

**SEE transport infrastructure reforms policy:
impact on labour rights and responses of trade unions**

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1. The social dimension of the EU common transport policy for South East Europe

Trade union position paper

*Outcome of an ETF – ETUC trade union meeting
Zagreb, 11 – 12 May 2006*

The ETF-affiliated transport trade unions from South East European countries gathered in Zagreb on 11 – 12 May 2006, under the coordination of the European Transport Workers' Federation and with the support of the ETUC (European Trade Union Confederation), to analyse the recent developments of the industry in the region. Following a series of presentations delivered by representatives of the European Commission, Stability Pact for South East Europe, the Croatian government, the ETF and the ETUC, the following conclusions were reached:

- 1) that the process of regionalisation of transport is being developed at an unprecedented speed, triggering a shift in priorities from domestic to regional organisation of networks and operation services; this effectively means, amongst other things, concentration of all financial resources on a limited number of transport infrastructure projects, of regional interest, with an impact on domestic networks and transport services which, for a change, are gradually down-sized.
- 2) that the 'regionalisation' process has a clear economic, social and political impact on the countries in the region: while it has the considerable potential to foster political cooperation – both within the region and at European level – and to lead to economic growth, it equally has a serious impact on the labour in transport and it is clearly linked with the national restructuring programmes in all sectors of the industry;
- 3) that the social dimension of this policy is systematically ignored or avoided by policy-makers, both at national and European level (national governments, the European Commission, the International Financial Institutions).

The ETF and its regional affiliates urge the SEE national governments and the European Commission to make the social dimension an integral part of the SEE common transport policy. The European Commission – the chief supporter of the policy – will fail to promote the EU generous sustainability goals in SEE if it continues to implement policies that are supposed to set right the economies of the region but have a destabilising effect in the social field.

As the regionalisation of transport in SEE – as THE MAJOR CAUSE for the current, accelerating, reform of the domestic transport markets – has had and will continue to have an impact on labour in transport, it may influence the stability of labour markets in the

region and will equally have a decisive effect on access to mobility, particularly on the less wealthy population of the rural areas. However, these effects remain unmeasured in the absence of a thorough social impact assessment. But they need to be urgently assessed due to the particular situation in which the SEE countries find themselves: on one hand, they lack capacity to absorb the socio-economic shock of successive – past and future – restructuring waves; on the other hand, all of them are subject to an extremely sensitive balance equally engaging social, economic and political stability.

To this end, the ETF and its affiliates find it necessary to clarify the following aspects: we do not oppose development of regional transport links. We oppose the fact that this is performed within the parameters of an experiment rather than as part of a long-term strategy meant to feed into the socio-economic sustainability of the region. We further oppose THE WAY in which this process is carried out: behind closed doors – with no systematic consultation and dialogue with trade unions; with no systematic assessment of the social impact of the policy; ultimately, in the absence of effective social programmes with which to address the social consequences of the restructuring associated with the development of the common transport policy for SEE.

Mindful of the above mentioned, the ETF and its affiliated members from the region call on the national governments and the European Commission to carry out the planning and implementation of the SEE common transport policy:

- **with full involvement of the social partners, via a functional social dialogue** at country level. The outcome of the dialogue must be reflected in the policy development.
- **in parallel with the transposition and implementation of the Social Community Acquis**, an ultimate guarantee for an effective social dialogue and for the respect of the European social values.
- in full **consultation and information with the ETF and the trade unions** at all stages of the process. The consultation and information must take place at both national and regional levels.
- in association with regular policy-related **social impact assessments**
- with **EU support and resources** to overcome the social consequences of the reform that derives from the regionalisation process

BACKGROUND

We base the above statement on the following:

1) The undeniable potential of this policy for the development of regional stability and cooperation: The common SEE transport policy is being developed fast. Its main promoter is the European Union whose initial intention was to contribute to regional **growth, stability, and cohesion** in a part of Europe that has been faced with conflict and decline. The development of regional transport networks equally plays a vital role in connecting the region to the European Union – its main economic and political partner – and consequently has a positive impact on the political and economic **integration** of the region into the EU.

2) Yet, market-oriented policy objectives are the only priority, as shown by the recent developments in the regional transport policy: As South East Europe gradually moves out of war conflict, the region regains its potential within Europe. Hence the growing presence and interest of the European Union in its South East neighbouring countries. In transport, a European Commission strategy for SEE dates back to 2001. Two policy-oriented studies, commissioned by the EC, followed shortly, to assess the situation, define regional transport priorities, recommend implementation measures, monitoring structures and financing mechanisms. In 2004, a Memorandum of Understanding¹, which fully reflects these recommendations, was signed between the European Commission and the national governments of the Western Balkan countries. The aim of the MoU was to get a formal agreement for harmonised reform measures, to start intra-regional cooperation on cross-border transport projects, to ensure tighter EU control of the process. A South East European Transport Observatory (the SEETO) was set up to coordinate the implementation of the MoU.

In November 2005 a five-year multi-annual plan² for the implementation of the regional transport networks was signed by the above parties. The plan lists the priority regional transport infrastructure projects along with measures to accompany this process, amongst which restructuring is a must! In the last year the list of priority projects was trimmed down to 15% of its initial form. The High Level Group (HLG) coordinated by former EU Transport Commissioner Loyola de Palacio has lately played a decisive role in the shaping up of the SEE common transport policy and already made recommendations for a final EU strategy for the region in the context of the extension of transport axes to neighbouring countries and regions. Based on the HLG recommendations, the European Commission will publish a Communication by the end of 2006. The ETF and its SEE affiliates will particularly follow up and react vis-à-vis the intention of the European Commission to

¹ Memorandum of Understanding on the development of the South East Europe Core Regional Transport Network, June 2004,

² “South East Europe Core Regional Transport Network Development Plan / Five Year Multi Annual Plan 2006 to 2010”

replace the Memorandum of Understanding with a SEE Transport Treaty. The Treaty would be the second of this kind in SEE (a similar act was signed in the energy sector in 2005). It would make binding the implementation of the EU transport and competition law, fostering full liberalisation of transport in the region.

In short, the components of the current common transport policy for the region can be summed up by the following: 1) the set up of a regional intermodal network including a few main axes, to ensure transit through the region – the bulk of international and national financial resources (national budgets) will be channelled towards upgrading these few so-called priority projects; 2) liberalise transport services; 3) on the other hand, put pressure for measures meant to reduce the state subsidies: outsource non-core activities, dismantle secondary networks, privatise certain services; 4) in the railway sector, create an integrated railway system on the model of the EU single railway market – to this end, the European Commission, the SEE national governments and the World Bank will prepare a regional railway strategy; 5) with regard to seaports, select a limited number of ports, of European interest, to be further developed as part of the SEE regional network – in this respect, a common regional ports strategy will be prepared by the above mentioned institutions; 6) in aviation, the transfer of the Single European Sky model into the region is currently underway.

The measures listed above will have an undeniable effect on the workforce in ports, rail, aviation, maritime transport. However, the trade unions are constantly kept away from the policy-making process. The Memorandum of Understanding does include one chapter on the involvement of stakeholders – specifically recognising the valuable input of trade unions – in the activity of the SEE Transport Observatory. However, since 2004, despite efforts to get a foot in the door, unions were invited only twice to participate in the SEETO meetings.

3) Our concern that the common SEE transport policy – in its current trends – will deepen rather than alleviate the critical social and employment situation faced by the SEE countries.

The majority of the countries from the region struggle with high **unemployment** rates, of 30% - 40%. Long-term unemployment has reached alarming levels throughout South East Europe. It is not only high unemployment rates that should bind decision-makers to socially-minded policies, but also the high levels of **poverty**, **informal economy** and the potential for **economic migration** ultimately leading to skill drain and, on the other hand, putting at risk the fine intra-regional ethnic balance. Trimming down national transport networks and operation services will mean further job cuts in sectors and companies that account for some of the biggest employers in individual countries. Throughout South East Europe railway companies and ports have lost in the last decade more than half of their labour force. While EU Member States have been confronted with the same magnitude of restructuring, the SEE countries are far from being able to tackle the consequences of

restructuring in the same way. The various schemes and supporting measures that give a friendly face to retrenchment – for example early retirement, assistance with the start-up of small business – lack sustainability and contribute very little if at all to alleviate the social impact of reform.

The magnitude of the social risks associated with regional policies based on national reform measures – including, in this case, the transport industry – go largely unknown, as they have never been assessed. All these give way to pronounced social and labour market instability and, what is more, feed into the extremely sensitive social situation in the region. We warn that transport networks have the potential to concentrate economic activity and, therefore, economic advantage (wealth) risks being unevenly distributed in the region. Will networks – as planned by the European and international policy makers – have this effect? Will this be beneficial for a region where borders are still under definition and where stability between ethnic groups must be reinforced? A thorough assessment of the socio-economic impact of the policy is therefore imperatively required!

4) The increasing perception amongst trade unions that the SEE has become an experiment zone for an unprecedented combination of EU and IFI-s toughest liberal policies: The cooperation between the **European Union** and the **International Financial Institutions** in this policy field brings more pressure, less transparency, tougher reform measures. Simply put, the EU and the IFI-s justify this cooperation as follows: while the former has the competence to provide the legal basis for institutional reforms, the IFI-s provide the technical expertise and financial resources, in the light of their experience world-wide. In other words, while the EU can only promote policies to support liberalisation and competition, the IFI-s go even further and advance solutions such as privatisation. The World Bank report on Railway Reform in the Western Balkans (December 2005) recommends almost all SEE countries to dismantle secondary lines, cut jobs, privatise the freight operators, cut down drastically on passenger transport services. On the other hand, the **World Bank** is one of the main contributors to social programmes accompanying restructuring in the railway sector. Since the early 90s, the institution financed railway rehabilitation programmes in Bulgaria, Romania, Croatia and FYR of Macedonia. **Early retirement schemes on severance payments and assistance with the start-up costs for starting small businesses** are at the core of these programmes. This type of measure will not address the risk of long-term unemployment, expansion of informal employment practices and, ultimately, poverty (in some of the SEE countries such as Serbia, Romania, laid off workers that benefit from the so called social package cannot be re-employed in the sector). When social programmes do include re-training and re-employment, they usually fail to be tailored to the specific economic and labour market situation of the country concerned. We do believe that these programmes are designed as a quick way out of a potential immediate crisis. On the other hand, **financial assistance to redundant workers to start up small and medium enterprises – another ‘favourite’ of the IFI-s** – will never work unless supported by changes in the economic climate.

Entrepreneurship may be a success story in other parts of the world. However, SEE countries do not offer chances for survival and growth of SMEs, mainly due to heavy tax policies, lack of credits, lack of good business opportunity, lack of management skill to conduct a business.

As for Western Balkans as an 'EU experiment', we argue that, for example, the EU has never attempted to select ports within its borders in the context of any policy, be it the development of trans-European transport networks, the motorways of the seas, etc. But it does this in the SEE - the above-mentioned High Level Group has already selected Adriatic ports to be subject to investment. In the railway sector, once again, the reform is pushed beyond the requirements by the EU legislation through the intervention of the IFI-s. Last but not least, part of the Western Balkan experiment is also the double-speed transposition of EU law: while considerable pressure is exerted on all countries of the region to comply with the EU transport and competition acquis, there is no obligation, no pressure and no consistent EU involvement for the adoption and implementation of the EU social acquis covering collective redundancies, information and consultation of employees, or the safeguarding of employees' rights in the event of transfers of undertakings.

