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# Logistics Processes and Motorways of the Sea II

## Project Fact Sheets

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## 1 ILC AT TAM LOGISTICS CITY TBILISI

<b>Region:</b>	Caucasus
<b>Country:</b>	Georgia
<b>Location:</b>	Tbilisi
<b>Area:</b>	63 ha
<b>Mode</b>	Multimodal (Road/Rail/Air)
<b>Investment Volume:</b>	EUR 41.3 M
<b>Project Status:</b>	Under development

### ***Applicant, Sponsor, Beneficiary, Promoter***

Ministry of Economy and Sustainable Development of Georgia

### ***Geographical Description***

Logistics City Tbilisi (LCT) is located 3 km from Tbilisi International Airport and 15 km from Tbilisi City. The total LCT area is 217 ha. The operator of the LCT is JSC Tbilisi Aircraft Manufacturing (TAM), owned by the Georgian state. The site with its own runway is being used for test flights of the company. There are about 63 ha of land available for the development of an ILC (including 15 ha extension area and Veli Terminal – 12ha). TAM is considering a future relocation of the runway towards the River Mtkwari, which would offer additional expansion areas available for further logistics operations.

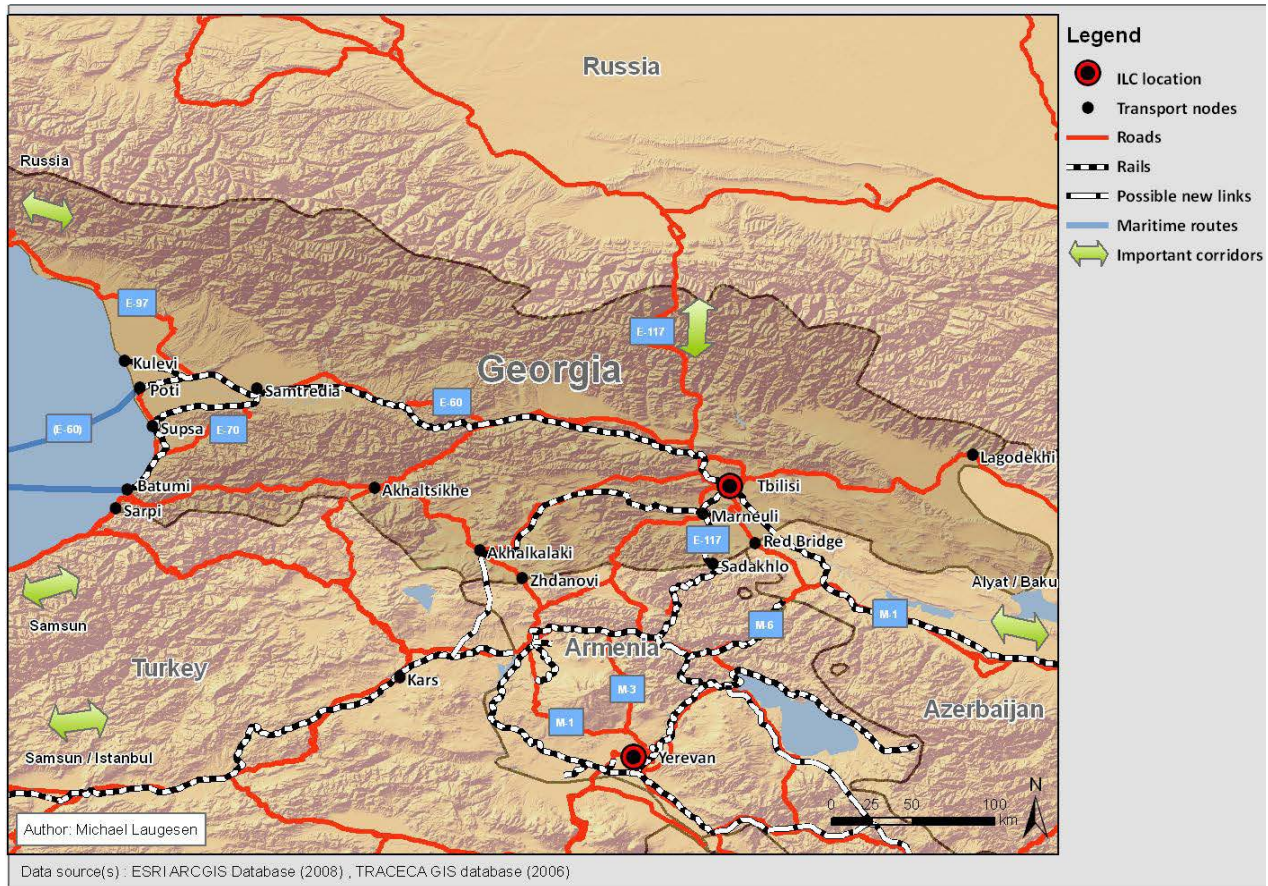
**Road:** TAM-LCT has a direct connection to the road Tbilisi-Rustavi (the largest industrial city in the Tbilisi region). The envisaged road access of the future ILC guarantees a connection via country road to the main highway S9 [Poti (S1) – Tbilisi – Baku/Yerevan]. The nearest junction with the main highway is about 7 km away. The existing country road which connects the land plot with the main highway is in poor condition and will have to be repaired and upgraded.

