

EUROPEAN UNION - TACIS

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

TRADE AND TRANSPORT SECTORS

Terms of Reference

for

INTERMODAL SERVICES

**Final Recipients:
TRACECA Region Ministries of Transport**

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1. Background

1.1 Needs of Beneficiaries

During May 1993 a conference was held in Brussels organized by the Commission and attended by authorities of the eight Republics of the south of the Former Soviet Union (FSU).

Armenia,	Kyrgyzstan
Azerbaijan	Tadjikistan
Georgia	Turkmenistan
Kazakhstan	Uzbekistan

The objectives of the conference were:

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

TRACECA (Transport Corridor Europe Caucasus Asia) was thence created as a component of the TACIS interstate programme. The states above are referred to as the TRACECA founder states (TFS).

Regional sectoral Working Groups (trade, rail, road, maritime), composed of experts and officials from each TRACECA state and European Union (EU), have been established as part of the TRACECA programme. They meet periodically. They have inaugurated specific projects including this present one, and will monitor results. Members are drawn from Ministers of Transport and Trade, who form the recipient partners of this project.

At the last conference held in Athens in October 1996 Mongolia and Ukraine were admitted to the TRACECA program.

A TRACECA Coordinating Team has been set up, with permanent offices in both Central Asia and the Caucasus.

The counterparts of this project are:

- the national rail operating companies of the ten TRACECA countries
- road transport companies
- Caspian Sea shipping lines
- the ports of Poti, Baku, Turkmenbashi, Aktau
- the inland terminals of Bukhara, and Almaty
- freight forwarders, customs agencies and others necessary to implement the project.

1.2 Problems to be Addressed.

This project regroups themes developed from problems and opportunities identified by the TRACECA Working Groups and by TRACECA projects carried out previously. It is divided into two modules as follows:

		Approx. percentage budget
Module A	Intermodal Service Implementation (including 12.5% of total project budget for equipment)	70%
Module B	Intermodal Training	30%

The maximum total project budget available is ECU 1,600,000

Project duration 18 months

1.2.1 Module A - Intermodal Service Implementation

The abrupt demise of centralised planning in the FSU has left the beneficiary state railway operating companies without the high load demand which their managements were accustomed to satisfy. Inter-FSU rail traffic has fallen dramatically.

The nature of transport demand has also evolved. Consumer goods, and industrial project cargoes from world-wide origins are being imported into the region, often in ISO containers, and often by road. Turkish and Iranian truckers dominate the market. EU and local companies hold a relatively small market share.

There is at present very little movement of containers across the Caspian Sea (possibly as little as 400 TEU/year by intermodal, excluding unimodal use of containers, which is not recorded as such). Much of the present container traffic to Central Asia passes through the northern corridors via Moscow, by rail or sometimes by road.

A significant opportunity for TRACECA container cargo is the alcohol traffic, which is discouraged by customs deposits needed to transit through Russia, and by interdiction through Iran.

The adaptation and participation of the rail mode in new business has been limited. Rail operating companies are monolithic and national. The organisational links between the separate companies appear to be weakening, to the detriment of regional service provision. Within railway companies notions of logistics, marketing, quality assurance to clients, etc. are very weak.

Rail tariffs for container traffic disfavour its use relative to bulk in wagons. They are regressive only from the border in each country crossed, which raises tariffs/km on the TRACECA route relative to say Almaty-Moscow-Riga where long distances are traversed in one country. Tariff calculations are Byzantine. Ideally there should be a single TRACECA tariff from say Almaty to Poti. Restructuring projects sponsored by TRACECA for the IFI, as well as the TRACECA Tariffs project, are pointing towards overall changes to tariff policies, based on a form of realistic cost recovery. Present true economic costs of the rail companies operations are not precisely known, as accounting systems do not allow retrieval of the data necessary.

There are reported to be considerable inter rail company debts outstanding for transit traffic. This hinders further inter rail company engagements.

