

Latvian Transport Strategy in view of Port Development in the Baltic Countries

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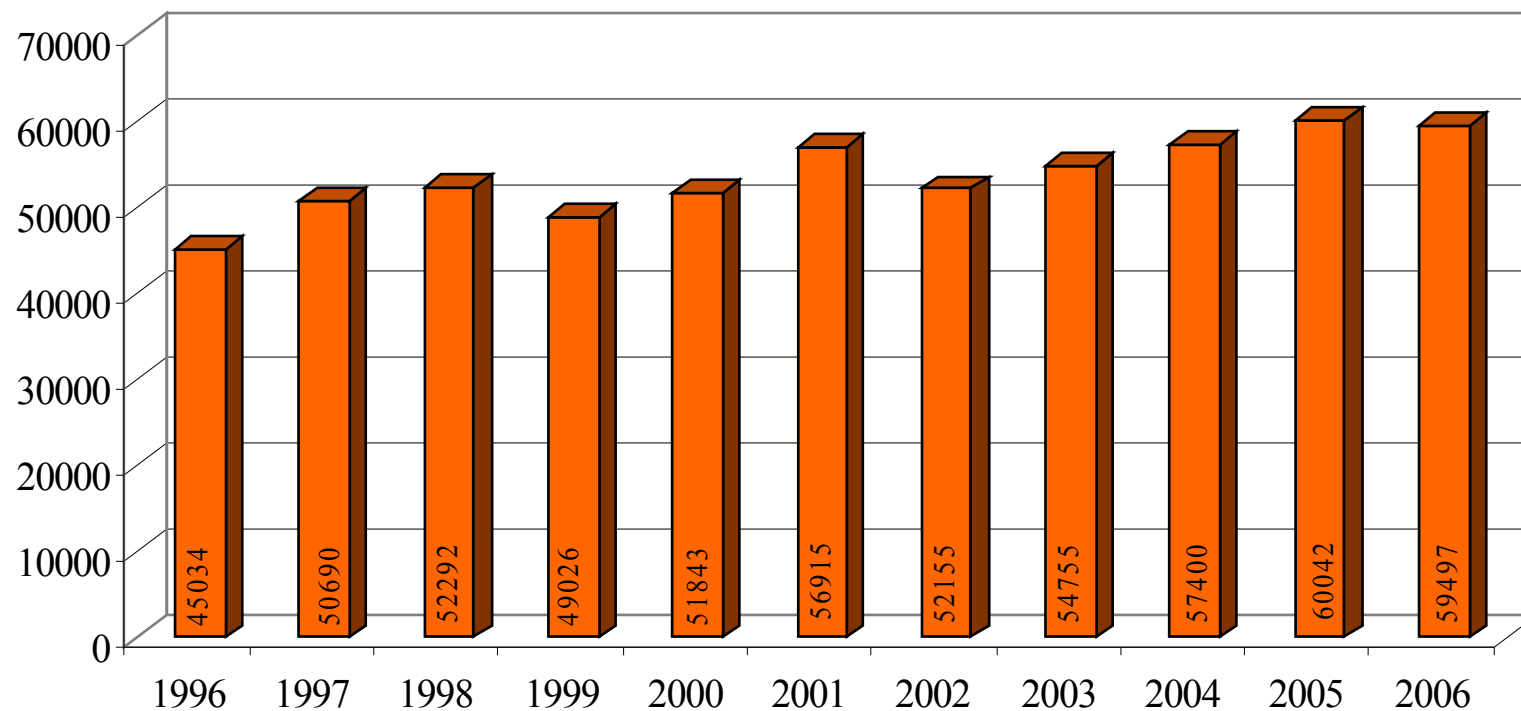
Historical Baltic Countries have been transit point from North – South and from East – West that is settled of territorial location among strategically relevant transportation flows that connect major world economics such as USA, EU, RU and the Far East. After Latvia acceded to EU its advantage as transit point is extended and provides transit services in high quality. This is settled on common EU market and customs territory, and harmonized legislation.

Transit sector is one of most powerful industrial sectors of Latvia that government recognizes and has qualified transit as one of priority to Latvian economics.

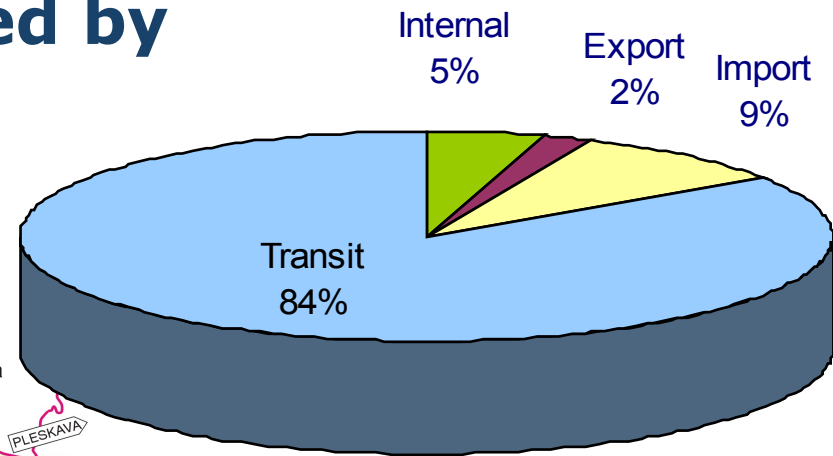
Integration in the overall European transportation system is in progress, thus meeting the needs of people and the national economy for high quality freight transport services, as well as increasing the variety of options and flexibility in the carriage of passengers and cargoes.

Cargo turnover in the ports of Latvia

Cargo turnover in Latvian ports 1996 - 2006
thousands tons



Transit cargo in the total cargo turnover transported by rail



Total turnover~ 48.0 mill.t
Transit via ports ~ 40.6 mill.t

Strategic goal of the National development plan

Qualitative and competitive, transport infrastructure integrated in the common Euroasian transport system, business environment, safe traffic and qualitative accessible to everyone transit, logistics and public transport services

Objectives

- Comfortable and safe transportation on state road network corresponding to demand and available financing.
- Modern and safe railway transport system with its place and name in the global logistics chain.
- capacity of ports corresponding the demand, offering effective and competitive services in the ports as well as for those involved in transport chain.
- Constantly growing export of transport and logistics services thereby ensuring increased turnover dynamics of transit cargo in Latvian ports in comparison to the ports of competitors.
- **Riga** – important European level air transport hub offering high quality services for passengers and cargoes and aviation flight safety. Full integration into Trans-European Transport Network (TEN-T) of regional airports Liepaja, Ventspils and Daugavpils.
- Efficient and qualitative public transport services
- Well planned and regulated sector.

Main tasks

2. Improvement of the infrastructure quality

- Maintenance and development of roads
- Railway modernisation
- Development of ports infrastructure (including access roads)
- Modernization and expansion of Riga International Airport and development of regional airports

2. Increasing the Road traffic safety level

- Coordination of the road traffic safety measures**
- Coordination of safe carriage of dangerous goods**

3. Improving and increasing the accessibility of public transport services on national, regional and local level by optimisation of route network determining priority modes of transportation

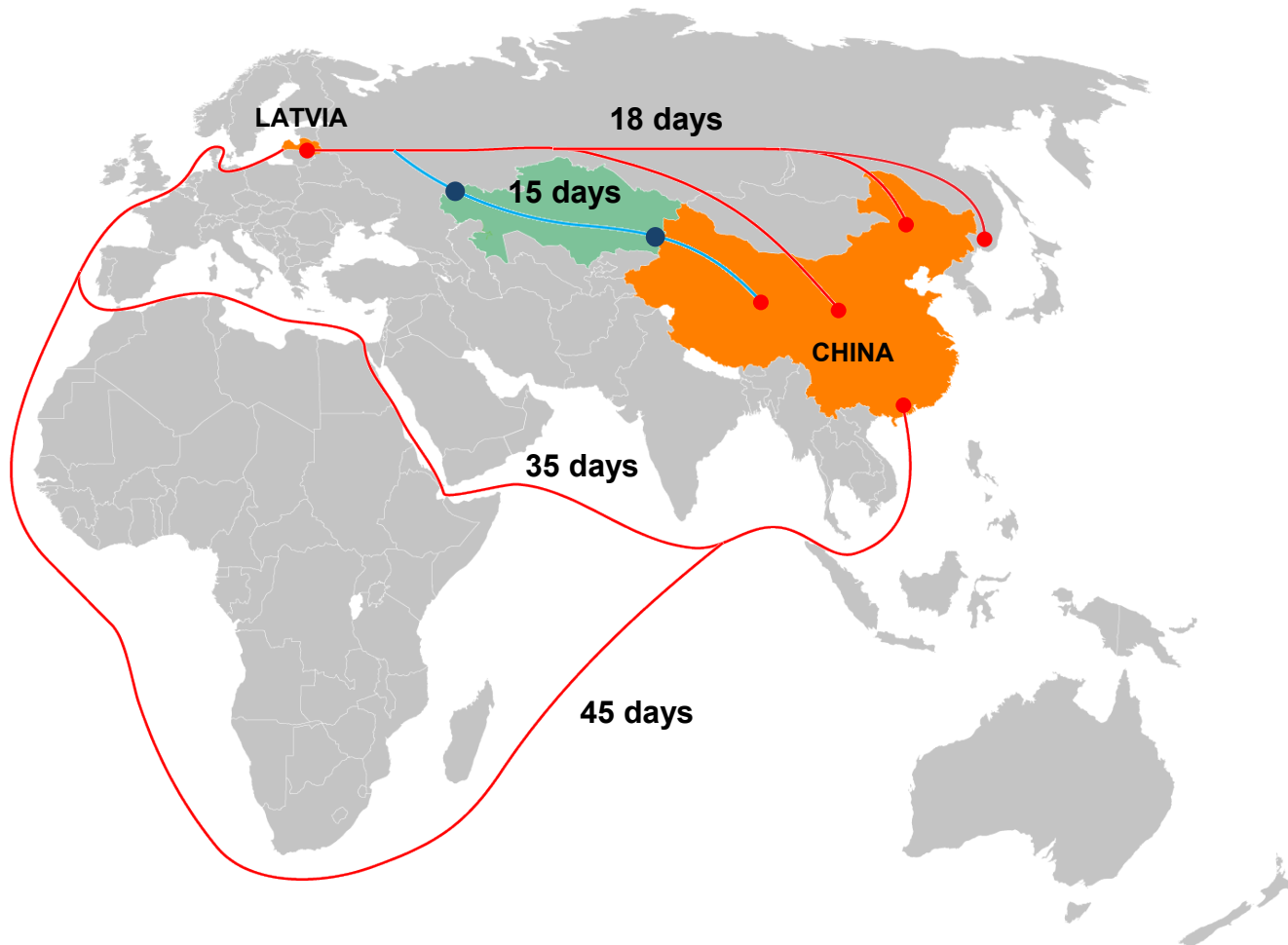
4. Development of transit services

- Eliminate obstacles in order to develop transit and logistics market
- Popularization of state and transit services
- Searching of new markets
- Implementation of advanced technologies and services
- Improving the qualification of experts

