

The European Union's Tacis TRACECA programme
for Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan,
Turkey, Turkmenistan, Ukraine, Uzbekistan

UNIFIED POLICY ON TRANSIT FEES AND TARIFFS PROJECT

for Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan,
Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Turkmenistan,
Ukraine, Uzbekistan

Project Completion Report

March 2004



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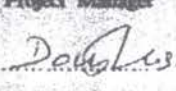
A project implemented by
Scott Wilson / Tebodin / Corporate Solution

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Form 1.2 REPORT COVER PAGE

Project Title:	Unified Policy for Transit Fees and Tariffs		
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D TFTWG Road Protocols

- D1 Protocol on Results of the First Transit Fee and Tariffs Working Group (TFTWG) for Roads, Baku, 27-28 November 2002
- D2 Protocol of Second Transit Fee and Tariffs Working Group (TFTWG) for Roads, Baku, 2-3 July 2003
- D3 Protocol of Third Transit Fee and Tariffs Working Group (TFTWG) for Roads, Baku, 15-16 October 2003

E TFTWG Rail and Maritime Protocols

- E1 Protocol on the Results of Workshop of Plenipotentiary Railway, Maritime Administration, Seaport and Shipping Company representatives (Experts) Concerning Tariff Policy for Railway and Maritime Transit Services on the Traceca Transport Corridor, Baku, 20 June 2002
- E2 Protocol on the Results of Second Meeting of Plenipotentiary Railway, Maritime Administration, Seaport and Shipping Company Representatives (experts) Concerning Tariff Policy for Railway and Maritime Transit services on the Traceca Transport Corridor (TFTWG2), Baku, 17 October 2002
- E3 Protocol of the Third Working Group Meeting of Delegates representing Railways, Maritime Administration Seaport and Shipping Companies Concerning Tariff Policy for Railway and Maritime Transit Services on the Traceca Transport Corridor, Baku, April, 15-16 2003
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 - F1.1 *Final resolutions*
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 - F2.1 *Yerevan Declaration*
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1. PROJECT SYNOPSIS

Project Title: Unified Policy on Transit Fees and Tariffs

Contract Number: 01-0181.00

Countries:

Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan – later Afghanistan and Iran as observers.

Wider Objectives:

To increase the competitiveness of the TRACECA corridor for transit traffic.

Specific Project Objectives:

To achieve a more transparent tariff and transit fees structure and the removal of illegal, non-physical barriers to effective international trade and transport services within TRACECA region.

Outputs:

- Transit Fees and Tariffs Working Groups (TFTWGs) in road, rail and maritime.
- Analysis of MTT tariffs and recommendation for change.
- Improved access for traders to the rail system.
- Improved methodologies in setting rail tariffs.
- Implementation - TTT Pilot Study, 6 Technical Notes, Draft Regulatory Document
- Unified policy for road transit fees.
- Analysis and recommendations on maritime rates and port fees.
- User guide for transport operators and traders.

Activities:

- Establishment of working groups.
- Review of previous work.
- Development of unified policy for road transit fees.
- Evaluation of MTT tariffs and recommendations for change.
- Development of improved methodology for rail tariff setting.
- Improvement of trader's access to the rail system.
- Analysis and recommendations on maritime rates and port fees.
- Establishment of Council of Heads of Railways
- Development of a user guide for transport operators and traders.
- On-the-job training and management development.

Target Group: National Commissions in 13 countries, TFTWGs, governments of 13 countries, traders, operators including freight forwarding and carrier associations.

Inputs: 1469 person days of EU specialists and 170 person months of local inputs.