**Railway:** The future ILC area at TAM will have a link to the TRACECA railway line (Poti – Tbilisi – Baku) in cooperation with the Container Terminal Veli. The CT Veli, adjacent in the north of the TAM territory, is situated on the main railway line (Poti – Tbilisi – Baku) and will be used for rail-road transshipment operations. The Tbilisi Marshalling station (located ca 3 km away from TAM/Veli, the main railway junction for directions to Azerbaijan and Armenia). The Georgian Railway LLC has plans to implement the Tbilisi Railway Bypass project – the new double track railway route would bypass the central area of the city of Tbilisi and could give an upgrade to the Tbilisi Marshalling station.

Located in the eastern outskirts of Tbilisi metropolitan area, the ILC will gain adequate access to the existing railway line and to the major road network, including the road links to the Georgian Black Sea ports of Poti and Batumi, Turkey, Azerbaijan and Armenia. However, the detailed setting of the ILC plot will have to consider also the alignment of the planned bypass railway line to be constructed in the northern and eastern part of Tbilisi.



Figure 1: ILC at TAM Logistics City Tbilisi Location



### Technical Description

The main objective of the planned logistics centre is to:

- provide integrated logistics services and to develop a logistics hub to cover the industrial centre and catchment area of Tbilisi.
- the TAM land plot and the envisaged cooperation with Veli Railway Container Terminal offer an option for the ILC to provide trimodal transport access, as well as potential benefits from synergy effects.

The TAM/Veli Tbilisi land plot will be developed and upgraded to a highly productive and competitive logistics site as a part of the TRACECA network. The different warehouses and areas for freight transport and logistics services will be developed under consideration of the requirements of regional and international stakeholders.

### Socio-Economic Description

Georgia has moved from being the most prosperous republic of the USSR to being one of the poorest countries in the South Caucasus. It is the only direct beneficiary country where a majority of employment is in the agriculture sector. Tbilisi has pockets of poverty, but overall it is better off than the rest of the country. 20% of Georgian households seek help from the State Agency for Social Assistance and Security. The rate is 9% in Tbilisi compared with 24% elsewhere. Development of the TAM site is unlikely to have a major direct impact on poverty, but the indirect impact may be significant. Underdeveloped logistics infrastructure is blamed for



constraining the realisation of Georgia's agricultural potential. The project should contribute to agricultural productivity and profitability through enhanced access to urban and export markets; enhancing the viability of industries that add value to rural products; and attracting foreign investment. The project should also create an environment in which small and medium-sized enterprises (SMEs) can establish and flourish. Promoting SMEs has been identified as a strategy for economic development and poverty eradication in Tbilisi.

**Source of Repayment**

Revenue created from rent for land and buildings and some fees for auxiliary services.

**Related Investments**

None

**Other Involved Parties**

Ministry of Defense, Ministry of Regional Development and Infrastructure of Georgia, Aircraft Manufacturer TbilAviaMsheni (TAM) and Georgian Railway LLC

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## 2 IMPROVING EXISTING VARNA - ILLICHEVSK / KERCH - POTI / BATUMI MARITIME SERVICE

