MASARYK UNIVERSITY

Open Access Passenger Rail Services in Central Europe

Zdeněk Tomeš – Monika Jandová

Introduction

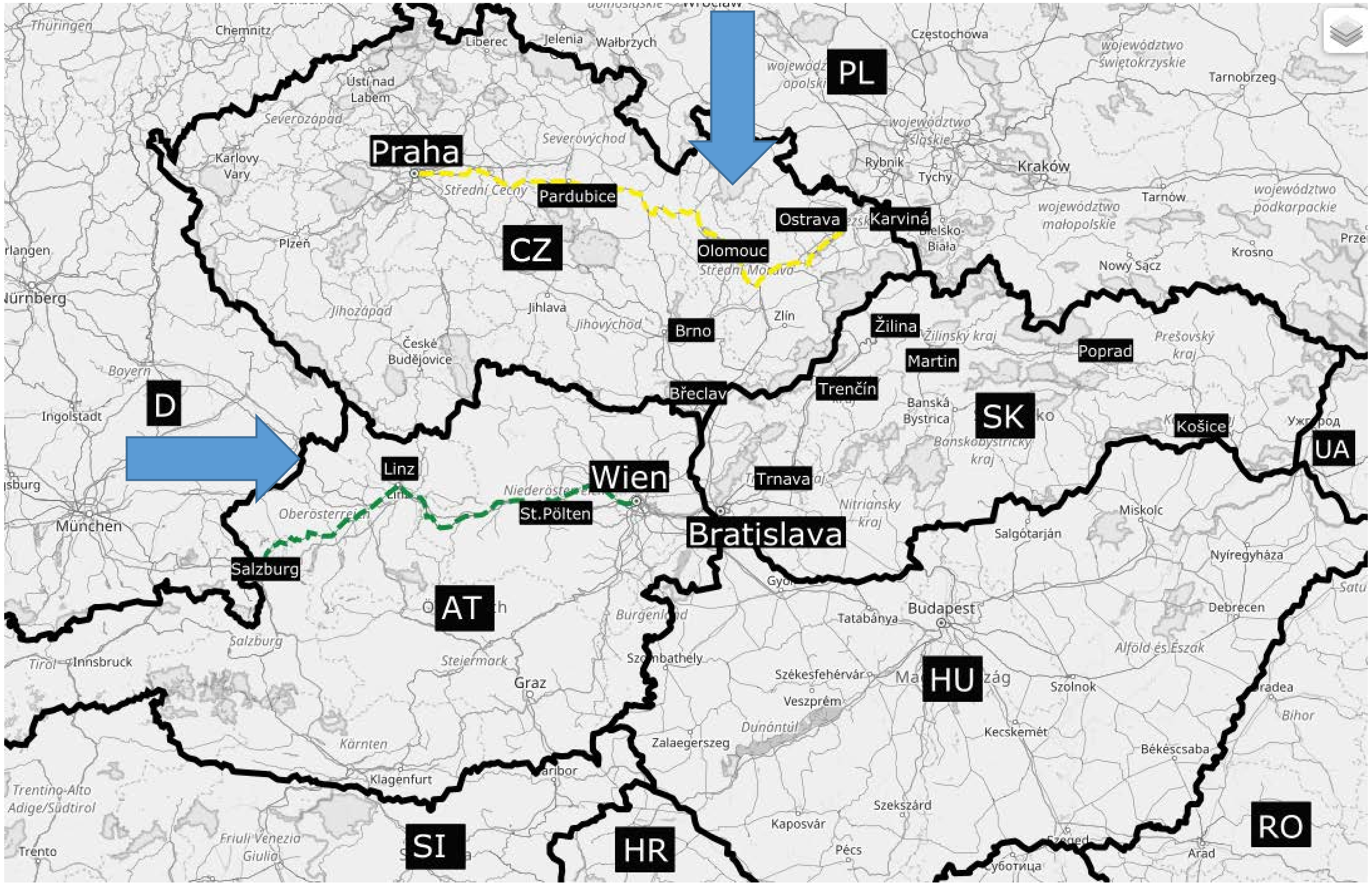
- Open access passenger rail services have now been well established in Central Europe. They have been in operation in:
  1) Austria on the Vienna–Salzburg line from 2011
  2) the Czech Republic on the Prague–Ostrava line from 2011
  3) Slovakia on the Žilina–Košice line from 2014.

