



# We drove the first train with a **stopwatch**"

Ukrzaliznitsa loves to make news about container trains from China to Ukraine. The first trains started in 2020. Who dispatches goods by rail over such a long distance? There are several such companies, but the largest is "EU-Trans".

MINTRANS spoke with the general director of "EU-Trans" **Eugeny Balashov**, who organized rail container transportation between Ukraine and China.



**“EU-Trans” has been on the market for over 20 years. How did you come up with the idea to create a company? What is your main specialization?**

In the 90s, Ukrainian companies were engaged in the forwarding of non-resident carriages on the Ukrainian railway, since foreign companies could not do this, since the railway did not provide such a service to non-residents. “EU-Trans” started by providing railway tariff payment services for export-import and transit transportation. These were mainly companies from Russia. Transportation was carried out from Russia and Uzbekistan.

Today we own our own rolling stock - gondola cars, fitting platforms, chip trucks, grain carriers, forest platforms. We use gondola cars and grain carriers for work within the country. Chip trucks - on the Belarus-Baltic route. If we talk about fitting platforms and container transportation, then here it is 50/50. We work both on the Ukrainian market and on the international market. We process container trains from China to Ukraine. In Ukraine, we work with companies like TIS, LAUDE and send container trains from Yuzhny port to Kiev, western Ukraine, etc.

**Why did you decide to enter the container shipping market?**

We entered this market in 2017, when there was no great demand for container transportation. To be honest, we entered this market in order to organize the export of grain from Ukrainian elevators to ports. This business did not work out. I think it's just not yet time.

Then the business of delivering goods from ports across the territory of Ukraine began to develop, and we entered this market. We deliver a variety of goods that come to the port mainly from China. Now the market has begun to grow in connection with the general global trend towards containerization of transportations.

**In Ukraine, the first container shipments from China by rail were launched in 2020. What was the impetus for the development of this direction?**


By the time the transportation began in Ukraine, the China-Russia-Belarus-Germany route had already existed for 3-4 years. We closely followed these shipments and we had all the necessary information, that is,

we knew the algorithm for launching such shipments, technical requirements, etc. Our partners in these countries have worked with us on the possibility of launching container trains in Ukraine.

Several countries took part in the launch of this train - Ukraine, China, Russia and Mongolia. The train did not start immediately. We originally planned to ship it in December 2019 and it was supposed to leave the Wuhan. The choice of Wuhan is not accidental; Wuhan is one of the largest Chinese industrial centers. The city is in the center of economic and business connections and was the first to suffer. When the coronavirus hit, the train had to be postponed for six months due to the pandemic.

**How difficult was it to attract companies for the maiden voyage?**

We didn't attract clients for the first train, other companies did it. It was a very difficult process. The first customers actually paid for their goods, not being sure that this train would be sent. We were then engaged in organizing the route itself. Our task was to organize the whole process in Ukraine - this is coordination by the Ukrainian railways and the provision of traffic guarantees, coordination of the schedule threads, etc.



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**Transportation of goods from China to Ukraine and back is a complex operational process. How is it organized? Who is involved in it?**

It all starts with a client who declares his desire to leave China for Ukraine. He provides information on exactly where his cargo is located. After that, the application for transportation is accepted, we calculate the pre-carriage - this is the cost of supplying an empty container for loading to the sender's warehouse and delivery of the loaded container to the station of departure. A container train is formed from the containers accumulated in this way at the departure station. In China, container transportation is carried out by 40 foot (12 m) platforms. The train can move from 40 to 45 platforms. This train goes to the border with Mongolia, where at the Erlian - Zamyn Uud border crossing, containers are reloaded from Chinese platforms to CIS platforms. The track gauge in China and in the CIS is different. Mongolia, as well as Ukraine, has a wide track gauge of 1520 mm, so we provide

our platforms at the border with China. Then the train travels through the territory of Mongolia and Russia to Ukraine.

An important issue is customs. One of the important points is the coordination of the forms of documents that will be drawn up in China. There are many details to consider here - the SMGS consignment note must be filled out in Russian, it is extremely important to correctly reflect information on customs codes, weight and quantity of the transported cargo in a given container in invoices. When exporting from China, documents are filled out in English and Russian. When exporting to China - in Chinese. As a rule, there are no difficulties at the Mongolia-China border crossing. At the Ulan Bator - Naushki border crossing (between Mongolia and Russia Russian control is very serious. Failure to comply with the completeness and quantitative composition of goods in accordance with the documents threatens with the arrest or delay of the goods by the customs authorities.



