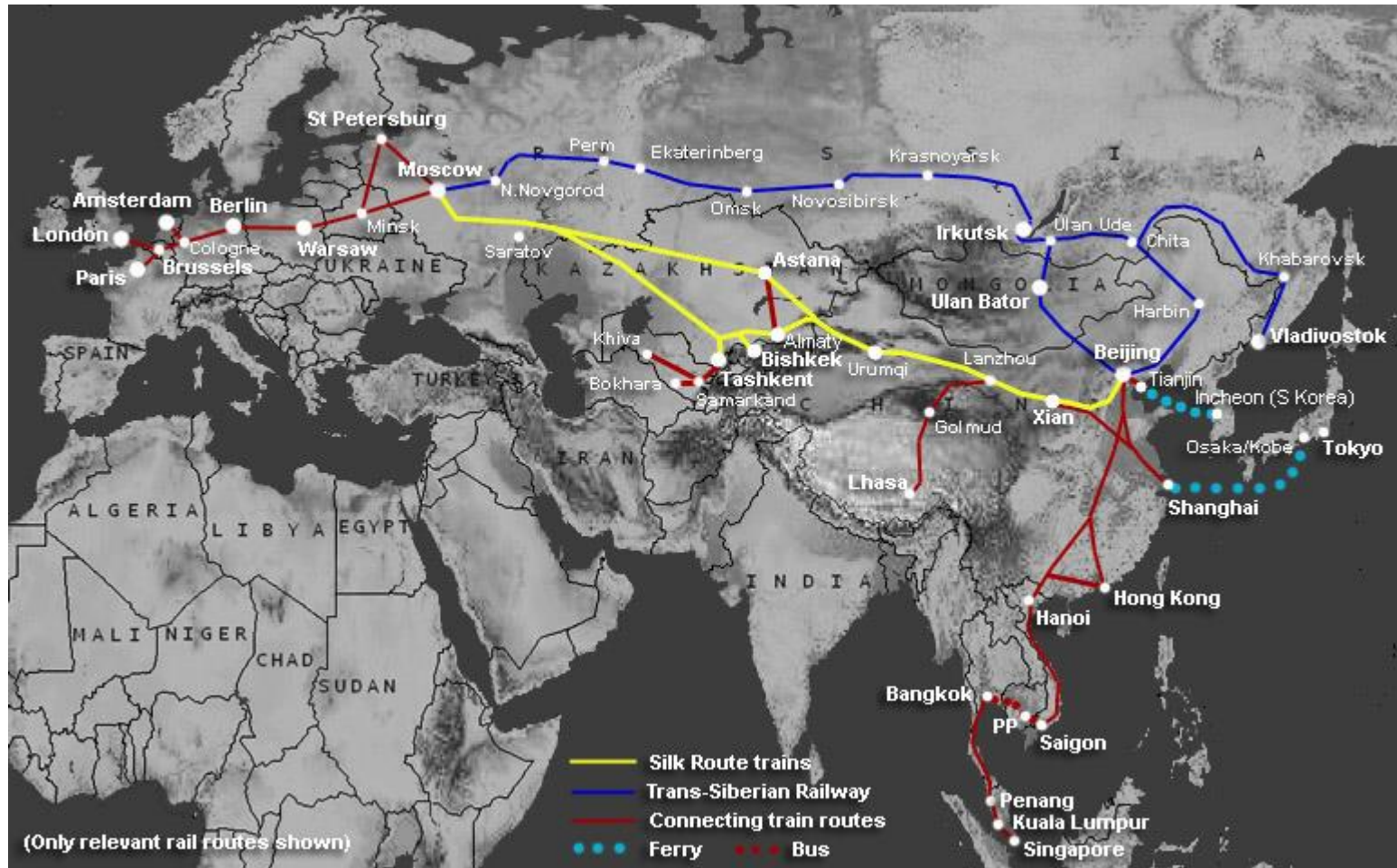


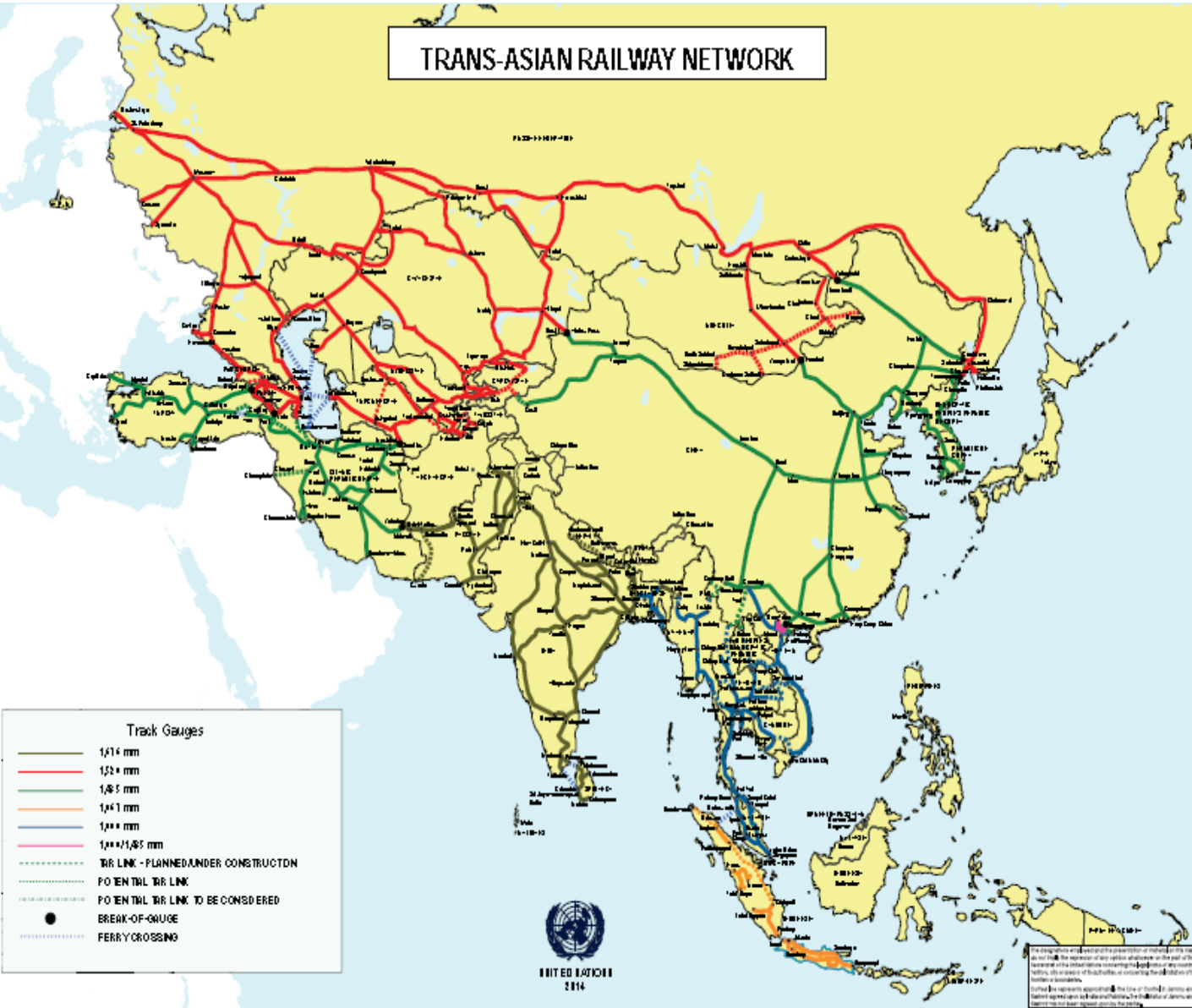
THE NEW SILK ROAD

“CHINA – EUROPE LANDBRIDGE”

