



The Voice of European Railways

Railway Reform in Europe: from endangered species to sustainable systems?

International workshop on railway reform

Ankara, 8 October 2009

Paul Guitink



Content of this presentation



The Voice of European Railways

CER representing the European railway community

European Transport Policy in railway context

Intra-modal competition impact

Inter-modal competition impact

Investment and financing

Conclusions & lessons learned

CER - representing the railway sector



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- 74 Railway Operators and Infrastructure Managers
- From entire European area (including Switzerland, Norway, EU accession states, and aspirant EU members)



MEMBERS PROFILE: Private / State-owned • Small / Big • East / West • Separated / Integrated • Freight / Passenger • Cross-border / National • Non-EU / EU

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European Transport Policy 2001 - 2010

EC Transport White Paper



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Transport policy based on three pillars:

- Intra-modal competition
- Efficient competition between modes
- Investment and financing



financing infrastructure



Art. 6 (1) Dir 2001/14

MS shall ensure the accounts of an IM shall at least balance income from infrastructure charges, surpluses from other commercial activities **and State funding** on the one hand, and infrastructure expenditure on the other

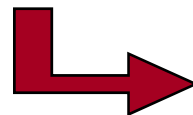
adequate compensation of PSO (and rolling stock)



Art. 1 (1) Reg. 1370/2007

competent authorities to compensate public service operators for costs incurred in return for the discharge of public service obligations
Parag.6 third indent of Annex
the **costs of the public service** must be **balanced** by operating revenues **and payments from public authorities**

treatment of historical debt



Art. 9 Dir. 91/440

MS shall set up appropriate mechanisms to help **reduce the indebtedness** of such undertakings to a level which does not **impede sound financial management and improve their financial situation**

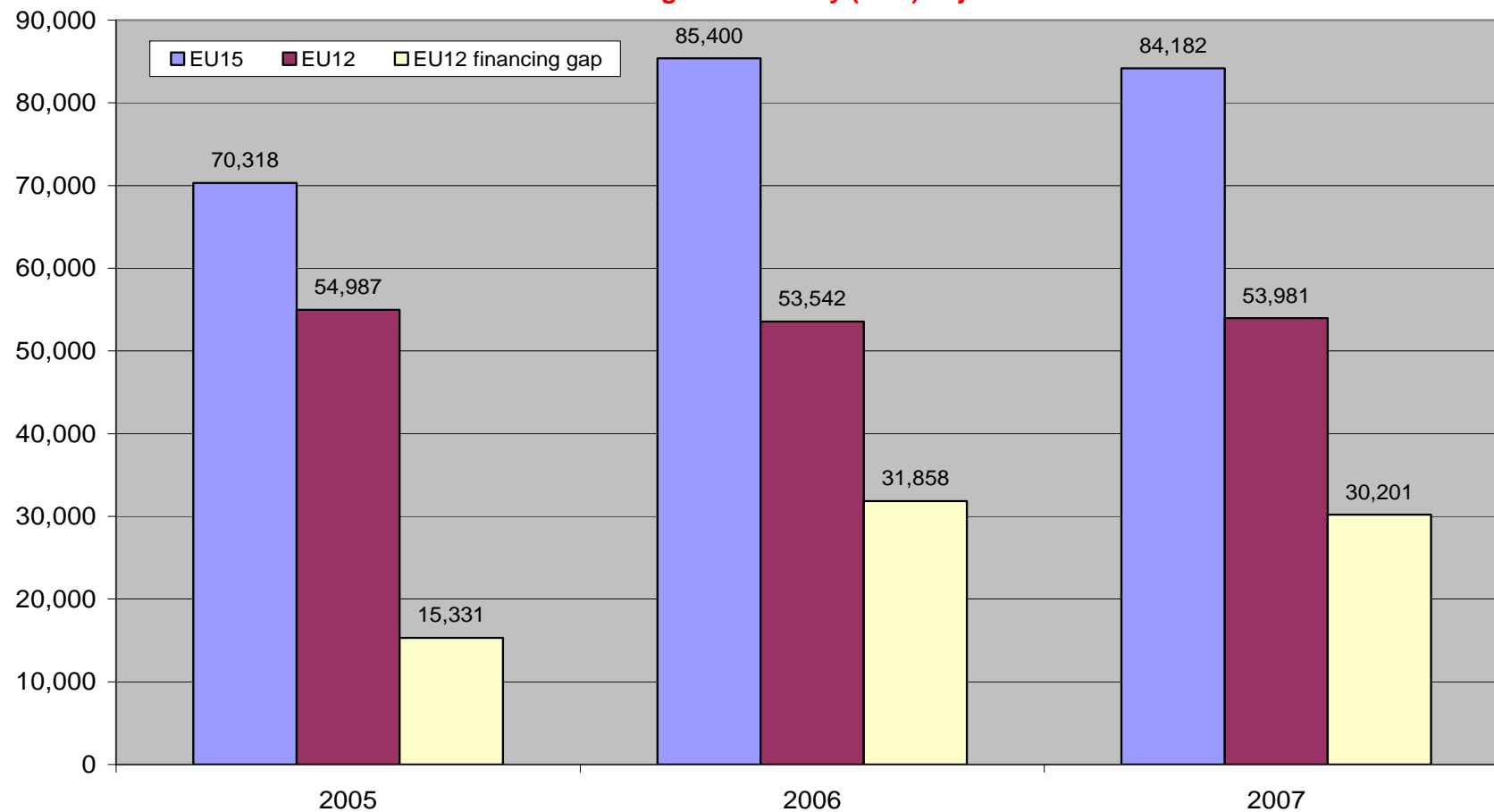
Financing of rail infrastructure maintenance in EU



