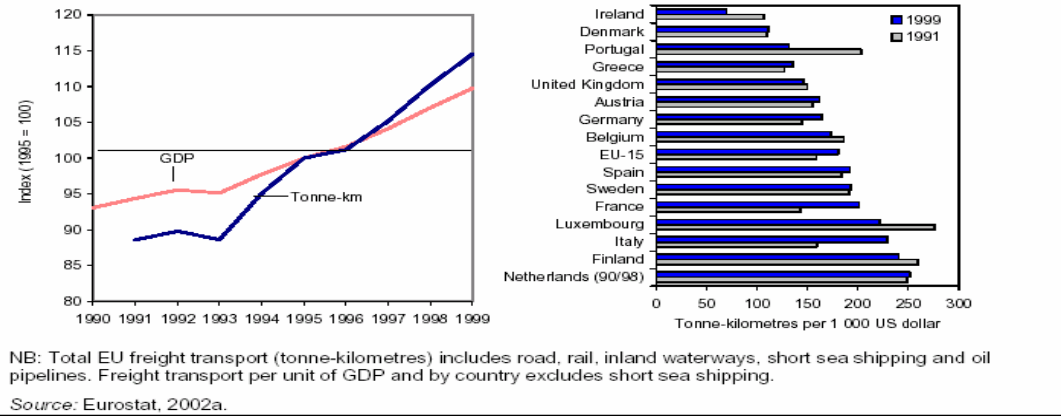


Measure 7: Second railway package: opening up the national and international freight market

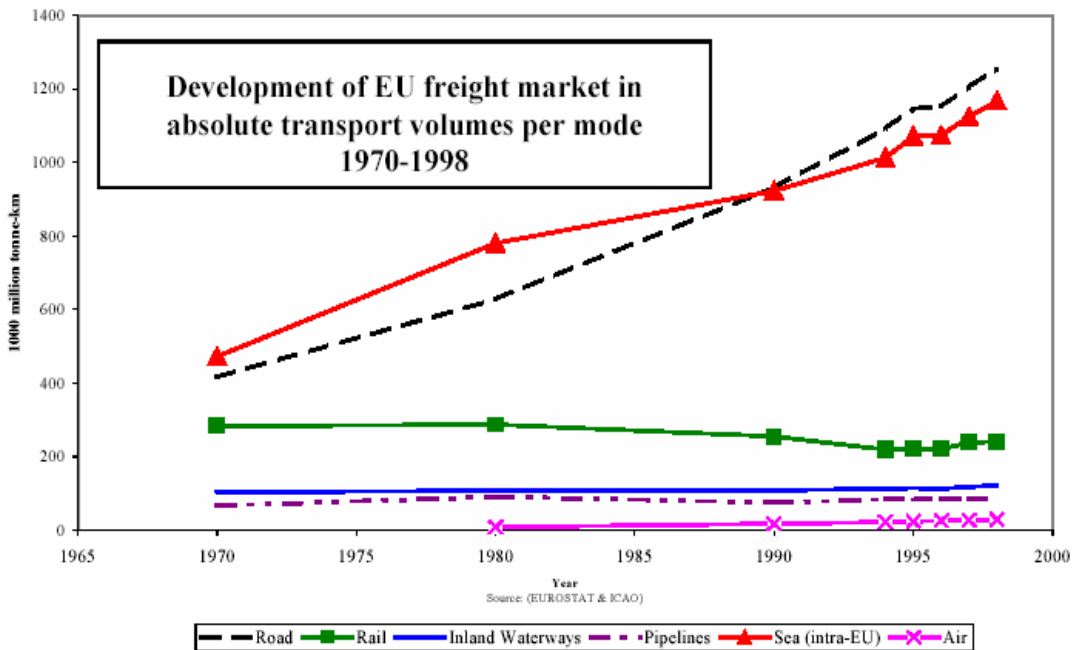
First page:

<p><i>Policy package:</i> 2A: Rail Liberalisation and harmonisation</p>
<p><i>Measure 7:</i> Second railway package: opening up the national and international freight markets</p>
<p><i>What is the problem being addressed ?</i></p> <p>The measure aims at providing the regulatory framework for the completion of an integrated European market for rail freight services according to relevant Articles of the Treaty. Directive 91/440 took a first step in this direction by establishing rights of access for individual railway undertakings operating international combined transport services. Directive 2001/12, part of the first railway package, extended these rights to all types of international rail freight network, albeit confined to a specified trans-European rail freight network for a transitional period until 2008. However, there remains a pressing need to apply single market disciplines right across the railway market. The next step is therefore to facilitate greater parity of competition with road haulage, where the artificial distinction between international, cabotage and domestic hauls has effectively disappeared. Accordingly, this measure is proposing the opening up of all domestic and cabotage rail freight markets. The need to act is given added urgency by the conclusions of the Lisbon European Council of June 2000 that liberalisation of sectors such as transport should be speeded up.</p> <p>Opening the rail freight markets will provide the market actors with the necessary incentives to become more competitive and more efficient and to do business closer to the customer. This should attract new capital and enterprises, stimulate the development of new services responding to the requirements of the customer, and improve the financial situation of the railway undertakings.</p>
<p><i>Measure's costs and/or benefits:</i></p> <p>The cost of the implementation depends of the specific costs encountered by each country. Its benefits though are clear: Member States that have opened their markets show a clear increase in freight transport by rail, and the railway undertakings operating in these countries (i.e. D, NL, S, UK) managed to increase their efficiency by cost reductions and the creation of new products.</p>
<p><i>Legislative implementation at the EU level:</i></p> <p>COM (2002) 25 final, Proposal for a Directive of the European Parliament and of the Council amending the Council Directive 91/440/EEC to open up access to the infrastructure for national services in order to open up the rail freight market completely.</p> <p>Directive 2004/51/EC of the European Parliament and of the Council amending the Council Directive 91/440/EEC. This Directive needed to be implemented by Member States by adopting laws, regulations and administrative provisions necessary to comply with this Directive, by 31 December 2005 at the latest.</p>
<p><i>What are the objectives ?</i></p> <p>In the 1990s, freight transport demand in the EU15 (in terms of tonne-kilometres) grew faster than GDP, thereby moving away from the objective of reducing the link between economic growth and freight transport demand:</p>

Figure 1: (a) Freight transport demand and GDP (EU) and (b) freight transport per unit of GDP by country



Between 1991 and 1999, the average annual growth rate of freight transport (3,3% per year) was considerably higher than that of GDP (1,9% per year). Over the whole period, total freight transport demand increased by almost 30%, from 2200 to 2970 billion tkm in 1999, which means an average of about 20 tkm per person per day. Since 1970, this corresponds to a growth of 121%. Rail freight could not participate in this transport boom. Its modal share dropped from 21% in 1970 to 8% in 1999 and even absolute transport volumes decreased over this period (see graph). The decline continued until 7,8% in 2001. At the same time, road haulage increased its share from 31% to 44% reflecting its relative strong competitive position on the market.



The decrease of rail freight transport volumes goes hand in hand with a reduction of the length of the rail network in the Community by ca. 10% since 1970 (actually rail freight transport declined even more than the network length). Also the number of private sidings and terminals in Europe is in sharp decline (5% per annum). Up the year 2010, the Commission expects an increase of the goods transport volume in the EU by 38% in a business as usual scenario without taking any specific policy measures. In this business as usual perspective, the volume of road haulage would rise by 50% whereas rail freight would perform much lower growth (13%) which would result in a modal share of 7%. Therefore, modes whose potential is not being fully exploited, such as rail freight, should be put in a position to absorb a higher share of future transport growth: for this to happen rail freight in Europe has to increase its competitiveness, and this is the

specific objective of this measure.

Interactions with other WP measures :

The opening of the national and international freight markets will make railways more competitive and efficient, strengthening the effects of interoperability and promoting the improvement of quality of the rail freight services. There fore, there are strong links with Measure 9 – Updating the interoperability directives and Measure 14 – Improving quality of the rail freight services.

Second page:

Output indicators:

The output of the *Second railway package: opening up the national and international freight markets* measure can be monitored using the following key indicators:

- Number of railway undertakings operating in at least two Member States on national market.
- Number of railway undertakings operating on the international market on at least two Member States.

