



Traceca Intermodal Services
Inception Report
August 1998

REPORT COVER PAGE

Project Title	Traceca Intermodal Services – TA to the Southern Republics of the CIS-Trade and Transport Sectors	
Project Number	TNREG 9702	
Countries	Ukraine, Georgia, Armenia, Tadzhikistan, Kyrgistan, Azerbaijan, Turkmenistan, Kazakhstan, Uzbekistan	
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1 Project Synopsis

Project Title:	Traceca Intermodal Services – TA to the Southern Republics of the CIS-Trade and Transport Sectors
Project Number:	TNREG 9702
Countries:	Ukraine, Georgia, Armenia, Azerbaijan, Turkmenistan, Kazakhstan, Tadjhikistan, Kyrgistan, Uzbekistan
Project Starting Date:	16 June 1998 (effective date of contract)
Project Duration	18 months (from the effective date of contract)

Wider Objectives

The railways and other transport and transport related institution are supported to develop effective and efficient administration, good planning and operating procedures, cost conscious and market-oriented management and customer-oriented commercial practices in order to meet the anticipated commercial and economic changes and to reap the benefits of the increasing region transport demand.

Specific Project Objectives

The organisational and managerial improvements necessary to enable the institutions concerned to provide services that attract trade and that promote regular and reliable intermodal transport links to the world market are defined and justified. Development strategies for transport hubs and transport providers are identified in order to facilitate cargo flow on the Traceca route.

Planned Outputs

Module A1, Phase 1

The previous studies and programmes are analysed and summarised

- An updated traffic forecast for rail transport on the Traceca route is available
- Information on target products and their volumes is compiled and evaluated
- The competitive environment – target clients, competing lines and services and partnership possibilities – is analysed
- The transport capacity of the Traceca route – ports, rail transport conditions, ferry services, inland terminals – is determined
- The existing legal framework concerning intermodal services is assessed
- The conditions for a pilot service from the EU to Central Asia are determined
- The conditions for cotton shipments are elaborated and a service product for intermodal cotton shipments is designed
- Potential clients and their needs are identified
- Tariff situation of railways is checked (Sarax - Agreement) regarding feasibility to the market

Module A1, Phase 2

- A co-operation framework with Traceca states' authorities is suggested
- A legal framework for the pilot extension is drafted
- The intermodal products to be implemented are designed
- Standard transport contracts are elaborated

- The cost structure of regional rail services is determined
- A marketing plan for the pilot extension is developed
- Specifications for a Traceca rail operations information system are elaborated
- A financial plan is established

Module A2, Phase 1

- The present status of TCLE is determined
- A business concept is elaborated
- A TCLE action plan to implement improved services is formulated and agreed upon
- Operational and managerial support is given to TCLE

Module A2, Phase 2

- Intermodal service products are implemented
- Computer / communication equipment is provided
- A Traceca intermodal services information system, suitable for present needs, is existing

Module B1 – Training Interventions

- Recommendations for adaptations of MIS to the needs of modern container traffic are given
- An operational plan for container traffic at each site is formulated
- Performance targets for each service are defined
- Training in container and intermodal cargo handling is conducted
- Existing arrangements between relevant partners are reviewed
- Tailor-made training courses are designed and conducted

Module B2 – Study Tours

- Study tours to foster business development are executed

Planned Activities

Module A1, Phase 1 – Analysis

- Review all existing assistance and investment programmes concerning trade and transport
- Prepare an agenda of current and projected investment programmes
- Identify and list traffic forecasts of other projects
- Update and evaluate findings of previous studies
- Identify target products and volumes from the forecasts
- Review and analyse local government policies
- Establish a forecast for rail transport for the Traceca route
- Appraise competition by contacting western shippers (clients, freight forwarders) in the main European export centres and analyse alternative routes and road transport
- Visit local freight forwarders and appraise willingness to co-operate
- Investigate the physical conditions of the Traceca rail transport route
- Determine capacities of Traceca ports
- Determine capacities of Traceca ferry services
- Determine capacities of intermodal rail terminals on the Traceca line
- Identify administrative bottlenecks on the Traceca route
- Analyse State common law and transport regulations

- Identify related legal problems
- Review clearing and compensation problems
- Review revenue sharing systems
- Assess the current status of cotton transport
- Design a service product for cotton transport
- Identify target clients
- Identify target products
- Identify target partners in the EU and internationally

Module A1 – Phase 2: Design of Services and Operations

- Obtain up-to-date information on railways and state involvement in international conventions
- Identify and analyse present specific agreements
- Hold meetings + working sessions with heads of railways and Ministries of Transport and other involved parties
- Draft texts for agreements
- Draft related agreements
- Design customer-related intermodal service products
- Develop realistic prices for the different products
- Elaborate transport contracts
- Get the transport contract accepted in all Traceca states
- Update and adapt studies of railways costs
- Advise on a sales network
- Advise on a strategic operating partnership with local partners
- Analyse the system in use
- Review western best practice
- Design new system
- Forecast an operations budget
- Prepare the basis for negotiating a direct train tariff
- Establish end to end costs for the intermodal service

Module A2, Phase 1

- Audit all TCLE documents
- Analyse existing TCLE traffic
- Interview TCLE clients
- Audit financial results
- Identify all present and future collaborators of the venture and identify their role
- Update specific traffic projections
- Identify potential clients and their needs and develop service standards
- Elaborate business, marketing and financial plans
- Formulate an action plan
- Give operational and managerial assistance to TCLE

Module A2, Phase 2: Operations of the TCLE

- Implement intermodal services along the entire Traceca route
- Select sites for equipment
- Review specific needs of intermodal service operations and management
- Select adapted equipment and solve procurement problems
- Review information needs

- Select contents and test service
- Design actual system, subcontracting and testing
- Print an information system handbook

Module B1: Training

- Examine existing MIS
- Identify information needs of the management
- Identify computer needs regarding the MIS
- Identify international shipping and freight forwarding information systems
- Develop and conduct training in modern Management Information Systems
- Examine existing and potential operations and equipment
- Define the most advantageous operations practices of different parties
- Formulate an operational plan for container traffic at each site
- Define potential future clients
- Define potential future services
- Define performance targets for each service
- Design training programmes for operations
- Conduct training courses in operations techniques and practices
- Investigate procedures between facility operators, forwarders, customs and clients
- Define the most advantageous practices for the different transport partners
- Design training for the varying potential future activities
- Conduct training in marketing
- Conduct training in design and placement of publicity material
- Conduct training measures to support the implementation of intermodal pilot extensions

Module B2: Study Tours

- Execute study tours to western Europe

Analysis of the Project

2.1 Project context

Central Asian states are landlocked and therefore transport routes are vital lifelines to them. They have been using mostly the "North" route through the Russian Federation for years. However, alternate routes have been made available recently and states - as well as Railways - now intend to take advantage of these new opportunities.

The Traceca line is one of them, probably the most important for all traffic to/from western Europe and North America. Any improvement of services on the line will have a direct impact on Central Asian trade.

The set up of a reliable service of container block-trains is a major step towards the improvement of the Traceca line.

On the other hand, present routes, through Russia, China or Iran are considered equally important by the Beneficiaries. The Traceca route will have to be integrated in a more global network of north/south and east/west routes that serve Central Asia. This will have some strong impact on its role, its objectives, and the definition of its services.

In Central Asia, Railways tend to consider that the Poti/Almaty trains can become the backbone of a service from Druzhba at the Chinese border to the Black Sea with a stop over at Ashkabad in order to collect freight from/to Bandar Abbas.

Railways are eager to boost their revenues, particularly in hard currencies. As most clients are western companies they have to adapt their traditional ways to western practice.

Previous EU sponsored programmes covered the fields of the transition to a market economy and the necessities of modern marketing. Feasibility studies, traffic forecasts, legal advice, etc. have been provided through other Tacis projects. As a result, Railways are more and more receptive to the use of modern management methods.

The recent "Tariff and Time-Table" project, for instance, led to the signature of a Protocol by all Traceca Railways (except Turkmenistan) in January 1998. According to this Protocol, the Railways decided to create a "Common Operator" in order to better serve western clients and gain traffic from competing routes and modes.

This shows that Railways are getting more market conscious, which is an absolute necessity for a project such as "Intermodal services". They will now have to implement decisions that are showing the proper direction.

The Railways in the project partner states expect that new Traceca projects will address concrete realities and have a direct impact on their activity. This will be the case for "Intermodal Services".

The Consultants were met with much interest while visiting the Beneficiaries. Information notes or T.O.R., previously provided by the Traceca Team, had been closely studied and all counterparts were well aware of the project contents. All Railways had appointed a specific person to follow up on the project and stay in close contact with the Consultant.

Uzbek authorities, on their own, have organised a special plane trip to visit Traceca line main points with officials both from the Government and the Railways. At the time of our visit they were ready to depart to Ashkabad, Turkmenbashi and Baku.

Some handling and transport equipment has already been granted by the EU to Traceca states. This concerns Turkmenbashi, Bukhara and Almaty; in Central Asia as well as the ports of Poti and Baku. Additional handling equipment is under consideration for delivery to Kyrgyzstan. These deliveries have had a great impact on Railways and port operators who are happy to benefit from concrete decisions made in the framework of the Traceca project.

