

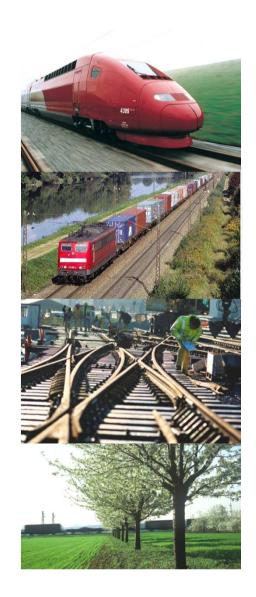
The Voice of European Railways

Introduction and background to the

EVES-Rail Study: Economic Effects of Vertical Separation in the railway sector

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CER Study on vertical separation



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Political background: 4RP and national discussions on vertical separation

- Scientific starting point:
 - Do we know what works best?
 - What does the existing literature say?

 CER decided to commission a study to accompany the Impact Assessment of the European Commission



- CER office → drafting of Terms of Reference
- Support group: CER Economics and Taxation Group
- Selection procedure for the research consortium: closed call on 9 well-known economics consultancies (leading to 8 submissions)
- Influence of CER member companies:
 - On the Terms of Reference: supported without changes
 - On the candidates for the call: broadened, no removals
- Choice: recommendations from the CER Econ Group + CER office view
 - Majority, and CER office, in favour of Inno-V consortium
 - Some CER members in favour of less academic choices: overruled
 - Dominant criteria: scientific quality and data collection feasibility

Study ToR (December 2011)



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- Literature review
- II. Econometric assessments
 - Structural model and economic efficiency
 - II. Structural model and modal share
- III. Qualitative rail sector modelling
 - I. Flow-chart modelling of the rail value chain under different structural models
 - II. Understanding the 'target functions' of IMs and RUs
 - III. Understanding the issue of 'alignment of incentives' between IMs and RUs
- IV. Non-discriminatory access under different structural models
- v. Cost-benefit analysis of probable structural reforms
- VI. Analytical conclusions
- VII. Policy recommendations

Modifications over project life-time: very minor - added short section on value-formoney for state budgets

Winning proposal: contents (1)



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Consortium:

- Lead: Inno-V (NL)
- Partners: ITS at Univ. Leeds (UK); VU Amsterdam (NL); Civity Management Consultants (Germany); Univ. Kobe (Japan); Univ. Fukuyama (Japan)

Econometrics (Part 1):

- Extend approach and data-set of
- Mizutani F. and Uranishi S. (2012). "Does vertical separation reduce cost? An empirical analysis of the rail industry in European and East Asian OECD Countries", Journal of Regulatory Economics, April.
- Model: Total Cost = F (Control variables, Test variables)
- Controls: cost of input factors LMK, output volumes pass/freight, route length and train density (train-km per km of route)
- Test variables: vert sep, horiz sep
- Econometrics: translog, panel of 23 OECD countries over 14 yrs
- For the study: inclusion of Great Britain, extension of time series to 2010, additional control variables

Winning proposal: contents (2)



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- Econometrics (Part 2 modal shares)
 - Modal Share = F (Control variables, Test variables)
 - Control variables: energy/fuel prices; structural indicators; competition
 - Test variables: structural variables: Vert Sep, Holding; Horiz Sep
 - Sample: EU + CH, TR 1994-2010
- Rail sector modelling
 - Pre-existing work of Inno-V flow-chart models of national rail sectors
 - Documentation of 'misaligned incentives' inter alia, what did McNulty mean?
 - Innovative research major part of the study
- Short chapter on competition and non-discrimination
 - To be based on a small number of country case studies to highlight how different structural models cope

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The EVES-Rail Study will be published and launched in Brussels on 5 November 2012

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