Existing inland rail container terminals are considered to be sufficiently dispersed and well located to serve the foreseen demand. A previous report has designated 20 "key" terminals. Their infrastructure is just adequate for immediate needs, though many will require upgrading or re-siting later. For example, lengths of track and sweep of gantries in terminals do not allow the direct entry and loading/unloading of block trains without shunting. However this in itself does not preclude immediate actions to introduce the use of block trains.

The marshalling yard system presently used to organise traffic is considered by the same previous report to add to the cost of container movements (shunting, immobilisation of equipment,...), to slow down traffic, and to introduce a degree of uncertainty to the time of transport. Block trains for container traffic would alleviate this.

Gross in-balances in container traffic have been evident until the recent past. There were far more loaded containers arriving in the region than were being sent out. Such problems have now become more localised. Export loads have been found by forwarders for containers (eg.cotton, textiles,...), and the traffic is now reported by some to be more balanced. The repositioning of empties can often involve relatively long hauls. Last trip containers are used by certain shippers, and this adds to container transport costs.

Inefficient practices, inadequate equipment and infrastructure in the port of Poti cause excessive call times for vessels, a consequent increase in costs, and a reluctance of shippers to serve that port with expensive but efficient modern vessels.

Compared with other problems, the physical provision of road transport from rail container terminals to customers is relatively easy to assure. Local flat beds and tractors able to haul 40ft containers over short distances are in abundant supply. There have been reports of monopolistic practice in the granting of permission to access inland terminals by road hauliers.

The International Financial Institutions (IFI) are offering investment to several of the TRACECA railway companies, linked to restructuring of these companies. In fact the traditional overall organisational structures of the companies may only change slowly, and this project is not to be considered as an overall restructuring study.

1.2.2 Module B - Intermodal/Freight Development Training

This module concerns in particular the ports of Baku, Turkmenbashi, Aktau, the Bukhara containerisation terminal, and the intermodal terminals Almaty 1 & 2. These facilities are to receive physical assistance in the form intermodal handling equipment. The equipment provision contracts will provide training in the maintenance and mechanical operation of the equipment, but there remains the problem of organising its profitable commercial usage. In general, the technical capacity to handle a variety of cargo is in place, or being provided by presently foreseen investment.

Notions of service provision at ports and terminals are not well developed. There is a tendency to rely on monopolistic position to live off of captive cargoes, and traditional contacts, but not to actively seek additional business against competition from alternative transport providers. Managements are aware of this and look to this project to assist them in the acquisition of unfamiliar skills and the introduction to new commercial partners.

There is a need to identify the transport business which the facilities could compete for in the new economic environment, to identify potential clients and their requirements, and to organise the service provision accordingly. The problems go beyond intermodal cargo handling and a broader approach than intermodalism may be foreseen within this module.

Deficiencies in present practice include:

- physical organisation of the rapid transfer and temporary storage of containers
- information systems for clients and management
- collaboration between modes (rail, road, maritime,...)
- collaboration with regional development initiatives (eg.terminals and ports with their local chambers of commerce)
- contacts with complementary service providers in the EU (eg.Intercontainer, ports, forwarders,...)
- collaboration for complementary service provision between the Caspian Sea ports

1.3 Relation to past and present TACIS projects

Past and current TRACECA projects have analysed the present situation of the rail transport sector, encouraged and facilitated investment by the International Financial Institutions (IFI), provided training activities for management at various levels, and provided active assistance in the development of new operating and management structures. These projects have included:

- the organisation of a pilot unit container train service in the Caucasus (“The Trans-Caucasian Logistic Express” or TCLE, Poti-Tibilisi-Baku and Poti-Tibilisi-Yerevan), and support to the creation of JV between the concerned national railway companies. The present project is particularly closely linked to support for and further development of the TCLE.
- a specific project for Multi-Modal Transport and Freight Forwarding which has identified a high potential demand for intermodal freight operations (possibly exceeding 100 000 TEU/year, by progressive unitisation of present traffic, as well as new demand patterns), recommended the principal terminal network from Poti to Druzbha serving each important origin/destination zone en-route, and the organisational evolution necessary to promote inter-modalism. The details and options for remedying many of the problems cited in section 1.2.1 of these TOR can be studied in detail in the final report of this project.
- a project entitled Tariffs and Timetables is providing technical assistance in the domains of rail transport marketing, tariffs, cost accounting and inter-company payment mechanisms. This latter project is also encouraging rail operating companies to awaken to the need for customer relations and to develop marketing plans.
- a project entitled Trade Facilitation has carried out a detailed survey of current trade documentation usage, border crossing conditions and recommended streamlined procedures, which are being partially implemented in the region.

