

E1

PROTOCOL
ON 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, June 20, 2002

The plenipotentiary representatives of railway, seaport and shipping companies operating freight services on the TRACECA Transport Corridor together with representatives of the PS IGC TRACECA (list of signatories below) have discussed matters concerning transit traffic tariff policy on 19 - 20 June 2002 in Baku.

The workshop was chaired by the General Secretary, PS, Intergovernmental Commission, TRACECA, Abdurashid Tagirov. This workshop was formed in accordance with Article 2 of the Protocol signed in Baku of 15 February, 2002 and the Decision on Development of Sea Transport signed in Tashkent on 25 April, 2002 (Article 3.2 and 5 of Final Resolution) to support the work of the TRACECA project Unified Policy on Transit Fees and Tariffs.

1. The representatives agreed that:
 - a. the meeting was conducted in a cooperative spirit and a professional manner within the context of the 'Basic Multilateral Agreement', with the objective of coordinating tariff policy amongst TRACECA members;
 - b. the purpose of the workshop was to provide direction to those engaged in activities relating to setting of transit traffic tariffs in general, and to the particular objectives of the meeting agenda (attached);
 - c. Mr Abdurashid Tagirov was appointed Chairman of the workshop.
 - d. the programme for future meetings of the workshop should be as in attached document;
 - e. representatives would continue to participate in the workshop at dates to be advised, but approximately at four monthly intervals.

2. Discussions were held on improving the structure of tariffs for railways, ports and shipping for transit freight traffic in the TRACECA Corridor, and the following was agreed:
 - f. Consideration having been given to a range of possible rail tariff structure options at this meeting, the consultants were then requested to develop in detail one option for further consideration at the next meeting
 - g. The jurisdiction of the proposed rail tariff structure should be clearly set out (including the limits of this jurisdiction in terms of network links, border stations and ports).
 - h. Existing rail tariff agreements should be taken into account and applied wherever possible so as to minimize the change that transport operators and customers face.
 - i. Proposals should be developed for an approach to port dues, cargo handling rates in ports, taking into account private operations in these types of services, to maritime freight that would reflect the costs of sea transportation and cargo handling as well as available surplus capacity and the existing ratio of fixed to variable costs at the present time.
 - j. A range of possible ports and shipping tariff structures would be presented by the Unified Policy on Transit Fees and Tariffs Project experts at the Workshop in October 2002 – both for the short and long term.
 - k. In view of the multi-modal nature of transport movements in the TRACECA Corridor consideration should be given to incorporation of tariffs for railways, ports and shipping tariffs into a single document within the framework of the Basic Multilateral Agreement.
 - l. The new rail tariff structure should be based on transport mode, method of carriage and volume rather than by type of commodity, whilst being sensitive to load, distance, time and level of service.

- m. The new tariff structure for rail transit traffic should (a) be based on the recovery of those costs that are directly associated with such traffic, including amortization of assets deployed to provide services to acceptable standards, and (b) provide sufficient margin for recovery of those costs that do not vary directly with traffic.
- n. The different financial structures of national railways, ports and shipping enterprises in the TRACECA Corridor are appreciated. For this reason the consultants were requested to develop any new tariff structure through the application of unified, normative technical and financial bases relating to the costs associated with providing transit services.
- o. The tariff structure option to be developed by the consultants should permit the identification of charges relating to movement, terminal and other activities provided in an efficient manner by railways.
- p. It is recommended to consider changing the currency from the Swiss Franc to the Euro.
3. In the interest of attracting more transit traffic to the TRACECA corridor, it was agreed that new tariffs methodology with the examples of tariffs should be proposed by the Consultants to the Working Group at the next planned meeting in October 2002, including the following:
- q. Coordinated rates for the movement of containers (TEU/kilometre) by rail.
- r. Appropriate charges for terminal operations.
- s. Appropriate ports and shipping rates.
- t. A total through tariff.
- u. Delegates are expected to be able to make a decision at the planned meeting in October 2002 and will be notified 1 month before the meeting with details of the new tariff strategy.
4. The Workshop appreciates the importance of collecting meaningful data for good commercial practice and for evaluating key management decisions, and to this end will fully support the following:
- v. the provision of data at subsequent meetings of the Workshop as specified by the TRACECA IGC Permanent Secretariat for monitoring the effects of reduced tariffs on commercial traffic as well as humanitarian aid traffic
- w. provision of data to assist in establishing a User Guide to railways, ports, shipping and road services, as specified by the consultants, and to be published on the TRACECA Web Site
- x. provision of data to determine the reaction of freight forwarders and shippers to services provided, using the draft questionnaire presented to the Workshop.
- y. promotion of all activities of the project carried out by the consultants as described in the Inception Report dated April 2002, including supplying information agreed by the Workshop. (A list of information requirements will be discussed at the Workshop).
- z. The Workshop acknowledges that the following reports and other documents were received by them:
- An information pack containing the Workshop agenda, list of delegates including contact details, contact details of consultants
 - The Inception Report
 - Paper reviewing MTT and CIS Tariff Structures
 - Paper setting out possible alternative rail tariff structures
 - A draft outline of the User Guide
 - Draft questionnaire for trader access
5. Next Meeting of the Workshop to be 15 October 2002.

E2

PROTOCOL

On 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

(A) RAIL TARIFFS

The following was agreed by delegates:

- 1) The new rail tariff structure for Traceca transit traffic will be based on normative costs i.e. costs reflecting acceptable technical and financial indicators, acceptable to all TRACECA countries.
- 2) The tariff structure will be based on long run variable costs.
- 3) An allowance will be built in to provide a return on assets of not less than 12% on productive assets to be valued at current replacement costs.
- 4) By December, 30, 2002 the Consultants will make allowances for variations of coefficients from the agreed indicators, i.e. higher tariffs will be applicable to sections of the Traceca network where ruling gradients, train lengths, service standards and other technical and financial indicators exceed those specified.
- 5) The tariff structure will be based on the costs of moving a full wagon (not weight based), i.e. it will vary by type and weight capacity of wagon. The tariff structure will take into accounts the costs of return of empty wagons. The new tariff structure will not apply to less than wagonloads.
- 6) The new tariff structure will consist of four components:
 - (a) Movement tariff (flat rate per kilometre for each wagon type);
 - (b) Terminal tariff (in two sub-parts – per wagon and per wagon-kilometre; and for collection/delivery)
 - (c) Infrastructure user charge per train-kilometre (for access to main track, signalling, communications, power supply)
 - (d) Handling fees and commission per assignment
- 7) In the short run, to build up Traceca transit traffic, discounts should be offered from the new tariff scales down to the levels reflecting normative short run variable costs. These costs will be defined in the working paper. These discounted tariffs will be defined after calculating of tariff rates.

- 8) The tariff currency will be Euro.
- 9) By 15th of December 2002 the Administrations of National Railways are required to respond in written form to the level of wagon costs, infrastructure user charges, terminal charges and commission in the proposals. Failure to do so will be taken by Traceca as acceptance of those cost items.
- 10) Administrations of National Railways will be required to advise the Traceca Secretariat by 30th November of the details that should be taken into account for the estimation of national adjustment factors to then be used as coefficients in the TTT. See Appendix 1 of this Protocol.
- 11) By the 1st of February Administrations of National Railways are to provide comparative analysis for transit traffic on TRACECA corridor by commodities for 2001 – 2002.

(B) PORTS TARIFFS

The following was agreed by delegates:

- 1) Taking advantage of the surplus capacity at Traceca ports, tariffs for transit cargoes on Traceca routes will be discounted to a level based on short run variable costs, plus a reasonable profit. (Short run variable costs are defined in the paper presented at TFTWG2 "Cost Based Analysis for Ports and Shipping: Preliminary Analysis and Recommendations" and were explained at the meeting).
- 2) More specifically, at ports where Traceca transit traffic accounts for less than 20% of total port traffic (i.e. all ports except for Baku):
 - (a) Cargo handling charges for Traceca transit traffic will be discounted by up to 50%.
 - (b) Port dues (tonnage, channel, berth and harbour dues) will be discounted by up to 50% for TRACECA traffic.
 - (c) The discounts referred to in (a) and (b) will apply for the time being. The Consultant and the delegates will develop the final discounts for agreement at TFTWG3 in February 2003. These discounts apply exclusively to new dry cargoes on the TRACECA corridor, excluding oil and oil products and cargoes that are currently under existing contracts.
- 3) The delegates are responsible for providing by end October 2002 the relevant missing information on costs, revenues, tariffs and throughput for each type of service as per the Contractor's request.
- 4) Delegates will monitor carefully the effects on transit traffic of changes in tariffs.
- 5) Taking into account the fact that in some ports private stevedoring organisations are responsible for fixing cargo handling tariffs, it was agreed that the relevant Government authorities would be asked to try to influence these organisations with regard to offering discounts. However, it was acknowledged that the governments cannot exercise control over these tariffs

(C) SHIPPING TARIFFS

The following was agreed by delegates:

- 1) Caspian Shipping Company will introduce promotional tariffs for new dry Traceca transit ferry cargoes to take advantage of (a) the ferries' surplus capacity; and (b) the low short run variable cost of carrying additional cargoes.
- 2) The delegates are responsible for providing by end October 2002 the relevant missing information on costs, revenues, tariffs and throughput for each type of service as per the Contractor's request.
- 3) Delegates will monitor carefully the effects on transit traffic of changes in tariffs.
- 4) UkrFerries submitted information on existing special rates for carrying TRACECA transit cargoes.

