

## Response to Public consultation on the report of the High Level Group on the extension of the main trans-European transport axes to the neighbouring countries and regions and the way forward

Brussels, 8 March 2006

The European Commission launched on 23 December 2005 a public consultation on the report of the High Level Group on the extension of the main trans-European transport axes to the neighbouring countries and regions and the way forward.

### Questions

1. Do the five main transport axes highlighted in the High Level Group (HLG) report, in your view, represent the main axes for international traffic and what you add/delete, if given the opportunity and why?
2. The HLG report outlines a number of measures, on so-called horizontal issues, are these the most important ones and do the recommendations made by the Group help to solve the problems?
3. Financing transport investments is a headache. How can the implementation of these axes and horizontal measures be best financed? What could be the role of the private sector and the user charges?
4. For the implementation and coordination of the recommended actions, the report calls for either a memorandum of understanding or an international agreement – do these help to achieve the objectives? If not, how would you ensure the implementation and coordination of the actions?
5. The Group has envisaged integrating the existing agreements and memoranda of understandings into a coherent framework. Should an international treaty be envisaged for this?

### General observations

CER is pleased with the very comprehensive and excellent report of the High Level Group. Moreover, CER is happy that the suggestions as given to the High Level Group by means of the Public Consultation in March 2005 have been taken into account.

### Question 1: Main axes for international traffic

CER generally considers that priority axes represent the main axes for international rail transport between EU and neighbouring countries.

### Corridors within EU are not yet ready and need higher investment priority

The priority axes form the extension of corridors within EU territory, which are being upgraded and/or for which the upgrading is supposed to be completed largely under the Cohesion Policy in the programming period 2007 - 2013. The Wider Europe High Level Group of experts assumes that these corridors will indeed be upgraded by the relevant EU Member States, but as yet the

programming of these projects is not finalised. CER therefore urges the European Commission and the relevant Member States to give these projects due priority.

#### **Priority for sections nearby EU border**

CER recalls its earlier comment that investments in infrastructure of the neighbouring countries nearby the EU border merit priority, particularly because on these sections the bottle necks often occur. Also because of the importance of connecting the axes duly to the principal (rail) corridors in EU Member States, CER considers that in vicinity to EU member countries the network of main axes could be denser.

#### **Izov/Jagodina-Kiev**

CER has earlier stressed the need for upgrading the rail section Izov/Jagodina-Kiev. The first reason is that the line Izov/Jagodina-Kiev forms the most direct connection between Warsaw and Kiev. The second reason is that the line Izov/Jagodina-Kiev actually forms part of the Central axis, as it connects Katowice with Kiev via the wide gauge line on Polish territory, which is operated by the Polish LHS company and runs parallel to the E-30 line (corridor III). The wide gauge line between Katowice and Izov carries around 6 to 8 million tons of freight per year.

The report mentions that the axes do not define precise railway sections, but rather corridors. In this sense it could be considered that Izov/Jagodina-Kiev forms part of the Central axis. Furthermore, because of CER's plea for giving priority to sections nearby the EU border and CER's opinion that in vicinity to EU member countries the network of main axes could be denser, CER requests that Izov-Jagodina/Kiev is considered as belonging to the Central axis.

#### **Slovakia and the Central axis.**

CER is pleased that the line section Chob-Lviv has been included on the Wider Europe map as part of the Central axis. However, the map suggests that this line section only connects the Central axis with trans-European corridor V via Budapest and the border station Zahony/Chob, where as in reality the section Chob-Lviv also directly connects Slovakia via the border station Cierna-nad-Tissou/Chob and corridor Va.

#### **Bar-Belgrade**

Connections between axes and the Motorways of the Sea must be ensured. Moreover, a so-called Motorway-of-the-Sea-port should have adequate connections with its hinterland. To this effect CER calls for inserting the rail section on the map, which connects the port of Bar- as a so-called Motorway of the Sea port- with the South East axis.

### **Impact on traffic to/from EU**

The funds available for upgrading infrastructure are limited and therefore the priority axes have been defined. However, for some projects the impact on traffic to/from EU is not evident. CER considers that the High speed passenger railway line Moscow-St.Petersburg-Buslovskaja, which is listed as project of short-to-medium term interest, is less relevant for international rail transport between EU and neighbouring countries. Likewise CER notes that certain road projects listed in the context of Northern and Central Axes concern connections, which are not likely to have much impact on traffic to/from EU (projects 11 and 13 on Ukraine and Belarus territories and projects 11 and 13 concerning ring roads for cities in Russia). Projects with less evident impact on traffic to/from EU should be given a lower priority in allocation of funds.

