Private transport market stakeholders in the area of Rail Baltica
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The logistics environment of the Baltic Sea Region is unique and versatile, and transportation characteristics and demands differ between the countries of the region. Poland and Germany have excellent land transport connections with Central Europe, whereas the Baltic States are dependent on sea traffic and the Via Baltica road connection. There are significant differences in accessibility even between the Nordic countries. Finland is often referred to as an island because of its high dependency on sea and air transport. Sweden, on the other hand, has invested greatly in securing its land transport connections with a fixed link in the Strait of Denmark, therefore, it is no longer dependent solely on sea and air transport. Businesses operating in the Baltic Sea Region take the current logistics environment as a given and build their transport management systems accordingly, but the future will bring major reforms to the region’s transport environment. Costs of sea transport are expected to increase heavily in the near future due to a tightening of environmental regulations. New business possibilities, such as the opening of the North Sea Route to Asia and the emerging mining industry in Northern Europe, have created a new demand for the functioning logistics network in the Baltic Sea Region. Rail Baltica, in this aspect, would serve as a valuable land connection from Northern Europe to its southern parts, for both passenger and transport flows. The present study, which is part of the Rail Baltica Growth Corridor (RBGC) Project funded by the Interreg IVB Baltic Sea Region Programme, explores the private sector perspectives towards the development of a transport network in the Baltic Sea Region, with a special focus on Rail Baltica. This study, together with the research into the public sector stakeholders, both form an empirical basis for the RBGC project, which strives to improve the conditions for a multimodal transport network in the Baltic Sea Region. The two studies carried out in the RBGC on decision-making processes in public and private sectors both form a pioneering summary about the communication and power relations concerning Rail Baltica in each country. This knowledge will serve to develop a transnational Transport Information Network for passengers as well as to improve the interoperability of logistics centres. In policy-making, the information about decision-making structures will support a series of interregional and transnational round-tables which will be working towards a joint transport strategy for Rail Baltica.

The present study has been commissioned by the City of Warsaw and carried out by EU-Consult and Lappeenranta University of Technology.

Foreword

The logistics environment of the Baltic Sea Region is unique and versatile, and transportation characteristics and demands differ between the countries of the region. Poland and Germany have excellent land transport connections with Central Europe, whereas the Baltic States are dependent on sea traffic and the Via Baltica road connection. There are significant differences in accessibility even between the Nordic countries. Finland is often referred to as an island because of its high dependency on sea and air transport. Sweden, on the other hand, has invested greatly in securing its land transport connections with a fixed link in the Strait of Denmark, therefore, it is no longer dependent solely on sea and air transport. Businesses operating in the Baltic Sea Region take the current logistics environment as a given and build their transport management systems accordingly, but the future will bring major reforms to the region’s transport environment. Costs of sea transport are expected to increase heavily in the near future due to a tightening of environmental regulations. New business possibilities, such as the opening of the North Sea Route to Asia and the emerging mining industry in Northern Europe, have created a new demand for the functioning logistics network in the Baltic Sea Region. Rail Baltica, in this aspect, would serve as a valuable land connection from Northern Europe to its southern parts, for both passenger and transport flows. The present study, which is part of the Rail Baltica Growth Corridor (RBGC) Project funded by the Interreg IVB Baltic Sea Region Programme, explores the private sector perspectives towards the development of a transport network in the Baltic Sea Region, with a special focus on Rail Baltica. This study, together with the research into the public sector stakeholders, both form an empirical basis for the RBGC project, which strives to improve the conditions for a multimodal transport network in the Baltic Sea Region. The two studies carried out in the RBGC on decision-making processes in public and private sectors both form a pioneering summary about the communication and power relations concerning Rail Baltica in each country. This knowledge will serve to develop a transnational Transport Information Network for passengers as well as to improve the interoperability of logistics centres. In policy-making, the information about decision-making structures will support a series of interregional and transnational round-tables which will be working towards a joint transport strategy for Rail Baltica.

The present study has been commissioned by the City of Warsaw and carried out by EU-Consult and Lappeenranta University of Technology.
Information on the project

This report provides an account of the study carried out in the framework of the Rail Baltica Growth Corridor (RBGC) project. The RBGC project is co-financed from the European Regional Development Fund under the Baltic Sea Region Programme 2007-2013. The aim of the RGBC project is to increase the competitiveness and availability of the cities and regions located east of the Baltic Sea by increasing cooperation between their various entities. The project creates a platform of cooperation and provides the opportunity to observe the transport services sector for both passenger and cargo transport. RBGC is, therefore, closely integrated with the infrastructural Rail Baltica (RB) project, which is aimed at creating an efficient rail connection between Helsinki-Tallinn-Riga-Kaunas-Warsaw and further to the south and west of Europe in the transport corridor between the Baltic and the Adriatic Sea.

The RBGC project is directed by the City of Helsinki and coordination is carried out by the Aalto University School of Economics in Finland. Partners from six countries of the region are participating in the project, these are: Finland, Estonia, Latvia, Lithuania, Poland and Germany. The whole project consists of seven modules, among which Module (Work Package) 4 comprises one of the two modules of the research project. Module 4 is entitled Travel and Logistics Service Development and Demand. The City of Warsaw is responsible for its implementation in the entire RBCG project. This report, entitled Private transport market stakeholders in the area of Rail Baltica, covers the part of the study to be carried out in Module (WP) 4.
The report was commissioned by the City of Warsaw, which, in the form of an unlimited tender, carried out proceedings to draw up an order for *The diagnosis of transport market services rendered in the area of Rail Baltica within the RBGC project ‘RBGC – Rail Baltica Growth Corridor’* on the basis of the Act of 29 January 2004 – Public Procurement Law (Journal of Laws of 2010, No. 113, item 759, as amended).

**Structure of the report**

Chapter 1 of the report contains the Introduction which briefly describes the RBGC project and its management as well as the position of this report within the project. The second chapter includes methodological issues, such as the subject of the study, the research problems and how they were implemented. Chapter 3 presents the Rail Baltica project in the context of the European Union’s strategic documents. The indications of the European transport policy are important, just as the regional policy towards the Baltic Sea and the widely understood policy of cohesion towards European territorial, economic and social space. One of the aspects of these policies is the TEN infrastructure network, whose element is the TEN-T network which covers different transport systems.

In Chapter four the results of the survey which was carried out in the individual countries covered by the study are discussed. The key players of the RB project are identified and their views on the importance of operating RB for their company, region and country are presented. Chapter 5 presents the results of the survey and focuses on the attitudes of the private sector towards the Rail Baltica project. It not only contains a national perspective, but also a European one. Chapter 6 reports results concerning Finnish and Estonian interviews. The content presented in this chapter as well as the actual interviews in these two countries were both carried out by Lappeenranta University of Technology, Kouvola Unit (LUT Kouvola).

Chapter 7 comprises a summary of the survey, its analysis as well as recommendations for further work and requirements for Rail Baltica. Finally, the report provides the basic literature sources used in preparing this report and carrying out the study.
Methodology of the study

2.1. Research issues

As part of the “Private transport market stakeholders in the area of Rail Baltica” project, commissioned by the City of Warsaw, the study aimed at assessing the opinions and attitudes of the private sector concerning Rail Baltica. The study was conducted in Germany, Poland, Lithuania and Latvia.

The study covers the stakeholders as well as existing networks of cooperation of private companies that, at present or in the future, may play a role in the implementation of the RB project.

The studies presented in the report shall concern the following issues in particular:

1. Identification of the private sector entities which use the Rail Baltica connection in their current activities together with the scope of use.

2. Expectations of the private sector entities towards the RB rail connection and the obtaining of guidance concerning improvement of the connection so that the private sector will be more willing to use it to a greater extent.

3. Impact of the Rail Baltica connection on the operability of the studied entities.

4. The level of cooperation and competition between private sector entities on the market of transport services and logistics, RB and assessment of the RB impact on the level of cooperation, including international cooperation.
To examine the possibility of transnational networking growth and cooperation between transport service and logistics providers in the Baltic Sea Region in connection with the development of a transport network on the basis of a Rail Baltica railway connection. In particular, how improvement of the Rail Baltica rail connection will affect transnational cooperation between transport and logistics service providers in the Baltic Sea Region?

Interest of private sector entities in the Rail Baltica connection, also in the case of combined various improvements or changes having influence on, among others, the costs (price), transport, transportation time, etc.

Identification of the stakeholders in the private sector important for the development of a transport network on the basis of the Rail Baltica connection in the countries concerned.

The following was carried out within the project:

A quality test on the companies from each country included in the study; concerning company representatives representing cargo clients and providing transport services (carriers); and logistics services for the functioning of market and transport solutions which may be proposed in connection with the Rail Baltica project.

A private sector analysis of transport services and recommendations for implementation of the Rail Baltica project.

2.2. Mode of study completion

In order to carry out the quality tests, four study surveys were prepared: for cargo dispatchers and cargo carriers, for carriers of passengers, for shipping companies and for logistics companies. Each survey contained questions concerning the company studied and sought to identify the types of activities and size of the tested entity, the geographical area and the use of means of transport. The questions, in turn, addressed the transport equipment held by the given entity, its technical conditions and modes of use. Entrepreneurs were asked questions pertaining to their situation on the market, about the economic and financial situation in relation to the economic crisis and about ways of responding to the crisis with respect to employment. Another block of questions referred to logistics and transport – respondents were asked questions concerning, among others, such problems as the use of different modes of transport, including multimodal transport, container transport or the use of multimodal terminals.
The persons surveyed were asked for information on who owned the infrastructure and transport superstructure that their company used. The questions also included issues relating to the European Union’s impact on transport, the use of different possibilities of transport as well as the ecological aspects and their importance to the decisions made in the field of transport. Most questions concerned the Rail Baltica connection and the cooperation of private companies, in particular in relation to the RB project. Entrepreneurs were asked about their use of the currently existing rail infrastructure on the Rail Baltica route. Information was obtained on the size and directions of the current transportation and the problems the companies currently face. In carrying out further interviews the interviewers tried to obtain information concerning business expectations as to the RB infrastructure, in particular the speed and accessibility of railway, transport costs, as well as bureaucratic barriers, etc. They tried to answer the question of whether the RB project will encourage further development of the tested entities or, vice versa, whether it will constitute a threat to them. These questions aimed at defining the RB image as desired by the stakeholders so that the rail connection will be able to fulfil its aims in the best way possible. The entrepreneurs were asked about the impact that the existence of RB connections might potentially have on their activities as well as on the economic situation in the region and the country.

The entities studied were asked for statements concerning the network of links between them and about the modes of cooperation. The aim was to obtain information on existing associations, trade unions or a cooperation network of the entities of transport and shipping sector in the countries concerned. The fundamental problem in this case was the question whether and how this network will be changed when the rail connection for the RB project is completed. The study covered 10 companies from each country. The choice of entities studied was based on instructions from the commissioning party, therefore, it is not possible to state that the sample studies represent the attitudes and opinions of the whole transport sector in the country concerned. In consequence, the opinions and views obtained should not be understood as general conclusions but are to be seen as case studies.

2.3. Surveys completion

An individual in-depth interview technique was used to interview representatives of the strategy branch, development branch and members of the management in companies from the four countries linked by Rail Baltica – Germany, Poland, Lithuania and Latvia.
An individual interview is an exploratory technique that serves to obtain relevant information on the reasoning, conceptions and representations of the persons questioned on a project or programme. It facilitates acquiring detailed information on a given studied subject as well as collecting the individual opinions and reflections of the respondents. Another significant advantage is that a flexible statement may be provided, hence it offers the opportunity to study many issues that would otherwise not be possible in a quantity research. In the presented research the individual reviews were carried out with the categories of respondents as presented below. However, a number of problems were encountered when interviews were to be carried out with company representatives, this was very visible mainly in Germany, where there was the highest rate of refusals. The main factors contributing to declining an interview were:

- lack of interest in the Rail Baltica project
- lack of the company’s clear benefit of operation on the Rail Baltica project
- development branch employees’ and management members’ tight work schedule
- lack of permission from the management to give an interview
- fear of revealing confidential company information
- refusal to be interviewed in English (at company premises four representatives said they would only agree to be interviewed in German).

The table below presents the number of requested individual in-depth interviews and the responses.

Table 2.1. CONTACT WITH COMPANIES IN NUMBERS

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of established contacts</th>
<th>Number of positive responses</th>
<th>Number of negative responses</th>
<th>% of positive responses</th>
<th>% of negative responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>147</td>
<td>10</td>
<td>137</td>
<td>6.80%</td>
<td>93.20%</td>
</tr>
<tr>
<td>Latvia</td>
<td>57</td>
<td>10</td>
<td>47</td>
<td>17.54%</td>
<td>82.46%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>62</td>
<td>10</td>
<td>52</td>
<td>16.13%</td>
<td>83.87%</td>
</tr>
<tr>
<td>Poland</td>
<td>39</td>
<td>10</td>
<td>29</td>
<td>25.64%</td>
<td>74.36%</td>
</tr>
</tbody>
</table>

Source: Own study on the basis of the research conducted
It is possible to calculate the ratio of the number of interviews to the total requests for an interview. The following table presents the effectiveness for each of the countries where the study was conducted.

**Chart 1.**

**AVERAGE EFFECTIVENESS OF RECEIVING PERMISSION FOR AN INTERVIEW (ALL COUNTRIES).**

Source: Own study on the basis of the research conducted.

The above chart on the average effectiveness of obtaining acceptance to conduct an interview clearly shows that it is relatively low. The high level of refusals in Germany impacts the average, whereas in the remaining countries the average of effectiveness is much higher.

The following chart presents the average effectiveness when the German companies are excluded.
As regards the individual interviews, the researchers saw the need to broaden the analysis by adding the following entities, namely the Lithuanian National Freight Forwarding Association, the Port of Gdynia Authority and the Port of Gdańsk Authority. Interviews carried out with the above entities made it possible to identify the correct market relationship in the private sector.

It should be noted that one of the key states for the RB project, Russia, was not covered by the study. This is understandable since the project concerns member states of the European Union and stems, among others, from the policies of the Communities towards the transport sector. Russia, however, due to its political and economic potential as well as the fact that RB will connect the west and south of Europe with Russia (and further with Asia), is an important stakeholder in the project. This fact should be taken into account if one wants to provide a full picture of the cooperation networks and attitudes towards Rail Baltica.
Chapter 3

Rail Baltica on the map of European policies and strategies

3.1. EU transport strategy and policy

The authors of the following study believe that it is necessary to present a general background of the Rail Baltica project. This will then make it possible for the project to be presented in the European Union’s economic and transport sphere. Ever since the European countries began uniting, transport has remained the basic element of development and deeper integration. The transport policy of the European Economic Community, currently the EU, was one of the first community policies establishing *Acquis communautaire*, which has had a very special meaning in the process of European integration. Its origin dates back to the provisions of the 1957 Treaty of Rome establishing the EEC. The policy of transport accepted in the Community referred to three levels:

- investments in transport infrastructure
- deregulation of the transport services market
- quality of transport services.

The European Commission includes the assumptions of the transport policy in the political documents widely known as the “White Papers”. Several of these have been presented since the first one came out in November 1985, entitled “Completing the Internal Market”.
“EUROPE 2020”

Before discussing the EU transport policy documents, it is important to mention the document which outlines the strategy of the whole European Union – the “EUROPE 2020” document.

“EUROPE 2020. The strategy for smart, sustainable and inclusive growth delivering social cohesion”\(^1\) was adopted by the European Council on 17 June 2010 as a key document for the medium-term strategy of EU development. The document was created as a response to the economic crisis that has affected Europe and the world over. It is an attempt to counter-effect the crisis and to try and find a remedy for such problems that may occur in the future, as evidenced by the following words: “The exit from the crisis must be the point of entry into a new economy at the same time.”\(^2\)

“For our own and future generations to continue to enjoy a high-quality of healthy life, underpinned by Europe’s unique social models, we need to take action now. What is needed is a strategy to turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion.”\(^3\)

The strategy defines the actions to be taken to accelerate a way out of the present crisis of the EU Member States and will prepare the EU economy to the challenges of the future. The strategy determines three priorities, the realisation of which will take place on the Union and a national level, these are the following:

1. **smart growth** – an economy based on knowledge and innovation
2. **sustainable growth** – promoting a more resource-efficient, greener and more competitive economy
3. **inclusive growth** – a high-employment economy delivering economic, social and territorial cohesion.

The leading projects, also referred to as flagship initiatives, as well as integrated instructions for the economic and employment policy of the EU Member States constitute the instruments of “Europe 2020” strategy implementation on the European Union level.

“White Papers”

For the transport policy these are the important “White Papers” published by the EU:

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\(^2\) As above, p. 11.

\(^3\) See p. 10.
In this paper the European Commission specifies its main objectives concerning the Union’s transport, viewing it as:

I. multidirectional realisation of a common transport policy
II. elimination of disproportions among modes of transport that lead to congestion
III. improvement of services provision with a growth of demand for transport in the extended European Union
IV. integration of transport in sustainable development
IV. a comprehensive strategy extending beyond the transport policy.

In the year 2005/2006 the mid-term review of the White Book was introduced. It was named *Keep Europe Moving – sustainable mobility for our continent*\(^4\). According to the authors of the review, the transport policy of the EU should further support the use of balanced means of transport, but not at any cost. What is more, it is expected that the size of the transport volume in the next decades will be so large that all the types of transport must cooperate to meet the demand. The term of “interoperaibility” was introduced, which means the effective use of different means of transport, single-handedly or in combination with others, in order to use the resources in an optimal and sustainable way.

**White Paper 2011**

*Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system*\(^5\) - the document analyses the basic challenges of the transport system up to the year 2050, while taking into consideration, among others, the following needs:

1. investments to ensure competitiveness of the European transport system
2. finding a solution to the growing problem of congestion
3. standardising transport systems in Western and Eastern Europe.

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The White Paper includes a proposition to transfer road transport, which covers more than 300 km, to other means of transport, e.g. railway and water transport, so that the alternative transport will constitute 30% by 2030 and more than 50% by the year 2050 of the total means of transport.

In the White Paper, the European Commission adopted an action plan consisting of 40 specified initiatives for the creation of an effective and competitive transport system. The most important of these, covering railway transport, are:

1. The first initiative within the framework of a consolidated European area of transport is to build a real internal market of railway transport services through:
   - opening the internal passenger railway market to competition
   - introducing a single vehicle type approval and a single railway undertaking’s safety certificate
   - preparing an integrated approach to the management of freight corridors
   - ensuring effective and non-discriminating access to the railway infrastructure, including rail services, especially through the structural separation of infrastructure management and rendering services.

2. The 19th initiative concerns safety in railway transport by:
   - achieving a “sector-wide” approach towards safety certificates in railway transport
   - increasing the European Railway Agency’s role in the field of railway safety
   - developing processes of certification and licensing with reference to the safety elements that are of critical importance.

3. The 34th initiative aspires to create a major strategic network of the European infrastructure – the European system of mobility (European Railway Agency). Within the frameworks of the initiative, new instructions will be defined for the TEN strategic base infrastructure network integrating western and eastern European Union countries forming the European transport area. The next phase, however, is to concentrate European actions on the elements of the TEN-T network with the highest added value for Europe. The initiative includes tasks such as introducing intelligent and inter-operative technologies aimed at optimising the discharge capacity of the infrastructure so that the transport infrastructure financed by EU funds will take into consideration the energy-effectiveness factor as well as climate change challenges.
The 35th initiative concerns the creation of multimodal freight corridors to balance transport networks.

Initiative No. 37 includes the proposals of preparing new frameworks for financing the transport infrastructure which would be sufficient to complete work on the basis of the TNT network and other programmes concerning the infrastructure.

The 39th initiative deals with intelligent pricing and taxation systems. The European Commission will aspire to restructure the transport fees and taxes in order to include the total transport costs expressed in the costs of infrastructures and external costs.

The results expected from the implementation of the initiatives include, among others, increased transport flexibility, removal of major development barriers in key areas and creation of employment opportunities. Other major gains include a decrease in European dependence on oil import and the reduction of carbon dioxide emission in transport by 60% by 2050 as compared to the current emission levels.

**TEN-T programme and fund**

The TEN-T programme (Trans-European Transport Network) was created pursuant to Chapter XV of the treaty establishing the European Union. The aim of the TEN-T is to eliminate bottlenecks in transport infrastructure and to connect national transport networks in the European network. The programme aims at flexibly connecting different modes of transport acceptable for sustainable development, which is the foundation of European transport policy. The Trans-European Networks programme includes all modes of transport and its objective is to stimulate infrastructural investments in order to build an integrated transport network connecting all member states of the Community.

The Trans-European Transport Network Executive Agency (TEN-T EA) was established in 2006. Its aim is to implement and manage the TEN-T programme on behalf of the European Commission. On 19 October 2011 the European Commission6 introduced a plan of investment support valued at €50 billion for the improvement of European transport, energy and digital networks. Targeted investments in the key infrastructure will help to create jobs and improve European competitiveness at a time when they are needed the most. Within the instrument of “Connecting Europe”,

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6 EU press release.
investments undertaken to modernise the transport infrastructure to create missing connections or eliminate existing bottlenecks shall be injected with €31.7 billion. This amount includes €10 billion secured within the framework of the Cohesion Fund for projects connected with transport in countries covered by the fund. The remaining €21.7 billion will be allocated to all EU member states for investments in transport infrastructure.

The priority was to direct EU funds to the creation of a European transport system by building real connection networks and eliminating bottlenecks. The idea is to create a network connecting major social-economic centres and “gates” to third countries as well as to provide key infrastructure essential for the creation of a homogeneous market supporting competitiveness and economic development.

Taking these assumptions into consideration, a major network connecting strategically important multimodal intersections and routes forming “transport corridors” was prepared. Ten such corridors forming the European base network were proposed in the European transport connection network. One of them is the Baltic–Adriatic Corridor comprising the Rail Baltica railway route and Central European Freight Corridor.

The list of key projects in the field of transport within the Baltic–Adriatic Corridor includes a:

1. maritime connection and ports: Helsinki–Tallinn
2. project of the rail connection route: Tallinn–Riga–Kaunas–Warsaw
3. railway route: Gdynia–Katowice
4. railway route: Warsaw–Katowice
5. railway route: Katowice–Ostrava–Brno–Vienna
6. railway route: Katowice–Žilina–Vienna
7. development of a multimodal route between the ports of Gdynia and Gdańsk
9. ports in Trieste, Venice and Ravenna.

Within the framework of the Central European Corridor: Warsaw–Berlin–Amsterdam/Rotterdam–Felixstowe–Midlands a:

10. railway route: Belarusian/Polish border–Warsaw–Poznań–Polish/German border
11. railway route: German/Polish border–Berlin–Hanover–Amsterdam/Rotterdam.
The following, among others, are planned as part of the Helsinki–Valletta corridor:

1. Modernisation of the Kotka/Hamina–Helsinki rail link
2. Modernisation of the port of Helsinki

The TEN-T programme also provides for investments in the core network, which in Central Europe–Eastern Europe shall include, among others, the:

1. Wrocław–Dresden railway line
2. Wrocław–Prague railway line
3. Ventspils–Riga–Russian border railway line
4. Klaipeda–Kaunas–Vilnius–Belarusian border railway line

The following ports are of international importance:

1. Gdynia, Gdańsk, Szczecin and Świnoujście in Poland
2. Klaipeda in Lithuania
3. Riga and Ventspils in Latvia
4. Tallinn in Estonia.

A summary of the connections of individual countries in the Central and Eastern Europe TEN-T network is shown in the table below.

Table 3.1.

**Poland, Lithuania, Latvia and Estonia in the TEN-T network**

<table>
<thead>
<tr>
<th>Country</th>
<th>in the TEN-T network</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>Almost all major national transport axes of north–south and east–west are included in the network. The next high-speed railways are also included in the projects.</td>
</tr>
<tr>
<td>Lithuania</td>
<td>The main axes of north–south routes: Riga–Kaunas–Mariampol–Warsaw, and east–west Klaipeda–Kaunas–Vilnius–Belarusian border, including Rail Baltica.</td>
</tr>
<tr>
<td>Latvia</td>
<td>The main axes of the core network, including connections from Riga to Tallinn and Riga to Kaunas along Rail Baltica, as well as connections between Ventspils and the borders of Russia and Belarus.</td>
</tr>
<tr>
<td>Estonia</td>
<td>The road and rail connection from Tallinn to Riga and also to the Russian border (Tallinn–Tartu border), Rail Baltica connection.</td>
</tr>
</tbody>
</table>

Source: Own study.
3.2. Strategic documents concerning the Baltic Sea

**STRATEGY FOR THE BALTIC SEA REGION**

The basic document defining the guidelines for the policy of the European Union is “European Union Strategy for the Baltic Sea Region”\(^7\), an internal EU strategy addressed to EU Member States which contains instructions for economic and territorial development of the region included in the strategy. The strategy states that: “The Baltic Sea Region is a highly heterogeneous area in economic, environmental and cultural terms, yet the countries concerned share many common resources and demonstrate considerable interdependence. This means that actions in one area can very quickly have consequences for other areas, or the whole of the region. In these circumstances, the area could be a model of regional co-operation where new ideas and approaches can be tested and developed over time as best practice examples.”

In addition: “Many challenges require action at the level of the Baltic Sea Region: responses at national or local level might be inadequate.”

Four of the most significant challenges, to which particular attention should be paid, were identified. These are:

- creating conditions for sustainable environment
- developing regional prosperity
- increasing accessibility and attractiveness
- ensuring safety and security in the region.

It is interesting to note, from this report’s perspective, that according to the paper improvement of the route network, which would put an end to the lack of access to energy in some parts of the region or provide sustainable transport types using the most environmentally friendly means, constitutes a priority in the challenges of accessibility of the region\(^8\).

