



ANNUAL ACTIVITY REPORT

July 2006 – July 2007

European Coordinator

Pavel Telička

PRIORITY PROJECT No 27

« *Rail Baltica* »

Warsaw-Kaunas-Riga-Tallinn-Helsinki

Brussels, 19 July 2007

This report only represents the opinion of the European Coordinator
and does not prejudice the official position of the Commission
The content of this report is accurate as of 19 July 2007

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1. INTRODUCTION

The "*Rail Baltica*" is a strategic and sustainable rail project linking four new Member States of the EU - **Poland, Lithuania, Latvia and Estonia**, as well as **Finland**. It is the only TEN-T Priority Project involving exclusively the new Member States. It also provides the only rail connection between all four countries and will be a key link between the Baltic region and the countries of the Single Market further west to Germany and south to Central and Eastern Europe. To the north it can be joined to Helsinki by rail ferry across the Gulf of Finland and could form a "bridge" to the countries of the Nordic Triangle.¹ The length of the current track is approximately 1230 km. by the most direct existing route from Tallinn to Warsaw. A variety of track systems are currently in use: double track and electrified, single track electrified and un-electrified single track (which forms the greater part). The "*Rail Baltica*" also has to provide the link between the European standard gauge system in use in Poland and most other EU countries and the broad gauge system used in the other partner countries to the project and Russia. There is therefore an important issue of inter-operability. The line passes through some sensitive environmental areas (particularly in Poland) and these issues will have to be taken into account through detailed impact assessment throughout the duration of the project. Although it is likely that the rail line (which has existed for many years) is environmentally friendlier than any new road construction proposed in the region.²

The first year of operations since the appointment of the European Coordinator Pavel Telička in July 2005 was essentially preparatory but even by the beginning of the second year, in September 2006, many questions still remained unanswered. Was the project economically viable? What would be the best route? Would there be political, and equally important, financial backing from the States concerned? Was there any interest from the private sector? Would there be a new EU Financial package agreed to finance the Priority Projects and which could benefit the "*Rail Baltica*"? The Coordinator's aim for the year was to try to answer as many of these questions as he could.

2. DEVELOPMENTS IN THE SECOND YEAR OF ACTIVITY

2.1 The COWI Report

This report or "*Feasibility Study*" (as it was better known), had been commissioned by DG REGIO in August 2005 when it was clear that the project would be able to draw significantly on the Cohesion Funds (Transport Section) following EU accession of Poland and the three Baltic States. Put out to open tender procedure, the company COWI won the contract and by the end of November 2006 was able to present its draft report.³ COWI had, in the terms of reference, been asked to investigate the economic outlook for both passengers and freight along the north/south "*Rail Baltica*" axis and also to propose a variety of possible development packages.

COWI's conclusions were that the prospect for passenger service development in the short to medium term would be limited by the relatively low populations of the countries and regions

¹ For a full history of the project please refer to the Annual Report 2005-6

² In this context it should be noted that the parallel road project, the "*Via Baltica*" is not linked in any way to the "*Rail Baltica*" and is not an EU TEN-T Priority Project.

³ The final version of the Feasibility Study report (January 2007) is available from DG REGIO

concerned⁴. However the future for rail freight operations was better, particularly given the high growth rates in the Baltic States and the increase in general road freight traffic on the axis which was leading to congestion. Some of this traffic could be transferred to road if the conditions were right. In its report COWI proposed three upgrade packages: low, medium and high cost. The high cost option would be to construct a totally new European Standard gauge track for the whole distance from Warsaw to Tallinn. It would be fully electrified and allow for an overall design speed of between 160 and 200 kph. The total cost however would be approximately €2.5 billion and the project would take between 10 and 15 years to build. The medium price option was for an overall design speed of 160 kph but maintaining the two gauges with a gauge change system in Lithuania. The estimated cost of this option was: €1.58 billion. The cheapest option called for a design speed of 120 kph for passengers and 80 kph for freight. These latter speeds are considered the minimum for effective commercial operations.

The conclusions of the consultants were discussed with Commission representatives and the partner countries at a final meeting in Vilnius on 26 October 2006 and the partner countries and the Commission agreed the final report in January 2007. The report achieved its purpose, in the sense that it established the economic potential of the line, given the necessary improvements.

