

# National transport strategy pledge of Armenia's overcoming "semi-blockade"

Interview with Gagik Aghajanyan, Director of Apaven International Freight Forwarding Company

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- Thursday, April 28, 14:43



*“APAVEN” is a big Freight Forwarding company in Armenia and abroad. “APAVEN” was founded in 1993 and now has its offices, technical and human resources in key transportation points, e.g. Poti, Tbilisi, Novorossisk. It is represented in 40 countries. It has three autonomous motor enterprises, including two in Georgia and one in Armenia. It owes the largest custom terminal in Armenia located in the area of 85 thousand meters with its auxiliary facilities. The company processes over 50% of all containerized cargoes related to Armenia.*

***Mr. Aghajanyan, freight activity tariffs have recently risen significantly after fuel price hike. In particular, starting March 1 the tariffs for use of the Ilychevsk-Poti and Novorossisk-Poti ferries grew. How significant is that price hike and will it have a chain reaction on the goods imported by Armenia?***

Raising of tariffs for cargo traffic, which we permanently see, does not always much affect the cost of the essentials imported to Armenia. The tariff may change by a dollar or two per ton of the goods transported, let us say, by train. As for transporting by the ferry-boats, it has recently grown in price, though the tariff policy has not changed, it remains the same. This practice is applied in all over the world depending on the fuel tariffs. All the expenses, except the fuel price, are involved in the cargo traffic tariff. This is the so-called BAF, used in all over the world as the fuel tariffs always fluctuate.

Since 1 March the cargo traffic tariff by the ferry-boat Ilichevsk-Poti has grown by 10% - \$350-350 for one carriage; and \$250-270 - by the ferry-boat from port "Kavkaz" to Poti. If we take into account that one carriage is about 60 tons, the tariff grew by \$4-5 per ton, which is too much. If the fuel tariff grows again, the cargo traffic tariff growth is unavoidable.

***I still try to specify your conclusions...***

We should calculate the ratio between growth of tariffs to raising of prices for the essentials. For instance, the transport component is added to the grain price imported to Armenia. But the cost of the good is formed under the influence of large expenses for the energy. The grain had to be sowed and harvested and fuel was used for that - here are the main expenses. That is to say, growing in price of grain starts from growing in price of fuel at the initial stage of its production and at the final stage the price for shipment is added. We

can calculate the shipment price and say that during transportation of goods they may grow in price, let's say, by \$2 because of raising of the fuel price. But we cannot calculate the whole chain reaction, as we don't know how the prices were formed from the very beginning.

***Armenian politicians speak of the Georgia's extortionate tariff policy towards Armenia quite frequently. What do you think about it?***

Georgia's extortionate tariff policy with respect to Armenia is a myth. Very often some Armenian politicians speak of Georgia's predatory tariff policy with respect to Armenia. I disagree pointblank with this opinion and I'll bring a specific example to substantiate my position. The maximum price of handling of one ton of cargo or 20 ft container in the port of Poti ranges from 200 to 250 USD. The minimum price of cargo handling in the Long Beach Port of Los Angeles, for example, is no less than 500 USD. In the port of Rotterdam the price of cargo handling is about 300 EUR. At the same time, in Poti the same containers may be handled for both 150 and 200 USD depending on their volumes. As compared with Novorossiysk, the tariffs at Georgian ports are quite acceptable. According to him, over 18 years Apaven has been working with Poti. So, the comparative analysis between Poti and over 80 ports the company deals with is mostly in the Georgian port's favor.

***Technical modernization of customs points and terminals on the border with Georgia is much spoken off today by the State Revenue Committee has been recently. Have you observed any facilitation of the customs clearance and border crossing procedures?***

There are really some changes in the procedure of customs registration on the border. As a specialist, I can say that certainly there is some progress, but the progress is very slow. As compared with the Georgian customs office, we have a lot to do. Armenia's customs offices are at a disadvantage as compared with the Georgian ones by quality and service. Georgia has the one-window principle and strict schedules for the citizens and trucks of all countries, not only Georgia. That is to say, the document handling must take a few minutes, if it takes more, this is an emergency situation for them. I cannot say the same thing about our customs office, though the situation Armenia used to be much better than in Georgia. Today it is objectively better in Georgia and we should follow their example.

