



Main transport challenges in South Eastern Europe, after enlargement

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Abstract

This paper looks at the main challenges that are facing the Transport sector in the countries of S. E. Europe after enlargement. First, it looks at the challenge of setting a common Transport policy and points as priority areas the questions of: frontier crossings, road transport quotas, working hours (road transport), restructuring of railways, promotion of Rail Freight “Freeways”, new financing schemes through Public Private Partnerships, and other issues.

Then it looks at the factors that will determine the future transport outlook of the area in both qualitative and quantitative terms and it finds that there is a web of factors and issues that will play a role, such as for example the socio-political climate and preferences, the advent of New Technologies, and the degree of development of the Trans-European Networks.

The paper looks at the “challenges” facing the inter-urban and urban transport separately. As regards the first it concludes that a) higher integration of the transport provider into the whole transport and logistics chain, and b) closer co-operation and “integration” with the customer, will be the main ones, while for urban transport the main challenge will be improvement of urban traffic management systems and, inevitably, demand management measures, as well as implementation and operation of a whole new series of technologies and systems of urban ICT that will form the Integrated Urban ICT environment of the future.

Keywords: Transport policy; South East Europe; Urban transport; Enlargement.

1. Introduction

The Enlargement has been celebrated as the major development in European affairs of that last decade. In many ways this defines profound changes in all fields of economic and social life in these countries, and raises many positive expectations to the population. Transport, being an activity that supports all faces of every day life, is bound to be affected in many ways by the new socio-economic and political (in the sense of policy making) environment.

The Transport Policies adopted by the European Union and, consequently, by the governments of all new member states, are characterised by the on-going “full and

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unconditional” liberalisation process in European transport markets. At the EU 15 level the move, back in 1992, towards the EMU and the Single Market has eliminated practically all restrictions and transport-related barriers, and created a totally new environment under which international Transport operates. As new countries become members and others are aspiring to do so, within the first decade of 2000, the challenges for realising and operating a coherent network of Transport infrastructures and services are becoming both more complex and varied.

If we define the South East of Europe a bit broadly, it includes at least 4 of the 10 new member states (that have joined the EU in 2002). These are Cyprus, Slovenia, Slovakia, and Malta. Two more countries of the South East (Bulgaria and Romania) are expected to join in 2007-8. That practically, leaves currently out of the EU only the former Yugoslav Republic countries (except Slovenia of course), Turkey, and Albania. These latter countries, however, are indeed also strongly influenced by EU policy because they all aspire to become members and, of course, by their very proximity to member states.

In this paper we will examine the challenges that face all countries of the South East in the field of transport as a result of the recent or expected enlargement of the EU. At first we look upon the all too important common policy measures that will have to be taken at regional (and national) level in order to form a common transport policy for the region, and comply with the overall EU transport policy guidelines. Then we examine the challenges that are associated with the increasing traffic volumes, the changing structure of the markets, and the associated organisational, institutional, and societal changes that will make the materialisation of any measures likely to occur in the near future, successful.

2. The challenge of setting common transport policies

2.1 Aims and issues

Practically every Eastern and South Eastern European government today has adopted the very strategic notions of “privatisation” (for the supply of transport services), liberalisation of transport markets, and decentralisation of decision-making in the field of transport. Furthermore they have all basically accepted the principles and main axes of the common EU transport policy published with the White paper of 2001 (EC, 2001).

Acceptance of these principles does not, however, invalidate the urgent need for the adoption of a common “regional” transport policy that would address the specific issues and problems facing the South East of Europe. Just as each national government adopts its own national transport policies that correspond to the specific issues and needs of the country concerned, we need a regional common transport policy that would address the problems and needs of transport in the wider area of South East Europe.

To mention just a few of the most important areas in which such a regional transport policy is necessary, the following can be listed.

- Frontier checks for road and rail passenger and freight transport crossing from one country to another. These checks are of paramount importance for the ease of movement in the region as delays in crossing borders constitute a very substantial portion of travel times today (SETREF, 2002 and Stoyanov, 2005).

