

Community of European Railway and Infrastructure Companies (CER)

Policy Changes for Railways in the Economic Downturn

By Johannes Ludewig

The world is experiencing two fundamental crises: an economic downturn and a severe threat from climate change. Both require urgent action in the transport sector through investment in sustainable projects. This will stimulate the economy, provide capacity when we emerge from the economic slump and make future growth more environmentally sustainable.

The economic downturn has had a major impact on railways, particularly the freight sector. There has been a progressive decline in rail freight traffic throughout Europe since mid-2008. Similar trends have been experienced worldwide.

The financial outlook for rail freight is therefore poor. This is particularly so in Central and Eastern Europe (CEE) where the financial situation of railways was generally weak even before the crisis began. On average, rail freight companies in CEE expect revenues to fall by 17% in 2009 compared to 2008.

The situation for rail passenger operators is more varied but most passenger railways in Europe expect a decline in traffic in 2009. Rail passenger operators in CEE are also receiving less compensation from government for meeting public service obligations.

Railways throughout Europe are responding to the downturn by cutting or postponing investment and trying new ways of financing investment. However, some railways, especially in CEE, have only limited investment programmes to cut and are poorly placed to find new sources of funding. They are therefore laying off staff, making further cuts to already inadequate maintenance programmes or accumulating more debts. This could accelerate the vicious circle of decline that CEE railways have already experienced over the past few years.

The response of the European Union (EU) to the problems has been limited. The EU has brought forward funds to 2009 for the Trans European Transport network but, whilst this is welcome, it does not address the key issue in some countries – that of keeping the existing network going.

Most governments are currently focussed on balance of payment support and only a few have increased their support for investments, least of all in rail. There is therefore a risk that several railways will collapse or that there will be an irreversible loss of traffic. Yet there are notable exceptions outside Europe: China plans to invest US\$90 billion in railways in 2009, much of this in infrastructure and, in the US, the stimulus package includes US\$8 billion of government support for rail investment over 2009-10.



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Economic growth must be anchored in sustainable transport solutions, capitalising on the strengths of different modes. Governments need to take urgent action by creating a more level playing field, and by providing their railways with more resources and a clearer direction on priorities. These will vary, but would include renewal in CEE and small, high return projects to remove bottlenecks in most countries. There is a need for international bodies to help the railways make the case for this and, where necessary, provide financial support.