

FLY ON LAND BY TRAIN...

A four-level transport interchange: road, rail, water, and air. Those who remember the last years of the past millennium could not even imagine the priorities of the transportation industry in the 21st century. In the past decades production centers moved to Asia and consequently the demand of producers for transportation flows also changed. And radically! Strange as it might seem the role of the Baltic Sea region enhanced due to the phenomenon.

WINGS, WHEELS, PROPELLERS....

It might be correct to ask: where and why production moved? The explanation is easy. Today practically all consumer goods are Made in China. Do not be deceived by brand labels. Smaller fonts on the goods leave no doubt that shoes, toys, tools and clothes are produced in China.

They are intended for sale mostly in Europe. Such trade metamorphoses do not often happen in the world. But when they take place it means the economic poles of the world have changed. Therefore, transportation workers and transport itself need restructuring and a change in direction.

Everybody knows how to deliver cargo from China to Europe - by sea. However the option is not the best today and will be completely wrong tomorrow. It is true that merchandise production is mostly developed in southern and eastern provinces of China. But it is a temporary phenomenon because producers have calculated it is cheaper to deliver goods from China to Europe by land. An industrial hub has been created and is already operating in western and northwestern regions of China. It is much easier, safer and cheaper to reach Europe by rail from there. Travel will take less time.

Naturally it means a route to and from Europe via Kazakhstan and Russia. However the question is to which part of Europe? You can deliver cargo via Belarus to Poland and then to the rest of Europe. But you can also do it through Baltic countries. The second route is better as you can send your merchandise by sea from there to any place. From Poland it can travel by rail, but there is an inconvenient switch to a smaller track gauge.

BROAD OR NARROW

The gauge gives an edge to the Latvian railway for many years. Thus, the subsidiary of LDz (Latvian Railway) - LDz Cargo - reported a turnover in 2011 of over 320 million dollars. Although it is 28.1% less than in 2010, the profit still exceeded 15 million dollars which is 5.3-times



Uģis Magonis

more than in the previous year. In 2011 LDz Cargo carried 59.385 million tons of cargoes which is 20.8 percent above the 2010 figure.

Most export cargoes went to Russia last year (2.128 million

tons), Estonia (827 thousand tons), and Belarus (493 thousand tons). Imports mostly arrived from Russia (35.545 million tons). Cargoes from Belarus amounted to 9.359 million tons and from Kazakhstan - 1.786 million tons.

What did the Latvian rail carry? Last year mostly oil and petroleum products - 20.465 million tons - and coal - 20.453 million tons. Fertilizers comprised 5.052 million tons, chemicals - 3.178 million tons, ferrous metals - 2.061 million tons, ores - 1.375 million tons, grain and farinaceous products - 1.131 million tons, mineral substances - 1.027 million tons, timber - 837 thousand tons, and 331 thousand tons of sugar.

LDz CEO Uģis Magonis said a major strategic task for further development of the railway is encouraged cooperation with Asian nations and a possibility to extend the Baltica Transit railway container route from Kazakhstan to the northwest of China which would mean major progress in transit infrastructure development.

Latvia is so far ahead in the struggle for leadership in railway shipments, but Lithuania and Estonia are catching up. The struggle is for every euro and ruble. He who offers competitive prices for transshipment and transportation will win. It so happened with potash fertilizers supplied from Belarus. The port of Ventspils used to play a major role in the transportation



chain. However it constantly raised prices and the Belarussian supplier switched to the Lithuanian port of Klaipeda.

You have to make friends with neighbors, Russian Ambassador to Latvia Alexander Veshnyakov always says at meetings with politicians and businessmen. He reported positive dynamic in trade and economic relations between the two countries as in the past two years trade turnover grew 20-25% and by the end of 2012 will comprise record-high 9 billion dollars.

Several major Russian companies operate in Latvia - Severstal, National container terminal. Uralkhim is building a terminal in the Riga Port which is to be commissioned in October 2013. Today railways carry most cargoes along all transport corridors. The Latvian "imperial" broad gauge helps easily move from Riga up to Hong Kong or Vladivostok provided will and orders. And there are orders already and special container trains have been launched. The Zubr train shuttles from Riga to the Black Sea and back. Baltica-Transit delivers cargoes to Kazakhstan. In December 2011 Riga Express container train resumed regular runs to Moscow.

Transport corridor from Latvian seaports to Afghanistan is also promising. So far it delivers non-lethal cargoes from Riga Port to coalition forces. The route is safer and cheaper than via volatile Pakistan.

