans company (See Appendix 3) will work directly with the Railways in handling container transport.

The customer pays the shipper directly for transport. The shipper pays then the Railways an amount corresponding to the rates applied (with or without a discount, depending on the case, and in line with decisions made by the Chairman and Managing Director of the railway company of Uzbekistan).

At the national company, this payment procedure is supervised and checked by a department known as the Center for International Payments and Contracts, which reports directly to the Chairman and Managing Director. A rule of reciprocal payments between CIS member countries has been enforced for the last three years. For an international shipment, the share of revenue assigned to each railway company is written on the back of one copy of the consignment note. The customer never knows what amount the railways actually receive for a given transport job.

According to collected data, the margin collected by the shipper is not regulated and is not subject to any schedule.

Due note must be taken of the department's specific role in the process, it carries out both commercial and financial duties :

- it monitors freight revenues and contract performance
- it collects revenue in local currency and in foreign currency via banks
- it applies the reciprocal rules valid for CIS countries.

This department supplies the Financial Management with quarterly and annual reports, as well as partial monthly data (approximate amounts).

#### *1.4.1.4. Comments*

The existing freight system has evolved to become different from that prevailing in the ex-USSR. However, in three key areas, the National Railways of Uzbekistan have remained very dependent on the CIS and the old ways.

- there is no direct contact between customer and Railways (only between customer and shipper)
- rates are decided at CIS level
- freight trains are still formed and operated under the same conditions (block trains, representing 2,900 metric tons, on average).

In the future, such areas of rigidity could lose markets for the rail sector. Is it not precisely what happened in Western European countries—and, what is more, during a period of economic expansion? For medium- and even long-distance routes, road transport could become a fierce competitor.

Perhaps the development of companies like Shos-Trans will have a commercial impact such as to limit loss of market share.

### **1.4.2. Passenger Transport**

This sector of activity runs a very large deficit. For suburban traffic, the Regional Government sets the rates and revenue covers only 35% of expenditure. However, we were told that the traffic decline in evidence until late '95 was over and that an upturn had occurred early in the present year.

This trend is probably caused by increased household purchasing power (See § 1.1. Economic Environment).

Three rates apply to passenger transport :

- suburban
- regional
- long distance.

In the same way as for freight, the Rates Committee for the CIS meets once a year to fix the fares to be applied to passengers.

Tickets are sold and data collected via the Express 2 network covering the ex-USSR. Ticket sales terminals are hooked up to the centralized information system in Tashkent. This network covers regional and international transport.

The Platzkart System developed by the MPS is used. When a customer pays for a ticket, he is actually paying the sum of two prices:

- the price of transport, strictly speaking
- an amount that is supposed to represent the cost of train formation services (this amount is also adjusted at Rates Committee meetings).

Judging by the information we have collected, the corresponding revenue does not cover the real expenses incurred in performing this type of service.

Using Platzkart, and especially for international transport, one can also make a direct allocation to the " departure country " to cover train formation services.

The rail links connecting the main cities in the country, i.e. : Tashkent, Samarkand, Namagan, Andijan, Bukhara and Fergana are not fast and offer very little comfort.

At large rail stations, a number of customer services are developing under the supervision of station managers : shops, newsstands, cafés, shoe repair shops, hair salons, porter services, hotels, etc. The people working to provide these services are on the Company payroll because the service sector in this country carries a heavy tax burden which considerably reduces the profit margin.

As the economy develops further, the automobile market could develop quickly and massively and air transport could become a serious competitor. This would particularly have a negative impact on the rail sector, which might lose significant transport market share.

It is certain that the national company, locked into an inflexible pricing system and subject to State supervision, does not have much room to maneuver. Moreover, investment opportunities are extremely limited.

### **1.4.3. Baggage Transport**

Baggage transport represents an activity that weighs heavily in terms of means; expenses are not covered by the income generated by these services.

The costs of maintaining equipment and handling are such that the activity is always likely to post a deficit.

The National Railways of Western Europe have had to face the same problem, but have not found any miracle solution. Only effective organization relying on a computerized management system can help improve the situation. Inevitably, to balance expenses and revenue, a portion of this activity will have to be transferred to the road network and rates adjusted.

### **1.4.4. Auxiliary Activities**

The number and variety of these activities are such that we could not cover them in detail in the allotted time.

In our opinion, the national company might well find it beneficial to focus evaluations and studies on auxiliary activities related to transport, strictly speaking, e.g. :

- freight pick-up and delivery at the line terminals, warehousing, inventory management, customer logistics assistance (program developed by Shos-Trans)
- in the passenger transport sector, tourist services could be developed (providing rental cars, hotel reservations, etc.)

It would be a good idea to assess the prospects of activities that are not directly related to rail transport, such as crops and livestock farming, etc.

## **1.5. Industry Sector**

There are 9 main companies in this category. Most carry out major repairs and overhauls for locomotives of all types, freight wagons, passenger cars and track equipment.

Routine maintenance operations for rolling stock are carried out by depot workshops (See § 1.4 Transport Activity).

This sector also provides services for companies other than the national company.

A specific quarterly and annual balance sheet is drawn up for this sector.

## **1.6. Buildings - Construction Sector**

The main tasks performed by this sector relate to the construction and maintenance of Company buildings (service buildings and staff housing).

Ninety-five percent of the housing units are privatized, and occupants have the opportunity to buy.

The sales price is based on the residual depreciation value.

Specific quarterly and annual balance sheets are drawn up for this sector.

## **1.7. Accounting Rules**

### **1.7.1. Accounting Rules Applied to Expenses**

Expenditure breaks down into eight components:

- wages and salaries
- payroll taxes
- materials, rolling stock, equipment
- fuel
- electric power
- depreciation (except for rented equipment)
- reserves for major repairs
- miscellaneous, e.g.:
  - . 1% highway tax
  - . 2% tax on the initial value of capital assets
  - . drinking water tax
  - . water consumption.

Expenses are further broken down by sector of activity and type of service.

- 1- Transport Sector - Passengers - Containers - Freight
  - 1.1. Passenger transport
  - 1.2. Container and freight transport
  - 1.3. Expenses related to traffic
  - 1.4. Routine maintenance
- 2- Tractive Stock (Locomotives)
  - 2.1. Electric locomotives
  - 2.2. Electric trainsets for suburban lines
  - 2.3. Diesel locomotives
  - 2.4. Routine maintenance
- 3- Trailer Stock (wagons, cars)
- 4- Infrastructure

- 5- Civil Engineering
- 6- Signaling and Telecommunication Systems
- 7- Electrified Lines - Energy
- 8- Computer Center
- 9- Back-Up Trains
- 10- Administration of the Company and regional divisions
- 11- Major Repairs for Tractive and Trailer Stock
- 12- Miscellaneous Expenses Related to Transport (Safety, Training, Uniforms, Business Travel, etc.)
- 13- Public Housing Sector.

The detailed list of expense items published by the MPS in 1986 (List of expense items for the main railway activities) is used. The National Railways of Uzbekistan are drawing up a new list that will have to be approved by the Ministry of Finance before it can be implemented.

Between the old list and the new one, there are major differences relating to the separation of production costs and so-called administrative expenses.

The accounting methods are closer to cost accounting than to a financial accounting system, although the concepts of depreciation and reserves for major repairs have been integrated. It complies with the coding rules published by the Association of Accountants and Auditors of the Republic of Uzbekistan (1995 issue), the legislation on production and sales expenses (Works and Services), and the prescribed steps for drawing up financial statements. Therefore, they meet the company's external needs. Company activities cannot be assessed in terms of production and profitability on the basis of extensive itemization alone.

Basic accounting data are collected from all Establishments and, in particular, crews. Daily, monthly or quarterly reports, drawn up by hand, generally contain information in the form of work units and task designations, often coded.

