

**Bulgaria**

*Logistics and Transport*

Profile

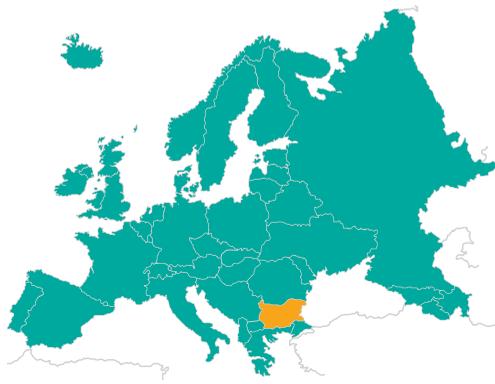


**Opportunities  
for  
Investment**

STABILITY..... OPPORTUNITY..... PROFITABILITY.....

**Bulgarian Foreign Investment Agency**

## BULGARIA A Reliable Business Location



location	in the centre of Southeast Europe
neighbouring countries	Greece, Turkey, Serbia, Macedonia, Romania
territory	110,912 sq km
population	7.97 million <sup>1</sup>
capital	Sofia, 1.2 million people
major cities	Plovdiv, Varna and Bourgas
official language	Bulgarian
foreign languages used in business	English, German, Russian and French

### Easy Movement of Goods and People

- The Customs Law is based on the EU Customs Code.
- The Bulgarian Customs Tariff is based on the international Harmonized Commodity Description and Coding System, and on the EU Combined Nomenclature.
- The customs clearance of goods requires presentation of a customs declaration, similar to the EU Single Administrative Document, accompanied by the required commercial documents (invoice, certificate of origin, transport document or any other relevant official papers).
- No customs duties are charged for exported goods or services.
- Since 1 January 2002 industrial goods between Bulgaria and the EU, EFTA, CEFTA countries and Turkey are traded duty-free.
- Bulgaria has traditionally excellent trading relationships with other East European countries and consequently is an ideal location for companies wishing to sell their products and services into the Eastern European market.
- Bulgaria's major trade partner has traditionally been the EU with 54.8% of total exports and 49.4% of total imports in 2001.
- Inter-regional trade between Bulgaria and the rest of SE Europe accounted in 2001 for about 27% of Bulgaria's exports and 13% of its imports.
- As for individual countries, Bulgaria mainly exports to Italy, Germany, Greece and Turkey and imports from Russia, Germany, Italy, Greece and France.
- As far as tourism sector is concerned, most international visitors to Bulgaria come from the EU countries.

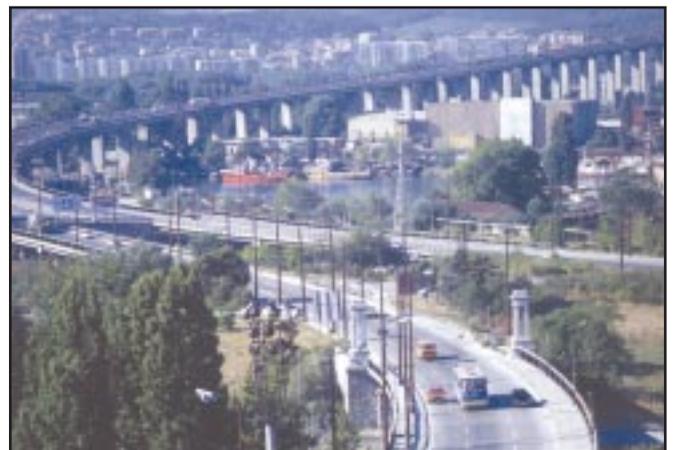
### Easy Movement of Capital

Bulgaria recognises that the ability to move capital in and out of Bulgaria is a key issue for most investors. In Bulgaria you can get advantage of:

- no constraints on the trade of hard currency within the country;
- stable exchange rate - the Bulgarian Lev is pegged to the Euro at a rate EUR 1:BGN 1.95583;
- each local or foreign person may own an unlimited number of accounts in any currency, in any bank in or outside Bulgaria;
- a foreign exchange regime based on the principle of freedom of concluding transactions, actions and payments;
- Bulgarian citizens as well as foreigners may take Bulgarian Leva and foreign currency of up to BGN 20,000 or its foreign exchange equivalent out of the country without documentation.
- the export of Leva and foreign currency between BGN 5,001 and BGN 20,000 or its foreign exchange equivalent should be declared at the customs.
- Transfers above BGN 20,000 must have a prior approval of the Bulgarian National Bank.
- Foreigners are permitted to export as much currency over the foreign currency equivalent of BGN 20,000 as they have imported into Bulgaria without prior approval.
- Payments abroad made by businesses (or self-employed business people) can be executed only through bank transfers.
- Under the Law on Foreign Investment, there are no restrictions on the transfer of investment-related funds.

