



# Open access passenger rail competition in Slovakia – experience from the Bratislava–Košice line

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# Objective

- to analyse the circumstances of the private operator's entry onto the Bratislava – Košice line;
- the circumstances and reasons for its exit.

# Structure

1. Introduction
2. Development of the rail market in Slovakia
3. Open access competition on the Bratislava – Košice main line
4. Consumer survey
5. Conclusion

# 1. Introduction

Open access entries in Europe:

1. **niche markets** – UK (*Heathrow Express 1998, Hull Trains 2000, Grand Central 2007*), Germany (*Hamburg-Köln-Express 2012, Locomore 2016, Flixtrain 2018*)
2. **main lines** – Austria (*WESTBahn 2011*), Italy (*NTV 2012*), Sweden (*Snälltåget 2009, MTR Express 2015*), Czech Republic (*RegioJet and Leo Express 2011*), Slovakia (*RegioJet 2014*).

General development:

- poor results → dynamic entries onto the main lines → significant market shares.

**Slovakia:**

- dynamic entry onto the main line → exit after 26 months.

## 2. Development of the passenger rail market in Slovakia

- **before 2011**
  - no open-access passenger operators,
  - all services were operated by the incumbent ZSSK,
  - all services subsidized within PSO,
  - all PSOs directly awarded by the ministry.
- **from 2012**
  - Czech private company RegioJet,
  - directly awarded to operate the Bratislava – Komárno suburb commuter line (PSO).

## ZSSK's business performance (thousands of EUR)

	2014	2015	2016	2017
passenger transport and related revenues	110,043	90,003	90,635	102,446
compensation for PSO	<b>212,632</b>	<b>226,106</b>	<b>238,310</b>	<b>243,956</b>
other subsidies	14,765	32,286	31,826	30,289
other operating revenues	-375	9,715	3,398	3,328
	<b>337,065</b>	<b>358,110</b>	<b>364,169</b>	<b>380,019</b>
consumption and services	-180,691	-177,724	- 178,683	- 188,710
personnel costs	-90,409	-97,636	- 101,835	- 106,220
depreciation, amortization, impairment	-68,521	- 86,649	- 85,970	- 86,625
	<b>-339,621</b>	<b>-362,009</b>	<b>- 366,488</b>	<b>-381,555</b>
total financial costs (incomes)	<b>-5,723</b>	<b>-3,513</b>	<b>-3,757</b>	<b>-4,059</b>
+ profit / - loss (before taxation – IAS/IFRS standards)	<b>-8,279</b>	<b>-7,412</b>	<b>-6,076</b>	<b>- 5,595</b>
+ profit / - loss (after taxation)	<b>-6,379</b>	<b>-5,889</b>	<b>- 5,152</b>	<b>- 4,045</b>

