Rail Baltica

Rail Baltica in Economic Focus

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Bringing you the latest insights about the Rail Baltica project, its macroeconomic impact and the relevant trends in the industry

Kristine Malnača,
Head of Global Project Strategy and Economics Department

Welcome to the inaugural edition of 'Rail Baltica in Economic Focus.' This is a digital newsletter aimed at providing a comprehensive overview of the Rail Baltica project's economic aspects and the relevant trends across related industries. Our goal is to shed light on the transformative potential of Rail Baltica as a catalyst for regional economic growth. We are delighted to offer the views of Rail Baltica experts about key topics in this edition of the newsletter

01 Positive spill-over effects of Rail Baltica stations: A key to urban regeneration in Baltic capitals

In this section, our experts take a closer look at positive spill-over effects which Rail Baltica passenger stations may have on urban regeneration in the capital cities of the Baltic States. Offering improved connectivity and accessibility, these stations are poised to become crucial hubs for attracting investment, fostering urban renewal and being a driving force for economic development. Read on to discover how the integration of Rail Baltica into urban landscapes is set to reshape the whole Baltic region.

02 The construction market in the Baltic States amidst Covid-19, supply chain disruptions, and geopolitical events

The construction market in the Baltic States has faced challenges due to the Covid-19 pandemic, supply chain disruptions, and the Russian invasion of Ukraine. These factors have resulted in increased construction costs in Estonia, Latvia, and Lithuania. While there have been positive trends in building costs in 2023, uncertainties still remain. Balancing the supply and demand for materials, energy resources, and labour may help alleviate the pressures on construction costs, but it is too early to expect a return to pre-war price levels.

03 Fluctuations in the cost of materials and construction: Trends in the building market

The construction industry performs a pivotal role in the success of the Rail Baltica project. Our experts assess fluctuations in the price of materials and construction services, thus offering an insight into market trends which have an effect on the project. Understanding these dynamics is key for stakeholders who are involved in planning, procurement and execution so as to navigate the evolving construction landscape effectively.

04 Navigating freight logistics in 2023: key trends

The Covid-19 pandemic had a profound impact on railway passenger and freight transportation in the Baltic region, leading to significant declines in 2020 and 2021. While there were signs of recovery in passenger traffic in 2022, it remained below pre-pandemic levels. The average length of passenger trips varied across the countries, with shorter distances in Latvia compared to Estonia and Lithuania. Freight transportation also suffered, with substantial drops in 2020 and ongoing challenges in subsequent years, particularly influenced by the Russian invasion of Ukraine in 2022. The rail industry in the Baltic States continues to face uncertainties and obstacles as it strives to rebound from the effects of the pandemic.

05 Trends, challenges, and opportunities for freight growth in 2023

Rail Baltica offers significant opportunities for freight and passenger transport alike. In this section, our experts explore key trends, challenges and opportunities for the industry, including those that lie ahead in 2023. An examination of market trends, regulatory changes and emerging technologies allows us to provide a comprehensive outlook for the growth potential for both freight and passenger services along the Rail Baltica corridor.

01 Positive spill-over effects of Rail Baltica stations: A key to urban regeneration in Baltic capitals

The development of modern railway stations contributes toward urban regeneration in less vibrant parts of cities, and it can also spur new investment and attract residents and employers to urban centres which are already at a high level of activity[1]. It is common for cities to have underutilised land and less lively urban areas. The World Bank has argued that this harms a city's image, living conditions and productivity[2]. This means that it is essential to make full use of the potential that is offered by projects such as Rail Baltica. The aim is to ensure positive spill-over effects in areas which surround train stations – ones which at least so far have been less attractive for residents and businesses. This will help to boost socioeconomic development in the urban centres of the Baltic States.

The Baltic States have extreme rates of demographic, economic and social polarisation[3]. This means that when it comes to urban and regional development, there must be equilibrium between tackling the problem and utilising the correct measures in doing so. Urban areas are dynamic systems which reflect many processes that stimulate physical, social, environmental and economic transition. Studies have shown that the socioeconomic impact of high-speed railways systems can be truly phenomenal in terms of influencing economies, the environment, tourism and housing whilst also having a positive effect on the labour market[4]. It is high time to enable such transitions around the new railway infrastructure that is being installed in the Baltic States.

[1] Ramboll (2022). Maximization of Gross Value Added for Rail Baltica International Passenger States. See https://www.railbaltica.org/wp-content/uploads/2022/06/2022_04_04_RB_GVA_Executive-summary.pdf

[2] World Bank Regenerating Urban Land: A Practitioner's Guide to Leveraging Private Investment. See https://urban-regeneration.worldbank.org/about

[3] Lang, T., Burneika, D., Noorkõiv, R., Plüschke-Altof, B., Pociūtė-Sereikienė, G. and G. Sechi (2021). Socio-spatial polarisation and policy response: Perspectives for regional development in the Baltic States. See https://journals.sagepub.com/doi/pfd/10.1177/09697764211023553

[4] Cheng, J. and Z. Chen (2022). Socioeconomic impact assessments of high-speed rail: A meta-analysis. See https://www.tandfonline.com/doi/epdf/10.1080/01441647.2021.1979689?needAccess=true&role=button

The Ramboll company, which deals with global architecture, engineering and consultancy, was leading an international consortium which worked on behalf of the Rail Baltica joint venture to develop two studies which have offered recommendations on how to maximise the socioeconomic benefits that will accrue from the development and operation of Rail Baltica's international passenger stations, as well as regional railway services.

> **A partnership between the private sector and local municipalities will be of key importance.**

One recommendation for supporting urban regeneration speaks to the potential for creating a natural urban mix concept around both sides of the tracks. This can be done by activating public, urban and commercial territories around the train stations in Rīga, Ülemiste, Pärnu, Kaunas and Vilnius. The study argues that peripheral locations have a great potential in terms of creating new and additional urban links and interaction platforms which bridge off-centre locations with core networks, inner city areas and nearby surroundings[5]. A case study related to the Pasila station in Helsinki, Finland, shows that excellent rail accessibility even outside a capital area can have enormous potential for high-quality and dense urban regeneration. This study indicates that commercial hotspots should be placed at the core of the system and along the most active flows of pedestrians. High-volume retail units can be placed right next to the rail tracks. This is highly appropriate to maximise gross added value (GVA), because there is a myriad of economic and social opportunities which exist right next to railway platforms[6]. Sub-centres around busy railway stations may have hidden potential for large-scale retail and other commercial activities. Restaurants and other commercial services alongside railway stations can also increase demand for neighbouring housing and office space. Studies show that if rail services shorten the length of time of commuting from one city to another, then stations can facilitate access to larger polls of skilled labour. This improves employment levels and helps cities to attract new businesses[7]. It is also true that areas alongside railway stations can become new and attractive centres for entire city districts, just as long as the accessibility of transport is ensured.