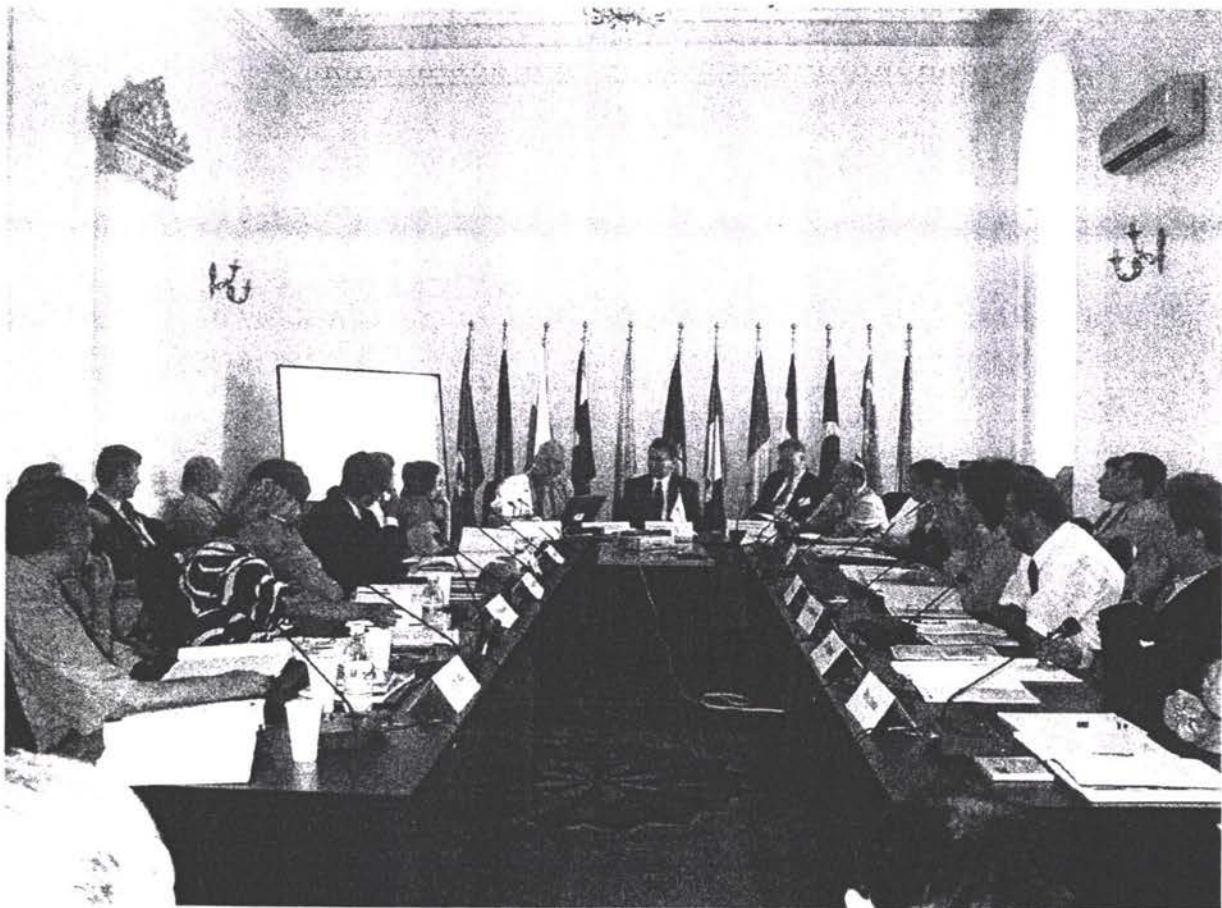
Project Start Date: 14 December 2001

Project Duration: 24+3 months

2. SUMMARY OF PROJECT PROGRESS SINCE THE START OF THE PROJECT

PLANNED OUTPUTS	FINAL OUTPUT	COMMENTS
1. Establish Working Groups (WGs)	<ul style="list-style-type: none"> Regional TFTWG for rail, maritime and road sectors were established and 6 meetings held in TRACECA PS Baku. National TFTWGs in each country under the National Secretary are established to combine activities of 4 TRACECA projects and remain to provide sustainability. This has been augmented by country visits by project personnel. 	This action ensures effectiveness of the WGs and their sustainability for all TRACECA projects.
2. Analysis of MTT tariffs and recommendations for change	<ul style="list-style-type: none"> MTT was analysed and the outcomes presented. Subsequently a Protocol was signed, instructing the Consultant to develop an alternative approach. The Consultant proposed an alternative methodology for tariff setting policy. The structure of the methodology has been agreed by Protocol and TRACECA TTT formulated on the principle of normative costs. 	Unanimous support that MTT is outdated and needs replacing in June 2002 protocol though certain countries continue to profit by its high rates.
3. Improved access for traders to the rail system	<ul style="list-style-type: none"> Survey of freight forwarders on tariffs and levels of service by rail companies and conclusions were presented and discussed on the 2nd Regional Rail & Maritime WG. Results of Survey issued as Freight Forwarder Attitude Survey Technical note No. 5 for Railways. Recommendations issued as Best Practice for Trader Access to Railways Technical Note No. 2 for Railways. Further recommendations to improve railways marketing capacity issued as technical note No3 for railways. 	Progress on implementation should be closely related to that of CHR.
4. Improved methodologies in setting rail tariffs	<ul style="list-style-type: none"> Pricing strategies have been produced and issued as a Price Setting Handbook Technical Note No 1 Estimation & use of price elasticities of demand has been issued as a handbook and Technical Note No. 4 The methodology and effectiveness of the rail TRACECA TTT has been presented and agreed in principle. A draft regulatory document containing all of the principles and practice for implementing and administering a new tariff structure for Traceca contained in Technical Note No 6 for railways. A pilot scheme is established to test the operation 	TRACECA TTT rail tariff agreed in principle. Protocol agreed 10/11 March 2004 to carry out pilot studies. TTT Pilot Study to be implemented by 6 countries during 2004/5. TTT Agreement needed if pilot successful also TTT Agency or Authority. Progress on implementation related to work of CHR.
5. Council of Heads of Railways	<ul style="list-style-type: none"> Draft Agenda and Protocol and Action Plan prepared Presentation to Preliminary Meeting. Baku July 2003 Presentation prepared and given to IGC Yerevan October 2003 	Deferred from project m2 to m18 agreed, as m2 too premature. Following endorsement by IGC, yet to hold in inaugural meeting.
6. Unified policy for road transit fees	<ul style="list-style-type: none"> The final validated Inventory of Road Transport Fees and Permits is in the on-line User Guide. An agreed unified policy on road transit fees has been developed and agreed by members of the TFTWG for roads 	Policy and implementation strategy agreed, through national working groups

	<ul style="list-style-type: none"> Implementation strategy has been developed and agreed by the members of the TFTWG for roads – to be implemented through national working groups 	
7. Analysis and recommendations on maritime rates and port fees	<ul style="list-style-type: none"> Analysis of the maritime rate and port fees have been finalised Recommendations on tariff policy have been presented and discussed at the Third Regional Rail & Maritime TFTWG. 	Shipping companies are more aware of discounts for increased traffic and are flexible. Ports have less flexibility.
8. User guide for transport operators and traders	<ul style="list-style-type: none"> The User Guide framework and contents have been discussed and approved by delegates. As agreed the “User Guide” will be developed in collaboration with the Permanent Secretariat and included on the website 	Useful primary data is available on website and hyperlinks established to other relevant websites.



3. PROJECT PROGRESS IN THE FINAL REPORTING PERIOD

The primary period of the project was scheduled for completion on the 14th December 2003 and contract addendum extended the project for a further period of 3 months until March 2004 (time extension only). The main reason for the time extension was to ensure that the Consultant was able to start the implementation process for the introduction of the proposed rail TRACECA TTT tariff as a pilot scheme in a number of key TRACECA countries. A further extension to coordinate and monitor pilot studies did not receive the expected approval.

After receiving acceptance of the 2nd Progress report in May 2003, the project continued the evaluation of the key issues and further developed closer working relations with recipient countries and the IGC secretariat, through regular meetings and country visits with the General Secretary. In particular, IGC General secretary, TRACECA coordination team, UPTFT Project Director and Project Manager to seek support for a number of TRACECA initiatives, made a visit to Kiev and Illychevsk, Ukraine in June.

The meetings also focused on the desire expressed by a number of TRACECA countries for the establishment of a rail tariff TRACECA TTT pilot scheme. The outcome was that Bulgaria, Moldova, Georgia, Azerbaijan, Romania and Turkey agreed to participate in the TTT Pilot Study Programme and Turkmenistan, Ukraine and Iran as observers. All participants and observers attended a workshop 10th and 11th March 2004 to plan the TTT Pilot Studies, agree the tariff structure and rates and also a discounted rate for containers. A protocol was signed, a TTT Pilot Study Sub-Group set up, chaired by Georgian Railways and the next meeting (June 2004) was fixed. Thus the best possible actions were taken to ensure the sustainability of the outcomes.

3.1. International Road Transport

The Consultant prepared draft policy proposals to enable further discussions to take place during the second meeting of the Transit Fees and Tariffs Working Group (TFTWG) for roads which took place in July 2003 in Baku.

The proposals are described in the draft working paper: **“Road Transit Fee Policy Proposals, May 2003”**.

The meeting was attended by representatives from all TRACECA countries except Armenia and Turkmenistan who unfortunately were unable to attend, and there was unanimous agreement on many aspects of road transit fee policy, including:

- the framework for calculating transit fees, and
- the implementation strategy for a unified policy on transit fees, including the maximum level of transit fees to be set in the short term.

These agreements are described in **Protocol Second Transit Fee and Tariffs Working Group for Roads (referred to hereafter as Protocol TFTWG 2)**.

It was agreed that the Consultant should draft a unified policy based on the agreements reached during the first and second TFTWG meetings, for circulation before the third meeting in October 2003. It was also agreed that the TFTWG members would submit to the Consultant any comments on the possible actions that could be taken by each country to implement the unified transit fee policy. Few suggestions were made for amending the implementation

strategy but, in response to other suggestions, further analyses and proposals were developed for excess vehicle size and weight charges in the draft working paper:

“Proposals for Road Vehicle Excess Size and Weight Charges”, August, 2003

Based on the above work the draft unified policy was proposed in:

“Draft Unified Policy on Road Transit Fees”, August, 2003

To reflect fully the agreements already made by the TFTWG, almost all the text of this policy document quoted word-for-word the agreements reached in Protocols TFTWG 1 and TFTWG 2. Some additional text was added in order to improve the presentation and to include modifications suggested in Proposals for Road Vehicle Excess Size and Weight Charges, August 2003. The material in the annexes was mainly taken from draft working papers that had been discussed during the TFTWG meetings.

The third TFTWG meeting in October 2003, was again attended by members from all countries except Armenia and Turkmenistan. Members of the working group unanimously agreed the proposed unified policy subject to minor amendments and including aspects referring to excess size and weight fees.

It was agreed that the Consultant should prepare (a) the finalised Unified Policy on Road Transit Fees and (b) the finalised Implementation Strategy for the Unified Policy, containing a list of actions required by each government of the TRACECA member states to implement the Unified Policy.

These agreements are described in:

- Protocol Third Transit Fee and Tariffs Working Group for Roads (referred to hereafter as Protocol TFTWG 3).

In accordance with the TFTWG members' request, the Consultant prepared and distributed to all members, finalised versions of the following two working papers:

- Unified Policy on Road Transit Fees, October, 2003, which was drafted in August 2003 and contains the agreed finalised policy,
- Road Transit Fee Policy Proposals, October, 2003, which was drafted in May 2003 and contains the agreed finalised implementation strategy.

It was agreed by the TFTWG that these documents should be used by the National Secretariat to implement the unified policy through changes to the road annex of the General Multilateral Agreement (MLA), assisted by the ongoing CLBTT legal project.

It was also agreed that the TFTWG members would, in cooperation with the National Secretaries, submit these two documents to their respective National Commissions in order to implement the agreed policy.

These steps are intended to enable the agreed unified policy to be discussed and implemented in each TRACECA country and provide sustainability of the project.

3.2. International rail freight

Progress was encapsulated in four protocols signed by representatives of participating countries as delegates to the Transit Freight Tariff Working Group (TFTWG) for Railways Ports and Shipping). Having endorsed the need for a new rail tariff structure, delegates to the third workshop meeting in April 2003 endorsed the key elements of the new Traceca Transit Tariff Structure (TTT). Essentially the TTT will be cost based, the primary unit being the wagon km, not ton km, and thus it will be independent of commodity. The structure will be in four parts: movement, terminal, infrastructure user charge and handling/ commission.

The TTT is intended to replace the MTT/CIS structure for it is vital to recognise that TTT requires an authority for administration; UPTFT provided a description of functionality of such an organisation. UPTFT also provided the first draft of a regulatory document (refer to Technical Note No. 6 appended hereto) that will be needed if it is to be formerly adopted. It is worth noting here that all parties agreed that TTT should be denominated in Euro, thus replacing the Swiss Frank and USD as the currency of account. Subsequently 6 countries endorsed testing TTT in a pilot project.

The fourth TFTWG meeting in March 2004 agreed the programme for testing TTT, including experimenting with a new flat rate for containers based on TTT. The continuity of the TFTWG was assured with the election of a Chairman (Georgian Railways) and technical assistant (Traceca Permanent Secretariat).