The overall approach is to have each Establishment check and compile all of these documents and send them for the 28th of each month to the regional division's computer center. The center takes the report data, assigns the appropriate values, then submits a statement for the Establishment to compile monthly, quarterly and annual reports. These statements include the following:

No. of workshop or crew - item - wages and salaries - payroll taxes - materials - fuel - energy - depreciation - expenses engaged for other workshops or assistance received from others.

### **Depreciation**

Each financial statement includes depreciation as a function of the depreciable life for the equipment concerned. Depreciation is calculated by means of a straight-line method.

The general standards applied are those defined by the ex-USSR:

"Depreciation payments to restore basic fixed asset funds in the economy of the USSR". Ordinance No. 1072 handed down by the Council of Ministers of the USSR on 22 October 1990".

Since 1991, four reevaluation coefficients have been applied to depreciation items. These coefficients are fixed by special ordinance by the Government of Uzbekistan.

Hereunder are a few depreciable life periods used in Uzbekistan:

- Diesel locomotive: 19 years
- wagons: 30 years
- buildings: varies according to category, but up to 100 years
- right of way: 500 years

### **1.7.2. Accounting Rules Applied to Revenue**

Revenue items are broken down by activity:

- Freight transport.
- Passenger transport.
- Baggage transport.
- Postal transport.
- Sale of industrial goods.
- Sale of other goods.
- Miscellaneous local revenue items.
- Revenue generated by auxiliary transport activities.
- Sale of materials and fuel.
- Sale of consumer goods.
- Revenue generated by auxiliary works.
- Revenue generated by the public housing sector.

Revenue is itemized to a much lesser degree than expenses. Using the statistics, one can obtain revenue per type of freight.

### **1.7.3. Accounting Documents**

All accounting data are recorded on a document called:

" Rail Transport Financial Activities Report"

Form No. 69, approved by Ordinance No. 154 of the State Finance Committee in charge of USSR statistics dated 16 October 1991 (See Appendix 4).

Each Establishment or corporate entity belonging to the Company fills out a quarterly document like this to report activity and, at year-end, it provides a balance sheet for the past fiscal year.

Each of the 6 divisions centralizes the documents for its geographical sector.



The Financial Department draws up a global document for the National Railways. It represents the sum of data furnished by all divisions for core (or basic) activities, industrial activities and what is called subcontracting for auxiliary activities.

The overall company balance sheet, drawn up quarterly and at year-end, requires consolidation of 135 partial balance sheets.

**Basic Activities:** 116 Establishments ('95 in transport, the core business)

**Industry Sector:** 4 industrial firms - rolling stock, track materials  
4 industrial firms - rolling stock repairs  
1 company - marble quarrying

**Sub-Contractors:** 8 firms - construction, housing units and buildings  
1 firm - construction, telecommunications centers  
1 firm - construction, electric power substations.

All balance sheets are filled out manually, which means a considerable amount of work. Computers are not used in accounting except to enter and assign values to the data in reports submitted by crews in the field. Data valuation and pay slips are handled by each regional division's computer center. Depreciation data are then added.

The computer center prints out a statement for each month, quarter and fiscal year that includes the data needed to draw up the balance sheet.

#### 1.7.4. The Flow of Accounting Information Within Rail Establishments

Each regional division's Establishments submit specific technical reports including representative activity production data. These reports, approved by the chief engineer and the head of the accounting department, are sent on the 28th of each month to the Computer Center, where work units are entered and assigned values.

The Computer Center supplies the Establishments with global and detailed statements for each section, based on the "List of expense items for the main railway activities". The Establishment verifies and notifies the Computer Center of any adjustments to make in these statements. In the following month, the Center sends the Establishment a corrected version. The corrected statement is used by the Establishment's accounting manager when drawing up the "Statistics Report" manually.

Section of an Establishment

Technical production reports

Data entered manually

↓

Establishment Management

Verification by management of technical reports, which are to be sent to the Computer Center on the 28th of the month

Manual

↓

Computer Center

Entry and valuation of work units, submission of accounting statements in line with the "List of expense items for main Railways activities"

Data entered on computer, processed and printed

↓

Establishment Management

Verification and notification of any adjustments to be made in these statements

Manual

↓

Computer Center

Modification of accounting statements and submission of new ones the next month

Data entered on computer, processed and printed.

↓

Establishment Management

Drawing up of Establishment statistics report based on Computer Center statements

Manual

## 1.8. Information System Structure (Company)

The only data on computer are traffic-related. Freight and passenger data are processed separately.

### 1.8.1. Follow-Up of Freight Traffic

The consignment note for each shipment is used to create a database.

Other information is also entered in this database: facts concerning loading and unloading operations, routes (origin, destination, train make-up, etc.).

All data are provided by entities in the field (freight stations, shippers, marshalling yards).

Data are checked and centralized at the computer center for each of the 6 regional divisions.

Each center is hooked up to the main computer center in Tashkent, which processes the data.

The results for month M are available on 10th of month M + 1.

Data concerning international traffic are processed by a specific entity (a center set up to oversee international payments and contracts).

A priori, the only management departments to be connected to the computer center are those responsible for traffic (centralized train control) and statistics (to estimate daily traffic volume).

### **1.8.2. Follow-Up of Passenger Traffic**

The Express 2 system collects data concerning regional and international passenger traffic. Station terminals are hooked up to the computer center, which processes all data. Again, the results for a given month M are available on 10th of month M + 1.

Suburban traffic data are centralized at the regional division level and sent each month to the computer center.

### **1.8.3. Regional Computer Centers**

Their purpose is to centralize, at regional level, all accounting data needed to draw up periodic balance sheets for the regional division itself or its Establishments.

They receive all documents filled in by the workshops and crews. Data contained in these documents are then entered and assigned values. Virtually all of the elements needed to draw up a balance sheet appear on this statement, which is then sent to each Establishment for verification. Any errors are corrected by the Computer Center and a new statement issued in the following month.

These computer centers are equipped with Latvian-made computers (the 1984 VKM-5100 or the '90s SMK00 models) with 13-megabytes hard disks, able to transfer data onto magnetic tape.

The software and processing methods developed by rail computer staff may vary from one division to the other, but their statements of results comply with set standards. The languages used to develop software are Fortran 77 for data entry and preparation, and Assembler for all computing. Some divisions still use the program that MPS developed in the 1970s. It is difficult and sometimes even impossible to retrieve processed data (incompatible file formats).

Data are stored in the memory for no more than two months.

### **1.8.4. The Information System in Tashkent**

This System is manned by 300 staff members. The head of the Information Department noted that its processing capacity was limited, which is why it does not process accounting data.

However, it does carry out a few traffic-related operations to assist Turkmenistan and Tajikistan.

### **1.8.5. Local Computer Conditions**

Many of the offices we visited are equipped with microcomputers that are not hooked up. This equipment is mainly used for word processing. A few little programs, including computing programs, are also installed.

### 1.8.6. Comments

Data processing methods are the same as those implemented by the MPS in the ex-USSR prior to independence. Therefore, it is very difficult to make queries and access programs to modify or expand existing processing methods.

## 1.9. Statistics

Thirteen people are assigned to the statistics department, which fulfills two functions:

- provide management with a daily freight activity estimate. This is done every calendar day; checks are made at 6 PM Moscow time. Key information:
  - metric tons of freight loaded, unloaded and/or transported
  - status of the fleet, utilization of locomotives and wagons.

A study is under way to develop data concerning daily receipts. It was confirmed to us that the margin of error for data collected in this way was about 10%. This section of the department is connected to the Computer Center, but most of the data are collected by telephone.

- at the end of each month, the department compiles all Company results. The data are supplied by the Computer Center to two sections of the department:

- . the Transport logistics section
- . the labor and payroll section

(data provided on a quarterly basis only).

