EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT
COUNCIL OF MINISTERS

PAN-EUROPEAN INTEGRATION OF TRANSPORT
TRANSPORT POLICIES IN THE COUNTRIES OF CENTRAL
AND EASTERN EUROPE - A DECADE OF INTEGRATION

This document was noted and its Conclusions and Recommendations were agreed by the
An ECMT Transport Policy Forum was held in Paris on 26-27 February 2001 on the initiative of the ECMT Group on the Integration of New Member States. The main objectives of this Forum were to:

- Exchange views concerning transport policy priorities and their implementation in Central and Eastern European Countries, reviewing successes and failures over the last decade as well as new challenges.
- Find issues of common interest and possibilities of co-operation within the ECMT.
- Transfer experience in transport policy formulation from more advanced countries to others.
- Devise principles for linkages between national goals and requirements of Pan-European transport policy.
- Formula of issues and conclusions for consideration by the Ministerial Council in Lisbon in May 2001.

The Forum was attended by more than 70 high-level representatives (including several deputy ministers) of 30 countries. Representatives of the European Commission, some international organisations and International Financing Institutions were also present.

The issues were discussed in 3 main Blocks:

1. Policy Framework
2. Modal issues
3. Infrastructure issues

Transport Policy formulation and priority setting were discussed on the basis of invited keynote papers and contributions from discussants from countries across the ECMT. The papers are listed in the annex and are all available on the ECMT site (http://www.oecd.org/cem/). The main issues raised in discussion as well as conclusions and recommendations are presented below.

POLICY FRAMEWORK

The spatial distribution of population, the intensity of economic activities and the level of welfare in Europe is uneven. In most regions of the CEECs population densities are much lower, transport distances are often longer, good quality public infrastructure less accessible and average per capita production and income many times lower than in Western Europe. It is clear that these differences between groups of countries and regions are so great that there is a need to differentiate ways in which transport problems are intended to be solved.

The EU transport sector as a whole has grown rapidly in recent years. In the period 1990-1998 the demand for passenger transport grew at a rate of 2% p.a. and freight transport at 2.7% p.a., that is faster
than GDP, which has grown at a rate of 1.6% p.a. The transport industry has become more efficient, cheaper and quicker, partly due to the removal of antiquated and inefficient national rules that imposed costly and unjustified restrictions on operations. In spite of progress achieved, there remain serious problems to be solved:

1. the bulk of increase in demand has concerned road freight transport and air passenger transport and the railways have steadily lost market shares;
2. congestion on the road system and in the airways has increased considerably;
3. the impact of transport on the environment remains significant;
4. the number of deaths on the road is still high;
5. the implementation of already approved TEN transport projects is lagging behind schedule.

Over the last decade the CEE Countries have made a great effort to move from centrally planned economies to market economies and more recently, some of them, to meet EU requirements. Within this general transition, the reform of the transport sector, however, has been rarely considered as a high priority in most countries. The main developments can be summarised as follows:

1. sharp decline of demand for freight and for public passenger transport in the early nineties, coupled with the drop in economic output and real income;
2. reorientation and redistribution of main traffic flows reflecting that of trade and tourism from CEEC-CIS to CEEC-EU directions;
3. rapid growth of car ownership and road traffic especially in the late ‘90s.
4. liberalisation and commercialisation of road and air transport is well advanced, while the railways and inland navigation are lagging behind;
5. public awareness of environmental damages caused by transport has grown, but lack of resources has prevented efficient protection measures;
6. reluctance of administrations to implement measures increasing efficiency but causing eventual social conflicts prevented appropriate private sector involvement into the financing, development and management of transport infrastructure;
7. road accident frequency and severity remained at a high level and is an increasing cause of concern.

Unfortunately, differences in the quality of transport systems of the EU and CEE Countries are only a little less acute than ten years ago. Different standards, bottlenecks and lack of interoperability are still reducing the capability of the transport system to efficiently support sustainable economic growth and international co-operation and integration. Restructuring the transport system in most CEE Countries is to a large extent influenced by prospective enlargement and made somewhat dependent upon expected financial support of the EU. The latter is closely linked to the development of transport infrastructure of international interest and the improvement of conditions of international and transit traffic.

