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

New Mobility - High-Speed Transport Systems and Transport-Related Human Behaviour
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Polish passenger railway market vs. selected European markets

Data for 2016/2017

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

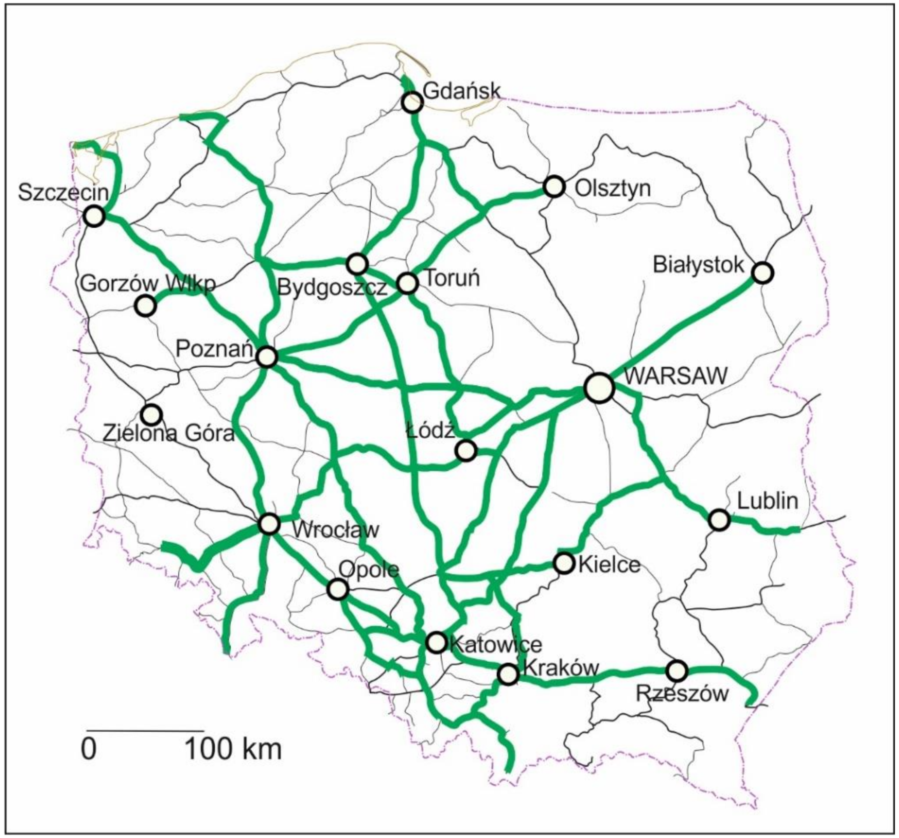
[a] authors' own estimation; [b] passengers transported outside integrated transport systems (IDS)

Source: own elaboration of the authors on the basis of: UTK, Ročenka dopravy 2017 , ÖBB in Zahlen 2017, Statistik Austria, Destatis, Istat, www.forbes.pl, Die Zeit

Starting point of the study:

Król, M., Taczanowski, J. & Kołoś, A. (2018). The rise and fall of Interregio. Extensive open-access passenger rail competition in Poland, *Research in Transportation Economics*, 72, 37-48.

- 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.



