



KEY POSITION PAPER

The Benefits of Competitively Tendered Public Service Obligation (PSO) Contracts in Passenger Rail

Maximising Value and Quality in Passenger Rail



10th September 2025

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Introduction

Rail transport is central to socio-economic development, providing reliable connections, vital access to jobs, education, healthcare, and other vital services, both in Europe and around the world. It also plays a key role in environmental sustainability as one of the most climate-friendly modes of transport. For these reasons, establishing a robust rail network that meets passenger needs is critical.

In many cases, open access commercially driven passenger rail services, where operators compete in the market, have often proven highly effective. They deliver affordable fares, increased frequencies, and better service quality by responding directly to passenger demand. This market-driven approach minimises the need for taxpayer subsidies, making it a preferred option wherever viable.



Image 1 – The independent operator Leo Express was awarded a 10-year PSO contract for operating the Bratislava – Komárno route (Slovakia), following a competitive tender

However, there are contexts, particularly in **urban, suburban, and regional rail transport**, where market forces alone may fall short of ensuring adequate service levels. In these cases, taxpayer-funded **Public Service Obligation (PSO) contracts** become necessary to bridge the gap, but **only after an independent and thorough market analysis has determined that public intervention is needed.**

Yet even when subsidies are required, it is essential to ensure that **they are allocated efficiently**, which can only be achieved through **competitive tendering**.

In the European Union ('EU'), the **co-legislators¹ have clearly recognised the benefits of competitive tendering**. This is reflected in the Fourth EU Railway Package, specifically in Regulation (EC) 1370/2007, as amended by Regulation (EU)

¹ The Council of the European Union, representing the governments of the EU Member States, and the European Parliament, representing EU citizens.

2016/2338². ('LAND PSO Regulation'). This legislation has progressively phased out the direct awarding of PSO contracts, culminating in their prohibition from December 2023, with only very limited and well-defined exceptions.

Other parts of the world also have competitive tenders for PSOs, such as Australia, the metro regions in the United States of America and the devolved regions of the United Kingdom.

Public Transport Authorities (PTAs)³ face a dual challenge in the rail sector: meeting public mobility needs while ensuring efficient use of public funds. In areas where PSO contracts are necessary, the method of awarding these contracts plays a decisive role in achieving both objectives.

Contents of this paper

This paper examines the role of competitive tendering as a mechanism to optimise PSO contracts, ensuring value for taxpayers while maintaining high-quality rail services.

- 1) The **first section**, "*Why competitively tendering PSO contracts matters: principles and policy*," explores the advantages of this approach over direct awards.
- 2) The **second section**, "*Evidence of success: the competitive tendering of PSO contracts*," highlights empirical examples of how competitive tendering has delivered improved outcomes in cost-efficiency, higher frequencies, service quality, and innovation across several countries.
- 3) The **third section** focuses on the challenges that privately owned, independent new entrant operators face with competitive tenders.
- 4) The **fourth section** shares the ALLRAIL's Recommendations to optimise participation in competitive tenders and the latter's outcome.

Together, these sections underscore why competitive tendering is indispensable for a sustainable and efficient rail network.

² Regulation (EU) 2016/2338 of the EU Parliament and of the Council of 14 December 2016 amending Regulation (EC) No 1370/2007 concerning the opening of the market for domestic passenger transport services by rail. Link [here](#).

³ PTAs are the Public Authorities in charge of defining and financing the Public Service Obligation, they can be national (i.e., Ministry of Transport) or regional (Regional Transport Agency or Metropolitan Transport Authority).

1) Why competitively tendering PSO contracts matters?

Principles and policy

Public Transport Authorities face a dual challenge in the rail sector: meeting public mobility needs while ensuring efficient use of public funds. In areas where public service obligation ('PSO') contracts are necessary, the method of awarding these contracts plays a decisive role in achieving both objectives.

Direct awards and competitive tenders

Direct award refers to the process where a Public Transport Authority (PTA) grants a PSO contract directly to a selected passenger rail operator – most often the state-owned incumbent – without a competitive bidding process.

With **competitive tendering**, multiple operators are officially invited by a PTA to submit proposals. The contract is then awarded to the operator that offers the best value in terms of the cost, quality, and overall benefits as defined by the PTA.

Competitive tendering stands out by far as the most effective approach for PSO contracts. By inviting multiple operators to compete, PTAs take advantage of the inherent benefits of competition (in this case, of competition for the market) in order to optimise the use of taxpayer subsidies.

Rail operators must demonstrate how they can optimise resources, deliver innovative solutions, and meet performance targets, leading to a higher standard of service for passengers. This approach ensures that the services provided offer the **best value for taxpayer money**:

- It exerts downward pressure on costs, which benefits PTAs with savings on taxpayer subsidies that can be passed on to the passengers reinvested in the service in form of:
 - Lower **fares** and/or **higher frequencies** resulting in **more passengers**
 - Greater **route diversity**,
 - Better **service quality**. (e.g. WIFI or more comfortable rolling stock) and **reliability** (more punctuality)
 - Rail operators are encouraged to improve their **efficiency**.

