

1. Executive Summary*

1.1 Objective

Rail based mode of transportation is the second cheapest mode of transport next to shipping. Nepal and Bangladesh had been enjoying rail linked transit facilities through the Radhikapur – Birol interchange point. With the upgradation of railway link in the Indian side to Broad Gauge (BG) and non upgradation of Metre Gauge (MG) to BG from Birol onwards to the Bangladeshi side has practically closed doors for availing transit facility utilising the second cheapest mode of transportation. At present trade is carried out through the Phulbari – Banglaband transit route by way of truck carriage however due to the operational hassles & high cost of transport bilateral bulk trade between Nepal and Bangladesh has not made any significant contributions and the scope for increasing it manifold, upon establishing appropriate rail linked transit facility, cannot be discounted.

Further, possibilities of improving trade with the southern part of North East India and other eastern members of BIMST-EC (like Myanmar and Thailand) does exist. Realising the importance GoN with assistance from ENTReC has undertaken a study involving various stakeholders for exploring opportunities of the shortest railway linked transit route between Nepal and Bangladesh and the recommendation of the study team had endorsed the opening up of the transit route. Also, in the long run with the upgradation of railway facilities and building up of necessary infrastructure in the Bangladeshi side may allow opportunities for conducting third country trade with select countries. The study envisages opening up of rail linked transit route to Bangladesh via the Singhabad (India) – Rohanpur (Bangladesh) interchange points utilising the existing railway facilities of India and Bangladesh.

1.2 Facility Sought

Railway linked transit facility to Bangladesh connecting Birgunj and Biratnagar (Jogbani) for bilateral as well as third country trade utilising the railway facilities of India and Bangladesh via the Singhabad - Rohanpur interchange point. Rail linked accessibility to Bangladesh via the Singhabad – Rohanpur interchange point in block train as well as few wagons (fully sealed wagons from the originating point) to/from Jogbani, Katihar, Bathna (when railway service becomes available), Birgunj, Biratnagar (when service becomes available) to/from any part of Bangladesh for both bilateral as well as third country trade of Nepal.

* Summarize Report – Rohanpur-Singhabad Transit Route Study

1.3 Route Overview

There are at least five probable rail linked interchange points between Bangladesh & India along the western border of Bangladesh with India. Of the above mentioned five probable link Chiliahati-Haldibari and Radhikapur-Birol are the two inoperative railway links as there is a railway connectivity gap of five kilometres in the former and gauge incompatibility in the latter. Singhabad-Rohanpur, Gede-Darsana and Petrapore-Benapole are the other three BG linked operative interchange points currently in use for trade between India and Bangladesh.

Considering the distance and accessibility between the above mentioned three operative interchange points to the major economic hubs of Nepal, namely Birgunj and Biratnagar, Singhabad-Rohanpur is the nearest interchange point. Further, Katihar which is 107 Km south of Jogbani is already handling Indian trade to Bangladesh through the proposed interchange point for above twenty (20) rakes per month as a result availability of rolling stocks in Jogbani and Birgunj should not be a problem in conducting trade. Hence Singhabad-Rohanpur interchange point seems to be the most feasible point for enhancing and maintaining trade competitiveness of Nepal.

2. Economic Appraisal

2.1 Transportation Costs

2.1.1 Transport cost through Rail route

(Cost in NPR/MT)

	Rajshahi	Dhaka	Chittagong	Khulna	Kolkata	Haldia
Birgunj	1030	1430	1870	1320	1030	1182
Biratnagar/Jogbani	610	1000	1450	890	920	1030

Source : IR, BR & HTPL

Note 1: Railway tariff has been estimated at average cost

Note 2: Railway tariff on the Bangladeshi side is for export traffic however the cost shall come down significantly in case of import from other third countries as wagons exported from India come empty from Bangladesh and utilisation of such wagons on its way back will reduce railway tariff significantly.

