

An aerial photograph of a large freight rail yard. The yard is filled with hundreds of colorful freight train cars, including blue, green, orange, and red ones. The cars are arranged in long, parallel rows that stretch across the landscape. In the background, there are some industrial buildings and trees. The lighting suggests it might be late afternoon or early morning, with a warm glow.

session 3 WG3 : Masterplan Belgian Rail Freight

March 3, 2021

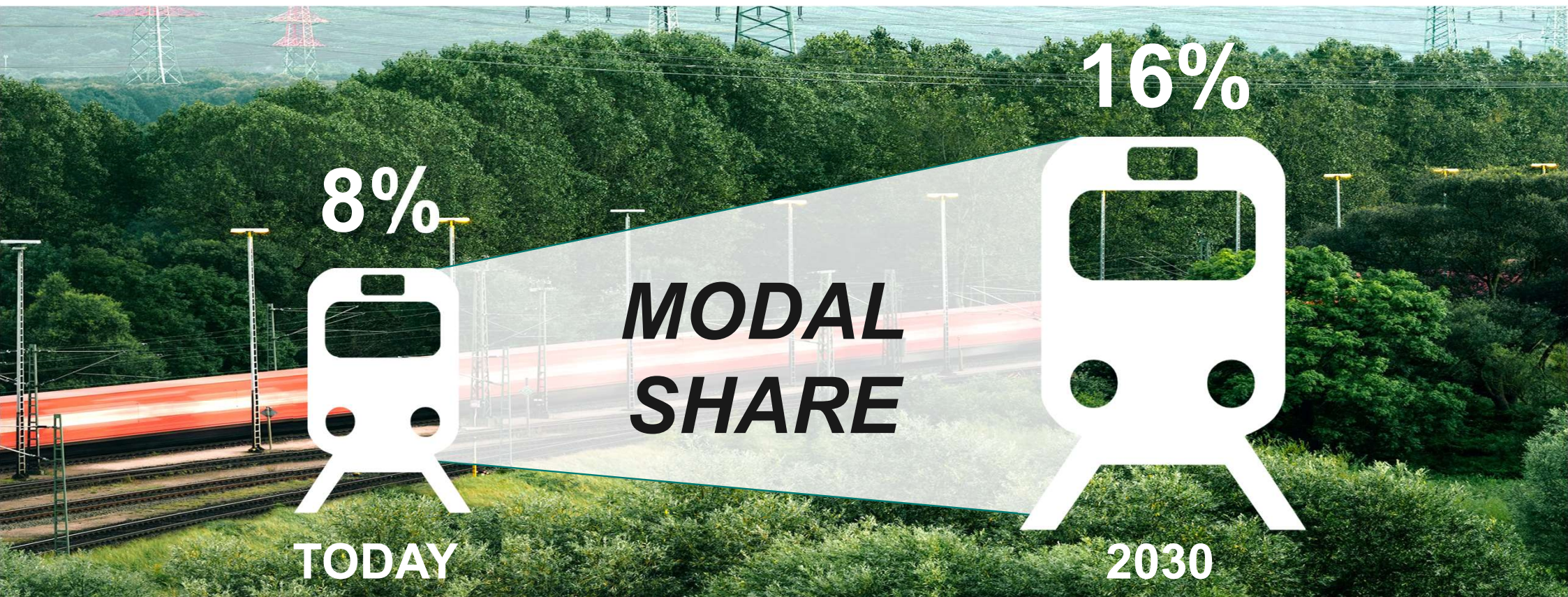
agenda : session 4 workgroup 3

agenda items

13.00-13.15	A. intro, approval MoM & key takeaways SPRINT3
13.15-14.50	B. ideation – guidelines & principles for support mechanisms
14.50-15.00	D. next steps

A. *introduction*

JOINT AMBITION FOR THE T&L SECTOR

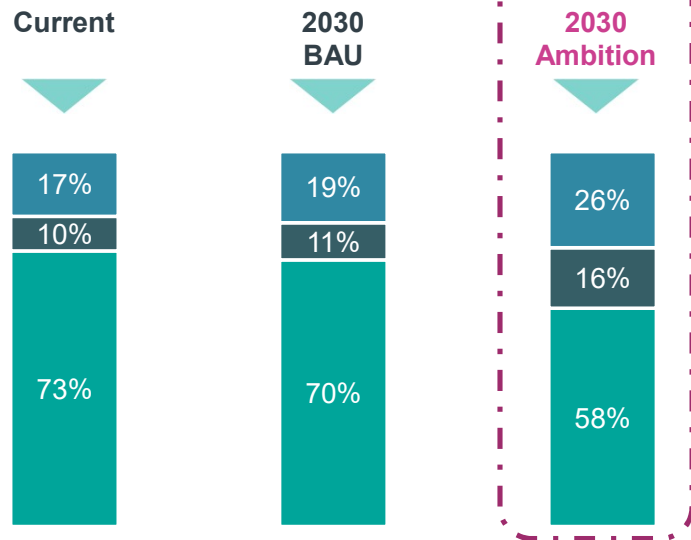


KEEPING NUMBER OF TRUCK TRIPS AT CURRENT LEVELS

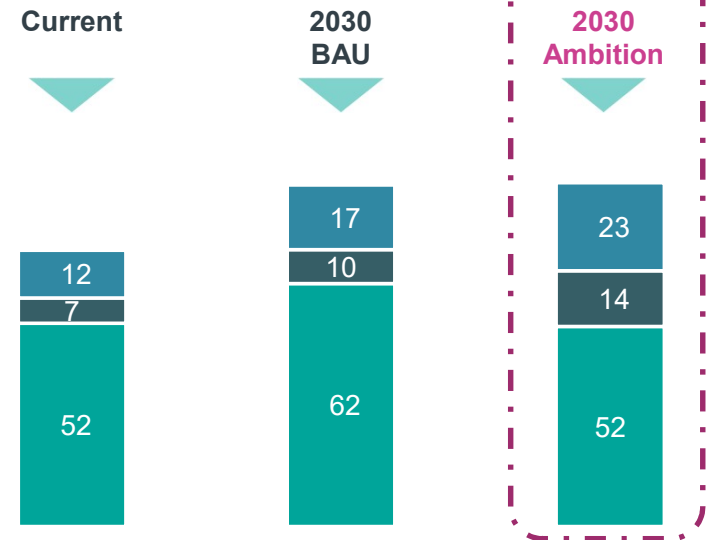
Absorbing the traffic growth by 2030 requires **doubling rail freight volumes** = modal shift of 7Bln TKM* from road to rail

The rail sector believes it is possible to double its volume by capturing a large share of the forecasted growth in demand