- Abolition or drastic reduction of all quotas in (basically) road transport. This point is directed basically to all the countries of the South East that are not members of the EU. As more and more countries are becoming members of the EU, the point loses much of its significance for obvious reasons.
- Adoption of common rules for the working hours and conditions of road transport harmonised with the EU regulations in this field. This is of paramount importance and should form the basis for any attempt to apply in practice a common policy that would allow for competition between the modes on equal terms. It is especially needed in connection to specific measures to change the modal split in favour of the railways.
- Separation of rail infrastructure from railway services operation - liberalisation of rail services. This is a decided policy for all EU members. It will bring more competition in the railways. However, its universal application to all countries in the region would enhance the function of the (transport) market and make international rail travel services more competitive.
- Promotion of the concept of the Trans European Rail Freight Freeways (TERFFs) in South Eastern Europe. The movement of freight by railways is an area where a common transport policy for the region could find an immediate application. The concept is already applied in central European corridors. Its application along, for example, axes number X and IV in the South East would be particularly advisable and should be looked at by way of priority.
- A more “localised” application of the concept of Private Public Partnerships for the financing of Transport infrastructure in the South East. In other words, to try and find some variations of this concept more applicable to the socio-economic and business environment of the South East European countries. The experience of countries like Greece, where the concept was applied very successfully in the last 10 years (especially during preparation for the Athens Olympics of 2004), should be analysed and lessons learned.
- Establishment of common licensing and safety standards in air transport. There can be no better demonstration for the content of such action, than the recent safety precautions taken by some central European countries, most notably France, in respect to the licensing for operation of certain airlines which do not meet some common safety standards (in this case those set and required by the French government). These moves followed the recent air accidents in Europe (Helios airlines, and others).
- Elimination of National quota restrictions in maritime transport. Maritime transport should follow all other modes of transport in getting true liberalisation from any quotas and restrictions. Current policies of certain countries in the South East to restrict maritime traffic should be abolished.
- Adoption of common, more liberal rules concerning cabotage in road and air transport. This would mean the actual elimination of cabotage in practice. It could take place gradually but it is something that has to be stated clearly from the beginning.

The same regional transport policy would also address the very important issues of transport related environmental costs of transport, and of the ways for compensating for the use of transport infrastructures of one country by the vehicles registered in another. This issue has kept for a number of years (perhaps decades) the discussion going for a

variety of measures such as road pricing and other policies (EC, 1996b) not only at South Eastern European level but at European level as well.

2.2 The factors that will determine success

Success in formulating and, even more so, implementing a common Transport Policy for the region of South Eastern Europe, will depend on a number of factors the most important of which are:

On the demand side:

1. The current socio-political environment: this environment is a primary factor of success especially when considering the non-EU member countries. In a period of rapid technological change and political upheavals, a stable and market oriented but nevertheless with all reasonable social sensitivities and reflections, socio-economic environment is a desired prerequisite. The author is of the opinion that in the long term, the unfettered action of market forces may very well lead to disturbances and unwanted distortions that will have to be tackled by some form of re-regulation in the field of transport. So, the prevailing socio-political environment will be the unconditional prerequisite of a monitoring and corrective force in any policy implementation
2. The prevailing value systems: shifts in societal values seem to be occurring now which put greater emphasis in the satisfaction of individual rather than collective desires. Such a shift, if continued, will obviously have direct implications for all kinds of transport, in terms of the proliferation of lifestyle choices and the growth of new forms of consumption and leisure. At the same time, there is also evidence of growth in environmental or 'green' value systems, the generalisation of which will also have profound implications for future transport.
3. New methods of production organisation: new forms of flexible, lean, 'just-in-time' production are being implemented, all over Europe (and in the South East) to meet changing customer requirements and expectations. These are taking place alongside a clear trend towards "globalisation", which in the European context is expressed by the formation of a single European-wide production system. These new forms of production organisation impose quantitatively and qualitatively different requirements upon the freight transport system, with general increases in the frequencies of movement, in the distance over which movement takes place, and in the required reliability of transport systems.
4. New forms of spatial organisation: developments in transport and communications have facilitated the emergence of complex forms of spatial organisation, in which much greater integration across space has taken place. Such integration can be seen at a variety of scales, including cities and rural areas, cores and peripheries within national territories and between countries at the European scale. More than 80% of the European population (65% in the South East) now lives in medium to large sized urban areas (EC 1996a).

On the supply side:

1. Development of a coherent network of Transport infrastructure in the South East. The notion of the Trans European – Transport Networks (TEN-Ts) that incorporates European wide road, rail (both high-speed and conventional),

maritime, inland water, and Intermodal networks, is the leading effort at the level of the European Union, in developing such infrastructure. Other countries are following. The process of development is slow and requires funding far beyond what can be made available by governments alone. So, relatively “new” forms of financing through private, or public – private partnerships must be tested that are especially suited for the conditions prevailing in the South East.

