

Qualitative Market Monitoring: Summary of the results of the survey of Applicants

Disclaimer

This report describes the opinions expressed by the participants in the survey organised by the Regulatory Body and does not commit the latter in any way.

1. Introduction - Methodology

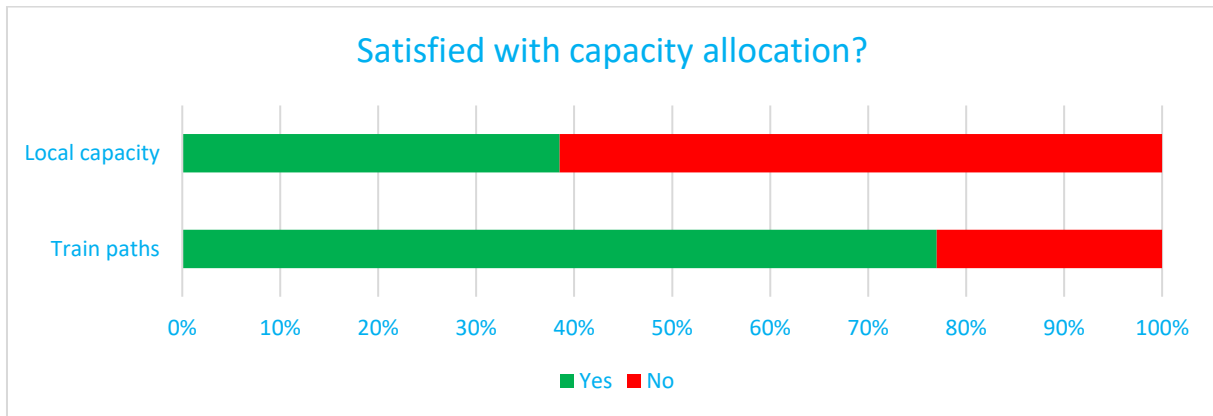
As part of its legal obligations, the Regulatory Body regularly conducts surveys among the actors in the railway sector in order, among other things, to gather their opinions on the evolution of the development of railway markets and service facilities.

In this context, twelve Railway Undertakings operating in Belgium and one Applicant non-Railway Undertaking responded to a questionnaire. This survey was complemented by meetings with these various actors.

This report attempts to summarise the responses received and the discussions that the Regulatory Body had with the Railway Undertakings. The themes addressed during these discussions are the following:

- 🔗 Allocation of infrastructure capacity ;
- 🔗 service facilities ;
- 🔗 energy costs;
- 🔗 the availability of train drivers;
- 🔗 rolling stock;
- 🔗 the Network Statement;
- 🔗 the tariff structure of infrastructure charges;
- 🔗 the priorities for railway investments.

2. Capacity allocation and availability



Train paths

The survey shows that 77% of undertakings are fairly satisfied with the allocation of train paths. However, some undertakings believe that the robustness of the granted train paths can be improved. Some Railway Undertakings consider that procedures should be formalised when alternative train paths are granted to replace withdrawn paths. Sixty percent of the undertakings surveyed believe that it would be useful for them to have access to a tool that would allow them to know what capacity is available on the network at any given time. This request was already expressed in the survey carried out by the Regulatory Body in 2014. Most Railway Undertakings expressed dissatisfaction when works disrupted the process of using requested train paths and reduced the available capacity. The way in which the impact of the works was managed by the Infrastructure Manager is widely criticised.

The reasons for the dissatisfaction expressed are manifold and mainly concern the following aspects:

