

PROGRESS REPORT ON PHASE 2 OF THE IRU NELTI PROJECT SIX MONTHS FROM 01 JULY 2009

1. Introduction

The project "New Euro-Asian Land Transport Initiative" (NELTI) was drawn up in 2006-2008 by the International Road Transport Union (IRU) with the aim to develop regular commercial freight haulage by road transport between China, Central Asian countries and Europe. The official ceremony to launch the project took place on **16 September 2008** in Tashkent (Republic of Uzbekistan).

After the results of NELTI Phase 1 were summed up on 11 June 2009 at the 5th IRU Euro-Asian Conference in Almaty (Kazakhstan)¹, and both the organizers and participants appreciated highly the project's efficiency, a decision was taken to continue the IRU NELTI Project and start its second phase **on 01 July 2009**.

Phase 2 of the IRU NELTI Project is implemented in close collaboration between IRU and the Asian Development Bank (ADB) within the framework of the bank's Programme for Development of the Central Asian Regional Economic Cooperation (CAREC). NELTI Phase 2 is planned to span two years and envisages monitoring haulage operations by an improved methodology proposed by UNESCAP, and regular information exchanges with ADB.

2. Economic background and the situation on product markets

In 2009, the market of freight haulage between Europe and Asia came under a strong pressure of crisis phenomena in the world economy and trade. The consequences of the global economic crisis in 2009 were a decline of demand in international trade and for road transport carriages, greater redundancy of the road transport fleet, more complicated terms for credits for participants in international commerce, including transport operators, an increase in losses and bad debts, etc. In this connection, the implementation of IRU NELTI Phase 2 was subject to a whole number of risks – from shrinking freight traffic and lower haulage tariffs to deterioration of financial stability of road transport companies' operation.

The effect of the crisis was mitigated by correction of the world production markets from April to December 2009. In addition, this year saw an increase in the volumes of freight haulage on some of the Euro-Asian lines, such as China – Tajikistan, Europe – Afghanistan and several others.

In spite of the complicated economic situation and risks the haulage operations within NELTI Project Phase 2 did make a successful start and the dynamics and volumes of freight haulage on the whole corresponded to similar indices of the pilot (first) phase that was carried out from September 2008 to April 2009. At the same time, given a more favourable economic situation, the haulage operations within NELTI-2 could have been more impressive in volumes.

3. Changes in the trade and political regime in the Euro-Asian region

Among the events of crucial importance that form the systemic foundation for the development of Euro-Asian road transport haulage and may have a considerable influence on the implementation of the IRU NELTI Project's Phase 2 already in the near future, the following should be mentioned:

¹ The full version of the Final Report is placed on the NELTI web site www.iru-nelti.org.

- inter-governmental accords on putting into operation the Customs Union of three EurAsEC countries, reached between the Republic of Belarus Republic of Kazakhstan and Russian Federation. This union will make it possible to remove customs control on the internal borders between the three countries and, accordingly, to reduce downtime and extortions at these borders, something that will have a positive effect on the market of international road transport haulage;
- accords reached in November 2009 (with mediation by IRU) on reactivation of the 1998 Tri-Partite Inter-Governmental Agreement on international road transport carriages between the Kyrgyz Republic, Republic of Uzbekistan and People's Republic of China. The forthcoming launch of haulage under the said agreement along the Kashgar – Osh – Andizhan route in the spring of 2010 will be instrumental in boosting the traffic in the eastern section of the NELTI Central Route;
- the decision on putting into force, as of 1 January 2010, a multilateral system of permits within the framework of the Black Sea Economic Cooperation Organisation (BSEC), which will make it possible to enhance the efficiency of international road transport haulage and to simplify the border crossing procedures, including those for road transport companies operating freight haulage along NELTI's Central and Southern Routes;
- intensified work to develop a multilateral SCO agreement on creation of favourable conditions for international road transport haulage. In 2009 concepts were prepared for three supplements to the framework agreement (supplement 1 "Routes and Checkpoints at State Borders for International Road Transport Haulage"; supplement 2 "Permits for International Freight Haulage by Road Transport"; and supplement 3 "Terms of Reference of the Joint Commission for Creation of Favourable Conditions for International Road Transport Haulage"). This agreement coming into effect will help develop multilateral haulage to/from China. The Fifth Meeting of the SCO Transport Ministers (11-12 November 2009, Beijing, PRC) requested the national authorities to speed up the preparation of supplements to the Agreement.

Among the pivotal commercial and political developments having a direct bearing on the NELTI Project and implementation of its Phase-2 mention should also be made of the round table conference on development of freight deliveries by road transport to Afghanistan, arranged by IRU in collaboration with the U.S. Government (17-18 July 2009, Tbilisi, Georgia), and also the first meeting of the Working Group on Afghan Transit (19-20 October 2009, Dushanbe, Tajikistan).

