EUROPEAN TRANSPORT WORKERS' FEDERATION

Lessons learned from three decades of liberalisation of the European Railways

Policy Position Paper

There are high expectations for the railway sector to help Europe reach its climate targets. We need to be sure Europe is on the right track in boosting the use of rail transport so it will benefit not only the climate targets but also the entire sustainability of the sector. This goes hand in hand with making rail socially and economically sustainable. The ETF and its affiliates have closely followed the restructuring of the sector as it unfolded and have carefully analysed the detrimental effects of liberalisation on the working conditions in the sector, the evolution of its safety record and its efficiency, all to be factored in the sustainability of the sector. We want to share the lessons learned over the decades with policy makers who are shaping the future of the European railways.

Despite the ideological push for liberalisation, countries have chosen different paths, leading to different results. To illustrate the effects of these different paths, we will compare the outcomes of countries from opposite sides of the spectrum: The United Kingdom - which is home to the most privatised rail sector in Europe – to Austria and Switzerland, two countries that have opted to keep their railways largely state-owned and operated. We will also have a closer look at the effects liberalisation has had on the railway system and working conditions in different Member States.

Looking at the numbers

Despite the push for a model shift to more low-carbon modes of transport, the modal share of rail in total freight transport has decreased compared to 1995 and its share in passenger transport has stayed mostly only stable over this time period.[1] Neither rail freight transport, that was liberalised in 2006, nor international passenger transport, that was liberalised in 2010, saw the growth that was intended by the European Commission.[2] Although the real number of passengers and volume of goods transported over rail have increased, the railway sector is still struggling to catch up with volumes transported by road, aviation and sea transport.

Over the past decade, the employment in the sector has slightly decreased; in 2018 over 916.000 people in the EU-27 were employed in infrastructure management or one of the 1.082 European railway undertakings, compared to 937.500 at the end of 2009.[3] One of the consequences is a shortage of workers in the rail sector that is only expected to get worse in years to come. With the recovery of passenger numbers after the Covid-19 pandemic, we see rail services in several Member States unable to keep up due to understaffing. The workforce of the railways sector is aging rapidly, with a significant share of employees about the retire in the next years. Work in the railway sector must be made more attractive to fill vacancies by new (young and female) workers.

If we look at passenger satisfaction, this seems to have somewhat increased overall, but under the

[1] European Commission (2021). EU transport in figures - Statistical pocketbook 2021: https://op.europa.eu/en/publication-detail/-/publication/14d7e768-1b50-11ec-b4fe-01aa75ed71a1; European Commission (2009). EU energy and transport in figures - Statistical pocketbook 2009: https://op.europa.eu/en/publication-detail/-/publication/6d938db3-7fe0-4a09-89f9-37377c0500d0/language-en/format-PDF/source-209474718

[2] ETF & CER (2015). Rail Freight Declaration and CER – ETF Press Release: https://www.etf-europe.org/resource/on-rail-freight-declaration/

[3] European Commission (2021). Seventh monitoring report on the development of the rail market: https://ec.europa.eu/transport/sites/default/files/com20210005-7th-rmms-report.pdf; European Commission (2016). Fifth report on monitoring development of the rail market: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016DC0780&from=EN

surface there are considerable differences between countries.[4] In the period between 2015 and 2020, ticket prices for railway users (passenger) have furthermore increased more than the average cost of all transport modes combined.[5] The UK has seen one of sharpest increases in prices, with tickets at their most expensive when passengers need them the most. At the same time, the level of service in stations is decreasing because of staff cuts and the closing of ticket offices, making rail travel inaccessible for vulnerable groups including the elderly and people with reduced mobility.

Overall, looking at the numbers, there is no correlation between the liberalisation of the railways and the development of the rail sector. There is no evidence that the EU market opening, and competition strategy alone have led to the promised revival of the railways in Europe, to increased freight transport by rail or better service for passengers. Examples show that the political will to expand the railways and to provide the financial means to do so are the essential and decisive factors to boost railways.

Different approaches

European countries have had different approaches to the extend and the speed to which they have liberalised their railway systems. It therefore makes sense to have a look at the two opposites of the spectrum: the full privatisation of the UK market on the one hand, against the publicly owned and operated rail systems of Austria and Switzerland on the other.