Traffic evolution in % of modal share



Traffic evolution in bn ton-kilometers

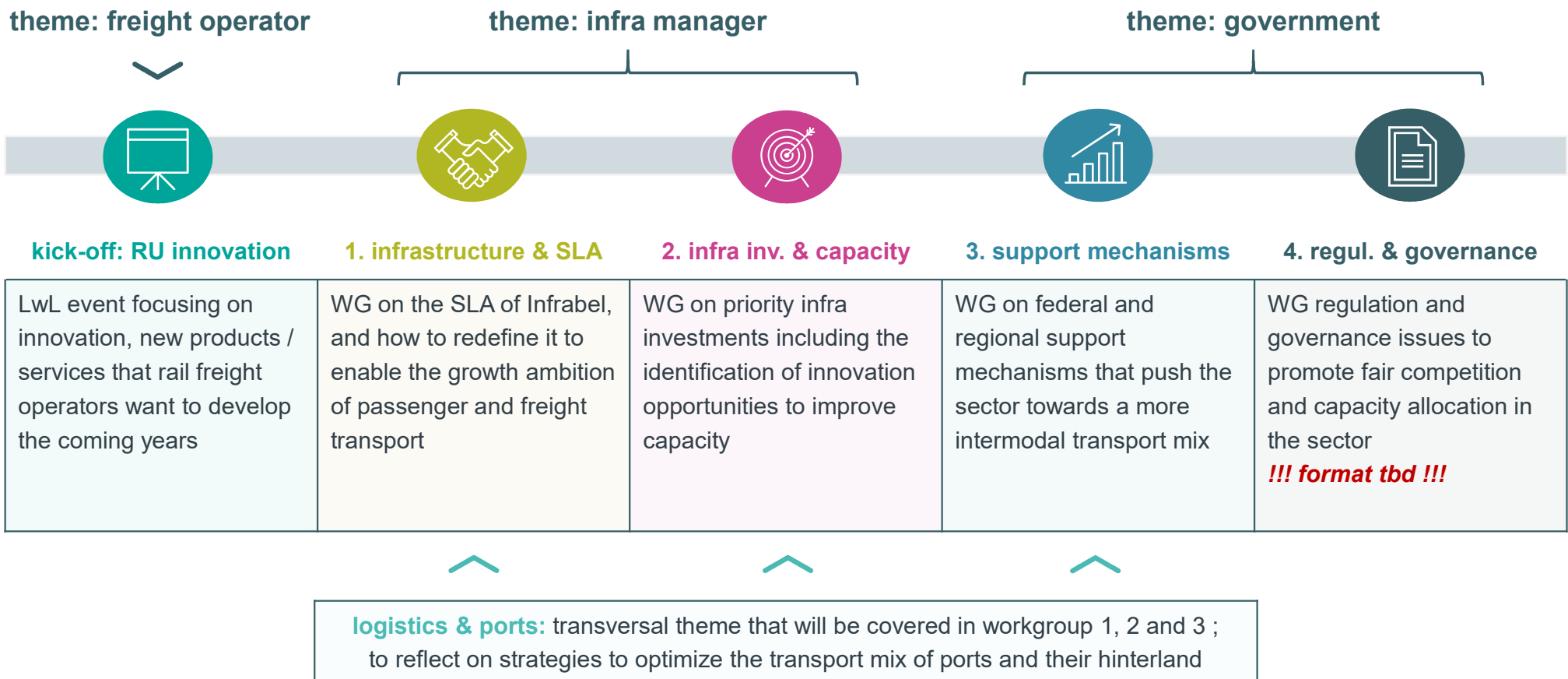


- IWW
- rail
- road

* TKM = Ton Kilometers

PROJECT APPROACH

The project consists of four workgroups that will meet 2 to 3 times, and will consist of one transversal theme “logistics and ports” that will be covered in workgroup 1, 2 and 3.



***A. approval MoM &
key takeaways session 3***

key takeaways from session 1 WG3 support mechanisms

› key assumptions that underlie the design of a to-be government support scheme for rail

1

External costs

There is a proportional relation between (inter-)modal market share and the price of each mode of transport. Internalizing costs can be a way to compensate for the high operating costs of rail and to stimulate a modal shift.

3

Incentives for bundling

In port areas and their hinterland there is an opportunity to bundle freight volumes and subsequently to realize cost efficiencies that allow RU's to have profitable business on short distance transport routes

5

Cost GAP

RU's still have room to optimize their operations and reduce their cost base. But to realize a true modal shift, a full compensation of the transshipment cost is needed to create a modal shift stimulant

2

Rail subsidies

Rail subsidies can be a positive stimulus for shippers to switch from road to rail transport. They are an effective tool in the initial stages, but on the long run they will have a stagnating effect on modal shift

4

Government policy

Given the fragmented political landscape in Belgium, taxation and subsidy schemes should be aligned on all government levels in order to have a maximum impact.

key takeaways from session 2 WG3 support mechanisms

› common ground based on a discussion on the as-is Federal / Flanders subsidy schemes:

1

Cost GAP

The cost GAP between road and rail transport is due to bundling, last & first mile and transshipment. Those can be absorbed on long distance, not for distances shorter than 300 500 km. For modal shift in Belgium, incentives are needed.

2

Federal Subsidies

Subventions for SWL and combined transport reduce the cost GAP between road and rail transport and are therefore crucial to realize the modal shift. There is however room to further optimize these schemes.

4

Trucking & Shippers

Subventions that stimulate truckers and shippers towards a modal shift can be an interesting supplement on the as is subsidies schemes that aim to lower the cost base for railway undertakings.

3

Flanders Subsidies

Maritime bundling lowers the cost of bundling and first & last mile railway transport and it provides an incentive for long distance trains. Given the impact of COVID-19 this year it would be too soon to evaluate the scheme in 2021.

5

Asset financing

Aside from operational subsidies that lower the transshipment cost for trucking, subventions can also be provided that are directed to the investment needed to adapt trucking to the needs of combined transport.

key takeaways from session 3 WG3 support mechanisms (1/2)

draft version - to be validated

The following common ground was identified between different workshop participants :



federal subventions

The following common points were identified between the STRATEC study and the position of the BRFF concerning rail subventions :

- More focus on continental transport (relative to national) ;
- ...and on supporting short and middle distance transport ;
- ...and on trains that transport goods for multiple clients ;
- Work with fixed subsidy amounts (relative to volume based) ;
- Work with yearly RU case submissions to define budget ;
- Allow mixed trains to apply for subventions in the to-be scheme.



shippers & truckers

Reconfirmed : end-to-end involvement of the logistic sector is needed to realize a modal shift. In this sense, shippers and truckers should be stimulated to shift freight from road to rail / inland waterways.

However, shippers and truckers need to make an inv. in new assets to prepare for trimodal transport. This entails a business risk that decreases their appetite to invest :

- This risk can be mitigated via government support ;
- ...or by horizontal and vertical collaboration / e.g. asset pooling ;
- ...or by a combination of both.



Intermodal terminal

A dense network of terminals, that has the capability to transship goods between transport modes, is a prerequisite to realize the modal shift ambition. Investments and upgrades in this area are needed.

***B. ideation : guidelines &
principles for support mechanisms***

approach : questionnaire S4 WG3 support mechanisms

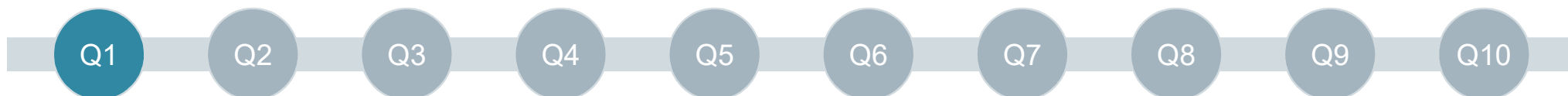
what ?

The following slides reflect the results of a survey that was run as a preparation on the fourth session of WG3 “support mechanisms”. The survey results will be used as a starting point for a discussion on guidelines and principles for support mechanisms. The survey was completed by 19 stakeholders.

how ?

1. ten statements were defined based on the key takeaways of session 1, 2 and 3 of WG3 ;
2. these statements were put in a Survey Monkey questionnaire and sent out to stakeholders ;
 - survey link : <https://nl.surveymonkey.com/r/6F87BH6> ;
3. the survey was launched on 25/02 and closed on 02/03 and completed by 19 stakeholders.

