



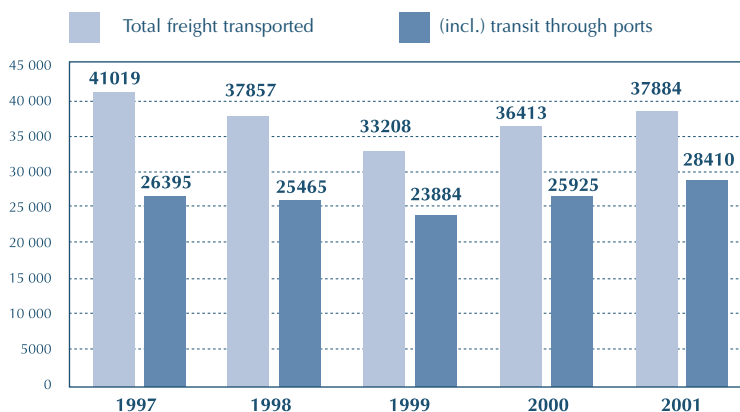
FREIGHT SHIPMENTS

The year 2001 has been fairly successful for *Latvian Railway*, in particular the first half of it. Freight shipments in the last year managed to reach the highest level of the last four years, but the freight turnover even exceeded the results of 1997. Nevertheless, following the reduction in railway tariffs by Russia with regard to import/export freight shipments through Russian ports, the flow of transit freight through the territory of Latvia from the 1 August 2001 started to decrease.

The volume of freight shipped in the year 2001 is 37.9 mill. tons which is 1.5 mill. tons or 4% more than in 2000. Like in the previous years, transit takes up the biggest share – 82.6%. The volume of freight conveyed as transit in 2001 is 31.3 mill. tons which is 2.6 mill. tons or 8.9% more than in the previous year. Domestic freight shipment increased for the first time in the period of the last four years. Its volume has grown by 14.7%. The volume of export shipments, however, decreased by 36.9%, and import shipments – by 15.7%.

The freight volume has increased mainly due to the growth of transit and, partly, domestic shipment. Unfortunately the loading of oil products in Ventspils oil loading depot and the main cargoes in Riga port was not performed with full capacity. The railway throughput capacity was not used to the full either.

With regard to freight shipment by its type, it should be noted that the amount of coal increased by 2395 th. tons or 5.1 times and the amount of sugar – by 228 th. tons or 40.8%. Whereas the volume of ferrous metals decreased by 736 th. tons or 18.5%, oil and oil products – by 440 th. tons or 2.5% and chemical products – by 166 th. tons or 12.9%. The volume of mineral fertilisers and timber decreased, as well.



Development of freight shipment in 1997 – 2001 (th. tons)

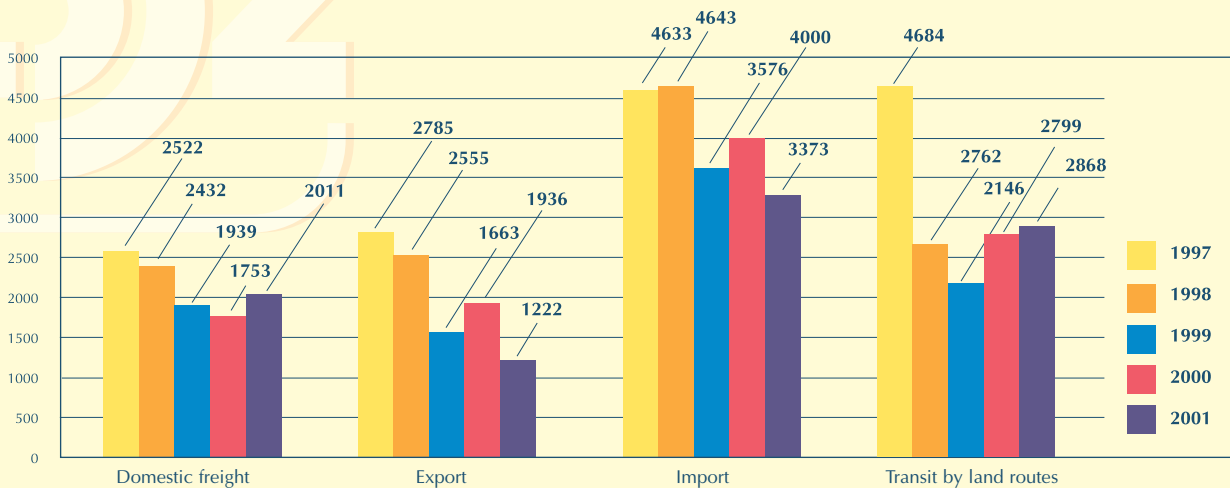
The total freight turnover in 2001 is 14,179 mill. t-km which is 6.5% than in 2000.

