



Liberalisation of the Railway Sector: A Swiss Perspective

Presentation at the Florence School of Regulation, 5th European Rail Transport Regulation Forum, 5 October 2012
Reto Bleisch, Director of Regulatory & International Affairs, Swiss Railways

Overview

- ① *What's the objective?* Market opening as an instrument.
- ② *Where is Switzerland in this context?* Facts & figures from recently published studies.
- ③ *What are the main differences between Switzerland and other jurisdictions?* Potential learnings.
- ④ *What are the challenges ahead?* Potential benefits & risks.



Objectives	Indicators
<p>1 Cost efficiency</p> <ul style="list-style-type: none"> • Efficient use of limited public funds • Efficient use of investments • Retail prices: Availability, level and structure 	<ul style="list-style-type: none"> - Public spending per transport unit - Network usage or train density - Indicators such as offer/service availability and take-up rates
<p>2 Service quality & performance</p> <ul style="list-style-type: none"> • Increase in modal share for rail • Service quality & innovation • Customer satisfaction 	<ul style="list-style-type: none"> - Modal split: Level and growth rate - Growth in passenger numbers - Punctuality measures - Safety measures (accidents, casualties, damage) - Availability of system-driven services: <ol style="list-style-type: none"> a. Through ticketing b. integrated timetabling - Level of customer satisfaction (outcome of customer survey)

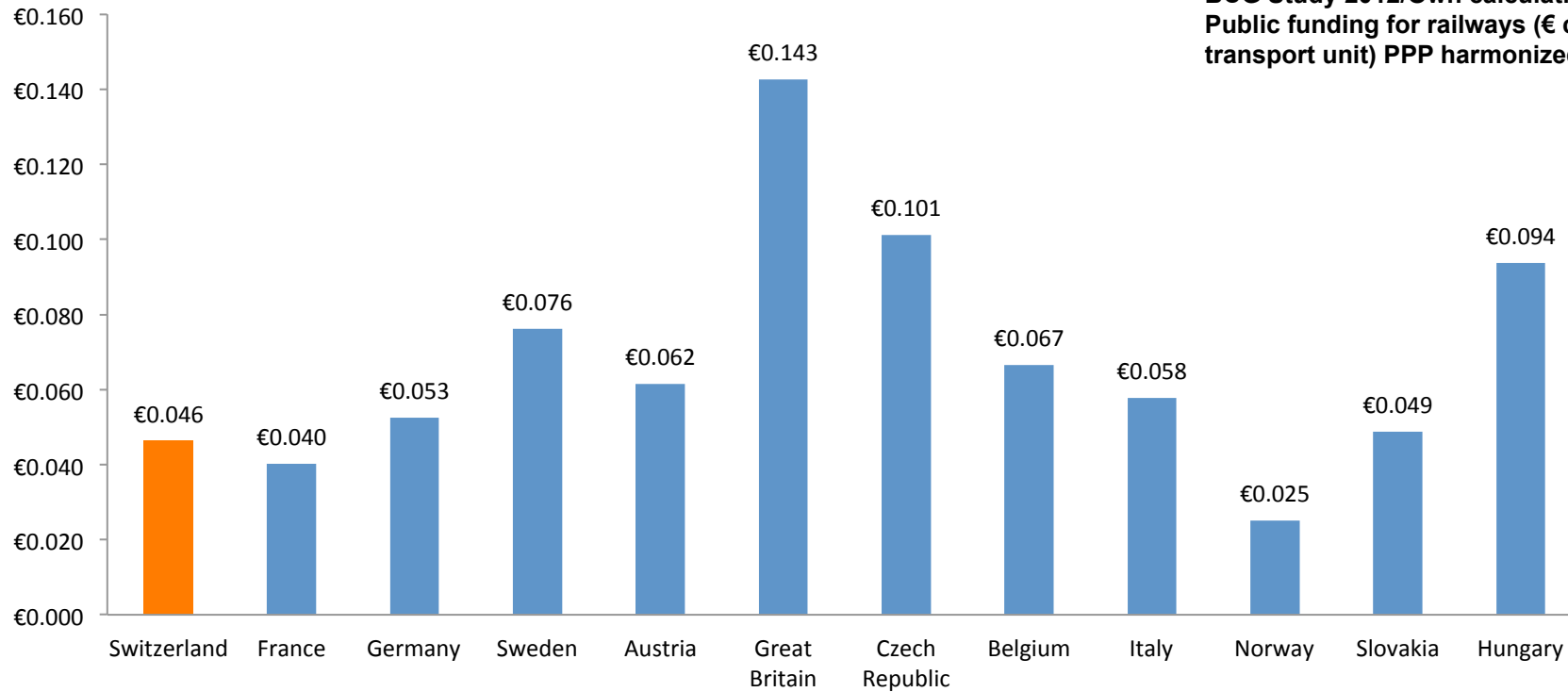
The EU Commission has recently expressed its objectives of a single market in Europe (COM (2012) 573 /3). In the Commission’s view the main objectives of a single market and market opening more generally are the **improvement of service quality** and the **cost efficiency** for European railway customers.

