

22nd Hellenic Logistics Conference

Railways beyond borders

Athens, 28-29 November 2018

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A map of Europe with various railway lines overlaid in different colors (red, blue, green, orange, purple, brown). The lines represent different railway networks or companies across the continent. The map is partially obscured by three text boxes.

1. Single European Railway Area

2. Trains beyond borders

3. Companies beyond borders

1. Single European Railway Area

2. Trains beyond borders

3. Companies beyond borders



Opening up national freight and passenger markets to cross-border competition has been a major step towards creating an integrated European railway area and a genuine EU internal market for rail

- **Boosting competition.** Different organisational entities must be set up for transport operations on the one hand and infrastructure management on the other.
- **Opening markets Europe-wide.** As well as encouraging greater competition within national markets, EU legislation gives rail operators the ability to run services in and between other EU countries, opening up cross-border competition.

Source: https://ec.europa.eu/transport/modes/rail/market_en

Directive 2012/34/EU (recast of 1st railways package)

1. Single European Railway Area

2. Trains beyond borders

3. Companies beyond borders

Technical pillar

- *save firms from having to file costly multiple applications in the case of operations beyond one single Member State. **ERA will issue vehicle authorizations** for placing on the market **and safety certificates** for railway undertakings, valid throughout the EU.*
- *create a "**One stop shop**" which will act as a single entry point for all such applications, using easy, transparent and consistent procedures.*
- *ensure that European Rail Traffic Management System (ERTMS) equipment is **interoperable**.*
- ***reduce the large number of remaining national rules**, which create a risk of insufficient transparency and disguised discrimination of new operators.*

The 4th package-2016

1. Single European Railway Area

2. Trains beyond borders

3. Companies beyond borders

Market Pillar

No important news for freight. It extends to passengers what already established in 2001 with the first package.

*The first railway package adopted in 2001 enabled rail operators to have access to the trans-European network on a **non-discriminatory basis**. To improve Europe's rail freight options, the Commission proposes the creation of a one-stop-shop to market freeways.*

*It underlines the need to improve the **distribution of train paths**, establish a tariff structure which reflects relevant costs, reduce delays at borders and introduce quality criteria. The Commission lists the actions to be taken with a view to setting up freeways.*

