Rail-Trucks Terminals in Afghanistan
Executive Summary
March 2013

Terminals in which highway trucks transfer their cargo into or out of rail wagons typically include the following elements:

- A connection to one or more railways.
- A connection to the general highway network.
- Various loading or unloading assets, such as ramps, platforms, forklifts, cranes, pumps, pipes, and driveways.
- Intermediate storage to hold inventory, such as warehouses, open storage yards, paved parking lots, and tanks.
- Security, such as lighting, fences, armed guards, fire protection, and drainage.
- Procedures, preferably automated, to keep track of cargo.
- Established tariffs or, alternatively, efficient brokerages, to minimize users' transactions costs.
- Ancillary services, such as customs, scales for weighing, and maintenance.

Investment elements common to warehouse/general freight terminals and container/highway trailer/dry port terminals:

- Start-up and working capital that include a sales and marketing program
- Land leased or purchased for the terminal, and an area set aside for support services, such as truck fuel and repair stations, restaurants, hotels, mosque, etc.
- Site preparation
- Railway infrastructure. Connections to the railway may require traffic control signals or a second track, as well as the expensive switches and the actual tracks within the terminal.
- Highway and road infrastructure. Paved areas within the terminal must sustain very heavy loads, not only of trucks, but also of loaded cranes.
- Warehouse building.
- Machinery, equipment and spare parts.
- Software and telecom.
- Security infrastructure and equipment.
- Utilities and offices, and other general construction.

Key investment drivers:

- *The size and complexity of the terminal,* to be determined by local demand and not national ambitions.
- *Procurement processes*. Using generalized performance specifications instead of product "hardware" specifications may increase costs significantly in Afghanistan.

- *Approval processes*. Stakeholder involvement should be complete before selling the terminal concession or taking bids for construction work.
- *Security and insurance*. Insurance requirements often reduce costs by eliminating unqualified or marginal contractors. The security situation in Afghanistan, however, may make the cost of insurance prohibitive, and such insurance requirements may be very counter-productive.
- *Social programs* may drive costs upwards, often to prohibitive levels.
- *Corruption*

Key operating cost drivers:
- *Railway tariffs* (including wagon hire, transportation charges, and division of tariffs) must be contractually agreed before the terminal is designed.
- *A Railway Operating Plan*, as part of due diligence efforts, should include when and how often the connecting railways will visit the terminal.

Government Role:
- Provide quality and undisputed land close to users
- Provide good road access and zoning or effective land use controls to allow ancillary developments around the terminal.
- Supply reliable power, water and waste water treatment, and telecoms
- Ensure security in the area of the terminal.
- Help operators and investors understand local power structures and accommodate informal local interests.
- Facilitate permits and approvals for construction, work permits and visas.
- If the railway is owned or operated by the government, build the rail access line, terminal tracks inside the fence, and storage tracks.
- Provide reliable, predictable courts that settle disputes fairly and on commonly accepted commercial terms.

Common mistakes:
- Too grand an initial design. Building small does not mean building light-duty.
- Favoritism in granting concession or building rights, or prohibiting competition to protect other interests, such as existing terminals or a trucking cartel.
- Investing in large immobile assets.
- Choosing location according to criteria other than the proximity to the end-user.
- Insufficiently streamlined procedures.
- Inadequate public investment in local roads and highways.
- Inadequate design. Process flows should be designed by an experienced logistics firm rather than by a civil engineering firm.
- Management by a government agency. Successful terminals are designed, built, and operated by largely private logistics firms and railways.
- Inadequate start-up capital. A successful start-up should include funds for the acquisition of initial equipment, for extensive training, for energetic sales efforts and publicity, for copious inventories of spare parts and supplies, and to pay for the initial operating losses until volume builds up.

- Unmitigated poor rail service. No matter how efficient the terminal is, the operating practices and infrastructure of the railway connecting the terminals will determine the success or failure of the terminal.