



Ministry of Road transport of Turkmenistan
Institute of strategic planning and economic development of Ministry
of economy and development of Turkmenistan

Road transport of Turkmenistan - 2012

Excutive summary



ROAD TRANSPORT IN TURKMENISTAN – 2012

IRU BLUE BOOK on Turkmenistan

Executive summary

Ashgabat 2012

Introduction

Turkmenistan is a state in Central Asia located between the Caspian Sea in the west and the Amu Darya River in the east. The country's territory spreads over 1,100km from the west to the east and 650km from the north to the south. Turkmenistan covers a total area of 491,200sq km. The northern and eastern neighbours of Turkmenistan are Kazakhstan and Uzbekistan and in the south-east it is bordered by Afghanistan and Iran. In the west, the country is bordered by the Caspian Sea.

Turkmenistan possesses an impressive potential of natural resources and production capacities. In addition, its geographic location is highly favourable for further integration into the global economy.

In the geographic context, Turkmenistan occupies a prominent position not only in Central Asia and the Caspian Basin but also throughout the Eurasian expanse. Turkmenistan is going to play a principal role in the creation of the East – West and North – South transport corridors. The President of Turkmenistan, His Excellency, Mr Gurbanguly Berdimoukhamedov, pays great attention to the development of transport. In his statement to the United Nations 66th General Assembly, the President of Turkmenistan pointed out that, "For several years, our country has worked actively, in collaboration with our partners in the region, to realise large-scale projects in order to optimise transport traffic flows in the Eurasian expanse. We regard this as a highly promising area of activities taking into account the great potential of the North – South and East – West corridors. Their efficient use can serve as a powerful impulse for the development of economic and trade relations on a continental scale. Taking this into account, Turkmenistan proposes to start the development of a Special UN Programme on Transport Development that should envisage a study of transit-transport opportunities on the territory between the Black and Caspian Seas, Central Asia and the Middle East."

1. Turkmenistan's Macroeconomic Growth Indicators

In the global community, Turkmenistan is the world's first state to possess the neutral status recognised by the United Nations. Turkmenistan's policy is a policy of peace, friendship and good neighbourliness, which makes it possible to work steadily and consistently on large-scale reforms in the oil and gas, transport, construction, chemical, power, agricultural, textile and other economic industries, as well as in the social sphere.

During the years of independence, the economy of Turkmenistan has been dynamically developing. These developments can be seen from the growth of the aggregate indicator – the gross domestic product (GDP). Suffice to say that Turkmenistan's GDP during 2007-2011 increased by 3.6 times in the current market prices.

Over the years of independence, the country's GDP structure has undergone positive changes, which were seen in the growth of the industrial / investment sector and infrastructure related industries. At present, the share of industrial production in the GDP is steadily increasing and in 2011 it amounted to nearly half of all the newly created value in the country. The GDP structure shows a steady increase in the share of the construction industry that was equivalent to 14% in 2011. In 2011, in the share of the GDP structure of agriculture amounted to 10.0%, transport and communications – 4.5%, trade – 5.9%, and other service industries – 16.7%. The changes taking place in the GDP structure of Turkmenistan indicate the economy's active transition to the diversified and industrially innovative type of development.

Turkmenistan is known as a country with a highly developed oil and gas industry. On an equal footing with this industry, during the period of independence, the oil refining industry also developed rapidly, as well as that of textile and food production, all of which were technically and technologically equipped in accordance with international standards. At present, a solid foundation is being laid for the development of chemical and petrochemical industries, production of construction materials, as well as engineering and metal production. The combination of the above factors creates on one hand a material basis for the development of transport infrastructure and on the other hand, encourages a dynamic growth of technological and economic indicators of transport industries.

Recently, Turkmenistan has already considerably diversified its routes for foreign deliveries of hydrocarbons by means of a mega project for the gas pipeline “Turkmenistan – Uzbekistan – Kazakhstan – China” and for the second gas pipeline from Turkmenistan to Iran “Dovletabad – Serakhs – Khangeran”.