2.2 The "Step-by-Step Approach"

Because of the demand on the new members to upgrade so much of their transport infrastructure (roads, rail, port facilities etc.) and the high costs that this involved, European Coordinator Pavel Telička took the view that the project should be developed with a *"step-by-step approach"*.

This meant taking into account the fact that there was already in existence a continuous rail link between Tallinn and Warsaw although it was rarely used for through traffic. The traffic flows were predominantly east/west. This was for several reasons; traditionally in both Tsarist Russian and Soviet times the rail lines to the Baltic ports were of primary importance. In the case of the southern ports such as Klaipeda and Kaliningrad these were ice free and could be used when Leningrad/St. Petersburg was iced-up in the winter. Also the Soviet Union did not encourage inter-Baltic travel for security reasons and the frontier between Soviet Lithuania and Poland was virtually closed. Following independence and EU membership and latterly the expansion of the Russian economy in the last five years there has been very large freight activity on the east/west axes⁵, resulting in considerable revenue for the three Baltic railway companies,⁶ which remain the most profitable in the EU. Because of the slow operating speeds on the track plus the problem of changing the gauge in Lithuania, most north/south freight was transported by road. This was also the case for passenger transport where bus services were found to be cheaper and more convenient.

After the publication of the Feasibility Study and following a series of negotiations with the Ministries of Transport and with the four main Railway companies concerned during the course of the year 2006-7, the Coordinator took the view that while the political aspirations of

⁴ Estonia : 1,195,427; Latvia : 2,274,735; Lithuania : 3,585,906; Podlaskie (NE Poland): 1,195,427 (Total population for the Region: 8,251,495)

⁵ Largely shipments of Russian oil

⁶ Estonia: "*Eesti Raudtee*" Latvia: "*Latvijas Dzelzceļš*"; Lithuania "*Lietuvos Geležinkeliai*"

the Baltic States had always tended towards a European gauge high speed line this was not a practical or economic possibility in the short term. Nevertheless, as he pointed out to both ministers and the press on several occasions, this aspiration could be maintained over a longer period. With the current high rates of growth in the Baltic States and Poland one could envisage a continual upgrading of the line to higher speeds over several years.⁷ But in the Coordinator's view the essential point was to get the line fully operational again as soon as possible and in the first instance for freight operations. Once the line could establish its economic viability and facility, then a "step-by-step" improvement could take place, aided by EU funds.

2.3 The Route

This question is now largely settled on a *de facto* basis (with some possible small adjustments):

1) **Poland:** It was decided early on in the discussions that the Polish authorities would prefer the route to be Warsaw/Bialystok/Elk/Suwalki/LT border rather than the eastern corridor route through Augustów as defined in the TEN-T alignment. This eastern route down the Rospuda valley involved environmental issues relating to the building of various bypasses on the north-south road project "*Via Baltica*".⁸ The Polish authorities currently feel that Elk will provide an excellent position for a new railway hub in the northeast of the country, away from environmentally sensitive areas, and with good access to Warsaw and the coast. The Coordinator agrees with this approach and supports the change from the original TEN-T alignment

2) **Lithuania:** Lithuania intends to build a new European standard gauge track from the Polish border at Trakiszki to Marijampole at 40 km. from the border. This will reduce the track length on this cross border section by 25 km. and will have the same gauge width as the Polish system. New gauge change facilities can be installed at Marijampole, which can become a useful inter-modal terminal.

3) **Latvia:** Given the relative quality of the broad gauge network in Latvia the government does not intend to make many route alterations or track improvements in the short term except possibly to facilitate links with the new port extension on the south bank of the Delgava in Riga and improve the tracks bypassing Riga city centre to the east.

4) **Estonia:** The priority for the Estonian authorities is the upgrading of the poor quality track from Tartu to the border at Valga/Valka and the Estonian authorities do not currently envisage any changes in the route Tallinn/Tapa/Tartu/Valga/Valka.

2.4 The Gauge

The step-by-step approach of the Coordinator presupposes an efficient modern gauge change operation somewhere south of Kaunas (probably at Marijampole) and envisages the

⁷ The Coordinator often gave the example of Spain which at the time of accession possessed a normal speed broad gauge system. However after a few years of EU membership and increasing wealth and investment the government laid plans for the building of the first Iberian High speed European gauge line between Madrid and Seville.

