CER
The Voice of European Railways

The future of rail passenger transport in the Danube region

Challenges for Passenger Transport

4 December 2018

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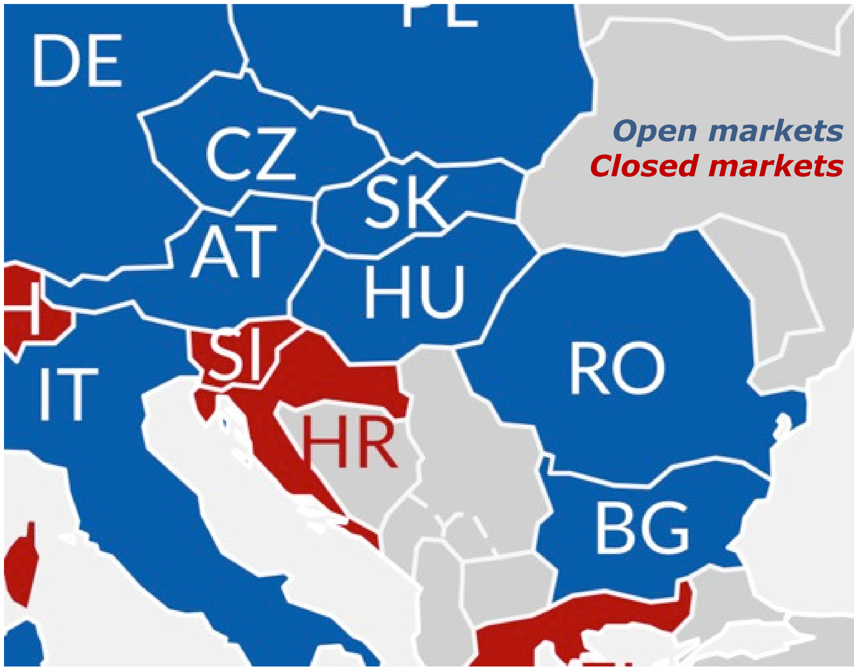
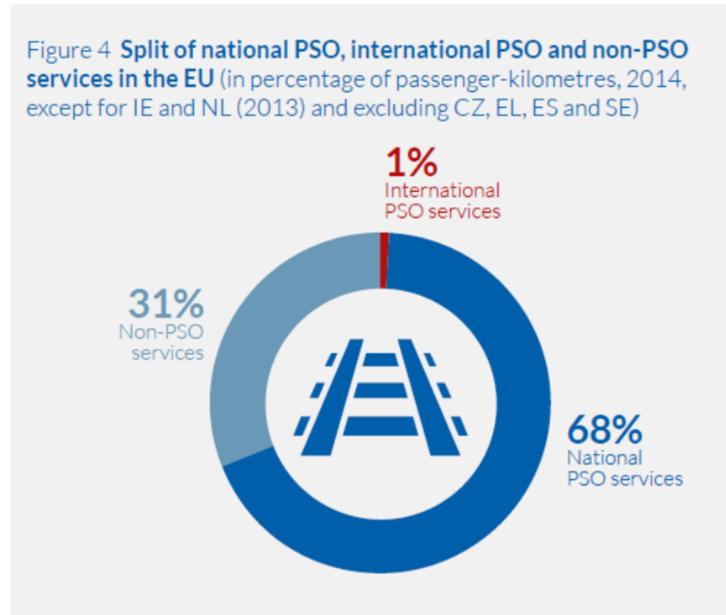
Opening the market

Market opening: a mixed picture today





Source: European Commission, Fifth RMMS Report, 8 December 2016

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

	Award procedure	PSO mkt vs OA mkt
DE	Direct & Competitive tendering	58% / 42%*
AT	Direct award	73,4 % / 26,6%**
CZ	Direct & Competitive tendering	89% / 11 %*
SK	Direct & Competitive tendering	96% / 4 %*
HU	Direct award	99% / 1%*
SI	Direct award	96% / 4%*
HR	Direct award	99,7% / 0,3%**
RO	Direct award	± 95% / ± 5%*
BG	Competitive tendering	95% / 5%*