David Brice

International Railway Consultant

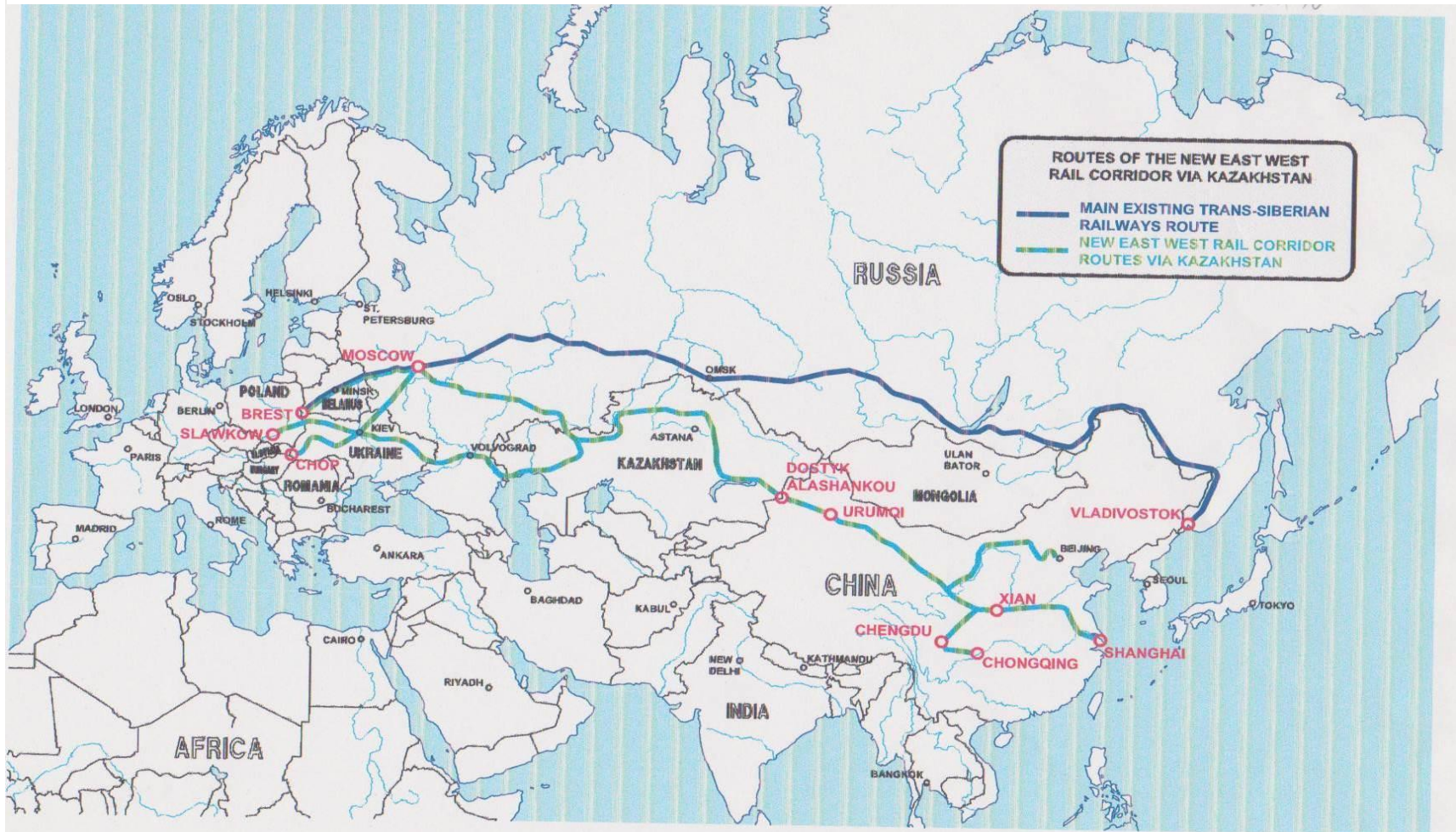




PAST PRESENT AND FUTURE

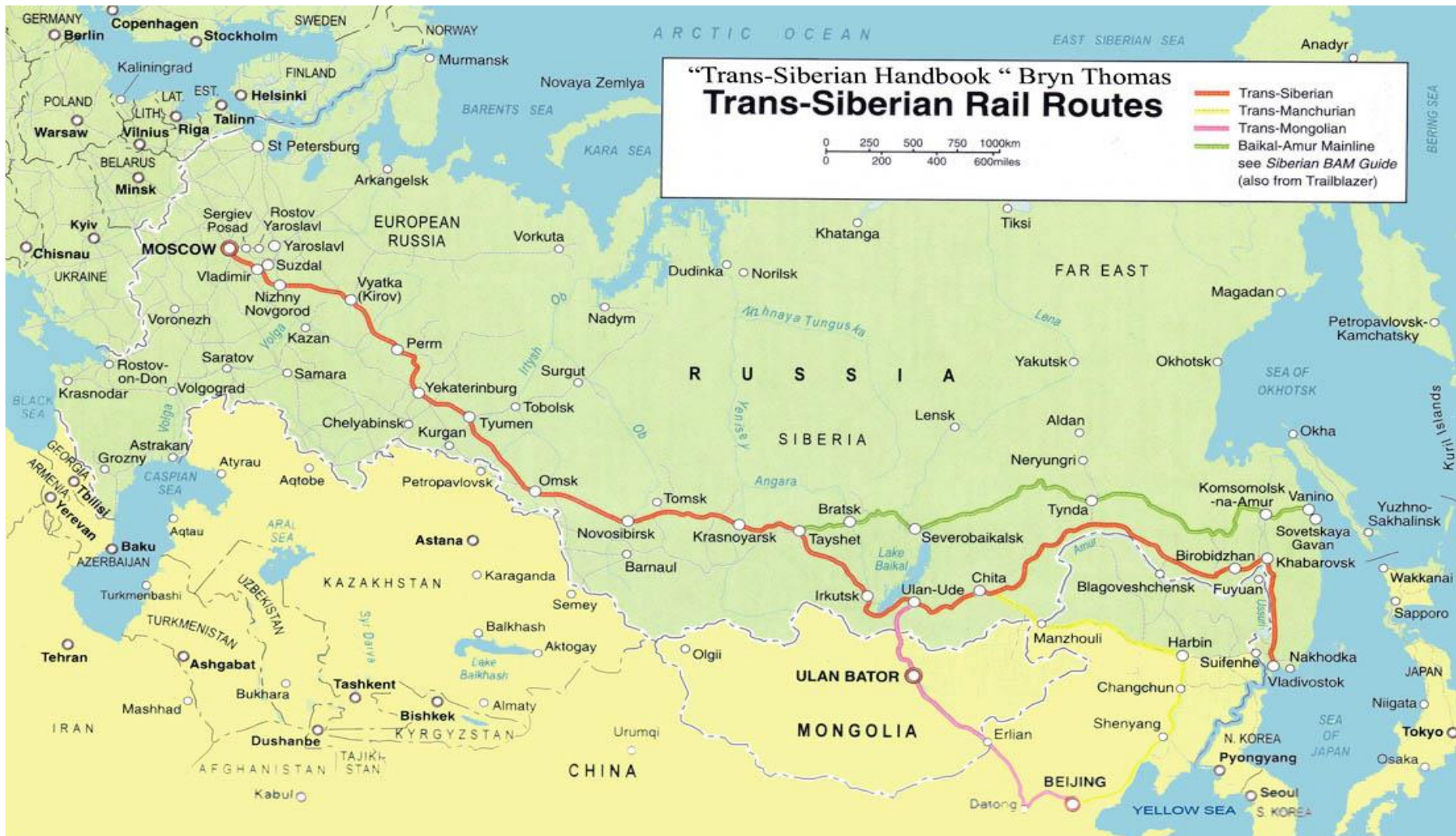
- Rail links have operated between China and Europe since 1916
- There has been massive trade growth between China and Europe over the past 20 years
- The trade is dominated by shipping
- Only 2% of this trade is moved by land
- Ambition exists to triple rail traffic over the next 20 years

