



UPPER ENGADINE DISTRICT, SWITZERLAND

Innovative public transport funding scheme**Background/context**

The Upper Engadine district is a tourist region in the eastern part of Switzerland consisting of 13 municipalities including St. Moritz and counts 18,000 inhabitants and 80,000 guests per day during the peak season.

The district has an integrated public transport network (including timetable) and an integrated tariff system. With the adaptation of the public transport system and the establishment of the tariff union in 1999 a new funding model had to be developed.

Description of the case

Different funding sources were examined, including regional funds, local funds, tourism tax, public transport earmarked parking fees, mountain cableways contribution, sponsoring/advertising, etc. Based on the investigation, a two-step model has been adopted:

STEP I: DISTRIBUTION ACCORDING TO THE BENEFITS OF PRIVATE PARTNERS

In total, EUR 3 million per year must be covered: EUR 1 million for revenue losses, EUR 1.7 million for uncovered costs (costs not covered by fare revenues) of supplementary public transport supply, and EUR 0.3 million for the management of the tariff union, public transport administration and planning. Based on the taxes and negotiations the following funding scheme resulted:

- 42% funded by the municipalities
- 28% funded by the tourism tax
- 16% funded by the mountain cableways
- 14% funded by the canton (region)

The tourism tax includes hotels and holiday apartments as follows:

- EUR 0.25 in winter and EUR 0.16 in summer per hotel guest and night and approx. EUR 55 per year per holiday apartment

- The tax is levied by the district's tourism organisation for hotels and by each municipality for holiday apartments.
- The tax is limited to 30% of the uncovered costs

The district and the mountain cableways agreed on a contribution which considers the "benefits" of the mountain cableways and their customers. The mountain cableways have to bear the costs of:

- revenue losses from ski passes (which entitle holders to free use of public transport services)
- part of the costs of supplementary public transport supply

The negotiations on the cableways' contribution proved difficult. Finally, a political agreement was made based partly on the cableways' willingness to pay.

STEP 2: DISTRIBUTION BETWEEN MUNICIPALITIES

The cost distribution among the municipalities is based on the number of inhabitants, the tax income (economic possibilities) and public transport supply (number of bus/rail departures within a municipality). A higher weight was given to railway departures than to bus departures. As a consequence, substantial changes in the public transport network and timetable require adaptations of the funding model.

Legislation and Policy issues

The municipalities delegated responsibility for public transport to the district based on a new act in the district's constitution. A new law on public transport in the Upper Engadine District came into effect in 1999. The law established basic principles of the funding scheme.

Cost and Financing

The costs of public transport in Upper Engadine and the funding model are described above. The costs for external consultancy were very limited compared to the annual costs of public transport.

Results

The new funding model fulfilled these objectives:

- Clear and transparent rules for funding public transport
- Costs distributed fairly between public and private partners
- Costs distributed fairly between municipalities
- Consensus achieved between the partners involved
- Long term stability for public transport funding
- Financing secured to provide attractive public transport.

Problems

The negotiations with the mountain cableways proved very difficult – the cableways still seek to reduce their financial contribution.

There was no political majority for linking the tourism tax to public transport price levels and inflation rates. As a consequence, the share of tourism tax revenues for public transport funding is constantly decreasing.

The allocation of risk is not optimal. A possible increase in public transport costs is fully borne by the district.

The collection of the tourism tax at the municipality level causes administrative problems. Hotels sometimes understate overnight stays and policing this is difficult.

There is not enough flexibility to adapt the funding model to changing framework conditions.

Transferability and success factors

The general funding model can be transferred to other public transport schemes in places where tourists make up a large share public transport passengers. The local framework conditions and needs have to be considered.

The main success factors are the willingness for cooperation of all involved partners and the transparency of the cost-distribution model. The political will to have a stable funding solution is given through the adaptation of legislation and regulations.

Lessons learnt

It is possible to get additional funds from private parties or from specific taxes. The setting up of a new funding model is a challenging process. The willingness to pay for public transport is low – especially for private parties. There is no purely scientific approach – it quickly gets very political (joint agreement necessary).

Conclusions

A new funding model with participation of private parties from the tourism industry has been successfully implemented in the Upper Engadine District. The approach is fair, transparent and sustainable. The experiences are positive but some observed problems have to be solved in the next few years.

References and contacts

REFERENCES:

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