Swedish Railway Policy in the EU Environment

Railway organisation and financing

Dr. Gunnar Alexandersson
Head of Committee reviewing the organisation of the railway sector

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Railway network in Sweden

• 11,904 km of railway tracks in use
  • 81% electrified
  • 30% double or multiple tracks

• Approx. 17,000 km incl. sidings

• Generally multi-purpose use:
  • long-distance passenger services
  • regional passenger services
  • freight services
Swedish railway organisation – some characteristics (1)

- Institutional vertical separation between infrastructure and operations
- National multi-modal authority Trafikverket (Swedish Transport Administration) is the main (80%) infrastructure manager
- Horizontal separation between passenger and freight operations
- State-ownership still prominent feature:
  - SJ AB (major passenger RU)
  - Green Cargo AB (major freight RU)
  - Jernhusen AB (railway stations, rail-related real estate)
  - Infranord AB (rail infrastructure construction and maintenance)
Swedish railway organisation
– some characteristics (2)

• Decentralised responsibility for regional passenger services to 21 county public transport agencies (controlled by municipalities and counties with their own taxation power)
• Most regional passenger services (and some long-distance) depend on subsidies and are procured by means of competitive tendering
• For tendered services, the procuring authority typically provides the rolling stock
• Freight services and commercial passenger services are subject to open access
Background to current organisation

• 25 years of substantial changes in railway organisation, caused by two primary processes:
  1. A number of decisions in Parliament aiming at developing the functioning of the railways
  2. EU demands on rail organisation linked to the vision of creating a single European railway area
The stairway to Swedish railway deregulation and market opening

- Vertical separation track/operations; creation of Banverket
- Decentralisation of regional lines; followed by tendering
- Deregulation of rail freight services
- More functions taken over by Banverket
- SJ corporatisation
- New railway law
- Deregulation of charter traffic
- Deregulation of weekend traffic
- Deregulation of international traffic
- Abolishment of SJ’s precedence to commercial traffic
- New law on public transport

Social Democratic Government
Right-wing/centre/liberal Government

Extent of deregulation / regulatory reform
EU policy development (1)

• 1991 Directive 91/440
  – First attempt to impose vertical separation (accounts only) between infrastructure and operations

• 2001 First Railway Package
  – Market opening for international railway freight services from 2008

• 2004 Second Railway Package
  – Market opening for domestic and international railway freight services from 2007

• 2007 Third Railway Package
  – Market opening for international railway passenger services from 2010
EU policy development (2)

• 2012 SERA directive (to be implemented 2015)
  – Revision of first railway package
• 2013 Fourth Railway Package (proposal)
  – Vertical separation of infrastructure from train operations
  – Market opening for domestic railway passenger services from 2019
  – Mandatory tendering of non-commercial railway services
  – The European Rail Agency to become a one-stop shop for vehicle authorisations
### Overview of Swedish regulatory structure (market access)

<table>
<thead>
<tr>
<th>Part of rail transport market</th>
<th>1988</th>
<th>2013</th>
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<td><strong>Passenger services</strong></td>
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<td>Open access on all lines (competition on the tracks); since 1996</td>
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Swedish railway market 1988
Experience and effects (1)

- Increased investments in rail infrastructure (by a factor between 2 and 3 in real terms)
- Regional investments in improved passenger services
- Strong growth in traffic (in particular regional passenger)
- Increased specialisation and focus on cost efficiency
- New entrants on most parts of the market
- Reduced need for operating subsidies
- Innovations, new pricing models
Market development

Index (1988=100)

- Passenger traffic (passenger km)
- Freight traffic (tonne km)

Source: SIKA/Trafikanalyser
Market development and new entrants - passenger

![Bar graph showing passenger traffic (million passenger km) from 1994 to 2011. The graph compares SJ and Other companies.]

- Passenger traffic (million passenger km)
- SJ
- Other companies

Market development and new entrants - freight

- Freight traffic (million tonne km)

SJ Gods/Green Cargo vs Other companies
Experience and effects (2)

- Strong need for coordination and cooperation between different actors
- Capacity problems and need to improve path allocation process
- Competition between tendered and commercial services sometimes problematic
- Insufficient pre-emptive infrastructure maintenance
- Strategic (predatory) bidding in some tenders
How are the Swedish railways financed?

New (track) infrastructure
- State grants as the principal rule
- Alternative funding (parliamentary decision):
  - Co-funding from counties, municipalities, companies
  - User fees/ congestion tax
  - Functional long-term contracts (while PPPs generally not to be used, with the exception of the Arlanda Airport Link)
  - EU-funding

Infrastructure management and maintenance
- Track access charges
- State grants
Track Access Charges

Total track fees, 2009 prices (million SEK)

Source: Banverket/Trafikverket

Forecast

How are the Swedish railways financed?

Train operations

Passenger traffic (long-distance)
- Revenues from ticket sales
- Limited subsidies

Passenger traffic (local and regional)
- Revenues from ticket sales
- Substantial subsidies from regional authorities

Freight services
- Payments from customers
Financial flows in the railway sector

- **Government (state budget)**
  - grants
  - contract agreements

- **Swedish Transport Administration**
  - contract agreements (inter-regional)
  - track access charges
  - ticket revenues

- **Regional transport authorities**
  - contract agreements
  - operating contribution

- **Municipalities & county councils**
  - operating contribution

- **Passengers**
  - ticket revenues

- **Freight customers**
  - contract agreements

- **Infrastructure construction & maintenance companies**
  - fees

- **Swedish Transport Agency**
  - grants

- **Railway Undertakings**
  - Contracted passenger services
  - Commercial passenger services
  - Freight services

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Ministry of Enterprise, Energy and Communications Sweden
Swedish transport policy objectives

Overall goal: to ensure socio-economic efficient and sustainable transport for citizens and businesses throughout the country

– Basic accessibility across the country (functional objective)
– Improved traffic safety, environmental quality and health conditions (impact objective)
EU transport policy (as presented in non-binding 2011 White Paper)

• Strong commitment to modal shift from road to rail:
  – 30% of road freight >300 km should shift to other modes such as rail by 2030 (and >50% by 2050)
  – The majority of medium-distance passenger transport should go by rail by 2050

• Rail a priority for infrastructure investments:
  – Green freight corridors
  – Complete European high-speed rail network by 2050
  – Connecting all core network airports to the rail network by 2050
  – Deployment of ERTMS
Swedish transport policy (in contrast to EU policy)

- Focus on an efficient transport system as a whole, utilising all modes of transport
- Avoiding specific goals for certain modes of transport
Current national transport plan (2014-2025)

- Total state funding: SEK 522 bn (all modes)
- Allocation:
  - SEK 281 bn for the development of the transport system
  - SEK 86 billion for rail infrastructure operation, maintenance and reinvestments
  - SEK 155 bn for road infrastructure operation and maintenance
- Additional funding: SEK 80 bn (track access charges, co-funding, congestion charges)
Current national transport plan (2014-2025)

• Highlighted initiatives
  – Eastern Link (Ostlänken), enabling fast train services between Stockholm and Linköping
  – Investments in new tracks on sections of the Gothenburg-Borås route
  – Mining-related infrastructure investments
  – ERTMS deployment on Southern Main Line
Thank you!

Contact: 
gunnar.alexandersson@regeringskansliet.se