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KRS-077/59/05

Warsaw, 29 March 2005

Encl. 1

European Commission
Directorate General for Energy and Transport
Unit B2 – TEN policies & technological development
B-1049 Brussels

Subject: The PKP Group's position on public consultation announced by the European Commission concerning transport between the EU and third countries

Dear Sirs,

PKP S.A. as a mother company within the PKP Group, gives great importance to the issue of strategy and development of railway transport in Poland, both on the level of domestic and international traffic. Therefore it treats with particular attention the public consultation of the European Commission's High-Level Group on obtaining practical recommendations for actions by the European Union in order to develop transport between the EU and third countries.

Considering the above, please find attached a set of answers to the questions of public consultation, in which we present the PKP Group' position concerning the existing status and developments on the major axes passing through territory of Poland between the EU countries and to third countries as well.

Best regards

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Andrzej Wach
President of Mgt Board
Director General

PKP Group's position on public consultation announced by the European Commission concerning transport between the European Union and third countries

The initiative to perform a survey of transport connections between the EU and neighbouring countries in the context of enlargement of the European Union is correct. Provision of efficient and interoperable connections may influence economic growth essentially, raised competitiveness and securing free movement of people, goods and services.

Poland in some new geopolitical reality has still a significant role to play in the aspect of providing efficient connections along axes East – West and North – South. As a Member State of the EU, which neighbours on the biggest number of third countries, Poland should play a key role in creating Trans-European Network's connections of the "old 15" and new members of the EU with third countries considering both European and also worldwide scale.

WHAT ARE THE MAJOR TRANSPORT AXES?

1. What are the main transport axes, including motorways of the sea, connecting the European Union to the neighbouring countries or broader regions today?

- **Axis East – West**

Line E 20 situated on II Pan-European Transport Corridor: Berlin – Warsaw – Minsk – Moscow – Nizhny Novgorod

Corridor II is the priority corridor along axis East – West that secures connections of West, Central-East Europe countries with Russia and Asian countries. It means a great potential to be used as it provides opportunities in the field of exchange Europe - Asia (connection of the corridor with, among others, corridors of OSZhD: No. 1 (Moscow – Omsk – Nachodka – Vladivostok / branch Ulan Bator – Peking), No. 2 (Moscow – Astana and further to China). Thanks to investment continued it will participate in even higher percentage of total rail transport volume along axis East – West.

Line E 30 situated on III Pan-European Transport Corridor: Berlin / Dresden – Wrocław – Lvov – Kiev

Corridor III represents connection of the EU countries with Ukraine, Russia and the Black Sea basin's countries. It is planned to build a transport corridor, finances from means of the European Union that would make connection Europe, Caucasus, Central Asia, China and Mongolia possible. This, together with Pan-European corridors, will enable to set up a convenient transport grid in order to intensify transport Europe – Asia.

- **Axis North – South**

Line E 65 / CE 65 situated on VI Pan-European Transport Corridor: Gdańsk – Warsaw – Katowice – Žilina, and for freight traffic: Gdańsk – Bydgoszcz – Zduńska Wola – Katowice (branch: Katowice – Ostrava – Břeclav).

Corridor VI is the basic Pan-European transport corridor connecting the north and the south. It also provides the best link of basins of the Baltic Sea and the Mediterranean Sea. It is treated as prioritised one at the EU level. This was confirmed by Decision 884/2004 of the European Parliament and Council of 29 April 2004, where axis Gdańsk – Warszawa – Brno/Bratislava – Vienna was enumerated among 30 projects with priority given on the TEN.
Apart from this, in the territory of Poland the above-mentioned line has a connection to 400-km long Broad-Gauge Metallurgical Line (LHS) with gauge 1520 mm from Sławków (located about 30 km east of Katowice) to border crossing Hrubieszów/Izov with Ukraine.

Line E 59 / CE 59 is treated as an alternative for freight services along axis North – South in order to release congestions (bottlenecks) in West Europe.

- **Axis North-east – South-east**

Line E 75 situated on Corridor I: Helsinki – Tallinn – Riga – Kaunas – Warsaw (with branch IA: Riga – Kaliningrad – Gdańsk).

