

In an increasingly competitive market and in view of a future revision of the State aid guidelines for Railways, what are the policy objectives that would justify PSOs and the best instruments to objectively define such objectives?



- **PSOs are only justified where open access is not possible.** Today's PSO routes need to be re-evaluated (after COVID). Commercially viable services have to be operated in open access.
 - If open access providers are prepared to offer services for current PSO routes, authorities should be allowed to cancel or reduce PSOs for faster open access start.
- PSOs are valuable in the following cases:
 - In traffic with general economic interest but no possibility for open access due to lacking commercial basis.
 - For a controlled short transition phase towards more entrepreneurial investment in the railway business.
 - For a further expansion of the European railway net offside the main roads with a close-meshed timetable incentivizing people to switch to public transport.
 - For times of general instability like e.g. in the COVID 19 pandemic.
- Necessary: Truly independent contracting authorities with expertise creating frame conditions (for e.g. rolling stock procurement, financial instruments etc.) that make PSO contracts accessible to a broad range of RUs.

Should PSOs be extended to micro mobility/on-demand services and how to accommodate multimodal public service contracts?



- Micro mobility should be included in a multimodal PSO in order to solve the first/last mile topic.
 - Incumbents (who have partly developed their own micro mobility solutions) **must not** be treated preferentially.
 - Its quality must correspond to that of the railway service.

- Major problem: **Abuse of dominant market position** by incumbents entrusted with PSO traffic.
 - Their inherited market power is further strengthened by public contracts.
 - By use of the concentrated power of their network and an integrated company structure they aim at driving private operators (who can usually only provide point-to-point traffic) out of the market.
- Often the essential control lever of the infrastructure usage charge is applied. In a PSO, this is paid for in full by the public sector.
 - An increase of the user charge always has a negative effect on the private provider.
 - Positive network effects resulting from the incumbent's network are not sufficiently taken into account when calculating the PSO compensation.
 - It's highly likely that incumbents are being overcompensated by PSO contracts.
- Conclusion: Commercial and PSO traffics **must not overlap**.

- Incremental change will not bring about climate neutrality by 2050.
- **Top down approach** is necessary: What goal of demand do we want (or need) to reach?
 - Market research will provide data telling us where we stand.
 - From that we must derive strict measures.
- By the way: 2011's White Paper on Traffic says it all.

How should the possibility of pooling cost-covering with not cost-covering services within a public service contract be interpreted in view of complying with the proportionality principle when specifying PSO?



- ✦ With regard to the legal framework, it is inadmissible to order traffic that can actually be operated on a commercial basis under a PSO contract.
- ✦ If economically viable and PSO traffics are pooled, private operators are deprived of any possibility to start a commercially viable traffic.
 - ✦ Such a combination does not prevent public funds to be used to introduce a publicly subsidized price war on the routes operated by the private operator.
- ✦ Pooling cost-covering and not cost-covering services **must thus be fully prevented.**

- ✦ If these (and other) rules can be guaranteed, “real” PSOs should be increased:
 - ✦ There must be a contracting authority that knows the structure and requirements of the respective region/traffic.
 - ✦ Any PSO must have clear and compliable rules.
 - ✦ The frame conditions must attract a sufficient number of interested RUs, including smaller ones.
 - ✦ Appropriate lead and preparation times must be allowed for.

- ✦ Nevertheless, a general rule ensures that all market participants that are subject to certain framework conditions can participate in it.
 - ✦ The negative market-distorting effects of PSO awards can be avoided with such regulations.

- ✦ Conclusion: A general rule **is always preferable** to a PSO award.

Should data sharing and access to ticketing platforms be mandated to the recipients of PSO compensation?



➤ Data sharing and access to ticketing platforms **must be mandatory** to all RU.