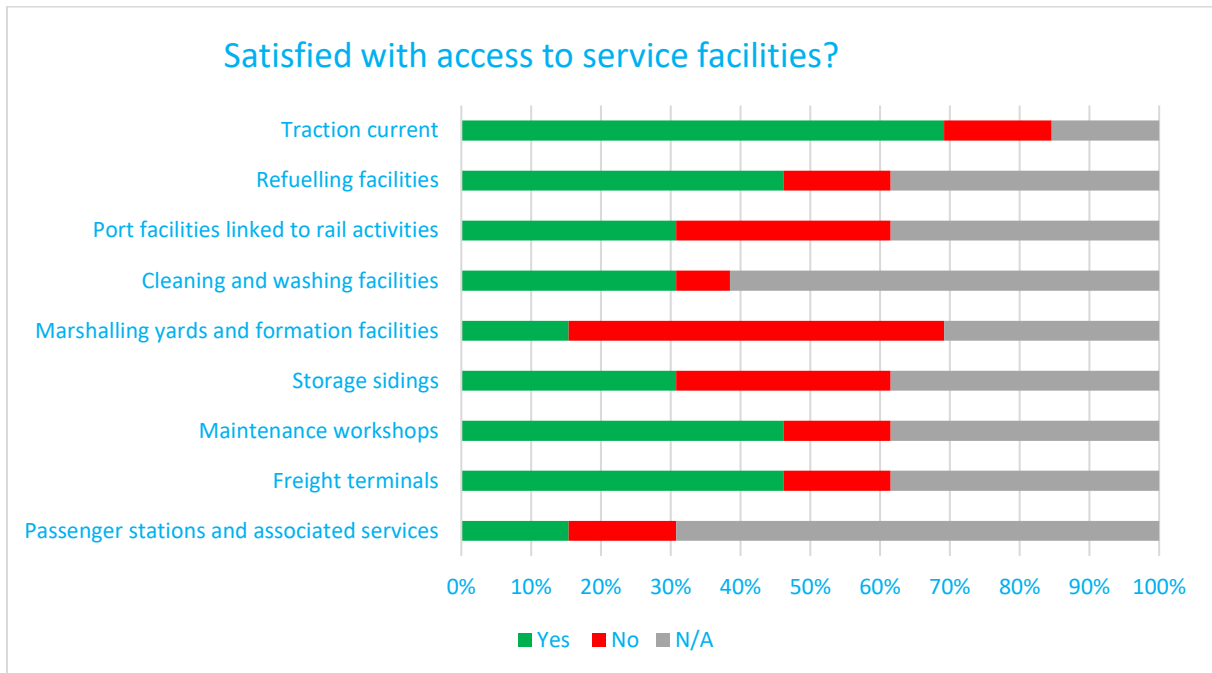
- ⤴ the allocation of capacity establishes too great a preference for line maintenance;
- ⤴ difficult-to-understand distinctions are made between passenger and freight transport;
- ⤴ large and small operators are treated differently;
- ⤴ the Infrastructure Manager does not take sufficient account of the economic consequences of a capacity refusal;
- ⤴ the absence of financial impact for the Infrastructure Manager in the event of withdrawal of train paths.

Local capacity

With regard to local capacity, the survey results show a deterioration in satisfaction compared to 2014. In 2014, Railway Undertakings were satisfied with the availability of capacity. In this survey, it was found that more than 60% of undertakings are not satisfied with the allocation of local capacity. The problems identified are the management of local capacity and its availability in the port of Antwerp. This local capacity for which Railway Undertakings identify a lack of capacity also include marshalling yards and train formation facilities and storage sidings.

3. Service facilities

Access to services facilities

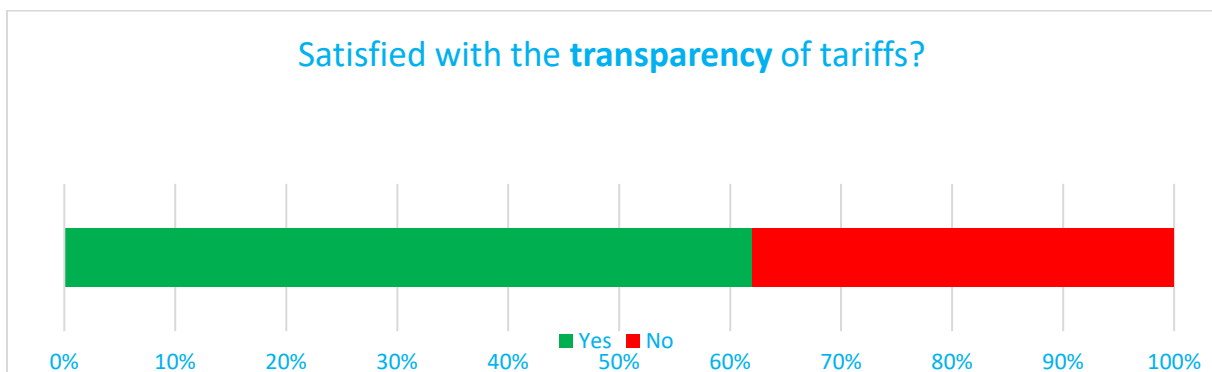


A large majority of Railway Undertakings are relatively satisfied with access to service facilities, with three important nuances:

