

The Swedish Infrastructure Ministry  
The Government Offices  
SE-103 33 Stockholm

Brussels, 16th September 2020

**Reference number: I2020/01315. Response from ALLRAIL asbl to your investigation on national ticketing system in Sweden.**

Dear Madam or Sir,

may I introduce the non-profit association 'ALLRAIL asbl', the Alliance of Passenger Rail New Entrants in Europe, based in Brussels, Belgium. Our non-profit association is an EU representative body for the rail sector, standing up for the new entrant independent, non-state owned passenger rail companies. These consist of both ticket vendors such as FromAtoB and Omio as well as rail operators across Europe, such as Transdev, WESTbahn and the Italian high-speed operator Italo.

With this letter, I would like to formally respond on behalf of ALLRAIL to your current investigation on national ticketing system in Sweden with the reference number **I2020/01315**. If Sweden makes the right adjustments, we believe that any new more transparent system could be a real role model for the rest of the Europe.

Motivated by the fight against climate change, the EU Commission has declared next year (2021) as “Year of Rail” to encourage more people to travel by train. One key element in doing so is to make it more appealing and accessible to choose the train vis-a-vis other less sustainable modes of .....

.....transport. We believe that this can only be achieved if true competition exist between different passenger rail operators on the same tracks.

A good example on how competition on the tracks has grown the passenger rail sector is the operator NTV Italo, which started in 2012 competing against the state-owned rail incumbent FS Trenitalia. Only six years after entering the market the demand of passenger traveling by rail not only increased by 69% (pax/km), but the average yield went down by 10 to 15% (cent/passenger km). On competing routes, it dropped even further to 20 or 30% in comparison to 2011, when Trenitalia was the sole operator. All the while, total revenue and profit increased, benefiting both operators in a positive way - not just the newcomer<sup>1</sup>.

If the rules are set right, new market entries can compete against traditional state incumbents, as happened in the aviation industry. After liberalising the European air travel, the market share of formerly state-owned airlines dropped from approx. 73% in the year 2000 to only 54% 18 years later, while new low-cost carriers managed to increase their share from approx. 22% to 38% over the same period.

To increase train travel in Sweden, it is vital that new entrants operators such as MTRX can compete effectively against the state-owned incumbent SJ AB. One of the main points hindering this is the unfair inherited brand equity that SJ AB benefits from (in contrast to new entrant rail operators in your country).

Because for decades SJ AB was the only company running trains in Sweden, people had no choice but to go to SJ's ticketing offices and - with the beginning of the internet - also to its website.

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<sup>1</sup> Bertele, A., Stern, S., Lotz, C., Sandri, N. and Ott, A., 2019. *The Liberalization Of The EU Passenger Rail Market*. [online] McKinsey & Company. Available at: <https://www.mckinsey.com/industries/travel-logistics-and-transport-infrastructure/our-insights/navigating-the-eu-rail-market-liberalization> [Accessed 12 October 2020].

While in aviation the market was liberalised before the internet became the main distributing channel, this was not the case in rail liberalisation. New market entrants have to challenge not only the well-established SJ AB brand in the operator space but also in the downstream rail ticket sales market. SJ has had two decades to become the default “go to” online distribution channels in Sweden and enjoys well over 95% market share; it is highly dominant. This way, it can also deny exposure to new entrants in the 'upstream' rail operator market.

A first step in ending the distortion of competition would be the proposition mentioned in chapter 8.4.3 pages 327–328, i.e. that the state gives an owner's directive to SJ AB that it should open up its in-house online channels for all passenger rail operators in the Swedish market. This will immediately help competitors like MTRX who are currently also facing huge financial problems due to the COVID-19 pandemic. Following this step, [sj.se/onlinekanaler](http://sj.se/onlinekanaler) must be corporatized and separated from SJ AB, enabling a truly online ticket vendor, which does not favour one operator over the other.

While doing so, the state must also ensure that independent ticket vendors – the equivalent of 'OTAs' (online travel agencies) in the aviation sector have access to the data and prices of all operators. It should not be the case that the market dominant rail operator SJ is able to withhold preferential information (e.g. real-time data or dynamic fares) so that these are only available on its in-house sales channels, thus prolonging their market dominance as well.

While this fast change will help independent passenger rail operators like MTR in the short term, it will not break the subconscious habit of most Swedish citizens to instinctively turn to SJ AB's online rail ticket sales channels in order to book a train – an clear, unfair benefit of its inherited historical brand equity.

Therefore, we propose to replace the existing SJ AB brand with a new one, so that a genuinely level playing can be achieved. This no new practice, as it has been carried out in Norway, where the former state incumbent was rebranded from NSB to Vy and its in-house ticketing channels were separated and rebranded as well.

Only if true competition is established and privately owned, independent passenger rail companies in Europe can compete on equal footing with former state incumbents will we ever achieve a Single European Rail Market.

The future success of passenger rail will rely on offering the better service for the best value. Only then will the same effect can occur as it did in Italy, where more people choose the train than ever before while benefiting from lower ticketing prices, thus helping to fight climate change. Please remember that after market opening, the historical incumbent Trenitalia earned more revenue and profit than beforehand. It is now expanding elsewhere around Europe, such as to Spain and Germany.

To conclude, we call on you at the Swedish government to be bold and resist pressure from vested interests in your country. You have the chance to make an important rail reform that literally could go down in history as a progressive, principled decision that will help reach your climate change goals better. We strongly urge you to do so. If you have any questions, then please do not hesitate to get in touch with me.

Thank you and kind regards,



Nick Brooks  
Secretary General, ALLRAIL