OPTIMISTIC BIAS OF RAIL BALTICA MEMBER STATES VS REFERENCE CASES OF COUNTRIES WITH HSR: OUTSIDE VIEW ON SOCIAL-ECONOMIC INDICATORS

Olga Piterina

PhD candicate

Baltic International Academy

HSR LINES MAP (EUROPE)

RESEARCH PURPOSE

The Rail Baltica construction project is an integral part of the pan-European TEN-T project, and great hopes are pinned on the implementation of this project in the participating countries.

It should be noted that for decision makers, planning of such a complex and only joint project is a unique and unprecedented experience. Exactly in such cases, all the attention is focused on the project itself and its details, without any comparison being made to similar projects in other countries. The presence of imaginary forecast scenarios of the Rail Baltica project only distracts the attention of decision makers from the relevant statistics of already implemented HSR projects and misleads them, giving excessive optimism in the plans for the implementation of such a non-standard international project in the Baltic region.

The purpose of this study is to evaluate the real capabilities of the Rail Baltica project based on an outside view (Kahnemann & Tversky, 1979). To achieve this goal, the author, through a comparative analysis of statistical data of a number of socio-economic indicators of countries that already operate HSR, and Rail Baltica Member States (RBMS), identified the main factors and their parametric characteristics that affect the viability of HSR projects.

GENERAL SOCIAL - ECONOMIC INDICATORS OF COUNTRIES WITH HSR

	Country	Population			Area	Population density	Average salary	Country's rating on the world economy ranking (nominal)	GDP (nominal)		Number of visiting tourists per year
		TOTAL	Urban	Capital city					TOTAL	Per capita	
	Unit of measurement	Mln. people	%	Thousand people	Thousand km2	People per km2	US dollar		Billion US dollar	US dollar per person	Mln. people
	1	2	3	4	5	6	7	8	9	10	11
EU*	Austria (AT)	8955	58.7	1901	83,9	108.7	2173.93	26	455.3	51 500	30.8
	Belgium (BE)	11539	98.1	2050	30,5	381.1	2184.57	23	542.8	47 472	9.1
	Denmark (DK)	5772	88.1	1321	42,9	136.0	3306.54	37	355.7	61 391	12.7
	France (FR)	65130	81.0	10901	643,0	118.9	2149.63	6	2 778,0	41 470	89.4
	Germany (DE)	83517	77.5	3552	357,1	239.6	2550.96	4	3947.6	47 616	38.9
	Italy (IT)	60550	71.0	4210	301,3	205.9	1541.23	8	2 084,0	34 489	61.6
	Netherlands (NL)	17097	92.2	1132	41,5	507.0	22668.11	17	914,0	53 022	18.8
	Poland (PL)	*37888*	60.0	1768	312,7	123.7	795.37	21	585.7	15 422	19.6
	Spain (ES)	46737	80.8	6497	505,9	93.7	1454.97	14	1419.0	30 324	82.8
	Sweden (SE)	10036	88.0	1583	450,2	24.5	2574.56	22	556.01	54 651	7.4
	United Kingdom (GB)	67530	83.9	9046	242,5	279.1	2282.63	5	2855.3	42 962	36.3
OTHER	China (CN)	1433784	61.4	19618	9 597,0	152.7	952.97	2	13608.1	9 771	62.9
	Japan (JP)	126860	91,8	37468	377,8	348.0	2651.55	3	4971.3	39 290	31.2
	Republic of Korea (KR)	51225	81.4	9963	100,2	526.8	221 367	12	1619.4	31 380	15.3
	Switzerland (CH)	8591	73.9	422	41,3	217.4	5676.90	20	705.4	82 829	11.7
	Turkey (TR)	83430	76.1	4919	784,0	108.4	430.75	19	3771.3	9 370	45.8
	Uzbekistan (UZ)	32982	50.4	2464	443,9	77.5	230.92	86	50.5	1 532	5.3
RB*	*Latvia (LV)*	*1907*	68.3	637	64,5	30.7	852.17	99	34.4	17 855	1.9
	Lithuania (LT)	*2760*	68.0	536	65,3	44.0	912.74	84	53.4	19 071	2.8
	Estonia (ET)	*1326*	69.2	437	45,3	31.3	1237.03	101	30.7	23 247	3.2
	Data Source:		**UN**		**IMF**		**ILO**	**IMF**	**IMF**	**IMF**	**UNWTO**