Corridor I plays a very important role in territorial integration of the European Union. Efficient transport connection of the Baltic Countries with other countries of the EU is treated as prioritised currently. This is confirmed by Decision 884/2004 of the European Parliament and Council of 29 April 2004, in which “Rail Baltica”, i.e. axis Warsaw – Kaunas – Riga – Tallin – Helsinki was enumerated among 30 projects with priority given on the TEN.
Corridor I together with branch IA means not only internal integration within the EU, but also an efficient connection to Russia and the Baltic Sea.

Line E 28 Warsaw – Pilawa – Dęblin – Lublin – Rejowiec – Dorohusk – Jagodin – Kovel – Kiev (with possible branches towards Moscow and Odessa). The line is rated among the TEN as a supplementary route confirmed by TINA final protocol.

Connection of line E 28 with line E 75 (including supplementary branch Sokółka – Kuźnica Białostocka – Hrodna – Vilnius) means a link of the Baltic Countries, Russia (using branch IA of Corridor I) and Poland with countries of the Black Sea basin.

2. What will these axes be with a time horizon of 2020?

Considering the horizon of 2020 it is foreseen the corridors passing through territory of Poland are to have increased importance in accordance with intensification of traffic between the EU and third countries. This is opportunity to suitable use of the railway lines that have been already modernised to a large extent and being situated along Pan-European transport corridors in the territory of Poland and to extend them

towards neighbouring countries (follow-up and completion modernisation of lines E 20 / CE 20, E 30 /CE 30, E 65 is one of priorities of Strategy of Rail Infrastructure Development up to 2013 and further years).

3. What is the balance between the different transport modes?

At present, same as in the whole EU and Poland, one can observe a low level of balance in transport. Predominantly the highest share is reached by road transport, and it is true both in passenger and freight services. Similarly transport policy is not favourable to development of railway sector. Last years as merely as 10% of the part designed for transport within the state budget expenditures was allocated to rail infrastructure, while 90% for roads.

Owing to the fact that railway intermodal transport is practically not operated in Poland nowadays, freight services are carried out using heavy vehicles of motor transport. This causes a large-scale degrade of the environment as well as the existing roads. This is especially the case of transit traffic through Poland; it should be taken over by intermodal transport in the first order.

4. What are the current traffic volumes, both passenger and freight, on the proposed axes?

In 2004 transport volumes performed by operators of PKP Group was shaped as follows:

- Freight traffic

Corridor II (only transit traffic between state borders with Germany and with Belarus)
- Kunowice – Terespol about 106 thou. ton
- Terespol – Kunowice about 402 thou. ton

Corridor III (only transit traffic between state borders with Germany and with Ukraine)
- Bielawa Dolna – Medyka 2.5 thou. ton
- Medyka – Bielawa Dolna 5.3 thou. ton

Broad-Gauge Metallurgical Line (1520 mm) LHS
- Sławków – Hrubieszów 7,3 M ton.

- Passenger traffic

Passenger qualified services (by IC, Ex, fast international trains) covered 111,950 people carried in rail link Warsaw – Mostiska – Warsaw, 23,248 people in rail link Cracow – Kiev – Cracow, while 520,490 people in rail link between the state border with Ukraine and Cracow.

Passenger regional services (by local trains) covered the following numbers of people carried according to particular rail links:

rail links Poland – Russia
- border crossing Braniewo / Mamonovo – 23,528 people; growth by 46% compared with 2003;

rail links Poland – Belarus
- border crossing Kuźnica Białostocka / Hrodna – 177,857 people; drop by 23% compared with 2003,

- border crossing Czeremcha / Vysokolitovsk – 34,140 people; growth by 19% compared with 2003,
- border crossing Terespol / Brest – 727,872 people; growth by 3% compared with 2003;

rail links Poland - Ukraine

- border crossing Dorohusk / Jagodin – 156,082 people; drop by 10% compared with 2003,
- border crossing Hrebenne / Rava Russka – 105,302 people; growth by 73% compared with 2003,
- border crossing Medyka / Mostiska II – 146,598 people; drop by 16% compared with 2003,
- border crossing Krościenko / Starzhava – 43,192 people; growth by 116% compared with 2003.

