Next stop for Swedish rail reforms? New Government Committee reviewing the organisation of the sector

Workshop 4: Governance, Ownership and Competition in Deregulated Public Transport Markets

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ABSTRACT

In May 2013, the Swedish Government appointed a new Committee with the purpose to make a review of the organisation of the Swedish railway sector, looking into the reforms made during the past 25 years and the current functioning of the sector. An analysis of the most important issues identified will then result in suggestions on improvements and possible changes in the legal framework. In this respect, particular attention will be paid to the scope for reforms in view of the boundaries provided by recent EU directives and regulations. A first report from the Committee is expected in October 2013, with the full report to follow in accordance with forthcoming additional directives from the Government.

1. Introduction

25 years of stepwise regulatory reforms in the Swedish railway sector has transformed it from a vertically and horizontally integrated monopoly to one of the most disintegrated and open railway markets in Europe. Several railway companies compete in or for the rail transportation market and a number of other functions in the sector have also been subjected to competition. The dominating national railway infrastructure manager has been re-organised to become part of a multi-modal infrastructure government authority. While important elements of the current Swedish regulatory structure appear to have inspired the legislative proposals from the European Commission included in the Fourth Railway Package, there has been a growing political discussion in Sweden regarding the merits of some aspects of the reforms. For example, issues related to the maintenance of track...
infrastructure have been highlighted. In December 2012, a decision in Parliament pointed to the need for a review of the current organisation and functioning of the railway sector. Consequently, the Government in May 2013 decided to appoint a new Committee to fulfil this purpose. In this paper this development is described in more detail, including the objectives of the newly formed Committee and the work carried out so far.

2. Swedish railways – 25 years of regulatory reforms

The Swedish railway sector has been the subject of a number of regulatory reforms during the past 25 years. The transport policy act of 1988 is typically stated as the starting point in this development. It included the vertical separation of track infrastructure from the operations of Swedish State Railways (SJ), forming the authority Banverket, and a decentralisation of responsibility for regional lines to regional transport authorities. In combination, this led to the introduction of competitive tendering of regional passenger railway services, later implemented also on other parts of the network.

In 1996, the market for rail freight services was deregulated. In early 2001 all the remaining divisions of SJ were separated and corporatized, forming SJ Ltd (passenger services), Green Cargo Ltd (freight services) and Jernhusen Ltd (railway stations and other real estate) along with a couple of other companies, some of which were later sold to the private sector. In 2009-2011, the remaining parts of SJ Ltd’s monopoly on commercial passenger services were abolished in a stepwise process, leading to a situation of complete market opening by means of open access (coupled with competitive tendering of unprofitable lines) in late 2011.

Since April 2010, Trafikverket is the manager of the state-owned track infrastructure, while also having the corresponding responsibility for road infrastructure (following a merger of Banverket and the road administration Vägverket) and partially also for sea and air transport. One of Trafikverket’s primary functions today is planning the construction and maintenance of rail infrastructure, while the actual work is carried out by contractors. It is therefore a major procurer of such services. The former in-house production units were divested in early 2010.

The vertical separation and subsequent reforms have been described in detail by Nilsson (1995), Alexandersson et al. (2000) and Alexandersson (2010) among others. The reforms have been driven both by national concerns and adaptations to new EU directives and regulations. The European Commission has been particularly active in the rail transport policy field since the early 2000s, resulting in four Railway Packages, comprising a number of directives and regulations aimed at technical standards, organisation and market development. The European Parliament and the Council are still negotiating the latest proposal, the Fourth Railway Package, while a recent recast of the First Railway Package, resulting in the so-called SERA Directive (2012/34/EU), is supposed to be implemented by all Member States in 2015. The major objective behind recent EU legislation is the creation of a competitive European railway market, breaking the boundaries of national borders and increasing competition, while also securing the interests and rights of transport buyers, not least on the passenger side. In the positions taken regarding vertical separation, market opening and competition, the Commission’s proposal seems to have been inspired by the current regulatory structure in Sweden. Alexandersson and Rigas (2013) explore the Swedish reform process further in the context of EU policy development.
Table 1 presents an overview of the current Swedish regulatory structure and the main differences compared to the situation in 1988. Figure 1 is a simplified illustration of the most important events (and their relative significance) in the stepwise process of reforms, also highlighting the fact that the reforms have been initiated and implemented by Social Democratic governments as well as right-wing/centre/liberal governments.

