



*Translation from Mongolian into English*

**STATE GREAT HURAL  
(PARLIAMENT) OF MONGOLIA**

**RESOLUTION**

24 June, 2010

No. 32

Government House,  
Ulaanbaatar

**Re: Endorsement of State Policy on Railway Transportation**

Based on the section 8.1.1, of the article 8, Railway Transportation Law, State Great Hural of Mongolia RESOLVES hereby:

1. To endorse “State Policy on Railway Transportation” as set in Annex.
2. To entrust the Government of Mongolia /S.Batbold/ to take and implement following measures:

1/ to take measures to build the main composition of railway in a direction reflected in the “State Policy on Railway Transportation” and to negotiate to comply with more easy or equal term to a minimum transportation or carriage fee, duration of the cargo delivery, and other fees and payments provided by the Railway Authorities of Russian Federation and People’s Republic of China to similar types of cargo for a long term when transporting Mongolian export cargo through the territories of those countries;

2/ to maintain the main composition of the economically and socially important railway line to be newly built under state ownership as specified in article 6.2. of the Law on Railway Transportation;

3/ to take organizational measures to implement the aims specified in “State Policy on Railway Transportation” and to implement it through including in the Government Action Plan and Annual Economic and Social development guidance;

4/ to start the up-building work to be done in the direction of Dalanzadgad – Tavantolgoi - Zuunbayan, Sainshand - Baruun-Urt - Choibalsan in 2010;

5/ to determine in detail the route /line/ of the railway to be built in horizontal and west-vertical direction in connection with the direction reflected in the paragraph 4, section 2 of this Resolution, and submit to State Great Hural;

6/ to bring the transportation capacity and technical and technological level of the Mongolian-Russian Joint Venture "Ulaanbaatar Railway" up to new development stage through economic support and aid of the party jointly owning the property and other countries.

3. To assign the Permanent Committee for Economy /Ts.Bayarsaikhan/ to provide with permanently overview of the implementation of this Resolution.

**SPEAKER OF STATE GREAT  
HURAL OF MONGOLIA**

**D.DEMBEREL**

## **STATE POLICY ON RAILWAY TRANSPORTATION**

### **One. General provisions**

#### **1.1. Purpose of the State Policy on Railway Transportation**

1.1.1. The Purpose of the State Policy on Railway Transportation /herein further referred to as “**Policy**”/ is to increase the railway capacity to transport and carry, broaden an Unified National network of efficient state railway directed at satisfying the ever growing future transport demand both effectively and reliably, and further, to improve the national transit capability, advance the legal environment, structure and organization of the sector, utilize the large mineral deposit, expedite the national economic and social development through exporting and exporting after processing, and ensure sustainable development for the future.

#### **1.2. Aims to be resolved within the frame of this Policy**

1.2.1. Following aims will be resolved within the frame of the Policy:

1.2.1.1. to determine the direction of broadening railway network and its main composition in connection with protection of national economy, social development trend, national defense and security, and public and legitimate interest;

1.2.1.1. to get access to sea ports through creating new route /line/ which facilitates trade and transportation to reach to third country markets using railway transportation network of Russian Federation and Peoples’ Republic of China;

1.2.1.3. to improve the railway capacity to carry and establish Unified National railway network with optimal organization to efficiently maintain the freight turn-over of mining products, transit cargos and export and import;

1.2.1.4. to increase the manufacturing of gross domestic products through creating industrial complex related to large mineral deposits by railway, manufacture value added products through processing minerals, maintain economic circulation promoting export;

1.2.1.5. to conduct structural change in the railway sector and advance the management of railway transportation sector;

1.2.1.6. to establish new transit transportation route /line/, with a capacity to compete, which connects Asia and Europe on the bases of determining the direction to broaden railway network using the transit potential of Mongolia through its territory;

1.2.1.7. to create work places, promote manufacturing of value added products and develop multilateral cooperation with the purchasing countries.