The National Secretaries meeting in Tashkent in May 2003 endorsed the requirement to establish a "Council" of Heads of Railways and through discussion it was later decided that due to the intermodal nature of TRACECA it should be expanded to include Ports and Shipping companies.

In July 2003 the Ministry of Transport of the Republic of Azerbaijan hosted a meeting in Baku where representatives of railway administrations, Ports and Shipping companies were invited from each of the 13 TRACECA countries to witness the signing of the memorandum of understanding between IGC TRACECA and the international Railways Union (UIC), Paris and to discuss the formation of a "Council". The Council was endorsed by the IGC conference in Yerevan in October 2003.

At the time of writing the CHR has not held its inaugural meeting, and the primary focus for this will be the TFTWGs. The pilot scheme-working group will liase closely with the National Secretaries and the CLBTT project to achieve this.

3.3. Ports and Shipping

The emphasis during all of the rail, ports and shipping workshops was that ports tariffs for transit cargoes on TRACECA routes should be discounted to a level based on short run variable costs (SRVC), and in principle this was agreed. However, due to the imposition of local conditions and restrictions, the consultant was unable to achieve the acceptance of discounts that was hoped for. Improvements to the wording of the successive protocols were made which reflected the best compromise that could be achieved. In practice, however, port service charges will make only a limited difference to the overall tariff.

It is important in the following TRACECA projects to continue to promote the need for flexibility in tariffs to encourage additional traffic to use the TRACECA route. This flexible

approach would then mirror what other transport providers have to do in other countries to encourage new business.

Detail from the Turkish ports survey has been circulated by email to all interested parties but it is considered by the consultant that the detail this contains does not significantly affect the conclusions and recommendations reached for the overall UPTFT TRACECA policy. However with Iran and Afghanistan now wishing to join TRACECA and sign the MLA, the "Turkish Option" for routes and rates between Europe and Central Asia will give more choice to shippers.

With all available data collected the final working document "Cost based Tariffs for Ports and Shipping, Analysis and Recommendations" has been widely circulated, and in this period the emphasis has been on implementation issues, and feedback from users. The paper included some initial ideas for a through tariff for TRACECA and this will be progressed during the extension period.

The other main conclusions reached were:

- That in general there is surplus capacity within TRACECA ports and shipping and this, combined with proportionally low variable costs, means that cost-based tariffs are feasible while remaining profitable.
- The current strong financial position at most ports indicates that they would be able to experiment now with some preferential (or discounted) tariffs to encourage traffic.
- That the future financial prospects for these ports may not be so good unless action is taken now.
- Now is an ideal time to build up additional transit business by substantially reducing tariffs, while retaining a modest profit margin.
- It was also appreciated that discounts on port dues alone would probably not be decisive in attracting transit cargoes. These discounts would have to be part of a chain of promotional tariffs offered by rail companies, ports and shipping lines.
- Other non-tariff problems were also regularly raised by delegates during the discussions and port personnel were encouraged to further consider the concept of "fast track" for port clearance of sealed containers that would include minimal Customs involvement.

3.4. Through TRACECA Tariffs (Intermodal)

An assessment of the demand for TRACECA corridor was made including the sensitivity of traffic flows on competing routes and transport modes. A technical paper (Technical Note No 4 attached) derived price elasticities of demand that could be applied in Traceca.

The idea of a TRACECA (intermodal through tariffs for rail, ports and shipping has been introduced to delegates at all workshops. The concept of a single shop window for customers has also been mooted in the past. The issue of multi-service providers with varying contractual requirements is well understood to be a constraint to traffic development on Traceca.

The existing agreement for Afghanistan humanitarian aid traffic is based on negotiated rates that have been simplified to point-to point US\$ rates per container or wagon. (The project

sought to encourage the use of Euros (€) for rate calculation but USD rates are currently more common).

This agreement operates between 5 TRACECA countries for Humanitarian Aid movements to Afghanistan and Central Asia and it has generated some traffic for TRACECA that may otherwise have gone another route. It has also helped to reduce rates on other routes for the benefit of Afghanistan.

At the April 2003 rail and maritime workshop it was suggested that the agreement for Afghanistan special tariff could be extended as an experiment to encompass all additional traffic on TRACECA and in particular to encourage container movements. The delegates were receptive to the idea in principle and requested that a revised memorandum should be presented to them. It is necessary to note that TTT, MTT and the Afghanistan rate were found to be compatible.

Founded on the support for through tariffs and using the TTT, methodologies for price setting were recommended in a paper – Technical Note No. 1 – Price Setting Handbook appended herein.

It is necessary to note that the TTT regulatory document (technical note No 6) includes participation of ports and shipping companies as well as railways. It requires developing further to and through implementation.

3.5. Improving Access for Traders to the Rail System

The results from surveys of existing and potential TRACECA railways users that obtained feedback on the quality of service, rail tariff structures, and accessibility. The final conclusions and recommendations from the survey are contained in the Technical Note No 2, Best Practice for Trader Access to Railways, attached to this report. In brief, it is clear that traders welcome a unified and competitive policy for transit tariffs on the TRACECA corridor and the survey has already been circulated to delegates at the rail, ports and shipping workshop in draft form for their comments, is now complete pending the outcome of the rail pilot scheme.

Marketing capability was found to be severely wanting in Traceca Railways. UPTFT project has provided an additional technical note (Technical Note No. 3) to strengthen railways marketing effort.

3.6. User Guide

As it was agreed at the inception phase, the proposed User Guide is being published in digital format as part of the TRACECA web site shared between the three current TRACECA projects. The guide contains information mainly on how to access up to the minute information on the ever-changing routes and services that comprise the TRACECA corridor. As much factual data as possible has been included but as many service providers have their own active web-sites it is more useful to establish hyperlinks to the providers of services to ensure the data is accurate, current and sustainable and this has been done. National Secretaries in a number of TRACECA countries have already provided excellent detail of the best service providers in their country.

3.7. Training

On-the-job training and technology transfer has been through the circulation of all working papers and discussion documents to workshop delegates and the in-country National Secretaries on issues related to each transport mode. In addition there have been a number of debates with IGC TRACECA specialists within the workshop environment and outside it and many detailed technical discussions with delegates and their colleagues during country visits. Local office staff has also been encouraged to expand their technical skills in IT and project management, workshop management and language skills.

4. OVERALL REPORT ON THE WHOLE PROJECT

The main objective of this project has been to help to increase the volume of freight traffic by road, rail, river and sea, within and through the 13 countries of TRACECA by establishing a unified policy on transit fees and tariffs. Although there has been a significant increase in the volume of freight traffic on the TRACECA routes it cannot yet be claimed that this is a direct result of this project as the increase has been in crude oil and oil products.

However, 12 of the 13 countries have agreed in principle to the basis for a new rail tariff (the TRACECA TTT tariff) and through a pilot project within the project extension it is anticipated that closer cooperation will lead to more competitive through rates being offered to attract container and other cargo away from alternative routes.

The project started in December 2001 with the Consultant personnel active in the region with regular visits to all countries until November 2003. A project office within the IGC TRACECA building in Baku Azerbaijan was established in December 2001 with full time local staff comprising an office manager, interpreter and translator. Since then occasional follow up visits were undertaken to discuss the implementation plans for the rail tariff TTT pilot scheme with a number of key countries. The Inception Report was published in April 2002, Progress Report 1 in October 2002, Progress Report 2 in April 2003 and Progress Report 3 / draft final in October 2003.

As indicated in previous Progress Reports, the initial emphasis was placed on obtaining data on the current transport position in all modes of transport, so that the information gathered could be incorporated into the draft working papers that would be circulated initially to delegates at the international workshops held in Baku and later to the National Secretaries and the Trade Facilitation workshops (TFWGs) that were subsequently established in each country. The logistical problems of undertaking the data collection phase in all thirteen countries were known from previous project work in the region, but still this phase took longer than had been hoped.

A change in emphasis by the TRACECA coordination team in November 2002 led to the establishment of local Trade Facilitation working groups (TFWGs) as an expansion of the work started by the Border project (HBCP). This was done to assist in the coordination of the three TRACECA projects operating by that time (Borders, Legal and Tariffs). The objective was to enable the information being generated by all projects to be more easily disseminated locally and where possible, implemented.

For UPTFT project this meant that many delegates to the existing international meetings in Baku (where they met colleagues in the same or similar positions of responsibility from other countries) were also part of the local Trade Facilitation working groups managed by the National Secretaries.

UPTFT project was the only current project to adopt the approach of gathering delegates from each country to Baku and this policy has helped to make delegates aware not only of the issues within their own country, but of the position within other TRACECA countries. This has also helped in building an empathy with their delegate colleagues, which can lead to a greater understanding for implementation of the agreed decisions.