Source: https://ec.europa.eu/transport/modes/rail/packages/2013_en

The 4^o package-2016

1. Single European Railway Area

2. Trains beyond borders

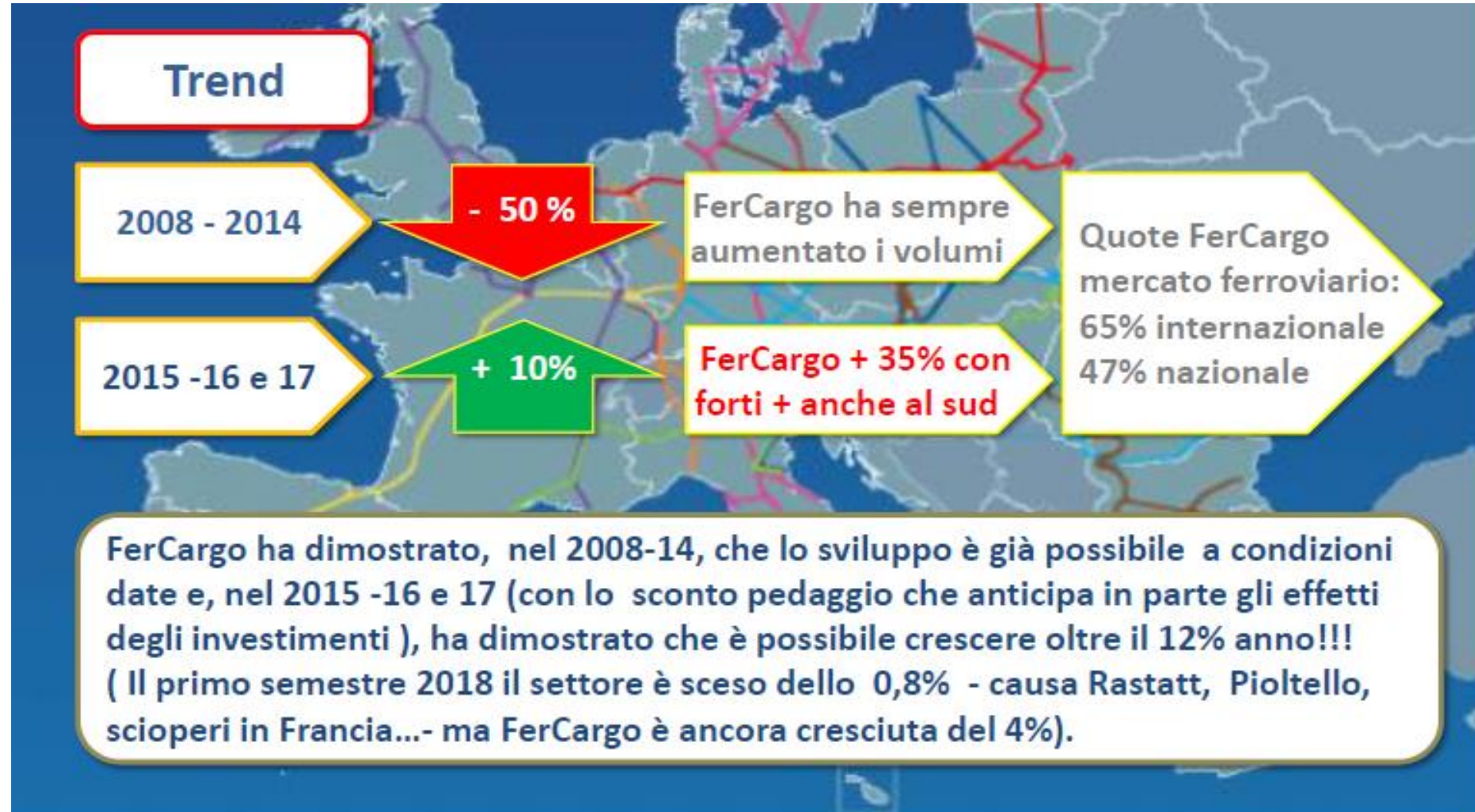
3. Companies beyond borders

Market results, competition

An example. Market share and trend, private cargo companies in Italy



Source:



Il futuro del trasporto merci in Italia

2. Trains beyond borders

1. Single European Railway Area

3. Companies beyond borders

Technical pillar, interoperability. Still lagging behind

An Example: TGV Paris-Milan.



FRANCE-ITALIE TGV BY SNCF

It takes 7h02' from Paris to Milan. BUT
it could take 6h26' saving 36'



Our France-Italie TGV service makes daily trips between France and Italy's Turin and Milan. Enjoy a weekend getaway at the drop of a hat—no need to decide until an hour before departure. And whatever your destination—Fashion Week in Milan, the snowy slopes of the Italian Alps, or Turin's famous museums—our high-speed trains will whisk you there in comfort.

2. Trains beyond borders

1. Single European Railway Area

3. Companies beyond borders

Technical pillar, interoperability. Still lagging behind

TGV is an interoperable train: you don't need anymore to change loco at the border, but...

One train, 4 infrastructures (electric power and signalling)

- French HS Paris-Chambery
- French Conventional line Chambery-Modane
- Italian Conventional line between Modane and Turin
- Between Turin and Milan there are two possibilities: (i) Italian HS (ii) Italian Conventional line.
- The TGV train runs on the conventional line because it lacks equipment for the Italian HS.

2. Trains beyond borders

1. Single European Railway Area

3. Companies beyond borders

Technical pillar, train handover at the borders. Still lagging behind

“Within the European Union (EU), rail transport is currently the least integrated transport mode. This leads to delays, extra costs, and insufficient use of rail freight, especially for time-sensitive cargo.”

“Delays in rail transport caused by border-crossing transit times are one of the key factors affecting the competitiveness of rail transport vis-à-vis other transport modes.”

“Evidence from the Austrian Court of Auditors indicates that in the 2010, 55 percent of delays in rail freight in Austria were caused by delays in train handover at national borders.”

Source: Transport and ICT Global Practice EUROPE AND CENTRAL ASIA, May 2015, The World Bank

2. Trains beyond borders

1. Single European Railway Area

3. Companies beyond borders

Technical pillar, train handover at the borders. Still lagging behind

Interoperability to avoid change of locos or even reloading



Infrastructure: Gauge, electric supply, rules, train protection, signalling etc.

Harmonised telematics application for

communication across rail Border Crossing Points (often still telephones, faxes, mails, manual copying of documentation)

Trainsets or Locos, multi-system locomotives, (to run on lines with different mains voltages or power supplies), equipped with European Train Control System (ETCS) and Global System for Mobile Communications – Railway (GSM-R)

Which ETCS release???

3. Companies beyond borders

1. Single European Railway Area

2. Trains beyond borders

Case 1. SNCF-NTV (HS passengers)

Case 2. DBahn - Arriva, FS - Netinera (local passengers)

Case 3. FS - TXLogistik (freight)

3. Companies beyond borders

1. Single European Railway Area

2. Trains beyond borders

Case 1. SNCF buys shares of NTV

NTV is the private owned railway company that manages HS passengers services in Italy, in direct competition with HS services by Trenitalia, the Italian State owned railway company. Service started in April 2012 under the .italo brand. SNCF, the French state owned company bought 20% of the shares. Meanwhile, SNCF was partner of Trenitalia: the two companies shared Artesia, the company that managed TGV and night trains between France and Italy.

A state owned company goes beyond border, to compete with another state owned company in its own land: what is the rationale?



