



Official Global Rail Carrier



9th European Rail Transport Regulation Forum

Discussing the 4th Railway Package: which role for markets in domestic rail passenger transport?

- **Tendering of PSOs: what are the remaining challenges?**



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Andrea Cesarini
Head of Regulatory Affairs
Germano Guglielmi
Head of EU regulation

The 4th Railway Package: where do we stand?

A single European Market for PSOs still doesn't exist

Member States
may opt for...

- 1 or award public service contracts directly
- 2 competitive tendering

- 1 or financing PSO mainly with public resources (tax payers)
- 2 PSO costs mainly covered by the users

Need for common rules

**A single European Market means
equal opportunities and common rules**

promotion of fair competition on the European rail market

Correct regulation

Adequate market revenue and public compensation for PSO contracts

Market access/competitive tendering

Provisions safeguarding the economic equilibrium of PSO contracts

Need for a stable regulatory framework

Stable and clear European/national regulations are crucial issues to:

- promote long-term investments,
- pursue further liberalisation
- have access to financial market
- correctly allocate public and private resources

Current main regulatory problems

- Uncertainty and lack of public resources for investments and services (affected by annual budget constraints)
- Weakness of regulation to avoid cherry picking
- Definition of tendering procedures
- stable criteria for setting fares and infrastructure charges

Which way forward for PSO?

The new possible regulatory framework in Italy

- Some Regions announced they will not renew the current Public Service Contracts and they are planning tendering procedures
- Government plans to modify legislation with the introduction of compulsory tendering to promote competition also in public transport

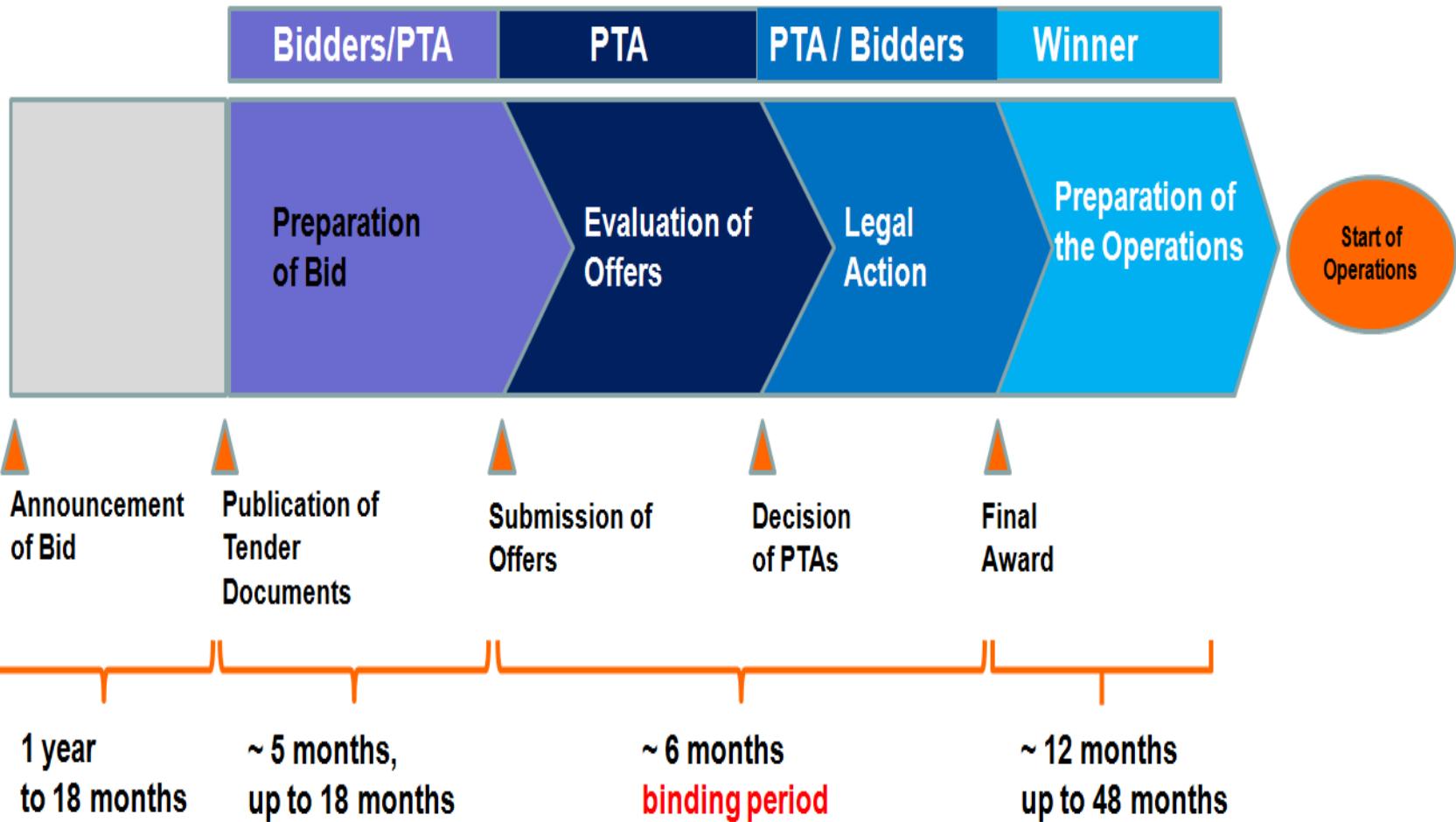


How to manage the transitional period until the award of new PSCs?



Will the incumbent “simply” be forced to continue to provide Public Service Obligations on a “year by year” base with no certainty on duration and resource availability?

... the tender process can last up to 6 years



The challenge for the Regulators

The liberalisation process needs a long transitional period until the end of award procedures

PSO require stable financial flows, but resources are scarce and uncertain

A big investment plan for new rolling stock can require PSCs of long duration (even more than 10 years)

Italy liberalized also the most profitable market (High Speed)

Will the incumbent be forced to continue to provide Public Service Obligations?

Which economic (and political) tools to secure public funding?

How to combine this condition with the need of a fast liberalisation of the market?

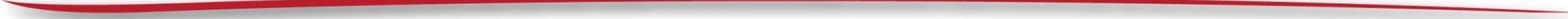
Competitors are not required to contribute to PSO contracts. How to avoid cherry picking and ensure economic balance for all the rail sector?

...next step

The government announced the privatisation of FSI Group by the end of 2015



- Privatization needs a stable, clear and transparent regulation



Thank you for your attention!

