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## Logistics Processes and Motorways of the Sea II

*LOGMOS Master Plan – Annex 9.2*

*Project Fact Sheets*

*AZERBAIJAN*

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## 1 INTERNATIONAL LOGISTICS CENTRE AT THE NEW BAKU INTERNATIONAL SEA TRADE PORT AT ALYAT

<b>Region:</b>	Caucasus
<b>Country:</b>	Azerbaijan
<b>Location:</b>	Baku
<b>Area:</b>	50 ha
<b>Mode:</b>	Multimodal (Road/Rail/Sea Port)
<b>Investment Volume:</b>	EUR 38 M
<b>Project Status:</b>	Priority

### ***Applicant, Sponsor, Beneficiary, Promoter***

Ministry of Transport of the Republic of Azerbaijan

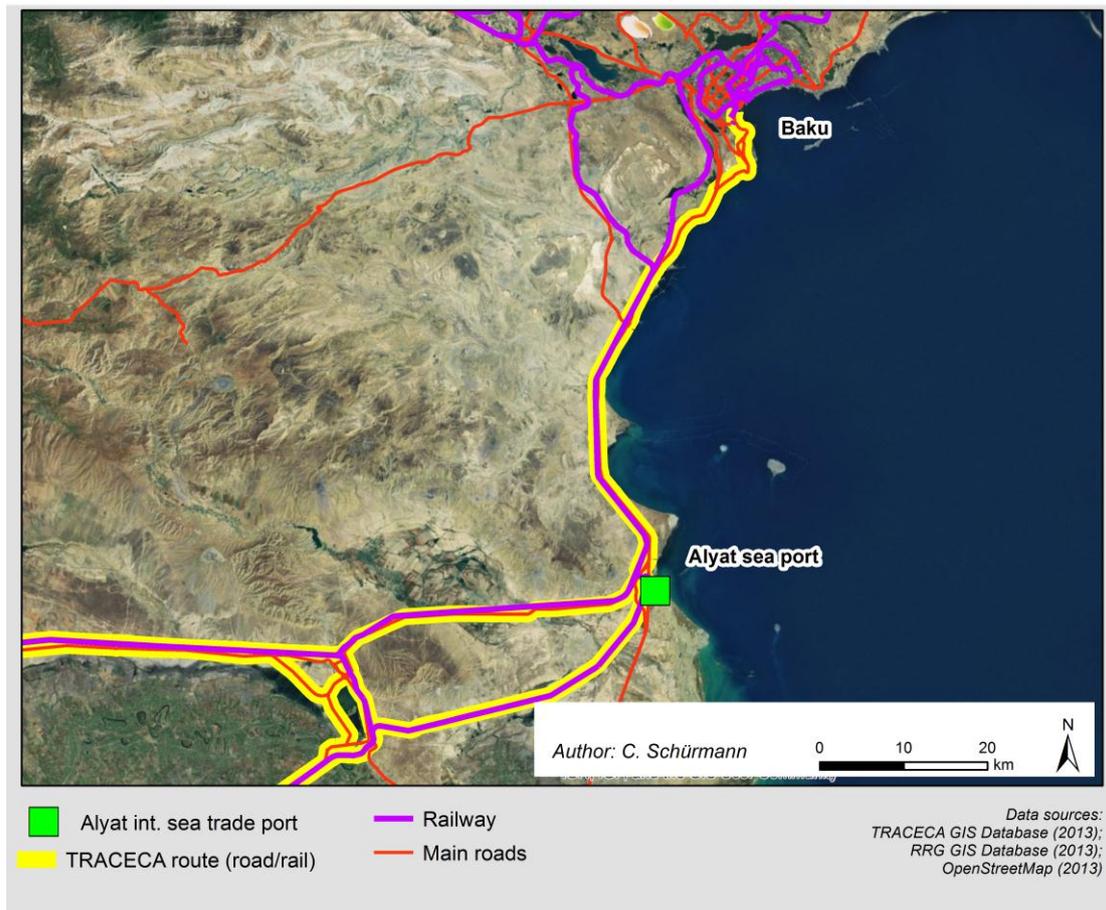
### ***Geographical Description***

The ILC on a 50ha land plot at the New Baku International Sea Trade Port at Alyat is a greenfield site and located about 70 km to the south of Baku, on the Caspian Sea, where TRACECA and North-South corridor cross each other:

- Road: the east-west highway M4 and M1 (Baku - Tbilisi - Poti/Batumi) and the north-south highway M2 and M3 (Russia via Baku to Iran).
- Rail: the main railway to Georgia (Baku - Tbilisi - Poti/Batumi) and the railway from Russia to Iran via Baku, Lenkoran and Astara, which cross at Alyat Station.

