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**ECONOMIC COMMISSION FOR EUROPE**

**INLAND TRANSPORT COMMITTEE**

Working Party on Transport Trends and Economics  
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agenda item 5)

**DEVELOPMENT REGARDING TRANSPORT POLICIES**

Replies to the questionnaire on transport development

Addendum 2

Transmitted by the Government of Latvia

Note: At its fifty-ninth session the Inland Transport Committee, following an earlier decision taken at its fortieth session (ECE/TRANS/42, para. 45), agreed to circulate the questionnaire on the most significant criteria for the determination of new and important developments with regard to inland transport in the member countries of general interest to Governments (ECE/TRANS/119, para. 52).

\* \* \*

## **I. General transport policy aspects**

1.

1.1. The Government of the Republic of Latvia has two programmes on transport policy in general:

- National Transport Development Programme (2000-2006 year)
- Railway Transport Development State Programme (1995-2010 year)

The "Declaration on the intended activities of the Cabinet of Ministers" envisages the following activities regarding the development of the transport system:

- Creation of a stable and long-term road network financing system according to the principle adopted in the road sector that the road user pays for road use.

*The distribution of revenues from the excise duty on oil products has been achieved up until April 2002: 60% in the special State budget – the State Road Fund (SRF) and 40% in the State consolidated budget instead of the previous distribution of 50% / 50%. These additional 10% revenues are to be allocated to finance the Rural Road Improvement and Development Programme. At present negotiations are under way in the Government concerning the redistribution of revenues from the excise duty on oil products in the amount of 85% to the SRF and 15% to State consolidated budget.*

- Improvement of uniform road network management model by increasing the role of municipalities. *(At present there have been no real changes in increasing the role of municipalities in road network management).*
- Implementation of the Rural Road Development Programme in accordance with regional development projects.

*In the scope of the Rural Road Improvement and Development Programme for 1999–2001, projects amounting to €27,483 thousand were implemented. At present the preparation of the Rural Road Improvement and Development Programme for 2002 – 2004 is complete, and it is envisaged to spend €60,428 thousand for its implementation. The sites included in Rural Road Improvement and Development Programme are co-ordinated with regional development projects.*

- Direct State investments in the transport sector for combining different modes of transport in a multimodal transport system.

*State investments are directed to routes included in the European highway network (Via Baltica (E-67), West – East corridor (E-22)). A detailed description of State investments is given in Section III.*

- Achievement of significant improvement in road traffic safety.

*In 1999 a National Programme for Traffic Safety Improvement was prepared.*

1.2. Priorities for further development in the **road sector** are the following:

- Strengthening and development of the road sector financing system,
- Road pavement rehabilitation,
- Renovation of artificial structures,
- Improvement of road infrastructure (increase of pavement and bridge bearing capacity), and
- Development of transport corridors.

One of the most important items of the National Transport Development Programme where special attention must be paid in 2000-2006, is the development and improvement of the quality of Via Baltica and the West-East corridor including traffic improvements in Riga (new Daugava River crossing)".

Priorities for further development of **the rail sector**:

- Provision of safe, reliable and environment-friendly railway services that ensure effective treatment of freight through the main transit corridor,
- Increasing the volume of rail freight and to provide passenger transportation in accordance with the agreements signed with the Government.

In 1998 *The Law on Railways* entered into force the provisions of which are harmonized with the respective EU Directives. The basis for establishment of two State administrative bodies, i.e., *The Railways Administration* and *The Railway Technical Inspection* are established according to this law. The State is going to be responsible for the maintenance and development of the public rail infrastructure.

1.3. Restructuring of the railway system meant the gradual transformation of the existing national railway companies into an effective railway transportation system. Thus, the monopoly status of the national railway companies would gradually disappear.

The research on the restructuring of the Latvian railway was started in April 1996, and on 8 April 1997 the final report on restructuring was confirmed. The work was financed by the PHARE programme and carried out by specialists of "SwedeRail AB" (Sweden) and "Nethconsult/KPMG" (Netherlands), in cooperation with the professionals from the State Joint-Stock Company "Latvijas Dzelzceļš" (Latvian Railway").

According to the railway-restructuring plan for the period of 1996–1998, five structural entities were formed, guided and controlled by the management, specializing in the main business directions of the company:

- Infrastructure Division;
- Passenger Service Division;
- Freight Transport Division;

- Rolling Stock Division;
- Real Estate Division.

1.4. During this time, important measures on restructuring were accepted, the main ones being: the development of *The Railway Law* and the development of *The Latvian Railway Investment Programme* for the period of 1998–2002.

## 2. Organizational developments

*The Ministry of Transport of the Republic of Latvia* is a central public administration institution, responsible for transport development in the country. The Ministry, together with other public administration institutions, decides and implements common State policy in transport, communications and IT, as well as coordinating activities in these branches of the economy. Within the framework of the common transport policy, the Ministry solves strategic planning, financial and regulation problems. The Ministry includes functional departments and departments responsible for various transport branches. In order to administer certain transport activities, a number of agency-type institutions and business companies (directorates, inspections, administrations) have been established. The Ministry of Transport cooperates closely with municipalities, associations and NGOs. Undertakings of various types are involved in transport business.

*The Railway Administration* (founded in 1999) effects State management in the railway sector. It is a public institution supervised by the Ministry of Transport. The Railway Administration is financed from the State Budget. It is a legal entity and the Cabinet of Ministers approves its statutes. The Railway Administration is managed by a director, who is appointed and discharged by the Cabinet of Ministers according to the proposal of the Minister of Transport.