5) The complete lack of transparency and dialogue in all countries of the region: here is a brief account of the major weaknesses of the social dialogue in the SEE countries:

- It functions only at company level, in the form of collective bargaining negotiations
- Change of government usually results in changes of senior management in all transport sectors with a negative effect on previous agreements, be they bi- or tripartite.
- The outcome of social dialogue and consultations is usually ignored.
- When governments and / or companies do consult the unions deadlines are extremely short. There are cases when trade unions are informed only at the last moment of the exact details of retrenchment programmes.
- There is but little consultation with social partners on the implementation of national transport policy and there is no culture within government structures – other than ministries of labour – in favour for social dialogue, information and consultation.

As a result labour disputes are imminent and restructuring is accompanied by social programmes whose sustainability is uncertain, to name only two of the consequences.

DEMANDS

The common transport policy for the SEE must include a clear social dimension, consisting in the following:

1. Full involvement of the trade unions / social partners in the process via social dialogue, via consultation with and information to trade unions. To this end, we see the following as a must:

- the European Commission will play an active role towards the improvement of the social dialogue by strictly monitoring its functioning at national level in each SEE country and developing support activities for and with social partners
- the European Commission and the national governments will make a priority of the implementation of the social Community acquis, particularly the EU legislation on: collective redundancies; safeguarding the employees' rights in the event of transfer of undertakings; information and consultation of employees; protection of employees in the event of the insolvency of their employer.
- the signatory parties of the Memorandum of Understanding on the development of the SEE Core Regional Transport Network (2004) will put into practice their commitment to a social dialogue as formulated in chapter VII, 'Framework for participation of economic and social partners' and thus will organise meetings to consult with social partners on the socio-economic impact of the SEE common transport policy. Moreover, the ETF will be invited to attend on regular basis the SEETO meetings – working groups, secretariat meetings.

2. SOCIAL IMPACT ASSESSMENTS to accompany all stages of planning and implementation of the SEE common transport policy. These assessments will be financed by the European Commission and the World Bank. Bearing in mind the involvement of the World Bank in the reform process, but also in the social programmes that accompany it and, moreover, its interest in eradication of poverty, we urge this institution to allocate special funds for social impact assessments related with each step of the reform process. We urge the World Bank and the national governments to design the social programmes in close cooperation with the transport trade unions. To this end, we urge the World Bank to condition their assistance to thorough consultation with the social partners – trade unions in particular.

3. National Employment Plans to specifically address the redundancies in transport made by the national governments in cooperation with the social partners, with the support of the European Commission (resources and assistance). To this end we point out that future lay-offs will be less based on early retirement and are more likely to affect the younger workforce. It is essential in this context for national governments to plan and invest in long-term solutions based on retraining and re-absorption of this workforce.

With regard to restructuring, we demand:

- that restructuring be planned as part of a long-term transparent strategy rather than carried out under the pressure of the European Commission and the International Financial Institutions
- that restructuring be backed up by firm investment plans – for the time being the future of transport sectors such as rail is said to depend only on cutting costs which in our experience means job-cuts. We do warn that lay-offs coupled with lack of investment in this sector will cause serious problems with operational safety and will tend to further reduce any chance of railway transport to ‘make a go of it’ at regional level.
- that restructuring should not affect compliance with collective agreements, existing social standards and job guarantee;

With regard to any potential transport treaties – be they sectoral (such as a railway transport treaty) or covering the whole industry, we demand:

- that all democratic institutions – at both national and EU level – participate in the process of treaty-making and ratification
- that they clearly stipulate trade union representation in the institutional frame that will monitor the treaty implementation process
- ultimately, that the treaties include a SOCIAL CHAPTER to include all above-mentioned demands

2. South Eastern Europe Seminar on trade union strategies vis-à-vis rail sector restructuring

Belgrade 23 – 25 November 2004

CONCLUSIONS

Railway workers unions from Bulgaria, Bosnia and Herzegovina, Croatia, FYR Macedonia, Romania, Serbia and Montenegro gathered together in Belgrade on 23 – 25 November 2004 to discuss trade union strategies vis-à-vis the accelerating restructuring process of the railway sector in South Eastern Europe.

After presentations from representatives of Bankwatch, the International Transport Workers Federation, the European Transport Workers Federation, the Stability Pact for South Eastern Europe, the World Bank and following trade union Country Reports, the union representatives agreed that enhanced union cooperation is needed in the region to safeguard employment quality and promote freight and passenger rail transport in response to constant threats on jobs and public services.

The railway union representatives attending the meeting **concluded**:

CURRENT SITUATION AND FUTURE POTENTIAL OF THE RAIL SECTOR IN THE BALKANS

The sector faces unprecedented challenges both nationally and regionally.

Regionally, the rail sector confronts with: division of companies due to the political fragmentation in the Western Balkans; the decline of ‘big users’ of rail transport such as mining and heavy industry; the low level of trade between the SEE countries; the advanced degree of deterioration of rail infrastructure and rolling stock; big variations in the quality and density of the rail infrastructure, from country to country; technical and administrative difficulties with border crossing; competition of other transport modes, mainly road transport.

However, the increasing **interest of the EU in making this region part of the Union, as well as for better cooperation between the SEE countries** creates a considerable potential for the development of rail transport in SEE. The participants acknowledged that substantial progress had been achieved with regards to the establishment of a free trade area in South Eastern Europe and agreed that this will lead to regional economic boost, intensification of intra-regional trade and therefore more opportunity for long-distance transport. Rail transport will have an important role to play in providing connections between the SEE main cities, the Adriatic ports and the trans-European network.

Despite this potential, **nationally**, governments fail to take full responsibility for the lack of proper management, strategic planning and investment in rail infrastructure and rolling stock.

Rail is one of the primary targets for restructuring. This process takes place under the **pressure of external factors** and with no regard for the long-term effects on the national networks and economy. The pressure is mainly coming from the EU and the International Financial Institutions. Thus, the interest of the former in developing a regional transport network of European interest to support the SEE single market concept is doubled by the IFI-s pressure for drastic reduction of budget deficits – where rail companies are one of the most targeted sectors. In what concerns the rail transport, recently all SEE countries faced: closure of local rail lines; outsourcing of activities such as maintenance – which poses a real problem for safety of operation and future reliability of rail transport; no investment in rolling stock; replacement of rail lines by roads / motorways - this ‘solution’ is widely resorted to in order to address all infrastructure shortcomings and, additionally, as a quick way to success for the governments in power.

Going deeper into the debate on the IMF / World Bank influence in the restructuring process, the participants acknowledged that the IMF aims, amongst others, to help reduce national budget deficits BUT ALSO to foster economic growth and high levels of employment. In reality, in all SEE countries the IMF technical and financial assistance has been heavily conditioned by rapid restructuring and privatisation of the public sector, followed by massive job-loss. Dead-lines are short, pressure is high, the agreements between governments and the IMF are secret, there is a complete lack of transparency and involvement of social partners throughout the process, despite the heavy social costs involved.

LEVEL OF INVOLVEMENT OF TRADE UNIONS IN THE RESTRUCTURING PROCESS

Those present expressed serious concern with the failure of SEE governments and rail management to engage in proper dialogue with the unions nationally. They stressed on a number of circumstances that weakens social dialogue. **The situation of social partners:** change of governments usually results in changes of senior company management with a negative effect on previous agreements, whether bi or tripartite; top management is taken over by people with no experience in the rail sector; an increasing number of management personnel works on fix-term contracts. This has an impact on the traditional social dialogue practices in the sector. **Consultation – just a box-ticking exercise:** participants pointed out that the normal practice is for unions to be presented with ready-made deals on restructuring and levels of job-loss. When consultations do take place, trade unions are given extremely tight dead-lines. If agreements between social partners are already in place,

they are totally ignored. **No room for external pressure for a better social dialogue:** while there is high EU pressure for transfer of internal market rules to the region, there is no pressure on governments to implement the EU social legislation such as information and consultation of workers, collective redundancies, transfer of undertakings. **Who are the policy makers?** Last but not least, the diversity of policy makers and cooperation structures – the European institutions (including banks), the IFI-s, the Stability Pact for SEE, various working groups on transport infrastructure, working groups on social cohesion, etc. - with an interest in the region and particularly in transport makes it difficult for trade unions to identify who is behind the policy making. This makes the restructuring process even less transparent and harder to follow up.

SOCIAL CONSEQUENCES OF THE RAILWAY RESTRUCTURING PROCESS

Individual country reports given by participants showed that in all SEE countries railway sector is likely to be a considerable contributor to the already high unemployment rates – in most of the Western Balkan countries unemployment rates exceeds 30%. Restructuring of the rail sector had taken place in other European countries with similar consequences on labour. However, the participants pointed out that unlike other European states the SEE countries lack the capacity to absorb the social shock of reform. In the SEE countries unemployment has a long term character; a considerable number of people are forced to take up jobs in the informal sector; economic migration is also a solution widely resorted to particularly by the young active population. The concerned countries lack the capacity to retain active population in the labour market. On the other hand, the existing social support networks are too weak and already overburdened. The unions expressed their concern that **unemployment may become a major source for future instability in the region.**

The railway restructuring process in SEE countries has led to a reduction in the number of staff of up 40% (the case of Bulgaria and FYR of Macedonia) in only few years. The restructuring process affects age / gender worker groups whose retention in the labour market will be particularly difficult. Women railway workers and employees close to the retirement age are amongst the most tempted to leave the sector on severance payments but with no perspectives to find another job. As for young workers, after years of training in specific rail professions they face dismissal on the principle ‘first-in, first out’. They are most likely to take up informal jobs or to migrate.

EXISTING POLICIES ADDRESSING THE SOCIAL CONSEQUENCES IN THE RAIL SECTOR IN SEE

With regards to the **existing policies addressing the social consequences of the railway restructuring process**, participants pointed out the following major shortcomings: a) the lack of consultation with the trade unions in drawing up social programmes accompanying the restructuring process in the rail sector; b) the short-term character of the measures included in the social programmes; c) there is no monitoring of the effectiveness of the above mentioned social programmes.

The participants acknowledged that the **World Bank** is one of the main contributors in financing social programmes in the railway sector and it has given loans for railway rehabilitation in Bulgaria, Romania, Croatia and FYR of Macedonia since early 1990s. They had the opportunity to exchange views with the World Bank representative (Skopje office) and made the following concrete comments with regards to the ongoing social programmes:

- These programmes are largely based on early retirement and on allocation of severance payments for workers that agree to leave the company. However, this type of measures will not address the risk of long-term unemployment, expansion of informal sector and, ultimately, poverty. In some of the SEE countries (Serbia, Romania) the redundant worker benefiting by severance payments cannot be re-employed by the company. When social programmes do look as far as training and re-employment, they usually do not reflect the specific economic and labour market situation of the country concerned.
- Financial assistance to redundant workers to start up small and medium enterprises: this type of programme will never work unless supported by changes in the economic climate. Entrepreneurship may be a success story in other parts of the world. However, SEE countries do not offer chances for survival and growth of SME-s, mainly due to heavy tax policies, lack of credits, lack of good business opportunity, corruption add to the lack of skill to create a business.
- The participants pointed out that to their knowledge no initiative had been taken in any of the SEE countries to measure the medium and long-term social consequences of the restructuring process in the rail sector or to measure the effectiveness of the social programmes that accompany the restructuring process in the sector. However, the World Bank did carry out such surveys in other parts of the world.