<b>Region:</b>	Black Sea
<b>Countries:</b>	Ukraine, Bulgaria, Georgia, Armenia
<b>Sea Ports:</b>	Illichevsk - Kerch (UA), Varna Ferry Complex (BU), Poti / Batumi (GE)
<b>Mode:</b>	Maritime-based multimodal (rail ferry, Ro-Ro and containers)
<b>Investment Volume:</b>	EUR 2 M (cost of 5 on-deck container heavy-lifters), plus EUR 0.9 M for improved safety and effectiveness at Varna Ferry Complex
<b>Project Status:</b>	Under development / heavily delayed by on-going (since end of 2011) privatization of its rolling stock by UZ and consequent unclear rules for rolling stock supply and therefore prospects for railferry operations

### **Main Stakeholders**

UkrFerry (shipping company - Ukraine)

BMF (shipping company - Bulgaria)

Ukrzaliznytsia (UZ, National Railway Company of Ukraine)

BDZ (National Railway Company of Bulgaria)

Georgian Railway (GR, National Railway Company of Georgia)

South Caucasus Railways (SCR, National Railway Company of Armenia)

Poti Sea Port

Batumi Sea Port / Batumi International Container Terminal

Varna Ferry Complex

Illychevsk Commercial Sea Port

Kerch Commercial Sea Port

### **Geographical Description**

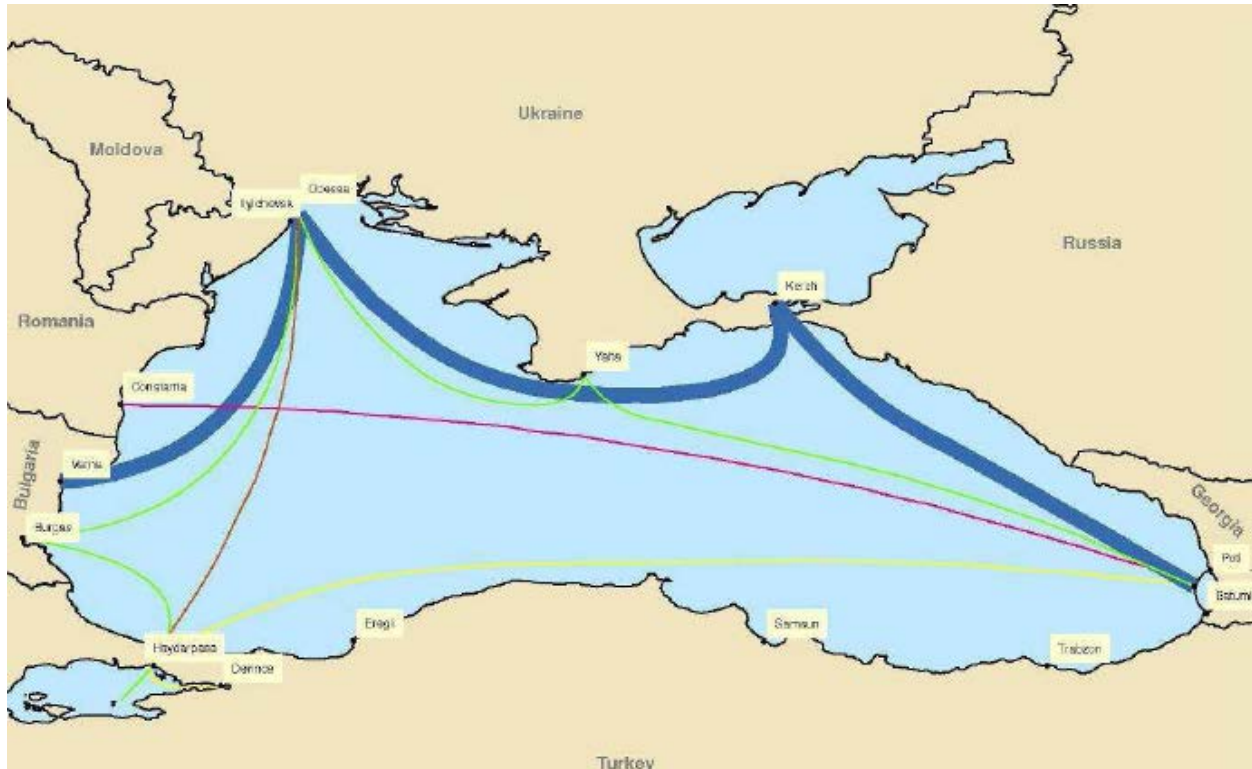
The maritime link Varna-Illichevsk-Kerch-Poti/Batumi connects 3 sea hubs of Bulgaria, Ukraine and Georgia, respectively. TRACECA and other international routes pass through these sea ports:

- Pan-European corridor No8 – port of Varna (linking EU and Black Sea region);
- North Sea-Black Sea corridor – port of Illichevsk (linking Northern EU countries with Black Sea region);
- East-West corridor/highway – ports of Poti and Batumi (linking Black Sea and Caspian Sea regions).