This equipment will have a direct impact on the Traceca line capacity to handle container traffic and it gave the Railways more confidence in the present project, which is considered well timed

TURKMENISTAN has a specific place in the area of Central Asia. With a limited population it is not a major market for consumer goods which can be containerised. As a result no significant traffic to Turkmenistan can be observed.

However, it holds a strategic situation at a cross road of north/south and east/west trade routes.

It will depend upon Turkmenistan to develop its role as an effective transit "platform" and, as a result, contribute to ease transport problems, boost trade and collect revenues from transit operations. Otherwise alternate routes will inevitably gain momentum.

2.2 Main problems / deficiencies

2.2.1 Container terminals and handling equipment :

Container terminals in the project partner states are usually equipped for handling of former MPS containers. Few of them have the capacity to handle 40" containers except in large centres such as Tashkent, Almaty, Bukhara, Turkmenbashi and the ports of Poti and Baku. As a result container terminals will have to be properly selected and arranging pick-up and delivery operations will have a major importance.

2.2.2 Unbalance of container traffic :

Traffic of containerised goods (basically consumer goods, spare parts, chemical products such as fertilisers, pharmaceuticals and small equipment) is more important from western Europe to Central Asia than the other way round. This is a structural problem that will not be solved overnight. Unless cotton traffic is sufficient or other back load can be identified and attracted, this unbalance will create problems for container block trains and limit their profitability.

2.2.3 Poor image of the Traceca line in the clients minds :

For western clients, the Caucasus as well as Central Asia are not considered safe places and this has a side effect on the Traceca line; surprisingly, the same reaction against the Caucasus states was found in some Kazakh circles.

In this respect the "north" route is still considered safer even though professional freight forwarders do not register more claims or damages along the Traceca route than along any other route.

2.2.4 Rules governing railways to railways relations in the CIS :

Such rules, decided in the framework of OSJD agreements, are not adapted to demands of modern multimodal traffic.

Rules governing the setting of tariffs and sharing of revenues, pools of equipment or exchange of wagons, time-tables, claims management, etc. are simply no longer adapted to container traffic. They are time consuming, not flexible, not market oriented, too different from world standards.

Some sort of specific agreement will have to be negotiated in order to design and apply more appropriate rules.

2.3 Situation of the Local Operators

Railways :

Railways enjoy the monopoly of rail transport. However, some of their subsidiaries and/or related companies can perform railway related services. Transport laws and regulations have been passed in most states (Kyrgyzstan has just adopted its own last month) which means that the legal environment is stabilised now.

Freight forwarders :

Official "rail" freight forwarders are registered with the Railways. They have a "code" under which all shipments are computed and their rebates or commissions are attached to the code and depend upon the original contract signed with the Railways.

Terminal Operators :

Some terminals are operated by the Railways and some are in private hands; for instance in Bukhara the cotton terminal is owned and operated by TRANS WORLD EXPRESS, a J.V. of Uzbek and Bulgarian companies. These operators perform pick-up and delivery of containers. Some of them can offer other services such as freight forwarding, warehousing, customs clearance, etc.

Central Asian Railways are insisting that the future train operator should not be a freight forwarder so as to guarantee its neutrality in business arrangements. Uzbek have so far a different point of view.

Turkmen Railways insist on controlling themselves all operations through a new state organisation "Turkmen Trans Freight Forwarding Company" (TTFF) created by Presidential decree on 1/5/98. This company is run by Mr. Anavor BAIRAMOV, Chief of Transport Department in the Cabinet of Ministers.

There is no doubt that the Consultant ability to reach a workable agreement will depend upon the willingness of railways to adapt their position to the necessities of intermodal traffic.

Kazakhstan : port of Aktau

The port terminal is not yet ready to absorb ferry traffic of flatbeds loaded with containers. Reconstruction of the port facility might take another year and a half before conditions are acceptable.

The Kazakh network is not connected with the port railways network; there is a private railway line between Aktau Central station and the port; agreement with the private owners has not been reached yet and Kazakh railways are considering to build an 8 km track of their own. However, work has not started so far.

Turkmenistan : Turkmenbashi

The port of Turkmenbashi has now two berths in proper shape and able to receive ferries. The channel leading to the port is still insufficiently lighted and ferries can sail at night only in good weather conditions.

Equipment : the two fork-lifts granted by the E.U. are on site. The container yard is under construction. The port is now equipped to handle all 20" and 40" containers.

Ukraine: Railway Container Terminal Kiev

The terminal – the rails as well as the container handling equipment is in good condition, able to operate the expected container cargo. Currently, the terminal is rehabilitating some warehouses, thus creating the possibility to strip and pack containers and to store the cargo in a customs warehouse.

Armenia: Railway Container Terminal Erewan

The railway container terminal is presently already able to handle a small amount of 20' containers and also some 40' containers. In case the container traffic will seriously increase, the facilities of the terminal are insufficient. The railway director realises this fact very well and has already developed some ideas how to rehabilitate the terminal. Additionally, Traceca is currently planning to invest in some container handling equipment for the railway container terminal Erewan. From the side of the Armenian railways, some rehabilitation work for the terminal itself, like constructing a solid pavement of the terminal is planned to be done. Once these measures have been realised, the terminal will be fully capable to handle the amount of containers which can realistically be expected. Facilities to carry out the transport to the final destination of the cargo are also in existence.

Azerbaijan: Port of Baku

The container terminal is thanks to the rehabilitation works carried out with the help of grant money from the EC in a good condition. Due to the delivery of new container handling equipment for the terminal financed by the EC, the container terminal is already presently fully able to handle 20' and 40' containers. The container terminal in the port of Baku is the anticipated destination of the logistics express running between Poti and Baku. The port is well guarded by security.

Azerbaijan: Railway Container Terminal City of Baku

In the city of Baku a huge railway terminal is existing. On this terminal containers are currently already being handled. The containers are handled by one Valmet forklift. They are being stored on the terminal. It seems that presently only empty containers are being handled at the terminal due to the fact that only forklifts are available for the handling. The surfacing of the terminal is rough and the equipment for handling of containers is insufficient. The connecting road to the terminal for trucks is narrow and in not very good condition.

Azerbaijan: Railway Container Terminal outside Baku

Just outside the city of Baku a big railway container terminal is situated. During Soviet times containers for Baku and the industry complexes around were handled on this terminal. It was equipped with trainstainers able to handle 20' containers and with Valmet forklifts. Presently, the terminal is being guarded by armed security, but otherwise deserted. No activities take place. The container handling equipment is in a state of utter disrepair and the ground surfacing is not existing any more. The terminal is already big and has still some extension possibilities, but before it can work again, very big investments would be needed to rehabilitate the terminal infrastructure and to purchase new equipment. For the present intermodal project the use of this terminal is out of question.

2.4

Target groups

Local exporters,

Local freight forwarders,

European exporters

European freight forwarders,

Traceca states terminal operators and road carriers

Associations of freight forwarders,

2.5 Commitments (counterparts)

The Consultants have been able to contact all Beneficiaries and local authorities in the countries visited (i.e.; all Central Asian States except of Tadjikistan, the Caucasian States and the Ukraine).

We made sure that other counterparts such as terminal operators or related service providers were acceptable to the Railways and other state authorities and we look forward to a good co-operation with all parties concerned.

3

Project Planning

3.1 Relations with other projects

Traceca projects :

There is a direct relation with the "Tariff and Time Table project" as this one can be considered as one of first concrete implementation of strategies recommended and adopted at that time. In January 16, 1998, All Traceca Railways, except Turkmenistan, signed a Protocol that would exactly fit with the present "Intermodal Services" project.

Forecasting of import and export container traffic will be based on forecasts elaborated by previous Traceca projects and projects of other international institutions, e.g.

- Development of the Port of Baku – Port Master Plan Study,
- Feasibility Study of New Terminal Facilities in the Georgian Ports
- Port of Poti - Development and Freight Tariff Reorganisation in Georgia; Rogge Marine Consulting GmbH, July 1993 (Takis financed)
- Optimising and Reorganisation Study for the Ports of Poti and Batumi; HPC Hamburg Port Consulting GmbH, April 1996 (GTZ financed)
- Studies of the Romanian and Bulgarian Ports of the Balkan Region and the Rhine - Main - Danube Corridor (PHARE financed)
- Regional Traffic Database and Forecasting Model; WS Atkins Consulting Ltd, May 1997 (Takis-Traceca financed)
- Technical and Economical Subsidisation for the Reconstruction of the Seaport Poti, Georgi Project , 1994 (Ministry of Transport Georgia financed)
- Technical Assistance for the Development of the Port of Baku, Management Assistance and Training, and Port Master Planning, HPTI-UNICONSULT-RECON Consortium, July 1997 (Takis-Traceca financed)
- Infrastructure Maintenance 1 - Railways Pre-Investment Study and Pilot Train Baku - Tbilisi - Batumi/Poti; TEWET/DE-Consult, May 1997 (Takis-Traceca financed)
- Joint Venture(s) for the Caucasian Railways; TEWET/DE-Consult, April 1997 (Takis-Traceca financed)
- Forwarding - Multimodal Transport Systems on the Traceca Route; BCEOM, May 1997 (Takis-Traceca financed), for which definite results are expected in the nearest future
- Trade Facilitation, Customs Procedures & Freight Forwarding Project; Scott Wilson Kirkpatrick, (no date) and Uzbekistan Cotton Extension; May 1997 (Takis-Traceca financed)
- Study on Black Sea Secondary Ports; UNICONSULT, February 1997 (Takis financed)
- Improvement to Port/Land Transport Interfaces in the Ports of the Black Sea; Sogelerg, Port de Barcelona and Port Autonome de Marseille, November 1995(Takis financed)
- Study Noworossisk Port , PTC Port and Transport Consulting GmbH, 1996 (Takis financed)

Additionally to the traffic forecasts to be reviewed, previous projects will also be considered when estimating the capacity of the Traceca port, ferries and railways.

