

To be checked against delivery!

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GETO REPORT

Mr. Chairman, Ladies and Gentlemen:

The Hungarian railways play an important role in the development of Eurasian container traffics. Via the Hungarian turntable, especially traffics from the Middle, South East and South West European areas headed for Asia are bundled or, in the other direction, distributed. As you all know, CCTT already held a meeting here in Budapest in October 1997 – quite at the beginning of our activities. We are glad to be allowed once again to enjoy the hospitality of MAV. In the name of GETO, let me express our warmest thanks for inviting us again.

Let us take a look now at the developments since our last Plenary Meeting in Helsinki last September. From GETO's point of view, especially the following progress in Trans-Siberian container transit deserve to be highlighted:

First:

Transit times have been reduced considerably. Not only with test runs, but in the regular service with faster running container block trains. Our target "Trans-Sib in seven days" from the Far East to the Western border of Russia has been proved to be reachable.

At this moment, we are working to streamline operating processes. Moreover, investments to modernize Trans-Sib and BAM will make the trains faster still, and guarantee highly reliable transit times. But important progress has already been achieved by RZD, and customers appreciate it.

Second:

The Eurasian container traffics have increased. Regular block trains and the organization of company block trains enrich the offer. The Trans-Siberian railway plays an eminent role in this, as Vladimir Jakunin has already demonstrated.

Customers also appreciate a diversification of the routes that complied with the frequent relocations of production sites in the Asian region, especially in China. In this context, the routing via Kazakhstan and from there on the Trans-Sib has gained importance during the last year. The trans-Mongolia route, too, met with growing interest.

I would like to underline that the logistic companies are responsible for choosing the route and the mode of transport that is best for the client. Therefore, we should be partners, not competitors with the railway companies, especially in this huge market between China and Europe. Considering the complicated and extended infrastructure of Railways, we should create a complete Internet chain of technology along the entire route. Surely all companies have used IT already, and we propose to combine our efforts to provide good IT service to our customers that is also easy to approach. As was decided at the previous meeting in Helsinki, this IT system should be created within the frame of CCTT. We hope their initiative with the [«AGREEMENT on the implementation of cross-border exchange of electronic documents during international rail freight on the Trans-Siberian route»](#) will be first step.

Since our last meeting, our experiences with the standardized CIM/SMGS railway freight bill have been very good. Yet work needs still to be done to simplify it, and also get it wider acceptance.

Electronic freight way bills should be used more widely, too. Along some routes, they already contribute to speedier customs clearance at some border crossing as they

provide early notification. It is a pity that we still cannot work entirely without paper documents – which detains transports unnecessarily.

In the near future, GETO expects an increase of the interest shown in the land-bridge due to the current changes in production site locations in China that move more and more inland from the coasts, and to the big-dimensioned development of China's railway system that has been announced.

In this context, we at GETO welcome the intensified cooperation between RZD, the Chinese Railways and the Chinese regions - like, for example, the provincial government of Hunan - as it mobilizes further potential for the Euro-Asian land bridge.

Yet the competition among carriers will become fiercer still. Ocean transport has over-capacities; moreover, with the further development of the “Northern Sea Route”, new competitor is in the making. Air freight is looking to get orders to operate at full capacity. Road infrastructure for Euro-Asian transports is being developed.

Nowadays, goods are transported by road over distances of several thousand kilometers. In working with their customers, for GETO companies any piece of news is important that demonstrates the growing competitiveness of rail freight, whether through further shortening of transit times, attractive tariffs, or high reliability, safety and security.

It would also be positive if the CCTT tariff group obtained acknowledged status with the CIS railway administrations so it could submit offers on behalf of CCTT members and represent them legally at the annual Tariff Conference of CIS Railways.

Third

Finally the transit law has begun moving in Russia.

But the risk that the draft from the beginning of this year may get lost in the bureaucracy has not been averted yet. Basically, it is totally indispensable that in the future transit-containers may only be opened under concrete indications of smuggled goods, false declaration of goods and other fraud. Transit transports via the Trans-Sib should be rolling traffic, not traffic at a standstill because of arbitrary controls. We would like to see a constructive cooperation of customs authorities in finalizing the transit law.

GETO itself has made good progress since our last CCTT conference. This proves that the interest in Trans-Siberian traffic is growing, and that these traffics are becoming more and more attractive.

What are the important GETO results from the last few months?

Number one:

New members have joined GETO; since that last CCTT meeting, six very powerful companies have become members.

Number two:

GETO has not only grown in numbers, but has also strengthened its quality profile.

Among the GETO members today, there are renowned players on the market of the Euro-Asian container transports, globally operating forwarding and logistics services providers, numerous mid-size enterprises specialized in rail freight from different European countries, and last but not least operators developing new international connections for example via the Baltic Sea.

Number three:

GETO member companies are offering their customers an increasingly broader palette of options for Euro-Asian traffics. They have all increased their commitment, and their sales volume with it.

As an example let me mention here some new results from companies of the InterRail Group, one of the earliest GETO members.

Among these results are:

- 1) Regular bloc trains from Chengdu in South West China to Lodz in Poland. Operators are TR BC and Railservice from the InterRail Group, supported by KTZ and CRIMT. For these trains, handling times of only six hours are

made possible at interchange 1435/1520 through close cooperation with Kedentransservice and the KTZ management. Fast border crossing is generally supported by notification through electronic documents.

- 2) a test block train from Wuhan in Eastern Central China to Pardubice in Czechoslovakia with a record transit time of only 16 days
- 3) test transports from China for the Swiss retailer Migros – thus integrating yet another country of destination in Europe
- 4) the further development of the container block train traffics Ostwind/Westwind through InterRail Services, especially the development of group and train logistics from Malaszewicze/Brest to Central Asia, Mongolia and China as a continuation product of Ostwind

From GETO members' point of view, there are still a number of **problems** as yet unsolved or only partially solved that obstruct Euro-Asian container transit via rail. This applies especially to

- guaranteeing wagon supply for the CIS traffic; and good quality wagons too, because defect container wagons lead to unnecessary demurrage
- reliably freight rates without confusing additional fees
- the further shortening of waiting time at the interchange points, especially via reduced customs controls
- the transport of empty containers in the third country at special tariffs due to the un- balance in China-Europe-China traffics, which is very demanding if you want to make efficient use of the container equipment.

Concerning the last point, the question of the empties, I want to repeat a suggestion I have already made earlier. It would surely be interesting also for the railways to offer block trains for empty containers to the Far East at a minimal flat rate: This way, they would additionally boost transit traffics going to Western Europe. The GETO companies are willing to help organize the realization of such an idea.

A recent survey among GETO members shows increasing fears that the monopolization of the market of the Euro-Asian rail corridors by few big corporations may have increased. The GETO companies emphasize that only fair competition with the same frame conditions for all participants, with offers that are open to all players on the market, will allow developing the real potential of the Trans-Siberian traffic. For years, I have, again and again, pointed out this problem. Unfortunately, so far, I do not see any improvement towards a really fair competition.

I wish our meeting lots of success and many constructive ideas to strengthen Trans-Siberian traffic!