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**POLICY INITIATIVES IN THE TRUCKING
SECTOR IN UZBEKISTAN**

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PART ONE

Policy Initiatives

The four elements of an effective trucking industry in Uzbekistan are:

- Private ownership
- Competitive provision of services
- Use of real money
- Provision of good service to the customer

We have been trying to form a constituency of influential opinion in favor of these elements, and it will help to explain the progress of the project if we assess it under those titles.

It is first necessary to understand the acceptance and reception of the project locally. We came with a work-plan which linked the presumed twin objectives of selling trucks to private buyers and wholesale depots to private groups or companies. In fact, no such link exists of any specific relevance to the project. The two objectives need two separate programs and the project team has met with fierce opposition on both counts.

The difference in opposition is revealing. The chairman and top officials of UzAvtoTrans oppose the intervention of independent consultants because the privatization of trucking eliminates their jobs and influence. In contrast, access to Wholesale Bases and their independent analysis is likely to show that much of the wholesale function of the Ministry of Trade is being exercised by private merchants.

Because we have still not examined wholesale activities in detail this commentary is confined to trucking. A more detailed explanation of the four main points follows.

1. Private Ownership

There is no substantial benefit from private ownership unless it occurs accompanied by deregulation and competitive provision. Most government officials in Uzbekistan are against both these conditions. In most cases where a desire to sell trucks is announced it is because it engenders cash. An autobase with 300 trucks which sells off 60 (20%) old vehicles will perhaps ret. in two-thirds of the auction price - enough to service the rest of its fleet for up to two years.

Who will buy trucks at auction? The buyers will be either drivers or small farmers. How much will trucks make at auction. With sale trucks being all "fully depreciated" it is unlikely that the 30,000 or more trucks which should be auctioned now will fetch more than an average \$500, because we estimate that another \$1,000 of repair work will be necessary after purchase.

Ownership of a truck will not guarantee a livelihood. The present 7% of private truckers complain that they have not enough work. When the national truck-fleet is

brought to an average vehicle-age of, say, six to seven years, it is probable that the fleet can be reduced by half.

2. Competitive Provision

No truck operator anywhere desires competition. UzAvtoTrans is the largest single trucking company and serves 40% of the nation's market with 20% of its trucks. It has over 100 autobases all over the country and these are equipped to fill a variety of tasks. Only in Tashkent is there anything resembling an autobase with a special function. There is no competition between autobases. The degree of formal privatization in the state's enterprises is so small that, between the Khokimiyat (regional governor's office) and the UzAvtoTrans regional headquarter units, all state business is allocated on the same basis year after year.

It is important to realize that most state enterprises have their own vehicle-parks including trucks. In those cases UzAvtoTrans gets the business which the enterprise's own trucks cannot perform.

The only real element of competition is between the use of a leased truck plus those (approximately 7% of the total) who own trucks privately.

Some of the operational benefits of competition between trucking companies (say autobases) would be:

- a smaller number of trucks better utilized
- greater specialization in the regions
- better service to customers

3. Use of Real Money

Directors of trucking companies respond to the question, "why do you not use real money?" by saying, "we already do so." It is much the same as equating the paper plans for joint-stock companies as completed privatization. The trucking autobases show the cost of their services on their books billed out to clients. Those clients do not write cheques in payment but rather the old Soviet forms of contract which can take months to negotiate. This is one of the simplest ways of ensuring central control of enterprises.

Privatization consultants always look for defects in the government system, and there are many. Most have to do with the inadequacy of central government provisions to all industries. Some of the necessary fuel is provided and a few spares but not nearly sufficient. There have been no new trucks for autobase contract work for 5 years. Most companies have to barter or go into the marketplace with cash to buy extra fuel and spare parts/tires/batteries.

The use of real money will enable:

- a proper bargaining process between trucker and client

- the possibility of advance payments
- meaningful discounting for bulk or repeats
- a stronger chance for return loads negotiated in situ
- the keen and programmed purchase of spares etc.
- real incentives to the workforce

4. Better Service to Clients

Trucking companies either form part of UzAvtoTrans (20% of national fleet) or they are in fact just adjuncts to government agencies providing them with in-house service.

