



Flanders
State of the Art



TRANSPORT & LOGISTICS IN SLOVENIA

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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SLOVENIA

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FLANDERS INVESTMENT & TRADE

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1.5 FOREIGN TRADE AND GOVERNMENT BUDGET

As an EU member and Eurozone member Slovenia's trade relations with other EU member states is based on free flow of goods. Trade is carried out without customs control, customs duties, quantitative movement of restrictions or any other measures.

In the trading relations with the third countries, outside EU Slovenia follows the foreign trade policy of the EU under the common foreign trade regime.

Slovenia's economy in general is highly dependent on international trade. The ratio of merchandise trade (imports and exports) to GDP is one of the highest in the south-east part of the EU. External trade equals nearly 150% of GDP (exports and imports combined).

In the period from January to December 2018 Slovenia's exports went up by 9.2% and imports by 11% over the same period of 2017. In the mentioned period, the surplus in trade in goods was recorded, but somewhat lower than in 2017.

In external trade in goods in 2018 Slovenia generated more than half of its total exports and imports with Germany, Italy, Croatia, Austria and France.

In 2018 the most important export groups of products in the total export of goods were products from the group of road vehicles, medicinal and pharmaceutical products, and products from the group of electrical machinery, apparatus and appliances. Products from the group of road vehicles also contributed the most to the total import of goods, followed by products from the groups of petroleum, petroleum products and related materials, and electrical machinery, apparatus and appliances.

Slovenia recorded a Government Budget surplus equal to 0.70 percent of the country's Gross Domestic Product in 2018. Government Budget in Slovenia averaged -3.40 percent of GDP from 1995 until 2018, reaching an all time high of 0.70% of GDP in 2018 and a record low of -14.70% of GDP in 2013 (source: Trading Economics).

2. TRANSPORT BY ROAD – HIGHWAY INFRASTRUCTURE

2.1 SLOVENIA'S HIGHWAY NETWORK: A GENERAL OVERVIEW

Slovenia has 2 axes of highways that are part of two major European Transport corridors V & X. Both highways link, like a cross, to the ring around Ljubljana. The highway A1, which is the oldest (started in 1972) and longest, runs from the southwest (border Slovenia-Italy) to the northeast (border Slovenia-Hungary) and is part of European corridor V. Coming from Italy (Venice, Trieste) it links the port town



Koper to Ljubljana, Celje, Maribor (where there is a connection to the Šentilj, the border Austria-Slovenia), over Murska Sobota to the Slovenian-Hungarian border and then to Budapest. This European Transport Corridor V goes further to Kiev.

The highway A2, the short axis, runs from the northwest border Austria-Slovenia (Karavanka tunnel) over Ljubljana and Novo Mesto to the Slovenian-Croatian border and further to Zagreb. This short axis is part of the European Transport Corridor X linking Salzburg to Thessaloniki. An overview:



Source: website of DARS.

The third development axis will establish a traffic connection from the north to the southeastern part of Slovenia (from Austrian to the Croatian border). The entire project is planned to be completed by the end of 2021.

2.2 THE TRANSPORT DEVELOPMENT STRATEGY AND THE RESOLUTION ON THE NATIONAL PROGRAMME FOR THE DEVELOPMENT OF TRANSPORT IN SLOVENIA UNTIL 2030

The Transport Development Strategy in the Republic of Slovenia (hereinafter: the Strategy), passed by the Government of the Republic of Slovenia at its session on 29 July 2015 (decision No. 37000-3/2015/8), comprehensively deals with the transport system for the first time. Thus, with the preparation and the passing of the Strategy the existing practice of partial solving of the individual transport subsystem has been exceeded. What is more, along with the infrastructure, the strategic level now also includes the comprehensive operation of the transport system. Based on detailed analyses of infrastructure, the functioning of the system and the identified actual problems, the Strategy envisages 108 measures.



The Resolution on the National Programme for the Development of Transport in the Republic of Slovenia (hereinafter: the National Programme) is a document which represents the transition from general measures of the Strategy to concrete activities in preparation and implementation.

