

Transport (and logistics) development strategy in Slovenia

Igor Trupac

ASSISTANT DOCTOR OF LOGISTICS
FACULTY OF MARITIME STUDIES AND TRANSPORT, PORTOROZ

The article deals with transport (and logistics) integration of Slovenia with EU. Because of its position Slovenia has good opportunities for transportation activity. Transportation (and logistics) is also of extraordinary importance for economic development and appearance on European and other markets.

1 Introduction

The development of transport in each country is influenced by the natural and production resources, its inclusion into international flows, and by the formal position of the respective country, as defined by international agreements or treaties. The other influential role relates to the political and economic changes. The influence of these factors will be shown on the case study of Slovenia. Initially, the general model for the strategy in the field of transportation is presented, which can also be applied in decision making on the transport development strategy in Slovenia. This model could be considered by the government or other authorities in outlining the long-term transport policy. The model shows factors influencing the strategy of the country, but also the alternative possibilities.

2 The strategy model in transportation (and logistics)

The movements in the world economy demand new rules of conduct. Globalisation requires from the states (and enterprises) to participate and compete in a broader sense. Co-operation and competition are thus to become the imperative of the present era.

How to organise transportation on the level of the state, as well as on the level of the enterprise, to be most competitive in the global responsive environment, is a question to be presented to the governments and managers. The responsiveness depends to a large extent on efficient transportation, which is a typical responsive branch. Transportation must be directed to the organisational and operational development of the system, in order to be responsive. The countries (and enterprises) that have

become aware of that, seek to use this fact to their own benefit and to take advantage from it. Without a strategic direction of transportation, the economic development and presentation of the countries (enterprises) in the international markets cannot be up to the requirements - i.e., it will not be competitive (fig. 1).

Interpretation:

The strategy of transportation should be mainly dependent on the demand, the supply and the complementing and supporting factors, which are presented in full line. The government and the prospects (chances, threats) would only have a provisional influence on them.

It is known that the government acts as a corrective or stimulating factor: its role is of vital importance in the construction

of infrastructural (suprastructure) facilities - (subject to a rather low mobilisation of private capital).

Nowadays, in the era of global co-operation and competition, the prospects (chances, threats) represent an important factor. The prospects (chances, threats) that arise must be anticipated, to be readily used to one's advantage (or to be amortised).

The supply side is affected by the following production factors - chiefly in transport (and logistical) companies:

- the staff,
- vehicles,
- wagons, trailers, semi-trailers, etc.,
- terminals and distribution centres,