The responsibilities of The Railway Administration are:

- to ratify the calculation methods of the infrastructure changes of the public use railway infrastructure;
- to coordinate the draft public service contracts on carriage by rail;
- after conclusion of the public service contracts, to register the contracts and control their performance;
- to issue operator's licences;
- to provide the Minister of Transport with the requested information on the administration's activities and the decisions taken;
- to promote the effective and rational operation of railway undertakings;
- to protect the interests of the consumer;
- to examine disputes between the public railway infrastructure manager and railway undertakings regarding infrastructure charges, allocation of infrastructure capacity, as well as prohibition to access the tracks of the public railway infrastructure from the private railway infrastructure tracks, or access restrictions, and takes decisions binding for both parties;
- to promote competition in the field of carriage by rail;
- to work out the railway environmental protection policy and action programme, maintaining the environmental self-control system;

to evaluate the danger caused by railway infrastructure to human health and the environment, and carries out the necessary activities to decrease this risk.

The Railway Administration works closely with The Railway Technical Inspection, which effects the railway technical exploitation control and supervision in Latvia. The Railway Administration cooperates with different departments of the Ministry of Transport and local municipalities.

### 3. Environmental Impact Assessment (EIA)

Before regaining independence, environmental problems in Latvia were not properly discussed. According to the directives of the European Union (EU), new laws on environment protection were prepared and approved and environment assessment institutions were established. Environmental impact assessment is defined as required in Latvia for projects which fall under the requirements of the Law on Environmental Impact Assessment which came in force on 13 November 1998 and the Resolution No.213 of the Cabinet of Ministers from 15 June 1999 on the Procedure of EIA. Both documents are in accordance with the Directive 85/33/EEC of the European Council from June 27, 1985 on EIA for Public and Private Projects, as well as with the Directive 97/11/EC of the EU from 3 March 1997 which supplements the Directive 85/337/EEC. The Law on Environmental Impact Assessment and related resolutions of the Cabinet of Ministers prescribe the activities where EIA is required, the procedure of EIA, obligations, rights and responsibilities of all the parties involved in the EIA procedure, as well as prescribe the importance of EIA's results and its influence on the decision-making procedure.

For the present, Latvia has signed two international agreements in connection with EIA in a transboundary context. The first is the Espoo Convention on the EIA in a Transboundary Context (Latvia joined the Convention on 1 July 1998). The second agreement was signed on 14 March 1997 between the Governments of Estonia and Latvia on the EIA in a Transboundary Context, providing the implementation of the Espoo Convention requirements. According to the Annex of the Law on EIA, before designing new road sections or making designs for reconstruction of an existing section, the conclusions of EIA are required from the regional environmental office or from the EIA State Bureau.

The Railway Administration worked out *The Railway Environmental Protection Policy* in 2001 and is currently working on the action programme, maintaining the environmental self-control system.

4. and 5. Up until now there have been no planned activities to promote the rational use of available transport capacity and to promote a rational use of energy in transport.

### II. Economic, technological and operational aspects.

6.

Great attention is paid to the development of railway infrastructure in Latvia. Since 1999 the company "Latvijas Dzelzceļš" ("Latvian Railway") has invested about Ls 150 million in the development of the infrastructure, 90% of the investments being intended for the East-West transit corridor. The transit corridor begins with two entry stations on the Russian border, one entry

station on the Belarussian border and ends with three major Latvian ports of Ventspils, Riga and Liepaja.

The biggest investments are for the reconstruction of the Ventspils and Rezekne railway junctions, upgrading main transit corridor and for further updating of local communications network and automation systems.

In 1998 The Latvian State and the European Investment Bank agreed upon a guarantee regarding the above-mentioned work.

Special attention is being directed to the introduction of new technologies in locomotive and wagon depots. The setting-up of automation-equipped working places is being increased. Such systems are already successfully functioning in accumulating and presenting information on the employment of rolling-stock, on the spare parts and units available, in analysing damage, etc., the "Latvijas Dzelzceļš" ("Latvian Railway") agreed with the United States of America "Snyder Equipment C" about the supply of new fuel, lubricant and water filling equipment to the locomotive depot. It will be fully automatic, computerized and airtight. This way precise registration and substantial improvement in the cleanliness of the depot environment will be achieved.

Traffic control: An updating of signalling and automation systems of Riga and Tornkalns railway stations began in 1999 and was completed by 2001.

The State non-profit Joint Stock Company "Latvian Road Administration" of the Ministry of Transport (LRA) carries out traffic counting with mobile counters on all State main roads and 50% of State first class roads. Traffic counting on the rest of State roads is carried out only if there is a demand or if any construction or reconstruction works are envisaged. In cities no organized traffic counting has been carried out in the past 12 years.

To monitor weather conditions on the State roads, road weather stations, located along the State main roads, are used.

## 7 Freight transport improvement

A new kind of freight transportation has been introduced – transportation in private air-conditioned containers. The system of locking and sealing wagons has significantly improved. The efficiency of measures taken by the company is signified by the fact that the losses caused by non-preserved freight do not exceed Ls 0.25 per Ls 100 of transportation income.

### **Productivity of operations**

	Year	Million Euro
Carriage of goods and passengers balance:	1998	-€2.0
	1999	-€12.9
Has introduced a mutual payment system	2000	-€9.1
	2000	+€4.0

8.

The Republic of Latvia is in the process of harmonizing the national legislation according to the EU in the field of **combined transport**. The EU Directive 92/106/EEC of December 1992 on the establishment of common rules for certain types of combined transport among Member States is in the process of implementation.

Taking into account the successful increase of the EU internal market development in traffic, it is necessary to ensure optimum management of transport resources, increasing safety and decreasing pollution.

There are all the necessary preconditions of infrastructure in Latvia to ensure combined transport development. Latvian ports can cope with different types of cargo (liquid, bulk, containerised, Ro-Ro) linked with the railway system and, therefore, cargoes are loaded directly from the ships into the railcars. Latvia has developed customs warehouses, distribution centres and this is a field of private business. There are 156 custom warehouses in Latvia.

To improve production and to ensure the efficient use of Freeport status, the Latvian Government has elaborated a support programme for the development of the industrial parks infrastructure to attract investments for the advancement of manufacturing.

