

Striking evidence: The impact of railway strikes on competition from intercity bus services in Germany

Abstract:

This paper investigates the impact of rail service interruptions on customer switching behaviour. Using unique booking data on intercity bus services, we exploit regional variation in rail service cancellations during a strike to show that the disruption in rail transport increases bus ticket sales. The effect persists beyond the strike, indicating that travellers do not return to their originally preferred transport mode. It is particularly pronounced for passengers travelling on weekends. The findings suggest that customers were previously under-experimenting. From a policy perspective, our results highlight the need to incentivise experimentation to foster competition, facilitate transformative change and raise welfare.

This paper is joint work with Matthias Beestermöller (University of Munich LMU) and Levke Jessen-Thiesen (Kiel Institute & Kiel University)

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