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**TRUCK AUCTION DEVELOPMENTS
AND POLICY INITIATIVES**

**Contract No. CCN-005-C-00-3123-00
Task Order No. 12-0079-DTT**

December 1994

**Deloitte Touche
Tohmatsu
International**



ЎЗБЕКИСТОН РЕСПУБЛИКАСИ
ДАВЛАТ МУЛКИНИ БОШҚАРИШ ВА ТАДБИРКОРЛИКНИ ҚўЛЛАБ-ҚУВВАТЛАШ
ДАВЛАТ ҚўМИТАСИ
(ДАВЛАТ МУЛКИ ҚўМИТАСИ)

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30.12.94г. № РН-03/189

Представительство Агентства США
по Международному развитию в
Узбекистане
господину Еильяму Френкелю

Госкомимущество Республики Узбекистан считает необходимым отметить продуктивную работу, выполняемую в настоящее время фирмой "Делойт и Туш" по содействию в проведении приватизации государственного грузового автотранспорта путем продажи на аукционах.

Проведенные в декабре 1994г. открытые аукционные торги по продаже грузовых автомобилей показали, что проведенная работа фирмой "Делойт и Туш" имеет практическое значение. Госкомимущество и Республиканская Биржа Недвижимости работают в тесном контакте с фирмой "Делойт и Туш" и надеются, что наша дальнейшая совместная работа даст хорошие результаты и в значительной степени поможет продвижению рыночных реформ в автотранспортной отрасли республики.

С уважением,

Заместитель Председателя

Р. Т. Нуралиев

December 30, 1994

Mr. William Frenkel
USAID Office, Uzbekistan

The State Property Agency of the Republic Uzbekistan finds it necessary to acknowledge the productive work, being done at the present time by the firm Deloitte and Touche to help achieve the privatization of state trucking through sales by auction.

The Open Auctions held in December 1994 to sell trucks showed that the work done by Deloitte and Touche has practical results. GKI and the Republic's Real Estate Exchange are working closely with Deloitte and Touche and hope that our further cooperation will achieve good results on a large scale, and help to develop market reform in the sphere of transport.

R. T. Nuraliev
Deputy Chairman GKI

Truck Auction Developments and Policy Initiatives Achieved by D&T Trucking Privatization Project

In the process of preparation for the first truck auction in Tashkent consultants have found several controversial issues in the Uzbek auction laws. Two major problems that have had direct impact on the success of the auction are:

1. Starting prices
2. Auction procedures

Results of the first truck auction showed that existing auction procedures and methods for setting starting prices are serious obstacles to the success of a truck auction.

The first truck auction in Tashkent, Uzbekistan was conducted on December 16, 1994. 32 trucks were offered for the auction, but there were only two bidders, and only one vehicle was sold. The most important reasons are the following:

- Starting prices were too high to attract the interest of bidders;
- According to auction procedures currently used in Uzbekistan, the starting price is also the reserve price, the auctioneer can not ask for a lower price if there are no bidders at the starting price.

While at first sight the first truck auction seems a failure, its poor results actually allowed D&T to achieve serious policy initiatives in auction procedures and the method of setting starting prices. In our opinion, these initiatives will lead to the success of further truck auctions in Uzbekistan.

1. Starting prices

Starting auction prices of vehicles are set in accordance with the Cabinet of Ministers Decree #489 of September 28, 1994. Decree #489 stipulates that starting auction price of a truck can not be lower than 25% of the current market price for a new vehicle of the same type. This method takes no account of the actual technical condition of vehicles, nor of the existing supply of used trucks and the demand for them in the marketplace. Trucks in poor condition are often worth less than 10% of the price for a new vehicle. Decree #489 results in artificially high starting prices and can lead to auction failures.

D & T had formed a team of technical experts, and this team assessed the technical condition of all trucks offered for auction and determined market values of trucks based on current market prices for vehicles of the same type and similar technical condition. D & T provided the GKI and the Republican Real Estate Exchange with those estimates. However, the Head of the GKI Transport Department felt obliged to use decree #489 to set starting prices. As you see from the enclosed table, starting prices set by GKI were often many times higher than market values of trucks estimated by D&T. Consultants warned GKI, Republican Real Estate Exchange and other agencies concerned that starting prices were too high to attract any interest to the auction.

The poor results of the first truck auction showed GKI officials that decree #489 valuation method is not realistic and should not be used for setting starting auction prices. Right after the first auction, D & T was invited to advise GKI on an alternative pricing policy. GKI then adjusted starting prices more or less on the basis of D&T valuation (see the Table). The failure of the first auction thus helped D&T to convince GKI to set prices in accordance with the market demand.

