Branschföreningen Tågoperatörerna

ASTOC

Brussels, March 28th, 2017

Björn Westerberg

Agenda

- Background
  - ASTOC
  - Rail traffic in Sweden
  - Liberalization
- What are the main opportunities and challenges?
  - Infrastructure
  - EU-Regulation
  - Digitalization
- Boosting the rail mode competitiveness

Branschföreningen Tågoperatörerna

43 members of which 10 are associate members

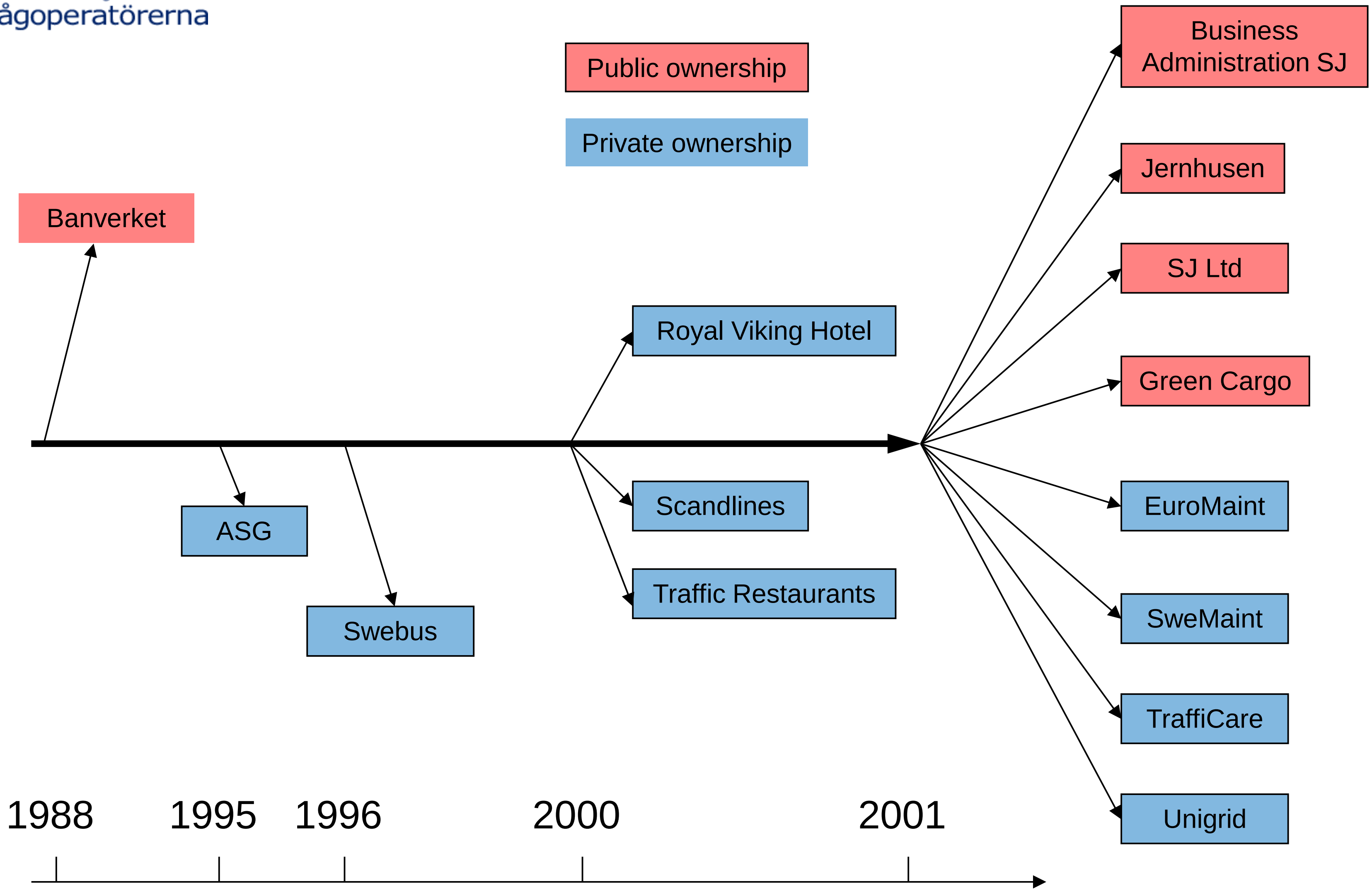
Quality - Capacity – Competitiveness

abellio
Arlanda Express
Inlandsbanan
ARRIVA
BLÅ TÅGET SKANDINAVISKA JERNBANOR
Stockholmståg
BotniaTåg AB
DSB
tågkompaniet
Keolis Sverige
SJ
Tågåkeriet i Bergslagen AB
transdev
CFL cargo Sverige AB
DB SCHENKER
DHL FREIGHT
DVVJ
green cargo
HECTORRAIL
LKAB
SANDAHLS BOLAGEN REAL RAIL AB
CargoNet
Nordiska Tåg AB
railcare
STAB
TMRail AB
TÅGFRAKT
TX LOGISTIK
RUSH-RAIL
baneservice
CAPTRAIN

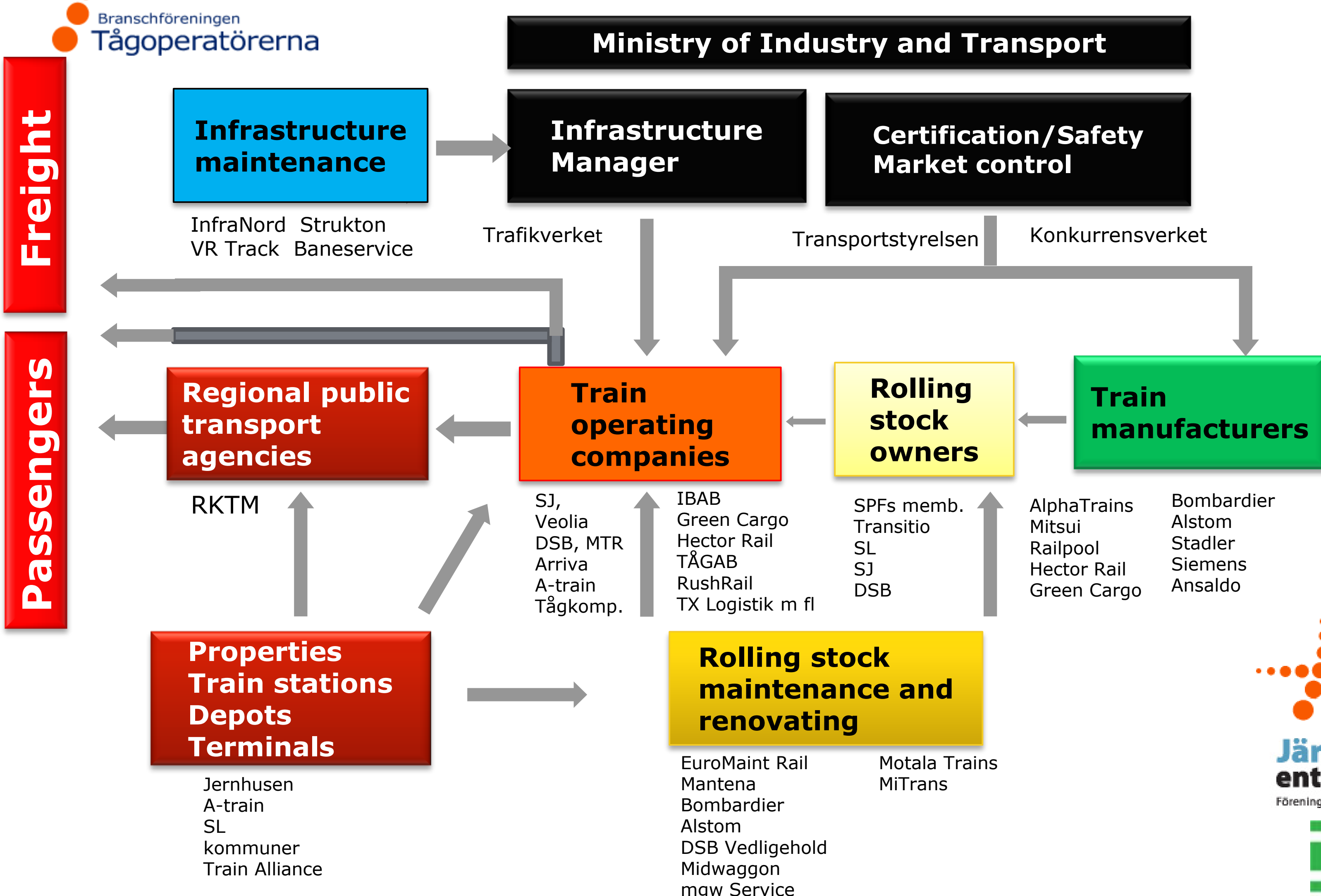
Associate members

ALSTOM
BOMBARDIER
Ansaldo STS Sweden AB
Grenland Rail
HITACHI Inspire the Next
Jernhusen
TCC Transport Competence Center
Nobina.
ProTrain BEMANNING AB

