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**REVIEW OF THE TRANSPORT SITUATION IN UNECE
MEMBER COUNTRIES AND OF EMERGING DEVELOPMENT TRENDS**

Note by the secretariat

The purpose of this document is to provide the Inland Transport Committee with an updated review of the transport situation as well as some provisional information on transport trends and indicators in the UNECE region in 2006. The document also highlights some obstacles to the development of transport, and regulatory measures of some member Governments related to the transport sector. It has been prepared by the secretariat on the basis of the contributions of the following countries and institutions: Belgium, Finland, Romania, Switzerland, Turkey, United Kingdom, United States of America, the World Bank, the European Conference of Ministers of Transport (ECMT), International Union of Railways (UIC), and the International Union of Combined Road-Rail Transport Companies (UIRR).

The note consists of a brief synthesis of the main facts and trends and an annex containing short summaries or highlights of transport developments. Country contributions are structured in three parts: I. Traffic trends; II. Obstacles to transport development; and III. Best practices in transport regulation and infrastructure development. **Contributions in full are available at the Transport Division web address: <http://www.unece.org/trans/Welcome.html>.**

I. TRANSPORT TRENDS

1. Economic developments in 2006 on the global level remained positive and, in many UNECE member countries, economies fared better than in 2005. Global GDP was estimated to increase by 5.4 % in 2006 – up by 0.4 from 5.0 % in 2005. In the UNECE region, the situation varied from one region to another. In the United States, in spite of the fact that the economy started to weaken, growth in 2006 was estimated at 3.2 % and remained stronger than in the Euro-area, where growth was expected to be around 2.8 %, up from 1.5 % in 2005. In the EU-25 real GDP was forecasted to increase by 3.0 % in 2006. However, this average growth rate concealed considerably better performance in the new EU member States where economic growth was led by a strong economic activity in the Baltic region (9.6 %), and continued growth in Eastern and Central Europe. In South-East Europe, economic growth was expected to remain strong – at about 5.9 %, and in Turkey it was forecasted to reach up to 6.1 %.

2. The economic performance in the CIS countries continued to be strong, and high oil price continued to provide considerable support to economies of the main energy exporters - Russia, Kazakhstan and Azerbaijan. GDP in the Russian Federation was forecasted to grow by 6.6 % and in Kazakhstan GDP growth was expected to be 9.5 %. In smaller CIS economies, economic growth was also expected to reach very high levels, for example, about 33 % in Azerbaijan and to remain high in other commodity exporting countries with GDP growth rates between 6 - 10 %. Even in countries that are not major commodity exporters (such as Armenia, Georgia, and Tajikistan), rates of GDP growth were expected to remain above the CIS average, which was estimated at 7.5 % in 2006.

3. In line with these economic developments and according to estimates, traffic volumes in 2006 appeared to have again increased as compared to those in 2005 throughout the UNECE region. The pattern of growth differed between sub-regions and between particular member countries. Also, different transport modes experienced different patterns of change.

4. Available data showed that road traffic again appeared to have marginally grown in 2006. Passenger road transport continued to grow in all countries, although the growth was lower in EU countries, where a large part of the growth could be attributed to national and public transport. Road freight transport measured in tonne kilometres continued to hold its dominant share as the principal transport mode throughout Europe with about 76.4 % in the EU-25. A steady increase in car ownership within the EU has now become a general trend in Eastern and South-Eastern Europe, as well as in the CIS countries. For example, the number of newly registered passenger cars in Central and Eastern Europe increased by 9.9 % and goods transport vehicles by 11 % in 2006, contributing to increase in road traffic. In EU and EFTA countries, the share of road freight transport continued to grow slowly, while in the rest of Europe and the CIS it continued its upward trend in 2006.

5. In the CIS countries, freight transport grew during the first nine months of 2006 by about 7.0% compared with the same period of 2005. A major contribution came from the growth in infrastructure investments, external trade, industrial production, boosted by continued high oil prices, which led to bigger extraction and export of oil. The largest contribution to the overall growth of transport activity in the freight market came from Armenia, Tajikistan, and Georgia where in 2006 freight transport grew by about 28 %, 12.5 % and 11.3 % respectively compared to 2005.

Table. Trends in inland goods transport in the UNECE Region in 2006

(Estimates and projections)

	GDP	Goods transport (tkm)			
		Total	By road	By rail	
				Total	International
EU + EFTA	2.7 %	1.9 %	1.0 %	3.9 %	3.8 %
Russian Federation	6.6 %	7.6 %	10.8 %	4.8 %	3.7 %
CIS	7.5 %	7.0 %	8.1 %	3.2 %	4.2 %
South Eastern Europe	5.9 %	13.0 %	20.0 %	2.0 %	13.6 %
Turkey	6.1 %	6.0 %	6.5 %	6.0 %	22.9 %

Notes: Figures in the table are estimates and projections made by the secretariat and are intended to indicate orders of magnitude only.

