



CER Hungary Közép-Európai Árufuvarozási  
Kereskedelmi és Szolgáltató Zrt.  
1097 Budapest, Könyves Kálmán krt. 16.  
Tel: (+361 ) 476-3486 Fax: (+361) 476-3488  
Cégjegyzékszám: Cg.01-10-045138  
E-mail: cer@cer.hu  
Web: www.cer.hu

Public letter to Mr. Siim Kallas, Vice-President - Commissioner for Transport and Mr. Joaquín Almunia, Vice-President - Commissioner for Competition

EU member states are subsidising state-owned rail freight companies with taxpayer funds in order to allow them to keep operating on the open market. This practice can hardly be considered reasonably competitive; it discriminates against the private freight companies and is consequently disadvantageous for the end customer.

The European Commission demonstrates no obvious objection to this and this can be interpreted as acquiescence.

Dear Commissioner,

We would like to draw your attention to a discriminatory process being undertaken in the rail freight market, which artificially widens the gap between road and rail transportation.

Since the liberalisation of the railways over the past ten years or so, rail's share of the freight market has not grown significantly. Despite the EU Commission's proclamations of a vision of a liberalised European transportation market, free from restraints on competition, it is ignored by its member states. Principles of free movements of goods and developed by the EU may also be compromised. Certain member states prefer to maintain their personal interests in their state-owned carriers. This fact has been observed by several market analyst publications.

This summer the EU took some measures in respect of inconsistencies in the rail market's liberalisation; procedures were initiated against more than 20 member states on the basis of failure to execute specific provisions of the 1st Railway Package. Thirteen member states were cited to the European Court.

Despite this, certain practices which can hardly be considered reasonably competitive, at both state and EU levels inaccessible yet by legal means, prevail. These practices severely restrict the ability of smaller private freight companies to operate freely within this market and, because of this, the end customer suffers from all the disadvantages that an uncompetitive market offers.

The true market conditions can be evaluated on the basis of market indicators; publicly available reports demonstrate that most of the major state-owned railway companies operate with massive losses that are underwritten by EU and state subventions. Reports on private railway operators show their struggling with decent results achieved in fair competition. Support allows state-owned cargo companies to aggressively and unprofitably undercut private company prices and so drive them out of business.

There is further evidence of the huge state-owned railways externalising costs onto third parties not directly engaged in the business. Companies that have such means



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at their disposal have little incentive to compete fairly and operate as efficient businesses. The taxpayer not only effectively bankrolls these businesses, but is then consequently denied the benefits of a genuinely liberalised market.

Thus, the goals of the liberalisation of the rail-freight market ie the fundamental principle of free movement of goods, are significantly compromised. The market is diverging away from one free of restraints on competition and we consider this to be the most significant contributor to its stagnation over the past decade.

The following questions arise from these observations: For how long can such non-market friendly activities be tolerated? Is the status quo in our common interest? For how long should the huge state owned monopolies be allowed to crush the smaller private operators? Is there real intent to liberalise the rail freight market?

There is an alternative way: By resolutely pursuing the proclaimed principles of the EU, the provisions of the Railway Packages, the ideas and practices of free market competition and its legal framework, we can stop such adverse practices.

With the collective and concerted efforts of market participants committed to the principles of the genuinely free market (ie private operators, decision makers at EU and state levels, customers, professional organisations etc.) we can remove the barriers to the development of a more beneficial market.

We believe that the privatisation of the state owned railway groups could be the most expedient way to reach a solution; this would prevent them from buying market share with tax payer funds and occupying dominant market positions by unfairly handicapping minor private operators.

The goal of this letter is to encourage the principles of free movement of goods across the entire European Union, within each member state, and thereby the liberalisation of a rail-freight market, free from anticompetitive restraints.

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László Horváth  
Chairman of the Board  
CER Hungary Zrt.