

High Speed Rail – The competitive environment

European Transport Conference

John Segal, MVA Consultancy | September 2006



Presentation

The market place for High Speed Rail (HSR)

Mode shares: effect of HSR on air

Competition/ complementary with air

Effect of HSR on car

Forecasting demand for HSR

Economic impacts

Market for Intercity Travel

Air - long distance

Rail (including high speed) - medium distance

Car - short distance, also where other modes do not offer accessibility

(Coach)

Business and leisure travel

What does the Market want?

Journey time is critical

Business market values the rail quality of service:

- Uninterrupted journey – ability to work on train
- Quality of service offer – catering, etc
- Turn up and go, with associated frequency of service

Leisure market values:

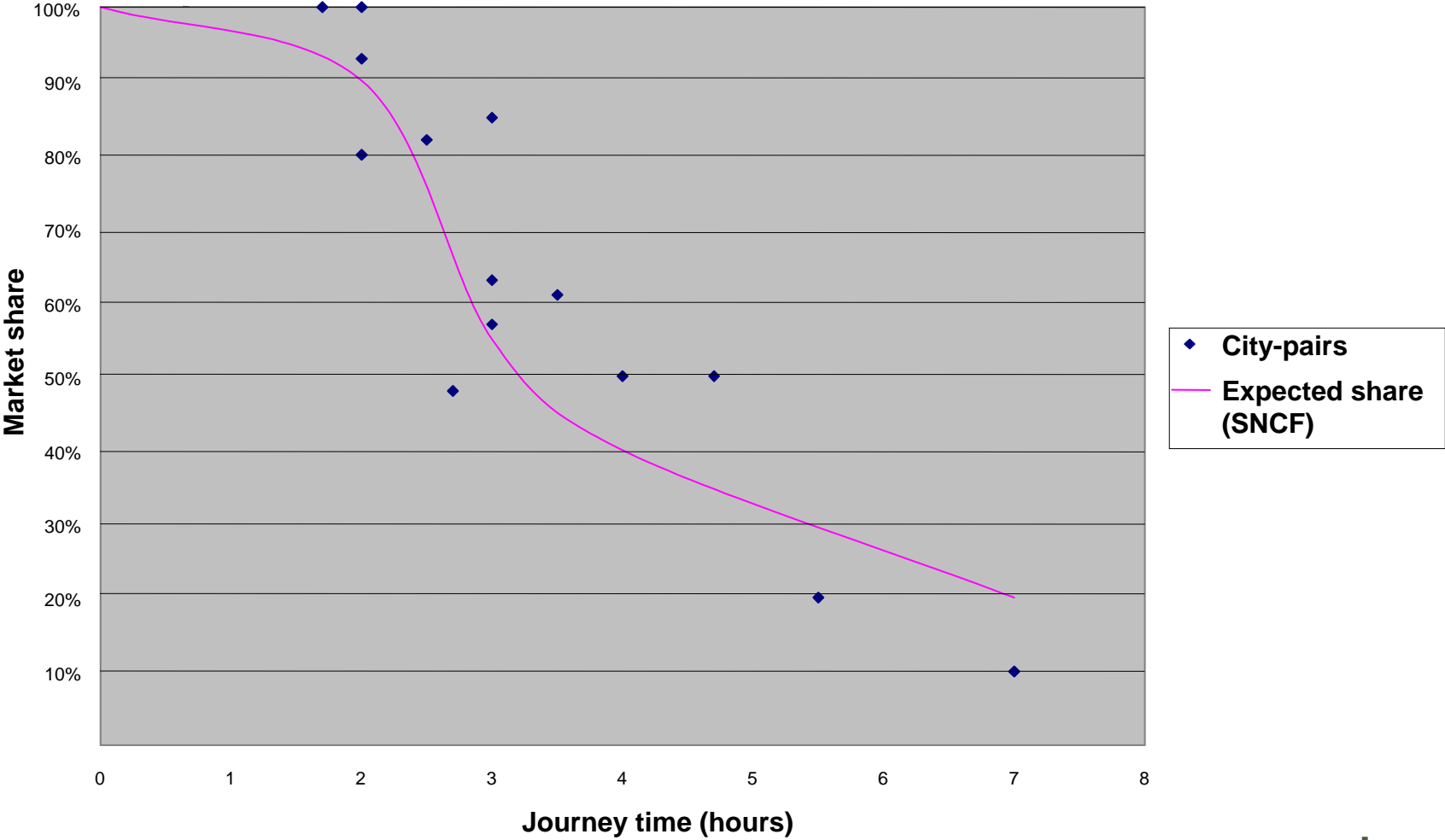
- Flexibility
- and recognises the access costs of air