5. What is the amount and share of international traffic to/from the Union or between the neighbouring regions?

Volumes transported by operators of PKP Group in 2004 were shaped as follows:

- Freight traffic

Countries of the European Union	Exports from Poland to the EU countries	Imports from Poland to the EU countries
Austria	3.872,713	382,709
Belgium	189,246	82,791
the Czech Republic	3.872,713	2.062,099
Denmark	210,172	46,165
Estonia	19,356	20,417
Finland	223,646	6,965
France	601,027	163,084
Germany	9.173,620	1.807,314
Greece	22,033	422
Hungary	780,584	205,627
Ireland	46,350	6,990
Italy	413,037	301,026
Latvia	15,148	320,953
Lithuania	82,507	731,122
Luxemburg	27,037	5,581
the Netherlands	248,897	125,346
Portugal	26,233	211
Slovakia	1.703,618	1.291,660
Slovenia	99,272	59,829
Spain	22,033	422
Sweden	357,779	114,268
the United Kingdom	312,513	67,509
Total	**21.975,744**	**7.813,045**

Source: statistical data of STAT 2004 (in tones)

- Passenger traffic

Axis	Line	Number of passengers in international traffic	Number of passengers in domestic traffic	Total number of passengers in 2004	International traffic share in total transport volume
1. Poland - Belarus	1. Warsaw - Terespol	320	23,107	23,427	1.37%
2. Poland - Ukraine	1. Warsaw - Dorohusk	340	19,000	19,340	1.76%
	2. Cracow - Przemyśl	25	23,315	23,340	0.11%

Note! Table contains average daily data and only for these border crossings, for which international traffic is planned to be kept.

6. How will these traffic volumes develop by 2020?

A large increase of demand for transport related directly to expected high economic growth as well as a considerable rise of turnover of the Polish foreign trade is foreseen up to 2020.

Relatively high demand for rail freight transport services has bee still continued in the economy of Poland. One can assume that after necessary restructuring of heavy and mining industries demand for rail freight transport will be stabilised at a certain level that is difficult to identify. In accordance with the forecast worked out by Ministry of Infrastructure rail freight transport volume will be shaped at min./max. level of 271/288 M ton in 2013 and 292/324 M ton in 2020 respectively, comparing to 242 M ton in 2003.

As concerns regional passenger services, passenger traffic flows will reach the following figures with a time horizon of 2015:

Axis	Poland - Belarus		Poland - Ukraine			
Line	Warsaw - Terespol		Warsaw - Dorohusk		Cracow - Przemyśl	
In year	2010	2015	2010	2015	2010	2015
Int. traffic	375	410	380	460	15	15
Dom. Traffic	30,039	30,039	19,000	19,000	20,999	20,999
Total	30,414	30,449	19,380	19,460	20,999	18,900

Note! Table contains average daily data and only for these border crossings, for which international traffic is planned to be kept.

7. Are there particularly environmentally sensitive areas that must be taken into account when identifying major axes?

There are a lot of environmentally sensitive areas where the most important rail corridors pass through, such as: national parks (e.g. in case of Corridor I – National Park of Narew, National Park of Biebrza Park, National Park of Wigry), natural, animal, landscape reserves, etc. Placing the most environmentally-friendly transport mode that is rail in close vicinity of these areas (especially since it will be the case of modernised lines with suitable standard), is to be the highly advisable solution - particularly against the alternative of road transport.

WHICH INVESTMENTS AND HOW?

Infrastructure investment carried out within PKP Group has been aimed at improve quality of services offered, enlarge volume of rail services, betterment of accessibility of railways as well as improvement of mobility on both domestic and international level.

– Investment on the axis East – West:
  - on line E 20 - has contributed to set up more and more improved railway connection on the route Paris - Berlin - Warsaw - Moscow,
  - on line E 30 - had been a vital element, particularly in the aspect of combined transport for international rail freight services;

– Modernisation of rail infrastructure carried out and planned for years to come on the axis North – South, on Corridor VI and along lines E 59 and CE 59 are to enable a faster railway connections from the Baltic Sea to the south of Europe be arranged using infrastructure with upgraded technical and operating standards and met demands of railway operators.

