DIRECTIONS OF RAILWAY REFORM

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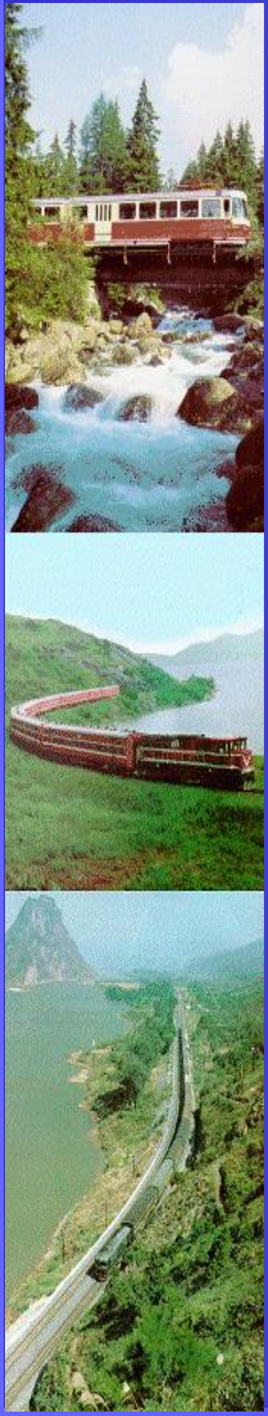
Reform is Vital

- Demands of the socialist market are very different from the planned system
  - Market distinctions
  - Commercial objectives
  - Competition is growing
- Globalization (WTO)
- Price of inaction is high
- Basic question: what will be the role of railways in the socialist market economy?

Services, Structure and Competition

- Intercity, Suburban/Regional and Freight focused management
- Commercial management demands clear costing and complex pricing
- Non-core (non-rail and social) driven out
- Organization options emerging:
  - Monolithic
  - Dominant operator, incremental user
  - Infrastructure separation
- Ownership – can be public, private, partnerships



Directions of Railway Change

Private Involvement

Structural Change

	Public Ownership	Partnerships: Concessions or Franchises Awarded	Private Ownership
Integral	China, Russia and India (ministries), MAV, SRT, MZ, others, (SOE's)	Argentina (13), Brazil (9), Mexico (5), Peru (3), Guatemala, Bolivia (2), Panama, Cote d'Ivoire/Burkina Faso, Cameroon, Congo (Brazzaville), Malawi, Madagascar, Jordan	New Zealand, Ferronor (Chile), CVRD (Brazil), A&B (Chile)
Dominant Integral, Separated Minority Operators	Amtrak, VIA, Japan Freight	Mexico City suburban, CONCOR (India)	US Class I, CN and CP, East/West/Central Japan Railways
Separation	E.U. and Chile passenger	Swedish suburban, FEPASA (Chile), LHS line (Poland)	U.K. franchises and EWS, Polish and Romanian freight

Mixtures and partnerships are possible!