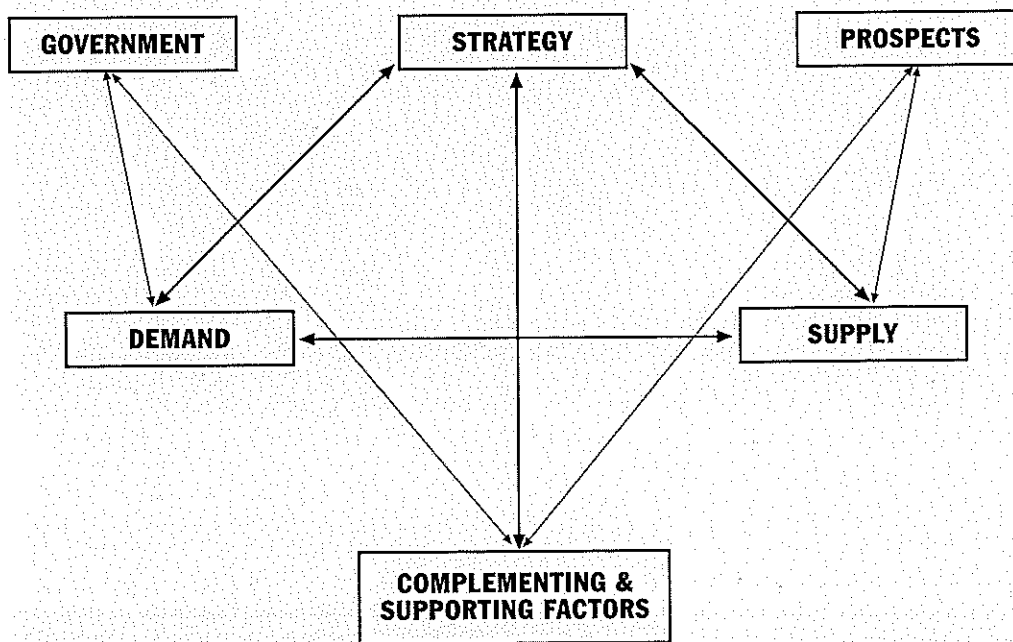


Fig. 1: The strategy model in transportation (and logistic)

ADAPTED ACCORDING TO PORTER¹

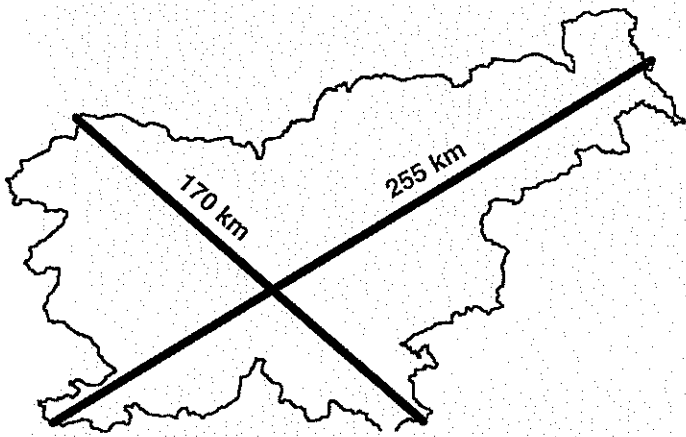


Fig. 2: Dimensions of Slovenia

SOURCE: THE STARTING POINTS FOR THE TRAFFIC POLICY OF THE REPUBLIC OF SLOVENIA: REPORT ON AIR TRAFFIC, FACULTY OF CONSTRUCTION AND CIVIL ENGINEERING, TRAFFIC INSTITUTE, MARIBOR, 1996, P. 5.

- railway lines, roads,
- the energy.

The supply relates to the demand of the enterprises (in particular of the industrial and trade companies) for transport services. The complementing and supporting factors - particularly the industries in information and communication technology, the automotive industry, the transport equipment manufacture, as well as scientific and research institutes - assume an important role and contribute to prosperity of transportation industry. These activities support the development and efficiency

in establishing the whole transport system.

The government - in such an important field as transportation - has a major role (it can exert its influence on the supply as well as on the demand, and the complementing and supporting factors).

The prospects (chances, threats), which arise in the international sphere, can greatly affect the development of the transportation industry. In the first case (chances), a service-providing industry and an intermediary role in linking the East to the West may be in question, and in the second case (threats) it might be cabotage, for instance.

3 Geographical transport position of Slovenia

Slovenia has no explicit natural resources. Its agricultural land is moderate, energy resources rather scarce, and there is practically no ore and mineral wealth; the quality of woods is decreasing. On that account, we cannot expect that the future development of Slovenia could be based on the natural potential. The only specific comparative advantages of Slovenia might be its geographical position and natural beauties.

Slovenia belongs among small European countries.

Slovenia lies at the cross-roads of four European macroregions (the Alps, the Dinaric Region, the Pannonian Lowlands, and the Mediterranean), at the lowest pass in the 1.500 km long Alpine-Dinaric arch of mountains.

For the development of trade it is most relevant that here, in the Gulf of Trieste and of Quarner, the Adriatic sea indents farthest to the North and deepest to the continent, which has always been of great importance for the passage from the sea to the mainland.