A large scale project of the gas pipeline Turkmenistan – Afghanistan – Pakistan – India (TAPO) is currently being rapidly developed.

Turkmen specialists are working in collaboration with foreign partners in order to analyse projects for the Caspian and trans-Caspian gas pipelines and other major energy supply lines, including “Nabucco”, the realisation of which will aid further development of broad international cooperation in the power industry.

On the initiative of the President of Turkmenistan, a decision was taken to build up a circular network of natural gas fields, to expedite the realisation of new export lines of gas and to increase domestic gas supply, including the construction of the “West – East” gas pipeline of about 1000km with a capacity of 30 billion cubic metres. The construction of this new gas pipeline will allow the transportation of natural gas. The construction of this new gas pipeline will allow the transportation of the natural gas from the rich gas fields in the east of the country through the projected pre-Caspian gas pipeline to foreign markets.

The adoption of the Resolution “Reliable and Stable Transit of Energy and its Role in Ensuring Sustainable Development and International Cooperation”, on the initiative of President of Turkmenistan, Gurbanguly Berdimoukhamedov, was of exceptional importance and is aimed at resolving the global problem of energy safety provision.

The significant projects of this era of new Renaissance include the formation of a national tanker fleet for trans-Caspian transport, as well as the reconstruction and creation of new terminals for storage and trans-shipment of energy products.

A gas processing plant and an onshore gas terminal were constructed in July 2011 in Kiyarly, which characterises the beginning of the industrial development of natural gas on the Turkmen shelf of the Caspian Sea. In turn, this enables the diversification of home energy routes for foreign exports. Initially, these industrial objects are able to refine and prepare for export up to 5 billion cubic metres of gas; in the future this capacity could be doubled.

Turkmenistan is engaged in active foreign trade. From 2000-2011 the volume of the country’s exports increased by more than 6.7 times and imports by 6.4 times. In recent years, the positive balance of foreign trade has remained stable, which signifies the stability of the country’s balance of payments.

Today, Turkmenistan has a clearly formulated objective – diversification of the national Turkmen natural gas deliveries and creation of a reliable and stable system to bring Turkmen energy products to international markets. Petroleum and petroleum products account for a considerable share of the country’s exports. They are predominantly transported by sea and

rail transport.

The imports of the country are dominated by technological equipment for production purposes. In 2011, 102 countries were engaged in trade relations with Turkmenistan, which demonstrates the extent of the country's international relations and its geography of transport links. Turkmenistan's main trade partners are China, Turkey, Italy, the Emirates, Russia, the Republic of Korea, Germany, the USA, France, Ukraine and others. The imports are mostly carried by rail and road transport.

Turkmenistan pursues an active investment policy. From 2007-2011, the investments in the national economy increased by 8.6 times. This resulted in a considerable growth of basic assets in the economy. During this period, a number of social and production facilities were constructed, in line with global standards. In turn, this demonstrates that the current Turkmen economic policy creates favourable conditions for investment. In 2011, a considerable share of capital investments (39%) went into construction of projects in non-productive industry.

The share of foreign investments has been steadily increasing in recent years, which is an indication of the growing confidence of foreign investors in our country, its economic reforms and policies of the President of Turkmenistan. In 2011, the share of foreign investments was in excess of 21%, which is the result of the large-scale work by the President of Turkmenistan, H.E. Mr Gourbanguly Berdymoukhamedov, aimed at attracting foreign capital to the country's economy.

The Turkmenistan's market attractiveness results from the stable social and political situation, sustained growth of the national economy, stability of the national currency, strong resource potential and reliable legal framework that provides guarantees for investments in accordance with international requirements.

The legal aspects of the foreign investors' activities and companies with foreign capital in the country are regulated by Turkmenistan's laws "Enterprises", "Foreign Investments", "Hydrocarbon Resources", "Investment Activities", "Currency Regulations" and other legislative acts and by international agreements in force on the territory of Turkmenistan.

