



**GEORGIA;  
GREAT TRANSIT CORRIDOR FOR  
CAUCASUS AND CENTRAL ASIA**

Presented at **LOGISTICS PROCESSES AND MOTORWAYS OF THE SEA II**  
**REGIONAL TRAINING**  
**TBILISI, GEORGIA**  
**9-12 APRIL 2013**

Presented by **Mr. Baris Dilek**  
**Managing Director, MSC Georgia LLC.**

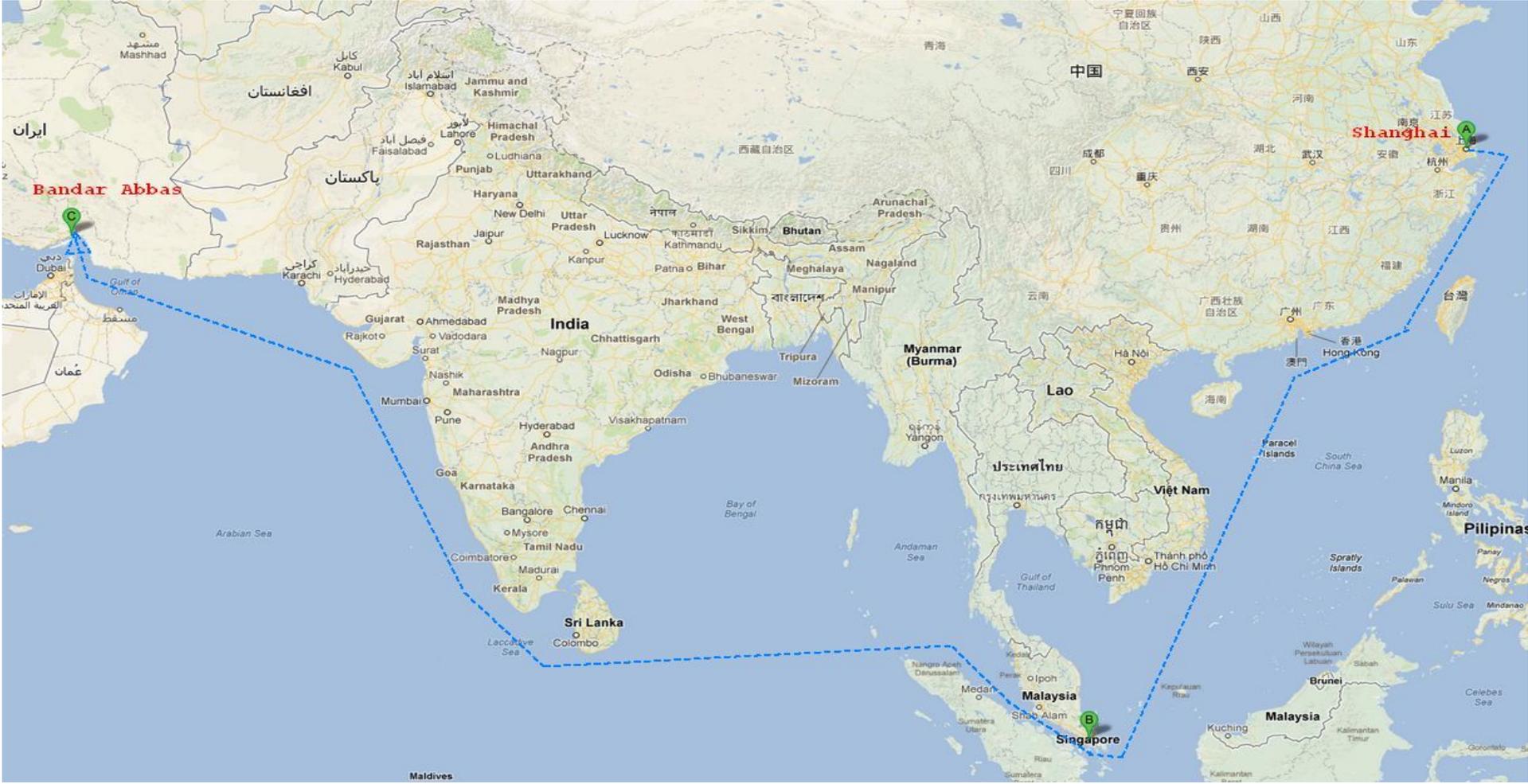
# INTRO

- This study and its presentation, is not aiming directly to outline a variety of tools and strategies that would contribute to this great corridor and the countries which are part of this corridor for this time, but mainly to brief the attendants' of this training, whom are professionals occupied either in logistic or international business related spheres, with a basic SWOT analysis of the Georgian corridor in terms of containerized multimodal transport routing options and its costs versus;
  - 1 of its competitors in the region; **BANDAR ABBAS/ IRAN ROUTE**
  - 1 of its collaborator in TRACECA, hence one of its main alternative aside; **ISTANBUL / TURKEY ROUTE**
- However, the study will speak on its own, as it will eventually be outlining the weaknesses and opportunities of the Georgian part of the corridor.
- Hence, as everyone in this room would agree on the fact that “Great Corridors” can be formed or developed; neither by the sole effort of one country/government, nor by the creativity, attention and risk taking attempts of a couple of domestic and international business solely. Its not a matter of a “while” but can be considered as a long journey... Requiring time and detailed coordination of various stake holders, as well as other multiple coordinated NGO groups. Hence, besides all; the real “WILL” and “CONCENSUS” should be there from all parties, which will ease to overcome the various adversities during the journey of creation of the route...

# DILLEMA OF A MERCHANT IN AZERBAIJAN

- 23 tons of a “machinery” is required to be shipped from one of the main ports of China, namely “SHANGHAI”, supposedly in a 1x40’DV up to the importers’ site in “BAKU”.
- And the logistic supervisor of the company, whom has been required by its detail oriented, very well organized engineers to have this material delivered to the site, within 60 days as of the pick up from the supplier, whilst the pick up is foreseen to take place within following 2 weeks, considering the cargo readiness.
- His options are;
  - To ship the container ex Shanghai to Bandar Abbas, truck the cargo either by a container carrier truck or in a conventional truck after manipulating the cargo from the container to the conventional truck.
  - To ship the container ex Shanghai to Istanbul, truck the cargo with a conventional truck after manipulating it from container to conventional truck in Istanbul.
  - To ship the container ex Shanghai to Poti, truck OR rail the cargo either by a container carrier truck/platform OR in a conventional truck/wagon, after manipulating the cargo from the container to the conventional truck/wagon.

