

Entry of the CEEC railways: Opportunity, Challenge and Promise

Conference on Public Passenger Transport

Lou Thompson

Thompson, Galenson and Associates

January 27, 2005

Brussels, Belgium

Lthompson@alum.mit.edu

Opportunity for the EU transport sector

- ◆ High level of technical competence, and a different viewpoint
- ◆ Large new passenger and freight markets, and synergy with existing flows: 57% t-km (122%) and 17% p-km (53%)
- ◆ Linkage to further East (73% p-km, 673% t-km)
- ◆ Increased length of haul for all (esp. freight)
- ◆ Existing CEEC passenger and freight market shares will adjust, but are still strong
- ◆ Larger markets for suppliers of equipment in all countries

Challenge: railway transition from planning to market

- ◆ “Command and control” caused:
 - Over-industrialization
 - Over-use of rail versus other modes
 - Suppression of the automobile
 - Lack of valid economic tools and information
- ◆ As a result, today:
 - CEEC networks too large and in wrong places
 - Labor forces too large for current traffic and networks
 - Cross-subsidization of passenger from freight
 - Absence of market-based financial information and disciplines (bills not paid)
 - “Myth of the miraculous railway” remains
- ◆ Change is rapid, but the gap is large and not only in railways

Promise

- ◆ Progress is coming, problems will be solved, but will **NOT** be easy
- ◆ Government railways are still not really enterprises
- ◆ Government and enterprises need to pay their bills, externally and internally
- ◆ Restructuring needed **in practice**, not just legal form
- ◆ Specific changes
 - Market based information and accounting systems
 - Right-sizing of networks, services and costs
 - Explicit and adequate funding of social services
 - End cross-subsidies from freight to pass
 - **Implement** new structures
- ◆ No need to be discouraged: same problems elsewhere. But, determined action needed