

Tracking progress with rail reform

LEARNING FROM EXPERIENCE Reforms made to the railways over the past 20 years have had good results and show that a range of models can work, according to a new book* from the Community of European Railways & Infrastructure Managers.

The European rail market has been the subject of major reform over the last two decades. But there are huge differences between countries. Different models are emerging, and there are many views on what remains to be done to create a rail sector that can compete effectively with other modes.

It is difficult to take a comprehensive overview of developments across Europe as a whole. The sheer pace of reform and the fact that much material only appears in the national language make it difficult to keep track.

CER has tried to bridge this knowledge gap in its book *Reforming Railways*, inviting national experts to write about reform in their country. We have also included four chapters on reform outside the EU — the USA and Japan, where reforms are been very successful, Latin America which has the most experience of concessioning, and Russia, which is still in the middle of the reform process. With the exception of Russia, these reforms are based on strikingly different models to those being applied in the EU and offer important lessons.

‘We remain confident in the future of the European rail industry’

We asked the authors to consider what has worked, and — perhaps more interestingly — what has not. Inevitably, given the differences in backgrounds and cultures, the chapters differ in their emphasis, approach and conclusions. Such diversity reinforces the importance of countries organising their rail markets on the basis of their own political and commercial realities rather than ideology.

Our work has highlighted the differences in political and economic conditions within Europe — particularly between west and east. These have led to different approaches, and delivered different results. Recognising these differences is the first step

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towards implementing the right reforms to suit all conditions, not just those in western Europe.

Much progress has been made on introducing competition in the rail freight market. But far less has been made on introducing socially-efficient pricing across all transport modes. Member states are still not allowed to charge heavy goods vehicles for the external costs that they cause, such as carbon emissions, noise or accidents.

There is still intense debate over whether vertical separation of infrastructure is necessary to achieve a competitive and efficient rail sector, and this is reflected in the book. From our perspective, there are two main issues with complete separation.

Firstly, the infrastructure managers do not have a direct relationship with the end customers, so decisions on investment in infrastructure are more likely to be made on political than commercial grounds.

Secondly, it can be more difficult to manage relationships within a fragmented industry. It takes time — and sometimes mistakes — for the various parties to develop an effective working relationship. On the other hand, vertical integration requires stronger

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regulation to ensure fair competition and this also takes time to establish.

In practice, both the vertically separated and integrated models have been made to work, and allowed on-rail competition to develop. But irrespective of the model, a competitive rail service requires an effective interface between operations and infrastructure, both in terms of investment and operational planning and in dealing with real-time disruption.

Despite these problems, we remain confident in the future of the European rail industry. It will take time, but the pressure to serve the customer, and reduce the influence of governments on internal management, will translate into better products, provided at lower cost. Increasing road congestion, rising fuel costs and concern about climate change will also favour rail, as will the globalisation of trade.

Set against this background, the European rail industry is an exciting place to be. With modern infrastructure and proper pricing between the modes, and without the distraction of policies which impose a single model on all member states, rail will be well placed to play a central role in the transport market of the future. ❧

**Reforming Railways*, ISBN XYZ, is published by Eurailpress on behalf of CER (p00), and available from the e-shop at www.railwaygazette.com