At this stage, all data for all Company activities are centralized:

#### - Transport Sector

- . freight
- . passengers
- . baggage
- . auxiliary activities

#### - Industry Sector

#### - Buildings - Construction Sector.

The Statistics Department is also responsible for submitting monthly results to the State Committee for Statistics and Forecasts set up by the Cabinet of Ministers (Goskomprognostat). It has all data necessary to carry out research for the latest three fiscal years.

Monthly results are compared: month M of year Y is compared to month M of year Y-1. These calculations are performed manually, and data must be entered yet again.

For everything concerning import/export traffic within the CIS, the Statistics Department works directly with the MPS in Moscow.

*Note: The statistics available are very complete but classified according to a list that is not always oriented towards internal analysis needs with respect to production or profitability.*

*The statistics are oriented towards traffic volume, very little towards the production corresponding to said volume. In fact, one can find the volume in metric tons and tonnage-km with the corresponding revenue per freight category for a given fiscal year.*

*Moreover, a considerable number of documents are kept. Because they are kept manually, and data are entered several times, errors are certain to occur. Therefore, the reliability of detailed data is relative although they lend themselves to compilation with other data.*

A list of the principal documents kept by the Statistics Department is included in Appendix 5.

Statistical results are used by the Economics Department which carries out traffic planning and forecasting for the next fiscal year, based on financial performance and economic conditions.

Planning is carried out in three phases:

#### **October**

It makes an initial examination, working with the Passenger and Freight Departments and making a breakdown per regional division.

#### **November**

It develops a first draft.

#### **December**

- . It consults with the State Committee for Statistics and Forecasts which contributes data concerning national economic trends and forecasts
- . It produces a set of forecasts expressed in work units (tons/km - passengers/km), broken down per regional division.

#### **During the Fiscal Year**

Once a month, it obtains information from traffic managers and adjusts its forecasts.

The Economics Department mainly reasons in terms of work units. To perform its task of predicting expenses, it analyzes them in detail:

Wages/Salaries - Payroll Taxes - Rolling Stock - Fuel (Vehicles) - Fuel (Heating) - Energy - Depreciation - Reserves for Major Repairs - Other Miscellaneous Expenses.

Values are not assigned to the elements supplied by this department. However, the Finance Department performs the same estimates but by analyzing revenue forecasts.

## **1.10 Financial Flows**

Services and monthly wages/salaries are paid in the country, in cash only, with part being paid on the 15th of the month. Inevitably, a number of problems arise:

- deposits in and withdrawals from several banks (150 accounts), especially from one commercial bank, "Uzpromstroibank"
- effective dates are not observed
- foreign currency payments are processed separately
- the high costs entailed by keeping accounts and providing statements (bank statements, deposits and withdrawals).

To alleviate these difficulties, in 1992 the Company set up a Purchasing Department to centralize payments.

In August '95, the Company submitted a request to the Vice Premier of the Republic of Uzbekistan for the establishment of a Central Railways Bank. The Central Bank turned this request down. To our knowledge, this request was not supported with a file explaining all the reasons why this would be financially beneficial for the Company.

Due note should also be taken of the additional difficulties encountered in keeping revenue—especially freight revenue—under control:

- approved shippers do not receive immediate payment for shipments
- for several rail lines in Uzbekistan, one has to cross the border into a neighboring country once or several times. The rail network has 18 border crossings.
- foreign currency revenue is partially amputated due to the legislation in force:
  - . by law, 15% of collected revenue must be exchanged into the local currency (Sum) at the official rate if payment is to be made from an account inside the CIS
  - . 30% must be exchanged if payment is to be made from an account outside the CIS.

In practice, these measures affect all international freight traffic revenue collected by the shipping companies, which deprives the railway company of available foreign currency with which to purchase materials and equipment abroad.

The Company also needs to spend foreign currency to pay neighboring countries for the distance traveled on their territory (Kazakhstan, Turkmenistan, Tajikistan).

The Company has funds in local and foreign currency with which it must manage. It does not borrow from banks because the interest rates are so high and because it would not be able to meet the loan payments.

## 1.11. Management Control

The Company's Central Management organization does not include a Management Control Department.

Within the confines of our study, the checks carried out involved verifying the reliability of information relative to accounting methods, statistics, bank transactions and payroll. This can be explained as follows: under the present system, the chief objective of each manager at every echelon is to produce a balance sheet at year-end, along with quarterly reports. There are no production or productivity goals: regulations are very detailed and stringent, which has an impact on means.

The "budget" made available to each manager has two basic components:

- The portion allocated to production  
Work units x unit price set by the Company, the regional divisions and by the division for the Establishments.

Ex.: 40 Sums per ticket sold  
40% freight loading/unloading revenue

The unit price equals the cost of the work unit.

$P_u = \frac{D}{V}$  (expenses tied to traffic, including miscellaneous expenses)  
V (volume of work units).

- The portion corresponding to auxiliary revenue, a large proportion of which results from the initiatives taken by the manager:
  - . creation of complementary services
  - . services for third parties.

Obviously, the second component varies according to the type, size and geographical location of the Establishment.

A passenger station has more facilities to develop auxiliary activities with (cafés, bars, hotels, shops, etc.) than a freight station or a locomotive or wagon depot.

On the one hand, the word "budget" has been placed in quotes because it appeared in quotes in the Russian translation; this word was never actually used by the people we talked to. This is proof in itself that the concept is not a familiar one to the National Railways or, generally speaking, to corporate entities in Uzbekistan.

On the other hand, the concept of "balance" is frequently employed.

This leads us to the audit practices being implemented:

- internally, the Finance Department carries out an audit at all management levels. The audit covers compliance with regulations and legislation, cost item lists, allocation methods, wages/salaries.

53 auditors, half working at the regional division level, perform these audits.

A decree handed down by the Cabinet of Ministers has just required the Company to set up an Audit Department; the head of this department will report directly to the Chairman and Managing Director.

Although this department will be part of the Company, it will operate independently to some extent and be managed separately. Its legal status will be filed with the Ministry of Finance. This Department will cover all management levels at intervals specified by the Chairman and Managing Director, and undertake actions defined by him.

- externally, there are numerous and frequent audits by the:
  - . Fiscality Committee
  - . Price Committee
  - . Ministry of the Interior
  - . State Committee for Statistics and Forecasts.

These bodies also act at the regional and local level via their Regional Committees.

*Note: Audit costs (salaries, business travel, etc.) will now be treated as administrative expenses to be paid by the audited Departments.*

Audit findings are reported and, if errors are noted, penalties are applied. These penalties, which vary according to the magnitude of the error, are codified in penalty tables; a manager might have to pay a fine out of his own pocket.

## 1.12. Financial Results

The management monitors financial results and statistics to the virtual exclusion of all else. Comparisons are made on a monthly, quarterly and/or yearly basis.

The Company must integrate the 135 balance sheets drawn up by its various constituent entities to come up with total revenue and expenditure.

A financial results report is filled out at every level, both quarterly and annually, using a form called Form #2, approved by the Ministry of the Republic of Uzbekistan (Decree No. 9 of 27 January 95). This document uses figures expressed in the local currency (thousands of Sums) and includes expense and revenue data for the previous year.

The following are determined:

- gross operating margin, production-related income and expenses to which 17% VAT and export taxes are applied
- gross profits or losses including:
  - . non-production expenses (advertising, marketing, etc.)
  - . administrative expenses
  - . so-called functional income and costs (rentals, property, social)this yields the gross production results.
- a second gross profit and loss statement including:
  - . dividends received (ex: for Company holdings in shipping firms)
  - . loans taken out or granted to associated companies and divisions
  - . the financial impact of exchanging foreign currency into the local currency.

The result obtained is called the gross financial result for general operations.