2. Auction procedures

Auction procedures currently used in Uzbekistan do not allow an auctioneer to decrease a starting price if there are no bidders at this price, therefore a starting price is essentially a reserve price. If starting prices are too high to attract interest of potential bidders, an auction will fail when current procedures are used. That is exactly what happened at the first truck auction, where starting prices were set artificially high.

Objects, however, can be sold by decreasing the starting price (not below the reserve price, of course) until the first bidder is willing to pay the price. Consultants explained the benefits of changes in auction procedures that would allow decrease in starting prices at the discretion of the auctioneer and auction committee. After considerable discussion we managed to convince Deputy Head of GKI's Department for the Organization of Auctions, Tenders and Exchanges Mr. Abidov and Deputy Chairman of the Republican Real Estate Exchange Mr. Zudin that changes in auction procedures are necessary. Mr. Abidov and Mr. Zudin will report to the GKI Chairman and the Cabinet of Ministers and will advocate changes in auction procedures to give more discretionary power to an auction committee chairman and allow for decreases of starting prices.

DD/AS
12.26.94

TASHKENT TRUCK AUCTION							
<i>List of Vehicles</i>							
Lot #	Make and Type of Vehicle	License Plate #	Year	Mileage (km)	Estimated Market Value D & T Valuation	Starting Price initially set by the GKI	Adjusted Starting Price
1	2	3	4	5	6	7	8
1	ЗИЛ-157 ПАРМ	77-51 ТНВ	1965	965	15000	starting price was not determined by GKI	
2	ЗИЛ-157 бортовой	40-24 ТНЗ	1973	566	10000	starting price was not determined by GKI	
3	ГАЗ-52 фургон	36-03 ТНМ	1990	119469	9000	31375	17188
4	ГАЗ-5201 фургон	79-98 ТНА	1983	337347	10000	41250	12375
5	ГАЗ-5201 фургон	29-97 ТНМ	1986	181305	16000	15625	15625
6	ЕРА3-762 В11 грузовой	12-17 ТНН	1988	180097	22000	18750	13125
7	ЕРА3-762 В11 грузовой	53-59 ТНМ	1987	211191	20500	18750	sold for 45000
8	ГАЗ-52 фургон	37-64 ТНМ	1990	118583	3000	33312	8328
9	ГАЗ-5227 бортовой	22-37 ТНС	1981	266405	6500	37500	9375
10	ГАЗ-5204 фургон	89-54 ТНС	1982	296504	8000	17062	10237
11	ГАЗ-5327 фургон	51-32 ТНМ	1987	228703	4000	22252	11126
12	ГАЗ-5205 тент	28-98 ТНЛ	1981	604017	9000	25000	12500
13	ГАЗ-5227 бортовой	74-67 ТНА	1985	393321	15500	15625	15625
14	ГАЗ-5205 фургон	89-24 ТНМ	1987	130540	7000	37500	11250
15	ГАЗ-5308 фургон	35-31 ТНЛ	1984	185040	13500	30263	12105
16	КАЗ-608 В 4 сед. тягач	99-58 ТНМ	1987	236285	13000	140000	35000
17	ГАЗ-5208 фургон	04-43 ТНН	1988	138949	13500	19375	9688
18	ГАЗ-5301 фургон	55-70 ТНМ	1987	155468	18000	40944	20472
19	ГАЗ-5312 фургон	10-76 ТНН	1988	192880	9500	45395	13619
20	ЗИЛ-157 ПАРМ	77-52 ТНВ	1965	4464	8500	starting price was not determined by GKI	
21	ЗИЛ-157 КЕ фургон	20-68 ТНЖ	1970	49189	8000	starting price was not determined by GKI	
22	ГАЗ-5227 бортовой	71-76 ТНМ	1984	215112	6000	16250	9750

1	2	3	4	5	6	7	8
23	ГАЗ-5201 фургон	23-75 ТНП	1984	242768	9000	15625	11719
24	ГАЗ-5227 бортовой	37-10 ТПД	1983	243888	6500	37500	9375
25	ЕРА3-762 грузовой	81-33 ТНМ	1988	179164	19500	18750	18750
26	ЕРА3-762 грузовой	97-83 ТНМ	1988	142726	21000	18750	18750
27	ГАЗ 5327 фургон	66-83 ТНМ	1987	297398	3000	22252	7788
28	ГАЗ 5204 бортовой	62-51 ТНП	1976	745005	8500	31250	9375
29	ГАЗ-5228 фургон	09-87 ТНМ	1988	197509	4000	18250	8213
30	ГАЗ-5207 бортовой	03-95 ТНП	1979	300000	7500	15625	9375
31	ГАЗ-5201 фургон	57-96 ТНА	1983	444110	13000	15625	10937
32	ГАЗ-5208 фургон	34-63 ТНП	1986	321849	15000	15625	15625