Moreover, competitive tendering **encourages new market dynamism**. New entrants bring fresh perspectives and challenge incumbents to adapt, breaking monopolistic tendencies and fostering innovation. This competition ultimately benefits passengers, who gain access to more reliable, affordable, and diverse services.

An eloquent example of such dynamism is the widespread adoption of Wi-Fi on trains, which likely reflects the competitive pressure operators face⁴. By contrast, in countries that are mostly without competitive tendering, PSO trains often do not have it on board, such as in the second class on the Zurich Airport-Ziegelbrücke S2 local/regional rail service, which is directly awarded to the state-owned incumbent SBB CFF FFS in Switzerland.

Direct awards often lead to stagnation. The lack of competitive pressure can entrench inefficiencies, reduce accountability, and weaken incentives for innovation. Incumbent operators, **accustomed to guaranteed contracts**, may prioritise maintaining the status quo over improving service quality or reducing costs.

Given the **increasing strain on public finances across Europe and around the world**, driven by crucial sectors such as healthcare, education, energy transition, and defence, it is more important than ever to ensure that **taxpayer spending on rail transport is optimised** and delivers maximum value. In fact, evidence from the latest studies indicates a 20–25% reduction in average PSO service costs after the first tender.⁵

This all results as well in stimulated **demand**, attracting new passengers who might not have previously considered rail travel, and promotes greater network coverage and density, which contributes even further to the modal shift to rail. More passengers lead to more revenue and less subsidy, reducing the strain on the public purse while increasing the contribution of rail towards a fair transition.

⁴ European Commission ('EC'), Directorate General for Mobility and Transport ('DG MOVE') 2016. *Study on the prices and quality of rail passenger services (Final Report)*. European Commission. Link [here](#).

⁵ FSR-EUI (2025) MONTERO, J.J and PEROZZIELLO, E. *Tendering railway public service obligation contracts: a balance sheet*. Available [here](#)

Moreover, within the framework of competitive tendering, PTAs gain greater bargaining power to shape the social and operational impact of the services. For example, they **can introduce new Key Performance Indicators (KPIs)** into PSO contracts to ensure better accountability and long-term value.

This has a relevant impact from the passenger perspective. Improving and including new KPIs through new tenders involves, for instance, better monitoring of the accessibility of the rolling stock, better oversight of the respect of the passenger rights, monitoring of the punctuality of the services and enforce integration with other services under the scope of the PTA.

A **better competitive environment pushes for better rail transport**, not only in terms of regional/national budget, but also in improving the social impact into the Community. Competition for PSOs, coupled with stronger PTA oversight regarding penalties and the decentralisation of maintenance infrastructure, are key to improve efficiency towards a more effective use of the available infrastructure (including rolling stock).⁶

By ensuring that the vast majority of rail services are delivered through competitive tendering, PTAs **can vastly improve the overall performance of the rail sector**, ultimately benefit millions of passengers and contribute to the sustainability and attractiveness of rail as a mode of transport

⁶ According to the last study in a French PSO regional both elements are key for improving the use of rolling stock. Please see Fabre, N., Laroche, F., & Bouzouina, L. (2025, May 30). *Rolling stock management and railway efficiency. Evidence from a line-level analysis of regional rail services in France* [Working paper]. SSRN. Available [here](#)

2) Evidence of success: Competitive Tendering of PSO services

France

In France, the first competitive tender of a PSO contract for passenger rail services took place in Région Sud (South Region) in 2021. It concerned two lots (otherwise known as ‘packages’): the **Azur lot** – won by state-owned incumbent rail operator SNCF, and the **Intermétropoles lot** – awarded, by first time in France, to an independent rail operator Transdev⁷



Image 2 – Transdev's Bombardier OMNEO trains that are being used on the Marseilles – Nice route following a competitive tender (Intermétropoles lot)

The French Région Sud is setting a positive precedent that other French and European regions should follow without delay.

Operated by Transdev's subsidiary **Transdev Rail Sud Intermétropoles (TRSI)**, it introduces a new standard in public rail transport, with increased frequency, brand-new rolling stock, and enhanced passenger experience.

A study carried out afterwards highlighted some of the benefits that the competitive tender brought⁸.

First, the **competitive process drove down operational costs**. For the Azur lot, operational costs per train-kilometre decreased by 48%, while the Intermétropoles lot saw a 55% reduction. This efficiency is achieved despite slight increases in infrastructure usage costs and maintaining stable revenue per train-kilometre.

The study also showed that the competitive tender led to a **substantial increase in service frequency and coverage**. Indeed, both lots involve a significant increase **in frequencies compared to the current services: +110% for the Intermétropoles lot and +53% for the Azur lot**.

⁷ Transdev (2 November 2021). *Transdev remporte le premier appel d'offres ferroviaire régional en France, avec l'attribution de la ligne Marseille-Toulon-Nice dans la Région Sud*. Link [here](#).