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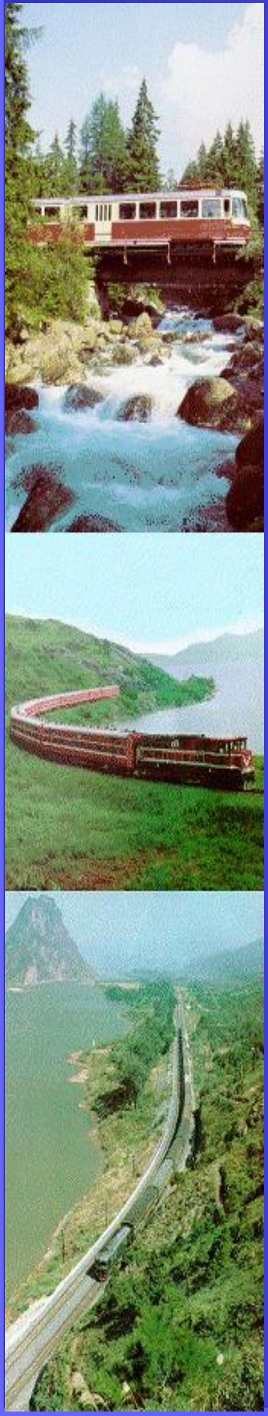
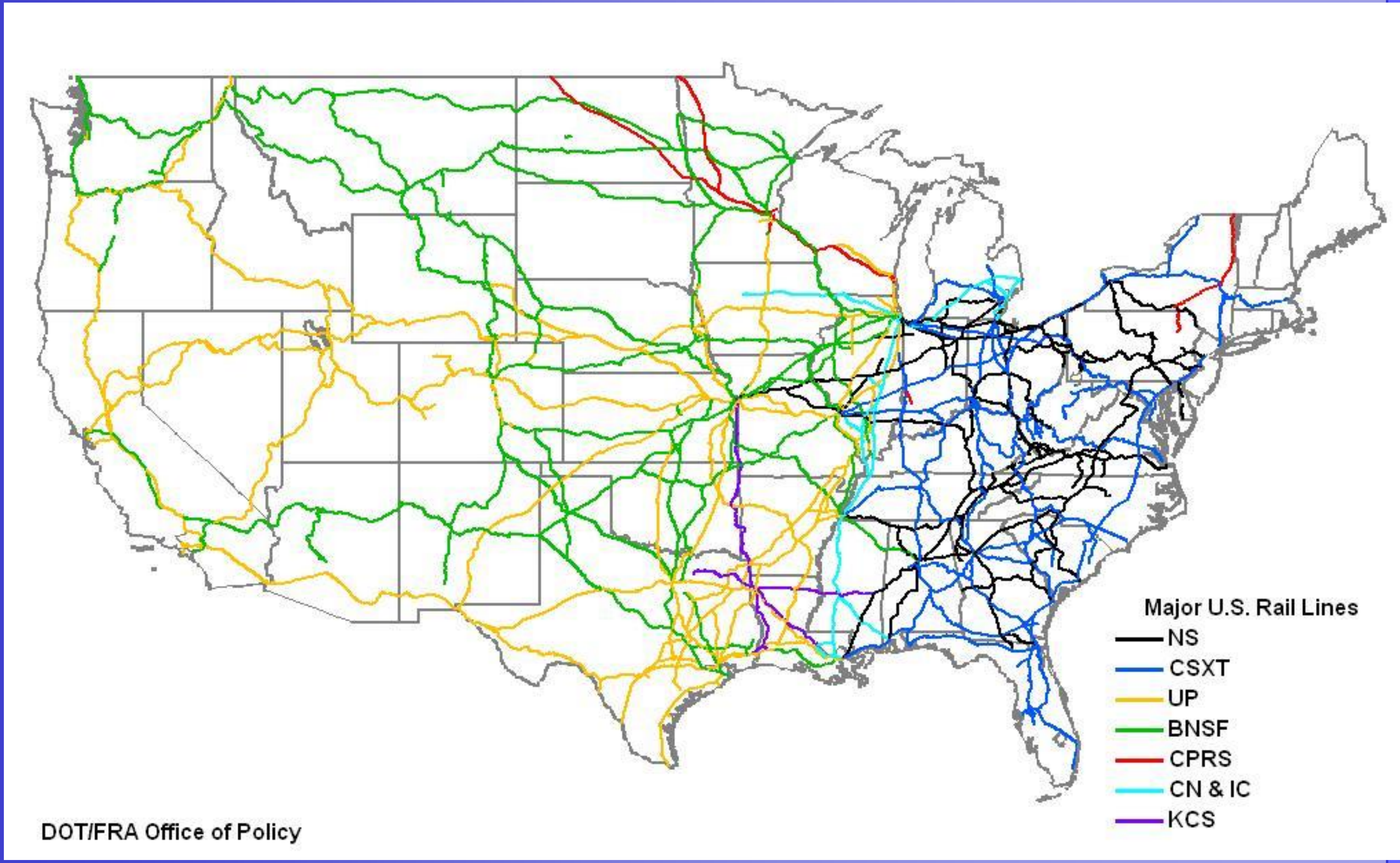
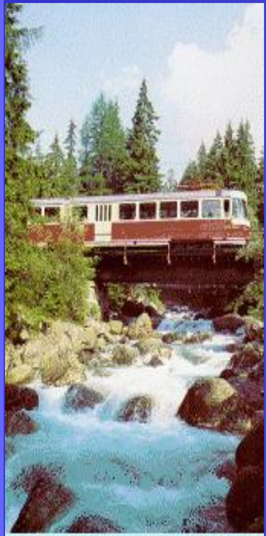
Competition Objectives

