IMPACTS OF THE 2004 ENLARGEMENT IN THE AREA OF TRANSPORT

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1 INTRODUCTION

On 1 May 2004, ten New Member States[3] joined the European Union. These New Member States (NMS) have since been integrated into the internal transport market. The effects of the enlargement in the transport sector are now becoming increasingly visible. To assess the nature and extent of the changes brought about by the enlargement, the European Commission, Directorate General for Energy and Transport, commissioned a consortium consisting of RebelGroup Advisory (The Netherlands), Transport and Mobility Leuven (Belgium) and COWI (Demark) to conduct a study on the impacts of the 2004 enlargement in the area of transport.[4] The study was undertaken in the first half of 2007. In this paper the main outcomes of the study are presented.

In section 2 we outline the methodology used in the study. In section 3 the enlargement process in the area of transport is briefly described, while in section 4 we depict the larger context in which the enlargement process took place. In the subsequent sections we present the main findings for each mode of transport: road, railways and urban public transport, maritime, aviation and inland waterways. We finish with some concluding remarks.

2 METHODOLOGY

The emphasis of the study has been on effects that are related to changes in the regulatory environment in which the transport sector now functions, brought about by the transposition[5] and implementation[6] of the transport chapter of the so-called Acquis Communautaire[7]. Much of this 'Transport Acquis' is aimed at opening up national markets, thus creating an internal transport market for the whole of the EU, and creating a level playing field within this market.[8]

The date of the enlargement, 1st May 2004, is rather recent. Therefore it was too early for a full statistical assessment of the impacts of the enlargement within the transport sector. The statistical information concerning the period after the enlargement is often preliminary or not yet available. Moreover, the statistical data that is available is often not very reliable or incomplete.

Furthermore, it is hard to isolate the precise effects of the enlargement. The enlargement did not occur as one moment; it was rather a process that started long before the official date of entrance. This process has been a continuous one with different paces for different member states and with different paces on

different topics. In addition, it should be noted that the impacts of the transposition and implementation of the Transport Acquis are difficult to distinguish from broader (economic and social) developments and effects brought about by other parts of the Acquis (e.g. in the areas of trade and labour market).

For these reasons a qualitative and pragmatic approach was taken, based on case studies. First, we collected background documents and statistics to identify main trends and focal points for the study. We also held interviews with Commission officials and parties who were intimately involved with the enlargement. This way we explored what are the most interesting developments since the accession. On the basis of this information, 14 suitable subjects for case studies were identified.

The case studies were on:

- Railway sector reform in the Baltic States
- Development of traffic safety, in particular in Hungary and Latvia
- Development of the market for air carriers (Hungary, Latvia)
- Strategic position of road transport and combined transport in Hungary
- Alteration of public transport system in Hungary
- Implementation of port state control in Poland
- Integration of the Polish road transport into EU-market
- Railway sector reform in Poland
- Implementation of the Road Inspectorate in Poland
- Development of the logistics industry in Czech Republic
- Implementation of fleet state control in Malta and Cyprus
- Freight Transport in the Danube Corridor
- The development of railway finances and financing
- Reduction of road transport emission levels due to fleet renewal

Additionally, two workshops were organised in the New Member States: one in Hungary and one in Latvia. On the basis of an analysis of the main trends, the impressions and suggestions we received from the interviews and workshops, and the more detailed information on particular developments and issues collected through the 14 case studies, we drew some preliminary conclusions. These preliminary results were presented at a Seminar in Brussels under the title “Transport and Enlargement”, which was attended by people from the European Commission, national Ministries of Transport, Permanent Representatives of the different countries and various stakeholder organisations. The suggestions and comments we received were incorporated into the study.

3 THE ENLARGEMENT PROCESS IN THE AREA OF TRANSPORT

The formal start of the enlargement process for the NMS, apart from Malta and Cyprus, was the Europe Agreement signed in Brussels in December 1991. The

Agreement put into motion the adjustment of national laws, regulations and policies with the primary objective of future accession to the Union.

In the Essen Summit of 1994, the Council formulated specific tasks of the Commission during the accession process. The main strategy with respect to the accession was based on facilitation, which meant that the candidate countries are assisted in their preparations for integration to the internal market, and to meet the demands of the Acquis. Hence, during the process of enlargement, several programmes[9] for Technical and Financial support were available to assist candidate countries with their preparation for accession and integration into the EU, both at the EU-level and bilaterally (between an existing Member State and a candidate country).

