



Brussels, 28 April 2016  
(OR. en)

---

**Interinstitutional File:  
2013/0028 (COD)**

---

8061/16  
ADD 1 REV 2

TRANS 68  
CODEC 256

## REPORT

---

From: General Secretariat of the Council  
To: Permanent Representatives Committee (Part 1)

---

No. prev. doc.: 6849/16 TRANS 68 CODEC 256  
No. Cion doc.: 5960/13 TRANS 35 CODEC 209  
5985/13 TRANS 36 CODEC 216  
6015/13 TRANS 41 CODEC 228

---

Subject: 4th Railway Package  
Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 1370/2007 concerning the opening of the market for domestic passenger transport services by rail.  
- Analysis of the final compromise text with a view to agreement

---

The annex to this document contains the text provisionally agreed at the trilogue on 19 April, as referred to in document 8061/16 INIT.

Changes to the Coreper mandate are indicated in **bold underline** and ~~strikethrough~~.

Article 1

Regulation (EC) No 1370/2007 is amended as follows:

0. In Article 1(2), a second sentence is inserted as follows:

“Subject to agreement of the competent authorities of the Member States on whose territory the services are provided, public service obligations may ~~also~~ concern public transport services **at cross-border level, including those** covering local and regional transport needs ~~at cross-border level.~~”

Corresponding recital

“Services at cross-border level, including public transport services covering local and regional transport needs, should be subject to agreement of the competent authorities of the Member States on whose territory the services are provided.”

1. The following point is inserted after point (a) of Article 2:

"(aa) ‘public passenger transport services by rail’ means public passenger transport by rail, excluding passenger transport on other track-based modes, such as metros or tramways".

2. The following Article 2a is inserted:

"Article 2a

Specification of public service obligations

1. The competent authority shall define specifications of public service obligations in public passenger transport and the scope of their application in accordance with Article 2(e). This includes the possibility to group cost-covering services with not cost-covering services

When defining those specifications and the scope of their application, the competent authority shall duly respect the principle of proportionality, in accordance with Union law.

The specifications shall be consistent with the policy objectives as stated in public transport policy documents in the Member States.

The content and format of public transport policy documents and the procedures for consultation of relevant stakeholders shall be determined in accordance with national law.

Corresponding recital

‘Specifications of public service obligations in public passenger transport should, where possible, generate positive network effects, inter alia in terms of improved quality of services, social and territorial cohesion and/or overall efficiency of the public transport system.’

Corresponding recital

‘When preparing public transport policy documents, relevant stakeholders should be consulted in accordance with national law. Such stakeholders could include transport operators, infrastructure managers, employee organisations and representatives of users of public transport services.’

2. The specifications of public service obligations and the related compensation of the net financial effect of public service obligations shall:

- (a) achieve the objectives of the public transport policy in a cost-effective manner;
- (b) financially sustain the provision of public passenger transport in accordance to the requirements laid down in the public transport policy in the long term."

3. Article 4 is amended as follows:

(0a) In paragraph 1, point (a) is replaced by the following:

"(a) clearly define the public service obligations laid down in Article 2(e) and Article 2a with which the public service operator is to comply, and the geographical areas concerned;"

(a) The last sentence of paragraph 1, point (b) is replaced by the following:

"In the case of public service contracts not awarded according to Article 5(1) or (3), these parameters shall be determined in such a way that no compensation payment may exceed the amount required to cover the net financial effect on costs incurred and revenues generated in discharging the public service obligations, taking account of revenue relating thereto kept by the public service operator and a reasonable profit;"

Corresponding recital

"For public service contracts that are not awarded on the basis of a competitive tendering procedure, the fulfilment of public service obligations by the public service operators should be appropriately compensated, in order to ensure the long-term financial sustainability of public passenger transport services in accordance with the requirements laid down in public transport policy. In particular, such compensation should promote the maintenance or development of effective management by the public service operator and the provision of passenger transport services of a sufficiently high standard."

(aa) The following paragraphs 4a and 4b are inserted in Article 4:

"4a. In the performance of public service contracts, public service operators shall comply with applicable obligations in the field of social and labour law established by Union law, national law or collective agreements.

4b. Directive 2001/23/EC shall apply to a change of public service operator where such a change constitutes a transfer of undertaking within the meaning of that Directive."

(b) Article 4(6) is replaced by the following:

"6. Where competent authorities, in accordance with national law, require public service operators to comply with certain quality and social standards, or to establish social and qualitative criteria, these standards and criteria shall be included in the tender documents and in the public service contracts. In accordance with Directive 2001/23/EC, such tender documents and public service contracts shall, where applicable, also contain information on the rights and obligations relating to the transfer of staff taken on by the previous operator."