⁸ Trans-Missions (December 2021). *Übergang in den Wettbewerb im SPNV – Vorreiter Provence-Alpes-Côte-d'Azur*. Link [here](#).

In addition, the Azur lot now offers a quarter-hour service between Cannes and Menton throughout the day and on weekends, with operations extended until 00:30am.

Similarly, the Intermétropoles lot provides hourly services all day and on weekends, also extended until 00:30. Furthermore, the competitive tender **empowered Région Sud to set high standards for service quality**, which had been declining under SNCF's previous directly awarded PSO contract. This resulted in stringent requirements, including the obligation to come with a supplier for new rolling stock that would be funded by the Region.

In this regard, Transdev won with a bid comprising the deployment of Bombardier OMNEO double-decker trains (*see picture above*). Moreover, both lots will introduce a **comprehensive set of Key Performance Indicators (KPIs) related to service quality**.⁹

Finally, the study highlighted that the introduction of a differentiated quality control system significantly improved service reliability. This system distinguishes between internal and external causes of disruptions, with a 60% reduction in internally caused disruptions as a key achievement. This has resulted in **better punctuality and overall service quality for passengers**.

For its part, the French rail regulator **Autorité de Régulation des Transports (ART)** **corroborated some of these observations** in a report on the rail market figures for 2022. The report states that the *"first competitive tenders for regional rail public services (TER), which are compulsory from 25 December 2023, have resulted in an improved or significantly increased offer at a cost down by 20-25%..."*.¹⁰

However, in view of the French Competition Authority, in any case, it is necessary to guarantee that *"The opening to competition allows French Regions to sign contracts with railway operators **that can include complex incentive or penalty mechanisms** [...] This, in turn, requires **more precise oversight than under the old monopolistic agreements**."*¹¹

⁹ European Commission: Directorate-General for Mobility and Transport, De Rose, A., Trier Jørgensen, K., & Doklestic, N. (2024). Study on passenger and freight rail transport services' prices to final customers: final report, Publications Office of the European Union. <https://data.europa.eu/doi/10.2832/403804>

¹⁰ Autorité de Régulation des Transports (27 July 2023). 2022: the year when opening up to competition has its first positive effects for train users. Link [here](#).

¹¹ Autorité de la Concurrence. (2023, November 29). Opinion 23-A-18 on the land passenger transport sector. Link [here](#).

Czech Republic

In November 2023, independent railway operator RegioJet was awarded a competitively tendered 15-year PSO contract to operate subsidised passenger services on six regional lines in the Ústecký region, starting in December 2026. **RegioJet's offer of 212.50 Czech crowns (Czech Korunas; "CZK") per train-km was significantly lower than the CZK 280 per train-km estimated by the regional authority.**

This substantial cost reduction underscores the financial benefits of competitive tendering, enabling significant savings for the regional authority. In addition, **RegioJet plans to acquire new rolling stock** (23 Pesa Elf EMUs), ensuring that the reduced expenditure is coupled with enhanced service quality, offering passengers modern and reliable trains at a lower overall cost to the region.¹²

Before this, in March 2023, RegioJet won the rail contract for the R9 line (Prague – Brno/Jihlava via Havlíčkův Brod), taking over from the state-owned incumbent rail operator Czech Railways (České dráhy; ČD). **RegioJet's bid was more than CZK 920 million lower than ČD's**, reflecting a 19% cost difference.¹³



Image 3 – Arriva Vlaky operating on the R14 line (Czech Republic) that was competitively tendered.

Similarly, in 2018, the independent passenger rail operator Arriva secured the contract for the R14 line (Ústí nad Labem – Liberec – Pardubice), saving the state CZK 302 million. **The competitive environment also prompted the state-owned operator ČD to reduce its bids**, such as for the R8 line (Brno – Přerov – Bohumín), where its offer decreased by CZK 50 million annually in 2018 due to market pressure.¹⁴

¹² Railway Gazette International (27 November 2023). RegioJet selected for 'largest ever' Czech operating contract. *Railway Gazette International*. Link [here](#).

¹³ Quintus Vosman (27 March 2023). RegioJet beats ČD for contract to operate Prague – Brno express. *International Railway Journal*. Link [here](#).

¹⁴ Rail Partners (2023). *Track to Growth: Creating a dynamic railway for passengers and the economy*. Link [here](#).

