



Turkish Railway Restructuring Program

Transport Forum & Learning Week 2006

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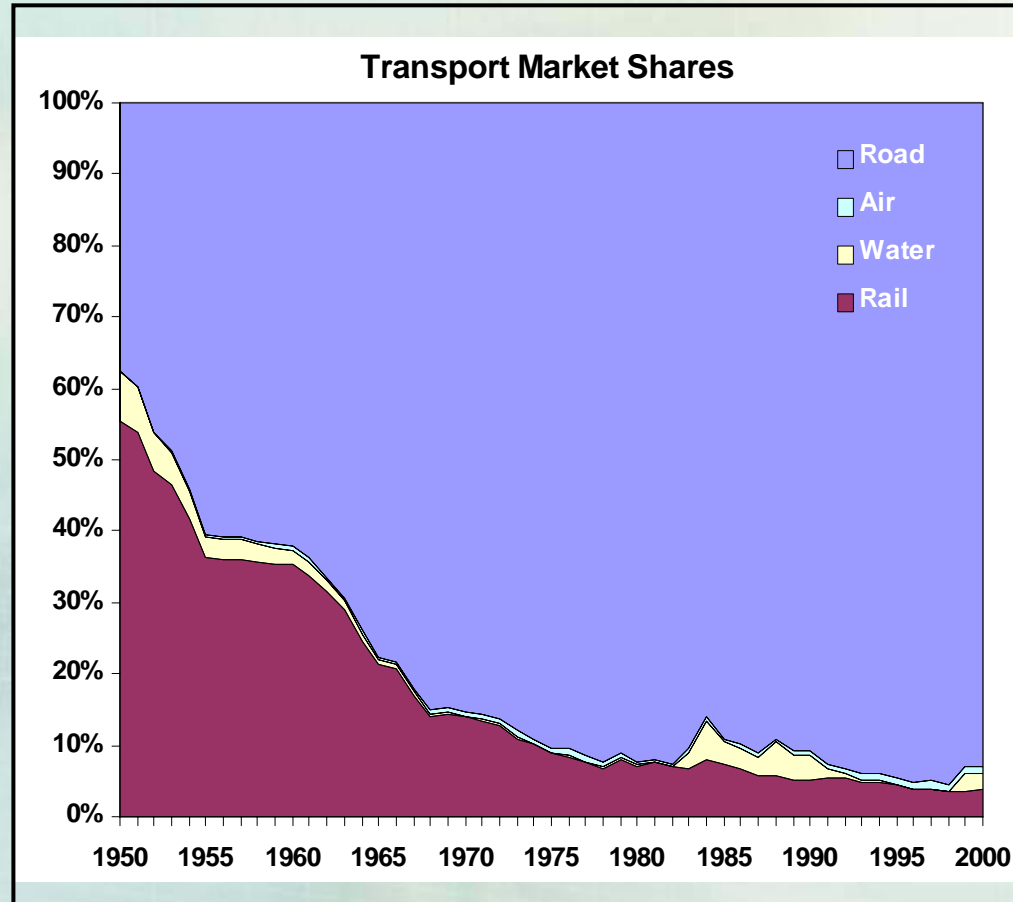
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Rationale for the program: the Turkish rail sector today

- Steady decline for decades
- Residual share in modal split: passenger (4%) and freight (2%)
- State financial support: US\$9 Billion over the period 1993-2004
- Critical level of financial deficit (584 Million US\$ in 2004)





The key reasons for the decline

- ✓ TCDD, the National Railway Company, acts more like a public administration with no incentive toward **client/business orientation**
- ✓ As in many other countries, motorization and **aggressive trucking industry** has been able to respond better to the market demand
- ✓ **Inadequate staff structure and size** (40,000), in addition **to regional-based organization** lead to structural inefficiencies
- ✓ **Deteriorating infrastructure** and **aging rolling stock** results into lack of reliability, frequent derailments and higher maintenance costs
- ✓ **Political interference** in management of railways, e.g., passenger services is the major contributor to TCDD loss making



Some recent positive developments

- ✓ **Political will to reform** boosted by EU accession. A letter of Sector Development Policy was signed in 2004
- ✓ **A new legislative framework** is being designed under a financing from the European Commission (twinning with DB)
- ✓ Increasing road congestion and safety concerns contribute to promote a **modal shift** from the road to the rail
- ✓ There are some **niches for railway freights**, e.g., containers block-trains and transport of oil products
- ✓ **Block-trains scheme** initiated by the management of the TCDD with impressive results...