9.

No activities are implemented in these spheres. Issues on urban and suburban transport plans are within the scope of the local municipalities and are outside the Ministry's competence.

10.

The existing rail infrastructure allows the handling of current traffic flows and has sufficient capacity to increase its volume, except in a few sections on the main East-West corridor.

The Latvian Road Administration has employed consultants to carry out studies in the State main roads with the aim of identifying and preparing the necessary measures for locating the black spots and bottlenecks. Completed studies are the following:

- 1) Feasibility study for the improvement of State main road A10 Riga – Ventspils,
- 2) Feasibility study for the improvement of State main road A9 Riga (Skulte) – Liepaja,
- 3) Study of West – East road transport corridors in section Riga – Jekabpils,
- 4) Feasibility study for traffic safety improvement on State main road A1 Riga (Baltezers) – the Estonian border (Ainaži).

11.

No studies are done on economy issues that would be useful for other candidate countries.

III. Infrastructure aspects

12.

**Road transport**

Via Baltica is one of main tasks of the Latvian transport policy. According to the multilateral agreement between countries involved in the project, further development and planned activities of this transport corridor are described in the investment programmes. For the time being, two such investment programmes have been worked out.

The 1st Via Baltica Investment programme (1996–2000)

In January 1996 the First Via Baltica Investment Programme 1996-2000, worked out on the basis of the Memorandum of Understanding on the Development of Via Baltica (signed in Helsinki, 1 December 1995 by the Transport Ministers of the Baltic countries and the European Commission), was approved. The aim of the Latvian section of the Programme was to provide road users with good quality road pavement, horizontal markings and to carry out bridge reconstruction works. In order to monitor and coordinate the implementation of the Programme, the Monitoring Committee, formed from representatives of participating countries, was set up. In implementing the 1st Via Baltica Investment Programme for 1996–2000, Latvia spent US\$37.05 million (€41.50 million) for Via Baltica improvements, i.e. 136% of the total programme for Latvia. Within the scope of the Programme, 145.87 km of roads were restored or resurfaced (out of which 20.43 km were completed in 2001). Special attention was paid to bridge rehabilitation. Completed bridge repairs along the road A1 across the Krišupite river, Kišupe river, the Gauja river in Carnikava, Baltezers Canal and the A7 road across the Misa river, Iecava river, Memele river and Ceraukste river. The construction of one level roundabout in Kekava was carried out and similar construction is under way in Bauska. At the same time, the comprehensive road winter service, with six road weather stations, maintenance equipment and wet salt technology was introduced. During the implementation of the 1st Via Baltica Investment Programme, the upgrading and equipping of the Latvian border stations in Ainaži (Latvian-Estonian border) and Grenctale (Latvian / Lithuanian border) was almost completed. In spite of substantially increased traffic there has been considerable reduction in waiting time at borders. The Green Card System has also been introduced in Latvia. The First Investment Programme has been financed through the loans from the World Bank (WB), European Bank for Reconstruction and Development (EBRD), EU PHARE programme and the State Road Fund. The First Investment Programme was aimed at infrastructure maintenance projects, i.e., pavement restoration, bridge reconstruction and an improvement in traffic safety.

The 2nd Via Baltica Investment Programme 2001–2006

The Ministry of Transport of the Republic of Latvia has determined reconstruction works as a main priority of the 2nd Investment Programme 2001-2006 and the following improvements on the main route of Via Baltica and the West-East Corridor are emphasized:

- activities on the main route of Via Baltica – Improvement of traffic safety and road capacity, as well as increasing road bearing capacity to 11.5 tons per axle (115



kN/axle) on the sections of the Riga region [Northern direction: Riga – Saulkrasti (Skulte), and Southern direction: Riga – Kekava – Iecava];

- projects which are closely linked to the main route – reconstruction of the Riga Airport access road and traffic safety improvements on the 3.5 km section of the A10 road (Riga - Ventspils); construction of new Daugava river crossing in Riga;
- Access roads to Via Baltica system: West-East link Liepaja/Ventspils – Riga – Jekabpils - Rezekne – Russian border (Terehova): Improvement of traffic safety and road capacity on certain sections of the A9 Riga road – Liepaja and A10 Riga road - Ventspils; construction and reconstruction of the sections Riga – Koknese and Rezekne - Ludza – Terehova of the Latgale road Riga – Jekabpils – Ludza – Terehova. The West-East link is included in the Transeuropean road network (TEN) as a link between the Liepaja and Ventspils harbours and the European Corridors 1 and 9 and is a part of TINA (Transport Infrastructure Needs Assessment) network. The West-East link is very important for the development of the ports of Latvia (Liepaja, Ventspils, Riga). The total amount of investments in the main route of Via Baltica in Latvia (Ainaži-Riga-Grenctale) is estimated at €100 million (LVL56.45 million), which will include construction and reconstruction of road sections and bridges, traffic safety improvements and increasing the bearing capacity of pavement and bridges according to EU directives (96/53/EC). The main part (75%) of financing will be covered as a co-financing from the EU ISPA funds. €70.79 million are estimated for projects linking the main route (Riga Airport Access Road and Daugava River Crossing in Riga). In addition, it is planned to invest €7.50 million in improvements on the West-East link. The implementation of projects depends on the availability of financing. The 2nd Investment Programme will mainly be financed from the EU ISPA funds, loans from international banks and State budget investments.

### **Railway transport services**

Demand for railway transport services determines the basis for infrastructure development planning. Rehabilitation and updating of the existing infrastructure is the main priority. The introduction of modern signalling systems and the wider use of information technologies are promoted.

The “Investment Programme for the Increase of the Traffic and Transportation Capacity of East-West Main Railway Transit Corridor and Its Major Railway Junctions in 1997-2010”. Within this programme much attention is being given to the improvement of the freight transport system.