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\(^8\) As above, p. 2, and the subsequent ones.
To implement the strategy, the activities were divided into four pillars, with each pillar referring to a wide range of political activities and having an influence on the remaining pillars. For the following study, the most important is the 3rd pillar – An accessible and attractive region – which covers such priority issues as: (1) improvement of access to energy markets, their efficiency and security, (2) improvement of internal and external transport links, and (3) maintenance and reinforcement of attractiveness of the Baltic Sea Region, in particular, through education, tourism and health. No special institution has been established to implement the provisions of the strategy because it was stated that there already exist numerous organisations in the region of the Baltic Sea that could coordinate the implementation. No special fund was established either, which means that the strategy is only a document expressing the Commission’s will and includes the guidelines for organisations and institutions operating in the area of the Baltic Sea.

More detailed records can be found in the document entitled “Action plan concerning European Union Strategy for the Baltic Sea Region”. The priority issues defined at the time of preparing the strategy of the European Union for the Baltic Sea Region were outlined in the document. It was stated that the main challenge for the future transport development in the Baltic Sea Region is to reduce its remoteness by improving the connections within the region and the rest of the EU. East/West connections are necessary to overcome the infrastructure shortfalls of the eastern and south-eastern sides of the Baltic Sea. The North is very remote. Better connections with Russia and other neighbouring countries are needed. Further connections to Asia as well as to the Black Sea and the Mediterranean regions should also be developed. This might further increase the region’s potential as EU’s gateway to Asia.

Coordination of the transport policy and infrastructure investments is suggested in individual countries of the region through:

- Increase in regional cooperation concerning transport issues, for example, on interoperability of transport systems, icebreaking, co-modality, user charging schemes, transport research and development, application of new solutions, in particular, in traffic management systems (air, road, rail, maritime), promotion of joint actions (e.g. road safety) and sharing of best practices.

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9 Commission staff working document accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions concerning the European Union Strategy for the Committee for the Baltic Sea Region, Action plan, December 2010.
Agreement on priority projects within TEN-T priority projects.

Coordination of a long-term transport development policy as well as national investment strategies for improvement of access to the region and intra-regional connections. In particular, the stakeholders of the Baltic Sea Region should agree on a joint position of the region regarding changes which could be introduced within the framework of the TEN-T policy review and the revision of the TEN-T guidelines.

Promotion of inland waterway and estuary navigation.

Joint identification of the infrastructure gaps that are important to the whole region on the North-South and East-West axes.\(^{10}\)

Both the preparation and adaptation of the document defining the strategy towards the Baltic Sea Region were positively evaluated by the Committee of the Regions and the European Economic and Social Committee.

**Resolution of the European Parliament**

Aspects of the EU transport policy towards Baltic Sea Region countries were also raised in the Resolutions of the European Parliament from 6 July 2010\(^ {11}\). The aspects of transport and tourism are underlined in the document, stating that “it is a priority to create an effective and environmentally friendly sea, land and inland transport and communication network (with the sea network given a prominent role in transport of goods) that can anticipate and respond in a timely fashion to current and future challenges, taking into account the provisions of the updated version of the Natura 2000 document, and paying particular attention to links between the Baltic Sea Region and other European regions through the Baltic–Adriatic Corridor and the Central European Transport Corridor”.

Furthermore, the European Parliament states that “(...) the enhanced connections, involving all modes of transport, can represent an essential contribution to the development of a stronger, more cohesive economy in the Baltic Sea Region; and stresses the specific position of the Baltic States, which, to a large extent, are currently isolated from the European transport network, and also reckons that (...) the strategy should, inter alia, help to solve the problem of the lack of appropriate infrastructure and accessibility, as well as low interoperability between various national transport

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\(^{10}\) As above, p. 56, and the subsequent ones.

networks, owing to different technical systems and administrative barriers, in order to develop a comprehensive multimodal transport system across the Baltic Sea Region; emphasizing the importance of integrating the Baltic Sea Region more closely into the TEN-T priority axes, in particular with regard to the maritime routes (TEN-T 21), extending the rail axis from Berlin to the Baltic coast (TEN-T 1), improving the rail axis from Berlin to the Baltic coast in combination with the Rostock-Denmark sea route connection, and faster progress in upgrading and using the Rail Baltica axis (TEN-T 27); it also underlines the necessity of full completion of the connection of the Baltic Sea Region with other European regions via the Baltic–Adriatic corridor.”

3.3. Cohesion policy

The principle of territorial cohesion was firstly discussed in the European Union when the Union was expanded in the 1990s. The Union adopted a number of documents on Territorial cohesion. The latest to be adopted was in Leipzig, in May of 2007, entitled The territorial Agenda of the European Union: Towards a More Competitive and Sustainable Europe of Diverse Regions. The Ministers responsible for the problems of spatial development, during an informal meeting declared, among others, that the Union is confronted with new challenges of territorial cohesion as a result of its expansion “(...) particularly with regards to the transport and energy infrastructure related to integration of transport and energy infrastructure of the Eastern Europe and new EU Member States as well as their regions.” Furthermore, the Ministers state that “the foundation of the Territorial Agenda are three main objectives of the European Spatial Development Perspective (EPRP), (...) and these are:

- development of a sustainable and polycentric urban system as well as new urban and rural partnerships
- ensuring equal access to the infrastructure and knowledge
- sustainable development, reasonable management and environmental and cultural heritage protection.”

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12 as above point 43 and the following.
14 as above p. 316.
15 as above p. 318.
The Ministers promised to support the priorities in territorial development of the Union, and according to this study the most important is priority No. 4 recommending the strengthening and development of the Trans–European Network, where: “Mobility and accessibility are the key prerequisites for economic development in all regions of the EU. To meet the requirements for mobility in a polycentric European territory, (...) it is important to secure integrated and sustainable development of a multimodal transport system. We need efficient railway, road and air networks both in passenger and cargo transport (including the networks of passage regional airports), efficient maritime, coastal and inland waterways, and supplementary networks linking the peripheral areas, as well as cross-border transport management. We support the removal of barriers in the cross-border rail and road transport, (...)”\textsuperscript{16}

Another important document for the policy of cohesion is \textit{Turning territorial diversity into an asset – The Green Paper on Territorial Cohesion}\textsuperscript{17}, which is presented by the Commission as “from the frozen tundra in the Arctic Circle to the tropical rainforests of Guyane, from the Alps to the Greek islands, from the global cities of London and Paris to small towns and villages dating back to remote history, the EU harbours an incredibly rich territorial diversity”.

Territorial cohesion is a means of both ensuring the harmonious development of all these places and that their citizens are able to make the most of the inherent features of these territories. As such, it is a means of transforming diversity into an asset that contributes to sustainable development of the entire EU.\textsuperscript{18} The main purpose of territorial cohesion is, therefore, to enable all of its citizens and each territory to put their own contribution into the development of the Community.

The Commission points at the need of coordination between the sectoral policies, for example, between transport policy and cohesion policy, because “transport policy has obvious implications for territorial cohesion through its influence on the location of the economic activity and the pattern of settlements. It plays a particularly important role in improving the connections to and within less developed regions.”\textsuperscript{19}

\begin{itemize}
  \item \textsuperscript{16} As above, p. 319.
  \item \textsuperscript{17} Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, COM(2008) 616.
  \item \textsuperscript{18} As above, p. 332.
  \item \textsuperscript{19} As above, p. 342.
\end{itemize}
The newest *Territorial Agenda of the European Union 2020*\(^{20}\) takes into account the new development trends that appeared on the first agenda, and its main aim is to assure strategic instructions for territorial development, support for linking the territorial agenda to different fields of policy as well as to guarantee implementation of the EUROPE 2000 strategy according to the rules of territorial cohesion. The Cohesion Policy is the key framework through which the EU can address territorial development challenges and help unleash territorial potential at local, regional, national and transnational levels.\(^{21}\)

The Agenda indicates the priorities contributing to a successful implementation of the EUROPE 2000 strategy. As per the following study, the most important of these include:

- territorial integration in cross-border and transnational functional regions
- ensuring global competitiveness of the regions based on strong local economies
- improving territorial connectivity
- managing and connecting ecological, landscape and cultural values of the regions.\(^{22}\)

The Agenda is a document showing that the future of EU territorial development and cohesion lies in the regions creating active links and networks with other regions according to the principle of assistance.

The authors of the Agenda claim that “(...) mobility is essential for territorial cohesion, (...). Among others it is important to secure access to road, rail, water and air transport (...). In addition, development of Trans-European networks (TEN-T) linking the main European centres, such as capitals, metropolitan regions and TEN-nodes and improving linkages between primary and secondary systems should form an essential component of the integrated network. The development of secondary networks is important, especially at a regional and local level.”\(^{23}\)

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\(^{20}\)Territorial Agenda of the European Union 2020, Towards an Inclusive, Smart and Sustainable Europe of Diverse Regions. Agreed at the Informal Ministerial Meeting of Ministers responsible for Spatial Planning and Territorial Development on 19th May 2011 Gödöllő, Hungary.

\(^{21}\)As above, p. 2.

\(^{22}\)As above, p. 5 and the following.

\(^{23}\)As above, p. 7.
### 3.4. Summary

The programme covering the railway route linking countries of the eastern Baltic Sea with western and southern Europe is one of the key projects of the European Union, and is noticeable in the documents of the programme and the strategic capacity concerning the key tasks and policies for the Community. It is visible in the transport policy, in which the European Union aims to build a homogeneous transport market on terms of equal access of all the citizens to the transport infrastructure. The railway, due to its ecological values, has a special meaning in the transport policy of the EU.

#### Table 3.2.

**Rail Baltica vs. EU strategies and policy of the EU**

<table>
<thead>
<tr>
<th>Transport policy of the EU:</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ investments to guarantee competitiveness of European transport</td>
</tr>
<tr>
<td>☑ solution to the increasing congestion problem</td>
</tr>
<tr>
<td>☑ standardisation of transport systems in Western and Eastern Europe</td>
</tr>
<tr>
<td>☑ building a genuine internal railway services market</td>
</tr>
<tr>
<td>☑ improvement of railway transport safety</td>
</tr>
<tr>
<td>☑ creating a major European strategic infrastructure</td>
</tr>
<tr>
<td>☑ creating multimodal transport corridors for sustainable transport networks</td>
</tr>
<tr>
<td>☑ drafting new frameworks to finance the transport infrastructure</td>
</tr>
<tr>
<td>☑ enlarged transport mobility, removal of main barriers to development and creation of employment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Policy towards the Baltic Sea:</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ creating conditions of sustainable environment</td>
</tr>
<tr>
<td>☑ developing prosperity in the region</td>
</tr>
<tr>
<td>☑ growth in accessibility and attractiveness of the region</td>
</tr>
<tr>
<td>☑ ensuring safety and protection in the region</td>
</tr>
<tr>
<td>☑ coordination of transport policy and infrastructural investments in different countries of the region</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cohesion Policy:</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ frameworks with which it will be possible to face challenges in territorial development and unleash territorial potential at the local, regional, national and cross-border level</td>
</tr>
<tr>
<td>☑ territorial integration in cross-border and transnational functional regions</td>
</tr>
<tr>
<td>☑ ensuring global competitiveness of the regions based on strong local economies</td>
</tr>
<tr>
<td>☑ improving territorial connectivity</td>
</tr>
<tr>
<td>☑ building and managing links between ecological, landscape and cultural values of the regions</td>
</tr>
</tbody>
</table>

Source: Own study.
The Rail Baltica project excellently suits the EU regional policy of development in the area of the Baltic Sea. It is the first type of Community territorial policy aimed at integrating the regions of the continent that are geographically removed from the centre of the continent and diverse in their development areas. Finally, the project is an element of the EU’s territorial policy, in which plans are underway to bring together all the citizens and inhabitants into the processes of development. Diversity should be the driving force for future development of the Community.
Chapter 4

Research results and analysis

4.1. Identification of the private sector stakeholders important for the development of the transportation network based on the RB connection

Rail Baltica is an ambitious project aimed at connecting Estonia, Lithuania, Latvia, Poland and Germany with the southern and northern parts of Europe by a modern railway line. This is a truly ambitious plan since the countries situated east of Poland have had limited access to the rail transportation network within Europe. This situation is a result of many factors, mainly ones resulting from the region’s history, when these countries were linked to the former USSR, hence, the railway connections existing within them met Soviet standard track gauge requirements.

The RB project is a challenge in itself as it will practically modernise these countries enough for them to join Europe once again. Apart from the optimistic statements given by the people responsible for the zoning, local development and transportation policies within the EU and countries situated in the project’s area, the sceptics are asking: Is it really worth spending over €1 billion in order to connect, by rail, economies which may not have the suitable cargo and passenger volume to guarantee the profitability of the enterprise? Such opinions could cause scepticism and affect economic and business judgment as well as the will to create a transnational platform of cooperation between private and public entities belonging to the transportation industry, and thus having an influence on the development of RB.

In order to take it into consideration, an analysis of the attitudes within the private sector towards the development of the rail transportation network has been carried out.

The analysis of attitudes is defined in management science as stakeholders’ analysis. ‘Stakeholders’ refers to the people, groups of people, organisations, and institutions that have an influence on the functioning of an enterprise.\(^{25}\) In this case we are not dealing with an enterprise but with the RB project, and its stakeholders, in the broadest understanding of the term, will be the community of the entire Europe since the project also covers Russia, Belarus and even Asian countries. However, if we restrict the circle to those communities directly included in the project, then the stakeholders will be the communities of Germany, Poland, Lithuania, Latvia, Estonia and Finland. By approaching the above-mentioned communities, we are able to divide them into groups with regards to the place they occupy within the economy. The following groups will emerge: consumers, entrepreneurs, and the state authorities. This study is restricted to the understanding of RB stakeholders as entrepreneurs solely.

**Attitudes towards RB**

We can deal with the various roles played by the entrepreneurs with regards to the RB project. One group may be interested in the project at its planning, design and construction stage, another at the stage of its exploitation. The group of entrepreneurs may have a positive, negative or indifferent attitude towards the project. A positive attitude is seen when an entrepreneur recognises real or potential benefits for his/her company. The project is then perceived as a chance for development through, e.g. gaining new contracts, broadening sales possibilities, price cuts, etc. A negative attitude towards the RB project will occur when the entrepreneur perceives the project as a threat to his/her operations, as it may result in a decrease in profit, loss of markets, increase in costs, decrease in sales, etc. Some of the entrepreneurs will remain indifferent towards the project. It seems, however, that in the case of such a large project of international significance, as is the case in the RB project, such an attitude will be the result of a lack of knowledge about the project.

**Positive attitude towards RB** at its planning stage should be present amongst such companies as:

1. companies preparing investment documentation (geodetic, project, cartographic, consulting, etc.)

companies carrying out investments (contractors and subcontractors of works)
companies supplying building sites (suppliers of building materials, stone, prefabricates, etc.)
companies servicing building sites (transportation, building equipment, etc.)
companies supervising building works (substitute investors, supervisory bodies, etc.)
cargo handlers (manufacturers, new transport possibilities, new markets)
logistics and freight forwarding companies (specialising in rail or multimodal transportation)
transportation companies – carriers (rail or multimodal transportation operators)
owners of the infrastructure (managers of infrastructure)
owners of terminals (rail and multimodal).

Manufacturing companies, which thanks to realisation of the RB project will gain easier access to the markets within Europe, constitute the strongest group. This project is directed both towards them and towards the passengers. The general attitude of the carrier, logistics and freight forwarding companies, which have an influence on the decisions made within their respective states, is important. Countries such as Poland, Lithuania, Latvia and Estonia are relatively strong in this sector, as they are the transit countries for cargo dispatched from Western Europe to Russia. Relatively low is the influence on the decision-making process of the rail infrastructure owners in these countries. These are public entities created as a result of restructuring of the state monopoly, and are highly influenced by governmental decisions.

A positive attitude towards the project at its exploitation stage should be present amongst the following businesses:

cargo handlers (manufacturers; new markets and transport possibilities)
freight forwarding companies (multimodal or specialising in rail transportation)
transportation companies (multimodal or specialising in rail transportation)
infrastructure owners (managers of infrastructure)
owners of the terminals (rail and multimodal)
companies dealing in modernisation and maintenance of the infrastructure and equipment
others (tourist companies, hotels, restaurants, etc.).
Similarly as in the case of the preparation stage of the project, here also the numerically largest group is the manufacturers who will gain the most possibilities in carrying out their business activities. A well-developed sector of the logistics and freight forwarding companies within Poland, Lithuania, Latvia and Estonia will have a strong influence on the attitudes.

The project implementation stage should not be connected with a general negative attitude, although a future change in attitudes is possible.

A negative attitude towards RB may be present amongst:
1. transportation companies specialising in means of transportation which compete with rail transport (road, air, sea carriers, etc.)
2. freight forwarding companies specialising in competitive transportation branches (sea and port agencies, etc.)
3. owners and operators of competitive infrastructures (seaports, airports, port terminals, etc.)
4. companies thriving on means of transportation other than rail (petrol stations, road inns, etc.).

Companies providing services in road transportation constitute the largest group amongst the entrepreneurs with a negative attitude. These may fear losing large volumes of cargo to rail. Strong resistance can be seen on the part of port and ship entrepreneurs, who will also lose a part of their cargo volume to RB. It would be beneficial if the connection offered opportunities for use of seaports.

In order to minimise the fears of these entrepreneurs, it would be beneficial to prepare a special programme directed towards road carriers and their employees which would enable them to minimise their losses and to move to other industries or to gain other possibilities of employment.

Entrepreneurs act on the basis of a network of mutual contacts which enables them to gain trust, exchange information, provide mutual support as well as to exchange contacts and knowledge. This is not always formalised and does not have to refer to contacts solely within the business. Such networking works in favour of effective exchange of information as well as building a friendly atmosphere within the business.

These networks of cooperation have a long tradition and were established together with the development of a capitalistic economy in countries of the West. Central and Eastern European countries have been building their enterprise and market economy institutions for 20 years now.
The Communist regime did not promote the exchange of information and feeling of mutual trust between citizens, thus creating a mental barrier in the development of such types of activity. Perceiving networking in categories of opportunities for self-development and cooperation with others, even competitors, will continue to change in the right direction along with the consolidation and further development of the market institutions as well changes in social attitudes.

In all of the countries included in this research, such business organisations of trade, of a wide economic and territorial character, already exist. Many of the companies are members of international organisations, including of trade or of any wider economic character. Associations of carriers, freight forwarders, manufacturers, retailers and others can serve as examples of trade organisations. Wide economic associations include such associations and organisations as economic chambers or chambers of commerce.

The territorial range is concerned with associations and organisations operating exclusively in particular regions or cities. Clusters and all kinds of connections between business and science are relatively poorly developed. Cooperation with educational organisations and universities is restricted to participation in conferences as well as use of educational resources.

Based on what has been stated above, it is not possible to determine whether carrying out the RB project will contribute to an increase in trust and cooperation between the companies in the form of a cooperation network.

RB will inject fresh blood into the development of business relations. It will open up many possibilities for sale and imports of supplies. However, it is impossible to give a definite answer to the question of whether this will have an influence on a cooperation network.

**Three stages of the Rail Baltica development process**

Identification of the stakeholders has been carried out on the basis of an evaluation of their potential interest and involvement in the RB project depending on the stage. Three stages were taken into account:

- conceptual
- realisation
- operation.
**Conceptual stage (RB planning)**

This stage refers to the creation of solutions at State and international levels. Decisions concerning determining the route, functionality, as well as general assumptions regarding technical solutions (especially track gauge and infrastructure location) will be made at this stage.

Political entities will be particularly involved in the process at the:

- European level (decisions regarding transportation policies of the EU, including partial funding of enterprises within the Corridor)
- state level, as part of which the following should be included:
  - decisions regarding technical assumptions, including expected travelling speed, reloading terminal locations, as well as passenger stations; the above decisions will involve national politicians concerned with zoning
  - in some countries political decisions will include the choice of technical and financial solutions concerned with funding from public budgets, construction of the network as well as purchase of rolling stock
  - decisions concerning the schedule of project realisation, scale of funding from the public budget, choice of parties designated to carry out the project, canvassing of investors and private co-investors in order to complete the project, etc.
- regional and local level as part of which arrangements regarding the following should be expected:
  - zoning plans preparation, reservation of land and land buyout
  - social issues connected with gaining acceptance from local communities for preferred solutions.

At the conceptual stage the participation of stakeholders from the private sector is possible, primarily due to their influence on political decisions, including decisions concerned with influencing experts’ opinions as well as on the public and ecological communities, while:

- anticipated negative attitudes towards the project, in all probability, will not influence coordinated action of the business environments
- disputes will not pertain to the sole idea of RBGC, but mostly to the technical solutions on a macro scale including, in particular, all decisions regarding track gauge and intermodal scope as well as detailed recommendations regarding terminal/station locations.
As the planning work (decision making) progresses, the anticipated negative attitudes will recede.

**Realisation stage (construction of RB)**

Taking into account financial engineering, building and execution planning as well as the potential investors, this is a stage with high risks of influence on the part of the stakeholders involved in the construction works (construction companies) and the delivery of rolling stock.

The most probable cause for potential activity will be the result of open tenders of a high value of investment. The basic tool will involve legal and procedural activity. The factor influencing the course of construction works will be the decisions regarding involvement of the financial institutions. Their decisions, including the scale and character of involvement, will depend on at least the:

- investment climate at the European level
- state of the financial sector at the European level
- financial credibility of the countries participating in the project

At the realisation stage, an increase in activity of the parties associated with the RBGC project should be expected. This mostly concerns investment and adjustment decisions of the:

- transportation industry companies – decisions connected with purchase, renovation, discontinuation, and relocation of rolling stock (i.e. car fleet); about the future of sea transport (evaluation of the prospects concerning the functioning of shipping lanes and terminals within seaports); also, decisions will be made regarding the location of freight forwarding agencies
- companies associated with the project – decisions will be made regarding the hotel industry and connected with the building or adaptation of accommodation facilities in the building industry and renting of office areas, as well as initial decisions regarding the creation of new tourist products

**Operation stage (usual operations of RB)**

At this stage it is assumed that RB will have reached its expected functionality enabling international transportation to take place on the railway tracks. The creation of a new structure of a transportation market will begin, within which:
road transportation companies will redefine their role as a result of the existence of direct competition (meaning the offer of transportation on the same routes); the problem will cover commercial and passenger transport;

- sea transport companies and logistics companies of sea-land and reloading
- freight forwarding companies and cargo handlers (manufacturers and construction companies) will gain new opportunities in terms of mode of supplies, equipment and goods transportation.

The figures illustrating the character and type of involvement of the stakeholders on the subsequent stages of the project have been presented together with a commentary in Chapter 5.1. (Maps No. 1 and 3). The stakeholders’ decision maps, transport market entities, freight forwarders, as well as cargo handlers, taking into consideration the countries along the Rail Baltica route, are presented in Chapter 5.2.

4.2. Latvia

A total of 10 companies were interviewed in Latvia.
Two of the above-mentioned companies are private companies engaged in the construction industry, in the scale of the Baltic Sea area they deal with general construction (1), and industrial, road, bridge and hydro-technical construction (2). The first company was founded in the early 1990s as a private enterprise; the other company is a privatised former state-owned company.

The companies use transport to provide them with building materials, to send semi-manufactured building products and structural elements, as well as to transport building equipment and spare parts which cannot be bought on the premises of the building sites. One respondent is the Latvian branch (3) of an international company engaged in the extraction, processing, packing and selling of a sort of soil material used as a fertiliser for gardens and plantations.

The company exports their products to over sixty countries all over the world. Transport is an important cost building element of the product delivered to the headquarters of the recipient. The company does not have its own means of transport but uses different road and railway haulers, including containers.
The other respondent is the branch of a large fuel company with an international reach (8). In Latvia it is engaged in wholesale distribution and sales of fuels from their own or leased petrol stations. The company uses road haulers to deliver fuel to the petrol stations and the railway to deliver fuel to the base. The company operates only within Latvia.

Five of the respondents represent the transport and shipping sector.

→ The first one (9) is a Latvian specialised road hauler majoring in the transport of perishable products. The company, established in the mid-1990s, is today a leading company in Latvia. The company operates all over Europe, especially in shipment to Scandinavia, Russia and Kazakhstan.

→ The next respondent is a Latvian company founded in the early 1990s (4). This is a shipping company engaged in universal logistics services of products between ports of Latvia, Russia, Asia and Europe. The company majors in specialised transport: cooled containers, chemicals and food.

→ Another company (5) constitutes part of an international group specialising in transport and goods handling services, transport of products in containers by sea and further into the inland base. The basic market is servicing the transit of containers through the port of Riga, to and from Russia, Uzbekistan, Kazakhstan and Afghanistan.

→ Another respondent (6) is also a branch of an international company engaged in all sections of transport. Its Latvian branch is engaged in providing services to this part of the Baltic Sea, transit to and from Russia, Kazakhstan, Uzbekistan and Afghanistan.

→ The next respondent (7) is also a branch of an international company which is one of the largest world haulers and forwarders. The company is engaged in all kinds of transport of goods: transportation by sea, land and air, especially containers and multimodal transport. The Latvian branch provides services to the market of the Baltic Sea, Russia and Kazakhstan.

The last respondent (10) is a state-owned enterprise and operator of the public railway infrastructure in Latvia. It manages the freight and passenger transport infrastructure. The operator works in the form of a company, it also owns subsidiaries specialising in the transport and forwarding of goods and passengers. The owner of the company is the State of Latvia.

All of the stakeholders, except for the last one, operate in the freight transport sector. We did not manage to collect any information from passenger carriers.
Table 4.1.

LATVIAN STAKEHOLDERS COVERED BY THE STUDY

<table>
<thead>
<tr>
<th>Origin of the company’s capital</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies with Latvian capital</td>
<td>4</td>
</tr>
<tr>
<td>International companies</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of service (activity)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>2</td>
</tr>
<tr>
<td>Agriculture/Horticulture/Mining</td>
<td>1</td>
</tr>
<tr>
<td>Sale of fuels</td>
<td>1</td>
</tr>
<tr>
<td>Transport and shipping</td>
<td>6</td>
</tr>
<tr>
<td>Specialised transport</td>
<td>1</td>
</tr>
<tr>
<td>Multimodal transport</td>
<td>4</td>
</tr>
<tr>
<td>Manager of transport infrastructure</td>
<td>1</td>
</tr>
</tbody>
</table>

The construction companies that were interviewed use means of transport only occasionally. The directions of transport depend, on the one hand, on the places of acquisition of building materials, and, on the other hand, on the location of the construction site. The building sector uses all means of transport: to supply cement, aggregate, reinforcement steel, construction wood and insulating materials, as building materials can be transported with any possible means of transport. The decisive factor is usually punctuality of the transport, its accessibility and price (cost of carriage), the element of time is less important here.