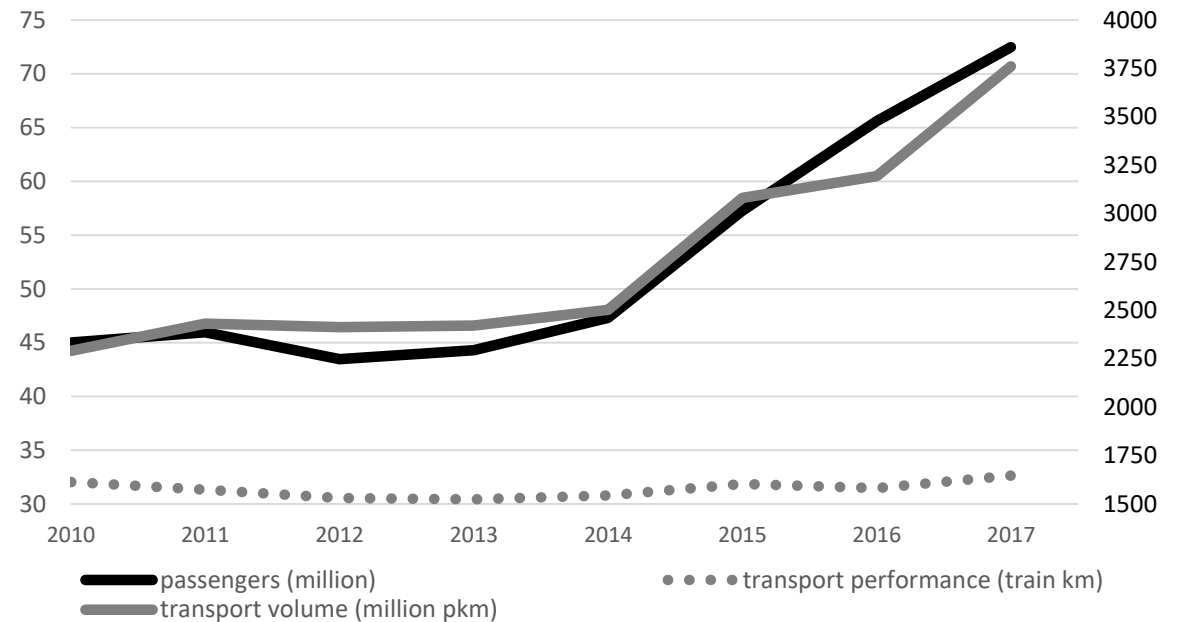
## Rail passenger market performance

### ZSSK's services:

- commuter Os
- long-distance *R / REX*
- international long-distance *EC*
- premium long-distance *IC*

PSO

comm.



(millions)	2010	2011	2012	2013	2014	2015	2016	2017
transport volume (pkm)	2,291	2,432	2,413	2,422	2,503	3,081	3,194	3,760
passengers	45.00	45.95	43.45	44.29	47.29	57.28	65.61	72.47
transport performance (train km)	32.05	31.33	30.56	30.44	30.79	31.86	31.48	32.64