Figure 1: ILC at the New Baku International Sea Trade Port at Alyat Location

Location of Alyat ILC



### Technical Description

The ILC development project will bring the following benefits:

- Improved containerization along the TRACECA corridor, development of the new type of transport and logistics services to increase attractiveness of the TRACECA route in terms of liability of transportation and supply chain, reduction of travel times and costs.
- Development of new businesses in freight transport and logistics sector in the metropolis region of Baku, contribution to the port attractiveness as a central hub on the Caspian region, thus creating a shift of cargo flows onto the TRACECA corridor.
- Facilitation of intermodality and development of the container transportation on Caspian sea.
- Becoming a linking node in the network of the Logistics Centres in Central Asia and logistics terminals in Iran and Russia, thus contributing to the continuity of the transportation along TRACECA.

### Implementation

Construction of the New Baku International Sea Trade Port at Alyat is under way, dredging works were finalised in March 2013 and construction of the quay walls has started. Land filling



activities are well advanced for the territory of the future port. The start of operation for the new port is planned for late 2015/early 2016.

The project has two consequent steps:

- New development of infrastructure on BOT basis (preparation of the plot, utilities, communication, integration into the transport network via access railway and access road, development of the Logistics Centre land plot (land filling), internal road and railway network, establishment of the container terminal).
- Attraction of the logistics business to settle in the new facility, i.e. investment in warehouses, logistics facilities, supporting services, establishment of the value added services in the Logistics Centre.

The construction of the port is an up-stream project for the development of the International Logistics Centre. While the construction of the port is progressing under the responsibility of the Ministry of Transport and a dedicated company for the development of the port territory has been created, the development of the adjacent ILC land plot is under the responsibility of the Ministry of Economy as an investment promotion project. Preparation of the ILC land plot, the definition of the share of public investment, the design of the PPP scheme and coordination with other public services involved (customs, etc.) remain on the agenda.

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## 2 IMPROVING EXISTING TRANS-CASPIAN SHIPPING LINKS BAKU-TURKMENBASHI

<b>Region:</b>	Caspian Sea
<b>Countries:</b>	Azerbaijan, Turkmenistan
<b>Sea Ports:</b>	Baku (AZ), Turkmenbashi (TM)
<b>Mode:</b>	Maritime-based multimodal (rail waggons, trucks/trailers, liner and merchant containers)
<b>Investment Volume:</b>	To be defined
<b>Project Status:</b>	Under development

### ***Main Stakeholders***

State Service for Maritime and River Transportation of Turkmenistan (SSMRT)

Caspian Shipping Company (CASPAR)

National Railway Company of Azerbaijan (ADDY)

Ministry of Railway Transport of Turkmenistan

Turkmenbashi international commercial sea port (TICSP)

Baku international commercial sea port (BICSP)

### ***Secondary Stakeholders***

Turkish road hauliers association and trucking companies

### ***Geographical Description***

The existing maritime link connects two important transport nodes on Caspian Sea – sea ports of Baku and Turkmenbashi, – but also serves as a segment for

- TRACECA corridor connecting Europe, Caucasus and Central Asia
- CAREC 2b corridor providing the access for the landlocked Central Asian countries to Caspian Sea and Caucasians countries.

At present the only other alternative for moving the railborne bulk and break bulk cargo to/from TRACECA Central Asian countries via the Caucasus is around the Northern shore of the Caspian Sea through Russia and Daghestan. However, the situation may change as construction of the Uzen (Kazakhstan) – Kazanjik (Turkmenistan) – Gorgan (Iran) railroad is close to completion and further North-South tracks between Russia and the Persian Gulf are built.



