# Development of seamless rail-based intermodal transport services in Northeast and Central Asia

# Report on Transport Facilitation procedures and documentation in Kazakhstan

# 1. Introduction

A mission to Kazakhstan was conducted by a staff member and a consultant of the UNESCAP Transport Division for the express purpose of collecting information on border crossing procedures and documentation in Kazakhstan.

The mission was conducted from 25-27 April 2016, during which period visits were made to:

- Three freight forwarding companies in Almaty;
- The Altynkol/Khorgos border region, including the Altynkol Station, the Khorgos Economic Zone, and the Khorgos Gateway Dry Port;
- The Kazakhstan Freight Forwarders Association

This report reviews the status of trade and transport across Kazakhstan's borders and outlines the main points of discussion at all meetings.

# 1. Status of cross-border trade and transport

## (i) <u>Rail corridor developments</u>

Kazakhstan forms a key part of the shortest of the rail corridors linking Northeast Asia with Europe. As such, the majority of the container block trains now moving between China and Western Europe transit via this corridor (rather than via the Trans-Siberia or Trans-Mongolia Railways).<sup>1</sup>

The rail corridor through Kazakhstan also links major trade generating sources in Kazakhstan, such as Almaty and Astana, with seaports in China, most notably at Qingdao and Lianyungang.

Rail traffic to/from China now exits/enters Kazakhstan through 2 major border control points. The oldest of these (operating since 1992) is at Dostyk, opposite Alashankou in China (see Figure 1). In 2014, more than 15 million tonnes of international cargo was estimated to have passed through this border station.

In September 2012 with the completion of a new line of 293 km from Almaty, a second rail connection to the border with China was established at Altynkol, opposite Khorgos in China. This new line reduced the rail distance between Almaty and the border from 700 km at

<sup>&</sup>lt;sup>1</sup> Regular rail services operate on a three per week frequency between Chongqing (China) and Duisberg (Germany) via Alashankou/ Dostyk. The distance is 10,769 km and takes 14-16 days to complete. If these services were to be routed through Mongolia to join the TSR, the overall distance would be at least 12,000 km, and the transit time would be 16-19 days.



Source: Presentation by SJ Logistics, Seoul, 14 April 2016

## Figure 1: Railway transit corridors through Kazakhstan

Dostyk/Alashankou to 293 km at Altynkol/Khorgos. Approximately 2 million tonnes of international cargo moved through Altynkol/Khorgos in 2014.

Most transit containers conveyed by rail between China and Russia or Western Europe pass through the border station of Petropavlovsk on the northern section of their journey. Rapid transits through this border, and indeed through the border between Russia and Belarus, are made more likely by the operation of a customs union, or common customs zone, between Belarus, Russia and Kazakhstan, as documentation issues will be minimized accordingly.

Substantial investment has been undertaken for infrastructure provision in the Altynkol/Khorgos border region, with the aim of making it the main gateway for trade between China, Central Asia and Europe. On the China side of the border, high rise hotels are beginning to appear and five wholesale market malls are already in operation. Development activity on the Kazakhstan side of the border is more restrained, although a major dry port is being developed by the Kazakhstan government as part of the SEZ Khorgos East Gate Gateway project. The dry port now under development was visited during the course of the UNESCAP mission and is described in detail in section...below.

Both eastern rail border posts also serve as border crossings for road transport.

(ii) Border crossing delays

Lengthy border crossing delays have been, and continue to be, experienced at Dostyk/Alashenkou, due both to border control processes and to the need to tranship cargo between the differing rail gauges of China (1,435 mm) and Kazakhstan (1,520 mm). For containers, the transhipment process is relatively fast, involving as it does the lifting of containers between wagons of differing gauge, but for non-container cargo, requiring either bogie exchange or bulk-trans-loading, transhipment can be very time consuming.