#### 13. Methodologies used to establish investment priorities in the field of railway safety

“Latvijas Dzelzceļš”(“Latvian Railway”) investment priorities are stated on the basis of the following criteria:

- railway lines’ division in categories (strategic meaning infrastructure and regional meaning infrastructure);

- constraints of capacity in railway sections and stations;
- traffic volume forecasts;
- promoting the railway network to EU technical standards.

**B. (a)****Number of employees**

(thousand people)

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Inland and pipeline transport	36,240	38,346	38,066	37,387
Water transport	3,345	0,827	0,624	0,279
Air transport	0,566	0,600	0,632	0,557
Supporting and auxiliary transport activities	14,761	14,559	14,541	14,399
Post and communications	14,073	13,523	13,352	13,339
<b>TOTAL – transport, storage and communications</b>	<b>68,985</b>	<b>67,855</b>	<b>67,215</b>	<b>65,855</b>
<b>TOTAL – all sectors of economy</b>				<b>697,522*</b>

\* Source of data: CSB one-off survey in October 2000

Data for year 2001 are not yet available.

(b) State investments are closely linked to the rehabilitation of transport infrastructure as well as the increasing of quality and safety levels. The investment sources are the following:

- State budget,
- special budgets, and
- loans from local and international financial institutions.

During the past years, a considerable amount of investments in the Latvian road infrastructure were allocated through the EU Phare programme. Investments increased in 2001 when the EU ISPA funds became available. The main focus for ISPA in the transport sector are transport infrastructure measures which promote sustainable mobility and measures enabling the beneficiary countries to comply with the objectives of the Accession Partnerships, including inter-connection and interoperability of national networks, as well as with the Trans-European Networks (TEN). Allocation of the ISPA funds will be based on the common transport policy of the EU and Latvia, where transport connections between the EU member and candidate countries, projects in the TINA network or important transport sections such as harbours, airports etc., are defined as the main priorities. In any case, all the projects stimulating the attraction of other financing sources should be considered as priorities. The most important projects are included in the State Investment Programme (SIP) which is a set of infrastructure investment projects for planning or allocation of annual State financing. The main financial sources for projects within SIP are State budget investments and credits guaranteed by the Government. State budget investments are also necessary for co-financing of the EU ISPA financed projects. Timely investments in road infrastructure promote not only economical growth, but also considerably cut down operational expenditures and improve traffic and environmental safety. The main purpose of investments in 2000-2006 will be the rehabilitation of the existing road infrastructure and liquidation of the

accumulated deficit of periodic maintenance works. Further improvement and development of Via Baltica route along the section Riga – Saulkrasti is one of the most important priorities included into the ISPA programme. In future years it would be possible to attract the EU ISPA financing for the new Daugava River crossing in Riga and the improvement of the road section Riga – Kekava – Iecava. In order to provide an effective connection with Via Baltica, there is a necessity for reconstruction of the access road to the Riga Airport.

Financing of investment programmes will only be possible by fully utilizing different financing sources, which are combined together, according to the specifics of a particular project. Taking into account the substantial costs of infrastructure investments and long periods of repayment, it is important to attract long-term loan resources with State guarantees. The ISPA resources should be used for the financing of infrastructure of international importance, primarily the key 'Helsinki' corridors.

The State budget resources for investments are allocated within the Public Investment Programme. The programme for three consecutive years is worked out annually in accordance with the State budget, and the financing for a particular year is specified. Taking into account the experience from previous years, and foreseen macroeconomic indicators, it is forecast that the direct State budget investments will be in a range of €10-15 million per year. The State budget resources will be used as co-financing for projects financed by the EU (ISPA, Phare) and International Financing Institutions. The investment of State budget resources is essential in the road and railway sectors, as well as measures associated with shipping safety.

Special budgets, where resources are partially used for infrastructure investments, are the State Road Fund, the Railway Fund, and the Port Development Fund. Airport Duty is fully utilized for financing projects exclusively associated with airport infrastructure development. Similarly to the State budget investments, the resources of special budgets may be used as a co-financing part for internationally-financed projects, repayments of loans, as well as for financing separate priority projects and programmes. Taking into account the fact that the State Road Fund and Railway Fund resources are mainly necessary for maintenance and repair works, their contribution to investment projects is limited, and big long-term projects require direct contributions from the State budget. The estimated share of special budgets earmarked for investment projects over the period of 2000-2006 is €20-30 million annually.

State loans to a special budget or project implementing institution are the loans from the State Treasury within the Public Investment Programme, which are used for financing of particular projects, and are repaid from the special budget or revenues of the project implementation institution. The Government usually borrows from international financing institutions (EIB, EBRD, IBRD) for the financing of a specific project, or allocates resources available at the State Treasury. Long-term projects in the road sector are financed according to this system, and – once the new Law on Railways has been passed - it will also be possible to finance the railway infrastructure development projects in this manner. The estimated amount may be €8-15 million annually. Within the Public Investment Programme, the State also issues guarantees for loans, which are used for infrastructure development. The loans guaranteed by the State may be taken either from IFIs or commercial banks. The loan is taken and repaid by the implementing institution. Over the period of 2000-2006, the amount in State guarantees may be €25-35 million per year. The loans guaranteed by the State, together with the resources of the project

implementing institution, are the main and largest source of financing for the infrastructure investment programme.

Apart from the sources mentioned above, investment projects will be financed from the following sources: the resources of project implementing institutions, municipal financing, private capital (e.g. in port development, as road concessions, etc.), as well as the resources of the Phare programme and other bilateral technical assistance programmes. After the year 2000 the Phare programme will promote projects that encourage industrial and regional development, as well as projects that ensure the development of infrastructure necessary for the implementation of EU legislation (e.g. development of the port and railway border-crossing infrastructure).