We had two cases of uncoupling platforms. The problem is that during such a stop, the "hostage container" suffers, since we use 80-foot platforms, on which, in addition to the correct container (hostage), the intruder's container may appear.

It is important not to lose speed. We are walking across Russia at a speed of up to 1000 km per day; to achieve such a speed, considerable efforts are needed. We drove the first train with a stopwatch. For example, we timed deviations from the schedule when servicing trains at border crossings, junction and sorting stations, butt stations. On a section that is so long, with so many processing stations, seconds can pour out into hours, since the traffic along the route is very dense. It is very upsetting that after arriving at the Ukrainian border station, the train waits for a day while customs processes the accompanying documents. For example, on this day we can travel the distance from Kiev to Moscow. At first, in China, they did not understand what was happening. Why, having overcome 10 thousand

kilometers in 12 days, we travel for 6 days from the Ukrainian border to the client (about 300 km, taking into account processing at the terminal and auto delivery). The problem is not only in customs at the border, but also in checks at container terminals, which take a long time. So far, the demand is so serious that everyone is putting up with it.

#### **What is the advantage of container shipping over sea shipping?**

This route has become economically attractive for companies from the point of view of diverting financial resources - container shipments by sea last 40 days, and this is in case of favorable weather conditions. During this time, the product not only diverts funds for prepayment, but also, elementary, can become obsolete and lose its competitive advantages. If the shipper has the opportunity to deliver the goods in 14 days, he will take advantage of this.

#### **How can this process be accelerated?**

Changes are needed in the procedures performed by customs and the implementation of the right of the SMGS consignment note and the attached invoice, which has long been prescribed in Ukrainian customs legislation, to serve as delivery control documents.

#### **The railways of Mongolia and Russia have low traffic capacity. How can this issue be resolved?**

The number of container shipments has grown exponentially. Rhythmic transportation does not work either on land or at sea. Today, the container fleet has become scarce in China and it is not so easy to find a container for shipment. This surge happened in November-December last year after the end of quarantine restrictions. In fact, the planet stood for a year and a half, the factories did not work, no one produced a large amount of products, since most of the stores were closed. All stayed at home for almost a year. Now there is a demand for new equipment, cars, etc. All of this is overwhelmingly produced in China or with the use of Chinese components.

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#### **Can Ukraine be allocated, for example, additional plans for increasing the volume of container traffic?**

The railway administration needs to resume dialogue with all countries participating in this corridor, including Russia. Without this, nothing can be done. A constructive position is needed. This will help, among other things, to develop the country's transit potential. So far, Ukraine is not ready for such a dialogue. And this position is understandable, given the political circumstances in which the countries find themselves. If we can convince China of the reliability of our transport capabilities, this will become a significant argument for increasing the coordination of train dispatches both to Ukraine and from Ukraine for export to China.

#### **From China to Ukraine, goods are transported along two main routes - through Russia and Kazakhstan or through Russia and Mongolia. What are the advantages and disadvantages of each of them? Which one do you think is more profitable and why?**

On the route through Kazakhstan, the route to China is much shorter, but you need to understand that in this case, the goods are delivered to the western part of China, which is less industrialized and most of the goods still need to go to the eastern part of China, where ports and industrial complexes are concentrated.

Cargoes that go through Mongolia and Russia are delivered to the eastern part of China. The total difference in mileage is small. We are focused on transshipment along the Russian-Mongolian route, as it does not include the territory of Kazakhstan. In search of new opportunities, we launched a train along an alternative route - through Vladivostok. It also runs through Russia, a long section of which is overcome almost at lightning speed in 8-10 days.

We walk through the territory of Russia at a speed of 1000-1200 kilometers per day. We have developed this route as an alternative to the route through Mongolia, since the capacity of Mongolia's railways is limited, the infrastructure is insufficiently developed to handle a large number of trains.