(D) INTERMODAL (THROUGH) TARIFFS

The delegates agreed the following:

The transit tariffs for rail, sea freight and ports will be combined in intermodal (through) tariffs. The Consultant will develop a schedule of these tariffs for distribution to delegates and discussion at TFTWG 3.

(E) IMPLEMENTATION AUDITS

The senior management of the IGC General Secretariat will undertake audits in all TRACECA countries after TFTWG2, to assess what steps are being taken to implement the tariff agreements reached in this, and previous, protocols.

(F) RESPONSIBILITIES OF TRACECA IGC PERMANENT SECRETARIAT

The delegates acknowledge that it may be necessary for relevant government authorities of member countries to confirm acceptance of the items of this protocol. For this purpose the IGC PS will continue their efforts in this direction.

(G) PARTICIPATION OF TURKEY

The Turkish delegates confirmed their interest in full participation in the development of transit rates and tariffs, and their readiness to provide necessary information on Turkish Black Sea ports within the time frame specified in B3.

(H) NEXT MEETING

The next meeting will be on 18 - 20 February 2003.

Attachment 1

Traceca Transit Tariff policy. (TTT)

National Railway Adjustment Factors

1. As TTT applies only on Traceca defined routes it is necessary to derive a specific set of national coefficients that will apply only to TTT.
2. Coefficients are intended to reflect the actual operating conditions of Traceca railway routes.
3. Railways wishing to participate in the TTT are requested to provide information that will be used to estimate TTT coefficients, which will adjust the TTT tariff in each national section of Traceca.
4. The TTT Coefficient (C) will be derived from the following formula

$$C = \sum f_n \times d / D$$

where f_n is an adjustment factor

d is the section distance over which it applies

D is the total length of Traceca in the country

5. The TTT national coefficient will be derived from 4 factors f: Train Length, Route Speed; Gradient; Alignment.
6. Analysis carried out by Traceca consultants in the project Unification of Transit Fees and Tariffs have calibrated each factor as show in the table below.

1. Train Length	factor	2 Technical Speed	factor
1450m 70 wagons	0.85	100 kph	1.45
1250m 60 wagons	1.00	90 kph	1.30
1050m 50 wagons	1.15	80 kph	1.15
850 m 40 wagons	1.36	70 kph	1.00
650m 30 wagons	1.73	60 kph	0.85
		50 kph	0.70
		40 kph	0.60
3. Gradient	factor	4. Alignment	factor
10/1000	1.000	1000 m	1.000
20/1000	1.015	900 m	1.006
30/1000	1.030	800 m	1.012
40/1000	1.045	700 m	1.018
50/1000	1.060	600 m	1.024
		500 m	1.030

Notes to the table:

1. The number wagons cited is based on an average wagon length of 20 metres.
2. The technical speed recorded will be that used in the operating plan or time-table including official speed restrictions.
3. 10/1000 = 10 m rise in 1000m;

**TTT National Coefficients
Presentation of Information**

PROTOCOL

On 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

Signatories:

Name	Position	Signature
Mr. Ragimov A. M.	Azerbaijan: Deputy Head fleet operation Azerbaijan State Caspian Shipping Company	
Mrs. Kasimova R.	Azerbaijan: Deputy Head of financial department Baku International Sea Port	
Mr. Guscynov I. N.	Azerbaijan: Deputy Chief Tariffs and Transport Service	
Mr. Popov P.	Bulgaria: Head expert indirection Freight Transports (BDZ)	
Mr. Stankov A.	Bulgaria: Director of Operation, Varna Port	
Mr. Tsikhelashvili T.	Georgia: Head of Economic Service Georgian Railways	
Mr. Nakashidze R.	Georgia: Financial and Commercial Director, Batumi Port	
Mr. Archaia G.	Georgia: Head of Economic Service, Poti Port	
Mr. Kurtgelia G.	Georgia: Director of berth # 6, Poti port	
Mr. Altayev N. I.	Kazakhstan: Head of the Foreign Policy Department CJSC "National Company Kazakhstan Temir Zholy"	
Mr. Medesan I. F.	Romania: Head of Tariffs, Analyses, Costs CFR-Marfa-National Company of Freight Railway Transport	
Mr. Florea V.	Romania: Economist at CFR Marfa	
Mrs. Marinescu M.	Romania: Chief of the Railways Dept. Constanza Port	
Mrs. Duca L.	Romania: Engineer – Investment Dept. Constanza Port	
Mr. Asoyev A.	Tajikistan: Head technical group railway financial-economic Service	

Reservation of Ilichevsk sea trade port by item 2, Section b) of the Protocol

Owing to the introduction of the new tariff guide for port services in Ukraine since January 2003, Ilichevsk sea port will submit data on the possibility of discounts for port dues and services at the next seminar of the working group in February 2003 provided adequate discounts will be provided by other representatives of the transport corridor.

Acting head of Marketing Department



Rivina T. V.

Chief Economist of Development and Investments Department



Bartoshik N.V.

NOTE

Of representative of CJSC "National Company "Kazakhstan Temir Zholy" referring to the text of Protocol of 17 October 2002 concerning tariff policy on the TPACECA corridor (TFTWG2)

Section 6 c) wagon-km is also applicable

Head of the Foreign Policy Department
CJSC "National Company "Kazakhstan Temir Zholy"

N. Altayev



Reservation of FA2KK «Uzbekiston temir yullary» Representative

Opinion on items 3, 5 Section A will be reported additionally following a report to the management of the company.

N. Safayeva

N.Safayeva

Reservation of the representative of Tadjik railway

Opinion on item 3, Section A will be reported additionally following a report to the railway management

A. Acoeb

A. Acoeb

E3

PROTOCOL
**of the Third Working Group Meeting of delegates representing railways,
maritime administrations, seaports and shipping companies, concerning tariff
policy for railway and maritime transit services
on the TRACECA transport corridor
Baku, April 15-16, 2003**

Preamble:

At the third meeting of delegates representing the railway, maritime administration, seaport and shipping company experts, concerning tariff policy for railway and maritime transit services on the TRACECA transport corridor, the following issues were considered:

Rail Tariffs

At the second meeting of plenipotentiary representatives held on 15-17 October 2002 the delegates agreed on principal issues of TTT. Below shown are the results of previous discussions, and where appropriate, these items are renewed:

- 1) A new rail tariff structure for new TRACECA transit traffic (TTT) is being designed, based on normative costs. Normative costs are reflective of technical and financial indices, acceptable for all TRACECA countries
- 2) The tariff structure is being based on long run variable costs (LRVC).
- 3) An allowance has been built into the calculations that will provide a return on assets of not less than 12% on productive assets valued at current replacement costs. This rate has been established to comply with long-term requirements of international financial institutions to perspective volume of investments
- 4) The normative cost has been based on the information received from 9 out of 13 countries-members. This is to say that various wagon tariffs may be applied to each segment of TRACECA network, in which established gradient, length of train, quality of services, other technical and financial indices are different from those "normal." Parties failing to submit appropriate information are expected to submit it in 2-weeks term.
- 5) The tariff structure will be based on costs for movement of loaded wagon (ignoring weight), i.e. depending on type and carrying capacity of wagon. The tariff structure will take into account costs on the return of empty wagons. Minimum unit of measurement as set forth in the new tariff structure will be *wagon*.
- 6) A detailed description of the normative cost derivation is provided in the October Working Document. Note that debates over this Document have been continued at the present meeting

of the Group for Transit Fees and Tariffs, until participants of the workshop agreed on all the aspects of the issue.