It was always planned to hold regular meetings in Baku for all transport modes depending on the progress made and funding available. Originally, four workshops were considered necessary for each mode, but in practice it was found that the rail and maritime delegates reached consensus on the issues upon which they were expected after three workshops.

The third workshop led to a fourth meeting to discuss the formation of the Council of Heads of Railways Administrations, Ports and Shipping companies held in Baku in July 2003. This proposal was ratified in Yerevan in October 2003 that has led to the preparation of an Action Plan that includes the pilot scheme for TTT rail tariffs. A final meeting for implementation of the TTT pilot study was held at the end of the extension period of the project in March 2004.

For road transport, TTTWG members from 11 of the 13 countries have agreed to a unified policy for road transit fees and a strategy for implementing this policy. Armenia and Turkmenistan did not attend the workshop, but were sent the protocols. The policy requires major reductions in transit fees imposed on road hauliers which would significantly lower transport costs along TRACECA routes. Some countries have already made cuts in transit fees. Although the cuts made so far probably reflect the interest of particular countries in encouraging transit traffic rather than the direct influence of the project, the project can be expected to help make further cuts in the next year or so.

It is to be noted that from the outset, that protocols were deemed to be the best way of manifesting progress in the UPTFT project – and duly eight such protocols have been formulated and signed – namely four for railways ports and shipping, three for roads and one establishing the Council for the Heads of Railways Ports and Shipping. The UPTFT led in the preparation of all protocols.

4.1. Rail

The TRACECA regional rail operating companies have long been seeking a simple transit rail tariff structure for freight traffic and a contemporary costing methodology. Thus the ToR required a review of the current MTT (International Transit Tariff), recommendations for change and proposals for a new costing methodology. It has to be stated that the ToR expected considerable difficulties and even non-cooperation based on the 1996 study experience of Systra. This proved not to be the case for UPTFT and the progress that was made was beyond all expectations.

The TACIS TRACECA UPTFT project has met the requirements of the ToR and more vitally those of the TRACECA members by providing tariff system, called TRACECA Transit Tariff (TTT). This has been accepted in principle by 12 TRACECA countries. A pilot scheme to implement the TTT has been agreed by 6 members.

The TTT prime pricing unit is the wagon, so it does away with the current MTT commodity based structure. TTT is four-part structure, contemporaneously separating operations from those of infrastructure and also including charges for terminal services – such collection and delivery and port access – and a handling charge or commission.

The TTT is based on normative long run variable costs. Normative costs are used as it was necessary to obtain consensus on costs between 12 regional railways and more importantly historic costs are not particularly useful for establishing a future tariff structure. Long run recommended because the costs of asset replacement require to be included, if railways are to be sustained. However, in order to appreciate genuine cost differences due to the technical configuration of each railway, rather than fiscal or efficiency variations, national coefficients were derived for each country.

The costing approach enabled a clear and fair identification of the difference in costs between railways so has the potential of enabling transparent allocation of shared revenue for work done between neighbouring railways within a transit movement. Furthermore, because it is internally rationale, TTT provides a clear way forward to become the foundation for future market driven and cost based incentive rail freight pricing.

TTT has been designed to reflect the unique geographical characteristics of each country and multi-modal operating requirements of TRACECA and has been devised and developed with the full participation of rail delegates to a series of workshops held in Baku, Azerbaijan. These meetings have been augmented by further in-country meetings.

An essential feature of any tariff system is the enabling regulation that binds the participating railways to its terms and conditions and permits periodic changes to be made. UPTFT has considered this matter in some detail and has proposed the creation of TTT Agency or Authority. The TTTA is set up to be entirely self financing although it may be advantageous for the EU to provide technical assistance to establish appropriate tools and procedures that will be used by the TTTA.

The foregoing important matters have been included in the agenda for the Council of Heads of Railways Ports and Shipping that the IGC endorsed in Yerevan in October. Additional items in the CHR action plan relate to other issues and TRACECA programmes and include wagon demurrage settlement, legal harmonisation, border crossing procedural changes, multimodal transport facilitation, investment planning and training.

The CHR provides TRACECA with the possibility of transport operators, rather than government officials, solving multimodal problems that are of common interest. In this context it is to be noted that ports shipping lines and increasingly railways will be independent commercial entities in the future. The Yerevan agreement and CHR action plan are attached to this report which UPTFT project assisted the TRACECA PS to produce.

Due to support, not anticipated in the ToR, the UPTFT railway component moved forward to implementation to try, as far as possible, induce more sustainable actions. Outputs, for example, have been presented as technical notes and handbooks that could be issued by a future Tariff Authority and applied by TTT users.

Six technical notes have been produced and are listed and described below:

Technical Note 1. Price Setting Handbook. Edition 1.

Traceca transport operators require to agree a common approach to pricing the transport services that they provide. Tec Note 1 provides information and instruction with respect to pricing within the TTT such as discounting, attracting marginal or new traffic, diverting traffic from other routes, information needs and surveys.

Technical Note 2. Best Practice for Trader Access to Railways. Edition 1.

Of the many barriers to railway traffic, price is but one. Following a detailed survey of users/traders, recommendations for improving the relationship between customer and railway operator are suggested in Tec Note 2. Some of the recommendations, such as more simplified and harmonised tariffs and a common set of conditions of carriage are subject to ongoing TRACECA projects, but others require better trained personnel, procedures and tools.

Technical Note 3. Strengthening Railway Marketing. Edition 1

Though faced with very stiff competition by road transport, railways have yet to wake up to the need for pro-active marketing instead of passively relying upon old relationships. Tec Note 3 makes some critical recommendations that will raise the profile of railway transport and generate more traffic.

Technical Note 4. Estimation & Use of Price Elasticities of Demand. Edition 1

An essential component of marketing is obtaining and anglicising price and demand data for different types of traffic. Oil is inelastic, lower value cargos more price sensitive, bulk cargo is captive and container traffic more sensitive to time than price. Tec Note No. 4 besides proposing a range of values for price elasticity of demand, it more importantly provides derivation methodology and worked examples.

Technical Note 5. Freight Forwarder Attitude Survey

Railways, indeed transport services in general have little experience in market research or user surveys. Tec Note No5 provides the results of the survey so that that there is the possibility of this or a similar exercises being carried out in the region.

Technical Note 6. TTT Draft Regulatory Document

Essential to implantation of the TTT is a regulatory document that sets out definitions, requirements, obligations, procedures, terms and conditions and modalities for change. Tec Note 6 provides a draft of such a document that could form the basis of an agreement that will replace the MTT for Traceca Traffic. It includes tariff rates, information on the normative basis, distances and the functions of the regulatory body.

At the close of the study, there is wide support to pilot the TTT; at a final workshop held in March 2004 agreement was reached to set up the programme, monitoring parameters and organisation.

Despite the local support , TTT requires ongoing EU resourcing to ensure that it succeeds, has the right tools, such as normative costing model to update the tariffs and an impartially written and promoted tariff agreement. The TTT Authority would also benefit from support.

4.2. International Road Transport

The project has produced a unified policy for road transit fees that is supported by experts and road hauliers from almost all TRACECA countries. It has also produced a strategy for implementing this strategy, also supported by the experts and road hauliers, based on equitable¹ levels for the imposition of legitimate road transit fees.

¹ It was recognised and accepted early on in the project that “equitable” meant relating fees charged to road users to the costs that they incurred. It did not imply that fees in all countries should be the same.

The project work was carried out in two stages:

- initial work in reviewing past work and establishing an inventory of road transport fees and permits, to provide a firm basis for identification of main issues and sound analysis, and
- rational analysis of issues to define a unified policy and implementation strategy, consistent with the MLA, which related transit fees to costs in each country.

Throughout the project the work was carried out cooperatively with representatives from all TRACECA countries. During the first stage, while two detailed questionnaires were being issued to each country, the consultants visited government representatives and road users in each country to discuss policy priorities, to ensure a good understanding of present problems, and to help interpretation of the collected information.

During the second stage, the consultants worked closely with the TFTWG for roads, which consisted of at least two members from each country – one from the road haulage industry, the other from government (generally a technical expert in transit fee policy). The consultants prepared the following working papers which presented analyses of the important issues:

- (I) Priority Issues Concerning Road Transit Fees, October 2002
- (II) Road Transit Fee Policy Options, October 2002
- (III) Road Transit Fee Policy Proposals, May 2003 (Draft. Final Paper, October 2003)
- (IV) Proposals for Road Vehicle Excess Size and Weight Charges, August 2003
- (V) Unified Policy on Road Transit Fees, August 2003 (Draft. Final Paper, October 2003)

In most cases the papers presented policy options (provided these were consistent with the MLA and could be justified in terms of the goals and objectives of the unified policy) which were debated by the TFTWG members in a series of three international meetings in Baku. The agreements of the TFTWG members, described in the three protocols, provided the basis of the unified policy and implementation strategy.

