

Opening passenger rail transport to competition in Finland

Proposal for a tendering model for Southern Finland regional rail services



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Abstract

On 10 April 2017, the Finnish Government decided to open passenger rail transport to competition. According to this decision, rail transport will be opened to competition in stages, relying on a concession contract model. In the first stage, Southern Finland regional rail services will be opened to competition. The Government also decided to carry out a reorganisation in which a rolling stock company, a maintenance company and a real estate company will be separated from VR Group to ensure a level playing field in rail transport.

This report begins with a concise description of the measures adopted by the Government to open passenger rail transport to competition. It then discusses the state of play of passenger rail services, legislation in this sector, as well as the responsibilities and tasks of the authorities in rail transport.

The following section provides a description of the Southern Finland regional rail service package that will be put out to tender. Section 11 of the report discusses a proposed model and timeline for organising the tendering process for Southern Finland regional rail services. The proposal for the content of the Southern Finland regional rail service package that will be put out to tender was presented at an information event on 4 October 2017 for interested operators and other stakeholders. Operators and other stakeholders are invited to comment on the proposal. Comments will also be requested from municipalities in the region and other stakeholders.

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Tiivistelmä

Hallitus päätti rautateiden henkilöliikenteen kilpailun avaamisesta 10.4.2017. Hallituksen päätöksen mukaan kilpailu rautatieliikenteessä avataan asteittain käyttöoikeussopimusmallin perusteella. Päätöksen mukaan rautateiden henkilöliikenteen kilpailun avaaminen aloitetaan Etelä-Suomen taajamajunaliikenteestä. Hallitus päätti myös toteuttaa yhtiöjärjestelyt, joiden mukaisesti VR-Yhtymä Oy:stä eriytetään kalusto-, kiinteistö- ja kunnossapitoyhtiöt kilpailuneutraalien olosuhteiden varmistamiseksi rautatieliikenteessä.

Tässä raportissa kuvataan ensiksi lyhyesti hallituksen päättämät toimenpiteet henkilöliikenteen kilpailun avaamiseksi. Tämän jälkeen kuvataan rautateiden henkilöliikenteen nykytila ja lainsäädäntö sekä viranomaisten vastuut ja tehtävät rautatieliikenteessä.

Näiden osioiden jälkeen kuvataan Etelä-Suomen taajamajunaliikenteen kilpailutuskokonaisuus. Raportin osiossa 11 tuodaan esille ehdotus malliksi ja aikatauluksi, jonka mukaisesti Etelä-Suomen taajamajunaliikenteen kilpailutus on tarkoitus järjestää. Ehdotus Etelä-Suomen taajamajunaliikenteen kilpailutettavan kokonaisuuden sisällöstä esiteltiin infotilaisuudessa 4.10.2017 kiinnostuneille operaattoreille ja muille sidosryhmille. Ehdotukseen toivotaan kommentteja operaattoreilta sekä muilta sidosryhmiltä. Kommentteja pyydetään myös alueen kunnilta ja muilta sidosryhmiltä.

Rapportens namn

Öppnande av persontrafiken på järnvägarna för konkurrens. Förslag till modell för konkurrensutsättning av regionalstågtrafiken i Södra Finland

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Rapportens språk

Övriga uppgifter

Sammandrag

Regeringen beslutade den 10 april 2017 att öppna persontrafiken på järnvägarna för konkurrens. Enligt regeringens beslut ska järnvägstrafiken öppnas för konkurrens stegvis på basis av en modell med koncessionsavtal. Med stöd av beslutet inleds konkurrensutsättningen av persontrafiken på järnvägarna i regionalstågtrafiken i Södra Finland. Regeringen fattade också beslut om att omstrukturera VR-Group Ab så att det ur bolaget differentieras ett materielbolag, ett fastighetsbolag och ett service- och underhållsbolag. Syftet med omstruktureringen är att garantera konkurrensneutrala förhållanden på marknaden för järnvägstrafik.

I denna rapport beskrivs i korthet de åtgärder som regeringen har beslutat om för att öppna persontrafiken på järnvägarna för konkurrens. Dessutom beskrivs nuläget och lagstiftningen samt myndigheternas ansvar och uppgifter i järnvägstrafiken.

Efter dessa avsnitt redogörs för den övergripande konkurrensutsättning som avser regionalstågtrafiken i Södra Finland. I rapportens avsnitt 11 presenteras ett förslag till modell och tidsplan för konkurrensutsättningen. Förslaget till den helhet som omfattas av konkurrensutsättningen av regionalstågtrafiken i Södra Finland presenterades för intresserade operatörer och andra intressenter på ett informationsmöte den 4 oktober 2017. Kommunikationsministeriet välkomnar operatörernas och intressenternas synpunkter på förslaget. Förslaget sänds på remiss till kommunerna i regionen och andra centrala intressentgrupper.

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1. Introduction

The ten-year objective of the strategic Government Programme of Prime Minister Juha Sipilä's Government is that Finland will have made a productivity leap in public services and the private sector by grasping the opportunities offered by digitalisation, dismantling unnecessary regulation and bureaucracy. One of the objectives of the government term is that public decision-making would be innovative and create a favourable operating environment in Finland for digital services, Industrial Internet applications and new business models.

Creating a growth environment for digital business operations is one of the key projects of the Government Programme. The creation of innovation and service platforms will be promoted in sectors where the public administration plays a role in terms of the functioning of the markets. Mobility as a service is an example of such sectors. User-based digital services are important for the Finnish economy and growth.

The Government Programme also aims for cutting local government costs and publicly subsidised passenger transportation through utilising digitalisation and enabling new kinds of market-based and innovative service concepts. Business competitiveness and conditions for business activity will be strengthened by all decision-making. Market activity, free competition and opportunities for SMEs to participate in procurement processes will be promoted by reforming key legislation and removing sectoral regulation that prevents competition.

The efficiency and productivity of the transport system are an essential part of Finland's competitiveness and good everyday life of the citizens. Transport is an important factor in the national economy. In 2012, Finnish households spent EUR 19.0 billion on transport, an amount which accounts for 17% of their private consumption. The share of private car use in private consumption was EUR 15.1 billion in 2013. The share of logistics costs, on the other hand, represented 13% of the turnover in the business and industrial sector. The size of the logistics market was some EUR 8.8 billion and, including logistics services organised by companies internally and capital tied up in stock, EUR 22.9 billion in total. The share of transport services provided by companies in this figure was EUR 5.99 billion. Public sector support for public transport was EUR 1.05 billion. In addition, central and local government expenditure on transport infrastructure totalled EUR 3.8 billion in 2013. The value of the global transport market can be estimated to amount to thousands of billions of euro.

Rail traffic is an essential part of the transport system. The transport system of the future will take shape as an interoperable whole consisting of services, information and infrastructure. From these elements stems the Mobility as a Service (MaaS) operating model cited in the Government Programme, where a seamlessly interoperable and sustainable transport system that provides user-centred traffic and transport services is created by utilising information and digitalisation in cooperation with users, business life and the public sector.

Passenger rail transport in Finland is divided into different transport packages depending on the contract type. A concession contract with exclusive rights to passenger rail transport is valid between the Ministry of Transport and Communications and the VR Group (*later referred to as VR*), a rail operator fully owned by the state. Under the exclusive rights contract, the Ministry has imposed on VR a public service obligation concerning passenger rail services. In return, the Ministry has granted VR an exclusive right to passenger rail transport operation on the rail network identified in the contract.

The exclusive rights contract applies both to the sole rights granted to VR to passenger rail transport operation, or market-driven transport, and to transport services provided subject to the public service obligation in return for the exclusive rights. In addition, the Ministry of Transport and Communications will procure so-called purchased services from VR. The joint municipal authority Helsinki Region Transport, on the other hand, purchases regional rail services for its area.

In its response to an interpellation given to the Parliament in November 2015, Prime Minister Juha Sipilä's Government noted that passenger rail services must be opened to competition in order to improve the competitiveness and customer-orientation of rail traffic. According to this response, a precondition for successfully opening the rail services to competition is creating trust in the genuineness of competition in which new operators will not be discriminated against in the market. Another prerequisite for opening the services to competition is re-negotiating the exclusive rights contract between the Ministry of Transport and Communications and the VR Group. The current contract grants VR Group exclusive rights to passenger rail services in the area within the Ministry's competence until the end of 2024.

According to the response to the interpellation, in an environment with more than one railway operator, operators must have access to all services associated with the operation, including passenger stations, terminals and service facilities, on equal terms and in a manner that is competition neutral. The response also stated that in order to avoid a situation where operators only select the most profitable routes once transport has been opened to competition, a model that combines rail sections that are profitable and unprofitable on commercial terms and subject them to competition as packages.

In cooperation with the Finnish Transport Agency and the Finnish Transport Safety Agency, the Ministry of Transport and Communications launched the preparation of opening passenger rail services to competition as soon as Prime Minister Juha Sipilä's Government had, in its response to an interpellation in November 2015, stated that passenger rail services must be opened to competition in order to improve the competitiveness and customer-orientation of rail traffic.

2. Opening passenger rail transport to competition in Finland

2.1 Government decision on opening passenger rail transport to competition

2.1.1 Objectives of Government's decision

The Government made a decision to open passenger rail transport to competition on 10 April 2017.¹ By doing so, the aim is to achieve the following general interest objectives:

¹Decision of the Cabinet Committee on Economic Policy, 10 April 2017.

- The supply of passenger rail services will increase, diversify and respond better to the needs of different customer groups, making train travel a more attractive alternative for private cars.
- The services will be produced more efficiently, and a better return will be obtained for public support. The aim is also to promote transparent use of taxpayers' money.
- The increased supply of services as well as competition between tenderers and different modes of transport will benefit the passengers, as service providers compete with ticket prices and different service concepts.
- Passenger numbers in rail transport will grow, and the new contract arrangements will increase the proportion of rail traffic in passenger journeys from the current figure of approximately five percent to six percent in the 2020s and further to eight per cent in the subsequent periods during the 2030s.
- Increase the attractiveness of rail transport vis-à-vis private motoring – with the aim to reduce emissions.
- Enhance the mobility of workers by extending commuting areas.
- Promote fare competition and reduce transport costs in freight transport. In rail freight traffic, competition and the supply of logistics services will increase, enabling rail traffic to provide a better response to the logistics needs of the industry.
- Promote employment in the railway sector and create favourable conditions for economic growth.

2.1.2 Government's decision

The Government adopted the following main policies on opening passenger rail services to competition in spring 2017:

- 1) Passenger rail services will be opened to competition in stages. The availability of passenger rail services across Finland will be secured under five concession contracts. The opening to competition of passenger rail services will start with regional rail services in Southern Finland. The purchased services and traffic subject to the public service obligation will be put out to tender once the relevant contractual arrangements with VR Group expire.² The tendering competitions will be organised in stages based on open and transparent criteria, with the objective of having all concession contracts in place and the services subject to these contractual arrangements up and running by June 2026.
- 2) The concession contract on exclusive rights to passenger rail services between the Ministry of Transport and Communications and VR Group of 30 November 2009 and the contract on extending it of 2 July 2013 will be re-negotiated.
- 3) In order to create a level playing field in the rail traffic market, three different state-owned companies will be separated from VR Group: a rolling stock company, a maintenance company and a real estate company.
- 4) To enable them to launch their operations and to ensure that the necessary investments can be made, adequate capital from VR Group will be transferred to the new companies.

² The current agreement with Ministry of Transport and Communications and VR Group on purchased rail services is valid until 2019 and the current Ministry's decision on public service obligation traffic is also valid until 2019.

- 5) Depending on their roles, VR Group personnel members will transfer to the new companies on their current terms of employment, following the transfer of business principle.
- 6) The rolling stock will be taken over by the rolling stock company in stages as it is needed for operating services subjected to competition.
- 7) Freight rolling stock will be transferred to the rolling stock company without disrupting freight transport, taking VR Group's transport contracts into account as appropriate and without pushing up the customers' cost levels.
- 8) The Prime Minister's Office and the Ministry of Transport and Communications will take immediate action to implement the reorganisation in cooperation with VR Group.
- 9) Responsibility for the ownership steering of the fully state-owned companies with special tasks would rest with the Ministry of Transport and Communications.
- 10) The role and competitiveness of VR Group as a state-owned rail operator will be safeguarded in connection with these arrangements.

2.1.3 Background information of the decision

According to the Government decision, passenger rail services will be opened to competition in stages. Operation will be put out to tender relying on the concession contract model, safeguarding the availability of passenger rail services across the country. These contracts will impose obligations on the companies in order to ensure that a pre-defined service level will be achieved. This will guarantee the provision of services also in areas where operation is currently based on purchased services and the public service obligation.

Southern Finland regional rail services will be the first entity to be opened to competition. The timeline of the tendering competition will be coordinated with the tendering process for Helsinki Regional Transport's (HRT) commuter rail services. In connection with the tendering process, continued ticketing cooperation with the HRT will be ensured.

In its response to an interpellation given to the Parliament in autumn 2015, Prime Minister Juha Sipilä's Government set the objective of facilitating the access of new rail operators to passenger rail service market as soon as possible. This is one of the reasons for the decision to initiate the competition with Southern Finland regional rail services, which is a transport package of a suitable size and with clear geographic boundaries. Additionally, regional rail services are operated with specialised rolling stock for commuter traffic, which is used independently of other rolling stock also at the moment.

The objective is putting the new contract packages out to tender in stages so that services under the new contracts will be up and running stepwise in the entire country by June 2026. The packages can be put together to contain the routes of a certain geographic area, for example, or as service packages, in which case they could contain traffic of a certain type. The package may also comprise both currently profitable and unprofitable services. As a whole, around five concession contracts could be put in place across the country. The timeline of the competitions for the other packages and information on their geographic or service-related delimitations will be specified in greater detail as the preparative work progresses.

The main principle is that the concession contracts do not provide the operator an exclusive right to operate in the market. Under the fourth EU railway package other railway undertakings may also have an access to railway line or network for which the competent authority have made an agreement with certain railway undertaking and such an agreement contains public service obligation, unless the new services to be provided by other railway undertakings would compromise the economic equilibrium of concession agreements. Under the EU fourth railway package, regulatory bodies assess, on the basis of an objective economic analysis, whether the economic equilibrium of these concession contracts would be compromised, following a request made by the interested parties.

In order to create conditions that enable effective competition, the Government decided that three state-owned companies will be separated from VR Group: a rolling stock company, a maintenance company and a real estate company, which will provide services for all rail service operators on fair terms. These companies would be fully state-owned businesses with special tasks.

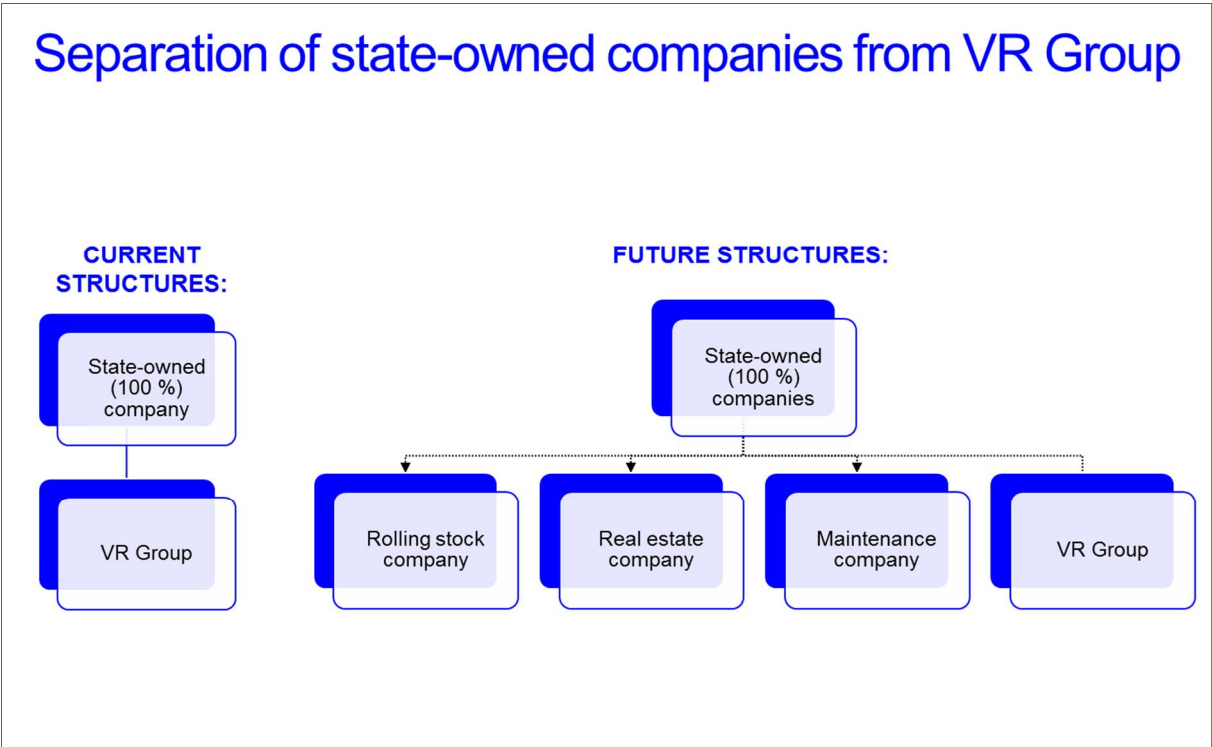


Figure 1. Current and future structures of the state-owned companies.

To form the rolling stock company, VR's engine and other rolling stock would be transferred to the rolling stock company in stages, and personnel from VR would also be transferred to the new company. Rolling stock for passenger services would be transferred as the competition progresses in the order in which it will be needed for operation under the concession contracts.

Due to the atypical track gauge in Finland, no rolling stock that meets the EU type approval, safety and interoperability requirements is available at reasonable prices for the Finnish rail network in the current situation. However, securing fair access to rolling stock is an essential practical precondition for opening passenger rail services to competition. For this reason, a rolling stock company will be established. The rolling stock for passenger services would be transferred to the company in stages. The rolling stock would be taken over by the rolling stock company in stages as the competition progresses and as it is needed for operating services subjected to the contracts.

Some of VR's freight rolling stock will also be transferred to this company without disrupting freight transport, taking VR's transport contracts into account as appropriate and without pushing up the customers' cost levels as a result of this arrangement.

The duties of the rolling stock company would include ensuring the availability and managing the purchases of sufficient rolling stock, organising funding and insurance cover, seeing to the leasing activities and preparing maintenance schedules.

One of the key objectives of the rolling stock company's operations would be ensuring that the rolling stock can be leased at reasonable prices to operators. The company's targeted profit margin will be set at a reasonable level. The company must also be able to ensure that the rolling stock meets the operators' and consumers' needs. The rolling stock company must prepare to make any new investments that will be necessary as the tendering process progresses. This would be taken into account in the capitalisation of the company.

Two rolling stock companies would thus operate in Finland in the future; Pääkaupunkiseudun Junakalusto Oy, which serves HRT's regional rail services, would be joined by a second company that would offer rolling stock for passenger and freight services.

In addition, two other companies fully owned by the state will be established. The first one would offer rail operators engine and rolling stock maintenance services. The second would manage depot areas and equipment for servicing them, real estate and stations. These companies would also be staffed by former VR employees.