- 7) The new tariff structure consists of four components:
 - (a) Movement (unified tariff per kilometre by each type of wagon)
 - (b) Terminal (in 2 sub-parts – by wagon and wagon-kilometre for local assemblage and delivery, as well as distribution of wagons at the terminal)
 - (c) Infrastructure user charges per train-kilometre (access to the main railway bed, signalling, communication, electric power, traffic control services)
 - (d) Handling fees and commission paid by a railway company in charge of the traffic.
- 8) In the short run, to encourage the growth of new TRACECA transit traffic, unified discounts will be offered and agreed to comply with basic and normative short-term variable costs.
- 9) The tariff currency will be in Euro (€).
- 10) Members of the Working Group have considered and agreed to assume as a basis:
 - (e) Main mobile TTT rates by each wagon
 - (f) Wagon rates TTT for third party attached
 - (g) Low wagon rates TTT (based on short-run variable costs per unit of product) attached
 - (h) National coefficients TTT attached
 - (i) Modified wagon rates TTT attached
 - (j) Infrastructure user charges for full restoration and operations attached
- 11) All the railway administrations shall within a month consider calculations and forward their notes to the Permanent Secretariat of IGC TRACECA.
- 12) To consider it advisable to draw up a TTT regulating document
- 13) To consider it advisable to have an authoritative TTT body. The issue of financing of the body will be discussed at the meeting of Heads of Railways TRACECA.
- 14) Participants of the meeting highly appreciated the work of TRACECA experts.
- 15) To carry out a comparative analysis of transit traffic via TRACECA corridor, parties involved annually provide IGC with detailed information about freight turnover till 31 March next year.
- 16) National experts have agreed that at the next meeting these recommendations will be submitted to Heads of Railways for consideration.

Ports Tariffs

Delegates have previously agreed the following issues:

- 1) As there is surplus capacity at most TRACECA ports, tariffs for transit cargoes on TRACECA routes will be discounted to a level based on short run variable costs (SRVC), plus a reasonable profit to comply with the national legislation..
- 2) It was agreed that at ports where TRACECA transit traffic accounts for less than 20% of total port traffic (all the ports, except for Baku port):
 - (a) Cargo handling charges for TRACECA transit traffic will be discounted by up to 50% to comply with the national legislation.
 - (b) Port dues (tonnage, channel, berth and harbour dues) for TRACECA freight traffic will be discounted by up to 50% to comply with the national legislation
 - (c) Discounts will be applied for new dry freight on the TRACECA corridor and specifically exclude oil and oil products and other bulk cargoes that move under existing contracts.
- 3) There is a need to compile a traffic data base to measure the benefit of the changes made.
- 4) As some ports and private stevedoring organisations, as well as tow agencies are responsible for fixing cargo-handling tariffs it was agreed that the delegates would ask the relevant Government authorities to influence these organisations with regard to discounts.

Shipping Tariffs

Delegates have previously agreed the following issues:

- 1) Caspian Shipping Company (CSC) will introduce promotional tariffs for new dry TRACECA transit ferry cargoes to take advantage of (a) the ferries' surplus capacity; and (b) the low short run variable cost (SRVC) of carrying additional dry freight.
- 2) Delegates were asked to monitor carefully the effects on transit traffic of changes in tariffs.
- 3) Ukrferries submitted information on existing special rates for carrying TRACECA transit cargoes.
- 4) The national society for railway traffic "CFR Marfa" CA is responsible for regular ferry

trips between ports Constantza and Batumi to attract additional freight via TRACECA corridor.

Delegates reported on progress in introducing these promotional tariffs for TRACECA transit traffic and their impact on transit traffic. It was concluded that for transparency, specific transit tariffs should be published

Participants of the Working Group meeting asked the Permanent Secretariat to forward a draft new Memorandum on the creation of the most favourable conditions for traffic via TRACECA corridor countries-members of TRACECA for consideration.

Intermodal (through) Tariffs

Due to the intermodal nature of the TRACECA routes, tariffs should include charges for ports and shipping services on the Black and Caspian Seas. The transit tariffs for rail, sea freight and ports need to be combined in an intermodal (through) tariffs. The process for following this through to the CHR meeting needs to be agreed.

The broad example given for the Afghanistan trade has been used as the model on which a comprehensive price incentive package can be offered to importers, exporters, shipping companies and freight forwarders. An expanded memorandum has been drafted for consideration of the CHR, and maritime service providers.

It is established that this Protocol will be presented at the next meeting of the working group of National Secretaries.

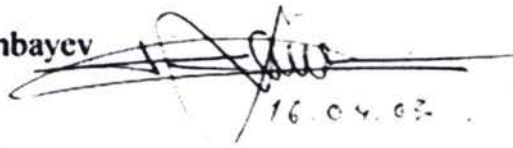
Implementation Audits

The IGC Secretary General and the UPTFT Project Manager are auditing TRACECA countries to assess what steps are being taken to implement the tariff agreements. This process will continue.

**Note to the Protocol of 16.04.2003
of the representative of Aktau sea port (Kazakhstan)**

By Section "Port Tariffs": charges used by sea port Aktau for new transit traffic within TRACECA corridor may be reduced as set forth in the existing national legislation of the Republic of Kazakhstan.

D.B. Kutpanbayev



16.04.03

Note of the Ilyichevsk port delegation (Ukraine)

By Item 2: in considering that Ilyichevsk port, according to the new Tariff Guide which came into effect since 1.04.2003, has no right to independently introduce discounts, charges for cargo handling by transit TRACECA traffic may be reduced up to 50% according to the decision of Ukrainian Transport Ministry only, unless otherwise provided by the existing national legislation of Ukraine.


D. N. Kryzhanovskiy

N. V. Bartoshyk

16.04.2003

**Note of the Bulgarian delegation by Item 2 Section "Port Tariffs" of
Protocol of TRACECA workshop, 15-16 April 2003**

The Bulgarian delegation cannot assume responsibility for reducing cargo handling charges (item 2 a) and port dues (item 2 b) "by 50%" and offered to write down in the Protocol "up to 50 %" to comply with the local state procedures.

Stephan Zagorov 

16.04.03

Baku

NOTE

Of the representative of “Ukrzaliznitsi”

by item 8:

The issue of discounts of “Ukrzaliznitsi” will be considered after the development and establishment of TTT tariff rates.

TARATAYKO T. P.

Head of marketing and forecast,
dept. of commercial management “Ukrzaliznitsi”

**Note
of the representative
of “Uzbekiston temir yullary” to Protocol of 16.04.2003**

- by item 4: the national coefficient should take into account not only the gradient, length of train, speed and radius of curved sections, but some other factors as well. Besides, it is essential to substantiate the influence of these factors on prime cost of transportation;
- by item 5: substantiate the unit of calculation of wagon/km payments ignoring an actual loading of wagon;
- by item 7: provide a detailed methodology of cost definition through dividing a tariff into 4 components;
- by item 10: specify payment rates as set forth in the given item;
- by item 12: clearly differentiate the application of two tariff structures – TP CIS and TTT;
- by item 16: “Uzbekiston Temir Yullary” considers it necessary to study and improve TTT prior to its submission to CHR for consideration.

M. Sh. Mirkhamidov

**Note
of Kyrgyz railway to Protocol**

By item 4: the present information was provided in November-December 2002 and additionally during the meeting of the Third Working Group.

By item 11: this item may be complied with following the related calculations made by Scott Wilson experts.

Head of foreign economic marketing relations department

Romanenko V.

**DELEGATES ATTENDING THIRD WORKING GROUP ON TARIFFS
FOR RAIL, PORTS AND SHIPPING**

PERMANENT SECRETARIAT IGC TRACECA
April 15-16, 2003

COUNTRY	AREAS	NAME OF DELEGATE	POSITION	SIGNATURE
Azerbaijan	rail	Mr. Melikov Kh. M. Mr. Guseynov I. N.	Chief Tariffs and Marketing Chief Tariffs and Transport Service	
	port	Mr. Ragimov A. M.	Deputy Chief, Fleet Operations, Azerbaijan State Caspian Shipping Company	
	port	Mrs. Kasimova R.A.	Deputy Chief, Economic Department, Baku International Sea Port	
Armenia		Awaiting nominations		
Bulgaria	port	Mr. Zagorov S.	Chief Expert in the Executive Agency of Port Administration under the MTC	
	rail	Mr. Popov P.	Head expert indirection Freight Transports (BDZ)	
Georgia	rail	Mr. Tsikhelashvili T.	Head of Economic Service Georgian Railways	
	port	Mr. Nakashidze R.	Financial and Commercial Director, Batumi Port	
	port	Mr. Archiaia G.	Head of Economic Service, Poti port	
Kazakhstan	port	Mr. Kutbanbayev D. B.	Head of Marketing Department Sea Trade port of Aktau	
	rail	Mr. Zhunusov T.	Kazakhstan Railways	
	rail	Mrs. Iminova G.	Head of External Relations Coordination Division of the Foreign Policy Dept. Kazakhstan Railways	
Kyrgyzstan	rail	Mrs. Romanenko T.	Head External Economic Relations and Marketing	
Moldova		Mr. Adam I.	Main expert of Main Department Railway Transport, Ministry of Transport and Communications	
	port	Mr. Nikiforov N.	Chief Expert General Water Transport Department MTC	
Romania	rail	Mr. Medesan I. F.	Head of Tariffs, Analyses, Costs CFR-Marfa- National Company of Freight Railway Transport	
		Mr. Boicuic A.	Local representative CFR-Marfa	
	port	Mrs. Marinescu M.	Chief of the Railways Dept. Constanza Port	

