



THE PUBLIC RAILWAY COMPANY IN BELGIUM

**A WORK IN PROGRESS BASED ON EUROPEAN
BENCHMARKING**

**CAROLE COUNE
MANAGEMENT BODIES ADVISORY AND SUPPORT
SNCB-HOLDING**

1. FINDINGS

1.1. Mobility is vital to both the economy and society

Mobility is the key to economic prosperity. Good mobility is also vital to human beings and essential for social well-being. Thanks to its central location, Belgium possesses one of the densest rail and road networks in Europe.

□ *Figure 3: Density of some European rail networks in m/km²*

1.2. Trains: energy efficient, environmentally friendly and safe

- a) Over the next few decades, the energy market will be required to face major challenges. This is why it is important that energy be used as effectively as possible. Thanks to its low energy consumption, rail transport will have a vital role to play in promoting the overall mobility of the public.
- b) With regard to the emission of greenhouse gases, railways also score excellent results. To make a comparison with car travel, individual train users in 2007 produced an average of 31 grams of CO₂ per kilometre travelled, compared to 156 grams per kilometre for a car with an average of 1.4 people on board - which means that rail users produce 5 times less CO₂ than car users.
- c) Rail transport is a particularly safe form of transport. Rail accidents are so rare that when one happens, the media can talk of nothing else for weeks on end. In Belgium, the last serious rail accident happened on 15 February 2010. It was quite spectacular, with approximately twenty victims. Just as many people die in road accidents every month, without the media making a single comment about it.

□ *Figure 4: Energy efficiency of goods and passenger transport, CO₂ emissions, safety of rail or road traffic*

1.3. Rail's market share

□ *Figure 5: Rail's market share of passenger and goods transport in some European countries*

2. CURRENT SITUATION OF THE BELGIAN RAILWAY SECTOR

Main challenges faced in increasing the market share for the two types of traffic

2.1. Passenger transport

At the conclusion of the 2012 OECD International Transport Forum, all of the Transport Ministers from the member countries declared their determination to pursue policies aiming to ensure **maximum connectivity and seamless transport**.

Jean-Pierre Loubinoux, Director General of the International Union of Railways (UIC), stated: "We must ensure the connection of systems through the use of new technologies, the connection between modes of transport in order to link people and markets, and the connection of ideas."

In Belgium, this policy is implemented by the desire to develop **network mobility**., using the railway as a starting point.

□ *Figure 7: Network mobility: an evolution from traditional concepts of mobility*

Today, we are more mobile than ever: smartphones allow us to check our e-mails on the go. They also allow us to consult significant amounts of information in order to develop an optimal mobility solution.

It is in this spirit that SNCB Group has created Go-Mobile, which enables passengers to access a tool for **planning journeys or viewing up-to-date information on rail traffic** via the Go-Mobile.be website. With the help of Go-Mobile, passengers can choose **the best form of travel to get where they want when they want. They can therefore perfectly plan their journey and navigate.**

□ *Figure 8: Scotty, the Go-Mobile multimodal ICT platform (Belgium)*

Network mobility can truly initiate **social regeneration** because it helps in meeting **three major challenges currently faced in Europe: coexisting in harmony, the environment, and economic growth**.

a. Coexisting in harmony

Public transport is an extraordinary urban testing ground of our ability to live together. The shops, businesses and all types of social and cultural activities that flourish in our stations are the result of **the increasing tendency in urban development to organise city life around train stations**.

Because stations are often located in **the city centre, and thus play the role of gateway** to urban living, they have become the hearts that pump life into their cities. Hundreds of events are organised each year in Belgian stations: fashion shows, concerts, tango lessons, choirs, flash mobs, exhibitions, swap meets, themed markets, and more.

Rail transport seems to be moving towards the station of tomorrow. The most well-integrated and effective stations are the outcome of decisions that reconcile challenges and constraints at different levels and mobilise stakeholder support behind a project.

The issue at stake is the will to accomplish an ambitious project that will benefit everyone from stakeholders to users and, in a broader sense, the community.