2.2 Preparation by working groups

In August 2017, the decision for the railway reform was published and the Ministry of Transport and Communications initiated a project to prepare for the opening to competition of passenger rail transport in keeping with the policies adopted by the Government. To implement these policies, the Ministry of Transport and Communications appointed several working groups to investigate specific implementation measures and assume responsibility for implementing the policies. All groups can consult different stakeholders during the preparatory work of the group.

The project's steering group is responsible for the implementation process as a whole. It also coordinates and directs the work of the project office and the working groups and the material produced by them. The steering group discusses and presents proposals for political decision-making and ensures that their implementation is coordinated with the local and regional government reform and the reorganisation of the agencies in the Ministry of Transport and Communications' administrative branch. The steering group is chaired by Minister of Transport and Communications Anne Berner. Furthermore, Minister Mika Lintilä representing the Government Ownership Steering Department of the Prime Minister's Office and representatives from Ministry of Finance, Finnish Transport Safety Agency and Finnish Transport Agency participate in the work of the working group.

The working group on tendering is to study and prepare the progress of the tendering process and the documents associated with it. The group will compile the input information for the tendering process and prepare financial analyses for it. The working group has been tasked to specify the requirements related to traffic, personnel, rolling stock, maintenance and quality needed for the tendering process. The working group consists of representatives from Ministry of Transport and Communications, Finnish Transport Agency and Finnish Transport Safety Agency.

The working group on companies will see to the preparations associated with the new companies to be separated from VR. The group's task is to identify and resolve any financial, legal and other issues related to the operation of the companies to be separated from VR Group. It will also look at the principles of transferring personnel between the companies and operators. The working group will define the sectors and special missions of the companies and prepare their business plans, and prepare the establishment of the companies with special tasks. The aim of the working group on companies is that new state-owned companies would be separated from VR and established by the end of August 2018. The working group consists of representatives from Ministry of Transport and Communications, the Government Ownership Steering Department of the Prime Minister's Office, Ministry of Finance, VR, Finnish Transport Agency and Finnish Transport Safety Agency.

The working group on personnel discusses questions related to the company arrangements and issues associated with opening the operation to competition and the authorities' activities that may influence the personnel's position. The working group will not deal with cooperation issues referred to in the Act on Co-operation within Undertakings (334/2007) between VR and its personnel representatives. Rather than managing the statutory obligations related to cooperation, the purpose of the working group is to inform VR's personnel as extensively as possible about the purpose and goals of the change and build up the personnel's understanding of the transition project. The working group consists of representatives from Ministry of Transport and Communications, VR, VR's personnel groups, Finnish Transport Agency and Finnish Transport Safety Agency.

The tasks of the working group on the authorities' activities include investigating and preparing for the changes required by a multi-operator environment in the functions of the authorities. It will also develop the activities of the Finnish Transport Agency, the Finnish Transport Safety Agency and the Rail Regulatory Body to meet the needs of a multi-operator environment. In particular, this task includes developing capacity sharing and timetable planning competence, ensuring the operative control, management of disruptions and rail safety, as well as developing the operating principles of the Rail Regulatory Body to meet the needs of a multi-operator environment. The working group consists of representatives from Ministry of Transport and Communications, Finnish Transport Agency, Finnish Transport Safety Agency, Finrail, Helsinki Region Transport, Rail Regulatory Body and VR.

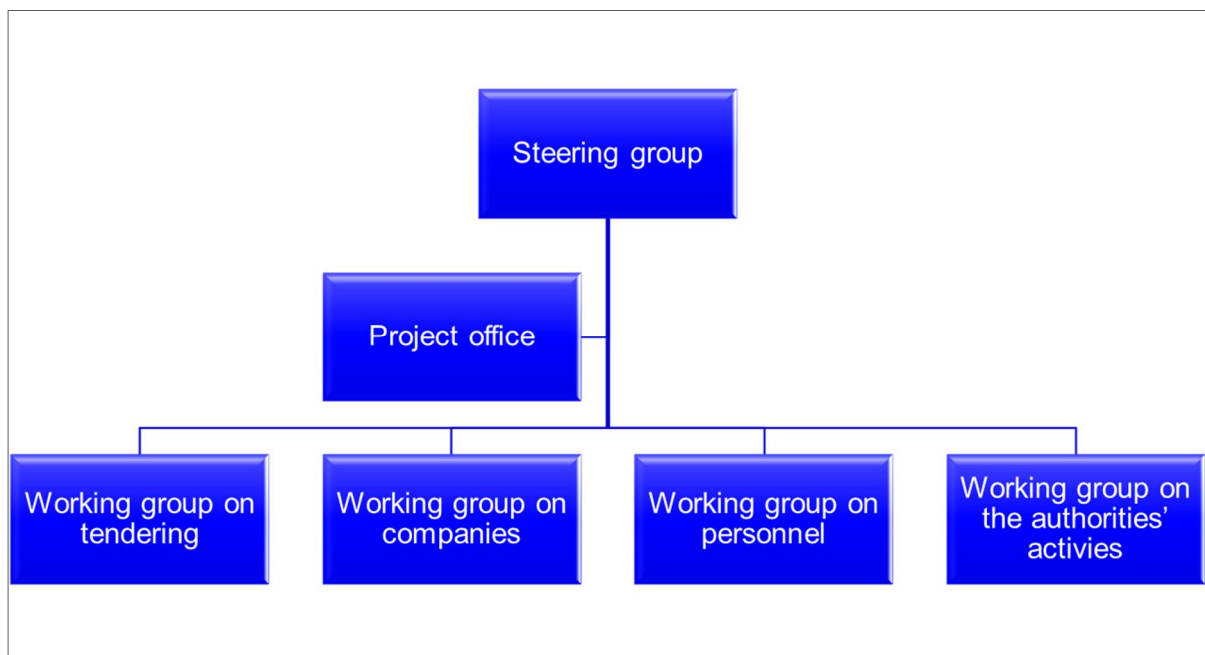


Figure 2. Working groups concerning the implementation of the rail reform.

3. Current status of passenger rail services in Finland

3.1 Competent authorities and contractual arrangements

Competent Finnish authorities regarding arrangements for passenger rail services include the *Ministry of Transport and Communications* and the joint municipal authority of *Helsinki Region Transport (HRT)* within its competence area.

HRT's competence area currently comprises the municipalities of Espoo, Helsinki, Kauniainen, Kerava, Kirkkonummi, Sipoo and Vantaa. At the beginning of 2018, it will be joined by Tuusula and Siuntio. Both competent authorities have concluded a contract with VR on the provision of passenger rail services under the EU's Public Service Contract Regulation (1370/2007), and these contracts give VR exclusive rights to provide passenger rail services.

In 2009, the Ministry of Transport and Communications and VR concluded a contract on the provision of passenger rail services in traffic outside HRT's competence area. This contract grants VR exclusive rights until the end of 2019. In July 2013, the Ministry and VR agreed to extend the contract until the end of 2024.

The Ministry of Transport and Communications and VR also entered into a contract on purchases of long distance and regional transport services in February 2016. Under this contract made for years 2016–2019, the value of the purchased passenger rail services in long-distance and regional transport will amount to EUR 120.7 million, or EUR 30.2 million a year (includes VAT 10 %). The exclusive rights contract imposes on VR an obligation to also operate services that are not profitable on commercial terms. Under the contract, the

company may not incur costs exceeding EUR 20 million annually for operation subject to the public service obligation.

The existing agreement on purchased services between HRT and VR gives VR an exclusive right to provide commuter rail transport services in Helsinki region until June 2021. HRT intends to put its regional rail services out to tender concerning a period starting in June 2021.

In the future, competent authorities also include the counties, which could either provide rail services within the county, or between several counties, or put these services out to tender. This traffic could include transverse rail connections and other feeder services to the main rail network, including rail sections Tornio–Kemi, Kokkola–Iisalmi, Vaasa–Seinäjoki, Seinäjoki–Jyväskylä, Tampere–Haapamäki, Tampere–Jyväskylä, Tampere–Pori, Jyväskylä–Pieksämäki, Pieksämäki–Joensuu and Pieksämäki–Savonlinna. Large urban sub-regions, including Tampere and Turku, would in the future also be competent authorities that could organise passenger rail services to complement national services within their areas.

Opening passenger rail services to competition and the possibility of providing services to meet sub-regional and local needs could increase the supply of services and the use of rail transport services in the areas of counties and urban sub-regions.

3.2 Public support for rail transport

3.2.1 State aid for purchasing and developing public transport services

State aid to purchases of public transport services amounts to EUR 84.5 million a year. Of this appropriation, EUR 30.2 million (including VAT at 10%) is spent on procuring rail services. The Government has proposed to increase the amount reserved for rail service procurements by EUR 2 million in years 2018 to 2022, bringing the amount set aside for purchased services up to a total of EUR 32.2 million each year. The state purchases both long-distance services and commuter rail services outside the HRT area from VR. The current agreement on purchased services will be valid until the end of 2019.

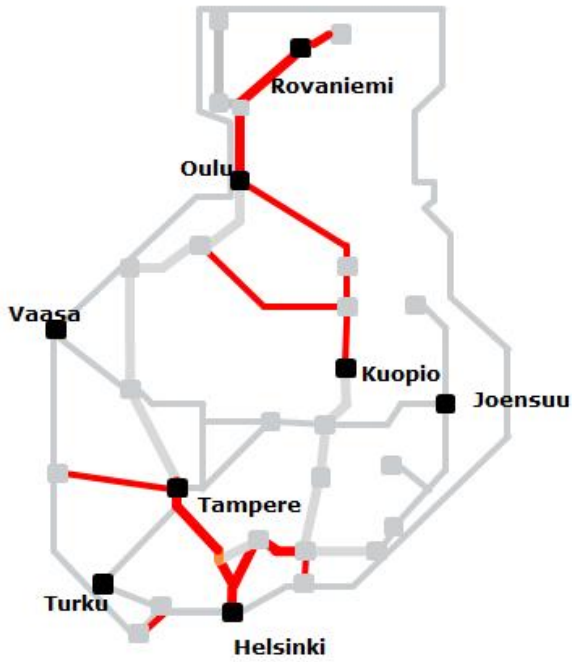


Figure 3. The routes on which the state purchases transport services from VR until the end of 2019.

In addition, VR operates traffic subject to the service obligation in return for its exclusive rights, the maximum costs of which to VR can be EUR 20 million annually. The current decision on the public service obligation will be valid until 9 December 2017. In June 2017, the Ministry of Transport and Communications adopted a new decision on the public service obligation concerning the years 2018 and 2019. Its contents are similar to the decision concerning the year 2017.

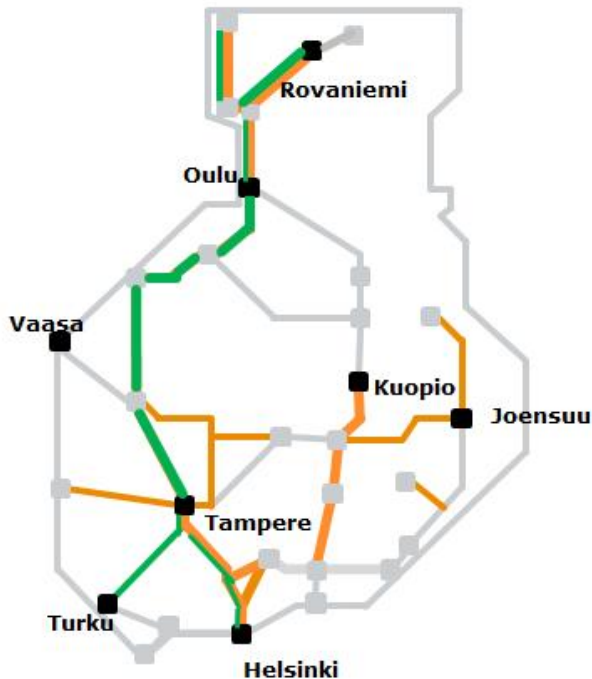


Figure 4. The services subject to public service obligation that VR operates in return for the exclusive right.

The objective of supporting long-distance rail services is to maintain and improve the service level of rail transport and the share of public transport in all journeys. The procurements of rail transport services meet regional and national mobility needs assessed as essential to the extent that it is not possible to provide these services on market terms and as far as the annual appropriation granted for this purpose goes. Procurements of commuter rail services enable a better level of service than the direct revenue from ticket sales would permit. The procurements make it possible to operate commuter rail services regarded necessary in terms of transport policy as far as the annual appropriation granted for this purpose allows.

The Government Programme of 2015 cut the funds for purchasing and developing public transport services by EUR 15 million. This reduction almost entirely (EUR 13.5 million) concerns procurements of rail transport, which meant that the appropriations for purchased services were cut by about one third. Consequently, significant reductions in purchased traffic departures were necessary in the contractual period that started in 2016. VR was then obliged to operate some of the departures that were no longer covered by purchased services as traffic subject to the public service obligation. Traffic subject to the public service obligation was increased both in March 2016 and December 2016. The background to both increases in traffic subject to the public service obligation was that the losses incurred by VR for this traffic did not match the maximum amount of EUR 20 million referred to in the concession contract.

3.2.2 State aid for transport infrastructure maintenance

The Finnish transport system consists of a road network, a rail network and waterways. An estimate of the annual revenue and appropriations for the annual expenditure, as well as the purposes of the appropriations and other budget justifications are set out in the state budget. The budget allocates funding for the basic maintenance of transport infrastructure and specified investments in its improvement. The basic maintenance of transport infrastructure includes infrastructure management, use (including expenditure on lighting), repairs, maintenance, repair investments, improvement investments, ice-breaking, road ferries, traffic control, communication and planning.

The Finnish rail network (5,926 km) is mainly funded from the state budget. The book value of the rail network is EUR 4.4 billion. The Finnish Transport Agency levies a charge referred to in an EU Directive (212/34/EU) for operation using the allocated railway infrastructure capacity, which consists of the basic infrastructure charge, a rail tax and an investment tax. Provisions on the grounds for determining the basic infrastructure charge and rail tax and the collection of the charge and taxes are contained in the Act on the Railway Infrastructure Tax (605/2003). The basic charge is based on marginal cost pricing.

The funding and maintenance of the rail network is mainly covered by the state budget. An infrastructure charge amounting to EUR 40.4 million was collected from rail transport to cover the marginal costs in 2016. The basic infrastructure charge is about to be reviewed in compliance with the EU's implementing regulation. The transition period for introducing the new pricing scheme extends till June 2019. The Finnish Transport Agency has started preparing calculations compliant with the new regulation, and the unit values of the new basic charge will be available in early 2018. No significant changes are foreseen in the level of the basic charge.

The infrastructure charge covered 10 % of all railway maintenance costs. Rail transport also paid rail and investment taxes totalling approximately EUR 6 million. The rail tax is an

additional charge that can be used to adjust the cost-relatedness of rail transport nationally. It is levied to cover the environmental costs of rail transport and the fixed infrastructure costs of railway maintenance. The rail tax on freight transport powered by electricity and diesel was abolished for 2015–2017. On 19 September 2017, the Government proposed to the Parliament that the abolishment of the rail tax on freight transport be continued for the year 2018.

Investment tax on the rail section Kerava–Lahti will be collected to cover the investment costs for a 15-year period after the section was opened, or from autumn 2006 until August 2021.

3.3 Rail transport development

Some five percent of passenger journeys and passenger-kilometres in Finland are currently completed by rail. The share of rail transport is slightly below the EU average in Finland.

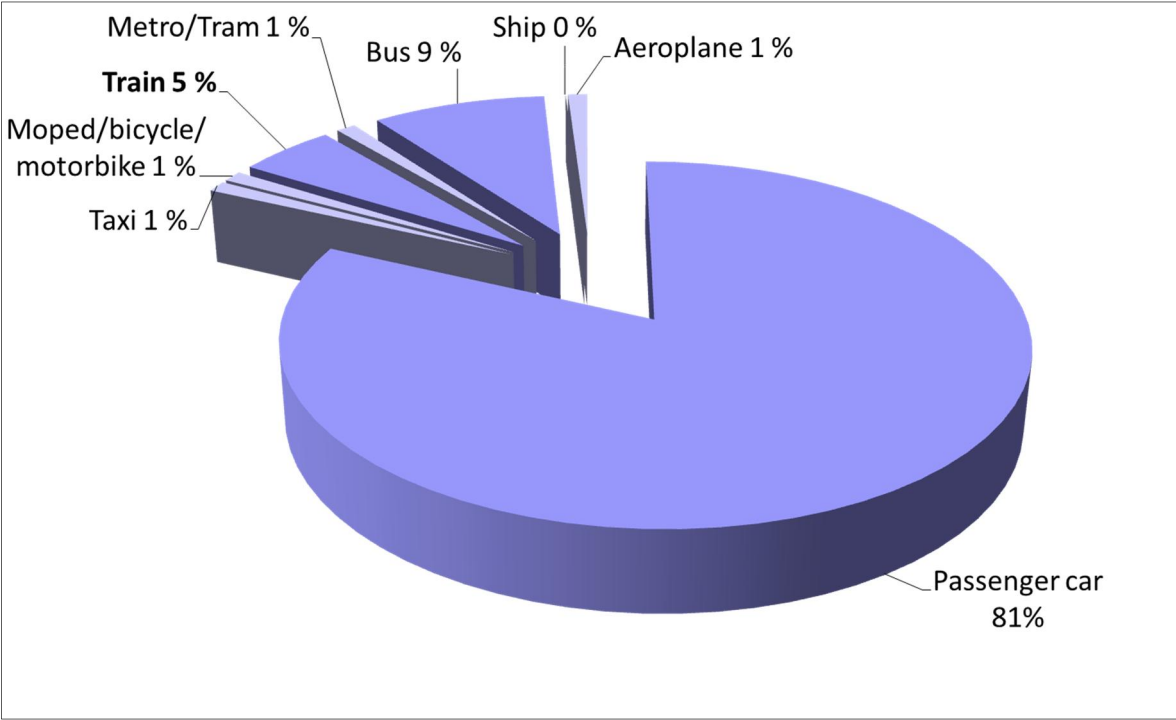


Figure 5. Modal split of passenger transport in Finland. Source: Statistics Finland, Transport and Communications Statistical Yearbook for Finland 2015

Finland has a low population density (approx. 18 inhabitants/square kilometre), which makes maintaining a well-functioning public transport system challenging. The passenger flows in rail transport currently are rather concentrated on certain routes, with the greatest flows found on the rail section between Helsinki and Tampere.

In 2016, some 12 million journeys were completed in long-distance passenger transport, and 70 million in Helsinki regional transport. While the majority of the journeys are completed in commuter traffic in the metropolitan area, the largest proportion of passenger-kilometres are cumulated in long-distance passenger transport (approx. 75%). The passenger numbers in

Helsinki regional transport have increased continuously, whereas the passenger numbers in other rail transport declined until 2015.

The passenger numbers in long-distance rail services started growing in 2016, after VR cut the prices of train tickets in February 2016.³ The share of passenger rail transport in the modal split in Finland has been approximately five per cent since the 1990s.⁴ While the passenger numbers and passenger-kilometres remained more or less unchanged in 2007–2014, they took a clear turn for the better in 2015 (Figure 5).