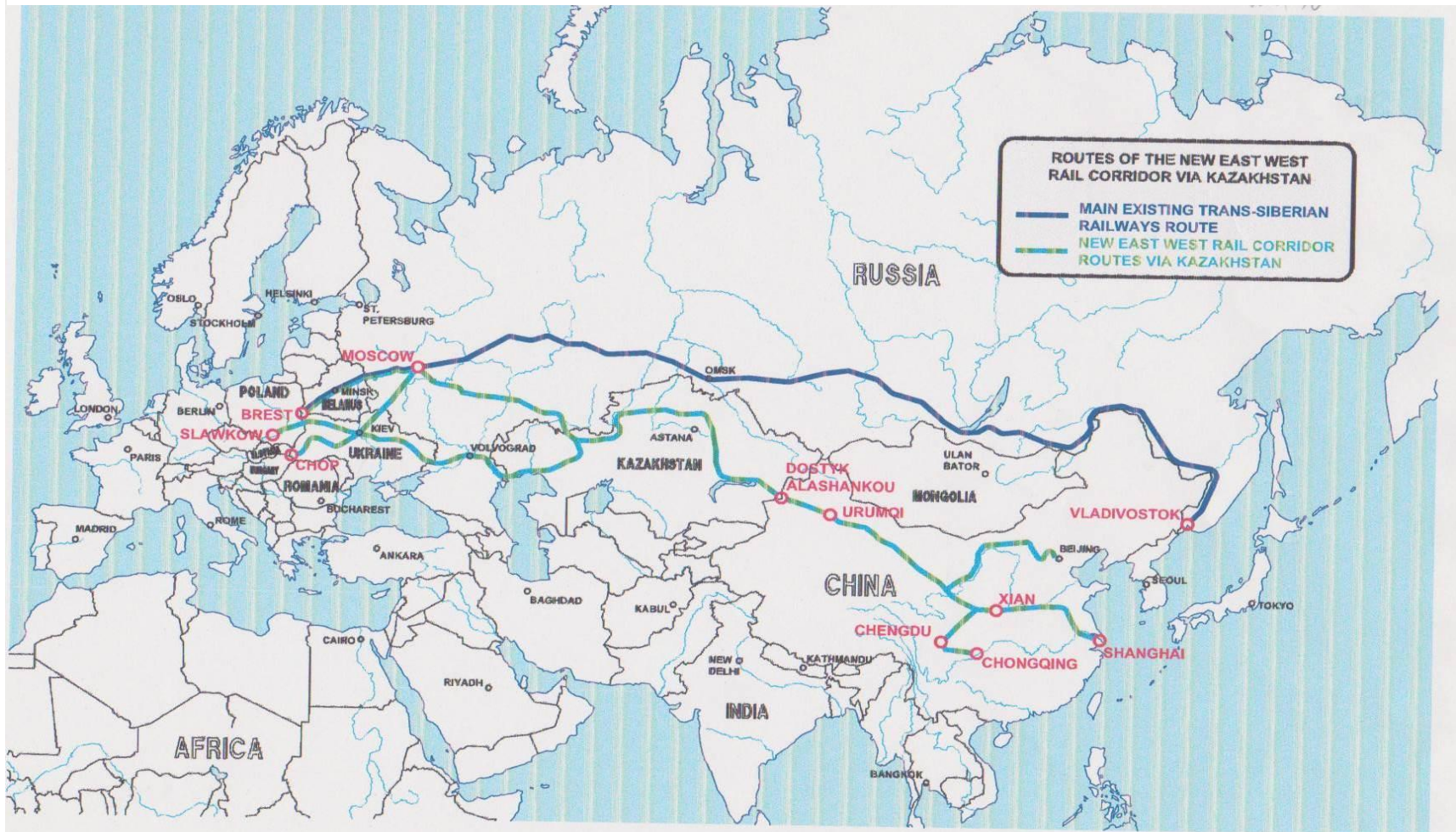
- ## The Present Routes
- Trans Siberian route
 - Trans Kazakhstan route



