

**International train tickets  
– a developing market** **Summary  
Report 2020:7**



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# Summary

This report presents the results of the Transport analysis government assignment to analyse the market for international train tickets and the means available for booking and purchasing rail travel abroad. The assignment includes considering what initiatives the state could take to induce industry actors to facilitate these means for customers. In our work on the assignment on this task, we have been in contact with a large number of market actors, organisations and relevant authorities during the fall and winter of 2019/2020. Our analysis is based on this basis, but the subsequent and ongoing (as of April 2020) corona virus pandemic has increased uncertainty about the future. Our picture, and a starting point for this report, is that the conditions will return to those that prevailed before the pandemic in the long term.

Bookings and sales of international train trips are still handled primarily by railway undertakings that sell their own tickets and tickets from other railway undertakings, although a growing number of sales companies, are emerging on the market. This growth is perhaps most notable among third-party suppliers not operating the service themselves, although also some railway undertakings have taken steps to facilitate the sales of international train tickets.

Offerings and prices vary from one booking site to another. Both railway companies and resellers normally have booking sites that offer trip planning, online bookings and sales of international tickets. The most important explanation for these variations is that the agreements between the railway companies and the resellers differ. Such agreements may not mandate the most advantageous prices, and there may also be restrictions in terms of the destinations for which a booking site can sell tickets. Third-party suppliers and other resellers note that it can be difficult even to establish a sales agreement with a railway undertaking.

*The market for international train travel is small, and the incentives for investment are limited*

There are evidently many factors that limit the incentives for established railway undertakings to expand such operations and sell trips and tickets across borders and outside of their domestic markets.

The former formal monopolies that existed in the non-liberalised railway market are still present as de facto monopolies. It is largely also the former national railway undertakings in other countries that are taking up the competition with the national monopolies as the market has started to open up to competition. In addition, there are still major technical obstacles to running trains across borders. The railway market was built and developed for domestic service right from the start, not least for reasons having to do with emergency preparedness. As a result, the market is typically local or national, with transborder service available only at the margins, although there is probably a larger demand for shorter-distance international trips. In addition, the offering in terms of international lines is limited, although new night train lines have been established in recent years.

Railway undertakings will have to open up their sales systems and sign agreements with other railway undertakings and with resellers if it is to be possible for a more efficient and user-friendly market for international train tickets to develop. This will expand the opportunities available to travellers to book and purchase tickets at a single site.

### *The sales market is on the move*

However, we can conclude that the market is developing. The railway undertakings have expanded their business and have begun to sell international tickets, both their own and on behalf of others. New night train relations in Europe have been established and the government task of the Swedish Transport Administration to investigate the conditions for Swedish procured night trains to the continent can provide further lines. This helps reduce travel time and makes it easier to travel further out in Europe.

### *Innovative third-party suppliers and other market initiatives*

In addition, numerous third-party suppliers have established themselves with new and innovative solutions that offer a greater diversity of choices based on the preferences of different travellers. Such competing travel offerings can generate greater focus on more advanced quality in products, such as the option of managing and determining transfer times and choosing products based on the traveller's preferences. This trend may be expected to grow, although it is still mainly the railway undertakings that account for the main ticket sales. We believe that such third-party suppliers have an important role to play in the future market. More new companies increase competition and contribute to greater equality in the market. The level of innovation among traditional railway undertakings has often been low. The new companies are contributing to the development of new and innovative products, often with a focus on simplifying the booking process for the consumer.

We have also taken note of new market initiatives on the part of the railway undertakings that offer greater assurance for rail passengers taking extended trips involving multiple legs and numerous transfers. Third-party sellers are also pointing to new business opportunities by combining and consolidating travel and service offerings based on the use of transport service from multiple railway undertakings.

### *It is easier to book than we had thought, but it could be both better and safer*

We also find that the options available to travellers to book and purchase tickets for international train trips have come a long way. The test bookings we made to 20 major destinations in Europe show that it is already fully possible to book international train tickets from Sweden. It is easier than we had expected, and at prices that appear to be competitive with, for example, those of air travel. The gradual emergence of IT maturity among consumers is probably also significant in terms of how difficult or easy consumers find the available tools for booking foreign train travel. However, we believe that there is clear potential for improvement from a consumer perspective. Bookings could be simpler and more transparent, and the risk connected to disruptions in the service, to which travellers are currently so exposed to, needs to be lowered.