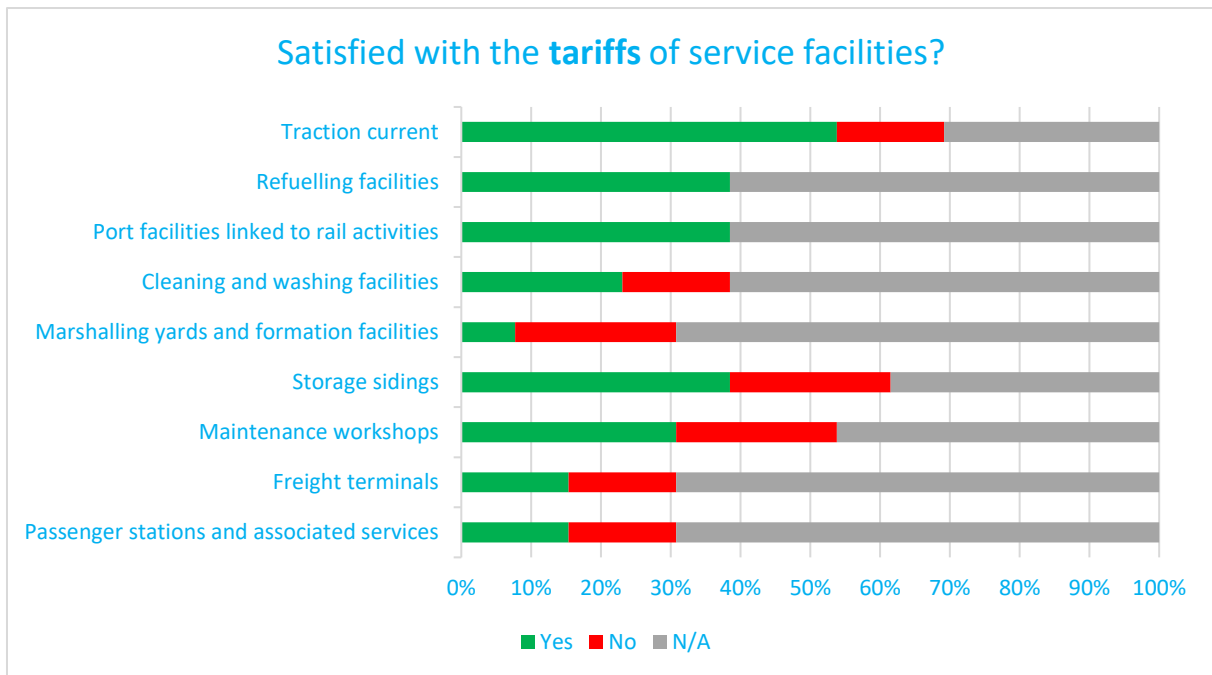
- ⤴ Passenger stations: half of the applicants operating in the passenger transport market express dissatisfaction: a lack of customer orientation and flexibility, difficulties in managing the space provided autonomously, sometimes saturation.
- ⤴ Marshalling yards and train formation facilities: a majority of Railway Undertakings are dissatisfied due to a lack of capacity and transparency.
- ⤴ Storage sidings: the dissatisfaction is the result of a lack of capacity.

Tariffs of services facilities

As the graph below shows, more than 60% of Railway Undertakings are generally satisfied with the transparency of tariffs in service facilities.



However, the survey notes a more mixed satisfaction rate for certain types of facilities.



For the following service facilities, satisfaction with the level of charging is relatively low:

- ⤴ passenger stations, where half of the undertakings that responded are not satisfied;
- ⤴ freight terminals, where also half of the undertakings that responded are not satisfied;
- ⤴ maintenance workshops, where a third of the undertakings that responded are not satisfied;
- ⤴ marshalling yards and train formation facilities, where two thirds of the undertakings that responded are not satisfied. This means that for this type of facilities, a majority of Railway Undertakings are not satisfied with either the access or the charging;
- ⤴ as far as storage sidings are concerned, a large minority is not satisfied with the level of charges;
- ⤴ washing facilities, where about 40% of the undertakings that responded are not satisfied with the level of charging.

