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STUDY OF THE SITUATION OF THE RAILWAYS IN MEMBER COUNTRIES

Transmitted by the Governments of Hungary, Lithuania,
Slovakia, Slovenia, and Sweden

HUNGARY

The national railway company, MÁV Co. Ltd. with 95% of Hungary's transport performance by rail has consolidated its output since the mid-1990s and carried 161.9 million passengers and 43.0 million freight tons producing 10.4 billion passenger kilometres and 7.2 billion net ton-kilometres in 2002.

MÁV's business plan for 2003 aims to carry 163.5 million passengers, a 1% increase based on more pupils with the extension of schooling and on more journeys of Hungarians from neighbouring states and 44.1 million tons freight (+2,5%), considering the forecasted pace of the increase of national economy and the course of domestic demand and foreign trade.

In the immediate future, essential changes are not expected in this respect after the accession of Hungary to the European Union on 1 May 2004, since Hungary has obtained an exemption from the full international competition in rail freight transport until the end of 2006. The strategic goal is to keep the recent shares of the railway in Hungary's transport sector: 40% in non-local public mass transportation and 29% in freight.

The reform process and the transformation of the Hungarian State Railways Co. Ltd (MÁV) within it has accelerated from the middle of 2002. The modification of the Railway Act in 2001 rendered the legal ground to introduce EU provisions. On this basis, internal separation of five business sphere accounts began at MÁV and its infrastructure, passenger transport, freight, traction and central management sector have their own balance sheets from 2003. The Ministerial decrees were prepared and will be published soon:

- on the rules of separation by accounts
- on infrastructure charges
- on distribution of track capacities.

The decree on licensing railway undertakings is already in force and the licensing organization has also been formed. The body for allocation of railway capacities and definition of users' charges has been set up, temporarily within MÁV's infrastructure business sector, but it will be transformed to a separate budgetary institution following the accession to EU. Similarly, the market supervizing organization, to deal with claims on capacity allocation and charges' definition, will be formed by that time.

With regard to spreading market relations and changing the economic environment, preparations for a new Railway Act were launched with the objective of putting the relation of the State and MÁV on a market basis and settling the financing of public services by the State in a contractual system. All measures demanded by the European Union in the accession treaty will be completed by Hungary by the date of accession.

For the years 2003-2004 investments and renovations of the Hungarian State Railways Co. will be funded in half by nearly €250 million from the ISPA support of the EU, and the other half from credits of EIB and grants from the national budget. These funds will be used for the rehabilitation of two main line sections 133 km long and the modernization (speed and equipping with ETCS-level 1) of the 81 km and 100 km sections of the pan-European transport corridor V, as well as two other sections (178km and 125 km) of the corridor IV.

As for the rolling stock which is generally quite obsolete, a renewal of 26 electric and 40 diesel locomotives is planned by a €35 million loan from Eurofima, as well as the renewal of 136 suburban passenger coaches with €40 million credit from the EBRD. The purchase of 13 twin DMU's and the renewal of coaches with a driving cab is also planned.

LITHUANIA

With the objective of developing the passenger transport in Lithuania, the Minister of Transport and Communications approved new Rules for passenger and baggage transportation in January 2003 (No. 3-26).

Domestic freight transportation is carried out in line with the Rules for freight transportation by railways, which were approved by the Minister of Transport and Communications in June 2000 (No. 174). International passenger and freight transportation is being carried out according to the bilateral and multilateral agreements with various countries, in line with the requirements of international organizations and through participation in different international projects.

The Draft Decision of the Government of the Republic of Lithuania on Strategy of Lithuanian Railway Transport Sector Reform in 2003-2006 is under preparation. It will be presented to the Government in the near future. The objective of the Strategy is to ensure the necessary legal and economic conditions for efficient activities in the Lithuanian railway sector and in the open market conditions, which will be created through the integration into the European Union.

This Strategy is defining:

- the role of the State in: financing renovation and development projects for the railways, supervision of railways' infrastructure and traffic control, and in subsidizing the implementation of public service liabilities;
- the future structure of the railway sector;
- the stages of the reform.

