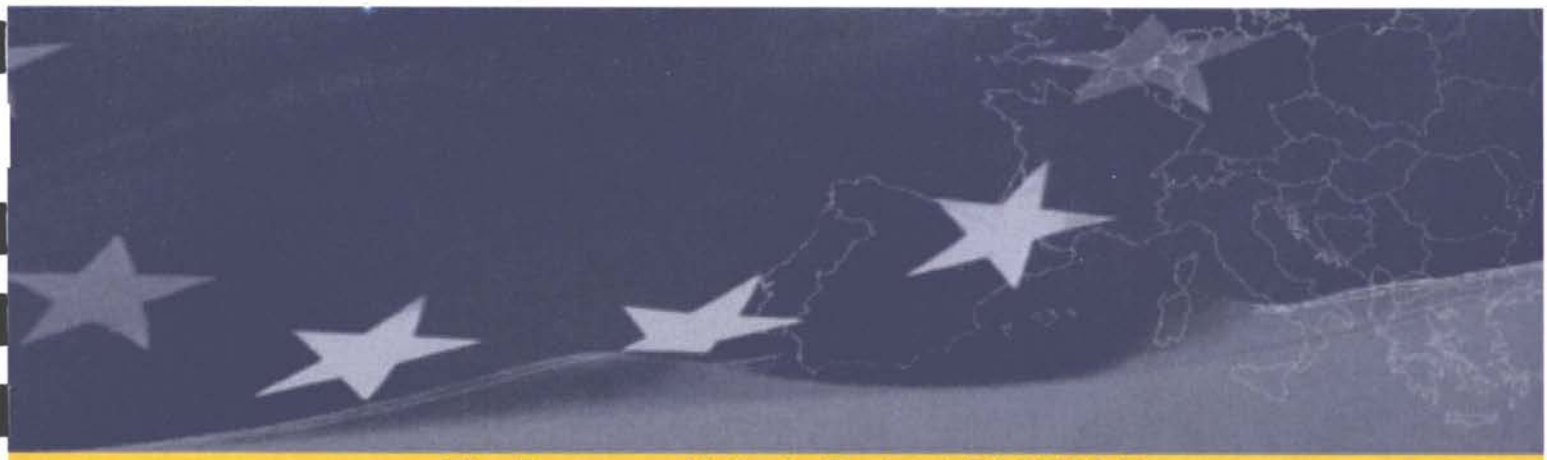

The European Union's Tacis - TRACECA Programme for Azerbaijan and Georgia

Railway Transit Oil Logistical Centre

for Azerbaijan and Georgia

Project Completion Report
January 2004

This project is funded by
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UNICONSULT Universal Transport Consulting GmbH
HPTI Hamburg Port Training Institute GmbH
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REPORT COVER PAGE

Project Title:	**Railway Transit Oil Logistical Centre**
Project Number:	**EUROPEAID 113200/C/SV/Multi**
Countries:	**Azerbaijan, Georgia**

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Abbreviations and Acronyms

ASR	Azerbaijan State Railways
BP	British Petrol Company
CU	Co-ordination Unit
EC	European Commission
EU	European Union
GPC	Georgian Pipeline Company
HGA	Host Government Agreement
MEP	Middle East Petrol Company
MM	Man-months
MoT	Ministry of Transport of Azerbaijan
MoTC	Ministry of Transport and Communication of Georgia
PCOA	Pipeline Construction and Operation Agreement
RTC	Rail Tank Car
RTM	Round Table Meeting
SPA	Supsa Port Administration
SPM	Single Point Mooring
Tacis	The European Union's Tacis Programme
ToR	Terms of Reference
TRACECA	Transport Corridor Europe-Caucasus-Asia

Acknowledgements

The Study on Railway Transit Oil Logistical Centre is now reaching its completion. After the original project time of twelve months, and extensions until February 2004, the main objectives have been achieved.

The Consortium acting as the Contractor was a group of consultancy firms, UNICONSULT GMBH (Lead Company), HPTI GmbH, and Transpetrol GmbH, all from Germany. The workload was fairly divided between the firms, with UNICONSULT and Transpetrol being engaged in the improvement of the oil transportation chain (Module A), and HPTI and UNICONSULT working on assistance for Supsa Port Administration (Module B).

The Project Partners

- Azerbaijan Cabinet of Ministers (later substituted by Ministry of Transport of Azerbaijan (MoT))
- Ministry of Transport and Communication of Georgia (MoTC)
- Azerbaijan State Railway Company (ASR)
- Georgian Rail (GR)
- Caspian Shipping Company (Caspar)
- Baku International Sea Trade Port (BISP)
- Batumi Port (BSP)
- Poti Port (PP),

but also the Target Groups (mainly private oil terminal operators and freight forwarders), provided assistance and support towards the success of the project.

The consulting team would like to express their thanks to Mr. Musa Panakhov (Deputy Minister of MoT) and Mr. Igbal Husseynov (Deputy Director of the Financial Credit Department, MoT), Mr. Vlado Chkaidze (Advisor to the MoTC), Mr. Teymur Mammadov (Deputy Head of Transport Operations, ASR), Mr. Zurab Suladze (Director of International Relations, GR), Mr. Ilham Mammadov (Head of service on foreign economic relations and commercial work, Caspian Shipping Company), Mr. Vahid Aliev (Deputy General Director for Economics and Marketing, BISP), Mr. Roin Nagashidze (Director Economics and Planning, BSP), Mr. Gocha Archaia (Head of Commercial Department, PP).

Their keen and professional interest, work and co-operation have been essential for the successful finalisation of the project. Thanks are addressed also to all staff members who cooperated with the project for their kind assistance and support.

We are also thankful for the assistance and facilitation rendered by the National Coordination Units, and to all EU / Tacis / TRACECA personnel, to whom we would like to express our sincere thanks for supervising, guiding, and co-operating to reach the projects final target.

1 Project Synopsis

Project Title:	Railway Transit Oil Logistical Centre
Project Number:	EUROPEAID/113200/C/SV/Multi
Countries:	Azerbaijan, Georgia

Project objectives

According to the Terms of Reference the project consists of two Modules not directly linked to each other. Module A aims at the improvement of logistics management for the transport of oil and oil products by rail between Baku and Batumi. Module B focuses on the feasibility of establishing and promoting the Supsa Port Administration

Specific objectives of Module A are:

a. to develop a forward looking concept for the rail transport of oil and oil products across the Caucasus;
b. to establish a network of logistic centres (points of contact and/or information).

Specific objectives of Module B are:

c. to establish an efficient management structure for the Supsa Port Administration;
d. to outline how to render services to tankers according to international standards;
e. *cancelled*
f. *new: to identify under which conditions Supsa Sea Port Administration can reach self-sufficiency.*

Project outputs

Expected outputs of Module A are

1. The transport chain of oil and oil products transported by rail across the Caucasus has been investigated and described
2. Technical, operational and organisational weaknesses and inefficiencies have been identified and investigated
3. A sustainable tailor-made oil transport by rail logistics concepts has been prepared. This comprises that an appropriate administrational set-up has been developed, an operations concept has been developed, communication links and interfaces have been designed, a customer-relations function has been designed, and responsibilities are efficiently attributed.
4. The concept is being implemented

Expected outputs of Module B are

5. Supsa Port is able to establish an efficient management structure.
6. Supsa Port is able to render services according to international standards
7. An oil terminal and tanker safety manual has been prepared and is ready for implementation

8. *cancelled*
9. *cancelled*
10. Navigational and vessel safety in the port and its approaches is assured
11. Pollution prevention and pollution combating measures are in place, an oil pollution contingency plan for Supsa Port is available.
12. *new: Supsa Sea Port Administration knows in which cases they would be allowed to levy charges on vessels calling at Supsa port.*

Project activities

Module A

1. Describe the oil transport chain from the places of production in the Caucasus via transhipment facilities to the places of destination.
2. Identify link capacities, capacity improvements, relevant stakeholders and decision makers, existing operation systems.
3. Describe available transport and storage facilities across the Caucasus, their characteristics and capacity.
4. Describe the composition of oil cargoes carried on rail, its quantities and frequencies.
5. Describe the organisational setup between all parties involved, communication links, cooperation systems, wagon tracking system (if available).
6. Elaborate a market study for oil transports by rail across the Caucasus.
7. Update the oil traffic forecasts for the rail link Baku and Batumi.
8. Identify the weaknesses in the sectors investigated above, taking into account projected growth.
9. Prepare recommendations on costs and environmental impact assessments
10. Develop and specify a sustainable tailor-made oil transports by rail logistics concepts including organisational setup, organisational and operational interfaces, communication links, allocation of responsibilities, CRM, logistics support units, operating budget requirements, staff requirements, marketing concept.
11. Discuss the concept with Project Partners
12. Assist in implementation of the concept

Module B

13. Study the institutional structural design issues of Supsa Port, prepare a critical review
14. Prepare recommendations for an efficient management structure
15. Prepare an oil tankers and terminal operations safety manual
16. *cancelled*
17. Study the logistical equipment issues for Supsa Port and make recommendations
18. Advise on the issues of navigational safety
19. Advise on the issues of environmental protection and prepare recommendations for an efficient and effective environmental protection system and for pollution control and combating equipment
20. Provide pre-project studies for berth construction for the port's auxiliary fleet

21. *cancelled*
22. *cancelled*
23. Specify training requirements in management, safety operations, safety and environmental protection
24. Assist the port administration in implementing the new administrational set-up.
25. *new: Review the Host Government Agreement and the Pipeline Construction and Operation Agreement*
26. *new: Investigate whether there exist similar cases in other parts of the world*
27. *new: Investigate in how far in other parts of the world vessels and vessel owners calling at Single Point Mooring facilities are charged with vessel and port dues*
28. *new: Elaborate on international practice*
29. *new: Elaborate in how far international practice and specific examples can be transferred to the Supsa case*
30. *new: Elaborate in how far the existing Georgian port regulations support the SPA's funding approach.*

Target groups	Oil operators, Batumi Port, Batumi Oil Terminal, Supsa Port Administration, Georgian and Azeri Railways, Baku International Sea Port, Caspian Shipping Company
Project starting date	6 December 2002
Project duration	14 months (including addendum)

2 Overall Report on the Total Project

2.1 *Commencement of Services*

The contract for the "Railway Transit Oil Logistical Centre" was signed on December 6th, 2002. As set forth in the Consortium's proposal, the provision of services was assigned as thus:

- Module A: UNICONSULT and Transpetrol
- Module B: HPTI and UNICONSULT

The first activities included the arrangement of logistics. Project offices in Baku, Tbilisi and Batumi have been set-up, staffed and equipped (with the approval of the Task Manager). Communication links between the project offices, the project coordinator, and the respective consultant's head offices were established. As the consultant was aware that his independence would be a major asset in mediating between the different interest groups, he carefully selected office locations which would not comprise this independent position.

The consultant held kick-off meetings with all Project Partners in order to inform them on the objectives of the project and the intended work plan. Moreover, the Project Partners were asked for assistance in facilitating and coordinating the project. Also, key Target Groups were identified and visited in order to inform them on project objectives and secure their cooperation.

2.2 *Activities and Progress: Module A*

Project activities started with an update of existing traffic forecasts and a status-quo analysis of the oil transportation chain by rail across the Caucasus.

Oil and oil products from Central Asia, mainly Kazakhstan and Turkmenistan, reach the Azeri ports of Baku and Dubendi via the Kazakh port of Aktau, or the Turkmen ports of Turkmenbashi/Ufra, Aladja and Okarem, before they are carried on by rial to the Georgian Black Sea coast (mainly Batumi). Updated traffic forecast indicated that cargo volumes may increase from about 9 million tonnes in 2002 to 16 million tonnes in 2010.

Discussions with local and EU experts, and representatives of Project Partners and Target Groups circled around different aspects or problems related to the transport chain, depending of course on the geographical position and role of the interview partner in the transport chain. Generally, three different groups of aspects were focused: cargo routes, infrastructure and rolling stock, operational procedures, organisational set-up. Obstacles mainly related to the following points:

- Part of the Caspian fleet has surpassed usual life span. The projected rehabilitation programme may improve the condition of the fleet if properly conducted. Ordered new buildings will provide some short term relieve but may not meet medium term demand.
- Handling limitations in Batumi have been relieved by putting into operation a new gantry able to unload low viscosity products in winter times. However, in order to handle much larger volumes either the average storage factor needs to be increased, or additional storage capacities have to be constructed. But even then, the existing marshalling capacities at Batumi may prove insufficient. The full development of modern RTC handling facilities at Poti Port operational since October 2002 will bring some relief.
- The majority of the 6,000 RTCs operating in the Caucasus is rather old and in urgent need of replacement. The number RTCs with steam-jackets is insufficient, though in 2003, Azerbaijan State Railways has received 108 new steam-jacketed RTCs (financed by the EU TRACECA Programme).

- Insufficient availability of RTC cleaning and maintenance and repair (M&R) facilities in the Caucasus.
- The condition of part of the railway network makes railway transports vulnerable to accidents (e.g. derailing), flooding and wash outs etc.
- Current track load on the single track between Samtredia-Batumi in summer time is already close to maximum capacity of the single track line. In winter times, power cuts at times reduce effective track load to the operational handling capacities of Batumi Oil Terminal.
- Weather conditions on the Caspian Sea, hindering loading and unloading activities in Caspian ports, and in the Caucasus affecting operations along the rail track.
- The temporary closure due to weather conditions of the Bosporus leads to massive congestion not only in Batumi but also along the rail track as obviously RTCs are loaded and sent on the Caspian side irrespective of the non-arrival or delay of vessels in Batumi.
- Lines of communication seem rather confusing, and different interview partners claimed to have the final word or at least be significantly included in decision making, even within the same institution.
- A direct consequence of these gaps in the information chain seems to be that trains wait at the dispatching station for several hours (sometimes 12 hours) until they can leave for the border station.
- The absence of an enforced "price" mechanism for delays (demurrage) together with the perceived gaps in the information chain encourage traders to unduly use tanks and especially RTCs as cheap intermediate storage.
- The "code of conduct" for not unloading cargoes respectively not loading cargoes into RTCs of customers at Baku and Dubendi who cannot present a tanker nomination in Batumi does not seem to be strictly enforced or can easily by bypassed by traders. Also, cargo coming from the Azeri refineries is sometimes sent without proper agreement with Alegratrans/Batumi Oil Terminal.

Tracking and Tracing was not considered a problem. The railways usually know where their trains and RTCs are, and almost every transport chain operator has its own tracking and tracing system, supported by staff along the track. Moreover, the railway were in the final phase of implementing a new management information system. Thus, the there was no demand for the introduction of new tracking and tracing system as envisaged by the Terms of Reference.

Tariffs did not seem a problem either as actual oil transport volumes are growing fast. However, it remains to be seen if tariffs will be flexible enough if oil prices drop and additional pipeline capacities have been deployed. Customs procedures have not been the focus of complaints of the parties involved in the transport chain, either. Most operators contract special Customs brokers who deal with Customs clearance. Loading facilities in Baku and Dubendi were generally considered more than sufficient.

Both railways consider their current number of shunting and long-haul locomotives as sufficient to easily handle the existing cargo traffic. Marshalling and shunting yards in and around Baku do not seem to restrict the operation of oil trains.

Above results have been included in the Progress Report No. 1 submitted to the Project Partners in May 2003. The Target Groups received an extended Management Summary only focusing on Module A of the project.

Discussions with Project Partners and Target Groups revealed that everybody knew about the shortcomings of the current situation. However, different parties had different views on the significance of single shortcomings, and especially on the origin of these shortcomings. Parties were moving around in circles mainly trying to solve problems in bilateral talks.

The consultant therefore proposed to organise and host a Round Table Meeting (RTM) sponsored by the TRACECA Programme. The idea was unanimously supported by all parties. During the first RTM held July

8th, 2003 in the premises of the TRACECA IGC in Baku, the results of the status quo analysis were presented to and discussed with representatives of all Project Partners and a considerable number of Target Groups. The meeting contributed to a significant objectification of the discussion and a reduction of recrimination. Moreover, first ideas for the conceptualisation of corridor improvements were discussed. At the end, all participants signed a Joint Statement approving the results of the consultant's status quo analysis and indicating four items (introduction of an optimal planning horizon, establishing of a corridor monitoring unit, new RTC management system, joint corridor marketing measures) which should be further investigated in developing the concept. Last but not least in was decided to meet again in September or October 2003 in Georgia in order to discuss the conceptual ideas to be elaborated by the consultant.

Based on the discussions and information gathered during the first RTM the consultant developed a draft concept during July, August and September 2003 and distributed it to all Project Partners as a technical report ("Conceptual Ideas for the Improvement of Oil Transportation by Rail along the trans-Caucasian Corridor", September 2003), a summary of which was also included in the Progress Report No. 2 submitted in September 2003. The draft concept and its implementation plan was pre-discussed with key parties before the second RTM, which took place on October 20th/21st, 2003 in the premises of the Ministry of Transport and Communications of Georgia in Tbilisi. The pre-discussions indicated that the concept was not in all aspects supported by the Project Partners. Some parts were considered as too advanced, others were seen as not specific enough. The railways complained that it did not sufficiently consider their specific interest, while the political sector favoured a state solution for the corridor monitoring unit rather than a "club of volunteers". Moreover, many parties stated that there should be only one Coordination Unit in the Caucasus. There would not be a need for up to three additional units as proposed in the Terms of Reference.

For the remainder of project activities under Module A up to the end see Chapter 3.1.

2.3 *Activities and Progress Module B*

Obviously, the situation concerning Module B encountered during the inception phase significantly deviated from the situation prevailing by the time of elaborating the Terms of Reference: Requested was a technical assistance to Supsa Port Administration (SPA) in further developing their administrative structure and the physical infrastructure. What the consultant found during their first mission was an SPA consisting of two staff, one Director and one Deputy Director, without any significant financial budget, and an unresolved question on whether SPA has the right to levy port dues on vessels calling at Supsa Port.

During the status-quo analysis the consultant found out, that Supsa Port Administration was established by presidential decree in 1999 and provided with an initial start budget funded by the government. However, it was made clear that after the initial phase Supsa Port Administration was to be self-sufficient, meaning it should be funded from income generated from port activities. But until today, the port administration has not been to generate any income from the port.

The existing terminal operator GPC (major shareholder BP) provides all port services to vessels calling at their Single Point Mooring facility (SPM) two miles offshore. This SPM is the only seaside terminal facility in Supsa Port and was constructed before the area was formally defined as a port. All tanker operators calling at the SPM pay to the private company for the provision of services. Any effort of the Supsa Port Administration to charge vessels with dues have come to naught. GPC in defending the interests of their customers so far reject all responsibilities of the Supsa Port Administration arguing that in fact Supsa Port is not a full-fledged port justifying the establishing a port administration with respective tasks, responsibilities and tariff rights. Moreover, according to the so-called Pipeline Construction and Operating Agreement (PCOA) and the Host Government Agreement (HGA) concluded between the Georgian Government represented by GIOC (Georgia International Oil Corporation) and several oil companies involved in the

exploitation of Azeri Chirag and Gunashli oil wells, the operator of the pipeline pays to the Georgian State a transit fee for every barrel of oil piped to Supsa across Georgian territory. The operator claims that this transit fee also includes all fees and dues related to the offshore loading of oil into tankers.

The Georgian side argues that Supsa port has been established by presidential decree, and through the existence of a loading facility, no matter if offshore or onshore, Supsa in fact serves as a port. Moreover, the Host Government Agreement covers only the fees up to the finalisation of the loading procedure, and is thus cargo related. Therefore vessels calling at Supsa are not included in this agreement and like in any other maritime country should be subject to the usual charges related to the utilisation of the countries maritime/port area.

The consultant's formal request to amend the Terms of Reference, which was substantiated in the Inception Report, was strongly supported by the Georgian Government and finally approved by the European Commission, effective May 2nd, 2003. The amendment foresaw that tasks related to investment planning and financial assistance should be cancelled in favour of tasks related to investigate the main funding base of the Supsa Sea Port Administration, i.e. the right to levy port dues on vessels calling at Supsa port.

The consultants submitted the technical report "Special Report on Supsa Port Administration" in July 2003 (a summary of which is included in Progress Report No. 2), analysing the possibility of approaching the terminal operator GPC as a funding source for SPA activities. The report stated that it would be very difficult to legally enforce the position of SPA, however the port administration has some very good arguments which should be discussed during a high level mediation process between the Georgian Government and the mother consortium of GPC. The mediator should be a mutually accepted independent regional organisation like TRACECA IGC.

All other task performed under Module B were then intended to provide SPA with more options and a clearer vision what to offer to the counter party during the mediation process, even though the financial issues of SPA are not resolved yet and an implementation of the consultant's proposals may thus only be possible in the medium or long term. The consultant sees it as indispensable that the SPA management can convincingly answer questions concerning their future management structure, tasks, handling safety, projected supra- and infrastructure, navigational safety and environmental aspects etc. in order defend their position during the mediation process in a credible way.

Subsequently, the consultant analysed the environmental situation in and around the designated Supsa port area, and investigated navigational aspects, which led to the drafting of articles for a Supsa Port Law. The environmental situation (based on on-site visits, meetings with representatives from the Georgian Ministries of Transport and Communication, and of Environment, from GPC, and information obtained from non-governmental groups) and the draft law have been discussed with Supsa port administration during August and September 2003. Results have been submitted with the Progress Report No. 2 in September 2003.

For the remainder of project activities under Module B up to the end see Chapter 3.2.

3 Project Progress in Final Project Period

3.1 *Module A*

Project progress during the reporting period (September 2003 to January 2004) has generally been according to plan.

With the submission of the Progress Report no. 2 in September 2003 the consultants provided a clear picture in how far the comments of the Project Partners and Target Groups during and after the Round Table Meeting (RTM) in Baku on July 8th, 2003 have been taken into account when developing conceptual ideas for the improvement of oil transportation by rail across the Caucasus. These conceptual ideas have been submitted to Project Partners and Target Groups also as a separate, more detailed document (also in September 2003) as preparatory material for the second RTM held in Tbilisi, October 20th/21st, 2003 (see Annex 6), which was requested by the participants of the first RTM.

In preparation of the second RTM, the consultant has discussed the conceptual ideas with representatives of selected project partners before the actual meeting took place in order to explain the ideas in detail and see in how far there is criticism of or support for different elements of the concept. The consultant's impression was that the Project Partners were more in favour of a more "conservative" solution and regarded part of the conceptual ideas as "too advanced" for the region, though they generally accepted the direction of the concept. During the meetings also questions on conceptual details such as the funding system for the monitoring centre and the latter's corporate status (profit or non-profit organisation) were raised.

Discussions during the second RTM were generally held on a high intellectual level, and after the "warm-up" phase, in a very professional atmosphere. The conceptual ideas were thoroughly argued and pros and cons debated. It became quite clear that resistance of public Project Partners against some elements of the concept (such as the introduction of a rail tank car leasing system like it is practiced by many EU railway companies since decades) was stronger than the respective support of the Target Groups. However, there was a common understanding among the majority of participants on key elements, such as the establishing of a joint monitoring unit and joint corridor marketing approaches, and further progress towards implementation.

Unfortunately, the political frame conditions (the meeting took place one week after the disputed presidential elections in Azerbaijan and two weeks before the parliamentary elections in Georgia) prevented some Project Partners to agree to and sign a Joint Statement, intended to lead the way to substantial changes in the organisation of a key sector of the Azeri and Georgian economy, the transport of oil, since aspects related to the production, processing and transport of oil are politically quite sensitive issues in the Caucasus. Thus, it was agreed to postpone any decision on further progress of the project until the political situation has been clarified, in order to secure the consensus of the new governments in both countries. It was decided to clarify open issues during a third RTM to be held in November 2003 in Baku.

Prior to the third RTM the consultant prepared a revised concept concentrating on the issues supported by Project Partners and Target Groups and eliminating heavily disputed items (see Annex 7). This concept together with a draft Joint Statement was discussed and agreed with Azerbaijan State Railways as well as Georgian Railways. During the third RTM (see Annex 8), which took place on Nov. 22nd, 2003 in Baku, all parties unanimously supported the concept and agreed on an implementation plan.

The implementation plan foresees that a working group comprising representatives of the Project Partners and Target Groups will develop a detailed Charter for a Corridor Coordination Centre and submit it to the Ministries of Transport of Georgia and Azerbaijan for approval. It was envisaged that by the end of February 2004, the Corridor Coordination Centre will be legally established. Headquarters of the centre should be located in either the building of the Azerbaijan Ministry of Transport or Azerbaijan State Railway Company. Progress towards formal execution of the implementation plan has been delayed by the political restructuring in Georgia, which also impacted on Georgian Railways (as one of the key partners of the Corridor Coordination Centre) and the Georgian Ministry of Transport and Communication. This situation also contributed to delays in the procurement of computer equipment from the incidentals budget, as no final

premises for the setup of the Centre's headquarters could be specified. It is to be feared that the contract will end before the funds can be fully spent.

3.2 *Module B*

The working paper on funding options for Supsa Port Authority (SPA) submitted in July 2003 indicated how important it is for Supsa Port to have full backing of all Georgian institutions involved in the oil transportation sector. At the same time it clearly showed how difficult it is to enforce any claims against the existing terminal operator at Supsa.

Needless to say, as the financial situation at Supsa Port is still unsettled all further tasks prepared are of rather forward looking nature for the moment, the port authority can raise sufficient funds to tackle the tasks related to below topics. During the reporting period the consultants have concentrated their efforts on the following aspects:

- Development of an efficient management structure, once the port authority will grow beyond the current size of the team (see Annex 9). The organisational development plan takes into account the likely stepwise evolution of tasks Supsa Port Administration needs to fulfill. The management structure primarily focuses on administrative functions leaving the commercial functions to private sector companies. Tasks are clearly attributed to different departments, responsibilities of different positions within the port administration clearly defined.
- Elaboration of pre-project studies on berth construction for the SPA auxiliary fleet like tugboat, pilot boat, fire fighting vessel (all to be purchased)(see Annex 10). The two main ideas for berth construction within the port area of Supsa Port are laid out, restrictions and technical items for further, detailed analysis clearly identified. The proposed layout seems technically feasible and is flexible enough to allow further extension of activities at Supsa Port. However, environmental concerns (as demonstrated in Progress Report no. 2, Annex 8) need to be taken into account.
- Specification of training requirements for port administration staff (see Annex 11). The specification concentrates on tasks related to a port administration in the narrow sense, thus: safety and security, management and organisation, dangerous goods handling (regulations), and environmental protection.
- Preparation of an oil tankers and terminals operations safety manual, e.g. for the moment when Georgia will fully take over the existing oil transshipment facilities (see Annex 12). Currently, all handling is carried out by a private operator. However, it is the task of the port authority to monitor the compliance of the terminal operator and arriving oil tankers with international safety regulations. The elaborated manual proposed guidelines for procedures to be applied in order to secure safe handling of cargoes and vessels. Ready-to-use checklists are attached.

