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Open Access Passenger Rail Competition – Round Table Report

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On 11 November 2016, a round table on open access passenger rail competition took place at Masaryk University, Brno. The aim of the round table was to bring together experience with contemporary open access passenger rail competition on the main lines in Europe. Participants discussed what impact these entries had on market development. The discussants covered developments in fares, revenues, costs, market shares, frequencies, marketing strategies, and regulatory approaches. Comparisons of national case studies were intended to reveal whether there were any general lessons to be inferred from these entries. The round table participants were:

- Patricia Perennes (SNCF) – Overview
- Chris Nash (University of Leeds) – The case study of the UK
- Zdeněk Tomeš (Masaryk University) – The case study of the Czech Republic
- Angela Bergantino (University of Bari) – The case study of Italy
- Gotthard Steininger (Austrian Ministry for Transport, Innovation and Technology) – The case study of Austria
- Jaroslav Mašek, Anna Dolinayova (University of Žilina) – The case study of Slovakia

Patricia Perennes presented a general overview of experience to date with market opening and rail passenger liberalisation in Europe. She concentrated on forerunner countries and tried to infer whether there were any general lessons that could be derived from their experience. She concentrated especially on the potential consequences of new open access competition as well as on the characteristics of new entrants. She came to the conclusion that only rarely do new entrants deploy new rolling stock and that there have been many financial losses. However, there seems to be a great deal of market creativity as a result of open access competition. She concluded that of the 26 recorded entries, 4 can be classified as greenfield, good service quality entrants; 6 can be identified as offering otherwise a franchised service; 7 offer cheap and no frills service; and 9 are active on a niche market. More detailed analysis can be found in Perennes (2016).

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Chris Nash presented the situation in the UK. Despite almost complete liberalisation, the role of open access in Britain remains small. It is heavily regulated and needs to meet two prerequisites for approval. First it must first pass the 'not primarily abstractive' test and second there must be free capacity. Currently, open access exists principally on lines connecting some medium-sized cities (Hull, Sunderland) directly to London, although their shares in total output and revenue are very small (less than 1%). Nevertheless, open access operators have been able to achieve a significant reduction in costs. Now there are debates in the UK whether to enable a greater role for open access (Competition and Market Authority 2016; Nash 2016).

Zdeněk Tomeš presented the situation in the Czech Republic, where currently three operators are engaging in intensive competition on the market. He built on previous studies by Tomeš et al. (2014) and Tomeš et al. (2016) and presented the newest developments in the Czech case. He confirmed that open access on the main Prague–Ostrava route has led to a ridership increase of 92% during 2010–2015 and that private operators were able to win a 59% market share on this line in 2015. After many years of unprofitable operation, one private operator was finally able to turn a profit. Despite the unquestionable increase in ridership and the benefits for customers, many unresolved issues remain, especially regarding infrastructure capacity, anticompetitive behaviour, the lack of a dedicated regulator, and the absence of tariff integration.

Angela Stefania Bergantino presented the Italian case. She reviewed the impact of open access competition on developments in the market, prices, supply, service differentiation, and inter-modal effects. She built on previous studies by Bergantino (2015), Bergantino et al. (2015), Cascetta-Coppola (2014), and Beria et al. (2016). She identified a substantial demand effect as well as a modal shift from air to rail. Prices went down as a result of competition, but unlike the situation in the Czech Republic, open access entry did not trigger a price war between the two operators (Trenitalia, the incumbent and NTV, the newcomer). The supply of services went up as a result of open access, as Trenitalia utilized supply as an entry-deterrence strategy. There was, however, a clear substitution effect between high-speed services and conventional services, with the latter decreasing significantly. The service quality has improved, with a number of innovative services being introduced by both companies. Regulation reacted accordingly focussing on fair and equal access. Similarly to development in the Czech Republic, the finances of NTV cannot yet support definite considerations, but they seem to be improving.

Gotthard Steininger presented the role of open access on the main Vienna–Salzburg line in the Austrian railway system. He noted the separate tariff and ticketing system of Westbahn, which prevents tariff integration with the rest of the Austrian railway network. The most visible impact of open access is competitive pressure on the incumbent forcing it to deliver greater efficiency and a more customer-oriented approach, and there has also been an increase in the supply of services. However, the vertical integration of infrastructure and services means there is an inherent conflict. Also in the case of Austria, it is not easy to balance public obligations and commercial services.

Anna Dolinayova and Jaroslav Mašek presented the Slovakian case, where four operators have engaged in competition for the intercity connection between Košice and Žilina, and there are many connections between this open access and the open access in the

Czech Republic. The situation is complicated by the fact that shortly before open access entry, the Slovak government introduced free rail travel for children and pensioners. Open access entry has led to a moderate increase in supply, and the incumbent was forced to cancel some of its trains due to diminished occupancy.

From a comparison of these national entries and out of the discussion, it emerged that open access passenger rail competition has undoubtedly led to significant benefits for customers. Prices have gone down, in some cases quite significantly. In addition, innovation, flexibility, and customer service have improved considerably. Therefore, customers are the clear winners of open access passenger competition. On the other hand, the impacts on the supply side and overall efficiency are not so clear cut and many problems have emerged. Competing operators have frequently engaged in price wars leading to loss-making operations and potentially unsustainable long-term competition. In addition, the impact on unit costs is not clear. Open access also poses significant challenges for regulation because operators frequently quarrel over many issues and within such a system it is far from easy to achieve tariff integration or guarantee smooth coordination of open access and public obligation services.

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