

civity Management Consultants

# Competition for the market

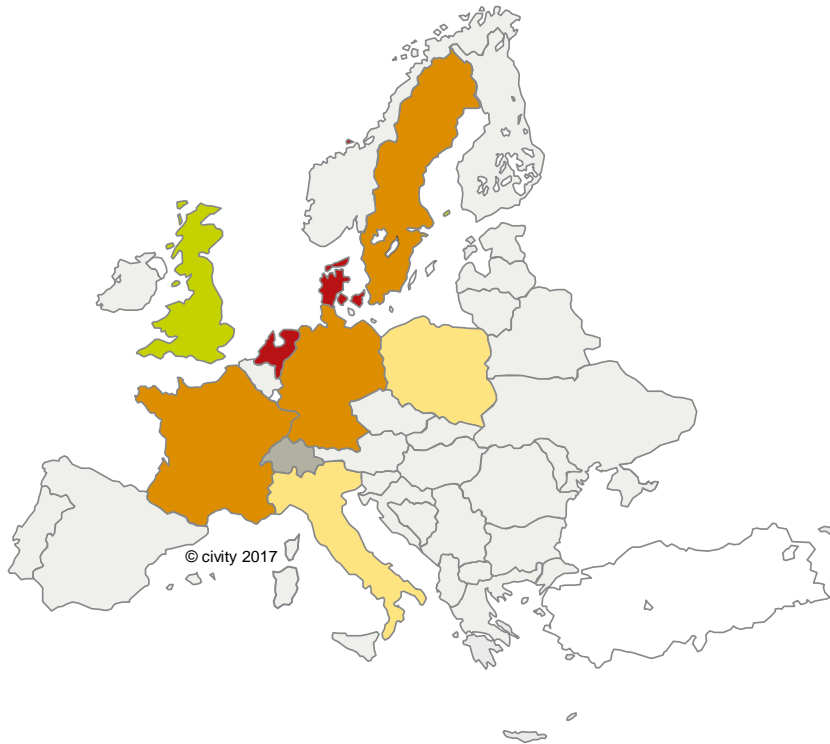
**Lessons learned from the German market**

arafer Colloque, Paris, 29 June 2017

# Despite a common legislation the scope of tendering in Europe is quite different

## Scope of tendering

### Actual competition



### Full Privatisation

- Horizontally separated and privatised incumbent
- All non-commercial services tendered out by central transport authority

### Core Network

- (Commercial) core network operated by incumbent
- Non-commercial fringe network tendered out

### Regionalisation

- Commercial long-distance services operated by incumbent and others
- Non-commercial regional services tendered out by regions