6. In the EU- 25, the number of passengers increased by 2.9 % and passenger kilometres by 3 % in the first nine months of 2006, thus reversing the decline recorded in the same period in 2005. Rail freight transport in Europe grew by 3.9 % in tonnes and 5 % in tonne kilometres in the same period, reversing the fall recorded in the same period in 2005. In the EU-25, it grew by 5 % in tonnes and by 3.7 % in tonne kilometres. However, in some countries (Spain, Luxembourg, Germany, UK) freight volumes grew significantly at 12 %, 14.1 %, 13.7 % and 10.6 % respectively.

7. In South-east Europe, the volume of freight carried by railways increased by 5.0 % in tonnes and by about 2.0 % in tonne-kilometres compared to the same period of 2005. Significant increase was recorded in Croatia, Romania and Serbia, but it was offset by opposite trend in other countries in the region. Transport of passengers also grew in Croatia, Bosnia and Herzegovina and Serbia, by 7.8 %, 34.1 % and 1.0 % respectively, as well as in Romania and Bulgaria where 2.0 % and 1.5 % growth was recorded respectively in the first nine months of 2006. In the CIS countries, rail transport of freight increased by about 3.2 % in tonnes and by 5.2 % in tonne-kilometres with the highest growth in Belarus and Ukraine. Passenger rail transport continued to grow and increased by 2.0 %.

8. Between 2002 and 2005 freight transport by inland navigation in the EU-25 had grown by about 1.3 % in tonnes and by 1.7 % in tonne kilometres. Preliminary data also indicate a slow growth in the volume of inland waterway transport in 2006. Germany and the Netherlands are the two main contributors by volume. The highest growth rate in this period was in Hungary, while in Austria the volume of freight tonnes and tonne kilometres fell sharply. In view of continued favourable economic growth in European economies, growth in inland navigation freight transport could have been higher. Traffic on the Danube continued to grow after having reached a very low level in previous years.

9. The modal split of transport services at European level continued to be dominated by road transport, which in the EU freight transport market participates with a share of about 77 %, while rail freight transport share is around 17.5 % and of inland navigation about 6 %. The share of road freight transport varies across Europe, from about 28 % in Latvia to about 95 % in Spain and Portugal, 94 % in Turkey and about 90 % in Italy. In the Russian Federation, for example, the share of road freight transport is about 9 % in tonnes and tonne kilometres while rail freight transport continues to dominate with about 87 %.

10. Transport of containers continued to grow. A large part of international unaccompanied combined transport was trans-Alpine. The growth rate of total combined traffic in 2005 had been 5 %, while national transport had fallen by about 1 %. Transport of swap bodies, containers and semi-trailers grew up 9.0 %, but the EU enlargement led to a slump in the rolling roads which fell by about 17 % because authorization constraints for road transport companies in the new EU countries were no longer applied. The liberalization of the railway market was among factors that contributed to the increase in international unaccompanied combined transport.

11. International goods transport by rail performed better than national transport in some countries (Greece, Croatia, Turkey) as well as in the CIS on average. However, it fell significantly in some other countries (Luxembourg, Portugal, Romania, etc.).

II. OBSTACLES TO TRANSPORT DEVELOPMENT

12. Creating sufficient capacity to efficiently move people and freight at low cost remained a central principle of policies aiming to sustain economic development, create employment and wealth, and increase social cohesion in all UNECE countries. However, for a variety of reasons, this endeavour faced serious challenges and important obstacles.

13. Throughout the region, investment in transport infrastructure did not keep pace with constant growth of transport demand. The result was congested roads, urban areas and ports, deteriorating quality of service, environmental pollution and growing transport costs in some parts of the region. In the United States, infrastructure quality continued to improve in the past year. Decline of the quality of the transit rail infrastructure halted, while road and long-distance rail quality remained steady. The quality of travel on inland waterways decreased due to more functionally obsolete locks. Congestion in and around major ports continued to be a serious concern, as pressure on US freight infrastructure, particularly ports, continued to increase. Efforts to expand the size of ports and ships at some ports run into community and local government resistance due to issues such as congestion, noise and air pollution.

14. In some parts of European rail network there was a lack of capacity needed to handle increasing demand, and consequently many railway lines continued to be classified as bottlenecks, or still had inadequate axle load, lacked radio system, or standardized signalling. In the EU, the most seriously affected areas continued to be parts and North-South corridors in which European traffic was highly concentrated, the outskirts of major cities, as well as a number of border points, in particular those with new EU Member States and with non-EU member countries.

15. Accessibility was the main concern for landlocked and peripheral European In the EU, the structural and cohesion funds, by co-financing transport infrastructure, will continue to help the regions lagging behind in terms of economic integration. Many of the new EU Member States were expected to catch up past underinvestment in road and urban infrastructure. However, other countries and regions will continue to suffer from accessibility deficit, non-existent links and low quality main infrastructure.