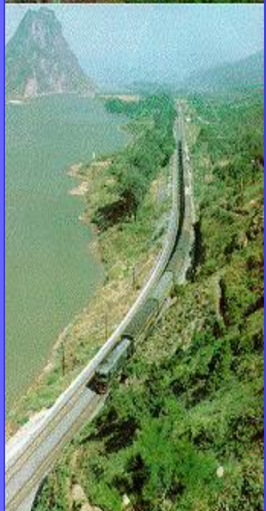
- IN the Market
  - Parallel tracks
  - Trackage rights
  - Competitive access (EU or Canada)
- FOR the Market
  - Exclusive concessions, positive or negative.

平行铁路间的竞争：美国一级铁路公司



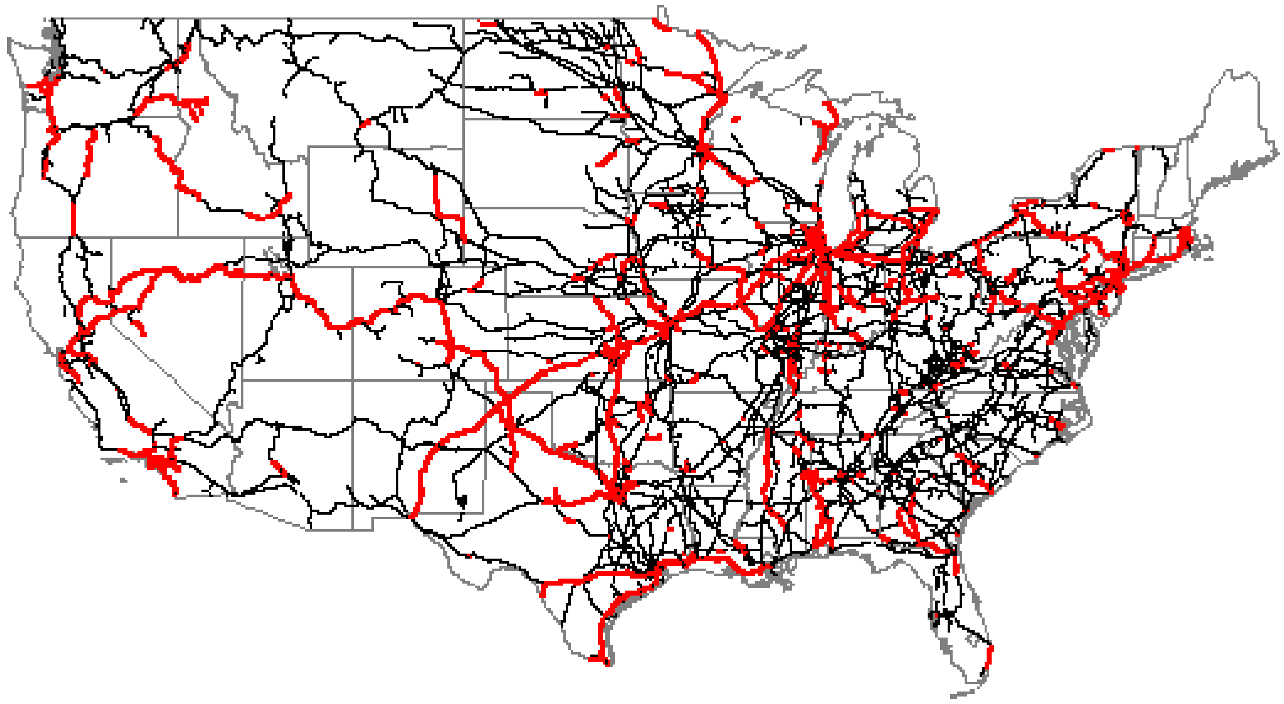




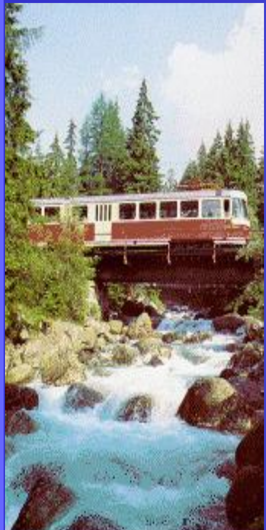


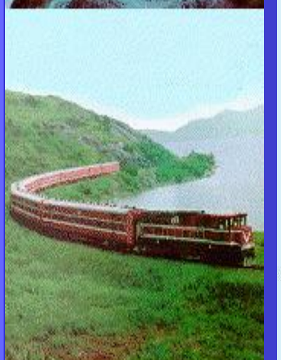
同一条线路上的竞争，美国共用货运铁路网

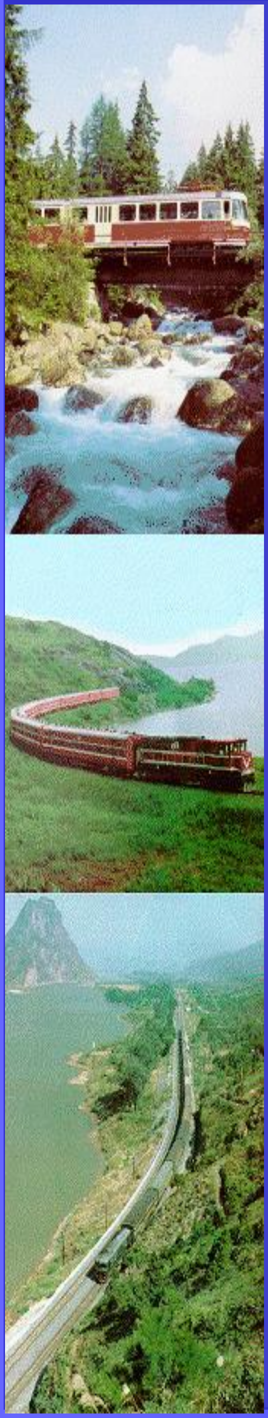
(不含国家客运公司)



