

Transport Area of Florence School of Regulation (FSR)



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2nd European Rail Transport Regulation Forum

Performance and Governance in Railway Markets

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1. EPTO PROFILE

EPTO
EUROPEAN PASSENGER
TRANSPORT OPERATORS

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EUROPEAN PASSENGER
TRANSPORT OPERATORS

 **ARRIVA**



First
transforming travel

Go-Ahead

Keolis

**national
express**

TRANSDEV
Developing mobility

STAGECOACH GROUP

VEOLIA
TRANSPORT

- 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 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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2. PERFORMANCE IN RAILWAYS DISCUSSION AT EU LEVEL

What is
performance
in railways?

How can it be
achieved?

Does market
organization
matter?

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Performance references in White Paper on Future of Transport

- A higher share of travel by collective transport, combined with minimum service obligations...
- ...more competitive and sustainable transport system...
- ...Quality, Accessibility and Reliability of transport services...
- ...Comprehensive set of passengers' rights...
- ...uniform interpretation of EU Law on passenger rights and a harmonised and effective enforcement...
- ...Appropriate European approach to land transport security...
- ...The area where bottlenecks are still most evident is the internal market for rail services...a true internal market for rail services...

Other performance references

- Performance in First Railway Package and Recast
- Performance in PSR 1370/2007

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Performance – stakeholder relations

- The railway mode in comparison to other modes
- The railway operator towards the Passenger
- The infrastructure provider towards the Operators
- The regulator between IM and RU
- ..

Performance Measures for the passenger transport operator

- Passenger satisfaction
- Patronage
- Cost structures
- Production criteria (reliability, punctuality, safety, security)

Objectives of Performance

- Increase rail market share through customer orientation
- Controlled costs through increased efficiency and reactivity

3. MARKET ORGANISATION (1)

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Performance is influenced by Market Organisation

Market shape, e.g.

- Organisational responsibility of public transport
 - Central / regional
- Regulatory approaches to business fields
 - Local and regional - subsidised
 - Interregional and national - commercial
- Contracting Regimes
 - Quality standard setting and controlling
 - Risk allocation

•Market structure

- Dominance and influence of incumbents
- Existing Competitors

3. MARKET ORGANISATION (2)

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Performance is influenced by Market Organisation

• Infrastructures and essential facilities

- Access conditions
- Regulation of access

• Regulator

- Independence
- Resourcing and Know how
- Competences
- Timing of processes
- Cooperation of Regulators

3. MARKET ORGANISATION (3)

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First railway package and regulatory authorities

- Delays in the implementation:
 - Independence of infrastructure managers
 - Setting up of regulatory authorities
 - Access to “rail related services”

Third railway package and international market

- Various obstacles :
 - Multiplication of “PSO contracts”
 - Definition of “cabotage”...
 - Potential customers captured by incumbent operators’ alliances
- Small number of international services in “open access”**

Public service regulation 1370/2007

- Clear (-er) contract structure rules and procedures
- No obligation to tender

4. POSITIVE PERFORMANCE AFTER COMPETITION (1)

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Germany, development in regional rail in 10 years

Tendering, performance contracting and regionalisation lead to:

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

Ridership increase on the agenda

- 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

4. POSITIVE PERFORMANCE AFTER COMPETITION (2)

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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%
 - Performance (reliability + punctuality) :
 - 2005 76% → 89%
 - 2009 96%

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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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
- 98% trains on time
- Customer satisfaction rated 4,3/5

5. OUTLOOK AND EXPECTATIONS (1)

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Recast of First Railway Package

-Fair, transparent, non-discriminatory market organisation models

- Precisely defined outcomes
- Outcomes applicable as soon as possible

-Strong national regulatory authorities

- Resourcing
- Competences (ex ante, ex post, ex officio)
- Short-term Intervention and remedy rights
- Final intervention right for EU institutions in case of failure

-Improved access to use of “rail related services”

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Domestic Passenger Railway Market Opening

- Further liberalisation will be pushed by the EC, but how:
 - Regulated competition for the market?
 - Full opening of all market segments?
 - Tender or other award regimes?

Application of rules set by Public Service Regulation 1370/2007

- Direct awarding of contracts
 - will slowly fade out
 - Direct awards to be challenged by competitors in the future
- Possible development and issuing of guidance on 1370/2007 by EC in the next years?



THANK YOU FOR YOUR ATTENTION!

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