In conjunction with the CPMM (Corridor Performance Measurement and Monitoring) project<sup>2</sup>, the Asian Development Bank regularly monitors container dwell times at stations on the border between Kazakhstan and China. A recent analysis of results for 2014 was published in a CAREC document.<sup>3</sup> It gives the following average duration at each of the Kazakhstan/China rail border crossings:

Border station	Average dwell time (hours)	Border station	Average dwell time (hours)
Altynkol (Kazakhstan)	37.4	Dostyk (Kazakhstan)	59.7
Khorgos (China)	23.9	Alashenkou (China)	42.4

#### Table 1: CPMM results at Kazakhstan/China rail crossings

Source: CPMM Report for 2014

It was claimed that the time spent by containers at a border station should be minimal, sufficient only to examine customs and other border control documents and to transfer containers from one track gauge to the other. Since it was advised by the Kazakh Railway (KTZ) that the average time to lift and transfer a container from one wagon to another is about 5-6 minutes, it was argued that a wagon should not spend more than 24 hours at a station. Clearly, the station dwell times experienced at both border crossings are well in excess of this.

The case study document recommends that station dwell times, defined as the *time interval between arrival at the first border station and departure from the second*, should not exceed 24 hours for containers and 36 hours for non-container cargo.

Information provided during meetings of the UNESCAP team with freight forwarding companies on border crossing times (see Section....below) tends to confirm the results of the CPMM study.

## 2. Meetings with freight forwarding companies in Almaty

(i) <u>Colos Logistics</u>

Meeting held at the company office at 1000 hours on 25 April 2016. Present at the meeting were: Ms Damira Babayeva, Deputy Head of the Logistics Department, Colos and two colleagues; Saltanat Adambayeva (Kazakhstan Freight Forwarders Association); Fedor Kormilitsyn, Economic Affairs Officer, UNESCAP Transport Division; and Peter Hodgkinson, Consultant UNESCAP.

A questionnaire was completed for Colos, and is attached to this report.

Last year, the combined CIM/SMGS railway consignment note was introduced and is now widely used. Colos do not use the FIATA Multimodal Transport document owing to its

<sup>&</sup>lt;sup>2</sup> Undertaken as part of the CAREC (Central Asia Regional Economic Cooperation) program.

<sup>&</sup>lt;sup>3</sup> www.carecprogram.org/uploads/...Railways/08-01-Case-Studies-on-Railway-BCP.pdf

associated "unfavourable conditions concerning agent liability". Instead, freight forwarders are working on the basis of carriers' (ie. SMGS/CIM) rules. Colos arrange transport mostly through the Dostyk/Alashenko border and information was supplied in respect of this border.

The procedures applying to border clearance in Kazakhstan were outlined as follows:

- (a) Shippers raise necessary documents in the first place, and freight forwarders complete only some parts of these documents.
- (b) The railway is responsible for completing the railway consignment note on the basis of information provided by shippers.
- (c) Documents are checked at the border by customs authorities against a physical count of packages and contents. X-ray equipment is installed at all border control points and is used to perform a check of the match between documents and the physical consignment.
- (d) In accordance with a decision of the Eurasian Economic Commission of 13 September 2015, railway carriers are now required to submit to border customs prearrival information on all goods imported into the territory of the Russia-Kazakhstan-Belarus Customs Union.<sup>4</sup> Carriers are required to submit this information at least 2 hours prior to arrival of consignments at the border.
- (e) In practice freight forwarders also have to provide advance information through customs agents at the border who then transmit it to the border customs authorities.

It was intended that all advance information to be provided to customs by the railway would be transmitted electronically. For this purpose, the Kazakhstan railway developed software, but this software failed to work properly and, as a result, advance information could not be submitted to customs, as required.

Failure to submit advance information results in cargo being stopped and physically inspected at the border. On 01 March 2016, when the requirement for advance information entered force, 700 transport units (mostly container wagons) were stopped at the Dostyk/Alashenkou border by Kazakhstan Customs and serious delays ensued while these units were subjected to full inspection. In cases where wagons are detained for customs inspection, Kazakhstan Railways will charge consignees, or their freight forwarders, demurrage at the rate of US\$ 150 per wagon per day. In order to avoid these delays, forwarders attempted to collect information directly from shippers and to forward it to border customs authorities.

Advance information is also required by customs on the China side of the border, and failure to provide same will similarly result in cargo being detained at the border.

It was reported that Russian Railways does not experience any difficulty in complying with the provision of advance customs information, since it has an on-line connection with Russian Customs. Hence, there are no protracted delays to cargo on the border between Kazakhstan and Russia, which also benefits from the operation of a Customs Union, with simplified (and harmonized) documentation requirements.