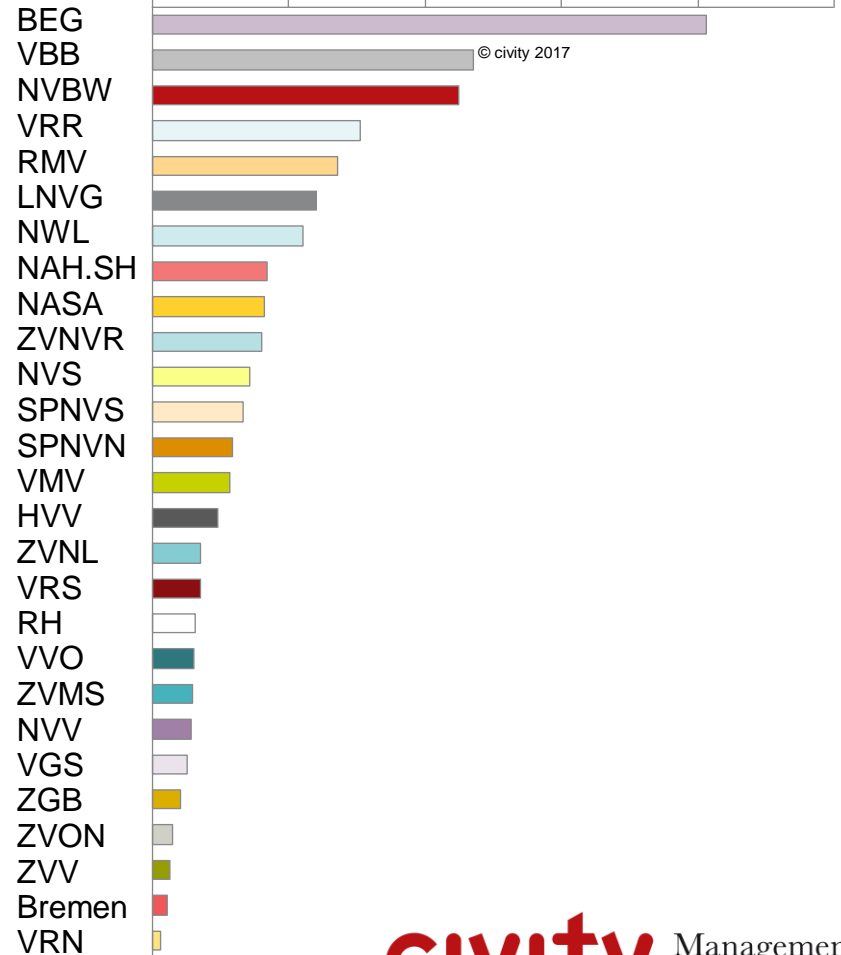
Less Liberalised   Core Network   Regionalisation   Full Privatisation

# Germany consists of 27 regional railway markets, still without common objectives

**PTAs and ordered volumes**  
in m train-km p.a.



0 30 60 90 120 150



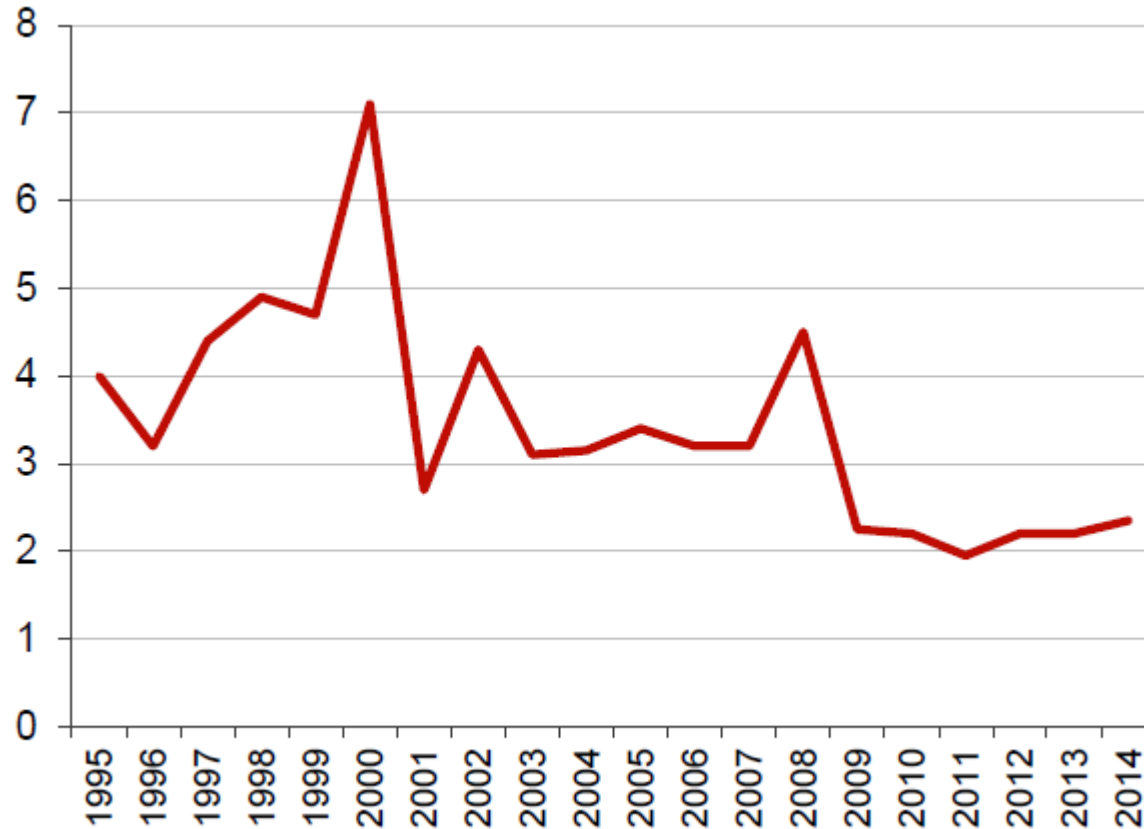
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# Effective competition requires a profound understanding of the bidders' perspective