2.1.2 Transport cost through Truck route

(Cost in NPR/MT)

	Rajshahi	Dhaka	Chittagong	Khulna	Kolkata	Haldia
Birgunj	3100	3450	3800	3000	2560	2760
Biratnagar	2250	2600	2950	2150	1760	1960

Source : NTWC office Kakadhbhatta, HTPL and other local source

Note : Exporters of Biratnagar and Birgunj are incurring at least NPR 500 to NPR 750 on detention charges per MT due to entry restrictions & congestion of traffic at Banglaband in Export season. Further loading and unloading charges at originating and final destination will tentatively remain same either through rail or road, however additional loading and unloading is being incurred at the interchange point of Banglabandh in case of transport through road as a result it will further inflate costs.

2.2 Distance Analysis

2.2.1 Rail Distance to various economic points

(In Kms)

	Rajshahi	Dhaka	Chittagong	Khulna	Kolkata	Haldia
Birgunj	603	843	1148	870	704	808
Biratnagar/Jogbani	298	535	843	561	600	708

Source : IR, BR & HTPL

2.2.2 Road Distance to various economic points

(In Kms)

	Rajshahi	Dhaka	Chittagong	Khulna	Kolkata	Haldia
Birgunj	984	966	1184	1084	924	1074
Biratnagar	710	692	910	810	650	800

Source : NTWC Office Kakadhbhatta and other local sources

Cost and distance of effecting trade through rail services as compared to road based trade seems very attractive with more than 50 percent transport cost reduction in almost all cases and in few cases it is as high as 70 percent transport cost reduction. The distance between Jobhani/Biratnagar and different economic points of Bangladesh seems extremely attractive alongwith reasonable cost. Distance between Haldia – Birgunj seems slightly lesser than the distance between Khulna – Birgunj as a result the route may be economically feasible due to fast turnaround time for selected third country trade.

In general distance between the important economic centres of Nepal and Bangladesh would be reduced significantly compared to truck route and particularly distance between Rajshahi a major city of Bangladesh and Nepal would be reduced by more than 300 kilometres which is in itself enough reason for anticipating trade growth between the two countries.

2.3 Cost competitiveness of Mongla Port

Mongla port is an under-utilised port as such detention and other charges are much lower as compared to Kolkata and other busy ports. The cost of holding goods passing through the port is lower due to fast turnaround time. Further, the GoB through a notification had announced fifty (50) percent discount on the port charges for Nepalese trade handled through the port upto a few years back however trade for Nepal through the port has not commenced due to various reasons and the benefit has not been utilised.

Cost of holding, demurrage and detention charges comprises a major element of the overall transport cost and such costs are increasing day by day for imports from Kolkata port as a result maintaining trade competitiveness has become very difficult for the business community. Kolkata port is over congested with the existing infrastructure unable to bear the trade growth through the port.

Delays in meeting commitment for export causes huge foreign currency losses to the country through unnecessary air freight charges and additional discount to the buyers . Cost of handling has increased significantly during the last few years and it is expected to increase further in the days to come and inadequate exercise in creating alternate routes may lead to disaster for the trade composition of the country. Utilisation of the Mongla port for third country trade shall bring about positive impact in this aspect of transport cost and assist in maintaining trade competitiveness.

3. Commercial Appraisal

3.1 Trade Analysis

3.1.1 Total Trade Statistics of Nepal

(In NPR 000)

	2002 – 03	2003 – 04	2004 - 05	2005 – 06*	2006 – 07
Import	128,228,134	135,840,335	148,294,229	162,840,724	NA
Export	50,011,122	53,949,414	58,443,821	60,074,774	NA
Total	178,239,256	189,789,749	206,738,050	222,915,498	NA

(Source: TEPC)

* Provisional figures

3.1.2 Bilateral trade of Nepal with India

(In NPR 000)

	2002 – 03	2003 – 04	2004 - 05	2005 - 06	2006 – 07
EXIM	97,354,000	109,517,000	127,593,000	147,858,000	159,615,000

(Source: TEPC)

3.1.3 Bilateral trade of Nepal with Bangladesh

(In NPR 000)

	2002 – 03	2003 - 04	2004 – 05	2005 - 06	2006 – 07
EXIM	746,563	1,092,470	496,584	338,969	807,976

(Source: TEPC)

Bilateral trade of Nepal with Bangladesh is very negligible compared to the total trade with India. Indian Trade with Nepal is nearly 200 times the trade statistics of Bangladesh with Nepal hence possibility of enhancing seems adequate.