All ports are well integrated into inland (road and rail) transport network. Poti and Batumi are the only accesses to open seas for landlocked Armenia and the main sea hubs for Azerbaijani trade.



Figure 2: Varna - Illichevsk - Kerch - Poti/Batumi Maritime Service



### Technical Description

The project is:

- to facilitate maritime-based container transport along TRACECA by means of improving/upgrading container loading technique,
- to answer the demand of the market and alleviate the shortage of closed railcars in UZ stock by refurbishing and converting unemployed former reefer wagons existing in GE stock

At present, Ukrainian national shipping company UkrFerry uses mafi-trailers to load containers and ship them by ferries (rail and Ro-Pax ferries) on-deck to a destination port. The current container loading technique is costly and time consuming and makes the shipping company dependant on the availability of trailers at ports of call. It has been estimated that installing a container top-lifter (1 for each of 5 ferry vessels) will reduce THC on average by USD 50 per container at each port of call.

The project will have as immediate effect to:

- reduce vessel port handling time,
- increase volumes of cargo and
- attract new (containerized) trade in Black Sea to TRACECA.

Since the project duration is short, it can be divided into two conventional phases:

- **Phase 1** (years 1 through 3): definition of technical specifications for on-deck container handling equipment, tender winner selection, production/supply and installation of container forklifts, modernisation of 150-200 918-type rails cars and putting them into operation;



- **Phase 2** (years 4 through 6): renovation of rail ferry equipment (e.g., lifting transition bridge, sleepers, switches, roof and skylights) in Varna.

### ***Related Investments***

EUR 2 M - 2010 estimate for container handling equipment

EUR 0.9 M- 2010 estimate for Varna Ferry Complex renovation

In addition to EUR 0.18 M from national stakeholders (UkrFerry and BMF) it is planned to attract EUR 2.72 M from external sources to be defined.

### ***Expected Benefits and Source of Repayment***

The improved quality of service and shorter port calls will allow sailing a greater number of sea-voyages which will result in an increase in the volumes carried forecasted by the shipping lines as:

- 1300 / 2900 full TEUs (years 1 to 3)
- 1000 / 2000 full railcars (years 1 to 3)
- 450 / 900 mafi-trailers (which being no longer used for container carriage will be loaded with general breakbulk / packed cargoes)

for an additional turnover of 3.46 to 7.115 Mios USD (all figures are 2010 estimates). Full business plan remains to be drawn and provided by Shipping Lines.

### ***Other Involved Parties***

MS Shipping (Bulgarian private forwarding company)

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### 3 ILLICHEVSK - SAMSUN - POTI MARITIME-BASED SERVICE

<b>Region:</b>	Black Sea
<b>Countries:</b>	Ukraine, Turkey, Georgia
<b>Sea Ports:</b>	Illichevsk (UA), Samsun (TR), Poti (GE)
<b>Mode:</b>	Maritime-based multimodal (rail ferry, Ro-Ro and container)
<b>Investment Volume:</b>	EUR 3 M
<b>Project Status:</b>	Technical surveys completed between Port and Shipping lines, Provisional design of works needed ashore and on board of the vessels and drawing of corresponding budget completed, results of market studies carried out by Shipping lines and Port found unsatisfying in terms of existing and potential volumes of traffic and therefore not justifying implementation of the project yet

#### ***Main Stakeholders***

UkrFerry (shipping company - Ukraine)

BMF (shipping company - Bulgaria)