To summarise, land-use efficiency and diversity in the proximity of railway stations are of the greatest importance in maximising GVA. Incentivising mixed uses, particularly in terms of retail, offices, hotels and housing, enables a vital urban structure which will attract new residents and investors whilst also accelerating the completion of the development processes. In order to succeed with urban regeneration around international Rail Baltica stations, therefore, there must be a partnership between the private sector and local municipalities. This will be of key importance.

[5] Ramboll (2022). Maximization..., op.cit..
[6] *Ibid.*
[7] Cheng, J. and Z. Chen (2022). Socioeconomic... op.cit..

02 The construction market in the Baltic States amidst Covid-19, supply chain disruptions, and geopolitical events

Activities in the market

Activities in construction sectors remained relatively stable in the Baltic States between 2019 and 2021. During the latter half of 2021, the Covid-19 pandemic began to create supply chain problems which led to a hike in the price of building materials. After the Russian invasion of Ukraine in February 2022, turbulence increased because of imposed sanctions, a rapid rise in the cost of energy resources, labour shortages, and ongoing disruptions in supply chains. The result was an overall increase in construction costs. Despite these challenges, the industry in Estonia and Lithuania even managed to increase the level of activities slightly in 2022 in comparison to 2021 (*Figure 1*), while the level in Latvia dropped by 11.3% overall and even by 13.1% in the area of civil engineering.

Construction Volume Index (2015 = 100)

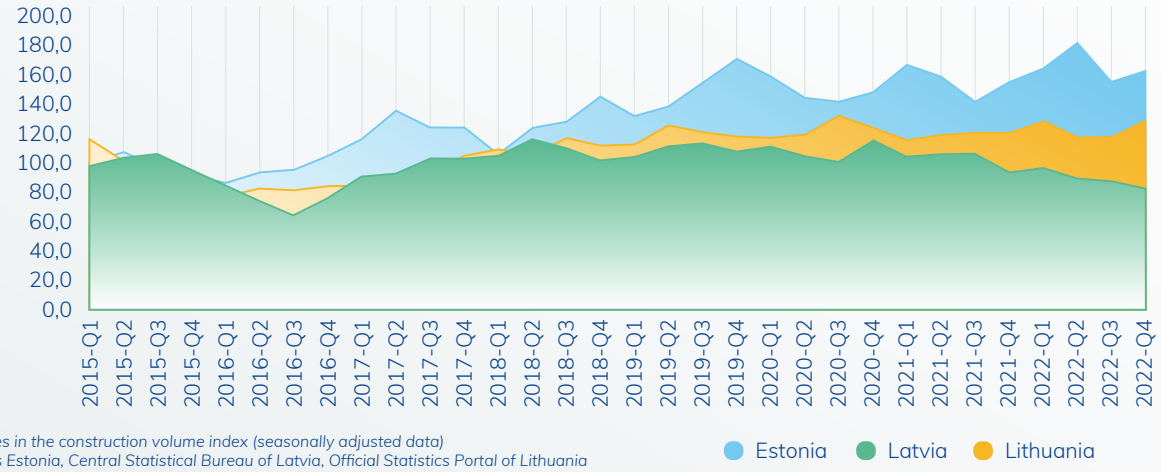
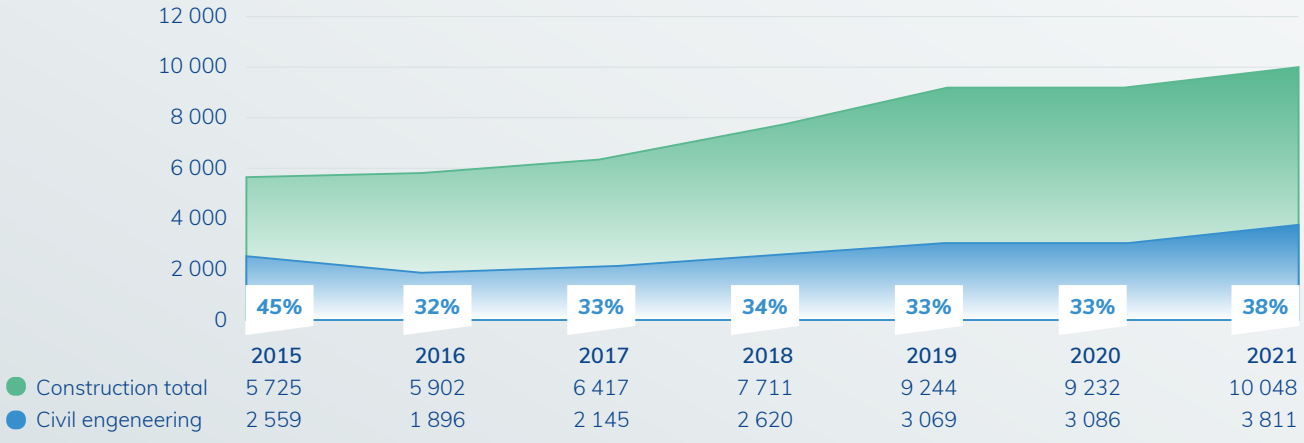


Figure 1. Changes in the construction volume index (seasonally adjusted data)
Source: Statistics Estonia, Central Statistical Bureau of Latvia, Official Statistics Portal of Lithuania

Construction work in the three countries amounted to EUR 10 billion in current prices in 2021. Civil engineering was responsible for approximately one-third of the volume during previous years (*Figure 2*). A slight increase in the proportion of civil engineering products was seen in 2021 (38%), achieving a total volume of EUR 3.8 billion.

