



The Voice
of European
Railways

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EC Public Consultation on TEN-T in Wider Europe (Streamlining Traffic between EU and Third Countries)

I. General Introduction:

For the railways in the new EU Member States, the EU Candidate Countries and Finland the traffic with their bordering non EU Member States – the so-called *Third Countries* – is of great importance. Rail freight with Third Countries amounts nearly 200 million tons per year and represents over 40% of all rail freight in the new EU Member States. In addition rail freight is of great importance for the entire EU, because of the vast volume and value of industrial raw materials, oil and chemical products, industrial products and consumer goods transported by rail.

The CEOs from railway companies in Central and Eastern Europe pressed for the special attention of the Director General for Transport and Energy (DG TREN) to their traffic to and from Third Countries in a meeting on 25 June 2004. In response the DG invited the CEOs to specify constraints and to suggest possibilities for streamlining traffic with Third Countries. In follow up to this invitation CER has circulated in the autumn of 2004 a questionnaire to its members in Central and Eastern European Countries (CEECs).

This document contains the CER response to the EC Public Consultation on TEN-T in Wider Europe. The response is based on the above mentioned questionnaire, which was followed up by a series of specific questions, whilst taking into consideration traffic forecasts until 2020. A meeting with representatives of the CER members involved took place on 22 March 2005 in Brussels to conclude on the contents of this paper.

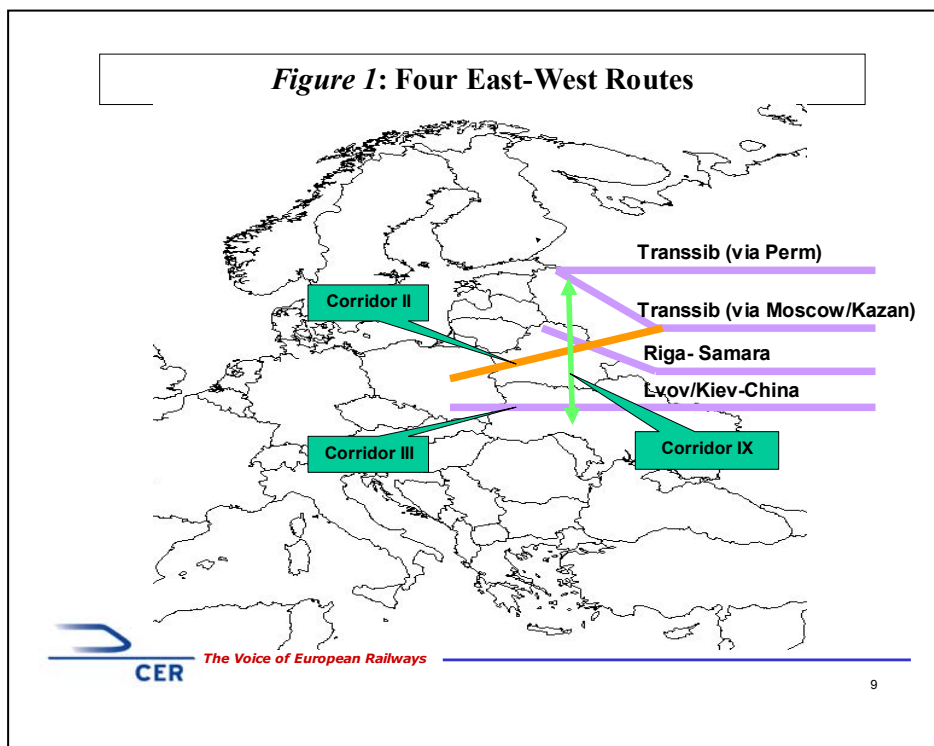
II. North East Europe region

II.1 Major Axes

In 2004 about 125 million tons of cargo with origins in Third Countries was transported by rail to ports in the so-called Baltic States (Estonia, Latvia and Lithuania). For each of these new EU Member States it is forecasted in the TEN-STAC study that rail freight flows will increase substantially until 2020 (80 – 150 %), provided the capacity of the systems on the territory of these States is increased and bottlenecks in the neighbouring Third Countries are eliminated¹. Particularly in the Baltic region it is evident that development of rail links is interconnected with efforts to develop “Motorways of the Sea”.