Accession negotiations started in 1998 (Cyprus, Czech Republic, Estonia, Hungary, Poland, Slovenia) and 2000 (Latvia, Lithuania, Malta, Slovakia (and also Bulgaria and Romania)). In these negotiations the progress of transposition and implementation of the Acquis was discussed as well as further plans and actions. For some specific topics it was possible to apply for Transition Periods: a limited period after accession in which a New Member State does not have to comply with a designated part of the Acquis. In 2003 the Accession Treaty was signed, and on 1st May 2004 ten New Member States acceded.

It is interesting to note that the total body of legislation in the Transport Acquis more than doubled between the 1999 and 2004 (from 2896 pages at the end of 1999 to 7780 pages by 2004). This meant that, at the end of the negotiations the NMS were confronted with the obligation to transpose more than twice as much legislation as at the time when negotiations started.

4 THE ENLARGEMENT IN CONTEXT

Apart from Cyprus and Malta, the Member States which acceded in 2004 had an economy based on communist principles until the early 1990s. The economies of these countries entered a period of transition, in which production and consumption levels declined, industries rationalised and investment levels were very low and uncertain. Recovery started, stepwise, by the mid-1990s. Since then, the economies in these countries has grown quite significantly: by about 50% for all NMS between 1995 and 2005 (which compares to about 25% in the 'old' EU-15).[10]

Trade flows between the NMS and EU-15 have increased by approximately one third between 1999 and 2005. These trade flows were facilitated by the Europe Agreements between the EU-15 and candidate countries, which came into force between 1994 and 1999 and established free trade. At the time of accession, remaining restrictions in a few sectors (e.g. foodstuffs, textiles and clothing) were

removed. Also, accession removed the trade barriers that still existed between the different NMS.

Enlargement has prompted some shifting of economic activities from the Old Member States to the new.[11] Many EU-15 firms relocated parts of their production to the New Member States either by setting up affiliates (offshoring) or by purchasing input from local suppliers (outsourcing). New Member States have thus become assembling platforms using inputs imported from the EU-15 and exporting back final goods or input for further processing. As a consequence, the nature of trade between NMS and EU-15 has changed. In the past, trade of NMS was based on export of low-skill, labour-intensive products and import of primary goods and sophisticated consumer goods. Now, intermediate goods and more advanced final goods represent the most important components of the trade flows between NMS and EU-15. As the NMS are slowly developing into attractive consumer markets due to rapid economic growth, they increasingly serve as an outlet for final goods assembled in the production locations in these countries.

The developments described above, have had big impacts on transport. Transport of both goods and passengers has grown significantly since the mid-1990s in the New Member States, and has kept pace with economic growth in these countries.

Road transport has been the main beneficiary of the growth in freight transport: total road freight transport almost doubled between 1995 and 2005. The growth in road transport is partly explained by the changing nature of transport and trade flows. Distribution of goods now takes place in more dense networks, which requires more sophisticated logistics services. Road transport is particularly suited to accommodate these needs. Meanwhile, transport of bulk goods such as steel, coal and ore has declined in the NMS, which has led to a decrease of especially railway transport. Besides road freight transport, maritime transport to and from ports in the NMS has grown significantly: in the period as well.

Also in passenger transport, growth in surface transport has been mainly due to growth in road transport. In terms of passenger kilometres, passenger transport by car has increased by 46 per cent in the NMS between 1995 and 2004, compared to 16 per cent in EU-15. In the same period, passenger transport by railway has decreased by 22 per cent, and passenger transport by local public transport has remained about the same. Together with passenger transport by car, aviation has also grown explosively, and has more than doubled in the NMS between 2000 and 2005.

5 IMPACTS IN ROAD TRANSPORT

The Road Transport Acquis shapes a well-functioning internal market for road freight transport and international bus and coach transport. The Road Transport

Acquis consists of rules that govern among other things technical conditions (weights and dimensions, speed limitation devices, roadworthiness testing), social conditions: (maximum driving hours, working time, rest periods), qualitative standards for access to the profession, standards for drivers' training; safety conditions (driving licences, seat belt use). The Environment Acquis is also relevant for the road transport sector, because of the regulation of vehicle emission standards.

