



Track access charges: reconciling conflicting objectives

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EXECUTIVE SUMMARY

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European rail policy has significantly evolved over the past years towards an integrated European railway area. With the Fourth Railway Package, the European policymakers went a step further in completing the opening of the rail market to new entrants.

Track Access Charges involve conflicting objectives: particularly between the efficient use of existing capacity and the recovery of costs. Each EU Member State, depending on the infrastructure historically in place, attaches varying degrees of importance to these objectives thereby creating a complex multiplicity of systems.

This report outlines a series of recommendations to guide the European Commission, infrastructure managers and regulators for the setting of Track Access Charges, specifically with regards to:

- direct cost of wear and tear on the infrastructure
- congestion and scarcity
- mark-ups to maintain efficiency of infrastructure use

The report examines systems in place in four European Member States: Great Britain, Sweden, France and Germany. It provides an overview of the situation in the case study countries and a review of the different approaches.

Conclusions

The most important costs to be reflected in track access charges are wear and tear and congestion or scarcity costs; mark-ups also are becoming a very substantial element of track access charges:

- **Wear & tear**
Econometric evidence shows that wear and tear charges are generally too low (except in France). Given that these costs vary according to the characteristics of the train and the track, and that available econometric evidence is scarce, engineering models can play a strong role to help define these.
- **Congestion & scarcity costs**
Where routes are operating at a level close to capacity, the report recommends a combination of congestion and scarcity charging. This would constitute an additional source of revenue for infrastructure managers and incentivises train operators to economise on the use of scarce capacity.



- **Mark-ups**

The picture for commercial passenger services is rather complex: in the absence of on-track competition, mark-ups require sophisticated differentiation by route and timing to avoid the operation of fewer services. For passenger services under Public Service Obligations, mark-ups are largely a political decision. Nevertheless, the report recommends that these services should at least cover their avoidable costs, and that these should be charged for by a two-part tariff. Finally, with regards to freight services, mark-ups would ideally vary by commodity, given different price elasticities.

The report also looks into **ways to promote efficiency for publicly owned infrastructure managers**: benchmarking can help establish efficient costs and in the setting of track access charges as well as other sources of revenue. In addition, both financial and reputational incentives may be important in ensuring management work hard to achieve this cost efficiency.

However, there remains an **issue of incentives for operators to work with infrastructure managers** to reduce total infrastructure costs. The option of sharing infrastructure cost risk should be considered.

The report concludes that charges for rail infrastructure are only economically optimal if other transport modes are appropriately charged. Efficient pricing cannot be addressed for one transport mode in isolation. Progress needs to be made on all transportation modes simultaneously. Without this, track access charges will not necessarily improve the efficiency of the transport system, they may even hinder it.