The UK is a prime example of country with fast and far-reaching disintegration of its rail system, that started back in 1990s. It currently uses competitive franchise bidding with private companies paying access fees to operate sections of the passenger network. In the 2007 Rail Liberalisation Index, it had the highest score with the entire market being run by newcomer companies.[6] However, the desired results of better service and cost-efficiency did not materialise. In fact, the extensive fragmentation and lack of coordination of the railways, which at the time included the rail network which was later renationalised, had disastrous effects on the safety and security, with deadly accidents in Ladbroke Grove, Potters Bar, and Hatfield as the absolute low point. Through all this, the modal share for rail in freight transport has decreased since 2005 and the modal share of passenger transport has slightly increased, though largely due to the concentration of jobs in big cities and increasing housing prices.[7]

Although the UK rail system is currently completely privately run – with the exception of the network – , it requires more public funding than it did before the wave of liberalisation which started in 1994.[8] In addition, ticket prices for passengers have surged and UK rail users are now some of the most dissatisfied travellers of Europe.[9] Surveys have shown that the British public opinion is strongly in

[4]European Commission (2018). Consumer satisfaction with rail transport: https://ec.europa.eu/transport/facts-fundings/scoreboard/compare/people/rail-transport-consumer-satisfaction_en#2013
[5] Eurostat (2021). HICP (2015 = 100) - annual data (average index and rate of change).
[6] Steer Davies Gleave (2011). Unbundling and Regulatory Bodies in the context of the recast of the 1st railway package: https://www.europarl.europa.eu/cmsdata/182910/20110418ATT18161EN.pdf
[7] Eurostat (2021). Modal split of freight transport: https://ec.europa.eu/eurostat/databrowser/view/TRAN_HV_FRMOD__custom_975268/default/table?lang=en
[8] ASLEF (2021). Williams Review Falls Short: https://aslef.org.uk/news/williams-review-falls-short
[9] Duncan, P. & Swann, G. (2017). Tracking the cost: UK and European rail commuter fares compared – in data: https://www.theguardian.com/money/datablog/2017/jan/06/tracking-the-cost-uk-and-european-commuter-rail-fares-compared-in-data; European Commission (2018). Consumer satisfaction with rail transport: https://ec.europa.eu/transport/facts-fundings/scoreboard/compare/people/rail-transport-consumer-satisfaction_en#2017

favour of a (re)nationalised railway system.[10] As a result, the UK government launched and in-dept review into the functioning of the country's railways system, concluding that centralised national leadership is indeed needed including the public ownership of the infrastructure.[11]

On the other side of the spectrum, we find Austria and Switzerland; two countries which are viewed by many as champions of railway transport in the EU and Europe respectively. They have chosen to keep their railway systems largely state-owned. Through the unbundling process, Austria's national rail company ÖBB was divided into separate businesses managing the infrastructure, passenger, and freight transport. The passenger part remained fully owned and operated by the Austrian state and freight transport on rail is strongly supported by government policy. Over the years, Austria's railways passengers are some of the most satisfied in all of Europe.[12]

In Switzerland, most railway lines are operated by the Swiss Federal Railways, with smaller, also publicly owned, railway undertakings operating in some regions. The country was ranked number one in the 2017 Railways Performance Index, being praised for the density of its network, high level of electrification and good interconnection with other modes of transport.[13] This is reflected in the modal share rail transport accounts for, in terms of freight transport, well above the EU average, as well as in the highest modal share in passenger transport of Europe.[14] On the big connection lines, the federal railways company was awarded the public service contract, but cooperates with other companies to ensure the best possible service for passengers. This cooperative approach was brought about with the support of local trade unions.

Working conditions

Of course, all this does not tell us much about the working conditions in the respective countries as these are more difficult to capture in numbers. In 2013, the ETF and the CER committed to not letting increased competition in the sector affect the working conditions.[15] Nevertheless, ETF is alarmed by the effects the upsurge in (multinational) private companies is having on working conditions. The unbundling of railway companies means that collective bargaining agreements were split up and labour mobility within the companies was reduced. In many cases, our affiliates report that new railway companies do not respect existing collective bargaining agreements and instead choose to compete on the basis of low wages, skimping on working conditions and social dumping. In the UK we have seen that whilst companies are making incredible profits for shareholders, the system is putting jobs, pay and pensions of its workers under pressure, as has been highlighted by the recent wave of strikes.

