

Final

Presentation by the Ministry of Road, Transport and Tourism of Mongolia to the round table meeting organized under the Technical assistance project to develop infrastructure strategy for South region of Mongolia
(15 May 2008)

Good afternoon,
Ladies, Gentlemen, and Distinguished Guests.

First, we would like to express our gratitude to the World Bank for its decision to provide technical assistance to develop infrastructure strategy for the South region.

The South region of Mongolia stretches through the territory of three aimags, Dornogobi, Dundgobi and Umnugobi in the Gobi region that has vast territory with low population density and economy of the aimags is based on nomadic herding heavily dependant on the nature and environment. The South Gobi region is an area with poorer infrastructure in comparison with the other regions of the country.

First. Roads

The total of 144 billion tugrik investment has been planned for the road development. 83.6 billion tugrik investment is financed by the State Budget and Mongolian Development Fund and 60.4 billion tugrik financing will be provided with foreign borrowings.

The Ministry of Infrastructure and Transport has been performing a wide range work to develop and expand road and bridge network of the national significance in order to achieve the objectives of the Government Action Plan and Regional Development Concepts to connect aimag centers and routes to the Asian road network by 2016.

Within the framework of it, asphalt road construction to connect Ulaanbaatar with Eastern and western regions and China has commenced. An asphalt road network project to connect the South region or Dundgobi and Umnugobi aimags with the capital city is in the initial stage. The Ministry of Infrastructure and Transport has carried out a feasibility study of the 500 km road connecting UB-Mandalgobi and Dalanzadgad and comprehensive engineering drawing has been done for the 50 km paved road in this route.

These aimags in the Gobi region are the largest regions of tourism, mining and largest deposits and rapid increase of the transport means is foreseen not only due to the new developments, but the infrastructure development has become necessary because of mining developments of strategic significance as a copper and gold mine at Oyu Tolgoi, and a proposed development of a coal mine at Tavan Tolgoi.

Considering the above described needs, an objective was set to have built the road connecting Ulaanbaatar- Mandalgobi – Dalanzadgad by 2012. The investment plan considers two possible financing sources for road construction; private financing for

some part of the road with the pay-back condition and the financing for the rest of the road will be sought from other investment sources. Investment in construction of 160 km road for the route Tavantolgoi and Oyu Tolgoi and 100 km road connecting Undurdob-Mandalgobi has been included in the proposal list of the private investment financing and submitted to the Parliament for discussion and approval.

Agreement was reached between Ivanhoe Mines Inc. Mongolia and Ministry to build the 105 km long road for the route Oyu Tolgoi -Gashun- Sukhait, with the investment of Ivanhoe Mines, but it has been postponed due to the delay in the Investment Agreement signing process. The 56 km asphalt road construction in the Naryn Sukhait and Shivee Huren route has started.

Since Gobi aimags are the biggest area of mining and tourism, first of all, building regional infrastructure network in order to use strategic mining sites, such as Tavantolgoi and Oyu Tolgoi, is getting the important goal which will support economic growth and improve livelihoods of people in the region and develop road network in the areas bordering with the neighboring country as well as cooperation.

Second . Transport

1) Railway

As part of the activities to implement the Regional Development Concepts, between 2008-2013, 187 million \$US will be invested from the Millinem Challenge Fund grant on rolling stock renewal, improvement of track equipment, fleet expansion and infrastructure upgrading of the Mongolian Railway.

In 2008, the Ministry conducted “ Feasibility study of building a second railway line”, developed “ Short and midterm plan for the developing railway network”and submitted both papers to the Security Counsel, which issued a recommendation.

To handle rapidly increased traffic and freight in the Zamyn –Ud cross point in the South Region, a new crossing point “ Zamyn –Ud-2’ with 5 track railway of 1250-1450 meter usable length opened. This has increased the freight carrying capacity of the point twice.

Freight volume handling capacity of Zamyn –Ud port has increased by 20-30% as a result of building 2 narrow gauge 850-1050 m long railways and increase of fleet capacity by 135 trailers.

Also a fully equipped freight transit site with a tower crane and broad and narrow gauge railways opened and it increased volume handling from 285- to 300 trailers per day.

In addition to that the fleet and rolling stock of the railway increased with the purchase of 350 trailers and two locomotives from Russia and international passenger trains from Ulaanbaatar to Beijing were renewed with 16 new trains equipped to meet the modern standard.

15.0 billion investment was made in accordance to the approved “Mongolian State Budget Law for 2008” to purchase 3 locomotives, about 150 trailers and establish a new state owned stock holding freight forwarding company. This company will also handle utilisation of the resources raised with the Millennium Challenge Fund. In this way, competition will be allowed in this sector and foundation for the rapid development will be laid to bring quality improvement in railway service.

The purpose of the intended railway network in Gobi is to facilitate the exploiting the mineral deposits, development of tourism, increase the transit and export freight forwarding, balanced regional development and serve the social development. The railway network in Gobi will create condition for freight forwarding from the central and eastern regions to China and Kazakhstan, further to Europe and connecting remote province centers and settlements with other regions.

This railway network has key role to increase export by exploiting Oyu tolgoi and Tsagaan Suvarga deposits and build a power station and a coal processing plant for gaz production based in Tavantolgoi.

The railway network will provide not only connectivity to the mining sites it will also link vicinity and settlements which are going to be created as a result of mining developments and the Umnugobi province center to the main railway traffic and will become a basis for the vertical arterial network. Building railway network will put less pressure on the environment therefore will eliminate soil erosion.