### 1. Transportation System and Infrastructure

The Bulgarian transport sector is faced with the difficult task of supporting the process of economic transition and increasing the GDP of Bulgaria in the near future, as well as enabling the long-term ability of the economy to compete on international markets (particularly the European market).



#### 1.1. Road Infrastructure

The road infrastructure of Bulgaria comprises of about 90,000 km roads, 400 km of which are highroads. The national road network is 37,288 km long and is under the Chief Management Roads (CMR) at the Ministry of Regional Development and Reconstruction. The roads are divided in four categories: first-, second-, third- and fourth-class.

In March 2000 the Parliament adopted the new Law of Roads and the CMR was transformed into a Roads Executive



Agency. The agency is fully responsible for the first, second and third class roads, the total length of which is 19,045 km. Both the Agency and the Municipalities undertake the management of fourth class roads.

Large investment projects concerning improvements of the road network are already underway. Current plans provide for the construction of a 1,298 km highroad network, including a highway west-east to connect Sofia with the Black Sea, a highway south of Sofia to the frontier with Greece, branching west to Macedonia, as well as a longer road south-west to the frontier with Turkey. Nearly 416 km of highways had been created by the end of 2000. In addition to the highways already developed and operating, projects currently developed concern 190 km highways, 50 km of which are at the stage of preliminary investment research.

### Automobile Transport

Characteristic of the development of the automobile transport after 1997 is the fact that most of the enterprises in this sector have been privatized and two fundamental laws were approved - one concerning the road traffic and another - the freight transportation by road. These laws provided the improved functioning of this sector.

In 1997 there were 233 state enterprises providing transportation services, including transportation of passengers. Only 23 out of all these enterprises were state owned in November 1999. Subsequently the Privatization Agency authorized the Ministry of Transportation to privatize 15 more companies. 7 of them are still not privatized. Currently, over 90% of the activities related to international freight transportation and 100% of these concerning passenger's traffic are in private hands.

Access to the market is regulated by the license regime applied to freight-forwarders. The basic principles of licensing cover reputation, financial stability and professional experience. In 2000 passenger and freight transportation was carried out by 14,620 automobiles, 12,407 trucks and 960 buses licensed for international activity. The companies renovate their motor parks in conformity with the higher technological standards defined by the EU.

Cargo vehicles amount to 3,076 - with a load capacity of 42 thousand tons. The total number of the buses is 4,391. The freight carried by public transport is about 13,000 thousand tons.

A serious competition is observed between Bulgarian

companies as Scorpion Shipping Ltd. and foreign companies that entered the Bulgarian market such as Schenker, Danzas, Despred, M&M, etc.

Freight-Forwarding companies play more and more important role in automobile transport, gradually enlarging the scope of services offered to customers, thus converting to logistics companies. That is why investments in this sector in the last years have increased considerably.

### 1.2. Railway Transport

The Bulgarian State Railways (BSR) currently control railway transport in Bulgaria. There are 6,467 km of developed railways, but currently only 4,290 km are used. 965 km (22%) of these are twin-rails and 2,908 (63.1%) are electrified. The share of electric engines in the total volume of cargo traffic is 87.9%. In 1999 the railway transport system used 714 locomotives, 82 diesel trains, 1,665 passenger wagons and 25,637 cargo wagons. Freight traffic amounted to 21,090 thousand tons.



The network is more West/East oriented than North/South. There are three main railroads all of them electrified and oriented East of Sofia to the Black Sea. There is also a single electrified railroad North to the frontier with Romania, as well as a single non-electrified railroad to Voda (making a connection with the port Kostantsa). To the South there is a single non-electrified railroad to the frontier with Greece at Kulata and to Greece and Turkey near to Odrin. There is an international connection West of Sofia with Yugoslavia. The rest of the railway network comprises of single non-electrified railroads branching out from the main ones.

