

ADOLF OGI ON THE RAILS

Swiss News: One of the fundamentals of the Swiss success story has been its commitment to comprehensive public infrastructure, including transport. With today's concern for the environment and energy conservation, the integrated national railway network would seem more important than ever. Yet, suddenly the latest international fad, privatisation, has come to Switzerland. Are we at the forefront of a radical change in the nation's attitude towards public transport?
Adolf Ogi: No. In the years to come, we shall be investing tens of billions of francs in the infrastructure. In the road traffic sector, we will be closing gaps in the highway network. RAIL 2000 will give us a more efficient nationwide program for internal traffic. The new transalpine tunnels (NEAT) are underway and we are connecting to the European high speed lines through Basel and Geneva. All this has nothing to do with the discussion on privatisation, which deals only with the best methods of running and investing in a transport system. Up to now, we have thought that large investments in traffic systems and the operation of traffic networks are characteristics of natural monopolies. This explains why state monopolies have

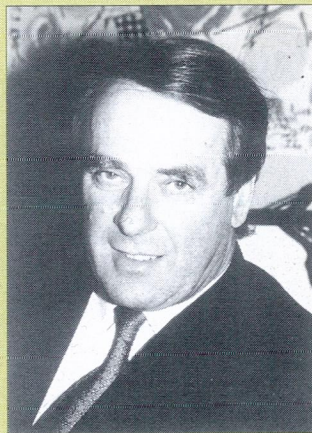
BY STERLING DOUGHTY

been set up in our country and everywhere else. Economic science has always underlined the "deadweight losses" of monopolies. The privatisation examples, i.e. in the USA, Japan and Great Britain, show that the theoreticians could be right. This is one reason why we are now studying how to get a better, more cost-efficient transport system.

SN: In reports I have seen, the SBB/CFF emphasis seems more an attempt by the bureaucracy to divest itself of problems rather than finding solutions, especially as regards to controlling costs through more efficient employment of personnel and advanced technology. What is being done in these areas?

AO: At the beginning I should like to make it clear that the SBB/CFF

Adolf Ogi, Minister of the Department of Transportation, Energy and Communications recently spoke with Sterling Doughty of Swiss News about the Swiss Federal Railways (SBB/CFF) and RAIL 2000



achieve excellent results when they are compared with other national railways. The occupancy ratio of their train capacity is one of the highest in the world and they register therefore, relatively speaking, one of the lowest deficits. But I am not at all inclined to think that everything is perfect. The SBB/CFF are rather good, but they must get better. I have set up a group of experts in order to analyse without prejudice where the "deadweight losses" originate and what we can do about it. A first intermediary report is available. It must be discussed by the politicians. In the end we are called upon to define how much public transport we desire and can afford. One thing is quite obvious: only if public transport services are provided more efficiently, can we produce and consume more of them.

SN: The RAIL 2000 concept was designed to promote a comprehensive linkage between local, regional and main lines rather than concentrating on inter-city high speed lines. Yet wouldn't abandoning or privatising non-profitable sectors of the national system pose a risk to the entire concept of an integrated transportation network?

AO: The initial objectives of RAIL 2000 have not changed. RAIL 2000 remains, as you say, designed to promote a comprehensive linkage between regional and main lines rather than concentrating on intercity high-speed lines. We shall not, of course, give up any part of

the project if this could endanger the survival of the system. A transport minister who answers your question positively should be dismissed immediately.

SN: Buses will be substituted on some lines. But this increases pollution and road traffic, both problems that railways should be helping to solve. Isn't there a better solution?

AO: There is no "better solution" for all cases. Every line, even every run on that line is to be analysed individually so that we can find the best solution from an economical and ecological point of view. Incidentally, your argument is not always valid. When a regional train, which is not used sufficiently, is replaced by an attractive bus service, the pollution diminishes. An empty train also consumes fuel, indirectly: think of how much current is produced in Europe in fuel power stations.

SN: To complete RAIL 2000 will cost two to three times the original estimates. But you have fixed an upper limit on costs. What will not be built? Isn't this like putting three wheels on a car designed for four? Can the revised system fulfill its original purpose?

AO: I cannot anticipate the planning results of the SBB/CFF. As the budget figures seem to be overdrawn, I have ordered them to elaborate a solution which can be implemented within the limits of the available budget. With this solution it should be possible to

reach the initial objectives. We must now separate what is absolutely necessary from what is merely desirable.

SN: How could the estimates have been so far off? Doesn't this have ominous implications for the eventual costs of the new transalpine tunnels?

AO: The supplementary costs have several origins. One of the most important was that the basic law on environmental protection was known during the initial planning, but not the ordinances laying down the details. The costs necessary to apply these ordinances are unexpectedly high. Furthermore, the regions and cantons have formulated new demands. In some cases, the quality planned was also too high. I remind you again of the three wheel vehicle mentioned above.