Growth and Competition

Until the date of accession, international road transport was governed by bilateral agreements between the former acceding countries and EU countries. There was a quota system which allocated permits for international trips. Such a permit was required for operators from NMS to enter or cross an EU state and vice versa. With the adoption of the Acquis this situation changed, and the international road transport market was liberalised. This enabled rapid growth, especially in the New Member States. Immediately after the opening of the international market, NMS road operators increased their market shares from the regulated 50 per cent to over 90 per cent on some relations. Here, the lower production costs (mainly due to lower wage costs) of NMS operators led to a competitive advantage. In Poland for instance, the number of vehicles engaged in international road transport grew from 3-7,000 vehicles in 1990, to 40-50,000 vehicles in 2004, to approximately 100,000 in 2005.[12]

The strong growth in transport volumes has made effective enforcement of European legislation on driving hours, roadworthiness, weights and dimensions, etc. more difficult. NMS had only recently instituted their inspectorates and had limited means available for the execution of their tasks. As a consequence, regulation is not uniformly applied and a level playing field for the road transport sector still does not exist in reality. It should be noted however, that also in EU-15 countries uniform application and enforcement is still often troublesome.

The disappearing of borders within the EU has had a direct impact on the operational efficiency of transport services. Customs handling time and particularly the waiting times at borders commonly cost delays of two hours on mid-weekdays and up to eight hours on Mondays and Fridays. Traffic was highly concentrated on Mondays and Fridays because of production schedules and because of weekend bans for freight traffic. Rigidities due to limited opening hours of customs offices or e.g. veterinary or in vitro checks also contributed to the inefficiency. On average, the waiting times of trucks at borders comprised between 15 and 25 per cent of the weekly operating times, which has now been marginalised. Moreover, efficiency in international road haulage has improved because of increased competition. A side-effect of the former quota system was that it protected incumbent firms, causing inefficiencies to persist and allowing for unbalanced profit margins in the transport sector.

Changes in Industry Structure

The structure of the road haulage markets in most of the NMS has typically developed from a few large state-owned companies before the fall of the iron curtain to a very fragmented road haulage market in the late 1990s. Former large state-owned companies were dissolved or privatised, and meanwhile the road transport profession attracted many who had experience as drivers in e.g. agriculture or the army. Hence the market in the NMS in the mid-1990s consisted mainly of small companies, most commonly single-truck owners who also drove a truck. Many had started their companies with old equipment, with no particular certification and with little capital. Many of these small operators in NMS were not able to meet the requirements of the Acquis on especially financial standing, professional competence and technical conditions. Hence, enlargement led to a big 'shakedown' among operators. Many other small operators decided to join large companies as employees or as full-time sub-contractors.

These developments have led to large decreases in the number of road transport companies. For instance, it is estimated that in 2004, the total number of companies engaged in road transport (both domestic and international) in Poland decreased by a third compared to 2002. In Hungary, the number of companies in domestic transport decreased by 14 per cent as a consequence of accession.[13] It should be noted that the market in both countries remains quite fragmented. In Poland, 74 per cent of operators own one to four vehicles and employ up to five people[14], and in Hungary 66 per cent of companies are capital-scarce, self-employed operators.

Already well before accession, many large logistics companies from EU-15 settled in NMS, either by establishing greenfield operations, joint ventures or through takeovers. This was in a period when the large EU-15 logistics companies could benefit from the fact that companies in the NMS were not yet capable of offering full logistic services to large clients. Moreover, in contrast to small NMS operators, EU-15 logistics companies had access to capital and could make the necessary investments in new equipment, warehouses, ICT systems, etc. Expansion to NMS was also furthered by the movement of many international clients to Eastern Europe, establishing plants or distribution centres in NMS. EU-15 logistics companies had proven expertise in advanced logistic services, which was required to serve the high standards their clients demanded.

The presence of EU-15 companies in NMS has been instrumental in the ongoing development of the road transport sector into a professional logistics services industry. Many NMS road transport companies served as subcontractors to foreign logistics companies. They now still often have these international logistics companies as their clients, but some have also successfully evolved into international full logistics service providers.

