



Competitive tenders in passenger railway services: Looking into the theory and practice of different approaches in Europe

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Abstract

During the past 15 years competitive tenders have become a common procedure to procure and organise passenger railway services in European Union member countries. Different models have been developed in different countries, spanning from the British radical privatisation and franchising of the railway services to the more incremental processes in countries like Sweden, the Netherlands and Germany. The variety of tendering models has occurred for a number of reasons. For example, EU legislation permits different models of organising tenders, member countries have had different goals with the introduction of tenders and other reforms, and within countries we find trial-and-error processes aiming at reducing earlier flaws. In this article we will describe the dominating tendering procedures, look into their theoretical rationale and discuss their possible pitfalls and advantages, drawing from the experiences of several countries. It is evident that the different tendering regimes suffer from different types of problems. In the Swedish tenders there have often been very few competing firms, in Britain the long time span of the first round of franchised contracts resulted in difficulties in making correct estimates of future developments etc. The article concludes with an overall appraisal of the different models and explores the possibilities for learning across the tendering regimes.

Keywords: Railways; Competitive tendering; Privatisation.

Introduction

The process of “Europeanisation”, the creation of European institutions and markets, of the former national economies in Europe, has increasingly affected the competition policy in the union’s member states (see e.g. Vickers, 2001, Morgan, 2001, and Dabbah, 2003). Public procurement by competitive tendering is an important part of these policies. It is supposed to increase competition, save taxpayers’ money and safeguard

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