- a project to study Rolling Stock Maintenance requirements has analysed in detail, among other things, present operational practice for usage of rolling stock, and recommended changes
- a project to set up a database and forecasting model of freight movements within the region is now complete (Traffic Forecasting). This present project may draw on the database for the analysis phase of Module A - Section 4.1.1. Assistance should be provided to local experts responsible for this previous project database with an update.
- direct grant assistance will be provided to the ports of Baku and Turkmenbashi to purchase container handling equipment, and to construct fixed installations for the same. In addition within the same project assistance will be provided to improve or at least to prevent further decline (by provision of crucial spare parts) of the shipping service between Baku and Turkmenbashi. The value of such grants will total 5 MECU. At each port, matching facilities should be provided, to allow a through capacity of at least 10 000 TEU movements/year/direction. Implementation will be concurrent with this project. These two ports are also benefiting from TRACECA detailed studies and designs for rehabilitation of facilities to be financed by the EBRD. Negotiations are continuing.
- direct grant assistance will be provided to the inland terminal Almaty 2 to purchase equipment for the handling of 40ft containers
- the Port of Baku has benefited from a specific TRACECA management training and reorganisation project
- A Feasibility Study concerning the Chardzev Bridge has just presented its final report. It concludes that:
 - The existing bridge is in a very poor condition and cannot remain in full service for much longer. Some urgent maintenance actions are required, but the recommendation is that the bridge be replaced.
 - The pontoon crossing for road traffic is operating at capacity, and provides an excessively low level of service. The recommendation is that a road bridge be constructed at the same time as a new rail bridge is built.

A financial analysis of the implications of these findings is available in the feasibility study.

These projects serve as precursors, and the present project is an effort to extend the operational assistance provided by TRACECA, eastwards across the Caspian, basing actions on the quite considerable volume of analysis and recommendations now to hand.

It is most important that the Consultant understand that he is not undertaking pioneer investigative work within this project, but will be advancing an ongoing and co-ordinated programme to the whole transport sector within TRACECA.

Reports such as are available may be consulted at length by tenderers in the TRACECA co-ordination offices in Brussels, Tblisi or Tashkent if sufficient prior notice is given (ideally one week). As so much preparatory work has been done, tenderers are advised to take advantage of this possibility. Reports will not be provided by mail or to take away from the co-ordination offices. Because of the risk of inequitable treatment, the co-ordination team cannot discuss the preparation of technical propositions with tenderers.

1.4 Co-ordination with Other Donors

TRACECA is sponsoring rail restructuring studies for rail operating companies in Azerbaijan, Georgia, Kazakhstan, Turkmenistan, and Uzbekistan, in collaboration with the EBRD. The Asian Development Bank is carrying out a restructuring project for Uzbekistan railways, with which the TRACECA projects collaborate.

The port of Aktau is to be re-equipped with the assistance of a loan from the EBRD, to facilitate which technical assistance was provided by TACIS by means of the Bangkok Facility. The re-equipment should provide ample capacity to handle container traffic over the next five years and quite possibly far beyond then. This equipment is under tender (mid-1997). A consultancy contract is providing Institutional support to the Aktau ports management.

The contractor carrying out this project will have to collaborate with these parallel activities.

In the past GTZ has provided advice to railways in the Caucasus.

The OCJD is not a donor, but mention may be made in this section of the combined transport agreement between Ukraine, Mongolia and others signed in Tashkent in May 1997 and similar to the AGTC agreement concerning technical standards.

Tenderers are encouraged to include in their propositions operating partners who may eventually become investors in intermodal transport ventures in the beneficiary states.

