



ROYAL INSTITUTE
OF TECHNOLOGY

Market dynamics in on-the-track competition

measuring benefits

valuing risk

evaluating policy modifications



Centre for
Transport Studies
STOCKHOLM



BROMAN, Emanuel
ELIASSON, Jonas

On-the-track competition

- (For-the-track competition: public tendering; time-limited monopoly as a concession)
- **On-the-track** competition: several operators serving the same line simultaneously
- Unusual for passenger traffic – but currently implemented in Sweden
- Relevant for profitable lines

Possibilities and risks

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No monopoly pricing
Incentives for cost-
efficiency through profit
requirements
Incentives for service
improvements through
competition

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Stable equilibrium or
persistent turbulence?
Incentives for operators to
buy each other's slots?
High profits going to private
firms instead of government



Modelling market behaviour

- Simulation model
- Duopoly market
- Different types of market equilibria: Nash/Stackelberg
- Comparing prices, travel volumes, welfare effects etc in different market regimes
- How can policy tweaks be used to maximise benefits to travellers and society?



Results

- Much lower profits compared to market-maximising monopoly creates incentives to buy/sell slots
- Possibly very beneficial for consumer surplus
- Changes to regulatory framework has large effects on market dynamics and outcomes incl. total welfare