

IMPROVING FREIGHT TRANSIT AND LOGISTICS PERFORMANCE OF THE TRANS-CAUCASUS TRANSIT CORRIDOR

RailTech

Track Access Charges Summit'22

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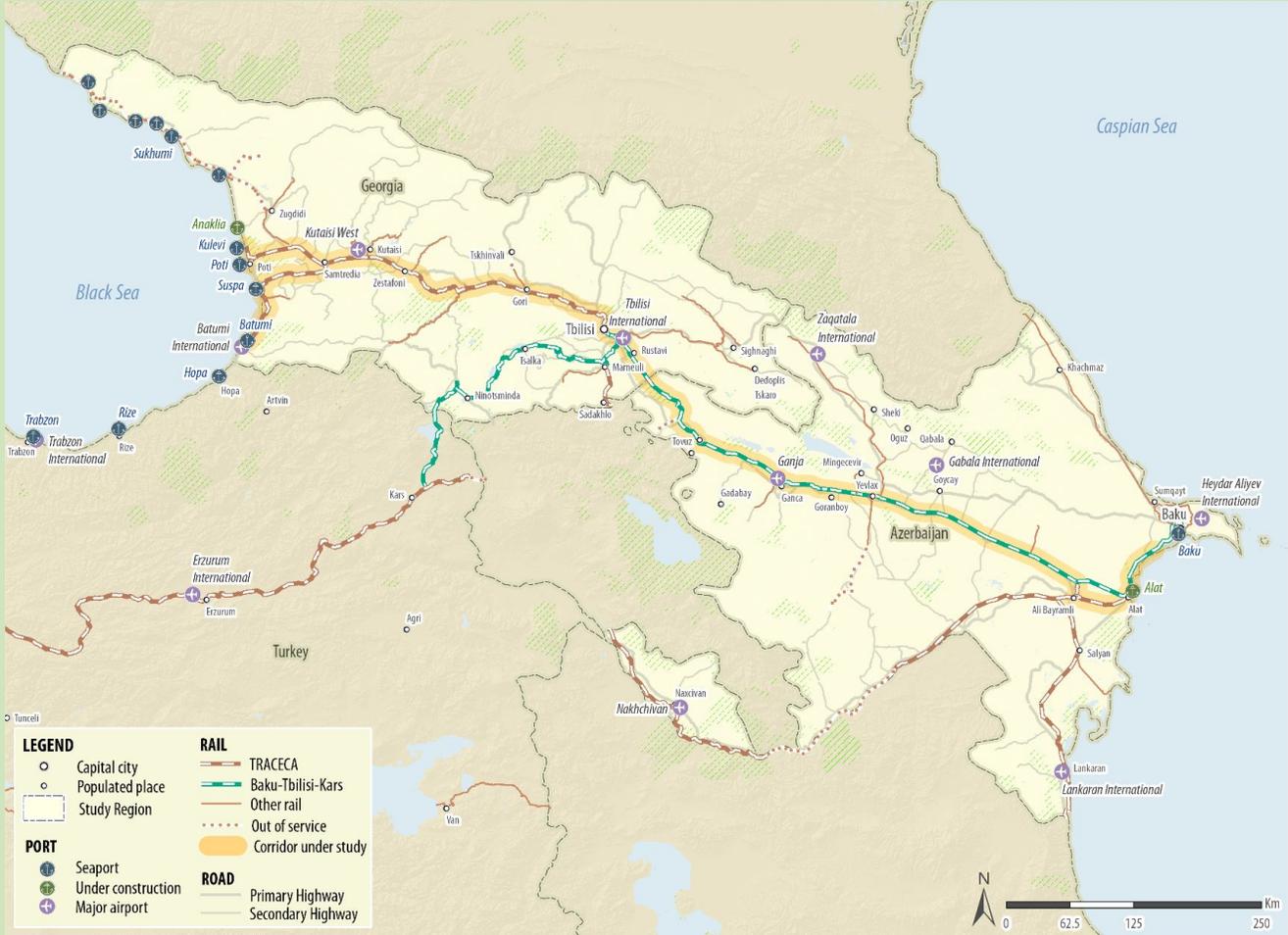


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The Trans-Caucasus Transit Corridor

The CTC is comprised of roads, railways, the Caspian seaport of Alat, and the Black Sea seaports of Poti and Batumi in Georgia. The length of the corridor in Azerbaijan is about 503 km from Baku to the Georgian border. In Georgia, it further extends for about 272 km eastward from the Azerbaijan-Georgian border to Samtredia, where it splits into two directions to the Georgian Black Sea ports of Batumi and Poti.

