

THE IMPACT OF LIBERALISATION OF TRANSPORTATION MARKET ON THE ACTIVITIES OF FREIGHT RAILWAY ENTERPRISES IN LITHUANIA

Raimondas Burkovskis, Ramunas Palsaitis

Vilnius Gediminas Technical University

Plytines Str. 27, Vilnius-16, LT-10105, Lithuania

Ph: (+370)-8-5-2744776. Fax: (+370)-8-5-2745059. E-mail: trvadyba@ti.vtu.lt

1. INTRODUCTION

Governments of various countries indirectly restrict the foreign transport activities within its territory aiming at the protection of its own transport market through environmental requirements, infrastructure development policy, charging system, other legal acts. Depending on the area of influence, all regulations and laws can be allocated into three groups:

- Marker access: potentials of operator and conditions to start transport business;
- Competition: competition conditions for companies depending on territorial layout, transportation mode, ownership;
- Main operation conditions: rules and restrictions, applicable for all operators.

2. ANALYSIS OF THE LEGISLATION OF THE EUROPEAN UNION REGULATING RAILWAY ACTIVITIES UNDER MARKET CONDITIONS

Three Directives (2001/12/EC, 2001/13/EB, 2001/14/EB) on the development of railway transport market and market liberalisation came into force on 15 March 2001.

Lithuanian Railway Transport Code, developed taking into consideration the requirements of the EU legislation, provides that the public manager of railway infrastructure – a public enterprise established for the management of public railway infrastructure – manages, uses and has at its disposition the entrusted public railway infrastructure together with its territories, and offers for the railway enterprises (operators) services, related to the management and maintenance of the public railway infrastructure.

However, one should note that in Lithuanian railways, unlike to other EU railways, the major part (over 50 % of the total volumes) of its freight market is transit services, which are greatly influenced by the competition with the neighbouring railways, predominantly in the transportation of the freight in East–West direction via the ports of the eastern coast of the Baltic Sea. Thanks to transit, the freight transportation potentials are being utilised by ~50 %, i.e., two times better compared with the EU average.

In addition, it would be complicated to apply liberalisation principles for the transportation in the East– West direction, via Corridor IXD, taking into consideration political aspects, as the flows from/to Russia prevail in the direction of Oblast Kaliningrad; this is, from the perspective of the EU legislation, relations with the third parties. In addition, Corridors XIB and D are strategic from the geopolitical perspective not only for the Lithuanian transport system, but also for its entire economy.

Therefore in the nearest future (up to 2010) it would be not reasonable to liberalise transit traffic in the direction of Klaipeda (transport Corridor IXB), and the liberalisation of transit traffic on transport Corridor IXD on the whole would be not justifiable due to possible grave consequences for the national economy and Lithuanian railway sector. At the same time freight transportation in the South–North direction (international transport Corridor I) is being carried out within the EU, and all the provisions of the EU legislation are to be adhered to.

3. ACTIVITIES OF LITHUANIAN RAILWAYS AFTER THE REFORM. IMPACT OF THE REFORM ON RAILWAY SECTOR

Liberalisation of railway market in Lithuania should primarily influence transportation within the EU, i.e., in the South–North direction (transport Corridors I and IA). Market liberalisation in the East–West directions (transport Corridors IX B and D) would face certain problems, as no tools are currently created to limit the possibility for the companies outside the EU to run the freight traffic by railway independently. It may happen, that both Russian and Belarusian capital (either directly or via intermediaries), controlled by the governments of the said countries, would take the opportunity for the third countries to use the Lithuanian railway infrastructure and to run the freight within the territory of Lithuania. In such an event AB “Lietuvos geležinkeliai” would lose a major part of its transit traffic (under the pessimistic scenario, up to 65 per cent), and this, in its turn, would result in the bankruptcy of AB “Lietuvos geležinkeliai”.

To sum it up, one may maintain that such the pre-conditions for the liberalisation of the railway market, when the access to Lithuanian railway infrastructure is given irrespective of the flow directions, does not comply with the national safety criteria, which clearly state that the national safety system of Lithuania is to be developed as a part of the overall European safety and transatlantic defence systems.

Public railways, according to the law on the companies and facilities of strategic importance for national security and other companies of importance for national security, are recognised as the ones having strategic importance for national security. According to the Railway Transport Code, “Public railways are the railway infrastructure, owned by the State of Lithuania, which serves the public needs for passenger, baggage and freight transportation”. This means, that public railways cannot be privatised.