# OPTION 1: VIA BANDAR ABBAS



# OPTION 1: VIA BANDAR ABBAS

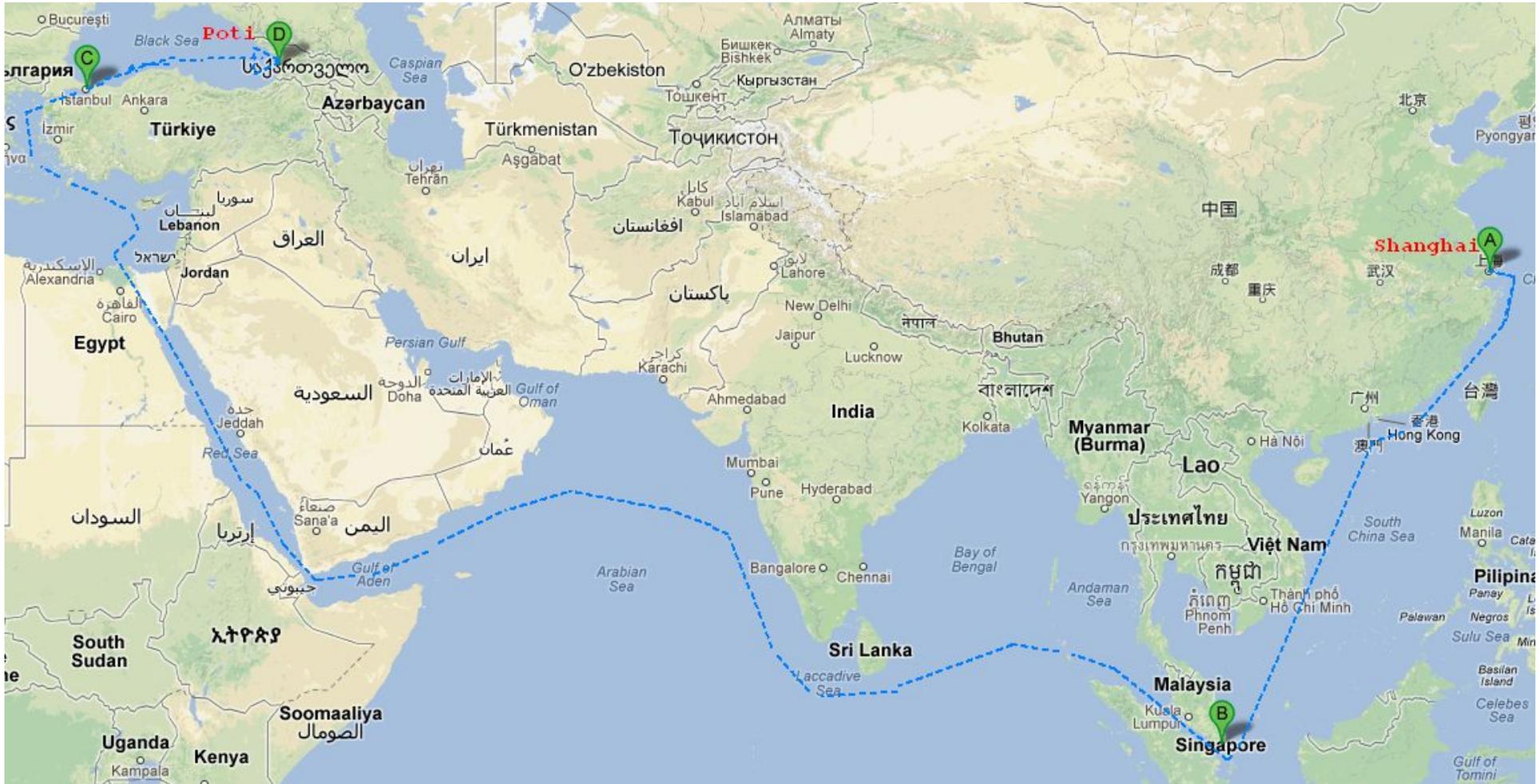
- Shipping the cargo (Seafreight) ex Shanghai to Bandar Abbas costs;
  - **USD 2200.-/40'DV**
    - Transit time is 18-20 days
- Port Charges in Bandar Abbas:
  - **USD 200.-/40'DV**
    - Free Out Charges.
- Trucking options ex Bandar Abbas up to Baku City Limits
  - With conventional truck: **USD 2520.-/Truck**
    - Max 23 tons payload
    - Manipulation of cargo from the container to the truck is included!
    - 3-6 days transit time
  - With container carrier truck: **USD 2990.-/Truck**
    - Max 27 ton tons including container tare
    - 3-6 days transit time
- TOTAL COST:
  - **USD 4920=USD 214/ton(with conventional truck)–Transit time: 24/29 days**
  - **USD 5390=USD 235/ton(with container carrier truck)–Transit time: 24/ 29 days**



## OPTION 2: VIA ISTANBUL

- Shipping the cargo (Seafreight) ex Shanghai to Istanbul costs;
  - **USD 2700.-/40'DV**
    - Transit time is 27-31 days
- Port Charges in Istanbul (Ambarli area);
  - **USD 175.-/40'DV**
    - Free Out Charges.
- Trucking options ex Istanbul up to Baku City Limits
  - With conventional truck: **USD 4000.-/Truck**
    - Max 23 tons payload
    - Manipulation of cargo from the container to the truck is included!
    - 3-4 days transit time
- TOTAL COST & TRANSIT TIME:
  - **USD 6875=USD 299/ton (with conventional truck)**
  - **Transit time: 32- 38 Days**

