OPEN ACCESS FOR RAIL PASSENGER SERVICES

LESSON LEARNT (FOR FRANCE?) FROM FORERUNNER COUNTRIES

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CONTEXT

EUROPEAN LIBERALIZATION

Fourth railway package:

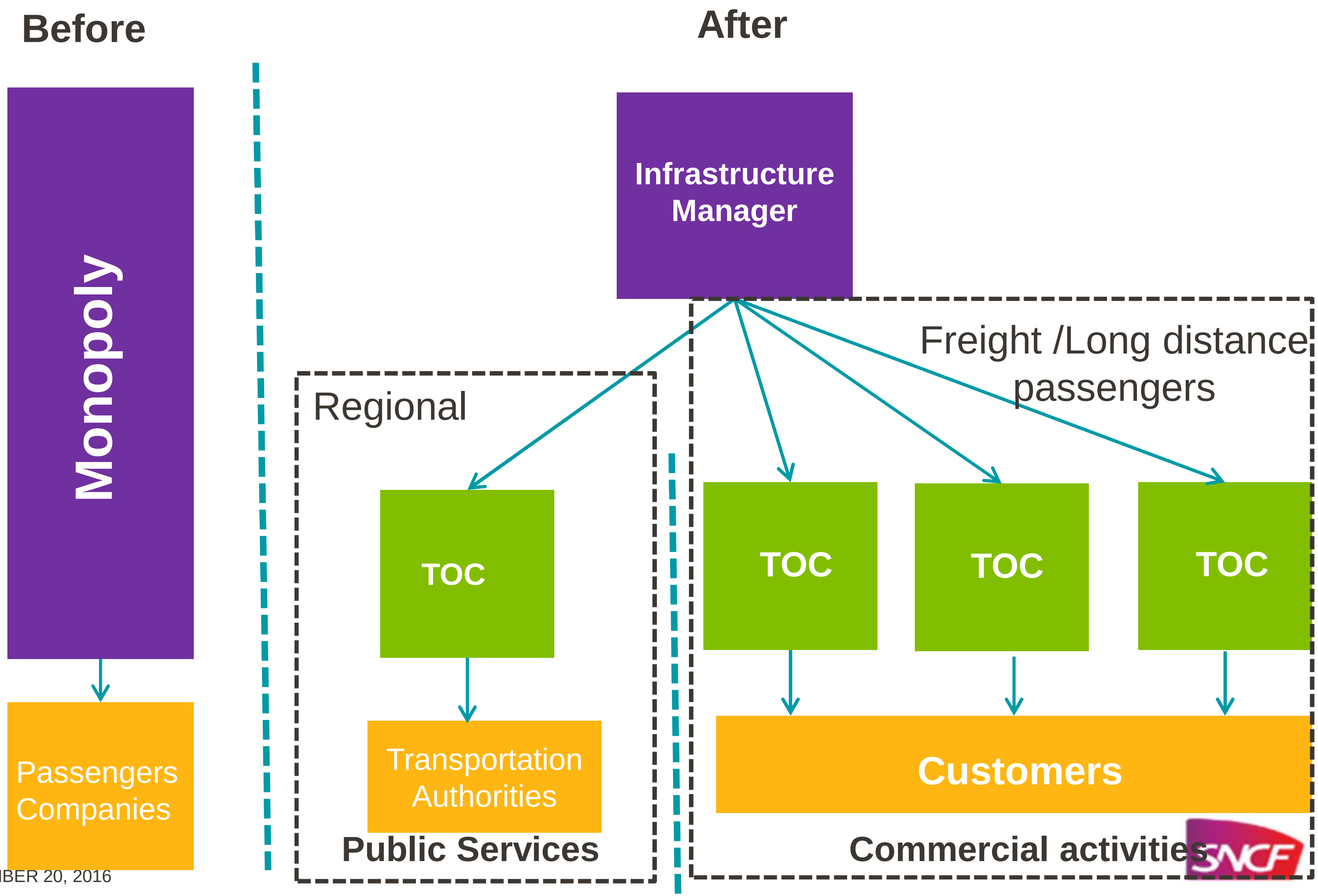
+ Still discussed today (supposed to be voted before the end of 2016 ?)
+ Open the whole rail transport market to competition in 2020/2023