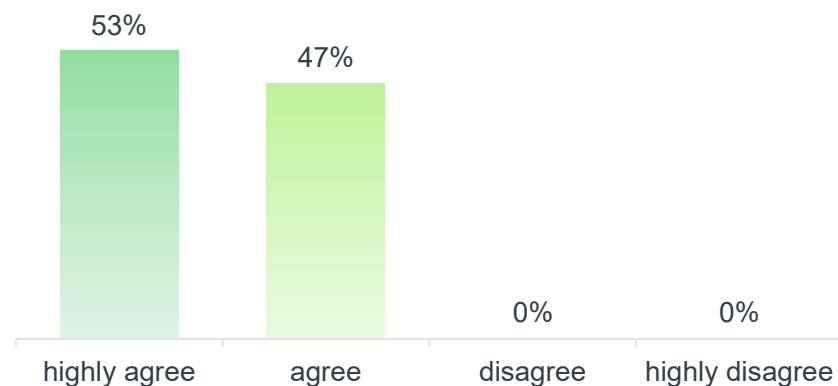
output questionnaire : WG3 support mechanisms



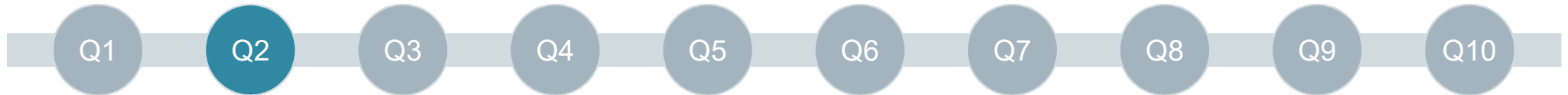
statement #1 :

“ to avoid congestion in Belgium and to realize Belgium's climate objectives, rail & inland waterways should double their volumes transported

number of respondents : 19



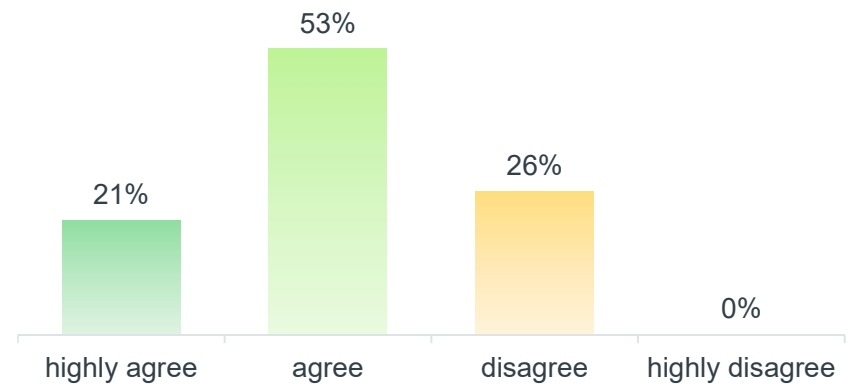
output questionnaire : WG3 support mechanisms



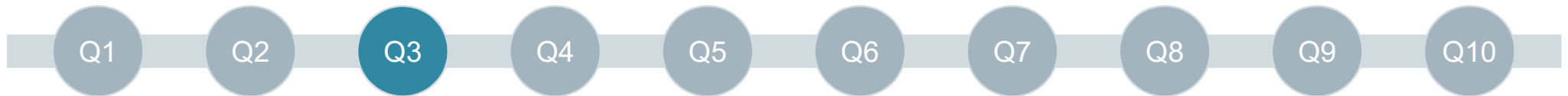
statement #2 :

“ in Belgium there is a high modal shift potential for short distance freight transport

number of respondents : 19



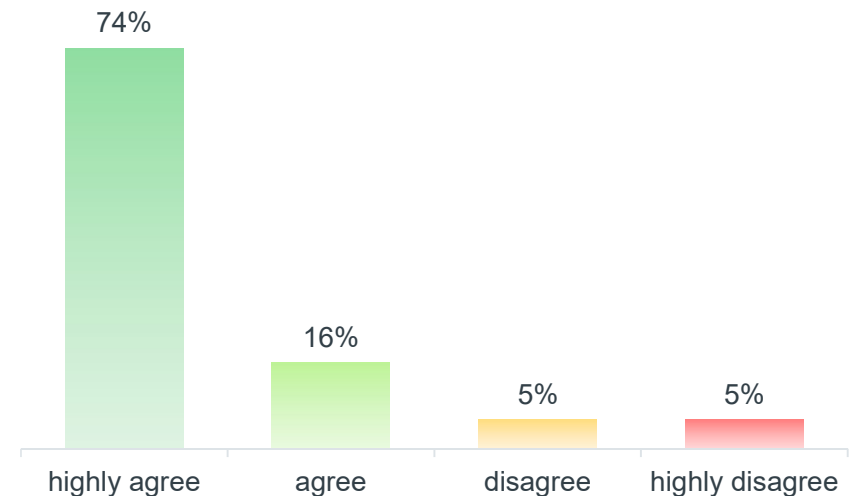
output questionnaire : WG3 support mechanisms



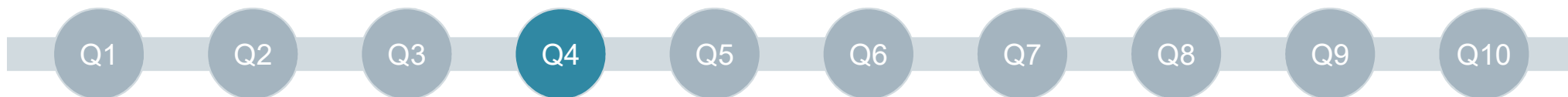
statement #3 :

“ the shorter the distance, the greater the cost GAP between rail and road transport, because of the costs of consolidation (e.g. transshipment, first/last mile, feeder network)

number of respondents : 19

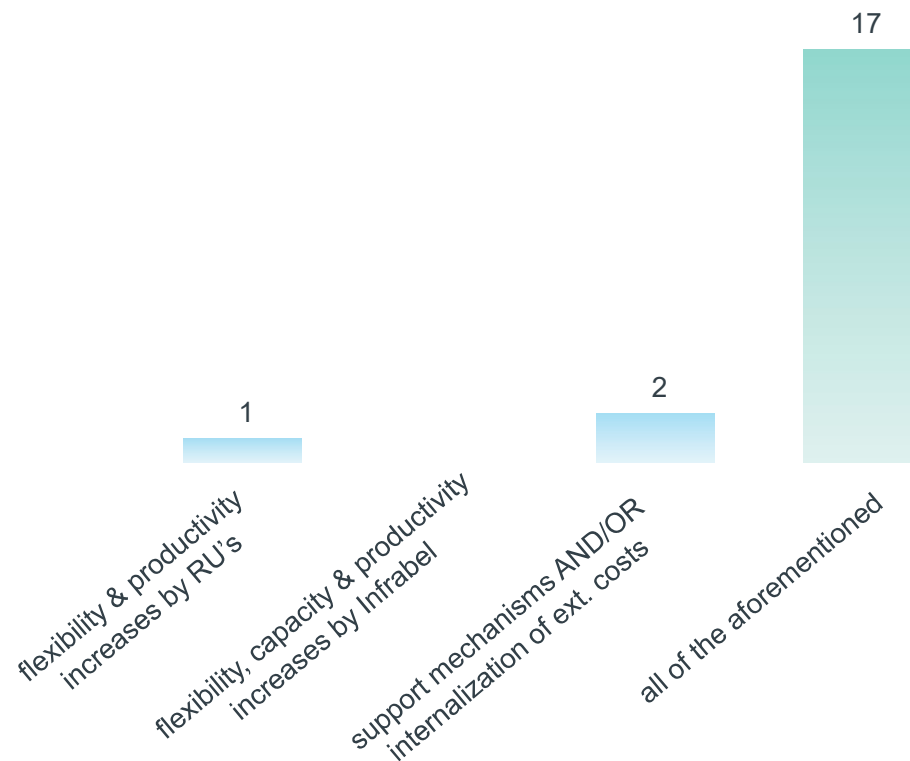


output questionnaire : WG3 support mechanisms



statement #4 :