The railway's property until now in public ownership will be transferred to the State Company "Railway Infrastructure" for management. In the JSC "Lithuanian Railways" four branches will be created: "Passenger Transport Services", "Goods Transport Services", "Railway Infrastructure Maintenance and Management" and "Property of Public Railway's Infrastructure".

The functions of infrastructure maintenance and traffic control will be carried out by the JSC "Lithuanian Railways" branch "Railway Infrastructure Maintenance and Management" according to the agreement with the State Company "Railway Infrastructure".

The reform of Lithuanian railways will be implemented in five stages.

In the first stage (up to 31 December 2003), financial accounting of the JSC "Lithuanian Railways" will be separated according to the type of activity, such as - passenger transport services, goods transport services and railway infrastructure maintenance and infrastructure. In the second stage, the management of railway's property will be transferred to the JSC "Lithuanian Railways", and the following branch companies will be: "Passenger Transport Services", "Goods Transport services", "Railway Infrastructure Maintenance and Management" and "Property of Public Use Railway's Infrastructure" - after enactment of laws. In the third stage of the reform the JSC "Lithuanian Railways" will be legally registered. In the fourth stage the State Company "Railway Infrastructure" will be established, and laws regulating financial resources for the established company will be enacted. In the fifth stage - after accession to the European Union - there will be liberalization of the internal transport market and liberalization of transport by railways on international routes. After the reform of the railway transport sector, new enterprises, having received licenses, safety certificates and having made an agreement with the railway infrastructure manager for transportation by the public use railways, will have the right of using the public (use) railways.

Investment in rail infrastructure and railway rolling stock

In 2002, 241.5 million L TL was invested in the railway transport sector, out of which some 199.4 million LTL was invested in railway infrastructure and 19.3 million LTL in rolling stock. The financing resources were from the State budget (12.4 million LTL), the company's own resources (144 million LTL) and international financial institutions (85.1 million LTL).

In 2003 it is planned to invest in the railway sector 340.5 million L TL, out of which 233.5 million LTL in railway infrastructure and 58.9 million LTL in rolling stock. Again the plan is to use financing resources from the State budget (27.5 million LTL), the company's own resources (155 million LTL) and international financing institutions (158 million LTL).

SLOVAKIA

Data on past and future developments of rail passenger and goods traffic

Kind of transport	2002	2003	2004	2005	2006	2007
Passenger transport (mill. of pass.)	59,43	55,53	56,0	58,0	60,8	62,0
Freight transport (thousand tons)	49 863	51 900	51 730	51 820	52 030	52 320

The company - Železnická spoločnosť a.s. (Railways Company) - provides passenger transport through its system of regular and irregular trains. Almost all transport services are conducted via trains belonging to passenger transport. According to the latest statistics for number of persons carried - its market share is approximately 13%.

Slovakia expects that new companies which were established by the regions will emerge on regional tracks on the part of the Železnická spoločnosť a.s.

The direct impact and negative effects and risks affecting the performance of railway transport could be related to the restructuring of the Slovak industry, focusing especially on the reduction of the volume of production inputs. The positive elements having the potential of affecting transport services and competitiveness of the railways include the significant economic growth potential of Slovakia, the Czech Republic, Hungary and the countries of the former Commonwealth of Independent States. A further continuation can be expected in this trend in raw materials transported from the former Commonwealth of Independent States, where the development is influenced not only by the services provided by the ZSSK a.s., but also by the tariff and price policy of our eastern neighbours.

The quantity of transport performance is also affected by the possibility that the new subjects would use the track that would expose the new commercial company to the standard competitive market environment. With Slovakia's approaching accession to the European Union, the competition pressure will grow, and it may be expected that other foreign companies (e.g. the DB, ÖBB and many more) could request entry to the network as well.