5. Development and implementation of efficient transport policy based on research and professional experts

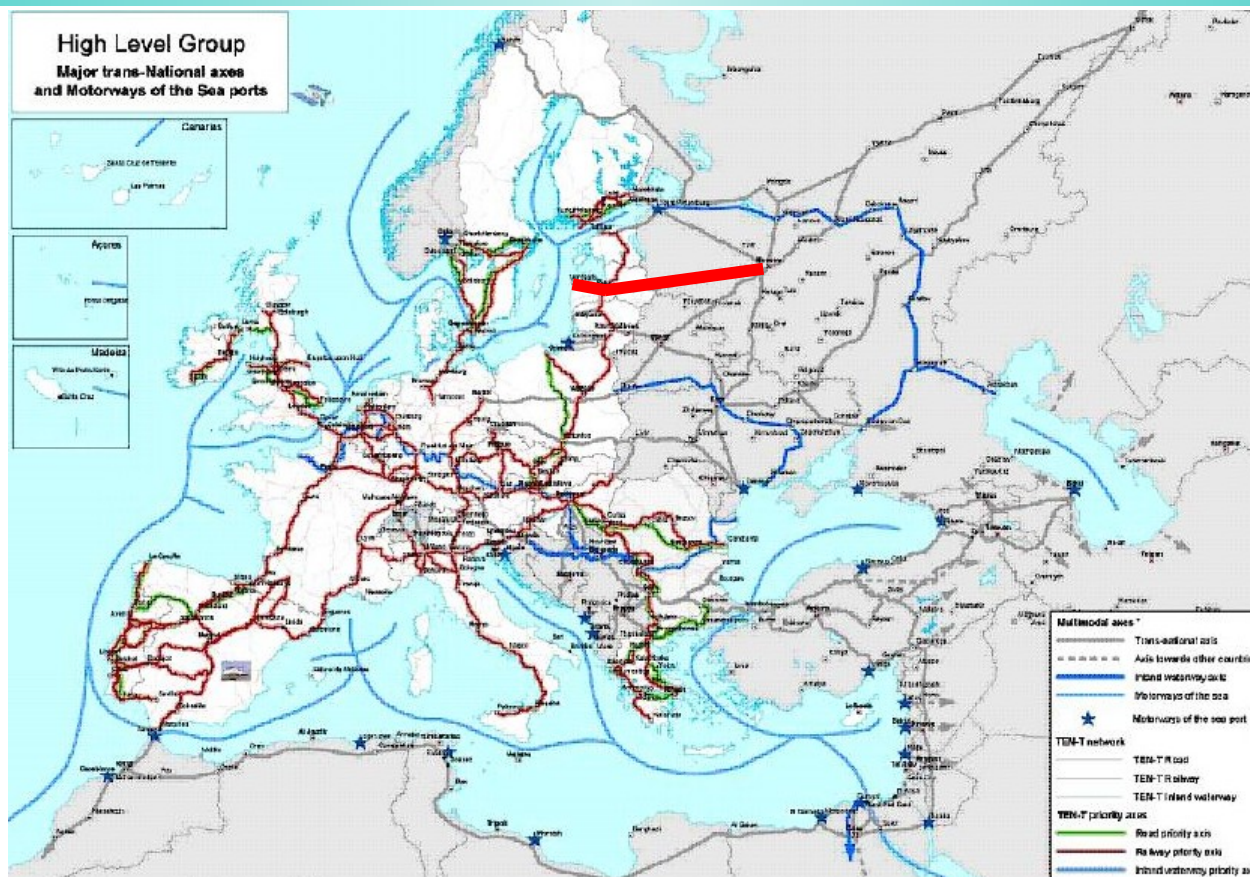
- Improvement of education and qualification programmes for transport professionals
- Research in transport field

Comparison of major traffic routes



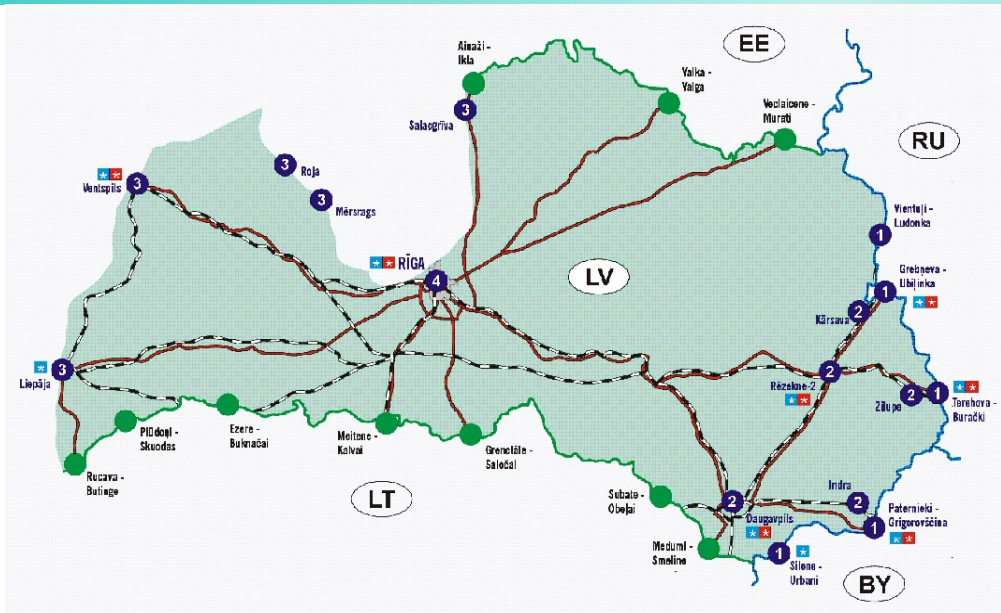
Thanks to excellent geographical position and being one of EU member countries, Latvia is located on the main crossroads of major traffic routes which connects global markets of the world.

Latvia on the global map



This map from latest transport policy document called "Networks for peace and development. Extension of the major trans-European transport axes to the neighbouring countries and regions" illustrates significant role of Latvia as a gateway between EU and Russia (and further Far East and Asia) – the only direct channel from and to Russia lies via Latvia!

First and last EU border country



- EU external border crossing point
- ① EU external border crossing point for road transport
- ② EU external border crossing point for rail transport
- ③ EU external border crossing point for sea transport
- ④ Combined EU external border crossing point
- EU internal border crossing point
- ★ Additional inspections (fitosanitary, safety e.t.c.)
- ★ Veterinary inspection

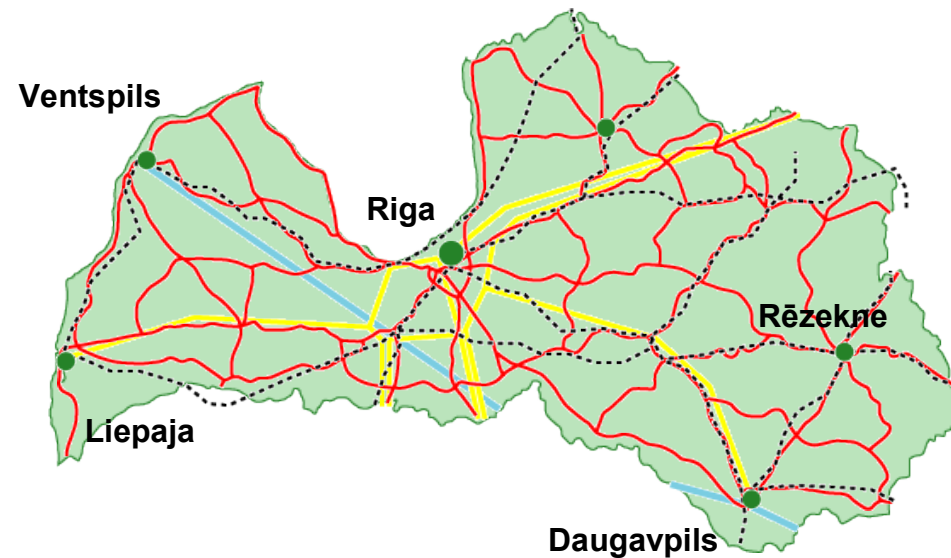
By being the first EU border for Russia and Far East countries and last EU border for almost all EU countries, Latvia can serve any kind of transportation flows, including all necessary customs, veterinary and other inspections for safe entering and leaving EU market.

Latvia has one of the most developed Customs Brokers sectors in whole EU and most of our Customs Brokers are able to make all necessary customs clearance including duty calculations and payments in electronic form without physical presence of Customs officials.

Logistics Sector Overview

- Closest border with Russia and CIS countries for almost all EU countries (except Finland and Estonia, which have their own borders);
- Geographical centre for Baltic countries with the biggest Baltic city Riga in centre;
- 3 non-freezing big international ports (all certified according ISPS Code), that are perfectly linked with rail and road transport;
- Almost all logistics service providers speak at least 3 languages (English, Russian, Latvian; German are also represented);
- Leading IT system providers in the Baltic region are located here and available for development of various e-logistics solutions;
- Well developed transport infrastructure for road, rail, maritime and even pipeline transport;
- Rail system which is completely integrated with the Russia and CIS countries (rail standards, common information systems e.t.c.)

Logistics Sector Overview

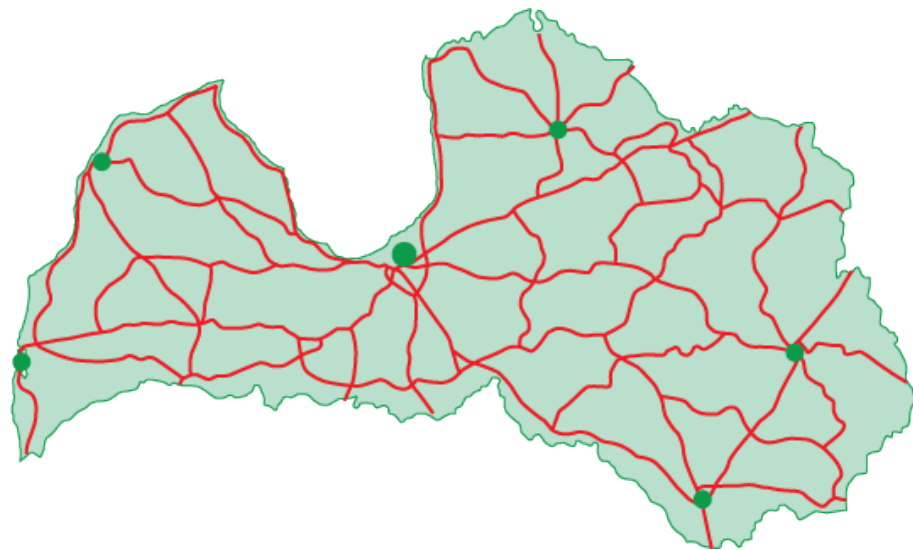


Considering the importance of transit and related services in Latvia's national economy, the government pays additional attention to transit development. Nearly 90 percent of the turnover of Latvian ports and 75 percent of railway cargo, and all of oil and oil products transported via trunk pipeline system is transit.

More than eight percent of Latvia's employees are occupied in transporting and servicing transit cargo. The importance of the transport, transit and storage sector in terms of GDP contribution is with around 9 - 10% substantial.

Furthermore, these figures have a large growth potential, since Latvia is situated between two major Western and Eastern markets. Latvia's ice-free ports working on the legislative basis of free economic zones with highly developed road, railway and oil pipeline infrastructure are deeply integrated in the international transport system from the Far East, Asia, CIS countries to Western Europe and other continents.

Road transport



Road infrastructure facts:

The average density of the roads network is 1.077 km per 1 km² .

The average density of the state roads network is 0.313 km per 1 km² .