Due to the favourable geographical location of our country, freight transit by railway through the main Latvian ports still holds the leading position. The leader in this type of freight shipment, like in the previous years, is Ventspils port through which 18.4 mill. tons or 59% of all *Latvian Railway* transit freight were transported.

Most port stations increased the volume of freight shipments last year. Rīga Krasta station had the highest growth rate increasing the freight processing capacity by 746 th. tons or 28.4%. The freight processing capacity of Ziemeļblāzma station increased by 200 th. tons or 9.7% and Liepāja station – by 100 th. tons or 8.1%. The volume of freight shipment through the port stations of Rīga railway junction increased by 1014 th. tons or 12.4% in total, and through Ventspils port station – by 1122 th. tons or 6.5%. At the same time the volume of freight shipment through Bolderāja station considerably decreased – by 128 th. tons or 73.1%.

The percentage of freight transportation through ports in the total volume of transit shipments is the following: Ventspils station – 64.9%, stations of Rīga railway junction – 30.8% and Liepāja station – 4.3%.

In order to increase the volume of freight shipment and raise competitiveness, a stable and predictable tariff system has been developed in compliance with the requirements of freight owners and international operators.



Freight shipments by type of transport 1997 – 2001 (th. tons)

As a result of the impact of economic and political conditions on the internal and external transport service market, the *Latvian Railway* tariff policy of 2001 had to be adapted to the existing situation by the implementation of a flexible tariff system in compliance with the interests of potential clients and the railway itself.

In order to achieve the aims of the tariff policy:

- to increase the volume of shipments by the introduction of optimal freight transportation tariffs in competition with other modes of transport and foreign railways by alternative routes;
- to emphasise the role of tariffs increasing the income of clients and the railway and avoid prices causing losses in the area of transport services –

the following principles of the tariff policy were observed:

- flexible response to the changing economic and political conditions in the internal and external market of transport services;
- proceeding with the flexible contractual obligations

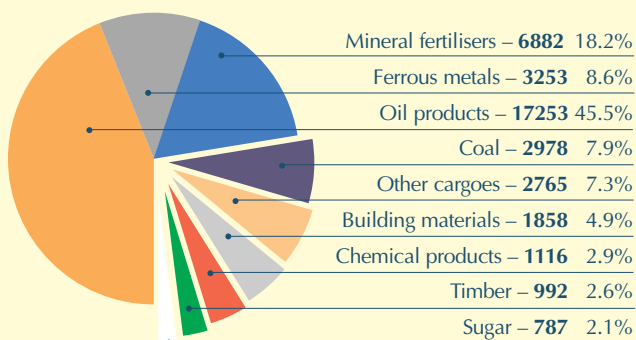
established with clients with the aim of maintaining competitiveness;

- introduction of tariffs adequate to freight transportation costs, taking into account the price level established in the previous years;
- consideration of the interests of clients and the railway by offering discounts, as well as the foundation of a mechanism regulating financial obligations and which can be referred to in case of default;
- introduction of special inter-state transit rates approved by the respective railway administrations and effective for the international railway transport services in several countries.

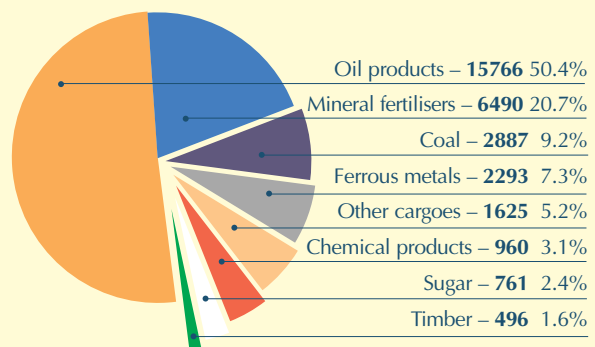
The main objective of the railway tariff policy is maximum increase in the volume of freight shipments and growth of the *Latvian Railway* competitiveness by maintaining a stable tariff level, as the stability of tariffs is the main factor ensuring optimal working conditions to any consignor and the possibility of long-term contracts.

In 2001, the tariff on domestic, import and export freight shipments 02-LDZ was revised in compliance with the requirements of the Law on Railway Shipments,

Shipments in 2001 by type of freight (th. tons)



Transit shipments in 2001 by type of freight (th. tons)





and a new tariff on railway freight shipments 03-LDZ was introduced and came into force on 1 January 2002.

