4 TRADE POLICIES BY SECTOR

4.1 Agriculture

4.1. Swiss agriculture contributed about 1% to GDP and 3.8% to employment in 2011.[1] Most of the 58,000 farms are small family enterprises (averaging 18 ha) with little hired labour. Only about 100 farms have more than 100 hectares. About half of the Swiss farms are located in hilly or mountainous regions. Within the framework of the direct payment scheme (averaging about SwF 50,000 per farm), farmers receive compensation for working on sloping terrain or delivering public goods, such as food security.[2] The main basic agricultural products are milk, bovine animals, and pigs. Switzerland is traditionally a net-importer of agricultural and food products (Chart 1.1). While imports are spread over all categories of agricultural products, exports are predominantly processed food products. On behalf of the Government, private organizations (Réservesuisse, Agricura) are managing compulsory reserve stock schemes for a range of food and feedstuffs, as well as nitrogen fertilizer (Chapter 3.1.7).[3]

4.2. In Liechtenstein, agriculture's contribution to GDP is marginal. About two thirds of the territory of Liechtenstein are hilly and mountainous areas. There were 118 farms in 2010 with an average size of 31 hectares. Milk is the main basic agricultural product, followed by meat, grains, and vegetables. Switzerland acts on behalf of Liechtenstein on Customs Union matters, such as imports and exports of agricultural products. Liechtenstein has its own direct payment scheme. Liechtenstein farmers also benefit from some Swiss market support measures, such as the subsidy for milk processed into cheese, in return for an annual financial contribution by Liechtenstein. Some Liechtenstein companies participate in the Swiss auctions of the meat tariff quotas and the export subsidy scheme.

4.1.1 Border measures

4.3. The average applied MFN tariff on agricultural products (WTO definition) is estimated at 31.9% in 2012 (Table 3.2). Meat, dairy products, and vegetables are the most tariff-protected products. High or prohibitive MFN tariffs in import-competing sectors contrast with free trade in a range of products, such as cotton, where there is no or little domestic production (Table 3.3). Since its last TPR in 2008, Switzerland has carried out a few tariff reduction initiatives in the context of the Agricultural Policy 2011 or as a result of bilateral agreements with the EU (Table 4.1).

Table 4.1 Agricultural tariff reduction initiatives, 2008-12

Product	Description	Reference
Feed grains, oilseeds, and feedstuff mixtures	The threshold price system applies. Import threshold prices were reduced for grains (to SwF 360/t) and oilseeds (to SwF 500/t), aimed to reduce feed costs of livestock producers.	RS 916.01
	Protection of the domestic feed industry through tariff escalation was phased-out. As of 1 July 2011, industrial protection elements incorporated in the tariffs for feedstuff mixtures were removed.	RS 916.112.231
Bread cereals and flour	The new reference price system applies. On 1 July 2009, the reference price for bread cereals was reduced from SwF 600 to SwF 560/t. As of July 2008, the tariff for wheat flour is linked to the tariff on bread cereals (wheat), resulting in a reduction from SwF 1,430/t to a maximum of SwF 507/t since 1 July 2010.	RS 916.01
Cut flowers	MFN out-of-quota tariffs for cut flowers are to be reduced in ten stages to the level of the MFN in-quota tariffs (2007-17). By 2017, cut flowers will effectively be subject to a tariff-only regime.	RS 916.01
Sugar	MFN sugar tariffs were adjusted to align internal prices in Switzerland with those of the EU. Sugar tariff as of October 2012 (HS 1701.9999): SwF 170/t (up from zero since 2010)	RS 916.01

[1] The total labour force in agriculture was 164,000 in 2011.
[2] Based on Article 104 of the Swiss Constitution.
[3] Based on Article 102 of the Swiss Constitution.

Product	Description	Reference
Vegetables	For 15 fresh vegetables, the import regime was partially liberalized, allowing imports throughout the year at the bound-in quota tariffs (red lollo, other lollo, extra fine string beans, other beans, winter savoy cabbage, treviso chicory, green chicory, cut-and-come-again chicory, salsify, soup celeriac, sugar peas (mange-tout), green asparagus, cardoons, teltow turnips, courgette blossoms)	RS 916.121.100
Cheese	Free trade in cheese with the EU since June 2007.	

Source: WTO Secretariat, based on information provided by the Swiss authorities.

4.4. Switzerland has WTO tariff-quota commitments for 28 product categories. In practice, Switzerland implements 58 tariff quotas, since numerous WTO tariff quotas are divided into sub-quotas.[4] Some tariff quotas are sub-divided up to three times. The bilateral preferential tariff quotas (about 80) are generally aggregated with WTO tariff quotas.[5] Imports originating from the free zones of Haute-Savoie and Pays de Gex are not attributed to a tariff quota.[6] The predominant allocation procedures are first-come-first-served, auctioning, past imports, and *prise en charge* under which the allocation of tariff quota is contingent upon local purchases (Table A4.1). Changes to the administration methods were notified regularly[7], and the complex tariff quota management system (about 300 pages) can also be consulted online.[8] For a number of WTO tariff quotas, Switzerland provides autonomously "unlimited" access at the bound in-quota tariff, e.g. for casein or durum wheat. When domestic supply is considered insufficient, the tariff quotas may also be increased autonomously, resulting in fill ratios greater than 100% (Table A4.2).

4.1.2 Domestic support

4.5. Switzerland's key domestic support instruments are: (i) subsidies and other government expenditures for market support measures; and (ii) direct payments. In its notifications to the WTO Committee on Agriculture, Switzerland has reported price support through applied administered prices for bovine meat, pig meat, milk, and 16 other basic agricultural products.[9] However, according to the authorities, Switzerland does not apply administered prices; "observed" prices are used to calculate the support.

4.6. Switzerland's current policy framework, the Agricultural Policy 2011 (AP 2011), runs from 2008 to 2013. The main thrust of the AP 2011 is a further shift from (product-specific) market support to direct payments. The objective is to cut budgetary expenditures for market support by more than half, and to phase-out agricultural export subsidies on basic agricultural products (Table 4.2). Direct payments increased significantly as from 2009, and expenditures for market support measures were reduced, albeit by less than 50%.

4.7. The AP 2011 leaves the basic structure of the Swiss direct payment scheme unchanged (Table 4.3). About 80% of expenditures are "general" direct payments (area payments, "payments for roughage consuming animals" and "farming under difficult production conditions"); the remainder are payments to achieve environmental and animal welfare objectives. The general eligibility criteria for direct payments include a set of ecological performance standards (proof of ecological performance), including a 7% set aside. The maximum direct payment is SwF 70,000 per annual work unit. Direct payments (DPs) are degressive by farm size, animal numbers, income, and assets.[10] When the DP scheme was introduced in 1992, the intent was to decouple the support from production, but this objective has not been expressly reflected in the legal framework.[11] By and large, the direct payments continue to be linked to land and/or livestock

[4] The three tariff quotas for wine were merged.
[5] The only exception is a preferential tariff quota for potatoes (HS 0701.9010) granted to Egypt, which is opened even if the MFN tariff quota is filled.
[6] *Règlement du 22 décembre 1933 concernant les importations en Suisse des produits des zones franches* (RS 0.631.256.934.953).
[7] WTO documents G/AG/CHE/13/Add.10 to Add. 14.
[8] Federal Department of Agriculture online information. Viewed at: http://www.blw.admin.ch/themen/01423/index.html?lang=fr.
[9] WTO documents G/AG/N/CHE/47, 49, and 55/Rev.1.
[10] Direct payments are reduced to zero from 130 ha, 190 livestock units, or assets of SwF 1 million.
[11] Law on Agriculture (RS 910.1) and Direct Payments Ordinance (RS 910.13)

numbers. Some of direct payments are considered to have production-stimulating effects and call for reform (Box 4.1).

Table 4.2 Market support and direct payments, 2007-11

(SwF million)

Measure	2007	2008	2009	2010	2011
Market support expenditures[a]	493.2	481.4	434.0	372.2	385.4
Dairy sector, of which:	366.0	349.7	316.7	291.9	295.3
Subsidy for milk processed into cheese	255.1	261.0	247.8	256.3	259.5
Livestock sector	18.2	18.3	18.3	10.2	12.4
Arable sector, of which:	109.0	113.4	99.0	70.1	77.7
Crop premiums (RS 910.17)	46.3	47.7	69.6	65.9	68.8
Direct payments	2,575.0	2,505.0	2,741.7	2,789.2	2,799.2

a Including export subsidies.

Source: Federal Office for Agriculture, *Rapport Agricole*, various issues.

4.8. Agricultural producers have access to interest-free investment credit schemes implemented by the cantons. Credits are available as starting aid for new buildings, reconstruction or improvement of agricultural residential buildings, farm and alpine buildings. The average payback period is 13.1 years. Collective measures (for groups of farmers) mainly support soil improvement and building measures (alpine buildings, collective stables, buildings and equipment for processing and storage of agricultural products).[12] Interest-rate subsidies are to be cut from SwF 47 million p.a.[13] to SwF 17 million p.a. under AP 2014-17. The revenue of mineral oil taxes forgone due to reimbursements to the agriculture sector amounts to SwF 65 million each year.[14]

Table 4.3 Switzerland's direct payments system, 2009-11

Measure / objective	Eligibility criteria / payment basis	Payment rate[a]	Notified in terms of	Expenditures ('000 SwF)		
				2009	2010	2011
General direct payments				2,190.2	2,201.1	2,191.1
Area payments						
To compensate public interest contributions (e.g. protection and care of the cultivated landscape, securing food production)	Virtually the entire agricultural area (about 1 million hectares), except summer pasturing area (0.5 million ha), is eligible. The reference period is the current year. Additional payments for the crop area (open arable land) and permanent crops	Per hectare: SwF 1,020 SwF 640	Green Box, decoupled income support	1,225.5	1,221.2	1,217.6
Payments for roughage-consuming animals						
To sustain the competitiveness of milk and meat production based on roughage, and to ensure land caretaking through pasture use	The reference period for bovine animals/dairy cows is the number of animals as of 1 May of the preceding year to 30 April of the current year. Rates are based on standardized livestock units per hectare (differentiated by altitude, i.e. carrying capacity of the land). Bovine animals, horses, milk goats/sheep Dairy cows Other goats/sheep, deer, lamas, alpaka	Per livestock unit: SwF 690 SwF 450 SwF 520	Green Box, decoupled income support	509.6	510.3	508.2

[12] *Ordonnance sur les améliorations structurelles dans l'agriculture du 7 décembre 1998* (RS 913.1).
[13] WTO document G/AG/N/CHE/55/Rev.1, p. 4.
[14] *Ordonnance sur les allégements fiscaux et l'intérêt de retard pour l'impôt sur les huiles minérales* (RS 641.612).

Measure / objective	Eligibility criteria / payment basis	Payment rate[a]	Notified in terms of	Expenditures ('000 SwF)		
				2009	2010	2011
Livestock payments under difficult production conditions						
To compensate for difficult production conditions in pre-alpine hill zones and mountainous zones for livestock fed with roughage	Rates are based on standardized livestock units per hectare, see above Payment rates are differentiated between hilly and mountainous regions	Per livestock unit: SwF 300 (hill zone) up to SwF 1,230 (mountain region IV)	Green Box, regional assistance programmes	352.5	354.3	352.4
General steep slope payments						
To compensate for farming on steep slopes	Rates are based on inclination of terrain. Pastures, arable land, and permanent crops qualify 18-35% >35%	Per hectare: SwF 410 SwF 620	Green Box, regional assistance programmes	91.0	104.0	102.6
Steep slope payments for wine-growers						

To compensate for wine cultivation on steep slopes	Rates are based on inclination of terrain
	30-50%
	>50%
	terrasses
		Per hectare:
		SwF 1,500
		SwF 3,000
		SwF 5,000
			Green Box, regional assistance programmes	11.6	11.3	11.3

Ecological direct payments				566.1	598.0	618.0
Ecological payments						
Incentives for voluntary environmental contributions beyond minimum environmental eligibility criteria for DPs	Including extensive use of pastures and meadows; fallowing; hedges. Payment rates depend on the measure Pome and stone fruit trees (not in plantations)	Per hectare: SwF 450-2,800 SwF 15 per tree	Green Box, environmental programmes	123.0	128.7	133.5
Payments under the Environmental Quality Ordinance (RS 910.14)	Same as for ecological payments. Payment rates depend on the measure Co-financing: 80% federal; 20% cantonal and other sources. Implemented by the cantons	Per hectare: SwF 300-2,000; SwF 5-30 per tree	Green Box, environmental programmes	54.9	62.0	71.5
Extensive cereal and rapeseed farming	No use of hormonal growth regulators and pesticides	Per hectare: SwF 400	Green Box, environmental programmes	29.0	29.3	29.0
Organic farming						
Incentive payments to encourage organic farming methods	Compliance with Bio-Ordinance (RS 910.18). About 11% of total agricultural area qualified in 2010 Special crops (fruits, vegetables, viticulture, medicinal plants) Arable crops Other	Per hectare: SwF 1,350 SwF 950 SwF 200	Green Box, environmental programmes	27.9	29.7	31.2
Animal welfare (housing systems)						
Incentives payments for animal rearing practices that go beyond animal protection regulations	Bovine animals, pigs, poultry, and rabbits	Per livestock unit: SwF 90-280	Green Box, environmental programmes	59.9	61.7	639
Animal welfare (outdoor)						
Incentive payments to encourage outdoor systems	Bovine animals, pigs, poultry, and rabbits	Per livestock unit: SwF 155-280	Green Box, environmental programmes	163.1	163.9	165.0

Measure / objective	Eligibility criteria / payment basis	Payment rate[a]	Notified in terms of	Expenditures ('000 SwF)		
				2009	2010	2011
Summer pasturing						
Sustainable development of pastures	Dairy cows, milk goats, and milk sheep (56-100 days of summer pasturing) Other sheep (100 days) Other roughage-consuming animals (100 days)	Per livestock unit: SwF 330 SwF 120-330 SwF 330	Green Box, environmental programmes	98.0	101.3	101.5
Water protection and sustainable use of natural resources	The Confederation compensates up to 80% of the costs for structural adjustment projects and 50% for farm management restrictions. Implemented by the cantons	Not applicable	..	10.2	21.3	22.4
Payment reductions due to sanctions				-14.7	-9.8	-10.9
Total direct payments				2,741.7	2,789.2	2,799.2

.. Not available.

a Rate reductions apply: up to 40 ha (full rate); 40-70 ha (-25%); 70-100 ha (-50%); 100-130 ha (-75%); over 130 ha (100% reduction); and up to 55 livestock units (full rate), 55-100 livestock units (-25%), 100-145 livestock units (-50%), 145-190 livestock units (-75%), over 190 livestock units (100% reduction).

Source: *Ordonnance sur les paiements directs versés dans l'agriculture* (RS 910.13); and Summer pasturing ordinance (RS 910.133).

4.9. Liechtenstein's new law on agriculture, in force since 1 July 2009, consolidates the former legislative acts on agriculture without introducing fundamental changes.[15] The policy objective is to increase the competitiveness of Liechtenstein's agriculture sector and maintain market conditions similar to those in Switzerland. The law also puts more emphasis on marketing and image-building with a view to better promoting agricultural goods made in Liechtenstein. New elements are the definition of professional requirements for recognition as farmer, and promotion of entrepreneurship. While Liechtenstein has its own direct payment system (last modified in 2010[16]), most measures are similar to the Swiss measures (Table 4.4).

Box 4.1 Swiss Agricultural Policy 2014-17

The next stage of Switzerland's agricultural policy is scheduled to begin on 1 January 2014 (AP 2014-17). The Bill, which amends the Law on Agriculture and includes a four-year budgetary framework, is currently pending before the Swiss Parliament. The main policy objectives are: food security (maintain self-sufficiency at the current level of around 60%); competitiveness; efficient and sustainable use of natural resources; and innovation and entrepreneurship in agriculture. At the core of the AP 2014-17 is a re-arrangement and fine-tuning of the direct payment (DP) scheme, to improve the efficiency and effectiveness of the measures, and address conflicts with WTO Green Box criteria. Total DP expenditures will be maintained at the current level of about SwF 2.8 billion per year. There will be some redistribution of subsidies from livestock/dairy production to the arable sector.

The revised DP scheme has seven categories, which are linked to the achievement of specific policy objectives and the provision of public goods: payments for ensuring food supplies (i.e. food-security payments); bio-diversity payments; farmland payments; payments for landscape quality; payments for environment/animal-friendly production systems; resource-efficiency payments; and transitional payments. The system is complex. Each category has several measures, including payments. The budget for "payments for roughage-consuming animals", "livestock payments under difficult production conditions", and the "payments for the open arable land and permanent crops" will be moved to the food-security category ("payments for ensuring food supplies", about SwF 1 billion per year). To reduce the incentives on production, the payments for livestock holders will no longer be tied to the number of animals, and are to be based on acreage with a minimum stocking density (Table 4.3). The DP eligibility criteria are left substantially unchanged, with two exceptions foreseen by the Government: elimination of the income/asset limits for DPs (exception for transitional payments) and of the graduation of large farms; and land in building zones will become ineligible.

[15] Law on Agriculture of 11 December 2008 (LR 910.0).
[16] Agricultural Income Supplements Ordinance of 23 March 2010 (LR 910.023).

Subsidies for individual commodities will be maintained, albeit with some adjustments. Thus, the area-based crop premiums (Table 4.6) will be replaced by subsidies aimed at ensuring an appropriate level of self-sufficiency in designated crops/products (proposed new Article 54 of the Law on Agriculture). The Government will have discretion to determine eligible crops and the rates of support for these explicitly production-stimulating subsidies. In total, about SwF 440 million will be made available annually for these and other production subsidies, quality, marketing, and promotion measures. Key market support programmes, such as the subsidy for milk processed into cheese, remain largely unchanged.

There are few structural reform initiatives to strengthen the competitiveness of Swiss agriculture and to ensure that downstream industries remain internationally competitive. The AP 2014-17 prioritizes improvements in product quality, and additional financial support is provided to reduce farmers' costs through better terms and conditions for investment credits.

Overall, the AP 2014-17 does not signal a change towards more market-orientation of Swiss agricultural policy. The high level of import protection will be left virtually untouched. Despite modifications, most of the direct payments will continue to have a close link to production and livestock rearing.

Source: WTO Secretariat based on the Federal Council *Message concernant l'évolution future de la politique agricole dans les années 2014 à 2017* (*Politique agricole* 2014–2017). Viewed at: http://www.blw.admin.ch/themen/00005/00044/01178/index.html?lang=fr.

Table 4.4 Liechtenstein's direct payments, 2010-11

(SwF million)

	2010	2011
Total direct payments	11.8	11.6
Income supplements (farm income aids, payments for selected crops, payments for roughage-consuming animals, payments for pasturing)	6.2	6.0
Environmental and animal welfare payments	5.1	5.1
Payments for countryside stewardship in hilly and mountainous regions	0.5	0.5

Source: Liechtenstein authorities.

4.1.3 Export subsidies

4.10. Switzerland has export-subsidy reduction commitments with respect to five product categories (dairy products; breeding cattle and horses; fruit; potatoes; processed products). Export subsidies with respect to the first four product groups were eliminated in 2009. Exports of cheese continue to receive indirect support through the subsidy for milk processed into cheese (section 4.1.5.1). Switzerland's last export subsidy notification covers 2009 and 2010.[17]

4.11. Switzerland continues to apply a price compensation scheme, as described in previous TPRs, to compensate the domestic food manufacturing industry for the price handicap of using tariff-protected locally produced agricultural raw materials (*loi chocolatière*). The measures with respect to industrial/agricultural tariff protection of processed products, and export subsidies were revised with effect from 1 February 2012.[18]

4.12. Export refunds are provided to compensate price gaps between the domestic market and the world market.[19] Eligible for refunds are certain milk and dairy products, flour and other milled products that are incorporated/processed into food products under HS chapters 15-22. Export refunds were suspended on 1 February 2012 for sugar/molasses and egg products, while maintaining the possibility to resume them in the future. For skimmed milk incorporated into processed products, export refunds were abolished on 1 December 2012. Export refunds are subject to an annual budget (SwF 70 million in 2012). They are granted on the basis of the net content of the beneficiary raw materials incorporated in the final products. Export refunds for milk and milk products incorporated into processed agricultural products are being granted depending on the fat and protein content, as well as the ratio between milk fat and milk protein.[20]

[17] WTO document G/AG/N/CHE/59, 20 November 2012.

[18] *Ordonnance réglant les contributions à l'exportation de produits agricoles transformés* (RS 632.111.723); *Ordonnance concernant les éléments de protection industrielle et les éléments mobiles applicables à l'importation de produits agricoles transformés* (RS 632.111.722).

[19] EU markets in the case of exports to the EU.

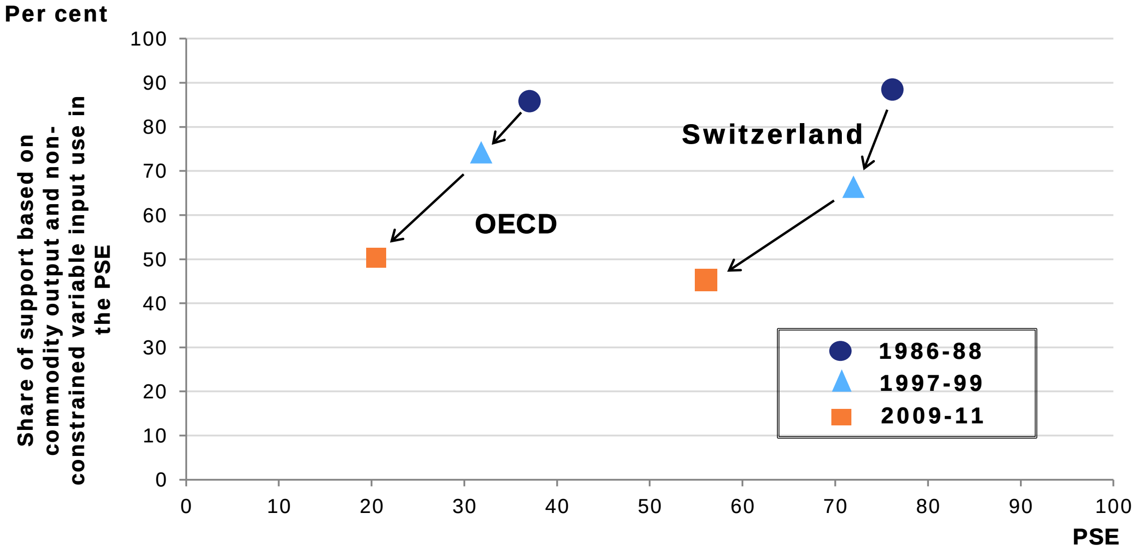
[20] *Ordonnance du DFF du 9 janvier 2012 sur les taux des contributions à l'exportation de produits agricoles de base* (RS 632.111.723.1).

Information per tariff line of export subsidies granted is not available. Within the framework of the Customs Union, Liechtenstein companies are eligible for export refunds to third countries under the Swiss price compensation scheme.