The World Bank representative stressed on the keen interest of this institution for closer cooperation with the trade unions.

STRATEGIC ACTION

Trade union representatives agreed on the following future priorities:

- 1. to improve communication with the trade union members** so that they are better informed about the developments in the rail sector
- 2. to improve their capacity to organise campaigns:** the unions asked the ETF to assist them via seminars on campaigning techniques. They see the urgent need to diversify their action to promote rail transport at both regional and national level.
- 3. to set up strategic partnerships** with other organisations such as users and environmental NGO-s with the view to promote the rail transport. To this end the presentations made by the representatives of Bankwatch were welcomed by participants and Bankwatch action vis-à-vis the involvement of European / international banks in restructuring was considered innovative and complementary to the traditional trade union action.
- 4. to manage changes in the sector, regionally and nationally:** the present unions reckoned that this is a matter of capacity and resources.
 - They asked the ETF to help **set up a support network of local transport / labour experts** who to assist unions in dealing with governments' restructuring programmes and social programmes to accompany the process; to assist unions is drafting own proposals on the above mentioned.
 - The unions agreed on the need to build up **closer, direct ties with the World Bank** (as this is the main financial supporter of social programmes in the rail sector). The programmes should be tailored to the specificity of the economy and the labour market and their effective implementation and impact should be monitored on medium / long-term (impact assessment etc.)
 - Trade unions agreed to intensify their cooperation at regional level, to be involved in **consultations on the implementation of the regional transport network in SEE**
 - The present trade union representatives agreed to put **more pressure on governments and companies to re-enforce the social dialogue**

3. Croatian railway reform in the context of national and regional transport policies – a trade union view

*By Slavko Stevicar, Katarina Mindum – Railway Workers' Trade Union of Croatia
Dalibor Petrovici – Railroad Engineers' Trade Union of Croatia*

SOME PRELIMINARY CONSIDERATIONS

The Croatian railway system includes 2726 km of rail track. Rail transport accounts for 32% of the total passenger transportation and 12 % of the transportation of freight (Croatia – Central Bureau of Statistics). In the last fifteen years the share of rail transport went down by half (World Bank report).

The last decade brought several waves of restructuring for the railway sector. The positive impact of restructuring on the rail performance is doubtful for many reasons:

- 1) it started long before the policy makers had a strategy for the sector
- 2) there has been but little investment in this sector in Croatia
- 3) after over one decade of efficiency-oriented reform, the railway transport remains the sector most affected by technological stagnation

The restructuring did and will continue to have some painful costs, such as job-losses and closure of local lines - in terms of job-loss, the sector has so far lost almost half of its workers. In its 2005 policy-oriented study “Railway Reform in the Western Balkans” the World Bank recommendations for Croatia are, amongst others, the rapid divesting of the loss-making local lines and ‘a combination of measures to improve staff and infrastructure productivity’, so that the working ratio is reduced to 150 – 170%, from a current level of 220%.

This ‘experience’ and its costs are not only reserved to Croatia but rather common to most of the European countries. However, in the case of Croatian Railways several questions are still need an answer, such as: 1) what is the vision of the government with regards to the future of the sector? 2) are the above-mentioned ‘costs’ indeed justified in the absence of consistent investment in both infrastructure and the rolling stock? 3) with regards to the workers who have lost their jobs in the last decade – what opportunities are there in place for them in order to prevent them being excluded socially?

On the other hand, beginning with year 2000 Croatia has been gradually included in the European Union regional transport policy for South East Europe. In our quality of affiliated members of the ETF, we have witnessed already the impact that a similar policy had in the European Union, especially in the rail sector. The challenge here is for the national and regional transport interests and priorities to sustain rather than exclude each other – which will be crucial for a country in a region that is still striving to achieve its stability.

THE PROCESS OF RESTRUCTURING, IN A NUTSHELL... PLAYERS, POLICIES AND THE BALANCE OF INFLUENCE

Between 1990 – 2000 Croatia lacked a transport development programme. Its first transport strategy was released in year 2000 and basically professed development of all modes of transport. Despite the fact that the strategy was in favour for modernisation – and restructuring! – of the railway transport, the emphasis was on road transport. Hence the 600 km of new motorways which were built over the period 2000 – 2005. Currently, more than one third of the national budget is allocated to the construction of roads, although roads and motorways are underutilised in Croatia.

The restructuring of the Croatian Railways started, however, long before the government had a sector development strategy. It has practically been in progress since 1990. The first governmental ‘call’ for restructuring as such was launched in 1994, with the adoption of the Croatian Railway Act.

The World Bank

In **1995 the World Bank stepped into the process** and has played, ever since, a key role in the reform of the rail transport in Croatia. The Bank suggested further restructuring on a commercial basis. A consultancy firm – Canac International - was selected to carry out a restructuring study, which was finalised at the beginning of 1997. Recommendations were made, mainly with regards to strategic institutional reform. One year later, the recommendations were formally accepted by the Croatian Government and by the HZ. Thus, in 1998 the restructuring process begun with the Bank’s support. The project was in line with the Bank’s Country Assistance Strategy and aimed at minimising losses and improving the administration of the rail system. According to the World Bank, Croatian Railways needed to achieve the following targets through the modernisation and restructuring process:

	1998	1999	2000	2001	2002	total
Working ratio with PSO (Public Service Obligations) contracts	188	168	160	152	145	
Programme for reducing the number of employees	2228	1399	1400	1246	700	6973
Productivity in 000 (Traffic Units/employees)	144	163	180	198	217	
Reduction of uneconomic passenger services (million train km)	0.7	1.1	1.4	1.6	1.2	6
Number of km of track proposed for closure	144	156	150	100	100	650

The aims were revised during the implementation process, in year 2000, resulting mainly in more employees – an additional lot of approximately 1100 - being laid off (see table below).

	1998	1999	2000	2001	2002	total
Working ratio with PSO contracts	188	168	165	160	155	
Programme for reducing the number of employees	2228	1399	524	1900	1970	
Productivity in 000 (TU/employees)	144	163	180	198	217	
Reduction of unprofitable passenger services (million train km)	0.7	1.1	1.3	1.3	1.3	
Number of km of track proposed for closure	144	156	150	100	100	600

The World Bank is currently supporting the Croatian government via the Programmatic Adjustment Loan (PAL). The restructuring of the railway sector in Croatia is part of the PAL and is carried out in several stages, as follows:

Step 1:

- 2004 – 2005 / the achievement of a working ration of 220% by 2005 and commencement of privatisation of three non-core companies

Step 2:

- 2005 – 2006 / undertaking measures to further reduce the working ration to 190% and, to this end, to prepare a restructuring programme for Croatian Railways; to reduce, by July 2006, the number of employees by 500; in case the working ration target fails to be met, Croatian Railways should take additional measures, i.e. more lay-offs.
- Moreover, within the period 2005 – 2006 three HZ subsidiaries should have been privatised by June the 1st, with another seven being privatised by the end of 2006. Wages should be frozen to the 2005 level until such time the target is met.

Step 3:

- Croatian Railways will further reduce the working ratio to 150 – 170% in 2007

The World Bank latest recommendation (see the Bank’s paper “Railway Reform in the Western Balkans”) is for the government to consider privatisation of the freight operator.

The IMF

The ‘rush’ to step down the working ratio was equally determined by the policy of the **International Monetary Fund** vis-à-vis Croatia. The IMF started its activity in Croatia in 1994. As everywhere in the world, the IMF financial and technical assistance for Croatia has been strictly conditioned to the reduction of the national budget deficit. This has translated in fact in pressure to cut subsidies for the public sector, in this context pressing in particular for more rapid restructuring of the railway sector. Once again, the IMF - like the World Bank – has been the promoter of the ‘efficiency’ targets for the Croatian railway system, notably an ‘operating proportion’ ton-passenger/worker.

Since Croatian Railways finds itself in the difficult situation to increase transport volumes, the only possibility to approach the targets set by the IFI-s is to reduce the number of employees.

The European Union

Beginning with year 1999 Croatia become part of the **European Union** regional policy, for South East Europe. This was part of the regional stabilisation process. Important steps were taken in three policy areas: trade, energy and transport. In transport, Croatia had been formally on the pan-European map since 1997, when policy makers and main actors with an interest in the issue defined the ten pan-European transport corridors to link the European Union (of 15 Member States) with the rest of the continent. Three of these pan-European main transport axes crossed Croatia: Corridor X – the most important – provided the natural link between two ‘old’ Member States, Austria and Greece; Corridor V provided the link between land-locked rail and road corridors (such as Corridor IV and X) and the Adriatic sea ports; Corridor VII – the only inland waterway corridor. This network of regional interest has been under continuous change. However, what is important to mention is that, in the case of Croatia, an increased attention started being given exclusively to Corridor X. This has determined a new orientation of the state budget towards this corridor, with very little resources left for the local lines, for the harmonious modernisation of the entire railway system, for the modernisation of the rolling stock.

Corridor X is without a doubt of high importance for the economic development of Croatia. However, modernising this railway track takes up all national financial resources allocated to this transport mode. We have to stress on the fact that the Croatian Railways has a very old rail controlling system (for example, Zagreb central station functions on a system which has been in place from 1939); the newest engine is 18 years old while the average age of all engines is of around 30 years; the most recently produced passenger train is 25 years old. So, the natural question is: for whom does Croatia update its infrastructure? What are the chances of the Croatian national operator to use – at the level of the European speed – this future modernised rail track?

Apart from the above, as part of **the process of EU enlargement**, Croatia will have to adapt its legislation to the European Union. In this context, a railway law compliant with the EU railway directives was passed in July 2003, which came into effect in January 2006. This law requires accounting separation of infrastructure and transportation services. This will facilitate modernisation of the rail tracks that are of regional interest and liberalisation of rail transport, as already the case with the European Union.

THE SOCIAL DIMENSION OF THE REFORM

In 1989, Croatian Railways – consisting of today’s parent body and the limited companies - employed 40,910 workers. By end of 2005 the number of employees halved, to 21,055, of which 14,155 worked in the Croatian Railway HZ and 6,903 in subsidiaries. This decrease has been possible due to voluntary retrenchment, early retirement, etc. The attractiveness of severance payments played a crucial role in determining workers to leave their jobs. Within the period 1998 – June 2005, approximately 5,000 employees left the company on severance payments. Decreasing the number of workers was attempted by means of the Croatian Railways Fund for the Support of Human Potential.

In year 2000 at the joint proposal of the social partners, the Croatian government adopted a social programme financed partly by the World Bank. This was a combination between passive (severance payments) and active measures, the latter consisting mainly in assistance offered to the redundant workers to find jobs in the private sector

So far there has been no assessment on the following:

- the degree of social integration of the people who left the railway sector (finding other jobs, etc.)
- the success of the measures – active and passive – has not been measured
- the impact of retrenchment on the safety of the railway operation

CONCLUSIONS

The central message of the present article is multi-fold. With regards to the restructuring process, this was followed, rather than anticipated, by a strategic approach, which we consider inadequate. On the other hand, the improvement of the railway performance has been mainly based on cutting jobs rather than on sustained investment in the sector. In other words, despite the fact that all job-cuts were done in the name of an ‘increased efficiency’ of the railway system, today, after two thirds of the railway workers left the company, investment into and improvement of the railway transport are still more an aspiration than reality. However, the potential of Croatian railway transport as a main ‘player’ in the national – and possibly regional – modal share is considerable and must not be neglected in the future.

