Landscape after the battle.
Post-Interregio cases
of low-scale on-track
passenger rail competition in Poland

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## Polish passenger railway market vs. selected European markets

Data for 2016/2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Total number of rail passengers [million]</th>
<th>Total number of rail pass-km [billion]</th>
<th>Long-distance passengers [million]</th>
<th>Long-distance pass-km [billion]</th>
<th>Total number of passengers of the main rail line [million]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>304</td>
<td>20.3</td>
<td>40 (^a)</td>
<td>10.4</td>
<td>1.2 – 1.5 Warsaw-Cracow</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>183</td>
<td>9.5</td>
<td>(115) (^b)</td>
<td>(8.3) (^b)</td>
<td>1.6 Prague-Ostrava</td>
</tr>
<tr>
<td>Austria</td>
<td>246</td>
<td>12.6</td>
<td>36</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Germany</td>
<td>2 834</td>
<td>95.2</td>
<td>142</td>
<td>40.4</td>
<td>3.6 Berlin-Munich</td>
</tr>
<tr>
<td>Italy</td>
<td>849</td>
<td>38.4</td>
<td>-</td>
<td>19.9</td>
<td>-</td>
</tr>
</tbody>
</table>

\(^a\) authors’ own estimation; \(^b\) passengers transported outside integrated transport systems (IDS)

The *Interregio* case: the competition that existed in long-distance services in Poland in 2009-2015.

Fierce market rivalry between two SOEs answering to different levels of government.

Aggressive low-cost entry, exceptional in terms of acquired market share (33%) and territorial reach.

*Interregio* connected all main cities, several minor centres and tourist resorts.

Served up to 62% of all possible direct connections between the largest cities.

Incumbent used a differentiation strategy combined with a strategic use of political.

Demise of *Interregio* in 2015.

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**Lines served by Interregio in 2012**

Source: authors’ own elaboration

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*Starting point of the study:*

Aim of the study:

to identify and analyse **new examples** of on-track passenger rail competition in Poland

- Our empirical study shows a significant number of **phenomena of on-track co-occurrence** in long-distance services in Poland.

- 11 of them can be identified as on-track competition.

Spatial range of newly-identified examples on-track passenger rail competition in Poland

Source: authors’ own elaboration
Phenomena of on-track co-occurrence in long-distance services in Poland – categorisation

1. New commercial services started from scratch, targeting leisure segment:
   - 6 examples, made by 5 operators (region-owned operators, Arriva and Leo Express)

2. New services set up by combining the pre-existing regional services along the route, targeting leisure sector:
   - 5 examples, made by 2 operators (PR, Arriva).
   - They use regional PSO subsidization to finance (or co-finance) a market entry targeting the long-distance market

3. The last Interregio service on Warsaw–Łódź line where PR now co-operates with the local (region-owned) company ŁKA.

4. The Interregio 2009-2015

5. Co-occurrence of PR-operated regional trains and long-distance trains run by PKP Intercity on the routes connecting neighbouring capitals of regions in Poland
Source: own elaboration of the authors
Market evidence in a nutshell (1)

- The newly analysed examples are numerous but low-scale.
  (the combined market share of the challengers has never exceeded 2%)

- The newly-analysed examples are strongly differentiated.

- All entries except one (Leo Express) were made by railway undertakings already operating in another segment of the passenger rail market (PSO regional services).

- The majority of these unusual intrusions were made not by the ‘agile’ private operators, but by the state-owned (PR) and region-owned (Mazovian Railways, Silesian Railways, Lower Silesian Railways) enterprises that dominate regional services in Poland.
Market evidence in a nutshell (2)

- We have analysed main features of challenger’s offers:
  - Attractive (or very attractive in category 2 of examples) ticket prices combined with comparable or better comfort of service.
  - Travel times comparable or better in category 1 of examples and typically worse in category 2 of examples.