Currently open to competition:

+ Freight transportation
+ International passenger services

Some countries have decided to open their national market beforehand

EUROPEAN LIBERALIZATION



- WHAT ABOUT FRANCE? (2)

- WHAT CAN WE LEARNT FROM FOREIGN EXPERIENCES? (1)

OUR STUDY

FOCUS ON PASSENGERS OPEN ACCESS

A coined terminology “COAPS”

C: New entrants (and not incumbents)

OA: Open access (and not competitive tendering process)

P: Passenger (and not freight)

S: Service (not infrastructure)

INVENTORY ALL THE OPEN ACCESS SERVICES THAT EXIST/HAVE EXISTED ACROSS EUROPE

AN EMPIRICAL STUDY

A lot of theoretical papers in the current literature

+ Study open access competition based on models
+ National experience are used to illustrate a theoretical argument and not as an input in an empirical approach
+ Always give the same example: NTV in Italy, Prague-Ostrava
+ Preston (1999), Ivaldi (2003), Johnson (2012) and in France Abraham (2011) Jacquotte (2013)

Interesting results

Open access competition is hardly sustainable:

+ Benefit for the consumers
+ Important losses for the incumbent and the new entrant(s)
+ The entry can only be profitable for the newcomer if it dramatically reduces costs or it offers a very different service

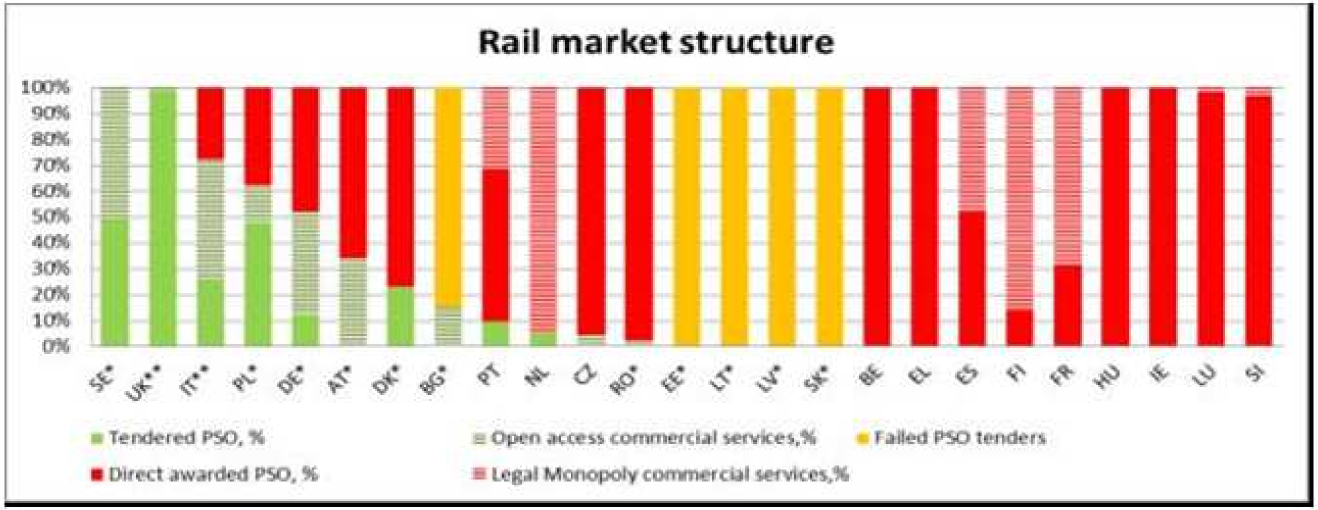
FORUNNER COUNTRIES

A COMPREHENSIVE STUDY

Goal:

+ Inventory **<u>all</u>** the COAPS that exists / have existed in the European Union
+ Build a database

Graph 46 – Rail market structure (2012)