Labour Market Effects

Before 2004, there were concerns within the EU-15 that their markets would be overrun by cheap hauliers from NMS as soon as they entered the EU. In 1998, the wage costs per truck of an EU-15 operator were on average five times those of an NMS haulier. The concern was that NMS drivers would substitute more expensive EU-15 drivers, and that NMS companies would take a large share of the market. These concerns existed for international transport, but they also existed for domestic transport through cabotage. It was anticipated that this would lead to job losses in the EU-15. Hence, in the accession negotiations, the Council decided on a Transitional Period denying operators from most NMS the right of cabotage for several years after accession.

Some of these expectations have proven to hold true on bilateral transport relations between the EU-15 and NMS. The number of EU-15-drivers in international road transport between EU-15 and NMS declined considerably because of their relatively high costs. NMS drivers also obtained a share in international flows between EU-15 countries, albeit on a lower scale. However, the loss of market share of EU-15 drivers in international road transport has not led to major disruptions. This is because the demand for road transport services has increased sharply within the EU-15, which meant growing demand for drivers in domestic transport. EU-15 drivers have also become less keen on working internationally because of the long hours and long periods away from home. This has caused a decrease in the supply.

Also in the NMS, the labour market has become more strained. Until a few years ago, hauliers did not have to put much effort into finding qualified personnel, but now it has become more difficult. There are now even reports of shortages in the labour market. Salaries have risen as a consequence. However, the gap to salaries in EU-15 countries remains sizeable: drivers in NMS earn on average only 40 to 70% of what drivers earn in EU-15 countries.[15]

Environmental Impacts

The EU vehicle emission standards are intended to reduce traffic emissions. Until now, the improvement of the technical state of the vehicle stock in NMS has not kept pace with the increase in mobility. This is because the emission standards are posed on new vehicles only, and the rate of fleet renewal in NMS has been rather low. The fleet composition is comparable to EU-15 levels only in international commercial transport. For private cars and in commercial national transport sectors, the average age of vehicles is well above EU-15 levels. For example, in Latvia almost 80 per cent of the vehicles – commercial and private – are over ten years old, compared to approximately 30 per cent in Germany. As a consequence of the disappearance of restrictions on the import of cars, many second-hand cars were brought to the NMS from the EU-15. Furthermore, vehicles tend to have longer life spans in NMS.

In most NMS the trend of increasing emissions from transport is bending for particle matters (PM), carbon monoxide (CO), sulphur dioxide (SO2) and volatile organic components (VOC) and nitrous oxide (NOx). However, emissions from carbon dioxide (CO2) are linearly dependent on fuel consumption and are therefore following the increasing trend of mobility in NMS.[16]

6 IMPACTS IN RAILWAY TRANSPORT AND URBAN PUBLIC TRANSPORT

The most important element in the Rail Transport Acquis is the implementation of the 'first railway package' and the preceding legislation of the 1990s. Important elements are:

- Separation of accounts between rail transport operations and infrastructure management;
- Separation of accounts between freight and passenger services;
- Separation between the essential functions of capacity allocation, infrastructure charging, licensing of railway undertakings, and monitoring of Public Service Obligations;
- Foundation of an independent regulatory body;
- Granting of infrastructure access rights for international freight services on the trans-European rail freight network;
- Levying of charges for the use of infrastructure, with minimum charges covering marginal costs.

The 'second railway package', adopted literally on the eve before accession in April 2004, contained further legislation for interoperability and safety management.

The Acquis also offers guidelines on state aid which is quite relevant to railway transport and public transport. Compensation of losses to operators or subsidies by the state are not allowed, except when this is arranged beforehand through Public Service Contracts (PSCs). The European regulatory framework also affects rail and public transport by rules on contracting and procurement.

Prominence and Decline

The traditional NMS rail sector consisted of a single state-owned organisation running both infrastructure management and transport operations, both freight and passengers. Effectively, the Ministry of Transport was in direct control of railway strategy and operations. The railway sector in the NMS was furthermore shaped by the former communist government structures. Railway organisations were characterised by extensive 'social labour'. Railway companies also often engaged in activities not directly related to railway transport, as they usually owned schools, hospitals, leisure facilities, apartment buildings, etc.