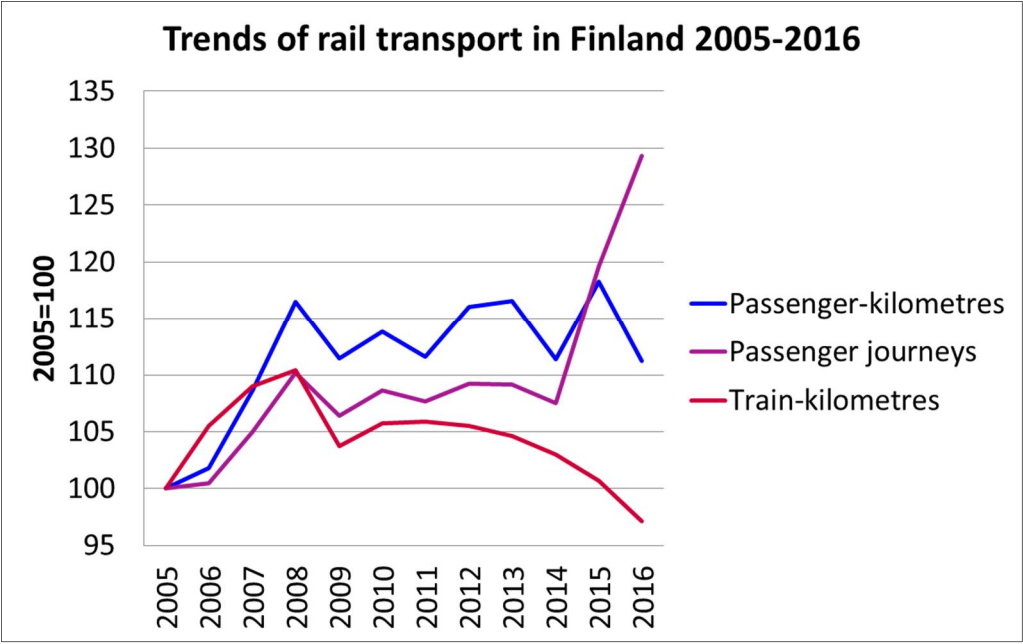


Figure 6. Development of rail transport in Finland in 2005–2015, Source: Eurostat.

In 2016, about 12 million long-distance journeys in total were completed in Finland. The number of journeys in Helsinki area commuter and regional rail services was approximately 70 million. The following map shows the details of long-distance journeys and the rail sections on which they took place in 2016.

³European Commission 2016, p.20.
⁴Eurostat: Modal split of passenger transport.

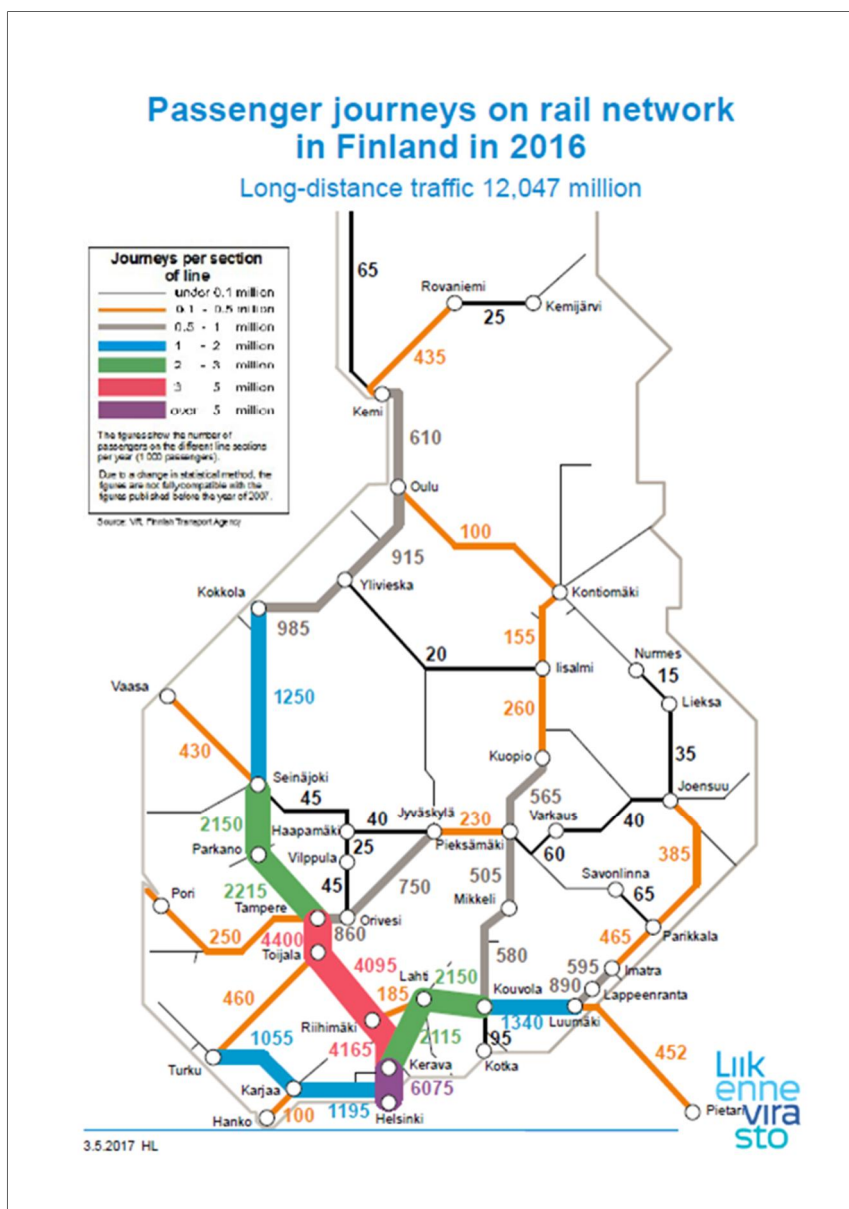


Figure 7. Passenger journeys in 2016.

Finland has one of the lowest railway utilisation ratios in Europe. The number of train-kilometres in proportion to the rail network length in Finland is the seventh lowest in Europe. This figure is as low as approximately 8,000 train kilometres per one track kilometre on the Finnish network, whereas in the Netherlands, which is the leading European country, it is 50,000, and even the European average is approximately 18,000.⁵

The consumer prices of rail transport increased clearly faster than the general consumer price index and, for instance, the prices of long-distance bus services and domestic flights until 2015. In 2015, domestic rail transport prices decreased by some 10 % based on the annual average of the consumer price index.⁶ In the period 2005–2014, train ticket prices in Finland had increased about 1.5% faster than the ticket prices of other transport modes. This price development slightly exceeds the EU average. While the average prices per kilometre in Finland are the highest in the EU, their levels are more or less similar to the fares in other

⁵ European Commission 2016, p.42.

⁶ Statistics Finland: Consumer price index.

high income level countries.⁷ The amount of public subsidies for rail transport are clearly lower in Finland than the European average.⁸

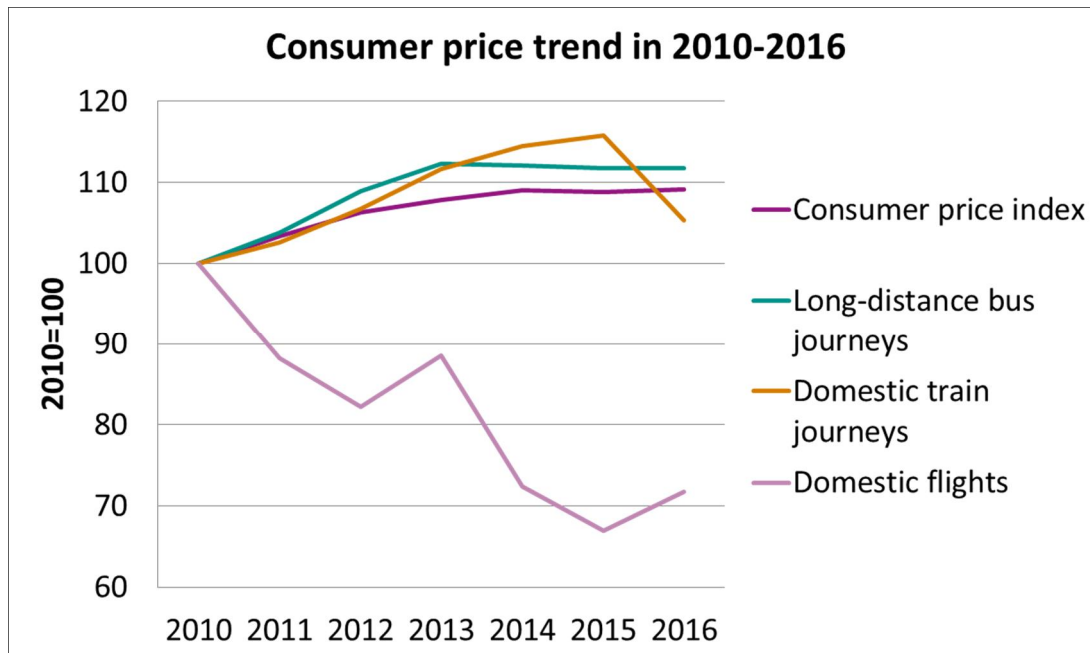


Figure 8. Trend of the consumer price index and the annual averages of its sub-indices in 2010–2016, Source: Statistics Finland.

The punctuality and reliability of Finnish rail transport are some of the best in Europe. More than 95 % of the services arrive on schedule, and only one per cent are cancelled. Customer satisfaction in Finland is also one of the highest in Europe.⁹ The standard of rail safety is good compared to other European countries. The number of accidents and injuries in proportion to transport performances has decreased clearly in the last few years¹⁰.

4. Ministry of Transport and Communications and its functions

The Ministry prepares the political and strategic guidelines and legislation within its branch. Transport and communications policy aims to ensure, by means of legislation, smoothly running everyday life as well as mobility of information, goods and people. The Ministry's mission is to maintain the competitiveness of businesses and to mitigate climate change by measures within its administrative branch. Well-functioning transport and communications services are among the key elements on which Finnish society is founded. More and more often the raw material for services is information and the transport and communications networks function as the platform.

⁷European Commission 2016, p.53.

⁸European Commission 2016, p.79.

⁹European Commission 2016, pp.70–72.

¹⁰Eurostat. Annual number of victims by type of accident.

The Ministry of Transport and Communications is responsible for drafting Finland's legislation on railway, aviation, maritime, bus, coach and taxi transport. In addition, it contributes to legislative drafting at EU level. The aim is a safe, efficient and environmentally-friendly transport system. It is the mission of the Ministry to promote transport markets and new, customer-oriented services. Promotion of competition ensures efficient and diverse services. The Ministry is obliged to ensure the availability of basic transport services by purchasing them, if necessary. In the transport sector, ensuring the functioning of the market is highly topical. The Act on Transport Services harmonises different legislation between transport modes and removes obstacles to entering the market.

One of the core goals of transport and communications policy is guidance of the agencies within the Ministry's administrative branch, i.e. the Finnish Transport Agency, the Transport Safety Agency, the Finnish Communications Regulatory Authority and the Finnish Meteorological Institute. The Ministry guides their operation and makes sure that their performance targets and operations are in line with the Government Programme. The Ministry is also responsible for governance steering of Air Navigation Services Finland Oy, Cinia Oy and Finrail Oy.

5. Legislation

5.1 Railway legislation in Finland

The valid Railway Act (304/2011) was adopted on 8 April 2011, and it entered into force on 15 April 2011. It is a framework act which regulates the Finnish railway system and implements nationally many of Finland's obligations under European Union law. The Railway Act contains provisions on operation of railway traffic, access to the rail transport market and the associated licensing requirements, rail network administration, services offered to railway operators and the infrastructure charge, rail network use and infrastructure capacity, safety and interoperability of the railway system as well as the Rail Regulatory Body and its tasks. Government Decrees issued under the Railway Act contain more specific provisions on the services offered to railway operators (1489/2015), allocation of rail capacity and the timetabling (1490/2015) as well as the safety and interoperability of the railway system (372/2011).

The valid Railway Act has been updated several times, most recently by the Act Amending the Railway Act (1384/2015), when the Directive of the European Parliament and the Council (2012/34/EU) establishing a single European railway area, or the so-called Recast Directive, was transposed into the national legislation.

In accordance with the EU legislation the undertaking must have a license for operating in the EU/EEA Member States. In Finland the licensing authority is for the time being the Ministry of Transport and Communications, but the competence for admitting licenses will be delegated to the Transport Safety Agency starting from 1 July 2018. Licenses admitted by any other EU/EEA licensing authority are of course valid also in Finland.

Currently, VR holds a license for the provision of passenger and freight transport services by rail, while Fennia Rail Oy is licensed to provide freight transport services across the rail network and Ratarahiti Oy holds a license for local freight transport services. Aurora Rail Oy

is licensed to provide freight transport services and can carry out shunting work on railway yards in the Finnish rail network.

An overhaul of the railway legislation is currently being prepared in Finland, which would implement nationally the Fourth EU Railway Package on the whole (the market pillar and the technical pillar). At the same time, the provisions on administrating the rail network in the Urban Railway Traffic Act, which applies to metro and tram operation (1412/2015), would be integrated in the new Railway Traffic Act. The new Railway Traffic Act would replace the old Railway Act and Urban Railway Traffic Act. A government proposal for the Railway Traffic Act is to be submitted to the Parliament in September 2018, and its provisions on railway market regulation would enter into force no later than 1 January 2019, and the provisions on railway safety and interoperability would be effected at the latest from 15 June 2019. This way, the Fourth EU Railway Package would be implemented in Finland on the scheduled required under the EU law. New government decrees and Finnish Transport Safety Agency regulations, which would contain more specific provisions on the operation of the railway system, would also be issued under the new act.

The second phase of the Act on Transport Services (320/2017), which aims to integrate in this Act the provisions on market access and conditions for granting operating licences currently contained in the Railway Act, is additionally being drafted in Finland. At the same time, the Act on Transport System Safety Services (1664/2009) would be repealed, and engine drivers' qualification requirements would be incorporated in the Act on Transport Services. The provisions on metro and tram operation in the Urban Rail Transit Act would also become part of the Act on Transport Services. These amendments are to enter into force on 1 July 2018.

In addition to the statutes listed above, a Railway Infrastructure Act (110/2007) is valid in Finland that contains provisions on maintaining, developing and building the railway network as part of the transport system. The contents of this act mostly comprise national regulation.

5.2 Contract award procedure and the Public Service Contract Regulation

The planned competitive tendering process is a public service contract to which Regulation 1370/2007 of the European Parliament and of the Council 1370/2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) Nos 1191/69 and 1107/70, or the so-called Public Service Contract Regulation, is applied.¹¹ Additionally, the Act on Transport Services (320/2017, as from 1 January/July 2018) as well as sections of the Public Procurement Act (1397/2016) specifically referred to in the Act on Transport Services will apply to it.

Under Article 2, point i in the Public Service Contract Regulation, public service contract means *one or more legally binding acts confirming the agreement between a competent authority and a public service operator to entrust to that public service operator the management and operation of public passenger transport services subject to public service*

¹¹And, as from 24 December 2017, also Regulation (EU) 2016/2338 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 and the amendments to the Public Service Contracts Regulation laid down in it.

obligations; depending on the law of the Member State, the contract may also consist of a decision adopted by the competent authority.

Point e of the same regulation also defines public service obligation as a *requirement defined or determined by a competent authority in order to ensure public passenger transport services in the general interest that an operator, if it were considering its own commercial interests, would not assume or would not assume to the same extent or under the same conditions without reward.*

Contracts on public service procurements must be made in compliance with the rules adopted under the regulation. The Public Service Contract Regulation does not contain rules on the actual procurement process, however, excluding the prior information requirement. At least one year before the launch of the invitation to tender procedure, the competitive authority shall publish information on the procedure in the Official Journal of the European Union. Otherwise the competent authorities may use their preferred procedure in the procurements in compliance with the general principles applicable to public procurement.

The Act on Transport Services, on the other hand, has a dedicated chapter on the contract award procedures and the granting of exclusive rights (Part III, Chapter 3). The Ministry of Transport and Communications must comply with the rules for the contract award procedure laid down in the Act on Transport Services in the tender process for Southern Finland regional rail transport. Among other things, the Act on Transport Services contains provisions on the contract notice, contents of the invitation to tender, selection of tenderers and tenders, the contract award decision and the publicity of documents.

5.3 Obligations under the Act on Transport Services

The Act on Transport Services organises transport market regulation under a single act and creates preconditions for the digitalisation of transport and new business models. Provision of customer-centred transport services is one of the key objectives of the Act on Transport Services. While the main parts of this act will enter into force on 1 July 2018, its provisions on interoperability of information and information systems will already be effective from 1 January 2018. The Act is available in English.¹²

The Act on Transport Services promotes fairness of competition in the passenger transport market and the competitiveness of the service providers of both passenger and goods transport. It will promote significantly the implementation of new technology, digitalisation and new business concepts and enable seamless multi-modal travel chains. Future transport will rely on the interoperability of information and information systems, as well as the openness of interfaces. Most importantly, the Act on Transport Services will open access to essential information related to mobility services. It will also contain provisions on the interoperability of ticket and payment systems.

Its first phase obliges suppliers of mobility services in passenger transport to provide open access to essential information on their service (Part III, Chapter 2, section 1). Essential information refers to information on routes, stops, timetables, prices, availability and accessibility. This list is not exhaustive, as the essential information varies in different

¹² The Act on Transport Services is available in English: <https://www.lvm.fi/lvm-site62-mahti-portlet/download?did=246709>.

services. The information that shall be available in an easy to edit standard data format and freely accessible has been defined in the Government Decree on Essential Information on Mobility Services (643/2017).

In addition, Part IV, Chapter 1, section 2, subsection 2 of the act also contains provisions on the service providers' obligation to, notwithstanding business or professional secrets, at specified intervals submit information on their supply of services and the actual demand to the Finnish Transport Agency, which uses this information to perform its statutory tasks.

Under this provision, mobility service providers are responsible for providing essential information across an open interface. This means that the information must be freely available through a computer-readable connection created in an information system and be in an easy to edit standard data format. As an alternative, the Finnish Transport Agency must provide a technical services to which the essential information can be submitted.

Section 2 of this chapter obliges rail transport service providers to give mobility service providers and providers of integrated mobility services access to the sales interface of their ticket and payment systems. An obligation to collaborate has also been imposed on the parties to enable the required practical arrangements. Section 4 of this chapter contains the general requirements for opening interfaces.

The Act on Transport Services also contains the requirement to promote the interoperability of ticketing systems in public service procurements. A competent authority referred to in Part IV, Chapter 1, sections 4 and 5 of the act shall ensure that, when mobility services or ticket and payment systems associated with them are procured pursuant to the act, the invitation to tender, the contract notice and the contract contain the following requirements:

- 1) the service provider has described how they have fulfilled their obligations outlined in Part III, Chapter 2, section 1;
- 2) verifying the travel rights based on the service provider's ticket products by contacting a back office system through a telecommunication network shall be possible, and general-purpose technologies shall be used for the verification; and
- 3) where the travel right is verified by contacting the back office system of another service provider, communication between the back office systems shall be possible through an interface.