3.1.4 Total trade Statistics of Bangladesh

(In Billion USD)

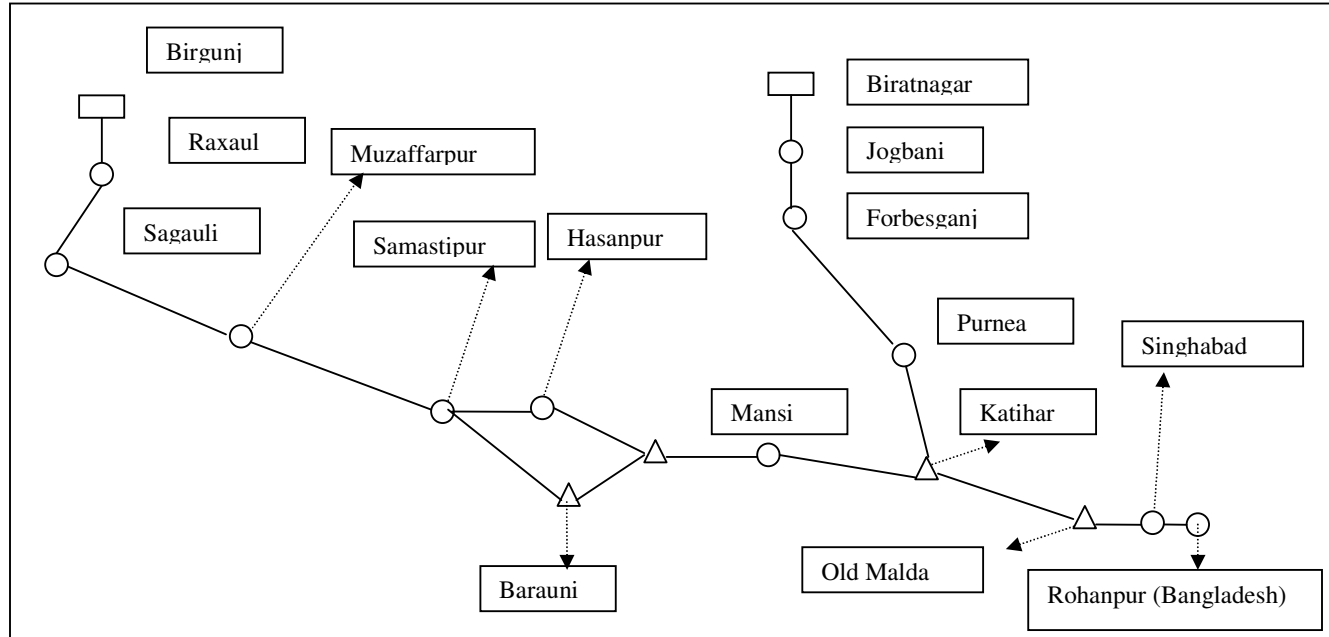
	2002 – 03	2003 - 04	2004 – 05	2005 - 06	2006 – 07
EXIM	NA	NA	13.10	10.5	NA

(Source: EPB)

Bangladesh has a total trade statistics of nearly four to five times the total trade of Nepal as shown by the above statistics. Considering the total trade volume of Bangladesh opportunities for expansion is immense as the current trade statistics between Nepal and Bangladesh is below a percentage point of the total trade of Bangladesh.