Corresponding recital

“With a view to an appropriate integration of social and labour requirements into procedures for the award of public service contracts for public passenger transport services, public service operators should, in the performance of public service contracts, comply with obligations in the field of social and labour law that apply in the Member State where the public service contract is awarded and which result from laws, regulations and decisions, at both national and Union level, as well as from applicable collective agreements, provided that such national rules, and their application, comply with Union law.

Corresponding recital

**"Where Member States require staff taken on by the previous operator to be transferred to the newly selected public service operator, such staff should be granted the rights to which they would have been entitled if there had been a transfer within the meaning of Directive 2001/23/EC. Member States should be free to adopt such provisions."**

(c) The following paragraph 8 is added:

"8. Public service contracts shall require the operator to provide the competent authority with the information essential for the award of public service contracts, while ensuring the legitimate protection of confidential business information. Competent authorities shall make available to all interested parties relevant information, for the preparation of an offer under a competitive tendering procedure while ensuring the legitimate protection of confidential business information. This shall include information on passenger demand, fares, costs and revenues related to the public passenger transport covered by the tender and details of the infrastructure specifications relevant for the operation of the required vehicles or rolling stock to enable them to draft well informed business plans. Rail infrastructure managers shall support competent authorities in providing all relevant infrastructure specifications. Non-compliance with the provisions set out above shall be subject to the legal review provided for in Article 5(7)."

Corresponding recital

"The obligation on a competent authority to provide all interested parties with information essential for the preparation of an offer under a competitive tendering procedure does not extend to the creation of additional information where such information does not exist."

Article 5 is amended as follows:

(0a) The first sentence of paragraph 2 is replaced by the following:

"Unless prohibited by national law, any competent local authority, whether or not it is an individual authority or a group of authorities providing integrated public passenger transport services may decide to provide public passenger transport services itself or to award public service contracts directly to a legally distinct entity over which the competent local authority, or, in the case of a group of authorities at least one competent local authority, exercises control similar to that exercised over its own departments.

In case of public service in rail transport, the group of authorities referred to in the previous subparagraph may be composed only of local competent authorities whose geographical area of competence is not national. The public passenger transport service or the public service contract referred to in the previous subparagraph may only cover the transport needs of urban agglomerations and/or rural areas.

(0aa) In Article 5(3), the words "specified in paragraphs 4, 5 and 6" are replaced by the words "specified in paragraphs 3a, 4, 4a, 5 and 6".

(0b) The following paragraph 3a is added:

"3a. Unless prohibited by national law, for public service contracts for rail transport awarded on the basis of a competitive tendering procedure, the competent authority may decide to temporarily award new contracts directly where the competent authority considers that the direct award is justified by exceptional circumstances. Such exceptional circumstances shall include situations where:

- there are a number of competitive tenders already being run by the competent authority and/or other competent authorities which could affect the number and quality of bids likely to be received if the contract is competitively tendered, or
- changes to the scope of one or more public service contracts are required in order to optimise the provision of public services.

The competent authority shall issue a substantiated decision and shall inform the Commission thereof without undue delay.

The duration of contracts awarded pursuant to this paragraph shall be proportionate to the exceptional circumstance concerned and in any case not exceed 5 years.

They shall be published, while taking into consideration the legitimate protection of confidential business information and commercial interests.

The subsequent contract that concerns the same public service obligations shall not be awarded on the basis of this provision.

#### Corresponding recital

"In exceptional circumstances where public service contracts for rail transport are awarded on the basis of competitive tendering, new contracts may temporarily be directly awarded in order to ensure that services are delivered in the most cost-effective way.

Such contracts should not be renewed to cover the same or similar public service obligations."

(0c) The following paragraph 3b is added:

"3b. In application of Article 5(3), competent authorities may decide to apply the following procedure:

Competent authorities may make public their intentions to award a public service contract by rail through the publication of an information notice in the Official Journal of the European Union.

The information notice shall contain a detailed description of the services that will be the subject of the contract to be awarded as well as the type and the duration of the contract.

Operators may express their interest within a period fixed by the competent authority which cannot be less than 60 days following the publication of the information notice.

If after this period:

- a) only one operator has expressed its interest to participate in the procedure to award the public service contract and
  - b) has duly proven that it will effectively be able to provide the transport service complying with the obligations established in the public service contract, and
  - c) the absence of competition is not the result of an artificial narrowing down of the parameters of the procurement and
  - d) when no reasonable alternative exists,
- the competent authorities may start negotiations with this operator in order to award the contract without further publication of an open tendering procedure."

