Latvia as Logistics and Transit Centre

Transportation sector is becoming one of the most dynamic and fast growing sectors in Latvian economy. And even more, this sector is taking the leading positions in the country’s economic development. Due to the country’s favorable geographic situation, Latvia has already become an important trade partner between West and East South and North.

Latvian transport policy is in full compliance with the European Union’s requirements and the country’s transportation network has become an integral part of the EU Trans-European Transport Network (TEN-T). Latvia is actively utilizing available EU funds for the improvement of the country’s transport infrastructures.

Today the advantage of geographic position of Latvia has increased dramatically. The border of Latvia is the border of two large unions – European Union and Customs Union of Belarus, Kazakhstan, Russia. This fact open new transport and trade opportunities for domestic and international companies first of all through the three large ports in Latvia (Ventspils, Riga, Liepaja) that are all part of TEN-T and seven small ports (Salacgriva, Skulte, Lielupe, Engure, Mersrags, Roja, Pavilosta). The inestimable advantage of major ports is their favourable geographical position, ice-free conditions and excellent railway connections with Eurasian Economic Community’s hinterland.

Ports of Riga and Ventspils are operating as Freeports. Port of Liepaja is part of the Liepaja Specialized Economic Zone. Companies working in Freeports and SEZ can receive up to 80% tax discount. The amount of rebate depends on investments made during the tax year.

Latvian priority in the transport sector has been stable and oriented at the constant growth in transit cargoes’ volumes, active logistic centers’ development as well as development of infrastructure of harbors and airports. At the same time railway transport plays an ever increasing role in the country’s internal and external transport network. We are witnesses of an active cooperation between the railway and ports’ networks. The large investments are envisaged for the railway’s infrastructure renovation in order to increase both the level of security and goods’ delivery. At the same time project Rail Baltica can give additional importance for the more active railway links in the North-South direction.

One of Latvian main priorities is aviation development. In Latvia there are several airports, the largest one being the Riga International Airport. Smaller airports are located in Liepaja, Ventspils and Daugavpils. Riga International Airport is the leading airport of the three Baltic States. During the last years air passenger traffic has steadily increased. In the 2010 Riga International Airport received the Emerging Market Airports Award (EMA) in the Best Airport category handling up to five million passengers per year. EMA awards celebrate the excellent results of the emerging markets airports in Middle East, Africa, India, Russia, CIS, the Baltic states that were surveyed by a diverse and discerning group of professionals involved in airports, aviation, aerospace, cargo and logistics industries. In the 2011 the participants of the Sustainability Index rating were praised for achievement of ranking according to their performance in five sustainable activity areas. Riga International Airport participated in this initiative for the first time and attained the bronze rating. The Sustainability Index provides Latvia’s businesses with the opportunity to use a unique tool of strategic management for assessment of their performance and to receive expert advice for their future development.

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Fig.1. The border of Latvia is the border of two large unions – European Union and Customs Union of Belarus, Kazakhstan, Russia.
Transit sector is one of the most powerful industrial sectors of Latvia that government recognizes and has qualified transit as one of priority to Latvian economics. Nearly 90 percent of the turnover of Latvian ports and 80 percent of railway cargo is transit.

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.

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.

At the moment Latvia has developed strategy which states several potential locations of big international logistics centres. Centres should be as a ports or dry ports for consolidation and de-consolidation of international flows of goods.

One of the major trends in Latvian industry is to develop logistics related zones such as free trade zones or international logistics zones to accommodate value-added logistics activities and to attract global logistics companies. The advantage of special logistics-oriented zones (whether or not they are designated as free trade zones providing tax related incentives) is that they attract foreign investment and create new employment. In addition, successful logistics zones are able to secure freight volume which may be generated by established logistics companies, and to develop their ports as hub ports.

Considering this growing competition among global logistics centres, Latvian ports have been actively trying to attract regional distribution centres of multinational logistics and manufacturing companies. In this regard, ports and local governments are placing great emphasis on establishing strong support from governments, which may guarantee a reliable business environment and quality administrative support. There are a lot advantages in the Latvian logistics sector:

- Closest border with Russia and CIS countries for almost all EU countries;
- Geographical centre for Baltic countries with the biggest Baltic city Riga in the centre;
- Three 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 etc.)