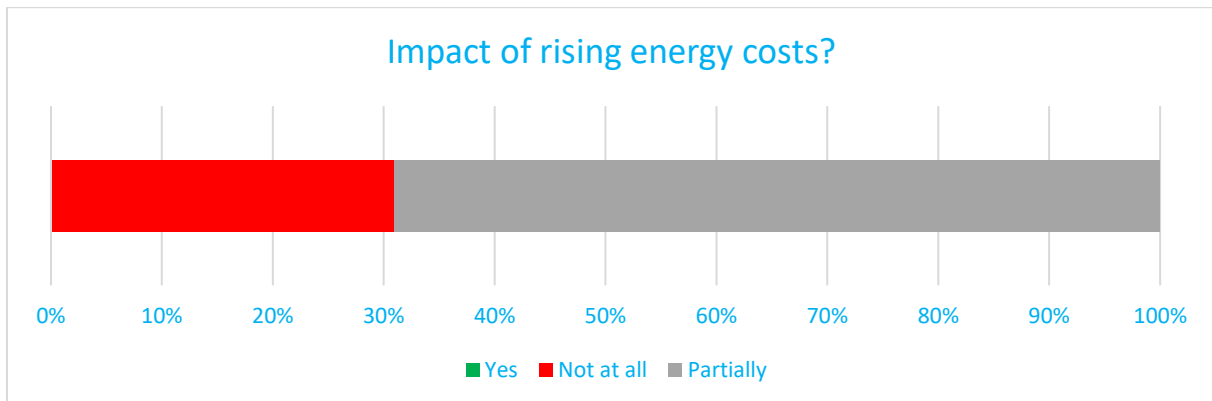
In the report published in 2017, applicants had already expressed dissatisfaction with the tariffs of service facilities.

4. Energy costs

Since the end of 2021, we have seen a very sharp rise in energy prices.

Energy is a significant cost item for Railway Undertakings. Rising energy costs have often led to a doubling of the share of these costs in the total costs since the emergence of the energy crisis. Typically, these costs represent 10-20% of the total operational costs.

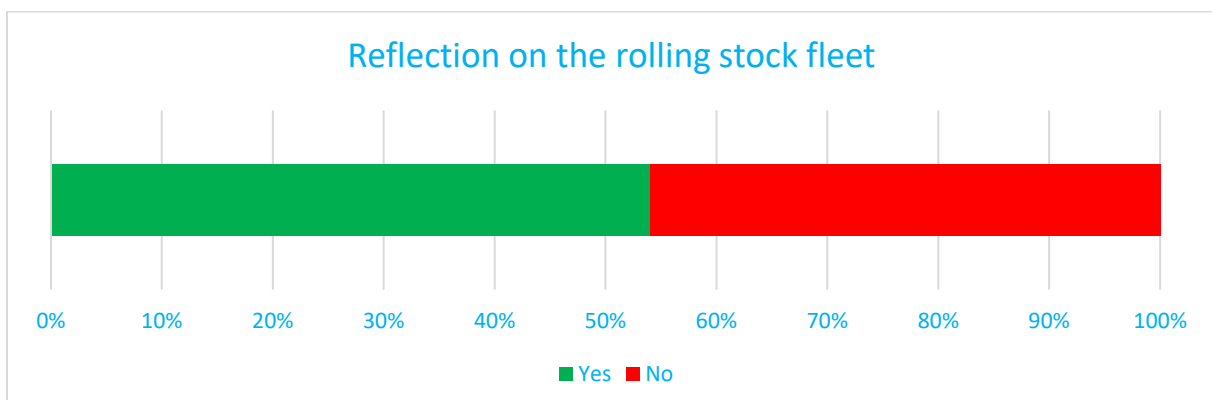
Discussions revealed that none of the Railway Undertakings interviewed would be able to pass on the full increase in energy costs to its customers. More than a quarter could not pass them on at all and almost 70% pass them on partially.



