

Experiences with tendering of rail PSC in countries with open markets - Germany

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Thesis 1:

Tendering of PSC lead to

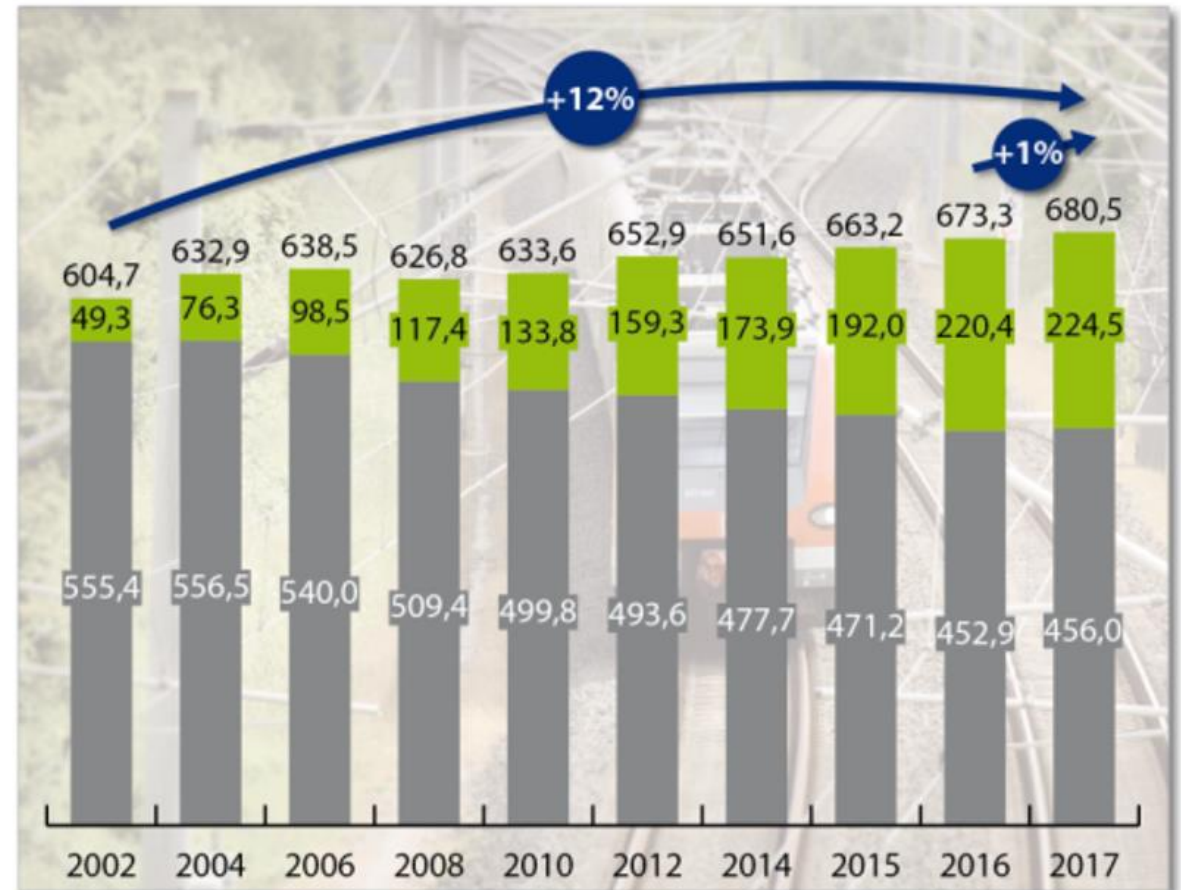
Increased supply at higher quality - at less costs

Thesis 1 (part I): Tendering of PSC lead to

Increased supply at higher quality - at less costs

- Competition shows real market-based costs
- Competitors deliver new solutions and increased quality
- Often, new rolling stock is provided
- in first tender period, price reductions of up to 20% are often possible
- Money saved, can be invested into additional train-km and/or better quality

