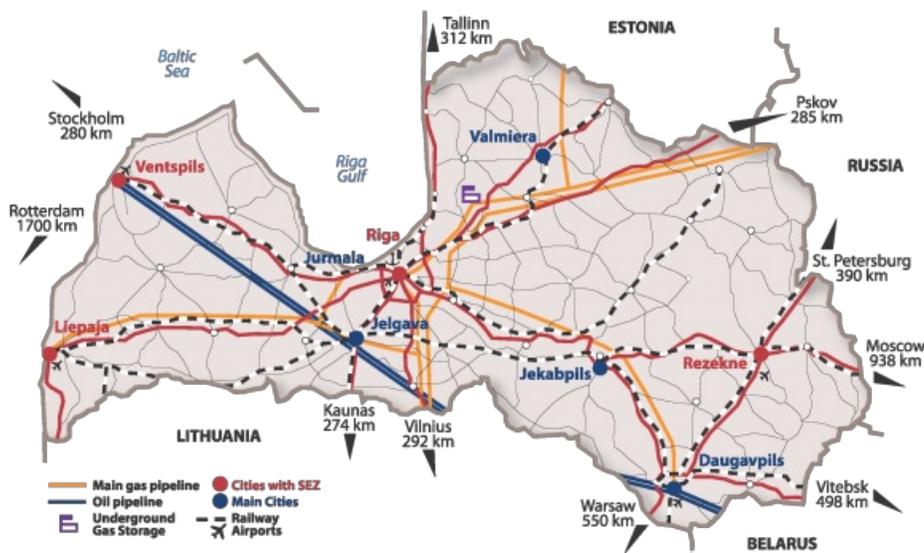


# Business Infrastructure in Latvia

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## Transport and Logistics

Thanks to its geographical location on the crossroads between the main Eurasian markets, Latvia is one of the most convenient and practical hubs for transporting goods from Asia to Europe and vice versa. Latvia forms the European Union's external border with Russia and Belarus, thus making the country a bridge between East and West, as well as North and South. Latvia's transport system provides an appropriate infrastructure base to facilitate these trade flows and to serve the needs of local export/import operators:

Free ports in Ventspils, Riga, and Liepaja, with total cargo throughput of 64.3 million tonnes during 2019, predominantly transit shipments

An extensive and functional road network, connecting with both European and CIS road networks, as well as Latvia's ports

The shortest route between the EU and the CIS

Specialized, high-capacity railway corridor linking Latvian ports with Russia and the Far East

Riga International Airport – a competitive Baltic passenger hub, serving almost half (49 % in 2019) of all Baltic capital passengers; high-speed cargo distribution centre

Pipeline systems for transit and distribution of Russian oil/natural gas

## Ports

As vitally important export and transit-transshipment points for Latvia itself and for several neighbouring countries, the three largest Latvian ice-free ports provide reliable access 365 days a year. Connections to all other transport infrastructure elements, along with attractive tax-free zone incentives, have resulted in the ports becoming regional centres of industrial activity. Nevertheless, there are still a number of port locations available for businesses, within customs-free zones and with direct sea access.

All the ports are equipped with the required infrastructure – tanks for bulk liquids, terminals, warehouses and cranes, communications infrastructure – and have operating service-providers – stevedores, agents, customs brokers, and banks – with a number of internationally recognized names like *Kuehne & Nagel* and *Maersk Line*, comprising a visible part of the service offer.

Additional information

<http://www.portofventspils.lv>

<http://rop.lv>

<https://liepaja-sez.lv>

<https://www.transport.lv>

<http://www.sam.gov.lv>

## Roads

The total length of Latvia's road network is 70 645 km (incl. state roads, municipal roads and streets, as well as forest roads). The average density of roads in Latvia is 1.094 km per km<sup>2</sup>.

The Latvian road system provides direct access to destinations in the east (Russia/CIS) and southwest (central/western Europe). The roads are well connected to northern Europe (Finland and Sweden) via other countries and/or RO-PAX-capable ports. Generally, all roads are fully public and toll-free, as funds for maintenance are collected from excise tax on fuel and vehicle registration fees paid to the Road Traffic Safety Directorate. With financial support from the EU, Latvia has upgraded sections of the *Via Baltica* – the first pan-European transport corridor, connecting Finland and the Baltic States to Poland and Western Europe. To divert increasing transport flows from the centre of the capital city, Riga City Council has constructed the Southern Bridge over the river Daugava and plans to construct a Riga Northern Transport Corridor – a high-speed road crossing Riga from east to west and bypassing the city's historic centre.

