

## **How to ensure value of money for public investments in rail?**

**ALLRAIL**, the Alliance of Rail New Entrants, believes that any public financing of public service rail contracts (PSOs) in Europe should benefit the passenger, taxpayer and the rail sector as a whole.

In 2016 the European Commission stated that any resources used from an EU-financing program to fund passenger rolling stock have to be invested in the most reasonable manner and must have an overall positive impact both on the competitiveness and the development of the sector. In order to maintain these principles, it recommended obligatory tendering for PSO contracts IF government funding for rolling stock is included.

**In the spirit of the 4<sup>th</sup> Railway Package, ALLRAIL recommends all EU Member States to ensure the use of public money to fund passenger rolling stock only IF the rail services are competitively tendered.**

Competitive tendering incentivises railway operators to adapt their services in order to optimise the production, improve service and grow passenger numbers, which in turn generates a higher quality of service for passengers and better value for money for taxpayers.

Direct awards of public service rail contracts are a suboptimal option. The taxpayer can pay too much to the provider of the service and for the rolling stock. For example: in Bavaria, competitive tendering led to the taxpayer paying 38% less per train kilometre between 2004-14 (exclusive of infrastructure costs).

Under EU rules direct awards remain possible until 2023 under some conditions, although competitive tendering can be introduced at anytime beforehand.

On 21st June 2017, the Czech Transport Ministry informed it would be enabling the direct award of upcoming PSO contracts, with new rolling stock, to one specific operator. This will last for a six year period until 2023. Furthermore, it will allow the Czech regions ordering these services the ability to purchase new rolling stock up to a value of €661 million.

ALLRAIL opposes this approach. The Czech Republic is home to other passenger rail operators that were set up in the country, who would be able to perform the PSO contracts currently being awarded. However, they will not be receiving any of the direct awards – this means, that direct awarding, including rolling stock financing, disrupts competition with a one-sided advantage.

**ALLRAIL requests EU wide attention to similar cases: public money should only be used to fund passenger rolling stock IF the rail services are competitively tendered. Competitive tendering and non-discriminatory access to rolling stock should be the norm in all EU Member States.**

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ALLRAIL represents new entrants to the rail market, who want open access and fair market conditions, and sustains their role of pushing forward the development of the railway market. The members of ALLRAIL share a commitment to work towards a competitive and innovative single European railway market.

ALLRAIL was established end of March 2017 in Brussels and to date represents 7 members from across Europe: ERFA (representing 30 rail freight companies), LEO Express, MTR Nordic, NTV, Regiojet, Trainline and WESTbahn.

Links:

**Used resources for new rolling stock (2015):** <http://www.ceskedrahy.cz/skupina-cd/projekty/-26675/>

**Plan( in Czech only), 2015 - plan:**

[http://ekonomika.idnes.cz/dopravci-dostanou-od-statu-nove-vlak-y-uplne-zadarmo-f9g-eko-doprava.aspx?c=A150619\\_081852\\_eko-doprava\\_fih](http://ekonomika.idnes.cz/dopravci-dostanou-od-statu-nove-vlak-y-uplne-zadarmo-f9g-eko-doprava.aspx?c=A150619_081852_eko-doprava_fih)

**May 2017 – state of play:**

[http://ekonomika.idnes.cz/miliardy-bez-souteze-pro-kraje-a-drahy-dxs-eko-doprava.aspx?c=A170608\\_2331204\\_eko-doprava\\_fih](http://ekonomika.idnes.cz/miliardy-bez-souteze-pro-kraje-a-drahy-dxs-eko-doprava.aspx?c=A170608_2331204_eko-doprava_fih)

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