In comparison with the traffic through the Baltic States the flows to/from Poland, Finland, Slovakia and Hungary are in tonnage more modest, while the same applies for the growth forecasts. In total these flows amounted in 2004 to about 50 million tons of which about 12 million tons concerned raw materials to steel works in South East Poland and East Slovakia, about 8 million tons export of oil via ports in Finland and the remaining 30 million tons industrial, consumer and other products; often containerised and with a larger proportion of flows in both directions.

About 90 % of all the rail freight between EU and Third countries in the North East Europe region flows from the East to the West. These flows follow basically four East-West routes (The transsib via Perm passing North of Moscow to St-Petersburg, the transsib via Moscow, Riga-Samara passing South of Moscow and Lvov/Kiev to Kazakhstan/China). Pan-European Corridor-III connects Poland via Lvov/Kiev to Kazakhstan/China. Pan-European Corridor-II forms the shortest connection between Moscow and Warsaw/Berlin and crosses the route Riga-Samara. Pan-European Corridor-IX crosses and interconnects the four East-West routes (see Figure 1.)



Characteristic for the region is the rail gauge of 1524 mm and common technical standards for the rail way systems in countries belonging formerly to the C.I.S. That means that in all these countries

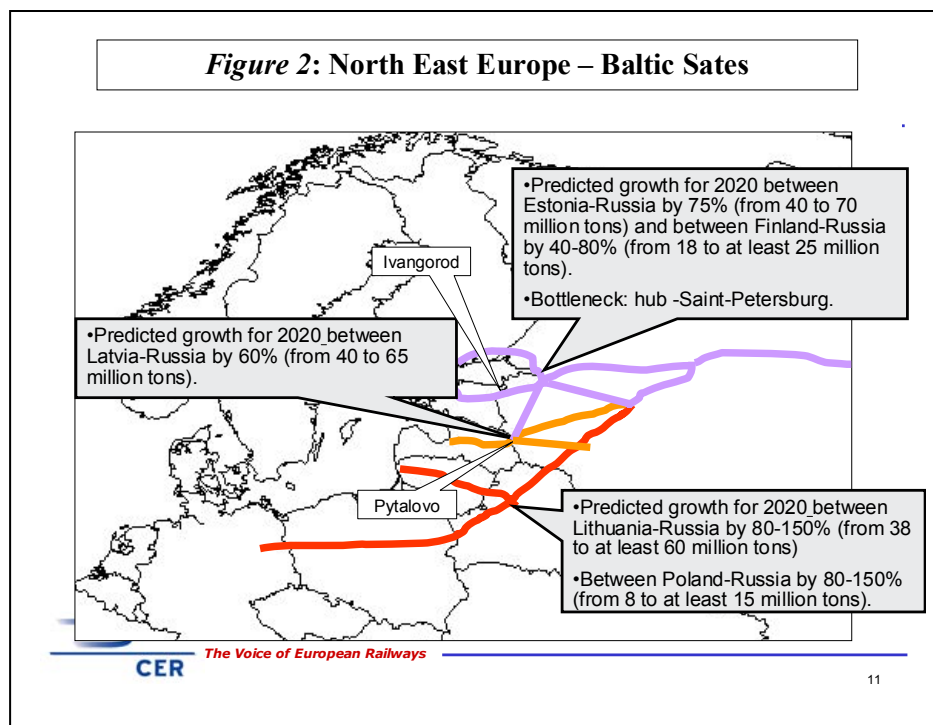
¹ In their business plans the railway companies plan investments for upgrading the capacity by ca. 50 % in 2012.

the railways are fully interoperable, but also implies the need for reloading of freight at border terminals with EU Countries (except the Baltic States and Finland)².

II.2 Investments in infrastructure

The strong growth of rail freight in the region requires that measures are taken to accommodate the growth both in the EU countries as well as on the territory of EU neighbours. The expected growth requires that the capacity of all routes in the region is effectively used. Whereas in most Central and Eastern European countries an overall decline of freight traffic in the range of 40 to 50 % has been reported after 1990, it is remarkable that traffic on international routes in the North East Europe region are virtually back at the level of 1990. Hence they are as high as they have ever been.

A vast share of the West-bound freight as referred to above follows the four above mentioned East-West routes. Already steep growth of traffic on these routes is reported and further growth is forecasted³. CER members indicate that these corridors in general have sufficient capacity, but that capacity is constrained by sections of the network near main nodes such as around St. Petersburg (e.g. between Ivangorod and St.Petersburg connecting Estonia with the Russian network and at Pytalovo shunting yard on the line between Latvia and St.Petersburg) (see figure 2). For West bound rail traffic to make optimal use of transport infrastructure in the EU it is required that the four above mentioned East-West routes have the largest possible number of linkages with the networks on EU territory.

