Current state of, and main development lines for, motor trucking in the CA Region

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SLIDE 2 – Road Map for CA republics

CA countries, including Kazakhstan, have a relatively developed road network that is a part of main Eurasian and regional corridors. This creates some favorable prerequisites for developing sub/intraregional international transportation.

SLIDE 3 – Changes in CA countries' foreign trade turnover

International transportation between CA countries develops at high rates, for such development is greatly due to a growth in their foreign trade turnover.

Thus, Kazakhstan's foreign trade volume was just USD 13,9 MM in 2000, as against USD 109,1 MM in 2008, i.e. almost an 8-time growth.

For this period the foreign trade volume of all CA counties grew 5,6 times and reached USD150,6 MM. This being the case, a mutual trade volume between CA countries is USD 3 MM to USD 4 MM.

SLIDE 4

As a part of international traffic, the motor transport delivers various goods: furniture, machines, gears and equipment, foods, construction materials, consumer goods and etc.

An average declared customs value per ton of goods transported by the motor transport is several times higher than that for a railway transport. This goes to prove that consignors in terms of valuable consignment delivery safety and urgency prefer the motor transport.

Transportation geography is extremely wide. Last year Kazakh carriers made more than ten thousand trips only to Germany.

SLIDE 5 – Railway and Motor Transport involvement in international traffic

However, despite a considerable increase in CA counties' foreign trade turnover and growth in value added goods trade volumes, a level of motor transport involvement in international traffic remains extremely low – from 4% to 10%.

SLIDE 6 – Road Condition

One of the main reasons for a low motor trucking development level is that the motor roads are poorly maintained and repaired. A crucial factor in their quality deterioration is a failure to comply with periods between repairs and poor running maintenance due to insufficient funding.

Studies show that each dollar underinvested in running road maintenance increases vehicle operating costs by three dollars and leads to additional 2-3 dollars for road restoration and reconstruction.

According to some experts for developing countries road maintenance costs and total road industry budget should be 0,5 - 1% and 1 – 2% of GDP[1], respectively.

SLIDE 7 shows the results obtained in computing road maintenance budget for CA countries.

[1] Heggie I.G. (2004)

SLIDE 8 – Kazakhstan's Road Budget

In CA countries road maintenance costs are considerably below a specified level.

The Slide provides data relating to funds appropriated from Kazakhstan's budget for maintaining and repairing republican highways in the years of 2003-2008, and supposed costs for the same purposes in the years of 2009-2011.

Despite an annual increase in road maintenance and repair costs, the funds appropriated are insufficient. According to the statement by the RK MTC standard costs for road maintenance and running repair is KZT19MM at the prices of 2008. Only 35% of the amount required was appropriated from the Republican Budget. As seen from table data, an underfunding situation is likely to remain in years to come.

Such situation is specific to every country in the region.

SLIDE 9

Poor road condition results in:

- High traffic accident rate;
- High fuel/oil consumption rate;
- Excessive motive power repair and maintenance expenses;
- Low good delivery speeds.

SLIDE 10 – RK Investment Projects for Road Transport Segment

To solve problems relating to poor road condition a number of infrastructural projects has been prepared in Kazakhstan for implementation, three of which have been presented to the European Commission to attract international financial institutions (IFI) for subsequent funding of such projects.

A list of preferred investment projects includes:

- Almaty-Khorgos Highway Reconstruction;
- Tashkent-Shymkent- border of South Kazakhstan Region Highway Reconstruction;
- Beyneu-Shalkar Highway Construction.

As direct benefits, implementing the projects above will:

- raise the transit potential and competitiveness of international routes passing across the territory of the Republic;
- shorten a time cargoes and consumer goods are in transit;
- improve highway performance, route environment and man-made structures;
- ensure that areas of economic interest are intensively developed;
- stabilize total emissions generated by the motor transport against a traffic intensity rise.

Intangible benefits are:

- New jobs;
- Higher motor transport complex service quality;
- Higher motor mobilization readiness.

SLIDE 11

At present a Big Program is implemented in Kazakhstan for creating an unified logistical system for the Central Asian Industrial Transportation Corridor with junction points located:

- in the Kazakhstan-Chinese border segment of Khorgos-East Gates Border Trade Economic Zone with an international logistics center and industrial production and residential areas;
- Taskala-Ozinki, an international crossing point bordering with Russia;
- International Seaport of Atyrau, a free economic zone.