### Railway Cargo

Total cargo has decreased from 77 mln in 1989 to 21 mln in 2000, which represents a decrease of about 75%. The tons/km have decreased from 17 bln in 1989 to 5.5 bln in 2000, which is 64%. During this period however, there has been a relative increase in the average longitude of transportation. About 34% of the cargo of BSR is imported or exported by sea. However, transit cargo has also decreased considerably.

Several factors have influenced the overall decrease in railway traffic and, more particularly, in international traffic. These include:

- the growing competition of automobile transport;
- the decreasing trend in traditional railway markets;
- dynamic changes in the industrial property base which led to closing down of some factories and temporary closure of other enterprises prior to their privatization;
- the war in Yugoslavia;

- the loss of about 2.5-3 mln tons of cargo to the metalprocessing enterprises near Skopje in Macedonia;
- the crisis in Russia, which caused the loss of about 1 mln tons of ferry traffic;
- the crisis in the Far-East, which has affected the traffic of chemicals (Bulgarian chemical industry has markets for its products in this part of the world);
- the crisis in Brazil, which together with the decrease of the prices of metals influenced negatively the metallurgical enterprise Kremikovtzi near Sofia;
- the earthquakes in Turkey, which influenced the traffic to Syria through Turkey.

Despite the above list of factors, the main reason for the decrease in international cargo traffic was the war in the former Yugoslavia and the lack of a competitive alternative through Romania. This caused 80% of the transit traffic to use more South routes. However, the decrease in passenger railway traffic is mainly due to the increased competition of automobile and air transport.

### 1.3. Ports and Shipping

The main Bulgarian ports are Bourgas and Varna. Both of them service over 60% of the foreign trade of Bulgaria.

The state-owned Shipping Bulgarian Marine Fleet (SBMF) is the biggest Bulgarian shipping company. It is a shareholding company and the Ministry of Transport protects the rights of the country, in their capacity as an owner. The enterprise has ships with a total capacity of 1.8 mln tons and in 1998 had 625 mln Leva revenues at 609 mln costs. Recently it bought 8 new ships and currently there are negotiations concerning a construction of new double-bottom tankers in Japan. Since January 2002 most of the quay berths and port terminals have been offered to private operators under concessions.



Bourgas Port - Ro Ro terminal

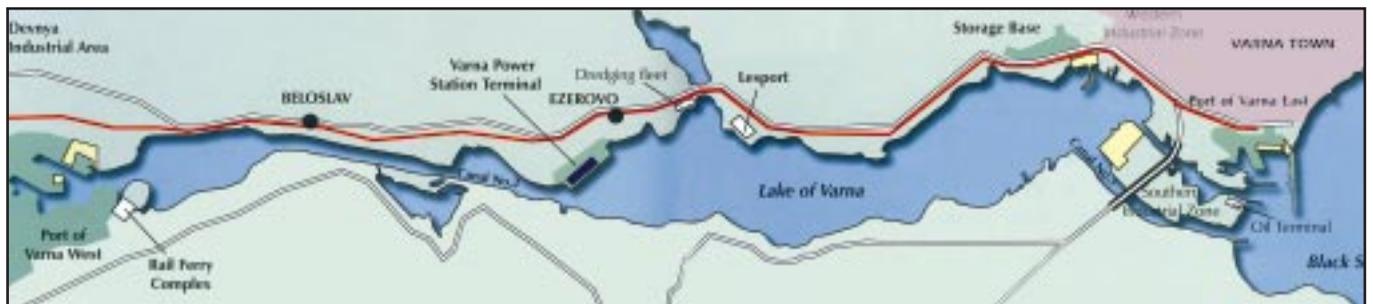
The Danube River is the internal water road of the country. 95% of the water fleet (about 50-55 navigable vessels) belong to Shipping Bulgarian River Navigation, which is an entirely state-owned entity. Currently there are serious difficulties because of the war in the former Yugoslavia. This led to the blockage of the river and, as a result, almost half of the fleet is blocked in the upper stream.