Territory of Latvia – 64 589 km²

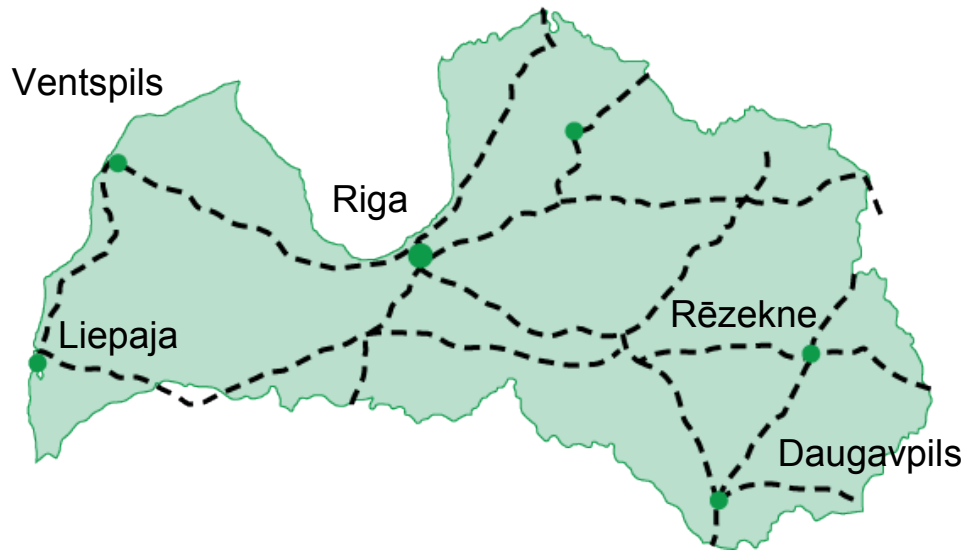
In Latvia are registered 69 532.4 km of roads and streets

Latvian road network is well – developed and process is still in progress. Government is paid attention to promote conditions for high quality road infrastructure and road safety that will meet international approved requirements. Road network is uniformed entirely through whole territory. It is easy reach any place by road transport no matter where it is located. There are almost never traffic congestions except several morning and evening hours in Riga that is great advantage for transit flow and allow drive without interruptions. Furthermore there is not roads, bridges and tunnels using tax.

"Via Baltica" is the most important transport corridor which traverses Latvia in the North – South direction.

"Via Baltica" is the European transport corridor also known as motorway E67. It connects such European cities as Helsinki – Tallinn – Riga – Kaunas – Warsaw / Riga – Kaliningrad – Gdansk.

Railways



Railways link Latvia with Russia, CIS, the neighboring Baltic States, and through Poland with the rest of Europe.

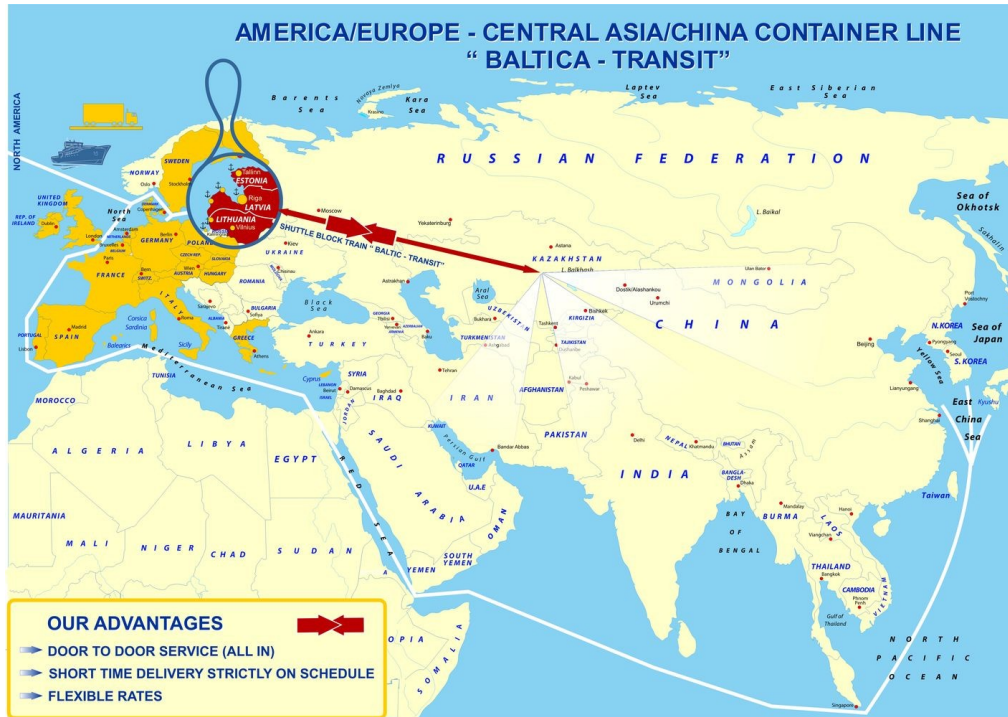
Latvia possesses a dense railroad network connecting the country to destinations as far as the Russian Far East, wherever the former Soviet railway gauge standard is in operation. There are additional opportunities for trade connection with Japan and Southeast Asia.

There is enough capacity to substantially increase the cargo transported by rail.

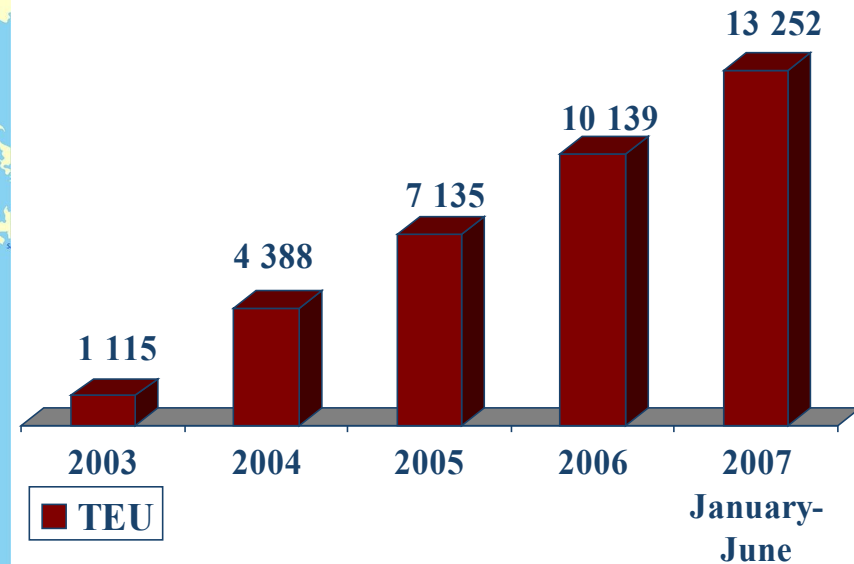
In order to facilitate trade flows in the north-south direction, it is planned to implement a pan-Baltic railway route with Estonia and Lithuania, connecting Finland to central Europe under the name RailBaltica

Baltica - Transit

Regular container train bring containers double weekly between Baltic ports and Central Asia
(Kazakhstan, Uzbekistan, Kirgizstan, Turkmenistan)

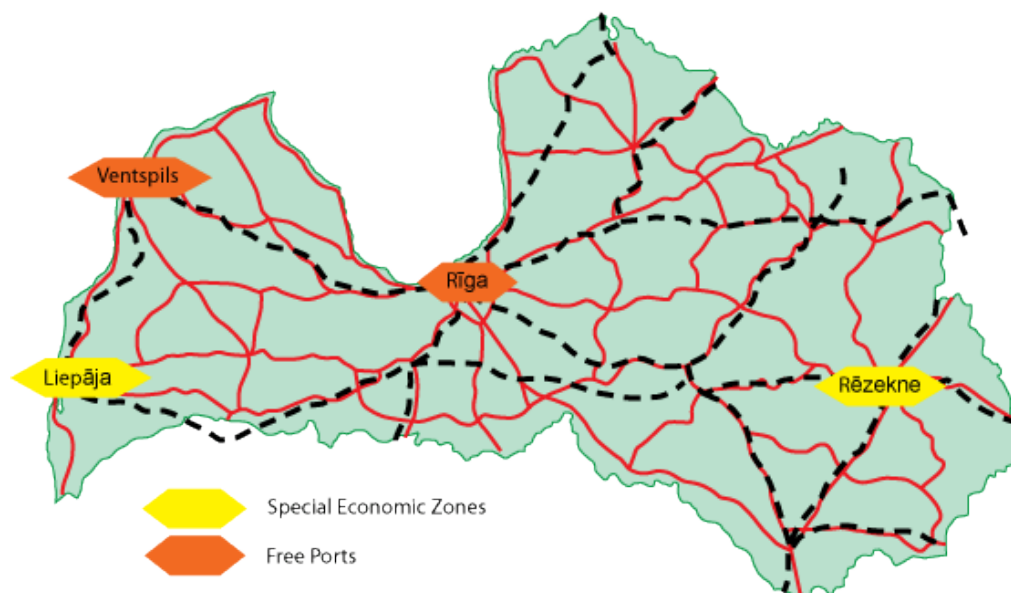


Cargo volumes increase every year:
/Thousands TEU/



Next step is to prolong this line and to connect it with China.
Both governments and private operators of Latvia, China
and Kazakhstan are working on the development of this route.

Free ports and SEZ



Advantages:

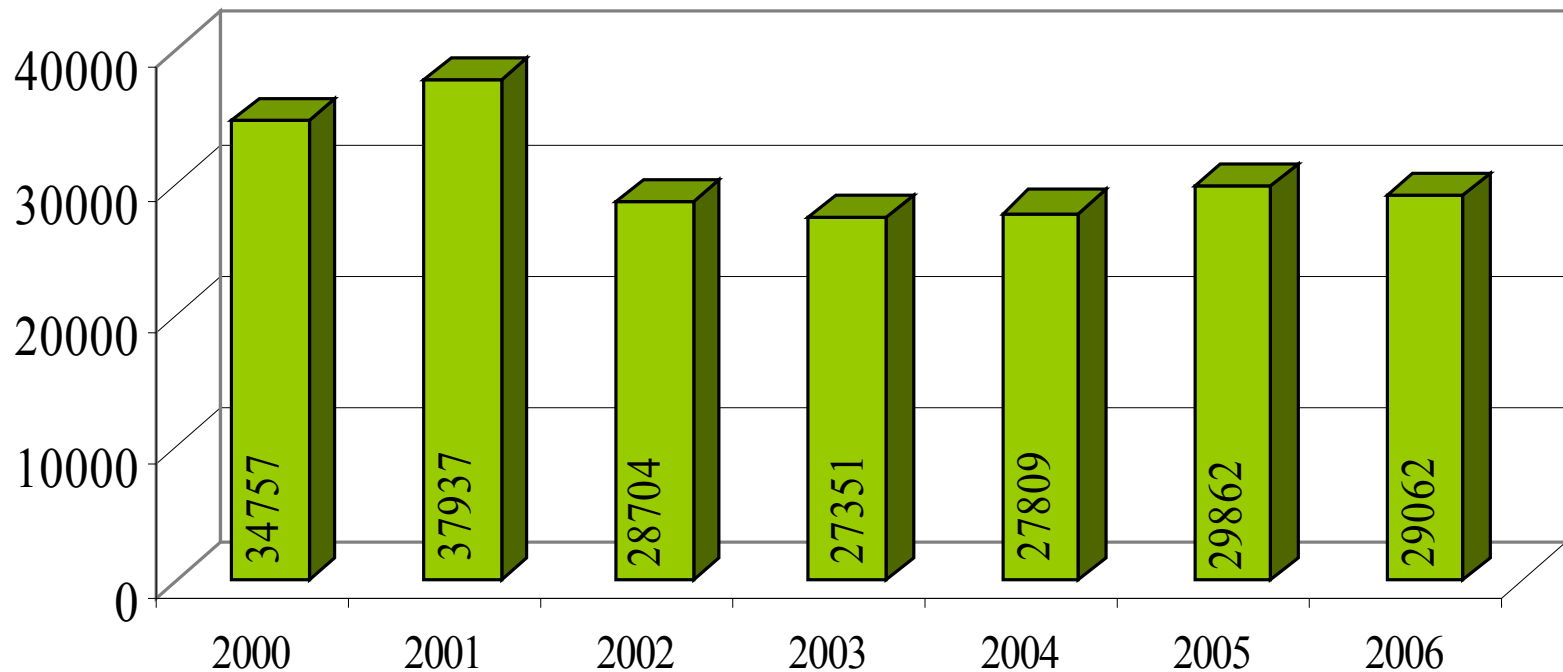
- 80-100% rebate on real estate and corporate income taxes
- VAT 0% for goods and services provided in free ports and SEZ
- VAT, excise tax and customs duty exemptions on import for companies operating in free ports and SEZ
- Application of 0% VAT to majority of services
- Special procedure of paying customs duties, VAT and natural resources tax