The main transport policy measures in CEE Countries in the coming years should try to balance conflicting interests related to:

1. urgent social problems, environmental protection requirements with transport development needs;
2. growing personal incomes and economic welfare with the control and management of steadily growing demand for cars and road transport;
3. growing suspicion and resistance to government’s intervention in land use planning and development control with the introduction of new transport infrastructure;
4. constantly growing demand for international and national freight transport on road with the desired modification and control of modal split;
5. promoting development of infrastructure in Pan-European Corridors required for accession (e.g. electrifying main railway lines, building motorways or enabling road pavements to carry heavy good vehicles with 115KN axle load), without draining resources from allocated to the maintenance and operation of existing facilities;
6. increase economic efficiency of transport services (especially in public transport), improve traffic safety and reduce public finance requirements (subsidies), achieve a better allocation of public resources with gaining political and public approval for the measures.

There are several threats and obstacles which, if not avoided or diminished, may cause serious difficulties in transport and overall social and economic development in some CEE Countries and beyond. The lack of reliable statistical data related e.g. to costs and benefits, pollution, investments etc. makes proper international comparisons and appropriate policy measures based on them extremely difficult if not impossible. To date, perhaps too much emphasis has been placed on building new infrastructure, and therefore rebalancing is recommended, focusing on policy measures and institutional changes expected to improve the quality of services rendered and increase economic efficiency of the transport industry. This rebalancing, aiming to enhance sustainability, has to be achieved by thorough assessment of trade-offs and seeking compromises between conflicting objectives (e.g. economies versus job security).

Among the main obstacles the following can be mentioned:

1. the lack or inefficiency of long-range policy and development planning;
2. the neglect of appropriate project preparation and execution;
3. the separation of technical and financial planning procedures and lack of appropriate budgetary funding;
4. inefficient management and lack of trained and skilled personnel, committed to implement structural changes;
5. the resistance of trade unions and pressure groups to reform, due to conflicts of interests and perhaps lack of appropriate communication between the parties involved.

MODAL ISSUES

After ten years of transition in the CEE Countries, the main question is whether there is an unavoidable convergence to the Western models in the organisation, structural changes and management of the transport sector, and if that is the case, what are the main features of that convergence? Despite the different stages and features of transition observed, the search for increasing the economic efficiency of the transport sector raised similar questions and has led to the discovery of similar approaches to solve problems in Eastern as well as in Western Europe.

Both the modal split and the transport performance per unit of economic output in 1990 has been substantially different in the Western and the CEE Countries. In the latter, the traffic flows were quite quickly reoriented towards the West, as a consequence of the sharp decline of industrial co-operation, trade and tourism between CEECs and CIS. These changes worked in favour of road transport, which adapted easier to rapidly changing conditions and reflecting deep structural changes accompanying the modernisation of production and consumption as a whole. Today the transport performance per GDP unit in the CEE Countries is closer to that observed in EU Member States ten years ago. Disparities remain strong, however, because it is very difficult (if not impossible) to establish direct relationship between progress of market economy and modal split under specific geographic conditions and structure of production and consumption.
An explosion of car ownership and use has been observed in CEE Countries, while the use of public transport has declined steadily (though to a lesser extent in urban areas). It is impossible to verify how mobility as a whole has changed, because the statistics related to car use and passenger transport patterns remain highly unreliable. Air passenger transport has also increased substantially and several airports in the region have gained importance and have become basic hubs of international traffic.

The changes in economic and social life could not entirely explain the transformation and progress made by different transport modes. The overall quality of existing roads has proved less critical than considered ten years ago and the main obstacles to road transport has become bottlenecks on the main access roads at the outskirts of densely populated areas as well as complicated administrative procedures at border crossings. The road haulage industry has been liberalised, privatised and deregulated rapidly. Equipment and standards for heavy goods vehicles used in international traffic have become very similar, but there are mutual suspicions concerning accession. EU transporters are complaining about expected unfair competition pointing to relatively low wages of CEEC hauliers and lack of appropriate control of compliance with strict working hour regulations prevailing in the EU. On the other hand, CEEC hauliers’ association and transport administrations would like to protect (temporarily) undercapitalised national hauliers representing SME-s from strong competition and impacts of the disappearing quota system of international transit licences. The international bodies (ECMT, UN-ECE, IRU) play a crucial role in assessing comparative advantages and easing the tensions between countries of different geographical position and conflicting economic interests, related to the distribution and availability of these quotas.