Amtrak: The Secondary User
国家铁路公司：次要运营者

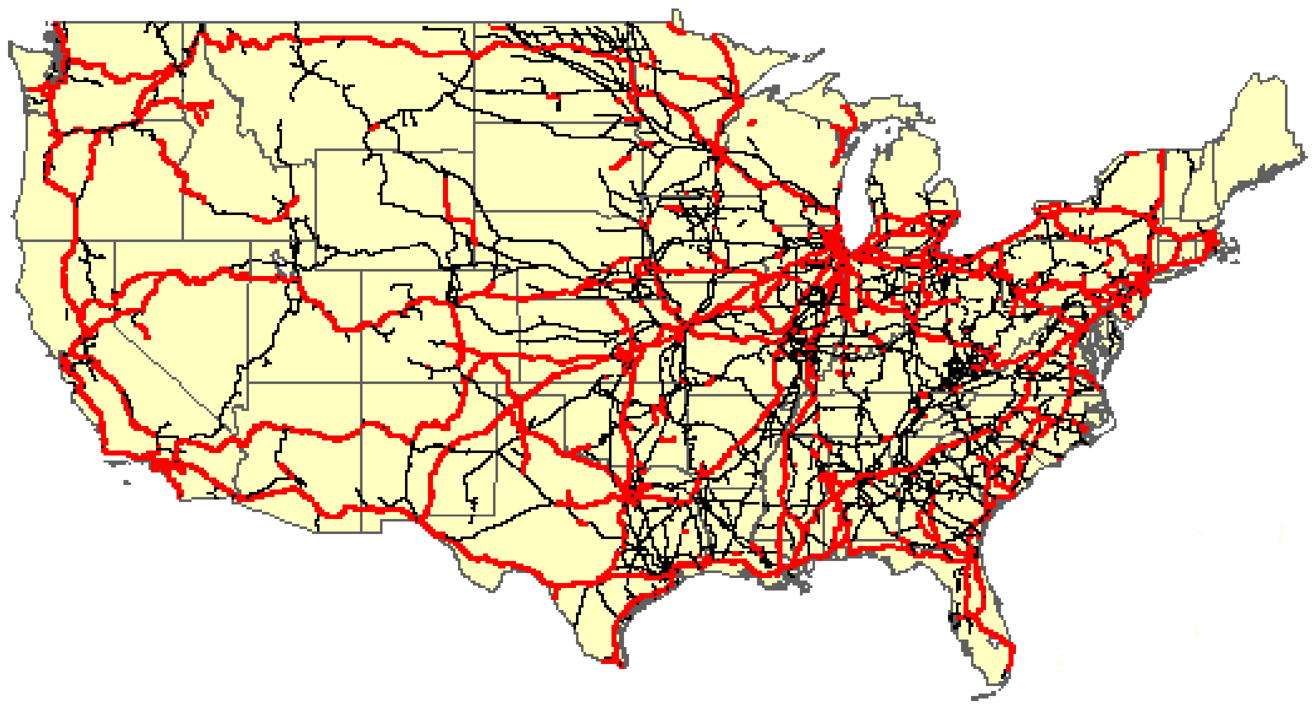






主要运营者和次要运营者示意图

含国家客运公司的美国共用铁路网