Construction production in the Baltic states, mil EUR



	2015	2016	2017	2018	2019	2020	2021
Construction total	5 725	5 902	6 417	7 711	9 244	9 232	10 048
Civil engeneering	2 559	1 896	2 145	2 620	3 069	3 086	3 811

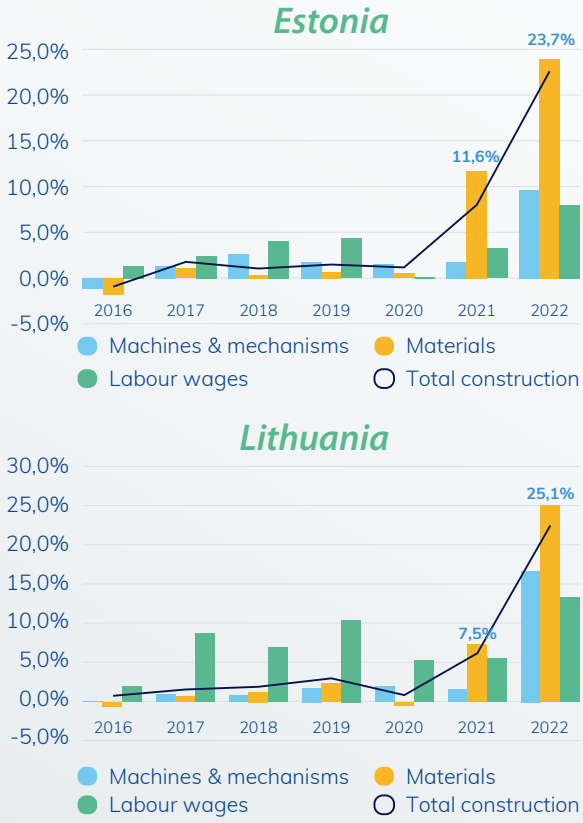
Figure 2. Changes in the construction volume index (seasonally adjusted data) Source: Statistics Estonia, Central Statistical Bureau of Latvia, Official Statistics Portal of Lithuania

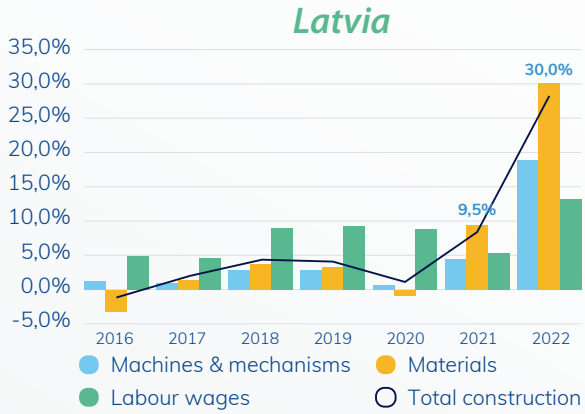
Increased costs

Estonia, Latvia, and Lithuania experienced a dramatic increase in construction costs in 2021 and 2022. The cost rose by 7-8% in the Baltic States in 2021, while the increase peaked in 2022 – 17.8% in Estonia, 22.3% in Lithuania, and 23.5% in Latvia.

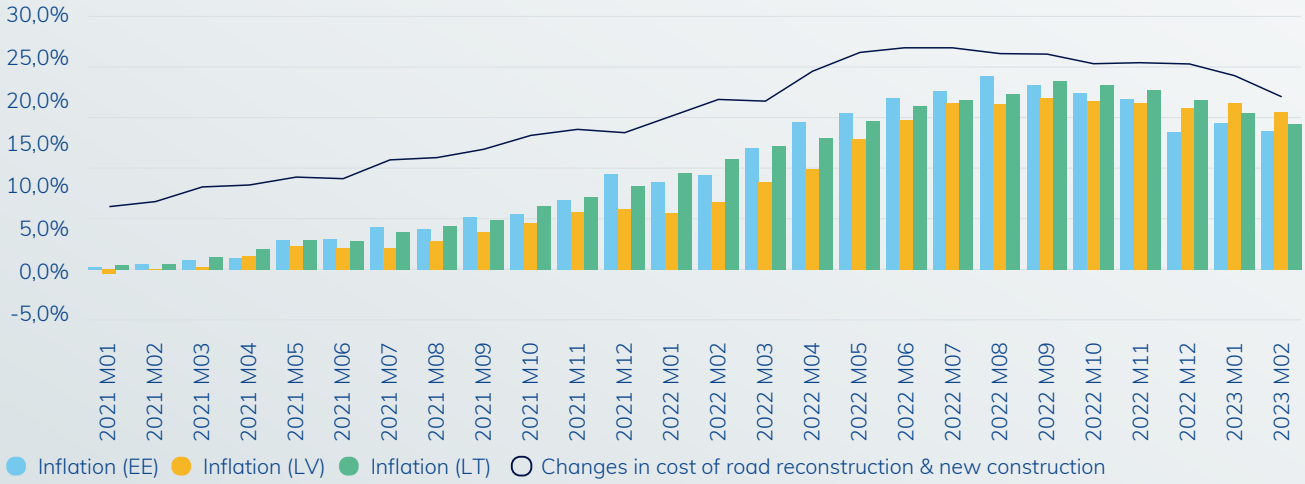
An end to economic relations with Russia and Belarus, disrupted supply chains and access to customary markets – all of this led to a significant increase in the price of construction materials. This was reflected heavily in terms of overall construction costs. The cost of two major components – building materials and machinery – increased the most in Latvia (by 30% and 18.9% respectively). Building materials cost 25.1% more and machinery cost 16.8% more in 2022 in Lithuania. The situation in Estonia was comparatively easier – the cost of materials increased by 23.7%, while the cost of machinery rose by 9.6% in 2022 (*Figure 3*). There have been positive trends in the area of building costs in 2023 (*Figure 4*), though there are still high levels of uncertainty. An adjustment of the disbalance between supply and demand for building materials and energy resources, as well as in the labour market, may ease pressures on construction costs, though it is too early to anticipate stabilisation in the situation so that prices return to pre-war levels.

Changes in construction cost per resource group in Estonia, Latvia, and Lithuania





Changes in road construction cost and inflation (% over corresponding period of previous year)



03 Fluctuations in the cost of materials & construction: Trends in the buildings market

Fluctuations in the price of building materials represent a risk to projects because this can lead to sudden changes in the overall costs while also delaying the completion of a project because of the limited availability or even unavailability of the necessary materials. *Figure 1*, for instance, shows that the producer price index* for construction materials and energy resources has climbed steeply after a long period of stability.