□ **Figure 9: The stations of today**

b. The Environment

Human beings have become more aware that they can no longer travel without taking into consideration the impact of their journey on the environment.

Public transport has increasingly become the go-to means of transport in our interconnected life.

Today's mobility is an interconnected system comprising many partners, both big and small - and just as many solutions thanks to the use of new technologies such as the route planners mentioned earlier.

Going to and from the station, everything is organised for the provision of individual or group transportation, from the first to the last mile: parking areas for cars and bicycles, carpooling, bus, tram and metro routes, electric vehicles, taxis, and car hire points.

Today in Belgium, is there an authority in charge of organising sustainable mobility and managing public transport, car sharing, car pooling and bike-share systems, parking areas and the road network?

So far, there isn't one. But shouldn't this be the role of the public railway company of tomorrow?

□ **Figure 10: Car sharing**

Belgian stations are now designed to help save time while travelling or waiting in the station: their range of convenient services, shops, and social and cultural activities provide plenty of things to do and save passengers extra trips.

In this way, intelligent mobility enables us to avoid useless journeys.

This is because network mobility may be just as much physical as virtual, but always optimised to ensure growth and sustainability.

c. Economic Growth

"Transport and technology form the backbone of global trade," declared OECD Secretary-General Angel Gurría at the presentation of the Transport Outlook for 2012.

He went on to add that "making wisely-targeted investments in new capabilities and in intelligent, smart mobility technologies while taking measures to ensure their best possible use can provide a new source of growth".

OECD expects the following future trends:

1. Mobility will see substantial growth, particularly outside of the OECD area: global volumes could increase by a factor of 1.5 to 2.5 between 2010 and 2050.
2. CO₂ emissions will be stabilised thanks to improved technology, especially in the most developed countries.
3. Outside the OECD zone, passenger transport policies could reduce emission growth from a quarter to one-third by 2050, which will require a strong, enduring commitment from public authorities - especially concerning the integration of public transport, to make it more seamless and more appealing to users; limiting network capacity for cars, to achieve more efficient network use; and the abolition of free parking, (which is essentially the provision of free access to public space to private vehicles).

□ **Figure 11: All aboard (some significant data on the evolution towards more sustainable forms of transport)**

2.2. Freight transport

The linking of seaports and airports, the internalisation of road transport costs and the investment in rail equipment for freight are all necessary to the economic development of any country.

The key challenge will be to make progress on these different points despite a growing increase in the main operator's deficits and the fact that the economic crisis is hampering public and private capacity for investment.

2.3. Overall organisation

The Minister of Public Enterprises, Paul Magnette, has proposed a new organisational structure for Belgian railways. In this organisational structure, essential railway activities would be entrusted to two strong public entities: the infrastructure manager and the railway company; and only a few common services would be provided by a third party. Time will tell if this proposal enables us to integrate the

lessons learned from the French experience, as diagnosed on the occasion of the Railway Hearings (les Assises du Ferroviaire), which underlined the need to bring together the infrastructure management skills currently divided up between the SNCF Infrastructure branch and the RFF, as well as the value of creating a pivotal group. In all of these cases, the challenge will be to ensure that everyone is aware of the focus on customers.

□ *Figure 12: Minister Paul Magnette's proposal to the Belgian government*

3. THE FOURTH RAILWAY PACKAGE, THE FUTURE OF EUROPEAN RAIL

The current European hearings on a future **Fourth Railway Package** reflect European concern over the **quality and the effectiveness of railways**.

In Great Britain, after 15 years of the vertical unbundling of railway activities, the overall costs of the system are on average 30% higher than in other countries. In order to resolve the issue, Great Britain is, today, leaning towards an alignment of the interests of the major stakeholders in the system. The reconciliation between Network Rail and the railway operators is an objective that may go as far as the attribution of concessions combining infrastructure services and transport operations. In this case, the issue at stake is price. In other places, such as Belgium, the issue is quality.

□ *Figure 14: Domestic passenger train punctuality in Belgium from 1996 to 2011*

Everywhere in Europe, the challenge is to design a system that guarantees:

- the growth of the railway's market share in passenger and goods transport
- and at the same time, full customer satisfaction with the level of mobility as well as price and quality.