- a final profit and loss statement (net) integrating all taxes including the 37% tax on profits.

It is not useful to make comparisons in the local currency (Sums) unless the evolution over time of inflation and rates is factored in.

Where a net profit is found, that manager will have a mass of funds to draw on. A Technical Council holds end-of-quarter and year-end meetings with the manager to determine how to allocate these funds.

First, social imperatives are considered and a portion is set aside for staff bonuses. Depending on the amount of the profit, bonus size varies greatly from one entity to another. Bonuses may range from 0 to 120% of salary (120% being the highest percentage mentioned to us).



## 1.13. Conclusion

The existing system is the same as the one applied prior to Uzbekistan's independence, excepting a few changes.

Its major shortcoming resides in the fact that capital investment financing, previously supplied by the MPS during the USSR era, is no longer provided to the same extent by the Government of Uzbekistan.

Previously, Uzbekistan received the following equipment every year:

- 50 new passenger cars
- 15 to 20 line locomotives
- 20 shunting locomotives
- 35,000 metric tons of rails
- spare parts worth about 8 to 10 million USD.

This year, the State only financed electrification and new line projects.

Although the railway company claims that, for the time being, it does not need any new rolling stock (locomotives, passenger cars, wagons), it deplores the fact that, due to a lack of foreign currency, it cannot purchase the track equipment and spare parts it needs.

Because Uzbekistan's international passenger and freight routes are fairly short, they only generate low amounts of foreign currency.

As specified in the preceding section, foreign currency earnings are amputated by payments to neighboring countries for distances traveled on their territory, and because the Company is required to change a portion of said earnings into the local currency at the official rate (50 to 55% lower than the black market rate).

We were not permitted to evaluate the condition of installations and rolling stock, but it is clear that delayed maintenance operations will accumulate; there is a risk of seeing an alarming situation develop.

Now that economic recovery seems to be getting under way, one might well fear that the National Railways might lose market share to other modes of transport.

In this case, both freight and passenger transport stand to lose market share.

The National Railways must offer products that meet market demand, and evolve over time but do not appear to recognize the importance of this approach, because it lacks sufficient funding and still depends a great deal on the CIS (organization, rates, using the freight business to cover passenger traffic deficits, etc.).

For the production units, the goals and means are practically all defined in texts established by the Company or the State. "Budgets" are fixed as a function of work unit performance. There is very little room for initiative left for the production units themselves. Any initiative would be limited to auxiliary activities related to production. In the transport activities, production units do not practice management control (management ratios are not monitored, etc.).

The balance sheets periodically drawn up by each management echelon provide some incentive in view of the value of the assets managed, but cannot be used for management control or to compute productivity. This is especially regrettable: accounting and statistical

data are fairly extensive and detailed but are only exploited to a very limited extent. The quantity of paperwork—documents to fill out, consult and check—is considerable.

The National Railways' most serious problem resides in that the rule prevailing in the ex-USSR, whereby revenue and expenses must be balanced, has not been abolished. The margin yielded by the freight business must cover the large passenger traffic deficit. The State pays no subsidy to the Company, so it must cover all infrastructure costs and, above all, absorb a very large passenger traffic deficit, due especially to suburban lines. Divisions with heavy suburban traffic are heavily penalized. In addition to these difficulties are the costs of social services (35 schools, 96 preschool facilities, 3 technical schools, 1 institute, 18 hospitals and polyclinics). Clearly, drastic cost-cutting is a prerequisite to balancing revenue and expenses. Consequently, there is not enough money for proper maintenance of installations and rolling stock, and any modernization to increase comfort and speeds remains out of the question.

Unless measures are taken soon, the network itself as well as service quality will gradually deteriorate. The situation could worsen to a point of no return even if the Company then decides to undertake efforts to reorganize and to control costs.

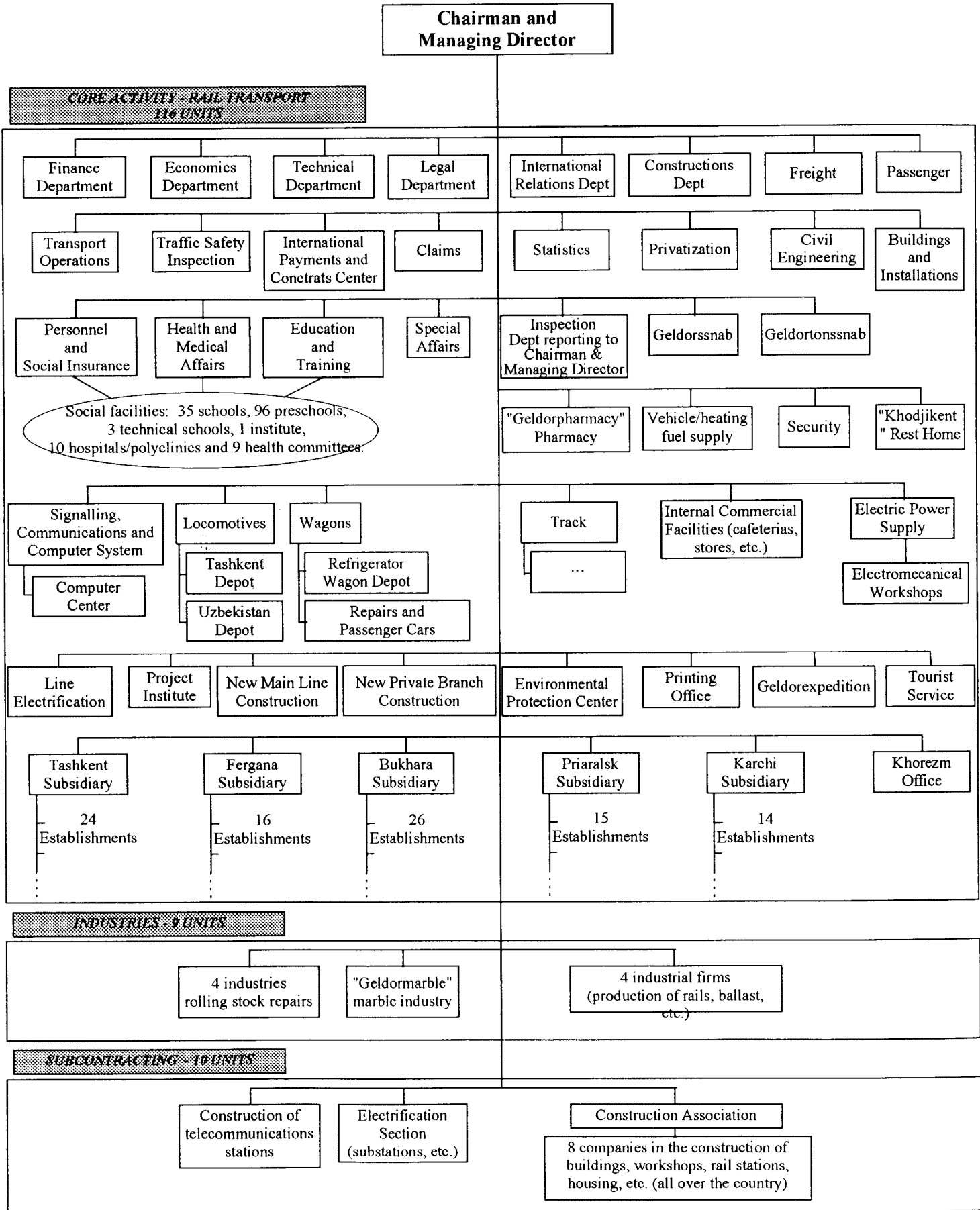
But the much-needed cost study could be distorted because a portion of the expenses, especially maintenance expenses, do not correspond to what they should be, but to what it has been possible to do.

Furthermore, one may doubt whether the accounting data for expenses are reliable, especially as nearly 40% are given with few details.