Development of train-km



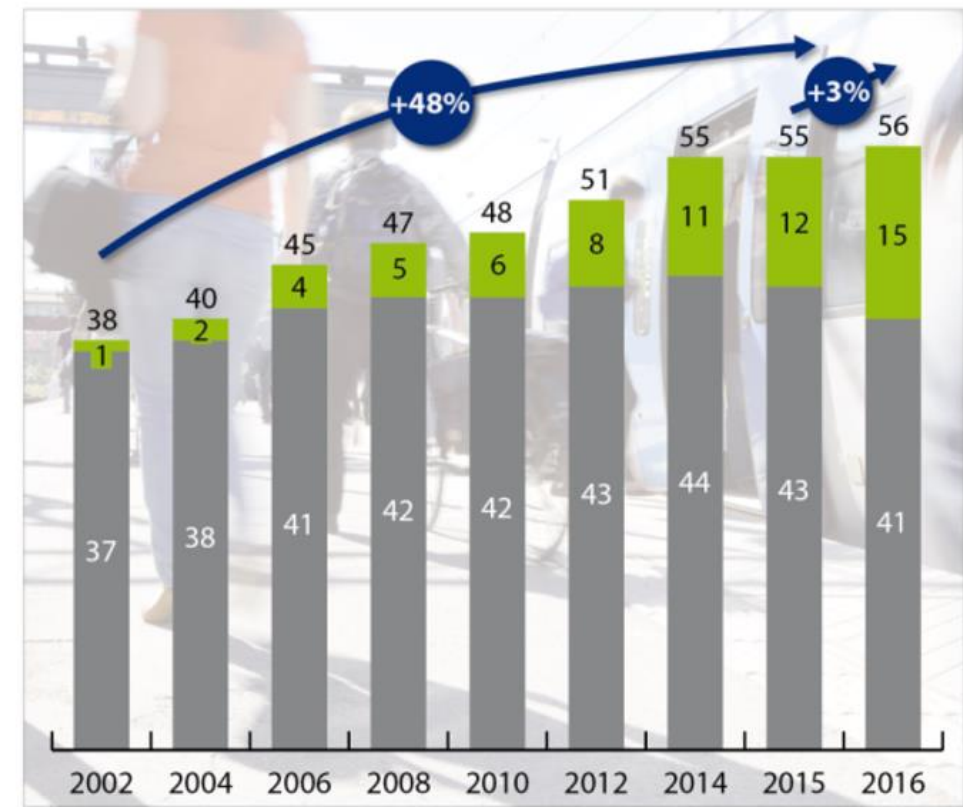
Thesis 1 (part II): (Slightly) increased supply with modern rolling stock lead to

Strongly increased passenger use

- New vehicles generate up to 10% more passengers
- Quality of the supply is perceived
- Vehicle utilization increases



Development of passenger-km



■ DB ■ Wettbewerber

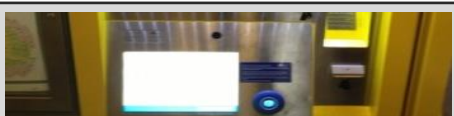




Thesis 2:

It is important to find the right risk-sharing between PTA and TOC

The German rail market

Thesis 2: It is important to find the right risk-sharing between PTA and TOC

CONTRACTUAL AND STRUCTURAL VARIETY

	PTA	share of risk and responsibility	Operator
 Fare-box revenues	Gross Cost Contract	Corridor model / shared revenue risk¹⁾ Initially Gross Cost, later Net Cost Contract¹⁾	Net Cost Contract
 Vehicle provisioning	Vehicle pool by PTA PTA's rolling stock financing model Life cycle model		Vehicle provisioning by TOC
 Vehicle financing	Debt service guarantee Acceptance of interest rate risks by PTAs Guarantee for re-use/ readmission		TOC's property or leasing model (without the financial support of PTAs)
 Operations	Bonus-malus-contract for the operative area of responsibility		Bonus-malus-contract for the overall performance (e.g. including all delays)
 Price indexing	Indexing of all types of costs Indexing of costs of energy and labour		Only partial indexing forcing increase of productivity

