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RELATIONSHIP BETWEEN TRANSPORT AND ECONOMIC DEVELOPMENT

Transmitted by the Governments of Hungary, Latvia, Lithuania and Romania

At its sixteenth session (24-26 September 2003), in the context of the discussion about the relationship between transport and economic development, and in order to further contribute to the study of this multifaceted relationship, the Working Party asked the secretariat to collect information from member Governments on results of related research and studies, studying and evaluating the changing role of transport at the various stages of economic development (TRANS/WP.5/34, para.26). This document summarizes replies received from member Governments.

HUNGARY

Over the past two years, research into this key area has been related to the compilation of the conceptual Hungarian transport policy.

A main precondition for the lasting economic growth of Hungary is the implementation of transport policy objectives, including the improvement of the operating capacity of the transport system and its integration into a wider international network.

The development of the transport infrastructure is fundamental for ensuring that goods produced reach their markets. Accordingly, its coverage, together with the quantity and quality standard of the freight-forwarding services using it exercise a considerable impact on the competitive edge of the production industries. Systems of transport infrastructure with adequate density and condition, and a modern pool of vehicles all contribute to the regional distribution of work, regional equalization, cross-border cooperation in production and the process of integration into the European Union.

The social, economic and ecological impacts of transport are closely intertwined. Therefore, transport policy, transport development and regulatory efforts must take into account all three aspects. In line with the principle of sustainable mobility, *an optimal balance between economic, socio-economic and ecological considerations must be guaranteed*, ensuring that environmental criteria are observed by retaining the proportion of environmental-friendly modes of transport, providing for the continuity of public health safety and limiting the size of areas used for new development projects.

The following factors have the greatest impact on the interrelation of transport needs and the economy in Hungary:

- in 2004 it joined the European Union;
- the growth of the Hungarian economy will be lasting, GDP will continue to increase at a rate higher than the EU average;
- owing to the ongoing changes in the structure of the economy, the weight of traditional, more transportation-intensive sectors may decline within the entire structure of production;
- the economy will continue to be driven by exports;
- the sectors where substantial foreign capital has been invested are now the fastest to grow, and further investments are expected, albeit at a slower rate;
- salaries and wages are approximating the EU average, and the related changes in lifestyle have an impact on mobility;
- a key influencing factor is the upward trend in tourism.

The factors listed above constitute the basic environment for the strategic plans of each transport sub-sector and play a decisive role in determining priorities.

The global economic recession which started in 2000 has limited the export possibilities and reduced investors' motivation. The Hungarian Government wishes to establish a sustainable and performance-oriented system that is free of imbalances and provides the conditions for improving competitiveness by laying down a set of macroeconomic conditions which has already facilitated the continued growth of GDP since 2003.

The main task in transport development is to enable lasting economic growth and to improve the standard of living by ensuring mobility that is environmentally sustainable. The European transport corridors are the main arteries of the European economy, and, by passing through Hungary, they create an excellent opportunity for the country and Hungarian market actors to actively integrate into international circulation.

Any changes in the economic environment will have consequences for transport. This interdependency determines the opportunities for the alignment of development policies in economy and transport. Relying on economic forecasts and considering the changes expected in society, it is possible to foresee the developments required, any organizational or other restructuring and measures necessary in the field of transport.

Infrastructural development is the most efficient means for boosting the economy, and the allocation of such expenditures is a decisive factor for the development of a given region. They are especially important with reference to agriculture, where profitability is greatly dependent on the availability and quality of the transport infrastructure. Such infrastructure is also of primary importance for tourism, therefore transport planning must take into account the features and characteristic needs of that sector.

In modern societies, transport costs account for 13-18% within the total spending of households. Transport is also a huge item of expenditure within the budgets of individual countries. In the years following World War II, economically developed countries spent between 2-2.5% and 3-3.5% of their GDP on transport and communications investments. In periods of laying down the core transport network, such investments have required (or still require) between 1.3-2% and 2.5-3% of GDP. Looking at transport industry investment volume figures in the period 1985 to 1994 and their ratio to GDP in 1994, in 14 EU member States (excluding Greece), it can be observed that the volume of transport investment projects grew by 45% in 12 member States during the decade in question. In 1994, the ratio of railway and road transport investments to GDP was 1.1% in 14 EU member States, while in 1996 the 15 EU member States spent, on average, 1.1% of their GDP on transport investments.

In the beginning of the 1990s, Hungary spent an average 0.5-0.6% of its GDP on transport investments. In the period between 1998 and 2001, the ratio of transport investments to GDP started to grow.