Swiss data

Public funding



Data Source:
BCG Study 2012/Own calculations;
Public funding for railways (€ ct. /
transport unit) PPP harmonized 2010



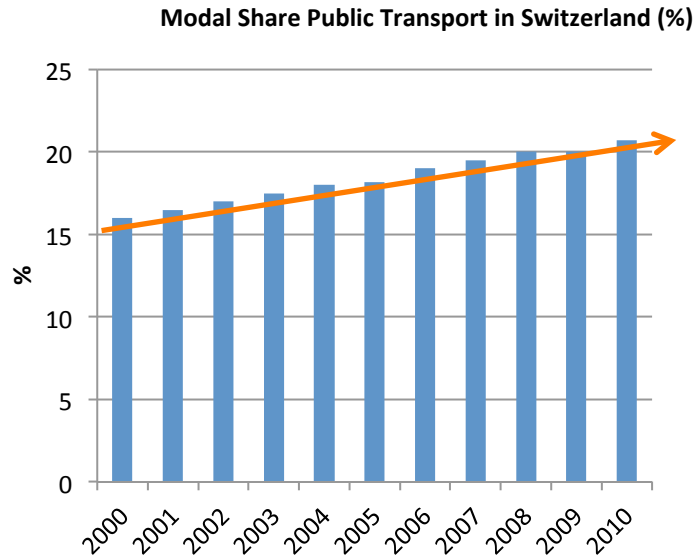
High performance BCG

Low performance BCG

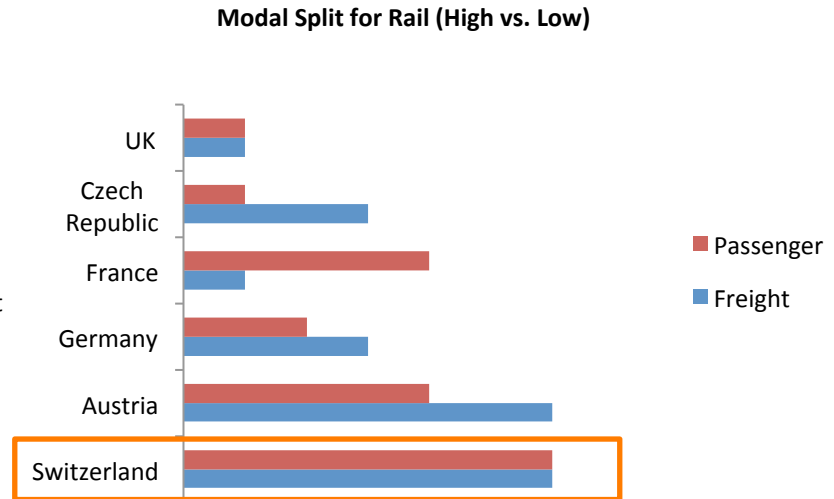
Data from the recently published Boston Consulting report suggest that the average public spending in Switzerland is at 4.6 €-cent/transport unit*, lower than some of some of the fully liberalised / unbundled countries.

