EUROPEAN RAIL REFORM - THE NEXT STEPS

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Outline of presentation

1. Introduction
2. The current legislation
3. Separation of infrastructure from operations
4. Infrastructure charging
5. Regulation
6. Financing
7. Passenger market liberalisation
8. Conclusion
Background

• European rail reform has concentrated on freight
• opening of passenger market starting with international in 2010
• future extensions might include open access or compulsory competitive tendering
• some countries have gone beyond European legislation
• existing measures do affect passenger
The current legislation

1. separation of the management of infrastructure, freight and passenger services
2. non discriminatory setting of access charges and allocation of capacity
3. the establishment of a rail regulator
4. a performance regime to incentivise the infrastructure manager
5. financial equilibrium of the infrastructure manager to be ensured - either through the regulatory system or by means of a multi-annual contract lasting at least 3 years – whilst maintaining pressure for cost reductions.
6. completely opened market for both domestic and international freight traffic,
7. and will commence opening the market for passenger traffic with international traffic in 2010.
Criticisms of implementation

• a failure to ensure adequate independence of the infrastructure manager from train operators where these were still part of the same company;

• insufficient implementation of the charging framework set out in Directive 2001/14, including a lack of the required performance regime

• a failure to establish an independent regulator with appropriate powers and accessibility and

• Insufficient incentives for the infrastructure manager to reduce costs and the level of access charges

• Problems with access to ancillary facilities
  Enforcement or a recast?
Separation of infrastructure from operations

• Makes non discrimination easier to achieve but:
• Problems
  • transactions costs
  • loss of economies of scope?
  • lack of pressure on the infrastructure manager to perform

• Do the benefits of more competition offset any disadvantages of vertical separation?
Infrastructure charges

Typical Access Charges for local and suburban passenger trains € per train-km in 2008

(source ITF, 2008)
Typical Access Charges for inter city passenger € per train-km in 2008

(source ITF, 2008)
Typical Access Charges for high speed passenger trains € per train-km in 2008

(source ITF, 2008)
Regulation

• is it needed?
• Can the regulator be part of the Ministry?
• what should regulation cover?
• just non discrimination?
• efficiency?
• investment?
## State Financial Support to Rail financing

<table>
<thead>
<tr>
<th>2006 Data</th>
<th>State Spending per track.km (in €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>531,729</td>
</tr>
<tr>
<td>Netherlands</td>
<td>412,306</td>
</tr>
<tr>
<td>Denmark</td>
<td>285,149</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>208,227</td>
</tr>
<tr>
<td>France</td>
<td>191,215</td>
</tr>
<tr>
<td>Italy</td>
<td>221,016</td>
</tr>
<tr>
<td>Sweden</td>
<td>104,846</td>
</tr>
<tr>
<td>Germany</td>
<td>124,589</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>8,453</td>
</tr>
<tr>
<td>Poland</td>
<td>8,266</td>
</tr>
<tr>
<td>Latvia</td>
<td>9,022</td>
</tr>
<tr>
<td>Estonia</td>
<td>7,581</td>
</tr>
<tr>
<td>Lithuania</td>
<td>853</td>
</tr>
<tr>
<td>Romania</td>
<td>147</td>
</tr>
</tbody>
</table>

Source: CER
## Expected sources of finance for TEN Transport projects (2007-13)

<table>
<thead>
<tr>
<th>Source of funding</th>
<th>€ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEN programme</td>
<td>8</td>
</tr>
<tr>
<td>Regional Fund</td>
<td>8</td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>35</td>
</tr>
<tr>
<td>TOTAL (EU)</td>
<td>51</td>
</tr>
<tr>
<td>European Investment Bank loans/guarantees</td>
<td>54</td>
</tr>
<tr>
<td>Other resources (mainly national governments)</td>
<td>284</td>
</tr>
<tr>
<td>Total</td>
<td>389</td>
</tr>
</tbody>
</table>

Source: DG TREN
Passenger market liberalisation

• how much competition on international services?
• experience of open access (Netherlands, Germany, Britain)
• experience of competitive tendering (Sweden, Germany, Netherlands, Denmark, Britain)

• What works best?
Conclusion

- Change in European Railways over the last decade has been dramatic.
- On the other hand we have seen that there remain problems
  - Structure of the industry
  - infrastructure charges
  - regulation
  - access to ancillary facilities
  - financial position of the railways
- Further liberalization of passenger services remains a controversial issue.