

Europeanization of transport policy in the CE countries – Case of Regional railway liberalization

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This paper reflects the issue of regional railways in post-communist countries under the influence of European directives. First, it will focus on how rail liberalization has proceeded through a vertical separation policy. It also outlines how this setting was reflected in the regionalization process. In the analytical part will be outlined how regionalization proceeds in post-communist countries. We can observe this process on sample of examples from post-communist countries from CEE Europe. This is clearly visible by the using a Case studies of these countries.

Keywords railways, liberalisation, regionalisation, Europeanisation, bottom-up, top-down, directives.

Introduction

Railway sector are important and very tricky for a administrative policy in the Europe. This agenda has undergone significant reform since the 1980s As with other modes of transport, the process of Europeanization can be described here as the implementation of liberalization measures. First at all this sector is so called natural monopoly. This is very similar as water supply or telecommunication. The impact of European regulation will across particular member countries because it will be confronted with national specifics. To a large extent, it is influenced by the political set-up and all the more because the states are the main owners of the railway undertakings and the whole sector is very heavily regulated by the state. So Railways are very important for a future of European mobility. According to the European Commission's plan „Transport 2050“, it is assumed that up to 50% of long-distance traffic and rail freight traffic will be converted. Due to the conversion, air pollution should be

reduced by up to 60% (European Commission, 2011). This policy also has an impact on the design of the rail network and on the organization of the railways as a transport system.

European way to the railway reform

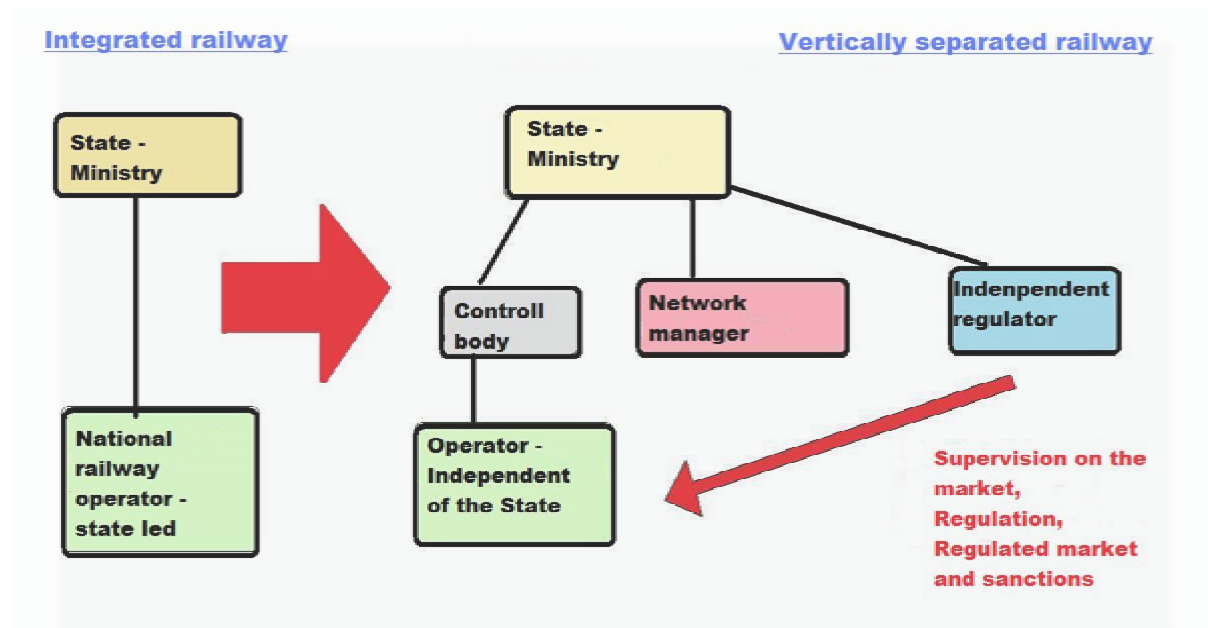
Major problems of railways in Europe during the period between 1960s and 1980s was loss of competitiveness. Other modes of transport such as Air transport or Road haulage were more effective and competitive. Railways became more dependent on state Aid, despite a problem of high indebtedness. (Dyrhaug, 2013, 31). States are forced to solve this problem with their own resources. Railways had to be restructured. So first impulse for a reform arose from member states. At this first assumption getting important for shaping the future European policy. In the approach called as Bottom-up. One of the most influenced examples across rail reform in Europe was a Separation model. The separation model originated in Sweden in 1988 and consists of separating the carrier from the infrastructure management. We also see the use of this model in Britain, which has, however, deregulated its market most of all other European countries. The separation of the originally integral company was immediately followed by the privatization of its divisions.

