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**Economic and Social Commission for Asia and the Pacific**  
Working Group on the Trans-Asian Railway Network

**Third meeting**

Bangkok, 5-6 November 2013

Item 6 of the provisional agenda\*

**Policies and issues relating to the development of the  
Trans-Asian Railway Network**

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**Note by the secretariat**

*Summary*

The present document contains highlights of the work carried out by the secretariat in collaboration with member States in relation to the Trans-Asian Railway Network, as well as pertinent policies and issues. The Working Group may wish to review the document and consider policies for and approaches to: (a) promoting investment in the Trans-Asian Railway Network, including intermodal interfaces; (b) creating a process for providing the secretariat with updated information on priority rail infrastructure development projects at regular intervals; and (c) enhancing the Trans-Asian Railway database.

**I. Introduction**

1. The transport sector is crucially important to the development of modern economies. Moreover, transport infrastructure will become increasingly important as globalization requires ever greater synchronization among business processes throughout the entire length of the supply chain. One result is that integrated logistics services and international freight transport systems are closely interlaced. While this is true for any country or region of the world, it is of particular significance in Asia as the region becomes increasingly integrated.

2. Between 2000 and 2010, exports of merchandise within the Asia-Pacific region itself grew from 48 to 53.7 per cent. Over the same period, the percentage of exports to Europe fell from 21 to 19.7 per cent and to North America from 25 to 15.4 per cent.<sup>1</sup> All forecasts indicate that this trend will continue in the years to come, which raises the question of whether the

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\* E/ESCAP/TARN/WG(3)/L.1.

<sup>1</sup> United Nations, Economic and Social Commission for Asia and the Pacific, *Growing Together: Economic Integration for an Inclusive and Sustainable Asia-Pacific Century* (ST/ESCAP/2629).

existing ports, hubs and inland connections will still be relevant in terms of location, size and capacity. While having to accommodate increasing levels of traffic, countries will also have to find innovative solutions to reduce the environmental impact of the transport sector. The transport sector is a major consumer of energy resources – particularly petroleum products. It is also one of the major emitters of carbon dioxide. In 2008, the world's road, rail and aviation sectors consumed 2,299 million tons of oil equivalent. Of that, the Asia-Pacific region was responsible for 26 per cent, namely 598 million tons of oil equivalent. The bulk of this amount (475 million tons of oil equivalent or 79.4 per cent), was consumed by the road sector. In the same year, the transport sector in the region was responsible for 1,704 million tons of carbon dioxide (CO<sub>2</sub>) emissions, which accounted for about a quarter of the global CO<sub>2</sub> emissions from this sector. Most of the emissions came from the road sector, which released 1,390 million tons of CO<sub>2</sub>,<sup>2</sup> hence the urgent need for Governments to enact policies and implement projects that serve mobility requirements without damaging the environment. Indeed, in its outcome document, the United Nations Conference on Sustainable Development (Rio+20) called for Governments worldwide to put in place policies aimed at providing better access to goods and services in support of economic and social development, while at the same time minimizing the negative impacts of a rapidly growing transport sector.<sup>3</sup>

3. The vision of an international integrated intermodal transport and logistics system articulated by ministers in the Busan Declaration on Transport Development in Asia and the Pacific (November 2006)<sup>4</sup> was reiterated in the Bangkok Declaration on Transport Development in Asia, which was adopted by the Forum of Asian Ministers of Transport at its first session (December 2009),<sup>5</sup> and the Ministerial Declaration on Transport Development in Asia and the Pacific, which was adopted by the Ministerial Conference on Transport (March 2012).<sup>6</sup> The vision aims to fully realize the potential economic and social benefits of improved transport connectivity, while mitigating its negative effects. The Trans-Asian Railway Network is an important building block in the realization of this vision. In this respect, issues related to the development of the Trans-Asian Railway Network are regularly discussed at legislative meetings. With a view to providing the members of the Working Group with a ready reference, the secretariat outlines in the present document some of the decisions of legislative bodies that are relevant to the Trans-Asian Railway Network and rail transport in general. The Working Group will also find policies and issues outlined in the present document that may prove useful in its discussions.

## II. Decisions and recommendations of legislative bodies

4. Since the Intergovernmental Agreement on the Trans-Asian Railway Network<sup>7</sup> entered into force on 11 June 2009, the Trans-Asian Railway

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<sup>2</sup> *Statistical Yearbook for Asia and the Pacific 2011* (United Nations publication, Sales No. E.11.II.F.1), p. 142.

<sup>3</sup> See General Assembly resolution 66/288, annex, paras. 128, 132-133, 135-136, and 182.

<sup>4</sup> E/ESCAP/63/13, chap. V.

<sup>5</sup> See E/ESCAP/66/11, chap. IV.

