



Summary of Proceedings

Third Meeting of the CAREC Railway Working Group

15-16 May 2017, Tbilisi, Georgia

Background

1. At the 15th CAREC Ministerial Conference in Islamabad in October 2016, the CAREC member countries endorsed the CAREC Railway Strategy, entitled “*Unlocking the Potential of Railways: A Railway Strategy for CAREC 2017-2030*” (the Strategy). The Strategy was developed to serve as a guiding document for the long-term development of CAREC railways.
2. The Strategy was formulated by the Railway Working Group (RWG), which was set up by the decision of the 14th Transport Sector Coordinating Committee (TSCC) in Ulaanbaatar in April 2015. The RWG first convened in Tokyo in November 2015, and secondly in Bangkok in April 2016, where countries shared their status, plans, and issues regarding railways and agreed on the vision, priorities, and actions underpinning the Strategy. The Strategy stipulated that the RWG will play a central role in its implementation, and that the RWG will conduct periodic monitoring, review and adjustments on the action plan and results-based framework.

Objectives of the Third RWG Meeting

3. The Third RWG Meeting (the Meeting) was held in Tbilisi, Georgia on 15-16 May 2017, to discuss and agree on practical implementation measures for the Strategy. The Meeting also acted to further the sharing of knowledge and experiences on railway development between the CAREC member countries.
4. The Meeting was chaired by the Government of Tajikistan in its role as the chair to the CAREC program in 2017, and generously hosted by the Government of Georgia. The Meeting was supported by development partners including the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), and the International Union of Railways (UIC).

Implementation of the CAREC Railway Strategy

5. **Reconfirmation of the vision, approach and priorities under the Strategy.** Participants first reconfirmed the agreed overarching vision of *CAREC railways becoming the transport mode of choice by 2030*. To this end, to advance the physical completion of CAREC railway corridors, member countries recalled the need to address both the hard components (infrastructure, rolling stock, information technology) and soft components (commercial capacity, legal and regulatory frameworks).

6. **Country views on how to implement the Strategy.** Each country then presented their perspectives on how best the Strategy should be implemented, as well as the challenges to overcome. The countries noted both progress to date on the development of railway corridors as well as the challenges being faced. Through this exchange, consensus was reached on the important points for the effective implementation of the Strategy.
- **Translating the Strategy into actions at corridor and country level.** Participants broadly agreed on the need for the actions identified in the Strategy to now be translated into those which can be effected at corridor level, (especially for those matters that relate to infrastructure development and border crossing issues), and country level (for those issues which relate to institutions and regulations).
 - **Need for further corridor analysis.** The participants noted the importance of sound analysis of traffic demand and constraints on railway corridors, to identify bottlenecks and gaps and to help prioritize actions – both physical and soft.
 - **Need to focus on soft measures.** The participants recognized the importance of adopting a market-oriented model of railway development and emphasized the need to include soft measures to improve customer orientation. Key soft measures include business plan formulation for more commercial operations, underlying legal and regulatory reforms, and wider use of unified bills to facilitate mutual reporting and efficient cross-border movements as well as Automatic Management Systems to facilitate cargo movements. Kazakhstan offered to share further information on this system. The setting of integrated tariffs and the availability of targeted discounts were also identified as mechanisms for a more market oriented approach.
 - **Information technology.** Participants noted the need to further develop the use of new information technologies that improve system efficiency.
 - **Environment.** Several participants also noted the need to study the means to improve the environmental performance of railways in the region.
 - **Enhancing communication.** In moving forward with the Strategy's implementation, participants stressed the need to improve and formalize information exchange between CAREC countries. At present, sharing of issues and experiences is confined to Working Group Meetings, with no established means of sharing information in the periods between meetings. The participants requested the development partners to facilitate mechanisms for ongoing information exchange. These could include web-based tools, newsletters, and social media. Information exchange mechanisms should work to capture the on-going lessons learned.
 - **Country-led initiatives.** Countries acknowledged their role in establishing further country-led momentum for implementation of the Strategy, particularly by countries taking initiative to move ahead to cooperate on opportunities of interest to them. For example, major new planned rail corridors, such as the China-Pakistan Economic Corridor (CPEC), can offer a practical focus for countries to make progress on hard and soft aspects of the Strategy, possibly by developing

corridor management plans and/or agencies. Another reference example would be the five-nation (PRC, Kyrgyz Republic, Tajikistan, Afghanistan, and Iran) railway regional project, aligned to the CAREC corridors.

7. The CAREC Secretariat recorded the needs of countries in each of the above topics, which will guide the design of future technical assistance. UIC shared its experience in supporting its members on various institutional and technical matters, and offered its support to the implementation of the Strategy in the aforementioned areas.