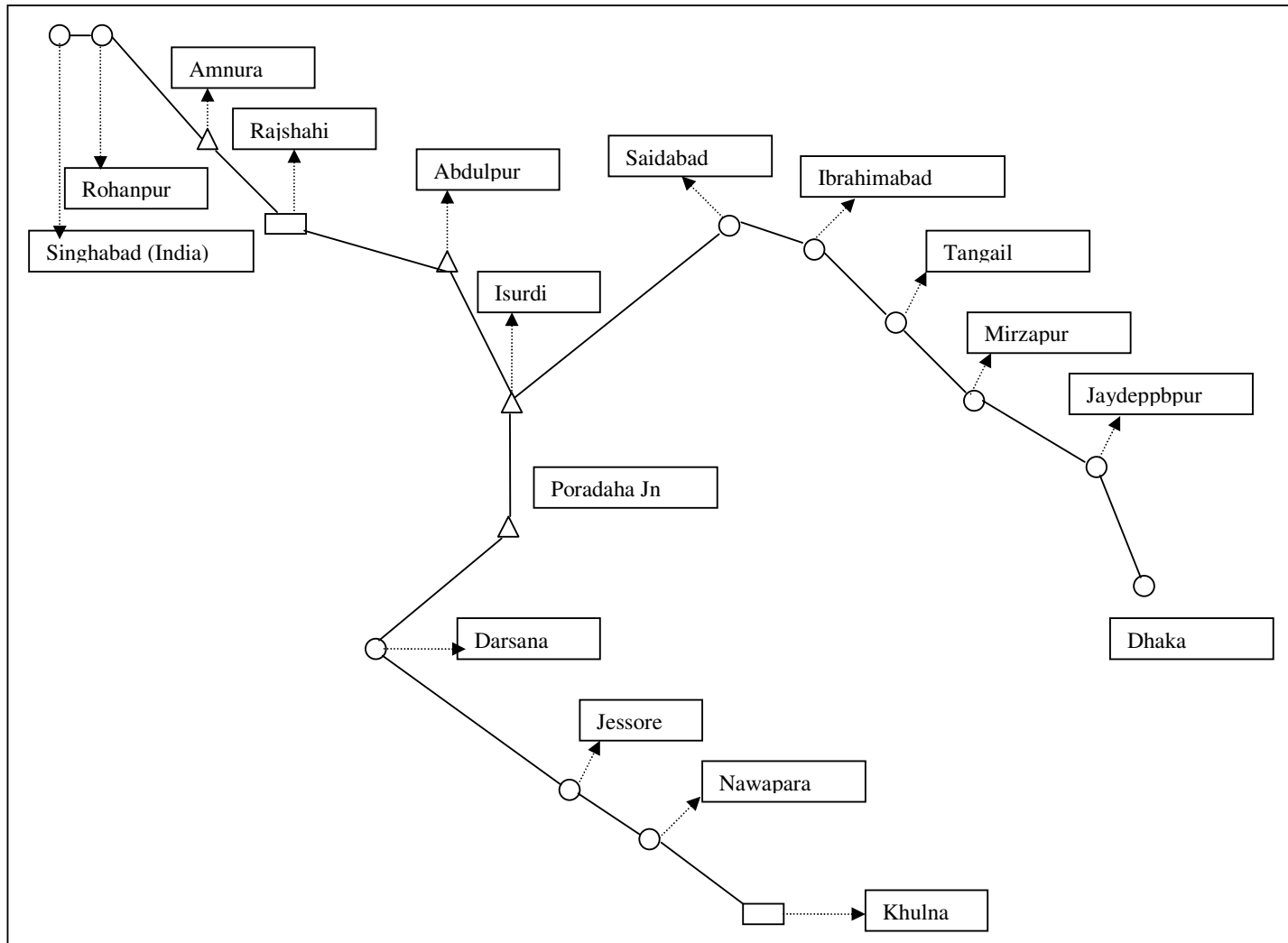
3.2 Proposed Route

3.2.1 Proposed Route on the Indian Side



Railway Link on the Indian Side from Raxaul onwards to Singhabad is already existing however with the upgrading of Railway link on the Katihar - Jogbani section to Broad Gauge (BG) the proposed route will have connectivity from both Birgunj as well as Biratnagar transit points which are major trading points on the Nepalese side and handle nearly 70 percent of the total trade of the Country. Birgunj shall be linked with Bangladesh through Birgunj-Raxaul-Sagauli-Muzaffarpur-Samistipur-Hasanpur/Barauni-Mansi-Katihar-Old Malda-Singhabad-Rohanpur (Bangladesh) and Biratnagar shall be linked via Jogbani-Forbesganj-Purnea-Katihar-Old Malda-Singhabad-Rohanpur (Bangladesh). Birgunj to Rohanpur is 540 Kms and Jogbani to Rohanpur is 230 Kms only.

