

Race hasn't started yet but it's already lost

On January 18, the direct container train from China arrived to cargo railway station in London for the first time ever. The PRC once again demonstrated its interest in European markets expansion. The route Yiwu-London went through 7 countries: Kazakhstan, Russia, Poland, Germany, Belgium and France. It is noted that London became the 15th city that received the direct rail link with China within the project "New Silk Road" through the Trans-Siberian Railway. During 18 days the train covered the distance of 12 thousand kilometers, while the standard container transporting cost equaled USD 4,600.

It should be noted that the railway delivery is twice faster than shipment by sea. Containers would reach the destination point during 30-35 days by sea. But it is worth considering that delivery cost by sea is twice cheaper.



How this news threaten Ukraine? This train casts doubt on the prospects for development of Ukrainian-Georgian project "Silk Road" beyond Russian Federation. No secret that in recent years Ukrainian authorities have sought ways to recover cargo volume transit through the country in connection with the ongoing trade confrontation with Russia.

An ambitious project "Silk Road" through Ukraine should be the way out of this situation. On January 14, 2016 Ukraine, Azerbaijan, Kazakhstan and Georgia signed a protocol on preferential tariffs for cargo transportation beyond Russian Federation. Already the next day Ukraine sent the first container train from Chernomorsk port to China. The way to Chinese border took 16 days, and the transporting cost of one container reached USD 6,500.



A bit later Ukraine and Lithuania signed a memorandum on the merger of "Silk Road" project through Ukraine and China with "Viking" project. This step helped to extend the railway route from China to the Baltic countries through Ukraine.

Ukrainian project almost has not moved from the dead point during the year, and the only test train returned empty on April 17, 2016, due to the lack of interest from potential customers. After that the route became unclaimed due to its high cost. According to the Ministry of Infrastructure, the department understands that objectively it is cheaper to transport containers through the Trans-Siberian Railway, which is fully serviced by the railway. In Ukrainian case, intermodal transportation is involved, which creates an additional financial burden.

To attract carriers, it is necessary to make the route more competitive. According to the information received, the Ministry is looking for opportunities to reduce the cost of Ukrainian route. To achieve this it is planned to lower port charges and attract new players including Turkey and the European Union to ferry transportations. Over the last month "Georgian Railway" has made a decision to prolong preferential tariffs for goods transit to/from Ukraine. Along with that, JSC "Ukrzaliznytsia" repaired a rail ferry, which should become a new element of "Silk Road" in future.

According to Deutsche Bahn, while Ukraine is looking how to enhance competitiveness of its project "Silk Road", 40 thousand containers were delivered from China to Europe by rail in 2016. It is expected that before 2020 the annual flow will increase up to 100 thousand units.

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