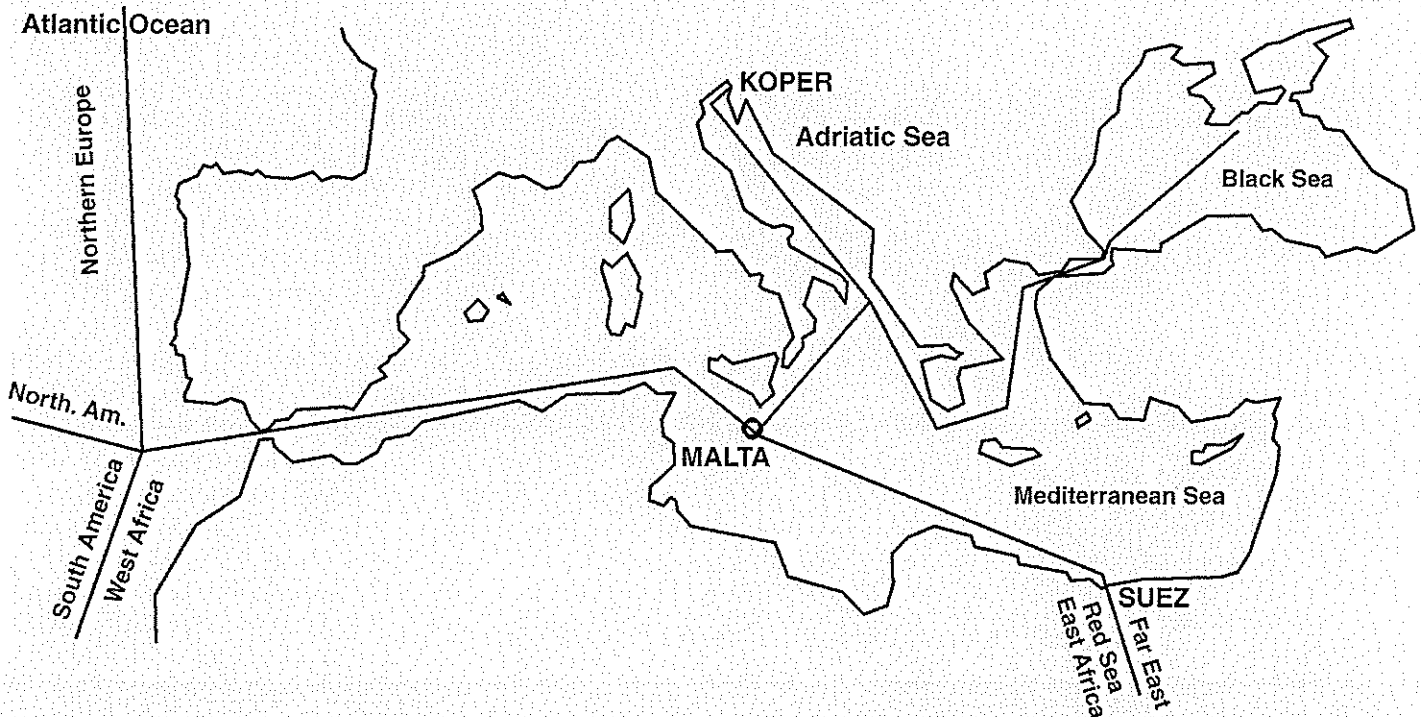


Fig. 3: Maritime connections of the Port of Koper

SOURCE: PORT OF KOPER

For the development of road and railway networks, the connection of Vienna (the capital of the Hapsburg Monarchy) and its principal port in Trieste was relevant. The figure below gives a historical view on the development of railway connection between Vienna and Trieste during the years 1841-1858.

The significance of this longitudinal Slovenian direction (Maribor – Ljubljana – Trieste) for Central Europe has been preserved since the break-up of the Hapsburg Monarchy.

In the period when Slovenia was a part of Yugoslavia, priority was not given to the Slovenian longitudinal direction, but to the transversal direction across Yugoslavia. This policy is changing today.

The territory of Slovenia offers the most favourable land transport connections between the Pyrenean and the Apennine Peninsula and Southern France on the one hand, and the southern part of Eastern Europe and the Middle and Far East on the other. Relevant commercial arteries from the Western, Northern and Central Europe lead over Slovenian territory to the Balkans and the Adriatic coast.