Forwarding services is a comparatively developed market with a large number of actively competing operators, including international companies like *DB Schenker*, *DHL*, and *DSV Transport*. Transport-freight intensity is increasing rapidly along with the growth in foreign trade and transit operations – international freight volumes passing through Latvia have significantly increased.

Additional information

<https://lvceli.lv>

<http://www.sam.gov.lv>

<http://lla.lv>

<https://www.csb.gov.lv>

## Railways

Latvia possesses a relatively dense railroad network connecting the country to destinations as far as the Russian Far East, wherever the former Soviet railway-gaugestandard is in operation. There are additional opportunities for trade connection with Japan and Southeast Asia. Currently, Latvian railways mostly serve as a transit trunk-line, with more than half of total freight volume comprising transit from Russia to Latvian ports and the largest part of freight rolling-stock consisting of tanker-wagons, semi-wagons and specialized types of railway wagons. Movement in the opposite direction, to Moscow and other parts of Russia/CIS, is dominated by container cargo.

In order to facilitate trade flows in the north-south direction, it is planned to implement a pan-Baltic railway route, Rail Baltica, connecting Tallinn–Riga–Kaunas–Warsaw–Berlin. This project would also serve as the first step in Latvia's transition to European railway-gauge technical standards. Thanks to this new railway network, rail freight volumes will increase, as will average train speed. The project also covers convenient passenger connections to other transport services. Also, the Baltic States being re-connected to the European railway network is expected to facilitate the development of Latvia's transport and logistics sector after. Latvia's main railway connections in terms of cargo volume are Russia, Belarus, Lithuania and Estonia. Since May 2017 there is a container train line that links Latvia with China. It takes less than 15 days for a train to cross this route, while it is around 45

days for sea transport.

Additional information

<https://www.ldz.lv>

<http://www.sam.gov.lv>

<http://lla.lv>

<https://www.transport.lv>

<https://www.csb.gov.lv>

## Connectivity of Riga International Airport

Most air passenger and freight transport in Latvia moves through Riga International Airport, which is also the leading air transport and transit system in the three Baltic States. The airport currently serves more than 18 airlines, including Latvia's national airline *airBaltic*, low-fare carriers *Ryanair*, *Wizzair*, *Norwegian*, and European leaders like *Lufthansa*, *Aeroflot*, *Turkish Airlines*, *SAS* and *Finnair*. The said companies and others ensure fast and reliable direct travel from Riga International Airport to 106 destinations (in summer 2019) including London, Moscow, Oslo, Frankfurt, Helsinki, Berlin, Stockholm, Copenhagen all of which provide further connections to transcontinental air routes.

In 2019, Riga served 7.8 million passengers breaking the annual passenger record (+10.5 % y-o-y growth) and handled 27 265 tonnes of cargo. Riga International Airport serves almost half (43 %) of all Baltic passengers. Riga International Airport serves almost half (49%) of all Baltic capital passengers. In comparison, in 2019 Tallinn (Estonia) served 20% of total number of passengers and Vilnius (Lithuania) served 31%.

In 2016, Riga International Airport completed construction of a North Pier for the terminal which will enable the airport to continue its current growth and increase passenger-handling capacity.

The airport has been awarded the Top European Airport Cost Competitiveness Excellence award by The Air Transport Research Society as the most competitive airport in Europe in terms of costs and tariff structure per passenger.

Countries with direct flights from Riga (in summer season, 2019) include Albania, Austria, Azerbaijan, Belarus, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Great Britain, Greece, Hungary, Iceland, Ireland, Israel, Italy, Kazakhstan, Latvia, Lithuania, Malta, Montenegro, Netherlands, Norway, Poland, Portugal, Russian Federation, Spain, Sweden, Switzerland, Turkey, Ukraine, United Arab Emirates and Uzbekistan.

The air cargo and/or express package services of international providers like *Lufthansa*, *Schenker BTL*, *DHL* and *TNT* ensure one-day delivery within Europe and two days for the rest of the world.

Additional information

<http://www.riga-airport.com>

<https://jurmalaairport.com>

<http://www.liepaja-airport.lv>

<http://airport.ventspils.lv>

<http://www.sam.gov.lv>

<http://www.lgs.lv>

<http://lla.lv>

<http://www.caa.lv>

## Utilities

A number of Latvia's utility services are still state-owned or corporate monopoly operations. In order to ensure reasonable pricing in these areas, the Public Utilities Commission of Latvia – whose responsibilities include utilities, telecommunications, post and

railway services – regulates the tariff policies of monopoly utility providers. Also, certain utility sectors are being liberalized by opening markets to other service providers. One example is the national gas market. Following new amendments to the Energy Law, as of 3 April 2017, Latvia's gas market is being liberalized. This means that households will be able to select their preferred gas supplier. Companies listed in the register of natural gas traders will be able to supply gas to consumers in Latvia. Companies having an agreement with *Latvijas Gāze* will be permitted to use the existing infrastructure for gas supply.

