

**Why it is necessary
The South East European
Railway Transport Area ?
- The World Bank Position -**

***V. N. OLIEVSCHI
The World Bank***

Belgrade, 4 September 2007

Main Ideas

- The transport needs evolution and the expectations from railways
- Outlook on railway transportation sector in South East Europe
- Key elements for making profitable the investments in railways
- Defining the regional approach for the development of railway sector in South East Europe

The actual transport volumes in Europe will double in the next 20 - 40 years

**SOUTH EAST EUROPE
Core Network Links
Railways and Waterways**

- Corridors and Routes**
- Corridor X
 - Corridor Xb
 - Corridor Xc
 - Corridor Xd
 - Corridor Vb
 - Corridor Vc
 - Corridor VIII
 - Route 1
 - Route 2
 - Route 4
 - Route 9
 - Route 10
 - Route 11
 - Corridor VII, Waterway



Core network defined by MoU (June 2004)

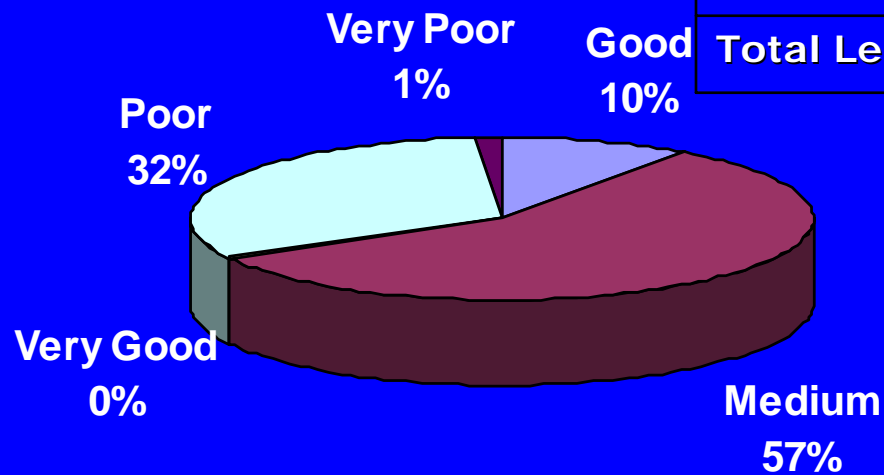
3 European Corridors

4254 km = 2731 km Corridors + 1533 km routes

Need for a reliable inter-operable railway infrastructure connecting all European Countries

The Length of Core Network

Railway network	Corridors [km]	Routes [km]	Totals [km]
Albania	273	118	391
Bosnia & Herzegovina	408	87	495
Croatia	763	326	1089
UNMIK/Kosovo	0	150	150
FYRoM	527	32	559
Montenegro	0	192	192
Serbia	760	628	1388
Total Lengths	2,731	1,533	4264



The technical condition of the Core network (17 % not evaluated)

How much does it cost the railway infrastructure ?

Average price for 1km modernization
on international Corridor

Average price for 1 km general
overhaul of track

How to convince
governments and donors
to invest 2 billion \$
in railways?

The realization of the Southern European Core
Regional Transport Development Plan may cost
minimum 2 billion €