The construction of large infrastructural facilities in Europe proves that geographical characteristics are no longer that decisive for the conception of relevant transport routes (corridors):

- the Channel Tunnel with its rail capacities can be regarded

as one of the most demanding traffic systems in the world (it combines the railway and road traffic between Great Britain and Europe);

- the Rhine-Main-Danube Channel (R-M-D) provides for a 3.505 km long waterway route connecting the North Sea with the Black Sea, or the West-European navigable network with the Danube, its feeder streams and other waterways;
- the railway and road tunnels in the Alps, such as the Mont-Blanc Tunnel, the Karawanken-Tunnel, the Spluga Tunnel, Saint Gotthard Tunnel, etc.

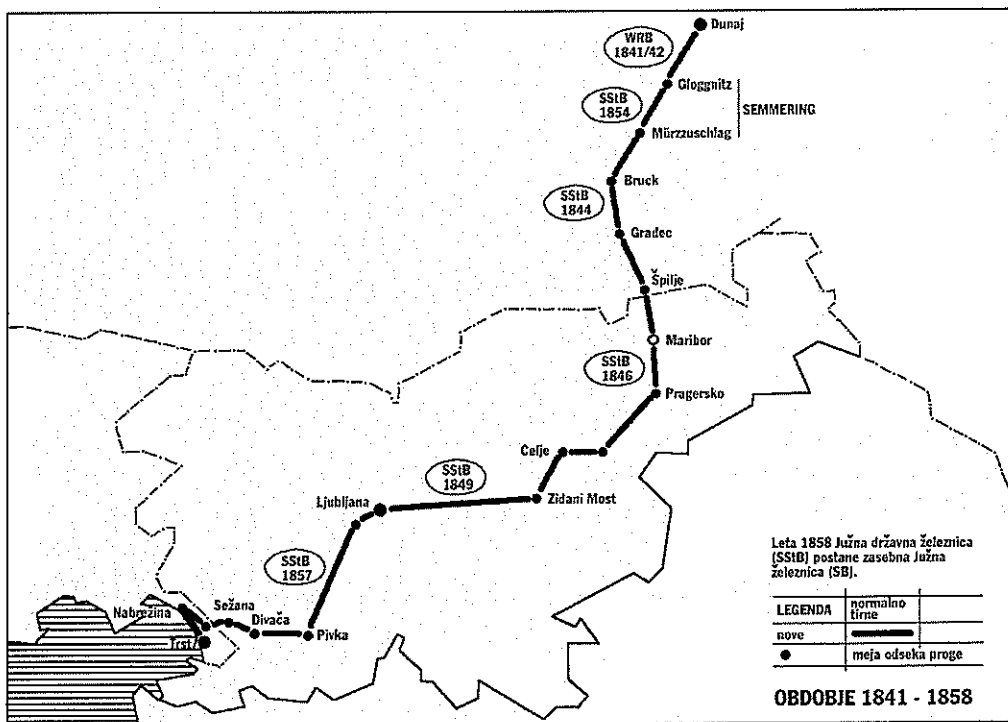
Nowadays, large infrastructure facilities open new transport routes, or modify the qualitative and quantitative characteristics of the existing routes. The scientific and technical and/or technological revolution has now rendered possible that which was not feasible yesterday; the same principal will apply in the future.

4 The impact of political and economic changes on the development of commodity flows in Europe and Slovenia

The following relevant processes are in full swing in Europe:

- The transition of the Eastern countries, going through a hard transitional period, which in the long run affects the changes in the political life, as well as in the economy;
- An increasing economic and political associating of the EU-countries (changes which strengthen the political and economic unity);
- Approaching of the EU and Eastern European countries closer together (links are established in various fields, however, special importance is laid on transport connections).