Thirdly, it is interesting to see who has the control over the evolution of the railway sector in Croatia. The government is definitely one of the key policy makers and social partners – trade unions and the company management – have been repeatedly consulted in the process of reform. The European Union, on the other hand, is another major factor of influence. This was the case of other European countries engaged in the enlargement process. However, the difference is that Croatia is also targeted by the policies of the International Financial Institutions. This has at least two major consequences on the national railway reform: 1) Croatia must not only implement the European Union directives – in the case of the railway sector, the two railway packages – but also the liberal policies of the IFI-s going as far as to recommend privatisation of the transportation services; 2) the more policy-makers involved in the reform process, the less transparent and controllable the process is.

Trade union responses

The Railway Workers’ Union of Croatia and the Railroad Engineers’ Trade Union of Croatia have been involved in the reform process due to the existing mechanisms of social dialogue and consultation, but equally due to trade union action such as campaigning and, in some situations, labour disputes. Actually, the determination of the unions to put the reform in the service of the workers and not the workers in the service of reform made us an important player in the reform.

Beginning with the mid 90-s, our organisations joined the international and European transport trade union movement, the ITF and respectively the ETF. Close cooperation ties have been established with railway trade unions – members of the ITF and ETF – from Austria, France, Germany, and all the other colleagues from Central and Eastern Europe. The immediate benefits were: extended knowledge and cooperation. This places the two Croatian railway trade unions on equal footing with other main players and has prevented in a number of occasions misinformation of unions by the government and employers.

Since January 2003 Croatian railway trade unions have been at the core of the South East European railway union cooperation and in this quality we have acted as a formal coordinator of this cooperation at regional level. We started then by establishing a so called Corridor X working group. With the changes in the regional policy in the SEE, the railway unions have adapted their strategy – regular annual strategy meetings are organised in the region, with the close assistance of the European Transport Workers' Federation.

This is even more important in the context where the European Union is accelerating its plans for a regional transport policy in the SEE. On the other hand, in order to extend our capacity of controlling the development of the railway sector, we are today in the process to form a network of unions, NGO-s and academics with an interest in promoting the railway transport in Croatia, as well as in the South East part of Europe.

What do we aim by all this? To be strong at national level and regional level in making our case that no reform and restructuring can have as a consequence reduced traffic safety which is the trademark of the railway sector, and it has to be accompanied by state's large investments during the restructuring, before the set up of liberalization.

4. Memorandum of Understanding on the development of the South East Europe Core Regional Transport Network

The signatories to the present Memorandum of Understanding, the following named “Participants”,

Desiring to promote the regional and international transport of goods and passengers in South East Europe by way of progress in implementing the South East Europe core regional transport network, as developed in the European Commission’s working document of 15 October 2001 on transport and energy infrastructure in South East Europe, and further clarified and elucidated by the TIRS and REBIS technical studies of 2002 and 2003 and the Luxembourg, Skopje and London high-level meetings of February, May and June 2003;

Considering that the Pan-European Corridors developed following the Second Pan-European Transport Conference in Crete in 1994 and the Third Pan-European Transport Conference in Helsinki in 1997, and in particular Corridors V, VII, VIII and X, form an essential basis for this network;

Considering the fundamental importance of regional and inter-regional cooperation as a basis for the core network, providing the essential precondition for the development of appropriate road and railway links, waterways, ports and airports for the benefit of South East European countries and their immediate neighbours;

Considering that the European Council in Thessaloniki approved the Thessaloniki agenda for the Western Balkans which states that, “The drawing up of an integrated regional transport strategy, consistent with the trans European Networks and taking into account the Pan European Corridors (in particular Corridors V, VII, VIII, and X), is a high priority;

Desiring furthermore to develop adequate interconnections with the extended Trans-European Transport Network of the enlarged European Union;

Conscious of the fact that infrastructure development is a long-term process, requiring sustained commitment and planning on the part of all concerned;

Welcoming the actions already undertaken in the region by the countries concerned, as well as by the Stability Pact for South Eastern Europe, the European Community Institutions (the European Commission and the European Investment Bank), the international financial institutions (in particular the European Bank for Reconstruction and Development, and the World Bank), other international organisations (UN/ECE, EC, ECMT, etc.) and projects/initiatives stemming from their programmes (e.g. UNECE TEM/TER, SECI, TTFSE, CARDS);

Welcoming in particular the role played by the European Commission in the region drawing on its experience in the TINA (Transport Infrastructure Needs Assessment) process and approach followed with the accession countries;

Recognising the links to the work carried out by the secretariats of Pan European Corridors V, VII, VIII, and X, and by those neighbouring countries that are member states or accession states.

Acknowledging:

- the principles, as set out in the Stabilisation and Association Process, of cooperation between the European Union and the countries of the region and the need for co-operation between the countries of the region;
- the need to increase regional and inter-regional co-operation among the countries of South East Europe and to foster the conditions for peace, stability and economic growth;
- the need to accompany investment programmes in the region by increased co-operation in the field of regulatory and administrative procedures in order to improve the flow of transit traffic and intra-regional traffic;

Recognising that the present document is an expression of firm political intent, although not amounting to legally binding obligations on the part of participants or observers;

AGREE ON THE FOLLOWING MEMORANDUM OF UNDERSTANDING AS A FURTHER STEP TOWARDS A COMMON OBJECTIVE OF REGIONAL CO-OPERATION IN SOUTH EAST EUROPE

1. Aim

The aim of this Memorandum of Understanding is to co-operate on the development of the main and ancillary infrastructure on the multimodal South East Europe Core Regional Transport Network (hereinafter the Network) and to enhance policies in this area which facilitate such development. The development of the Network should include maintenance (including preventive measures and repair), reconstruction, rehabilitation, upgrading and new construction of main and ancillary infrastructure as well as its operation and use with a view to fostering the most efficient and environmentally friendly transport modes on a regional scale. Thus, both infrastructure and related services, including administrative and regulatory procedures, are within the scope of this Memorandum.

The Memorandum of Understanding furthermore envisages close cooperation among participants on the harmonisation and standardisation, wherever feasible, of technical standards and regulatory or administrative provisions affecting the flow of transport in and across the region, in accordance with EU standards and directives. This includes co-operation in and, where possible, harmonisation of customs and border control procedures. This co-operation will include a commitment to carry out any institutional reforms needed for efficient transport management in the region (including measures to eliminate corruption or malpractice relating to administrative or tendering procedures), and an undertaking to exchange information on a regular basis concerning the progress of such reforms.

The Memorandum also commits the participants jointly to develop and implement an annual and multi-annual rolling action plan (covering a period of 4-5 years) agreed by all participants in order to provide a platform for most efficient use of funds and know-how provided by public and private sources.

Finally, this Memorandum seeks to promote and enhance local capacity for the implementation of investment programmes, management and data collection and analysis in the countries of the region.

2. Definition of the Network

The multimodal Core Transport Network for South East Europe is defined as per the maps included in Annex I.

It shall be considered as referring not only to the road, rail and inland waterway alignments and nominated air and seaports indicated, but also to any interconnection or transshipment facilities, in particular combined transport infrastructure. It shall also include ancillary installations such as signalling, installations necessary for traffic management or toll charges, access links, border crossing stations, service stations, and freight and passenger terminals on the routes of the Network, as defined above.

The Core Network is based in part on the alignment of the relevant pan-European Corridors which cross the region (notably Corridors V, VII, VIII and X). Where the Network alignment is based on a Corridor, it will automatically follow any modifications which occur in that Corridor.

The Network may need to be modified over time for other purposes. Any such modification shall be agreed by the participating signatories on the basis of a reasoned analysis and justification submitted by the Network steering committee. Any modifications shall be reflected in the maps mentioned above and in the relevant sections of the action plan.

3. Studies

The Participants wish to co-operate on the studies needed to put this Memorandum of Understanding into effect, and in particular to implement, or update, the action plan mentioned above.

The terms of reference for these studies should be co-ordinated between the Participants as far as criteria, methodology and other aspects covered by this Memorandum of Understanding are concerned, using for this purpose the staff and facilities provided by the permanent secretariat and transport observatory mentioned in Section 10.

As a first task, an inventory of existing studies concerning the Network should be compiled and the conclusions of these studies should be made available to all Participants concerned, upon request. The Commission working document of 15 October 2001 and the TIRS and REBIS studies shall be regarded as the essential basis for this inventory.

The Participants shall commission further studies, as necessary, relating to the infrastructure or operation of the Network and shall make the results of these studies available to the Network Secretariat.

The studies should be carried out according to best international practice, taking due account of the requirements of the private sector and any other relevant institutions involved during the different stages of planning, implementation, operation and use of the infrastructure.

The Participants are prepared to co-operate on the question of financing the necessary studies as appropriate. Tenders for studies should be launched pursuant to rules recognised in the EU and agreed between all the parties involved. Participants declare their readiness to take all the necessary steps to ensure that the studies can be carried out efficiently, such as providing all the requisite assistance and information.

4. Exchange of information

The Participants are ready to make the information relevant to the development, use and operation of the Network available to each other on an ongoing basis through the permanent secretariat described in Section 10.

This would include the detailed data required for the establishment of an action plan, such as the state of the infrastructure on the Network, traffic flows, waiting times at borders, cross-border activities, specific maintenance, reconstruction, rehabilitation, upgrading, investment, environmental and organisational measures planned or undertaken. Exchange of information on the financial resources allocated or to be allocated to the development of the Network from public or private sources will be particularly important in order to ensure regional harmonisation of investment planning, as will the sharing of full information concerning the national transport plan of each participating country.

The exchange of information envisaged would also cover the legal and regulatory framework for private participation in the development, use and operation of the Network, as well as the relevant economic and social data, including data which may be the subject of concession contracts.

The results of these studies and exchanges of information should be systematically compiled by the permanent secretariat and made accessible to Participants in the steering committee and to other institutions or organisations which have demonstrated substantial interest in contributing to the development of the Network. The information database established and maintained by the permanent secretariat will be GIS-based; using the tools developed for this purpose by the REBIS study, and will be compatible with the GIS database being developed by the European Commission.

5. Technical standards and interoperability

The Participants are prepared to work towards a common set of technical standards needed to secure optimum interoperability of all sections of the Network, including interoperability between the various transport modes. Such technical standards would cover electrification, gauge and communications for the rail part of the Network; axle load capacity and signalling systems for the road and rail part of the Network; plus safety and environmental aspects, toll systems in line with EU Directives, and traffic management.

Standards set by European Union Directives, the UN-ECE transport conventions and agreements or CEN, CENELEC and ETSI European Standards for the various transport modes will be adhered to as appropriate in order to secure interoperability with the technical systems established in the internal market of the EU.