In the case of prefabricated building elements or large elements of building equipment (dredger), the size is the main factor deciding on the choice of means of transport. If it is accessible from the water, specialised water transport will be used, in other cases, oversize transport can be handled in specific conditions by road.

It is in the respondents’ interest to gain possibilities to use each branch of transport that will allow reliable, cheap and flexible transport. The respondents have little knowledge about RB and practically confused it with other connections, e.g. to St. Petersburg. This should not be surprising since the companies do not deal with transportation on a professional basis. Their influence on the size of carriage is minimal even within Latvia itself. Their influence on road transport is minimal as well.

The discussed construction companies are of minor importance to the choice of infrastructural investments such as RB. They may be interested in taking part in the implementation phase as contractors or subcontractors of the different investment elements (stations, platforms, terminals, etc.).
The enterprise engaged in the sale of minerals in the horticultural branch uses the services of external transport companies. The transported product is bulk goods, but it is packed in such a way that it can be transported in containers. The company is entering new markets, such as France, Spain, the Netherlands, the USA or China, but the major recipient is the Russian market. The price constitutes the basis for the choice of hauler.

The enterprise engaged in the fuel industry and fuel supply uses the services of external transport companies or, in the case of larger amounts of fuel, rail tankers. This company’s influence on the transport market in Latvia is minimal. The company is owned by a large and aggressive magnate on the fuel market who enjoys large influence in Europe through his own investments made in EU states or through political influences within his own country. The parent company has its businesses in all Baltic Sea countries, in Poland as well. It is not to be excluded that this enterprise would be interested in the development of transport opportunities of their products with the use of a high-speed railway, to the west and south of Europe.

The transport company that has its own specialised road equipment to transport cooled, perishable cargoes does not use any railway transport. It transports all of the products with the use of their own equipment. In the opinion of the respondent, railway transport is not suitable for perishable products. Taking into consideration this point of view, the establishment of an efficient RB railway connection will not have any influence on this company’s activity. It seems, though, that if the railway achieved parameters of time of transport comparable to car transport, then specialised railway freezers could be an alternative to the traditional haulers.

Four of the further mentioned transport-shipping companies use all the branches of transport in transporting entrusted loads, including multimodal transport. Two of them are specialised in handling cargoes arriving at the port of Riga by sea, from where they are sent to the country and further. They have not used any sections of RB so far and do not perceive it as a danger to their business; on the contrary, they think that RB will allow the development of activity which will provide new opportunities of advantageous connections with Poland, Germany or southern Europe.

The subject matter of the following study is not the influence of RB on the level of transhipment carried out in Latvian ports. If they lose as a consequence of a railway competitor, then the companies relying on the loads arriving at the port will be forced to change the branch of operation in Riga. It should not be assumed, though, that this will cause a serious problem to an international company or the one which has been actively operating for years on the shipping market.
The branch in Latvia depends, in its strategic decisions, on the opinion of the management board at the headquarters, and as for RB, it will take into account the interest of the whole economic organisation, not only of the foreign branch, even if it is an important branch from the point of view of the entirety. The two remaining companies are typical, large multimodal haulers with experience on the European and world markets. One of them is especially connected with railway transport. The RB project will create new opportunities for them to transport goods, and whether they use such opportunities depends only on the conditions offered to the haulers. Strong support may be expected from the organisations, since the idea of establishing a reliable route is expected. However, since these are the branches of international companies, both the strategy and method of procedure towards RB depend on the opinion of their headquarters, which are not located in Latvia.

### Table 4.2.

**Potential interest in Rail Baltica in Latvia**

<table>
<thead>
<tr>
<th>Specification</th>
<th>Number of companies</th>
<th>Interested in RB</th>
<th>Operational independence</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company's capital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Companies with Latvian capital</td>
<td>3</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>International companies</td>
<td>7</td>
<td>Yes</td>
<td>Limited</td>
</tr>
<tr>
<td><strong>Type of activity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction industry</td>
<td>2</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Sales of fuels</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Agriculture/Horticulture/</td>
<td>1</td>
<td>Yes</td>
<td>Limited</td>
</tr>
<tr>
<td>Mining</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport and shipping</td>
<td>6</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Specialised transport</td>
<td>1</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Multimodal transport</td>
<td>4</td>
<td>Yes</td>
<td>Limited</td>
</tr>
<tr>
<td>Manager of transport</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

The last respondent is the manager of railway infrastructure including the sections that constitute the elements of Rail Baltica now. In the case of development of the network, this respondent would probably become the manager of the RB infrastructure on the territory of Latvia. It is an entity belonging to the Latvian State; therefore, its independence as regards the decision is rather limited to the extent of regular operational management. All strategic decisions then would be made on the level of government administration.
Current interest of the respondents in the RB network

The respondents expressed their potential interest in the use of Rail Baltica if the project is completed. Not everyone knows what kind of venture it is and they cannot identify it well. The possibility of fast and cheap transport of products in one freight wagon from Western or Southern Europe to Riga and further to Tallinn, Russia and even further to Kazakhstan, Uzbekistan or China seems to be an attractive perspective. It all depends, according to the respondents, on the conditions established by the infrastructure, and especially on the costs of transport.

Rail Baltica should not only establish new technical possibilities, but it should also be a real economical alternative to other transport possibilities, especially to road and sea transport.

Table 4.3.

Current use of Rail Baltica in Latvia

The respondents use, to a lesser extent, the currently operating parts of Rail Baltica. The most significant is the connection between Riga and Russia (also with St. Petersburg) and the Central Asian countries, but also to a lesser extent the opportunity of connection with Poland and Germany seems important.

All respondents declared their interest in the project, but their level of interest varied. This results from problems with competitiveness of the railway routes in comparison with other transport options.

For obvious reasons, only the operator of the railway infrastructure expressed his opinion on the transport of passengers using RB. However, the operator is not a hauler in passenger railway transport. Nevertheless, he pointed to the low competitiveness of railway transport compared to road or air transport (budget airlines).

Expectations towards Rail Baltica

The railway route of Rail Baltica should be competitive in comparison with other transport offers by other branches on the market. Many different criteria of the railway’s competitiveness were mentioned, however, these were often transport cost and time.
It is not easy to define which of these two is more important since this depends on the features of the transported goods and the expectations (preferences) of the cargo dispatcher. For some goods time is crucial, whereas for others it is the price. The RB route should, therefore, offer satisfactory time of transport at a reasonable price. Simplified and standardised carriage documentation, minimised bureaucracy, and transparency should be important issues for RB’s solutions. The IT system solution should also make it possible to monitor the goods.

An important matter emphasised by the respondents is safety of the cargo, so that it will arrive to the place of destination on time and without any damage. The best way to achieve this is to eliminate reloading, so that the transport can arrive to the recipient in the same freight wagon as it was sent. The cargo should be transported in one freight wagon, for example, from Italy to Russia safely, in the shortest time possible. Terminals handling Rail Baltica should be easily accessible for any type of transport and suitable to accept each type of possible transport. Different operators should be allowed to function on the terminals.

Table 4.4.

**Most important features suggested for Rail Baltica**

- time of delivery
- regularity of route
- speed of passage
- punctuality
- flexibility – different types of articles
- safety
- accessibility
- simplified and standardised documentation

The respondents demonstrated very limited knowledge of the Rail Baltica project. There is a significant need to promote the project, its solutions, potential benefits and possibilities. The existing cultural bonds are favourable for railway solutions. The differences between the benefits of using road and railway transport must decrease in order for passengers to choose railway transportation instead of car or air transport.
**Cooperation and Competition of the Private Sector in Latvia**

The respondents stated that their enterprises constitute a part of larger organisations and associations. Mostly, these are branch organisations of dispatchers and transport agents as well as chambers of commerce. One of the respondents belongs to a cluster composed of companies from the transport sector.

The scope of cooperation with the public sector varies. Some of the respondents were satisfied to admit that they cooperate with different kinds of governmental departments and local governments. Yet for most of them the public sector is the recipient of the goods and services.

The cooperation with educational establishments and universities is satisfactory. All of the respondents use the educational potential in the scope of raising their workers’ qualifications.

**Table 4.5.**

**Networking of Latvian Companies**

- ☑ branch associations
- ☑ business and economic organisations
- ☑ administration on different levels, including PPP
- ☑ universities
- ☑ clusters
- ☑ B2B cooperation

The interviewed respondents have wide and extensive contacts with companies from the private sector. They cooperate both within the framework of business organisations, and clusters as well as within business relationships.

The study emphasises the possibility of developing a partnership that would be established with the development of Rail Baltica in the scope of cooperation between Baltic countries, such as Lithuania, Latvia and Estonia, but Poland and Germany, and perhaps even more European countries could take part.

Rail Baltica will provide new possibilities for the transport and shipping companies. It will improve the capacity of transport of goods manufactured in the area of the countries.
THE SIGNIFICANCE OF RAIL BALTICA TO LATVIA AND ITS ENTERPRISES

All of the interviewed companies point to the fact that Rail Baltica has little significance in the economic and social life of Latvia. Similarly, it does not play an important role in the country’s business activity. They emphasise that the route does not exist and does not function. The railway transport corridor connecting Latvia with the West and South does not exist either.

The most important routes for the country and most of the respondents are those connecting Riga with Russia’s border, Belarus and further to the east to Russia and Central Asia. The route from Riga to the refinery in Možejki Mažeikiai (Latvia) is also very significant.

Although RB is not currently perceived as a significant route, it can create a transport corridor enabling a route from Western Europe – Germany, Italy, France, Spain and the Netherlands. Everyone will then be able to benefit from the corridor since it will create new possibilities for the inhabitants of the area and will have an influence on the removal of barriers (especially those connected with transport). It should increase foreign trade turnover and cause intensive tourism. It will increase the possibilities of economic activity, growth in levels of employment, gaining profits, etc.

Table 4.6
CURRENT AND FUTURE SIGNIFICANCE OF RAIL BALTICA (LATVIA)

<table>
<thead>
<tr>
<th>Current significance of Rail Baltica</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ not of great importance to the countries and businesses</td>
</tr>
<tr>
<td>☑ most important route: Port Riga – Russia and Asia</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Future significance of Rail Baltica</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ easier access to Western European markets</td>
</tr>
<tr>
<td>☑ increase in foreign trade turnover</td>
</tr>
<tr>
<td>☑ increase in transit to Russia</td>
</tr>
<tr>
<td>☑ development of tourism</td>
</tr>
<tr>
<td>☑ economic development (job positions)</td>
</tr>
</tbody>
</table>

Latvia will become an even more important transit country between Western Europe and Russia. Russia will remain the main route direction of transport through Latvia.
There were also some questions about the advantages and disadvantages of the venture. Unfortunately, most of the questioned companies did not want to answer these questions, explaining that they knew too little about the issue. From the answers provided, it appears that the advantages of RB would (or should) be:

- speed and low cost
- possibility to transport goods in one freight wagon on the whole route
- connection of many countries and cities through safe and ecological transport.

The only disadvantage of the route mentioned in the interviews by the Latvian entrepreneurs is the fact that railway transport is not suitable for sensitive and perishable products.

**Respondents’ vision of RB**

The study also concerned the issue of formulating the respondents’ expectations towards the route, in other words, it tried to formulate a model or an ideal standard as a stipulation to be fulfilled in the future. It is worth noting, once again, that not all respondents knew what Rail Baltica is.

**Table 4.7.**

**Ideal model of Rail Baltica (Latvia)**

- will improve the route with Moscow
- will save time and cost of transport
- will guarantee a good connection between time and costs
- will be a pendulum regularly being connected with Europe and back
- will be attractive for product transport
- will use many terminals
- will enable replacement of some parts of car transport
- will be a fast and direct route to Russia

Similarly as with the questions about the future significance of Rail Baltica, also here the respondents focused on increasing the possibility of transporting goods to Russia. This indicates that this is the most important task for Rail Baltica according to the respondents in Latvia.
In one of the further questions, the respondents were asked to describe the conditions that have to be fulfilled by the Rail Baltica solution so that the company studied could use it. Some of the features which the project would have to possess to operate successfully were repeated here – these were flexibility, competitive price, reliability, easy access, transportation time, etc. Rail Baltica must be competitive in comparison to the other branches of transport.

4.3. Lithuania

A total of 10 interviews were carried out in Lithuania. The interviews were carried out in companies which fulfilled three functions. They had to be a(n):
1. operator of a logistics infrastructure
2. commercial carrier
3. passenger carrier.

One company was a public entity with an infrastructural monopoly. A separate department was created to deal with Rail Baltica issues. Taking the company into account in terms of this research is necessary from the point of view of the business structure/stakeholders who will influence the future transportation market in connection with Rail Baltica.

The other two companies are large chemical industry enterprises. The first is a branch of a foreign company. The second is a state holding company dealing not only with chemicals, but also with energy as well as maritime and land logistics. They own terminals within Lithuania and operate as a freight forwarder in road, rail and sea transportation.

Both companies were formerly state-owned and have been operating as private businesses since the 1990s. Each company owns transportation means, including over 1,000 units of rolling stock between them (locomotives). Both of the chemical companies, and cargo handlers, are potentially interested in rail transportation due to their operations in international logistics chains. Both companies, which belong to the biggest manufacturers in Lithuania, potentially have a strong influence on the cargo streams and the traffic conditions on the cargo routes. The total number of rail transports exceeds 20 million tonnes between them, carried out within Lithuania by Lithuanian Railways.
The main destinations of the goods dispatches are: Klaipeda (and further by sea), the Russian Federation (to a lesser degree), Latvia (over 2 million tonnes), Estonia, Poland and Ukraine.

The third of the chemical companies is a manufacturing subsidiary of a global firm specialising in chemical technology (plants on all continents). The company’s basic market is the European continent (mainly the EU). The company uses maritime transport and road transport; they do not use rail transport.

The next company started its activities as a freight forwarder. It then evolved into a road transport company, but vertically diversified its business portfolio. Currently, it is a large transport company (with a significant fleet of trucks, some storage facilities, including a freight handling area at an airport). The company is the owner of some terminals and is “considering investing in one” more. The company is engaged in the partial and full carriage of goods from/to Southern and Western Europe, Russia and the CIS countries. Rail transport is engaged only in operations of sending goods to Russia and Kazakhstan.

Logistics service provider – this is the core business of the next company. The company offers warehousing (two locations), customs brokerage and transport (road, air, sea, rail – sea and rail transport have developed in the last few years). The company operates mainly transit cargo between the CIS countries and Western Europe and Scandinavia.

Two companies are subsidiaries of global companies and support clients in maintaining whole supply chains. The first company’s (in Lithuania) freight forwarding offer is horizontally diversified (it supports different types of transport). The company also controls significant storage areas and offers services such as product sorting, packing, palleting, formatting batches, etc.

The second company delivers integrated logistics services. The company can assure all modes of transport, including local transportation between any Lithuanian locations. The offer includes warehousing, inventory management, picking and packing, etc.

One company is a retail chain operator of hundreds of stores (half of them located in Lithuania). The company has not developed its own transport, but uses the services of companies operating in road, sea and sometimes air transport. The company is the owner of a central warehouse, supporting distribution to all countries.
Table 4.8.

**LITHUANIAN STAKEHOLDERS COVERED BY THE STUDY**

<table>
<thead>
<tr>
<th>Origin of company’s capital</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lithuanian companies</td>
<td>6</td>
</tr>
<tr>
<td>International companies</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of activity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical works</td>
<td>3</td>
</tr>
<tr>
<td>Retailers</td>
<td>1</td>
</tr>
<tr>
<td>Passenger rail transport company</td>
<td>1</td>
</tr>
<tr>
<td>Transport and freight forwarding</td>
<td>8*</td>
</tr>
<tr>
<td>Specialised transport</td>
<td>4</td>
</tr>
<tr>
<td>Multimodal transport</td>
<td>5</td>
</tr>
<tr>
<td>Manager of the transport infrastructure</td>
<td>1</td>
</tr>
</tbody>
</table>

*Two of the chemical companies are owners of freight wagons.

**CURRENT INTEREST IN THE RAIL BALTICA CONNECTION**

Current interest in Rail Baltica is very low – due to the lack of a connection based on the European track gauge. A special barrier indicated by the respondents is inaccessibility (or poor accessibility) to the Polish border. The section of rail between Kaunas and Trakiszki was built only partially and is not equipped with appropriate terminals. As a result, the two largest users of rail (in the survey) use road transport to/from Poland or rail connections through Belarus. One of these companies declared interest in using Rail Baltica as a connection to Šiauliai if a specialist terminal were built.

“Train Saule” (The Sun) is an example of a role that Rail Baltica may play between Kaunas and Poland. The container train from China (carrying electronic equipment) reached Lithuania in 13 days (Oct.-Nov. 2011) and then went through Poland to Western Europe (Antwerp, Belgium). At the moment rail transportation seems to be more of a one-time event, but in the future it will be possible to establish a regular connection between China through Kaunas logistics centres to Rail Baltica. As Lithuanian Railways have stated, in the future “the freight [from China] would be transported further to the West through Poland by trains or trucks, or shipped from Klaipeda State Seaport”.


This plan seems to be strongly supported by Lithuanian politicians as well as the governments of China and Kazakhstan.26

Table 4.9.

**POTENTIAL interest in RAIL BALTICA in LITHUANIA**

<table>
<thead>
<tr>
<th>Details</th>
<th>Number of companies</th>
<th>Interest in RB</th>
<th>Operational independence</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company’s capital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lithuanian companies</td>
<td>6</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>International companies</td>
<td>4</td>
<td>Yes</td>
<td>Limited</td>
</tr>
<tr>
<td><strong>Type of activity</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Industry / Manufacturing</td>
<td>3</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Retail</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Passenger transport</td>
<td>1</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Transport and freight forwarding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specialised transport</td>
<td>4</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Multimodal transport</td>
<td>6</td>
<td>Yes</td>
<td>Limited</td>
</tr>
<tr>
<td>Manager of transport infrastructure</td>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Table 4.10.

**CURRENT use of RAIL BALTICA in LITHUANIA**

Only one of the respondents uses Rail Baltica occasionally between Kaunas and Trakiszki. E–W: Moscow–Klaipeda, Lithuania–Kazakhstan and (in two opinions) –China were the key connections highlighted for Lithuania. The possibility of establishing a connection between Poland and Germany is not deemed a key feature for the business.

Interest in the project is shown by all the respondents, however, its level varies between them. Usage of the connections depends on a number of factors.

EXPECTATIONS OF RAIL BALTICA

The Rail Baltica connection must be competitive in terms of the transportation capacity offered by other means of transport. A number of criteria showing the competitiveness of rail were given. Cost and time of transportation were amongst the most frequently mentioned. It is difficult to determine which of these two elements is more important, as this depends on the characteristics of the goods transported and on the stakeholder’s expectations. For some cargoes it is time that matters the most, for others it is the price. The RB connection should offer a good duration of transportation at an affordable price.

Some of the most important elements that should characterise the RB solution are simplification and unification of transport documentation, decreased bureaucracy together with transparency. IT solutions should enable cargo tracking.

An important feature pointed out by the respondents is providing safety for the cargo so that it reaches its destination within the given timeframe and without any damage. The best way to meet this demand would be to eliminate the number of reloadings to the point where the cargo can reach its recipient in the same freight wagon it was sent in, i.e. the cargo should be transported in one freight wagon from Italy to Russia securely in the fastest way possible.

It was assumed that the time of travel will prove to be an important factor for RB’s competitiveness. This hypothesis was confirmed by all the respondents. There are, however, certain guidelines regarding both the expected time of travel on certain routes as well as the train’s speed:

- on the Italy/Spain–Lithuania route: 5 days
- on the Kaunas–Berlin route: 48 h at the most, usually 15 h
- on the Tallinn-Vilnius route: 4–5 h, Tallinn-Kaunas: 3 h “in extraordinary circumstances”.

Terminals operating on RB should be of rail-to-road character. Among them there should be terminals which would enable the reloading of specialised goods, which will result in the need for the construction of new complexes. Kaunas and Šiauliai are among the proposed locations.
Table 4.11.

**MOST IMPORTANT FEATURES SUGGESTED FOR RAIL BALTICA**

- ✓ time / speed
- ✓ accessibility; ‘door-to-door’ delivery free from reloads
- ✓ quality
- ✓ volume
- ✓ cargo safety

The respondents pointed to their lack of knowledge concerning the RB project. There is a need for information to be provided on the project, the solutions it offers as well as potential benefits and capabilities.

**PASSENGER TRANSPORTATION**

Only one of the respondents operates passenger routes, however, statements on this particular aspect were given by 2 of the respondents. The need to facilitate passenger transportation between Lithuania, Latvia and Estonia was pointed out. It was also said that RB can influence the creation of a new connection between Warsaw and Vilnius with 5-hour travel duration. The current time of travel on the Kaunas–Berlin route (20 h by bus) was mentioned, and does not seem competitive in comparison with the capabilities of rail travel.

The condition of the passenger rolling stock has been emphasised: “*from the 50 passenger trains, only about 10% were acquired in the past 5 years. The majority is over 25 years old*”. An exchange of old stock is planned, however, passenger transportation is deemed ineffective and in need of additional funding from other enterprises or the government.

**COOPERATION AND COMPETITION OF PRIVATE SECTOR ENTITIES IN LATVIA**

The respondents show little interest in networking. Subcontractors and permanent co-operators are listed among the key networks, although they do not have official status. None of the respondents declared that they belong to a cluster. Neither do the companies of the transportation sector declare their readiness to cooperate with competitive companies. A common exchange was: “Interviewer – *What is the reason for not cooperating with other companies from the transport market?* Respondent – *Because we don’t need it!*”
Engagement in cooperation networks is declared by Lithuanian Railways, which is a member of the Community of European Railways (CER) and Union of Railways (UIC). Among the private companies, only one declares membership in a business organisation – FIATA (International Federation of Freight Forwarders Association). Declared memberships are either industrial (chemical industry) or general business (Lithuanian Business Confederation, a member of the International Chamber of Commerce [ICC] has been mentioned).

Cooperation with educational institutions is maintained only by two of the respondents (“we support the technical universities to have the engineers to work for us later”, “internships”, “scientific studies and analyses”).

The unavoidable cooperation with state-run railways was pointed out in relation to the public sector. These are described as inflexible in many aspects, including their tariffs. In the case of one respondent, cooperation with the local community, in the scope of locations where the company maintains their technical infrastructure, was mentioned.

Relationships with public institutions are mentioned only in terms of formality. A public-private partnership does not occur (“no legal acts to do so in Lithuania”).

Table 4.12.

**Networking of the Lithuanian companies**

- usual business cooperation with suppliers
- trade associations (transportation and freight forwarding) – one company
- trade associations (rail, chemical works)
- Chamber of Commerce (2 respondents)
- public administration (2 respondents)
- universities (2 respondents)

**Importance of RB for Lithuania and its enterprises**

The respondents point out that RB may play an important part in the economic and social scope in Lithuania. It can also be of great importance to one large manufacturer. In the current context it is believed that the connection does not exist or that it is in its experimental stage (exclusively the section between Kaunas and Poland – for the need of transit cargo from China).
At present, the respondents believe that the majority of imports take place on the routes between Klaipeda and Russia (Moscow), as well as in Central Asia. Places of a northern direction seem to be of lesser importance. Countries which are deemed to be the possible clients of RB are the countries of Western Europe and, to a lesser degree, Southern Europe. However, the respondents also mention the following countries: the Netherlands, Italy, Belgium, Bulgaria, and Greece. It has to be emphasised that RB south of Lithuania is not considered as separate, as is the Lithuania–Warsaw–Berlin route, but it is deemed as a connection to many parts of Europe. It requires consideration of the functionality of the product in terms of choice of direction and organisation of transports on a proper scale, especially in the southern direction.

Opinions on the social effects of the projects are, overall, very varied and general (e.g. “I think it will bring benefits”). This corridor will be used by all, as it will open up new possibilities to the citizens and will contribute to the overcoming of existing transport barriers. This will result in an increase in foreign trade turnover as well as will trigger an increase in tourist traffic. Moreover, it will widen the possibilities of economic activity, increase levels of employment, make profit, etc.

It will be important for the EU countries to reach independence from Belarus, as transit through this state involves great costs.

Additionally, it is believed that transportation with the European track gauge can benefit the fuel safety of Lithuania and other countries. What is meant by this is the possibility of delivering enough raw materials (petroleum) to sustain appropriate reserves (obligatory in the light of European regulations).

Table 4.13.

**CURRENT AND FUTURE SIGNIFICANCE OF RAIL BALTICA (LITHUANIA)**

<table>
<thead>
<tr>
<th>Current importance of Rail Baltica</th>
</tr>
</thead>
<tbody>
<tr>
<td>not great for the state and its enterprises</td>
</tr>
<tr>
<td>most important connection: Klaipeda port–Kaunas–Vilnius–Russia and Asia</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Future importance of Rail Baltica</th>
</tr>
</thead>
<tbody>
<tr>
<td>easier access to the sources and market within Western Europe</td>
</tr>
<tr>
<td>increase in transit to Russia (together with an increase in competitiveness with Belarus)</td>
</tr>
<tr>
<td>economic development together with an increase in job posts</td>
</tr>
</tbody>
</table>
**Influence of business entities on RB and the transportation system**

Two of the companies questioned admit that they have a significant influence on the Lithuanian transportation system. This results from the scale of operations, including the scale of transported cargo using their own freight wagons, which amounts to over 1000. Their diversification could result in significant changes within the state in terms of the demand for the transportation services. It would also influence the level of utilisation of the rail/wheel roads.