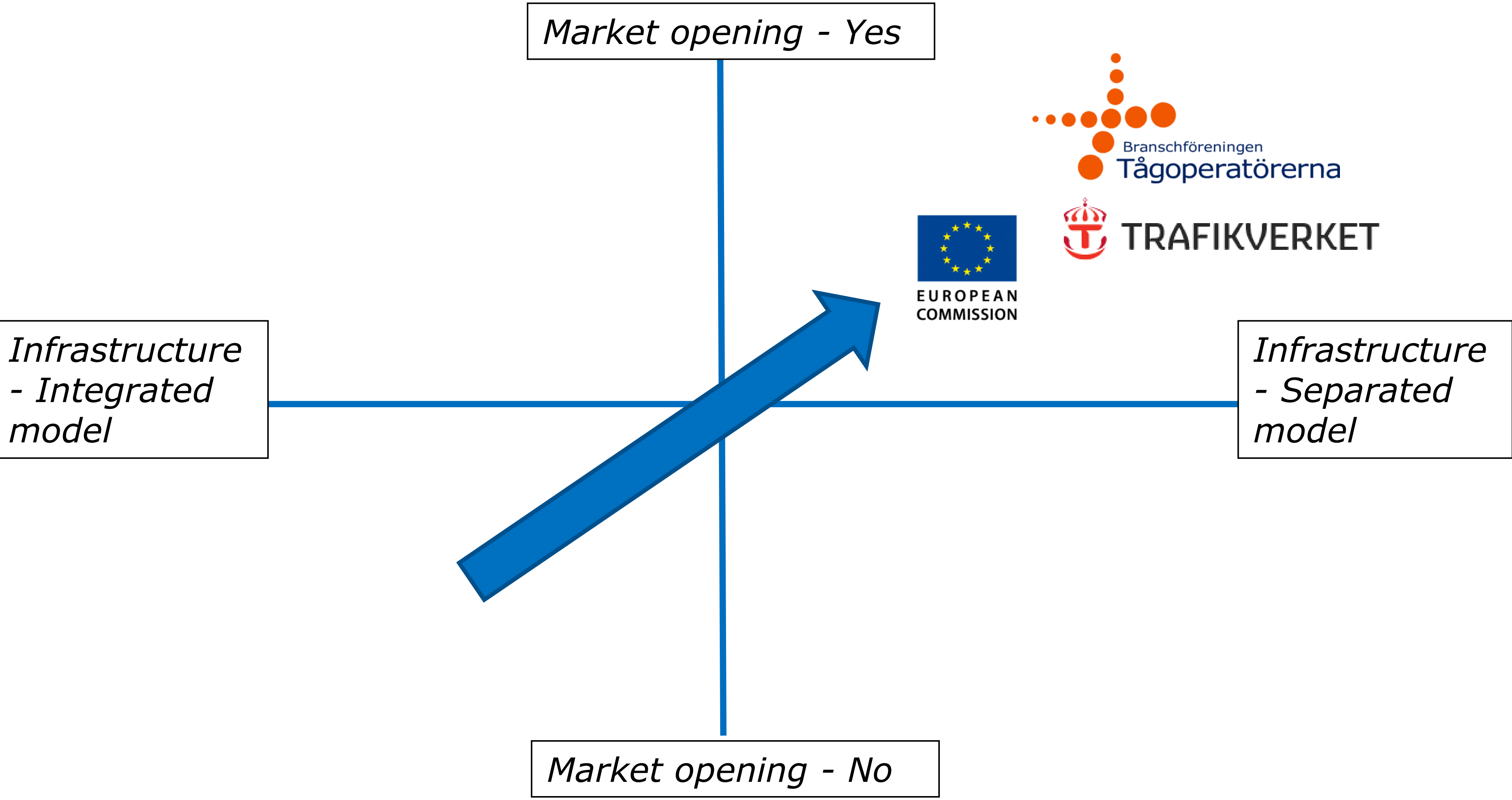
The liberalised railway



Swedish railway 2017



4RP Political Pillar:
Market opening and Governance



Current organisation of the Swedish railway sector – some characteristics (1)

- Institutional vertical separation between infrastructure and train operations
- National multi-modal authority Trafikverket (Swedish Transport Administration) is the main (80%) infrastructure manager, with strong focus on procurement from external contractors
- Train operating companies (or other organisers of train services) apply for access to the track infrastructure and pay charges
- Horizontal separation between passenger and freight operations

Current organisation of the Swedish railway sector – some characteristics (2)

Branschföreningen Tågoperatörerna

- 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 (resulting in contracts between public transport agencies and train operating companies)
- For tendered services, the procuring authority typically provides the rolling stock to the train operating company
- Freight services and commercial passenger services are subject to open access competition. For these services, train operating companies have their own rolling stock
- The role of the public sector is still very strong (state controlling the main IM and RUs, county public transport agencies procuring train services)

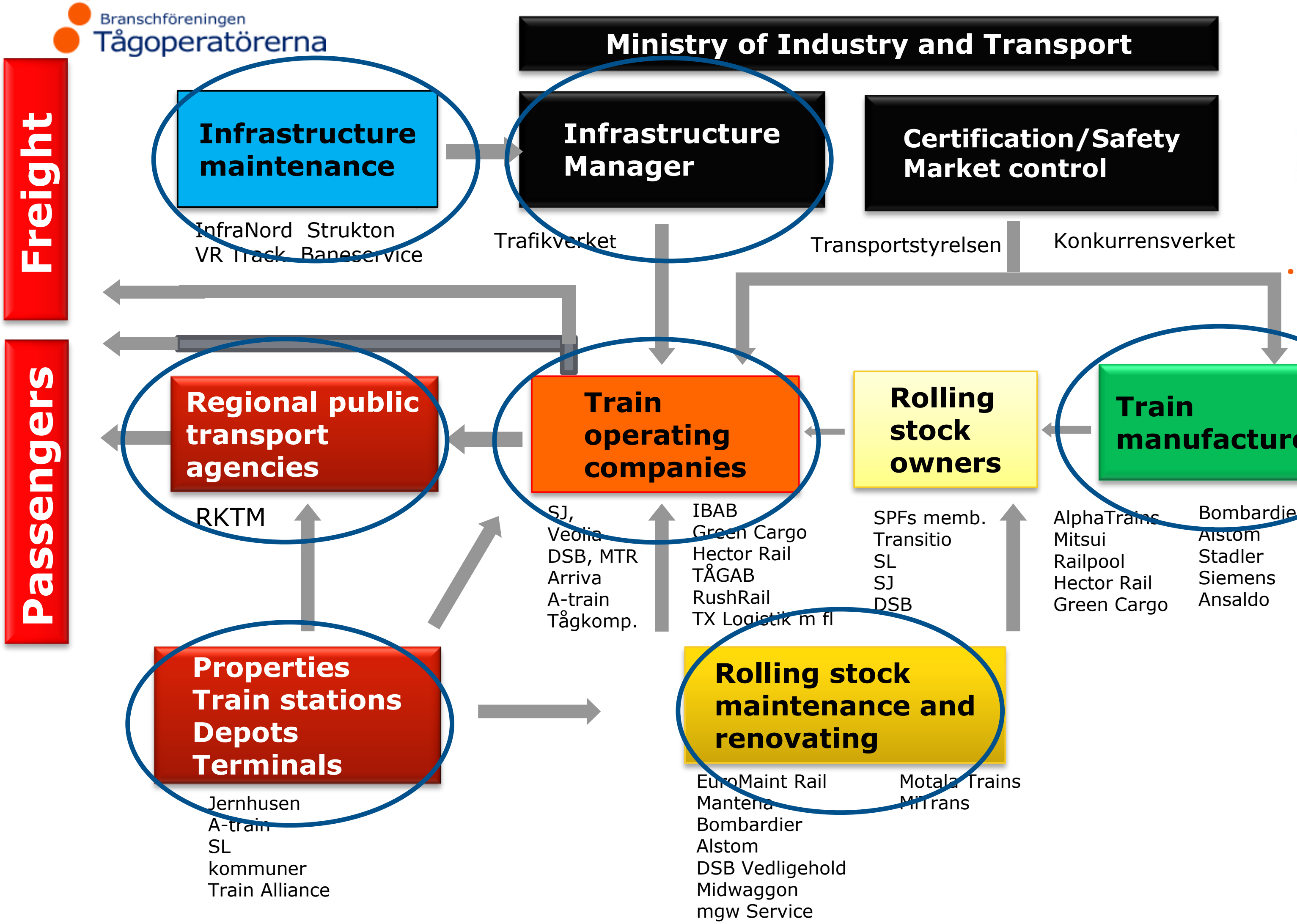
Experience and effects

- Increased investments in rail infrastructure
- Strong local and regional commitment to develop passenger services
- Strong growth in demand
- Improvements in (for example) productivity and safety
- Innovations, new pricing models
- In recent years, decrease in average speed of trains (mainly due to capacity constraints)
- Punctuality problems a recurrent issue of concern
- Appearance of several new entrants, reducing the market share of the incumbents
- Tendering leading to reduced need for operating subsidies but also cases of strategic bidding

Strong growth of railway services

- Since the early 2000's both passenger and freight services have experienced a strong growth
- Important factors behind the development:
  - Structural reforms and market opening
  - Infrastructure investments (early years)
  - Low infrastructure charges (level playing field?)
  - Regional traffic development (passenger PSOs)
  - Competition (freight)
  - (Relatively) steady framework conditions

Governance and cooperation



Railway Sector Cooperation Forum (JBS)

Railway Sector Cooperation Forum

- Punctuality
  12 WS
- Maintenance
  4 WS
- Capacity
- Recruiting & branding
- Culture
- Innovation