#### Rationale for selection of projects for ISPA financing

The Ministry of Transport will coordinate the implementation of transport projects financed under ISPA, using the "National Transport Development Programme (2000-2006)" as a basis for selecting projects and setting priorities. The potential projects will be integrated with investment activities already undertaken in order to reinforce and continue recent investment, and meet the objectives of the medium-term development programme. Projects identified within the recent pre-investment studies financed under the Phare Programme will form the backbone of the set of measures to be proposed for ISPA financing.

The process for the selection of certain projects will continue the work already undertaken within the framework of TINA activities. The main emphasis in the ISPA financed projects will be put on further improvements of the most important TINA network elements on which the present and medium-term traffic demand and safety level requires immediate attention. During the period covered by the ISPA instrument (2000-2006), the basic priorities will be associated with the modernization and development of selected roads and railway lines of international importance, including access roads to the ports. Railways play the most significant role in the goods transport to and from the ports to the hinterland, while road transport has increased its share in passenger transport. Concentration on these components of transport infrastructure is necessary because delays in sufficient investment will reduce the efficiency and reliability of the whole transport system. During the selection of projects in Latvia, it was taken into account that the projects are situated on the main routes of international importance, which after the enlargement and accession of Latvia to the EU will become part of the TENs, identified as the TINA Network and, in particular, the Helsinki Pan-European Corridors.

Another consideration is that the selected projects should be economically viable and justified by present and future traffic demand. Performance indicators, technical standards and safety levels also played an important role in the selection of priorities. It should be noted that the main emphasis in the selection of projects for ISPA financing has been put on two essential network elements:

- **Road Corridor I (Via Baltica)** and its connection with the sea ports and Corridors II and IX;
- **East-West Railway Corridor** connecting the seaports with Corridors I, II and IX.

All the proposed projects facilitate the development of these two network elements and will reinforce and continue the recent investments made by the national budget, the EIB, the EBRD, the WB and the EU Phare programme. Financing from IFIs will be essential in the medium term for the development of other TINA Network elements, besides the Via Baltica and East-West rail corridor.

Investments in ports and airports, as well as combined transport terminals and telematics are also important for the functioning of an efficient transport and logistics system. However, the funding for these projects will mainly come either from the revenues raised by the respective authorities or private sector. Loans from international financial institutions and commercial banks will constitute a major part of the port and airport infrastructure development funding. Certain allocations from aid instruments of the EU may also be directed towards such measures as improvement of border control infrastructure in ports, environmental clean up of polluted sites, as well as improvement of port and airport access roads linking them to the TINA network. As Latvia does not have land borders with the present EU countries, trade with EU countries through Baltic Sea ports (Ventspils, Riga and Liepaja) is important (more than 85% of cargo volume handled in Latvian ports is transit trade and 75% of railway cargo is transit freight to or from the ports).

#### Potential projects

As already mentioned, the main activities proposed for ISPA are related to the development of Via Baltica and the East-West rail corridor. The identification of investment needs took place during the pre-investment studies funded by Phare, and the Ministry of Transport, together with the Latvian Road Administration and Latvian Railways selected the projects that may be submitted for ISPA funding in the years 2000-2003. The project selection was based on the necessity to fulfil all the formal requirements regarding:

- maturity of the project;
- location, in relation to the 'Helsinki' corridors and the TINA network;
- size of the project;
- availability of co-financing from the national budget and IFIs.

#### **Roads**

In the road sector the main priority for ISPA during 2000-2003 is the development of the Via Baltica route within the section Riga-Saulkrasti (km 0.8 - km 41 on A-I road). The project will constitute a part of a major road infrastructure development project aimed at the modernization and improvement of Via Baltica and East-West road corridors, including access to the ports, and - besides ISPA - will be co-financed by the national budget and EIB. The ISPA financing will be directed towards Via Baltica components and ensure timely modernization of the section having the highest traffic intensity.

Another priority in the road sector during 2000-2001 is the modernization of the connection between Via Baltica and Riga International Airport.

Starting from 2002 it is foreseen to allocate part of ISPA funding to the financing of a new Daugava river crossing in Riga which also constitutes part of Via Baltica. Phare has financed

preparatory studies for this project, and currently EBRD is investigating possibilities of lending to Riga City for implementation of the project. After the year 2003 further modernization of Via Baltica on the section from Riga to the Lithuanian border (road A- 7 Riga-Grenstale) and improvements of access roads to Via Baltica is foreseen.

The first application for ISPA funds is being prepared for the reconstruction (widening) of the section of Via Baltica between Adazi and Incupe (6.3 km - 26 km on the A-I road Riga-Ainazi). The project worth €5.7 million will be implemented during 2000-2001.

### **Railways**

In the railway sector, total investments over the period 1999-2002 will exceed €160 million. In 1998, loan agreements with EBRD and EIB were signed amounting to €54 million. Within the framework of the EU Phare programme, €7.6 million have been allocated for railway infrastructure development. The application for ISPA funds for construction of the Rezekne-2 railway station arrival yard in 2000-2001 has been prepared. The total project costs are estimated at €8 million, the ISPA part thereof being €6 million. The ISPA funds are planned for the East-West rail corridor modernization projects also after the year 2000.

#### **List of projects for ISPA funding**

Table 1 shows projects that are identified as the priority projects in applying for the ISPA funds in the years 2000-2003. Items 1, 2.1 and 3 contain proposals for ISPA 2000. Table 2 contains the projects that are planned to be ready for launching and implementation during the period 2004-2006. Table 3 contains projects that may also be proposed for co-financing from ISPA, if the resources are available.

The time programmes of execution of the projects (especially after 2002), shown in tables 1, 2 and 3 are indicative. The order of the execution will be subject to further, more detailed analysis, which will be conducted according to the criteria adopted by the ISPA Regulation.