In 2009 three memoranda of understanding were signed between IRU and the governments of Kazakhstan, Kyrgyzstan and Tajikistan (in addition to a similar MoU signed earlier in 2008 with the government of Uzbekistan) on development of Euro-Asian freight haulage by road transport. An important element in these memoranda is a provision envisaging assistance in the implementation of the IRU NELTI Project.

In addition, the IRU has prepared a Best Practices Code in the area of international road transport haulage.

All these documents are aimed to create most favourable conditions for development of international road transport haulage between Europe and Asia.

4. Practical results of implementation of NELTI Phase 2 within 6 months of 2009

Freight haulage within Phase-2 of the NELTI Project covered a large geographic area in the territories of 18 countries of Europe and Asia. A specific feature of NELTI Phase 2 has been the monitoring of freight transportation over the territory of the People's Republic of China.

The number of haulage routes increased. In addition to the traditional Northern, Central and Southern routes and their offshoots, separate routes were laid in the direction of Afghanistan and across China's territory.



Fig. 1. The main routes of NELTI Phase 2

Haulage operations on these routes differed in intensity. Haulage was more intensive along the Southern Route, and it was there that the greatest portion of logbooks filled out by drivers of participating companies was obtained.

At the present time, NELTI Phase-2 involves **23** road transport companies from **12** countries in Europe and Asia. Seven of the 23 companies had taken part in the first phase of the NELTI Project (Azatika, ATRIM Logistik, Janstrong, Degertaj, Karadeniz, Oshmezhtans and Bunyod). The rest 16 companies are new in the project. NELTI-2 is featured by active participation by companies from Azerbaijan, Georgia and Turkmenistan.

The overall distance covered by carriers made about **285 thousand km** with the average distance per average vehicle in a single round trip making around **7,400 km (3,700 km** per one-way journey).

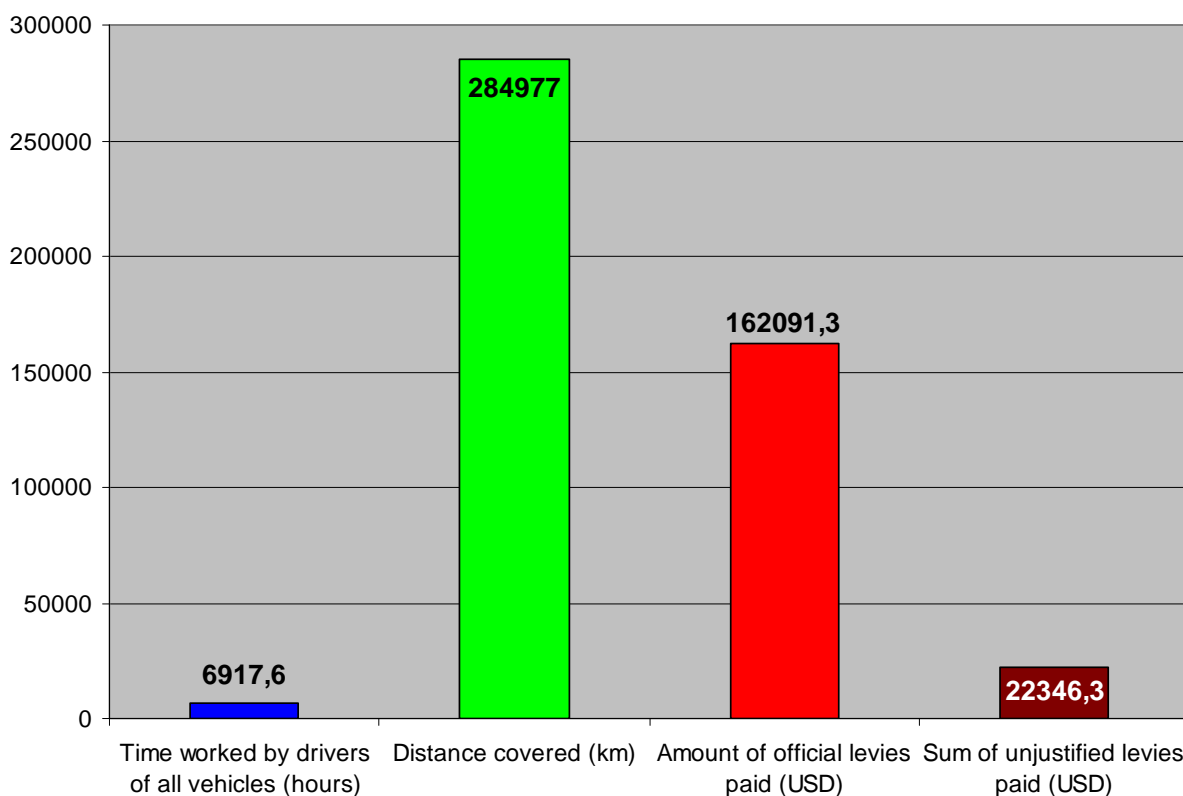


Fig. 2. The main indicators of the progress of NELTI-2 (as of 30 December 2009)