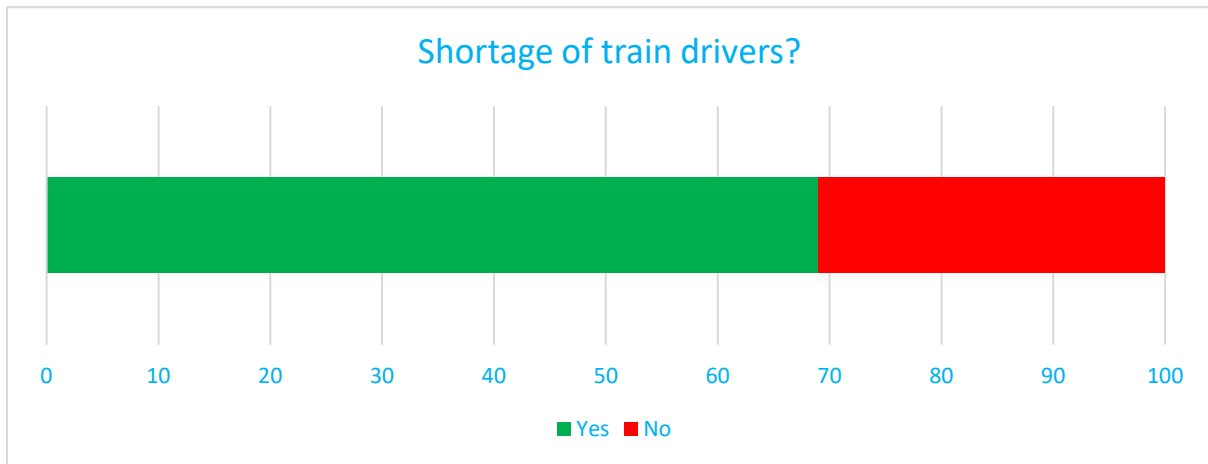
Railway Undertakings stated that this increase has had a significant impact on their contractual and commercial relationships, particularly with regard to the following aspects:

- 🔗 some have adapted their contracts;
- 🔗 some of them have seen their customers terminate their contractual relationship;
- 🔗 finally, some industrial customers have asked undertakings to change the type of rolling stock.

In addition, this crisis has led more than half of the undertakings surveyed to start thinking about their rolling stock fleet. Many undertakings want to reduce the proportion of their thermal rolling stock in favour of electric or hybrid vehicles.



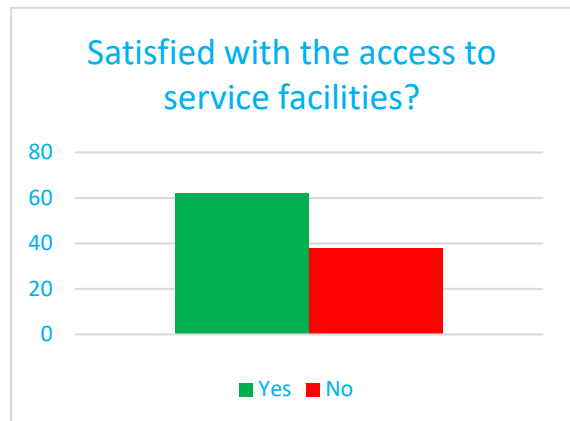
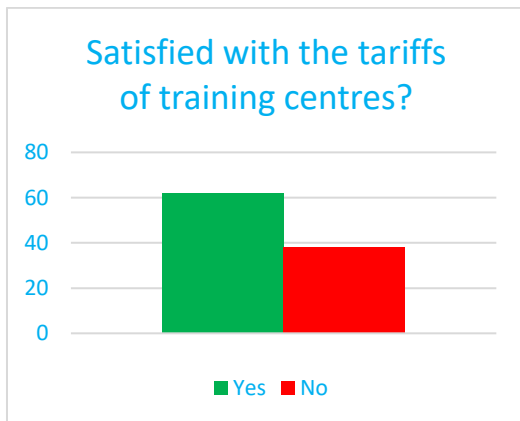
5. Train drivers



The non-availability of train drivers is a major concern for Railway Undertakings. As the graph above shows, almost 70% of the undertakings surveyed feel a shortage of train drivers. Already in 2014, Railway Undertakings complained about a lack of train drivers.