3.2.2 Proposed Route on the Bangladeshi Side



Railway link on the Bangladesh side at Rohanpur is connected to Singhabad on the Indian side. Distance between Singhabad and Rohanpur is only 12 Kms. The proposed route will provide Railway link to various towns of Bangladesh including Khulna which is not far off from Mongla port. The major stations which are crossed on the way are Rohanpur – Amnura – Rajshahi – Abdulpur – Isurdi – Poradaha – Darsana – Jessore – Nawapara – Khulna, distance between Rohanpur to Khulna is only 326 Km. Although railway connectivity from Isurdi to Dhaka is shown on the above mentioned chart however Railway cargo can not be handled as the Jamuna Bridge which is located at Saidabad – Ibrahimabad section because the 4.8 Km long bridge does not support movement of cargo trains due to technical reasons of the bridge. Railway portion of the Jamuna bridge has been standing on cantilevers and not in the main structure as a result movement of cargo trains is not possible along the bridge.

4. *Justification and Conclusion*

4.1 Justification

Bangladesh with a huge population of 130 million approximately and Nepal with a population of 27.5 million approximately have total trade (*both export and import combined*) of below NPR 1.00 billion only. Total trade of Bangladesh is USD 13.10 billion (2004-05), USD 10.5 billion (2005-06) and total GDP of USD 63.4 billion (2005-06) with per capita GDP of USD 456 (2005-06). Nearest distance to a major town of Bangladesh, Rajshahi, is only 298 km through rail. Despite such huge population of Bangladesh, Nepal has not been able to expand its trade in comparison to other countries. Necessary exercise needs to be taken to harvest the opportunities of such a huge market within Nepal's nearby proximity.

Transport cost and timely delivery plays a major role for maintaining trade competitiveness and introduction of rail transit link shall cater to all the existing hurdles faced by the trading community of Nepal. A least developed country (LDC) like Nepal cannot afford to remain indifferent to such a huge market which has maintained reasonable economic growth during the last decade. Hence, rail connectivity for enhancing and facilitating trade between the two countries has become imminent.

The recommendation of the Study Team can be observed from the short term as well as long term perspective. In the short term opening up of the route shall facilitate non-containerised bulk bilateral and certain third country trade as this is the shortest railway linked transit route to Bangladesh. In the long run, with the improvement of necessary infrastructure, may also facilitate third country trade. Synopsis of observation and findings are summarised as follows:

- ⇒ Alternative route for the existing defunct Radhikapur–Biolol railway route possible through Singhabad-Rohanpur. This interchange point seems to be the shortest railway linked transit route to Bangladesh from Nepal.
- ⇒ Procedural bottlenecks which is being faced by the business community at the land customs station of Phulbari-Banglaband route shall be reduced significantly as additional handling at the border and other procedural obstructions would be eliminated in comparison to truck carriage.