In the light of SPA efforts to discuss different funding options with the existing terminal operator, the Georgian Government, private investors and various financial institutions, the elaborated documents help SPA to demonstrate the seriousness of their approach. All concepts are ready for implementation (feasibility study in case of berth construction) if funding can be secured.

4 Lessons Learnt and Recommendations

4.1 *Module A*

Project Partners and Target Groups: Module A

Project Partners comprised governmental institutions (ministries) as well as state-owned transport companies (railways, ports, shipping companies), while Target Groups primarily comprised private customers and partners of the state-owned companies (terminal operators, freight forwarders, traders, etc.).

Close contacts were established with both Partners and Target Groups. As the project called for a solution involving as much parties as possible in order to be successful, key players of the Target Groups were informed on about the same level as Project Partners in order to integrate the private sector to the same extent as the Project Partners.

The project succeeded in bringing away the discussion on necessary changes of the oil transportation chain from (often) bilateral talks in the backroom of some restaurant to an open multilateral discussion of the Round Table Meetings. It was the first time that all parties involved in the transportation of oil across the Caucasus sat around one table and openly exchanged their views. It was acknowledged by all participants of these Meetings that the Round Tables have led to a deeper understanding of the position of each party and increased mutual trust. Especially the private sector praised the opportunity to lift the discussion to a more professional and business-like level. The exchange of ideas under the frame of a project Round Table Meeting moderated by a trustful organisation like TRACECA was welcomed by many participants as an event which should be continued as regular institution even after the official end of the present project. At the end it was acknowledged that the project was a very big step forwards towards the realisation of the much needed Corridor Coordination Centre, which has intensely been discussed in the Caucasus for the last four years.

External Factors: Module A

External factors played a crucial role during the execution of the project. First of all, oil transportation is of vital importance for the Azeri and Georgian economy, and thus a politically very sensitive issue in the Caucasus, especially for the state-owned railways. Thus, political support for any changes to the current operation regime is not very high if the railways are not (more than) fully convinced that they will significantly benefit from these changes.

A second aspect, which needed to be taken into consideration was the existing informal network between medium and lower management railway staff and private operators, which led to discrepancies between publicly discussing significant changes and internally initiating these changes. Not all levels actually saw their benefits in an integrated solution.

Since the present project is a highly political one, the most important factor affecting the implementation of the project, however, was that both Azerbaijan and Georgia held major elections in autumn 2003, at a time when the Project Partners and Target Groups were scheduled to decide on a concept for the Corridor Coordination Centre and its implementation plan. In Azerbaijan, the presidential elections in October 2003 were accompanied by some street fighting and temporary uncertainty (even before the election) about the future course of Governmental policies. In Georgia, the results of the parliamentary elections in November 2003 led to public demonstrations ("velvet revolution") and subsequently to the resignation of the Georgian President. Then changes in the political class (e.g. resignation of the Minister of Transport and Communications) also affected the management of the railways (ousting of staff at higher management level, e.g. the railway president), which is now supplemented/controlled by a new supervisory board.

Lessons Learnt: Module A

- All parties have acknowledged that it is important to have an independent, non-profit organisation coordinating the oil transport planning process and monitoring the actual oil traffic along the TRACECA rail corridor through the Caucasus.

- The mediation/moderation of a recognised, credible and independent organisation like TRACECA IGC is helpful in bridging the gap between the state-owned and private sector when it comes to mutual cooperation projects.

- Oil transportation in the Caucasus is a politically very sensitive topic with a variety of vested (economic) interests not always visible at first sight. Requirements recognised at operational level may not always be reflected in decisions made at highest transport political level and vice versa.

- The state-owned Project Partner companies have been quite willing to actively support the project. However, senior staff and management have been caught in their day-to day work, which at times made it (quite understandably) difficult to obtain information or comments in a timely manner. As contractual clauses forbid to hire staff from e.g. the railway companies, qualified experts from the railways could not be offered a due financial reward for working overtime for project purpose in addition to their day-to-day routine.

- Generally, the lack of financial resources (budget) of the state-owned Project Partners will limit their contribution to the financing of the projected Corridor Coordination Centre. All Project Partners expect that the participating private sector companies will have to take over major parts of the set-up and operating cost of the CCC as the private sector is considered the main beneficiary of an improved coordination of transports.

- Private sector partners are already well advanced in applying international management technique and technical standards of service production. Railways in the Caucasus, similar to Western Europe, are still organised more like an administration. They know how to "do" their railway operational business (and the consultant was given to understand that in the past foreign consultants have sometimes been a little overcritical, almost questioning this ability). However, similar to the situation in Western Europe, there is a mismatch between the traditional railway business and new conceptual ideas as pushed forward by private transport operators. The railways have acknowledged that new concepts may be fruitful, simply the time has not come yet. Other things, like the rehabilitation of the physical rail infrastructure and support facilities like cleaning and repair yards need more urgent attention.

- All parties involved in the project have understood that they have to cooperate in order to increase the competitiveness of the Caucasian corridor vis á vis alternative routes. However, some parties still overemphasise the (transport) price as the sole criterion for the decision making process of their clients. Service quality, safety and reliability can be similarly important criteria for clients, especially when transporting high-value commodities. Here, the Caucasian corridor may have an advantage over competing routes, which should be developed further and marketed.

- The analysis of the transport chain between Baku and Batumi should be complemented by a view on the transport chain from the well/refinery to the Easter Caspian coast. Reportedly, the port of Aktau is running at full capacity, and there is little known about the condition of transhipment facilities in Turkmenbashi and loading capacities in Aladja and Okarem. Moreover, possible bottlenecks such as e.g. Chardzhou Bridge, need to be investigated, as well as the market demand for Kazakh oil and oil products in bordering China in order to fully assess, whether the conditions in Central Asia would support the expected positive effects of a new concept for the Caucasus part of the transport chain.

Almost all parties commented that the inclusion of partners from the other side of the Caspian Sea at an earlier stage would probably have significantly increased the value of the project. The consultant cannot confirm nor deny this statement. However, during a field mission to Aktau (Kazakhstan), the consultant learned that there was considerable interest in the project. Moreover, the consultant felt that there may be a need to invite clients and operators from the Eastern part of the Caspian Sea to this TRACECA project in order to listen to their requirements and thus have a further starting point to increase the competitiveness of this route vis á vis alternative routes like via Makhachkala (Russia) or through the Iran.

Recommendations: Module A:

As the Corridor Coordination Centre has not yet been legally established and cooperation on a multilateral level between all key players is difficult to maintain without support from outside (see above) it is proposed that the TRACECA Programme shall provide further implementation assistance, at least until a period of six months after legal establishing of the CCC.

This technical assistance is necessary to secure sustainability of CCC operations, specifically

- to ensure that the detailed CCC Charter will match the interests of as many parties involved in the oil transportation process as possible;
- to monitor that none of the (key) parties or related institutions causes further delays or torpedoes the implementation process by asking unreasonable and unjustified changes to the concept, or by trying to enforce items, which will unduly discriminate a party or a group of parties;
- to ensure that the CCC Charter is timely approved by the respective Ministries;
- to help the CCC to lobby its interests *vis à vis* customers or institutions not directly involved in the implementation process or operation of the CCC (e.g. environmental institutions);
- to monitor day to day working procedures of the CCC during the start-up phase of the venture (about first six months) with respect to compliance to the standard working procedures;
- to monitor the level of compliance of all partners of the CCC with their obligations (financial contributions, provision of information etc.).

The technical assistance will require the input of one Oil Transportation Expert or Railway Management Expert in the range of 7-10 mandays (depending on the difficulty of the process) on-site per month. The funds, which have not been disbursed for physical setup of the CCC as well as savings from the projects Incidentals Budget may serve as financial base for this assistance.

A second recommendation relates to the extension of the concept to the oil producing countries of Kazakhstan, Uzbekistan and Turkmenistan as the main clients of the oil route through the Caucasus. These countries should be involved in order to acknowledge this route as "their own route" rather than shipping volumes (e.g. for the European markets) through Russia and the Iran.

Since the concept for the Corridor Coordination Centre has already been developed, tasks would restrict to

- identifying the operational, organisational and technical shortcomings of oil transportation by rail on the Eastern side of the Caspian Sea,
- promoting the (already developed) concept with key parties in Kazakhstan, Uzbekistan and Turkmenistan (to be identified),
- adjusting the concept (if necessary) to the needs to the Eastern Caspian clients and operators, and
- identifying possible institutional and operational links between the Eastern Caspian oil operators and clients on the one side and the Corridor Coordination Centre in the Caucasus on the other. A viable option may be the establishing of a similar Centre in e.g. Kazakhstan.

This Technical Assistance for five countries (Azerbaijan and Georgia as beneficiaries of the present project should stay involved in the discussion process) would roughly require the following resources:

Transport Economist:	4.0 MM
Oil Transportation Expert:	2.5 MM
Railway Management Expert:	2.5 MM
Railway Engineer:	1.5 MM
Environmental Expert:	1.5 MM

These 12 MM of EU experts should be supplemented by local experts in the range of 10 MM. Project implementation time should be about six months. The Incidentals Budget should i.a. foresee funds for the organisation of two Round Table Meetings on the Eastern side of the Caspian Sea (for participants for Uzbekistan, Kazakhstan and Turkmenistan, and representatives of the CCC), and one or two Round Table Meeting in the Caucasus (for all five countries).

The final output should be an established transparent and workable coordination of the oil transportation chain from the origin of the cargo in Central Asia to the last transshipment point in the Caucasus (i.e. one of the Georgian Black Sea ports).

4.2 *Module B*

Project Partners and Target Groups: Module B

Project Partners comprised the Georgian Ministry of Transport and Communication (and their representative the Georgian Maritime Administration) as well as the Supsa Port Administration (SPA). Especially to the SPA the consultant held very close contacts. SPA profited from the project especially by gaining an understanding on the tasks a port administration should fulfil and by being provided with viable options how to solve their dispute with the terminal operator. The consultant also served as "sparring partner" for SPA in discussing "unorthodox" business ideas how to further develop the port and the port administration.

Target Groups comprised the existing terminal operator in Supsa port and their customers. Formal contacts with the terminal operator has been established. However, the ongoing dispute between SPA and the terminal operator allowed only selective information on project activities and results.

External Factors: Module B

The dispute on the legal basis for charging port dues at Supsa port between Supsa Port Administration and the terminal operator (defending the interest of its customers) has hampered the implementation progress of parts of Module B. Political backing for SPA has not been very pronounced as in pre-election times and during the negotiations for the BTC pipeline contract the willingness of politicians to lead a (public) dispute with one of the major investors in the Georgian oil sector was understandingly not very high. Without any immediate perspective of public (co-)funding at least of the port infrastructure and a regular income during he start-up phase of the port, the ability of SPA to attract investors is rather limited.

Lessons Learnt: Module B

- Supsa generally seems to be a suitable location for a port if facilities at Batumi and Poti run out of capacity, and extension of capacities will be limited due to space restrictions or prohibitively expensive. The existing SPM could guide the way towards positioning as a transshipment place for liquid cargoes.

- A more detailed analysis is necessary in order to thoroughly investigate especially possible environmental impacts on the land side (nearby wetlands!) as well as sea side (impact of port facilities on hydrological conditions in the mouth of Supsa river).

- Though the existing port administration is very pro-active and dedicated towards its task, the lack of budget funds has made it difficult to make significant progress towards the development of the port. A comprehensive port development plan does not exist yet, the present project could only deliver fragments for such a plan. The port administration has used up a considerable part of their time and financial resources in a struggle with the oil terminal operator on the rightfulness of levying charges on vessels calling at the SPM facility.

- As the identification of funding options seems to be of paramount importance for Supsa Port Administration, the management has developed a variety of "unorthodox" ideas for generating commercial income, which they defend with some vigor. Some of the ideas discussed with the consultant were not directly related to the consultant's general understanding of activities of a port administration, though we concede that a port administration may invest into commercial activities for their own benefit.

- SPA should start with activities on a small scale, e.g. by providing tug and mooring services for vessels calling at the SPM. SPA has understood that a direct confrontation with the existing terminal operator will most probably lead to nothing. The consultant has proposed to start a mediation process. However, the initiative should come from the Georgian Government or the Georgian oil company GIOC as only those two bodies have contractual relations with the existing terminal operator and its shareholders. For the mediation process, the port needs to present a comprehensive concept, which provides benefits also to the terminal operator. A starting point could be to provide e.g. tugboat services to the oil tankers at a lower price than the existing service provider but with the same quality. This would surely raise the credibility of SPA and facilitate the financing of structures for a SPA-owned auxiliary fleet.

Recommendations for Supsa Port:

SPA is confident that demand for additional (oil) port facilities along the Georgian Black Sea Coast will rapidly develop within the coming years. In this opinion the port administration is supported by various regional insiders and experts from the oil business. Supsa with its deep water SPM facility has a good opportunity to qualify as location for such additional facilities. The extension of liquid cargo handling facilities in Supsa may be feasible option to allow Batumi and Poti to further concentrate their extension plans on general and containerised cargo. Though the port area may be limited in space, there may be room in Supsa (Grigoleti) for the development of LNG facilities and oil transshipment facilities (from rail to vessel, given the short distance to the rail main line) with pipeline connections to tank farms in the near hinterland. Preparation of a full fledged and comprehensive business plan (feasibility study, including detailed environmental analysis, according to EU standards) will surely help SPA in their efforts to find investors and financiers for their ideas. This may also include marketing and investors relation assistance.

A first assessment of input necessary to further support SPA leads to following requirements:

- Port engineer: 33 mandays
- Hydraulic engineer: 33 mandays
- Transport Economist: 22 mandays
- Financial Analyst: 22 mandays
- Environmental expert: 44 mandays
- Marketing Expert: 33 mandays
- Local experts in the range of 200 mandays should support the team in soil and ground water analysis, undersea analysis and environmental investigation.

Annexes

Annex 1 Project Progress Report

Annex 2 Resource Utilisation Report

Annex 3 Output Performance Report

Annex 4 Project Completion Report

Annex 5 Project Performance Summary

Annex 6 Round Table Meeting No. 2 in Tbilisi: Meeting Minute, List of Participants, and Joint Statement

Annex 7 Concept for the establishing and implementation of a Corridor Coordination Centre to improve oil transportation by rail along the trans-Caucasian TRACECA route (Discussion Paper for the 3rd Round Table Meeting in Baku, 26 November 2003)

Annex 8 Round Table Meeting No. 3 in Baku: Meeting Minute, List of Participants, and Joint Statement

Annex 9 Management Structure for Supsa Port

Annex 10 Pre-investigations for berth construction for the port auxiliary fleet in Supsa Port

Annex 11 Training requirements at Supsa Port

Annex 12 Oil tankers and terminal safety manual

ANNEX 1: PROJECT PROGRESS REPORT

Project title: Railway Transit Oil Logistical Centre	**Project no:** EUROPEAID/113200/C/SV/Multi	**Countries:** Azerbaijan, Georgia	**Page: 1**
Planning Period: 6 September 2003 - 5 January 2004	**Prepared on:** 4 January 2004	**EC Consultant:** UNICONSULT-HPTI-Transpetrol Consortium	

Project Objectives: The objective of Module A is to improve the oil flow by rail in the Caucasus by developing and implementing an alternative operational and organisational concept
The objective of Module B is to assist the Supsa Port Administration in institution building and port development.

No	Activities Implemented	Time Frame 2003					INPUTS: PERSONNEL				EQUIPMENT & MATERIAL		OTHER	
		9	10	11	12	01	EU Cons Planned	EU Cons Utilised	Local Cons Planned	Local Cons Utilised	Planned	Utilised	Planned	Utilised
	Module A													
10.	Develop an oil-transport-by-rail corridor concept	X	XX	X			15 days	15 days						
11.	Discuss the concept with project partners		X	XX			16 days	16 days	5 days	5 days				
12.	Implement first steps of the concept				XX	X	19 days	19 days	..5 days	..5 days				
	Module B													
14.	Prepare recommendations for an efficient management structure	X	XX				17 days	17 days						
15.	Prepare an oil tankers and terminals operations safety manual		XX				9 days	9 days						
16.	Study the logistical equipment issues for Supsa Port			XX			10 days	10 days	5 days	5 days				
20.	Provide pre-project studies for berth construction		X	XX					20 days	20 days				
23.	Specify training requirements for Supsa Port management			X	X		19 days	19 days						
24.	Assist in implementation				XX	X	25 days	25 days	9 days	3 days				
		TOTAL					130 days	130 days	44 days	38 days				

ANNEX 2: RESOURCE UTILISATION REPORT

Project title: Railway Transit Oil Logistical Centre	**Project no**: EUROPEAID/113200/C/SV/Multi	**Countries:** Azerbaijan, Georgia	**Page:** 1
Planning Period: 6 September 2003 - 5 January 2004	**Prepared on:** 4 January 2004	**EC Consultant:** UNICONSULT-HPTI-Transpetrol Consortium	

Project Objectives: The objective of Module A is to improve the oil flow by rail in the Caucasus by developing and implementing an alternative operational and organisational concept
The objective of Module B is to assist the Supsa Port Administration in institution building and port development.

Resources/Inputs	Total Planned	Period Planned	Period Realised	Total Realised	Available for Remainder
Personnel (mandays) EU Experts Local Experts	 396 220	 130 44	 130 38	 396 214	 0 6
Sub-Total					
Equipment and Material	2 PCs 2 b/w printers 2 colour printers	2 PCs 2 b/w printers 2 colour printers	2 PCs 2 b/w printers 2 colour printers	2 PCs 2 b/w printers 2 colour printers	0 PCs 0 b/w printers 0 colour printers
Sub-total					
Other Inputs	Euro 25,000 for equipment of logistic information offices Euro 12,000 for organisation and execution of Round Table Meetings Module A.	0 Euro 12,000 for organisation and execution of Round Table Meetings Module A.	0 Euro 12,000 for organisation and execution of Round Table Meetings Module A.	0 Euro 12,000 for organisation and execution of Round Table Meetings Module A.	Euro 25,000 0
Sub-total					
Total					

ANNEX 3: OUTPUT PERFORMANCE REPORT

Project title: Railway Transit Oil Logistical Centre	**Project no:** EUROPEAID/113200/C/SV/Multi	**Countries:** Azerbaijan, Georgia	**Page: 1**
Planning Period: 6 September 2003 - 5 January 2004	**Prepared on:** 4 January 2003	**EC Consultant:** UNICONSULT-HPTI-Transpetrol Consortium	
Output results	**Deviation original plan (+ or - %)**	**Reason for deviation**	**Constrains & Assumptions**
3. A sustainable, tailor-made oil-transport- by-rail-logistics concept has been prepared and discussed - An administrational and organisational set-up has been developed - An operations concept has been developed - Communication links and interfaces have been designed - A marketing concept and customer relations function has been designed - Responsibilities are clearly and efficiently attributed 5 December 2003	completed		
4. First steps are being implemented 5 January 2003	75 percent completed	Equipment needs to be purchased	Procurement procedure leads to feasible offers concerning equipment and software within the given budget
5. Supsa port is able to establish an efficient management structure 5 December 2003	completed		
6. Supsa Port is able to render services according to international standards 5 December 2003	completed		
7. An oil terminal and tanker safety manual has been prepared. The port is able to establish handling safety measures. 5 December 2003	completed		
11. The port is able to establish pollution prevention and pollution combating measures. 5 December 2003	completed		

ANNEX 4: PROJECT COMPLETION REPORT

Project title: Railway Transit Oil Logistical Centre	**Project no:** EUROPEAID/113200/C/SV/Multi	**Countries:** Azerbaijan, Georgia		**Page: 1**
Reporting Period: 6 December 2002 - 5 January 2004	**Prepared on:** 4 January 2003	**EC Consultant:** UNICONSULT-HPTI-Transpetrol Consortium		
Reporting Period	**Main Activities Undertaken**	**EC Consultant**	**Inputs Utilised**	
			Materials and Equipment	**Other**
12/02-02/03	Module A 1. Describe the oil transport chain 2. Identify communication links, capacity improvements, relevant stakeholders etc. 3. Describe available transport and storage facilities. 13. Study the institutional structural design issues of Supsa Port *16. eliminated for tasks 25-30* *21. eliminated for tasks 25-30* *22. eliminated for tasks 25-30*	14 mandays 10 mandays 13 mandays 10 mandays	Computer, Communication and Office Equipment. Professional publication, e.g. World Energy Atlas	1 flight, 2 per diems (Brussels)
02/2003 – 05/2003	4. Describe the composition of oil cargoes. 5. Describe the organisational setup 6. Elaborate a market study for oil transports by rail across the Caucasus. 7. Review oil traffic forecasts 25. new: Review the Host Government Agreement and the Pipeline Construction and Operation Agreement 26. new: Investigate whether there exist similar cases in other parts of the world	10 mandays 15 mandays 15 mandays 5 mandays 5 mandays 5 mandays		2 flights, 5 per diem (Aktau); 1 flight, 3 per diem (Moscow), 1 flight (Paris).
05/2003 – 09/2003	8. Identify the weaknesses in the sectors investigated above. 9. Prepare recommendations on environment etc 10. Develop and specify a sustainable tailor-made oil transports by rail logistics concepts. 27. new: Investigate in how far in other parts of the world vessels and vessel owners calling at Single Point Mooring facilities are charged with vessel and port dues 28. new: Elaborate on international practice 29. new: Elaborate in how far international practice and specific examples can be transferred to the Supsa case 30. new: Elaborate in how far the existing Georgian port regulations support the SPA's funding approach.	15 mandays 37 mandays 48 mandays 10 mandays 5 mandays 5 mandays 10 mandays		

09/2003 – 01/2004	10. Develop and specify a sustainable tailor-made oil transports by rail logistics concepts. 11. Discuss concept with Project Partners 12. Assist in implementation of first steps 14. Prepare recommendations for efficient management structure 15. Prepare an oil tankers and terminal operations safety manual 17. Study the logistical equipment issues for Supsa Port 18. Advise on the issues of navigational safety 19. Advise on the issues of environmental protection 20. Provide pre-project studies for berth construction for the port's auxiliary fleet 23. Specify training requirements in management, safety operations, safety and environmental protection 24. Assist the port administration in implementing the administrational set-up.	17 mandays 16 mandays 19 mandays 17 mandays 9 mandays 10 mandays 12 mandays 15 mandays 24 mandays 25 mandays	Professional presentation material, e.g. Oil maps	€ 11,500 of Incidentals budget for organisation and execution of Round Table Meetings
TOTAL		396 mandays		

ANNEX 5: OUTPUT PERFORMANCE SUMMARY

Project title: Railway Transit Oil Logistical Centre	**Project no:** EUROPEAID/113200/C/SV/Multi	**Countries:** Azerbaijan, Georgia	**Page: 1**
Prepared on: 4 January 2004		**EC Consultant:** UNICONSULT-HPTI-Transpetrol Consortium	
Output results	**Deviation original plan (+ or - %)**	**Reason for deviation**	**Constrains & Assumptions**
1. The transport chain of oil and oil products transported by rail across the Caucas along the TRACECA corridor (Caucasian section) has been investigated and described and an existing traffic forecast for oil transports by rail is updated 5 May 2003	completed		
2. Technical, operational and organisational bottlenecks and inefficiencies have been identified and investigated 5 August 2003	completed		Customs and border police timely provide information relevant for the project and do not hinder project execution Georgian and Azeri Railways, the ports of Baku and Batumi as well as Caspian Shipping Company timely provide relevant information and support the project Access to state-owned facilities (including those of state-owned companies) relevant to the execution of project work is granted
3. A sustainable, tailor-made oil-transport-by-rail-logistics concept has been prepared and discussed - An administrational and organisational set-up has been developed - An operations concept has been developed - Communication links and interfaces have been designed - A marketing concept and customer relations function has been designed - Responsibilities are clearly and efficiently attributed 5 December 2003	completed		All parties involved in oil transport by rail (target groups as well as project partners, customs and border police) cooperate.
4. The concept is being implemented 5 February 2004	-25 percent		Procurement procedure leads to feasible offers concerning equipment and software within the given budget

Project title: Railway Transit Oil Logistical Centre	**Project no:** EUROPEAID/113200/C/SV/Multi	**Countries:** Azerbaijan, Georgia	**Page: 2**
Prepared on: 4 January 2004		**EC Consultant:** UNICONSULT-HPTI-Transpetrol Consortium	
Output results	**Deviation original plan (+ or - %)**	**Reason for deviation**	**Constrains & Assumptions**
5. The port is able to establish an efficient management structure 5 December 2003	completed		Implementation of management structure depends on availability of sustainable sources for funding the annual budget of Supsa Port Authority.
6. Supsa Port is able to render services according to international standards 5 December 2003	completed		Port is able to provide standard services once SPA can take over responsibility of existing facilities or is vested with funds to construct new facilities
7. An oil terminal and tanker safety manual has been prepared. The port is able to establish handling safety measures. 5 December 2003	completed		Port is able to establish safety handling once SPA can take over responsibility of existing facilities or is vested with funds to construct new facilities
8. The port is able to define an optimal programme of future development of the port	ELIMINATED		Resources for this output are allocated to Output 12
9. The port is able to attract investment for future development	ELIMINATED		Resources for this output are allocated to Output 12
10. Navigational and vessel safety in the port and its approaches is assured 5 September 2003	Partly ELIMINATED, remainder completed, +50 percent		Parts of resources for this output are allocated to Output 12. Draft Port Law provided.
11. The port is able to establish pollution prevention and pollution combating measures 5 December 2003	completed		Port is able to establish pollution prevention measures once SPA can take over responsibility of existing facilities or is vested with funds to construct new facilities
12. The Supsa Port Administration knows in what base she would be allowed to levy charges on vessels calling at Supsa Port 15 July 2003	completed		Results have been submitted by separate report to project beneficiaries of Module B

ANNEX 6:

2nd Round Table Meeting in Tbilisi, October 20th-21st, 2003: Meeting Minute, List of Participants, and Joint Statement

Meeting Minute

GENERAL

The second Round Table Meeting on Concepts for Improving the Baku-Batumi/Poti Corridor for Rail Transportation of Oil and Oil Products was held October 20-21th, in the premises of the Ministry of Transport and Communications of Georgia. The meeting was held in English and Russian with consecutive translation.

