LUCIO BIANCO

(c.s.)

Abbiamo adesso la relazione di Mr. Wilson sul tema della separazione tra gestione dell’infrastruttura ed esercizio del trasporto ferroviario.
Thank you very much indeed for inviting a representative of the European commission to your conference. This is a very interesting moment to talk about policy for the railways because we see in most member states and at European level, a wide debate about how the railways should be structured, how they should be run and what role they should play in transport. This is a debate that it is essential to have throughout the Community. The railways are an indispensable part of transport; it is necessary that we develop new policies to reverse their decline, and so I am very pleased to have been invited here to discuss this with you. What I want to do today is to begin by explaining how we see a policy for the railways at Community level. Why do we have a policy? What are we trying to do? And then to describe the measures that have already been taken, the laws that have already been adopted and then, most important, to talk about future proposals and ideas.

As a starting point one could ask, why is the European Community trying to revitalise the railways? Why do we have a policy for railways? Why is this becoming a central element in the Community’s transport policy? Indeed, why are we trying to do something as difficult as changing Europe’s railways? I expect you all know the expression of a former Prime Minister of Italy which
was “There are two kinds of madmen. There are those who think
they are Napoleon and there are those who want to change the rail-
ways.” We are the second class of madmen. Why then do we want
to have a railway sector that is dynamic and flourishing? One an-
swer is that the Community cannot continue to depend on road
transport as it has done. Road transport has taken most of the
growth of transport over two generations. We do not think that this
can continue for the obvious reasons – because of the congestion,
the pollution, the accidents that this causes. Our goal is ‘sustainable
mobility’ - a transport system that can continue to expand and meet
the Community’s needs in the next century because its external
costs are under control. The railways have a very important role to
play in a sustainable transport system. Another answer is a means
to achieve the integration of the European Community. It is a way
to bring together the different regions of the Community including
those on periphery. It is one of the main instruments for creating an
integrated and united Community. This will become more impor-
tant with enlargement eastwards, which will mean an enormous ex-
pansion of the territory of the Community, and of the distances
over which we will have to transport goods and people.

Everybody agrees that the railways could make an important
contribution here; but the reality is that over twenty-five years the
railways have lost approximately half of their share of the Commu-
nity’s transport market. In 1970, 30% of freight in the Community
was moved by rail, now it is between 13 and 14%. 10 or 11% of
passenger transport was made by rail in 1970 and now it is about
6%. In other words the railways have lost an enormous share of a
market that is growing very fast. We could long discuss the many
reasons for this. There are the obvious advantages of road transport,
in terms of flexibility, cost and convenience. There is the whole
question of whether the conditions of competition between the dif-
ferent modes of transport are equal, in particular whether road trans-
port pays for its external costs.

But there is also the way in which the railways are organised
and structured. One of the main reasons that the railways have lost
this market and the competition with other kinds of transport, is
that they have not been market orientated. They have not been driven by the needs of the market, and have not adapted sufficiently to changes in the market. They have not improved their quality adequately to meet their customers’ needs, they have not moved into new areas, they have not managed to reduce costs and prices as road transport has.

The main reason for this, in our view, is the old model of railway organisation. This was more or less universal in the 1950’s, 60’s, 70’s, and 80’s but started to change in the 1990’s. The old model, of course, was a monopoly in each country. The old model was the interference by governments and states in the day-to-day management of the railways: to keep a line open, to increase a service to one particular area, to maintain employment and so on…

At the same time, the railways depended on the State, for finance above all, and did not have clear financial objectives, like responsibility for making a profit. So there was confusion about the relationship between the State and the railways, in particular about their commercial aims, the Government’s role, the financial responsibilities of the railways and the State. We also had, and still have, a mixture of different activities within a single organisation - from running a freight service, which should be very commercial to the management of infrastructure which has to reconcile different public and private objectives.

In addition the railways were run entirely on a national basis, to meet national needs and international services were very much at the margin. Finally, as you might expect, the railways’ own culture was not really a commercial one, but emphasised the difference from other forms of economic activity.

