



# 14th session of the TCT Technical Committee on Railways

1 December 2022

*Directorate-General for Mobility and Transport*

# The railway sector in the European Union



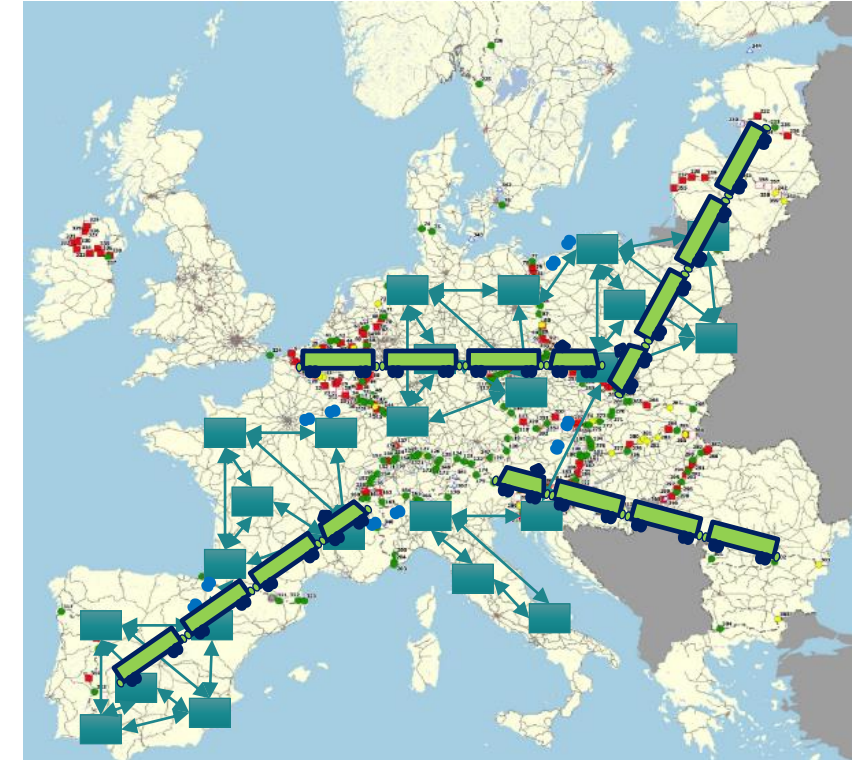
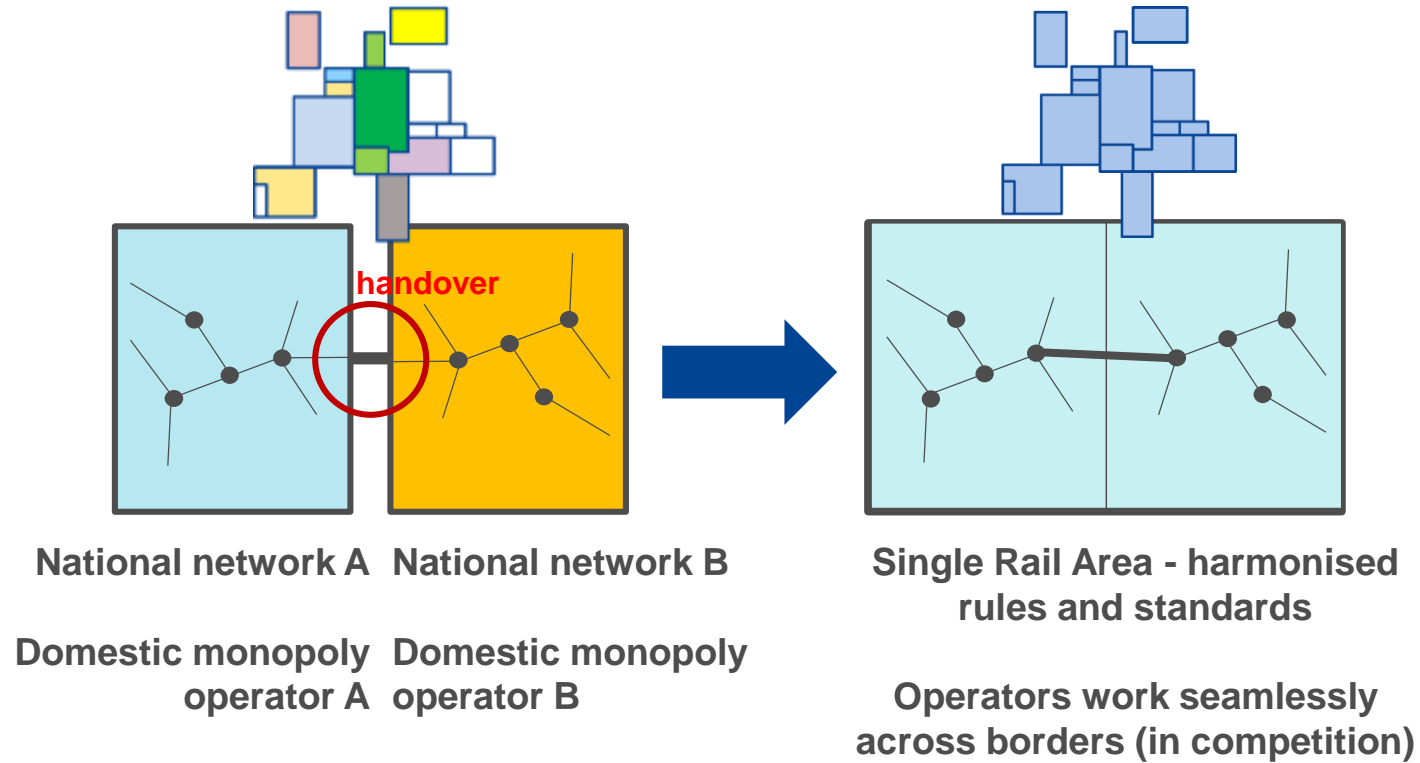
Density (length of network per million people)