The Present Routes





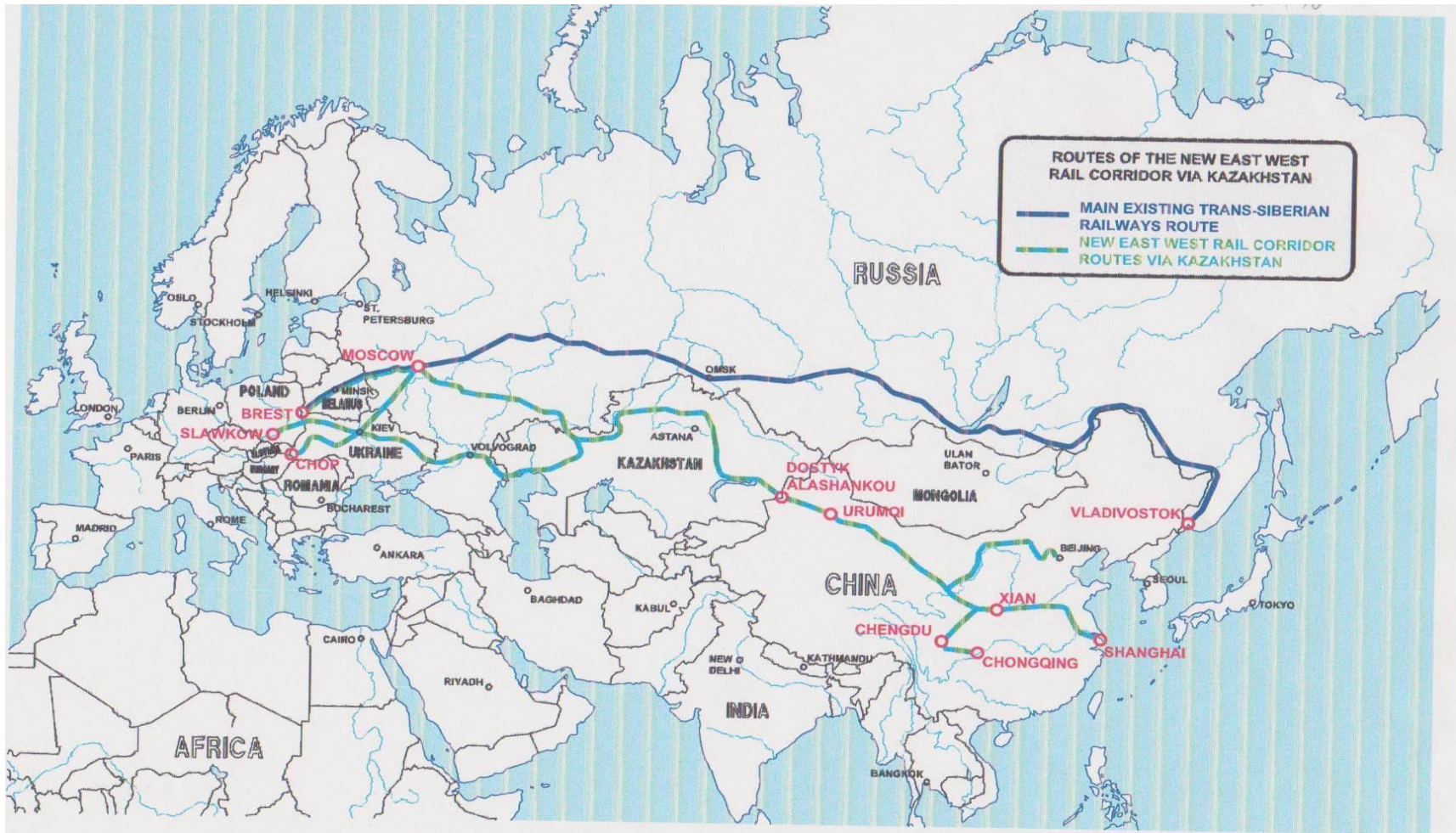


Trans Siberian Route

- Completed in 1916
- Distance to Polish Border 9288 km
- Countries transited to Europe: Mongolia / Russia / Belarus / Poland / Germany
- Double track and electrified beyond Mongolia
- Route currently full but Russians now spending \$43bn to increase capacity

Trans Kazakhstan Route

- Completed in 1994
- Distance: 10 214 km to Hamburg
- Countries transited to Europe: Kazakhstan / Russia / Belarus / Poland / Germany
- Eastern Section: currently single track with diesel power: remainder double track and electrified



Current Strategic Partners operating throughout services

- United Transport & Logistics Co
(Russia/Kazakhstan/Belarus)
- Hewlett Packard
- DB Schenker
- DHL Global Forwarding
- UPS