Module A Intermodal Service Provision

2. Rationale and Objectives

2.1 Overall Objectives

The overall objective of the project is to promote the use of the TRACECA corridor for intermodal transport. In this sense the corridor originates in the EU, traverses the Black Sea, crosses the Caucasus, the Caspian Sea, and continues through to the economic centres of Central Asia, and eventually to Mongolia.

There has been much discussion in regional forums of a so-called land bridge between the EU and the far east, competing with the maritime routes. This project does not exclude the pursuit of developing such traffic. However there is a risk of diffusion of focus, and the project should above all concentrate on traffic between the EU and Central Asia along the TRACECA route.

2.2 Project Purpose

The first priority of the project is to consolidate the existing TCLE service. Simultaneously efforts will be made to extend the service Westwards and Eastwards across the Caspian into Central Asia.

Several sub-objectives are implied:

- production of a business strategy for provision of a modern intermodal service, by state and by region
- establishment of, and support to national and regional multi-modal agencies for the marketing and provision of intermodal transport services
- identification of the framework for establishing such an agency or agencies as a joint-venture, preferably including an EU partner
- establishment of contacts with a network of partners in Europe
- operational support to the TCLE, and implementation of extensions of the service, injecting established EU intermodal practices at operational level

2.3 Results

The expected final result of the project is to be the establishment of defined commercial intermodal services between the EU and Central Asia, along the TRACECA route, on a pilot basis.

Such services do take place at present but, excepting the TCLE, there is little definition of level of service, and no attempt by the basic service providers (eg.the rail operators) to guarantee their products and market them.

3. Risks and Assumptions

3.1 Assumptions:

The principal assumption is that sufficient cargo can be found to organise the block trains. Furthermore this cargo must be reasonably balanced between the west-east and east-west directions.

3.2 Risks:

Risks derive from the following difficulties, among others:

- finding sufficient cargo
- organising efficient block trains
 - motivating management and staff
 - inserting a new operating system into the existing
 - overcoming bottlenecks (eg.Caspian Sea)
- financial management between participants (eg. Revenues)
- inserting internationally acceptable liability procedures in an unfamiliar legal environment

The project is a challenging assignment and consultants should consider carefully their ability to perform before committing themselves to obtain the results desired of the project.

4. Main Components

4.1 Tasks

The states concerned for project activities are:

Armenia,	Kyrgyzstan
Azerbaijan	Tadjikistan
Georgia	Turkmenistan
Kazakhstan	Uzbekistan
Mongolia	Ukraine

4.1.1 Analysis:

- assimilation of the results of previous TRACECA projects, and the status of IFI investment plans
- planning of activities to match expected improvements to physical facilities
- selection of possible origin-destinations, hubs, feeders and frequencies for pilot services, based on demand scenarios from previous projects (see Section 1.3), and commercial interest which the consultant must generate
 - identification of target products and volumes (export: cotton and textiles, tobacco, bagged fertilisers, metal ingots,...import: consumer goods, foodstuffs, spare parts, industrial semi-finished materials and components,...)
 - identification of clients, professional operators and above all with freight forwarders, to define acceptable terms of usage of the service
 - negotiate special conditions which might be applicable to cotton shipments (eg. the systematic return of containers stuffed with cotton, which containers would otherwise return empty or be abandoned in Central Asia)
 - determination of the viable level of traffic necessary to sustain a pilot service (eg. Varna-Poti-Almaty of 3 times 20 wagons a week), including a specialised ship or ferry service guarantee for the Caspian Sea. If a viable service through Bulgaria or the Ukraine right through to Almaty can be proposed, then this is preferable, but if not, then commercial considerations must prevail and a lesser service can be proposed
 - special consideration of the crossing of the Caspian Sea
 - assessment of the legal framework for joint operations
- operational and commercial performance of the TCLE
- update TRACECA database with information collected during the project

4.1.2. Propose Improvements to the TCLE and Pilot Extensions

National rail operating authorities have already discussed this project in preliminary terms. It is advisable that the preceding Analysis be thorough, and that the contractor present very specific traffic projections and visible potential benefits to participants for the pilot service when proposing the operational and other details to the beneficiary state operators.