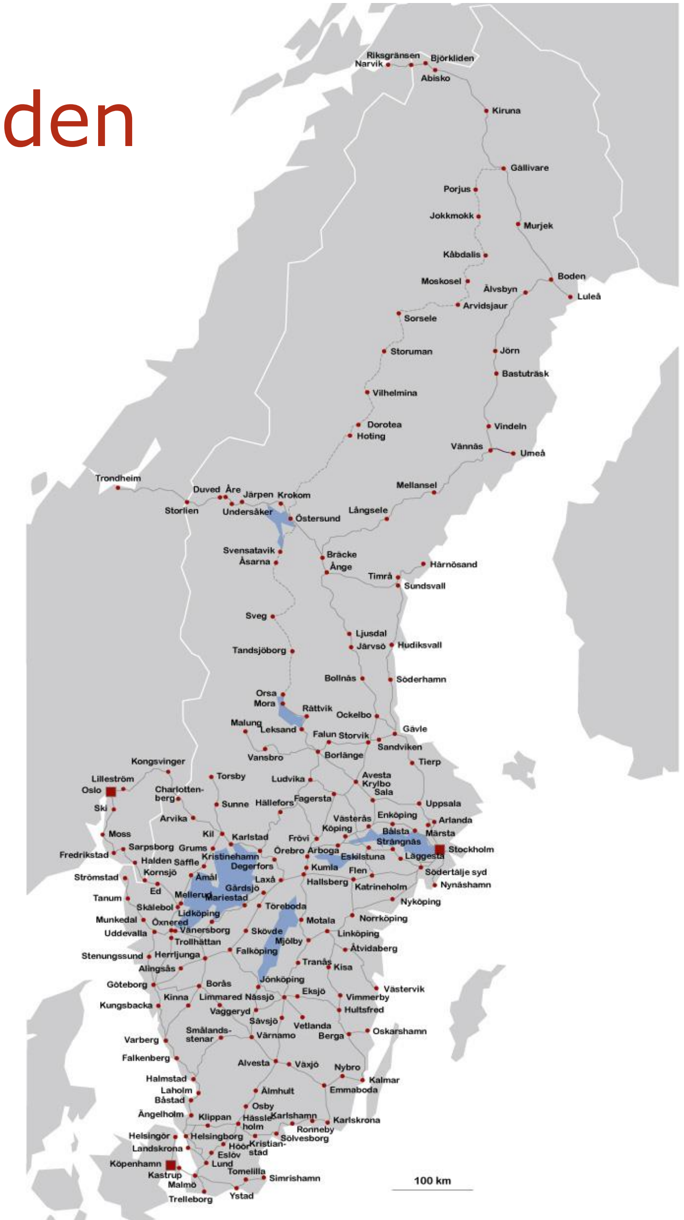
Agenda

- Background
    - ASTOC
    - Rail traffic in Sweden
    - Deregulation
    - Governance
- What are the main opportunities and challenges?
    - EU-Regulation
    - Digitalization
- Boosting the rail mode competitiveness

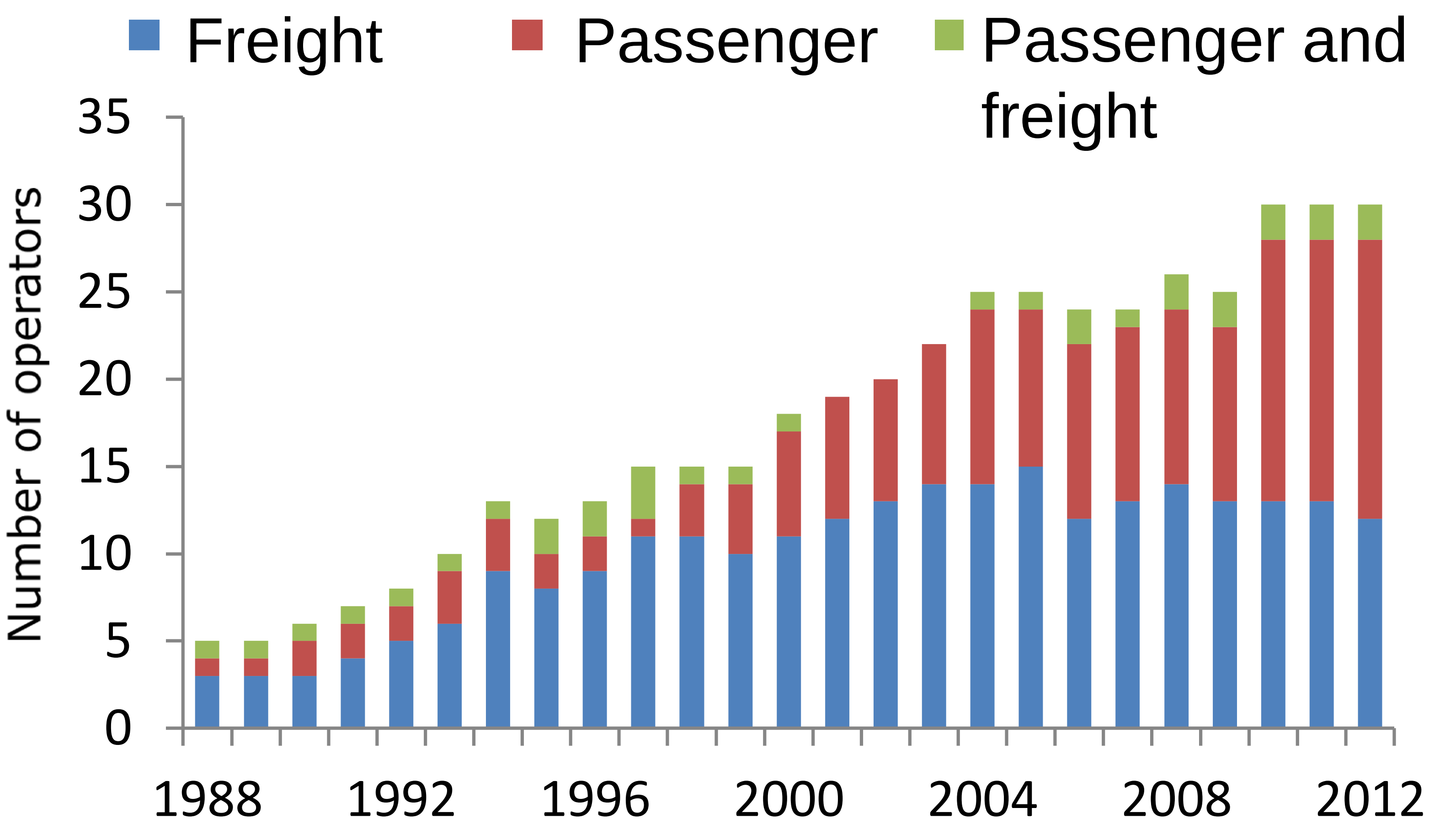
Branschföreningen
Tågoperatörerna

Rail traffic in Sweden

- Sweden has more than 12,000 km of railway track
  - 2,000 km double tracks
  - 10,000 km single tracks

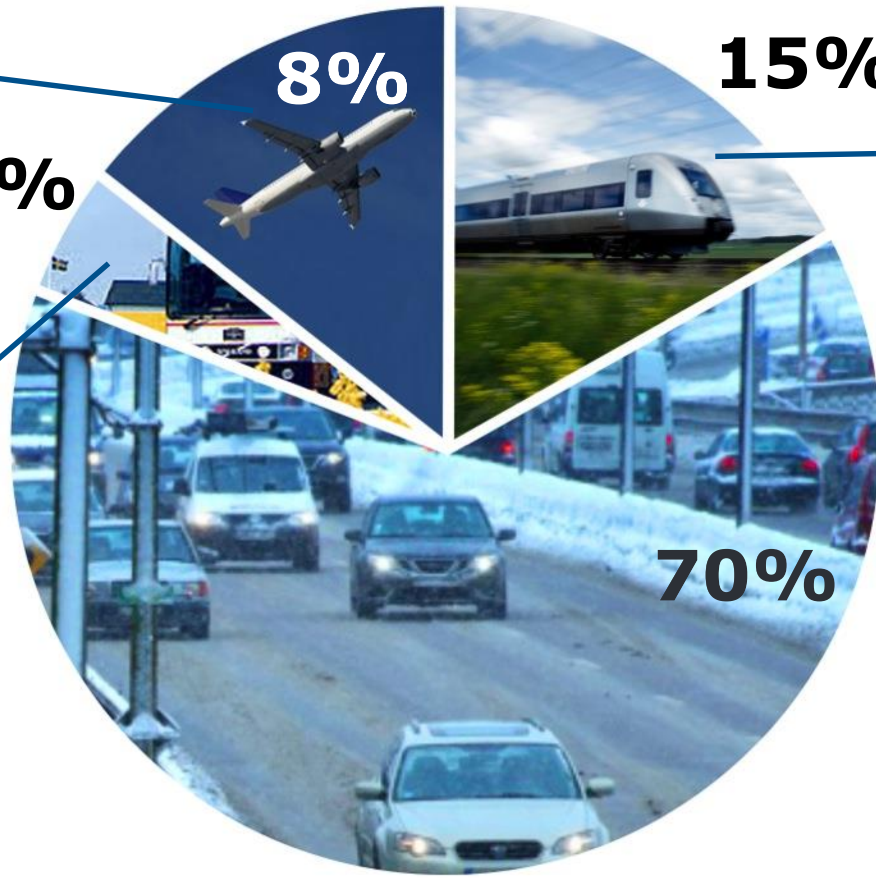


Train operating companies



Source: Jakob Wajsman, Trafikverket

The car is the train's major competitor, when it comes to traveling further than 10 miles