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Average Running Expenditures (in EUR per track length)

Purchasing Power Parity (PPP) adjusted



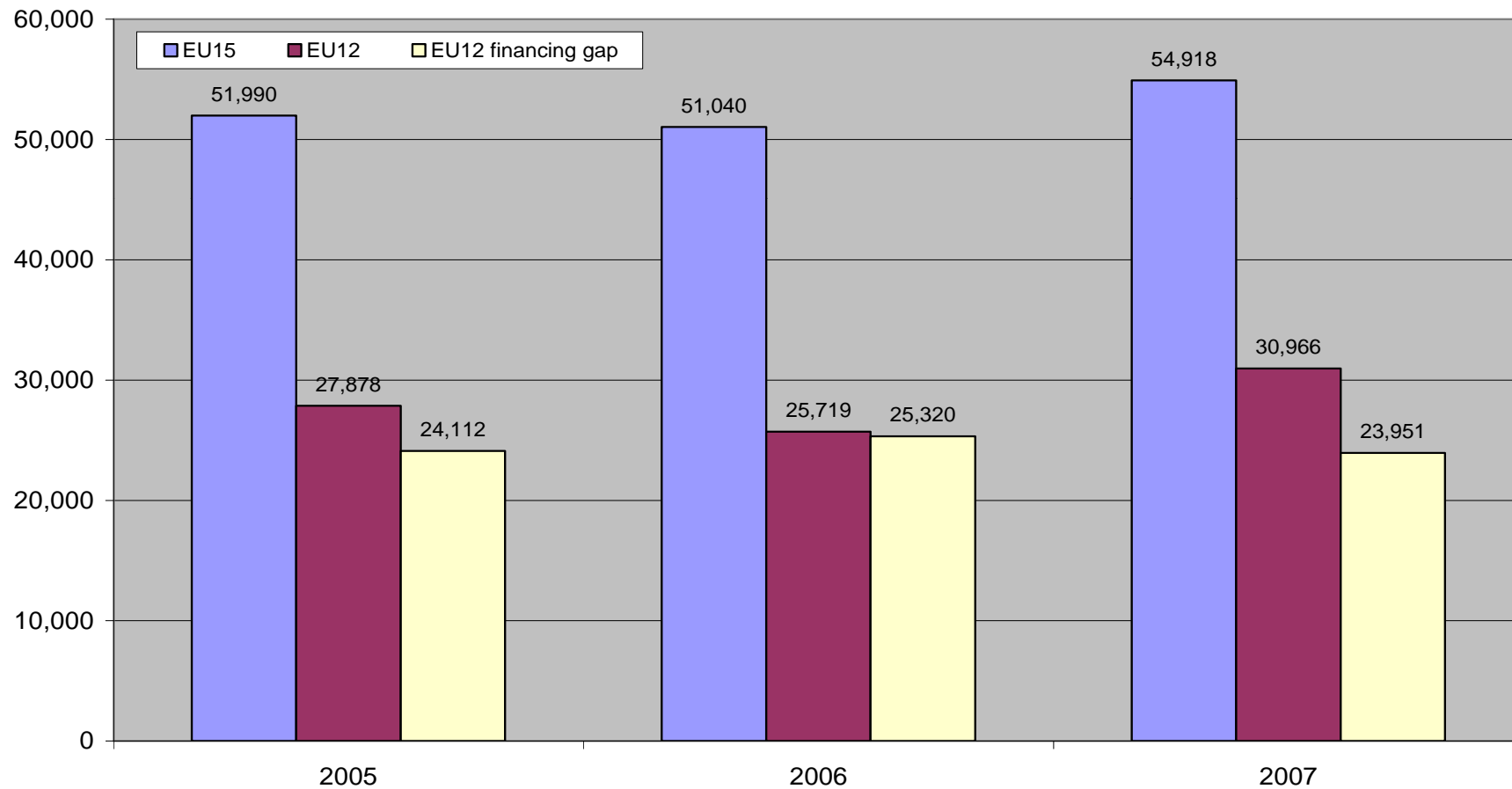
Financing of rail infrastructure renewals in EU