16. Removal of infrastructure related obstacles was a key element of transport policies of the governments in South-eastern, Eastern European, and the CIS countries. In these countries, obstacles were linked to the lack of modern infrastructure network. Incomplete rehabilitation and construction of road corridors, badly maintained urban and rural road infrastructure, and insufficient implementation of road safety measures (traffic lighting, road signs/markings, road traffic control, etc.) remained an important obstacle.

17. Outside the EU, road and rail infrastructure was in great need of investment, which was becoming more urgent in view of growing transport demand. Congestion related problems became a regular feature in many countries and increasingly continued to limit mobility and accessibility. The rail network in Eastern and South eastern Europe as well as in the CIS countries, suffered the consequences of insufficient maintenance and lack of necessary repair for many years. As a result, traffic was often delayed, the quality of service inadequate and the conditions and safety of travel not always high. The use of transit capacity of the Russian Federation, Caucasus and Central Asian countries was growing fast and was reaching its operational limitations.

18. In Central Asia the transport sector was facing several infrastructure related obstacles. Inadequate regional transport network were coping to meet the requirements of reoriented economic and trade ties with all countries in the region. There was a lack of an integrated, multimodal transport approach in the planning and operation for infrastructure transport development. Roads connecting production centres, markets, and ports were lacking. A large proportion of the existing transport infrastructure (roads, railway track, and rolling stock) was in poor condition and deteriorating due to insufficient funding for proper maintenance. Transport infrastructure was not fully developed to serve inter-regional and intra-regional trade, and the existing one needed to be exploited to its fullest capacity. In fact, it appeared that the infrastructure was better developed than the regulatory regimes that control the traffic using it. Among other key obstacles in Central Asia were: lack of unified transport regulation, lack of comparable international standards (technical aspects, road clearance, axle load control, vehicle emission control, tariff and traffic safety); restricted competition on roads; skewed rules for transport services; road user charges not related to costs of road use; discretionary tariff setting for railways; discriminatory transit fees, and limited private sector participation.

19. In some developing countries in the region, the provision of efficient, affordable and environmentally friendly transport services remained a challenge, and securing financing remained a serious barrier. Furthermore, some of these countries were hampered by inadequate institutions to regulate and control emissions, introduce fuel and vehicle standards, initiate inspection and maintenance programmes, and take transport needs into account in urban and rural planning. Barriers to the transfer of cleaner technology remained a problem. The mass transit system also remained in poor condition.

20. Another important obstacle typical for the whole UNECE region was related to continuing challenges posed by urban transportation. Since 80 % of Europeans live in an urban environment, public transport, cars, lorries, cyclists and pedestrians share the same infrastructure. At times, and in growing number of urban areas, urban infrastructure was becoming a limiting factor of people and freight mobility. Urban transport accounts for 40 % of CO₂ emissions of road transport, one in three road fatalities occur in cities, and congestion problems are mostly concentrated in and around cities.

21. The lack of an adequate solution for financing of infrastructure was a problem in almost all UNECE countries. The investment required to complete and modernise trans-European network in the enlarged EU was estimated at some € 600 billion. The level of investment in transport infrastructure has, however, fallen in most EU Member States, and now amounts to less than 1 % of GDP. Various alternatives are being explored, including establishment of a variety of models of charging for infrastructure use. New methods were sought to attract private investment to large-scale public infrastructure projects. In the CIS countries one of the main obstacles was the lack of sufficient funds for maintenance of infrastructure. Financing needed to make up for the past deferred maintenance, to carry out the regular annual maintenance for the roads, and to expand the system to support a growth of 5 % per year in Russian Federation for example, was estimated at 4.25 % of GDP or about \$ 13 billion per year. This compares with \$ 2 billion per year currently being spent.

22. Border crossing continued to be an important barrier to the further development of international transport. In the EU, a fully integrated cross-border signalling system for rail transport has not yet been established, and more than 20 different signalling and speed control systems are today in use across Europe. Most international passenger and goods trains still have to stop at border stations to change locomotives. In the rest of UNECE region, inefficient border crossing and transit movements due to long procedures and poorly equipped border posts represented serious obstacle to transport development. Border crossing obstacles were further aggravated by the lack of track-sharing agreements, frequent changes of locomotives and time-consuming train re-marshalling at borders. For landlocked countries in particular, border obstacles were especially important.

23. While vehicle fleets in Central and Eastern Europe were slowly becoming younger and less polluting, in CIS countries older trucks and buses were still very common. The prevalence of these old vehicles was diminishing, but not sufficiently fast to slow down increasing negative safety and environmental impacts.