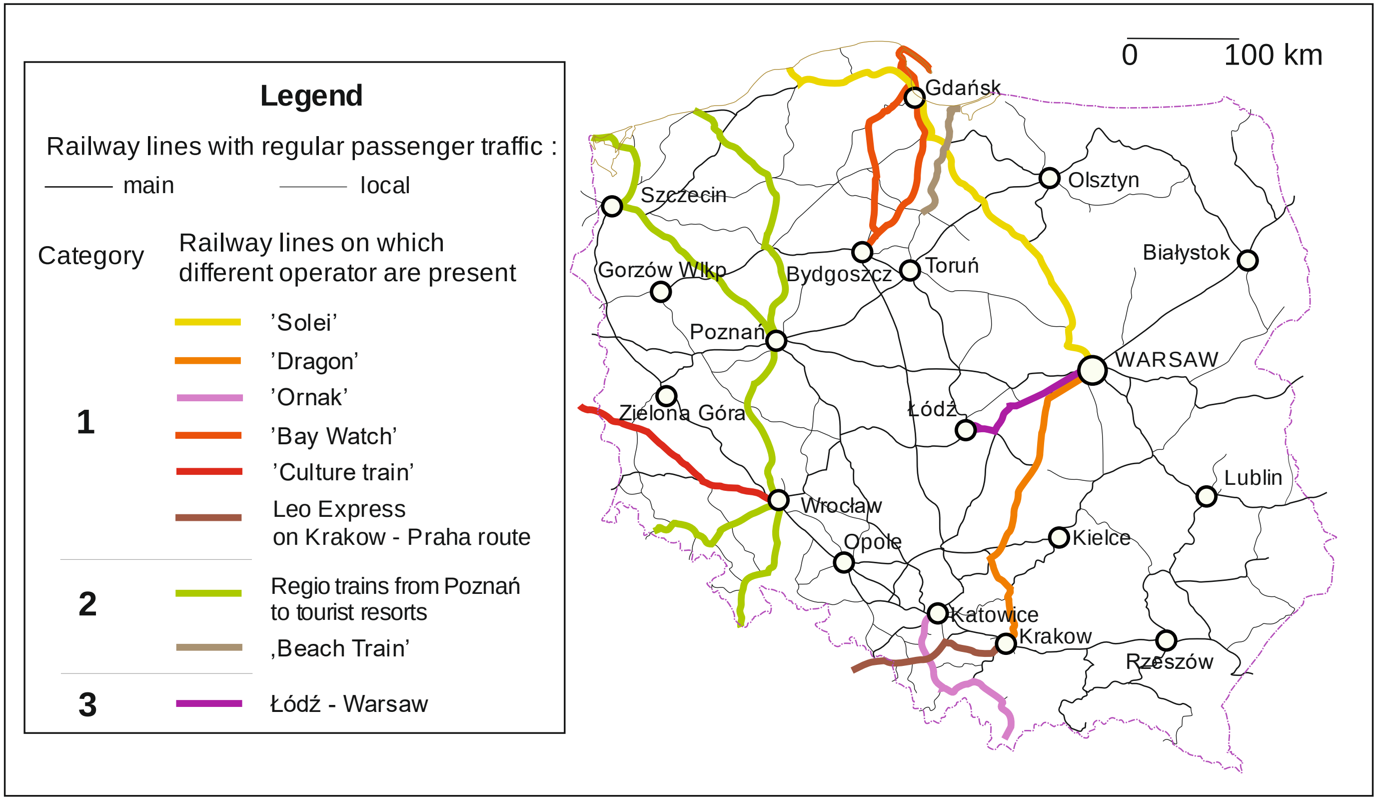
Lines served by Interregio in 2012
Source: authors' own elaboration

Aim of the study:

to identify and analyse <u>new examples</u> 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*)

