TRANSPORT INFRASTRUCTURE DEVELOPMENT FOR A WIDER EUROPE

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“FINANCING OF TRANSPORT INFRASTRUCTURE IN SLOVENIA”

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1. General overview

The Republic of Slovenia is located in Central Europe and covers an area of 20,256 km². With 1,999,094 inhabitants and 10,078 USD (1999) GDP per capita and with potential purchasing power amounting to 14,900 USD, it has made significant development since 1991 in the field of adapting its transport infrastructure to future needs. This is increasingly important with the Republic of Slovenia’s accession to the European Union. Since 1991, the Republic of Slovenia has been clearly oriented to major upgrading of the internationally important transport infrastructure for linking the Republic of Slovenia with EU member countries. This will, of course, enable the Slovenian economy to conduct international trade based on quality transport services.

From the beginning, based on our own assessments as well as all bilateral and multilateral initiatives and studies, the Republic of Slovenia decided that major infrastructure connections would follow existing transport flows. That was considered to be the major priority when the first discussion on the Pan-European corridors was launched. During the course of the international negotiations, we advocated the East – West direction, now called Corridor V, and North – South direction, now called Corridor X.

As an EU acceding country, within the TINA exercise, the Republic of Slovenia followed this approach within the definition of the Pan – European corridors, meaning that the TINA network in the Republic of Slovenia overlaps with the Pan – European corridors without additional infrastructure. Such a harmonised position is based on a realistic approach, whereby we tried to balance our financial and organisational capacity with the need of our economy for transport infrastructure and transport services on an appropriate level. Moreover, we also decided that, where possible, the upgrading of existing infrastructure should be considered prior to the construction of new.

On the basis of this position, we began to assess the current situation of transport, primarily rail and road infrastructure. That assessment was followed by studies on possible future traffic flows, bearing in mind the prospective development of the Slovenian economy, as well as possible accession to the EU. Based on those findings, financial capacities were thoroughly studied, with the identification of possible organisational and legal frameworks. Finally, when the complete overview had been compiled, national programmes on the construction of motorways and on the development of rail infrastructure were proposed for adoption by the National Assembly. These two documents defined the priorities, with an appropriate organisational scheme within the financial construction.
2. Road infrastructure

In 1991, when consideration of the development of road infrastructure began, we had 119 km of motorways in Slovenia, which formed a branch of the subsequently agreed Corridor V. With the definition of Corridors V and X, we came to the conclusion that around 630 km of motorways in total are required in the Republic of Slovenia if the rapidly increased traffic flows are to be matched with appropriate transport infrastructure. For political reasons, priority was given to the East – West direction, or Corridor V, where completion of motorways on this corridor requires 334 km of main parts and 60 km of branches, while Corridor X requires 180 km of main parts and 57 km of branches.

Aware of the gigantic and complex program, the Slovenian parliament accepted the governmental proposal and agreed to set up a state-owned public company, DARS (motorway company of the Republic of Slovenia – Slovenian abbreviation). Moreover, it was also agreed by a large majority to introduce a “petrol tolar”. The petrol tolar was a special tax on motor fuel, designated for motorway construction. On the basis of these decisions, a major investment cycle in Slovenia was launched in 1994. To date, 382.7 km of motorways have been completed, with the following financial structure:

- designated funds – petrol tolar 55%
- loans from international financial institutions (EIB, EBRD) – 15%
- loans from domestic banks – 15%
- foreign loans – 7%
- highway toll – 7%
- other – 1%

In view of the experiences during the period discussed above, we are today considering in detail the possible reorganisation of the state owned public company DARS into a joint stock company. That would enable the completion of motorway construction on the corridors, with a redefined financial structure, as follows:

- designated funds – highway tolls and budget 42.6%
- foreign and domestic bonds – 45.9%
- foreign and domestic loans – 10.7%
- other 0.8%

With this new organisation and improved financial structure, the completion of the motorways on both corridors is envisaged by 2013. If other means of financing that are enabled with this new structure and organisation are taken into account, such as concessions, PPP, etc., the completion of the motorways might be achieved earlier.
3. Rail infrastructure

After careful consideration of the possibilities, possible advantages and disadvantages of a market oriented transport sector in the Republic of Slovenia at the beginning of the past decade, the Republic of Slovenia began to co-operate with the European Commission, and particularly with PHARE programmes, analysing the railway transport sector. We have concluded PHARE studies on a Transport Master Plan, Restructuring the Slovenian Railways, and Support for the Maintenance of the Slovenian Railway Infrastructure and Its Adjustment to UIC Standards.

Having finalised the above studies, the Republic of Slovenia concluded contracts with the European Investment Bank and the European Bank for Restructuring and Development for the largest investment cycle since the Second World War, whereby it was primarily decided on the removal of bottlenecks on the railway infrastructure by means of certain necessary modernisations. Investment amounted to around 130 million EUR. It went together with a rehabilitation programme for Slovenian Railways, which was adopted and implemented by the Slovenian Government. During the late 90s, the Republic of Slovenia managed to conclude an agreement with the Instrument for Structural Policies for Pre-Accession (ISPA), which enabled some additional investments on the Slovenian railway infrastructure. Among other things, a new Slovenian – Hungarian railway link, for which the investment amounted to 111.5 million EUR, was also co-financed by this fund. All these investments were primarily allocated to Corridor V. It would be reasonable to underline that, particularly in the railway sphere, it was agreed that primarily the upgrading of existing infrastructure should be encouraged, while new constructions should only be where urgently required.

