



# Implementing the CAREC Strategy

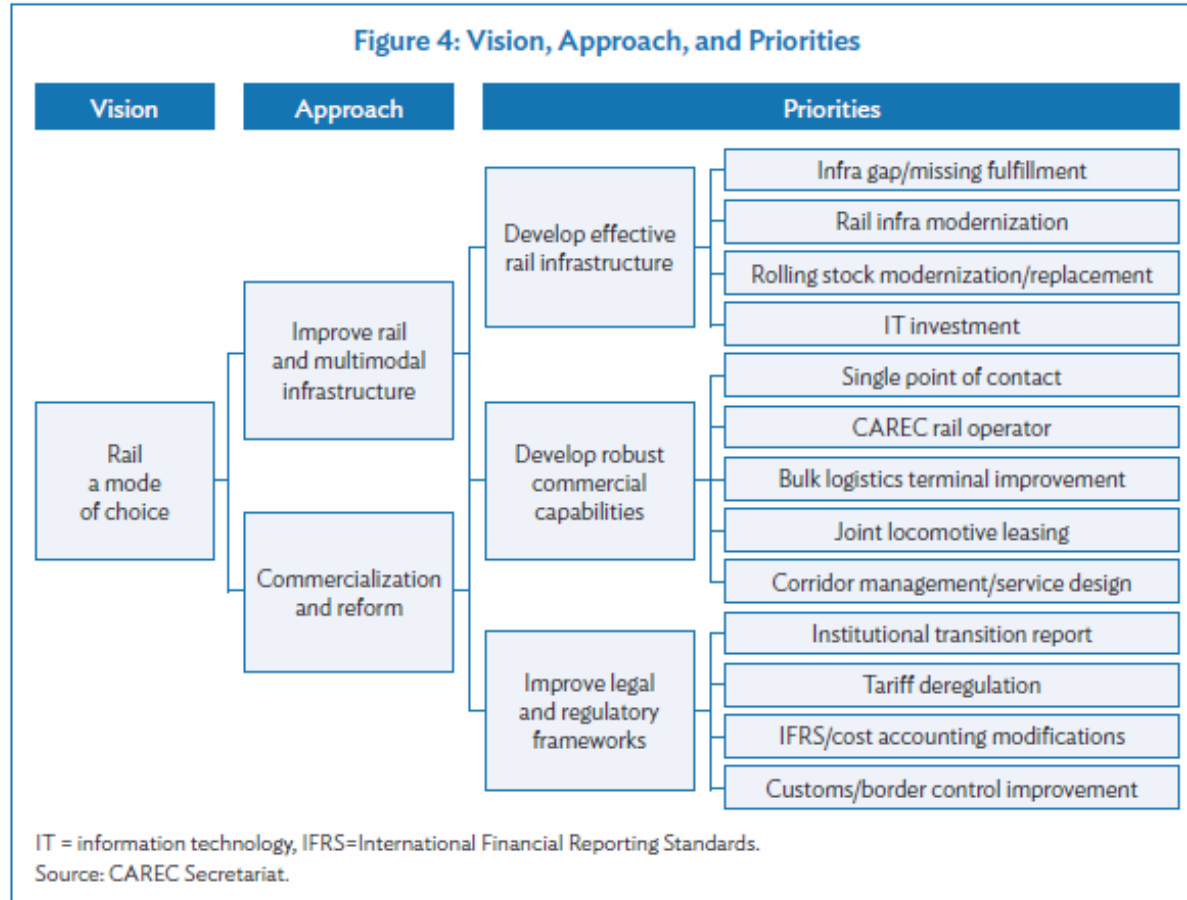
---

Third Railway Working Group Meeting, Tbilisi

# Contents

- Strategy Highlights
- Infrastructure
- Rolling Stock
- Information Technology
- Commercial Capabilities
- Institutional, Legal, & Regulatory
- Strategy Implementation