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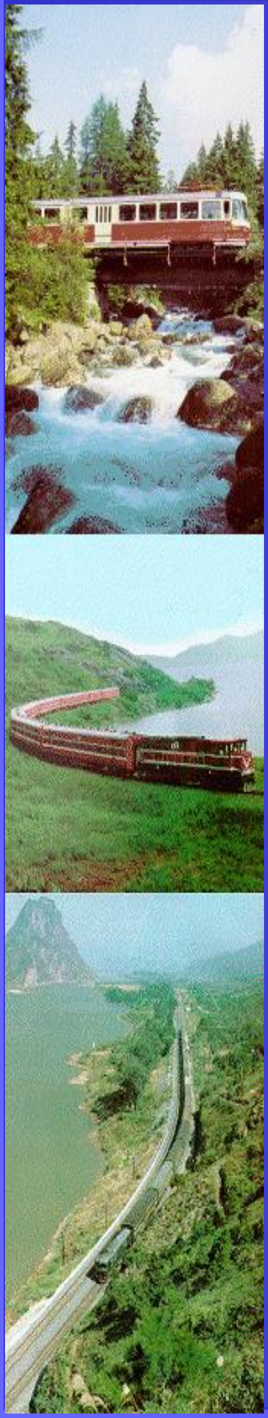
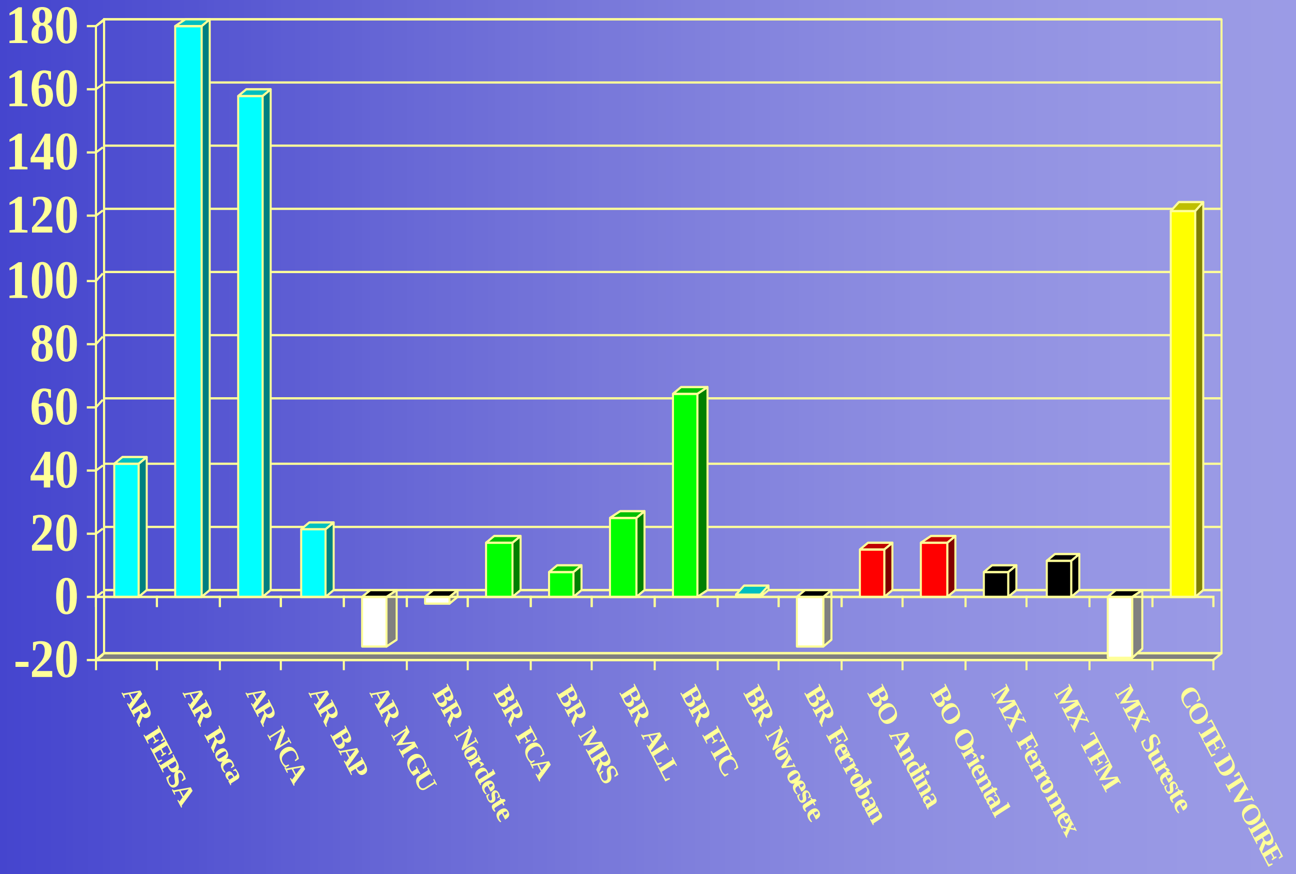
VERY WIDE EXPERIENCE WITH CHANGE