A competent authority shall approve all such systems used by service providers that meet the requirements listed in subsection 1, paragraph 2. Additionally, a competent authority shall see to it that its activities promote the interoperability of the ticket and payment systems also in other respects.

A government proposal on the second phase of the Act on Transport Services will be submitted to the Parliament in October 2017. To implement the objectives of the Act on Transport Services, open access to information and services that can be used across open interfaces will be needed. It has been proposed that in the second phase, access to information will be extended to data on mobility service use by imposing on the Finnish Transport Agency an obligation to provide access to the data received by it that describe service use and the statistics and reports it has produced across an open interface, in a format that does not enable linking them with individual users, service providers or services.

The possibilities for offering integrated travel chains and combined services (the MaaS concept), on the other would, would be facilitated further by making it possible to include in the service package not only road and rail transport but also tickets to flights and ships,

various mobility services including vehicle rental services, different multi-journey or seasonal products and discounts. As a possible way of implementing this, it has been proposed that the customer allows a third party access to their user accounts in different services.

Consequently, it has been proposed that a new section be added to Part III, Chapter 2 of the Act on Transport Services that concerns acting on another person's behalf. Under subsection 1 of this section, providers of mobility or integrated mobility services or actors operating ticketing and payment systems on their behalf should enable another mobility or integrated mobility service provider to, by request or on behalf of a user, purchase ticket products or other products entitling to service use across an open interface, accessing the personal data on the user's existing user account.

The objective of the Act on Transport Services provisions that will enter into force at the beginning of 2018 is to guarantee the interoperability of information systems required for ticketing systems and mobility services. An open network has been set up for actors in this sector to make sure that the viewpoints of all actors can be taken into consideration. The Finnish Transport Agency, the Finnish Transport Safety Agency and the Finnish Communications Regulatory Authority have launched a cooperative project aiming to promote the implementation of the objectives of the Act on Transport Services discussed above at the practical level by specifying technical solutions and practices for the exchanges of information between the actors. Solutions that guarantee trust, data protection and information security are needed to ensure open access to information. An open network will be established for actors in the sector to ensure that all viewpoints can be taken into consideration. The kick-off meeting of the network was held on 9 March 2017.

5.4 Rail Passengers' Rights Regulation

Regulation (EC) No 1371/2007 of the European Parliament and of the Council on rail passengers' rights and obligations (the Rail Passengers' Rights Regulation) contains provisions on the rights and obligations of rail passengers. The regulation lays down rules on the following:

- a) the information to be provided by railway undertakings, the conclusion of transport contracts, the issuing of tickets and the implementation of a Computerised Information and Reservation System for Rail Transport;
- b) the liability of railway undertakings and their insurance obligations for passengers and their luggage;
- c) the obligations of railway undertakings to passengers in cases of delay;
- d) the protection of, and assistance to, disabled persons and persons with reduced mobility travelling by rail;
- e) the definition and monitoring of service quality standards, the management of risks to the personal security of passengers and the handling of complaints; and
- f) general rules on enforcement.

The regulation entered into force on 3 December 2009, and provisions on the exemptions permitted under this regulation that were introduced in Finland are contained in the national Rail Transport Act (1119/2000). The regulation's Article 10 on travel information and reservation systems, Article 17 on compensation of the ticket price and Article 18, paragraph 2 sub-paragraphs a and b on meals and refreshments and hotel or other accommodation are not applied to regional rail transport in Finland (rail sections Helsinki–Kirkkonummi, Helsinki–Karjaa, Helsinki–Vantaankoski, Helsinki–Riihimäki, Helsinki–Lahti and Lahti–Riihimäki). In other respects, the provisions of the Rail Passengers' Rights Regulation will also apply to

Southern Finland regional rail transport, and the operators must meet the requirements laid down in this regulation in their activities.

The Rail Transport Act does not contain separate provisions on national enforcement bodies referred to in Article 30 of the regulation. Under specific legislation applicable to the Consumer Ombudsman and the Consumer Disputes Board, these bodies are directly competent to serve as enforcement bodies and handle complaints on defects related to passenger rail services. Compliance with the regulation has been overseen by the Finnish Transport Safety Agency for the part of the safety requirements, including the accessibility requirements under the regulation.

On the 27th of September, the Commission proposed changes to the current regulation on rail passengers' rights and obligations.¹³

¹³ Commission's proposal for a regulation of the European Parliament and of the Council on rail passengers' rights and obligations (COM(2017) 548 final) can be found here: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2017:548:FIN>.

6. Finnish Transport Agency as a rail infrastructure manager

6.1 Tasks of the rail infrastructure manager

The Finnish Transport Agency manages the rail infrastructure and is responsible for maintaining the state rail network. The Finnish Transport Agency is an authority in the Ministry of Transport and Communications' administrative branch that maintains and builds the rail network and sees to other track maintenance actions, including rail traffic control and capacity management to the extent permitted by the appropriations allocated to it in the state budget and other funding.

The Finnish Transport Agency is an expert organisation of some 620 employees with no production activities of its own. The work related to rail infrastructure maintenance is mainly procured in a commercial market. Traffic control is outsourced to a state-owned company, Finrail Oy. The Finnish Transport Agency indirectly employs some 12,000 people.

In addition to rail infrastructure maintenance, the Finnish Transport Agency sees to the maintenance of state roads and official tasks related to fairways in Finland. The Finnish Transport Agency has a total budget of some EUR 2.1 billion.

6.2 Basic information about the rail network

In most parts (approx. 90%), the Finnish rail network is a single-track, electrified and remote controlled system with automatic train control. The maximum speed level in passenger services is 220 km/h. The part of the Southern Finland rail network to be opened to competition in the first phase, however, is almost entirely equipped with double tracks (Figure 9 and 10), excluding the single-track section between Juurikorpi and Kotka.

Finnish railways are basically mixed traffic lines with both passenger and freight trains using the same tracks. The volume of freight traffic in the sections Kirkkonummi-Helsinki and Kerava-Helsinki is very low, and non-existent on the Ring rail line.

For more detailed data on the rail network see the network description.

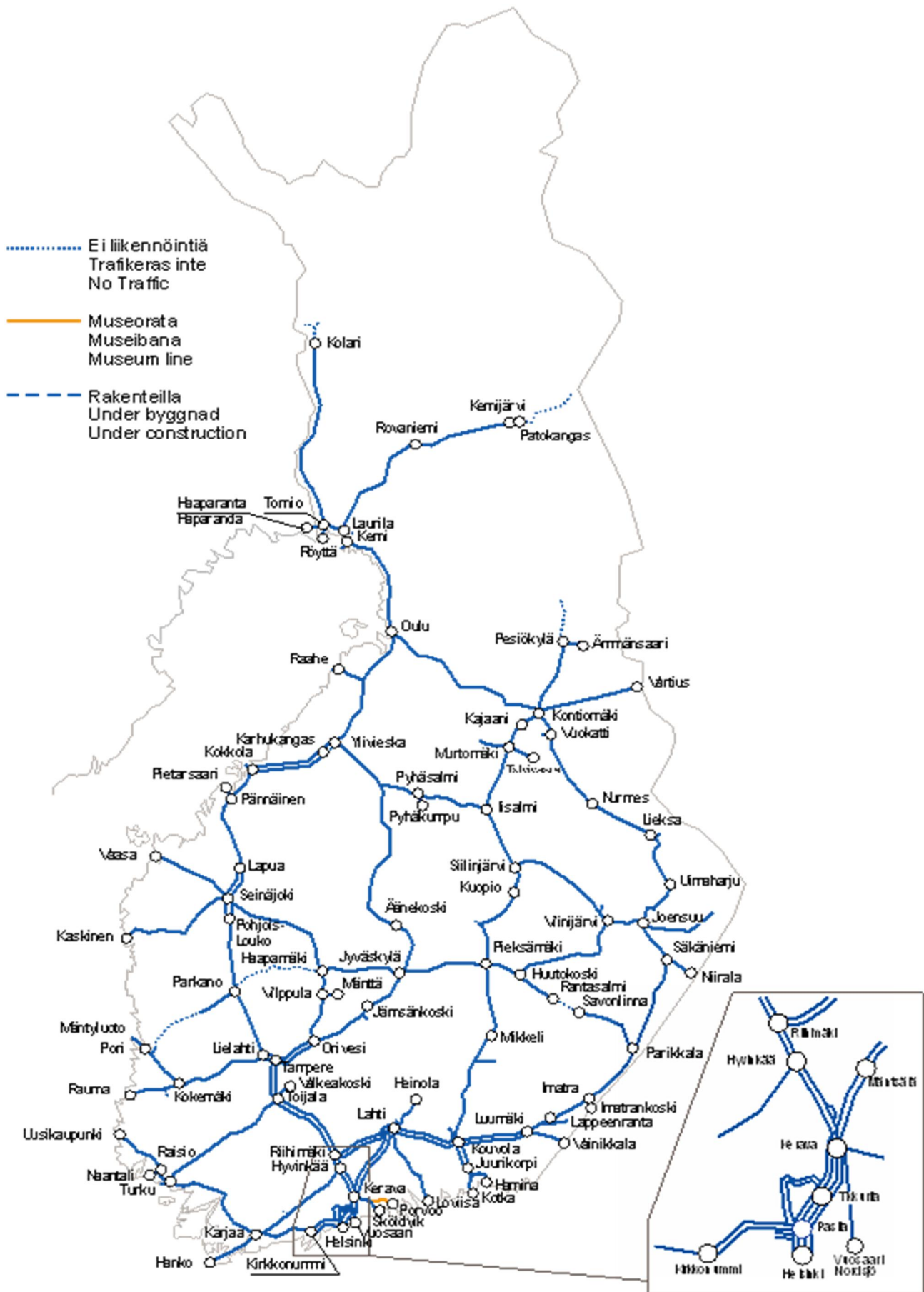


Figure 9. Finnish rail network.

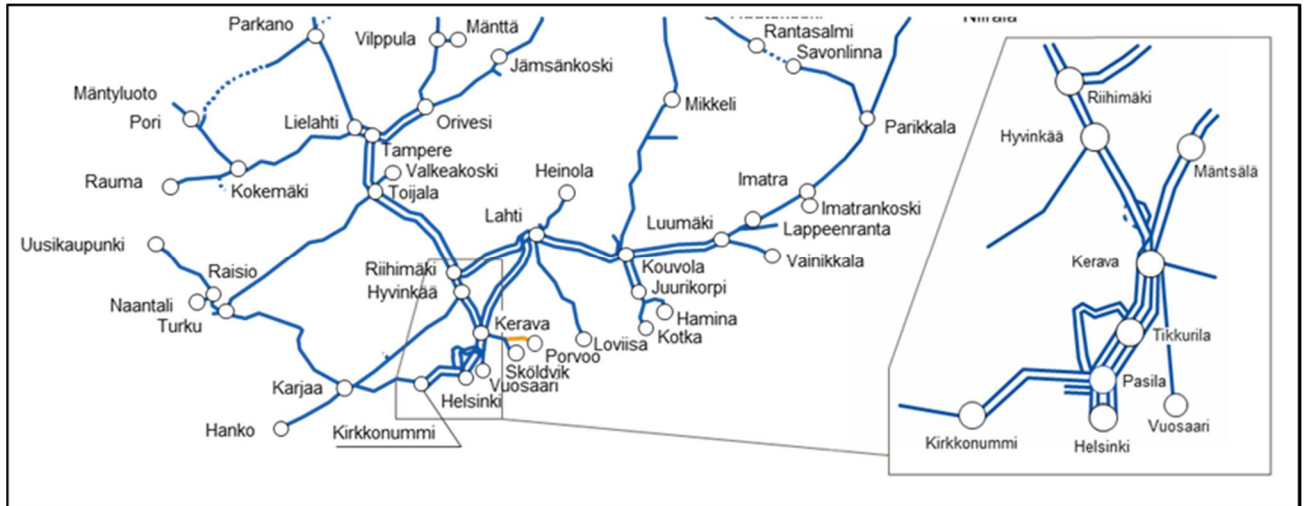


Figure 10. Rail network in the Southern Finland area.

6.3 Stations and their services

While the stations of the Finnish rail network are mostly owned by the cities, some are also owned by the Finnish Transport Agency and VR Group. The station buildings owned by the Finnish Transport Agency also contain technology used for infrastructure maintenance. In the future, some of the stations will be taken over by the real estate company. No statutory minimum requirements apply to station services, and the services offered at stations mainly are at the discretion of the owner.

The passenger information offered at railway stations is produced by the Finnish Transport Agency. Up-to-date information is provided at the stations and in the platform areas by both screens and announcements. This information is produced using the passenger information and announcement system (MIKU) owned by the Finnish Transport Agency. MIKU automatically receives information on the trains' progress from the LIIKE system used by railway undertakings to apply for and receive infrastructure capacity needed for operation (for the infrastructure capacity application process, see section 5.1.8). As passenger services are opened to competition, this means that a potential new railway operator will not have to enter the data in MIKU themselves.

In normal circumstances, the MIKU system produces the passenger information automatically based on timetable data. In case of disruptions, the data needs to be corrected and complemented manually to some extent, for example by producing bulletins and announcements on any problems in text format. In Southern Finland, this work is performed by the Information Centre, and in other parts of Finland by traffic control.

The operator is responsible for providing information on the availability of journeys and for passenger information on the trains.

Passenger information and guidance are also provided in the form of fixed information signs at the stations. This static information system includes timetable display cabinets, for which the operator produces printed timetables. Any other guidance for passengers is produced by the Finnish Transport Agency. The Agency's operating points on the railways, together with their contact details and information on their ownership, can be found in the map service of the Network Statement.

6.4 Network Statement and operational instructions

A Network Statement is published for each timetable period for undertakings operating on the rail network. The Network Statement describes the state-owned rail network and the conditions for accessing it, the capacity allocation process, services supplied to railway undertakings, and the principles of determining the infrastructure charge. The Statement contains a detailed description of the grounds on which the infrastructure charge is determined and the general rules, deadlines, procedures and grounds applied to capacity allocation.

The Finnish Transport Agency updates the Network Statement regularly and ensures that holders of infrastructure capacity and applicants interested in capacity on the Finnish rail network that it is aware of are informed of it.

The contents of the Network Statement comply with a common European structure. The Statement consists of the following sections:

- 1 General information
- 2 Access conditions
- 3 Infrastructure
- 4 Capacity allocation
- 5 Services
- 6 Charges

For Network Statement published by the Finnish Transport Agency for timetable period 2018, visit:

- <http://www.liikennevirasto.fi/web/network-statement-2018>
- <http://www.liikennevirasto.fi/web/network-statement-2018/report/foreword>

The Finnish Transport Agency also maintains an up-to-date list of operational instructions (in Finnish only) at:

- https://julkaisut.liikennevirasto.fi/pdf7/radanpidon_tekniset_ohjeet_web.pdf

6.5 Access agreement

The access agreement is an agreement concluded annually between the infrastructure manager and railway operator for each timetable period that provides more detail on the operating models described in the Network Statement if necessary. Together with the Network Statement and other instructions provided by the infrastructure manager, the access agreement forms the entity of principles and practices that operators on the Finnish rail network must comply with. The access agreement contains the details on the use of the services offered by the infrastructure manager and needed by the rail transport operator. The service descriptions and prices can be found in the Network Statement as a rule.

As far as possible, the Finnish Transport Agency aims to conclude access agreements with identical contents with all rail transport operators operating on the rail network, however taking the special features of each operator's traffic into account.

As part of the access agreement, a performance incentive scheme has been determined, under which rail transport operators and the Finnish Transport Agency are encouraged to minimise disruptions arising from their activities and improve the efficiency of rail network

use. The current access agreements contain the following arrangement concerning the performance incentive scheme:

The infrastructure manager shall compensate a railway operator for deviations caused by reasons due to the infrastructure manager, based on a case-by-case examination, in the following cases:

- P1 Rail infrastructure equipment faults, excluding P116 Equipment faults other than those for which the infrastructure manager is responsible.
- P2 information system faults, excluding P208 Information system faults other than those for which the infrastructure manager is responsible.
- P3 Monitoring equipment fault.
- P4 Communication/telecommunication faults. P401 network fault in RAILI / VIRVE only for the part of RAILI network.
- T3 Damage to the track /obstacle on the track.
- R2 Exceeding the agreed period for railway works.
- R3 Traffic restriction following railway works.
- S1 Interruption in electricity supply, excluding S102 Power restriction and S103 Main grid fault/restriction.
- S2 Electric line fault

A railway operator shall pay the infrastructure manager the penalty stated in the performance incentive scheme for deviations caused by reasons due to the operator, based on a case-by-case examination, in the following cases:

- K2 Rolling stock fault, excluding K207 Wheel flat.
- K303 Tilting error Sm3/Sm6.
- K4 Coupling.
- K5 Decoupling.
- K6 Uninspected rolling stock.
- V2 Engine fault, excluding V207 Wheel flat.
- V3 Reduction of speed due to traction power or lack of power.
- V4 Uninspected engine stock.
- P116 Equipment faults other than those for which the infrastructure manager is responsible.
- P2 Information system faults.
- P4 Communication/telecommunication faults.

Monitoring stations for trains have been specified with the purpose of checking that they run on schedule. Any changes to the monitoring stations will be subject to agreement between the infrastructure manager and the railway undertaking. Trains may be affected by (additional) delays between two monitoring stations or at a single monitoring station. A single reason code is assigned to this single instance of (additional) delay that indicates the reason for the delay.

A penalty will be payable when the (additional) delay caused by the aforementioned reasons between monitoring stations or at a monitoring station is equal or greater than

- 15 minutes for a long-distance passenger service.
- 10 minutes for a regional service.
- 30 minutes for a freight train.
- or when a long-distance passenger train or regional train is cancelled at a short notice.

The penalty is determined as follows:

- a delayed long-distance passenger train EUR 40 / minute of delay, at maximum for 180 minutes per single instance of delay.
- a delayed regional train EUR 25 / minute of delay, at maximum over 180 minutes per single instance of delay.
- a delayed regional train EUR 50 / minute of delay, at maximum over 60 minutes per single instance of delay.
- a delayed freight train EUR 3.5 / minute of delay, at maximum over 360 minutes per single instance of delay.
- a cancelled long-distance passenger train EUR 2,000 / train.
- a cancelled regional train EUR 1,000 / train.
- a cancelled regional train EUR 1,000 / train.

The penalty will be based on all minutes of the (additional) delay, not only the minutes exceeding the threshold value.

6.6 Punctuality

In addition to the performance incentive scheme, the Finnish Transport Agency monitors the punctuality of trains, or running on schedule, together with the rail operators. A train is deemed to be running late if it is at minimum 3 minutes behind schedule in regional transport and over 5 minutes behind schedule in long-distance passenger service at a monitoring station.

