

## MAIN PROBLEMS OF THE DEVELOPMENT OF TRANSIT TRANSPORT VIA LATVIA

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### Abstract

Transit in Latvia is often considered as a branch. The traditional modes of transport in Latvia include road transport, railroad transport, air transport, water transport and pipeline transport. In Latvia there has been made a relatively balanced transport net that in the whole insures the transportation of cargo and traffic of passengers. Transit development is based on two major markets - the European Union and the CIS and Asian markets service. As an important precondition in transit development is considered the simplifying of border crossing procedures. Poor road conditions reduced transit operation traffic. EU railway systems shortage in Latvia

**Key words:** transporting, overload of transport infrastructure, transit, infrastructure of logistics.

### Introduction

Transporting is a service to be bought by its user. Unlike the manufacturing of goods, transportation entails the combination of location and time. It means that if the supply is delayed, the demand can disappear. It should be stressed that keeping to the schedule is a must in rendering transportation services. Consequently, both the forwarder and the receiver of the goods will be satisfied. Cargoes should be delivered from the customer to the receiver. Finally, one of the most important quality indicators of the process of transportation is its duration. This matters both the freight transport and passenger traffic, because time is money, but usually the time spent in transportation cannot be used to the best advantage. That is the reason why the modes of transportation, which can provide conveyance in smaller amounts of goods or passengers in shorter time, are more expensive than relatively cheap modes of transportation, which can transfer big loads.

### 1. Tendencies of transportation

Transporting is a service which is connected with the use of other services – logistics, procurement and other intermediary activities. Main problems of transporting and storage are the decrease of costs and time of delivery. Practical solutions of these problems are quite connected with the choice of the type of transport and storage location.

Nowadays besides issues which deal with raising effectiveness of transport, there are some dealing with the actual impairment of transport services. This last issue is connected with overload of transport infrastructure, high expenses and essential investment of new infrastructure

facilities (roads, hubs and parking places) thus being related to passenger delivery and delivery of goods. The solution for passenger delivery might be found by increasing density of public transport and not affecting the distance between the living and working places, but by bringing nearer shops and entertainment places to inhabited territory. Refinement of supplies, production of goods, traffic and trade components should be arranged optimally between output of supplies and trade as this is solution for cargo transport [4].

The approach of the task requests to find the most beneficial geographical point, where refinement of supplies or wholesale companies could be disposed, in order to gain minimal transport expenses and the highest quality of goods when delivering them to market, in such way increasing demand of goods. Several theories exist on arrangement optimization of these facilities.

So called intermodal transport and agents of transporting process are used. These types of transporting are widely applied in international systems of transport technologies, because it allows using road transport and railroad transport advantages. It is important that during transportation the whole responsibility for the cargo is taken by the driver of the truck, but railroad is just carrying transport units from one station to another. Railroad also manages reloading operations in the territory of stations.

In the recent decades the pattern of the usage of different modes of transport has changed, e.g., cargo circulation statistics by different land transport modes in EU starting from 1970 up to 2010 is evaluated as follows: (see Table 1).

Transport is linked with global logistics circumstances. Uneven division of the resources of production in the world, climate peculiarities and heritage of production traditions is the basis of international division of labour. Firstly, it pertains to natural and power resources without which the economics of the country is inconceivable. Secondly, countries differ in scientific and tech-

nological potential. Thirdly, the qualifications of workers differ. Moreover, there are significant differences in the economic level of development of countries, efficiency of economic activities and productivity of labour. Finally, there are also differences as to the level of requirements, structure, purchasing capacity and certain demand.

**Table 1. Cargo Circulation, EU [1;9]**

| Type of transport     | Billion ton-kilometres |      |      |      |      | Proportion in year 2010 |
|-----------------------|------------------------|------|------|------|------|-------------------------|
|                       | 1970                   | 1980 | 1988 | 2000 | 2010 |                         |
| Railroad transport    | 274                    | 269  | 257  | 251  | 247  | 14%                     |
| Road transport        | 439                    | 687  | 830  | 1189 | 1442 | 79%                     |
| Inner water transport | 113                    | 118  | 109  | 117  | 118  | 7%                      |

International division of labour is typical for the modern economy. Consequently, in many countries division of labour is becoming more detailed and is turning into new quality – specialization.