The national legislation "Foreign Investments" provides for concrete guarantees of legal protection for the activities of foreign investors and companies/enterprises with foreign investments.

In the area of legal protection for foreign investments, the current legislation in Turkmenistan stipulates equal rights for foreign and national capital, that is, equality of legal operating procedures and the use of profits from investments. Furthermore, capital protection is envisaged both in the form of commodities (machinery, equipment, etc.) and in monetary assets (credits, financial services, etc.). In cases when on the grounds envisaged by legislation, the company's assets are expropriated, the foreign investor is guaranteed an equitable compensation.

The registration procedures for companies/enterprises with foreign investments, their branches and offices, and offices of foreign legal entities are carried out by the Administration of State Registration of Legal Entities and Investment Projects of the Ministry of the Economy and Development of Turkmenistan.

Over the period under review, investments in the transport and communication industries in the country increased by 19 times. The share of these industries in the overall amount of investments in fixed capital equates to 12-14% annually. All factors combined show that the transport and communications industries are a priority in Turkmenistan's economic development.

2. Overview of the Transport System in Turkmenistan

The current stage of socio-economic transformations in Turkmenistan is a period of institutional reforms aimed at the creation of efficient market mechanisms. The main national interests in the economy are concentrated in the following areas: increase in economic competitiveness and its effectiveness and sustainability, elimination of structural disparities and integration into the global economy. The transport system is becoming the basis for Turkmenistan's effective integration into the global community with a status that corresponds to the level of a highly developed state.

At present, a steady increase in the role of the transport industry in the country's economy is being observed. The share of transport and communications in the country's GDP equates to 4.5% in 2011.

Turkmenistan has a wide variety of modern transport and possesses a widely ramified network of rail, air, road and sea transport and a well developed system of pipelines. The overall length of railway tracks is more than 3,500km, and the length roads is 13,700km, 12,300km of which have hard road surfacing.

Large-scale works are being carried out in Turkmenistan to modernise its road transport infrastructure in order to activate trade and economic cooperation not only in the Central Asian region but also on a global scale. A clear example of modern advanced construction is the flyover constructed on the highway connecting the international airport in Turkmenbashi City and the Avaza national tourist zone. Chandybil Avenue, which has been attested by the CETE APAVE Cudeurope Certificate and which conforms to the standards of the American Association of State Highways and Transportation Officials (AASHTO) and European standards is another infrastructure project that has been commissioned.

The President of Turkmenistan has received the highest award of the International Road Transport Union (IRU), Grand Prix d'Honneur, which marks his significant contribution to the development of an efficient transport system in the region, his outstanding activities to promote the development of trade and international road transport operations, as well as his judicious domestic and foreign policies.

Modern types of transport are regularly purchased in the country, including the Boeing aircraft, diesel locomotives and railway cars, sea transport (tankers, bulk carriers, etc.), various kinds of road transport vehicles and agricultural machinery.

A new, state-of-the-art airport has been put into operation in Turkmenbashi City that accommodates 800 passengers per hour and up toxic aircraft at one time. The airport is equipped with the latest technologies and provides passenger and crew comfort, which significantly promotes the development of tourism in the region. This airport serves airliners flying from South and South-West Asia and is set to become an important transit point. Taking into account the commissioned freight terminals, the Turkmenbashi airport is also a major modern freight hub.

The reconstruction of landing strips in accordance with international standards and the recommended ICAO practice is being carried out at all airports in Turkmenistan. In addition, the works to further develop the competitive international airport in Ashgabat are continuing

The main objectives of water transport are the execution of state orders and assignments for freight transport in the Turkmen sector of the Caspian Sea and along the inland waterways of Turkmenistan, ensuring normal operation of the fleet, pontoon and ferry crossings and marine and river landing stages in the transport and handling of freight, which are of strategic importance for the national economy and necessary in order to ensure the activities affecting the daily lives of the country's population.