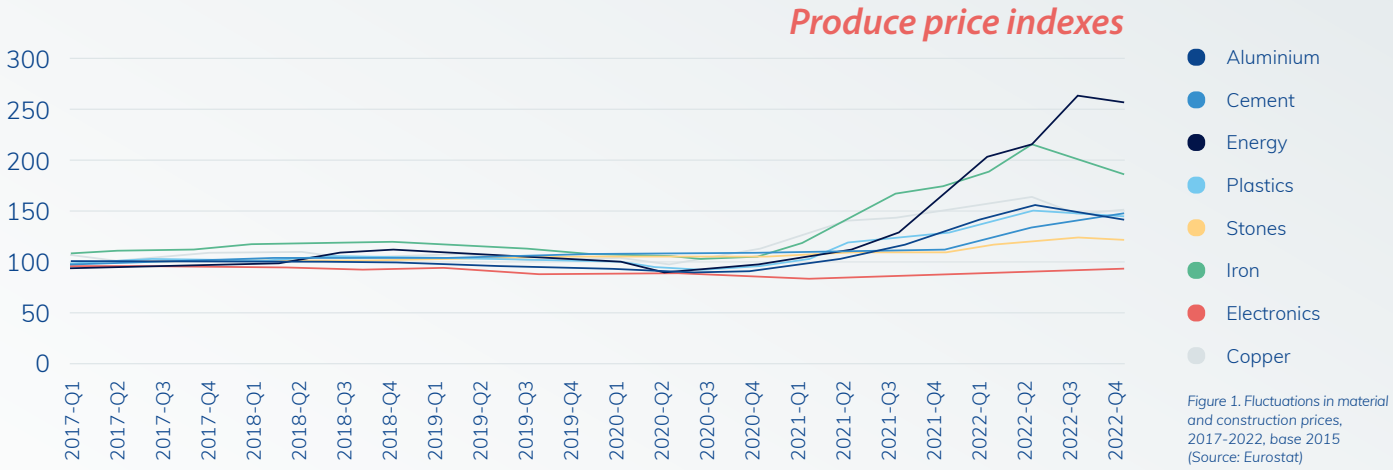


Figure 1. Fluctuations in material and construction prices, 2017-2022, base 2015 (Source: Eurostat)

From this perspective, there are various theoretical and practical approaches toward allocating risk and responsibility via contractual provisions. These include (source: various):

- Contractor-at-risk: No changes are made to the contract in terms of any increases in material costs and/or delays caused by the unavailability of materials;
- Owner-at-risk: The contractor retains the right to change the order in terms of any increases in material costs and/or delays caused by the unavailability of materials;
- Risk splitting: Parties agree to split the cost of any increases in material costs, doing so on the basis of a predetermined allocation (e.g., 50:50);
- Threshold approach: The owner or contractor agree to take the risk of increases in material costs up to a predetermined threshold (e.g., 5% of the assumed cost), beyond which the risk shifts to the other party;
- Trigger provision: The contractor bears the material costs at an assumed level of value in the contract. If the actual costs prove to be higher than the assumed value, then the contractor has the right to increase the sum of the contract to reflect the costs; if, however, the costs are lower than the assumed value, then 100% of the savings accrue to the owner;
- Indexation provision: Parties agree to link the cost of a particular material to an index, as opposed to the cost that would be charged by an individual supplier;
- Freezing provision: Parties agree to a predetermined cost for the materials which is paid and is not subject to change regardless of any further fluctuations in the market;
- Guardrail approach: Parties agree to a predetermined cost for the materials, as well as a maximum and minimum level at which the cost may fluctuate.
- The contractor bears the risk of increases beyond the minimum amount, while the owner bears the risk for decreases below the minimum amount;
- Combination: Parties can mix and match the aforementioned elements so as to satisfy their specific circumstances. For instance, parties could agree to a 5% threshold, beyond which they would share the risk on a 50:50 basis.

When the method is based on or includes indexation, the question is about which index source to utilise. Different industries and industrial sectors will have dedicated databases. After an internal discussion about the topic, it should be understood that in general terms, the chosen index should have the following characteristics:

- It is recognised in the industry or the sector;
- It is accepted by both parties to the contract;
- It is accessible and guarantees transparency;
- It reflects the actual price variation.

When it comes to the last point on this list, it must be understood that not all indices or databases will reflect the variation in prices by themselves. Stock markets, for instance, may produce indices which refer to financial instruments that are related to the price of materials. These values will vary on the basis of dynamics on the exchange (i.e., via a brokerage). This will depend upon, but not only reflect the observed and current variation in prices.

For example, *Figure 2* below shows a comparison of indexed securitisation of aluminium and copper on the Frankfurt Stock Exchange and the producer price index that is provided by Eurostat, representing the sum that producers are to receive from purchasers for a unit of a product or service that is produced, with output minus any VAT or similar deductible tax, as invoiced to the buyer.