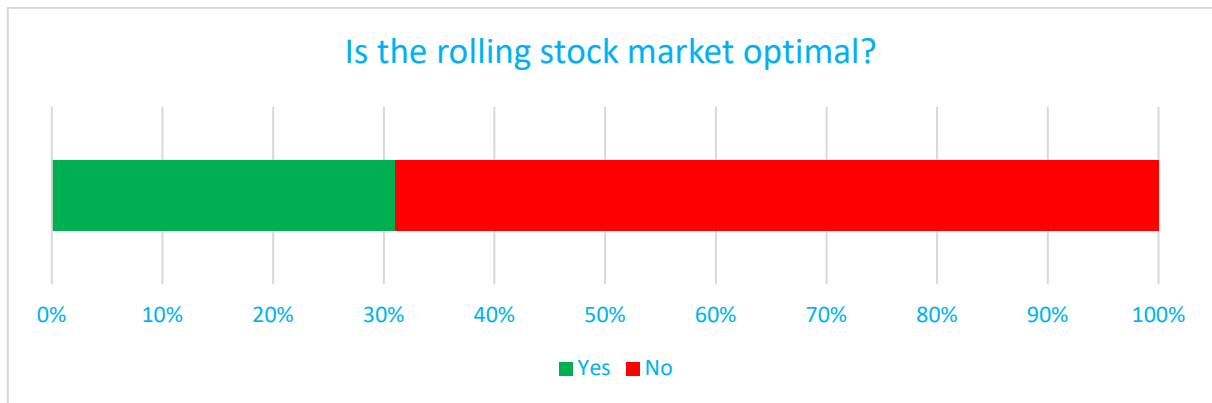
On the other hand, more than 60% of undertakings are satisfied with the access to training centres and its charging. In addition, two thirds of Railway Undertakings are satisfied with the duration of the training.

Two Railway Undertakings regret that there is no independent public train driver training centre in Belgium.



6. Rolling stock and the assessment of the approval process

Almost 70% of Railway Undertakings believe that the rolling stock market is not optimal.



However, the responses are very different depending on the market segment. In the freight market segment, 78% of Railway Undertakings consider that the market is not optimal. In contrast, in the passenger segment, half of the Railway Undertakings or Applicants consider the market to be sub-optimal.

There is a significant difference in the perception of the shortage of rolling stock between the freight and passenger segments.

In the freight segment, 89% of Railway Undertakings feel a shortage of traction equipment. One Railway Undertaking has even indicated that it would currently be impossible for them to obtain an approved diesel locomotive in Belgium.

In the passenger transport segment, the shortage seems to be less acute. However, half of the Railway Undertakings concerned mention a certain shortage of high-speed trains.

This perceived shortage is not new. Indeed, in 2014, Railway Undertakings complained, albeit to a lesser extent, about the low availability of rolling stock.

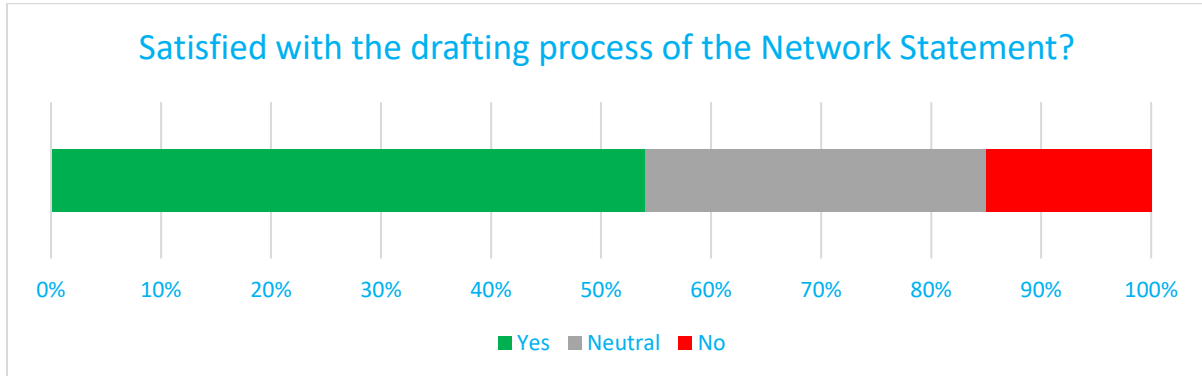
When undertakings are asked about ways to address market failures, the focus is on rolling stock approval processes. Railway Undertakings also point to a problem with the costs of certain equipment such as ETCS and regret that there is hardly any second-hand market.