The National Programme in itself is ambitious, as it provides on average for investments, maintenance and operation of the system (remunerations, compensations) quite steady investments in a longer period of time amounting between EUR 600 and 700 million per year. Additionally, injections from private investors (e.g. concessionaires) of approximately EUR 300 million per year are envisaged for a longer period.

2.3 MOTORWAY COMPANY OF THE REPUBLIC OF SLOVENIA - DARS D.D.

Highways and accessory structures in Slovenia are managed by the state-owned DARS d.d. The foreign companies interested in getting involved in the extension or maintenance of Slovenia’s highway network need to approach only one counterparty, being DARS.

2.4 HIGHWAYS UNDER CONSTRUCTION OR PLANNED FOR THE FUTURE

The following larger-scale reconstructions were planned for 2018:

- Primorska motorway A1 (the reconstruction of the ‘Ravbarkomanda’ viaduct)
- Gorenjska motorway A2 (the reconstruction of two viaducts)
- Dolenjska motorway A2 (new overlay is planned for the approx. 6 km long section)
- Removal of head toll stations (after the introduction of the vignette – a tolling sticker - and the implementation of the DarsGo system on 1 April 2018 for heavy vehicles)

Karawanks tunnel – a motorway tunnel crossing the Alpine Karawanks mountain range between Austria Slovenia, with a total length of 7,864 m:

By building a new parallel tunnel tube in the next five years, which will measure approximately 3,546 metres in length on the Slovenian side, Slovenia will receive a modern double tunnel, thereby greatly increasing the traffic flow.



2.5 MAINTENANCE OF SLOVENIA’S EXISTING HIGHWAY NETWORK

As a responsible road authority, DARS d.d. strives to keep the motorways open and safe. Due to the rising traffic volume, deterioration and ageing of constructed motorways, the scope of required maintenance work is becoming increasingly greater. To ensure better traffic flow and safety, DARS d.d. builds new sections and invests in maintenance and development. DARS d.d. is mostly funded by bank loans and their own resources; another important source of financing are European grants.

The analyses, performed in the drafting of the Strategy, also result in the findings that in the past twenty years the emphasis has been mostly on the construction of new road infrastructure, particularly multi-lane roads. Thus, DARS manages 746 kilometres of four-lane motorways in total. On the other side, the Slovenian Infrastructure Agency (DRSI) manages 5,936 kilometres of roads and local communities manage additional 32,224 kilometres of mostly too poorly maintained roads.

2.6 SLOVENIAN COMPANIES INVOLVED IN CONSTRUCTION/ REPARATION OF ROAD INFRASTRUCTURE NETWORK AND OPPORTUNITIES FOR FLEMISH COMPANIES

When it comes to expanding as well as to maintaining or repairing Slovenia’s highway infrastructure, DARS apparently prefers to work together with Slovenian companies. This should not be a surprise, as DARS is obliged to organize any construction/reparation works with a value more than Euro 40,000 (excl. VAT) by way of public tenders which are published only in Slovenian. So, it seems obligatory for Flemish companies to team up with a local player, if they intend to get involved in Slovenian road infrastructure works.

3. TRANSPORT BY SEA – PORT OF KOPER AND LUKA KOPER D.D.

3.1 PORT OF KOPER (‘LUKA KOPER’) AND LUKA KOPER D.D.

The Port of Koper is located on the south coast of the Gulf of Trieste, in the Republic of Slovenia. There are 10 terminals in the port area with a total quay length of 3,300 meters.

A modern, well organised and well equipped multipurpose hub, operating day and night, all year long. The port is the Border Inspection Post for the European Union and the entire area has a Free Zone status.



Key facts:

- 2,800,000 m² total port area
- 247,000 m² of enclosed warehousing
- 76,000 m² of covered storage areas
- 900,000 m² of open storage areas
- 3,300 m of quayside
- 143,000 m³ of shore tanks
- Max sea depth: 18 m

Slovenia has a short sea coast of ca. 46 km and has one commercial port in the city Koper, which is Slovenia’s 4th largest city with 48,000 inhabitants. The port and all the port facilities are owned by the Republic of Slovenia and are considered to be of ‘strategic importance’ (which Slovenia will never sell).