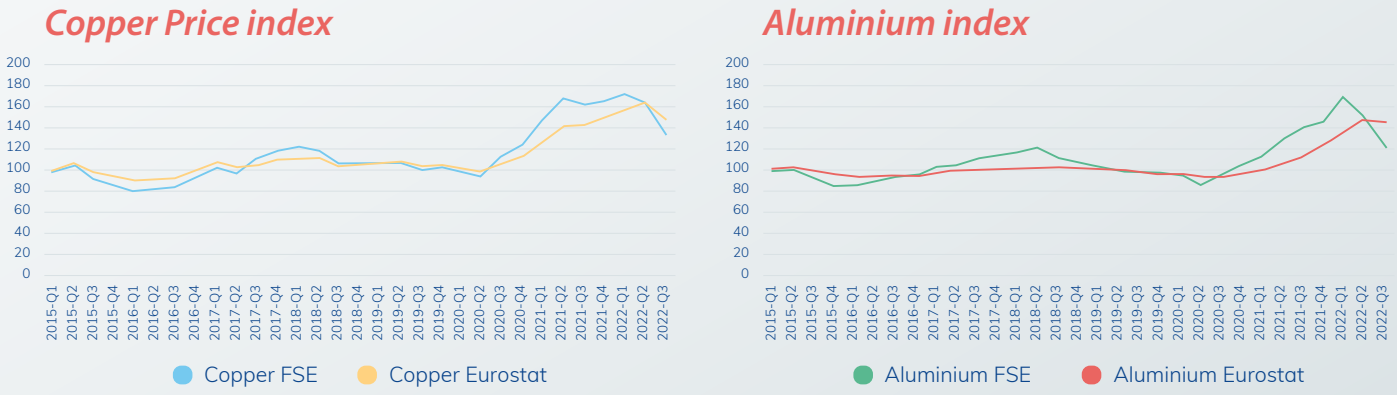
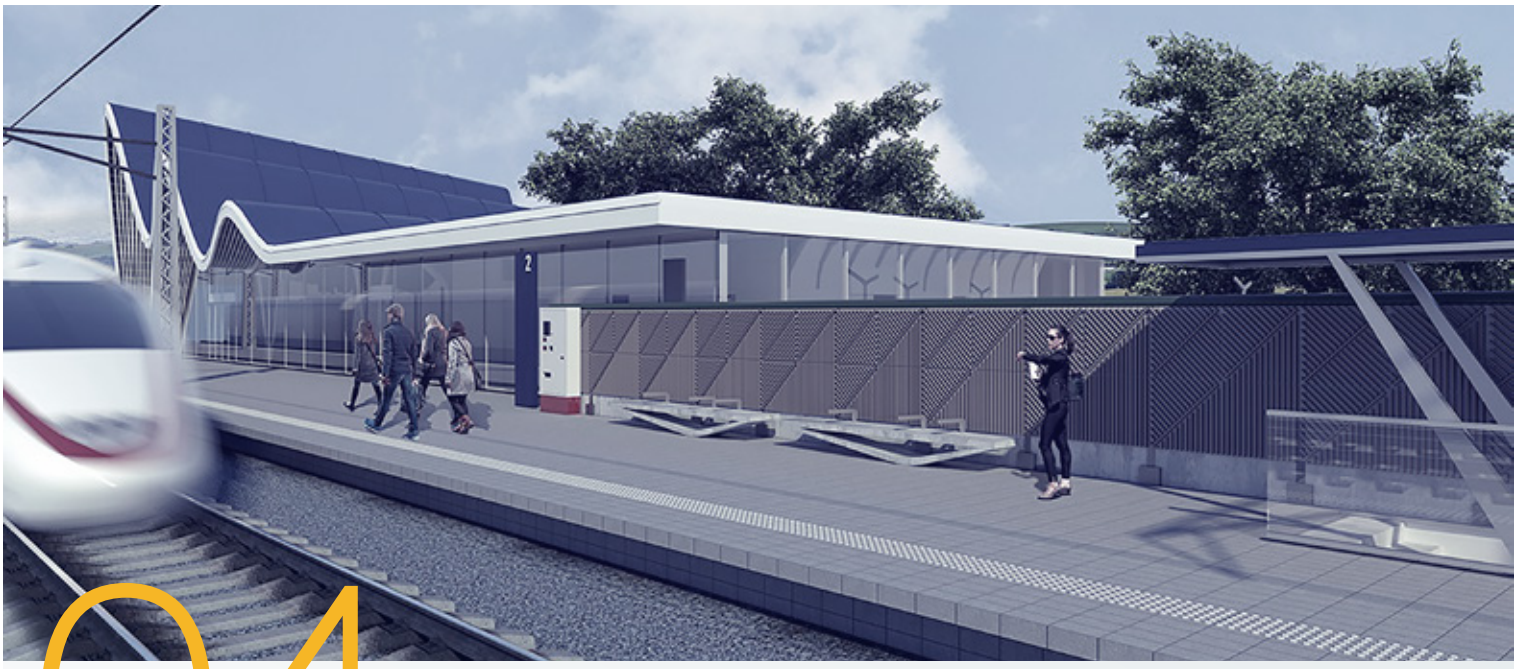


Figure 2. Fluctuations in the price index for aluminium and copper, 2017-2022, base 2015=100 Source: Frankfurt Stock Exchange, Eurostat



04 Navigating freight logistics in 2023: key trends

The Covid-19 pandemic had a significant impact on the transportation of people and goods on a global scale. The Baltic States were no exception to the rule. Beginning in March 2020, the Baltic countries implemented various restrictions to prevent the spread of the virus, and this had a significant effect on the travel industry. The rail industry faced a similar challenge as there was a significant drop in passenger numbers in 2020 and 2021.

Data from the statistical agencies of the three countries show that Lithuania experienced the largest decline in passenger numbers in 2020 over 2019 (-39%), while Latvia and Estonia experienced a drop in demand of 31% and 29% respectively.

When the epidemiological situation began to ease in 2022, passenger traffic in the railroad system increased dramatically in comparison to the previous two years, but it has not reached pre-Covid numbers yet. The three Baltic States, on average, returned to around 85% of the level in 2019, with Latvia in particular experiencing substantial growth of 40% in comparison to 2021. National statistics show that although Latvia had a significant drop in passenger numbers in 2020 and 2021, the average length of passenger trips remained quite constant during the entire period – between 32.3 km and 34.5 km. This was a very low number in comparison to the average length of trips in Estonia and Lithuania. Trains in Lithuania returned to 85% of passenger traffic in 2019, and the average length of trips increased to approximately 81 km from a range of 65.5-71 km during the previous four years.

> **Passenger train travel showed signs of recovery in 2022, returning to 85% of pre-Covid numbers.**