Four companies indicate that they intend to buy/lease their freight wagons. One states that there are not enough freight wagons in Lithuania. Another points out that the condition of the freight wagons is inadequate. It follows that the development of a transportation system will take place provided that a sufficient number of rolling stock will be purchased.

Two companies declare that the construction of reloading terminals is a possibility.

**Respondents’ vision of RB**

The research included statements from the respondents concerning what their expectations of the connection were, which means they were asked to attempt to describe an ideal model of RB which would set aims for its future development.

**Table 4.14.**

**Ideal model of Rail Baltica (Lithuania)**

- ✔ will offer better possibilities to choose from with regards to the modes of transportation
- ✔ more than likely – it will save time
- ✔ will enable price cuts in supply (2 respondents) and retail (2 respondents)
- ✔ will facilitate the connection between Poland and Western Europe
- ✔ will facilitate the development of relations with China

In one of the later questions the respondents were asked to describe the requirements RB should meet in order for the responding company to use it. The factors already mentioned previously in terms of factors needed for RB success, such as competitive price, reliability/safety, easy access, time of travel, etc., were listed here. RB must be competitive in comparison with the other means of transport.

It must be mentioned here that not all of the respondents knew exactly what RB is.
No comprehensive vision results from the interviews, it is only a list of demands, and usually very general ones.

### 4.4. Poland

As with the other countries in which the research took place, there were 10 in-depth interviews conducted with Polish companies.

#### Table 4.15.

**Polish stakeholders covered by the study**

<table>
<thead>
<tr>
<th>Origin of company’s capital</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies with Polish private capital</td>
<td>2</td>
</tr>
<tr>
<td>Companies with State Treasury’s capital</td>
<td>6</td>
</tr>
<tr>
<td>International companies</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of activity</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railway construction works</td>
<td>1</td>
</tr>
<tr>
<td>Transportation and freight forwarding</td>
<td>9</td>
</tr>
<tr>
<td>Specialised road transport</td>
<td>1</td>
</tr>
<tr>
<td>Specialised rail transport</td>
<td>1</td>
</tr>
<tr>
<td>Multimodal rail transport</td>
<td>5</td>
</tr>
<tr>
<td>Port enterprise</td>
<td>1</td>
</tr>
<tr>
<td>Manager of transport infrastructure</td>
<td>1</td>
</tr>
</tbody>
</table>

The first company (1) was a logistics operator interested in the organisation of large volumes of cargo transport by rail, such as coal, metallurgy and metal works, timber, aggregate, construction materials, chemical works, fuels, and fertilisers. The company is also interested in intermodal transport, particularly of containers from seaports. The company was founded in 2000 as a result of the restructuring of a state-owned, monopolised rail carrier. A total of 100% of shares belong to the largest commercial rail carrier, which belongs to the State Treasury. The company offers freight forwarding and logistics services within the state as well as abroad. They own a network of branches and agencies, reloading terminals, warehouses, storehouses, and rolling stock.
The second company (2) is a specialised carrier and freight forwarder of cars, trucks and delivery vans. Deliveries are usually organised by road transport, although rail transport is also used depending on the destination and the recipient’s expectations. The company is also involved in a number of activities connected with transported cargo, such as service, warehouse and logistics services. The company is the owner of a specialised rolling stock and in times of need it cooperates with a wide network of carriers. It offers its clients two warehouse terminals located in the eastern and central part of Poland. The company was founded in 1990 and has been developing on state private capital since. Currently, it serves as the headquarters of a capital group with companies in Germany, Russia and Great Britain.

The third company (3) which was interviewed specialises in constructing complexes for the use of transport, such as railway stations and railway route segments, tram and rail tracks, roads and other complexes of road and rail engineering, electrical grids, traffic and street lights, etc. The company was founded in the 1990s and was primarily privately owned, later it functioned as an LLC company. It is currently a part of a large Polish capital group specialising in construction works and is present on the Warsaw Stock Exchange.

The fourth (4) company started its operations with the forwarding of chemical works in the early 1990s. In the second half of the last decade it acquired its own rolling stock. In a few years it became the largest private logistics company within rail transportation. It owns its own rolling stock, including a few thousand freight wagons, modern multi-system locomotives, reloading terminals, customs agencies, etc. The company delivers solid fuels, aggregate, liquid fuels, metallurgy, chemical works and fertilisers. The possibility of international transportation without the need to swap trains can be perceived as sensational. The company has branches in Romania, the Czech Republic, German and Ukraine. Currently, 75% of the company’s goods are owned by a private equity investment group that invests in medium-sized companies, which are leaders in their industry and are able to develop in cooperation with a team of managers.

The further three interviews (5, 6, 7) were carried out in the branches of a company which is the largest commercial carrier and freight forwarder in the state. They service approximately 56% of the commercial freight in Poland. The company was created as a result of the restructuring of a company which was previously both the owner of the infrastructure and the operator carrying both cargoes and passengers.
Control is maintained by the State Treasury. The company is one of the largest operators offering complex logistics and carrying services in Europe, operating within the state as well as abroad, and is the second largest European carrier. The company is the headquarters for the capital group, which holds shares in many companies both within the state and abroad. The company owns its own rolling stock for cargo transportation (over 2,600 locomotives and 68,000 freight wagons) as well as logistics centres and terminals located in many cities within the country. As a carrier the company is involved in the transportation of various types of loads, while the transportation of brown and hard bituminous coal, stone, metals and metal works, fertilisers, concrete and timber constitute the largest group. Intermodal transportation within the company is a relatively large and constantly growing part of the business.

The eighth respondent (8) was a representative of the management of a large seaport. The board of directors is a public service entity which is owned by the State Treasury and the commune within which it is located. The board manages real estate and a port infrastructure that provides a suitable standard of cargo handling. Operative functions are carried out by different operators according to the principle of division between management and exploitation. The port is a modern one of a universal character. It specialises in unitised cargo carried in containers and in the RO-RO (Roll On – Roll Off) system. Handling of the container cargoes takes place in the terminals. The port also owns mechanical equipment for mass reloading.

The ninth respondent (9) was a representative of a company managing the state rail infrastructure. The company manages over 19 thousand kilometres of railway lines, with over 37 thousand kilometres of railway tracks, as well as junction and crossing infrastructure, engineering complexes, buildings and accompanying buildings. The manager of the infrastructure provides access to commercial and passenger carriers for use according to the principle of equal access. The company also maintains and modernises the railway lines. The company was founded as a result of the restructuring of the Act on Commercialisation, Restructuring and Privatisation of the State-Owned Rail Enterprise, which separated the function of the infrastructure manager from the commercial and passenger carriage operator. The State Treasury owns the company and outlines the operations strategy.

The tenth and final respondent (10) represented a railway operator of container trains running between container terminals located in the ports of Germany and the Netherlands and the recipients in Poland and Eastern Europe.

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27 Polish “gmina” – the lowest level in an administrative division of the state.
The company was founded in the early 1990s primarily with the participation of the Polish State Railway Operator, which was later replaced by the Polish state entity designated for the realisation of commercial transportation. The entity currently holds 33% of shares. The remaining shares belong to two foreign companies. The company owns four terminals and uses another four within Poland. It has its agencies in Russia, Ukraine, Georgia, Azerbaijan, Mongolia, Afghanistan, South Korea, the USA and South America. A wide range of contacts enables it to organise international transports by rail with Baltic countries, and thanks to the terminal in Sławków (near Katowice) there is no need of changing to the Russian track gauge.

**Identification of Rail Baltica stakeholders in Poland**

The company dealing with railway construction works only occasionally uses transportation means, also depending on the demand. The directions of transport depend on the location where the building materials were purchased as well as on the location of the construction works. The company uses all means of transportation in order to supply construction sites with concrete, aggregate, reinforced steel, construction timber, isolation materials and construction materials. The decisive factors are usually the reliability (punctuality) of transport, accessibility, and price of transportation. The element of time is the least important. As the company specialises in construction works connected with the rail infrastructure, it is interested in the RB project as a potential contractor or subcontractor of the investment projects to be carried out. In the case of transportation of prefabricated construction works or large elements of building equipment, the decisive factor in terms of the means of transportation are the parameters of the element to be transported. Due to the company’s specialisation, a large amount of equipment and supplies are carried by rail. The respondent possesses extensive knowledge about the project and sees it as a potential source of profit in the future.

The company concerned with car transportation presently mostly uses its own and leased road transport. Occasionally they transport their cargoes by rail, as it represents a good alternative to the usual means and sparkles interest or is accepted by the car cargo owner. The respondent has shown large interest in the RB project. They believe that the creation of a sound, reliable, safe rail connection will provide a better and cheaper alternative to car transportation. According to this company, RB has to be, however, competitive with other means of transportation (in this case particularly with road transportation).
All of the freight forwarding and carrier companies (6 in total), despite the character of their ownership, are mainly using rail transportation for the cargoes they handle. Some of them specialise in multimodal or specialised transport, which does not influence their attitude towards RB.

Some of them already use sections of RB and do not see it as a threat to their business. All of those who belong to this group of respondents believe that RB will enable further development of their companies by providing a way to start new connections between Western and Southern Europe and the Baltic countries together with Russia and Asia.

The companies owned by the State Treasury spoke on their own account, however, at the same time they represented the public interest. Due to their significance, they are an important voice in the discussion on RB. The port enterprise uses sea connections with ports within the RB area, such as Riga and Tallinn. Its strategic goal is to operate in its vicinity, understood as the area south and east of the port. This enterprise is against RB development if it meant that the port would lose part of its cargo to rail. The connection should contribute to an increase in the turnover of ports located within the area of RB operations.

The State Treasury and the commune are the owners of this company, however, due to its national significance, its voice is important and the political and decisive circles of the state are concerned with the success of its business.

Table 4.16.  
**Potential interest in Rail Baltica in Poland**

<table>
<thead>
<tr>
<th>Details</th>
<th>Number of companies</th>
<th>Interest in RB</th>
<th>Operational independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies’ capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Companies with Polish private capital</td>
<td>2</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>State-owned companies</td>
<td>4</td>
<td>Yes</td>
<td>Limited</td>
</tr>
<tr>
<td>Companies with State Treasury’s capital</td>
<td>1</td>
<td>No</td>
<td>Limited</td>
</tr>
<tr>
<td>International companies</td>
<td>2</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
The manager of the rail infrastructure is responsible for, among others, development and reconstruction investments in the scope of the state rail infrastructure. The manager has interest in having a functional and modern infrastructure and, despite the territorial restriction it lies within, its interest is in having the whole line function efficiently since this is what the company’s profits depend on. The company would probably be the investor in the Polish sections of the rail connection and it would manage the part which lies within the state. The Manager belongs to the State Treasury, so its decision-making independence is limited and restricted to usual operations management. All decisions regarding the strategy are made by the governmental administration.

**Current interest in the RB connection**

All but one of the respondents expressed their potential interest in using RB. All had some knowledge about the project and were able to identify it. According to them, success of the project will mostly depend on the conditions which will be created by the infrastructure, especially the cost of transportation, time, quality of infrastructure and technical equipment, including its IT level.

RB should not only create technical opportunities, but it should also be a real economic alternative to other transportation options, especially to road and sea transportation.
Table 4.17.

**Current use of Rail Baltica (Poland)**

Some of the respondents already use some sections of RB. The most important connection is the one between Western Europe and the Baltic countries – Finland and Russia as well as with the countries of Central Asia.

The respondents not only show interest in the project, but also express enthusiasm towards the possibilities it would create for cargo transportation and their profits. However, particular cargo streams have to exist in order for transports to be gained, which would ensure the investment’s economic profitability.

In the scope of passenger transportation on the RB routes, only one statement was given by the rail infrastructure operator. They, however, are not a passenger carrier in rail transportation. They pointed to the current lack of rail connections on the forecasted route.

**The respondents’ expectations concerning RB**

All of the respondents emphasised that the RB connection must be competitive with other means of transportation. Amongst the criteria of competitiveness – accessibility, flexibility, quality of infrastructure, speed (commercial speed of above 50 km/h), and cost and time of transportation of goods were listed. The technical solutions of RB should provide possibilities for fast transportation without the necessity of re-loading cargo connected with the difference in the track gauge. The RB connection should ensure good time of travel at a reasonable price.

One of the demands was facilitation and unification of transport documentation as well as a decrease in unnecessary bureaucracy. Modern technical and IT possibilities should enable cargo tracking and ensure its safety in reaching its destination in the agreed time and without any damage.

The terminals operating on RB should be accessible to all types of transportation as well as adjusted to service high volumes of cargo. All of the interested freight forwarders, operators and carriers must have guaranteed access to the infrastructure on equal terms.
Desired features of RB

The respondents had extensive knowledge of the RB project. Some of them participated in various meetings and conferences regarding the matter, and even participated in the drawing up of documents necessary for its construction. According to the representatives of the companies participating in the research, culture issues are favourable for rail connections, as, until recently, rail used to be the main means of passenger transportation. There must be a drastic change in the quality of services offered by the passenger carriers for the latter to choose rail instead of cars and planes.

Table 4.18.

Most important features suggested for Rail Baltica

- high quality of infrastructure and supporting equipment
- profitable volume of cargo
- unified track gauge on the entire route
- time of delivery
- regularity of connections
- speed
- reliability
- flexibility – different types of cargo
- safety
- accessibility
- facilitation and unification of transport documentation

Cooperation and competition of the Polish private sector entities

The respondents reported that their companies are members of many types of organisations and societies. Mostly, these were industry organisations of freight forwarders and transport agents, as well as state and international chambers of commerce. Cooperation with the public sector is quite intensive; however, it is regulated by the structure of ownership of the companies participating in the research. All of the respondents emphasised cooperation with educational bodies and universities.

They use this educational potential not only in the scope of improving their employees’ skills, but also in various research projects concerning technical, organisational or economic solutions. Some of them praise themselves for their cooperation in research on various issues connected with RB.
Areas of cooperation of Polish companies

The respondents had wide and elaborate private-public sector cooperation. The companies also cooperate as a part of business organisations and clusters, as well as business relations.

Table 4.19.

Networking of Polish companies

- state and international industry associations
- business as well as state and international economy organisations
- central and local governmental administration on various levels
- technical and economic universities
- B2B cooperation

The respondents believed that they have a wide network within the industry, with countries located to the west and south of Poland. They pointed to the possibilities of partnership development which may result from RB in the scope of increasing cooperation with the Baltic countries. RB will open up new possibilities for the transportation and freight forwarding companies. It will improve cargo transportation of goods manufactured within those countries.

Significance of RB for the state and its enterprises

All of the respondents point to the fact that currently RB has very little meaning in the economic and social life of the country as it is still at a planning stage. This view is shared even by the companies which already use some sections of RB up to the Polish and Lithuanian border. The volume of cargo which are being transported on this route, is so scarce that they do not guarantee economic and financial profitability of the project.

The East-West and North-South transport corridors are very important to Poland since they guarantee the transportation of goods through the territory of Poland. RB should create an additional cargo stream as a result of stimulating a change in the structure of the means of transportation in favour of rail, and mainly against road transportation.
RB is even currently perceived as a very important connection which will strengthen the E-W and N-S transport corridors. Everyone will benefit from the development of these corridors since it will open up new business possibilities contributing to the breaking down of existing barriers in communication.

The project will result in an increase in transit turnover within Poland through an increase in foreign trade of the Baltic countries. It will also result in an increase in interest in the whole region in terms of tourism. RB will increase economic activity capabilities, employment, profit, etc. Construction of the connection may also contribute to the revival of economies affected by the crisis through creating new job posts resulting from construction and later servicing of the connection.

**Significance of RB for the Polish economy**

Poland, thanks to the project, will become an even more important transit country between the east and west as well as between the north and south of Europe. There will be a significant advancement in the rail infrastructure on long distances, which will speed up implementation of improvements in the scope of technical solutions and rail and logistics organisation.

Table 4.20.

**Current and future significance of Rail Baltica (Poland)**

<table>
<thead>
<tr>
<th>Current significance of RB</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔️ large potential meaning for the state and enterprises</td>
</tr>
<tr>
<td>✔️ most important connections: East–West and North–South</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Future significance of RB</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔️ facilitation in transportation of cargo in the latitudinal and longitudinal directions</td>
</tr>
<tr>
<td>✔️ new business opportunities</td>
</tr>
<tr>
<td>✔️ increase in commercial and passenger transportation volumes</td>
</tr>
<tr>
<td>✔️ development of tourism</td>
</tr>
<tr>
<td>✔️ economic growth and new job opportunities</td>
</tr>
</tbody>
</table>
The respondents were asked about the weaknesses and strengths of the project. A majority of the respondents stated that it was currently difficult to speak of the problems since it is still only a project. It follows from the answers given that the strengths of RB can be seen in the:

- high quality and modernity of the infrastructure
- speed and low costs
- possibility of transporting cargoes without the necessity to reload
- one track gauge and unified transportation and documentation standards
- creation of safe and green options of transportation.

The weaknesses mentioned were the:

- fact that the route avoids Polish ports
- volume of cargo needed to ensure its economic functionality.

**Respondents’ vision of RB**

The research included statements from the respondents concerning what their expectations of the connection were, which means they were asked to try and describe an ideal model of RB which should set the aims for its future development. It has to be emphasised that all of the respondents were aware of what RB is.

**Table 4.21.**

**Ideal model of Rail Baltica (Poland)**

- facilitation of connections between E-W and N-S
- will represent the best possible level of technical solutions and services
- will increase the transit of cargoes
- will include connections with Polish ports
- will enable transportation of cargoes within one track gauge and on unified documentation on the entire route
- will contribute to cuts in cost and time of transportation
- will provide a good combination of time and costs
- will be a good and attractive alternative to other means of transportation
- will have a large number of easily accessible and universal terminals.
The respondents focused on the increase in transit possibilities within Poland and the possible increase in their own share in the market. This is the most important task for RB according to the Polish respondents. In one of the later questions the respondents were asked to describe the requirements RB should meet in order for the responding company to use it. The factors already mentioned previously in terms of factors needed for RB success, such as available volume of cargo, high level of technical and organisational solutions, flexibility, competitive price, reliability, easy access, time of travel, etc., were listed.

4.5. Germany

The research was based on interviews among 10 companies, mainly from the transport and logistics sector. Two of the above-mentioned companies are privately owned logistics service providers. Most of them deal with general cargo of all types and only one service provider dedicates its resources to a specific industry product. The companies use all modes of transportation: road, rail, sea and inland waterway transport.

The origin of an intermodal company is typically German, but it also operates in other countries. The main area of the company’s activities is the intermodal transport of containers from German seaports in other directions as well as operating intermodal (rail-road) terminals.

One respondent is a coach carrier whose main focus is on the bus transport of passengers. The company’s main directions are West and South Europe. Another entity, which is a transport association, deals only with planning and regulating passenger transport at a regional level in the area of one of the German agglomerations. The entity does not own any transport equipment but works with operators of all means of public transportation. Its main task is managing timetables and the promotion of public transportation. The rail carrier operates in the area of both cargo and passenger transport. The company operates in all directions, the eastern direction is the least exploited. The main reason for this is the poor infrastructure in the East which does not allow travelling at a maximum speed and, therefore, is inconvenient for passengers. The company’s main goal is the passengers’ convenience.
Table 4.22.

**German stakeholders covered by the study**

<table>
<thead>
<tr>
<th>Origin of the company’s capital</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies with German capital</td>
<td>8</td>
</tr>
<tr>
<td>International companies</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of service (activity)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport and shipping</td>
<td>10</td>
</tr>
<tr>
<td><em>Logistics service provider</em></td>
<td>5</td>
</tr>
<tr>
<td><em>Intermodal</em></td>
<td>1</td>
</tr>
<tr>
<td><em>Transport association</em></td>
<td>1</td>
</tr>
<tr>
<td><em>Road carrier</em></td>
<td>1</td>
</tr>
<tr>
<td><em>Rail carrier</em></td>
<td>1</td>
</tr>
<tr>
<td><em>Bus carrier</em></td>
<td>1</td>
</tr>
<tr>
<td>***</td>
<td></td>
</tr>
<tr>
<td><em>Cargo</em></td>
<td>7</td>
</tr>
<tr>
<td><em>Passenger</em></td>
<td>2</td>
</tr>
<tr>
<td><em>Both</em></td>
<td>1</td>
</tr>
</tbody>
</table>

Logistics service providers support the manufacturing companies in the field of transportation of their products, freight forwarding and logistics. The directions in which they most often move goods depend on their customers’ trade relations. The main factors that influence the choice of mode of transportation are reliability, flexibility, time and price. One of the companies dedicates its resources mainly to one customer, which is a related capital customer. The rail carrier is the leading rail company in Europe. The company provides transportation services for cargo and passengers in many directions. The company’s influence on transportation processes is very strong.

The bus carrier operates bus services in many directions, however, it is mainly focused on West- and South-European routes. The company cooperates with other bus carriers in the field of ticket sales. Rail Baltica will not be used by the carrier, however, they are slightly concerned about the project as passengers might switch to rail if they receive a convenient, fast and cheap connection.

The truck carrier used to offer only road transport services but is currently trying to switch to intermodal transportation. The company has extensive experience in using intermodal ferry connections and is working to increase the use of rail connections.
Therefore, Rail Baltica is seen as an interesting opportunity by the company. The intermodal operator is mainly based both in Germany and in Poland. Its main activity is organising the movement of containers door-to-door from German seaports to the East – mainly to Poland and further to the East – especially in the direction of Russia, Central Asia, the Baltic States, the Czech Republic and Slovakia. The company is dependent on the customers’ choice of transport mode but tries to influence their decisions by convincing customers to choose the intermodal connection.

Table 4.23.

**Potential interest in Rail Baltica in Germany**

<table>
<thead>
<tr>
<th>Specification</th>
<th>Number of companies</th>
<th>Interested in RB</th>
<th>Operational independence</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company’s capital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Companies with German capital</td>
<td>8</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>International companies</td>
<td>2</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Type of activity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport and shipping</td>
<td>10</td>
<td>Yes/No</td>
<td>Yes</td>
</tr>
<tr>
<td>Logistics service provider</td>
<td>5</td>
<td>Cannot tell</td>
<td>Yes</td>
</tr>
<tr>
<td>Intermodal</td>
<td>1</td>
<td>Cannot tell</td>
<td>Limited</td>
</tr>
<tr>
<td>Transport association</td>
<td>1</td>
<td>Yes (Specific)</td>
<td>Yes</td>
</tr>
<tr>
<td>Truck carrier</td>
<td>1</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Rail carrier</td>
<td>1</td>
<td>Yes (Limited)</td>
<td>Limited</td>
</tr>
<tr>
<td>Bus carrier</td>
<td>1</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cargo</td>
<td>7</td>
<td>Yes/No</td>
<td>Yes</td>
</tr>
<tr>
<td>Passenger</td>
<td>2</td>
<td>Yes (Specific)</td>
<td>Limited</td>
</tr>
<tr>
<td>Both</td>
<td>1</td>
<td>Yes (Limited)</td>
<td>Limited</td>
</tr>
</tbody>
</table>

The last entity is a transport association which manages public transport in the region of one of the German agglomerations. The main task of the entity is designing timetables.
They are interested in Rail Baltica but passively. Despite the fact that a short part of the Rail Baltica line is located where they are situated, they do not plan to use the RB route. However, they do expect some new passenger flows thanks to a new, direct, cheap and convenient connection with the East.

**Current interest of respondents in the RB network**

The German companies’ interest in Rail Baltica is rather low. The respondents admitted that, in general, they do not operate this direction because of the low demand for such transport. They might be interested in it in the future, but at the moment they do not have any detailed information on the line’s parameters and cannot predict their future interest in the project. The bus carrier is not interested in Rail Baltica as a potential user, however, they are paying attention to the project’s development as rail transport is their competition. The transport association is also interested in the project, but rather as an observer. Because of the type of its activity, it cannot become a user of Rail Baltica, but if the connection becomes attractive to the passengers, then it may result in more people coming to its area and using public transport.

Most of the companies are mainly focused on developing west and south connections. However, they expressed a potential interest for the future if Rail Baltica were to fulfil all the requirements of reliable, fast and cheap transportation. They would then have to cooperate more with the countries on the RB line.

**Table 4.24.**

**Current use of Rail Baltica (Germany)**

The respondents generally are not using any parts of Rail Baltica. They are more focused on other directions. In the eastern direction they need a good connection with Russia and Ukraine. The direction from Germany to Moscow is served by sea transport (via St. Petersburg or seaports in the Baltic states). Some companies use the connection to Poland.

Some respondents declared interest in the project but on a different level.

**The respondents’ expectations of RB**

An analysis of the expectations towards the Rail Baltica project should start with a review of the expectations towards transport in general and the overall opinion of the entities on rail transport.
Differently than in the other researched countries, the entities in Germany put more emphasis on environmental issues. They pay more attention to the carbon footprint and want to use environmentally friendly ways of transporting goods. However, when it comes to business issues, they mention that their choices are made by taking into consideration such factors as reliability, timeliness, price and speed. However, they mention the environmental issues as a beneficial feature of rail transport and also of the future of Rail Baltica. Another factor is the timeliness and reliability of shipment, which is a result of just-in-time deliveries made by those entities. These factors are evaluated as the most important ones, immediately next to price and speed. Other factors include availability, energy consumption, regular connections and frequency.

Table 4.25.