- Latin America
- Africa
- EU
- CEE countries
- Japan
- India and Russia
- Experience has been strongly (with exceptions) positive

Percent Change in Ton-Km Since Concessioning





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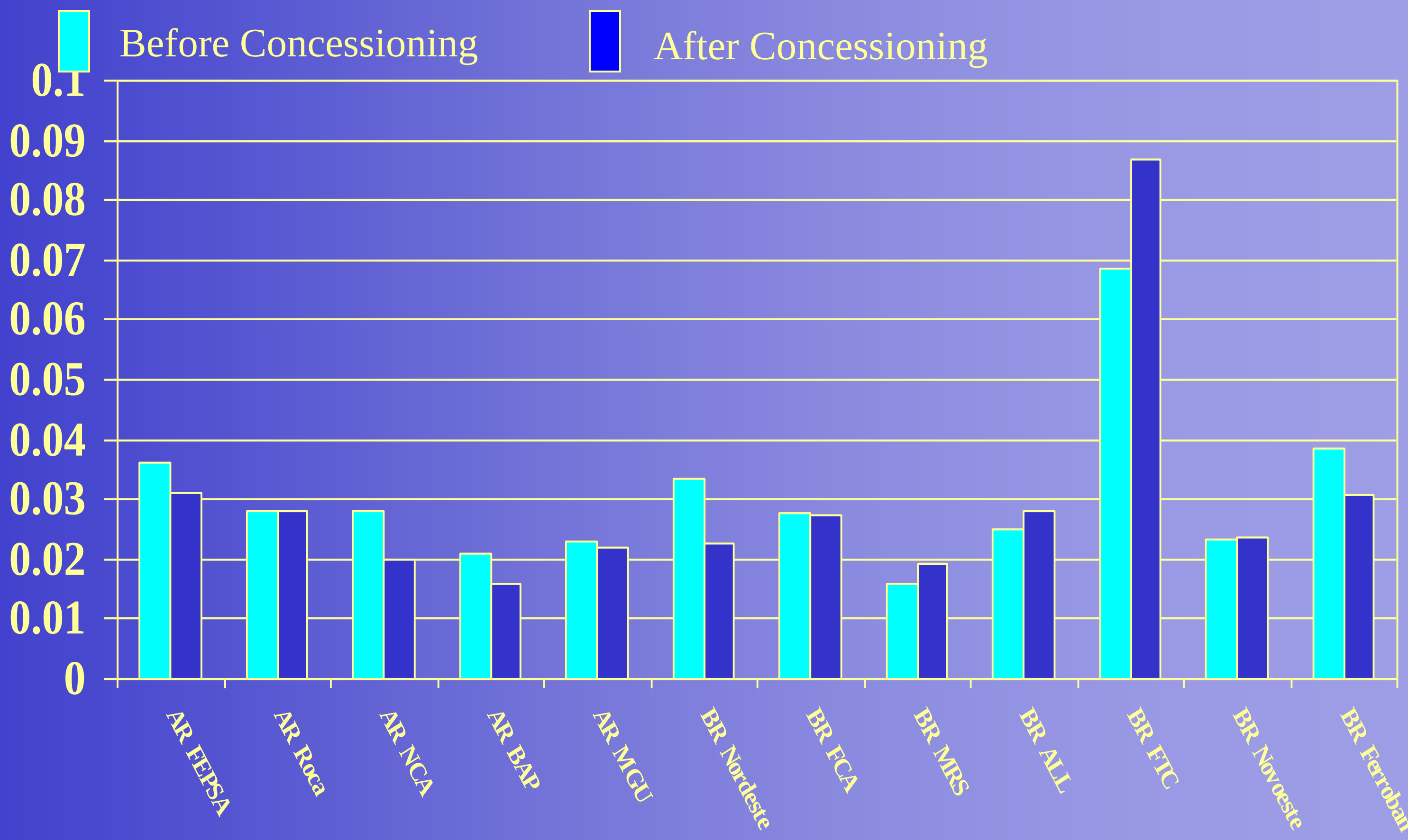
Revenue (US$/Ton-Km) Before and After Concessioning