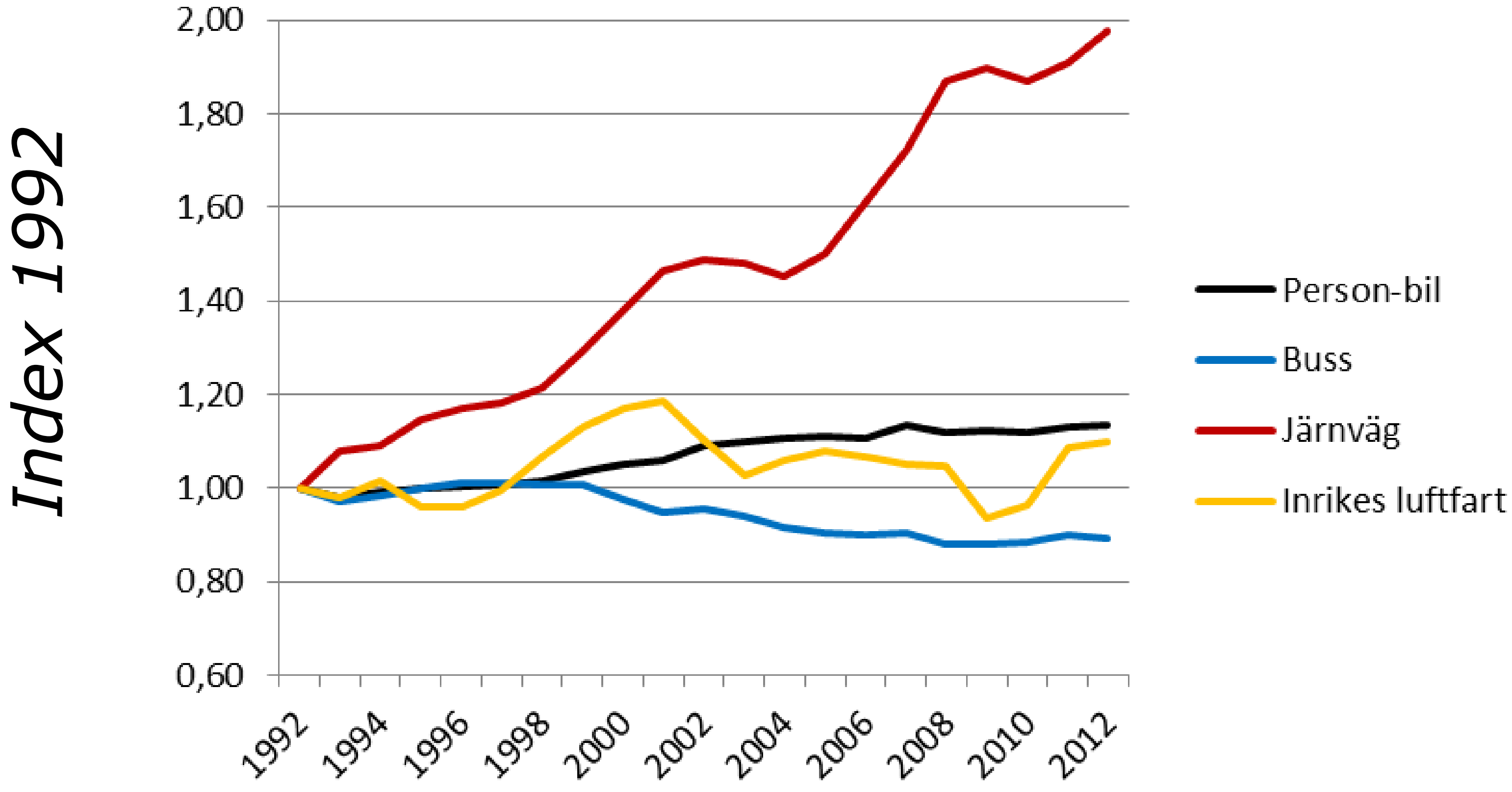


Norwegian
SAS
Malmö Aviation
Sverigeflyg

Swebus
Bus4You
Arriva
Abellio

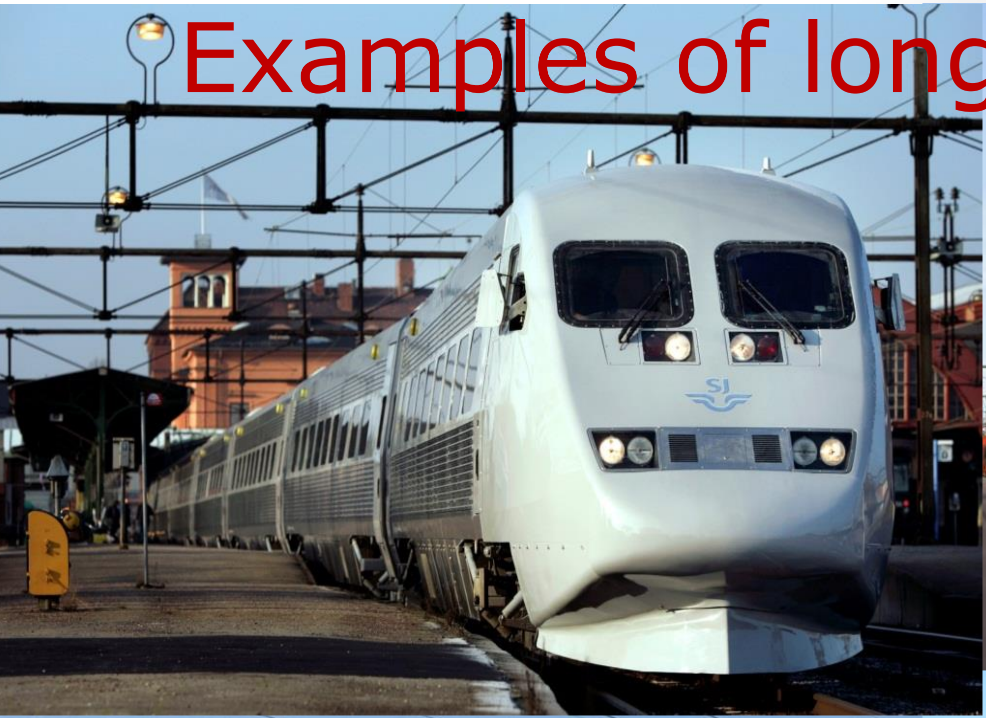
SJ
MTR
Arriva
Abellio
Transdev
Tågkompaniet
Blå Tåget
Länstrafikoperatörer (RKTM)