The key mid-term national transport planning document is the Strategy of the Ministry of Transport 2006–2013. The Strategy is revised each three years. The goals listed in Strategy are further reflected in the relevant strategies for the Cohesion Fund, and integrated in the National Strategic Reference Framework Document (NSRF).

The investment priorities are defined within the framework of trans-national requirements and local development needs. On the one hand, there is potential for Latvia to play more important role in transportation of cargo and people in international transport. There already is a substantial flow, mainly of freight traffic, in the direction East-West and it is expected that following the increasing integration of the Baltic States into the EU, traffic flows in North-South direction will increase as well. In order to utilise this potential, there is a need for significant improvement of infrastructure, particularly by reconstruction of railway hubs, building of railway tracks, modernization of train service management automatic systems, introduction of joint railway mobile communication system GSM-R; reconstruction of the main motorways, building of new sections, double level crossings; building of access roads and railway tracks to the ports, passenger terminals in the ports; moderniza-
tion of airport infrastructure both in Riga international airport and in regional ones; as well as building of access roads to the TEN-T network in urban areas. Cohesion Funds can substantially contribute to the achievements of these goals.

On the other hand, there is a need to ensure higher mobility of the population and labour force in order to advance the economic development of the country. Latvia has to improve the living conditions of the rural population, particularly in terms of access to social and economic infrastructure, in order to avoid emigration of population to Riga and other countries.

The decision of this global tasks will be done for Latvia within the frame of National Research Programme (NRP). Harmonisation of Latvian Transport System (project LaTRANS) is one of the key NRP subprogramme. The aim of the project is to develop the efficient, safe and environmental friendly handling of the increasing amount of goods going east-west in the Baltic region. The project will prepare stakeholders in the region to enhance sustainable transport planning and smart intelligent transport solutions.

This in combination with business development in the transport sector will stimulate the economic growth in the entire East-West transport corridor. There are three main focuses in the project:

- To make East-West transport corridor as a good example of a Green Corridor concept of European Union latest transport policies;
- To develop an innovative pilot testing ground where modern technology and information systems contribute to increased efficiency, traffic safety and security as well as reduced environment impact in the corridor.
- By stimulating new business models for e.g. railway transport supporting economic growth within the corridor in particular in ports and inland hubs.

The main expected results of the project:
- East-West transport corridor as a Best Practice Case for Green Corridor development;
- East-West transport corridor as a part of the EU commissions Action Plan for the Baltic Sea Region and is an integrated part of the Northern Transport Axis;
- A manual of how to develop a Green Corridor in accordance with the EU’s transport policies and to offer stakeholders in the East-West transport corridor more eco-friendly transport alternatives than available today;
- An innovative Intelligent Transport Systems for transport and traffic information which will increase efficiency and reduce the environmental impact;
- A manual of how to buy, sell, and plan eco-friendly transports, transport and logistics services which can be used by different customers;
- New business concepts for railway transports;
- Improved transport service in ports and terminals;
- Increased transport competence among various stakeholders and improved infrastructure within the transport corridor.

For ensuring a sustained response to permanently growing demand for mobility, the transport of Latvia should develop in a dynamic manner and integrate in the European transport system.

The development of transport in Latvia is based on a principle of sustainable development:
- integration among different modes of transport;
- integration in the environment in order to diminish harmful impact on it;
- integration with the land usage planning so that transport and land planning works are mutually co-ordinated which leads to the possibility of choosing the most suitable mode of transport;
- integration with education policy, ensuring of health care and welfare in a manner the transport contributes to formation of an integrated society.

The goal of the transport development policy of Latvia continues to be setting up of an efficient, safe, environmentally friendly, multimodal, balanced and competitive transport system. Its integration into the European transport system is anticipated thereby meeting the economic and social needs for high quality transport services as well as increasing possibilities of transport mode choice and flexibility of passenger and goods transport operations.