6. Border crossing and customs co-operation

Since excessive waiting times at border crossings may impede any improvements resulting from the development of the Network, the Participants commit themselves to encouraging and promoting, through co-ordinated action with the competent authorities, the installation of joint border crossing posts and joint or shared controls as well as co-operation between customs services in order to minimise waiting times and improve long-distance conditions for rail and road traffic, thus enhancing overall transport cost efficiency in the region. Participants undertake to promote joint studies on the infrastructure and organisational measures required for this purpose and to agree timetables for the implementation of the ensuing measures, which will form part of the Network action plan. Standards set by International Agreements or by the European Union in this area will be complied with.

7. Framework for participation of economic and social partners

The Participants intend to provide for maximum private sector involvement in the development, operation and use of the Network. To this end, dialogue with the private sector and the international financial institutions should take place during the planning and implementation stages of project studies. The private sector should be kept informed of actions planned or undertaken under this Memorandum of Understanding and its comments should be taken into account as far as possible, either by granting active observer status to representatives of the private sector in the steering committee or by way of regular meetings between the private sector and the secretariat.

The Participants jointly aim to create the legal and financial conditions necessary for private sector participation in the development and operation of the Network.

Participants will examine the possibility of setting up common bodies or regional companies to carry out actions necessary to develop the Network. Taking into account the constraints of national law, they agree to investigate possibilities of entrusting achievement of the relevant goals of this Memorandum of Understanding at least in part to private enterprises.

Likewise, the Participants recognise the important role to be played by the social partners, (civil society, NGOs), and in particular transport trade unions, in the implementation of the South East Europe transport network, and commit themselves to a structured social dialogue with the relevant organisations in order to ensure that they are involved in the processes of change and development that will accompany implementation of the Network. In this context, the permanent secretariat will seek co-operation with the relevant study group of the European Economic and Social Committee (EESC), which has experience in promoting social dialogue in the context of the Pan-European corridors.

8. Ministerial meetings

Ministers of the countries or organisations signing this Memorandum of Understanding and senior representatives of other participating international organisations agree to hold ad hoc meetings from time to time (at least once a year) in order to review progress and if necessary to consider changes in the basis of co-operation or the objectives or coverage of the Memorandum. Such meetings shall normally be convened at the instigation of the Steering Committee chairman.

9. Steering Committee

A Steering Committee to be composed of high-level representatives of the Participants will co-ordinate the joint work under this Memorandum of Understanding. Each Participant should appoint one representative and one deputy representative to the Steering Committee and notify all other Participants. Steering Committee members should normally be senior civil servants, with the authority to represent their administrations and at the same time able to provide the continuity of commitment which may not be available from a political minister.

The Steering Committee will meet as necessary, but at least twice a year. It should decide on its rules of procedure by unanimity, and should elect a chairman to guide its activities and represent it in international forums. Representatives from the private sector, the social partners, the relevant Corridors, the IFIs and other institutions, as well as experts, could be invited to its meetings as observers, as appropriate.

The Steering Committee may consider creating standing sub-committees or ad hoc Working Groups for specific tasks in order to increase the potential for achieving the goals of this Memorandum of Understanding.

The Steering Committee will regularly report on its work to the Participants in this MoU.

10. Implementation

The information exchanged and studies carried out by the Participants, together with the extensive information provided by the TIRS and REBIS studies and by other sources (for example, the proposed transport observatory), will form the basis for defining priorities, budgets and time plans for the specific measures needed to co-ordinate development of the Network, facilitate this essential task and comply with similar undertakings agreed in the context of the Corridor Chairmen's meeting. A South East Europe Transport Observatory, (SEETO), will be established. It will be located in Belgrade where appropriate office space will be made available.

SEETO will have a permanent secretariat, self sustainable in the long run, which will support the Steering Committee by: facilitating communication between the participants; preparing and updating the annual and multi-annual rolling plan for the implementation of Network projects and priorities, in order to achieve maximum cost efficiency of scarce funds; and, collecting data on the core network.

The work plan should commence with an inventory of the Network, using the studies mentioned above and all other information supplied by the Participants. It should develop, under the guidance of the steering committee, and of the Ministers, if necessary, a set of jointly agreed regional objectives and priorities and a rolling programme of projects for achieving them. Further details on the proposed action plan are provided in Annex II.

The Secretariat will also have responsibility for maintaining close and regular contact with the relevant international agencies and donor or lending organisations active in the region. The Secretariat will, in addition, be responsible for co-operation with the relevant Pan-European corridors affecting the region, in particular Corridors V, VII, VIII and X. Where these Corridors overlap with the alignment of the Core Network, the secretariat will be expected to work towards a comprehensive exchange of information with the Corridor secretariats in order to ensure total compatibility between Corridor and Network development.

The Participants undertake to examine all possibilities for providing such additional resources as may be necessary to assist the Steering Committee and secretariat in carrying out their responsibilities (including, for example, resources for assisting in project preparation and collecting and analysing traffic data via a regional transport observatory).

The Participants undertake to discuss and rapidly resolve any issues of difficulty which may arise out of the operation of these monitoring tools, in a spirit of full co-operation and transparency.

11. Closing remarks

Co-operation in the context of this Memorandum of Understanding is based on a voluntary commitment and will continue until the objectives of the initiative have been achieved. Where any of the Participants so requests, this Memorandum of Understanding shall be reviewed and may be amended by common consent on the basis of a proposal submitted to the Participants by the steering committee.

In any event, a review of the continuing relevance and efficiency of the arrangements contained in this Memorandum shall be conducted no later than five years after it comes into effect.

This Memorandum of Understanding does not contain obligations governed by international law. This Memorandum of Understanding shall become effective on the date of its signature by the last of the Participants listed below.

Done at Luxembourg, on 11 June 2004

For the Republic of Albania

For Bosnia and Herzegovina

For the Republic of Croatia

For Serbia and Montenegro¹

For Serbia

For Montenegro

For the former Yugoslav Republic of Macedonia

And, for the United Nations Interim Administration Mission in Kosovo acting
for the Provisional Institutions of Self Government.

For the European Commission,

Mrs Loyola de Palácio,

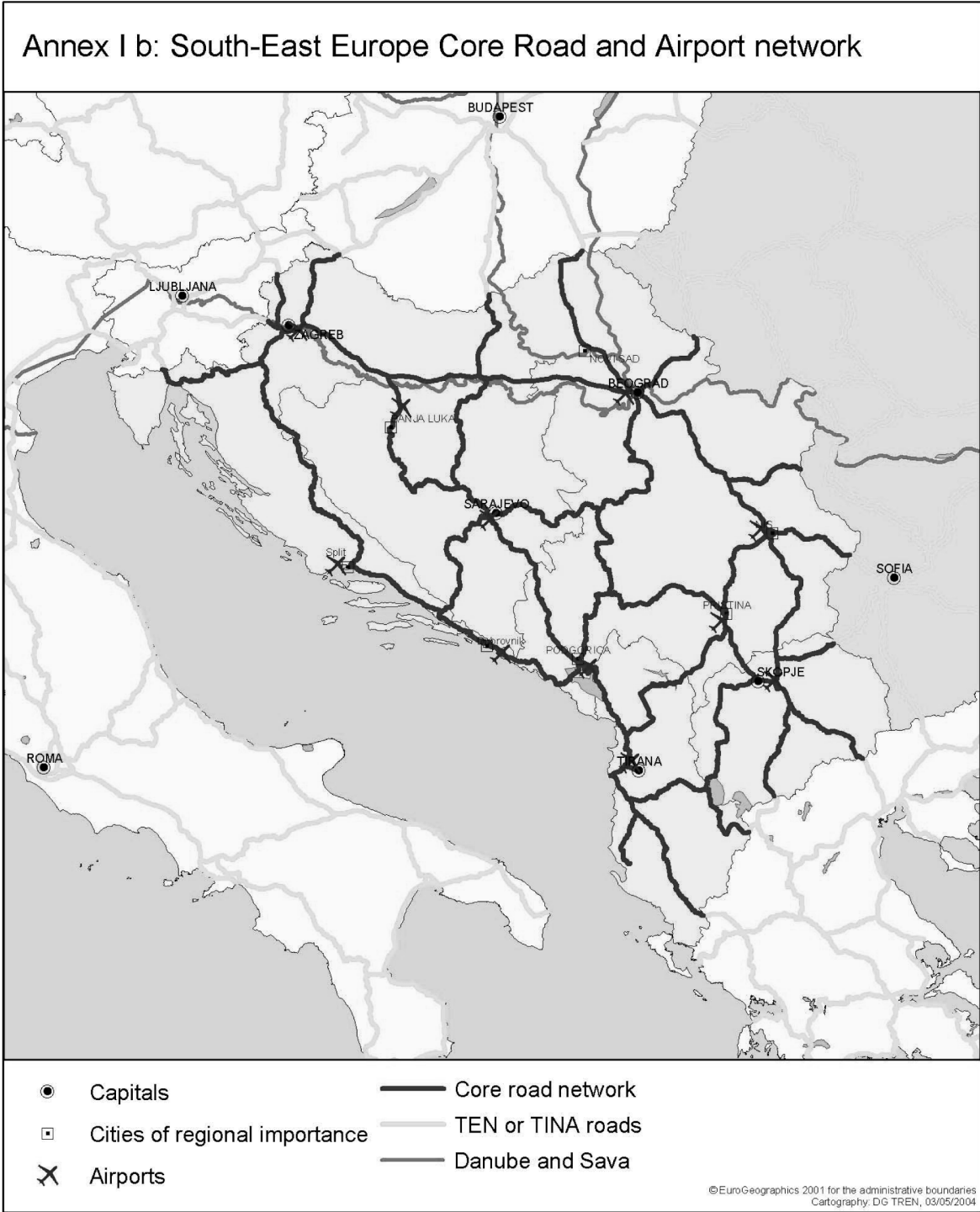
Vice-President

¹ Kosovo is under international administration in line with UNSCR 1244 of 10 June 1999.

Annex I a: South-East Europe Core Rail and Ports network



ANNEX I b



The Core Network Action Plan

The action plan will be based in the first instance on the information provided by the REBIS study and other relevant sources, including the participating countries and donor or lending agencies, and will cover at least the following items:

- full inventory of infrastructure of the core network by transport mode
- actual and forecast traffic flows for each element of the inventory up to 2015
- identification of main bottlenecks (both infrastructure and service-related, including border crossing issues)
- prioritised work plan for dealing with bottlenecks on the core network, taking account of the optimisation, on a regional basis, of investment planning, particularly with respect to the rate of return and the timing of investment projects
- identification of total investment and maintenance costs for the network, per mode, indicating funds already committed, funds provisionally allocated, and areas where funding is still needed
- explicit linkage (where relevant) between the identified core network priorities and the medium-term priorities of the national transport investment plan of each participating country
- explicit linkage (where relevant) between the core network priorities and the priorities of the underlying Corridors, particularly where these link up with the Accession countries and with the extended Trans-European Transport Network (TEN-T)
- target implementation schedule for each prioritised element in the plan, with the most reliable possible information for years one and two, and best estimates for subsequent years (three to five).

The action plan will be monitored, updated and rolled forward on a regular basis (annually). Monitoring will be based on practicable outcome indicators to be selected by mutual agreement among the participants (e.g. shorter journey times, increased traffic flows, improved transit or cargo handling times, reduction in border waiting times, elimination or reduction of administrative procedures, reduction in travel or freight costs). Mere project completion will not be regarded as such as an adequate indicator.