Later at the start of 1990s take the process the European Commission. the European level, the Top-down approach. The philosophy of separation was reflected in European legislation as Council Directive 91/440 EC on the development of the Community's railways of 29 July 1991. At that time, the conditions were still rather vague and the Directive itself required a number of amendments (Dyrhaug, 2013). Later the Top-down approach prevails, whereby the European Commission is pushing for the most significant reforms through sets of directives, so-called packages (Knill, Lehmkuhl, 1999). This strongly empowers policy of separation. It consists in the fact that formerly unified railway undertakings will be divided into a part or division operating, i.e. providing only their own transport and part managing the infrastructure (Seidenglanz 2006). Both parts should be independent of each other. Nevertheless, the basic direction of liberalization has been set. Only ten years later, the so-called first railway package, called the infrastructure package, came into force, which, through three directives: 2001/12 / EC, 2001/13 / EC and 2001/14 / EC, complements and extends the scope of the original Directive 91 / 440 (separate infrastructure requirement), but also brings other important standards (Kaeding 2007).

The aim of this policy is not only a more transparent financing structure, leaner management, but also enabling intra-modal or internal competition. As far as possible, an independent infrastructure manager should not prevent non-state carriers from accessing the network, as has been the case so far. This should lead to economic recovery of the railway through competition between several carriers on the same network. Vertical separation is to a certain extent a European specificity (Seidenglanz). On a global scale, it is more common to have vertically integrated undertakings (i.e. those that own and the infrastructure they use) compete with each other and are mostly non-state carriers. Also, the level of regulation and intervention not only at national level but also within the European Community is unique in this context.

After this effort state-owned companies in Europe were mostly converted into joint-stock companies in the late 1980s. Although the ownership structure has not changed since the state is the owner of all the shares, the company is capitalizing (Spetlák). The state must no longer assist it through subsidies. Businesses are managed on the basis of market principles and, in addition, have to cope with the entry of other carriers into the market, as a real competition.

In order for competition to exist, competitors must have free access to the market – what means in this case infrastructure. That is also a state-owned enterprise. Therefore, the infrastructure should be transferred to an independent public body or infrastructure manager and an independent regulator is established to allocate license capacity and ensure that competition is complied with. Thus, the majority carrier should not discriminate against its competitors. In addition, the right to use this infrastructure is subject to a fee, so its manager should be truly independent, as otherwise the carrier may have discriminated against others in terms of usage fees or access rights. Scheme below show us, how it is work.



Source author.

In Europe, this approach is undoubtedly the answer to the liberalization paradigm of the 1980s, when, in the UK in particular, some limitations to the classic form of privatization in European conditions have been shown (Stevens 2008). We should not forget the traditional European character of the railway network, which began here since the mid-19th century and has undergone a number of nationalization and regulatory measures. The European model, based on a social-market basis, also plays a role. This is particularly true for continental Europe. The Anglo-Saxon or transatlantic model did not apply very much here (Stevens). This approach first appeared in Sweden, the UK and the Netherlands (Hulten,2008).

Although many countries, on the other hand, tried to avoid such a transformation (Monami 2000), in particular France, Italy, Spain, etc. They are under strong influence of other actors as trade unions. Typically in France, where exist concerns about „hidden privatizations „of whole sector and fear of lowering labour standards. For purpose of this paper is much more important how this design create changes in setting of a local transport. This environment very empower process of so-called regionalisation, when the railway company is decentralized, and in particular regional transport is often transferred to the management of

regional authorities. As its also empower the regions and regional governments in Europe, this process leads to the complementary effect.

Regionalization of railway transport

Primarily it was set on by the German railway reform. In Germany exist strong influence of local authorities called Lander. This stems from the German tradition of federalism. It began in 1996 based on the decision of the Federal Commission that regional transport will be organized by individual Länder (Nigrin et al, 2017). Spoken countries were opposed by financial difficulty. After the negotiations, regionalization could only happen because the Federal Government promised financial compensation and investment in infrastructure. It is possible to see parallels with historical institutionalism based on which Germany emerged, since the Länder in the German structure are significant players (Dyrhaug, 2013, p. 21.) States can order transport on their own territory in the form of competitions.

This agenda has become fully decentralized, but despite strongly depend on central government. When first government of Angela Merkel cut of finances, the transport performance is decreased. In further years the system become more competitive. The share of non-DB carriers has increased. Moreover, special bodies have been created to organize transport in the regions. In Italy and France, there has also been a regionalization of rail transport (Brandt 2006). But unlike Germany majority of of railway services here hold national incumbent. In France even all. Regions here tightly collaborated with monopoly carriers and practically is market is still closed. Italy and France also strongly opponent implementation of fourth railway package, that should be open whole market to competition after 2020.

