Market Opening and Tendering

ÖBB‘s perspective of a sound future for the European rail sector

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Agenda / main topics

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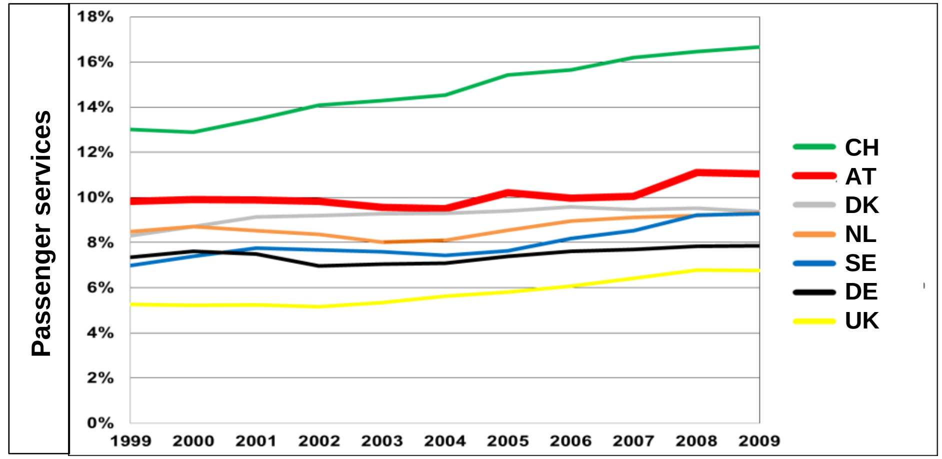
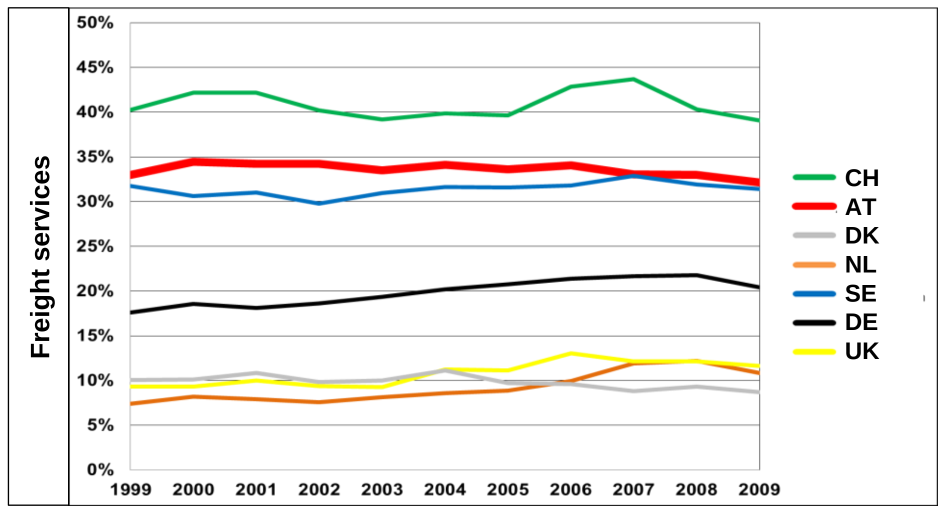
Market Opening: the Austrian situation

- **Austria in Top Groups of market opening** according to Lib Index 2011 and BCG's Rail Performance Index 2012; high market shares of passenger and freight services already before market opening

- **New entrants** focusing their activities on **international rail freight services, profitable market segments and well-developed corridors:**
  - 1 new passenger rail RU, **traffic increase to 244 million passengers**
  - 3 new freight services Rus; **increase of market share** in rail freight services from **12 to 17%** in 2011

- **Experience from direct competition** since market entry of Westbahn in December 2011: existing **framework** in Austria has **proven to enable competition** in passenger services on the line with the highest passenger and train frequency