In conjunction with the national rail operating companies, forwarders, and other participants:

- formulate a marketing plan
- negotiate with rail operating and other EU and beneficiary state companies to establish the modus operandi of the pilot extensions
 - arrangements between operators and forwarders, subcontractors
 - rail (eg.provision of railway products; traction, provision of equipment, a block train, marketing of the same in whole or in parts...)
 - maritime
 - road
 - ports and terminals
 - customs services and agents
 - establishment of working contacts with authorities in each state to mobilise support where required. "Steering Committees" tend to be talking shops and the main motivation for the establishment of the project should be commercial attraction, to be persuasively developed and presented by the consultant and his partners. This is a primary task of the project.
- set service standards according to western customer expectations
- design information systems (eg.using the existing FSU ASOUP system), resolve documentation issues, customs formalities

- formulate a financial plan, negotiating equitable costs and revenue splitting between operators
- determine costs (traction, equipment usage,...) and set tariffs
- options for the eventual structure of a TRACECA regional intermodal operating company, including the legal structure and ownership of such an entity. This aspect has been under discussion for some time but without concrete results. The establishment of extension pilot services should not be dependent on the establishment of such a company.
- propose duration of the pilot and the conditions for its eventual perpetuation
- establish longer term institutional options as for the participant companies
- run preparatory training courses to familiarise participants with the operation of the proposed pilot (see Module B)
 - bring into contact beneficiary state management participants and EU commercial participants in the EU and in the beneficiary states, on focused familiarisation/training/negotiation missions.

4.1.3 Implement Pilot Extension

The design of the pilot service to be operated will be established during the previous activities. The duration of the service should be sufficient to test the viability of the concept.

The contractor will take a lead role to:

- implement the marketing plan, advertise in trade journals and other media the proposed service, actively solicit traffic and act as a marketing agent (within the project budget, proposals to be made in the tender). Tender propositions including established EU vendors of freight transport would be welcome.
- provide computers and similar equipment to serve implementation needs
- implement the pilot service
- control quality of the service
- assist in the establishment of the permanent operating company, or, in the decommissioning of the operation
- thoroughly discuss the project output and conclusions with beneficiaries (see section 5 Reporting).

The implementation of the pilot will be a particularly challenging assignment. The start and end point(s) of the proposed through block train, or at least of an intermodal product with a distinct level of service guarantee, must be determined on the basis of realistic commercial and operational possibilities. The operational responsibility for service provision should extend across the whole route, including Ukraine and Mongolia. The marketing activities must extend to wherever freight demand exists.

The project is not a feasibility study or similar exercise in identification of investment needs (though such may be a by-product), neither is it a restructuring plan. It is to be a business operations pilot, to test and familiarise the railway companies with a new regional operating practice overlaying the traditional. At the same time as the pilot runs, the existing companies may be expected to continue to carry on operating their traditional lines of business much in the way that they have always done.

4.1.4 Equipment

The consultant should provide information technology and communications equipment to support the pilot operation. The design of such a package of equipment is left to the tenderer. Details should be included in his technical proposal. The equipment to be supplied should be distributed more-or-less equally between the ten beneficiary states (see Section 4.4, and TACIS rules on procurement)

4.2 Implementation Procedures

The substantial technical steps required for project implementation have been integrated into the tasks preceding.

The consultant will work with the national railway companies, ports and terminal owners or authorities, other local entities, and most certainly with EU commercial operators

Local counterparts will not be constrained to provide routine data collection or logistic support services. Local experts, seconded employees, or Institutions must be engaged as staff by the consultant for such tasks. Time allocated to local staff (as distinct from Counterpart staff) must be clearly shown in the proposal. There should be a balance between inputs from experts in the different TRACECA states.

Counterparts will be expected to provide freely time for discussion, existing feasibility studies, documentation etc. Employees may need to be seconded to the contractor from operating companies to ensure the necessary level of management authority and employee motivation, for the key tasks and trouble-shooting.