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Average Investment in Existing Infrastructure (in EUR per track length)

Purchasing Power Parity (PPP) adjusted

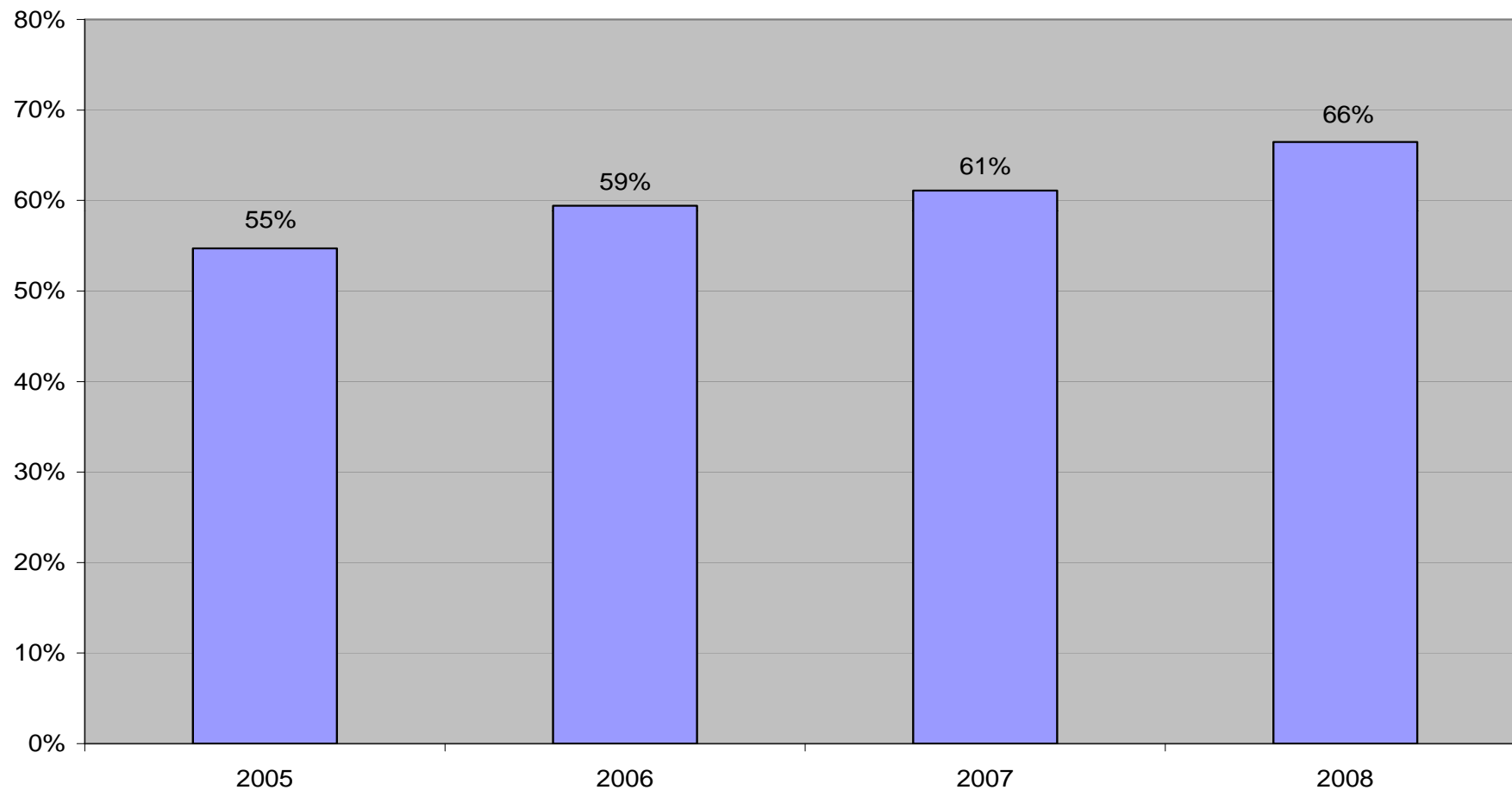