Between the Czech Republic and Poland

While competitive tendering has driven substantial cost savings within the Czech Republic, this approach is not limited to purely domestic operations. The recent launch of a cross-border long-distance service between Prague and Gdynia (Poland) in December 2024 offers a clear opportunity to compare the effectiveness of competitive tendering in Czechia with the direct award practices in Poland.¹⁵

Competitive tender	Direct award
In the Czech Republic, the contract was competitively tendered, resulting in a cost of €3.11 per train-kilometre for taxpayers.	In Poland, where the contract was directly awarded, the cost to taxpayers for the very same train is significantly higher at €7.09 per train-kilometre, with projections indicating it could increase to €9.18 per train-kilometre . ¹⁶

This glaring disparity underscores the inefficiency and financial burden that direct awards impose on the public. While Czech taxpayers benefit from a more cost-effective solution due to the transparent and competitive tendering process, **Polish taxpayers are left to shoulder a far heavier financial load, potentially paying nearly three times more than their Czech counterparts – for the very same cross-border train service.**

¹⁵ Kamasz (13 November 2023). Pojedziemy koleją z Gdyni do Pragi od grudnia 2024 roku. Pociągi kursować będą cztery razy dziennie. *Gdynia Naszemasto*. Link [here](#).

¹⁶ ALLRAIL (11 January 2024). *Directly Awarded Public Service Obligations (PSOs) Can Cost Twice as Much as Competitive Tenders – Taxpayer Money is Wasted, Which Could Be Better Used Elsewhere*. Link [here](#).

The Netherlands

The Netherlands provides yet another example of how competitive tendering of PSO contracts consistently outperforms direct awards. There, competitive tendering in 5% of the national rail network has resulted in **efficiency gains ranging from 20% to 50%**, whereas directly awarded contracts only managed up to 10% efficiency improvements.¹⁷



Image 4 – The Arriva train operating on the cross-border regional Aachen – Maastricht service, which was competitively tendered

The savings from efficiency gains were frequently reinvested to enhance service levels, such as **increasing service frequency and improving connectivity**, particularly in densely populated areas, thus reducing taxpayer support.

- ...➤ The regional franchise in Groningen and Friesland in 2004/2005 achieved a **50% reduction in annual subsidies** while requiring the operator to use **new rolling stock** and implement **OV-Chipkaart ticketing system**, which was just being introduced back then.

This trend of purchasing new trains is evident across the Netherlands as a result of competitive tendering. In fact, **89% of regional rail tenders led to the introduction of newer trains**.

- ...➤ When Arriva secured the contract for the Friesland and Groningen 'Northern Lines' in 2017, they introduced hybrid trains as part of their operations. This not only improved the customer experience but also brought significant environmental benefits, with these trains running on hydrotreated vegetable oil and achieving a 90% reduction in CO₂ emissions compared to diesel.¹⁸

Finally, regional authorities have been able to enforce service quality more effectively under competitive tendering through contractual obligations. In the

¹⁷ Van Dijk (2007). 'Tendering and decentralisation of regional rail passenger services in the Netherlands, 1997-2005' In European Conference of Ministers of Transport (2007) Competitive tendering for rail services, ECMT, Paris

¹⁸ Rail Partners (2023). *Track to Growth*.

northern Netherlands, rigorous performance monitoring ensured that operators met the contracted standards.

However, unfortunately, over 90% of the Dutch domestic passenger rail network remains directly awarded and still does not benefit from these advantages. If the Dutch state-owned passenger rail operator NS (Nederlandse Spoorwegen) were to have its way, this will remain the case until at least 2033, thirty years after initial competitive tendering began in the Netherlands (currently still only 5% of the national network).

Sweden

In Sweden, competitive tendering also led to significant **reductions in taxpayer subsidies, often by 20 to 30%** in the first round of tendering. Another **28% reduction in taxpayer subsidies** on state-procured inter-regional services followed the entry of new rail operators in the market in 1999.¹⁹

The introduction of competitive tendering fostered various innovations in train operations, including the introduction of **new rolling stock**, improved workforce management, and new service models.

...➤ For example, the rail operator Tågkompaniet introduced a lean operational structure and innovative ticketing systems when it entered the market.

Finally, it was also observed that the arrival of new entrants added competition-induced pressure on the state-owned incumbent rail operator SJ to improve its services.²⁰

¹⁹ Alexandersson & Hultén (2007). 'Competitive tendering of regional and interregional rail services in Sweden' In European Conference of Ministers of Transport (2007) Competitive tendering for rail services, ECMT, Paris

²⁰ Rail Partners (2023). *Track to Growth*.

Italy

In Italy, competitive tendering has led to both **lower operating costs** and **higher revenues**.

- ...➤ Specifically, the Piedmont regional Turin Metropolitan Railway Service saw **revenue per kilometre increase by 12%** and **operating costs per train-kilometre decrease by 9.4%** during the initial years of operation (2020-2022).²¹

This efficiency also **reduced the financial coverage required from taxpayers from 45.4% to 32.6%**. Further reductions were anticipated, with the coverage expected to drop to approximately 18.66% by 2024. While updated figures are not yet available, these projections underscore the potential for continued improvement.²²

Germany

The reduction of taxpayer subsidies in competitively tendered PSO contracts is also observable in regional rail services in Germany.

Despite a nominal annual increase in regional rail subsidies of about 1.2% from 2005 to 2019, which is slightly lower than the growth of the Consumer Price Index (CPI), 1.4% per year, there was still an **estimated real saving of approximately €200 million over the same period**.



