



Second Meeting of the Railway Working Group

18-19 April 2016 • Bangkok, Thailand

Второе заседание Рабочей группы по железнодорожному транспорту

18-19 апреля 2016 г. • Бангкок, Таиланд

CAREC Soft Strategic Initiatives

Making Trade & Transport Easier



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BACKGROUND



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- International rail transport is hard to use
 - Difficult to arrange across multiple railways
 - Sometimes difficult to get rolling stock
 - Security an issue
 - Claims for loss & damaged goods are difficult
 - Schedules and timing often unknown
- Customers say other modes may be more expensive but are easier to use



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- For customers, these difficulties have a cost – a cost nearly the same as the rail tariff
- Some international logistics companies have organized rail transport to reduce these costs
 - Provide integration, marketing, customer services
 - Organized block train movements capture high value freight – even from air transport
- Solving these difficulties for more shippers can attract international freight to rail



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SOFT STRATEGIC INITIATIVES



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- A common CAREC Freight Forwarder can become a single point of contact
 - Initially jointly owned by CAREC railways
 - Integrating service offerings and solving coordination and claims problems
 - Provide security when warranted
 - Join with international freight forwarders for movements outside CAREC region



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- The CAREC Freight Forwarder can acquire freight wagons – to become a Rail Operator
 - Common wagon ownership and management can improve availability AND utilization
 - CAREC ownership may permit development bank financing for rolling stock
 - Could also serve as a wagon leasing company for interested shippers, railways



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- With multiple railway customers, a CAREC locomotive leasing entity may also be feasible
 - Common locomotive ownership and management can improve availability AND utilization
 - Would require universal type locomotives
 - CAREC ownership may permit development bank financing for rolling stock
 - Could also lease locomotives to industry



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- Bulk & logistics terminals can consolidate shipments (e.g., fertilizer, gasoline, diesel, grains, containers) and permit block train movements
 - Block trains reduce costs, improve equipment utilization
 - Provide more customized and frequent service
 - Can be jointly or privately owned (or PPP) and financed



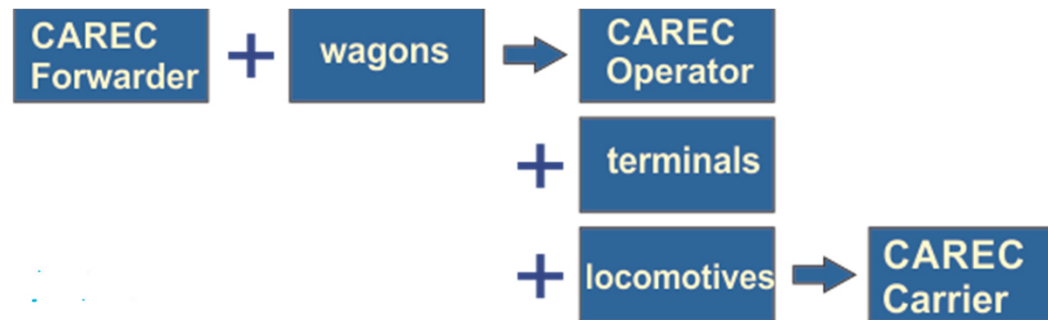
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- Eventually, jointly owned CAREC rail carriers could operate between terminals
 - Specialized on international movements, and perhaps by commodity
 - Using jointly owned wagons, terminals, and locomotives





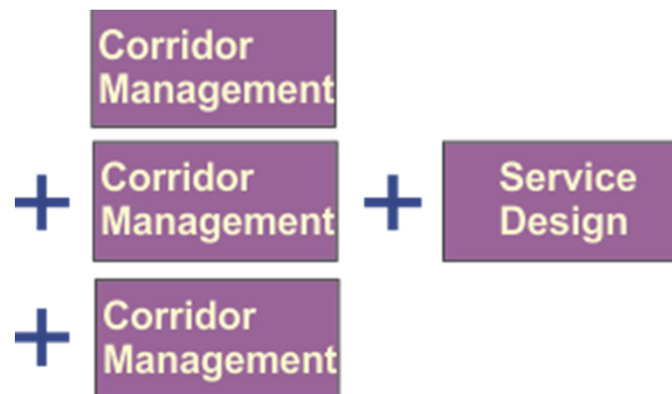
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- Service across CAREC rail corridors can be improved with a corridor management unit
- Joint transport service design bureau can help develop and integrate schedules for international trains
- CMU: Service design, monitoring, coordination





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Rail Sector Reforms – Different for each country

- Legal and regulatory reforms important for implementing soft strategic initiatives
- Institutional Transition Support available from ADB, WB, other development banks
- Tariff and pricing regulation reforms can help attract new traffic, simplify international transport



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Rail Sector Reforms – Different for each country

- Modern cost accounting systems help localize costs and revenue to specific businesses
- IFRS accounting standards can open markets for alternative financing mechanisms
- Rail transport can be more competitive with other modes with efficiency and cost reduction efforts, some driven by investment, some by changes in operating practices



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Combination of Sector Reforms, Accounting Practices, Legal & Regulatory Reforms

- Can open the door to development bank financing
- Can also attract and make possible alternative financing mechanisms (e.g., bonds, joint ventures, private investment, lease-finance, land management & real estate development)



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Other Necessary Reforms

- Electronic customs clearances, improved border controls
- Trusted/certified shippers, forwarders, and terminals
- Aim for pre-clearance, block trains moving across borders without delays, coordination between railways, close connection to customers logistics needs



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INCREASED RAIL FREIGHT TRAFFIC



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Improved Infrastructure and Soft Strategies can Increase International Freight Traffic

- Typically the most profitable rail traffic
- Enhance regional economic development
- Greater economic growth



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THANK YOU