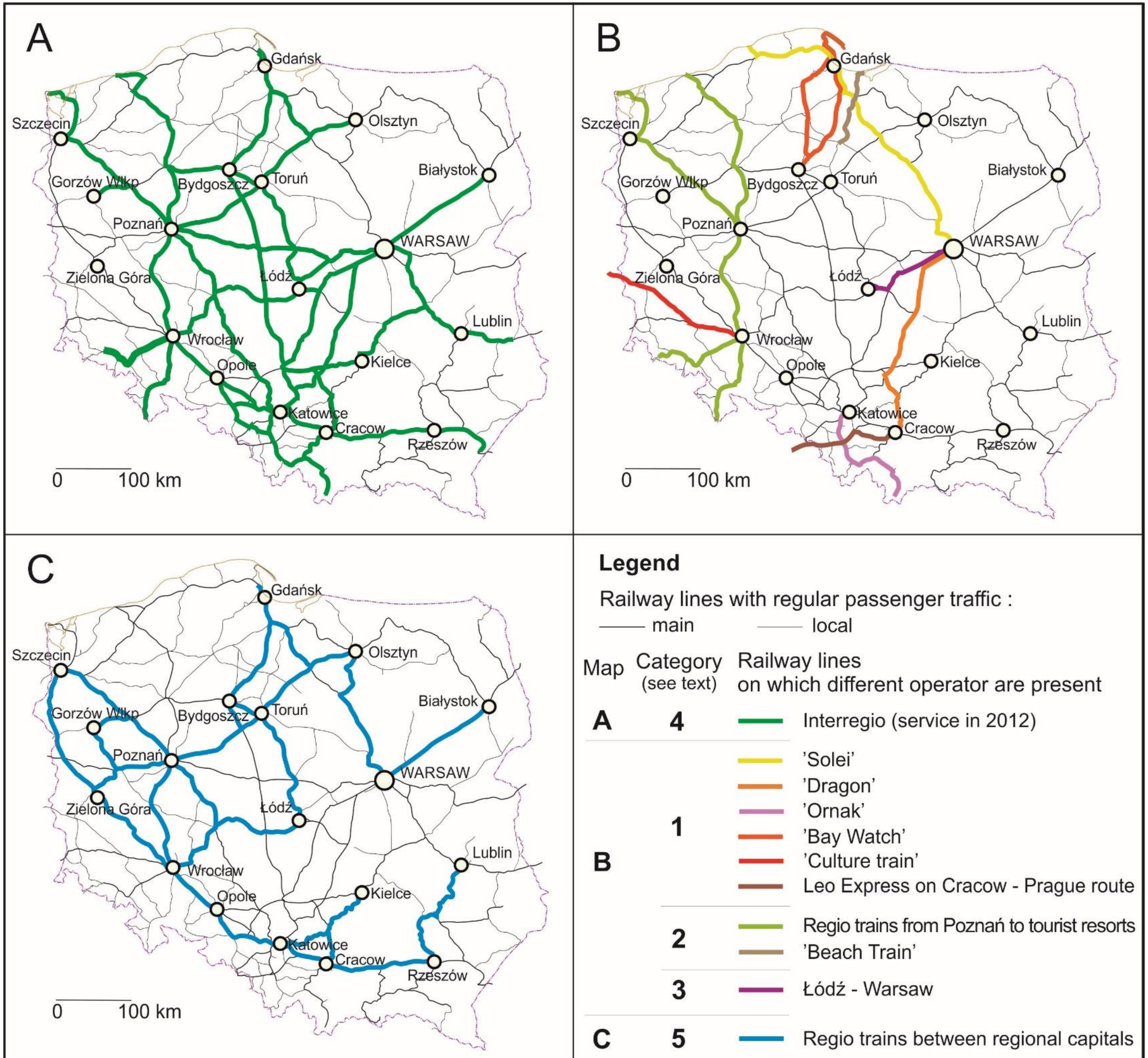
2. New services set up by combining the pre-existing regional services along the route, targeting leisure sector:
   5 examples, made by 2 operators (*PR*, *Arriva*).

   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 <u>numerous but low-scale</u>.