Swiss data

Modal share



Source: Litra, 2012



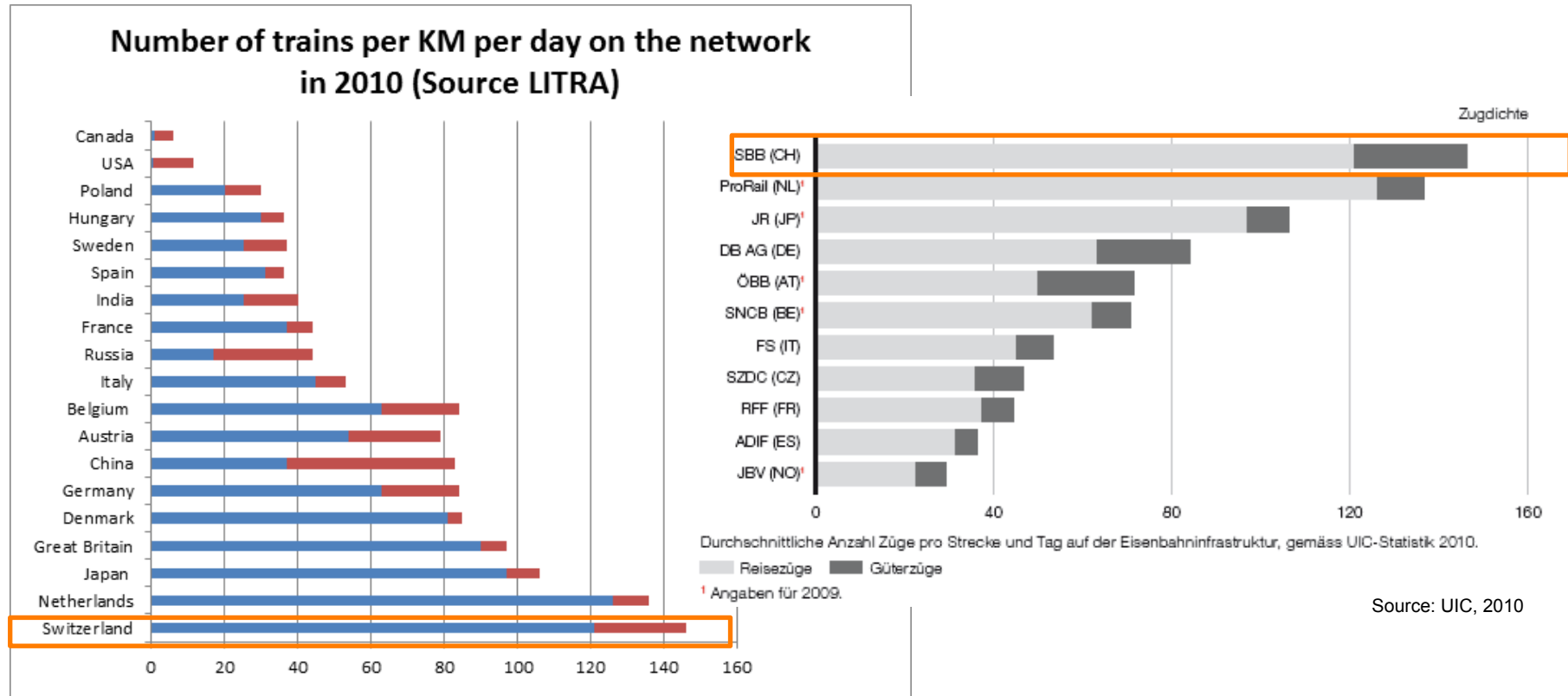
Source: SCI Review, Sept. 2012

International benchmarking (e.g. SCI, BCG, Litra) suggests that **Switzerland has one of the highest modal shares for rail for both passenger and freight services** increasing since 2000.

However the trans-alpine freight market is subject to an open access regime and lost relatively to road ($\Delta 9\%$) from 2000-2010 \rightarrow **Modal share does not necessarily increase in a liberalised market**

Swiss data

Network usage



Comparing the railway network usage between countries data suggests that Switzerland has one of the most densely used networks worldwide.