⁸ The road project "*Via Baltica*" is not a TEN-T Priority project

improvement and upgrading of the existing broad gauge track along the rest of the route. In later years and following initial improvement the issue of extending the European gauge line can be reviewed.

2.5 Cross Border Agreements

The Coordinator encouraged the partner countries to negotiate cross border agreements (or "*Memoranda of Understanding*") for the three borders concerned. These agreements would facilitate the receipt of TEN-T funds for border section development. During 2006-7 such agreements have been made between:

- **Poland and Lithuania**, (signed in Vilnius by the two Transport Ministers on 9 March 2007),
Border section agreed between Suwałki in Poland and Marijampole in Lithuania⁹
- **Lithuania and Latvia**, (signed in Riga by the two Transport Ministers on 27 June 2007),
Border section agreed between Siauliai in Lithuania and Jelgava in Latvia¹⁰
- **Latvia and Estonia**, (signed jointly and severally by the two transport Ministers in Riga on 5 July 2007 and in Tallinn on 12 July 2007),
Border section agreed between Tartu in Estonia and Valmiera in Latvia¹¹

2.6 Agreements to use "own funds" to supplement TEN-T support

When the Financial Perspectives 2006-13 were agreed by the European Council in December 2006 it was clear that the TEN-T finance available would be best used if focused on studies (which could be made for any section of the project) and works on the border crossing sections. However with this level of support, if the project was to be realised within a reasonable time frame, then clearly the Partner countries would have to contribute substantially - either 1) from their national infrastructure budgets or 2) from their Cohesion Fund (Transport section) allocation or 3) from railway company funds or 4) from the private sector in PPP type arrangements. Persuading the countries to agree to this national contribution was the key to the negotiations on the project during the year 2006-7.¹²

By the end of the year under review all four partner countries have now agreed to commit funds to the project, by sharing the costs of the TEN-T fund allocations from national funds or by using Cohesion Funds or railway finance for the sections where the TEN-T would not be used. This agreement represented a major breakthrough in the negotiations on the project, as clearly there can now be available sufficient funds to ensure that the "step-by-step" approach can go ahead and that work can start well before the end of the current financial perspective.

⁹ See Annex 1

¹⁰ See Annex 1

¹¹ See Annex 1

¹² In total the Coordinator made six official visits to the Partner countries during 2006-7 and one to London to visit the EBRD

The ultimate objective, as stated by the Coordinator at a press briefing in Vilnius 10 July 2007, would be to achieve *"a line operating at a design speed of 120 km for passengers and 80 km for freight by 2013"*.

2.7 TEN-T Project Applications

The partner countries were encouraged to make applications for projects along the *"Rail Baltica"* corridor under the new TEN-T multi-annual and annual programmes with a deadline of 20 July for the submission of applications. Each of the 27 member States is entitled to apply for project support and each application will be judged on its merits, initially by an external panel of assessors. The Coordinator urged the partner countries to submit considered proposals by the closing date of 20 July 2007.

2.8 Freight services foreseen

There has been some significant interest during the year from the private sector for freight operations along the corridor. This establishes to an extent the economic potential of north/south operations for the future.

- It is understood that one carrier in particular is considering chartering rail ferry vessels in Finland to establish early in 2008 a freight service to Muga port in Estonia and then by train down the *"Rail Baltica"* to Białystok and beyond.
- There is the possibility of shorter freight operations from Riga south on *"Rail Baltica"* and from Poland north into Lithuania.
- Also the Polish authorities are looking at the economic possibilities of starting a Ro-Ro freight shuttle service for trucks from Wrocław to Suwałki (using *"Rail Baltica"* from Warsaw to Suwałki) to ease congestion on the overcrowded central Polish road network.

2.9 Passenger services foreseen

The re-establishment of two former passenger services on *"Rail Baltica"* is being proposed:

- Riga to Tallinn – (but the current cross border arrangements are currently unsatisfactory)
- Riga to Vilnius (by way of Kaunas)

3. ENVIRONMENTAL DEVELOPMENTS IN THE REGION

The COWI study covered the environment in detail and it has always been made clear by the Coordinator that while rail provides, intrinsic environmental improvements (sustainability, low carbon emission, small land purchase demand etc.) any new construction involving *"Rail Baltica"* should still have environmental considerations as a priority. Environmental impact

assessments are in any case mandatory for all EU financed projects and all the partner countries must be aware of this.