**Table 1. Proposal of priority investment projects for ISPA financing**

No.	Title of project	Foreseen cost breakdown (in million €)						
		Source of financing	In total	2000	2001	2002	2003	2004
1	Improvements on VIA BALTICA and East-West road Corridors	ISPA, Budget, EIB	80.0	9.0	24.0	25.0	22.0	-
2	Modernization of East-West railway Corridor	ISPA, Budget, EIB, EBRD, PHARE	132.0	31.0	46.0	39.0	14.0	2.0
	<b>Including:</b>							
2.1.	<i>Construction of Rezekne-2 railway arrivals park</i>	<i>ISPA, Budget</i>	<i>8.0</i>	<i>6.0</i>	<i>2.0</i>	<i>-</i>	<i>-</i>	<i>-</i>
2.2	<i>Modernization of infrastructure for safety control systems (hot-box systems)</i>	<i>ISPA, Budget</i>	<i>14.0</i>		<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>2.0</i>
2.3	<i>Modernization of automatic signalling systems (Ist stage)</i>	<i>ISPA, Budget</i>	<i>10.0</i>	<i>-</i>	<i>5.0</i>	<i>5.0</i>	<i>-</i>	<i>-</i>
3	Construction of new Daugava river crossing in Riga	ISPA, Budget, EBRD	200.0	-	-	75.0	75.0	50.0
4	Reconstruction of access road to "Riga International Airport" and connection with Via Baltica route	ISPA, Budget	5.0	5.0	-	-	-	-
	<b>Total values of the projects from Table 1</b>	In total	417.0	45.0	70.0	139.0	111.0	52.0

(c)

**Passenger Transport Trends in the Main Modes of Inland Transport**

	1998	1999	2000	2001	2001/2000 (%)
Rail	30,100	24,862	18,188	20,137	110,7%
Road	164,214	167,440	165,917	169,430	102,1%

**Passenger Turnover Trends in the Main Modes of Inland Transport**

(mill. pas/km)

	1998	1999	2000	2001	2001/2000 (%)
Rail	1059	984	715	706	98,7%
Road	1903	2368	2348	2305	98,2%

(d)

**Freight Transport Trends in the Main Modes of Inland Transport**

(000 tonnes)

	1998	1999	2000	2001	2001/2000 (%)
Rail	37.857	33.208	36.413	37.884	104,0%
Road	33.765	33.401	32.911	32.299	98,1%

**Freight Turnover Trends in the Main Modes of Inland Transport**

(mill. t/km)

	1998	1999	2000	2001	2001/2000 (%)
Rail	12 995	12 210	13 310	14 179	106,5%
Road	4 108	4 161	4 789	5 359	111,9%

**Pipeline Transport Trends**

(thous. tonnes)

	1998	1999	2000	2001	2001/2000 (%)
Oil transported	20.888	18.018	20.960	26.603	126,9%
Oil products transported	3,206	3,589	3,546	4,008	113,0%

(e)

**Length of transport lines**

(at the end of year)

	1998	1999	2000	2001
Public railway lines (km)	2413	2413	2331	*
of which broad gauge	2380	2380	2298	*
of which electrified	270	258	258	258
Public motor roads (thous.km)	20,3	20,3	20,3	20,3
of which paved	18,7	18,8	20,3	20,3
Local roads	32,4	32,5	33,0	33,1
Tramlines (km)	162	161	162	162
Trolleybus lines (km)	218	218	218	218
Trunk oil pipeline, including parallel lines (km)	437	437	437	437
Trunk oil product pipeline (km)	329	329	329	329
Trunk gas pipelines (km)	1216	1216	1223	1244

\* Data have been precised.



(f)

**Transport vehicles, vessels and aircraft**  
(at the end of year)

	1998	1999	2000	2001
Ships registered in Latvian Shipping Register (of 100 gross registered tons and above)	305	287	271	251
of which:				
dry cargo	17	16	14	41*
of which				
ro-ro	1	1	1	
container ships	-			
refrigerators	34	31	24	
tankers	23	23	19	
fishing ships	110	97	91	93
passenger ships	4	5	6	6
tugs	22	24	28	26
auxiliary	94	90	88	84
ice-breaker	1	1	1	1
Lorries, thous.	84,9	90,2	97,1	99,7
of which:				
private	30,6	34,3	37,9	38,9
Buses, thous.	11,5	11,6	11,5	11,3
of which:				
private	2,9	3,0	3,1	3,0
Passenger cars, thous.	482,7	525,6	556,8	586,2
of which:				
private	425,2	472,4	502,6	526,3
Trolley-buses	321	314	306	311
Tramcars	339	336	336	335
Railway rolling stock:				
of which:				
locomotives	288	270	248	232
railcars	200	192	181	167
passenger carriages	768	715	701	622
freight wagons	8332	7878	7326	6184
Aircrafts	71	74	72	77

\* cargo ships = dry cargo + refrigerators + tankers.

III. Infrastructure aspects

12.

Demand for railway transport services determines the basis for infrastructure development planning. Rehabilitation and updating of the existing infrastructure is the main priority. The introduction of modern signalling systems and wider use of information technologies are promoted.

“Investment Programme for the Increase of the Traffic and Transportation Capacity of East-West Main Railway Transit Corridor and Its Major Railway Junctions in 1997-2010” .Within this programme great attention is being given to the improvement of the freight transport system.

13.

The largest railway operator in Latvia - joint stock company’s “Latvijas Dzelzceļš” (“Latvian Railway”) investment priorities regarding railway safety are stated on the bases of the following criteria:

- railway lines’ division in categories (strategic meaning infrastructure and regional meaning infrastructure);
- constraints of capacity in railway sections and stations;
- traffic volume forecasts;
- promoting of railway network to EU technical standards.

14.

Infrastructure projects are financed from the following sources:

- Infrastructure fund,
- State investment,
- Financial credits (mainly State guaranteed).

B.