The German rail market

TOCS' Opportunities and challenges

Opportunities

Ongoing high level of tender procedures

Various tender, financing and operating models

Differentiated awarding structure concerning volume and requirements

Market participation is facilitated through the risk taking by PTAs

Tender volume

Market strategy

Awarding structure

Risk taking

Challenges

Postponing and prolonging of tender activities

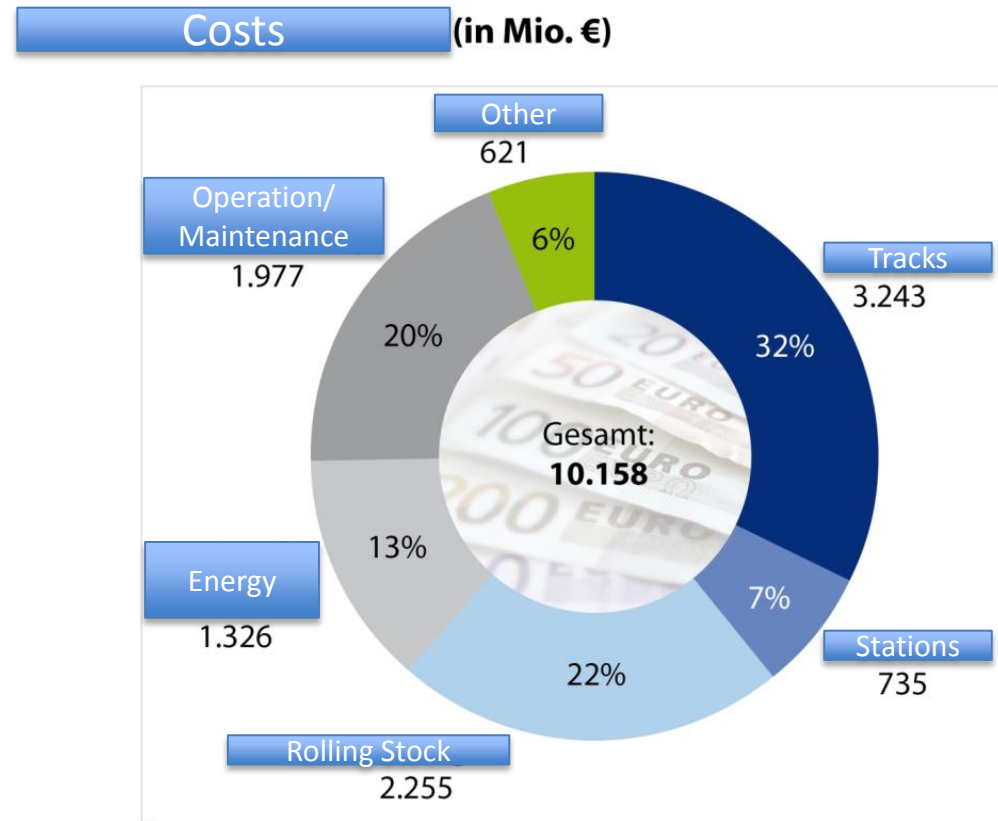
Differentiated market analysis required

Detailed expertise in tender participation necessary

Limited entrepreneurial freedom for operators

The German rail market

Costs in German regional rail market system (figures 2016 in €)



Quellen: Revisionsgutachten für die Länder-Verkehrsministerkonferenz 2014,
Marktrecherche & Berechnungen KCW

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Rolling stock

Financing of Rolling Stock is a key issue for competition - the PTAs point of view

Aspect	Financing of Rolling Stock by		
	TOC	PTA	TOC / PTA
Encouragement Competition	low	high	high
Investment PTA	not given	high	middle
Management expense PTA	low	high	middle
Risks PTA (operation, finance)	low	low-middle	low-middle
Flexibility follow-up contracts	high	low	low



Financing rolling stock might not be ‚first choice‘ for PTAs,
but the aspect of competition is very important.

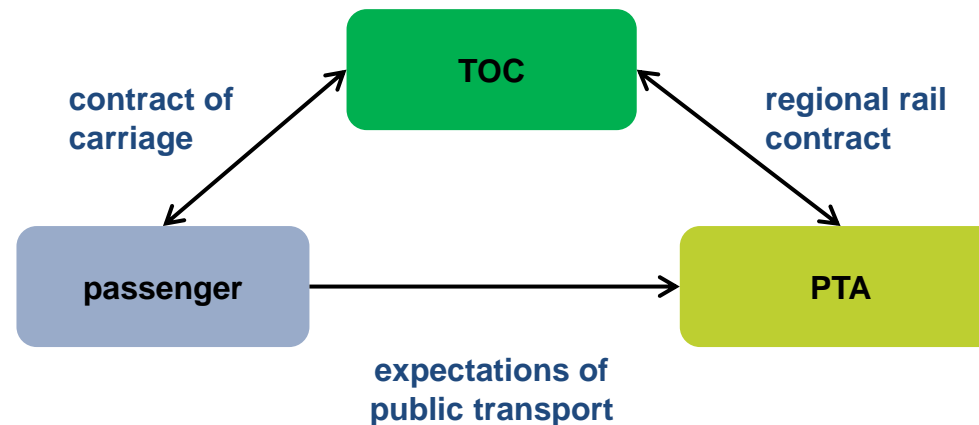
Thesis 3:

In tendered contracts quality must be monitored constantly

Quality in regional rail contracts in Germany

Passengers expect quality but they have little influence on train operating companies

- Passengers expect quality in public transport. They express their expectations towards the regional government and PTA
- Passengers conclude contracts of carriage with the train operating company, but they have almost no influence on TOC concerning the quality of service
- PTAs integrate passengers' expectations into the regional rail contracts with the TOC and define quality standards



Quality in regional rail contracts in Germany

Quality criteria in contracts in Germany

- Punctuality
- Reliability (cancellation of trains)
- Condition of rolling stock (visible damages)
- Security
- Cleanliness
- Securing of connections
- Reliability of facilities
- Passenger information (normal operation and incidents)
- Service
- Replacement services in case of cancellations
- Quality of bus replacement services
- Emergency management
- Quality of stations
- Customer orientation regarding complaints