The Trans-Caucasus Transit Corridor



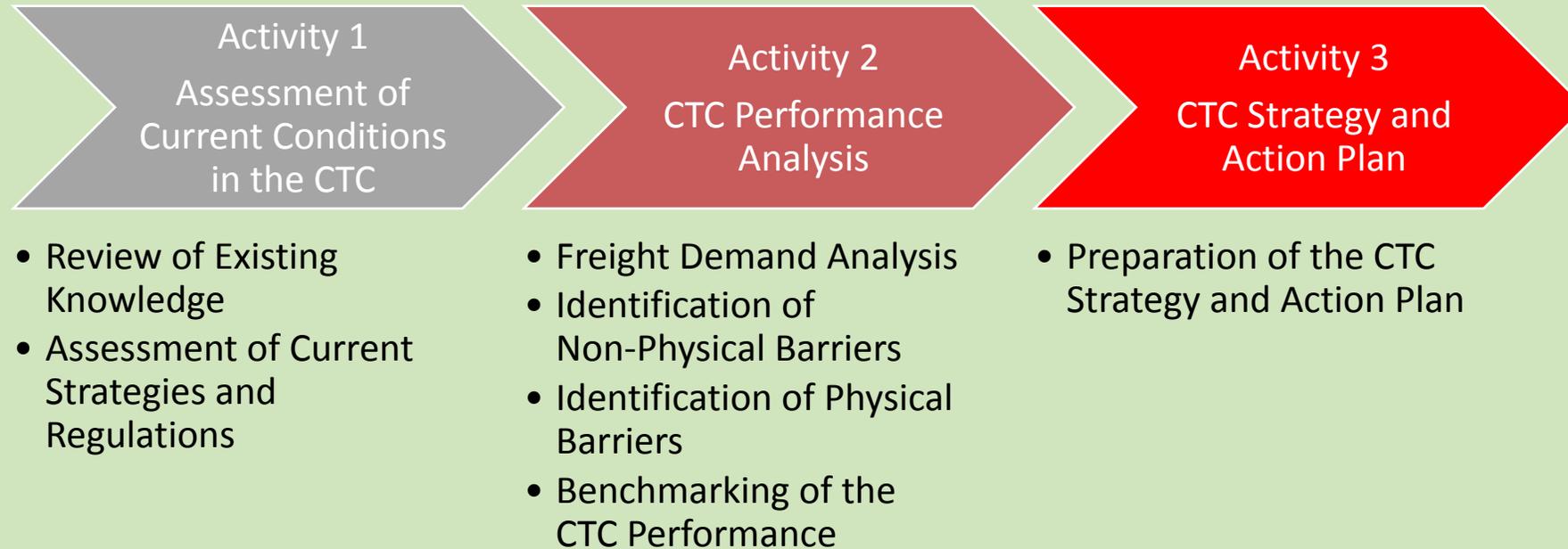
Impetus for Study

- Governments of Azerbaijan and Georgia have made significant efforts to develop transport infrastructure along this corridor over the past decade.
- The CTC operates under its potential capacity in the movement of non-bulk cargo
- The focus has shifted towards addressing non-physical barriers and improving connectivity between the major infrastructure assets.
- Improvement of transport logistics is a priority in Georgia and Azerbaijan

Proposal to Improve the CTC

- Final report proposes a vision, recommends a short, medium, and long-term targets for the improvement of the corridor, and details the expected outcome of their implementation.
- It also establishes a potential roadmap of actions, in a way that it would provide timed and sequential steps for Azerbaijan and Georgia to improve freight transit and logistics in the Trans-Caucasus Transit Corridor (CTC).
- The proposed strategy and action plan can be transposed into a regional or national strategy for the CTC.