24. Due to lower quality of service and inefficiency, among other reasons, rail transport, continued to lose its market share. International freight trains still crossed the EU at an average speed of 18 kilometres per hour. Rail services were slower and less reliable than comparable road services. National rail networks still operated with different standards. In many countries these reasons were viewed as major obstacles to the policy of shifting freight from road to rail. Insufficient competitiveness in rail transport, still present in many countries, coupled with outdated rolling stock and with a need for considerable public funds, continued to present a challenge for many Governments. In certain CIS countries, the major issues affecting rail transport and main obstacle to transport development was lack of competition in railway services, lack of management information tools, aging rolling stock, outdated internal

telecommunications technology, lack of marketing initiatives, obstacles in border crossing procedures, tariffs, and lack of consignment information for forwarders.

25. In the entire UNECE region road safety continued to be a major challenge for transport authorities. Although the number of people killed in road accidents in the EU declined from 50 000 in 2001 to 42 000 in 2005, efforts were being stepped up to halve the number of deaths on the road by 2010. In 2005 more than 140 000 people were killed in road accidents throughout the UNECE region. Number of fatal accidents in CIS and other Eastern and South-Eastern European countries were higher than those in Western Europe. Russia was believed to have a fatality rate of 12 per 10 000 vehicles. It compares with a rate of 2 per 10 000 vehicles in EU. Fatality rates, per 100 000 population, for some other UNECE countries were: Latvia 22 Lithuania 19.0, Estonia 16.0, Czech Republic, Croatia and Hungary 14.0, etc.

26. Security issues in transport were becoming increasingly important in all UNECE countries. Sustained terrorist threat revealed that transport could be both a target and an instrument of terrorism. Security legislation and quality control inspections mostly focused on aviation and maritime transport, and security challenges also concerned land transport, including urban transport, train stations and the intermodal logistic chains. Freight transport security issues and illegal traffic and smuggling of people and goods, including terrorists was also a challenge.

27. CO₂ emissions remained the biggest global challenge for transport. In the EU, transport sector is responsible for 28 % emissions of CO₂. The largest part of this amount, 84 % came from road vehicles. While most CO₂ emissions are falling in line with the EU commitments, those from transport were rising. Environmental challenges, involving air and other types of pollution, noise and other environmental impacts of transport sector continued to be considered as critical barriers to future transport developments. Until now very much typical for more developed UNECE member countries, significant health and environmental problems were becoming a major concern of almost all Governments.

III. REGULATORY DEVELOPMENTS AND BEST PRACTICES

28. Governments continued to elaborate and implement measures aimed at better regulating transport markets, ensuring funds for infrastructure and other investments, and improving the environmental performance of the transport sector. Measures to improve rail efficiency, reliability and competitiveness were another important policy and regulatory area in which Governments engaged during 2006. Measures aimed at completely opening the railways market, both in the EU and elsewhere, and incentives to stimulate the development of inland navigation, combined transport and logistics were also being pursued.

29. In the United States, the National Strategy to Reduce Congestion on America's Transportation Network was launched in May 2006. The strategy focused on more transit, variable tolls, improved telecommuting, etc. Major freight bottlenecks were targeted by coordinating security and transportation resources at border crossings, and technological and operational improvements. In Finland, a new Highways Act entered into force, and a new Rail Act was adopted in the Parliament. The purpose of these acts was to maintain and develop functional and safe highway or railway connections promoting sustainable development.

30. In less developed countries in the UNECE region, further development and construction of infrastructure was targeting structural deficiencies and deteriorating segments of national and regional transport infrastructures. Also, coordination of national transport policies among neighbouring countries on a regional level, was becoming a necessary tool of Governments in order to respond to new dynamics of transport demand.

31. Planning and financing of future transport infrastructure remained to be one of the principal questions on the agenda of many national transport authorities. Continued growth of passenger and freight traffic, and constraints on public finance, combined with concerns about financial and environmental sustainability, required a thorough reconsideration of national transport infrastructure policies. In the EU, substantial financial support was provided under the various funds for the improvement of the rail network. Partial financing of roads and other transport infrastructures with tolls on lorries was a practice spreading to several countries. The central government in France, for example, was proceeding to disengage from its involvement in a large part of the national road network by transfers to local authorities and the privatisation of motorway operating companies. The principle of the toll free use of Belgian highways will be abandoned by the 2009 due to both environmental and financial reasons.

32. Other UNECE countries had to continue relying on external sources of financing. International financial institutions continue to play an important role in infrastructure development throughout Central, Eastern, South-eastern Europe, Caucasus and Central Asia. The European Bank for Reconstruction and Development (EBRD), for example, was providing a € 200 million loan to Ukraine to finance the rehabilitation of the final 427 kilometre section of the motorway connecting the capital Kiev with Hungary, Slovakia and Poland. Concession legislation and a public private partnership (PPP) strategy was also being developed. In the Russian Federation, for example, construction project of a tolled motorway to link St. Petersburg to the road network of the rest of the country worth between US\$ 2.9 and 3.1 billion is planned to be financed through PPP – motorway concession model. In the United States, securing funding to improve the quality and quantity of infrastructure also remains a challenge. Reductions in gas tax receipts were suggested to be offset by greater use of congestion tolls and public/private financing partnerships. In other UNECE countries, a lot of efforts were being invested to attract and increase private sector investment in transport infrastructure projects.

