

To be checked against delivery!

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GETO: Report

Mr. Chairman,
Ladies and Gentlemen:

There is no better place for a conference of our Coordinating Council than in direct neighborhood to the Trans-Siberian railway corridor. For this, in the name of GETO, I wish to express our warmest thanks to the management of RZD and to all the organizers of this meeting.

Let me say one thing first of all: In the eyes of GETO, the actual, difficult political and economic environment is an enormous challenge to all railways, forwarders, operators and shippers participating in Eurasian traffics. Personally, I work since 1974 in the Euro-Asian rail transport sector. And I can assure you continuity has been always and again a challenge for rail transport development between East and West. There are only very few possibilities for us transporters to influence the course of events in the political and military sector. Let us then concentrate on the issues at hand in our own field.

For Euro-Asian container transit traffics, our assessment of the previous year is positive:

- 1 They continued increasing. They also continue meeting with growing interest. The progress we as the Association of European Transsiberian Operators have made since our last meeting in Budapest in November 2013 may serve as a proof. This year, GETO was able to welcome several new member companies. We were also able to sign an MOU on cooperation with the Bern, Switzerland, based CIT, the International Rail Transport Committee that counts about 200 railways and shipping lines in the field of trans-border traffic.

- 2 In the meantime, there are several regular container trains between China and the EU. Coming from Chongqing, Zhengzhou, Chengdu, and Wuhan, they go to Duisburg, Hamburg, Lodz and Pardubice. Container block trains go also from Zuzhou to Warsaw and from Zabaykalsk to Brest; numerous traffics with container groups complement them. This shows that the land bridge between the Far East and the EU member states has gained new momentum.

- 3 The service portfolio mentioned comprises company trains fully loaded by big corporations, but also open trains running with container groups or single containers from several customers. For these traffics, both alternatives are needed. Yet there is pent-up demand especially for open trains that transport the containerized goods of small and medium sized enterprises running at a fixed schedule and under competitive conditions. These trains are also interesting for bigger companies that do not need an entire train.

In our opinion it is an important progress that especially concerning an expanded offer of open trains GETO member companies are beginning to cooperate. Thus, very recently, on September first, Far East Landbridge and the InterRail Group jointly launched a new product for the traffic between Switzerland and China: Far East Landbridge's long distance traffics are combined at Brest with the container block trains Ostwind/Westwind.

- 4 Transit times in container traffic via the TransSib have shortened. For example, the transit times Chengdu-Lodz and Wuhan-Pardubice are, as per operators and forwarders, excellent, and rail freight could be offered at two to three weeks faster than ocean freight. There are similar other examples.

- 5 The basis of Euro-Asian traffics has broadened. For instance, today also the railway ferry traffic across the Baltic Sea is part of the firm offer in Euro-Asian traffics as an important connection for the Transsiberian Railway to and from Western Europe.

- 6 The cooperation between GETO member companies and the Kazakh traffic and logistics sector with a focus on the development of transit transports Europe-Asia has expanded. Let me name here as an example the contract signed in April by the InterRail Group – a GETO member – and JSC „KTZ Express“ (KTZE) on the promotion of international goods transports between Western Europe and Kazakhstan and destinations beyond.

What needs to be done, in GETO’s opinion, to enhance the attractiveness of Eurasian traffics?

We need further progress in those questions that we have been working on for years now, like competitive tariffs and the return of empties from Western Europe.

As far as the **tariffs** are concerned, railway companies and cargo handling companies now have to search for additional potential to lower the rates, and they should pass these reductions down to the customers as far as possible.

If we want to win additional customers for the landbridge, we need a tariff policy that is not only profitability oriented, but also market oriented, so that instead of test runs for individual companies we get transports for regular customers with continuous orders for the land bridge.

In view of a stronger integration of the railway ferry service via the Baltic Sea into the Euro-Asian container traffic system, the flow capacity in Ust-Luga has to be improved. In general, the electronic documentation, the electronic waybill as well as the electronic transfer of transport data have to be further promoted.

GETO companies will put even more effort into improving the attractiveness of **open trains** in order to extend the customer base for Euro-Asian traffics. The main focus here is on such issues as a higher frequency of the trains, the intelligent cooperation of the diverse partners, and area-wide sales activities via the good relations of forwarders with shippers. For the existing container block trains from China to Europe and vice versa, GETO companies have already developed logistics concepts for the co-loading of single containers; they have found their place on the market as TransSib Express Service or TransKaz Express Service.

One key problem is and remains the imbalance in the traffics between China and Western Europe. It has two facets: The forwarders have to considerably increase the acquisition of freight from Western Europe to China in order to fill as many **empty containers** as possible, and to guarantee the efficient use of container equipment. As this problem will not be solved overnight, we will still have to deal with the issue of an economically sensible return of the empties. GETO companies have suggested the general application of a special tariff for empty containers from Europe to China and - a concept that we have proposed again and again – to offer block trains for empty containers to the Far East at a minimal flat rate in order to thus additionally enhance container traffics to Western Europe.

To conclude, let me take the opportunity to appeal again to more cooperation in general between the companies in Eurasian traffics. There are parties involved who want to establish their own market monopoly and who, with their ambition, threaten to jeopardize the cooperation of the different parties involved. There are different important competencies and relations that have to be taken into account with regard to the Euro-Asian traffics. This includes such issues as container logistics, rolling stock logistics, customs procedures and customs clearance, procedures at changing railway gauges, specific regulations for rail freight in China, the CIS countries, and Europe, and last but not least the marketing to forwarders and shippers in Asia and Europe. It is illusory to think that one company can do all this alone. What is needed here is cooperation, not monopolistic thrust.

We should profit from this meeting to highlight and develop approaches for cooperation and partnership and thus to link better know-how East and know-how West.

In this regard, I wish all of us lots of success and many constructive ideas for the further development of the Trans-Siberian traffic.