4.1.4 Evolution of support

4.13. According to OECD estimates, Switzerland's support to agricultural producers (PSE) decreased from an annual average of SwF 7.2 billion in 1995-97 to SwF 5.7 billion in 2009-11.[21] The decline was mainly due to higher world market prices for agricultural commodities. The percentage PSE (i.e. the support as a share of gross farm revenues) decreased from 67% to 56% in the same period, meaning that over half of farmers' revenues in 2009-11 were due to support policies (mainly tariff protection and direct payments).[22] Despite the decline, Switzerland's support (a PSE of 56%) was almost three times the OECD average (a PSE of 20%) (Chart 4.1). Swiss producer prices were on average 57% higher than world market prices in 2009-11. Switzerland is in line with the OECD trend in making reforms towards less trade-and-production-distorting measures. The share of market price support that is potentially most trade-distorting was reduced from 66.4% to 45.4% between 1997-99 and 2009-11. Market price support, as defined by the OECD, comprises all policy measures that raise the domestic price relative to the border price of the commodity concerned, including border measures (tariffs, tariff quotas, and other import restrictions), administered prices, and export subsidies.

Chart 4.1 Level and composition of support to agricultural producers, selected years



Note: The level of support is presented by the percentage PSE. The composition of support is presented by the share in gross farm receipts of market price support, payments based on output, and payments based on non-constrained variable input use.

Source: OECD (2012), *Agricultural Policy Monitoring and Evaluation*, PSE/CSE database, Paris.

4.14. The arrows in Chart 4.1 suggest that Switzerland's agricultural policy has been heading generally in the right direction, but the process of market-oriented reforms needs to be faster in order to catch up with its OECD peers.[23] The level of support to Swiss agricultural producers (SwF 5.7 billion) also compares unfavourably with agriculture's value-added or contribution to GDP (3.9 billion in 2010), which gives rise to questions regarding the efficiency (costs versus benefits) of Swiss agricultural policy.

[21] OECD (2012).

[22] PSE: total annual monetary transfers to farmers individually (not agriculture generally) from market price support, mainly through border measures but also food aid, export subsidies (calculated by the price gap between domestic and border price), payments to farmers, and tax/fee reductions (revenue forgone). The percentage PSE is a useful indicator for comparisons over time and among countries, *inter alia*, because it eliminates the effect of inflation.

[23] All except Norway.

4.1.5 Developments in selected agricultural markets

4.1.5.1 Milk and dairy products

4.15. There have been few changes regarding market access for dairy products. Tariffs on most dairy products remain high, averaging an estimated 101.5% and reaching approximately 1,295% (Table 3.3). Trade in cheese between Switzerland and the EU has been fully liberalized since June 2007; only a certificate of origin is required. Switzerland's aggregate tariff-quota commitment for dairy products (527,000 tonne milk equivalent) is divided into six sub-quotas with very small allocations for butter (100 tonnes) and whole milk powder (300 tonnes), which are in surplus. The butter and milk powder quotas are auctioned and no longer subject to *prise en charge* as an allocation method (Table A4.1). According to the authorities, the change aims to increase the competition between importers because under the prise en charge system only a few importers qualified for allocations.

4.16. Almost half of Swiss farms produce milk for sale. The key internal support instrument is a subsidy of SwF 0.15/kg for milk processed into cheese (Table 4.2).[24] Since cheese production accounts for over 40% of milk deliveries, the subsidy provides support to the broader domestic raw milk market. According to the authorities, given that milk production is traditionally the only income possibility to farmers in mountainous regions, the subsidy for cheese production has important socio-economic effects and helps to achieve the aim of a decentralized population. Exports of cheese also benefit from this subsidy, although the subsidy is not contingent on exports. WTO Members have questioned the Green Box compatibility of the subsidy for milk processed into cheese.[25] The subsidy for "feeding without silage" is aimed at assisting the production of non-pasteurized specialty cheeses (SwF 0.03/kg milk, SwF 33 million in 2011). In addition, dairy farmers benefit from direct payments (Table 4.3). The subsidies for dairy cows (payments for roughage-consuming animals) were increased in 2009 from SwF 200 to SwF 450 per livestock unit, raising the relative competitiveness of milk production.

4.17. Following a three-year transition period, the compulsory milk quota system was abolished on 1 May 2009.[26] Milk production has increased since 2008, aggravating surplus problems with butter and skimmed-milk powder. According to the Law on Agriculture (Article 8), industry and producer organizations are responsible for the marketing of their products. IP LAIT (the Swiss dairy inter-branch organization) has been implementing two measures for its members:

a. Milk pricing policy ("recommended" prices) based on market segmentation: (i) the "A segment" comprises domestic sales of milk products (SwF 0.66/kg milk in 2012); (ii) the "B segment" includes world market exports of skimmed-milk powder (milk protein) and domestic sales of butter (milk fat) (SwF 0.58/kg milk in November 2012); (iii) the "unsupported C segment" comprises world market exports of butter and SMP (SwF 0.33/kg in November 2012). The milk buyers have committed to buy at least 60% of their raw milk in the A-segment.

b. Compulsory levy: on 31 August 2011, the Federal Council approved a request by IP LAIT to implement a compulsory levy of SwF 0.01/kg on milk deliveries by non-members of IP LAIT for market relief measures in the milk-fat market (effective until 30 April 2013). The rationale is to prevent free-riders from undermining the IP LAIT initiative to stabilize the market; non-members of IP LAIT represent about 5% of processed milk in Switzerland. Funds from members and non-members of IP LAIT, estimated at about SwF 34 million per year, are used to support sales of surplus butter and SMP to the world market (supported C segment).[27] In regard to the mandatory milk levy, WTO Members have questioned Switzerland's compliance with its export subsidy commitments. In Switzerland's view, the scheme does not constitute an export subsidy under Article 9.1(c) of the Agreement on Agriculture, since IP LAIT is a private association and

[24] Ordinance on supplementary payments and aid in relation to milk (RS 916.350.2).
[25] "Allowance for milk processed into cheese", notified in terms of a regional assistance programme, see WTO document G/AG/CHE/55/Rev.1, 23 July 2012. Switzerland responded that the support is also included in the price support for milk.
[26] *Ordonnance sur l'exemption du contingentement laitier* (RS 916.350.4).
[27] IP LAIT online information. Viewed at: http://www.ip-lait.ch/site/fr.html.

the State neither provides nor collects any funds nor prescribes how the funds are to be used.[28]

4.18. In Liechtenstein, milk production (14,800 tonnes in 2011) is subject to farm-level production quotas.[29] To enable Liechtenstein to compete on the common milk market with Switzerland, the Government is implementing the strategy "forward integration of the Liechtenstein dairy industry", supported with SwF 4.5 million during 2009-12, with the aim of domestic processing of a maximum share of raw milk into high-added value products.

4.1.5.2 Meat and livestock

4.19. Over 80% of Swiss farms rear livestock. Livestock producers benefit from by far the highest level of tariff protection; meat tariffs average an estimated 177.4% (Table 3.3). As a result, Switzerland is about 80% self-sufficient in meat (pig meat, 95%; bovine meat, 84%; poultry meat, 51%). Switzerland's WTO tariff-quota commitments for "red meat" (22,500 t) and "white meat" (54,500 t) are administered through 12 sub-quotas for different categories of meat and meat products. By 2007, the change towards auctioning of the sub-quotas had been fully phased in.[30] A reversal, towards the discriminatory *prise en charge* system for 40% of the red meat quota, is currently under consideration by the Swiss Parliament.[31] The fill rates of the WTO tariff quotas exceeded 100% in 2010-11 (Table A4.2).

4.20. Expenditures for market support declined to SwF 10.3 million in 2010 (Table 4.2), as export subsidies for breeding cattle were eliminated during 2009. Subsidies for temporary intervention purchases (implemented by Proviande on the calf markets), and discounted sales to stabilize the domestic livestock markets are limited at SwF 4 million per year. The Swiss veterinary requirements have been harmonized with the EU to facilitate trade in live animals (Chapter 3.3.3).

4.21. Switzerland provides five types of livestock-related direct payments (Table 4.3). The main schemes are "payments for roughage-consuming animals" and "livestock payments under difficult production conditions", which were increased in 2009 to cushion the expected income losses following the phase-out of the milk quota system. Payments under the two schemes may be cumulative. The subsidies were notified in terms of decoupled income support, prompting questions from WTO Members regarding consistency with Green Box criteria (Box 4.1).

4.1.5.3 Grains and oilseeds

4.22. Switzerland maintains a complex scheme of variable tariffs to protect its farmers of feed grains and oilseeds (Table 4.5). The basic structure of the scheme remains unchanged. Tariffs are adjusted periodically so that the duty-inclusive prices[32] are raised to the level of minimum import prices (threshold prices or indicative import values). On the basis of the threshold prices for 11 groups of products, the Federal Department of Economic Affairs determines indicative import values for "similar" products. The statutory threshold prices are reviewed from time to time (Table 4.1). The variable tariffs may not exceed the Uruguay Round bindings. There are no tariff quotas for the products covered the scheme. Since 2008, there is a legal requirement that tariffs for feedstuffs must not include elements of industrial protection.[33] For compound feeds, standard formulas are used to calculate tariffs to ensure that there is no tariff escalation.

4.23. Since its last TPR, Switzerland has introduced a new variable tariff regime for cereals of bread-making quality (e.g. wheat). This complements the tariff quota for bread cereals.[34] The reference price system covers the same tariff lines as the bread-wheat tariff quota. The new system is similar to the feedstuffs regime (Table 4.5). Tariffs are reviewed on a quarterly basis and

[28] WTO document G/AG/W/92/Rev.1, 25 May 2012.
[29] Milk Quota Ordinance of 7 July 2009 (LR 910.012).
[30] Except 10% of the "red meat" tariff quota (allocation by *prise en charge).* See WTO document G/AG/N/CHE/13/Add.14, 11 April 2012. The auction proceeds totalled SwF 181 million in 2009 (averaging SwF 2.3/kg of meat)
[31] Viewed at: http://www.news.admin.ch/message/index.html?lang=fr&msg-id=35451.
[32] Including guarantee fund contributions.
[33] Law on Agriculture (RS 910.1), Article 20, paragraph 7.
[34] The reference price system covers the same tariff lines as the bread wheat tariff quota: HS 1001.9921, 1002.9021, 1007.9021, 1008.1021, 1008.2921, 1008.4021, 1008.5021, 1008.6031 and 1008.9023.

adjusted, as appropriate (increased or decreased), to stabilize the duty-inclusive price for bread cereals around a minimum import price (reference price). The reference price is reviewed periodically. Tariffs are based on the world market price for cereals, i.e. the c.i.f. price as determined by the Federal Office for Agriculture. The reference price was reduced from SwF 600/tonne to SwF 560/tonne in July 2009 (Table 4.1). Since 2010, the variable tariffs amount to 100% (up from 60%) of the difference between the world market and the reference price. This change provides better protection from world market price volatility but also makes producers less responsive to world market trends.

Table 4.5 Variable tariff mechanisms for feedgrains, oilseeds, and bread cereals

Feed grains and oilseeds	Bread cereals
Imposition of 100% of the difference between the "estimated" c.i.f. price and threshold price/indicative import value 2012 threshold prices: Group 3 - barley (feed): SwF 360/tonne Group 4 - soybeans (feed): SwF 500/tonne Tolerance band: threshold price +/- SwF 30/tonne Maximum tariff: UR binding for the product concerned Tariff adjustment intervals: generally 1 January, 1 April, 1 July, 1 October Product coverage: feed grains (e.g. barley), other feedstuffs, oilseeds/cakes, seeds	Imposition of 100% of the difference between the world market price (estimated c.i.f. price) and the reference price 2012 reference price: SwF 560/tonne Tolerance band for deviations from reference price: +/- SwF 30/tonne Maximum tariff: SwF 230/tonne Tariff adjustment intervals: 1 January, 1 April, 1 July, 1 October Product coverage: HS 1001.9921, 1002.9021, 1007.9021, 1008.1021, 1008.2921, 1008.4021, 1008.5021, 1008.6031, 1008.9023

Source: RS 916.01.

4.24. The main domestic support instruments in the arable sector are area payments (Table 4.3) and crop premiums (Table 4.6). Crop premiums are aimed at ensuring adequate production of "important" crops, whose protection at the frontier is not sufficient for economic production. The area payments and crop premiums are cumulative: for example, a rapeseed producer may receive up to SwF 2,660/ha[35]; additional direct payments may be applicable, e.g. for "extensive rapeseed farming" (up to SwF 400/ha).

Table 4.6 Area-based crop premiums, 2009-11

Measure / objective	Expenditures (SwF million)			Eligibility criteria / payment basis	Payment rate	Notified in terms of
	2009	2010	2011			
Area-based crop premiums	69.9	65.9	68.8	Same eligibility criteria as for direct payments, except: no differentiation of payment rates by area; no payment limits.	Per hectare:	Amber Box, Other product specific support (Supporting Table DS:7)
				Rapeseed, soya, sunflower, pumpkin (for oil), linseed; pulses (for feeding purposes); fibre plants; seed potatoes, maize, and feed crops	1,000	
				Sugar beets	1,900	

Source: Ordinance on premiums for arable farming (RS 910.17).

4.1.5.4 Fruit and vegetables

4.25. Border protection remains the key trade policy instrument in the fruit and vegetables subsector. Tariffs on most domestically produced products are set on a seasonal basis. The "out of season" period for some products is very short (two weeks). Operators that hold stocks of fruit and vegetables at the beginning of the harvest season ("managed period"), which were imported

[35] Subject to graduation of payments, see footnote a to Table 4.3.

during the "out-of-season" period, are required to file a new customs declaration and pay the difference between in-quota and out-of-quota tariffs.[36]

4.26. Switzerland administers eight fruit and vegetable tariff quotas (including potatoes); most of them were over-filled in 2010-11 (Table A4.2). This is because, for certain products, the authorities may release additional autonomous tariff quotas during the full supply period at WTO in-quota rates. Tariff-quota administration methods remain unchanged. Depending on the tariff quota, the methods include auctioning, *prise en charge*, and past import performance. For 15 fresh vegetables, the import regime has been partially liberalized in accordance with the Agricultural Policy 2011 (Table 4.1).

4.27. As a result of the elimination of export subsidies on 31 December 2009 (mainly for frozen cherries and apple juice concentrates), financial support for fruit and vegetables dropped from SwF 19.4 million in 2009 to SwF 2.9 million in 2010.[37] The main domestic support measures are storage aids for manufacturers of fruit juice concentrates (apples and pears), to cover part of the storage costs. The subsidies are aimed at reducing economic risks caused by the annual fluctuation of the apple and pear harvests. Additionally, aids are provided for uprooting traditional and planting "innovative" tree cultures.[38]

4.1.5.5 Potatoes

4.28. Switzerland is over 90% self-sufficient in potatoes. Import access is provided mainly through a Uruguay Round minimum access quota (22,250 tonnes potato equivalents). The WTO tariff quota is opened at the beginning of the year. In case of a shortage on a domestic market, Swisspatat (the potato industry association) submits a request to the Government to increase the quota on a temporary basis. However, the stated marketing strategy of Swisspatat is to limit the necessary imports and have imported potatoes available at retail level only until domestic potatoes can supply the market.[39] The tariff-quota allocation is complex, comprising sub-quotas (potatoes, seed potatoes, potato products, and potatoes for further processing), seasonal allocations, the *prise en charge* system, and auctioning. The sub-quota for fresh potatoes is granted to importers in proportion to the quantity of domestic potatoes purchased; the sub-quota for potato products is auctioned. Annual imports at out-of-quota tariffs have been in the range of 680-1,835 tonnes since 2008. The out-of-quota tariff for fresh potatoes is estimated at 97%.[40]

4.29. Production of seed potatoes is subsidized (Table 4.6). There is no market price support, according to the authorities. Producer prices are fixed by the various stakeholders within Swisspatat (producers, industry, and wholesalers). The level of Swiss producer prices has been more than twice the level of their neighbours in Austria.[41] As a consequence of the high tariff protection, amongst other factors, the Swiss potato market shows symptoms of a wasteful allocation of resources: until 2009, about one third of the domestic potato harvest ended up as animal feed, partly with public funds. In July 2009, the Government stopped export subsidies for potatoes and its subsidies for disposal campaigns, and the disposal rate dropped to 14% in 2010 (421,000 tonnes total production).[42] However, in 2011 the disposal rate increased again, with 29% of production (515,000 tonnes) being fed to animals.[43]

[36] Article 15 of the Customs law (RS 631.0).

[37] Federal Office for Agriculture (2011), *Rapport agricole 2011*. Viewed at: http://www.blw.admin.ch/dokumentation/00018/00498/index.html?lang=fr.

[38] *Ordonnance du 7 décembre 1998 sur les mesures en faveur du marché des fruits et des légumes* (RS 916.131.11).

[39] Swisspatat online information, *Nouveau concept de commercialisation pour les pommes de terre de la récolte 2011*. Viewed at: http://www.kartoffel.ch/fileadmin/branchenecke/Mitteilungen/Produzente_FR/Oktober_10/Neues_Vermarktungskonzept_fuer_Kartoffeln_neuer_Ernte_2011_f.pdf.

[40] HS 07019091: SwF 64/100 kg or an estimated 97% based on 2011 import data.

[41] Federal Office for Agriculture (2011).

[42] *Ordonnance du 7 décembre 1998 sur les mesures en faveur du marché des fruits et des légumes* (RS 916.131.11).

[43] Federal Office for Agriculture (2012).

4.1.5.6 Sugar

4.30. Switzerland's bilateral agreement with the EU on processed agricultural products (2005) involves bilateral free trade in sugar-containing products.[44] Import duties for sugar used in processed products, and export subsidies between the parties have been phased out (double zero solution). In effect, this agreement involves sugar price levels in Switzerland that are comparable to those of the EU, in order not to compromise the competitiveness of the Swiss food industry.[45] To achieve approximate price parity with the EU, Switzerland has introduced a variable tariff mechanism for MFN sugar imports. MFN tariffs are adjusted, normally every three months, so that duty-inclusive prices are aligned with EU sugar market prices (with a tolerance band of +/- SwF 30/tonne).

4.31. In Switzerland and Liechtenstein, sugar quotas are agreed on a private basis between the sugar refineries and the sugar beet producers. According to the 2012/13 industry agreement, the Switzerland-Liechtenstein quota is 232,000 tonnes ("A sugar") equivalent to 1,650,000 tonnes ("A beets") at 16% sugar content. The total quota is divided into farm quotas, which are transferable. Over-quota production is subject to financial penalties.[46] The financial assistance to the Swiss sugar refineries (Zuckerfabriken Aarberg and Frauenfeld), in return for a minimum production commitment, ended in October 2009 (AP 2011) and was replaced by crop premiums for sugar beet producers, in order to better target the support to the producers (Table 4.6). The payments (SwF 1,900/ha) are also intended to partially compensate farmers for income losses spilling over from the EU sugar market reform.

4.2 Energy

4.2.1 Overview

4.32. The Federal Government has recently proposed a major change of direction of Swiss energy policy (Energy Strategy 2050). The security of supply is to be achieved without nuclear energy in the medium-term. Switzerland's five nuclear power plants will not be replaced at the end of their operational lifetime. To accommodate the growing electricity demand and fill the gap arising from the planned nuclear phase-out, the new strategy establishes the following priorities: (i) conservation and increased efficiency; (ii) increased generating capacity based mainly on renewable energy but also fossil fuels; (iii) maintaining imports of electricity; and (iv) expansion and modernization of the electricity network (smart grids).[47]

4.33. Switzerland has embarked on a process of transition from a monopolistic electricity supply system towards a more competitive regime. As of 2009, large end-users may purchase electricity on the free market. During the second stage of liberalization, scheduled to begin in 2015, the electricity market will be liberalized for the remaining customers, including households. To make competition work, the transmission and distribution networks have been opened for non-discriminatory third-party access. The Swiss gas market has also been partially opened to competition, allowing large customers to make direct imports. The gas industry has voluntarily agreed to create a level playing-field for third-party access to the pipeline network. In Liechtenstein, liberalization of the energy markets is under way, to align the electricity and gas regimes with the latest EU directives.

4.2.2 Electricity

4.2.2.1 Switzerland

4.34. Switzerland's electricity generation is mainly from hydropower (54% in 2011) and nuclear power (41%). Traditionally, Switzerland is a net-exporter of electricity and important transit country, with about a quarter of European cross-border transmission capacity. Supply is ensured by about 730 network operators, generally local or regional monopolies. Most utilities/operators are in (direct or indirect) majority ownership of the cantons and municipalities. The three largest

[44] Protocol 2 of the FTA with the EU (Bilaterals II).
[45] Approximately 80% of Swiss sugar production and imports are used as inputs by food manufacturers.
[46] Producer price: A beets - SwF 53/tonne; over-quota producer price (C beets) - SwF 30/tonne.
[47] Swiss Federal Office of Energy online information. Viewed at: http://www.bfe.admin.ch/themen/00526/00527/index.html?lang=fr&dossier_id=05024.

(Alpiq, Axpo 14, and BKW) contribute about 80% to electricity generation[48], and are vertically integrated into distribution and trade. The Confederation has no ownership stake in the electricity sector.

4.35. The Federal Electricity Commission (ElCom) was established in 2008 as independent regulator to oversee the Swiss electricity market and ensure compliance with the Electricity Supply Act. The law provides for a two-stage opening of the market to competition.[49] From 2009 to 2013, utilities and large end-users (with annual consumption over 100 MWh) have the freedom to choose their electricity supplier.[50] From 2015, small-scale end-users and households will be able to choose their supplier, based on a federal resolution, which is subject to an optional referendum. Large electricity consumers (over 100 MWh) may choose between two pricing/supply regimes (energy component): the free wholesale market[51], and the "basic supply" regime. The basic supply regime is subject to price control by the ElCom. For end-users that opt to buy electricity on the free market and thus request grid access, the "once free, always free" principle applies, i.e. they permanently lose their entitlement to basic supply from the distribution system operator.[52] Under the basic supply regime, the tariff component for energy must be based on costs; if costs exceed market prices, the energy tariff component must be based on the latter.[53] ElCom may intervene to prohibit unjustified tariff increases for the energy component or order tariff reductions.[54] Electricity tariffs for large industrial users averaged SwF 0.14/kWh in 2010 (without VAT).[55]

4.36. According to the authorities, the objective of the first stage of liberalization, which is to establish a competitive wholesale electricity market with transparent pricing, has not yet been achieved. The large consumers with a right to choose (about 5,500) account for about 50% of the total electricity supply, but in the first three years (2009-11) only about 5% was sourced from the free market, mainly because free market prices have been unattractive compared to regulated tariffs (energy component) under the "basic supply" regime.[56] According to the authorities, with the low wholesale electricity prices in Europe and the high value of the Swiss franc against the euro, this situation has changed somewhat and more companies have switched to the free market.