- ⇒ Growing congestion of the Kolkata port has to be taken very seriously as it is reducing trade competitiveness due to cost increase and failure in meeting commitments in time. Delays in meeting commitments causes huge foreign currency loss to the country through unnecessary air freight charges and additional discount to the buyers. It is high time that the GoN, at least, tries to establish alternative avenues for third country trade of Nepal. Inadequate exercise on the above aspect may lead to disaster with respect to establishing and maintaining trade competitiveness of the country in future.
- ⇒ Bilateral trade with Bangladesh is meagre although high potential exists to improve the trade. Opening up of the rail link will reduce distance between some of the towns of Bangladesh significantly and in some case the distance between two towns of Bangladesh will be further than the distance from some of the important economic centres of Nepal.
- ⇒ Non existence of a railway linked transit route to Bangladesh, the second cheapest mode of transport after sea, is also one of the prime reasons which has contributed to the negligible trade between Nepal and Bangladesh.
- ⇒ Nepal's main and prospective items for export include groats and meal, lentils, foodgrains, oil cakes, vegetable seeds, cereals, dairy products, stone chips, boulders etc and import include jute, medicines and pharmaceutical products, textiles, milk powder, clinker, cement, iron ore, fertilizer, industrial raw materials, ceramics etc.
- ⇒ Railway track at Rohanpur-Darsana section requires improvement/maintenance and Bangladesh Railways has already initiated maintenance/improvement process.
- ⇒ Non-linking of Mongla Port with railway connectivity discourages movement of third country transit through Mongla Port. Containerized cargo movement in Bangladesh by rail not possible as Mongla port is not connected with railway services. This is a major obstacle for movement of containerized third country trade. Linking of railway services upto Mongla port in future may further facilitate third country trade as well in the long run.
- ⇒ Infrastructure and logistics for containerized cargo movement is not available at Khulna and Nawaparaghat. This setback increases cost of transport discouraging third country cargo movement.

- ⇒ Recent decision of the Government of Bangladesh to study the feasibility of Roosevelt Jetty at Khulna which will be linked with rail services bring rays of light for the future of Containerised cargo movement from Mongla port as well.
- ⇒ Jogbani to Katihar 107 KM, Katihar to Old Malda 86 KM, Old Malda to Singhabad 25 KM, Singhabad to Rohanpur 12 KM, Rohanpur to Rajshahi 63 KM, Rajshahi to Khulna – 263 KM,. **Jogbani to Khulna total rail distance 556 KM.** Mongla to Khulna additional 50 Km by Road.
- ⇒ Distance Birgunj to Rohanpur 540 KM, Rohanpur to Khulna 326 KM, **Birgunj to Khulna total rail distance 866 KM.** Mongla to Khulna additional 50 Km by Road.
- ⇒ Biratnagar to Mongla and other towns in the western part of Bangladesh seems more attractive in terms of total distance and costs. Opening up of the proposed railway linked transit route is expected to boost bilateral trade of Nepal (via Biratnagar) with Bangladesh in multiples in the near term.
- ⇒ Movement of BCN wagons which supports air braking system not possible as only vacuum brakes locomotives are available in Bangladesh. Indian Railways is gradually phasing out BCX rolling stock which is not a very favourable situation. However considering the trade dependence of Bangladesh with India necessary upgradation to maintain compatibility should be undertaken in due course by Bangladesh.
- ⇒ Movement of BCX wagons possible through Rohanpur-Singhabad route. This route has already been tested in the year 1997 – 1998 for imports to Nepal through specific approvals.
- ⇒ Katihar currently handling Indian exports to Bangladesh via Singhabad route and the volume is above 20 trains of 40 wagons each per month and as per discussion with the IR authorities at Katihar providing BCX wagons from Jogbani and Birgunj will not be a hindrance.
- ⇒ Immediate investment in infrastructure not required as Katihar to Rohanpur movement of cargo trains is being conducted satisfactorily.

- ⇒ Chittagong to Birgunj and Biratnagar may be feasible for imports from certain third countries for the time being and upon building of rail connected bridge at the Pabna/Jamuna river by the Government of Bangladesh shall further facilitate other third country trade as well in the long run utilising facilities at Chittagong port.
- ⇒ Overall costs and time delays shall be reduced significantly for bulk trade which is not possible upon conducting trade through lorries due to security, road distance and other practical reasons.

4.2 Conclusion

Considering the observations made in the preceding paragraphs combined with the objectives of the Government of Nepal to explore for an additional railway linked transit route to Bangladesh, for bulk bilateral trade as well as exploring avenues for utilising Bangladesh as a transit corridor for selected third country trade in the long run, the proposed railway route using the Singhabad-Rohanpur interchange facilities seems strategically, economically and commercially feasible in the overall interest of trade development (*In terms of costs, procedural simplification and transit time reduction etc*) of the Country.