**DELEGATES ATTENDING THIRD WORKING GROUP ON TARIFFS
FOR RAIL, PORTS AND SHIPPING**

PERMANENT SECRETARIAT INC TRACECA
April 15-16, 2003

COUNTRY	AREAS	NAME OF DELEGATE	POSITION	SIGNATURE
Turkey	rail	Mrs. Kaygıstız N.	Expert in Freight Department	
	rail	Mr. Ersoz M.	Expert, Head of Ports Department	
	port	Mr. Yazan K.	Maritime Engineer, Foreign Relations Department	
Turkmenistan	port	Mr. Atayev N.	Operational Manager of TML	
Ukraine	rail	Mrs. Taratayko T. <i>Т.</i>	Head of Marketing and Technology, Department of Commercial management, Ukrzaliznyzva	
	port	Mr. Cherniyevski V.V.	Sales Director of SC "Ukrferri"	
	port	Mr. Krizhanovski D.N.	Dep. Head Prices and Tariffs Department Ilyichevsk port	
	port	Mrs. Bartoschik N. V.	Economist, Ilyichevsk port	
Uzbekistan	rail	Mr. Mirkhamidov M. S.	Deputy Director of the Dept. Railways JSC	

E4



**INTERGOVERNMENTAL COMMISSION "TRACECA"
OF THE TRANSPORT CORRIDOR EUROPE - THE CAUCASUS - ASIA
PERMANENT SECRETARIAT**

**МЕЖПРАВИТЕЛЬСТВЕННАЯ КОМИССИЯ "ТРАСЕКА"
ПО ТРАНСПОРТНОМУ КОРИДОРУ ЕВРОПА-КАВКАЗ-АЗИЯ
ПОСТОЯННЫЙ СЕКРЕТАРИАТ**

PROTOCOL

On the results of fourth meeting of railway representatives (experts) concerning tariff policy for railway transit services on the TRACECA transport corridor (TFTWG4) Baku, March 10/11, 2004

Having considered implementation of the Pilot Project in the framework of the TRACECA railway tariff structure, the participants of the Working Group have agreed:

- to implement the objectives according to the principles agreed in the protocols of previous meetings of the TFTWGs;
- to recommend to railway administrations to use TTT for every kind of transit container transportation, and to implement the Pilot Project during the period from 1st October 2004 until 31st December 2005. To propose to the Council of Heads of Railways, Ports and Shipping companies to apply TTT for dry cargoes;
- to use charges, presented in the Annex B to this Protocol.

The participants of the Working Group emphasize the requirement for the additional corrective coefficients for the 40 foot, tank and refrigerated containers. For this purpose, it has been agreed to submit proposals to the Permanent Secretariat of IGC TRACECA until 10 November 2004.

To achieve successful implementation of TTT, aimed to attract additional traffic flows, it is necessary:

- to apply through rates for railway and maritime transportation, including cargo handling in the ports;
- to involve other TRACECA railways into implementation of TTT;
- to request the Permanent Secretariat of IGC TRACECA to coordinate the Pilot Project;
- to endorse Mr Tamas Tsikhelashvili (Georgian Railways) as a Chairman of the TFTWG.

The participants of the Workshop are grateful to the Permanent Secretariat of IGC TRACECA and to Consulting company Scott Wilson led by Mr Rasbash for the development of TTT.

To submit whatever information before the 25th of the each month to Mr Shafa Ragimov that is required to establish the TTT pilot studies and to monitor the results in coordination with other participants and expect to receive analysis and results in good time.



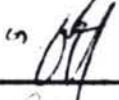
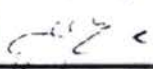
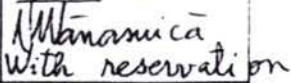
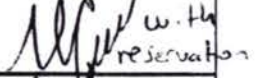

Agree to meet again in Tbilisi (Georgia) to finalise the arrangements for the launch of the pilot study. The date of the meeting is to be defined later on.

Parties to the pilot studies agree to absorb all costs associated with the implementation of the studies including attendance at TFTWG coordination meetings with further submission of this issue for consideration at the Meeting of Heads of Railway Administrations.

PARTICIPANTS OF THE FOURTH WORKING GROUP ON TARIFFS

PERMANENT SECRETARIAT IGC TRACECA

March 10-11, 2004

COUNTRY	AREAS	NAME OF DELEGATE	POSITION	SIGNATURES
Azerbaijan	rail	Mr. Husameddin Melikov	Deputy Head Tariff and Transport Service	
Bulgaria	rail	Mr. Pencho Popov	Head expert indirection Freight Transports (BDZ)	
Georgia	rail	Mr. Tamaz Tsikhelashvili	Head Economic Service Georgian Railways	
Moldova		Mr. Svetlana Movile	Consultant Railway Transport Authority Ministry of Transport and Communication	
Romania	rail	Mr. Tanasuica Nicolae Mugurel	Project Manager Department of Tariffs, Analyses and Costs	 Tanasuica With reservation
Turkey	rail	Mrs. Hulya Cilgi	Turkish State Railways Acting International Marketing Manager Operations Department	 with reservation
Turkmenistan	rail	Mr. Klichmurad Annanepesov	Head Forwarders & International Settlements Department	

OBSERVERS ATTENDING FOURTH WORKING GROUP ON TARIFFS

March 10-11, 2004

COUNTRY	AREAS	NAME OF DELEGATE	POSITION	SIGNATURES
Ukraine	rail	Mrs. Taratayko T. P.	Head Marketing and Prognosis Authority	
Iran	IE	Mr. Veli Zergeri	Iran Embassy	
Azerbaijan	rail	Mrs. Raya Kasimova	Main Consultant Tariff and Licences Sector Ministry of Transport	
Georgia	rail	Mr Nodar Latsabidze	Deputy Financial Director	

Addendum to the Protocol

During the meeting there has been reached an agreement to hold the next meeting of the Pilot Project Working Group in Tbilisi (Georgia) on the 15 April 2004 (the date to be confirmed in writing by the Chairman).

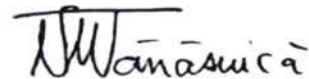
Reservation of Romania and Turkey

TTT Rates and Coefficients are very low and therefore not acceptable. We ask for the review of the calculations of the rates and coefficients. In case the final results will not be appropriate, Romania and Turkey reserve the right to act only as observers.


Final decision will be taken by the high management of the national railways in Romania and Turkey.

In the case Romania and Turkey act as observers, they will cover only the cost of travel and accommodation of their representatives to the Working Groups.

For Romania

 T. Manăscu

For Turkey



E5

TRACECA

PROTOCOL

of

the Meeting of the Heads of Railways, Ports and Shipping Companies

of TRACECA member-states

The Heads of Railways of Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Romania, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan, and the heads of ports of Azerbaijan, Georgia, Kazakhstan, Romania, Turkey, Turkmenistan, Ukraine and the heads of Shipping companies of Azerbaijan, Kazakhstan, Turkmenistan and Ukraine, representing essential transport infrastructure and transport operators for multimodal transport on TRACECA routes, acting in pursuance of the objectives and tasks arising from the Basic Multilateral Agreement and having regard to the continuing goal of improving the competitiveness of the international transport corridor Europe-Caucasus-Central Asia (TRACECA) at their meeting in Baky, on 17-18 July 2003:

Conscious that the Basic Multilateral Agreement serves to strengthen and intensify regional cooperation for improving movements of goods and passengers along the Transport Corridor Europe-Caucasus-Asia (TRACECA);

Being aware that the level of transit transportation, particularly of containers, remains below its potential and that the development of multimodal transport and container logistic in the TRACECA region is impeded by factors such as traditional pricing systems on some sections of transportation, level of coordination, ports and maritime services, not sufficiently harmonized documentation and procedures;

Proposed to establish the TRACECA Council of Heads of Railway, Port and Shipping companies of Parties to MLA TRACECA as a coordinating body of essential infrastructure and transport operators of the TRACECA countries in accordance with Article 8, item 7 of Basic Multilateral Agreement, and meet regularly in order to jointly promote development of TRACECA routes in order to improve multimodal transport and establish favourable conditions for transit transportation, particularly for container logistics, by formulating and implementing: (i) common policies, (ii) harmonized transport tariffs, (iii) coordinated commercial and financial practices, (iv) harmonized and simplified documentation, (v) as well as to discuss contemporary problems that are of regional interest;

Agreed on the need for an Action Plan that encompasses joint actions that have to be undertaken in indicated fields of cooperation. The attached Draft Action Plan, proposed by Permanent Secretariat of IGC TRACECA can be accepted as a basis. The Action Plan shall form the platform for coordinated development of multimodal transport on TRACECA routes and the Council is committed to review and update the Action Plan from time to time;

Request the Intergovernmental Commission TRACECA to consider and approve the Protocol at its next Annual Meeting of IGC TRACECA to be held in Yerevan, October 2003.