Project Activities



Activity 1 – Desk Review Main Takeaways

- Scope must be regional beyond Georgia and Azerbaijan
- Logistics performance is more than infrastructure and transport operations
- There are opportunities for improvement in timeliness, logistics performance, and tracking and tracing
- Improvement of logistics performance will need also additional efforts to modernize the institutions and institutional setup in the sector
- As transit freight increases and more logistics activities are performed in the CTC, there will be a need to increase access for the private sector (specially as it relates to international container services).

Activity 2 – Research Methods

- Freight modelling
- Surveys
- Structured interviews
- Site visits
- Consultative workshops

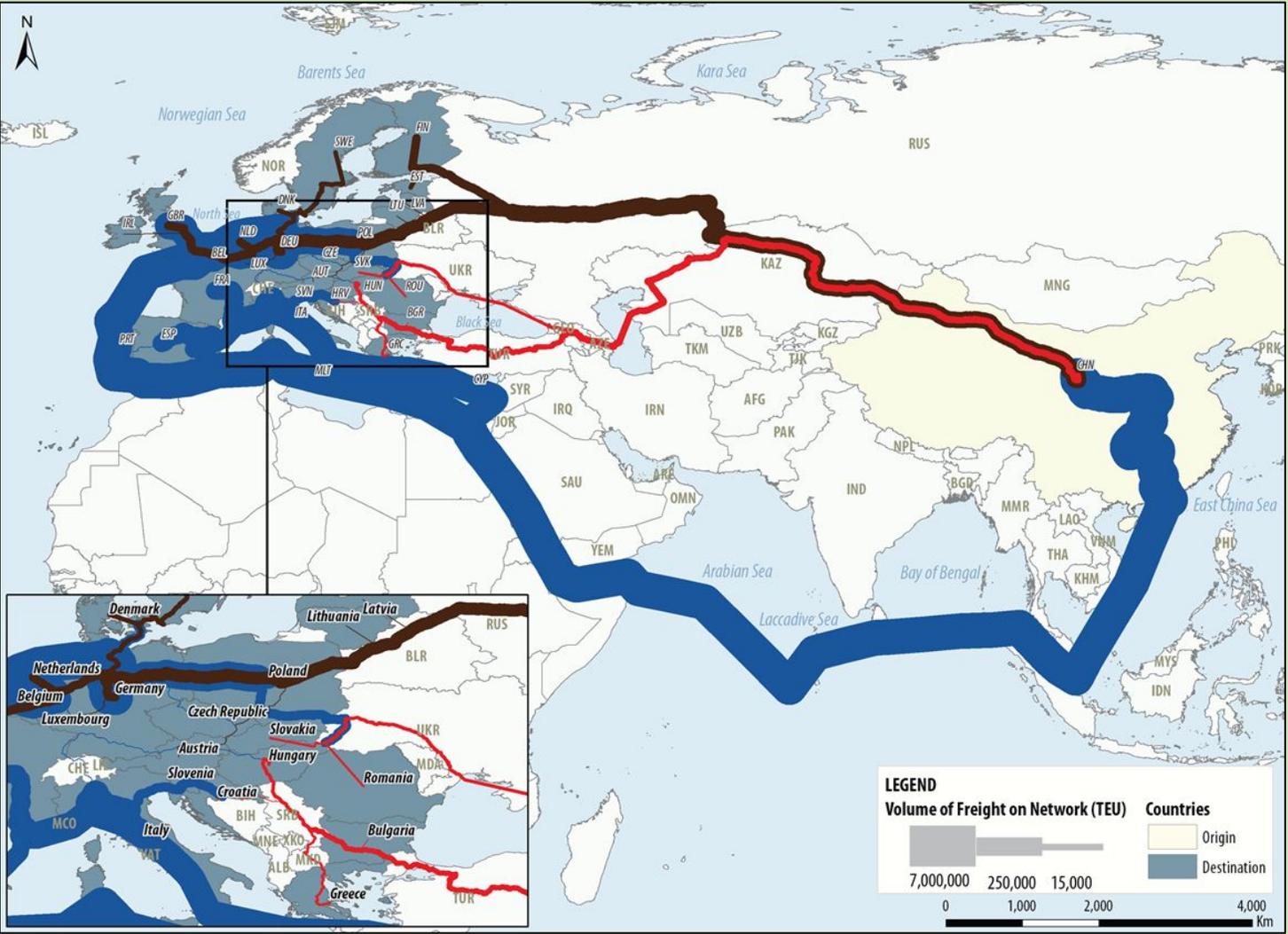
Activity 2 – Freight Demand

If there were no barriers today:

- China – Europe traffic container would have been 15,000-12,000 containers in 2016 if there had been no barriers
- Some Europe- China could be attracted too.