- Length of railway network = over 200 000 km (including 11 526 km of high-speed lines)
- 81,6% of total train\*kilometres powered by electricity
- 0,4% of EU GHG transport emissions
- Land transport modal share
  - 7,9% passenger
  - 16,7% freight
- Use of railway network (of total train\*kilometres)
  - 79% passenger services
  - 21% freight services

(source: draft Rail Market Monitoring Survey Report, data 2020)

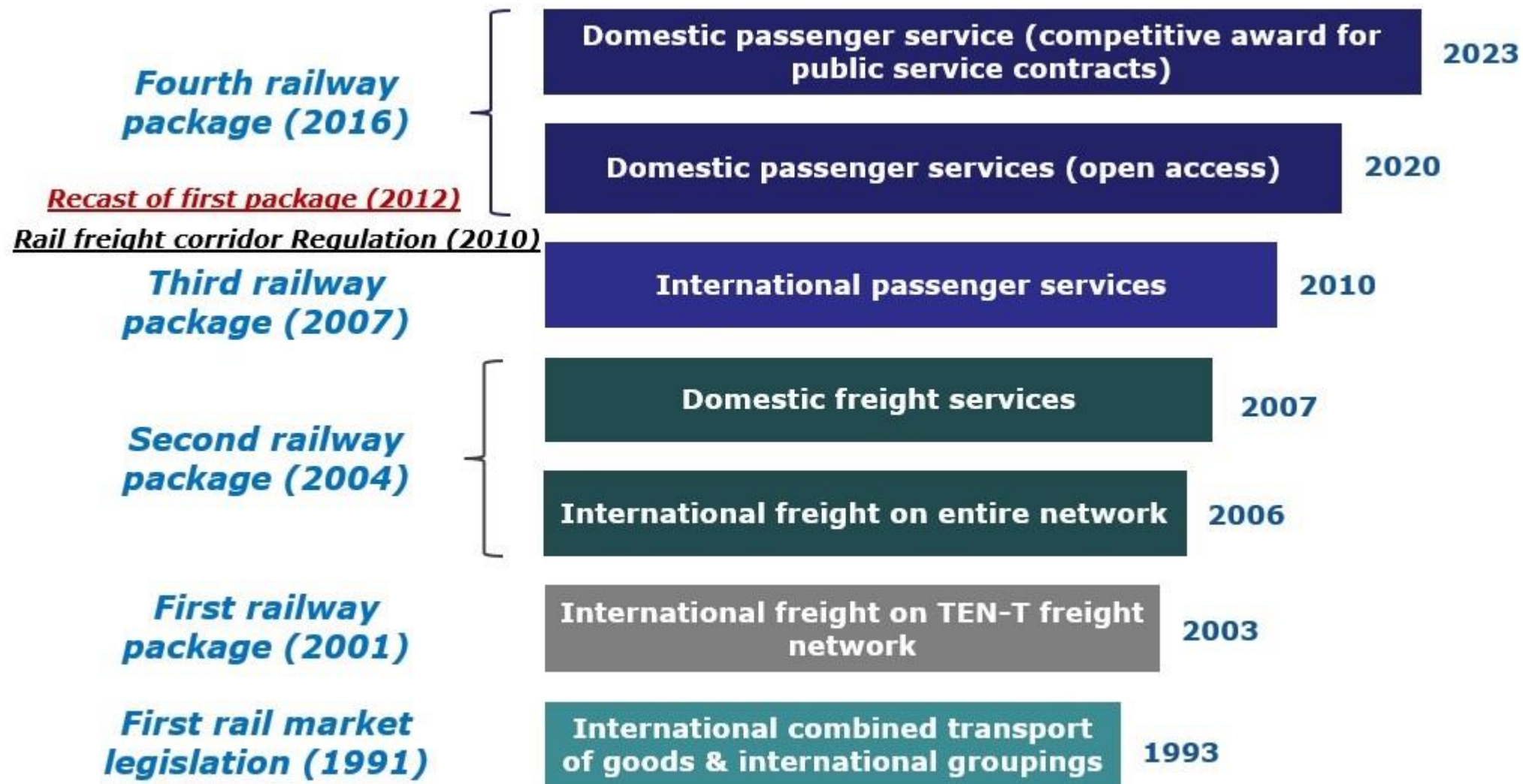
# Towards a Single European Rail Area

## *Integrated approach*

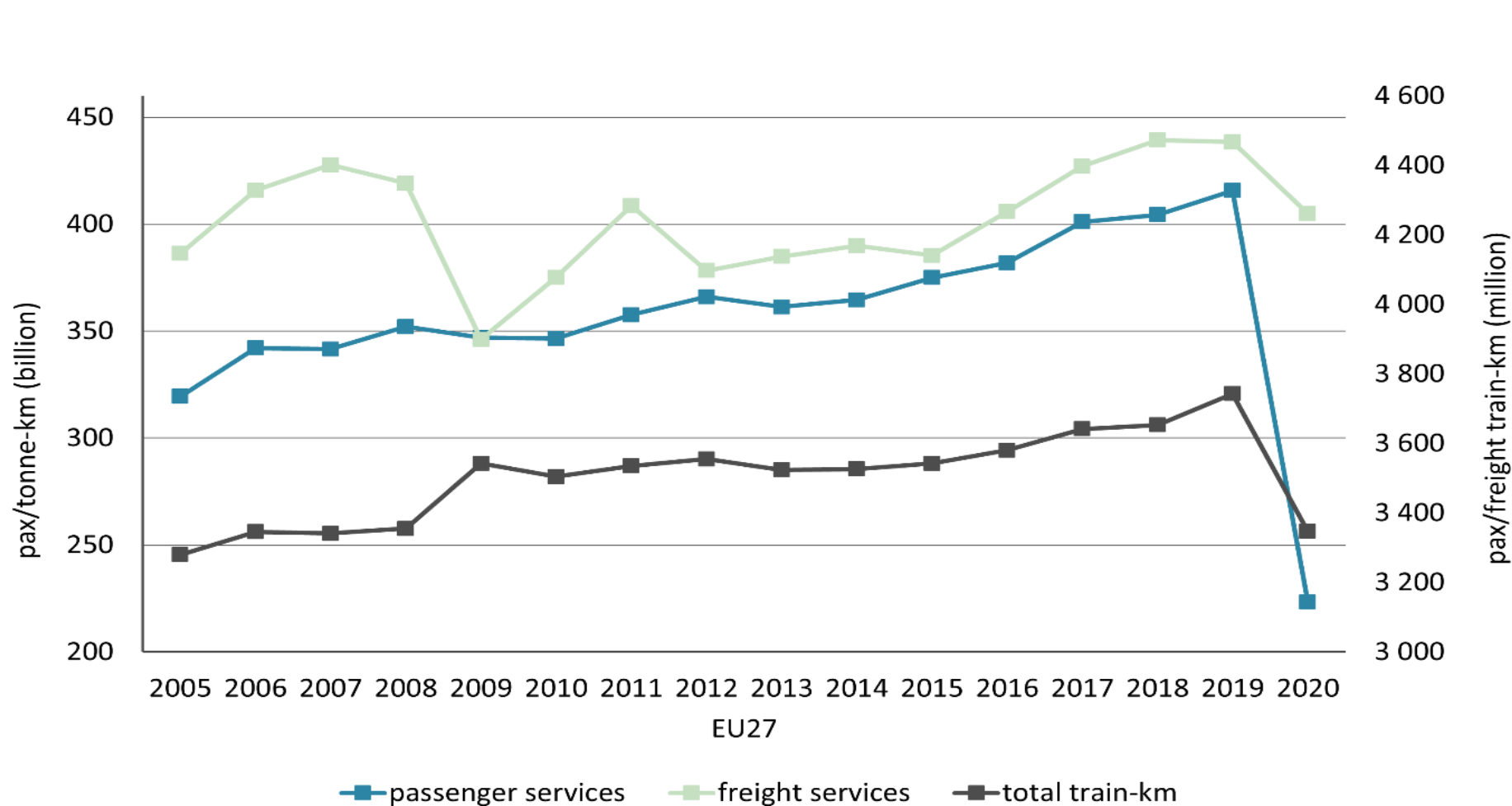


From the "Patchwork System" to a European Network

# Integration and opening up to competition



# Evolution of passenger and freight volumes (2005-2020)



# Proportion of cross-border traffic

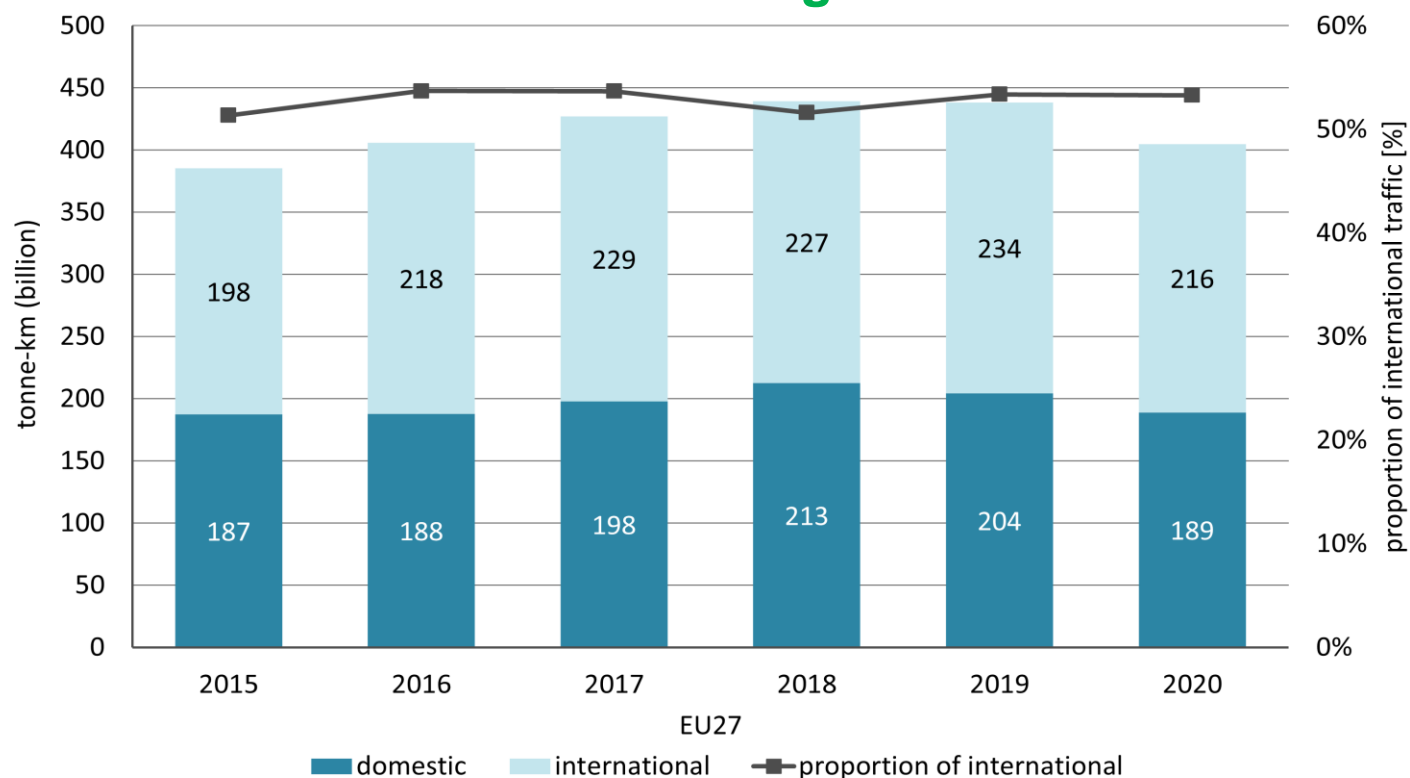


**3,6% Passenger traffic**

*2020 data. Prior to the COVID outbreak, the proportion of cross-border rail passenger traffic was **7%***