Public service compensation in EU12: 35% under-compensation (average)



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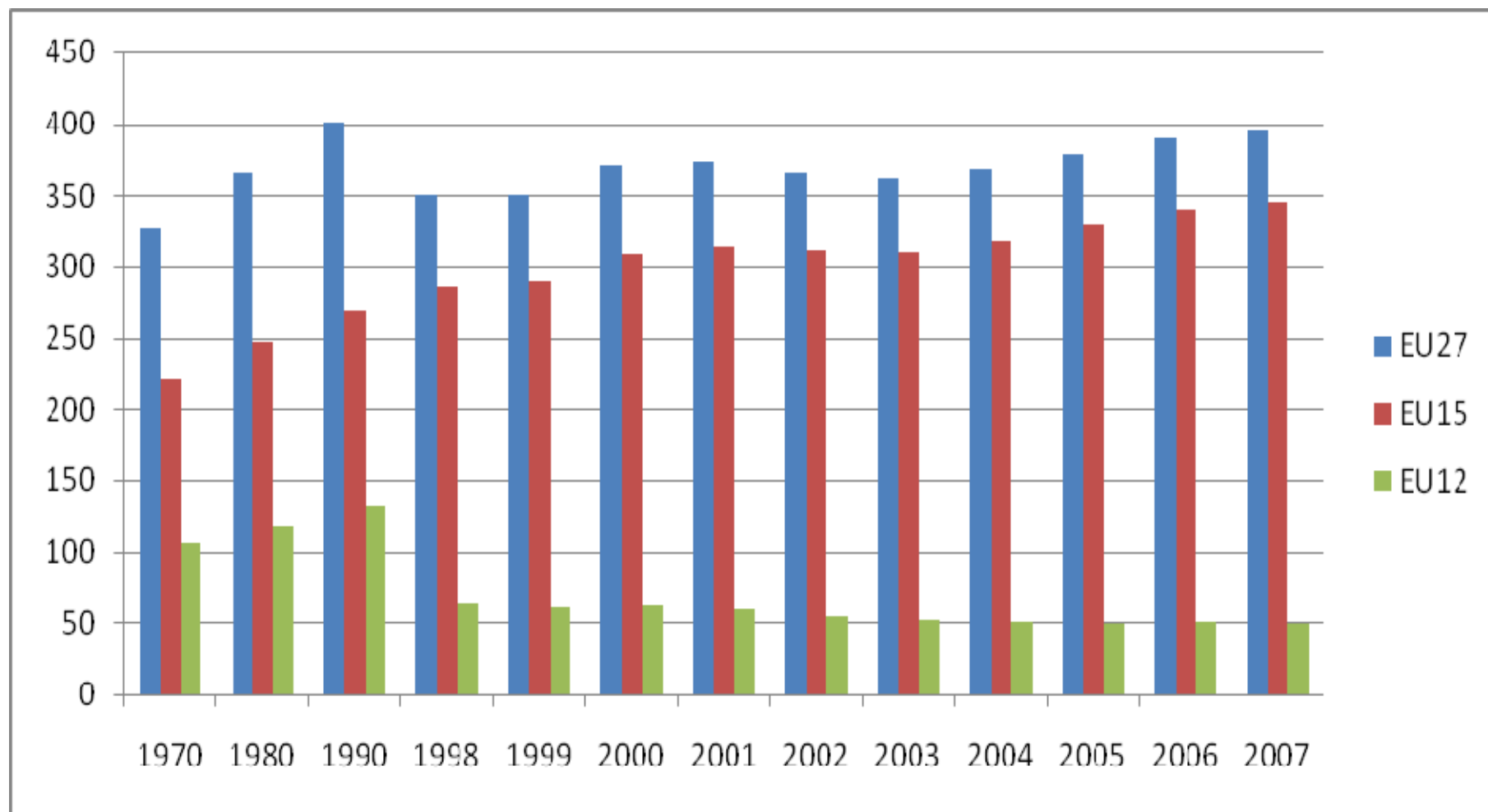
Average State Compensation (as % of difference between expenses and ticket revenue)