**MOST IMPORTANT FEATURES SUGGESTED FOR RAIL BALTICA**

- [✓] reliability
- [✓] timeliness
- [✓] price
- [✓] speed
- [✓] regular connections
- [✓] carbon footprint
- [✓] easy and fast transshipments
- [✓] safety and security
- [✓] accessibility
- [✓] simplified and standardised documentation

When asked about the factors that might influence the attractiveness of RB, the respondents answered that they should have information about what RB offers and then they can discuss this issue. The respondents pointed to the fact of having very little knowledge about the Rail Baltica project. There is a significant need to inform these companies about the project, its solutions, potential benefits and possibilities. The price should be competitive in comparison with other means of transport. The respondents mentioned some examples, e.g. the price of RB must be similar to road transport (Tallinn–Berlin, approx. €60 per tonne, Warsaw–Berlin €26 per tonne). If the price is to be higher, then Rail Baltica should be more reliable and more punctual than the other means of transport.
Speed is also important. For cargo this should not be slower than the speed of a car, which moves with an average speed of 60 km/h. For passenger transport, the speed must be very high – at least 160 km/h. One of the respondents even mentioned 220 km/h, as 160 km/h is usually achieved in the regional connections. Some respondents also mentioned accessibility of terminals, which should not be further than 40 km for the customer.

Asked for the cultural changes that are vital for making rail transport more attractive, the respondents mentioned environment protection awareness. They also pointed to the need for more information about the benefits of rail in passenger transport – while on a train passengers can work or concentrate on other activities, which would be impossible while driving a car.

**Cooperation and competition of the private sector in Germany**

The respondents state that their enterprises constitute a part of different types of organisations and associations. These are mostly organisations focused on an enterprise’s particular kind of activity.

Most of the respondents that mentioned cooperation with the public sector were satisfied with it. They mentioned that they received some kind of support for their activities. Cooperation with universities and the education sector is based mainly on common research or research carried out by university teams for the respondents. Internships are another field of cooperation.

Table 4.26.

**Networking of German companies**

- branch associations
- business and economic organisations
- administration on different levels, including PPP
- universities
- clusters
- subcontractors
- counterparts in other countries (alliances, cooperation)
- equity affiliates in other countries
The interviewed respondents have extensive and developed contacts with companies from the private sector. They cooperate both within the framework of business organisations and clusters as well as within the business relationship. Usually such cooperation is based on relationships with subcontractors for specific business purposes and there are no commonly developed strategies. The rail companies cooperate with similar companies from other countries to make all of the connections work. The bus carrier cooperates with counterparts from other countries also in the field of common sales of tickets. Most of the companies keep close relationships and cooperate with their affiliates from other countries.

**The significance of Rail Baltica for Germany and enterprises**
The companies mentioned the small importance of Rail Baltica for them and the country of Germany. The importance of RB will not be greater if there is cargo to be transported both ways. If the demand is only one way, rail transport will not be competitive.

**Table 4.27.**

**Current and future significance of Rail Baltica (Germany)**

<table>
<thead>
<tr>
<th>Current significance of Rail Baltica</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ currently not of great importance to countries and businesses</td>
</tr>
<tr>
<td>✓ most important route: Germany–Poland, Germany–Russia (Moscow, St. Petersburg)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Future significance of Rail Baltica</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ maybe will be significant in the future, difficult to tell at the moment</td>
</tr>
<tr>
<td>✓ development of tourism</td>
</tr>
<tr>
<td>✓ might be useful if it will provide a good, regular and reliable connection to Russia</td>
</tr>
</tbody>
</table>

The rail Baltica is seen as a connection to the Baltic states. The respondents said they do not use the Rail Baltica line at all, but mentioned that one of the directions they might use the rail connection for would be central Poland.
The respondents were also asked about some of Rail Baltica’s strengths and weaknesses. The members of the companies found that answering this question was very difficult as the product does not yet exist. They were, however, able to name some of Rail Baltica’s strong and weak points.

**Strengths:**

- protection of the environment (rail is an environmentally friendly means of transportation)
- provides a good connection to the Baltic states
- is very convenient for passengers (compared to travelling by car) as one can do other things, e.g. reading, rather than only focus on driving.

**Weaknesses:**

- rail is not flexible enough (especially when compared with road deliveries), and delivery by rail can be trustworthy but not flexible
- it is impossible to accelerate the delivery while using rail, rail can be used when the delivery is not urgent
- it is not beneficial when the trade flows are in one direction only (in the case of trade flows in both directions, i.e. export and import, RB is more attractive)
- the infrastructure needs major improvement and much investment, the part in Poland needs development
- Rail Baltica covers too large an area and is not an attractive direction for passengers.

**Respondents’ vision of RB**

The respondents were also asked to formulate their expectations towards Rail Baltica. The outcome of the research reflects the ideal model of the rail connection.
Table 4.28.

**Ideal model of Rail Baltica (Germany)**

- Ideal RB line should provide a direct connection to Russia (St. Petersburg, Moscow)
- RB should provide a good connection to Poland and the Baltic states
- Will encourage some passengers to visit Germany
- Will be a consistent system for transport to particular markets
- Should solve the problem of different technical standards between countries
- Will provide reliable transportation of goods
- Will be fast and convenient for passengers
- Will save time and cost of transport
- Will guarantee a good trade-off between time and costs
- Will be a clearly defined transport route

The German respondents expect Rail Baltica to be a reliable (but not flexible) transport connection. Other important factors are price and time, which should be more attractive than in the other modes of transport.

Rail Baltica should provide a good connection to other countries, mainly to Russia. There are also some expectations concerning the flow of passengers, as Rail Baltica might encourage some passengers to travel to Germany, if it were to provide a fast and convenient connection.

### 4.6. Rail Baltica countries – similarities and differences arising from the surveys

The data collected in the course of the interviews in the individual countries allow to draw conclusions on the differences and similarities of the experiences and views concerning Rail Baltica.
**Similarities**
The common features of the respondents’ statements are:

1. Scarce knowledge about the Rail Baltica project; neither details about the project nor the route’s technical characteristics are known.

2. Difficulty in a clear and specific wording of expectations; lack of knowledge about the route results in highly generalised statements, and in particular hinders providing a clear definition of products that may be worked out in connection with the future planning of Rail Baltica.

3. Very limited willingness to speak out concerning matters of cooperation and competition; the persons studied very reluctantly commented on networking, i.e. the cooperation networks in which they are participants; the statements were limited to general information on cooperation in capital groups or in ordinary market forms of cooperation in the field of supply.

In all of the countries the following two characteristics affecting the evaluation of the Rail Baltica project are outlined:

1. Interest in the use of Rail Baltica as the route enhancing transportation in the east-west direction. Rail Baltica is attributed with the feature of increasing the internal cohesion of the EU and of uniting the Baltic states with other parts of the European Union. In all of the countries analysed the project is seen as being assigned much significance in improving supply and transit in trade – primarily with Russia, but also the Central Asian countries and China.

2. Concentration on the cost and duration of journey as the potential and main factors of competitiveness of rail transport by Rail Baltica. Other factors occur with lower intensity. This issue was discussed in Chapter 4 of this report.

**Differences**
The small number of the respondents and their selection criteria do not allow for a generalisation of the specificity of company attitudes from individual countries towards Rail Baltica. Nevertheless, there are some basic distinct features arising from the conducted interviews, sometimes these include the respondents of a particular situation. In this respect:

1. Germany is characterised by high reliability of a new product; certainty is favoured as is safety and punctuality of the means of transport. This may be related to the fact that the German economy is based on high added value, and competitiveness based on cost is of less importance for the activities of the companies from Germany.
Only in Poland did the stipulation to strictly bind seaports with the course of the route occur in order to strengthen their competitive position. In Lithuania and Latvia the issue of competitive risk from the rail connection is raised; in Poland it is treated as an opportunity. The assessment of rail transport as potential competition against maritime transport is further presented in Chapter 7.

The Rail Baltica relation with transport from China was strongly stressed in Lithuania. This probably stems from the recent experience of the “Train Saule”; the Chinese direction also appears in Latvia.

In Latvia the conviction that there is a necessity to construct Rail Baltica (and the feasibility of obtaining benefits from the connection) seems to be the weakest among the four analysed countries. This may be connected with the relatively short section of Rail Baltica within the territory of the country.

The conditions and conclusions for individual countries are presented in Chapter 5 in the discussion of decision-making maps. An analysis of the differences and similarities is also taken into account in Chapter 7, which contains the recommendations for Rail Baltica.
Chapter 5

Decision maps

5.1. Attitudes of the private sector companies and their role in RB development

In Chapter 4, Rail Baltica development was presented as a process comprising 3 phases: conception, realisation and operation. The map below shows these phases while taking into account the unevenness of the process in the various regions in relation to which the sub-period labelled “Start” is presented. This indicates the time when Rail Baltica as a whole will not yet have obtained full functionality, but some selected sections will already be operational.

Map No. 1 illustrates both the unevenness of the project’s phases as well as the anticipated proportion of the stakeholders’ negative and positive attitudes:

Map 1.
Rail Baltica development – stakeholders’ attitudes
The interviews carried out with the enterprises (Chapter 4) point to the responding companies’ positive attitude. There was practically only one statement from a respondent of the private sector who was highly sceptical towards the whole idea of the project. It is worth mentioning, however, that some of the respondents did not have any detailed knowledge about RB, and their answers were based on insufficient or intuitive knowledge.

We are not able to assess the scale of potentially negative attitudes, but experience in the field of change management and project implementation indicates that, in general, objections to new ideas decrease with time and the willingness to adapt to new conditions or interest in using the opportunities they bring start to dominate. Such regularity was taken into account when preparing Map No. 1.

While analysing the attitudes towards Rail Baltica, the potential interests of the main ‘players’ in the particular phases were taken into account, however, this was restricted to the private sector only. There was no reference to any general regularities (such as “fear of change” or “innovative approach of the company”), but there was an attempt to pinpoint the chances and threats connected with the project as well as the influence of positive and negative attitudes and reactions.

The diversification of the entities’ roles at the different stages of the process of RB development was noted down in the course of the study. It was stated that the entities of the transportation market, especially freight forwarders, will mainly focus on organisational adjustment to the new circumstances. Other entities of this market, especially vertically integrated companies, will, in their majority, face the need to make investment decisions, i.e. on the construction of new terminals or purchase of rolling stock.
Moreover, a number of new entities will emerge whose participation in the project will prove to be essential. These will be public and private entities, frequently forming partnerships that will significantly affect the shape of RB and its functionality, even prior to its operation. Map No. 3 illustrates the individual groups of stakeholders in the context of their influence on RB. Map No. 4 illustrates the diversification of the companies of the transportation sector, including other stakeholders influencing their activities.

Map 2.

**RAIL BALTICA DEVELOPMENT – POSITIVE AND NEGATIVE ATTITUDES OF PRIVATE STAKEHOLDERS**

<table>
<thead>
<tr>
<th>Appearance of new rail connections including regular long-distance routes</th>
<th>Private sector action / attitudes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Probability of increasing cargo mass generally serviced by the transportation system – particularly of the Baltic states</td>
<td>a need to undertake a competitive struggle for shares on the newly-shaped market</td>
</tr>
<tr>
<td>Possibility of business development – extending the offer by freight forwarders</td>
<td>a need to learn how to operate the “new” means of transportation</td>
</tr>
<tr>
<td>Extending the selection opportunities by cargo handlers</td>
<td>a need to increase budget expenses in order to ensure one’s presence in the new business industry</td>
</tr>
<tr>
<td>Probability of price decrease connected with the use of Rail Baltica</td>
<td>Appearance of competition for road carriers operating on the same routes</td>
</tr>
<tr>
<td>A chance to increase the flexibility of infrastructure operators’ activities</td>
<td>Risk of the necessity to liquidate part of the business</td>
</tr>
<tr>
<td>A chance to invest in logistics businesses: terminals, warehouses, storages</td>
<td>A risk of a price battle and decrease in margins (in comparison to the ones received earlier)</td>
</tr>
</tbody>
</table>

Source: own study.
Map 3.

**MAP OF STAKEHOLDERS – RAIL BALTICA DEVELOPMENT PROCESS**

**THE MAP PRESENTS:**

1. **First “circle”: Rail Baltica initial stage of the decision-making process**
   These are, first and foremost, politicians at the European, country and regional level and their experts. The private sector can exert an influence through lobbying activities.

2. **Second “circle”: Rail Baltica investment process**
   The investment process includes decisions concerning technology and finance; the public sector is supposed to dominate railway construction investments (including passenger stations), but a number of private investments is expected, as well as private companies carrying out construction works.
Third “circle”: Long-term decisions on investment expected
The decisions shall not be directly connected with rail infrastructure, but strictly related to the project. First of all these will concern locomotives and wagons, and also utilities or office areas.

Fourth “circle”: Medium-term and short-term decisions expected
The companies that have no influence on the shape of the railroad or its technical solutions or location of terminals, key storages / warehouses and other logistics infrastructure. Their decisions concerning Rail Baltica will only consist in the choice of their own strategies as a result of the technical structure of the RB route.

Source: own study.

Map 4.

**STAKEHOLDERS INFLUENCING TRANSPORT COMPANIES**

The transport sector (as shown on the map) contains specialist companies (single businesses – offering carriage by one mode of transport only) and horizontally diversified companies (two or more transport modes). Some of them will be Rail Baltica users’ competitors, whereas others are expected to enter the rail transport sector.
Transport companies offer their services directly to the end-user market (freight owners) or operate in networks with other companies, such as logistics companies and forwarders. Some transport companies diversify their business by building their own terminals or offering storage, warehousing and other services connected with freight – there is no standard or ideal “design” for the business model. Therefore, there is no patterned response to changes in the business environment. The decision map for each company should contain some elements of strategic analysis and the decision-making process. We do not suggest any real decisions in this study; nevertheless, the general methodological pattern of the decision-making process is presented below (Map No. 5).

Map 5.

**GENERAL PATTERN OF THE COMPANY’S DECISION-MAKING PROCESS**

![Diagram of the company's decision-making process](source: own study)

**5.2. Country and European perspective**

The idea of Rail Baltica assumes, among other things, an increase in the cohesion of the European Union, including ensuring transportation accessibility of the states located on the eastern coast of the Baltic Sea.
On the other hand, historically formed business relationships result in the need to maintain intensive trade relations and infrastructural links with Russia; but their motives and character are different for Latvia and Lithuania, different for Poland, and completely different for Germany.

The Rail Baltica project should reconcile two interests: that of European cohesion and of attractiveness for Russia. This is the conclusion arising from the surveys, which mention both the East direction and the need for cooperation with Western and Southern Europe. Presented below are the decision maps for private companies (e.g. Map No. 8 illustrating the links between EU and Russia and Map No. 15 presenting the TEN-T core network).

We should also be aware of the fact that Rail Baltica is not entirely homogeneous in terms of functionality. First of all, we must take into account the fact that RB is not a typical axis intended to focus on the growth tendencies of all partners. The general factor influencing this situation is its peripheral geographical location in Finland, Estonia, Latvia, Lithuania and NE Poland, as well as a population which is not very significant when compared in size with the entire European Union. On the other hand, RB sections in Germany (Berlin–Frankfurt) and in Poland (especially Poznań–Warsaw–Białystok) are used with high intensity.

From the **German** business point of view (Map No. 6), RB’s southern part seems to comprise a part of the central route to Russia. No country along Rail Baltica seems to be crucial for cooperation and for Germany’s business development. All of the RB countries are rather transit places more than business partners (except for some regions of Poland which are historically connected to the German economy). From among the companies studied, eight declared a neutral attitude towards Rail Baltica, and two of them expressed a positive attitude (see Map No. 7). None of the companies studied declared much involvement and any intention of playing a vital role in shaping Rail Baltica as a product of special characteristics. Germany is crucial to these countries, most importantly to Poland, because of the economic potential and location (see Map No. 8).

For the German companies Rail Baltica will form one of several transport opportunities (offers) strictly assessed on the basis of criteria of reliability and timeliness (and definitely cost and speed).
From the Polish business point of view, the territories located along the northern part of Rail Baltica seem to be unknown. The Polish companies are rather not very active in this part of Europe; as rail transport almost does not exist, air transport is not very popular, bus travel is not easily available, and roads do not attract tourists.
Polish logistics companies are oriented towards the west, as Latvian and Lithuanian companies are perceived to be more professional and competitive in carrying freight in the east.

Sea transport is not intense, although significant changes are planned in this area. Lithuania (Orlen Lietuva) is an exception, as are some Finnish companies; but the overall scale of international cooperation between Polish, Estonian, Latvian or Lithuanian companies is not satisfactory.

From the regional point of view neither the Warmia, Mazury nor Podlasie regional economies are strong. Therefore, cross-border cooperation is not developed. The Pomeranian region is interested in developing a railway between Gdańsk and Rail Baltica to Ełk along the border with the Królewiec (Königsberg, Kaliningrad) region of Russia, but there is no perspective of financing such an investment. As a result, transport from Gdańsk to the east is carried out via Warsaw.

Rail Baltica as well as new sea transport possibilities in Poland are expected to increase the dynamics of cooperation and tourism. Nevertheless, in terms of the companies studied, none of them shall play an essential role in shaping the Rail Baltica product. None of the companies represents the private sector.
The Lithuanian-Polish border is a bottleneck for the Rail Baltica project. A weak infrastructure in NE Poland and the change of rail gauge are the main problems hindering the development of cooperation. That is why specialist transports from Poland to Kaunas must be carried out via Belarus. Some symbolic events have taken place which may promise fast modernisation, e.g. the “Sun Train” from China to Western Europe may turn into a regular rail connection.

Finally, in Lithuania there are some strong chemical companies interested in using Rail Baltica, and these are very likely to play an important role in shaping the Rail Baltica product apart from the public railway company (see Map No. 12, medium power/influence position). Also, Lithuanian private business seems to be most enthusiastic about the Rail Baltica project. Lithuania (especially Kaunas) is supposed to be a strong rail junction, operating at the same time with a European and Russian rail gauge, and across E-W and N-S railways.

Map 11.
**Lithuania: The junction**

Map 12.
**Lithuania: Attitudes and influence**

Latvia. Riga is an advantageously situated seaport and city which enables N-S and E-W connections with the possibility of bypassing the potential risks of Belarus. Private Latvian companies are experienced in all modes of transport and logistics and in international operations. These skills predispose Latvia to be a beneficiary of Rail Baltica and the Latvian companies to be players on the rail, multimodal transport and logistics market. However, the studies show that none of the companies is preparing itself to play an essential role in shaping the Rail Baltica product.
Then again, Latvia is one of the two countries in the study that expressed (one) negative opinion about the future of RB (see Map No. 14). A strong feeling of anxiety persists that road transport companies will be eliminated by a competitive rail line which will have only one station at the Latvian territory. This strong uncertainty is attributed to whether the Latvian ports will lose cargo to rail (this factor is strengthened by a regulation aiming to decrease the allowed sulphur content in marine fuel – see Chapter 7.2.). These factors can be the basis for actions against the Rail Baltica project (as shown in point 5.1. above). But, finally, the attitude of most of the Latvian companies is positive.
Results of Finnish and Estonian private sector interviews (LUT Kouvola)

6.1. Research environment

Lappeenranta University of Technology, Kouvola Unit (LUT Kouvola) conducted interviews concerning the Rail Baltica Growth Corridor project (RBGC) work package four (WP4: Travel and Logistics Service Development and Demand) in Finland and Estonia. A semi-structured qualitative interview was used as the research method. The interviews concentrated on nine main themes which were partly based on themes used earlier in RBGC work package three (WP3: Accessibility of the City Regions), which focused on the public sector. The outline of the WP3 interview framework was used, but it was modified to suit WP4 interviews in the private sector:

1. company background
2. company’s logistics or transportation process
3. intermodality in logistics
4. local infrastructure and superstructure
5. decision-making processes and laws
6. European Union
7. ‘green’ aspects
8. cooperation with other interest groups
9. opinions and interests towards Rail Baltica.
A list of private sector stakeholders in Finland and Estonia was gathered in cooperation with the Research Support Group of RBGC. All of the interviewed companies were first contacted by e-mail with a short description of the project and the interview study. About one week before the meeting, the interviewees were sent the questionnaire framework, which allowed them to become acquainted with the topics in advance. Research reliability was guaranteed by recording all except one interview (a recording was not allowed). All of the contacted representatives of the companies were experts in their industry area. The representatives included logistics managers, CEOs and members of committees. All of the interviewed companies are listed anonymously in Table 6.1 below.

**Table 6.1.**

**INTERVIEWS OF PRIVATE SECTOR STAKEHOLDERS IN FINLAND AND ESTONIA**

<table>
<thead>
<tr>
<th>Date</th>
<th>Country</th>
<th>Interviewed Company</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>27.09.2011</td>
<td>Finland</td>
<td>Company A: Logistics Service Provider</td>
<td>1 h 54 min</td>
</tr>
<tr>
<td>29.09.2011</td>
<td>Finland</td>
<td>Company B: Logistics Service Provider</td>
<td>60 min</td>
</tr>
<tr>
<td>4.10.2011</td>
<td>Finland</td>
<td>Company C: Logistics Service Provider</td>
<td>1 h 29 min</td>
</tr>
<tr>
<td>4.10.2011</td>
<td>Finland</td>
<td>Company D: Logistics Service Provider</td>
<td>1 h 01 min</td>
</tr>
<tr>
<td>10.10.2011</td>
<td>Estonia</td>
<td>Company E: Client of Freight Transport</td>
<td>39 min</td>
</tr>
<tr>
<td>11.10.2011</td>
<td>Estonia</td>
<td>Company F: Passenger Transport Operator</td>
<td>58 min</td>
</tr>
<tr>
<td>12.10.2011</td>
<td>Estonia</td>
<td>Company G: Logistics Service Provider</td>
<td>1 h 50 min</td>
</tr>
<tr>
<td>13.10.2011</td>
<td>Estonia</td>
<td>Company H: Passenger Transport Operator</td>
<td>1 h 28 min</td>
</tr>
<tr>
<td>18.10.2011</td>
<td>Finland</td>
<td>Company I: Client of Freight Transport</td>
<td>1 h 49 min</td>
</tr>
<tr>
<td>1.11.2011</td>
<td>Estonia</td>
<td>Company J: Client of Freight Transport</td>
<td>1 h 26 min</td>
</tr>
<tr>
<td>2.11.2011</td>
<td>Estonia</td>
<td>Company K: Client of Freight Transport</td>
<td>60 min</td>
</tr>
<tr>
<td>2.11.2011</td>
<td>Estonia</td>
<td>Company L: Client of Freight Transport</td>
<td>58 min</td>
</tr>
<tr>
<td>16.11.2011</td>
<td>Finland</td>
<td>Company M: Client of Freight Transport</td>
<td>1 h 02 min</td>
</tr>
<tr>
<td>21.11.2011</td>
<td>Estonia</td>
<td>Company N: Logistics Service Provider</td>
<td>1 h 39 min</td>
</tr>
<tr>
<td>22.11.2011</td>
<td>Finland</td>
<td>Company O: Client of Freight Transport</td>
<td>1 h 23 min</td>
</tr>
</tbody>
</table>

There are three different types of companies that LUT Kouvola interviewed: logistics service providers, clients of freight transport, and passenger transport operators. The logistics service providers are companies that offer different services concerning logistics, e.g. transportation, warehousing, customs brokerage, order processing and local customisation of products.
The clients of freight transport companies are such companies that usually outsource their logistics processes, e.g. manufacturing or construction companies. The passenger transport operators are focusing on passenger transportation services. In total, seven companies were interviewed in Finland. Four companies were logistics service providers and three were clients of freight transport companies. In Estonia two logistics service providers, four clients of freight transport and two passenger transport operators were interviewed, which is in total eight interviews in Estonia.

6.2. Finnish interviews

Finland is situated west of Russia, it is surrounded by the Gulf of Bothnia to the west and the Gulf of Finland, which is located between Finland and Estonia, to the south. Freight and passenger transportation between Finland and Estonia takes place by sea through the Gulf of Finland. In addition to Russia, Finland shares its national border with Sweden and Norway in the north. Finland is located at the northern end of the Rail Baltica alignment.

Table 6.2.

<table>
<thead>
<tr>
<th>Decision-making processes and laws (Finland)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies have little influence on the decision-making process through, e.g. projects and associations.</td>
</tr>
<tr>
<td>Decisions in Finland are mostly made by politicians. It is always good to have local politicians in the Finnish parliament.</td>
</tr>
<tr>
<td>Contacting politicians plays a very important role in trying to affect the decision-making process.</td>
</tr>
<tr>
<td>Investment decisions are often made by interest groups (e.g. politicians) that are not the main users of the actual investment.</td>
</tr>
<tr>
<td>Especially large companies can affect the decision-making process. The main possibilities are to contact key persons and lobby through them.</td>
</tr>
<tr>
<td>The decision-making process is transparent in Finland and it is easy to obtain information regarding the process.</td>
</tr>
<tr>
<td>Large companies have the possibility of taking part in the decision-making process as experts.</td>
</tr>
<tr>
<td>The influence of the public is possible through different associations (e.g. Finnish Association of Purchasing and Logistics).</td>
</tr>
<tr>
<td>Large companies have a very limited possibility of affecting road or rail network investments.</td>
</tr>
</tbody>
</table>
Comments regarding the decision-making process are listed in Table 6.2. Most of the interviewees stressed that companies do not have a direct influence on decision making in the Finnish environment. Decision making concerning large investments is almost always done by politicians (at least the final and crucial decision is made by politicians, such as ministers or members of parliament), which means that it is very important to have good connections with these politicians, and decision making can be influenced through them, e.g. by lobbying. Decision making can further be influenced by having a connection with local politicians, or with politicians who have local roots.

In addition to this influence through politicians, it is possible to have influence as a larger group through various associations. The beneficial aspect of these associations is that there can be a large group of companies belonging to the same association, and this increases the power to push the decision-making process forward as a larger entity or group. Influencing the decision-making process without building a larger group of companies is not possible if the company is not very large, although companies are sometimes invited as experts or specialists to give comments and advice concerning the decision-making process.

A common problem in Finland is that politicians often make the final decision concerning large-scale decisions, but they are not the main users of the investment. Politicians make decisions concerning the future, but the potential users’ voices are not always heard during the decision-making process. This can lead to a situation where the actual user might not receive the investment that was demanded in the first place.

The positive side of the decision-making processes in Finland is that companies can easily gain information concerning different investment projects, e.g. large investments are seldom decided upon silently and will usually not be a surprise to anyone. The decision-making process is seen as quite time-consuming in Finland. It involves large amounts of bureaucracy, and large-scale decisions can take many years to come into being. Still, the overall opinion concerning the decision-making process in Finland is that it does not create large problems for the developing businesses.
### Table 6.3.