The close cooperation between consultant and TFTWG members ensured that the analysis was soundly based, and that the recommendations were practical and met both the goals and objectives of the unified policy and the legitimate concerns of member countries. The success of this approach is self evident from the fact that the unified policy and implementation strategy received unanimous support from all TFTWG members.

The agreed unified policy and implementation strategy are described in Working Papers (V) and (III) respectively. The unified policy defines:

- goals and objectives of policy, in terms of cost-relatedness, levying at point-of-use, non-discrimination and transparency (the pillars of EU policy in this area),
- the basis for calculating fees in terms of costs incurred by different types of road users in each country,
- the short-term priorities for implementing this policy in general terms such as the type of fees to be abolished or simplified and the upper limit for justifiable fees.

The agreed implementation strategy goes into more detail and defines for each country, the specific actions that are required to implement the policy, especially in the short-term.

In the third and final TFTWG meeting a number of important resolutions were made concerning the next steps required to implement the unified policy after the project has ended. These covered:

- the TRACECA Permanent Secretariat incorporating the unified policy in a new draft MLA (especially in a new Road Annex) to be approved in the 4th IGC TRACECA annual meeting;
- the TFTWG members, in cooperation with the TRACECA National Secretaries and the national working groups, submit the unified policy and implementation strategy documents to their respective National Commissions, in order to implement the unified policy at national level (the first step being for each government to prepare by mid 2004 its plan for implementing the policy recommendations);
- the provision of further technical assistance to support TRACECA and TFTWG members in implementing the unified policy at national level (possibly through establishing a council for roads similar to that being established for railways) and to tackle related problems concerning lack of unified policies in (a) road vehicle size and weight limits, (b) unified vehicle insurance policies, (c) supply of information to road users, (d) road transport permits, (e) driver visas, and (f) customs convoy charges.

4.3. Ports and Shipping

Detailed discussions with port operators and shipping companies have been held in all maritime countries and with delegates attending three international working group meetings in Baku during 1992 and 1993. Revenue and expenditure accounts were obtained from most of the Traceca countries, and the relationships between cost and tariffs were established.

The main findings included the conclusions that:

- There is surplus capacity in TRACECA ports
- Fixed costs are high and variable/marginal costs are low
- On some routes little Traceca transit traffic is carried at present, ex. ferry service to Georgia-Ukraine.
- The last three factors should allow tariffs for transit cargoes to be reduced towards the level of marginal costs without reducing profitability.
- The current strong financial position at most ports indicates that they would be able to experiment now with some preferential (or discounted) tariffs to encourage traffic
- That the future financial prospects for these ports may not be so good unless action is taken now
- Now is an ideal time to build up additional transit business by substantially reducing tariffs, while retaining a modest profit margin.

Protocols have been signed to reflect decisions reached and there is clear understanding of the need to offer incentive prices to attract additional freight business on the TRACECA route and pricing policies have been adopted towards this requirement.

5. DISCUSSION ON OUTPUT RESULTS

5.1. Relevance

Are the results from the project relevant to the current and future requirements of TRACECA? With Iran, Afghanistan and most recently Pakistan (In March 2004) wishing to join TRACECA, clearly very serious questions have to be answered regarding TRACECA objectives, functionality of operations and resourcing.

Firstly TRACECA requires to broaden its remit from the promotion of a transport corridor to generally that of trade, security, international relations and concomitant transport and communications. With the participation of Turkey, with its considerable economic and social relations with Central Asian Countries – possibly more than the EU - TRACECA should have already revised its position regarding the promotion of a single corridor. Its transport mandate would be better served by considering the road, rail and shipping networks that correspond to the needs of developing international trade in general, not only that with the European Union. Certainly, with the possible admission of three new countries, the idea of ‘one corridor’ has to be replaced. EU interests in the Central Asia and the Caucasus must be more in ensuring their economic and social stability and independence, than in the fostering of a single transport route.

The organisational functionality of TRACECA has also to become more professional, efficient and effective in delivering to its members what is necessary to realise its objectives. It is necessary to review its mandate - the Basic Multilateral Agreement - in the context of its broadening membership and determine the organisation and resources needed to obtain the results expected. Moreover, the resourcing of the Permanent Secretariat is substantially below what is necessary to facilitate implementation of the MLA, as a result, the inconsistency between aspirations and reality are considerable.

Certainly, it appears expedient for the EU to maintain significant political interest in the development of the region for the foreseeable future. Its sphere of influence is highly regarded. Through highlighting diplomatic relations, continuing assistance to improve legal and institutional frameworks, leveraging foreign direct investment through participation in the conceptualisation and planning of projects and the provision of funding, the mutual interests of the European Union and those of participating countries of TRACECA would be well served.

UPTFT fits into the category of improving institutional frameworks and in the reduction of non-physical barriers to trade. The break up of the Soviet Union left in its wake a confusion of agreements that are of less relevance today than they were at their instigation. The MTT is one such agreement that required updating. International road transport on the other hand has suffered through lack of harmonisation as has maritime transport. For Turkey, Afghanistan, Iran and Pakistan, solving problems of transit fees and tariffs remain highly relevant to facilitating trade.

5.2. Council of Heads of Railways Ports and Shipping

One of the first tasks in the Terms of Reference was to establish a Council of Heads of Railways -CHR. It was understandable that if such a forum was established early in the project, its work could be supported; but it would not have an agenda – that was subject in

part to the work of UPTFT and other activities. Postponement of the CHR from month 2 to month 18 was recommended in the Inception report -and duly accepted.

The establishment of the Council Heads of Railways (extended at the Baku meeting in July 2003 to include Ports and Shipping) theoretically meant that the rail outputs of this and other relevant outputs from sister projects (Legal, Border Harmonisation and Training) could be discussed in a forum without external pressure. It is important to remember that The Council (consisting as it does of transport operators for all modes) has a different to prospectus to those of the government officials that make up the IGC, thus has the potential to solve many of the practical problems needed to raise traffic levels and develop the system for the future.

Its agenda was developed as a part of UPTFT included wagon demurrage, commercial strategy and tariffs, technical harmonisation, Intermodal development, investment, legal/regulatory matters such as common conditions of carriage and human resource and development. Yet, having endorsed the CHR at the IGC Yerevan in October 2003. The subsequent support and resources by its sponsors are required for the CHR.

5.3. Establishment of Working Groups for Railways Ports Shipping and Roads

Establishment of the TFTWG s provided the opportunity for a programme of international meetings where actions could be effectively endorsed and recorded in protocols. The protocols derived from 7 meetings (5 rail, ports and shipping – including the CHR and 2 road) should be considered as major outputs from the study. These should have significance as Basic Multilateral Agreement provides for the establishment of working groups with the express intention of being prerequisite to the process of reform and development. Therefore, deliberations of those working groups should prove absolutely essential for the TRACECA Secretariat to further its business, and yet the following issues remain:

- Who should take ownership and responsibility for these international agreements?
- How will they be progressed?
- Why are there no procedures to process working group protocols – i.e. depositing them in all Member Countries as well as the TRACECA Secretariat?
- What are the resources available to support implementation?
- When will the working groups meet after the contracts that established them has ended?
- Where are the experts vital for coordination?
- And why is it necessary to ask these questions after the TRACECA programme has celebrated 10 years of operation?

5.4. New Railway Tariff Methodology

From hesitant beginnings a new tariff methodology has been successfully developed in UPTFT for railways of 12 countries that will replace the 50 year old communist inspired MTT.

Agreement in principle to the TRACECA Transit Tariff Policy (TTT) has meant that the majority of the TRACECA countries recognise that there is a practical solution to the problem of harmonisation of rail tariffs within a unified structure that is fair to all participants. It is also to be noted that the rail tariff policy is also of national as well as regional interest.

The four part tariff policy provides, not only a contemporary solution that anticipates railways restructuring, but provides a rational and transparent framework within which a common marketing strategy can be implemented.

Moreover, traders, customers and users are expected to prefer its more simplified structure, eliminating, as it does, reference to load and commodity, relying for its pricing on the unit of conveyance rather than the item to be conveyed. Such is the principle for road trucking and shipping that has increasing acceptance with freight railways.

The results have yet to materialise, but steps towards their realisation are being taken with the establishment of a TTT pilot programme and the TTT Pilot Working Group under the chairmanship of Georgian Railways.