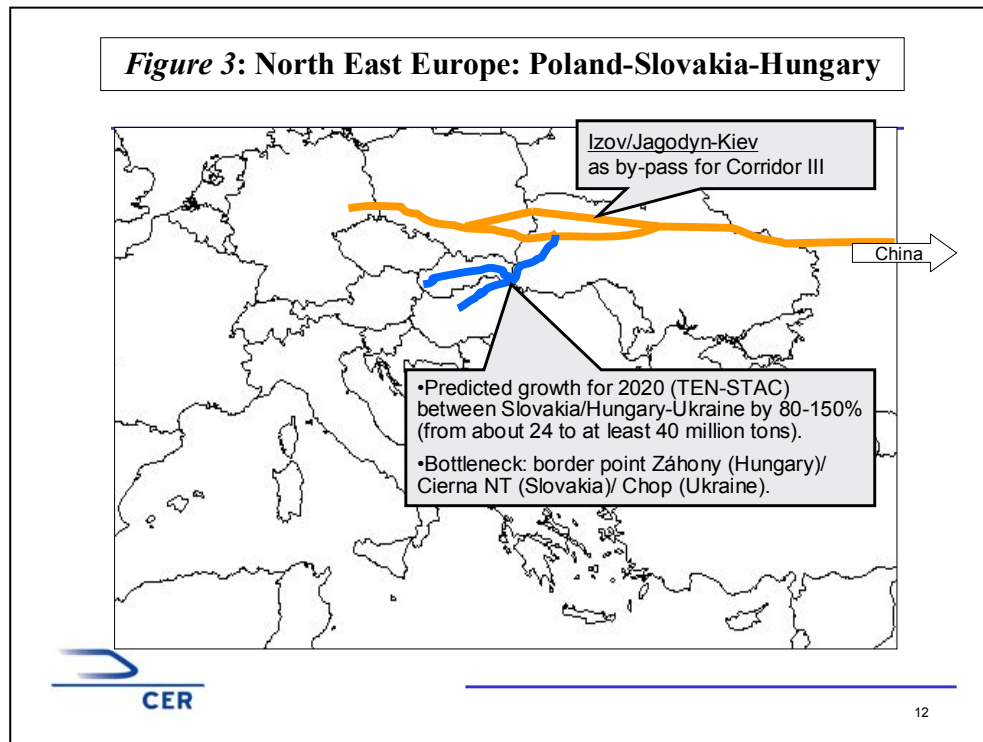


The conclusion to be drawn from the above is that on the railway networks in Russia, Belarus and Ukraine the development of nodal points near EU frontiers and of sections connecting these nodes with EU networks merits priority (see examples given above for St.Petersburg region). Such

² In order to avoid reloading of trains at borders with Belarus and Ukraine, PKP developed a system for adjusting the axle width of rolling stock, called SUW 2000. The system requires investment in rolling stock equipped with special axles and relatively modest facilities at border stations.

³ In 2004 international container traffic from Asia to Europe along Transsib (the Trans-Siberian railway) beat the 1983 record. As many as 155,400 twenty-foot containers were delivered from Primorye ports along the Asia-Europe-Asia route on this railway. http://en.rian.ru/rian/index.cfm?prd_id=159&msg_id=5422977&startrow=11&date=2005-02-17&do_alert=0

sections include Corridor IA, the line Izov/Jagodyn - Kiev (as bypass parallel to Corridor III) and the section between Lvov and the Slovak/Hungarian border) (see figure 3.)



II.3 Measures to ensure seamless and efficient use of axes

II.3.a Telecommunications and Electronic Data Interchange (EDI).

CER members identified weaknesses in telecommunications/data exchange as principal issue for streamlining freight traffic between EU and Third countries in North East Europe region. Rail freight is hindered by insufficient advance notification of trains arriving from the East at EU borders, limited telecommunication capacity on connections between border stations and rest of the network within Third Countries and lack of harmonisation in data exchange systems. Moreover, the lack of uniform passenger reservation systems was mentioned by CER-members in relation to Pan-European Corridor-II (Berlin-Warsaw-Moscow).