In Italy, new entrant Italo initially refused to abide by the Collective Bargaining Agreement (CBA) of

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[10] Fullfact.org (2018). Do the public want the railways renationalised?: https://fullfact.org/economy/do-public-want-railways-renationalised/

[11] UK Department for Transport (2018). Consultation outcome - Williams Rail Review: https://www.gov.uk/government/consultations/williams-rail-review

[12] European Commission (2018). Consumer satisfaction with rail transport: https://ec.europa.eu/transport/facts-fundings/scoreboard/compare/people/rail-transport-consumer-satisfaction_en#2017

[13] Duranton, S. et al. (2017) The 2017 European Railway Performance Index:https://www.bcg.com/en-ch/publications/2017/transportation-travel-tourism-2017-european-railway-performance-index

[14] Eurostat (2021). Freight transport statistics - modal split: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Freight_transport_statistics_-_modal_split#Modal_split_in_the_EU; Eurostat (2020). Passenger transport statistics: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Passenger_transport_statistics#Modal_split_of_inland_passengers

[15] ETF & CER (2013). Joint opinion: Social aspects and the protection of staff in competitive tendering of rail public transport services and in the case of change of railway operator: https://www.etf-europe.org/wp-content/uploads/2019/10/Joint-opinion-protection-of-staff-2013_EN.pdf

the railway sector, instead choosing to apply a different sector's CBA with different working conditions. Today, they do apply the National railway collective agreement, signed after a decisive union action, containing derogations on working time as it was a start-up at the time, but have recently refused to apply the renewed national railway CBA, that was signed by the unions in March 2022 and includes a salary increase. As a result, until an agreement in reached, workers in Italo have lower salaries and longer working hours than their counterparts in other railway companies operating high speed trains, notably the state-owned companies. This is a clear example of privatisation leading to competition based on workers' social conditions instead of better services for users. In addition, there are many rail freight transport companies in Italy that refuse to apply the rail sectoral agreement, preferring another CBA with lower wages and more working hours and flexibility. In this CBA, the time in which the worker is at disposal without driving or preparing the train is not considered as working time. Unsurprisingly, many locomotive drivers in rail freight companies move to other companies with better working conditions as soon as they get the chance.

In Sweden, workers in all railway companies have seen their working conditions, including holidays and pensions, drastically reduced after the opening of the market. We see a downward spiral in terms of social conditions in both the incumbent company and new entrants, that has only been slowed down thanks to trade unions negotiating collective bargaining agreements. A more fractured market with multiple smaller companies has led to less flexibility within companies to schedule shifts with respect for work-life balance. This means workers are forced to spend more time away from home, sometimes staying overnight, because their work schedule does not allow them to return home after their shift. At the same time, services and cost effectiveness for the users have not improved. Many of the services are run by foreign (state-owned) companies and run at a loss, costing taxpayers huge sums of moneys in tendering processes and subsequent court cases that do not benefit the public in any way.

This deterioration of working conditions is of course detrimental to the attractiveness of a sector that has a rapidly aging and retiring workforce and is struggling to be attractive for new young and female workers.

Lessons learned

For ETF the main lesson the EU has to take on board is that three decades of liberalisation has not delivered on the promises of growing the sector, improving services, or making rail transport more efficient. On the contrary, the decisive factors for the well-functioning of the sector are the public-led investments in modern railway infrastructure, rolling stock and public services as well as the internalisation of all external costs for all modes of transport. European and national leaders need to step away from the ideology of competition and instead come up with an active strategy to that recognises rail transport of both goods and passengers as a service of general interest and promotes it as the backbone of a wider sustainable transport system. It is in the interest of each Member State that not only the financially profitable lines and services are provided for, but that all regions, sectors, citizens as well as the environment can benefit from a well-functioning and reliable railway system. The ongoing push for privatisation is causing millions of Euros to leak out of the system into the pockets of (foreign) shareholders. Money that could be of much better use if invested in infrastructure, rolling stock and good working conditions for European railway staff.

The best way to boost sustainable rail transport that ensures good service, working conditions and safety, is through vertically integrated, publicly funded, owned, and operated railway companies. This will support railways to be an integrated part of multi-modal transport. What we need are measures to boost rail freight and passenger transport – giving priority to the quality of service and social and environmental sustainability instead of focusing on reducing personnel costs and making profits. We need measures that eliminate social dumping within and between all transport sectors and mitigate the social shortcomings in railways to realise a modal shift to rail. This is best achieved by the direct awarding of PSO contracts based on clear criteria including social requirements.

Instead of competition, ETF calls for more cooperation on the railways. The case of the UK proves that boundless competition does not improve any aspect of rail transport. European and national policy makers should therefore learn from the Swiss example and encourage and (re)introduce cooperation in the railways to improve cross border connections, cooperation to guarantee high-quality service in all regions and cooperation with other modes of transport to encourage multi-modal transport.

Finally, even with these lessons in mind there will be no one-size-fits-all solution here. Each country's railway system has its own history, challenges, and strengths. Governments at all levels should therefore encourage social dialogue in the rail sector and actively engage trade unions and other workers' representatives at every stage of the dialogue, to ensure a system that provides high-quality, reliable and safe transport for workers and users.