The future of rail passenger transport in the Danube region

Challenges for Passenger Transport

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Opening the market
Market opening: a mixed picture today

Access to domestic markets is not guaranteed in all Member States today. And PSO traffic is managed in different ways and contracts are awarded differently from country to country.
## Open access & PSO awarding

<table>
<thead>
<tr>
<th>Country</th>
<th>Award procedure</th>
<th>PSO mkt vs OA mkt</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE</td>
<td>Direct &amp; Competitive tendering</td>
<td>58% / 42%*</td>
</tr>
<tr>
<td>AT</td>
<td>Direct award</td>
<td>73.4% / 26.6%**</td>
</tr>
<tr>
<td>CZ</td>
<td>Direct &amp; Competitive tendering</td>
<td>89% / 11%*</td>
</tr>
<tr>
<td>SK</td>
<td>Direct &amp; Competitive tendering</td>
<td>96% / 4%*</td>
</tr>
<tr>
<td>HU</td>
<td>Direct award</td>
<td>99% / 1%*</td>
</tr>
<tr>
<td>SI</td>
<td>Direct award</td>
<td>96% / 4%*</td>
</tr>
<tr>
<td>HR</td>
<td>Direct award</td>
<td>99.7% / 0.3%**</td>
</tr>
<tr>
<td>RO</td>
<td>Direct award</td>
<td>± 95% / ± 5%*</td>
</tr>
<tr>
<td>BG</td>
<td>Competitive tendering</td>
<td>95% / 5%*</td>
</tr>
</tbody>
</table>

* *passenger-kilometer  
** *train-kilometer

Other criteria define the shape of PSO contracts: definition of PSC requirements; contract negotiation; calculation of compensation; payment conditions; duration; rolling stock availability.

Source: CER PSO brochure, 2017 and IRG-Rail 5th annual market monitoring report
Contracts duration

Figure 11 Overview of PSO contract duration throughout the EU
PSO financing: the key issue

Figure 13 Consequences of public service under-compensation

- Insufficient government funding for rail infrastructure
- Historic debt
- Insufficient revenue from rail passenger services leads to low passenger TAC* (PSO under-compensation)
- Insufficient finances for infrastructure
- Accumulation of debt and debt service payments
- High TAC* for rail freight (cross-subsidisation of PSO traffic)
- Decline in rail infrastructure quality
- Loss of rail freight and passenger traffic
- Loss of income and ability to invest

* TAC = track access charges

Source: CER
PSO – access to rolling stock

Access to rolling stock can represent a major access barrier to enter PSO markets.

Owned/leased by the operators
Owned by the State
Owned by the operators (open access) or authorities/state (PSO)
Regulatory bodies

• Regulatory Bodies (RBs) should oversee the correct functioning of the market and of the *fair competition between operators for or on* the market.

• RBs oversee infrastructure managers in their *essential functions* (path allocation and charging).

• RBs play a fundamental role in defending the financial equilibrium of PSO operators (and in assuring access to commercial operators under equitable conditions) by performing the so called *economic equilibrium test* on the impact that new commercial routes have on existing PSO operators.

• RBs are *organised differently* between countries, with rail-specific or wider responsibilities.
PSO rules for transition to new rules

Current Article 5 applies:
- In house
- Competitive tendering
- Direct Award (max 10+5y)

Article 5 as amended applies, 5(6) left untouched:
- In house
- Competitive tendering
- Direct Award (max 10+5y)

Article 5 as amended applies, 5(6) switched off, 5(4a) switched on (performance targets in the contract):
- In house
- Competitive tendering
- Direct award with performance targets (punctuality, frequency, quality, transport capacity + periodic assessment + measures in case targets are missed)

3 Dec 2019
Dec 2023
Passenger rights: the right balance is still to be found
Rail passenger rights
(ongoing procedure)

- Commission proposal with **customer-centric approach**
- EP TRAN strengthened this approach and even went **out-of-scope** to be more ambitious, EP plenary adopted text with additional amendments
Intermodal competitive conditions: Member States must commit to redress them
Intermodal competitive conditions /1

Even provided an adequate level of infrastructure and service financing, no rail passenger service can work if intermodal conditions are not fair. There are a number of portions of the acquis that need to be changed.


Role of the Council is fundamental!
2. Fiscal conditions are pivotal for a fair intermodal competition. The Energy Taxation Directive (2003/96/EC) should be amended to remove mandatory energy tax exemptions for aviation and maritime shipping and maintain optional energy tax exemption for energy products and electricity used for goods and passenger transport by rail.


This is of exclusive competence of the EU Council!
Future is coming fast, railway companies must get ready
Intermodality is the key!

- Intermodality for passengers will be key: ‘isolated’ transport modes will lose attractiveness
- Under-digitalized modes will lose efficiency and markets

Source: Frost and Sullivan (2013)
Through Ticketing

Directive 2012/34, Art 13a on Common information and through-ticketing schemes provides that:

• Member States may require railway undertakings to participate in a **common information and integrated ticketing scheme for the supply of tickets, through-tickets and reservations**.

• By **31 Dec 2022**, the Commission shall present a report to the European Parliament and the Council on the availability of such **common information and through-ticketing systems**, to be accompanied, if appropriate, by legislative proposals.

The **Full Service Model**, an Open-IT-framework that can be integrated in already existing IT-distribution systems has been developed as an enabler of the through ticketing.

Ticketing: future perspectives

• Multimodal integrated ticketing will be an easier-to-catch opportunity to increase market share, thanks to digital technologies.

• EU debate on ticketing has been intense and continue to be so. A study is being conducted by the European Commission in view of possible future policy initiatives.

• Competent Authorities play an essential role in demanding the integrated ticketing in the PSO contracts!
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