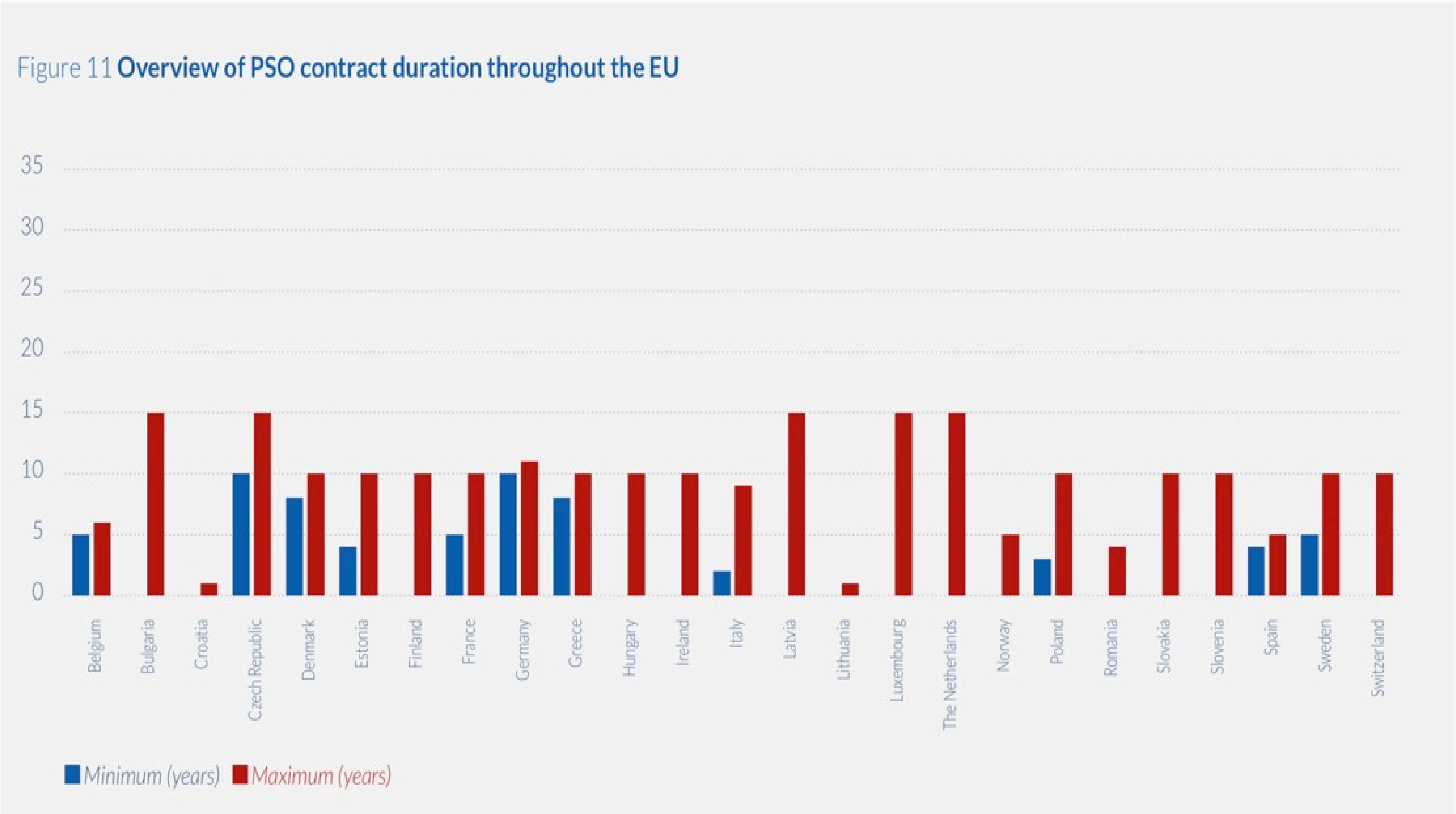
** passenger-kilometer*

*** train-kilometer*

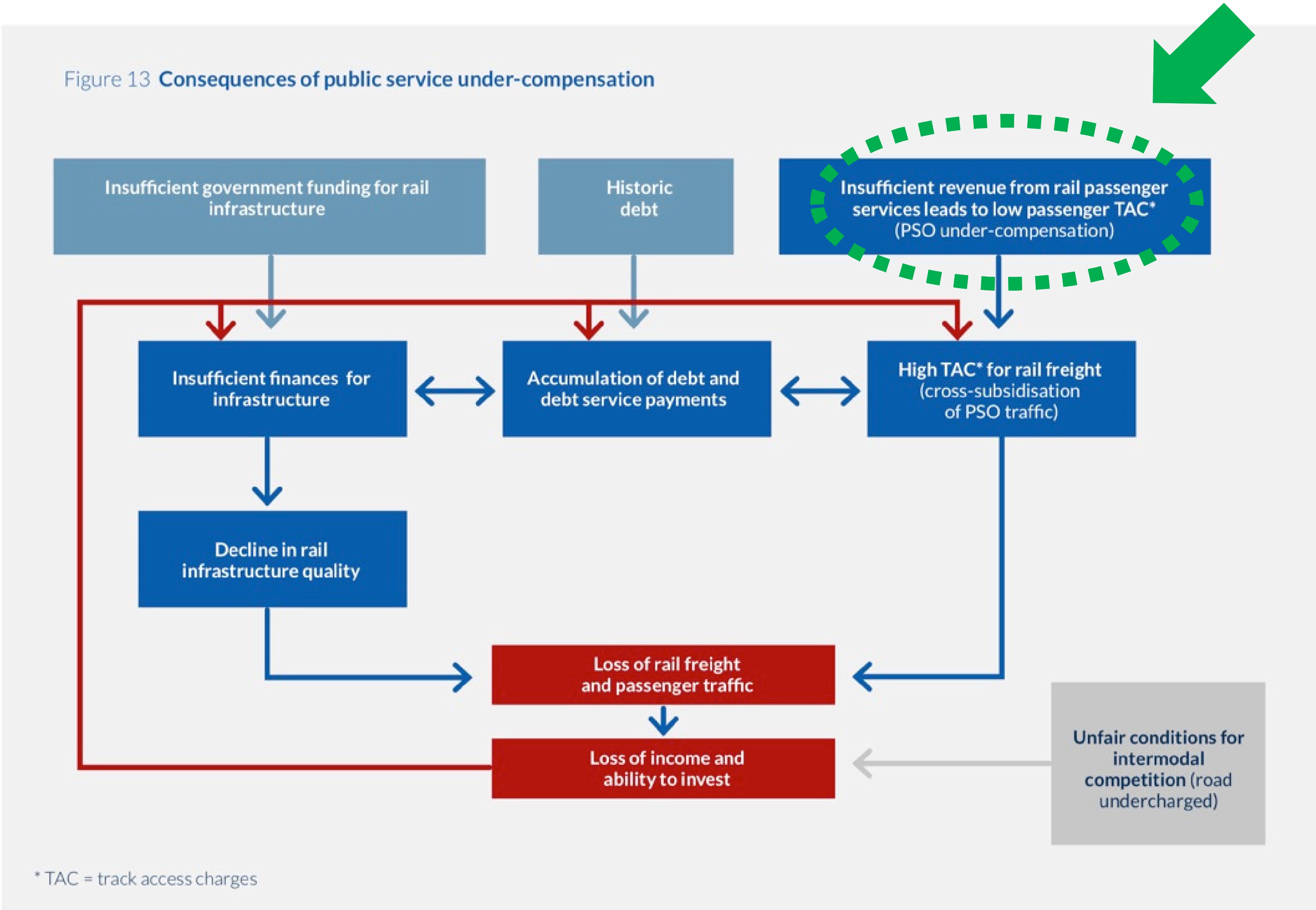
Other criteria define the shape of PSO contracts: definition of PSC requirements; contract negotiation; calculation of compensation; payment conditions; duration; rolling stock availability.