<sup>6</sup> The declaration was subsequently endorsed by the Commission in its resolution 68/4 on implementation of the Ministerial Declaration on Transport Development in Asia and the Pacific, including the Regional Action Programme for Transport Development in Asia and the Pacific, phase II (2012-2016), and the Regional Strategic Framework for the Facilitation of International Road Transport.

<sup>7</sup> United Nations, *Treaty Series*, vol. 2596, No. 46171.

Network and issues related to its development and operationalization have been considered at a series of high-level legislative meetings, as summarized in the annex. In addition, related issues have been discussed with development partners at meetings, such as: the Greater Mekong Subregion Transport Forum, which was organized by the Asian Development Bank; the meetings of the Special Working Group on the Singapore-Kunming Rail Link project, which are organized by the secretariat of the Association of Southeast Asian Nations; and the Conference of Railways of South and South-East Asia, which was organized under the aegis of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation.

5. The legislative meetings held in 2012 and 2013 included: (a) the second session of the Ministerial Conference on Transport (Bangkok, 12-16 March 2012); (b) the sixty-eighth session of the Commission (Bangkok, 17-23 May 2012); (c) the third session of the Committee on Transport (Bangkok, 10-12 October 2012); and (d) the sixty-ninth session of the Commission (Bangkok, 25 April-1 May 2013). These meetings highlighted the role of the Trans-Asian Railway Network in promoting regional cooperation, the progress made in its development and formalization, and its importance as an essential component of a future international integrated intermodal transport and logistics system for the region. The annex to the present document contains excerpts from reports of recent legislative meetings.

### **III. Activities of the secretariat**

#### **A. Promoting greater use of railway transport**

6. Following the mandates of the Commission and other relevant bodies, including those noted in the annex to the present document, both the secretariat and member States have been implementing activities to promote the development of the Trans-Asian Railway Network.

7. The Regional Action Programme for Transport Development in Asia and the Pacific, phase II (2012-2016), adopted by the Ministerial Conference on Transport in March 2012,<sup>8</sup> mandates the ESCAP secretariat to promote regional and interregional connectivity and cooperation through the further development of the Trans-Asian Railway and Asian Highway networks as well as dry ports.<sup>9</sup> The activities under the Regional Action Programme are aimed at bringing about the realization of an international integrated intermodal transport and logistics system for the region.

8. In this regard, the secretariat recently completed a study on promoting the use of the Trans-Asian Railway through improved awareness of commercial requirements. The highlights were two regional meetings — held in Busan, Republic of Korea, in June 2011 and Bangkok in October 2012 — and a survey of railway organizations of the region with the aim of gaining a greater understanding of their commercial practices relating to international services.

9. The regional meeting held in Busan, Republic of Korea, generated active interaction among senior railway managers and officials from the private sector and revealed that many shippers and freight-forwarding

<sup>8</sup> See E/ESCAP/68/9, chap. I, annex I.

<sup>9</sup> In its resolution 68/4, the Commission endorsed the Ministerial Declaration on Transport Development in Asia and the Pacific, including the Regional Action Programme for Transport Development in Asia and the Pacific, phase II (2012-2016).

companies are open to the idea of extending the range of their transport options and are ready to show a rail-friendly attitude if railway organizations can take the necessary measures to provide guaranteed levels of service with a particular focus on reliability of schedules, efficient cargo tracking, equipment availability and accurate billing.

10. As part of the study, a survey questionnaire was designed to collect information on, among other things, rate-fixing, punctuality, frequency of service, network capacity, equipment availability, possibility of long-term contracts and customer relations. Key findings showed that nearly 60 per cent of railways experience main line or terminal capacity constraints as well as a shortage of rolling stock, a third of them change rates at least twice a year, thereby creating a feeling of rate volatility among shippers, only 25 per cent directly inform customers of rate changes, over a third rate their punctuality record as average and 92 per cent admit that they do not carry out customer satisfaction surveys on a regular basis. On a more positive note, the survey also showed that 83 per cent of railways involve their marketing department in rate decisions, two thirds of them offer long-term contracts, 80 per cent offer cargo tracking services and 58 per cent estimate their marketing departments are adequately positioned to perform their tasks. Survey results were presented at the regional meeting of railway managers held in Bangkok. The meeting also discussed a series of actions that railway management and Governments can take to help railways be more efficient in serving different markets and secure wider external benefits for countries through the use of railways compared to road transport. A notion that emerged from the meeting is that railway managers need to be concerned with profit growth more than increases in volume. To achieve this goal, the consensus among railway managers was that there was a need for railway marketing units to not only know rail products but also acquire intimate and updated intelligence on the customers, activities and pricing strategies of competing modes, and the prevailing and future institutional and legal environment affecting the transport sector.