### **Major EU investment support is needed for South East Europe**

As regards the South East Europe axis CER notes that the list of long term rail projects is remarkably short. In view of the time needed for project preparation and ensuring funds, some of the rail projects listed for short-to-medium term risk to become by default of long term character. Moreover, the rail network in the region has a vast investment backlog, which limits the possibilities of states and railway companies for investing in the trans-European axis. In particular for this region more detailed planning is needed. CER welcomes the role of SEETO to this effect.

In view of the fact that the south East axis already plays a vital role in connecting Greece with the rest of the EU and the future EU enlargement and as well as the severe backlog in modernisation of infrastructure and rolling stock in South East Europe, EU needs to give substantial investment support for upgrading the railway infrastructure of the South East Europe axis.

### **Question 2: Horizontal measures**

The report gives a vast number of specific and practical recommendations on horizontal measures, which are of special interest, namely:

- to consider twinning of an EU Member State with a neighbouring country on '*horizontal measures*',
- to launch a pilot project on the application of Electronic Data Interchange on the trans Siberian mainline and in North Eastern Europe based on the use of TSI-TAF,
- to set up joint border stations based on agreements similar to the recent agreement between Bulgaria and Serbia and Montenegro,
- to introduce common procedures as regards rolling stock acceptance,

- to obtain special facilities for rail professionals for crossing borders (similar to those for pilots and merchant seamen).

Each of the above recommendations directly concerns the railway companies. The railway companies are therefore keen to participate in their implementation.

#### **Interoperability between the EU/COTIF and OSJD zones.**

CER welcomes the Group's reference to the need of legal interoperability between the EU/COTIF and OSJD zones. As first step a Common Consignment Note CIM/SMGS has been successfully developed by CIT in cooperation with OSJD by the end of 2005. The implementation of the Common Consignment Note CIM/SMGS is largely the responsibility of the railway undertakings. As a second step CIT and OSJD aim to harmonize the CIM and SMGS rules governing the responsibility between the railway undertakings and between railway undertakings and freight costumers on contractual base, without change the existing law. This will be a useful background for more coherency and convergence of the two transport laws in longer term. EC is involved in the realization of the CIT/OSJD amongst others because of customs aspects. Although EC is not directly responsible for the implementation of the Common Consignment Note CIM/SMGS, the involvement of the EC is highly valued. Such involvement could for example be in the form of (financial) support for training activities etc..

#### **Joint border stations and common procedures for rolling stock acceptance**

The issue of joint border stations and common procedures for rolling stock acceptance typically concerns the South East Europe region. UIC working groups and experts of railway companies have already conducted various studies. For South East Europe in particular, EC, UIC and CER, but also the World Bank (Trade and Transport Facilitation project for South East Europe) are planning further joint initiatives. CER is pleased with the attention and readiness of EC as well as the South East Europe Transport Observatory (SEETO) to address these issues. The first concern of CER is to identify more precisely the type of intervention needed to improve the situation, so that support or measures by authorities can be effectively solicited. There is no doubt however, that such support will be required. Note that for every border crossing at least four ministries (Transport, Agricultural, Internal security and Finance) on each side of the border are directly involved. Streamlining procedures is therefore a process in which international organisations or EC can play an important role.

#### **Twinning on horizontal measures**

Twinning of authorities has become a common practice in enlarged Europe. In some instances also experts from EU are already providing technical assistance to authorities in neighbouring EU countries. In particular authorities and railway

companies in new EU member states have a strong interest in streamlining transport operations in nearby non-EU countries. Moreover, these authorities and railway companies have the necessary technical and language skills. CER would welcome EU support for twinning in the context of well defined projects proposed by authorities and/or railway companies. Such EU support could for example cover travel and subsistence costs for the authorities or railway experts from EU in the neighbouring countries or vice versa.

### **Electronic Data Interchange and the use of TSI-TAF**

In the public consultation in 2005 CER pointed out that many of the delays at the border could be reduced by improving the exchange of information. To this effect investments in Electronic Data Interchange could be of great benefit. When investing in data processing or interchange systems it is of importance to use the most up to date technical specifications in order to ensure the longest possible technical lifetime of the new system. It is therefore obvious that railway companies planning or anticipating vast investments in data processing or telecommunication systems show the strongest interest in TAF-TSI.

In order to give the cooperation between EU and its neighbours on electronic data interchange and TAF-TSI a clear focus and to ensure a high practical value, CER welcomes the idea of a pilot project to this effect on the trans Siberian mainline and in North Eastern Europe. In addition CER recommends that such a pilot project is carried out in South East Europe on corridor X. Such projects could benefit from support for twinning as commented on in the previous paragraph.