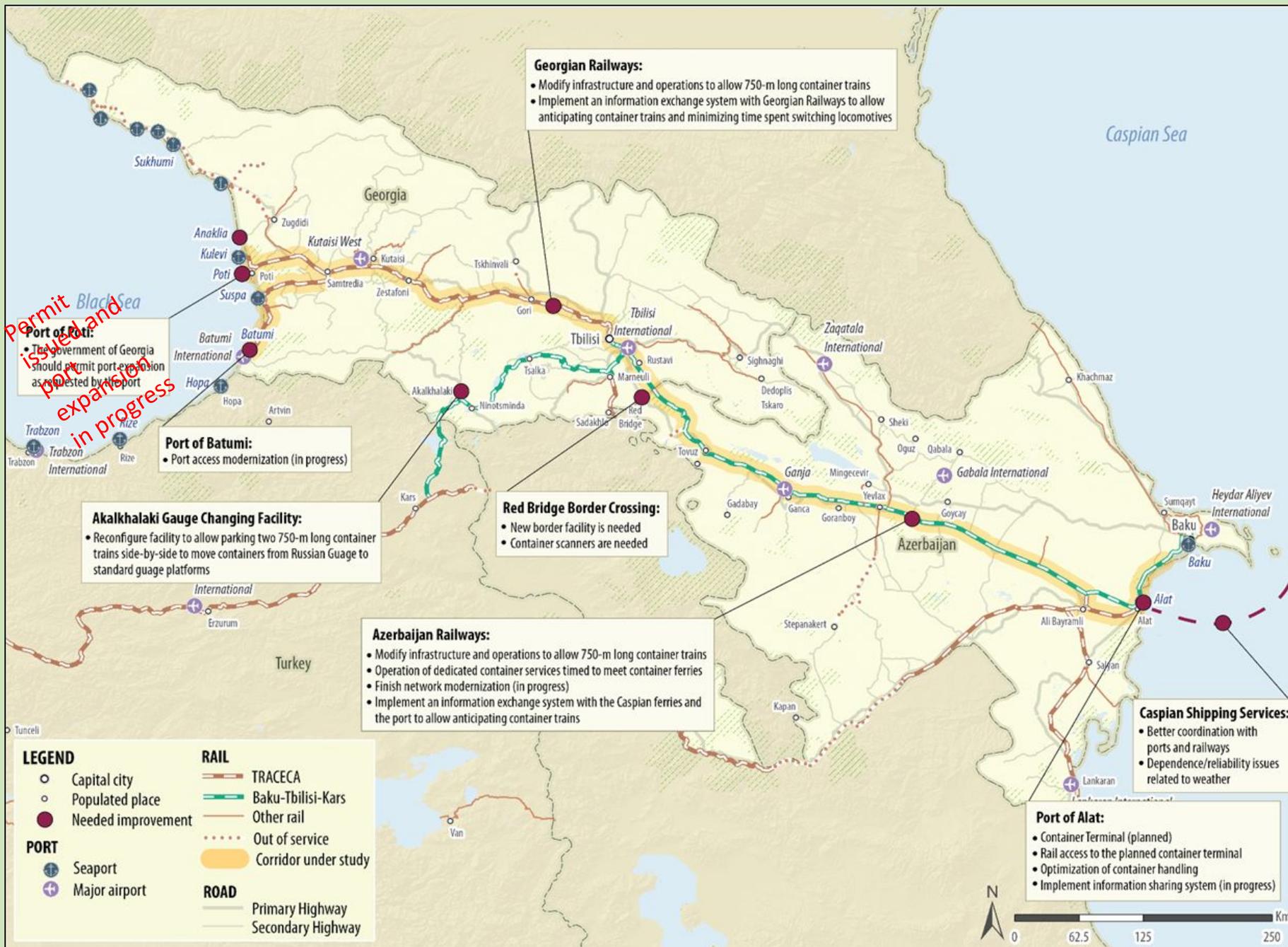
More traffic could be attracted from other markets. Study estimate an available future market demand of 455,000-390,000 TEUs from Europe and Asia (Central and South) that can affect the freight capture of the CTC.