TRACECA

DRAFT ACTION PLAN

proposed by the Permanent Secretariat of IGC TRACECA

Delegates are requested to review the Draft Action Plan and provide comments and suggestions including possible timeframes for implementation to the Permanent Secretariat of IGC TRACECA until 17 September 2003

ACTION	TIME FRAME
<p style="text-align: center;"><u>I. Common Policies</u></p> <ul style="list-style-type: none">• Review and consider endorsement of a draft regulation proposed for inclusion as a new Technical Annex to the MLA regarding Multimodal Transport• To adopt a harmonized legal basis for the Multimodal Transport, thereby providing safety and security to customers and insurance companies for freight transportation on TRACECA routes• To pursue and provide assistance in the countries accession to the European Agreement on Combined Transport Lines (AGTC) in order to integrate the TRACECA routes in to the Europe wide network for combined and multimodal transport.• To formulate common policy with regard to maintain relations with external agencies such as CIS, ECMT, OSJD, UIC, and other international and subregional organizations	
<p style="text-align: center;"><u>II. Harmonized Transport Tariffs</u></p> <ul style="list-style-type: none">• Review the proposed TRACECA Transit Tariff, prepare an implementation plan and draft tariff agreement for consideration by all parties.• To combine port and shipping tariffs into the TTT structure for international transport on TRACECA routes, thereby establishing a common through tariff for multimodal transport• To adopt and implement the common TRACECA Transit Tariff which follows a unit based principle and replaces the traditional MTT for international Transport on TRACECA routes• To use decreasing <i>TRACECA coefficient</i> applied to various types of transported goods, developed by the PS IGC TRACECA and approved by the railways administrations of the parties to MLA, to attract non-traditional types of goods	
<p style="text-align: center;"><u>III. Coordinated Commercial and Financial Practices</u></p> <ul style="list-style-type: none">• To establish a system for efficient settlement of payments and balances between the parties in line with good commercial practices of the	



TRACECA

<p>international transport industry</p> <ul style="list-style-type: none">• To establish an efficient resolution mechanism of wagon exchange and demurrage settlement among the railway organizations• To consider the introduction of the EURO as principle currency for international transactions for transport on TRACECA routes	
<p><u>IV. Harmonized and Simplified Operation and Documentation</u></p> <ul style="list-style-type: none">• To implement jointly with national customs organizations the SMGS consignment note as a Customs Transit Document, as recommended by the IGC TRACECA conference at Tashkent in 2002• To coordinate technical and operational parameters among the TRACECA railway organizations while upgrading and modernizing the national railway network	
<p><u>V. Capacity Building</u></p> <ul style="list-style-type: none">• To develop a regional programme for cooperation among the parties in areas of capacity building, training and exchange of good practices in order to improve experience and qualification of staff and thereby enable the organizations to comply with new challenges of enhancing transport services on the TRACECA routes.	



TRACECA

Request the Permanent Secretariat of IGC TRACECA to elaborate the Statute of the Council for further submission for approval by the IGC TRACECA at its next Annual Meeting to be held in Yerevan, October 2003, and to coordinate the implementation of the Action Plan at regional level and prepare with assistance of all Parties regular reports on its implementation, which shall be submitted to the regular sessions of the Council;

Invite all Stake Holders from the private and public sector to participate active and constructive in the development of multimodal transport on TRACECA routes.

Request the Donor Community and International Organizations to lend support to IGC TRACECA, the transport infrastructure agencies and transport operators in implementing the Action Plan.

Baky, July 18, 2003

Republic of Armenia

"Armenian Railway" Co., CGS



Republic of Azerbaijan

Azerbaijan State Railway



Azerbaijan State Caspian Shipping Company



Baku International Sea Trade Port



Georgia

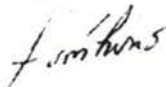
Georgian State Railway



Batumi Sea Port LTD



Sea Port of Poti



TRACECA

Republic of Kazakhstan

"Kazakhstan Temir Zholi"

[Handwritten signature]

"Aktau Sea Trade Port"

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Kyrgyz Republic

Railway of Kyrgyz Republic

[Handwritten signature]

Republic of Moldova

Kyrgyz Railway Department

[Handwritten signature]

Romania

Constansa Port

with observations *[Handwritten signature]*

"CFR MARFA"

with observations *[Handwritten signature]*

Republic of Tajikistan

State Railway of Tajikistan

[Handwritten signature] *[Handwritten signature]*

Turkey

Turkish State Railway

[Handwritten signature]

Bandirma Port

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Turkmenistan

no comments are made

Department «Turkmen demiryollary»

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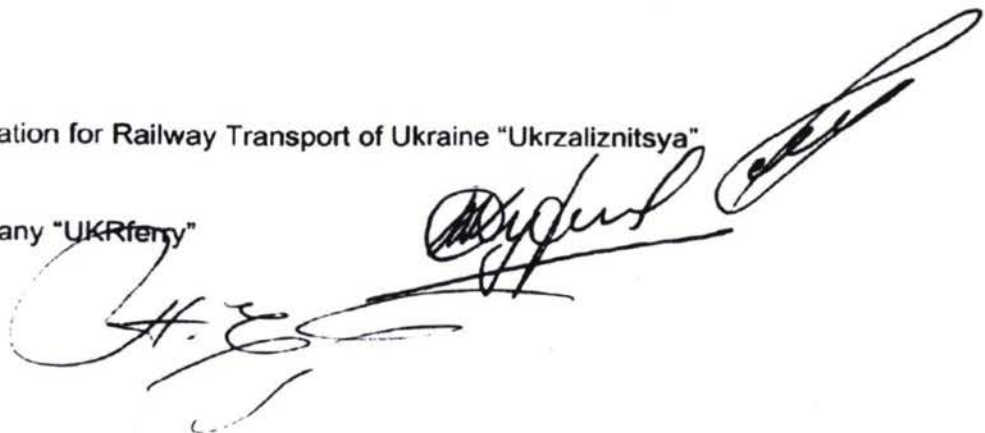
TRACE CA

Ukraine

State Administration for Railway Transport of Ukraine "Ukrzaliznitsya"

Shipping Company "UKRFerry"

Ilyichevsk Port

Handwritten signatures and stamps for Ukraine and shipping company. The signatures are in black ink and appear to be official signatures. There are also some circular stamps or marks.

Republic of Uzbekistan

Handwritten signature - c. 2011.01.11
no. 053/4.

SJSRC "Uzbekiston Temir Yullari"



**Reservation of “Uzbekiston temir yullari” for the Protocol of the Meeting
of Heads TRACECA Railways, Ports and Shipping Companies.**

Due to the lack of specific coordinated objectives and tasks of the Council of Heads TRACECA Railways, Ports and Shipping Companies, as well as financial source for the Council, “Uzbekiston temir yullari” considers establishment of such Council to be untimely.

We propose to establish separate Working Groups for specific issues, in accordance with item 7, Article 8 of MLA.



SAGDULLAYEV F.
Deputy Chairman of
“Uzbekiston temir yullari”

Baku, 18 July 2003

Reservation of Romanian Delegation

Due to the fact that MLA doesn't include Technical Annex on Multimodal Transport, we consider impossible to establish Working Groups for this traffic, in accordance with Article 8, item 7.

Romanian Delegation proposes to establish the Expert Committee, designated to elaborate required documents for the Technical Annex on Multimodal Transport to MLA, which has to undergo appropriate ratification procedures.

Romanian Delegation approves the Action Plan for the development of multimodal traffic, which can be implemented under the supervision of National Secretaries and IGC TRACECA.

18 July 2003, Baku

CFR Marfa
Commercial Director
Sorin Chinde



Constantza Port
Commercial Director
Adina Baz



F1

2nd CONFERENCE (ANNUAL MEETING)
OF THE INTERGOVERNMENTAL COMMISSION «TRACECA»



2-ая КОНФЕРЕНЦИЯ (ЕЖЕГОДНОЕ ЗАСЕДАНИЕ)
МЕЖПРАВИТЕЛЬСТВЕННОЙ КОМИССИИ «ТРАСЕКА»

Tashkent, April 24-25, 2002
г. Ташкент, 24-25 апреля 2002 г.