Latvia has three major ports - Ventspils, Riga, and Liepaja and seven minor ports - Salacgriva, Lielupe, Engure, Mersrags, Roja, Kolka and Pavidosta. Latvian ports offer:

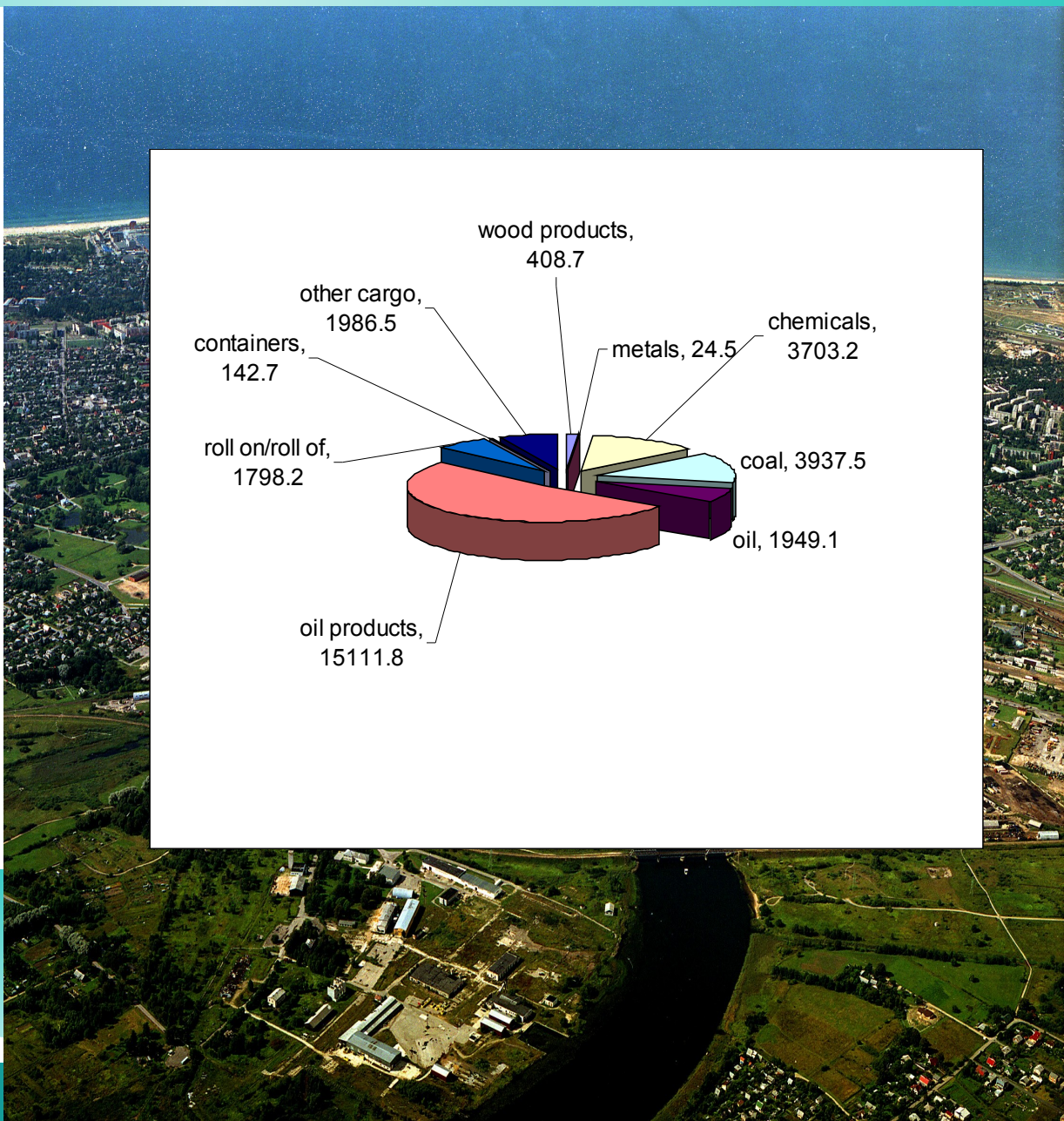
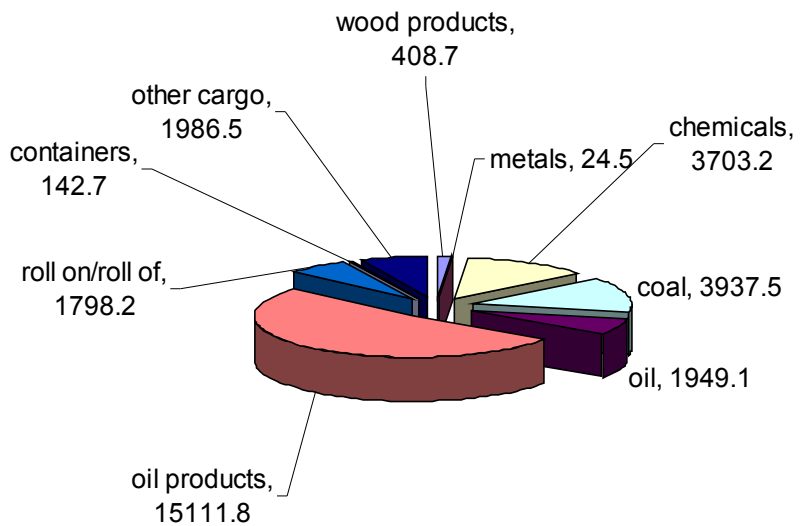
- Technical equipment for handling different cargo
- Well developed transport infra-structure
- Servicing ships in any weather conditions
- Free space for development
- Excellent conditions for the development of industrial and distribution parks