5. ETF comments

to the final report of the High Level Group, “Networks for Peace and Development, Extension of the major trans-European transport axes to the neighbouring countries and regions”

The European Transport Workers’ Federation welcomes the opportunity for consultation on the recently published High Level Group report. The ETF overall position vis-à-vis the TEN-T extension process remains unchanged, as expressed in the previous stage of consultation launched by the High Level Group in April 2005. However, with regards to the present High Level Group report, the ETF will focus its comments on the following specific issues:

- 1) the question of **replacing the existing Memorandums of Understanding with binding Transport Treaties**
- 2) the question of **social impact assessments**
- 3) **ports: selection of ports within the context of definition of Motorways of the Seas**
- 4) **road transport: the question of safe and adequate rest facilities for long-distance drivers**, as integral part of the infrastructure projects

CONTEXT

The ETF considers necessary to once again point out why a social dimension of the extension process is imperative while planning to better connect the EU with its neighbouring regions and countries. The High Level Group considers that interconnecting networks is “essential for sustainable economic growth and the wellbeing of the citizens in this part of the world”. Along this line, the High Level Group and the European Commission cannot possibly overlook that **the extension of TEN-T**: 1) has played and will continue to play an **instrumental role**, as past experience proves, **in speeding up restructuring of major transport sectors**; 2) will be **accompanied** by so called ‘**soft measures**’, partly accounting for **measures meant to prepare transport sectors for liberalisation and privatisation**; 3) **may sustain or challenge** secondary networks, the connectivity of existing economic / urban centres, the accessibility to rural areas; 4) will therefore have a considerable **impact on labour and on population** at large, either directly – e.g. the job-loss in the railway sector – or indirectly – e.g. the decline in the welfare of communities depending on port-activity, for those ports that fail to be part of the EU sphere of interest.

With regards to the above mentioned, the European Commission must take into account that none of the neighbouring countries / regions enjoys the climate of economic, social and even political stability that the EU Member States boast with. On the contrary, the former are engaged in an overwhelming transition process and currently experience economic drawbacks, social and even political instability. They confront with high, long-term, unemployment rates; high poverty levels; weakened social protection systems; deeply rooted informal economy. Will therefore the extended transport axes 'cluster' or distribute wealth? Will this policy lead to greater regional disparities, lack of cohesion, creation of poverty pockets, and ultimately to economic migration – intraregional or to the European Union? The ETF considers that it will be the social dimension of this policy to decisively incline the balance towards COHESION – which is one of the EU policy objectives.

*The ETF therefore **strongly recommends** to the European Commission to include in its future Communication – as well as in all other official documents to follow – a clear social dimension to the TEN-T extension process. **The ETF further recommends** that EU policies applied in the neighbouring countries and regions **ARE CONSISTENT** with the policies applied by the EU within its own borders. For example, while within the European Union the Community acquis is implemented as a whole and in a coherent manner, with instruments that foster this approach, the tendency with the EU neighbouring countries is to put pressure for the implementation of sectoral acquis – energy and transport being the most relevant examples - while the most needed social acquis is completely neglected. The selection of ports provides another – striking – example of inconsistency, but the ETF will further develop on that under point (3) of the present document.*

1. Replacing the existing Memorandums of Understanding with binding Transport Treaties

A transport treaty will set up a legal frame for the implementation of Community acquis on transport and competition. This will accelerate – and make mandatory – the restructuring process in transport, will force the shift from domestic to regional transport policy priorities and will ultimately deepen the impact on labour, even beyond transport, as most of the countries concerned are still locked into the central-planned economic model and re-organising networks may threaten the very way domestic economies are organised. It is therefore imperative that any treaty concluded between in EU and its neighbouring countries will contain a clearly defined social pillar which to ensure that the market opening process is carried out in a socially and labour-minded climate. **The treaties should therefore explicitly:**

- A. **enforce** implementation and compliance with **the Community social acquis**
- B. **enforce social dialogue, consultation and information of social partners** throughout the process of development and implementation of the extended TEN-T
- C. **stipulate trade union representation in the institutional frame to monitor the treaty implementation**
- D. **lay down the obligation of signatory parties to harmonise transport policies with national employment policies**, to ensure that redundant workforce is re-absorbed into the labour market rather than forced into poverty, informal economy and economic migration
- E. **stipulate EU assistance and resources aimed to enable the EU neighbouring countries to deal with social / labour consequences** of the TEN-T extension process
- F. **with respect to privatisation**, guarantee that privatisation is resorted to ONLY as part of an overall sector strategy, developed in cooperation with the social partners; guarantee compliance with collective agreements, working conditions and compliance with the fundamental trade union rights; guarantee job security.

The ETF thus strongly recommends to the European Commission to include in its Communication – as well as in all other official documents to follow – the specific requirement that any binding document on the implementation of regional transport networks: 1) will be drafted in consultation with the social partners and particularly with the transport unions; 2) will contain a social chapter to include all above mentioned points.

2. Social impact assessments

The ETF WELCOMES the fact that a socio-economic impact assessment is recommended by the High Level Group as part of the future analysis of proposed projects. However, the approach seems to be based on labour productivity and its share in regional economic output. The report fails to make any clear reference to aspects linked to employment / unemployment, impact on jobs and working conditions, quality of life, migration, etc. The report equally fails to recommend for **SOCIAL IMPACT ASSESSMENTS** to be mainstreamed throughout the strategic planning and the practical implementation of the extended TEN-T. The ETF insists once again that is the right approach, for the reasons exposed above, in the introductory note (see ‘CONTEXT’).

The ETF thus strongly recommends to the European Commission to include in its Communication – as well as in all other official documents to follow – clear recommendations that social impact assessments: 1) will precede the actual

*planning and implementation of the extension process – in this context, for example, most valuable and appreciated would be an evaluation of social and labour consequences of the process of selection of ports; 2) **will precede** any plans for restructuring of national transport public companies / sectors; 3) will be supported with EU funding, in the same way as the extension process benefits by EU financial support. Last but not least, assessments should be extended to sectors that may be indirectly affected by collapse of domestic networks.*

3. Ports: selection of ports in the context of definition of the Motorways of the Seas

Selection of ports, whether or not in the context of definition of the Motorways of the Seas, is unacceptable. The ETF points out that such an approach would never be accepted within the European Union. The ETF further brings to the attention of the European Commission that policies that are not applicable within the EU should not be experimented outside the EU borders, particularly in countries and regions which, unlike the EU Member States, are confronted with economic, social and even political instability. Having designated ports implies: 1) giving a clear signal of where investment should go; 2) condemning unselected ports to irreversible decline; 3) indirectly, sparking off the socio-economic decline of entire regions that depend on port activities. More than an enumeration of individual ports, the ETF expects from the European Commission THE DEVELOPMENT OF THE CONCEPT OF MOTORWAYS OF THE SEAS: it should be applicable to all ports that provide for an agreed standard of service in predetermined conditions.

The ETF strongly recommends to the European Commission to drop the port-selection approach. The neighbouring countries are not prepared to deal with the consequences associated to this policy, neither are they prepared to measure, prevent and absorb its socio-economic impact. However, in the long run, and subsequent to the definition of the Motorways of the Seas concept, the European Commission and the EU neighbouring countries should engage in a thorough analysis on the impact of the concept on ports, as well as the impact on: 1) cohesion and regional development; 2) employment; 3) port-dependant communities. Social partners should be involved in the exercise and all ports should be covered.

4. Road transport: the question of safe and adequate rest facilities for long-distance drivers

The High Level Group report fails to explicitly include safe and adequate rest facilities for long-distance drivers within the road safety measures. The ETF has already stressed with the occasion of the last year's consultation on the TEN-T extension towards East that Eastern Europe consists of vast, relatively low-populated areas. Having in view the considerable length of the future main axes frequent rest sites will be instrumental in keeping down the rate of traffic accidents and in reducing the stress that long-distance drivers have to put up with, stress caused by physical barriers such as security, long border crossing procedures, etc. Safe and adequate rest facilities will reduce the risk of robbery and violence against drivers and will substantially contribute to improved safety and security of the driver, freight, passengers and transport operations.

The ETF strongly recommends to the European Commission to explicitly include safe and adequate rest facilities as integral part of the extended major transport axes.

Brussels, 10 March 2006

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Brussels, 7 December 2005

6. High Level Transport Group calls for better transport links with EU Neighbours

The High Level Group set up by the European Commission last year to look at transport connections between the newly enlarged European Union and its 26 neighbours submitted its final report today. Recommendations include a mix of infrastructure projects and simpler measures aiming to stimulate trade and to facilitate traffic flows between countries along five major transnational transport axes. “Better integration of national networks will foster regional cooperation and integration not only between the EU and its neighbours but also between the neighbouring countries themselves. I am delighted with the speed and efficiency of the work of this Group. It is particularly appropriate given the 10th Anniversary of the Barcelona process and the ministerial meeting taking place in Marrakech on 16 December” declared Vice-President Jacques Barrot, in charge of transport.

Chaired by former Transport Commissioner Ms Loyola de Palacio, the High Level Group comprised 53 countries¹ and 3 international financing institutions². After a year of intensive work, the Group agreed on a set of priority measures, focussing efforts on 5 major transnational axes (see map) connecting the EU with the neighbouring countries in the North, East and South-East as well as around the Mediterranean and Black Sea regions.

The Group highlights its main priorities in the operational conclusions which include a number of infrastructure projects and several “soft” measures with the aim of removing physical and administrative bottlenecks along the main transport axes identified and to facilitate cooperation and communication between authorities in the different countries (harmonisation of documents and procedures, joint border control stations, etc). These measures include maritime safety and environmental protection, rail interoperability, extension of the European satellite radio navigation system (GALILEO) as well as the extension of the Single European Sky initiative to the neighbouring countries. The Group also wants to promote the exchange of best practice to explore the role of public-private partnerships in accelerating the implementation of the projects. Total cost of the projects is estimated at EUR 45 billion, of which EUR 35 billion should be found between today and 2020 primarily from the national budgets of the countries concerned and international financing institutions complemented by EU support.

¹ Albania, Algeria, Armenia, Azerbaijan, Belarus, Bosnia & Herzegovina, Croatia, Egypt, former Yugoslav Republic of Macedonia, Georgia, Israel, Jordan, Lebanon, Libya (as observer), Morocco, Moldova, Norway, Palestinian Authority, Russia, Serbia & Montenegro, Kosovo (under UNMIK administration in accordance with the United Nations Security Council Resolution 1244), Switzerland, Syria, Tunisia, Turkey and Ukraine as well as the 25 EU Member states and Bulgaria and Romania

² European Investment Bank, European Bank for Reconstruction and Development, World Bank

The Group recommends that the Commission, the EU Member states as well as the Banks focus their cooperation and financing actions on the priority axes and on the horizontal measures identified in the report. The Group's recommendations should also be adequately reflected in the cooperation agreements and action plans under the European Neighbourhood Policy. In this context, the Group considers that the twinning of an EU Member state with a neighbouring country could be a very useful and effective tool for implementing the horizontal measures, particularly in the areas of maritime and road safety as well as simplifying border crossing procedures. To ensure coherence of networks, implementation of the proposed measures should be synchronised along the axes.

The Chairman of the Group, Ms de Palacio and Vice-President Jacques Barrot will present the results of the Group's work in Marrakech on 15-16 December where transport Ministers of the Mediterranean region will discuss transport priorities.