**Comments related to EU (Finland)**

<table>
<thead>
<tr>
<th>Organising transportation within the EU member states has become substantially easier.</th>
</tr>
</thead>
<tbody>
<tr>
<td>With the help from the EU it is now possible to transport 25.25m long semi-trailer combinations in Finland.</td>
</tr>
<tr>
<td>The EU is often perceived as a great regulator.</td>
</tr>
<tr>
<td>The EU has not made transportation business easier in Finland with the different regulations concerning e.g. driving times.</td>
</tr>
<tr>
<td>Weight limitations and driving time regulations have an indirect influence on the cost structure of transportation in Finland.</td>
</tr>
<tr>
<td>Finland has always been one of the first countries to implement new regulations, which many times has led to problems that other countries avoided by implementing the regulations later.</td>
</tr>
<tr>
<td>The EU tries to encourage the use of intermodal transport.</td>
</tr>
<tr>
<td>The same rules for each EU member state is a good thing.</td>
</tr>
</tbody>
</table>

The main comments related to the European Union are described in Table 6.3. The overall attitude towards the EU is rather positive in Finland since the EU has removed many obstacles, such as border crossings inside EU member states. Organising transportation in EU member states is much more straightforward than organising transportation through countries that are not EU members. In addition, if transportation is accomplished through countries other than EU countries, it usually costs more due to customs tariffs, and usually the transporting company needs extra personnel to organise non-EU transportation routes. In fact, organising transportation between non-EU countries has become more difficult since the EU demands more specific documentation concerning, e.g. customs. Furthermore, the clients of cargo transport companies mentioned that procurement has become easier after joining the EU. Many interviewees also mentioned that the EU has helped Finland improve some parts of its transportation infrastructure (e.g. road network investments). Some interviewees think that it is very beneficial that the EU encourages companies to increase the usage of intermodal transportation. The negative side of the EU is its role as a great regulator that often creates regulations which are irrelevant to the Finnish transportation environment.
The main issue is that some implemented regulations could be very sensible in some European countries, but other countries might be hindered by these implementations (e.g. the width of roads and density of population are quite different between South-European countries and Finland, but the regulations are the same in each EU member state). Some problematic regulations are, for example, driving time regulation and weight limitations for road transportation. However, EU has helped Finland by allowing large road semi-trailer combinations (maximum length of the combination is 25.25 m) to drive in the Finnish environment.

Many interviewees think that Finland is slightly too eager in implementing new EU regulations. According to them Finland is always among the first countries to implement new provisions but this, in turn, can lead to new problems if the actual implementation phase is difficult or if the new regulation creates some unexpected effects in the Finnish economy. Other countries can eliminate many of these problems by implementing regulations in a slower pace and can see the effects of new regulations by observing countries that have already implemented them and be proactive. The positive side of the EU and its regulations is that all of the member states share the same regulations, i.e. the rules are the same for every EU member state, and this evens out competition between the member countries.

Table 6.4.
ATTITUDE TOWARDS ENVIRONMENTAL IMPACTS (FINLAND)

- Many companies have set themselves the objective to reduce emissions by 20% by the year 2020.
- Minimising environmental impacts is important for customers, especially for Western customers.
- Some customers only use the services of companies that have environmental management standards.
- There is a growing tendency for customers to appreciate green values.
- Green values have a greater significance in countries with higher living standards.
- Price of transportation is still the most important factor.
- Environmental friendliness is one of the criteria in public procurement procedures.
- Price is the decisive factor in private sector procurements.
- Companies carrying out some large-scale investments have already started to implement IMO sulphur emission regulations planned for 2015.
Awareness of environmental impacts has increased during the last few years, and it will increase more in the future according to the Finnish interviewees (see Table 6.4). Many of the interviewed companies have certain emission-reducing goals, e.g. they aim to reduce the amount of emissions originating from the company’s transportation by 20% by the year 2020. Some of the interviewed companies have included environmental friendliness as one of their main business strategies, e.g. manufacturing companies use environmentally friendlier raw materials and products. The main reasons for working on the environmental issues are the possible environmental costs in the near future (e.g. these costs might target road transportation by increased operational costs) and the fact that reducing environmental impacts is important to some customers as this trend seems to be continuing and increasing. Currently, Western customers pay more attention to environmental impacts, but the trend is increasing also among Eastern customers. Many customers are aware of environmental certificates (e.g. ISO 14000), and some customers demand these certificates from companies. Especially large companies have invested in attaining these certificates. Regardless, the price level is still the most important factor in the decision-making process for customers, and environmental friendliness is more or less a soft marketing tool.

The Finnish companies believe that reducing environmental impacts has higher significance in countries with higher living standards, and countries with lower living standards have not yet focused on emission control. All of the interviewed companies in Finland at least partly focus on reducing the environmental impacts originating from transportation or manufacturing. Some of the interviewed companies have made large investments which target large emission reductions, e.g. IMO sulphur reduction regulations, which will become very strict in the year 2015. These companies have already started to invest largely to be proactive as regards the regulation.

In Finland public investments always have to be tendered among different subcontractors. The tenders have different criteria which are the main factors when choosing the subcontractor. It is very common for one of the criteria in the public investment tenders to be the environment and how the investment could reduce environmental impacts. However, according to some interviewees, the decisive factor for the private sector is always the price.
Table 6.5.

INFRASTRUCTURE AND SUPERSTRUCTURE (FINLAND)

The Finnish road network is in very good shape, but so is the road network in the Baltic countries.

All of the road network investments are being realised with passenger traffic in mind, as there are some poor road connections on the main road freight lines.

Competitiveness of rail transport is weak possibly because the road network infrastructure is in better shape than the rail network infrastructure.

Rail network infrastructure maintenance is insufficient.

Road network maintenance during winters could be better.

Passenger harbours in Helsinki easily become congested. The main reason is their location inside the city of Helsinki.

There are many seaports in Finland, many of which are small and inefficient.

Table 6.5 gathers some of the main comments concerning the Finnish infrastructure and superstructure. All of the interviewees believe that Finnish road and rail networks are in a good overall condition if compared to many other countries. One problem concerning road network investments is that most of the investments are targeted at passenger traffic roads. Some roads are mainly used for freight transportation, and these roads are not necessarily in very good condition and lack investments. Furthermore, the future for freight transportation roads does not seem as prospective as the future for main passenger traffic roads. Some interviewees stressed that one weakness in the Finnish road network is its maintenance during winters, when roads can become congested due to heavy snowfall.

The interviewees believe that most of the maintenance funding is targeted towards road network maintenance, and that is why rail network maintenance seems insufficient to the outsider. Some interviewees mentioned that there should be more investments in improving the Finnish rail network. The competitiveness of rail transport might be weaker because the overall condition of the rail network is worse than the overall condition of the road network, and it attracts companies to use road transportation. In addition, some interviewees believe that competition in the rail industry would increase the competitiveness of rail transport.
Some interviewed companies use rail transport but they have decreased their use of rail transport because both the quality and price level of rail transport are not as advantageous as those of road transport.

Congestion is not a significant problem in Finland. Roads near and within the capital city of Finland (Helsinki) can become congested during the morning and afternoon peak hours. In addition, passenger harbours situated in Helsinki can become very congested due to insufficient road capacity to and from the harbours. The problem is that the passenger harbours need to be situated near the city centre along with good public transport connections. The sea vessels that are mainly used for passenger transport are also used for freight transport, i.e. there is a large volume of traffic of road freight vehicles to and from the harbours.

Table 6.6.

**Overall opinion towards Rail Baltica (Finland)**

<table>
<thead>
<tr>
<th>Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail Baltica is a very good project.</td>
</tr>
<tr>
<td>Rail Baltica will be important in the near future, but it is not important at the moment.</td>
</tr>
<tr>
<td>It would not be sensible to use the Rail Baltica transport corridor only either for freight or only for passenger transport. Both are very important.</td>
</tr>
<tr>
<td>The ideal situation would be if a passenger could travel by train from Helsinki to St. Petersburg, Moscow or Berlin. Changing transport modes during travel is questionable.</td>
</tr>
<tr>
<td>Current passenger transport could benefit from Rail Baltica, as the project would provide more versatile travelling possibilities. Companies could create new concepts of passenger transport in cooperation with the Rail Baltica passenger transport operators.</td>
</tr>
<tr>
<td>Rail Baltica would be an alternative to air transportation.</td>
</tr>
<tr>
<td>The project will help develop regional economies in e.g. the Baltic states.</td>
</tr>
<tr>
<td>A good transportation infrastructure is the basic requirement for regional industry investments.</td>
</tr>
<tr>
<td>The shortest way from Finland to Europe goes through the Rail Baltica alignment.</td>
</tr>
<tr>
<td>Some companies have their main market areas south of the Rail Baltica alignment.</td>
</tr>
<tr>
<td>Who will pay for the investment project?</td>
</tr>
</tbody>
</table>
The overall attitude towards Rail Baltica is very positive among the private sector representatives in Finland (see Table 6.6). However, many companies believe that Rail Baltica is not very important at the moment, but will increase in importance in the near future due to, e.g. the IMO sulphur regulation and capacity constraints of the Via Baltica road connection in the north-south direction. Not one interviewed company sees Rail Baltica as a threat to the company’s business. Overall, Rail Baltica is seen as a new possibility to transport freight and passengers – and especially logistics service provider companies could make their own transportation product more versatile with Rail Baltica. At the moment north-south transportation in the Baltic states is mainly done through road transportation, but Rail Baltica could increase usage of rail transport in this direction.

Currently, transportation from Finland to Germany and further to Central Europe is mainly conducted by sea transport. Many interviewees believe that Rail Baltica could offer an alternative transportation route for sea transport if the delivery times and price levels were reasonable and competitive with sea transport. Some interviewees also stressed that Rail Baltica could be an alternative for short distance air transportation if the destination were in the Baltic states, Poland or Germany, since the shortest way from Finland to Europe is through the Rail Baltica alignment. Some of the interviewed companies have their main market areas near the Rail Baltica alignment and these companies are very interested in the Rail Baltica line, e.g. they could use it for their transportation purposes.

Many interviewees believe that Rail Baltica will not have a significant influence on Finland since Finland is only the other end of the line, with the Gulf of Finland hindering the connection. The interviewees believe that Rail Baltica will have a very large influence on the Baltic states though, as it will develop all of the Baltic states with better freight and passenger transport connections. Good freight transport connections can also attract more entrepreneurs to the area, and better passenger transport companies can attract tourists.

Although the attitude is positive towards Rail Baltica, one main question was asked by many interviewees: “Who will pay for the Rail Baltica investment?” In addition, the importance of cooperation between all the Rail Baltica countries was stressed in the investment phase, but also later in the future when the actual rail transportation starts. The private companies believe that Rail Baltica will be sensible and attractive only if cooperation will be very deep among all the Rail Baltica countries.
6.3. Estonian interviews

Estonia is the northernmost country of the Baltic states, it is located north of Latvia and south of Finland. Finland and Estonia are separated by the Gulf of Finland. Estonia also has its national border with Russia in the east. The Baltic Sea is located west.

Table 6.7.

**DECISION-MAKING PROCESSES AND LAWS (ESTONIA)**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laws or public decision-making do not complicate entrepreneurship.</td>
<td></td>
</tr>
<tr>
<td>The amount of bureaucracy in Estonia is minor.</td>
<td></td>
</tr>
<tr>
<td>The best way to influence the decision-making process is to find the right persons and lobby through them.</td>
<td></td>
</tr>
<tr>
<td>It is easy to find the right people in a small country.</td>
<td></td>
</tr>
<tr>
<td>The government is open to negotiations.</td>
<td></td>
</tr>
<tr>
<td>The government is willing to negotiate with the private sector to find some solutions.</td>
<td></td>
</tr>
<tr>
<td>The attitude towards decision making and the government is positive.</td>
<td></td>
</tr>
<tr>
<td>Obtaining a land plot is not a problem. Building grants can be obtained easily, but this depends on the location of the land.</td>
<td></td>
</tr>
<tr>
<td>Personal relations are not needed to get in touch with the Estonian government.</td>
<td></td>
</tr>
<tr>
<td>Our policy is to stay away from politics. Our aim is to focus on business.</td>
<td></td>
</tr>
</tbody>
</table>

The attitude towards both the decision-making process and laws in Estonia is very positive among the private stakeholders (see Table 6.7). Significant decisions are settled by the Estonian government or the government of the local city. Decision-making processes are very light in Estonia, i.e. according to the Finnish and Estonian interviewees the level of bureaucracy is much lower in Estonia than in Finland. Estonia has developed significantly in this area during the last ten years. Both small- and large-scale decisions are made much faster in Estonia.
In addition, e.g. obtaining land areas for factories or receiving building grants is usually not a problem. Furthermore, the Estonian government is very open to hearing the private sector’s opinions and propositions, and is willing to help the private sector if possible. Many interviewees believe that doing business in Estonia is sufficiently supported and companies can focus on business rather than on politics.

Some of the interviewees also mentioned that in Estonia it is important to have good relationships with politicians and that influencing decision making through them is possible. It was also stated that because Estonia is a very small country, it is very easy to find the right people. However, some interviewees stated that in Estonia there is no need to know the right people to affect the decision-making process, as it is possible even without the right connections, which is different than in Finland, where having an effect on the decision-making process is not possible without knowing the right people and having good relationships. A few of the interviewees also stated that it was easier to have an influence on the decision-making process before Estonia joined the EU. According to the Estonian and Finnish interviewees, the actual decision-making process is more transparent in Finland than in Estonia. It is possible that there is not enough information concerning certain large-scale investments in Estonia.

Table 6.8.

**COMMENTS RELATED TO THE EU (ESTONIA)**

| The attitude towards the EU is positive. |
| Trade barriers between EU countries have disappeared. |
| The EU has helped, e.g. with infrastructure investments. |
| It is very good that regulations are the same for every EU member state. |
| Many regulations are too strict. |
| Due to driving time regulations, a driver has to be the security guard protecting the freight in dangerous locations. For example, there are no safe resting places in Poland. |
| The combination of poor safety conditions and driving time regulations causes the biggest problems. |
| Estonia’s visibility has increased after joining the EU. |
The private sector’s comments concerning the EU can be seen in Table 6.8. The overall attitude towards the EU is much more positive in Estonia than in Finland. Joining the EU has made Estonia more visible, and this has increased the volume of tourism and passengers. Furthermore, the EU has brought more local and global competition in Estonia, which is beneficial to the customers but hinders business for the existing companies located in Estonia.

The companies in Estonia can find as many similar positive aspects of the EU as the companies in Finland. These are, e.g. eliminated trade barriers between EU member states. Furthermore, Estonians appreciate the fact that all the EU states have the same rules and EU regulations, which evens out competition between EU countries. Many interviewees believe that the EU has helped significantly by funding road network improvements. Without the help of EU funding, Estonian roads would be in much worse condition than they are now. It also seems that the roads will improve in the future. Overall, the Finnish interviewees were much more critical towards the EU than the Estonian interviewees. The Estonian and Finnish private sector actors also found certain similar negative effects of the EU, but Estonia has been able to avoid some of the problems concerning joining the EU by being proactive. According to the interviewees, many regulations are too strict in Estonia, such as the driving time regulation. This regulation is very troublesome, especially for logistics service providers, e.g. it is very common that a truck driver must take his/her resting time in an unsafe location, which means that he/she cannot go to sleep because the cargo must be guarded during the resting time period. This is a combination of poor safety and strict driving time regulations which cause significant problems for Estonian truck drivers and logistics service provider companies. Regardless, there were many interviewed Estonian companies that did not mention any negative sides concerning the EU.

Table 6.9.

<table>
<thead>
<tr>
<th>ATTITUDES TOWARDS ENVIRONMENTAL IMPACTS (ESTONIA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Green aspects are important.</td>
</tr>
<tr>
<td>- Company X only works with such logistics providers that try to reduce CO₂ emissions.</td>
</tr>
<tr>
<td>- Respecting green values is a strategy of many of the interviewed companies.</td>
</tr>
<tr>
<td>- Customers want CO₂ emissions to be reduced.</td>
</tr>
<tr>
<td>- Green values are a soft-sell argument, but they are still not a major factor in the decision-making process.</td>
</tr>
</tbody>
</table>
Table 6.9 gathers the main comments about environmental impacts in Estonian companies. All of the interviewed companies are aware of the environmental issues, and many of the interviewed companies are investing in reducing environmental impacts, e.g. CO2 emissions originating from their company’s manufacturing or transportation processes. In addition, many manufacturing companies are using environmental impacts as one of the criteria when choosing which company they will be using for transportation. Logistics service providers invest in or focus on modern transportation equipment to lower fuel consumption.

The trend concerning environmental issues is similar in Finland and Estonia, but at the moment the Finnish companies are investing more heavily in reducing the environmental impacts. Many Estonian companies are just starting to pay more attention to the environmental issues, however, the price level is the most important factor when making the final decision concerning, e.g. choice of logistics service provider both in Finland and Estonia. Green values are still more or less a soft selling argument. Many customers demand lower environmental impacts but are not ready to pay more for environmentally friendlier products or services.

Table 6.10.

**Infrastructure and Superstructure (Estonia)**

- Overall, road infrastructure is fairly good, and it is improving.
- There is some congestion between Tallinn and Tartu, and in the centre of Tallinn in the mornings and evenings. But this is not a problem.
- Via Baltica is ok, but it is becoming congested. The capacity of Via Baltica will not be sufficient in the near future.
- The rail infrastructure is poor and that is why it has never been an alternative transportation solution.
- The rail network has been improving, but not as fast as the road network.
- Rail network capacity is insufficient.
- Seaports are perfect.

Road infrastructure quality is at an average level in Estonia and is improving mainly with the help of EU funding (see Table 6.10). Many of the interviewees thought that roads would be in worse shape without EU funding, however, it is the Estonian rail network that is in poor condition.
The rail network is improving, but not at the same pace as the road network. Both the road and rail infrastructure are in much better shape in Finland. Some interviewees also stated that Estonian seaports are perfect for their transportation purposes.

There can be some small-scale congestion between Tallinn and Tartu and in the centre of Tallinn during the peak hours, but overall there is no congestion in Estonia. The main road route in the north-south direction through the Baltic states, called Via Baltica, is in average condition, but currently the connection is using almost all of its capacity. The situation concerning congestion is quite the same in Finland, as the population of both countries is so low that congestion is not a problem.

Table 6.11.

**Overall opinion towards Rail Baltica (Estonia)**

<table>
<thead>
<tr>
<th>Attitude towards Rail Baltica is very positive.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company X would use Rail Baltica even if it was more expensive than road transport because delivery times and warehouse levels could be minimised.</td>
</tr>
<tr>
<td>Rail Baltica would have a positive effect on the economy of Estonia.</td>
</tr>
<tr>
<td>Who will be travelling by railway from Tallinn to Berlin when air transport is much faster and the price can almost be the same?</td>
</tr>
<tr>
<td>Can sea vessels be loaded and unloaded within the Rail Baltica transport corridor?</td>
</tr>
<tr>
<td>Will there be enough freight volume for the transport corridor?</td>
</tr>
<tr>
<td>Sea vessels can be loaded and unloaded with Rail Baltica transport corridor?</td>
</tr>
<tr>
<td>Rail Baltica has to reach the hot spots in Europe to be a realistic and sensible transport corridor.</td>
</tr>
<tr>
<td>What is the point if Russia is not involved in the Rail Baltica transport corridor?</td>
</tr>
<tr>
<td>Companies which have their market areas only in Estonia will not use rail transportation in the future because the distances in Estonia are relatively short.</td>
</tr>
<tr>
<td>Who will pay for the project?</td>
</tr>
<tr>
<td>Estonia’s visibility will increase if the Rail Baltica project is implemented.</td>
</tr>
<tr>
<td>Both the volume of tourism and the number of passengers will increase, and all passenger transport companies will benefit from this.</td>
</tr>
</tbody>
</table>
The overall attitude towards Rail Baltica is also positive in the Estonian companies (see Table 6.11), but the attitude is slightly more positive in Finland. Some of the Estonian interviewees are somewhat sceptical about when the actual Rail Baltica line will be constructed, and some interviewees hardly find rail transport a sensible solution to them. Especially the local companies with a market area only in Estonia will distribute their products by road transport even if the Rail Baltica project is fully carried out. The main reason for this is that Estonia is a small country with short distances and road transport is the only solution for them.

The global companies located in Estonia are interested in Rail Baltica’s possibilities as an alternative transportation solution. Some of the interviewees even mentioned that they would pay extra, compared to road transport, if rail transport were faster than road transport, e.g. from Estonia to Germany. Some companies could minimise their warehousing levels by using rail transport, which offers better capacity than road transport. The interviewees believe that Rail Baltica would increase Estonia’s visibility on the European and world map. The transport corridor could increase the amount of tourism in Estonia and the other Baltic states as well.

The IMO sulphur reduction regulation will have an effect both in Finland and Estonia, since companies in both countries utilise sea transport in the Baltic Sea for their transportation purposes. The difference is that Estonian companies can easily decrease the amount of sea transport by replacing it with land transport. The situation is much more complicated in Finland, which is an island, if freight or passengers are transported to and from Central Europe. Rail Baltica will be a more attractive possibility for companies in both countries when the IMO sulphur regulation becomes stricter in the year 2015. Many Finnish and Estonian companies stressed the fact that Russia should also be connected as part of the Rail Baltica line. They think that it is not sensible to invest heavily in the Rail Baltica line if it will not be connected with St. Petersburg, which is situated very near the current northern ending point of the Rail Baltica alignment. There are both Finnish and Estonian companies that have some doubts about the passenger and freight volumes for the possible Rail Baltica line, and by connecting Russia both volumes could be increased.

Cooperation is very important for the success of the Rail Baltica line. All of the Rail Baltica countries should cooperate and develop the line in collaboration with one another. Both the Finnish and Estonian companies also stress that there should be competition on the Rail Baltica line, which could increase the quality level of rail transportation.
6.4. Large-scale volume private sector actors

All of the interviewed companies were divided in two different segments according to annual volumes. A large volume is defined to be annually at a level of half a million tonnes or more. Low and mid volume is considered to be significantly lower, annually at a maximum of 200,000 tonnes. The interviewed large-scale volume private actors are shown in Table 6.12 and low- and mid-scale volume private actors in Table 6.20.

Table 6.12.

**LARGE-SCALE VOLUME PRIVATE SECTOR ACTORS**

<table>
<thead>
<tr>
<th>Date</th>
<th>Country</th>
<th>Interviewed Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>29.09.2011</td>
<td>Finland</td>
<td>Company B: Logistics Service Provider</td>
</tr>
<tr>
<td>12.10.2011</td>
<td>Estonia</td>
<td>Company G: Logistics Service Provider</td>
</tr>
<tr>
<td>18.10.2011</td>
<td>Finland</td>
<td>Company I: Client of Freight Transport</td>
</tr>
<tr>
<td>21.11.2011</td>
<td>Estonia</td>
<td>Company N: Logistics Service Provider</td>
</tr>
<tr>
<td>21.11.2011</td>
<td>Finland</td>
<td>Company O: Client of Freight Transport</td>
</tr>
</tbody>
</table>

From Rail Baltica’s point of view, large volume private actors have volumes at such a high level that even one of these companies could create a solid basis for freight transportation on the Rail Baltica route. If none of these companies is interested in using the route, then there might be difficulties in engaging in a profitable business with freight trains. Generally, these companies estimated an increase in freight transports through Europe. Road transportation is becoming more difficult to proceed with due to the tightening limitations and regulations, and this allows railway and intermodal freight transportation to grow. The increasing trend on rails is for intermodal transportation and that is why more and more semi-trailers are loaded onto freight wagons.

6.4.1. MARPOL REGULATION’S EFFECT

The IMO MARPOL 73/78 Annex VI regulations aim to reduce nitrogen oxide (NOx) emissions and to prevent sulphur oxide (SOx) and particular matter emissions from ships.
These emissions will in general be controlled by limiting the sulphur content of marine fuel oils. In the SOx Emission Control Area (SOx ECA or SECA), the sulphur content of fuel oil used onboard ships shall not exceed 0.10% (m/m) after January 2015 (Det Norske Veritas, 2009, p. 14-15).

In Table 6.13 large volume actors’ most common and most significant opinions on MARPOL 73/78 regulation effects have been gathered and are presented.

Table 6.13.

**IMPACT OF IMO MARPOL 73/78 ANNEX VI**

<table>
<thead>
<tr>
<th>Impact</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>The regulation increases the costs of transportation.</td>
<td></td>
</tr>
<tr>
<td>The regulation has the most negative effect on Finland because our harbours are the farthest from the border of the SECA area.</td>
<td></td>
</tr>
<tr>
<td>The main concern is competitiveness of the Finnish industries. If there is nothing to export, import is much harder to handle. It also raises prices.</td>
<td></td>
</tr>
<tr>
<td>The regulation creates challenges to the Finnish export industries. The increase in the costs is estimated at approximately €1 billion. The price of transport will go up.</td>
<td></td>
</tr>
<tr>
<td>In the worst-case scenario our clients will lose their ability to compete. This can lead to the closing of operations in Finland.</td>
<td></td>
</tr>
<tr>
<td>A huge threat to the Finnish economy!</td>
<td></td>
</tr>
<tr>
<td>The impact on the Finnish transit traffic businesses will be huge if the regulation does not affect the ferries going straight through to Russia.</td>
<td></td>
</tr>
<tr>
<td>The regulation increases costs in two ways; directly, by more expensive fuel, and indirectly, by decreasing the capacity. The cost increase can be higher than anyone has estimated.</td>
<td></td>
</tr>
<tr>
<td>The only option left open is to seek new routes.</td>
<td></td>
</tr>
<tr>
<td>Even though the main aim of reducing environmental impacts is noteworthy, the regulation actually increases emissions by directing the goods flow to more polluting transportation modes. A good idea, but flawed implementation!</td>
<td></td>
</tr>
</tbody>
</table>

A common impression concerning the MARPOL regulation was that it will definitely raise the costs of transportation. The interviewees also agreed that transit-related businesses will suffer if the regulation does not affect ships going straight through to Russia. They believe that especially the Finnish export industry will lose part of its competitiveness due to the increasing costs. Logistics service providers see that the extra costs may be higher than the estimated €1 billion, which is estimated to be due to the more expensive fuel oil.
The regulation will cut the number of ships operating in the Baltic Sea and it will destabilise the balance of supply and demand (at least the so-called ad-hoc transport will disappear).

