Dear Mr. Chairman! Dear colleagues!

Ladies and gentlemen!

First of all, allow me to express my deep gratitude to you for the invitation to attend and make a report, extended to me. I consider it a great honour to be afforded an opportunity to inform you about the role of the Danube Commission and also about the economic and market situation in the Danube region. I address you as the Vice-Chairman of the Danube Commission, Europe's oldest international organization which will celebrate its 150th anniversary in 2006.

It would have been a great pleasure, indeed, to begin my report with some joyful news and tell you that, as it had been planned by the authorities of Serbia and Montenegro, the pontoon bridge in the city of Novi Sad, the last obstacle to a free navigation along the Danube, will be removed on September 30. Instead, the local authorities consider it necessary that the pontoon bridge be preserved because the Sloboda Bridge in Novi Sad is still under restoration. According to the latest information, the removal of the pontoon bridge is to take place in mid-October.

As for the economic situation in the Danube region, it should be pointed out that inland waterway navigation is playing an ever bigger role in terms of traffic and shipments. This is primarily due to the fact that transportation by inland waterways is more economical and less harmful to the nature than railway and road haulage. It is just for these reasons that the European Union proclaimed the Pan-European transport corridor VIG, which crosses the European continent from the North Sea to the Black Sea, to be one of the priority transport projects.

The Danube inland navigation market has some specificities which I dare mention here. It is to be regretted, but the indices of the economic activity of Danube shipping enterprises are not yet available to the Danube Commission Secretariat, so it is impossible to present a full picture of their economic and financial condition. Nevertheless, it is obvious that there has been a decline in the number of shipping enterprises and vessels in most of the Danube Commission member-countries in recent years. Some of the enterprises have encountered the problem of qualified personnel.

In some years, as a result of shallow waters ships cannot move when loaded to capacity, so the cargo needs more ships to be transported. The low water level in the Danube increases the expenses of the freighters. The non-typically low water level in the river in 2003 had a negative effect on the operation of many ports on the Danube which received less cargo than usually and cargo traffic partly shifted to motor roads and railways. Navigation never stopped but encountered difficulties and vessels were underloaded.
The Danube Commission member-countries took necessary measures, such as special hydrotechnical works, strengthening of the coasts and others, but they proved insufficient to ensure minimum navigation conditions.

The latter half of 2004 saw a continuous growth of an average gas oil price which started in the second half of 2002. Gas oil price is one of the factors that determines inland navigation expenses and greatly influences its results.

According to most of the shipping companies, in the early half of 2004 greater use was made of the hold capacities, especially in the fourth quarter of 2004. As a result, most shipping enterprises engaged in dry cargo transportation, assessed their operation in year 2004 as satisfactory, on the whole. Many enterprises recorded best achievements just in the fourth quarter. Although the branch on the whole demonstrated quite good results last year, it should be noted that the continuing growth of gas oil prices in 2004 created problems for many private firms because of insufficient freight.

The volume of container transportation also continued to grow in 2004. For instance, as many as 1.94 million TEU were transported by inland waterways in Germany, which is by some 17.4% more as against the previous year. Transported in containers were 13.5 million tons of cargo or two million tons over that in 2003. The growth of inland container transportation in the last years was accompanied by a bigger role of containers on international sea routes.

The continuous growth of the container transportation share is welcome by railway companies and operators of intermodal transportation. An acute competition takes place not only between enterprises of one and the same type of transport, but also between different types. On some routes railway traffic and inland navigation are major competitors.

According to market participants, a bigger share of water traffic as compared with railway transportation is due, on the one hand, to higher flexibility of shipping, and, on the other hand, to higher costs of railway haulage. The costs of railway haulage are particularly high for railway traffic between container terminals. The share of railway haulage is bigger at places where there is no direct connection with the usable inland waterways. The share of different types of transport also varies depending on the time factor. Railways are usually preferable at the time of low water and for providing supplies to power stations.

Many shipping enterprises engaged in inland navigation hope that when road charges are introduced, the volume of water traffic will increase. This will be particularly true in respect of cargo carried by motor roads running parallel to a waterway with high traffic capacity. Although, pending the introduction of road charges, freighters revealed keen interest in ships and rails, no information has been received so far to confirm a substantial increase in these types of transportation.

The developing national economic complexes offer even larger consignments of finished and semifinished products for shipment, so the Danube transport facilities should be ready to accept them. Presently many logistics operators do not adequately use the Danube waterway because of water level unpredictability and ships concentration in the locks. Should the share of container shipping on the Danube be as big as that on the Rhine, the number of annual lorry runs along the Danube corridor could be reduced. It would be expedient to organize improved regular routes for the Danube container traffic to be supported by the river information systems.

As for a perspective inland navigation, I dare say, as a permanent representative of the Hungarian Republic, that we advocate the formation of a new Pan-European structure to coordinate cooperation of the interested European countries, from The Netherlands to Russia, no matter be it an agency or some other organization. I am convinced that the new Pan-European structure will demonstrate success in upholding the interests of inland shipping enterprises.
In conclusion I have the pleasure to inform you that the Committee for preparing a diplomatic conference to revise the Belgrade Convention, headed by a Hungarian diplomat, Ambassador Arpad Prandler, will soon round off its work. The Committee's regular session will be held in Belgrade next week. We believe it possible to convene a diplomatic conference in Belgrade early in 2006.

Thank you for your kind attention.