Ongoing projects have no direct impact on the present project. The Consultants will make a follow up of the project development of other Traceca projects, especially of the projects concerned with legislation and privatisation, as those projects might have some influence on the intermodal project.

3.2 Project approach

The present project is not just a study; Traceca as well as all the beneficiaries have stressed repeatedly, that they are expecting practical results and forthcoming business, not only new agreements and papers. The Consultant will invest its experience, expertise and possibly business connections in order to establish a profitable intermodal service product.

One step towards close contact and cooperation with the different local partners involved is to establish permanent offices and representatives (e.g. in Poti and Tbilisi Erewan, Baku, Tashkent, Almaty). In return the Consultant expects full participation and involvement of the counterparts that have been identified during the inception period.

3.2.1 Step by step development

Central Asian services might be started only when operations in Poti, crossing of the Caucasus and crossing of the Caspian Sea will have been duly organised.

Full operations will only be possible when co-operation agreements will have been discussed and signed by all parties.

3.2.2 Promotion, particularly in western Europe :

Freight charges are usually paid by western clients; they are the ones who make decisions on the choice of the mode, the route, the services that they demand, etc. Promotion campaigns will be specifically designed for the European market.

In Central Asia, information to freight forwarders and their associations will be made available during the experts visits so that services will be requested (or at least accepted) from both ends of the line.

3.3 Intended results or outputs

The main results to be achieved by this project are as follows

- Consolidation of the existing TCLE service by placing it solidly on a strict profit generating, market led foundation with a distinct intermodal service product that satisfies the needs for reliable, safe and unimpeded transport services across the Caucasus in a first step and later on through Central Asia for an international clientele. In order to achieve this, regular block train service from the Black Sea to/from selected main terminals in Central Asia will be set up and operated and thus the container traffic will be increased by the end of the project.
- Earlier studies on the Traceca trade and transport will be evaluated in order to identify the competitive and complementary environments of intermodal rail services, and to define principle traffic volumes and routes connections on and for the Traceca route and the links to the TEN. Thus, a service oriented business and operations strategy for the establishment and successful running of a block train extension into Central Asia or for the introduction of a distinct intermodal service product shall be elaborated and introduced.

- In order to ensure sustainability of the results a training programme in the provision of profitable and efficient intermodal container handling services of high quality consistent with the clients requirements will be designed and conducted.
- An independent easy to handle information system, not too sophisticated, error proof geared to satisfy internal information needs on the line as well as customers demands will be developed and implemented in order to ensure fast, reliable and unhindered cargo flows and intermodal services.

A promotion of the new intermodal services will take place in Western Europe, in order to attract cargoes for the new service and to build a new image for the Caucasus and Central Asia in terms of safety and ability to perform efficient and reliable services in international trade. Altogether, this will lead to first concrete intermodal transport operations under the Traceca flag and generate revenues in hard currencies for the different transport partners in the beneficiary states.

3.4 Planning for the whole duration of the project

3.4.1 General

In the beginning of the project the Consultants investigate the provision of intermodal rail services along the entire Traceca corridor. First, the present conditions will be investigated in detail as they form the basis for the design of services and operations in the second phase of the project.

In particular, the present set-up and status of the existing Trans Caucasus Logistics Express will be analysed, its success factors and its weaknesses.

In the second phase, improved operations on a commercial and profit-oriented basis will be implemented. The major input will be given not in the analysis of the existing conditions but on the actual setting up of a reliable new intermodal service.

Once the Trans Caucasus Express is running satisfactorily, the service is planned to be extended to the entire Traceca network through Central Asia. Its implementation will be based on the results of the analysis and on the experiences gained with the improvement of services of the TCLE.

In parallel, training programmes will be developed and carried out. The training will be carried out during the whole duration of the project and accompany the individual steps of the project.

3.4.2 Workshops

Due to the award of the contract in summer time when the holiday season in the beneficiary countries started, it would only by mid September have been possible to arrange a project planning workshop. Therefore, the Consultants decided to visit the beneficiaries individually and introduce them to the project, its objectives, its anticipated outcome and the proposed way of executing the work (see annexes to this report). This way, the Consultants assured that everybody concerned with the project will receive very early all necessary background information and a good understanding of the work to be done.

After the first phase of the project, an information market about the progress and achievements of the project will be carried out. During this workshop on a central location all beneficiaries will be invited to familiarise them with the outcome of the project and the further proceeding. The main experts of the project will be present in order to present their special tasks and to give the beneficiaries an opportunity to discuss the project with the experts and among themselves.

3.5 Constraints, risks and assumptions

Even though all Central Asian states are on the way to market economies, their economic and political views differ from one country to another. The transition process is not being conducted at the same pace.

Variations from one state to another can be observed in such areas as :

- economic concepts (monopoly of rail transport, free enterprise, competition, etc.)
- legal environment, rules and regulations (common law as well as transport laws)
- everyday practice.

A common understanding will have to be reached between all concerned parties, whether from government or railways circles and other transport related institutions and organisations, in order to establish a workable scheme for managing end to end intermodal operations.

LAST VOYAGE CONTAINERS :

At present most western shippers use "last voyage containers", as the boxes are usually not coming back from Central Asia. If containers were actually shipped back, savings of up to \$800 could be made on each shipment.

Previous studies show that door to door transport prices on the Traceca line are not yet competitive with the North route; improvements of Poti port equipment and efficiency will result in a significant reduction in maritime transport prices from western Europe to Central Asia, thus making the Traceca line definitively competitive for certain cargoes.

In other words, the \$800 savings might be used to subsidise some westbound traffic; for instance, shipments of cotton in containers to Poti might become more competitive with the present full wagon system if some sort of compensation were made available. Tariffs might also be adapted so that eastbound shipments cover a portion of the cost of westbound shipments. After all balancing traffic from and to Central Asia is one of the ways to reduce costs.

COTTON :

Cotton terms of sale are FOB port (mainly Riga and for a minority, Poti) or DAF Brest or Chop. In such cases, containerisation that offers direct door to door service has little economic sense as cotton has to be unloaded and reloaded at the port. Full wagon loads offer more competitive prices.

During the 1996-1997 cotton campaign, Daewoo has reloaded its own containers of incoming spare parts with about 12.000 tons of cotton, shipped via Nakhodka (eastern Siberia) and Lyan Yun Gan. (China)

However :

- the Uzbek government has issued a decree in order to boost export of cotton in containers,
- terms of sale are being gradually changed from FOB port to ex-works or CIF; then door to door service (from the cotton shipper directly to the consignee in western Europe) will make sense.

It will take some time before all this comes into effect as old habits are hard to die; but services such as cotton grading which did not exist in Central Asia are gradually put into place in cotton terminals and sooner or later there will be no more reason to stick to uneconomical practices.

These changes will affect favourably the container trains but when they will become significant in terms of tonnage is a matter of conjecture. With improvements of cotton terminals such as Bukhara, we can hope that it will happen during the course of this project.

FORM 1.4. : OVERALL PLAN OF OPERATIONS

Project title : Traceca Intermodal Services				Project number : TNREG 9702				Country : Ukraine, Georgia, Armenia, Azerbaijan, Turkmenistan, Kazakhstan, Tadjhikistan, Kyrgistan, Uzbekistan				Page :							
Planning period : 16.06.1998 - 16.12.1999				Prepared on : 16 August 1998				EC Consultant : Polzug - Axis - HPTI Consortium.											
Project objectives :																			
No	MAIN ACTIVITIES	TIME FRAME								INPUTS									
		1998				1999				PERSONNEL		EQUIPMENT AND MATERIAL	OTHER						
		1	2	3	4	1	2	3	4	EC Consultant	Counterpart								
1	Module A1. Phase 1: Analysis			xxx															
2	Module A1, Phase 2: Design of Services and Operation				xxx	xxx													
3	Module A2, Phase 1: Consolidation of TCLE, Analysis			xxx															
4	Module A2, Phase 2: Consolidation of TCLE, Operations, Managerial Support				xxx	xxx	x												
5	Module A3: Implementation of Intermodal Service Products						xx	xxx	xxx										
6	Module B: Training				xxx	xxx	xxx												
										TOTAL 57.7 man months	128 man months								

