New entrants face a very challenging outlook in 2020

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OUR association, which represents European independent, non-incumbent passenger rail operators and ticket vendors, is calling for more market opening in passenger rail in the European Union (EU). Evidence shows that, in the limited number of places where this has already been allowed to happen, results have benefited passengers, taxpayers and the environment, and has expanded the sector.

Looking ahead to 2020, the outlook remains challenging. While the European Commission has initiated no less than four EU rail liberalisation packages over the last two decades, it could still be many more years before any meaningful opening of passenger rail finally occurs.

Yes, there are a few pockets of success. For example, competition on the tracks by NTV Italo has helped grow demand for high-speed rail in Italy by over 100% during the last seven years. In Sweden, independent operators have grown their share in competitively tendered rail services. And in Finland, a new Transport Code was introduced last year that will enhance transparency for all rail options for passengers.

However, these handful of advances have happened despite EU legislation, not because of it. Otherwise the past three to four years have been quite disappointing. For example, there has only been one notable new open-access passenger rail operator over the entire period: FlixTrain in Germany in 2018.

If anything, the outlook has become gloomy. Numerous cases demonstrate how the well-funded lobby of the market dominant players has been very effective in preventing anything that resembles liberalisation. Here are some examples:

- Ouigo, the French low-cost high-speed train, continues to expand, offering very low fares whilst being subsidised by its owner French National Railways' (SNCF), the incumbent, that in turn has record levels of debt; this is tantamount to state aid
- in Poland, incumbent PKP refuses to share data with most independent ticket vendors, in a bid to control the downstream retail market, consequently the booking experience remains poor and there is little incentive to improve, and
- in Sweden, incumbent SJ's in-house ticket vendor with a 97% market share still refuses to show and sell all rail options. In the home country of flight-shaming, it is sadly ironic that rail is not very accessible.

At the European cross-border level, the outlook is equally disheartening:

- the merger of high-speed operators Thalys and Eurostar will lead to higher market concentration and less passenger choice
- Swiss, French, German and Italian incumbents recently announced the strengthening of their collaboration, meaning rail passengers travelling between those countries will effectively face no alternative, and
- the European Council, representing

Photo: Marco Stellini

national governments which are the owners of the incumbents, looks to prevent mandatory through ticketing involving different rail operators that was voted for by the European Parliament in November 2018.

To make matters worse, the market pillar of the EU's recent Fourth Railway Package will not fully take effect until the middle of the 2030s. Yet, at the same time, it is noticeable that those incumbents calling for slower market opening already have no problem embracing it outside of their domestic market.

Take Netherlands Railways (NS) as a prime example: it is lobbying for yet another extension of its exclusive concession into the 2030s, allegedly because the core domestic network is so crowded that multiple operators cannot operate on the same main lines. However, just over the border in neighbouring Germany, NS' subsidiary Abellio shares the same types of main line with multiple operators.

Ray of hope

What will 2020 look like?

One ray of hope could have been Spain, with packages being introduced for the high-speed market which will take effect on December 14 2020. However, incumbent Renfe has won the largest package, and the two other winners are Ilsa, a consortium of Italian incumbent Trenitalia and Air Nostrum, and Rielsfera, a subsidiary of SNCF.

A similar phenomenon is taking place in France. The first high-speed operator to compete against SNCF TGVs will be Italy's Trenitalia. We can but speculate as to whether this is quite the kind of competition that EU policymakers have spent decades trying to foment.

This does not mean to say that privately-owned passenger rail companies have no expansion plans. However, compared with other modes of transport, they remain modest, reflecting the high entry barriers to the market.

For example, in June RegioJet will extend its existing Prague - Vienna service to Budapest while FlixTrain plans a new cross-border service between Paris and Brussels (p26). Meanwhile, independent ticket vendors are introducing innovations, such as offering optimised multi-modal travel chains with rail as the backbone of the trip.

However, to say that market opening is moving anywhere near as fast as it did in the single EU aviation market would be an exaggeration.

There are still no independent passenger rail companies that have achieved a breakthrough across Europe, and this is unlikely to change in 2020.

Why is this whole situation so worrying? The evidence is compelling. Less competition will mean less rail transport and more pollution. Again and again, we see reports, such as the *Seventh Sector Report on Railways* published by the German Monopolies Commission in July 2019, bemoaning how inefficient and unattractive the rail system is when competition is still largely absent. Intermodal competition cannot succeed without intramodal competition first of all.

But 2020 could also offer fresh opportunities. The newly-elected EU Commission led by Mrs Ursula von der Leyen proposes an EU Green Deal with the intention that Europe becomes the world's first climate-neutral continent which should include substantial modal shift to rail.

However, if rail remains the only mode of transport still dominated by state-funded incumbents, then the innovation and competition necessary to power this modal shift is unlikely to occur. Besides, if the taxpayer is left to pay for everything, then passenger rail will become a luxury that only wealthier countries can afford.

While the four EU rail liberalisation packages introduced so far have helped somewhat, they still miss crucial measures to attract private investment and grow passenger rail in the short term.

After all, Von der Leyen knows that the next five years will be the last chance to meet Europe's ambitious decarbonisation goals - otherwise it will simply be too late. Waiting until the 2030s is simply not an option. **IRJ**