The Turkmenbashi sea port is currently being reconstructed and re-equipped technologically, enabling an increase in the number of foreign vessels to 150-200 ships. The Turkmenbashi

City will rightfully become the “sea gates” of Central Asia.

The Turkmenbashi seaport is located in the central section of the TRACECA transport corridor and hence is a multimodal hub where the crossroads of road and rail meet and which connect Central Asia and Europe. Taking into account the planned investments and development programmes, Turkmenbashi will become one of the best ports offering the entire range of logistic services in the Caspian region. In the near future, the foundations will be laid for the creation of transport logistic centres, special zones and freight handling terminals in accordance with international standards. After the completion of all restoration works, the international economic trade relations of Turkmenistan will significantly increase.

On the initiative of the President, His Excellency Mr Gurbanguly Berdimoukhamedov, Turkmenistan joined the Programme of the Central Asian Regional Economic Cooperation (CAREC) that represents one of the foremost programmes initiated by the Asian Development Bank. In March 2011, the ADB Board of Directors approved a loan to support the funding of the “North – South” railway project in Turkmenistan, which includes the purchase and installation of the electric supply, signal and telecommunication systems along the 311km section of the railway.

During the period of independence, a large-scale construction of railways and roads was launched in Turkmenistan. The railways constructed have the following destinations: Tejen – Serakhs – Meshkhed, Ashgabat – Karakumy – Dashoguz and Turkmenabat – Atamyrat.

Today, all initiatives proposed by the Head of State are bearing fruit. In particular, a new railway line is being built, namely, Uzen – Kyzylkaya – Bereket – Etrek – Gorgan, extending 697.5km. This rail artery will serve to connect, in the shortest way, European countries, Russia and Kazakhstan with Iran, and will open access to the Gulf coastal area and Gulf countries. The railway bridge built over the Amu-Darya River at Atamyrat has been instrumental in expanding trade and economic relations with neighbouring countries.

The results achieved over this period, especially in the last 5 years, show that the basis for further growth of the transport sector has been formed. In accordance with globalisation and taking into account the expanse of Turkmenistan’s territory, the competitiveness of its economy will very much depend on the efficient development of the transport and communications sector. The competitiveness of national products, services and the economy as a whole will be enhanced by the creation of a high technology transport infrastructure, in accordance with the state’s transport and transit policy.

The strategic development of transport communications is being realised from all perspectives. The main objective of the state transport policy is the formation of a high-efficiency national transport system, which should take into account the demand for freight and passenger transport, increased safety and better quality services. Furthermore, this includes the creation of conditions for financial rehabilitation of transport enterprises through investment activities, and measures to increase competitiveness of national transport operators in the domestic and foreign transport markets.

3. Road Transport Industry of Turkmenistan

Road transport, one of the most important industries in the country’s economy, is an intrinsic part of the integrated transport system. Currently, any further development of the economy is inconceivable without well-organised road transport support. In many respects, the precision and reliability of road transport operations ensures the adequate performance of industrial enterprises, construction projects and agriculture. Road transport, along with other modes of transport links, supports the output and turnover of industrial and agricultural products while also satisfying the population’s mobility requirements.

It should be noted that road transport differs from other transport modes as in recent years the industry has seen a substantial growth in the carriage of international freight. The reason for this growth is road transport’s great flexibility and ability to deliver freight directly to the

consignee with no additional reloading required. Road transport's mobility makes it possible to rapidly respond to any changes in passenger and freight traffic.

The overall result is that the volume of freight turnover by road transport shows more dynamic growth rates compared to other means of transportation. From 2000 to 2011, the volume of freight carried by road transport increased by 2.6 times. Yet, another factor that contributes to greater freight turnover by road transport has been an increase in the average distance of deliveries.

Passenger transport by road also experienced high growth rates, with volumes from 2000 - 2011 increasing by 1.85 times, while passenger turnover increased by 3.2 times.