SN: The essential question is not one of ownership, but of competence. State owned companies must be operated and managed as well as private firms. The remaining and currently profitable parts of the system soon won't be if they continue to be run by a huge bureaucratic monopoly that regards itself as immune from outside effect. Isn't the real need for a revolution in both conception and management of the Swiss Federal Railways?

AO: Your analysis is correct as far as the question of competence is concerned. I do not believe, however, that we can have an improvement by way of a revolution. The so-called "Groupe de réflexion", a team of experts, has proposed solutions which are sometimes revolutionary. However, it is the task of politicians to tell which of these proposals are to be implemented and which are to be left out. Before we can begin to privatize the SBB/CFF, we must clarify the situation. The SBB/CFF can only become an enterprise managed according to private economy principles if it is no longer obliged to comply with obligations related to regional or social policy or if it is compensated for providing such services. □

RIGHT ON TIME

Mondaine, one of Switzerland's most dynamic, innovative and fastest growing watchmaking firms is not as well known as its major competitor. But that is in the process of changing. Awards received by their latest product successes, particularly the "post consumer recycled" Ecomatic Swiss Railway Watch and the Alp Action Ecomatic are bringing the firm clearly into the limelight.



The company's biggest international success has been of course the M-Watch, of which Migros is the exclusive distributor in Switzerland. The "M" actually stands for Mondaine, rather than Migros, and the happy coincidence of Migros also beginning with an M is a plus. But that has no bearing on the spectacular success of the M-Watch. Since it was developed, in a remarkable 28 days, by Mondaine in 1983, this "Volkswagen of the watch industry" has sold

more than three million units in Switzerland alone. To celebrate the achievement, the three millionth M-Watch was actually assembled, before live cameras, by a member of the Migros board. Mr H. Hasen, marketing manager of this retail giant (nearly 15 billion Sfr. annual turnover), who had no special prior training. In testimony to the sensible assembly procedure and to Mr Hasen's natural ability, M-Watch Number Three Million functions perfectly. Besides manufacturing M-Wat-

ches for sale on the Swiss market through Migros, Mondaine also exports them to more than thirty other countries. Swiss Made M-Watches are available and selling well in more than seventy retail stores in Hong Kong. The company manufactures all of its watches itself, most of them at its ReMonta factory in Canton Solothurn and even has its own case factory, Merit, in the Jura. The latter was purchased for two reasons. One, it was nearly bankrupt and according to Ronnie Bernheim, member of the

board of Mondaine, "We thought it shouldn't disappear". But there were more pragmatic reasons as well. "Owning one's own case factory allows advantages in design, development, in quality control (for water resistancy,

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shock, and abrasion resistance) and in lead time. Strategically speaking it is an important element in our corporate philosophy, that's the main reason



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Questions by Sterling Doughty for Adolf Ogi, President of the Confederation, Head of the Federal Department of Transports, Energy and Communication

- 1. One of the fundamentals of the Swiss success story has been its commitment to comprehensive public infrastructure, including transport. With today's concern for the environment and energy conservation, the integrated national railway network would seem more important than ever. Yet, suddenly the latest international fad, privatisation, has come to Switzerland. Are we at the forefront of a radical change in the nation's attitude towards public transport?*

No. In the next years and decades, we shall invest two-digit figures of billion francs in the infrastructure. In the road traffic sector, we shall close gaps in the highway network. With RAIL 2000, we shall realize an efficient, national programme for the traffic inside our borders. We shall also build the Swiss railway line through the Alps. We shall, furthermore, connect our railway network with the European high performance railway system in Basle and Geneva. These are only the biggest projects. We have also a large number of small projects for which investment aids are foreseen. These contributions, which amount to many billion francs, are particularly earmarked for private railways.

All this has nothing to do with the discussion on privatisation, which deals only with the best methods of running and investing in a transport system. Up to now, we have thought that large investments in traffic and the operation of traffic networks characterize natural monopolies. This explains why state monopolies have been set up in our country and everywhere else. Economic science has always underlined the "deadweight losses" of monopolies. The privatisation examples, i.e. in the USA, Japan and Great Britain, show that the theoreticians could be right. This is the reason why we now also study how we could get a better, more cost-efficient transport system.

- 2. In reports I have seen, the SBB/CFF emphasis seems more an attempt by the bureaucracy to divest itself of problems rather than finding solutions, especially as regards to controlling costs through more efficient employment of personnel and advanced technology. What is being done in these areas?*

At the beginning, I should like to make it clear that the SBB/CFF achieve excellent results when they are compared with other national railways. The occupancy ratio of their train capacity is one of the highest in the world and they register therefore, relatively speaking, one of the lowest deficits. But I am not at all inclined to think that everything is perfect. The SBB/CFF are rather good, but they must still get better. I have set up a group of experts in order to analyze without prejudice where the "deadweight losses" originate and what we can do about it. A first intermediary report is available. It must be discussed by the politicians. In the end, we

are called upon to define how much public transport we desire and can afford. One thing is quite obvious: only if public transport services are provided more efficiently, we can produce and consume more of them.