**53% Freight traffic**



# Market share of incumbents vs. new entrant companies

## Freight market

- Market share of alternative operators
- Market share of the incumbents



**46%**

↑ 12 p.p. since 2015

- Alternative operators
- Incumbents

## National passenger markets



**14%**

↑ 2 p.p. since 2015



# Structure of the EU rail transport acquis

- ***Market pillar (economic regulation, market access, public service contracts)***
- ***Technical pillar (safety, interoperability)***
- ***European Union Agency for Railways (ERA)***
- *Technical specifications for interoperability (TSIs) and Common Safety Methods (CSMs)*
- *Train driver licensing*
- *Rail Freight Corridors*
- *Transport of dangerous goods*
- *Passenger rights, ticketing*
- *Social field - working time / hour*
- *Trans-European Network & Connecting Facility*



# Regulatory framework of the 'market pillar'

## **Directive 2012/34/EU (as amended)**

- **Independence of infrastructure managers from railway undertakings**
- Transparency of financial flows / accounting separation
- Financing infrastructure managers activities
- Non-discriminatory and affordable track access charges
- Non-discriminatory and transparent capacity allocation process
- Access to service facilities
- EU-wide licensing of railway undertakings (process, requirements, validity)
- Independent National Regulatory Body with appropriate competences and resources

## **Regulation (EU) 1370/2007 (as amended)**

- Competitive tendering of public service contracts

# Objectives and approach of Regulation 1370/2007

- **The aim:** enabling authorities to organise the provision of high-quality, safe and affordable public transport services
- **How to achieve this:** applying a rather flexible EU legal framework to a great extent based on subsidiarity
- **By doing what:** defining conditions under which competent authorities can award contracts and compensate transport operators for the discharge of public service obligations while creating an internal market for public transport services by road and rail

# Regulation 2016/2338 amending Regulation 1370/2007

- Amendment in the framework of 4th Railway Package adopted in 2016; Entered into force on 24 December 2017; aims at opening up the market for domestic passenger transport services by rail

## **Application and basic principles**

- Regulation applicable, if public service obligations (PSO) are discharged by financial compensations and/or exclusive rights
- Criteria to be respected for the specification of PSO and their scope of application:
  - **Proportionality with respect to open access rights of commercially operated services,**
  - **Consistency with respect to objectives laid out in published public transport policy documents,**
  - **Cost-effectiveness and financial sustainability with respect to the related compensation of the net financial effect of discharging PSO**