- The aim of the paper is to compare the impacts of open access entries on the development of national railway markets. The comparison consists of three parts:
  1) the conditions for successful entry
  2) impacts on the market
  3) policy implications

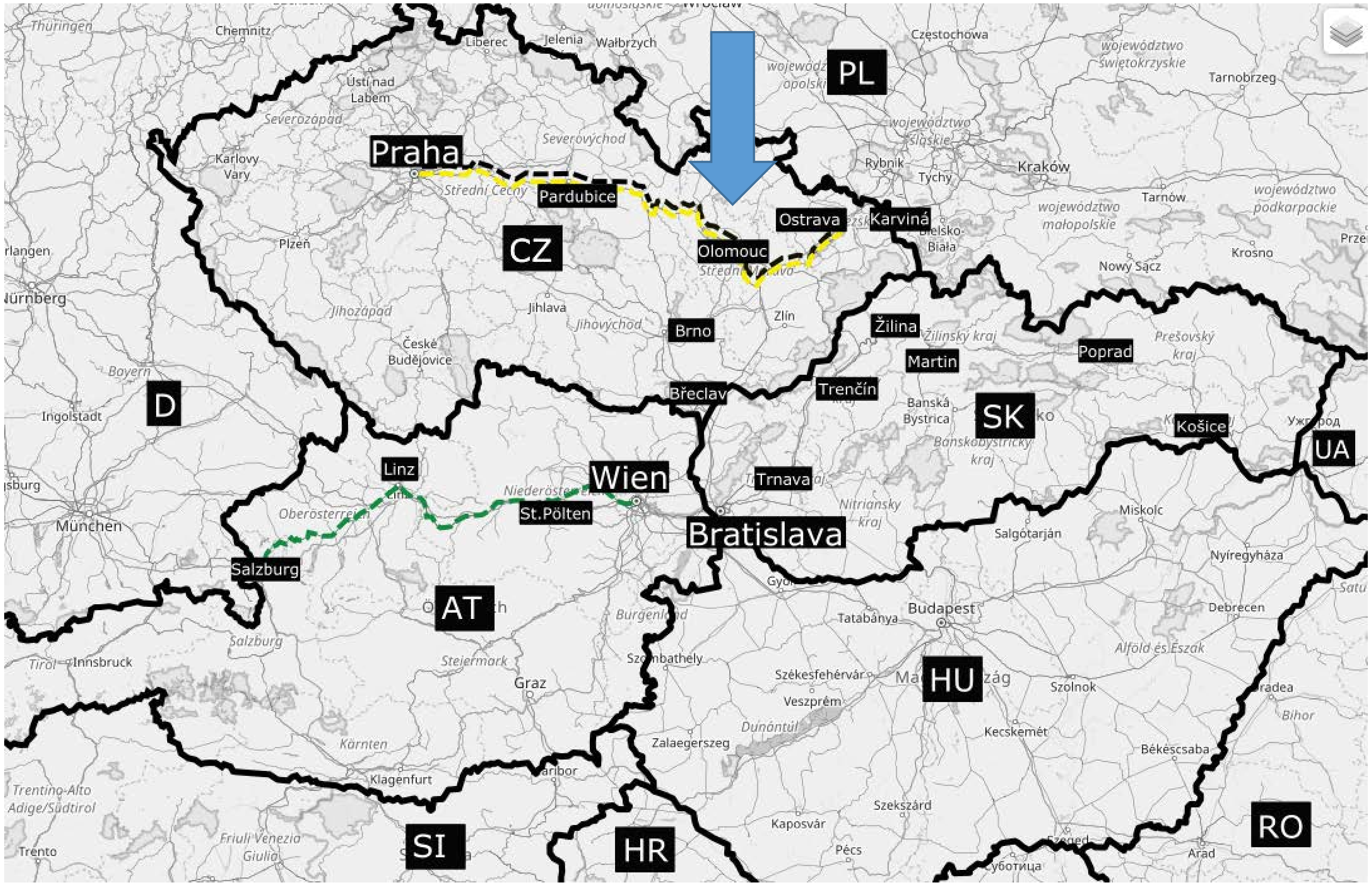
Railway passenger market

	Austria	Czech Republic	Slovakia
Area (1000 km^2)	84	79	49
Population (million)	8.5	10.5	5.4
Length of railway lines (thous. km)	5.1	9.5	3.6
Share of electrified lines (%)	70	34	44
Passenger-killometres (billion)	12.0	7.6	2.6
Fare box revenue as % of total revenue	56	50	33
PSO as % of total services	71	93	91