The objectives of the meeting were:

- to discuss with all key parties, involved in the organization and operation of the oil transport chain, principles and approaches for improvement of coordination along the transport chain and to agree on the operational and organizational issues discussed during the first round table meeting held in Baku,
- to clearly define the aspects in which the concept of the consultants can be adjusted and
- to determine methods and schedule for the implementation of the first steps.

Beginning of Round Table Meeting, Day 1: October 20th,14.00h

WELCOME NOTE

Mr. George Nijaradze, Deputy Minister of the Ministry of Transport and Communications of Georgia, welcomed the participants and stressed the importance of the Round Table Meeting.

PRESENTATION OF CONCEPT ELEMENTS 1 AND 2

The team leader of the project, Mr. Marcel Sames also welcomed all participants. The attendees were asked to study the prepared Draft Joint Statement, express their comments and propose amendments to be discussed towards the end of the meeting. The presented Draft just gives some ideas and the format for the final version. He pointed out that this procedures has worked very well during the last meeting in Baku.

Mr. Sames then presented the conceptual ideas, which had been submitted to the participants in detailed written form prior to the Round Table Meeting.

As was agreed during the first Round Table Meeting in Baku, the concept focuses on the four aspects of planning procedures, reorganization of RTC management, establishing corridor monitoring unit, and defining corridor marketing ideas (for details see attached presentation).

The concept should comply with the basic principles of nondiscrimination of clients, fair competition. The important role of the railway companies in implementing any conceptual ideas aimed at improving the attractiveness of the corridor was stressed.

The presentation then focused on the first two elements: planning and RTC management, leaving the remaining items for the second day.

COMMENTS FROM THE PARTICIPANTS

The comments were mostly expressed from the participants regarding: planning, separation of traction and TRC and Handling Confirmation Document. Joint statement of the both Railways (AR, GR) was not to talk about separation of traction and RTC, leading to no improvement of movement of block trains.

1. Comments Mr. Serdar Hajiyev, Middle East Petrol (MEP)

- The planning of the Corridor should be based on the possible number of RTCs that can be discharged by Alegratrans.

- The traction department of the railways shall concentrate on working according to existing timetables. In addition they should try to improve the timetables to facilitate faster transport between Baku and Batumi.

2. Comments Mr. Igbal Husseynov, Azerbaijan Ministry of Transport (MoT)

- The ideas of Azerbaijan as expressed in the first Round Table Meeting have not been included in the presented detailed concept. No meetings have been held by the consultants with the railways to clarify and develop their ideas.

- We have no objections against the presented planning procedures.

- To improve the usefulness of the Handling Document the responsibility of the receiving terminals should be stressed in the Handling Document even if it is not legally binding.

- Railways can rent out RTCs but after 8 days of normal transport time the fee should be at least 16–17 USD per day.

Intervention Mr. Marcel Sames: On behalf of the project team I cannot share the view that we did not take account of the railways' opinion in developing our approach. Following the first Round Table Meeting the team's railway management expert Mrs. Lagraulet and myself have held several meetings with representatives of ASR and GR, and we opine that our document in a balanced way stresses the role of the railways as key partners in developing solutions.

3. Comments Mr. Teymur A. Mammadov, Azerbaijan State Railways (ASR)

- The presented planning procedures do not have to be newly established. We have already a 24 hour and a two-day planning with GR. GR receives information from us on type of cargo, number of RTCs etc. However, we welcome the idea to create a joint data basis on oil transportation to facilitate planning.

- Similar principles as proposed by the Handling Confirmation Document are already observed. We daily receive information from Alegratrans on which cargo will unloaded. And, there is a separate unit within ASR specifically dealing with oil transportation.

- The renting out of RTC fleet will make the railways dependant on leasing companies. We use RTCs also for special purposes (e.g. discharging of tankers) where the leasing company will not provide RTCs on shot notice. Therefore we need to have our own fleet of RTCs.

4. Comments Mr. Lado Chkhaidze, Ministry of Transport and Communication of Georgia (MoTC)

- Project is not about coordination of railways but of all transport partners. However, in my opinion the concept focuses too strong on improving coordination of railways only.

- An improved transport planning should also take into account Kazakhstan and Turkmenistan.

- It is still not quite clear to me what will be the benefit of a new RTC management system.

5. Comments Mr. Zurab Suladze, Georgian Railways (GR)

- We had several meetings with Mr. Sames, and even though Mr. Lagraulet may have had several meetings with the Azeri side I cannot see that the railways' opinions are in detail reflected in the concept. We deem this concept not in favor of the railways. Some terms, and ideas seem alien to us. We now speak about improvement of transportation management, which is aimed at increasing of transport volumes. Both railways, if asked tomorrow can transport the suggested 16 million tonnes of oil and oil products. The focus somehow is made on improvement of operation of both railways, when in reality the problem lies with Batumi terminal. They should improve their work organisation.

- During soviet times there was monthly, ten-day and daily planning, which is still practiced (in an updated form) today.

- The idea to pay separately for traction and RTCs already exists in OCJD. GR has rented out 300 RTCs to Silk Road Group on a long-term base.

- Establishing of a coordination unit (name does not matter) is of paramount importance. It has to be only data unit.

- The Draft Joint Statement needs to be amended, in the present version we cannot sign it. But we will discuss tonight together with the Azeri side a reformulation.

6. Comments Mr. Gogi Gogiashvili, TRACECA Intergovernmental Commission Georgia

- I basically agree to the uttered opinions of both railways. However, it seems that problems either do not exist or some parties do not want to solve the problems. In my opinion the problem seems to be terms set by the client because the client changes these terms during the transportation process. The existing capacities especially of the receiving terminals are not adjusted to cope with frequently changing terms. In this regard I would like to hear some comments from the private companies.

Intervention Mr. Marcel Sames:

- We know that most of the planning that we have proposed is already existing. We did not intend to reinvent the wheel but rather to improve the spin. Our proposal focuses on formalising the planning process, increasing its transparency and extending it to all parties involved.

- The presented concept has been co-written by experts, who come from the railways and very much in favour of rail transportation. Maybe there are some translation problems, but our English version clearly stresses the importance of the railways. We do not focus on changing them, we see them as the core player in the implementation of any of our conceptual ideas.

- Our proposal on new RTC management ideas is not directed against railways. If today the clients set the terms and we deem them unfavourable for us, we should set our own terms and make the clients pay, thus leading to more disciplined structure. The structure we propose is working well in Western Europe. We even did not propose a solution as radical for the railways as in Western Europe but adjusted it to the situation and needs of the Caucasus.

- If the problem lies only with the terminals it will be difficult to change the situation, because nobody can force the private terminal operators to change their company policy. Therefore, we need a joint approach.

7. Comments Mr. George Topchishvili, Alegratrans

- With the new gantry our terminal can now handle 600-700 RTCs per day. In the past few months we had some problems with this gantry as it had to be improved several times. But now problems are solved.

- For us, the problem is to secure a timely departure of cargo from the terminal: 1) We encounter Incompliance of some cargo with the established standards. Especially cargo from Turkmenistan often does not have the viscosity indicated in the pre-shipment information, which leads to unexpected delays in unloading, e.g. instead of 5-6 hours sometimes up to 48 hours. 2) Goods are not taken by the consignors from the terminal in due time. Prices of oil cargoes fluctuate, thus often the client interrupts the agreed time schedule to wait for better prices. Unless these problems are solved all other discussions have no sense.

- The only solution is the improvement of coordination of the whole transport chain. We have daily communication with both railways.

- Currently there are two major suppliers of goods using our corridor; Kazakhstan and Turkmenistan. Kazakhstan is delivering a limited number of different crude oils regularly and in large lots, while product deliveries from Turkmenistan are problematic. They produce a variety of different types of cargo in small lots, which need to be stored separately. In addition some traders utilise the available storage in Batumi Terminal for their small lots and wait for prices to rise, which leads to the above-mentioned problems. We try to fine them for excess storage time but competition (with other corridors) is high and we do not want to loose customers. It would be good to work out measures how to influence the terms set by traders.

8. Comments Mr. Ramaz Giorgadze, GR

- If the quality of cargo is not in compliance with the respective certificate the terminal can refuse to accept the cargo.

9. Answer Mr. George Topchishvili, Alegratrans

- Yes, but in this case we would have refuse almost all oil products from Turkmenistan. But nobody will agree to loosing 100,000 tonnes of cargo per months just for this reason.

10. Comments Mr. Serdar Hajiyev, MEP

- Mr. Topchishvili has correctly identified the problems with Turkmenistan.

- I have the impression that the railways try to put the blame only on Alegratrans but for successful corridor operations all parties need to do their best. We must not blame each other but look for the reasons behind the problems.

11. Comments Mr. Tengiz Nakashidze, TeRo Shipping Agency

- I agree to the comments of Alegratrans but at the same time I also support the railways. The pre-planning of the loading of vessels is beyond the possibilities of the terminal operator given the often unreliable sailing schedules.

- Delays in unloading are especially caused by Turkmen fuel oil which has a very high viscosity. In the Caucasus only very few terminals can handle this type of cargo, and one of them is Batumi Oil Terminal.

END OF DAY 1: 18.30h

Beginning of Round Table Meeting, Day 2: October 21st, 10.45h

SUMMARY OF FIRST DAY

Mr. Sames summarized the discussion on the first two elements of the concept: The conceptual ideas concerning the planning procedures with special focus on the introduction of a new ten-day planning horizon were generally welcomed and supported by the participants. The ideas concerning the separation of traction and RTC management were not seen as helpful to improve corridor performance. The railways do not feel that they would benefit from a separate RTC management.

FURTHER COMMENTS ON ELEMENTS 1 AND 2

12. Comments Mr. Rafael Hasanov, Azertrans

- We have daily consultations with Alegratrans on cargoes to be sent during the following 4-5 days. Alegratrans passes on information to GR on a two-day basis. The problem is with Batumi terminal as rendered by Alegratrans. Personally I do not know how, within the short-term, the situation at the receiving terminals can be improved as we cannot precisely forecast and influence world market prices.

13. Supplementary Comment Mr. Topchishvili, Alegratrans

- Two-day planning is OK, since recent efforts by the railways have reduced transit time between Baku and Batumi to 48 hours.

- I want to stress again that it is very difficult for us to forecast the time schedule for approaching vessels.

14. Question Mr. Sames to ASR

- Are the railway companies involved in the mentioned 4-5 day planning procedure? Are these information at least passed on to the railways? Is the information passed on to the railways generally sufficient?

15. Answer Mr. Mammadov, ASR

- No, but in addition to the two-day planning we would like to get some detailed planning information from the terminals also on an extended time schedule if it is only preliminary data. So far, the information we receive from the terminals we deem as insufficient. Information on the terminals 4-5 day planning would be most helpful for us.

- We would like to have preliminary information on tankers approaching the ports, types of cargo to be handled, and origin of cargo etc. in order to deliver the RTCs for the approaching tankers.

- ASR has established a computer-based system which enables every dispatcher to track train movements. In case of establishing a joint data system it will be possible to get more specific info from GR as well as from other parties involved.

16. Comment Mr. Suladze, GR

- Our contribution to an intermediate planning horizon would also facilitate the work of the terminals operators in Georgia. In case we all have exchanged information and cargo volumes are preliminarily agreed it will ease the work for Alegratrans, too.

17. Comment Mr. Topchishvili, Alegratrans

- Planning procedures need to be standardised and improved in the near future. Planning should be computer-based. We support the set-up proposed in the written concept.

18. Comment Mrs. Firengiz Elyazova, MEP

- We inform Alegratrans on the cargo we intend to send. If Alegratrans refuses to unload it, we cannot send it. If the trader changes his plan and postpones the tanker to Batumi, then Alegratrans will not accept the cargo, then the railways will refuse to transport the cargo, and our terminal storage capacities are blocked.

19. Comment Mr. Topchishvili, Alegratrans

- Traders often change their mind. Thus, we need to cancel about 70 percent of our handling pre-acceptances.

20. Question Mr. Giorgadze, GR, to Alegratrans

- This seems to be a very high figure and a real problem to all of us. What is your solution?

21. Answer Mr. Topchishvili, Alegratrans

- Better information to all partners if plans are changed

- Fining customers for exceeding storage times. However, if fines are too high clients will reroute their cargoes to competing corridors. Demurrage should not be intended to make profit but to "educate" clients.

- Concerning demurrage all parties along the transport chain need to make concessions. We need a comprehensive demurrage system that does not discriminate a single part of the transport chain.

- Recently, we have seen that emergency measures, if quickly and jointly executed, work very well to prevent upcoming congestion. However, we need to standardise and formalise these measures and their execution.

22. Question Mr. Akif Mustafaev, TRACECA Intergovernmental Commission Azerbaijan

- If the fine for excess storage does not exceed storage cost, what would be the use of fining the client?

23. Supplementary Comment Mr. Suladze, GR

- The railways will loose, because of blocked storage there will be less roundtrips of RTCs.

24. Answer Mr. Topchishvili, Alegratrans

- Clients do not pay attention to fines as they are nothing in comparison of the losses or missed profits incurred by selling too early.

25. Comment Mr. Mustafaev, TRACECA IGC Azerbaijan

- Then we need a comprehensive demurrage system to which all transport operators agree. This system should be developed by the corridor coordination centre.

26. Comment Mr. Topchishvili, Alegratrans

- I entirely agree. But the demurrage system needs to be handled with care.

27. Comment Mr. Mammadov, ASR

- The railways already have a transparent demurrage system, and we are able to enforce it.

28. Comment Mr. Husseynov, MoT

- An enforced demurrage system could lead customers to rerouting their cargo. Thus, fines must be reasonable. However, if our route does not work properly clients, which are interested in a timely delivery of their cargo will leave.

29. Comment Mr. Hajiyev, MEP

- If we levy demurrage on delayed return of RTCs it should be in the range of USD 50 per RTC and day. This would deter unreliable traders but unfortunately also other customers.

30. Comment Mr. Gogiashvili, TRACECA IGC Georgia

- Traders should be respected. They are our customers, and we should enable them to make money

31. Comments Mr. Suladze, GR

- Our tariff policy is as transparent as of all the other operators along the transport chain.

- Currently there are numerous Russian and Central Asian rail tank cars within our transport system. For these RTCs on our railway network we have to pay 13.71 Swiss Franc per day to the RTC owner. After 30 days this rate increase to over 41 Swiss Franc. For us, this inhibits the risk of unprofitable rail transports. It would be good if we could pass on these costs to the traders, but it will be difficult to enforce. No customer will agree to that.

- We should definitely find a golden middle between not deterring our customers and at the same time not making losses.

- Traders will opt to pay storage duties rather than sell their goods at low prices. Thus, they will wait until oil prices rise and meanwhile keep their goods stored in RTCs.

32. Comment Mr. Mammadov, ASR

- Without the traders we would not be able to operate the corridor. Therefore we should create acceptable conditions for them. Fines should only be levied for constant misconduct.

33. Comment Mr. Topchishvili, Alegratrans

- We should try to attract more customers like TengizChevron, which are not so much depending on price fluctuations and more interested in a steady, reliable cargo flow. This would simplify operations and enable us to reject those traders, of whom we know they may block our capacities.

34. Comment Mr. Suladze, GR

- One way out would be to offer traders additional interim storage facilities, e.g. at special terminals along the corridor, maybe even owned by the railways. We should adjust to client's needs as the client is always right.

PRESENTATION OF CONCEPT ELEMENTS 3 AND 4

Mr. Sames briefly summarised the key points of the discussion on concept elements 1 and 2. Then he introduced the consulting team's ideas on establishing a corridor coordination centre (element 3) and a corridor marketing unit (element 4). Moreover, he presented options how to merge and combine different elements of the concept and proposed first measures suitable for implementation of concept elements.

35. Comments Mr. Husseynov, MoT

- There already exists a frequent exchange of information, so what would be the specific task of the coordination centre.

- The proposed options for establishing this centre are based on the principles of a non-profit organisation. So how can this centre interact with all the private companies?

36. Comments Mr. Hilmi Temiz, Almara International

- One of the key elements of marketing would be tariff policy. However, a joint marketing agency would probably not have the right to negotiate tariffs.

- Instead of having both a coordination centre and a marketing agency, marketing functions should be integrated into the coordination centre.

- Generally, I think the concept is well elaborated with many elements worth implementing.

37. Comment Mr. John Hodge, MEP

- It will be difficult to implement the concept of a corridor coordination centre. There is too much vested interest in the market. People are not going to work together.

38. Comment Mr. Mamuka Chantladze, TRACECA Coordination Team

- Most important is to influence the client. In this respect it needs to be clarified what will be the tasks and responsibilities of such a centre.

39. Comment Mr. Husseynov, MoT

- We do not need an information centre but a powerful organisation with the right to enforce measures. Main players are the state-owned railways. Therefore, we should rely on state structures to promote workable measures. The coordination centre should be integrated into the Ministry of Transport, maybe as a department.

40. Comments Mr. Topchishvili, Alegratrans

- The idea of a coordination centre has been around since the establishing of this oil transit corridor. But it is clear that the centre must not have political or operational functions. None of the parties involved will agree to that. Thus, it can have only two functions: logistics management and information.

- It must be profitable for the operators to participate in such a centre, otherwise the idea will fail. Thus, we must clearly see the benefit for us and compare it with the costs incurred on us for financing the services of the centre.

41. Comments Mr. Hasanov, Azertrans

- A marketing agency is needed to create awareness of the advantages of the corridor. Promotion is necessary also on the other side of the Caspian Sea, where many of our (potential) customers are located, and in Russia.

- The establishing of a coordination centre will take much longer than of a marketing agency. A marketing agency is a good concept and should remain relatively undisputed in this round.

42. Comment Mr. Suladze, GR

- What will be the legal status of this organisation. If it is a non-profit organisation, can this be legally registered in Azerbaijan. I am not so sure about this. I think a commercial organisation would be better, more feasible. It would give incentives to the centre management to do a better job.

43. Comment Mr. Giorgadze, GR

- It is more a question of terms and definitions. Instead of joint unit or agency we should use the terms corridor monitoring or coordination group and corridor marketing group to be more flexible in the joint statement. I propose to create working groups for coordination and marketing with an office in Baku. These working groups should form the basis for establishment of a corridor coordination centre.

- Operators from Kazakhstan, Uzbekistan and Turkmenistan should be invited to join the working groups.

44. Supplementary Comment Mr. Sames

- I highly welcome the idea. It matches very well with our proposal for a first implementation measure as stated in the Draft Joint Statement. We should also discuss of a core group of 5-6 people responsible for arranging regular meeting of the working group.

45. Comment Mr. Suladze, GR

- The working Group should consist of:

    - Sea ports
    - Railway companies
    - Caspian Shipping Company
    - Terminal operators
    - Major forwarders.

DISCUSSION OF JOINT STATEMENT

Mr. Sames suggested to discuss the one-page Joint Statement line by line.

The Joint Statement became a subject of loud debates. Nearly all the attendees spoke about the necessity of organizing the third meeting,

46. Comment Mr. Suladze, GR

- I cannot agree to the Joint Statement in the present form. Actually I cannot agree to any of the items mentioned in the Joint Statement. We only received it yesterday and did not have enough time to review it. The railways should have been involved in the drafting of the joint statement and the concept more deeply.

- I propose to hold a third meeting in Baku next months during which we should discuss the concept more deeply. And I suggested to consider the present document as a draft document, which would be the first step for signing the final statement, to be elaborated in Baku, based on the draft one.

47. Comment Mr. Sames

- What prevents us from establishing a working group in Baku like proposed by Mr. Giorgadze? Its members would further refine unclear aspects of the concept and later found the coordination centre.

- Why don't we go through the statement line by line like last time and discuss reformulations? It worked last time, why not now?

- A third meeting cannot be financed from the budget of this project. Moreover, we have still some resources in our budget for equipping an office for the coordination centre. If we delay the establishing of the office and do not spend the money before official project end (December 6th), the money will go back to Brussels.

48. Comment Mr. Hodge, MEP

- I cannot see what would be the use of a further meeting. During the two-day discussion we have in principle agreed on most of the items mentioned in the Draft Statement: necessity of improved planning, working group for coordination centre, marketing group. Items, which we did not agree on, like new RTC management concepts, can simply be erased from the statement.

49. Comment Mr. Mustafaev, TRACECA IGC

- The idea for this project has been born two years ago, when 4,000 RTCs were stuck on the corridor. Now we have succeeded in considerably decreasing the roundtrip times. However, we should be aware that the problems are not really solved. When oil prices go down unexpectedly, we may again face a similar situation as two years ago.

- When this project is at an end the Georgian and Azeri side will be left alone with the implementation of this project. We therefore should make the most of the remaining time and not delay decisions.

50. Comment Mr. Richard Lax, Delegation of the European Commission in Georgia

- I want to emphasise the comment of Mr. Mustafaev. If we leave the room today without any agreement, we may put the project at risk and are giving the wrong signal to Brussels. As far as I understood you all in principle agreed during the discussions on many items. So lets put this in words.

51. Comment Mr. Suladze, GR

- All of us could finance our attendance in a third meeting in Baku ourselves, and Azeri side could easily host us. Again, I restate that we refuse to sign the Joint Statement as it is presented. We think that the consultant should have jointly elaborated it with our railway experts.

52. Comment Mr. Gogiashvili, TRACECA IGC

- Mr. Mustafaev and me, we both as TRACECA National Secretaries, support to arrange a third meeting on the establishing of a corridor coordination center. However, we consider that today a Joint Statement needs to be signed.

53. Comment Mr. Hodge, MEP

- Let's get back to the text of the statement. We all agreed that it is useful to have a joint marketing concept. So, why don't we leave the idea of a one-time joint railway marketing unit preparing a joint appearance during one upcoming major event in the statement. It is a good idea and a one-time shot. If it does not work, this unit will be dissolved.

54. Comment Mr. Suladze, GR

- I have no objection to that.

The consulting team together with the representatives of Georgian Railways amended the Joint Statement which in the end only focused on the need to establish a Corridor Coordination Centre and the organisation of a third meeting to be held in November in Baku. The consulting team envisaged to present to the railways within one week all documents necessary for the preparation of the third meeting. The railways promised to review and amend these documents and return them in due time to the consultants. All participants agreed to finance attendance in the third meeting by themselves.

The meeting ended with the signing of the amended Joint Statement.

END OF ROUND TABLE MEETING: 19.00h

2nd Round Table Meeting in Tbilisi, October 20th-21st, 2003: List of Participants

1. Mr. Lado Chkhaidze (Advisor to the Minister of Transport and Communication of Georgia)
2. Mr. Irakli Davitadze (Representative, Ministry of Transport and Communications of Georgia)
3. Mr. Paata Tsagareishvili (Representative, Ministry of Transport and Communications of Georgia)
4. Mr. Igbal Husseynov (Deputy Director of the Financial Credit Department, Azerbaijan Ministry of Transport)
5. Mr. Richard Lax (Task Manager, Delegation of the European Commission in Georgia)
6. Mr. George Gogiashvili (National Secretary of Georgia, TRACECA Intergovernmental Commission)
7. Mr. Akif Mustafaev (National Secretary of Azerbaijan, TRACECA Intergovernmental Commission)
8. Mr. David Budjiashvili (TACIS National Coordination Unit, Georgia)
9. Mr. Mamuka Chantladze (TRACECA Coordination Team, Georgia)
10. Mr. Zurab Suladze (Director of International Relations, Georgian Railways)
11. Mr. Ramaz Giorgadze (Head of the International Relations Department, Georgian Railways)
12. Mr. Ramin Mitaishvili (Deputy General Director in Economics, Georgian Railways)
13. Mr. Tamaz Tsikhelashvili (Head of Economic Department, Georgian Railways)
14. Mr. Teymur A. Mammadov (Deputy Head of Transport Operations, Azerbaijan State Railways)
15. Mr. Ilham Mamedov (Head of service on foreign economic relations and commercial work, Caspian Shipping Company)
16. Mr. Gocha Archaia (Head of Commercial Department, Poti Port)
17. Mr. Vahid Aliev (Deputy General Director for Economics and Marketing, Baku International Sea Trade Port)
18. Mr. Hilmi Temiz (Vice President, ALMARA International)
19. Mr. George Topchishvili (Logistics Manager, Alegratrans Baku)
20. Mr. Mamuka Vadachkoria (Representative, Alegratrans Batumi)
21. Mr. Raphael Hasanov (Logistics Director, Azertrans)
22. Mr. Ali Apaydin (Director, Channel Energy Poti Ltd)
23. Mr. John Hodge (General Manager, Middle East Petrol)
24. Mr. Serdar Hajiyev (Railway Transportation Manager, Middle East Petrol)
25. Mrs. Firengiz Elyazova (Customer Relations Manager, Middle East Petrol)
26. Mr. Tengiz Nakashidze (Representative of Batumi Sea Port, and Head of Operational Department, TeRo Shipping Agency)
27. Mr. Manuel Ockert (Team Leader Tacis Supervision of the Supply and Delivery of Track, Turnouts and Handling Equipment for the Rail Ferry Terminal at the Port of Batumi, Hamburg Port Consulting)
28. Mr. Marcel Sames (Project Team Leader, UNICONSULT)
29. Mr. Peter Kuehn (Railway Engineer, UNICONSULT)
30. Mrs. Birgit Hegerding (Railway Marketing Expert, UNICONSULT)
31. Mr. Sergo Tsipa (Transport Engineer, UNICONSULT)

2nd Round Table Meeting in Tbilisi, October 20th-21st, 2003: Text of Joint Statement

Joint Statement

Having thoroughly discussed the conceptual ideas presented to us during the second "Round Table Meeting on Concepts for Improving of the Baku-Batumi/Poti Corridor for Rail Transportation of Oil and Oil Products" held on October 20th-21st, 2003 in Tbilisi, we the Representatives of major transport Institutions and companies suggest to start realizing the conceptual ideas by implementing the following measures:

- Before the end of 2003, an office shall be established in Baku with the objective to prepare all administrative steps necessary for the foundation of a Corridor Monitoring Centre (setting up office, legal registration, etc). The details will be discussed at the meeting in Baku, to be held in the second half of November 2003.
- To prepare documents for establishing the above-mentioned body, a working group including all the representatives of transportation process is to be created, and the team leader of the present TRACECA Project be asked to facilitate equipment of an office of the given group.
- Following our recommendation in the Joint Statement of the first "Round Table Meeting on Improvements on Oil Transportation by Rail along the Trans-Caucasian TRACECA Corridor" held in Baku on July 7th, 2003, we strongly support to familiarise Central Asian transport institutions and transport operators with our conceptual approach and invite them to participate in further developing the trans-Caucasian TRACECA rail corridor as an important outlet for Central Asian oil cargoes to world markets.