European development of rail passenger transport (in Pkm)



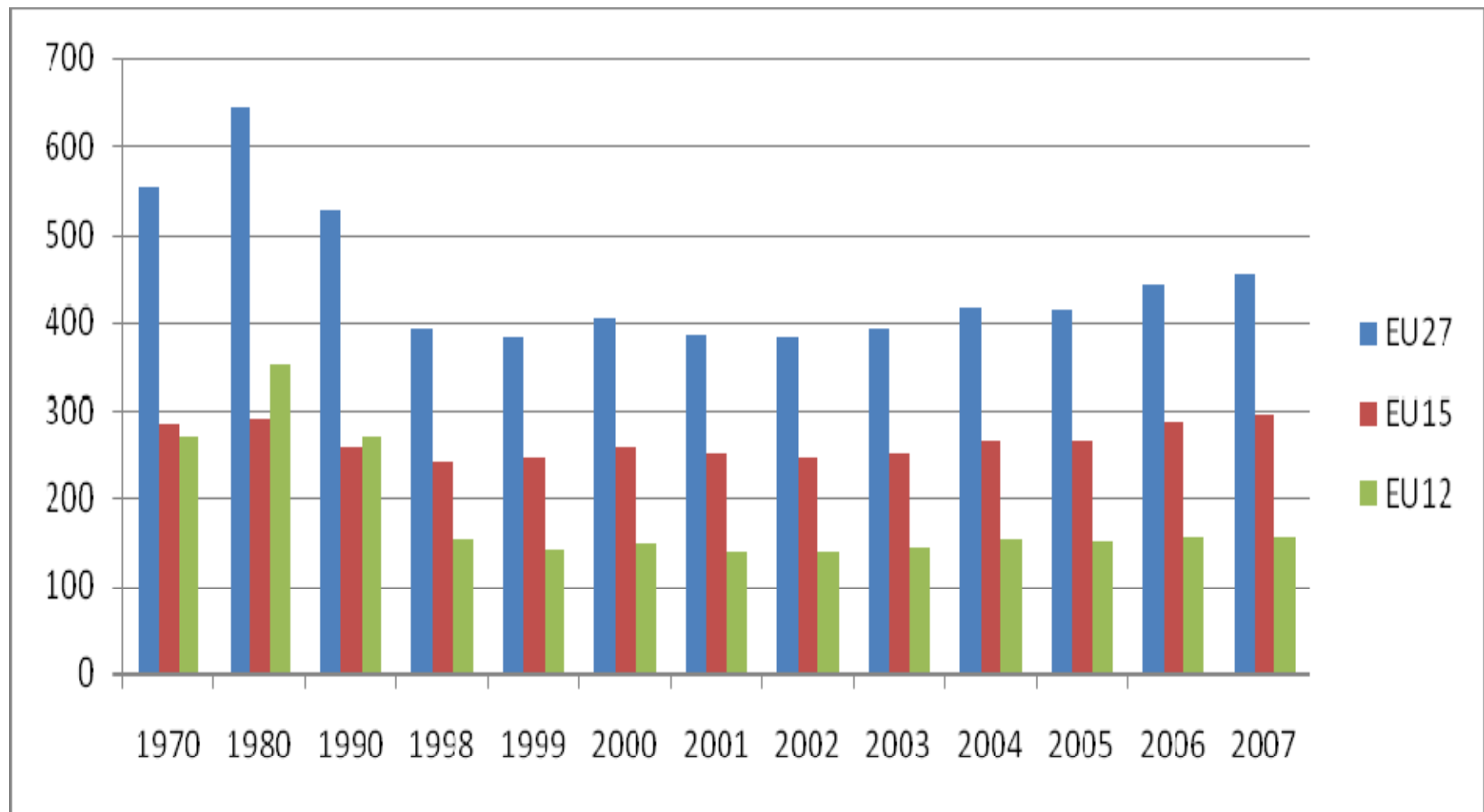
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European development of rail freight transport (in Tkm)