“ the cost GAP between rail and road transport can be reduced by :






number of respondents : 19

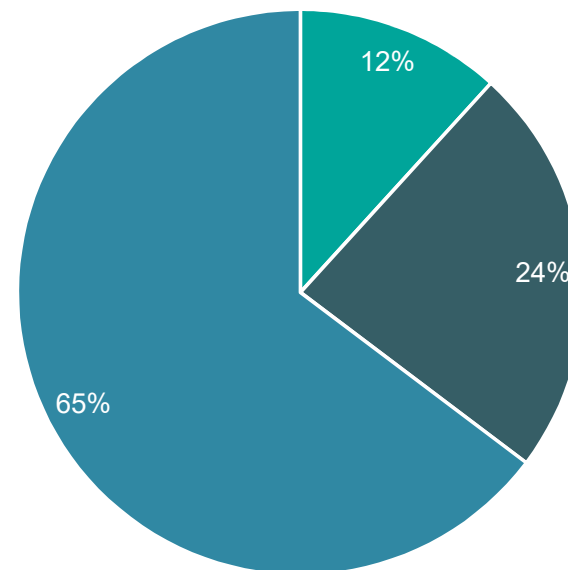
output questionnaire : WG3 support mechanisms



statement #5 :

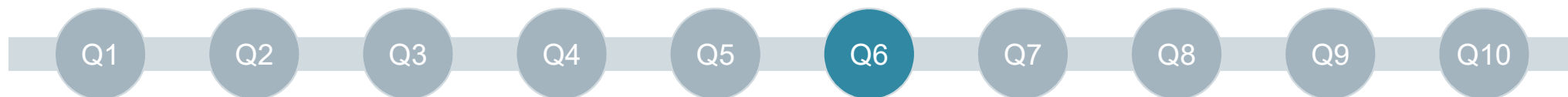
“ support mechanisms, that reduce the consolidation cost of rail transport, should :

-  stimulate RU's to generate more competitive ST services
-  stimulate shippers and transporters to shift volume to rail
-  all of the above



number of respondents : 17

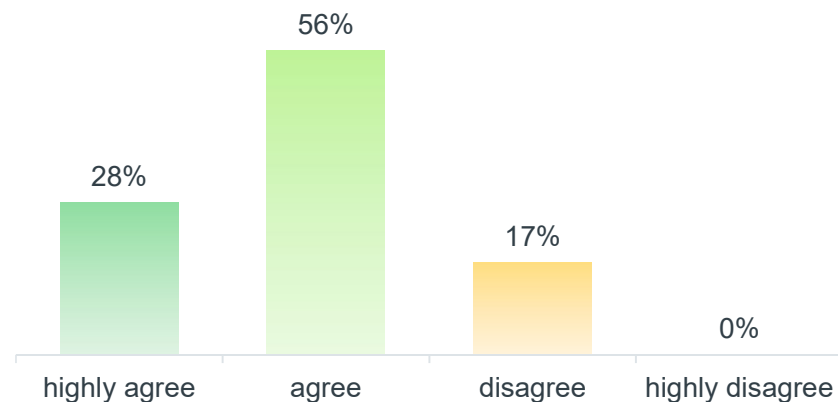
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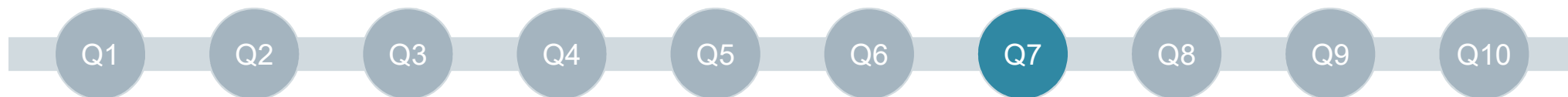
statement #6 :

“ the existing subventions for SWL, combined transport and maritime bundling reduce the cost GAP and remain therefore crucial to sustain the modal shift

number of respondents : 18



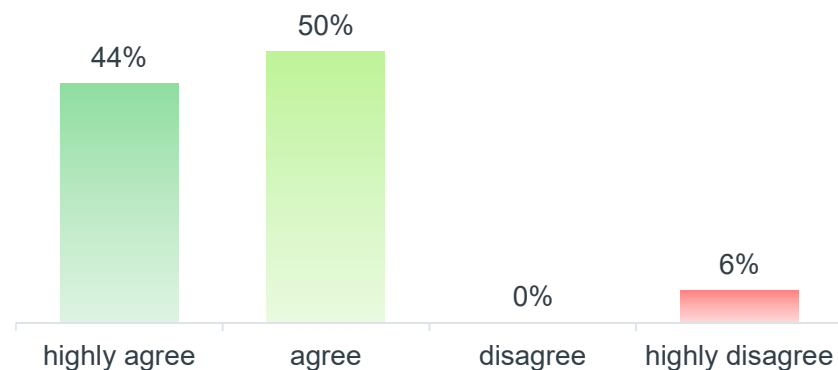
output questionnaire : WG3 support mechanisms



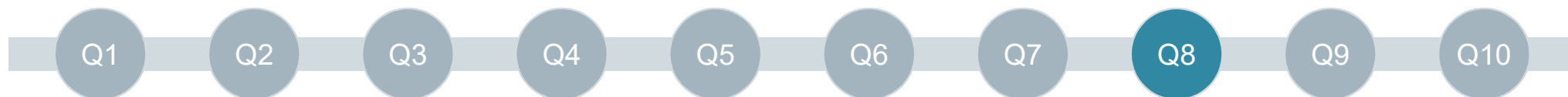
statement #7 :

“ the existing subventions for SWL, combined transport and maritime bundling can be further optimized to better stimulate the modal shift ambition

number of respondents : 18



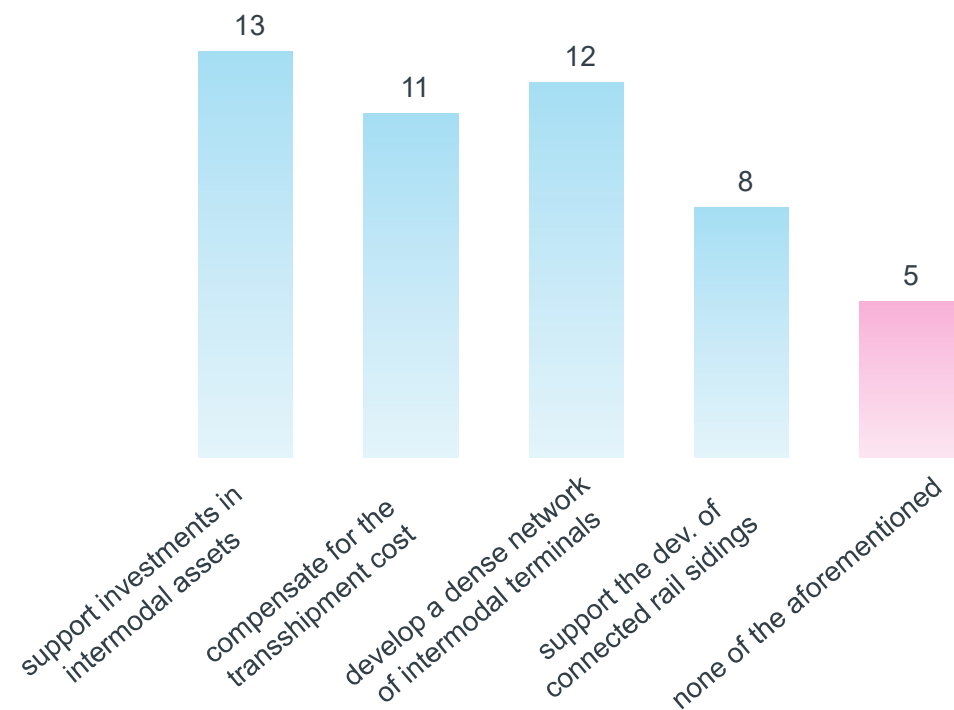
output questionnaire : WG3 support mechanisms