Tbilisi, October 21st, 2003

2nd Round Table Meeting in Tbilisi, October 20th-21st, 2003: Signatures of Joint Statement

Representative of the
Ministry of Transport and Communication of Georgia _____

Representative of the
Ministry of Transport of Azerbaijan _____

Representative of
Georgian Railways _____

Representative of
Azerbaijan State Railways _____

Representative of the
Caspian Shipping Company _____

Representative of
Batumi Sea Port _____

Representative of
Poti Port _____

Representative of
Baku International Sea Trade Port _____

Representative of
Azertrans, Baku _____

Representative of
Middle East Petrol, Baku _____

Representative of
Alegratrans, Moscow _____

Representative of
TeRo Shipping and Forwarding Agency, Batumi _____

Representative of
Channel Energy, Poti _____

In witness thereof:

National Secretary of Georgia,
TRACECA Intergovernmental Commission _____

National Secretary of Azerbaijan
TRACECA Intergovernmental Commission _____

Логистический Центр Железнодорожных Транзитных Перевозок Нефти

ТРАСЕКА

Круглый Стол 2:
Принципы Улучшения Баку – Батуми/Поти Коридора для Железнодорожных Перевозок Нефти и Нефтепродуктов

Подписывающие Стороны Совместного Заявления

Представитель
Министерства Транспорта и Связи Грузии

Представитель
Министерства Транспорта и Связи Азербейджана

Представитель
Грузинской Железной Дороги

Представитель
Азербайджанской Государственной Железной Дороги

Представитель
Каспийского Пароходства

Представитель
Батумского Порта

Представитель
Порта Поти

Представитель
Бакинского Международного Морского Торгового Порта

Представитель
Azertrans, Баку

Представитель
Middle East Petrol, Баку

Представитель
Alegratrans, Москва

Представитель
TeRo Shipping and Forwarding Agency, Батуми

Представитель
Channel Energy, Поти

Программа Европейского Союза Тасис- ТРАСЕКА
Для Азербайджана и Грузии

г. Тбилиси, 20 и 21 Октября 2003 г.

2/3

A project funded by the European Union

Tacis Логистический Центр Железнодорожных Транзитных Перевозок Нефти TRACECA

Круглый Стол 2:
Принципы Улучшения Баку – Батуми/Поти Коридора для Железнодорожных Перевозок Нефти и Нефтепродуктов

В присутствии:

Национального Секретаря Грузии
Межправительственной Комисии TRACECA

Национального Секретаря Азербайджана
Межправительственной Комисии TRACECA

Программа Европейского Союза Тасис- ТРАСЕКА
Для Азербайджана и Грузии

г. Тбилиси, 20 и 21 Октября 2003 г.

3/3

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ANNEX 7:

Concept for the establishing and implementation of a Corridor Coordination Centre to improve oil transportation by rail along the trans-Caucasian TRACECA route (Discussion Paper for the 3rd Round Table Meeting in Baku, 26 November 2003)

1 Introduction

The following concept for the establishing and implementation of a Corridor Coordination Centre is based on the presentations and discussions of the second "Round Table Meeting on Concepts for Improving the Baku-Batumi/Poti Corridor for Rail Transportation of Oil and Oil Products" held October 20th -21st, 2003 in Tbilisi under the framework of the EU TRACECA project Railway Transit Oil Logistical Centre.

Below elaborations reflect the comments and remarks made by the project partners and target groups of the project to a maximum possible extent, at the same time compromising diverging ideas.

2 Establishing of a Corridor Coordination Centre

2.1 *Coordination Centre*

Objective

Overall objective of the Centre to be established is to provide a joint platform for coordinating traffic operations and traffic planning of oil transports by rail across the Caucasus.

Pre-conditions

The following aspects need to be addressed when developing a concept:

- As many players as possible should be involved in establishing this entity or centre in order to secure broad based support for the objectives and activities of the new institution.
- Importance of transparency of activities cannot be overstated. The centre should be open to all transport operators and interest groups and act independently of single interests.
- Interference of the new centre's activities with the operational activities of participating companies should be restricted to a minimum in order not to disturb competition.
- It will be important for the centre to have access to existing information flows and sources (e.g. railway database, information exchanged between terminals) in order to avoid spending resources for establishing a parallel system.

Participants

The Coordination Centre should be established and supported on a voluntary base by the partners engaged in the operation and organisation of oil transports via the trans-Caucasian route, but act independent of the interest of any single company. At least, all major players should be members of this Centre, especially the railway companies, the oil terminal operators, and major transport chain operators, but also the port companies, and Caspian shipping companies.

Tasks

The Coordination Centre should concentrate on the following tasks:

- Coordinate and monitor actual traffic operations on the trans-Caucasian corridor.
- Introduce an intermediate planning horizon supplementing the existing two-day and monthly planning
- Increase transparency and coordination of the traffic planning process. All planning documents exchanged between participants of the transport chain should be sent in copy to the Centre. Possible upcoming problems can be detected at an early stage, thus helping to reduce corridor downtimes due to planning failures.
- Develop and implement standards for electronic data transmission between participants of the planning and monitoring system.
- Actively develop and implement standardised "emergency measures". The proposal shall be communicated to all participants of the system and upon their approval be implemented by the Coordination Centre. In case of foreseeable problems and congestion, the centre should propose adequate measures to avoid these problems.
- Develop a comprehensive demurrage system valid for all oil transport and handling operators along the corridor from the Caspian East Coast to the Georgian Black Sea Coast. All transport and handling operators should agree to this system. The demurrage system should be transparent for all customers of the transport chain. In addition the system must be leveled in the sense that demurrage per tonne should be the same for vessel, tank and RTC in order not to give economic incentives for customers to select a specific mode for extended periods of interim storage of cargo.
- Develop a database where all participants' information concerning oil transport is collected and monitored.

Location

The Coordination Centre should be located in Baku, since here most of the operators have their main office.

Financing

The Centre should be established as non-profit (non-governmental non-commercial) organization according to the Civil Code and Law of Azerbaijan Republic about registration of legal persons. As this organization will have no profits it will be exempted from all taxes. Application for registration will be filed with the Azerbaijan Ministry of Justice. Centre activities will be financed by membership fees of participating companies.

The fees shall be paid on a quarterly base. There will be five categories for membership fees determined by the number of company employees.

- Category 1: 1-10 employees
- Category 2: 11-40 employees
- Category 3: 41-100 employees
- Category 4: 101-500 employees
- Category 5: more than 500 employees

The higher the category the higher will be the membership fee. The concrete level of category membership fee will depend on the number of participants and the level of Coordination Centre cost and thus need to be determined at a later development stage.

The category of membership will also determine the number of votes a company has in General Assembly decisions, e.g. it could be established that a company of category 5 will have 5 votes, a company of category

4 will have 4 votes etc. The membership can be terminated towards the end of a quarter with four weeks notice time.

Organization

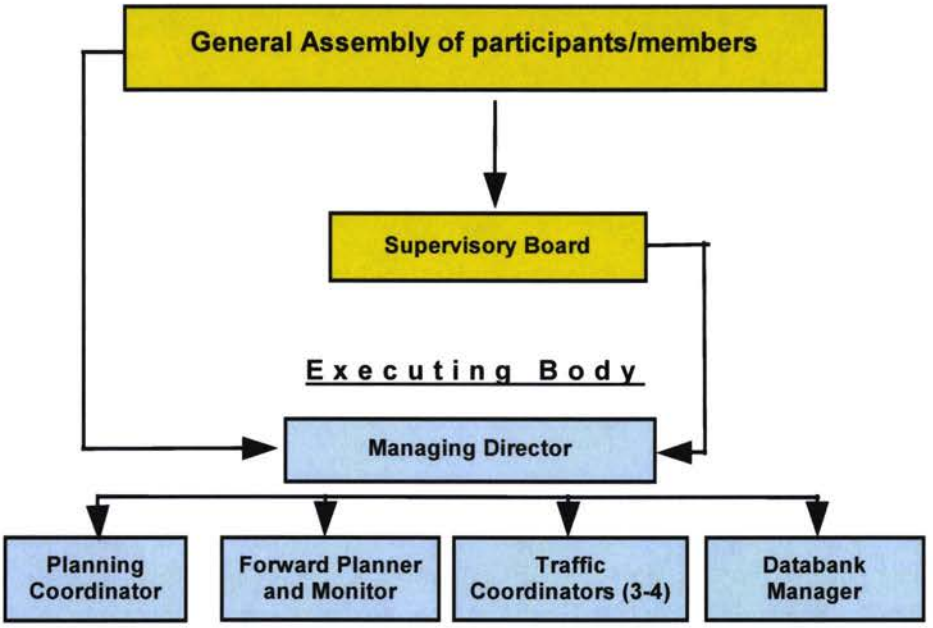
The Coordination Centre should be designed as an independent unit. Responsible for the day-to-day management of the Coordination Centre's tasks and affairs shall be an Executing Body. For the beginning this Executing Body shall consist of a managing director and seven or eight specialists. The team of specialists will comprise one transport planning coordinator, and three or four rail traffic monitors organising a shift system for 24-hour corridor monitoring. Moreover, the team will have one forward planner and monitor, who will be responsible for checking and monitoring the situation for the coming days ahead by simulating the traffic on the corridor given the planning of the transport operators and information on the expected situation along the corridor (e.g. whether all vessels are expected in time, or major construction work planned on main track, etc.). Last but not least the team will be completed by a databank specialist/IT expert.

A later extension of services and thus of personnel will be depending on the success of this Centre.

The ultimate decision making body concerning all questions related to responsibilities and degree of executing power of the Coordination Centre is the annual General Assembly. The General Assembly determines whether the activities of the Coordination Centre have been useful and according to the participants' expectations or not. Thus, only the General Assembly on their annual (or six-monthly) meetings can decide on extending or decreasing the scope of activities or terminating work once the Executing Body has been established. In the period between the General Assemblies a Supervisory Board annually or bi-annually elected from among the participating institutions will represent the will of the participants. The Supervisory Board should have 4-6 members, including one representative of each railway company. The Board supervises and monitors the Executing Body and meets regularly about three to four times a year with the managing director to discuss past activities and lessons learnt from the Centre's activities. Moreover, through the Board the participating companies can utter criticism and their ideas how to improve Centre operations.

The Coordination Centre as defined above should not serve as an executing agency in day-to-day operations, i.e. it shall not serve as transport operator and shall not have any direct contacts with the operators' customers. In this respect, the Coordination Centre is a purely "internal" organisation. It is not intended to serve as a contact point for cargo owners or traders in the sense of a one-stop-shop.

Figure 1: Organigram of proposed Corridor Coordination Centre



Staff descriptions

The managing director should be a person of undisputed reputation with ample knowledge and experience in railway operations and freight forwarding. He should have well-established contacts with the major transport operators, especially the railways and larger transport chain organisers. The managing director should have the intellectual capacity to transfer the conceptual ideas and recommendations of the participating companies (e.g. the General Assembly) into workable measures and successfully implement them with the help of his staff. In doing so, he needs to have the stamina and personality to resist single interest groups and focus on efficient operation along the whole corridor, not just single stretches and nodes.

The Coordination Centre should employ three to four traffic coordinators, who will be responsible for checking whether the actual rail traffic situation on the corridor is in line with the short-term planning of the operators. Deviations will be noted, major disturbances immediately pointed out to the respective companies and the forward planner (see below).

The traffic coordinators should be well familiar with the complex work of a railway dispatcher and willing to work in shifts. Moreover, they should be skilled in computer software applications, as coordination and monitoring shall be computer-based.

The planning coordinator should focus on the compliance of participating companies with the time schedule and procedures of the planning process. He would be responsible for claiming missing information, and report non-compliance with agreed planning procedures to the managing director. Also, the planning coordinator would use the Centre's database to analyse past deviations from planned traffic, identify possible reasons for deviations and elaborate proposals on measures suitable to avoid such deviations.

A candidate for this position should be a reliable, almost pedantic person with expertise and experience in developing railway time tables. He should also be well familiar with the requirements of transport chain operators and terminal operators concerning data quality, timing of information flows, and possible confidentiality of information, and have good contacts to the planning divisions/departments of the participating companies. Moreover, the candidate should have analytic skills.

The forward planner and monitor will check the feasibility of planned oil traffic in the light of information on corridor utilisation by other traffics, vessel schedules, assumed utilisation of storage capacities and other relevant information regarding the rail corridor. He will identify foreseeable disturbances in corridor operation and define and propose suitable counter-measures.

For this position a person with high analytic skills and considerable experience in rail traffic planning is required. He should be extremely well familiar with current and potential problems of transporting oil and oil products along the trans-Caucasian corridor. Moreover, the person should have the intellectual capacity to quickly develop feasible solutions how to possibly avoid upcoming congestion.

The databank manager/IT specialist will be responsible for developing a standardized data transfer system to facilitate the data exchange between the participants and the Centre. In addition, he should develop a specialized coordination, monitoring and planning tool for the Centre. Moreover, he will serve as network administrator and trouble shooter for all computer problems arising at the centre. Last but not least, he would support the planning coordinator in analysing past deviations from planned traffic, identifying possible reasons for deviations and elaborating proposals on measures suitable to avoid deviations.

In order to fulfill above tasks the databank manager should have a degree in computer sciences and experience in programming software tools with interfaces to the Internet. Moreover, he should be familiar with server administration.

The Executing Body will be supplemented by a Secretary/Office Manager who should also be responsible for the financial administration and book-keeping.

Cost Estimate

Setting up a headquarter office:

Renovation: Aside from usual repair, all electrical installations and telecom connections need to be adjusted to the needs of the Centre, and security systems installed. Estimated budget: USD 3,000.

Furniture: Normal office furniture, desks, chairs, shelves, boards, table for meeting room, etc. Estimated budget: USD 4,000.

Office machinery: All work places should be equipped with modern multi-media computers and connected to a main server. Moreover, the office should be equipped with colour as well as black and white printer, a modern telecommunication system, fax machine, scanner etc. Estimated budget: USD 13,000

Software: The Centre should develop (or contract the development) of a special computer-based planning, coordinating and monitoring tool for the corridor with interfaces to the participating companies, especially the railways. If done locally, costs should be in the range of about USD 20-30,000.

Office Running Cost:

Running cost mainly comprise office rent, telecommunication, postage, and office consumables. It should be possible to run the office with a budget of around USD 2,500.

Staff Cost:

Salaries shall reflect the importance of the Coordination Centre for successful operations along the corridor. Thus, the consultants estimate a monthly budget of around USD 7,500 for staff (eight employees, including Managing Director).

Additional cost per tonne:
Total monthly running costs of the Coordination Centre are estimated at USD 10,000. Given average monthly handling and transport volumes along the corridor of close to 800,000 tonnes, this would amount to additional cost of about 1.25 US Cent per tonne for the services of the centre.

3 Implementation Plan

3.1 *Working Group*

In order to prepare the establishing of a Coordination Centre a Working Group should be implemented.

Objective and Tasks
Overall objective of the Working Group is to agree within two months after its establishing with all interested parties on remaining items of the proposed concept, which have not been fully agreed upon during the third Round Table Meeting.

Participants
The Working Group shall be established on a voluntary basis by the partners engaged in the operation and organization of oil transports via the trans-Caucasian route.

The decision-makers of the following organizations should be invited to participate in the Working Group

- Azerbaijan State Railways
- Georgian Railways
- Ports of Baku/Dubendi, Batumi and Poti
- Oil terminal operators in Baku, Dubendi, Batumi and Poti
- Transport Chain Operators, e.g. Azertrans, Kafkastrans, Silk Road Group, Baghlan Group
- Caspian Shipping Company
- Cargo owners, e.g. ChevronTexaco

Port and transport chain operators from Turkmenistan, Kazakhstan and Uzbekistan should be invited to the Working Group meetings as associated members to keep them involved and informed about the process.

Organization
For an efficient work organization it is proposed to install a permanent Core Group that will refine aspects of the prepared concept and clarify items, which have not been jointly agreed during the third Round Table Meeting. The prepared solutions will be presented at the monthly meeting of the Working Group where agreement between the participants should be reached and binding decisions on next steps be taken.

The Working Group will make the final decision on if and in what form the Coordination Centre will be established. After a positive decision the Working Group will call for the first General Assembly meeting during which the Coordination Centre will be officially founded. With the founding of the Coordination Centre the Working Group has achieved its objective and will be dissolved.

3.2 *Core Group*

Objective

The objective of the Core Group is to refine aspects of the prepared concept and clarify items, which have not been jointly agreed during the third Round Table Meeting, and present their refinements and solutions to the Working Group for their decision.

Participants

The Core Group shall be composed of maximum 7 delegates of the following organizations:

- Azerbaijan State Railways
- Georgian Railways
- Alegratrans, Azertrans, Middle East Petrol, Silk Road Group
- Caspian Shipping Company

Delegates shall be regular employee of the a.m. organizations. To underline the importance of railway cooperation the group shall be headed by a high-ranking railway delegate.

Tasks of Core Group

The Core Group shall discuss and prepare information for decision by the Working Group. In detail the following questions may need to be discussed if not already agreed during the third Round Table Meeting:

- Definition of tasks of Coordination Centre

In addition to the tasks already defined in a.m. concept it is optional to also include a Strategic Planning Unit and a Promotion Unit in the Coordination Centre.

The *Strategic Planning Unit* shall execute market analysis and sector studies, analyzing and elaborating new trends in handling and transportation of oil and oil products that might be important for the further development of the Corridor. Competition analysis meaning observing and analyzing competing routes (with regard to price volumes, products) will be one of the main tasks of this unit.

The *Marketing Unit* shall develop marketing material, like brochures and presentations, promoting the trans-Caucasian corridor supported by the creation of a website informing about advantages of the corridor. They should organize joint appearances of all participants on fairs and exhibitions.

The Core Group shall prepare the decisions of the Working Group whether to include these or other tasks in the Coordination Centre or not.

- Organizational form of the Coordination Centre and administrative set-up procedures

It has to be discussed which legal and organizational setup the Coordination Centre should have.

Profit making or non profit organization

A non-profit organization can provide its services to the members at a lower fee than a profit-making organization as the calculation does not include taxes or profit margin.

If remunerated according to success a profit-making organization may have higher incentives to increase the traffic flow along the corridor than a non-profit organization.

Independent open organization vs. department under the Ministry of Transport

An option is to install the Coordination Centre as a department under the Ministry of Transport to guarantee its influence also on state-owned organizations. However this organizational setup might prevent private parties from becoming participants of the Coordination Centre as they may fear that the influence of the State could be very high.

The Core Group shall prepare detailed proposals on the organizational form of the Coordination Centre and present these to the Working Group for discussion and final decision. As soon as the Working Group has

decided on the organizational form the Core Group shall identify the administrative procedures to formally set-up the Coordination Centre.

- Rights and Responsibilities of the Coordination Centre

The Core Group needs to prepare recommendations on the rights and responsibilities of the Coordination Centre. Specifically it needs to be identified in which areas the Coordination Centre shall only have recommending power and in which areas implementing power. For the majority of tasks the work of the Coordination Centre restricts to monitoring and proposing recommendations. However in case of emergency measures the recommendation of the Coordination Centre should have a mandatory character. Considering the proposed set-up including as many participants in the Coordination Centre as possible it seems to be very ambitious to get the agreement of all participants to accept a strong, direct influence of the Coordination Centre on the operational procedures of the various companies. In addition if the information of the Coordination Centre is defined as a recommendation this supports the statement that the existing competition between transport and terminal operators shall not be influenced by the information of the Coordination Centre.

- Operational Procedures of the Coordination Centre

In order to enable the Coordination Centre to execute the assigned tasks the operational procedures for its work have to be agreed on, e.g.

- For the definition of necessary data and identification of the respective data source for efficient traffic coordination the Core Group shall identify all existing information flows and data provided. The Core Group should prepare a proposal of the necessary data details and discuss this in the Working Group to define a data level suitable for all participants..
- For the development and enforcement of a comprehensive demurrage system the Core Group shall discuss and prepare a proposal pre-agreed with the major participants. This proposal has to be discussed in the Working Group and must be finally agreed by all participants.

- Estimates of set-up and running costs

Following the decisions of the Working Group on tasks and responsibilities of the Coordination Centre the Core Group will develop staff descriptions and detailed estimates for Centre set-up and monthly running cost. Moreover the Core Group will prepare a proposal of the membership fee system.

- Decision mechanism

The Core Group will prepare a proposal on a fair and transparent decision mechanism to be applied for all decisions to be taken by the General Assembly. The decision making system should be related to the membership fee system.

In addition to preparing documents for the Working Group meetings the Core Group will also secure support for their proposals in bilateral meetings with representatives of participating companies, institutions and interest groups.

Last but not least the Core Group will be responsible for organizing Working Group meetings inviting all interested parties and securing their participation at decision-making level.

Location

The Core Group should have an office in Baku, since here most of the operators have their main office. The office should have enough space to permanently accommodate all members of the Core Group during its existence.

Financing

Staff cost of delegates will be financed by the delegating company. Office operating cost will be equally shared by all members of the Working Group. Support for financing the office set-up cost will be sought from external sources e.g. the EU TRACECA Programme.

Core Group Staffing

The key figure on whose performance the success of the Core Group will be highly dependent is the Head of the Core Group. He should be a senior railway expert of decision-making level with ample experience and contacts in the oil business. He should be familiar with the problems of day-to-day operations of oil transports by rail (and vessel) as well as the needs of the operators' customers. The Head of the Core Group should discuss with and convince high ranking officials as well as managers of international companies of the joint benefit of the future Coordination Centre. At the same time he should respond sensitively to the needs of smaller companies.

He must thus be an honest, trustful and respected person. He should not only be able to smoothly integrate the different approaches and objectives of the stakeholders into joint positions but also to present these positions to political decision makers and cargo owners. He will together with the other members of the group develop adequate measures to transfer the strategies decided by the Working Group into practical steps.

All other experts delegated to the Core Group should be well familiar with the requirements and characteristics of their specific business activities in order to effectively reflect in the concept all different aspects of the transport chain.

Role of the Core Group in setting up the Corridor Coordination Centre

After the General Assembly has formally founded the Coordination Centre and appointed the Managing Director the Core Group will support the Managing Director in the physical set-up of the Coordination Centre. The office of the Core Group will be transformed into the headquarter of the Coordination Centre. After the physical establishing of the Centre has been completed and all staff selected, the Core Group will be dissolved, delegated representatives will return to their companies.

ANNEX 8:

3rd Round Table Meeting in Baku, November 26th, 2003: Meeting Minute, List of Participants, and Joint Statement

Meeting Minute

GENERAL

The 3rd Round Table Meeting on Establishing a Corridor Coordinating Centre for Oil Transports by Rail on the Baku-Batumi/Poti Corridor was held November 26th, 2003 in the premises of the Permanent Secretariat of the TRACECA Intergovernmental Commission in Baku. The meeting was held in English and Russian with consecutive translation.

The objectives of the meeting were:

- to discuss with all key parties, involved in the organization and operation of the oil transport chain, details of a proposed concept for the establishing of an independent Corridor Coordination Centre.
- to discuss and agree on first steps towards implementation of the Corridor Coordination Centre.
- to determine a time schedule for the implementation of the Corridor Coordination Centre.

Beginning of Round Table Meeting, 09.30h

WELCOME NOTE

The participants of the meeting were welcomed by Mrs. Ludmilla Trenkova, Secretary General of the TRACECA Intergovernmental Commission, and Mr. Bodo Roessig, Team Leader of the TRACECA Coordination Team. Both stressed the importance of the present TRACECA project Railway Transit Oil Logistical Centre and the projected Corridor Coordination Centre for the future development of oil transit volumes through the Caucasus.

PRESENTATION OF THE CONCEPT FOR A CORRIDOR COORDINATION CENTRE

On behalf of the consulting team the project's Team Leader Mr. Marcel Sames welcomed all participants. He thanked Azerbaijan State Railways for co-financing the meeting's organisation. Moreover, he pointed out that the willingness of the participants not only to dedicate their time but also to financially contribute to the meeting by bearing their own travel cost is a clear indication of the willingness of all parties to find a common solution.

Mr Sames then presented the concept for the Corridor Coordination Centre and highlighted in what respect the comments of the participants during the last Round Table in Tbilisi have been taken into account. Moreover, he indicated areas, where the concept needs further refinements and detailing by the participants.

Last but not least Mr. Sames on behalt of the consulting proposed as first implementation steps the establishing of a Working Group, which should continue the successful work of the Round Tables. The Working Group should comprise all parties (both public and private) interested in the establishing of the Corridor Coordination Centre and also invite participants from the other side of the Caspian Sea. Regular

meetings should be held during which decisions regarding different detailed aspects and further steps towards establishing the Corridor Coordination Centre (e.g. the approval of a Charter) shall be taken.

The Working Group should be supported by a permanent Core Group, which will develop discusion papers, prepare decisions on aspects which have not finally been agreed during the 3rd Round Table Meeting and organise Working Group Meetings, thus continuing the work of the consultants. Members of the Core Group should be delegates from 7-8 major operators (railways, port and terminal operators, shipping companies, forwarders) with a balance between public and private companies.

The objective of the Working Group and Core Group is to prepare and execute all necessary administrative steps to establish the Corridor Coordination Centre until the beginning of February 2004. The Working Group shall then be transformed into a General Assembly, the constitutional body of the Corridor Coordination Centre, while the Core Group will form the nucleus of the executive body.

The Round Table Meeting shall end with the signing of a Joint Statement, a draft of which has been submitted to the participants one week prior to the meeting together with the detailed concept prepared by the consultant, clearly naming these steps as the will of all participants.

COMMENTS FROM THE PARTICIPANTS

1. Comment of Mr. Zurab Suladze, Georgian Railways

   Georgian Railways generally agrees to the presented concept and supports its implementation, because such a centre is a necessity. One of the key points however is the financing of the centre's activities. We see to groups of partners: infrastructure providers using their own infrastructure assets (railways, ports, terminal operators) and infrastructure consumers (freight forwarding agents, traders). The infrastructure providers should pay a (low) flat rate as membership fee, while the service consumers could pay on a per tonne basis.

