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Liberalisation of Rail Freight Markets in Central and South-Eastern Europe: What the European Commission Can Do to Facilitate Rail Market Opening

Johanna Ludvigsen

Institute of Transport Economics
Gaustadalléen 21
NO 0349
Oslo
Norway
T: +4722573800
F: +4722609200
E: jl@toi.no

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Abstract

Drawing on the features of political and economic transformation in Central and South-eastern Europe, this article explores how the First Infrastructure Package which in 2001 liberalised rail freight markets in Europe affected the process of legislative compliance and market dynamics in the new EU-members. The article focuses on how these countries governments' safeguarding of economic welfare of national voters hindered rail market opening and distorted the level of playing ground for competition between the incumbents and the new entrants.

To understand the public administrators' behaviours, the study looks into in the economic woes of the newly liberated countries which imposed considerable political pressures on the national governments. Opening of rail markets to competition magnified these problems because national incumbents did not know how to compete and earn market profits. Large financial losses that they incurred as a consequence of rail market contestability have seriously threatened the means of subsistence for many railway workers. Thus, the governments stepped in to subsidise the incumbents' employment and service continuity. These developments reveal conflict between the national priorities and the European Commission's desire for intra-rail and inter-modal competition.

Yet, the results also indicate that despite unequal playing ground, private rail operators in Poland, the Czech Republic, and Romania learned how to compete and accumulate working capital for expansion into the truck-served freight segment. Besides, the growth in markets captured by new entrants was not deterred by infrastructure fees which are among highest in Europe, the discrimination in access to rail terminals and an official favouritism towards incumbents. The explanations are rooted in socio-political transformation which created unique opportunities for entry into the rail freight sector and unleashed entrepreneurial dynamism. In order to minimise incompatibility between the national and the European interests, the article concluded that the European development funds, which the new member states receive should be channelled to remove the discriminatory praxis, dismantle the national railway monopolies, and build consensus between the national and the European prerogatives.

Keywords: the First Infrastructure Package; infrastructure managers (IMs); national railways; new rail market entrants; government interventions; intra-modal competition; the European transport policy

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