Activity 2 – Commodity Flows



Activity 2 – Physical Barriers

- largest components of the corridor's land infrastructure is mostly in place
- but Rail and Road projects need to be finished in both countries
- need to be interconnected more efficiently (maritime-port-rail connection)
- intermodal facilities need to be build and installed, and
- need to improve customs facilities in the border



Activity 2 – Non-Physical Barriers

- Increase access to infrastructure and competitive tariffs
- Improve information flows
- Consolidate the commercial offer in the corridor
- Integration of the maritime portion of the corridor
- Modernization of logistics services
- End to end corridor customs processes and collaboration

Current configuration

Harmonized Institutional Framework

Includes actions discussed earlier:

1. Strengthening national institutional and regulatory frameworks
2. Establish a trans-national regulatory framework

And beyond:

3. Setting up a task force to bring transport regulation closer to European rules and standards
4. Setting up a task force to integrate Chinese transport industry and shippers requirements

Corridor Joint Venture

The objective is to consolidate infrastructure investments into a capitalistic venture, targeting one specific segment, for instance containers:

Actions include:

1. Identify transport structures (e.g. GR, ADY, Ports), where capacity investments are required in the container segment
2. Establish a joint venture, sharing revenues and costs, based in capital intensity, with specific KPIs: speed, capacity
3. Provide shippers with an integrated transport offer

Competition, Fair and Transparent Access

The idea is to create an environment where customers and investors feel confident to join into the corridor development:

Actions include:

1. Create the conditions for an infrastructure management optimisation (i.e., accounting separation)
2. Identify areas for private sector investments (rolling stock, platforms, SEZ, etc.), linked to transport infrastructures (rail, ports)
3. Ensure, through law and regulation, fair and transparent access to infrastructure.

Proposed Strategic Vision for the CTC

“To develop the CTC into a competitive transport/transit alternative to other land and maritime routes to capture shipment of goods in the region, in particular between China and Europe, and to promote a solid and professional transport system in the two countries, in association with neighboring economies (Kazakhstan, Turkey, and others).”

Areas of Attention

1. Reducing Non-Physical Barriers
2. Removing Physical Barriers
3. Improving Institutional Framework
4. Developing a Trans-National Regulatory Framework
5. Capacity building in the logistics sector

Improving Institutional Framework

- Multiple players in the corridor highlight the need for simplification
- Continue corridor institutional integration to promote and support the development of a transport network on both infrastructure aspects (fixed infrastructure & rolling stock) and commercial aspects.

Developing a Transnational Regulatory Framework

- Establish a harmonized regulatory framework to provide clarity for customers and operators, while maintaining the control of particular jurisdiction.
- A common legal framework will allow all stakeholders to be familiar with what is required to comply with the regional rules and result in improved transit time and more opportunities for logistics sector.

Capacity building in the logistics sector

- Developing specific training programs on technical issues
- Developing collaboration with the academic world in transport and logistics studies;
- Establishment of partnerships with external (foreign) academic or professional institutions.

Track Access Charges as a potential tool

- TAC in the corridor will be the result of a stronger a *regional* institutional framework and a common regulatory framework
- TAC can be a tool to remove physical and non-physical barriers
 - Investment
 - Improved access – transparency which could improve commercial offer and attract new innovative services
 - Cost recovery

Outcome

- *“To develop the CTC into a competitive transport/transit alternative to other land and maritime routes to capture shipment of goods in the region, in particular between China and Europe, and to promote a solid and professional transport system in the two countries, in association with neighboring economies (Kazakhstan, Turkey, and others).”*

Thanks!

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