Liberalisation of passenger rail services: Situation in different member states

To enhance the competitiveness of EU rail services, six legislative proposals - collectively known as the fourth railway package - were put forward in January 2013. This package includes new measures relating to market liberalisation and governance structure, known as the market pillar, intended to strengthen the infrastructure management independence and to gradually grant access rights to all operators for domestic passenger services, either through competitive commercial services or participation in tendering procedures for public service contracts (PSCs).

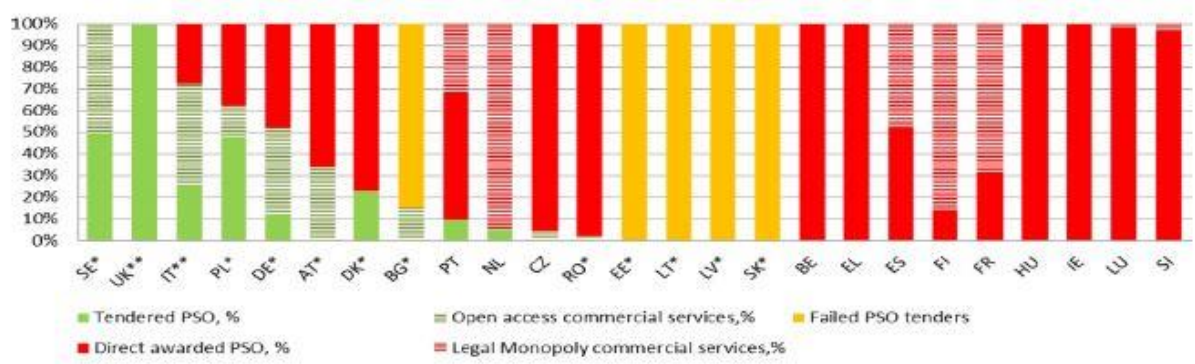
Liberalisation: Main obstacles on the EU passengers rail market

With few exceptions, the rail sector is characterised by the dominant position of incumbent companies, which are sometimes backed by their governments. This is due to historically strong ties between the state, the rail infrastructure manager and the rail operating company.

Freight services have been fully open to competition since January 2007, and international passenger services as of January 2010. But, as observed the Commission in its 2013 assessment, domestic passenger services by rail remained, with some exceptions (Germany, Italy, Sweden and the UK), largely closed. Yet, these markets represent more than 94% of all rail passenger-kilometres (pkm) in the EU and are still strongholds of national incumbents.

Two-thirds of domestic rail services across the EU are provided under Public Service Contracts (PSCs) or concessions. The rest is managed through competition in the market, with several operators providing services on a commercial basis on the same route. Current rules allow the competent authorities to directly award rail PSCs without any tendering procedure - directly awarded PSCs amount to 42% of all EU passenger-kilometres. As a result, in 2013, in 16 out of 25 Member States with a rail network, the incumbents held a market share of more than 90%.

Rail market structure, 2012



Source: Fourth report on monitoring the development of the rail market COM(2014) 353 final, part 2/2.

Diverging scale of rail market liberalisation across the EU

There are lot of asymmetries in the EU rail market. Some Member States, such as the UK or Sweden decided to fully open their national markets to competition at an early stage. Others, like Germany or Italy, opened a substantial part of their network to newcomers, via open access or through tendered Public Service Contracts (PSCs). Yet countries like France delayed the implementation of any rail liberalisation reform not strictly mandated by the European legislator.

The Commission grouped Member States in five clusters, according to the level of liberalisation of their rail passenger markets:

- **Fully liberalised markets** - all rail passenger-kilometres (pkm) are in open access or all PSCs are competitively tendered: *United Kingdom and Sweden*,

- **Largely liberalised markets** - more than 33% of pkm are in open access or correspond to competitively tendered PSCs: *Austria, Germany and Italy*,

- **Partially liberalised markets** - less than 33% of pkm are in open access or correspond to competitively tendered PSCs; new entrants have taken up an important share of the liberalised traffic: *the Czech Republic, the Netherlands and Portugal*,

- **Quasi-liberalised markets** - the whole market is open via open access, but there is no effective competition in it; the new entrants operate directly awarded PSCs: *Bulgaria, Denmark, Estonia, Latvia, Lithuania, Poland, Romania and Slovakia*, and

- **Non-liberalised markets** - the incumbent operates all commercial services and Public Service Obligations (PSO): *Belgium, Finland, France, Greece, Hungary, Ireland, Luxembourg, Slovenia and Spain*.