

## At A Glance

# European Transport Practice

### Overview

NERA's European Transport Practice supports major transport operators, investors, regulators, and policy makers on regulatory and competition economics, including economic litigation support, environmental and transport policy appraisal, state aid, financial modelling, transaction advice, and transfer pricing. We bring together the expertise of specialists in diverse locations—including London, Paris, and Berlin—working closely with a network of leading academics and industry experts.

### Key Areas of Expertise

#### **Economic Regulation, Privatisation, and Liberalisation**

NERA is a leading adviser on regulatory issues and strategy in transport markets undergoing liberalisation, regularly supporting both government bodies and potential investors on institutional reform and regulatory framework design. We also help infrastructure providers and users put together robust investment plans, pricing proposals, and traffic forecasts while assisting with challenges to opposing parties' proposals.

#### **Cost and Pricing Analysis**

NERA helps clients develop cost-reflective charging structures that encourage the efficient use of facilities and/or ensure cost recovery. We have been at the forefront in advising clients in the railway and other sectors on setting access charges using concepts such as Ramsey pricing and peak pricing. We also employ experts in cost-benefit analysis and survey design to assess whether there is a robust case for new investments.

#### **State Aid and Competition Economics**

NERA provides economic expertise and professional support to lawyers and their clients in all areas of competition work relevant to the transport sector,

including state aid and cartel investigations, as well as abuse of dominance cases and mergers, both before the European Commission and national agencies.

#### **Economic Support in Litigation and Arbitration Cases**

NERA provides economic analysis in litigation and arbitration cases in the transport sector, covering issues such as quantum of damages caused by service interruptions, data breaches (under GDPR), excessive pricing, and cartels. Our work covers cost and market modelling, including assessment of pass-on, traffic projections, discount rate analysis, econometrics, survey design, and expert testimony.

#### **Environmental Economics and Policy Appraisal**

NERA regularly advises clients on the potential impact of decarbonisation policies. Our work has covered the analysis of possible EU Emissions Trading System (ETS) expansion to the air and road transport sectors, the impact of biofuels on aviation, the impact of emissions trading on the shipping sector, and regional impact assessments related to issues such as airport expansion to hub status.

### Transaction Support, Modelling, and Forecasting

NERA regularly advises bidders on cost and revenue modelling, traffic forecasts, and regulatory risk assessment as part of due diligence assignments. NERA economists have also assessed cost escalation indices and modelled pricing strategies by simulating customer response to changes in price level and structure or using discrete choice models to estimate vehicle choice.

### Transfer Pricing

Transport is by its nature an international business. NERA regularly supports companies looking to expand their international offerings with transfer pricing issues, including valuation of management/support services, as well as IP (e.g., software and branding). We support our clients during the planning stages, during audits, and in litigation cases.

### Selected Clients

Autoroutes Paris-Rhin-Rhone, France  
Deutsche Bahn, Germany  
Dublin Airport Authority, Ireland  
F2i Aeroporti, Italy  
Heathrow Airport, UK  
Michelin, Global  
National Air Traffic Services, UK  
ÖBB (Austrian Federal Railways), Austria  
SNCF (French National Railway Company), France  
Several Investment Funds, Global  
Several Airlines, Global

### Selected Reference Projects

Extensive advice to airport stakeholders, including Heathrow Airport; Air France; Dublin Airport Authority (DAA); and the Hessian Ministry of Economics, Energy, Transport and Regional Development on a wide range of issues relating to the economic regulation of airport charges, including cost of capital, operating efficiency benchmarking, remuneration of capital expenditure, use of financial ratios, general regulatory framework design, and analysis.

Assistance to different rail infrastructure operators and users in major European countries, including on tariff design (e.g., direct costs, elasticity estimates, mark-ups, and incentives), EC investigations, cost analysis and modelling, regulatory representations and sensitivity analysis on track access, and station and traction electricity charges.

For the UK National Air Traffic Services (NATS): Various projects to advise on cost of capital, financeability, labour cost benchmarking, and other regulatory finance issues during the preparation for the RP3 price control starting in 2020, as well as ongoing demand forecasting.

For a number of European infrastructure providers and other players in the transport sector: Support during state aid investigations, litigations, and cartel damages proceedings, including analysis of the impact of alleged breaches on different rail, aviation, and road transport markets. Analysis included assessments of competitive effects, profitability, and damages occurrence including pass-on.

For Michelin: NERA analysed the economic impacts of a significant reduction in the tank-to-wheel CO2 emissions of the transportation sector in the EU, China, and the US under different scenarios and policy levers. NERA's proprietary general equilibrium model showed the variation in economic and employment impacts of different approaches.

For different financial investors: Regulatory and market due diligence in attempts to purchase stakes in airports, including Gatwick, Hamburg, Toulouse-Blagnac, UK rolling stock companies (ROSCOs), and other confidential transactions. Work included reviewing the regulatory framework, modelling the regulatory asset base, and adjusting the bidder's acquisition model.

### About NERA

NERA Economic Consulting ([www.nera.com](http://www.nera.com)) is a global firm of experts dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. For over half a century, NERA's economists have been creating strategies, studies, reports, expert testimony, and policy recommendations for government authorities and the world's leading law firms and corporations. With its main office in New York City, NERA serves clients from more than 25 offices across North America, Europe, and Asia Pacific.

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