



REPUBLIC OF ALBANIA
Ministry of Public Works, Transport and Telecommunication

Honourable Ministers of Transport of South-East European Countries,

Distinguished Representatives of Political and Financial Institutions of EU

Ladies and gentlemen

First of all I would like to express my most sincere thanks to organisers of such an important meeting, for the invitation to participate in this meeting, which gives to all of us the opportunity to discuss, meet, talk together and share our opinions and views for the new challenges and opportunities within a context of a Global Economy, and especially in this period when the recession is still present in the majority of the countries in the World.

Actual Situation in Transport Sector

Nevertheless the fact that the recession is present in Europe and in other parts of the world, Albania has shown strong development with macro economic stability and the highest economic growth rate of South Eastern Europe and considerable progress has been made in infrastructure's improvement through investments both from the state budget and with the aid of loans and grants by international and bilateral donors for construction and rehabilitation of mainly road and port infrastructure.

At regional level, to ensure its proper connection to the trans-European transport network, Albania is participating actively in the Steering Committee of the South East Europe Core Regional Transport Network including the Transport Observatory (SEETO), which aims at facilitating the integration of Southeast Europe in compliance with the intentions of the Process of Stabilization and Association together with the segments of the Pan-European Corridors IV, V, VII, VIII, and X.

The GoA is spending a significant share of public resources on the transport sector, (aprox. 55% of overall public investments), a reflection of the importance of the sector for economic development and poverty alleviation. It is committed to the creation of a regulatory system in line with European standards and requirements to guarantee facilitation of market access for the transporters, and ensure optimum operations of transport services grounded on a high level competition as well as the decrease of the non-physical barriers. In support to this commitment, the priority obligations are:

1. The strengthening of legislation to avoid the dishonest competition as well as for rigorous enforcement of bilateral or multi lateral agreements on transportation;

2. Market acceptance of transportation based on the principle of reciprocity; granting to the transit transport the unlimited rights;
3. Training of transport personnel especially that related to transport of dangerous goods in accordance with the EC standards.

Albanian Transport Policy

The Government of Albania has outlined the main components of its transport policy in a document prepared with its external partners (EU, IMF, and the World Bank): Albanian National Transport Plan. The major objectives stated in this policy are:

- To develop and rehabilitate road, rail, port and airport infrastructure and secure the necessary financial resources to develop the system in a harmonized way in order to support and encourage the development of the economy of the country and meet demands of European Transport in the south-east region of Europe;
- To implement the economic reforms, through the promotion of privatization of remaining activities, the commercialization of public services, as well as through increasing recovery of costs through a price and levies policy;
- To create a regulatory and legal system according to European demands and standards which will secure optimal operation of transport services on the basis of high level of competition;
- To develop and carry out institutional reforms in all sectors of transport.

The results of this policy have been a growth in vehicle numbers, traffic flows and mobility of people, as evident over recent years which have seen a growth for all traffic modes and destinations of approximately 20%. In the case of the Port of Durres, which is one of the most important ports in the Core Network, the number of passengers increased to some 840 000 in 2009 and in the case of the Rinas Airport the forecasted figures for 2010 were achieved in 2008 and during this year, the concessionaire made a net profit of 14 % despite the recession in Western Europe.

Albania's foreign trade is dominated by the EU (90% of total flows) and particularly, Italy and Greece, representing more than 70% of the total. Except for the few commodities to Kosovo and Macedonia which are imported through the port of Durres, there is little and decreasing interregional and transit traffic with the Balkan neighbouring countries, mainly due to poor transport connections, accentuated by other non-physical barriers some of them specific for our region.. The situation is, however, gradually improving and picking up with re-establishment of the railway connection with Montenegro and with the improvement of border crossing facilities at the borders with Montenegro, FYROM and Greece

Albania already established a clear policy for transit traffic, which is based on an analysis of the advantages and disadvantages of such traffic. Indeed, transit traffic is likely to increase business and employment opportunities in Albania. Disadvantages are environmental hazards, increased congestion, and wear and tear of the transport infrastructure which does not get adequately compensated. The competitiveness of Albania's transport system as a transit route will ultimately depend on the cost, speed and quality of service as compared with some other alternative. One scenario, which

would make a trans-Balkan transit route (EU Corridor VIII) attractive, would be restrictions imposed on shipping through the Bosphorus, due to environmental and other hazards resulting from congested sea routes. Regional and other transport studies referred to above indicate that there is a case both for an upgrading of Corridor 8 as well as the north-south corridor between Durres/Tirana and Montenegro. The route No.7 in the Core network, Corridor Durres-Morine which is in the same time branch or extension of both pan-European corridors, 8 and 10, is expected to increase the traffic reciprocally in destinations along the corridors.

