

Railway passenger market opening in Sweden

Competition and regulation: Perspectives for the rail transport market
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Outline

- Rail market and regulatory development in Sweden
- Lessons learned regarding competition for and on the market

Rail market and regulatory development in Sweden

- Banverket (BV) created in 1988 as infrastructure is separated from train operations
- County transport authorities (CTA's) are given right to procure public transport services (rail and bus)
- Incumbent SJ controls essential functions in early 1990's
- Traffic management body created in 1996, which shifts rail capacity allocation and traffic management from SJ to independent body within BV

Rail market and regulatory development in Sweden

- Freight market deregulated in 1996
- *Transitio* created as a leasing body by CTA's in 1999 to reduce barriers to entry related to rail vehicles
- SJ divisions are split into 7 different entities in 2001
- Implementation of 1st Railway package in a new Railway act 2004
- Swedish Railway Agency established as rail regulator in 2005
- Swedish Transport Agency established as transport regulator in 2009
- Passenger market fully deregulated in 2010

Rail market and regulatory development in Sweden

- Gradual and incremental steps towards a more deregulated market
- Strategic possibilities for incumbent to prevent competition led to new regulatory measures
- Regions given a strong position to organise traffic and authorised to apply for capacity

General observations

- No negative effects on safety performance
- Majority of railway undertakings are state owned (national/international)
- Former incumbent holds 4/5 of market
- Subsidies necessary for services and infrastructure

Lessons learned – competition for the market

- Non-commercial national, regional and local train services
- Number of bidders normally few (2-3)
- Early effects on cost approximately -20 % holding supply constant
- Further cost reductions of same magnitude even 10 years after market opening
- Strong growth rate in regional passenger km's (+4 % per year) over last 15 years
- Prices increased even more (+5 %) and far more than consumer prices
- Supply has increased with 50-60 % since 1990
- New public transport legislation has given regions an even stronger position to further expand supply and networks

Lessons learned – competition on the market

- Swedish rail market is small, which affects possibilities for new entrants
- Low profitability in the business (~5 % profit margin)
- Limited commercial competition on the market
- MTR Express has challenged SJ on high-speed service Stockholm-Gothenburg
- Price effect on SJ tickets, -13 %
- Transparency is key in an open access environment
- Former incumbent has an advantage in the capacity allocation process through long experience
- Regulator plays important role in supervising and monitoring commercial conditions
- Competition between commercial and non-commercial services has created some market tension

Thank you!

Questions?