A typical feature of economic development is that in some countries the final product is manufactured, while accessory equipment, materials or semi-finished products are delivered by specialized companies from other countries. Stable international cooperation connections are characteristic of the modern world economy, serving the international trade, the origin of which is to be found in ancient times, but it is of vital importance today and will be in the future.

Tendencies to reduce manufacturing within one country and expanding international specialization is hidden in the consideration that product development, technologies and assembling are accomplished by domestic labour. A huge amount of accessory hardware, units and components are brought from other companies trying to attain maximum quality and minimum expenses on the world scale. As a result, associations of production originate on the world scale, but local companies can offer modifications of the final output, while producing the necessary components by local workforce is not real. Supplies of units and components for local companies decrease, because they receive them in small amounts and at the right time.

## 2. Transport matters in Latvia

Transit traffic is transportation from one country to another, crossing at least one other country. The geographical location of Latvia on the east coast of Baltic Sea with its unfreezing harbours and infrastructure of roads and railroad

serves as a condition for insuring effective transit services and increase of Latvia's services export, giving large investment in the country's outer trading balance counterpoising (see Fig.1).

The traditional modes of transport in Latvia include road transport, railroad transport, air transport, water transport and pipeline transport. The range of transit services includes harbour, railroad, road traffic, custom storage, broker and shipping or forwarding agents services. They work in circumstances of international competition and mostly competing with other Baltic States, Finland and Russia. As the limiting factor is the rail system, unlike many EU countries rail-way systems and the system shortage Latvian.

Latvia – a country of transit. This phrase is known almost for all inhabitants of Latvia and also for our cooperation partners abroad. Because of the geographical position Latvia has already for a long time served as a country through which international trading is held [7]. However this advantage is not unique. For examples, Russia covers a lot of eastern and north-eastern Europe. Russia has land borders with Norway, Finland, Estonia, Latvia, Lithuania, Belarus and Ukraine in Europe. Five of these neighbouring countries are former Soviet republic [3].

Transit in Latvia is often considered as a branch. That is because with the processing of transit loads work most of the companies of transport. Each 10<sup>th</sup> million tonnes of goods in transit services gives at least 1% of the GDP (Gross Domestic Product) growth [2]. Therefore it is in Latvia's interests to retain the lost amounts of loads and to gain new. According to the trends of last few years in the transport field in Eurasia particular attention should be paid to

the development of new services and to the discovery of new markets, by raising qualification of logistic specialists and developing new possibilities to make logistics and distribution services

and infrastructure, which gives considerably bigger investment in Latvian economical development.

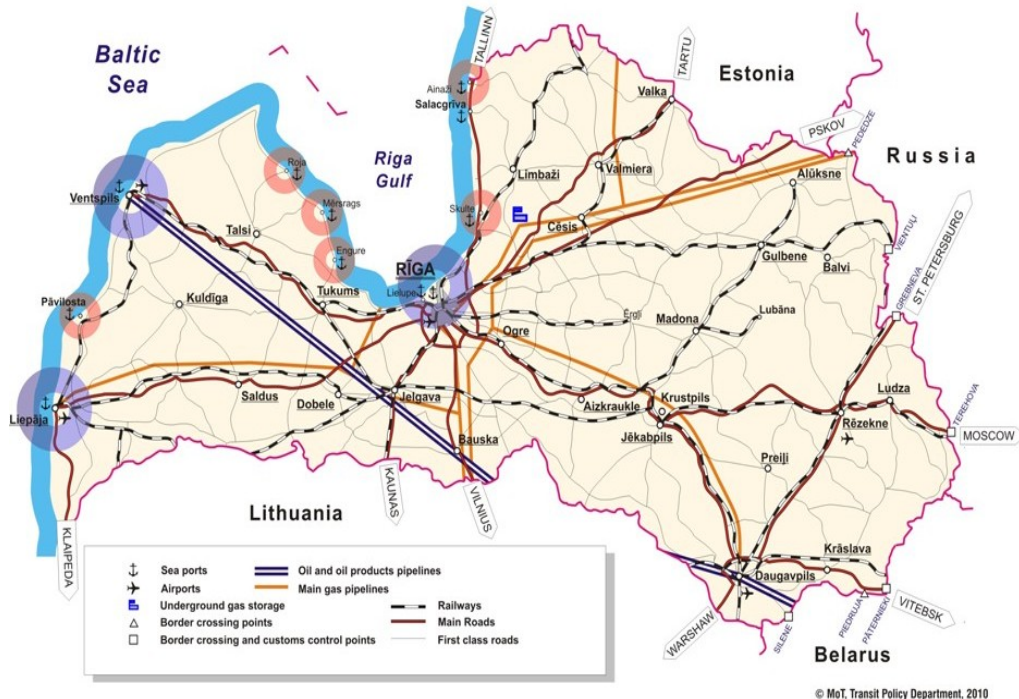


Fig.1. Latvian transport infrastructure [6]