33. Transport sector in many UNECE member countries was going through important structural transformations. The railway sector was a prime target of policy makers throughout the UNECE region. In the EU, restructuring and legislation to completely open up the rail sector has been put in place in the beginning of 2007. In South-East Europe, authorities continued to align their national practice and to follow the relevant EU transport legislation in order to create conditions for the restructured road and railway sector to meet the European Union standards. Further to the east, the legal and regulatory framework in the road and rail transport sector, although greatly improved, still had shortcomings with either gaps or overlaps in regulations and inadequate allocation of responsibilities for enforcement.

34. Railway undertakings were being separated from the management of the infrastructure to facilitate introduction of competition in almost all EU countries. The implementation of the “first railway package” showed efficiency gains and the modal share of rail was stabilizing in the EU. The progressive access for new operators favourably influenced rail traffic. However, the rail

sector still needed effective regulatory institutions for railway activities; interoperability remained uncompleted, and notable differences remained on infrastructure charges. In a similar fashion, more or less vigorous restructuring was also taking place in other UNECE countries. Railway infrastructure charging was also increasingly coming in the focus of regulators in countries who wished to further enhance competition in the rail sector. The establishment of regulatory bodies was being completed in several countries as a part of the reform in the railway sector.

35. In Germany, after many initial difficulties, the heavy lorry toll on the motorway network was put in place and the outcome seemed to be positive. This system was well accepted, including at border crossings, and the level of non-compliance was dropping. In Switzerland, the positive effects of the RPLP tax on heavy goods vehicles, continued to contribute to the efficiency of road transport and, to a certain extent, to modal transfer from road to rail.

36. In the EU and elsewhere, further measures were undertaken and road traffic safety continues to be one of major policy concerns throughout the UNECE region. The Government of Finland, for example, has undertaken systematic target-oriented traffic safety work, stressing that traffic safety aims must be taken into consideration in all decision-making concerning transport policy. Particular measures will be implemented in 2006-2010, such as better cooperation between various authorities; application of new technology; increased automatic speed surveillance, etc. In Sweden, the emphasis was on reducing drink-driving, introduction of control cameras, and hardening legal penalties. In Belgium, the traffic code and transport regulations were made more stringent and police/camera controls intensified in order to further reduce the number of casualties. This policy proves successful as the number of people killed in road traffic has dropped significantly between 2000 and 2006. Similar trend in the United States occurred largely due to federal regulations requiring improvements in vehicle safety, educational campaigns and statutory changes encouraging safety-belt use and discouraging drunk driving.

37. Achieving a high level of mobility and environmental protection was at the core of the policy of sustainable mobility, and achieving sustainable mobility as a support to economic growth and employment was an important policy objective in most countries. In Belgium for example, the Government continued to introduce measures and regulations aimed at influencing modal split in favour of modes that contribute to sustainable mobility (free public transport on weekdays to civil servants, subsidization of part of public transport costs for commuters in the private sector, etc.). A growing number of policy makers supported solutions integrating economic development, land use, social equity and environmental protection in tackling urban transport challenges.

38. Emission of air pollutants was reduced significantly over the past decade. In the EU, this was due to technical improvements implemented in response to emission legislation. Even stricter standards are coming into force and old vehicles were being replaced by new, cleaner ones. Decoupling of transport growth from economic growth requires close examination of the internal efficiency of the use of transport in different sectors of the economy. In the short term, measures like improvements of logistics and better use of more energy efficient modes of transport can in some cases reduce transport volumes significantly. In the long run, consumption patterns and levels will have to be addressed as well. Better vehicle technology also holds a

promise of progress. In spite of many initiatives, transport emissions of greenhouse gases were growing.

39. The implementation of economic instruments in transport has not progressed. London was planning to expand its congestion charging scheme and Stockholm has started trials of an urban charging scheme which after six months reduced car traffic by 22 % and increased the use of public transport by more than 4 % compared to the same period in previous year. The outcome in terms of safety and the environment was also favourable. Methodologies for estimating and pricing these effects are under development. The Swiss truck toll system is a good example of a system designed on the basis of environmental performance. From a socio-economic point of view, internalisation of external costs for all transport modes would lead to a more efficient transport system.