To have real meaning for this project, the improvement of service to clients has to assume that the other three elements are in place. Many UzAvtoTrans companies are going into the marketplace looking for (private) clients. Some have encouraged in-house leasing to drivers who themselves go looking for business.

The present demand for trucking is no more than 60% of supply, and that supply will be increased by the roll-out of privately owned, reconditioned trucks. It is therefore certain that competition in trucking, together with the use of real money and a large increase in privately owned trucks will force truckers to compete on the basis of both price and quality of service.

Improved services will include:

- easier access to potential clients with direct quotes of cash terms
- flexibility of terms of payment favoring repeat business and return-loads
- better access by clients to specialist vehicles
- part-loads acceptability
- improved driver-to-client relationship

PART TWO

Presentation of Policy Initiatives to Relevant Government Offices

We have presented our plan of proposed policy initiatives in the trucking industry of Uzbekistan to a wide variety of offices in the Uzbekistan government. Because it stretches across a number of issues regarding trucking, we have taken care to present only those portions of the plan relevant to the offices with whom we have met. Below is a record of major meetings at which we discussed some or all of our policy initiatives with Uzbekistan Government officials, with their reactions noted. Section one covers meetings with both federal and local government officials in Tashkent, and section two details our meetings throughout the various regions of Uzbekistan.

I. Tashkent

State Property Committee (GKI)

Mr. Miravzal Mirzahidovich Mirsoatov, Deputy Chairman.

Mr. Khatam Adilovich Khakimov. Head of the Department for International Relations

At our introductory meeting with Mr. Mirsoatov and Mr. Khakimov, we discovered them to be unaware of our project's terms of reference. Because of that, we received little comment from them in response to the initial sounding of our proposals for privatization of the trucking and wholesaling sectors.

Subsequent meetings have been similarly unproductive of comment from GKI regarding our policy initiatives. Instead, GKI has attempted to steer us toward consulting work for UzOptBirzheTorg in the privatization of Uzbek Trade Development and major industries.

Mr. Alexander Grigorievich Pogrebnyak, Head of the Department for Transport, Construction and Communications.

Ms. Mavluda Tahirovna Hashimova, Assistant Head of the Department for Transport, Construction and Communications

In an introductory meeting with Ms. Hashimova, we discussed our terms of reference and the need to move assets in the transportation sector quickly into private hands. Ms. Hashimova responded that privatization of trucking had "already occurred" via the formation of joint-stock companies, and suggested that our project focus instead on the construction sector.

We have recently progressed to an understanding with Mr. Pogrebnyak who has asked for our detailed assistance in the valuation and preparation of joint stock company sales as well as pilot and repetitive truck sale procedures.

State Joint-Stock Company for Automobile Transport (UzAvtoTrans) (formerly the Ministry of Transport)

Mr. Sergey Pavlovich Vasilenko, First Deputy Chairman

In an introductory meeting we discussed the project's terms of reference and general policy aims, including the need to move assets in the transportation sector quickly into private hands, and institute the use of real money as opposed to intragovernmental paper. We were told that UzAvtoTrans itself is already "half-privatized", as are its client state agencies. It became clear from our discussions that joint-stock companies had been hurriedly contrived to maintain the apparatus of state-control while appearing to move toward private ownership. We learned for the first time that many JSCs were not even functioning due to incomplete paperwork and registration approval by the Ministry of Finance.

Ms. Galina Sergeevna Magay, Chief Advisor to the Chairman

In subsequent meetings we received considerable assistance from Ms. Magay. We discussed the four pillars of our policy initiatives: competition, private ownership, the use of real money, and better fleets/service. We have discussed the status of each point as they stand today, and what options exist to improve upon each. Ms. Magay has been generally supportive of our ideas, but is not in a position of implementation. However, she has helped us arrange regional meetings and discussions.

State Automobile Transport Maintenance Corporation

Mr. Vladimir Mikhailovich Lipatov, Chairman

During this meeting we discussed the desirability and need to create new non-state service and repair stations to address the problem of spare-part and service availability for private truckers. We were initially met with enthusiasm and even an offer of office accommodations for the project team. However, both the enthusiasm and offer quickly fizzled out into disinterest and avoidance tactics.