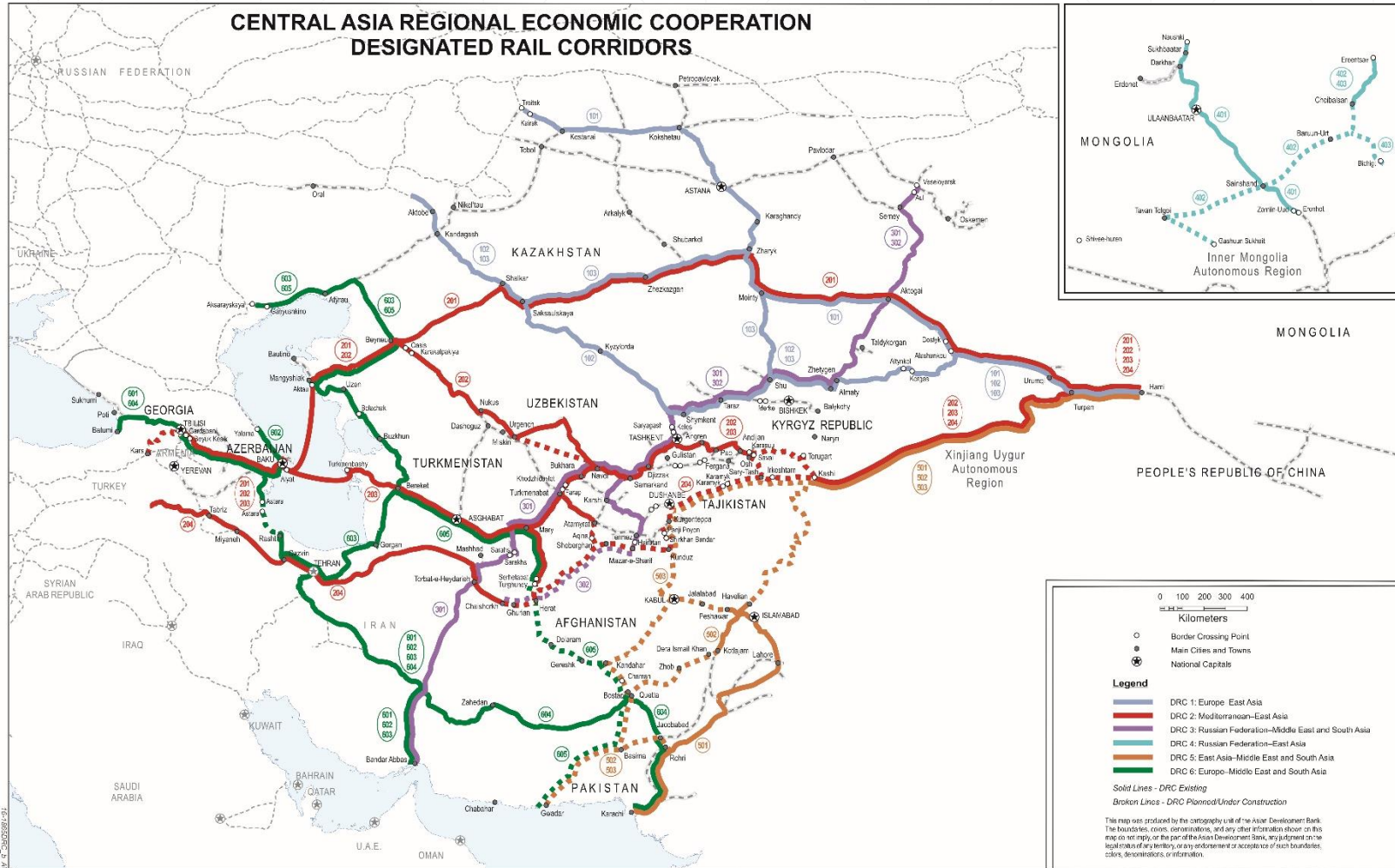
# CAREC Rail Strategy



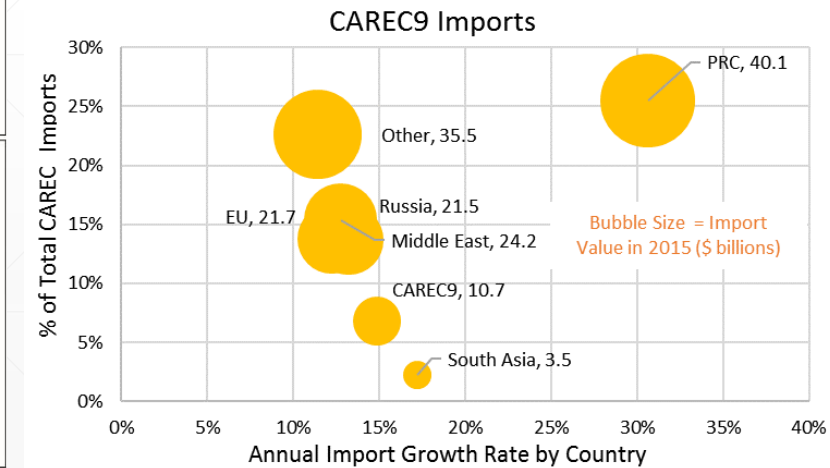
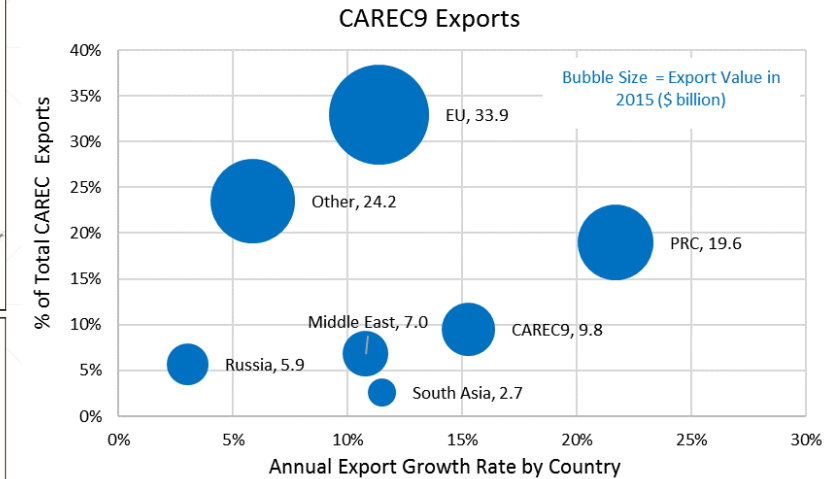
- Develop rail into a mode of choice
  - Improve multi-railway multi-modal capacity and capabilities
  - Make rail transport more commercial and customer focused
  - Develop necessary legal & regulatory reforms
- Strategic Priorities
  - Develop effective infrastructure
  - Develop robust commercial capabilities
  - Improve legal and regulatory frameworks to promote improved interoperability

# CAREC rail corridors extend across Central Asia

- Trade with PRC is fastest growing; Trade with EU is second largest; but this excludes transit traffic



Source: CAREC Secretariat



# Strategic Priorities for CAREC Rail Strategy

## Hard Investments

- Develop rail infrastructure
  - Fill gaps and missing links in CAREC network
  - Enhance and modernize existing rail infrastructure – to increase loading gauge and capacity (speed)
- Invest and modernize rolling stock fleet
  - Modern high-capacity equipment
  - Equipment with improved efficiency and reduced environmental impacts
- Develop modern information technology based systems
  - Enhanced digital network capabilities
  - Operations, maintenance, sensor systems, rail operating, and customs clearance systems, and supporting IT

## Soft Investments

- Develop robust commercial capacity
  - Marketing and customer facing capabilities focusing on rail friendly commodities and services
  - Develop specialized terminals for specialized traffic (for gauge changes, containers, bulk liquids, coal, others)
  - Develop CAREC corridor or CAREC wide service design capabilities
- Improve legal and regulatory frameworks to permit:
  - Private investment in, for example, rollingstock leasing; private terminals;
  - Improve cost and financial accounting systems for IFRS
  - Improve border formalities to reduce dwell times

