Rail Financing

Recommendations

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Outline

- Development of TER-rail transport
- Problem analysis
- Recommendations

Passenger Transport, Interurban Rail TER countries of EU



Passenger Transport, Interurban Rail TER countries of Non-EU-members



Goods Transport, Railways TER countries of EU

Source: Prognos 2010



Goods Transport, Railways TER countries of Non-EU-members

Source: Prognos 2010



Message

• Passenger transport demand of rail

- stagnation / low growth
- loss of market share against car

Goods transport demand of rail

- low and strong growth
- setbacks in growth
- strong competition against road

Strong need for action

- keeping high level of goods transport

Financing Sources and Instruments TER-Countries

0 %	$\rightarrow \Delta$: +4 %	Borrowing (public)		$\rightarrow \Delta$. +2 70
33 %	→ Δ: - 5 %	EU-grants	57 %	→ Δ: - 3 %
8 %	<u>→Δ:</u> +9 %			

(1) selected countries

Estimated and Real Construction Cost, 58 Railway Projects

Source: Flyvbjerg 2003



Estimated and Real Demand 57 Railway Projects

Source: Flyvbjerg 2003



in %

Recommondation (1): Financial Sources

- Fair cost-sharing between users & taxpayers
- Longterm goal: internalisation of external cost
- Shortterm: cross-payment from road to rail

External Cost of Road and Rail

€-cent per passenger- kilometre plus tonne- kilometre	Austria 2005		Germany 2000/2007	
	Road	Rail	Road	Rail
Noise	2.6	0.2	1.1	?
Air pollutant	0.7	0.1	0.9	?
Greenhouse gas	5.4	0.4	1.3	?
Environmental costs in total	8.6	0.6	5.1	?
Accident cost	3.1	1.5	1.0	?
Total external costs	~11.7	~2.1	~9.4	~2.0

Source: INFAS/IWW 2004, DIW Berlin 2009, Hirte 2008, Pischinger 1997

Recommondation (2): Pros and Cons of P.P.P.

• Pros

- Not registered on public balance sheets
- Efficient cost- and implementation management
- Risk sharing between public and private sector

Cons

- Only high profitable projects
- Unbalanced risk sharing (?)
- Efficient cost- and implementation managment also achievable with "functional tendering and bidding"
- Private investors: higher interest rates than governmental corporations

Recommondation (3): Planning Culture

National transport masterplan

- infrastructure + transport policy
- all modes
- defined quantitative objectives
- Decision principles
 - cost-benefit oriented decisions
 - fact-oriented priorities & implementation
- efficient project management
- longterm financing plan

Recommondation (4): Assessment Instruments

- Standardized cost-benefit-analysis (CBA)
- Introduction new assessment instruments
 - sustainable development analysis (SDA)
 - extended cost-benefit-analysis
- Transparency and public participation

Recommondation (5): Cost Reduction

- International standardisation of railway guidelines for railway infrastructure, vehicles and operation
- Improvement of risk assessment and management
- Introduction of "functional tendering and bidding"

Recommondation (6): Organisational Model

- Improvement of efficiency of railway organisation
- Clear political, legal, institutional, financing frame work conditions
- Decisions based on transparent assessment findings
- Reduction of influence of lobby groups

Conclusion

- Successful railway financing → result of political willingness
- No political decision \rightarrow decision for continuation as hitherto