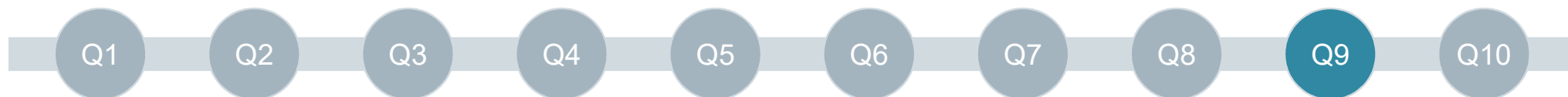
statement #8 :

“ in order to stimulate shippers and transporters, to shift volume to rail, one needs to :

number of respondents : 19



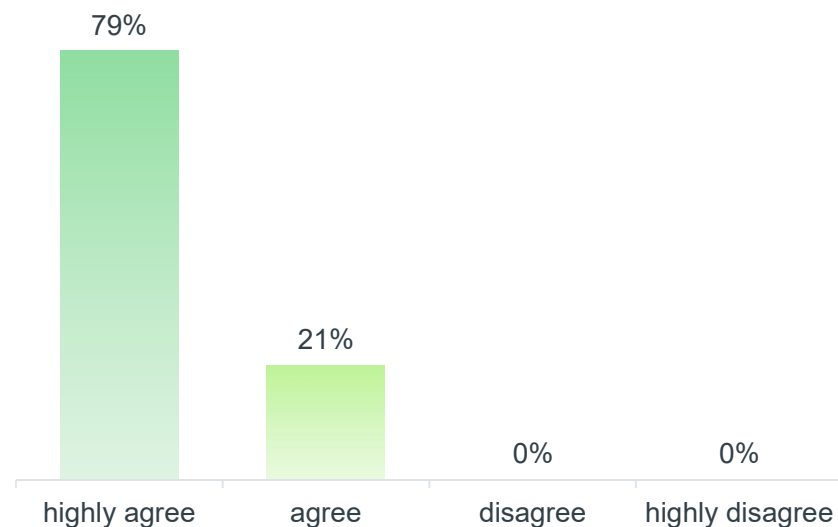
output questionnaire : WG3 support mechanisms



statement #9 :

“ given the fragmented political landscape in Belgium, taxation and subsidy schemes should be aligned on both federal & regional government levels in order to have the required impact

number of respondents : 19



respondent comments provided via the questionnaire

the following comments were made by respondents when completing the survey :

“

In question 4, the option "support mechanisms AND/OR internalization of external cost" should have been split into two options. Now it is not possible to choose only support mechanisms and you cannot see whether it is "and" or "or".

“

Everything must be viewed in its entirety in relation to the other themes in the master plan, including neutral hill for SWL and bundling in general. We need structural solutions and efforts, subsidies can be limited in time and / or must be result-related.

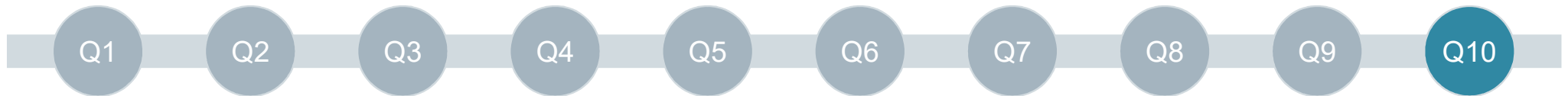
“

Till today 600-700 km is often seen as the critical distance for Rail to be competitive. To achieve the objectives of Belgium and Port of Antwerp / Brugge we should enlarge the scope of present study to an area of 300 km around the loading point. Interregional support systems (Example Flanders- Ruhr Flanders - Nord-Pas de) should be addressed in our recommendations to Federal and Regional government.

“

The support mechanisms has to lead to structural solutions, processes, has to be seen in the aspect/relation of all initiatives in the Master Plan. The support mechanism should/could be monitored by KPI in relation to the results to be able to limit them in time and budget (no blanc check).

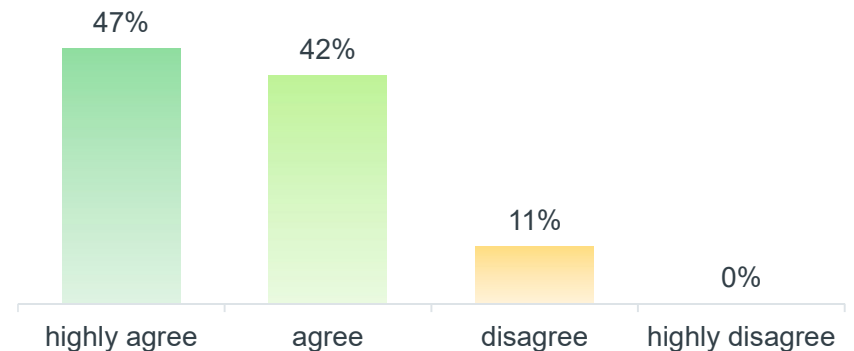
output questionnaire : WG3 support mechanisms



statement #10 :

“ government support will have to be substantial to avoid an increase in congestion and to reach the climate objectives by 2030. These efforts need to be set in perspective of the external costs that are saved by the modal shift to rail

number of respondents : 19



Support : how substantial ?

