

THE LIBERALIZATION OF RAILWAY TRANSPORTATION

Ilie BUDICA, Prof., PhD.
University of Craiova
Simona RADU, Lect., PhD
Ecological University of Bucharest
Bogdan Andrei BUDICA, Student
University of Craiova

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Summary: European railway transport that it's still based on national considerations, in comparison with the predominant trend of client orientation is in the phase of establishing an area of integrated railway transportation. First steps of the European transportation liberalization were made from 2000 through the project Railway package, through which International Chamber of Commerce proposes a series of measures in order to liberalize railway transports and to have a market orientation. The partnership between govern authorities, managers and infrastructure owners must be unreel on the basis of a schedule that refers to the application of liberalization decisions and the integration of the entire rail transportation network of goods starting with 2008. The insistences of European Commission were also asserted through White Charter that defines the measures, proposals and functioning principles but also the creation of European Railway Transportation Agency.

International Economic Community represented by International Chamber of Commerce highlights for a while the essential role of the transport sector in facilitating the trade and economic development. Globalization and the constant growing of international commercial changes had as a consequence the increasing of the demands from the buyers, regarding the supply of the merchandise in time and at the specified terms. In order to answer more efficient to these requirements, transportation companies depend more and more on reliable intermodal transportation chains regarding the supplying time and more oriented to the clients' needs. Only the liberalization and interoperability within the railway system will allow it to develop its potential. The efficiency on railway transportation in Europe is very important for all actors from European Economic Community that deal with international merchandise expeditions on this continent. Many companies would want to use railway more often than they do, especially together with other transportation means they use. As a principle, a railway system oriented to the client offers a competitive solution in terms of price, speed and fiability to the customers. Goods railway transportation on great distances offers especially important advantages from the perspective of environmental protection.

In practice, railways should improve their services before having similar expectations to other transportation means. Meanwhile the internationalization and the deregulation of transport industry rise, European railway transportation is still based in a great extent on national considerations, comparative with the predominant trend of client orientation.

International Chamber of Commerce has the merit to relaunch the liberalization process In European Union, through its project from 2000 that is called "Railway Package" and has as a first phase the orientation of railways to some commercial

aspects more eloquent and market oriented. International Chamber of Commerce demands the member states of European Union to apply the common policy of railway transportation liberalization and the other countries from Europe to adopt the same attitude.

The measures proposed by International Chamber of Commerce and referring to the European railway transportation are:

1. The free access to the market for the new suppliers of railway transportation services, in order to increase and diversify the offer existent on the market, taking into account the present needs.

The companies having free practice licenses will have the opportunity to enter the market, no matter what it is public or private. International Chamber of Commerce supports the efforts regarding the creation of a common market of railway transportation, open for a greater number of managers having the right to take advantages from the railway system without being subject to a discriminating treatment.

International Chamber of Commerce considers that it's important to strictly define the criteria applying to the firms capable of demanding inadequate responsibilities. However, member states should have the opportunity to choose the entrepreneurs joining the market.

2. The assurance of a clear delimitation of infrastructure management from transportation operations

In order to assure a good unreeling of competition on railway transportation market, infrastructure suppliers and managers should have their responsibilities well defined. The efficiency of the competent authorities in the field of railway transportation could be strengthened both by partial or total privatization of operations and also by a classification of performances for encouraging the results' improvement through the application of more performant practices. This delimitation between infrastructure management and railway exploitation is an inherent condition for a competition in equitable terms.

Railway managers from Europe, being in the situation of a competition typical for a deregulated market will promote innovation and development.

The competition will stimulate the railway entrepreneurs to adopt the measures needed for rationalization and operate as commercial societies.

3. Redistribution of infrastructure and goods

The access to rail infrastructures and the distribution of goods regarding these infrastructures should be equitable for managers and undiscriminating comparative to the other transportation means. Goods have to be distributed in such a way in order to stimulate an efficient usage of the infrastructures capable of a rapid adjustment to the market's demand.

4. Fostering the Pan-European interoperability of rail transportation

In Europe, the creation of "express routes" was proposed with the global aim of permitting the access on the market of some collateral entrepreneurs, coordinating the infrastructures and simplifying frontier formalities. However till now the realization of these "express routes" was slow, because railways weren't stimulated to make them functional and the logistic coordination was insufficient.

Even if "express routes" could be a good idea in a first phase, it should be done much more in order to give birth to a European market of railways in the place of the national ones from now. As a consequence, the International Chamber of Commerce recommends the free access to a rail infrastructure network for merchandise

transportation and in the same extent it also recommends to do all it's possible for reaching this final aim: a common rail transportation market. Authorized managers from a country will be in the situation of giving access to the market to other companies from other countries. The right of free access to the market shouldn't be the subject of reciprocal agreement between the member states, because this could seriously intercede with the openness to a free market and a competition in terms of equity.

It's also a must that in order to assure the interoperability and maintain the level of the needed security, European rules should also apply to the control and signal systems and informational system too.

In the end, the International Chamber of Commerce requires a prompt decision regarding the regulation of wagons' format for railways and additional components. Production costs independent of the collateral components from different European markets are at present much higher than those on the market of United States of America, the reason being the very low series production.

Through the application of a good regulation system and a competition at international standards on the suppliers' market, the transactions volume will grow and costs will diminish.

5. The separation of Trans-European railway chains of merchandise transportation from the passenger transportation

The usage of the same infrastructure of TGV that transports passengers and of hard convoys of goods raises severe problems of capacity and interferes with the transportation quality. The traditional administration of the railways tends to give a greater priority to the passenger transportation. Within the transportation obligations that apply regarding the passenger transportation, the schedules of passenger trains determine the functioning of goods transportation. The International Chamber of Commerce recommends the creation of separated chains for Trans-European Transports, one for TGV and for express goods transportation and another one for long and oversie convoys and of the other goods. Taking into account the objectives above enumerated, the International Chamber of Commerce suggests that in a fist phase the goods transportation to be separated from the passenger's one from the perspective of the management, human and technical resources.