Image 5 – Transdev’s TransRegio train, operating the Mittelrheinbahn competitively tendered PSO contract between Rhineland-Palatinate and North-Rhine Westphalia in Germany.

When looking at subsidy per passenger-kilometre, there was a **decrease from around €0.14 per passenger-kilometre in 2005 to €0.11 per passenger-kilometre in 2019, despite inflation over the same period**.

Additional studies indicate that since the competitive tendering of PSO contracts began in 1996, subsidies have dropped by between 15 and 26%.²³

²¹ Rail Partners (2023). *Track to Growth*.

²² *Ibid.*

²³ *Ibid.*

The benefits of competition were even more evident between 2015 and 2018, when the state-owned incumbent rail operator Deutsche Bahn ('DB') won 68% of directly awarded PSO contracts, but only 51% of competitively tendered ones, with nearly half of the 98 contracts of the latter type awarded during this period being improved upon by the winning bids. Moreover, **revenue from regional operators who won tenders grew by 4.4%** annually from 2005 to 2019, amounting to a 90% overall increase.²⁴

In addition, competitive tendering has enhanced the customer experience by facilitating the acquisition of new trains. Data indicates that this competitive environment, combined with Deutsche Bahn's rolling stock strategy, prompted the state-owned incumbent rail operator to deploy new trains, significantly **lowering the average age of its fleet from 17.3 years to 7.5 years over a decade.**²⁵

Enhanced customer experience has, logically, led to increased attractiveness for passengers, as **passenger growth was more pronounced on routes where PSO contracts were competitively tendered**, compared to non-tendered routes.

- ...> Specifically, from 2002 to 2019, regional rail passenger-kilometres grew at an average annual rate of 2.4%, amounting to a 52.6% total increase, whereas long-distance routes in Germany, which were not tendered but lacked the conditions for a competitive market, e.g. the chronic lack of impartial ticket retail (resulting in still over 95% market share for DB), experienced a lower growth rate of 1.7%, resulting in a 36.3% total increase over the same period.²⁶

²⁴ *Ibid.*

²⁵ *Ibid.*

²⁶ *Ibid.*

3) Challenges new entrants face in competitive tenders

Independent rail operators continue to face significant obstacles when attempting to enter the public service contract market. Unless these are tackled, PSO tendering will remain structurally biased in favour of incumbents. According to ALLRAIL members past experience, the main barriers are:

- **Lack of transparency**

Access to key operational and historical data is frequently restricted to state-owned incumbent operators. This includes performance data, demand figures, and rolling stock ownership details, especially for stock purchased or financed by PTAs.

Such information is essential for building a realistic, competitive bid. For instance, in the French market, the French Regulatory Body (ART) has had to intervene several times in order to guarantee that the incumbent provided all data necessary to PTA.²⁷

A clear example of this lack of clarity concerns asbestos in certain French rolling stock and its potential (see Image 6).

Under a broad and unusual national interpretation of the REACH Regulation²⁸, the transfer of those second-hand regional trainsets (TER) and high-speed trainsets (TGV) fleets of the incumbent operator SNCF that contain asbestos to regional authorities has been blocked, even where those regions co-financed the rolling stock. Consequently, such fleets are not available to independent new entrants' operators, even if the taxpayer originally paid for them

However, this has not prevented the state-owned incumbent SNCF from reallocating the same fleets affected by asbestos between regions where it operates the PSO or within the SNCF holding for



Image 6 – Recreation of incumbent's EMUs operating in the Hauts-de-France region.

²⁷ ART Décision n° 2020-044 du 30 juillet 2020 portant règlement du différend entre la région Hauts-de-France et SNCF Voyageurs (2022) Available [here](#).

²⁸ Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), OJ L 396, 30 December 2006, pp. 1–849

SNCF's own commercial use in competitive markets. For instance, the old Corail coaches used for the new long-distance Open Access services of the SNCF subsidiary brand "Ouigo Classique"²⁹ or the transfer of rolling stock between the regions.

Incidentally, the independent new entrant operator *Le Train* showed its interest in purchasing the second hand TGVs³⁰, but the operation was blocked due to the presence of asbestos. As the representatives of Hauts-de-France Region noted: «*cet état de fait est incompréhensible*» ("this situation is incomprehensible").³¹

- **High administrative burden and entry costs**

Participating in a PSO tender involves substantial upfront investment—legal, technical, and human resources all add up. For new entrants, especially smaller ones, these costs can be prohibitive.

The situation is made worse by the absence of standardised tender documents or clear guidance, which increases legal uncertainty and complexity. In many cases, the incumbent operator is able to reuse internal documentation or rely on existing structures.