Table 1. Regulatory structure overview and comparison between 1988 and 2013

<table>
<thead>
<tr>
<th>Part of rail transport market</th>
<th>1988</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Passenger services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional (non-profitable)</td>
<td>SJ holds monopoly and receives subsidies</td>
<td>Procurement by competitive tendering (competition for the tracks); since 1990</td>
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<tr>
<td></td>
<td></td>
<td>Open access (competition on the tracks); since 2011</td>
</tr>
<tr>
<td>Inter-regional (non-profitable)</td>
<td>SJ holds monopoly and receives subsidies</td>
<td>Procurement by competitive tendering (competition for the tracks); since 1993</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Open access (competition on the tracks); since 2011</td>
</tr>
<tr>
<td>Inter-regional (profitable)</td>
<td>SJ holds monopoly</td>
<td>Open access (competition on the tracks); implemented step-by-step 2009-2011</td>
</tr>
<tr>
<td><strong>Freight services</strong></td>
<td>SJ holds monopoly</td>
<td>Open access on all lines (competition on the tracks); since 1996</td>
</tr>
</tbody>
</table>

Various iterations of this table have been published previously by the author, most recently in Alexandersson and Rigas (2013).
3. Recent events and political initiatives

As described above, the political initiatives in recent years have resulted in a railway market characterised by market opening and competitive tendering, but also in an extensive unbundling and separation of different functions (and sometimes also responsibilities). Figure 2 presents an overview of functions and related actors in the Swedish railway sector, showing the unbundled and relatively complicated network of specialised organisations involved in various parts of the system today.
Coinciding with the latest development in railway organisation and market opening, several parts of the railway network appear to have approached their capacity limits, in some cases even forcing Trafikverket to declare lines as congested. Demand for passenger railway services, in particular regional services, has increased at a more or less steady pace since the early 1990s, while freight transport started to increase in the 2000s (temporarily interrupted by a big dip in 2008-2009). Many lines carry substantial traffic of long-distance and regional passenger services as well as freight services. There is no network dedicated only to certain types of traffic such as high-speed services.

Disturbances resulting in delays and service interruptions have been given much attention in the media. In particular, the two relatively harsh winters of 2009-2010 and 2010-2011 highlighted the railway system’s sensitivity to disturbances, but also revealed underlying problems regarding maintenance contracts, availability of specialised equipment for snow removal, coordination between different actors and the quality of information provided to customers. This sparked a number of initiatives, both within the sector and from politicians of several parties. The Government has increased the grants to Trafikverket, with a special focus on rail maintenance and reinvestments. The opposition in Parliament has found this to be insufficient while also questioning the on-going market opening and unbundled organisation of the sector.

In December 2012, a unanimous statement from the Parliament’s transport committee asked for a review of the regulatory reforms and of the organisation of the Swedish railway sector. This proposal was subsequently adopted in Parliament, leading the Government in May 2013

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Figure adapted from a presentation made by Ole Kjörrefjord (with permission)
to appoint a new committee to fulfil this task. Dr. Gunnar Alexandersson, associated researcher at Stockholm School of Economics and former deputy CEO of the Association of Swedish Train Operating Companies, was appointed to lead the Committee.

4. Objectives of the new committee

The objectives of the new committee are described in some detail in a document of directives adopted by the Government (Regeringskansliet, 2013). The overall objective is to perform a review of the organisation of the Swedish railway sector, leading to suggestions on improvements that will make the sector fit to meet future demands for an efficient and sustainable transport system.

The work is to be carried out according to a two-step approach. The first step is to produce a “current status” report, including:

- A functional description of the railway system used as a basis for an analysis of the allocation of tasks and areas of responsibility between different actors
- A description of the organisational development of the railway sector since 1988, including motifs behind decisions and explanations of concepts
- Mapping of relevant EU law and the resulting scope for national decisions on railway organisation
- An inventory of problems and potential areas of improvements

Following this initial report, and feedback to be provided by means of a hearing in Parliament involving both politicians and affected stakeholders, the Government will produce a set of additional directives for the work to be done during the second step. The second step will then focus on analysing how the organisation of the railway sector can be improved.

The timeline for the work of the committee is only specified regarding the first step, with a deadline for the initial “current status” report set to 15 October 2013. The subsequent additional Government directives will then specify the time to be used for the second step and the resulting final report from the committee.

5. The work so far

Following its inception in May 2013, the first months of the Committee (now called the Committee reviewing the organisation of the railway sector) have revolved around meeting people with relevant input to the committee and its forthcoming first report, while also setting up the committee organisation itself. Some officials have been hired and in early July a group of experts was officially established, following a decision by the Ministry of Enterprise, Energy and Communications. This expert group includes 15 people, representing various fields of expertise from a number of stakeholders, research institutes and public authorities. The purpose of the group is to assist the Committee in its work.

In order to fulfil its tasks the Committee has also started to collect relevant literature and has initiated cooperation with other authorities and related committees. A workshop for
stakeholders and other interest groups will take place in late August as a way to quickly gather data and views on various issues and problems, complementing a large number of bilateral meetings and appearances at conferences.

6. Concluding remarks

The many steps taken during the history of regulatory reforms in the Swedish railway sector have typically been preceded by proposals and analyses coming from appointed Government committees looking into the current status of sector development. The recently established Committee reviewing the organisation of the railway sector follows closely in this tradition, although the background to its creation is a bit unusual. Moreover, it is fairly uncommon to have such an open mandate in terms of identifying problems to be handled and suggesting changes and solutions.

It can – at this stage – be difficult to foresee what the work of the Committee will lead to: minor or major regulatory changes, and in what direction? The work calls for a scientific approach, an open mind and a humble attitude towards both problems and possible solutions. Regardless of the outcome (likely to be discussed at subsequent conferences in the Thredbo series), it should be of interest to other countries that face similar problems or perhaps stand at a cross-road contemplating the next stop for railway reform.

References