3. *The Rail 2000 concept was designed to promote a comprehensive linkage between local, regional and main lines rather than concentrating on intercity high speed lines. Yet wouldn't abandoning or privatising non-profitable sectors of the national system pose a risk to the entire concept of an integrated transportation network?*

The initial objectives of RAIL 2000 have not changed. RAIL 2000 remains, as you say, designed to promote a comprehensive linkage between regional and main lines rather than concentrating on intercity high-speed lines. We shall not, of course, give up any part of the project if this could endanger the survival of the system. A transport minister who answers your question positively should be dismissed immediately.

4. *Buses will be substituted on some lines. But this increases pollution and road traffic, both problems that railways should be helping to solve. Isn't there a better solution?*

There is no "better solution" for all cases. Every line, even every run on that line is to be analyzed individually so that we can find the best solution from an economical and ecological point of view. Incidentally, your argument is not always valid. When a regional train, which is not used sufficiently, is replaced by an attractive bus service, the pollution diminishes. An empty train also consumes fuel, indirectly: think of how much current is produced in Europe in fuel power stations.

5. *What about high speed lines? The TGV and the ICE are in the country, but only as normal trains. Will the Pendolino be employed? What about the Swedish tilt-train? It is made by ABB and is in tests in the United States but I have never heard it mentioned here. What is the current thinking as to Swiss participation in the European high-speed train network?*

In answer to your first question, I have already suggested that our transport policy aims, among other things, at connecting our system with the European high-speed network. With the New Alpine Rail Axis (NARA), we shall join this network through the Alps and we shall provide for high speeds on the NARA and its access lines. As far as the tilt technology is concerned, the French TGV (Train à grande vitesse), the German ICE (Intercity Express) and the Italian TAV (Treno ad alta velocità) are high-speed trains with conventional technology. Our country will therefore be integrated in the European high-speed network with "normal", fast-running trains. This does not mean that we shall not operate tilt-trains. These can be very useful on some lines. But one thing is sure: tilt-trains reach high speeds on lines which have been moderately improved. They allow the management to cut on infrastructure investments. However, they cost more in terms of operation and maintenance. In this matter, too, there is no one optimal solution for all cases. We have to look for a specific solution for each line.

6. *What about the Swiss Metro project? Is it receiving any serious study here?*

The Swiss Metro is a high-speed underground railway which could connect large agglomerations. It is, nevertheless, incompatible with the existing network and with the future European high-speed network. This does not mean, however, that such technologies should not be studied any more. The Confederation financially supports the studies of the private Swiss Metro company.

7. *To complete Rail 2000 will cost two times the original estimates. But you have fixed an upper limit on costs. What will not be built? Isn't this like putting three wheels on a car designed for four? Can the revised system fulfill the original purpose?*

I cannot anticipate the planning results of the SBB/CFF. As the budget figures seem to be overdrawn, I have ordered them to elaborate a solution which can be implemented within the limits of the available budget. With this solution, it should be possible to reach the initial objectives. We must now separate what is absolutely necessary from what is merely desirable. Only the former can be realized. If I can use your image, I would say that we must find out if the objective cannot be attained with a three wheel vehicle.

8. *How could the estimates have been so far off? Doesn't this have ominous implications for the eventual costs of the new transalpine tunnels?*

The planned supplementary costs have several origins. One of the most important was that the basic law on environmental protection was known during the initial planning, but not the ordinances laying down the details. The costs necessary to apply these ordinances are unexpectedly high. Furthermore, the regions and the cantons have formulated new demands. In some cases, the quality planned was also too high. I remind you again of the three wheel vehicle mentioned above.

The different causes have led to very costly consequences: a growing number of tunnels was planned. I do not expect that we shall have the same difficulties with the NARA, as the new route sections are mostly planned in the form of tunnels.

9. *The essential question is not one of ownership, but of competence. State owned companies must be operated and managed as well as private firms. The remaining and currently profitable parts of the system soon won't be if they continue to be run by a huge bureaucratic monopoly that regards itself as immune from outside effect. Isn't the real need for a revolution in both conception and management of the Swiss Federal Railways?*

Your analysis is correct as far as the question of the competence is concerned. I do not believe, however, that we can have an improvement by the way of a revolution. The so called "Groupe de réflexion", a team of experts, has shown solutions which are sometimes revolutionary. However, it is the task of the politicians to tell which of these proposals are to be implemented and which are to be left out. Before we can begin to privatize the SBB/CFF, we must clarify the situation. The SBB/CFF can only become an enterprise managed according to private economy principles if it is no longer obliged to comply with obligations related to regional or social policy or if it is remunerated for these performances.