Additional information

<https://www.sprk.gov.lv>

<https://www.em.gov.lv>

<http://www.sam.gov.lv>

## Gas

Latvia is endowed with a unique natural resource – the Incukalna Gas Reservoir, which is the largest natural gas-storage reservoir in Europe, with a capacity of approximately 4.4 billion m<sup>3</sup>. As a result, the country is in a very favourable position in terms of gas supply costs, also providing gas storage for the two other Baltic States and the western border areas of the Russian Federation. In addition to supplying the domestic market, natural gas in Latvia is used in heat generation, power generation, the manufacture of construction materials, agriculture, the food industry, and many other areas.

Additional information

<https://lg.lv>

## Electrical power

State-owned Latvenergo provides about 90-95% of all the electricity consumed in Latvia.

In Latvia, approximately 50% of the electricity is generated from renewable and environmentally friendly energy sources (more than half of installed capacity is

hydro). More than 100 independent producers, operating small-capacity hydroelectric plants, wind generators, or heat and electricity co-generation plants, produce a very small proportion (approximately 10% in 2019) of electricity in Latvia. All the same, 'new energy' generation is growing substantially and is expected to be of increasing importance in the future.

Electricity transmission in Latvia is carried out by a single transmission system operator JSC "Augstsprieguma tīkls", while electricity distribution – by 11 distribution system operators of which JSC "Sadales tīkls" supplies electricity to 99% of the consumers. Nevertheless, for convenience of consumers, the market is organized in a manner of one stop shop, therefore the daily communication with different market participants is organized via supplier.

As of 31 December 2019, 37 companies were registered in the Electricity Traders Register, of which 27 (73%) were active. In 2019, five largest electricity traders in the whole retail market by volume were JSC "Latvenergo", "Enefit" Ltd, "Ignitis Latvija" Ltd, "AJ Power" Ltd and "Scener" Ltd. In Latvia, opening of the electricity market began on 1 July 2007.

Regarding renewable energy in general, it should be noted that while producing slightly more than 40% of its inland annual energy consumption from renewable energy, Latvia is one of the EU leaders in terms of share of renewables in total energy consumption (Eurostat, 2018). The two most prominent renewable energy sources in Latvia are biomass and hydropower.

Nevertheless, there are still opportunities to be developed in the wind power and solar energy segments. Furthermore, despite this impressive track-record, Latvia has also set one of the highest EU 2020 goals for the development of renewables.

Additional information

<https://www.latvenergo.lv>

<https://www.enefit.lv>

<https://www.em.gov.lv>

## District Heating and Water Supply

District heating and water supply services are generally provided by separate operators in each municipality. However, where necessary or more convenient, any company is free to construct its own system as long as it meets existing technical/environmental regulations. The municipalities mostly own local operators, but some have been privatized and have attracted foreign investors. The most notable suppliers are located in Latvia's largest cities.

## Waste Disposal

Several local and regional waste-management companies throughout the country provide general waste-disposal services. The waste produced in Latvia is recycled both locally and in foreign countries. Several facilities exist for the recycling of metal, glass, paper, polyethylene and PET. The most modern polyethylene recycling facility in the Baltic States is located in Latvia. Several types of hazardous waste (car tyres, oil, and oil filters) are recycled in Latvia. Electronic and electrical equipment is collected and transported abroad for recycling. Latvia also has installations for hazardous waste incineration, mercury recovery from luminescent lamps, water-oil separation facilities, incinerators of oil- and medical-waste, and installations for disinfecting medical waste.

Additional information

<https://www.em.gov.lv>

<http://www.varam.gov.lv>

<http://www.zalais.lv>

## Telecommunications

### Market Highlights

Optical-fibre cable rollouts are dominated by *Tet*, which offers up to 500 Mb/s access. Several smaller operators offer services to greenfield sites and in urban areas. Recent regulatory measures are aimed at facilitating wider access to the national broadband network.

Digital TV uptake has accelerated, with IP TV and cable TV dominating digital access. Analogue switch off was completed in mid-2010, and has thus released spectrum in the 800 MHz band for use in mobile services.