# Implementation Action Plan Items

## Hard Investments

- Six Designated Rail Corridors have been identified and provide a first order priority
  - 32,400 kilometers of rail corridors identified
  - Includes 7,200 kilometers yet to be built
  - Modernization, electrification, increases in capacity for existing lines
  - Construction of border facilities/terminals and supporting technology
- Rolling Stock – new, modernization, and replacement
  - New infrastructure and traffic may require new rolling stock
  - Replace old with new technology can increase capacity, improve energy efficiency, and allow operational improvements

## Action Plan

- Corridor oriented investment programs supported by a series of analyses:
  - Market and traffic flow analysis, including not only domestic traffic but also import, export and transit flows
  - Modal choice analysis – what factors influence movements via rail
- Investment priorities for these projects must be determined by due diligence analysis
  - Market studies and forecasts
  - Investment costs estimates
  - Analysis of economic and financial performance
  - Development of financing mechanisms

# Implementation Action Plan Items

## Hard Investments

- IT investments can reduce costs and improve both cross border and domestic services
  - Fiber Optic networks can improve railway informatics capacity and become a source of additional revenue
  - Digital radio systems can improve safety and capacity
  - On-board computers can increase capacity, improve the flow of trains, and increase safety
  - Electronic tagging of rolling stock coupled with weigh-in-motion scales can improve utilization, reduce fleet needs, and provide better customer information
  - Electronic transmission of customs documentation
  - New Operating Systems can provide rolling stock history, operations data, interfaces with adjoining railways