Final Document
2 IGC / FD 2 / 25.04.02/ page 1(3)
Original: English

FINAL RESOLUTIONS

Intergovernmental Commission "TRACECA" at its Second Conference (Annual Meeting) held in Tashkent, Republic of Uzbekistan, on April 24-25, 2002:

- Considered report of Chairman-in-Office of the IGC TRACECA, Minister of Transport and Communication of Georgia, Mr. Merab Adeishvili;
- Considered outcomes of implemented TRACECA projects during 2000-2001 and issues of further development of the Europe - the Caucasus - Asia international transport corridor and increasing its competitiveness;
- Discussed proposals for strengthening mutual cooperation between the Parties to the Basic Agreement;
- Taken into consideration the requirement to create the most favorable conditions for humanitarian goods and reconstruction materials, transported to Afghanistan;
- and in accordance with Article 8 (items 5, 6) of the "Basic Multilateral Agreement on International Transport for Development of the Europe-the Caucasus-Asia Corridor"

ADOPTED THE FOLLOWING DECISIONS:

1. Humanitarian goods and reconstruction materials transported to Afghanistan

The increase in offers of humanitarian goods and reconstructions materials for Afghanistan from the international community urges the Parties of the Europe-Caucasus-Asia "TRACECA" international transport corridor to create the most favorable conditions for humanitarian goods and reconstruction materials transported to Afghanistan and to organize efficient monitoring to ensure their safety and security. For these reasons it is to:

1.1. Establish in each Party the Monitoring Groups, involving members of TRACECA National Commissions and jointly with the Permanent Secretariat of IGC TRACECA to render maximum assistance for transportation of the above-mentioned goods;

1.2. Recommend to the Parties to make the following amendment to Article 4 "Facilitation of International Transport", item 4 stipulated as follows:

" 4. For 3 years when the given amendment comes into force, the Parties have to ensure free issue of single/double entry visas for persons transporting and accompanying humanitarian goods transported to Afghanistan via the Europe-the Caucasus-Asia "TRACECA" international transport corridor"; In order to implement this, according to the Article 11 of the Basic Agreement, to instruct PS IGC TRACECA to agree with the parties and prepare the Final Protocol based upon the Addendum to the MLA for the subsequent signatory thereof by the Parties.

1.3. Support the "Declaration on Cooperation", adopted by the large freight forwarding companies in Frankfurt on 12th April, 2002 and the initiative of the UN World Food Program on test transportations of humanitarian goods and reconstruction materials to Afghanistan via TRACECA transport corridor Europe-the Caucasus-Asia. Provide for the implementation of the most favorable conditions for transportation of these goods.

1.4. Approve the recommendations of the Working Group and PS IGC TRACECA regarding the IGC TRACECA Action Plan aimed at the implementation of IGC TRACECA decision on providing most favorable conditions for transport of humanitarian aid and reconstruction materials to Afghanistan. To address to the European Commission to kindly consider the opportunity of funding of the abovementioned Action Plan.

2. Requirement to introduce "TRACECA Visa" and adopt a new Technical Annex to the Basic Agreement on simplification of customs procedures

Consider expedient to introduce on the territories of the Parties the "TRACECA Visa" system, providing for the use of unified documents for transit of goods via the Europe-Caucasus-Asia "TRACECA" transport Corridor. This measure will allow the identifying of TRACECA goods, simplifying administrative, customs and border-crossing procedures, shortening the time of goods transit and, on the other hand, ensuring the attendants of this transportation free of charge and simplified access to the territories of the Parties. **For this reasons it is to:**

2.1 Recommend to the Parties to adopt a new "Technical Annex on International Customs Transit Procedures in the TRACECA transport corridor Europe-Caucasus-Asia for goods transported by railway with SMGS bill". (*Annex: 2 IGC / FD 3*). In order to implement this, according to the Article 11 of the Basic Agreement, to instruct PS IGC TRACECA to agree with the parties and prepare the Final Protocol based upon the Addendum to the Basic Agreement for the subsequent signatory there of by the Parties.

2.2 For implementation of Article 3, Item c) and Article 8, Item 6, p. g of the Basic Agreement, to **recommend** the Parties to make an amendment to the Article 4 "Documentation procedures" of the "Technical Annex on Customs and Documentation Procedures to the Basic Agreement", adding the fifth item as follows:

"5. Not to apply customs, bank guarantees, financial risk insurance policies, railway guarantees for transit of goods by railway transport". In order to implement this, according to the Article 11 of the Basic Agreement, to instruct PS IGC TRACECA to find agreement with the parties and prepare the Final Protocol based upon the Addendum to the Basic Agreement to be subsequently signed by the Parties.

3. "TRACECA Coefficients" and ways of improving competitiveness

To take into account the successful development of the initiative of the Permanent Secretariat of IGC TRACECA concerning the introduction of "TRACECA Coefficient" for railway and sea transport, as well as results of the activity done in the sphere of improvement of the tariff policy coordination to reduce international and transit transportation costs in the Europe-Caucasus-Asia "TRACECA" transport corridor:

3.1 To recommend to the Parties to make the following amendment to the Appendix 2 to "Technical Annex on International Railway Transport":

"c) to apply VAT zero-rate on railway transport services in international and transit railway connection, including transportation, forwarding, loading/unloading and storage services"; In order to implement this, according to the Article 11 of the Basic Agreement, to instruct PS IGC TRACECA to find agreement with the parties and prepare the Final Protocol based upon the Addendum to the Basic Agreement to be subsequently signed by the Parties.

3.2 To approve establishment of a special Working Group to work out coordinated tariff policy of railways, sea ports and shipping companies in the Europe-Caucasus-Asia "TRACECA" transport corridor and charge the Permanent Secretariat with facilitation of tasks set by the Working Group.

4. "TRACECA Hot Line"

Approve the establishment of the concept for the project "TRACECA Common Information System", which has to include a special part on support and logistics of "TRACECA Hot Line" common system, proposed by the Permanent Secretariat of IGC TRACECA, and request the European Commission to facilitate priority financing of this project.

5. Development of Sea Transport

Considered pending issues of sea transport, port charges, tariffs on freight operation, goods traffic, as well as navigation safety and environment protection, for reasons to improve competitiveness of transportations by sea transport in the Europe-the Caucasus-Asia "TRACECA" transport corridor, and adopted "**Decision on development of Sea Transport**" (*Annex: 2 IGC / FD 4*).

6. Consideration of the proposals additionally introduced on development of road transportation via TRACECA Corridor

Recommend to the Parties of the Basic Multilateral Agreement to consider the proposal of Turkey on development of road transportation via TRACECA corridor and to instruct IGC TRACECA to draft and agreed document to be subsequently adopted by the IGC TRACECA.

7. Legal Working Group within IGC TRACECA

Approve the proposal of the establishment of the Legal Working Group within IGC TRACECA with the task to elaborate Rules of Procedures for IGC TRACECA to be finally adopted on the next IGC TRACECA Conference.

8. Secretary-General of the IGC TRACECA

In accordance with Article 3 of the Statute of the Permanent Secretariat of the IGC TRACECA the members of the IGC elected Mr. Abdurashid Tagirov as Secretary-General of the IGC TRACECA.

9. Executive Secretary of the Permanent Secretariat

IGC TRACECA adopted the decision to add the Statutes of the Permanent Secretariat of the IGC TRACECA and invoked the position of Executive Secretary of the Permanent Secretariat, at the same time to eliminate the post of Deputy Secretary-General.

Members of the IGC TRACECA elected Mr. Zviad Kvatchantiradze as Executive Secretary of the Permanent Secretariat for the term of 3 years.

IGC TRACECA will determine authorities and functions of the Executive Secretary of the Permanent Secretariat, along the way, until the final approval of the Statutes of the Permanent Secretariat and the Rules of Procedures of the IGC TRACECA.

10. Next Conference (Annual Meeting) of the IGC TRACECA

In accordance with Rules of Procedure of IGC TRACECA the 2nd Conference of the IGC TRACECA recommended to summon the next IGC TRACECA Conference (Annual meeting) in Yerevan, Republic of Armenia, in 2003.

11. Approval of the Final Communiqué and the Tashkent Declaration

Adopt the Final Communiqué of the 2nd IGC TRACECA Conference (*Annex: 2 IGC /FD 5 /* and the Tashkent Declaration (*Annex: 2 IGC /FD 6*)

The Final Resolutions have been adopted on the consensus of Parties of the Basic Agreement at the 2nd Conference (Annual Meeting) of the Intergovernmental Commission "TRACECA" in Tashkent, April 25, 2002.

F2



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

UPTFT PRESENTATION TRACECA YEREVAN 8 OCTOBER 2003

**Unified Policy on Transit Fees and Tariffs Project
for Azerbaijan, Armenia, Bulgaria, Georgia, Kazakhstan,
Kyrgyzstan, Moldova, Romania, Tadjikistan, Turkey, Turkmenistan,
Ukraine, Uzbekistan**



This project is funded by
the European Union



A project implemented by
Scott Wilson / TEBODIN / Corporate Solutions

TACIS TRACECA Project
UNIFIED POLICY ON TRANSIT FEES AND TARIFFS (UPTFT)

Presentation to IGC conference in Yerevan 8th October 2003.

Introduction

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.

This has been progressed through the life of the project by inviting key people from each of the 13 countries to attend a series of workshops in Baku and by project personnel visiting as many countries as possible to collect information and to discuss many issues as they impact on their ability to manage transit freight traffic.