## **Two. Railway transportation and Mineral deposit**

2.1. The issues of broadening the main railway composition, direction to build new railway and processing and exporting of mining products shall be resolved in close relation.

2.2. Transportation of products from the deposits of strategic importance

2.2.1. when determining the direction to build new railway infrastructure, it shall be aimed at satisfying the cargo transportation demand of the processing plants and mineral deposits with strategic importance, delivering to market with high demand for minerals and ensuring the independence from single market;

2.2.2. when establishing the main railway composition for mineral deposits with strategic importance, to comply with the principles and requirements of the relevant laws and legislations currently in force in Mongolia;

2.2.3. to consider the main railway composition which will transport the products mined and processed from mineral deposits with strategic importance as main composition with vital importance for national economy and society;

2.2.4. to have Russian Federation, Peoples' Republic of China, countries of Asia-Pacific and European Union as main purchasers of mineral raw materials and products processed from thereof.

2.3. "Sainshand" industrial complex

2.3.1. "Sainshand" industrial complex shall be established in Sainshand soum, Dornogovi aimag for the purpose of processing mineral raw material.

2.3.2. "Sainshand" industrial complex shall ensure the intensive development of Mongolia through increasing the gross domestic products and manufacturing value added products which can compete at international markets upon bringing the mineral deposits into economic circulation and processing mineral raw materials.

2.4. Following aims shall be resolved within the frame of "Sainshand" industrial complex:

2.4.1. to build industrial complex with factories in construction material, coke-chemistry, steel, copper refinery and coal-chemistry, as well as thermal power plant which will completely process the mineral products and manufacture value added products;

2.4.2. long term goals of macro economy shall be reached, gross domestic product will raise and manufacturing would increase;

2.4.3. a large transportation hub with railway, auto-road and airport will be created;

2.4.4. centralization of population shall be created and large social and cultural centers will be formed.

### **Three. Unified National Railway network**

3.1. Factors to be considered when broadening Railway network

3.1.1. Economic security requirements: Unified National railway network shall be independent in terms of policy implementation, management and regulation, and shall maintain the national interest to independently prosper through creating unified railway transportation system with high efficiency and lossless, and protecting economy and domestic manufacturers from price fluctuation of raw material market;

3.1.2. Location of the mineral deposits and direction of the cargo flow: Unified National railway network is to serve to maintain the national competitiveness at international market through developing national production and promoting export of mineral raw materials and value added processed products;

3.1.3. common principles to protect environment, characters of infrastructure such as unified system of road, electricity and communication, population settlement structure, location of cities and central areas, future development trend and urban planning: Unified National railway network is to support the development of other infrastructural structures, relevant cities and central areas, and small and medium sized businesses, and to prevent from desertification, air, water and soil pollution considering the migration of wild animals;

3.1.4. Competitiveness in Euro-Asian region: Unified National railway network, as active participant in international transportation, is to deliver mining products and transit cargos at optimal transportation organization and low cost complying with a tariff policy to regulate competition on the fair bases, opening up the main composition for multiple carriers and improving the railway line capacity to transport and carry;

3.1.5. regional development trend: Unified National railway network is to develop railway in connection with infrastructures of the neighboring and Asia-Pacific countries

with a rapid development and maintain the possible cooperation in the field of mining, transportation, trade and tourism;

3.1.6. technical and technological reform: to increase the economic efficiency, introduce international standard and advanced techniques and technology, in particular, heavy train and digital traffic management system, and maintain reliable transportation service.

3.2. Direction of the railway main composition to be newly built, construction stages and their length

3.2.1. Approximately 5683.5 km of main railway composition shall be newly built in Mongolia in following stages. Starting period of each stages shall be resolved by the Government in connection with socio-economic development and financial source.

