

POSITION OF RAIL TRANSPORT IN EU COMMON TRANSPORT POLICY

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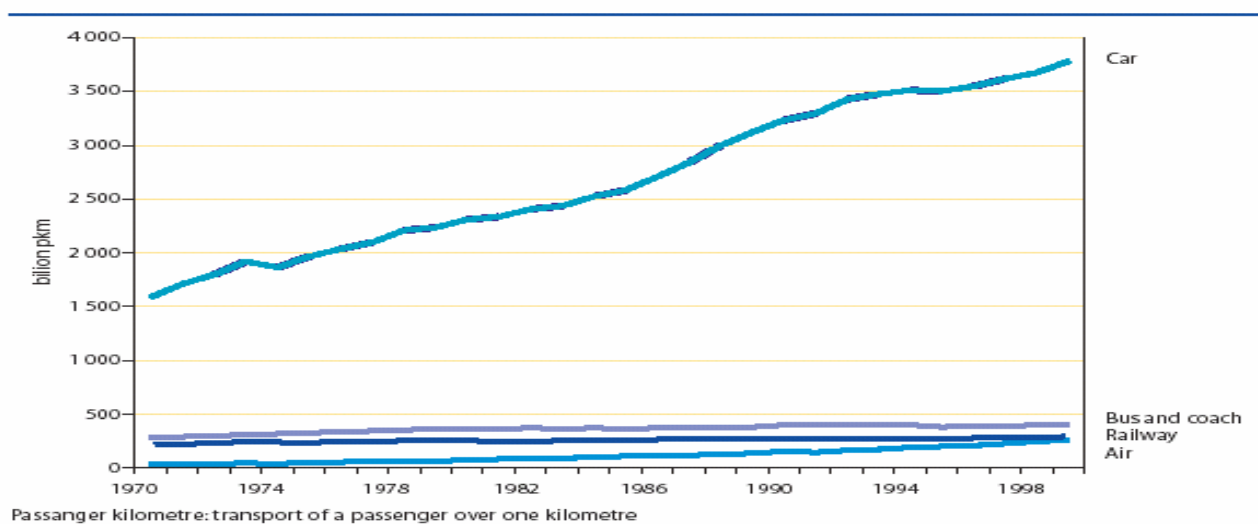
The article deals with the position of rail transport in EU Common transport policy. We describe the decreasing significance of rail transport in satisfying of transport needs in both rail and freight transport. We point out the causes of this development and highlight the areas in which, according to us, the changes are necessary to be done in order to stop and reserve this negative development.

Key words: rail transport, EU common transport policy,

1. Changing significance of rail transport in satisfieng of transport needs in EU

Rail transport began in the first half of the nineteenth century and rose to be the primary means of transport by the beginning of this century. Then the advent of motor vehicles powered by internal combustion engines began to eat into that dominance. Since the end of the Second World War, the role played by rail in the transport market has been in constant decline.

The declining share of passenger transport in EU passenger transport market is showed in Fig. 1.



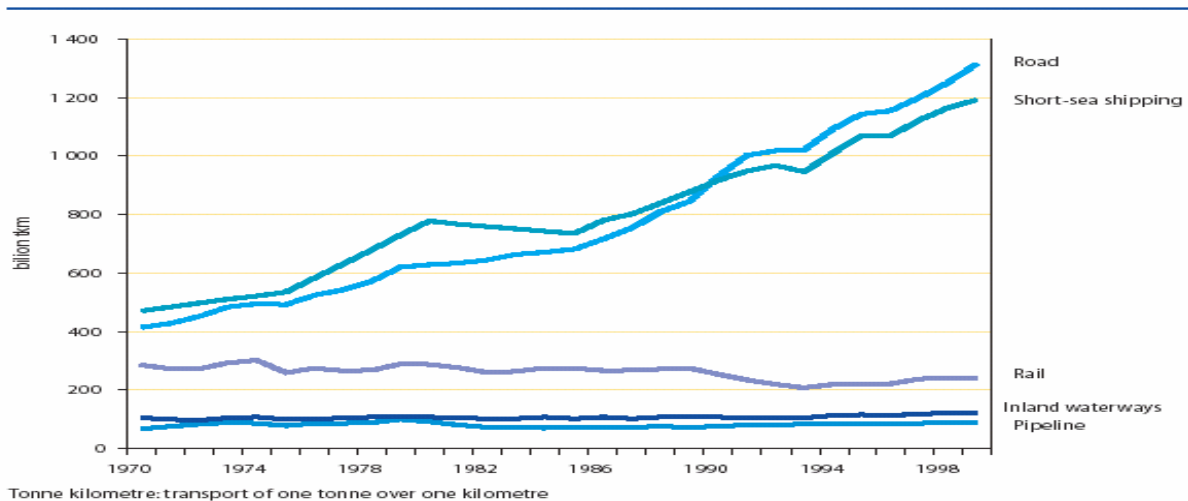
Source: White paper - European Transport Policy: Time to Decide, European Commission, Luxembourg: Office for Official Publications of the European Communities, 2001, 119 pp., pp. 22. ISBN 92-894-0341-1

Fig. 1. Passenger transport – Growth of tariffic by mode of transport, EU-15, 1970-1999

The declining share of rail freight transport in EU freight transport market is showed in Figure 2.