On the first sections of Southern Finland regional rail transport to be open for competition, the punctuality in early 2017 has been as follows:

Helsinki-Riihimäki	R trains (1 January–18 June)	89.10%
	T trains	81.81%
	D trains	82.64%
Helsinki-Riihimäki-Hämeenlinna-Tampere	R trains (19 January-31 August)	87.10%
Riihimäki-Hämeenlinna-Tampere	Regional trains (1 January–18 June)	85.83%
Riihimäki-Lahti	Regional trains (1 January–18 June)	83.15%
	Commuter trains (19 June–31 August)	81.80%
Helsinki-Lahti-Kouvola	Z trains	90.44%
Lahti-Kouvola	Regional trains	88.15%
Kouvola-Kotka	Regional trains	84.66%

Table 1. The punctuality of Southern Finland regional rail transport

When examining this table, a change in statistical methods should be noted. Since 19 June 2017, regional trains on the sections Riihimäki-Tampere and Riihimäki-Lahti have been included in commuter trains.

6.7 Capacity application process and capacity allocation

The rail capacity refers to the capacity of a train path to carry train traffic over a particular period of time and depending on the characteristics of the railway network. The timetable period in railway traffic starts annually at the second weekend of December, at midnight between Saturday and Sunday, and ends at the corresponding time the following year. Applicants for capacity shall request capacity no earlier than 12 and no later than 8 months ahead of the timetable period. One request may include all the changes in traffic to be made during the timetable period.

Capacity applications for regular traffic during the timetable period, applications concerning changes to regular traffic and urgent capacity applications must be submitted using LIIKE information system (information system for capacity management) or an interface specified by the Finnish Transport Agency. The LIIKE system automatically verifies that the mandatory basic data is entered in connection with a capacity application. These data include the railway undertaking's name, the undertaking's contact person and contact details, as well as the timetable period and/or sub-period, and the times or dates that a change concerns. Notification of any operative needs related to using railway yards should be given separately to the Finnish Transport Agency Record office within the application schedule for regular traffic capacity allocations. If the LIIKE system is inoperative due to a widespread malfunction, the Rail Traffic Management Centre can approve requests for capacity changes by phone. If the JETI system (system for advance information on train traffic used to maintain information on railway works and train operation on real time) is inoperative due to malfunctions, the Rail Traffic Management Centre instructs users to use the backup systems containing driver timetables and advance report information.

Decisions on the allocation of capacity for regular services may be changed for the rest of the timetable period during the timetable period concerned at specified dates, provided that these changes do not affect the capacity allocated to other Railway Undertakings or to international traffic within the European Economic Area. The change dates are the beginning of the timetable period and at midnight between Saturday and Sunday following the end of the school year. In addition to the above dates, the Finnish Transport Agency may for special reasons decide on other dates on which changes can take place. Typically, there have been about five change dates a year.

Based on the applications received, the Finnish Transport Agency's Traffic Services Department draws up the rail capacity allocation proposal (called "draft working timetable" in the Railway Act) for the next timetable period no later than four months after the deadline for the submission of requests for capacity. In case of conflicting capacity applications, the Finnish Transport Agency coordinates the capacity allocation between the applicants. Applicants for rail capacity must be prepared to participate in the coordination negotiations. An effort will be made to hold these negotiations at the latest in June. At the negotiations, any conflicts in the applications for the timetable period will be discussed, making an attempt to find a solution that is satisfactory to all parties. If the coordination process between the applicants fails, the Finnish Transport Agency may decide on the priority order in each individual case on the grounds laid down in the Railway Act to establish a draft working timetable. The working group on the authorities' activities deals with any needs to reform the capacity allocation process and, among other things, management of disruptions.

For a more detailed descriptions of the capacity application process, see the instruction

- https://julkaisut.liikennevirasto.fi/pdf8/ohje_2015_ratakapasiteetin_hakuohje_web.pdf

and for marshalling, the instruction

- https://julkaisut.liikennevirasto.fi/pdf8/ohje_2017_ratakapasiteetin_hakeminen_web.pdf

7. Rail traffic control

Finrail Oy is a limited company fully owned by the state of Finland whose services include traffic control on railways, traffic planning to reconcile railway works and traffic, operating centre functions and customer information services for rail passengers. The Finnish Transport Agency purchases traffic control, customer information and traffic planning services from Finrail Oy, and operating centre services for the electric track from Finlogic Oy, an affiliated company of Finrail Oy. The Finrail Oy group has some 440 employees at 15 locations around Finland. In July 2016, Finrail Oy was placed under the Ministry of Transport and Communications' ownership steering.

In the future, Finrail Oy's functions will be part of a fully state-owned traffic control company. In June 2017, the Government decided to corporatise the traffic control functions for road and rail transport and shipping, which are currently managed by the Finnish Transport Agency, to form a state-owned limited company as from 1 January 2019.¹⁴ At the beginning of 2019, the new traffic control company and the state-owned companies currently performing these tasks, or Finrail Oy and Air Navigation Services Finland Oy, which provides traffic control services for aviation, will form a group whose affiliated companies will be responsible for traffic control services for different modes of transport. Centralised common services for these companies will be provided at group level. The ownership steering of the new traffic control company will be handled by the Ministry of Transport and Communications, and the Finnish Transport Agency will purchase traffic control services from this company.

The corporatisation of traffic control is a response to the changes brought about by digitalisation, servicification and automation of transport as well as the increasing significance of data. It will also create preconditions for improving customer-centredness. The objective is to clarify the authorities' roles in the activities, streamline transport sector regulation and promote the utilisation of transport data to support the development of new digital services. Corporatisation will also improve the cost-effectiveness and profitability of these operations while making the activities and their pricing more transparent. Operative traffic control activities will continue without interruption at the time of the corporatisation, guaranteeing the quality, reliability and safety of the activities during and after the transition. One of the goals is ensuring that the costs of traffic control services used by the authorities will not increase as a result of the corporatisation.

The personnel employed in the Finnish Transport Agency's traffic control function to be corporatised on 31 December 2018 will transfer to the service of the new company as from 1 January 2019 as indicated by their tasks following the transfer of business principle and work in a contractual employment relationship. At this stage of the preparative work, the transition is estimated to concern some 150 to 180 employees.

¹⁴ Decision of the Cabinet Committee on Economic Policy, 13 June 2017.

8. Finnish Transport Safety Agency as a safety authority

8.1 Trafi's mission

The Finnish Transport Safety Agency (Trafi) is a central administration agency operating in the administrative branch of the Ministry of Transport and Communications. It regulates and oversees the transport system, promotes transport safety and sustainable development in the transport system, and provides transport authority services.

In rail transport, Trafi is the national safety authority referred to in EU law. Railway undertakings must meet certain requirements to start operation, and Trafi's task is to check that these requirements are met adequately and continuously.

More information on all aspects of Trafi's activities can be found on the agency's website (<https://www.trafi.fi/en>).

In addition to serving as a licence administration authority, Trafi participates extensively in common European efforts to develop the rail system and highlights issues relevant to the Finnish rail system during the drafting of European statutes and in European cooperation. Trafi has set up thematic cooperation groups with its stakeholders which prepare proposals and positions important for the Finnish rail system, thus participating in the drafting of European legal instruments.

8.2 Trafi as a licence administration authority

8.2.1 Safety certificate

A railway undertaking must apply to Trafi for a safety certificate for railway operation. The safety certificate shows that the railway undertaking has a safety management system in place and that it is capable of complying with the applicable safety and other statutes and regulations.

The safety certificate ensures that the applicant meets the safety requirements set for their operation and that the undertaking has capabilities for operating safely on the rail network. These requirements are laid down in the Railway Act. In order to ensure rail transport safety, conditions concerning the safety of rail transport may be included in the safety certificate, taking into account the nature and extent of the rail services to be operated by the applicant. In its current form, the safety certificate has two parts, A and B. Part A concerns the safety management system and is valid across the European Economic Area. Part B is national and concerns meeting national requirements in the relevant country. Operators may apply to Trafi for both Part A and B of the safety certificate. If a railway undertaking already has Part A of the safety certificate issued in another European Economic Area state, the undertaking may act as a rail transport operator and/or track maintenance company in Finland once it has been issued with Part B by Trafi.

Trafi requires that:

- the applicant has a safety management system compliant with the requirements
- the applicant has proven their compliance with the rules and regulations applicable to rail network use for the network sections on which they intended to operate, and the applicant shows that they can ensure compliance with the rules and regulations,
- the applicant proves that its personnel groups and the personnel groups of any subcontractors used by them have the appropriate qualifications and training [relevant to the network] in compliance with the appropriate regulations;
- the applicant shows that the rolling stock used by them is compliant with the appropriate regulations [relevant to the network] and that the service and maintenance of their rolling stock has been appropriately provided for.

The safety certificate is granted or approved for at most five years at a time. The undertaking must apply for a new certificate as its expiry date approaches if they wish to continue operating in the rail transport market. Trafi will make a decision on the issuance or approval of a safety certificate within four months after the applicant has provided the information required to make this decision. Trafi may issue or approve a safety certificate for the whole of the state-owned railway network or for individual train paths. If essential changes are made to the rules and regulations relevant to railway system safety, Trafi may review the safety certificate or one of its parts. If essential changes take place in the nature or scope of the safety certificate holder's operations, they must apply for re-approval of the certificate insofar as the change affects the criteria for issuing a safety certificate. The assessment of any changes to the certificate or its renewal, in particular, will be risk and performance based.

8.2.2 Obligation to have insurance cover

A railway operator and a track maintenance company shall have valid, adequate liability insurance cover or make equivalent arrangements to provide for its liabilities in case such damage is caused to third parties by railway operations for which the railway operator is responsible on the basis of a law or an agreement. When assessing the adequacy of the insurance or other similar arrangement, the nature and extent of the operation and the risks inherent in it will be taken into consideration. The insurance cover or equivalent arrangements shall be valid throughout the whole period of operation.

8.2.3 Type approval, authorisation to place into service and maintenance of rolling stock

Type approval of a rolling stock unit refers to inspecting the aspects related to the unit's design in comparison to statutes applicable to unit sub-systems and the safety of coupling the sub-systems.

Rolling stock unit type approval may also be applied for together with the first authorisation to place into service, in which case the type approval to be granted will be based on the unit's first authorisation to place into service.

Type approvals granted by Trafi are recorded in the ERATV register of the European Railway Agency. Before a unit may be used, it must have an authorisation to place into service, and at the time of placing into service, it must meet the requirements of the applicable technical specifications for interoperability.

Before it is placed into service or used on the Finnish rail network, each rolling stock unit must have a designated body in charge of its maintenance recorded in the national rolling stock register (ECM, Entity in Charge of Maintenance). The task of the Entity in Charge of Maintenance is to check from its maintenance system that the units the entity is responsible for are safe to operate. The entity must ensure that each unit is maintained in compliance with its service book and valid maintenance requirements. At EU level, particular attention has been paid to the maintenance of freight wagons, and an entity in charge of maintaining freight wagons must prove its qualification for performing this task with a specific ECM certificate.

8.2.4 Personnel licences

The driver of rolling stock must have a licence. The authority issuing these licences in Finland is Trafi. The licence proves that the driver of rolling stock meets the qualification requirements. The driver must always carry the licence when operating rolling stock or a rolling stock unit. The driver of rolling stock must also have an additional certificate issued by the railway undertaking or rail transport operator.

In addition to drivers of rolling stock, other persons in transport safety related roles must also currently have a licence. These roles related to transport safety include marshalling and traffic management duties and ensuring transport safety of railway works. The licence indicates the transport safety tasks which the holder may perform. The holders must always carry the licence when performing their duties. In the drafting documents of an amendment to the Act on Transport Safety, it is proposed that the licensing requirement of these persons performing other transport safety tasks be dropped. Their competence would be ensured through the operator's safety management system.

8.2.5 Training

By completing a programme preparing them for a specific role at educational institutions providing training in the railway sector, students can obtain a qualification or competence required for rail transport safety tasks. Educational institutions that provide transport safety training in the railway sector and their training programmes must have Trafi's approval.

Such actors as VR Group, Proxion Plan Oy and Kouvola Railway and Adult Education Company have been approved by Trafi as providers of driver training at different levels. In addition, Trafi has approved around 30 actors to receive driver examinations under the Act on Traffic Safety Tasks in the Railway System.

The educational institutions have the duty to provide training set out in the training programmes fairly and on equal grounds to the personnel of all actors. In addition to the educational institutions, Trafi organises some railway sector training events, for example on legislative changes applicable to the sector, safety certificates and licences.

8.2.6 Oversight

Trafi also plays a role in the oversight of the railway system. Trafi supervises not only national actors but also tracks and rolling stock units as well as operation only intended for local, museum or tourism use. Trafi's oversight is risk and performance based.

Areas of Trafi's oversight include

- compliance with railway system safety requirements
- compliance with the requirements applicable to rail transport operators' and infrastructure manager's safety management systems
- compliance with and implementation of the railway system's interoperability requirements
- compliance with requirements applicable to sub-systems as well as their use and maintenance
- compliance with requirements applicable to interoperability constituents, and their placement on the market and use
- activities of a notified body and an institution in charge of independent safety assessments
- registration of rolling stock units and data recorded in the rolling stock register
- transport of dangerous goods
- educational institutions.

Trafi's oversight is underpinned by an annually adopted supervision plan based on the agency's oversight strategy. The oversight is guided by a European Commission Regulation. The actors are also expected to perform self-monitoring, as required under another European Commission Regulation.

8.2.7 Collection of incident data and annual reporting

The actors in the railway system must report all accidents and incidents that have come to their knowledge to Trafi. Trafi will analyse this data and use them as an information source for its risk and performance based activities.

In addition to performing self-monitoring, rail transport operators and infrastructure managers must report on their self-monitoring activities, the results of these activities and actions taken as their consequence in a safety report that must be submitted to Trafi annually by 30 June.

9. Rail Regulatory Body

The Rail Regulatory Body¹⁵ monitors, oversees and promotes effectiveness, fairness and non-discrimination in the rail market. The Rail Regulatory Body is a complaints and oversight body independent of rail operators and rail infrastructure managers which makes decisions on complaints submitted to it and its own-initiative investigations. The task of the Rail Regulatory Body is to see to the effective functioning of the market and fair and non-discriminatory treatment of actors in this sector.

The Finnish Rail Regulatory Body operates in conjunction with the Finnish Transport Safety Agency Trafi. The Rail Regulatory Body's decisions, which it makes independently, are binding to all interested parties. The regulatory body shall investigate and resolve matters that are within its competence on its own initiative or on the initiative of a railway operator, a rail infrastructure manager, an applicant for infrastructure capacity, a maintainer of service

¹⁵ For more information about the activities of the Rail Regulatory Body, visit: <https://www.saantelyelin.fi/>.

facilities, an applicant for services, an educational institution offering training services, a company requiring training services, a competent authority referred to in Part IV, Chapter 1, section 4 of the Act on Transport Services, or other party to whose rights the matter may pertain.

Provisions on the activities and tasks of the Rail Regulatory Body are contained in Chapter 13 of the Railway Act.

10. Southern Finland regional rail transport today

10.1 General description of the region and current traffic data

Southern Finland regional rail transport to be put out to tender currently includes departures that are entirely within the scope of purchased services and the public service obligation. The total turnover of Southern Finland regional rail transport was some EUR 42.8 million in 2016 and some EUR 49.1 million in 2015.

The area includes the busy rail sections between Helsinki and Tampere as well as Helsinki and Lahti. Additionally, it includes the sections Riihimäki–Lahti and Lahti–Kouvola, and the connection from Kouvola to the Port of Kotka (Figure 8). The area comprises 425 track kilometres to be operated on and 42 stations to be served. Night trains also stop at 11 stations, and Henna stop will be commissioned in December 2017. For a more detailed description of the region, see the Attachment to this report.

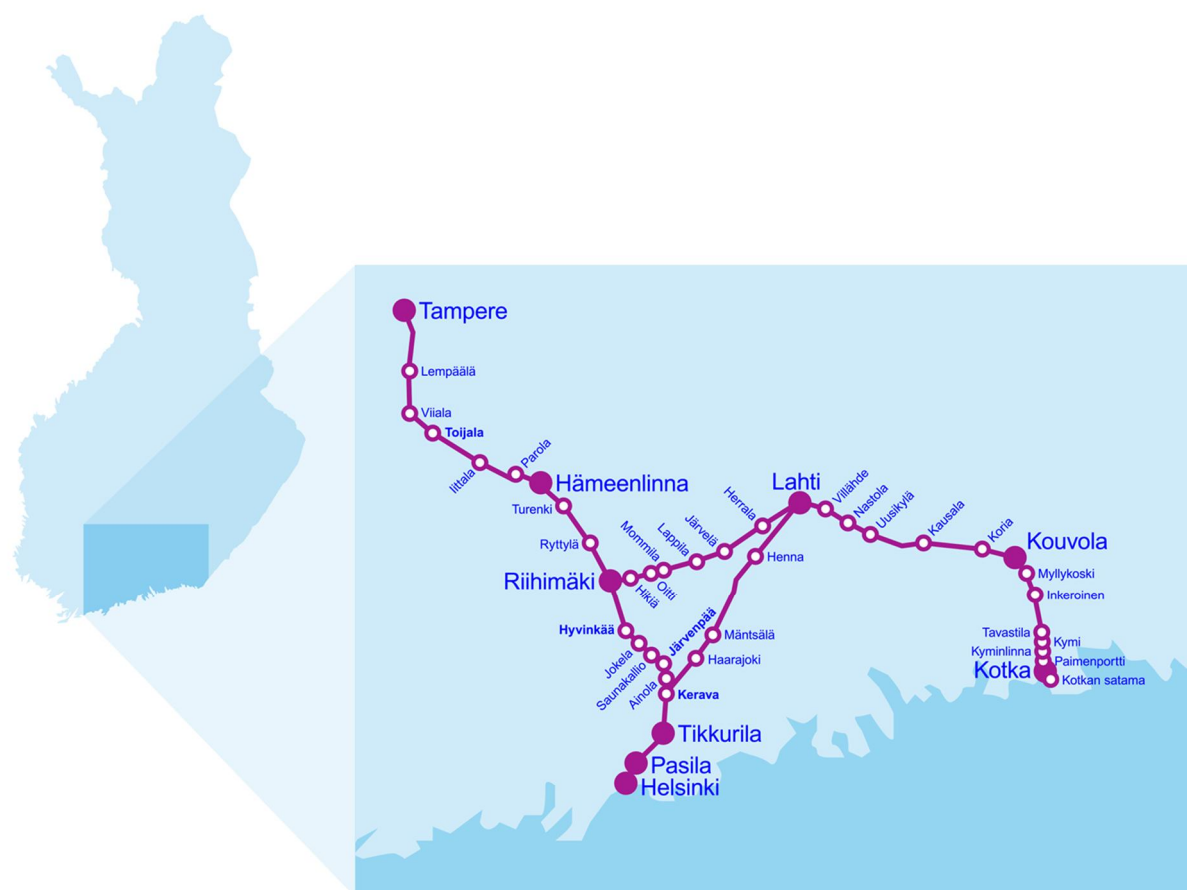


Figure 11. The Figure illustrates the Southern Finland area that is covered by the tendered contract.

In the Southern Finland regional rail transport area, commuter traffic procured by HRT between Helsinki and Kerava, traffic subject to the public service obligation between Helsinki and Tampere, Helsinki and Lahti and Lahti and Riihimäki, as well as purchased traffic in the entire area, excluding the rail section between Lahti and Riihimäki, are currently being operated using rolling stock for commuter traffic. In addition, VR operates commercial

InterCity and Pendolino services in this area (between Helsinki and Tampere and Helsinki and Kouvola).



