

Railway Developments in Mongolia

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Transport Forum 2006

Existing railway

- Mongolia is a landlocked country between Russia and China
- The railway is Russian broad gauge and runs for about 1,100km from the border with Russia to the border with China. At the Chinese border there is a change of gauge.
- Although the railway carries Mongolian coal for its power stations, its main freight traffic is now transit freight (Crude oil and timber) from Russia to China.
- The existing railway is a 50/50 Joint Venture with Russia (now through the Ministry of Railways)

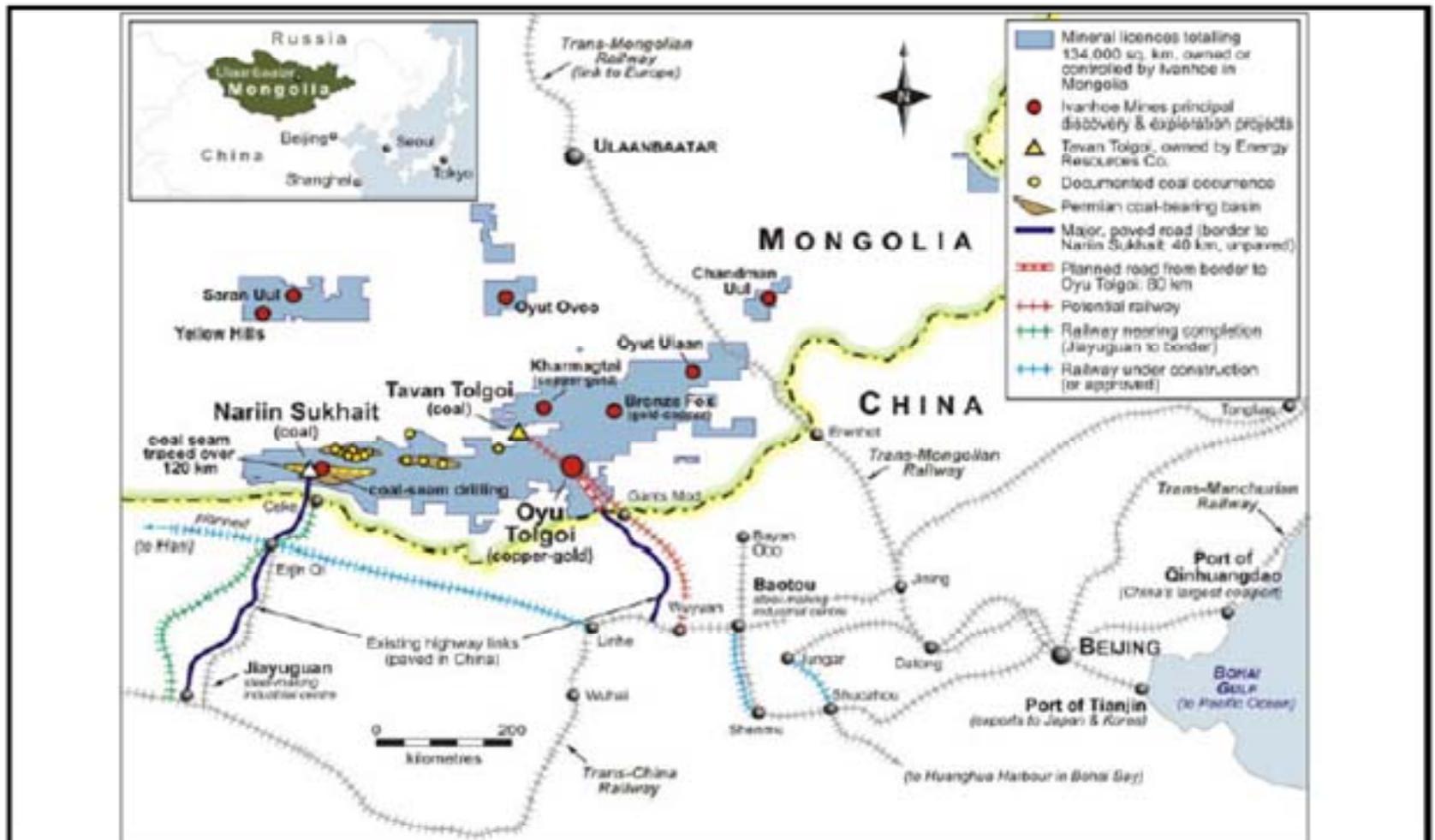
Capacity increase on N-S railway

- There is a (perhaps unrealistic) expectation that the current transit traffic of about 4 million tons will continue its recent 10% + per annum growth. So one proposal is to build a new parallel line around Ulanbaataar, where severe gradient and curvature constraints limit capacity that has to be shared with domestic coal and passenger trains.
- The line would eventually be duplicated throughout its length, not only increasing capacity but also freeing Mongolia from its present Joint Venture Agreement with Russia dating from 1949.