2. New technological possibilities: These technologies affect primarily the “supply” but may also affect the “demand” for transport. The use of Information – Communication Technologies (ICT), i.e. the use of telecommunications and computing, is transforming the transport scene all over Europe and has created possibilities for greater integration of systems and services.
3. At the organisational level, significant factors of success are the way in which transport companies are organised and co-operate. Various mergers and acquisitions are increasingly seen in the South East too, as important ways of minimising the costs of transport supply and increasing profit margins. As a result, transport supply is becoming more integrated and “globalised” in both freight and passenger transport.

3. The challenges as regards the quantity of transport

In terms of volumes of transport that are likely to materialise in the coming decades, in South East Europe all indications point to the fact that economic, social, organisational and spatial trends are bringing about a highly mobile society very much along the same lines as the rest of Europe. By some EU estimates, characteristically used in support of the TEN-T policies (EC, 1997), freight transport demand as a whole in the 15 original EU member states is expected to nearly double by 2010 as compared to 1995 (15 years). For the 10 new member states the same demand is expected to grow at an average rate of 7% per year. Cross border traffic in the EU of 25 is expected to grow by 3-4% per year over the next decade. By 2010 (as compared to 2000) there will be approximately 30% more passenger cars and 20% more trucks in circulation (EC, 2001).

The relative share of transport modes in the total inland transport work will continue to be dominated by road transport. Over the last 20 years or so, policies have failed to halt the “onslaught” of road transport in dominating both freight and passenger transport. The current trends show that, in the 15 original EU countries, over the last 20 years road transport has increased its share (in total inland ton-kms), from 50% to 70% in freight, and from 76% to 80% in passenger transport (EC, 2001). These increases have been made to the detriment of rail and inland waterways, the first reduced from 28% to 15% in freight and from 10% to 7% in passenger volumes, and the second accordingly. For the new member states in the Eastern Europe similar trends have been observed during the past 15 years (since the change in the political and economic system). Rail transport is in decline and road in steep increase, although the share of rail in the total transport work is still more than double that the one observed in western European countries.

The previous figures do not include Short Sea Shipping (SSS), which if added, will change these percentages somewhat, but not the overall picture.

There is very little indication of the magnitude of intermodal transport in the statistics, a fact that reflects their relative low magnitude in the overall inland transport work, today, as well as differences and difficulties in their definition. The actual figures are “impeded” in the above ones, but a safe estimate would be that intermodal (in the true sense of the word, i.e. as defined in the existing EU legislation) accounts for a mere 3-5% in freight transport, and something more in passenger.

If we take GDP per capita, and the level of industrial production as two factors that almost directly determine freight transport demand, then the prospects are that transport demand will increase much faster in South Eastern Europe than in the rest of the European Union. Thus, as the prospects for industrial development of the less developed European regions of the South East are increasing, the volume of (freight) transport will also develop at stronger rates along certain South Eastern European corridors.

Table 1 shows the past and (expected in the) future indicators for GDP and Industrial Production across Europe. As shown there, towards 2010, and perhaps further beyond, higher growth rates of GDP and industrial production are expected in the Southern and Eastern European countries as compared to the Western ones. Therefore, the rates of increase of freight transport flows are likely to be much higher in these areas of Europe than elsewhere, thus “moving” the bulk of inland freight, geographically, from western to a central, and south, south – easterly direction.

At the same time, a shift is likely to occur, in the logistics chain that brings today most of the raw materials and containers, that support industrial production and consumption, through the large ports of Western Europe (Antwerp, Rotterdam, Hamburg, Havre). More and more of these materials in the future, may well reach their final destinations via the Southern – South Eastern ports such as Gioia Tauro, Taranto, Pireaus, Thessaloniki, or the main ports of the Black sea. This will result in an additional shift in the connecting inland freight transport towards these areas.

On the same line of arguments, we should note that between 1990 and 2003, the former Eastern European block of countries, became the 3rd most important trading partner of the European Union, after Asia and North America. In the five year period 1995 and 2001, exports of goods from the EU to Eastern European countries and the former Soviet Union countries, increased by almost 50% in value, while at the same period the total exports of the EU increased by only 11% and the imports by 5%.

Similarly, during the same period, the former Eastern block has become very depended on Western Europe, with 70% of all its imports and 60% of all its exports directed to Western European countries. In the first half of the new century these trends were somewhat distorted mainly due to continued situation in Yugoslavia and the downturn of the economy in Russia. However, these events were of a temporary nature, and today they are up again indicating the future overall trends and prospects for the coming years.

