Competition in Public Transport

Essays on competitive tendering and open-access competition in Sweden

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Abstract

The results of this work show that the cost efficiency of tendered bus services is similar across all Swedish counties, except for the more high-density counties where efficiency is lower. Considerably lower efficiency is also found for contracts with services run in-house by the Public Transport Authority (PTA), compared to when the same service is run by a private actor. With respect to the competitive environment, it was found that many contract design factors have little or no effect on the number of bids that the PTA sees in their tenders. No measure that could be imposed by a single PTA was found to increase the total number of bidders by more than 0.5 bidders. However, the results suggest that PTAs as a collective could try to avoid tendering too many contracts at the same time because this was shown to reduce participation by up to about two bidders. In addition, these studies show that the local competitive environment is important for the PTAs to consider. The way in which contract areas are defined will also affect the participation rate as operators were found to participate in tenders to a lower extent the farther their workplaces are from the contract area. While larger operators appear to be less sensitive with respect to such distances, the fact that smaller operators are, and that they often bid as one unit as members of cooperation companies, makes the competitive environment important. The results suggest that depots could be included in the contract to stimulate participation, but this is by no means the only nor an easy solution.

This thesis has also analyzed the entry made in 2015 by MTR Express (MTR) on the Stockholm-Gothenburg railway line. The overall conclusion is that customers are indeed facing lower prices one and a half years after the entry. MTR's prices are on average 100 SEK lower than the incumbent SJ's prices. Furthermore, the analysis shows that the incumbent’s prices have also gone down, by almost 13 percent, following the entry.

Key Words

Competition, Public Transport, Tendering, Procurement, Cost efficient, Bus, Railway, Open access competition