40. The integration of environmental concerns into transport policies constituted a work in progress. In Sweden, for example, a debate was launched on an environmental tax – should it encourage the use of small fuel, or hybrid engines. The outcome may have consequences for transport system but also for car-makers. Infrastructure charging also supports the idea of paying for pollution caused. Better fuel efficiency, the use of alternative fuels and fuel taxation are among measures being introduced. The draft law on “Modern Transport” in Sweden was published in March 2006. It is mainly a continuation of previous policies, but with a stronger emphasis on the environment and on the coordination of transport and regional development.

41. In less developed UNECE countries and sub-regions, environmentally related issues were also becoming important. In spite of still comparably lower share of road transport in total transport, levels of air emissions and pollution were growing, mainly due to the structure and age of vehicle fleets and problems related to the quality of infrastructure. Authorities in these countries were also becoming to feel the pressure to tackle environmental issues. Yet, their policy agendas were still very much charged with how to fulfil the growing transport demand with the limited resources and not always efficiently functioning transport systems.

42. It becomes evident from a variety of experiences that an effective transport strategy must combine appropriate charges for travel, new infrastructure, enhanced technology and better management and regulation. Strategies for transport, land use, environmental protection and economic development need to support and enhance one another.

IV. OUTLOOK

43. After positive developments in 2006, a slowdown in most parts of developed world is expected to reduce world GDP growth to an average of 4.7 % in 2007. In the Euro-area economies, a moderate slowdown in 2007 is expected to result in the GDP growth of about 2.3 % for EU-25. In Central and Eastern Europe, growth was expected to maintain a higher level at 4.7 %, while in the Balkans, GDP growth was expected to reach about 5.1 %. In the CIS countries, the growth was expected to vary considerably from one country to another with an average of about 6.3%. It is, therefore, expected that demand for both passenger and freight transport across Europe will continue growing in 2007.

44. Expected future traffic growth in more developed UNECE countries will aggravate the two most serious impacts of transport system: - congestion and global warming. Congestion costs in the United Kingdom were estimated at £15 billion each year and were expected to double over the next decade. Also, transport accounted for 28 % of all CO₂ emissions in the UK. Recent report by Transport Canada estimates that the total annual cost of congestion ranges from \$2.3 billion to \$3.7 billion for the major urban areas in Canada. More than 90 percent of this cost represents the value of the time lost to auto travellers in congestion. The European Commission estimates that transport bottlenecks cost the EU-25 as much as 1 % of gross domestic product each year.

45. In the forthcoming years, infrastructure related issues will remain a major issue for many Governments. Construction of new transport links, maintenance of the existing infrastructures, removal of bottlenecks with a growing demand for services will require that Governments elaborate innovative methods and techniques of financing. Ensuring sufficient funds for infrastructure projects, and involving private sector financing will therefore remain on the agenda of policy makers in all UNECE countries.

46. Charging policies for the use of infrastructure, their economic impacts and implementation will also remain on the agenda of regulators. Further strengthening of the road safety regulations and legislation and addressing environmental challenges, as well as reducing congestion will be important element of transport policies. Regulatory and legislative concerns will continue to focus on further enhancing competitiveness in transport markets and their liberalization with introduction of measures to achieve more integrated transport systems.

47. Challenges for the transport sector in countries outside the EU will, to a certain extent, be similar to those of EU Member States. However, certain important questions will continue to be important for those countries: developing and enhancing competition for and in the market; better regulations (especially for traffic safety, licensing of operators, etc.) and, especially, better enforcement of these regulations; decentralization of transport network management and proper oversight of transport operations which are critical to the efficiency of the sector; transport investment planning which need to be improved; national transport policies that should be revised to reflect changes driven by globalization and evolving manufacturing patterns; development of environmentally friendly transport systems than need to be accelerated; introduction of regulations to further facilitate international transport, especially border crossing operations; access to services by persons with mobility handicaps which needs to be broadened, etc.

48. In railway transport, basic reforms had already been introduced in EU Member States as well as other countries in the region, but they still remained a challenge for some CIS countries. Other necessary elements of railway reform such as establishing fair competition rules, introducing the rail regulator are yet to be undertaken in many countries. Closure of uneconomic lines and reduction of staff will be necessary to make railway operations financially viable. Rolling stock renewal, track rehabilitation and modernization of signalling systems will be necessary to improve safety, eliminate speed restrictions and increase competitiveness. Non-discrimination of track access rights and liberalization of freight tariffs at reasonable, transparent and realistic charges will be necessary to improve competition and service quality.

49. In road transport, road administrations will need to be transformed into commercially operated road management organizations, and road networks will have to be reclassified to better reflect ownership and accountability at the level of central, regional and local governments. Road financing systems might have to be modernized to draw on road user charges, especially to fund road maintenance, and to allocate budgets for investments based on economic evaluation. Connection of national networks to international networks will also have to be improved. Rapid growth of road freight transport will require strengthening of the carrying capacity of the road network, including bridges, to carry larger vehicles with higher axle loads. Formulation and implementation of comprehensive national traffic safety programs will be priority, particularly in urban areas in many countries.