The events and developments so far made have already brought about relevant changes that reflect in larger trade exchange between the countries in transition and the EU. As different economies are concerned (the developed countries versus the countries in transition), the trade exchange comprises on the one hand (chiefly) raw materials and semi-products, on the other hand the finalised products of much higher value. Among the members of the European Union, Germany and Italy are the most important partners of the East European countries. The exchange is



Legend: normal gauge line

----- New

- border of a railway section

In 1858 the Southern State Railway (SSiB) became a private Southern Railway (SB = Südbahn).

Time period: 1841 - 1858

Fig. 4: A historical view of the construction of the Vienna-Trieste connection

SOURCE: BOGIC, M. THE RAILS AND TIME, THE RAILWAY MANAGEMENT, LJUBLJANA, 1989, P.9

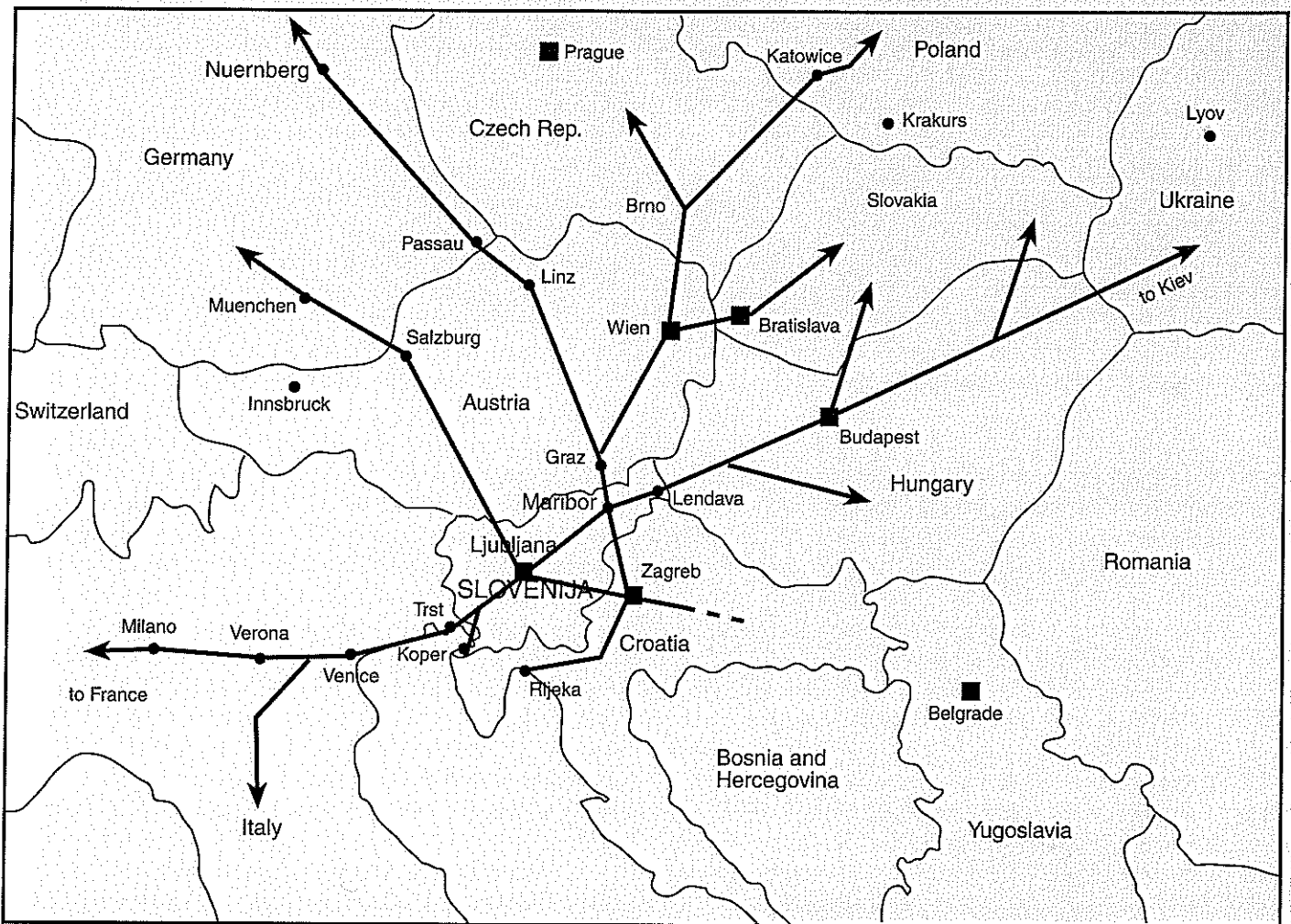


Fig. 5: Main transport corridors in Slovenia

SOURCE: EU

expected to rise, therefore a higher transport activity will follow in both directions.

An increased quantity of commodity can be expected from the Northwest to the Southeast after the situation has settled down and the relations have normalised among the newly emerged countries after the break-up of Yugoslavia, in particular in the initial stage (economic development, reconstruction).

To what extent Slovenia will exploit its good geographic transport position, whether it will be merely a transport corridor or assume an additional quality (e.g. a distribution centre or a logistical centre), will depend on a cluster of circumstances. Importance will also be laid on how Slovenia will present itself and what it will offer to Europe and the rest of the world.

Slovenia is firmly caught in international economic flows, which in particular applies to the co-operation with advanced economies.

Slovenia sells abroad approximately one third of its gross social product (GDP). The greatest part of foreign exchange is realised with the member states of the EU (Germany, Italy, France and Austria).

In export and import (and also in internal exchange) prevail the products of higher and high processing. If the division according to logistical affinity is considered, the medium and high logistical segment prevail in the commodity structure.

A rather small number of products from a limited number of economic sectors dominate in the Slovenian exports, and they are exported to few countries.

The concentration of Slovenian foreign exchange to a limited number of countries may involve some risk because the exchange with these countries depends on their economic growth and development. On the other hand, the exchange is concentrated on the countries which are either neighbours or border on neighbouring countries, such as Austria, Italy, Croatia, Germany and France. These markets can be reached within a few hours drive.