The latest strategy agreed upon at the informal Council for European Union Transport systems (in July 2012) is similar to the one adopted in Belgium: to further integrate transport with new technology.

□ *Figure 15: Declarations by Mr Eftymios Flourentzos, Cypriot Minister for Communications & Works, taking on Cypriot Presidency of the EU Council*

The reinforcement of the regulation, and specifically the coordination of European regulatory bodies, is a subject that is currently being debated in preparation for the Fourth Railway Package.

4. THE FUTURE OF BELGIAN RAIL

10 objectives need to be reached in order to develop the railway's market share in passenger and goods transport while satisfying customer needs with regards to price and quality:

- 1 The user-customer as the starting point for growing and sustainable mobility
- 2 The public railway company, driving network mobility
- 3 Best value for money
- 4 Financial health
- 5 Optimal use of public resources
- 6 Transparency of financial flows
- 7 Strong regulatory body
- 8 Attractive pricing
- 9 Governance: from "my tracks, your trains" to "our railways"
- 10 Social consensus

Focus on five of these objectives:

1. The public railway company offers the best value for money

Quality is a prerequisite to the achievement of growth.

In the short term, the Belgian public railway company must improve its results, namely in terms of punctuality and information, so that the public service is restored to an adequate level.

In order for customers to be the true central focus of operations, the entire mobility chain must be placed in the hands of one company: the public railway company or the operator with the public service mandate.

□ *Figure 17: Creating the mobility chain.*

2. The public railway company and optimal use of public resources

2.1 Optimal use of public resources

The internal organisation of the company must ensure that public resources are used optimally.

Growth in passenger traffic and positive changes in SNCB Group operating grants, which began in 1999, must be continued.

□ *Figure 18: Changes in passenger traffic and SNCB Group operating grants*

The management contract must define a public service offer that takes into account the needs of the Belgian population and its economy.

2.2 What the Belgian population needs

The right to mobility is a basic democratic right. It is important to continue charging reasonable rates, as has always been the case in Belgium.

□ **Figure 19: European benchmarking of rail passenger transport tariffs**

2.3. What the Belgian economy needs

Between 2005 and 2030, the Federal Planning Bureau expects a growth of about 60% in goods transport and predicts that rail transport will play a vital role in the sustainable development of mobility.

To ensure the greatest chances of success in the strategic plan approved by SNCB-Logistics as well as the development of rail freight in Belgium, we suggest that public resources be dedicated in all transparency to the development of rail freight.

We are not the only ones. The UIRR is calling upon the European Commission to make rail freight quality improvements a priority of the Fourth Railway Bundle. Because it represents over a third of the number of tonnes/km transported by train in 2011, the position of this organisation is compelling.

□ **Figure 20: UIRR's position on the development of rail freight**

In Belgium, a possible option would be to transfer all infrastructure and services related to freight to the public railway infrastructure manager so as to ensure non-discriminatory treatment of all operators.

The seaports and any other third-party investor that provide added value could be associated with the management and funding of strategic assets, such as the terminals including the Main Hub for the servicing of the Antwerp port and the Main Hub areas.

The management of these terminals should guarantee access to all external service providers and operators; that is, SNCB-Logistics and its subsidiaries as well as any other rail operator. The public railway infrastructure manager could also be put in charge of certain unprofitable short-distance services and the organisation of a customer service platform for shippers to improve customer satisfaction.

3. The public railway company and the transparency of financial flows

Transparency must be a fundamental element in the management of the company. Without transparency, adequate management is impossible. Our partners have the right to verify our financial health and form their own ideas of the Group's efficiency, our employees' ability to innovate, and the quality of our governance.

The structure of the company must guarantee **totally transparent financial flows, and all forms of cross-subsidies must be excluded.**

The creation of different legal entities can contribute towards transparency, provided that the required monitoring and governance are set up.