The main environmental issue in the region during the last year has been the continuing controversy over the building of the "*Via Baltica*" bypass system in the Rospuda river valley in NE Podlaskie Prefecture in Poland. However, the Polish rail authorities PKP/PLP have decided to use the western route through Elk for the "*Rail Baltica*" therefore avoiding the environmental issues relating to the Rospuda. The new route will cross the *Natura 2000* protected area (as it already does) of the Biebrza river valley. But as this involves only an existing single track railway line which is fully electrified already with a wide cleared band on either side, there seems to be no significant environmental impact on the line being designated as part of "*Rail Baltica*". If ever the line should be extended to a double track system then environmental impact studies would be required, but as there is already a double bridge over the Biebrza, then again, new construction would be very limited.

4. ECONOMIC DEVELOPMENTS IN THE REGION

During the last year there have been several significant economic developments which affect the "*Rail Baltica*" project:

- In January 2007 "*Eesti Raudtee*" – Estonian Rail was repurchased by the government from the private sector and renationalised by the Estonian authorities. This now means that all the rail network operators in the five Partner countries are state owned.
- Growth in the Baltic States and Poland has continued dramatically with 11%+ growth in Estonia and Latvia, around 8% in Lithuania and around 6% in Poland.
- Some administrations are complaining about the exodus of skilled labour to other EU countries hampering their construction industries and the ability to construct major capital works
- Continuing congestion on the road network is posing major problems for economic development in the region - particularly on the Latvian/Russian border and the Polish Lithuanian border

5. STRATEGIC DEVELOPMENTS IN THE REGION

The main strategic developments in the region over the last 12 months have been the deteriorating relations with Russia. There have been periods of tension in relations with Poland (import of agricultural products) and Estonia (War memorial). Estonian rail has informed the Co-ordinator that the Russians have reduced their freight operations by about 1/3 in the last few months and when the new port facilities are open in the St. Petersburg area they will no doubt cut even more as their need for Tallinn and surrounding port capacity will be reduced. The net effect of Russian freight traffic being reduced could have a definite effect on the finances of the Baltic railway companies which up to now have been profitable. These issues could mean that "*Rail Baltica*" can provide alternative freight routes for the partner countries both north/south from the Nordic States, across from Finland and down to Warsaw or also for traffic coming in the other direction from Germany, the Czech Republic and Slovakia etc. to the north. If enough multi-modal terminals were constructed along the

line then freight companies could use whichever section of the "*Rail Baltica*" track they needed, entering or leaving from any of the existing east/west axis routes and then proceeding either north to Finland or south to central and eastern Europe.

6. PRIORITIES FOR THE THIRD YEAR OF OPERATIONS 2007-8

The Coordinator will assess the relevant project proposals submitted under the TEN-T call for proposals (see point 2.7 above) and advise the Commission on the coherence of the various projects presented by the partner countries.

For the Coordinator the priorities for 2007-8 will include:

- Encouraging the partner countries to set up an overall coordinating body to supervise the "*Rail Baltica*" and to deal with issues such as standards compliance, interoperability, common signalling etc.
- To deal with any differences of opinion on how the project is progressing
- Eventually giving an input into the projects submitted
- Keeping a strategic overview of the complete project including taking account of any asymmetric shocks that might occur
- Publicising and promoting the economic possibilities offered by this new rail axis, both to local and international business, local authorities along the line and to stakeholders in the railway construction and transport industries.

7. CONCLUSIONS AND RECOMMENDATIONS

By the end of the year 2006-7 the Coordinator was in a position to answer the questions posed at the start.

- The main conclusion is that the project possesses real economic potential. This is not only the judgment of the Feasibility Study but is evidenced by established and active commercial interest in using a north/south axis.
- The issue of the route is to a large extent decided, at least in the short-medium term.
- There have been commitments from all the partner countries to contribute supplementary financial backing to the project
- Interest has been shown by the private sector in operating on the line. This is also, it should be pointed out, despite many doubts at the beginning that there would be any commercial interest at all
- The agreement on the Financial Perspectives in December 2006 provides a financial envelope within which the Priority Projects including the "*Rail Baltica*" can be developed.