The overall volume of the freights transported within 6 months was in excess of **1,400 tons**. The range of goods transported within the project is extremely broad – from food stuff (confectionery, vegetables, fruit, dried fruit, etc.) and semi-finished products, (wool, yarn, tires, spare parts, etc.) to medicines, industrial equipment, diplomatic and humanitarian cargo, household appliances and electronic equipment.

Over the period of haulage operations the drivers paid in excess of **US\$162 thousand** of official duties. Unofficial extortions made more than **US\$22 thousand**.

Fig. 3 shows the distribution by individual routes of the overall distance covered within NELTI-2 and also the total sum of the official duties paid by the drivers.

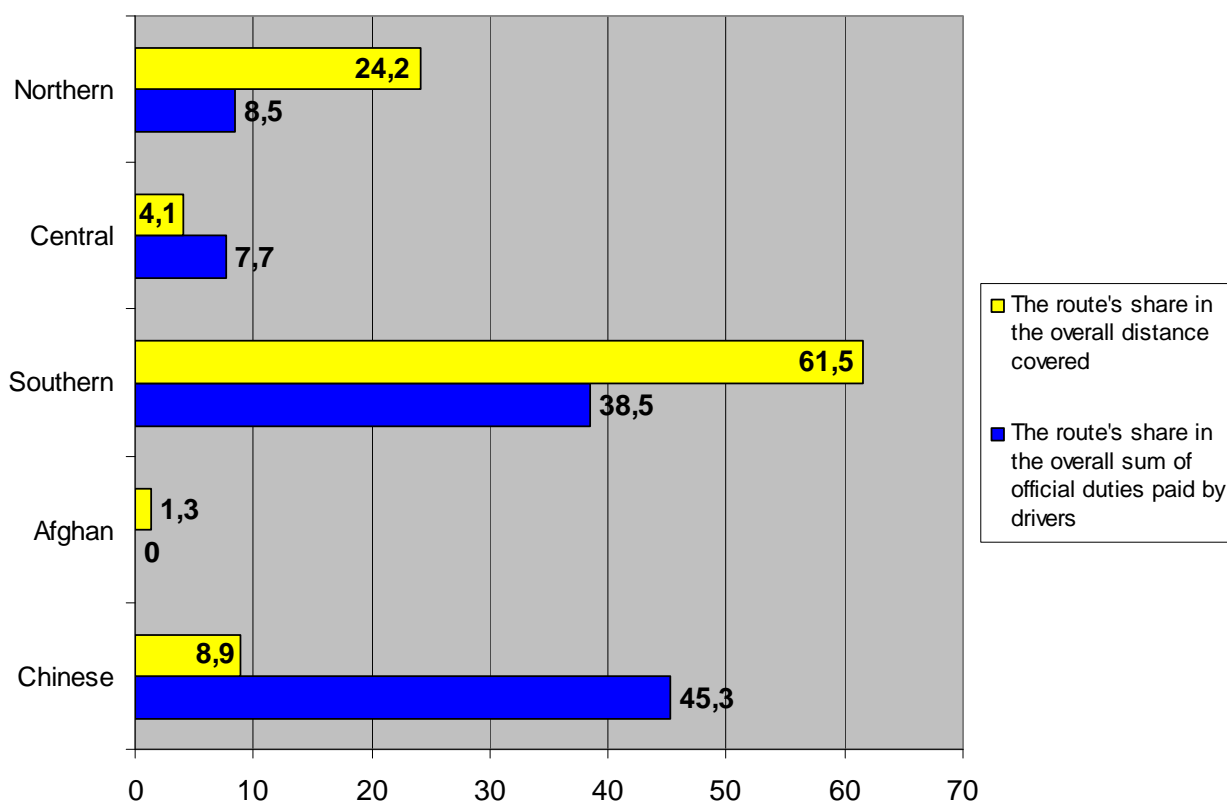


Fig. 3. Distribution of the total distance covered and the total sum paid by the drivers in official duties by individual routes of NELTI-2 Project (as of 30 December 2009).

