

To be checked against delivery!

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September 27, 2012

The GETO Report

Mr. Chairman,

Ladies and Gentlemen:

The fact that we are meeting here in Helsinki has a very special meaning for me personally, as I began my career here, in Helsinki.

I came here as the representative of the German “Union Transport” company. Since then, I have always had to do with international transportation in different forms in my professional life, and especially with the Euro-Asian container traffics. Finland has always played an eminent role in supporting these traffics. So, in the name of the Association of European Transsiberian Forwarders and Operators, GETO, and as the Vice Chairman of our council, let me express our warmest thanks to our hosts for their commitment and the great hospitality during these days.

Since our last meeting in Odessa, there has been some quite essential progress in the international container traffics between Western Europe and especially China via the Trans-Siberian railway corridor. I am not exaggerating when I say that we can speak of a breakthrough in these traffics, in spite of the problems that still exist.

The following developments highlight the progress made:

First: There are now regular company trains between Germany and China in both directions. These trains have been running reliably for almost twelve months now – so we can say they are a sustainable product.

What company trains are they? There is, number one, a train going every working day from Germany to China for the car maker BMW; the trains take automobile parts and components from Leipzig to Shenyang via Zabaikalsk – Mazhouli to the new car manufacturing plant in Shenyang in the North East of China. Another train goes once per week to China, from Wackersdorf near Leipzig by order of BMW. As of the second half of 2012, so far almost 250 BMW trains have run to China via the Trans-Siberian corridor. For this project, DB Schenker, Far East Landbridge, RZD, Transcontainer and the Chinese Railways are working together to organize the transport logistics. Logistically, the project is very complex, and will serve as an orientation for further development.

Number two, there is a container train from Chongqin in Sichuan Province that runs once per week from Central China to Duisburg in Germany. It crosses the border at the railway border crossing station of Alashankou-Dostyk and then goes via Kazakhstan, Russia, Belarus, and Poland to Germany. This block train was started in spring 2011 by DB Schenker as a company train for a key account customer and it has been running regularly since – with an interruption in winter. The trip to Duisburg takes 18 to 19 days. That is almost half the time needed for ocean freight plus pre-carriage and on-forwarding.

Second: There are now intensive efforts to develop regular traffics to Western Europe also along the feeder routes of the Silk Road, namely from Central, North and Western China, for a wider range of shippers. There have been already some test transports.

There are new, export-oriented investments in the Chinese economy. With the growing distance to the sea ports, the overland transport transit times to Western Europe become shorter – an immense plus for the railways in the competition with ocean freight! Naturally, a lot is expected for example from the joint venture of Transportholding Chunzin, the China Railway International Multimodal Transport Co. Ltd., the JSC RZD Logistika, the JSC Kaztransservice and DB Schenker AG. This joint venture aims, among others, at bundling the quantities and optimizing the terminal-to-terminal traffics departing from Chongqin.

Everyone predicts that the development of new manufacturing plants in China's inland regions far from the sea will continue. This will offer growing, attractive potential for container transports to Europe via rail.

Third: A growing number of European forwarders, operators, and other rail freight companies is already marketing, selling, and operating container traffics along the Euro-Asian corridors.

Not in every case, this has led to container block trains, but there has been an increase in the transport of single containers and container groups between Western Europe and Asia via the Trans-Siberian railway corridor. In the meantime, some companies such as the InterRail Group, Far East Landbridge and others, have accumulated extensive experience in these traffics that most often are done for mid-sized industrial companies.

New strategic partnerships also aim at strengthening the inter-modal East-West traffics, like for example the partnership between the Swiss combined transport operator HUPAC and SNCF Geodis, the fourth biggest global transport and logistics operator.

Through this cooperation, the customers gain access to a network that stretches from the Iberian Peninsula to the Far East, with daily or weekly connections to Poland, Russia, and China.

Fourth: Big shippers in Western Europe show a new interest in using the land bridge between Europe and Asia.

To give an example: This summer, Migros, the leading retailing group of Switzerland, began testing the container transport along the “New Silk Road” from China to Europe, together with our GETO member InterRail and with the dedicated assistance of the China Railway International Multimodal Transport Co. Ltd. (CRIMT).

Migros, a group that today employs a staff of 86 000, belongs to those companies that give high priority to rail freight solutions for their logistic requirements at home and abroad. In Switzerland, the group is the key account customer of SBB Cargo, the freight company of the Swiss railways.

The Migros group's interest in transports via the land bridge could give new impetus to rail freight transports from China to Europe after the tests are completed successfully. The fact that Swiss television accompanies these tests with a documentary film indicates how important these test transports are also for other potential users in Europe.

These developments are closely linked to the improvement of the frame conditions for Euro-Asian traffics. We from GETO think the recent improvements are the most outstanding:

- The introduction of end-to-end freight documents
- the use of electronic data exchange for quick customs clearance at the borders, especially the introduction of an electronic advance notification
- the IT-aided tracking and tracing
- the stricter enforcement of simplified customs processes
- the improved customer information
- and the faster preparation of offers.

In all these questions we have made quite good progress, also concerning the further shortening of transit times – to which mainly the Russian Railways contributed a substantial part.

We expect to see further simplifications in the customs clearance processes, now that the Russian Confederation has become a member of the WTO. Concerning the Euro-Asian corridors, the developing economic union between Russia, Belarus and Kazakhstan might contribute to a smoother goods flow between Western Europe and China and other countries in the Far East. Seen from a transport geography point of view, these three are the heart of these corridors.

A cold wind is blowing on the markets. And so it is no wonder shippers are very sensitive to pricing. The future of rail freight between Western Europe and the Far East will be decided, to a large extent, by the tariffs. Shorter transit times are no longer the only important point; it is also about decreasing costs.

We from GETO think the rise in costs that came with the privatization of the wagon pool especially in Russia should at least be absorbed.

Important steps towards that goal would be:

- regular container circulation where containers are steadily filled to capacity, with fewer empties;
- common platforms created by several operators together
- the creation of hubs and
- the introduction of other intelligent transport logistics solutions.

We will all have to work together more intensively to reach these aims, as the extra costs for providing or renting containers and the costs for the return of the empties further increase the rates for rail freight.

Every initiative to solve these problems should get our special attention. Among such initiatives are, to give an example, such innovative concepts as the shuttle system between Brest and Aktobe that can also be extended to China – a shuttle that is now operated by the InterRail Group. This also includes the extension of the well-known container block train system “Ost Wind” (East Wind) from Großbeeren near Berlin to the Russian-Kazakh border.

In 2012, the “Ostwind” train has continued its success story, which has already lasted for the past 17 years. From January to August this year, 78 „Ostwind“ trains left for the CIS with 2.905 TEU.

In Western Europe as well as in the Far East – that is, at both ends of the land bridge – what needs to be done is: We have to bundle container transports from different points of departure via hubs for the long distance international rail freight traffic. We expect progress in this respect from the closer co-operation of the partners involved in these traffics.

Our Chairman, Mr. Jakunin, has already spoken about the most important approaches to creating an institutional and commercial frame for these traffics.

Especially the joint venture between the RZD companies, the BC and the KTZ sounds like a very promising approach. If I understand it correctly, the joint venture is open to all who want to join.

If this is so, I can only repeat what I said already at the last meeting in Odessa:

We from GETO are willing, at any time, to cooperate actively and constructively in the practical realization of this strategically so important project.

Thank you for listening.