## Development of bids in Germany



Average number of bidders in the year of commissioning



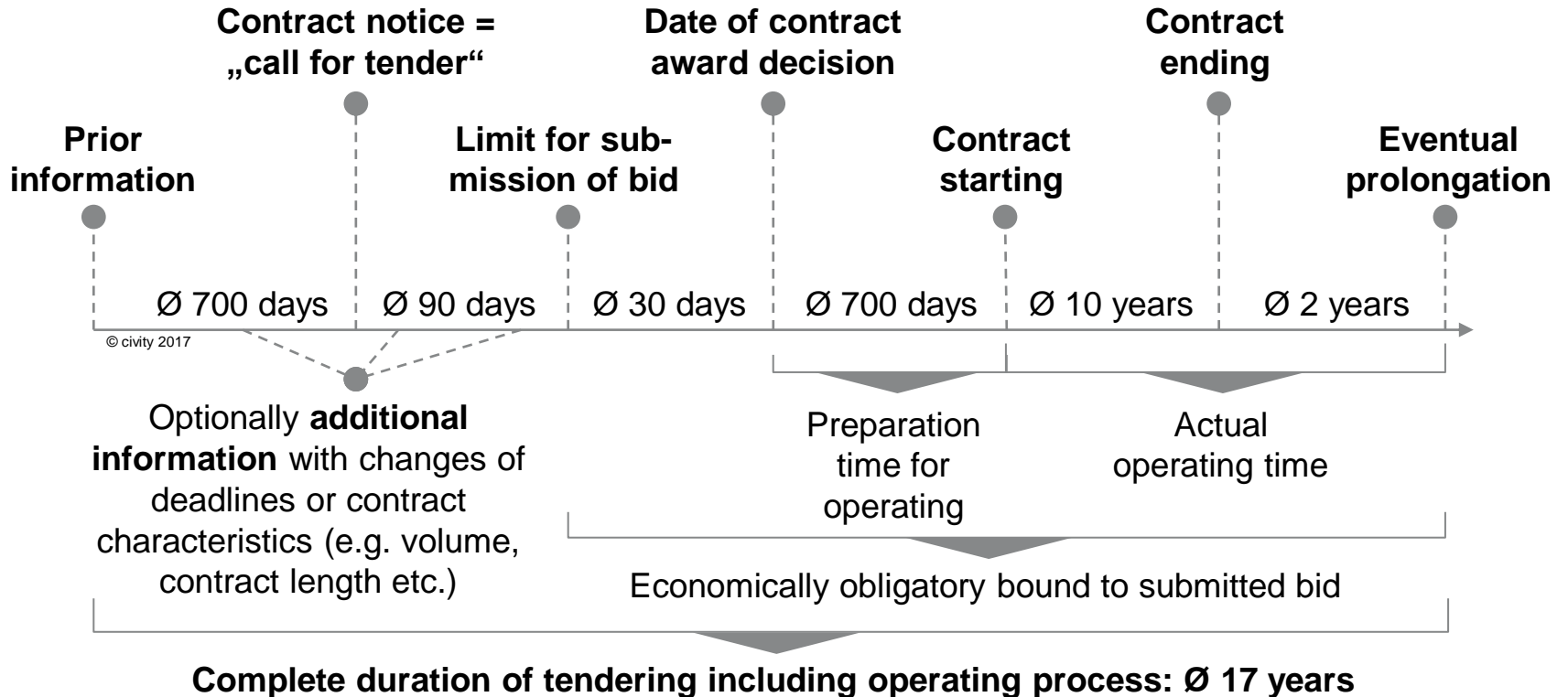
Sources: Wettbewerber-Report Eisenbahn 2015/2016 (mofair/NEE)