Forecasts need to take account of:

- Fares/cost of travel
- Travel time
- Access to airport/station
- Time and hassle of security
- Comfort and associated services

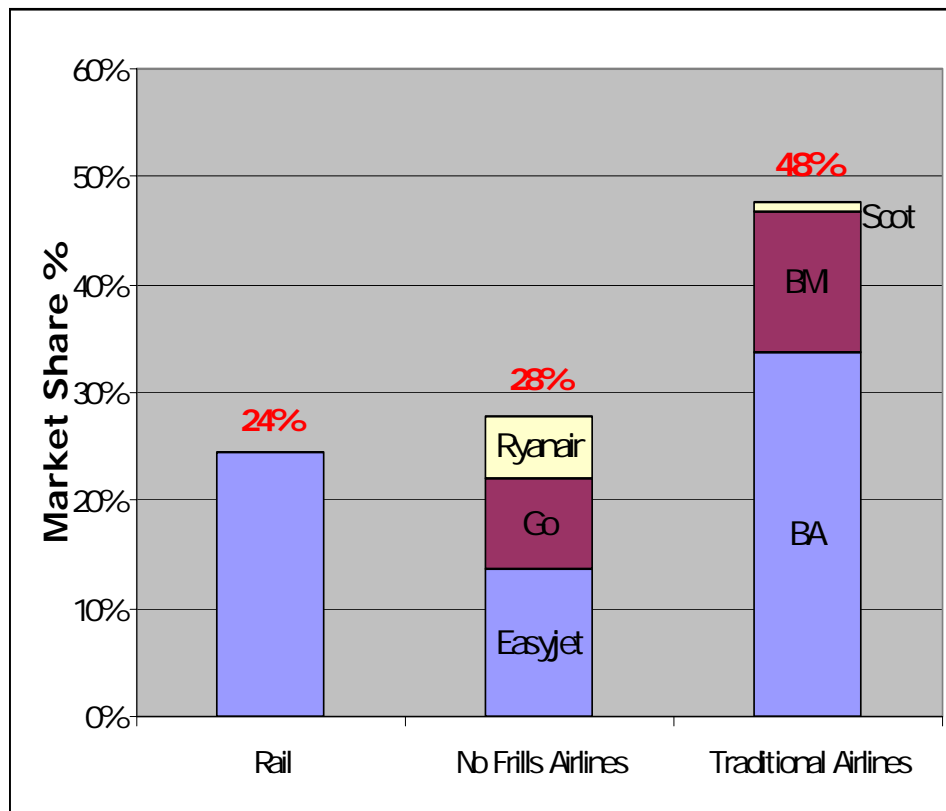
Importance of factors depends on journey purpose