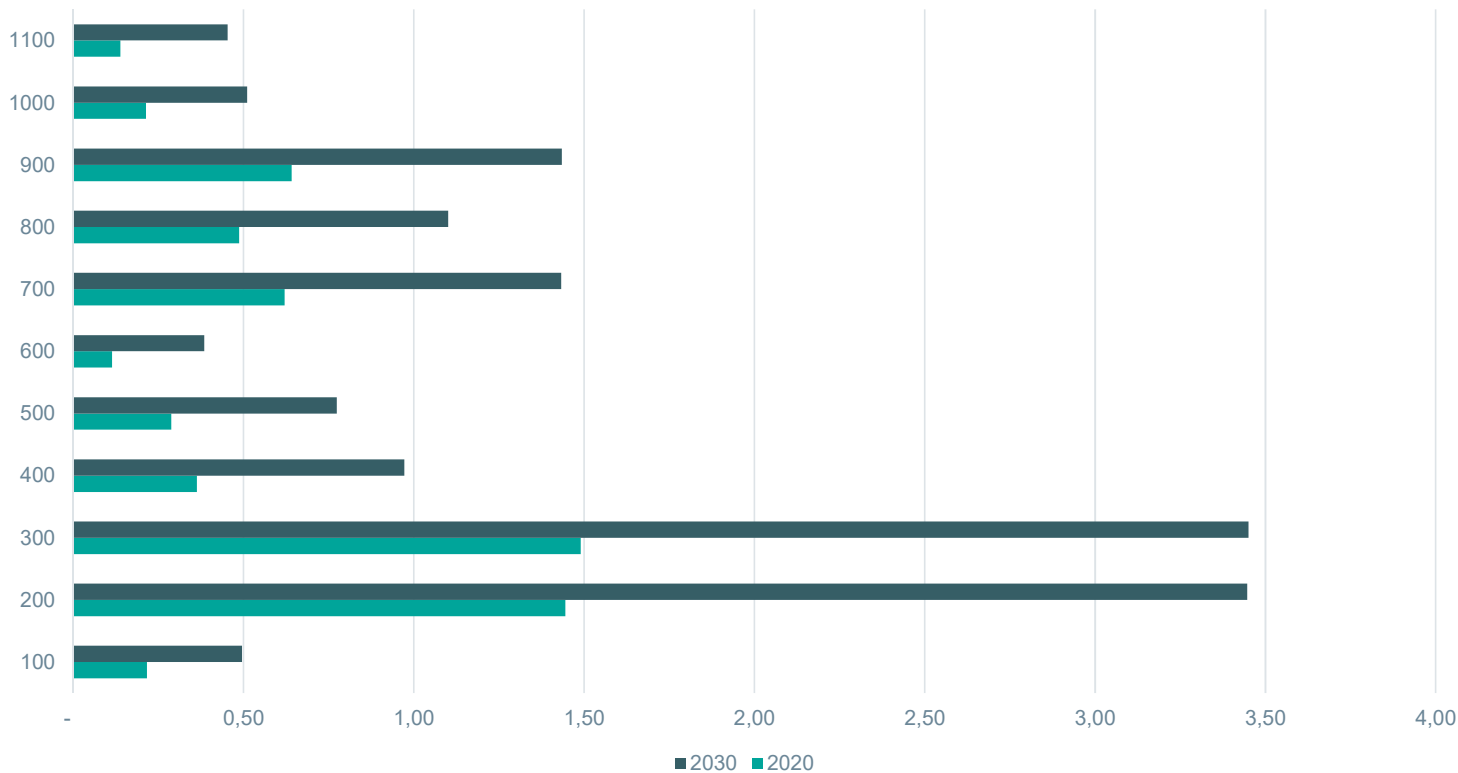
Closing the cost gap depends on

- * expected growth*
- * productivity gains*
- * support*

To double the railfreight volume, **short distance** trains are the engine for growth & feeder for growth on the long distance

Estimated traffic evolution by distance category based on the observed evolution over the past 5 years

Evolution per distance category - In Bln TonKM



Assumptions

- Expected Growth per year as from 2020 levels : **CAG**

All	9,2%
Block trains	1,3%
SWL/Mix	11,0%
Intermodal/Mix	11,9%
- The covid impact will be absorbed by the end of 2023

Are productivity gains by rail operators & infra mgr sufficient ?

Expected reductions (-) or increases (+) of the cost gap between rail & road by 2030

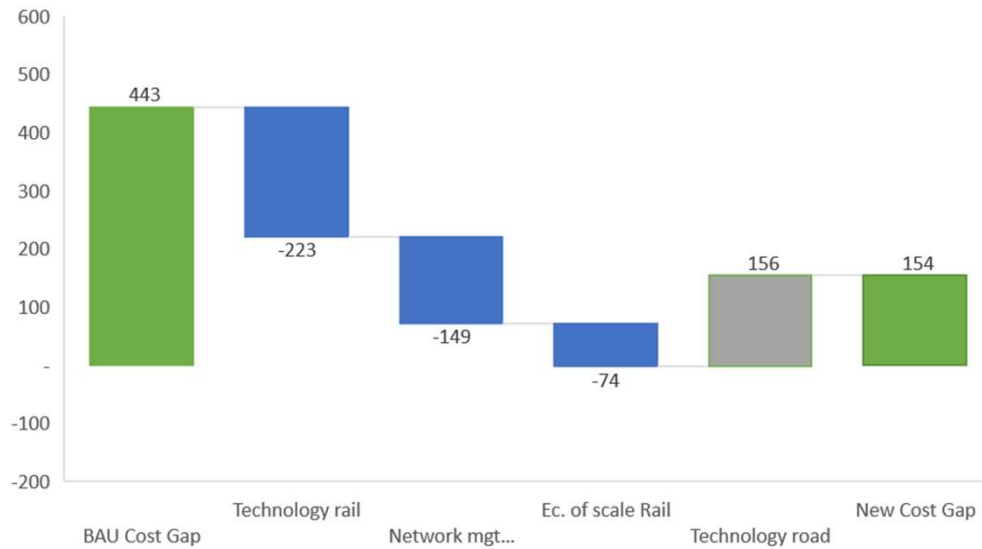
Rail	15%	(-)	Technology (digitalisation and productivity improvements)
	10%	(-)	Infrabel related improvements of the network & capacity management
	5%	(-)	Economies of scale (incl. effect from internationalisation)
Road	15%- 30%	(+)	Technology (productivity improvement and innovation)

Cost gap by 2030 : worst case vs. best case if ...

15 % productivity gain road, applied to the volume of rail

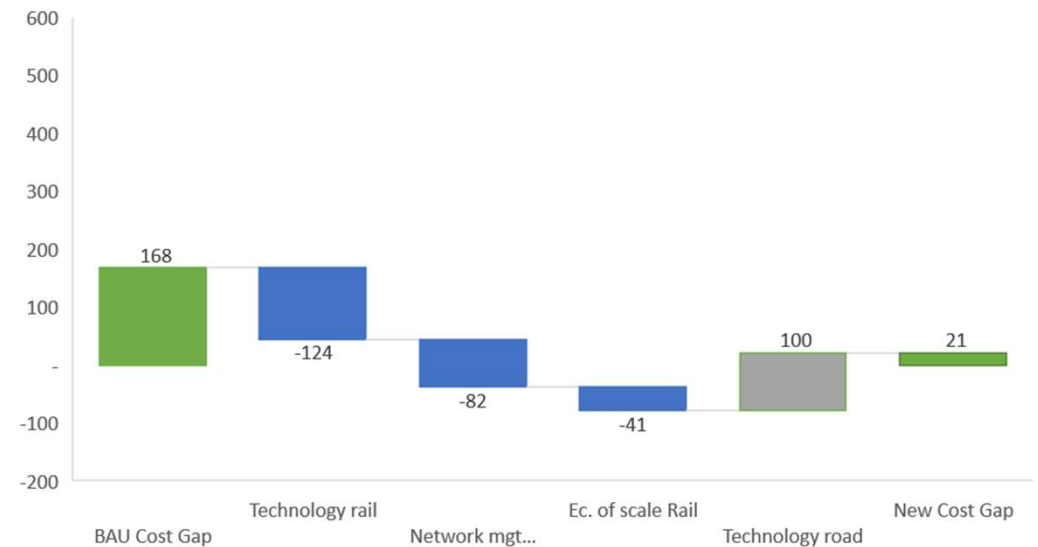
Worst case¹

Evolution of the cost gap by 2030
In Mio €



Best case²

Evolution of the cost gap - Best case by 2030
In Mio €

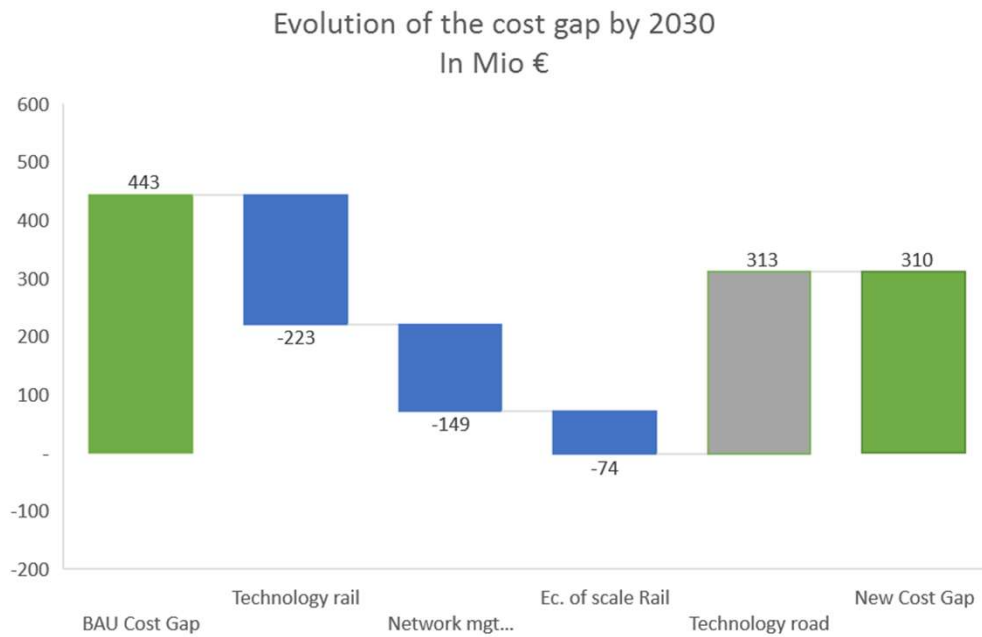


- * 1. Average cost rail per TonKM = 10 €cents : weighted average of cost rates by product category (i.e. Trivisor: rates independent from distance)
- 2. Average cost rail per TonKM = 5,7 €cents : weighted average of cost rates by distance category (Zgonc et al, 2019) applied to the volume estimate for Belgium