# Content and requirement of public service contracts

## **Mandatory content of public service contracts (PSC)**

- PSOs to be fulfilled by operator and their geographical area of application
- Parameters for calculating compensation
- Arrangements for allocation of costs (e.g. staff, energy, infrastructure, maintenance, etc.)
- Arrangements for allocation of revenue from ticket sale

## **Maximum duration of PSC**

- 15 years for rail
- 10 years for directly awarded rail PSC (until 23.12.2023)
- Possible extension by up to 50% if operator undertakes significant investment in necessary assets (e.g. rolling stock)

# Award of public service contracts

- Principle of **competitive award** (fair, transparent, non-discriminatory) applicable since December 2019
- Possible direct award by local competent authority to internal operator
- Possibilities of direct award:
  - Low value contracts (less than €7.500.000)
  - Emergency situation (threat of service disruption)
  - Rail (unconditional until 24 December 2023)
  - Rail under certain, strictly defined conditions (e.g. in case of exceptional circumstances, in case of certain structural and geographical characteristics of the network)

# Horizontal provisions applicable to rail PSC

## Setting conditions for fostering market opening

- E.g. ensuring access to rail rolling stock
- When preparing a competitive tender procedure competent authorities have to assess whether measures are needed to ensure effective and non-discriminatory access to rolling stock

## Transparency provisions

- Competent authorities to publish information on all their PSC/PSO in annual reports
- Main elements of future contracts to be published in the EU Official Journal one year before launch of tender or direct award

# Implementation guidance on rail PSC

Communication from the Commission on interpretative guidelines concerning Regulation 1370/2007 published on 29 March 2014: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A52014XC0329%2801%29>

Guidelines will soon (beginning of 2023) be revised to take account of new provisions introduced by 4th Railway Package and recent EU jurisprudence

DG MOVE available to provide further guidance on request

More information at: [https://transport.ec.europa.eu/transport-themes/public-service-obligations/land-transport\\_en](https://transport.ec.europa.eu/transport-themes/public-service-obligations/land-transport_en)



# Boosting cross-border traffic: better manage and coordinate European rail capacity and traffic management

## **Political context**

- European Green Deal and Sustainable and smart mobility strategy
- Action plan to boost long distance and cross-border passenger rail
- Ex-post evaluation of RFC Regulation
- Revision of TEN-T Guidelines: merges RFC and TEN-T corridors

## **Economic and legal context**

- Growing demand, different requirements of RUs, cross-border traffic
- Recast Directive, RFC Regulation, TEN-T Regulation

## **Next step**

- A legislative proposal to help optimising management of capacity
- Current planning: adoption of the proposal foreseen in Q1 2023

# State-of-play of capacity management today

Manual

6 out of 35

Number of IMs with IT interface to European capacity booking system

Annual



up to  
80%

Train paths changed **after**  
**publication of annual timetable,**

**+25%** admin. cost increase  
per path change

National



85%

Share of cross-border freight traffic  
**allocated nationally**  
(one-stop shops: 15%),

**nearly 9 in 10**

cross-border trains use lines  
outside Rail Freight Corridors

# Four problem areas in the current regulatory framework

1. **Legal and procedural obstacles** to a more effective and market-oriented capacity management and allocation.
2. **Lack of economic incentives** that support a more efficient process of capacity management (KPIs, respect of commitments, socio-economic criteria for capacity allocation).
3. **Insufficient mechanisms for coordination** between stakeholders, which includes coordination between IMs, but also between operators in the multimodal chain (e.g. terminal operators).
4. **Lack of digital tools** that improve and support the process of capacity management and allocation.

# Key measures under discussion

- Many proposed measures are closely inspired by the sector's Timetable Redesign for Better Capacity Managements initiative (TTR).
- Other measures complement TTR in order to close gaps with respect to the objectives of the Commission's initiative.

**+3% to +6%**  
**capacity increase**

# Policy options

	Policy option 1	Policy option 2	Policy option 3	Policy option 4
Approach to cross-border coordination	Corridor	Network-based		
Responsibility to define common EU rules & implement monitoring		Cooperation between IMs	Supported by central entity	
Competence for decision-making on capacity & traffic mgt.		Decentralised (individual IMs)	Partially centralised	

# Thank you



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