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QUALITY-OF-SERVICE CONCEPT

Addendum 1

Transmitted by the Governments of the Russian Federation and Ukraine

RUSSIAN FEDERATION

The conceptual framework for improving the quality of transport services in the Russian economy is built on a fuller appreciation of the role of transport in enhancing the efficiency and intensiveness of production, emphasizing the linkage between the effective performance of the transport sector and the ultimate economic benefit to be derived for the producers concerned. This framework reflects the need to harmonize the interests of the users and providers of transport services, taking into account their respective requirements.

The producer's main requirements vis-à-vis the transporter are:

- fuller satisfaction of the need for transport services in quantitative terms and with respect to their timeliness;
- ensuring safe carriage of the products to be transported.

The satisfaction of transport needs in quantitative terms should be monitored at yearly, monthly or shorter intervals and is achieved by balancing output and transport requirements. An imbalance in this relationship leads either to incomplete satisfaction of needs for transportation (when there is a shortage of transport equipment) or to underutilization of the equipment available (when there is surplus capacity).

The timeliness of transport services is a vast concept which is not interpreted in the same way in different branches of the economy. The primary requirements as regards the timeliness of transport services may be grouped as follows:

- regular (steady) delivery of goods required;
- rapid delivery of goods required;
- guaranteed delivery of goods required within a previously established deadline.

The first group applies to industries turning out relatively inexpensive products on a large scale (coal, iron-and-steel and chemical industries, etc.).

The second group covers industries whose products are valuable, perishable or in short supply (foodstuffs, containerized goods and consignments in small batches).

The third group relates to industries working on the basis of specialized and joint production (engineering goods, flow-line processes, etc.).

According to estimates made by the Research Centre for Complex Transport Problems (RCCTP), about 25% of consignments by tonnage and 70% by value call for guaranteed delivery within a specific deadline; about 3% by tonnage and 6% by value call for individual (agreed) conditions of carriage; and about 3% by tonnage and 12% by value call for rapid delivery.

The transport quality classification includes four quality categories:

- (i) general conditions of carriage, but with greater regularity than at present;
- (ii) carriage of goods requiring more rapid delivery;
- (iii) carriage subject to guaranteed delivery by an agreed date;
- (iv) carriage under particular conditions (individual terms for a given consignment) by special agreement.

Safe carriage is ensured, first of all, by the observance of certain requirements concerning the design of the rolling stock, its technical status and its suitability for the kind of goods carried. Actual losses of goods at present substantially exceed the given norms: normal losses are expected to be 0.7% for the transportation of coal, but actual losses account for 3%; other such losses are, respectively, 0.9% and 3.5% for ores; 1.2% and 4% for cement; 1.4% and 5% for fertilizers; and 0.1% and 0.2% for grains.

The transporter's main requirements vis-à-vis the producer are, in turn, to:

- ensure regular output over a period of one month, 10 days or 24 hours, to enable fuller utilization of available transport capacity;
- improve the serviceability of rolling stock utilized for freight operations;
- implement a marketing policy for order books to be filled well in advance, with requests made for transportation of the appropriate quality class;
- develop optimal schemes for the delivery of goods on the basis of logistical principles in order to rationalize transport operations and reduce idle time for rolling stock and delays of goods at trans-shipment points when using combined transport services;
- prevent hold-ups of rolling stock in industrial transport;
- increase the utilization of the carrying capacity of rolling stock through more extensive use of mixed transport of light and heavy loads, as well as the preparation of consignments for shipment;
- improve the techniques for the handling of rolling stock and reduce idle time between operations.

Non-observance of the respective requirements of transporter and producer results in losses due to inferior-quality transport services. Such losses, according to RCCTP sample surveys, may be characterized in percentage terms as follows:

- limitation of output and disruption of production processes owing to the unavailability of transportation - 41% of losses;
- spoilage, loss or deterioration of goods during shipment, carriage and transloading, or stockage in unequipped storage facilities when equipped facilities are already full - 36%;
- unnecessary backup operations at enterprises dependent on transport - 16%;
- use of more costly forms of transport owing to a shortage of cheaper ones - 7%.

Improving the quality of transport services means:

- switching from uncoordinated transportation by different modes to integrated operations, organizing a complete “door-to-door” transport service and establishing overall responsibility for the safe carriage of goods and their timely delivery.

In the context of the decentralized transport management instituted as a result of Russia's economic reforms, the required functions may be performed by forwarding agencies and transport operators working together with the logistical centres now being set up;

- standardization of the quality of transport services with the formulation and introduction of standards incorporating consigners' requirements for transportation and transporters' requirements vis-à-vis the producers to be served (quality standard for transport services).

State and sectoral standards should be included in the rules for the carriage of goods or provision of other services by the corresponding modes of transport, as well as in contracts between the parties for the carriage of goods. These standards should be applied in work on establishing and implementing a transport quality management system at sectoral level and at the level of individual enterprises;

- development of business plans by transport companies individually and as a whole, having regard to the supply of higher-quality services and the cost-effectiveness of investment aimed at meeting requirements for transport services by quality category;
- development and introduction of tariffs for the carriage of goods differentiated by quality category and reflecting the interest of transport and industrial enterprises in arranging for better-quality carriage. The differentiation should be based on justified transport costs for services of the appropriate quality class.

The interest of freight owners in the application of the new tariffs is based on the economic benefits to be derived from higher quality transport services (operation with no warehousing on the principle of “just-in-time” delivery, which means that the enterprise saves on building and maintaining storage facilities; less inventories built up when goods are delivered by

faster scheduled services; fewer losses of goods with more specialized transport equipment; and fewer current and reserve stocks of raw materials and supplies needed for continuous production when goods are delivered with a certain regularity).

UKRAINE

The State Social Standards and Social Guarantees Act was passed and entered into force in Ukraine in 2000. It sets out State social provisions applicable to transport services and communications, which include norms for public transport and quality indicators for transport services. A State classification of social standards and provisions has now been drawn up pursuant to this Act.

Research institutions are now engaged in work on developing quality indicators for the relevant branches of the transport sector. The State standards and regulatory provisions are intended to ensure guaranteed and quality transport services from businesses licensed to supply these services to the public in accordance with the applicable legislation at ordinary or subsidized rates.

The regulatory provisions for public transport should guarantee the carriage of passengers and the supply of quality services to them from the time of purchase of a ticket to the completion of their journey with a minimum amount of time spent on the processing of travel documents.
