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Contrasting fortunes for Swiss freight operators

The Swiss have been forced to postpone their target of halving the amount of freight crossing the Alps by road until the opening of the Gotthard base tunnel in 2017, when sufficient rail capacity becomes available. Regional editor **Anitra Green** looks at the challenges facing Swiss railfreight operators.

ALTHOUGH more rail operators than ever are taking advantage of the liberalisation of the Swiss market, growth is currently lagging behind that of road transport. Switzerland's modal shift policy originally called for the amount of freight moved by road to be halved to 650,000 units a year by next year. Most people now realise this is unrealistic because the transalpine rail network lacks the capacity to handle such large extra volumes of traffic despite the opening of the Lötschberg base tunnel last year.

Not surprisingly, the Swiss parliament voted in September to put off the deadline for meeting this target until 2019. By this time, the Gotthard base tunnel will have been in operation for two years and should have proved its worth in handling substantial increases in the amount of railfreight - as a result not only of the modal shift but also market growth.

Meanwhile, the fact that growth in railfreight figures has been slower this year than in road haulage - in contrast with the last few years - shows that the Swiss modal shift policy is facing a problem. Railfreight volumes climbed by only 3.2% in the first half of 2008, compared with a rise of 4.1% in road freight, despite increased highway tolls for trucks, and rocketing fuel prices. Even so, Swiss railways move almost 65% of transalpine freight in Switzerland, which is far better than the railways of Alpine neighbours France and Austria, where the proportions are reversed.

As Mr Pierre-André Meyrat, vice-director of the Swiss Federal Office of Transport (BAV), indicates, the alpine routes can only be considered within a pan-European north-south axis. He confidently expects freight volumes between Rotterdam and Genoa to double to 56.6 billion tonne-km by 2020.

In a bid to improve transalpine rail services and make them more attractive, BAV has been working with the transport ministries of Germany, the Netherlands and Italy since 2003 in a quality improvement scheme. A four-pronged approach was adopted:

- integrating infrastructure management
- analysing capacity to solve bottlenecks
- creating a uniform structure for train operations and punctuality, and
- monitoring quality to build up performance regimes.

Switzerland's modal shift policy is advancing on a number of fronts. It includes a €20 billion programme to improve the infrastructure up to 2030, a truck toll scheme that helps to finance it, the promotion of intermodal transport, and liberalising the railfreight market to strengthen competition, leading to better and cheaper services. As a result, about 15 European operators have obtained operating licences in Switzerland, although not all the licences are actually used at the moment. Discrimination-free allocation of train paths is assured by Trasse Schweiz.

SBB Cargo is still making a loss, albeit a much smaller one; the deficit of SFr 8.2 million ($US 7.1 million) in the first half of this year is significantly better than that of SFr 35.5 million a year ago. Performance dropped by 3.3% to 6.6 billion net tonne-km, but services bought in from third parties were cut by almost two-thirds to 144 million net tonne-km, thus saving considerable expense. Price increases for its own services helped to improve the overall result, as well as a whole series of long-term cost-cutting measures.

Despite the influx of open-access operators, SBB Cargo remains by far the largest player in the Swiss market. SBB Cargo suffered a major blow earlier this year because of a strike at SBB's workshop in Bellinzona in March and April, which cost SBB SFr 2.5 million as a result of massive delays in wagon maintenance. Since then a series of meetings with the unions has been going on aimed at increasing productivity at the Bellinzona workshop by at least SFr 10 million a year. Without this improvement the very existence of the workshop is in jeopardy, says SBB.

"We haven't yet reached critical mass in freight wagon maintenance at Bellinzona," says SBB's CEO Mr Andreas Meyer. "We also offer services to third parties, and are trying to get more clients." This is just one of many cost-cutting measures designed to get SBB Cargo out of the red. Although they are all working well, it will take at least two years for SBB Cargo to break even.

In the meantime, SBB is seeking a partner for SBB Cargo, something which was unthinkable until recently. SBB can sell up to 49.1% in SBB Cargo - more than this would require a change in Swiss law. "We can no longer go it alone, and we have to reposition ourselves," says Meyer. SBB has received concrete offers from 14 out of 25 candidates, and McKinsey is helping with the selection process. A decision on a future partner or partners is expected in the first half of next year.

SBB Cargo expects its future partner to contribute substantially towards Switzerland's aim of accomplishing a modal shift, as well as improving its competitive position in the intermodal transport market together with its profitability. This is to be achieved by means of synergies in operation, acquisition, and information technology. Meyer says SBB Cargo is considering all possibilities and all types of cooperation, including agreements with major customers or logistics companies as well as other railways.

Switzerland's second largest railfreight operator, BLS Cargo, already has partners in the shape of German Rail (DB), which acquired a 20% stake in 2002, and IMT (the Ambrogio group) which has 2.3%, but DB recently increased its stake to 45%.

In the last few years BLS Cargo has been steadily increasing its share of transalpine railfreight traffic and encroaching on SBB's market share in the wake of liberalisation. In the first half of this year, BLS Cargo boasted a 42% share in transit rail traffic through Switzerland and an increase of 15% in net tonne-km. Traffic on its core Lötschberg route was up by 2%, and the line is operating practically at capacity for freight - BLS Cargo accounts for 62% of railfreight traffic on this route. One of BLS Cargo's main concerns is when the 34km Lötschberg base tunnel will be expanded to double-track operation throughout its entire length. Although both tunnels have been excavated, at the moment two-thirds is single track operation, which considerably limits its usefulness. On the Gotthard route, BLS Cargo increased net tonne-km by an impressive 30%, boosting its market share to 28%. BLS Cargo, in common with SBB Cargo, has its own subsidiaries in Italy and Germany.

Whether either DB or BLS Cargo has responded to SBB Cargo's call for a partner must remain a matter of speculation for the moment. It is impossible to imagine that DB has no interest, but the differences between the two Swiss companies, also from the viewpoint of corporate culture, would seem irreconcilable. This subject used to be taboo in Switzerland, but more than one market observer has recently been speculating on the possibility. After all, the aviation sector has seen similar developments, with Lufthansa taking over the national airline, Swiss - which was also once a taboo subject. **IRJ**

The third force

CROSSRAIL is Switzerland's third railfreight company. Having been taken over by investment company Babcock & Brown in 2006, it has now merged with another private operator, DLC in Belgium. DLC holds 52% and Babcock & Brown the remaining 48%.

DLC's managing director, Mr Ronny Dillen, describes Crossrail as "the third serious alternative in Switzerland with its own resources." He is proud of the fact that it operates under its own management in five countries.

Photo: SBB