In 2000 there were 95 marine cargo ships and 3 passenger ships. There are 183 river cargo ships and 8 passenger ships. In 1999 there were 12,469 thousand tons of cargo sea traffic and 439 thousand tons of river traffic.

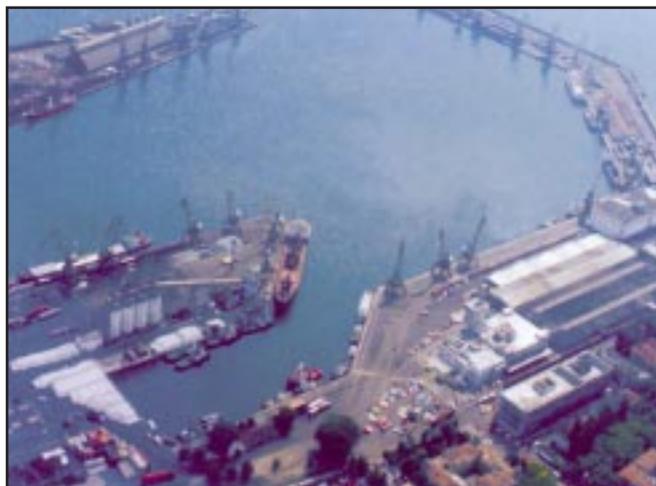
The interest of local as well foreign investors is mainly in concessioning terminals, warehouse areas, as well as design and development of logistics centers. Most attractive in this regard are the Black Sea and Danube ports.

### 1.4. Airports and Airline Companies

There are 5 international airports in Bulgaria: Sofia, Varna, Bourgas, Plovdiv and Gorna Oriahovitsa (mainly used for cargo).



Port of Varna



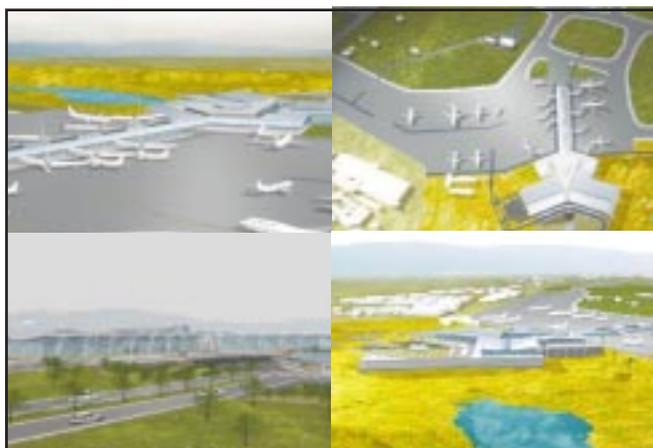
Bourgas Port East

#### Sofia Airport

Sofia Airport is generally in bad condition and only the passenger terminal has been reconstructed. There are plans for a new cargo terminal and a second airstrip and these projects have been currently tendered.

#### Varna Airport

Varna Airport is located in the North East of Bulgaria on the Black Sea Coast. The distance from the city center is 10 km. It benefits from its favourable location near Varna city and the surrounding beaches, which are a reputed attraction for tourists in the summer. Varna city population amounts approximately to 400,000 people. The airport enters the third millennium with modernized passenger terminals and equipment, and a renovated VIP lounge. A team of professionals makes sure that even more fastidious customers receive a high standard



Sofia Airport (Project)

of service. Passengers enjoy the spacious air - conditioned lounges with comfortable armchairs, cafes, restaurants and shops, domestic and international flights to about 70 destinations in 25 countries, more than 100 Bulgarian and foreign airlines. One of the greatest strengths of Varna Airport is the excellent opportunity for combined international transportation by air, sea and land - through the Port of Varna and the railway junction.

#### RUNWAY - PHYSICAL CHARACTERISTICS

There is one 09/27 concrete pavement runway-2500 x 45 m with two shoulders of 5 m each.