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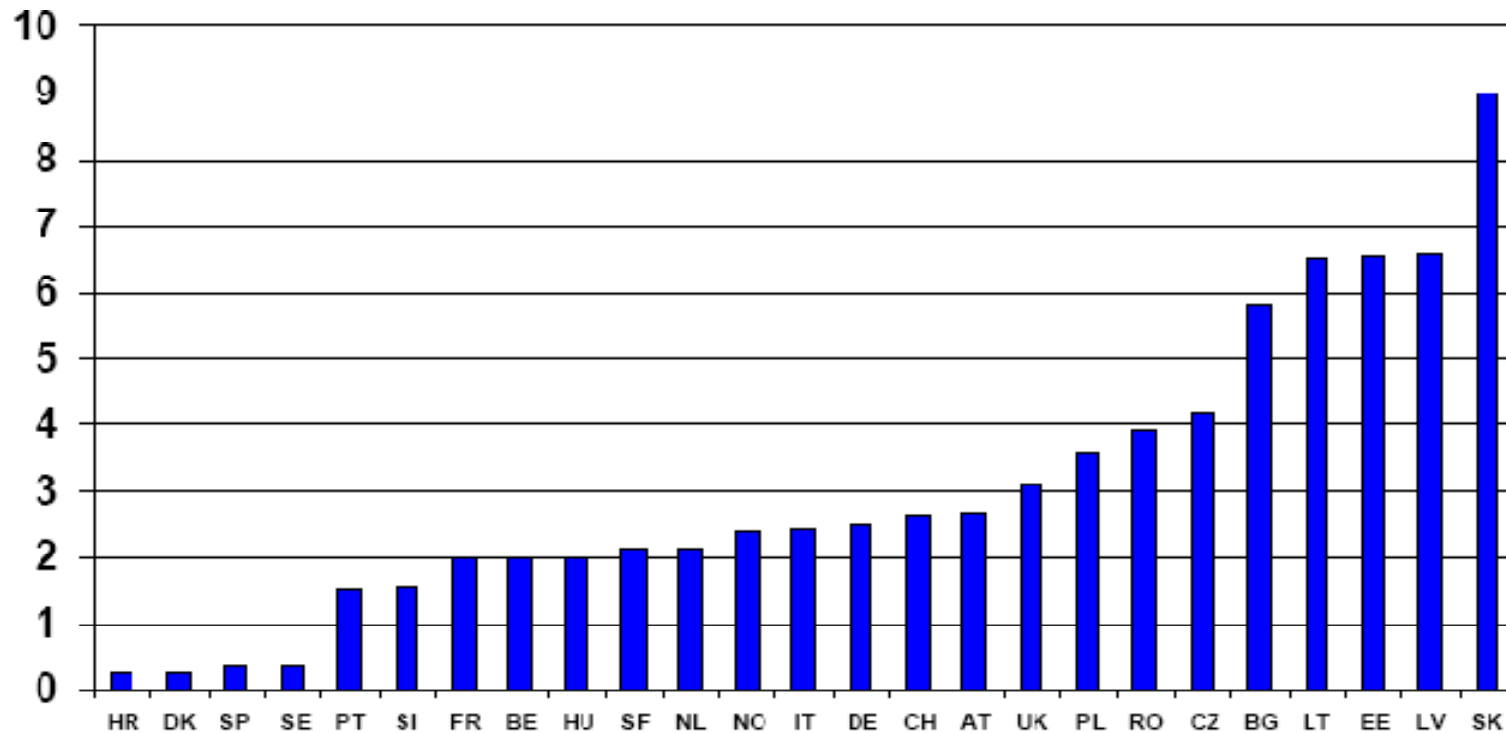