11. As a follow-up to the above, the secretariat, with funding from the Government of the Russian Federation, has been undertaking a study aimed at enhancing the operationalization of the Trans-Asian Railway Network, focusing on costing and marketing of railway services as well as facilitation of rail transport. The costing and marketing part of the study will review service levels, marketing practices and tariff-setting mechanisms applied by member countries along selected Trans-Asian Railway routes serving intra- and interregional trade. The study is expected to be completed by the end of July 2014, and will include workshops for railway managers to develop their skills in costing and pricing services.

## **B. Trans-Asian Railway and dry ports development**

12. Using the Asian Highway and Trans-Asian Railway networks as two major building blocks, the secretariat has been promoting the development of an international integrated intermodal transport and logistics system for the region. Another important element of such a system is the development and operation of a network of dry ports, which serve as intermodal interfaces and enable the efficient transfer of goods between different modes of transport, thereby extending the reach of the Trans-Asian Railway Network and its complementarity with the Asian Highway Network.

13. With the above in mind, the Committee on Transport at its third session (October 2012) approved the finalized draft of the Intergovernmental Agreement on Dry Ports and recommended that the Commission at its sixty-

ninth session adopt the agreement.<sup>10</sup> Subsequently, the Commission adopted resolution 69/7 on the Intergovernmental Agreement on Dry Ports. The Agreement will be opened for signature during the second session of the Forum of Asian Ministers of Transport, which is scheduled to be held in Bangkok from 4 to 8 November 2013.

14. The use of intermodal linkages through dry ports can substantially increase the modal share of more resource-efficient transport modes, such as railways, by exploiting the mode's ability to convey a wider range of freight than pipelines, its greater carrying capacity when compared with air and road transport, and its inherent ability to operate at reduced cost. A shift to intermodal transport would also reduce the need for an expansion in capacity of the existing highways and could enable road operators to benefit from economies of scale by allowing greater utilization of vehicle fleets. In this regard, greater utilization of railways would also help reduce the cost of freight transport, increase efficiency in the overall supply and distribution chain, and reduce the carbon footprint of freight transport.

15. For rail to benefit fully from "intermodalism", rail freight needs to be organized and run as a business and, in view of the gradual economic integration of the region, measures should be taken to ensure that borders do not become barriers so that railways can play an increasing role in serving the region's rapidly expanding internal market. In this respect, successful policies and experiences should be shared widely to facilitate the emergence of efficient cross-border rail connectivity from the viewpoint of both infrastructure and institutional framework pertaining to the passage of goods across frontiers. In this respect, the secretariat has initiated collaboration with the Economic Commission for Europe to work towards a unified railway law.<sup>11</sup>

16. During the seventy-fifth session of the Inland Transport Committee — a subsidiary body of the Economic Commission for Europe — 37 Ministers of Transport<sup>12</sup> and other high-level government representatives signed, in Geneva on 26 February 2013, the Joint Declaration on the promotion of Euro-Asian rail transport and activities towards unified railway law,<sup>13</sup> which would make rail freight transport between Asia and Europe easier, faster and cheaper. The Declaration contains a commitment by countries along Euro-Asian rail corridors to work together to establish unified legal conditions for railways that are equivalent to those that have existed for many years for other modes (road, air, inland waterways and sea). Standard legal objectives, principles and operational rules would allow the transport of cargo and containers by rail across countries with a single transport contract and a single consignment note and under a single liability and claims system. It would thus provide railways with new options to reach out to transcontinental traffic and to turn Euro-Asian transport market opportunities into rail business. In the Declaration, Ministers also call on interested railway enterprises, other stakeholders and international railway organizations to pursue work on the development of optional model rules, that is general terms and conditions for Euro-Asian rail transport contracts that would provide a contractual bridge between the two existing legal railway regimes, namely: the Convention concerning International Carriage by Rail/Uniform

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<sup>10</sup> See E/ESCAP/69/8 and Add.1.

<sup>11</sup> See, for example, ECE/TRANS/2011/3.

<sup>12</sup> Of the 37 signatories, 10 are in the ESCAP region, namely: Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, the Russian Federation, Tajikistan, Turkey and Uzbekistan.

<sup>13</sup> See ECE/TRANS/2013/2.

Rules Concerning the Contract of International Carriage of Goods by Rail (CIM) (Western Europe) and the Agreement on International Goods Transport by Rail (SMGS) (Eastern Europe, Central Asia and China). That would be a significant further development of the successfully introduced temporary arrangement for common CIM-SMGS consignment notes.