#### ***Geographical Description***

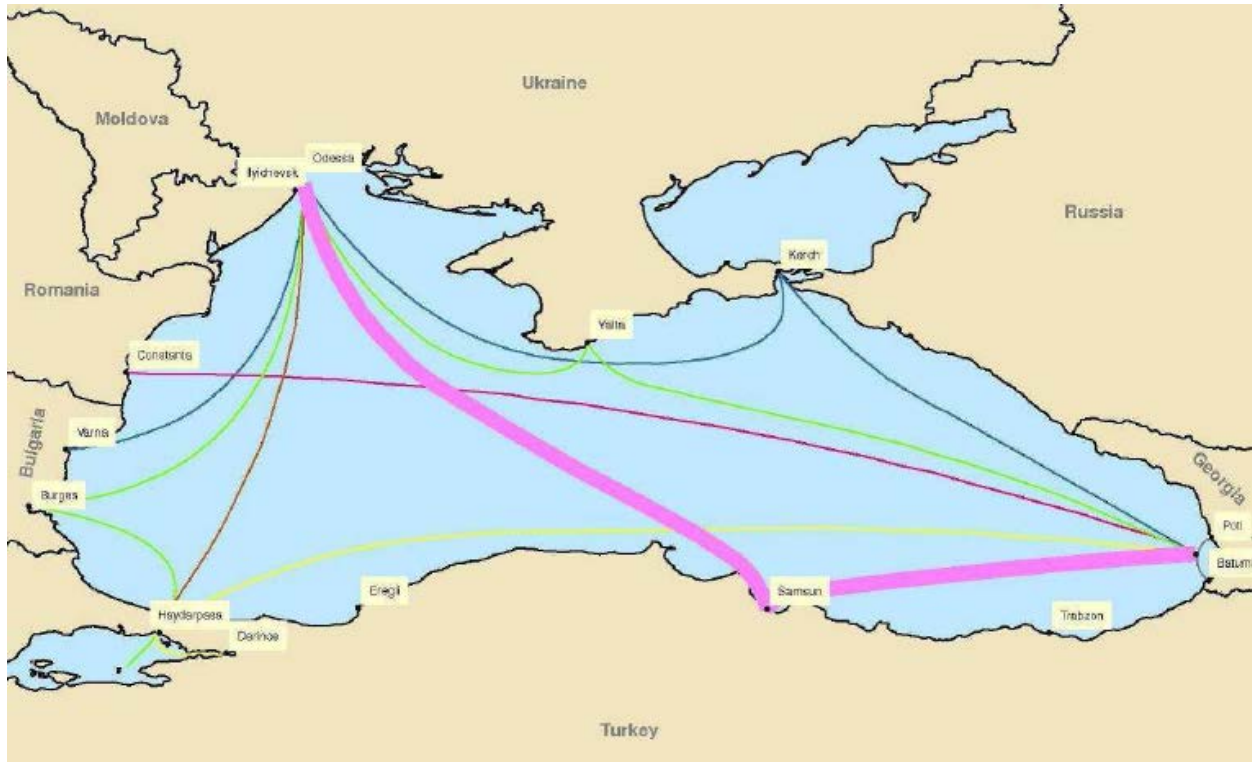
The maritime link Samsun-Illichevsk-Poti connects 3 sea ports of Turkey, Ukraine and Georgia, respectively. TRACECA and other international routes pass through these sea ports:

- Pan-European corridor No4 – link to port of Samsun via Istanbul and Ankara (linking EU and Black Sea region);
- North Sea-Black Sea corridor – port of Illichevsk (linking Northern EU countries with Black Sea region);
- East-West corridor/highway – port of Poti (linking Black Sea and Caspian Sea regions).

All ports are well integrated into inland (road and rail) transport network.



Figure 3: Varna - Illichevsk - Samsun - Poti Maritime Service



### Technical Description

The project deals with establishing a new maritime-based link between Ukraine, Turkey and Georgia, which will allow to transport trucks, rolling stock, rail cars, containers, etc. It is planned to have 1-2 calls to ports of Samsun, Illichevsk and Poti per week. Also it is expected that owing to optimised/rational use of existing ferry fleet of UkrFerry and BMF it is possible to dedicate from 2 to 5 rail/Ro-Ro ferry vessels accommodating either 103-108 rails cars or 90-100 TIR trucks.

The project should help sea ports and operators to benefit from:

- shorten the route between Turkey and Central Asian countries (due to shift from road to ferry transport), thereby reducing the road haulage and respective transport costs,
- attract direct and transit traffic to Georgian sea ports,
- increase rail/rail ferry traffic in Black Sea region over all.

The project implementation could be split into two phases:

- **Phase 1** (year 1 through 3): prepare necessary legal framework, including the bi-/multilateral governmental agreements and operators` agreements,
- **Phase 2** (year 4 through 7): rehabilitate / upgrade existing rail ramp and create a boggie change station at Samsun port; renovation of rail ferry equipment (e.g., lifting transition bridge, sleepers, switches, roof and skylights) in Varna



***Related Investments***

EUR 3 M for the rehabilitation of Samsun rail ramp and construction of rail gauge-break (from Russian to European) and marshalling yard facilities.