However, the economic and financial viability for completing the missing railway link between Albania and FYROM hinges not only on total freight traffic volumes generated by Bulgaria and Trans-Balkan transit, but also on how much of these volumes would be transported by Roll-on-Roll-off truck traffic to and from Italy. At present, there is a study of Secretariat of Corridor 8 which clearly demonstrates that the potential Trans-Balkan transit traffic (with origins and destination outside the Balkans) would have cost advantage using Corridor VIII and Durres port.

All the above analysis of freight traffic and projections assumed that traffic will develop on the basis of the growth in demand without undue constraints imposed as it mentioned above by "non-physical barriers". However, non-physical barriers have severely impacted the volume of past and present Albania's international passenger and freight traffic. For passenger traffic, severe exit visa restrictions hamper more frequent return trips. As for freight traffic, complicated documentation and customs procedures have tended to slow down traffic at borders, including at the Durres and Vlora ports. Undocumented charges for both passengers and freight at border crossings and ports (and for transit traffic within the country) are also to be considered non-physical barriers. They will be a serious constraint in Albania's request for transit traffic, because they represent an unofficial tax which can obliterate any cost advantage Albania may have considering alternative routes. The survey made through haulers operators of Macedonia and Bulgaria presented in one study of Italian ministry of economy show that the major part of them consider these kinds of barriers the most important obstacle for crossing the C8 itineraries. According to the study only for Italian haulers the annual losses make 1 billion Euros.

Recent assessments showed that considerable progress has been made in reducing administrative procedures at the border crossings in the Balkan area, which have substantially eased without reducing security requirements.

Special attention is dedicated to the regional collaboration. The benefits of such a policy are good relationships we have with our neighbours, like: FYROM, Kosovo, Montenegro, Greece and Italy.

The road transport between Albania and Fyrom is fully liberalized, thus eliminating the bilateral and transit permisission regime and also liberalizing entry visas between two countries.

Exits a very good and clear understanding between Albania and Montenegro regarding the establishment a full free regime in the transport according European Standards, and such relationship we would like to extend with other south-east european countries. One stop shop in the croos-borders of Albania with Montenegro could be a good example to be used with other countries too.

Mutual recognition of driving licenses between Albania and Italy represents also one of important soft measures contributing not only to the albanians living and working in Italy but also to the albanians which visit Italy and do commerce with italian colleagues. We are negotiating the same thing with Greece and other neighbour countries.

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The development of Core Road Network in Albania

The core network is one of the priorities of the Albanian Government and the major part of it is now funded from both foreign resources and the state budget.

There are important developments in the core network in Albania.

In this respect we mention:

North – South Corridor

This corridor has a length of 405 km and links Greece via Kakavijë in the itinerary Gjirokaštër – Shkodër – Hani i Hotit with the Montenegro,

The central part of this corridor is connected to the corridor VIII in segments that are currently under construction, an important part of the road segments have been rehabilitated although not to the same European standards, whilst another part is going to be negotiated.

Funding for the North- South Corridor is assured for the Shkoder- Hani i Hotit section (Route 2 of the Core Network) from the Italian Government which is also funding the road segments from Lushnje – Fier, Fier – Vlore.

The segment Fier – Tepelene is being funded through the EBRD and is currently under construction. It is expected to be completed over the next two years.

Pan-European Corridors VIII has been approved in Crete in '94, and confirmed in Helsinki in '97. Despite the fact that it has shorter length compared to the others and the lowest cost, there is a slow progress development for lack of investment. A

Memorandum of Understanding signed in Bari including the ports of Bari, Brindisi and Vlorë have increased the interest of the Italian Government which has financed an important part of it.

However some road segments have been rehabilitated in the territory of Albania such as Durrës – Qafë – Thanë road axis, and segments of the road axis between the port of Vlorë and Durrës are already under construction.

The segment **Tiranë – Elbasan** which would have facilitated the fastest connection between the three capitals but at the same time would have shortened the distance by making the vehicles' transit through the 8th Corridor instead of using much longer alternative itineraries constitutes a missing link.

In the East – West Corridor the Albanian Government is currently funding the Korce – Qafe Pilloce segment and in the programme is forecasted to be realised the entire project of the road Qukes – Korçe.