2. Comment of Mr. Aydin Mammedov, Cabinet of Ministers of Azerbaijan

   - The centre should by no means serve as a transport operator. The initial idea when creating the project was establish conditions facilitating growth of transport volumes along the corridor.
   - We need to decide whether this centre shall be under government control, e.g. as department of the MoT, or a joint stock company or a non profit organisation.
   - We support the idea of a working group to clarify details of concept implementation. For example we need to clarify how to involve Kazakhstan and Turkmenistan? Moreover, financing of centre activities is of paramount importance. We prefer a solution where every participant in the system pays about 0.5 US Cents per tonne. In order to guarantee that payments are enforced, the centre should be a government institution because only a government institution will be vested with the power to enforce the system.
   - The working group should develop a membership contract laying out the rules, financing method and tariffs in detail. This drafted document for the creation of a coordination centre shall be submitted to the two ministries of transport in Azerbaijan and Georgia for approval.

3. Comment of Mr. Zurab Suladze, Georgian Railways

   Georgian Railways agrees to locate the centre in Baku. Physically, the centre could rent office space in the Ministry of Transport of Azerbaijan or in Azerbaijan State Railways. However, it is important that the Centre stays independent of the hosting institution.

Intervention Mr. Sames, Project Team Leader

It is very difficult to set up a financing system based on a fee per tonne if the centre should be established as a non profit organisation. In case of a fee-per-tonne based service provision, information on transport and handling volumes need to be always 100 percent correct. It is probably easier to develop a system where the cost of the centre, which can be projected relatively well, are spread over the participants of the system. Each of the two groups Mr. Suladze defined could contribute a certain percentage of centre cost, e.g. 30 percent of centre cost could be recovered by contributions of infrastructure providers, 70 percent by infrastructure consumers. Costs could then be split equally among the members of each group. Users of the system not willing to join the centre could be discriminated in a way that members would have priority in using the corridor.

4. Comment of Mr. Igbal Husseynov, Ministry of Transport of Azerbaijan

The Ministry of Transport supports the idea of the centre as a non-profit organisation. The centre should have a budget which should be administrated by the centre management. There is a lot of experience with administrating a budget.

5. Comment of Mr. Gogi Gogiashvili, TRACECA National Secretary of Georgia

I still support the idea of establishing the centre as a profit organisation charging a fee per tonne for the provision of services. I do not see it too complicated to develop a system based on a fee per tonne.

6. Comment of Mr. Vlado Chkaidze, Ministry of Transport and Communication of Georgia

The MoTC also support the establishing of the centre as a non profit organisation. Moreover, we support the proposal of Mr. Aydin Mammedov that details should be developed by the working group and approved by the Ministries of Transport. This document should also include a legal framework (charter) of the centre in compliance with the laws of Azerbaijan but also Georgia.

7. Comment of Mr. Zurab Suladze, Georgian Railways

Concerning the proposal of Mr. Sames, there should be different fees within the two groups which shall depend on the amount transported or handled.

8. The following discussion centred on the financing of the coordination centre, with proposals from all participants. It appeared that there is a general agreement on having two categories of members, and the option to have different fees for each category. It was also consensus among participants that it would be possible to differentiate the fees according to the size of the company or the volumes carried along the corridor res. handled. It was also proposed to calculate fee on a six-months base in order to be more flexible in adjusting the fees to changes in the composition of members. It was also general consensus that membership fee should be preferably transferred directly to the centre, and not via a governmental institution.

9. Comment from Mr. Vahid Aliev, Baku International Sea Trade Port

BISP is not able to pay any contribution to the centre. Our revenues from the oil business are relatively low and needed to cover our costs. I think during the discussion Georgian Railways and Azerbaijan State Railways also mentioned that their financial contribution to the centre can only be relatively low. The bulk of centre costs should be burdened by the private partners as they have the biggest profit also in financial terms from the centre's activities.

10. The discussion on the composition of the core group to be established was short. The core group should involve both Georgian and Azeri side, as well as representatives of the different groups involved. Almost all participants voiced their interest to participate. However, the Georgian partners preferred to participate "from a distance" as none of the organisations could free adequate staff for several weeks to work in Baku. Core group members are representatives from:

- Georgian Railways, Tbilisi
- Azerbaijan State Railways, Baku
- Caspian Shipping Company; Baku
- Port of Baku
- Alegratrans, Baku
- TERO Agency, Batumi
- Channel Energy, Poti
- Middle East Petrol, Baku

11. The discussion of the Joint Statement resulted in a general acceptance of the text proposed by the consulting team.

The meeting ended with the signing of the Joint Statement.

END OF ROUND TABLE MEETING: 15.00h

3rd Round Table Meeting in Baku, November 26th, 2003: List of Participants

1. **Mr. Igbal Husseynov** (Deputy Director of the Financial Credit Department, Azerbaijan Ministry of Transport)
2. **Mr. Aydin Mammadov** (Deputy Director for Transport and Communications, Azerbaijan Cabinet of Ministers)
3. **Mr. Lado Chkhaidze** (Advisor to the Minister of Transport and Communication of Georgia)
4. **Mr. Teymur Mammadov** (Deputy Head of Transport Operations, Azerbaijan State Railways)
5. **Mr. Zurab Suladze** (Director of International Relations, Georgian Railways)
6. **Mr. Mukhtar Akhundov** (Deputy director of shipping on foreign economic relations and marketing, Caspian Shipping Company)
7. **Mr. Ilham Mammadov** (Head of service on foreign economic relations and commercial work, Caspian Shipping Company)
8. **Mr. Vahid Aliyev** (Deputy General Director for Economics and Marketing, Baku International Sea Trade Port)
9. **Mr. Alexander Abuseridze** (Head of Marketing Department, Port of Poti)
10. **Mr. Rafael Hasanov** (Representative, Azpetrol)
11. **Mr. Ahmed Akdeniz** (Director, Middle Est Petrol)
12. **Mr. Sardar Hajiyev** (Middle Est Petrol)
13. **Mrs. Frangiz Elyazova** (Middle Est Petrol)
14. **Mr. Mamuka Meskhishvili** (Representative, Alegratrans)
15. **Mr. George Topchishvili** (Representative, Alegratrans)
16. **Mr. Zurab Surmanidze** (Managing Director, TeRo Agency; Representative Batumi Sea Port)
17. **Mr. Akif Mustafaev** (National Secretary of Azerbaijan, TRACECA IGC)
18. **Mr. George Gogiashvili** (National Secretary of Georgia, TRACECA IGC)
19. **Mr. Nazim Mammadov** (Project coordinator on shipping for TACIS-TRACECA, Expert on Sea Transport, TRACECA IGC)
20. **Mr. Hilmi Temiz** (Vice President, Almara International)
21. **Mr. Bodo Roessig** (Team Leader, TRACECA Coordination Team)
22. **Mr. Marcel Sames** (Project Team Leader, UNICONSULT)
23. **Mrs. Marie France Lagraulet** (Railway Management Expert, FIALEIX Associés)
24. **Mrs. Saadat Novruzova** (Legal Expert, UNICONSULT)

3rd Round Table Meeting in Baku, November 26th, 2003: Text of Joint Statement

Joint Statement

Having thoroughly discussed the conceptual ideas presented to us during the third "Round Table Meeting on Concepts for Improving of the Baku-Batumi/Poti Corridor for Rail Transportation of Oil and Oil Products" held on November 26th, 2003 in Baku, we the Representatives of major transport Institutions and companies suggest to start realizing the conceptual ideas by implementing the following measures:

- To prepare the establishing of a Corridor Coordination Centre that shall provide a joint platform for coordinating traffic operations and traffic planning of oil transports by rail across the Caucasus.
- To create a Working Group including all the representatives of the oil transportation process with the objective to refine and finally agree within two months from now with all interested parties the presented concept for the activities of the Corridor Coordination Centre.
- To establish a Core Group under the Working Group discussing and preparing information on refinements to be decided by the Working Group for the establishing of the Coordination Centre. The Core Group shall be staffed with delegated regular employees of selected participating organizations and be headed by a high-ranking railway delegate.
- To set-up a working office for the Core Group. Support for financing the office set-up cost will be sought from external sources e.g. the EU TRACECA Programme. Staff cost of delegates will be financed by the delegating company. Office operating cost will be equally shared by all members of the Working Group. The office shall later serve as headquarter of the Corridor Coordination Center
- Central Asian transport institutions and transport operators should be included in the planning at an early stage. Therefore they will be invited to the Working Group meetings at their own expenses.

Baku, November 26th, 2003

3rd Round Table Meeting in Baku, November 27th, 2003: Signatures of Joint Statement

Representative of the
Cabinet of Ministers of Azerbaijan _____

Representative of the
Ministry of Transport of Azerbaijan _____

Representative of the
Ministry of Transport and Communication of Georgia _____

Representative of
Azerbaijan State Railways _____

Representative of
Georgian Railways _____

Representative of the
Caspian Shipping Company _____

Representative of
Batumi Sea Port _____

Representative of
Poti Port _____

Representative of
Baku International Sea Trade Port _____

Representative of
Azertrans, Baku _____

Representative of
Middle East Petrol, Baku _____

Representative of
Alegratrans, Moscow _____

Representative of
TeRo Shipping and Forwarding Agency, Batumi _____

Representative of
Channel Energy, Poti _____

In witness thereof:

National Secretary of Azerbaijan,
TRACECA Intergovernmental Commission _____

National Secretary of Georgia
TRACECA Intergovernmental Commission _____

Tacis

Логистический центр железнодорожных транзитных перевозок нефти

TRACECA

Заседание третьего круглого стола:
СОЗДАНИЕ КООРДИНАЦИОННОГО ЦЕНТРА ДЛЯ ТРАНСПОРТИРОВКИ НЕФТИ ПО ЖЕЛЕЗНОЙ ДОРОГЕ ПО КОРИДОРУ БАКУ/БАТУМИ/ПОТИ.

Подписывающие Стороны Совместного Заявления

Представитель Кабинета Министров
Республики Азербайджан

Представитель Министерства
Транспорта Азербайджана

Представитель Министерства
Транспорта и Связи Грузии

Представитель Государственной
Железной Дороги Азербайджана

Представитель
ООО "Грузинская Железная Дорога"

Представитель
Каспийского Пароходства

Представитель
Батумского Порта

Представитель
Порта Поти

Представитель Бакинского Международного
Морского Торгового Порта

Представитель
Azertrans, Баку

Представитель
Middle East Petrol, Баку

Представитель
Alegratrans, Москва

Представитель
TeRo Shipping and Forwarding Agency, Батуми

Представитель
Channel Energy, Поти

В присутствии:

Национального Секретаря Грузии,
Межправительственной Комиссии ТРАСЕКА

Национального Секретаря Азербайджана,
Межправительственной Комиссии ТРАСЕКА

Программа Европейского Союза Тасис-ТРАСЕКА
Для Азербайджана и Грузии

Баку, 26 Ноября, 2003 г.

Проект финансируется Европейским Союзом

Проект реализуется UNICONSULT-HPTI-Transpetrol

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Заседание третьего круглого стола:
СОЗДАНИЕ КООРДИНАЦИОННОГО ЦЕНТРА ДЛЯ ТРАНСПОРТИРОВКИ НЕФТИ ПО ЖЕЛЕЗНОЙ ДОРОГЕ ПО КОРИДОРУ БАКУ/БАТУМИ/ПОТИ

Подписывающие Стороны Совместного Заявления

Представитель Кабинета Министров
Республики Азербайджан

Представитель Министерства
Транспорта Азербайджана

Представитель Министерства
Транспорта и Связи Грузии

Представитель Государственной
Железной Дороги Азербайджана

Представитель
ООО "Грузинская Железная Дорога"

Представитель
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ANNEX 9:

Management Structure for Supsa Port

1 Guiding principles of these recommendations

Before the port authority for the port of Supsa can be established, the relevant entities have to decide which type of port they want to set up in Supsa. There are three general types of ports:

Landlord Port
is a port where the responsibilities of the port authority are limited to providing the basic infrastructure, the general services and public utilities.

The port authority is acting as the developer of an industrial estate who leases infrastructure facilities but does not take part in the operational activities of the lease-holders, i.e. mostly the private sector.

Tool Port
Here the port authority is providing not only the infrastructure but also the whole or at least major part of the superstructure facilities.

The port authority is not engaged in cargo handling etc. but provides the "tools" (e.g. warehouses, large scale handling equipment like cranes) needed for port operations to private enterprises. The provision of most of the port services is left to the private sector or to independent agencies.

Service Port
If all facilities and services for ships, cargo handling and hinterland transport modes are operated/provided by the port authority, i.e. the port authority also acts as a port and terminal operating company, we talk of a "service port". Service ports are usually characterised by the absence of internal competition and often found in developing or newly industrialised countries.

In order to promote private activities and competition port authorities in many parts of the world restrict or are restricted to acting as landlord ports. For Supsa port this would mean that the port functions are separated into a private and a public sector. The functions and finances are divided as follows

A separation of the financing of port investment into

- Infrastructure (social overhead capital) expenditures, meaning the costs for fairways, reclaiming land, harbour basins, raising of the land to a surge water protected level, roads and railway tracks leading to the terminals, sewage and electrical connections. These are financed, constructed and maintained by the public sector, in this case under the responsibility of the port authority
- Superstructure measures like pavement, sheds and warehouses, handling equipment, pipelines, railway sidings and roads on the operation area, all of which the private enterprises would have to pay for.

On the basis of this cost separation each firm may build and organise its terminal according to its own requirements and financial means. Whoever invests most can probably offer the best equipment and perhaps the best service and is most competitive.

We assume, that the private enterprises will take care of port operations, whereas the port authority takes care of port development in general, but is NOT concerned with operations. Activities like cargo handling, storage, processing of goods, onward transportation etc. remain solely with the private sector.

2 Objectives of a port authority

The objectives to set up a port authority are firstly to ensure that the port is being managed in a commercial and economic way according to the principles of a market economy. A second objective of the establishing of a port authority is to facilitate strategic investments and to make the process of funding and implementing of projects and investments more flexible by having the authority to allocate a budget and determine administrative procedures. Finally, all activities related to general infrastructure provision shall be optimised by nominating one authority who is responsible for all decisions and activities in this field.

The port authority is acting on request of the private sector, by assessing the business plans of the private enterprises who want to become operator in the port and then deciding on the economic viability of the business plans and the required investments. On the other hand the Supsa port authority serves as a link between port operators and Georgian maritime policy and thus balances the interests of the state, the region and private operators.

3 Financial Aspects

The port authority will need an operating budget to cover all costs for port authority personnel, equipment, facilities and other running expenses. Ideally, this budget will be covered by fees for rent of port areas, berths and jetties as well as by the harbour dues. In the starting phase of the Port of Supsa and its port authority, the expenses will probably have to be covered by allocation of a budget to the port authority by the relevant state authorities, as in the beginning there will be mainly infrastructure investments to be done and only little income will be gained, as all structures have first to be established.

For investments, an investment plan needs to be elaborated. This investment plan should contain a cost – benefit analysis for projected investments and take into account the strategic development plans of the port of Supsa. The port authority has to justify the investment plan vis à vis the relevant Georgian state authorities and convince investors of the financial profitability of proposed investments.

The port authority should get real responsibility for the port development and economic welfare of the port and be allowed to retain the revenues it generates, in order to encourage the operation of the port authority as a profit-oriented entity.

4 Tasks of a Port Authority

4.1 *General tasks*

The port authority in the port of Supsa will work as a subordinate entity of the Georgian Maritime Authority. Generally, the functions of the port authority are as follows:

- Administration of the port: Dealing with port issues of economic or political nature as well as taking care of national port policy in relation to the port of Supsa.
- Real estate management: Activities related to leasing of land and property in the port area.
- Fixing and collecting harbour dues.

- Planning, construction and maintenance of port infrastructure and technical installations
- Promoting commercial port activities (marketing support to the private port sector)
- Publishing port statistics

In order to ensure the competitiveness of the port of Supsa, the creation of sufficient port capacity, infrastructure and availability of all port facilities is necessary. Further, the dynamic changes in the maritime environment and in world wide cargo flows have to be recognised, their influences on transport routes, required services and technical conditions must be analysed and reflected in port development planning. The port authority has an important function in developing a long-term strategic perspective for the port.

Additionally, the port authority has to consider and contribute to

- maintaining existing and creating new working places, thus contributing to social welfare and tax income for the state of Georgia
- furthering the economic and financial capacity of the region

4.2 *Specific tasks*

4.2.1 Planning and new constructions

Seaports that want to stay competitive in the long term need to permanently adapt their capacity and infrastructure to the changing demands of the market. New buildings or port developments and extension of port facilities are always long-term tasks and require high investments.

In order to ensure permanent and smooth port development, the port authority has to take care of continuous verification of development plans and issue construction and development permits. Further, the port authority is responsible for controlling complex development projects, ensure their timely and efficient execution and monitor milestones, costs, and deadlines. The continuous improvement and development is a task, requiring a holistic approach towards the whole system of a port. Next to engineering activities, other activities become more and more important, like

- Port master planning and development
- Development of a port strategy
- Technical and economical investigations related to port development
- Project management and controlling
- Environmental management and, if required, planning of compensation measures
- Investment financing and funding

There are some criteria which should be applied when choosing appropriate investors and operators for the port. These criteria are for example:

- Does the investor intend to run a business related to the general development plan of the port of Supsa?
- Is this business of special interest for the port, for instance a complementary service which we need in the interest of our port customers?
- Which area size and location is required by the investor? Is there a need for water and railway connection?
- Are suitable sites available or how fast can they be developed?
- How many jobs and which added value will be created by the new business?

Additional criteria are:

- How much investment for infrastructure is necessary from the public side?

- How much will the private enterprise spend on superstructure?
- And finally: Are there other companies interested in a special site?

After having checked all these criteria a final conclusion has to be drawn – to sign a lease contract or not. This evaluation of potential new operators can be done by way of direct negotiation or by way of tendering.

4.2.2 Environmental management

In order to build port facilities, new territories will have to be made available for the construction of berths and hinterland connections. The port of Supsa is located in environmentally sensitive wetlands, an area where rare plants and animals are living. This possibly results in a conflict of interests between the requirements of the port economy and the environment. The port will most likely have to grow in order to satisfy the demand for the handling of oil and gas cargoes. On the other hand, the requirements of nature and environment also need to be considered. Therefore, the port authority will have to ensure that possible damages to nature and the quality of life of the people living next to the port area will be as small as possible.

In case negative consequences cannot be avoided, a compensation for incurred damages must be paid. The port authority must, together with all other institutions and authorities involved, assess the environmental impact of construction and development activities and ensure that all environmental laws are being observed. If necessary, ecological compensation measure need to be discussed and agreed upon.

4.2.3 Maintenance of port infrastructure

A port – that means (deep) water basins, berths or jetties plus road and railway connections. Altogether, this constitutes the port infrastructure.

The task of the port authority is to maintain these infrastructure facilities in operational and safe condition. Water areas, berths, jetties, embankments, railway and road facilities within the port area have to be inspected regularly. The personnel of the port authority are in charge of elaborating tender documents for construction and maintenance and have to issue and evaluate the tenders. The port authority has to contract building and maintenance companies or to take care of these works themselves. The maintenance department also takes care of storm and flood protection. Further, it carries out hydrographic surveys and ensures up-dating of maps and charts of the port area. It is also responsible for maintaining a sufficient draught in the port area and for ensuring navigational safety.

4.2.4 Marketing

The port authority may also be responsible for overall port marketing and public relations for the port of Supsa. Objectives of the marketing activities are to

- Support commercial activities of the port companies
- Be a contact point for clients and investors
- Represent the port of Supsa at fairs and other marketing events
- Develop a marketing plan for the port
- Carry out active marketing for the port

4.2.5 Administration and use of the port area

The administration department of the port authority administrates the port area and decides which business will be establish where. In case the Georgian Maritime Authority decides to set up the port as a landlord port, the administration department will be responsible for negotiating lease contracts for the port territory with interested investors and determining the terms and charges for the use of land and technical installations.

In addition to the work with investors and clients, this department could also take care of supporting port projects, for example the acquisition of new territories for port development and / or environmental compensation.

5 Advantages of a Port Authority

The advantages of a port authority compared with other types of organisations are that the concentration of responsibilities and resources lead to a very flexible handling of port affairs. The port authority needs to generate their own revenues/budget from its activities and can directly estimate the economic rationale of investments by comparing future potential revenues with the necessary financial investments. In cases of strategic investments, necessary to carry out to prevent the loss of clients in future, the port authority is the competent organisation to take this kind of investment decisions and to justify them.

Due to the direct involvement of the port authority in port affairs, the business plan can be altered during the year in response to changing market demands without a loss of time which might occur if different institutions have to be convinced of the necessity of changes in long discussions. Results can be reached very fast, without the need to involve governmental institutions. Usually, the port authority has to discuss commercial matters with only one body, that is the supervisory board (technical and political matters need to be discuss with Georgian Maritime Administration).

6 Organisational Structure

6.1 *Example of a possible organisational structure of the port authority*

The structure indicated in below figure illustrates one possible organisation set-up for a port authority. For the start, the port authority does not have to have all functions and departments indicated. Also, it is possible that several functions are being executed by one competent specialist. The earlier described functions are mirrored in below structure.

The harbour master will not be part of the proposed port authority, he will remain with the Georgian Maritime Administration.

Generally, an organisational structure should never be fixed once and for all, but from time to time adjusted to the developing needs of the port authority and port economy. Future needs and requirements might show, that functions need to be added or deleted.

6.2 *Staff and job descriptions*

6.2.1 Managing Director

The managing director takes the overall responsibility of the port authority and reports to the supervisory board.

Responsibilities of the managing director

- Definition of the overall policy of the port authority
- Leadership of the port authority
  - Selection of staff for the management board (department heads)
    - ➢ Definition of training needs of the department heads
  - Decision on promotion of the upper management staff
  - Setting objectives for the departments and controlling their achievement
  - Set up of framework for co-operation between departments
  - Management of the co-operation of the departments
    - Regular weekly meetings with fixed agenda
    - Moderate and advise in cases of internal conflicts of interest

- Result responsibility to the supervisory board
- Execution of strategic port policy measures
- Representation of the port authority at political institutions

6.2.2 Staff positions

Human resource management: In the set-up phase of the port authority there will only be a small number of personnel working for the organisation. Therefore, it should be sufficient to deploy one person as staff administrator to take care of all the below activities. In case the port of Supsa, and along with it the port authority, will grow it might become necessary to re-organise the structure of the port authority and establish staff administration as one department within the port authority.

Responsibilities of the human resource management:

- Personnel planning: quantities and qualifications
  - Adjustment of staffing levels
  - Definition of training- and further qualification needs and set up of training plan
- Regular reporting
- Personnel administration
  - Open a central filing system of personnel contracts
  - Open and administrate personnel files
  - Contractual settlement of new employment
  - Contractual settlement of termination of contracts
  - Settlement of legal cases concerning personnel contracts
  - Attention to contracts
    - Continuous adjustment of existing contracts and standard contract framework according to agreements with the trade unions, national legislation and the company's objectives
  - Implementation and maintenance of a personnel evaluation system
  - Personnel planning
    - Planning of staff requirements: quantity and qualifications
    - Planning of personnel costs
- Personnel accounting
  - Calculation of monthly payrolls
    - Disbursement of wages and salaries
    - Deduction of taxes and social funds
  - Calculation and disbursement of pensions and social benefits
  - Administration of internal social funds
  - Delivery of personnel accounting data to the bookkeeping department
- Communication with workers' council and trade union
  - Regular meetings with representatives of employees
  - Official reception of proposals, complaints and current problems
    - Leading discussions in the port about the a.m. cases and their settlement
    - Negotiations about settlement with workers' council and trade union
  - Leading of tariff negotiations (tariff framework, wages and salaries)
- Training and further qualification
  - Administration of training and further qualification measures
  - Continuous improvement of training concepts according to the needs of the port
  - Survey and continuous update of external training opportunities

Legal affairs: A legal advisor should be part of the staff department in order to check all contracts for compliance with Georgian labour law and to advise in case of claims.

6.2.3 Planning and construction

The planning and construction department takes care of strategic development planning for port infrastructure and project planning in order to ensure the demand oriented development of port infrastructure.

The department is also responsible for construction of roads, quay walls, jetties, etc. Moreover, it provides basic engineering information for statics and foundation, give advise on materials to be used, as well as on design and execution of construction works.

Responsibilities of the head of the department are as follows:

- Leadership of the department
  - Selection of staff of the department
  - Conduct of personnel evaluation of department staff
  - Moderation in cases of conflicts
- Cost and revenue responsibility for the department
  - Set-up and continuous adjustment of the organisational structure
  - Planning of costs and revenues
  - Cost efficient fulfilment of activities
  - Task fulfilment in line with the port authority's objectives
  - Continuous improvement of services
  - Industrial and labour safety
  - Achievement of objectives of the planning and construction department (budget, costs and revenues)
  - Personnel planning for the department: quantity and qualifications
    - Adjustment of staffing levels
    - Definition of training- and further qualification needs and set up of training plan
  - Issuing of external and internal invoices for services provided by the department and payment control

Tasks of the department

- Planning of port development – port master planning
- Project planning and project management / controlling
- Elaboration of construction plans
- Contracting of construction companies
- Keeping contact with clients / investors in order to ensure port development in accordance to demand
- Elaboration of investment plans and financing plans
- Taking care of environmental impact assessments
- Provision of environmental compensation measures in case of need

6.2.4 Technical department

The technical department of the port authority is in charge of maintenance and repair of the port infrastructure and facilities. The department also takes care of procurement and maintenance of electrical, heating and air-conditioning installations.

Responsibilities of the head of the department are as follows:

- Leadership of the department
  - Selection of staff of the department
  - Conduct of personnel evaluation of department staff
  - Moderation in cases of conflicts
- Cost and revenue responsibility for the department
  - Set-up and continuous adjustment of the organisational structure
  - Planning of costs and revenues
  - Cost efficient fulfilment of activities
  - Task fulfilment in line with the port authority's objectives
  - Continuous improvement of services
  - Industrial and labour safety
  - Achievement of objectives of the technical department (budget, costs and revenues)
  - Planning of investments for the technical department
    - Workshops and stores requirements
  - Operational functionality of workshops and stores
  - Personnel planning for the department: quantity and qualifications
    - Adjustment of staffing levels
    - Definition of training - and further qualification needs and set up of training plan
  - Issuing of external and internal invoices for services provided by the department and payment control

Specific tasks of the department

- Provision of Maintenance and Repair facilities for the operations units (workshops, stores, purchase of spare parts and materials)
- Technical advisory for the operations units (civil and mechanical engineering)
- Technical and financial planning of the port investments
- Technical and financial supervision and control of construction activities (project management
- Maintenance of installations – electric, communication etc.
- Water supply and connection
- Waste management

6.2.5 Marketing

The marketing division takes care of overall marketing and public relations activities for the Supsa port authority.