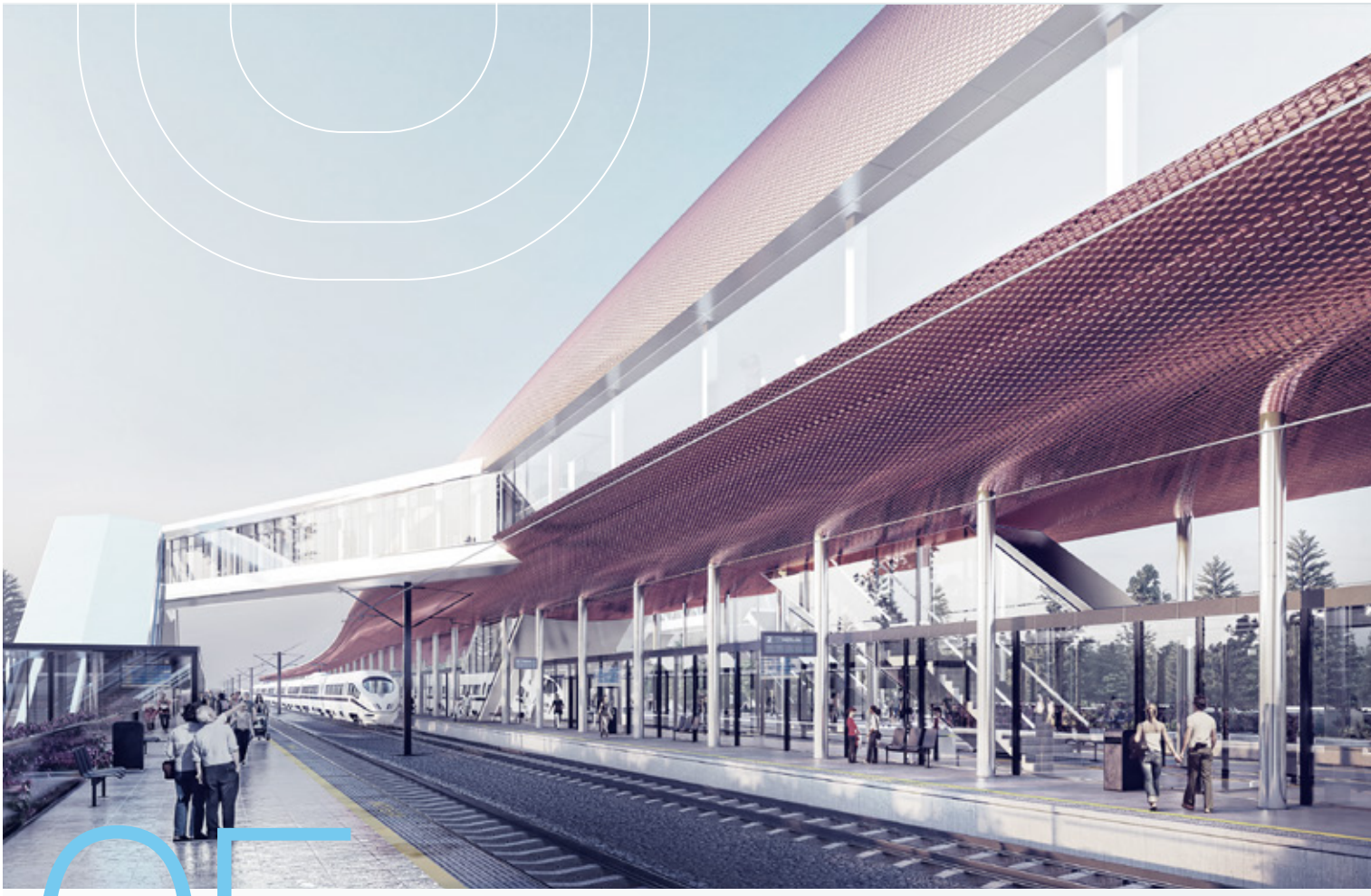
This suggests that short-distance community passengers have not completely returned to the railroad.

Source: Official statistics from Latvia, Estonia, Lithuania

There were similar shifts in passenger train services in Estonia, with the average length of trips increasing to approximately 54 km in 2022, as against a range of 44-47.7 km during the previous three years. This was despite the fact that overall passenger numbers returned to 89% of the level in 2019. Although the average length of trips taken in Estonia in 2018 was higher than before, this could not be seen as a trend in that 2022 numbers are only now approaching those from 2018.

Cargo rail transport was also hit hard by the Covid-19 pandemic. There was a significant drop in freight traffic in 2020, particularly in Latvia, where 40% fewer goods were transported by rail in 2020 as against 2019. Estonia was in second place with a downturn of 26% in goods transported by rail. Only Lithuania continued business as usual, with a loss of only 3% between the two years. Lithuania and Estonia showed signs of recovery in 2021, with Lithuania posting an additional loss of 4% in comparison to 2019, as against Estonia surpassing 2019 levels by 9%. Latvia's rail system continued to experience low numbers, with the transport of goods shrinking by another 6% in 2021. This adds up to a loss of 38% in comparison to 2019. It must be noted, too, that the signs of accelerated recovery in the rail cargo industry in Estonia and Lithuania at least in 2021, were totally disrupted by the Russian invasion of Ukraine on February 24, 2022. This had a very deleterious effect on the geopolitical situation of adjacent countries, with major upheaval in supply chains and a resulting slowing down of rail cargo transport to a very significant degree. Rail cargo transport in 2022 shrank by 39% in Lithuania and 24% in Estonia. In this case Latvia's railway system experienced the least impact, even though the downward trend continued by an additional reduction by 2% in 2022.

Source: Official statistics from Latvia, Estonia, Lithuania



05 Key trends, challenges and opportunities for freight growth in 2023

2023 has so far been a year that has been full of challenges, especially in terms of the supply chain. Covid-19 and its various restrictions, the closure of ports, factories and warehouses in China, the blockade of the Suez Canal and the war in Ukraine have all combined to create massive disruption in supply chain and logistics operations throughout the world. This has been true for more than three years.

As always, when someone loses, someone else gains. Online retail and E-commerce underwent unprecedented growth because of lockdowns and social distancing. Companies were forced to adapt and restructure their supply chain strategies very quickly. High demand for healthcare supplies, vaccines and perishable grocery items also created new solutions in the area of logistics.

Domestic and international supply chains have been subject to various and unpredictable challenges and issues in a short period of time, and that is more true now than it ever has been before.

2022 was quite challenging, with unprecedented increases in electricity prices because of Russia's invasion of Ukraine. There was also ongoing infrastructure work throughout the European rail network.

Here are the key trends, challenges and opportunities for freight carriers that are continuing in 2023:

The political and economic situation

2023 has already seen challenges in the freight transport market, including staff shortages, capacity problems, etc. This means that sharp peaks and drops in freight volumes will continue. There will also be additional pressures caused by inflation and rising interest rates at banks.

Bloomberg Economics has released a supply stress monitor which suggests that we are slowly returning to normalcy:

		Ticker	Unit	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Activity	Official PMI - Production	CPMIPROD	Index	49,5	48,4	52,0	51,4	50,9	50,4	49,5	44,4	49,7	52,8	49,8	49,8	51,5
	Industrial Production	CHVAIOY Index	% YoY*	5,0	5,2	5,4	5,8	7,5	7,5	5,0	-2,9	0,7	3,9	3,8	4,2	
	Capacity Utillization	CNURTOTL Index	%	77,1		77,4			75,8			75,1				
	Exports	CNFREXPY Index	% YoY*	18,3	18,6	21,1	19,5	16,3	16,3	14,5	3,7	16,7	17,9	18,0	7,1	
	Official PMI - Delivery Time	CPMISUPL Index	Index	48,1	46,7	48,2	48,3	47,6	48,2	46,5	37,2	44,1	51,3	50,1	49,5	48,7
Sectoral Constraints	Baltic Dry Index (BDI)	BDIY Index	Index	4288	4820	2780	2832	1761	1835	2464	2220	2943	2389	2077	1412	1487
	China Container Shipping Index	SHSPCCFI Index	Index	3174	3298	3241	3265	3511	3507	3333	3132	3128	3242	3240	3034	2593
	Global Electronics PMI- Delivery Time	KXGLTTSD Index	Index	29,3	26,5	27,8	31,0	30,3	32,2	30,5	30,4	33,3	37,1	37,6	40,0	
	Global Electronics PMI- Inpout Prices	KXGLTTIP Index	Index	76,9	78,6	80,0	76,5	75,9	74,9	76,0	74,7	73,1	71,4	69,7	65,0	
	Global Auto & Auto Parts PMI - Delivery Time	KXGLCASD Index	Index	34,6	35,7	38,1	36,5	39,3	40,7	40,3	36,3	38,9	44,0	44,2	44,2	
	Global Auto & Auto Parts PMI - Input Prices	KXGLCAIP Index	Index	71,3	76,2	72,3	69,5	68,2	67,9	73,6	72,0	69,6	70,0	64,9	60,0	
Production Costs	Gap between Electricity Output & Industrial Production	CHYXELEC Index	% YoY*	0,1	-1,4	-1,9	-2,4	-3,5	-3,5	-4,8	-1,4	-4,0	-2,4	0,7	5,7	
	Job Vacancies Relative to Applicants	CNLMDAR Index	%	1,5		1,6			1,6			1,4				
	PPI - Producer Goods	CHEFMAT Index	% YoY	14,2	17,9	17,0	13,4	11,8	11,4	10,7	10,3	8,1	7,5	5,0	2,4	
	Official PMI - Input Prices	CPMIPRXP Index	Index	63,5	72,1	52,9	48,1	56,4	60,0	66,1	64,2	55,8	52.0	40,4	44,3	

Less Bottleneck — More Bottleneck

*Two-year average growth for 2021 as a

The railway

The aforementioned problems have made it difficult to deliver container cargo from China via ocean vessels, and the results have included very high container prices and uncertain delivery terms. This, in turn, has provided additional opportunities for railways as alternative delivery transport systems. It must be admitted, however, that the railway has not, generally speaking, been prepared for such an increase in volume. This has created traffic jams and delays in product deliveries. All three Baltic States have suffered the consequences of these problems. This is seen in shrinking cargo volumes, as based on a former concentration on transit cargo from Russia and Belarus.

Digitalisation

Digitalisation and automation of processes can mean the ability to collect and to analyse proper data. This provides flexibility and visibility for most successful logistics companies. This trend will continue in 2023 and beyond, because the right technologies and the ability to adjust processes to new challenges will offer a chance of survival during periods of disruption while also ensuring long-term growth.

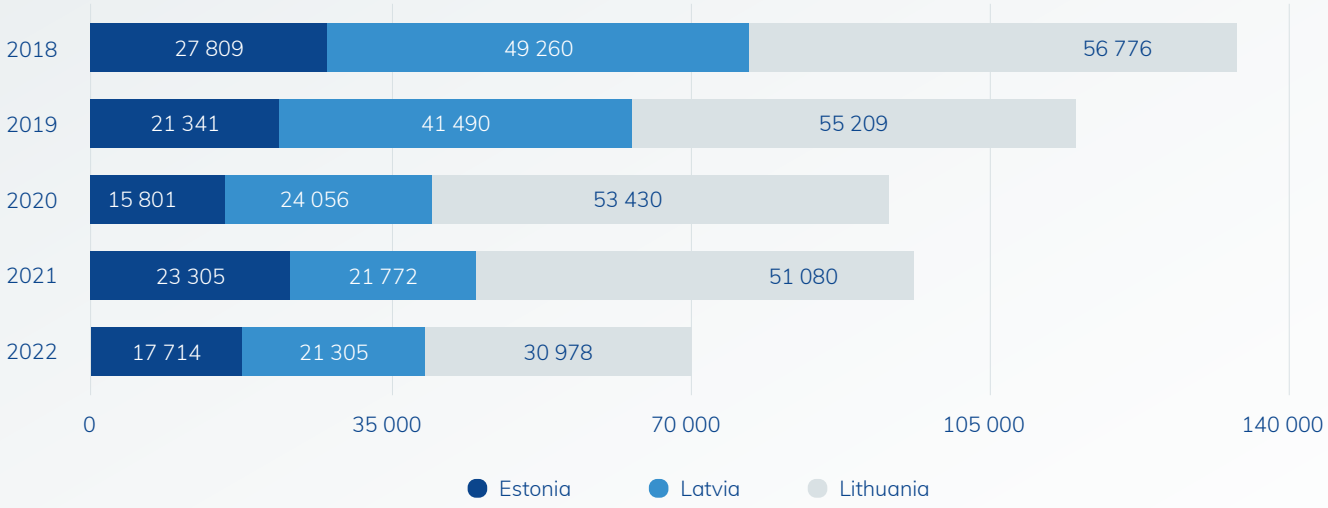
Source: https://www.bloomberg.com/news/articles/2002-10-09/supply-chain-latest-normal-looks-to-return-in-early-2023