Important road transport routes have been laid across the territories of the country's five administrative regions, connecting them with the capital Ashgabat. For Turkmenistan, the transport, trade and political importance of these routes is continually increasing. The import of manufactured products from Europe and Asia grows steadily, with the same being true of the export of hydrocarbons and manufactured products from Turkmenistan. Thirteen active border-crossing points allow the transport of goods by road to all neighbouring countries in north, south, west, east, north-east and south-west directions.

A characteristic of the highway network in Turkmenistan is its radial structure with centres located in large cities and industrialised areas. The main highway routes that are used for transporting Turkmen goods run parallel to railway lines. Of greatest importance are the highways that run from Ashgabat to regional and local administrative centres, such as, among others, Ashgabat – Turkmenbashi, Ashgabat – Turkmenabat, Ashgabat – Mary, Ashgabat – Dashoguz.

The construction, modernisation and maintenance of roads in Turkmenistan, is managed by the Turkmenavtoyollary State Concern, which has modern road construction technology at its disposal. The significant amount of development in the Turkmenistan road transport industry is reflected in the steadily increasing volumes of investment in the industry.

Taking into consideration Turkmenistan's specific geography and climate, there are 1,911 bridges in operation on its territory and 90 of these bridges were commissioned in the past 5 years.

For Turkmenistan on the whole, the increasing development and high technical quality of the highway network has become one of the main factors for the growth of road transport carriage of passengers and freight, which has had a positive impact on the socio-political situation in the country's regions. New roads are built and existing networks are modernised throughout the country. Dozens of engineering projects, such as traffic interchanges, bridges and flyovers are built along these highways. These projects contribute to a reduction in traffic congestion, allow for cleaner roads and ultimately improve the safety of road traffic.

Striking changes are visible in the appearance of cities in Turkmenistan. It is not only a matter of architectural transformation – bus and coach and taxi companies are developing and expanding their business, as are individual carriers. City bus lines and taxi services act as business cards for any city and are an intrinsic part of its transport infrastructure. The availability of modern public transport in the city, such as buses and taxis, are an indication of the general level of the region's economic development and the extent of the state's support of urban transport.

At present, with the exception of the private sector, the development of bus and taxi services is the responsibility of the Road Transport Ministry. This Ministry's activities are manifold – within passenger services alone there are many categories, from territorial to organisational.

The Ministry's vehicle fleet numbers around 2,500 buses and coaches. Today, passengers enjoy modern coaches such as Mercedes, Hyundai, Iran Hodro, Paz and Volkswagen to name but a few, totalling around 20 brands in all. The system of bus and coach passenger services represents the entire range of operations, such as regular transport, chartered transport, varying according to assimilation period, speed and tariffs. Vehicle classifications include general purpose vehicles, excursion and tourist coaches, service buses, school buses and rotation-work vehicles.

Today, there are 458 bus lines in operation along urban, suburban and long-distance lines, including 136 urban lines (59 of these in Ashgabat), 219 suburban services and 103 long-distance services.

Urban bus transport operates within cities and urban-type communities, and is the greatest share in the total volume of bus and coach passenger transportation at around 80%. A specific feature of urban transport is the great disparities in the number of passengers carried during various periods of the day and night. These carriages follow specified routes according to regular schedules.

Operated by the Road Transport Ministry, urban bus transport in Turkmenistan offers passengers a wide range of reduced tariffs and fares. As an example, transport is free of charge for World War II (WWII) veterans and other war veterans granted the same rights, widows of those involved in WWII and other wars, physically disabled persons categorised as 1st and 2nd grade, and children under the age of 7. In addition, a monthly season ticket is available for pensioners and high school students at a reduced price.

Commuter passenger transport covers distances up to 50km across the territory of the administrative region or district adjoining the city. Its typical feature is that the number of passengers it carries increases on pre-weekend days and during summer months. Some commuter passenger lines are serviced by buses from city lines if these lines run beyond city boundaries. Many commuter routes cross rural areas of administrative regions and districts, as well as local administrative centres.

Long distance operations are organised along nationally chartered highways over distances more than 50km. The passenger turnover on long distance coach lines is 12% of the overall volume of passenger turnover of bus and coach transportation.