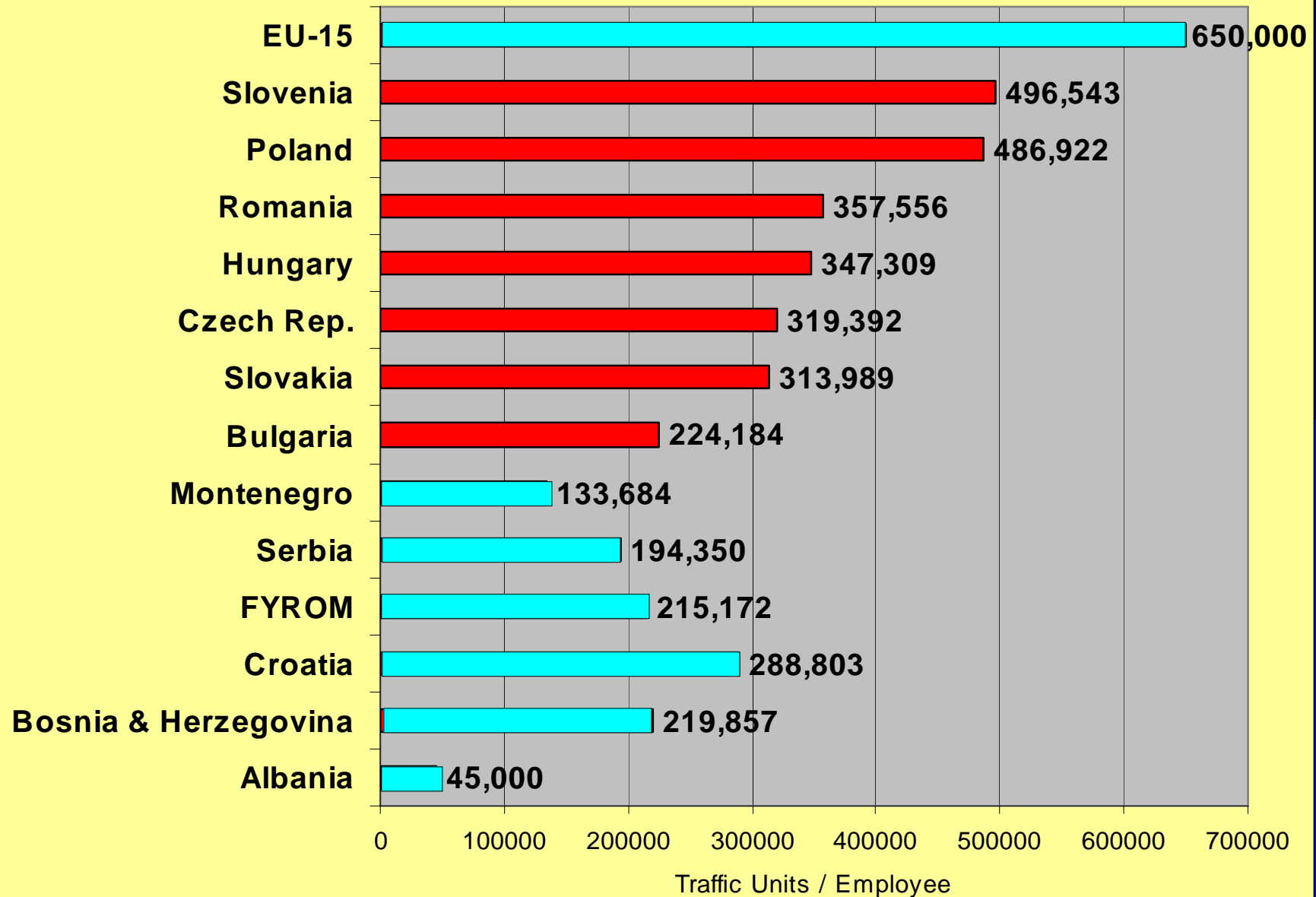
The Railway Infrastructure - is it enough for a competitive rail system ?

- *“Infrastructures are not an end in themselves. They deliver their promises by offering high quality services only if efficiently managed...”*
- *Railway infrastructure is part of a very complex system including operations of freight and passenger transportation services*
- *Presently, the response of the railway sector to the challenges of the market development is not very clear*

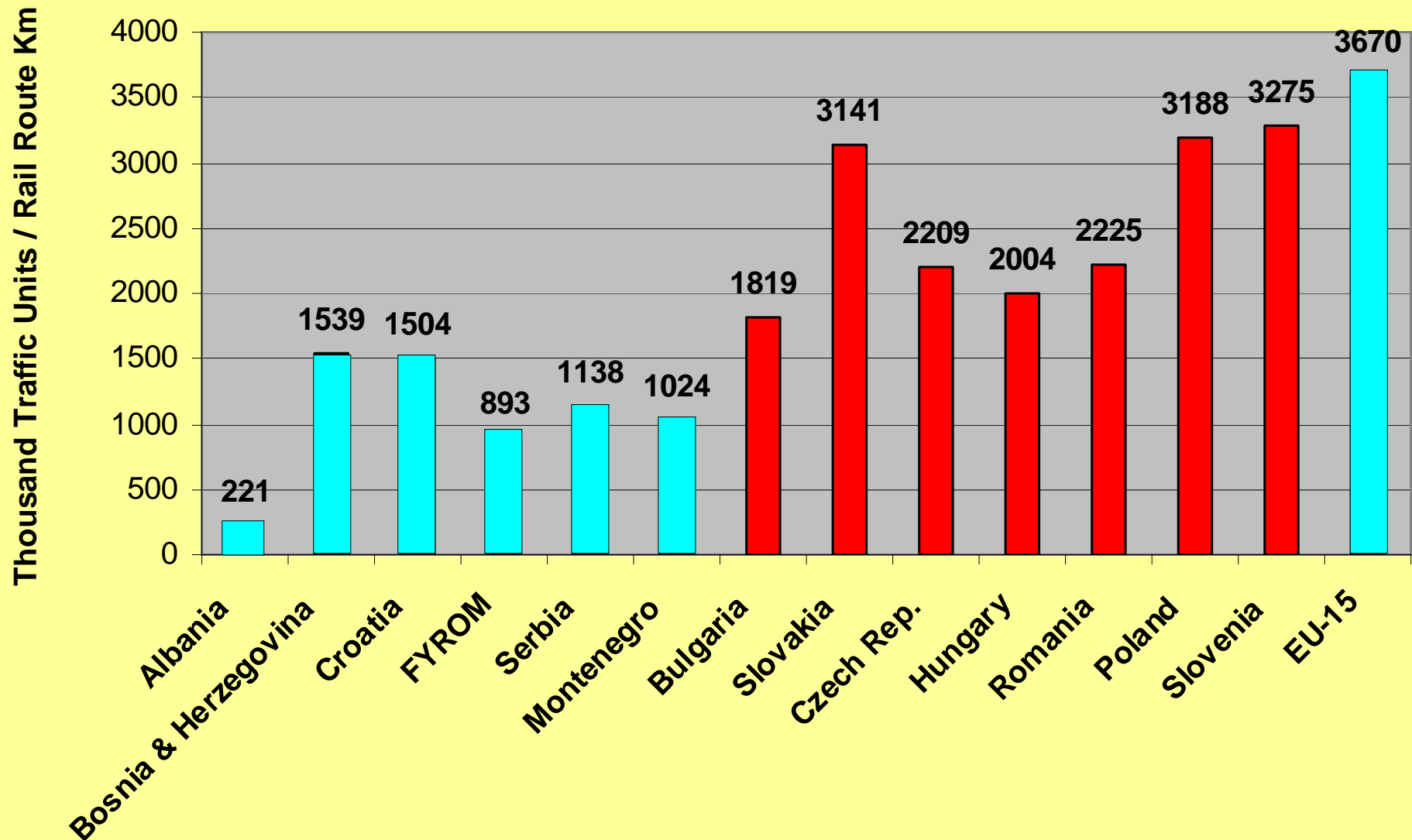
Outlook for Railway Transportation Sector in South East Europe

