

Current Investment Issues in European Rail Policy

Paul Guitink
CER Sr. Policy Advisor for CEEC

UEEIV Bucharest, June 21, 2007



**CER representing the European
railway community**

EU policy on rail and situation in CEEC

Tackling the infrastructure funding problem

Establishing rail freight corridors

**Railways and environment – new
opportunities**

CER - representing the European railway community

- 63 railways and infrastructure companies
- from entire European area (including also Switzerland, Norway, EU accession states, and aspirant EU members)
- associated with railways beyond Europe (Georgian railways)



Private / State owned • Integrated / Separated • Freight and/or Passenger • East / West • National / Across borders • EU / EU neighbours / EFTA

**CER representing the European
railway community**

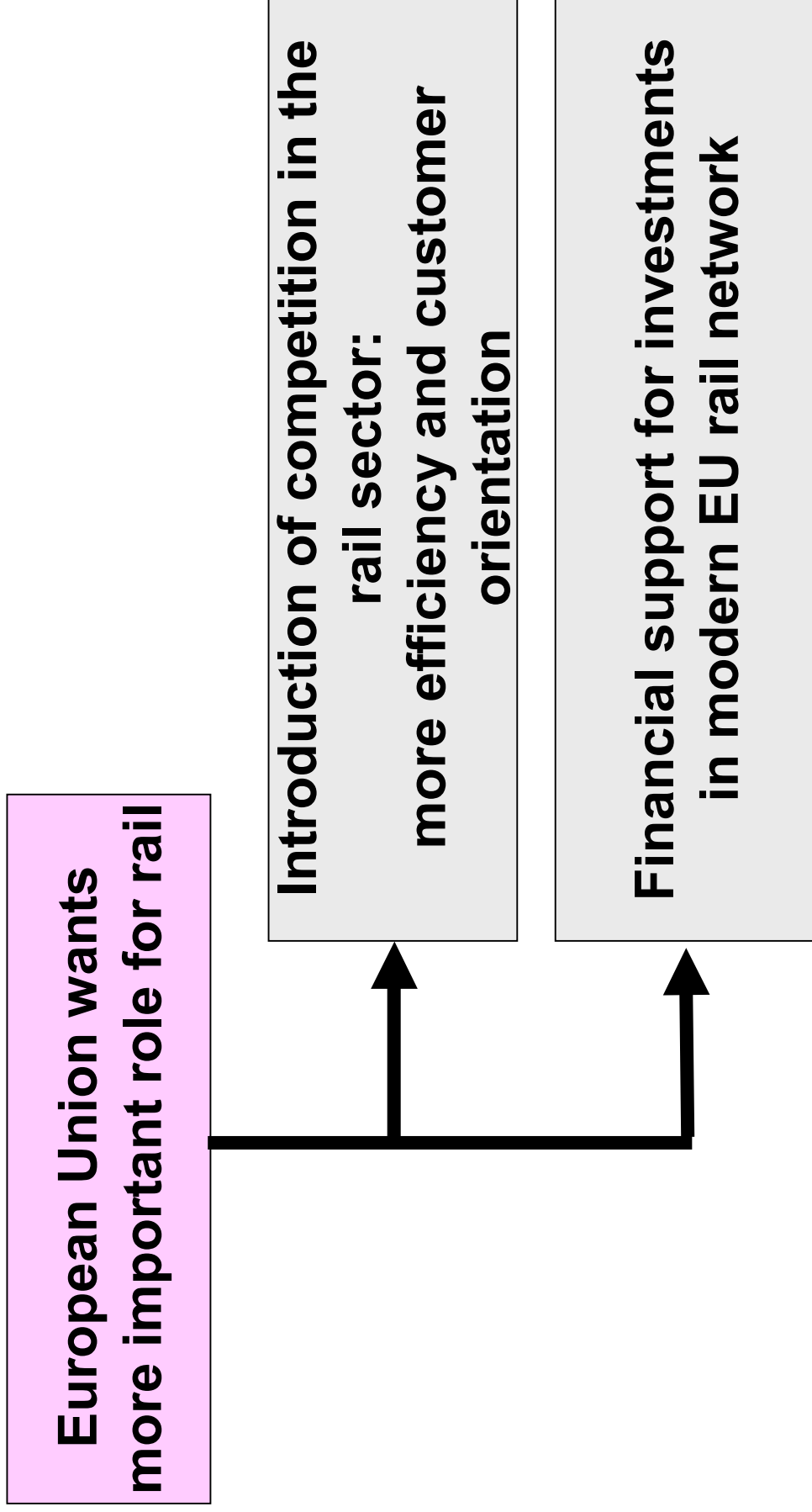
EU policy on rail and situation in CEEC

Tackling the infrastructure funding problem

Establishing rail freight corridors

**Railways and environment – new
opportunities**

EU gives high priority to rail



In CEEC delays in implementation of EU legislation lead to financial instability in CEEC

- **Problems in CEEC have been acknowledged by the European Commission**
- **EC Report on implementation of 1st Railway Package mentions as problems in new Member States:**
 - 1. cross-subsidies between freight and passenger operations continuously taking place,*
 - 2. freight track access charges are too high, government network contributions are much too low*
→ *networks deteriorate*

Reduce financial instability

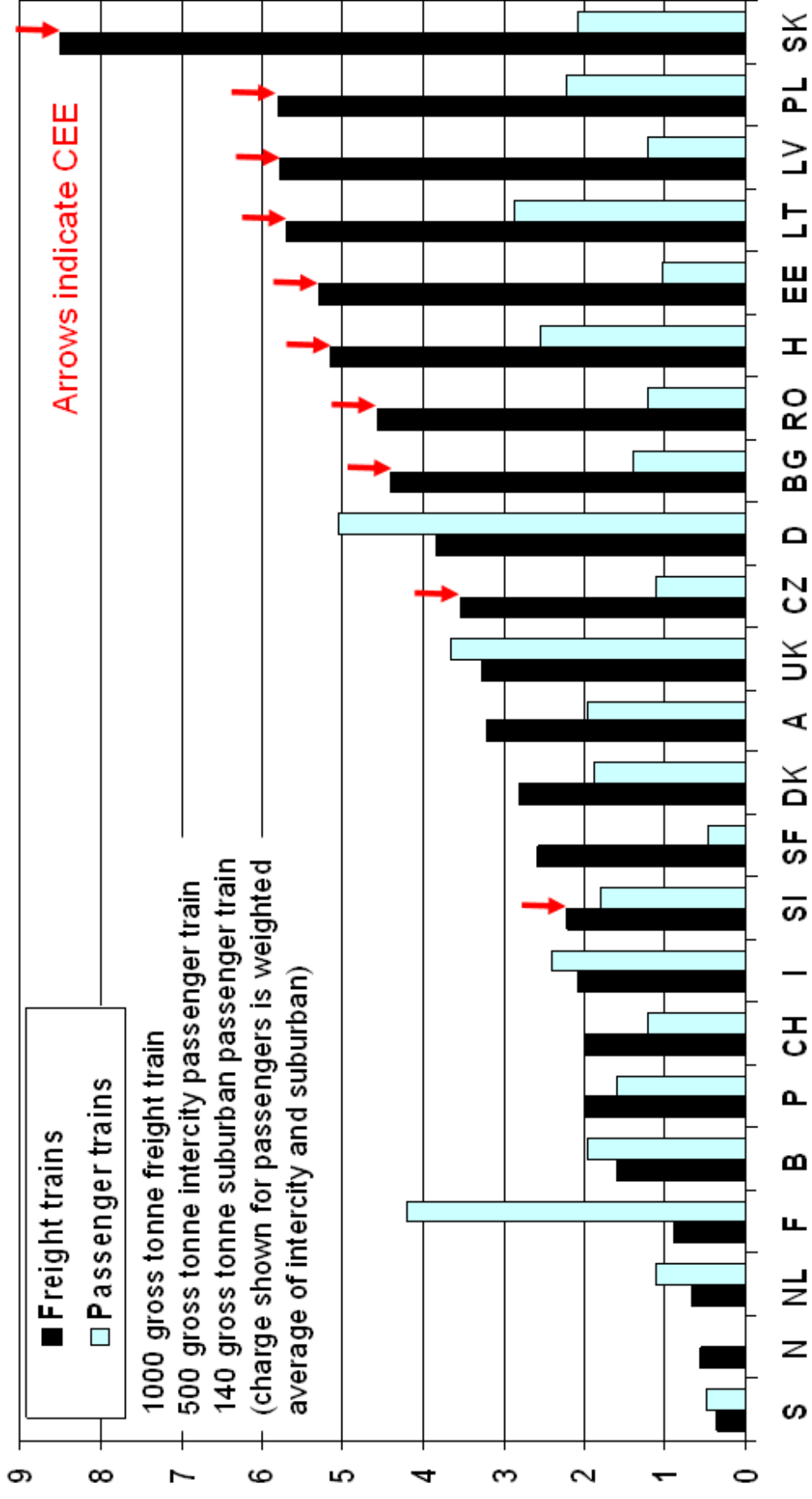
Causes for financial instability:

- 1. steep decline in demand, causing low productivity of networks, labour and assets**
- 2. public service obligations not being fully compensated**
- 3. historic debt**

Solutions offered by EU legislation:

- 1. Obligation to establish financial stability (91/440)**
- 2. Obligation to compensate railway companies for losses from public services (1191/69)**
- 3. Obligation to balance costs and revenues in relation to network exploitation (2001/14)**

High track access charges for freight



Source: ECMT, 2006

RailCalc - Commission study on track access charges

Objectives and timing of the study

- Develop a best practice guide to set and verify compliance of rail infrastructure charges with the rules of Directive 2001/14

The study:

- could lead to a review of the Directive 2001/14, or guidelines on the subject
- focuses on the structure of the charges, not the level

Start: ongoing – Finish: March 2008

**CER representing the European
railway community**

EU policy on rail and situation in CEEC

Tackling the infrastructure funding problem

Establishing rail freight corridors

**Railways and environment – new
opportunities**

Infrastructure – tackling the funding problem

Mid-term review (June 2006) of the European Commission's 2001 White Paper has correctly identified the problem:

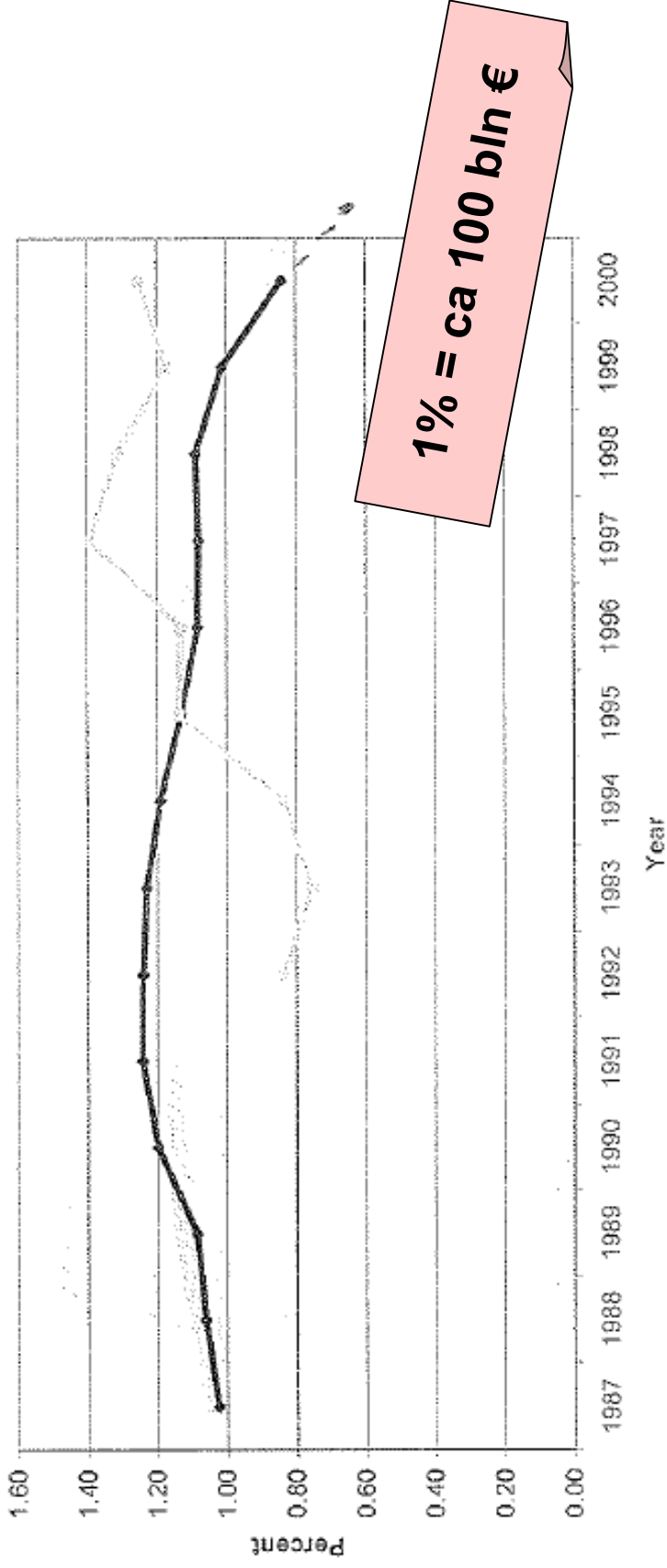


“...the level of investment in transport infrastructure has fallen in all Member States and now amounts to less than 1% of GDP.”

But the economic developments of Europe needs new solutions to solve the infrastructure funding problem!

