5th European Rail Transport Regulation Forum

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FURTHER STEPS IN RAILWAY LIBERALISATION:

MARKET OPENING AND TENDERING

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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 national new entrants associations and various stakeholders

Objectives

- Development of a competitive market structure for the supply of public transport services

- Support the opening of the passenger transport market for competition

- Watch, monitor and push for fair market development

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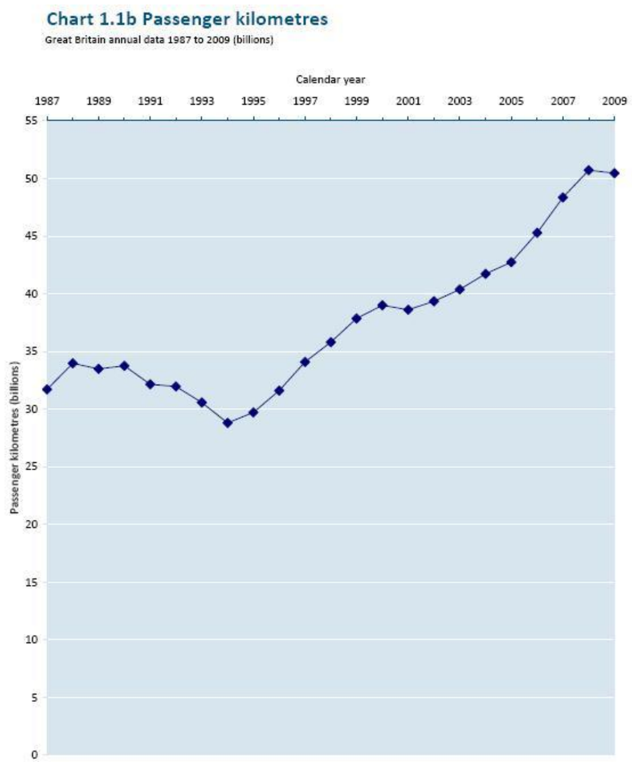
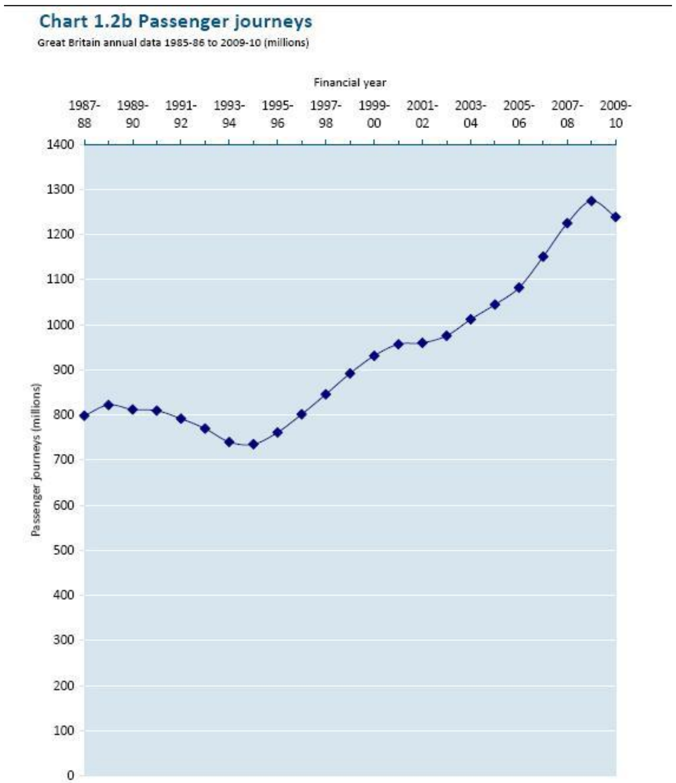
1. POSITIVE PERFORMANCE AFTER COMPETITION (1)

UK performance: Strong rise in passengers numbers





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1. POSITIVE PERFORMANCE AFTER COMPETITION (2)

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

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) – ARRIVAD
- RBE/NRW : + 3790% (1998-2008) – Veolia Transport
- Usedomer Bäderbahn : + 1086% (1992-2008)- Deutsche Bahn

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1. POSITIVE PERFORMANCE AFTER COMPETITION (3)

France (RhônExpress)

• +55% passengers from 08/2010 to 03/2012 (60 000 to 93 000 passengers/month)

The Netherlands

• Limburg regional rail 2007-2008 :
  - +43% passengers
  - competitive tendering has led to an efficiency gain of 20–50%
  - directly awarded contracts improved efficiency by 0–10%;

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2. CURRENT COMPETITION FRAME NOT YET COMPLETE FOR THE SHORT AND MEDIUM RUN (1)

First Railway Package and Results of Recast

Delays in the implementation:
- Separation of accounts
- Setting up of regulatory authorities
- Clearer access to "rail related services"

Most critical points tackled
- Fair, transparent, non-discriminatory market organisation
- Strong role of regulators
- Clearer separated accounting

Third Railway Package and international market

Small number of international services in "open access"

- Various obstacles :
  - Multiplication of "PSO contracts"
  - Definition of "cabotage"…
- Potential customers captured by closed incumbent operators' alliances
- Not yet existing European railway area a technical and economical obstacle to new entrants international services

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2. CURRENT COMPETITION FRAME NOT YET COMPLETE FOR THE SHORT AND MEDIUM RUN (2)

Public Service Regulation 1370 / 2007

No real market opening effect for rail

- Rules for public service contracts
- Possibility but no obligation to tender PSO Contracts

Other open points from “real life”

- EPIC Status of public operators still not fully abandonded
  - Allows unrealistic price quotes
- Predatory pricing – abuse of monopole power in pricing
  - high barriers to prove
- State aid / investment aid between state/regions and state operators
  - lack of transparency re financial flows

Careful monitoring necessary

- Well-meant EU legislation might have unintended impacts for new entrants
- Decision processes at EU level on complaints too long

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3. FUTURE MARKET MODEL OFFERING GREATEST VALUE

- **Commercially run services** should be prioritised. Definition and range of PSO should not prevent market opening or restrict market opportunities for new entrants
- **Open access** should as much as possible be compatible under different market frameworks
- **Extensive PSC** should not impair or threaten the creation of open access commercial services
- Strong, independent and properly resourced **national regulatory authorities** + co-ordinated network of EU regulators
- Publicly-financed services only after **competitive tendering**

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4. ORGANISATION TO REACH GREATEST VALUE FOR PUBLIC SERVICES

1- General obligation **to tender for public services**

- clear definition of the scope of public services
- no impairment of commercial open access services.

2- Direct award to remain an **exception**

- restricted to specific situations and for limited duration
- “confinement” principle to be respected if direct award to an “in-house” operator
- direct award to be justified.

3- **Tender criteria** to be defined at **local level**

- tenders to be coherent **territorially and economically**

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THANK YOU FOR YOUR ATTENTION!

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