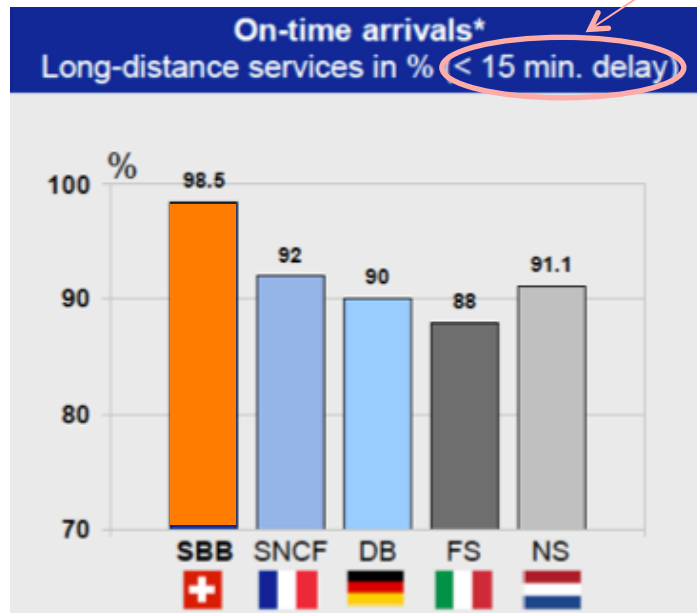
→ **Passenger numbers** per day have **constantly increased since 2000** by approximately 50% (EU: 10%) and forecasting suggests further significant growth until 2030

→ Swiss citizens use trains 50 times a year, compared to 12 of an avg. EU citizen

Swiss data

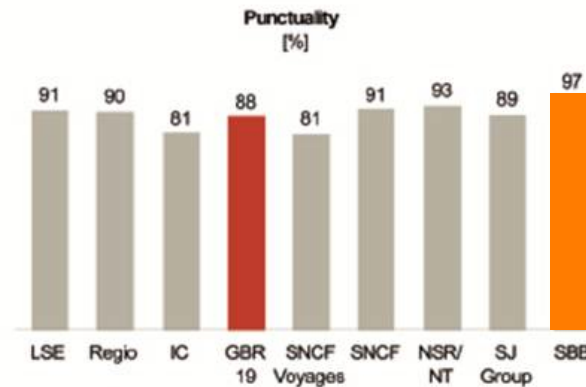
Punctuality

SBB is measuring delays in <3 min. intervals



Source: UIC

System performance (2009)



Source: Annual reports, peer group

- Punctuality is difficult to compare due to different measuring concepts, definitions, thresholds, timetable reserves etc.
- In this sample all countries use time -to-5 as threshold

Source: McNulty report

International benchmarking suggests that the **punctuality levels of Swiss train services are at the top** end for both long-distance as well as for regional services.

Assessment of Swiss data analysed

...from market outcomes to potential learnings...

Market performance



- Cost efficiency (public funding, network usage)
- Service quality (punctuality, volume)

Market structure & conduct

- Several fully integrated railway undertakings
- Co-operative industry model with all players involved in process
- Independent path allocation body
- Competition predominantly between road and rail

What are the **main differences** between the Swiss model and others?



- **Consensus-based policy** environment → Co-operative behaviour between all major stakeholders
- **Direct democratic elements** that control public spending
- **Stable & long term investment cycles** with a vision up to 2050
- **Lean** and transparent **administration** – small number of actors with aligned incentives
- **No artificial fragmentation** – several integrated railway companies
- **Customer focus**: Fare system with network season ticket, integrated timetable and a cross-modal through ticketing system
- **Tight financial control**: Only SBB long-distance services and SBB real estate can generate a rate on and off return on capital invested
- **Economies of size, scale & scope**: Specific geographic conditions

Challenges ahead

- **Instrument ≠ Means:** Competition is only one way to achieve the desired objectives.
Biggest issue: **Public spending and financing!**
- **Cost/Benefit analysis:** Where network usage and a level of service quality is high, the costs of liberalisation are likely to outweigh the potential benefits.
- **Rewinding/Undo option:** Once markets are fully opened there is no way back (costs are incurred, benefits gone).
- **Risk bearing:** In case of “failure” the burden is taken over by governments and taxpayers → risk takers. Rewards likely to go to private operators.
- **Protection of existing service provision:** Protection of PSO - Integrated offers are put in jeopardy (e.g. whereby the customer can travel with one ticket on multiple forms of transport with multiple operators or where timetabling is co-ordinated across players).
- **Relative benefits:** Some railway undertakings are likely to benefit more from market opening than others if conditions are not at-arms-length (EoS/S, ability to earn returns, cross-subs., possibility to cherry-pick).
- **One-size-doesn't-fit-all:** The railway market in each country is different regarding the financial structure and situation of the market specific conditions with respect to economies of scale (total market size and its distribution over the country), scope (market size in an intermodal context) and geography (population density, population distribution) the specific customer needs (i.e. integrated timetabling)

Thank you for your attention!



For further questions please contact reto.bleisch@sbb.ch