



Summary of Audit Findings

The Service Agreement largely meets the requirements of "Best Practice"

With the conclusion of the Service Agreement between the Confederation and the Swiss Federal Railways for 2007-2010 (Service Agreement 07-10), already for the third time since the introduction of the railways reform in 1999, the Confederation and the Swiss Federal Railways have reached an agreement on the objectives to be achieved by the Swiss Federal Railways and on funding to be allocated by the Confederation for this purpose. Funds allocated for this period amount to CHF 5,880 million.

The Service Agreement is comprised of "General objectives of the Swiss Federal Railways", "Goals for infrastructure supply", "Provision of infrastructural services", and "Controlling of the attainment of objectives". The target of the audit was an assessment of the Federal Office of Transport's (FOT) controlling with regard to the stated goals for infrastructure supply, as well as with regard to the provision of infrastructural services. Controlling of the "General objectives of the Swiss Federal Railways", i.e. the so-called "owner's strategy", is carried out by the General Secretariat of the Federal Department of the Environment, Transport, Energy and Communications (GS-DETEC) and thus, did not form part of this audit.

In the course of this audit, the SFAO determined whether there exists, in an international context, a "model solution" with regard to Service Agreements in the area of railway infrastructure. Accordingly, the SFAO consulted the EU Commission's paper entitled "Multiannual contracts for rail infrastructure quality" and compared it with the Service Agreement between the Confederation and the Swiss Federal Railways. Apart from a few exceptions, in general, it could be determined that Switzerland, with its Service Agreements in place since 1999, has a contractual tool at its disposal that rates favourably in comparison with other railway companies. However, it was also demonstrated where there is room for improvement. In this regard, establishing appropriate and adequate objectives oriented towards transport policy goals, as well as the negotiating process itself with partners, stand at the fore. Moreover, a suggestion for introducing a concept based on internationally comparable key indicators was put forward using the model "IMPROVERAIL".

The agreement process could be optimised

Separate from the actual process of setting the objectives of the Service Agreement, is the establishment of the financial framework by the Federal Finance Administration (FFA). The SFAO is of the opinion that orders should be guided by policy requirements and the priorities of rail infrastructure. Accordingly, the Swiss Federal Railways must estimate costs necessary for the achievement of objectives. Orders and the level of compensation going to the federal railways should then be negotiated through a "top down approach" whereby the FFA is involved.

The controlling is not very effective

Controlling carried out by FOT should ensure that earmarked funds from the payment frame for infrastructure should be deployed efficiently and effectively. It is based on the half-yearly reporting made in writing by the Swiss Federal Railways.

Apart from the quantitative indicators used in the report matrix, reporting on certain objectives is presented in purely descriptive terms. The presentations are informative; however, making an evaluation, with respect to the level of attainment of objectives, remains difficult. A comparison of targets and achievements is carried out simply for the current Service Agreement period. Also due to the lack of consistency in the indicators used, a comparison with figures for the previous period is not made.

Insights gained by FOT through its controlling, as well as any recommendations to be made, are discussed with the Swiss Federal Railways. However, there is no obligation for the Swiss Federal Railways to implement any recommendations from FOT that may arise, as, in accordance with the Service Agreement, the Swiss Federal Railways alone carries all responsibility for operating decisions and necessary steps to be taken for achieving its objectives. Moreover, the Service Agreement does not provide for any sanctions in case the objectives are not met.

The current wording of the Federal Council's dispatch and of the Service Agreement with regard to controlling and supervision severely restricts the options for FOT. Having their own reporting capacity and ability to form an independent opinion is crucial to FOT for effective controlling. The controlling authority within FOT should prepare the figures on the Swiss Federal Railways and compile their own report at least on a yearly basis.

The SFAO came to the conclusion that the current controlling is inadequate. In light of the limited funds deployed for this purpose, it is efficient, but also not very effective.

Many of the infrastructural goals mentioned in the Service Agreement were not measured

Measurement of the attainment of objectives was based on the report matrix negotiated with the Swiss Federal Railways at the time of drawing up the Service Agreement (see Appendix 2 to the dispatch). This did contain some of the crucial success indicators for a rail infrastructure, however, many of the goals that the infrastructure was to achieve, were not measured. A future model of key indicators should, as far as possible, allow for cross-comparison with other infrastructure enterprises (including foreign ones).

Discussions with specialists and contact with the Swiss Federal Railways comply with the provisions of the agreement

Discussions provided for in the Service Agreement at a specialist level and with the management of the Swiss Federal Railways, take place in accordance with the provisions of the agreement. The topics of discussion however, are often not those of the progress and results of the Service Agreement objectives, but other current topics of concern to FOT and the Swiss Federal Railways. Collaboration at the specialist level in particular was assessed as constructive.

The conditions for controlling should be improved

It appears to the SFAO essentially that:

- the Federal Council's dispatch and the Service Agreement should not restrict the controlling or supervisory function from the outset
- in future Service Agreements, the option of sanctions should be envisaged (e.g. bonuses or penalties)
- the key indicators model must be examined, or expanded
- controlling should be reinforced and complemented by on-the-spot, targeted subsidy audits
- far-reaching statutory reporting requirements by the Swiss Federal Railways should be assured.

There is a potential of conflicting roles between the owner's representation through the GS-DETEC and the Federal Office of Transport (FOT) as purchaser of services

No tangible conflict between the owner's representative GS-DETEC and FOT could be established during the audit. Such conflicts could nonetheless arise, as for the GS-DETEC the evaluation of the attainment of objectives for the entire enterprise of the Swiss Federal Railways, stands at the fore, whereas the focus for the purchaser of services, FOT, is limited simply to the partial area of infrastructure. Even if an owner - purchaser conflict cannot be completely avoided, it would be useful to separate the operative (FOT) from the strategic (DETEC) goals. The supplementary dispatch on Rail Reform 2 (Public transport reform - Swiss Federal Railways Act, Art. 7a) still allows for the Federal Council "based on the Service Agreement", to set the strategic goals for a four year period. The SFAO considers this wording to be less than optimal. As ever, seen from a hierarchical perspective, the Service Agreement takes precedence.

Earlier recommendations made by the SFAO have been implemented by the Swiss Federal Railways

A review of the SFAO audit "Internal accounting of services by and to the Swiss Federal Railways infrastructure" (1.7159.802.00359.02) has shown that the Swiss Federal Railways, Infrastructure Division, has already partially implemented recommendations, whilst others are still in the process of being examined. The explanation provided for this delay appears plausible. Whether or not the steps already taken have proven effective was not examined.