Transit development is based on two major markets - the European Union and the CIS and Asian markets service. Undoubtedly a major role in the development of transit plays cooperation with the CIS countries. Latvia to the CIS countries linked by common rail system (1520 mm

gauge) and a single rail freight system of the organization (see Fig. 2). At the same time this means that Latvia lacks proper cooperation with Western European countries as regards to railway.

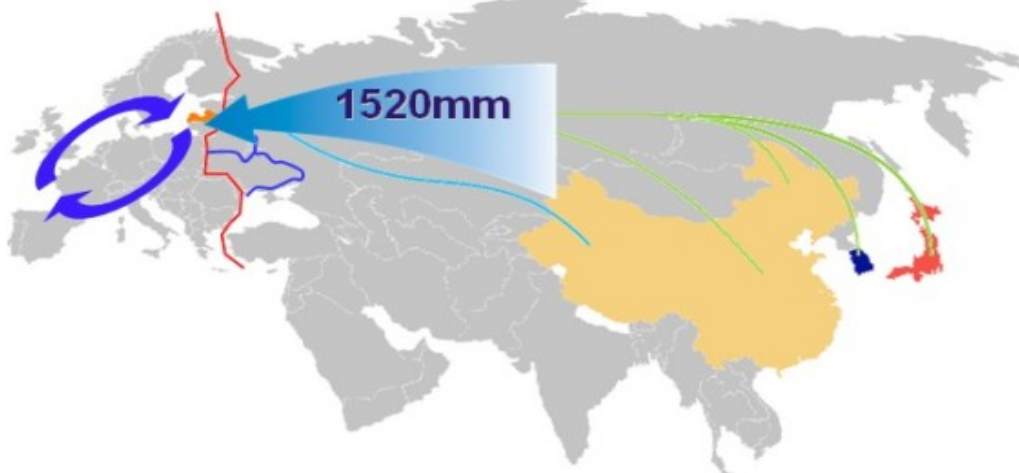


Fig. 2. Latvia - a bridge between Europe and Asia [6]

There are two types of action that are considered as transit – the vehicles carrying transit loads through country and cargos transported

(and reloaded) in transit. In the latter case there are two or more modes of transport (vehicles) used. These operations are of high value-added

and the main transportation direction is east-west, mostly reloading at ports. Unlike the transit type in which loads are only transported through country, if reloading takes place, transit state may gain extra added value from the re-loading services.

Effective and competitive transport system is one of the most important preconditions to guarantee economical and social development. In Latvia there has been made a relatively balanced transport net that in the whole insures the transportation of cargo and traffic of passengers. A sharp change in transport infrastructure usually follows economical activities and in many cases also the increase or decrease of population's living standard. In the last few years the transport field shows several trends: the deterioration of road and railroad quality, increase of the load to roads, the territorial decrease of the infrastructure of railroads, rapid increase of the flow of passengers in the International Airport of Riga.

Despite the stable increase of transportation amount there is a chain of different problems, which interfere with development of transportation in Latvia. These problems for railroad mostly are connected with maintenance of infrastructure, which makes the main part of railroad expenses. Despite the transportation amount in 1990<sup>th</sup> decreased, the expenses of infrastructure stayed on the same level. Infrastructure is the main problem in road transportation because of small carrying capacity of roads and streets. This significantly limits the road capacity and leads to a reduction of transit. The most beneficial situation is for Latvian harbours, which have collided with fewer problems than railroad and road transport.

### 3. Recent transportation projects in Latvia

On May 1<sup>st</sup>, 2004 Latvia became a member state of European Union. Transport legislation is completely coordinated through the requirements of European Union. Latvian Transport system has joined Trans Europe Transport Net (TEN-T), the resources of EU are used actively to develop transport infrastructure.

