



9th International Scientific Conference Transbaltica 2015

# The Models of Management of Railway Companies in the European Union: Holding, the German Experience

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## Abstract

One of the main tasks of the long-term expansion of the Lithuanian railway transport is to ensure, following the European Union legislation, the implementation of a reform of the Lithuanian railway transportation sector so that the competitiveness of the country's railways in the European transport services market is increased. To properly implement the aforementioned objective, it is crucial to understand and to carry out a careful analysis on the existing railway management models (the separated one, the integrated one following the principle of holding and a completely integrated one). Only once all the pros and cons of the railway management models have been analyzed, one can choose the most optimum option for Lithuanian railways. This article will look at the advantages and disadvantages of the integrated model on the basis of the German railways. The article analyses the review of the German railway management model, the structure of the railway system, the criticism of the Deutsche Bahn model is provided in it along with the advantages of the German model.

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Peer-review under responsibility of the organizing committee of Transbaltica 2015

*Keywords:* Deutsche Bahn AG; railway network and infrastructure; separated model; integrated model.

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## 1. Introduction

Since the end of 20<sup>th</sup> century purposeful efforts have been put in the European Union single market with a view to creating conditions for competition in the railway market, to separating the management of infrastructure and transportation services. A number of legislative acts have been adopted on the European Union level foreseeing a

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structural reorganization of railways seeking to create competition in this area, to increase effectiveness, to return the passengers and freights from the competing modes of transport and reduce the burden on national budgets. In its Impact Assessment of the Fourth Railway Package, the European Commission has presented its views on the reasons that have determined the necessity to reform the railway transportation sector since railway infrastructure is a natural monopoly. The creation of it is very expensive, therefore, from the economic point of view, it cannot be justified that each railway company should build its own railway tracks. Therefore, special rules are necessary to ensure an optimum management of the common infrastructure and the use of it by different railway companies.

The 2011 White Paper of the European Commission on European Transport Policy (Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system) indicates that once more favourable conditions for competition among railway companies are created, this will ensure that the entire railway sector will become more competitive with regard to other modes of transport.

One of the operating railway management models, which is both criticized and seen as positive in the area of increasing competitiveness, is a holding. Currently, of all the European countries, Germany has been most successful in implementing this model.

## 2. The Models of Railway Infrastructure Management and Railway Transport Service Provision

Taking into consideration the existing experience of the European Union countries, two main railway infrastructure management and railway transport service provision models can be singled out, i.e. the separated model and the integrated model (Gómez-Ibáñez 2006):

1. **The Separated Model.** The essence of this model is a complete separation of infrastructure and transportation services, i.e. institutional and factual separation of infrastructure and transportation services into separate legal persons that are not interrelated (Sweden, Great Britain).

As a separate option of this model should be mentioned the structure when railway transportation activity is completely separated from railway infrastructure management, but the infrastructure is managed and administered not by one company but by several independent companies, which ensure e.g. infrastructure planning, infrastructure maintenance, infrastructure capacity distribution and collection of charges (Holland).

2. **The Integrated Model.** This model may be implemented on the basis of a vertically integrated model, i.e. **a holding structure**, when railway infrastructure is managed by a separate legal person holding its own accounts, budget and independent financial results, but which together with the companies providing communication services belongs to one group of companies (Germany, Italy, Austria). One should note that although companies belong to the same group of companies, infrastructure manager does not have a right to provide advantage to the companies of the group over other companies providing railway transportation services (operating outside the holding boundaries (Europos susisiekimo ministrų konferencija 2005).

The option of an absolute integrated model is a single, **completely integrated** company operating in the railway transportation sector. In this case, the accounts of the railway infrastructure and railway transport activities are separated, it is established that independent institutions determine infrastructure charges and distribute infrastructure capacities, however, railway infrastructure management and provision of railway transport services remain business segments of a single company (Lithuania).

As it was mentioned, the theme of this article is to discuss the experience of Germany. Hence, the principles of functioning of other models will not be analyzed.

## 3. A Review of the German Railway Management Model

The reform of the railway transport sector in Germany started in 1994, once two state enterprises *Deutsche Bundesbahn* and *Deutsche Reichsbahn* were merged, and on the basis on this merger a private legal person was established, public company *Deutsche Bahn AG*, 100 per cent of whose shares belong to the German state. In 1999 the primary structure of the concern was established: separate activities of *Deutsche Bahn AG* were divided into separate public companies, the sole shareholder of which became *Deutsche Bahn AG* (Die Privatisierung 2006). For the management of railway network infrastructure and train stations separate public companies were established: *DB Netz AG* and *DB Station&Service AG*. The functions, legal status, management and accounting of these companies

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