New developments

In 2002, Železničná spoločnosť a.s. (Railways Company) had elaborated (and in 2003 negotiated with the company bodies) the document "Development Strategy of the Železničná spoločnosť a.s." (Stratégia rozvoja Železnickej spoločnosti a.s.). One of the priority tasks of the above strategy is the continuing transformation and restructuring, i.e. the splitting of the company into independent subsidiaries dealing with freight transport, passenger transport and combined transport. This process closely relates also to the restructuring of the State's public transport obligations typical for the past.

Another area where the emergence of new carriers is expected are regional tracks, for which transformation projects were already elaborated in the past. The date of their foundation and the range of services offered by those companies are closely interconnected, especially with the progress in the reform of public administration (comprehensive financing of transport within the so-called "higher territorial units" (VUC)) or with potential investors and activities in the field of railway transport (VUC Bratislava and VUC Žilina).

The third group of railways companies are licensed subjects pursuant to the Railway Act of the Slovak National Council No.: 154/1996 (Coll.) as amended by later regulations. Currently, there is one operation licence issued for nine companies out of which six operate mainly in the field of maintaining the track and the related installations.

Investments into railway infrastructure and rolling stock

- (i) Railway infrastructure in 2002: 10 billion SKK
- (ii) Rolling stock in 2002: see the following table

Type of rolling stock	2002
Wagons	1,129,749,395 Sk
Coaches	1,077,825,319 Sk
Locomotives	67,155,139 Sk
Total	2,247,774, 863 Sk

SLOVENIA

Data on past and future development of rail passenger and goods traffic:

Table 1: Freight traffic
(Mil. tons)

1997	1998	1999	2000	2001	2002	2003
14,360	14,396	14,226	15,064	14,919	16,339	17,0
2004	2005	2006	2007	2008	2009	2010
18,0	19,0	20,5	22,0	23,5	25,0	27,0

Table 2: Passenger traffic
(Mil. passengers)

1997	1998	1999	2000	2001	2002	2003
13,568	13,907	13,756	15,010	14,484	14,519	15,0
2004	2005	2006	2007	2008	2009	2010
15,3	15,7	16,2	16,6	17,0	17,5	18,0

In the first step the proposed macro organizational scheme of the company will be adapted corresponding to the organization structure of the holding which will be formalized in the course of the year 2003.

Organizational structure (proposal) – Slovenian Railways/Holding consisting of:

Freight traffic
 Passenger traffic
 Infrastructure
 Real estates
 Connected undertaking
 Traction and Technical Services.

SWEDEN (information provided by Banverket)

Banverket is the authority responsible for rail traffic in Sweden - it follows and conducts developments in the railway sector, assists Parliament and the Government with railway issues, and is responsible for the operation and management of State track installations, coordinates the local, regional and inter-regional railway services, and provides support for research and development in the rail sector.

Passenger transport

Bearing in mind the downturn in the economy and the comparatively weak development in domestic consumption, 2001 will be remembered as a year when there was an unexpectedly high increase in total passenger transport. Passenger transport mileage during the year rose by approximately 1½%. There were no radical changes in the market shares of the different transport modes, even though railways appear to have increased considerably more than other types of transport, i.e. by approximately 6%.

One explanation for the growing demand for rail travel is the consolidation and continued development of new tracks and traffic systems. Rail travel made real inroads, despite the fact that the price ratio between railways and cars developed in 2001 in favour of the car. In fact, the real price of petrol decreased somewhat.

The overall long-distance transport mileage (journeys of over 100 km) increased by a little over 2%, whereas long distance travel by rail rose by just over 5%. Transport mileage by air remained unchanged whereas travel by car increased so that its share, just under 70%,

remained unchanged. Private rail operations accounted for 13% of long-distance rail travel, which is a decrease in relation to the previous. This is mainly because, apart from SJ, it was only Svenska Tågkompaniet that operated long-distance rail transport services. During 2000, the South-Western West Coast Line was operated for a period of three months.

Short-distance transport mileage on the railways (journeys of less than 100 km) increased during the year by almost 7%, compared with an increase for all types of transport of just over 1%. One important reason for this is probably that traffic on the Oresund fixed link started to make itself felt.