Political Aspects

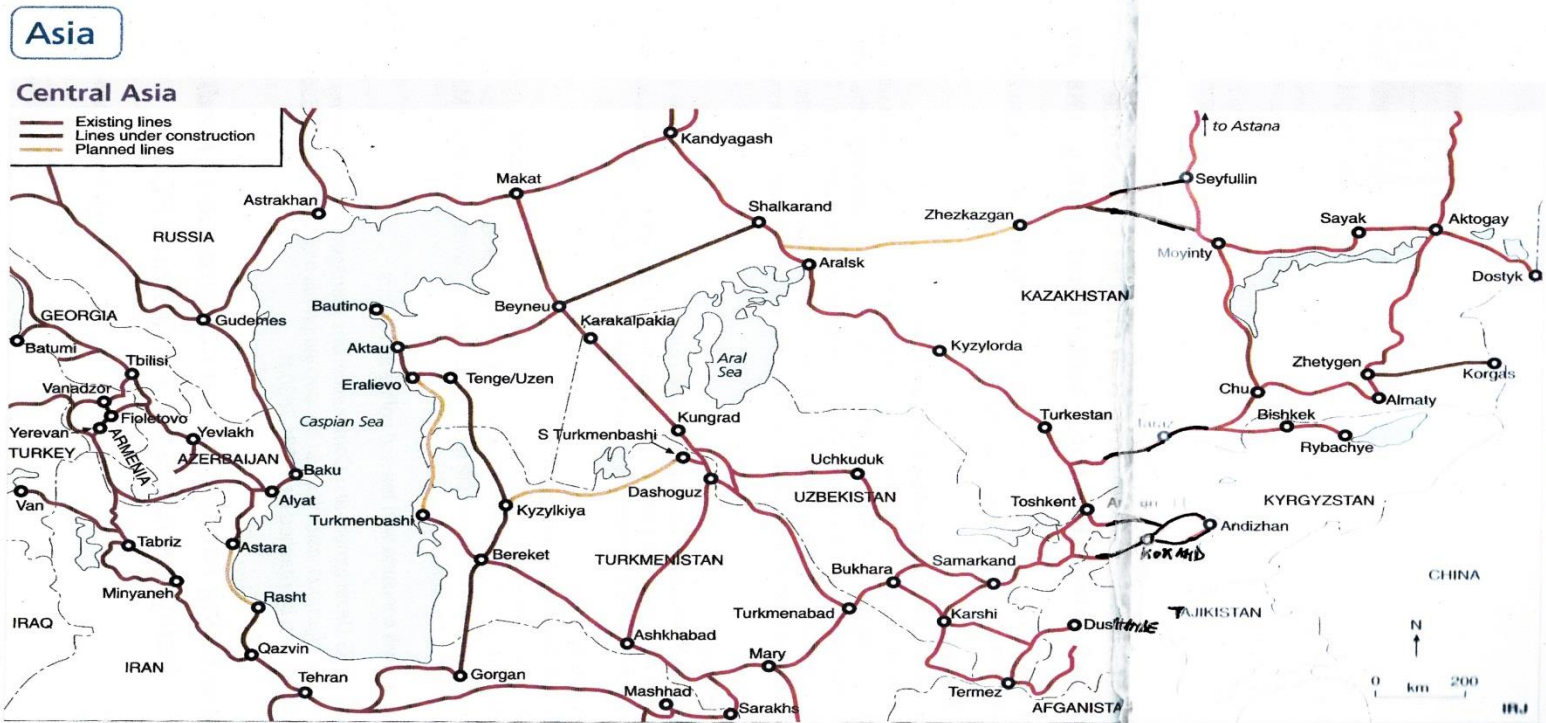
- Countries transited
- Recent political changes
- Current contingent risks

China – Asia Rapid Build-Up of Rail Routes



- Build-up of new rail routes between China and Asia
- Druzba route: opened in 1994
- Zhetigen-Korgas route: opened in 2013
- Uzbek-Caspian route: planning in hand
- Kashgar-Dushanbe-Afghan-Turkey: in perspective
- Marmaray Tunnel: just opened this year

China - Asia Rail Routes Rapid build up



Rail Advantages/Opportunities Compared with Sea Route



- 50% faster - transit time halved
- Much improved container turnaround
- Attractive for high value (= high rated) traffic
- Choice of alternative routes across Asia
- Comprehensive European network
- Direct delivery to European destinations
- Good cargo tracking systems
- Relative reduced weather impact

Map of European Rail Network



Rail Challenges

Risk of Delay due to wagon non-availability /
lack of track capacity

Border delays due to congestion/paperwork
leading to risk of theft

Shipping Challenges

- Lengthy transit – 28 - 35 days - but 50% cheaper
- Lengthy supply line – distance + weather vulnerability
- Risk of port congestion
- Industrial action risk

Insurance Aspects

- Risk of delay, damage or loss
- Sea transport reparation usually limited to weight rather than value of goods
- Cover needs to include delay compensation as well as loss
- Rail transport is usually secure provided journey not interrupted
- Packaging implications – increased kinetic energy through acceleration shunting etc
- Uncertainty over liability regime BIFA/CIM
- Terms of Sale – whose risk at each stage of journey

Insurance Aspects

- Stowaways
- Theft – potential target by organised crime/infiltration of border/customs systems
- Security issues; whilst static and on the move
- Collateral damage from dangerous goods; absence of on-board fire fighting provision

Insurance Aspects

- Ambient temperature changes: insulation/condensation
- Risk of wars/terrorism in high risk countries
- Hi-tech goods = high financial exposure
- Recovery liability from service disruption
- Potential complications of duty payable transiting multiple territories
- Damage risk due to transshipment

Summary of Presentation

- Rail ambition exists and is underway
- Impact so far on shipping volumes is negligible
- Cargo underwriters need to understand the new Silk Road
- Need highlighted for the regulatory regime to keep pace