3. Companies beyond borders

1. Single European Railway Area

2. Trains beyond borders

LesEchos.fr

La SNCF descend d'Italo, le TGV privé italien

LIONLE STEINMANN ET PIERRE DE GASQUET - LIONEL STEINMANN PIERRE DE GASQUET | LE 17/07/15 À 17H43

L'entreprise publique, qui détenait 20 % de NTV, renonce à souscrire à l'augmentation de capital de 100 millions demandée aux actionnaires. La SNCF arrête les frais en Italie. L'entreprise publique, qui détient 20 % de NTV (Nuovo Trasporto Viaggiatori), l'opérateur privé qui exploite le TGV Italo depuis 2012, a fait savoir vendredi lors de l'assemblée générale qu'elle jette l'éponge. Elle ne souscrira pas à l'augmentation de capital proposée par la nouvelle direction pour l'entreprise.

Stavolta l'Italia è arrivata prima degli altri paesi europei, privatizzando e incentivando la concorrenza nel settore dell'Alta Velocità. Un successo, che si chiama Italo Ntv, cioè i treni che sfrecciano a più di trecento all'ora sui binari italiani, comprati poche settimane fa, per due miliardi di euro, dal fondo statunitense Global Infrastructure Partners, Gip, che ora vuole portare l'italico treno nel resto d'Europa, esportando la concorrenza su rotaie, per ora sperimentata solo in Italia.

The State owned company leaves. Why?



Three years later: July 2015

Six years later: April 2018



L'Espresso

20 marzo 2018



3. Companies beyond borders

1. Single European Railway Area

2. Trains beyond borders



From <http://global-infra.com/>

“Global Infrastructure Partners (GIP) is a leading global, independent infrastructure investor. GIP combines specialist industry experience and industrial best practice operational management to achieve superior risk-adjusted returns. We apply our Team’s complementary skill sets and experience to actively manage our portfolio investments in order to improve their service quality and financial performance.”

An independent infrastructure investor buys a Railway Company. What is their rationale?

3. Companies beyond borders

1. Single European Railway Area

2. Trains beyond borders

Case 2. DBahn buys Arriva, and FS buys Netinera

A State owned company buys a private company active all over Europe in regional and local rail and bus services (mainly PSO). The private company is one of the main competitor in its own country.



Another state owned company (together with a private investor) buys the national rail an bus activities. Stated rationale of the railway company: consolidate and expand its presence **in the international market.**

3. Companies beyond borders

1. Single European Railway Area

2. Trains beyond borders

DEUTSCHE BAHN TO BUY ARRIVA FOR 1.8 BILLION EUROS

After weeks of negotiations, German rail company Deutsche Bahn is to buy Britain's Arriva to improve its "strategic positioning" in Europe's liberalized transport markets. Managers see little room for growth in Germany.

From: <https://www.dw.com/en>

Date 22.04.2010

The German company faced competition from French state rail company SNCF in bidding for Arriva. Deutsche Bahn already owns British passenger operator Chiltern Railways and freight operator EWS, and recently struck multi-billion-euro development deals in Qatar and the United Arab Emirates.

Deutsche Bahn's Grube said the acquisition would require his group to sell Arriva's German rail activities to meet EU anti-trust rules.

However, some critics still see the deal as an instance in which a state company is forcing a private one out of the market.

3. Companies beyond borders

1. Single European Railway Area

2. Trains beyond borders

Arriva - a DB Company

Passenger transport outside Germany: Arriva has successfully expanded to become one of Europe's largest transport providers – and it is still growing.

<https://www.deutschebahn.com/>

Arriva is one of the largest providers of European passenger transport, running more than 2.2 billion passenger journeys a year and **operating in 14 countries throughout Europa. Arriva employs some 55,000 people.**

The company has worked in mainland Europe for 16 years, and it joined the Deutsche Bahn Group in 2010.

Why to buy your competitor and then sell it out? What is the rationale?

3. Companies beyond borders

1. Single European Railway Area

2. Trains beyond borders



From <https://www.fsitaliane.it/content/fsitaliane/en/fs-group/group-companies/netinera.html>

On **25 February 2011** the **FS Group**, in partnership with **Cube Infrastructure**, finalised the purchase from Deutsche Bahn of Arriva Deutschland, the current **Netinera Deutschland**, and of the complex corporate group headed by it.

With this acquisition our Group consolidates and expands its presence in the international market, having created an important operational base in Germany – where it already operates with TX Logistik for cargo transport and logistics - also in the **passenger transport sector**. In terms of corporate structure, the parent company **Netinera** owns seven companies, which in turn control over 40 firms.

A state owned Company buys a firm active in local traffic in another country. What is the rationale?

3. Companies beyond borders

1. Single European Railway Area

2. Trains beyond borders

Case 3. FS buys TXLogistik (freight)



- 1999 TX Logistik is founded
- 2003 Trenitalia buys 15%
- 2005 Trenitalia owns 51%
- 2011 Trenitalia owns 100%
- 2017 Trenitalia hands over the shares to Mercitalia (the freight manager of Ferrovie dello Stato)

A State owned company goes beyond border, and buys a private company active in international transport. What is the rationale?