Figure 12. The Figure illustrates the Southern Finland regional rail transport package to be put out to tender. It includes the rail sections Helsinki-Riihimäki, Helsinki-Tampere, Riihimäki-Lahti, Lahti-Kouvola and Kouvola-Kotka, as well as 42 stations.

Overview of service offer: key figures

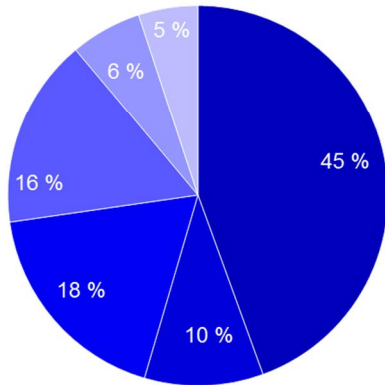
- Rolling stock to be used (Sm2 and Sm4 trains)
- Departures 193/weekday (autumn 2017)

	2015	2016	2017 (prediction)
Train-kilometres	5,214,000	4,857,000	5,299,000
Seat-kilometres	1,583,095,000	1,641,262,000	1,791,096,000
Journeys	7,798,000	7,657,000	7,895,000
Passenger-kilometres	373,393,000	372,024,000	382,531,000
Turnover	49,061,300	42,801,900	

Table 2. Data on the current purchased services and public service obligation traffic in Southern Finland regional rail transport in 2015–2017, Source: VR.

Departures on a weekday

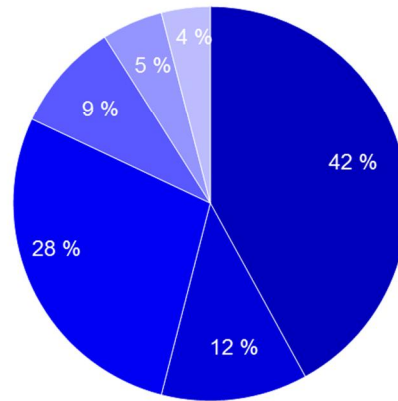
192 departures in total



- Helsinki-Riihimäki
- Riihimäki-Hämeenlinna-Tampere
- Helsinki-Lahti
- Riihimäki-Lahti
- Lahti-Kouvola
- Kouvola-Kotka

Train-kilometres in 2016

Approx. 4,9 million km in total

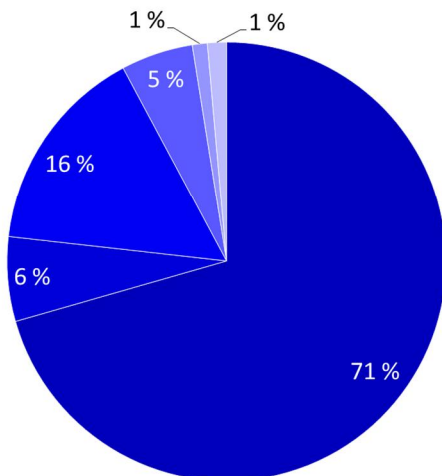


- Helsinki-Riihimäki
- Riihimäki-Hämeenlinna-Tampere
- Helsinki-Lahti
- Riihimäki-Lahti
- Lahti-Kouvola
- Kouvola-Kotka

Figure 13. This figure illustrates how departures on a weekday divide between different track lines that the concession covers. The figure on the right hand side illustrates how train-kilometres divide between different track lines in 2016.

Division of passenger journeys in 2016

Approx. 7,7 million journeys in total



- Helsinki-Riihimäki
- Riihimäki-Hämeenlinna-Tampere
- Helsinki-Lahti
- Riihimäki-Lahti
- Lahti-Kouvola
- Kouvola-Kotka

Figure 14. Figure illustrates how passenger journeys divided between different track lines in 2016.

10.2 Current rolling stock in Southern Finland regional rail transport

Three types of rolling stock are used in zone-based and regional rail transport in Southern Finland: Sm2 and Sm4 trains as well as locomotive-hauled Eil and Eilf carriages. Locomotive-hauled Eil and Eilf carriages were in use until June 2017. The Sm4 trains date back to 1999–2005, and 30 of them are in use; the Sm2 trains are from the period 1975–1981, and 50 of them are in use. The locomotive-hauled Eil and Eilf carriages were built in 1982–1987, and 57 of them are in use; however, VR no longer uses these carriages in Southern Finland regional rail transport since June 2017.

See the following Table for more details on the rolling stock:

	Sm4 trains	Sm2 trains	Locomotive-hauled Eil and Eilf carriages
Year of manufacture	1999–2005	1975–1981	1982–1987
Number	30	50	57
Floor: high / low	low	high	high
Top speed km/h	160	120	160
Renovated in	2013 - 2016	2002–2011	2011 - 2013
Remaining service life	plenty	approx. 5 to 10 years	approx. 10 to 15 years
Seats	192	200	113 (Eil) and 89 (Eilf)
Other notes	-	-	used with an Sr1 engine

Table 3. Rolling stock used in the Southern Finland regional rail transport. The locomotive-hauled Eil and Eilf carriages were in use until June 2017.

See the following Table for the key sections of Southern Finland regional rail transport and the rolling stock used on them:

	Helsinki - Riihimäki	Helsinki - Lahti - (Kouvola)	Riihimäki - Tampere
Operation, frequency	2 trains/hour/direction	1 train/hour/direction Hki-Lh-Hki	9 trains/day/direction
Rolling stock	Sm4	Sm4	mainly Sm4
Train length	2 to 4 units	1 to 2 units	1 to 2 units
Line code	R	Z	
During the rush hour:			
Additional morning trains	3 departures Ri - Hki	1 departure Kv - Hki	
Additional afternoon trains	3 departures Hki - Ri	1 departure Hki - Kv	
Rolling stock	Sm2	Sm2	
Train length	4 units	3 units	
Line code	D	Z	
Night trains:			
Weekdays	3 departures		
Weekends	7 departures		
Rolling stock	Sm2 and Sm4		
Train length	1 to 3 units		
Line code	T		
Other			* Service linked to Hki-Ri service * Same rolling stock is used for Hki-Ri & Ri-Tpe (7 trains/direction/day, line code R)
	Riihimäki - Lahti	Lahti-Kouvola	Kouvola – Port of Kotka
Operation, frequency	1 train/hour/direction	5 trains/day/direction	5 trains/day/direction
Rolling stock	mainly Sm2	Sm2	Sm2
Train length	1 unit	1 unit	1 unit
Line code	G		

Table 4. Key sections of Southern Finland regional rail transport and the rolling stock.

Hki = Helsinki,

Kv = Kouvola

Lh = Lahti

Ri = Riihimäki

Tpe = Tampere

10.3 Current status of maintenance services

VR predominates in the maintenance market in Finland. Another operator in this market is Teräspyörä-Steelwheel Oy based in Kouvola. Some foreign companies have also participated in tendering competitions for maintenance activities. However, VR holds a significant market share in maintenance activities.

VR's maintenance unit services rolling stock at depots in Helsinki, Turku, Tampere, Kouvola, Joensuu and Oulu. Heavy-duty repairs and renovations are carried out at workshops in Hyvinkää and Pieksämäki, which also produce new units. In January 2017, VR announced its intention to close down its Hyvinkää workshop and depot area by 2018.

VR Technology, which is part of VR's maintenance unit, offers expert services related to rolling stock and its systems.

In the future, a fully state-owned maintenance company will be separated from VR. The operators will be able to purchase maintenance services from this company on neutral terms. However, there is no obligation in the concession agreements to use the state-owned company.

11. Southern Finland regional rail transport tendering strategy

11.1 Introduction

In keeping with the government decision, the opening to competition of passenger rail transport will begin with regional rail services in Southern Finland. Southern Finland regional rail services are a package clearly delimited by geographic boundaries which is operated with dedicated rolling stock. This makes it an easy object for competitive tendering.

Based on the government decision, the Ministry of Transport and Communications has prepared a proposal that contains detailed information on the contractual model for the Southern Finland regional rail transport package to be put out to tender as well as on the term of the contract, describes the tendering process in general, and contains a proposal for the timeline of the tendering process. Actors and stakeholders are invited to comment on the aspects discussed below. In autumn 2017, the Ministry of Transport and Communications will also request the municipalities and regions on the regional rail transport paths to contribute their views of developing rail transport in the region and their preferences concerning such aspects as the service level and timetable structure. The tendering strategy will be specified based on dialogue with the market and the comments received.

The purpose of the competition concerning Southern Finland regional rail transport is to ensure that the passengers are offered punctual and reliable rail services which are organised cost-effectively and responding to customer needs. The simplicity and clarity of service provision as well as the punctuality and reliability of the operation are elements to which attention will be paid in the competition. Its goals also include promoting cooperation between Southern Finland regional rail services and other modes of transport as well as guaranteeing continued ticketing cooperation with Helsinki Region Transport.

More precise procurement criteria will be specified as the preparatory work progresses. The procurement criteria will include the following among other things:

- Selection criteria in the competition
- Pre-qualification procedure and requirements
- Contract-specific service level requirements (for example, number of departures, timetables and stops)
- Detailed sharing of risks between the contracting authority and the operator
- Contractual responsibilities, penalties and bonuses
- Questions related to the leasing, use and maintenance of rolling stock
- Collective agreements and other social requirements
- General terms and conditions applicable to ticket and travel information systems

11.2 Contract model

The Finnish Government made a decision to open passenger rail transport to competition based on a concession contract model. In directive 2014/23/EU¹⁶ on the award of concession contracts, a concession contract is defined as a contract for pecuniary interest concluded in writing by means of which a contracting authority entrusts the provision and the management of services other than the execution of a works concession to one or more economic operators, the consideration of which consists either solely in the right to exploit the services that are the subject of the contract or in that right together with pay.

The award of a services concession involves the transfer to the concessionaire of an operating risk in exploiting those services encompassing demand or supply risk or both. The concessionaire shall be deemed to assume operating risk where, under normal operating conditions, it is not guaranteed to recoup the investments made or the costs incurred in operating the works or the services which are the subject-matter of the concession.

The part of the risk transferred to the concessionaire shall involve real exposure to the vagaries of the market. The absolute amount of the risk is not relevant to the definition of a concession contract, and the risk may also originally be small. The risk may be either a demand risk or a supply risk. Demand risk is to be understood as the risk on actual demand for the services which are the object of the contract. Supply risk is to be understood as the risk on the provision of the works or services which are the object of the contract, in particular the risk that the provision of the services will not match demand.¹⁷ The operating risk may be limited by also agreeing upon partial payment.¹⁸

In a concession contract, the operator carries the risk related to both the revenue and expenditure on their operation. This contract model is also known as a net cost contract model.¹⁹ In its basic form, it contains a pre-determined State aid amount or a charge paid by the train operator, depending on whether the section is operated on commercial terms or whether State aid is required to ensure viability. In a net cost contract, the rail operator's revenue usually is the total of the revenue from ticket sales and any State aid.

The tender competition for Southern Finland regional rail transport is to be based on the net cost contract model, however with a precisely defined risk-sharing model between the contracting authority (Ministry of Transport and Communications) and the operator. The goal is that the operator will develop traffic in the region and carry some of the turnover risk. At the same time, however, it is important to make sure that the risks inherent in the operation can be controlled. Southern Finland regional rail transport comprises purchased services and

¹⁶ Directive 2014/23/EU on the award of concession contracts, Article 5, sub-paragraph 1b.

¹⁷ Directive 2014/23/EU on the award of concession contracts, paragraph 20 of the preamble.

¹⁸ While this is a concession contract, the Directive on the award of concession contracts will not be applied to this procedure, since it concerns passenger transport subject to a public service obligation, to which the Public Service Contract Regulation (1370/2007) is applied.

¹⁹ A concession contract also differs from a traditional service procurement contract in that in a procurement contract, the operator receives the only payment directly from the authority. In a procurement contract, the state carries the risk related to the revenue from ticket sales, and the operator's profits will be the difference between the payment received and the expenditure on the operation. Similarly to net cost contracts, this contract type may also include bonus/penalty schemes (related to, for example, punctuality, reliability, cleanliness, or safety). As the operator does not have a risk related to cumulating revenue from ticket sales, their risk is fully related to the costs. This type of procurement contract is not considered a concession contract, as the operator does not carry a demand and supply risk.

traffic subject to the public service obligation, and consequently, particular attention will be paid to risk-sharing in the tender documents.

The actors are invited to express their views, especially of which risks in Southern Finland regional rail transport should be carried by the operator and which by the contracting authority. The actors are also invited to give their views of how turnover risks should be shared between the operator and the contracting authority.

The plan is that the concession contract for the package put out to tender will also include incentive and penalty models. These incentives and penalties would be clearly measurable and related to issues within the operator's control. Examples of these are incentives related to service quality, such as punctuality and reliability. Other possible incentives could also be introduced, for example regarding customer satisfaction. Potential penalties can also be addressed in the contract. The actors are invited to give their views of how the incentive and penalty models could be most appropriately managed.

11.3 Contract term and service level requirements

The proposed term of the contract on Southern Finland regional rail transport is about ten years, with the possibility of extending it, for example by two years. This would make the contract construction viable for the operators, as it would be long enough to put the operation on a permanent footing. The operator would also have an incentive to develop their business and increase traffic volumes, as the contract is not excessively short and the possibility of extending it works as an additional incentive. On the other hand, however, overly long contracts may have a negative impact on service quality and efficiency.

In the selected model, requirements related to timetables, departures and stops and, more generally, the service level will be set. The requirements concerning the number of departures are likely to be similar than in the existing traffic. Due to a shortage of track capacity on the section between Helsinki and Kerava, train timetables and departures must be pre-defined at a certain level of accuracy to ensure smooth operation in this area, however without forgetting sufficient flexibility that allows the operations to be developed.

11.4 Ticket sales and journey planning services

In the Southern Finland regional rail transport package to be put out to tender, the operator would be responsible for organising ticket sales and travel information services. The Act on Transport Services and the Rail Passengers' Rights Regulation lay down general requirements and preconditions for organising ticket and travel information services.

If necessary, more detailed preconditions and requirements for ticket sales and travel information services may also be defined in the conditions of the tender competition. However, the idea is to grant the operator as much freedom of choice as possible regarding the manner in which they will organise the provision of these services.

The most important provisions on ticket sales in the Rail Passengers' Rights Regulation are found in Article 9 on the obligation of railway undertakings and ticket vendors to offer tickets, where available, and accept reservations. Under the regulation, railway undertakings shall additionally distribute tickets for services provided under public service contracts via at least one of the following points of sale:

- a) ticket offices or selling machines;
- b) on board trains.

However, concerning the Rail Passengers' Rights Regulation, it should be noted that the Commission has proposed changes to the current Regulation. Changes are proposed also to Article 9 mentioned above.

The Finnish Act on Transport Services also contains separate provisions on how aspects of ticket sales shall be taken into consideration in public procurements. For a more detailed description of the requirements under the Act on Transport Services, see section 4.4 of this report.

In addition to what was stated above, having tickets readily available and avoiding a situation where ticket availability becomes a barrier to travel will be an essential factor in the competition. The contracting authority may additionally require that the operator also sees to the easy availability of tickets for the needs of different user groups; particular attention should be paid to commuting in the context of Southern Finland regional rail transport. Information on ticket prices should be provided transparently, and passengers should have easy access to it. Providing for easy methods of purchasing tickets, for example via the Internet and mobile applications, is recommended. These ticket and travel information services should naturally meet the requirements under the Act on Transport Services. The operators should also enable the creation of multi-modal travel chains and solutions that support integrated multimodal travel.

The actors are invited to contribute their views of for how ticket and travel information services could be appropriately organised that are user-friendly, yet cost effective and compliant with the legislation.

In this context, the operators should also note that in some of the Southern Finland regional rail transport area, commuter train traffic organised by Helsinki Regional Transport will also operate. HRT tickets are currently also accepted on Southern Finland regional rail transport trains to the extent that the trains operate within the HRT's area. The ticket cooperation also works the other way, and tickets for Southern Finland regional rail transport are also accepted on HRT trains. The operators are required to continue this cooperation, and they must thus see to ticket cooperation with HRT. The regional trains also feed passengers to VR's current long-distance services, which are profitable on commercial terms, and ticketing cooperation will also be needed between these transport sectors.

11.5 Rolling stock

The rolling stock company will lease rolling stock needed for operating Southern Finland regional rail transport to the operator at a reasonable price. The operator must obtain the rolling stock used in Southern Finland regional rail transport on lease from the rolling stock company. However, the operator may also use other rolling stock in addition to the leased one f.e. to increase the service level. Furthermore, the purpose is that the rolling stock company prepares for and takes into account increased passengers numbers and additional traffic in its investments.

Sm2 and Sm4 trains are currently being used in Southern Finland regional rail transport. For a more detailed description of the rolling stock used in the current operation, see section 7.2 above.

Of the current rolling stock used in Southern Finland regional rail transport, the Sm2 trains (manufactured in 1975 – 1981) will need to be replaced during the contract period, as they will reach the end of their service life in the next few years. At the moment, 50 Sm2 trains are being used in Southern Finland regional rail transport.

The first task of the rolling stock company will thus be to establish, together with the operators and other stakeholders, what type of new rolling stock the company should procure to replace the Sm2 trains in Southern Finland regional rail transport. More detailed information on the new rolling stock to be procured will be available in the course of further preparative work.

11.6 Maintenance arrangements

In contractual arrangements for passenger services, light and heavy-duty maintenance of the rolling stock are usually itemised. Light maintenance refers to daily and continuous maintenance of the rolling stock that keeps it in a good operating condition. Light maintenance thus covers daily cleaning and normal fault repairs as well as periodic services. Under the concession contract arrangements for Southern Finland regional rail transport, light maintenance will be carried out by the railway undertaking responsible for operating the rolling stock. It may also outsource this service.

Heavy-duty maintenance refers to more time-consuming service and investment measures performed on the rolling stock to ensure that the rolling stock remains in the condition it was at the time of being leased to the undertaking by the rolling stock company.

There are three main options for arranging the heavy-duty maintenance. In the first option, heavy-duty maintenance is the responsibility of the rolling stock company. In the second option, the railway undertaking also assumes responsibility for heavy-duty maintenance, and the rolling stock company issues a maintenance programme which the undertakings must follow during the contract period, ensuring that the more demanding repair and service measures itemised in the maintenance programme are carried out. The third option is that the operator assumes responsibility for the heavy maintenance of new rolling stock, whereas the rolling stock company sees to the maintenance of the old rolling stock, as this is usually more challenging.

The stakeholders are invited to contribute their views of how they consider that the heavy maintenance, and maintenance operations as a whole, could be most appropriately organised in Southern Finland regional rail transport.

Regardless of the model to be selected, it is vital that the rolling stock leased to the railway undertakings by the rolling stock company will be looked after well and that the maintenance measures will be scheduled evenly over the entire contract period. Heavy maintenance measures, in particular, are usually carried out at depots and workshops. Seeing to the maintenance of the rolling stock throughout its service life is essential.