The public railway company has an important part to play in promoting mobility in Belgium. **To do this, it must develop and optimise synergies within the Group, and with public transport and mobility in Belgium.**

Current experience shows that when careful attention is paid to adequate monitoring and governance, these activities not only contribute financially to the whole, but also add to the success of rail transport.

Significant activities generating long-term recurring income are as follows:

- Sale of advertising space available within the rail network
- Operation of high-quality parking facilities
- Sale of excess fibreoptic network capacity
- Export of our know-how

These products can, via transparent financial flows, help provide funding support for the development of rail freight.

□ *Figure 21: "Truth never damages a cause that is just" Mahatma Gandhi*

4. Strong regulatory body

One of the best-known studies on the degree of rail liberalisation and market opening within the European Union, Switzerland and Norway was undertaken by IBM in collaboration with the University of Humboldt (Berlin).

It shows that market access for new rail operators is not necessarily stimulated by the degree of separation between infrastructure and operations. Instead, the study shows that a strong and independent regulatory body is the primary factor of success in rail liberalisation.

In its capacity as guarantor of fair and non-discriminatory infrastructure access, the regulatory body must be supported by sufficient human and IT resources.

Access to the regulatory body and its means of actions must be simplified.

One of the challenges for which the regulatory body must have suitable powers is the **resolution of conflict**.

Reinforced cooperation among European regulatory bodies, introduced by the revamp of the First Railway Package, may be one of the topics to be discussed in the Fourth Railway Package.

We feel that this topic is more of a priority than the new European regulations on the organisation of railway companies and that it goes beyond the interests of the rail sector alone.

In different cases, we can see that the sudden disintegration of certain companies is followed by a vertical reintegration phase, in parallel with horizontal integration.

Carine Staropoli and Anne Yvrande-Billon, University of Paris 1 Pantheon-Sorbonne, France, Annals of Public and Cooperative Economics 2009, Ciriec international:

"The governance structures initially implemented by the reforms have been deeply and rapidly modified such that we naturally wonder if the model of radical restructuring of network industries is effective and if it will last or if it is only a transitory step towards an organisational structure that is more stable and closer to the initial governance structure."

Until an appropriately functioning market is set up, this "trial and error" policy will engender a long transition period with the disintegration of current organisational structures and operational models, after which the industry will finally be confronted with high costs and a loss in credibility.

The objectives and issues of a European regulation must be reviewed within a larger context, rather than just focusing on the structure and organisation of economic stakeholders.

Isn't this a necessity felt in all sectors of the economy? In the banking industry for example, the absence of adequate regulations in financial markets has had such a disastrous effect on public finances that its full impact has yet to be measured.

Adequate regulations help stimulate healthy competition and market performance and also ensure that the market stays attuned to both society and economy even while it focuses on innovation.

5. A new governance, from "my tracks, your trains" to "our railways"

The new governance must lead to a new frame of mind so that we can move from the "my trains, your tracks" mindset to that of "our railways" (based on Reforming our Railways: putting the customer first, Department of Transport, United Kingdom, March 2012) , and achieve **a strong customer-oriented attitude** in rail transport.

Unity of command is important for all businesses that have a direct relationship with customers or the mobility chain. This is why they must be encompassed within the operator with the public service mandate. The public service mandate must be covered within a single management contract.

Example: In 1998, the Regularity Task Force was created. Presided over by the Deputy Managing Director, it presented reports at each Executive Committee meeting. All operational entities were present and solutions were sought together. This initiative led to continued and improved regularity from 1998 to 2004 despite the completion of major projects. From 2005 onwards, as a result of the demerger, regularity decreased systematically.

□ **Figure 22: Regulation and governance**

Conclusion

The challenges are known and models for success exist. Ideas and projects are currently in progress and being negotiated.

Let's recall the final objective: to increase rail's market share in passenger and goods transport considerably.

We are left with the biggest challenge of all: making the right decisions and - most of all - continued action.

With the aim of achieving, thanks to the public railway company, **social regeneration**.

□ **Figure 23: Photo of the first children in the Liege-Guillemins station childcare facility (opening on 3 September) - Social regeneration**