Abstract: The Portuguese passenger transport system suffers from the dominance of personal transportation, this being less efficient. Coaches and trains struggle to cope. A model is built to explain the markets’ performance beyond price differentials, bundling the transport modes’ appeal in one index for each. The differentiated transport cost approach accounts for product differentiation and economies of scope accruing to the consumer to be weighted in. A welfare function permits all factors and competition regimes to be properly compared: car monopoly, duopolies with cars and each of the public transports, and oligopolies with public transports either competing or colluding.

Simulations are performed on existing trends, possible events or policy measures.

Both public transports make the public better off by staying in the market. Trains’ results are weighted down by fixed costs. Collusion in the public transports is a price worth paying, when compared with the car monopoly emerging from bankrupt operators.

Keywords: Horizontal Differentiation; Intermodal choice; Oligopoly; Economies of Scope; Economies of Scale; Regulation

JEL Codes: L13; L59; L92
A welfare analysis comprising economies of scope and scale

References