Although the share of rail transport has decreased sharply, it remains around 50% in CEE Countries. Financing constraints have led to a deterioration of the tracks in general, although some main railway lines of international importance have been recently upgraded. The concentration of traffic is very high on these main lines, while long secondary lines remain underused. The rigid structure and organisation, overstaffing, conservative pricing and commercial policy of most national railway companies have to be entirely reformed to increase competitiveness. In the light of forthcoming EU accession, the constraints which may initiate and enforce these reforms are closely linked with international transport and the progress of similar reforms in the EU.

In some CEE Countries railway reforms are better advanced than in others. Some persistent problems remain however: lack of clarity in relationships between railways and government; government interference in operational decisions; railway structures not yet reflecting the market segments they are to serve; partial separation of infrastructure and commercial services; over-staffed and often financially bankrupt companies kept afloat water by huge subsidies, obsolete rolling stock, huge maintenance backlog, slow move towards MIS and information technology applications, obsolete border clearance procedures. In most cases staff retrenchment is an incomplete part of railways reform. Although privatisation of freight operators is a reality in some countries, it is not an easy task to set the access charges and to safeguard fair competition.

The market of inland waterways and coastal navigation is more fragmented and less regulated than any other transport mode. Its share in the modal split remains modest. The obstacles hampering, for example, navigation on the Danube since the Kosovo war caused serious economic damages to and kept the navigation companies of some countries in crisis. The co-operation of different international organisations dealing with inland navigation (e.g. the CCNR and Danube Commission) needs to be further developed. Combined transport is growing and plays a slowly increasing role in international transport. But it remains, however, closely linked to the progress and development of the railways (i.e. its competitive costs and quality of services). The opportunities offered by these modes should be taken into consideration when preparing policy and financial measures intended to influence modal split.
It, very soon, became obvious, that transition involved more than the privatisation of companies, especially those providing transport services, since to them regulation of access to the market and competition, as well as the conditions of governmental intervention aiming to protect some vested social interests, remains essential. Moreover, privatisation itself accelerates reallocation of financial resources on national or international level, but does not create or mobilise additional ones, desperately needed for the modernisation of the transport industry. Experiences gained during the last ten years demonstrated clearly that it is not enough to declare the establishment of market economy: it has to be guided as well. There is no natural transition path, but only some, more or less efficient measures inducing dynamic changes with impacts of “no return”. In this respect the separation of track management and commercial operation is considered as a general model, allowing the opening of the transport network for competition and enhancing commercial activities, improving the quality of services.

The elaboration of transport policy should taken into account the forecast development of the demand for the different transport modes. Personal mobility is expected to increase by 40-50% in the CEE Countries between 2000 and 2015, twice as much as that forecast for the EU. The car fleet will be doubled while the performance of private transport may be even tripled in that period. The growth of public passenger transport is likely to be under 10% and its share in the modal split will shrink further. The expected growth of the international passenger traffic is expected to be about 80-90%, transported mainly by road and air.

The forecast growth of freight transport in the CEE Countries is 50-60%, very similar to that forecast in the EU, while growth in road transport may reach 60-70% against that of rail (20-30%). The growth of international freight transport is expected to exceed 100%, while that of road could be tripled, and railway’s growth will be below 50%.

**INFRASTRUCTURE ISSUES**

In most of the countries of the Central and Eastern Europe the density of roads and railways is relatively high. In the past, emphasis was on the quantitative development of railway transport, with little attention to the quality of services provided. Large parts of the track were in an unsatisfactory technical condition, the traffic control system was outdated, and the quality of rolling stock poor. Differentiation of track gauge and power supply systems made interoperability difficult. All these, in combination with inadequate operational efficiency, meant that the quality of service and economic efficiency were very low. Generally, railways were not competitive in terms of speed, costs and convenience. Political changes, first of all the splitting of the former Soviet Union, further reduced the efficiency of railway transport. The larger number of countries, national fragmentation of services and an increased number of border crossings created additional operational problems.