Ticket prices and comfort for the analysed services in 2018

Average travel times for the analysed services in 2018
Market evidence in a nutshell (3)

- No serious threats to the incumbent so its reactions were very moderate.
- No responsive price cutting in any of the analysed cases.
- Offer adjustments (e.g. implementing services in at a similar time slot).

Ticket prices on Warsaw-Gdańsk in 2006-2018
Market evidence in a nutshell (4)

- We have observed **interest in full-scale entries** in Poland in a few recent years, especially on the ‘flagship’ Warsaw-Cracow route, however the **regulatory body denied applications**.

- These decisions were discretionary and controversial.

<table>
<thead>
<tr>
<th>Table 2. Open-access decisions issued by regulatory body in Poland</th>
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</thead>
<tbody>
<tr>
<td><strong>All decisions</strong></td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>of which decisions issued for the incumbent</td>
</tr>
<tr>
<td>decisions issued for challengers</td>
</tr>
<tr>
<td>other decisions</td>
</tr>
<tr>
<td>of which decisions issued for challengers for important routes served by the incumbent</td>
</tr>
</tbody>
</table>

Source: authors’ database.

- decision concerning heritage steam services (issued for PKP Cargo);
- number of days for decisions denying an application.

- In addition, the applications made by *Leo Express* (Warsaw-Cracow) have been withdrawn (prior to the decision of regulatory body).
Discussion and conclusions (1)

- Sample profile (the small scale of entry) is a limitation of the study. (e.g. due to limited effects of competition, our results will certainly not help to answer fundamental questions about ‘the effectiveness of open-access competition as a way of improving the efficiency of passenger rail services’ (Johnson and Nash, 2012)

- Four entries to long-distance commercial services (category (1) of examples) have been made by region-owned enterprises set-up to operate in a different segment of the market (PSO regional services). A similar situation took place in the prior case of Interregio.

- Commercial services perceived by them as a ‘natural’ line of growth of their railway businesses.

- Not only ‘new’ open-access operators challenge incumbents.

- Confining the ‘on-track competition’ to the activity of the ‘new’ open-access operators is fallacious.

- A bipolar regulatory approach (intentionally pro-competitive) that involves an unequal treatment of ‘old’ and ‘new’ operators can in fact hamper competition. (e.g. allowing only ‘new’ operators to finance rolling stock from European funds – Proposal for a regulation)
Discussion and conclusions (2)

- The difference between market shares acquired by *Interregio* only a few years ago (33% in 2012) and by the entrants in the newly-analysed (up to 2% in 2018) is striking.

- Ironically, our analysis shows that this may be partly result of a new legislation that has pre-empted the 4th railway package.
  (i.e. introducing a ‘consideration’ of open-access applications by a regulatory body)

- Possibly, the new legislation has been used to engineer market foreclosures.
References:


Sources of pictures:
Thank you for your attention!
The average distance in kilometres that passengers travel by rail in one year

<table>
<thead>
<tr>
<th>Country</th>
<th>2013</th>
<th>Difference between 2000 and 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>475</td>
<td>- 24.2%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>640</td>
<td>- 8.0%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>450</td>
<td>- 15.5%</td>
</tr>
<tr>
<td>Hungary</td>
<td>785</td>
<td>- 19.5%</td>
</tr>
<tr>
<td>Austria</td>
<td>1330</td>
<td>+ 25.3%</td>
</tr>
<tr>
<td>Germany</td>
<td>1040</td>
<td>+ 12.7%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2450</td>
<td>+ 54.3%</td>
</tr>
</tbody>
</table>

Source: Verkehrsclub Österreich.
Soleil train

- A new connection form Warsaw via the Tricity to the Baltic sea coastal resorts
- Service introduced in 2005
- Very attractive ticket price: 45 zloties against 63 of the incumbent PKP Intercity’s fast trains and 147 of its express train
- Very short travel time: 3h07min against 3h49min of fast train (express train 2h53min)
- High comfort – modern air conditioned push-pull double deckers against mainly old style carriages of PKP Intercity fast trains