5th European Rail Transport Regulation Forum

Further Steps in Railway Liberalization: Market Opening and Tendering

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What will competition look like? Will there be competition at all?

MAIN DRIVERS (1):

- **Economics:**
  - Capital intensive and strong scale economies
    - Few operators
  - Strong exit barriers
    - Risky returns for all players and low profitability
  - State/private funding
    - State shrinking, private role, privatisation

- Infrastructure fragmentation

- Technological evolution (EU and World)
  - ERA, TSI, cross-acceptance, ERTMS, global rolling stock

![System Costs: Source: Civity 2011](image)
What will competition look like?
Will there be competition at all?

MAIN DRIVERS (2):

- Regulation & Government policy:
  - EU vs rest of the world: specialization and separation (freight, pax, IM, maintenance, ROSCOs, etc).
  - EU reforms from 1991 increased productivity by more than 200%, but same gap with US and Japan

- Company strengths and weaknesses. Not all companies are alike.

- Social welfare & demand:
  - Around 80% market under PSCs dependent on public funding
  - Road congestion, air pollution and rail success (commuters, high speed)

Rail is an emerging, mature or declining industry in Europe?
Short term Competition
Only on Profitable Markets

- Freight
  - One champion, DB, and several followers. They are expected to react
  - Loss making business, lower barriers to exit, several SoE on sale
  - Restructuring led to traffic reduction

- Passenger
  - SNCF nr. 1 in France & UK, present in NTV and WestBahn, Lyria, Alleo, Railteam
  - Newcomers with private capital only on profitable segments (Arriva, Veolia, NTV, Westbahn, RegioJet, UK franchise)
  - Markets are gradually opening. No country plans to go back.
  - PSCs liberalization will be the key measure

- Infrastructure
  - The effectiveness of rail total cost

Liberalization plays well in this context, our experience in Italy and Germany:
- Value for money
- Cost reduction,
- Quality improvement,
- Increase of traffic
Long term Competition
Concentration, Privatisation?

- Air transport sector liberalization (completed 1997) lead to a strong market consolidation
- After 15 years there are 5 major EU operators:
  - 3 global operators (privatised)
  - 2 newcomers (low-cost operator)

- Also in the Rail sector some acquisitions have been carried out

- Shall we expect a sector concentration?
- Privatisation? Stock market?
How to Promote Competition and to Enforce it

- Open access and Tendering
  - Open access on entire network safeguarding PSCs economic equilibrium
  - Competitive tendering for PSCs
- To reinforce interoperability and cross-acceptance
  - More power to ERA & Single European Safety Certificate
- To enforce fair competition
  - Common rules to access the network with a European Rail Regulator
  - Transition with reciprocity conditions
  - Antitrust policy to limit concentration
- Investments on TEN-T
- Options of vertical separation to ensure competition, investment, efficiency in the cost of service provision
- A stable regulatory framework & probably some de-regulation