Additionally, the strategic changes taking place along this eastern boundary of the EU mean it is ever more important that the Baltic States should be linked by high quality transport (and eventually energy) links in the interest of Baltic solidarity and overall EU Cohesion.

The Coordinator therefore recommends the continued development of the "step-by-step" approach over this Financial Perspective, drawing down on TEN-T funds for studies and

border crossing sections, ensuring smooth flows of both passenger and freight transport across the three land frontiers and enabling the line to grow towards economic success. The TEN-T finance must be supplemented from national budgets or from the Cohesion Fund allocations over the period to ensure quick completion of the project. The ultimate aim must be to have a system operating at 120 kph by the year 2013. Then new passenger services (as described above) and increased freight use (including rail ferries from Finland) will ensure that in future years the *"Rail Baltica"* will become one of the most important strategic transport links in the European Union.

Finally if then in later years the partner countries see the need to upgrade the project to a high speed European gauge line, such as those in Western Europe, they will find the firm foundations of an already successful rail link to build upon.

Pavel Telička
European Coordinator,
Priority Project No.27
"Rail Baltica"

Brussels, 19 July 2007

ANNEXES

Annex 1

1.1 POLAND-LITHUANIA BORDER CROSSING MOU

MEMORANDUM OF UNDERSTANDING

BETWEEN
THE MINISTER OF TRANSPORT AND COMMUNICATIONS OF THE REPUBLIC OF
LITHUANIA
AND

THE MINISTER OF TRANSPORT OF THE REPUBLIC OF POLAND

ON THE BORDER CROSSING POINT ON THE INTERSTATE BORDER
AND THE CROSS – BORDER SECTION OF RAIL BALTICA

The Minister of Transport and Communications of the Republic of Lithuania

and

the Minister of Transport of the Republic of Poland

- BEING AWARE that the Rail Baltica project implementation terms are included in the *Decision No 884/2004/EC of the European Parliament and of the Council of 29 April 2004 amending the Decision No 1692/96/EC on the Community guidelines for the development of the Trans – European Transport Network*,
- REFERRING to the *Declaration of Intent of the Ministers responsible for Transport of Poland, Lithuania, Latvia, Estonia and Finland on the TEN-T Priority Project No 27 Rail Baltica* signed in Brussels on 27 March 2006, emphasising the importance of the border crossing point and the cross border section for the project,
- RECOGNISING that the documents regarding the development of Rail Baltica, signed on various levels by interested Parties, are significant for future cooperation,
- TAKING INTO CONSIDERATION that, according to the application submitted to the European Commission, the TEN-T funding under the procedure for allocation will be assigned to the Republic of Lithuania for the first part of Rail Baltica design works which cost amounts 2.7 mln EUR,
- BEARING IN MIND that the Republic of Poland has launched a feasibility study based on a “design and build” formula covering about 2/3 of Polish section of Rail Baltica which cost amounts to 2.4 mln EUR with support of Cohesion Fund (80%),
- TAKING ACCOUNT of the emphasis of EU transport policy towards the development of more sustainable and environmentally friendly means of transport such as rail,
- TAKING INTO CONSIDERATION all the efforts taken by the Republic of Poland and the Republic of Lithuania to make progress on the implementation of Rail Baltica project,

Now agree as follows:

1. The Rail Baltica border crossing point on the Interstate border between the Republic of Poland and the Republic of Lithuania shall be considered as the point defined by the Protocol of the Lithuanian and Polish technical experts, signed on 3 July 1998. According to the Protocol, the point is located at a distance of 1.45km in a South-Easterly direction from the intersection of the existing single track railway line axis with the Interstate border line in the section of the line Trakiszkki (Republic of Poland) – Mockava (Republic of Lithuania);
2. In accordance with the Community Guidelines for the development of the Trans – European Transport Network (Decision 884/2004/EC, Article 19b, Cross – border section), and taking into account the conclusions of the European Commission Feasibility Study on the development of Rail Baltica, it is suggested that the Polish-Lithuanian cross-border section of the Rail Baltica line shall be as follows: Suwałki (Republic of Poland) – Interstate border – Marijampolė (Republic of Lithuania).
3. The above-mentioned border crossing point can be used for starting Rail Baltica design works on the cross-border section. The coordinates of the cross-border point defined in result of the design process should be formally agreed by the Polish-Lithuanian Border Commission, which is acting according to the Agreement between the Republic of Poland and the Republic of Lithuania on the common State border, the legal conditions that are binding on it and on the cooperation and mutual aid in border matters, done in Vilnius on 5 March 1996.