Railway Restructuring Program at a glance

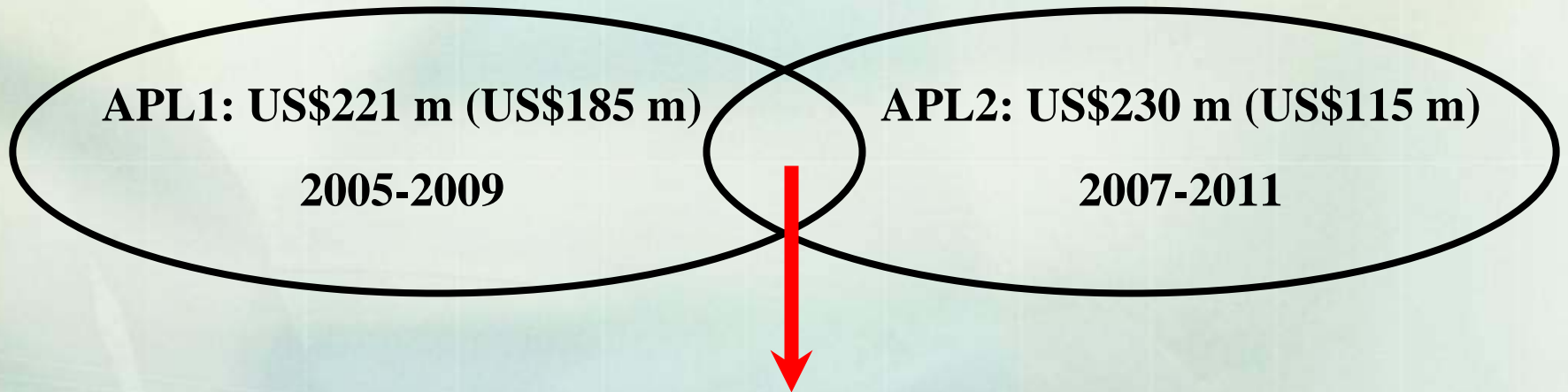
Objective: Improve financial viability, productivity and effectiveness of railway operations

Program development Goals:

- ✓ To reduce logistical costs associated with current inefficient railway services
- ✓ To gradually decrease financial support from the national budget
- ✓ To shift freight traffic from road to rail
- ✓ To improve safety and security for train passengers



Adaptable Program Lending (APL)

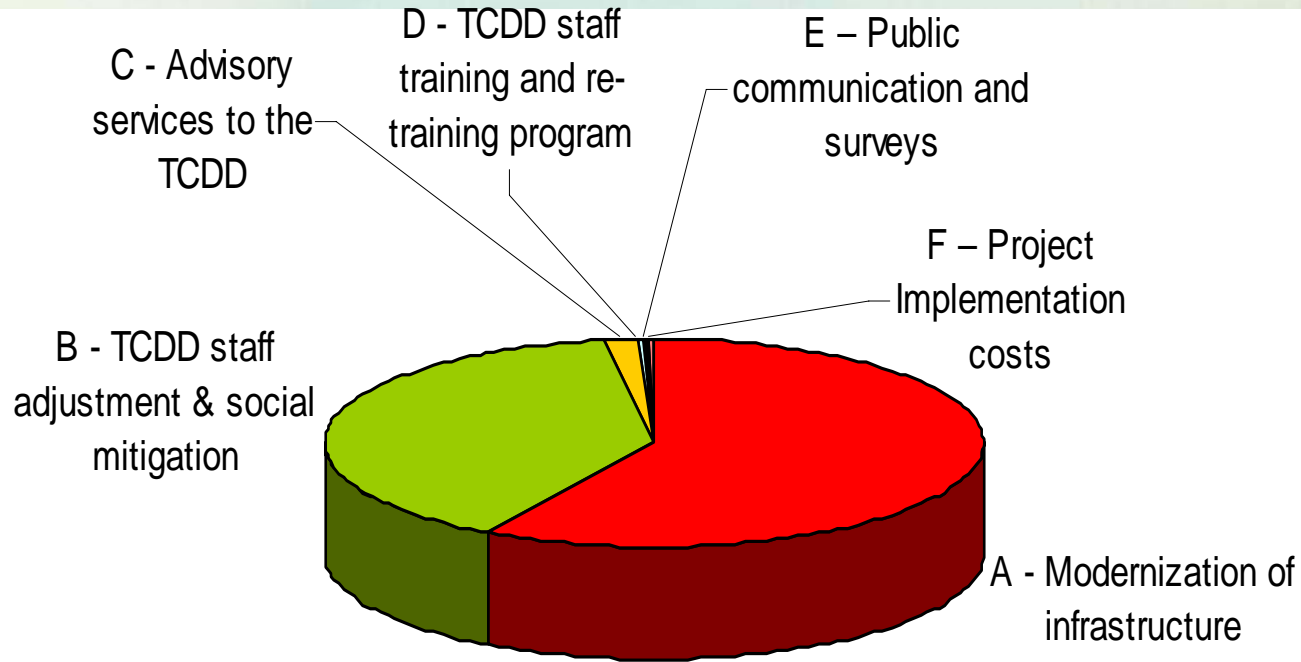


Triggers:

1. New railway and TCDD Laws enacted
2. From “region-based” to ‘line-of-business’ organization
3. Railway staff reduced in a socially acceptable way
4. Ports separated from the railways
5. Various thematic studies completed

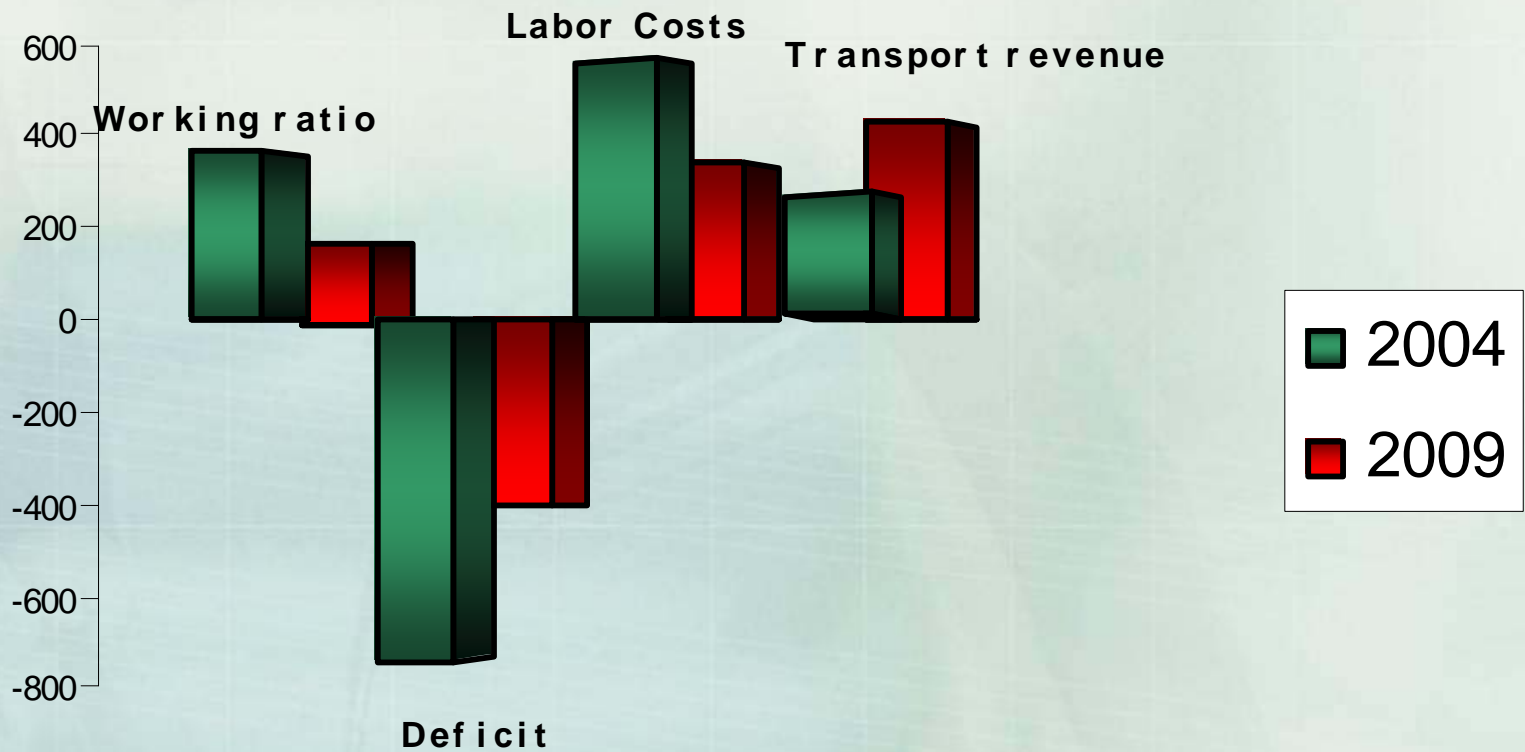


Project Costs





Expected project results... just a beginning!



Freight traffic density map

TCDD Freight Only Traffic Density



Red lines specifically subsidized in 1976



Questions?