***South Caucasus Railway Company has repeatedly announced that its freight activity tariffs will be left unchanged despite the price hikes in the world. What do you think about it?***

Transfer of the Armenian Railway to the concession of the Russian Railways was a big achievement for Armenia. The people engaged in freight forwarding especially feel the positive changes in the activity of the South Caucasus Railway. Over the last 20 years we had been exploiting our railway without making any investments in it. Now, rails and infrastructure are repaired and modernized throughout the country. Despite the lack of new rolling stock and the imperfectness of the main highway, we are sure that our cargoes will not turn over. A few years ago it would take some 3-4 and sometimes even 5 days a freight carriage to arrive in Yerevan after crossing the Georgian border. Now this ways takes a day. It is an achievement, as higher speed requires fewer costs. I is the result of the South Caucasus Railway's (SCR) good work. We are not rivals with the SCR. We are rather partners that try to find ways to cooperate.

***What about your relations with insurers?***

Yet before introduction of MTPL in Armenia, we were used to insure our freight and vehicles, third party liability and our activity in general. We joined the British TT Club by making a serious contract with them.

It is rather an expensive pleasure, but they have insured us against anything. However, we cooperate with local insurers as well.

***An agreement on construction of Vanadzor-Fioletovo railway section has been recently signed in Yerevan. Will it bring any changes to the activity of your company?***

The agreement on construction of the Vandzor-Fioletovo railway spur was the best news for me this year, for exploitation of this railway spur will cut the way to the Georgian border 20%. Since 2004 I have been stressing the necessity of that project. In 2006 I wrote a letter to then Prime Minister Andranik Margaryan who

was the head of the Millennium Challenge Account Armenia Governing Council. He welcomed that project and promised to implement it on the budgetary funds if the U.S. provides no funds for that purpose. Cutting the railway by 20% - from 300 km to 220 km - is rather essential. In addition, we will have a ring rail line throughout Armenia. It is the shortest way from the North to the South, from Gyumri to Zod etc: There are many benefits, leaving aside new jobs and others.

***What Armenia should do to overcome the “semi-blockade” state? Will construction of new roads and other measures aimed to make the country more attractive for transit help the country?***

One of the steps to lead Armenia out of the "semi-blockade" is development of a national transport strategy. Actually, we are in a state of semi-blockade. But a number of steps can be taken to improve the situation. In particular, we must have our view of transport development inside our country. I mean a range of issue related to terminal services, border crossings, customs points, motor transport, railway, aviation, various duties, taxes etc: We need a unique system developed for such country as Armenia i.e. in semi-blockade. The country needs a maximum facilitated transit system, first of all. Such system will provide Iran and Georgia, the countries we use for transit, with such opportunities that will make it possible for Armenia to become not just user but their equal partner. Aghajanyan is sure that it is necessary to seriously think about this issue and create optimal conditions at least for transit from Iran and Georgia and the vice versa. Once there was a similar situation in Georgia, but that country liquidated visas, created maximum facilitated conditions to attract freight activity and tourists. Armenians made no tourist tours to Georgia before, unlike the recent period of time.

Georgia introduced an infrastructure use tax for foreign freight vehicles and the Armenian Transport Ministry delegation had already discussed the given issue in Tbilisi. In addition, the issue was discussed also during the visit of the Georgian prime minister to Armenia. The given issue is a very big problem given that both Armenia and Georgia have mutual claims. Thus, Armenia needs a national transport strategy to settle such problems.

***What Georgia is discontented with?***

By making an intergovernmental agreement Armenia and Georgia exempted each other of all possible fees and duties and strictly observed the agreement for a long period of time. Later, some insignificant discrepancies began. An institute of brokers was introduced in Armenia and their paid services became a burden for motor vehicles arriving in and leaving Armenia. Then, MTPL was introduced in Armenia, which is applicable to all motor vehicles arriving in Armenia. It is done with rather unsavory methods. For instance, a temporary stay for 15 days faces a minimal insurance for a month. A foreigner that stays in

Armenia for a couple of weeks have to pay for a month-term of insurance. In addition, Aghajanyan said, all this is a matter of small non-principal amounts of sums, whereas Georgia introduced a duty of 200 laries or 115 dollars for trucks only. All the other foreign vehicles face no problems in the territory of Georgia, which shows that Georgians do not pounce on every lari. Therefore, it is necessary to regulate the situation. After all, it is Georgians and not us that have gained from the situation. Such issues require a statesmanlike solution and national policy reflected in a national transport strategy.