A majority of Railway Undertakings consider this approval process to be complex, time-consuming, non-transparent and unclear, especially when compared to other countries. It should be noted that a minority of Railway Undertakings express their satisfaction with this process. The length of this approval process affects the availability of the rolling stock because of the long delivery times for rolling stock in general and safety systems in particular.

7. The Network Statement

The way in which the Network Statement has been drafted and its final content lead to contrasting reactions from Railway Undertakings.

The drafting process of the 2023 Network Statement

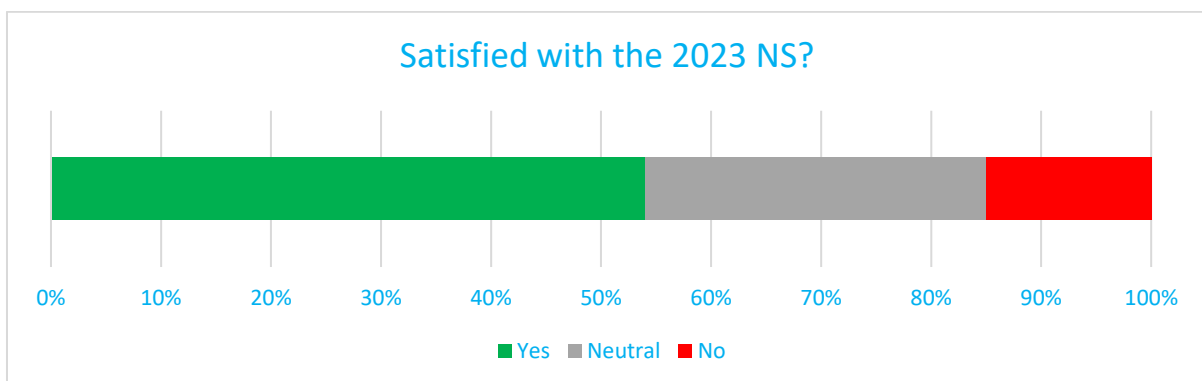


Just over half of the Railway Undertakings surveyed express satisfaction with the drafting process, as shown in the graph above. On the other hand, a small minority of the Railway Undertakings surveyed are not at all satisfied with the drafting process of the Network Statement.

In the interviews, many undertakings feel that the consultation process is not optimal. Some regret a lack of customer orientation. However, there has been an improvement compared to 2014, when most Railway Undertakings considered that the drafting process left little room for consultation.

Suggestions for improvement are made, such as taking better account of the suggestions made by Railway Undertakings in the consultation meetings, or the possibility of international charging, the international aspect that should be better taken into account. Moreover, large Railway Undertakings believe that their specificities should also be taken into account.

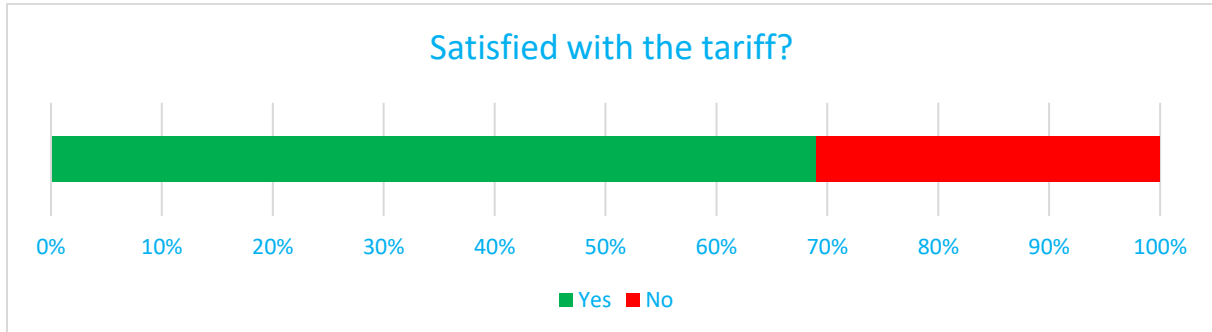
The content of the 2023 Network Statement



More than half of the undertakings surveyed express their satisfaction with the final document for the 2023 working timetable. One third of undertakings express neither satisfaction nor dissatisfaction. In the interviews conducted by the Regulatory Body, some undertakings complained about the unbalanced nature of the drafting process of the Network Statement, with regard to the rights and obligations of each party, and a certain lack of consistency.