4.37. A key factor for functioning competition is fair access to the high-voltage power supply network (a natural monopoly). To this end, the transmission networks of the electricity companies were separated from their other commercial activities and transferred to the national transmission system operator Swissgrid. The unbundling process of the transmission network was implemented in three stages under the supervision of ElCom: (i) separation of the accounts of the network owners/operators from other activities (accounting unbundling); (ii) legal unbundling of transmission activities no later than 1 January 2009; and (iii) transfer of network ownership to Swissgrid no later than 1 January 2013 (ownership unbundling).[57] The three phases have been completed. Swissgrid is henceforth responsible for the operation, maintenance, and extension of the transmission network. Swissgrid is controlled by the former network operators[58], which are under cantonal and municipal majority ownership. The national grid operator must by law remain in majority public ownership and ensure its independence from any interests or activities in energy production, distribution, and trade.[59] Swissgrid, as well as the distribution system operators, is

[48] The Axpo Group is wholly owned by the cantons of north-eastern Switzerland. BKW is majority-owned by the canton of Bern. Switzerland's largest electricity company Alpiq is majority-owned by a consortium consisting of the cantons and municipalities in western Switzerland. Alpiq has significant private and foreign ownership.

[49] Electricity Supply Act (RS 734.7), in force since 1 January 2008; *Ordonnance du 14 mars 2008 sur l'approvisionnement en électricité* (RS 734.71), phased implementation starting on 1 April 2008.

[50] Electricity Supply Act, Article 13.

[51] In Switzerland, wholesale trade in electricity is mainly over-the-counter, the rest is exchange-traded (e.g. on the European Electricity Exchange or Swissix).

[52] RS 734.71, Article 11, paragraph 2.

[53] *Ordonnance du 14 mars 2008 sur l'approvisionnement en électricité* (RS 734.71), Article 4.

[54] Since 2009, electricity customers benefit from better cost transparency (accounting unbundling), i.e. utility bills must show tariff components separately (energy component, network tariff, fees and charges of the public authorities, and charges for funding of renewable energy).

[55] Federal Department of the Environment, Transport, Energy and Communications (2011), p. 8.

[56] Federal Electricity Commission (2012).

[57] Electricity Supply Act, Article 10 and Article 33, paragraph 4.

[58] Alpiq AG, Alpiq Suisse SA, Axpo AG, BKW FMB Energie AG, Centralschweizerische Kraftwerke AG (CKW), Elektrizitäts-Gesellschaft Laufenburg AG (EGL), Elektrizitätswerk der Stadt Zürich (EWZ), and Repower AG.

[59] *Loi sur l'approvisionnement en électricité* (RS 734.7), Article 18, paragraphs 3 and 6.

required to provide non-discriminatory third-party access to their networks.[60] Cross-subsidization is prohibited. The network tariffs are subject to price control by the ElCom.[61]

4.38. With the introduction of remuneration at cost for input into the grid (feed-in tariffs), one of the goals of Switzerland's energy policy is to increase the proportion of electricity produced from renewable energy by 5.4 TWh by 2030, a 10% increase over electricity consumption of 54 TWh in 2002. Under the Energy Strategy 2050, which is currently subject public consultation, about 22 TWh of additional renewable electricity are to be generated by 2050, in order to replace the existing nuclear power plants. Currently, less than 1 TWh is generated under the feed-in tariff system.

4.39. The key support instrument for the generation of renewable energy is the "cost-reflective feed-in tariff", i.e. a guaranteed electricity tariff that includes a subsidy to cover the difference between the "cost-recovering remuneration" and the market price. The market price is determined by the Swiss Federal Office of Energy (SFOE) based on the volume-weighted exchange-traded electricity price (Swissix Base) as well as the currency exchange rate. Hydropower (up to 10 MW), photovoltaic (PV), wind, geothermal, biomass, and waste projects are eligible for the feed-in tariff. The feed-in tariffs vary by technology, output volume (based on reference facilities) and start of operation. Once a project is approved, the feed-in tariff is guaranteed for 20-25 years. The feed-in tariff scheme is implemented by the SFOE and Swissgrid. The SFOE deals with complex cases and Swissgrid with standard projects. The subsidy for renewable projects is financed by all end-users through a levy of SwF 0.35/kWh (2012), which is a component of their electricity bills. Electricity-intensive companies may apply to SFOE for a reduced rate; currently about 20 companies benefit from a reduced rate. Total funds from the levy amount to about SwF 210 million a year. These funds are allocated on a first-come first-served basis as well as technology caps (quotas), which has led to a waiting list of almost 20,000 PV projects. This system will be modified under the Energy Strategy 2050.

4.2.2.2 Liechtenstein

4.40. The state-owned Liechtensteinische Kraftwerke (LKW) is a producer and importer of electricity, mainly from Switzerland, for distribution in Liechtenstein (Table A3.1). Liechtenstein's energy needs are largely met through imports (87%). Liberalization of the electricity market, based on EEA law[62], started with the adoption of a new Electricity Law in 2002, which opened the market for large customers. Large end-users (with an annual consumption of more than 1 GWh) may import directly. LKW's transmission tariffs are subject to approval by the regulator, the Energy Market Commission. The current Electricity Market Law transposes EC Directives 2003/54 and 2005/89. According to the authorities, EC Directive 2009/72 (third energy package) will be implemented by the end of 2013, once it has been included in the EEA *acquis*. However, ownership unbundling is not planned.

4.41. As of 2005, independent power producers (IPPs) may sell electricity to any customer. The first IPPs started to enter the market in 2011. There are a number of small-scale hydro-electric power producers besides LKW and the contribution of independent solar power producers has been increasing. According to the Government's Energy Strategy 2020, adopted in 2012, the objective is to increase the share of renewable energies from 8.2% in 2008 to 20% by 2020, through subsidies for improved insulation, sun-collectors, and tighter energy standards in construction. Liechtenstein has implemented a feed-in tariff scheme, which ends in May 2013.

4.2.3 Natural gas

4.2.3.1 Switzerland

4.42. There is no domestic production of natural gas.[63] Imports are covered through long-term supply contracts with EU countries. Natural gas (HS 2711.2190) is duty free and exempt from VAT (since 1 January 2010) but subject to mineral oil tax and CO_2 tax (Chapter 3.1.4).

[60] RS 734.7, Article 13, paragraph 1.
[61] In 2009-12, the ELCom disallowed the increases of the network tariffs announced by Swissgrid.
[62] Annex IV of the EEA Agreement.
[63] Prospecting for oil and gas is ongoing at Lake Geneva.

4.43. The Swiss gas network infrastructure is operated and maintained by utilities that are wholly owned (except transit) by the cantons and municipalities.[64] The Confederation has no ownership stake in the gas sector, and does not provide any special incentives. There are currently 86 local and cantonal gas utilities that are vertically integrated in distribution, transmission, transit, and trade. The gas utilities handle the distribution to the consumer (local monopolies) and control four purchasing companies (regional monopolies)[65], which also operate their own regional transmission pipelines. The purchasing companies control Switzerland's largest gas company, Swissgas, which is responsible for about 75% of gas imports. Swissgas is the majority shareholder of Transit Gas (51%)[66], which owns and operates the transit pipeline through Switzerland that runs from the Netherlands to Italy. Ownership separation of transmission from trading activities is not yet on the agenda in the gas sector.

4.44. Since 1 July 2007, the Swiss gas market has been partially opened to competition by giving large (non-household) consumers of natural gas free choice of supplier. Natural gas prices in Switzerland exceed those in other OECD countries, mostly because of monopolistic structures, which make imports attractive.[67] Some large industrial users have started to make direct imports. Third-party access to the high-pressure (i.e. transmission and transit) gas network is ensured by the Pipeline Law of 1963 (Article 13) and the Law on cartels (Article 7)[68], but overall the Government has opted for light-touch regulation.[69] The Federal Office of Energy has authority to decide in case of third-party access disputes but, in practice, the gas sector is largely industry-regulated. Following a number of disputes, the Government requested the main actors to negotiate a new industry standard to ensure non-discriminatory third-party access to gas transit, transmission, and distribution services.[70] From 1 October 2012, access to the transport capacities is first-come-first-served; transmission and distribution tariffs must be separated from other costs (accounting unbundling); cross-subsidization is prohibited; and transport tariffs must be published on the internet. All access matters are overseen by the Co-ordination Centre for Gas Transport (KSDL).

4.2.3.2 Liechtenstein

4.45. Ownership of the pipeline and distribution system for natural gas is in the hands of the state-owned Liechtensteinische Gasversorgung (LGV). LGV is de facto the only supplier, although large customers (with an annual consumption of more than 1 GWh) may import directly. Transmission prices are subject to approval by the Energy Market Commission. The legal framework (Gas Market Law[71]) is based on EEA legislation, especially EC Directive 2003/55 on common rules for the internal market in natural gas. Liechtenstein is in the process of implementing EC Directive 2009/73.

4.2.4 Oil and refined products

4.46. About 20% of Switzerland's supplies of refined oil products come from the refinery at Collombey in the canton of Valais (via the Oléoduc du Rhône pipeline from Genoa, Italy).[72] The rest is imported. Geneva is an important terminal for imports of refined oil products (via the SAPPRO pipeline[73]). Oil imports are well diversified between road and rail transport. SEAG holds exclusive exploration and production rights for oil and gas in ten cantons but no economically viable resources have been found.

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[64] The Federal Pipeline Inspectorate of the Swiss Association for Technical Inspections has supervisory functions regarding technical aspects of pipelines in Switzerland and Liechtenstein.

[65] Gasverbund Mittelland AG, Erdgas Ostschweiz, Erdgas Zentralschweiz, and Gaznat.

[66] Transit Gas is 46% owned by FluxSwiss, and 3% by E.ON Ruhrgas.

[67] IEA (2012).

[68] *Loi fédérale sur les installations de transport par conduites de combustibles ou carburants liquides ou gazeux* (RS 746.1).

[69] KSDL online information. Viewed at: http://www.ksdl-erdgas.ch/fr/acces-au-reseau.html.

[70] KDSL online information. Viewed at: http://www.ksdl-erdgas.ch/fileadmin/user_upload/ksdl-erdgas/Downloads/Verbaendevereinbarung.pdf.

[71] *Liechtensteinisches Landesgesetzblatt*. Viewed at: http://www.gesetze.li/get_pdf.jsp?PDF=2003218.pdf.

[72] The Petroplus refinery at Cressier in the canton of Neuchâtel was shut down in early 2012.

[73] *Société du Pipeline à Produits pétroliers sur territoire genevois*.

4.47. There is a stockpiling obligation under the Federal Law on national economic supply (RS 531). There are no public stockpiles. The scheme is operated by the private sector and administered by the association of importers of petroleum products CARBURA. Minimum reserves are 4.5 months of consumption for gasoline, diesel, and heating oil, and 3 months for kerosene; bio-diesel is exempt from compulsory stockholding. Imports are subject to a levy to fund the scheme (guarantee fund contributions) (Chapter 3.1.7).[74] Swiss compulsory stockpiling of petroleum products exceeds the International Energy Agency minimum stock obligation.

4.48. Fuels are subject to consumption tax (VAT, mineral oil tax) and combustibles to the CO_2 tax (Chapter 3.1.4). In order to reduce CO_2 emissions, biofuels (e.g. bio-ethanol, bio-diesel, etc.) are partially or fully exempt from the mineral oil tax (since July 2008) if they comply with certain ecological and social criteria.

4.3 Manufacturing

4.3.1 Features

4.49. Manufacturing is important for both Switzerland and Liechtenstein. In 2010, 61.4% of the production value in the manufacturing sector in Switzerland was exported (2007: 63.2%) and the sector employs a workforce of over 633,700 (2010)[75]; most businesses are small or medium-sized. According to the 2008 business census, more than 99% of enterprises had fewer than 250 full-time workers, employing about two thirds of the total work force. The largest company is Nestlé, the biggest food company in the world. It has around 278,000 employees, about 97% of them outside Switzerland. In Liechtenstein, manufacturing accounts for around 41% of total employment with about 580 enterprises operating in the sector.

4.50. In a competitive global marketplace, manufacturing in both Switzerland and Liechtenstein has become more specialized, with the development of more advanced manufacturing techniques involving innovative research and design, supported by a highly skilled workforce. These specialized industries include electronics, metal manufacturing, pharmaceuticals, food products, precision instruments, optical instruments, and dental products. According to the World Economic Forum, Switzerland retained its position as the world's most competitive country in 2012[76] (Chapter 1).

4.51. Export-oriented sectors have suffered the most from the strong appreciation of the Swiss franc in 2011, despite the limited price elasticity of demand for their products (Chapter 1). The sectors mostly affected were the mechanical and electrical engineering and metalworking industries; textiles and clothing; and chemicals and pharmaceuticals. The impact on the watch-making industry on the other hand was not perceptible due to high demand from Asian countries.

4.52. In general, there are no specific incentive schemes for the manufacturing sector, with the exception of the production of processed agricultural goods, which benefits from the Price Compensation Scheme (see section 4.1). Swiss and Liechtenstein exporting companies may benefit from export promotion programmes; and Swiss exporting companies may benefit from guarantees, and insurance measures (sections 3.2.6 and 3.2.7). Switzerland has a policy to support research and improve framework conditions for all economic sectors but it does not adhere to a policy of "national champions". No cash subsidies are in place for specific manufacturing industries other than measures open to all companies (such as the Commission for Technology and Innovation funds).

4.53. The introduction of the *Cassis de Dijon* principle by Switzerland has further aligned its technical regulations on specified products with the EU/EEA's (section 3.3.2.1 and Box 3.1). However, exceptions to this principle include key products of interest to Switzerland, such as pharmaceuticals/pesticides (subject to authorization), chemicals (subject to notification), certain measuring instruments, certain motor vehicles, animal feed, and certain measures relating to foodstuffs, which require conformity with Swiss technical requirements. Liechtenstein applies Swiss

[74] Currently, the guarantee fund contribution (including an administration fee) is: SwF 3.3 for gasoline, SwF 3.00 for kerosene, and SwF 14.30 for diesel per cubic metre. The fee for heating oil is SwF 0.30.

[75] Swiss Statistics online information, *Résultats détaillés de la STATEM*. Viewed at: http://www.bfs.admin.ch/bfs/portal/fr/index/themen/03/02/blank/data/02.html.

[76] World Economic Forum (2012).

standards, technical regulations, and conformity assessment procedures under the Market Control and Surveillance Mechanism.

4.3.2 Key subsectors

4.3.2.1 Textiles and clothing

4.54. The Swiss textiles and clothing industry suffers from structural problems. Due to the high labour intensity of the sector and high wage costs in Switzerland, the production process has largely been transferred abroad. Five out of every six employees of Swiss textile and clothing companies currently work abroad. Operations that tend to remain in Switzerland include services such as design, distribution, marketing, logistics, and support. Swiss companies focus on innovative products and niche solutions, for example technical textiles for medical applications or high quality fabrics in haute couture.

4.55. In 2010, the textile and clothing industry employed 15,500 people (down from 17,800 in 2007). In 2011, Switzerland exported around US$3.1 billion of textiles and clothing (ISIC 321 and 322), whereas it imported around US$8.3 billion. The average MFN import tariff for textiles and clothing is 6%, with a range from zero to 71%.

4.3.2.2 Chemical and pharmaceutical products

4.56. Switzerland has a significant chemical and pharmaceuticals industry, employing 32,700 and 37,400 people respectively in 2010 (2007: chemical industry 34,700; pharma 33,700). The pharmaceutical industry is heavily capital-intensive and concentrated; it involves high investment in the development of innovative products. The largest pharmaceutical companies are Roche and Novartis (formed by the 1996 merger of Ciba-Geigy and Sandoz). The pharmaceutical industry is being adversely affected as a result of expiring patents and healthcare reforms in large Swiss export markets.

4.57. The chemicals industry includes the manufacture of basic chemicals along with the production of various intermediate and end products, such as pesticides, plant protection agents and disinfectants, paints and mastics, soaps, detergents, and cosmetics. Strong global competition in this industry has prompted Swiss companies to undergo a process of concentration and structural reform.

4.58. The chemical and pharmaceutical industries export 85% of their output. Switzerland's exports of chemicals, plastics, and pharmaceuticals (ISIC code 35) amounted to US$89 billion in 2011, whereas imports were US$55.5 billion. The average MFN import tariff for this subsector is low, at 1.4%.

4.3.2.3 Machinery and equipment

4.59. Switzerland is the world's eleventh most important machinery exporter. While the industry has become highly competitive, Swiss machinery producers have focused on quality as a means of retaining a competitive edge. The key products include machine tools, lifting equipment, conveyors, and plastics machinery.

4.60. Liechtenstein is a leader in the development and production of dental products (Ivoclar AG) professional entertainment connector products (Neutrik AG), steering shafts for the automotive industry (ThyssenKrupp Presta AG), and products for professional customers in the construction and building maintenance industries (Hilti AG).

4.61. In 2010, the machinery and equipment industry employed 85,400 people (2007: 94,100). Switzerland is a net-exporter of machinery and equipment (ISIC code 38); in 2011, exports amounted to US$93.6 billion, whereas imports were US$73.3 billion. Import tariffs for the subsector are low, at 1.1%.

4.4 Services

4.4.1 Banking, finance, and insurance

4.4.1.1 Switzerland

4.62. Due to its political, economic, and social stability, prudent monetary management, liberal regime on capital movements, tradition of bank secrecy, and historic specialization, Switzerland is one of the most important financial centres in the world, attracting high volumes of foreign business (Box 4.2).

Box 4.2 Financial services: statistical overview

General:
Share of financial services in the GDP: 2006: 11.7% (of which insurance 3.59%) 2011: 10.3% (of which insurance 4.37%)
Share of financial services in total employment: 2006: 6.1% (of which insurance 1.56%) 2011: 6.2% (of which insurance 1.39%)
Net financial services exports: 2009: SwF 20.9 billion (35.7% of Switzerland's current account surplus), of which insurance: SwF 5.2 billion 2011: SwF 17.6 billion (28.6% of Switzerland's current account surplus) of which insurance: SwF 4.2 billion
Capital stock of Swiss financial services providers abroad: 2008: SwF 177 billion (23% of Swiss capital stock abroad) of which insurance: SwF 97 billion 2010: SwF 195 billion (22.2% of Swiss capital stock abroad) of which insurance: SwF 120 billion
Significance of the financial services arm of Swiss Post: PostFinance offers financial services in some 2,469 post offices and 29 advisory centres. With its 3,900 staff, PostFinance had assets of nearly SwF 92.2 billion in 2011, spread over more than 4.36 million accounts. PostFinance is not a bank as defined by the Banking Act; it may only offer financial services for which no licence is required. Thus, payment transactions represent its main business area, whereas various financial services, such as deposits or loans, are offered on behalf of Swiss banks. Post Finance is subject to supervision by FINMA (the financial market authority).
Banking services:
Number of banks and recent consolidation: 2006: 331 banks (of which, cantonal banks: 24; "big" banks: 2; regional and savings banks: 78; Raiffesen - i.e. cooperative banks: 1; stock-exchange banks: 52; foreign controlled banks: 120; branches of foreign banks: 29; private banks: 14; other banking institutions: 11) 2011: 312 banks (of which cantonal banks: 24; "big" banks: 2; regional and savings banks: 66; Raiffesen - i.e. cooperative banks: 1; stock-exchange banks: 46; foreign controlled banks: 116; branches of foreign banks: 32; private banks: 13; other banking institutions: 12)
Concentration/share of the various types of banks in the total balance sheet for banks in Switzerland (2011): Total balance sheet, SwF 2,793 billion (of which cantonal banks: 16%; "big" banks: 52%; regional and savings banks: 4%; Raiffesen - i.e. cooperative banks: 6%; stock-exchange banks: 5%; foreign controlled banks: 11%; branches of foreign banks: 2%; private banks: 2%; other banking institutions: 2%)
Lending activities (credit volumes, 2012): SwF 1,077 billion (domestic lending: 88.9%, of which mortgage claims: 74.4%; foreign lending: 11.1%)
Securities activities: (securities holding in bank accounts, 2012): Total SwF 4,213 billion, Swiss custody account holders: SwF 2,005 billion (i.e. 47.2% of total); foreign custody account holders: SwF 2,238 billion (i.e. 52.8% of total), of which private customers: SwF 548 billion; commercial customers: SwF 95 billion; and institutional investors: SwF 1,595 billion
Insurance:
Number of insurance companies and recent consolidation 2006: 249 companies, of which life: 29; non-life: 119; reinsurance: 25; captives: 28; health insurance funds: 48 2011: 228 companies, of which life: 24 (of which 4 branches of foreign insurance companies); non-life: 124 (of which 45 branches of foreign insurance companies), reinsurance: 27; captives: 35; health insurance funds: 18

Total balance sheet of the insurance sector (2011): SwF 579.7 billion, of which life insurance: SwF 299.1 billion (51.5%); non-life: SwF 148.2 billion (25.6%); supplementary health insurance providers: SwF 12.9 billion (2.25%); and reinsurance SwF 132.4 billion (22.8%)
Concentration: (cumulative market share of the top 5 companies): life insurance: 80.6%; non-life: 66.2%; health insurance: 54.4%; reinsurance: 79.1%
Pensions funds:
Number of pension funds: 2005: 2,770; 2010: 2,265 Total assets: 2005: SwF 543 billion (of which collective assets SwF 71 billion), 2010: SwF 621 billion (of which collective assets: SwF 276 billion)
Stock exchange and securities:
Capitalization of the companies listed in the Swiss performance index (SPI): 2010: SwF 964 billion; 2011: SwF 863 billion (i.e. 143.7% of the GDP the same year); 2012 (June): SwF 915 billion Gross value of publicly issued bonds in Swiss francs: 2011: SwF 73 billion (Swiss borrowers: SwF 40 billion, foreign borrowers: SwF 33 billion); 2012 (January-July): SwF 57 billion (Swiss borrowers: SwF 32 billion, foreign borrowers: SwF 25 billion) Securities turnover on the SIX Swiss Exchange (secondary market, 2011): securities: SwF 1,161 billion (of which Swiss shares: SwF 823 billion; foreign shares: SwF 3 billion; Swiss bonds: SwF 85 billion; foreign bonds: SwF 91 billion; structured products and options: SwF 52 billion; investment funds: SwF 108 billion)

4.63. In regulatory terms, there have been no changes regarding market access for financial services except for the signature and entry into force of four regional trade agreements containing preferential financial services commitments by Switzerland (EFTA-Colombia, signed on 25 November 2008 and entered into force on 1 July 2011; Switzerland-Japan, signed on 19 February 2009 and entered into force on 1 September 2011; EFTA-Ukraine, signed on 24 June 2010 and entered into force on 1 June 2012; and EFTA-Hong Kong, China, signed on 21 June 2011 and entered into force on 1 October 2012). The EFTA-Gulf Cooperation Council agreement, signed on 22 June 2009, also contains preferential commitments on financial services from Switzerland but has not yet entered into force (see Table A4.3).

