

Minutes of the First Meeting of the Expert Group (1) constituted by the International "North-South" Transport Corridor Co-ordination Council on "Commercial & Operational Matters"

17th – 18th December 2002

The first meeting of the Expert Group on "Commercial & Operational Matters", in accordance with the Statute of the Co-ordination Council of the International "North-South" Transport Corridor and the Minutes of the First Meeting of the Co-ordination Council of the International "North-South" Transport Corridor dated 21.05.2002 was held in The Shipping Corporation of India Ltd., Shipping House, Madame Cama Road, Nariman Point, Mumbai on 17th – 18th December, 2002.

The Meeting was attended by the following Members:

Delegation of Iran

Mr. Mohsen Sadeghifar, Director General, Transit & Tariff, Ports & Shipping Organisation
Head of Group (1)

Mr. Mehran Jadidian, Director General, Commerce & Marketing, IRI Railways

Mr. Mohammad Javad Atrchian, Head, Secretariat of North South Corridor

Mr. Zabiollah Naderi, Expert, First West Asia Divn., Ministry of Foreign Affairs

Mr. A. Barati (Observer), Representative of Irano-Hind Shipping Co.

Delegation of Russian Federation

Mr. G. V. Kharin, Director, "MORINRASCHET", under Ministry of Transport of RF, Head of Group (1)

Mr. B. V. Sitkov, Head of Division, Dept. for Foreign Relations, Ministry of Railways

Delegation of India

Mr. P. K. Mahapatra, Director, Dept. of Commerce

Mr. S. S. Rangnekar, Director, Liner & Passenger Services Division

Mr. Tushar K. Jani, Hony. Secretary, Association of Multimodal Transport Operators of India

Ltd. Cdr. R. Srinivasan, Representing Western India Shippers' Association

Capt. H. J. Treasurywala, Representative, J. M. Baxi

The Expert Group took note of Article 3.2 of the Statute of International "North-South Transport Corridor Co-ordination Council" which lays down the areas which Expert Groups appointed by the Council should study, review and analyse in order to achieve the objectives

of the Council stated in Article 2 of the said Statute. The Council in its first meeting held on May 2002 in St. Petersburg had decided to constitute two groups for the purpose, one of which is the Expert Group on "Commercial & Operational Matters" which was given the task as follows:

"Commercial and Operational matters (speedier container movement, review of bonded warehousing facilities, common liability regimes, multiple visas, rational and minimum service and other taxes, and joint venture possibilities for promoting freight forwarding services).

2 (a). Reducing Transit time and providing Security of travel, Safety of Goods as well as Environmental Protection according to International Standards:

The discussions commenced with a review of the relevant particulars of the transit corridor covering areas such as the estimated time taken on each leg of the route by the particular mode of transport, waiting time at each change of mode in the route from Mumbai to Moscow. The Expert Group took stock of the prevailing situation in the transit corridor and arrived at a target to be fixed for the total transit time that the corridor may offer to the trade for transportation of containers from Mumbai to Moscow. The picture that emerged from these discussions is summarised below:

Voyage leg	Mode	Current Situation		Recommendation	
		Direct Service	Indirect Service (with transshipment)	Direct Service	Indirect Service
Mumbai / B.Abbas	Sea	5 days	8 days	5 days	8 days
B.Abbas	-	3	3	1 (i)	1
B.Abbas / B. Anzali	Road	4	4	3 (ii)	3
B.Anzali	-	7	7	4 (iii)	4
B. Anzali / Astrakhan	Sea	4	4	3	3
Astrakhan	-	7	7	3 (iv)	3
Astrakhan / Moscow	Rail-Road	7	7	5	5
Total Duration		37	40	24	27