<sup>&</sup>lt;sup>4</sup> The Eurasian Economic Commission is the regulatory body of the Russia-Kazakhstan-Belarus Customs Union

The average delay to containers at Dostyk station was reported as 2 days, which is about half a day less than the delay time estimated in the 2014 CPMM report (see Table 1 above).

The Colos representatives indicated that most problems encountered with documentation were *more related to other border control documents than to transport documents.* In the case of certain goods, e.g. dangerous materials, special documents, such as state regulation certificates and sanitary certificates, are required and can complicate the process of border clearance.

#### (ii) <u>Maxx Intermodal Systems</u>

Meeting held at the company office at 1125 hours on 25 April 2016. Present at the meeting were: Ms Oxana Sorokina, Manager of the Logistics Department, Maxx; Saltanat Adambayeva (Kazakhstan Freight Forwarders Association); Fedor Kormilitsyn, Economic Affairs Officer, UNESCAP Transport Division; and Peter Hodgkinson, Consultant UNESCAP.

Most container transport arranged by the company moves via Dostyk as a lower rail haulage charge applies by comparison with the route via Altynkol.

It is not known whether the SMGS or combined CIM/SMGS document is used by the railway. Completed examples of documents used by Maxx are attached in Attachment...

Maxx is handling cargo transported from the Republic of Korea via sea and rail. Seals are applied to containers by shippers and customs authorities in Busan and unless containers are stopped for inspection en-route these seals will remain unbroken until arrival in Almaty. If all goes smoothly, transit at the border will take 2 days. Hard copies of all border control documents accompany consignments.

It was notes that EDI had started between Kazakhstan Railways and the customs authorities at the Kazakhstan/China border, but the system was not yet working properly, due to software issues. Although border transits should normally take no more than 2 days, recently delays of 15-20 days have been encountered at the Dostyk Border owing to the practice of the border authorities to stop and inspect all cargo when advance information has not been received.

All freight forwarding companies submit documents by EDI in the case of cargo moving from Kazakhstan to other Central Asian countries, but not yet to China. However, even in these cases EDI only supplements, but does not replace, hard-copy documents.

Maxx uses House Bill of Lading which is used on behalf of the consignee as evidence of title in the goods, together with a Letter of Credit, to secure delivery of the goods after customs clearance.

Maxx is handling transport of consignments from Japan (Nagoya). Cargo can move two ways: via Russia or via China. There is a large difference in transit time and cost. Haulage charges of Chinese Railways are more expensive than those of Russian Railways. Haulage of a container from Nagoya to Almaty via Qingdao Port is US\$ 300 more expensive than

haulage through Russia. In 2013/14, there was a 30% fall in China Railways' transit volume, when Russian Railways dropped its charges.

Customers always give guidance to forwarders as to whether they want short transit times, lower cost, or both. Forwarders then plan transport accordingly.

The Maxx representative considers that having only a single transport document will not save much time and is doubtful that a single document will meet all requirements without becoming "overloaded".<sup>5</sup> Rather, the problem is that border clearance requires too many other documents, e.g. packing invoices, certificates of origin, other government regulatory certificates. It was considered that the number of documents could be reduced significantly and all documents submitted electronically.

#### (iii) <u>Globalink Logistics Group</u>

Meeting held at the company office at 1630 hours on 25 April 2016. Present at the meeting were: Ms Tatyana Zholobenko, Head of Rail Expedition Division Globalink; Zhanna Sikhvart, General Manager, Road Freight Division Globalink; Nurlan Martayev, Project Coordinator, Globalink; Saltanat Adambayeva (Kazakhstan Freight Forwarders Association); Fedor Kormilitsyn, Economic Affairs Officer, UNESCAP Transport Division; and Peter Hodgkinson, Consultant UNESCAP.