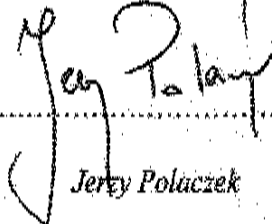
Done in Vilnius, on 9 March 2007
in 2 equal pieces, both in the English language.

Minister of Transport and Communications
Republic of Lithuania



Algirdas Butkevičius

Minister of Transport
Republic of Poland



Jerzy Polaczek

1.2 LITHUANIA-LATVIA BORDER CROSSING MOU

MEMORANDUM OF UNDERSTANDING

BETWEEN
THE MINISTER OF TRANSPORT AND COMMUNICATIONS
OF THE REPUBLIC OF LITHUANIA
AND
THE MINISTER OF TRANSPORT AND COMMUNICATIONS
OF THE REPUBLIC OF LATVIA

ON THE BORDER CROSSING POINT
OF THE INTERSTATE BORDER
AND THE CROSS-BORDER SECTION OF RAIL BALTICA

The Minister of Transport and Communications of the Republic of Lithuania and the Minister of Transport and Communications of the Republic of Latvia (hereinafter referred to as "Parties");

BEING AWARE that the Rail Baltica project implementation terms are included in the *Decision No 884/2004/EC of the European Parliament and of the Council of 29 April 2004 amending the Decision No 1692/96/EC on the Community Guidelines for the Development of the Trans-European Transport Network*;

REFERRING to the *Declaration of Intent of the Ministers responsible for Transport of Poland, Lithuania, Latvia, Estonia and Finland on the TEN-T Priority Project No 27 Rail Baltica*, signed in Brussels on 27 March 2006, emphasise the importance of the border crossing point and the cross-border section for the project, and the *Declaration of Ministers of Transport of Lithuania, Latvia and Estonia on the Development of the Transport Corridor No I* of 7 September 2006;

RECOGNISING the significance of the documents regarding the development of Rail Baltica, signed on various levels by Parties for the future cooperation;

TAKING INTO ACCOUNT the emphasis of the EU transport policy towards the development of more sustainable and environmentally friendly means of transport such as rail

NOW AGREE as follows:

1. Step by step approach will be applied implementing Rail Baltica project. As a first stage Parties will modernize existing infrastructure including interoperability and intermodality measures in the section Kaunas (Republic of Lithuania) - Riga (Republic of Latvia) of Pan European corridor No I.

2. For further development of Rail Baltica project Parties will initiate more detailed feasibility study on European gauge line.
3. The Rail Baltica border crossing point on the interstate border between the Republic of Lithuania and the Republic of Latvia shall be considered the point of the intersection of the existing single track railway line with the interstate border line in the section of the line Joniškis (Republic of Lithuania) - Meitene (Republic of Latvia).
4. In accordance with the Community Guidelines for the Development of the Trans – European Transport Network (Decision 884/2004/EC, Article 19b, Cross-border section), and taking into account the conclusions of the European Commission *Feasibility Study on the Development of Rail Baltica*, it is defined that the Lithuanian-Latvian cross-border section of the Rail Baltica line shall be as follows: Šiauliai (Republic of Lithuania) – interstate border – Jelgava (Republic of Latvia).
5. Border crossing point and the cross-border section shall be used only when performing works of the first stage of Rail Baltica project.
6. Parties will apply for financing under Multiannual Indicative Programme of TEN-T fund for the years 2007-2013 for the following:
 - a. feasibility study (2008-2009) on European gauge line;
 - b. all necessary activities for implementation of the first stage of Rail Baltica project.
7. Parties agree to harmonize technical and operational parameters on the route of Rail Baltica.
8. Latvian Party will initiate similar bilateral Latvian-Estonian co-ordination activities.