Advantage Passenger Rail

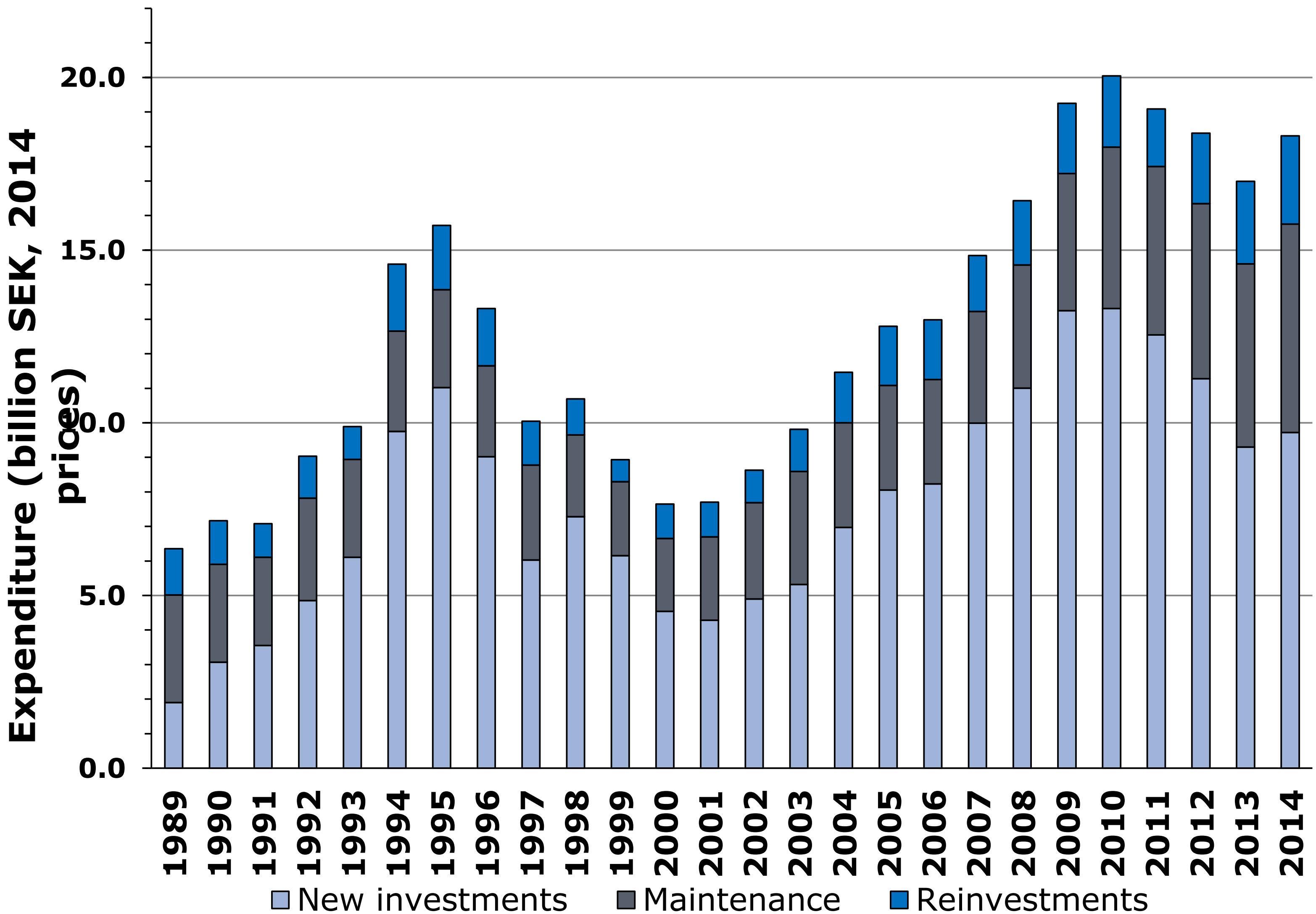


Källa: Trafikanalys

Examples of long distance trains

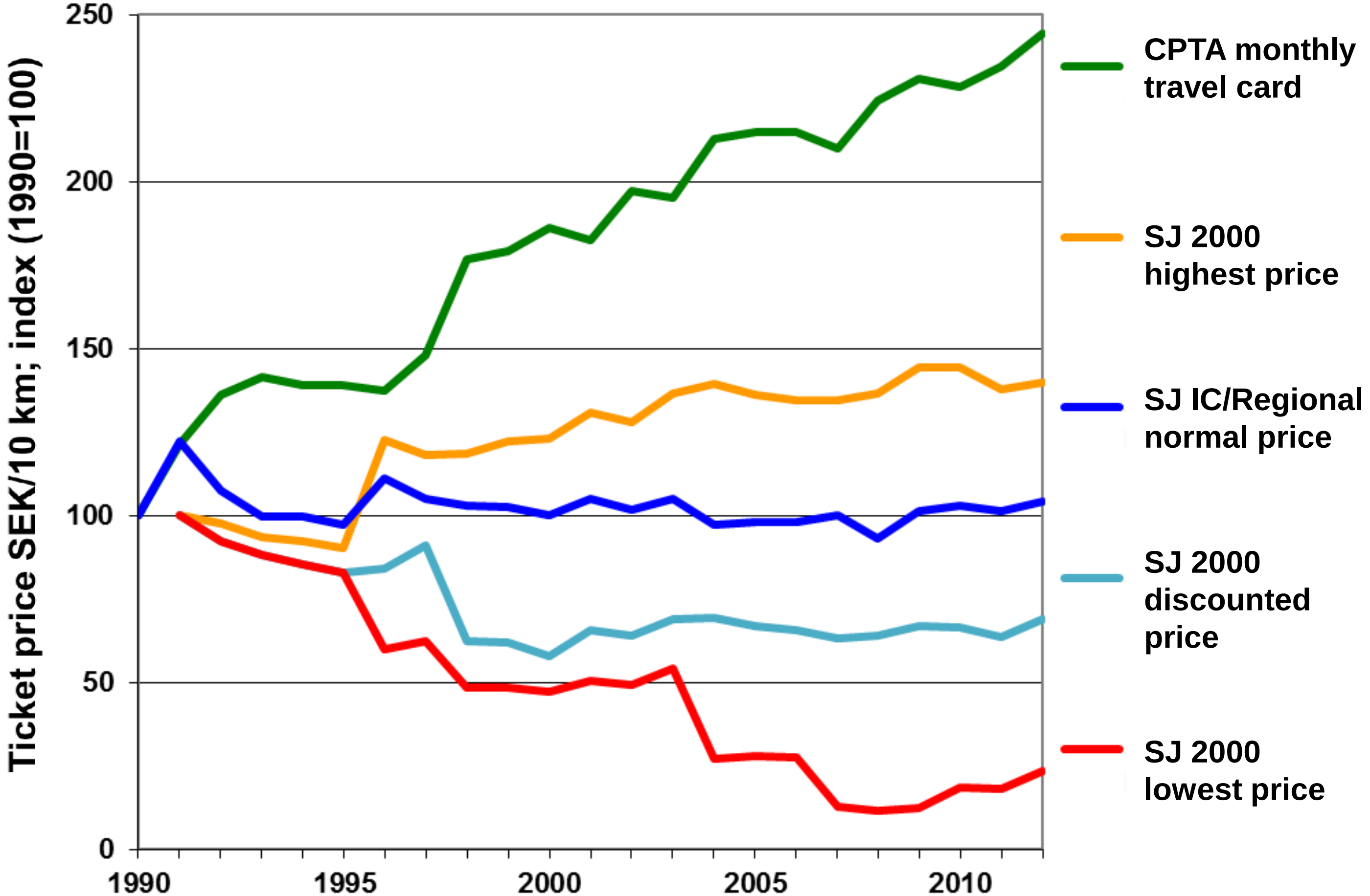


Rail infrastructure investments and maintenance



Source: Trafikverket, and own calculations

Ticket price development



Source: Nelldal et al (2012)

Branschföreningen Tågoperatörerna

Market share - Air and train travel -

Gtb-Sto	Train	Air
2001	49%	51%
2011	69%	31%

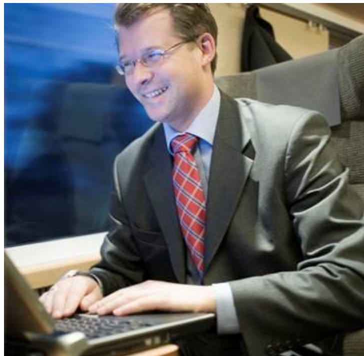
Karlstad-Sto	Train	Air
2001	66%	34%
2011	90%	10%

