

PA#2

Output factsheet: Pilot actions

Version 1

Project index number and acronym	CE886 - CONNECT2CE
Lead partner	Central European Initiative - Executive Secretariat
Output number and title	O.T2.1 - Pilot actions enhancing peripheral and cross-border passenger transport accessibility in CE <i>(D.T2.2.4 - Pilot action no. 2. Elaboration of a cross-border PSO between Slovenia and Croatia.)</i>
Responsible partner (PP name and number)	PP5 - PP10 / HZPT+SZ-PP
Project website	https://www.interreg-central.eu/Content.Node/CONNECT2CE.html
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Summary description of the pilot action explaining its experimental nature and demonstration character

PA2 aims at enforcing the cross-border relation between Croatia and Slovenia by developing a study on a financial model for the introduction of a PSO (for a transnational rail service connecting capitals). The study highlights transnational PSC requirements and potential measures to improve cross-border transport.

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The project “Cost-border PSO financial model between Slovenia and Croatia” is integrated in the project “Connect2CE - improved rail connections and smart mobility in Central Europe” by the European Union/ European Regional Development Fund. HŽ Putnički prijevoz d.o.o. (HŽPP) and Slovenske železnice d.o.o. (SŽ-PP) are two of CONNECT2CE partners for the cross-border PSO-project between Slovenia and Croatia.

The objective of pilot action and therefore the consulting services is to assist HŽPP with the analysis of the framework and potential measures to improve the cross-border services.

These objectives comprise in particular:

- Analysis of the framework
 - Train operation/ railway management
 - Legal framework n Economic framework
- Economic framework
 - Revenue structure
 - Cost structure and cost coverage
- PSO-requirements
 - Necessary tools and information
 - Relevant payments and allocation of revenues
 - Cost recovery structure of cross-border services
 - Financial model of PSO and check of existing national PSO
- Potential measures to improve the cross-border services
 - Service structure and volume
 - Marketing measures
 - Additional measures

The pilot project focuses on the HŽPP-services and activities. However, the analysis and the results are also relevant for SŽ-PP.

NUTS region(s) concerned by the pilot action (relevant NUTS level)

NUTS regions concerning this pilot action is NUTS 1 RH, this is at national level encompassing entire country of Croatia. Railway track starts in HR 041 City of Zagreb and continue across the border to Slovenia and particularly Ljubljana.

Expected impact and benefits of the pilot action for the concerned territory and target groups

A focus for this project is the development of marketing measures to increase the cross-border rail transport demand. Therefore, a collection of potential marketing measures for rail transport companies underwent a four-step selection process and has been evaluated qualitatively and quantitatively:

- In a first step marketing measures were collected by a sighting of BSL Transportation Consultants (BSL) collection of marketing measures which contains more than 150 measures. The ones relevant for cross-border rail service were extracted. This leads to a number of approx. 40 measures, which are further considered.
- The second step comprises of a qualitative evaluation (low, medium, high) of the revenue potential, pkm-potential and image effect, one-time effort and on-going effort.
- In step three follows a quantitative estimation of the revenue potential within determined ranges (< 50 THRK/ 50 to 100 THRK/ 100 to 500 THRK/ > 500 THRK) regarding cross-border services in Croatia between Zagreb and the Slovenian border.
- At last, in step four, the measures are prioritized according to experience of other railway companies.

Currently the potential passenger gets the timetable and fare information of cross-border services online but has to buy the ticket in a “classic” sales channel. From passengers’ point of view an online sale of international tickets would be much more comfortable. HŽPP also benefits from such an online sale.

Since the journey times and the demand is quite different in the course of time, the ticket price should be differentiated according to the travel date and time. In doing so for example the utilization can be taken into account.

Further to the price differentiation based on travel time, HŽPP can offer different ticket prices according to the time of sale. For specific passenger and potential new target groups (e.g. which are now linked to coach services) this offer might be interesting. The measure enables HŽPP to manage the demand in advance and to control the utilization of individual trains.

With regard to the service, an offer of Food & Beverages is crucial for specific target groups, in particular for long-distance and international trains.

Sustainability of the pilot action results and transferability to other territories and stakeholders

In order to achieve a high level of transparency and comparability, the revenue potential of these measures is divided into three different aspects:

1. Quantity effect: potential of additional passengers/passenger-kilometers (higher demand for existing services)
2. Price effect: Yield-potential and additional revenues (higher prices for existing services with the number of passengers/ passenger-km remaining unchanged)
3. Additional business potential with revenues for supplementing or new services

In total, the above mentioned key marketing measures have a revenue potential of more than 1m HRK per year. Of course, the additional costs for initial activities (one-time effort) and running costs (ongoing efforts) have to be taken into account, too. Based on a contribution margin, under consideration of revenues and costs, each marketing measure has a positive economic potential within the first year.

In addition to the presented preferred marketing measures several further potential activities have been analyzed and assessed regarding to following aspects:

- Description of the measure
- Category within the marketing mix
- Estimated effects on
 - Revenues
 - Costs and
 - Image
- Priorization.

These measures should also be checked in regard to a positive impact on cross-border services/ business and pursued, where appropriate.

Lessons learned from the implementation of the pilot action and added value of transnational cooperation

In a project additional measures to optimize the passenger railway transport in Croatia were analyzed and assessed. Among other things passenger demand relating to a modified service offer and timetable should be increased. For this purpose, two different basic scenarios were agreed and developed:

1. Do-nothing scenario which is based on continuing the status quo in principle and
2. Do-something scenario with more or less fundamental changes and improvements in the rail transport offer

Within these two scenarios five influencing factors have been considered

- o demographic development,
- o travel time/ speed,
- o rolling stock,
- o train-km and
- o train offer/ structure.

The assessment has been identified an upward potential for HŽPP's line.

In the Do-something-scenario, the cross-border services between Croatia and Slovenia are part of the Croatian line and according to the analysis, train-km can be increased by approximately 18% within the next 10 years. In the same period the passenger demand can be improved disproportionately by about 40% until 2028.

These measures have positive effects on demand and the economic structure. On the one hand the train utilization will increase by approx. 18% and due to a planned cost reduction the cost coverage ratio will also increase. In both cases the demographic development is based on the last national forecast from 2011 from the Croatian Bureau of Statistics. Since it is only available on NUTS-2 level, which results in two regions in HR, it has been completed by own assumptions for regional and more current development. The result are four regionally segmented development factors for population.

References to relevant deliverables and web-links

If applicable, pictures or images to be provided as annex

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