„There is no such thing as a free lunch.“

## There is such thing as a **free ride** in Slovakia

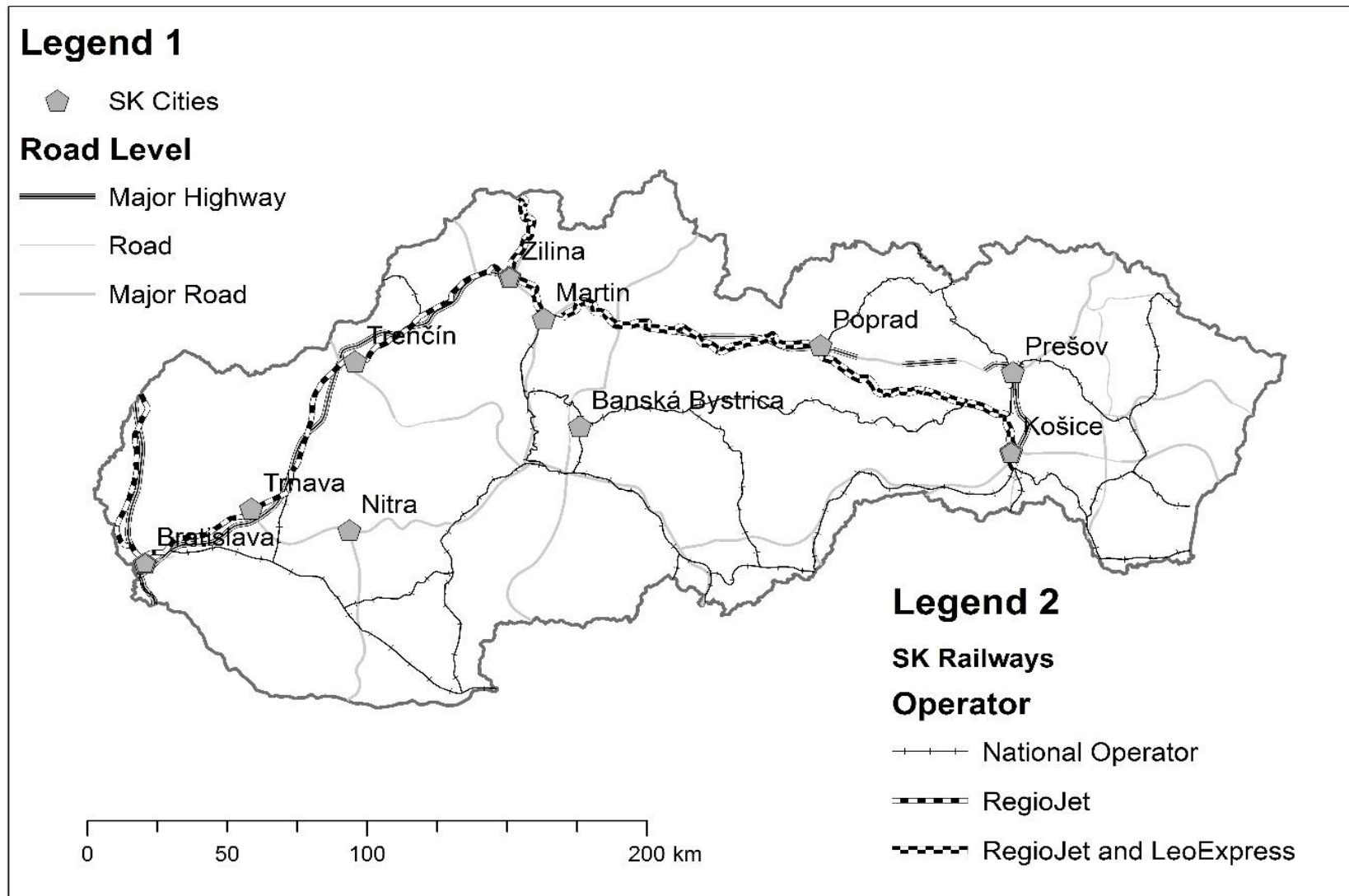
- from November 2014 - rail PSO services **free fare for children, students and pensioners**,
- one third of passengers in trains travel for free.

### Number of persons registered in the free fare system (2015)

category of valid registrations	persons
children under 15 years old	138,792
pupils/students under 26 years of age	258,710
old-age pensioners	386,354
invalid, widow, orphan pensioners	63,548
	<b>847,404</b>
Slovak population over 14 years old (the traveling public)	4,566,579
registered free fare beneficiaries as a percent of the traveling public	<b>15.2</b>