Table 1: Industrial production (IP) and GDP indicators in European regions (1970=100).

	<i>IP</i>				<i>GDP</i>			
	1980	1985	1995	2010	1980	1985	1995	2010
Western Europe	126	133	158	180	132	143	175	190
Eastern Europe	130	140	90	170	120	130	105	160
Southern Europe	173	192	215	245	153	167	225	260
Europe (W+S)	129	137	165	200	134	145	175	200
USA	139	159	198	250	132	151	190	215

Note: “Eastern” Europe means the countries of former Eastern European block. “Southern” Europe means the southern countries of EU (Portugal, Spain, Italy, and Greece), “Western” Europe means the non southern countries of EU. Source: Eurostat, 2001-2002.

4. The challenges as regards the quality of transport services

4.1 Inter-urban transport

As the level of traffic flows in the inter-urban traffic corridors goes up, so will the demands for more “quality”. There are a number of reasons that point in that direction:

1. the need for more “quality” in transportation goes hand-in-hand with the evolving changes in production and consumption methods and work organisation;
2. the realisation that transport infrastructure provision will practically never catch up with demand, thus leaving a lot to be improved via other means. These other means include: demand and traffic management actions, or wider application of new technologies, more integrated logistics chains management, and other “soft” rather than “hard” types of actions;
3. the wider application and observance of environmental controls and restrictions in the operation of freight transport by land.

The process by which transport services will evolve in the new member states is likely to be characterised by a series of (short-term) cycles i.e.:

- “Growth”, represented by increased volumes of transport, but also increased use of new technological infrastructure in telematics and new technologies, new organisation methods and advanced logistics, and to some extent development of new physical infrastructure;
- “Equity”, i.e. wider availability and use of the higher quality services by an ever increasing number of small and medium sized “users”; and
- “Environmental” awareness, with environmental restrictions, incentives for higher use of intermodal transport, and “green” types of vehicles and modes.

The overall result of these “cycles”, as we move towards the horizon of 2020, is hopefully (and likely too) to be a South-European inter-urban inland transport system that is:

- More multi-modal;
- “Heavy” user of transport ICT applications;
- Producing more market induced quality;
- Widely available to small and medium sized users; and

- More environmentally compatible.

In the freight transport business environment more specifically the following may be true as the future most important challenges in the South East:

- a. Higher integration of the transport provider into the whole supply logistics chain. Supply chain management will be the higher order level of management into which transport will be integrated as one of a series of other supply chain management functions such as order management, inventory control, warehouse control, etc (Giannopoulos, 1996).
- b. Closer co-operation and “integration” with the customer. This will necessitate more intensive use of information and telecommunication technologies in order to support the large amounts of information flows movement that will be needed between firms and spatially diffused customers (Giannopoulos, 2001). It is clear that with the relocation of service and manufacturing activities in space, that is expected in the new and enlarged Europe of the future (as per our previous discussion and assumptions), freight transport firms will need a constant flow of information, both horizontally (i.e. between firms and customers) and vertically (i.e. within the company).

So, the most compelling forms of policy action that would follow from the above would be:

- Support to the development of advanced international transport infrastructure and data communications networks, to enhance the operation of the future freight (as well as other) transport system. The importance of national territorial transport infrastructure systems will gradually dissolve in the future.
- Adoption of competition rules and guidelines, both within a mode and between modes of transport, so as to avoid distortions to competition and monopolistic situations. The foreseen types of operator companies discussed above, that would in any case be compatible with market mechanisms, should be “protected” and “accepted” within the overall transport policy.
- Facilitation of the development of integrated logistics services which take account into all modes of transport and thus give multimodal transport a fair chance of being selected.
- Induce greater concern and “promotion” of the interests of the final, end-user, in the transport service provision.

4.2 Urban transport

The increase of long distance, inter-city, transport movements will be accompanied, by also an increase in short-distance movement for both passengers and freight, mainly in urban areas. As the funds and space for more urban transport infrastructure become scarcer, urban freight transport in the Europe of the future will have to rely more and more on two areas of improvement:

- the development of electronic aids to help improve the operation and exploitation of urban transport, especially freight and distribution networks,
- urban traffic management systems to help optimise the urban traffic flow.

Technologies for dynamic, on-line Urban Traffic Management (UTM) are likely to see widespread application in urban areas across South-Eastern Europe. Urban transport will benefit from the creation of a whole new ‘environment’ in which the urban traffic

system is expected to operate in the future. It will aim to ensure the most efficient and productive use of the available space for the movement of people and goods.