3.2.2. To be started and built in the first stage (approximately 1100 km in total):

3.2.2.1. Dalanzadgad-Tavantolgoi-Tsagaan suvraga – Zuunbayan -400 km;

3.2.2.2. Sainshand – Baruun-Urt -350 km;

3.2.2.3. Baruun-Urt – Khuut – 140 km;

3.2.2.4. Khuut – Choibalsan – 150 km.

3.2.3. Importance of building main railway composition in the direction specified in section 3.2.2. of this Policy for state socio-economy:

3.2.3.1. Total volume of current cargo transported by railway shall increase 3.5 times as the amount of products for export is estimated to reach 50 million ton per year in average as a result of coming into exploitation of group coal deposits at Tavantolgoi, Tsagaan suvraga copper deposit, large coal, copper, wolfram, zinc and fluoride mineral deposits at Aduunchuluun, Chandgana, Talbulag and Khuut;

3.2.3.2. Infrastructure of Umnugovi, Dornogovi, Khentii, Sukhbaatar and Dornod shall develop, city and central areas following the infrastructure will be created, and migration to central areas will be neutralized due to the increase in new job upon the creation of favorable environment for small and medium sized businesses, and improvement of people's living standard and living condition and environment;

3.2.3.3. foreign trade and cooperation of Mongolia as landlocked country will broaden, and possibility to export mining products to Russian Federation and third countries through far east sea ports of Russia will be created;

3.2.3.4. East and gobi region will be connected by railway and city and central areas will be created.

3.2.4. To be started and built in the second stage (approximately 900 km in total):

- 3.2.4.1. Nariinsukhait- Shiveekhuren- 45.5 km;
- 3.2.4.2. Ukhaa hudag –Gashuunsukhait – 267 km;
- 3.2.4.3. Khuut – Tamsagbulag- Numrug-380 km;
- 3.2.4.4. Khuut – Bichigt – 200 km.

3.2.5. Importance of building main railway composition in the direction specified in section 3.2.4. of this Policy for state socio-economy:

3.2.5.1. Infrastructure of Umnugovi aimag shall develop, favorable condition for large factory shall be formed, central areas with population will be created, there will be increase in new job upon the creation of favorable environment for small and medium sized businesses, and improvement of people's living standard and living condition and environment;

3.2.5.2. new border railway exit-entry checkpoint will be opened;

3.2.5.3. cooperation of Mongolia and People's Republic of China on railway sector will intensify;

3.2.5.4. possibility to increase the Sukhbaatar-Zamiin-Uud direction capacity to transport and carry will be created;

3.2.6. To be started and built in the third stage (approximately 3600 km in total):

3.2.6.1. to immediately consider the future deposits and natural formation for the railway in the west direction in connection with regional development policy and population settlement and plan;

3.2.6.2. other main railway compositions to be built for the future other than those directions mentioned in section 3.2.2 and section 3.2.4 of this Policy, horizontal railway direction crossing through border checkpoints such as Tsagaannuur, and western vertical axis shall take into account of the requirements of location of the mineral deposits, scope of service for population, formation and development of settlements and large cities and shall be directed at improving the transit capacity of the country;

3.2.6.3. construction of the auto road shall be resolved upon taking account of the volume of cargo to be exported through the direction of Tavantolgoi-Gashuunsukhait and Nariinsukhait-Shiveekhuren, required period and necessity of building railway in that direction, and supply of machineries, equipments, goods and materials required for Oyu tolgoi up building in detail;

3.2.6.4. to build railway in the direction of Ulaanbaatar and Kharkhorin.

### 3.3. Reformation of “Ulaanbaatar railway” joint venture

3.3.1. Following measures shall be taken within the frame of reformation of Mongolian-Russian joint venture “Ulaanbaatar railway”/here in further referred to as “Joint venture”/:

3.3.1.1. to revise the legal documents which established the Joint venture in connection with the current market condition;

3.3.1.2. to create modern management methods and improve the capacity to carry through increasing the investment and making technical renovation.