**Figure 2: Trans-Caspian Shipping Links Baku-Turkmenbashi**



### **Technical Description**

The project is based on the existing rail-ferry services, which have been operated in the Caspian Sea for over 30 years. The existing transport link is essential for accessing the landlocked Central Asian countries by rail and providing them the access to Caspian Sea. Yet, however, the service:

- suffers from irregular service schedule;
- has a very limited dedicated capacity (or almost none) for handling container and Ro-Ro (TIR truck and trailers) transport;
- is restricted due to the limited infrastructure and equipment available at Turkmenbashi (e.g., no dedicated Ro-Ro terminal, scarce port and handling equipment for 40' containers at marshalling yard, insufficient number of locomotives for handling the rail-ferry traffic etc.).

To tackle these problems the project should address the irregularity of shipping service and its limited capacity in handling Ro-Ro and container traffic. In more detail, the project should bring support to the following actions:

#### **(1) in the short run (years 1 to 2)**

- restore and establish the regularity of Baku-Turkmenbashi rail-ferry service based on fixed sailing schedule and corresponding fixed berthing windows which will enable to improve the frequency and increase the number of voyages;
- simplify border-crossing procedures and implement the Free Practice procedure at both Baku and Turkmenbashi for cargo and vessels enabling to shorten the time needed for clearances and reduce berth occupancy;
- improve coordination and advanced exchange of information between Customs and other border-crossing state agencies, ports, railways and shipping companies at national and bilateral levels in order to speed up port and vessel operations;



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- ensure the availability of sufficient suitable and dedicated Ro-Ro tonnage and its operation on a regular/fixed schedule between Baku and Turkmenbashi;
- enlarge and modernize Turkmenbashi port according to development plans approved by the Government of Turkmenistan in 2011; rehabilitate the 2nd rail-ferry ramp at Turkmenbashi port;
- support maintenance of existing container handling equipment (supply / finance spare parts) at Baku sea port pending the transfer of its activities to Alyat.

### (2) in the medium run (years 3 to 5)

- assist the SSMRT and CASPAR in implementing an efficient, coordinated and customer-oriented operation of their existing / future fleet based on the experience and best practices existing in other countries and especially Turkey;
- explore possibility of cooperation (such as J.V.) between CASPAR, the SSMRT and Turkish enterprises for new Ro-Ro operation in the Caspian
- based on the improvement of the rail-ferry operations and operation of new Ro-Ro and Ro-Pax service, foster the implementation of a liner container service deploying adequate specialized tonnage under a regular schedule between Baku and Turkmenbashi.

### **Related Investments**

Most of the short-term steps contemplated in the project do not require any specific investment as, except for dredging of the access channel to the port and enlargement works and ramp rehabilitation at Turkmenbashi sea port, as well as for the maintenance of container handling equipment at Baku sea port (assessed at the level of EUR 250,000) as they are not related to infrastructure and/or equipment and consist in soft measures.

Dredging and other civil engineering works are going on rapidly at Alyat, the location retained for the new port of Baku.

Investment in ferry vessels is an on-going regular process with CASPAR while Turkmenistan has officially declared its intention to acquire Ro-Pax tonnage.

### **Expected Benefits and Source of Repayment**

The improved regularity, reliability of existing service; better coordination of transport operations between port, railways and trade facilitation authorities, will result in a better deployment of the existing and future rail-ferry fleet while the implementation of pure Ro-Ro and/or Ro-Pax services will immediately cause a diversion of existing large cargo-flows from other – purely road – corridors.