4.64. The main regulatory changes on non-market access issues since 2008 concern essentially the reinforcement of prudential regulations following the adoption of Basel III principles; the international fiscal policy of Switzerland, which is directly linked to the attractiveness of its financial centre; and the implementation of international standards in the areas of derivatives traded over the counter (OTC-derivatives) and financial market infrastructure. Furthermore, the federal law on collective investment schemes has been partially amended to correspond to the new EU regulation, the Alternative Investment Fund Managers Directive (AIFMD). The amended version will enter into force in 2013.

4.65. Regarding OTC derivatives trading and financial market infrastructure, the financial crisis highlighted that the lack of transparency on the markets for OTC derivatives can threaten the stability of the entire financial system. International efforts have been made to improve transparency and stability in the OTC derivatives market and to work out standards for important financial market infrastructure. The Swiss financial authorities are carrying out exploratory work so as to propose the necessary legal reforms to implement these international standards once they have been adopted. In order to ensure the competitiveness of Swiss market players and market access in the EU, regulation equivalent to that of the EU is to be sought. The Swiss Government assigned the Federal Department of Finance to elaborate a draft consultation paper by spring 2013.

4.66. Concerning prudential regulations, the Federal Council adopted the total revision of the Capital Adequacy Ordinance in June 2012. It entered into force on 1 January 2013. This revision addresses the "too big to fail" issue. By 2018, systemically important banks should build up more capital, meet more stringent liquidity requirements, and improve their risk diversification. They should be organized in such a way that national economy's systemically important functions can be maintained even in the event of threatened insolvency. The proposed package of measures is designed to prevent the State from having to use tax revenues in the future in order to bail out systemically important banks (Box 4.3).

Box 4.3 Switzerland's regulatory framework for banking

Regulatory framework
Recent or planned regulatory changes: None. However, significant reforms in prudential regulations have taken place (see below)

Supervisory authorities
Ministry/agency responsible for the coordination and strategic management of international financial, monetary and tax matters: State Secretariat for International Financial Matters, SIF (www.sif.admin.ch).
Sector supervisor (monitoring bank liquidity, overseeing payment and settlement systems, etc.): Financial supervision and issuance of banking regulations are under the Swiss Financial Market Supervisory Authority, FINMA (www.finma.ch). The Swiss National Bank (SNB) is responsible for maintaining financial stability (www.snb.ch). The SNB oversees Swiss Interbank Clearing (SIC) and keeps the participants' accounts in this system. SIC is the major payment system in Switzerland, processing almost all interbank clearings from large-value transactions to mass-market transfers.
Responsibility for competition policy issues: Competition Commission (www.weko.admin.ch).

Preferential and bilateral policies
Preferential arrangements affecting banking services: none
Bilateral agreements and MOUs (notably on prudential regulation and supervision): FINMA has concluded MoUs with supervisory authorities of 39 countries, whose banks have significant presence in Switzerland. Most MoUs are not sector specific but cover banking, insurance, and securities exchange (if counterparty of MoU is an integrated supervisor). The largest Swiss banks under foreign control (assets >10 billion in 2011) are British, French, US-American, Italian, and Dutch/Brazilian. An agreement has been established with Greece, an MoU with Brazil is pending. These MoUs govern the coordination of supervisory activities as well as the exchange of information relevant for supervision.
Recognition of prudential measures of other countries through international agreements or unilaterally: in general, FINMA recognizes the consolidated supervision of foreign authorities if the countries adhere to the relevant Basel Core Principles (BCP). For the banking sector, due to the lack of a multilateral framework, such agreements are concluded bilaterally. In the area of securities and markets supervision (which involves the broker-dealer activities of banks), FINMA is signatory to the IOSCO multilateral MoU.

Licensing
General criteria: clear scope of business; adequate organization; creation of separate bodies for the management on the one hand and for the direction, supervision, and control on the other, if the scope or importance of business activities is significant, for all operators except small private bankers and securities traders; disclosure of the minimal fully paid-in share capital; good reputation of the persons in charge of administration and management of the bank; guarantee by the natural persons or legal entities with a "qualified participation" (i.e. which directly or indirectly participate in at least 10% of the capital or the voting rights of a bank or whose business activities are such that they may influence the bank in a significant manner) that their influence will not have a negative impact on a prudent and solid business activity; obligation for the persons entrusted with the management to have their domicile in a place where they may exercise the management in a factual and responsible manner (i.e. generally on Swiss territory with exceptions for larger internationally active banks e.g. head of Asia-Division and member of group executive board may have domicile in Asia) (Banking Act, Article 3). Cantonal banks do not benefit anymore from preferential capital requirements. Their tax treatment is subject to cantonal regulations.
Additional criteria for foreign banks: requirements are the same for Swiss and foreign banks; access remains subject to reciprocity, except when covered by international obligations such as the WTO agreements. However, for Swiss branches of foreign banks, FINMA will grant the foreign banks a licence only if;

a) the foreign bank is appropriately organized and possesses adequate qualified staff and financial resources to operate a branch in Switzerland;
b) the foreign bank is subject to adequate supervision, which includes the branch;
c) the responsible foreign supervisory authorities make no objection to the establishment of a branch;
d) the responsible foreign supervisory authorities state that they will immediately inform FINMA if circumstances arise that may seriously jeopardize the interests of bank creditors;
e) the responsible foreign supervisory authorities are able to provide FINMA with official support;
f) the conditions governing the granting of a licence, as stated in Article 3bis Paragraph 1 of the Banking Act are met;
g) the branch meets the conditions for the granting of a licence within the meaning of Article 3, Paragraph 2c and d of the Banking Act and has a regulation that precisely defines its business activities and provides adequate organization; and
h) the foreign bank provides evidence that the company name of the branch qualifies for entry in the Commercial Register. Special provisions may apply to foreign banks such as: FBO-FINMA Article 3 para. 2 (complete subjection to Swiss regulation if foreign regulation is not equivalent); Article 4 para. 2 (adequate consolidated supervision by foreign supervisor), Article 7 (requirement of collateral if this is necessary for depositor protection). These are set out in the Ordinance of 21 October 1996 of the Swiss Financial Market Supervisory Authority on Foreign Banks in Switzerland (FINMA Foreign Banks Ordinance, FBO-FINMA).[a] According to the FBO-FINMA, the remaining part of the banking regulation, i.e. the Banking Act and the Banking Ordinance are applicable in the same way as for Swiss banks (Article 3, para 1). Relief may be given on capital adequacy and risk distribution aspects for subsidiaries (Article 3, para.2).

Licencing organ: FINMA (Banking regulation and supervision take place on federal level, i.e. there are no licensing requirements or regulations on cantonal level).
Limitation of numbers of licences: none by policy
Statutory maximum delay to process licences applications: none
Validity of a licence: unlimited
Restrictions on banks selling or disposing of licences: licences are specific to the licensed institution and may not be sold or transferred. A significant change of the structure of a bank or its ownership may require a reapplication, which is subject to supervisory review and will be accepted if the licensing criteria are met
Minimum capital requirements to obtain a licence: SwF 10 million, usually more in practice, depending on the business plan

Prudential regulations
Administrative allocation of financial resources: financial resources are not allocated administratively
Determination of interest rates and fees: banks may determine interest rates and fees freely

Measures to ensure compliance with the Basel Committee's Core Principles for Effective Banking Supervision: in order to implement the international rules of the Basel Committee on Banking Supervision (Basel III), the Federal Council adopted the total revision of the Capital Adequacy Ordinance in June 2012. It should enter into force on 1 January 2013. This package provides for four core measures: strengthening of the capital base, more stringent liquidity requirements, better risk diversification to reduce the degree of inter-connectedness within the banking sector, and preparatory organizational measures to ensure the maintenance of systemically important functions (e.g. payment transactions) in the case of threatened insolvency.

In the area of capital, mandatory convertible bonds (contingent convertible bonds, or CoCos) should also be used in the future. CoCos are considered debt capital and are converted into shares or participation certificates as soon as common equity falls below a defined ratio, thereby automatically making equity capital available. In order to promote the issue of new reserve and convertible capital in Switzerland, the issue tax on debt capital was abolished as of 1 March 2012. Capital that arises from the conversion of CoCos has been exempt from the issue tax on capital since then. The Federal Assembly decided during the 2012 summer session that interest payments on CoCos and bonds with a waiver of claims should be exempt from withholding tax in the future.

Under Basel III, the total risk-weighted capital ratio is 10.5% and the common equity Tier 1 ratio (common shares and retained earnings) is 7%. Switzerland has set higher standards: by 2018 banks should hold total capital equivalent to 19% of their risk-weighted assets. 10% of this should be in the form of common equity, while the remaining 9% may be built using CoCos. Alongside the risk-based capital requirements, the capital must also meet the leverage ratio requirements. As a result, the capital may not fall below 4.56% of total (non-risk weighted) exposure.

The Federal Council also adopted two measures in June 2012 to be implemented immediately. A countercyclical buffer is to boost banks' resilience in the event of excessively strong credit growth. In addition, in order to ensure banks are immediately more cautious when granting mortgage loans, they must hold more capital for underpinning residential mortgage lending if the borrower does not contribute a minimum of 10% own funds. This minimum sum may not come from occupational benefits provision (second pillar).

Specific provisions against money laundering the Anti-Money Laundering Act imposes special due diligence obligations on financial intermediaries (banks, securities dealers, casinos, and (subject to certain conditions set out in AML-Act Article 2) fund managers, certain investment companies, and asset managers under the Capital Investments Act, as well as insurance schemes). These include verification of the identity of the contracting party, establishment of the identity of the beneficial owner, special clarification duties, the duty to keep records, and the duty to implement organizational measures to prevent money laundering. The financial intermediary must notify the Money Laundering Reporting Office Switzerland (MROS) in the Federal Office of Police if it suspects money laundering.

In the non-banking financial sector (asset managers, fiduciaries, and bureaux de change, as well as lawyers and notaries providing financial services), the Anti-Money Laundering Act is based on the principle of self-regulation. Self-regulation organizations (SROs) further specify the due diligence obligations contained in the Anti-Money Laundering Act and supervise compliance by their members. Financial intermediaries may either join an SRO or submit to direct supervision by FINMA. FINMA recognizes and supervises the SROs.

In February 2012, the FATF (Financial Action Task force) approved a partial revision of its standards. The Federal Council has therefore appointed an interdepartmental working group under the leadership of the Federal Department of Finance to draw up a consultation draft by the start of 2013 with a view to revising the system in Switzerland.

Bank deposit insurance scheme in December 2008, it was decided to increase depositor protection from SwF 30,000 to SwF 100,000, to extend it to employee pension accounts, and to raise the upper limit for overall secured assets from SwF 4 billion to SwF 6 billion. The provisions were to remain in force until the end of 2010 and be replaced by a Federal Act on Deposit Protection. Following negative reactions during a 2009 consultation, the Federal Council decided at the start of 2010 to write the temporary solution into permanent law. The provisions that were positively received during the consultation were incorporated in a revision of the Banking Act, approved on 18 March 2011 and in force from 1 September 2011.

a For a non-authoritative translation see: http://www.kpmg.com/CH/de/Library/Legislative-Texts/Documents/pub_20090101-FBO_FINMA.pdf.

4.67. As a general policy, the Swiss authorities advocate tax competition within Switzerland as well as internationally. As a consequence of this internal fiscal competition, the Federal Council adopted on 4 July 2012 a mandate for dialogue with the EU on corporate tax regimes. According to the European Union (EU), the company tax practices in certain cantons are discriminatory because the revenues generated abroad are sometimes taxed differently from those generated in Switzerland. It claims that this unequal treatment could distort competition. According to the Swiss authorities, the aim of this dialogue is to find a solution that preserves Switzerland's competitiveness as a business location, takes the budgetary interests of the Confederation and the cantons into account, and gains international acceptance.[77]

4.68. While the legislation on banking secrecy (Article 47 of the Banking Act) has remained unchanged, the policy regarding international legal and administrative assistance in tax matters is in flux. The main development during the review period was a March 2009 decision by the Federal Council to withdraw the Swiss reservation to Article 26 of the OECD Model Tax Convention on Income and Capital.[78] This decision paves the way for further exchange of information on tax matters with the signatories of the OECD convention.

4.69. On 1 October 2010, an ordinance was implemented on executing administrative assistance in accordance with double taxation agreements. This allows Switzerland to expand information exchange with other countries in individual cases upon "specific and justified request". Implementation is by way of bilateral double taxation agreements, which are being revised.[79]

4.70. Within the framework of the Federal Council's financial integrity strategy, Switzerland is aiming to conclude bilateral agreements that make provision for a final withholding tax and tax-related regularization for the past, for foreign bank clients, so as to protect the privacy of clients while fulfilling tax obligations in the countries concerned. According to the Swiss authorities the long-term effect of this system is equivalent to the automatic exchange of information in the area of investment income. The agreements also offer market access opportunities to financial services providers. On the basis of reciprocity for non-WTO Members, and in line with the applicable laws, the agreements establish a clear framework, facilitating the service provision of Swiss financial institutions in the respective countries and vice versa.

4.71. Regarding anti-money-laundering measures, the FATF (Financial Action Task force) approved a partial revision of its standards in February 2012. The revised standards require modifications of the existing system in Switzerland (Box 4.3).

4.72. Boxes 4.3 to 4.7 describe in more detail Switzerland's regulatory framework for banking services, insurance services, pension fund services, and securities services.

Box 4.4 Switzerland's regulatory framework for insurance, 2012

Recent legislative changes none

Supervisory authorities
Ministry/agency responsible for defining insurance sector policy: State Secretariat for International Financial Matters, SIF
Ministry/agency responsible for the supervision of the sector: supervision and issuance of insurance regulations are made by FINMA
Responsibility for competition policy issues: Competition Commission (ComCo)

Preferential and bilateral policies
Preferential arrangements affecting insurance services: bilateral agreements with Liechtenstein and the EU. The insurance agreement signed in 1989 opens up certain areas of the insurance markets between Switzerland and the European Union. In the area of direct insurance for damage (household, motor vehicle, travel, and liability insurance, etc.) Swiss insurers are entitled to set up and to acquire agencies and branches in the EU, and EU companies enjoy the same rights in Switzerland (see http://www.finma.ch/e/finma/internationales/vereinbarungen/abkommen/pages/default.aspx)

[77] Online information. Viewed at: http://www.sif.admin.ch/themen/00502/index.html?lang=fr and http://www.sif.admin.ch/themen/00502/00759/index.html?lang=fr.
[78] Online information. Viewed at: http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/model-tax-convention-on-income-and-on-capital-2010_9789264175181-en.
[79] For a complete list of the double taxation agreements involving Switzerland and for the texts of some of these agreements, see: http://www.sif.admin.ch/themen/00502/00740/index.html?lang=en.

Bilateral agreements and MOUs: FINMA has concluded MoUs with supervisory authorities of countries whose insurers have significant presence in Switzerland (and vice versa). These MoUs govern the coordination of supervisory activities as well as the exchange of information relevant for supervision. FINMA is also signatory to the [IAIS] multilateral MoU

Licensing
Criteria for assessing applications for insurance licence: organizational, legal, capital, and solvency requirements
Compatibility of life and/or non-life insurance licences: life insurance companies are allowed to underwrite casualty or health insurance risks
Differential treatment for foreigners in the licensing process: none
Limitation on number of providers: none
Licencing authority: FINMA is the sole competent authority to evaluate licence applications and to grant licences. Insurance regulation and supervision is at federal level, i.e. there are no licensing requirements or regulations on cantonal level for private-sector insurance.
Maximum processing time for applications: none
Period of validity of a licence: unlimited. A significant change of the structure of an insurance company or its ownership may require a reapplication, which is subject to supervisory review and will be accepted if the licensing criteria are met.
Restrictions on selling or disposing of licences: not transferable. Licences are specific to the licensed institution.

Prudential regulations
Differences of treatment between state-owned firms, other domestically owned firms, foreign-owned branches, and foreign-owned subsidiaries: none
Recognition of home country supervision of foreign insurance companies: in general, FINMA recognizes the consolidated supervision of foreign authorities if the countries adhere to the relevant IAIS Core Principles (ICP).
Minimum capital requirements to obtain a licence: Article 8 of the Insurance Supervision Act[a] requires minimum capital of SwF 3–20 million to obtain a licence, subject to sector-specific provisions by the Federal Council. The Federal Council's Insurance Supervision Ordinance[b] specifies this requirement for life-insurers (Article 7) at SwF 5-12 million, for non-life-insurers (Article 8) at SwF 3–8 million, and for re-insurers (Article 9) at SwF 3-10 million, depending on business model.
Administrative allocation of insurance services: life, non-life, and re-insurance services are not allocated administratively.
Approval required for life and non-life premiums and products: no requirement for premiums and products, although the latter must comply with the respective legal requirements. As an exception, products and premiums in health insurance are subject to approval.
Compatibility of life and non-life insurance activities: according to the Insurance Supervisory Act, Article 12, life-insurers non-life-business is limited to accident and health insurance. Life-insurers who offer accident or health insurance are subject to Insurance Supervision Ordinance, Article 7, para. b, which sets a minimum capital requirement for obtaining licence of SwF 8 million.

a See http://www.vermittleraufsicht.ch/bausteine.net/file/showfile.aspx?downdaid=7439&sp=D&domid=1063&fd=2 for detailed information.
b See http://www.admin.ch/ch/d/sr/c961_011.html for detailed information.

Box 4.5 Switzerland's regulatory framework for pension funds, 2012

Pension fund structure occupational benefit plans, also called the 2nd pillar, complete the basic 1st pillar AVS/AI/APG system (old age, invalidity, income compensation allowances in case of illness and for maternity). Together, they should ensure that retired people to a large extent maintain their former standard of living. The LPP (Federal Law on Occupational Benefit Plans) defines minimum benefits in the event of old age, death, and invalidity. But pension funds are free to provide higher benefits. In principle, the law lets pension funds freely choose the form of organization they prefer, their design of benefits, and ways of financing them. The 2nd pillar is mandatory for salaried persons and for the unemployed (against invalidity and death under more restrictive conditions) already subject to the AVS (1st pillar), with an annual income of at least SwF 20,880 (2012). This is the threshold of the obligatory pension fund scheme. Pension funds that are providing the statutory minimum need to be registered. The 2nd pillar, when provided by private entities, falls within the scope of the GATS but is subject to specific reservations in the Swiss GATS and FTAs financial services commitments.
Recent reforms The most important recent pension fund reform was the structural reform.[a] In January 2012, an independent centralized supervision commission was set up to accomplish uniform supervision standards (cantonal supervision authorities will remain responsible for direct supervision). The commission will also implement standards in terms of the overall stability of the system (e.g. investment policy or reserves); it will be able to issue binding instructions. In terms of transparency and loyalty, there are new rules for persons or institutions managing pension funds, as a whole or in part (especially for asset-managers). A special issue will be avoidance of conflicts of interest. To emphasize governance rules, the penalty-catalogue was supplemented. Governance and loyalty rules have been in effect since August 2011.

Supervisory authorities for pension funds
Federal Occupational Pensions Regulatory Commission and Cantonal Supervision Authorities grouped in an Association (*Conférence des autorités cantonales de surveillance)* *www.konferenz-bvg-aufsicht-stiftungen.ch*

Licensing criteria: institutions wishing to participate in the mandatory occupational benefits plans must be officially registered by the competent surveillance authority. They should be organized in the form of a mutual association or a foundation
Additional licensing conditions: none
Period of validity of a licence: in general, unlimited
Transferability of licences: not transferable
Limitation on the number of providers: none

a See http://www.bsv.admin.ch/themen/vorsorge/00039/00335/index.html?lang=en for detailed information.

Box 4.6 Switzerland's regulatory framework for mutual funds, 2012

Securities, mutual funds, asset management

Supervisory authorities for mutual funds
Ministry/agency responsible for defining sector policy: State Secretariat for International Financial Matters (SIF)
Ministry/agency responsible for the supervision of the sector: FINMA. Pension funds are approved by the Federal Social Insurance Office (FSIO).

Licensing criteria: good reputation and professional qualifications of the managers, good reputation and undertaking not to exert their influence to the detriment of prudent and sound business practices for the significant equity holders (i.e. owning more than 10% of the capital or of the voting rights) and sufficient financial guarantees (i.e. meeting the minimum capital requirement of SwF 200,000 (Collective Investment Schemes Act, Article 14 para. 1.[a]

Additional licensing conditions for foreign companies: none
Period of validity of a licence: in general, unlimited
Transferability of licences: not transferable
Limitation on the number of providers: none

a See http://www.kpmg.com/CH/de/Library/Legislative-Texts/Documents/pub_20090101_CISA.pdf or RS 951.311 for detailed information.

Box 4.7 Switzerland's market and regulatory regime for securities and stock exchanges, 2012

Supervisory authority and licensing organ: FINMA

Licensing
General criteria:
Securities dealers must provide information and ensure internal separation of their trading, portfolio management, and settlement business; minimum fully paid-up capital is SwF 1.5 million.
Asset managers of Swiss collective investment schemes, based in Switzerland, must be authorized by the SFBC and are under its prudential supervision. Asset managers may be natural or legal persons; in the latter case they must be a joint-stock company, a stock company with unlimited partners, a limited liability company, a general partnership or a limited partnership.

Additional criteria for foreign firms
Foreign securities dealers may request SFBC authorization to establish a Swiss branch; they must provide information and evidence of "adequate organization, sufficient financial resources, and qualified staff". In addition, foreign supervisory authorities must consent to cross-border operations and provide administrative assistance and information to the FINMA.
Stock exchanges organized under foreign law are granted authorization to operate in Switzerland if they are subject to "appropriate supervision".
Foreign asset managers may be delegated for asset management of Swiss collective investment schemes if they are subject to recognized supervision.

Period of validity of a licence: in general, unlimited
Transferability of licences: not transferable
Limitation of the number of provider: none. As at end-October 2012, 3 domestic and 52 foreign stock exchanges have been granted authorization
Restrictions on foreigners buying and selling on the stock market: none

Operating conditions Requirements to use international accounting and disclosure standards: besides the Swiss accounting standard, both IFRS and US-GAAP are accepted for companies listed on the Swiss exchanges
Provisions on shareholders' rights in companies listed in the stock exchanges and on companies' obligations to disclose information
Code of Obligations Article 689ff specifies shareholder rights, such as personal membership rights, participation in general meetings, entitlement, as against the company, representation of the shareholder, disclosure, voting rights and rights of control (http://www.admin.ch/ch/e/rs/2/220.en.pdf). The FINMA Stock Exchange Ordinance defines obligations to notify in terms of thresholds and deadlines (http://www.six-exchange-regulation.com/download/admission/regulation/federal_acts/fbc_en.pdf). The listing rules of SIX group (as an example) specifies further disclosure and reporting obligations (http://www.six-exchange-regulation.com/admission_manual/03_01-LR_en.pdf). For more information, see: http://www.six-exchange-regulation.com/index_en.html.