Latvian Railway has all preconditions for the increase in the combined shipments. It has an experience of the shipment of loaded and empty containers by block container trains, as well as block wagon groups among Latvian ports and terminals in Russia and other CIS countries.

The shipment of perishable freight in refrigerator wagons has been successfully proceeded with for more than five years. Accordingly, several specially equipped couplings were made consisting of trucks with fastenings and a wagon with a power station supplying the refrigerator with power. In this way 12 to 18 forty-foot refrigerator wagons are transported in one run. In 2001, route trains with refrigerator wagons made regular runs between Riga port and freight recipients in Russia, the Ukraine, Belarus, Kazakhstan, Uzbekistan, Kyrgyz Republic and Turkmenistan. A system for the location of any container in the Baltic and CIS countries has been established.

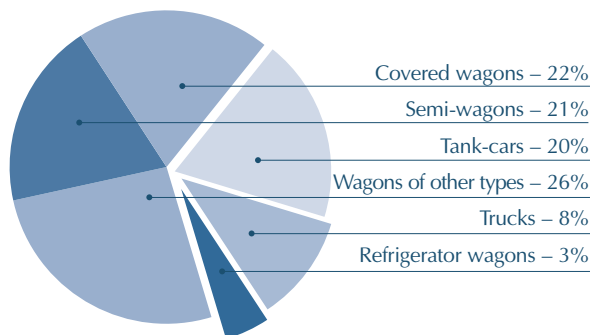
Our interest into container shipments from the Asian-Pacific Ocean region along the Transsiberian main to the Western Europe through Latvian ports, including the new Ventspils Port Terminal with a capacity of over 100 th. TEU per year, is proved by the fact that, since autumn 2000 *Latvian Railway* is the standing member of the Transsiberian Shipment Coordination Board.

In 2001, as compared with 2000, container shipments in the West-East direction increased by 8.2%, and in the East-West direction – by 27.5%. Besides, most containers transported from Russian and other CIS countries to the Western Europe were empty in the past, whereas now the number of containers loaded with goods from Russia and Central Asia is increasing.

Continuous work is going on in order to improve collaboration with the state customs authorities to facilitate and quicken the execution of customs documentation and cargo control. An Agreement on the procedure for the customs control of freight shipments by railway was signed with the State Revenue Service of the Republic of Latvia, stating that, starting from the 1 January 2002, *Latvian Railway* performs the functions of the principal (responsible for the compliance with customs regulations) of the customs transit procedure. *Latvian*



*Freight Shipment Department
Wagon pool*



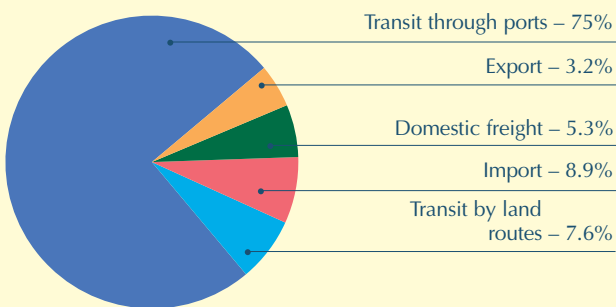
Series	Number of wagons
Covered wagons	1343
Trucks	468
Semi-wagons	1277
Tank-cars	1246
Refrigerator wagons	176
Wagons of other types	1684
Total	6184

Railway, by performing the functions of the principal, will ensure customs clearance and cargo manifest. This refers to both transit and other cargoes imported into Latvia by railway.

One of the most significant condition of the shipment contract is the freight safety. Freight shipments by *Latvian Railway* have a high and stable level of reliability. The damages of the last 10 years due to freight loss were only 10 santims per 100 LVL of income from freight shipments per year, and in 2001 it was even 1 santim per 100 LVL.



Proportion of types of shipment in 2001



Domestic freight	2011
Export	1222
Import	3373
Transit through ports	28410
Transit by land routes	2868
Total	37884

Questions with regard to the shipment and carrying capacity along the main transit corridor under the new freight flow circumstances were raised in 2001.

The use of the carrying capacity of railway sections in the main routes of the East-West transit corridor was 50% on average of the existing carrying capacity. In some sections, however, there was only 20 – 25% of the carrying and throughput capacity left in reserve as an indicative of the excessive work in those sections.

It has been stated that if the «critical» volume of freight shipments has remained unchanged for a long time, distribution points will be duly constructed in the

sections impeding railway traffic, thus increasing the carrying and throughput capacity of the railway sections. Projects for the construction of distribution points have been designed for several sections with fairly restricted railway traffic, including Jelgava – Ventspils section.