FORM 1.5 : OVERALL OUTPUT PERFORMANCE PLAN

Project title : Traceca Intermodal Services	Project number : TNREG 9702	Country : Ukraine, Georgia, Armenia, Azerbaijan, Turkmenistan, Kazakhstan, Tadjhikistan, Kyrgistan, Uzbekistan	Page :
Planning period : 16.06.1998 - 16.12.1998	Prepared on : 16 August 1998	EC Consultant : Polzug - Axis - HPTI Consortium	
Outputs (to be described and target dates indicated)	Milestones	Constrains, Remarks and Assumptions C/A	
<p>Module A1, Phase 1</p> <ul style="list-style-type: none"> • The previous studies and programmes are analysed and summarised • An updated traffic forecast for rail transport on the Traceca route is available • Information on target products and their volumes is compiled and evaluated • The competitive environment – target clients, competing lines and services and partnership possibilities – is analysed • The transport capacity of the Traceca route – ports, rail transport conditions, ferry services, inland terminals – is determined • The existing legal framework concerning intermodal services is assessed • The conditions for a pilot service from the EU to Central Asia are determined • The conditions for cotton shipments are elaborated • Potential clients and their needs are identified 	<p>Traffic potential study for the Traceca route is finalised</p> <ul style="list-style-type: none"> • Previous Tacis and other relevant reports have been reviewed • Visits to Western shippers have been carried out <p>A rate system for the Traceca corridor is designed and available</p> <p>A railway cooperation system is drafted</p> <p>A service product for intermodal cotton shipments is designed</p>	<ul style="list-style-type: none"> • Studies concerning the Traceca region are available • The relevant administrations and institutions cooperate and provide information • The railways are interested in cooperation and promote the work of the Consultants 	

Project title : Traceca Intermodal Services	Project number : TNREG 9702	Country : Ukraine, Georgia, Armenia, Azerbaijan, Turkmenistan, Kazakhstan, Tadjhikistan, Kyrgistan, Uzbekistan	Page :
Planning period : 16.06.1998 - 16.12.1999	Prepared on : 16 August 1998	EC Consultant : Polzug - Axis - HPTI onsortium	
Outputs (to be described and target dates indicated)	Milestones	Constrains, Remarks and Assumptions C/A	
<p>Module A1, Phase 2</p> <ul style="list-style-type: none"> • A co-operation framework with Traceca states' authorities is suggested • A legal framework for the pilot extension is drafted • The intermodal products to be implemented are designed • Standard transport contracts are elaborated • The cost structure of regional rail services is determined • A marketing plan for the pilot extension is developed • Specifications for a Traceca rail operations information system are elaborated • A financial plan is established <p>Module A2, Phase 1</p> <ul style="list-style-type: none"> • The present status of TCLE is determined • A business concept is elaborated • A TCLE action plan to implement improved services is formulated and agreed upon • Operational and managerial support is given to TCLE 	<p>A list of railways and states membership in International Conventions, their objectives and consequences regarding intermodal services is compiled</p> <p>Agreements to provide intermodal services are drafted A proposal for a Joint Venture with western operators is drafted Standard contracts are elaborated</p> <p>Strategic sales and cooperation partners are identified</p> <p>The overall transport costs are determined</p> <p>Railway tariffs for direct trains are drafted</p> <p>A market analysis of TCLE traffic is carried out Strength and weaknesses of TCLE are analysed</p> <p>A business, marketing and financial plan is elaborated</p>		

Project title : Traceca Intermodal Services	Project number : TNREG 9702	Country : Ukraine, Georgia, Armenia, Azerbaijan, Turkmenistan, Kazakhstan, Tadzhikistan, Kyrgistan, Uzbekistan	Page :
Planning period : 16.06.1998 - 16.12.1999	Prepared on : 16 August 1998	EC Consultant : Polzug - Axis - HPTI onsortium	
Outputs (to be described and target dates indicated)	Milestones	Constrains, Remarks and Assumptions C/A	
<p>Module A2, Phase 2</p> <ul style="list-style-type: none"> • Intermodal service products are implemented • Computer / communication equipment is provided • A Traceca intermodal services information system, suitable for present needs, is existing <p>Module B1 – Training Interventions</p> <ul style="list-style-type: none"> • Recommendations for adaptations of MIS to the needs of modern container traffic is given • An operational plan for container traffic at each site is formulated • Performance targets for each service are defined • Training in container and intermodal cargo handling is conducted • Existing arrangements between relevant partners are reviewed • Tailor-made training courses are designed and conducted <p>Module B2 – Study Tours</p> <p>Study tours to foster business development are executed</p>	<p>The intermodal service is in operation</p> <p>Equipment and communication system is on location</p> <p>An operations plan for intermodal services is proposed</p> <p>A profile of services to be offered is elaborated</p> <p>Current practices and arrangements are analysed</p> <p>Training has taken place</p> <p>Study tours are conducted</p>	<p>Suitable trainees are made available and exempted from daily work for the training periods on location and in Europe</p>	



Form 1.6. PLAN OF OPERATIONS FOR THE NEXT PERIOD (Work programme)

Project title : Traceca Intermodal Services	Project number : TNLREG 9702	Country : Ukraine, Georgia, Armenia, Azerbaijan, Turkmenistan, Kazakhstan, Tadjhikistan, Kyrgistan, Uzbekistan	Page :
Planning period : 16.06.1998 - 16.12.1999	Prepared on : 16 August 1998	EC Consultant : Polzug – Axis – HPTI Consortium.	

Project objectives :		TIME FRAME												INPUTS		
		1998/1999 (months)												EC Consultant	OTHER Flights	
No	ACTIVITIES	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May			June - Dec
A1, 1	Review all existing assistance and investment programmes concerning trade and transport		xxxx	xxxx											2 weeks	52 CIS Flights 15 Europe Flights
2	Prepare an agenda of current and projected investment programmes			xxxx	x											
3	Identify and list traffic forecasts of other projects			xxxx	xx											
4	Update and evaluate findings of previous studies				xxxx										3 weeks	
5	Identify target products and volumes from the forecasts				xxxx											
6	Review and analyse local government policies				xx	xx										
7	Establish a forecast for rail transport for the Traceca route				xxxx											
8	Appraise competition by contacting western shippers (clients, freight forwarders) in the main European export centres and analyse alternative routes and road transport			xxxx	xx										2 weeks	
9	Visit local freight forwarders and appraise willingness to co-operate			xx	xx											
10	Investigate the physical conditions of the Traceca rail transport route		xxxx													
11	Determine capacities of Traceca ports				xx											
12	Determine capacities of Traceca ferry services			xxxx											3 weeks	
13	Determine capacities of intermodal rail terminals on the Traceca line				xx											
14	Identify administrative bottlenecks on the Traceca route		xx	xxxx	xx											



No	ACTIVITIES	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June - Dec	EC Consultant	
15	Analyse State common law and transport regulations		xxxx	xxxx											2 weeks	
16	Identify related legal problems			xx	xx											
17	Review clearing and compensation problems			xxxx												3 weeks
18	Review revenue sharing systems			xxxx	xx											
19	Assess the current status of cotton transport		xx	xx												2 weeks
20	Design a service product for cotton transport				xx											
21	Identify target clients			xx	xxxx	xxxx										3 weeks
22	Identify target products			xx	xxxx	xxxx										
23	Identify target partners in the EU + internationally				xxxx	xxxx										
A1, 2	Obtain up-to-date information on railways and state involvement in international conventions				xx	xxxx									4 weeks	
1	Identify and analyse present specific agreements					xx	xxxx	xx								
2	Hold meetings + working sessions with heads of railways + Ministries of Transport						xxxx	xxxx								
3	Draft texts for agreements							xxxx	xxxx							
4	Draft related agreements							xxxx	xxxx	xxxx						
5	Design customer-related intermodal service products						xxxx	xxxx	xxxx							4 weeks
6	Develop realistic prices for the different products							xxxx	xxxx							
7	Elaborate transport contracts							xxxx	xxxx	xxxx						6 weeks
8	Get the transport contract accepted in all Traceca states								xxxx	xxxx	xxxx					
9	Update and adapt studies of railways costs					xxxx	xxxx									4 weeks
10	Advise on a sales network								xxxx	xxxx	xxxx					
11	Advise on a strategic operating partnership with local partners								xxxx	xxxx	xxxx					4 weeks
12	Analyse the system in use					xxxx	xxxx	xxxx								
13															7 weeks	



No	ACTIVITIES	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June - Dec	EC Consultant		
14	Review western best practice				xxxx	xxxx	xxxx										
15	Design new system							xxxx	xxxx						4 weeks		
16	Forecast an operations budget								xxxx								
17	Prepare the basis for negotiating a direct train tariff									xxxx							
18	Establish end to end costs for the intermodal service									xxxx	xxxx						
A2, 1	Audit all TCLE documents		xxxx	xx											4 weeks		
1	Analyse existing TCLE traffic			xxxx													
2	Interview TCLE clients			xxxx	xxxx												
3	Identify all present and future collaborators of the venture and identify their role			xxxx													
4	Audit financial results			xxxx													
5	Update specific traffic projections			xx	xxxx												
6	Identify potential clients and their needs and develop service standards				xxxx				xxxx	xxxx							
7	Elaborate business, marketing and financial plans				xxxx	xxxx			xxxx	xxxx							
8	Formulate an action plan					xxxx			xxxx	xxxx							
9	Give operational and managerial assistance to TCLE					xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxxxxxxxxxxxxxxxxxxxxxxxxxx			
10	Conduct Information Market											xx					
A2, 2	Implement intermodal services along the entire Traceca route									xxx	xxxx	xxxx	xxxx	xxxxxxxxxxxxxxxxxxxxxxxxxxxx			
1	Select sites for equipment				xx												
2	Review specific needs of intermodal service operations and management					xxxx	xxxx										
3	Select adapted equipment and solve procurement problems						xxxx										
4	Review information needs						xxxx	xxxx									
5	Select contents and test service								xxxx								
6																	