The Durrës – Morinë corridor (Route 7 in the Core Network).

This highway is currently under construction and different sections are being funded by the Albanian State Budget, by the World Bank and by Kuwait Fund.

Some important data for this corridor:

The surface of area in which the Corridor Durrës-Morinë (Kukës) goes, occupies 5760km², 20% of the total surface of the country.

The population in the area of Durrës – Morinë (Kukës) Corridor, is 1.100,000 inhabitants. This constitutes 33% of the population of the entire country.

Durrës – Morinë (Kukës) Corridor shall also have a regional impact. It will sensibly improve the trade relations between the countries of the Adriatic Sea and Mediterranean Sea through the Ports of Durrës and Shëngjin as well as influence in the increase of their trading activities in our country, especially with Kosovo, Montenegro, Serbia, FYROM, other Balkan countries as Rumania, Bulgaria and further on. It is considered as the most optimal link of the pan-European VIII corridor with the X one in the Durrës – Kukës – Prishtine – Nish itinerary for the main regional network.

The connection of the two important markets between Albania and Kosovo, shall contribute to exploiting all the economic resources, mine industry, forestry and tourism in particular.

Road Safety

Road Safety and its component elements cover a complex of problems of a legislative, institutional and implementing character, the level of achievements of which leads to the improvement of the situation..

In this context, the problems of road traffic and safety of movement of pedestrians as well as its exploitation by vehicles are and shall remain problems as important and evident and for this reason there is a program chaired by the government for the years 2005 – 2009, prioritizing solutions in order to protect the life and health of people and even property.

Maritime Transport

Albania is situated in a very favourable geographic position, in the South–East part of the Balkans, in which the 1/3-d of the border line is sea, about 440 km, for which it is considered as a coast country, with favourable natural conditions but not properly exploited to develop the maritime sector.

Seaports are an important component of the maritime sector, which play an important role not only in transport development but also in the development of the international trade and the country's economy.

- ***Durrës seaport***, is located about 34 km from Tirana, north of Durrës gulf, and it is Albania's biggest port already defined as the main gate of corridor VIII which processes about 75% of the import-export goods and has a processing capacity of 4 million tons of good per year. This port processes passenger ferries, RORO vessels, container vessels and ships transporting general goods, bulk cargo and fuel.

Based on the Development Master Plan and the Land Utilization Plan, there have been various projects carried out for the rehabilitation of the Infrastructure/Superstructure and the administrative restructuring of the Port with funding from the World Bank, European Community, European Bank of Investments, etc.

There are two important projects being developed at present in this port; one on the construction of the passengers terminal with all the facilities, (in the ferries ground) with a funding of around 22 million euros from the European Bank of Investments and the EBRD and the second project is on the rehabilitation and expansion of the Eastern Docks and the grounds for the processing of the bulk cargo with a funding of around 35 million euros from the European Bank of Investments and the EBRD.

- ***Vlora seaport*** is the second important port in Albania, located around 90 km to the south of the Durrës port and it has been defined as the second entry gate of corridor VIII. This port processes passengers and goods, covering around 10% of the export-import goods.

The infrastructure and superstructure of this port is in the process of development, in line with the Master Plan. The Italian government will fund the first, second and third phases with about 15.3 million euros which include the building of the docks for goods and the ferry dock.

- It is of importance to mention here that the Albania Government is discussing a new container port in Vlora through a concession agreement. This port will handle up to 3 million TEU per year and the construction cost of this new port will go to 2 billion Euro.

Railway transport

After 1990s, because of the considerable gross production decrease in general, the liberalization and privatization of the road transport and the massive import of road vehicles, the volume of railway traffic decreased significantly. At present the specific weight of railway transport compared to the general transport traffic is low.

The considerable decrease of traffic has been accompanied with a profound deterioration of the economic and financial indicators and consequently a pronounced

lack of funds for the maintenance of railway infrastructure and superstructure. Today, Albania accounts for a railway line with very low technical indicators; the speed of the trains is at 30-40 km/h, average age of railway vehicles is very old, the air telephone line is almost completely destroyed and the signalling system is non-functional in that part of the line where it had been installed.

The quality of the services offered by the railway transport is such that it cannot meet the requirements of the present transport market. Passenger railway transport is done with old trains; the buildings of the railway terminals do not offer an acceptable comfort level. The low price of passenger railway transport makes it preferable mainly for the population of the rural areas. This service is subsidized by the state budget with 8 million Euros per year.