The intended railway building project in Gobi proposes the following routes for the implementation:

- Airag - Tavantolgoi, total length is 470 km
- Tavantolgoi – Oyu tolgoi /175 km/ - Khatanbulag /170 km/ - Hangi /100 km/ - total 445 km
- Tavantolgoi – Dalanzadgad /80 km / - Naryn Sukhait /280 km / total 360 km
- Naryn Sukhait – Shivee huren 60 km
- Tsagaan suvarga – Khatanbulag 120 km

In total, the length of the railway in Gobi region is estimated as about 1455 km.

The phases of the building Gobi region railway and gauge choice have been reviewed and under the discussion.

The preliminary estimation of the investment in the Gobi region railway track is about 2,3 billion USD.

2) Road transport:

Within the framework of implementation of Regional Development Concept and Program actions were taken to renovate and upgrade physical condition and technology of road transportation in Mongolia. In 2007, 200288 fleet were registered in Mongolia and compared with 2000, in 2007 the total number of vehicles has increased by 1.9 times.

This rapid growth of transportation has increase negative impact on the health of population and environment. To reduce the negative impact, ensure safety of the transportation and reduce the number of accidents and traffic crimes resulted from driving vehicles, which do not meet traffic safety requirements, under the “Transport Development Project” 24 transport diagnostic centers with nationwide integrated transport data base network have opened.

Also during the period of 2006-2007, the Transport Service Center under the Ministry has made 893.0 million tugrug investment in different areas, including helping its local branches to purchase premises to allow them to operate in their own premises, purchase trucks for mobile service and buy buses for intercity transportation.

In addition, the Center commenced building of new intercity bus stations in Darkhan town and Dornogibi province center and refurbishment of the existing intercity public transport station in Dund-Gobi with its own investment.

The Ministry approached the Government with a proposal to build of a new modern terminal for passenger and auto cargo transportation in Zamyn-Ud and had approval of the Government for the project. The engineering documents and design of this terminal has been developed with private investment and the project will start in 2008.

The Ministry got started a project “Efficiency improvement of the transportation” financed with a long term soft loan from the Government of South Korea. Within the project 45 traffic lights, 26 remote control circuit cameras were installed in the traffic junctions and 2 information sign boards for drivers have been operated by the Intergrated management Center.

Road transport has been and remains most popular and easily accessed transportation means in our country, which has vast territory and sparse population density with a economy dominated by small businesses and has relatively small market, in terms of scope and coverage of both businesses and population.

However, this important transport sector has been overlooked in the development of the Transport strategy.

Therefore, in connection with the opening the 450 km long asphalt road Choir-Zamyn-Ud, the key horisontal arterial road crossing the Central Region of Mongolia, the Ministry focuses its effort on developing legal contexts, monitoring and coordinating systems and revenue generating mechanisms for regulating of the transit freight

forwarding connecting Asia and Europe via territory of Mongolia by inland truck transportation. Also the Ministry is planning to develop modern service infrastructure and logistics centers along the horizontal arterial road step. For example:

It is necessary to open high class logistic centers and cargo terminals in Zamyn-Ud, Altanbulag, Tsagaan nuur, carry out feasibility study on opening freight terminals in Khovd, Uliastai, Harkhorin, Erdenet, Choibalsan and Undurkahaan and build these terminals in the needed places. Also it is necessary to include in the Strategy plan renovation of freight and passenger transport means, particularly replacement of the existing intercity public transport with bigger buses.

A Japanese Consulting company has completed the final study for the international airport project in Ulaanbaatar and Japanese International Cooperation Bank is working on the loan agreement draft.

The estimated cost of the new airport construction is about 290 million USD. It is recommended to include in the Strategy both feasibility study of the international transport network hub establishment and construction project.

In any country, in the city with more than 1 million population, the traffic problem is solved by introducing underground transportation. Therefore building of underground, bridge exits and high ways in UB are getting the short term and medium term Strategies for Mongolia.

Moreover the Strategy paper should address the needs to move wholesale centers from the city center open cargo terminals and logistic centers to receive, process, distribute and deliver imported and exported goods.

3) Civil aviation:

Under the Regional Development Program a new airport with paved runway opened at Dalanzadgad, Umnugobi province in 2007.

As a result of the recent cooperation with the aviation authorities of two neighbouring countries in addition to the existing "INTIK" air corridor, a new corridor opened. It opened a new air traffic in parallel to the air traffic in the central region of the country. As a result of this the flight numbers passing over this country will increase contributing to much improvement in the safety of flights.

"MIAT" airlines started flying a new aircraft BOEING-737W with 189 seats. By doing this airlines created technical condition for offering 30% more tickets to international passengers compared with previous years.

In 2008, the airline company has increased the flight frequency from Ulaanbaatar to Beijing from 8 to 14 a week, to Europe- 4 times a week, 3 times- to Tokyo in the high season of tourists, 2 times to Osaka and Nagoya each.

Within the framework of the renovation of air traffic service equipment and technology and improvement of equipment supply, 3 flight radio locators, 4 navigation

equipment VOR/DME have been purchased and installation of the equipment are in the process.

A Japanese Consulting company has completed the final study for the international airport project in Ulaanbaatar and Japanese International Cooperation Bank is working on the loan agreement draft. The plan is to complete the airport project with the estimated cost of 290 million USD by 2014.

Dear representatives and guests,

I addressed shortly about road and transportation development goal and measures for Southern Mongolia.

I hope all those presentations and information presented at this roundtable discussion will be an input and information for developing of infrastructure strategy for southern Mongolia.

Thank you for your attention.