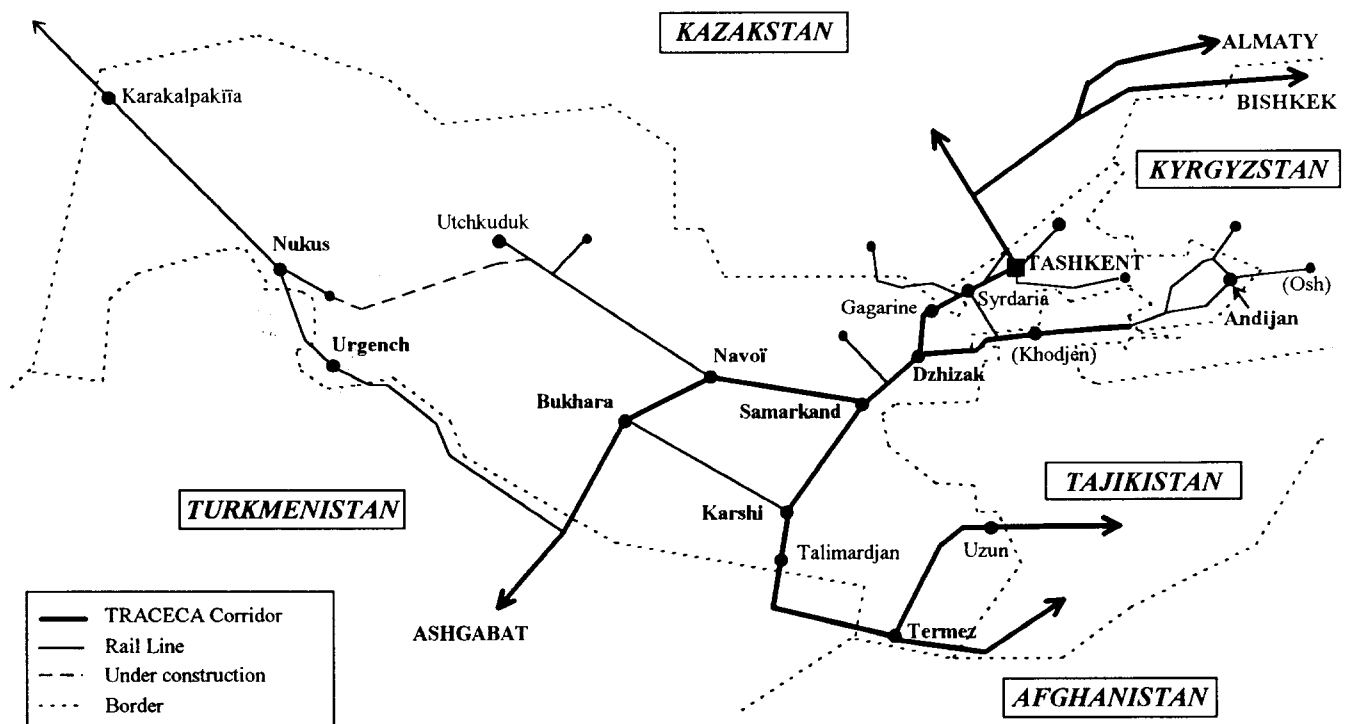
The modeling to be performed in Uzbekistan with the assistance of SysManagement can only result in very rough approximation. And the Railways is far from finding itself in a position of structural stability. The results obtained will not be very realistic and will correspond to the current mode of operation which should integrate the operational and financial difficulties mentioned in this report. Only a more detailed study can identify railway costs.

Taken collectively, these difficulties do not facilitate the development of a market-oriented economy in Uzbekistan. Frequently, we heard our contacts praise the merits and living conditions of the past. It is true that salary and wage levels are very low: a top executive earns about USD 15 per month. This is one reason why a number of managers reject the principles of a market-oriented economy.





THE RAIL NETWORK OF UZBEKISTAN



## THE SHOSH-TRANS COMPANY

Managing Director - Ikram. A. SHADMANOV

Share corporation established in 1994.

Shareholders :	Trans Rail .....	21 %
	The National Railways Company of Uzbekistan .....	39 %
	Trans Business (Russian-American) .....	15 %
	Trans Sib (Semi-public joint venture, Sea Land) .....	15 %
	Uzbek Trans Turkestan Company .....	10 %

The Company presently employs 375 people.

### Results and Forecasts

#### 1995

- Investment worth USD 3.5 million.
  - 40-foot containers,
  - container loaders (Boss),
  - loading gantry cranes,
  - 16 trucks,
  - 32 trailers to carry containers.

#### **Balance Sheet '95**

Disclosed on 21/03/96. USD 700,000 in dividends.

#### 1996

Forecasts concerning the fiscal year and areas of development.

- Investment totalling USD 15 million:
  - 10 cotton fibre loaders,
  - 30 trucks,
  - 50 trailers for containers,
  - construction of a Business Center (1- or 2-bedroom lodgings for foreigners) - (4 floors to be fitted out as office space).
- Founding of a services company, Shos-Trans subsidiary (City Train, automobile leasing, etc.)
- 3 regional divisions are operating in:
  - Ashkabad (Turkmenistan),
  - Bukhara (Uzbekistan),
  - Kokand (Uzbekistan).
- A platform is operating in Tashkent (Chu Milovo)

Planning for 1997 :

- loading and transport of cotton in 40-ft containers (destination: China and South Korea).
- development of multimodal transport via Frankfurt in co-operation with Fertrans.
- development of multimodal transport with Transib via the port of Nakhodica.
- advertising program.

**The competitors** (2 State-owned companies in Uzbekistan)

- Uzklopkopromsbyt
- Uzneshtrans

that mainly handle State orders for cotton and wheat.

**"RAIL TRANSPORT FINANCIAL REPORT".**

**FORM # 69, APPROVED BY ORDINANCE # 154 OF THE STATE FINANCE COMMITTEE  
IN CHARGE OF USSR STATISTICS DATED 16 OCTOBER 1991**

The main purpose of this document is to report the results of the Uzbek rail activities to the Finance Ministry.

It has eleven parts, as follows :

***Part I: Report on Expenses by Cost Item***

This part breaks down the data in the annual activity statement by sector, separating personnel costs from other expenses. The cost breakdown corresponds to that defined in the "List of Expense Items".

This part is filled out every three months.

***Part II: Expense Item Report (Cost of Production)***

The items contained in this report are supplied by the computer centre, and depend on the data submitted by the Establishments. This report specifies the expenses for the core activity (passenger and freight transport), and for auxiliary activities tied to rail transport. These expenses, estimated and actually incurred, are broken down into headings:

- Wages/salaries
- Materials
- Vehicle and heating fuels
- Electric power
- Other (depreciation, social insurance, business travel, etc.)

This part is filled out every month.

***Part III: Main General Expenses, All Rail Sectors***

This part specifies the total overheads for all sub-headings in Part I.