Air transport

The development of the Albanian Air transport is at present focused on:

- The modernization of the only international airport in Rinas "Mother Theresa";
- Implementation of the Air Traffic Management Master Plan

"The objective of the master plan is to find out ways for the modernization of air space infrastructure and to increase air space management capacities, as well as air safety level."

Challenges & Opportunities of the Transport Sector in Albania

Continued improvement of transport systems requires extending of basic infrastructure networks and providing their adequate maintenance. But it also requires attention to the new problems posed by user aspirations for better-quality services, by participation in the opportunities and risks of a competitive global marketplace, and by the adverse consequences of rapid motorization. Appropriate strategies and actions will be required both to improve provision and maintenance of transport *infrastructure* and to improve the provision of transport *services* using that infrastructure.

Transport is also influenced by geo-political changes, political, international, social and economic priorities. The transport sector of south-eastern Europe is part of a unique European transport network.

But, geo-political changes, in Balkan region have and will have profound influence on the transport sector in the area, and in each country of the Balkans. So when discussing the transport sector, we must bear in mind the heritage of the past, present difficulties, new realities and future needs. It must also be remembered, that the transport sector is more than infrastructure, rolling stocks, and users. It is also a system ruled by private and public law, law of contracts, institutions, corporations, insurance companies, etc. This part - the invisible part – is equally as important as the visible part (infrastructure, cars, ships, trains, etc.). Ground transport receives more attention from governments than sea/water or air transport.

A. Transport sector in new circumstances

The economic development of Eastern and South-Eastern Europe will be still behind that of Western Countries. It is obvious that EU countries' industry and "secteur agro-alimentaire" have enough productive capacities to satisfy most of the needs, in industrial and other goods, of 70 million south-east Europeans. Thus, construction of new industries in the area is almost excluded. So each Balkan country should think about its place in the international labour/economic division.

We should bear in mind that the international community, with its road and rail agreements and with its projects of future European ground transport axes need to reconsider harmonization of European, Balkan and national axes of ground transport.

C. Investment costs, financing.

The costs of the transport infrastructure are very high. One kilometer of motorway in a flat non-urban area costs about four million Euro. In mountainous areas it varies between 10 to 15 millions. Two lane roads cost about 1.5 million Euro per kilometer. Tunnels and bridges construction can reach prohibitive amounts. Double track rail, also in flat areas, can cost about five million Euro/km. Electrification of a line costs about €2 millions/km. The trans-Balkan connection's (Black Sea to Adriatic) projected average costs are 20 million Euro/km. This is a mountainous region. Single track railway can cost about two million Euro/km. But near towns, rail and road junctions, tunnels, mountains or hills and in other particular situations costs rise significantly.

So it would be difficult for the Balkan countries will engage in new investments particularly for the railways. They have to look at modernization but, as we have seen above, modernization of rail/road infrastructure costs about €2 million/km. Albania has, approx. 440 km of rail which need to be modernized and reconstructed. With minimum costs of two million Euro/km, that makes 0.88 billion Euro. The public finances cannot afford such investments. Will World Bank and EC financing, combined with private commercial funding, do?

The above-mentioned figures include only capital expenditure for purchase and construction. The interest, maintenance, management cost, etc., are not included. However some investments in infrastructure are a must in Albania, and we are looking to find a way and means for the necessary financial help.

Increasing the Access and Affordability.

Albania needs to increase the access of the rural poor to markets and amenities. To do this, secondary and tertiary transport networks will have to be expanded and additional public transport services created. Although there is no area which does not have access to all weather transport, still walking distances per kilometres a day each way to farms, schools, and clinics is not unusual in rural areas.

Confronting the Maintenance Crisis

After the 90's for about one decade period 1990-2000, important road infrastructure assets were lost in Albania because of inadequate maintenance. Every Euro of essential maintenance postponed increases the costs of operating a vehicle in the current period by more than €3. The postponed maintenance also increases the costs incurred by road agencies in the long run.

Increasing the responsiveness to user needs

The globalization of manufacturing business has arisen partly from the development of a transport intensive and inventory-sparse logistical structure. More and more, success in international competition requires fast and reliable international movements of freight in smaller consignments using a combination of modes. Maritime transport, port and hinterland transport facilities must be better integrated. Harmonized documentation arrangements and good information technology become crucial. Italian and Albanian transporters are faced with procedures in customs posts both in Albania and in Italy due to administrative arrangements and regulations which are imposing delays that damage Albania potential place in the trade. Requirements for passenger transport also change. Increasing urbanization generates new needs, often in informal settlements in peripheral locations not served by traditional transport operators. Failure to satisfy these needs harms the poor but also harms industrial competitiveness through its adverse effect on the availability of labour.