The Central Asian Industrial Transportation Corridor has a great potebtial for including Kazakhstan in the international trade system and international logistics business.

Creating a multimodal logistics center specializing in container freight service will allow us to attract international transport and logistics companies interested in Eurasian transit. To obtain a maximum economic effect from the industrial complex of the Central Asian Industrial Transportation Corridor it is proposed to include backbone productions in its structure to develop related businesses and industries in Kazakhstan.

SLIDE 12 – Roadside Service Facilities

Roadside service facilities are of paramount importance for maintaining the international road transport.

Studies for six main international motor transport corridors in Kazakhstan showed the following.

Quantitatively, the corridors are almost completely provided with service stations. However, in individual road sections a distance between such stations exceeds the specified one two and more times. Moreover, the major part of existing service stations is intended for servicing cars and not adapted for servicing heavy trucks. They only occasionally service such trucks, performing small tire replacement, tire tube repair and other operations.

A situation on providing a proper rest to carriers is even worse. For the second and fourth transport corridors the number of motels and camps is almost 2 times below the specified one. Existing motels and camps have insufficient motor transport parking places and in terms of services provided generally do not meet the requirements specified.

All these adversely affect traffic safety and do not enable drivers to follow the requirements of the European Agreement relating to the crews of transportation vehicles engaged in international motor transport (ECTP).

The main reason for a decline in constructing the motels and camps is the considerable volume of required capital investments at low profitability of such facilities. To reduce construction costs and increase customers it is recommended to locate service complexes providing various services in one area, instead of single service points in various areas.

SLIDE 13

Pursuant to the List approved by the RK Government 75 motor transport crossing points operate at the State Border of the Republic of Kazakhstan.

Border crossings are a feature specific to land transportation corridors and their most vulnerable point. Just at these points commodity flow movement delays arise due to documentation and completion of frontier customs formalities.

Improving border crossing infrastructure is an important international transportation development policy line.

SLIDE 14

As recent studies show, a transportation vehicle waiting time at motor transport crossing points is 1 hour to two days (generally, on either border sides).

For the countries of SE Europe the waiting time is 2 hours in average (max 3 hours, 1-hour delay)

EKMT 99/2 Resolution, *Eliminating barriers to international cargo transportation at border crossings,* recommends the member countries to specify a transport delay reduction and formality completion rate for points, where protracted delays have been observed, reducing an average delay time by 50% within 1-2 years and finally ensuring

that the delay time does not exceed one hour within five years. Also specific objectives should be stated for reducing a delay length at peak loads.

SLIDE 15

A joint customs control practice, when the border customs authorities of two countries act jointly, is already introduced in the CA Region.

Thus, since November 1, 2005 joint customs control introduced at Korday (Kazakhstan) and Ak-tilek (Kyrgyzstan) Crossings Points on the Kyrgyz-Kazakh border, and a Temporal Interaction Plan for the border customs authorities of Kazakhstan and Kyrgyzstan has been approved

On July, 2006 an Agreement for joint control on Kyrgyz-Kazakh border was signed in Astana between the Government of Kazakhstan and Kyrgyzstan.

The customs services of Kazakhstan and China has signed a Memorandum for using and exchanging a unified Motor Transport Cargo Manifest.

For the Kazakh-Russian Border a joint control experiment was conducted.

SLIDE 16

Moreover, Kazakhstan has developed:

- An Action Plan for removing administration barriers, and expediting and simplifying goods and vehicle crossing through the customs border of Kazakhstan, as approved by the RK Government.
- a draft for making a number of changes to the legal act of the RK, as aimed at assigning control functions at motor crossing points on the State Border of the RK to customs authorities.

SLIDE 17 – Number of TIR carnets issued to IRU Associations in CA countries

All CA countries are members of the TIR Customs Convention. Even though a traffic volume within this system has grown 5 times, it is only 10-20% of the total traffic one.