Mining Developments

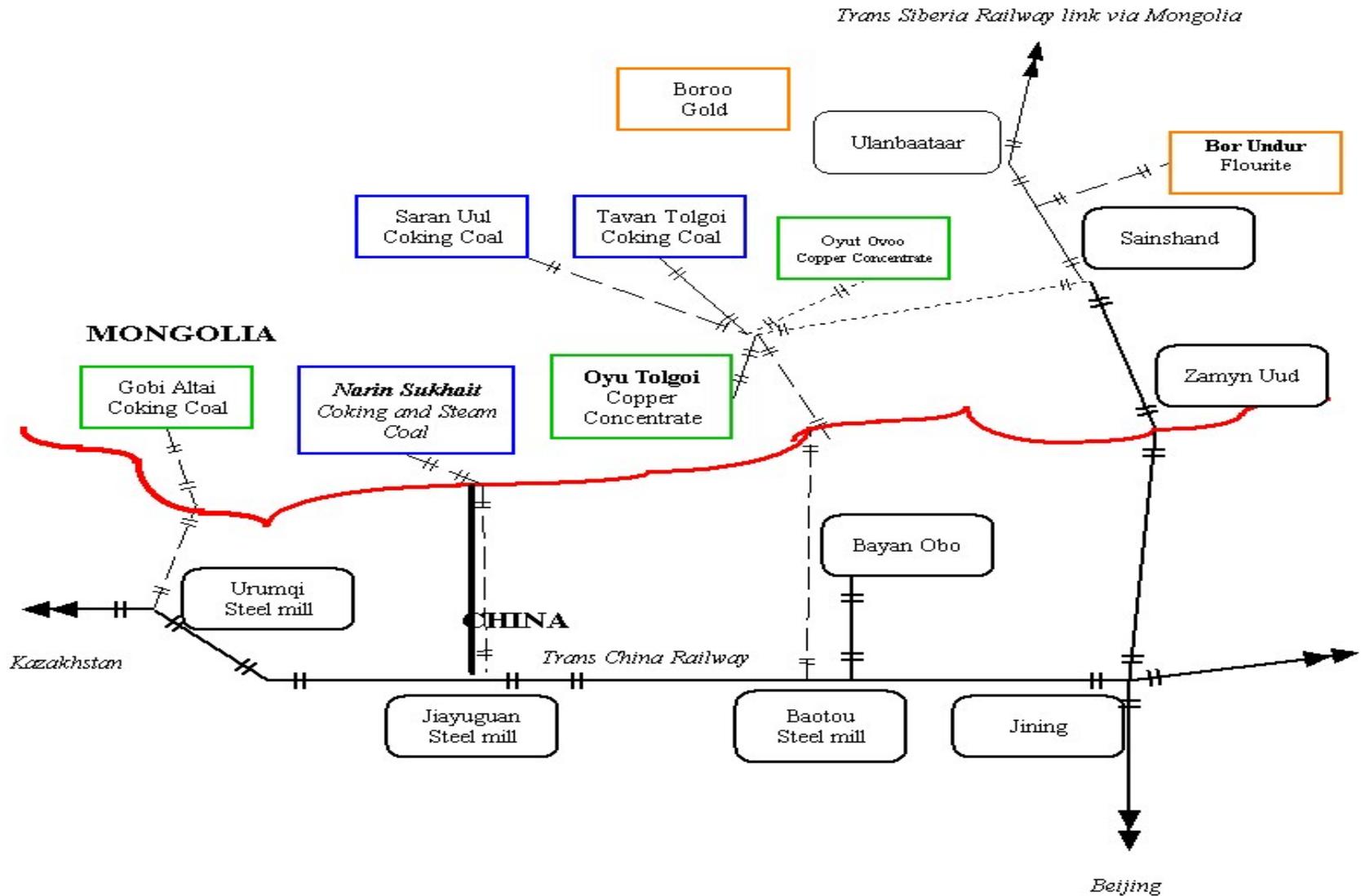
- For many years it was not worth exploiting Mongolia's rich mineral reserves as it is land locked country, some 1,500 from the nearest port - and that can only be accessed via the congested China Railway
- Now that demand for minerals has expanded in China, many of these reserves and especially those close to the border with China are being exploited. Coal, copper concentrates and fluorspar exports already exceed 6 million tons per year. Most of this is transported by road to the border, where some is transferred to rail

Mining Developments in South Gobi



Oyu Tolgoi to China–Mongolian border: 80 km (50 miles)
 Oyu Tolgoi to China’s national railway system: 270 km (170 miles)

Some proposed rail links between Mongolia and China



Track rights

- There is an expectation that the mining companies will finance the construction of the relatively short rail lines in Mongolia to transport minerals, mostly coking coal
- The first lines to be built will probably be those from Narlin Sukhai and Oyu Tolgai
- Next will come those from Saran Uul and Oyut Ovoo. The last two of these will need track rights over the Oyu Tolgai line, but that will be owned and operated by a competing mine.
- In a country with a weak legal system and little experience of regulation, how can we be reasonable sure that a system of track rights will work for these and other mines?

Railway Strategic issues

- Should Mongolia try to get out of the Joint Venture agreement with Russia? If so, how? Are there any precedents to building a parallel railway to one in which you already have a share?
- Who should own and operate the several mining railways that are being contemplated? Is there any precedent to having the mining companies form their own JV Railway Company?
- Should the mining companies have JV with the railways on the China side of the border?

Your advice and experience is needed

- From this audience of perhaps the greatest concentrations of development railway experience, I would appreciate some help.
- Does anyone know of another 50/50 Joint Venture railway where the partners cannot agree on how to cooperate or dissolve the venture?
- Are there any positive experiences of implementing track rights regimes in countries with weak regulatory and legal systems?
- Please respond in person or to rcarruthers@woldbank.org
- Thanks very much