### **Question 3: Financing transport investments**

The report recommends organising a series of regional workshops to exchange best-practice on project financing. This recommendation already indicates that conditions for financing investments in rail infrastructure differ significantly for the axes concerned.

For South East Europe CER considers that a strong level of EU support for investments is needed with limited scope for attracting private funds in the rail sector.

The prospects for attracting private funds are possibly more favourable for specific facilities such as e.g. terminals. In general the prospects for private funding seem to be better on the Northern and Central axes, where rail freight plays a dominant role.

### **Infrastructure user fees**

CER considers the Group's recommendation to examine the feasibility of a distance related user charging system for raising investment funds of interest. Particularly in South East Europe financial stability for the whole transport sector as well as for rail transport must be established prior to embarking on vast investments in upgrading of trans-European axes. As regards this region the World Bank commented that charges for road use are too low<sup>1</sup>. This not only means that governments miss an opportunity to generate funds for investing in infrastructure, but also creates a situation whereby transport modes compete for the market on unequal terms. Ultimately this may cause a shift in modal split in favour of road, which is contrary to the objectives of the EU transport policy.

CER asks at this opportunity again attention for the high level of access charges for freight trains in the new EU Member States and in South Eastern Europe. In these countries the financial instability in the rail sector results in attempts by governments to cover the infrastructure exploitation costs exclusively with revenues from track access. This practice forces many infrastructure managers to apply price levels, which undermine the competitive position of rail freight. Therefore, when planning investments in axes it is important to establish also financial stability for the exploitation of the infrastructure and to agree on future track access charges.

### **Inconsistencies in pricing/tariff schemes**

CER applauds the Group's recognition of inconsistencies in pricing/tariff systems and its emphasis on the importance for stable transit conditions (page 51) under the heading of sound financial packages. When sections of networks, whether operated by private or public sector, can not be easily circumvented, the operator in question effectively holds a monopoly position and could use this position for charging a higher fee. Both the Central and South Eastern Axes, each involving many different infrastructure managers, are in particular sensitive for these effects.

Private funding of network sections risks to aggravate this issue. Therefore, in particular before attracting private funds for infrastructure on relations where operators effectively have monopoly positions, it is crucial to agree on conditions for track access charges. Such charges could be the subject of an international/regional treaty.

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<sup>1</sup> *Reducing the 'Economic Distance' to market- A Framework for the Development of the Transport System in South East Europe*, World Bank, December 2004

## Questions 4 and 5: Implementation and coordination of actions

### Coordination frameworks

CER welcomes the gradual establishment of coordination frameworks starting from MOU's and possibly leading to binding Treaties. Taking into consideration the differences in market conditions, legal frameworks and technical features of transport systems along the various axes CER fully agrees on taking a regional approach on these frameworks (similar to South East Europe Transport Observatory - SEETO). Note that in particular in South Eastern Europe restructuring of the rail sector is already largely based on EU legislation. However, it should also be considered that many issues (for example regarding border crossings) can be resolved bilaterally and would not benefit from a regional or multi/international agreement.

The SEETO experience shows that the organisation of governmental cooperation frameworks is time and resource consuming. CER therefore recommends taking full advantage of already existing cooperation frameworks like OSJD, UIC and CER for the implementation of the Group's recommendations (particularly on horizontal measures) and allocate budgets accordingly.

The SEETO experience also shows the risk that the involved authorities lose interest when the funds for implementing the actions are not (yet) available. Against this background CER welcomes the emphasis of the Group on horizontal measures and the recommendation to focus EU funds initially on these measures, which tend to be less capital intensive and yield practical results more rapidly.

CER stresses the importance of involving all relevant authorities and stakeholders in the coordination frameworks. For example experience in South East Europe has shown that resolving border crossing issues requires the involvement of various ministries as well as the railway companies. It has also shown that International Finance Institutions can trigger bilateral cooperation through high level contacts (World Bank Trade and Transport Facilitation for South East Europe- TTFSE).

### MOUs, treaties and project packages

CER views MOUs as potential instruments for harmonising timeframe and technical specifications for investments and the implementation of horizontal measures. Binding treaties could be instrumental for ensuring stable transit conditions, market opening/liberalisation and (mutual involvement in) funding of investments. In a treaty a number of countries could commit themselves to invest in upgrading of an axis under the condition of compliance with (selected) EU regulations (e.g. on charging for the cost of road and rail infrastructure of Technical Standards for Interoperability) with a certain level of EU financing support either as grant or loan

In this context, but as provisional alternative for binding treaties, CER suggests considering also the funding of project packages. A package could comprise rail and road projects of varying international significance within a certain country in combination with conditions e.g. on restructuring or (maximum) user charges.