

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.

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.