Railway liberalisation in Sweden

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The Swedish railway reform in brief

- 1988 – Separation of track (Banverket) and operation (SJ) to increase transparency, financial stability and commercialisation of rail transport
- 1990 – Creation of a railway safety body
- 1990 – (Competitive) tendering of regional/local rail passenger transport
- 1993 – (Competitive) tendering of inter-regional rail passenger transport PSC’s

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The Swedish railway reform in brief

- 1996 – Capacity allocation, traffic control and time-tabling functions transferred from incumbent SJ to an independent unit within the infrastructure manager
- 1996 – Opening of the domestic railway freight market
- 2001 – Division of SJ into seven different companies
- 2004 – Creation of a rail regulator (and safety body) and EU harmonisation (new railway act)
- 2010 – Full open access on rail passenger transport services

Regulatory reform commission (2005)

- Separation of track and operations has had a positive effect on the development of the Swedish railway sector
- The presence of competitive tendering has decreased costs
- Ticket prices increased faster than consumer prices
  - Reduced subsidies in local and regional services
  - Introduction of the high-speed train concept
- The control of essential functions within the incumbent has had a negative effect on the market

Effects of the railway reform

- Local and regional transport
  - Minor competition effects in the beginning
  - Not all transport authorities used the possibility of competitive tendering, but when tendering was used, few bidders (2-3 on average)
  - Still, cost reductions by some 20 percent in those cases, sometimes used to increase supply
  - Increased financial support for and focus on rail solutions, but low cost recovery rate
  - Conflicts between the former monopolist and new entrants due to lack of competitive neutral access to essential functions
  - Over time, local and regional transport authorities got control of the rolling stock supply and were authorised to apply for capacity

Effects of the railway reform

- Inter-regional rail transport PSC's
  - Five years until a new entrant on the market – went out of business almost immediately
  - Incumbent lost some contracts, but regained some later
  - Lost in court in one case due to predatory pricing and exploiting dominating position on the market
  - Lack of competitive-neutral access to essential functions proved important here as well

Effects of the railway reform

- Inter-regional commercial passenger transport
  - No major effects so far as a result of the opening of competition in 2010
  - Öresundståg (ÖT) started traffic between Gothenburg and Malmö/Copenhagen in 2009. Competition with SJ. 50 % increase in departures. Segmentation between SJ and ÖT (price, comfort, frequency). SJ cancelled all traffic on the line in April 2012 due to traffic being non-profitable

Effects of the railway reform

- Learning process for all stakeholders – operators, infrastructure manager, regulator, government
- The incumbent has learned to be a player on the market
- No direct signs of decreased safety over the years
- A more varied and increased supply (prices, quality)
- Increase in train- and passenger-kilometres by 50-60 percent between 1995 and 2010, mainly regional traffic
- No major new entrant on the passenger market (or on the freight market either)

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Regulatory challenges

- Make sure that vital market information is produced and available for analysis
- Keep a long-term perspective on market monitoring
- Monitor monopoly power of infrastructure managers (c.f. capacity allocation principles and charges)
  - Recent signs of reduced service quality
  - Monitor the trade-off between supply increase and overall performance
- Monitor market dominance by former government-owned incumbents
- Monitor the potential barriers of entry and exit

What will happen?

- Entry and exit will take place
- It will be a slow process
- We will not have a herd of new entrants, but the presence of competition will encourage all parts to be efficient
- We, as a regulator, must work hard on the efficiency analysis
- Still some challenges ahead, but going back is not an option