### **Why install GLONAS satellite seals?**

The transportation of the overwhelming majority of the most popular goods from Ukraine through the territory of Russia to China is significantly complicated by the import ban issued by the Russian Government. The solution is to permit the import and transit of these goods, provided that controlled satellite seals are installed and removed at the borders on vehicles. With the GLONASS system, we can transport any groups of goods. A system for monitoring the movement of goods from Ukraine to third countries through the territory of Russia with the use of seals has been introduced for a long time. The restrictions are caused by the fact that, on the one hand, Russia wants to avoid interrupted transit, on the other hand, it is additional income for the companies involved. This imposes financial costs. Installing and using such a seal on the route can increase the cost of transporting a container by \$ 300-500. per container. The difference will depend on the length of time the container stays on the territory of Russia. This seems like a lot, but clients are adapting to it. Other mechanisms are important to boost exports from Ukraine. First of all, we must teach China to buy our products.

### **What groups of goods from Ukraine are potentially interesting to the Chinese market?**

Literally everything can go away. China is interested in purchasing timber, agricultural products, meal, cereals, etc. Ukraine could import metallurgical products and ore to China. You need to consider the cost. If Ukrainian goods enter the industrial cycle of Chinese enterprises, then this will provide planning for years.

### **What groups of goods are being transported from China to Ukraine? For which shippers is the railway attractive?**

Today we carry everything - bicycles, clothes, equipment, etc.

### **What is the shipping cost for the container itself?**

The cost of transportation from Ukraine to the border of China - today is about 3500 dollars. In the opposite direction, but this time including the territory of China, 12,000-13,000 dollars.

### **How much will the number of container trains increase?**

In the best months, we carried up to 7 trains a month. This figure can be increased to 10 trains per month. This will depend on the availability of a container fleet in China, now there is a shortage. In addition, the graphics and the bandwidth of the railway networks. If we establish rhythmic work, we will be able to attract new customers for export to China, which will also contribute to an increase in traffic from China due to the formation of additional container volumes there.

### **At the end of September, the first container train with export cargo from Ukraine to China was launched. Are there any problems along the way?**

There were no significant obstacles on the way. There was a documentation stop, but the issue was resolved pretty quickly.

### **Are you planning to send the second container train from Ukraine to China in October? How is the preparation going? What product are you lucky?**

So far, we have no fears that this may not work. The first train has already shown that such dispatches are possible, the situation with permits has become clear, the GLONASS system is working. We do not see any difficulties. Delivery times will be similar - 14-18 days.

**I believe that container traffic should grow by 30-40% per year. Everything that travels by cars should be transferred to rail container transportation. Now Ukrainian roads are clogged with trucks, which makes me even try to use the car less myself**

**Today, container trains run only on one international route China-Ukraine-China. Is it possible to expand the geography? Are you negotiating cooperation with other countries? If so, with which ones?**

People ask us for shipments from Ukraine to Mongolia. This country lives almost entirely on imports. But if we compare this market with China, then it is objectively smaller in terms of volume.

Of course, there are plans to increase transit through Ukraine from China to Europe.

**What is needed to increase Ukrainian exports to China?**

It is necessary for Ukrainian business to invest in the construction of terminals. They don't have to be huge terminals. You can even make a temporary container site. It is enough to buy a reachstacker and concrete the area for storing containers. In Poland, there are technologies where temporary sites are made of metal sheets. There are also very acceptable technologies.

**How do you assess the dynamics of the development of container transportation? What indicators can you reach in 5 years?**

The current management of the railway is not yet very interested in the development of container transport. For example, the team of the ex-head of the railway, Vladimir Zhmak, was more interested in this. We have gathered working groups even during the most difficult times of coronavirus restrictions. We talked, discussed, looked for common solutions. The process was going on. The management of the specialized departments of KM was at least available for personal communication. Now we do not have the opportunity to see the management. Live communication has become less.

My dream is for Chinese trains to arrive in Kiev, reload onto Ukrainian container platforms and continue along the railroad to the client. Now they are leaving in cars, it is good that the country's leadership has paid attention to the problem of size and weight control, and thanks to automatic control systems on the roads, heavy containers will be forced to return to the railway. Of course, within



the range of 100-200 km, motor transport is possible, as it is convenient, this is the so-called door-to-door delivery. But long-distance transportation should only be carried out by container trains. Rapid growth is now possible. I believe that container traffic should grow up to 30-40% per year. Everything that travels by cars today should go to container rail transportation. Today Ukrainian roads are filled up with trucks, and I even try to use a car less because of this. The transition to container transportation can relieve traffic and improve the environmental situation. Today Ukraine has the most extensive railroad network in Europe, and if necessary, we can bring cargo literally to "every yard".