For instance, as highlighted by the French Competition Authority, developing a single offer can **cost up to €3 million**, and even **€5 million**, as reported by Transdev in the Hauts-de-France region, requiring teams of 5 to 10 people over 18 months.³²

These expenses far exceed the low compensation offered to unsuccessful bidders. While cost reductions may occur over time through economies of scale and learning effects, **the current situation favours the state-owned incumbent operators**. By contrast, independent new entrants face considerable risk without any guarantee of securing contracts to offset their investment.³³

²⁹ Ouigo Classique is SNCF's budget service on conventional lines between major cities, with a top speed of 160 km/h (~100 mph)

³⁰ The first generations of TGVs (Train à Grande Vitesse), designed by the state-owned incumbent SNCF and manufactured by Alstom/GEC from the late 1980s into the early 1990s, had asbestos-containing materials at a time when broad bans on asbestos only arrived in the mid- to late 1990s.

³¹ Autorité de la Concurrence. (2023, November 29). Opinion 23-A-18 on the land passenger transport sector. Page 69. Link [here](#). This would have major consequences in the upcoming tenders in Haut-de-France Region. Please see France Bleu 'Des TER amiantés pourraient coûter 1 milliard d'euros à la région Hauts-de-France'. Link [here](#)

³² Ibid (footnote:11)

³³ Ibid (footnote: 11) p. 155

- **Poor coordination and timing of tenders**

When multiple PSO tenders are launched simultaneously or with overlapping deadlines, resource-constrained operators face a choice: compete in one or withdraw from all. This favours incumbent operators, who are better equipped to manage several tenders at once. Moreover, the time gap between contract award and service start is often too short for a new operator to set up the necessary systems, staff, and rolling stock, effectively excluding new entrants.

It is worth noting that a lack of transparency and fair conditions for all new entrants can lead to the annulment of a tender.

For instance, in July 2025 the Italian Supreme Administrative Court annulled the tender of rail PSO Services in the Autonomous Province of Bolzano (Italy) on the grounds that it failed to guarantee fair access for new entrants.³⁴

The ruling cited non-compliance with the 2019 Guidelines of the Italian Regulatory Body 'Autorità di Regolazione dei Trasporti' on Land Public Services Obligations³⁵, particularly due to the extremely short period, just a few months, between the contract award and the start of operations.

- **Limited access to rolling stock, maintenance infrastructure and staff**

Although the current Land PSO Regulations requires PTAs to facilitate access to rolling stock, implementation is inconsistent. Leasing or burden-sharing schemes are rarely available in practice.

Even when rolling stock access is nominally provided, technical or legal barriers often make it unusable.³⁶ In France, a number of PTA are carrying out several **pilot projects in partnership with the incumbent** and rolling stock manufacturers to explore

³⁴ Italian Council of State (Sixth Chamber), Judgment of 4 August 2025, No. 6880, Case No. 3383/2025, *Provincia Autonoma di Bolzano and Agenzia per i Contratti Pubblici (ACP) v. Arriva Italia S.r.l.*. The Council of State upheld the decision of the TRGA Bolzano (Judgment No. 82/2025), annulling the public tender for local rail services (2025–2039) on the grounds of anti-competitive tender specifications, violation of EU Regulation 1370/2007, and breach of the principles of equal treatment and maximum participation in public procurement. Available [here](#) (in Italian)

³⁵ Autorità di Regolazione dei Trasporti (ART), Decision No. 154/2019, Annex A—regulatory measures on procedures for awarding local public passenger transport services by road and rail and model PSO contracts, 29 Nov 2019. Link [here](#) (in Italian).

³⁶ For instance, rolling stock designed or commissioned by incumbents may not be interoperable or transferrable without extensive modifications or paying certain IP rights or royalties.

alternatives to diesel, such as battery-electric, hydrogen-powered, or biofuel-compatible trains.³⁷

Nevertheless, these initiatives are bound by contractual clauses that prevent the resulting knowledge and innovations from **being made available to new entrants**, undermining a level playing field.

Similarly, **the transfer of staff** formerly employed by the incumbent can be a major entry barrier. Ensuring smooth market opening therefore requires genuine cooperation between the incumbent and the PTA to guarantee a fair and orderly transition.



Image 7 – New maintenance facility funded by Region Sud and commissioned by TRANSDEV

▪ **Oversized and bundled contracts**

Excessively large or complex public service contracts deter market entry. When services are bundled into high-volume, multi-region lots (otherwise known as ‘packages’), as seen in the direct awarded PSO contracts in Spain, Italy, Poland and the Netherlands, only the incumbent operators can participate, that own all the rolling stock due to their history as the exclusive national operator

³⁷ SNCF (2025) Press release: *Hydrogen TER trains*. Link [here](#)

4) Recommendations to optimise participation in competitive tenders

In view of the current aforementioned challenges that new entrants face in the “theoretically” liberalised PSO market, ALLRAIL highlights the following recommendations for Public Transport Authorities and policymakers:

I. Increased oversight powers of PTAs and Regulatory Bodies

It is necessary to ensure that the current legal framework (Article 56 of the SERA Directive³⁸ and Land PSO Regulation) gives the Regulatory Bodies **the necessary instruments to guarantee the fair opening of PSO services** and, more precisely, that **incumbent operators do not hamper the transfer of knowledge, rolling stock, and the necessary infrastructure** to the successive operator.