Despite the relatively large difference in the rate of increase, the result in terms of market shares was moderate because cars have such a dominant position. All forms of public transport together account for 16% of all short-distance travel, whereas the car accounts for some 78%. Private rail operators, in particular Citypendeln in Stockholm, accounted for 45% of rail travel. This is somewhat of a decrease compared with the previous year. SJ remains the dominant player in regional services too.

To summarize, despite problems in connection with availability and punctuality, 2001 was a good year for the railways in terms of travel volume. And yet on average half the seats on trains were still empty. This is a dilemma in almost all train services, since a train that is attractive in one direction is often less attractive in the other. Consequently, a key to improved profitability for the rail companies is to try to increase the level of seat occupancy on trains without increasing production. An even more attractive use of pricing – that is adjusted towards the steering of demand – may perhaps be expected.

Freight transport

After a record year in 2000, there was a fairly substantial drop in total freight transport mileage in 2001. The decrease in demand was the largest since the recession at the beginning of the 1990s. The main reasons for the decrease are, in general, a weaker demand and a downturn in exports, which should in turn be viewed in the light of the global economic downswing that took place during the year.

Long-distance transport mileage, i.e. transport over distances of over 100 km, decreased by barely 3% during 2001, while short-distance transport, i.e. truck transport over distances of less than 100 km, dropped by approximately 4% compared to the previous year. Long-distance truck transport decreased by 2% as a consequence of depressed consumption, weaker exports and a decrease in the import of input goods for industry.

As far as railways are concerned, the situation returned to normal. In other words, transport mileage dropped to roughly the same level as during the 1990s, i.e. just over 19 billion tonne-kilometres, which meant a decrease of a little over half a billion tonne-kilometres. The decrease took place in both national and international transport mileage, but the railways managed to retain their share, some 24%, of the long-distance freight transport mileage.

One reason why the railways managed to succeed relatively well in terms of the market share is that the proportion of highly processed goods in the long-distance transport mileage dropped. This means that the natural market for truck transport also dropped. It would,

therefore, appear that the capacity of the railways to retain their market share is more likely to be explained by changes in consumption and production patterns rather than by the capacity of the rail companies to offer transport solutions that attract more high-value goods. The preliminary figures indicate, in fact, that road transport, on a diminishing market for highly processed goods, has managed to compensate for this loss with larger volumes of less highly processed goods.

Transport mileage on the railways dropped in 2001 for all sectors apart from engineering products and iron/steel, which remained largely unchanged. The transport of forestry products on the railways dropped by 7% and ore by 2%.

Developments during 2001 are difficult to interpret, and raise the following questions:

- Has transport mileage on the railways returned to a long-term stable level that is dependent on production and consumption patterns,
- Which measures would be most effective for increasing, in the long term, the railways' share of the long-distance freight transport mileage,
- How should the railways be developed in order to attract more high-value goods?

Programme for development of the rail sector

In April 2001, Banverket submitted a preliminary sector programme for the railways to the Government. The programme had been drawn up in cooperation between Banverket and the various players in the sector.

Within the areas of safety, environment, research and development, and impression of the railways, it was impossible to reach a common sectoral view within the time available. In the preliminary sectoral programme, a total of 17 action areas were identified within four overall strategies. The sector based steering committee that directed the continued work on the programme in 2001 has given priority to nine of the action areas. The need to increase the supply of drivers is considered to be acute.

The players in the sector, i.e. authorities, transport customers, forwarding agents, transport operators, the manufacturing industry and stakeholder organizations, are involved in both the steering committee and in the three subprojects: Passengers, Freight transport purchasers and the rail system. An important starting point in all subprojects is the demands of the market and the wishes of the consumer. The questions mentioned previously regarding safety, the environment, the provision of competence, research and development, and the impression of the railways, are being dealt with by the "programme office" set up by Banverket.

More information on the situation of the railway sector in Sweden and publication The Swedish Rail Sector 2001 could be found on the Banverket Internet site:
http://www.banverket.se/templates/StandardTtH_3561.asp.