Luka Koper d.d. is listed on Ljubljana’s stock exchange, be it that 51% of the shares is indirectly (via funds) owned by the Republic of Slovenia. Since the end of 2009, Luka Koper d.d. has also been included in the Vienna Stock Exchange CEERIUS listing, an index comprising CEE-companies that grow in a socially responsible and sustainable way.

Luka Koper d.d. as the port operator and services providing company

Luka Koper d.d., a public limited company, operates and manages the port facilities, acts as a Port Authority, i.e. promotes the Port of Koper abroad and provides logistics services.

The basic activities performed in the Port of Koper are cargo handling and warehousing. They are conducted in 10 terminals specializing in handling and warehousing various types of goods, such as containers, general cargo, foodstuffs, light-perishable goods, livestock, RO-RO, timber, dry bulk and liquid cargoes.

3.2 LUKA KOPER: NATURAL HINTERLAND & CO-OPERATION AGREEMENTS

Luka Koper’s natural hinterland is not limited to Slovenia but stretches from Austria over Bavaria to Central European countries like the Czech Republic, Hungary and Slovakia to Serbia and beyond. For these markets, the Port of Koper has one important comparative advantage: it is the shortest transport route linking these CEE-markets (including Austria and Bavaria) with the Mediterranean countries and the countries along the Suez Canal. For these markets, shipping to the Port of Koper means gaining 7 to 10 days for ships arriving from Asia in comparison with Europe’s northern ports.



- b) Sežana Inland Terminal, which is 100% owned by Luka Koper and which is operated by Adria Terminali (a daughter company of Luka Koper);
- c) Adria-Transport, a railway transport operator which is 50% owned by Luka Koper;
- d) Adria-Tow d.o.o., vessel towing provider, which is owned 50% by Luka Koper d.d.. Below some more info on the 3 subsidiaries.

Luka Koper Inpo d.o.o. – their operations focus on quality provision of services for the mother company Luka Koper d.d. and its development. Some of the services provided by Luka Koper Inpo are the following: port transport works for all terminals, weighing of trucks and wagons, utility services (separation and processing of waste), maritime services (mooring and unmooring of ships, ship movements), etc.

The **Sežana Inland Terminal** has a total storage area of ca. 120,000 m², with almost 19,000 m² closed warehouse facilities for customs and for refrigerated or dangerous goods. It is located in Sežana with a direct access to the railway network as well as to highway A1 or the so-called 5th Pan European Transport Corridor. This inland terminal has one major weakness: a poor railway connection between Koper and Sežana, consisting of one single railway track. The Sežana Inland Terminal is operated by Adria Terminali d.o.o., a relatively new company established with the (only) purpose to operate the terminal.

Adria Transport d.o.o. is a joint venture owned 50/50 between Luka Koper d.d. and GKB, a private railway operator based in Graz (Austria). GKB stands for Graz-Köflacher Bahn und Busbetrieb GmbH. As indicated by the name, GKB provides transport by railway and bus. Adria Transport d.o.o. manages, in co-operation with GKB, mainly the transport from the Port of Koper to Austria. For Luka Koper, Slovenia and Austria are the two main markets, as they count for respectively 32% and 25% of Luka Koper’s annual throughput. Transport from the Port of Koper to Austria focuses on the areas around Linz and Graz and on Vienna.

Adria Tow d.o.o. provides vessel towing services in the Port of Koper. The company was established in 1991 by Luka Koper d.d. and Ocean s.r.l. from Trieste, each holding a 50% stake.

Last, Luka Koper has a minority stake (7,1%) in **Intereuropa**, a Slovenian freight forwarder.

