

International experiences with competitive tendering also show that only the initial wave of tendering will result in savings (cheap provider principle). Due to market adjustment and oligopolization associated with it, prices rise again in the long-term. In addition, competitive tendering also entails a lack of flexibility in respect of changes. Anything, which had not been contractually agreed, has to be renegotiated (e.g. additional services because of higher passenger numbers) and becomes disproportionately expensive. Due to the fact that in most cases renegotiations are less expensive than retendering, competitive tendering provides an incentive for companies to adopt an aggressive price strategy to ensure that as many bids as possible are decided in their favour and to speculate on renegotiations during the term of the contract.

### **Effects on employees**

According to the motto “the cheapest wins the bid”, competition is often realised at the expense of the quality of services provided and at the expense of the wage and social standards for employees of transport companies.

Private transport companies in Germany and Great Britain tried to gain a competitive advantage over their public competitors by wage dumping. They achieved this by refusing to comply with collective agreement regulations or by applying their own collective agreements.

The Austrian rail passenger transport sector employs about 10,000 people. If their wages and salaries would be reduced by ten percent, the Austrian gross value added would also be reduced by almost seven Million Euros, which could put the existence of 120 Jobs in economy permanently at risk.

## **4.3 Economic effects of liberalisation on performance**

### **Effects on quality**

In promoting the Fourth Railway Package, the European Commission refers to a recent Eurobarometer survey, according to which only 46 percent of European rail customers are satisfied with national and regional rail transport. The Commission argues that the activity of the railway sector would increase through liberalisation, as the latter would result in increasing the number of passengers and improve service quality.

However, a completely different picture emerges in Austria: according to the Eurobarometer survey, at 66 percent, the level of satisfaction of Austrian passengers with national and regional rail transport ranks in second position in the EU and thereby 20 percentage points above European average. According to a survey conducted by the Austrian research institute SORA in January 2012, the majority of the Austrian population also thinks that in general public services should remain under direct government control. In respect of public transport, 44 percent of interviewees considered this very important and 36 percent rather important. A similar picture emerged within the scope of the Vienna Referendum in March 2013, which revealed that 87 percent want to protect public transport against privatisation.

The comparison of the liberalisation index in SPV 2011 with data of the Eurobarometer on customer satisfaction did not establish any correlation. Hence, there is no connection between the level of liberalisation and the satisfaction of rail passengers in the EU.

Both Great Britain and Sweden experienced immense delays in some cases and train cancellations after the liberalisation.