



# DEVELOPMENT OF TRANSPORT INFRASTRUCTURE IS THE BASE FOR GROWTH

Establishing better connection with the region entails having a more efficient transport of goods and people, and because of its good position, Serbia could become the regional logistics hub

## INTERVIEW

### MIODRAG POLEDICA

*State Secretary in the Ministry of Construction, Transport and Infrastructure*

**D**eveloped transport infrastructure is the basis for boosting growth of any country, including Serbia and this region. With that in mind, the Ministry has been working hard on developing road, railway and water infrastructure. Absolutely all infrastructure projects that we have completed, as well as the new ones, as we complete them, will positively affect Serbia's economic growth, increase transit through our country and connect us to the region.

**How much could the investors' heightened interest for Serbian ports contribute to the development of river transport which is an opportunity that Serbia has been neglecting for such a long time?**

➤ The port sector is a central segment that needs development projects in order for the growth of this transport branch to be expedited. A well-organized port system raises a country's overall productivity and competitiveness because if the port system is failing, you are going to have a serious problem with an efficient and competitive shipment of goods that are produced in that country.

In the last three years, thanks to

our hard work, we have rounded off the legal framework that should facilitate development of ports in Serbia. We are just starting to see the results of this work. In the upcoming period, I expect big European and global port operators to come to the Serbian market which will jumpstart the fast development of the water transport in Serbia.

The construction of a new port in Belgrade is by far the most important project for the development of the port sector that should satisfy the market needs of a large economic area in the outskirts of Belgrade and the surrounding area, and connect this port to seaports in neighbouring countries. All of this is done with the goal of creating the leading multimodal facility in this part of Europe, as stipulated in the EU's decree on the TEN-T network.

**According to the Ministry, how much could the construction of a corridor increase the volume and the revenue from road transport in Serbia?**

➤ Completing the construction of the Corridor, which will be the shortest and the fastest link to our country, will provide a strong impetus to development of transport, both passenger and cargo, domes-

tic and transit. The direct benefits from this project will be more toll money collected on the East and South segments of the Corridor 10. The indirect benefits will come from the increased transit. As far as the toll goes, once the South segment from Niš to the border with Macedonia is finished, the toll revenue will grow from the current 13 million Euros to close to 18 million Euros. The estimates have shown that the annual toll collected on the East segment, from Niš to the border with Bulgaria, would amount around 20 million Euros (bearing in mind that trucks would use this segment the most). Let me remind you that no toll is currently collected on this segment. You can clearly see from this data that we are striving to have the aforementioned transport segments fully functional as soon as possible. The annual toll revenue collected on the Belgrade-Preljina segment, once it is put in use, will be approximately 15 million Euros. We do expect some of the vehicles to still use the Ibarska motorway. Also, apart from these direct revenues, a developed transport infrastructure provides a clear contribution to development of tourism and other economic branches.

## INTENTION

### FINAL APPROVAL

**Our intention is to fulfill the users and manufacturers' demands as much as possible. We expect the construction of the intermodal terminal to start in late 2017, right after we get the final approval for the EU grant from the IPA 2015 fund.**

### How successful were activities on eliminating shadow market in obtaining international transport permits?

► The problems with the way international permits were allocated is something that we have inherited and there were mostly due to the insufficient number of exchanged permits in individual contingents compared to the number of transport companies. Also, we discovered that the allocated permits had no expiration date, or the date by which they should have been returned so that proper control of their use could be carried out.

The result of this was that the transport companies, whether they used or did not use the obtained permits, were in position to dictate demand and supply, and create artificial deficit of permits in certain contingents on the so-called black market. The existing solutions were such that carriers, that were not included in the permit allocation plan, had virtually no chance of obtaining permits for those contingents that were the most in demand. All of these problems have been suc-

cessfully resolved with the Decree on Changes and Amendments of the Act on Allocation of Foreign Permits for International Public Transport of Goods to National Carriers which came into force in September 2014.

This act now stipulates the expiration date for permits. Also, the carriers now obtain permits in line with their real needs. Those carriers who are included in the predetermined annual permit allocation plans can now plan their activities accordingly knowing that permits have expiration dates. The carriers that are not included in this annual plan, or cannot obtain the planned permits or the so-called critical permits, can now obtain the permits that other carriers failed to use within the stipulated time thanks to the clearly defined procedures.

Direct effects of these measures can be seen in the fact that the illegal use of permits for international transport has been significantly reduced, and the latent shortages of permits have been eliminated which gives us enough confidence to say that we have improved the system

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in use. The work on reforming transport economy is still not finished which is why our Ministry's strategy and standing negotiation position in bilateral talks with the European partners are focusing on insisting on the permit system to be abolished and for the transport with Serbia to be liberalized.

In the following period, the Ministry intends to simplify the work it does with national carriers in this segment by applying contemporary technology, on one hand, while, on the other, it plans to implement important and more efficient measures on supervising national carriers and their use of international permits by collaborating and networking with the databases of the Ministry of Interior, the Ministry of Finance – The Customs Administration, and the Ministry of State Administration and Local Self-Government.