Tashkent City Trucking Association (TashGorGruzTrans)

Mr. Vadim Ivanovich Pershailo, Deputy Director

Mr. Saidali Magrupovich Tairov, Director of Autobase #127, Tashkent

During this meeting, which took place at Autobase #127, we held discussions to probe the actual operational methods of a JSC Autobase. Specifically, we debated the need for competitive provision of trucking services, and the need for the use of real money. A relatively enthusiastic and cooperative response to these subjects from base director Tairov was quickly silenced by Association Deputy Director Pershailo.

Specialized Autobase “Uzzagotkooptorg”

Alexander Mikhailovich Manasyan, Deputy Director

This meeting included detailed discussion of policy issues including operating methods/costs, use of real money, clientele, and various ways of achieving private competitive status. After receiving a favorable reaction from the deputy director to our policy ideas, this base was put forward as the basis of a pilot project.

Joint-Stock Trade Association “Uzbeksavdo”

Zafar Omanovich Faiziev, Chairman

Mansur Khodjaevich Abduvahabov, Chief of the Department of Privatization

Tamara Kamilovna Aglamova, Main Privatization Specialist

Barno Khamdamovich Babadjanov, Department of Commerce

Without receiving the effective introduction that we repeatedly requested from GKI, we pushed ahead anyway and arranged a meeting through other sources. We attempted to discuss the need to move the wholesale sector into private hands, but were told abruptly that the sector had already been completely privatized in the last year via JSCs. The feeling persists that the state handles less and less food and consumer product, and that this is seen as a source of embarrassment

We have recently been cleared by GKI and the Cabinet of Ministers to assist with detailed privatization/share distribution/valuation issues in the Ministry of Trade.

II. The Regions

In addition to our policy-related meetings with government officials in Tashkent, the team has pursued discussion of our proposed policy initiatives with regional government officials throughout Uzbekistan. In all the regions outside of Tashkent, the constituent trucking associations of UzAvtoTrans are responsible for running trucking, public transport, and taxis.

Samarkandtrans

Shavkat Djamalov, Chief Engineer
Alidjon Ibragimov, Deputy Director
Maksim Ibadovich Jusupov, Director, Autobase #128
Mira Kim, Chief Economist, Autobase #128

This meeting centered on detailed discussion of our proposals regarding operational methods of truck bases, including leasing arrangements, barter schemes, and methods of financing spare parts and fuel. The representatives from Autobase #128 reacted favorably to the discussion, and we learned that the base in principle acts independently except for its inescapable government customers. The discussions also revealed to us how unnecessary the regional UzAvtoTrans headquarters are. Not surprisingly, the Samarkandtrans representatives made clear their fear that their jobs will disappear with privatization.

Samarkand Khokimiyat

Asad Rakhmatovich Rakhmatov, Deputy Governor
Ibraghim Sanaev, Chief of Transportation Department

In a meeting with the Deputy Governor of the Samarkand Khokimiyat, we discussed our concepts of the operation of private trucking in Uzbekistan. We were told that President Karimov, who is originally from Samarkand, had made his wishes to privatize clear. The Deputy Governor then issued a strong directive to his Transportation officer to assist our team in identifying candidates for truck sales. The result was the identification of two of our proposed pilot projects.

Samarkand Water Department, Base XATP-9

Odik Sergeevich Almazov, Director

At our first meeting, the Director of the Autobase greeted us cheerfully and offered about 20% of his fleet for sale, albeit vehicles in mothballs that were being cannibalized for spare parts. We estimated, though, that most could be given at least 2 years of extra life with about \$1,000 invested apiece. When attempting a second meeting with the Director, we were told he was at an urgent meeting, only to discover upon returning for a forgotten briefcase that he had been physically hiding from us. We were then informed that the Director's chief accountant had told him that the Minister of Water had specifically directed "no Water Department property may be sold." Despite this, we wrote up the proposed sale of trucks as a pilot project, and submitted it immediately to Mr. Chjen, Chairman of the GKI.