- Strength-PCN 60/R/B/X/T
- Elevation (airport reference point)-70 m
- Longitudinal Slope-max 0.7%
- Aerodrome Reference Code (refer to Annex 14, volume 1, chapter 1)- 4D
- Lighting system-Precision Approach Cat 1 (RWY 09), PAPI-3°

#### GENERAL INFORMATION

- Operation hours - 24h
- Refuelling - RT
- Oil grades - MC 20, MC - 8p
- Ground Support Equipment - Yes
- Oxygen supply - Yes
- Crash and fire equipment - Yes
- Cargo handling facilities - Yes
- Immigration, customs - 24h operation
- Medical facilities - Yes
- Restaurant - Yes

#### PASSENGERS TERMINAL

6,200 sq m total service areas

#### Bourgas Airport

Bourgas Airport is situated in a picturesque bay on the Southern Bulgarian Sea coast, 10 km northeast of the town of Bourgas. Its specific geographical location - on the border between Europe and Asia has contributed to its strategic importance for new relationships in the modern world. The potential of Bourgas Airport for handling passengers and cargo has a strong effect on the development of a transport network, tourism and trade between partners from the East and the West.

One of the greatest strengths of Bourgas Airport is the excellent opportunity it provides for international transportation by air, sea and land - through the Port of Bourgas and the railway junction. The E 87 international road

and the Free Zone are located just 10 to 15 km away from the airport. Its proximity (10 km) to the largest refinery complex on the Balkans makes it possible to offer jet fuel at most competitive price.

The climatic conditions in the region ensure excellent visibility throughout all seasons, 24 hours all the year around.

The attractive tourist centers of Slanchev Briag, Nessebar, Elenite and Duni, providing accommodation for more than 600,000 tourists annually, are situated within a 30 km radius of the airport.

#### RUNWAY-PHYSICAL CHARACTERISTICS

Bourgas Airport has been built on an area of 2,540,000 sq m, including one of the biggest cargo centers on the Balkans. It has a 3,200 m runway capable of receiving the heaviest types of aircraft.

At Bourgas Airport there is one 04/22 concrete pavement runway - 3200 x 45 m with two shoulders of 5.0 m each.

- Strength - PCN 60/R/B/X/T;
- Elevation (airport reference point) - 41 m;
- Longitudinal Slope - max 0.95%;
- Aerodrome Reference code (refer to Annex 14, volume 1, chapter 1) - 4E;
- Lighting system - Precision Approach Cat 1 (RWY 04) and Cat 2 (RWY 22), PAPI - 3°.

#### PASSENGERS TERMINAL

- Arrival Terminal - 3,300 sq m total service areas;
- Departure Terminal - 1,800 sq m total service areas.

#### GENERAL INFORMATION

- Operational hours - 24h;
- Refuelling - RT, JET A1;
- Oil grades - MC 20, MC-8q, MC-8p;
- Ground Support Equipment - Yes;
- Oxygen supply - Yes;
- Crash and fire equipment - Yes;
- Cargo handling facilities - Yes;
- Veterinary supervision, immigration, customs - 24h operation;
- Medical facilities - Yes;
- Restaurant - Yes.

#### Plovdiv Airport

Plovdiv Airport is located in the central part of South Bulgaria, 10 km south-east of the city of Plovdiv. The second largest city in Bulgaria - Plovdiv is a crossing point between Pan-European Transport Corridor 4 and 8. The city is one of the trade and communication centres of Bulgaria and Balkans, famous for Plovdiv International Fair.

#### RUNWAY-PHYSICAL CHARACTERISTICS

At Plovdiv Airport there is one 13/31 concrete pavement runway - 2500 x 45 m with two shoulders of 2.5 m each.

- Strength - PCN 38/R/A/X/T;
- Elevation (airport reference point) - 182 m;
- Longitudinal Slope - max 0.8 %;
- Aerodrome Reference Code (refer to Annex 14, volume 1, chapter 1) - 4D;
- Lighting system - Precision Approach Cat 1(RWY 31), PAPI - 3°.

#### PASSENGERS TERMINAL

1,800 sq m total service areas

## GENERAL INFORMATION

- Operational hours - 24h;
- Refuelling - RT, JET A1;
- Oil grades -MC-8p;
- Ground Support Equipment - Yes;
- Oxygen supply - Yes;
- Crash and fire equipment - Yes;
- Cargo handling facilities - Yes;
- Veterinary supervision, immigration, customs - 24h operation;
- Medical facilities - Yes;
- Restaurant - Yes.

