

# Successful start into the first year of the SBB AG

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Objektyp: **Preface**

Zeitschrift: **Annual report / Swiss federal railways**

Band (Jahr): - **(1999)**

PDF erstellt am: **26.09.2024**

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A photograph of two men walking through a busy train station. The man on the left is wearing a dark coat and glasses, while the man on the right is wearing a light-colored trench coat and glasses. In the background, there are large digital display boards with train schedules and other passengers. The overall atmosphere is one of a modern, connected transportation hub.

**We connect.**

**Dr. Thierry Lalive d'Epina**  
Chairman of the Board of Directors

**Dr. Benedikt Weibel**  
Chief Executive Officer

## Successful start into the first year of the SBB AG

Clearly the highest goals of the new management team for the first year of the SBB AG were to seize the chances of the railway reform and to enter the new railway era with a positive financial result and yet higher performances. Despite being liberated from the pension liabilities and starting with a cleared-up opening balance, this was anything but self-evident, as the estimate for 1999 only foretold a marginal profit of CHF 7 million – and this with (not consolidated) expenses of over CHF 7 billion.

With an operating result of CHF 275 million, and a profit of CHF 120 million, the financial goals were widely surpassed. Both sides, incomes as well as expenses, but also numerous special factors have contributed to this good result. In passenger as well as freight traffic, a multi-annual trend of decreasing revenues could be broken.

In passenger traffic, the tariff increase of 1st January 1999, partly VAT-induced, was well accepted by the market. Despite higher prices with differentiated rates of increase, nearly 4% more train trips were undertaken. Total revenue increased by 4.5%. In particular the Half-Fare Card has proven to be an engine of growth. After the number of cards in circulation had successfully gone down from 2 million to less than 1.6 million in the wake of several price increases, the then General Direction decided in 1997 to launch a two-year Half-Fare Card on the market for CHF 222.–. This new offer meant a price reduction at the same time and led to considerable losses in revenue. However the number of card holders has steadily increased again since then. By end of 1999, nearly 1.9 million cards were in circulation again.

By end of May, the SBB has increased its timetable offer by 1.5% in regional traffic, and by 5% in long-distance traffic. Thus, the systematic extension of train service performances was continued also in the year under review. By the end of the year, the new tilting train, a core element of Rail 2000, made its first trial runs on the network.

Freight traffic achieved an increase in revenue of 3% over the previous year, which is all the more remarkable as all the neighbouring railways, with the exception of the Austrian Railways, suffered substantial losses in this area. Especially domestic traffic contributed to the good result. Transit traffic quickened the pace only in the second half of the year, stimulated by an improved economic situation in Europe.

The expenses side contributed heavily to the good result. Staff expenditure went down by 3.5% and with CHF 2'990 million stands below the figure of 1990, thanks to the reduced workforce. Also the expenses for materials, goods and services were lower than in the previous year.

The change from group depreciation to individual depreciation, effected in compliance with ARR guidelines (ARR = Accounting and Reporting Recommendations), led to substantially lower depreciations, only partly compensated by the increase of investment costs that cannot be activated. For expected further restructurizations, an amount of CHF 120 was put to the contingency reserves.

As a basis for successfully standing its ground in a liberalised environment, and to retain its entrepreneurial freedom of action, the SBB AG must offer continually improved services in a competitive way. With more guests in passenger traffic, and more transported goods with a substantially reduced workforce, productivity in the year under review has increased by 9.2%. The SBB AG has thus achieved a good starting position for the challenges of the coming years.

The Confederation as owner has set the goals for the SBB in the Performance Agreement 1999–2002, and in the “Strategic Targets”. We can state that the financial objectives have been reached and that the degree of achievement of the many other quantitative and qualitative goals is high.

### → With key projects into the high-tech age

The Board of Directors and the Management Board have subjected the strategy of the SBB to an intensive reassessment. Thereby, established and proven principles were retained, for example the direction of thrust in passenger traffic given by the project “Rail 2000”. Also in many other areas, new accents could be placed. The enterprise primarily wants to distinguish itself by quality, client-orientation, safety, productivity and profitability. The SBB is on a course of growth and wants to develop itself further into a concern with a European scope. In freight traffic, the decisive switches in this direction are set by the merger with the freight business of the Italian State Railways. In passenger transport, the growth opportunities lie in international traffic, as well as in the border-crossing connections for suburban services.

15 “key projects” are in the centre of the strategy. Their successful realisation will have lasting consequences on the future revenues and expenses. They aim at improvements of the offer, as well as enhancement of production efficiency and quality. The projects covering all areas of the SBB are guided by the Management Board and the Board of Directors and have highest priority.

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### → Restructurisation and new social partnership

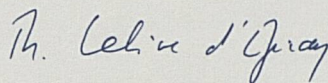
The start into the new legal form of the SBB AG was also the signal for a far-reaching restructurisation of the enterprise. The leading decisions for it were already taken in autumn 1998. They were swiftly put into practice in the following year. The fundamental feature of the new structure is the separation of all operative activities into the three divisions Passenger, Freight and Infrastructure. These set up their own set of accounts and balance sheets. The staff categories formerly grouped together in units overlapping different business areas (locomotive drivers, train staff, shunters), as well as the locomotives, carriages and wagons, were splitted up and attributed to the divisions. Thus, the organisational and financial responsibilities are concentrated in one and the same unit. Rolling stock maintenance, still centrally managed in 1999, will be divided up among the divisions. The three Area Managements (Lausanne, Lucerne, Zurich) were abolished in early 1999. The newly defined regional units are directly managed by the divisions.

Naturally, these organisational changes with many adaptations in the course of the year, did not render accounting for the individual sub-units an easy task. Attribution of resources and internal accounting became central topics of discussions. Thereby, not only the elaboration of an accounting based on good principles of business economy, but also a healthy middle course between efficiency and bureaucracy had to be perceived as a process of learning.

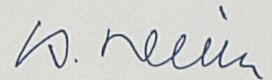
The quick change with the many organisational adaptations has had a bewildering effect on many railwaywomen and railwaymen. This is understandable. It is all the more important to aim at a good collective labour agreement with the social partners. From this agreement, the SBB expects fundamental innovations concerning flexibility of working time and merit pay.

### → Good quality despite difficult circumstances

In spite of these difficult frame conditions, the quality of our offers could be maintained on a good level. The year under review was marked operationally by an exceptional accumulation of natural catastrophes. First, the excessive snowfall and the many avalanches in February, then the severe spring floods, and then at the end of the year the hurricane "Lothar", which brought the SBB an all-time record of 88 line interruptions in a single day. The fact that, in spite of this, it was always possible to master the transport tasks well, also in exceptional situations, speaks highly in favour of the SBB employees. The Board of Directors and the Management Board thank the personnel of the SBB for their big readiness to perform in such difficult and sometimes even stormy times.



Dr. Thierry Lalive d'Epinay  
President of the Board of Directors



Dr. Benedikt Weibel  
Chairman of the Management Board

The SBB expects innovations concerning  
flexibility of working time  
and performance orientation in the wage system.