Not all countries have found Baku a convenient location but it has suited the majority of delegates and has enabled the IGC personnel in Baku to take an active part in the discussions at all times. In particular, the Turkmen have had problems in getting exit visas and there have been communication problems for the project that have restricted project personnel visiting Turkmenistan. Communication with Armenia has been problematic some of the time, but all other countries have sent delegates to all UPTFT meetings.

Despite all difficulties with visas and communications in the region the UPTFT project has been able to retain a good working relationship with up to 78 decision makers in the TRACECA countries that has led to a series of agreements being signed in the form of Protocols from the three workshops on rail and maritime issues and the two workshops on international road issues. The third and final road workshop will be in Baku on 15th and 16th October 2003.

In brief, the results so far are:

Rail freight transit traffic

The TRACECA regional rail operating companies have long been seeking a simple transit rail tariff structure for freight traffic to improve on the existing costing system. Their requirement is for a system that will enable them to move towards a fully comprehensive marketing system based on known costs, in close cooperation with neighboring countries, to establish a competitive through rate for transit traffic.

The UPTFT project has provided such a transit tariff system, based on normative costs, called TRACECA Transit Tariff (TTT). This has been accepted in principle by all TRACECA countries except for Turkmenistan, (who have recently received details), at the third international workshop attended by key representatives from most countries, held in the Intergovernmental Commission (IGC) offices in Baku, Azerbaijan in April 2003.

TTT is designed to attract additional rail freight business for the TRACECA corridor and is based on the widely accepted normative costing practice, with an applied country specific coefficient that adjusts the cost in relation to key operational differences between countries such as track gradients, curvature and train speed.

It is similar in design to many existing European systems in that it is based on a four-part tariff structure, separating track and signalling costs from operational and marketing costs. It enables clear and fair identification of the difference in costs between railways and leads to transparent allocation of shared revenue for work done by neighbouring railways within a transit movement. It has the potential to become the foundation for future market driven and cost based incentive rail freight pricing.

The new tariff policy has been designed to reflect the unique geographical characteristics of each country and multi-modal operating requirements of TRACECA.

Indicative "full rate" tariffs based on the new rail TTT structure are higher than those currently in use. The reason is partly that current tariffs are reduced by the application

of a discount to utilise spare capacity but also that MTT and UTT tariff structures were created (originally in the Former Soviet Union) when the state, not the transport operator, provided the investment.

Although discounts may be required initially within the TTT structure to attract new freight traffic, their calculation will be determined in relation to an agreed normative costing structure, rather than by the present indeterminate system.

To manage the TTT, a designated working group will be established aligned closely with the "Council" (of Heads of Railway Administrations, Ports and Shipping Companies) and TACIS TRACECA IGC Secretariat, that was proposed in the protocol from the meeting held in Baku in July 2003 hosted by the Ministry of Transport of the Republic of Azerbaijan.

Many issues were discussed and proposals were made that were endorsed by the majority of countries attending this inaugural conference. There were some reservations from a few countries and these were noted for discussion. The protocol from this meeting proposed to request the IGC annual conference in Yerevan in October 2003 to consider and endorse the protocol signed in July 2003.

It is noted that that representatives from Ports and Shipping companies were added to the original concept of "A Council of Heads of Railways", to reflect the intermodal nature of the industry. It may be appropriate later to consider inviting representatives of international road transporters to contribute to this Council as well to create a fully intermodal council.

International Road freight transit traffic

One of the aims of the UPTFT project on international road transport is to determine a unified policy and equitable levels for the imposition of legitimate road transit fees. This does not imply a single rate, but does imply a single method for achieving a rate.

The project has continued to seek clarification of the key issues and with the active participation of the TRACECA IGC, National Secretaries, freight forwarding and international carriers associations, expose those that cannot be justified.

Initial work concentrated on establishing a draft Inventory of existing Road Transport Fees and Permits that has been compiled and circulated.

There have been many working papers on the key issues and agreement has been reached with the delegates to the workshops resulting in Protocols being produced that confirm the actions taken.

The Contractor has now produced and circulated a draft unified policy based on the agreements reached during the first and second TFTWG meetings and the additional feedback from delegates. Almost all the text of this policy document quotes word-for-word the agreements reached in the first and second Protocols.

It is anticipated that the recommended unified transit fee policy agreed at the final working group in October 2003 will provide a firm foundation for implementation of the unified policy, through the National Secretaries and their Trade Facilitation Working Groups.

One of the next steps will be to enshrine the recommended unified policy within the Roads Annex of the Basic MLA and this will be done in cooperation with the TRACECA Legal project (CLBTT).

The delegates also asked for consideration to establish a "Council" for roads to coordinate actions to be taken by each country. This could be incorporated into the plans for the Council of Railways Ports and Shipping.

Ports and Shipping

Detailed discussions with port operators and shipping companies have been held in most countries and with delegates also attending three international working group meetings in Baku at the same time as the railway meetings.

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. There still remains room for a more flexible policy to be introduced that would provide more incentives, but a start has been made.

Local legislative restrictions within state run enterprises in some countries do not allow for the type of flexibility evidenced in many other countries in the world, but the detrimental impact on intermodal through prices from high port costs in particular, is not thought to be high.

Intermodal through rates

Work continues to propose a series of intermodal through rates based on the discussions held so far and the project extension being discussed would enable closer scrutiny of the calculations to be made for a pilot scheme to be established.

It is clear from the work done so far that cost reductions on any single transport mode would be unlikely to attract additional transit traffic. There needs to be a concerted effort to attract new volumes throughout the transport chain, covering rail, port and shipping tariffs.

Detail has previously been circulated that shows an example of the total transport costs between the western border of Bulgaria and Almaty in Kazakhstan, based on (a) existing tariffs and (b) tariffs based on the minimum TTT rate for rail and discounted to 50% of existing rates for ports and shipping

The existing TRACECA tariffs total some \$3,203 per TEU, which is well above the reported costs of transport by other routes of about \$2,000 per TEU.

However, the incentive rates being discussed through the TRACECA route (that still leave a reasonable margin for profit) are well below the reported rates for transport by other routes.

This therefore leaves the respective marketing departments of rail ports and shipping companies some flexibility in negotiation to offer competitive rates for the TRACECA route while profitably contributing to their business.

It is hoped that this argument can be refined and developed during the UPTFT project extension through the pilot scheme, as more accurate detail is obtained and agreement between the various transport modes is reached.

Conclusion

The TRACECA route is already an attractive alternative freight route between Europe and the Central Asian markets and, in conjunction with the work being done by other TACIS TRACECA projects to resolve a number of non-tariff issues, it has the potential to become the route of first choice by companies trading in the region.



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F2



**THIRD ANNUAL MEETING
OF THE INTERGOVERNMENTAL COMMISSION TRACECA**
Yerevan / Republic of Armenia, October 9-10, 2003

**ТРЕТЬЕ ЕЖЕГОДНОЕ ЗАСЕДАНИЕ
МЕЖПРАВИТЕЛЬСТВЕННОЙ КОМИССИИ ТРАСЕКА**
г. Ереван / Республика Армения, 9-10 октября 2003 г.

FINAL RESOLUTIONS

TRACECA Intergovernmental Commission at the Third Annual Meeting held in Yerevan, the Republic of Armenia, in October 9-10, 2003:

- discussed items, according to the adopted Agenda (*Appendix: 3 IGC/FinDoc 2*)
- considered report of the Chairman-in-Office of the IGC TRACECA, Deputy Prime-Minister of the Republic of Uzbekistan, Mr. R. Yunusov;
- considered outcomes of implemented TRACECA projects during 2002-2003 and issues of further development of the Europe - the Caucasus - Asia international transport corridor and increasing its competitiveness;
- discussed proposals for strengthening mutual cooperation between the Parties to the Basic Agreement;
- in accordance with Article 8 (items 5, 6) of the "Basic Multilateral Agreement on International Transport for Development of the Europe-the Caucasus-Asia Corridor"

ADOPTED THE FOLLOWING DECISIONS:

1. Joint financing of the PS IGC TRACECA

Adopt the Recommendation of the IGC TRACECA to the Governments of the Parties to the Basic Multilateral Agreement on International Transport for Development of the Europe-the Caucasus-Asia Corridor on the System of joint financing of the work of the Permanent Secretariat of the IGC TRACECA (*Appendix: 3 IGC/FinDoc 3*). For the period from December 2003 - December 2004 the Parties will contribute to the financing of the Permanent Secretariat of the IGC TRACECA on equal basis i.e. EURO 7.000 (seven thousand) each. The total amount of the contribution will make 15% (i.e. EURO 84.000) of the budget of the PS IGC TRACECA.