In this sense, it is urgent to guarantee that rolling stock (partially or totally financed by PTAs) but owned until this moment by incumbents is transferred to PTAs or the successive operator, in line with Article 5a of the Land PSO Regulation.

II. Further involvement and Risk-Sharing by Public Transport Authorities (PTAs)

It is imperative that PTAs take a leading role in opening regional rail services to competition. This requires, among other policies, **actively facilitating access to rolling stock for potential new entrants**, whether newly procured or second-hand (e.g. previously owned by the incumbent operator) rolling stock. Such involvement is a precondition for creating a level playing field and encouraging genuine market opening.



Image 8 – Regional PSO services operated by Arriva Poland in the Province of Kuyavian–Pomeranian Voivodeship.

However, in the past five years, many PTAs across Europe have failed to adopt this proactive approach. Instead, they have continued to directly award PSO contracts to state-owned incumbent operators without undertaking competitive tendering or implementing meaningful reforms.

³⁸ Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 establishing a single European railway area (recast). Official Journal of the European Union, L 343, 14.12.2012, p. 32–77.

A notable example is Italy, where most of the regions, except the Autonomous Province of Bolzano, chose to directly award PSO contracts to the state-owned operator FS Trenitalia until 2032–2033.³⁹ This occurred even though FS Trenitalia's proposals often replicated the terms of previous contracts, with minimal or no innovation, and despite identical or near-identical contract provisions being part of the different regional Public Service Contracts across multiple regions.

III. **Better definition of the scope of Public Service Obligations**

According to Land PSO Regulation, Public Service Obligations that that a commercial based operator would not assume under the same conditions without public compensations.

This implies that services which are already provided or can be potentially be provided by the market should not be covered by PSO contracts. However, as ALLRAIL has previously highlighted, in some Member States, such as the Netherlands, the evaluation has been disregarded, thereby protecting the directly awarded contracts of state-owned incumbent operators.

IV. **Preventing the abuse of exemptions allowing Direct Awards (i.e. in-house operators)**

To support the effective liberalisation of PSO services, it is important that PTAs apply the exemptions to the general tendering requirement under Article 5 of the LAND PSO Regulation in a measured and transparent manner. In this sense, the European Commission's recent PSO Guidelines emphasise that **these exemptions should be interpreted restrictively**.⁴⁰

In practice, **an excessive reliance on "in-house" operators**, including those partially owned by PTAs, may raise questions especially when such entities **are directly or indirectly co-owned or co-managed by incumbent operators**.

In such cases, the use of direct awards could risk limiting opportunities for new entrants. For this reason, **national regulatory bodies have a key role** to play in monitoring how these exemptions are applied by PTAs, ensuring a level playing field.

³⁹ See for instance the similitudes between PSO contracts for Sicily Region ([here](#)) or Campania region ([here](#))

⁴⁰ According to the European Commission PSO Guidelines the exception to the general rule of a competitive award procedure must be applied restrictively. See 'Commission Notice on Interpretative Guidelines Concerning Regulation (EC) No 1370/2007 on Public Passenger Transport Services by Rail and by Road 2023/C 222/01' (2023). Available [here](#)

V. Neutrality of the vertical integrated infrastructure managers

It is essential to ensure that both the award procedure and the subsequent operation of PSO services are conducted independently of any potential influence from vertically integrated infrastructure managers. This is particularly relevant **during the tendering phase**, where infrastructure managers often play a key role in the design and assessment of proposed transport plans. In this regard, the French Competition Authority has identified several conflicts of interest arising from the involvement of SNCF Réseau⁴¹ in the evaluation of bids, especially in cases where SNCF Voyageurs, part of the same holding group, was one of the bidders.⁴²

A clear example of actual market distortion caused by a vertically integrated state-owned railway holding occurred in Italy. As determined by the Italian Competition Authority (AGCM)⁴³ and later upheld by the Council of State, the Veneto Region extended a directly awarded PSO contract to Trenitalia for the period 2018–2032, in exchange for infrastructure improvements, simultaneously signing a Framework Agreement with RFI “Rete Ferroviaria Italiana”⁴⁴ for access to the same regional railway lines. Although a competitive tender had initially been planned, with Arriva, a potential new entrant, preparing to participate, the FS Group, which controls both Trenitalia and RFI, proposed to the Veneto Region new infrastructure investments, including railway line electrification and renewal, as well as new rolling stock, apparently contingent on the extension of the Direct Award PSO contract to Trenitalia.⁴⁵

The Italian Competition Authority concluded that FS had abused its dual role as both railway undertaking and infrastructure manager to secure the contract extension, in violation of Article 7 of the SERA Directive (mandate of Infrastructure Manager Independence) and constituting an abuse of dominant position under Article 102 TFEU.