4.4.1.2 Liechtenstein

4.73. Liechtenstein is a small financial centre specialized in private banking, wealth management, and funds, trustee, and insurance services. The subsector benefits from Liechtenstein's political, economic, and social stability, its close ties with Switzerland, including the customs and currency union, full membership in the EEA[80], and a liberal tax regime.

4.74. Box 4.8 below describes the main economic indicators of financial services in Liechtenstein.

Box 4.8 Financial services: statistical overview

General
Share of financial services in the GDP: 27%
Share of financial services in total employment: 9.4%
Net financial services exports: not available
Capital stock of Liechtenstein financial services providers abroad: not available
Banking services
Number of banks and recent consolidation: 17, of which 8 are foreign (4 banks with Swiss majority shareholders, 4 with Austrian majority shareholders)
Total assets under management in the banking system: 2008: SwF 120.844 billion; 2009: SwF 125.1 billion; 2010: SwF 121.2 billion; 2011: SwF 117.1 billion Assets managed by investment undertakings: SwF 35,44 billion Assets managed by asset management companies: SwF 21,3 billion[a] Assets managed by trustees or trust corporations: -
Total balance sheet of the banking system: 2008: SwF 55.67 billion; 2009: SwF 55.053 billion; 2010: SwF 52.466 billion; 2011: SwF 54.6 billion
Net profit of the banking system: 2008: SwF 0.464 billion; 2009: SwF 0.587 billion; 2010: SwF 0.569 billion; 2011: SwF 0.163 billion
Concentration: the top three banks accounts for 87% of the assets
Number of investment undertakings: 535, of which 198 are foreign registered companies
Number of authorized trustees: 79
Number of trust corporations: 263
Number of assets management companies: 107

[80] All applicable EU Acts on financial services are mentioned in EEA Agreement Annex IX (Financial Services), Annex XII (Free Movement of Capital), and Annex XXII (Company Law).

Insurance
Number of insurance companies and recent consolidation: 40 companies at end 2011 (14 non-life insurance companies; 21 life insurance companies; 5 reinsurance companies), 12 of which (7 for non-life, 5 for reinsurance) operated as captive Number of employees: 577 Number of branches: 18 foreign insurance companies (17 Swiss, 1 EU) have established branches in Liechtenstein Cross-border activities: as at end 2011, over 265 EEA and Swiss insurance undertakings had registered their intention to provide cross-border insurance services, although these undertakings very rarely become active
Gross premiums of the insurance sector (2010): SwF 9.4 billion, of which 94% in life insurance; 2011: SwF 4.8 billion, of which 90% in life insurance Capital investment of the insurance sector (2010): SwF 29.6 billion, of which 97% for life insurance; and 2% for reinsurance; 2011: SwF 29.1 billion, of which 96.7% for life insurance and 2.7% for reinsurance

a Assets of investment undertakings and asset management companies may be included in the total of assets under management in the banking system only to the extent where they are assets under management for the bank and held in a bank in Liechtenstein. However, there is no legal obligation for investments undertakings and asset management companies to domiciliate assets in a local bank.

4.75. Boxes 4.9 and 4.10 below describe in more detail Liechtenstein's regulatory framework for banking services, investment undertakings, asset management companies, and payment devices providers.

Box 4.9 Liechtenstein's regulatory framework for banking services, 2012

Main regulations Banking Act of 1992 (LLG 1992, No. 108, as amended) and the corresponding Banking Ordinance, as (LLG 1994, No. 22, as amended) (http://www.gesetze.li/Seite1.jsp?LGBlm=1992108)

Supervisory authority
Financial Market Authority (FMA), established in January 2005, is responsible for supervising banks, investment firms, investment undertakings, trustees, lawyers, accountants, and auditors.

Preferential and bilateral policies
Preferential arrangements affecting banking services: as a result of Liechtenstein's participation in the EEA, all of its banking, securities, insurance, and accounting legislation is based on EC legislation, although the national accounting standards for financial institutions (mainly banks) are also similar to the accounting rules of the Swiss FINMA. Banks in Liechtenstein and Switzerland have the same principles of accountancy, and the structure of the balance sheet and the profit/losses statement are practically identical. Both countries apply the same valuation provisions (i.e. true and fair view etc.). Generally the company may choose the national accounting standard or the IFRS standard.

Licensing
General criteria: banks and investment firms (i.e. an asset management company in the sense of the EU Market in Financial Instrument Directive 2004/39[a]) require a licence from the FMA in order to commence operations, and may only take the legal form of limited companies (Aktiengesellschaft).[b] The head offices and the principal management must be domiciled in Liechtenstein. The minimum required fully paid-up initial capital is SwF 20 million for banks and SwF 3 million (or the equivalent in euros or U.S. dollars) for investment firms**.** After commencing business activity, the minimum capital must not drop below SwF 10 million, or the equivalent amount in euros or U.S. dollars. The members of the board of directors may have their domicile outside of Liechtenstein as long as they fulfil the obligations of their functions; they must be authorized to fully represent their company.[c]

Additional criteria for foreign banks*:*
Establishment of a branch or subsidiary of a non-EEA bank or investment firm requires a licence. Additional requirements are: the institution must be subject to home consolidated supervision comparable to Liechtenstein supervision, and the home authorities must raise no objections. To establish a representation in Liechtenstein a foreign institution requires a licence issued by the FMA; this is granted if it is supervised in its home country (consolidated supervision in the case of a group) in a manner comparable to Liechtenstein supervision, the home supervisory authorities do not object to the presence of the bank in Liechtenstein, and the managers of the representation "guarantee irreproachable business activities". No reciprocity requirements exist. However, according to the authorities, so far no non-EEA bank has requested to establish a branch in Liechtenstein. The FMA grants the licence if the written application indicates, *inter alia*, the name of the company in the third State and the name of the appointed branch in Liechtenstein; an up-to-date prospectus, and the most recent yearly and half-yearly reports of the investment undertaking must also be submitted. Certification is required from home state authority that the undertaking is subject to consolidated supervision equivalent to Liechtenstein supervision.

Investment firms and banks domiciled in an EEA member-state have free movement of services rights for the activities covered by their home licences; they do not require a Liechtenstein licence. However, their operations in Liechtenstein must be supervised by their home authorities. The same applies to the establishment of branches of EEA financial institutions in Liechtenstein.

Prudential regulations
Administrative allocation of financial resources: financial resources are not allocated administratively
Determination of interest rates and fees: banks may determine interest rates and fees freely

Specific provisions against money laundering the core legal basis for the AML/CFT preventive measures in Liechtenstein is the Liechtenstein Due Diligence Act, No. 47/2009, and the Liechtenstein Due Diligence Ordinance, No. 98/2009. As a result of the EEA membership, Liechtenstein had to implement the Third EU Anti Money Laundering Directive (2005/60/EC) and the related implementing measures, which have been incorporated into the above-mentioned acts.

The Liechtenstein Due Diligence Act imposes special due diligence obligations on financial institutions (banks and investment firms, e-money institutions, payment institutions, insurance companies, asset management companies, etc.) as well as designated non-financial business professions (DNFBPs) (professional trustees, auditors, lawyers, dealers in goods, real estate agents, etc.).

Obligations include the requirement to identify and verify the identity of the customer and the beneficial owner, ongoing monitoring of the business relationship (including scrutiny of transactions), and preparation of a business profile (information on the source of funds and the purpose and intended nature of the business relationship). The Due Diligence Act also provides for record keeping obligations and the duty to implement organizational measures to prevent money laundering and terrorism financing.

Where suspicion of money laundering, a predicate offense of money laundering, organized crime, or terrorist financing exists, all financial institutions and DNFBPs are required to report immediately to the Financial Intelligence Unit (FIU). Likewise, all offices of the national administration and the Liechtenstein Financial Market Authority are subject to the obligation to report to the FIU.

The Liechtenstein AML/CFT framework was assessed by the International Monetary Fund in 2002 and 2007 for its compliance with the FATF Recommendations. The IMF certified as high the Principality of Liechtenstein's standards in its fight against money laundering and financing of terrorism. The IMF will assess Liechtenstein's AML/CFT system again in 2013.

Bank deposit insurance scheme the Liechtenstein Bankers Association (LBA) established the Liechtenstein Deposit Guarantee and Investor Protection Foundation of the Liechtenstein Bankers Association *(Einlagensicherungs- und Anlegerschutzstiftung des Liechtensteinischen Bankenverbands, EAS)*, an autonomous foundation under Liechtenstein law. The Foundation has assumed the obligation, in the event of a bank's insolvency or bankruptcy, to pay compensation up to a specified maximum (€100,000). All banks operating in Liechtenstein participate in the EAS.

a Http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:02004L0039-20070921:EN:NOT.
b Exceptions may be granted by the FMA.
c Banks are obliged to adopt a dual management structure, with a board of non-executive directors and a management board; internal auditors, reporting directly to the board of directors, must also be appointed.

Box 4.10 Regulatory framework for investment undertakings, asset management companies, and payment services providers

Investment undertakings

Main regulations: the Law on investment undertakings (IUA, LLG 2005, No. 156), and Act on Certain Undertakings for Collective Investment in Transferable Securities (UCITSA LLG 2011, No. 295).
http://www.gesetze.li/Seite1.jsp?LGBl=2005156.xml&Searchstring=IUG&showLGBl=true
http://www.gesetze.li/Seite1.jsp?LGBl=2011295.xml&Searchstring=UCITSG&showLGBl=true

Recent or planned regulatory changes: On 6 March 2012, the Government adopted the consultation report for the creation of a law on alternative investment fund managers and approved the amendment of further laws. The new draft legislation is designed to implement the Directive of the European Parliament and the European Council from 8 June 2011 on alternative investment fund managers (AIFM Directive). The UCITS IV Directive has already been implemented through the Law on Undertakings for Collective Investment in Transferable Securities, which came into force on 1 August 2011. The new AIFM law is planned to come into force on 1 April 2013 and will be fully applicable towards Europe from 22 July 2013.

Licencing: Any investment undertaking requires a licence from the FMA. Investment undertakings are divided into investment funds on a contractual basis (which have the legal form of a trusteeship), and investment companies (which have the legal form of a limited company). The minimum required fully paid-up capital is SwF 1 million. Investment companies must be incorporated as limited liability companies, with fixed or variable capital. Regardless of form, investment undertakings are obliged to have both a board of directors and a custodian bank, which must be registered in Liechtenstein. Furthermore, the principal administration of an investment undertaking must be domiciled in Liechtenstein.

Business scope: mutual funds may be marketed only by banks, fund management companies, or trustees with commercial presence in Liechtenstein. There are no secondary markets or underwritings in Liechtenstein. Liechtenstein banks may participate in secondary markets through their Swiss operations. Units of foreign investment undertakings may be sold in Liechtenstein under licence or, if reciprocity exists, after notification.

Asset management companies

Relevant legislation: Law on asset management (Asset Management Act, AMA) entered into force on 1 January 2006. This Act lays the foundation for asset management companies as new, internationally recognized, financial intermediaries (http://www.gesetze.li/Seite1.jsp?LGBl=2005278.xml&Searchstring=VVG&showLGBl=true)
Supervisory authority: the FMA
Licensing conditions: minimum fully paid-up capital requirement of SwF 100,000

Payment services providers

Relevant legislation: Law on Payment Services (Payment Service Act, PSA) entered into force on 1 November 2009. It transposes the European Payment Service Directive into national law and regulates the establishment of payment service providers as new financial intermediaries as well as the requirements and obligations for the provision of payment services (http://www.gesetze.li/Seite1.jsp?LGBlm=2009271)
Supervisory authority: the FMA
Licences granted: none

4.76. Through the "Liechtenstein Declaration" of 12 March 2009[81], the Liechtenstein Government publicly expressed its commitment to implement global standards of transparency and exchange of information as developed by the OECD. Liechtenstein confirmed its readiness to speed up the negotiation of tax information exchange and other agreements with a view to having a network of such arrangements in place as soon as possible in order to address the global issue of tax fraud and tax evasion as well as the legitimate needs of its industrial sector to avoid double taxation.

4.77. Since the publication of the declaration Liechtenstein has negotiated and concluded 20 tax information exchange agreements (TIEAs) and 5 double tax agreements (DTAs), and has revised its national legislation for the implementation of these agreements. All TIEA and DTA are in accordance with the OECD-model conventions. Liechtenstein is also participating actively in the peer review mechanism of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes.[82]

4.78. Liechtenstein was removed from the OECD List of Uncooperative Tax Havens on 11 November 2009.

4.79. Boxes 4.11 and 4.12 describe Liechtenstein's regulatory regime for insurance services as well as for pension fund an health insurance.

Box 4.11 Liechtenstein's regulatory framework for insurance services, 2012

Main regulations the Insurance Supervision Act (LLG 1996, No. 23) and the associated ordinance (LLG 1997, No.41, in force from 24 January 1997)

Supervisory authority the FMA

Preferential and bilateral policies
Preferential arrangements affecting insurance services: none
As a result of Liechtenstein's participation in the EEA, all of its banking, securities, insurance, and accounting legislation is based on EC legislation. The FMA also joined the European Insurance and Occupational Pensions Authority (EIOPA), currently as an observer.

[81] Viewed at: http://www.oecd.org/dataoecd/27/21/42340216.pdf.
[82] Viewed at: http://www.oecd.org/tax/transparency/.

On the basis of a bilateral agreement (*Direktversicherungsabkommen*) in force since 1998, insurance undertakings domiciled in Switzerland or Liechtenstein are granted freedom of establishment and operation in the other country. This agreement was extended in 2007 to allow insurance intermediaries to engage in cross-border activities.
Since October 2012, the FMA is also a signatory to the IAIS multilateral MoU.

Licensing
A licence is required for each insurance branch.
Undertakings must adopt the legal form of a limited company, Societas Europeas, a cooperative, or European Cooperative (SCE).
Aside from minimum capital requirements (€2.3 million to €3.5 million for non-life, €3.5 million for life, € 3.2 million for reinsurance companies, and €1.1 million for captives), an organizational fund is required for formation costs or exceptional business expansion, amounting to 20-50% of the minimum capital. Exact minimum capital requirements depend on the company's business plan.
The main administration of the company (including accounting) must be situated in Liechtenstein.
Undertakings domiciled and licensed in an EEA country may conduct direct insurance business in Liechtenstein without a Liechtenstein licence: the single-licence principle applies since accession to the EEA.
Insurance companies are prohibited from undertaking non-insurance activities.
A company may offer either life or non-life insurance; insurance undertakings engaged in life insurance may not be active in any other branches of insurance apart from supplementary insurance against accidental death, sickness, and invalidity.
Cross-border provision of insurance services by EEA companies is possible, provided the insurance undertakings have the necessary solvency margin.
Non-EEA-country insurance undertakings (except Switzerland, see above) require authorization in order to operate in Liechtenstein; they must establish an agency or a branch office and have assets available in Liechtenstein equivalent to at least half the guarantee fund. Insurance undertakings with their head office in a foreign country and engaged solely in reinsurance activities are exempt from Liechtenstein supervision.

Box 4.12 Liechtenstein's regulatory framework for pension funds and health insurance 2012

Basic health insurance structure Basic health insurance is compulsory for all persons residing and/or working in Liechtenstein (including foreigners).
It may only be provided by authorized non-profit health insurance companies and covers sickness, maternity, and accident risks (if not covered by compulsory workplace accident insurance) through benefits in cash and in kind, as defined by law. All benefits in kind are required to be "effective, appropriate and efficient".
Each insured person may choose any of presently three recognized health insurers; these do not have the option to refuse insurance, regardless of age or state of health.
Under the Health Insurance Act, insurance companies must offer a uniform premium for adults, which must be accepted by the Office of Public Health, and a reduced premium (half) for young people (17-20 years); the companies may not ask for a premium for children (0-16 years). Under the Act, the state subsidizes insurance premiums in various direct and indirect ways, e.g. by contributions to the costs of medical care.
Optional insurance may be purchased outside the scope of the compulsory scheme.

Compulsory accident insurance system
All employees are covered by an insurance contract that must be concluded by every employer against the risks of accidents at work, leisure accidents, and occupational sickness.
The premiums are imposed by the Government according to different risk classifications depending on the type of activity.
The scope for competition among insurers is limited to administration costs.
All compulsory accident insurers are registered.

Pension system
There are three pillars of old age and widower's pension and disability insurance: compulsory scheme for all persons living or working in Liechtenstein; occupational pension scheme that is compulsory for employed persons earning more than SwF 19,890 per year, and designed to enable the insured person to maintain his/her living standards after retirement; and individual saving measures.
The first pillar is operated by a public establishment; the second and the third pillars are operated by private insurers.

Supervisory authorities
the Office of Public health for health insurance, compulsory accident insurance and the first pillar of the pension system; and the FMA for the second and third pillars of the pension system.

4.4.2 Telecommunications

4.4.2.1 Switzerland

4.80. In regulatory terms, the only changes to market access for telecommunications services relate to the signature and entry into force of four regional trade agreements containing preferential telecommunications services commitments by Switzerland (EFTA-Colombia, Switzerland-Japan, EFTA-Ukraine, and EFTA-Hong Kong, China) (see Chapter 2.2.2). The EFTA-Gulf Cooperation Council agreement also contains preferential commitments on telecommunications services from Switzerland but has not yet entered into force.

4.81. The main regulatory changes on non-market access issues since 2008 concern essentially the universal services obligations and the protection of data. In parallel the national regulatory authority, the Federal Communication Commission (ComCom), the Federal Administrative Court, and in one instance the Federal Court, have also taken a series of decisions regarding all forms of access obligations for the dominant provider foreseen by the law.

4.82. The 9 March 2007 telecommunications services ordinance[83] was modified on 24 November 2009[84], to reinforce the protection and information of consumers when they use their mobile phone abroad or consume value-added services. A second modification of the ordinance, on 9 December 2011[85], raised the minimum guaranteed broadband output from 600 to 1,000 k/bits, and lowered the ceiling price for a broadband connection offering such an output from SwF 69 to SwF 55. It also reinforced the protection of minors against erotic or pornographic value-added telecom services.

4.83. Regarding interconnection obligations, the incumbent Swisscom contested its dominant market position status in several procedures (Box 4.13).

Box 4.13 Market structure and regulatory framework of Switzerland's telecommunications sector, 2012

Economic data

Penetration rates (2010)
Total telephone subscribers (per 100 inhabitants): 182
Mobile phone subscribers (% of total subscribers): 67.9
Internet users (per 100 inhabitants): 83.9
Broadband internet subscribers (per 100 inhabitants): 38.2
Secure Internet servers (no.): 14,614

Main actors
Number of companies providing value-added telecom services:
Of which, providing value-added platform services: 19; providing SMS, MMS, and premium rates services: 61
Names and market shares of the leading companies for fixed telecom services:
Total: 93 companies
Market leaders (by duration of connections, 2010): Swisscom: 70%, Sunrise: 9.8%; Cablecom: 7.1%

Name and market shares of the leading companies for mobile telephones services:
Total: 12 companies
Market leaders (by number of contracts, 2010): Swisscom: 59.4%; Sunrise: 20.7%; Orange: 15.5%. The nine other companies are simple resellers, there are no mobile virtual network operators (MVNOs) present on the Swiss market or any legislation forcing the three network operating companies to make an offer to MVNOs.
Name and market share of the broadband internet services:
Total: 164 companies
Market leaders (by number of contracts, 2010): Swisscom: 54.4%; Cablecom: 17.6%; Sunrise: 11.8%
Foreign ownership participation in telecom companies: Sunrise, Orange, and Cablecom are 100% foreign owned
State ownership: 57% of the shares of Swisscom

[83] OCG; RS784.102.1.
[84] RO 2009 5821.
[85] RO 2012 367.

Establishment of new companies, mergers or closures during the review period: none

Regulatory framework

Interconnection and competition issues

Fixed interconnection regime: telecommunication services providers with a dominant market position (including suppliers of part of the universal services) must provide interconnection to other suppliers without discrimination and in accordance with transparent and cost-related principles. Interconnection prices of a market-dominant provider are regulated on the basis of the "long-run incremental costs" (LRIC) method applied by most European countries. Dominant providers must publish a basic offer every year, interconnection prices must be cost-oriented only in the presence of market dominance; in the absence of market dominance, they must follow market standards. In the latter case, appeal to ComCom is only possible to ensure interoperability of services forming part of the universal service. In interconnection disputes, ComCom has to check if an operator is in a dominant position. In such cases, ComCo must provide an opinion to ComCom. The dominance of a provider is analysed according to the rules set by the Cartels Law.

Recent or planned changes: within the last four years ComCom has made decisions on all forms of access obligations for the dominant provider foreseen by the law (see Article 11 of the Telecommunications Act). Most of these decisions were the subject of an appeal at the Federal Administrative Court. In some of the procedures there was an existing dominant market position of the incumbent in question.

Number of complaints filed or resolutions effected of interconnection disputes among operators:

The incumbent contested its dominant market position in several procedures concerning the following forms of providing access: bitstream access, access rebilling (only primary rate access (PRA)) ducts, and leased lines. However, ComCo assumed in all its relating decisions a dominant market position of the incumbent. The decisions were based on market analysis by the general competition authority and the appeals towards the Federal Administrative Court were rejected. Therefore, the incumbent Swisscom (Schweiz) AG is generally deemed to be the dominant supplier and obliged to grant regulated access to the services stated in Article 11 of the Telecommunications Act.

Other regulatory aspects

Regulatory supervision: ComCom, an independent extra-parliamentary commission, is responsible for regulating the telecoms market, including allocation of spectrum licences (e.g. GSM or UMTS) through open tendering, the designation of a universal service provider (by issuing a licence for supply of universal services), dispute settlement on interconnection and local-loop unbundling; and for the approval of national numbering plans.

Facility sharing: for reasons of public interest, the Federal Office of Communications (OFCOM) may require providers of telecommunication services to allow joint use of their installations for an appropriate compensation. This is particularly relevant for mobile operators. Mobile-concessions include a clause on site sharing.

Local-loop unbundling: unbundling is achieved by offering competing suppliers two options to have access to the last mile: (i) the supplier may operate his own facilities for broadband and other services on the premises of the dominant supplier. The copper cable between the customer and the connection centre of the dominant supplier is simply switched to the new supplier, who provides his/her services exclusively to the customer (full unbundling); or (ii) the competing supplier may offer broadband services using a regulated bitstream product (i.e. the data line and not the voice line) for a maximum of four years, with Swisscom providing all other services. During the four-year period, the competing supplier must install the necessary equipment to be able to offer the other services (bitstream access). Under both options, prices between the competing and the dominant suppliers are freely negotiated.[a] In case of disagreement, the ComCom determines a price based on cost. In the case of a fully unbundled loop, the subscription fee is billed by the alternative operator. The subscription fee is billed by Swisscom only in the case of preselection. To avoid this, there's the regulated product of "rebilling of the connection", which allows the alternative operator to bill the subscription in representation of Swisscom. Two thirds of the Swiss territory (essentially urban areas) is unbundled. The decision to unbundle an area is taken by the operator on purely commercial criteria. The most popular option is full unbundling.