### 1.5. Frontier Control Check Points

The biggest volume of goods passes through the following checkpoints:

- road - Kulata, Kapitan Andreevo, Kalotina, Gyuishevo;
- marine - Varna, Bourgas;
- the Danube river - Vidin (ferryboat) and Rousse (the Danube bridge).

### New Frontier Check Points

After 2007 the border with Greece will become an internal EU border. The remaining borders will be external. In order to diminish cargo traffic through Malko Tarnovo after 2002, only vehicles with total weight under 5t will be able to pass. For heavier vehicles a new transport point Lesovo (near Elhovo - Hamzabeili (under Odrin - Turkey) is being developed. Vehicles, on their way to Moldova, Ukraine, Russia, Estonia, Lithuania, Latvia, Finland and part of nearby Asian republics (near Caspian sea) will pass through this.

### Warehouses under Customs Control

The analyses show that Bulgaria is covered by a network of private and state warehouses under customs control, in which goods can be stored under a Customs storage regime for an indefinite time. Type "A" customs warehouses allow for additional processing and commercial deals to be undertaken in them before cargo taxation is applied. Goods in storage are exempt. These deals are registered by the customs departments, which monitor and control the warehouses. Decisions concerning the position of such warehouses are not predetermined by national policy or the nature of the cargo traffic.

### 1.6. Duty-free Zones

Six duty free zones are operating in Bulgaria, of which Bourgas, Plovdiv and partially Rousse are the most actively functioning. The rest of the zones in Svilengrad, Vidin and Dragoman are not functioning very effectively. Duty free zones situated on the Pan-European transport corridors and very close to big cities, because of the close proximity of qualified personnel, have the best prospects for further development.

### 1.7. Commodity Marketplaces

Within Bulgaria there are currently 56 licensed commodity marketplaces and there are ongoing proceedings for licensing a further 10. As part of these ongoing proceedings, 29 applications for licenses have been rejected.

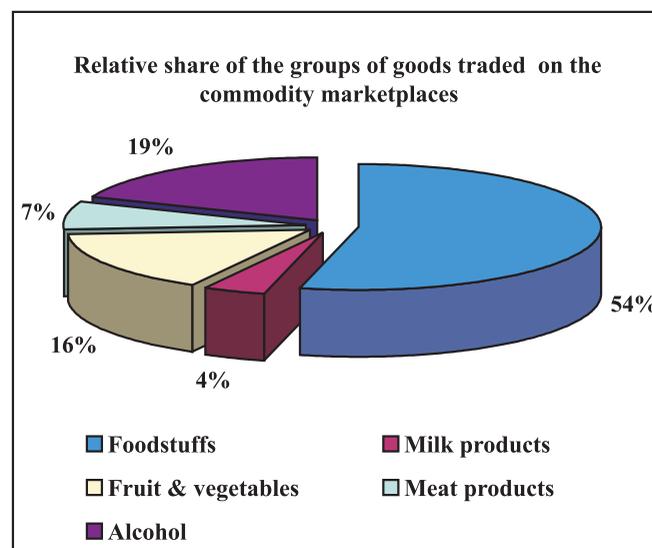
The commodity marketplaces are situated in the various cities of Bulgaria. These marketplaces provide the required



conditions for the acceptance, processing, storage and distribution of goods.

The logistic impact of these marketplaces is predetermined by a number of factors. These include their location, storage capacity, equipment, freight processing capability, the communication links to customers and transportation distances between them and their customers/suppliers.

According to the research team the density of the commodity marketplaces is normal for a country the size of Bulgaria. Investments, however, are required for improvements to the refrigeration spaces, the refrigeration equipment and the freight processing facilities. This will reduce losses during storage and increase the product turnover processed at storehouses and commodity marketplaces.



### 1.8. Commodity Exchanges

Within Bulgaria there are 3 licensed commodity exchanges in the cities of Sofia, Plovdiv and Rousse. These trade mainly in:

- non-foodstuff goods (motor oils, antifreeze, fuel oil, avio-kerosine);
- industrial goods;
- foodstuff goods (mainly sunflower oil);
- agricultural goods.

The market research shows that the stock exchanges are at the initial phase of their functioning. The quantities of goods, traded through them are insignificant.