The above-mentioned ventures, especially these of modernising nature, being at final state of completion (line E 20), represent an example of projects that execution have been proceeding in territories of many countries and due to this factor the European railway transport has gained a new value, and furthermore it has facilitated the processes of relieving transport bottlenecks and shifting transport services from road to rail.

Synchronisation of modernising actions on railway lines in many countries in order to provide discounting effects of modernisation along whole railway routes, constitutes a good model solution to be widespread not only in the counties that neighbour each other.

1. Which are the most pressing congestions, traffic safety or environmental bottlenecks on the major axes that could justify investments?

Railway junctions that require to be rebuilt are bottlenecks on transport routes.
It is necessary to rehabilitate infrastructure and rebuild track systems in station areas on the lines proposed to be taken into account as the important ones for international traffic and these connecting international routes.
As concerns rail/road crossings one should strive for non-collision solutions (construction of flyovers, footbridges).

Modernisation or complete overall repair of the line No. 131 Chorzów Batory - Tczew being a part of the route AGTC – line CE 65 and of the system of Pan-European corridors is not included in modernisation plans up to 2020. Current technical condition of the line forces imposing limits below maximum speeds. Earlier inclusion of the line onto the list of modernisation plans is essential, owing to possible occurrence of bottleneck for freight services from Upper Silesia to Gdańsk North Harbour.

Border section PKP S.A. – DB AG on line E 30 between Węgliniec and Horka is not electrified (on both sides of the border) that causes necessity to change traction from electric to diesel and once again to electric traction. This influences longer time of journey as well as the environment (use of diesel traction). There is only one electrified border crossing Rzepin - Frankfurt/O on the western border. According to update information on the DB Netz investment plan, electrification of Horka was postponed to 2012.

At present, long waiting time for exchange of bogies and couplers in passenger train sets at border station is the main problem in the rail link between Warsaw and the state border with Belarus that results from different gauge of tracks in Belarusian and Polish railway networks. Both in the rail link between Warsaw and the state border with Belarus and between Cracow and the state border with Ukraine occur problems resulting from:

- different powering voltage in the contact system,
- too low maximum velocity in neighbouring countries,
- insufficient level of cooperating of booking system (lack of UIC standards in neighbouring countries)
- long lasting custom and border offices' procedures in neighbouring countries.

2. What kind of improvements (rehabilitation, new construction) to the infrastructure would be needed to remove the bottlenecks?

Corridor III:
- electrification of the line through border crossing Węgliniec – Horka
- modernizing of the whole line with regarding parameters AGC and AGTC

Corridor II:
- expanding and modernizing of CL Malaszewicze i. a. by:
- elongation of the station tracks (raising potential)
- building of a track gauge changing point (TSP) for SUW 2000 system
- building a Logistic Centre in Malaszewicze

Corridors I and VI:
- modernizing the lines on their whole length up to the required speed, safety and axle load characteristics.
    - implementation of an automatic system SUW 2000 which adjusts bogies to different track gauges at the Poland – Belarus border crossing point. It reduces the technical stop time from 2-3 hours to 20 minutes. A system of that kind has been being operated since 2003 at the border crossing point with Ukraine.
    - completing the modernizing works of the border crossings in Przemyśl and Terespol.
    - completing modernising E-20 line, which will allow to reduce the train passing time,
    - introducing custom and border control while train running.

See also information at pt. 2 related to the third issue ("How to ensure seamless and efficient using of the axes?")

4. What would be the economic, environmental and safety benefits of such project?

Shifting loads from road to rail (while presently roads are over- and rail underloaded) will raise safety of transport and will decrease the niveau of environmentally harmful combustion emissions produced by road transport.

5. Are there alternative technical or modal options to remove or alleviate the bottleneck?

There is no alternative for indispensable investment costs of railway infrastructure in Poland on those transport axes if the strategy of sustainable transport development is to be carried out.