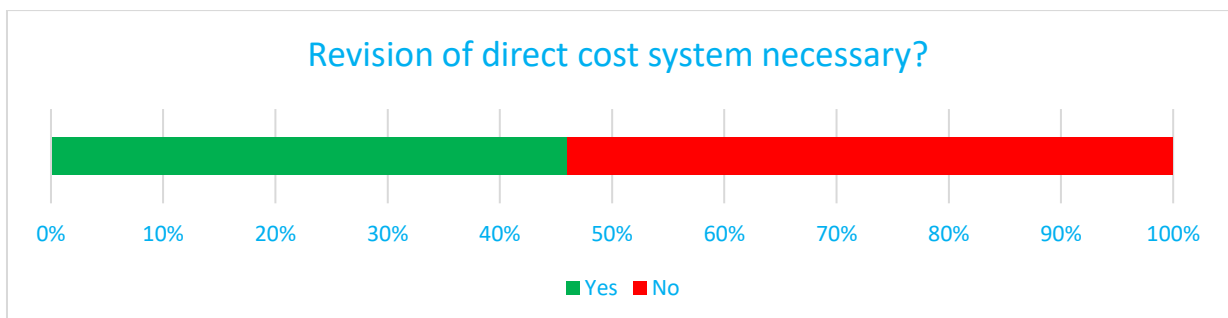
8. The tariff structure

More than two thirds of the Railway Undertakings surveyed are satisfied with the new tariff structure, as shown in the graph below. This is a big improvement on 2014, when general dissatisfaction was expressed.



However, this apparent satisfaction rate masks disparities. Satisfaction is much more mixed in the passenger segment. Some Railway Undertakings regret that tariffs do not vary according to the performance of the Infrastructure Manager. Some dissatisfaction is expressed with the calculation of mark-ups and their durability.

Finally, as shown in the graph below, almost half of the Railway Undertakings surveyed think that the method used for calculating the direct costs should be revised in a more competitive direction, in short downwards. Some Railway Undertakings point out that the level of direct costs is higher in Belgium than in Germany or the Netherlands.



Moreover, less than half of the undertakings surveyed find the tariff formula transparent and five undertakings do not express any opinion. Finally, slightly more than half of the undertakings surveyed (expressing their opinion) consider the level of charges to be acceptable compared to other countries, while slightly less than half of the undertakings consider that it is not.

9. Other issues raised in the interview

Investments to double the modal share of rail

In general, undertakings believe that network capacity needs to be increased. More specifically, the following ideas are put forward:

- 🔗 modernization of port facilities;
- 🔗 modernization of border crossings;
- 🔗 higher number of tracks in certain high-density areas;
- 🔗 investments to remove bottlenecks;
- 🔗 investments in maintenance;
- 🔗 capacity building in certain train-formation sidings;
- 🔗 electrification of all tracks;
- 🔗 improved infrastructure to increase the average speed of traffic;
- 🔗 investments in digital capacity management.

Rail competitiveness

Several Railway Undertakings consider that the railway sector does not enjoy the same competitive advantages as road transport (level playing field). Not all costs related to the use of infrastructure are passed on in the same way for road and rail transport. Similarly, the environmental costs of transport are not sufficiently passed on to road transport. This would therefore harm the competitiveness of the railway sector. Some Railway Undertakings believe that the different modes of transport should be regulated and the economic and ecological costs to society of each mode should be assessed.

Furthermore, several Railway Undertakings consider intermodal transport to be an important growth vector for rail transport.

Single wagon load versus block trains

Block trains are clearly more profitable for Railway Undertakings than single wagon load trains. However, some Railway Undertakings consider that an increase in the modal share of rail inevitably requires the maintenance and development of single wagon load without affecting the profitability of Railway Undertakings.

Problem of rescue trains

Some Railway Undertakings regret that Infrabel does not organise rescue trains, unlike other Infrastructure Managers (France, Germany, the Netherlands, etc.).