Description	1998	1999	2000	2001
Total investments as a % of GDP	14.1	16.3	18.8	20.7
Transport investments as a % of all investment projects	8.2	6.3	6.1	6.1
Transport investments as a % of GDP	1.15	1.03	1.14	1.26

Source: Ministry of Economy and Transport, *Transport, Postal and Water Management Data*, 2001

In order to implement the objectives set by transport policy, a predictable and efficiency-boosting framework for financing the operation, upkeep and development of transport subsectors must be established.

Prior to EU accession, ISPA and later the EU Cohesion Fund and the Structural Funds have provided non-refundable grants to accelerate the development and modernization of transport in Hungary, but the utilization of these funds pre-supposes the availability of support of sufficient magnitude from domestic sources.

The Hungarian transport system has undergone fundamental changes in the course of the socio-economic transformation that started in 1990.

Road freight transportation is fully privatized and operated predominantly by micro- and small enterprises. The vehicle park and the professional expertise of businesses involved in international freight forwarding are comparable with those of their EU competitors. The network density of scheduled passenger transportation by road and the frequency of services is acceptable in an international comparison, although the income-generating ability of this sector is significantly below that of Western European competitors.

The relevant legislation and the adoption of Community law determines the framework within which the features of the individual modes of transportation will contribute to creating an EU-compatible competitive environment, by taking market characteristics into account and through reliance on tariff principles, subsidies, discounts, operating conditions and other regulations. The EU calls for regulated competition in the field of transportation, and chiefly in the area of passenger transportation public services.

The adequate density and state of the transport infrastructure and the quality of transport services will improve the competitiveness of production sectors, in particular, agriculture, as well as tourism.

LATVIA

Transport is one of the most significant and most dynamic branches of the Latvian economy. Latvia's favourable geographical position at the Baltic Sea makes Latvia one of the main transport links between the West and the East and gives the priorities for the development of transport.

The main roads, railway lines, seaports and airports of Latvia have already been included in the Trans-European Transport Network (TEN-T). Latvia is crossed by 2 Pan-European Transport Corridors (VIA BALTICA and VIA HANSEATICA).

The transport and communication sector has been responsible in recent years for about 15% of the Latvia's GDP. In 2002 8.7% (86 thousand) of the total employee number in the national economy were working in the field of transport and communications. The percentage of active undertakings in this field in 2002 was 6.5% (2,769 undertakings). The share of transport services in the population expenditures has not changed recently and makes approximately 9.5%. 17.5% of total foreign investments were directed to transport, warehouses and communications.

In recent years, stabilization and increased tendencies in the passenger and cargo transportation have been observed.

In the development of the transport sector, Latvia recognizes the need to play a certain role within the development of the EU integrated Trans-European Network.

LITHUANIA

The impact of Lithuania's accession to the EU and the effect of integration on economic development, on the GDP as well as on the individual sectors has been analysed. The analysis of the integration impact on the transport sector has revealed that the value added generated in the transport sector will increase by LTL 3.4 billion.

With regard to the relationship between transport and economic development, Latvia has strived to focus on non-investment measures that could improve the effects of transport on economic development without adversely influencing the environment. The studies and researches prepared in this context are as follows:

- Master Plan of Vilnius urban transport (1993) and Master Plan of urban transport for the main Lithuanian cities (1996-1997). These Master Plans are aimed at improving the transport situation and mitigating the congestion effects in main cities. Following the above mentioned Master Plans, the urban transport programmes are being implemented in Lithuanian main cities (namely, Vilnius, Kaunas, Klaipėda, Šiauliai).
- Logistics and Multimodality: intelligent transport systems and the inter-operability development concept for Kaunas logistic node (2000). This concept has been prepared in order to promote Lithuania's position as a key player in east-west cargo transport. The establishment of a logistic centre near Kaunas, strategically located at the intersection of the two international transport corridors through Lithuania, is projected. The basic idea of the "Kaunas Logistic Node" (KLN) is, on the one hand, to promote intermodal transport in Lithuania and provide solutions for the reduction of transport intensity in urban areas, and, on the other, to offer (value added) services to transport operators and cargo owners.
- The Feasibility Study for the New European Gauge Railway Line from the Polish/Lithuanian Border to Kaunas and Multimodal Centre. The construction of the "Rail Baltica" is scheduled in several phases. The completion of phase 1 Warsaw – Kaunas is planned for 2010. The following two options were studied for this phase:
 - Polish/ Lithuanian border – Mauručiai (73.5 km) and its connection to the XIId Corridor in Mauručiai – Kaunas section.
 - Polish/ Lithuanian border – Palemonas (96.5 km) and its connection to the XIId Corridor in the Palemonas station.