**Road networks** had several shortcomings as well:

1. there were very few motorways and expressways; most roads, including international roads, did not have access control and were used by mixed traffic - long- and short-distance motor traffic and slow traffic;
2. the standard of many sections of main roads is low; this includes geometric design, the quality and load capacity of the pavement;
3. many sections of major roads go through built-up areas, and some through city and town centres;
4. international traffic was additionally suffering because of the inadequate number and capacity of border crossing points;
5. the situation in road traffic safety was dramatic; the rates and severity of road traffic accidents are much higher than in Western Europe.
6. Road maintenance was neglected because priority was given to the upgrading and development of networks.

The progress in improving the situation in the last decade was much slower than expected, partly due to the shortage of funds, but perhaps expectations were too high.

At the general transport policy level, implementation and monitoring of the development of the Pan-European transport Corridors and Areas including TEM and TER projects is an important issue. The European Commission is committed to the development of the transport infrastructure within these Corridors and networks (TINA) to stimulate the development of the TEN concept. It also declares interest in promoting projects supporting regional development. However, practice has shown that this is rather a secondary objective. And the cities are dealt with only in exceptional cases.

Allocation of large amounts of money (through EIB, PHARE/ISPA etc.) to projects on Pan-European corridors may, to some extent, reduce investments into other national or regional roads and railways, in spite of the fact that their importance for the whole network in many cases may be comparable, or even higher than links belonging to the international corridors. Deterioration of local/suburban railway systems serving large cities and agglomerations is among the least desirable results. And the backlog in road maintenance and rehabilitation of secondary networks may be growing. This problem seems difficult to overcome as road funds made available or generated from national sources are in virtually all countries far below actual needs.

In various diagnostic studies of transport systems in countries of the CEE region it has been pointed out that inadequate maintenance caused a very serious deterioration of transport infrastructure. Compared with other options of resource allocation, maintenance has the best benefit/cost ratio. In addition, efficiency of maintenance programs can be considerably increased, if a modern approach is applied in programming and management of infrastructure maintenance. Unfortunately, in some countries there is a tendency to give priority to new investment projects. In such cases, it may be useful to earmark for maintenance a part of funds allocated in the budget to transport sector.

Rehabilitation and modernisation of existing infrastructure is another efficient strategy. Increasing the pavement strength of roads is probably one of the most challenging questions in searching for an optimum allocation of resources.

The EU provides ISPA and other funds for investments in transport infrastructure projects located on the Pan-European Transport Corridors connected to TEN in the accession countries in the CEECs. Spending versus absorption capacity of each country has to be carefully considered (max.1.5% of GDP is expected/suggested to be spent only on transport infrastructure). The European-wide interest to facilitate transit and international traffic should be borne in mind when implementing these projects. In preparing infrastructure projects appropriate economic and social feasibility criteria and national prioritisation has to be taken into account. Corridor investments should not crowd out funding of maintenance of the network as a whole.

The CEE Countries example shows clearly that toll roads are not a substitute for a well-funded and managed public highway programme. Private toll roads can exist only because of commercial revenue potential along specific Corridors. Government support is essential to mitigate start-up risk for cautious investors/lenders. In transport private capital works best when leveraged with appropriate public funds for large infrastructure development projects.
CONCLUSIONS & RECOMMENDATIONS

The following main conclusions and recommendations were formulated by the Forum participants:

1. To enhance transition and support sustainable economic growth in European integration (including accession to the European Union), central, regional and local governments in the Central and Eastern European Countries are strongly encouraged to prepare, publish and regularly update transport policy documents, as an integral part of their long term economic and social policy. Such documents should be prepared with the participation of all interested parties and should preferably be approved by the appropriate legislative body.