(a) Total employment

Total employment in 1997 was 18,515

Total employment in 1998 was 18,025

Total employment in 1999 was 16,550

Total employment in 2000 was 15,319

Workers 85%

Administrative staff 11%

Managers 4%

(b) Total investment

Investments in railway infrastructure over the period 1998–2000  
(€Mill)

Title of the project	1998	1999	2000
Capital repair of rail road	8.1	3.7	7.8
Change of shunts	3.6	3.8	2.9
Reconstruction of Milgravis bridge	1.8	3.7	
Purchase of equipment	6.6	9.3	1.2
Construction of micro processor centralization system in Riga passenger and Tornkalns stations		0.6	7.1
Construction of change points	0.8	0.03	
Construction of Sea Park and connection road in Ventspils railway junction	0.3		0.6
Other infrastructure projects	3.3	7.2	0.9

Investments in railway rolling stock over the period 1998–2000  
(€mill.)

Title of the project	1998	1999	2000
Modernization of electric trains		0.4	0.4
Modernization of diesel trains	3.5	1.2	
Capital repair and modernization of freight wagons	0.2	0.6	1.6
Middle repair of freight diesel locomotives		0.6	1.4
Middle repair of passenger diesel locomotives		0.2	0.2
Middle and capital repair of passenger wagons	0.3	0.5	1.0
Other rolling stock projects	2.2	2.8	0.6

(c)

Volume of passenger transport  
(000 passengers)

	1998	1999	2000	2001
Inland	29190	24122	17502	19610
International	910	740	686	527
Total	30100	24862	18188	20137

(d)

Volume of freight transport

	1998	1999	2000	2001
Inland	2432	1939	1753	2011
Transit	2762	26030	28724	31278
Import/Export	7198	5239	5936	4595
Total	12392	33208	36413	37884

(e)

Length of network

The railway track in operation is 2,413 km, *inter alia*, 258 km electrified

(f)

Capacity of railway rolling stock

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Number of passenger carriages	893	783	754	707	624
Total number of seats	52130	48886	46112	44773	41391
Total number of sleeping-berths	14262	11168	10774	9388	7156

**A****II.**

8. Latvia is in the process of harmonization of national legislation according to the EU in the field of combined transport. EU Directive 92/106/EEC of December 1992 on the establishment of common rules for certain types of combined transport among Member States is being implemented.

Taking into account the successive increase of the EU internal market development in traffic, it is necessary to ensure optimum management of transport resources, increasing safety and decreasing pollution.

There are all the necessary infrastructures to ensure combined transport in Latvia. Latvian ports can cope with all type of cargoes (liquid, bulk, containerised, Ro-Ro) with the assistance of railway links. It is possible to load cargoes right from the ship to railcar. Latvia has developed customs warehouses, a distribution system and this is a field of private business. There are 156 custom warehouses in Latvia.

To improve production and ensure the efficient use of Freeport status, the Latvian Government has elaborated a support programme for industrial park development. The Government supports the development of industrial parks infrastructure for attracting investments to advancement of manufacturing.

**III.**

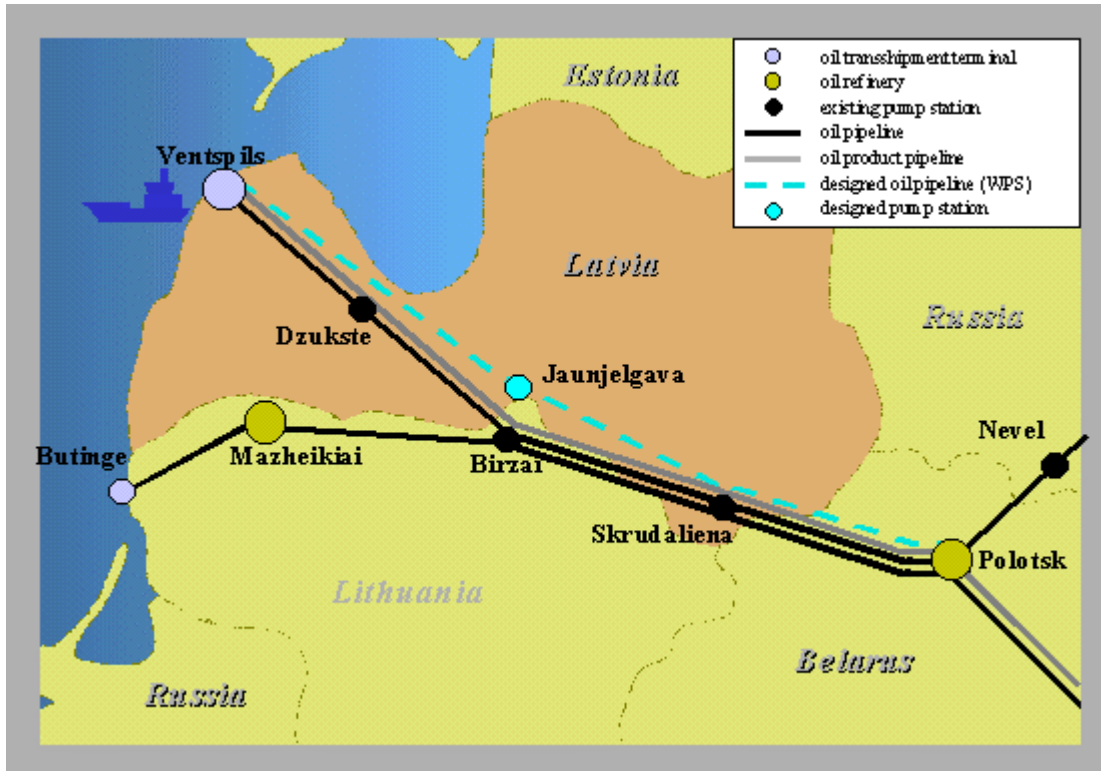
12. The Latvian pipeline system consists of two oil pipelines and one oil product pipeline. The present throughput capacity of the pipelines crossing Latvian territory to the port of Ventspils allows pumping of 4 millions tons of oil products and 15 million tons of crude oil per annum. The oil pipeline to Mazeikai allows pumping of 14 millions tons of oil.