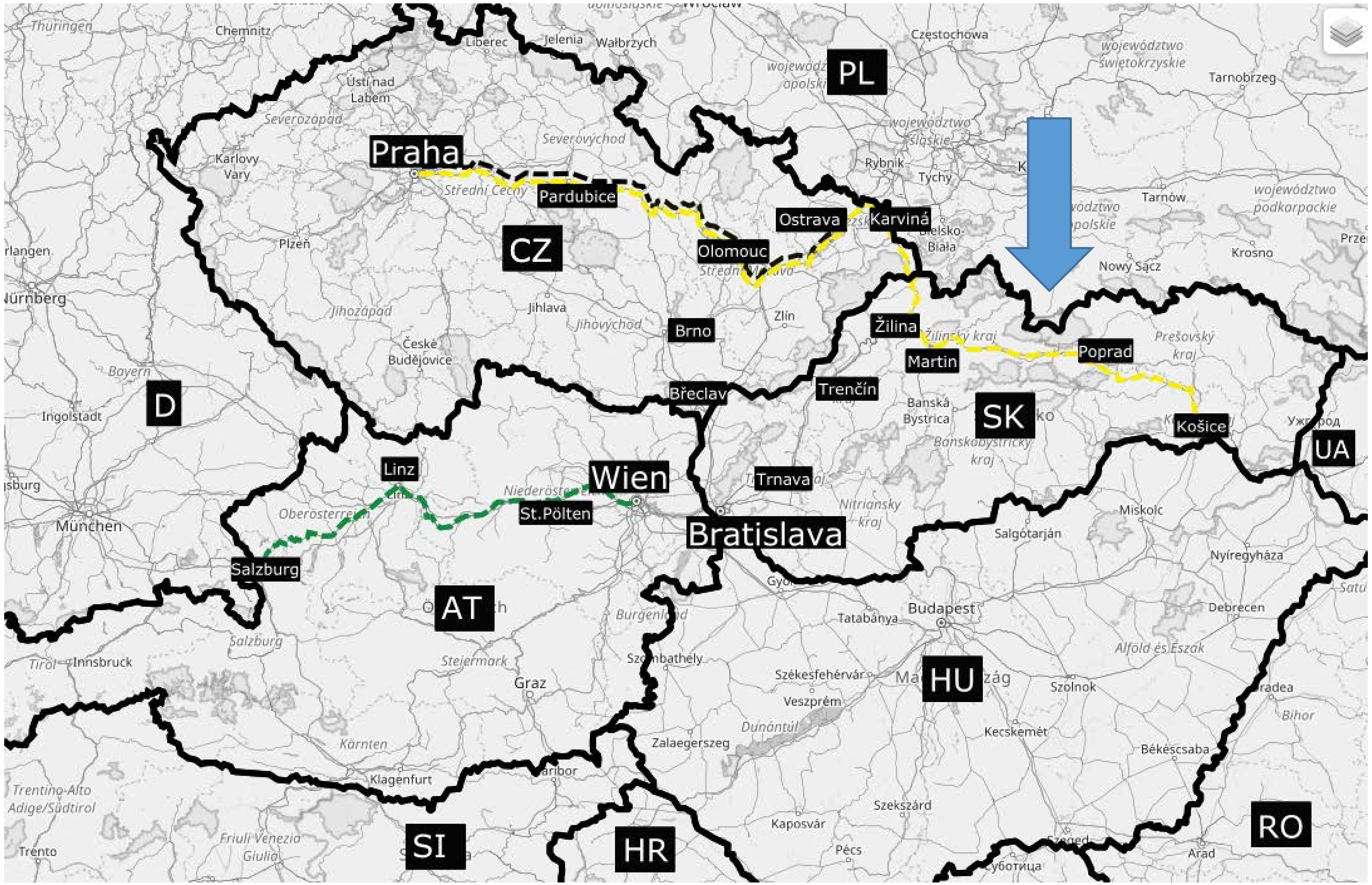
2011: FIRST ENTRIES IN CZ & AT



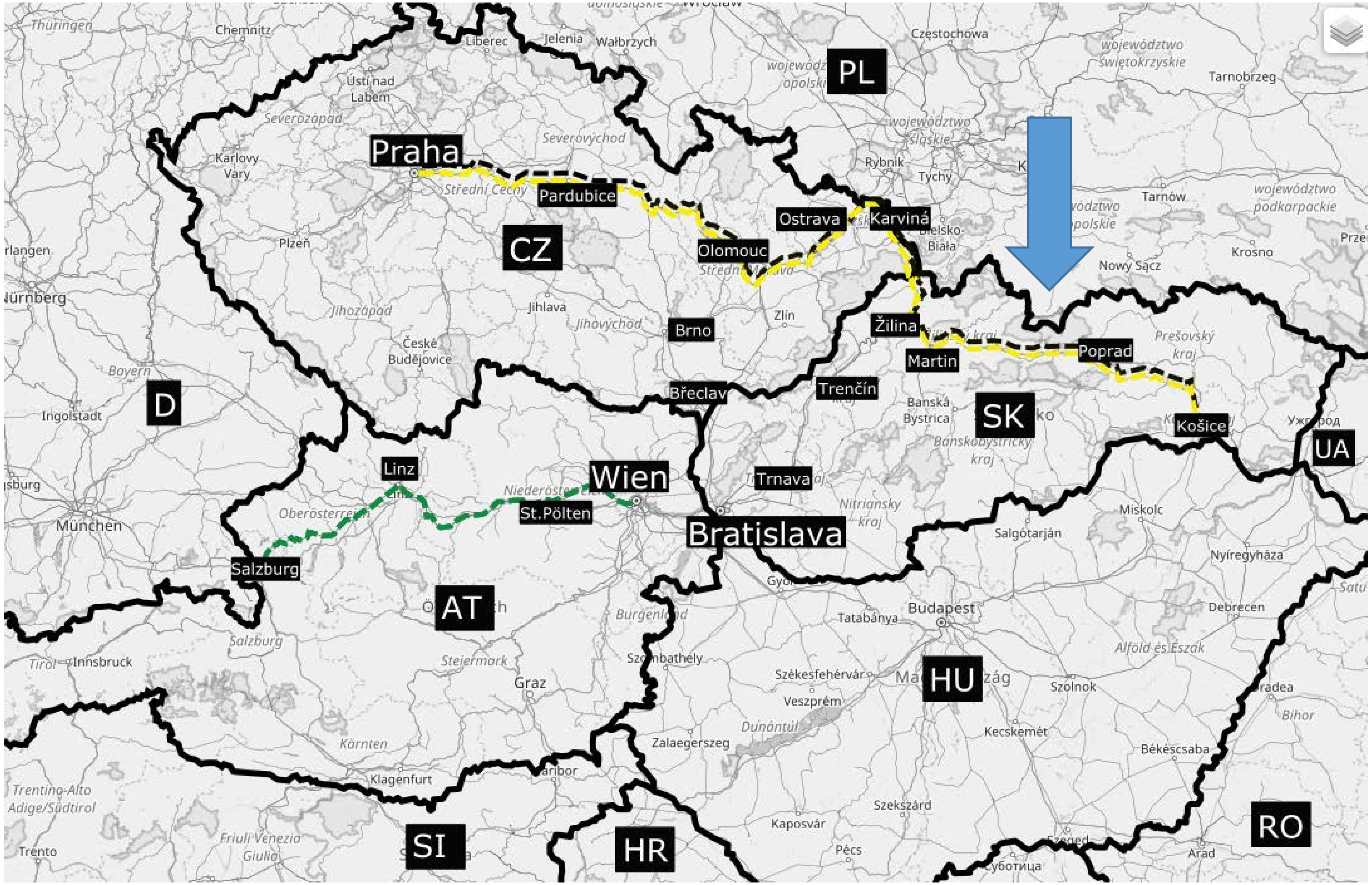
2013: 2nd ENTRY IN CZ



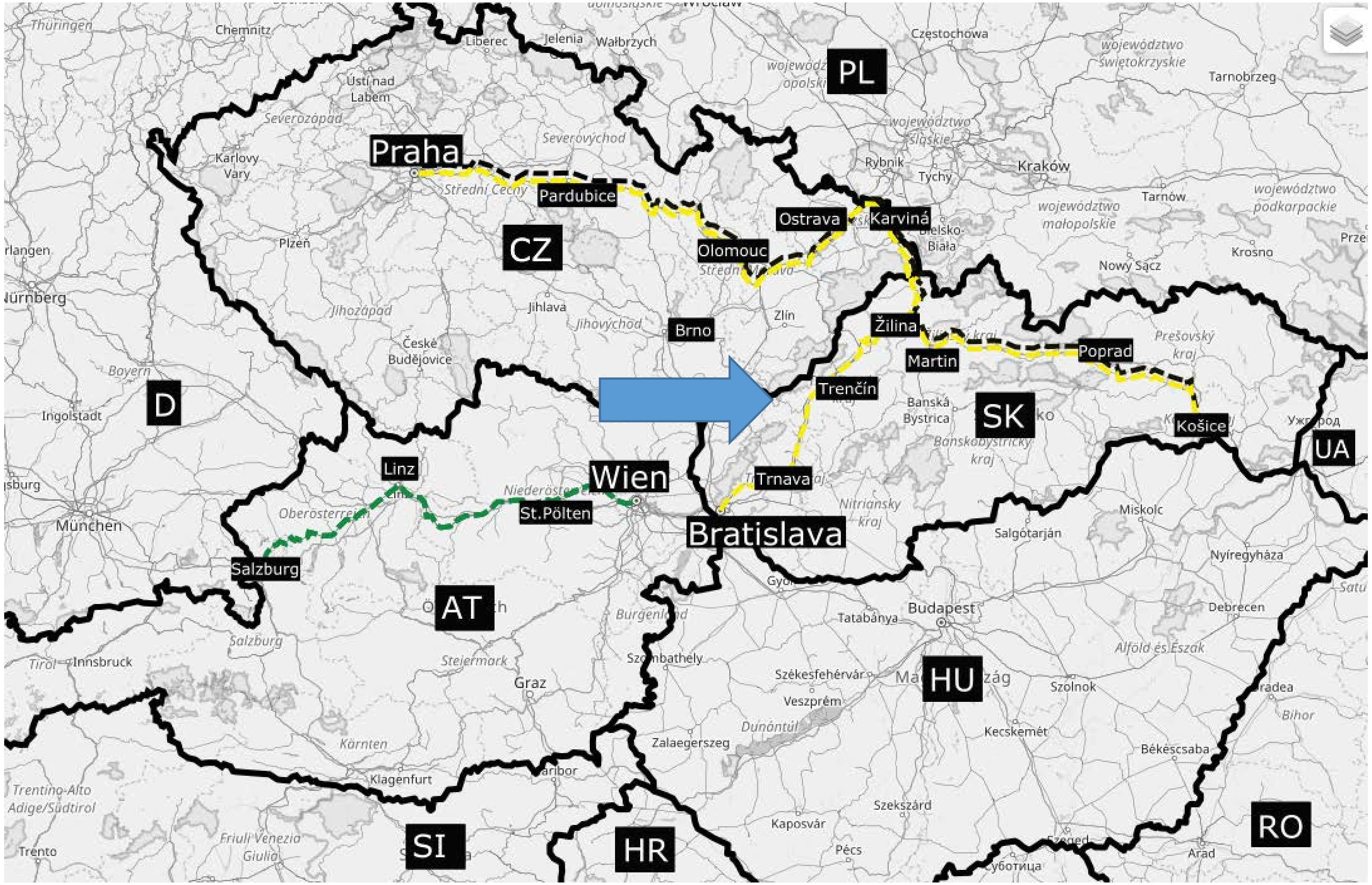
2014: 1st ENTRY IN SK



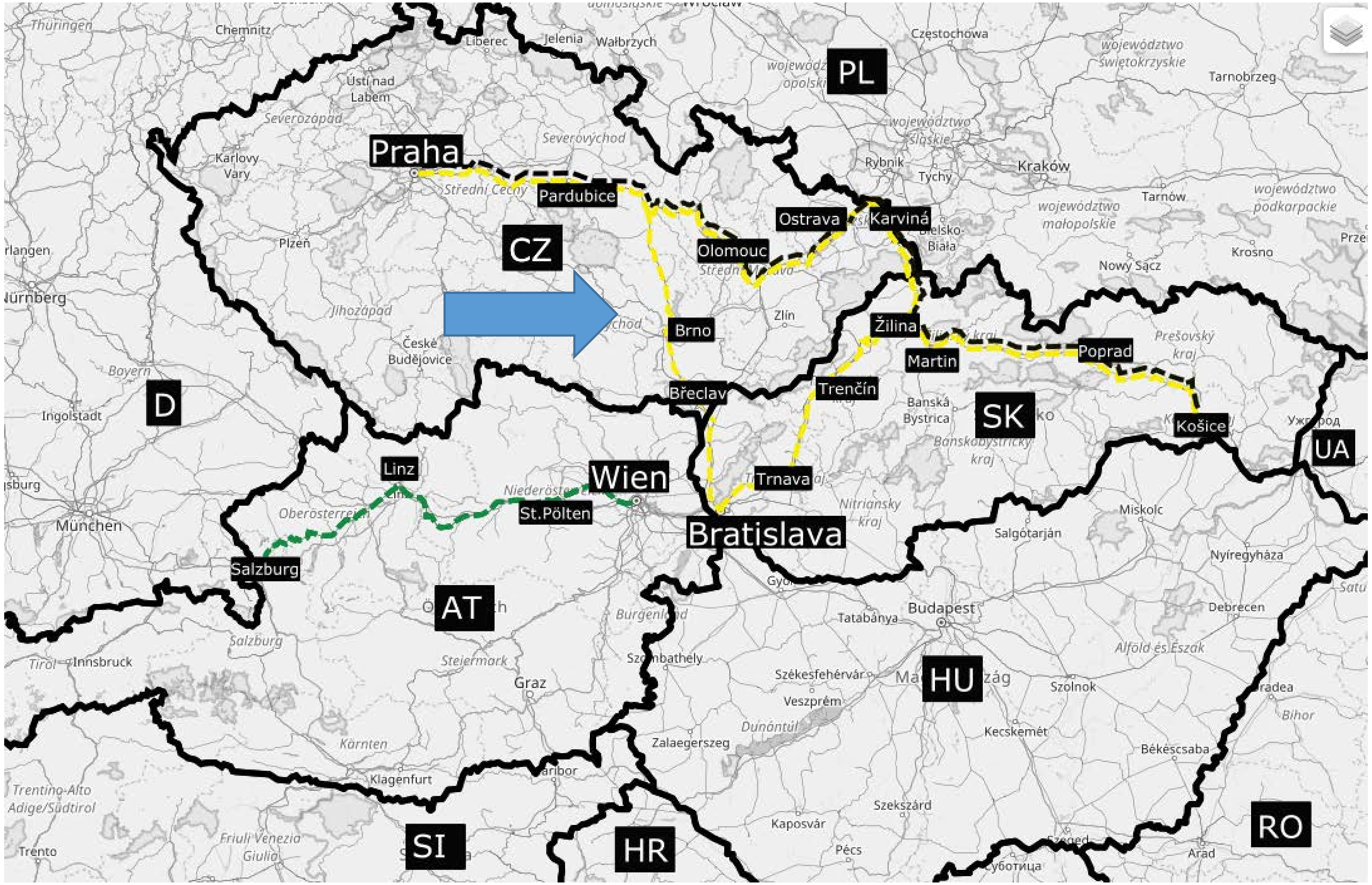
2014: 2nd ENTRY IN SK



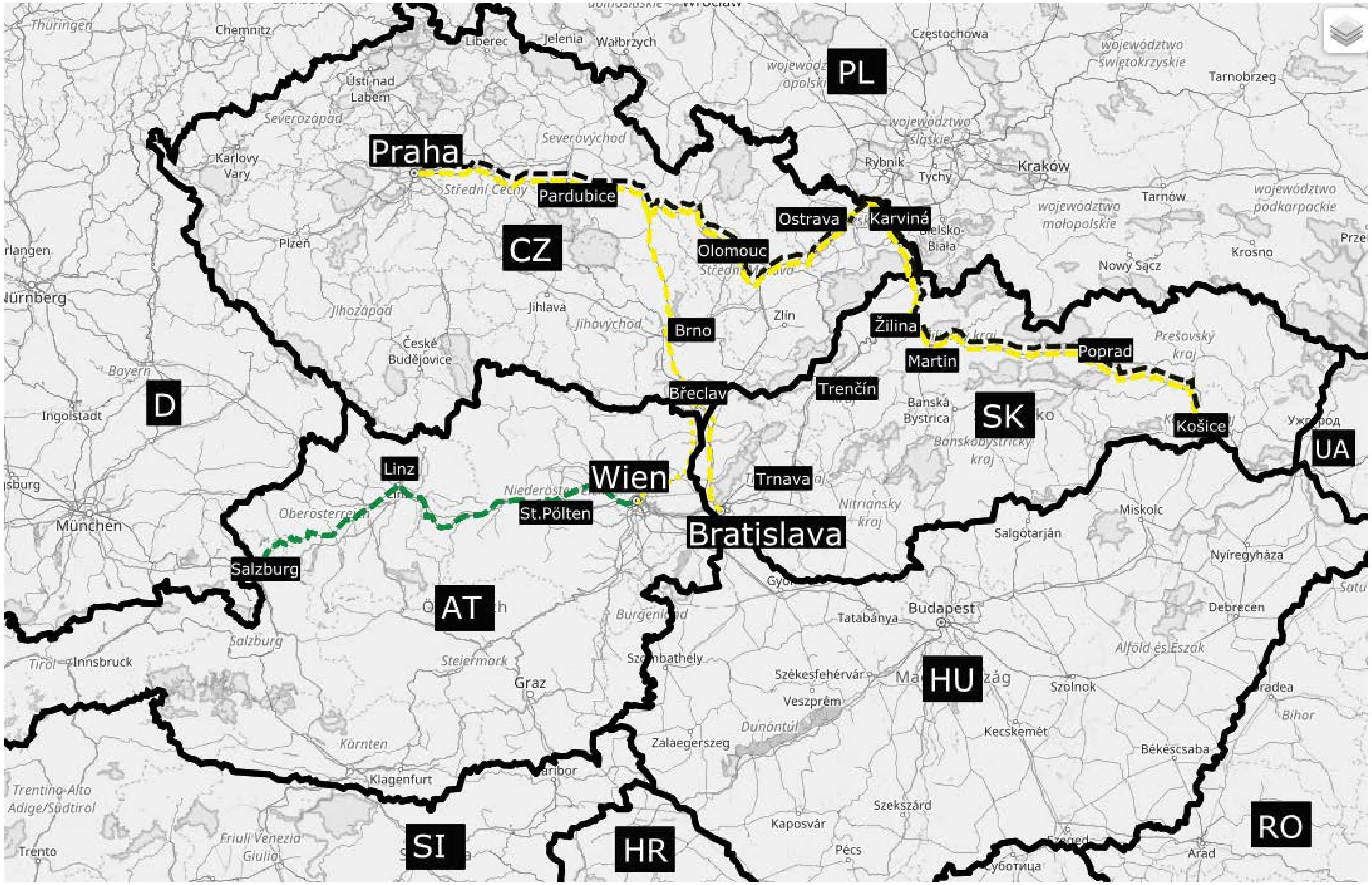
2014: EXTENSION IN SK



2016: EXTENSION IN CZ



2017: CURRENT SITUATION



Entry barriers