Rail - Air Mode Shares



Market Share between Rail and Air

Selected Competing markets 2002



Substantial growth in demand on No Frills airlines

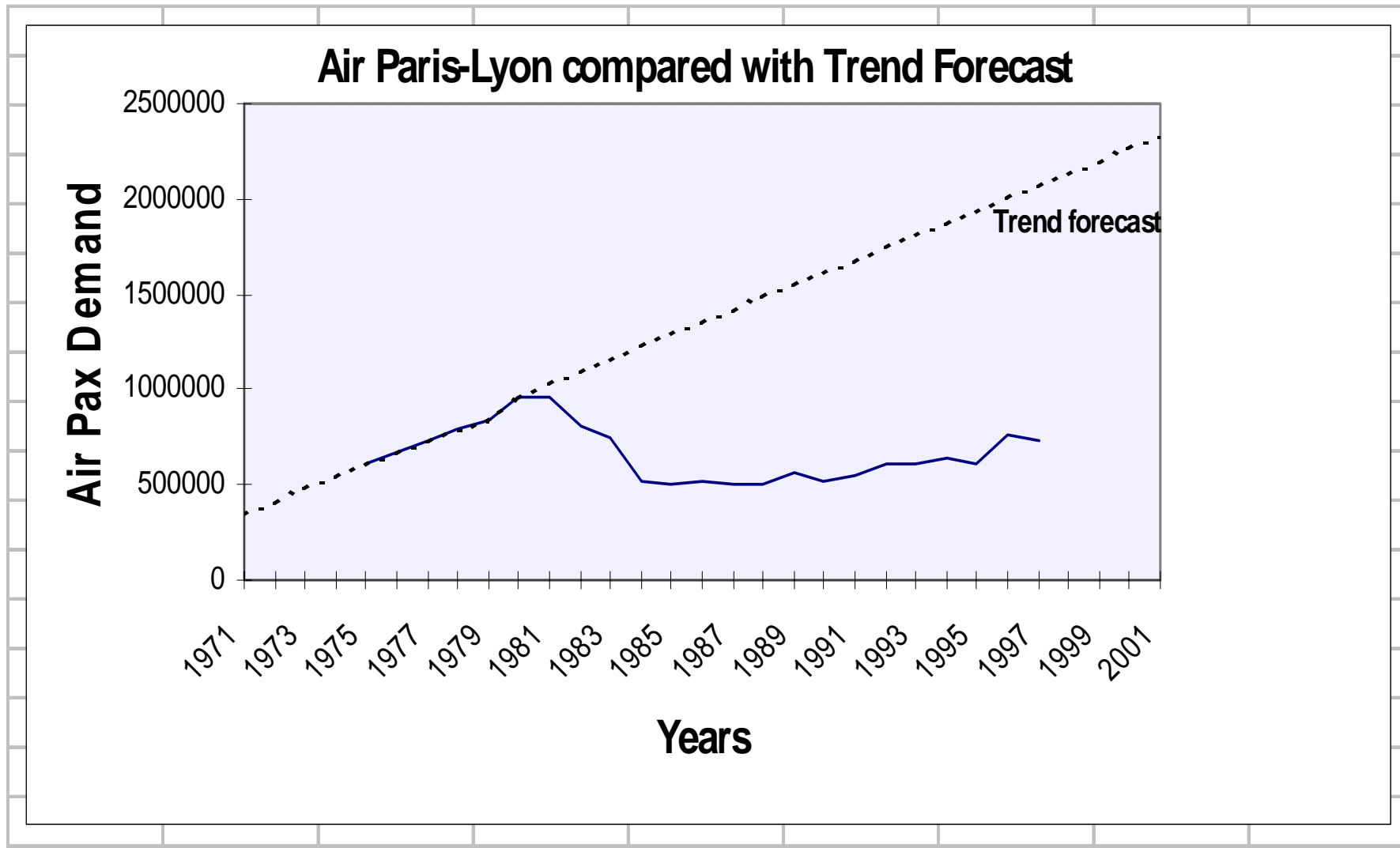
In part at expense of traditional airlines

In part by growing total market (stimulating demand)

Limited abstraction from rail

Often destroying traditional airlines on non-London routes

Impact of HSR on Paris - Lyon Air



Rail & Air - Competition or Complementary

It is clear there is substantial competition between High Speed Rail and Air

Rail journey time is most important determinant of mode choice, but relative fares and accessibility also have an effect

High Speed Rail also competes with car, again relative journey times are important

There are two key ways in which HSR can be complementary to air:

Provide easier access to airport and hence increase size of catchment area

Replace shorthaul flights

- scarce landing slots at airports
- often loss making and only retained to feed longhaul flights