The railway

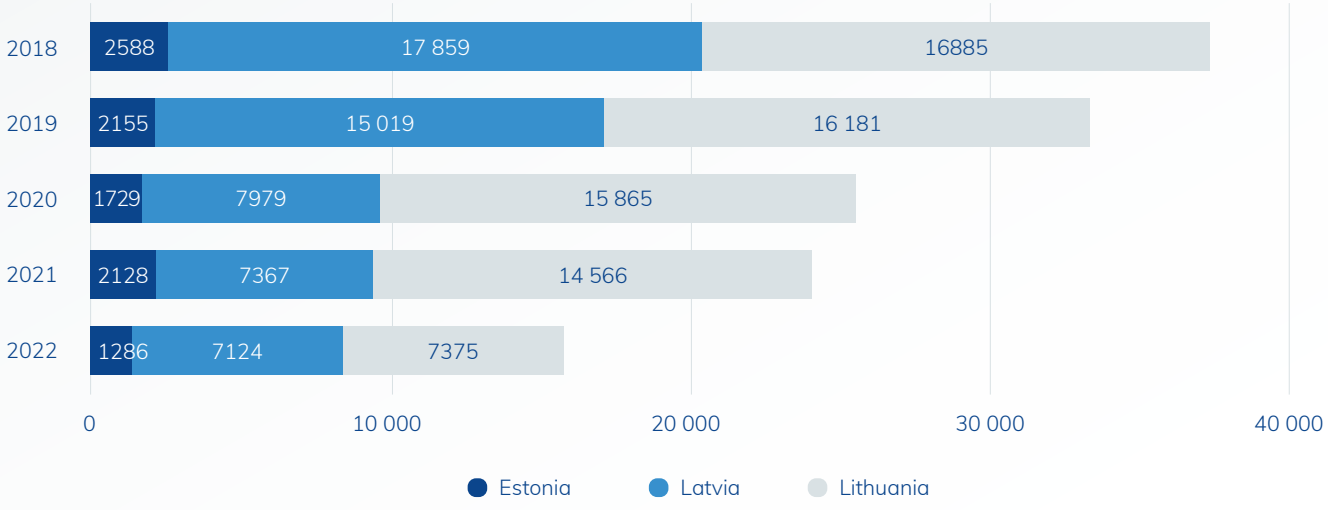
All three Baltic states still have a long way to go in terms of modernising their rail infrastructure so as to offer a joint solution for Baltic and international freight deliveries. The parties that are involved in the Rail Baltica project are seeking a common one-stop shop solution which will afford a single point of contact for customers so that they can receive the necessary information about infrastructure capacity for international freight trains along the Rail Baltica line, as well as about operational railway undertakings, connected terminals, and the services that are provided.

Organisers of Rail Baltica are planning the introduction of 5G technologies, because its customers wish to track and trace their cargo in real time. The existing trend is to at least have an online portal. Even better is an option for IT system integration which makes it possible to receive a quote, compare options related to the delivery time and cost, book delivery from any point of origin to any destination, track and trace shipment information by route or other necessary criteria, as well as expand choices related to invoicing policies in any area of business, including the railway.

Goods transport by rail (thousand tonnes)



Freight turnover on railways (million tonne-km)



RB Rail AS report. Source: Official statistics from Latvia, Estonia and Lithuania

Sustainability, climate and environmental challenges

The existing transport system is deleterious to the climate and also suffers damage because of climate change. Transportation has a huge impact on the global climate and environment because of emissions and pollution. The transport infrastructure can suffer damage from natural disasters such as extreme changes in weather conditions or temperatures.

Climate and environmental challenges have led to enforced requirements for the decarbonisation of transport vehicles and for the transfer toward zero-emission vehicles for passenger and freight transport alike.

Electrified railways have great advantages in comparison to other types of freight transport. This is not a time, however, to rest on laurels, because much work is being done to create alternative solutions for road and air transport. This includes alternative fuels such as various kinds of biofuels (vegetable oil, biodiesel, bio-alcohol, biogas, biodegradable fuel from algae), as well as the use of hydrogen as a synthetic fuel. For this reason, there has been an ongoing search for better electric battery solutions, particularly for the aviation industry. Existing ones are simply efficient because of their size and their weight.

The railway

Hydrogen is seen as an option for decarbonising the railway, replacing diesel fuel with supported projects which produce hydrogen via the use of renewable energy resources.

Collaboration in the industry

In 2023 and in future, the key to promoting the use of the railway system for cargo transportation will be close partnerships among infrastructure managers, operators and other partners in the industry. Existing IT technologies can help to overcome language barriers, as well as historically fragmented information and data exchanges. This can mean a more sophisticated and collaborative approach in servicing the changing needs of the system's customers.

The free market and healthy competition can create greater utilisation of capacity and innovation in terms of the development of new technologies and services for freight customers. This would benefit all parties involved – infrastructure managers, operators and end users.

Innovation

Digital Automatic Coupling (DAC) is a key factor in ensuring more effective freight transport by rail. This is an innovative component which automatically couples and decouples the rolling stock of a freight train. This is done physically (the mechanical connection and the air line for braking), as well as digitally (the electrical power and data connection).

The introduction of DAC has been essential in ensuring:

- **Automatic coupling and decoupling**
- **Increased capacity along all railway lines in the EU**
- **Increased safety**
- **Reductions in processing time**
- **Lower costs**
- **New digital technologies, innovations and services**
- **A future of more automated trains**

Infrastructure

When it comes to rail cargo, it is important to ensure that infrastructural development is planned, co-ordinated and completed in a timely manner so as to encourage the use of the railway for freight deliveries, as well as to pursue the ambitious targets that are set out in the European Sustainable and Smart Mobility Strategy (rail freight must increase its volumes by 50% by 2023 and double them by 2050).

Longer and heavier trains are essential in moving more freight from road to rail. There must be an infrastructure with the same characteristics that apply to trains that are 740 m long with 22.5 tonnes of axle load, and P400 compatibility. This is necessary throughout the European rail network. Rail Baltica will satisfy or even exceed these criteria, as the plan is for trains that will be as much as 1,050 metres long. Infrastructure projects remain a big problem for rail freight companies and freight forwarders in Europe. This is because there are often abrupt changes or reductions in available capacity, even in the short term. This does not serve the satisfaction of end-users, nor does it develop reliable rail services for them.

There is a need for better co-ordination with clear deadlines for the repair and development of infrastructure along key freight corridors.

Rail Baltica experts who contributed to the material:

Kristine Malnača,
Head of Global Project Strategy and Economics Department

The construction market in the Baltic States amidst Covid-19, supply chain disruptions, and geopolitical events

Renāte Rumbina,
Project Strategic Planning Coordinator

Positive spill-over effects of Rail Baltica stations: A key to urban regeneration in Baltic capitals

Panagiotis Thrasyvoulou,
Transport Modeller

Navigating freight logistics in 2023: key trends

Dr. Stefano Manzo,
Transport Economist

Fluctuations in the cost of materials and construction: Trends in the building market

Ģirts Āboliņš,
Intermodal Logistics Expert

Continuous trends, challenges, and opportunities for freightgrowth in 2023

"Rail Baltica in Economic Focus" is a quarterly digital newsletter that brings together key contributors such as Rail Baltica strategy experts, transport economy analysts, logistics specialists, and other industry experts.

These individuals collectively share their knowledge and insights, offering a comprehensive perspective on the economic implications of Rail Baltica. The goal is to inform and engage subscribers, partners, and suppliers of the newsletter, providing them with updates on the project's progress and highlighting its potential as a catalyst for economic growth in the region.

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