***Part IV : Labour Productivity Plan******Part V : Costs******Part VI : Non Industrial Expenses******Part VII : Report on Major Works Expenses******Part VIII : Report on Average Expenses for Wagon Maintenance at the Depot******Part IX : Transport Revenue Report******Part X : Public Housing Sector******Part XI : Local Expenses and Station Revenue***

## Part I

### Report on Expenses by Cost Item

#### I - Transport of passengers, containers and freight, movements, commercial activity

##### - Passenger transport

010	Ticket sales (CT. 1)
020	Sales - baggage services (CT. 2, 9)
030	Shunting in passenger stations (CT. 3)
040	Passenger train reception and dispatching in stations (CT. 5)
050	Minor repairs carried out between major overhauls (inside cars) (CT. 7, 8)
060	Preparation of passenger cars (CT. 151)
070	Minor maintenance, passenger cars, types TO-1, TO-2 & TO3 (CT. 155, 156)
080	Technical maintenance, passenger rolling stock (minor overhauls) (CT. 165)
090	Major repairs at depots (CT. 168)
100	Depreciation of passenger cars except baggage vans (CT. 173)
110	Reserves for major repairs, passenger cars (CT. 149)
120	Depreciation of baggage vans (CT. 174)
130	Reserves for major repairs, baggage vans (CT. 150)
140	Overheads listed in Part III
160	Total passenger transport expenses

##### - Transport of containers, transport of freight in wagons and commercial activity

170	Freight reception and shipping operations (CT. 11)
180	Preparation of freight wagons and containers (CT. 16)
190	Preparation of wagons for perishable goods and animals (CT. 18)
200	Special operations for small shipments (small containers, etc.) (CT. 19)
210	Total expenses (170 + ... + 200)
220	Container handling
240	Total 210 + 220

##### - Movements

250	Shunting to form freight trains departing the local freight station (CT. 21)
260	Shunting to form freight trains from other freight stations (CT. 22)
270	Reception and dispatching for freight trains departing the local freight station (CT. 23)
280	Reception and dispatching for freight trains from other freight stations (CT. 24)
290	Maintenance of freight station buildings (CT. 26)
300	Overheads listed in Part III
320	Stand-by personnel for freight reception and shipping operations
330	Freight train service staff
340	Total expenses
350	Total of 160 + 240 + 340
360	Total of the station expenses in 350



**II - Locomotives***- Electric locomotive depots*

370	Overhauls for electric passenger locomotives (CT. 41)
380	Overhauls for electric freight locomotives (CT. 42)
390	Overhauls for electric locomotives used for internal needs (trains used for works, etc.) (CT. 43)
400	Overhauls for electric shunting locomotives (CT. 44)
410	Sand and oil equipment (CT. 46)
420	Repairs following breakdowns and accidents (CT. 47)
430	Routine repairs, types TR-3, TR-2 and TR-1 (CT. 48, 49, 50)
440	Repairs, types TO-4, TO-3 and TO2 (CT. 51, 52, 53)
450	Depreciation of passenger and freight train locomotives (CT. 54)
460	Depreciation of shunting locomotives (CT. 55)
470	Reserves for train locomotive repairs (CT. 56)
480	Reserves for shunting locomotive repairs (CT. 57)
490	Overheads listed in Part III
510	Total expenses

*- Electric suburban EMUs*

520	Minor maintenance, electric trainsets (CT. 58)
530	Cleaning of electric trainsets (CT. 59, 60)
540	Routine maintenance of electric trainsets, types TR-3, TR-2 and TR-1 (CT. 62, 63, 64)
550	Small repairs following breakdowns and accidents (CT. 61)
560	Repairs, types TO-4, TO-3 and TO2 (CT. 65, 66, 67)
570	Depreciation, electric trainsets (CT. 68)
580	Reserves for major repairs (CT. 69)
590	Overheads listed in Part III
610	Total expenses

*- Diesel locomotives*

620	Diesel passenger locomotive maintenance (CT. 71)
630	Diesel freight locomotive maintenance (CT. 72)
640	Maintenance of Diesel locomotives used for internal needs (trains used for works, etc.) (CT. 73)
650	Shunting locomotive maintenance (CT. 74)
660	Equipment for diesel locomotives used for works (CT. 76)
670	Maintenance, types TR-3, TR-2 and TR-1 (CT. 78, 79, 80)
690	Repairs, types TO-4, TO-3 and TO2 (CT. 81, 82, 83)
700	Depreciation of diesel line locomotives (CT. 84)
710	Depreciation of diesel shunting locomotives (CT. 85)
720	Reserves for major repairs (CT. 86)
730	Reserves for shunting locomotives (CT. 87)
740	Overheads listed in Part III
760	Total expenses

**APPENDIX 4***- Diesel motor trainsets (do not exist in Uzbekistan)*

770	Maintenance of diesel passenger trainsets (CT. 88)
780	Maintenance of equipment for diesel trainsets (CT. 89, 90)
790	Minor maintenance between scheduled maintenance operations (CT. 91)
800	Maintenance operations, types TR-1, TR-2 and TR-3 (CT. 92, 93, 94)
810	Maintenance operations, types TO-4, TO-3 and TO-2 (CT. 96)
820	Depreciation of diesel trainsets (CT. 98)
830	Reserves for major repairs of diesel motor trainsets (CT. 99)
840	Overheads listed in Part III
860	Total expenses

*- Steam-powered locomotives*

870	All expenses related to steam-powered locomotives
880	Steam locomotive traffic expenses
890	Total expenses for all locomotives

## III - Wagons

900	Maintenance, passenger car equipment (sheets, pillows, etc.) (CT. 151)
910	Cleaning of isothermal covered wagons (CT. 152)
920	Preparation of tank cars to be filled (CT. 153)
930	Adaptation of freight wagons for special transport (CT. 154)
940	Minor routine maintenance of empty wagons during load preparation (CT. 157, 158)
950	Technical maintenance of freight wagons at the station (CT. 159, 160)
960	Repairs of detached freight wagons at workshops (CT. 161)
970	Bogies replaced due to change in track gauge (CT. 162)
980	Routine repairs for freight wagons not belonging to the railways (CT. 163)
990	Overhaul and routine maintenance of refrigerated wagons (CT. 166, 167)
1000	Repairs of equipment inside refrigerated wagon, at the depot (CT. 169)
1010	Expenses corresponding to maintenance performed for other divisions (CT. 170)
1020	Maintenance and routine repairs, containers (CT. 171)
1030	Maintenance and minor repairs, passenger cars (CT. 155, 156)
1040	Maintenance of internal passenger car furnishings (seats, kitchens, etc.) (CT. 165)
1050	Passenger car repairs at the depot (CT. 168)
1060	Depreciation of passenger cars excluding baggage vans (CT. 173)
1070	Depreciation of baggage vans (CT. 174)
1080	Reserves for major repairs of passenger cars, excluding baggage vans (CT. 149)
1090	Reserves for major repairs of baggage vans (CT. 150)
1100	Routine maintenance of containers as part of planned maintenance (CT. 172)
1110	Depreciation of freight wagons including refrigerated wagons (CT. 175, 177)
1120	Major freight wagon repairs (CT. 164)
1130	Depreciation of containers (CT. 176)
1140	Major container repairs (CT. 178)
1150	Reserves for major repairs of refrigerated wagons (CT. 179)
1160	Overheads listed in Part III
1180	Total expenses

## IV - Line Track Service

1190	Daily maintenance of rail track and surroundings (CT. 181)
1200	Isolated maintenance operations (CT. 183, 185, 187)
1210	Security staff expenses (level crossings, bridges, tunnels, etc.) (CT. 189)
1220	Maintenance of civil engineering structures (CT. 190)
1230	Maintenance of planted areas along tracks (CT. 191)
1240	Works to remove debris left by natural catastrophes (CT. 193)
1250	Other track works (CT. 197)
1260	Depreciation of the tracks (CT. 200, 201, 202)
1270	Reserves for repairs (CT. 198, 203, 204)
1280	Overheads listed in Part III
1300	Total expenses

**V - Civil Engineering Structures**

1310	Routine repairs of passenger buildings and installations (CT. 205)
1320	Routine repairs of freight/container buildings and installations
1330	Repairs of buildings and installations not in the freight or passenger categories (CT. 207)
1340	Overheads listed in Part III
1360	Total expenses