Developing such transportation on a more wide scale is restrained not so much by additional costs to the carriers due to direct involvement in a TIR System (membership fees, TIR carnet purchase expenses and etc), as a failure to attain such its advantages as expedited border crossing and excluding excessive document inspections by various supervising authorities and etc.

SLIDE 18 - Some motor vehicle charges in CA countries

Poorly regulated and agreed motor vehicle charges remain a major barrier to international motor transport development. He Slide provides some motor transport charge rates in CA countries. A clear example - since 1.01.2009 Uzbek authorities introduced an additional for entry/transit charge on motor vehicles and buses crossing Uzbekistan's border with Tajikistan. Charge rates are:

USD 50 for MVs from Tajikistan

USD 20 to USD 30 for MVs from Turkmenistan, and

USD100 for MVs from other countries

This being the case, a charge for staying more than 3 days is USD 70 per day per vehicle (previously USD 50 for staying more than 8 days)

We think that the countries of our region should pursue a concerted policy for establishing charges and their rates, and take measures for reducing groundless charges.

One of possible solutions for this problem may be drafting and approving a motor service agreement including the main principles of this policy.

SLIDE 19 – Bilateral Intergovernmental Motor Service Agreements between CA republics

At present a legal basis for international road transport between CA countries is bilateral intergovernmental motor service agreements.

Diversity in the legal regimes of the bilateral agreements is dictated, to a large extent, by various economic and social conditions in each country. By nature, diversified legal regimes infringe in a varying degree the interests of individual countries and run counter a most favored nation principle, adversely affecting equality in competition among carriers.

Moreover, an authorization system secured by the bilateral motor service agreements runs counter the provisions of base multilateral agreements between CIS countries, that is to say: Free Trade Agreement (April 15, 1994); Memorandum and Agreement on common transportation space formation principles and conditions of transportation policy interaction between CIS countries (October 9, 1997); Agreement on Transportation Union, international motor service and etc.

This, in its turn gives a ground to say that a general legal regime is still not unified, which means that there are grounds for revising the existing system and liberalizing an international transportation market. i.e. eradicating the authorization system step by step.

SLIDES 20-21

For the region levying unauthorized charges by the representatives of public authorities remains a serious barrier to the international motor transport.

A possible solution is to minimize a human factor and reduce contacts between the offices of supervising agencies and carriers.

In this connection we think that Kazakh customs services' experience in introducing safe packages and electronic sealing is to be distributed on a wider scale.

An electronic seal contains all necessary information of MV and cargo and is intended for monitoring MV movement across the country's territory. A safe package is intended for protecting transportation documents from an unauthorized access. The safe package is manufactured in such a way that it cannot be opened without visible damages. A sage package face displays the information that may be required by other supervising agencies (MV number, route and etc.). The safe package may be opened only before the representative of the customs service. As a result, cases, when the MVs are illegally delayed in transit by the supervising and other agencies, and documents substituted, have ceased.

Initially the safe packages were used only by Kazakh customs services for monitoring the goods imported from China by truck. The safe packages are planned to be introduced for transportation document exchange between adjacent countries (China, Kyrgyzstan, Uzbekistan and Russia).

Thus, Kazakh and Kyrgyz customs services have developed a Joint Technology for moving the transportation documents encased in plastic safe packages between adjacent crossing points on the Kazakh-Kyrgyz border (Memorandum between the KR State Customs Committee and RK MF Customs Control Committee on introducing a joint technology using the sage packages, September of 2008, Issyk Kul). Based on the Order issued by the KR State Customs Committee the safe packages have been introduced at Ak Zhol, Ak-Tilek and Chaldovar Crossing Points since July 1, 2009.

An agreement for safe package use funding project was reached between Kazakh and Uzbek customs services.

SLIDE 22

One of administration barriers to the international motor transport is **a proviso requiring that a vehicle owners' liability is necessarily insured with national insurance entities**. As known, a vehicle is a source of special danger, and its owner shall

be liable for the damage caused to the health and property of persons involved in a road accident, even if he/she is personally innocent.

A solution for this problem could be creating a regional insurance system within the EVrAzEC (White Map) and making CA countries members of the Green Map Police Mutual Recognition Agreement.

However, before making a specific decision all conditions and possible consequences should be thoroughly considered.

Thanks for your attention!