Responsibilities of the department head

- Leadership of the department
  - Selection of staff of the department
  - Personnel evaluation of department staff
  - Moderation in cases of conflicts
- Fulfilment of sovereignty tasks assigned by the Georgian maritime legislation $$
- Regular reporting to related superior authorities
- Cost and revenue responsibility for the department
  - Set-up and continuous adjustment of the organisational structure
  - Planning of costs and revenues
  - Cost efficient fulfilment of tasks

- Continuous improvement of services
- Planning of investments
- Personnel planning for the department: quantity and qualifications
    - Adjustment of staffing levels
    - Definition of training- and further qualification needs and set up of training plan
- Issuing of external and internal invoices for services provided by the department and payment control

Specific tasks of the marketing department

- Proposal of tariffs and prices for services of the port authority
- Standardisation of port authority's image: business cards, principle forms etc.
- Marketing and sales of services
- Proposal of tariffs and pricing for services
- Contact to customers
- Representation of the port of Supsa/the port authority on trade fairs, exhibitions and other external events
- Control of customer service quality
- Real estate management: Attract potential investors and operators for the Port of Supsa and negotiate conditions and contracts with them.

6.2.6 Financial division

The head of the financial department is responsible for the following tasks

- Leadership of the department
    - Selection of staff of the department
    - Conduct of personnel evaluation of department staff
    - Moderation in cases of conflicts
- Cost and revenue responsibility for the department
    - Set-up and continuous adjustment of organisational structure
    - Planning of costs and revenues
    - Decision taking for internal operative matters
    - Personnel planning for the department: quantity and qualifications
    - Adjustment of staffing levels
    - Definition of training- and further qualification needs and set up of training plan
    - Regular reporting

Specific tasks of the division

- Financial accounting
    - Bookkeeping
    - Administration of bank accounts and cash positions
    - Administration of debtors and creditors
    - Planning and monitoring of cash flows and financial requirements
- Cost accounting
    - Allocation of costs and revenues
- Planning and controlling
    - Execution of annual budget planning of the port authority
    - Comparison of actual and plan figures
    - Regular reporting: Elaboration of cost and profit centre reports
    - Execution of investment planning

- Organisation
  - Administration of organisations guidelines and rules
    - Up-dating and adjustment of organisational instruments (organisation scheme, telephone book, guideline handbook, cost centre plan etc.)
- Asset management: Keep asset register and control value of assets.

ANNEX 10:

Pre-investigations on berth construction for the port auxiliary fleet in Supsa Port

1 Introduction

The operational side of Supsa port currently consists of an offshore single point mooring facility (SPM) operated by a private company for handling oil tankers. All support services are provided by the same company and its subcontractors. The auxiliary fleet (tug boat, supply vessel) deployed for the provision of these services is based in the port of Poti, about 15 nautical miles north of the port of Supsa. The port of Supsa does not yet have any suitable facilities to accommodate such a fleet.

Thus, one of the primary objectives of the Supsa Port Authority is the planning and construction of a berth for the auxiliary fleet, which should serve as a first step of physical port development and thus as a nucleus for further extension of port facilities.

2 Present Situation

2.1 *Topographical description of the area*

The Supsa port is situated in the western part of the Black Sea coast of Georgia. In 1999, the SPM facility, which is located about two nautical miles offshore and connected to a nearby one-million barrel tank farm was put into operation. The tank farm constitutes the end point of the Baku-Supsa pipeline transporting crude oil from Azeri oil fields in the Caspian Sea. The SPM can handle tankers up to 150,000 tdw.

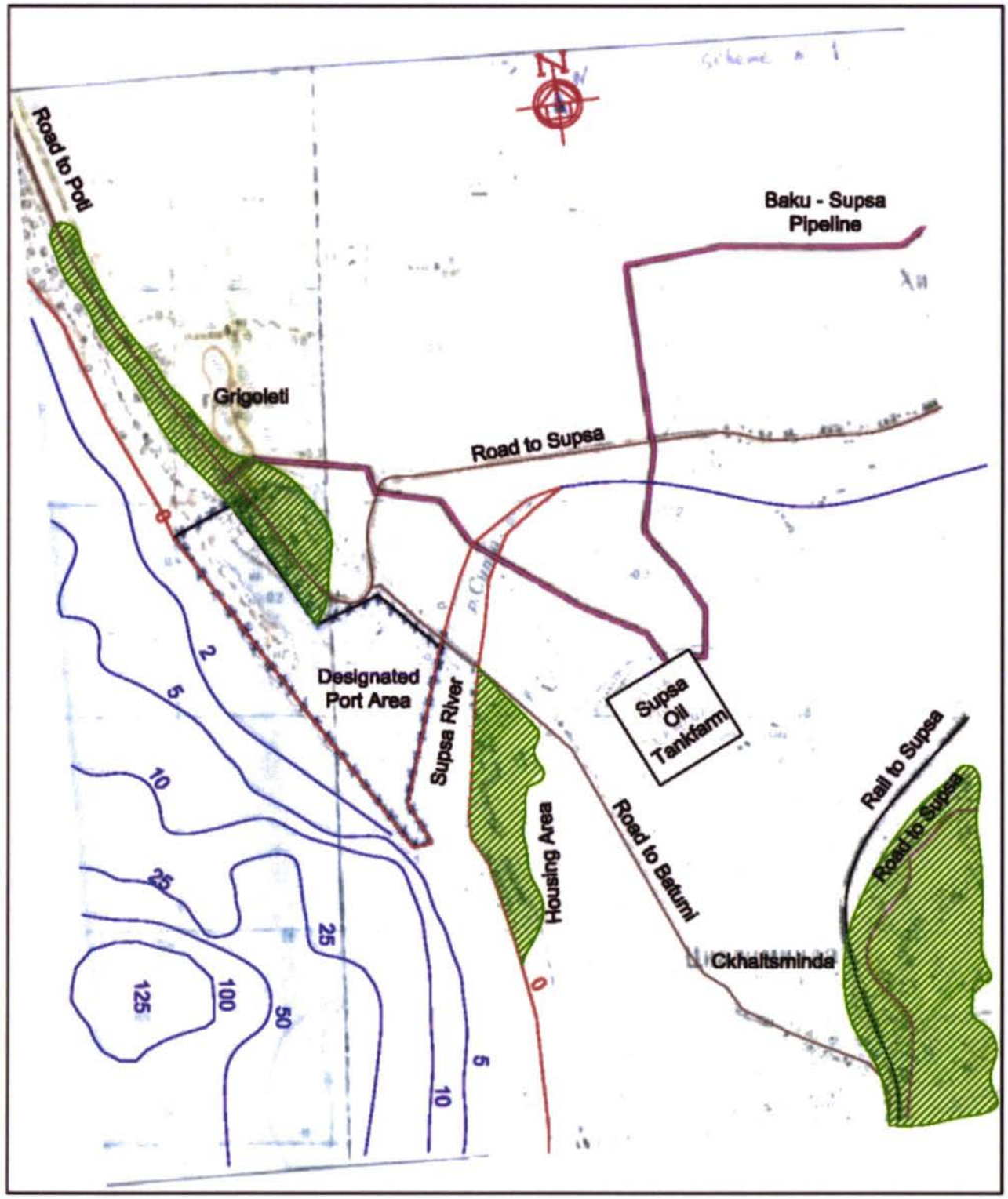
Topographical analysis is based on on-site visits and a map scaled 1:10,000. The designated landside port area in the village of Grigoleti comprises about 150,000 m2 and is located between the mouth of Supsa River up to an existing road bridge and the onshore marine base operating the SPM facility (see Figure 1). The designated port area does not contain any buildings and constructions and is generally plane.

However, the port area is partly waterlogged: Part of the designated area is covered by a small pond located about 80 m away from the sea shore. It is not quite clear whether this is surface water from an underground (former) tributaries of the river Supsa, which has been stopped being sufficiently supplied with water. Or whether the pond is supplied with water from the sea swashing the beach in rough weather. The latter version is supposed by the Supsa Port Administration.

The area on the left bank of Supsa River is not considered as a suitable place for the construction of port facilities, at least not in the first stage of port planning, as it is relatively densely inhabited by rural population.

The width of the Supsa River bordering the port area differs. The mouth of Supsa river stretches up to 120 m where the river flows into the Black Sea and narrows towards the road bridge to approximately 100 m.

Figure 1: Designated area of Supsa Port



2.2 *Foundations and grounds*

As the port area is embedded in surrounding prevalent wetlands, the area consists of poor grounds (for construction), presumably, of a sick layer of alluvial sediments of sand and silt. The top layer mainly consists of fine sand. More precise information are not available. However, an on-site visit has made it obvious that local soil conditions need careful investigation during the preparation of the detailed design.

2.3 *Hydrological regime.*

The hydrological regime on the Black Sea shore of Georgia is very complicated. The rivers of Georgia disembogue into the Black Sea at different levels, and considerably differ in their speed of stream, and the density of silt and particles they carry. A comprehensive analysis of the hydrological conditions around the mouth of Supsa river could not be obtained. To the best of our knowledge we can only suppose that the level of siltation is rather high. Thus, before the construction of facilities near the mouth of Supsa river a thorough investigation into the hydrological conditions and the expected impact of new facilities on to these conditions need to be undertaken.

Analysis of historic data shows that most of the calms occur in summer time. Storms usually can be expected for the winter time with maximum duration of shore storms up to 140 hours, and sea storms up to 60 hours.

The Black Sea is not characterised by high tide range. The amplitude of the water level hesitates on 0.5 m and is caused by wind impact only.

Maximum height of wave is determined by the depth of the water and direction of wind. The following heights of waves in this area are as follows (according to observations made by Poti port):

Direction of wind	**S**	**S-W**	**W**	**N-W**
Height of the wave	2.0	4.0	4.1	2.2
Max. height of wave			7.0	

Maximum height of waves reaches 7.0 m during west wind and a 12 hour-storm (8 Beaufort with 17-21 m/s), which causes danger of damages to breakwaters and other protective installations and constructions.

2.4 *Climatic characteristics*

Average annual air temperature in this region is +14.4° C. The coldest month of the year is January with average monthly temperature +5.5° C. The warmest is August with average monthly temperature +23.4° C

- Maximum air temperature is +40° C
- Minimum air temperature is –15° C
- Average relative humidity 68%
- Average annual precipitation 1,650 mm
- Design pressure of the wind is 550 N/ m2
- Snow pressure 500 N/m2
- Seismic activities can be high

The wind regime of this area is peculiar and explained by physical and geographical features of this region, which is situated in the south of the Kolkheti lowland. This region is characterized by the recurrence of eastern winds. Sea winds (SW, W, NW) with maximum speed up to 34 m/s and shore winds (SE, E, NE) with maximum speed up to 40 m/s are experienced in summer time

2.5 *Level of ground water*

For design purposed it can be assumed, that the natural level of ground water corresponds to the average sea level.

3 Supposed structure of the auxiliary fleet

The aim of the project is to construct a berth or berths for the auxiliary fleet, as well as facilities for the maintenance of the auxiliary fleet. Given the requirements of existing operations in the port, the following support vessels should be deployed and accommodated at the berths:

- One tug boat (length: 25-30m, draft: 3.5-4.5m), the tug is currently used to keep the tankers in place during loading at the SPM
- Multi-purpose vessel, serving as supply vessel, pilot boat, buy tender and pollution control vessel
- Fire fighting vessel (fire fighting function can also be integrated into the tug boat. However, a burning 150,000 tdw tanker may overstrain the fire fighting capacity of a tug boat)

4 Shore infrastructure

For the auxiliary fleet service it is necessary to build a developed shore infrastructure, which will include

- Approach and internal roads
  These should have a firm foundation and be covered with asphalt or similar, capable to stand required pressure from axle loads.
- Workshop
  for maintenance and instant repair, equipped with all kinds of welding equipment, lathes, drillers and cutting benches, an instrumental premise, a room for electric motors rewinding, internal lifting stationary and mobile facilities, including a forklift with the capacity of about 1.5 t,
- Refueling station
  should be designed for the fuelling of auxiliary fleet, be located in a convenient and accessible place, and be equipped with modern onshore fire fighting equipment.
- Harbor master's building
  with sufficient office space and equipped with necessary communication and monitoring equipment.
- Crews quarters
  The building should be designed close to the berths with all conveniences for rest and entertainment of vessel crews.

5 Layout

The option to build a port in the delta of the Supsa River had been considered during former Soviet Union times already. But the plan had been decline at official level in favour of development and extension of the port of Poti.

The construction of the Baku -Supsa pipeline and the SPM facility at Grigoleti has brought up again the idea of developing new port facilities at Supsa, especially in the light of expected increases in oil transit through Georgia for which existing facilities will have insufficient capacities.

For the construction of berths for the auxiliary fleet as a first step towards port development, we have developed two variants, which in our opinion seem acceptable.

5.1 *Construction of a berth on the right bank of the Supsa river*

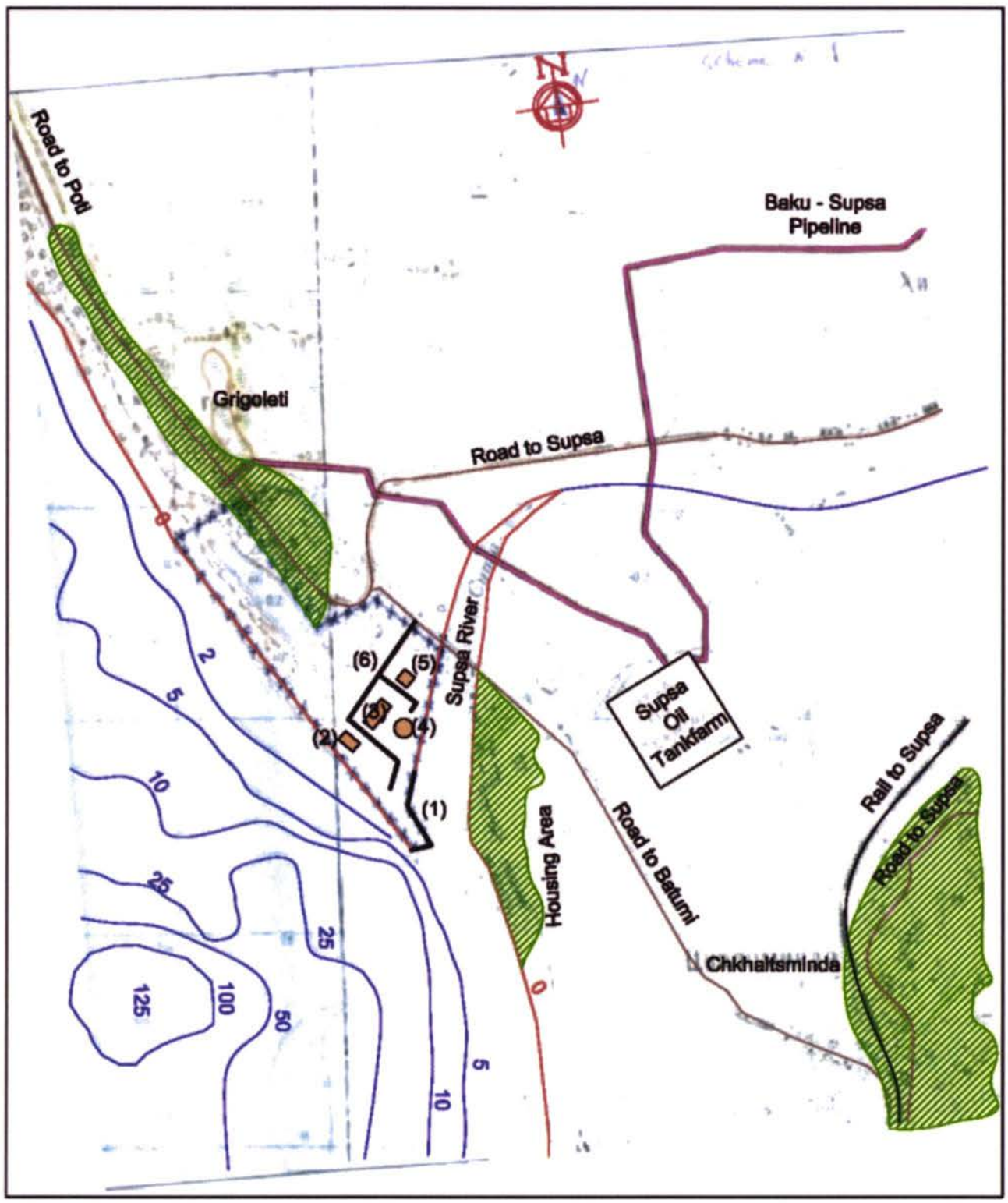
It is expected that a berth on the right bank of the Supsa river will not be exposed to wave agitation as it is quite well protected by a cape on the east side, which however will require some strengthening. The width of the river allows for maneuvering without any difficulties. The radius of the turning basin is more than 100 m (see Figure 2). However, the whole area may need deepening. The dredged material should be filled up for the shore strengthening, provided that the sludge is not polluted.

The length of the berth necessary for location of the auxiliary fleet should be minimum 80-100 m, depending on whether a separate fire fighting vessel is acquired or not.

The berth should consist of sheet pile Larsen-V type with anchor wall and tie rods. It should be covered with precast reinforced concrete slabs. Moreover, the structure should be equipped with fenders and bollards, and facilities for supplying vessels with fuel, water and electricity (when at berth).

Draft at berth should be one metre more than the maximum draft of the auxiliary fleet, about 5.5-6 m.

Figure 2: Proposal for berth structures in Supsa river estuary



Legend:
(1) Berth structure for the port auxiliary fleet
(2) Harbour Master's office
(3) Workshop
(4) Fuelling station
(5) Seaman's mission
(6) Access road

5.2 *Construction of a breakwater for the creation of an artificial harbour*

The consultants were informed that the Supsa Port Authority projects the construction of an LNG transhipment terminal with onshore storage tanks. LNG shall be delivered in rail cars via Supsa railway station. Moreover, in the medium term the construction of additional oil handling facilities and a Ro/Ro terminal is planned. Taking this planning into account, it becomes necessary to consider the construction of breakwaters in order to create an artificial harbour to accommodate all these facilities.

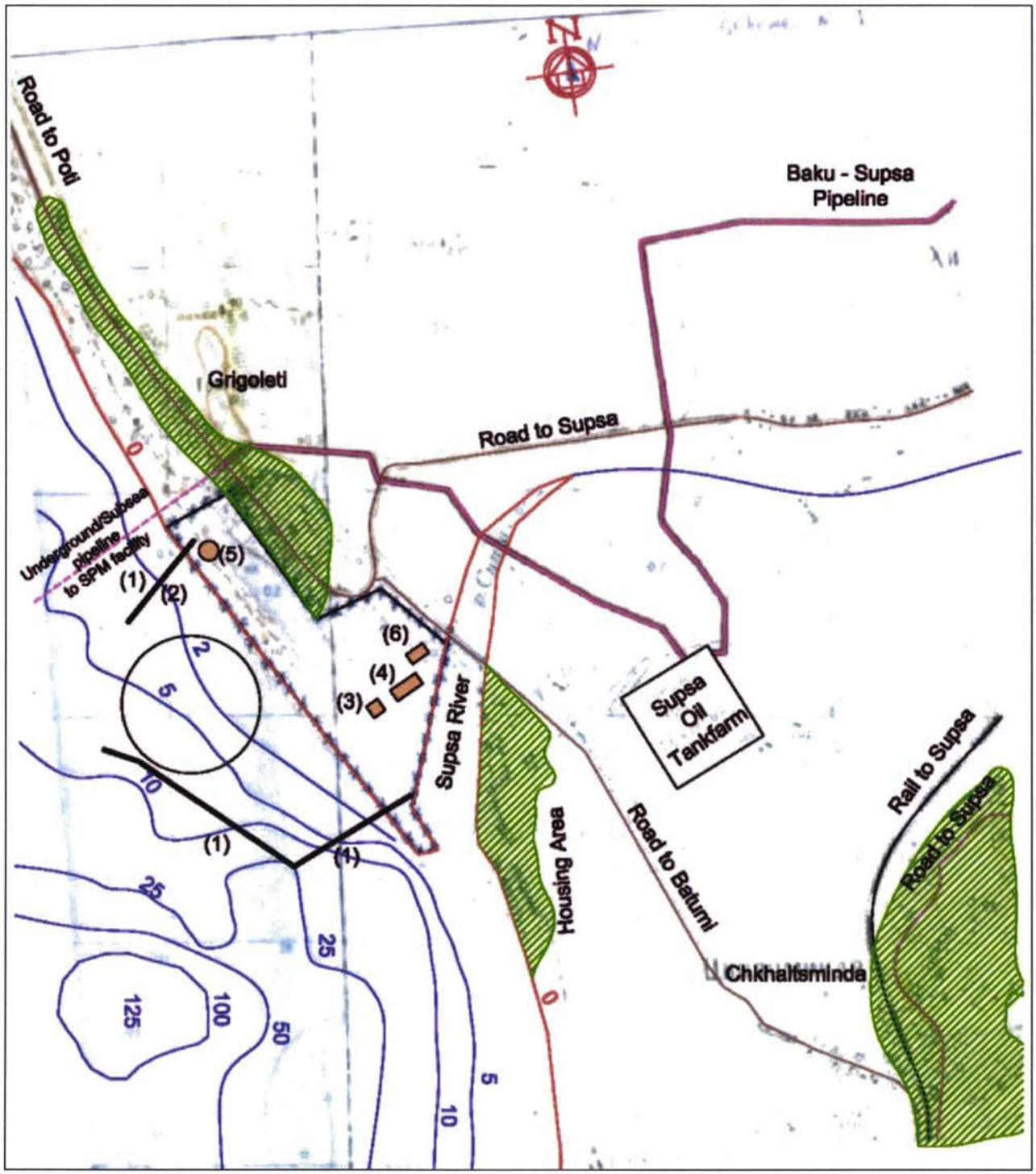
The breakwaters should consist of a gravitation blockwall with a base of rock stone. They should be designed for maximum strength of wave agitation to prevent the penetration of waves into the harbour basin.

The breakwaters should consist of three main parts: southern breakwater of about 300m, western breakwater of about 550m, northern breakwater of about 300m. The turning basin in port will be about 300m, the aquaterritory within the boundaries of the breakwaters will comprise about 16,000 m2 and allow accommodation of vessels with a length of about 170-180 m (see Figure 3).

It is proposed to construct the southern and western breakwaters as jetties with cargo handling terminals for oil and oil products, LNG and Ro-Ro, while the northern breakwater should be dedicated to the auxiliary fleet. The breakwaters should be designed to allow berthing an cargo handling operations also on the outer side of the breakwaters if weather conditions permit.

The approaching channel and the internal basin will surely need considerable deepening, the dredged material should be used for land fill.

Figure 3: Proposal for the construction of an artificial harbour basin



Legend:
(1) Southern (300m), western (550m), and northern (300m) breakwater
(2) Berth structure for port auxiliary fleet
(3) Harbour Master's office
(4) Workshop
(5) Fuelling station
(6) Seaman's mission

6 Conclusions

- The construction of the berth on the right bank of the river will require much less costs than the construction of the breakwater for the creation of the artificial harbour. However, the former will make sense only if no additional facilities (other than the existing SPM) will be constructed (in this case it may be questioned whether the construction of special facilities for an auxiliary fleet at Supsa port are justified at all) or if capacity restrictions within the harbour area justify the construction of additional alternative facilities for the auxiliary fleet in order to free berth capacities for commercial handling activities.

  In case there is concrete demand for the construction of a.m. handling facilities the breakwater solution looks very attractive and gives a more promising development prospect.
- The technical database on which the present pre-investigation is based on allows the elaboration of some preliminary ideas and sketches. The database should be further refined and enhanced at least on pre-feasibility level. Moreover, the market potential of a port in Supsa needs to be assessed as well as cost estimates calculated in order to identify whether the construction of port facilities in Supsa port should be pushed beyond the planning stage.

ANNEX 11:

Training requirements at Supsa Port

1 Introduction

So far, the development of Supsa Port Authority (SPA) as well as any other organisations and entities in the port is still at a very early stage. Therefore, only general recommendations, oriented on the tasks of a port authority as specified in Annex 9 of this report, can be given.

Training should be carried out for the respective employees in the following areas:

Safety
- work safety regulations and their application in practice
- (training requirements for VTS operators and technicians)

Management and organisation
- co-operation and communication between the different departments of SPA
- training for foremen and shift managers: leadership, communication, shift management, allocation of personnel and equipment (if SPA also executes handling operations).
- general management issues

Cargo handling
- dangerous goods handling and regulations

Environment
- environmental protection, and pollution prevention and combating

In the following, training requirements and contents for the a.m. fields will be defined.

2 Training Aspects of Different Fields

2.1 *Occupational Health and Work Safety*

The purpose of conducting training in health and safety protection is to ascertain high level skills concerning occupational heath, work safety and environmental protection for oil cargo and liquid gas handling at the Port of Supsa. Occupational health, work safety and environmental protection standards should be of highest concern for the port authority as well as for operators and comply with international conventions, laws and regulations. Therefore, the following topics should be subject to training measures

- Work safety regulations and their application in reality.
  Here, national regulations on occupational health and safety as well as the stipulations of the ILO Occupational Safety and Health (Dock Work) Convention 1979 and of the ILO Occupational Safety and Health (Dock Work) Recommendation 1979 should be introduced to the workers as well as to the

foremen and the responsible managers. Further, examples of world-wide best practices should be given to the port employees.

- Health, Safety and Environment Handbook
  First of all, a health, safety and environmental protection handbook for the new port of Supsa should be elaborated. In this handbook, the existing operation concept and procedures as well as emergency procedures in case of accidents, the overall safety situation, including equipment, lighting of the terminal etc, at the port of Supsa should be described. Internationally, various handbooks exist in ports. Samples and best practices from these handbooks can be taken to elaborate a handbook specifically for the conditions of the port of Supsa. During the following training measures at least the below mentioned topics should be taken into account:
  - the application of the manual in daily operations
  - the appreciation of the manual, its purpose and importance for safe operations
  - the understanding that the manual must be "lived", not only "obeyed" by all persons involved in Supsa port
  - the continuous development and improvement of the manual
- Safety awareness:
  Already during establishment of new port facilities the port workers should be made aware of the rationale of protection measures for occupational health and work safety. Especially, as the port probably handles mainly dangerous cargoes, the port workers as well as the management should not only know about relevant regulations and protection measures but also understand their benefit.