Can we do better? Best and worst practices for the Austrian Railways future

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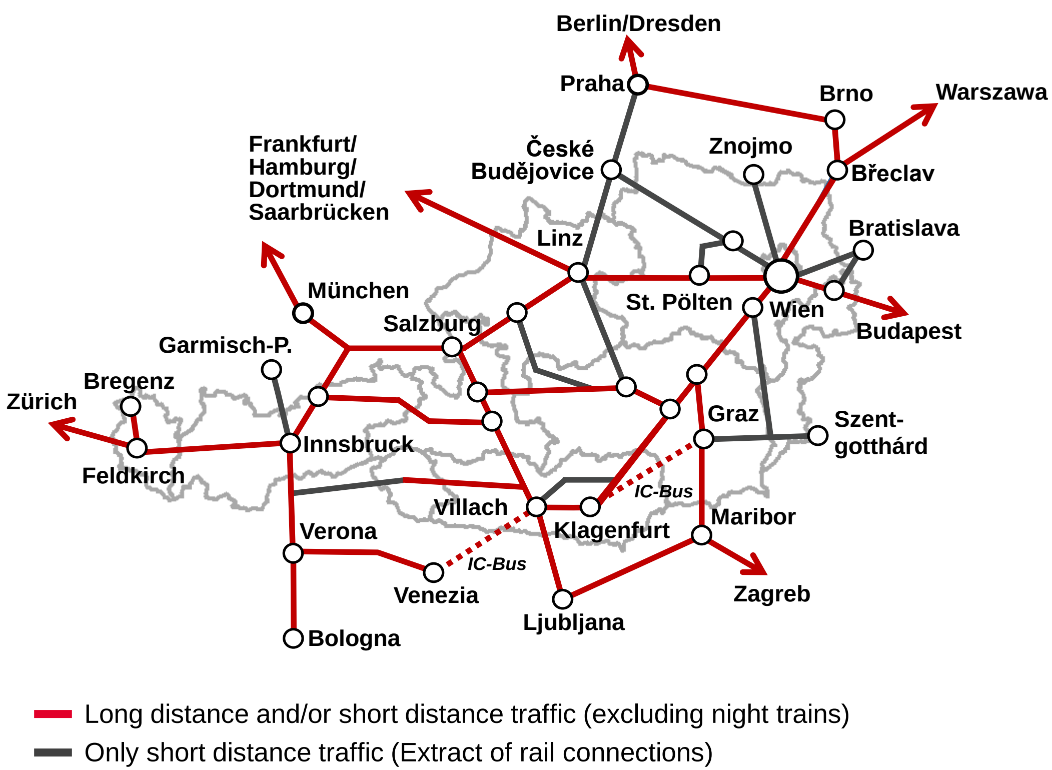
UK ⊖	▪ Break-up of incumbent but **need to renationalise infrastructure** ▪ **Strong market orientation** leading to **intransparency of pricing** and **lack of passenger information** ➢ **High fares** and **unsatisfying quality of service**
SE ⊖	▪ Switch to tendering ▪ Price competition effects **neutralised by strong subsidisation needs** for incumbent ➢ **Oligopoly development** - overall no success in introducing a strong competitive element, **costs have increased**
NL ⊕	▪ Overall **successful combination of avoiding oligopolisation** by maintaining incumbent functions while introducing competitive incentives for new entrant ▪ Crucial planification/coordination **know-how maintained via direct award of core network** ▪ **Clear framework conditions for competitive tendering of side tracks**
CH ⊕	▪ **Optimally coordinated transport system** aligning infrastructure measures ▪ Operative measures, state subsidies **around integrated tact timetable** ▪ Based on **direct award of core network**

The Customer's Perspective - Market opening should aim at highest benefits for the customer

Nationwide integrated tact system (ITS) is a highly successful model for small countries (see Switzerland)



In Austria first implementation phase completed 2013, full ITS by 2025

- **Shorter journey times** for customers due to better connecting trains
- **Optimized connections for changing trains**
- **Travel chain for round trips is mirror-way**, ie the same combination of lines
- **Stronger increase of ridership** compared to other systems
- **Infrastructure development is more efficient** when derived from timetable improvements
- **Reduced complexity for passengers** - easy to remember during the day, regularly recurring travel possibilities

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Competitive tendering preconditions for Austria

International/EU context	Customer needs	Company needs
▪ **Tendencies to oligopolisation by large railway companies** already present in Europe ▪ Healthy **medium-sized railways are important** for market development – competition framework must safeguard their existence ▪ **Careful consideration of country-specific conditions** is necessary ▪ **Sufficient transition periods** are needed to ensure these preconditions	▪ The **attractiveness** of railway services in Austria strongly rely on the **highly synchronised timetable system** – this aspect is also key for customer satisfaction ▪ The **regulatory regime** should **favour** the establishment of the **integrated timetable** ▪ **Framework for competition** should perfectly **interact** with the integrated timetable, including Open Access Services ▪ **Intelligent coordination** of open-access services is **necessary**	▪ About 2/3rd of ÖBB staff hold **special "inherited" labour contracts** which do not allow layoffs and guarantee high level of payments (plus other additional benefits) ▪ **New entrants** and some incumbent railway operators **do not have such contracts** ▪ **Fair level for economic and social conditions** in and between all member states, is necessary for development of fair competition ▪ **Social standards** and **provisions for inherited labour contracts** must be guaranteed ▪ **Compensatory measures** are required (see German model)

Conclusions

- Decisions for market opening in general, public tendering and direct award systems **all have strengths and weaknesses**
- Member States need to first **develop a clear view of desired results and potential side-effects** (e.g. breaking up the incumbent, safeguarding of public services, pricing, tendering costs, (un)likeliness of market entry)
- **Country-specific conditions** also **determine the potential success or failure** of particular ways of market opening
- **Small countries** like Austria, Switzerland or the Netherlands seem to benefit most from a **moderate and middle-way of market opening**, **with a strong focus on customer needs**
- **Competent national authorities** should therefore determine **the award mechanism**, **geographical size** and **scope of PPS**
- ÖBB overall **appreciates competition** under **fair conditions**, with a framework that keeps operators
  - **focused on customers**
  - **respects the system character** of railways
  - in the **context of its national specificities**