With market deregulation to modal shift

What will it take to press ahead with modal shift? Hans-Jörg Bertschi, chairman of the Board of Directors of Hupac Ltd, comments on key issues of Swiss and European transport policy.

Hans-Jörg Bertschi
Chairman of the Board of Directors

Mr. Bertschi, container ships are anchored without cargo, fleets of trucks are taking a compulsory break, goods trains are standing in the sidings. Is the economic crisis achieving what modal shift policy only manages to a small extent, namely reducing freight transport to a level that is acceptable to humans and nature?
Logistics and freight transport are growth sectors and will remain so in the decades to come. The turbulences of recent months should not mislead us about that. Even if freight transport will no longer grow as rapidly as it has done in the past years, the question remains: with which modes of transport, on what infrastructure and under what rules should the volumes of freight be carried?

Currently combined transport is not making the desired progress in Alpine transit.
That is true. Last year Hupac recorded a reduction of 2.3% in transit through Switzerland for the first time. The reason for that is the slump in volumes in the last quarter. All the same, the success of Swiss modal shift policy cannot be dismissed. From 2001 to 2007, the number of shipments transported by rail in combined transport rose by an average of 8.4% per year. Over the same period, the number of trucks fell by 1.4% per year. Combined transport thus absorbed the annual market growth of 4.3% as well as the shifted road transport.

Are the current instruments sufficient to reach the ambitious modal shift target of 650,000 trucks in road transport via Switzerland per year?
The trend of the past years shows that modal shift to the intended extent is possible. However, two prerequisites must be fulfilled. Firstly: the three pillars of Swiss and European modal shift policy – deregulation of the rail market, modernisation of rail infrastructure and safeguarding of fair intermodal market conditions – must be implemented and take full effect. The breakthrough can only be achieved by the cumulative effect of all the measures: with free railway operators in competition with each other, running on modern rail infrastructure and charging prices that compare favourably to road transport. Given that the timetable for modal shift policy stretches far into the future – including stages such as the completion of the Gotthard Base Tunnel in 2018, the Europe-wide harmonisation of rail engineering in 2020, the construction of the NEAT access routes and the corridor-wide implementation of innovative railway technology in 2030 at the earliest – modal shift must inevitably be planned and operated in the long term.

And secondly?
And secondly, Swiss modal shift must be fine-tuned with the transport policy of our neighbouring states. For international freight transport applies as well as for any other economic sector: the weakest link determines the performance of the whole value chain. Bottlenecks at terminals, infrastructure deficits, lacks of deregulation, privileging of the roads in neighbouring countries may have an effect on modal shift in Switzerland. It is therefore one of the fundamental duties of our transport policy to exert its influence across Europe.

What is the role of market deregulation in modal shift?
It has made a crucial contribution to the growth of combined transport. Competition between different rail operators using the same infrastructure together enhances productivity and brings innovative offerings that make the railways more attractive compared to the roads. The concept of international integrated traction responsibility implemented by Hupac shows this clearly. The strong transport growth of the past years could never have been handled with the traditional, monopolistic production concepts.

Despite the formal liberalisation of rail freight transport, the new private rail companies have a market share of less than 15% on average across Europe. What is preventing the development of a functioning, open railway market?
The main factors are the market dominance of the major state railways and the density of regulations on market entry. Protectionism and intentional hindrances can be found at many levels. In some countries, infrastructure and operations have not been fully separated, which works to the advantage of the state railway and impedes the new private operators. Key facilities and services such as terminals, shunting operations, power supply and filling stations are generally controlled by the state railways. Furthermore, state railways often also have a comfortable cushion in the form of direct and indirect subsidies, which the new private railways must do without. The vertical integration of many combined transport operators by the railways also hinders the free choice of railway partners and delays the development of a healthy and active market.

How can the EU contribute to the success of deregulation?
The hesitant elimination of obstacles at the European internal frontiers increasingly threatens to become an impediment to growth in rail freight transport. It is still not possible for freight trains to cross the internal frontiers of Europe with the same ease as road transport. Transport policy should therefore press for the mutual recognition of locomotive and freight wagon allowances at European level. And the long-planned European locomotive driver's licence must come soon.

As consolidation occurs in European freight transport, SBB Cargo is currently searching for a partner. What expectations do you attach to this?
SBB Cargo have taken the challenge of competition right from the beginning. Today they are an important player on the North-South-axis. The main thing is that competition in Alpine transit must be preserved. The Gotthard is the only corridor in Europe today where the market operates. Various railways are in competition with each other; none of them is in a position to dominate the market. This open market must be preserved in the interests of modal shift. The consequences of a return to monopoly would be rising transport costs, fewer innovative offers and a lower standard of service.

Greater competition with each other is supposed to prepare the railways for competition with the roads. How can growth be stimulated successfully?
By strengthening the rail regulator, for example. It is their duty to monitor access to the network. Cases of discrimination are currently handled by an arbitration panel subordinated to the Federal Department of the Environment, Transport, Energy and Communications (UVEK) and/or the Competition Commission. The arbitration panel acts only in the event of a complaint by either party. Actual enforcement of competition, however, requires a regulator that is independent of government, has extensive powers and must officially intervene directly in case of any impediment to competition. The EU is also pushing for the rapid implementation of the corresponding directives 2001/12-14.

The allocation of train paths also hides considerable potential for discrimination...
... because it is the configuration of the timetable that decides which rail company has better opportunities on the market. The imperative of actual separation between network and traffic is far too readily ignored today. Trasse Schweiz AG, which has performed the allocation of train paths and monitored timetable planning for discrimination since 2006, is legally speaking an affiliated company of SBB, BLS, SOB and the Association of Public Transport (VöV) and thus formally independent. Yet the up- and downstream tasks such as capacity planning, timetable configuration and infrastructure management remain in the hands of the infrastructure operator. The best solution would be the complete financial, organisational and legal separation of network and operations, a solution that should be kept in view at least in the medium term.

Reform of the track pricing system is also on the transport policy agenda.
The present weight-based track pricing system works to the disadvantage of freight transport and thus makes it harder to achieve the modal shift targets. On the Basel-Chiasso route, for example, an Intercity with a gross weight of 500 tons carries a track price of CHF 1,450, whereas a freight train with a gross weight of 1,600 tons requires CHF 4,508. That is three times higher than the tariffs in the surrounding countries.

Would reduction of freight transport tariffs be charged to the debit of passenger transport?
In the present system, freight transport uses 20% of the tracks and contributes 30% to the total revenue of approx. CHF 650 million (as at 2005), whereas passenger transport uses 80% and generates 70% of the revenue. This means that passenger traffic is being substantially cross-financed, which is questionable also from the point of view of competition law. We need a usage-based, market-focused, incentive-oriented and also a capacity-based track pricing system that takes the actual use of railway infrastructure into account and optimises usage of the available capacity reserves through incentives.

Interview: Irmtraut Tonndorf