Adjusting to Global Trade Patterns

Domestic and international trade liberalization is bringing about the movement of larger volumes of goods (particularly intermediate goods) over longer distances than was the case in the past.

Albania now is part of those countries which have based their rapid growth on the export of their manufactured goods through participation in globally integrated production and assembly chains. Our manufactures have difficulty competing for increasingly mobile production and assembly processes because the administrative arrangements and regulations that govern freight and passenger transport to adjacent countries and EU countries. Different regulations in transport infrastructure which exists between Albania and EU countries, particularly with Italy, are constraining growth and generation of new manufacturing in Albania. There is a need for investment in transport and for harmonization of regulations to facilitate new patterns of trade and transport.

Coping with rapid motorization

Cities are major engines of growth in Albania, and urban populations are expanding at a very high rate. However, stimulated by growing per capita income in urban areas, ownership of motor vehicles is increasing in Albania at a much faster rate than the proportion of central urban space devoted to roads.

Insufficient conditions of the infrastructure are also the main cause of the high level of pollution in urban areas. A typical example of it is Tirana in which the concentration of construction work and development of infrastructure within the axis (around Tirana (suburbs) has caused in some points pollution levels up to 10 times higher than the norm (the existence of solid particles in the air PM10 is 432 mg/m³ against 45 that constitutes the norm). The widespread opinion that this is as a result of the large number of vehicles, or the use of very old vehicles is not grounded for the index of motorization is very low. At the same time the average seniority of vehicles does not have any obvious difference compared to the neighbouring countries which have pollution levels out of the discharge of gases of vehicles within the respective norm in general.

Redefining the Role of Governments

The change of focus in transport policy toward a market-based approach implies a radical change in the role of government. The private sector can take on more of the responsibility for providing, operating, and financing transport services and even some transport infrastructure through concessionary arrangements.

In this regard Albanian Government already has started procedures to conclude several transport infrastructure concession like:

Concessionaire projects are under process as well:

- Rogozhine –Thumane Highway (68 km) in the direction of North-South corridor.
- Tirane-Elbasan (32 km) in the direction of Corridor n8 (East-West)
- Tirane- Border Crossing with FYROM at Dibra
- Railway network (440 km)
- Ferry Terminal Durres

Partnerships are important at the country level between the various actors and stakeholders and the GoA, is looking to have the help of the international donors to better redefine its policy towards a higher cooperation between the financial institutions and different stakeholders. Experience is needed to carefully monitor on a number of important topics, including attempts to implement more explicit road-user charges; improve the maintenance performance of road administrations; increase the participation of community in formulating and implementing transport policies and programs, develop and structure infrastructure concessions; devise methods to value time savings and environmental and long-term structural effects for improved project appraisal; and develop mechanisms (including tax and subsidy schemes) to sustain transport services for the poor.

Meeting New Challenges

Effective performance of the economic and social role of transport also requires attention to the new problems posed by participation in the opportunities and risks of a competitive global marketplace, by user aspirations for better-quality services, and by the adverse consequences of rapid motorization.

Conclusion

The transport sector in the Albania is under rapid development situation. However we need a clear thinking, both in Albania and in international institutions, in order to achieve Albanian Government target, to become as soon as possible part of EU, not only politically but together with all necessary elements. We are optimistic of being in the right way. However, proper attention to the transport needs of Albania and other Balkan countries can prevent the Balkans region of remaining an undeveloped part of the future common EU.

Distinguished participants,

Albanian Government considers of essential importance the collaboration with other south-east european countries in the SEETO framework and places considerable efforts to fulfil completely its obligations which derive from the year 2004 Memorandum of Understanding. Time has come now to pass from a MoU into a higher level: Transport Community Treaty. This will serve as a further step to better harmonize our common actions towards a regional collaboration in the field of investments for transport.

Albania has highly supported the « soft measures» in the (MAP) of SEETO. and is ready to create with all of our partners within SEETO, a Regional Shengen, for which an important role can play the Transport Community Treaty, representing an organ with higher competencies thus being more effective and closer to problems and challenges the south-east european countries have to face. Its for this reason that Albanian Government considers of importance the creation of the Transport Community Treaty and commits itself to a higher contribution for the completion of the tasks that such a treaty will need to perform in order to carry out the mission for which it will be created.

Thank you for your attention