Freeport of Ventspils

Cargo turnover in port of Ventspils 2000-2006 thousand of tons

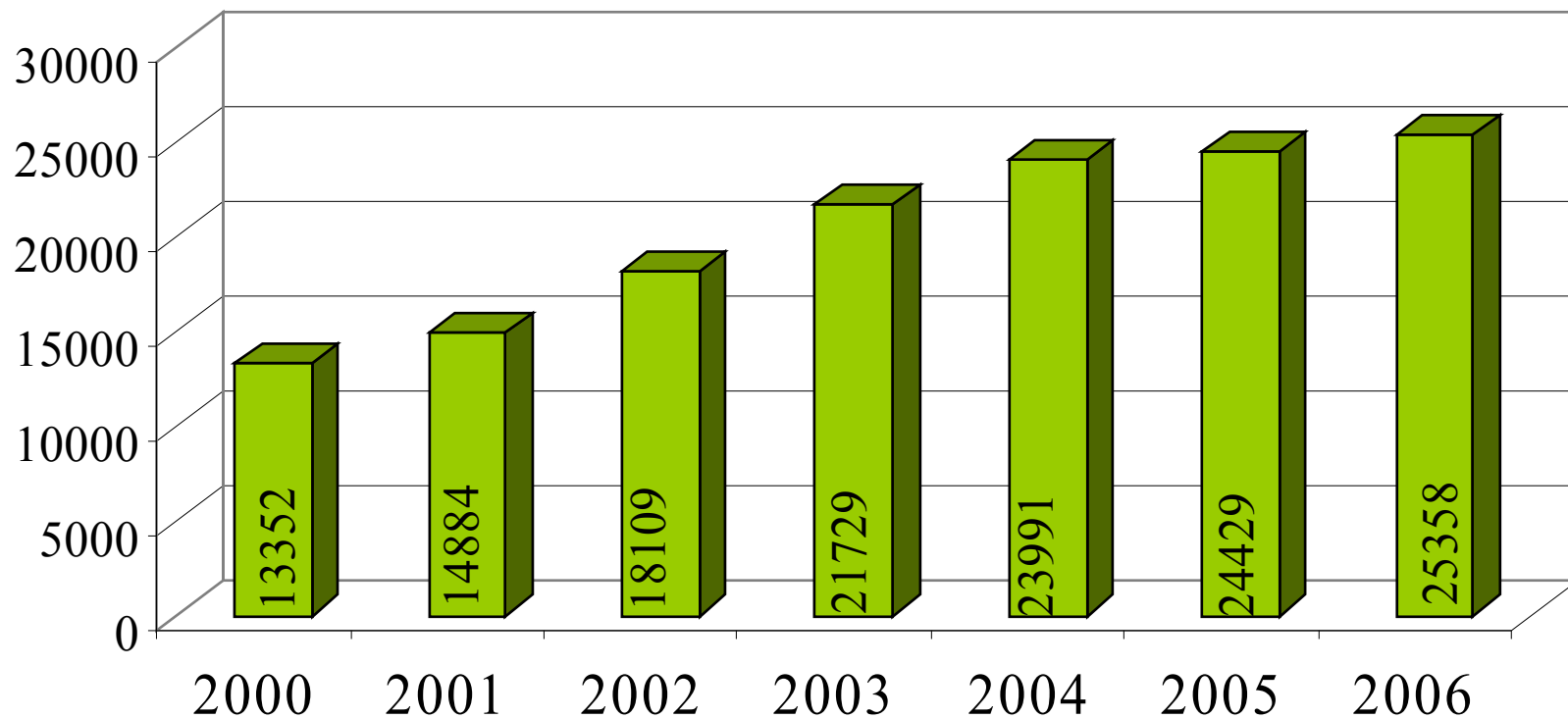


Freeport of Ventspils



Freeport of Riga

Cargo turnover in Riga Freeport 2000-2006 thousands tons

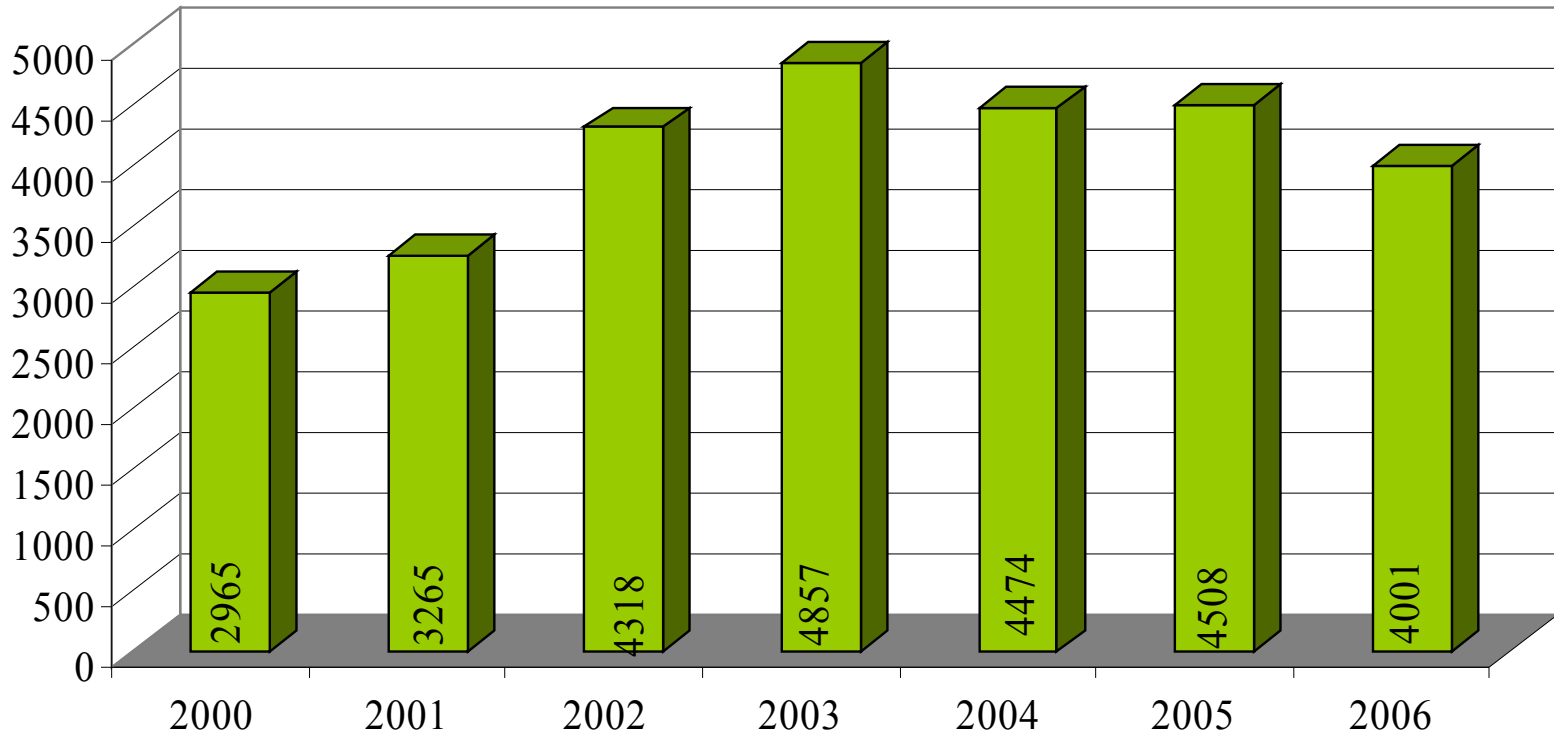


Freeport of Riga

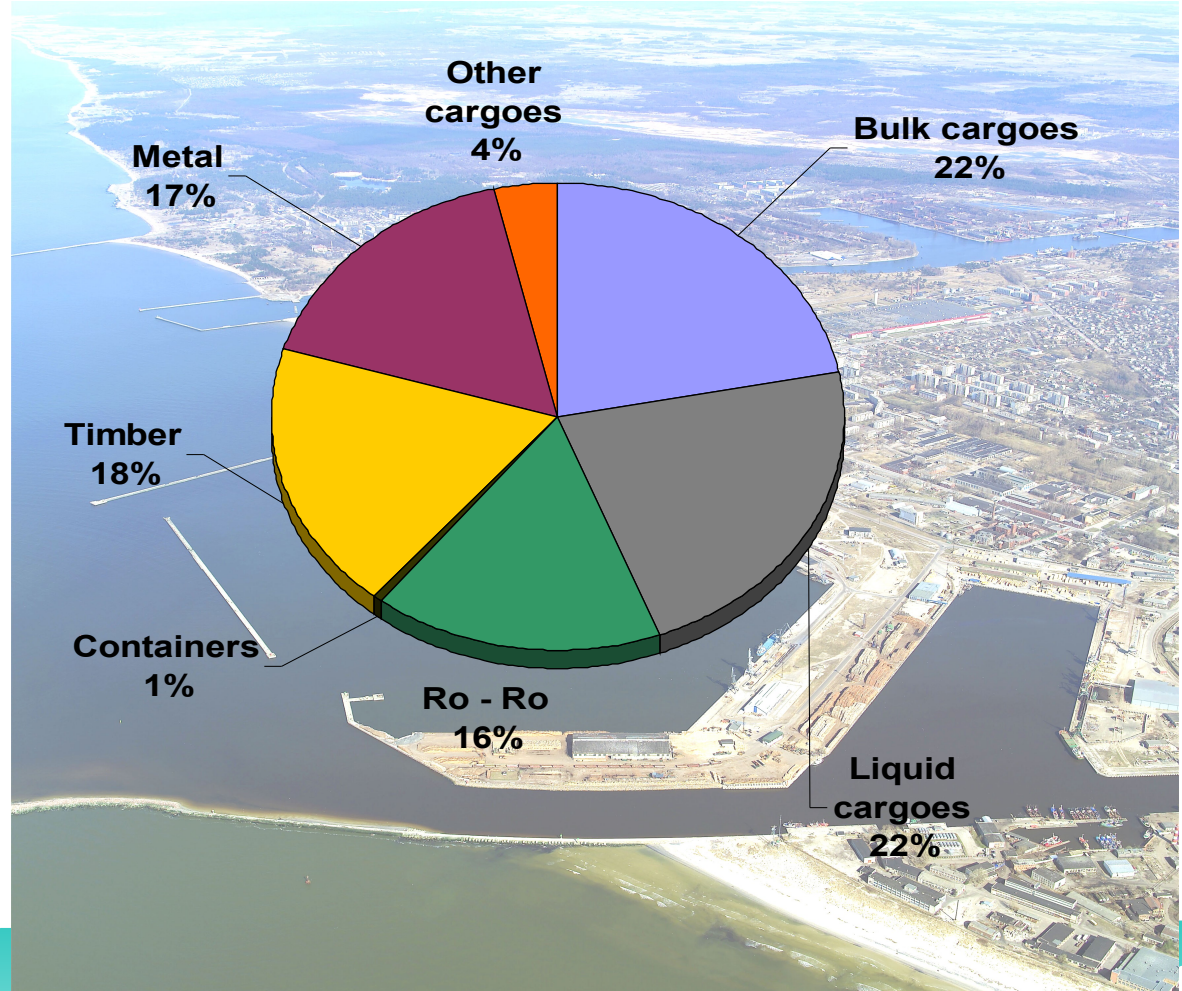


Port of Liepaja

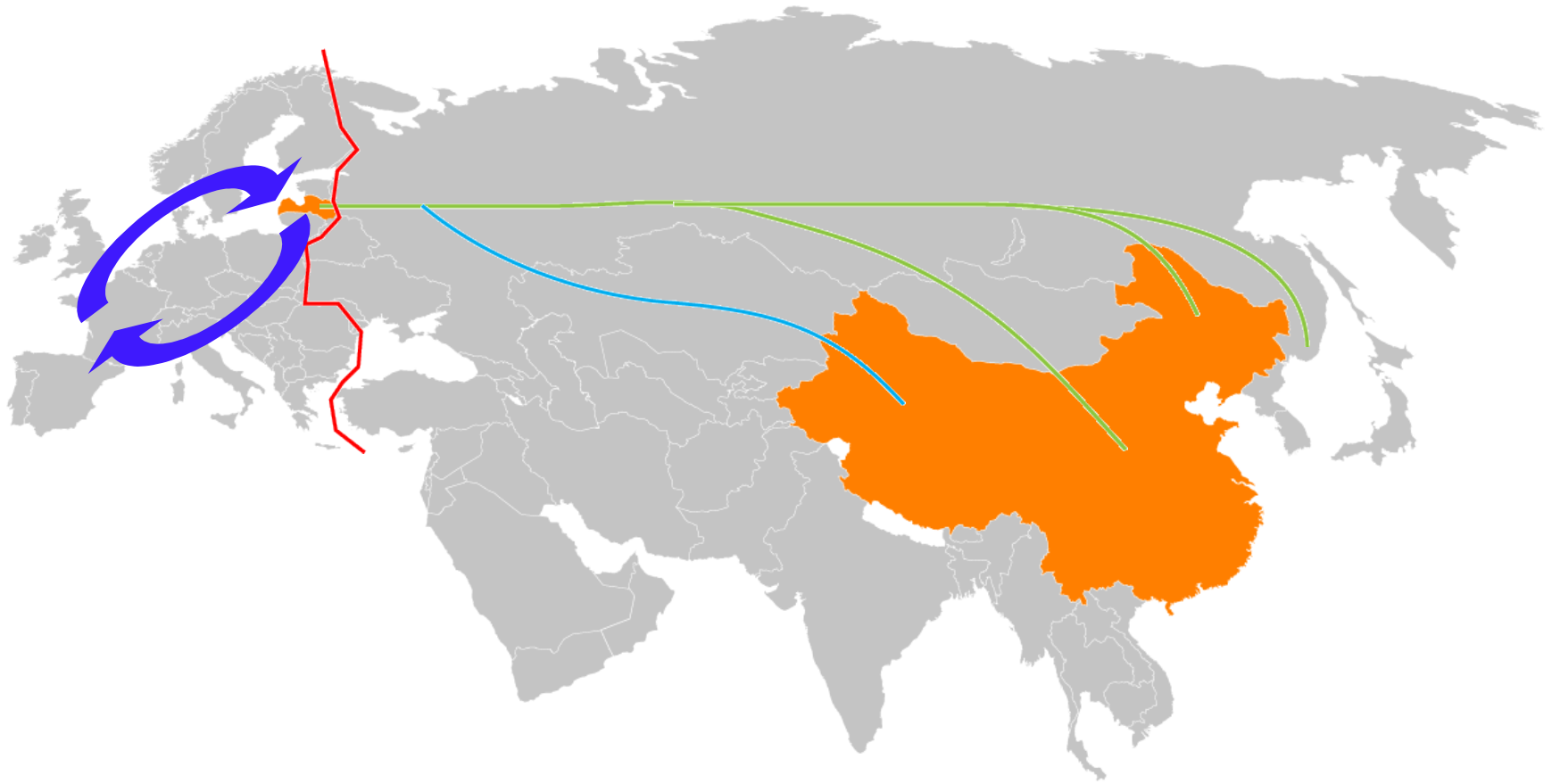
Cargo turnover in port of Liepaja 2000-2006 thousands of tons



The port of Liepaja



Latvia as a natural bridge in EuroAsia traffic



**Wide railway network links Latvia with
Russia, CIS and Asia.
Sea, road and rail transport is
available between Latvia and Europe**