2. For an effective transport policy, appropriate financial and human resources have to be allocated to each sequence of measures, allowing their proper implementation. Without clearly defined and available financial support from public budget(s) and proper education and training of the people charged with introducing the reforms, the implementation, reliability and seriousness of any transport policy remain highly uncertain and questionable.

3. Managing transport demand and influencing modal split are crucial tasks to be achieved by regulatory, fiscal and marketing and infrastructural measures, but also by making efforts to decouple economic growth and demand for transport. Making better use of existing infrastructure and equipment, and providing opportunities for alternatives to road transport (rail, combined transport, navigation, etc.) are necessary to improve the quality of the transport system.

4. Efforts should be made to remove legal and social barriers hampering efficient involvement of the private sector in the financing and management of transport infrastructure. So far the experience with Public Private Partnerships has been rather disappointing and efforts should continue to be made to create the framework for greater involvement of the private sector in the development, maintenance and rehabilitation of transport infrastructure. Progress in the area of applying a wider range of user charges in CEE Countries needs to continue to be made.

5. The local, sub-regional, national, cross-country regional and global dimensions of the transport infrastructure network development should be kept in mind. In particular, the Balkans Transport Infrastructure Regional Study (TIRS) has been considered as an urgent task.

6. Lack of funding remains a crucial issue. Transport investment priorities need to be in line with the governments’ public expenditure plan and the absorptive capacities of the countries. Sources of new funds need to be examined. There is a risk of over concentrating resources on projects of international interest at the expense of maintenance or regional or urban projects. In all aspects of priority selection, project preparation and feasibility studies, close formal and informal cooperation with international financing institutions and the European Commission has proved effective in building trust and in helping project implementation.

7. The forecast rapid growth of car ownership and road traffic has a strong potential to create a considerable flow of (fuel) tax revenues in the coming years, to the local, regional and central governments’ budget. It is recommended to make use of the leverage effect of this eventual “surplus” to attract EU funds, IFI’s credit and private capital and banks’ loans into the financing of the transport sector, especially that of badly needed upgrading of transport infrastructure and maintaining public transport supply.

8. There is a need to continue to review and reform Governments’ role in the management, control and regulation of the transport sector, in line with changes in the structure of public administration,
enhancing decentralisation, corporatisation, commercialisation and privatisation, when appropriate. An integrated approach is needed: since the different modes are treated together, the complementary effect of other sectors must be considered. As a consequence it is not the input (investment), but the targeted outcome that determines the required transport policy.

MINISTERS AGREED the Conclusions and Recommendations of the Forum.
Annex

BACKGROUND DOCUMENTS FOR THE TRANSPORT POLICY FORUM
(Available on the ECMT Web-site: http://www.oecd.org/cem/)

Session 1  Policy Framework

Mr. Wojciech SUCHORZEWSKI (Poland), keynote speaker
Mr. Zoltán KAZATSAY (Hungary)
Mr. Klaus GRÖGER (Germany)
Mr. Evgeniy D. KAZANTSEV (Russian Federation)
Mr. Dinos STASINOPoulos (EC)
Mr. Karel STEINER (Czech Republic)
Mr Vasyl TSYBENKO (Ukraine)
Mr. Jan FRIEDBERG (Poland)
Azerbaijan Delegation
Latvian Delegation
Lithuanian Delegation

Session 2  Modal Issues

Mr. Christian REYNAUD (France), keynote speaker
Mr. Krzysztof CELIŃSKI (Poland)
Mr. Rudy COLLE (UIRR)
Mr. Michalis ADAMANTIADIS (UN/ECE)

Session 3  Infrastructure Issues

Ms. Eva MOLNAR (Hungary), keynote speaker
Mr. Karel STEINER (Czech Republic)
Mr. Lyubomil IVANOV (Bulgaria)

Session 4  Conclusions and Recommendations

Background Paper and Draft Conclusions by Mr. András TIMÁR (Hungary)
Ms. Éva MOLNAR (Hungary)
Mr. Jan FRIEDBERG (Poland)

Other Documents

Transport Policy Forum Programme
Graphs by ECMT on Freight and Passenger Transport Statistics in CEECs and CIS
Final Presence List