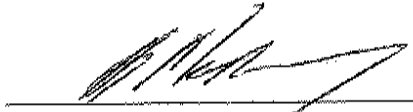
Done at Riga, on June 27, 2007, in two originals in the English language, all texts being equally authentic.

Minister of Transport
and Communications
of the Republic of Lithuania



Algirdas Butkevičius

Minister of Transport
and Communications
of the Republic of Latvia



Ainārs Šlesers

MEMORANDUM OF UNDERSTANDING

BETWEEN
THE MINISTER OF ECONOMIC AFFAIRS AND COMMUNICATIONS
OF THE REPUBLIC OF ESTONIA
AND
THE MINISTER OF TRANSPORT AND COMMUNICATIONS
OF THE REPUBLIC OF LATVIA

ON THE BORDER CROSSING POINT
OF THE INTERSTATE BORDER
AND THE CROSS-BORDER SECTION OF RAIL BALTICA

The Minister of Economic Affairs and Communications of the Republic of Estonia and the Minister of Transport and Communications of the Republic of Latvia (hereinafter referred to as "Parties");

BEING AWARE that the Rail Baltica project implementation terms are included in the *Decision No 884/2004/EC of the European Parliament and of the Council of 29 April 2004 amending the Decision No 1692/96/EC on the Community Guidelines for the Development of the Trans-European Transport Network*;

REFERRING to the *Declaration of Intent of the Ministers responsible for Transport of Poland, Lithuania, Latvia, Estonia and Finland on the TEN-T Priority Project No 27 Rail Baltica*, signed in Brussels on 27 March 2006, emphasise the importance of the border crossing point and the cross-border section for the project, and the *Declaration of Ministers of Transport of Lithuania, Latvia and Estonia on the Development of the Transport Corridor No I* of 7 September 2006;

RECOGNISING the significance of the documents regarding the development of Rail Baltica, signed on various levels by Parties for the future cooperation;

TAKING INTO ACCOUNT the emphasis of the EU transport policy towards the development of more sustainable and environmentally friendly means of transport such as rail;

NOW AGREE as follows:

1. Considering the results of the *Feasibility Study on the Development of Rail Baltica* step by step approach will be applied implementing Rail Baltica project. As a first stage Parties will modernize existing infrastructure including interoperability and intermodality measures in the section Tallinn (Republic of Estonia) – Riga (Republic of Latvia) of Pan European corridor No I.

2. For further development of Rail Baltica project Parties will initiate more detailed feasibility study on European gauge line.
3. The Rail Baltica border crossing point on the interstate border between the Republic of Estonia and the Republic of Latvia shall be considered the point of the intersection of the existing single track railway line with the interstate border line in the section of the line Valga (Republic of Estonia) - Valka (Republic of Latvia).
4. In accordance with the Community Guidelines for the Development of the Trans – European Transport Network (Decision 884/2004/EC, Article 19b, Cross-border section), and taking into account the conclusions of the European Commission *Feasibility Study on the Development of Rail Baltica*, it is defined that the Estonian - Latvian cross-border section of the Rail Baltica line shall be as follows: Tartu (Republic of Estonia) – interstate border – Valmiera (Republic of Latvia).
5. Border crossing point and the cross-border section shall be used only when performing works of the first stage of Rail Baltica project.
6. Parties will apply for financing under Multiannual Indicative Programme of TEN-T fund for the years 2007-2013 for the following:
 - a. detailed feasibility study on European gauge line including comparison with further upgrading of the existing infrastructure;
 - b. all necessary activities (including upgrading of the existing infrastructure) for implementation of the first stage of Rail Baltica project.
7. Parties agree to harmonize technical and operational parameters on Tallinn - Riga section of Rail Baltica route.
8. Latvian Party has commenced similar bilateral Latvian-Lithuanian co-ordination activities.

Done at Riga, on July "5", 2007 and at Tallinn, on July "12.", 2007, in two originals in the English language, all texts being equally authentic.

Minister of Economic Affairs
and Communications
of the Republic of Estonia



Juhan Parts

Minister of Transport
and Communications
of the Republic of Latvia



Ainārs Šlesers

ANNEX 2

MAP OF THE PROPOSED ROUTING