The railway component succeeded partly because of the groundwork done by the consulting team but more because railways have a long history in international collaboration, such as the IUC and the OEZD that enabled experts to meet professionally and convivially. Also, it must be acknowledged, that the timing was more conducive to receptiveness than was the case in 1996 for a similar exercise.

It must be understood however, that for TTT to become a reality, it has to be supported. Firstly, the pilot studies agreed to; require part time technical coordination for about 18 months. Secondly, in parallel with the TTT pilot study, TTT regulatory documents must be produced to replace that of the MTT and finally a TTT Agency is needed for the administration of the regulation – as in the case of MTT with OEZD. Indeed the 6 technical notes outlined below and appended to this report presume existence of the TTTA in the future:

A **Price setting Handbook** to be used to apply the TTT and fix through tariffs including maritime.

A **Freight Forwarder Attitude Survey** that clarifies the current situation providing justification to the requirement to simplify and harmonise existing pricing practises.

A **Code of Best Practice** to improve access by customer to railways provides a framework for inclusion into the agreements reached during the pilot TTT stage and general regulatory codes and procedures.

A guide to estimate the **price elasticity of demand** for railway freight services could be used as a part of a marketing strategy of TTT participants. Recommendations to strengthen **railways marketing** function are included in another technical note.

Ultimately TTT is intended to be a multimodal tariff structure, combining at least rail with maritime, which for the corridor should be a mandatory requirement. The **TTT Regulatory document in Technical Note 6** assumes railway and maritime participation and should provide a good basis for its further development.

It is to be noted that the Euro was chosen as the currency of account for the participating railways. Common accounts and payment procedures are also needed, as are common conditions of carriage. The next programme of EU support to TRACECA must ensure that these components are in place and operational.

5.5. Road Transit Fees

Agreement on a unified policy and implementation strategy for road transit means that the unified policy can now be enshrined in the MLA and, through the national TFWG, the recommendations can be discussed and implemented in accordance with national transport and taxation policies, to lower transport costs.

The other important point was that the delegates have requested the Consultant to prepare proposals for the road vehicle excess size and weight charges, as a matter of priority for the countries. Following this request there has been a special Working Group meeting organised, where various possibilities were debated. It has resulted on the agreed way forward that is presented in the Protocol of October 2003, with requests from the delegates to extend EC assistance to implementation of the proposals and resolutions. It is recommended to take these issues forward in the next Traceca projects.

5.6. Maritime Pricing

There has been reached an agreement in principle for the ports and shipping companies to provide incentive pricing policies to attract Traceca transit traffic, within local constraints due to government regulation of pricing that can prevent truly flexible policies in some cases. Although the potential for discounting of tariffs to attract traffic has been demonstrated, the port and shipping line tariffs account for a minority of the total through transport costs, with rail dominating. The implementation of the promotional tariffs will therefore require an organisation taking "ownership" of the through, intermodal transport tariffs. It is unlikely that this will be the ports and shipping lines.

6. CONCLUSION

The TRACECA UPTFT project together with the Border Crossing Harmonisation Project, Legal Project and Training project remain relevant to the issues facing TRACECA partners. Indeed it is a matter of great importance that all issues are satisfactorily resolved. The TRACECA programme also provides a very vital indirect benefit in terms of providing competition to alternative routes through Russia and stimulating lower transport costs.

UPTFT was able to overcome the obstacles to progress envisaged in the design and move forward by using analysis of technical issues to produce agreed solutions of practical significance. Holding centralised TFTWG meetings and brokering international consensus through protocols proved essential for efficient delivery of outputs.

Based on the evidence of these protocols, the recommendations and proposals should be extremely effective in raising trade and traffic levels on TRACECA routes, thereby achieving the objective of the project.

However it is a matter of gravest concern, whether there is sufficient interest and resources to sustain momentum and deliver the expected results.

7. LESSONS LEARNT

7.1. General

The project was complex in its conception, which led to design difficulties that at the outset were only partially addressed as there were many imponderables, too many perceived risks and insufficient dialogue with beneficiaries at the right level and with the right authority to bring about change and the introduction of new ideas. Indeed at commencement, operating organisations and ministries were not even aware of the project and letters had to be sent explaining its aims and objectives, enclosing copies of the ToR.

The project was also one of four interrelated exercises with huge scope for synergy, yet interaction was left until late in the project life despite overtures being made by UPTFT project to the others. This resulted in chance meetings and informal contact. Liaison should have been built into the programming, making it obligatory for the Secretariat to formalise the process at an earlier stage. It is possible this was attempted but was not effective.

Whilst the objective of the project remained highly relevant the output was seen to be too academic by the recipients. Although analysis showed that pricing reforms should attract traffic, some transport agencies in the Traceca countries, particularly maritime, proved resistant to speedy adoption of reforms. In reality the academic content that was vital to start the deliberations with recipients, took longer than had been anticipated due in part to the delay in receiving feedback on key questions asked. It was expected that the data gathering and academic issues could have been resolved within 1 year leaving the remaining time to elaboration of the methodologies and recommendations.

The ToR were specific in that no attempt was built into the design for implementation as it was anticipated that this would be a far longer task than was to be budgeted. However, for reform to be effective, sustained effort is required that should be reflected in programming. A common feature of many TACIS projects is to underestimate the importance of supporting implementation in order to achieve sustainable results. A future variant may be for a two phased contract, the first analysis and development and the second implementation, provided the first phase is successful.

The ToR also did not really require the preparation of concrete outputs, specifying reports rather than handbooks, procedural notes and guidelines that could be taken forward for application by the project participants. It is vital that future Tacis projects are more concrete, providing tools and procedures that will enable the participants to take recommendations forward. Tacis project designs in many cases in the past, have not had built in or planned follow-up activities to maximise the sustainability of outputs and, thus, value of the Technical Assistance.

Protocol recommendations calling for further support highlight the real danger of the potential benefits of the project not being realised due to lack of support for implementation.

The use of central work groups proved far more effective to the project than the more resource consuming national meetings proposed in the ToR. Considerable resources, time and money would have had to be allocated to hold 4 workshops in each of 12 countries for each mode - a total of 144 workshops over 24 months.

Clearly that was neither feasible in terms of time nor affordable, more importantly it was not useful for the development of common methodologies or appropriate to foster harmonisation. Indeed such devolution could be counterproductive to achieving international consensus.

The use of protocols that are signed by project participants proved an invaluable tool in reaching consensus and moving forward and should be mandatory for similar Tacis projects.

7.2. Logistics

Given the expansion and large geographical coverage of TRACECA, logistics is becoming an ever-increasing problem. Naturally member states wish to see the Consultant's personnel active in their country on a regular basis. However, this is becoming increasingly difficult with personnel having to undertake arduous schedules by reducing time within an individual country in order to provide some input to the next.

Clearly there is no easy solution to this problem, which is almost unique to TRACECA due to its 13 country geographical coverage. It is considered that recipients will have to accept more phasing of work programmes, which will result in some countries being addressed later than others. In part UPTFT project overcame some of this problem by organising and paying all costs for delegates to come to workshops in Baku.

This decision proved to be popular with most countries as this enabled them to meet their counterparts in both formal and informal meetings, all at the same time. It also enabled many staff members and IGC General Secretary to participate fully in all the working sessions providing them with insight into the subject and in the running of interactive workshops (with full delegate participation) of a type that were not previously familiar to them. This was particularly successful in the road workshops.

Visas for project personnel to visit all TRACECA countries are in theory available at no cost from Baku but this was not always possible to achieve in a timely manner, if at all. This has resulted in unplanned cost for the consultant to obtain some visas within the planned time schedule of visits.

This issue has sometimes been compounded by a lack of willingness to organise meetings by some TRACECA countries at short notice (in some cases even with long notice) to discuss issues of importance to them. In some cases flexibility in such organisational requirements has become worse in the last few years but in the majority of cases TRACECA countries participate fully to assist the consultant to do the work required.

Although it is recognised that there are considerable time zone differences from one end of the TRACECA region to the other, there are the other considerations of known and suddenly announced public holidays and limited flights and/or suitable connections that create additional planning problems.

This is particularly apparent when trying to combine two or three countries together to improve efficiency, only to be faced with incompatible holidays or national days.

As TRACECA adds further countries (Iran and Afghanistan have now asked to join the MLA), this planning issue of trying to combining visits will become more severe. There is no solution to this problem but more time for each country will need to be planned at the

proposal stage, as indicated above, and delays in implementation in some countries should be anticipated.