“Between 1970 and 1998 the share of the goods market carried by rail in Europe fell from 21.1 to 8.4 % (down from 283 billion tones per kilometer to 241 billion), even though the overall volume of goods transported rose spectacularly. But while rail haulage was declining in Europe, it was flourishing in the USA, precisely because rail companies were managing to meet the needs of industry. In the USA, rail haulage now accounts for 40 % of total freight compared with only 8 % in the European Union, showing that the decline of rail need not be inevitable.”¹

¹ White paper - European Transport Policy: Time to Decide, European Commission, Luxembourg: Office for Official Publications of the European Communities, 2001, 119 pp., pp. 26., ISBN 92-894-0341-1



Source: White paper - European Transport Policy: Time to Decide, European Commission, Luxembourg: Office for Official Publications of the European Communities, 2001, 119 pp., pp. 23, ISBN 92-894-0341-1

Fig. 2. Goods transport – Growth of traffic by mode of transport, EU-15, 1970-99

Where do these general developments lead? According to European Commission if recent trends are extrapolated for the next ten years, the railways' share of the passenger market would fall from 6 to 4%, although the absolute quantity of traffic might rise slightly. The railways' share of the freight market would drop from 16 to 9%, with volumes remaining approximately static. Moreover, decline in market share needs to be seen in the light of a predicted expansion in passenger transport of 40% and freight traffic by 30% over the same period.

Causes of decline

- The main reason is dissatisfaction with the price and quality of rail transport, despite encouraging examples of new services. Rail is felt not to respond to market changes or customers' needs, as other modes do.
- Pervasive state regulation. In fact the railways have been largely insulated from market forces. Governments have a certain responsibility in that they often did not allow sufficient managerial independence and imposed obligations without compensating fully for the costs involved; they also failed to set clear financial objectives but subsidized losses or let debt pile up. The railways were spared difficult decisions, but this ill prepared their long term future.
- The rise of other modes that offered more flexible and less expensive transport: buses, lorries and the private car. Citizens and businesses increasingly turned to road transport. The railways did not find new freight markets to compensate for this loss, offering services often considered inflexible, unreliable and expensive, even in the sectors where they could be competitive.
- External cost of transport. These costs are often higher for road transport than for other modes, so that the conditions of competition favor road and work against more environmentally friendly modes. This issue was discussed in more detail in the Commission's Green Paper "Towards fair and efficient pricing in transport". *"While this is an important issue, it is an illusion that charging for the external costs of transport would in itself be sufficient to lead to a resurgence of interest in rail. Cost is certainly one consideration when making a transport choice, but there are many others such as speed, reliability and flexibility of service."*²
- Non-existence of internal market in rail services at the Community level. It means that national rail operators have provided transport services "nationally"- only between the national frontiers.
- Another reason for decline was the inadequate adaptation of the rail network to new patterns of economic activity and urbanization and the consequent changes in traffic flows. While the capacity and quality of infrastructure did not properly meet new needs, little used infrastructure was kept open

² COM(96) 421, White paper: A Strategy for Revitalising The Community's Railways, 30.07.1996, pp. 44, pp. 9,

and became a burden on finances. Although major investments have been made in recent years and others are planned, there was little attempt to improve railway infrastructure as the motorway networks were built; this helped worsen the imbalance between modes.

2. Are railways condemned to death?

The increasing congestion, environmental problems, traffic noise, and the growing opposition to the unchecked development of new road infrastructure has led to growing dissatisfaction of that development. The social impact of transport, both of goods or passengers, can be significantly reduced if greater use is made of rail rather than road.

“The railways should be more efficient, customer oriented and attractive to users, but less expensive and requiring fewer subsidies. The goal should be to make rail as attractive to use as other means of transport.”³

The European Commission believes that the further introduction of market forces is the most effective means of creating a railway that can compete with other modes of transport.