Based on the Group's recommendations, Vice President Barrot intends next Spring to present a Communication to the Council and European Parliament on the way ahead.

Operational conclusions of the High Level Group

Le Groupe a identifié les 5 grands axes transnationaux suivants :

- Autoroutes de la mer connectent les mers Baltique, Atlantique, Méditerranéenne et Noire ainsi que les pays littoraux. Une extension à travers le Canal de Suez est également envisagée
- Axe nord-est lie l'UE avec la Norvège ainsi qu'avec la Russie et le Transsibérien
- Axe central lie le centre de l'UE avec l'Ukraine et la mer Noire ainsi qu'avec la Russie et le Transsibérien
- Axe sud-est qui connecte le centre de l'UE à travers les Balkans et la Turquie avec le Caucase et la mer Caspienne ainsi qu'avec le Proche Orient jusqu'à l'Egypte
- Axe Sud-ouest lie le Sud-ouest et le centre de l'UE avec la Suisse d'une part et le Maroc et l'axe trans-maghrébin jusqu'en Egypte.

The Group makes the following recommendations :

SUPPORT FOR A CONTINUOUS PROCESS

- **A review and update** of the major axes/projects and of the horizontal measures **in 2010** and regularly thereafter;
- **A mid-term review in 2008** to prepare the update, based on information provided by the countries concerned.,

FOCUSSED AND COORDINATED IMPLEMENTATION OF THE AXES

- To **focus cooperation and financing** actions on the five major axes and on the horizontal measures put forward by the Group.
- Exchange of best practice on **financing options**, including public-private partnerships, enabling legislation, user charging, etc. through **regional workshops**.
- To put in place **strong and effective coordination frameworks**, including sustainable longterm financial support, for the implementation of the proposed actions:
 - Starting with a **Memorandum of Understanding (MoU)** for axes/regions where no such cooperation mechanism exists at present;
 - Strengthening of existing MoUs into a binding **Treaty**.
- To launch **twinning actions** of an EU Member state and a neighbouring country by 2008 at the latest in view of the implementation of relevant horizontal measures.

IMPLEMENTATION OF HORIZONTAL MEASURES

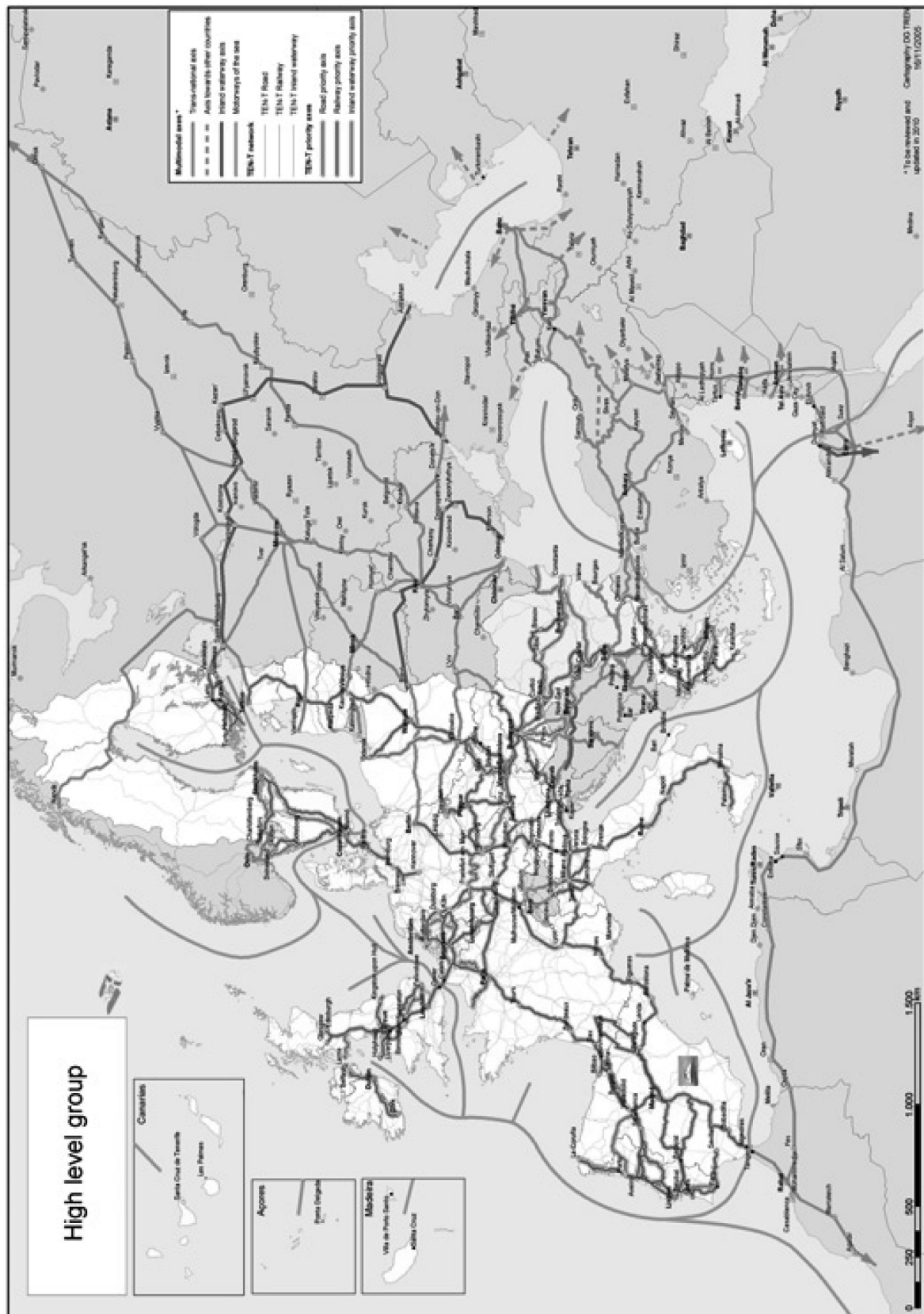
- **Simplification and facilitation of border crossing procedures** including:
 - Implementation in full and without delay of the relevant **international Conventions** and agreements, especially:
 - the International Convention on the **harmonisation of frontier controls for goods**, particularly as regards corresponding opening hours of frontier posts, joint control of goods and documents through the provision of shared facilities, medico-sanitary and veterinary inspections;
 - the **Kyoto Convention** on simplification and harmonisation of customs procedures aiming at maximum use of automated systems through the use of pre-arrival information, risk management techniques (including risk assessment and selectivity of controls) and easy access to information on customs requirements, laws, rules and regulations;
 - the Convention of the **international transport of goods** (the TIR carnets) for road vehicles.
 - Adoption by all the countries concerned by 2008 at the latest of **the five IMO FAL documents**, already in use in the EU.

- Simplification of the **language regime** :
 - To mutually recognise all trade and transport related documents in the language of the country concerned and in a mutually agreed language.
 - In the longer term, harmonisation of these documents.
- Implementation of “**one-stop office**” and development of electronic data interchange systems (EDI) especially for ports.

- Promotion of **satellite radio navigation systems** (Galileo).
- Introduction, application and control of **security measures** resulting from international agreements and standards as well as to carrying out of security audits.
- For the **maritime transport and the Motorways of the Seas** :
 - Harmonisation of the practices and procedures of the **Paris, Mediterranean and Black Sea MoUs** at the highest level of performance. The European Commission is invited to approach the three MoUs in view of launching a dialogue for further cooperation.
 - Ratification and implementation of the **international standards and conventions** (IMO) in a timely manner and in full, including e.g. the MARPOL convention related to single hull tankers, the AFS convention on antifouling systems.
 - **Technical support** for actions to improve the quality of port infrastructure and services and to implement regular frequency of shipping services (at least once a week) operating on the Motorway of the Sea.
- As regards **rail transport and interoperability**
 - To monitor the on-going efforts of the two legal systems (COTIF and OSJD) in view of a common consignment note.
 - To undertake measures to render the transport laws more coherent and convergent.
 - Gradual implementation of ERTMS³ along the major axes, when relevant
 - Standardised telematic applications for freight services.

³ European Rail Traffic Management System

- For **inland waterways**:
 - To mutually open access for international traffic.
 - To pursue the harmonisation of rules and safety standards,
 - Implementation of traffic information systems that are mutually interoperable.
- Regarding **road transport**:
 - To design and implement measures to improve road safety that address driver behaviour, vehicle safety, road infrastructure (safety audits) and traffic management systems,
 - To gradually upgrade the road network along the major axes for vehicles of 11.5 ton axle load and of 4-metre height.
- For **air transport**, to gradually extend the principles of the Single European Sky initiative to the neighbouring regions along with the enlargement of the EU or on a voluntary basis.



7. ETF contribution

to the Public Consultation on the extension of Trans-European transport networks to the EU neighbouring countries

The European Transport Workers Federation welcomes the initiative of the High Level Group to launch a consultation process on the extension of the Trans-European Transport networks (hereafter referred to as 'TEN-T') to the EU neighbouring countries.

The public consultation comes at a very early stage of the TEN-T extension process. On the other hand, the set of "Questions to the stakeholders" **limits potential contributions to a purely market oriented approach**. There is, for instance, no indication at this stage of the fact that the TEN-T extension process will take into account the principle of sustainability.

However, the European Commission **Neighbourhood Policy** makes it clear that it is the EU duty, not only towards its citizens but also towards its present and future neighbours to ensure continuing social cohesion, protection of the environment and economic dynamism, to act to promote regional cooperation and integration as preconditions for political stability, economic development, reduction of poverty and social divisions.

Considering the above-mentioned, rather than attempting to answer the list of "Questions to the stakeholders", the ETF present contribution will aim to push for mainstreaming the social dimension at all levels of the extension 'exercise', starting with the High Level Group proposal to the European Commission and going further to the implementation of networks and priority projects. This will enable the policy makers to connect the TEN-T extension process to the overall objectives of the EU Neighbouring Policy as cited above. The present document primarily refers to the Western Balkans and the three EU Eastern neighbours, Belarus, Republic of Moldova and Ukraine.

The ETF considers that the following are the minimum set of requirements to be taken into account throughout the planning and development of the extended Trans-European Transport Networks:

1. the principle of **SOCIAL, ENVIRONMENTAL and ECONOMIC SUSTAINABILITY**
2. **SOCIAL IMPACT ASSESSMENTS** mainstreamed throughout the strategic planning and implementation of the extended TEN-T. The EU financial assistance for the extended TEN-T must be conditioned by social impact assessments of transport axes and priority projects.
3. clear **MECHANISMS FOR CONSULTATION OF THE SOCIAL PARTNERS**, nationally and regionally

4. guarantee of **SOCIAL STANDARDS** at ‘corridor’ level, to condition the EU financial assistance for the extended TEN-T
5. With regards to specific transport SECTORS:
 - **Rail:** the extended TEN-T will in no way challenge national investment capacity into domestic rail networks and rolling stock
 - **Road:** safe and adequate rest facilities for drivers will be part of the development of the extended TEN-T
 - **Seaports and airports:** the extended TEN-T will ensure adequate integration of seaports and airports without challenging connections with national infrastructure
 - **Inland waterways:** the extension of TEN-T will aim to better integrate the Danube river into the inter-modal chain

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1. The principle of ‘**SOCIAL, ENVIRONMENTAL and ECONOMIC SUSTAINABILITY**’ must be one of the **top criteria of the High Level Group’s methodology to identify and assess major transport axes and priority projects of pan-European interest.**

To this extent, the ETF points out that the TEN-T must be fully integrated into local and regional transport networks. The main axes must support and not challenge access to mobility; to speed up economic development in a context of labour market / social stability and environmental protection; to contribute to regional cohesion. To this extent, in connection with the extension of TEN-T and in order to minimise the risk for deeper regional disparities, the EU should open access, for both Western Balkans and Eastern European countries, to Community financial instruments for regional development in connection with the implementation of the extended TEN-T.