The interviewees were also concerned whether if the exporting volumes dropped then would the importing costs increase. If the import and export is not in balance, transportation will be costly and much harder to manage. Every interviewee was also concerned about the increasing environmental impacts, as ships do pollute less than other transportation modes, especially if compared with the emission-payload-rate.

6.4.2. RECESSIOn EFFECTS ON PRIVATE SECTOR ACTORS

The comments on effects of the recession confronted in the years 2008–09 are shown in Table 6.14 below. The impact of the recession was negative for all those interviewed. Annual turnovers dropped and operations had to be reduced. One interesting fact is that, because of the recession, towing prices dropped dramatically, especially in the Baltic states.

The cheap towing prices shifted much freight from the rails back to the road. Also, the usage of intermodal units decreased. According to one interviewee, the freight rate of road transportation was approximately cut in half.

Table 6.14.
RECESSIOn EFFECTS – 2008/2009

<table>
<thead>
<tr>
<th>Annual turnovers dropped.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Towing prices dropped in the Baltic states, which increased the amount of freight on roads and decreased the amount of freight on rails.</td>
</tr>
<tr>
<td>The recession created a tendency to buy foreign trucks in Finland. The quantity of intermodal units decreased.</td>
</tr>
<tr>
<td>The costs of road transportation decreased dramatically. Earlier, the pick-up and delivery costs made the total transportation costs triple, but nowadays the pick-up and delivery costs are approximately one-third of the total transportation costs.</td>
</tr>
</tbody>
</table>
6.4.3. **Technical issues of the freight train**

Large scale companies do not see the Rail Baltica project as worthless. A common opinion is that a better railway connection is not needed today, but this situation may change within the next five years. Though it is not sufficient enough that the railways are improving, many resources should also be invested in the terminal areas and equipment, e.g. there is a lack of handling equipment already. Also, terminals meeting today’s requirements exist only rarely.

Monopoly or monopolistic railway markets are seen as a headache for logistics service providers. The companies are concerned that without free competition on the railway markets the trains will not be flexible enough to be used, and this will suppress usage. The reason for a demand in flexibility, short lead times and regular scheduled service mainly results from the characteristic of the goods, i.e. general cargo. Every large-scale volume company interviewed was handling general cargo and mostly on pallets. Bulk products are transported very rarely. Industries are coming more or less closer to high-tech industry, the value of products and components is becoming higher and manufacturers as well as producers are willing to reduce capital tied up in inventories. Every logistics service provider saw the huckepack as a solution for Rail Baltica. The huckepack is a train carrying trucks and semi-trailers on rails and is a commonly used means of transport in Europe due to its efficiency in fast loading and unloading (for further information, see e.g. Brnjac et al. (2007). The huckepack will not be able to carry the project all the way, but it can create a basis. To be effective and profitable, Rail Baltica will also need passenger trains and traditional freight trains. One factor that must be noted is that freight traffic in Europe is operated with the use of semi-trailers, therefore, it advocates the use of the huckepack. Block trains are seen as an option, but the problem is that there exists no container traffic inside Europe. One noteworthy aspect is also the question as to who owns the containers transported on the rails. This is a significant question, though shipping companies may not be willing to give their containers for that use. Even though the large-scale companies were slightly concerned about the volumes, the question remains if they will ever be sufficient? One aspect that is certain is that the project needs everyone’s involvement.

Some of the interviewees also criticised the eco-friendliness of trains in marketing. They saw this kind of marketing as misleading and gave as an example efficiency.
The interviewees stressed that if overall efficiency is taken into account, the truck is a better option. Every interviewee agreed that eco-friendliness is not a selling argument, and in business-to-business operations no one wants to use the train just because it is fun. Common opinions concerning the technical issues are shown in Table 6.15.

### Table 6.15.

**Freight train – technical issues**

| **The project is not worthless, even though today demand does not require a new railway connection. The situation might be different in ten years.** |
| **The terminal and handling area network should be expanded and renovated. There are only a few terminals which suit today’s requirements for freight handling.** |
| **An extremely noteworthy feature of freight traffic in Europe is that it is operated with semi-trailers. A trailer is very convenient to use and quite cheap. The answer to tightening road transport limitations is interchangeability. With interchangeable trailers, the lead time of transport can be minimised.** |
| **The so-called huckepack is probably the only solution if freight is to be shifted from road to rail. The problem is that a train is not very flexible and customers do not want to wait. Also, there are no pocket wagons for a wider gauge. Nevertheless, there are great benefits for intermodal transport units, e.g. higher weight limits.** |
| **A loaded huckepack contains approximately 30 semi-trailers, carries 1500 tonnes, and its length is around a kilometre. It has been viable for Europe, and no reason comes to mind why it could not also be viable for Rail Baltica. There is also a growing tendency for using intermodal transportation and loading semi-trailers on a train.** |
| **There is nothing to export from Estonia that could be transported with traditional railway wagons. The network should be hub-and-spoke, and traffic should be operated with huckepack.** |
| **Give me just one reason why general cargo should be transported on rails! Not even green aspects are relevant here because electricity is not as green as it is said to be. The total efficiency of oil-generated power is approximately 25%. For oil used by trucks the total efficiency is 50%!** |
| **Loading and unloading a train or even a huckepack is not efficient. The efficiency should somehow be increased because the existing terminals and equipment do not meet today’s requirements.** |
The problem with the ‘block train’ option is who will get their containers to be transported on rails? I bet shipping companies are not very willing to allow for such use of their containers.

It is quite hard to increase a railway’s freight share today because the infrastructure is in poor condition. For example, there is usually only one gauge for the main corridors for freight. Also, the velocity and weight of transportation units are continually increasing. This creates requirements, e.g. for axle loads to be increased to at least 25 tonnes. Rail Baltica could be sensible for traditional heavy industry because railway is not flexible enough to serve JIT or LEAN production.

6.4.4. Frequency and lead time requirements for the freight train

Comments on the frequency and lead time of railway transports were almost the same in every large-scale company. Everyone stressed the fact that the combination of lead time, price and flexibility is the factor that matters. The trains on Rail Baltica are seen both as an extra option and as a competitor for direct truck haulages and ferries. The requirements for trains were also presented in comparison with trucks and ferries.

According to the interviewees’ estimations, the conclusion can be made that if the frequency is once a day and the lead time is at most 24 hours from Tallinn to Berlin, then it would be suitable for all. The interviewees were concerned about the volumes transported on rails to Germany. Everyone was sceptical about whether there would be enough demand, e.g. there are about 30 departing ferries from Finland to Germany every week. It is interesting to note that there are quite open requirements for connections to Poland.

There are no efficient connections available from Finland to Poland and the directions south from there. Logistics service providers estimated that if Warsaw could be reached from Finland in less than 72 hours, then the railways would be a very sensible option – for this route demand already exists. The most common opinions on frequency and lead time requirements are shown in Table 6.16 below.
Table 6.16.

**Freight train – issues concerning frequency and lead time**

The combination of lead time, price and flexibility is a factor that matters.

If the lead time is shorter for a train than a ferry then it improves the railway’s competitiveness.

It is quite hard and costly to create better connections from Finland to Germany with the railway because of good ferry connections, with 30 ferries departing a week and with a lead time of approximately 20 hours. Rail Baltica would only be an additional option, nothing more.

Train lead time should be comparable to truck lead time, and frequency should be at least once a day.

A scheduled connection is even more important than high frequency, e.g. twice a week. Lead time should be approximately 20 hours from Tallinn to Poland.

Frequency and lead time requirements in Poland are not so high as in Germany. More connections to Poland will be a definite plus, but making Rail Baltica competitive with ferries will be a hard job.

Lead time from Finland to Poland should be less than 72 hours.

The lead time from Tallinn to Germany would have to be less than 24 hours.

For our industry type, high frequency means nothing but that schedule and reliability are everything.

It takes approximately 12 hours to get from Tallinn to Berlin by truck.

By train it should take less than 26 hours to reach Northern Germany from Tallinn.

### 6.4.5. Freight price of a new railway connection

Every interviewee was absolutely sure that the price is definitely a factor that will make a difference. In business-to-business markets the price is everything, and clients are not willing to pay more. Some of the logistics service provider’s clients declined the offer to cut carbon dioxide emissions by half just because it would cost 5% more to use a train in the transport chain. Accordingly, eco-friendliness is definitely not a selling argument. That is why the price should be comparable to trucks and ferries, just as frequency and lead time. Interesting is also the fact that trains are not considered to be as reliable as other means of transport.
The interviewees estimated that even if a train via Rail Baltica were much faster than trucks or ferries, it could not be much more expensive. Quoting one interviewee’s statement, it can be said that even if the train could do the same trick, it should still be cheaper.

Other interviewees agreed that a cheaper price would gain more interest. If the train were much cheaper than, but not as capable as the competing means of transport, it would fall out of the competition. The most common comments on price issues are shown in Table 6.17.

**Table 6.17.**

**Freight train – price issues**

- Price plays a huge role in B2B markets.
- Even if lead time is shorter, price cannot be much higher.
- If train is cheaper, it could be an option, but only if train is not much slower than ferry.
- Prices should be at a reasonable level and should be comparable to ferry and truck prices.
- Environmental friendliness is not a selling argument! It is the price that matters.
- Combination of price and lead time is important.
- It is all about the price; the train just cannot be more expensive! Not even if it is faster than other modes.
- None of the green values can influence the decision if transporting via Rail Baltica costs 10% more only because using a train is supposed to be fun!
- Clients do reject offers which halve transport emissions but cost 5% more. This is the reality.
- Just to give you a clear picture, a truck from Tallinn to Germany costs €1300.
- How can the fluctuations in the transport price be taken into account if in the downturn the railway usually loses its competitiveness due to high fixed costs.
- For us, the most important factors are price level, quality and reliability of transport.
6.4.6. **Distance and Reachability Requirements for the Freight Train**

Every interviewee saw that Rail Baltica is not realistic on its own, i.e. there is no one who wants to transport something just between Tallinn and Berlin. Every interviewee stressed that Rail Baltica should be considered a feeder route and a link between the Trans-Siberian Railway and the whole European rail network. Travelling distances are not convenient to be too short because the railway is not efficient on short routes.

The train is sensible to use on long journeys and for big volumes. One interviewee stated that there is no need to build a railway through the Baltic states just because there is lack of volume there. It would be sufficient enough to have a railway from Berlin to, for example Kaunas, as the north direction can and should be operated by trucks. It was stated that there is nothing to transport from Estonia that could be transported by train.

Large-scale volume companies were concerned about the ability to forward freight from Germany or Poland. The companies wondered whether there would be enough capacity, e.g. in the European rail network. At least the capacity of corridor between Lübeck and Milan is already being used. The most mutually agreed comments about distance and reachability are shown in Table 6.18.

**Table 6.18.**

**Freight train – issues concerning distance and reachability**

<table>
<thead>
<tr>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>The connection between Tallinn and Berlin is worthless if you cannot reach the rest of Europe and Russia by railway.</td>
</tr>
<tr>
<td>Berlin is never the destination for freight. Freight either passes over Berlin or does not go even that far.</td>
</tr>
<tr>
<td>Rail Baltica should work as a hub-and-spoke system and the main hub should be located in e.g. western Poland.</td>
</tr>
<tr>
<td>It would be great if Rail Baltica could reach German harbours.</td>
</tr>
<tr>
<td>Eastern Europe should be reached by rails. Rail Baltica could be the connecting link there.</td>
</tr>
</tbody>
</table>
Even though Rail Baltica is marked as ending in Berlin, in reality freight goes south of Warsaw.

Rail Baltica should be connected to TSR.

There is a problem with further connections for Rail Baltica because Lübeck-Milan corridors capacity is already in use. Freight from north cannot be transported further via that corridor. This problem decreases the value of the whole idea of transporting freight on Rail Baltica.

To be realistic, Rail Baltica should be built from Berlin to Vilnius or Kaunas. There is no need to go any farther north. The northern direction from Kaunas to Tallinn can be managed by trucks.

6.4.7. REQUIREMENTS FOR THE PASSENGER TRAIN

The large-scale volume companies’ comments on passenger trains focused on price issues and lead times. The interviewees estimated that it should take less than 3 hours from Tallinn to Riga and approximately 16 hours to reach Berlin. Concerning price issues, the interviewees estimated that a train will not be able to compete against airlines because it is not as fast and it is difficult to even reach the same price level as the airlines. The most common comments on requirements for the passenger train are shown in Table 6.19.

Table 6.19.

PASSenger TRAIN

- Passengers will not travel by train from Tallinn to Berlin because flights are very cheap today.
- It is hard to get train tickets cheap enough for passengers to choose the train rather than airplane.
- Nowadays fossil fuels are very cheap, but this will change!
- The train should be fast enough to compete with airlines.
- Lead time from Tallinn to Riga should be 3 hours and to Warsaw 6 hours.
- A sensible lead time would be 2 hours from Tallinn to Riga and 16 hours to Berlin.
6.5. Low- and mid-sized volume private sector actors

Low- and mid-scale volume private actors have approximately half of the annual volumes as compared to the large-scale volume private actors. Small and mid-sized companies comprise contain two logistics service companies, two passenger transport operators and five clients of freight transport which are shown in Table 6.20 below.

Table 6.20.

<table>
<thead>
<tr>
<th>Date</th>
<th>Country</th>
<th>Interviewed Company</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.10.2011</td>
<td>Finland</td>
<td>Company C: Logistics Service Provider</td>
<td>1h 29 min</td>
</tr>
<tr>
<td>4.10.2011</td>
<td>Finland</td>
<td>Company D: Logistics Service Provider</td>
<td>1h 01 min</td>
</tr>
<tr>
<td>10.10.2011</td>
<td>Finland</td>
<td>Company E: Client of Freight Transport</td>
<td>39 min</td>
</tr>
<tr>
<td>11.10.2011</td>
<td>Finland</td>
<td>Company F: Passenger Transport Operator</td>
<td>58 min</td>
</tr>
<tr>
<td>13.10.2011</td>
<td>Finland</td>
<td>Company H: Passenger Transport Operator</td>
<td>1 h 28 min</td>
</tr>
<tr>
<td>1.11.2011</td>
<td>Finland</td>
<td>Company J: Client of Freight Transport</td>
<td>1 h 26 min</td>
</tr>
<tr>
<td>2.11.2011</td>
<td>Finland</td>
<td>Company K: Client of Freight Transport</td>
<td>60 min</td>
</tr>
</tbody>
</table>

These companies do not have volumes large enough to create a basis for freight or passenger traffic on Rail Baltica, even though they provided many important comments which should be taken into consideration in the further planning of Rail Baltica. Every interviewee in the small and mid-sized companies agreed that the distances inside Estonia and Finland are too small to be operated by trains. The small and mid-sized clients for freight transport are similar in managing transportation, and usually it is outsourced to logistics service providers. They agreed that it is not important how transport operations are done as long as the schedule is accurate and the quality of transports is adequate enough, e.g. fragile goods are not broken. The small and mid-sized logistics service providers stressed that the most important factor is how the balance of import and export can be ensured. One noteworthy factor is also that every interviewee in both scale segments stressed the fact that it is significant who the railway freight transport operator within the corridor will be. If the operator will be a government-owned company or collaboration of government-owned companies, then this will probably not be enough.
The operative actor should be market-oriented and independent. A demand for competition on the Rail Baltica corridor was underlined by the interviewees.

### 6.5.1. MARPOL Regulation’s Effect

Small and mid-sized volume companies view the MARPOL regulation slightly better than and not as harmful as the large-scale companies. One interviewee stated that everything that is needed to be transported will be transported – this is just a matter of alternative means of transport. The small and mid-sized companies consider the reduction of environmental impact to be a great idea. Every company agreed, though, that the MARPOL regulation will increase costs just as every large-scale company has. Rail Baltica is seen as an option for transport by every interviewed company. Comments on the MARPOL regulation from small and mid-sized companies are shown in Table 6.21.

Table 6.21.

**IMO MARPOL 73/78 Effects**

<table>
<thead>
<tr>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>It will increase transportation costs even though the idea of reducing environmental impacts is noteworthy.</td>
</tr>
<tr>
<td>Regulation will increase the costs and decrease competitiveness with foreign companies.</td>
</tr>
<tr>
<td>Definitely increases costs.</td>
</tr>
</tbody>
</table>

### 6.5.2. Recession Effects on Private Sector Actors

The recession in the years 2008–09 had a greater impact mainly on the small and mid-sized rather than large-scale companies. For passenger transport, the volume of passengers has barely increased from the level it was at in 2007. Also, annual turnovers have dropped. However, the overall situation is now improving. The logistics service providers and their clients noticed the drop in the freight rate of road transportation, but this did not have such an impact as in the large-scale companies. Comments on the recession’s effects on the small and mid-scale volume private actors are shown in Table 6.22.
Table 6.22.

**Recession effects 2008/2009**

- Because of recession, operations needed to be reduced.
- The annual turnover has not even come close to the level of 2007.
- Towing prices of semi-trailers dropped dramatically.
- The recession cut the number of passengers.

6.5.3. **Technical issues of the freight train**

Just as for the large-scale companies, the characteristics of goods are the same in the small and mid-sized companies. All those interviewed are dealing with general cargo, which is mainly on pallets. No raw or bulk materials are dealt with. It is also important to note that the small and mid-sized companies have very low shipping volumes, e.g. these companies’ weekly volume is in the range of one to five semi-trailers. The smallest article shipped was the size of a letter and the biggest the size of a refrigerator. The volume of shipments can be large, but the number of tonnes and cubic metres is very low. The most common comments on the technical issues of freight trains are shown in Table 6.23.

Table 6.23.

**Freight train – technical issues**

- Goods are general cargo and they are usually placed on pallets. Volumes are low.
- Our volume and frequency are far from covering railway transportation.
- Gauge must be the European standard.
- The overall railway infrastructure and terminals should be improved before railway freight even becomes an option.
- What is the idea of freight transport on the Rail Baltica route? If it is supposed to be newer, e.g. huckepack or double stacking, it is realistic, but if it is supposed to be traditional, you can forget it!
- Even the huckepack will not be enough (for passenger trains), we also need traditional, long trains.
The reason why semi-trailers are so widely used is that they give the supply chain flexibility.

The number of semi-trailers will increase when the cost of having a truck driver grows. Then trailers will be loaded onto ferries or trains.

The freight traffic between Helsinki and Tallinn is RoRo-traffic.

How will the traffic between Helsinki and Tallinn be handled? If ferries stay, the project is more or less half way.

The safety issues of railway freight are questionable. How will it be ensured that e.g. consolidation will not break fragile goods?

Even if Rail Baltica’s lead time is short enough, will the effectiveness be anywhere close to a reasonable level?

The interviewees from the small and mid-sized companies see that there is only one solution to the problem of the different gauge, and this is the European standard gauge. Operations should be done with the huckepack or blok train with double stacking. If new concepts will not be in use, then the railways will fall out of the competition. It was also stated that there is a lack of modern railway terminals and usable equipment. The usage of semi-trailers is seen as a better option in the small and mid-sized logistics service providers than in the large scale ones. In both segments the semis are seen as a very flexible and cheap solution for transportation. Estimations about the increase in intermodal transport were similar in both segments, and interviewees agreed that intermodal transport usage will increase as the salaries of truck drivers increase.

The effectiveness of Rail Baltica was questioned in both segments, with concerns about the solution as to how traffic will be managed and whether there will ever be enough volume for it to be profitable and competitive. If the railway does not reach Helsinki, then the whole project will be more or less only half way done. Also, even if the freight train is fast enough compared to the ferries and direct truck haulages, the question remains if it will ever be profitable.

6.5.4. Frequency and lead time requirements for the freight train

Instead of requirements for short lead time and high frequency, the small and mid-sized companies stressed that ability to schedule and easiness to use are the decisive factors.
Of course, the interviewees agreed that lead time should be short and frequency high enough for Rail Baltica to be compatible. The small and mid-sized companies paid slightly more attention to the green aspects in the decision making than the large-scale volume companies. The small and mid-sized companies’ opinions about lead time and frequency issues are shown in Table 6.24.

Table 6.24.

**Freight train – issues concerning frequency and lead time**

<table>
<thead>
<tr>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>The possibility of scheduling the route and easy use are the key factors.</td>
</tr>
<tr>
<td>Lead time must be comparable to ferry and truck.</td>
</tr>
<tr>
<td>Frequency and lead time requirements are more stringent for transport to Germany than to Poland. To satisfy the demands in Poland, frequency can be lowered and transport can take more time.</td>
</tr>
<tr>
<td>Lead time must be shorter than for ferries, and frequency at least the same.</td>
</tr>
<tr>
<td>Frequency should be at least once a day and lead time from Tallinn to Berlin or northern Germany 12 hours at the most.</td>
</tr>
<tr>
<td>A frequency of three times per week together with a lead time of less than 48 hours should be fair enough.</td>
</tr>
<tr>
<td>Railways’ attractiveness will increase when lead time gets shorter.</td>
</tr>
</tbody>
</table>

6.5.5. **Price of the freight train**

The interviewees from the small, mid-sized and large-scale companies admitted that Rail Baltica should be a cheap corridor. Also, the price level was desired to be, at most, the same as the truck and ferry levels. Only one company was ready to pay slightly more if Rail Baltica met their other requirements. It is significant to note that only one out of fifteen companies expressed this kind of willingness. The other companies stressed the fact that the train should be cheaper because cost issues do have the biggest role in the decision-making process. The most common comments on freight train price issues are shown in Table 6.25.
Table 6.25.

**Freight train – price issues**

<table>
<thead>
<tr>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail Baltica should be a cheap feeding corridor.</td>
</tr>
<tr>
<td>Price level should be comparable to ferry and truck.</td>
</tr>
<tr>
<td>If the lead time or frequency do not meet those of the ferries, the prices should be a lot cheaper</td>
</tr>
<tr>
<td>than the ferry prices.</td>
</tr>
<tr>
<td>If the lead time using Rail Baltica is shorter than using ferries, we can pay a little more.</td>
</tr>
<tr>
<td>The cost of transportation is an important factor in decision making.</td>
</tr>
<tr>
<td>Even though price is the factor that matters, green values are gaining in importance.</td>
</tr>
</tbody>
</table>

### 6.5.6. Distance and reachability requirements for the freight train

Just as the larger companies, the small and mid-scale volume companies thought that Rail Baltica should be a connective link at least between the Baltics and Central Europe. The same opinions concerned Russia, as many interviewees asked the question: “What is the point if Russia is not involved?” This question is common for both the large-scale, small and mid-sized companies in Finland and Estonia. Obviously, Russia is important to these countries, and some comments on reachability also concerned the largest seaports and the hot spots in Europe, which should be reached.

All of the companies in both segments saw the situation about distances almost identically – that the distances in the Baltic states are too short for freight trains. Also, the size of the market area is questionable – there simply are not enough inhabitants in the region. Even Lithuania is seen to be too near Tallin. The most important comments on distances and reachability are shown in Table 6.26.
Table 6.26.

**Freight train – issues concerning distance and reachability**

| By using Rail Baltica, Central Europe should at least be reached. |
| Southern and Eastern Europe need to be reached by using Rail Baltica. |
| What’s the point if Russia is not involved? |
| If we talk about reachability, Rail Baltica should be the connective link between Antwerp (or Rotterdam or Hamburg) and Moscow. |
| Distances inside the Baltic states are way too short if we think about railway freight. Even Lithuania is not very far from Tallinn. |
| The overall amount of goods transported in the Baltic states is minor, mostly because the market and the population are small. |
| By using Rail Baltica the hot spots of Europe should be reached for the whole project to be reasonable. |

6.5.7. Requirements for the passenger train

The comments on requirements for passenger trains are much more specific from the small and mid-sized companies only because two passenger transport operators were involved in this segment. These companies had extensive knowledge and multiple noteworthy comments concerning passenger trains on Rail Baltica. An interesting aspect is that these companies do not see any possible passenger train operator as a threat or even competitor. The passenger transport operators stressed that they have only one competitor on this route – and this is the usage of private cars.

Interviewees from both segments wondered about an ideal world where it would be possible to take a train to St. Petersburg and Moscow and to Berlin from Helsinki. Only the passenger transport operators did not think that there will be a demand for a train connection between Tallinn and Berlin. The passenger transport operators agreed that there are many people travelling back and forth between Tallinn and Vilnius, but if the whole route from Tallinn to Berlin is considered then the idea is not recommended. Even airlines have difficulties with profitability because of a lack of passengers.
One interviewee almost lost his temper just thinking about this idea. Based on his professional knowledge and experience, the Tallinn-Berlin connection is nothing but an airline market. Both passenger transport operators thought that there will never be enough passengers to guarantee profitable transportation between Tallinn and Berlin. The train ticket price will be at the same level as was the airline ticket price even if it is subsidised by governments. According to the passenger transport operators, the train will never be able to compete against airlines on routes of 500 km and more.

The interviewees estimated that the lead time from Tallinn to Riga should be approximately 2 h, and to Warsaw 6 h. Also, frequency must remain at a high level. According to the passenger transport operators, when it comes to passenger traffic, frequency is a matter of life and death. To be competitive, frequency should be at least once every two hours, or even once an hour! Also, for passenger traffic the shortest alignment is vital. It is not sensible for a railway to go via Tartu. Passengers are quite willing to pay extra for faster connections, but no one wants to travel 150 km more without good reason. The prices of train tickets should be low enough because people in the Baltics are relatively less affluent. A sensible ticket price from Tallinn to Riga would be approximately €30. If the price will be higher than €60 then the train will be out of the competition. The most important comments on passenger train requirements are shown in Table 6.27.