No	ACTIVITIES	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June - Dec	EC Consultant		
7	Design actual system, subcontracting and testing								xxxx	xxxx					8 weeks	Trainees: 45 Local Flights	
8	Print an information system handbook										xxxx						
B1	Examine existing MIS				xxxx	xxxx											
1																	
2	Identify information needs of the management						xxxx										
3	Identify computer needs regarding the MIS						xxxx										
4	Identify international shipping and freight forwarding information systems						xxxx										
5	Develop and conduct training in modern Management Information Systems					xxxx	xxxx	xxxx	xxxx	xxxx	xxxx						
6	Examine existing and potential operations and equipment					xxxx											
7	Define the most advantageous operations practices of different parties						xxxx	xxxx									4 weeks
8	Formulate an operational plan for container traffic at each site							xxxx	xxxx								
9	Define potential future clients								xxxx								
10	Define potential future services							xxxx	xxxx	xxxx							6 weeks
11	Define performance targets for each service									xxxx	xxxx						
12	Design training programmes for operations								xxxx	xxxx							
13	Conduct training courses in operations techniques and practices										xxxx	xxxx	xxxx	xxxxxxxxxxxxxxxxxxxxxxxxxxxx			6 weeks
14	Investigate procedures between facility operators, forwarders, customs + clients			xxxx	xxxx												
15	Define the most advantageous practices for the different transport partners					xxxx										4 weeks	
16	Design training for the varying potential future activities					xxxx	xxxx										
17	Conduct training in marketing								xxxx	xxxx	xxxx	xxxx	xxxx				



No	ACTIVITIES	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June - Dec	EC Consultant	
18	Conduct training in design and placement of publicity material								xxxx	xxxx	xxxx	xxxx	xxxx	xxxxxxxxxxxxxxxxxxxxxxxxxxxx	22 weeks	48 Flights
19	Conduct training measures to support the implementation of intermodal pilot extensions											xxxx	xxxx			
B2	Execute study tours to western Europe									xxxx	xxxx	xxxx	xxxx		17 weeks	
														TOTAL	233 weeks	

Annex 1 – Initial Visits to the Beneficiaries

Initial Visits to the Beneficiaries – Caucasus and Ukraine

The following visits have been realised

Monday, 13 July 1998	Ukraine, Kiev: Meeting with the Deputy Transport Minister of the Ukraine, Mr. Kostiuchenko
Tuesday, 14 July 1998	Visit to the Ukraine Railways: Meeting with Mr. Petrenko, Head of the Freight Department Visit to the Railways Container Terminal Visit of Company Lisky
Wednesday, 15 July 1998	Meeting with UKRFerry, Mr. Kuryland and Mr. Chernievsky Meeting with the Port of Illiychevsk Meeting with Odessa Railway
Friday, 17 July 1998	Visit to the Port of Poti, Meeting with Mr. Inaishvili (Port Director) and Mr. Jurkhadze (Dep. Port Director)
Monday, 20 July 1998	Tbilisi: Meeting with the EU Delegation, Mr. Daubresse Meeting with the Tacis CU, Mr. Breteche and Ms. Khvedeliani Meeting with the Tacis Monitors, Mr. Maters and Mr. Gogelia Meeting with the Georgian Railways, Mr. Chkhaidze (Head of Department) and Mr. Meikadze (Chief Engineer)
Tuesday, 21 July 1998	Erevan: Meeting with the Armenian Railways: Mr. Asriyants (Chief Director) Visit to the Railway Container Terminal Erevan Meeting with the Dep. Transport Minister of Armenia, Mr. Hrant Beglaryan
Wednesday, 22 July 1998	Tbilisi: Visit to the Railway Container Terminal Tbilisi Discussion with Traceca Co-ordination Unit
Thursday, 23 July 1998	Transfer to Azerbaijan Visit to the Railway Container Terminal Gandzha
Friday, 24 July 1998	Meeting with the Deputy Railway Director of Azerbaijan, Mr. Panakhov and Mr. Sharifov Visit to the city Railway Container Terminal Baku Visit to the Railway Container Terminal outside Baku Visit to the Port Container Terminal
Monday, 27 July 1998	Meeting with the Port of Baku, Mr. Mamedov (Port Director)

Meetings with the different Beneficiaries

Monday, 13 July 1998	Ukraine, Kiev: Meeting with the Deputy Transport Minister of the Ukraine, Mr. Kostiuchenko
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Participants:

Mr. Kostiuchenko	Deputy Transport Minister
3 staff members	Ministry of Transport
Ms. Olena Nemeritskaya	Takis Co-ordinating Unit, Kiev
Mr. Sergo Ladnyi	EU Delegation
Mr. W. Schulze-Freyberg	Senior Business Development Expert, Polzug - Axis - HPTI Consortium
Mr. Jan Tymoszuk	Senior Advisor, Former Director PKP, Polzug - Axis - HPTI Consortium
Mr. Josef Glock	Operations Expert, Polzug - Axis - HPTI Consortium
Mr. Wolfhard Arlt	Project Director, Polzug - Axis - HPTI Consortium
Ms. Helga Wagner	Project Co-ordinator, Polzug - Axis - HPTI Consortium
Mr. Ben Beddegenots	Traceca Co-ordinating Team Brussels

During the meeting with Deputy Transport Minister of the Ukraine, Mr. Kostiustchenko, the project was presented.

The consultants presented the experience of the consortium members regarding the establishment of inter-modal services.

The objectives of the project as well as the planned project schedule and procedures were introduced to the participants of the meeting.

The Minister expressed his interest in the project. He promised his full support for the implementation of the project also, regarding the co-operation of the ferry company UKRFerry and the port of Illiychevsk.

Tuesday, 14 July 1998	Visit to the Ukraine Railways: Meeting with Mr. Petrenko, Head of the Freight Department
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Participants:

Mr. Petrenko	Head of Freight and Cargo Department, Ukrainian Railways
Mr. W. Schulze-Freyberg	Senior Business Development Expert, Polzug - Axis - HPTI Consortium
Mr. Jan Tymoszuk	Senior Advisor, Former Director PKP, Polzug - Axis - HPTI Consortium
Mr. Josef Glock	Operations Expert, Polzug - Axis - HPTI Consortium
Mr. Wolfhard Arlt	Project Director, Polzug - Axis - HPTI Consortium
Ms. Helga Wagner	Project Co-ordinator, Polzug - Axis - HPTI Consortium
Mr. Ben Beddegenots	Traceca Co-ordinating Team Brussels

In the meeting with Mr. Petrenko, the project was presented. The objectives of the project as well as the planned project schedule and procedures were introduced to the participants of the meeting.

The consultants presented the experience of the consortium members regarding the establishment of intermodal services. Contacts with the leading partner, POLZUG, and the Ukrainian Railway exist already. The Head of the Freight and Cargo department expressed great interest in the project and saw big chances for co-operation between the project and the Ukrainian Railways. He understood the big potential and good prospects for intermodal services, connecting West Europe with the Ukraine and further the Caucasus.

Tuesday, 14 July 1998

Visit of Company Lisky

Participants

Mr. V. Pilezkij	Director of LISKI
Mr. V. Petrov	Commercial Director of LISKI
Mr. A. Kaplyuk	Deputy Director of LISKI
Mr. V. Opanasyuk	Representative of Polzug, Ukraine
Mr. W. Schulze-Freyberg	Senior Business Development Expert, Polzug - Axis - HPTI Consortium
Mr. Jan Tymoszuk	Senior Advisor, Former Director PKP, Polzug - Axis - HPTI Consortium
Mr. Josef Glock	Operations Expert, Polzug - Axis - HPTI Consortium
Mr. Wolfhard Arlt	Project Director, Polzug - Axis - HPTI Consortium
Ms. Helga Wagner	Project Co-ordinator, Polzug - Axis - HPTI Consortium

LISKI is the state owned Ukrainian container operating and forwarding company, having practically a monopoly in this business. The Consultants presented the project and introduced the objectives of the project as well as the planned project schedule and procedures to LISKI.

LISKI already co-operates in some container operations with the leading partner of the project, company POLZUG. Therefore, the range of possible intermodal services was well understood and the prospects of the project appreciated very much.

Wednesday, 15 July 1998

Meeting with UKRFerry, Mr. Kuryland and Mr. Chernienko

Participants

Mr. Kuryland	President of the Shipping Company UKRFerry
Mr. Chernievsky	Commercial Director of Shipping Company UKRFerry
Mr. W. Schulze-Freyberg	Senior Business Development Expert, Polzug - Axis - HPTI Consortium
Mr. Jan Tymoszuk	Senior Advisor, Former Director PKP, Polzug - Axis - HPTI Consortium
Mr. Josef Glock	Operations Expert, Polzug - Axis - HPTI Consortium

The Consultants introduced the members of the consortium and their experience in establishing intermodal services. They presented the project, its objectives and planned time schedule.

