



## SWITZERLAND

# Revenue Distribution in Swiss Tariff Unions

## Background/context

With the implementation of tariff unions and transportation unions within net cost contract schemes, the distribution of revenues to the transport operators has to be settled. Tariff union tickets can be used on various routes and transport operators. The revenues of tariff union tickets usually go into one common pot. These revenues have to be distributed based on suitable criteria and schemes. Revenue distribution schemes therefore have the purpose of allocating revenues of jointly sold tickets to the operators who performed the transport service.

In Switzerland (and also in Germany) demand-driven revenue distribution schemes are becoming more and more important.

## Description of the case

All revenues of integrated tickets go into a single pool. The distribution of these pooled revenues to the public transport operators is based on demand, which in turn is measured in passenger-kilometres and number of trips. By consideration of these two basic figures (passenger-kilometres, number of trips) the characteristics of different types of public transport services (regional, local) is taken into account.

## Legislation and Policy issues

There are no specific laws and regulations for the design of revenue distribution schemes. The approach for revenue distribution is usually defined in the contract of the tariff

union. Therefore the partners have to agree on the planned distribution scheme. There are some national recommendations on indicators in public transport (e.g. ISÖV) which should be considered.

Policy can influence the philosophy of the revenue distribution (supply- or demand-oriented, which basic data should be considered in the distribution formula, etc.).

## Cost and Financing

The following costs have to be considered:

- Planning costs: for the design of the revenue distribution scheme, for the moderation of the process and the coordination between the involved partners.
- Implementation costs: automatic passenger counting systems (normally in place not only for revenue distribution but to optimise supply and operation)
- Operation costs: approximately 0.5% of the annual revenues.

Normally, the costs of the design, implementation and operation of a demand-oriented revenue distribution scheme are very small in relation to the total revenues to be distributed.

Normally, the costs for the planning, implementation and operation phases are borne by the transport operators according to their share of transport volume (vehicle-km or passenger-km).

## Results

A fair allocation of the revenues is based on actual transport demand. This gives incentives to improve quality and increase demand.

An accepted allocation of revenues prevents friction losses, administrative idle times, discussions, justifications, etc.

Clear and transparent rules were in place to provide continuity in revenue distribution.

Cooperation was achieved between the involved transport operators.

The revenue-distribution scheme developed a good cost/benefits ratio.

## Problems

From the Swiss experience, the following might prove difficult:

- reaching an agreement on the data-collection approach (neutral moderation of the decision process is vital)
- dealing with different, not always comparable, counting systems (here, a joint commission of public transport company representatives is useful in providing confidence in counting systems).

## Transferability and success factors

The demand-oriented revenue distribution scheme is transferable to other tariff unions. The approach can be adapted according to regional and local needs.

Important success factors are the common will of tariff union partners to implement a demand-based revenue distribution scheme for improving public transport quality with transparent, understandable principles and methods for calculation.

## Lessons learnt

Demand-oriented revenue distribution schemes have proven to be a fair and transparent solution. The scheme is market-oriented and supports a quality-driven approach for public transport. It can be recommended to other tariff unions. For planning and implementation the success factors have to be taken into account.

## Conclusions

Demand-oriented revenue distribution schemes have been successfully implemented in Swiss tariff unions and transportation associations. The approach used has been developed and optimised over several years and is well accepted by the tariff union partners. Such schemes provide incentives to improve the quality of public transport. They increase the revenues and cost-coverage and are very transferable to other tariff unions.

## References and contacts

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