

Transport Strategy of the Republic of Kazakhstan

Kazakhstan Government has elaborated and approved Strategy of Transport Sector Development of up to 2015; the amount of investments required for construction of respective infrastructure within the 10 years will make up USD 26 billion.

Ultimate goal of the Transport Strategy is to ensure progressive development of transport and communications complex in line with economic strategy of the state.

The Strategy covers 2006-2015 and is supposed to be implemented in two stages: 1st stage – 2006-2011, 2nd stage – 2011-2015.

The Strategy implementation is expected to ensure bringing of the national transport system to a higher level, and forming of an optimum transport network. Financing of the infrastructure on the self-sufficiency principles will allow accommodating resources for its further sustainable development and maintenance at a high technical level.

Kazakhstani transport sector is bound to smoothly integrate into the global transport system. Transport infrastructure is supposed to be brought in compliance with the worldwide standards.

All this will enable to sufficiently increase the share of transit traffic, the core of which will be container traffic. Transit traffic will ensure substantial revenues for the central budget and transport companies.

The Strategy covers railways, automobile, in-city passenger, air and water carriage, efficient performance of which to a great extent depends on respective policy pursued by the Government.

The Strategy is intended to facilitate growth of trade ties between the West and the East by means of reliable and accessible transit routes. The Strategy provides for implementation of a customized model of meridian and latitude arrangement of the main routes and connecting legs.

The Strategy provides for modernization of already operating and construction of new «rectifying» routes and infrastructure facilities, with all transport fleets being renewed.

Development of pipelines with due consideration of the O&G sector specificity is being effected within the framework of the State-run Program of Development of the Kazakhstani Sector of the Caspian Sea and within the Concept of Gas Sector Development up to 2015.

Economic and geographic features of Kazakhstan (its vast territory, land-locked position, uneven spatial distribution of population clusters and of natural resources) make the transport component of the economy one of the most sizeable in the world and determine high dependence of the economy on the transport networks.

Being sandwiched between Europe and Asia, Kazakhstan boasts of a great transit potential, as there is no alternatives for Asian states to link to Russia and Europe.

Relatively diverse landscape and availability of natural stone reserves allow unrestricted development of railways and automobile routes.

Automobile and railways routes account for a major share of the total above-ground transport routes (about 88.4 и 14 thousand km respectively). Total length of navigable waterways makes up 3.9 thousand

km, and the total of air routes makes up 61 thousand km. Density per every 1000 km² stands at 5,1 km for railways, at 32,4 km for automobile routes with hard surface, and at 1,5 km for in-land navigable waterways.

At the current stage, there is a problem of poor condition of the transport sector fixed assets, obsolete infrastructure and technology.

The share of transportation costs in the final cost of the goods makes up 8% and 11% for in-land railways and automobile traffic respectively, while in industrialized countries these indicators normally make up 4-4,5%. As a result, the transport burden on the economy exceeds that on the major industrialized nations twice on average. By cargo intensity index Kazakhstan's economy is about five times less efficient, as transport component of every 1 USD of GDP makes no less than 9 ton-km, while in EU cargo intensity is less than 1 ton-km/dollar of GDP.

4 international transport corridors cross the territory of Kazakhstan and are formed on the basis of transport infrastructure existing in the country. They are:

- Northern Corridor of Trans-Asian Railway Main (TARM): Western Europe – China, Korean Peninsula and Japan via Russian and Kazakhstan (section Dostyk – Aktogai - Sayak – Mointy – Astana – Petropavlovsk (Presnogorskaya)).
- Southern Corridor of TARM: South-Eastern Europe – China and South-Eastern Asia via Turkey, Iran, Central Asian states and Kazakhstan (section Dostyk – Aktogai – Almaty – Shu – Arys – Saryagash).
- TRACECA: Eastern Europe – Central Asia via the Black Sea, Caucasus and the Caspian Sea (section Dostyk – Almaty – Aktau).
- North-South: Northern Europe – Gulf States via Russia and Iran, with Kazakhstan's participation in the following sections: sea port Aktau – Ural regions of Russia and Aktau – Atyrau.

Besides routes included in the transcontinental mains, Central Corridor of TARM should also be mentioned, as it is of great significance for regional transit in the direction Saryagash – Arys – Kandagach – Ozinki.

Corridors help significantly decrease distances in East-West connection, as well as cut down time of cargo delivery.

Robust growth of China's economy, in particularly of its western regions, boosts the demand for deliveries of a large specter of goods to global markets even today.

At the same time, according to experts, current transit in Kazakhstan doesn't fully employ the potential of the sector and that of the republic in general.

Sources of funding

As virtually all transportation services will be rendered by private enterprises, these enterprises will be covering their exploitation and capital expenditures out of their own funds.

As for passenger railway transportation, special mechanisms of funding that are being developed in the framework of the Program of Railway Transport Reconstruction for 2004-2006, will be applied.

Main network of motor and rail ways, as well as internal shipping infrastructure will remain in government ownership. Terminals will be gradually passed into private ownership.

System of air navigation will be made as much self-supporting as possible through navigation fees collected at airports and route navigation fees. Air terminals will be owned by airports and funded from

terminal fees. Main airports will be passed into private sector that will be responsible for maintenance and renewal of infrastructure funded from take-off/landing fees in the airports.

Largely, private sector will also be responsible for construction and maintenance of terminals at sea ports. State will be responsible for sea infrastructure of public use.

Fees for usage of automobile routes will be charged at the spot.

Participation of private sector in different segments of transportation sector will be promoted, including conclusion of long-term concession agreements under which infrastructure in the final end is returned back to the state.

Besides state funding of transport infrastructure units, institutes of development (such Bank for Kazakhstan Development, Innovation Fund), other domestic and foreign financial institutions (EBRD, ADB, World Bank, IDB and others) are going to be attracted. Creation of favorable climate for development of private industry will be achieved through rendering tax allowances and preferences stimulating renewal of fixed assets. So, the projects will be funded from budgets of all levels, through attraction of investments and on commercial basis: through state-private partnerships, concessions, creation of joint ventures.

Estimated investments required by the transport sector for the period of Strategy Implementation will make up KZT 3.4 trillion in 2005 prices.