Sundsvall-Sto	Train	Flyg
2001	30%	70%
2011	66%	34%

Malmö-Sto	Train	Air
2001	23%	77%
2011	30%	70%

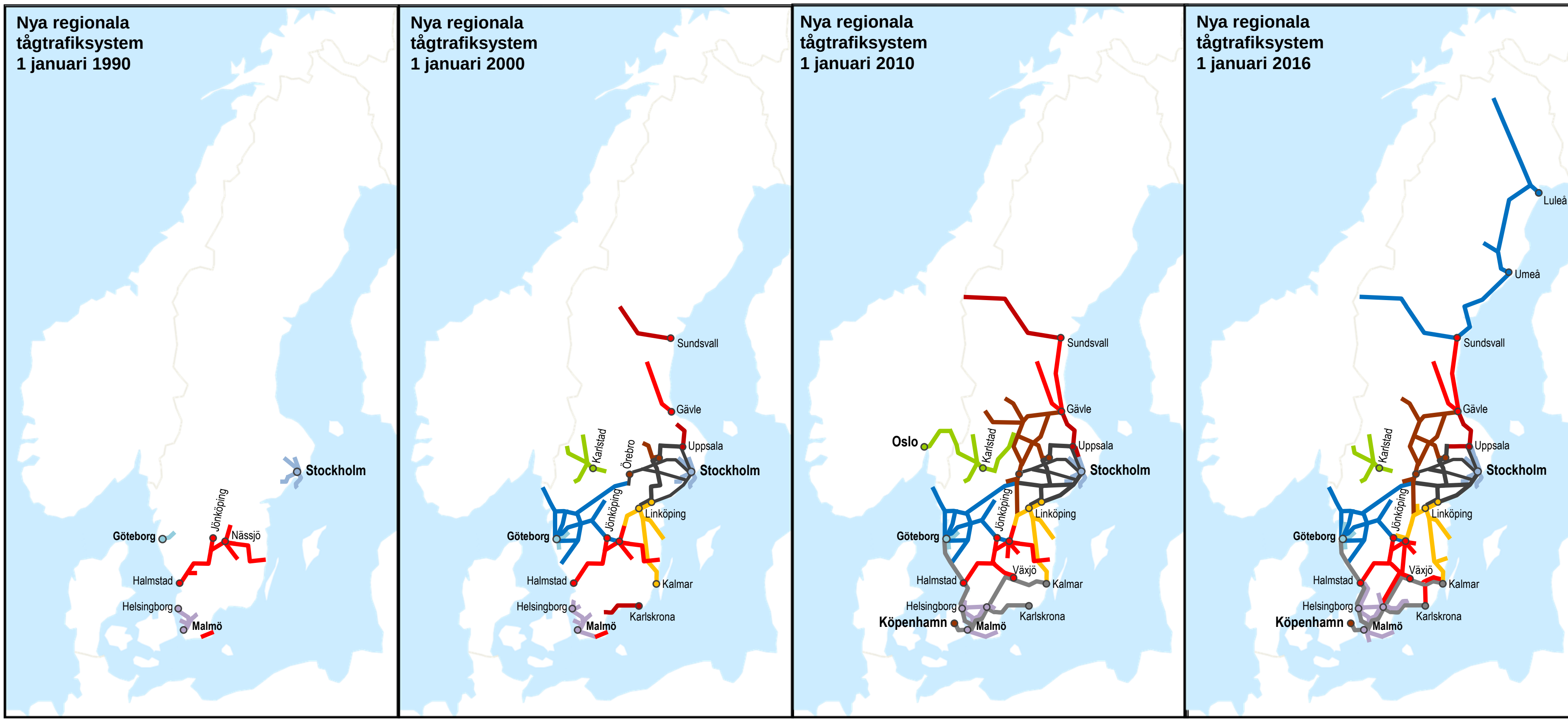






Regional traffic system 1990-2016

Branschföreningen
Tågoperatörerna

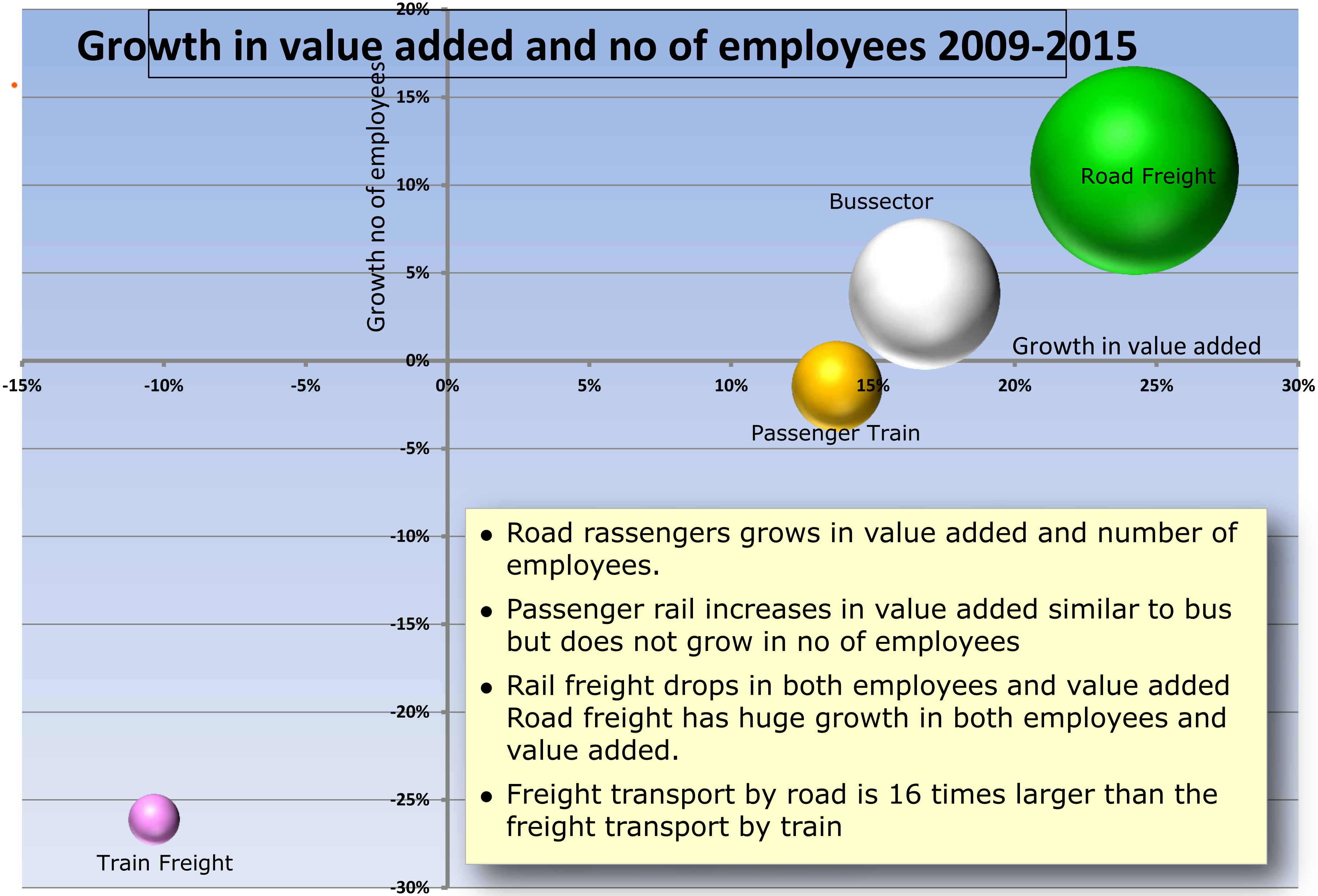


Källa: Oskar Fröidh, KTH

Agenda

- Background
  - ASTOC
  - Rail traffic in Sweden
  - Liberalization
- What are the main opportunities and challenges?
  - Infrastructure
  - EU-Regulation
  - Digitalization
- Boosting the rail mode competitiveness

Growth in value added and no of employees 2009-2015



- Road rassengers grows in value added and number of employees.
- Passenger rail increases in value added similar to bus but does not grow in no of employees
- Rail freight drops in both employees and value added Road freight has huge growth in both employees and value added.
- Freight transport by road is 16 times larger than the freight transport by train

The impact of EU for the Swedish railway

- Sweden is in the frontline of liberalization as well as market opening in Europe, closely followed by the UK. New EU regulations for the railway sector highly affects the Swedish railway, which is different from the European railways.
- The increasing level of regulation, especially on the technical side, might imply **increasing costs and non-optimized solutions**. Sweden has an important role and needs to push towards a market and customer focused development of regulations based on **functional criterias** instead of technical criterias.
- A key to success is to secure that EU regulations are customized to an **open market**. The open market encourages innovation and digitalization
- The majority of the CER members are represented by state owned companies making the role of ASTOC complex.

Key issues for the European railway from Swedish operators perspective

Branschföreningen Tågoperatörerna

- *Rail is key* to reach the objectives of the White Paper and the reduction of CO_2 emissions in EU and Sweden.
- *Accessibility and availability,* drives the need of standards (ERA), simplified administration, investments in bottlenecks
- *Functional specifications and less regulation*
- *ERTMS*, verification and funding
- *Corridors* in Europe, TEN-T, need of a management committee with the right resources
- *Funding* opportunities of TEN-T
- *Taxation,* harmonizing the different modes of transportation, climate taxation and VAT
- Implementation of the *4th Railway Package*
- *Fair competition* from trucks
- The increased need for European infrastructure investments (rolling stock, maintenance etc.) requires *external funding*

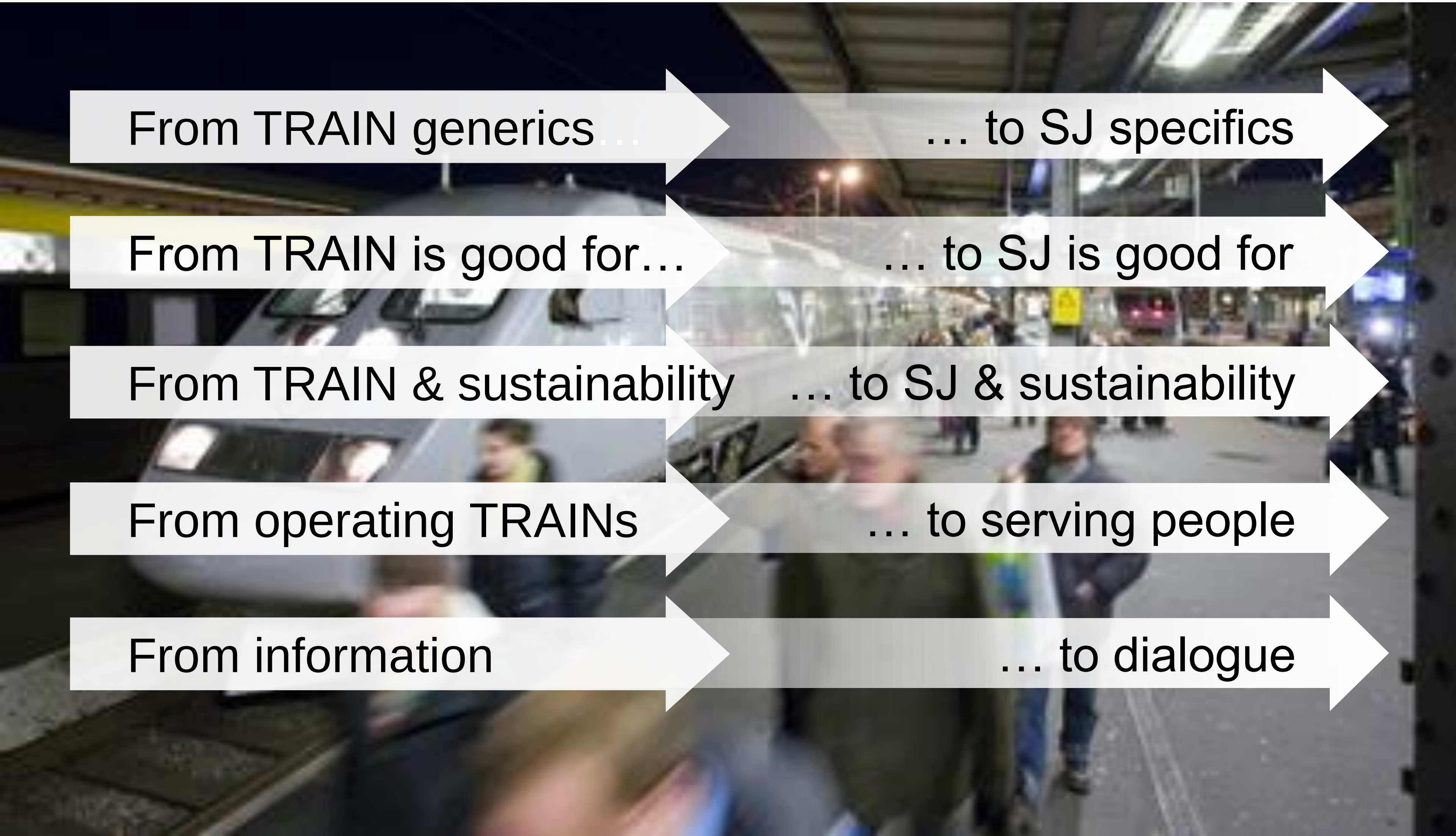
Challenges

Facing full-fledged deregulation

■ Customer satisfaction	Improved quality of service
■ Employee contribution	Increased participation
■ Sustained profitability	Improved productivity
■ Expansion	New markets

Incumbent's journey of change

Branschföreningen Tågoperatörerna



From TRAIN generics…	… to SJ specifics
From TRAIN is good for…	… to SJ is good for
From TRAIN & sustainability	… to SJ & sustainability
From operating TRAINs	… to serving people
From information	… to dialogue

Digitalization is underway; maturity varies by industry, but most potential is yet untapped