Number portability: Providers must ensure portability of numbers and freedom of choice in the selection of suppliers of national and international connections.

Spectrum management: auction of all mobile frequencies (including the "digital dividend" in the 800 Mhz band as well as the 2600 Mhz band).

Orange, Sunrise, and Swisscom were assigned mobile telephony frequencies in the auction which took place in early 2012. The assignment concerned frequencies that were already free or that would soon become free, and all those granted to operators in the past (all in all 620 Mhz were offered, of which 575 Mhz were allocated). The auction covered the spectrum bands 800, 900, 1,800, 2,100 and 2,600 Mhz. All three companies won 20 Mhz in the 800 Mhz band (digital dividend). The frequencies may be used on a technology-neutral basis, which means, all mobile radio technologies (including LTE/4G) can be used in all these bands. While fully open the auction did not attract any new entrants or MVNOs.

Transparency: on 1 January 2010, a new Article 10a of the Telecommunications Services Ordinance (SR 784.101.1) brought into effect amendments aimed to improve transparency on the cost of roaming services. Thus, on concluding a contract, mobile operators must inform their customers how and where to find information on current rates or tariff options for price reductions. As from 1 July 2010, when customers change to a foreign mobile radio network, mobile operators must inform them without delay and free of charge of the maximum costs (including VAT) for calls to Switzerland, incoming calls, local calls, sending SMS messages or transmitting data (cost per unit of measurement). It must be possible to deactivate or reactivate reception of this notification at any time, and free of charge. Mobile operators must inform their customers of this option on concluding the contract and at least once a year thereafter.
Accounting rates: not used
Licensing: Switzerland applies a registration ("announcement" regime for telecommunications network and service providers. Licensing is only used for the right of use of frequencies and the universal service obligation.
Universal service (beneficiaries, contributors, services covered, level, expenditures, method of calculation and management):
In order to guarantee the universal service (US) in Switzerland, ComCom awards a licence based on a public invitation to tender, obliging a telecommunication services provider to offer the services making up the US. On 21 June 2007, ComCom designated Swisscom as the universal licensee for 10 years. To date, the US licensee has not applied for any financial compensation. An eventual compensation would be provided from a universal service fund (USF). The decisive factor in calculating a provider's fee is its turnover in the services provided in the country minus the costs of the telecommunications services it has purchased wholesale from third-party providers or billed for third parties.
The content of the US, which is examined periodically by the Federal Council, consists of public telephone services (voice, telefax, and internet access at a fixed location), emergency call services, public payphones and specific services for disabled persons. Mobile telephony is not part of the universal service. However, the US provider may provide US in the form of mobile telephony, such cases do effectively occur in mountain areas. All these services are tagged with a ceiling price. The US licensee must measure, and report yearly, on the quality of the services. The latest modifications, which concern the broadband data rate and its monthly fee adaptations, entered into force on 1 March 2012. There are no specific regulations on universal service and cross-subsidization.

a While the amendment to the LTC is largely based on the EC's legal framework, this provision giving primacy to negotiations is in contrast to EC legislation.

4.84. A decision of 5 February 2007 by the Swiss Competition Commission (Comco) stated that Swisscom Mobile was found dominant for the mobile voice termination segment. With its termination charge of SwF 0.335 per minute it imposed unfairly high prices, to the detriment of consumers. For this violation of the Act on Cartels, Comco imposed a fine of SwF 333,365,685 on Swisscom Mobile. In a decision dated 24 February 2010, the Federal Administrative Court revised Comco's decision to "abusive conduct" by Swisscom, and cancelled the fine. Both the Federal Department of Economic Affairs and Swisscom have filed appeals against the decision. The Swiss Federal Supreme Court stated a dominant position of Swisscom but no abuse of this dominant position, as competitors always had the possibility to ask the National Regulatory Authority (NRA) for a price decision.[86]

4.85. From an economic perspective, the telecom landscape of Switzerland seems largely stabilized, with three main providers in each of the main segments (mobile, fixed, and broadband). The incumbent Swisscom, 57% owned by the Confederation remains the dominant provider, while its competitors are all 100% foreign owned (Box 4.13).

4.86. In line with generally observed trends, tariffs have continued to fall, albeit at a relatively slow pace, for the consumer in all three segments (Table 4.7).

Table 4.7 Telecom tariffs, 2009-11

	2009	2010	2011
Fixed-lines national services[a]			
Small user	100.3	100.0	99.3
Medium user	100.1	100.0	96.6
Large user	99.5	100.0	91.1
Mobile services[a]			
Small user	101.4	100.0	98.7

[86] Decision 2C_343/2010 and 2C_344/2010 of the Federal Court of Switzerland (11 April 2011). Database of the Federal Administrative Court.

	2009	2010	2011
Medium user	103.4	100.0	95.2
Large user	107.3	100.0	101.4
Internet services (only broadband services)[a]			
Index of real prices for a medium user	99.9	100.0	94.8
Annual rate of change	-5.4%	+0.1%	-5.2%
Normalized prices index[b]	100.7	100.0	63.1
Annual rate of change	-14.3%	-0.7%	-36.9%
Interconnection rates (monthly charge per line)	17.3	18.4 (prices offered by Swisscom not legally valid, no ComCom-decision yet)	16.6 (prices offered by Swisscom not legally valid, no ComCom-decision yet)

a Indexed data; 2010=100.
b Normalized costs reflect costs for 1 Mbit/s indexed to 100 in 2010.

Source: OFCOM (2011), *Comparatif et évolution des produits les meilleurs marchés, 2010-2011*, Bienne, November; and information provided by the Swiss authorities.

Table 4.8 Mobile roaming rates (wholesale and retail)

Service (Prices in SwF per minute/SMS/MB)	Q1 2012
Retail Voice Roaming: calls made – prepaid & post-paid – EU – base: billed minutes	0.774
Retail Voice Roaming: calls made – prepaid & post-paid – rest of world – base: billed minutes	1.790
Retail Voice Roaming: calls received – prepaid & post-paid – EU – base: billed minutes	0.369
Retail Voice Roaming: calls received – prepaid & post-paid – rest of world – base: billed minutes	1.539
Retail SMS Roaming: prepaid & post-paid – EU & rest of world	0.354
Retail Data Roaming: prepaid & post-paid – EU – group & non-group	0.799
Retail Data Roaming: prepaid & post-paid – rest of world – group & non-group	2.021
Wholesale Voice Roaming: EU – based on billed minutes – non-group	0.318
Wholesale Voice Roaming: rest of world – based on billed minutes – group & non-group	0.689
Wholesale SMS Roaming: EU – non-group	0.093
Wholesale SMS Roaming: rest of world – group & non-group	0.122
Wholesale Data Roaming: EU – group & non-group	0.330
Wholesale Data Roaming: rest of world – group & non-group	0.691

Source: Information provided by the Swiss authorities.

4.4.2.2 Liechtenstein

4.87. The telecommunications sector in Liechtenstein is governed by the applicable EEA law.[87] Box 4.14 below describes the main economic indicators and the regulatory regime.

Box 4.14 Market structure and regulatory of Liechtenstein's telecommunications sector, 2012

Economic data

Main actors
Number of companies providing value added telecom services: 3 (Telecom Liechtenstein AG, mobilkom (Liechtenstein) AG, and IP Communications GmbH)
Name and market share of the leading company for fixed telecom services: Telecom Liechtenstein AG (85% market share).

[87] See Annex XI to the EEA Agreement.

<u>Name and market shares of the leading companies for mobile telephones services</u>: three leading mobile phone companies, all operating separate networks, mobilkom (Liechtenstein) AG (52% market share); Telecom Liechtenstein AG (MVNO partner of Orange (Liechtenstein) AG, 27% market share); and Swisscom (Schweiz) AG (21% market share). Swisscom Schweiz (AG) and Orange Communications SA have a significant number of cross-border customers who subscribe to the Swiss mobile networks.
<u>Foreign ownership participation in telecom companies</u>: Orange (Liechtenstein AG), Swisscom (Schweiz) AG, and mobilkom (Liechtenstein) AG are 100% foreign owned.
<u>State ownership</u>: Liechtensteinische Kraftwerke owns the major part of the communication network, and is 100% state owned. Telecom Liechtenstein AG is also 100% state owned.

Penetration rates (2011)

Total population	36,475
ISDN subscribers	6,652
Main (fixed) telephone lines in operation	18,796
Main (fixed) telephone lines/100 inhabitants	52
Mobile cellular telephone subscribers (digital)	37,239
Mobile cellular telephone subscribers/100 inhabitants	106
Internet subscribers	14,532

Tariffs (evolution of tariffs since the last TPR (2009))
For local services: stable tariffs
For international services: stable tariffs
For mobile services: decreasing tariffs (regulatory remedies on termination fees, and roaming directive)
For internet services: stable tariffs, at significant increase of kbit/s performance
For interconnection rates: stable tariffs

Establishment of new companies, mergers or closures since the last Review in 2012, one mobile telephone operator (Alpcom AG) went bankrupt and was liquidated.

Regulatory framework

Recent or planned regulatory changes
Since the EU telecommunications regulatory framework applies through the EEA, Liechtenstein has transposed, *inter alia*, various EC directives on telecommunications (the Access Directive (2002/19/EC); the Authorization Directive (2002/20/EC); the Framework Directive (2002/21/EC); the Universal Service Directive (2002/22/EC); and the e-Privacy Directive (2002/58/EC).
As a result, a new Communication Act entered into force in June 2006.
In 2007, the corresponding ordinances of the Communication Act entered into force (Ordinance concerning the Responsibilities and Powers of the Regulatory Authority in the field of Electronic Communication of 3 April 2007, Ordinance concerning Electronic Communications Networks and Services of 3 April 2007, Ordinance concerning Means of Identification and Frequencies in the field of Electronic Communication of 8 may 2007, Ordinance about Levy of Usage and Administration Fees by the Communication Act of 13 April 2004 (Revision), the Liechtenstein Numbering Plan referred to ITU-T E.164 of 3 April 2007 and Ordinance concerning Radio Equipment and Communications Terminal Equipment of 3 April 2007).
The Communication Act was revised in 2010 due to changes in the legal field as well as technical advancement in electronic communication. Other reasons for the revision were, *inter alia*, the protection of users and the fight against the abuse of call numbers. In the same year, the main part of the corresponding ordinances was also revised.
Another revision of the Communication Act began in 2012, *inter alia*, in order to transpose amendments of the new telecom package directives 2009/140/EC and 2009/136/EC into national law.

Interconnection
Telecom Liechtenstein AG and Liechtensteinische Kraftwerke are obliged to make their infrastructure and services available to other enterprises in a neutral, non-discriminatory, and cost-based manner. Interconnection regulations are based on the relevant EC principles. Neither Telecom Liechtenstein AG nor Liechtensteinische Kraftwerke enjoy any exclusive rights.

Competition policy
<u>Market analysis/enquiries</u>: In 2009-12, the Office for Communications conducted several market analyses on the markets for access to public telephone network at fixed locations ("M1"), call origination and termination on fixed networks ("M2" and "M3"), network infrastructure access at fixed locations ("M4"), broadband ("M5"), terminating segments of leased lines (wholesale market; "M6"), trunk segments of leased lines (wholesale market) and mobile termination ("M7"). The Office for Communication finalized the market analysis for M6 as defined by the EFTA surveillance authority in the recommendation of 5 November 2008, concluding that there was no dominant position in M6.
<u>Dominant suppliers</u>: the Office for Communications identified Telecom Liechtenstein AG (in M1, M2, M3, M5, M7), Liechtensteinische Kraftwerke (in M4) as well as the mobile phone operators (M7) as carriers with significant market power, and applied specific regulatory remedies under the new Communication Act of June 2006. In the wholesale market of leased lines, comprising trunk as well as terminating segments, effective competition prevails and no measures of special regulation are required in the sense of an ex ante regulation.

Other regulatory aspects
Regulatory supervision: the Office for Communications (http://www.llv.li/amtsstellen/llv-ak-englishpage.htm)
Facility sharing and local-loop unbundling: both services are offered by Liechtensteinische Kraftwerke to registered telecom service providers at transparent, cost-oriented, non-discriminatory conditions, according to the reference unbundling offer, which was authorized by the Office for Communications in the framework of the M4 market analysis.
Number portability: Not implemented. A consultation conducted by the Office for Communication in June 2012 resulted in low interest from the alternative providers in Liechtenstein.
Spectrum management: Liechtenstein Frequency Allocation Plan (FAP) consists of several parts including the radio spectrum strategy. Integral components of the plan are: frequency ranges and radio interface requirements, as well as other rules and restrictions for the use of the appropriate frequency range.
The technical and operational requirements of the frequency use in Liechtenstein create a transparent and comprehensive picture which reflects the components of the R&TTE directive of the European Union. This is important for the users themselves, but above all for the manufacturers and distributors of radio devices.
The FAP complies fully with the ITU (International Telecommunication Union) and the CEPT (European Conference of Postal and Telecommunication administrations) recommendations (http://www.llv.li/pdf-llv-ak-frequenzzuweisungsplan.pdf).
Mobile interconnection: the mobile operators are interconnected to Telecom Liechtenstein AG only. Mobile interconnection charges are agreed between operators. The mobile termination fees are regulated as a result of the M7 market analysis, by a phased reduction of price caps ending at SwF/min 0.0765 as of 1 January 2013.
Mobile roaming rates (wholesale and retail): Regulation No. 531/2012 was approved in October 2012 by the Liechtenstein Parliament, and the Communication Act is to be revised for the implementation of sanctions.
Accounting rates: not used
Licensing: The 2006 Communication Act eliminated the licence system. All activities in the area of electronic communication are licence-free; a notification to the Liechtenstein Office for Communications, the national regulatory authority, is required.
Universal service: provided by Telecom Liechtenstein AG

4.4.3 Transport

4.4.3.1 Switzerland

4.4.3.1.1 Air transport

4.88. Switzerland is a relatively important market for aviation services due to its high per capita income, the importance of its inbound and outbound tourism, and the size of business market.

4.89. The market access regime is liberal for the selling and marketing of air transport services, computer reservations services, and aircraft repair and maintenance (the three sectors explicitly covered by the air transport annex of the GATS), as reflected in the GATS revised offer, and as bound by the commitments contained in the free-trade agreements schedules.

4.90. The situation is similar for ground handling services, where the EU rules apply through the bilateral air transport agreement of 1999 (see Table A4.4) and where third-party handling is allowed, opened to foreign firms, and indeed exercised by some of them. Bilateral air transport agreements may, in addition, allow self-handling and mutual handling in certain instances. Major airports are concessioned but public authorities may retain a majority of the shares if they so wish. In general aviation, taxi flights are covered by the general regime of commercial air transport. Aerial work is considered a non-air-transport operation, hence it is covered by the general regime of services (technical and operational rules specific to aviation are applicable). This is illustrated by the fact that the reciprocal opening of the market (for 90 effective days of operation between the EU and Switzerland), which covers aerial work, is based upon the chapter on services of the bilateral agreement on the free movement of persons. Box 4.15 below details further the main economic indicators and the regulatory regime of these various air transport services.

Box 4.15 Switzerland's market and regulatory regime for air transport subsectors, 2012

Computer reservation services

General regulatory framework: there is no regulation granting a monopoly or prescribing the compulsory use of a CRS supplier. Switzerland applies EC Regulation 80/2009[a]

Economic characteristics: all CRS providers may operate as long as they comply with EU Regulation 80/2009. This does not imply that they have a local branch established.

Selling and marketing of air transport services

General regulatory framework: there are no specific regulations (including foreign exchange controls) preventing or limiting the sale by foreign airlines of their own tickets through whatever channel (online, airports counters, city offices). This is not affected by individual provisions of bilateral agreements.

Aircraft repair and maintenance

General regulatory framework: no specific limitations on the establishment of foreign providers

Number of certified repair stations: 9 repair stations certified by the Federal Aviation Administration (FAA), and 78 by the European Aviation Safety Agency (EASA)

Ground handling services

General regulatory framework: Switzerland applies EC Regulation 97/67[b]
Bilateral agreements may contain clauses granting specific rights to the carriers of the countries concerned

Main providers: Zurich: Swissport, Dnata, and Airline Assistance Switzerland for passenger handling; Dnata and Cargologic for cargo handling (all Swiss companies or branches), Geneva: Swissport, Dnata for passenger handling; Customer Ground Services and Air Cargo Logistic for cargo handling (all Swiss companies or branches)

Airport management services

General regulatory framework: concessioned airports are managed by public or private entities (even for private entities, the majority of the capital may be in public hands)

Economic characteristics: international airports (with line and charter traffic) are: Zurich (passengers: 24,376,142; cargo tonnes: 283,422); Geneva (passengers: 13,048,960; cargo tonnes: 31,427); Basle (passengers: 5,043,469; cargo tonnes: 41,280); Berne (passengers: 169,765); Lugano (passengers: 165,054; cargo tonnes: 71); Altenrhein (passengers: 98,834); and Sion (passengers: 6,815). Total domestic traffic 662,886 passengers (start from departure airport and arrival at destination airport count as 1 passenger).[c]

Commercial aviation

General regulatory framework:
National establishment rules: in line with EU regulation 1008/2008[d]
Cargo: no specific policy
Charter: Switzerland applies EC Regulation 1008/2008[e], thus charter traffic is not discriminated and is based on the principle of reciprocity. Low-cost carriers do operate from Switzerland.
Domestic traffic: Domestic traffic is limited in principle to Swiss operators unless it has been agreed otherwise in the bilateral ASA: Such an opening has been negotiated but not finalized between Switzerland and EU.
Slot allocation: in line with EU regulation 96/97[f]

a Http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:035:0047:0055:EN:PDF.
b Http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31997L0067:en:NOT.
c All figures 2011, general aviation not included.
d Http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:293:0003:0020:en:PDF.
e Http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:293:0003:0020:en:PDF.
f Http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31996L0097:EN:HTML.

Source: Information provided by the Swiss authorities.

4.91. Regarding commercial aviation Switzerland is in the relatively rare situation where its national carrier, Swiss, is majority owned by a non-Swiss national. In such cases, Switzerland has nevertheless managed to preserve the traffic rights either by negotiating the replacement of a substantial ownership and effective (SOE) control clause by a "principal place of business" clause in its bilateral agreements, or by negotiating waivers to the SOE clause. This is reflected in Table 4.9, which describes the new agreements or amendments to existing bilateral air services agreements since 2005. Detailed data on Switzerland's aeropolicy until 2005 are contained in the

"QUASAR profile" of Switzerland.[88] In 2005, Switzerland's air liberalization index (ALI), weighted by passenger traffic (WALI), stood at 9.8. The ALI of the agreements covered by QUASAR ranged between 0 and 41.[89]

4.92. Since 2005, around 40 agreements have been either amended, initialled, concluded or have entered into force between Switzerland and its partners. About half of the new agreements have been concluded with countries other than those listed in the 2005 QUASAR profile, primarily Eastern European economies and former Soviet republics.

4.93. Switzerland's recent bilateral agreements are notably more liberal than those in its 2005 QUASAR profile. Except for one, they all have an ALI value equal to or above 18, and around. Half of the agreements have an ALI of 24 or higher; one third have an ALI of 35 or higher.

Table 4.9 Air services agreements

(a) Bilateral air services agreements

Partner	Date	Entry into force	5th[a]	7th[b]	Cabotage[c]	Coop[d]	Designation[e]	Withholding[f]	Pricing[g]	Capacity[h]	Stat[i]	ALI 2011[j]	ALI 2005
Afghanistan (new ASA initialled)	27/09/61		yes	no	no	yes	M	PPoB	DD	PD	yes	27	8
Albania	09/05/07	02/11/07	yes	no	no	yes	M	PPoB	DD	FD	yes	35	-
Algeria	18/06/63		no	no	no	no	S	SOE	DA	other	yes	2	2
Argentina	02/11/04		yes	no	no	yes	M	PPoB	DD	PD	yes	27	10
Armenia	10/11/09	01/06/11	no	no	no	yes	M	PPoB	DD	PD	yes	21	-
Australia	28/10/11		yes	no	no	yes	M	PPoB	DD	FD	yes	35	6
Austria	19/12/49		yes	no	no	no	M	SOE	DA	B1	yes	14	14
Azerbaijan	09/10/07	30/11/10	yes	no	no	yes	M	PPoB	DD	B1	yes	31	-
Bahrain (new amendments initialled)	04/02/86		yes	no	no	yes	M	PPoB	DD	FD	yes	35	6
Barbados	27/10/09		yes	no	no	yes	M	PPoB	DD	PD	yes	27	-
Belgium	24/03/60		no	no	no	no	S	SOE	DA	B1	yes	4	4
Benin	06/11/75		yes	no	no	no	S	SOE	DA	B1	yes	10	10
Bolivarian Rep. of Venezuela	09/08/91	10/03/93	no	no	no	no	S	SOE	DA	PD	yes	0	-
Bolivia	26/02/97		yes	no	no	no	S	SOE	CoO	PD	yes	9	9
Bosnia & Herzegovina (new ASA initialled)	06/03/98	19/11/02	yes	no	no	yes	M	PPoB	DD	FD	yes	35	-
Brazil (new ASA initialled)	27/07/78		yes	no	no	no	M	PPoB	DD	PD	yes	24	6
Brunei Darussalam	22/11/94		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Bulgaria	11/05/05	06/01/08	yes	no	no	yes	M	PPoB	DD	FD	yes	35	-
Burundi	10/01/74		yes	no	no	no	S	SOE	DA	B1	yes	10	10
Cambodia	06/02/07	06/02/07	yes	no	no	no	M	PPoB	CoO	B1	yes	25	-
Cameroon	13/01/09	23/11/10	no	no	no	yes	M	PPoB	DD	B1	yes	25	0
Canada	17/05/06		yes	no	no	yes	M	SOE	DA	FD	yes	21	8
Cape Verde	14/12/98	14/12/98	no	no	no	no	S	SOE	CoO	B1	yes	7	-
Central African Republic	09/03/73		yes	no	no	no	S	SOE	DA	B1	yes	10	10
Chile	22/07/04	29/09/05	yes	no	no	no	M	PPoB	DD	FD	yes	32	11

[88] WTO document S/C/W/270/Add.1, "QUASAR profile" of Switzerland, pp. II.479 to II.487. For more details on the QUASAR methodology, see document S/C/W/270/Add.1, pp. I.9 to I.21.

[89] The ALI ranges from 0 (classical "Bermuda II" agreements) to 50 (full common aviation market).