### 1.9. Public Storehouses and Grain Depositories

Up to 30 June 2001, there were 36 licensed public storehouses with a storage capacity of 381,685 mt and there were 119 licensed grain depositories, with a capacity of 779,545 (total storage capacity of 1,161,230 mt). Eleven of the public storehouses have a capacity exceeding 10,000 mt. The number of grain depositories with such a capacity is 25.

The public storehouses and grain depositories are evenly distributed throughout the regions in Bulgaria.

The number and capacity of these storehouses and grain depositories is sufficient to meet Bulgaria's needs. However, there are some problems related to maintaining their storage functions and the amortization of equipment.

According to data from the Ministry of Agriculture, there are further 178 grain-bases, 25 fodder plants, 8 fodder workshops and 24 grain mills in Bulgaria. These unlicensed facilities are capable of storing a total amount of 4,373,000 mt of grain in silo facilities, massive one-level storehouses, multi-level storehouses, sheltered storage space and metal shelters. The gross capacity of the silo facilities is 2,070,000 mt, of which 1,038 are stored into metal silo facilities, and 1,032 mt - into reinforced concrete silo facilities.

There are a total of 463 large single-level storehouses, with a storage capacity of 1,248,000 mt. There are 7 multi-level storehouses with a storage capacity of 37,000 mt, 111 covered storage units, with volume of 168,000 m.t, and 452 metal shelters, with a storage capacity of 851,000 mt.

Over 95% of the stipulated silo facilities, storehouses, sheltered storage space and metal storage shelters are private property and considerable investments are currently needed to renovate equipment and maintain the building facilities.

## 2. Investment Opportunities in the Transport and Logistics Sector of Bulgaria

### 2.1. Investment Opportunities already in the Public Domain

1. Besides terminals for general cargo and containers included in the national and regional plans of economic development, there are favorable investment opportunities for renewal of up- and download equipment, in warehouse enlargement and equipment, import of navigation equipment, traffic information servicing, etc.
2. There are a lot of freight-forwarding companies in Bulgaria requiring an initial foreign investment to help them access international networks of partners, agents and representatives that are extremely important for attracting customers. Our estimate is that 15% out of 3,000 registered freight-forwarding companies in Bulgaria have the experience and personnel to offer a wide palette of logistics services. The advantage of the country as a crossroad of interests and trade makes investments in this sector attractive.
3. Well considered and focused greenfield investments in logistics projects can be returned quickly given the free usage of services that foreign investors, their partners and customers could receive in Bulgaria.

4. The opening of the Danube River will stimulate the development of ferry, Ro-Ro, Ro-La and warehouse bases alongside the river. Investments in these are a prerequisite for intensifying inter-modal traffic, attracting freight and minimizing the total costs of supply and distribution.
5. The development of corridor 8 will create investment opportunities for Sofia, Varna and Bourgas as future logistics centers. Concerning Sofia, besides the upcoming development of an inter-modal terminal that is already projected, there is a plan to designate a free economic zone near Sofia Airport, linked to the new cargo-terminal at the airport.
6. The analysis depicts that neither of the Bulgarian international airports has a contemporary cargo-terminal. Apart from investing in them, especially in Sofia, Bourgas and Plovdiv, cargo-terminals could also be developed at Gorna Oriahovitsa and Targovishte airports.
7. Stable economic growth will create an increase in freight flows from, towards, through and inside the country. All this will stimulate the investments in roads and railroads.

### 2.2. Potential Investment Opportunities, not yet in the Public Domain

1. As a consequence of the privatization of State-owned properties at the Ports of Varna and Bourgas, investments could be made in terminal operating activities related to general cargo and containers.
2. Investments involving existing Bulgarian companies in the form of joint ventures.
3. As a consequence of a growing economy, greenfield investment opportunities will be created in various services related to relevant developments in the logistic sector like warehouses and transport.
4. Increasing activity in the logistic sector creates possibilities for investment in companies producing relevant equipment.
5. Investment in telematics and logistics related software companies.
6. Private educational centers for the necessary upgrading of the logistic sector skills.
7. Expected opening of the Danube will offer plenty of opportunities for investment in all related inter-modal activities, such as transportation, warehousing and distribution.
8. Development of corridor no. 8 will create extra investment opportunities for the area of Sofia as well as activities around the port of Bourgas.
9. Economic growth will increasingly justify future investments in road and railway networks.



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