

Group of European Transsiberian Operators and Forwarders (GETO)
at TransInvest Holding AG
Zwinglistr. 25
CH-9001 St. Gallen



To be checked against delivery!

Hans Reinhard
President of GETO
Deputy Secretary General of the International Coordinating
Council on Transsiberian Transportation CCTT
Chairman of the Board of InterRail Holding AG St. Gallen,
a company of the TransInvest Group

14 September 2016

GETO Report

Mister Chairman
Ladies and Gentlemen

To me, the fact that CCTT is holding this year's plenary session in Ulaanbaatar, the capital of Mongolia, is significant in two ways:

- 1.) For one, because Mongolia has just recently begun the construction of a standard gauge track via Ceke as a new connection to China.
- 2.) Second, because by organizing this conference, Mongolia gives a clear signal that it can be seen as a veritable, alternative corridor for rail traffic between China and Europe. In concrete terms, this means an additional variant to the existing corridors along the TransSib railway routes proper as well as to the trans-Kazakhstan corridor. We as GETO welcome any new possibilities, as they boost innovation among the operators under the current competitive pressure, and as there will be, in the final analysis, bigger capacity volumes to master.

With this in mind, I would like to express my heartfelt thanks to the Ulanbator Railways for being invited to Mongolia.

A look back to the year 2015 and the first six months of 2016 shows a mixed picture. Markets continued being under the strong influence of historically low energy prices, which led to a manifest decrease in big projects owing to lack of financing possibilities. This made itself felt of course among the state run railways as well as among the forwarders and operators in the field of supply chain transports – falling figures speak for themselves here.

Executive Board	H. Reinhard, InterRail Holding AG, CH-9001 St. Gallen, President W. Albert, TransInvest Holding AG, CH-9001 St. Gallen, Honorary President C. Ernst, Hinterkirchweg 16, CH-4106 Therwil H. Sievers, Baltic Port Rail Mukran GmbH, D-18546 Sassnitz/Neu Mukran	UBS Kto-Nr. 230-0828999.0 IBAN: CH10 0023 0230 1082 8999 0 BIC: UBSWCHZH80A	Tel.: +41 71 227 15 40 Fax: +41 71 227 15 50 info@geto.ch www.geto.ch
Cashier Administration	C. Ernst, Hinterkirchweg 16, CH-4106 Therwil D. Müller, TransInvest Holding AG, CH-9001 St. Gallen		

Group of European Transsiberian Operators and Forwarders (GETO)

at TransInvest Holding AG
Zwinglistr. 25
CH-9001 St. Gallen



Unfortunately, too, politicians failed to find appropriate methods to end the ‘frozen’ conflict between the EU and Russia, which led to an extension of the sanctions. Once more, the markets and with them also the traffic carriers are the ones to suffer from political differences.

But let me turn to the positive factors that, as I see it, really surpass the negative ones, especially concerning the Eurasian landbridge. It is mainly owing to the Chinese Government’s One Belt One Road initiative and the corresponding Silk Road Fund that started out at 40 billion US dollars that we register enormous annual growth rates in block train connections ex China to Europe, but increasingly also in eastbound traffics.

Thus, in addition to the already known, earlier regular trains from Zhengzhou, Wuhan, Yiwu, Chongqing and Chengdu, new trains ex Hefei and Xian are routed today via the Kazakh corridor; and via the TransSib, the regular trains from Suzhou and Changsha have been complemented by new connections ex Harbin, Changchun and Shenyang.

In eastbound traffic – I will turn to this topic again – we now see regular departures of entire block trains or container groups from Europe to Zhengzhou, Wuhan, Chongqing, Chengdu, Yiwu, Shenyang and Changchun. Please forgive if I have left out a connection in this enumeration.

And more Chinese platforms are preparing to launch block train projects to (and hopefully also: from) Europe. Well, this is really very gratifying and shows the capability of the railways that are chiefly responsible for transportation. I am very glad that Mongolia will soon play a hopefully important role in this field, too.

In Europe we notice that among many of the big players in the market, rail freight transport via the Eurasian landbridge has become a well-established service offer between ocean and air freight; and that earlier apprehensions concerning service quality and guaranteed transit times have almost totally died down. This is more than encouraging – yet we should still continue specifying and extending the offers. I will get back to this point, too, later.

What has been achieved on the side of GETO?

Fortunately, GETO was able to register a further increase in membership. It might be meaningful that among others the daughter company of a global shipping line has joined GETO; they understand that nowadays it seems essential to add rail transports between Asia and Europe to one’s portfolio apart from traditional ocean transport.

As to operators, the members of Far East Landbridge Vienna, the InterRail Group, DHL as well as Hupac Switzerland might well be regarded as the most active players in this market. It is also encouraging to note that practically all GETO members make bookings on the different trains and thus contribute to the high degree of capacity utilization.