Taking into account that transportation costs are a relevant portion of all the costs, this fact is very favourable.

Also other European countries, such as Austria, Italy, Croatia, Germany and France, etc., realise the greatest portion of international exchange with their neighbours and other not distant trade partners.

Whether the trend of foreign exchange with the EU will continue or not, depends only on the economic growth and development of the EU as a whole, and of our greatest trade partners in particular, like Germany, France, Italy and Austria. The exchange will also be tailored by the conformity of the exports with the requirements of the market, which reveals the potential of the exporting sector to adjust to the variable terms of the demand for import.

5 Strategic direction of transport (and logistics) in Slovenia

Strategic decisions (on the level of the state and of enterprises) relating to Slovenia's approaching to the European Union can be treated from the following aspects:

1. Strategy of economic development
2. Mobility
3. Inclusion of the Slovenian transportation in the EU on the legal and institutional field.

a) Strategic options of Slovenia and its economy in new economic circumstances

The experience of smaller countries in the East, but also in Europe, has proved that the orientation of Slovenian society in the production must not be forgotten (at home, abroad). On the contrary: the service providing activities cannot be the only strategic direction, however, it can contribute to a faster development of production with a higher productivity. The success of smaller countries of Asia and Europe is not supported by service providing, but also by processing industries. These import goods, process them and add new value to products, and then export them.

The experience shows that such economies have to be open to the world. There are several reasons for that. On the import side there are raw materials, intermediate goods, semi-products, component parts and groups which cannot be found in the domestic market, on the other hand the exports support the production which therewith renders the required economy of scale possible.

Due to its favourable geographical position Slovenia can specialise in providing particular services. Slovenia has got development resources and comparative advantages in two positive fields, i.e. in transportation and tourist trade, therefore it must focus on them. The service providing and Slovenia's role as an intermediary in linking the East to the West appear as a practicable opportunity, provided that infrastructure is improved in the broadest sense. The exports, such as the car exports from European countries to the Far East (via Port of Koper), already indicate a considerable business.

b) Mobility

The movements in the world economy demand new rules of conduct. Globalisation requires from the states (and enterprises) to participate and compete in a broader sense. Co-operation and competition are thus to become the imperative of the present era.