50. The importance of modern and developed transport connections and interoperable infrastructure between Europe and Asia has been generally recognized as necessary precondition for the development of the economies of the countries in the region. This is particularly relevant for transit and landlocked UNECE countries. The further development of Euro-Asian transport links, accompanied with transport facilitation and harmonization of transport legislation in these countries will be instrumental in creating the favourable conditions for economic growth, social development and prosperity of people in both Europe and Asia.

Annex

SUMMARIES OF COUNTRY REPORTS

Belgium

1) Congestion is getting worse around cities, and traffic by all modes of public transport is growing steadily. Continued growth of rail passengers and other forms of public transport is result of the Government efforts to encourage a modal shift for commuters, and a more attractive commercial policies of the railway company. Overall freight traffic volumes are up in 2006 and are expected to continue to grow in all modes. Impressive traffic growth is recorded in Antwerp and Zeebrugge seaports. Growth in inland transport demand is mainly concentrated in road haulage, which is favoured over railway and inland navigation. 2) Major obstacles were: sharing of responsibilities between the EU, the federal and the regional governments; lack of coherence between fiscal, transport and environmental policies; environmental challenges; internalisation of external costs of transport; road congestion; 3) Regulatory activities were focused on modal split, more stringent road safety regulations and implementation of progressive access for new operators in rail transport. All sectors of transport in Belgium had the ongoing or completed infrastructure projects in 2006. A number of missing road links is planned to be built in the hinterland of the ports of Antwerp and Zeebrugge. The new rail infrastructure put in service includes the “Diabolo” railway link to Brussels Airport and the bypass of Leuven. Connection to Luxembourg has been improved by the reopening of the Virton-Athus-Arlon crossing. Works on the suburban railroad around Brussels continued in 2006.

Finland

1) The growth of passenger transport in 2006 was 1%. The annual growth of passenger transport between 2007-2011 is estimated to be 1-3 % for railways, 1-2% for cars, and 1 % for busses. Demand for freight transport has been growing but also slower than the whole economy. The annual growth between 2007-2011 is expected to be 1-3 % for railways and 2-3 % for road transport. 2) Main obstacles to transport development in 2006 have been: border-crossing problems on the Russian Federation border; a need for new capacity and transport management investments in the population growth areas; a need to provide the basic level in road and rail infrastructure in areas with decreasing population even if traffic flows are decreasing. A 10 – 15% increase in road and railway maintenance expenditure is needed to meet these requirements. 3) In the area of traffic safety, the Government has undertaken systematic target-oriented traffic safety work. The road safety plan aimed at creating opportunities for the continuous development of the transport system so that by 2025 the annual number of road fatalities would not exceed 100. Particular measures which will be prepared and implemented in 2006-2010, include better cooperation between the various authorities; application of new technologies; systematic development of the main road network, with the objective to reduce head-on collisions on single-carriageway main roads; automatic speed surveillance will be increased; surveillance of heavy-vehicle traffic will be tightened up, etc. In the beginning of 2006, a new Highways Act entered into force in Finland, and during 2006, a new Rail Act was adopted in Parliament. One project on E-network was opened for traffic in 2006 (first part of Tampere western bypass road, E12). Two other projects are underway. The amount of infrastructure investment was about 1,2% of GDP in 2005.

Romania

1) Both passenger and freight traffic continued to grow in 2006. In 2007 and the following years, a further growth in transport demand is foreseen. 2) Obstacles to the development of transport are related to the capacity and the quality of the existing infrastructure. In road transport, the vehicle fleet has increased fivefold from 1999 to 2006 adding pressure to road network, which is already often congested. Local roads are degraded, only a limited number of those is being rehabilitated due to lack of finance. In railway transport, the lack of financing for the infrastructure maintenance, low quality of transport services and safety and frequent speed limits were among major obstacles. In inland navigation, the main problem is the fact that the minimum recommended depth of 2,5 for navigation on Danube is not ensured. 3) Concerning road safety, measures have been taken with the aim to improve the situation in the areas where there are bottlenecks; measures were also introduced in order to reduce the number of old cars from the vehicle parks and to reduce their harmful effect on the environment. In 2006, a new sector on the Pan – European Corridor IV has been completed. To avoid congestion, projects have been developed for constructing realizing city bypasses. At present, 27 bypasses have been financed by the state budget and other 7 by co-financing between the state budget and other international financing institutions. On the Romanian part of Corridor IV on one section works were finalized, and on another feasibility studies were elaborated and international financing is sought. A number of projects in inland navigation was being implemented in 2006.