A vivid discussion on the project took place. UKRFerry generally agreed with the objectives of the projects and assured their willingness to co-operate. The discussion mainly concerned the role of the shipping company as the linking factor between the Ukraine and the Caucasus and further Central Asia. The Consultants explained the commercial background of these new intermodal services to be established and emphasised the importance of commercial, market-oriented operations. One question which was discussed, concerned the present monopolistic position of UKRFerry and the high tariffs resulting from this position. The Consultants explained the service as a holistic product where all means of transport within the transport chain would have to be considered and one acceptable tariff would have to be build for the potential clients.

Friday, 17 July 1998	Visit to the Port of Poti, Meeting with Mr. Inaishvili (Port Director) and Mr. Jurkhadze (Dep. Port Director)
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Participants

Mr. Jemal Inaishvili	General Manager, Port of Poti
Mr. Guram Jurhadze	First Deputy General Manager, Port of Poti
Mr. Wolfhard Art	Project Director, Polzug - Axis - HPTI Consortium
Ms. Helga Wagner	Project Co-ordinator, Polzug - Axis - HPTI Consortium

The Consultants introduced the project to the port of Poti and presented the members of the consortium and their experience in establishing intermodal services. Also, the objectives of the project and the distribution of tasks within the project members and parties involved were presented.

The port of Poti is the entrance gate to the Caucasus and thus further on to Central Asia. Due to a grant of the European Union for the construction of a rail ferry ramp in the port of Poti, in the near future it will be possible to ship containers on rail wagons from the Ukraine to Georgia. Additionally, a computer system for ferry terminal operations is currently being developed and installed in the ports of Illichevsk and Poti. This way, fast, smooth and reliable container services from Europe to the Caucasus can be offered without discharging the wagons. The container terminal in the port of Poti also received some new container handling equipment as a grant from the EU and thus productive container operations can be ensured. From Poti the container train can proceed further via Tbilisi to Armenia and to Azerbaijan.

The port expressed their interest in the project and ensured full support as far as the port operations and the co-operation with the shipping company and the railway is concerned.

Monday, 20 July 1998	Tbilisi: Meeting with the EU Delegation, Mr. Daubresse
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Participants

Mr. Patrick Daubress	Economic Adviser, European Union, Delegation of the European Commission in Georgia
Mr. Vadim Turdzeladze	Assistant Co-ordinator, Traceca Coordinating Unit Caucasus
Mr. Zviad Romstomashvili	Local Expert, Polzug - Axis - HPTI Consortium
Mr. W. Schulze-Freyberg	Senior Business Development Expert, Polzug - Axis - HPTI Consortium

Mr. Jan Tymoszuk	Senior Advisor, Former Director PKP, Polzug - Axis - HPTI Consortium
Mr. Josef Glock	Operations Expert, Polzug - Axis - HPTI Consortium
Mr. Wolfhard Arlt	Project Director, Polzug - Axis - HPTI Consortium
Ms. Helga Wagner	Project Co-ordinator, Polzug - Axis - HPTI Consortium

The consultants presented the new Traceca project in detail to the representative of the EU delegation, Mr. Daubresse. Especially, the members of the consortium, the distribution of tasks between the members and the individual experts were introduced.

Mr. Daubresse expressed great interest in the project and stated his hopes in the successful implementation of intermodal service connecting European countries with the countries of the Caucasus.

Monday, 20 July 1998	Meeting with the Tacis CU, Mr. Breteche and Ms. Khvedeliani
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Participants

Ms. Irma Khvedeliani	Project Administrator, Tacis Coordinating Unit Georgia
Mr. Olivier Breteche	Project Manager, Tacis Coordinating Unit Georgia
Mr. Vadim Turdzeladze	Assistant Co-ordinator, Traceca Coordinating Unit Caucasus
Mr. W. Schulze-Freyberg	Senior Business Development Expert, Polzug - Axis - HPTI Consortium
Mr. Jan Tymoszuk	Senior Advisor, Former Director PKP, Polzug - Axis - HPTI Consortium
Mr. Josef Glock	Operations Expert, Polzug - Axis - HPTI Consortium
Mr. Zviad Romstomashvili	Local Expert, Polzug - Axis - HPTI Consortium
Mr. Wolfhard Arlt	Project Director, Polzug - Axis - HPTI Consortium
Ms. Helga Wagner	Project Co-ordinator, Polzug - Axis - HPTI Consortium

The Consultants presented the new Tacis - Traceca project and its objective to the Tacis Coordinating Unit as the local Georgian co-ordinators of all Georgian Tacis projects.

The Coordinating Unit was especially interested in the expertise of the consortium. Therefore, the experience of the consortium members in establishing intermodal transport services, the individual experts and the distribution of tasks between the members of the consortium were explained in detail.

The Coordinating Unit asked to be informed regularly and expressed interest in the project.

Monday, 20 July 1998	Meeting with the Tacis Monitors, Mr. Maters and Mr. Gogelia
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Participants

Mr. Henni Maters	Monitor, Tacis Monitoring Unit
Mr. Tengis Gogelia	Local Monitor, Tacis Monitoring Unit
Mr. Vadim Turdzeladze	Assistant Co-ordinator, Traceca Coordinating Unit Caucasus
Mr. W. Schulze-Freyberg	Senior Business Development Expert, Polzug - Axis - HPTI Consortium

The Consultants presented the new Tacis - Traceca project and its objective to the Monitoring Unit.

The Monitoring Unit was especially interested in the expertise of the consortium and in the beneficiaries of the project. Therefore, the experience of the consortium members in establishing intermodal transport services, the individual experts and the distribution of tasks between the members of the consortium were explained in detail.

The Monitoring Unit asked to be informed regularly and expressed interest in the project.

Monday, 20 July 1998	Meetings with the Georgian Railways, Mr. Chkhaidze (Head of Department) and Mr. Melkadze (Chief Engineer)
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Participants

Mr. Chkhaidze	Head of the Railway Department, Georgian Railways
Mr. I. Melkadze	Chief Engineer, Georgian Railways
Mr. Vadim Turdzeladze	Assistant Co-ordinator, Traceca Coordinating Unit Caucasus
Mr. W. Schulze-Freyberg	Senior Business Development Expert, Polzug - Axis - HPTI Consortium
Mr. Jan Tymoszuk	Senior Advisor, Former Director PKP, Polzug - Axis - HPTI Consortium
Mr. Josef Glock	Operations Expert, Polzug - Axis - HPTI Consortium
Mr. Zviad Rostomashvili	Local Expert, Polzug - Axis - HPTI Consortium
Mr. Wolfhard Art	Project Director, Polzug - Axis - HPTI Consortium
Ms. Helga Wagner	Project Co-ordinator, Polzug - Axis - HPTI Consortium

The Consultants presented the project, its objectives and planned set-up to the Georgian Railways.

The Railways were very interested in the commercial prospects of the project and in the potential cargo to be handled. Also, great interest was expressed concerning the experience and expertise of the Consultants. Therefore, a thorough introduction of the business of the Consultants was given and especially the establishment of similar services between Germany and Poland, Lithuania and the Ukraine was explained.

Special interest found the experience the Polish railways have made when developing intermodal services together with the company Polzug.

The Georgian Railways expressed great interest in the project and promised assistance and support in all aspects of the project.

Tuesday, 21 July 1998	Meeting with the Armenian Railways: Mr. Asriyants (Chief Director)
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Participants

Mr. Mamuka Chantladze	Ministry of Transport, Georgia, Traceca Coordinating Unit Caucasus
Mr. Zviad Rostomashvili	Local Expert, Polzug - Axis - HPTI Consortium

Mr. W. Schulze-Freyberg	Senior Business Development Expert, Polzug - Axis - HPTI Consortium
Mr. Jan Tymoszuk	Senior Advisor, Former Director PKP, Polzug - Axis - HPTI Consortium
Mr. Josef Glock	Operations Expert, Polzug - Axis - HPTI Consortium
Mr. Wolfhard Arlt	Project Director, Polzug - Axis - HPTI Consortium
Ms. Helga Wagner	Project Co-ordinator, Polzug - Axis - HPTI Consortium

The Consultants introduced the project to the Armenian Railways and presented the members of the consortium and their experience in establishing intermodal services. Also, the objectives of the project and the distribution of tasks within the project members and parties involved were presented.

Erewan is planned to be one of the Caucasian destinations of the new intermodal services. The Consultants inquired about the condition of the railway system in Armenia and its capacity. The Railways were very interested in the commercial prospects of the project and in the potential cargo to be handled. Also, great interest was expressed concerning the experience and expertise of the Consultants. Therefore, a thorough introduction of the business of the Consultants was given and especially the establishment of similar services between Germany and Poland, Lithuania and the Ukraine was explained.

The Armenian Railways expressed great interest and hope for new cargo connected with the project and also assured their assistance for the realisation of the project.