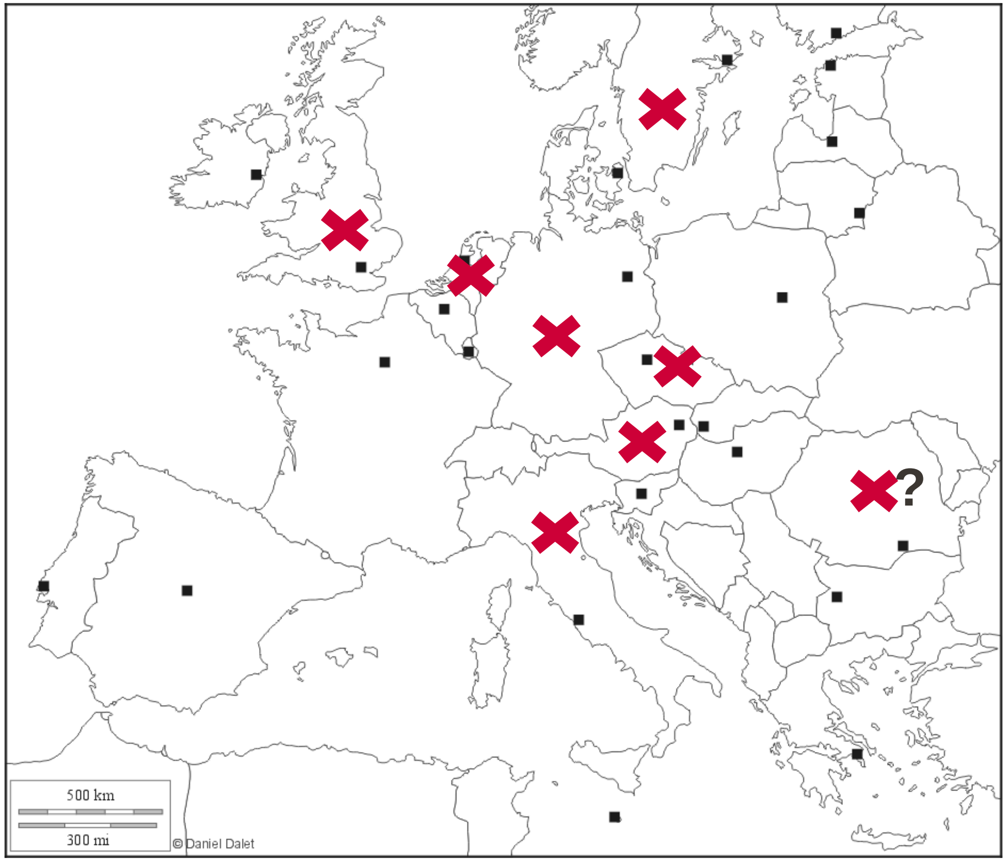


Source: RMMS questionnaires, impact assessment 4th railway package, CER (2010), own estimations

Methodology:

+ National reports
+ Academic articles
+ Rail specialized press
+ European network of scholars and TOCs and IMs employees

FORUNNER COUNTRIES



8 countries

LITERATURE REVIEW

National cases studies on open access competition:

+ DE: Séguret (2009), ?
+ IT: Casceta and Coppola (2014), Bergantino and al. (2015), Beria and al. (2016)
+ CZ: Tomes and al. (2014, 2016)
+ SW: Alexandersson (2012), Fröid and Nelldal (2015), Vigren (2016)
+ UK: Lodge (2013), Temple (2014), CMA (2015), Rasmussen (2015)
+ AT and RO: ?

General studies

Bergantino (2015) *Incumbents and new entrants*

+ Studies all kind of competition between train operating companies (i.e. open access and franchises) in Europe

Beria and Grimaldi (2017) *Reality and opportunities for on-track competition in HSR*

+ Chapter on HSR but at the beginning it gives a list of OA services

+ POTENTIAL CONSEQUENCES OF THIS OPEN ACCESS COMPETITION?

+ CARACTERISTICS OF NEW ENTRANTS?

Screenshot of the short movie "The future of rail in Europe"

RESULTS 1/2

Number of COAPS “experiences”

+ 8 countries: Austria, Czech Republic, Germany, Italy, the Netherlands, Romania, Sweden and the United Kingdom
+ More than expected: 26
+ But not enough for a decent econometric analysis

	Number of services
International services	5 / 26
No longer running	9 / 26

One third of the identified COAPS are no longer on the market

A lot of change in their offer since they enter the market

RESULTS 2/2

Rolling stocks characteristics

Only four companies bought new rolling stocks (1 Alstom, 3 Stadlers)

In some countries there are two « waves » of entrees:

+ First “no frills” then companies buying new rolling stock
+ IT, CZ, SW
+ Once the first private TOCs have paved the way (and experienced regulatory issues?)