6. How can the project best be financed? What could be the role for private sector involvement and user charges?

There is no possibility of putting into practice the investment agenda 2007-2013 without significant quota from European Union funds and EBI credits, as well as without means for credit financing ensured in the state budget.
The support of EU encompasses financing from Cohesion Fund (scope of support: European transport networks and investments beyond these networks, intermodal systems, interoperability) as well as from European Regional Development Fund (scope of support: transport investment, containing also Trans-European networks contributing to more balanced branch division and to limitation of influence on environment)

HOW TO ENSURE SEAMLESS AND EFFICIENT USE OF THE AXES?

1. What are the main technical and administrative bottlenecks on the axes?

Technical
(in relations from and to the third countries):

- lack of harmonised electronic system of data exchange,
- poor technical condition of rolling stock coming in from BC and EU, causing delays in train take-overs,
- insufficient length of tracks at border stations,
- insufficient reloading capacity at the border stations located on the eastern border of Poland,
- difference of track gauges between 1435 and 1520 mm causing necessity of reloading freight, shifting the car body onto the bogies of different gauge or applying wheel-set gauge changing stands and cars with automatic wheel-set gauge change,
- different voltage of powering nets,
- too low maximum speed of trains in the neighbouring countries.

Administrative and formal

- compulsory phytosanitary and veterinary inspections in transit relations,
- lack of points of phytosanitary and veterinary control on the eastern border,

- change of the railway transport law system from CIM to SGMS or conversely requires issuing new letter of consignment on the outer border of European Union.
- lack of procedure of passing trains based on the rule of mutual trusting
- lack of procedures of common performing border activities on borders with the third countries
- insufficient cooperation of seat booking systems on trains (lack of UIC standards in the neighbouring countries)
- long-lasting procedures of custom and border services in the neighbouring countries
- stamping export documents by custom services in order to regain VAT.

2. Are there problems of interoperability when crossing borders or changing modes?

The present problems related to interoperability while crossing borders (in the scope of railway traffic control systems, telecommunications) will be solved on the territory of Poland by introducing two constituents of ERTMS on the main transport axes – one of them is safety- and traffic-management-oriented European Train Control System (ETCS) and the second is communication-oriented GSM-R. They will be complemented with telematic applications for freight transport (TAF).

Implementation of the above-mentioned systems in Poland will proceed mainly based on EU laws concerning interoperability of conventional railways, in these Technical Specifications of Interoperability for subsystems of control (TSI CCS CR) and telematics (TSI TAF CR).

The existing lack of interoperability on the eastern border of Poland, stemming from the difference between track gauges is being levelled off by applying technical solutions and taking an advantage of our experience of many years. One of the examples of applying railway transport innovations in that scope is SUW 2000 system which enables passing of train sets without reloading through points of connecting tracks with different gauges. Integral parts of the system are bogies equipped with technology allowing automatic wheel-set gauge adjustment and with wheel-set gauge changing stand.
In practice, the system works as follows: the train set passes through the wheel-set gauge changing stand, which connects tracks of different gauges. The above solution allows significant reduction of train passing time and elimination of goods reloading necessity.
At the present time, SUW 2000 system functions flawlessly at Mockava station. Besides, the scientists of Transport Faculty at Warsaw University of Technology designed a technology which facilitates that already existing system. The project they are piloting, called “Intergauge”, is predicted to be carried out in the scope of 6th Framework Programme R&D and assumes automatisation of the wheel-set gauge change stand as well as adjustment of the whole system to enable passing of trains with heavier load.

Spreading of the system will enable raising transport capacity as well as meeting the standards of interoperability on the every point of linking between railways of different track gauges (1435, 1520/1524 mm), which are located in Central-Eastern Europe.

3. Is safety or security a major concern along an axis?

In freight transport:
Due to safety regards, there is many speed limitations in Corridors I, III and VI forced by:

- poor technical condition of tracks
- poor technical condition of turnouts
- a lot of rail/road level crossings, their state or technical level.

In passenger transport:
Safety and ensuring protection are presently the problem in passenger transport in international traffic en routes Warsaw – Moscow – Warsaw and Cracow – Kiev – Cracow.