  (the combined market share of the challengers has never exceeded 2%)

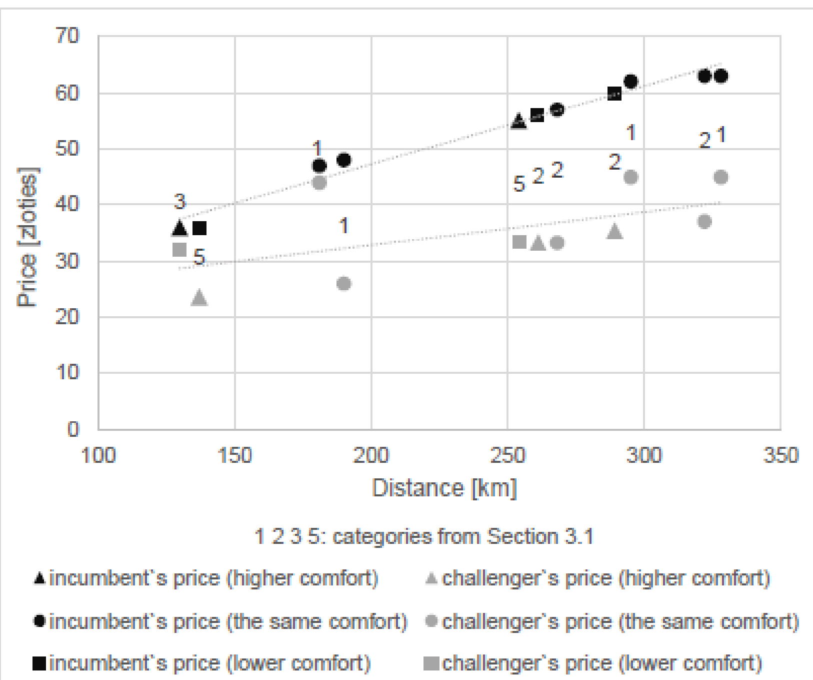
- The newly-analysed examples are strongly differentiated.

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

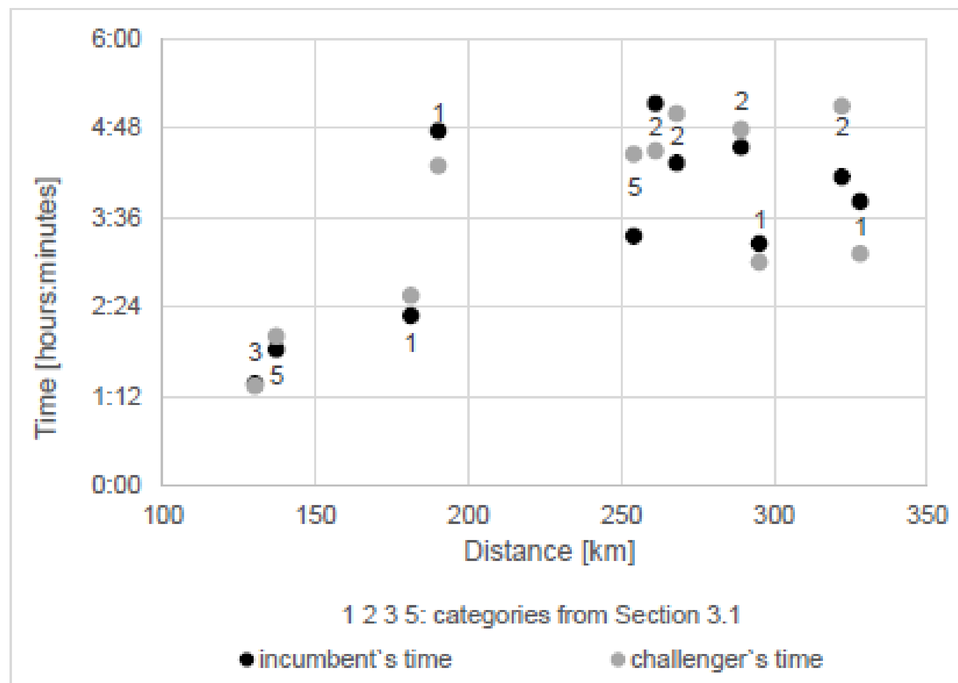
- The majority of these unusual intrusions were <u>made not by the ‘agile’ private operators</u>, but by the state-owned (*PR*) and region-owned (*Mazovian Railways*, *Silesian Railways*, *Lower Silesian Railways*) enterprises that dominate regional services in Poland.