Partner	Date	Entry into force	5th[a]	7th[b]	Cabotage[c]	Coop[d]	Designation[e]	Withholding[f]	Pricing[g]	Capacity[h]	Stat[i]	ALI 2011[j]	ALI 2005
China	01/03/11		Yes	no	no	yes	M	PPoB	CoO	PD	yes	24	6
Colombia	17/08/00		yes	no	no	yes	S	SOE	DA	B1	yes	13	10
Congo	24/10/64		yes	no	no	no	S	SOE	DA	B1	yes	10	10
Congo, Dem. Republic of	03/02/75		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Côte d'Ivoire	14/05/69		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Croatia	21/01/10	25/10/10	yes	no	no	yes	M	PPoB	DD	FD	yes	35	-
Cuba (new amendments initialled)	14/02/74		yes	no	no	no	M	PPoB	DA	PD	yes	18	6
Cyprus	18/01/73		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Czech Republic	17/07/96		no	no	no	no	M	SOE	CoO	other	yes	13	13
Denmark	14/03/57		yes	no	no	no	S	SOE	DA	B1	no	11	11
Djibouti	25/03/99	08/07/00	yes	no	no	no	S	SOE	CoO	B1	yes	13	-
Dominican Republic	07/12/00	27/03/03	yes	no	no	yes	M	PPoB	DA	other	yes	27	-
Ecuador	06/05/74		yes	no	no	no	S	SOE	DA	other	yes	8	8
Egypt (new ASA initialled)	30/07/95	23/12/97	no	no	no	no	M	COI[k]	DD	B1	yes	18	12
Equatorial Guinea	30/11/04	30/11/04	yes	no	no	yes	M	PPoB	n/a	B1	yes	25	-
Eritrea	02/04/98	08/06/99	yes	no	no	no	S	SOE	CoO	B1	yes	13	-
Estonia	20/10/98	21/04/99	yes	no	no	no	M	SOE	DA	B1	yes	14	-
Ethiopia (new ASA initialled)	10/02/00	05/06/03	yes	no	no	yes	M	PPoB	DA	B1	yes	25	-
Finland	19/11/79		yes	no	no	no	M	SOE	DA	B1	yes	14	14
France	30/07/45		yes	no	no	no	S	n/a	n/a	PD	no	7	7
FYR Macedonia	10/11/09	01/03/10	yes	no	no	yes	M	PPoB	DD	FD	yes	35	6
Gabon	21/02/05	21/02/05	yes	no	no	yes	M	PPoB	DD	B1	yes	31	2
Gambia	26/01/94	26/10/09	yes	no	no	no	S	SOE	DA	B1	yes	10	-
Georgia	22/07/08	16/11/10	yes	no	no	yes	M	PPoB	DD	FD	yes	35	-
Germany	10/04/72		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Ghana	30/08/10		yes	no	no	yes	M	PPoB	DD	PD	yes	27	10
Greece	26/05/48		yes	no	no	no	M	SOE	n/a	B1	no	15	15
Guatemala	27/02/74	08/04/78	yes	no	no	no	S	SOE	DA	B1	yes	10	10
Guinea	01/02/63		yes	no	no	no	S	SOE	DA	B1	yes	10	10
Hong Kong, China	26/01/88		no	no	no	no	M	PPOB[l]	DA	PD	yes	12	12
Hungary	28/03/72		yes	no	no	no	S	SOE	DA	PD	yes	6	6
India	02/05/01		yes	no	no	no	M	SOE	CoO	PD	yes	13	13
Indonesia	14/06/78		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Iran, Islamic Rep. of	31/12/72		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Iraq	01/04/62		yes	no	no	no	M	SOE	DA	B1	yes	14	14
Ireland	07/11/57		yes	no	no	no	M	SOE	DA	B1	no	15	15
Israel (initialled)	24/07/70		yes	no	no	yes	M	PPoB	DA	B1	yes	25	10
Italy	04/06/56		no	no	no	no	M	SOE	DA	PD	yes	4	4
Jamaica (new ASA initialled)	07/11/74		yes	no	no	yes	M	PPoB	DD	FD	yes	35	10

Partner	Date	Entry into force	5th[a]	7th[b]	Cabotage[c]	Coop[d]	Designation[e]	Withholding[f]	Pricing[g]	Capacity[h]	Stat[i]	ALI 2011[j]	ALI 2005
Japan	05/10/93		yes	no	no	no	S	SOE	DA	other	yes	8	8
Jordan	28/04/03	18/09/05	yes	no	no	no	M	PPoB	DD	B1	yes	28	10
Kazakhstan	05/08/93	12/08/97	no	no	no	no	S	SOE	DA	B1	yes	4	-
Kenya	03/12/04	23/12/05	yes	no	no	yes	M	PPoB	DD	FD	yes	35	6
Korea, Dem. People's Rep. of	16/06/95	20/03/97	yes	no	no	no	S	SOE	CoO	B1	yes	13	-
Korea, Rep. of	15/12/75		yes	no	no	no	S	SOE	DA	B1	yes	10	10
Kosovo	30/11/10	08/02/11	no	no	no	yes	M	PPoB	DD	PD	yes	21	-
Kuwait	28/06/10		yes	no	no	yes	M	PPoB	DD	FD	yes	35	10
Kyrgyz Republic	25/10/02	30/03/06	no	no	no	yes	M	PPoB	DA	FD	yes	23	-
Lao People's Dem. Rep.	15/12/99	27/12/04	yes	no	no	no	M	SOE	CoO	B1	yes	17	-
Latvia	21/05/93		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Lebanon	10/06/03	22/12/04	yes	no	no	yes	M	SOE	CoO	FD	yes	24	13
Liberia	31/08/61		yes	no	no	no	M	SOE	DA	B1	yes	14	14
Libyan Arab Jamahiriya	21/08/05	21(08/2005	yes	no	no	yes	M	PPoB	DD	other	yes	33	-
Lithuania	08/07/94		no	no	no	no	S	SOE	DA	PD	yes	0	0
Luxembourg	09/04/51		yes	no	no	no	S	SOE	DA	B1	no	11	11
Macao, China	05/09/95		no	no	no	no	S	PPoB	CoO	PD	yes	11	11
Malaysia (new amendments initialled)	06/09/68		yes	no	no	no	S	PPoB	DA	B1	yes	18	10
Maldives (new amendments initialled)	25/10/93		yes	no	no	no	S	PPoB	DA	other	yes	20	12
Mali	27/06/81	04/10/89	yes	no	no	no	S	SOE	DA	B1	yes	10	-
Malta	04/10/77		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Mauritania	13/03/79		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Mauritius (new ASA initialled)	14/11/79		yes	no	no	yes	M	PPoB	DA	PD	yes	21	6
Mexico (new ASA initialled)	22/11/78		yes	no	no	yes	M	PPoB	DA	PD	no	22	7
Mongolia	03/03/00	03/03/00	yes	no	no	no	M	SOE	CoO	B1	yes	17	-
Morocco	23/06/11	23/06/11	yes	no	no	yes	M	PPoB	DD	FD	yes	35	6
Myanmar	31/10/60		yes	no	no	no	S	SOE	DA	B1	no	11	11
Netherlands	01/11/62		yes	no	no	no	M	SOE	DA	B1	no	15	15
New Zealand	08/09/99		yes	no	no	yes	M	PPoB	DD	FD	yes	35	41
Nigeria	12/09/80	19/11/81	no	no	no	no	S	SOE	DA	PD	yes	0	6
Norway	04/06/57		yes	no	no	no	S	SOE	DA	B1	no	11	11
Oman (new amendments initialled)	27/09/86		no	no	no	yes	M	PPoB	DD	FD	yes	29	0
Pakistan	10/03/01	11/11/02	yes	no	no	no	M	PPoB	DD	FD	yes	32	8
Panama (new ASA initialled)	21/04/64		yes	no	no	no	M	PPoB	DA	B1	yes	22	14
Paraguay (new ASA initialled)	05/06/85		yes	no	no	no	M	PPoB	DA	PD	yes	18	6
Peru	23/11/56		yes	no	no	no	S	PPoB	DA	B1	yes	10	10
Philippines	10/07/74		yes	no	no	no	S	SOE	DA	B1	yes	10	10

Partner	Date	Entry into force	5th[a]	7th[b]	Cabotage[c]	Coop[d]	Designation[e]	Withholding[f]	Pricing[g]	Capacity[h]	Stat[i]	ALI 2011[j]	ALI 2005
Poland	05/12/66		yes	no	no	no	S	SOE	DA	PD	no	7	7
Portugal	30/08/75		yes	no	no	no	M	SOE	DA	PD	no	11	11
Qatar (new amendments initialled)	11/07/95		yes	no	no	yes	M	PPoB	DA	FD	yes	29	6
Romania	10/11/08	08/01/10	yes	no	no	yes	M	PPoB	DD	FD	yes	35	6
Russian Federation (new amendments initialled)	02/09/93	11/07/97	yes	no	no	no	S	PPoB	DA	B1	yes	18	6
Rwanda	21/01/74		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Saudi Arabia, Kingdom of	04/07/09		yes	no	no	yes	M	PPoB	DD	PD	yes	27	10
Senegal (new ASA initialled)	23/01/63		yes	no	no	yes	M	PPoB	DA	PD	yes	21	6
Serbia	31/05/02	28/08/03	no	no	no	no	M	SOE	DD	B1	yes	14	6
Seychelles	02/11/95		yes	no	no	no	S	SOE	CoO	PD	yes	9	9
Singapore	09/12/83		yes	no	no	yes	M	PPoB	DD	FD	yes	35	10
Slovak Republic	13/11/97		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Slovenia	04/12/92		yes	no	no	no	S	SOE	DA	PD	yes	6	6
South Africa	08/05/07	07/12/07	yes	no	no	yes	M	PPoB	DD	PD	yes	27	6
Spain	15/10/68		no	no	no	no	M	SOE	DA	PD	no	5	5
Sri Lanka	17/04/07	21/02/08	yes	no	no	yes	M	PPoB	DD	FD	yes	35	10
Sudan	04/04/83		yes	no	no	no	S	SOE	DA	B1	yes	10	10
Sweden	05/11/68		yes	no	no	no	S	SOE	DA	B1	no	11	11
Syrian Arab Republic	22/08/03		yes	no	no	yes	M	PPoB	DA	FD	yes	29	29
Tanzania	24/05/04	24/05/04	yes	no	no	yes	M	PPoB	DD	FD	yes	35	-
Thailand	18/01/10	03/02/10	yes	no	no	yes	M	PPoB	CoO	FD	yes	32	12
Togo	03/12/80		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Trinidad and Tobago	15/12/71		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Tunisia	21/05/60		yes	no	no	no	M	SOE	DA	other	yes	12	12
Turkey (new ASA initialled)	16/02/49		yes	no	no	no	M	PPoB	DA	B1	no	23	15
Uganda	17/04/67		no	no	no	No	S	SOE	DA	n/a	no	1	-
Ukraine (new ASA initialled)	21/07/93	25/03/97	no	no	no	no	M	PPoB	DA	B1	yes	16	-
United Arab Emirates (new ASA initialled)	13/03/89		yes	no	no	no	M	PPoB	DA	PD	yes	18	10
United Kingdom	21/12/93		yes	no	no	no	M	SOE	DA	B1	yes	14	14
United States	21/06/10	21/06/10	yes	no	no	yes	M	PPoB	FP	FD	no	38	28
Uruguay (new ASA initialled)	16/09/60		no	no	no	no	M	PPoB	DD	FD	no	27	-
Uzbekistan	14/07/94		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Viet Nam (new amendments initialled)	06/12/79	20/11/81	yes	no	no	no	M	PPoB	DD	PD	yes	24	-
Yemen	19/12/91	31/05/00	no	no	no	no	S	PPoB	DA	B1	yes	12	-
Zimbabwe	22/02/90	03/09/93	yes	no	no	no	S	SOE	DA	other	yes	8	-

(b) Plurilateral air services agreements

Partner	Date	Entry into force	5th[a]	7th[b]	Cabotage[c]	Coop[d]	Designation[e]	Withholding[f]	Pricing[g]	Capacity[h]	Stat[i]	ALI 2011[j]	ALI 2005
European Union	21/06/99	01/06/02	yes	yes	no	yes	M	PP+SOE	FP	FD	no	44	39

a A yes indicates that fifth freedom rights, even limited ones, are granted.
b A yes indicates that seventh freedom rights, even limited ones, are granted.
c A yes indicates that cabotage rights, even limited ones, are granted.
d A yes indicates that there are clauses allowing cooperation between airlines, such as code share.
e "S" indicates that designation is single, "M" that it is multiple.
f Type of withholding clause: Substantial Ownership and Effective Control "SOE", Principal Place of Business "PPoB" or Community of Interest "COI".
g Type of pricing clause: Double Approval "DA", Double Disapproval "DD", Country of Origin (CoO), Zone Pricing "ZP", Free Pricing "FP".
h Type of capacity clause: Pre Determination "PD", Bermuda I, "BI", Free determination "FD", other "O".
i A yes indicates that an exchange of statistics is foreseen by the agreement.
j As of 12.10.2012.
k The withholding clause is an "EU clause" which has been assimilated to a "COI" for the purpose of computing the ALI.
l The withholding regime is based on a waiver, which has been assimilated to "PPoB" for the purpose of computing the ALI.

4.94. Essentially, openness levels have increased because of the inclusion in Switzerland's ASAs of clauses on cooperation and code-share, which are typical of modern agreements (present in two thirds of new ASAs), and of principal place of business withholding provisions (34 cases). In addition, liberalizing the tariff clause from the restrictive "double approval" system to "dual disapproval" pricing, and the "free determination of capacity" clauses are goals of all new air services negotiations. Differently from the 2005 QUASAR profile, nearly all new agreements contain a "multiple designation" clause. As in 2005, 5th freedom rights are found in the majority of the new agreements.

4.4.3.1.2 Inland transport

4.95. Box 4.16 describes the main economic indicators of inland surface transport in Switzerland.

Box 4.16 Main economic indicators of inland surface transport

Inland surface transport
Total inland surface freight transport (million tonne/km): 2005: 27,431; 2006: 28,796; 2007: 28,945; 2008: 29,527; 2009: 26,859; 2010: 28,216
Modal split of inland surface freight transport (million tonne/km, 2010): road: 17,142; waterways: 100; rail: 11,074; total: 28,316
Total inland surface passenger transport (million passenger/km): 2005: 113,196; 2006: 109,680; 2007: 111,350; 2008: 111,703; 2009: 113,675; 2010: 115,243
Traffic volume per vehicle category (million vehicle/km, 2010): buses and motor coaches: 119; vans and lorries: 5,730

Source: Federal Statistical Office, Neuchâtel.

4.4.3.1.2.1 Road transport

4.96. Box 4.17 describes the main economic indicators of road transport in Switzerland.

Box 4.17 Main economic indicators of road transport

Road transport
Road freight transport
Fleet (2010): 348,553 vans and lorries
Volume (million tonne/km): 2005: 15,453; 2006: 16,337; 2007: 16,900; 2008: 17,262; 2009: 16,924; 2010: 17,142
Road passenger transport
Fleet (2010): 18,800 buses and motor coaches
Volume (million passenger/km): 2005: 86,023; 2006: 86,160; 2007: 87,492; 2008: 88,525; 2009: 89,930; 2010: 90,666

Source: Federal Statistical Office, Neuchâtel.

4.97. Road transport accounts for 63% of inland freight transportation while railways represent 37% of freight transportation.[90] At the geographical centre of Europe and as a transit country, notably between Germany and Italy, Switzerland confronts large inflows of international transit traffic, with potential infrastructural bottlenecks due to its mountainous terrain. Therefore, over the last 30 years it has developed a voluntarist policy of transferring road traffic to rail traffic, through incentives and infrastructural rail spending, and through regulations and taxation.

4.98. The objective of this modal transfer is to reduce the number of cross-alpine road trips to 650,000: in 2011, there were 1.258 million cross-alpine heavy vehicles (i.e over 3.5 tonnes) trips. The domestic conditions of establishment and operation are liberal, as are the bilateral agreements with third countries outside EU, relatively speaking (i.e. compared to average European bilateral agreements following the ECMT model agreement).

4.99. The main recent regulatory change regarding road transport was the 20 March 2009 federal law on road transport companies (LEnTR; RS 744.10), which entered into force on 1 January 2010. This law regulates the licencing of road freight and passenger transport companies and carries over the provisions on licensing that existed in the 18 June 1993 law on passenger transport. Box 4.18 below details further the main economic indicators as well as the regulatory framework of the sector.

Box 4.18 Switzerland's road transport framework

Regulatory framework
Establishment/domestic regulatory framework[a]**:**
Licensing requirement: operators require a licence (other than a driving licence) in order to establish a national road freight business (for transporting dangerous goods or goods for which sanitary assurances are required).
Licensing criteria: no other criteria than technical, professional, and financial fitness and compliance with public safety requirements.
Capacity regulation: the regulator does not have any power to limit industry capacity through licences or otherwise.
Pricing: professional bodies or representatives of trade and commercial interests are not involved in specifying or enforcing pricing guidelines or regulations. The retail prices of road freight services are not in any way regulated by the Government nor does the government provide pricing guidelines to road freight companies.
International regulatory framework:
Bilateral agreements: 50 bilateral agreements, with provisions significantly more liberal than average European bilateral agreements following the ECMT model agreement.[b] For a full list and the text of these agreements see http://www.wto.org/english/tratop_e/serv_e/transport_e/transport_land_e.htm, lines 735 to 784[c]

[90] However for purely cross-alpine traffic, the figures are virtually inverted: 64% for rail and 36% for road.

Switzerland-EU agreement: the agreement between the EU and Switzerland entered into force on 1 June 2002. Its core provision is the commitment by Switzerland to raise *erga omnes* - not only for the sole benefit of the European Union - the maximum permissible weight of vehicles from 28 to 40 tonnes, in exchange for EU recognition of the legality of a fee on heavy vehicles that is non-discriminatory, a function of the distance travelled, the weight and emission class of the vehicle, and intended to encourage the transfer of traffic (particularly transit traffic) to the railways and to contribute to the financing of the cross-Switzerland rail infrastructure. The agreement also liberalizes road transport between the EU member states and Switzerland, and opens up the market for transport between EU member states (*grand cabotage*) to Swiss carriers. At the same time, cabotage in the strict sense of the word (i.e. road transport within Switzerland or within an EU member state) was not liberalized. The agreement provides for mutual recognition of the licences needed to gain admission to the occupation, general harmonization of technical standards, and coordination of transport policies, in particular on combined rail-road transport. The EU-Switzerland agreement does not affect triangular quotas for freight or existing cabotage rights for passenger transport.

a OECD Survey of Indicators of Regulation in Energy, Transport and Communications. Viewed at: http://www.oecd.org/dataoecd/47/29/42480612.xls (data on road freight are available only in English), quoted in WTO document S/C/W/324, pp. 57-59.
b According to a World Bank Study "Review of bilateral road freight transport agreements (Quantitative Analysis of Road (Freight) Transport Agreements – *QUARTA Freight*)", mimeo.
c Two new agreements have been concluded since the last update of this database in 2008, one with Serbia (RS 0.741.619.682), replacing the 1962 agreement with Yougoslavia, and one with Kosovo (RS 0.741.619.475)

4.100. Table 4.10 details the quotas allocated for 2010 to Switzerland under the ECMT (European Council of Ministers of Transport) multilateral quota system.

Table 4.10 Road – Breakdown of ECMT basic licences by vehicle environmental category, 2010

Participants	Base 2010	EURO III safe lorries			EURO IV safe lorries			EURO V safe lorries		
		Licences		Total EURO III	Licences		Total EURO IV	Licences		Total EURO V
		Annual	Short term		Annual	Short term		Annual	Short term	
Switzerland	135	35	0	35	50	0	50	50	0	50

Source: WTO document S/C/W/324, 29 October 2010.

4.4.3.1.2.2 Rail transport

4.101. Switzerland has a very developed railway network connected internationally, including to high speed lines (Table 4.11). In addition to passenger traffic there is significant international transit of goods traffic through the Alps, notably between Germany and Italy. The importance of railway transport is reinforced by the voluntarist policy of transfer of a large part of cross-alpine road transport goods traffic to rail.

4.102. The interurban rail network comprises:

- Track: 5,697 km (2010) of which 5,630 km electrified, and 2,136 km double-tracked;
- Gauge: standard (1,435 mm): 3,890 km; 1,000 mm: 1,716 km; and 800 mm: 59,6 km
- Transport statistics: 437 million passengers (2009); 19,471 million passenger/km (2011); 61.8 million tonnes (2009), 11,526 million tonne/km (2011).

4.103. Unlike many European countries, Switzerland has never had a regime of public monopoly but rather a regime of coexistence between a large public company, SBB-CFF-FFS, and of several private companies whose number has diminished over time through mergers. Switzerland has developed a mutual access to network policy comparable *mutatis mutandis* to that of Japan and the United States. More recently, Switzerland has largely transposed into its legislation the first two packages of EU railway liberalization, and has opened its network to EU companies for the operation of freight trains. In addition to the three Swiss network-owning companies, several foreign railway freight companies, mainly of German nationality (DB Schenker, Transalpin

Eisenbahn AG, and TX Logistik) have created subsidiaries in Switzerland, obtained authorization to access to Swiss network, and the relevant safety certificate.

4.104. Table 4.11 describes the main interurban operators railway ownings of Switzerland.

Table 4.11 Main network-owning railway companies in Switzerland

Main interurban railway companies	Ownership	Network (km)	Regions and sectors of operations	Employees	Traffic (passenger and passenger km, tonnes and tonnes km)
SBB/CFF/FFS (Swiss Federal Railways), SBB Cargo AG	Limited company, 100% owned by the Swiss Confederation	2,982	Infrastructure: whole country; international interurban and regional passenger and freight transport. Urban rail transport (S-Bahn) in several regions	28,586 (2011)	Passengers: 347.1 million (2010) Passenger/km: 17,513 million (2010) Tonne/km: 13,111 million tonnes km
BLS AG BLS Netz AG, BLS Cargo AG	Limited company, Swiss Confederation, Berne canton, other cantons, private shareholders	440	Regional and urban passenger transport mainly in the Berne and Lucerne areas, international goods transport infrastructure	2,750	Passengers: 52.1 million (2008) Tonne/km: 2,980 million
RhB (Rhaetian railways)	Limited company (Graubünden canton: 51.3%, Swiss Confederation, 43.1%, private shareholders: 4.6%, municipalities: 1%)	366	Interurban passenger and freight transport in eastern Switzerland	1,300	Passengers: 10.6 million (2008) Tonnes: 0.81 million (2008)
SOB (SudÖstBahn)[a]	Limited company Swiss Confederation 35.2%, cantons: SG: 19.17%, SZ: 5.79%, ZH: 3.81%, TG: 1.8% AR: 0.87%, municipalities: 14.06%, private shareholders 18.68%	123	Interurban passenger transport in North-eastern Switzerland		Passengers: 13.26 million (2010) Passenger/km: 208 million

a Turnover of SwF 123.6 million in 2010.

Source: Compiled by the Secretariat from information on railway companies' websites.

4.105. In regulatory terms, the sector has been undergoing reform since the end of the 1990s. The first reform, which entered into force in January 1999, transformed SBB-CFF-FFS into a limited company still owned by the State; formalized the right of access for any railway company by instituting an arbitration commission; and separated the transport activities of railway companies from their infrastructure activities, from an accounting and an operational point of view.