2.2 *Management and Organisation*

The management personnel should be familiarised with and practice the most common and universally applied management techniques. Moreover, management tools and their use in task education are to be introduced. These lectures will give valuable impulses for the participants' professional development, in particular for their daily work routine in senior positions. The following topics are of importance:

- Management techniques
- EDP application for senior managers
- Self-management and motivation
- Skills of leadership
- Time management
- Office and work organisation
- Project management
- Negotiation and communication techniques
- Analysis of training needs and instruments of manpower performance

Depending on the qualification and tasks of the port management, training in the following topics should be taken into consideration

- Financial Management
- Cost accounting
- Controlling
- Marketing
- Strategic planning

Many problems and inefficient operations in existing organisations occur, because the individual departments are only interested in their own work but do not reflect on the influence of their work on other

departments. Therefore, another important aspect of management and organisation training is "Team-building", not only with respect to teaching the individual departments but also with respect to promoting co-operation between the departments. Awareness for the mutual dependency of different departments should be developed in order to increase work efficiency.

But, not only the senior management should be trained in basic management topics and so called soft skills, but also foremen and shift managers. Foremen and shift managers are the immediate supervisors of the workers and their performance and attitude will strongly reflect on the motivation and work performance of the port workers. Important topics for this target group are e.g.

- Leadership
- Communication
- Shift management
- Allocation of personnel and equipment

Important in this respect is the integration of all functions, which should be reflected in the organisational structure; for example, the subordination of the technical service to operations. This eliminates one of the most conflicting areas of many ports and terminals, e.g. who has the responsibility for deployment of handling equipment. The responsibility of each section vis à vis the others should be clearly attributed, and the accountability of services clearly defined. Moreover, workable agreements between e.g. operations and technical services should be described. A lot of interdepartmental battles can be avoided if operations and technical services are merged into one unit and staff and workers understand that they have the same and not contrary interests.

2.3 *Cargo Handling*

Within this module the trainees should receive a thorough introduction in the requirements and stipulations of the IMDG-Code. The characteristics of different IMDG classes will be explained and demonstrated as well as the correct packing and labelling of containments with harmful or dangerous substances. International procedures of dangerous cargo documentation will be explained and the trainees will be required to attain proficiency concerning the labelling, segregation, storage, handling and supervision of dangerous goods in ports. The following conventions and regulations should be introduced and, as far as possible, practised:

- International Maritime Dangerous Goods Code (IMDG), incl. Emergency Procedures for Ships carrying dangerous Goods (EmS) and Medical First Aid Guide for use in Accidents involving dangerous Goods (MFAG)
- Recommendations on the Safe Transport, Handling and Storage of dangerous substances in Port

Further, practical measures and procedures should be addressed and practised during the training:

- Emergency response and contingency planning
- Governmental control
- Introduction to and practical application of the Oil Tankers and Terminal Operations Safety Manual (see also Annex 12 of this report)
- Prevention and fighting of oil spills
- Measures in cases of fire and explosion on board ships or ashore

2.4 *Environment*

Protecting people and the environment should be an important concern of all port related institutions and companies. Every participant in procedures related to these aspects has a responsibility to meet the requirements of national laws and international conventions. Goal should be to eliminate all injuries, prevent adverse environmental and health impacts, reduce waste and emissions, and promote conservation of resources. Therefore, training in all aspects of protection of health and environment is of utmost importance and should under no circumstances be neglected. At least, the following topics should be addressed.

International conventions and regulations and their practical application:

- Maritime Safety
  - SOLAS, International Convention for the Safety of Life at Sea, 1974, including the latest Protocols and amendments, International Safety Management Code (ISM) and International Code for High-Speed Craft (HSC)
- Marine Environment Protection
  - MARPOL, International Convention for the Prevention of Pollution from Ships, 1973 - including the latest Protocols and amendments
  - Inter-Governmental Conference on the Convention on the Dumping of Wastes at Sea
  - International Convention on Oil Pollution Preparedness. Response and Co-operation (OPRC)
  - Ship Safety and Pollution Prevention, Ship Management and Port State Control
  - IMO Guidance on Port Reception Facilities according to MARPOL

For practical work and daily operations, an awareness for the importance of environmental protection and accident prevention should be built up. Therefore, the participants of the training should be introduced to

- Responsible care
- Pollution prevention with regard to the handling of oil cargo and liquid gas
- Waste reduction during operation
- Energy consumption reduction
- Ecologically efficient use of materials and development of processes
- Cleaning facilities

Oceans are suffering from increasing emissions of harmful wastes from ships, be it oily mixtures or residues, waste water or garbage or even slops from chemical carriers. Since ship generated pollution of the seas has become a matter of international concern it has become the obligation of ports to fulfil the requirements of the MARPOL Convention and inspect the incoming vessels regarding their compliance with the Convention, therefore, of high importance are:

- Practical implementation of MARPOL
- Vessel inspection
- Documentation, oil record book
- Calculating sludge production
- MARPOL equipment, oil-water separator, homogeniser
- Reception facilities
- oil spill combating strategies, equipment and response organisation (see below)
- Contingency planning (see below)
- Oil spill fighting exercise (see below)
- International co-operations, co-operation of regional ports (see below)

In Supsa port, the Supsa Oil Terminal which is operated by BP, serves for the transhipment of oil from the pipeline to tank vessels. It consists of a tank farm with an overall storage capacity of 160,000 tonnes, a "Marine Base" and a SPM installation for mooring and loading of tank vessels.

In accordance with the "Host Government Agreement" and the "Pipeline Construction and Operating Agreement", which require the operator of the pipeline to "*use Best Efforts to minimise potential disturbances to the environment, including the surface, subsurface, sea, air, lakes, flora, fauna, other natural resources and property*"[1], BP stresses high priority on preventing spills by developing and implementing environmental and safety policies and practices. For the case of an accident, BP has developed a comprehensive contingency plan for oil spill preparedness and response. The contingency plan comprises several folders and covers both,

- accidents on land (due to pipeline rupture or incidents during storage, for example)
- marine oil spills resulting from vessel casualty or transfer activities at the SPM.

Also listed in this plan are a number of sensitive areas, such as rivers and riverines, wetlands as marshes, swamps and tidal flats, for which special response procedures have been identified and described.

The oil spill contingency plan of the Supsa Oil Terminal has been elaborated in accordance with international standards and has been approved by the Crisis Management Team of BP in Baku. The plan is regularly updated and reviewed, personnel and equipment are said to be trained and maintained to a high degree of preparedness.

Oil spill recovery equipment such as booms, skimmers, pumps, etc. is stored in several containers at the Marine Base. According to information obtained from BP this equipment enables effective recovery of oil spills classified as Tier 1 and Tier 2 accidents[2]. (A list of equipment and specification can be handed out on request). For recovered oil, two floating tanks are available at Supsa. On demand, further small tankers and barges can be provided from the ports of Poti and Batumi.

In case of major accidents which are beyond the response capabilities of BP, support from the Emergency Co-ordination Centre in Batumi can be mobilised on short notice. This is also defined in the HGA: ..."*in the event of a spillage of Petroleum from the Facilities, or any other occurrence causing or likely to cause material environmental damage or risk to health and safety, then, at the request of the Operating Company, the Government shall assist the Operating Company in any remedial or repair effort by using its Best Efforts to make available any labour, materials and equipment in reasonable quantities requested by the Operating Company which are not otherwise readily available to the Operating Company.*"[3]

Furthermore, additional equipment and manpower can be activated from "Briggs Marine", an international environmental service company at Baku, with which BP holds a contract.

The Government of Georgia has recognised the serious threat posed by a Tier 3 spill. By having signed the OPRC Convention, mutual support and regional / international assistance, for example by the "Tier 3 Centre" in Southampton, are facilitated in case of a "Worst Case Scenario".

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[1] Article 9.2 of the PIPELINE CONSTRUCTION AND OPERATING AGREEMENT

[2] verbal information: Deputy Manager of the Supsa Terminal

[3] Article 7.2 of the HOST GOVERNMENT AGREEMENT

ANNEX 12:

Oil Tankers and Terminal Operations Safety Manual for the Port of Supsa

Contents

1 Introduction

1.1 *Objective*

The objective of this guideline is to ensure safe, environmentally responsible and efficient handling of oil at the port of Supsa.

1.2 *Scope*

The procedures outlined in this guideline shall apply to the safe handling of oil at the terminal in the Port of Supsa. Oil handling operations in Supsa will be carried out by qualified staff of the Port of Supsa.

The procedures outlined in this guideline address the various occupational safety, and environmental hazards that can be encountered during operations.

Annexed to these safety guidelines are several safety checklists which should be filled in by tankers before the start of operations in the port.

1.3 *Mode of Operations*

It is intended to conduct oil handling operations in future in the port of Supsa. So far, it is not yet definitely defined how many berths and handling facilities will be operated in the port.

The port development plans are still being developed by the Supsa Port Authority and the Georgian Government.

Currently, oil loading activities are only carried out by the terminal operator GPC Georgian Pipeline Company at a single point mooring facility about 2 NM off the shore, which can load tankers of up to 150,000 tdw. Upon arrival of a vessel, the vessel is moored to the SPM and connected to a flexible loading arm which itself connects to an underwater pipeline leading to the tank farm. The shore-based part of the connection is buried underground while the sea-based part is reportedly laid on the seabed. The port of Supsa itself so far does not handle any vessels.

Still, in future, it is anticipated that the port facilities and berths will be developed and oil handling will take place in the port of Supsa. The following manual / recommendations for safe oil handling at tankers and terminals can be applied after the future development has been finalised.

Theses recommendations are developed in accordance with the ISGOTT (International Safety Guide for Oil Tankers and Terminals), which have been developed and approved by the IMO.

2 Operational System

2.1 *Introduction*

In order to address the various operational risks and to avoid accidents and damages as far as possible, it is necessary to define

- The specific responsibilities of all parties involved in the handling process
- The selection and usage of appropriate equipment and handling facilities
- The training and competence of personnel carrying out their tasks
- The coordination and supervision of the handling process.

2.2 *Organisation*

Parties involved in the unloading process comprises of

- The ship's agent
- The vessel's master
- The Port of Supsa

2.2.1 Responsibilities of the Ship's Agent

- To advise all parties on the movement of the vessel, arrival time and date and departure time and date
- Liaise with the marine department to obtain clearance for the vessel to berth or unberth including pilotage
- Berthing operations and unberthing operations of the ship from the port
- Customs and immigration clearance
- The servicing of the vessel when in port including fuel, food, water and other services
- Manifest, Cargo List, IMDG-Cargo List, Leaflets on Emergency Response Procedures and First Aid Measures for Dangerous Substances according to IMDG-Code

2.2.2 Responsibilities of the Ship's Master

- Ensure the safety of the vessel and its crew
- Ensure proper maintenance and condition of the vessel

2.2.3 Responsibilities of the Port of Supsa

- The secondment of properly trained, certified and experienced supervisors, workers for handling operations
- The provision of technically sound, safe, valid certified and appropriate oil handling equipment

3 Safety precautions and emergency procedures

3.1 *The Ship's Agent will notify all parties*

- Name of the vessel and Expected Arrival Time (up-dated as it may be necessary)
- The vessel's berthing instruction and Expected Departure Time
- Confirmation of the Vessel Servicing Requirements
- The nominated person onboard the vessel who will liaise with the Port of Supsa

3.2 *Compliance with Terminal and local Regulations.*

The terminals' safety and pollution regulations must be complied with by both tanker and terminal personnel. All tankers at the terminal should be aware of such regulations, together with any other regulations relating to the safety of shipping which may be issued by the Supsa Port Authority. Regulations regarding work in shore hazardous zones should be carefully noted.

A sufficient number of personnel to deal with an emergency should be present on board the ship and in the shore installation at all times during the ship's stay at the terminal. Those personnel involved with the operations should be familiar with the risks associated with handling petroleum.

After the tanker has berthed the terminal representative should contact the responsible officer to:

- Agree designated smoking places
- Agree galley equipment and cooking appliance limitations
- Advise on 'Work Permit' and 'Hot Work Permit' procedures
- All conditions for entry, including the issue of an entry permit and, if appropriate, a work permit, must be observed. Before work is undertaken, a check should be made to ensure that there is no loose scale, sludge or combustible material in the vicinity which, if disturbed or heated, could give off toxic or flammable gases. Hot work in an enclosed space should only be carried out when all applicable regulations and safety requirements have been met
- Advise on other relevant activities in the vicinity.
- Provide information about other terminal or local safety and pollution regulations.
- Advise means of summoning assistance from terminal, fire, medical, police and other emergency services.
- Exchange information on the availability and use of fire-fighting and emergency equipment on the terminal and the tanker.
- Discuss the action to be taken (both on board and ashore) in case of fire or other emergency.
- Discuss arrangements for the orderly evacuation of the berth in an emergency, e.g. muster points and ship to shore access routes.
- Agreed on that anchors not in use should be properly secured but available for immediate use.
- Prior to vessel berthing, the Port of Supsa ensures that no unauthorised personnel are allowed to be at the berths so as to minimise any risk of injury during the mooring operations of vessel
- When vessel is in port, authorisation must be given by vessel's master before any personnel is allowed to board the vessel

The consumption of alcohol or non-prescribed drugs is not permitted during cargo operations, including break times. Any person found under the influence of alcohol and drugs must be removed from the operations area forthwith.

Personnel on duty on a jetty or on watch on a tanker must ensure that no one who is smoking approaches the jetty or boards a tanker. Persons apparently intoxicated should not be allowed to board a tanker unless they can be properly supervised.

3.3 *Management of Mooring while Alongside*

Ship personnel are responsible for the frequent monitoring and careful tending of the tanker's moorings, but suitably qualified shore personnel should check the moorings periodically to satisfy themselves that they are being properly tended.

The possibility of using tugs to maintain position should be considered whenever the following conditions exist or are expected:

- Significant increase in wind speed or change in wind direction, particularly if the tanker has substantial freeboard.
- Swell
- Periods of maximum tidal flow
- Limited underkeel clearance
- The close passing of other ships

3.4 *State of Readiness*

3.4.1 Fire-Fighting Equipment

Immediately before, or on arrival at a terminal at which it is intended to load or discharge cargo, fire hoses should be connected. Portable fire extinguishers, preferably of the dry chemical type, should be conveniently placed near the ship's manifold.

In cold weather, the freezing of fire mains and hydrants should be prevented by continuously bleeding water overboard from hydrants at the extreme end of each fire main. Alternatively, all low points of the fire main may be kept drained.

3.4.2 Readiness to Move Under Own Power

While a tanker is berthed at a terminal its boiler, main engines steering machinery and other equipment essential for manoeuvring should normally be maintained in a condition that will permit the ship to move away from the berth at short notice.

3.5 *Communications*

Telephone, portable VHF/UHF and radio telephone systems should comply with appropriate safety requirements.

The provision of adequate means of communication, including a back-up system between ship and shore, is the responsibility of the terminal.

Communication between the responsible officer on duty and the responsible person ashore should be maintained in the most efficient way.

4 Communications Equipment

4.1 *Radio Equipment*

The use of a tanker's radio equipment during cargo or ballast handling operations is potentially dangerous. This does not apply to the use of permanently and correctly installed VHF and UHF equipment, provided the power output is reduced to one watt or less.

The us of VHF/UHF radio equipment as a means of communication should be encouraged whenever possible.

When a tanker is at a berth, its main transmitting antennae should be earthed.

4.2 *Ship's Radar Equipment*

The radiation of radar waves from a properly sited radar scanner presents no ignition hazard on board a vessel, but the operation of high powered 10cm radar may induce an electrical potential into nearby conductors at the berth. The operation of a tanker's radar will also involve running non-approved electrical equipment.

4.3 *Satellite Communications Equipment*

This equipment normally operates at 1,6 GHz and the power levels generated are not considered to present an ignition hazard. As the positioning of the antennae may, however, involve the running of non-approved electrical equipment, consultation between the tanker and the terminal is advisable before the satellite terminal is operated.

4.4 *Closed Circuit Television*

If closed circuit television is fitted on a tanker or on a jetty, the cameras and associated equipment must be of an approved design for the areas in which they era located. If of an approved design, there is no restriction upon their use.

When a tanker is at a berth the servicing of this equipment should be agreed between the ship and the shore.

4.5 *Telephones*

When there is a direct telephone connection from the ship to the shore control room or elsewhere, telephone cables should preferably be routed outside the dangerous zone. Whenever this is not feasible, the cable should be routed and fixed in position by qualified shore personnel and so protected that no danger can arise from its use.

5 Work or Repairs on a Jetty or Petroleum Berth or on a Tanker at a Berth

5.1 *Permit to Work Systems – General Considerations*

Permit to work systems are widely used throughout the petroleum industry. The permit is essentially a document which describes the work to be done and the precautions to be taken in doing it, and which sets out all the necessary safety procedures and equipment.

Permits should normally be used for hot work, electrical work and cold work undertaken in hazardous and dangerous areas.

More detail explanations are found in the ISGOTT Guide item 4.12

5.2 *Use of Tools*

No hammering, chipping, or grit blasting should take place, nor should any power tool be used in certain spaces on a tanker, or on a jetty at which a tanker is berthed.

5.3 *Access to Berth*

The use of vehicles and equipment should be controlled, particularly in hazardous zones and thee routes to and from work places and parking areas should be clearly indicated. When deemed necessary, movable fencing should be provided, to prevent unauthorised access.

6 Liaison between Tanker and Terminal before Cargo Handling

Emphasis is placed on the fact that the completion of a safe and successful cargo handling operation is dependent upon effective co-operation and co-ordination between all the parties involved. Certain information relating to cargo, ballast and bunker handling should be exchanged before these operations begin.

6.1 *Terminal's advice to the tanker about preparation for loading*

such as

- cargo specification,
- whether or not the cargo includes toxic components,
- tank venting requirements, any other characteristics of the cargo requiring
- attention,
- flash-points (where applicable) of products and their estimated loading
- temperatures,
- nominated quantities of cargo to be loaded,
- maximum shore loading rates,
- standby time for normal pump stopping
- maximum pressure available at the ship/shore cargo connection,
- number and sizes of hoses or arms available and manifold connections
- required for each product or grade of the cargo
- proposed bunker loading rate
- communication system for loading control, including the signal for emergency
- stop,
- limitations on the movement of hoses or arms.

6.2 *Tanker's advice to the Terminal about preparation for loading*

such as

- details of last cargo carried, method of tank cleaning (if any) and state of the cargo tanks and lines
- where the vessel has part cargoes on board, grade, volume and tank distribution
- maximum acceptable loading rates and topping off rates
- maximum acceptable pressure at the ship/shore cargo connection during loading

- cargo quantities acceptable from terminal nominations
- proposed disposition of nominated cargo and preferred order of loading
- maximum acceptable cargo temperature (where applicable)
- maximum acceptable true vapour pressure (where applicable)
- proposed method of venting
- disposition, composition and quantities of ballast together with time required for discharge and maximum light freebord

6.3 *Agreed Loading Plan*

On the basis of the information exchanged, an operational agreement should be made in writing between the responsible officer and the terminal representative covering the following:

- ship's name, berth, date and time
- name and signature of ship and shore representative
- cargo distribution on arrival and departure
- the following information on each product:
    - quantity
    - ship's tanks to be loaded
    - shore tanks to be discharged
    - lines to be used ship/shore
    - cargo transfer rate
    - operating pressure
    - maximum allowable pressure
    - temperature limits
    - venting system

  finally, restrictions because of
    - electrostatic properties
    - use of automatic shut-down valves

The agreement should include a loading plan indicating the expected timing and covering the following:

- The sequence in which ship's tanks are to be loaded, taking into account:
    - deballasting operations
    - ship and shore change over
    - avoidance of contaminating of cargo
    - pipeline clearing for loading
    - other movements or operations which may affect flow rates
    - trim and draught of the tanker
    - the need to ensure that permitted stresses will not be exceeded

- The initial and maximum loading rates, topping off rates and normal stopping times, having regard to:

    - the nature of the cargo to be loaded
    - the arrangement and capacity of the ship's cargo lines and gas venting system
    - the maximum allowable pressure and flow rate in the ship/shore hoses or arms
    - precautions to avoid accumulation of static electricity
    - any other flow control limitations

- The method of tank venting to avoid or reduce gas emissions at deck level, taking into account:

- the true vapour pressure of the cargo to be loaded
- the loading rates
- atmospheric conditions
- Any bunkering or storing operations
- Emergency stop procedure
- A bar diagram is considered to be one of the best means of depicting this plan.

6.4 *Inspection of Ship's Cargo Tanks before Loading*

Where possible, inspection of ship's tanks before loading cargo should be made without entering tanks.

A tank inspection can be made from deck using ullage or sighting ports with, where applicable, the inert gas within the tank maintained at its minimum positive pressure. Care must be taken by the person inspecting not to inhale vapours or inert gas when inspecting tanks which have not been gas freed.

Frequently, tank atmospheres which are, or have been, inerted have a blue haze which, together with the size of the tanks, makes it difficult to see the bottom even with the aid of a powerful torch or strong sunlight reflected by a mirror. Other methods such as dipping and measuring the heel, or having the stripping line or eductors opened in the tank and listening for suction, may have to be used.
It may sometimes be necessary to remove tank cleaning opening covers to sight parts of the tank not visible from the ullage ports but this should only be done when the tank is gas free, and the covers must be replaced and secured immediately after the inspection.

7 Training and Certification

- Valid certificates of competency records of each personnel will be inspected by the safety officer before each shift.
- Training records will be reviewed periodically to ensure that the competency levels of the personnel are current and up to date.
- A yearly training needs analysis will be done for each personnel. All findings will be compiled in the training plan and the plan shall be implemented immediately.

Equipment, Lifting Gears and Others

- All gear and loading equipment must be certified before they are allowed to be used for any kind of operations
- All certificates of inspection shall be filed and stored by the Port in the appropriate registries. All certification of the equipment and facilities will be reviewed periodically and pre-certification will be carried out if required.

8 Emergency Procedures

A safety vehicle will be on standby at the designated site for transport to the medical facilities. Treatment will be available for minor injuries in the medical room. Other than minor injuries, the patient will be transported by the safety vehicle to the nearest to the nearest hospital / medical care unit.

Annex: Safety Checklists and Guidelines for the Use of the Safety Checklists

PORT OF SUPSA

Safety Checklist I

Ship's name _____

Berth: _____

Date/Time of arrival: Layby : _____

Roads: _____

Dear Sir,

your tanker is alongside this berth for the loading / unloading of: _____

We like to inform you, that you have to obey the Safety Requirements established by the Government Authorities regarding this terminal.

In order to prevent any kind of accident on your tanker which might involve our personal and equipment too, we herewith attach a **"Safety check list"** which is made up according to the International Oil Tanker and Terminal Safety Guide and IMO, which you are asked to fill in and follow on board. This list is to be returned duly filled out and signed by you or your representative **before** any product movements are to be commenced.

During product movements you are requested to have _____ men continuously on watch within nearest reach of the Cargo-Manifolds.

In no case it is allowed to discharge any slop, waste, tank wash residue or other garbage overboard.

Besides this, we like to point out, that in case the **Safety or Environmental Protection Requirements** are not being observed, we shall reserve the right to shut down the operations and order your vessel off this berth.

We shall appreciate your and your crew's co-operation.

The fire fighting-tug boat is standing by on **Channel .....VHF** Name of tug:_____

		Amount of Cargo	Max. Loading/Unloading Rate
Shore-stop___	Ship-stop___	_____mt	_____mt/h
Shore-stop___	Ship-stop___	_____mt	_____mt/h
Shore-stop___	Ship-stop___	_____mt	_____mt/h
Shore-stop___	Ship-stop___	_____mt	_____mt/h
Shore-stop___	Ship-stop___	_____mt	_____mt/h
Shore-stop___	Ship-stop___	_____mt	_____mt/h
Shore-stop___	Ship-stop___	_____mt	_____mt/h
Shore-stop___	Ship-stop___	_____mt	_____mt/h

_____ _____ _____

MASTER CHIEFMATE FOR PORT OF SUPSA

PORT OF SUPSA

Safety Checklist II

Ship's name _____

Berth: _____

Date/Time of arrival: Layby: _____

Roads: _____

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a) General arrangement of cargo, bunker, and ballast tanks _____

b) Draft and trim on arrival _____

c) Information about manifold, flange diameters and diameters of hose/loading arm connections ship/shore _____

d) All leaky parts of hull, valves and pipes systems which can effect loading / discharging operation and possibly causing pollution _____

e) All necessary maintenance causing delays of discharging / loading operation _____

f) Quantity and disposal of slops _____

g) Test result of gas detection plant. _____

LOAD

h) Max topping off and loading rate _____

i) Proposed stowage of cargo and sequence of loading _____

j) Information about last cargo, tank cleaning and state of cargo(in respect of stability) _____

k) Proposed procedure for venting the tanks _____

l) Stowage, consistence and quantity of ballast water and time for deballastin

DISCHARGE

h) Cargo information and precautions advised by load port for cargo handling and emergency situations _____

i) Cargo quantity and stowage on board _____

j) All unexpected ullage changes of cargo tanks, since departure of load port _____

k) Is there any water inside cargo tanks _____

l) Product temperature on arrival _____

m) Preferred sequence for discharging the cargo tanks _____

n) Max discharge rate and max pump pressure _____

o) Time and duration for ballasting the permanent ballast tanks or cargo tanks _____

_____	_____	_____
MASTER	CHIEFMATE	FOR PORT OF SUPSA

PORT OF SUPSA

Safety Checklist III

Ship's name _____

Berth: _____

Date/Time of arrival: _____ Layby : _____

Roads: _____

	Ship Terminal	Remarks
1. Is the ship securely moored ?		
2. Are emergency towing wires correctly positioned ?		
3. Is there safe access between ship and shore?		
4. Is the ship ready to move under its power?		
5. Is there an effective deck watch in attendance on board and adequate supervision on the terminal and on the ship ?		
6. Is the agreed ship/shore communication system operative?		
7. Have the procedures for cargo, bunker and ballast handling been agreed?		
8. Has the emergency shut down procedure been agreed?		
9. Are the fire hoses and fire fighting equipment on board and ashore positioned and ready for immediate use?		
10. Are cargo and bunker hoses/arms in good condition and properly rigged and, where appropriate, certificates checked?		
11. Are scuppers effectively plugged and drip trays in position, both on board and ashore?		
12. Are unused cargo and bunker connections including the stern discharge line, if fitted, blanked?		
13. Are sea and overboard discharge valves, when not in use, closed and lashed?		
14. Are all cargo and bunker tanks lids closed?		