⁴¹ SNCF Réseau is France’s state-owned rail infrastructure manager, within the vertically integrated Group SNCF (State-owned holding). SNCF Voyageurs is the passenger train operating company within the same holding group.

⁴² Ibid (footnote 10)

⁴³ See Italian Competition Authority (AGCM), Decision No. 27878, Case A/519 – *Ferrovie dello Stato / RFI / Trenitalia*, 31 July 2019, available [here](#).

⁴⁴ RFI is Italy’s state-owned rail infrastructure manager, part of the vertically integrated Ferrovie dello Stato Italiane (FS) Group, which also owns Trenitalia, the public passenger train operator.

⁴⁵ In fact, in a Memorandum of Understanding between Veneto Region and Trenitalia of November 2016, it was explicitly mentioned that: “*The electrification of the railway lines in the Belluno area is a priority for the Veneto Region, as well as a prerequisite for signing a new fifteen-year public service contract.*”

5) Conclusion: Public Transport Authorities must embrace the competitive tendering of PSO contracts

The evidence is clear: **competitive tendering of public service obligation (PSO) contracts in the rail sector offers substantial advantages over direct awards.**

As demonstrated across various countries, competitive tendering **drives down operating costs, optimises the use of public subsidies**, and consistently delivers **better value for taxpayers.**

It also enhances service quality by motivating operators to **innovate and invest in new rolling stock**, leading to more reliable and attractive services for passengers. While competitive tendering is often framed around cost-efficiency, its real value lies also in the broader public outcomes it delivers.

- ...➤ **In France's Région Sud, subsidies fell substantially** compared with the previous directly awarded contracts, while service frequencies more than doubled on some routes.
- ...➤ **In the Czech Republic**, tenders allowed for lower costs and the **introduction of modern rolling stock**, strengthening regional connectivity.
- ...➤ **In Germany**, tendered contracts supported **newer fleets and better punctuality**, helping drive sustained passenger growth.

These examples are **not just about operational gains but they reflect stronger social cohesion**, improved access to jobs and services, **and fairer mobility**, especially in regions that depend most on public transport. Competitive tendering gives authorities the tools to prioritise accessibility, reliability, and inclusion, ensuring that rail contributes not just to greener transport, but to a fairer society.

With PSO contracts currently accounting for 59%⁴⁶ of passenger-kilometres in the EU, the potential positive impact of competitive tendering is enormous. The EU's legislative framework, through the Fourth Railway Package, has already recognised this by mandating competitive tendering for PSO contracts.

⁴⁶ European Commission (2024). *9th Rail Market Monitoring Report – Infographics (2018–2022)*. Directorate-General for Mobility and Transport. Link [here](#).

The future: What is next?

Europe and the world's rail future is a fully liberalised market: Public Service Obligations awarded by competitive tenders and commercial routes fully open to new operators. A good example of this crucial change is being develop in new areas of Eastern EU and overseas.

For instance, Bulgaria has recently launched its first Public Service Obligation tender breaks with decades of state monopoly. The winning operator will receive access to rolling stock and a maintenance facility, ensuring fair competition. As Deputy Prime Minister and Transport Minister Grozdan Karadjov put it:

...> *"The government's goal is to make rail transport the backbone of public transport in the country. Competition will not just be about subsidies, but about delivering better service to passengers".⁴⁷*

Meanwhile, it is not just in the EU that these positive results are being recognised. Recently, in late August 2025, the government of the state of Victoria in Australia called upon *"the most experienced transport operators from around the world"*⁴⁸ to bid for the next contract to run Melbourne's train network.

...> *"The competitive tender process will ensure the best partner is chosen to deliver optimal outcomes for Victorians, the government said."*

In all, ALLRAIL is confident that **independent, private operators will play a key role**, showing that even in traditionally closed markets, competitive tendering is becoming the new norm to boost efficiency and passenger choice.

By doing so, **European and global political stakeholders can secure maximum value for public funds**, meet growing mobility demands, and contribute to a greener, more inclusive transport network.

Now, it is **up to public transport authorities at the regional and national levels to fully embrace this approach** and ensure that PSO contracts are awarded competitively as fast as possible. The provisions of the EU 4th Railway Package must be fully implemented and strictly enforced. **There is no need to wait until 2033 – bring the transition forward!**

⁴⁷ Radio Bulgaria (2025, August 20). The government opens passenger rail transport to foreign operators. Link [here](#). You can find the project for a new tender in the Bulgarian Transport Ministry website. Link [here](#).

⁴⁸ Rail Express (2024, December 19) *World's most experienced operators called to bid for Melbourne's train network*. Link [here](#).



About us

The Alliance of Passenger Rail New Entrants (ALLRAIL) is the global non-profit association of independent passenger rail companies. Headquartered in Brussels, Belgium, ALLRAIL has held the status of an official representative body for the rail sector since 2019. We represent new entrant passenger rail operators, based out of countries in Europe and around the world.



The Future of Passenger Rail