Excursion and tourist services are provided by general purpose coach transport and service transport along prescribed regular routes, and upon special request from organisations. The planning and organisation of transport operations are carried out in conjunction with the State Tourism and Sports Committee of Turkmenistan and also under contract with tourist agencies.

The main purpose of passenger service transport is to facilitate the employees commute to and from work.

School bus services are predominantly organised during large events in order to transport children to the site of a performance, athletic competition, etc.

Rotation-work bus transportation of oil, gas and construction teams is performed along specially designated routes, to and from the site which above all concerns cases where oil and gas production wells, construction sites and other enterprises are a long distance from residential areas and urban bus services. Bus and coach transportation is performed using contracts with companies, organisations and members of the public and even on a one-off basis.

Taxi services provide for people's individual requirements for travel. A distinctive feature of taxi services is the high intensity of work and high daily mileage that they have to cover in busy city traffic. The greatest demand for taxi services is during morning and evening hours.

The Road Transport Ministry manages taxi services in Turkmenistan, employing Hyundai Elantra cars with 300 of these supplied to Turkmenistan in 2010. These well-equipped, modern sedan cars provide comfortable conditions for passenger travel in and around Ashgabat city.

Regarding road traffic safety provisions, there is a whole series of regulations, requirements and standardised documents now in force in Turkmenistan. Furthermore, there are special road traffic safety services in operation at the ministries and departments that have motor cars, tractors and/or other vehicles at their disposal, and also at road transport companies and road transport associations. Various documents such as a log book of road accidents, a ledger recording road safety courses attended and inspection records on conditions of road transport routes, etc. have entered into force in Turkmenistan as a means to support the safe performance of road transport. This includes the law "On Road Traffic Safety" which was passed in Turkmenistan in April 2012.

4. International Road Transport Operations

His Excellency President of Turkmenistan Gurbanguly Berdimoukhamedov has repeatedly emphasised that the most important priorities in the further development of economic reforms should be the creation of new transport corridors, research for new markets and, specifically, an active marketing of foreign trade policy has to be pursued.

International road freight transport between Turkmenistan and other countries passes through the following 13 border crossing points: Artyk, Gaudan, Sarakhs, Bekdash, Gudriolum, the ferry crossing at Turkmenbashi, Dashoguz, Kyoneurgench, Farap, Gazachak, Talimerjen, Ymmamnazar and Serkhetabat.

An analysis of incoming road freight traffic highlights that Turkmenistan's road transport hubs in greatest demand are those in the Akhal administrative region (velayat), namely, Artyk, Gaudan and Serakhs. In the past six years, they have accounted for the greatest volumes of freight transported. The figures for 2011 are the following: the Artyk and Serakhs crossing points – 21% each, and the Gaudan crossing point – 19%. This amounts to 61% of Turkmenistan's imports and transit. Among the road transport crossing points of the country's other velayats, the most in demand are the Guduiolum point in Balkan Velayat and Farap in Lebap Velayat. The Guduiolum road transport hub accounts for nearly 20% of the import and transit traffic of Turkmenistan.

The growth of international road transport export freight in the period from 2005 to 2011 was 129%. In the structure of export carriages through Artyk, the overwhelming share, that is, 86% of exported freight, falls on foreign carriers and only 14% goes to national operators.

The main share of export traffic among foreign carriers goes to operators from Iran and Turkey. In recent years, however, the geographic scope of carriages has been expanding and at present it includes Russia, Uzbekistan, Kazakhstan, Ukraine, Kyrgyzstan, Belorussia, Azerbaijan, Lithuania, Afghanistan, Tajikistan, Bulgaria, Romania and Latvia.

The volume of road transport transit operations across Turkmenistan's territory have been growing steadily. In the past six years, they have increased half as much again, reaching 36% of the total number of road transport vehicles entering the country in 2011. Furthermore, the structure of transit operations shows a positive trend of road freight transport market domination, with its share reaching 96.6% of the total volume of road transport transit, an indication of the attractiveness of freight transportation across the territory of Turkmenistan.