	Vertical structure	Long distance rail	Government attitude
Austria	Integrated	Commercial	Neutral
Czech Rep	Separated	PSO	Neutral
Slovakia	Separated	PSO	Hostile

Access charges

	InterCity	Suburban	Freight
Austria	4.2	2.0	3.4
Czech Rep.	1.2	0.6	3.4
Slovakia	1.8	1.6	2.8

EUR/trainkm

Business model

	Entry	Rolling stock	Market leader
Austria	Head-on	New	OBB
Czech Rep	Head-on	Second-hand/ New	RegioJet
Slovakia	Niche	Second-hand/ New	ZSSK

Effects

	Frequency	Prices	Ridership	Market share newcomers
Austria 2011-2016 Vienna-Salzburg	+39%	-25%	+25%	25%
Czech Rep. 2011-2016 Prague-Ostrava	+74%	-44%	+92%	60%
Slovakia 2014 - 2016 Žilina - Košice	+120%	-50%	+34%	40%

Profits

	2012	2013	2014	2015
WESTbahn	−23.5	−14.5	−10.3	−5.4
RegioJet	−2.8	−3.4	−1.6	+1.5
LEO Express	−2.9	−5.9	−5.1	−3.1

mil. EUR

Anticompetitive behavior

	Infrastructure Access Problems	Predatory pricing	PSO Competition
Austria	Major	Yes	No
Czech Republic	Significant	Yes	Significant
Slovakia	Small	Possible	Major

Lessons learnt

- Smoother entry in vertically separated systems
- In smaller markets typically head on entry on principal rail line
- Dynamic and innovative business models of private operators
- Significant price decreases and ridership increases
- Significant market shares for the newcomers
- Economies of density diminished, unit costs probably higher
- Unclear operational efficiencies
- Financial losses (not only) for private operators

Policy challenges

- Infrastructure capacity around big cities
- Conflicts between OA and PSO services
- No tariff integration
- Predatory pricing
- The need for dedicated regulator

Conclusions

- Demand → positive impact of OA (innovations, marketing, frequency, quality, prices, ridership)
- Supply → questionable/negative impact of OA (rising unit costs, stagnating revenues, financial losses, cherry-picking, long term sustainability)
- Regulation → significant challenges (vertical structure, infra capacity, priority rights, operators disputes, predatory pricing, anticompetitive behaviour)