

# The Impact of Asymmetric Access Regulation on Ontrack Competition in the Passenger Railway Market

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## Abstract

The gradual liberalization of the EU railway market, that started in the early 2000s, has entered its final phase with the opening of national markets for commercial passenger transport. However, the level of competition established in some countries is still not sufficient. This phenomenon stems from high barriers to entry for new operators, such as relatively high infrastructure access charges for commercial passenger traffic, high sunk costs, and competition between asymmetric participants, where the incumbent still dominates the market. One of the solutions to improve the conditions for entry is asymmetric access regulation, used in the telecommunications sector. This regulation is based on lower access charges for entrants than for incumbent for a limited period, that can be implemented through the ladder of investment approach. The current EU regulatory framework requires equal and non-discriminatory access charges for all railway operators providing similar services in a similar market segment with similar infrastructure quality. Any deviation from this principle must be justified. In practice, infrastructure managers often charge much higher access charges than the marginal cost of using the infrastructure for long-distance passenger traffic because that market segment is able to borne higher access charges. This does not leave much possibility for entry or survival of potential entrants in the passenger market segment. This paper will present a duopoly competition model between asymmetric on-track competitors in the commercial passenger transport. We will analyse the effects of asymmetric access regulation as an entry incentive that should enable sustainable competition.

**Keywords:** asymmetric regulation, ladder of investment approach, access charge mark-up, infrastructure manager, sustainable competition.