Turkmenistan offers great opportunities and far reaching possibilities for transit potential development, currently there are 55 road transport operation routes. The most used transit routes across the territory of Turkmenistan are Artyk – Farap and Farap – Artyk. They account for 45% of the total volume of road transport transit across Turkmenistan. Other routes in demand are Farap – Sarakhs and Sarakhs – Farap which accounts for about 25%

of transit transportation. There are also active transit routes at the Ferry Crossing at Turkmenbashi City (hereinafter, Ferry) – Sarakhs, Ferry – Bekdash, Ferry – Gudurohum, Ferry – Farap, Ferry – Ymmamnazar, and Ferry – Serkhetabat. In recent years, the traffic along these routes has increased more than two-fold. This is an indication of the ever greater development of infrastructure and intermodal carriage.

A factor of great importance in road transport operations is border crossing procedures in scheduled and non-scheduled road transport communications. At present, a considerable volume of international road transport operations is carried out under cooperation agreements between two (or more) countries.

Special attention in road transport operations is given to providing safety guarantees for vehicles. This is achieved by introducing civil liability insurance in international road transport operations. Today, the insurance market in Turkmenistan offers its clients more than 40 types of insurance.

In addition, the Road Transport Ministry of Turkmenistan is also empowered to grant permits for foreign vehicles to take on cargos in the territory of Turkmenistan under the international CMR consignment note. The CMR consignment note is issued in accordance with current regulations of customs clearance and registration of goods carried by road transport. The regulations currently in force were drawn-up in accordance with sections VI and VIII of the Customs Code of Turkmenistan and the Convention on the Contract for the International Carriage of Goods by Road (**CMR**) of 19 May 1956.

At present, work is underway on the Republic's draft law "On Road Transport" that should establish the status of participants in the road transport industry, formulate the tasks, principles and mechanisms of the state's regulation in road transport and set the overall regulation procedures for the road transport operation.

Both local and foreign logistic transport companies engaged in freight deliveries operate successfully in the territory of Turkmenistan. Up until now, their capacities have been sufficient to meet customers' requirements, but the annually increasing freight traffic, coupled as it is with the rising demand for transit transportation across the territory of Turkmenistan, calls for rapid development of transport logistics in the republic. The World Bank publishes annually its LPI report (basic indicators of logistics efficiency) on a survey of more than 150 countries, based on 5,000 separate assessments. The report contains data on availability and development in the country of customs and other border procedures, transport and infrastructures equipped with information networks, availability of deliveries, the legal framework of logistics, deliveries monitoring systems, delivery schedules and more. According to this report, Turkmenistan has acquired the category of "partial performer". However, the country's Government has in recent years intensified its efforts directed towards the introduction and development of logistic services in the transport sector.

By modernising the material production sector, our country will develop the sphere of logistic services at a fast rate and with a new, innovative level of quality. Logistics must become one of the priority geo-economic areas for Turkmenistan, even more so as the new sector will not require any excessively high expenditure; the rate of return and value added are appreciably higher than in the area of material production. Logistics on the basis of information technology is today becoming the most efficient instrument to manage economic entities and businesses throughout the world, as it can reduce the cost of transportation and achieve faster turnover of financial resources. The paramount principle of the logistic system is to deliver the freight to the customer on time with optimal financial and material expenditure, over the shortest possible distance and in the shortest time. As practical experience has shown, the right logistics could achieve a 15-20% savings in expenditure related to production and delivery of goods to the customer. A 1% reduction in logistics costs is equivalent to a 10% increase in the volume of transportation.

Due to its geographic location, Turkmenistan has a chance of becoming a promising and competitive element in the system of international Euro-Asian transport corridors and

logistics centres. The task is to facilitate the interaction of all types of transport: railway, road, air, river and marine, oil and gas pipelines and electric power transmission. In view of this, Tajikistan is launching a whole number of large-scale projects that are intended to provide a powerful impetus to the development of transport logistics.