Table 6.27.

**Passenger train**

| Rail Baltica offers an alternative to flights. |
| In an ideal world it would be possible to take a train from Helsinki to St. Petersburg, to Moscow and to Berlin. Too bad the connection is available in Tallinn but not in Helsinki. |
| There are a lot of people travelling back and forth in the Baltic states. Sure there is a potential for the train! |
| Passengers are quite willing to pay for faster connections. |
| Reasonable lead time from Tallinn to Riga by train will be approximately 2 hours, to Warsaw 6 hours. |
If we think of alternative alignments for the railway, Rail Baltica's competitiveness in passenger traffic is zero if the corridor goes via Tartu.

The connection should definitely go to Vilnius. Freight can go to Kaunas, but passengers want to go to Vilnius.

Reasonable frequency is three or four times a day.

Ticket prices should be approximately €30–40 from Tallinn to Riga, with prices over €60 you can forget about the whole thing. For longer journeys the train ticket will cost approximately the same as a flight ticket even if the train is subsidised by the government. Who would want to pay the same price as for a flight and arrive at the destination 10 hours later?

Passenger train frequency is a matter of life and death. For 300 km legs the frequency should be at least once per two hours. Once an hour would be even better. Lower frequency means that you are out of the competition. If you miss the train, you can be home by car before the next departure.

It is realistic to think of a fast railway connection between Tallinn and Riga or Tallinn and Vilnius.

To be honest, it is stupid to talk about a fast railway connection from Tallinn to Warsaw or Berlin! Legs of over 500 km are for the airline market, not the railway market! Such ideas come from people who know nothing about passenger transport markets!

6.6. Typologies of transport stakeholders based on Finnish and Estonian interviews

The typologies of transportation stakeholders are gathered from interviews in Finland and Estonia. It has to be noted that the typologies can be very subjective because the named stakeholders are mentioned by the interviewees, and the importance of occasional stakeholders can vary in the decision-making process. The stakeholders mentioned in the interviews are gathered into seven different groups that can affect the Rail Baltica project.

The different stakeholder groups contain either a description of the stakeholder or a definition of the decision-maker. The groups are as follows:
The transportation stakeholders gathered from the private sector interviews in Finland and Estonia are shown as typology maps in Appendices 1 and 2.

Four different associational stakeholders were mentioned in Finland, and one in Estonia. The role of the industrial and logistics associations was highlighted. In Finland the interviewees saw six different stakeholders in the logistics sector. Different seaports, the Finnish transport agency and regulations of driving time were mentioned. In Estonia two different actors were seen as stakeholders, these were co-operative companies and globally operating logistics service providers. On the railway sector in Finland seven different stakeholders were seen. The governmentally-owned railway operator, VR Group, possible private railway operators and customs were seen as the most important. Also connectivity, the overall condition of the rail network and the decision of the freight train concept were seen as important factors. In Estonia only Eesti Raudtee was named as a stakeholder on the railway sector, although other railway companies also exist in Estonia.

The European Union was seen as a regulator in both countries. In Estonia the EU was also seen as bringing bureaucracy and complexity to the decision-making process. The government and local governments were seen as having minimal bureaucracy, being cooperative and flexible. The Finnish companies mainly mentioned the parliament and local, regionally elected, members of parliament as stakeholders. Also, the Ministry of Transport and Communications was mentioned. The decision-making process was described mainly to be bureaucratic and time-consuming. IMO MARPOL regulations, different development projects, customs and border guards were named as the other stakeholders in Finland. In addition, educational institutions were mentioned. In Estonia, educational institutions and the defence forces were mentioned as the other stakeholders.
As can be seen in Appendices 1 and 2, the Finnish companies identified many more stakeholders concerning transportation than the Estonian companies. Usually, the Estonian companies refrained from commenting on anything specific concerning the transportation stakeholders. A common response was that companies try to stay out of politics and focus only on doing business. The reason for this kind of attitude might be that usually companies operate worldwide and have become used to adjusting their actions under different circumstances. Furthermore, the difference between the countries might be explained by the overall opinion, which is very positive in Estonia. The Finnish companies might see more problems in the transportation sector, and that is why the Finnish companies recognise more stakeholders than the Estonian companies.

6.7. Synthesis of Estonian and Finnish interviews

It seems that the companies in general were seeking new ways to enhance the railway sector to correspond to their needs in transport logistics. This only confirms that the current actors and technologies in the RB alignment are taken as insufficient for the modern fast based just-in-time logistics needs. We have presented the most crucial characteristics from the interviews for the new freight corridor on Map 15.

As is shown in the named characteristics, the current situation and future expectations from the Rail Baltica alignment have such significant differences that the private sector does not trust the current governmental actors and emphasises the involvement of numerous new entrants (railway operators) on the freight side of RB. In the interviews it was frequently mentioned that the current *modus operandi* needs to change, as something new is needed on the rails to make them competitive.

One example of the intermodal solutions is huckepack technology, which enables the transport of semi-trailers/trucks on rails with fast and efficient loading-unloading operations. It is hoped among the interviewed organisations that the huckepack or some equivalent technology will be brought to the corridor to enable a fast and frequent as well as cost-competitive overall transportation service.
Basically, the respondents emphasised that the railway logistics package in this alignment should reach the competitive features of other transportation modes on this route, namely by road and sea. For example, given that the time of 24 h to Berlin (from Tallinn) is just an average, the connection should be fast or moderately fast and frequent. Also, a basis for comparison as far as costs are concerned is currently road transport, where freight rates have slumped significantly due to the economic downturn. Therefore, the given rate of €52 per tonne is only indicative, and may be even too low. However, it gives an idea of how much railways could charge for their transportation service and also sets some target cost of the transportation service (with some tolerance). What helps with regard to the lead time and frequency in the railway option is currently the lack of use. So, if a new capacity is eventually built, it will have the potential to fill itself from scratch and to compete from a better position with the other congested transport modes.

Map 15.

Private sector actors from Estonia and Finland – most important characteristics of the Rail Baltica freight corridor (based on interview)

The companies also highlighted that change is needed in the methods used (i.e. this could be the reason that they mistrust government-controlled railway companies), which means that not all of the regions and cities should be treated as equal, and the alignment should be radically fine-tuned to industrial needs.
For example, the Rail Baltica main line could end in Latvia or, in another scenario, it could be expanded to Finland (Helsinki) as well as to Russia (St. Petersburg and Leningrad Oblast). It all depends on how much willingness there is to invest in the project (infrastructure). So, Estonia should, of course, be a part of Rail Baltica, but as the distances are so short and the population and industrial volumes limited, the Estonian role in the Rail Baltica investment should be carefully considered. This means either partial service from other Baltic states (even Lithuania is considered to be within short distance for road transport to reach Estonia) or expanding the investment to the neighbouring countries of Estonia in order for the longer alignment to become strategically important.

Interestingly, the interviews revealed that the companies are more interested in Warsaw as the end point on the corridor rather than emphasising the role and position of Berlin. This is mostly due to the reason that Warsaw is on a viable route to offer freight the possibility to continue in the southern direction (e.g. Slovakia and the Czech Republic, Hungary, Austria and even Italy). The companies typically operate with their manufacturing units on a European or even global scale. It could be sensed somehow from the interviews that the companies would be interested in not only connecting Northern Europe to Central Europe, but even to the Mediterranean area by using RB. This is already a reality for some of the interviewed companies, as part of their supplies to factories were transported frequently from Spain, but also because for some manufacturers the major markets were located in Italy, Austria and Germany. Therefore, it is understandable that linkages to larger logistics configurations are emphasised in the responses, and again this should be reflected in the infrastructure investment plans of the RB alignment.
Summary and recommendations

The project of the Rail Baltica transport corridor is not only an element of EU policy, but also an object of interest in individual countries. It is perceived as a possibility for the development of a transportation system – a factor that would increase integrity with the EU and a chance for growth in competitiveness in a certain geographical area.

Forming Rail Baltica as a fully passable transportation route that would constitute an element of the growth corridor will require considering a number of circumstances, classified as follows:

1. Geographical impact – understood as an area of influence not only in the scale of the growth corridor, but also in transportation possibilities of both a continental and even intercontinental range.

2. Infrastructure – understood as the technical as well as location parameters of the route together with accompanying elements, such as terminals and rolling stock, in particular. Here mainly the ‘bottlenecks’ related to Rail Baltica were discussed.

3. Possibility of choice – understood as competitiveness both at the level of individual decisions of businesspeople as well as on the scale of competitiveness of the transportation branch in this analysed part of Europe (Baltic Sea basin).
7.1. Geographical impact

The RB route has been assigned the ability to shape the “growth corridor” according to the idea of the project title – Rail Baltica Growth Corridor. This indicates the possibility of economic growth of the countries and region located within the area of the corridor, not merely as an inspiring and developmental vision of the future.

7.1.1. Rail Baltica as a TEN-T element

The Trans-European Transport Network is treated in European politics as a factor increasing the internal cohesion of the European Union. Its mission is to provide the possibility of the rapid transit of people and delivery of cargo between the most distant corners of the EU. From this point of view, Rail Baltica will fulfil this important role especially in the section along the eastern border of the EU. The newly-launched connection between Helsinki and Białystok shall shorten the time of access to Central Europe while allowing adequate passability and the technical level of the Białystok–Berlin connection.

Rail Baltica, as seen from the map below, is a part of the core network of intra-European transport.
Map 16.

**TEN-T Core Network (RB perpendicular intermodal terminals – RRT included)**

7.1.2. **International Links**

Within the scope of the surveys carried out, Rail Baltica is faced with expectations related to a wider range of impact reaching beyond the range of RBGC. It is expected that RB will improve connections with Russia. The perspective of trade with Russia or the use of the transit potential for handling this trade was mentioned in all of the countries that participated in the study. Moscow is most frequently mentioned as the direction of trade and transportation; in general, Russia is simply discussed, sometimes widening the perspective with the CIS countries.

Taking into consideration the above, in the case of one country (Poland) it is expected that RB will include the connections of Polish ports with Russia in its range of influence. This expectation is fairly reasonable due to the fact that currently there is no convenient and fully functional rail connection between the Polish ports and Eastern Europe. The first attempt was already made – the test to include Polish ports in a regular connection for cargo transportation via the terminal in Kutno\(^28\) (central Poland) on the Rotterdam–Moscow route (via Belarus).

Western Europe is a frequently mentioned direction of development of trade and transportation – Rail Baltica is expected to improve the connection to Lithuania, Latvia and Estonia with the Western part of the EU (not only Germany is mentioned here, but also more distant countries).

In the context of the East-West relation, the role of RB in boosting cooperation with China was emphasised in one case – this was the container train from China to Western Europe (Belgium) via Lithuania, Poland and Germany which also commenced a test route of the RB section from Kaunas.

Additionally, it was pointed out that RB will facilitate connections between North and South:

- between Tallinn and Poland, including the relation between Lithuania and Poland (the option to omit Belarus)
- to the south of Poland; the respondents listed such countries as Spain, Italy, Greece and Bulgaria.

The appropriate maps illustrating the above-mentioned relations were included in Chapter 5: “Decision Maps”.

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\(^{28}\) Kutno is situated in central Poland, on the route of RB. A connection is being considered which would connect ports with RB in the vicinity of Ełk.
7.1.3. Perspective of individual countries

As indicated in the previous chapters, there are clear differences in how Rail Baltica is perceived in the individual countries surveyed. These differences originate both from the existing structure of transport as well as from the geographical location. Germany is a country located centrally in the European Union, and the scale of operations results in an increased interest in Russia rather than in the Baltic states. As a result, private sector interest in new opportunities is relatively low.

Interest in Poland is higher due to the country’s transit location as well as awareness of existing opportunities of cooperation in the north-south direction. The barrier on the Polish side is the part of the route between Białystok and the border with Lithuania. In Lithuania, in turn, the bottleneck stretch is currently the section from the Polish border to Kaunas. The passable Polish-Lithuanian connection seems to be a key factor that may substantially enhance the dynamic development of connections in a relatively short period of time. Awareness of this fact is evident in Lithuania, where support for the Rail Baltica project seems to be the strongest, and the project is seen as actually opening up new possibilities. In Latvia the vision of Rail Baltica is similar but is slightly weaker. In this country some of the previously mentioned risks have been discussed.

7.1.4. International networking

The study proved that in the analysed area there is only one example of international networking in the character of a joint-venture established between partners from Poland and Germany operating container terminals and rail transportation between Western European ports (Hamburg, Bremerhaven, Rotterdam) and Poland, Ukraine, Russia, the Caucasian countries and Central Asia.

Cooperation with an established network of suppliers (and its classic bilateral contracts) and with entities within the capital groups was mentioned. Other forms of business cooperation did not appear in the study. In particular, no international cluster within the transportation business was noted. Few companies declared having membership in industry associations, trade chambers or employers’ associations. The issue of no need for business cooperation with competitors appeared in the statements.
Due to the lack of direct statements from the respondents, the team of experts held a focus group discussion concentrated on the question: “How can the development of RB potentially influence the level of cooperation, including international cooperation, between the private sector entities?” According to the statements, cooperation should be anticipated firstly in the situation of a direct threat to the activity of a group of entities.

Public and private road transportation companies were indicated as the ones directly threatened by the RB project. Their cooperation could be based on:

- joining their potentials in order to decrease costs
- dispatch cooperation in order to reach optimal load of rail freight wagon fleet
- common diversification investments (rolling stock purchase).

Also, terminals within seaports were stated as threatened by the project; however, no grounds for common business activity (especially in terms of tight bonding to one location and in the face of strong competition within the industry) were identified.

The need to reach an appropriate scale of transportation by the potential ‘new players’ within rail transport was perceived as a positive incentive for networking. The purchase of new rolling stock, especially in the light of circumstances outlined in Section 6.2, should not be excluded.

### 7.2. Infrastructure

The expectations connected with RB regarding the transport infrastructure were formulated in the surveys as follows:

- It will represent the best possible level of technology and services.
- It will enable transport on one standard track system on the whole route [Helsinki–Berlin].
- It will ensure high accessibility.

From among the above-mentioned stipulations only the third statement was constantly repeated in the surveys. It was formulated either on general grounds or in the form of particular directives. There is a will to achieve accessibility in two ways.
The first way is in favour of a large number of terminals, which would certainly influence the number of access points (stations). Secondly, the European track gauge is required to lead directly to the points of destination. The suggestions, however, only concern connections between Lithuania, Poland and Western Europe:

- manufacturing companies; two of the Lithuanian chemical works companies suggested that direct access to the route would be an important factor concerning changes in their transport organisation; Šiauliai was mentioned as one of the locations in need of a specialised terminal; one of these companies assessed influence on the operational ability as very significant
- a passenger station and railway from Vilnius to Warsaw and Western Europe.

The suggestions would probably lead to the elimination of Belarus from the transport connections within the EU.

The connection from Klaipeda to the European gauge through RB was not suggested by any of the respondents.

It is worth mentioning that the parties interested in a quick shift to RB in terms of transportation on the Polish and Lithuanian border declared cargo transportation via this route amounting to a few million tonnes per year. The section of RB between Białystok and Kaunas is perceived as a “bottleneck” and the key obstacle for transport development at the moment.

The factor of services accessibility will be the volume and condition of the rolling stock, including locomotives. The current potential of the market is estimated as insufficient. The possibility of carrying out investments, especially in locomotives as well as specialised freight wagons, is limited by the bargaining power of the suppliers – the rolling stock manufacturers. Undertakings must be planned in advance, which includes the chances of delivery. The potential of the second-hand rolling stock market is limited.

7.3. “Possibility to Choose”

The “possibility to choose” stands for the increased possibility of using various transportation modes and competition between the suppliers of transport services. This not only increases the freedom of choice, but also flexibility in running the business.
This competitiveness is examined in the following two contexts:

1. rivalry between transport branches in the Baltic Sea Region (industry level)
2. individual decision-making processes of buyers / suppliers (market level).

### 7.3.1. Industry Level

At the industry level the results of the study show that Rail Baltica:

- will be a good and attractive alternative to other means of transportation
- will enable replacement of part of the road transport with rail transportation in particular
- will also be a factor influencing decisions regarding the use of sea transport.

“White Paper 2011” quotes that “30% of road freight over 300 km should shift to other modes such as rail or waterborne transport by 2030, and more than 50% by 2050, facilitated by efficient and green freight corridors”\(^{29}\). According to this point of view, RB constitutes a potential threat to road transportation, which is entirely adequate according to EU policies. The models of decisions were presented in Chapter 5 in the “Decision Maps”.

At the same time competition for Baltic seaports and ship transportation shall emerge, especially for the white fleet sailing along Baltic and European seashores. Water transport may be converted to land transportation. An additional factor of competition between sea and rail transport will be the International Maritime Organisation’s (IMO) decision to change Annex VI of MARPOL\(^ {30}\), and to decrease the allowed sulphur content in marine fuel starting in 2015\(^ {31}\). Based on these new regulations, a 0.1% sulphur fuel limit will apply in Emission Control Areas (ECAs), which covers only the Baltic Sea, North Sea and the English Channel in Europe. The European Commission noticed that “some stakeholders raised concerns about the costs of the new requirements and the potential risk of modal shifts (from short sea shipping to trucks)”, but decided to adopt IMO’s revision to EU regulations\(^ {32}\).

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\(^{31}\) Resolution MEPC.176(58) adopted on 10 October 2008 (Revised MARPOL Annex VI, Regulation 18)

The proposed adoption of a new EU regulation was met with objections from Sweden, Finland and Estonia, but it was supported by Poland. This adoption will result in a significant increase in sea transport costs and a strengthening of the competitiveness of rail and road transport. The degradation of sea transportation will benefit the development of rail transportation.

**7.3.2. Competitive Advantage – Business Level**

According to the various statements of the study’s respondents, RB can positively influence competitiveness of the enterprises and economies of particular countries. In particular, it was stated that RB:
- will be attractive for commercial transportation
- will save time
- will decrease the costs of transportation and therefore will positively influence the costs of supply and sale in the cargo handling companies.

The forecasted interest of the private sector entities in the Rail Baltica connection depends on the key business decision-making factors. The choice of using RB (decisions of the cargo owners and freight forwarders) will be influenced by:
- physical accessibility of services
- time of realisation of transport service
- price of service
- cargo safety
- railway and junctions capacity.

Further factors appear in various combinations, the second and third factors are present in all of the countries studied; the first factor is clearly emphasised in Latvia and Lithuania. Nevertheless, this sample does not allow a precise segmentation of the market.

**7.3.3. Physical Accessibility**

Physical accessibility was preliminarily discussed in Section 6.2 under “Infrastructure”. Both the need to build a line leading directly to some large enterprises in order to avoid intermodality and the need of reloading were also mentioned in Section 6.2.
Some of the respondents pointed to the need of ensuring safe, ‘door-to-door’ delivery without the necessity of having to change the transport mode and to fill in additional documentation. The study showed that intermodality is not a particular preference.

The respondents expressed the need for a large number of terminals. It is reasonable to claim that the demand for the Rail Baltica service is conditioned by the “access points”, where an easy transfer of cargo from road transport to rail and vice versa will be possible. This issue relates, in particular, to Latvia and Lithuania. Latvia – where a relatively short section of RB will be located – and its servicing will be possible with one or two clusters of terminals. Relatively large areas of the country shall remain away from the direct area of influence of the railway line, therefore, intermodal access to the country’s areas located in the east and west will be necessary. On the other hand, the possibility of reloading cargo from the sea to rail and vice versa should be planned for Riga and its vicinities. There is no need for direct sea/rail reloading in Poland, Lithuania or Germany.

Lithuania – the capital city of Vilnius together with its main port (Klaipeda) is situated at a certain distance from the RB route. Klaipeda will probably not need cargo intermodal transport connections with RB, but the change of track gauge (change of bogies) in Kaunas will be required. This possibility should also be predicted for the country’s capital, although Vilnius will certainly need the additional possibility of organising fast passenger transportation.

7.3.4. Sensitivity to price increase/decrease

The transport services industry is subjected to a high sensitivity to prices. From the point of view of the influence on competitiveness, the price of the service/decrease in costs shall undoubtedly benefit the manufacturing companies that achieve results due to the volume of homogeneous deliveries. It is not clear, however, how much their shifting the transport mode will worsen the condition of the road transportation companies or whether the expected decrease in the service price will not influence the GDP level in the economies where transportation plays a significant role (including transit).

For the majority of land transportation, the limit of obtaining a high price is the price obtained from road carriers – the habit of the customers who highly trust road transport is also very much in their favour.
On the other hand, customers who prefer deliveries of small batches of goods in a ‘door-to-door’ fashion, especially in the scope of perishable goods, are not very sensitive to a decrease in prices. In these areas the dominance of road and air transport will prevail regardless of the prices.

7.3.5. Sensitivity to the duration of transport

The time of transport service is determined by at least three elements:

- speed of transport (important in the case of perishable cargoes, eroding cargoes, or any other cargo which changes its properties in any way); in this case air transportation is dominant as well as a considerably high level of trust in truck transportation (even over long distances)
- punctuality (important in cases where the cargo does not have to or cannot be transported quickly, however, it has to be delivered on time due to restrictions of the technological process or the conditions of further transportation)
- risk of loss, minimised by tracking systems, however, it is the lowest in cases of transportation with a clearly designated person responsible (e.g. the truck driver).

The respondents in various countries claimed that minimising the necessity to reload, as a factor that substantially increases not only the time of transportation, but also the cost and decreases the standard of service (cargo safety), should become RB’s asset. Travel speed and lengthening the duration of transport are not burdensome in the case of continuous transportation of homogeneous goods (in supplies or retail). In such cases long-term transport may sometimes minimise the need of recipients for space or warehouse capacities. Such a phenomenon is also known as inland shipping.

Inland shipping may also be a benchmark for the just-in-time system of supply. The certainty of supply on time is a more valuable factor than the speed of delivery. This phenomenon generally refers to mass cargoes and to container cargoes of high volume and low requirements.

The sensitivity of recipients to the duration of transport increases along with a decrease in transportation batches. Its border values of 24h and 48h are assumed to be the critical values of the duration of delivery ‘on demand’ – these times are entirely achievable on the entire RB route.
7.3.6. Railway and Junctions capacity

The selection factors also include the volume, i.e. the ability to transport and the possibility to receive cargoes on an adequate and profitable freight scale.

The respondents demonstrate that RB will contribute to the enhancement of transport relations with Russia (see Map No. 8 in Chapter 5). They are unsure, however, whether the building of RB will meet demand on an appropriate scale, as this demand will be influenced by a number of macroeconomic factors, most of which will be out of the range of impact of the countries where RB is to be located. These factors will include:

- demand for raw materials and Russian goods, and supply control by companies and institutions from Russia
- absorption capacity of the Russian market with regards to import from Western Europe.

Rail Baltica will increase the traffic capacity of transit via Lithuania, Latvia and Estonia to vast capacities that are characteristic of reloading at seaports, which will be an additional possibility of then omitting the seaports. Owing to this, a competitive and potentially unstable market in the scope of prices should be anticipated.

The following recommendation can, therefore, be formulated: at the planning phase it is essential to predict all the elements of the infrastructure (terminals, passage ways, stations and sidings for cargo and passenger railways, side-tracks) which will be necessary in the case of a significant increase in the volume of traffic. This will allow for significant cuts in modernisation costs in the future (when commercial transport will run on will not be dependent on will be independent on passenger transport). Therefore, a reserve in traffic capacity should be assumed in order to avoid the risk of rail congestion, which would undermine the whole project’s legitimacy.
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APPENDIX 1:
TYPOLOGY OF TRANSPORT STAKEHOLDERS IN FINLAND

 Associations
- Confederation of Finnish Industries
- Finnish Forest Industries
- The European Freight and Logistics Leaders Forum
- Straightway Finland reg. assoc.
- Finnish Association of Purchasing and Logistics

 Logistics sector
- Finnish Transport Agency
- Logistics service providers
- Driving time regulations
- Condition of road network
- UST Luga
- Finnish seaports

 Railway sector
- VR Group
- Possible private rail companies
- Containers or semi-trailers?
- Trans-Siberian Railway
- Condition of rail network
- Customs
- Innorail ltd.

 Rail Baltica investment

 Other

 Local government

 Government (ministries)

 EU

 IMO's sulphur regulation
- Projects e.g. ELLO project
- Customs
- The Finnish Border Guard
- Technical Research Centre of Finland
- Inspecta Group
- Educational institutions

 Bureaucracy sometimes time-consuming
- Local members of parliament

 Ministry of Transport and Communications

 Parliament

 Transport and Communications Committee (Finnish parliament)

 Bureaucracy sometimes time-consuming
- Regulation
- Driving time regulations
APPENDIX 2:
TYPOLOGY OF TRANSPORT STAKEHOLDERS IN ESTONIA

- Associations
  - Freight Forwarding Association
- Logistics sector
  - Co-operative companies
  - World wide operative logistics service providers
  - Exaži Raudtee
  - Co-operative and flexible
- Railway sector
  - Working time limitations and regulations
  - Brought up bureaucracy, longer decision-making time
  - Compensations and limitations for transportation modes

- Educational institutions
- Tallinn University of Technology
- The Estonian Defence Forces

Other
Local government
Government (ministries)
EU

Rail Baltica investment
(Footnotes)
1 On 8 December Polish Radio reported that work on the high-speed rail project linking Warsaw with Poznań and Wrocław via Łódź had been suspended, as this route’s course would have overlapped in the Warsaw-Łódź-Poznań section with the planned course of the RB passenger line. There is no confirmation of this report on the website of the Ministry of Transport. At the same time, this route is being consulted as one of the goals of the document entitled “Polska 2030. Trzecia fala nowoczesności. Długookresowa Strategia Rozwoju Kraju” (“Poland 2030. Third wave of modernity. Long-term Development Strategy”), Vol. II, p. 14.