**VI - Signalling and Telecommunication Systems**

1370	Routine maintenance of route control installations (CT. 211, 212, 213)
1380	Routine maintenance of installations to uncouple wagons (CT. 216)
1390	Maintenance of radio, TV and automatic switching systems (CT. 218, 219, 220)
1400	Maintenance of telephone installations and lines (CT. 221, 222, 223, 224, 225, 226)
1410	Maintenance of other installations (CT. 227)
1420	Depreciation of signalling equipment (CT. 214)
1430	Reserves for major repairs of signalling and telecommunications installations (CT. 215)
1440	Overheads listed in Part III
1460	Total expenses

**VII - Electrification - Energy**

1470	Maintenance of electric power lines (CT. 229)
1480	Maintenance of overhead equipment (CT. 230)
1490	Maintenance of electrical substations for the overhead equipment (CT. 231)
1500	Maintenance of workshops and buildings related to electrification and energy (CT. 232)
1510	Maintenance of electrical installations other than overhead equipment (CT. 233)
1520	Depreciation of electrical installations (CT. 234, 235)
1530	Reserves for major repairs of electrical installations (CT. 223)
1540	Miscellaneous overheads listed in Part III
1560	Total expenses

**VIII - Expenses for international transport outside the CIS  
(does not exist for the Uzbek Railways)**

1570	Services rendered by the railways for passenger transport (CT. 238)
1580	Services rendered by the railways for freight transport (CT. 239)
1590	Total expenses

**IX - Regional Railways Divisions**

1600	Maintenance of installations (CT. 236)
1610	Miscellaneous general expenses for these installations, listed in Part III
1630	Maintenance of breakdown trains (CT. 237)
1640	Miscellaneous general expenses for breakdown trains, listed in Part III
1660	Total expenses for breakdown trains
1670	Total expenses for Part IX

**X - General Management of the Railways, Railway Firms, Auxiliary Services (Fire Fighting, Military Guard, Etc.)**

1680	General administrative expenses for these bodies (CT. 240-260)
1710	Total Railways administration expenses (General management, child care, computer centre, technical schools, etc.).
1720	Grand total (I to X)

**Part II**  
**Cost Item Report (Cost of Production)**

**PENDING FURTHER INFORMATION****1 - Running Expenses (Passenger/Container/Freight Operations and Commercial Activity)**

1730	
1740	
1750	
1760	
1770	
1780	
1790	
1800	
1810	
1820	
1830	
1840	
1850	
1860	
1870	
1880	
1890	
1900	
1910	
1920	
1930	
1940	
1950	
1960	
1970	
1980	
1990	

**2 - Expenses Incurred for Auxiliary Activities Since the Beginning of the Year**

2000	Major repair works for buildings and structures (= 2850 + 2860)
2010	
2020	
2030	
2040	
2050	
2060	
2070	
2080	
2090	
2100	
2101	
2110	
2120	
2130	
2135	
2140	
2141	

**APPENDIX 4**

2150	
2160	
2170	
2180	
2190	

**Part III**  
*Overheads for all Rail Sectors*

2200	Transport expenses
2210	Social insurance
2220	Supply of uniforms
2230	Business, travel and movements of staff not in the top managerial echelons
2240	Safety / health
2250	Other expenses
2260	Penalties paid under major repairs contracts with other Railway workshops (factories), parts missing
2270	Maintenance of Establishment buildings
2280	Depreciation of production plant other than that related to rail traffic
2290	Depreciation of spare parts whose service life is lower than one year and that cost less than 500 sums.
2300	Maintenance of reserve rolling stock. No longer exists.
2310	Research laboratories and various tests
2320	Maintenance of tooling and equipment
2330	Reserves for tooling. No longer exists.
2340	Maintenance of internal transport means (trucks, track cars, etc.)
2350	Variation in small parts purchase prices (difference between average list price and actual invoice)
2360	Water supply.
2390	Total expenses



**Part IV**  
**Labour Productivity Plan**

**PENDING FURTHER INFORMATION**

2400	
2410	
2420	
2430	

## Part V

### Costs

#### 1 - Transport Costs

##### A - Freight Transport Costs

2440	Freight transport using electric traction
2450	Freight transport using diesel traction
2460	Estimated expenses for all types of freight transport
2470	Actual expenses for all types of freight transport

##### B - Passenger Transport Costs

2480	Passenger transport using electric traction
2490	Passenger transport using diesel traction
2500	
2510	Passenger transport using diesel trainsets
2520	Estimated expenses for all types of freight transport
2530	Actual expenses for all types of freight transport

##### C - Total Transport Costs (Freight and Passengers)

2540	Estimated expenses for all types of transport (freight and passengers)
2550	Actual expenses for all types of transport (freight and passengers)

#### 2 - Freight Loading and Unloading Costs

2560	Estimated total loading/unloading costs
2570	Actual total loading/unloading costs
2580	Estimated total expenses for mechanised loading/unloading (included in 2560)
2590	Actual total expenses for mechanised loading/unloading (included in 2570)
2600	Estimated total expenses not including loading/unloading
2610	Actual total expenses not including loading/unloading

**Part VI**  
**Non-Industrial Expenses**

2620	Expenses related to immobilisation
2630	Unplanned maintenance operations
2640	Expenses related to breakdowns
2650	Expenses related to safety
2660	Refrigerated wagons and tank cars
2670	Loading / unloading, separate from transport
2680	Expenses related to damaged parts
2690	Other expenses
2700	Additional energy and gas consumption
2710	Total non-industrial expenses
2720	Overtime hours
2730	Payment to cover immobilisation
2740	Transport expenses
2750	Inventory - materials not utilised
2760	Means not utilised
2761	Losses ?
2762	Transport revenue

**Part VII**  
**Major Works Expenses Report**

2770	Track service
2780	Major infrastructure repair works included in 2770
2790	Major locomotive repairs
2800	Major wagon repairs
2810	Major freight wagon repairs included in 2800
2820	Maintenance works related to passenger services
2830	Other works
2840	Total expenses for major works
2850	Major repair works performed by subcontractors within the Railways Company (included in 2840)
2860	Major repair works performed by economical means (included in 2840)
2870	Major repair works subcontracted out and approved (included in 2840)

## Part VIII

## Average Expense Report for Wagon Maintenance at the Depot

## A- Freight Wagon Depots

2880	Covered wagon repairs
2890	Flat wagon repairs
2900	Open freight wagon repairs
2910	Tank car repairs
2920	Refrigerated wagon repairs
2930	Isothermal wagon repairs
2940	Repairs for wagons with six or more axles
2950	Repairs for other wagons including narrow-gauge wagons
2960	Total expenses for freight wagon repairs
2970	Other repair works for freight wagons
2980	Total expenses for freight wagon repairs including 2970

## B- Passenger Wagon Depots

2990	Repairs for wagons with padded banquettes
3000	Repairs for wagons with non-padded banquettes
3010	Repairs for compartmented wagons with non-padded banquettes
3020	Repairs for wagons with HVAC and non-padded banquettes
3030	Baggage van repairs
3040	Restaurant wagon repairs
3050	Inter-regional wagon repairs
3060	Repairs for other types of wagons including narrow-gauge and railway wagons
3070	Total expenses for passenger wagon repairs
3080	Other repair works for passenger wagons
3090	Total expenses for passenger wagon repairs including 3080

## Grand totals

3100	Total expenses for all freight and passenger wagon repairs
3110	Total expenses for all freight and passenger wagon repairs including rented wagons

## C- Average repairs for covered freight wagons

3120	Average repairs for covered freight wagons
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## Part IX

### Transport Revenue Report

#### A- Transport Revenue (Estimated and Actual Figures)

##### I- Freight Revenue

3130	Freight revenue
3140	Rate in tons.km
3150	Average price
3160	Revenue contributed by wagons not belonging to the fleet (rented)
3170	Auxiliary revenue
3180	Auxiliary revenue with application of particular contract rates
3190	Total for freight revenue
3200	Zero

##### II- Passenger Revenue

3210	Passenger revenue
3220	Rate in passengers.km
3230	Average price
3240	Baggage transport revenue
3250	Postal transport revenue
3260	Total passenger revenue
3270	Zero

##### III- Total Revenue

3280	Total transport revenue
3290	Average transport rate in tons.km
3300	Average transport price

#### B- Revenue from the realisation and sale of products and services. Auxiliary works (depending on production costs and selling prices, estimated and actual)

3310	Realisation and sale of auxiliary industrial products
3320	Realisation and sale of other auxiliary products
3330	Local revenue
3340	Station handling expenses
3350	Passenger service rooms (linen supply room, etc.)
3360	Auxiliary transport services
3370	Other auxiliary expenses
3380	Renovation works carried out by internal means (construction, etc.)
3390	Total auxiliary expenses
3391	Paying services included in 3390
3392	Communication products included in 3390
3400	Sale of materials and fuels

To obtain total expenses for the core activity (transport), add items 1720 + 3390 + 3400.