The Commission strongly believe that the railways are not different from other sectors. To flourish they must become real businesses in a commercial way. There has to be a clear definition of what the railways must do as businesses and the role that governments should play in rail transport, particularly in providing public services, and in developing infrastructure. If Community policy can be summarised in one sentence, its aim is to transform the railways into businesses run on commercial lines and create a clear relation-
ship between the State on the one hand and the railways on the other.

This brings me to the first measure that the Community took to attempt to revitalise rail transport in 1991, Directive 91/440 on the development of the Community railways. It is a directive: that means it is framework legislation which the member states then have to transpose into national law. Like all Community legislation, it is to be applied throughout the Community. Directive 91/440 has had an influence beyond its legal provisions. It has played a much wider role in changing the way that people thought about rail transport and in providing principles to follow in reforming the railways. In a number of member states, the Directive has stimulated and influenced the reform of the railways and was used, as always, as a pretext by governments to take action.

The Directive imposed four obligations on the Member State, which I shall just mention very quickly. The first thing it said was that the railway management must be independent and that the railways must be separated institutions from the State. This sounds obvious but reality has been different. Here we have seen real progress over the last seven or eight years; the establishment of railways as separate organisations, usually publically owned companies distinct from the State, with a degree of autonomy which is greater than seven or eight years ago. However there are still very wide variations between Member States. We had a study done recently on how this legislation was applied and found, on the one hand, in the United Kingdom, Sweden and Finland, railway companies with a high degree of dependence from government, always within the regulatory framework, and on the other hand, in Greece, Ireland, Portugal and, I should say Italy, companies subject to a high degree of government intervention in their running. These States respected Community Law but, without a change in political culture, it is very difficult to create a real management independence, hence the wide variations throughout the Community.

The second part of Directive 91/440 said that there should be separated accounts for infrastructure management and transport operations. This is for two reasons. One is that, to open the railway
market and have different enterprises operating train services, you must have a clear idea of the costs of infrastructure and of the revenue that infrastructure managers earn. The other reason is to create clarity about the use of public money and about which activities make money. Within a railway you have many cross subsidies, of the profitable parts paying for the unprofitable. Public money is paid for different reasons and different purposes, but there is the risk that it will go into one big purse, so nobody will know how it is really used. For the sake of financial clarity, for clarity about public money, some separation of the accounts is necessary.

Member states have interpreted this very differently: some have set up completely different organisations for managing infrastructure and for transport operations. Approximately half the member states now have a complete separation into two companies, one for infrastructure management and the other for train operating. Others have limited separation to different business units within one company. We think it is important to reinforce separation of accounts. I want to come back to this.

The third obligation in Directive 91/440 was that member states should reduce about railway debts financial management. Here I think there has been a real progress in most Member States. Governments have put capital into railways and have reduced debt. Whether this will be sustained we shall have to see, but so far, we have seen a real improvement.

Finally Directive 91/440 took a first step towards opening the market for rail transport, that is towards liberalising the railway sector. The Directive created limited and conditional rights for new operators to enter the market, in order to operate international railway services. I said ‘limited and conditional’: in fact this piece of legislation has had little effect in reality. We have not seen an effective liberalisation: very few new operators, perhaps two, have started railway services. Partly this is because the access rights are very limited and partly because there are not yet Community rules about how infrastructure should be used, in particular or charges, for using infrastructure, and one the whole process of capacity allocation, that is of writing a timetable so that it allows operators
rather than the national railway to get good slots and so offer services.

Potential new operators still see a sector dominated by one enterprise and wonder whether that dominant enterprise is going to let them in, and they have reason to wonder. There still remains a lot to be done to remove market barriers and to create a transport and open process for using railway infrastructure.