**What makes it so essential  
to take the bidders' perspective?**

# How to create an attractive market environment and facilitate competition?

# Typical tendering and operating process contains seven main steps, with five years total preparation time

## Average time for tendering steps in Germany 2011-2016



Lots = 130

Source: TED (Tenders Electronic Daily), civity analysis

# After two decades some actors now have initiated first steps for more transparency, but it's still fragmented

## Major activities for transparency



### Awarding timetable

(selection, published: Regional PTAs)

Name of network	Contract duration	Volume (mln. train-km per year)
S-Bahn München	2017-2019 (interim)	20,6
E-Netz Augsburg	2019-2021 (interim)	5,0
Hansenetz	2018-2023	8,4
Regio-S-Bahn Bremen/Nied.	2021-2036	5,0
S-Bahn Hannover	2021-2034	9,1

### Common awarding recommendations

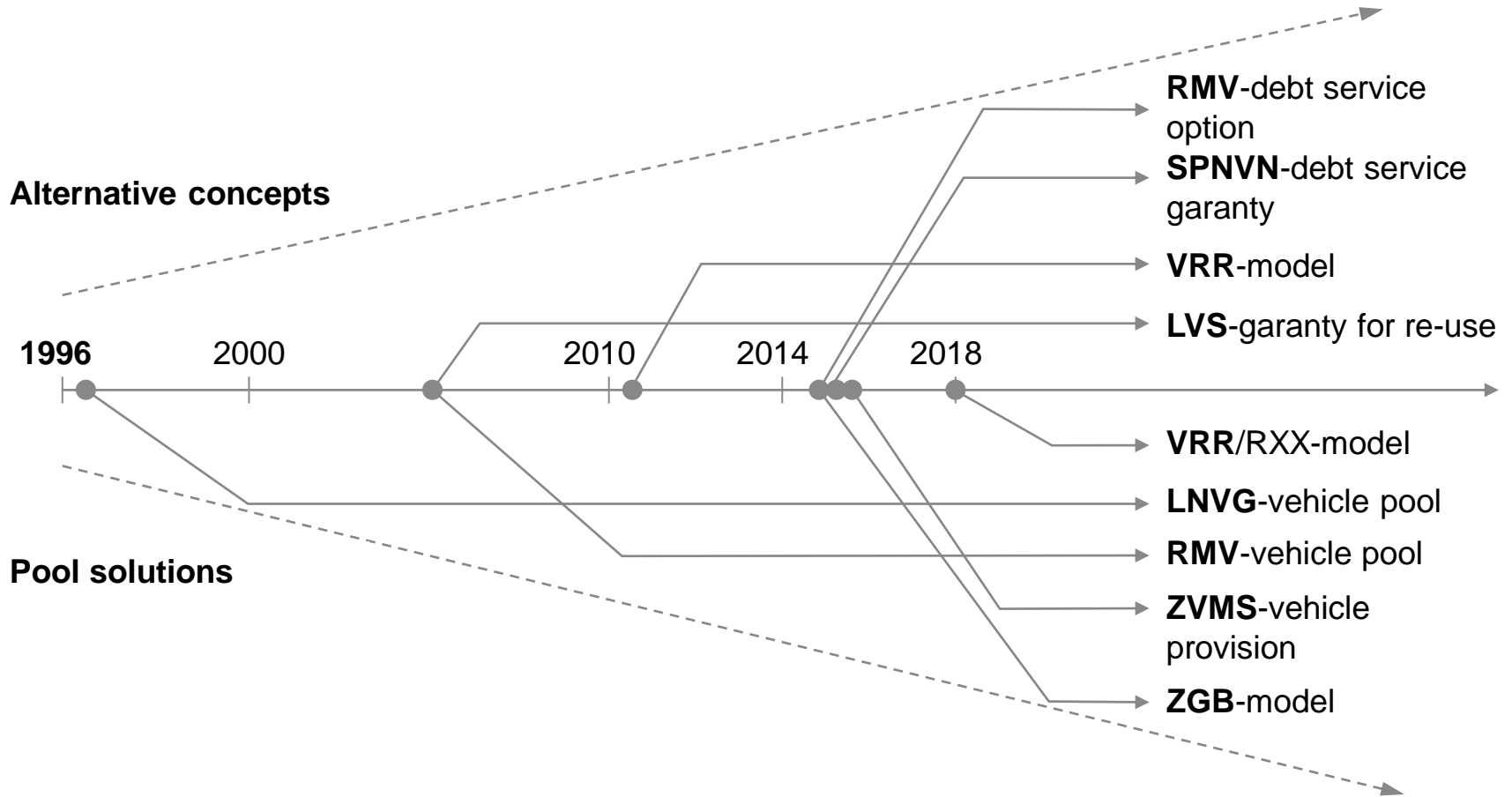
<p><b>Rail vehicle requirements</b> Technical recommendations</p> 	<p><b>Funding rail vehicle provision</b> Instruments</p>  	<p><b>Passenger rights</b> Instruments</p> 
<p><b>Market report</b> Incl. general market recommendations</p> 	<p><b>Market report</b> Incl. general market recommendations</p> 	<p><b>Market report</b> Incl. general market recommendations</p> 