4.106. A second package of reform was divided into two parts: the first, essentially of a technical nature (general regulation of public transport and safety rules and supervisory authority), was adopted in March 2009 and the second on 16 March 2012. Parts of this package entered into force on 1 December 2012 and the rest in summer 2013. The provisions of the new law deal with interoperability and safety; reinforcement of the role of the arbitration commission; the financing of protection services; and tendering procedures for concessioning regional passenger traffic.

4.107. These new provisions are aligning the Swiss law on the provisions of the first and second EU package of liberalization, except for the institution of a body independent from the infrastructure manager to allocate the paths. For now, paths for most of the Swiss network are allocated by Trasse Schweiz AG, a company co-owned by SBB, BLS, SOB, and UTP (Union des Transports Publics). However a commission of experts has been created to identify options regarding the independent allocation of paths. These options will be submitted to Parliament by a special message of the Federal Council. Transposition of the third EU railways package is also envisaged. It foresees the opening to international competition of international passenger transport, improves passengers rights, and creates a uniform railway driver permit, and the Swiss Government is observing how individual EU member states are implementing the directives of the three packages.

4.108. The main recent regulatory changes in the sector are recapitulated in Table 4.12 below.

Table 4.12 Railway law

Law / ordinance	Description
Federal law of 14 December 1990 on direct federal tax (LIFD, RS 64211)	Extends the fiscal exemption of SBB-CFF-FFS to all private railways companies
Federal law of 19 December 2008 on the transfer from road to rail of heavy freight transport through the Alps (LTTM; RS 740.1)	Sets the date of the objective of 650,000 maximum road trips to two years after the entry into service of the Saint Gothard base tunnel, and allows the Federal Council to conclude international agreement to institute a transit stock exchange where the right to cross the Alps would be auctioned
Ordinance of 25 November 1998 on access to railways network (OARF; RS 742.122)	Creates the possibility to auction the paths when offers are equivalent and sets the parameters of the pricing of the paths including environmental bonuses
Federal law of 20 March 2009 on passenger transport (LTV; RS745.1)	Foresees that the Confederation and the cantons may conclude with the railway companies pluri-annual conventions with a *bonus-malus* system based on the quality of services and on financial indexes. It also sets the conditions of the Confederation guarantee in case of investments in the transport sector by the railways companies and foresees the corresponding budgetary allotment
Ordinance of 4 November 2009 on passenger transport (OTV; RS 745.1)	Sets the principle and the parameters of the concessioning system for passenger transport

4.4.3.2 Liechtenstein

4.109. The Office for Economic Affairs is responsible for regulating the transport subsector and applies the relevant EEA law.[91]

4.4.3.2.1 Road freight and passenger transport services

4.110. Liechtenstein does not have any highways but has 108 km of main roads and 253 km of side roads. International road transport services for goods and passengers are supplied by private companies.

4.111. Liechtenstein also applies the Swiss Heavy Vehicle Fee. Road freight and passenger transport carriers require a permit issued by the Office for Economic Affairs: specific criteria must be met on, *inter alia*, reliability, financial standing, qualification, and business establishment. In addition, carriers need a special licence issued by the Office for Economic Affairs for international transport in the EEA. Liechtenstein is included in most bilateral transport agreements concluded by Switzerland. The agreements normally contain a "Liechtenstein clause" extending the provisions to Liechtenstein.

4.112. Public transport throughout the country is offered by the government-owned Verkehrsbetrieb LIECHTENSTEINmobil, which receives subsidies for its services.

4.113. As part of a comprehensive strategy to increase the public offer for passenger transport, the Liechtenstein Government transformed the Liechtenstein Bus Anstalt (LBA) into a public entity with an enlarged mandate. Besides the planning, organization, and marketing of public transport by bus, the new mandate includes responsibilities for local cross-border passenger transport by train. This new transport company, Verkehrsbetrieb LIECHTENSTEINmobil, has the competence to conclude contracts with service providers in these different fields and to enter into cooperation agreements with transport networks from neighbouring regions.

4.4.3.2.2 Rail transport services

4.114. Liechtenstein has a network of 9 km of railways. It has no rail company; the railway track is owned and operated by Austrian Federal Railways.

[91] See Annex XIII to the EEA Agreement.

4.115. With the aim of increasing the use of the railway track through Liechtenstein for local cross-border passenger transport, and to promote such use as part of a comprehensive public transport policy, Liechtenstein amended its Railway Act in order to transpose the relevant EEA legislation into national law. In accordance with EU directive 91/440/EWG, the new law provides for the separation of the management of railway operation and infrastructure from the provision of railway transport services, coupled with the principle of free access to the infrastructure by different railway undertakings. It also fully implements EU directive 2007/58/EG.

4.4.3.2.3 Air transport services

4.116. Liechtenstein does not have an airport, but has a privately owned heliport. It applies the EEA rules on civil aviation, which entered into force in 2003. Under an agreement concluded in 1950, the Swiss regulations on civil aviation also apply to Liechtenstein; this agreement was amended in 2003 to avoid conflict with EEA rules. Liechtenstein became a member of the European Aviation Safety Agency (EASA) in June 2006.

4.4.4 Other

4.4.4.1 Postal services

4.117. The Swiss postal sector is undergoing structural reforms, partially aimed at maintaining "euro-compatibility". Several modifications were made to the legislation during the review period. On 22 April 2009, the scope of the reserved area was reduced to letters weighing less than 50 g (modification of the 26 November 2003 postal ordinance, RO 2009 1665). The Postal Ordinance was fully re-organized on 29 August 2012 (RO 2012 5009) (Box 4.19).

Box 4.19 Market structure and regulatory framework of Switzerland's postal subsector, 2012

Economic indicators

Turnover: Swiss Post: SwF 8.6 billion (SwF 7.5 billion in Switzerland), rest of the subsector: SwF 196.6 million
Employment: Swiss Post: 61,600 employees (51,700 in Switzerland) or 44,300 full-time equivalents (in Switzerland: 37,700), rest of the subsector: 3,100 (expressed in full-time equivalents)

Regulatory framework

Governmental authority: Federal Department of the Environment, Transport, Energy and Communications (DETEC). At the federal level, the DETEC is responsible for the basic provision of infrastructure, goods, and services, which should be of good quality and available at affordable prices, on the same terms and conditions throughout Switzerland, to its entire population and all its regions. The General Secretariat of the DETEC on behalf of the Federal Council represents the shareholder interests of Swiss Post, together with the Federal Department of Finance (www.uvek.admin.ch)

Regulatory authorities: Postal Services Commission (PostCom)
The new postal legislation (2010), established PostCom as the new independent regulatory authority from 1 October 2012, replacing the Postal Regulatory Authority (PostReg) and the Post Office Commission (http://www.postcom.admin.ch/en/index.htm)

Designated operator: Swiss Post is the sole operator responsible for universal service, in accordance with the Postal Law (PL) of 30 April 1997. Swiss Post is an autonomous federal enterprise under public law with its own legal identity (RS 783.1 www.admin.ch/ch/f/rs/7/783.1.fr.pdf). Its corporate name appears in the commercial register and is therefore protected throughout the country (www.post.ch).

Restructuring/postal reform: the PL was amended in 2003 (effective 1 January 2004, OPO; RS. 783.01 www.admin.ch/ch/f/rs/7/783.01.fr.pdf); in particular it introduced a mandate for Swiss Post regarding infrastructure. Also in 2004, the revised postal ordinance reduced the extent of the monopoly (full liberalization of the parcels market), introduced a concession (licence) system, improved the quality control of and access to the universal service, enhanced accounting transparency, particularly for avoiding cross subsidies and establishing better control over the universal service, and set up PostReg. In 2006, the scope of the reserved area was reduced to letters weighing less than 100 g and in 2009 to 50 g (22 April 2009, RO 2009 1665 www.admin.ch/ch/f/as/2009/1665.pdf). A 9 November 2011 modification of the Postal Ordinance (RO 2011 5227 www.admin.ch/ch/f/as/2011/5227.pdf), foresees that the Independent Extra-parliamentary Commission in charge of assessing access to universal service in a region concerned by a transfer or a closure of a post office shall be convoked by the Federal Council, and no longer by the Federal Department of the Environment, Transport, Energy and Communications (DETEC). In May 2009, the Federal Council submitted to Parliament a draft of a complete revision of the Postal Law and of the Law on Postal Organization.

The Swiss Parliament adopted a new Federal Law on Postal Services on 17 December 2010 (FF 2010 8241 www.admin.ch/ch/f/ff/2010/8241.pdf as well as a new Federal Law on Postal Organization FF 2010 8257 www.admin.ch/ch/f/ff/2010/8257.pdf). The new legislation (including the respective ordinance) entered into force on 1 October 2012. The new provisions deal notably with: (1) definition and financing of postal services and payment services belonging to universal service (2) transformation of Swiss Post into a public law limited company (3) suppression of the fiscal advantages of Swiss Post and of its state guarantee (4) unbundling of the financial services unit, which is to be transformed into a private law limited company and whose activity will be subject to the supervision of the financial market authority (FINMA) (5) regulation of the market of postal services (6) replacement of the concession regime by a notification obligation imposed on all postal services providers (7) inter-operability rules among postal services providers (postal box access and exchange of data) (8) definition of criteria giving access to reductions granted for the delivery of certain press products (9) organization of the supervisory authorities for postal regulation The draft ordinance (www.admin.ch/ch/f/gg/pc/documents/2092/OPO_Projet_2012-01-18_fr.pdf) has been the object of consultation with interested stakeholders (cantons, political parties, associations, etc. To a great extent, the draft ordinance was welcomed by the participants in the consultation. Critical remarks were made by economic circles, mainly about provisions in the areas of postal services and payment services within the universal service, the procedure of notification for postal services providers, the working conditions that are customary in the sector, the inter-operability rules and the prohibition of cross-subsidization.
<u>Universal service</u>: universal service comprises: reserved services and non-reserved services: reserved services are exclusively provided by Swiss Post (monopoly). They include the delivery of letters posted in Switzerland or originating from abroad and whose weight does not exceed 50 g; non-reserved services are services where Swiss Post is in competition with private providers. These services, which are subject to a concession regime when delivered by private operators, include (a) postal deliveries of letters posted in Switzerland or originating from abroad and whose weight is above 50 g, (b) postal delivery destined for abroad, (c) transport of parcels up to 20 kg, (d) transport of periodicals and newspapers, (e) payment services.
<u>Free services</u> are services that Swiss Post may provide in addition to universal service in competition with private operators from Switzerland and abroad for instance EMS and Mail Exchange Services
<u>Services</u>: the Federal Council determines the scope of postal services.
<u>Rates</u>: for the reserved services, Swiss Post sets the prices according to the legal requirements. The Federal Council fixes ceiling prices. For the other services, Swiss Post sets the prices of its services itself; these prices are subject to the control of Monsieur Prix, but only if Swiss Post still has a dominant market position.
<u>Financing methods</u>: Swiss Post has to finance its own services. There is no access to the financial markets. The Federal Council assigns Swiss Post strategic objectives for a four-year period. In parallel with the management report, Swiss Post's management board reports to the Federal Council on the implementation of its objectives.
<u>Status of personnel</u>: the status of Swiss Post staff is governed by the Law on Confederation Staff, which entered into force on 1 January 2002. This law is supplemented by a collective labour agreement signed between Swiss Post and the trade unions. The new Federal Law on Postal Organization stipulates that 2 years after transformation into a public law limited company (foreseen in mid-2013), the staff's contracts will be converted into contracts under private labour law.
<u>Establishment and level of remuneration</u>: Swiss Post sets its own policy.

Source: UPU; and information provided by the Swiss authorities

4.4.4.2 Distribution

4.118. Distribution services account for 15.9% of Switzerland's GDP. They are an important component of Switzerland's services economy, and are characterized by two features: the importance of wholesale trade, which accounts for nearly twice the value added of the retail sector, partially due to the historic specialization of Switzerland in trading activities; and the high concentration of the retail sector, specially of supermarkets and department stores, which is also a feature in high level income/comparatively less populated countries of Europe (e.g. Nordic countries). Due to the difference of income per capita with neighbouring countries, the strong the Swiss franc, and comparatively high domestic prices notably for food products, the Swiss retail sector is suffering strong competition from neighbouring countries' distributors (so called "purchasing tourism"), valued at SwF 4 billion to SwF 5 billion in 2011 (roughly 5% of the turnover of the sector). Still, discounters only hold a marginal part of the retail food market (10% versus 44% in Germany and 50% in Norway). Electronic trade, both the business-to-business and the business-to-consumer segments, is progressing rapidly, including on a cross-border basis.

4.119. In terms of access, many foreign distributors are present in Switzerland, notably in the form of franchises. Access is not subject to economic needs tests but to relatively stringent environmental and zoning requirements at a local level; the average processing time for applications and related construction permits tends to be longer than the European average. Due to the high concentration of the sector, the Competition Commission (Comco) monitors it closely including the electronic trade subsector. There are no recent or planned regulatory changes for this sector. Box 4.20 details the main market indicators of the sector and its regulatory framework.

Box 4.20 Switzerland's market and regulatory framework for distribution services, 2012

Economic data
Main economic indicators
Number of employees (2011): wholesale: 211,800, retail: 321,300
Number of companies (2008): wholesale: 19,845, retail: 34,731
Value added (2010): SwF 91,688 billion, of which wholesale: SwF 57,389 billion; retail: SwF 26,845 billion; wholesale and retail trade of vehicles: SwF 7,454 billion
Share in total GDP (2010): 15.9%, of which wholesale: 9.9%; retail: 4.7%; wholesale and retail trade of vehicles: 1.3%
Share of total employment (2011): wholesale: 5.3%, retail: 8.0%
Concentration in the supermarket sector: top 2: around 80%, fourth highest degree of concentration in Europe (after Norway, Denmark, and Finland) with an Herfindahl-Hirschman index of 0.06 in 2005. Average size of hypermarkets: 3,400 m^2 (European average 4,400 m^2); average size of supermarkets: 639 m^2 (European average 700 m^2); share of the discounters: 10% of the turnover of the segment
Total number of retail outlets: 49,000 "Traditional" versus "modern" retail sector: chain stores accounted for 55% of employment in the subsector in 2012
Density of outlets: (in 2005) 1.2 outlets per km^2 and 6.4 per 1,000 inhabitants
E-commerce: 1.8% of total annual household spending in 2009, i.e. a turnover of SwF 4 billion In 2008, 75% of all companies in Switzerland used electronic commerce for purchase of merchandise and services, whereas 31% sold their products over the Internet. In 2001, 2.9% of the procurement expenses of companies using the Internet were spent online (electronic commerce intensity); in 2008, 15.1% of the procurement expenses were made online. Considering all companies in Switzerland, the intensity of electronic commerce rose from 1.9% in 2001 to 7.2% in 2008. In 2010, there were 1,873 secure webservers (with SSL certificate) per million inhabitants, compared with only 21 in 1998, an increase of almost 9,000% in 12 years.
Main foreign distributors present on the Swiss market: 200 franchise networks mostly foreign (primarily from the US, the UK, and Germany).
Regulatory framework
Legislation on exclusive rights or on limitations of number of suppliers: the distribution sector is open, excluding services related to goods subject to import authorization, to pharmaceutical products (RS 812.21), toxics (RS 813.1), explosives (RS 941.41), weapons and ammunition (RS 514.54), and precious metals (RS 941.31). Wholesale trade of alcohols is also subject to a licensing system based on good reputation (RS 680, Article 40.III).
Legislation on franchising: there is no relevant law applicable. The Code of Obligations (http://www.admin.ch/ch/f/rs/22.html), especially the general rules on contract law, applies, but it does not specifically concern franchise contracts. All forms of franchise contracts are allowed (single franchise from a foreign-owned Swiss subsidiary, single franchise from abroad, master franchise, etc.).
Competition legislation: like for other sectors, mergers of retailers are examined by ComCo/WEKO from the point of view of competition, e.g. the conditions attached to the absorption of Denner by Migros or to the takeover of former Carrefour hypermarkets by Coop. The cartel law applies to the distribution sector and ComCo/WEKO conducts numerous investigations in the distribution sector, e.g. the 2011 Nikon case on attempts to prevent parallel imports, the ASCOPA case on cartel in the luxury cosmetic branch, and the investigation on online trading restrictions (Electrolux - VZug case)

Zoning/urbanism legislation: there is no limitation to market access, as such (for instance: two new retailers, i.e. Aldi and Lidl from Germany have opened large numbers of shops in recent years, while others, like Carrefour from France, have left). Distribution services are mainly regulated at the cantonal and communal level. These regulations deal primarily with land use and environmental aspects (such as the size of parking areas next to the stores, to limit the motorized traffic, including the obligation to receive parking taxes above a certain level of traffic) or in some cases also requirements to locate next to public transportation. An environmental impact study is required for any project above 5,000 m^2 or 500 parking spaces. On average, the processing time for construction permits is longer than in many European countries and hence inferred higher costs.

Authorization procedure and thresholds applicable to the opening of new supermarkets: cantonal and/or municipal enactments provide an authorization procedure for large-scale distribution facilities that may lead to rejection of an authorization, on a case-by-case basis, based on environmental, zoning, and urban criteria such as traffic, parking spaces, and proximity of bus stops. No economic needs tests or other market access/national treatment restrictions, apply (in the GATS sense) or authorization criteria based on commercial or competitors considerations. Thresholds may vary; there is no overview of cantonal and municipal authorization criteria. The cantonal restrictions on sales areas mentioned in the GATS commitments no longer exist as limitations have been reduced to the above-mentioned authorization procedures for large-scale distributions outlets.

Source: Information provided by the Swiss authorities.

4.4.4.3 Tourism

4.4.4.3.1 Switzerland

4.120. Tourism is an important component of the Swiss economy. In 2010, the sector employed some 144,000 people (full time equivalent), amounting for 4.1% of total employment; the share of tourism in GDP was 2.8%; and Swiss hotels accounted for 35.5 million overnight stays. However the strength of the Swiss franc and comparatively high costs and prices have had a negative impact on the number of foreign, and notably European, arrivals in recent years. Nevertheless, tourism to Switzerland remains very popular in international markets, with arrivals in hotels reaching 8.6 million in 2010, the highest on record. The five leading origin markets of Germany, UK, France, the United States, and Italy together accounted for 4.9 million arrivals or 56% of total arrivals. Germany alone accounts for over a quarter of all arrivals and is by far the largest origin market. Tourism is regulated at the federal, cantonal, and municipal level. In June 2010, the Swiss Federal Council approved a new growth strategy for tourism, which sets out the major lines of development for the medium- and long-term. Implementation began in 2012. The new national tourism policy and its guiding principles are designed to portray Switzerland as an attractive and successful tourism destination with a special emphasis on sustainability. From 2012, implementation of the growth strategy will be based on four-yearly programmes. The first of these was established in early 2012. Box 4.21 details the main market indicators of the sector and its regulatory framework.

Box 4.21 Switzerland's market indicators and regulatory framework for tourism

Tourism in general

Economic data
Share of tourism services in GDP: 2.8%
Number of inbound tourists: 8.6 million,; 29th rank worldwide (2010)
Inbound tourism expenditures: US$17.8 billion, 16th rank worldwide (2010)
Number of outbound tourists: 16.5 million (2009)
Outbound tourism expenditures: US$13.3 billion (2010)
Numbers of full time employees (2010): 144,351 (4.1% of total employment)

Regulatory framework
Level of regulation: federal, cantonal, and municipal
Legislation on Swiss tourism: Federal Law on the Swiss National Tourism Office of 21 December 1955 (RS 935.21; http://www.admin.ch/ch/f/rs/c935_21.html), no recent or planned changes, and ordinance on Swiss Tourism of 22 November 1963 (RS 935.211), modified twice since 2008 to transpose the new rules on state-owned enterprises governance and in 2010 to include the staff rules. Updated version available at: http://www.admin.ch/ch/f/rs/c935_211.html.
For an overview of cantonal laws see: http://www.swisstourfed.ch/index.cfm?parents_id=1016

Legislation on Swiss Society for Hotel Credit (SCH): Federal Law on the encouragement of the sector of lodging and hospitality of 20 June 2003 (RS 935.12, http://www.admin.ch/ch/f/rs/c935_12.html), no recent changes; and related ordinance of 26 November 2003 (RS 935.121, http://www.admin.ch/ch/f/rs/c935_121.html), last modified in 2010 to incorporate the staff rules. The Federal Law on promotion of innovation, cooperation and knowledge building in tourism (Innotour) of 30 September 2011 (RS 935.22 http://www.admin.ch/ch/f/rs/c935_22.html) and related ordinance of 30 November 2011 (RS 935.221 http://www.admin.ch/ch/f/rs/c935_221.html), replacing the law of 10 October 1997, and the ordinance of 15 October 2003. The resources committed to promoting tourism by the Swiss Confederation amounted to SwF 164.5 million in 2011. Resources were used for Swiss Tourism as well as innovation and cooperation in tourism, production of information and documentation, and for Swiss affiliations to international organizations.
Hotels Total number of hotels: 5,477 Number of nights: 35.5 million (2010) Total turnover of the hotel industry: SwF 3.792 billion (2010) Total employment in the hotel industry: 35,300 (2010)
Restaurants Number of food and beverage establishments: 21,241 (2008) Total turnover of the restaurants industry: SwF 2.533 billion (2010) Total employment in the restaurant industry: 38,800 (2010)
Travel agencies, tour operators, and tourist guides
Economic data Number of travel agencies and other reservation services activities: 2,342 (2008) Foreign-owned travel agencies and tour operators: all major foreign travel agency networks are established in Switzerland Total turnover of the travel agencies, tour operators, and tourist guide industry: SwF 1.54 billion (2010) Total employment in the travel agencies, tour operators, and tourist guide industry: 11,900 (2010)

Source: UNWTO Compendium of Tourism Statistics, 2012 Edition; and Swiss Federal Statistical Office.

4.4.4.3.2 Liechtenstein

4.121. Tourist arrivals and nights spent by tourists in hotels in Liechtenstein had been declining since the 1980s, but began to increase again in 2004. About 63,000 nights were spent in hotels in Liechtenstein in summer 2011 and 54,900 nights in winter 2010/11. The majority of tourists arrive from Germany and Switzerland. Nights spent in all types of accommodation in Liechtenstein declined from 267,800 in 1980 to 166,800 in 2010.

4.122. Liechtenstein's marketing regulations are similar to those of Switzerland, except for rules governing the acquisition of real estate. Liechtenstein Marketing, a state institution established by the law of 20 October 2011 on the promotion of Liechtenstein as a business and a tourism destination, is the main promotional agency responsible for marketing tourism in Liechtenstein. Its activities in business destination, tourism destination, and participation in major events are initially financed with a public support of SwF 2,500,000. Additional revenue is derived from the accommodation tax. Certain promotional activities are coordinated with Switzerland. Tourism activities are also marketed by local tourism initiatives and the municipalities.

4.123. The acquisition of holiday apartments (secondary residence) above 1,000 m altitude is limited to households that are resident in Liechtenstein and have Liechtenstein, EEA or Swiss nationality. No more than one secondary residence is allowed per household.

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