

Service Suppliers in a Liberalized Market

Jernbaneforum, Lillestrøm

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Introduction

- RCL is a specialist railway planning consultancy
 - Operational planning
 - Commercial planning, including bidding
- Have been working in Norway since 1999, so very familiar with the railway situation here



- I published a book “Privatisation of British Rail”
- I have been asked to speak from a train operator’s perspective

Introduction

- Norway is starting its process of railway reform
- What can we learn from our European neighbours?
 - Britain
 - elsewhere
- We work across the industry so can comment
 - from a wide perspective
 - independently



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Two Questions

1. How has the market for rail service suppliers changed since the start of liberalisation?
2. How should the government provide a fair and profitable market for suppliers?



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1 What's Changed?



1 What's Changed?

- Traffic levels:
 - Up in some countries, down in others
 - Most of that reflects economic conditions & some network changes but a little reflects liberalisation
 - Major traffic losses in E Europe as people were given options
 - Young urban adults are learning to drive later
 - Urban (re)development



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1 What's Changed?

- Available monies:
 - Greater emphasis on commercial operation (esp. Greece!)
- Continuing EU railway legislation
 - Successive frameworks
 - Increased tendering in many countries



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1 What's Changed?

- Industry working:
- In Britain, problems at first but become more collaborative
 - Joint control centres
- Elsewhere, tensions more apparent – why?
- Railtrack re-nationalised, as failing to maintain assets
- Network Rail given overall view of performance



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2 How to Provide a Fair Market?



2 How to Provide a Fair Market?

- Important to understand:
- Improvement in railway finances not guaranteed
 - Private-sector involvement may increase efficiency BUT
 - Interface costs have been added
 - Profit margins will be inserted
 - More risks may be priced in
 - Quality specifications may change
- Outcomes have varied between countries
 - The starting position was not the same
 - Required support has fallen in Germany but gone up in Britain

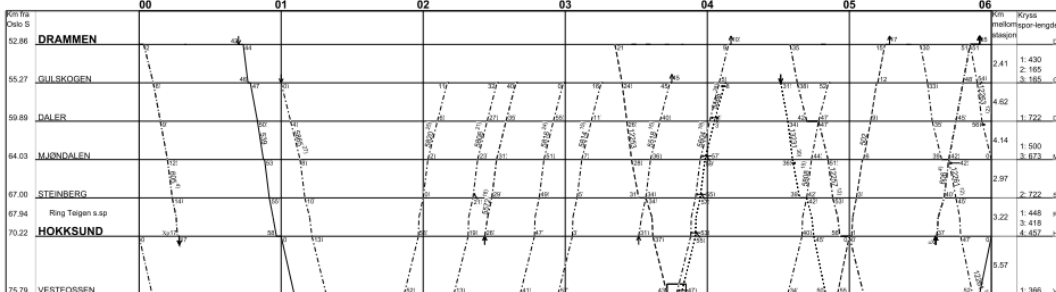


2 How to Provide a Fair Market?

- Ensure consistent data formats, quality, sources
 - Timetable, rolling stock details, demand levels?
 - Agree standards
- Share data
- Ensure that a real rolling stock market exists



