Transport Area of Florence School of Regulation (FSR)

19 March 2012

4th European Rail Transport Regulation Forum

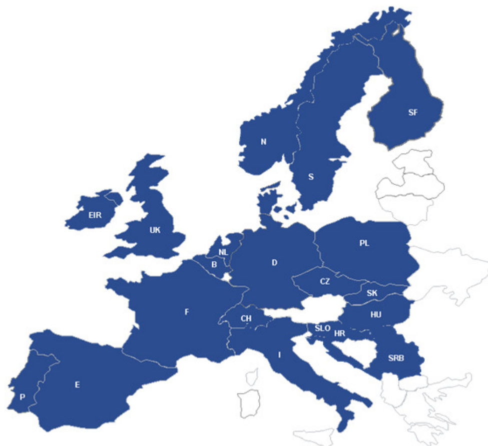
20 Years of Rail Liberalisation in Europe: Key Lessons and Future Prospects

Jan Möllmann,
Secretary General

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net

PROFILE

- Founded in 2006
- 9 largest private public transport
- companies in Europe
- Min. 80% of business won in competition qualify for membership
- 75 000 vehicles operated
- 255 000 employees
- 12 bn passengers/year
- Services in 22 EU countries
- Network with all other private sector associations



Objectives

Development of a competitive market structure

Support the opening of the passenger transport market for competition

Watch, monitor and push for fair market development

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net

EVALUATION OF LIBERALISATION IN THE TRANSPORT SECTOR (1)

Current White Paper on Future of Transport

- "…more **competitive and sustainable transport system**…"
- "…A Single European Transport Area should ease the movements of citizens and freight, **reduce costs and enhance the sustainability** of European transport.…"
- "**Open the domestic rail passengers market to competition**, including mandatory award of public service contracts under competitive tendering."
- "…**The area where bottlenecks are still most evident is the internal market for rail services**…a true internal market for rail services…"
- "Diversified sources of **finance both from public and private sources are required**."

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net

EVALUATION OF COMPETITION IN THE TRANSPORT SECTOR (2)

Two main reasons for competition

Increase public transport market share through

- Customer orientation
- Quality

Controlled costs through

- increased efficiency and
- increased reactivity

Pioneer milestones for liberalisation and competition in Public Transport

(were decided at national levels)

- Liberalisation of public transport from 1986, initially in the UK and in Scandinavia.
- Privatisation and full liberalisation of the bus market in the UK in 1986 (outside London and Northern Ireland)
- Bus tendering in France (outside the Paris Region) during the 80s and the 90s,
- in the Netherlands starting in 1994, Sweden, Denmark in the early 1990s
- Full tendering of railway services in the UK and bus services in London
- Partly tendering of railway services in many countries

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net

HOW COMPETITION HAS EMERGED… SEEMS A POSITIVE PERFORMANCE

EPTO
EUROPEAN PASSENGER TRANSPORT OPERATORS

Germany, development in regional rail in 10 years

Tendering, performance contracting and regionalisation lead to:

- + 28% train-km
- - 26% in public compensations
- + 43% passengers
- + 500 km lines/+ 300 new stations

Ridership

- BOB / Bavaria : + 233% (1997-2007) – Veolia Transport
- Prignitzer Eisenbahn : + 140% (2001-2008) – ARRIVA D
- RBE/NRW : + 3790% (1998-2008) – Veolia Transport
- Usedomer Bäderbahn : + 1086% (1992-2008)- Deutsche Bahn

Great Britain

- UK rail 1995-2008: 800 mio → 1,232 bn passengers/year
  1995-2006: 200 mio £ → 1bn £/year invested
- South West Trains / Stagecoach
  - Passenger increase 1997-2009 : + 45%
  - Reliability + punctuality :
    - 2005 76% → 89%
    - 2009 96%

Sweden

- Tendering and regionalisation led to subsidy reductions of 20–30% and much higher customer satisfaction

Portugal (Fertagus/Lisbon)

- 1999-2009 : 3,5 Mio → 22,5 mio passengers/year
- Customer satisfaction rated 4,3/5

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net

"RESULTS OF LIBERALISATION – DISAPPOINTING SO FAR"....? *Really?*

In the past 20 years the European Commission has thus been very active in restructuring the European rail transport sector, mainly focusing on opening it to competition, improving the interoperability and safety of national networks and developing rail transport infrastructures.

However, the results of these efforts so far may appear disappointing:

- All but few railway operators remain publicly owned. Though competition exists, it mostly occurs between former state railway companies and their subsidiaries.
- Against the background of growing pressure on public finances, the public investments into the railway system in general and into the infrastructure in particular which would be needed appear to be at risk.
- Companies have more and more difficulties to finance their activities: most of them have reduced the scope of their activities in freight or even sold them. They are reluctant to take part in tenders for public service contracts and cancel orders for new rolling stock, thus compromising the future of the railway industry.

In light of this review, one may thus ask whether the logic followed by the European Commission fits the sector and whether it can be pursued unchanged or needs reconsidering.