11.7 Personnel

The Public Service Contract Regulation addresses the possibility that concluding a public service contract may entail a change of public service operator. In this case, any terms and conditions of personnel transfers must be specified in advance. The competent authorities may oblige the selected public transport operators to apply the provisions of Council

Directive 2001/23/EC of 12 March 2001 on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses.²⁰

Under Article 4 of the Public Service Contract Regulation, without prejudice to national and Community law, including collective agreements between social partners, competent authorities may require the selected public service operator to grant staff previously taken on to provide services the rights to which they would have been entitled if there had been a transfer within the meaning of Directive 2001/23/EC. Where competent authorities require public service operators to comply with certain social standards, tender documents and public service contracts shall list the staff concerned and give transparent details of their contractual rights and the conditions under which employees are deemed to be linked to the services.

The working groups appointed by the Ministry of Transport and Communications are considering solutions related to the status of the personnel. Representatives of VR's personnel organisations are participating in this work. More detailed and specific decisions will be made as the preparation work progresses.

11.8 Tendering process and schedule

The Ministry of Transport and Communications published the prior information referred to in the Public Service Contract Regulation on 19 August 2017 (notification no 327810-2017). The actual tendering process can be initiated one year after this notification was published, in autumn 2018. Before this, the tendering process will be prepared by the Ministry and the appointed working group, and market dialogue with operators and stakeholders will take place.

Once a year has elapsed from the publication of the prior information, the next step will be publishing a contract notice referred to in Part III, Chapter 3, section 2 of the Act on Transport Services. The target is that the contract notice will be published one year after the waiting period elapses in August 2018. The contract notice will describe the procurement in greater detail and indicate the contract model to be used and the criteria the operators must fulfil to take part in the competition.

A preliminary selection process will be organised in autumn 2018, based on which participants will be selected for a negotiated procedure. Information about the preliminary selection process will be given as the process continues.

After the publication of the contract notice, negotiations with the selected operators will take place, with an attempt to achieve an invitation to tender that meets the contracting authority's requirements and on the basis of which the operators can submit their tenders. A decision on the manner in which the negotiation phase will be carried out will be made as the preparative work progresses, but its purpose will be to achieve an invitation to tender and a contract model that are as detailed as possible.

The negotiation phase would take place between January 2019 and June 2019. The contract to be concluded and its terms and conditions would also be discussed during the negotiations, and consequently, no separate contract negotiations will be organised after the

²⁰ Preamble of the Public Service Contract Regulation, paragraph (16).

final tenders have been submitted, as the contract terms will already have been agreed upon during the negotiation phase and before the tenders are submitted and the contract award decision made.

The invitation to tender is to be published in May–June 2019. The final tenders should be submitted by June 2020. Tender comparison and selection would take place in late 2020, and the contract would be signed no later than spring 2021. The intention is that operation would start in June 2022.

The rules laid down in Part III, Chapter 3 of the Act on Transport Services and the rules of the Public Procurement Act to which these provisions refer will apply to the selection of tenderers, negotiations, tender selection and the contract award decision.

The proposed schedule for the tendering process on Southern Finland regional rail transport is set out below:

2017		2018	
August–October 2017 Prior information (EU), call of interest	September 2017–August 2018 Market dialogue, preliminary information requests, preparation of contract notice	August 2018 Contract notice	September 2018–December 2018 Requests to participate and selection of tenderers for negotiations

2019		2020		2021
January–June 2019 Negotiation phase and preparation of the invitation to tender	May–June 2019 Invitation to tender	June 2020 Submission of final tenders	June–December 2020 Tender comparison and selection	January 2021–June 2022 Dealing with any complaints, finishing touches and signing of the operation contract and preparation of operation

Table 5. Estimated schedule for the tendering process for Southern Finland regional rail transport.

11.9 Summary

Preliminary competitive tendering model for Southern Finland regional rail transport

- Competition based on the net cost model: the operator carries the turnover risk, however with carefully defined risk-sharing between the contracting authority and the operator
- An incentive and penalty scheme will be embedded in the contract
- Pre-determined service level requirements will be specified at certain level (related to timetables, stops and number of departures, especially between Helsinki and Kerava), with the objective of also providing sufficient flexibility that will allow operational development
- The operator will be in charge of implementing a ticket and travel information system.
- A ten-year contract with an option for an additional two-year period
- The operator must obtain the rolling stock on lease from the rolling stock company, but they may also use their own additional rolling stock
- The operator will be responsible for light maintenance. The sharing of responsibilities for heavy-duty maintenance will be determined as the preparative work progresses.
- The contract notice will be published in August 2018 and the invitation to tender in May–June 2019, and the procurement criteria will be specified as the preparative work progresses
- Operation will start in June 2022

Table 6. Summary of key policy proposals.

The stakeholders are invited to comment on the proposed competition model and contribute their views of, for instance, the following aspects:

- Risk-sharing between the contracting authority and the operator as well as incentive and penalty models,
- Sharing of responsibilities for heavy-duty maintenance,
- Need to use the rolling stock owned by the operator,
- Implementation of ticket and travel information systems and the relevant requirements,
- Schedules and procurement criteria of the contract,
- Information and data needs related to operation and the tender process.

APPENDIX Information on the current status of operation and the area concerned

Line-specific information on current supply

- Supply in autumn 2017
- Includes departures that are currently part of both purchased services and traffic subject to public service obligation
- The given number of departures is the daily total that contains traffic in both directions

Helsinki–Riihimäki

(purchased services and traffic subject to the public service obligation)



LINES	Stops
<ul style="list-style-type: none"> R train 	Helsinki, Pasila, Tikkurila, Kerava, Ainola, Järvenpää, Saunakallio, Jokela, Hyvinkää and Riihimäki
<ul style="list-style-type: none"> T trains 	All stations between Helsinki and Riihimäki
<ul style="list-style-type: none"> Peak time additional train D 	Helsinki, Pasila, Tikkurila, Kerava, Järvenpää, Hyvinkää and Riihimäki

DEPARTURES (in total)

Line	Weekdays	Saturdays	Sundays
R	76	68	64
T	3	7	7
D	6	0	0

ROLLING STOCK

<ul style="list-style-type: none"> Mainly Sm4 trains are used at the moment
<ul style="list-style-type: none"> As a rule, the train length is two Sm4 units in off-peak times and three or four Sm4 units in peak times
<ul style="list-style-type: none"> In peak times, three additional departures are operated with Sm2 rolling stock in the direction of high demand (train length four units)
<ul style="list-style-type: none"> The T-trains used at night are operated with both Sm2 and Sm4 rolling stock

TRACK AND TRAFFIC

Length, km	71
Travel time, minutes	
<ul style="list-style-type: none"> R trains 	53
<ul style="list-style-type: none"> D trains 	59
<ul style="list-style-type: none"> T trains 	73
Train kilometres (purchased services+public service obligation) (source: VR)	
<ul style="list-style-type: none"> 2015 	2,029,000
<ul style="list-style-type: none"> 2016 	2,017,000
Seat kilometres (purchased services+public service obligation) (source: VR)	
<ul style="list-style-type: none"> 2015 	785,053,000
<ul style="list-style-type: none"> 2016 	914,625,000
Number of journeys (purchased services+public service obligation) (source: VR)	
<ul style="list-style-type: none"> 2015 	5,267,000
<ul style="list-style-type: none"> 2016 	5,399,000
Passenger kilometres (purchased services+public service obligation) (source: VR)	
<ul style="list-style-type: none"> 2015 	214,809,000
<ul style="list-style-type: none"> 2016 	219,715,000

MUNICIPALITIES AND STATIONS IN THE RELEVANT AREA

HELSINKI	
<ul style="list-style-type: none"> • Population in 2016 	635,181 - average growth over the last 5 years 1.3% a year
<ul style="list-style-type: none"> • Jobs in 2014 	379,250
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	100%
<ul style="list-style-type: none"> • Stations in use in the region <ul style="list-style-type: none"> ○ R and D trains ○ T trains 	Stop at the Central railway station and Pasila Also stop at Käpylä, Oulunkylä, Pukinmäki, Malmi, Tapanila and Puistola
Information about the stations	
<ul style="list-style-type: none"> • Pasila <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	3.1
<ul style="list-style-type: none"> • Käpylä <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	5.6
<ul style="list-style-type: none"> • Oulunkylä <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	7.3
<ul style="list-style-type: none"> • Pukinmäki <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	9.4
<ul style="list-style-type: none"> • Malmi <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	10.8
<ul style="list-style-type: none"> • Tapanila <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	12.6
<ul style="list-style-type: none"> • Puistola <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	14.4
VANTAA	
<ul style="list-style-type: none"> • Population in 2016 	219,341 - average growth over the last 5 years 1.6% a year
<ul style="list-style-type: none"> • Jobs in 2014 	107,332
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	99.7%
<ul style="list-style-type: none"> • Stations in use in the region <ul style="list-style-type: none"> ○ R and D trains ○ T trains 	Stop at Tikkurila Also stop at Hiekkaharju, Koivukylä, Rekola and Korso
Information about the stations	
<ul style="list-style-type: none"> • Tikkurila <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	15.8

<ul style="list-style-type: none"> • Hiekkaharju (Station in Jokiniemi district) <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	17.2
<ul style="list-style-type: none"> • Koivukylä <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	19.5
<ul style="list-style-type: none"> • Rekola <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	20
<ul style="list-style-type: none"> • Korso <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	22

KERAVA	
<ul style="list-style-type: none"> • Population in 2016 	35,511 - average growth over the last 5 years 0.5% a year
<ul style="list-style-type: none"> • Jobs in 2014 	12,076
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	99.8%
<ul style="list-style-type: none"> • Stations in use in the region <ul style="list-style-type: none"> ○ R and D trains ○ T trains 	Stop at Kerava station Also stop at Savio station
Information about the stations	
<ul style="list-style-type: none"> • Savio <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	26
<ul style="list-style-type: none"> • Kerava station (in city centre) <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	29

JÄRVENPÄÄ	
<ul style="list-style-type: none"> • Population in 2016 	41,529 - average growth over the last 5 years 1.3% a year
<ul style="list-style-type: none"> • Jobs in 2014 	11,912
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	99.9%
<ul style="list-style-type: none"> • Stations in use in the region <ul style="list-style-type: none"> ○ D trains ○ R and T trains 	Stop at Järvenpää Also stop at Ainola and Saunakallio
Information about the stations	
<ul style="list-style-type: none"> • Ainola (located in Kyrölä district) <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	35
<ul style="list-style-type: none"> • Järvenpää station (in city centre) <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	

	36
<ul style="list-style-type: none"> • Saunakallio <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	39

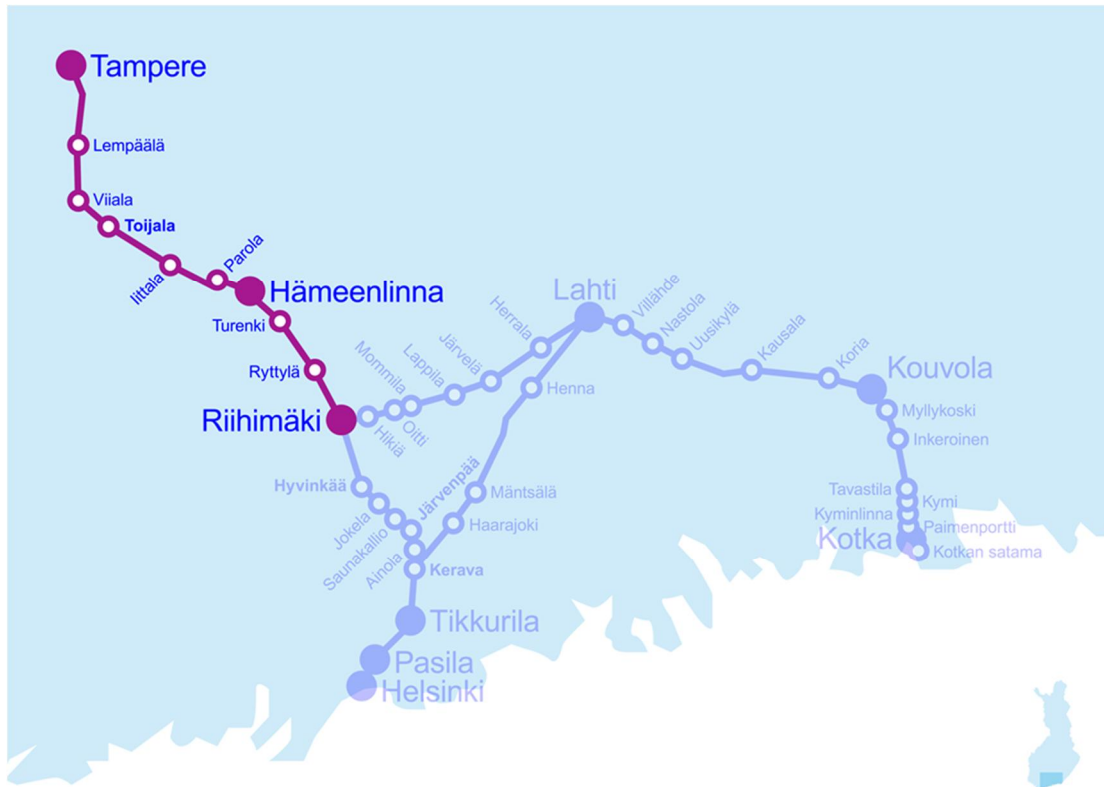
TUUSULA	
<ul style="list-style-type: none"> • Population in 2016 	38,588 - average growth over the last 5 years 0.5% a year
<ul style="list-style-type: none"> • Jobs in 2014 	13,898
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	94.8%
<ul style="list-style-type: none"> • Stations in use in the region <ul style="list-style-type: none"> ○ R and T trains 	Stop at Jokela
Information about the stations	
<ul style="list-style-type: none"> • Jokela <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	48

HYVINKÄÄ	
<ul style="list-style-type: none"> • Population in 2016 	46,596 - average growth over the last 5 years 0.5% a year
<ul style="list-style-type: none"> • Jobs in 2014 	18,906
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	93.9%
<ul style="list-style-type: none"> • Stations in use in the region 	All trains stop at Hyvinkää station
Information about the stations	
<ul style="list-style-type: none"> • Hyvinkää railway station <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	59

RIIHIMÄKI	
<ul style="list-style-type: none"> • Population in 2016 	29,160 - average growth over the last 5 years 0.1% a year
<ul style="list-style-type: none"> • Jobs in 2014 	11,295
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	97.3%
<ul style="list-style-type: none"> • Stations in use in the region 	All trains stop at Riihimäki station
Information about the stations	
<ul style="list-style-type: none"> • Riihimäki station <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	71

Riihimäki–Hämeenlinna–Tampere

(purchased services and traffic subject to the public service obligation)



LINES	Stops
<ul style="list-style-type: none"> R train 	Riihimäki, Ryttylä, Turenki, Hämeenlinna, Parola, littäla, Toijala, Viiala, Lempäälä and Tampere

DEPARTURES (in total)

Line	Weekdays	Saturdays	Sundays
R	20	14	12

ROLLING STOCK

<ul style="list-style-type: none"> Mainly Sm4 trains
<ul style="list-style-type: none"> As a rule, the train length is one Sm4 unit in off-peak times, and two Sm4 units in peak times in individual trains
<ul style="list-style-type: none"> The same rolling stock is used for traffic between Helsinki and Riihimäki and between Riihimäki and Tampere

TRACKS AND TRAFFIC

Length, km	116
Travel time, minutes <ul style="list-style-type: none"> Regional trains 	68-76
Train kilometres (purchased services+public service obligation) (source: VR) <ul style="list-style-type: none"> 2015 2016 	563,000 572,000
Seat kilometres (purchased services+public service obligation) (source: VR) <ul style="list-style-type: none"> 2015 2016 	108,046,000 119,038,000
Number of journeys (purchased services+public service obligation) (source: VR) <ul style="list-style-type: none"> 2015 2016 	577,000 478,000
Passenger kilometres (purchased services+public service obligation) (source: VR) <ul style="list-style-type: none"> 2015 2016 	24,079,000 31,118,000

MUNICIPALITIES AND STATIONS IN THE RELEVANT AREA

RIIHIMÄKI	
<ul style="list-style-type: none"> Population in 2016 	29,160 - average growth over the last 5 years 0.1% a year
<ul style="list-style-type: none"> Jobs in 2014 	11,295
<ul style="list-style-type: none"> Degree of urbanisation, 2015 	97.3%
<ul style="list-style-type: none"> Stations in use in the region 	All trains stop at Riihimäki station
Information about the stations	
<ul style="list-style-type: none"> Riihimäki station <ul style="list-style-type: none"> Distance from Helsinki Central station, km 	71

HAUSJÄRVI	
<ul style="list-style-type: none"> Population in 2016 	8,641 - over the last 5 years, declined by an average of 0.4% a year
<ul style="list-style-type: none"> Jobs in 2014 	2,201
<ul style="list-style-type: none"> Degree of urbanisation, 2015 	64.5%
<ul style="list-style-type: none"> Stations in use in the region 	All trains stop at Riihimäki station
Information about the stations	
<ul style="list-style-type: none"> Ryttylä station <ul style="list-style-type: none"> Distance from Hki Central station, km 	80

JANAKKALA	
<ul style="list-style-type: none"> Population in 2016 	16,709 - over the last 5 years, declined by an average of 0.3% a year
<ul style="list-style-type: none"> Jobs in 2014 	5,269
<ul style="list-style-type: none"> Degree of urbanisation, 2015 	77.0%
Information about the stations	
<ul style="list-style-type: none"> Turenki station <ul style="list-style-type: none"> Distance from Helsinki Central station, km 	93

HÄMEENLINNA	
<ul style="list-style-type: none"> Population in 2016 	67,850 - no change in the population over the last 5 years
<ul style="list-style-type: none"> Jobs in 2014 	29,088
<ul style="list-style-type: none"> Degree of urbanisation, 2015 	87.5%
Information about the stations	
<ul style="list-style-type: none"> Hämeenlinna station <ul style="list-style-type: none"> Distance from Helsinki Central station, km 	107

HATTULA	
<ul style="list-style-type: none"> Population in 2016 	9,682 - average growth over the last 5 years 0.2% a year
<ul style="list-style-type: none"> Jobs in 2014 	2,656
<ul style="list-style-type: none"> Degree of urbanisation, 2015 	77.0%
Information about the stations	
<ul style="list-style-type: none"> Parola station <ul style="list-style-type: none"> Distance from Helsinki Central station, km 	116

AKAA	
<ul style="list-style-type: none"> Population in 2016 	16,923 - over the last 5 years, declined by an average of 0.2% a year
<ul style="list-style-type: none"> Jobs in 2014 	4,690
<ul style="list-style-type: none"> Degree of urbanisation, 2015 	88.4%
Information about the stations	
<ul style="list-style-type: none"> Toijala station <ul style="list-style-type: none"> Distance from Helsinki Central station, km 	147
<ul style="list-style-type: none"> Viiiala station <ul style="list-style-type: none"> Distance from Helsinki Central station, km 	154

LEMPÄÄLÄ	
<ul style="list-style-type: none"> • Population in 2016 	22,745 - average growth over the last 5 years 1.7% a year
<ul style="list-style-type: none"> • Jobs in 2014 	6,547
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	88.6%
Information about the stations	
<ul style="list-style-type: none"> • Lempäälä station <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	166