**Part X**  
**Public Housing Sector**

(A list of expense and revenue items)

3410	Public housing running expenses
3420	Workers' club running expenses
3430	Civil engineering operations
3440	Payments other than State subsidies
3450	Total expenses and revenue for public housing

**Part XI**  
**Local Station Expenses and Revenue**

**I- Revenue**

3710	Baggage office and lockers revenue
3720	Porter service revenue
3730	Revenue for rentals of lots, restaurant and shops
3740	Ticket revenue
3750	Other station revenue
3760	Total station revenue
3770	Revenue

**II- Expenses**

3789	Service personnel at terminals (sales, information, etc.)
3790	
3800	Station/terminal heating, lighting and water supply
3810	Acquisition and maintenance of small inventory
3820	Building maintenance
3870	Expenses incurred to reimburse the working capital shortage
3880	Other local station expenses
3890	Total local station expenses



## LIST OF STATISTICS FORMS AND REPORTS

The Statistics Department keeps or monitors the following documents:

- **Statistics report on freight traffic and rail revenue.**  
This report breaks traffic down into categories (local, import, export and through traffic) and contains the following data for each type of freight carried:
  - Tons
  - Tonnage.km
  - Average distance travelled
  - Revenue in Sums
  - Average revenue per ton.km
  
- **Statistics report on passenger traffic and rail revenue.**  
This report provides a breakdown per type of traffic (suburban, regional, arriving passengers, departing passengers, passengers in transit), and contains the following data:
  - Number of passengers transported
  - Passengers.km, inside the country
  - Passengers.km for interState travel (CIS)
  - Average distance travelled per passenger
  - Revenue for trips within the country
  - Revenue for trips involving interState travel (CIS)
  - Average revenue for trips within the country
  - Average revenue for interState trips (CIS).
  
- **Monthly report on the evolution of major rail operation indicators (N°2636-300).**  
This one-page operating report lists the following indicators and compares them with forecasts (month by month and cumulated since the beginning of the year):
  - Freight shipping
  - Freight traffic
  - Passenger traffic
  - Wagon roster
  - Speed per section
  - Immobilisation of the wagons in transit at a station
  - Immobilisation of the wagons for a freight operation
  - Locomotive efficiency
  - Average train weight
  - Static load on wagon
  - Arrivals of loaded trains
  - Rolling stock depot
  - Local freight
  - Unloading
  - Local wagon roster
  - Total incoming goods
  - Total outgoing goods
  - Follow-up of freight trains
  - Follow-up of passenger trains.

### - **Monthly Division Statistics Report (N°254-10100).**

This report has four sections:

#### - *Section 1 - Staff and Wages/Salaries*

This section lists staff and pay by type of works (operating works, major repair works, construction works, loading/unloading works, other works) for the following regional division departments:

- Administrative Department
- Division Management
- Locomotives Department
- Energy Supply Department
- Wagons Department
- Operations Department
- Container Department and Commercial Department
- Passenger Department
- Services Department
- Civil Engineering Department
- Signalling and Telecommunications Department
- Logistics and Information Systems Department
- Road Department
- Purchasing Department
- Water Supply Department (per quarter)
- Fuel Supply Department (per quarter)
- Other
- Total.

#### - *Section 2 - Working Data to be Submitted to Budget Units (Training, etc.)*

This section lists the staff involved and specifies the funds to be allocated to finance staff training, schools, the medical college, etc.

#### - *Section 3 - Rolling Stock "Overtime" and Downtime*

This section contains data concerning rolling stock "overtime" and downtime and the corresponding amounts broken down as follows:

- Locomotives Department
- Wagons
- Transport Department
- Containers
- Passengers
- Telecommunications
- Electrical Departments
- Total.

#### - *Section 4 - Staff and Wages/Salaries per Production Category*

This section includes quarterly staff and pay data for the following personnel categories:

##### LOCOMOTIVE OPERATION

- Locomotive maintenance
- Locomotive staff
- Fuel supply
- Diesel locomotive drivers.

### ENERGY SUPPLY DEPARTMENTS

- Labour, electrical system
- Labour, substations
- Electromechanical staff.

### WAGON DEPARTMENTS

- Wagon inspection and maintenance
- Preparation of tank cars to fill and wash wagons,
- Freight and refrigerated wagon repairs at the depot
- Routine maintenance of equipment inside refrigerated wagons.

### MOVEMENT DEPARTMENT

- Train formation staff
- Drivers.

### TRACK DEPARTMENT

- Track maintenance
- Level-crossing staff.

### SIGNALLING, COMMUNICATIONS AND INFORMATION SYSTEMS DEPARTMENTS

- Electricians
- Mechanics.

### LOADING/UNLOADING WORKS

- Loader
- Shunting teams.

### OTHER WORKS

- Station personnel
- Passenger car drivers
- Wagon maintenance at the factory
- Locomotive maintenance at the factory

- **Full Statistical Quarterly Report on the Movements, Absences and Assignment of Staff (N°1012-1000).**

This two-part report provides global and quarterly staff figures, broken down by department: employees actually present at the workplace, number of absences, number of penalties, etc. This document is primarily used for personnel management.

- **Monthly Statistics Report on Staff and Pay, Broken Down by Type of Works and Establishment Production Unit (N°1013-5000).**

Works categories :

- Works related to operations
- Major repair works, buildings and equipment
- Loading and unloading works
- Construction works
- Other works.

This one-page report is mainly used for personnel management.

## APPENDIX 5

- **Monthly Statistics Report on Staff and Wages/Salaries (N°922-1344.000).**

This report describes the current situation regarding available staff, vacancies, resignations, personnel per contract category, delays in remuneration payments, etc. This document is mainly used for personnel management.

- **Monthly Freight Transport Form - Physical Units Per Station (N°743).**

Every day, the following are noted on this form: loading/unloading data per type of wagon (covered, flat, open, container, tank, refrigerator, for the transport of grain or cement), specifying which are loaded, unloaded, available and empty after use.

- **Monthly Operating Report on the Availability and Condition of Locomotives, Cranes and Heavy Trains per Depot.**

Filled in at the depot, this is a technical report that follows the standardized list and contains the following information:

- Locomotive availability at the depot
- Number and percentage of locomotives out of order
- Number and percentage of locomotives being repaired at the factory
- Number and percentage of locomotives being repaired at the depot
- Number of locomotives repaired and length of maintenance per type of overhaul (TP-3, TP-2, TP-1, TO-3 and TO-4),
- Average travel distance for locomotives
- Average capacity, in tons.km, for locomotives
- Average weight of trains
- Locomotive hours,
- Locomotive km,
- Number and length of delays, etc.

- **Daily Operating Report on the Number of Trains, Wagons and Containers Passing Through a Station (N°502).**

This form specifies the number of wagons per category, whether they are loaded or unloaded and empty, and whether they are arriving or departing.