As a consequence, the implementation of an open market system for rail goods transportation oriented to commercial objectives will be a guarantee for an improved quality of services, for an increasing of the demand permitting to the rail transportation companies making new investments. On a market that functions properly, the railway can play an essential role, forming a binder element in the network of intermodal provision and logistic strategy of enterprises and so contribute to the economic development.

The International Chamber of Commerce is aware of the fact that for applying the necessary changes needs time and will require a partnership between govern authorities, entrepreneurs and infrastructure owners. Taking into account that important progress should be done, adjustment measures have to be made from now, on the basis of a well defined schedule referring to the application of some liberalization decisions of European Union, similar to that adopted in Telecommunications, in numerous countries and regions.

The most efficient way to get a relevant rail sector is to introduce the competition, so the entrepreneurs put into practice the necessary rationalization measures and can get the benefits of a commercial approach based on the market.

The new pack of measures regarding transports from European Union

On the list of Brussels meeting from January 23 in 2002, one of the problems approached was the rail transportation Revival. The Commission made some proposals for accelerating the creation of a zone for integrated rail transportation.

The five measures in the agenda at this meeting is based on the White Charter about transportation having as a main objective a greater security of transports, their interoperability and the market's openness for the goods rail transportation . In order to give a strong impulse to this process, European Commission proposed the settlement of European Rail Agency for diminishing the technical procedures regarding the security and cooperation.

“The efforts we make to implement a competitive and efficient rail transportation service in the entire European Union won't have any results as long as we still have 15 systems, each in its own national structure. Each consumer of the goods rail transportation networks expecting a high quality service to cover the entire Europe. These proposals will accelerate the rhythm for the creation of a real common market in goods rail services”, Loyola de Palacio¹ announced in one of his communication regarding transportation. Even if these measures are necessary for this integration process of rail sector they are not enough.

The first pack of measures in rail field, adopted by Europe Council and Parliament in December 2000 is active from 2003 - March 15. Trans-European network of the goods rail transportation at which 50,000 km is added was open to international services, starting from March 2003, after that the entire network being integrated starting with 2008.

The present state of rail services in Europe really gives worrying reasons. The goods are transported only in 8% of the total volume of rail transportation services, comparative with 1970 when the percentage was of 21%. The medium speed of goods rail transportation services dropped under 18km/h and that means a lower speed than that of an ice breaker from the Baltic Sea. With all these the real situation can be fixed if we take into account that in the United States of America, rail transportation has a volume of 40% of the internal goods traffic.

The proposals of the European Commission included in this new pack of common measures respectively The White Charter² is presented as follows:

- The establishing of a common approach of rail safety. This is wanted to be realized through the rules publication in order to be understood by anyone would want to use goods rail transportation. A clear procedure is settled for the guarantee of the security certificates that must be get by any rail company in order to develop its activities within The European Network of Railways.
- Redefining the fundamental principles of interoperability as a consequence of four years of research in the field of transportation, specialists discovered the necessary solutions to assure interoperability from a technical point of view, in order to develop Trans-frontier rail transportation services and reduce the expenses with mobile assets for high speed rail transportation network. The European Commission proposes to learn from previous experiences and change as soon as possible the working procedures in order to assure the progress regarding European cooperation, especially in the sector of

¹ Loyola de Palacio, vice-president of European Commission and responsible for transports and energy

² The White Charter subject of the approval of European Commission in 12 of September 2001

conventional transportation, a sector in which a great change is needed and a very rapid one. The settlement of a specialized institution to stimulate the revival process of European Rail Network: Rail Transportation European Agency. With a staff of approximately 100 employees this agency will have a coordination role on the groups of specialists dealing with the finding of some common and optimal solutions regarding the safety and the interoperability of railways. The agency will send to the European Commission for approval the analysts' proposals and the latter will adopt them as soon as they were approved by the member state. The agency also has a binder role between the competent authorities from different countries. This is operable from 2004/2005.

- The enlargement of the goods rail transportation and its openness to the international trade

After the first pack of measures regarding rail transportation³ opened the international market of rail transportation services at international level, at the present moment the European Commission discuss the possibility to open the national railway market. At this level of discussions, the European Commission suggested that the railway network to be open entirely to the international traffic, earlier than expected, that is in 2006, the time gap can be used to adopt and implement the proposal.

- Another proposal from this pack of measures, is that of putting together the Intergovernmental Organization of International Railway Transportation (OTIF). OTIF is the organization that sets the international standards of functioning the railway transportation at the multinational level. As a consequence it is essential for the European Community to align to this standards and the uniformizing rules imposed by the OTIF Convention.

These measures are indispensable in order to create the necessary climate to revitalize the railways. Still, these measures are not sufficient. At the moment the European commission would like to start debates for all who are interested, and also for those who are envisaged. Particularly, the Commission would like to apply the following measures that are envisaged in the White Papers:

- ensuring a high quality railway system by: opening the network to new operators, setting strict criteria for entering into the system; offering financial compensation in case the obligations are not fulfilled;

- removing the barriers from entering the railway service market: the dispersion of the market control among many systems with specialized profile such as the ERTMS organization⁴, which take care of the harmonized system of signaling and telecommunication and also, the market regulators should be invested with responsibility and to be simplified the customs procedures;

- the improvement of the railway performance concerning the effects on the environment;

- the in-progress specialization of the railway systems.

³ The Directive no. 91/440 amended through the Directive 2001/12/EC, that became active on 03/15/2001

⁴ European Rail Traffic Management System

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