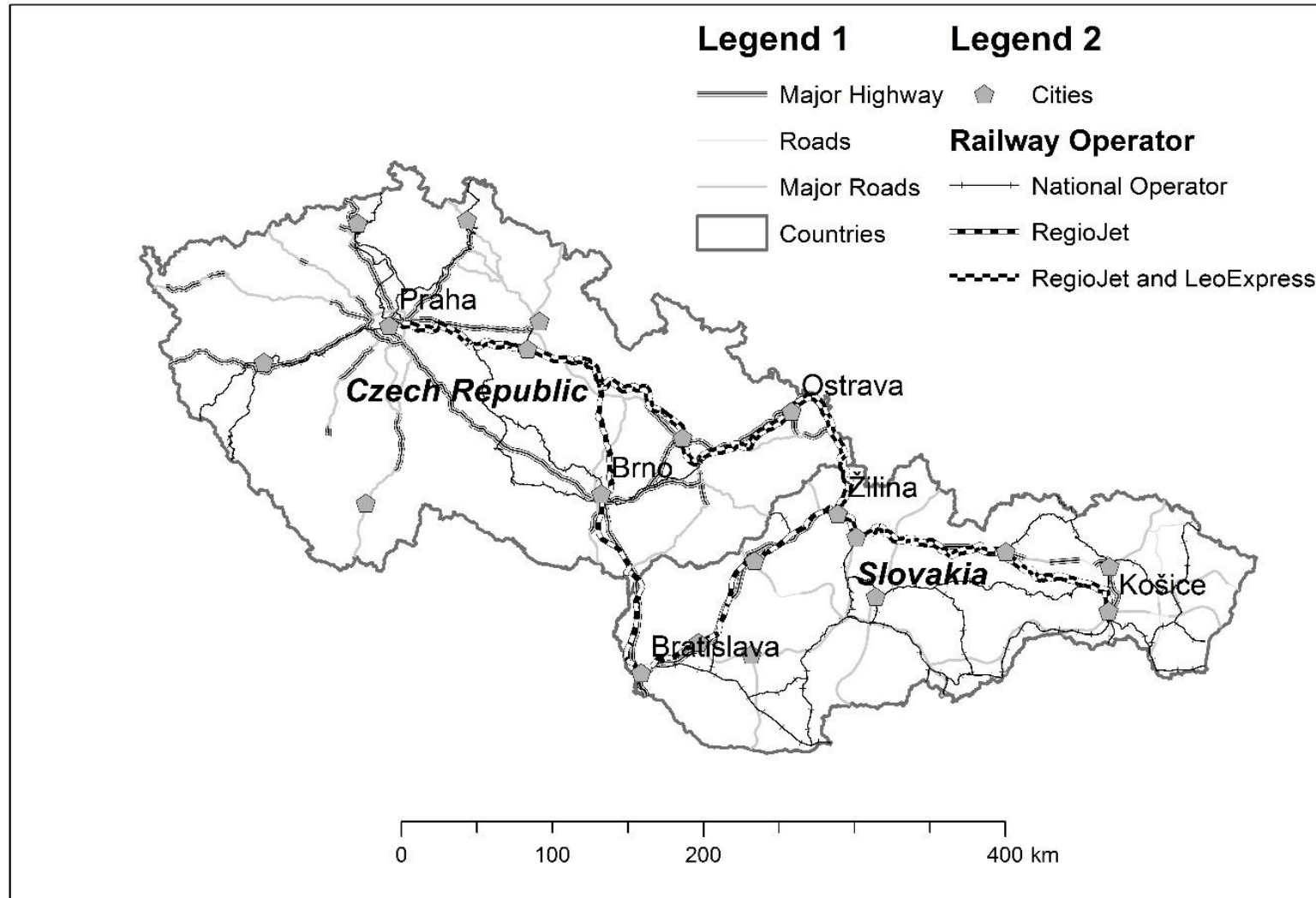


### 3. Open access competition on the Bratislava – Košice line



- double-track electrified railway (445 km)
- served 8 out of 10 of the biggest cities,
- parallel motorway not completed – no bus competition.

## Main Czech and Slovak lines



- **2011** Praha – Ostrava (RegioJet + Leo Express),
- **2014** Praha – Ostrava – **Košice** (RegioJet + Leo Express),
- **2015** Bratislava – **Košice** (RegioJet).

## Problems of new entrant (RegioJet)

- no difference in the quality between *ZSSK IC* and *RegioJet* (service, coaches, frequency),
- free fare – coincidences:
  - more than 70% of all university students in Slovakia on the line,
  - on-line purchase of travel documents → students,
  - on-board services (wi-fi, entertainment portals, gastronomic offer, etc.) → students,
  - RegioJet's parent company itself is named 'Student Agency'.
  
- April 2015 - RegioJet requested the compensation.

## Price war on the line

1. free market competition: ZSSK *IC* vs. RegioJet,
2. distorted market (free fare): ZSSK *R* trains vs. RegioJet.

The speed was crucial:

- Bratislava – Košice travel time: 5:51 *R train* vs. 4:53 and RegioJet,
- value of travel time (SK) EUR 6.02 per hour for non-business travel, EUR 10.24 for business trip,
- RegioJet set low fare EUR 4.50 (students), EUR 9.00 (basic).