Issues with infrastructure charging?

+ In Italy, the access charges were reduced by the regulator (from 14€/km on average on HSR to 8,2€/km)
+ In Spain, potential alternative TOCs have asked for a decrease of the access charges (currently 12€/km)
+ In Austria, Czech Republic and Sweden, access charges are relatively low

Financial results

A lot of losses

But some companies had positive results in 2015 (NTV, Regiojet and WESTbahn) (?)

Characteristics	Number of services
Service using brand new rolling stock	4 / 26
High speed services	1 / 26
Night trains	6 / 26
Vertically separated country	12 / 21

CONCLUSIONS AND NEXT STEPS

Next steps

+ Make sure our dataset is comprehensive
+ Try to find the maximum amount of details about each COAPS
+ Find a robust way to build a market typology

Currently four categories seem to exist:

+ Greenfield good service quality entrants (4)
+ Companies offering otherwise a franchised service (6)
+ No frills (7)
+ Niche market (9)

MAIN CONCLUSION: MARKET CREATIVITY

WHAT ABOUT FRANCE?

NATIONAL MONOPOLY

SNCF still has a national monopoly on the national passenger transportation

+ Regional trains (with regional PTA)
+ National trains (IC with the state as the PTA) and TGV (HS, with no PTA)

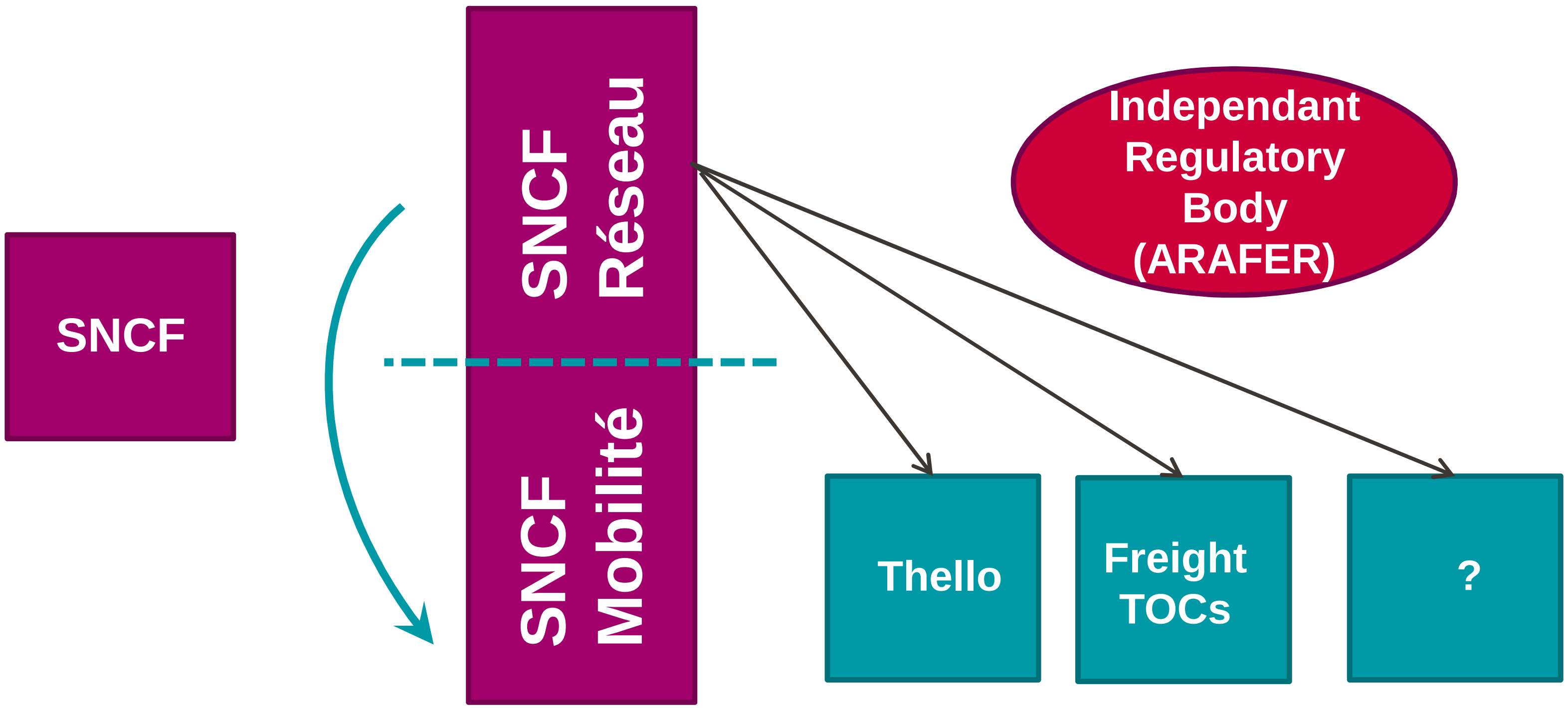
There is open access competition:

+ For freight transportation (newcomers around 30% - 35%) (2003, 2006)
+ For international passenger transportation (2009)

Long distance coaches were liberalized in 2015

« L'établissement public industriel et commercial dénommé "Société nationale des chemins de fer français" a pour objet :
« D'exploiter selon les principes du service public, les services de transport ferroviaire de personnes sur le réseau ferré national, sous réserve des dispositions du premier alinéa de l'article L. 2121-12»

GERMAN STYLE INSTITUTIONS



Loi du 4 août 2014

SNCF « PLACES ITS PAWNS »

New services on long distance:

iDTGV (2004):

- the seats of the second unit of a train are sold through a private subsidiary company of SNCF
- Online booking, harder to exchange, since 2015 unlimited pass

Ouigo (2013):

- TGVs leaving from stations outside of Paris
- More seats in the trains, arrived 30 minutes before trains departure, only one piece of luggage, etc.

Intercités 100% Eco (2010, 2015):

- cheap, only a few routes
- initially night trains coming back empty (Toulouse, Bordeaux, Nantes, Strasbourg)

IZY (2016):

- HST between Paris and Brussels but without taking the HSL between Paris and Arras (2h15 vs. 1h22 with Thalys)

WHAT’S NEXT?

Opening of regional market: agreement between the regional authorities and the State in June 2016

Only a general agreement, the precise plan still has to be defined

Long distance transportation

<u>IC</u>

+ Regarded as non profitable, today there is a public service contract
+ So they will probably be franchised
+ But what about profitable lines? (IC 100% Eco for example)

<u>TGV</u>

+ No plan, but the « natural » way to liberalize them seems to be open access
+ See for example ARAFER recent report ***« l’ouverture à la concurrence des lignes à grande vitesse en open access, prévue à compter de 2020 »***
+ Gilles Savary (deputy in charge of the big rail reform of 2014) write in a recent report ***« on ne peut que regretter que la France n’ait pas exigé de l’Europe une ouverture en open access des services TGV selon le principe du droit des grands-père s»*** (??)
+ Some voices for franchised TGV services (Abraham, 2011)

THANKS

Company	Country
Arenaways	Italy
Arriva	Germany
Blå Tåget	Sweden
DB/ÖBB/LeNord	Germany-Italy
Eurobahn	Germany
First Hull	UK
Grand Central	UK
GVG/Veolia	Germany-Sweden
Hamburg-Köln-Express	Germany
Lapplandståget	Sweden-Norway
Leo Express	Czech Republic
Lovers Rail	Netherlands
MTR Express	Sweden
Nacht-im-Zug	Germany
Nuovo Trasporto Viaggiatori	Italy
Regiojet	Czech Republic
Regiojet (international)	Czech Republic-Slovakia
Regiotrans	Romania
Snälltaget (Veolia, night and day)	Sweden
Tågåkeriet i Bergslagen AB	Sweden
Thello	France-Italy
Veolia Harz-Berlin-Express	Germany
Veolia InterConnex	Germany
Veolia Lausitz Express	Germany
WESTbahn	Austria
Wrexham & Shropshire	UK