This applies to the European Union, as well as to Slovenia. The European Union, not to speak about Slovenia, cannot be self-sufficient, it must co-operate with others. The economic integration of the European Union, the specialisation and division of work, the introduction of new technologies in production demand a free flow of goods, persons and services.

To have a really free flow of goods, persons and services does not mean that something can be (allegedly) performed, but it should be actually implemented. The meaning of freedom will have its weight when we are truly mobile.

Transportation is a factor that will render the idea possible and integrate the European Union and link it to the surrounding countries, therefore the transport system must be designed both as an intra- and interregional system. The concern for the events in the field of transportation outside the EU, in the countries neighbouring on the EU and in others, supports the efforts for the implementation of this integral system.

An equal demand for the increase of mobility applies to Slovenia too, not only within Slovenia, but also internationally. In this way Slovenia could facilitate its position on the border of the EU and link itself to the Western and Central Europe.

The fact is that the regional mobility in Slovenia is rather low. Inadequate infrastructure in certain regions discourages the interested parties from developing any industrial activity in its territory (and also affects the decisions by the multinational companies on location of new businesses).

The aim is an optimum sustainable mobility. In addition to optimum transport connections with the neighbouring countries, it comprises mainly an optimum transport connection between towns and regions within the country, in order to support positive division of work and herewith contribute to more favourable living circumstances and work conditions.

c) Inclusion of the transport activity of Slovenia in the EU in the legal and institutional area

The framework for the development of transport business in Slovenia comprises the internal requirements and possibilities, in that the external events – particularly those in the EU – have to be considered.

Slovenia is interesting for the EU as a transit country in road, rail and combined transport (specially the connection with Greece, which is a member state of the EU, and the connection on the route Barcelona – Kiev).

The problems of harmonisation in the field of transportation should be considered from the functional and institutional point of view.

For Slovenia, the following international documents are important:

- 1) The Act of Ratification of the European Agreement on Major Railway Lines (AGC), Official Gazette of the SFRY, 11 /89). The Agreement was adopted by the United Nations Economic Commission (UN ECE, 1985), and outlines the development of the Slovenian railway network in connection with the European. This Agreement comprises the following railway connections:

E65: Gdynia-Warsaw-Breclaw-Vienna – Brück an der Mur-Villach-Jesenice-Ljubljana-Pivka-Rijeka;

E67: Brück an der Mur-Graz-Šentilj/Spielfeld-Zidani Most;

E69: Budapest-Kotoriba-Pragersko-Zidani Most – Ljubljana – Koper;

E70: Paris-Turin-Milan-Triest-Sežana-Ljubljana-Dobova-Zagreb-Belgrad-Sofia-Ankara

2) The perspective plan of the development of European railway infrastructure, the International Railway Union, Paris 1974, amendment 1990; the document comprises three major traffic routes over the Slovenian territory:

The Tauern (München-Jesenice-Ljubljana)

the Balkans (Jesenice-Ljubljana-Zidani Most-Zagreb-Ankara)

The Adriatic (Budapest-Pragersko-Zidani Most – Ljubljana – Koper-Triest-Rijeka);

3) The European high speed railway network, the Community of European railways within the EU (GEB), Brussels, 1991.

4) The Agreement between the European Economic Community and the Republic of Slovenia in the field of transport (Official Gazette of RS, International contracts, no. 14/93). It concerns the road, railway and combined transport, with inclusion of necessary infrastructure, implementation of the common traffic policy, and efficient, non-hindered and non-discriminatory transit commodity flow through Slovenia. Both signatories agreed that their common objective was to construct the indicated traffic routes as soon as possible. To achieve the objectives contained in Art. 5, the Protocol on financial cooperation between the EU and Slovenia for the period from 1st January, 1993, to 31 December 1997 (Art. 7) was signed.

