SURVEY Industry Watch

Everyone must pull together

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Over the past two decades, the modernisation of railways in Eastern Europe — both infrastructure and rolling stock — has moved more slowly than many stakeholders would like. We asked our expert panel what steps should be taken to facilitate more rapid progress.

RAIL SUPPLY INDUSTRY WATCH

Steady market growth in the rail industry over recent years has been driven by spending in the mature regions of Western Europe, North America and Asia as well as emerging markets such as the Middle East and Latin America.

However, it seems that the countries of central and eastern Europe are lagging behind in updating their rail networks. There have only been a handful of big infrastructure projects to enhance the region's rail or metro networks, while rolling stock renewal has been slow.

As a result, the market share of rail in these countries has been falling, or stagnating at best (Table I). This decline in rail's fortunes comes despite the allocation of significant sums for transport investment, particularly through the European Union's Cohesion Fund and instruments such as CEF. Many countries have failed to make effective use of the money available, which is tilting the modal split away from rail.

So what should be done to accelerate the revitalisation of railways in the CEE region? We asked our panel to rank six 'levers', which could be used to stimulate the market (Fig 1).

The top two came out with a very similar ranking. Most respondents felt that infrastructure managers and railway operators needed to strengthen their planning and project management capability in order to plan modernisation projects more systematically and make more effective use of EU funding. It is interesting to note that this ranked as slightly more important than the desire for more government funding.

We have seen a similar concern in Western Europe: infrastructure operators have not always been able to make best use of available funding because of inadequate planning and management capabilities. Selecting the best route alignment, defining rolling stock requirements, planning capital expenditures, assessing the effects on the economy and the environment, and conducting the public tendering process all demand resources and can only be outsourced to a limited degree.

Enhanced government action was ranked second. Our respondents believe that national governments should prioritise rail in their transport infrastructure programmes and facilitate some high profile 'flagship' projects to stimulate the market. At the moment, most Eastern European countries are focusing on modernisation and expansion of their road networks, as pointed out in a special report published by the European Court of Auditors in May 2016.

> To find out more about the survey and apply to join our panel, visit the RSIW website at: **www.railsupplyindustrywatch.com**

By contrast, flagship projects in Western Europe range from high-speed lines in France, Spain and Germany to the Channel Tunnel, the Betuwe freight line in the Netherlands or the new Wien Hauptbahnhof. Or look at the automated metro in Dubai and the rapidly expanding high speed network in China. All of these have raised the profile of railways and emphasised their contribution to regional development.

The third-ranked area for action is for governments to enhance the general business environment. Our panellists believe that competitive conditions must be improved, while mismanagement and corruption have to be reduced.

The next two levers achieved almost the same score but differ in their standard deviation. The first was the need to improve the financing landscape by earmarking EU funds for rail, and to establish a single entity in each member state where infrastructure managers and operators could apply for funding. This would bring together the competences and contacts needed to facilitate access to the different funding sources, and could perhaps be a department in the transport ministry.

Respondents also believe that both governments and infrastructure managers should seek to make greater use of EU cohesion funds in rail projects. This offers a co-financing rate of up to 85%, compared to the TEN-T programme which despite its focus on rail in 2007-13 only offered up to 30% for cross-border projects and 50% for studies. Because road projects were usually financed under the Cohesion Fund or ERDF, they benefited from a higher co-financing rate than rail investment.

Clearly ranked last was the suggestion that more European legislative coherence was needed to encourage efficient use of resources. This is completely in line with the principle of subsidiarity. Respondents believe the initiative must be taken by local governments, infrastructure managers and railway operators, rather than relying on the European institutions. Local stakeholders are best placed to decide what actions are beneficial for their rail networks, but they have to do their homework.

Unife Executive Director Philippe Citroen agrees that 'a combination of local and EU measures is absolutely essential' to drive railway development in Eastern Europe. 'Co-operation and information sharing between all stakeholders, be it at local, national or EU level, will be crucial in making best use of the funds available.' ■

Table I. Rail's modal share of freight tonne-km, %

	2010	2015
Czech Republic	21·0	21·2
Hungary	19·6	19·9
Poland	19·4	16·2
Romania	23·5	20·8
Russia	16·9	16·3
Slovakia	22·0	19·8

Source: Eurostat, FSSS

Fig 1. Possible measures to promote the enhancement of railways in central and eastern Europe.

A Strengthening infrastructure managers' planning and project management capability.

B Prioritisation of rail projects in governmental infrastructure programmes, including 'high profile' projects to stimulate the market.

C Improving the general environment for business and competitive conditions, reducing mismanagement and tackling corruption.

D Provision of EU funds clearly earmarked for railways, and creation of 'one-stop shops' in each member state for these funds.

E Greater use of EU cohesion funds on railway projects rather than TEN-T schemes.

F Ensuring legislative coherence by the European Commission to encourage the most efficient use of EU budget resources.