FerganaTrans Association

Ibraghim Manazarovitch Khaitbaev, Chief Engineer
Akval Dekhanovich Kushakbaev, Deputy General Manager for Economics
Ahrol Nuritdinov, Deputy General Manager for Passenger Transport
Ravshanbek Askarov, Deputy General Manager for Cargo Transport

In this meeting we discussed our ideas of truck sell-off and autobase privatization, and were generally well-received. We learned that the main Autobase is already engaged in inventive operations to stay afloat. For example, it features a large dairy herd and lemon grove. Supposedly the profit made on lemons makes up for the loss made on the cows.

We discussed in detail the possibility of selling trucks, and were told that the most likely buyers of trucks are the drivers, who will pay from their savings -- most drivers in Fergana live off their land and save their wages. The management of the Autobase was also interested in finding ways to sell trucks outside of the state auction system, in order to keep more of the proceeds. Again, we followed-up this positive response with a pilot project proposal for the public-auction sale of trucks.

Fergana Khokimiyat

Kamolitdin Salakhutdinovitch Salakhutdinov, Deputy Governor of Fergana Region, in charge of Transport, Construction and Communications.

We learned that Mr. Salakhutdinov is a disciple of Mr. Chjen, GKI Chairman. We put forward our ideas on trucking privatization, using the public auction system employed in Nizhny Novgorod, Russia, as an example. The Deputy Governor reacted by informing us that Mr. Chjen preferred the "Italian Model" of privatization, and was explicitly opposed to the systems used in Russia and the rest of the CIS. We had been unaware that Mr. Chjen had ever stated a preference. He also argued that fuel and spare parts for trucks should be kept under state control.

Andizhantrans

Akbarali Omonovitch Bobotaev, Chief Engineer
Kadir Mansurov, Deputy Manager for Passenger Transport

Abdugappar Mirsalimov, Chief Accountant

Our discussions in Andizhan focused on clarifying the regional chain of command for transport issues. We learned that work orders are received mainly from state agencies' local offices; the Khokimiyat issues general instruction; UzAvtoTrans headquarters in Tashkent has only limited influence over regional units but still approves budgets. We also put forth our operation proposals, and discovered that the professional instinct of Andizhantrans leaned toward agreement the use only real money, but they are unable to deny trucking facilities to the state, and are currently owed 2-3 months of receivables.

Namangantrans

Ibraghim Abduraimov, General Manager
Bohodir Usmanovitch Usmanov, Deputy General Manager for Cargo Transport
Azimdjani Atakhanov, Director of JSC Autobase #22
Nuritdin Khamdamovitch Eshmatov, Head of Transport, Construction and Communications, Namangan Regional Government

This meeting covered a full range of policy prescriptions. They substantiated our ideas for the accelerated buyout of autobases, extension of barter trading and sale of surplus trucks. Namangan is famous for its traders, and the Transport Association is exploiting its near-autonomy to become financially independent. Here and throughout the Fergana Valley there is little internal truck-leasing and we received generally negative reactions to the idea. We also came away feeling that local solidarity within the trucking community is so strong that the sale of trucks will generate first cash, and only later, independent and competitive operations as other state agencies sell off more and more trucks.

Bukharatrans

Shavkat Fathulaevich Karimov, General Director
Akhror Mokhamatovich Shakseiv, General Director, Autobase #61

In a series of meetings with Mr. Karimov and his colleagues, we presented our broad goals to privatize the trucking sector in Uzbekistan. They reacted positively to the idea of privatization, but resisted the idea of sale of assets through public auction, on the grounds that no one has the cash to purchase trucks. Instead, they promoted the idea of worker/management buyout of autobases, and showed us two bases that could be considered candidates. One of them, Autobase #61, became the basis of a pilot project.

Bukhara Khokimiyat

Mr. Vladimir Vasilyevich Zhdanov, Deputy Governor

A meeting with Mr. Zhdanov was neutral. We submitted an outline of a privatization policy seminar to him as had been requested, but (as is normal in such cases) heard nothing further.