For the UPTFT project to be a success it was necessary to obtain as much detail as possible from the transport service providers. In order to be able to analyse the current situation in detail it was necessary to obtain realistic financial data from as many sources as possible. This has proved to be as difficult as expected, as much of the detail needed by the UPTFT project is considered by the service providers to be commercially sensitive. In some cases this has resulted in the consultant having to make assumptions based on wide experience of operations in other countries with similar operating conditions.

As with most economic activity in the region there are often hidden issues that take time for the consultant to identify, as they are not immediately apparent. Issues have been identified such as:

- Rates being agreed for services provided but no payment made for them (sometimes between two government run service providers in the same country, or
- Outstanding debt from an associated activity in a neighbouring country that creates muddled accounting and a demand for credit transfer.

Although these issues are outside the remit of the consultant they can lead to a lack of clarity in decision making within a country and can affect more than one transport mode, causing general confusion. This is given as just an example of some of the many non-tariff issues that can result in delays to the movement of freight on the TRACECA route.

7.3. In-country visits by project personnel

After the initial data gathering visits there were workshops established to discuss issues raised. Later in the project these workshops were augmented by country visits to most countries by the Project Manager and the IGC General Secretary and Executive Secretary. These visits should have started earlier as they helped to complete the data gathering process and resolved any minor misunderstandings that had occurred. Face to face meetings at an early stage are essential to get commitment from key decision makers.

The timing of visits to Armenia proved difficult to coordinate but were achieved rather late in the project timeframe and Turkmenistan tightened their visa and visiting policy during the second half of the project.

7.4. Workshop location

The most appropriate location for workshops is the HQ of IGC Baku Secretariat with its two conference rooms, experienced, local project interpreters and secretarial services from the project offices. To this location a total of 78 people from 13 countries were invited to attend. Air travel between all TRACECA countries and Baku is reasonably frequent. Hotels are available for a reasonable price and catering for formal dinners and casual lunches is easy to obtain at reasonable cost. Unfortunately for Armenia and Turkmenistan, Baku is not particularly convenient for a number of reasons.

Alternative venues were considered including Ashgabat, Tbilisi, Istanbul and Kiev as well as Tashkent and Almaty but the extra cost involved in locating IGC personnel and delegates was not found to be justifiable.

7.5. Workshop management and training

Dividing delegates by function and by country and then providing them with a series of questions to answer gave them the chance to debate issues in small groups and report back to their colleagues, the meeting chairman (IGC General Secretary) and the consultant. It gave IGC staff the opportunity to act as facilitators during the delegates discussions, therefore involving them in the decisions. It also gave the delegates a chance to request clarification of technical matters, and enabled the consultants to develop their analytical work in accordance with the needs of the delegates.

Although the delegates were initially apprehensive at this workshop style they came to appreciate that it provided them with a real feeling of personal involvement with the outcome of each meeting and this approach became easier to follow at subsequent workshops.

7.6. Fast-track solutions

During the project, work was done to establish a special discounted rail rate for humanitarian aid for Afghanistan. Later the rate was checked against the proposed rail TTT tariff and found to be above minimum rate (SRVC). This confirmed fact, established by month 15, was then proposed to rail delegates as a short cut (fast-track) to introducing a more competitive rate for the whole of TRACECA. A draft memorandum was circulated within the notes for the workshop in month 15 but the proposals, whilst being well received, have not been adopted.

The lesson learned is that any proposal from the consultant needs a champion from TRACECA countries to make a recommendation for adoption of any proposal and to get delegates to make such a suggestion to their colleagues in other countries during a workshop, is not easy to achieve. This task was made easier in the roads TFTWG meetings in having representatives from the road users arguing the case for reform – often supported by government representatives from countries keen for reform, either to increase access to European and other markets or to encourage transit traffic on their particular networks.

7.7. Timescale

The rail companies identified early in the project that they needed a simple rail tariff for freight traffic and one that is equitable between railway operating companies. With moves towards partial privatisation within some rail companies the separation of track and signalling costs from operations and marketing becomes imperative and the TRACECA TTT proposals meet these requirements. It took time for the consultant to collect the necessary data and produce results that convinced the participants of the merit of the consultant proposals.

By month 15 it was agreed in principle to accept TRACECA TTT for rail freight and by month 18 proposals were made by delegates to establish a Council of Heads of Railway (CHR) administrations, Ports and Shipping companies to progress the establishment of a pilot

scheme. The ToR had suggested that the CHR should be established as soon as possible, but it was not seen to be practicable and may have failed if introduced before the primary work had been completed.

This was proposed for consideration for endorsement at the IGC conference in Yerevan in month 21 of the project and approved by month 22.

In month 19 of the project, there were received letters from a number of countries, seeking support for the project extension that would establish a pilot scheme for TRACECA TTT rail tariff. By month 22 positive replies were received from Azerbaijan, Georgia, Moldova, Bulgaria, Romania and Turkey with additional expressions of interest from Ukraine, Turkmenistan, Iran and Afghanistan.

The delegates of the Road Working Groups provided data on existing policies but it took until month 10 to clarify enough data to enable the consultant to be in a position to analyse the information and start to draw conclusions and make recommendations for the first workshop in month 12. This confirms the lessons from previous projects that even with many country visits information is not easily obtainable and it takes time to achieve a consensus view and to move towards recommendations and implementation.

This could lead to the conclusion that the issue of implementation is always within the remit of the recipients in that the faster they respond the more the consultant can achieve. Thus the awareness by the recipient of the limited Consultant's time is important.

The concept of this proactive partnership has not yet been fully developed within TRACECA but remains a possibility in future.

8. SUSTAINABILITY

With increased security concerns and the need for developing relations between Europe and Central Asia, the future of TRACECA should be assured. Though its sphere including Iran and Afghanistan is far larger than the enlarged European Union, the Traceca Permanent Secretariat does not have sufficient capacity to implement the study outcomes. The Secretariat is fully under resourced and, at the time of writing, its future appears to be in doubt.

The proposed rail tariff structure – TTT - requires a pilot study prior to adoption and, if successful, an oversight Authority properly resourced with appropriate tools and procedures. In the absence of external support, the TFTWG Rail requires to regularly meet under a local chair supported by the PS TRACECA.

Actions to ensure the sustainability of the TTT pilot studies were taken in the workshop 10th and 11th March 2004 where the composition, chairmanship and coordination of pilot study was agreed and participants also agreed to cover their own costs.

The establishment of the TTTA should be a subject to a new project to provide technical assistance to set up the organisation and procedures of the new tariff agency. Implementing the unified policy for road transit fees requires action by the Permanent Secretariat in drafting the revised MLA and monitoring implementation at national level.

However, it cannot perform these functions without continued support. Implementing the unified policy at national level through the Trade Facilitation Workshops now managed by each National Secretary, requires a considerable amount of further discussion at national level, involving a wide range of stakeholders and eventually tax and legal changes. This is a major challenge to the TFTWG members who understandably feel unable to implement the agreed policy without further support. The proposed roads council would provide a forum for continued exchange of views and experience in implementing transit fee policy.

The participation and cooperation of ports contrasts to that of shipping lines reflecting their monopolistic position and entrenched attitudes to integration and harmonisation. Unlike most multimodal transport where shipping lines are the dominant force, rail in TRACECA accounts for most if the operational effort and tariff. A forum like that CHR is necessary to bring together maritime and land transport interests, and it is important to implement it on an annual basis.

There is much good will within the recipient countries to resolve their problems and identify their causes but having done that there remains a reluctance to implement the changes necessary. This can be partly put down to a natural resistance to change, experienced anywhere, including the EU. This may be due to the social implications this could bring and the political imperative to leave things as they are.

But almost all the reasons why change is resisted are well known so that measures to facilitate assimilation of new ideas and following through with support for implementation require to be given careful consideration in the preparation of projects. Perhaps projects require to be phased, leaving commencement of the final and possibly most important implementation phase subject to endorsement of the recommendations.

Notwithstanding the modalities of project preparation, implementation takes time and patience and is far less likely to be achieved in the short term especially if it is to proceed without sufficient support by the EU.

