

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):

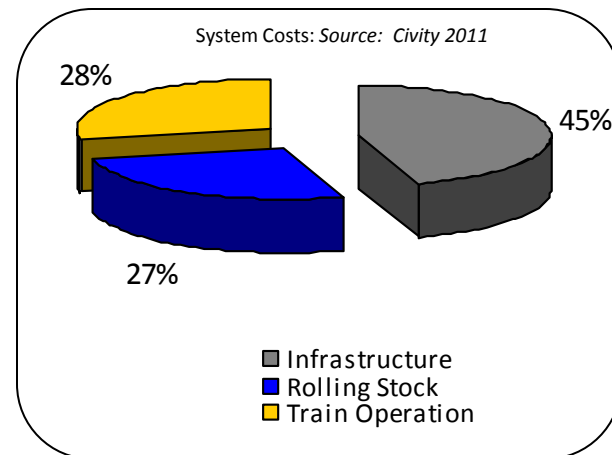
□ Economics:

- ✓ 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



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

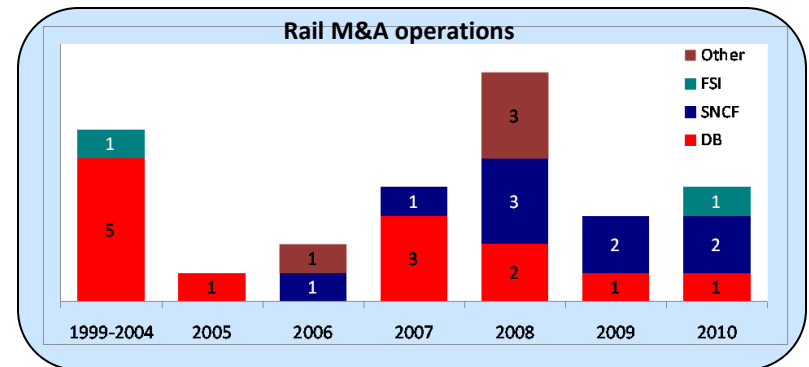
Concentration, Privatisation?



- 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 the
- ❑ 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