Development of EDI and telecommunication systems is needed to ensure seamless and efficient use of rail transport infrastructure in the region.

II.3.b Legal regime on transport liability

Operational problems are in particular arising from the use of two different consignment notes (CIM and SMGS). In order to solve these problems, the International Committee of Rail Transport (CIT), has set up a project in close cooperation with CER and OSShD to create a uniform consignment note. The project envisages in phase 1 the creation of a common CIM/SMGS consignment note, however maintaining the two different law regimes. Phase 2 is aiming at the creation of a common liability regime and system for sharing compensation for loss and damage between the railways taking part in carriage within the contractual freedom allowed by the CIM and SMGS-regime. Phase 3 is striving for the implementation of a common legal regime in the long run. EU-support for the ongoing work is very desirable, especially for customs aspects: Only if the common CIM/SMGS consignment note is recognised by the EU and the other states as a customs document, the project can succeed as a whole.

II.3.c Transit conditions and pricing

Inconsistencies occur in pricing/tariff systems, which lead to the choice of routes, which are not necessarily the shortest or most economical. For the development of sustainable and stable transport systems it is required that pricing gives to customers an incentive to choose the shortest connections irrespective of national interests of transit countries. As yet this is reportedly not always the case for traffic (e.g. for traffic between EU and China), while different tariffs are applied depending on port of destination.

The railway system in Russia, Belarus and Ukraine is based on budget support mechanisms, which differ in principle from those in EU. Different tariffs apply for different freight categories, so that cross-subsidies between freight categories occur. Such tariff structure restricts price-competition between operators as well as entrance by new operators to the market. CER has brought the issue of reciprocity for new railway operator companies entering the market in EU⁴ to the attention of the European Commission.

II.4 Cooperation on investments and measures to develop rail transport

II.4.a Planning of investments and measures requires involvement of railways companies from both EU and non-EU countries

In Russia, Belarus and Ukraine restructuring of the rail sector is being undertaken, but the outcome of the process is not yet evident. It seems likely that the railway companies in these countries will for the next years continue to be closely related to the state. The governments of Russia, Belarus and Ukraine will be working in close cooperation with railways companies on investment planning and have direct influence on various operational matters including tariffs. CER points out this difference in government policies on management of the rail sector, because CER considers that the EU railways companies concerned must be directly involved in negotiations on investments and operational procedures between EC and the governments of the three countries mentioned.

II.4.b Standardisation of technical specifications and electronic messages

The railways companies in Belarus, Russia and Ukraine are planning to embark on vast investments in upgrading the data exchange network and the introduction of Electronic Data Interchange (EDI). These investments will make a major contribution to the elimination of operational problems at the border terminals caused by shortly announced or irregular arrival of trains. It would be in mutual benefit of the railways in EU and neighbouring countries to standardise technical specifications and electronic messages. To this effect it would be of interest to explore the scope for the application of the TSI-TAF (TSI-Telematic Applications for Freight Services) also beyond the territory of EU.

⁴ This issue concerns in particular the three Baltic States, because they have railways systems which are fully interoperable with the systems in Russia and Belarus.