The average transport infrastructure investment share in GDP had gone down to ca 0.8 per cent

Average Transport Investment as Share of GDP 1987-2000



—●— Long Standing Member Countries ····· Extended Group of Accession Countries

Source: ECMT: Investment in Transport Infrastructures, 2000 report

Infrastructure – tackling the funding problem

Conclusion:

- increasing transport demand ↔ decreasing financing i.e. dramatic under-financing of necessary land infrastructure (road + rail) in EU
- EU politics has analysed the problem
 - **but has not offered any solution so far**

▶ WAY OUT:

step by step internalisation of external costs into transport prices

▶ EFFECTS:

- introduction of market conform prices (user/polluter pays principle)
- fair conditions for inter-modal competition
- additional financing for land infrastructure

NOT TO FORGET: Switzerland today
shows that this concept works efficiently!

Efficient use of rail infrastructure is needed: A rail network adapted to the needs of rail freight

Solution: a Primary European Rail Freight Network

- Current problems:**
- **Shared network** → optimised for passenger services
 - **Increasing congestion** → cause of most rail freight quality problems



Objectives:

- Relieve rail bottlenecks and give **more capacity** to rail freight
- Increase **rail freight productivity** by adjusting key parameters (train length, axle load, loading gauge, speed, train weight...)
- **Optimise connections** with logistics centres, ports, etc.