EU consultants must spend a maximum of working time in the beneficiary region. A strong core team should be resident in the region. The ratio of working time spent in the region relative to working time spent in the home office should be clearly visible in the consultants technical proposition.

Study tours to the EU and any assemblies of counterparts or local experts within the NIS are to be arranged entirely at the expense of the consultant, including travel and accommodation of participants. Likewise office space, interpretation, secretarial services, and all other inputs required for the purposes of the work are to be provided by the consultant.

The consultant will be required to attend regular Co-ordination meetings in the region, to collaborate fully with the TRACECA co-ordination structure, and to attend occasional co-ordination meetings in Brussels or other EU locations.

4.3 Rough Timetable

Support to the TCLE should be continuous throughout the project.

The analytical and propositional aspects of this module must be concentrated in the initial nine months of the project.

The implementation and finalisation may extend over a further nine months (see Section 5 Reporting).

4.4 Global Budget

Approximately 70% of the total project budget may be allocated to this module (module A).

At least 15% of the total project budget should be allocated to local experts.

Material support to the beneficiaries by provision of equipment will be considered favourably in consideration of the viability of technical proposals, and it is expected that 10% of the total project budget should be allocated to equipment. However the TACIS procurement rules governing such provisions must be respected.

MODULE B Intermodal Training

2. Rational and Objectives

2.1 Overall Objectives

The overall objectives of this module are integral with those of module A.

2.2 Project Purpose

This project module will provide to beneficiaries:

- training in the physical organisation of the rapid intermodal transfer and temporary storage of containers
- training in organisation of the containerisation of cargo (stuffing, partial loads, etc...)
- training in the implementation of information systems for clients and management
- assistance in negotiating collaboration between modes (rail, road, maritime,...) and the establishment of door-to-door service provision
- assistance in establishing and participating in regional development initiatives (eg.terminals and ports with their local chambers of commerce, to develop traffic by local synergy)
- contacts with complementary service providers in the EU and elsewhere (eg.Intercontainer, ports, forwarders,...to develop transit traffic)
- collaboration for complementary service provision between the Caspian Sea ports

There is an intended overlap between this project module, the project module accompanying it, the provision of container handling equipment as a TACIS grant to the ports of Baku and Turkmenbashi, the inland terminal of Almaty, and the TACIS financed EBRD technical assistance and EBRD investment at the port of Aktau.

The purpose is to support the recipients of the preceding physical assistance in the commercial operation of the assets provided. In particular the intention is to assist the development of profitable business for the beneficiary facilities by skilled marketing and modern service provision.

2.3 Results

The sought after result is that the beneficiaries become profitable operators able repay loans currently under negotiation, and able to develop their businesses autonomously in the future.

While the beneficiaries may use the imparted skills for business development to improve traffic flows through their facilities in any direction, the focus of any study tours or commercial contacts engendered within this project module will be to improve trade with the EU, in accordance with the overall objectives of the TRACECA programme.

3. Risks and Assumptions

3.1 Assumptions

It is assumed that:

- beneficiary staff can be made available for the project activities (study tours, seminars etc should be organised well in advance)
- that managements are receptive to the concepts of market determined service provision

3.2 Risks

As this project is closely linked to others, there is a risk of lack of synchronisation in the event of delays.

4. Main Components

4.1 Tasks

The beneficiaries of this module are:

Azerbaijan
Georgia
Kazakhstan

Turkmenistan
Uzbekistan

- and in particular the sites of the ports of Poti, Baku, Turkmenbashi, Aktau, the Bukhara containerisation terminal, and the intermodal terminals Almaty 1 & 2 (Almaty is to be considered as one site for the allocation of resources in this module).

An approximately equal allocation of consultancy resources should be foreseen for each site.

4.1.1 Planning of Container Traffic Handling

The contractor will survey the existing and potential operations and examine in detail the equipment, new and existing, at each of the sites. He will then formulate an operational plan for container traffic at each site. This must be done in very close collaboration with the operators management and staff, so that the plan may be considered as theirs, and to comprise a training activity for them. The benefits and costs of the organisational plan proposed must be developed in depth and agreed with the operators management. As far as time allows, the contractor must assist management in the implementation of any changes proposed in his plan.