Railways in the NMS historically had a prominent role in transport, which is reflected in a high modal share and a very extensive network in comparison to the EU-15. After 1989 however, the Central and Eastern European countries observed a sharp drop in the demand for rail transport, as transport volumes decreased by 50 per cent. This sudden change was caused by a decrease in the demand for transport of bulk goods, as heavy industries declined and disappeared, and private car ownership and use steadily increased. The high cost base, extensive declines in transport volumes, high expenditures for rationalisation and reorganisation, and insufficient possibilities to close down unprofitable operations (as companies were expected to maintain similar levels of service) caused serious financial problems for railway companies in the NMS. Equity capital declined from a total of approximately 28 billion euro in 1995 to only approximately 4 billion euro in 2004. On the other hand, debts rose from approximately 2,7 billion euro to 12 billion euro in the corresponding period.[17]

Railway Reform

Plagued by these problems, the necessity of reform and restructuring in the railway sector was well understood in the NMS. Hence the transposition of the railway reform measures into national legislation in NMS went smoothly. Some of the NMS were actually faster to transpose the Railway Transport Acquis than EU-15 states, although they began the process earlier. For instance, market entrance of new rail freight operators in NMS is on a par with EU-15 countries (although their share remains modest on average).

Nevertheless, on several important points implementation of the Acquis is still lacking in NMS, which also causes some of the problems in the railway sector to persist. Railway companies in NMS are still forced to operate many lines that cannot be profitably exploited. Public Service Obligations have so far been inadequately supplied for these lines, leading to extensive losses for railway companies. It is estimated that these losses now amount to approximately 0.4 billion euro per year.[18] Furthermore, the infrastructure charges to freight traffic tend to be high in NMS (compared to both infrastructure charges for passenger trains, and charges in EU-15 countries).[19] According to EU rules, marginal maintenance costs should be the guiding principle for determining the charges. Hence, part of the differences in the charges for freight and passenger transport can be explained by differences in marginal maintenance costs, i.e. heavier freight trains causing higher maintenance costs However, most likely the big differences in charges for passenger and freight railway transport are an indication of cross-subsidies from freight transport to passenger transport. Loss-making (regional) passenger services which are not adequately compensated under Public Service Obligations appear to be supported by low infrastructure charges, at the expense of high charges for freight services.

Impacts in Combined Transport

Before the accession, rolling highway services – complete trucks on the train - were an important market in Central Europe. This type of combined transport has nearly disappeard since accession, however. Before, the rolling highways were used by road hauliers as a way of circumventing the former restrictive system of permits and of avoiding the costly waiting times at borders. In the current liberalised road transport market, the services appear not to be competitive in terms of quality and price (high access charges being an important factor), and have collapsed. In Hungary, for instance, the number of trucks forwarded by train of Hungarian nationality dropped from 33,581 to 8,984.[20] No corresponding drop was recorded for trucks of countries that had not yet joined the EU (Romania, Bulgaria, Turkey, etc.). Other types of intra-European combined transport services have hardly developed. The general observation is that the speed and reliability which services can attain in international corridors in NMS has been insufficient and prices are not competitive to road.

Impacts in Urban Public Transport

Budget cuts and increased private car ownership influence the position of public transport operators in the NMS. As in the railway sector, many NMS have difficulties in compensating operators for loss-making Public Service Obligations. Authorities are reluctant to raise tariffs or limit the number of people (pensioners, students, etc) who can travel at reduced tariffs. Most public transport services in NMS have so far not been tendered. In cases were public transport services have been tendered, experiences have been mixed so far. Some tendering processes have ensured more transport for less money. However, also ‘cherry picking’ by private operators and undesirable competition between bus and (loss-making) railways was reported. This is a consequence of private operators being allowed to access the market, while at the same time state-owned enterprises are still obliged to maintain loss-making services and apply low tariffs for pensioners, military staff, students etc.

7 IMPACTS IN OTHER MODES OF TRANSPORT

In maritime transport, aviation and inland waterways some transnational regulation through IMO and ICAO was already in place for the NMS before the enlargement process started. Nevertheless, the Acquis ensures a coordinated and harmonised application of these regulations. On some topics such as maritime safety, liberalisation of air transport, and market access for inland waterways, far reaching European legislation exists. It is on these topics that the impacts have been biggest.

Maritime Transport

Maritime transport to and from the ports in the NMS increased by 25% in the period between 2000 and 2004, while this was only 12% in ports in EU-15. A significant advantage to NMS-ports since accession is that international hinterland transport is without borders, particularly in road transport. This helped e.g. the Port of Koper (Slovenia) in attracting container services in connection with Germany and Austria. Moreover, Malta and Cyprus are both among the top ten most important merchant fleets in the world. With the accession of Malta and Cyprus, the European maritime fleet grew by approximately 50 per cent.