Construction of the new line does not guarantee that rail traffic will automatically increase. It only provides the necessary infrastructure. Traffic flow depends on factors that are outside the control of the railway infrastructure manager:

- competition between the Logistic Centres;

- evolution of world market for bulk and neo-bulk products;
- evolution of world market for container transported products;
- competitiveness of Lithuanian bulk and neo-bulk products in the world market;
- competitiveness of Russian and other CIS countries bulk and neo-bulk products in the world market;
- political relations between Lithuania and the Russian Federation, as well as, other CIS Countries.

However, it is worth mentioning that increasing rail traffic flow will guarantee economic development without adversely impacting the environment.

Master Plan, Evaluation and Organization of Port of Klaipėda (1991). By implementing this Master Plan, the external harbour entrance channel was dredged up to 14.5 m and the internal channel – up to 14 m. Thus, today the Port of Klaipėda can accommodate bigger tonnage vessels. A modern Cruise Vessel Terminal, which can accommodate navy ships, was also put in operation.

The studies in preparation are as follows:

- With the support of the Government of Japan, a study for the port development project in the Republic of Lithuania is in preparation. This study will serve as a basis for drawing up the next Master Plan of Klaipėda Port development until 2025 and estimation of the main investment projects. This study covers the following items:
 - analysis of the present condition and review of the existing related studies;
 - surveys on national conditions;
 - the role of the port in national/regional economic development;
 - formulation of a Master Plan for the year 2025 and a short-term development Plan for the year 2015;
 - feasibility analysis and recommendations.

The study for the port development is going to be finished within several months.

ROMANIA

An efficient transport system, an adequate energy source and a telecommunications system are three basic elements for the fundamental economic growth. The process of economic development is a process of interaction between the economic forces.

The transport system is an integral part of production and distribution. Both high productivity and mass distribution are necessary for the economic development. None of these is

possible without efficient and relatively affordable transport. Transport represents the foundation of the economic development.

By upgrading transport, an important contribution towards achieving a high level of welfare for the population is brought about, by satisfying the people's mobility necessities, as well as by accelerating the trend of economic development of the country. The achievement of these objectives can be realized only by developing a commercial type transport sector, oriented to the market economy, with competitive and efficient transport operators and a transport infrastructure with features corresponding to the European and world quality, safety and security standards.

The growth rate of transport development is, in general, 2-3% higher than the growth rate of GDP, and the share of transport activities in the GDP, which is 6-7% at present, will increase up to 9-10% in the medium term.

The socio-economic development, in market economy conditions, led to the development of the road transport, to the detriment of railways and inland waterways transport. Road transport, being a high energy consumer, a source of pollution, an important contributor to accidents and having high costs, needs to be replaced by intermodal transport by using some tax and tariff economic mechanisms.

Development of the socio-economic considerations leads to the application of the "polluter pays" principle. Introduction of the sustainable development concept is also a consequence of the economic development under the market economy conditions.

For Romania, the acceptance of the sustainable development doctrine represents the reliable way for development planning, in medium and long term, in accordance with the national interest and requirements for the international cooperation.

In this context, the national policy concerning the sustainable development of the transport sector focuses on the following general actions:

- The internal market: the legislative and fiscal harmonization, the free competition environment, the rehabilitation and the modernization of infrastructure and equipment, the rehabilitation of quality and the diversification of transport services.
- The Pan-European transport network development: continuation of the rehabilitation and modernization works for the infrastructure on the Pan-European Corridors Nos. IV, VII, IX.
- The environment protection and maintenance: materialization of the sustainable transport concept by using the transport techniques, taking into account the environment protection and maintenance, ecological transport systems, encouragement of research and development in the field of vehicles with a reduced fuel consumption and of alternative technologies for transport.

Fulfilment of these strategic options will lead to the modernization of the transport system, connecting it to the European transport networks, having positive effects on the increase in use of modernized infrastructure, decrease of high maintenance expenditures on present infrastructure and reduction of negative environmental impacts.

Transport development will also create benefits in other economic branches:

- creating new employment as a result of the direct investments of foreign companies in the following years (concessions for motorway constructions).
- increasing the degree of labour force mobility at local level, as a result of making possible shuttle transport services on distances of 20-40 km.
- creating a strong competitive climate as a result of the entrance of foreign operators on the Romanian market (port operators, companies for inter-modal transport and port logistics).
- decreasing the number of accidents as a result of the increase of the professionalism of transport workers and safety levels of vehicles.

The effect of an integrated and a sustainable transport system is that more developed societies will be able to produce develop more efficient services which will allow them consequently to reduce the direct transport expenditures and endowment costs. Finally, the consumers will benefit from lower prices and higher quality products.