3.4 LUKA KOPER D.D.: AMBITIOUS INVESTMENT PLANS FOR THE FUTURE

Luka Koper d.d. has ambitious investments plans till 2020:

- Development of Pier I for container freight:
 - extension of Pier I (southern section),



5. TRANSPORT BY AIR

Slovenian flag carrier Adria Airways was set up in 1961 as a charter company. In the 1980s, Adria started serving scheduled routes and became an IATA-member. Adria was a regional carrier, connecting the Balkans to the West and West to the Balkans. In 2016, the airline was sold to German company 4K Invest, which had been heavily criticized by politicians, as it eliminated any state aid to the airline. Adria Airways was believed to have amassed debt of over sixty million euros since it was taken over by the Munich-based turnaround fund. The secretive fund had been blamed for much of the airline's issues over the past three years.

The struggling airline had cancelled several flights in the last months due to inability to pay for operating costs and the end of September 2019 the company filed for bankruptcy. Officials were already talking to Germany's Lufthansa and Fraport, which owns Ljubljana airport, about transferring half of Adria's flights.

Ljubljana Airport, whose traffic trends and business has been heavily dependent on Adria Airways over the years, has eased its reliance on the national carrier, with foreign airlines having an increasing impact. Adria's passenger share at its home base in Ljubljana stood at 56% in 2018, down from a high of over 77% in 2010. This year, the Slovenian carrier was expected to account for around 50% of Ljubljana's traffic. Adria faced no competition on a number of routes from the Slovenian capital. They included: Brussels, Copenhagen, Frankfurt, Munich, Prague, Pristina, Sarajevo, Skopje, Sofia, Tirana, Vienna and Zurich. Routes that were operated by both Adria and another carrier are Amsterdam (Transavia), Berlin (easyJet), Paris (Air France) and Podgorica (Montenegro Airlines).

Foreign carriers have begun responding to the bankruptcy of Adria Airways with Air Serbia scheduling double daily flights between Belgrade and Ljubljana from the start of the 2019/2020 winter season, up from eleven weekly last winter, and Montenegro Airlines adding an additional weekly flight from Podgorica for a total of five weekly. The Serbian carrier will add extra capacity on routes that were operated by the Slovenian airline. Air France HOP! will more than double its operations between Paris and Ljubljana this winter, with the carrier to maintain thirteen weekly flights, up from six last winter season. The airline will maintain two daily services, with the exception to Saturdays. Furthermore, LOT will add an extra weekly rotation between Warsaw and Ljubljana this winter for a total of eight weekly flights.

As of November 4th, Brussels Airlines will start operating flights between Brussels Airport and Ljubljana. The destination will be served 6 times weekly.

Logistics centre near Ljubljana Airport

The Vienna-based international logistics provider Cargo-Partner inaugurated a new, EUR 28 million logistics centre near the Ljubljana Airport in September 2019. Boasting 25,000 square metres of



storage space, the facility is one of the largest logistics centres in the region. It is considered a greenfield investment. The iLogistics Center will create over 100 new jobs and will strongly contribute to the further development of the region.

The centre will service Cargo-Partner’s clients in central and south-eastern Europe, but the company believes it will have to expand the centre in a few years’ time.

6. BRIDGE TO SOUTHEAST EUROPE - LOGISTICS AS KEY SECTOR

Slovenia’s strategic geopolitical position and decades of trading with the countries of central, east and south-eastern Europe make it a location of choice for the distribution of goods to the EU’s 500 million consumer market and to the emerging markets of East and South-eastern Europe.

Two pan-European Transport Corridors that link west and east (V) and north and south (X) intersect on the Slovenian territory. Slovenia’s short coastline of the northern Adriatic Sea links it to the Mediterranean for goods which transit via Suez and Gibraltar. The flow of goods and the expansion of the cruise business is making transport and logistics significant for the economic development of the Mediterranean countries as important trade partners of the European Union.

A number of logistics parks constructed close to highways, rail, intermodal facilities and air-cargo airports, facilitates national and regional distribution, but further investments in transport infrastructure is necessary to become a logistics platform serving central and south-eastern Europe. Many Slovenian transport and logistics companies have expanded operations to the CSEE countries where Slovenia is one of the most important foreign investors.