APPENDICIES

FORM 3.3 OUTPUT PERFORMANCE SUMMARY

Project Title: Unified Policy on Transit Fees and Tariffs	Project No.: 01-0181	Country: Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan	Page: 1 of 1
Prepared on: March 2004		EC Consultant: Scott Wilson / Tebodin / Corporate Solutions	
Output Results	Deviation original plan. + or - %	Comment on constraints and assumptions / Reasons for deviation	
Task			
1 Working Groups (TFWG) - Sub-Tasks 1.1 - 1.5	No Deviation	Additional Working Group meeting aimed at development of TTT pilot project, during granted time extension.	
2 Review of Previous Work	No Deviation		
3 Unified Policy on Road Transit Fees - Sub-Tasks 3.1 - 3.5	No Deviation	Additional working paper has been developed on request of Delegated covering vehicle excess size and weight charges.	
4 Unified Policy for Rail Transit Tariffs - Sub-Tasks 4.1 - 4.6	No Deviation	Additionally, the following documents have been produced: TTT Draft Regulatory document, TTT Tariff Pilot Scheme, Proposals for CHRPS.	
5 Analysis and Recommendations of Shipping Port Tariffs - Sub-Tasks 5.1 - 5.3	No Deviation		
6 User Guide - Sub-Task 6.1	15%	New EU Visibility Guidelines, which resulted in re-design of the website graphics.	
7 Reports - Sub-Tasks 7.1 - 7.3	No Deviation	3-months Project extension until March 2004; last TFWG meeting held on 10-12 March 2004; Third Progress Report has been combined with Completion Report, with agreement of Task Manager.	

FORM 3.2 PROJECT COMPLETION REPORT

Project Title: TRACECA Unified Policy on Transit Fees and Tariffs		Contract number: 01-0181		Country: Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan		Page: 1 of 1	
Reporting Period: 12/2001 - 03/2004		Prepared in: March 2004		EC Contractor: Scott Wilson / Tebodin / Corporate Solutions			
REPORTING PERIOD	MAIN ACTIVITIES UNDERTAKEN	EC CONSULTANT	INPUTS UTILISED				
			MATERIALS AND EQUIPMENT	OTHER			
12/2001 - 04/2002	<p>INCEPTION PHASE</p> <p>Evaluation of ToR Evaluation of current status Kick-off meetings Review of previous work Submission of Inception Report Inception Report approved</p>		<p>Copier machine NP6317 Laser printer HP2200DTN Conference rooms Telecommunication equipment Previous Project Reports</p>				
05/2002 - 10/2002	<p>FIRST PROJECT PHASE</p> <p>Continuation of review of previous work Study of MTT system Survey of access for Traders to the Rail System Development of freight tariff setting methodology Development of Road User questionnaire Development of Road Policy questionnaire Identification of reasonable road fee levels Collection of cost and tariff data in maritime sector Development of methodology for Trade Facilitation Working Groups TFWG meetings held in Rail, Ports and Shipping, and Road sectors Institutional support to IGC Cooperation with Projects and IFIs Submission of the First Progress Report</p>						
11/2002 - 05/2003	<p>SECOND PROJECT PHASE</p> <p>Finalise the Survey of access for Traders to the Rail System Continue to develop new Rail TRACECA Transit Tariff (TTT) Development of price-setting handbook for the Rail sector Development of Code of Practice for the Rail sector Development demand elasticity document in Rail sector Development demand elasticity document in Rail sector Freight Forwarder Attitude Survey Consolidation of cost and tariff data for Maritime sector Development of Recommendations for Tariff Policy in the Maritime sector Estimation of current economic losses in the Road sector Comparison and development of recommendations on the reform in Road sector Approval of the content of the User Guide Collection of information for the User Guide TFWG meetings held in Rail, Ports and Shipping, and Road sectors Continue institutional support to IGC Submission of the Second Progress Report</p>						
06/2003 - 03/2004	<p>FINAL PROJECT PHASE</p> <p>Approval of TTT methodology Development of TTT Pilot Project TTT Pilot Project Working Group First meeting of Heads of Railway, Ports and Shipping Approval of CHRPS on the Annual IGC Meeting Development of TTT Draft Regulatory Document Development of Proposals for the Through Combined Tariff Finalising the Unified Policy on Road Transit Fees Finalising proposals for vehicle excess size and weight charges Finalising recommendations for Maritime Tariff Policy Launching the web-site with published User Guide TFWG meetings held in Rail, Ports and Shipping, and Road sectors Continue institutional support to IGC Submission of the Completion Report (combined with Third Progress Report)</p>						
Total Approximate M/Ms		62 man months	Exact Man/Days can be found in Table 2.2				

FORM 2.3.: RESOURCE UTILISATION REPORT

Project title : Unified Policy on Transit Fees and Tariffs		Project number: 01-0181	Country: Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan		Page: 1 of 1
Planning period: May 2003 - March 2004		Prepared in: April 2004	EC Consultant: Scott Wilson / Tebodin / Corporate Solutions Ltd		
Project objectives : 1) Achieve more transparent tariffs and transit fees structure. 2) Remove illegal, non-physical barriers to effective international trade and transport services within TRACECA region 3) Reduce transport costs for road carriers 4) Strengthen local capacity for transit fees and tariffs policy development and implementation					
RESOURCES /INPUTS	TOTAL PLANNED	PERIOD PLANNED	PERIOD REALISED	TOTAL REALISED	AVAILABLE FOR REMAINDER
PERSONNEL	Person Days	Person Days	Person Days	Person Days	Person Days
Project UK Management:					
Project Director	14	3	3	14	0
Project Coordinator	118	38	38	118	0
Long term experts:					
Project Manager	421	97	97	421	0
Rail Team Leader	225	37	37	225	0
Road Team Leader	119,5	30,5	30,5	119,5	0
Maritime Team Leader	163	45	45	163	0
Short term experts:					
Maritime Economist	153	45,72	45,72	153	0
Rail Economist	184	50	50	184	0
Road Economist	54	0		54	0
User Guide Specialist	33	27	27	33	0
Training Specialist	4	0	0	4	0
Sub-total Person Days	1488,5	373,22	373,22	1 488,50	0
EQUIPMENT AND MATERIALS					
Office Equipment					
Conference Room					
Telecommunication Equipment					
Reports on previous projects					
OTHER INPUTS					
Sub-total					

Form 2.2. PROJECT COMPLETION REPORT

Project title: Unified Policy on Transit Fees and Tariffs												Country: Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan				Page : 1 of 1					
Planning period : June 2003 - March 2004												EC Consultant: Scott Wilson - UK, Tabodin - Netherlands, Corporate Solutions - UK									
Project objectives: 1) Achieve more transparent tariffs and transit fees structures. 2) Remove illegal, non-physical barriers to effective international trade and transport services within TRACECA region 3) Reduce transport costs for road carriers 4) Strengthen local capacity for transit fees and tariffs policy development and implementation																					
No.	ACTIVITIES IMPLEMENTED											INPUTS									
		JUNE 2003	JULY 2003	AUGUST 2003	SEPTEMBER 2003	OCTOBER 2003	NOVEMBER 2003	DECEMBER 2003	JANUARY 2004	FEBRUARY 2004	MARCH 2004	PERSONNEL EC CONSULTANT		COUNTERPART		EQUIPMENT AND MATERIAL		OTHER			
												Planned	Utilised	Planned	Utilised	Planned	Utilised	Planned	Utilised		
1	WORKING GROUPS (TFTWG)											88	88	45	30	Copier machine NP6317	Copier machine NP6317				
1.1	Rail TFTWG / TTT Pilot																				
1.2	Maritime TFTWG																				
1.3	Road TFTWG																				
1.4	Council of Heads of Railways, Ports and Shipping																				
1.5	IGC Annual Conference																				
2	REVIEW OF PREVIOUS WORK																				
3	UNIFIED POLICY FOR ROAD TRANSIT FEES											45	45	20	20						
3.1	Consolidation of cost / fee data																				
3.2	Identification of reasonable fee levels																				
3.3	Estimation of current economic losses																				
3.4	Comparison and recommendation of the preferred version for reform																				
3.5	Development of proposals for vehicle Excess Size and Weight Charges																				
4	UNIFIED POLICY FOR RAIL TRANSIT TARIFFS											128	128	40	40						
4.1	Study of MTT system																				
4.2	Improvement of access for traders to the rail system																				
4.3	Improvement of freight tariffs setting methodologies																				
4.4	Development of TTT Pilot Project																				
4.5	Development of TTT Regulatory document																				
4.6	Development of proposals for the Through Tariff																				
5	ANALYSIS AND RECOMMENDATIONS OF SHIPPING/PORT TARIFFS											90	90	20	20						
5.1	Consolidation of cost/tariff data																				
5.2	Recommendation for tariff policy																				
5.3	Development of proposals for the Through Tariff																				
6	USER GUIDE											37	37	20	20						
6.1	Liaison and Interchange of Data / Information																				
7	REPORTS											16	16	10	10						
7.1	Inception																				
7.2	Progress																				
7.3	Third Progress Report combined with Completion Report																				
												379	379	168	140						

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