In order to increase the freight processing capacity of Liepāja station and improve the loading technology of Liepāja port, a project for the construction of track connecting the station and the port, as well as one for the extension of track were designed enabling the reception and sending of longer and heavier freight trains.

Precise and coordinated work of railway stations is based on strict observation of technological processes, ensuring efficient use of rolling stock and station equipment. In this respect, the Freight Shipment Department is continuously updating the technological performance of the stations, taking into account changes to their working conditions. In 2001, technological processes were revised and confirmed in Rīga Krasta, Liepāja, Ventspils and Torņakalns stations.

Much attention is paid by *Latvian Railway* to the development of information technologies for the freight shipment process.

Structural units of the Freight Shipment Department were further equipped with computer technologies and updated data transmission network and facilities, investments were made into the installation of new software and the modernisation of the existing one.

The following automated workplaces were put into operation in 2001:

- for the inspector of the shipment accounting bureau (stage I);
- for the person on duty in the locomotive operation unit.

As a result of the complex re-equipment of Šķīrotava station, computers were connected to the network and a new automated management system of the shunting station was put into operation. At the end of the accounting year, preparatory work for the complex re-equipment of Daugavpils station with a new automated management system of the shunting station was carried out.

In order to perform the functions of the customs principal assigned to *Latvian Railway*, the equipment of wagon delivery offices with computer and organisation technologies was started.

The development of the automated system for the location of locomotives and registration of locomotive maintenance works was commenced.

The existing locomotive pool ensures the traffic of transit freight trains from border railways to terminals,

FREIGHT SHIPMENTS

without any changes to their weight. The use of the series 2TE10M locomotives in the main transit routes enables the traffic of trains under 5300 tons. In 2001, as compared with 2000, the average weight of trains increased by 2%, and the efficiency – by 1.5%. All locomotives have safety equipment and wireless communication in compliance with all requirements of train traffic safety.

One of the functions of the Freight Department is the maintenance of locomotives and wagons in good technical condition.

Due to restructuring and separation of functions among maintenance and operational enterprises, a system of contractual relations with regard to the maintenance and repair of locomotives has been established.

In order to increase the safety of the series 2TE10M locomotives, they are being modernised by the installation of turbo-chargers of the Czech origin and other units.

The operating locomotives are equipped with lubricators – special devices reducing the wear of wheel pairs and rails, as well as economising on deriv. It is expected that in 2002 the technical lab used for the training of locomotive crews will be equipped with a modern apparatus enabling the modelling of engine-driving close to the real situation.

In order to ensure that wagon depots are ready for operation, a system of wagon maintenance and repairs was established including a wagon repair centre and maintenance stations.

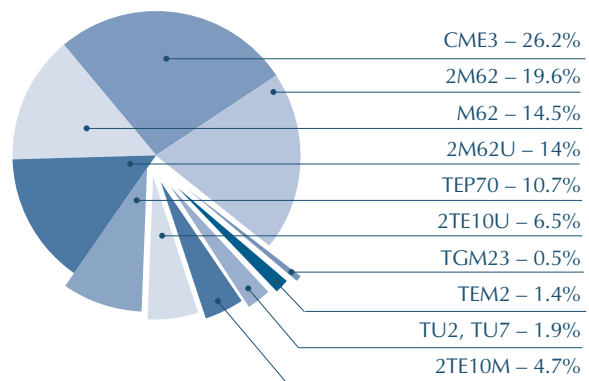
Decisions taken with regard to the shared use of wagon depots and transition to the operation of wagons according to the kilometrage enabled maximum operation of wagons owned by *Latvian Railway*, as well as the railways of other countries.

Wagons for freight shipments are prepared in specially equipped stations where they are cleaned, washed and repaired. In order to avoid problems during the reception of wagons by *Latvian Railway* so that they could proceed further to the terminal, as well as for the throughput of transit trains, there are technical maintenance stations and wireless rolling stock diagnostic devices available along the whole route. In 2002, the construction of the wagon uncoupling repair centre will be resumed in Daugavpils station.

Maintenance of the rolling stock of the Freight Shipment Department is carried out by highly qualified specialists regularly improving their skills.



Locomotive pool of the Freight Shipment Department



Series	Number of locomotives
TEP70	23
2TE10M	10
2TE10U	14
2M62	42
2M62U	30
M62	31
CME3	56
TEM2	3
TGM23	1
TU2, TU7	4
Total	214