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### 3 IMPROVING EXISTING TRANS-CASPIAN SHIPPING LINKS BAKU-AKTAU

<b>Region:</b>	Caspian Sea
<b>Countries:</b>	Azerbaijan, Kazakhstan
<b>Sea Ports:</b>	Baku (AZ), Aktau (KAZ)
<b>Mode:</b>	Maritime-based multimodal (rail waggons, trucks/trailers, liner and merchant containers)
<b>Investment Volume:</b>	To be defined
<b>Project Status:</b>	Under development

#### ***Main Stakeholders***

Caspian Shipping Company (CASPAR)  
National Railway Company of Azerbaijan (ADDY)  
National Railway Company of Kazakhstan (KTZ)  
Baku international commercial sea port (BICSP)  
Aktau international commercial sea port (AICSP)

#### ***Secondary stakeholders***

Turkish road hauliers association and trucking companies  
KazMorTransFlot (KMTF)

#### ***Geographical Description***

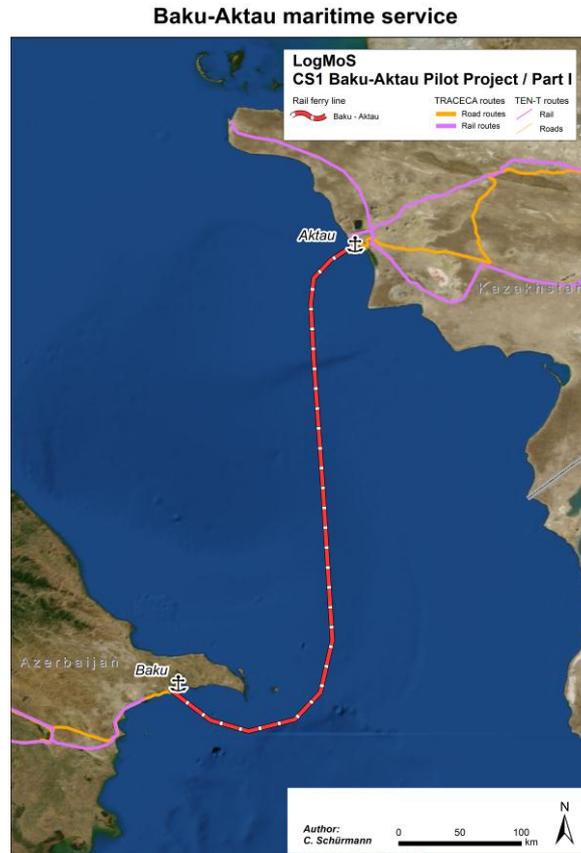
The existing maritime link connects two important transport nodes on Caspian Sea – sea ports of Baku and Aktau, – but also serves as a segment for

- TRACECA corridor connecting Europe, Caucasus and Central Asia
- CAREC 2b corridor providing the access for the landlocked Central Asian countries to Caspian Sea and Caucasians countries.

At present the only other alternative for moving the railborne bulk and break bulk cargo to/from TRACECA Central Asian countries via the Caucasus is around the Northern shore of the Caspian Sea through Russia and Daghestan. However, the situation may change as construction of the Uzen (Kazakhstan) – Kazanjik (Turkmenistan) – Gorgan (Iran) railroad is close to completion and further North-South tracks between Russia and the Persian Gulf are built.

With the started construction of a new railway line Zhezkazgan – Beneu and the rehabilitation of crucial road sections new opportunities for maritime connections across the Caspian Sea will be opened.

Figure 3: Trans-Caspian Shipping Links Baku-Aktau



### Technical Description

The project is based on the existing rail-ferry services, which have been operating in Caspian region for over 30 years. Yet, however, the service:

- suffers from irregular service schedule;
- is hampered by the high berth occupancy rate at Aktau port;
- prioritises the transportation of railed cargo;
- has a very limited dedicated capacity (or almost none) for handling container and Ro-Ro (TIR trucks and trailers) transport;
- is operated close to full capacity.

To tackle these problems the project should restore and establish the regularity of shipping service. In more detail, the project should bring support to the following actions:

#### (1) in the short run (years 1 to 2)

- restore and establish the regularity of Baku-Aktau rail-ferry service based on fixed sailing schedule and corresponding fixed berthing windows which will enable to improve the frequency and increase the number of voyages and alleviate the congestion of the port rail tracks;
- simplify border-crossing procedures and implement the Free Practice procedure at both Baku and Aktau for cargo and vessels enabling to shorten the time needed for clearances and reduce berth occupancy (mainly at Aktau);



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- improve coordination and advanced exchange of information between Customs and other border-crossing state agencies, ports, railways and shipping companies at national and bilateral levels in order to speed up port and vessel operations as per port of Aktau already on-going plan of action;
- ensure the availability of sufficient suitable and dedicated Ro-Ro tonnage and its operation on a regular/fixed schedule between Baku and Aktau;
- up-grade Aktau port providing for a 2<sup>nd</sup> rail ramp next to the existing one;
- support maintenance of existing container handling equipment (supply / finance spare parts) at Baku sea port pending the transfer of its activities to Alyat;
- reshuffle the container handling procedure at Aktau port to speed up vessels' operations.