### **C. Operationalization of the Trans-Asian Railway Network**

17. Since the 2nd meeting of the Working Group, in Busan, Republic of Korea, in June 2011, Governments and railway organizations of the region have redoubled their efforts to enhance the role of railways in the overall transport mix in their countries and in moving international trade. In China, intermodal services continue to increase their share of traffic carried by Chinese Railways, both domestically and internationally, with increased long-distance cross-border movements to Central Asian countries and Mongolia. Chinese Railways is also building on its growing success at running international intermodal rail services to Europe. Since September 2011, Schenker Rail Automotive, the German Railways' automobile specialist in rail freight transport, has managed some 200 container trains filled with automotive parts on their way from Leipzig and Wackersdorf, Germany, to the Shenyang plant in Liaoning province, China, where components are used in the assembly of BMW vehicles.<sup>14</sup> In other parts of the region, countries are also collaborating actively to capitalize on their investments in infrastructure. For example, in November 2012, the Governments of Azerbaijan, Georgia, Kazakhstan and Turkey signed a memorandum of understanding to operate a Silk Wind container block-train service that will run from Dostyk, the border station between China and Kazakhstan, to Aktau, a Kazakh port on the Caspian Sea, from where it will be ferried to the port of Alyat (Azerbaijan) for onward movement to Baku, Tbilisi and Turkey. The service will use the soon-to-be-completed Baku-Tbilisi-Kars rail project, which consists of connecting the rail networks of Georgia and Turkey with the construction of a 105-km section between Kars (Turkey) and Akhalkalaki (Georgia), and modernizing the line sections from the Georgian-Turkish border to Tbilisi and Baku. The project, which will enable continuation of container block-train services from China, will eventually open up a new route between Asia and eastern and southern Europe, once the rail tunnel through the Istanbul Straits is completed.

### **D. Financing Trans-Asian Railway development**

18. With many projects being implemented or considered, countries are also thinking about new ways to facilitate investment in the railway sector. In Turkey, new legislation was approved in April 2013 to enable the private sector to invest in rail infrastructure and operate open-access trains on the national network. The legislation will allow the Ministry of Transport and Communications to grant private companies concessions to build and operate railways. In Armenia, the extension of the above-mentioned line to the Islamic Republic of Iran will be undertaken under a 30-year concession agreement. In Thailand, the Government has announced plans to establish a railway investment and regulation unit within the Ministry of Transport.

19. Taking advantage of technical or financial assistance from within the region is also a growing trend in railway development. With an \$800 million loan from the Government of India and assistance from the Indian Railway Construction Company Ltd., a 43-km section of line between Madawachi and Madhu, on the Madawachi to Talaimannar line, has now been completed.

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<sup>14</sup> Source: [www.dbschenker.com](http://www.dbschenker.com).

Similar cooperation is taking place between Russian Railways and Vietnam Railways, which signed an agreement in March 2013 to cooperate on the design and construction of a railway to serve mineral mines in the south of Viet Nam, and between Australia and the Republic of Korea with a \$5.82 billion contract granted to Samsung C&T to build a 344-km single-track, heavy-haul line from the Roy Hill mine in Western Australia to a port facility south of Port Hedland, along with the development of iron-ore processing facilities and port infrastructure. The same company has also been contracted by the Mongolia railway authority for a similar \$483 million, 217-km line, linking the coal mine at Tavan Tolgoi with the Chinese border. In an effort to address its shortage of locomotives, Pakistan Railways has signed a contract with China for the procurement of 50 passenger and freight locomotives.

20. When it comes to financing rail transport development, the fact remains that the necessary infrastructure is very expensive and the amount of money that the public is able to pay in fares is not enough to repay the costs associated with building and maintaining the lines. Indeed, in many cases, revenue from fares is not sufficient to pay for day-to-day operating costs. When the term “efficient” is applied to railways, it often focuses on safety and punctuality records, without looking into the cost at which such efficiency is obtained. The unavoidable conclusion is that the provision of rail infrastructure will continue to be the responsibility of Governments, even if, in the future, it is in association with the private sector. After a number of attempts by different Governments to privatize their rail networks, this fact is now accepted by many, including international financial institutions. This does not mean that any project can be funded, but that the wider benefits of rail, such as better spatial development, greater social outreach to populations living in more remote areas and reduced environmental impact, can offset the high cost of infrastructure. It is therefore important that projects be prioritized in terms of their economic and social contributions.

#### **E. Updating of the Trans-Asian Railway database**

21. Adequate knowledge of land infrastructure in member countries is often piecemeal. This situation prevents a clear understanding of the state of infrastructure at the subregional and regional levels. It also complicates the development of strategies aimed at addressing demand arising from new trade patterns and prioritizing investment across corridors and modes. The Trans-Asian Railway database has been devised with a view to gradually filling this gap and to becoming a source of reference for the secretariat and the

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