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

Contracts duration

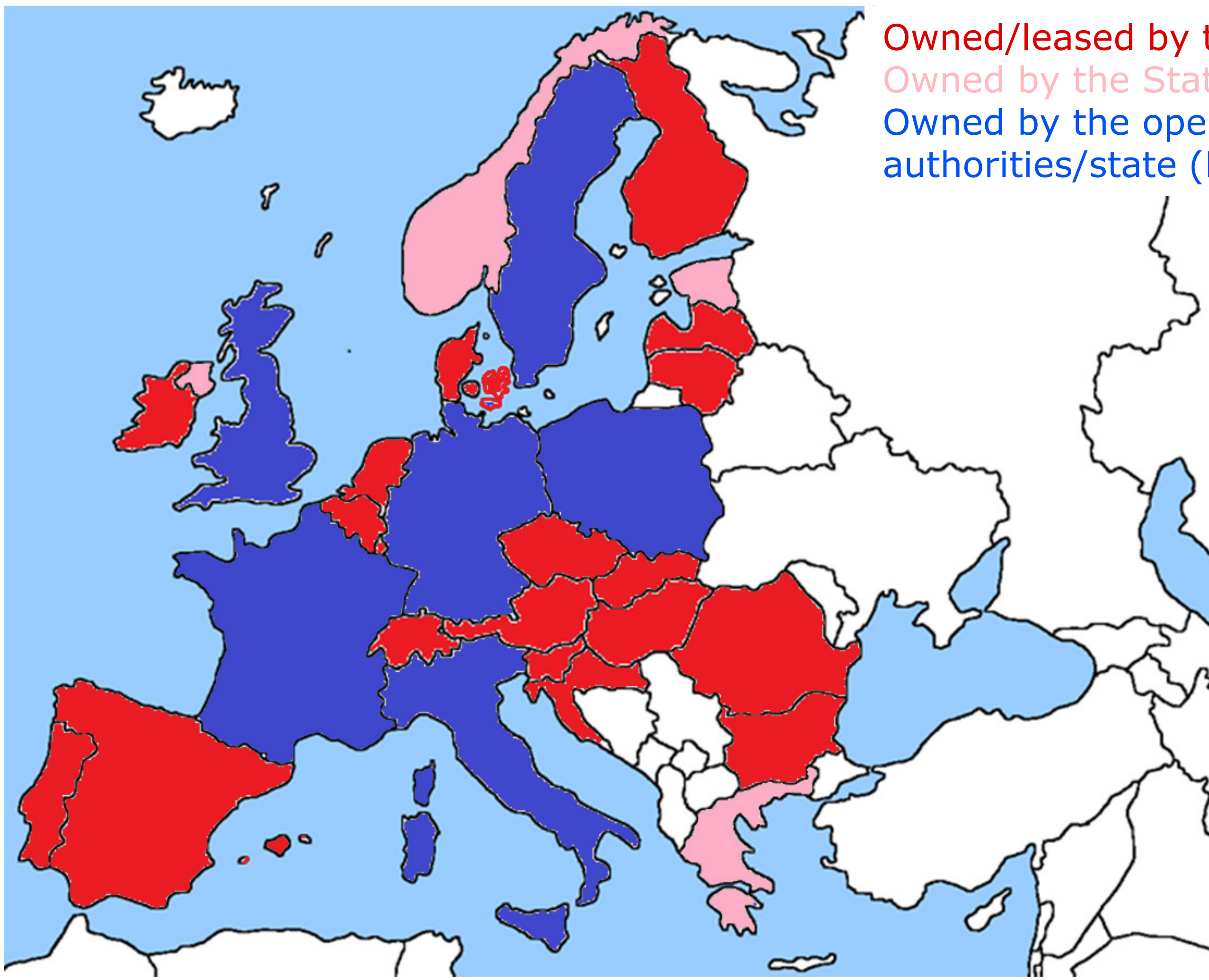


PSO financing: the key issue



Source: CER

PSO – access to rolling stock



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

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

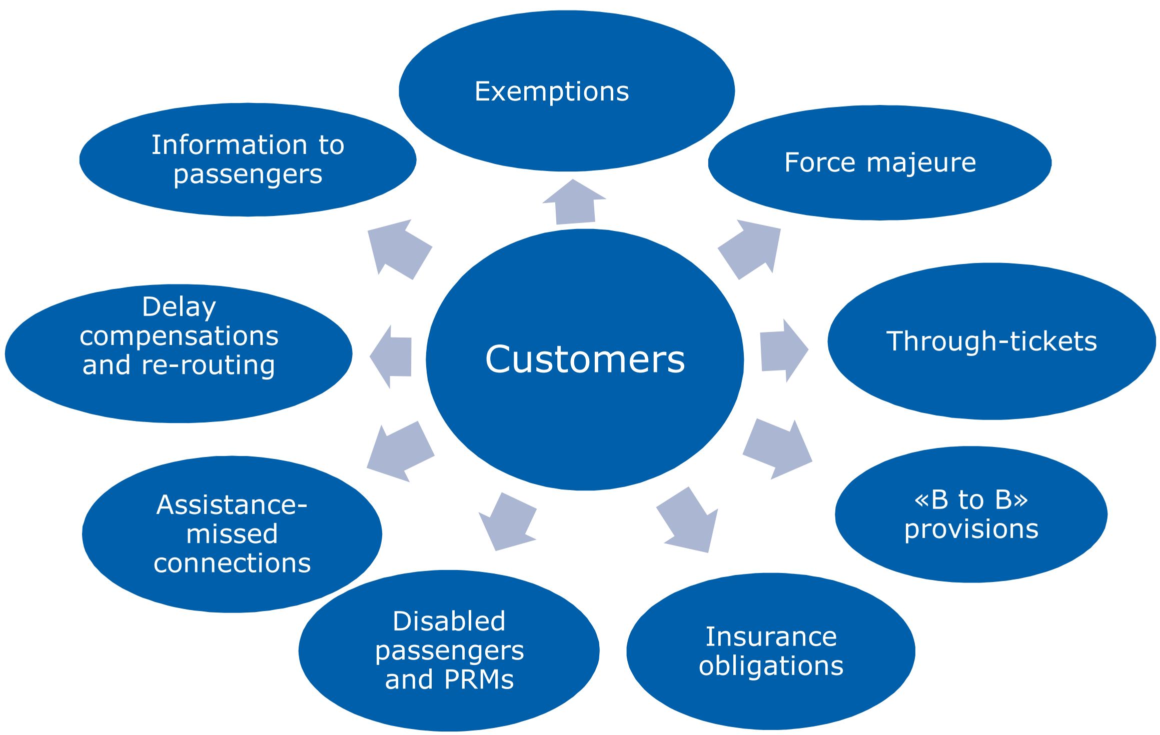
Dec 2023

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.

1. The Commission proposal for a **Directive on Charging of heavy goods vehicles** for the use of certain infrastructures amending Directive 1999/62/EC (a.k.a. Eurovignette Directive), currently discussed by the legislators, must go towards the widest possible application of the user- and polluter-pays principle, and adopt direct-cost charging a minimum condition for the calculation of road infrastructure charges.

Role of the Council is fundamental!

