

**To be checked against delivery!**

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### **The GETO Report**

Mr. Chairman, Ladies and Gentlemen:

Let me express our gratitude to the colleagues from the Austrian Railways ÖBB for inviting our coordinating Council once again.

The Association of European Trans-Siberia Exporters and Operators (GETO) can draw a positive balance of the traffics via the Eurasian land bridge since our last conference a year ago in Yekaterinburg. This is all the more pleasing as we had to deal with a political and economic environment that did not make things easy, as we all know. For the most part, the railway companies, forwarders and operators involved in Eurasian traffics were able to cope with the challenges caused by the situation. The picture is different when it comes to bilateral foreign trade traffics between Russia and Western Europe: Here, an enormous decrease in rail traffics had to be absorbed, a decrease that affected also many GETO member companies.

As to Eurasian container transits via the land bridge between Western Europe and the Far East, mainly China, the GETO member companies have achieved the following progress and main improvements:

1st They succeeded in further activating the land bridge between Europe and the Far East. **New regular offers** were established in the block train segment as well as for open train, involving **additional regions**. The increased offer of open trains met with sustainable interest from shippers. So this product will be expanded.

Another new achievement is also the development of a complex transport system, which means a train with different destinations in Europe and fixed transit times, provision of containers and door-delivery.

2nd **Offers** have become more flexible. For example, different strategies were used to compile a train. Locations situated directly in Western Europe such as Duisburg or Hamburg were developed. At the same time, more attention was given to locations nearer to the Eastern border of the European Union like Lodz for instance or Brest at the Belorussian border, directly at the point where the railway track systems meet. Moreover, it was possible to link the Ostwind container block train traffics and the long distance Eurasian traffics in a more effective way.

There was also more flexibility in the choice of transporters. Thus, for example, on the European leg, there is very successful cooperation also with PKP today.

3rd An **increase in eastbound traffics** was achieved, which allows optimizing the use of at least part of the containers. Nowadays, there are trains running with a certain regularity from Madrid, Duisburg, Hamburg, Lodz, since autumn also from Nurnberg to China and vice versa. Yet the situation remains unsatisfactory as we have on average only four eastbound trains per week; however there seems to be an upward tendency. That GETO companies succeeded in at least sending back part of the containers loaded to China via rail is considerable success in our eyes.

4th In some cases, **transit times** were reduced considerably, which was

successfully used in acquiring new customers – for both directions. On some of the Eurasian routes, the railway is indeed closing in on air freight; it has already taken away first shipments in the most important of its domains like the textile and the pharmaceutical sector. Offering 45' reefer containers contributed to his development. Compared to the entire air freight volume transported between Asia and Europe, the share of rail freight is still very small, but we know from experience that it is not easy to open new doors for rail traffic. At least now we have a foot in this door – and this gives rise to optimism.

- 5th Talking of shorter transit times, let me give you an example: The block train traffics Chongqing – Duisburg via the China-Kazakhstan-Transsiberian Railway – Belarus-Poland-Western Europe corridor used to require 15 days, today it does the trip in eleven and a half days. Several components contributed to shortening transit times. Among them, the preliminary agreement at the borders, the planning ahead the provision of trains at the interface of the different systems, the preliminary declaration for border control and customs through the GETO-developed Internet portal and the faster trans-loading and handling of containers that was thus made possible. Our GETO experts estimate that transit times under ten days should be achieved any time soon.

In order to take away large volumes of traffics from air freight, we absolutely need to further shorten transport times via the land bridge. Here in Vienna, we should agree on how such extremely competitive transit times of less ten days between China and Europe can be achieved.

The extraordinary importance of shorter transit times became clear in a survey that we carried out in preparation for the GETO annual assembly. We asked our members which advantages of the Transsiberian traffic their customers find most interesting. In their answers, the short transit time dominated as the main argument, accompanied by the request to try and find further possibilities

to reduce delivery times. The standard of comparison here is, according to our survey, not sea freight which is markedly slower but, as to price, unparalleled; but the more expensive air freight, compared to which, rail freight is much cheaper.

Unfortunately, Russia's stricter border and customs procedures in connection with the embargo measures caused delays in transit times. The experience of GETO companies shows that a careful examination of the goods against embargo lists before shipping has a positive effect on the customs clearance.

A real loss in the international transit traffics via Russia was caused by the extension of Russia's embargo measures to transit. We as GETO have repeatedly emphasized that transit traffics must be allowed to pass through the transit country smoothly and unhindered, as is the use internationally. Here, there is important potential, too, to save time.

**Cooperations with partners in Asia** were further intensified. With contracts such as between the InterRail group, a GETO member, and KTZ Express as well as China Railway Container Transport Co./ CRCT, the cooperation has reached a new level of quality today.

By the way, traffics along new corridors were developed here, already, such as from China to Iran. Which shows that our cooperation on the development of traffics via the Transsiberian land bridge also has farther reaching, fruitful effects on the development of international freight transport corridors.

Concerning the further development, GETO companies see clear potential for further growth in container transit traffics via the land bridge. This includes the fact that, as they have noticed, more customers are interested in China, and now also in Korea and Japan. Obviously, nothing is more convincing than successfully and reliably executed traffics – to which GETO companies have contributed a considerable part and will continue doing so. Their wish is to have fair conditions in the competition and equal rate

conditions of the different routes in transit through Russia.

Some of our companies are worrying because of the – in their opinion – very aggressive marketing strategy of OTLK and the ensuing attempts to monopolize the traffics via the land bridge.

In order to tap even better the potential for Eurasian goods traffics, GETO assumes it necessary to increase stability and reliability of transport technology, apart from shorter transit times.

As to freight rates, we request stability. From the press release dated October 29 we learnt that stability of freight rates will be granted according to Mr. Babajev.

One approach here is especially the abolition of such additional costs as security supervision fees. Guaranteeing safe and secure transports is the task of the railways, not a service that operators and, ultimately, the customers have to pay for. GETO companies have also suggested creating monetary incentives for round trip traffics to increase the utilization of containers also on the return trip.

Coming to the end of my speech I would like to express my appreciation to the CCTT management who did a great job actually and in the past.

Their possibilities are not used in full force. We have proposed long ago directly to put this valuable structure in a functional position. CCTT in their neutral function could be a link between Railways, Operators, Forwarders, Shipping Lines and Insurance companies and could be a unique body to combine interests.

And last but not least let us never forget, that the center of our operation is the customer and according to my experience the customer wants to have choice and is not looking for monopoly.

Monopoly is killing any dynamic but is comfortable for those who are enjoying the monopoly.