(a) Paragraph 4 is replaced by the following:

"4. Unless prohibited by national law, the competent authority may decide to award public service contracts directly:

- (a) where their average annual value is estimated at: less than EUR 1 000 000 or less than EUR 7 500 000 in the case of a public service contract including public passenger transport services by rail or,
- (b) where they concern the annual provision of less than 300 000 kilometres of public passenger transport services or less than 500 000 kilometres in the case of a public service contract including public passenger transport services by rail.

In the case of a public service contract directly awarded to a small or medium-sized enterprise operating not more than 23 road vehicles, these thresholds may be increased to either an average annual value estimated at less than EUR 2 000 000 or to an annual provision of less than 600 000 kilometres of public passenger transport services."



(aa) The following paragraph 4a is added:

“4a. Unless prohibited by national law, the competent authority may decide to award public service contracts for public transport by rail directly:

(a) (i) where it considers that the direct award is justified by the relevant structural and geographical characteristics of the market and network concerned, in particular their size, demand characteristics, complexity of the network, its technical and geographical isolation and the services covered by the contract, and

(ii) where such a contract would result in an improvement in quality of services and/or cost-efficiency compared to the previously awarded public service contract.

On that basis, the competent authority shall ~~issue~~ **publish** a substantiated decision and shall inform the Commission thereof **within one month of its publication** ~~without undue delay~~. The competent authority may proceed with the award of the contract.

(aaa) The following two sentences are added at the end of the first sentence of Article 5(7):

“For cases covered by paragraph 4a, such measures shall include the possibility to request an assessment of the substantiated decision taken by the competent authority by an independent body designated by the Member State concerned. **The outcome of such assessment shall be made publicly available in accordance with national law.**”

#### Corresponding recital

“Member States should ensure that their legal systems provide for the possibility to assess decisions of the competent authority to award public service contracts for public transport by rail directly on a performance-based approach, by an independent body. This could be done as part of a judicial review.”

Member States where, at the entry into force of this Regulation, the maximum annual volume is less than 23 million train-km and which have only one competent authority at national level and one public service contract covering the entire network shall be deemed to fulfil the conditions of point (i). Where those Member States decide to award a public service contract directly, they shall inform the Commission thereof. The United Kingdom may decide to apply this subparagraph to Northern Ireland.

Where the competent authority decides to award a public service contract directly, it shall define measurable, transparent and verifiable performance requirements. Such requirements shall be included in the contract.

The performance requirements shall in particular cover punctuality of services, frequency of train operations, quality of rolling stock and transport capacity for passengers.

The contract shall include specific performance indicators allowing for periodic assessment by the competent authority and shall specify effective and deterrent measures to be imposed in case the railway undertaking fails to meet the performance requirements.

The competent authority shall periodically assess and make public whether the railway undertaking has achieved its targets to meet the performance requirements as set in the contract. **Such periodic assessment shall take place at least every five years. The competent authority** ~~It~~ shall take appropriate and timely measures, including effective and deterrent contractual penalties in case the required improvements in quality of services and/or cost-efficiency are not achieved. The competent authority may at any time wholly or partially suspend or terminate the contract awarded under this provision in case the operator fails to meet the performance requirements.

(b) where they concern operating only passenger rail services by an operator which manages simultaneously the entire or the major part of the railway infrastructure on which the services are provided, which is excluded from the application of Article 7, 7a, 7b, 7c, 7d, 8, 13 and Chapter IV of Directive 2012/34/EU establishing a single European railway area in accordance with Article 2(3)(a) or (b) of Directive 2012/34/EU.

In derogation from Article 4(3), directly awarded contracts pursuant to this paragraph shall not exceed 10 years, except where Article 4(4) applies.

Contracts awarded in accordance with this paragraph shall be published while taking into consideration the legitimate protection of confidential business information and commercial interests."

(ab) Paragraph 5 is replaced by the following:

"5. In the event of a disruption of services or the immediate risk of such a situation, the competent authority may take emergency measures.

This emergency measure shall take the form of a direct award or a formal agreement to extend a public service contract or a requirement to provide certain public service obligations. The public service operator shall have the right to appeal against the decision to impose the provision of certain public service obligations. The award or extension of a public service contract by emergency measure or the imposition of such a contract shall not exceed two years."

(b) The following paragraph 6a is added:

"6a. Competent authorities may decide that, in order to increase competition between railway undertakings, contracts for public passenger transport by rail covering parts of the same network or package of routes shall be awarded to different railway undertakings. To this end the competent authorities may decide before launching the tender procedure to limit the number of contracts to be awarded to the same railway undertaking."