**How much is having an appropriate transport infrastructure important for boosting economic development in Serbia and in the Balkans?**



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► Undoubtedly, the completion of the Corridor 10, which has been over 30 years in waiting, will contribute to economic growth because this will be the main transport route through Serbia that will connect us to Western Europe via Croatia and Hungary, and to Southeast Europe via Bulgaria and Macedonia. We are going to finish this huge project next year.

We have opened the Ljig–Preljina segment on the Corridor 11, which is



the most modern road to pass through the heart of Šumadija, and we are going to continue in the same manner. In the following period, the main projects will be the beginning of construction of the Surčin–Obrenovac segment on the Corridor 11, and completion of the Obrenovac–Ub and Lajkovac–Ljig segments. Furthermore, we are going to continue building the Belgrade bypass. Come next year, our citizens will be able to use a modern motorway stretching from Obrenovac to Preljine. There is no need to particularly emphasize just how important these projects are.

In regard to railway projects, we are working on modernizing Serbian railways. We have started reconstructing the Belgrade–Bar railroad while the most important project in the following period will be the Belgrade–Budapest railroad that we are going to implement with Chinese partners.

Speaking about the port sector and river potential, we are still going to treat this as a segment of utmost importance that needs development projects. Once the development of this transport format is expedited, we are going to have the base for creating the leading multimodal

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platform in this part of Europe.

Today, large global manufacturers are shipping their products via logistics facilities so that their products would reach the end users in the fastest, the best and the most affordable way possible. Hence, the project of the construction of the first logistics centre in Batajnica has been drafted, which will have an intermodal terminal in its centre as a place where road and railway transport meet and where the trains carrying cargo containers from Adriatic ports and European towns would be received, reloaded, stored, or distributed to end users within the 100 – 150km radius via road vehicles. The entire transport and logistics chain would be implemented in accordance with the basic principles of logistics – “door-to-door” and “on time”. By doing so, our intention is to fulfill the users and manufacturers’ demands as much as possible. We expect the construction of the intermodal terminal to start in late 2017, right after we get the final approval for the EU grant from the IPA 2015 fund.

**What are the Ministry’s plans when it comes to increasing the quantity of cargo transported via railway for business clients considering that this segment also needs big investments?**

► In 2015, a total of 11.9 million tons of cargo was transported, while so far in 2016, it was a total of 11.6 million tons. Looking at this data you have to bear in mind the fact that, in the period from January to September 2016, there were 94 days of traffic interruptions, while the transport to and from Greece was at standstill from 1st January to 15th July, 2016, as a result of strikes in Greece and the migrants blocking the railway on the Djevdjelija border crossing.

Bearing in mind the planned works on the railway infrastructure on the Corridor 10 and the Bar railway, which will cause occasional traffic interruptions, the plan for 2017 is to transport 12 million tons of goods via railway, while, in the years to come, the maximum quantity of goods that could be transported via the existing infrastructure would amount up to 15 million tons of goods annually.

Modernization, reconstruction and construction of the Belgrade–Budapest railroad will be especially important in term of the share that railway transport has in the flow of goods in Serbia because

better infrastructure would increase the demand for transport of goods particularly if we take into consideration announcements that the transport of goods from the Piraeus port to North Europe could increase. Once the works on the Belgrade–Budapest railroad are finished, the maximum quantity of transported goods could reach even 20 million tons.

According to the existing research and projections, between 10% and 15% of the road transport could go over to railway once the project is implemented and depending on individual regions in Serbia.

**How much room for Srbija Kargo a.d. to become more profitable has the reform of the Serbian Railways created?**

► Naturally, the reform has created room for improving the operations of all four railway companies, including an opportunity for Srbija Kargo to become more profitable. This company operates on an open railway market and is no longer using state subsidies. This, among other things, was one of the goals of reforming railway companies, i.e. to have more efficient operations which, in turn, will mean better services for citizens and companies alike. However, we need a better infrastructure in order to fully utilize the potential of the railways in Serbia. The Ministry has been working hard on this. So far, we have reconstructed and modernized around 100km of railways, mostly owing to the money from the Russian loan.

The throughput and the transport capacity on the reconstructed segments have substantially gone up, while the commuting time has been shortened and railway transport safety increased. What we have to do in the following period is to finish the works on the southern segment Vinarce–Đorđevo and continue working on the Resnik–Valjevo (the Bar railroad) segment. We expect to start working on the Stara Pazova–Novi Sad stretch too, while the talks with the Chinese and Hungarian side regarding the implementation of the Belgrade–Budapest railroad project are pending. We have applied for funds with WBIF which we need to reconstruct and modernize the Sicevo–Dimitrovgrad segment on the Niš–Dimitrovgrad railroad (Phase I). The value of this project is estimated to be around 87 million Euros with 58% of the money expected to come from WBIF’s grant. ◀