Intermodal competitive conditions /2

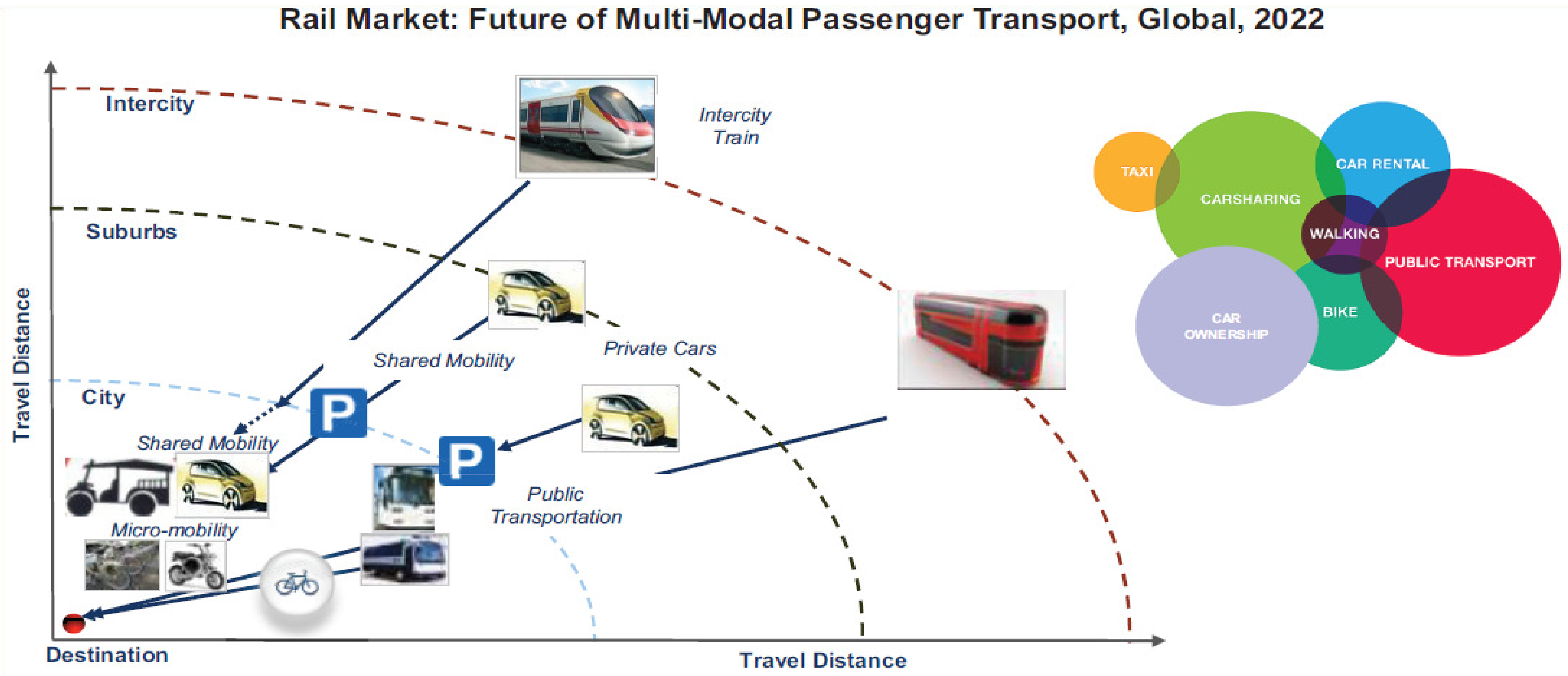
2. Fiscal conditions are pivotal for a fair intermodal competition. The **Energy Taxation Directive (2003/96/EC)** should be amended to remove mandatory energy tax exemptions for aviation and maritime shipping and maintain optional energy tax exemption for energy products and electricity used for goods and passenger transport by rail.
3. Council **Directive 2006/112/EC on the common system of value added tax** should change: VAT-exemption of cross-border rail travel is today up to Member States; instead, EU-wide exemption should be a binding provision of the Directive.

This is of exclusive competence of the EU Council!

The Voice of European Railways

Future is coming fast, railway companies must get ready

Intermodality is the key!



Source: Frost and Sullivan (2013)

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

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.

Please visit http://www.cer.be/full-service-model-fsm!

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!**

For further information:

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