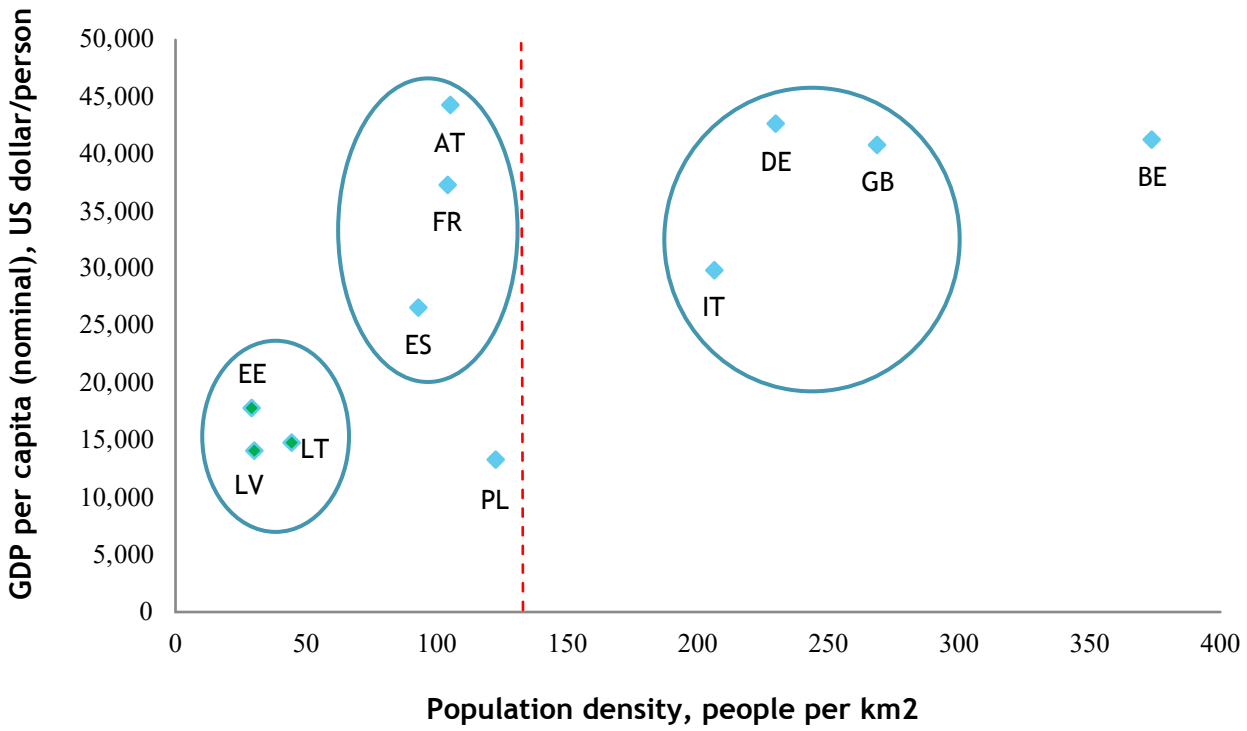
*Note** *EU - European Union, RB - Rail Baltica*

GENERAL SOCIAL - ECONOMIC INDICATORS OF COUNTRIES WITH HSR

The analysis of Table 1 indicates that the average image of a country capable of ensuring the effective functioning of the HSR has the following characteristics:

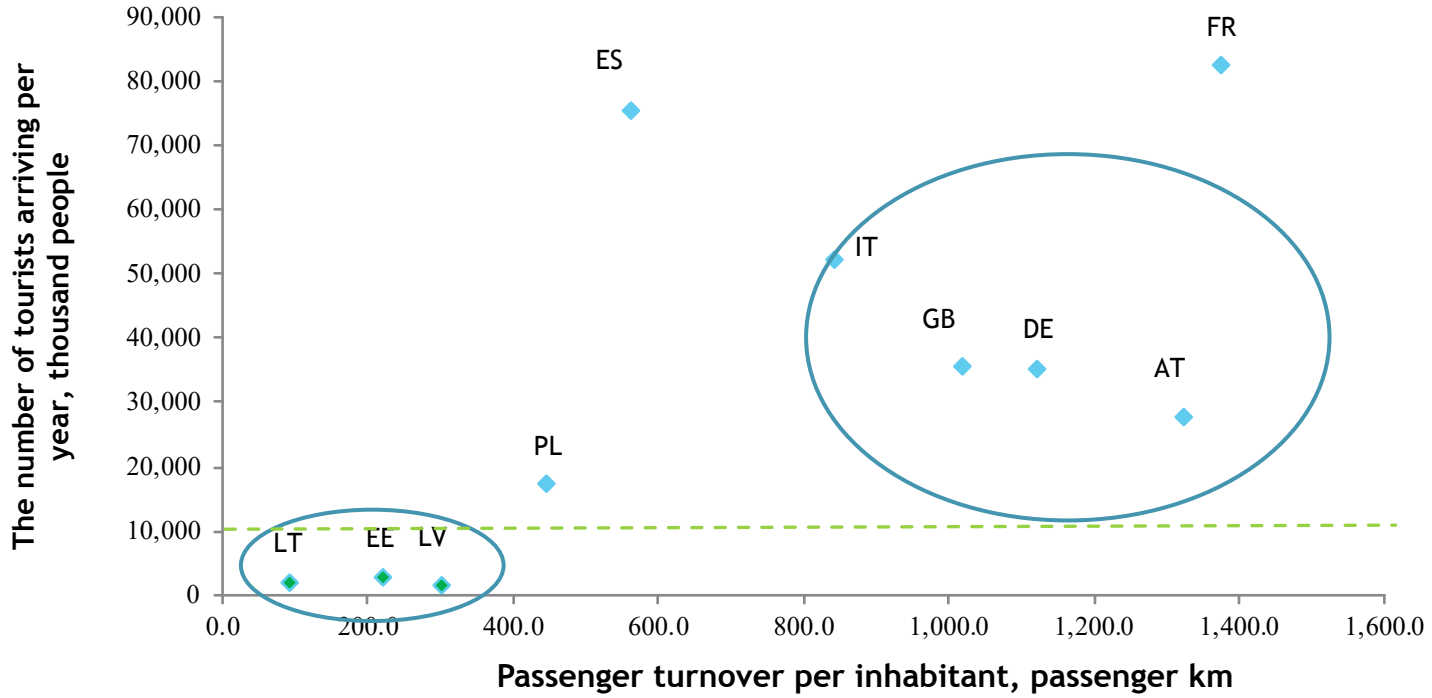
Population:	~	**10 million people**
Density:	>	**100 people / sq. km**
Nominal GDP per capita:	>	**30,000 US $**
Number of incoming tourists:	~	**10 million people per year**

ALIGNMENT OF THE COUNTRIES ACCORDING TO THE POPULATION DENSITY AND GDP



As can be clearly seen from the diagram, population density indicators, combined with the size of GDP per capita, in the countries operating HSR are more than two times higher than those of the Rail Baltica project Member States, and the population density of the Baltic states is four times less than the average population density in the European Union.