GETO has also played an active role again participating in different promotion events on “Rail traffic via the Eurasian land bridge”, contributing this way, too, to the acquisition of new traffics.

How do we as GETO see the future?

Ladies and Gentlemen, at first, this question may seem rather provocative, as most trains run well, and we appreciate new regular trains being offered. But don’t let us rest on our laurels!

In fact it seems inevitable that we together take a closer look at how to safeguard these train services in the long run, and that we start thinking already today of how to keep or further reduce

Group of European Transsiberian Operators and Forwarders (GETO)

at TransInvest Holding AG
Zwinglistr. 25
CH-9001 St. Gallen



the price level while at the same time improving the handling quality, all this while keeping in mind that one day the Chinese subventions will no longer be available on the same scale.

What are the necessary, additional focus areas from the GETO point of view?

- 1) The European customer looks for tightly scheduled offers – so it is essential that all train departures be integrated into one, fixed timetable that the customer can rely on.
- 2) Transit times have to be further reduced – end-to-end transit times of around ten days from point of departure in China to point of arrival in Europe would be ideal.
- 3) The route, wagon and container tariffs have to be further reduced so that in the mid-term, the current subventions from the Chinese side can be absorbed.
- 4) Urgently required is the creation of homogeneous IT structures that allow transferring the absolutely same data across all railway companies and market players. Here, faster coordination between state run railways and customs authorities on the “electronic train” topic would be more than desirable.
- 5) Urgently needed are also attractive models of container management. In the form of cooperation among exiting market players for instance, to return containers to Asia at low costs in a business triangle. It would of course also be good if the state run railways could finally agree to transport eastbound empties practically free of charge, like the shipping lines do.
- 6) And of course we urgently need more eastbound volume. It is true, we cannot change the trade imbalance between Asia and Europa, but we can actively contribute our part to getting more eastbound shipments transported via rail. To me, an approach would be the cooperation with Chinese platforms and their direct support by GETO members in buying European goods.
- 7) Yet we should not only focus on eastbound traffics to the Far East, but also integrate, in a pragmatic way, eastbound traffics to destinations in Central Asia, Mongolia or Asian Russia – all these traffics help return rolling stock and containers and thus stabilize rates in the long run, or even reduce them directly.
- 8) And finally, we’ve identified another cost cutting potential in bundling rail traffics via hub systems at the CIS entry and exit borders. This would allow better capacity utilization along the 1520 mm gauge tracks; and we could transport goods on trains with the permitted maximum length not only in China and Europe.

Group of European Transsiberian Operators and Forwarders (GETO)

at TransInvest Holding AG
Zwinglistr. 25
CH-9001 St. Gallen



At the end of my GETO report, allow me to address a topic that concerns us all. As you all know, GETO was one of the driving forces that led to the foundation of CCTT, which is why CCTT is registered to this day in the small Swiss town of Sankt Gallen. CCTT was registered in 1997 – so next year, we are celebrating our 20-year anniversary. I would like to take the opportunity to express our sincere thanks to the Secretariat General of CCTT in Moscow under the leadership of Gennady Bessonov; the Secretariat does an excellent job in my opinion.

In these almost 20 years, CCTT has not only grown enormously in terms of membership, while at the same time, market conditions have in part changed fundamentally. Today, CCTT is a global, internationally renowned platform for the members participating in the transport processes via the Eurasian land bridge. Thus it would make sense to switch registration from Sankt Gallen to Bern, the Swiss capital, all the more so since the majority of international organizations are headquartered there.

And of course we should all ponder whether the current structures of CCTT are still adequate to today's demands or where adjustments, if any, are in order so that the organization fully meets today's changed market requirements.

I wish you all interesting conversations during the informal phases of the meeting. Enjoy the hospitality of our Mongolian hosts, and leave Ulaanbaatar with lots of new, positive impressions. Thank you.

Executive Board	H. Reinhard, InterRail Holding AG, CH-9001 St. Gallen, President W. Albert, TransInvest Holding AG, CH-9001 St. Gallen, Honorary President C. Ernst, Hinterkirchweg 16, CH-4106 Therwil H. Sievers, Baltic Port Rail Mukran GmbH, D-18546 Sassnitz/Neu Mukran	UBS Kto-Nr. 230-0828999.0 IBAN: CH10 0023 0230 1082 8999 0 BIC: UBSWCHZH80A	CH-8098 Zürich Tel.: +41 71 227 15 40 Fax: +41 71 227 15 50 info@geto.ch www.geto.ch
Cashier	C. Ernst, Hinterkirchweg 16, CH-4106 Therwil		
Administration	D. Müller, TransInvest Holding AG, CH-9001 St. Gallen		