Entry of the CEEC railways: Opportunity, Challenge and Promise

Conference on Public Passenger Transport

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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