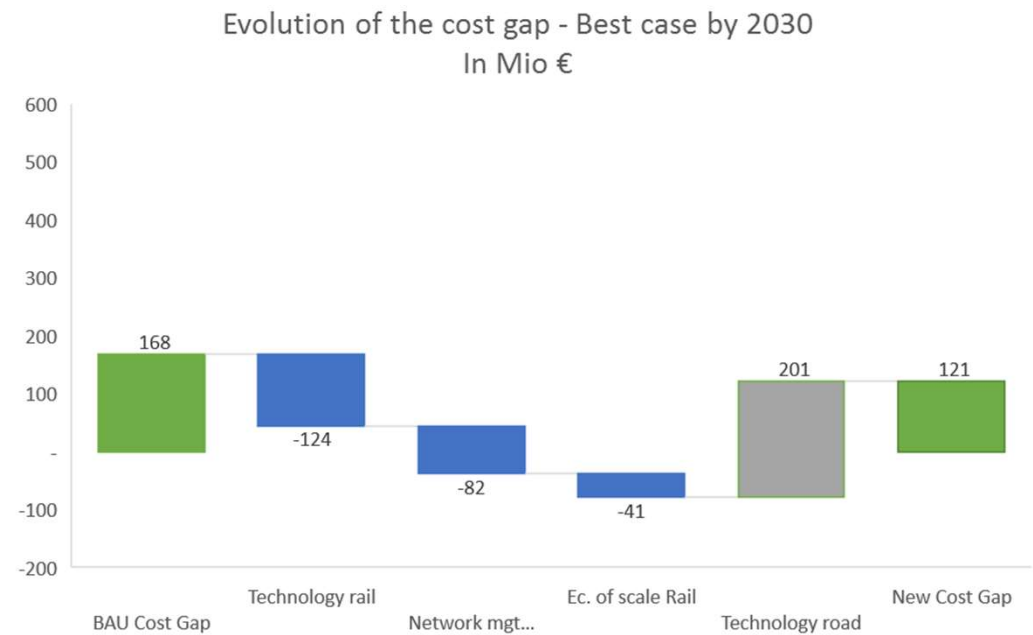
Cost gap by 2030 : worst case vs. best case if ...

30 % productivity gain road, applied to the volume of rail

Worst case¹



Best case²

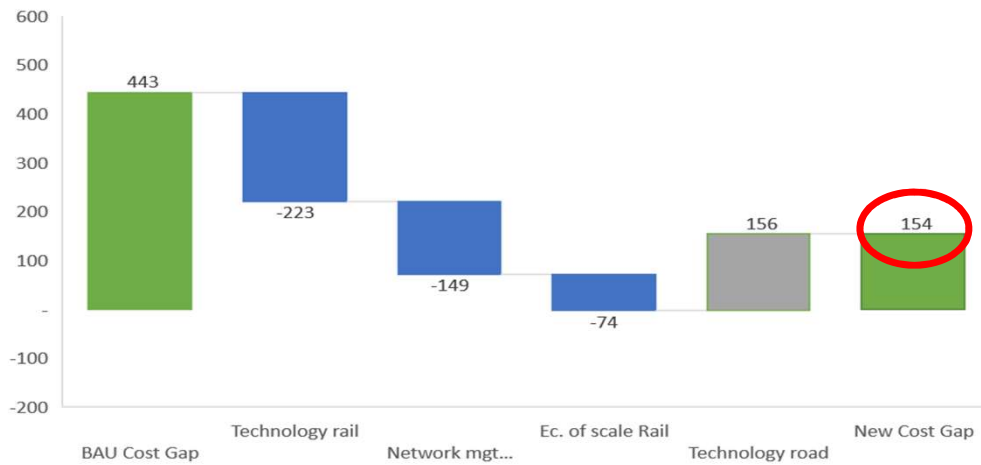


- * 1. Average cost rail per TonKM = 10 €cents : weighted average of cost rates by product category (i.e. Trivisor: rates independent from distance)
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Cost gap range by 2030 :