Analytic tools and case studies

8. Analytic tools are available to assist the CAREC countries in addressing implementation issues of corridor development, service improvement, and institutional reform. Mr. Andrei Evdokimov, a freight railway expert, presented service needs from the perspective of users along with the tools used to monitor service levels. He distinguished between customer needs, wants, and desires. He noted that railways could attract a larger market share at more remunerative tariffs if they meet the key requirements of customers for reliability and security and make available real time information on the status of consignments.
9. Mr. John Winner then presented a marketing analysis on railway development and service improvement. A mode-choice model could be a useful tool to improve understanding of which high-value customers could be attracted to rail. Regularly updating both data and the model is crucial to making it an effective long-term tool. Among the recommendations for attracting more customers to rail are developing specialized terminals, simplifying services through single point of contact service providers, and creating common CAREC rail operators and wagon supply arrangements.
10. The participants concurred with these recommendations on increasing railway competitiveness through a commercial and customer-oriented focus. They emphasized the need to develop further agreements between countries to assure greater efficiency and timeliness of border processes such as customs. Agreements on safety and security practices could also result in time and cost savings. Mechanisms to ensure the timely delivery of information on shipments should be prioritized; all pertinent information should be shared well in advance of a shipment approaching a border point. Corridor management plans can be used as conduits to provide customers with missing information. The participants also requested that all these procedures be simplified to the extent possible and conducted in an electronic format. More feedback from customers can also help identify areas for improvement. The development of customer feedback systems is thus recommended.
11. Mr. Jeremy Drew shared international experiences on institutional and regulatory frameworks. Reform of institutional and regulatory frameworks will help improve the future of the industry. The options for rail industry structuring include: (i) Vertical integration; (ii) Partial separation; (iii) Vertical separation. The suitability of the options depends on the country context. Most countries have separated policy making from railway management. The move towards corporatization includes the formation of boards to oversee strategic directions. Separating operations from infrastructure has several advantages, including more transparency in the business models of freight and passenger businesses.

Concessions are becoming increasingly common to introduce competition and private investment.

12. The participants recognized that the transformation of railways from state-owned monopolies into more commercial operations is vital for the growth of railways in future. However, this is also a sensitive subject and it generally needs to be addressed at the individual country level. Several participants noted recent achievements in opening up their railway markets. Participants requested support from the development partners and each country in sharing lessons and case studies on the industry transformation process.

Implementation measures for main corridors

13. Following the confirmation at the 2nd RWG Meeting and the 15th TSCC Meeting, corridor groups from the CAREC RWG have been formed to improve the readiness of selected corridor investment projects. During corridor group discussions, each group noted the current status, the key challenges facing their projects, and the actions and next steps to be taken. The groups reviewed the tasks needed to make these projects financially- and economically-viable. The Secretariat recorded the detailed inputs on each corridor, which are found in Appendix 1.

Recommendations and conclusions

14. The Third Meeting of the Railway Working Group resulted in the articulation of the next steps in implementing the CAREC Railway Strategy. Recognizing the overarching objective of creating financially- and economically-viable network projects, the participants agreed to the following recommendations and actions with support from the development partners:
 - **National Action Plans.** Each country will prepare national-level action plans for the implementation of the CAREC Railway Strategy based on a template provided by the CAREC Secretariat. Timeline target: Provision of template by June 2017; completion of national action plans by September 2017.
 - **Network Opportunities and Needs Study.** CAREC Secretariat with inputs from all countries to conduct a study on traffic capture as well as bottlenecks and gaps on the main CAREC corridors as an input into the development of new investment plans. This may include development of a Mode Choice Model to support regional traffic flow and a mode choice analysis to better forecast the market. Timeline target: Preparation of terms of reference by July 2017; recruitment and mobilization of consultant team by November 2017; work completed in 2018.
 - **Corridor Teams.** CAREC Secretariat to facilitate the formalization of corridor teams with the relevant country representatives to ensure continuity of actions in between Working Group Meetings. Timeline target: Set-up of teams and communication mechanisms by August 2017.
 - **Review and Consideration of Model Agreements.** CAREC Secretariat with inputs from all countries to study and consider existing template agreements or practice notes on topics such as tariffs, customer feedback, cross-border processes, and safety and security. Timeline target: Consult with partner organizations (e.g. UIC) to evaluate availability of existing templates by August

2017; seek consensus on model agreements that should be pursued through the CAREC program by December 2017.

- **Case Studies.** CAREC Secretariat will prepare and share case studies on emerging practices, such as experiences on use of information technology, unified bills, Automatic Management Systems, and environmental issues for railways. Timeline target: Preparation of terms of reference by July 2017; recruitment and mobilization of consultant team by November 2017; work completed in 2018.
 - **Communications.** CAREC Secretariat will create formalized mechanism for regular information exchange (including a newsletter, web-based tools, and social media). Timeline target: Set-up communications tools by July 2017.
15. The CAREC Secretariat recorded the needs of countries in each of the above topics, which will guide the design of future technical assistance. The implementation of the above recommendations is contingent on the identification of funding resources. The CAREC Secretariat will reach out to all the development partners for this support.
 16. The Meeting recorded the continued interest of financial institutions, including CAREC multilateral development partners to finance viable projects, which would be developed through actions on the above points.
 17. The key findings and recommendations from the Third Meeting of the Railway Working Group will be presented at the 16th CAREC Transport Sector Coordinating Committee (TSCC), which takes place in the following days of 17-19 May 2017.

Appreciation

18. Participants expressed their satisfaction with the valuable contributions and effective outcomes reached during the Meeting. Participants recorded the continued and growing level of cooperation between the CAREC countries.
19. Participants thanked the Government of Tajikistan for its active role in chairing the Meeting. Participants further expressed their gratitude to the Government of Georgia for their warm hosting of the event. The delegates also expressed their appreciation for the efforts of the CAREC Secretariat and the development partners for organizing and facilitating the meeting.