As opposite German with Sweden and Netherlands as positive case of decentralisation and multilevel governance. Historical patterns plays role in it. Now specific Germany model of liberalisation it cold Holding company model (Boškovič 2015, 56). This model is very popular in area of middle Europe like Austria or Czech republic where we see, strong affiliation.

In Germany, there is transparent competition on regional routes, mainly due to regionalization. It is regionalization that is most developed within the German market. This is one of the consequences of the traditional decentralization of the German Federation, which allows the Federal States a relatively large degree of autonomy. Regionalization also made it

possible to transfer the organizational and financial burden from the federal government, and in particular from DB itself. Many lines have been privatized and thus removed from the state-owned railway network. This process has made resource allocation more efficient

Post-communist states overview

At the same time, they are new EU members that joined on 1 May 2004. The liberalization of the railway market was one of the conditions for accession negotiations. Economically, their railways are the remains of a planned economy. Railway undertakings often had to undergo a costly separation and transformation procedure after the transition. One of the hallmarks is the underfunded infrastructure. For example, Poland is one of the countries where unprecedented track cancellations occurred in the 1990s. (Kvizda 2006) However, the biggest challenge was to transform these railway undertakings, which still had the characteristics of a state-run economy. In their national railway companies, in previous regimes, they had to concentrate primarily on the freight transport of heavy goods for industry, and this was also reflected in the level of passenger transport. In most cases, infrastructure was not invested much more than vehicles. However, there was no high level of individualized car transport, nor was there a well developed high-quality road or even motorway network. Railways were thus not confronted with intermodal competition as in western countries. Conversely, freight volumes were high here. However, following the demise of the socialist bloc, the sector was somewhat declining due to lack of funds, insufficient infrastructure and obsolete fleet. This led, inter alia, to the implementation of reforms with an emphasis on fundraising and recovery of railway undertakings.

Regional railways in Post-communist Europe – a model examples from Czech Republic to Poland

The fundamental impulse that the de facto transformation of Czech railways began was the division of Czechoslovakia and the need to divide the assets of the previous CSD into two separate companies Czech Railways and Slovak Railways. On this occasion, Czech Railways Ltd. (state organization) was established in 1993 under Act No. 9/1993 Coll. The new enterprise had a total of nine commercial and operational workplaces and was divided into divisions to simplify the administrative structure (Hulán, 2006). These were the Transport

Infrastructure Division, the Commercial Operations Division and the Property Business and Privatization Division. This organization chart already shows a hint of the requirements of Directive 91/440 EC. It was in 1993 that the accounting department for the ring road and the ring road was unbundled, which was a request of the Commission itself, which wanted to comply with the reforms in the West. However, the enterprise itself remained unitary, because this division was only to improve the management within. Division is rather an inspiration from Western countries, which took similar reform steps about a decade later. The paths were disbursed once and so the process of further transformation could be started. In particular, the government of Václav Klaus launched a privatization project. This whole process was supposed to lead in this direction. Privatizations were also to begin on the railway. Already in the Act on Railways, a further transformation is envisaged.

The focus was on local railways. The government wanted to solve the problem of unprofitable local lines by their privatization and cancellation. Privatization was supposed to lighten the state budget and possibly start the market environment. There is thus a difference between the approach of the Commission, which promotes in particular organizational changes that are yet to lead to liberalization, and the attitude of the Czech Government, which would in turn speed up the privatization itself.

The models for the then political representation, especially in the person of prime minister Václav Klaus, were in this respect a liberal and purely market environment. This may be an attempt to make the reforms more radical than the Commission itself and the other EU institutions might have wanted.

This was the attitude of most of the new governments in these countries, trying to bring Western standards closer to them through an unprecedented liberalization of the economy. Soon, however, these actors encountered internal conditions and a new distribution of resources, especially resistance from the unions and the political opposition, which, together with a certain deterioration, began to gain public acceptance. This was reflected in the adoption of the Act on Railways No. 266/94 Coll., which entered into force on January 1, 1995. The Act abolishes ČD's dominant position, which, in turn, as a rail system operator, must allow other carriers to enter and operate if they hold a license and valid certificate. In fact, it is about liberalization, to an extent that could be unique in the context of other post-communist countries (Hulán). The law also allowed the privatization of the regional or local

railways. In 1995, the unions held a strike and the government withdrew these plans. The planned privatization of about 29.4% of the regional lines was cancelled (Hulán), but the possibility of further transformation was also frozen. In the mid-1990s, the liberalization of the market paradigm strongly manifested itself in the Czech Republic as the main solution to all problems of economic transformation.