4. What could be done to solve the bottlenecks today and with a time horizon of 2020?

In the scope of railway transport Strategy of Transport Development for years 2007-2013 assumes carrying out the following detailed targets, the purposes of which are its development, improving its technical state and getting rid of bottlenecks.

- Completing modernising 40-50% of Trans-European railway transport network, of that:
  - adjusting at least three sections of railway lines of total length minimum 700 km to speed of 200 km/h for passenger trains.
    - Improving the technical state of existing railway infrastructure, so that in 2013 80% of routes would be in good state, and 20% in sufficient state.
    - Elimination of bottlenecks causing speed limits on railway routes with large transport flows (IM has been obliged to develop an investment strategy directed at revitalising important railway lines, with special regard for lessening the number of point speed limits).

5. How can intermodal transport be facilitated?

Development and facilitation of intermodal transport on the main transport axes can be achieved by:

Modernising railway lines, most importantly those which are parts of European transport corridors, running through Poland's territory on axis east-west and north-south, ensuring elimination of all bottlenecks and possibility for operators to develop high commercial speed.

Expanding of the existing container terminals and building new ones, from which are originating the logistic centres being built and which are to be the central points of those centres. The basic assumption here is locating the logistic centres using state budget support and aid means from EU funds only in places connected to Polish railway network and using railway transport as the most essential mean of intermodal service.

Modernising of the existing rolling stock of railway operators and investment purchase of modern specialist cars designed for intermodal transport as well as locomotives to operate fast freight trains on the area of the UE member states.

Expanding telecommunication optical wave-guide cable network and linking it to the system of the neighbouring countries and creating an IT platform performing exchange of data about shipments and their monitoring.

An example of initiative in that scope can be a modern logistic centre to be built in Sławków which will operate containers reloading and flow of goods between Asia, Poland and Western Europe. Sławków is the westernmost point of Europe linked to the track of 1520 mm.

Building of euroterminal is a fragment of an international logistic project, which is to enable the railway transport taking over the part of loads that has been transported from Asia to Europe by sea up to now. It should create a chance for global development, intensifying of commerce and creating new workplaces.

6. What common market rules should be implemented to facilitate and speed up transport along an axis?

Railway policy in European Union strives for creating seamless railway transport market. Its creation requires full technical harmonising, in that elimination of barriers caused by different net powering systems, controlling traffic and signalling.
Implementation of achievements of technical advancement in railway transport is being verified by transport market.
Technological turn in the European railway transportation (using some of the up-to-now achievements) is expected to take place in years 2010-2015. As early as today it can be stated that the matters of great importance for this are for example:

- development of over-border railway routes, on which fast freight trains will be running. Now a line from Antwerpen (Belgium) to Milano is functioning. Soon three more will be built, i. a. from London to Sopron (Hungary).
- achieving improvement of railway transport attractiveness on the specified railway routes by introducing speed of 160 km/h for passenger traffic and 120 km/h for freight traffic, with axle load of 225 kN, as well as on specified trunk-lines located in prior transport corridors – meeting European standards, in that speed equal or greater than 250 km/h. All the lines being subjects to international agreements are holding status of lines of state importance.
- standardising of infrastructure in concordance with AGC and AGTC agreements, using in maximum degree commercial speed, axle load, total weight and length of the train,
- creating common system of seat booking and ticket sale in railway transport between Poland and neighbouring non-EU countries,
- applying of simplified custom clearance on trains functioning in near-border operation.

7. Which policies of administrative procedures should be better integrated?

- Rules of infrastructure financing so that infrastructure access fees would be decreased by applying a suitable level of budget subsidies. At the present, infrastructure fees in Poland are among the most expensive in Europe (after Bulgaria, Lithuania, Slovakia and Latvia). Particularly high are fees for freight trains.
- Developing a programme of financing of investment projects from EU means in the scope of interoperability.
- Simplifying of the custom and border procedures in the neighbouring countries (those procedures should be performed by custom and border services of both states while train's running).

8. What could be the role of the private sector?

Private sector could participate in carrying out projects related to development of logistic centres, container terminals and infrastructure improvement in harbours (improvement of harbour accessibility).