Tuesday, 21 July 1998	Erevan: Meeting with the Dep. Transport Minister of Armenia
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Participants:

Mr. Asriyants	Chief Director, Armenian Railways
Mr. Mamuka Chantladze	Ministry of Transport, Georgia, Traceca Coordinating Unit Caucasus
Mr. Zviad Rostomashvili	Local Expert, Polzug - Axis - HPTI Consortium
Mr. W. Schulze-Freyberg	Senior Business Development Expert, Polzug - Axis - HPTI Consortium
Mr. Jan Tymoszuk	Senior Advisor, Former Director PKP, Polzug - Axis - HPTI Consortium
Mr. Josef Glock	Operations Expert, Polzug - Axis - HPTI Consortium
Mr. Wolfhard Arlt	Project Director, Polzug - Axis - HPTI Consortium
Ms. Helga Wagner	Project Co-ordinator, Polzug - Axis - HPTI Consortium

The Consultants introduced the project and the members of the consortium involved in the project to the Deputy Minister of Transport. The Minister expressed his interest in the project, especially concerning the potential new cargo for the Armenian Railways. He was very interested in the experience of the consortium members and asked for close co-operation with the Armenian institutions concerned by the project.

Also, he offered to co-ordinate the different institutions concerned by the project and to facilitate the relations to the organisations. He offered all his support to the project.

Friday, 24 July 1998

Meeting with the Deputy Railway Director of Azerbaijan, Mr. Panakhov

Participants:

Ms. Emilia Agaeva	Local Transport Expert, Polzug - Axis - HPTI Consortium
Mr. W. Schulze-Freyberg	Senior Business Development Expert, Polzug - Axis - HPTI Consortium
Mr. Jan Tymoszuk	Senior Advisor, Former Director PKP, Polzug - Axis - HPTI Consortium
Mr. Josef Glock	Operations Expert, Polzug - Axis - HPTI Consortium
Mr. Wolfhard Arlt	Project Director, Polzug - Axis - HPTI Consortium
Ms. Helga Wagner	Project Co-ordinator, Polzug - Axis - HPTI Consortium

The Consultants introduced the project to the Azerbaijan Railways and presented the members of the consortium and their experience in establishing intermodal services. Also, the objectives of the project and the distribution of tasks within the project members and parties involved were presented.

The Director was well informed about the Traceca project as a whole and had, like his colleagues in Georgia and Armenia, some experience in co-operating in railway transport projects with European Traceca experts. He was very interested in this new project and expressed his hope, that this project will, unlike its predecessors, have a more practical approach and not result in new studies but rather create more traffic and attract cargoes for the railways. He also expressed his interest to co-operate with the port of Baku as the Azerbaijan container terminal for the logistics express.

Monday, 27 July 1998

Meeting with the Port of Baku, Mr. Mamedov (Port Director)

Participants

Mr. Wolfhard Arlt	Project Director, Polzug - Axis - HPTI Consortium
Ms. Helga Wagner	Project Co-ordinator, Polzug - Axis - HPTI Consortium

The Consultants presented the new Traceca project to the port director and also introduced the consortium members and their experiences in the different aspects of the project.

The port of Baku will be the final destination of the logistics express in the Caucasus region. Thus the port will play a major role as the hub for container operations. On the one hand for further transportation into Central Asia via the ferry link Baku – Turkmenbashi. On the other hand for serving the growing inner Azerbaijan market. The port is well equipped and prepared for this task, because presently, the EC is investing in rehabilitation of the existing container terminal and warehousing facilities in the port and in some container handling equipment as well as in technical assistance for establishing an independently working container operations unit. The port director promised his full support of the project and was especially interested in the co-operation with the railways.

Visit to the Container Terminals in the Region

Tuesday, 14 July 1998

Visit to the Railway Container Terminal Kiev, Ukraine

The terminal has been visited together with representatives of the state owned company LISKI, railway freight forwarder. Company LISKI is main client of the container terminal. The terminal – the rails as well as the container handling equipment is in good condition, able to operate the expected container cargo. Currently, the terminal is rehabilitating some warehouses, thus creating the possibility to strip and pack containers and to store the cargo in a customs warehouse.

The company LISKI is presently already co-operating with POLZUG, therefore a sound basis for future co-operations concerning the intermodal services of the project exists. LISKI also has the possibility to further transport containerised cargo to the final cargo receiver by truck.

Tuesday, 21 July 1998

Visit to the Railway Container Terminal Erewan, Armenia

The railway container terminal is presently already able to handle a small amount of 20' containers and also some 40' containers. In case the container traffic will seriously increase, the facilities of the terminal are insufficient. The railway director realises this fact very well and has already developed some ideas how to rehabilitate the terminal. Additionally, Traceca is currently planning to invest in some container handling equipment for the railway container terminal Erewan. From the side of the Armenian railways, some rehabilitation work for the terminal itself, like constructing a solid pavement of the terminal is planned to be done. Once these measures have been realised, the terminal will be fully capable to handle the amount of containers which can realistically be expected. Facilities to carry out the transport to the final destination of the cargo are also in existence.

Wednesday, 22 July 1998

Visit to the Railway Container Terminal Tbilisi, Georgia

Currently, the terminal is in operation, but only very few containers are being handled. There is no possibility to handle 40' containers due to lack of equipment. The road access to the terminal is in very poor condition. The present lifting capacity of 20' containers is insufficient for the needs of the project.

Thursday, 23 July 1998

Visit to the Railway Container Terminal Gandzha, Azerbaijan

On the way from Tbilisi to Baku one is passing the railway container terminal of Gandzha. The Gandzha region was in the time of the Soviet Union a major industry area of Azerbaijan, with big industry complexes, e.g. an Aluminium plant. Therefore, a big railway terminal with container handling facilities had been build, capable of handling the incoming raw materials and outgoing products. Presently, all the industry of the region is lying idle. Consequently, no cargo for the railway terminal is available. Thus, the terminal is currently in a state of disrepair and in need of rehabilitation, if needed in future.

The present forecasts for the region give no cause to expect any development of the industry in the nearer future and a huge amount of cargo for the Gandzha region can not be expected, though. Therefore, this railway container terminal is not relevant for the present intermodal project.

Friday, 24 July 1998

Visit to the Container Terminal Port of Baku, Azerbaijan

The container terminal is in a good condition thanks to the rehabilitation works carried out with the help of grant money from the EC. Due to the delivery of new container handling equipment for the terminal financed by the EC, the container terminal is already presently fully able to handle 20' and 40' containers. The container terminal in the port of Baku is the anticipated destination of the logistics express running between Poti and Baku. The port is well guarded by security.

Friday 24 July 1998

Visit to the Railway Container Terminal City of Baku, Azerbaijan

In the city of Baku a huge railway terminal is existing. On this terminal containers are currently already being handled. The containers are handled by one Valmet forklift. They are being stored on the terminal. It seems that presently only empty containers are handled at the terminals due to the fact that only forklifts are available for the handling. The surfacing of the terminal is rough and the equipment for handling of containers is insufficient. The connecting road to the terminal for trucks is narrow and in not very good condition.

Friday, 24 July 1998

Visit to the Railway Container Terminal outside Baku, Azerbaijan

Just outside the city of Baku a big railway container terminal is situated. During the Soviet Union containers for Baku and the industry complexes around were handled on this terminal. It was equipped with trainstainers able to handle 20' containers and with Valmet forklifts. Presently, the terminal is being guarded by armed security, but otherwise deserted. No activities take place. The container handling equipment is in a state of utter disrepair and the ground surfacing is not existing any more. The terminal is already big and has still some extension possibilities, but before it can work again, very big investments would be needed to rehabilitate the terminal infrastructure and to purchase new equipment. For the present intermodal project the use of this terminal is out of question.

Initial Visits to the Beneficiaries – Central Asia

Visits in Kazakhstan

Government, authorities, institutions

1 Cabinet of Ministers / Ministry of Transport	Ilya P. SEGAL	Director / Railways transport Department
2 Taxis Co-ordinating Unit	Crispin MEELBOOM	Director
3 Taxis Co-ordinating Unit	Andrzej BIALOWAS	Team leader
4 European Union Delagation	Olivier FERRANDU	Expert
5 French Embassy	Alexandre FAESCH	Commercial Attaché
6 Customs	A. JOUNOUSOV	Director / Almaty City and Oblast
7 Customs	S. ALYBEKOVA	Chief Inspector / Foreign Economic Relations
8 Research Institute of Transport (NIIT)	Eduard KAPLAN	Deputy Managing Director

Railways and other operators

9 Railways of Kazakstan	Esentay S. MALGAZH DAROV	Head of External Connections
10 Railways of Kazakstan	Lidia P. GIZATULINA	Deputy Head of Foreign Relations
11 Centre for Freight Services	Berik S. AITBEKOV	Director
12 Centre for Freight Services	Baurzhan A. BAIMBUK HANOV	First Deputy Director
13 Centre for Freight Services	Umirkek TELEMISOV	Traceca counterpart
14 Centre for Freight Services	ATAMANOV	Engineer
15 Centre for Freight Services	Nurzhan A. BECTAEV	Deputy Director / Chimkent subsidiary

Freight Forwarders, Clients, misc.

16 Association of Freight Forwarders	Sofiya M. SULEIMANOVA	Executive Director
17 Hassan & Co.	HASSAN	Partner
18 Raimbek	Talgat D. UMIRBAEV	Vice President
19 Transsytem	Edward KAPLAN	Managing Director
20 Medikus Center	Sholpan K. KULMAHANOVA	General Director
21 Dow Agrosiences	Ludmila O. YEM	Office Manager
22 M & M	Marat DZHUMABAEV	head of railways Department

Kazakh Railways have set up a subsidiary devoted to managing all freight related services. As a result the Consultants will work with both bodies.

