4 SUMMARY

4.1 Starting position: matter in question

The Rail System in Austria

The Austrian rail sector is not only part of an efficient transport infrastructure, but at the same time a very important economic factor. Employing about 54,000 people, the rail system in Austria generates an annual turnover of about 8.4 billion Euros. This amounts to a gross value added of about 4.1 billion Euros, which is equivalent to about 1.4 percent of the Austrian gross domestic product (GDP) in 2011. If one also estimates the indirect and induced effects on value added and employment in Austria, the rail system generates a total of domestic value added of about nine billion Euros and secures the jobs of about 128,000 employees in Austria.

Apart from the Austrian Federal Railways (ÖBB), the leading providers in respect of public rail passenger transport also include private railways (Graz-Köflacher Bahn, Salzburger Lokalbahn, Wiener Lokalbahn etc.) as well as a large number of municipal transport services, which form the backbone of local public transport. These regional railways are not only the "lifeline" for the regions, but they are also important for the main lines, to which they feed passenger and freight transport. Attractive regional railways strengthen the regions as economic location, secure daily mobility, transport goods to and from the regions, make local transport environmentally sustainable and are an important part of thinly populated areas in Austria.

A major part of commuter and regional transport in Austria is funded directly by the Federation via the “Public Services Contract”). Public Services Contract in rail passenger transport (SPV) are services, whose provisions are in the public interest, but whose cost cannot be covered by tariff revenues alone. As such services are not provided in the free market, co-funding by the public sector is required. Road transport too must be subsidised as, in accordance with Austrian transport cost calculation, the revenue generated only covers a third of the costs.

The Fourth Railway Package of the European Commission

In January 2013, the European Commission has presented the Fourth Railway Package, which aims at the complete liberalisation of the SPV as well as the further structural separation of infrastructure and transport service. Apart from that the European Commission intends to introduce a ban on the currently possible freedom of the responsible authorities to choose between direct award and competitive tendering in rail transport: all forms of transport, which are supported by public funds to be able to fulfil the tasks of providing services of general interest, would then have to be invited to tender throughout the EU.

The European Commission explains these measures with expected savings of up to 30 percent for tendering bodies. The focus is also on rail customers: based on further liberalisation, the European Commission expects an increase in passenger numbers and an improvement in the service quality of public rail passenger transport.

Target of the argumentarium

Based on experiences in European countries, where the liberalisation process is already advanced, the present argumentarium investigates the question as to which extent the savings forecast by the European Commission are realistic or whether there might be a chance that the overall costs, due to long-term undesirable economic developments, could rise. Hence, the key objective of this argumentarium is to put into perspective the claim that liberalisation would lead to savings, given the fact that this would probably incur additional costs for the Austrian economy.

4.2 Economic effects of liberalisation on Railway operators

Effects on the rail system and the economic location

In 2013, the Federation is spending about 592 million Euros for public services provided by Austrian Federal Railways ÖBB. Added to this are services, which states and municipalities order from the ÖBB as well as public services, provided by various private railways. In 2011, for example, a total of 812.5 million Euros, i.e. about 46 percent of the sales revenues of ÖBB-Personenverkehr AG, was generated as a result of fulfilling public contracts. These figures do not only explain the significance of Public Services Contracts for all Austrian rail operators, but also illustrate the risk for these operators, if a ban on the direct awarding of contracts should materialize.

An enterprise, such as the ÖBB is in no position to downsize its company arbitrarily. A corporation requires a certain size in order to achieve synergy effects. Thus, with regard to competitive tendering the ÖBB would have to try to gain as many contracts as possible in order to maintain its size and its business model, even to the extent to make “under-priced” offers in order to be successful.

In 2003, a similar situation in Sweden proved to be very expensive: the insolvency of the national operator Statens Järnvägar (SJ) could only be avoided by high state subsidies (almost 200 Million Euros).

Apart from that, mandatory competitive tendering would mean that the public sector would lose steering competencies as the state would be forced to tender lines, which so far were serviced by using national rail operators - this in turn would mean a weakening of national wealth.

A ban of the currently possible freedom of responsible authorities to choose between awarding contracts directly and competitive tendering in respect of rail transport would confront many Austrian railway operators , but also tendering bodies with great difficulties.

The complete liberalisation (Open Access) of the SPV would also mean that offers will only be made where profits are guaranteed. New providers will restrict themselves to profit-making routes (example WESTbahn). At best, this “cherry picking” will result in a journey on individual trains at certain times becoming actually cheaper. However, the tiny number of travellers benefiting from this has to be compared with the majority of daily commuters from peripheral regions: they suffer in particular in sparsely populated regions and in less active periods.

A Europe-wide study of the Community of European Railway and Infrastructure Companies CER from 2012 comes to the conclusion that the vertical separation of infrastructure operators and transport service providers in the European Union (EU) could lead to additional costs between 5.8 and 14.5 Billion Euros p.a. - depending on the increase of transport services in Europe. Estimates for Austria show that such a separation would incur additional costs between 420 Million Euros p.a. in case of unchanged transport services and up to a billion Euros if current transport services were increased by 50 percent.