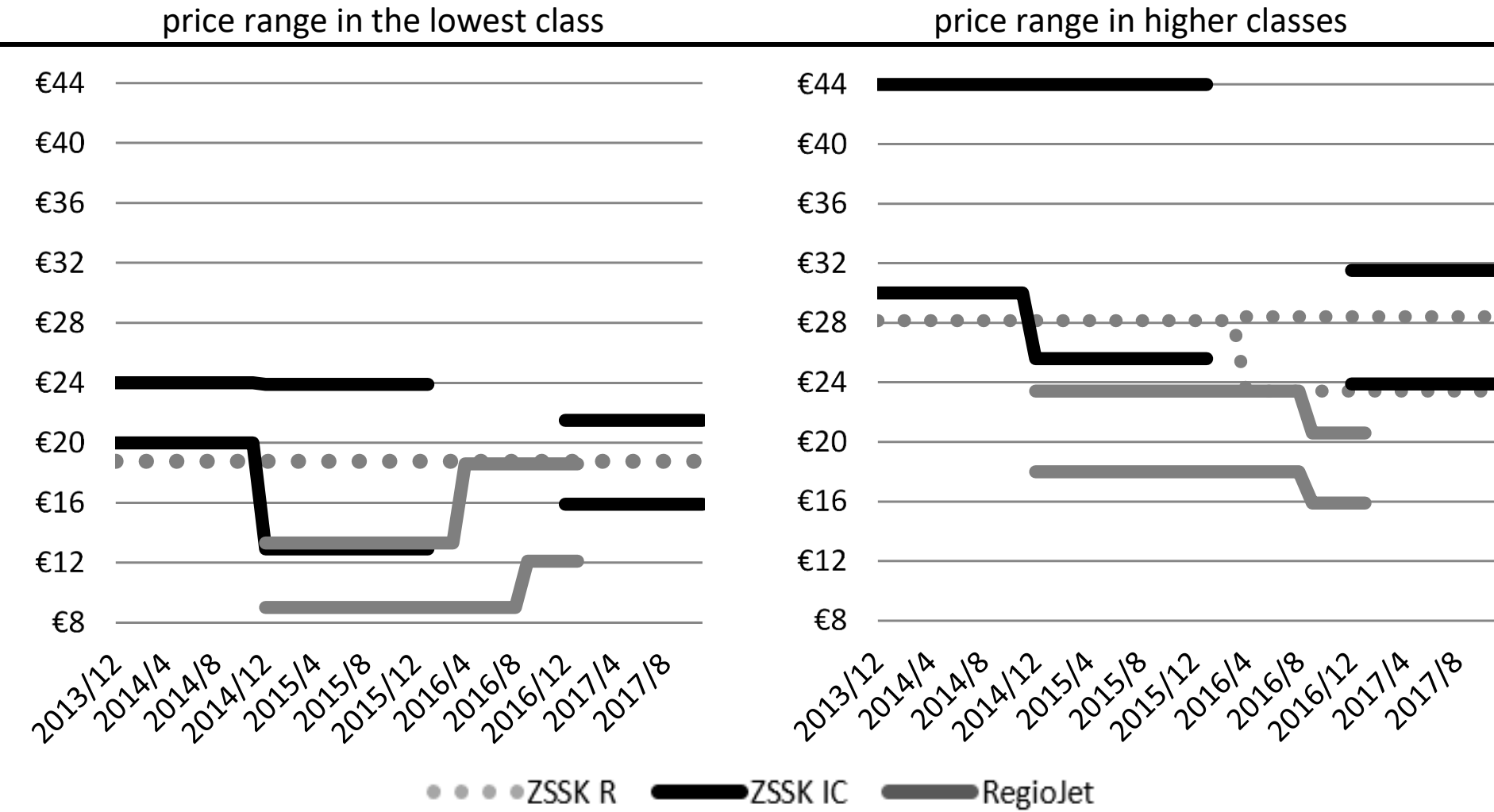
## ZSSK IC services

### Business performance of ZSSK IC services Bratislava – Košice (million EUR)

	2012	2013	2014	2015	2016	2017
passenger transport and related revenues	- 3.30	- 1.75	- 1.15	-1.20	–	+1.70
share in the total loss of ZSSK (%)	31.63	24.63	18.03	20.38	–	–