Latvia as a main gateway for East–West traffic

**EXPORT from
European Union**

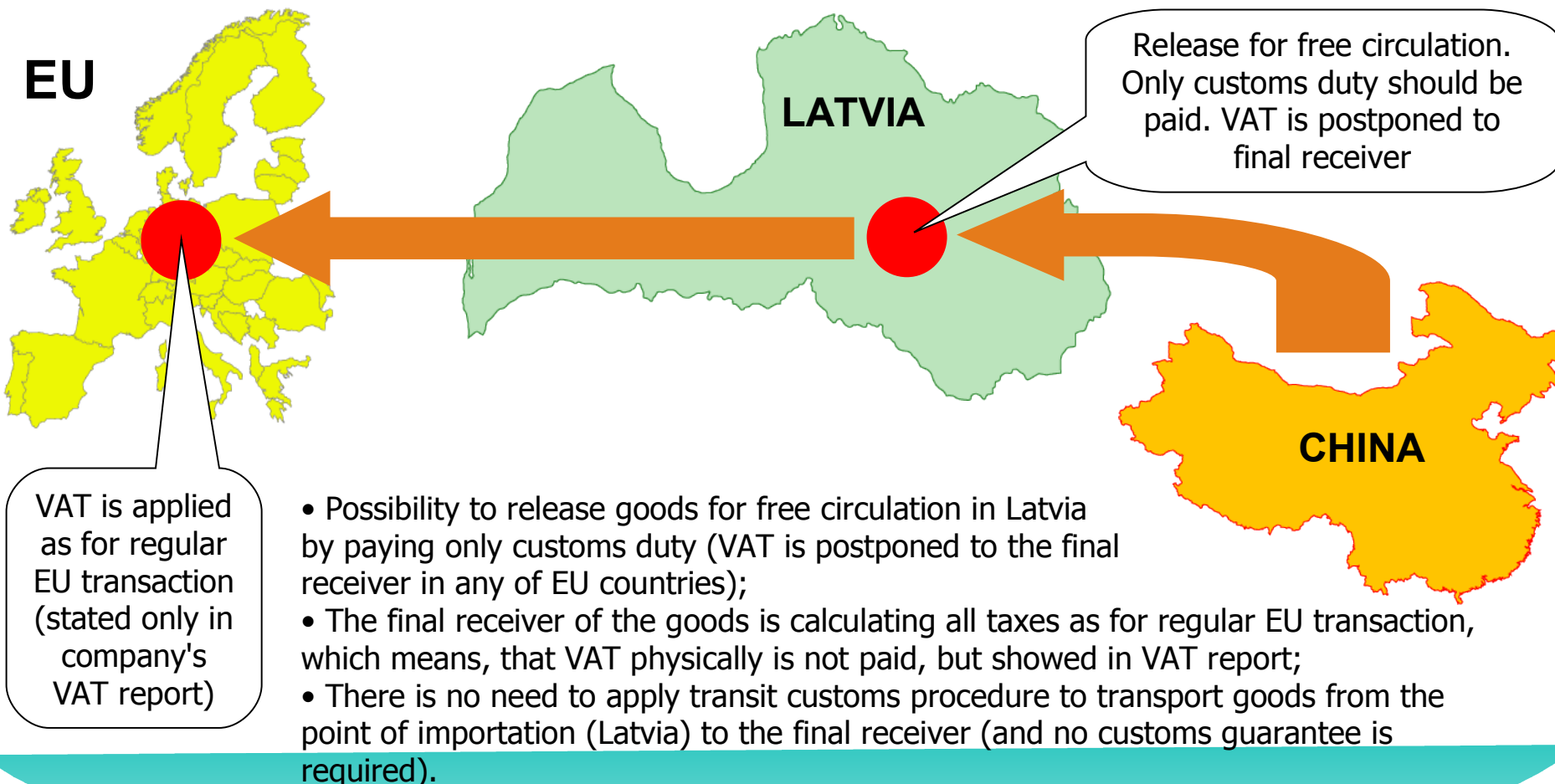
**IMPORT to
European Union**



During last year Latvia, in close co-operation with European Commission has succeed to develop national legislation to meet all the requirements of international transit flows and involved operators, which allow to function as one of the most important transit gateways between Far East, Russia, CIS and Europe.

Importation to EU via Latvia

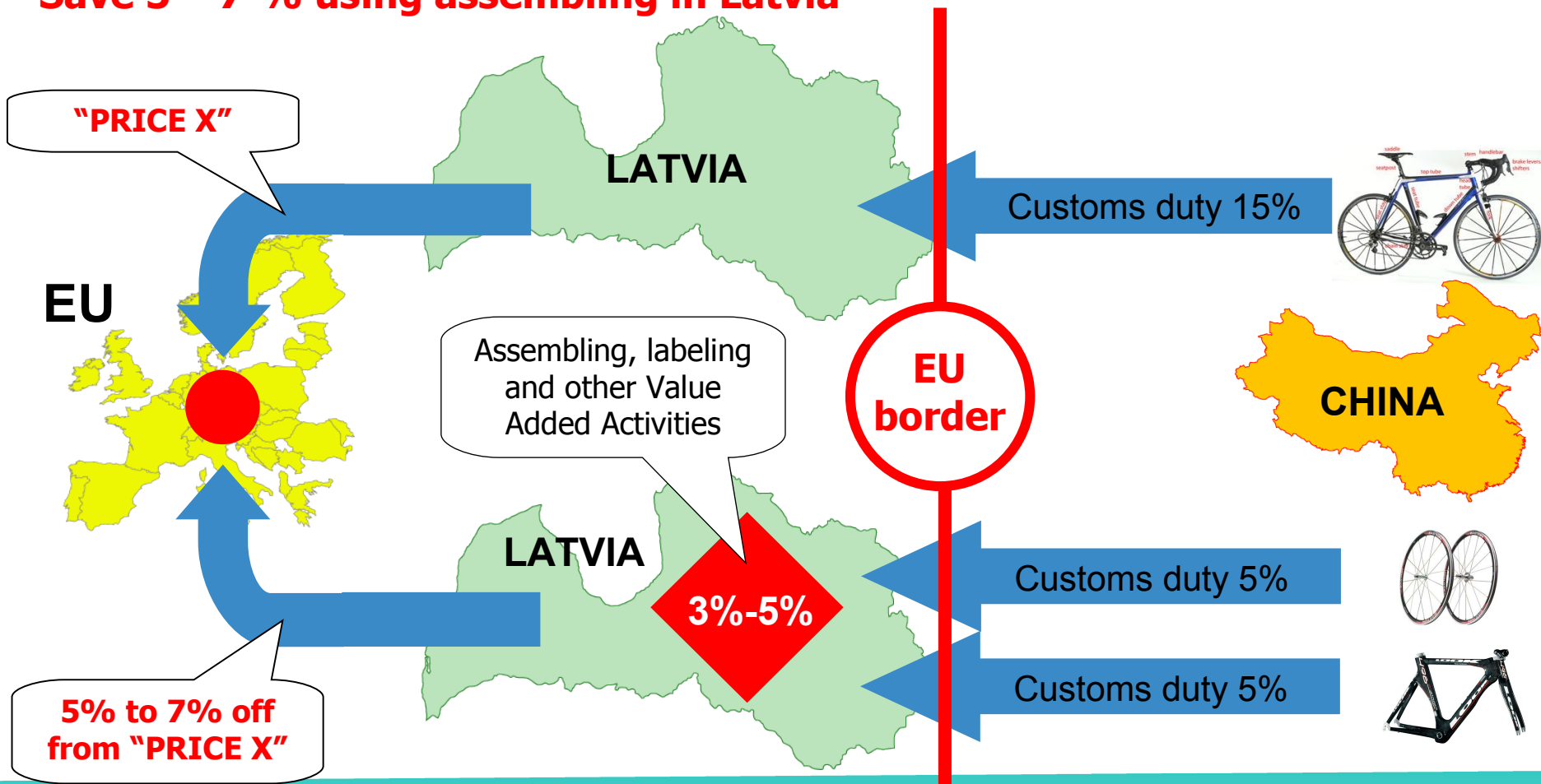
Most favorable tax legislation for importing goods from 3rd countries to EU via Latvia:



This solution is based on EC Regulations No 2913/92 and No 2454/93, as well as Law on Value Added Tax of the Republic of Latvia (Article 33).

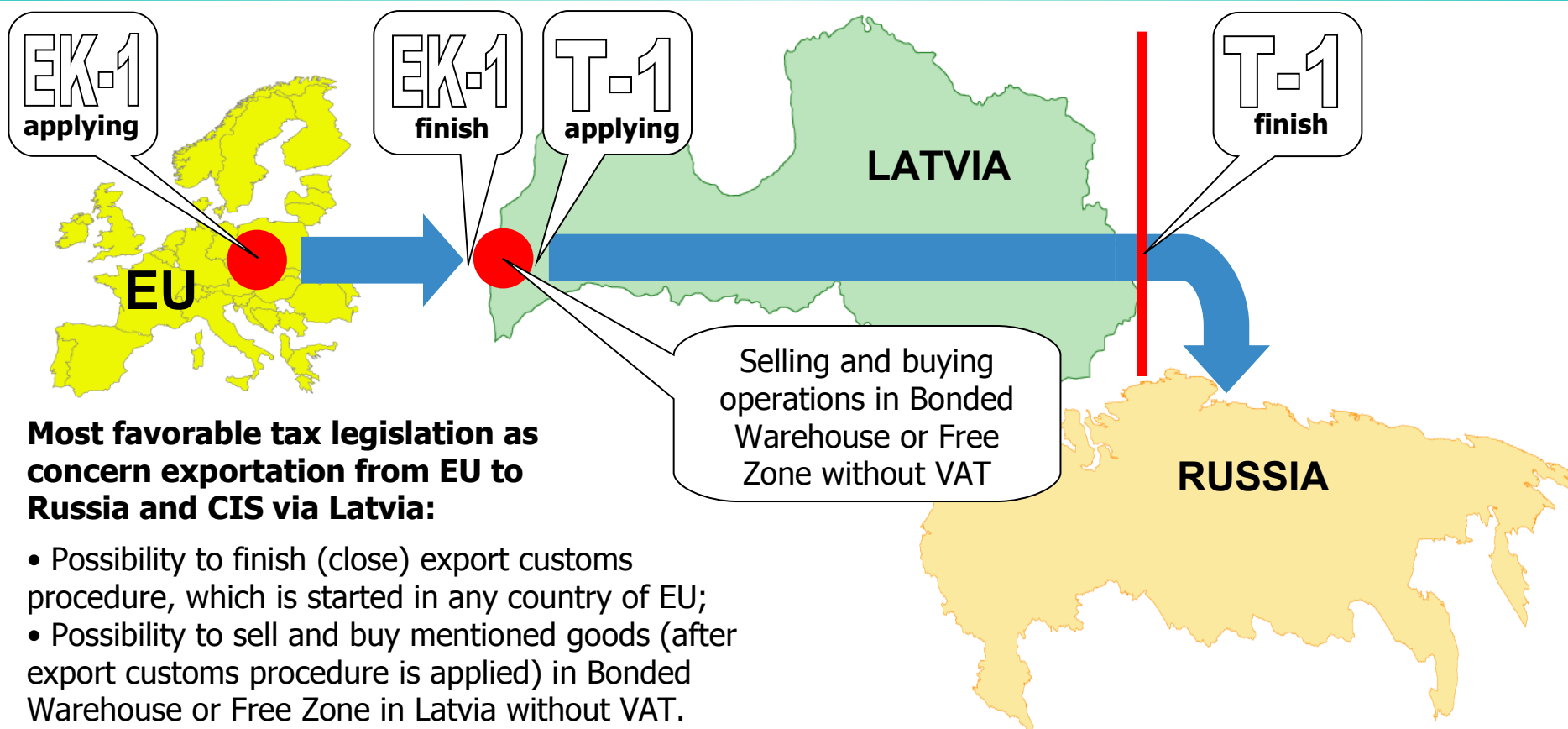
Value Added Activities

Save 5 – 7 % using assembling in Latvia



This very simple example illustrates only one possibility how any importer can save 5% to 7% out of the total value of his product, by locating his logistics centre or EU distribution warehouse in Latvia.