- i) The main problem identified was lack of availability of complete information with Customs Authorities. Recommendation was to identify all data elements required for Transit Cargo as per the International practice.
- ii) Apart from the Road Transport linking Bandar Abbas and Bandar Anzali, there was a mention of Rail link with Amirabad, which was stated to be nearly ready and that Amirabad is developing as a major centre. The transit time on this Rail link is 4 days.
- iii) Another problem identified was relating to lack of adequate shipping service across the Caspian Sea connecting Bandar Anzali or Amirabad to Astrakhan.
- iv) Delays at Astrakhan due to lack of adequate shipping service across the Caspian Sea connecting the Iranian ports to Astrakhan was identified as a problem. Another major problem enumerated by the Iranian delegation was regarding Iranian vessels having to wait as Russian vessels are given priority in berthing at Astrakhan. It was recommended by the Expert Group that Berthing / Custom Clearance facilities should

be given on 'First-come First-served' basis. The Expert Group also recommended providing more berths at Astrakhan as also using other Russian ports in the region.

2(a) (i) The Expert Group felt that the aspect of "Providing security of travel, safety of goods as well as environmental protection according to International standards", would be adequately addressed by identifying relevant Data elements as recommended in 2(a) above.

2(b) Reducing the cost of all modes of transport: The following broad approaches were identified for achieving the above viz.:

- i) Reduction in Port Tariffs / Transit Dues.
- ii) Improvement in Efficiency of Operations / Transactions,
- iii) Reduction in Time in returning containers into the system with back-haul cargo or Empties back in reasonable time.

During deliberations, the Expert Group was informed of the following:

- i) Iranian delegation conveyed that Iranian ports gave 75% discount for Transit cargoes. Indian delegation conveyed that it may not be possible for Indian ports to discriminate in their charges / dues for the cargoes both for commercial reasons and in view of international rules and obligations. Iranian Shipping Lines conveyed the problems regarding heavy port charges at Russian ports and have also requested that the Russian Authorities may consider reduction in Channel dues.
- ii) There was a need to increase the efficiency and improve all aspect of operations / clearances / transactions etc. through suitable investments in Infrastructure upgradation / expansion / modernisation and rationalisation of all procedures / transactions relating to Customs etc. All the three countries' delegations expressed their commitment that containers should not be made to wait needlessly.
- iii) The aspect of return of empty containers from Russia was identified as a crucial issue. The Expert Group recommended that there was a need to secure the return of containers from Russia laden with back-haul cargo. It was reported by Irano-Hind Shipping Company, Iran that out of some 700 containers transported to Russia, about 60% empty containers were returned and that too only after about 1 year and some containers were lost. As a result, Shipping Lines had to increase their freight rate for cargo moving to Russia through this corridor.

2(c) Elaboration of documents regulating the transport process and simplifying the transport process and simplifying and unifying documents and regulations and drawing up uniform documents:

These above issues have been addressed in Para 2(a) above and would have to be specifically addressed by the Expert Group (2).

2(d) Economic Evaluation of the corridor, forecasting the volume of movement of cargo and passengers, marketing and attracting investments and stipulating procedures regarding cooperation with international organisations:

After deliberations, the Expert Group recommended that each Country may carry out its own research, if required, in this regard with the understanding that the other countries would co-operate for providing the relevant information. Particulars of websites of Government / Ministries / Organisations etc. were mentioned and developing of Hyper Links between the various sites was also suggested.

2(e) Developing transport infrastructures and prioritisation:

The Expert Group recommended the need for augmenting infrastructure capacity at Ports of Bandar Anzali in Iran and Astrakhan in Russia. The Indian delegation stated that the Iranian Road Transport vehicles (Trailers) having higher Tare Weight (18 tonnes) compared to vehicles operating in Europe to be considered, if feasible, for replacement with lighter vehicles (to meet Iranian Road regulations of the loaded Road vehicle weight being 40 Tonnes). Iran may, in addition, expeditiously augment its rail infrastructure linking the ports on the Caspian sea with Bandar Abbas / other ports catering to transit cargoes through the corridor. The Indian delegation further suggested that the Russian side could consider establishment of CFSs, development of adequate number of berths / jetties at Astrakhan, prompt clearance of containers etc., for minimising the transit time in the corridor. The Iranian delegation clarified that their present infrastructure with capacities for handling around 3.5 - 4 million tones of transit cargo could be augmented to handle transit cargo of about 8 million tonnes in the future requiring additional investments. The Iranian delegation commented that presently Railway network construction to cover Ghazvin-Anzali-Astara is under process.