Impact of HSR on other modes

HSR also impacts strongly on car

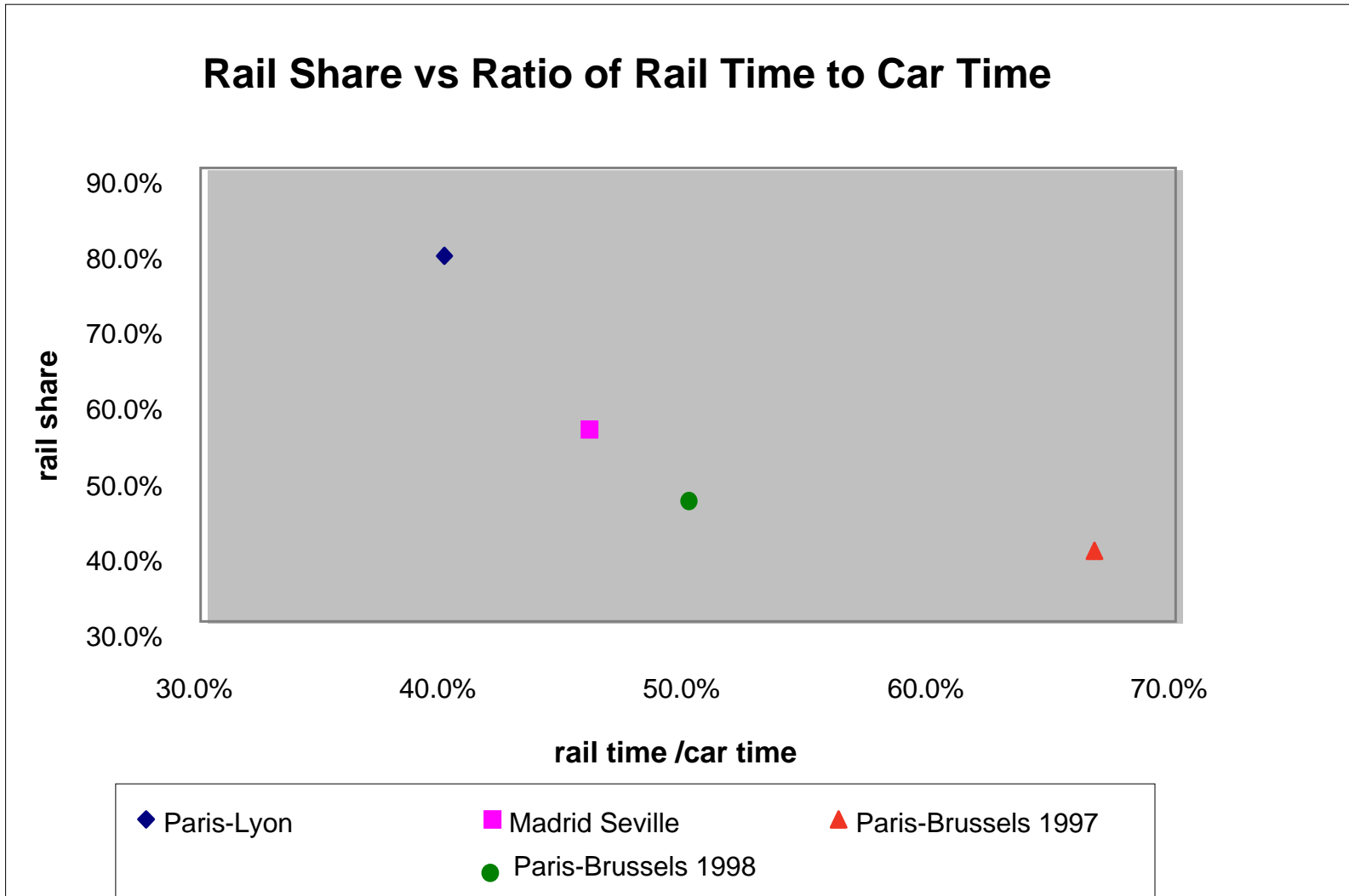
Car is used for speed, convenience, baggage, ease of access/ egress

- Now more congested
- Motorway tolls are increasing in many countries

Little impact on coach – not time sensitive

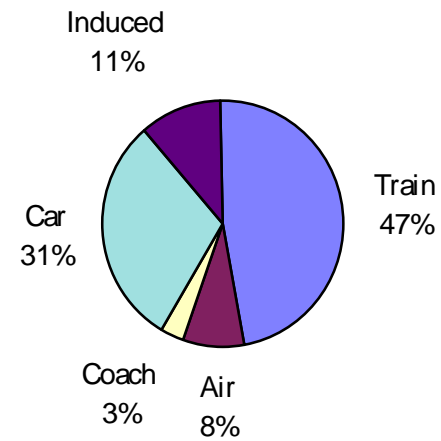
HSR also builds the overall market

Rail - Car Mode Shares

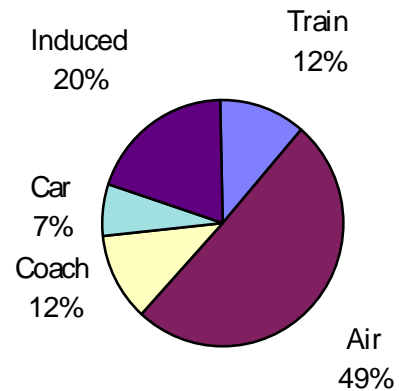


Typical Sources of Traffic

Thalys



Eurostar



Forecasting Methodology

Mode switch

Three possible ways

- Elasticity of demand to journey time
- Generalised cost (fare, time, access, frequency, interchange, etc)
- What value of time will cause people to use HSR?