III. South East Europe Region

III.1 Major Axes

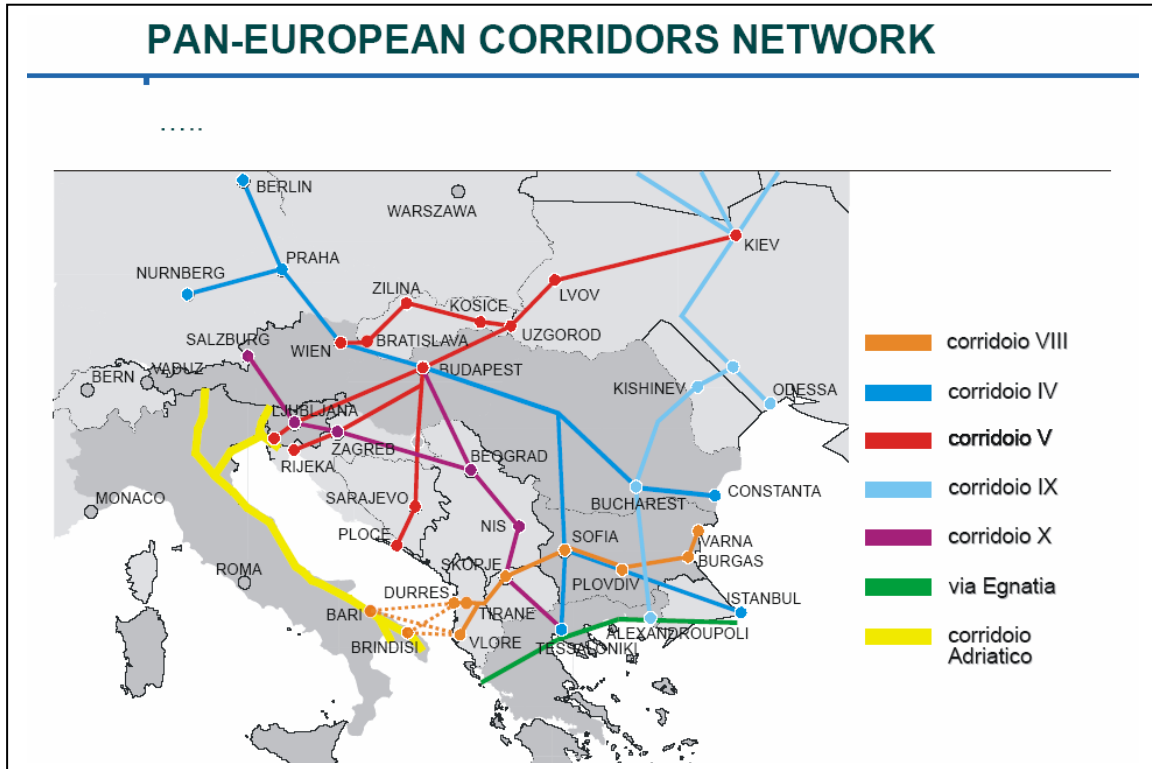
In the past decade the geo-political conditions in South East Europe have changed dramatically. The performance of transport systems deteriorated, because of additional border crossings with consequent customs formalities and handing over of responsibilities for train operations and consignments. Moreover, the region is burdened with an investment backlog in railways infrastructure and rolling stock, while modernisation of logistical concepts for (rail) freight has hardly begun. However, contrary to the railways in North East Europe, the rail systems in South East Europe are based on technical standards, which are similar to those in the majority of EU, while the sector is being restructured to conform to EU legislation.

In comparison with North East Europe region the freight flows are for a larger share industrial products and consumer goods, which require high quality transport systems with short lead times. These flows can be transported either by road, rail or intermodal/ferry services. Hence, for attracting these flows to the rail sector, rail must be able to compete in price and quality (lead time) with road.

CER members as well as the TEN-STAC study indicate to expect a growth in rail freight in the range of 15 – 30 % until 2020. However, a much stronger growth is considered feasible on rail freight between EU and Turkey. At the latter relation the share of rail freight is limited to a few million tons per year with a share in the modal split of less than 4 %. Freight traffic on this relation typically concerns transports over long distances for which rail would be in a favourable competitive position.

Passenger traffic by rail represents around 70 % of the total train-km in the region. Until 2020 the growth prospects for passenger services on national relations are weak, but streamlining of border procedures is expected to enhance the attractiveness of international traffic significantly.

In the past years already extensive work has been conducted on the development of the Pan-European corridors in the region.



III.2 Investments in infrastructure

As regards the rail infrastructure CER members mentioned as constraints:

- Frequent speed restrictions on line sections due to backlog maintenance;
- Inadequacy of infrastructure at border stations;
- Constraints for intermodal traffic imposed by profiles of infrastructure;
- Capacity constraints on single track lines in Balkan region;
- Capacity constraints on sections of Corridors IV and V, particularly near urban areas due to suburban services.

In general the above indicates the urgent and vast need for investing in the region's rail network with emphasis on redressing the maintenance backlog and modernisation, rather than expansion of capacity.