***Other Involved Parties***

Samsun Port

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#### 4 CONTAINER BLOCK TRAIN POTI - TBILISI - BAKU

<b>Region:</b>	Caucasus
<b>Country:</b>	Azerbaijan, Georgia
<b>Location:</b>	Baku (AZ), Poti and Tbilisi (GE)
<b>Mode:</b>	Rail transport (Lines and Shippers' own containers)
<b>Investment Volume:</b>	To be defined
<b>Project Status:</b>	Under development

##### ***Main Stakeholders***

Georgian Railways (GR/GRTC)

Azerbaijan Railways (ADY)

Poti Sea Port

Baku International Commercial Sea Port (BICSP)

##### ***Geographical Description***

The proposed railway transport should improve the existing connection between the Poti sea port (a future Black Sea hub) and Baku sea port (a future Caspian Sea hub at Alyat) via TRACECA Central Axis.

The proposed project should help to facilitate trade by improving transit procedures, but also increase the cruising speed of trains thereby reducing the transit time between the Black Sea and Caspian Sea regions and diverting a significant part of traffic from heavily-driven roads to rail.

It is expected that in mid- and long-term perspectives this project can also help TRACECA landlocked countries in Central Asia and Caucasus to indirectly benefit from the intensified trade and transit on Central TRACECA Axis.

Figure 4: Container Block Train Poti - Tbilisi - Baku



### Technical Description

Rail transport in the Caucasus remains attractive for heavy containers which cannot be carried by road due to weight limitations. Attractiveness is however reduced owing to a sub-optimal information system and customer service enabling the users to locate their cargo and learn about its status. Georgian Railways and Azerbaijan State Railways have agreed on the scheduled operation of a container train between Poti and Baku and started operations in early 2012.

Nevertheless the main commercial issues are still linked to the insufficient competitiveness of rail transport:

- the door-to-door transit-time is longer than by road;
- delivery at consignee's premises at final destination in Azerbaijan is not always possible due to the lack of container handling equipment in the stations;
- there is not yet any single operator selling through, door-to-door tariffs so rail based quotations are longer and more difficult to build all the more as Georgia and Azerbaijan do not take common decisions / can take contradictory decisions regarding their rail tariff policy;
- while the basic rail freights are comparatively rather low, the add-ons (being mostly the full + empty container handling expenses at the stations, trucking from/to the stations and empty return voyage) make the overall door-to-door prices equal or even higher than the direct trucking ones;
- due to the reason mentioned above and owing also to the fact that the rail freights are much lower for shipments in break bulk than for shipments in containers, a lot of cargo – especially the goods exported from Caucasus – are carried in gondolas or closed railcars, resulting in more handling and non-physical interventions.





To improve the existing railway connection between ports of Poti and Baku, it is proposed to launch a block container train with the following characteristics:

- 56-wagon train in intake capacity
- scheduled / fixed-time service
- transparent and long-term tariff announced
- frequent connection – daily or every other day both ways depending on volumes
- transit time reduced from 42 to 25-30 hours
- commercial modal shift from road to rail.
- possible mid/long-term improvement of conditions of transport to other Central Asian land-locked countries
- future coordination with connecting Block trains/shipping lines (“Silk Wind” to/from Kazakh-Chinese border, “Viking” across the Black Sea)

### ***Related Investments***

The total cost of the investments needed for running a fully-fledged block container train operation is not available.

According to estimates produced by Azerbaijan and Georgian partners, the project investment should cover among other:

- the cost of acquiring / upgrading 40` container handling equipment at Kishly and other railway stations in Azerbaijan;
- the cost of introducing RFID technology for modern EDI transport systems in both Georgia and Azerbaijan.

### ***Expected Benefits and Source of Repayment***

Improved regularity, reliability and capacity of existing service; shorter transit time between Poti and Baku; better coordination of transport operations between ports, railways and trade facilitation authorities will bring about a much needed diversion of large cargo-flows presently carried by trucks on roads crossing populated areas and mountainous terrains. The implementation of the BCT Poti-Baku-Poti also represents the first indispensable phase for the development of containerized import trade through Caucasus into Central Asia and attraction of containerizable export cargo out of Central Asia.

### ***Other Involved Parties***

POLZUG (railway operator and freight forwarder)

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