- State authorities : The Consultants have met Mr. SEGAL, assistant to the Minister of Transport, in charge of Railways and review the project and its benefits for Kazakstan. Contacts with state authorities will be managed by Mr. SEGAL.

- Railways, under the authority of Mr. MIRZAKHMETOV, Head of Kazakh Railways, we'll work with one of his direct assistants, Mr. RAKHMETOV.
- Centre for Freight Services : this Centre is managed by its Director, Mr. AITBEKOV; our direct contact will be Mr. BAIMUKHANOV along with MM. TELEMISOV and ATAMANOV.

Visits in Kirgystan

Government, authorities, institutions

Taxis Co-Ordinating Unit	Karabek UZAKBAEV	Director
Taxis Co-Ordinating Unit	Valimjan TANYKYROV	National Expert
Ministry of External Trade	Stamakun ASANALIEV	Deputy Minister
Customs	Nataly VORONTSOVA	Head of International Relations Department
Chamber of Commerce of Kyrgyzstan	Rimma T. APASOVA	Chief foreign economic relations department
Cabinet of Prime Minister	Suleiman ZAKIROV	In charge of Transport / Traceca Co-ordinator

Railways and other operators

Railways of Kyrgyzstan	Isa Cheichenkulovitch OMURKULOV	Head of railways
Railways of Kyrgyzstan	ABDRACHIMOV	Assistant to UREVICH
Railways of Kyrgyzstan	Guennadi PRIAKHIN	Container terminal operations
Railways of Kyrgyzstan	Yuri KALNOI	Train operations
Railways of Kyrgyzstan / Alameddin Terminal		Chief of terminal

Freight Forwarders, Clients, misc.

Wesotra (Freight forwarding - Import and retail)	Tatiana ANATOLIEVNA	Financial Director
KyrgyzIntrakh (Insurance)	Elmira M. SEIDAKHMETOVA	Chairwoman
KyrgyzIntrakh (Insurance)	Valeriy DOVZHENKO	Deputy Chairman
Eridan	Talgat SHINTOV	Director International department

The railways are directly operating the terminals.

They have created an internal service called "Service for Mechanical Loading and Unloading" which is to be considered as our counterpart. This service managed by Mr Guennadi PRIAKHIN is under the authority of Mr. UREVITCH, who has participated in previous Traceca projects and who is well known by the Consultant.

Visits in Uzbekistan

Beneficiaries

ERMETOV Valéry DAVIDOVITCH	Head of RW International relations	UZB RW UZB RW
Niemat RADJABOV	Freight operations	UZB RW

Official Organisations

Lerik Akhmetovich AKHMETOV	Vice First Minister in charge of communication and transport	Cabinet of Ministers
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Others

Bakhtier SADRIDDINOV	National Director	TACIS CU
Mirzakhid G.SULTANOV	Director TACIS	TACIS CU
Akmal KAMALOV	National Coordinator for Traceca project	Cabinet of Minister
Michael SIMS	Coordinator Central-Asia TRACECA	TACIS
Bahadir ISMAILOV	General Director	UZVNESHTRANS
SHARIPOV Ikram A.SHADMANOV	Traffic Manager General Director	UZVNESHTRANS SHOSH-TRANS
Anvar Danaievich DANAIEV	Technical Director for operations and mar- keting	SHOSH-TRANS
Alexander DROZDOV	Chief Executive of department of foreign relations	UZMEZHAVTO TRANS
DAVLATOV	International Traffic Manager	UZMEZHAVTO TRANS

Railways are under the authority of Mr. ERMETOV who confirmed his great interest in the "Intermodal Services" project; he sees this as a concrete endeavour in the line of the "Tariff and Time-Table" project. He is very anxious to find the proper institutional and practical solutions that will protect Uzbek interests and will open the way for a full co-operation with other Railways and western partners.

State authorities :

A meeting with Mr. AKHMETOV, First Vice Prime Minister, has been arranged by Mr. SADDRIDINOV, Head of the Tacis C.U. and Mr. Mike SIMS, Traceca Team Manager for Central Asia. During this meeting our work scheme has been presented and explained to the Minister. At the Cabinet level our counterpart will be Mr. ABDRAKHMANOV, as he was before.

Railways :

our counterpart will be Mr. RADJABOV, in charge of operations, Mr. DAVIDOVITCH acting as an interface between the Consultants and the Railways.

Service providers :

SHOSH-TRANS is a company related to the Railways and the main container operator in with its main facilities situated in Shumilovo (Tashkent) for general cargo; UZVNESHTRANS, is a subsidiary of the Ministry of Foreign Economic Relations and, as such, enjoys the monopoly of cotton exports. Their main terminal is located in Bukhara and the traffic is handled by Trans World Express, a Uzbek-Bulgarian J.V. in which Uzneshtrans holds a 5% participation. Both companies will act as our counterparts. We expect that this arrangement will result in the addition of the main containerised export shipments (i.e. general cargo plus cotton); if this becomes actually the case, west bound tonnage from Uzbekistan might balance the eastbound traffic of the whole line.

Visits in Turkmenistan

Beneficiaries

KHALYKOV	Vice Prime Minister in charge of Transport and Communication	Cabinet of Ministers
KUTLYEV	Head of Turkm. Railways	Railways
Khalmourat BERDIEV	First Deputy Head of Railways	Railways

Official Departments

Hudaiberdi BADAMOV	First Deputy	Port Authority Turkmenbaschi
Bairamtach KAYUPOVA	Head of RW Station	Turkmenbaschi
Toily TOILYEV	Head of commercial Department	Port Authority, Turkmenbaschi

Others

Mukhamedberdy BERDIEV	National director	TACIS CU
ATABAEV	Head of TTFF Cy	TTFF Ashkabat
Murradberdi AKHMEDOV	Director	SHOSH-TRANS
Tatyana VOLKOVA	Assistant Manager	DEUGRO

The new Intermodal Services project is highly welcome by Turkmen authorities and railways. Delivery of 2 fork lifts in Turkmenbashi has been particularly helpful for the Traceca programme.

Our counterpart is Mr. Khalmurat BERDYEV, First Deputy Head of Railways; nevertheless, the creation of the new state company TTFF might lead to a new share of responsibilities. During its next visit, the Consultant will have to update this information.

Annex 2 – Situation in Central Asia

KAZAKSTAN :

In Central Asia the Traceca line has 2 branches, one through Turkmenistan via the port of Turkmenbashi, the other through Kazakstan via the port of Aktau.

Though Kazakstan is willing to use the port of Aktau as much as possible, technical problems prevent from taking this route at present. Trains will have to run through the south leg as long as Aktau problems cannot be solved.

However; Kazakh interests will have to be taken into account so that they find it profitable to use the "south" Traceca line and merge their traffic with traffic from/to other Central Asian states.

KYRGHYZSTAN :

1. Bishkek, the main destination in Kyrgyzstan, is not equipped yet to handle 40" containers and, as a result, Alamedin Terminal is not opened to 40" container traffic unless special permission requested from the Railways. Despite these problems Kyrgyz railways have managed to handle 400 of the 40" containers during the first 6 months of 1998.

In the framework of the Traceca programme, there have been discussions about supplying the railways with cranes or fork lifts; the Railways have agreed to finance the surfacing of a new 40" container stacking area.

This point is presently under consideration by E.U. authorities and the Consultant can only hope that Bishkek will be open to all container traffic by the end of this year.

2. Osh and Djellal Abad regions are important economic centres which cannot be serviced from Bishkek. The roads are in poor condition and may be closed in winter time. Osh container terminal, the only one in this area, can only handle 20" containers.

However, this region is situated in the Fergana valley and close to the Uzbek border.

The Consultant and both Uzbek and Kyrgyz railways will have to offer a workable solution so that this part of Uzbekistan can be serviced from Uzbek terminals at a competitive price; specific customs procedures might have to be implemented in this case.

UZBEKISTAN :

The main container operator is SHOSH-TRANS in Tashkent while the main exporter of cotton is UZVNESHTRANS, a subsidiary of the Ministry for Foreign Economic Relations (MVS).

As cotton might become a major export freight for containers on the Traceca line it is highly recommended to obtain full co-operation from these 2 competing firms. According to a Government decision 150.000 tons of cotton should be shipped every year through the Traceca line; even if a fraction of this traffic is containerised, it will account for most of the revenues of westbound trains, at least in the beginning of the operation.

In other words, if the two combine their container traffic, block trains might run on more frequent schedules and might become profitable sooner than expected. If they don't, the overall operation might be delayed or economically unbalanced.

TURKMENISTAN :

Turkmen Railways have not been very active in promoting common operations with other Railways. They tend to stick to the old MPS ways even though the resulting service does not satisfy western customers.

However, the Railways have repeatedly stated that they would duly run the trains crossing their country and we hope that we shall not encounter real problems from this side.

The main forwarders met by the Consultant reluctantly use the port of Poti for the following reasons :

- waste of time due to the non availability of wagons for loading the containers,
- insufficient ferry links between Poti and TEN Crete corridors (Ilyichevsk, Constanta, Varna),
- insufficient maritime services between Black Sea and Mediterranean ports,
- in Baku, low priority for wagons of containers as compared with lorries.