4.3 “Mobility” in rural areas

On the whole, the socio-economic and spatial development of rural regions in the new member states is likely to follow the example of Western European countries becoming to a diminishing extent based on the economic activities of these areas, and increasingly so on the role of the countryside as a “compensation” area for urbanised society. Consequently, rural areas will increasingly become destinations of more and more transport movements, and will acquire more and more the transport needs of urbanised areas.

The need for improving transport services to rural areas, in the new member states in the future, will be posed much more strongly than today. Any improvements there will materialise alongside with improvements to freight transport services for urban and inter-urban areas.

There are two distinctive differences between rural and other areas, as regards their potential for improving transport.

1. The quality of rural telecommunications networks, is generally far behind of that of urban areas or of the networks that connect them (inter-urban). Improvement therefore of the rural telecommunication networks is a necessary precondition for the utilization of the rural areas’ potential in development.
2. In rural areas, “upgrading” (transport) demand is an essential element in successful implementation of comprehensive freight transport services. In rural areas, the end-users are even more “critical” to the operation of the whole system. Thus improvements in social infrastructure, especially in “education” to help individual end-users become more and more acquainted with the modern technologies that are (to be) employed by freight transport, is an important factor.

Considering the wider socio-economic importance of keeping our rural areas “alive” and “attractive” for people to live there, away from the big urban areas, the above points take up special importance. Improving transport services to these areas should well be a primary goal of the policies of the future.

5. Conclusions

The first realisation, concerning the future South Eastern European challenges in the field of transport after enlargement, is that a common “regional” Transport policy must be agreed upon and implemented by the governments of the area. Such “regional” (i.e. for the South East) transport policy should address issues like the facilitation of transport through borders, coordinated infrastructure development along the major transport axes in the region, liberalisation of transport within the region, priority to railway and multimodal (combined) transport services, etc.

The importance but also the difficulties of achieving a “regional” transport policy in the South East cannot be underestimated. Past experience teaches us that achieving

consensus and political agreement is perhaps the most difficult and time consuming part of implementing change and innovation in the transport sector.

This must be seen in conjunction with the author's basic position that the current period of intense deregulation and privatisation is likely to be followed by some kind of return to regulation and more government involvement. The overriding issues that will make this necessary could be the need to preserve the environment or secure some minimum level of safety and social equity and public service. After all, basic economic and social history teaches us that all human behaviour, preferences, and trends have a periodical nature and real life progresses in cycles.

A second major conclusion is that transport and traffic volumes in this region of South East Europe will in all evidence increase, both overall and within certain modes (notably road and maritime), in a much greater pace than for the rest of Europe. The current predominance of road transport will continue to exist in the coming decades. The big challenge is to retain the percentage of railway traffic which currently is much higher than for the rest of Europe especially in the original 15 EU member states. This issue needs urgent attention by all governments in the area. What is needed is that rail investment in real terms is at least maintained stable, and where possible increased, and at least for certain corridors rail must be upgraded to present a credible and challenging alternative to road. This will also have to entail use of rail as the basis for more multimodal transport services in the area.

As regards quality of transport services, the big challenge is to create a transport supply system able to provide more market induced quality. This, according to the experience of western European countries, would need to be:

- more multi-modal;
- “Heavy” user of Information and Communication Technologies (ICTs);
- Widely available to small and medium sized users; and
- More environmentally compatible.

The South East European inter-urban transport environment of the coming decades must be characterised by:

- a. higher integration of the transport provider into the whole transport and logistics chain;
- b. closer co-operation and “integration” with the customer. This will be achieved through more intensive use of information and telecommunications technologies in order to support the large amounts of information flows and data that will be needed between firms and spatially diffused customers.

Urban transport will be dominated by developments in urban traffic management systems. The first will be the result of the combined implementation and operation of a whole new series of technologies and systems of urban ICT that will form the Integrated Urban ICT environment of the future.

At the same time, rural areas will increasingly become destinations of more and more transport movements, and will acquire more and more the needs of urbanised areas as far as the distribution of goods and freight transport services is concerned.

As we therefore look to the future of transport in South East Europe, in all countries of the area after six of them become new member states of an enlarged EU, we can see many challenges and opportunities as well as the market application of a number of technological breakthroughs that will radically change the way transport is performed in these countries today. At the same time we hope that the delicate social and political issues associated with these new realities will be also solved soon, and that the

governments will agree to a South Eastern European transport policy that takes into account the special needs of the area.

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