To ensure and improve the oil transit through the territory of Latvia there is a project called the "Western Pipeline System".

The Western Pipeline System (WPS) project envisages reconstruction and modernization of the existing crude oil pipeline Polotsk- Ventspils and the gradual construction of a new oil pipeline from Polotsk to the port of Ventspils with capacity for 18 mln t/y appropriate to the guaranteed

increase of oil supplies. This project ensures considerable increase of the throughput capacity of the Latvian Oil Transit Corridor and more effective use of potential possibilities of the port of Ventspils.

Scheme of the Pipelines of LOTC



The WPS project implies a step-by-step increase of the transit capacity of the existing pipeline system by constructing parallel pipeline segments- loops in proportion with the increase of the guaranteed crude oil supplies. At the final step these loops will be tied with the new pipeline segments into a new separate oil pipeline "Polotsk - Ventspils" with a length of 526 km.

The route of the new pipeline crosses the territories of two countries: Belarus and Latvia. In Latvia the WPS project foresees construction of a pipeline 413 km long, the reconstruction of the existing pump stations in Skrudaliena and Dzukste, construction of a new pump station in Jaunjelgava and increasing the tank farm in Ventspils by 200,000 m<sup>3</sup>. In Belarus, the project envisages construction of a pipeline 113 km long, the reconstruction of the main pump station in Polotsk and increasing the tank farm in Polotsk by 120 000 m<sup>3</sup>.

The feasible study of the WPS project, carried out by the German company ILF Consulting Engineers in 1999, and the study of the Danish company Ramboll in 2000, financially supported by the EU programme PHARE, have proven the high economic effectiveness of this project. The WPS project is also supported by the Government of Latvia, and the EBRD has already expressed its readiness to participate in the project.

**B**

(d) Bulks of crude oil and oil products transported by pipelines

	1995	1996	1997	1998	1999	2000	2001	% (01/00)
Crude oil	15231.9	18027.5	19599.1	20888.4	18018.3	20960.1	26603.2	126.9%
through Ventspils	12103.5	14421.0	14423.9	14579.2	13065.8	13630.0	14980.0	109.9%
through Mazeikai	3128.4	3606.5	5175.2	6309.2	4952.5	7330.1	11623.2	158.6%
Oil products (through Ventspils)	2889.6	2709.9	2961.8	3206.1	3588.8	3546.3	4007.6	113.0%

(e) Length of the pipeline system

Route	Pipeline length in Latvia (km)
Oil pipeline Polotsk - Ventspils	334
Oil products pipeline Polotsk - Ventspils	329
Oil pipeline Polotsk – Mazeikai (Lithuania)	102

13.

The largest railway operators in Latvia - joint stock company's "Latvijas Dzelzceļš" ("Latvian Railway") investment priorities regarding railway safety are stated on the bases of the following criteria:

- railway lines division in categories (strategic meaning infrastructure and regional meaning infrastructure);
- constraints of capacity in railway sections and stations;
- traffic volume forecasts;
- promoting of railway network to EU technical standards.

		Source of financing	In total	2000	2001	2002	2003	2004
1	Improvements on VIA BALTICA and East-West road Corridors	ISPA, Budget, EIB	80.0	9.0	24.0	25.0	22.0	-
2	Modernization of East-West railway Corridor	ISPA, Budget, EIB, EBRD, PHARE	132.0	31.0	46.0	39.0	14.0	2.0
							-	-
							-	-
	Including:							-
2.1	Construction of Rezekne-2 railway arrivals park	ISPA, Budget	8.0	6.0	2.0	-	-	-
2.2	Modernization of infrastructure for safety control systems (hot-box systems)	ISPA, Budget	14.0		4.0	4.0	4.0	2.0
2.3	Modernization of automatic signalling systems (1st stage)	ISPA, Budget	10.0	-	5.0	5.0	-	-
3	Construction of a new Daugava river crossing in Riga	ISPA, Budget, EBRD	200.0	-	-	75.0	75.0	50.0
4	Reconstruction of access road to "Riga International Airport" and connection with Via Baltica route	ISPA, Budget	5.0	5.0	-	-	-	-
	<b>Total values of the projects from Table 1</b>	In total	417.0	45.0	70.0	139.0	111.0	52.0

**Table 2: Proposal of investment projects for financing from ISPA during 2004-2006**

No.	Title of project	Foreseen cost breakdown (in Euro million)								
		Source of financing	In total	2000	2001	2002	2003	2004	2005	2006
1	Further development of Corridor I (Via Baltica) and connections from Corridor I to other TINA network elements	ISPA, Budget, IFIs	80.0	-	-	-	-	20.0	30.0	30.0
2	Further modernization of main East-West rail corridor and main rail junctions, including ports and combined transport terminals	ISPA, Budget, IFIs, private investors	110.0	-	-	-	-	30.0	40.0	40.0
In total		In total	190.0	-	-	-	-	70.0	70.0	70.0

**Table 3: Proposal of additional investment projects for financing from ISPA**

No	Title of project	Foreseen cost breakdown (in Euro million)								
		Source of financing	In total	2000	2001	2002	2003	2004	2005	2006
1	Construction of access road to new container terminal in the port of Ventspils (including bridge over Venta river)	ISPA, Budget, municipality, credit	25.0	-	10.0	15.0	-	-	-	-
2	Elimination of one level crossings between the TINA network rail and road elements	ISPA, Budget, credit	20.0	-	-	-	-	7.0	7.0	6.0
3	Strengthening of pavement and bridges on TINA road network according to the EU requirements	ISPA, Budget, credit	20.0	-	-	-	5.0	5.0	5.0	5.0
In total		In total	65.0	-	10.0	15.0	5.0	12.0	12.0	11.0