2(f) Propagating and advertising the corridor capabilities:

It was emphasised by the Indian delegation that there should be greater clarity and certainty regarding the Time and Cost of transportation for each leg of transit through the Corridor. After the establishment of specific and authentic information, Trade and Transporters' organisations could be informed regarding the Corridor facilities. Further, the Expert Group recommended that the prevailing high freight rates (due to various reasons) should be brought down vis-à-vis the alternative routes for encouraging trade to route their shipments through the Corridor. It was also recommended that reasons why the Russian importers / Consignees and Exporters / Shippers prefer the older route over the corridor should be ascertained, providing the basis for formulating suitable strategies to achieve the stated goals and objectives of the Co-ordination Council.

2(g) Laying technical specifications for all modes of transport and corridor infrastructure:

This aspect has been addressed as brought out in earlier paragraphs and based on the results of study / research which may be carried out by each country, suitable action could be taken by the respective countries in this regard. For proper co-ordination, the relevant conclusions / findings of such studies / research may be conveyed to the other member countries for necessary action at their end.

2(h) Co-ordination of transportation concepts and Recommendations:

After discussions on various issues, the Expert Group identified critical factors that have to be addressed as detailed below:

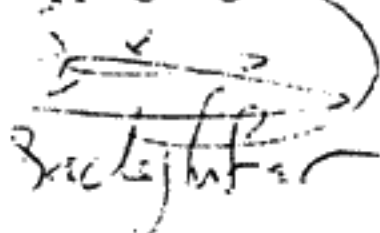
- i) Problems encountered with return of empty containers from Russia to be addressed by securing sufficient back-haul Cargo (exports) from Russia to India. Highest priority and incentives to be given at Governmental level for movement of Russian back-haul (weighty) cargoes comprising of Newsprint, Metals etc.,
- ii) Russian and Iranian sides to explore ways and means to encourage exports of more categories of cargoes through the North-South Transport Corridor. Highest priority and incentives to be accorded for movement of corridor cargoes across the entire route with minimum waiting.
- iii) Iranian authorities to operationalise relevant Rail transport links viz. Bandar Abbas / Bandar Anzali & Bandar Abbas / Amirabad by providing regular service at reduced cost, initially irrespective of the quantum of cargoes (containers) available for transportation.
- iv) Russian delegation to ascertain the specific reasons why the Corridor route is not popular with Russian importers & exporters and address these issues.
- v) All countries to co-operate for sharing the relevant information (such as commodity wise Trade flows, Distance, Time and Cost for each leg / mode of transport etc.) on a regular basis and a nodal point (e.g. concerned Ministry) may be designated in each country for exchange of information between the member countries.
- vi) For establishing the feasibility of the Corridor route, each country may, if required, conduct the necessary studies / research in this regard and the costs of such activities to be borne by that country. However, relevant study / research findings may be shared with the other countries so as to co-ordinate the infrastructure development and effective & efficient operationalisation of the entire Corridor.
- vii) Augmentation / operationalisation of Port Infrastructure, Rail links, Shipping capacity in the Caspian sea etc. for reduction in transit time especially at Bandar Anzali and Astrakhan where delays are substantial mainly due to inadequate availability of shipping services. Expeditious Customs clearance at Bandar Abbas by timely submission of all relevant information to Iranian Customs authorities.
- viii) Vessels to be accorded Berthing facilities / Customs clearance on "First – come First Served" basis without discrimination in all member countries.
- ix) At Port Anzali and Amirabad "Special Economic Zone" facility should be made available as the logistics and distribution centre to enable Indian exporters to store the goods for distribution to Russian & CIS countries.

- x) Trade Associations of each member country to give wide publicity and create awareness among the exporters and importers for the International North-South Transport Corridor.

3. The Expert Group was of the opinion that cargo movement would increase once the transit corridor offers attractive alternative to other routes in terms of both total time and cost of transportation and the Expert Group decided to make the above recommendations to the Co-ordination Council.

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