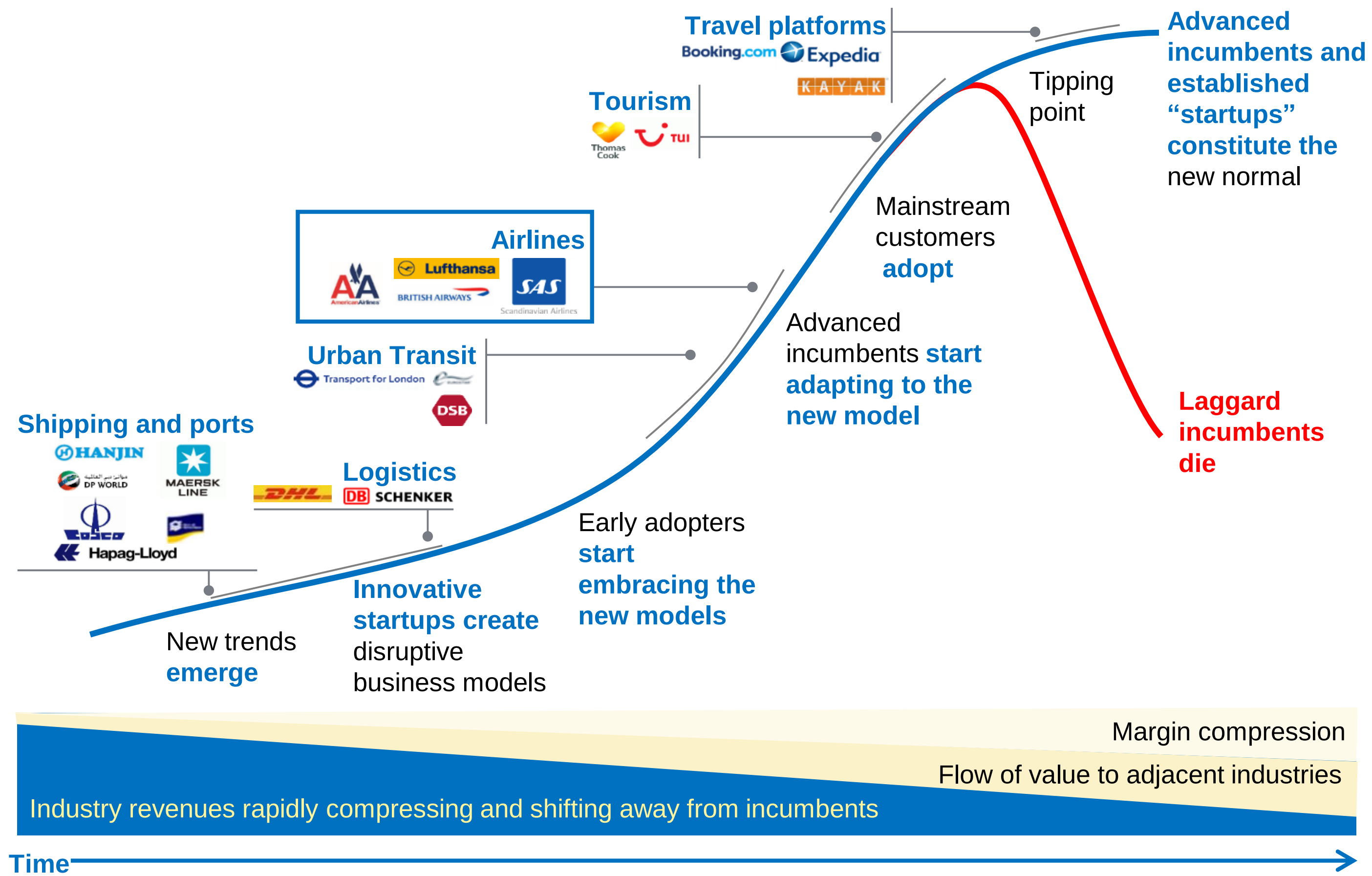
Branschföreningen Tågoperatörerna

Digital maturity

- Efforts to date have mostly digitized the business "as-is"
- Organizations either haven't recognized the real digitalization opportunities yet, or aren't capable of implementing them

Branschföreningen Tågoperatörerna

The rail industry may soon face the tipping point of the digital lifecycle



SOURCE: McKinsey & Company

Digitalisation

Examples from Passenger operator

Migration from manual to digital channels

Strategy

- Meet new customer habits
- More efficient sales & service

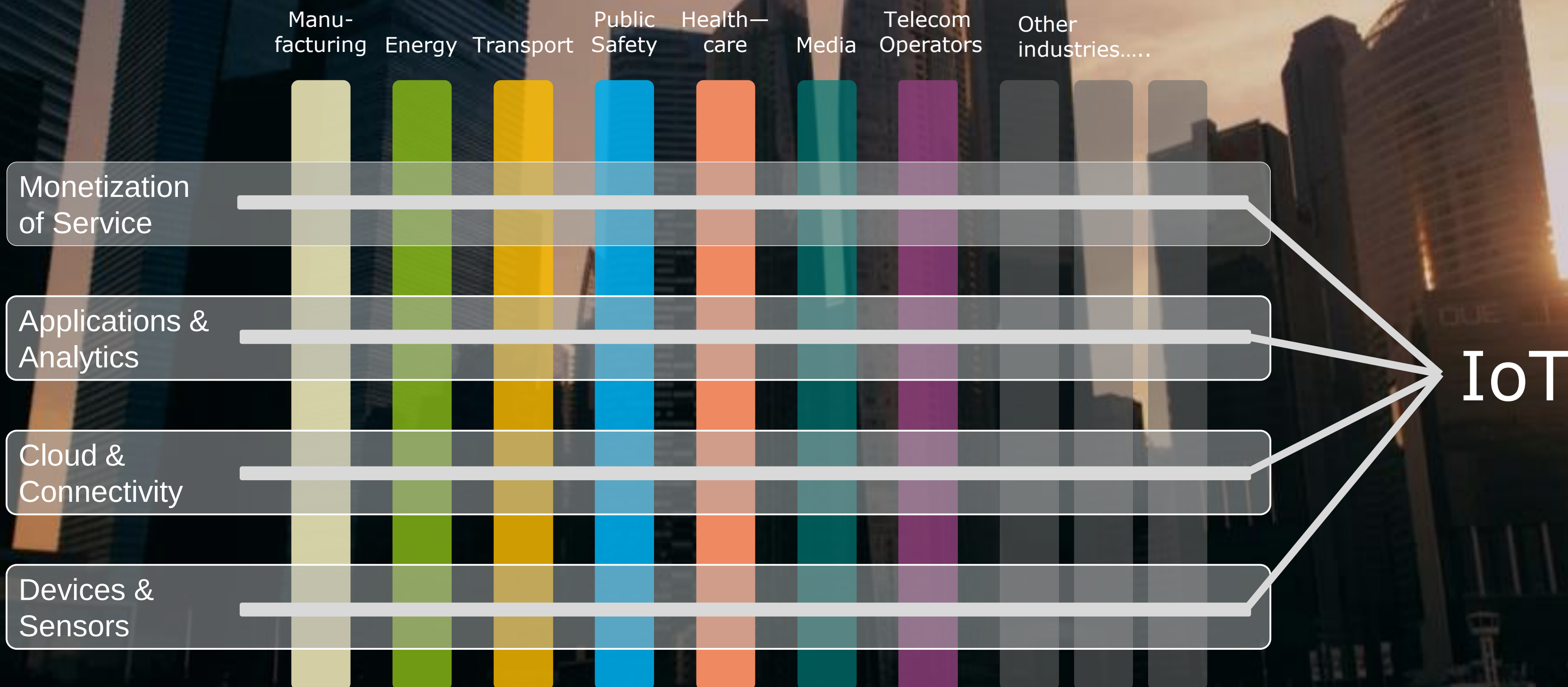
Goal

94% sales via own digital channels

Active shift for digitalisation

	Offline/FullService	Online/SelfService
Direct/Own	Travel shop Contact Center	SJ.se, Mobil.sj.se Mobile app Vending machines **94 %**
Indirect/Agent	Travel agency Resellers	Micro sites / widgets Partners / affiliates

Internet of Things
Enabling technologies



6 disruptions could fundamentally change the travel and transportation industry

Branschföreningen
Tågoperatörerna

Current disruptions

Upcoming disruptions

Online platforms

"Traditional TTL companies as capacity providers only?"

Expansion of large technology companies

"Fear of the hungry tech giants?"

Advanced robotics

"Fundamental changes to cost structures?"

Asset sharing

"*The* door opener for innovative startups in the industry?"

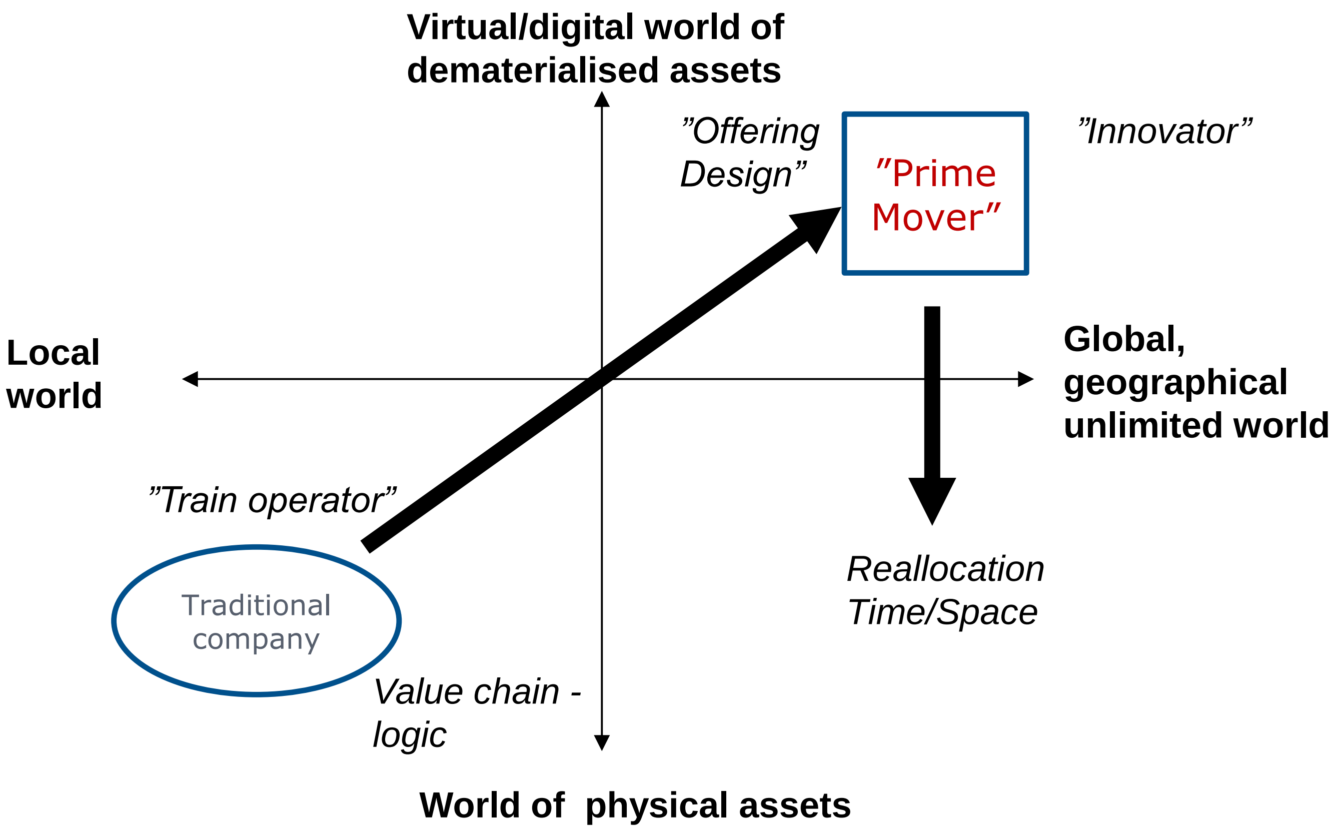
Autonomous vehicles

"Cost structures, opportunities, competitors – will everything change?"