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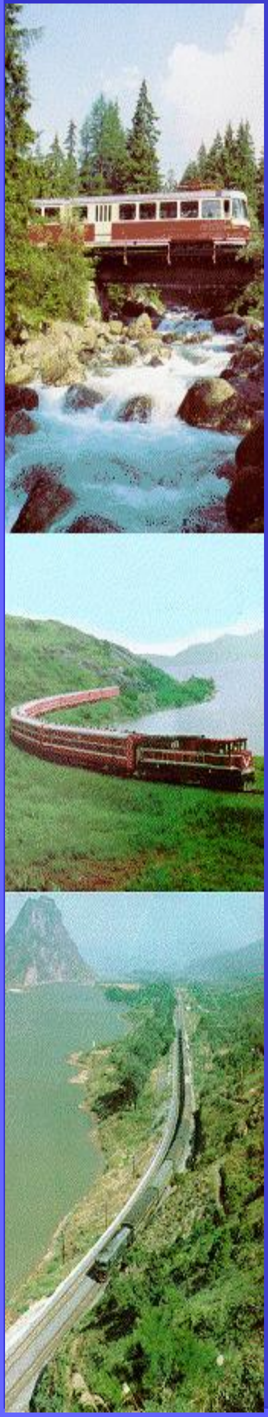
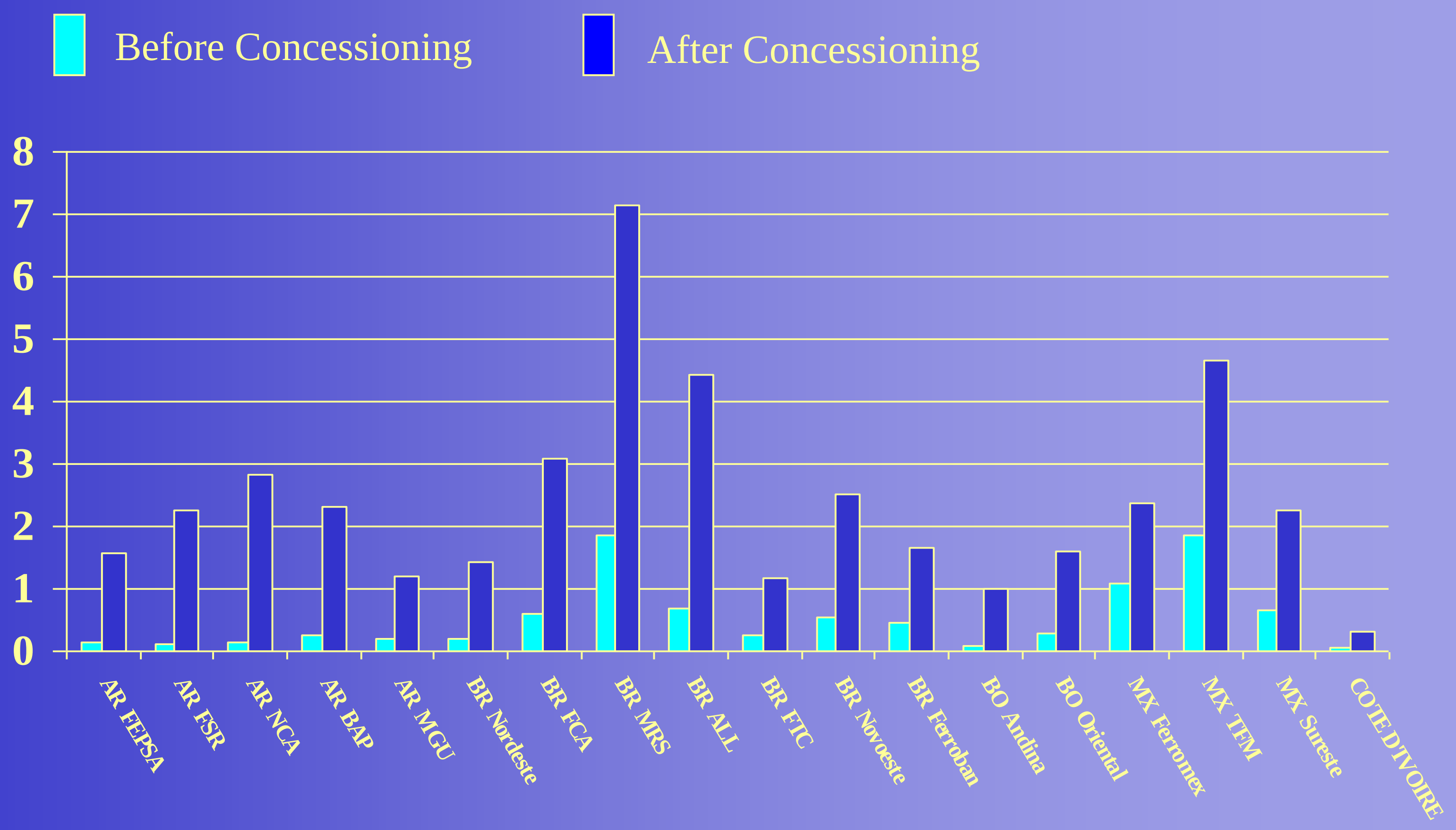