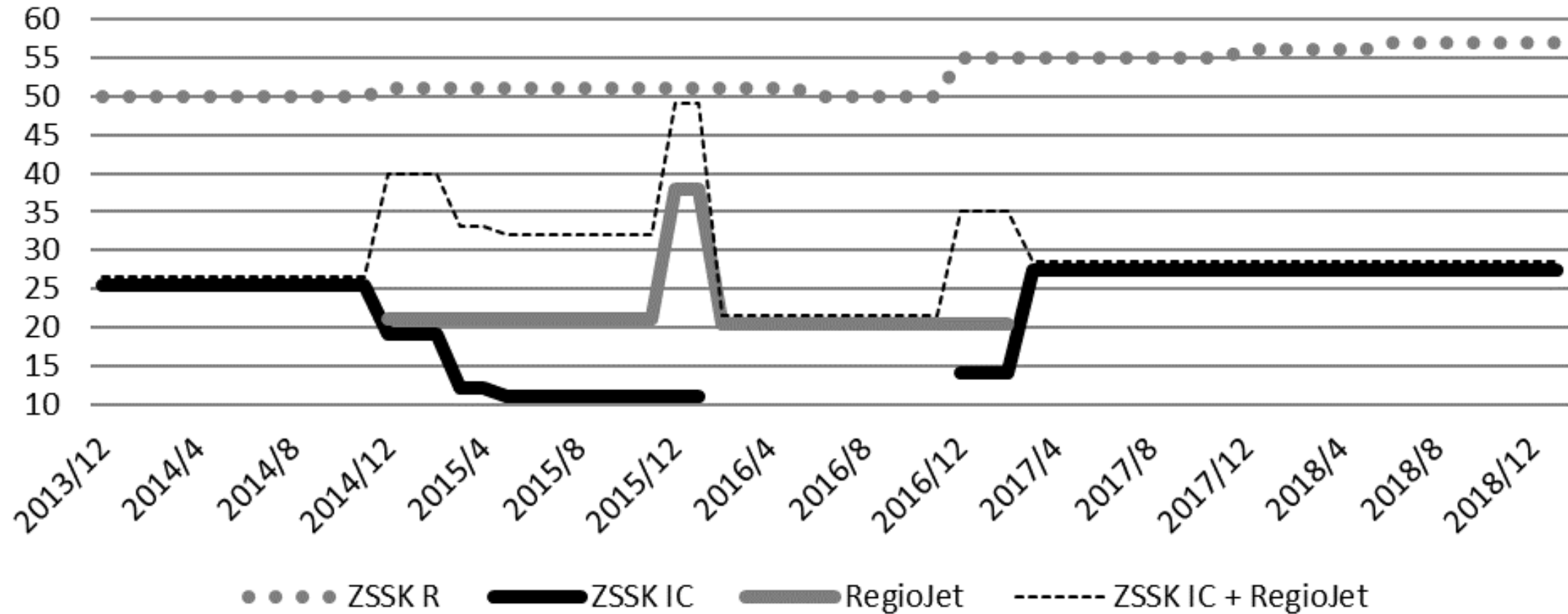
- 2016 - end of ZSSK IC services = RegioJet winner

## Development of fares Bratislava – Košice



## Bratislava – Košice line performance

The number of services per week (one direction)



## 4. Consumer survey

- to understand the real impact of free fare on the open-access carrier,
- expeditious survey among passengers-students,
- students = shift of demand, pensioners = induced demand,
- October 2016: direct questioning at stations = 130 responds, web-based questionnaire = 764 responds.