Additive manufacturing

"The 'big hit' to the logistics industry?"

Organizing digital mobility
Reconfigure or be reconfigured
– Rail as prime mover..?



Agenda

- Background
    - ASTOC
    - Rail traffic in Sweden
    - Deregulation
    - Governance
- What are the main opportunities and challenges?
    - EU-Regulation
    - Digitalization
- Boosting the rail mode competitiveness

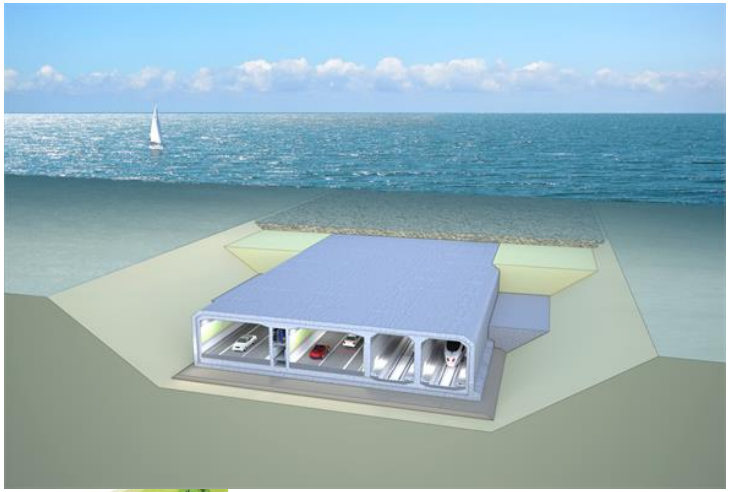
Branschföreningen
Tågoperatörerna

New business opportunities created by new capacity

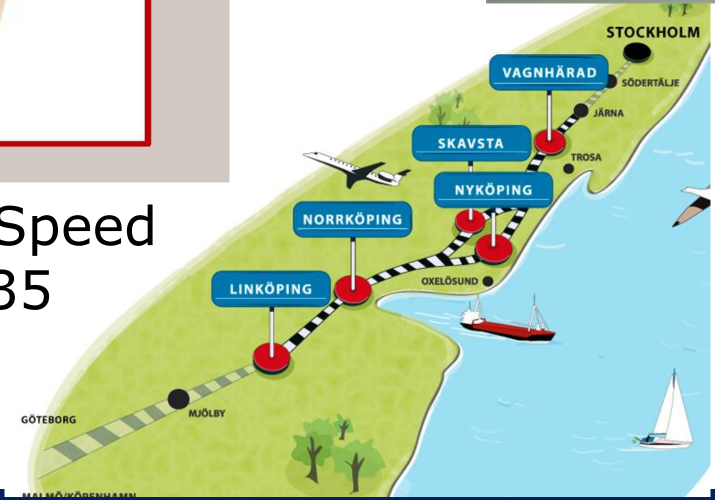

TRAFIKVERKET

RAPPORT
Nya stambanor mellan Stockholm-Göteborg/Malmö
Fördjupat underlag
Beställning från Näringsdepartementet, Transportenheten
2014-02-28

New High Speed tracks 2035



Fehmarn Bält 2024

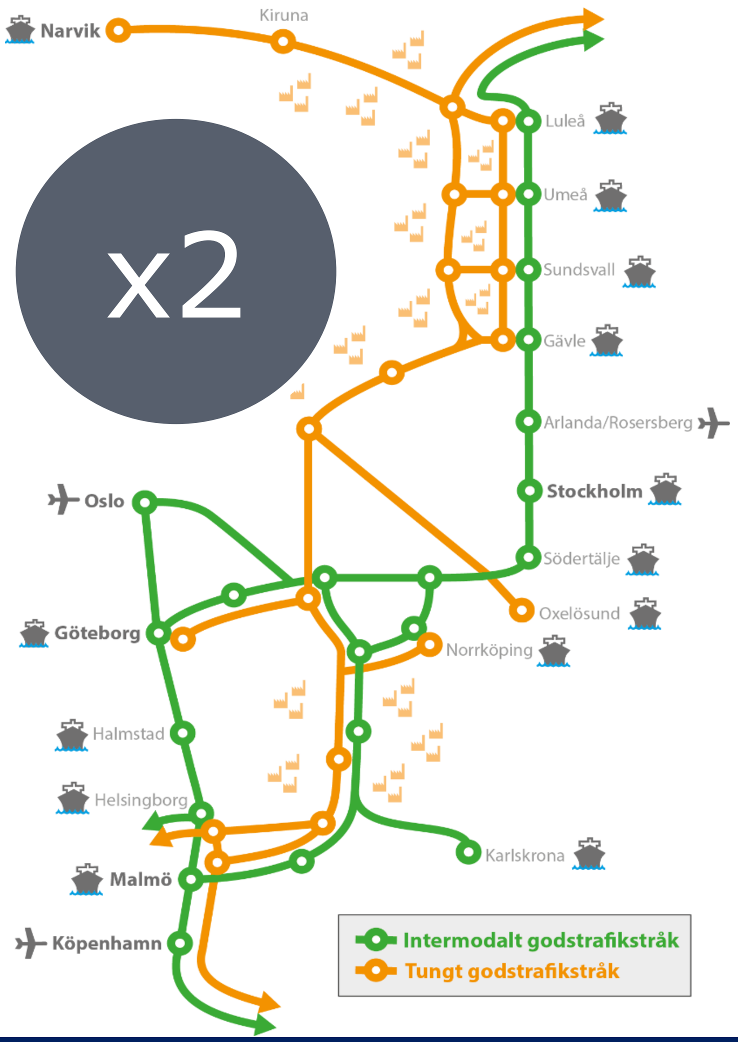


Ostlänken 2028

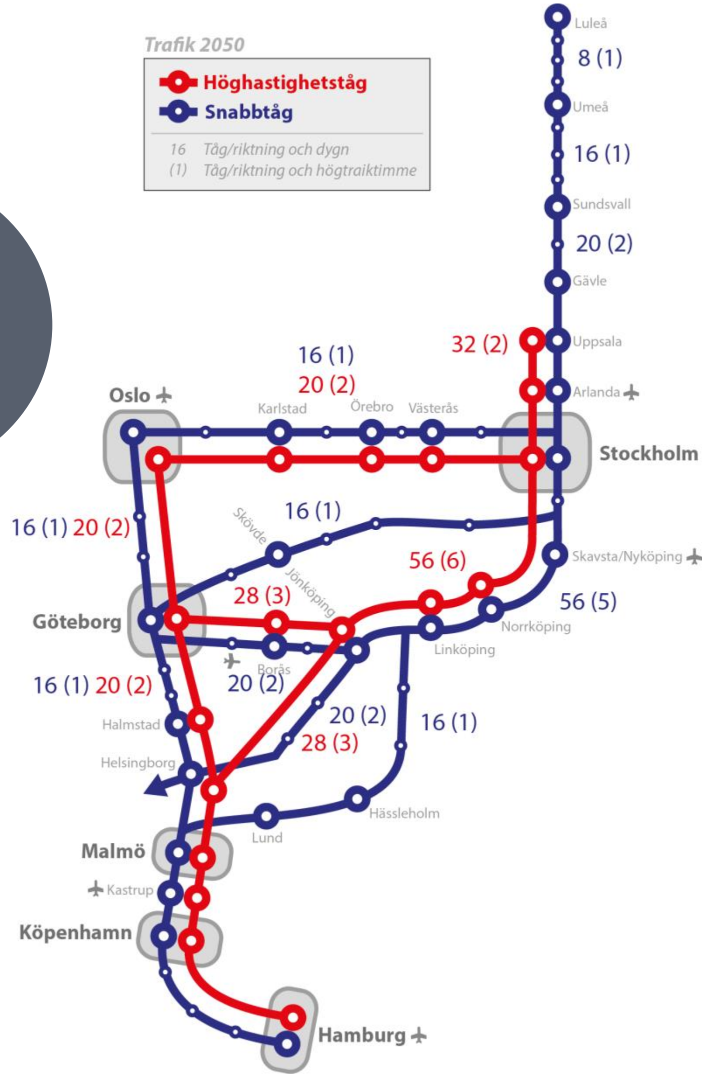
Vision Railway 2050!

Branschföreningen Tågoperatörerna

x2



x3



Summary

- Intentions behind the 4th RP
    - Separation and market opening – it works!

- Balanced track access charges

- Be careful regarding severe consequences of detailed regulation

Thank you!

Quality - Capacity – Competitiveness

Björn Westerberg, CEO, ASTOC
Mobil: +4673 - 802 67 11
E-post: bjorn.westerberg@tagoperatorerna.se