15. Is the agreed tank venting system being used?
16. Are hand torches of an approved type?
17. Are portable VHF/UHF transceivers of an approved type?
18. Are the ship's main radio transmitter aerials earthed and radars switched off?
19. Are electric cables to portable electrical equipment disconnected from power?
20. Are all external doors and ports in the midships accommodation closed?
21. Are all external doors and ports in the after accommodation leading onto or overlooking the tank deck closed?
22. Are air conditioning intakes which may permit the entry of cargo vapours closed?
23. Are window-type air conditioning units disconnected?
24. Are smoking requirements being observed?
25. Are the requirements for the use of galley and other cooking appliances being observed?
26. Are naked light requirements being observed?
27. Is there provision for an emergency escape possibl?
28. Are sufficient personnel on board and ashore to deal with an emergency?
29. Are adequate insulating means in place in the ship/shore connection?
30. Have measures been taken to ensure sufficient pump room ventilation?

MASTER CHIEFMATE FOR PORT OF SUPSA

Guidelines for Safety Checklists

Introduction

The IMO Recommendations on the Safe Transport, Handling and Storage of Dangerous Substances in Port Areas (Assembly Resolution A.435 (XI)) contain the requirement that:
The master of a ship and the berth operator should before liquid bulk dangerous substances are pumped into or out of any ship or into a shore installation:

1. agree in writing on the handling procedures including the maximum loading or unloading rates;
2. complete and sign the appropriate safety check list, showing the main safety precautions to be taken before and during such handling operations; and
3. agree in writing on the action to be taken in the event of an emergency during handling operations

Annexed to the Recommendations is a safety check list covering the arrangements and conditions under which the loading and discharging of bulk liquid dangerous cargoes and associated operations such as bunkering, ballasting or thank cleaning may be carried out safely.

Application

The checklist shall be used prior to the following operations:

1. the loading and discharging of dangerous substances in unpacked liquid or gaseous condition;
2. ballasting and de-ballasting of tanks which have not been cleaned and contained the substances indicated under1;
3. loading from the shore installation of fuel for the propulsion of the ship or handling stores on ships which contain the substances under 1 or on ships which are involved in operation under 1 and/or 2;
4. loading and discharging of substances other than those under 1 and 3 on board ships which contain the substances under 1.

If operations under 4 are carried out, a number of Questions on the checklist are not applicable; a note to that effect shall be inserted in the column "Remarks".
The list is divided into three parts which shall be used as follows:

Part A. general, for all tankships

Part B. additional for chemical tankers'

Part C. additional for gas tankers'

Consultation

The operations under items 1, 2, 3 and 4 of application may only be carried out if both parties, indicated as "Ship" and "Shore" on the checklist, have jointly ascertained that they can carry out these operations safely, as far as their own sphere of influence is concerned. This is possible only if all questions of the checklist are answered affirmatively or, if it has been mutually agreed that a question is nor applicable, a not to that effect has been inserted into the column "Remarks".
An exemption is made for the questions coded "P". The operation, may still be carried out, even if a negative answer is indicated provided the competent port authority has been informed and the subsequent conditions required are being met.
Although one of the parties may be the opinion that from his point of view the operations mentioned under items 1, 2,3 and 4 above can be carried out safely, it is possible that the other party does not share this opinion.
In such case nor agreement can be reached when jointly completing the checklist. The operations cannot begin until both parties reach agreement over the measures necessary to ensure that the operation can be carried out safely.

Deviations

It is possible that changing conditions may effect the continuing safety of the operations once they have started. The party finding or having the opinion that there has been a change in conditions must take all necessary action to re-establish the safely of the operations. Where appropriate the other party shall assist. All operations shall be suspended immediately if the necessary actions cannot be taken.

Keeping of forms

The checklist and the forms required by certain items of the checklist shall be kept by the representative of the shore installation for a period of at least one month after the date of completion.
On board the ship the checklist and the associated forms shall be kept until at least 12 hours after departure from the Netherlands (or any other country where the checklist is used). At their request the checklist and forms shall be submitted to the competent port authority.

Itemised guidelines

The following part of the guidelines contains an itemised summing up of the conditions which, judged by the current state of the art, shall be established to ensure the safety of the operations.

Part A

Bulk Liquids - General

a1 *Is the ship securely moored?*

In answering this question, due regard shall be given to the need for adequate fendering arrangements.

Ships shall remain adequately secured in their moorings. Alongside piers or quays ranging of the ship shall be prevented by keeping all mooring lines taut; attention shall be given to the movement of the ship caused by currents or tides and the operation in progress.

Wire ropes and fibre ropes shall not be used together in the same direction (i.e. breasts, springs, head or stern) because of the difference in their elastic properties. Once moored, ship fitted with automatic tension winches shall not use such winches in the automatic mode.

Means shall be provided to enable quick and safe release of the ship in case of an emergency.

The method used for the emergency release operation shall be agreed, taking into account the possible risks involved.

Anchors not in use shall be properly secured.

a2 *Are emergency towing wires correctly positioned?*

Emergency towing wires shall be positioned both on the offshore bow and quarter of the ship.

The eyes of these wires shall be maintained about the waterline and regularly checked and adjusted if necessary during the operations. They shall be properly made fast on and adjusted if necessary during the operations. They shall be properly made fast on the ship's if necessary during the operations. They shall be properly made fast on the ship's bollards while having sufficient slack on deck.

Means shall be provided to prevent the slack from accidentally running into the water. These means shall be so arranged that they can easily be broken.

a3 *Is there safe access between ship an shore?*

The access shall be positioned as far away from the manifolds as practicable.

The means of access to the ship shall be safe and may consist of appropriate gangway or accommodation ladder.

It is advisable to fit and properly secure a safety not under the means o asses.

When terminal assess facilities are not available and a ship's gangway is used, there shall be an adequate landing area on the berth so as to provide the gangway with a sufficient clear run of space and so maintain safe and convenient access to the ship at all states of tide and changes in the ship's freeboard.

Near the access ashore suitable life-saving equipment shall be available. A lifebuoy shall be available on board the ship near the gangway or accommodation ladder.

The access shall be safely and properly lit during darkness.

Persons who have no legitimate business on board, or who do not have the master's permission, shall be refused access to the ship.

The terminal shall control access to the jetty or berth in agreement with the ship.

a4 *Is the ship ready to move under its own power?*

The ship shall be able to move under its own power at short notice, unless permission to immobilise the ship has been granted by the competent port authority and the terminal manager.

Certain conditions may have to be met for permission to be granted.

a5 *Is there an effective deck watch in attendance on board and adequate supervision on the terminal and on the ship?*

The operations shall be under constant control both on ship and shore.

Supervision shall be aimed at preventing the development of hazardous situations; if however, such a situation arises, the controlling personnel shall have adequate means available to take corrective action.

The controlling personnel on ship and shore shall maintain an effective communication with their respective supervisors.

All personnel connected with the operations shall be familiar with the dangers of the substances handled.

a6 *Is the agreed ship/shore communication system operative?*

Communication shall be maintained between the responsible officer on duty on the ship and the responsible person ashore, in the most efficient way.

The ship is supplied by the agent with a portable VHF which has to be used only in case o emergency. Furthermore there is a telephone box given on board.

The selected system on communication together with the necessary information on telephone numbers and/or channels to be used shall be recorded on the appropriate form.

This form shall be signed by both ship and shore representatives.

The telephone and portable RT/VHF systems shall comply with the appropriate safety requirements.

a7 *Have the procedures for cargo and ballast handling been agreed?*
The procedures for the intended operation shall be pre-planned. They shall be discussed and agreed upon by the ship and shore representative prior to the start of the operations. In setting up the procedures for the intended operation, the master or his representative shall pay due regard to the forces and stresses to which the ship may be subjected. The agreed arrangements shall be recorded. The information which shall be contained in this form, shall be at least as indicated on that form which is attached to these guidelines.
Where deemed necessary this form may be used to record information related to the contents of the foregoing paragraph. (See annex 3 to these guidelines.) The form shall be signed by both representatives.
Any change in the agreed procedure that could affect the operation shall be discussed by both parties and agreed upon. After agreement has been reached by both parties substantial changes shall be laid down in writing as soon as possible and in sufficient time before the change in procedure takes place. In any case the change shall be laid down in writing within the working period of those supervisors on board and ashore in whose working period agreement on the change was reached.
The properties of the substances handled, the equipment of ship and shore installation, the ability of the ship's crew and the shore personnel to execute the necessary operations and to sufficiently control the operations are factors which shall be taken into account, when ascertaining the possibility of handling a number of substances concurrently.
The manifold area both on board and ashore shall be safely and properly lit during darkness. The illumination level shall be at least 20 lux.
The initial and maximum loading rates, topping off rates and normal stopping times shall be agreed, having regard to:

- the nature of the cargo to be handled;
- the arrangement and capacity of the ship's cargo lines and gas venting systems;
- the maximum allowable pressure and flow rate in the ship/shore hoses and loading arms;
- precautions to avoid accumulation of static electricity;
- any other flow control limitations.

Where applicable notes shall be inserted in the form mentioned in the second paragraph.
If the static electricity properties of the substance handled and the situation in the tank so require, no conducting object shall be inserted into that tank during loading and during a period of at least 30 minutes after the cessation of loading.
The operations shall be suspended on the approach of an electrical storm within a short distance of the handling location, except for operations with products having a flashpoint exceeding 55°C.
All openings in deck and vent lines shall be closed and kept closed during the electrical storm.

a8 *Has the emergency shut down procedure been agreed?*
An emergency shut down procedure shall be agreed between ship and shore and recorded on an appropriate form. The agreement shall designate in which cases the operations have to be stopped immediately.
Due regard shall be given to the possible introduction of dangers associated with the emergency shut down procedure.

a9 *Are fire hoses and fire fighting equipment on board and ashore positioned and ready for immediate use?*
Fire fighting equipment both on board and ashore should be correctly positioned and ready for immediate use.
Adequate units of fixed or portable equipment shall be stationed to cover the ship's cargo deck and on the jetty. The ship and shore main fire systems shall be pressurised, or be capable of being pressurised at short notice.
Both ship and shore shall ensure that their main fire systems can be connected in a quick and easy way where necessary utilising the international ship/shore connection.

a10 *Are cargo hoses/arms in good condition and properly rigged and, where appropriate, certificates checked?*
Cargo hoses and metal arms shall be in a good condition and shall be properly fitted and rigged so as to prevent strain and stress beyond design limitations. All flange connections shall be fully bolted. Other types of connections shall be properly secured.
It shall be ensured that the hoses or metal arms are constructed of a material suitable for the substance to be handled taking into account its temperature and the maximum operating pressure.
Cargo hoses shall be identifiable with regard to their suitability for the intended operation.

a11 *Are scuppers effectively plugged and drip trays in position, both on board and ashore?*
All scuppers on board and where applicable drainholes ashore shall be properly plugged during the operations.
Accumulation of water shall be drained off periodically.
Both ship and jetty shall ideally be provided with fixed drip trays; in their absence portable drip trays may be used.
All drip trays shall be emptied in an appropriate manner whenever necessary but always after completion of the specific operation.

a12 *Are unused cargo and bunker connections including the stern discharge line, if fitted, blanked?*
Unused cargo and bunker line connections shall be closed and blanked. Blank flanges shall be fully bolted and other types of fittings, if used, properly secured.

a13 *Are sea and overboard discharge valves, when not in use, closed and lashed?*
Experience shows the importance of this item in pollution avoidance on ships where the cargo line- and ballast systems are interconnected.
The security of the valves in question shall be checked.

a14 *Are all cargo and bunker tanks lids closed?*
Apart from the openings in use for tank venting (see a15) all openings to cargo tanks shall be closed gaslight.
Ullaging and sampling openings may be opened for the short period of ullaging and sampling.
Closed ullaging and sampling systems shall be used where required by international, national and local regulations and agreements.

a15 *Is the agreed tank venting system being used?*
Agreement shall e reached by both parties as to the venting system for the operation, taking into account the nature of the cargo and applicable regulations for ship and shore installation.

There are three basic systems for venting of tanks:
1. Open to atmosphere via open ullage ports, protected by suitable flame screens.
2. Fixed venting systems which include inert gas systems.
3. Suitable safe vapour return or handling system.

a16 *Are hand torches of an approved type?*

a17 *Are portable VHF/UHF transceivers of an approved type?*
Battery operated hand torches and VHF radio-telephone sets shall be of a safe approved* type. Ship/shore telephones shall comply with the requirements* for explosion-proof construction except when placed in a safe space in the accommodation.
VHF radio-telephone sets may operate in the internationally agreed wave bands only. The above-mentioned equipment shall be well maintained and damaged units, though operative, shall not be used.

a18 *Are the ship's main radio transmitter aerials earthed and radar's switched off?*
The ship's main radio transmitter shall not be used during the ship's stay in port, except for receiving purposes. The main transmitting aerials must be disconnected and earthed.
The ship's radar installation shall not be used unless the master, in consultation with the terminal manager, has established the conditions under which the installation may be used safely.

a19 *Are electric cables to portable electrical equipment disconnected from power?*
The use of portable electrical equipment on wandering leads is prohibited in hazardous zones.
The supply cables shall be disconnected and preferably removed from the hazardous zone.
Telephone cables in use in the ship/shore communication system, shall preferably be routed outside the hazardous zone. Wherever this is not feasible, the cable shall be so conditioned and protected, that no danger arises from its use.

a20 *Are all external doors and ports in the midships accommodation closed?*

a21 *Are all external doors and ports in the after accommodation leading onto or overlooking the tank deck closed?*
External doors, windows and portholes in the midship's accommodation shall be closed during the operations.
In the after accommodation external doors, windows and portholes facing or near the cargo zone shall be closed during operations. These doors shall be clearly marked, but at no time shall they be locked.

a22 *Are air conditioning intakes which may permit the entry of cargo vapours closed?*

a23 *Are window-type air conditioning units disconnected?*
Air-conditioning and ventilator intakes which are likely to draw in air from the cargo area shall be closed.
Air-conditioning units which are located wholly within the accommodation which do not draw in air from the outside, may remain in operation.
Window type air conditioners shall be disconnected from their power supply.

a24 *Are smoking requirements being observed?*
Smoking on board the ship may only take place in places specified by the master in consultation with the terminal manager or his representative.
The smoking is allowed on the jetty and the adjacent area except in buildings and places specified by the terminal manager in consultation with the master.

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* Approved by or requirements of competent authorities such as Arbeidsinspectie (NL), PTB (BRD), Bureau of Mines (USA), BASEEFA (UK), U.L. (USA)

Places which are directly accessible from the outside shall not be designated as places where smoking is permitted. Buildings, places and rooms designed as places where smoking is permitted shall be clearly marked as such.

a25 *Are the requirements for the use of galley and other cooking appliances being observed?*
Open fire may be used in galleys whose construction, location and ventilation system provides protection against entry of flammable gases.
In cases where the galley does not comply with the above, open fire may be used provided the master, in consultation with the terminal manager, has ensured that precautions have been taken against the entry or build up of flammable gases.
On ships fitted with stern discharge lines no open fire in galley furnaces and cooking appliances is allowed when these lines are used, unless the construction of the ship's accommodation allows for the safe use of open fire.

a26 *Are naked light requirements being observed?*
Naked light or pen fire comprises the following: fire, spark formation, naked light and any surface with a temperature that is equal to or higher than the minimum ignition temperature of the products handled in the operations.
The use of open fire on board the ship - other than covered in questions a24 and a25 - and within a distance of 25m of the ship is prohibited, unless all applicable regulations have been met and subject to agreement by the competent port authority, terminal manager and the master.

a27 *Is there provision for an emergency escape possibility?*
In addition to the means of access referred to in question a3, a safe and quick emergency escape shall be available both on board and ashore.
On board the ship it may consist of a lifeboat ready for immediate use.

a28 *Are sufficient personnel on board and ashore to deal with an emergency?*
At all times during the ship's stay at the terminal, a sufficient number of personnel shall be present on board the ship and in the shore installation to deal with an emergency.

a29 *Are adequate insulating means in place in the ship/shore connection?*
Ship shore connections shall be fitted with electrically isolating means. They may consist of an isolating flange in every coupling or metal arm or a single length of non-conductive hose in the ship to shore connection. If insulating flanges are used, only one may be fitted in each of the lines or metals arms. The lines on the shore side of the insulating device shall be electrically continuos to the jetty system while the lines on the ship side shall be electrically continuous to the ship.
It shall be ascertained that the means of electrical discontinuity is in place and in good condition and that is not being by-passed by contact with external metal.

a30 *Have measures been taken to ensure sufficient pumproom ventilation?*
Ship's pumprooms shall be mechanically ventilated and the ventilation shall be kept running throughout the operation. Ventilation shall be aimed at maintaining a safe atmosphere throughout the pumproom.

Part B
Additional Checks - Bulk Liquid Chemicals

b1 *Is information available giving the necessary data for the safe handling of the cargo including, where applicable, a manufacturer's inhibition certificate?*
Information on the product to be handled shall be available on board the ship and ashore before and during the operation.
This information shall include:
a. cargo stowage plan;
b. a full description of the physical and chemical properties, including reactivity, necessary for the safe containment of the cargo;
c. action to be taken in the event of spills or leaks;
d. counter measures against accidental personal contact;
e. fire-fighting procedures and fire fighting media;
f. procedures for cargo transfer.
When cargoes required to be stabilised or inhibited are to handled, information shall be exchanged thereon.

b2 *Is sufficient and suitable protective equipment (including self-contained breathing apparatus) and protective clothing ready for immediate use?*
Suitable protective equipment including self contained breathing apparatus, and protective clothing, appropriate to the specific dangers of the product handled, shall be readily available in sufficient numbers for operational personnel both on board and ashore.
Storage places shall be protected from the weather and clearly marked.
All persons directly involved in the operation shall utilise this equipment and clothing whenever the situation requires.
Personnel required to use breathing apparatus during operations shall be physically fit and trained in its safe use. Unit or untrained personnel shall not be selected for operations involving the use of breathing apparatus.

b3 *Are counter measures against accidental personal contact with the cargo agreed?*
Sufficient and suitable means shall be available to neutralise the effects and remove small quantities of spilled products.
However it is possible that unforeseen personal contact may occur. To limit the consequences sufficient and suitable counter measures shall be taken.
Information how to handle these contacts giving regard to the special properties of the products shall be studied and available for immediate use.
A suitable safety shower and eye rinsing equipment shall be fitted and ready for operations regularly take place.
Measures shall be taken to maintain th water at a safe temperature.

b4 *Is the cargo handling rate compatible with the automatic shut down system if in use?*
Automatic shut down valves may be fitted on the ship and the shore. The action of these is automatically initiated by a certain level being reached in the tank being loaded either on board or ashore. In cases where such systems are used, the cargo handling rate shall be so adjusted that a pressure surge evolving from the automatic closure of any such valve, does not exceed the safe working pressure of either the ship or shore pipeline system.
Alternatively, means may be fitted to relieve the pressure surge created, such as re-circulation systems and buffer tanks. A written agreement shall be made between the ship and shore supervisors indicating whether the cargo handling rate will be adjusted or alternative systems will be used; the safe cargo handling rate shall be noted in this agreement and in the operation arrangement form (see a7).

b5 *Are cargo system gauges and alarms correctly set and in good order?*
Ship and shore cargo system gauges and alarms shall be regularly checked to ensure they are in good working order. Date and details of the last test shall be exchanged. In cases where it is possible to set alarms to different levels the alarm shall be set to the required level.

b6 *Are portable vapour detection instruments readily available for the products to be handled?*
The equipment provided shall be capable of measuring, where appropriate, flammable and/or toxic levels.
Suitable equipment shall be available to calibrate those instruments capable of measuring flammability.
Calibration shall be carried out before the operation commences.

b7 *Has information on fire fighting media and procedures been exchanged?*
Information shall be exchanged on the availability of fire fighting equipment and the procedures to be followed in the event of fire on board or ashore.
Special attention shall be given to any products which are being handled which may be water reactive or require specialised fire fighting procedures.

b8 *Are transfer hoses of suitable material resistant to the action of the cargo's*?
A transfer hose shall be indelibly marked so as to allow the identification of the products for which it is suitable, its specified maximum working pressure, the test pressure and the last date on which it was tested at this pressure, and if used at service temperatures other than ambient, its maximum and/or minimum service temperature.

b9 *Is cargo handling being performed with the permanent installed pipeline systems?*
During cargo operations where the use of portable cargo lines on board or ashore is inevitable, care shall be taken to ensure that these lines are correctly positioned and assembled so that no extra danger exists from their use. Where necessary, the electrical continuity of these lines shall be checked.
Non permanent cargo line systems shall be kept as short as possible.
Whenever cargo hoses are used to make connections within the ship or shore permanent pipeline system, these connections shall be secured and kept as short as possible and electrically continuous to the ship or shore line system respectively (see a29).
The use of non permanent equipment inside tanks in generally not permitted unless the competent port authority's approval has been obtained.

Part C
Additional Checks - Bulk Liquefied Gases

c1 *Is information available giving the necessary data for the safe handling of the cargo including, where applicable, a manufacturer's inhibition certificate?*
Information on the product to be handled shall be available on board the ship and ashore before and during the operation.
This information shall include:

a. cargo stowage plan;
b. a full description of the physical and chemical properties necessary for the safe containment of the cargo;
c. action to be taken in the event of spills or leaks;
d. counter measures against accidental personal contact;
e. fire-fighting procedures and fire fighting media;
f. procedures for cargo transfer;

g. special equipment needed for the safe handling of the particular cargo;
h. minimum cargo containment system temperature.
When cargoes required to be stabilised or inhibited are to be handled, information shall be exchanged thereon.

c2 *Is the water spray system ready for use?*
In cases where flammable and/or toxic products are handled, water spray systems shall be regularly tested.
Details of the last test shall be exchanged.
During operations the systems shall be kept ready for immediate use.

c3 *Is sufficient and suitable protective equipment (including self-contained breathing apparatus) and protective clothing ready for immediate use?*
Suitable protective equipment, including self-contained breathing apparatus, and protective clothing, appropriate to the specific dangers of the product handled, shall be readily available in sufficient numbers for operational personnel both on board and ashore.
Storage places shall be protected from the weather and clearly marked.
All personnel directly involved in the operation shall utilise this equipment and clothing whenever the situation requires.
Personnel required to use breathing apparatus during operations shall be physically fit and trained in its use. Unfit or untrained personnel shall not be selected for operations involving the use of breathing apparatus.

c4 *Are void spaces properly inerted where required?*
The spaces that are required by the IMO Gas Carrier Codes to be inerted shall be checked by ship's personnel prior to arrival.

c5 *Are all remote control valves in working order?*
All ship and shore cargo system remote control valves and their position indicating systems shall be regularly tested. Details of the last tests shall be exchanged.

c6 *Are cargo tank safety relief valves lined up to the ship's venting system and are by-passes closed?*
If the venting system is fitted with relief valve by-passes, the by-passes must be closed.
When different grades of cargo are carried simultaneously, independent venting systems must be available and segregation between systems shall be checked.
In cases where cargo tanks are permitted to have more than one relief valve setting, it shall be verified that the relief valve is set as required by the cargo to be handled and that the actual setting of relief valve is clearly and visibly displayed. Setting of relief valves shall be recorded.

c7 *Are the required cargo pumps and compressors in good order, and have the maximum working pressures been agreed between ship and shore?*
Agreement shall be reached upon the maximum allowable working pressure in the cargo line system during operations. The agreed pressure shall be entered in the operation arrangement form.

c8 *Is reliquefaction or boil off control equipment in good order?*
It shall be verified that reliquefaction and boil off control systems, if required, are functioning correctly prior to commencement of operations.

c9 *Is gas detection equipment set for the cargo, calibrated and in good order?*
Span gas shall be available to enable calibration of gas detection equipment. Fixed gas detection equipment shall be calibrated for the product to be handled prior to commencement of operations. The alarm function shall have been tested and details of last test shall be exchanged.
Portable gas detection instruments, suitable for the products handled and capable of measuring flammable and/or toxic levels, shall be available.
Portable instruments capable of measuring in the flammable range shall be calibrated for the product to be handled before the operations commence.

c10 *Are cargo system gauges and alarms correctly set and in good order?*
Ship and shore cargo system gauges shall be regularly checked to ensure that they are in good working order. Date and details of last test shall be exchanged.
In cases where it is possible so set alarms to different levels, the alarm shall be set to the required level.

c11 *Are emergency shut down systems working properly?*
Ship and shore emergency shut down systems shall be tested regularly.
The test procedure shall include the testing of as many elements of the cargo transfer system as possible. Details of the last test shall be exchanged.

c12 *Does shore know the closing rate of ship's automatic valves; does ship have similar details of shore system?*

Automatic shut down valves may be fitted on the ship and the shore. The action of these is automatically initiated by a certain level being reached in the tank being loaded either on board or ashore.
In cases where such systems are used, the cargo handling rate shall be so adjusted that a pressure surge evolving from the automatic closure of any such valve, does not exceed the safe working pressure of either the ship- or shore pipeline system.
Alternatively, means may be fitted to relieve the pressure surge created, such as re-circulation systems and buffer tanks. A written agreement shall be made between the ship and shore supervisor indicating whether the cargo handling rate will be adjusted or alternative systems will be used; the safe cargo handling rate will be adjusted or alternative systems will be used; the safe cargo handling rate shall be noted in this agreement and in the operation arrangement form (see a7).

c13 *Has information been exchanged between ship and shore on minimum working temperatures of the cargo system?*
Before operations commence information should be exchanged between ships and shore representatives on cargo temperature/pressure requirements.
This information shall be entered in the operation arrangement form.

Annex 1 to the Guidelines

Description of dangerous substances

Dangerous substances in the context of the checklist are the substances of the following classes of the International Maritime Dangerous Goods Code,
2. Gases, Compressed, liquefied or dissolved under pressure
3. Flammable liquids
6.1 Poisonous substances
8. Corrosives

Note

European regulations for Class 3 liquids, designate products with flashpoints up to 100°C as flammable liquids.

Chemical tankers

Tankships handling substances as mentioned in chapters 6 and 7 of the Annex[4] of Resolution A212 (VII) of IMO as amended.
These substances are also mentioned in chapters 17 and 18 of the International Bulk Chemical Code.

Gastankers

Tankships handling substances as mentioned in chapter 19 of the Annex[5] of Resolution A328 (IX) or the Annex[6] of Resolution A329 (IX) of IMO, as amended.
These substances are also mentioned in chapter 17 of the International Gas Carrier Code.

[4] Bulk Chemical Code

[5] Gas Carrier Code

[6] Gas Carrier Code for existing Ships

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