## Action Plan

- To be most effective, technology investments should be coordinated across country borders along a corridor
- A common operating system, compatible with ASOUP could be developed for CAREC9 countries
- IT investments also need due diligence analysis
  - Market studies and forecasts
  - Investment costs estimates
  - Analysis of economic and financial performance
  - Development of financing mechanisms

# Strategic Priorities for CAREC Rail Strategy

## Soft Investments

- Improve commercial capabilities to become more accessible to customer
  - Marketing and customer facing capabilities focusing on rail friendly commodities and services
  - Develop specialized terminals for specialized traffic (for gauge changes, containers, bulk liquids, coal, others)
  - Develop CAREC corridor or CAREC wide service design capabilities
- Develop CAREC wagon operator capacity if applicable

## Action Plan

- Develop multi-railway market capabilities
  - Corridor specific single-point of contact for integrated logistics services – incorporate customs, tracking, delivery arrangements, insurance in single pricing package
  - Encourage and develop private specialized terminals for logistics services and bulk goods transfers
  - Develop specialized rolling stock, including leasing capabilities for specific corridors, types of rolling stock, and services
- Create corridor specific service design capability, integrated with railway services
- Create corridor operations management capability, particularly for recovery activities



# Strategic Priorities for CAREC Rail Strategy

## Soft Investments

- Improve legal and regulatory frameworks to permit:
  - Private investment in, for example, rollingstock leasing; private terminals;
  - Equipment leasing and activities of rail operators, specialized terminal operators
  - Coordinated pricing/tariff systems
- Improve cost and financial accounting systems supporting IFRS accounting systems
- Improve border formalities to reduce dwell times

## Action Plan

- Support CAREC governments and railways seeking institutional and structural reforms
  - Support available from development banks
  - Banks have international experience in structural and institution reforms
- Develop tariff and pricing regulations that support private investment and are flexible enough to enhance rail competitiveness
- Support strategic initiatives that may require modification or elaboration of national laws and regulations regarding leasing, financing, accounting standards, private ownership of rail assets

# Implementing the CAREC strategy

- Assemble Corridor Teams to coordinate investments/market activities
  - Conduct overall market and mode choice analysis for corridor traffic
  - Develop corridor specific development strategy and plans
  - Identify financing requirements
  - Conduct economic and financial analyses
- Develop and agree legal and regulatory framework needed, including customs and information technology
- Put in place legal, regulatory, information systems, and commercial structures needed
- Mobilize and leverage financing needed

# Additional Implementation Actions

- Capacity building
  - Marketing, forecasting, commercial capabilities
  - Financial and economic analysis
  - Operations planning
  - Leasing
  - Legal and regulatory
- Institutional transition
  - Develop institutional transition strategy and plan
  - Legal and regulatory frameworks
- Identify key technologies, capabilities
  - Develop plan for technology and capability transfer/sharing

# Measures of Performance

Strategy Element	Milestone, Outcome Indicator	Key Steps	Data Sources
<b>Investment</b>	Corridor development plans and strategies Feasibility Studies Investments	Market analysis Traffic development Costs & engineering	CAREC railways, Development banks, Specific studies
<b>Commercial Capacity</b>	Number of operators/corridor services Increased corridor traffic	Corridor agreements Legal & regulatory support Marketing organization Service designs	CAREC railways Specific Studies and agreements
<b>Legal &amp; Regulatory</b>	Corridor agreements Leasing, rail operators Pricing flexibility	Agreement of railways along corridor	CAREC railways Specific agreements
<b>Financing</b>	Due diligence Loan/financing agreements	Feasibility studies Due diligence	CAREC railways Development Banks Private investors

# Final Considerations

- What are the most important next steps in implementing the CAREC strategy?
- How can inter-railway service designs be implemented
  - Should CAREC continue to rely on 3<sup>rd</sup> party logistics providers to develop new rail services?
  - How can CAREC railways enhance their ability to attract rail traffic from other modes?
- Are new institutional arrangements needed?
  - For corridor-based inter-regional feasibility studies
  - For mobilizing new financing partnerships (e.g., infrastructure bonds)
  - To promote inter-regional standards for tariffs, costing, technical standards