Directive 91/440, then, has had a mixed success. However it was adopted at the right time, when many governments were asking how they could improve rail transport and reduce the huge sums of money that they were paying to the railways, and, in the case of Germany, how they could integrate the railway of the DDR with that of the Federal Republic. We see the Directive as just the first stage of a Community policy that must be reinforced. In 1996 The Commission presented a White Paper which proposed a second step in a Community policy for the railways. It too was based on the hypothesis that the railways have to be businesses and the role of the governments and the railways have to be clearly separated and defined. Five years after Directive 91/440 it was time to take another step and widen the policy. Directive 91/440 has often been criticised as too narrow and ironically as too much of a liberalising measure.

The Commission wished to put forward a wider policy that covered public services and the integration of national rail system, and also to lay down the conditions for utilising infrastructure which is essential if market opening is to work. We are now following up the 1996 white paper with a series of concrete proposals.

The first involves opening the market, the most urgent need is to liberalise the market for rail freight, because it is in rapid decline, dissatisfaction among customers is strong and there is real interest in entering the market. However this must be done progressively so as not to destabilise the incumbents and to maintain the wide consensus in favour of wider access rights. The Commission has launched the idea of opening the freight market partially and by stages, 5% in the first year moving to 15% after five years and 25% after ten. There was much interest in this but we have still to see
whether it will have sufficient support in the Council to be adopted. We shall see what happens next year.

Creating access rights is one thing; making them effective is another. To do this, the Comunity has to define broad principle and procedures for setting infrastructure charges and for allocating capacity among different service and operators (time tabling in other words). Last July the Commission proposed a directive on this subject, on which the Council will soon begin discussion. This sets out rules to make sure that all users of railway infrastructure are treated fairly and without discrimination. But our proposals go further than that. They are also designed to improve the efficiency with which a major asset, railway infrastructure is used, and to help achieve general aims of transport policy like a better balance between rail and road. Whatever the degree of liberalisation, they should raise the efficiency and performance of rail transport.

The second area of policy is public services. It is essential to raise their quality and make them better fit citizens’ needs, if public transport is to offer a real alternative to the private car. The Commission is therefore strongly behind the idea of improving public transport. This does not mean that the Community should set down the quality and quantity of public services needed. That is for national, regional and local authorities to decide. Where the Community can and should act is to define how public authorities purchase public transport. At present there is a mixture of public service obligations – the authorities impose obligations on an operation usually without defining responsibilities clearly on the financial compensation to be paid – and contracts between the authority and the operator. It would improve the quality of services if they were procured through contracts that clearly the services to be provided and the compensation to be paid, that contain incentives to improve performance and that are limited in time, which is most important. The Commission will probably propose legislation on public services in transport on the above lines, in the first months of 1999.

Finally, the Community must push forward the integration of national rail systems. These developed on national lines to meet national needs for a century and a half. The railways developed
their own technical standards and operating rules which differ signifi-
cantly. This makes it complex and costly to operate international services; generally speaking it is necessary either to change locomotive and crews at borders or to load up locomotives with the signalling and electrical system to operate on several networks. Both solutions cost money and threaten punctuality and reliability. The differences between technical standards also fragment the market for railway products along national lines, so limiting competition, raising costs and reducing the stimulus to innovate. Two years ago the Community adopted a directive on the interoperability of high speed rail, designed to make it possible for trains to operate across frontiers without stopping and to help create a single market for railway products. Early next year it will propose a similar policy for the integration of conventional rail.

To conclude, that is the policy the Commission proposes to revitalise rail transport. In our view it is balanced: not only market opening but also improving the efficiency of infrastructure use, raising the performance of public transport and breaking down the barriers between national rail systems. It is an ambitious policy too. It has to be, because without radical change the railways will not be able to compete with other modes of transport, and a competitive rail transport is a central aim of the Common Transport Policy.
Lucio Bianco
(c.s.)

Ringrazio Mr. Wilson per la sua brillante relazione, che ci ha permesso di cogliere in pieno la complessità della problematica.

La parola va adesso al dott. Pietro Spirito, che terrà una relazione sulle esperienze europee più significative in materia di gestione dell’infrastruttura e dell’esercizio.