**CER representing the European
railway community**

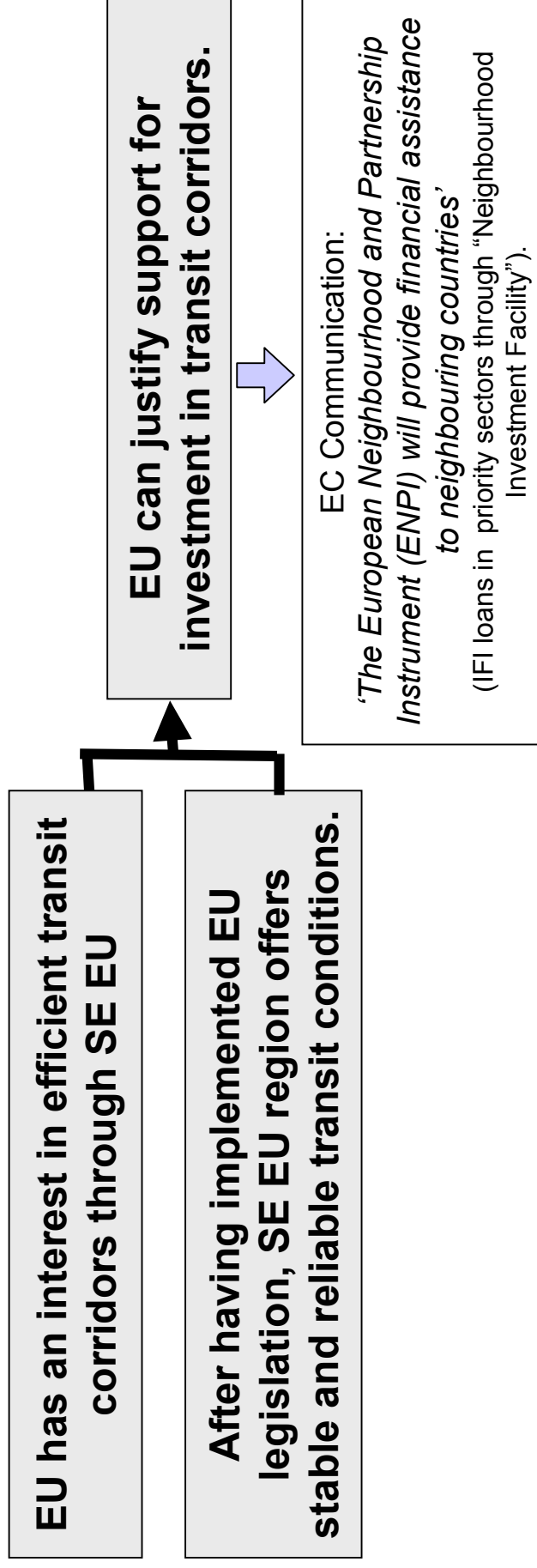
EU policy on rail and situation in CEEC

Tackling the infrastructure funding problem

Establishing rail freight corridors

Action list

EU support for upgrading corridors



Actions in 2007:

- Liaise with EC: *How should Neighbourhood Investment Facility be implemented?*
- Ensure that corridor feasibility studies explicitly quantify EU benefits.

Developing regional cooperation

**SEETO, World Bank and EC efforts will be continued.
Railways must define what they need and what they want.**

Actions in 2007:

- Liaise with Ministers, EC and IFI's to ensure that EU legislation is smartly implemented. (How to handle separation of accounts, regulatory office, safety authority, licensing authority, accident investigation authority, notified bodies etc. in small countries?)
- Identify the investments where regional cooperation brings efficiency or saves costs.
- Harmonise technical, administrative and track access conditions (Common Network Statement)
- *A special EC coordinator for the South East Europe axis?*

**CER representing the European
railway community**

EU policy on rail and situation in CEEC

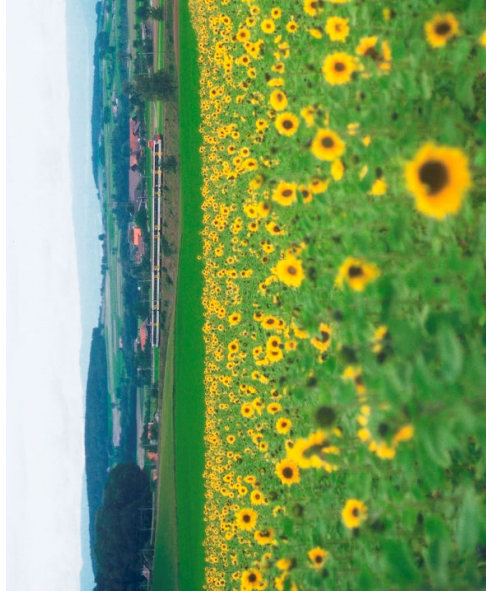
Tackling the infrastructure funding problem

Establishing rail freight corridors

**Railways and environment – new
opportunities**

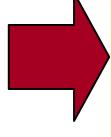
Negative effects of climate change will soon become irreversible – incentives for cleaner modes needed

Support clean rail transport



The facts

- Railway sector plays a key role in reducing CO2 emissions and is steadily improving energy efficiency
- We need a balanced mix of instruments supporting environmentally friendly transport modes



Urgent need to design an integrated EU transport, environmental and energy policy!

Railways and Environment – key messages to be addressed

Cost of environmental/climate damage needs to be taken into account

- **Emission trading scheme for transport sector**
- **Internalisation of external costs**
- **Fuel taxation**

Cost Transport policy shall create appropriate framework conditions soon

- **Tolls in agglomerations**
- **Road tolls**
- **Infrastructure investments - rail**

