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# Competition on the tracks – Passengers' response to deregulation of interregional rail services

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ABSTRACT

On the West Coast Line (WCL) in Sweden, *de facto* competition in interregional rail travel has been in effect since 2009. While the Öresund trains are subsidized by regional authorities, SJ runs interregional services on a commercial basis in parallel. How do passengers' valuations affect demand?

This paper presents the findings of a study conducted to examine the newly deregulated market for train journeys and travelers' preferences as regards two different train operators and several service levels. A stated choice study was conducted among existing train travelers, and a multinomial logit model structure was applied in the study to examine the benefits derived from choosing a specific train. The models are estimated on segments of the train travelers in order to investigate how the preferences differ among different categories of travelers. In addition, more questions were asked on the supply to provide better understanding of the effects.

The findings show that fares and short travel times are important factors for interregional passengers (more than 100 km) when they choose an operator on the WCL. Frequency of departures is also important but seems to be less significant when respondents are asked about suitable departure times. However, the importance of traveling time and comfort increases with longer journeys, which gives advantages for the commercial operator (SJ) over Öresund trains. Moreover, well-known SJ was ranked higher than Öresund trains by all passengers except a group of particularly price-sensitive travelers.

This case shows that operators together have achieved a better supply and a widened travel market for interregional journeys and also that segmentation has occurred between price-sensitive and time-sensitive passengers.

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## 1. Introduction

### 1.1. Background

#### 1.1.1. The West Coast Line (WCL)

The West Coast Line (WCL) between Gothenburg and Malmö (305 km) connects the second and third largest cities in Sweden with intermediate regions. Most trains also continue over the Öresund bridge to the Danish capital Copenhagen (a further 41 km; see Fig. 1).

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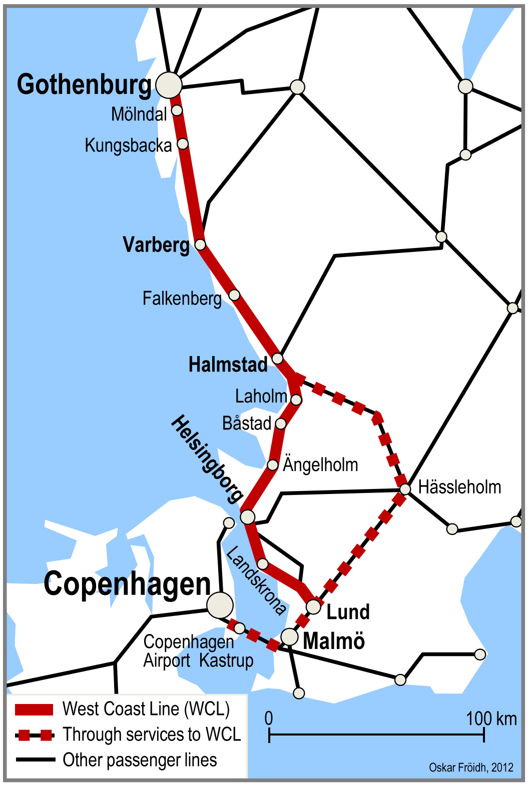


**Fig. 1.** The West Coast Line (WCL).

*1.1.2. Competition on the tracks in Sweden*

The commercial passenger operator SJ AB and three cooperating Public Transport Authorities (PTA), operating under the Öresund trains brand, have been running separate and competing train services on the WCL since January 2009. It is the first time in Sweden that interregional, competing train services have operated on the same tracks, with the exception of night trains. Prior to 2009, SJ ran the Öresund trains as an integrated part of their services as regards timetables, fares, and marketing on the WCL.

Following a government decision in 2007, the PTAs have trackage rights for through services for an eight-year trial period from January 1st 2009 until December 31st 2016. The trial is subject to certain conditions; for example, the services must be coordinated with other bus and train services in the regions and possible subsidies must be directed towards daily commuting so as not to undermine the commercial possibilities for non-subsidized operators. If the conditions are not fulfilled, the government can terminate the trial (Government decision, 2007).

A stepwise deregulation of all interregional passenger rail services in Sweden began in July 2009. This was legally completed in October 2010 but the full effects have yet to materialize (Alexandersson, 2010).

More rail competition Europe-wide will likely follow as a consequence of the Third Railway Package, declaring a market opening for international services (EU Directive 2007/58/EG) from 2010, and an intended general market opening also for domestic interregional services later on.

*1.1.3. Other examples*

Different models are available to deregulate, or open markets in, the rail sector. For passenger services, two principle models can be defined. Both assume a vertical separation of infrastructure and services, and a strong independent regulator, to achieve equal rights for operators;

(a) Competitive tendering leading to franchising of sole rights.
(b) Open access, competition on the tracks.

Model (a) is widely used for regional services in Sweden and many other countries, and is the general model in Great Britain. Model (b) is rarer for interregional passenger services, but there are some cases in for example Germany and Great Britain, as well as services in Austria and Italy (Nash, 2010; Nash et al., 2011; Alexandersson and Rigas, 2013).

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