### (2) in the medium run (years 3 to 5)

- allocate a dedicated Ro-Ro berth and storage area at Aktau port;
- allocate a dedicated container handling area at Aktau port.
- based on the improvement of the rail-ferry operations and operation of new Ro-Ro and Ro-Pax service, foster the implementation of a liner container service deploying adequate specialized tonnage under a regular schedule between Baku and Aktau.

### **Related Investments**

Most of the short-term steps contemplated in the project do not require any specific investment as, except for the maintenance of container handling equipment at Baku sea port (assessed at the level of EUR 250,000) and completion of works necessary for the installation of a second rail ramp near the existing one at Aktau, they are not related to infrastructure and/or equipment and consist in soft measures.

Dredging and other civil engineering works are going on rapidly at Alyat, the location retained for the new port of Baku.

Investment in ferry vessels is an on-going regular process with CASPAR while Turkmenistan has officially declared its intention to acquire Ro-Pax tonnage.

### **Expected Benefits and Source of Repayment**

The improved regularity, reliability of existing service; better coordination of transport operations between port, railways and trade facilitation authorities, will result in a better deployment of the existing and future rail-ferry fleet while the implementation of pure Ro-Ro and/or Ro-Pax services will immediately cause a diversion of existing large cargo-flows from other – purely road – corridors.

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#### 4 CONTAINER BLOCK TRAIN POTI-TBILISI-BAKU

<b>Region:</b>	Caucasus
<b>Country:</b>	Azerbaijan, Georgia
<b>Location:</b>	Baku (AZ), Poti and Tbilisi (GE)
<b>Mode:</b>	Rail transport (Lines and Shippers' own containers)
<b>Investment Volume:</b>	To be defined
<b>Project Status:</b>	Under development

##### ***Main Stakeholders***

Georgian Railways (GR/GRTC)

Azerbaijan Railways (ADY)

Poti Sea Port

Baku International Commercial Sea Port (BICSP)

