Introduction

José A. Gómez-Ibáñez and Ginés de Rus

At the end of the 20th century, many countries adopted radical reforms in an attempt to strengthen their railways. The railways' share of passenger and freight traffic had been declining at an alarming rate in part because of increasing competition from autos, buses, airplanes, trucks, waterways and pipelines. In countries with private railways, such as the US and Canada, bankruptcies were threatening to eliminate many services. In countries with government-owned railways, such as in Europe or the developing world, the subsidies required to maintain service were becoming a serious burden on the state.

Most countries tried to improve railway performance by introducing added competition, although they differed in the forms of competition employed. One method was to separate or 'unbundle' train operations from infrastructure so that independent train operating companies could compete with one another over common tracks. The idea was inspired in part by telephones and electricity where potentially competitive activities (such as long distance or mobile telephony) were being separated from less competitive ones (local hard-wire service); it was also inspired by highway and air transportation where trucking and airline companies have long competed while using highways and airports provided by separate entities. The second approach was to privatize the railways in the hope that competition among investors for ownership or control of the company would put pressure on managers to be more efficient. Finally, some countries also loosened government controls on railway tariffs and services that dated from the late 19th and early 20th centuries, when the railways enjoyed a near monopoly on transport. The idea was that these outdated regulations were preventing the railways from responding effectively to the intense competition they now faced from other modes.

In practice the countries divided into two camps depending upon whether they chose to rely primarily on unbundling or on privatization. Europe and Australia decided to unbundle train operations from infrastructure, in some cases while also privatizing ownership but in other cases not. North America, Japan and the developing countries relied on privatization instead of unbundling, in some cases while also deregulating railway tariffs and services but in other cases not.

This book examines the experiences with these reforms, focusing particularly on the debate between unbundling and privatization. The contributors, all prominent railway scholars from Europe, North America and Latin America, disagree and each side offers reasonable arguments. The proponents of privatization argue that the train-on-train competition has been slow to emerge in Europe or Australia and is unnecessary given the intense competition from other modes. Moreover, they contend that unbundling greatly complicates the coordination of train operations and infrastructure maintenance. They blame this complexity for contributing to the accidents and cost overruns that led to the spectacular bankruptcy in 2001 of Railtrack, Britain's private railway infrastructure company. Proponents of unbundling respond that the policy has performed reasonably well outside of Britain, and attribute the British disaster to the half-hearted implementation of the policy by the Labour Government. They also point out that privatization has sometimes proven difficult as well, particularly in developing countries where private railway operators and governments have become embroiled in disputes over tariffs and conditions of services.

The book opens with a chapter that introduces the reform options, the experience and the debate. The main body of the book is then divided into two parts: the first dealing with countries that have unbundled and the second with those that have not. The section on unbundling consists of four chapters and begins with a chapter that describes the European Commission's efforts to require the unbundling of European railways and the main alternative models that have emerged, including those of Britain, Sweden and Germany. The next chapter (Chapter 3) examines the British model in more detail, since Britain pursued the most ambitious and controversial reforms in Europe by comprehensively unbundling and privatizing its railways. Chapters 4 and 5 consider the policies in France and Spain – both less enthusiastic reformers. Some French government officials hope that the establishment of a separate infrastructure company will help them control the powerful French railway company. But most French officials are skeptical about the merits and practicality of train-on-train competition, although some competition seems inevitable particularly for contracts from regional governments to provide subsidized regional passenger services. In Spain the prospects for train-on-train competition are probably limited to some freight and regional services but are unlikely in the new high-speed intercity passenger system that Spain has been building.

The second part, consisting of three chapters, examines efforts to introduce competition through privatization rather than unbundling. Chapter 6 recounts the US experience with deregulating its private freight railroads. After decades of mergers the US industry has consolidated into four giant freight railways: two west of the Mississippi and two east of the Mississippi.

Deregulation has proven remarkably beneficial for both shippers and the railways despite the fact that many shippers have little choice of which railway to use, particularly in the short run. Chapter 7 describes Latin America's efforts to privatize its railways as integrated concessions. Privatization has stimulated a remarkable improvement in railway performance in most cases, although conflicts between the railways and the government have been a problem particularly where the governments did not feel they could loosen regulation while they privatized. The book concludes with a final chapter that attempts to draw together the lessons about the prospects for introducing competition in railways.

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