3.3.2. Following measures shall be taken for the purpose of improving the operation of the Joint Venture:

3.3.2.1. To renew the assessment of the land under Joint Venture possession, and utilization period;

3.3.2.2. to re-assess the assets of the Joint Venture;

3.3.2.3. to increase the percentage of the Mongolian party owned asset;

3.3.2.4. to make the operation of the Joint Venture fully compliant with Mongolian laws and legislations;

3.3.2.5. to re-organize the Joint Venture into shareholding company in accordance with the Company law.

3.3.3. To bring the Joint Venture transportation capacity, technical and technological level with the economic support and assistance of current partner who possesses the asset and other countries.

## **Four. Railway line gauge track**

### 4.1. Choice of gauge track

4.1.1. Gauge track shall be compatible with the relevant Mongolian laws and legislations currently in effect.

4.1.2. For the purpose of maintaining national economic security and development of all types of economic entities and social development of the population, in the event the railway to be newly built in Mongolia directly connects or intersect with the current railway line, gauge track shall be 1520 mm. Gauge track of the railway line designed

for cargo transportation in the direction from the processing factory at the mineral deposit whose product is to be directly exported, to border checkpoint shall be resolved upon the submission of it to State Great Hural by Government.

4.2. Building of 1520 mm gauge track railway shall have following importance:

4.2.1. possibility to deliver the mining products to several countries independently from single market shall be improved;

4.2.2. transportation route /line/ to deliver export, import and transit cargos to markets of Russian Federation, third countries and region through Russia shall be increased;

4.2.3. to increase the volume of current railway cargo transportation;

4.2.4. the backbone of transportation infrastructure to develop "Sainshand" industrial complex will be established.

#### **Five. Legal regulation of the Railway transportation sector**

5.1. In order to implement the goals specified in the Policy and to reach realistic outcome, legal environment to implement them shall be created.

5.2. Legal environment of the railway sector shall be improved through making amendments and revisions to the current laws and legislations complied in the railway sector, and legalizing the relations of the transportation activities for the purpose specified in section 5.1 of this Policy.

5.3. Possessor of the main composition and carrier may be separate legal entities and the condition to come up of carriers of multiple types and form of property shall be created.

#### **Six. Policy implementation and financial source**

6.1. Management and organization of Policy implementation

6.1.1. State central administrative organization in charge of railway issue shall provide Policy implementation with policy and regulation.

6.2. Financial source

6.2.1. Railway investment shall be financed by the following sources:

6.2.1.1. state and local budget;

6.2.1.2. domestic and foreign investment, loan and aid;

- 6.2.1.3. other sources legally approved by State Great Hural;
- 6.2.1.4. private investment.

### 6.3. Ownership of the railway main composition

6.3.1. Railway main composition with vital importance for the state economy and society shall be owned by State.

### 6.4. State and Private partnership

6.4.1. Railway main compositions shall be newly built through the private financing in accordance with the relevant laws in effect in Mongolia and main railway composition with vital importance for the state economy and society shall be transferred to state ownership after certain utilization period.

## **Seven. Outcome of Policy implementation**

7.1. Upon implementing the Policy, the following outcome will be reached:

7.1.1. to develop balanced economic cooperation with neighboring countries in connection with the development of railway infrastructure;

7.1.2. mineral resources with strategic importance will enter into economic circulation, "Sainshand" industrial complex which will process mineral raw materials shall be built, gross domestic product will be risen and as a result it will play crucial role in maintaining favorable condition for intensive development of Mongolia;

7.1.3. Unified National railway network connecting mineral deposits, industrial complex and city and central areas shall be formed;

7.1.4. new railway access to the sea through the territory of neighboring countries will be redoubled, and to have access to sea ports possible to directly deliver the mineral resources to high demand market of the third countries;

7.1.5. condition to maintain the export, import and transportation need of the factories which will process mining products will be created;

7.1.6. Joint Venture will be reorganized, new railway route /line/ connecting to the railway of Russian Federation and People's Republic of China shall be redoubled, volume of export and import cargo will be greatly raised and transit cargo through the territory of Mongolia will be increased.

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