Further development of the transformation depended on the current political situation in the Czech Republic and other factors such as the entry of direct competition. As part of the transformation, some politicians as also trade unions proposed the same model of railway transport regulatory, following the example of Germany or Austria state railways. These proposals faced to many criticism but, major part of this are incorporated. Czech Railways are example of fully vertical separated rail sector. After major reform from 2003 There exist similarly adjustment as in German. Although Czech Republic is not a Federal country, despite tends strongly to regionalisation in transport. Administrative is divided into 14 regions. Regions are responsible for subsidize of local rail and bus transport. This model replaced former policy of privatizing industry from 1990s. But Czech Republic has a second largest railway network in Europe. This unique structure originated in the early 19th century when the Czech lands were part of the Austro-Hungarian Empire. Compared to other European countries, in the former Czechoslovakia, there was never too much cancellation of local and regional railway lines. Many Western countries to do this, due to lack of economic sense of these railways. Regions getting slightly depopulated and structure of settlement are changing. Another factor is more cheaper bus service. during the 1960s and 1970s, there were also cancellations of lines for economic reasons in communist countries. Typical example was a Poland. In 1990s this process accelerated on unprecedentedly scale.

After the political changes in 1989, Polish railways faced major economic decline. The lack of state funding for subsidizing rail transport eventually led to the closure of a large number of, in particular, secondary local lines. In the past, the Polish network was characterized, among other things, by a large number of small industrial narrow-gauge railways built mainly at the turn of the 19th and 20th centuries resulting from the lack of a high-quality road network. There was a similar case in Hungary. A large part of the regional lines already gauge and not electrified later suffered from underfunding, which was also reflected in their technical

condition. Decades of neglect have led to the consequent renewal of loss-making lines which would entail unbearable financial costs.

Thus, the implementation of the relevant European directives and the restructuring of the state-owned enterprise were also burdened by these factors. And similar like in Czech or Hungarian case there in domestic politics was adopted strong pro-market, liberal approach. But now prevailed compromise solution with respect to German regionalisation model. Typical example among post communist countries is Poland.

Regional transport is ordered and subsidized by the Voivodship units. However, they not only subsidize transport, but also own the vehicles themselves and ensure their purchase. This is currently done through the European Operational Programs. Dissatisfaction with PKP PR, which shows high losses and concludes disadvantageous contracts, has led some voivodeships to radical measures in the form of a complete takeover of transport (Bobínska). The first such step was taken by the Voivodship of Mazowiecki. It was founded by the company „KolejeMazowieckie”, which also owns and operates the transport itself on its territory. This example was soon followed by other voivodships such as the Silesian Voivodship and its enterprise Dormitory of Slazke. Mazowieckie Province is also considering the possible privatization of KM, but this step has been postponed. Another specific phenomenon is that some companies have started to compete in the holding for market position. This is again the case for PR, which, although intended to operate in regional transport, has established their own commercial Interregio links, which are in direct competition with long-distance PKP IC. This led to controversy. Another problem was that PR was heavily indebted and asked for a waiver of payments for the use of the PLK route, which subsequently banned the operation temporarily and the trains did not roll out. There is many similar pattern with German case. Regional authorities are fully responsible for local transport and they have huge autonomy, although Poland is not a federal state.

We can observe as effect of bordering countries. As in case of Hungary. Here we observe the great influence of neighboring Austria and the export-oriented economy, as evidenced, for example, by the largest share of MÁV transit traffic. The specificity of the Hungarian railway operation is also the existence of GySEV. It is a joint venture between the Hungarian and Austrian states. This unique structure is a heritage of Austro-Hungarian Empire. GySEV survive even communist era.

Hungary has benefited from more advanced reform efforts and has undergone appropriate reforms in the early 1990s. This was much slower in Poland, where the restructuring took place in 2001 (Łaskiewicz). On the other hand, the Czech Republic has the largest delay in restructuring. The creation of a railway joint-stock company, independent of the government, took place here only in 2003. The process of separating the railway operator from the DC operator itself is very gradual and has not yet been fully completed (Brabec). Poland and Hungary, on the other hand, chose the holding path as the phase of separation in their case is already more advanced.

Conclusion

The post-communist countries mainly take over patterns based on previous models which were adopted in Western countries. Moreover, some aspect of regionalization is already present in the second railway package. A remarkable case is Poland, where the German model is also inspired in this area. Regional railways are decided by individual voivodeships, many of whom have decided to set up their own carriers. Private carriers also operate on some routes. Regionalisation model was adopted through the European directives or inspirational examples in these countries. Also we can observe strongly path dependent way. That arise from institutional setting and historical heritage. Many post-communist countries are in this case paradoxically in similar situation as western countries 30 years ago. Railway specific and declining of modal share lead to the very difficult restructuring of whole sector. State owned rail companies have almost same problematic aspect like integrated centrally planned economy in communist countries. The whole restructuring process have almost same patterns on post communist countries as a western countries. A lot of the phenomenon took place simultaneously as declining of local railways. And later have post communist states practically same problems. High indebtedness of rail companies, very low performance in economically aspect and loss of modal shift in comparison with another modes of transport. So reforms only come later.

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