Charge to the Permanent Secretariat of IGC TRACECA in close collaboration with the Parties to prepare the draft Resolution of IGC TRACECA on the System of joint financing to be approved at the Fourth Annual Meeting of IGC TRACECA.

2. Rules of Procedure of the IGC TRACECA and Statute of the Permanent Secretariat of the IGC TRACECA;

Adopt the Rules of Procedure of the Intergovernmental Commission TRACECA and the Statute of the Permanent Secretariat of the IGC TRACECA (*Appendix: 3 IGC/FinDoc 4 u 3 IGC/FinDoc 5*).

3. Establishment of the IGC TRACECA Working Group (Council) of the Heads of Railways, Ports and Shipping Companies;

Take into account information on successful conducting of the Joint Meeting of the representatives of UIC, Permanent Secretariat of IGC TRACECA and Heads of Railways, Ports and Shipping Companies of TRACECA countries, held in Baku, Republic of Azerbaijan, July 17-18, 2003

Approve establishment of the IGC TRACECA Working Group (Council) of Heads of Railways, Ports and Shipping Companies as a coordinating body of the main infrastructure and transport operators of TRACECA countries.

4. Protocol on Amendments to the Basic Multilateral Agreement

In accordance with the Article 11 (Presentation of Amendments and Additions) of the "Basic Multilateral Agreement on International Transport for Development of the Europe-the Caucasus-Asia Corridor" and on the basis of Final Resolutions of the Second Annual Meeting of Intergovernmental Commission TRACECA on the transport corridor Europe - the Caucasus - Asia, authorized Heads of delegations signed the Protocol on Amendments to the Basic Multilateral Agreement on International Transport for Development of the Europe-the Caucasus-Asia Corridor. (*Amendment: 3 IGC/FinDoc 6*).

5. Draft Protocol on Amendments to the Technical Annexes on International Road Transport and Customs Documentation Procedures

Adopt as a base Draft Protocol on Amendments to the Technical Annexes on International Road Transport and Customs Documentation Procedures (*Amendment: 3 IGC/FinDoc 7*)

Recommend to the Parties to agree on the Protocol in the shortest possible time for its further signing at the next Annual Meeting of IGC TRACECA.

6. Draft Protocol on Amendments to the Technical Annexes on International Road Transport

Adopt as a base the Draft Protocol on Amendments to the Technical Annexes on International Road Transport of the Basic Multilateral Agreement (*Amendment: 3 IGC/FinDoc 8*)

Recommend to the Parties to agree on the Protocol in the shortest possible time for its further signing at the next Annual Meeting of IGC TRACECA.

7. Technical Annex on Multimodal Transportations

Adopt as a base the Draft Protocol on Amendments to the Basic Multilateral Agreement (*Amendment: 3 IGC/FinDoc 9*).

Recommend to the Parties to agree on the draft Technical Annex on Multimodal Transportations in the shortest possible time (*Amendment: 3 IGC/FinDoc 10*) for further signing of the Protocol on Amendments to the Basic Multilateral Agreement at the next Annual Meeting of IGC TRACECA.

8. Technical Annex on TRACECA Investment

Adopt as a base the Draft Protocol on Amendments to the Basic Multilateral Agreement (*Amendment: 3 IGC/FinDoc 11*).

Recommend to the Parties to agree on the draft Technical Annex on TRACECA Investment (*Amendment: 3 IGC/FinDoc 12*) in the shortest possible time for further signing of the Protocol on Amendments to the Basic Multilateral Agreement at the next Annual Meeting of IGC TRACECA.

9. Draft Protocol on Amendments to the Technical Annexes on Customs Documentation Procedures

Adopt as a base the Draft Protocol on Amendments to the Technical Annexes on Customs and Documentation Procedures (*Amendment: 3 IGC/FinDoc 13*).

Recommend to the Parties to agree on draft Protocol in the shortest possible time for its further signing at the next Annual Meeting of the IGC TRACECA.

10. Authority of the Permanent Secretariat of the IGC TRACECA

Transfer to the Permanent Secretariat of the IGC TRACECA authority to sign Memorandums of Understanding with International Organizations and International Financial Institutions (IFI's) according to the PS IGC TRACECA proposal and in agreement with the Parties.

11. Secretary General of the IGC TRACECA

In accordance with Article 3.3 of the Statute of the Permanent Secretariat of the IGC TRACECA the members of the IGC elected **Lyudmila Trenkova** as the Secretary General of the PS IGC TRACECA for the term of presidency of the Republic of Armenia in the IGC.

12. Strategy of the transport corridor Europe – Caucasus – Asia development for the period 2004- 2008 and proposals to the TRACECA Action Plan 2004-2006

Adopt the draft Strategy paper of development of the transport corridor Europe – Caucasus – Asia for the period 2004-2008 (*Amendment: 3 IGC/FinDoc 14*) for further elaboration of its final version and recommend the Parties to supplement the presented proposals to the TRACECA Action Plan 2004-2006 (*Amendment: 3 IGC/FinDoc 15*) with new proposals by the end of 2003 for its further approval.

13. Next Annual Meeting of the IGC TRACECA

In accordance with the Rules of Procedure of IGC TRACECA, the Third Annual Meeting of the IGC TRACECA recommended to summon the next IGC TRACECA Annual Meeting in Baky, Republic of Azerbaijan, at the end of 2004.

14. Yerevan Declaration

Adopt Yerevan Declaration. (*Amendment: 3 IGC/FinDoc 16*)

The Final Resolutions of the IGC TRACECA have been adopted on the consensus by the Parties of the Basic Agreement at the 3rd Annual Meeting of the TRACECA Intergovernmental Commission in presence of all Parties, in Yerevan, Republic of Armenia, on October 10, 2003.

F2



**THIRD ANNUAL MEETING
OF THE INTERGOVERNMENTAL COMMISSION TRACECA**
Yerevan / Republic of Armenia, October 9-10, 2003

**ТРЕТЬЕ ЕЖЕГОДНОЕ ЗАСЕДАНИЕ
МЕЖПРАВИТЕЛЬСТВЕННОЙ КОМИССИИ ТРАСЕКА**
г. Ереван / Республика Армения, 9-10 октября 2003 г.

YEREVAN DECLARATION

Intergovernmental Commission TRACECA assembled at its Third Annual Meeting on 9-10 October 2003 in Yerevan, Republic of Armenia, guided by the ideas and aims of the Brussels Declaration (1993), the Basic Multilateral Agreement on International Transport for the Development of Transport Corridor Europe-Caucasus-Central Asia (1998) and Baku (1998) and Tashkent (2002) declarations expressing endeavors and further development commercial and economic relationships, transport and communication links between regions of Europe, Black Sea, South Caucasus, Caspian Sea and Asia, hereby declare:

The Transport Corridor Europe - the Caucasus - Asia "TRACECA" was established in May 1993 in Brussels by 8 Independent States and the Commission of the European Union and is having successful development and more increasing significance in the process of integration. IGC Third Annual Meeting coincides with the 10th anniversary of EC-TRACECA program, which has opened new perspectives for the development of commercial and economic relationships, revived the ancient Silk Road and supported to the rapprochement of the countries and nations participating in the program. During the 10 years of its development TRACECA has proven its considerable role in forming global transport system, strengthening the bilateral and multilateral mutually beneficial relations, peace, security and economic progress.

TRACECA will further continue to provide the most favorable conditions for transportation of humanitarian aid and reconstruction materials to Afghanistan. It's gratifying that the active process of stabilization in Afghanistan opens new perspectives of development of the international transport corridor between the East and the West. In this respect, IGC TRACECA welcomes the readiness of the Islamic State of Afghanistan for joining to the Basic Agreement and becoming full member of TRACECA program.

IGC TRACECA welcomes the readiness of the Islamic Republic of Iran for joining to the Basic Agreement and TRACECA program, which will allow the engagement of additional freight flows from the East and the West.

IGC TRACECA on its Third Annual Meeting adopted Final Resolutions, which shall bring TRACECA to a new level of its development.

Optimistic forecasts of development of the international trade along the TRACECA corridor by international institutions require the Parties to the Basic Agreement and the European Union to transform TRACECA into the most attractive, safe, economically efficient international transport corridor, linking Europe and Asia via South Caucasus. Current changes and developments in the regions along the TRACECA Corridor – the "New Silk Route of the 21st Century" - require the adoption of adequate decisions at the level of Heads of the States.

In view of the above, IGC TRACECA verifying the importance of convening the Second TRACECA Summit, which was initiated and supported during the Tashkent Conference of IGC, refers to the European Union to support actively this initiative. IGC TRACECA took into consideration information of Georgian Party on readiness to hold Second TRACECA Summit in the first half year of 2004 in Tbilisi, Georgia.

Yerevan Declaration was adopted on the consensus by the Parties of the Basic Agreement, in presence of all Parties, at the 3rd Annual Meeting of the Intergovernmental Commission of TRACECA in Yerevan, on October 10, 2003.