5. The following Article 5a is inserted:

"Article 5a

Rail rolling stock

1. In view of a competitive award procedure, competent authorities shall assess whether measures are necessary to ensure effective and non-discriminatory access to suitable rolling stock. This assessment shall take into account the presence of rolling stock leasing companies, or of other market actors providing for the leasing of rolling stock, in the relevant market. **The assessment report shall be made publicly available.**

2. Competent authorities may decide, in accordance with national law and in compliance with State aid rules, to take appropriate measures to ensure effective and non-discriminatory access to suitable rolling stock. Such measures may include:

(a) acquisition by the competent authority of the rolling stock used for the execution of the public service contract with a view to making it available to the selected public service operator at market price or as part of the public service contract pursuant to Article 4(1)(b), Article 6 and, if applicable, to the Annex, or

(b) provision by the competent authority of a guarantee by for the financing of the rolling stock used for the execution of the public service contract at market price or as part of the public service contract pursuant to Article 4(1)(b), Article 6 and, if applicable, to the Annex. Such a guarantee may cover the residual value risk, or

(c) commitment of the competent authority in the public service contract to take over the rolling stock at predefined financial conditions at the end of the contract at market price, or

(ca) cooperation with other competent authorities in order to create a larger pool of rolling stock;

3. If the rolling stock is made available to a new public transport operator, the competent authority shall include in the tender documents any available information about the cost of maintenance of the rolling stock and about its physical condition.

6. In Article 6, paragraph 1 is replaced by the following:

"1. All compensation connected with a general rule or a public service contract shall comply with Article 4, irrespective of how the contract was awarded. All compensation of whatever nature connected with a public service contract not awarded according to Article 5(1) or (3) or connected with a general rule shall also comply with the provisions laid down in the Annex."

7. Article 7 is amended as follows:

(a) Paragraph 1 is replaced by the following:

"1. Each competent authority shall make public once a year an aggregated report on the public service obligations for which it is responsible, the starting date and duration of the public service contracts, the selected public service operators and the compensation payments and exclusive rights granted to the said public service operators by way of reimbursement. The report shall distinguish between bus transport and rail transport, allow the performance, quality and financing of the public transport network to be monitored and assessed and, if appropriate, provide information on the nature and extent of any exclusive rights granted. **The report shall also take into consideration the policy objectives as stated in public transport policy documents in the Member State concerned.** Member States shall facilitate central access to these reports, for instance through a common web portal."

(b) In paragraph 2, the following point is added:

"(d) the envisaged starting date and duration of the public service contract."

8. Article 8 is amended as follows:

(a) The first sentence of paragraph 2 is replaced by the following:

"2. Without prejudice to paragraph 3,

i) Article 5 shall apply to the award of public service contracts for passenger transport services by road and by track-based modes other than rail such as metro or tramways as from 3 December 2019.

ii) Article 5, ~~with exception of paragraph 4a,~~ shall apply to passenger transport services by rail as from 3 December 2019.

~~iii) Article 5(4a) may be applied to passenger transport services by rail as from 3 December 2019.~~

~~iv)~~**iii)** Article 5(6) and Article 7(3) shall cease to apply as from 6 7 years after the date of entry into force of this Regulation.

The duration of contracts awarded according to Article 5(6) between 3 December 2019 and [6 7 years from the entry into force of this Regulation] shall not exceed 10 years, ~~except where Article 4(4) applies.~~

Within six months after the first half of the transitional period mentioned in point (iii), Member States shall provide the Commission with a progress report, highlighting the implementation of any gradual award of public service contracts that comply with Article 5. On the basis of the Member States' progress reports, the Commission **shall carry out a review and, if appropriate,** ~~may propose **legislative** appropriate measures addressed to Member States.~~

(b) The following paragraph 2a is inserted:

"2a. Public service contracts for public passenger transport services by rail directly awarded on the basis of a procedure other than a fair competitive procedure as of the date of entry into force of this Regulation until 3 December 2019 may continue until their expiry date. In derogation from Article 4(3), the duration of such contracts shall not exceed 10 years, except where Article 4(4) applies."

(c) In paragraph 3, letter (d) is replaced by the following:

"(d) as from 26 July 2000 and before [the entry into force of this Regulation] on the basis of a procedure other than a fair competitive tendering procedure".

#### Article 2

This Regulation shall enter into force ~~18~~ **12** months after the date of its publication in the Official Journal of the European Union.

---