Thus, 61.5% of the total mileage covered falls on the Southern Route and a little less than 25% goes to the Southern Route. Meanwhile, the share of these routes in the overall amount of official duties paid by the drivers was appreciably lower: 38.5% for the Southern Route, and 8.5% for the Northern. At the same time, the share in the Chinese direction accounts for 8.9% of the distance covered, and for 45.3% of the duties paid. Therefore, as CAREC data indicate, freight haulage over the Chinese territory remains quite expensive, and the main component in the payments is that for domestic transit. More detailed information on the structure of the time and resources expenditures for the various NELTI routes is available on the IRU NELTI web site at http://www.iru-nelti.org/index/monitoring2-app?total_data.

5. Information support of the NELTI Project

The chief instrument of the NELTI Project's Phase 2 information support and the monitoring of the haulage operations is the web site www.iru-nelti.org. The site makes it possible to monitor efficiently the dynamics of haulage operations under the NELTI Project, to find information on the haulage regime and legal framework and regulations in each of the transit countries, to be in the picture of all the most interesting and important developments and events that occur in the

transport field and have a bearing on the NELTI Project, and to follow the media coverage of the course of NELTI-2.

Over the 6 months of NELTI-2 more than 148 thousand visits were registered on the site (Fig. 4), and the average daily visits amounted to 813 (as against 665 at Phase-1 of the project). The largest numbers of visits came from the domains in Russia, Ukraine, Belarus, Kazakhstan, the U.S.A., Germany, Finland and Switzerland (Fig. 5). The peak of the visits came in October 2009 (35,400 visits).

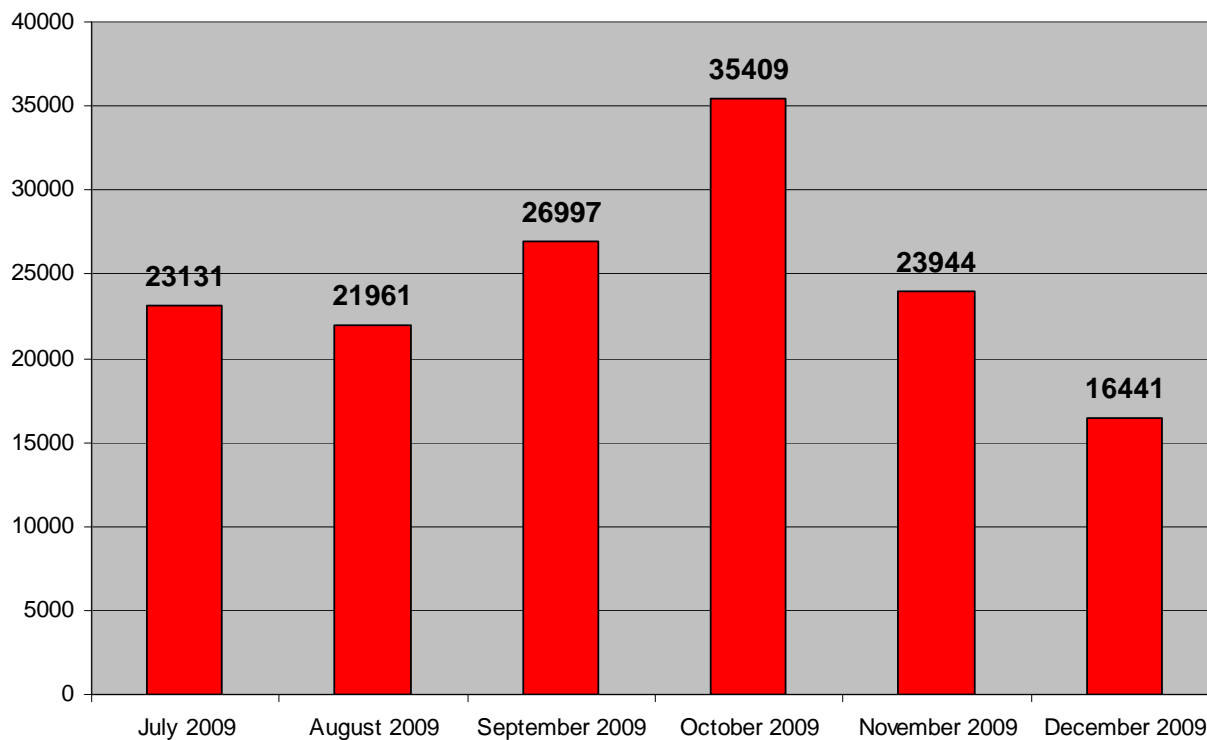


Fig. 4. Frequency of visits to the NELTI site by months from 1 July 2009

The structure of visits is also characteristic for their sources. Of all the users 37.5% visited the NELTI site directly, 31.4% switched over to it following links and references on other web sites, and 31.1% found the NELTI web site through search systems (Google, etc.).



Fig. 5. The geographic structure of the visits to the IRU NELTI web site by the countries of the users' registration in December 2009