Labor Productivity Before and After Concessioning

(000,000 TU/Employee)



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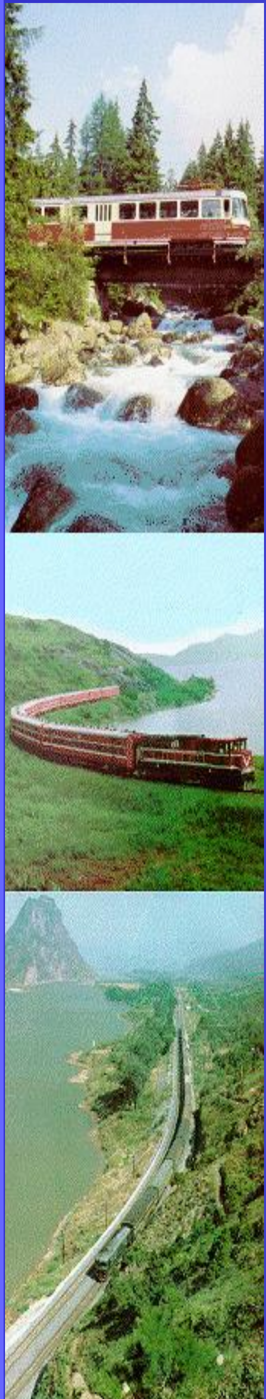

LESSONS

- China needs its own approach – no “cook book” solution
- Get objectives and expectations right
- Government function is as important as enterprise function
- Mixed approaches can be best
- Resolving non-rail issues – labor and transfer of non-core – critical to success
- Impossible to do good analysis without good data and appropriate tools