As the Latvian-Russian border became the eastern border of EU, the amount of vehicles on roads rapidly increased. Due to insufficient capacity of penetrability of border-crossing also queues of vehicles on border increased.

As an important precondition in transit development is considered the simplifying of border

crossing procedures. Besides, the development of transit cannot be imagined without active cooperation with abroad partners in both – private and country sector, and also active participation in international organizations.

Today's aim of transit development is to gain steady and stable increase of transit cargo amount and maximally increase transit cargo value-added. This is rather cautious aim. Nevertheless, it fits the real situation in the region, real forecasts worked out by international experts, development of tendencies in modern technologies and sharply growing competition conditions. In last years as a relatively new member state of EU Latvia has a possibility to take part in making European Union's politics and join into EU international trading activities.

There has been done a lot in the transit development recently. The demands of legislation in Latvia are completely harmonized with demands of European Union. The central objects of infrastructure are included in the TEN where also the main investments are placed, including most of the financial supply from European Union.

Very important job is done in custom legislation coordinating with EU requirements. The support from EU is gained for forming new border check points in harbours and on railroads. There is also active participation in all important international activities according to question about oil transit through transmission pipelines. Latvia has joined INOGATE umbrella agreement, regularly takes part in workout of Europe Energetic charter Transit protocol, and actively cooperates in North dimension where Latvian transport specialists have applied certain projects for developing transit. There has been created investment appealing tax regime in Latvian harbours. Container train has been made to join Baltic States' harbours with Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

This is a unique possibility for Latvia to operate in the biggest fields of transit – harbours. Also important is to gain leading positions among Baltic States in creating logistic centre and for that there are all needed logistic preconditions. Besides transport development tendencies in EU, appealing combined transport system should be created. This is connected with both legislation and infrastructure. Active cooperation with Eastern countries has been started in order to draw in transit cargos for Latvian harbours.

Following the situation in the global transportation business and politics, Latvia's top prior-

ity today is the use of containers in transportation [5]. Container train "ZUBR" (the Baltic States, Belarus) route has been extended to Ukraine and the Ukrainian ports of Odessa and Ilyichevsk

with the opportunity to further deliver the goods to Turkey and other Black Sea ports and return them to the Baltic States and Scandinavia (see Fig. 3).



Fig. 3. Latvia - a bridge between Europe and Asia [6]

In near future it is planned to sign an agreement with People's Republic of China for cooperation in railroad sphere, to be more precise – to lengthen container train "Baltika-Tranzit" up to China.

The perspective of the development of the transit of Latvia depends a lot on the development of cooperating states. Transport corridors crosses the territory of Latvia both from East to West through harbours of Latvia, and from North to South connecting Russia, the Commonwealth of Independent States (CIS) and Asian States not just with Western Europe but with the whole World. Transit in Latvia is perceived as a sphere which contains wide range of service – cargo

operations, cargo storing, dealing with custom formalities etc. Latvian international road cargo transporters mostly work for transit. No doubt that stable transit cargo amount increase, cargo value added tax increase, development of product distribution and logistic centers is the main priority in Latvian national economy. The biggest investments in transport infrastructure are given to harbours, roads and railroad in the directions which serve for transit cargo flow. The Trans-European railway Rail Baltica, linking Helsinki – Tallinn – Riga – Kaunas – Warsaw and continuing on to Berlin, is to be developed within the territories of the cooperating EU Member States (see Figure 4).



Fig. 4. Perspective railway line Rail Baltica [6]

Rail Baltica will support the wider EU goals of parity of Access to services and infrastructure of EU Member States and development of sustainable modes of transportation, improved balance and interoperability between different means of transportation and the establishment of links with the rest of the EU rail network.

### Conclusions

Finally, as the main problems of transit development in Latvia might be named these:

- poor quality of roads on the main transport directions;
- disordered-crossing formalities for EU-Russian border;
- underdeveloped transportation facilities by rail in international traffic; EU countries' rail systems lack in Latvia and inefficient connection with EU railway system.

Even since the regaining of independence transit in Latvia has been a priority and the matters of transit politics have been dealt in the highest level. These matters haven't lost their topicality even today. The aim of transport and transit politic still remains – the development of effective, safe, multimodal, balanced, environmental friendly and competitive transport sys-

tem. Therefore it is significant to find solutions for the said problems.

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