Separately by market segment

Induced/generated demand

Difficult to Estimate, but following ways can work:

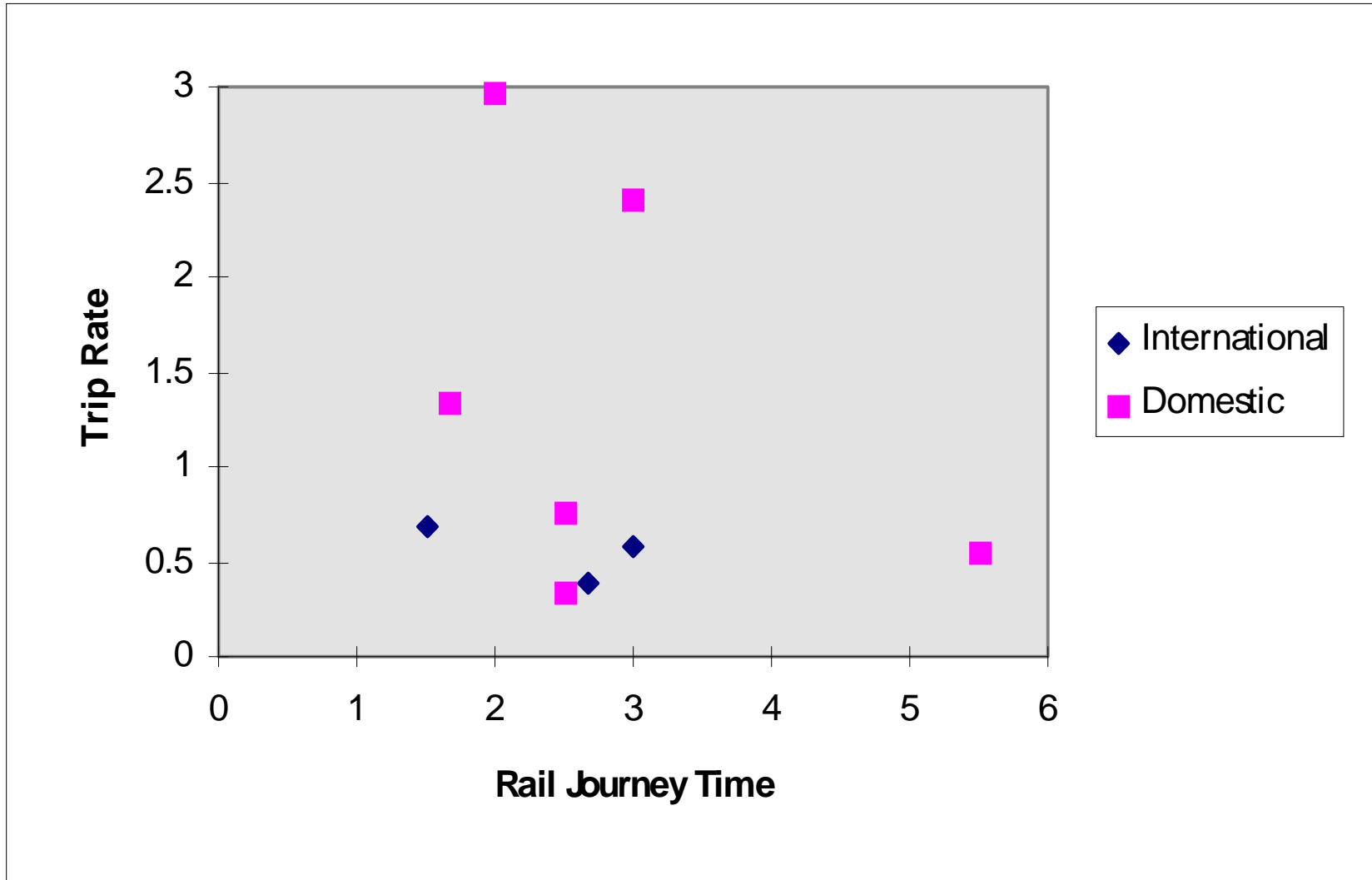
Experience with other High Speed Rail services

Surveys to relate trip frequency to cost/time of travel

Specific market research questions

? Impact of High Speed Rail on development and hence patronage

High Speed Rail Trip Rates



Economic Impacts

There is rarely a financial case for HSR

- Justified on economic benefits – value of time savings and local regeneration economic benefits

Folklore says it is good for the local economy

Several attempts to research it

Little convincing evidence

High Speed Rail will not have significant economic impact by itself, may if combined with a proactive planning policy

This is similar to current theories of the impact of new highways