

**9thth Florence Rail Forum: Discussing the
4th Railway Package: what role for
markets in domestic rail passenger
transport**

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ITS Where are we re passenger market opening?

Several countries have rail passenger market competition,

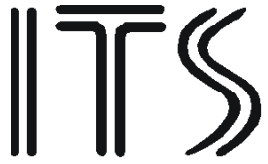
either:

- For the market (Britain, Sweden, Germany)

or:

- In the market (Italy, Czech Republic, Austria, Sweden, Germany, Britain)
- What can we learn from these experiences?

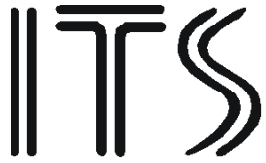




EVE rail study

- Econometric study of cost and market share of 26 OECD countries from 1994-2010
- No impact to date of passenger market opening improving either rail market share or costs
- Clear evidence that vertical separation raises costs for densely used railways (whilst reducing them for lightly used railways)
- Britain has had complete passenger market opening since 1997 mostly through comprehensive competitive tendering – what have we learnt?





Passenger traffic in Britain

Total rail passenger km in Britain (b)

1997	42
2012	70

67% growth

Explanation? Economic growth, car ownership, road journey times, petrol costs

Improved services and better marketing a part (note: since almost all services franchised, many of these changes commissioned and paid for by government: also continued through ticketing, comprehensive information, some connections protected).

See: Wardman, M. (2006): 'Demand for rail travel and the effects of external factors', *Transportation Research*, 42(3), 129–48.



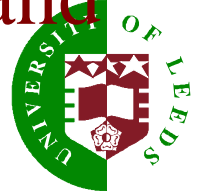


Passenger railway costs per passenger train km

	1996/7	2005/6	2011/2
• Total	20.2	27.0	25.4
• Infrastructure	9.2	14.4	13.9
• Operations	11.0	12.6	11.5

Source: Andrew Smith and Chris Nash

(forthcoming) Rail Efficiency: cost research and its implications for policy. Discussion paper, International Transport Forum



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McNulty Report 2011 concluded

- Should achieve a 30% reduction in costs by 2018/9
- A major problem was ‘misalignment of incentives’ between train operators and infrastructure manager
- Needed a much more integrated approach
- Rail Delivery Group (representing all parts of industry) to oversee
- Closer working of train operating companies with parts of Network Rail needed (leasing of infrastructure; deep alliances with total cost and revenue sharing)



Conclusions

- Some evidence of benefits of improved services following franchising
- But problem remains how to get systems costs down
- On a dense network that means getting infrastructure and train operators working together
- Not enough to coordinate, need alignment of incentives. Are integrated franchises or deep alliances the best approach?