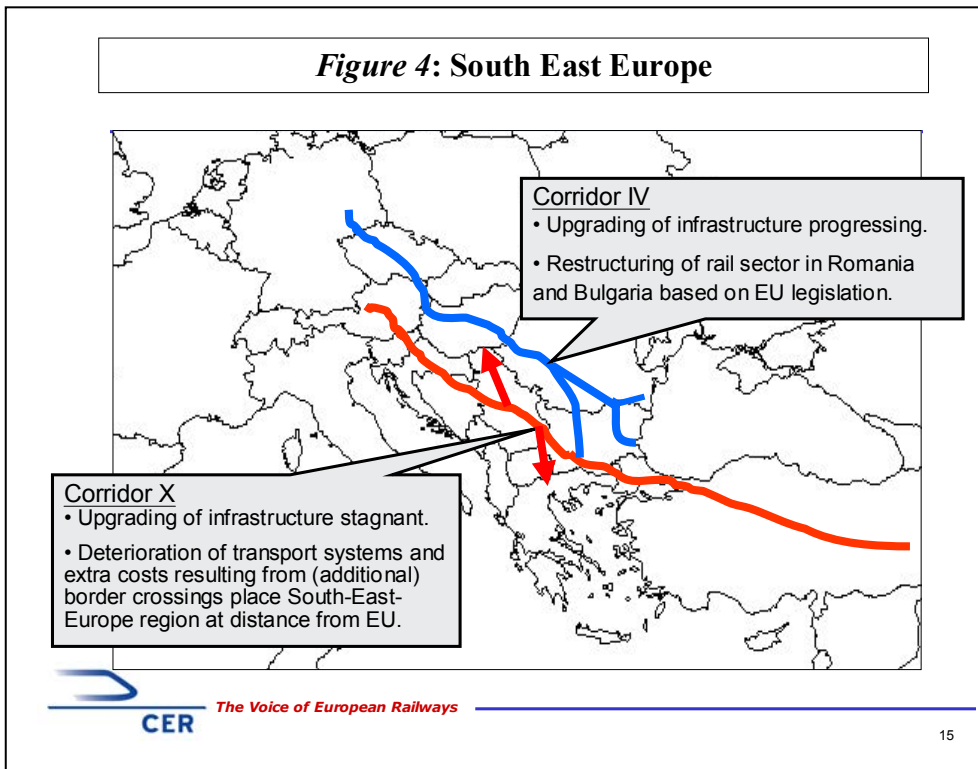
III.2.a Pan European corridors

In the past years it was already anticipated that at some stage the countries in South East Europe would be integrated in EU. Investments in Pan European rail corridors are given high priority in the region, because rail systems can be very competitive on long distance traffic and there is strong potential for shifting freight transport from road to rail, particularly on Corridors IV and X. Therefore already traffic flows and investment costs for the Pan-European corridors in the region were extensively studied. There is no reason to argue the justification for the planned investments in Pan-European Corridors IV, VIII, IX and X. Upgrading of infrastructure on Pan-European Corridors IV and V is progressing, but as yet is stagnant on Corridor X. (See figure 4)

As regards the Pan European corridors it is required that costs and benefits are estimated for various investment approaches and time scales taking into consideration the financing constraints of national authorities. Is it most economical to invest provisionally only in redressing backlog maintenance or should a line section at the same time be upgraded? When upgrading the line section, should also provisions be made for ERTMS?

III.2.b National rail networks

In the South East Europe region not only investments in Pan European rail corridors, but also investments in redressing the backlog maintenance of the national networks need to be financed. In the region there is furthermore an urgent need to reduce the size of networks and adjust networks to future requirements. The World Bank study on the transport system in South East Europe indicates that sections of the networks will need to be closed down, in order to make the cost of exploitation sustainable⁵.



In the South East region a comprehensive analysis of investment priorities is needed given the financing constraints of authorities with or without external support. It is not sufficient to calculate the returns on investment of specific line sections. A master plan with prioritisation of investments is needed at a higher than national level (regional level), taking into consideration an update of economic and political developments as well as new proposals for projects of which the feasibility is probable, such as for example the sections Graz-Linz and Zagreb-Maribor.

III.3 Measures to ensure seamless and efficient use of axes

III.3.a Border crossing procedures

CER members mentioned as principal horizontal constraint the border crossing procedures with the inadequate overall condition of rolling stock as complicating factor. The obligatory phyto-sanitary and veterinary inspection of transports, the absence or inadequacy of phyto-sanitary and veterinary inspection facilities at borders and technical inspections of trains at borders were reported as obstacles. Evidently the above mentioned investments in rail infrastructure, particularly

⁵ The World Bank report on the transport system in South East Europe mentions the need to reduce all the necessary and unnecessary transportation and clearance expenditures as main objective for development of the transport sector in the region. In this region these costs create an economic distance between the region and the main networks in the EU. For the rail sector the report highlights the need for reducing the rail network, modernisation of freight operations and restructuring of passenger services.



in relation in corridors IV and X where growth in rail freight depends on modal shift, will only yield the expected benefits, when delays at borders are reduced.

