

# Entry of the CEEC railways: Opportunity, Challenge and Promise

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**Lou Thompson**  
**Thompson, Galenson and Associates**  
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**[Lthompson@alum.mit.edu](mailto:Lthompson@alum.mit.edu)**

# Opportunity for the EU transport sector

- ◆ High level of technical competence, and a different viewpoint
- ◆ Large new passenger and freight markets, and synergy with existing flows: 57% t-km (122%) and 17% p-km (53%)
- ◆ Linkage to further East (73% p-km, 673% t-km)
- ◆ Increased length of haul for all (esp. freight)
- ◆ Existing CEEC passenger and freight market shares will adjust, but are still strong
- ◆ Larger markets for suppliers of equipment in all countries

# Challenge: railway transition from planning to market

- ◆ “Command and control” caused:
  - Over-industrialization
  - Over-use of rail versus other modes
  - Suppression of the automobile
  - Lack of valid economic tools and information
- ◆ As a result, today:
  - CEEC networks too large and in wrong places
  - Labor forces too large for current traffic and networks
  - Cross-subsidization of passenger from freight
  - Absence of market-based financial information and disciplines (bills not paid)
  - “Myth of the miraculous railway” remains
- ◆ Change is rapid, but the gap is large and not only in railways

# Promise

- ◆ Progress is coming, problems will be solved, but will **NOT** be easy
- ◆ Government railways are still not really enterprises
- ◆ Government and enterprises need to pay their bills, externally and internally
- ◆ Restructuring needed **in practice**, not just legal form
- ◆ Specific changes
  - Market based information and accounting systems
  - Right-sizing of networks, services and costs
  - Explicit and adequate funding of social services
  - End cross-subsidies from freight to pass
  - **Implement** new structures
- ◆ No need to be discouraged: same problems elsewhere. But, determined action needed