Increasing competition is evident in the mobile broadband market, as all three mobile networks (*Latvijas Mobilais Telefons* (LMT), *Tele 2*, *Bite Latvija*) offer generous amounts of bundled data. The challenge for mobile operators in the coming years will be maintaining service levels across networks under heavy traffic loads.

Limited Long Term Evolution (LTE, 4G) services were launched in 2011 and have since been extended. Following the auction of spectrum in the 2.6 GHz band, these frequencies were made available to the four licensees from early 2014.

The EC's approval of funding for optical-fibre networks supports the government's own programme to build a national network.

The largest (by numbers of customers) are: *Bite Latvija* (GSM), *Tet*, *Latvijas Mobilais Telefons* (GSM) and *Tele2* (GSM).

During 2018, all mobile operators continued 4G-network rollout and reached more than 90% population coverage at the end of the year. As the result of excellent network coverage and reasonably priced unlimited-data offers Latvia has demonstrated a rapidly increasing acceptance of mobile data services. According to latest research performed by Tefficient AB, with 5.3 GB per month per SIM card, Latvia was in the 6th place in the World in mobile data usage. The fifth generation of mobile networks is expected to roll out within the next years.

Since July 2014, all mobile networks operating in Latvia have had to comply with uniform interconnection tariffs that have been regularly updated by the Public Utilities Commission. The upper limit of the tariffs is now set at EUR 0.0105 a minute.

There are numerous operators offering internet services – DSL, optical, or LAN. In Latvia, 97 % of households with access to the internet have broadband connections above 2 Mbps.

E-commerce has become very popular due to the frequency of internet and web development both in Latvia and worldwide. Many companies have developed online shops, and sales continue to grow. The industries using online sales most are accommodation (76 % of companies in the industry), computer and peripheral system repairs (67 %), and ICT services (31 %).

All banks operating in Latvia, mostly Scandinavian (*Swedbank, SEB banka, Luminor Bank*), have developed internet banks, which are popular among the Latvian population. 66 % of the population use internet banks for their payments and other non-cash money transactions, which is more than the EU average (54 %). Since 2006, this rate has grown by 3 times and trends show that it is still growing. Nine banks have already developed mobile bank apps, with others planning to do so in the near future.

*Currently, there are thousands of public wireless internet points available in Latvia. In Riga alone, users have access to nearly 1 500 free WiFi points, making Riga the capital of free WiFi.*

Major investment in telecommunication infrastructure has resulted in very good figures for internet upload and download speeds in Latvia. Consequently, Latvia ranks among the top 15 countries in the world by average measured connection speed, in terms of high broadband connectivity, and also according to average peak connection speed. Latvia is also the European leader in terms of fibre-optic networks, in addition, optical internet connections are available to more than half of the country's households.

Source: World Broadband Speed League data

Additional information

<http://www.sam.gov.lv>

<https://www.lvrtc.lv>

<https://www.lattelecom.lv>

<https://baltcom.lv>

<https://www.lmt.lv>

<https://www.tele2.lv>

<https://www.bite.lv>

<http://www.triatel.lv>

## Real Estate

As a country with a relatively low density of population, Latvia can provide a range of location choices for both industrial and office operations. There are a number of vacant factory buildings in all the largest cities, along with historic city centres that are gradually developing new functions, evolving from residential into commercial, entertainment, and shopping areas. In addition to the availability of individual properties, a number of business-hosting parks have been established or are being developed for different types of tenants.

Average commercial rents in Riga, 2019 Q1 (EUR/m<sup>2</sup> per month)

Offices
Class A
14-16
Class B1
10-13.5
Retail

Prime shopping centre rents
35-55
Prime high street rents
35-50
Industrial
Prime rents
3.5-4.7

*Source: Colliers International, Real Estate Market Overview, Q1,2019*

For greenfield projects, there are no barriers to using the services of local real estate agents and construction companies.

A number of local and international construction companies operate in the Latvian market, making that market very competitive. Latvian construction companies have proven their competitiveness in foreign markets and work well on different scale projects, ranging from general construction to specific installation works. International players are also successfully operating in the *Latvian construction market*.

The real estate business is also well developed and competitive, featuring companies such as *Latio, Colliers International, Kivi Real Estate, Ober-Haus, Imperio Estate, ABC Realty, CBRE and Balsts*.

Construction permits in Latvia can be obtained in approximately three months, but for large and technically difficult projects, more time may be required to dealing with the required procedures.

Additional information

<https://www2.colliers.com>

<http://www.ober-haus.lv>

<https://latio.lv>

<https://www.arcoreal.lv>

<http://www.building.lv>

<https://www.liaa.gov.lv/en/invest-latvia/business-guide/business-infrastructure-latvia>