"The volume of cargoes carried by the Latvian railway increases every year (tripled since 2008) and LDz is working to keep it growing," said Magonis. Although the share of container shipments is so far small in total turnover (two million tons out of 59 million), the future is with them, he added.

In the meantime US Ambassador to Latvia Andris Razans rejected media claims the transport corridor would stop operating after army supply flow ends. He advised not to put the cart before the horse. The experience of the northern transport corridor confirmed the route is viable despite big distances and differing political views of participating nations. If there is a business of interest to everyone we all can agree - NATO countries, Russia, Central Asia, and Afghanistan, he said. However the ambassador admitted it would be shortsighted to develop only that

transport corridor. Problems in Afghanistan cannot be resolved only by military and political means. They need a third component. It is necessary to economically integrate Afghanistan into the region and encourage trade between Afghanistan and neighboring countries. If economy is reviving why shouldn't we use one additional transport artery which is profitable for countries of Central Asia as they get direct access to Northern Europe?

Although the railway running from Latvia to Asia via Russia may seem to be idle, in reality it is no joking matter. Let's take the gauge, for example. It is a clear advantage for Latvia as the broad gauge brings it major benefits, both material and political. However some people object. Radical elites like to add oil to fire and recall on the eve of any election that "someone wants to obtain control over small but flourishing Latvia". Russian Ambassador Veshnyakov recently said that 1520-mm gauge is the legacy for the whole of Europe and has to be developed. He believes container shipments can help get rid of the truck queues at border checkpoints with Latvia which is mostly in the interests of the EU. It should be noted that the Latvian railway works hard to keep the gauge, modernize and electrify some of its sections.

But there is also the narrow European gauge. Some restless EU officials have an obsessive idea to link Europe by the gauge with Europe, but only in the north. It means to build Rail Baltica through Baltic countries to Finland. The initiators of the project believe it will speed up passenger and cargo transportation. However there are major doubts about the profitability of the project. Experts estimate it would be a major success if one-two speed train cars are fully booked once a week for a ride to Europe. But even in this case passenger transportation will hardly be profitable.

So the stake is evidently on shipments of cargoes although they have to be identified for delivery along the railway. Finland is definitely an industrialized nation and produces a lot of goods. But it mostly produces them for neighboring Russia and it is better for it to transport them by the track with the same gauge as in Russia.

Well, it is possible to get the Swedes involved in the project, as well as Saami reindeer breeders. However experts predict there will be a lack of cargo anyway. Besides, geography shows

there is the Gulf of Finland on the way. Naturally, ferries sail across it and railway ferries can be added. However Finns suggested another option - to dig an underwater tunnel under the Gulf, like the one between England and France.

There are other prophets who said the railway would become "golden" if it runs from St. Petersburg rather than Helsinki. That means from Petersburg under the Gulf to Europe. The depth and width of the proposal is stunning. Russia keeps mum so far or, as Chancellor Gorchakov liked to say in the 19th century, Russia is concentrating. What can it say? Russia has reliable railway communications with Europe and would not invest into digging tunnels and building roads. What for?

For those unaware it should be noted that a high-speed train is already running from St. Petersburg to Helsinki. It is usually full. Soon a similar train will start running from the northern Russian capital city to Tallinn in Estonia.

CAR IS NO LUXURY

Railways are good, but not the only type of transport. Not only container trains are running to Asia, but trucks as well as they are the most mobile transport in the world. They load in Europe - Munich or Regensburg - and drive to Alma-Ata or even to northern China. It's convenient, fast, maybe somewhat insecure. There are roads which may be sometimes uncomfortable, but drivable anyway. The main thing is to reach the center of Russia.

Latvian road carriers are developing new routes to Central Asia - Kazakhstan, Uzbekistan, Afghanistan - although they go to Russia less frequently, said President of the Latvian international road carrier association Latvijas Auto Valdis

Trezins. The volume of cargo transportation to Central Asia has doubled at least. As for decreased transportation to Russia, it could have happened because of the election year when a new government was formed and customers were cautious. Besides, the Russian customs mounted control over compliance with all border-crossing terms and conditions.

Border-crossing checkpoints leave much to be desired. They are being built and reconstructed, but very slowly. Therefore, trucks have to queue for several days on the Russian or Belarussian border. It is necessary to reconstruct both roads and the customs service. There are good examples. On the Russian-Estonian border a preliminary registration system has been tested and actually introduced for cars and trucks. You can book online your border-crossing time and arrive at a special check site. The car will pass customs and border control in an hour. Russia is also introducing similar services. Will Latvia borrow them? It is hard to say. So far no attempts to launch such a service have been made. However experts say Russian admission to the WTO will facilitate efficient introduction of such services.

ONLY BY AIR..