# The complexity of providing an financing for rolling stock increases constantly – a challenge for bidder and financier

## Development of rolling stock models

SELECTION



# To satisfy the regions' requirements railway undertakings need different competencies

## Scope of contracts by region

EXAMPLE



	Ownership rolling stock	Maintenance	Operation	Sales
	RU			
			RU	
		RU		
			RU	
	RU			
			RU	
...				

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# Effective competition can be a supporting element in creating a high-quality and efficient railway system ...

## Conclusions

- ... however, it is complex and a large number of factors need to be taken into account to ensure its effectiveness
- Experience from Germany shows that fragmented and not sufficiently coordinated regional approaches can be an obstacle to a well working market model, increasing transaction costs and leading to low bidding activities
- From our perspective it is very important to take the perspective of railway undertakings in order to create an attractive environment for tendering
- This environment must ensure
  - a coordinated approach to planning,
  - An appropriate balance between entrepreneurial freedom for the operator and the level of standardisation by the authorities as well as
  - Low entry barriers by considering for example rolling stock models and competencies

# Thank you very much for your attention!

**Friedemann Brockmeyer**



Oranienburger Str. 5  
10178 Berlin-Mitte  
phone: +49.30.688 135 22-26  
mobile: +49.160.740 56 56  
email: [friedemann.brockmeyer@civity.de](mailto:friedemann.brockmeyer@civity.de)  
[www.civity.de](http://www.civity.de)

**Frank Zschoche**



Tesdorpfstr. 11  
20148 Hamburg  
phone: +49.40.181 22 36-66  
mobile: +49.171.771 17 90  
email: [frank.zschoche@civity.de](mailto:frank.zschoche@civity.de)  
[www.civity.de](http://www.civity.de)

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