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2. **SOCIAL IMPACT ASSESSMENTS:** the High Level Group must place the ‘**SOCIAL IMPACT** of the TEN-T’ amongst the top horizontal priorities (along with technical interoperability, intermodality, safety and security of transport infrastructure) that back their proposal for both the entire network and the priority projects. **SOCIAL IMPACT ASSESSMENTS** must be carried out at least in conjunction with: a) any further **STRATEGIC** planning and development of the extended TEN-T and b) the **PRACTICAL** implementation of each priority project. The **SOCIAL IMPACT ASSESSMENTS** should include three dimensions: a) the impact on employment; b) the impact on income disparities between social groups; c) the impact on regional cohesion.

The ETF bases its request for Social Impact Assessments on the following:

Previous experience shows that implementation of EU transport networks, even in fairly stable political and economic conditions, has a considerable impact on employment and society at large. It forces opening of markets and triggers structural changes in the context of liberalisation (such as separation of rail infrastructure from operation services); it equally forces a shift in priorities at country level from national to pan-European interest, followed by a concentration of national resources on the latter. Are Western Balkan and Eastern European countries prepared to assimilate these changes? Too little, if one takes into account that:

- the balance between **political stability, sustainable economic development and social stability** is extremely precarious.
- **national transport networks are still organised around a centrally-planned economy**, connecting – usually by means of a dense rail network – large industrial sites and industrial urban centres. Thus, challenging national transport networks means challenging the very way national economies are organised. This means job-loss not only in transport but also in industries which still hold a considerable share in the employment rate. The ETF insists that the Social Impact Assessments will take into consideration this aspect as well.
- **precarious social and labour market condition** diminishes considerably the capacity of Western Balkan and Eastern European countries to deal with the unemployment and redundancies. This may lead to social instability and increasing migration towards the West. Most of the Western Balkan countries show long-standing unemployment rates that exceed 30%. The Eastern European countries however have lower unemployment rates but this is mainly due to the fact that restructuring of big sectors is in an incipient phase. For both groups of countries neither passive employment policies such as unemployment benefits, nor active ones oriented towards retention of active population in the labour markets could be effective in combating unemployment. First and foremost, because social security systems are overburdened. Secondly, because the concerned countries are not economically fit to re-absorb the redundant workforce into the labour market: they are neither in the position to attract at present foreign direct investment, nor can they offer chances for the development of SME-s. To this end one has to point out that in Western Balkan countries, Bulgaria and Romania a series of social programmes targeting redundancies in the railway sector envisage financial assistance with start-up costs for small and medium enterprises. This may have been a success in other parts of the world but will be ineffective in the region, due to a number of reasons - heavy tax policies, lack of credits, lack of good business opportunity and last but not least a general lack of entrepreneurial skills. To the extent that International Financial Institutions are involved in further restructuring of public transport

companies, the ETF strongly recommends that all social programmes associated with the restructuring process to designed in close cooperation with trade unions so that the programmes are realistic and correspond to the socio-economic specificities of the respective countries.

- **Poverty and migration :** the high poverty rates in the respective countries should be a reason for concern the European Union and so should be the fact that migrating and getting a job abroad is and will be a solution largely resorted to. Republic of Moldova offers an astonishing example, with a 2002 official unemployment rate of over 20%, 80% of the population living under the poverty line and 25% of the working age population working abroad. It seems thus that instead of importing capital to develop economically, the EE countries export cheap labour to survive.
- **Both Western Balkans and Eastern Europe show great disparities in terms of economic development, political stability and social wellbeing.** European transport networks have the capacity to reduce or, on contrary, deepen the existing regional differences. Currently, capital cities and ports concentrate by far the bulk of economic activity and wealth. Rail transport has been instrumental in organising the domestic freight transport in this context. Based on past experiences, the TEN-T does have the capacity to challenge secondary networks and therefore links between the existing economic and urban centres and accessibility of rural areas. Closure of local railway lines, reduction of port activity will have severe impact on labour and equally so on population of 'disconnected' regions. To this point the ETF points out that the South Eastern European CORE Transport Network offers a positive example of strategic intra-regional connectivity, to the extent that it provides rail and road connections between nine main Western Balkan cities (amongst which five capital cities) and their airports, the Adriatic ports and the Danube. The ETF strongly recommends for the extension of the TEN-T not to challenge the balanced development of the CORE network by narrowing down the existing priorities to one or two main axes!

3. CLEAR MECHANISMS FOR CONSULTATION OF SOCIAL PARTNERS, at national and regional level. A well functioning transport network very much depends on the reliability of all partners involved. The High Level Group should at this point build on the existing positive experiences, such as attributing consultation roles to priority projects coordinators – as in the case with the priority projects of the revised Trans-European Transport networks – and introduction of clear references to consultation of social partners in the revised versions of the existing pan-European transport agreements – such is the case of the Memorandum of Understanding on the development of South Eastern European transport network, signed in June 2004 by the European Commission and the Western Balkan countries.

To this extent the ETF points out the following: previous and current experience with consultation of social partners during the restructuring of public transport sectors proved that governments persist in applying the same ‘counter-effective’ methods over and over again without seeming to take notice of the fact that workforce redundancies cannot simply remain a backstage issue. Social partners are involved – if at all - only at a very early or very late stage of the process. There where common plans or agreements are in place, they remain only on paper. International Financial Institutions are involved – usually providing technical and financial assistance - governments justify their lack of transparency by largely invoking secret agreements with the IFI-s. All these have led to labour conflicts that have systematically accompanied most of the stages of the restructuring process. Pressure from labour has often resulted in reviews of restructuring plans. The case of Slovak Railway Company stands as example, where the initial number of local lines to be closed down was reduced due to combined lobbying of environmental organisations and trade union action. The 1999 strike action of trade unions in the MAV – Hungarian State Railways was a signal that lack of social support for restructuring measures has great potential to disrupt traffic flows along pan-European transport axes. The cooperation between the ETF and the Corridor IV Secretariat and Steering Committee has proved beneficial to the extent that the human element has gradually become a dimension in organising the Corridor flow, alongside the more technical considerations (optimisation of border crossings, interoperability, harmonisation of technical standards).

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4. Guaranteed **SOCIAL STANDARDS** at ‘corridor’ level, to condition the EU financial assistance for the extended TEN-T. The TEN-T extension must be accompanied by the enforcement and implementation in all countries concerned of EU instruments and international conventions that safeguard social standards and in particular working time legislation, minimum standards of qualification and transport-related safety legislation. This will help prevent unfair competition, access and exploitation of low labour costs. The non-regression clause will be applied all the way through, so that to safeguard better existing social conditions nationally, wherever this is the case. To this end, the High Level Group must recommend and the European Commission must ensure that Western Balkan countries make a priority of the implementation of social Community Acquis and that the EU Eastern neighbours enforce and implement all relevant international conventions – such as the UNECE European agreement on drive and rest time of crews engaged in international road transport (the so called AETR).

5. With regards to specific transport SECTORS the High Level Group must ensure that their proposal includes:

Railway sector - measures to ensure:

- a) that the TEN-T extension is not done at the expense of the national rail networks
- b) that the national railway companies are given the necessary support to invest in both infrastructure and rolling stock.

Once again, we see the danger that heavy investments and national resources will be totally absorbed by the pan-European axes, national governments being left with no choice but to close down local railway lines, outsource non-core activities etc. Jobs, access to mobility, regional growth will be at stake. Previous experience with outsourcing shows how far governments are prepared to go: in Romania one of most recent stages of restructuring touched on the maintenance activities. We believe that this puts at stake operational safety, particularly in the context where transport of dangerous goods on rail corridors is picking up. Investment in modernisation of rolling stock is beyond the financial capacity of national governments in virtually all Western Balkan countries, which considerably diminishes the chances for survival of national operators. This equally affects the capacity of domestic operators to serve the needs of the national economies.

Road transport sector – measures to ensure that safe and adequate rest facilities for long-distance drivers are part of the overall planning and development of the road network. Eastern Europe is in particular vast, with a relatively low density of populated areas. Having in view the considerable length of the future main axes frequent rest sites will be instrumental in keeping down the rate of traffic accidents. Safe and adequate rest sites will reduce the risk of violence against drivers. Both above mentioned will ensure minimum level of safety for drivers, freight, passengers, operation. Poverty may be another risk factor when considering safety and security of transport on South East and Eastern European road axes. All the above mentioned may leave the main road axes underused. Alternative routes – to those crossing both the Western Balkan and Eastern European countries – are in function and it will take more than an impeccable state of infrastructure to attract freight to the newly planned transport corridors. Safety is one of the major factors in the equation, together with other physical barriers such as security, customs service, visa practice – adding more pressure to general working conditions of a driver.

Seaports – measures to ensure full integration of seaports within the extended TEN-T. Seaports heavily depend on connection to the main rail / road axes and will equally depend on a clear definition of the motorways of the sea. Previous EU transport infrastructure policies treat ports as a marginal issues: the European Commission revised guidelines for the development of TEN-T mention seaports only briefly, in connection with the motorways of the sea concept; studies on the development of South Eastern European transport infrastructure admit the widely spread inadequacy of port facilities, the extremely competitive environment offered by the Adriatic Sea and recommend a network concentrated on only a few ports, with the aim to support sea shipping. To this end, the ETF points out that leaving port integration and development entirely up to the market needs will lead to uncontrollable port competition and consequently to reduction of activities in less connected ports further translating into job-cuts and economic decline of port-dependant regions. On contrary, we feel that the substantial potential of seaports – as nodal points - should be used at maximum in the extension of the TEN-T.

Inland waterways – measures to ensure that the Danube is part of the inter-modal chain and further on make the Rhine – Danube corridor functional. The current exercise of connecting the EU with neighbouring countries must be used to boost traffic flow on the lower part of the river, to revive lower Danube regions depending on inland navigation and inland ports. To this point, the ETF emphasises that the Balkan conflict, the embargo and finally the blockage of the Danube have had tremendous socio-economic impact on Bulgaria, Romania, Ukraine. The job loss is almost total in Bulgaria and Romania and considerable in Ukraine. Job-loss has led to illegal, uncontrolled migration of skilled labour to Western European countries. Inland waterways is today a sector deeply market by unfair competition and social dumping. This, adding to the limited capacity for riparian states to control illegal employment practices, has serious safety consequences. Entire regions depending on inland navigation and inland ports are confronted with economic decline.

Airports – measures to ensure that the extension of TEN-T gives air transport a new profile. As the Eastern European neighbouring countries offer potential for long-distance transport, airports will play an important role in attracting logistic hubs and thus good connections to inland infrastructure, both pan-European and national, will ensure that they equally serve the European and national needs and economic interests.

Brussels, 31 March 2005

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