The plan will of course be closely tailored to the varying potential services which could be profitably offered at the sites concerned (pure transit traffic, CFS, specialised cargo handling such as cotton,...)

The contractor will examine the existing arrangements between the facility operators, their modal operators, habitual forwarders, customs services, and ultimately the present and potential clients. He must define the most advantages operational practices for each, within the context of the module purpose and expected results. He should define performance targets to be expected for each service (for individual activities in terms of time and resource utilisation), in consultation with present management.

As the emphasis of this project is implementational, following confirmed investment decisions, rather than a feasibility study to justify more investment, the plan should be based on the existing assets and firmly foreseen improvements.

Inevitably, management structures and staffing levels should be considered.

4.1.2 Information Systems

The contractor is to examine existing MIS and recommend its best adaptation to the needs of modern container traffic. This is to include management information for costing, inventory control, tracking of consignments and provision of information to clients on tariffs and delivery times. (See also section Module A Section 4.1.4).

4.1.3 Marketing

Marketing plans are to be formulated in collaboration with the beneficiaries and implemented for the facilities concerned. This is to comprise a principal and coherent theme of both Module A and B.

4.1.3.1 Publicity

Having defined profitable roles for the concerned facilities the contractor is to prepare publicity materials for them and diffuse them in the EU and beneficiary states. These materials may take the form of brochures, journal advertisements, targeted mail campaigns, exhibition attendance or whatever.

Beneficiaries are to be closely involved in this, including in particular the identification of suitable international media, publications and forums for them to make themselves known internationally in the future.

4.1.3.2 Regional Development

For the facilities concerned, given the vast geographical extent of the beneficiary states, there is a quite clear distinction between transit traffic and that which can develop locally. The contractor is to promote the close involvement of the sites:

- in regional development initiatives sponsored by local or international agencies
- with local industries and commerce
- as a partner to international investors interested establishing subsidiaries in the region

There are reportedly opportunities for establishing Export Processing Zones at the sites. Marketing plans should promote the involvement of the ports in such initiatives.

4.1.3.2 Business Development or “Study” Tours

Focused visits by the site managements to three or more EU member states with certain potential trading links to the TRACECA region, and to regional facilities should be foreseen. This should be a most significant part of the module. Visits to the EU should not be passive observation or lecture tours. Each tour organised should have a specific objective for business development for the sites concerned. The themes of study tours may include the following, the precise itineraries and cross-visits to be decided with the beneficiaries:

- internal and external visits by the concerned site managements to each others facilities (Almaty, Bukhara, Turkmenbashi, Baku, Aktau) to Poti, and possibly to Ilyeochevsk, Mercin, Trieste, these being present common destinations for TRACECA freight. These visits would among things:
 - familiarise the respective managements with the evolution of their facilities since the demise of the of the FSU, illustrate operational difficulties, and reveal possible opportunities to exploit under utilised assets
 - renew or create professional links between operational managers along the TRACECA corridor
 - facilitate negotiations on collaborative operations and complementary service provision
- visits to EU modal transfer and logistic centres to illustrate specific aspects of the Operational Plans formulated by the contractor and beneficiaries
- visits to the EU to promote specific commercial contacts and negotiations on opportunities foreseen by the Marketing Plans (forwarders, Intermodal operators, ports,...)

4.2 Implementation Procedures

See Section 4.2 Module A

4.3 Rough Timetable

The module is to be substantially completed within twelve months, while implementational assistance may continue till the project end.

4.4 Global Budget

Approximately 30 % of the total project budget may be allocated to this module.

At least 15% of the total project budget should be allocated to local experts.