Typical freight access charges € per train-km in 2008



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Access Charges For Typical 960 Gross Ton Freight Train (Euros/Train-Km)



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Intra-modal competition: key measures



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- Separation of infrastructure from operations
- Legal rights of access to EU railway infrastructure for freight
- Non-discriminatory rules for the allocation of paths and for access charges (with appeal to regulator)
- Opening up of international passenger services to follow in 2010

Actual rail market share of largest rail freight operator (%)



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Britain	63
Sweden	67
Germany	83
Poland	83
Italy	88
France	88



Major progress made but... ...several issues remain



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- Allegations of continued discrimination
- Access to facilities such as ports, terminals
- Lack of powers and independence of regulators
- For the most part, these issues require full implementation of EC regulations
- But ultimately further legislation may be necessary (e.g. independence of regulators)
- Also, after 2010 issue remains of domestic passenger traffic

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Key issues

- Implementation of rail infrastructure charging directive
- Eurovignette directive
- Internalisation of externalities on other modes

Internalization of external costs for all modes



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- Currently externalities not charged for in road haulage
- Even the proposed revision to the Eurovignette directive would maintain low caps on charges, would not charge for external costs of accidents and would not be compulsory
- For air, emissions trading is a start, but need charges for noise and local air pollution, and tax harmonisation
- For maritime, internalisation and tax harmonisation yet to be agreed

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Key issues

- Adequacy of investment
- Is funding being used in the most efficient way?
- Particular problems in Central and Eastern Europe (CEE)

Expected sources of finance for TEN-Transport projects (2007-13)



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Source of funding	€ billion
TEN programme	8
Regional Fund	8
Cohesion Fund	35
TOTAL (EU)	51
European Investment Bank loans/guarantees	54
Other resources (mainly national governments)	284
Total	389

Source: European Commission, DGTREN

State spending on rail per track km (Euros 2006)



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Italy	221016
UK	208227
France	191215
Germany	124589
Bulgaria	8453
Poland	8266
Lithuania	853
Romania	147

Source: CER

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White paper targets only partially met:

- Intra-modal competition in freight is developing well
- Inter-modal competition remains distorted
- Inadequacies remain in
 - Investments in infrastructure (maintenance, renewals, new)
 - Compensation for public service obligations
- Rail modal share continues to decline
- Financial situation of railways deteriorates, in particular in Central and Eastern Europe



Urgent need for full implementation of legislation

Lessons intra-modal competition



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- Capitalize on best practice from elsewhere, in particular on infrastructure charges, public service compensation and regulations
- Further regulations may be needed, for example on market opening for domestic passenger services
- Monitor, enforce and evaluate current legislation
- Fair and effective competition requires the complete package of measures, so that railways can benefit from commercial freedom to capture business opportunities

- Financial strengthening of railways required to create a level playing field for competition between modes
- Recast of EuroVignette Directive urgently needed to allow internalization of external costs for road transport sector
- EC must take action to speed up the internalization of external costs for remaining modes (Maritime, air transport)
- Governments must eliminate uneven tax regimes that favor one mode above the other(s)

- Poor rail infrastructure undermines the competitiveness of rail transport
- To maintain affordability of rail infrastructure, investments must be carefully selected, prioritized and appraised, mindful of regional coherence and consistency of rail networks
- Complement large infrastructure investment projects with 'soft components' to optimize the benefits of the investments
- Strengthen procurement, design and implementation capacity of infrastructure managers - only gradually increase the complexity of new projects
- Rail passenger operators must be fully compensated for public service obligations
- Eliminate cross-subsidization from freight to passenger services through transparent cost allocation and accounting

Thank you for your attention!



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→ Paul Guitink
Senior Policy Advisor CEE
Tel: +32 2 213 08 81
Email: paul.guitink@cer.be

→ For further information,
visit our website: www.cer.be