# OPTION 3: VIA POTI



## OPTION 3: VIA POTI

- Shipping the cargo (Seafreight) ex Shanghai to Poti costs;
  - **USD 3480.-/40'DV**
    - Transit time is 37-40 days
- Port Charges in Poti;
  - **USD 300.-/40'DV**
    - Free Out Charges.
- Trucking options ex Poti up to Baku City Limits
  - With conventional truck: **USD 2100.-/Truck**
    - Max 23 tons payload
    - Manipulation of cargo from the container to the truck is included!
    - 2-3 days transit time
  - With container carrier truck: **USD 2250.-/Truck**
    - Max 27 ton tons including container tare
    - 2-3 days transit time
- TOTAL COST:
  - **USD 5880=USD 256/ton(with conventional truck)–Transit time:41/45 days**
  - **USD 6030=USD 262/ton(with container carrier truck)- Transit time:41/45 days**

## THE COMPARISON

- Options from cheapest to the highest cost;
  - USD 214/Ton–24/29 days-via Bandar Abbas–By conventional truck
  - USD 235/Ton–24/29 days-via Bandar Abbas–By container carrier truck
  - USD 256/Ton–41/45 days-via Poti–By conventional truck
  - USD 262/Ton–41/45 days-via Poti–By container carrier truck
  - USD 299/Ton–32/38 days-via Istanbul–By conventional truck
- From above cost analyses, the choice is not a hard one to make, as both the “cost” and “transit time” is advantageous via the same route...

## THE CONSIDERATION (1)

- If it is only the “cost” which is the main motive for the decision maker, versus all other factors, the choice is Bandar Abbas.
- If it is only the “transit time” which is the main motive for the decision maker, versus all other factors, the choice is Bandar Abbas.
- If it is both the “cost” and “transit time” which are the main motives for the decision maker, versus all other factors, the choice is Bandar Abbas.

## THE CONSIDERATION (2)

- Beside “cost” and “transit time”, if the logistic supervisor considers also other factors in his decision making process, it means that he is aware of the fact that;
  - There is lack of communication possibilities from the moment its container lands in Bandar Abbas up to arrival in Baku. So there is a high possibility that the logistic supervisor loses track of his cargo for 3-4 days (even longer!) of the last part of the delivery, which has considerable impact its final planning processes.
  - Availability of trucks in Bandar Abbas is an issue during summer time considering the holiday seasons as well as the hot weather.
  - Longer time required for complex customs processes on the border check points of Iran and Azerbaijan.
- Whereby all above represents risks for an ontime delivery....

## THE CONSIDERATION (3)

- The logistic supervisor starts evaluating the second cheapest though the longest route , the Poti route, considering the transit time and navigation for his transportation. Before he decides to pay USD 30/40 per ton more for this route, he makes following considerations;
  - He considers the fact that between September –December period of every year, POTI PORT as well as the TRANSHIPMENT HUBS around Black Sea and Mediterranean are becoming congested due to high seasonal volume compared to the rest of the months of year, as well as the bad weather conditions around Black Sea, and delays in Bosphorus Passage which every and each vessel entering Black Sea has to pass through and etc.
  - During January – March period of every year, there are still significant delays observed, mainly due to the seasonal storms and bad weather conditions which has negative impact on efficiency of operations at land and sea.
  - Though there is no problem with availability of trucks, and smooth customs formalities both in POTI as well as the Georgian/Azeri border customs.

## THE CONSIDERATION (4)

- The logistic supervisor starts evaluating the most expensive, though the second best option in terms of transit time for his transportation. Before he decides to pay USD 65/85 per ton more for this route, he makes following considerations;
  - Is the price difference worth to ensure;
    - The transit time prospects which is more reliable /consistent in reality when compared with the 2 other alternative routes
    - Variety of services which enables him to book with various shipping lines whom operate various different services to “ISTANBUL” being the main hub port of the region.
    - Full control and access to the cargo during its road trip ex Istanbul up to Baku.
    - Simplified transit customs processes in Georgian /Turkish border customer, beside the Georgian/Azeri border customs.

## THE DECISION

**Any guess?**

# The Moral of this long story is;

While trying to promote and ensure efficiency of a corridor by following/comparing the alternative routes for the same/similar mode, we should also be ready for additional challenges which might appear with frequent changes in world and/or regional trends, with other modes of transport...

Which can really challenge any corridor at any time...

**THANK YOU!**