ALL MODULES

5. Reporting

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

	Bound		Loose-leaf		Diskette (Eng.+Rus)
	English	Russian	English	Russian	
TACIS Brussels	2	1	0	0	0
TRACECA CU Brussels	5	1	1	1	1
TRACECA CU Tashkent	5	5	1	1	1
TRACECA CU Tbilisi	5	5	1	1	1
TACIS National CU (see * below)	1	8	1	1	0

* Provide reports to the various beneficiaries as noted in the Main Components for the different Modules. Lists of addressees for each issue of the reports are to be provided to the TACIS CU. At least one copy of each report should be delivered directly to the key project participant in each country.

Copies of the Delivery Notes to all recipients are to be provided by fax to the three TRACECA co-ordination team offices.

The word processing programme to be used will be agreed with TACIS.

The importance of high quality Russian texts, delivered on time, cannot be overemphasised. The reporting dates in this TOR are for the delivery of the Russian language text and the English language text to be provided at the same time.

Any software to be provided as a Deliverable should be in Russian, as should the manuals.

Reporting is to be in accordance with standard TACIS Guidelines. These foresee:

Project inception report

An Inception Report shall be issued within 2 months of the start of the project (see note on languages above). It shall summarise initial findings and propose any modifications to the methodology and work plan. In particular it will adapt the work plan to the needs of each individual TRACECA state taking into account the parallel activities of other Technical Assistance programmes, avoiding duplication of effort, and addressing unfilled needs.

It will also confirm or modify institutes/organisations/consulting bodies to be directly involved in the implementation.

The report distribution lists will be included.

Deliverables

The tenderer is to compose and provide in his Technical Proposal a schedule of separate Deliverables appropriate to specific technical and commercial components of the project (including operational and marketing plans based on the description of Tasks in the different project Modules). Formal Draft versions are not required, but the contractor should carefully discuss the proposed contents with, and provide draft extracts upon request to the TRACECA co-ordination team, before issuing Deliverables.

Considerable publicity material will be required to be produced and distributed to advertise the services proposed.

Project progress reports

These reports will be submitted at the end of month 6, and month 10. They will cover progress to date.

Final Report

The Draft Final Report will be submitted at month 16 and the Final Report at the end of Month 18.

The Draft Final Report must be carefully presented to, and discussed, with the beneficiary state authorities in each country. This should be done at a conference, preferably in the EU at a location with a functional link to intermodal transport. The event should be used to propose sustainable consolidation of project achievements, and in particularly to reinforce working links with EU intermodal agencies.

All Reports must include an Executive Summary.

6. Factors Ensuring Sustainability

6.1 Institutional Appraisal

The principal local actors in this project will be the railway companies. The strengths and attitudes of these institutions varies from state to state, but there is a general interest in intermodal traffic development.

In general railway companies question the need for changing operating practices which have been developed with painstaking care over a long epoch. In some quarters it is perceived that modern equipment and traffic growth (from external stimuli) are the primary or indeed only requirements for sustained profitability operations.

It is noted that the restructuring of the rail operating companies into commercially viable operational entities, capable of absorbing investment capital with security and benefit, is the subject of separate TRACECA (and ADB) projects. This present project will need to focus on intermodal transport. To a certain extent this limitation of objectives is an advantage, as container traffic has the image of modern operating practice, and local companies will be more open to operating innovations for this product, than for their more traditional activities.

6.2 Economic and Financial Appraisal

This project is linked to foreseen investments to be provided by other TACIS projects and by IFI.

Proving the operational and financial viability of modern container services along TRACECA is a principle theme of the project.

6.3 Political Environment

As the railways concerned are all state owned enterprises, political influences on the project are dealt with in Section 6.1.

7. **Environmental Impact**

The environmental impact of the project is negligible.

8. **Monitoring and Evaluation**

Key indicators:

- provision of support to the present TCLE
- provision of marketing plans
- provision of operational plans
- provision of information technology and telecommunications equipment.
- implementation of marketing plans and generation of intermodal traffic demand
- presentation of attractive commercial prospects and successful negotiation with operators for commencement of pilot operations
- running of pilot operations
 - technical success (timetables, door to door delivery, client satisfaction)
 - commercial success (profitability to operators)
 - institutional success (inter regional and intermodal collaboration)
- sustained project impact manifest by interest in JV formation to take over the service after this TRACECA project completion