Exportation from EU to Russia/CIS via Latvia



Most favorable tax legislation as concern exportation from EU to Russia and CIS via Latvia:

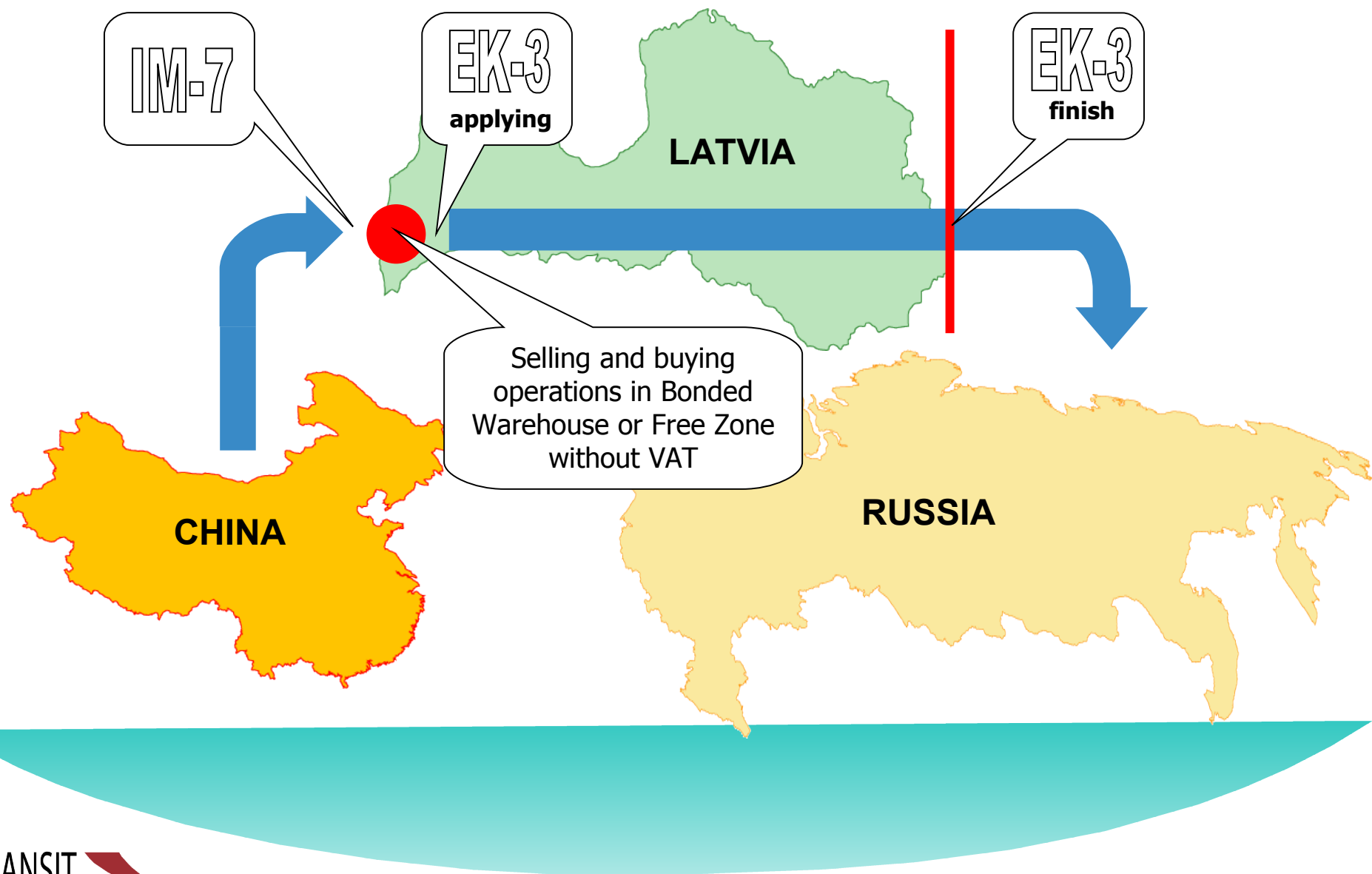
- Possibility to finish (close) export customs procedure, which is started in any country of EU;
- Possibility to sell and buy mentioned goods (after export customs procedure is applied) in Bonded Warehouse or Free Zone in Latvia without VAT.

No obligation for involved companies to be registered as VAT payers in Latvia;

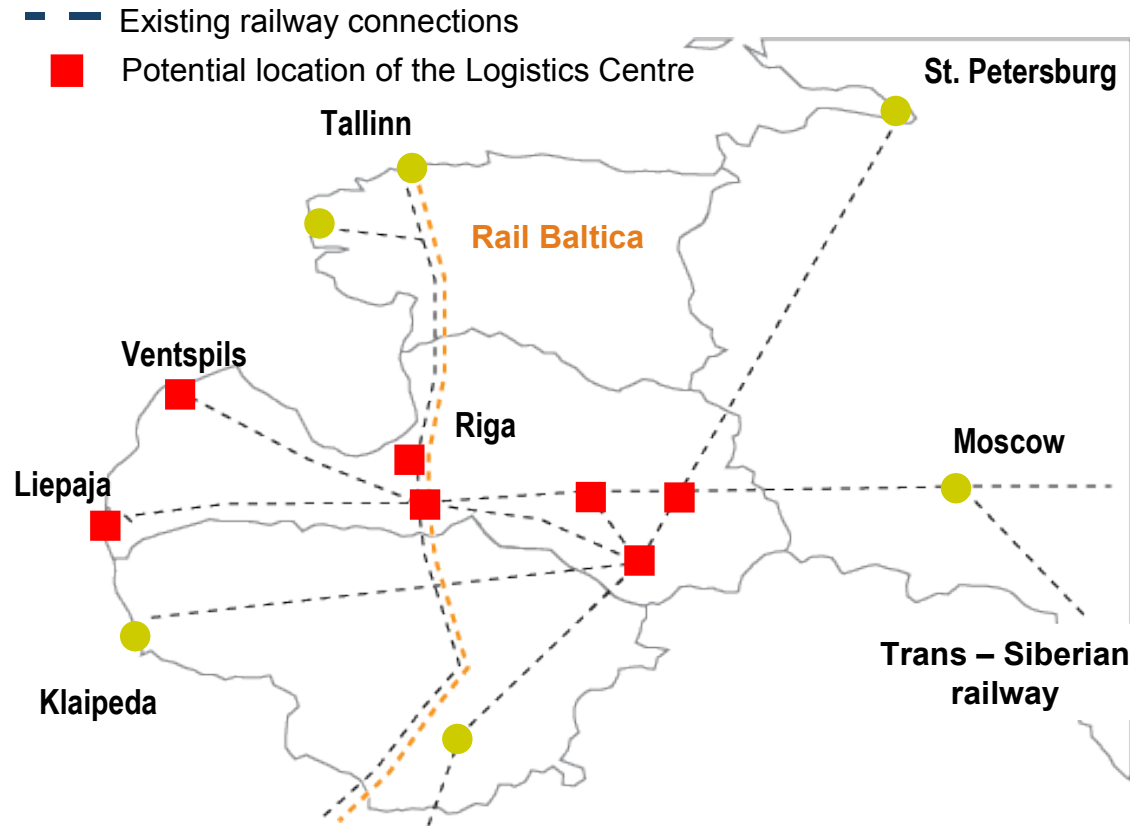
- After described transaction consignment is sent outside EU customs territory by applying transit customs procedure.

This solution is based on EC Regulations No 2913/92 and No 2454/93 (Article 793), as well as Law on Value Added Tax of the Republic of Latvia (Article 3 and 18).

Transit via Latvia to Russia/CIS and Middle East



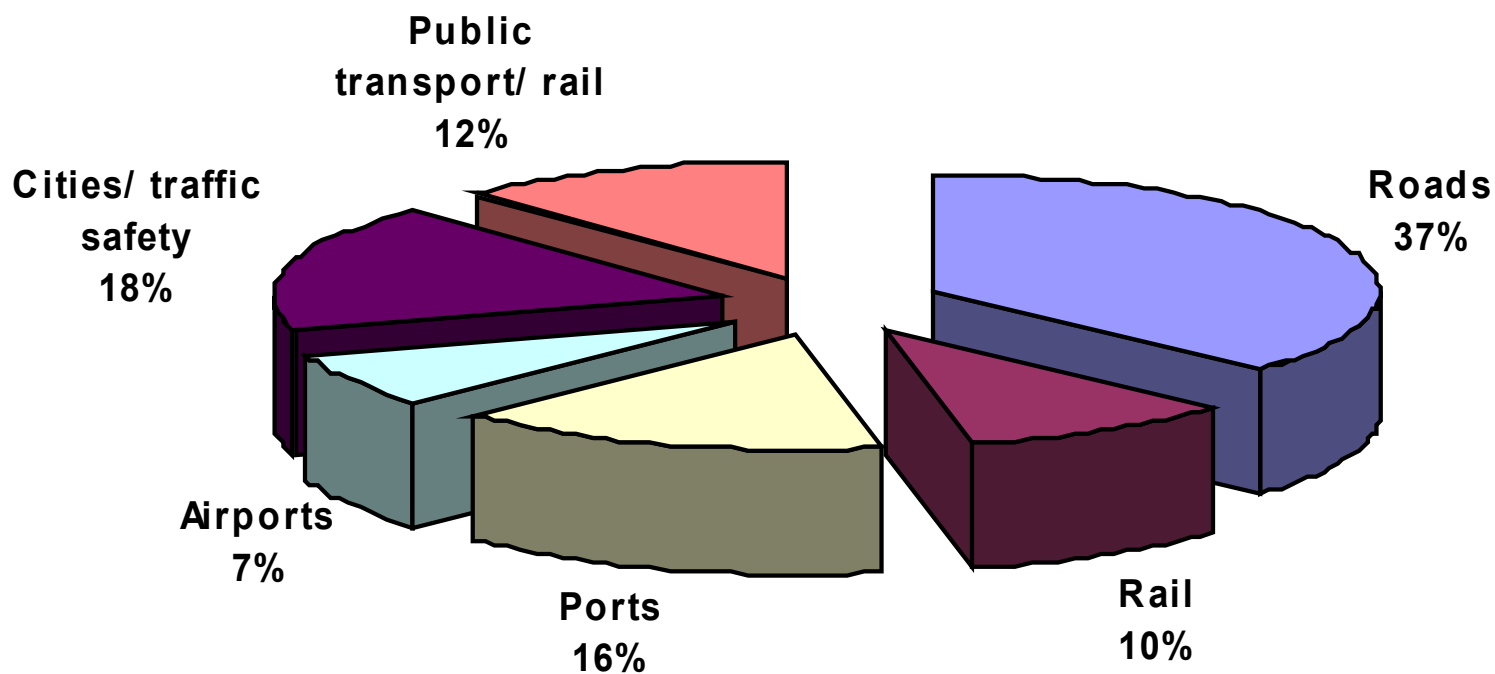
Potential location of logistics centres



At the moment Latvia has developed strategy which states several potential locations of big international logistics centre. Centre should be as a port or dry port for consolidation and de-consolidation of international flows of goods. Already in the times of former soviet union transport infrastructure in Latvia was planned and built to function as a intermodal transport node.

If we consider that after joining the EU, Latvia is the first (for RU and Far East export to EU) and last border (for EU export to RU and Far East), then here naturally should be appropriate logistics infrastructure and logistics centres are very important element.