## Overall evaluation of the free fare (passengers-students)

statement	number	share (%)
very negative	61	6.82
negative	130	14.54
neutral	195	21.81
positive	298	33.33
very positive	210	23.49
<i>total</i>	<i>894</i>	<i>100.00</i>

- overcrowded ZSSK R trains – RegioJet winner

## Criteria for the choice of a service/operator

statement	number	share (%)
fare	256	28.6
departure time	344	38.5
on-board services	62	6.9
frequency of services	56	6.2
connecting services	136	15.2
other	40	4.5
<i>total</i>	<i>894</i>	<i>100.00</i>

- fare, connecting services – RegioJet loser
- departure time – RegioJet winner

2014 (timetable from 15 June 2014)*					2015 (timetable from 14 June 2015)*			
direction	carrier	dep.	arr.	time	carrier	dep.	arr.	time
Bratislava ↓ Košice	<b>ZSSK IC</b>	<b>5:37</b>	<b>10:41</b>	<b>5:04</b>	<b>RJ</b>	<b>5:50</b>	<b>10:43</b>	<b>4:53</b>
	ZSSK	5:55	11:52	5:57	ZSSK	5:55	11:46	5:51
	ZSSK	7:55	13:52	5:57	ZSSK	7:55	13:46	5:51
	<b>ZSSK IC</b>	<b>9:37</b>	<b>14:41</b>	<b>5:04</b>	<b>ZSSK IC<sup>1</sup></b>	<b>9:37</b>	<b>14:37</b>	<b>5:00</b>
	ZSSK	9:55	15:52	5:57	ZSSK	9:55	15:46	5:51
	ZSSK	11:55	17:52	5:57	<b>RJ</b>	<b>11:50</b>	<b>16:43</b>	<b>4:53</b>
	<b>ZSSK IC<sup>1</sup></b>	<b>13:37</b>	<b>18:41</b>	<b>5:04</b>	ZSSK	11:55	17:46	5:51
	ZSSK	13:55	19:52	5:57	<b>ZSSK IC<sup>4</sup></b>	<b>15:37</b>	<b>20:37</b>	<b>5:00</b>
	ZSSK	15:55	21:52	5:57	ZSSK	13:55	19:46	5:51
	<b>ZSSK IC<sup>2</sup></b>	<b>17:37</b>	<b>22:40</b>	<b>5:03</b>	ZSSK <sup>2</sup>	14:41	20:32	5:51
	ZSSK	17:55	23:52	5:57	ZSSK	15:55	21:46	5:51
	ZSSK	23:40	5:52	6:12	<b>RJ</b>	<b>17:50</b>	<b>22:43</b>	<b>4:53</b>
					ZSSK <sup>2</sup>	17:55	23:46	5:51
					ZSSK	23:39	5:55	6:16

## Preferred service/operator, if the free tickets are not available

statement	number	share (%)
ZSSK	508	56.8
RegioJet	244	27.3
coach service	94	10.5
Own car/car sharing	49	5.4
<i>total</i>	<i>894</i>	<i>100.00</i>

- preference for another ZSSK service – RegioJet loser

## Changing the frequency of use of a carrier's services

statement	number	share (%)
ZSSK	743	83.1
RegioJet	135	15.1
other	16	1.8
<i>total</i>	<i>894</i>	<i>100.00</i>

- shift + generated demand for ZSSK service – RegioJet loser

# Conclusion

- RegioJet left the market in 2017
  - open access business on the distorted market was **not sustainable**,
- fares remained lower after RegioJet's exit
  - open on-track competition brings **benefits to passengers** (influence of free fare),
- administrative interventions prevented free competition
  - loss of passengers had to be **compensated** by free fare.



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Thank you for your attention!