5) The Agreement on the Fund set up for the cooperation in Trans-European Railway (TER) (Off. Gazette of RS. 35/94). The main reason for the founding of the TER-programme was in the political changes in East Europe. The aim of this programme is to increase the quality and efficiency of the combined transport, and a harmonised development of rail and combined transport between the countries of Central and Eastern Europe, and among them and the rest of Europe.

6) The Law on ratification of the European Agreement on major rail lines in the international combined transport and accompanying facilities (AGTC) (Official Gazette of RS, international contracts, 16/94 – Official Gazette of RS 58/94). The Agreement determines main lines that are relevant for the international combined transport, and includes the container terminals in Ljubljana and Koper, and the border passes Opicina/Sežana, Jesenice-Rosenbach (Področca) and Maribor/Spielfeld (Šentilj) classifying them on the international level. This document prescribes the lowest infrastructure standards (stations, rail lines, terminals) and operational requirements for the trains employed in this kind of transportation.

7) The Crete Declaration (1994), the result of joint proposal of the European Commission, the Secretariat of the Conference of the European ministers and the UN Economic Commission) represents a strategic transport plan.

8) The Vienna Paper, Brioni 1994: Austria, Croatia, Slovenia, the Czech Republic, Hungary and Slovakia participated in this event. The programme of construction of transport infrastructure in Austria, Croatia, Slovenia, the Czech Republic, Hungary and Slovakia was used as working material at the conference. The Vienna Paper is a programme document and precisely defines the prices and terms, length of traffic routes and even facilities.

9) The Alpine Convention (Official Gaz. of RS 19/95).

10) The European Agreement of Association, signed 10 June, 1996.

11) The Agreement between the government of R. Slovenia and the government of Hungary on direct railway connection.

6 Conclusion

Slovenia is a country in its transitional period. Transportation and logistics must be an indispensable component of this process, following the model of European Union. Gradual integration of Slovenia with EU does not only involve care for transportation and logistic policy but also industrial policy, which results from the need that Slovenia should enter the European market.

The changes in the structure of production and in economic operation and transactions, as are characteristic for the European Union, are present also in Slovenia. Likewise, Slovenia takes part in major changes in the political and social and economic field.

The privatisation that is currently underway today, will change the manner of conduct in business operation, chiefly in the sense of optimum use of their resources and optimum adjustment to the environment.

The strategic aim of Slovenia is to join the European Union. Slovenia will have such a position in Europe, inasmuch it will be in conformity with it. This is also the precondition for its entry in the European Union.

Regardless of the time of its association in the EU, Slovenia must make its preparations in due time to be capable of entering the EU, or its market responsibility, as an equal partner in the entire social scope, in particular in the economic field, and in this respect, in close connection in the field of transportation. Without changes in the field of transport and logistics, the economic development and appearance / participation of Slovenia in the international markets will not be able to face with competition (not competitive).

BIBLIOGRAPHY

PORTER, M.E. (1990), *The Competitive Advantage of Nations*, Free Press, New York.

Report of the research carried out on the program URP for the year 1992, *Defining elements and measures of the traffic policy of Slovenia*, Institute for Transportation and Logistics EPF, Maribor, 1993

POŽAR, D. (1985), *Theory and Practice of Transportation and Logistics*, Publisher Obzorja, Maribor.

TRUPAC I. (1997), *Transport - dejavnik povezovanja Slovenije in Evropske unije*, (Transportation - a Factor Associating Slovenia with the EU), Doctoral Dissertation.

ŽIŽMOND, E. (1993), *Ekonomika narodnega gospodarstva*, (Economics of National Commerce and Industry), DZS, Ljubljana.

ZELENKA, R. - JAKOMIN, L. (1995), *Suvremeni transportni sustavi* (Moderne Transport Systems), Ekonomski fakultet sveučilišta u Rijeci, (Faculty of Economics of Rijeka) Rijeka.

NOTE

¹ *The Competitive Advantage of Nations*, Free Press, New York, 1990, p. 127.