Cohesion fund and ERDF for transport (1,158.5 mill.EUR in 2007-2013)





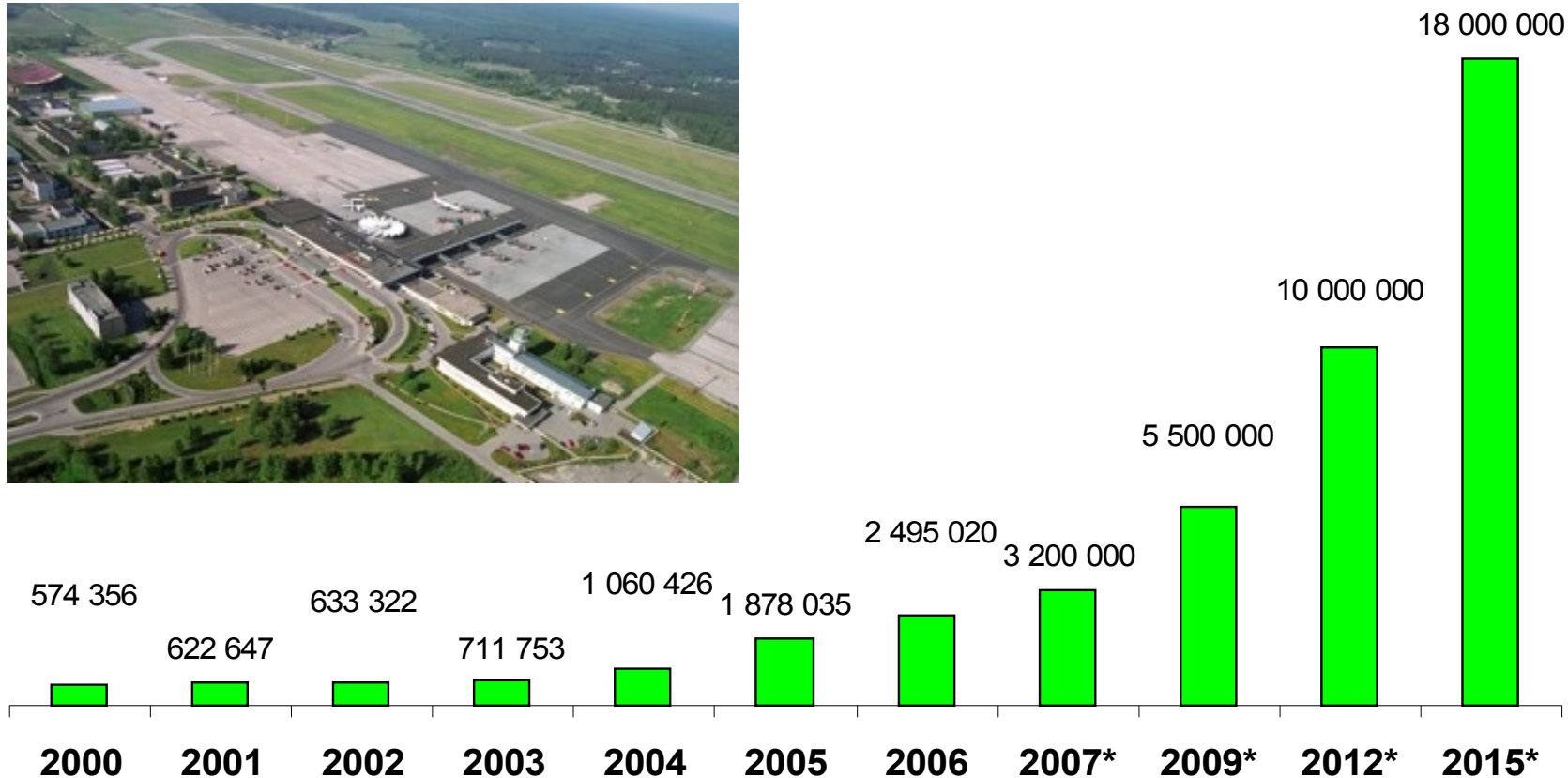
Road Construction Projects



Rēzekne II reception yard



DYNAMIC INCREASE IN PASSENGER FLOW



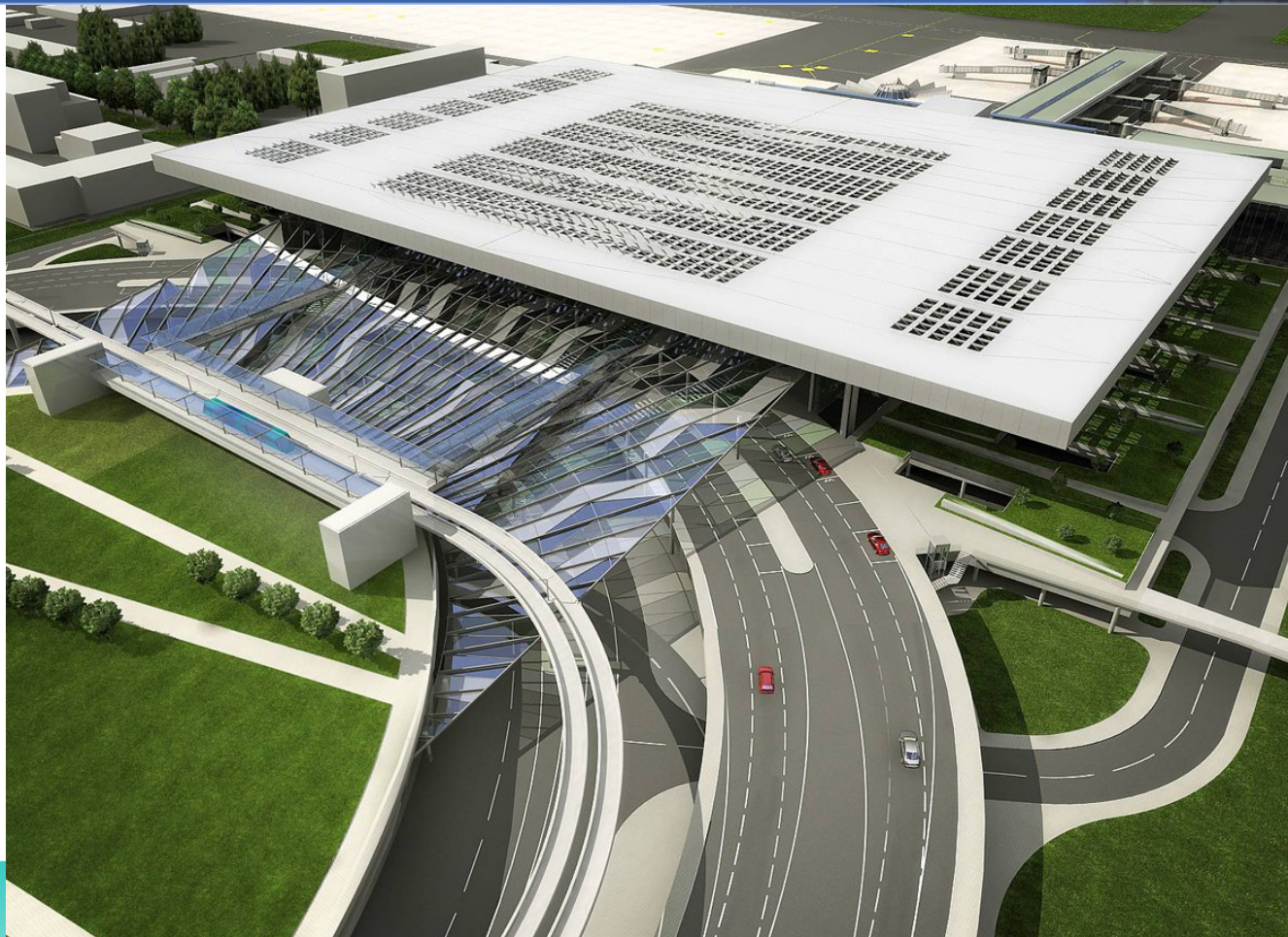
52 DIRECT DESTINATIONS

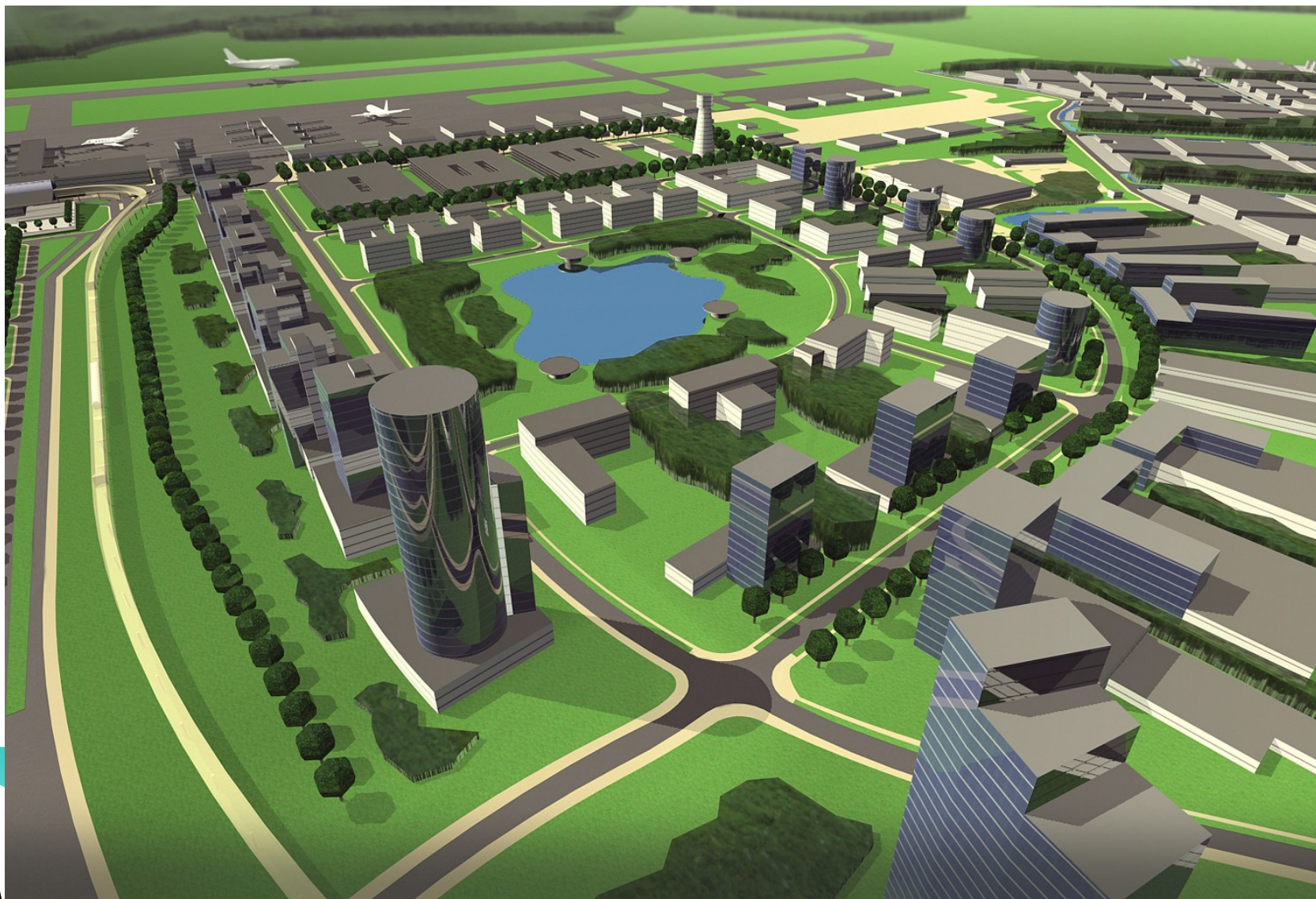


DEVELOPMENT OF RIGA INTERNATIONAL AIRPORT



DEVELOPMENT OF RIGA INTERNATIONAL AIRPORT





Thank you for your attention!

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