Outcome indicators: intermediate impacts on transport markets

The following key market indicators could be affected by the implementation of the *Second railway package: opening up the national and international freight markets* measure:

- Changes in transported tonnes kilometres (tkm) by rail: at yearly level, for EU27 and at the country and region level. The EU27 and national aggregated figures could be provided by Eurostat and national statistics. Differentiation of domestic / international / transit and segment of the market is desired. Data at regional level could be provided by the national statistics.
- Changes in price levels for rail freight. Prices will be more competitive as a result of increased quality and reliability of rail transport. Changes in price will be differentiated per segment of the market. For example, in the TEN-STAC study rail freight tariff improvement have been considered on the segment of the markets (defined by the high priority project relations, transport volume of specific goods, distance class) for services as *continental shuttle, port shuttle, wagon load*.
- Punctuality of rail services: indicators for the punctuality of international combined transport trains, compiled by UIRR and covering all major European freight corridors, show that the level of performance is unacceptable (see Measure 14).

These indicators derived from observed data will not catch only the effect of implementing this policy package. For a more precise estimation of particular effects of this policy package on changes of transported ton / tkm, the use of transport modelling is required. It is important to mention that when the rail share will increase the share of alternative transport modes will decrease, depending of the level of competition with railways on specific segments of the market.

Other indicators could monitors changes at company level:

- Changes in company employment. If rail share will increase, as expected, as a result of implementing this measure, the employment in railways will increase. In particular, the opening of domestic markets would promote the emergence of short line operators with a local base and provide incentives to improve the performance of feeder services, and by this way employment can increase.
- Changes in company turnover. As effect of increasing rail share, the turnover of rail undertakings will increase.
- Changes in company productivity. The possibility of cabotage would increase the scope for increasing the wagon load factor through a reduction of empty backhauls. This would help the railway undertakings to increase the efficiency of wagon use, a key factor influencing the overall company productivity. Mercer consultants (1998) estimated the potential savings from better utilisation of rolling stock and staff including a potential to increase loads per wagon by 30%, to reduce maintenance costs per wagon by 40%, to increase locomotive productivity by 25% and to increase crew productivity by 15%. Some railway undertakings have made considerable efforts in

recent years to tap this potential, but a long road still remains ahead to realise the full potential (COM/2002/18 final – Annex I). The average rail loading efficiency in the EU15 increased slightly between 1990 and 1998 (by 4%). As illustrated by the table below, the highest rail loading factors can be found in Finland, the Netherlands and Sweden, the lowest in Ireland, Greece and Spain.

Rail load factors in EU member States in 1998

Unit:	tonne-km/vehicle-km
	Load factor
Austria	324
Belgium	412
Denmark	302
Finland	569
France	350
Germany	391
Greece	245
Ireland	112
Italy	338
Luxembourg	515
Netherlands	833
Portugal	N/A
Spain	293
Sweden	560
United Kingdom	511
EU-15	388

Source: Eurostat, 2002a.

Outcome indicators: final impacts on transport users and non users

The implementation of this Directive would improve the efficiency of rail mode relative to other modes of transport, thus promoting the modal shift from road to rail. The most relevant outcome indicators that may be affected by the implementation of the measure are:

- Accessibility to intermodal terminals. Rail accessibility to intermodal terminals, including ports, shall be improved as a result of increased quality and reliability of rail freight.
- Accessibility of origin / destinations. The rail accessibility shall be improved as a result of increasing rail quality and reliability. The spatial unit for the representation of origins / destinations shall be NUTS2 for freight and NUTS3 for passengers, for a proper use of this information. This indicator shall be estimated by network models. The standard GISCO rail network of the Commission can be considered.
- Travel time savings. Rail travel times shall be reduced as a result of increasing competition which usually will increase the frequency of services on certain routes.
- Emissions to air. The modal shift from road / air to rail may induce a reduction in air pollutants emissions. This is true in particular for the shift from air to rail transport (which is however small if compared to road), because aviation is by far the most polluting freight transport mode, except for specific PM emissions. However, it must be remembered that shifting freight transport from road to rail without improving the environmental performance of diesels trains might have an adverse effect on transport emissions.
- Apart from emissions of air pollutants, the impact of shifting freight transport to rail on the number of people affected by noise should also be monitored (see Measure 15).