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DRAMMEN - NESLANDSVATN	13) 5352 Fredager unntatt helligdager. 14) 5354, 5509, 5515, 5519, 5503 Mandager - torsdager unntatt helligdager. 15) 5518, 5508, 5814 Tirsdager - fredager unntatt dag etter helligdag. 16) 5528, 5529, 5568, 5821, 5828, 5827, 5829 Helligdag før hverdag. 17) 5583, 5569, 5863 Mandager - torsdager unntatt helligdager og dag for helligdag. 18) 5572 Tirsdager - lørdager unntatt dag etter helligdag. 19) 5654 Mandager. 20) 5880 Tirsdager - fredager unntatt helligdager og dag etter helligdag. 21) 5858 Neslandsvatn - Drangedal Mandager - torsdager unntatt helligdager, Drangedal - Gulskogen Tirsdager - fredager unntatt dag etter helligdag. 22) 5857 Drammen - Nakskov Mandager - fredager unntatt helligdager, Nakskov - Neslandsvatn Tirsdager - lørdager unntatt dag etter helligdag. 23) 5859 Drammen - Ba Mandager - torsdager unntatt helligdager, Ba - Neslandsvatn Tirsdager - fredager unntatt dag etter helligdag. 24) 5816, 5860 Lørdager unntatt dag etter helligdag. 25) 5820 Neslandsvatn - Lunde Helligdag før hverdag, Lunde - Gulskogen Hverdag eller helligdag.	20) 5562 Tirsdager - fredager unntatt helligdager og dag for helligdag. 27) 5860 Lørdager unntatt helligdager og dag etter helligdag. 28) 5568 Tirsdager - lørdager unntatt dag etter helligdag, Kjerres bare eller særskilt kulløring. 29) 12287 Mandager - fredager unntatt helligdager, Kjerres ikke i tiden 1. juli - 9. august 2013. 30) 13231, 13232, 13237, 13238, 13239, 13240, 13241, 13242 Mandager - fredager unntatt helligdager, Kjerres bare eller særskilt kulløring. 31) 13225, 13228 Mandager - fredager unntatt helligdager, Kjerres ikke i tiden 15. - 19. juli 2013, Kjerres bare eller særskilt kulløring.



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2 How to Provide a Fair Market?

- Provide a range of (size) opportunities
 - Gross cost concessions & net cost tenders
- Railways exhibit economies of density (not scale), but very small ones are not likely to be optimised
- ...whilst the biggest ones will exclude some bidders and may be too big to manage anyway



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2 How to Provide a Fair Market?

- Establish timely processes
 - e.g. settlement of fares income every 4 weeks
- Set out intentions clearly, well in advance
 - If TOCs are to invest time and money
 - e.g. the relative importance of price and quality
- Make intentions flexible but don't make major changes often & without good reason and/or consideration of the consequences
 - Slovakia imposed free travel for children & pensioners, which is causing the collapse of private-sector interest



2 How to Provide a Fair Market?

- Have simple regulations
- Have as few regulations as possible
- ...but be clear about the rules
 - e.g. “open access” operators in Britain must not abstract more than 70% of traffic from existing ones



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2 How to Provide a Fair Market?

- Suppliers dependent upon infrastructure
 - Availability of quality paths
- NR still weak on customer service
 - Not good at responding quickly, doing little things
- JBV seems to be similar
 - Here's a safety problem I reported in 2007



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2 How to Provide a Fair Market?

- Collaboration matters in Scandinavian culture
- But I have not seen this leading to improvement in Norway's railways
- Currently incentives weak:
 - If no track access charges paid, why should JBV behave in a way which benefits TOC customers, if it costs them more to do so?
 - Need any payments IA-TOC to reflect any refunds to customers, so that TOCs can't profit from poor performance



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2 How to Provide a Fair Market?

- Best thing in Britain is regulation
 - Expenditure on maintenance & renewals is independently-assessed and guaranteed by Government
 - Network kept in good state of repair
 - Provides safety & reliability for both TOCs & passengers



But not in
Norway?



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2 How to Provide a Profitable Market?

- Few railways genuinely make a profit
- But service providers can profit from contracts
 - Infrastructure (maintenance or renewals);
 - Cleaning & security;
 - Actual train operation
- Keep risks with the body that might control them
 - TOCs can't control the macro-economy, so bids will just include risk premia
 - “Cap and collar” mechanisms can prevent default & super-profits
- Devise a clear assessment system which balances money and quality
 - Need to avoid the “rush to the bottom”





Summary: How to Succeed?

- More traffic and more commercial atmosphere
- Get the infrastructure sorted
- Provide stable, minimal but enforced, regulation
- ...based on independent assessments of infrastructure and passenger needs
- Provide a range of opportunities with the right incentives, including quality
- Don't ask TOCs to deal with risks that aren't theirs



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