TOC delivers

PTA controls

Quality in regional rail contracts in Germany

Gross-cost vs. Net-cost contracts II

Gross-cost contracts

- Better influence on performance
- Legal certainty
- Authorities benefit from increasing farebox revenues

PROS**Net-cost contracts**

- Less complex contracts
- Lower monitoring efforts
- TOC has intrinsic incentives due to direct revenue-cost-influence

CONS

- Complex contracts
- Rising monitoring efforts
- PTA need more skills
- PTA bear risk of decreasing farebox revenues

- No further influence of authorities
- Huge calculation risk for TOC
- Difficult to implement into regional transport associations and railway sections with more than one TOC

The German rail market

Experiences with competition in regional rail



- Quality and Innovation
- Transparency
- Less subsidies

2008



- Complicated proceedings
- Contract management
- Only regional railways

- Flexible system

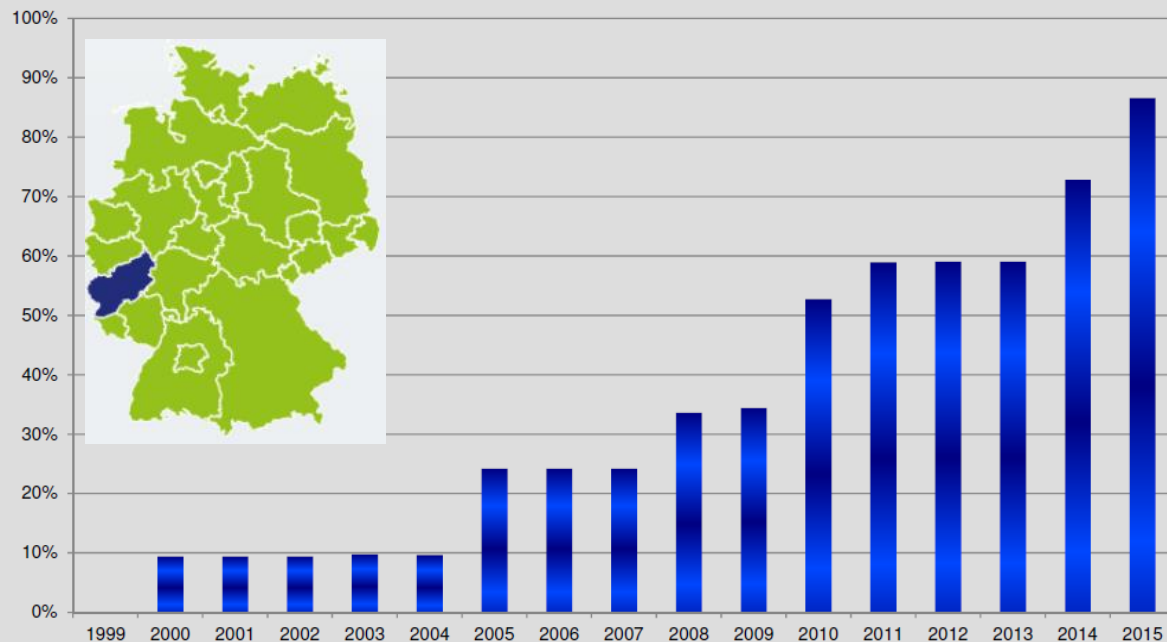
- Risk sharing



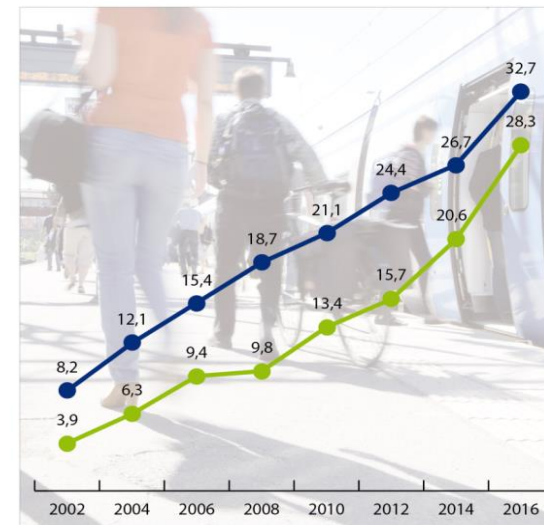
And have in mind: Competition needs its time

Example PTA „ZSPNV Rheinland-Pfalz Nord“

Wettbewerbsquote SPNV-Nord 1999 - 2015



Competitors market share



Market share in train-km

Market share in passenger-km

Quellen: BAG-SPNV, Aufgabenträger, Marktrecherche BSL Transportation Consultants, BMVI 2017: Verkehr in Zahlen 2016/2017, DB Bilanz Daten & Fakten 2003-2016, BNetzA: Marktuntersuchung Eisenbahn 2016, Statistisches Bundesamt (Destatis) 2017

Thank you for your attention!

Any Questions?