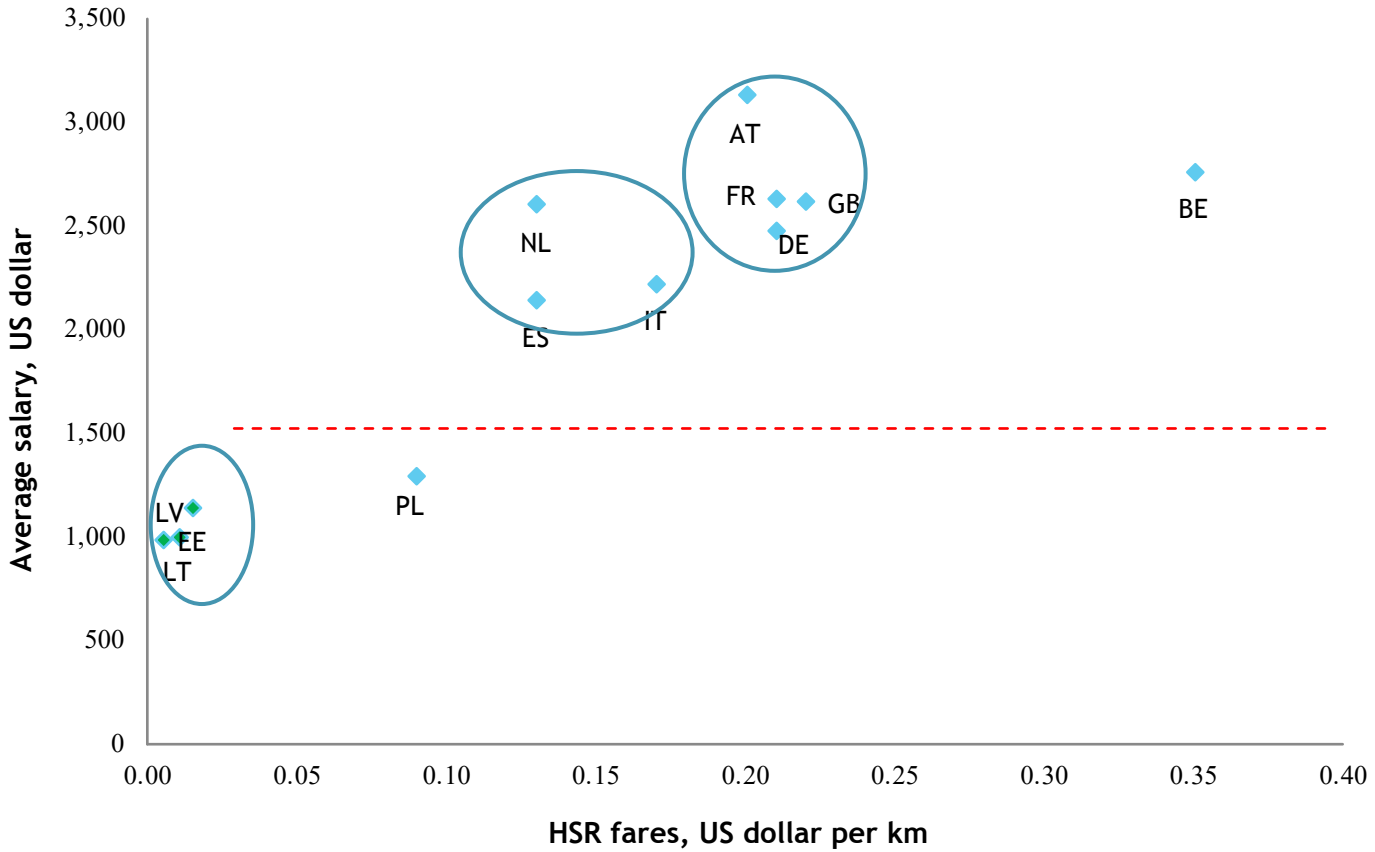
THE RATIO OF THE NUMBER OF TOURISTS AND PASSENGER TURNOVER



An important indicator for forecasting the demand for HSR is the number of tourists entering the country. According to the UNWTO, in countries operating the HSR, this figure exceeds the mark of 10 million people.

In Rail Baltica Member States, the number of tourists arriving is 3.5 – 5 times lower than this threshold in the “club of the HSR countries”.

THE RATIO OF AVERAGE SALARY AND HSR FARES



When forecasting the passenger flow of the Rail Baltica project, the ability of the population of the countries participating in the project to recover the costs of the project, expressed in the price of its services, was not taken into account. As can be seen from the diagrams, Rail Baltica Member States, with the average monthly salary level that is almost two times lower than in the EU countries with HSR, can have serious problems with the price aspects of the project.

THE MULTIPLIER EFFECT OF THE RAIL BALTICA PROJECT

Speaking about infrastructure projects, it *apriori* implies the presence of multiplier effects expressed in the creation of new jobs, ensuring the overload of production capacities associated with the construction of such large-scale projects and the development of new technological industries. In addition to this, it is necessary to take into account the importance of providing any HSR project with cheap and clean electricity.

Two of the three Rail Baltica Member States are already energy-deficient today, and the third has a high carbon emission index. Metal products for the project will be supplied from third countries, due to the lack of domestic production, as well as rolling stock. The capacities of cement enterprises are sufficient only in the Republic of Lithuania. Since 2008, 5 cement manufacturing companies have stopped working in Latvia.

This means that even the budget part of the Rail Baltica financing will be directed to the development of economies of countries exporting materials, technology and equipment for the project, respectively, and the multiplier effect of this project in the participating countries will be minimal.

CONCLUSIONS

As a result of a simple comparative analysis based on an outside perspective, it was determined that the existing socio-economic indicators of RBMS will not be able to ensure enough efficiency of the new HSR line in terms of passenger traffic. In this regard, the taxpayers of these countries will be forced to provide funding for the functioning of the new line for decades , if the policy of the decision makers of RBMS continues, without taking into account the strategic transport programs for the development of each participant, tariff manoeuvring of competitive modes of transport and the interests of taxpayers.

THANK YOU FOR YOUR ATTENTION!