Swedish rail liberalisation and sector development - past, present and future

Dr. Gunnar Alexandersson

Stockholm School of Economics

Ministry of Enterprise, Energy & Communications

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Outline of presentation

• Brief history of rail liberalisation
• The current structure
• Effects and market development
• The new Government review of the organisation of the railway sector
Brief history of rail liberalisation and other (de)regulatory reforms
Pre-history

1960s-1980s: A period of decline and increasing financial problems for the Swedish State Railways (SJ)
- line closures
- operating subsidies introduced
- additional state grants needed

1985: New Railway Law:
- the State took additional responsibility for rail infrastructure
- SJ to separate its accounts
- track access charges introduced

1986: SJ in severe financial crisis; need for 1 billion SEK in additional grants

Evolution of rail liberalisation (1)

1988: Vertical separation of track infrastructure (Banverket) from operations (SJ)

Decentralisation of responsibility and resources to regional authorities

1990: First tenders for regional services

1993: First tenders for interregional services

1996: Deregulation of freight services

1998: More functions taken over by Banverket

2000: Break-through for new entrants in several tenders

2001: Separation and corporatisation of SJ’s divisions
Separation and divestment of SJ

- Banverket
- ASG
- Swebus
- Royal Viking Hotel
- Scandlines
- Traffic Restaurants
- Jernhusen
- SJ Ltd
- Green Cargo
- EuroMaint
- SweMaint
- TraffiCare
- Unigrid

Evolution of rail liberalisation (2)

2004: Swedish Rail Agency is established

2006: Market opening for night trains and chartered trains

2009: Jan Swedish Transport Agency is formed (out of several other authorities) with multi-modal regulatory responsibilities
      June Market opening for weekend traffic (rest capacity)
      Oct Market opening for international passenger services (to comply with EU directive)
Evolution of rail liberalisation (3)

2010: Jan Banverket’s construction and maintenance unit is separated and corporatised (Infranord)

April Banverket is merged with the Road Administration to form Trafikverket - the Swedish Transport Administration (a multi-modal infrastructure manager)

Oct Market opening for domestic passenger services, with full effect from Dec 2011

2012: New law on public transport
Current structure
## Overview of regulatory structure

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

- Freight
- Passengers

- Train operation
  - SJ

- Rolling stock manufacturing
  - ASEA
Additional complexity when comparing main system with sideline system
Experience and effects
Rail infrastructure investments and maintenance

State grants to rail infrastructure investments and maintenance; index (1989=100)
Market development and new entrants - passenger

Passenger traffic (million passenger km)

SJ Other companies

Passenger traffic (million passenger km)

Market development and new entrants - freight

- Freight traffic (million tonne km)
  - SJ Gods/Green Cargo
  - Other companies

Freight traffic (million tonne km)

- 1997
- 1998
- 1999
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
### Subsidy effects from tenders

<table>
<thead>
<tr>
<th>Lines procured by CPTAs (regional lines)</th>
<th>Tender No.</th>
<th>Year</th>
<th>Subsidy effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network in county of Jönköping etc</td>
<td>1</td>
<td>1989</td>
<td>-21%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>1993</td>
<td>-25%</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>1997</td>
<td>Minor increase</td>
</tr>
<tr>
<td>Ystad-Simrishamn</td>
<td>1</td>
<td>1995</td>
<td>-18%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>1998</td>
<td>-10%</td>
</tr>
<tr>
<td>Herrljunga-Hallsberg</td>
<td>1</td>
<td>1994</td>
<td>-10%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>1999</td>
<td>-3%</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>2002</td>
<td>Minor increase</td>
</tr>
<tr>
<td>Borlänge-Malung</td>
<td>1</td>
<td>1991</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>1994</td>
<td>-20%</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>1996</td>
<td>Minor</td>
</tr>
<tr>
<td>Uppsala-Tierp</td>
<td>1</td>
<td>1991</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>1999</td>
<td>-20%</td>
</tr>
<tr>
<td>Stockholm, commuter trains</td>
<td>1</td>
<td>1998</td>
<td>-32%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>2005</td>
<td>+10%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lines procured by the state (interregional lines)</th>
<th>Tender No.</th>
<th>Year</th>
<th>Subsidy effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>All lines</td>
<td>1-2</td>
<td>1992-93</td>
<td>-21%</td>
</tr>
<tr>
<td></td>
<td>3-6</td>
<td>1994-98</td>
<td>No increase</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>1999</td>
<td>-28%</td>
</tr>
<tr>
<td>Northern trains</td>
<td>7</td>
<td>1999</td>
<td>-20%</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>2002</td>
<td>-42%</td>
</tr>
</tbody>
</table>
Track Access Charges

Source: Banverket/Trafikverket

Forecast
New Government review of the organisation of the railway sector
Government decision 8 May 2013

• An appointed investigator is to make a review of the organisation of the railway sector

• The aim is to come up with suggestions for improvement to address future demands on efficiency and sustainability
A two-step approach

• Description of current organisation
  Ready Oct 2013

• Analysis of how the organisation can be improved
  Following from subsequent directives
Directives for step 1

• Using a functional description of the railway system in order to show the division of responsibilities and tasks among different actors

• Describing the organisational development since 1988, including motifs and an explanation of concepts

• Mapping relevant EU law and the room for national decision-making

• Making an inventory of potential areas of improvement

• Deadline: 15 October 2013
Thank you!