The most important effects of the enlargement in maritime transport were in the field of maritime safety. Under the Memorandum of Understanding on Control of Ships by the Port State (Paris MoU) of 26 January 1982, a black-list is maintained, indicating the risk of unsafe ships, depending on the observed status of the fleet. Before the accession negotiations, Malta and Cyprus were both so-called open registry flag states, without high demands in terms of the age and state of vessels, quality of crew, safety measures, living conditions on board, etc. They were both on the blacklist of the Paris MoU. In the years before accession, Malta and Cyprus have intensified Flag State Control by increasing the number and quality of inspections of ships, strengthened the registration criteria, and improved their administrative systems. They have now been removed from the black list. As a consequence, the size of the Maltese and Cypriote fleets has decreased by approximately 19 per cent and 17 per cent respectively, while for instance the Greek fleet grew by approximately 15 per cent in the same period. Low-quality ships have had to leave the Maltese and Cypriote registers and new, high- quality ships have entered. There are concerns however that owners of substandard ships, which are no longer accepted in the Maltese and Cypriote registers, have found alternative registers in EU. The Slovakian register for instance had a fleet of less than 20 vessels in 2002 but has now expanded to over 200 vessels, while the staff for enforcement of Flag State obligations has hardly increased. Slovakia is now on the Paris MoU blacklist.

Aviation

The core of the Acquis in air transport consists of rules on market access to facilitate a level playing field, both at airports (e.g. regulations concerning airport slots, groundhandling services) and in the sky (e.g. access to air routes, procedures for licensing of air carriers, mutual acceptance of personnel licenses, etc.). Partly as a consequence of the liberalisation forced by the accession process, there has been a steep growth of air transport in connection with all the NMS. Between 2000 and 2005, air traffic in NMS in Central and Eastern Europe (CEE) more than doubled, while the growth figure for the EU-15 was 25 per cent. Airports in Central and Eastern Europe – not only NMS – experienced an average 22 per cent increase in passenger traffic in 2005 compared to 2004.[21]

The structure of the air transport market in the NMS in the pre-accession period was characterised by dominating national carriers. Apart from Malta and Cyprus, where air traffic was well developed, hardly any low-cost carriers were active. With accession, restrictions through bilateral agreements limiting the number of flights, have disappeared. Especially low-cost carriers (LCCs) have benefited from this. Local low-cost carriers, such as Wizz Air and SkyEurope, have sprung up several years before the actual accession (2002/2003). But also the major Western LCCs, such as Ryanair and easyJet, started operating to CEE. This has meant fierce competition for the traditional flag carriers in the NMS, some of which have also entered the low-cost market with subsidiaries of their own; e.g. LOT with Centralwings. In Hungary for instance, the 100 per cent growth in the number of seats on offer in the period 2003-2005 was almost entirely due to LCCs. Flag carrier Malev had a constant number of seats on offer, while other flag carriers from other countries in Hungary experienced a growth of approximately 20 per cent. Low-cost carriers however, which were not present in 2003, had gained a market share of approximately 45 per cent by 2005.[22]

Also privatisation in the NMS of airport and airlines is well underway. The rapid growth necessitates new investments and more sophisticated know-how. Privatisation is an attractive option to bring in needed capital and expertise. Budapest Ferihegy was privatised in 2005 and is now owned by Hochtief Airport. In 2006, the Slovakian government sold 66 per cent of its shares in the Bratislava and Kosice airports. Malev was privatised at the beginning of 2007. In 1999, the Polish government supported the sale of 25.1 per cent of LOT's capital to Swiss Air Group. In the Baltic States the national air carriers have also been partly privatised.

