ABSTRACT

The Portuguese market for intercity travel comprises trains, coaches and automobiles. Nowadays, trains lost their monopoly on “quality” travel; coaches became competitive, and the car leads.

A model is built to describe three players in a differentiated oligopoly, the car charging a competitive price while the others play a Cournot game.

Several regimes and price setting rules are considered, from car monopoly to public modes’ collusion. Simulations are performed on existing trends, possible events or policy measures.

Lessons: public modes’ weak demand hurts profits, counselling collusion; car serves large demand efficiently, fills public coffers but eats too many resources.

KEYWORDS: Regulation; Oligopoly; Inter-modal choice

JEL Codes: L13; L59; L92
REFERENCES