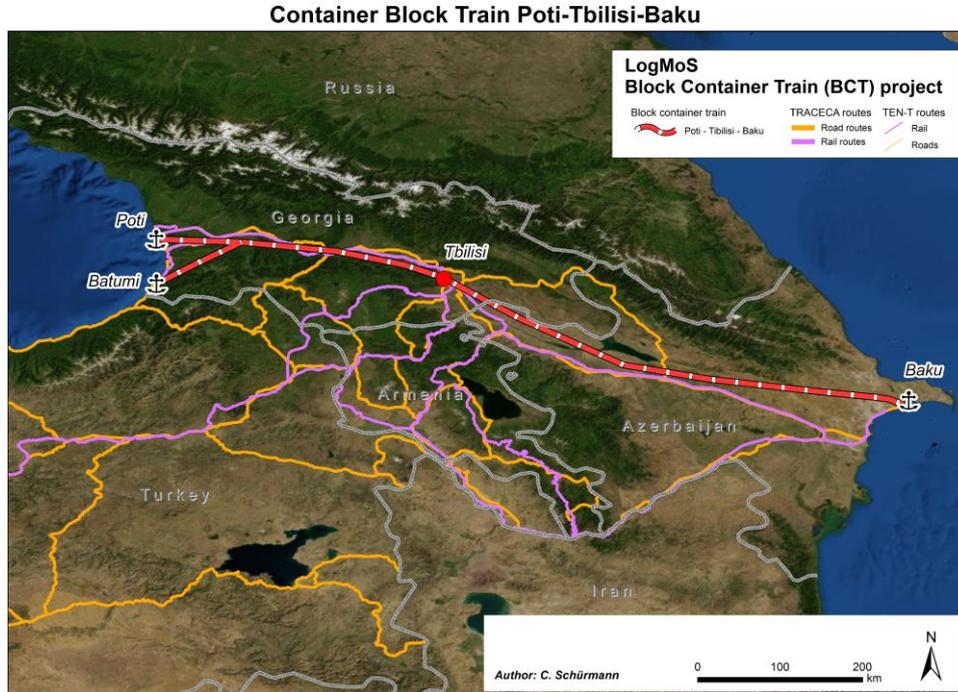
##### ***Geographical Description***

The proposed railway transport should improve the existing connection between the Poti sea port (a future Black Sea hub) and Baku sea port (a future Caspian Sea hub at Alyat) via TRACECA Central Axis.

The proposed project should help to facilitate trade by improving transit procedures, but also increase the cruising speed of trains thereby reducing the transit time between the Black Sea and Caspian Sea regions and diverting a significant part of traffic from heavily-driven roads to rail.

It is expected that in mid- and long-term perspectives this project can also help TRACECA landlocked countries in Central Asia and Caucasus to indirectly benefit from the intensified trade and transit on Central TRACECA Axis.

Figure 4: Container Block Train Poti-Tbilisi-Baku



### Technical Description

Rail transport in the Caucasus remains attractive for heavy containers which cannot be carried by road due to weight limitations. Attractiveness is however reduced owing to a sub-optimal information system and customer service enabling the users to locate their cargo and learn about its status. Georgian Railways and Azerbaijan State Railways have agreed on the scheduled operation of a container train between Pori and Baku and started operations in early 2012.

Nevertheless the main commercial issues are still linked to the insufficient competitiveness of rail transport:

- the door-to-door transit-time is longer than by road;
- delivery at consignee's premises at final destination in Azerbaijan is not always possible due to the lack of container handling equipment in the stations;
- there is not yet any single operator selling through, door-to-door tariffs so rail based quotations are longer and more difficult to build all the more as Georgia and Azerbaijan do not take common decisions / can take contradictory decisions regarding their rail tariff policy;
- while the basic rail freights are comparatively rather low, the add-ons (being mostly the full + empty container handling expenses at the stations, trucking from/to the stations and empty return voyage) make the overall door-to-door prices equal or even higher than the direct trucking ones;
- due to the reason mentioned above and owing also to the fact that the rail freights are much lower for shipments in break bulk than for shipments in containers, a lot of cargo – especially the goods exported from Caucasus – are carried in gondolas or closed railcars, resulting in more handling and non-physical interventions.



To improve the existing railway connection between ports of Poti and Baku, it is proposed to launch a block container train with the following characteristics:

- 56-waggon train in intake capacity
- scheduled / fixed-time service
- transparent and long-term tariff announced
- frequent connection – daily or every other day both ways depending on volumes
- transit time reduced from 42 to 25-30 hours
- commercial modal shift from road to rail.
- possible mid/long-term improvement of conditions of transport to other Central Asian landlocked countries
- future coordination with connecting Block trains/shipping lines (Silk Wind to/from Kazakh-Chinese border, “Viking” across the Black Sea)

### ***Related Investments***

The total cost of the investments needed for running a fully-fledged block container train operation is not available.

According to estimates produced by Azerbaijan and Georgian partners, the project investment should cover among other:

- the cost of acquiring / upgrading 40` container handling equipment at Kishly and other railway stations in Azerbaijan;
- the cost of introducing RFID technology for modern EDI transport systems in both Georgia and Azerbaijan.

### ***Expected Benefits and Source of Repayment***

Improved regularity, reliability and capacity of existing service; shorter transit time between Poti and Baku; better coordination of transport operations between ports, railways and trade facilitation authorities will bring about a much needed diversion of large cargo-flows presently carried by trucks on roads crossing populated areas and mountainous terrains. The implementation of the BCT Poti-Baku-Poti also represents the first indispensable phase for the development of containerized import trade through Caucasus into Central Asia and attraction of containerizable export cargo out of Central Asia.

### ***Other Involved Parties***

POLZUG (railway operator and freight forwarder)

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