Border procedures between two countries normally involve at least eight Ministries (Ministry of Finance, Ministry of Agriculture, Ministry of Internal Affairs/Security and the Ministry of Transport of two countries) and two railway companies. The complexity of these arrangements is vast and tends to result in solutions involving expansion of physical facilities at the frontier. However, with the aim of EU enlargement it is also recognised that the need for these facilities ought to be of limited duration. CER proposes to explore the scope for minimising the investments in border facilities, which are supposedly no longer required upon EU enlargement. For example the feasibility ought to be explored to transfer border crossing procedures from international frontiers to the nearest shunting or marshalling yard.

III.3.b Shortage of adequate rolling stock

The inadequate condition and shortage of rolling stock presently causes operational and capacity problems. More in particular CER members reported:

- Passenger rolling stock not being suitable for speeds over 120 km per hour;
- Shortage of adequate traction capacity;
- Rolling stock in poor technical condition causing delays in train acceptance;
- Absence of mutual trust rolling stock acceptance procedures and standardisation of procedures for inspection and maintenance of rolling stock.

The rail sector in the region needs instruments or schemes to support railway companies in making investments in rolling stock, as to be developed also for railways in the new EU Member States.

III.4 Cooperation on investments and measures

Transport systems and legislation in South East Europe are being restructured in preparation for further EU enlargement. As regards the South East Europe region it may be expected that EU will consider it to be economically justified to support the necessary investments in anticipation of further EU enlargement.

III.4.a Investments accompanied by restructuring

Restructuring of the rail sector must place it on a financially sustainable basis through improved business performance and more appropriate budget support mechanisms. Rehabilitation of rail national networks with closure of selected line sections forms an essential element of such restructuring. Restructuring must make the rail sector able to compete successfully with road transport. To this effect governmental policy on public service contracts and track access charges play a crucial role⁶. Most countries are contemplating or have begun to restructure the rail sector in compliance with EU legislation. These efforts merit the support of the European Union.

III.4.b Investments accompanied by measures to streamline border procedures

It was already mentioned that streamlining of border crossing procedures is an issue of great importance and that a vast number of authorities is involved in border crossing procedures. Railways alone, even with the help of the Ministries of Transport, have great difficulty in streamlining border procedures. CER is keen that all government authorities are given a strong incentive to cooperate on streamlining of border procedures.

⁶ As yet PSCs are not yet commonly used in the South East EU region, so that funding of passenger services often depends on cross-subsidies with revenues from rail freight. This practice inflates the prices for freight services and affects the competitive position of the latter. Track access charges vary widely in the region. These need to be in the range of 4 to 5 Euros per train-km for rail transport to compete with road haulage.

IV. Summary

CER considers that for the North East Europe region:

- There seems to be in general scope and capacity for substantial growth in traffic on the networks of the EU neighbours, but already constraints are experienced on the sections of infrastructure which connect the rail systems of EU with those of the EU neighbours. CER therefore proposes that investments in upgrading of infrastructure on the territory of EU neighbours is focussed on particular nodes and line sections nearby EU frontiers, which connect the four East West corridors with the EU rail network;
- Scope exists for cooperation on EDI (including the use of TSI-TAF by Third countries), possibly in combination with support for investments in glass fibre networks and EDI-technology;
- Transparent and compatible transport conditions and tariff schemes are needed to ensure the stability of transport routes and efficient use of infrastructure;
- The common CIM/SMGS consignment note needs to be developed by the EU and the other states and recognised as a customs document.

And for the South East/Black Sea region that:

- Urgent and vast investments are needed to rehabilitate and modernise the railways systems in the region. This concerns investments in the national networks as well as in the Pan-European corridors, which connect the region with EU. A master plan is needed for the region based on cost-benefit analysis to indicate the optimal time scale for investments and whether to invest in (provisional) rehabilitation or to proceed at the same time with upgrading including investments in ERTMS;
- Also vast investments are needed in rolling stock, which should receive the same type of (transitional) support as necessary for railways in new EU Member States
- Investments in rail infrastructure must be accompanied by measures to streamline border procedures. Because EU enlargement is targeted, investments in border infrastructure should be minimised, while incentives and support are needed for the work on streamlining of border crossing procedures .