DIRECTIONS OF RAILWAY REFORM

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Reform is Vital

- Demands of the socialist market are very different from the planned system
  - Market distinctions
  - Commercial objectives
  - Competition is growing
- Globalization (WTO)
- Price of inaction is high
- Basic question: what will be the role of railways in the socialist market economy?
Services, Structure and Competition

- Intercity, Suburban/Regional and Freight focused management
- Commercial management demands clear costing and complex pricing
- Non-core (non-rail and social) driven out
- Organization options emerging:
  - Monolithic
  - Dominant operator, incremental user
  - Infrastructure separation
- Ownership – can be public, private, partnerships
### Directions of Railway Change

#### Private Involvement

<table>
<thead>
<tr>
<th>Structural Change</th>
<th>Public Ownership</th>
<th>Partnerships: Concessions or Franchises Awarded</th>
<th>Private Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integral</td>
<td>China, Russia and India (ministries), MAV, SRT, MZ, others, (SOE's)</td>
<td>Argentina (13), Brazil (9), Mexico (5), Peru (3), Guatemala, Bolivia (2), Panama, Cote d'Ivoire/Burkina Faso, Cameroon, Congo (Brazzaville), Malawi, Madagascar, Jordan</td>
<td>New Zealand, Ferronor (Chile), CVRD (Brazil), A&amp;B (Chile)</td>
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<tr>
<td>Dominant Integral, Separated Minority Operators</td>
<td>Amtrak, VIA, Japan Freight</td>
<td>Mexico City suburban, CONCOR (India)</td>
<td>US Class I, CN and CP, East/West/Central Japan Railways</td>
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<tr>
<td>Separation</td>
<td>E.U. and Chile passenger</td>
<td>Swedish suburban, FEPASA (Chile), LHS line (Poland)</td>
<td>U.K. franchises and EWS, Polish and Romanian freight</td>
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</tbody>
</table>

**Mixtures and partnerships are possible!**
Competition Objectives

- **IN the Market**
  - Parallel tracks
  - Trackage rights
  - Competitive access (EU or Canada)

- **FOR the Market**
  - Exclusive concessions, positive or negative.
VERY WIDE EXPERIENCE WITH CHANGE

- Latin America
- Africa
- EU
- CEE countries
- Japan
- India and Russia

Experience has been strongly (with exceptions) positive
Percent Change in Ton-Km Since Concessioning
Revenue (US$/Ton-Km) Before and After Concessioning

Before Concessioning
After Concessioning

AR FEPSA
AR Roca
AR NCA
AR BAP
AR MGU
BR Nordeste
BR FCA
BR MRS
BR ALL
BR FTC
BR Novoeste
BR Ferroban
Labor Productivity Before and After Concessioning

(000,000 T$/Employee)
LESSONS

- China needs its own approach – no “cook book” solution
- Get objectives and expectations right
- Government function is as important as enterprise function
- Mixed approaches can be best
- Resolving non-rail issues – labor and transfer of non-core – critical to success
- Impossible to do good analysis without good data and appropriate tools