

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.

If one applies the cost-benefit analysis (CBA) to estimate how much regular train delays would cost the Austrian economy, a cumulated delay of 30 minutes per week per commuter would already arrive at an amount of about 70 Million Euros. Having 96.5 percent of its trains running on time, the ÖBB (by its own calculations) is currently the most punctual rail operator in the EU and the second most punctual in Europe (only Swiss Federal Railways SBB is by its own account even more punctual).

Effects on price level and pricing

Another important point in the argumentation for the liberalisation of the rail sector is the alleged savings potential of up to 30 percent for the tendering bodies. Subsequently, these savings shall be passed on to rail passengers in form of lower rail fares.

However, studies in Great Britain and Sweden have shown that rail fares increased significantly after liberalisation.

The impact for Austria would be as follows: a fare increase by ten percent would, due to reduced consumption as a result, lessen the Austrian gross value added by almost 29 million Euros and put the existence of about 500 jobs in the economy at risk. A price increase by thirty percent would reduce the Austrian gross value added by almost 90 million Euros and put the existence of almost 1,500 jobs.

4.4 The motivation of the Fourth Railway Package

Prioritizing rail transport is urgently needed ...

The European transport system in its current form is not sustainable in the long term, in particular because of the negative effects of road transport. In view of the prognoses concerning the growth of transport services in the EU until 2050, it becomes clear that the distribution of transport cannot continue on the same path. If nothing changes, our transport system will still depend to about 90 percent on oil in 2050 and compared to 1990, CO2 emissions will have trebled. The EU recognised this danger and outlined in its 2011 White Paper on Transport not only the concrete targets to shift transport services from road to rail, but also for the first time considered the external costs, which are the result of noise and air pollution caused by traffic.

... however, the motivation of the Fourth Railway Package is probably going into a different direction

However, the Fourth Railway Package does not even mention this conscious prioritization of rail transport. In fact, the argumentarium suggests that the decision for or against the Fourth Railway Package would not be purely economic (let alone ecological), but rather ideological.

The savings targets of up to 30 percent, the increase in the number of passengers as well as the improvement of the service quality, which the European Commission claims would happen, appear to be unrealistic. On the contrary, all the transport systems in Great Britain and Sweden experienced price increases. What is probably behind the thinking of the liberalisation supporters is abolishing the option to award contracts directly and thereby introducing the mandatory tendering for public services contracts in respect of rail passenger transport: Austrian railway operators, which according to the legislative proposals are not obliged to have rolling stock, apply for the licence to operate a certain route for a certain period. During this period, the enterprise, which is awarded the contract