2.1. Revitalization of railways

A new kind of railway is needed. It should be first and foremost a business, with management independent and free to exploit opportunities, but answerable for failure. There are changes needed in the following areas:

2.1.1. Free and responsible management

New regulative framework that fosters initiatives and allows creative responses to business opportunities is required. States have usually denied railway enterprises the freedom of a commercial business. This must change. Management of the railways must bear a large degree of responsibility for the decline which has taken place. The method will vary and is for individual managements to decide, but the result will be more efficient and productive railways. Some railways may focus entirely on their core business of operating trains. Others may choose to enter into partnerships, for example with road haulers or logistics companies and offer door-to-door intermodal services. Some may operate across Europe providing seamless services, while others may concentrate on local services. However, if they are to survive, all railways must focus on what their customers want and on how they can satisfy these needs.

2.1.2. New financial organization

The traditional financial organization of the railways, however, would have hastened their decline, even if everything else had worked in their favor. State support met deficits but was not focused on clear objectives. Financial objectives were obscure and incentives to management lacking, commercial pressures did not work to check deficits and borrowing as they should do. Allocation of costs and revenue was inadequate. It was often hard to tell whether a service made or lost money. Investment, although on a large scale, often did not meet business needs and was a drain on finances. Borrowing was usually limited by ceilings on borrowing by the public sector but, paradoxically, was often less constrained by the credit-worthiness of the borrower. At the same time, the State imposed obligations, directly or indirectly without necessarily defining them clearly or compensating the railways fully and directly. The railways should finance their operations without transfers from the State,

This must change. Railway enterprises must become business companies fully responsible for their financial situation. Member States should pay full compensation for public services and relieve railways of the burdens of the past. This with the previous management freedom will create precondition for sound financial structure.

2.1.3. Liberalization of rail transport

The extension of access rights to infrastructure would allow new railway enterprises to enter the market. To help ensure that access rights are effective, it will propose the separation of infrastructure management and transport operations into distinct business units. Open access to railway infrastructure would allow the entry of new operators offering new and better services. This competition would stimulate established operators to improve their performance, reduce costs, improve service quality and develop new products and markets. Open

³ Ibid 1, pp. 6.

access would also allow transport enterprises to develop the services needed in an area without frontiers and to find new markets. The introduction of market forces could improve domestic passenger transport, just as it could international passenger and freight services.

2.1.4. Integration of national systems

The railways developed on national lines, which resulted in difficulties in operating across frontiers. They were, and usually are, operated by national companies whose prime concern is the domestic market. Operating rules and technical standards are largely defined at national level, so that procedures diverge and a huge, diverse stock of infrastructure and rolling stock exists. This has caused a fragmentation of both the railway system and the supply industry, a fragmentation that still exists. It is one reason for the failure of the railways to raise their performance as rival modes have in recent decades. Differences in technical standards and operating rules have complicated interoperability and helped split the supply industry into a set of national companies serving national markets. In July 1996, the Commission's proposal for a directive on the interoperability of high speed rail¹² was adopted. This will create a process for setting mandatory technical specifications that both serve as references for public procurement and permit interoperability and contribute to the creation of a single market.

2.1.5. Trans-European rail freeways for freight⁸

Advisory group of railway operators, transport companies and unions recommended to the Commission that it promote the creation of a number of trans-European rail freeways for freight. The idea is that the Commission would encourage Member States to select a number of promising routes, after consulting infrastructure managers, railway enterprises and freight shippers. The infrastructure managers located along a given route would, together and at the same time, open access to the infrastructure for all freight services. They would jointly raise the priority given to the freight in the allocation of train paths and ensure that infrastructure charges were fair and attractive to freight operators. They would also reduce the minimum delay at frontiers caused by administrative procedures.

Open access should attract new operators and the single point of contact would vastly simplify obtaining train paths. The overall result will be an expansion of the total value of rail freight business with benefits for all operators.

2.1.6. More effective regulative framework

The regulation of railway transport is particularly complex. It covers licenses, infrastructure charges, allocation of train paths, safety certificates for specific services, interoperability, technical standards, conformity assessment, working conditions and so on. It also depends on a number of actors: the Community, governments, public agencies, international bodies and, given a tradition of self regulation, the railway companies themselves. It is the most important point because it determines incentives of all involved in rail transport. The ineffective national regulative framework was the main cause of inefficient and uncompetitive national rail transport. For this reason great attention must be paid to its formation in order to avoid repeating the same mistake on the Community level.

Conclusions

The aim of EU Common transport policy is to encourage sustainable mobility of people and goods, greater transport efficiency and better balance between transport modes. We have presented the declining significance of rail transport in satisfying transport needs, analyzed the reasons of that development and presented areas in which according to us the changes must be done.

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