Several weak points in the system for cargo clearance at, and transport across, borders were noted, including:

- (a) The failure of the EDI system for communication by Kazakhstan Railways to border customs of advance information on import consignments, resulting in protracted delays to cargo awaiting inspection at the border with China.
- (b) Software in use for cargo crossing the border with Russia too complicated ("not easy to use")
- (c) For transit procedure, number of documents required is excessive, being based on import procedures which require many more documents than should be necessary for transit.<sup>6</sup> This was considered a weakness of current customs regulations in Kazakhstan.
- (d) Despite existence of a Customs Union between Russia, Kazakhstan and Belarus, too many documents are required for transit across the Kazakhstan/Russia border (as many as are required for transit across the Kazakhstan/China border, suggesting reduced benefits for Kazakhstan from the CU).
- (e) There is a legal requirement (under Kazakhstan legislation) for customs brokers at border checkpoints. Customs brokers are required to communicate with border customs authorities. Forwarders must transmit information to customs brokers who forward it the border authorities. Problem is that there is no contractual relationship between shippers and customs brokers. Customs brokers have to be given a power

<sup>&</sup>lt;sup>5</sup> It was claimed that a high percentage of the data in railway documents differs from that in other documents, e.g. railway station codes and warehouse codes do not appear on other documents.

<sup>&</sup>lt;sup>6</sup> Examples were provided: if electronic equipment- requires special security certificates; if perishable goods-requires sanitary certificates plus certificates of "good standards".

of attorney to act on behalf of shippers. Forwarders are concerned that is responsibility for submission of advance information on cross border consignments is transferred from customs brokers to the railway, the railway will charge monopoly fees for this service.

In common with the comments of other forwarding companies, Globalink representatives indicated that Chinese rail haulage charges are too high. In addition, it was indicated that the Chinese Railway does impose weight limitations which do not apply in Kazakhstan. In some cases, Globalink uses road, not rail, to move cargo from ROK via Tianjin Port through to the Kazakhstan border. An example is liquid containers which are out of gauge for Chinese Railways. These are moved by road to the border with Kazakhstan where they are transferred to rail for onward carriage.

Other companies, e.g. Colos, are avoiding rail transport through China by re-directing their traffic through Russia.

#### 3. Visit to Altynkol/Khorgos border region, 26 April 2016

The UNESCAP team travelled by overnight train to the border station of Altynkol and after inspection of the station facilities visited customs offices, the Special Economic Zone and the Khorgos Gateway Dry Port.

#### (i) Altynkol Station

Altynkol is the border station on the Kazakhstan side of the border with China. It is opposite the Chinese border station of Khorgos, to which it is linked by a road and railway line with a length of about 12 km.

Trains arriving in Khorgos from the east first clear Chinese border control and are then hauled by diesel traction to Altynkol Station where they are placed in arrival sidings to undergo Kazakh border control processes. Kazakhstan Railway staff, located at Khorgos station, receive documents from the Chinese side and submit these to Kazakhstan Customs at Altynkol station.

There are 3 standard gauge (1,435 mm) and 3 broad gauge (1,520 mm) tracks through the customs point at Altynkol. While in these tracks, trains are subjected to X-ray examination and to radiation control.

Bogie exchange of non-container wagons is undertaken at Khorgos station, so that when they arrive at Altynkol, they are already on the broad gauge.

Altynkol is equipped with Rubber Tyred Gantry (RTG) cranes, with a lifting capacity of 50 tonnes, for the transfer of containers from wagons of one gauge to another. These cranes operate in a container handling yard comprising loading and unloading tracks with a length of 1,050 metres (sufficient to accommodate entire trains of 50 wagons). In future, it is likely that all container transfers will be undertaken at the new Khorgos Gateway Dry Port.

Altynkol currently handles about 300 container wagons a day (both in and out), or approximately 210,000 TEU per year.



Photos 1 and 2: Containers dominate the traffic mix through Altynkol

For container traffic, all wagon handling and border control processes at Altynkol were reported as taking 4 hours and 30 minutes to complete, per train. The Government has set a new target for these processes of 3 hours and 55 minutes.

(ii) <u>Meeting with Kazakhstan Customs at Khorgos International Centre of Border</u> <u>Cooperation (0930 hours 26 April 2016)</u>

The meeting was held in the customs office at the main road border crossing point. Present were the director of the facility, 4 customs staff, and the UNESCAP team.

(a) Border control for trucks

Last year (2015), approximately 1,100 trucks entered and exited the border crossing. This year to date, 363 trucks, equivalent to about 1,244 per annum have passed through the border control point, suggesting that the number in 2016 could be about 13 per cent higher than last year.

Trucks passing from Kazakhstan into China can complete border formalities on the Kazakh side in 30 minutes, whereas trucks passing from China into Kazakhstan take on average 1-2

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