As a case in point, a project is underway in Turkmenistan carried out within the European Union's TRACECA Program for Central Asia. It envisages creation of an international network of logistics centres/hubs in Central Asia. Within this project, construction of an international logistics centre is planned at the Turkmenbashi seaport. The Turkmenbashi port has an advantage in that it is located strategically at an important place on the Caspian coast. Turkmenbashi is a point of access to Central Asia and a centre of import and export of a multitude of goods. At the present point, large-scale investments are planned in the development of the marine ferry crossing terminal and port installations. The area of the prospective logistics centre is 12 hectares of land that has to be reclaimed from the Caspian Sea, and this is part of the plan to reconstruct the Turkmenbashi port. The logistic centre is going to work as a transfer point for international export, import and transit containerised freights, and will also handle consumer goods required for the local population and the territories around Turkmenbashi City. The earmarked expenses mainly consist of capital investments in construction, equipment and operational costs. The capital investments in construction and equipment are assessed at US\$42.4 million, and operational costs at approximately US\$3 over the first year, with a further increase as the freight traffic grows. It is expected that by 2020 this centre will be receiving freight traffic of 2,875,500 tons of which 1,915,500 tons will be containerised.

Apart from the Turkmenbashi port, work is underway to develop logistics in railway, road and air transport. This is associated with the fact that of all tonnage of freight transportation, more than 50% is transit.

The introduction of logistics in railway and road transport offers the most realistic prospects. The reason behind this is that about 30% of transit freights and 40% of Turkmenistan's own export-import traffic travels annually through the Serakhs railway customs office at the border of Iran.

There is one more development to be taken into account, which is the forthcoming commissioning of the new railway Kazakhstan – Turkmenistan – Iran. Its southern section reaches the Turkmenistan border at the Gudurolum crossing point. Turkmenistan, therefore, would be in an advantageous position to create a logistics centre in that region. Already today, more than 20% of road transport freights pass through the Gudurolum crossing point, while from 2012 railway transit freights are going to be handled here as well. From the moment the new railway begins operations, the operation load on the railway transport will increase by nearly 30%, even at half of its designated carrying capacity. What is most important is that all of the surplus load will be concentrated at the intersection of road transport and railway traffic at exactly this point, which is why the construction of a multimodal logistics centre in this region would be highly advantageous for Turkmenistan.

The Road Transport Ministry of Turkmenistan also plans to build an international road transport terminal in Ashgabat. The tender bids are at present being examined with a view to an expert assessment of the advantages they could offer. The project of the future international road transport terminal envisages a three-storey building of the terminal itself that can serve 2,000 people a day, complete with customs check and border control zones. It will include a hotel, a restaurant, a repairs and maintenance block complete with a vehicle washing facility, an attendant parking lot and a fire station. Furthermore, the terminal will have a business centre, booking offices for all types of transport, a medical centre, a currency exchange office, an Internet café and many other arrangements. Considering the hospitality and tolerance typical of the Turkmen nation with regard to confessions, the project also envisages prayer rooms. Furthermore, it also includes children's playgrounds, nurseries and a cinema hall coupled with a play room.

Another basis for the creation of a new logistics centre could be the new airline terminal in

Turkmenbashi. With its arrival and departure capacity for passengers and freights and the carrying capacity of the airport, it would be possible to blueprint and develop a multimodal type logistics centre. An advantage of this terminal is that it is favourably located at the centre of the already well-developed road transport and railway infrastructure.

The introduction of logistics in the real sector of the economy is also carried out by way of training seminars arranged for the personnel of the country's transport ministries, departments and agencies, and also for the employees of all economic structures in Turkmenistan.

The benefits of carrying out transport projects in Turkmenistan include the guarantees of the safety of freights and vehicles, along with the stability of law and order and well-being in the country. The core of these projects is the idea for the formation of a competitive transport infrastructure that can provide for handling large volumes of export-import and freight transit.