Realising that rehabilitation and investment are not in themselves sufficient for the further development of the Slovenian railway system, at the beginning of 2000 the Slovenian parliament decided to establish the appropriate institutional settings, all in line with adopting market rules in the transport sector and ensuring the organisational and finance capacity for the efficient development of railway infrastructure. Today, we have an Infrastructure Management Company functioning as a public agency and a Slovenian Railways Holding, which is setting up companies – operators. This decision undoubtedly enabled wider possibilities of financing the necessary development of Slovenian railway infrastructure, with priority being given to the corridors.

It is currently considered essential to modernise the railway lines on the following sections:

- Ljubljana – Hodoš, the modernisation of which includes;
  - elimination of level crossings and enabling higher speed,
  - electrification of the line Pragersko – Hodoš, which is the remaining non-electrified part of the railway Corridor V in Slovenia,

the two projects together amounting to 275 million EUR.
construction of a second line on the section Koper – Divaèa to a length of 28 km, where the existing single track on Corridor V is already congested. This investment amounts to 376 million EUR,

construction of a second line on the section Maribor – Šentilj towards Graz in Austria, to a length of 15 km. This is the remaining single track section on the route from Vienna to Koper. This investment amounts to 138 million EUR.

All these projects are expected to be completed by 2015. For the projects: modernisation of the line Ljubljana – Hodoš towards Budapest in Hungary and the second line Koper – Divaèa, the Slovenian government has already agreed an estimated financial structure. The Railway Agency – Infrastructure Management Company is in charge of preparation of all the necessary documentation and is seeking possibilities of private capital incorporation.

Having had experience of procedures within EU co-financing of railway projects through ISPA funds in the pre-accession period, when the appropriate organisational and legal capacity was required, we are today adapting ourselves to the organisational and legal requirements for cohesion funds, and considering the possibilities of co-financing the aforementioned railway projects through EU cohesion funds.

4. Conclusions

Bearing in mind the above activities related to transport infrastructure in the Republic of Slovenia since 1991, where the majority of public finance, even the majority of Slovenian financial capacities, were dedicated to the upgrading of infrastructure in line with the European corridors, there were of course some serious concerns as to whether the approach is in line with sustainable development. Some people would have preferred a more balanced development of the overall national transport infrastructure that also included other main and regional roads, together with side railway lines and investments in airports and ports. Being aware of the possible justice of such concerns, a number of studies were made in order to provide the right basis for an appropriate political decision. These studies indicated that some serious bottlenecks would appear in the near future on the main infrastructure prioritised on the basis of corridors. These bottlenecks would affect the smooth flow of international transport as a serious obstacle to the Slovenian and, moreover, the European wide economy. In addition, the punctuality, environmental friendliness and, particularly, the safety of international transport through Slovenia were endangered.

Based on the above arguments, a decision on intensive modernisation of land transport infrastructure was adopted, and the appropriate organisational structure, with upgraded legislation that also improved financial capacities, was set up. Today, on the verge of acceding to the European Union, we are convinced that the decisions on intensive adaptation of our major transport infrastructure were very much in line with future requirements. Moreover, we believe that any other decision would have resulted in serious obstacles to the sustainable growth of the Slovenian as well as the European economy.
In addition to aforementioned, the intensive investments in the transport sector also had an impact on some macro-economic figures:

1. investments in the Republic of Slovenia increased by around 8% annually,
2. without these investments, the growth of GDP would have been around 1% lower,
3. investments in the transport sector resulted in increased employment by 0.7%, which represents around 4000 new jobs annually,
4. the effect of investments on the inflation rate was around 0.07%
5. final consumption for these intensive investments was around 1.25% higher annually.

The aforementioned macro-economic figures as results of the intensive investments in transport infrastructure, together with other effects of appropriate transport infrastructure (punctuality, safety, environment, better transport services and income from charges for infrastructure) are undoubtedly arguments supporting the view that the decisions have contributed to sustainable development in all elements, from economic, environment to social ones. Moreover, taking all the arguments into account, we do believe that we are strictly in line with the general orientations of the EU white paper on transport policy, which encourages us to the belief that in joining the EU, we would become a reliable partner for other EU countries, while our main objective is to contribute to an efficient transport system of the EU that will enable appropriate conditions for the competitiveness of the EU economy within the global one. However we do consider that the approach the Republic of Slovenia experienced during the last decade indicates our strict will to stand behind the commitments expressed in Helsinki by the majority of Ministers that priority investment on transport infrastructure would be on Corridors for the benefit of all countries concerned. By this we would like to underline that we understood the Corridors approach as approach that should be followed in future determination of necessary connections of extended Europe with third countries.