

UIC, CER, TER, EC

Seminar on Regionalisation of Passenger Services

28 - 30 April 2004, Paris

Conclusions

On the eve of the enlargement of the European Union, representatives of governments and railways of 16 Central and Eastern European countries met in Paris to discuss the challenges faced in the provision of regional rail passenger services. The conference, held from 28 to 30 April, was organised jointly by **the Community of European Railways (CER), the International Union of Railways (UIC), the European Commission (TAIEX) and the UN Economic Commission for Europe**. The main conference conclusions are presented below.

Enlargement of EU has given the rail sector a key role

For enlarged Europe the rail transport system is of increased importance for achieving the targeted economic growth, as the rail sector historically plays a more important role in the new EU member countries.

Terminating cross-subsidies is a joint responsibility of governments and railways

Railways companies and governments are aware of the need to terminate cross-subsidies of freight and passenger services by rail, but also acknowledge that the practice as yet prevails. It was agreed that this practice deprives railways companies of the financial resources, which they need for investments in their freight operations. The liberalisation of the rail freight sector in EU per 1 January 2007 makes termination of the cross-subsidising practice an urgent issue.

The conference acknowledged that the termination of cross-subsidies is a joint responsibility of governments and railways companies. According to EU regulations:

- Governments are obliged to compensate railways companies for losses on obligatory services of public interest;
- Railways companies must be able to prove that they offer services at best practice and in the most cost-effective manner.

Public Service Contracts; specifying service propositions and payments.

The conference reviewed public procurement procedures, which apply to public transport services, and Public Service Contracts (PSC's) on which any compensation to be paid by Governments to railways companies for services of public interest must be based. It was emphasised that in Public Service Contracts the service propositions and financial compensations must be clearly defined and it was concluded that PSC's must be negotiated for sufficient length of time (at least 7 years).

Prior to signing PSC's the parties must investigate and specify what services governments wish to have and what railways can offer as best practice. Rail companies must be aware when production costs per passenger.km are higher for rail than for bus and to what extent authorities can justify ordering public transport services by rail. Rail has the potential to be the most economically attractive mode of public transport when demand exceeds a certain minimum flow of passengers per hour, when rail infrastructure is used to capacity and when rail offers shorter travelling times.

As regards the level of financial compensation the conference agreed that compensation is at least economically justified up to the difference in external costs caused by the modes of public transport. Moreover, it was agreed that authorities are well advised to give rail the benefit of doubt in urban areas to prevent the occurrence of future congestion problems and in rural areas as the costs of public transport systems by road are likely to increase.



Cost effective and integrated public transport systems require controlled competition.

The optimisation of the modal split in public transport systems requires a form of controlled competition. Intervention in competition is in particular required to establish synergy between various modes of public transport and to prevent cherry picking of relations within public transport systems. In this context the conference concluded that EU lacks as yet a common policy on national or regional public transport systems, while the legal instruments for controlling competition are especially weak in the new EU member countries.

Competitive pricing for the use of infrastructure

The splitting of infrastructure exploitation and transport operations into separate accounts as specified in EU-directives 91/440 causes the need to define tariffs for use of rail infrastructure, -so called track access charges. Initially these tariffs are mostly based on political decisions, what could cause infrastructure being priced too expensive.

It may also happen that railway management judges the exploitation of a specific line to be not economically justified, while authorities or politicians are at the same time not prepared to accept the consequences: either closure or paying compensation. This will also make infrastructure too expensive.

Pricing for the use of rail infrastructure must give the rail sector a strong competitive position vis-à-vis other modes of transport. Unstable or too expensive pricing will affect the sector's competitive position.

Investments in rolling stock

A multi-year PSC is a precondition for making investments in public transport systems and instrumental for attracting private sector financing.

It is of great importance to maintain and/or achieve standardisation in fleets of rolling stock. The transfer of ownership and division of national fleets into smaller entities may have cost-increasing consequences, if not done in the context of a well-conceived plan.

Follow up and technical assistance

Decentralisation of public transport responsibilities must be accompanied with transfer of expertise and issuing of guidelines on policies for optimisation of modal split between modes of public transport and on services to be specified in Public Service Contracts. In general it was considered that there is not sufficient expertise available to this effect. The conference participants requested for more specific examples of service propositions and templates for Public Service Contracts. Also participants considered that their organisations would benefit from more expertise and practical examples for the development of integrated public transport systems and the internalisation of external costs. Various participants also called for the establishment of a platform to exchange experiences on a continuing basis.