Railways are reliable and comfortable, cars are good, but aircraft are faster and more expensive. There are examples of airlifting major cargoes from China to Germany. One German





Arnis Luhse

electronics trader daily sends two-three airlifters from China to Frankfurt. So far the company did not go bankrupt and says airlifting electronics is very profitable.

The air corridor linking Latvia with Afghanistan is also profitable. As test flights were successful cargo airlifting from Afghanistan to Riga

will become regular, said US Air Force General and head of the United States Transportation Command (USTRANCOM) William Fraser. Beginning from 2009 over 47000 TEU were airlifted to Afghanistan via Latvia. In May 2012 reverse shipments began.

As for passenger transportation, it is constantly declining this year. Latvian national airlines airBaltic made 4368 flights in June 2012 which is 21% less against the same period last year. Officials add to declining transportation. "From the strategic point of view budget air carriers or the so-called air discounters have to base at Tukum airfield, So pack your suitcases and resettle a hundred kilometers away to new airfields. Riga does not need you," said board chairman of the international Riga airport Arnis Luhse.

Statistics confirm that Riga air hub is grad-

ually losing its leading positions. Time is running but politics continue to dominate over pragmatic solutions in transportation and economy in general. As a result, passenger turnover de-



creased in Latvia, profitable flights disappeared, and charter airlines were deleted from flying schedules. However nature abhors a vacuum. Once ailing airport and airlines of Tallinn now service a growing passenger flow to many countries of the world. Besides the Estonian air haven, there is a young air giant - the airport of Kaunas in Lithuania. It took over many routes from Riga colleagues and launched new flights. The Irish budget air carrier Ryanair is currently based in Kaunas which speaks for itself.

What is a way out offered by the government of Latvia? It is easy and slippery. To sell, sell, and sell, or privatize, to be correct, also the national airline and the airport. The Latvians are offered a simple option - to fly on land by train. Why should the country deal with such expensive trifles? they believe at the top.

AT SEA

Sea ports of Latvia are also a trifle and should be privatized. At least the governance, if not the ports themselves. There are willing buyers in the world and it is important to bargain a good price. Is it politics or economy? Neither of them. It is a desire to shrug off responsibility. Let other people bear it. Today the seaports of Latvia are among the most dynamically developing facilities. Although the geographic location of the Riga Port is not very favorable, it continues to develop. It has been allowed to use Krievu



Leonid Loginov

(Russky)

Island for bulk cargoes. A modern coal terminal will soon appear there. EU co-financing of the project has been determined.

"To improve the management of Latvian ports it is necessary to improve cooperation of government representatives and self-government in the boards of free ports," said recently appointed board member of the Riga Free Port, director of the Council of foreign investors in Latvia Girts Greyskalns.

The board of the port has to cooperate and find constructive solutions to improve general business environment in the free port so that it is "accessible for the needs of port users and simultaneously satisfies the aims of the government which correspond to the concept of company management with state equities," he said.

He believes the government has not defined

its current aims related to sea ports as commercial or strategic. "Which are the main indicators of activities which help understand whether ports are efficient, including port management, and whether they contribute to economy?" Greyskalns asked.

A public organization represented by member of the seaport taskforce of the Reform Party Aivis Landmanis went even further. It suggested to the transport ministry to sell the shares of free ports of Riga and Ventspils. Parliament commission for economic and regional policy reviewed the performance of Latvian ports and exposed major drawbacks. It offered the government not to delay privatization proposals.

But there is an opposite and so far dominating opinion. "Seaports in Latvia should not be privatized," said Riga Free Port manager Leonid Loginov commenting prospects of withdrawing management functions from the powers of city authorities.

"I truly do not understand what they want. If the task is to take over port management from the city, it is not just stupidity, but a crime. If they want to fire Loginov, it is another story which is taking place not the first and likely not the last time," he said.

In the meantime, the seaports continue to operate. In the first two months of 2012 the Riga Port demonstrated positive dynamic. Cargo transshipment growth comprised 6.19 million tons or 29% increase against the same period last year. In the first three months the turnover of Latvian ports comprised 20 million tons which is 22.6% above the figure of the same period of 2011. The cargo turnover of Ventspils port upped 19%.

Transport in Latvia and in the Baltic countries in general will continue to develop despite all collisions caused by economic interests or political games. Nothing can stop its progress any longer. The projects which look fantastic today are likely to interest millions of people tomorrow. It depends on the development of society and the presence of funds for the development. So far the economic situation in Europe does not allow to conclude there is a leap forward boost in transportation development. Transportation will naturally work for better optimization, development, and novelties. However financial possibilities will remain limited for the given moment.

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