Taking into consideration the experience of the European railways and the current situation, one can maintain that railway market liberalisation in the East – West directions would be premature and unreasonable before 2010. Thus the Government of Lithuania, although declaring Lithuanian public railway as a strategic facility, would partially lose the control over it and the possibility to ensure the appropriate representation of the national interests. In the absence of adequate market protection measures a major part of the current freight might be lost. Such loss could be in the area of 25 to 60 per cent, and would have an impact on the decrease of budget revenues, worsening of social situation and other negative developments, related with the changes in the freight transportation market.

4. RELATIONSHIP BETWEEN AB “LIETUVOS GELEŽINKELIAI” AND THE STATE BEFORE AND AFTER THE REFORM OF RAILWAY TRANSPORT SECTOR

The objective of the reform within AB “Lietuvos Geležinkeliai” is to ensure the efficient activities of the railway sector under market conditions by complying with the EU legislation, the one of the basic requirements of which is to ensure free and non-discriminatory use of the public railway infrastructure.

While analysing the short-term potentials of the Lithuanian railway company one should note the cost increases related to the liberalisation of the railway market due to the reasons beyond the control of the company.

To identify the financing needs for railway infrastructure maintenance and traffic control it is necessary to single out, clearly and precisely, the costs to be allocated for the maintenance of the public railway. Currently it is hardly possible, as all infrastructure assets (not only the public ones) are allocated to infrastructure unit, therefore the infrastructure charges are used to cover the costs of all infrastructure maintenance and control, including the costs of traffic arrangement and control, of service trains and diagnostics centre.

In the future, the infrastructure charges will be set for the operators of the different transport modes to cover the external costs as well. In addition, the charges should depend on the actual transportation costs, i.e., they shall be limited to a payment of a pre-defined size.

The above problems of Lithuanian railway sector are to be solved by creating the preconditions to review the procedures for the setting up of infrastructure charges and their levels so that they were fully compliant with the requirements of the EU directives with the due consideration of the existing practice in the EU member-states.

Based on the experience of the foreign railways, it is necessary to set up the level of the charges by differentiating them for individual lines of infrastructure network, which are different in economical, commercial and technical parameters, i.e., use of the line capacities, traffic demands, technical infrastructure parameters, investment volumes and other.

The basic parameter for the differentiation of lines and charge level could be the parameter of traffic volumes, expressed as an average annual number of trains. This could in a way the attraction of freight to less busy lines.

In compliance with Directive 2001/14/EB, there are several ways to differentiate the charges for individual lines. First of all, it is to apply mark-ups for the busiest lines (art. 8, part 1), but it must be taken into consideration, that because of the charge level only those market segments, which are able to cover at least the direct costs of the provision of railway services, would use the infrastructure, and the rate of return should not be a burden for the market.. Secondly, it is to apply the discounts for the least busy lines (art. 9, part 3), i.e., the infrastructure managers could introduce systems for certain traffic flows, which would be accessible to all infrastructure users, and by applying discounts, which were aimed at the introduction of new railway services, for a certain period of time, o the discounts, encouraging the use of the scarcely used lines.

One may maintain that the interrelation between AB “Lietuvos Geležinkeliai” and the state after the reform should be commercially based by refusing of cross-financing, by setting up of appropriate access charges and ensuring the financing of the infrastructure development. If these requirements are not met, the competition within railway service market would be distorted either by creating privileged position for private operators or by putting the burden of public railway maintenance and development on freight operators only, thus making these services unprofitable and uncompetitive compared with other transport modes.

5. CONCLUSIONS

1. The harmonisation of the legislation with that of the EU alone does not automatically solve all the problems; nevertheless this creates preconditions and potentials to reach the set objectives – efficiency and competitiveness of railway transport. In addition, there must be a political understanding, that the reform is a complicated and rather costly process. The reform must be perceived not as the necessity to approximate the requirements of national legislation with those of the EU, but as a prerequisite to ensure efficient functioning of Lithuanian economy, including transport, in the markets of the EU member-states.

2. Liberalisation of railway market in Lithuania should primarily influence transportation within the EU, i.e., in the South–North direction (transport Corridors I and IA). Market liberalisation in the East–West directions (transport Corridors IX B and D) would face certain problems, as no tools are currently created to limit the possibility for the companies outside the EU to run the freight traffic by railway independently.

3. Liberalisation of Lithuanian railway market without due consideration of the historic situation, geographical specifics and geopolitical situation and without introduction of the necessary restrictions may result in the loss of AB “Lietuvos Geležinkeliai” of considerable freight volume and, consequently, of revenues. This might have serious financial and social consequences not only for the national company, but also for the national budget. In the absence of the adequate precautionary measures a considerable portion of current freight might be lost. Such loss could be in the area of 25 to 60 per cent.

References

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