### *Large railway undertakings dominate, and there are commercial obstacles*

Although railway undertakings are choosing to sign agreements with resellers, it is not obvious that these agreements and the conditions they offer are suitable or enough to enable resellers to establish competitive sales services. This can have to do with conditions that affect the offering of flexible and customised solutions and competitive prices, or conditions that drive up costs within the enterprise. The technology is not an obstacle, but sales agreements on equal terms are decisive, making it important to monitor to ensure a level playing field in the market.

Many other factors may make it difficult for resellers, and perhaps particularly those in the form of third-party suppliers, to grow their businesses. The third-party market is still small in scope. Although we found numerous interested companies, to date only a handful have

established themselves. In contrast to railway undertakings with their own sales, they also need to build up direct contacts with customers to serve as the basis for designing their offerings.

Our study shows that lingering monopolies in the railway market and the dominance of large railway undertakings are giving rise to structural problems that the booking and sales market cannot be expected to fully resolve on its own. There is consequently an urgent need for Sweden to push forward the issue of competitive neutrality in the market at the EU level to ensure the strictest possible rules, to facilitate a growing market.

## **Measures to stimulate the market**

In the final chapter of the report we present measures intended to address the identified problems. In some cases, the Swedish state may be justified in implementing them. In other cases, we consider that it is primarily through continued EU regulation that the solutions will be found, including the application of the EU's competition rules combined with the market's own evolution and initiatives.

### *EU regulation*

The EU is engaged in a multi-year effort to develop, digitalise, and harmonise the market for travel information services. Among other measures, the EU has introduced rules to serve as the basis for harmonising standards and technology for a common digital infrastructure. Regarding information and through-ticket systems, the EU Commission shall, within a few years, submit a report on developments and, if necessary, propose legislation. This work also includes the important issue of clearer and more stringent passenger rights for rail passengers in the EU.

We propose that Sweden through the Government continue to work on pushing this work towards the market being characterized by competition-neutral conditions between market participants and a strong position for travellers.

### *EU competition rules*

Another guarantor for maintaining competitive market conditions is the EU competition rules, implemented in national competition law in the Member States. Decisions made by national competition authorities suggest that the competition rules are and can continue to be an effective tool against dominant players abusing their position in order to prevent the start-up of third-party sales. This also helps to stimulate development. The case law that follows from the decisions of the competition authorities and the decisions of the courts is important to clarify the application of EU competition rules. We assume that the Swedish Competition Authority will continue to pay attention to the issue within the framework of its *task* of following developments in its area of responsibility.

### *Assignment to the Swedish Consumer Agency to provide independent information to travellers*

We propose that the Government assigns the Consumer Agency to expand its information service and to carry out a campaign aimed at train passengers.

### *Investigation on uniform VAT rates*

Ticketing service from railway undertakings is currently subject to the lower VAT-rate that applies for public transport services, whilst resellers pay the higher normal VAT-rate for their services. There is consequently a risk that the different VAT-rates for equivalent services delivered from different types of companies will distort competition, favouring railway

undertakings selling tickets. There may be reason to analyse more closely whether the boundary between public transport VAT and normal VAT in this area can be designed to counteract such distortion.

*Transport Analysis assignment to do new follow-up*

We believe that the market is developing, but that the state needs to continue to monitor the development to make sure it is going in the right direction. We therefore propose that Transport Analysis be commissioned to do a new follow-up of the market situation in a proposed two years. The assignment should include re-assessing the need for any measures.





Transport Analysis is a Swedish agency for transport policy analysis. We analyse and evaluate proposed and implemented measures within the sphere of transport policy. We are also responsible for official statistics in the transport and communication sectors. Transport Analysis was established in 2010 with its head office in Stockholm and a branch office in Östersund.