Switzerland

1) Rail freight traffic in Switzerland grew by 13 % in tonne kilometres. Trans-Alpine railway freight transport was expected to increase by about 3 %, combined transport by 9 %, while number of vehicles decreased by 4 % but volume of tonnes transported in road transport grew by 3 %. Number of rail passengers grew by 8.9 % and passenger kilometres by 10 %. 2) Positive impact of the introduction of the Performance Based Heavy Vehicle Fee (PBHV) simultaneously with the increase of the maximum authorized weight continues to be observed. (3) A new Law on Transport of Goods continues to be elaborated in Switzerland to replace the existing one and to make possible that objectives established by the Parliament – passage of 650 000 goods vehicles through the Alps by 2009. Accent is placed on existing measures (PBHV), modernisation of railway infrastructure, opening of railway market for trans-Alpine transport and other measures promoting rail transport. Further coordination of measures of the transport policy in Switzerland with the EU policies continued. The Memoranda of Understanding between Switzerland and the Netherlands aimed at improving the rail transport on the north-south axis between the North Sea and Mediterranean started to give results in the area of simplified customs procedures and more efficient utilization of infrastructure. In 2006 the Memorandum of Understanding on introduction of the ERTMS system on the corridor Rotterdam- Genoa has been signed. Work on major infrastructure construction projects continued, as well as completion of Trans-Alpine tunnels (St-Gothard and Loetschberg). Overall spending on transport decreased by 2.1 % compared to 2004 and represented 14.6 % of the spending of the Federal Government and 1.69 % of the GDP. Public transport received 1.2 % less and road transport 3.7 % less than in 2005.

Turkey

1) Road Transport continues to play a major role in both passenger and freight transportation with a high percentage of heavy vehicles. Traffic volume on state roads in 2006 has not been yet evaluated, but initial results show a likely increase by 6 percent compared to 2005. The share of railways in freight transportation was approximately 5%, while in passenger transport it was 2%. 2) In road transport major obstacles have been: lack of bilateral, multilateral, transit and 3rd country permits; traffic congestion due to bottlenecks; border crossing problems; difficulty in obtaining visas for professional drivers; waiting time of TIR trucks and passengers at border crossing points. 3) Initiatives to strengthen road regulations, financial and professional competence of road transport operators; new program launched in order to put vehicles aging 22 years and older out of use; restoration works at border crossings to improve conditions, and cooperation and consultation with the neighboring customs authorities. In railway transport, increase of speed and comfort of the operations were especially targeted, as well as track renewal and maintenance on about 1 100 km, and construction of signaling facilities. Construction works of Ankara-Istanbul and Ankara-Konya high speed train lines have commenced, as well as the project studies of high speed train lines Ankara-Sivas, Ankara-Izmir, and Bursa-Osmaneli.

United Kingdom

In December 2006, Sir Rod Eddington published the findings of his study: "Transport's role in sustaining UK's Productivity and Competitiveness: The Case for Action". The report explores the long-term links between transport and the United Kingdom's economic productivity, growth, and stability within the context of the government's broader commitment to sustainable development. The report could be found at:

http://www.hm-treasury.gov.uk/independent_reviews/eddington_transport_study/eddington_index.cfm

United States

1) Passenger road traffic volumes grew significantly in 2005, and freight road traffic also grew. Transit volume for the first half of 2006 grew, partly due to high gasoline prices. Intercity passenger rail volume also grew, and rail freight grew even more. Freight and passenger traffic at border crossings saw noticeable growth. These traffic volume gains have led to an increase in congestion across many modes of travel, especially on highways and at the nation's ports. Inland waterway freight shipping also almost reached pre-September 11th levels. Highly fuel-efficient vehicles continue to grow in market share. Sales of hybrid gasoline/electric vehicles more than doubled in 2005. 2) Infrastructure quality improved slightly in 2005. Transit rail infrastructure halted its previous decline in quality, while road and long-distance rail quality remained largely steady. Securing funding to improve both the quality and quantity of infrastructure remains a challenge. In spite of the nation's goal of reducing foreign oil dependence, reform of Corporate Average Fuel Economy standards has proven difficult. Homeland security continues to pose challenges for the safe growth of United States infrastructure. Finding effective and cost-efficient ways to secure air/sea ports and border crossings, as well as to screen cargo, luggage, and persons at these borders and within the country, will remain a challenge. 3) Declines in passenger car fatalities occurred largely due to federal regulations requiring improvements in vehicle safety and educational campaigns and statutory changes encouraging safety-belt use and

discouraging drunk driving. Rail (transit and intercity) deaths also all decreased. In May 2006, the U.S. launched the National Strategy to Reduce Congestion on America's Transportation Network. The strategy focuses on six major efforts to combat congestion. 2006 saw a renewed effort to implement the Environmental Stewardship and Transportation Infrastructure Project Reviews. Transportation infrastructure investment in the United States as a percent of GDP has been remarkably stable, generally running between 0.8 and 0.9 percent of GDP since 1982 (the most recent available data are for 2000).

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