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.



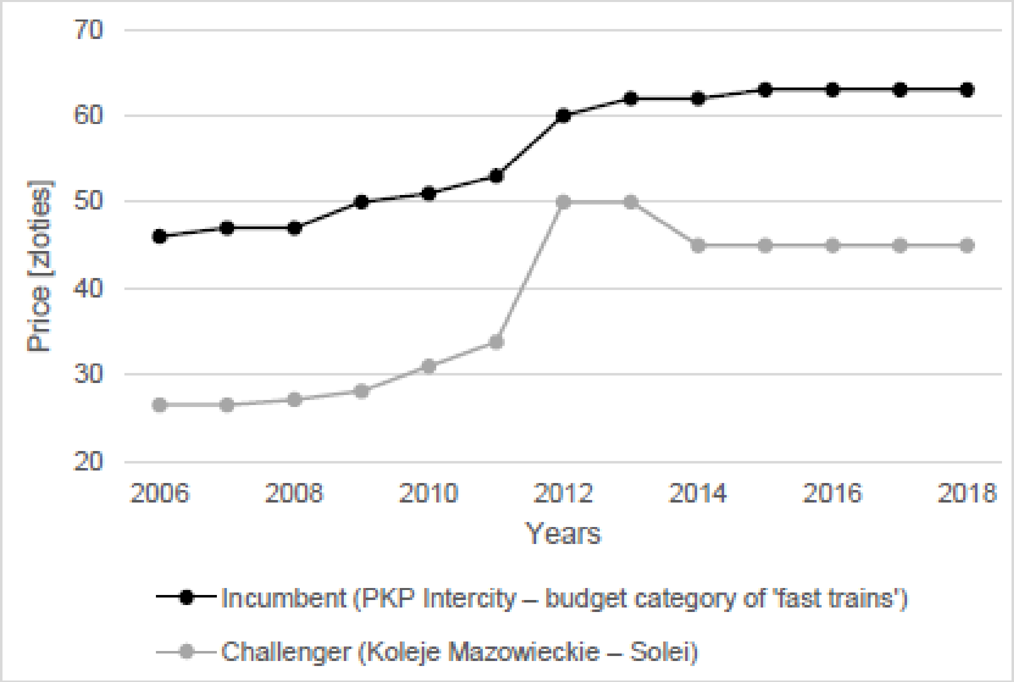
Ticket prices and comfort for the analysed services in 2018



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 <u>interest in full-scale entries</u> in Poland in a few recent years, especially on the ‚flagship' Warsaw-Cracow route, however the <u>regulatory body denied applications</u>.

- These decisions were discretionary and controversial.

Table 2. Open-access decisions issued by regulatory body in Poland

	All decisions	of which decisions denying an application	Average time of processing an application
Total	55	4	-
of which			
decisions issued for the incumbent	35	0	96 days
decisions issued for challengers	19	4	203 days
other decisions	1[a]	0	
of which decisions issued for challengers for important routes served by the incumbent	8	4	374 days[b]

Source: authors' database.

[a] – decision concerning heritage steam services (issued for PKP Cargo);

[b] – 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.

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Sources of pictures:

Jakub Taczanowski; https://bielskobiala.beskidy.news; https://dozer.kolej.org.pl; www.inforail.pl; http://katowice.wyborcza.pl; www.mazowieckie.com.pl , www.facebook.com/KolejBeskidzka/photos

Thank you for your attention!

The average distance in kilometres that passengers travel by rail in one year

Country	2013	Difference between 2000 and 2013
Poland	475	- 24.2%
Czech Republic	640	- 8.0%
Slovakia	450	- 15.5%
Hungary	785	- 19.5%
Austria	1330	+ 25.3%
Germany	1040	+ 12.7%
Switzerland	2450	+ 54.3%

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

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