Inland Waterway Transport

The two main corridors in the inland waterway system connecting the EU-15 and NMS are The Danube corridor, linking South-east Germany with the Black Sea, and the east-west corridor, connecting the Rhine via the North-German canal system with the Oder and Elbe and thus with Poland and the Czech Republic. The opening of the Main-Danube Canal in 1992 linked the Danube and Rhine waterway systems. The upper Danube, Oder and upper Elbe have low water levels for long parts of the year, which makes economic operation difficult. Moreover, international traffic over the Danube was hindered by the Yugoslavia crisis (1992-1995). The destruction of the bridges in Novi Sad by NATO-bombing in 1999 again held back transport over the Danube until 2005. Moreover, the inland waterway transport market in NMS went through a profound restructuring process in the 1990s, when the few large state-enterprises were split up and privatised. Meanwhile, demand for inland waterway transport dropped, largely due to the economic transformation processes. In recent years however, the demand for inland navigation has been re-established, benefiting from economic

recovery and from the removal of the blockade of the bridge in Serbian Novi Sad in 2005.

The Acquis for inland waterway transport is mainly related to the access to the market. Carriers have the right to carry out transport operations between Member States, in transit and in cabotage. Inland waterway vessels have to obtain a Community certificate however to certify that they comply with common technical requirements. A separate certificate exists for navigation over the Rhine. The impacts of the enlargement in inland waterway transport appear to have been small so far. The cost levels of Danube operators are far below levels of Rhine operators, which keeps Rhine operators out of Danube traffic. Moreover, many Rhine vessels have deeper water draughts, which makes access to the more shallow rivers in the NMS difficult. Likewise, the technical condition of most of the Danube fleet is not sufficient for Rhine traffic, which keeps NMS operators from the Danube states out of Rhine traffic.

8 CONCLUDING REMARKS

The transport sector is vital for achieving several of the cornerstones of the European Union: The freedom of movement of persons and the freedom of movement of goods. The functioning of the transport sector within the EU is indicative of the degree to which integration has progressed. The adequate functioning of the transport sector is therefore of great importance. The 2004 enlargement has by and large been a success in the area of transport and has contributed in no small way to the integration of the NMS into the EU-15. The legal framework of the NMS is now to a large extent aligned with the latest EU legislation. However, the establishment of effective institutional and organisational structures that ensure its application and enforcement is still lacking on some important topics. This means that a level playing field – the main aim of European legislation – is no more than a paper reality for certain issues.

On a general level, the transport sector in NMS is starting to exhibit the same patterns as the transport sector in the EU-15 (with concomitant problems, such as congestion and environmental effects). The adoption and implementation of the European legislative framework seems to have stimulated and accelerated this development. Road transport, air transport and maritime transport have benefited from the liberalisation and level playing field brought about by the enlargement. For railway transport and urban public transport on the other hand, enlargement has not meant a way out of their vulnerable position. The introduction of competitive forces within these modes is only proceeding slowly, and seems rather to have exacerbated operational and financial problems in the short run. Enlargement has furthermore inadvertently caused the collapse of intermodal transport services, particularly rolling highways.

NOTES

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2. RebelGroup Advisory is a financial and economic consultancy located in Rotterdam, The Netherlands. For more information, see www.rebelgroup.nl.
3. Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia.
4. The study is available at: http://ec.europa.eu/dgs/energy_transport/international/studies/index_en.htm
5. Adoption of EU legislation into national legislation.
6. Process of administrative and business efforts for ensuring that the adopted EU legislation is applied and enforced in practice.
7. The total body of EU legislation.
8. The study did not go into the effects of European funds for Trans-European Transport Network (TEN-T) projects.
9. Such as TAIEX, PHARE (which also included the so-called Twinning Programme) and ISPA.
10. Source of the statistics cited is Eurostat / Statistical Pocketbook Transport 2006, unless otherwise indicated.
11. European Commission, DG ECFIN (2006*): Enlargement two years after: an economic evaluation.*
12. Polish Ministry of Transport.
13. Hungarian Road Transport Association
14. Polish Information and Foreign Investment Agency (2006): *Poland's Logistics*.
15. European Commission (2007): *Impact assessment of legislative proposals on the access to the occupation and the access to the market*, SEC(2007) 635/2
16. TREMOVE model runs, available through www.tremove.org.
17. CER (2006): *Financing rail transport in Central and Eastern Europe: It's time to show the colour of the money*.
18. CER (2007): *Fact sheet, Why imposed under-compensation leads to the collapse of public service transport*.
19. ECMT (2005): *Railway reform and charges for the use of infrastructure*.
20. KTI – Institute for Transport Sciences, Hungary.
21. Cathy Buyck: 'Rising in the East', *Air Transport World*, May 2006.
22. Association of European Airlines (2005): *European Enlargement – One year on*.