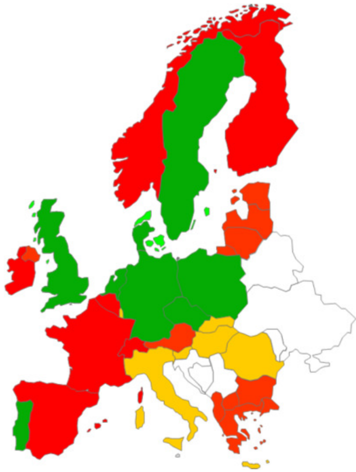
ÉCOLE POLYTECHNIQUE FÉDÉRALE DE LAUSANNE

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net

EPTO
EUROPEAN PASSENGER TRANSPORT OPERATORS

COMPETITION IN THE FIELDS OF PUBLIC AND COMMERCIAL SERVICES…

	Rail market closed no tendering
	Rail tenders announced
	Rail tenders past and today

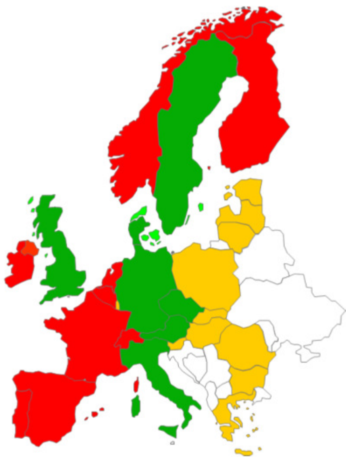


Today

Rail markets with competition for public service obligations

(Small number of markets open to competition acc. to national legislation)

	Market closed for commercial national rail passenger services.
	Open access, but no external RUs providing commercial national rail passenger services .
	Open access with external RUs providing commercial national rail passenger services.



Commercial Markets

Modified scheme from
Rail Liberalisation Index 2011

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net

COMPETITION IN THE FIELDS OF PUBLIC AND COMMERCIAL SERVICES…TENDENCIES

- No general and consequent opening of markets

- Bad conditions for private capital in the sector

- State railways (and local monopolies) going abroad

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net

THE REAL OPERATIONAL ISSUES NEW ENTRANTS HAVE FACED SO FAR

Issues for new entrants to passenger services

Framework

- PSR 1370/2007 (mis-)interpretation

Assets

- Access to rolling stock
- Homologation of foreign rolling stock

NSA:

- Safety certification

Rail regulator

- Lack of indepedence
- Operational infrastructure access issues
- Access to rail related services
- Access to passenger information and sale (e.g. abuse of dominance)

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net

THE REAL OPERATIONAL ISSUES NEW ENTRANTS FACE HAVE FACED SO FAR

Issues for new entrants to passenger services

Competent authorities:

- Unfair tender conditions
- Long-term direct awards
- Uncompetitive market and financing framework conditions

Incumbent:

- Unfair competitive behaviour (e.g. predatory pricing in bids, unfair tariffs)
- Difference in financing conditions, state guarantees

EC

- Negatively impacting state aid decisions
- Time need for decisions and remedies on claims

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net

POSITIVE PERFORMANCE OF PUBLIC SERVICES… ENCOURAGING STAKEHOLDERS

Trend

- Growing public financial awareness (economic constraints, crisis measures)
- Growing public urge to improve public transport systems
- Interest in innovative partnerships ranging from financing solutions to planning operations and marketing

Effects experienced

- Public authorities all over Europe start looking for „having a choice“
  - Some by conviction
  - Some „forced by financial reality“
- Authorities in not yet liberalised markets start driving for change
  - Having compared success elsewhere (price, satisfaction, quality)

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net

POSITIVE PERFORMANCE OF COMMERCIAL MARKET OFFERS …GROWING SUCCESS

Trend

- Small number of some private and semi-private investments in commercially run point to point rail services
  - Running: Regiojet, Thello, Westbahn
  - To start: HKX, NTV
- Plans to develop small new network offers

Effects experienced

- Commercial offers seem highly accepted by rail customers and appear successful
  - First experiences suggest modal change, new customers from the road attracted
  - Competition leads to improvement of services of incumbent
- Where there is a lack of a strong independent regulators, problems were flagged up by the new entrants

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net

WHAT DEGREE OF COMPETITION HAS EMERGED… AND CAN REALISTICALLY BE EXPECTED?

EPTO
EUROPEAN PASSENGER TRANSPORT OPERATORS

The way forward to the enhancement of competition

(As adressed by Recast of 1st Railway Package et. Al.)

- Fair, transparent, open and non-discriminatory access to rail infrastructures, essential facilities
- Markets to be monitored and steered by fully competent and independent national regulators

(Possibly adressed by the 4th Railway Package)

- Adequate mix of open access and tendered services
    - Open access where commercially viable which will provide an economically efficient outcome in liberalised markets
    - Where public funding for unprofitable services is necessary, compulsory tendering should be applied
    - Direct award only in very exceptional and limited situations

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net

WHAT DEGREE OF COMPETITION HAS EMERGED… AND CAN REALISTICALLY BE EXPECTED?

EPTO
EUROPEAN PASSENGER TRANSPORT OPERATORS

The way forward to the enhancement of competition

(Competence of authorities)

- Organising authorities knowing what they want and what they can afford
- Well-prepared and realistic tender conditions
- Attractiveness and sizes of tenders
- Leaving space for entrepreneurial freedom
- Clear understanding that nothing is wrong with making profits when quality rises and taxpayer benefits

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net

THANK YOU FOR YOUR ATTENTION!

www.epto.net

jan.moellmann@epto.net

EPTO
28, Quai d. Charbonnages
B-1080 Brussels
M.: +32-2-6636632
F.: 0049-1212-666655626
E.: jan.moellmann@epto.net