- „Railway Reform in the Western Balkans“ – The World Bank Study – examines the challenges facing the railways of the Western Balkans region (2006)
- Drastic traffic decrease:
 - 10 billion passenger-km in 1990 versus 2.8 billion passenger-km in 2005
 - 20 billion ton-km in 1990 versus 8.1 billion ton-km in 2005
- Poor resource productivity
- Infrastructure and rolling stock - damaged in the conflict and little investment in the last 15 years
- Unbearable need of operating and capital subsidies from the state budget

Railway Labor Productivity [UIC – 2005]



Railway Traffic Intensity [UIC – 2005]



Could become the railway sector a sustainable solution for a larger transport market share ?

- Freight forwarders and logistic services work on a competitive basis.
- For most of the railways being more competitive means to overcome the problems existing today:
 - low quality services,
 - lack of capacity
 - cost disadvantages

The key elements for making profitable the investments in railway infrastructure

- Government policies in transport sector
- Organizational model of railways

Government policies in transport sector

- Fully transparent and unbiased policies
- Financing the social benefits of railway transport

Organizational model of railways

- EC Railway Directives (vertical unbundling)
- Business oriented approach – no matter the organizational form
 - Non-interference of the government in railway business
 - Solving the issue of historical debts
 - Asset separation - how many assets?
 - PSO Contracts without cross-subsidies
 - Access charge formula to generate incentives (to manage the railway infrastructure as a business)
- Form of ownership matters

Defining a solution for the South East European Railways

- Each railway performance is highly dependent of the neighboring railways
- Principles for achieving a better quality railway services:
 - Country Governance
 - Common Solutions
 - Synchronized Changes

SEE Railway Transport Area

SEE Railway Transport Area Targets

- **Target 1:** - Effective regulatory institutions for the rail sector
- **Target 2** – Separation, management independence, market orientation and social dimension
- **Target 3** – Access to the market, interoperability and railway safety
- **Target 4** – Financial stability and transparency
- **Target 5** – Facilitate border crossing

The Institutional Framework

- Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network
- Addendum to the MoU for the South East European Railway Transport Area

Coordination of the implementation of the SEE Railway Transport Area

- International Financing Institutions Advisory Group (IFI AG) – Operational Working Groups
- Structures created by the MoU on the Development of the South East Europe Core Regional Transport Network
 - Ministerial Council
 - Steering Committee
 - Secretariat – SEETO
 - Working Group on Railway and inter-modal policy

The World Bank – partner for development of transport sector

- Transportation = the second largest sector financed in 2006 (14% of the total lending of \$23,6 billion)
- Increasingly flexible instruments for financing projects
- Programs tailored to meet the individual country needs (country or regional approach)

Conclusions

- *The railways from SEE have a unique opportunity to become reliable companies **acting together** according to the rules of the EU*
- *The re-construction of the railway infrastructure must take place in parallel with the restructuring of the railways as business-oriented companies*
- *The reform of the railways must be seen not as a one-time process of implementing a specific structural model, but as a continuous process of flexible adaptation to market demands.*

The new tradition – The continuous change, innovation and renewing work practices

Thank you for the kind attention !

Vasile Olievschi
e-mail: volievschi@worldbank.org

Conclusions

- *The railways from SEE have a unique opportunity to become reliable companies **acting together** according to the rules of the EU*
- *The re-construction of the railway infrastructure must take place in parallel with the restructuring of the railways as business-oriented companies*
- *The reform of the railways must be seen not as a one-time process of implementing a specific structural model, but as a continuous process of flexible adaptation to market demands.*

The new tradition – The continuous change, innovation and renewing work practices