TAMPERE	
<ul style="list-style-type: none"> • Population in 2016 	228,274 - average growth over the last 5 years 1.2% a year
<ul style="list-style-type: none"> • Jobs in 2014 	116,525
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	98.6%
Information about the stations	
<ul style="list-style-type: none"> • Tampere station <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	187

Helsinki–Lahti

(purchased services and traffic subject to the public service obligation)



LINES	Stops
<ul style="list-style-type: none"> Z trains 	Helsinki, Pasila, Tikkurila, Kerava, Haarajoki, Mäntsälä and Lahti

DEPARTURES (in total)

Line	Weekdays	Saturdays	Sundays
Z	36	35	35

ROLLING STOCK

<ul style="list-style-type: none"> Sm4 trains
<ul style="list-style-type: none"> As a rule, the train length is one Sm4 unit in off-peak times and two Sm4 units in peak times
<ul style="list-style-type: none"> In peak times, two additional departures are operated with Sm2 trains in the direction of the high demand (train length three units)

TRACKS AND TRAFFIC

Length, km	130
Travel time, minutes <ul style="list-style-type: none"> Regional trains 	61-70
Train kilometres (purchased services+public service obligation) (source: VR) <ul style="list-style-type: none"> 2015 2016 	1,390,000 1,364,000
Seat kilometres (purchased services+public service obligation) (source: VR) <ul style="list-style-type: none"> 2015 2016 	405,002,000 395,459,000
Number of journeys (purchased services+public service obligation) (source: VR) <ul style="list-style-type: none"> 2015 2016 	1,242,000 1,180,000
Passenger kilometres (purchased services+public service obligation) (source: VR) <ul style="list-style-type: none"> 2015 2016 	97,205,000 89,778,000

MUNICIPALITIES AND STATIONS IN THE RELEVANT AREA

HELSINKI	
<ul style="list-style-type: none"> Population in 2016 	635,181 - - average growth over the last 5 years 1.3% a year
<ul style="list-style-type: none"> Jobs in 2014 	379,250
<ul style="list-style-type: none"> Degree of urbanisation, 2015 	100%
<ul style="list-style-type: none"> Stations in use in the region 	Z trains stop at the Central railway station and Pasila
Information about the stations	
<ul style="list-style-type: none"> Central railway station 	
<ul style="list-style-type: none"> Pasila <ul style="list-style-type: none"> Distance from Helsinki Central station, km 	3.1

VANTAA	
<ul style="list-style-type: none"> Population in 2016 	219,341 - average growth over the last 5 years 1.6% a year
<ul style="list-style-type: none"> Jobs in 2014 	107,332
<ul style="list-style-type: none"> Degree of urbanisation, 2015 	99.7%
<ul style="list-style-type: none"> Stations in use in the region 	Z trains stop at Tikkurila

Information about the stations	
<ul style="list-style-type: none"> • Tikkurila <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	15.8

KERAVA	
<ul style="list-style-type: none"> • Population in 2016 	35,511 - average growth over the last 5 years 0.5% a year
<ul style="list-style-type: none"> • Jobs in 2014 	12,076
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	99.8%
<ul style="list-style-type: none"> • Stations in use in the region 	Z trains stop at Kerava station
Information about the stations	
<ul style="list-style-type: none"> • Kerava station (in city centre) <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	29

JÄRVENPÄÄ	
<ul style="list-style-type: none"> • Population in 2016 	41,529 - average growth over the last 5 years 1.3% a year
<ul style="list-style-type: none"> • Jobs in 2014 	11,912
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	99.9%
<ul style="list-style-type: none"> • Stations in use in the region 	Z trains stop at Haarajoki station
Information about the stations	
<ul style="list-style-type: none"> • Haarajoki <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	39

MÄNTSÄLÄ	
<ul style="list-style-type: none"> • Population in 2016 	20,853 - average growth over the last 5 years 0.7% a year
<ul style="list-style-type: none"> • Jobs in 2014 	5,956
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	71.7%
Information about the stations	
<ul style="list-style-type: none"> • Mäntsälä station <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	59

LAHTI	
<ul style="list-style-type: none"> • Population in 2016 	119,452 - average growth over the last 5 years 0.4% a year
<ul style="list-style-type: none"> • Jobs in 2014 	50,138
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	97.4%
Information about the stations	
<ul style="list-style-type: none"> • Lahti station <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	130

ORIMATTILA	
<ul style="list-style-type: none"> • Population in 2016 	16,279 - over the last 5 years, declined by an average of 0.1% a year
<ul style="list-style-type: none"> • Jobs in 2014 	4,557
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	66.4%
Information about the stations	
<ul style="list-style-type: none"> • Henna stop <ul style="list-style-type: none"> ○ To be commissioned at the end of 2017 	

Riihimäki – Lahti

(traffic subject to the public service obligation)



LINES	Stops
<ul style="list-style-type: none"> G trains 	Lahti, Herrala, Järvelä, Lappila, Mommila, Oitti, Hikiä and Riihimäki

DEPARTURES

Line	Weekdays	Saturdays	Sundays
G	32	32	28

ROLLING STOCK

<ul style="list-style-type: none"> Sm2
<ul style="list-style-type: none"> Train length one Sm2 unit

TRACKS AND TRAFFIC

Length, km	59
Travel time, minutes	40
<ul style="list-style-type: none"> Regional trains 	
Train kilometres (purchased services+public service obligation) (source: VR)	
<ul style="list-style-type: none"> 2015 	758,000
<ul style="list-style-type: none"> 2016 	459,000

Seat kilometres (purchased services+public service obligation) (source: VR)	
<ul style="list-style-type: none"> • 2015 • 2016 	<p>145,840,000</p> <p>90,468,000</p>
Number of journeys (purchased services+public service obligation) (source: VR)	
<ul style="list-style-type: none"> • 2015 • 2016 	<p>512,000</p> <p>408,000</p>
Passenger kilometres (purchased services+public service obligation) (source: VR)	
<ul style="list-style-type: none"> • 2015 • 2016 	<p>29,462,000</p> <p>23,219,000</p>

MUNICIPALITIES AND STATIONS IN THE RELEVANT AREA

LAHTI	
<ul style="list-style-type: none"> • Population in 2016 	<p>119,452</p> <p>- average growth over the last 5 years 0.4% a year</p>
<ul style="list-style-type: none"> • Jobs in 2014 	50,138
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	97.4%
Information about the stations	
<ul style="list-style-type: none"> • Lahti station <ul style="list-style-type: none"> ○ Distance from Central station, km 	130

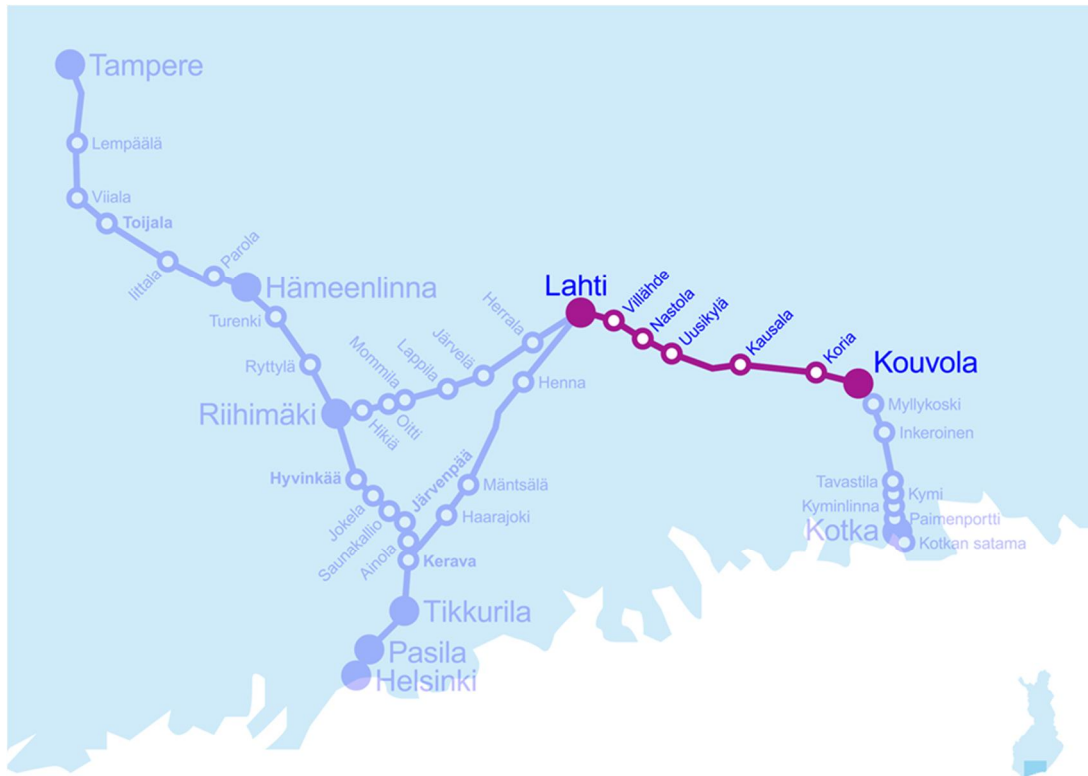
HOLLOLA	
<ul style="list-style-type: none"> • Population in 2016 	<p>23,791</p> <p>- over the last 5 years, declined by an average of 0.3% a year</p>
<ul style="list-style-type: none"> • Jobs in 2014 	6,184
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	78.4%
Information about the stations	
<ul style="list-style-type: none"> • Herrala station <ul style="list-style-type: none"> ○ Distance from Lahti station, km 	14

KÄRKÖLÄ	
<ul style="list-style-type: none"> • Population in 2016 	<p>4,540</p> <p>- average growth over the last 5 years 0.1% a year</p>
<ul style="list-style-type: none"> • Jobs in 2014 	1,760
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	66.8%
Information about the stations	
<ul style="list-style-type: none"> • Järvelä station <ul style="list-style-type: none"> ○ Distance from Lahti station, km 	27
<ul style="list-style-type: none"> • Lappila station 	

○ Distance from Lahti station, km	33
HAUSJÄRVI	
• Population in 2016	8,641 - over the last 5 years, declined by an average of 0.4% a year
• Jobs in 2014	2,201
• Degree of urbanisation, 2015	64.5%
Information about the stations	
• Mommila station ○ Distance from Helsinki Central station, km	39
• Oitti station ○ Distance from Helsinki Central station, km	43
• Hikiä station ○ Distance from Helsinki Central station, km	51

RIIHIMÄKI	
• Population in 2016	29,160 - average growth over the last 5 years 1.1% a year
• Jobs in 2014	11,295
• Degree of urbanisation, 2015	97.3%
Information about the stations	
• Riihimäki station ○ Distance from Central station, km	71

Lahti–Kouvola (purchased services)



DEPARTURES (purchased service departures)

Line	Weekdays	Saturdays	Sundays
Z	12	6	4

ROLLING STOCK

• Sm2
• Train length one Sm2 unit
• At peak times, two additional trains operate between Helsinki and Kouvola

TRACKS AND TRAFFIC

Length, km	61
Travel time, minutes	42-59
• Regional trains	
Train kilometres (purchased services+public service obligation) (source: VR)	258,000 254,000
• 2015	
• 2016	

Seat kilometres (purchased services+public service obligation) (source: VR) <ul style="list-style-type: none"> • 2015 • 2016 	95,911,000 83,535,000
Number of journeys (purchased services+public service obligation) (source: VR) <ul style="list-style-type: none"> • 2015 • 2016 	73,000 85,000
Passenger kilometres (purchased services+public service obligation) (source: VR) <ul style="list-style-type: none"> • 2015 • 2016 	3,026,000 3,656,000

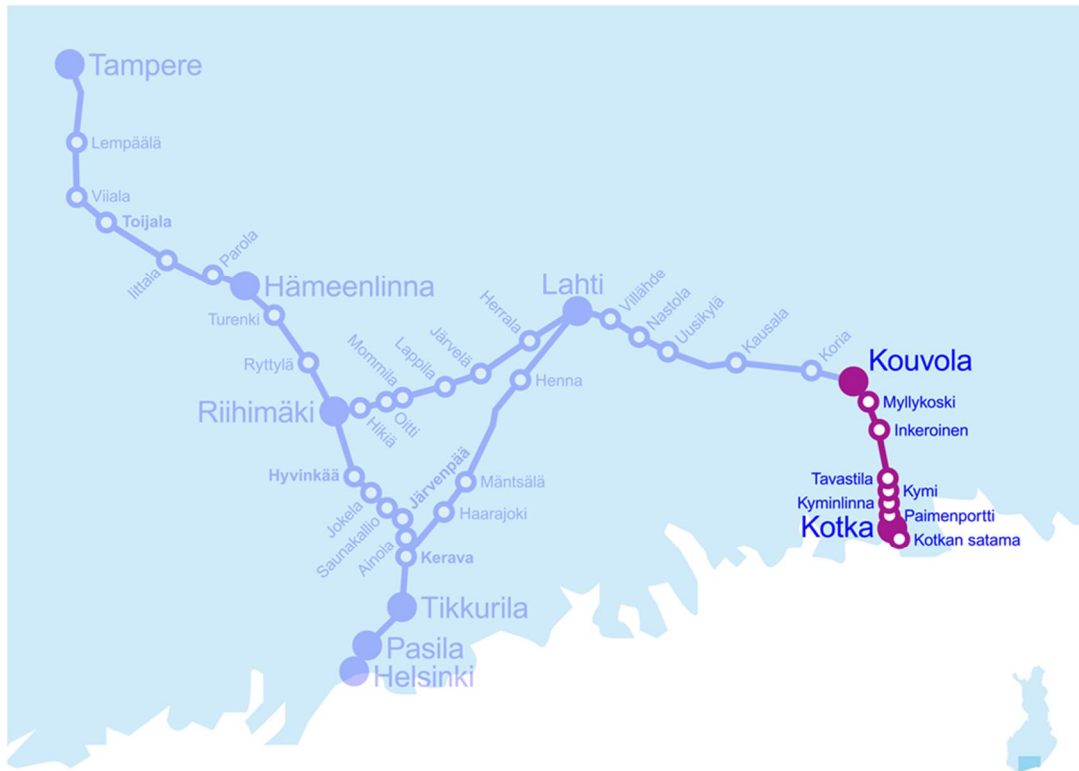
MUNICIPALITIES AND STATIONS IN THE RELEVANT AREA

LAHTI	
<ul style="list-style-type: none"> • Population in 2016 	119,452 - average growth over the last 5 years 0.4% a year
<ul style="list-style-type: none"> • Jobs in 2014 	50,138
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	97.4%
Information about the stations	
<ul style="list-style-type: none"> • Lahti station <ul style="list-style-type: none"> ○ Distance from Helsinki Central station, km 	130
<ul style="list-style-type: none"> • Villähde station <ul style="list-style-type: none"> ○ Distance from Lahti station, km 	10
<ul style="list-style-type: none"> • Nastola station <ul style="list-style-type: none"> ○ Distance from Lahti station, km 	16
<ul style="list-style-type: none"> • Uusikylä station <ul style="list-style-type: none"> ○ Distance from Lahti station, km 	21

<ul style="list-style-type: none"> • Population in 2016 	6,889 - over the last 5 years, declined by an average of 0.3% a year
<ul style="list-style-type: none"> • Jobs in 2014 	2,243
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	59.4%
Information about the stations	
<ul style="list-style-type: none"> • Kausala station <ul style="list-style-type: none"> ○ Distance from Lahti station, km 	39

KOUVOLA	
<ul style="list-style-type: none"> • Population in 2016 	85,306 - over the last 5 years, declined by an average of 0.5% a year
<ul style="list-style-type: none"> • Jobs in 2014 	32,005
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	85.7%
Information about the stations	
<ul style="list-style-type: none"> • Koria station <ul style="list-style-type: none"> ○ Distance from Kouvola station, km 	6
<ul style="list-style-type: none"> • Kouvola station <ul style="list-style-type: none"> ○ Distance from Lahti station, km 	61

Kouvola–Kotka (purchased services)



DEPARTURES

Train	Weekdays	Saturdays	Sundays
Sm2	10	10	8

ROLLING STOCK

<ul style="list-style-type: none"> Sm2
<ul style="list-style-type: none"> Train length one Sm2 unit

TRACK AND TRAFFIC

Length, km	52
Travel time, minutes <ul style="list-style-type: none"> Regional trains 	42-49
Train kilometres (purchased services+public service obligation) (source: VR) <ul style="list-style-type: none"> 2015 2016 	216,000 191,000

Seat kilometres (purchased services+public service obligation) (source: VR)	
<ul style="list-style-type: none"> • 2015 • 2016 	<p>43,243,000</p> <p>38,137,000</p>
Number of journeys (purchased services+public service obligation) (source: VR)	
<ul style="list-style-type: none"> • 2015 • 2016 	<p>127,000</p> <p>107,000</p>
Passenger kilometres (purchased services+public service obligation) (source: VR)	
<ul style="list-style-type: none"> • 2015 • 2016 	<p>4,812,000</p> <p>4,538,000</p>

MUNICIPALITIES AND STATIONS IN THE RELEVANT AREA

KOUVOLA	
<ul style="list-style-type: none"> • Population in 2016 	<p>85,306</p> <p>- over the last 5 years, declined by an average of 0.5% a year</p>
<ul style="list-style-type: none"> • Jobs in 2014 	32,005
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	85.7%
Information about the stations	
<ul style="list-style-type: none"> • Kouvola station <ul style="list-style-type: none"> ○ Distance from Lahti station, km 	61
<ul style="list-style-type: none"> • Myllykoski station <ul style="list-style-type: none"> ○ Distance from Kouvola station, km 	12
<ul style="list-style-type: none"> • Inkeroinen station <ul style="list-style-type: none"> ○ Distance from Kouvola station, km 	21

KOTKA	
<ul style="list-style-type: none"> • Population in 2016 	<p>54,187</p> <p>- over the last 5 years, declined by an average of 0.2% a year</p>
<ul style="list-style-type: none"> • Jobs in 2014 	21,625
<ul style="list-style-type: none"> • Degree of urbanisation, 2015 	98.2%
Information about the stations	
<ul style="list-style-type: none"> • Tavastila stop <ul style="list-style-type: none"> ○ Distance from Kouvola station, km 	37
<ul style="list-style-type: none"> • Kymi station <ul style="list-style-type: none"> ○ Distance from Kouvola station, km 	46
<ul style="list-style-type: none"> • Kymnlinna stop 	

○ Distance from Kouvola station, km	46
• Paimenportti stop ○ Distance from Kouvola station, km	50
• Kotka station ○ Distance from Kouvola station, km	51
• Port of Kotka station ○ Distance from Kouvola station, km	52

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- The fifth report to the Council and the European Parliament on the monitoring of the development of European rail market (COM(2016) 780). Brussels 8 December 2016.

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- Annual number of victims by type of accident
- Modal split of passenger transport.

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- Finnish Railway Statistics 2016. Finnish Transport Agency statistics 9/2017.
- Public transport performance statistics 2015. Finnish Transport Agency statistics 6/2017.

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- Consumer price index