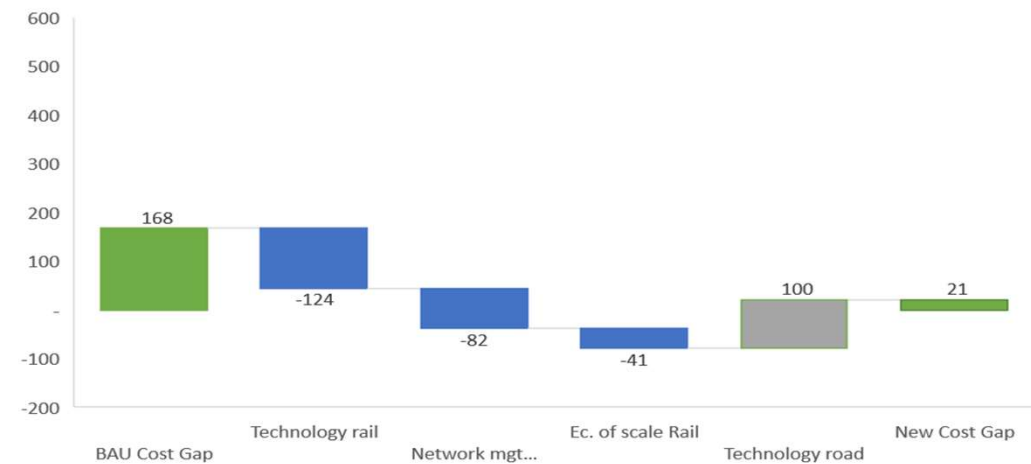
Worst case

Evolution of the cost gap by 2030
In Mio €

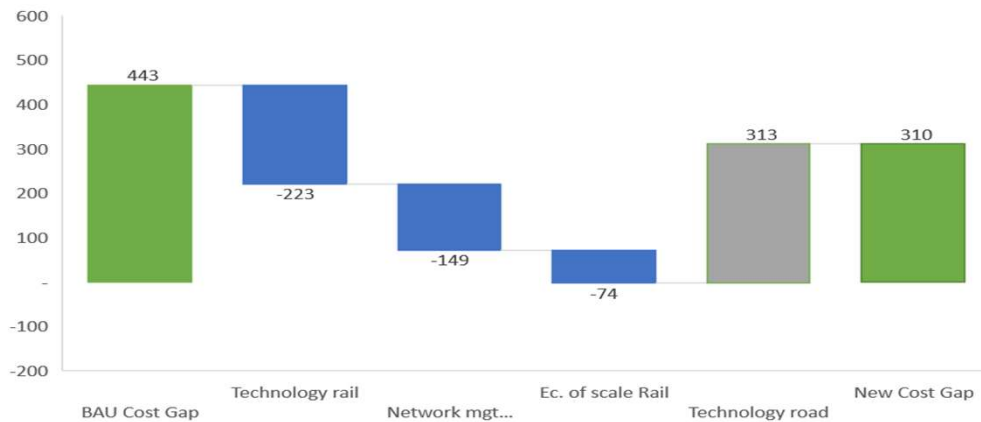


Best case

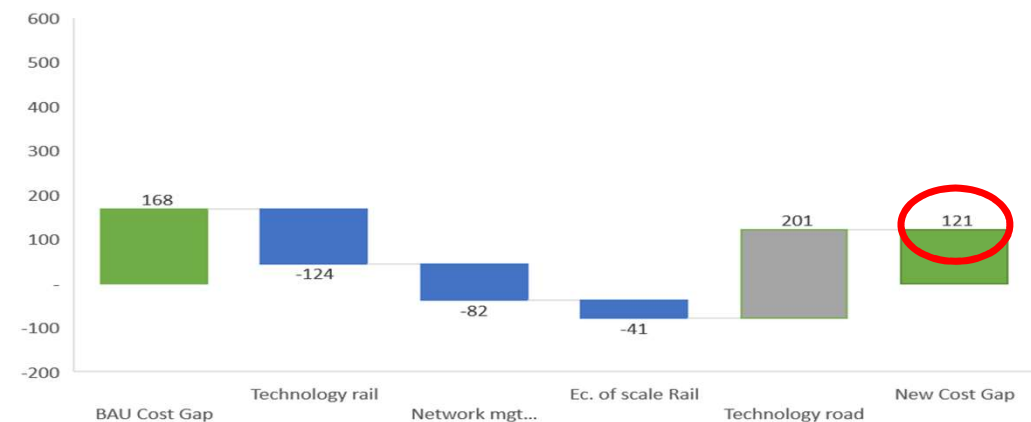
Evolution of the cost gap - Best case by 2030
In Mio €



Evolution of the cost gap by 2030
In Mio €

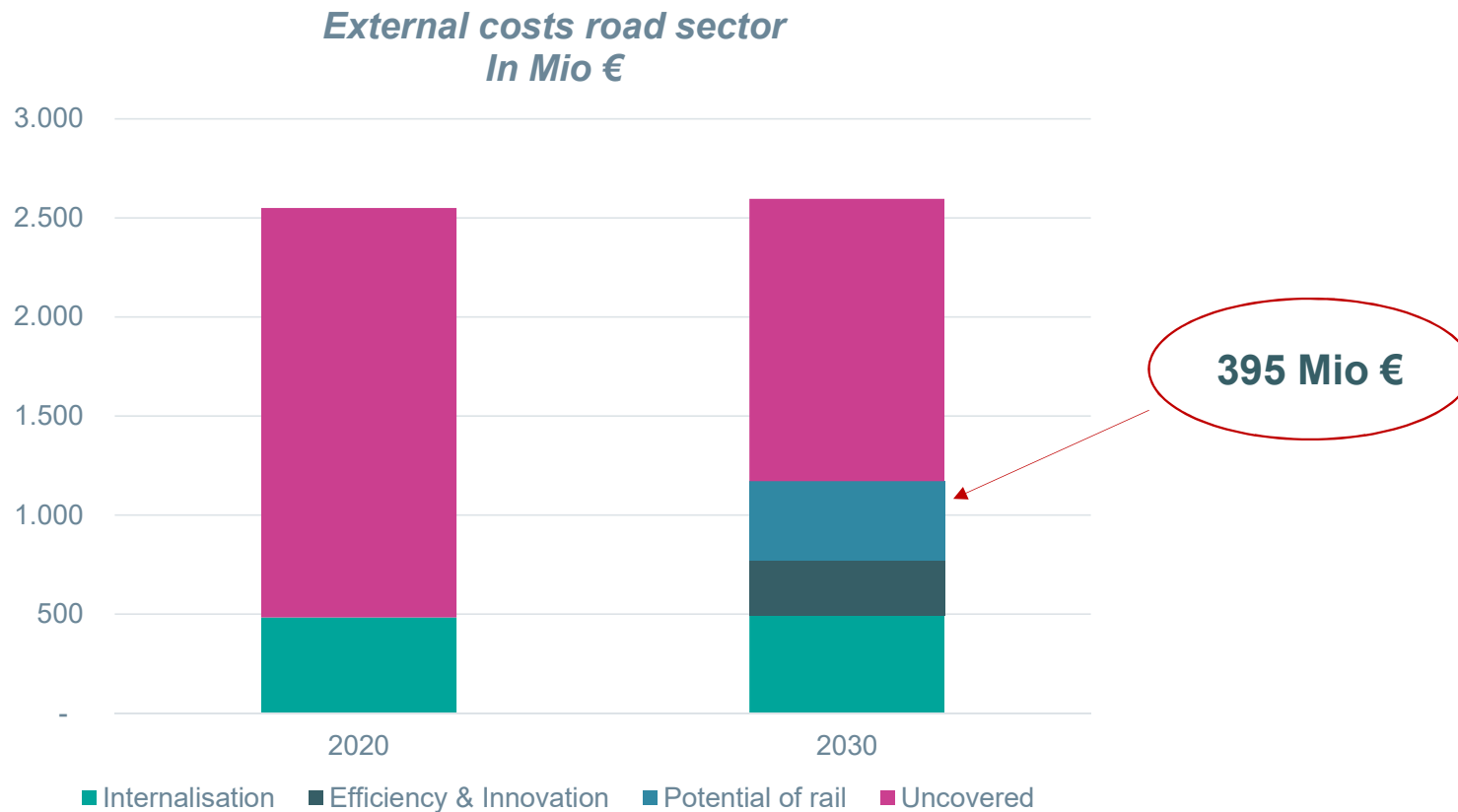


Evolution of the cost gap - Best case by 2030
In Mio €



Substantial support for doubling rail to put in perspective ...

Will improve the external costs of the road with nearly 400 Mio and keep avoiding another 400 Mio

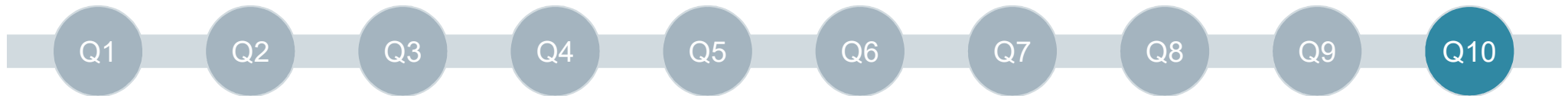


Assumptions

- Through efficiency gains and innovation will the road sector be able to reduce its emissions with 30% * by 2030
- With no extra carbon tax in the next 10 years in Belgium

* ACEA's 10-point plan to help implement the European Green Deal – January 2020

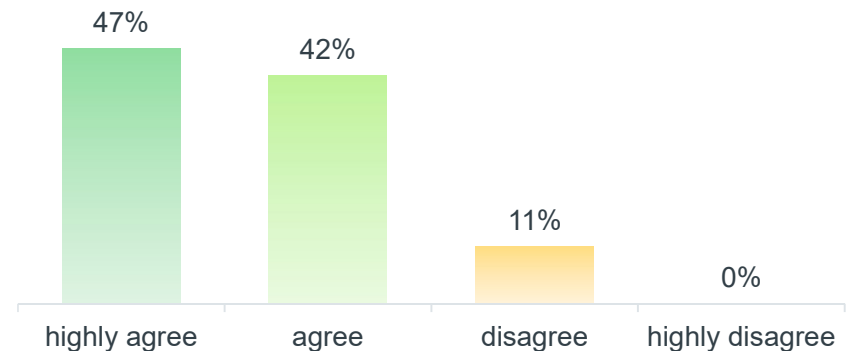
output questionnaire : WG3 support mechanisms



statement #10 :

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number of respondents : 19



D. *next steps*

project plan – master plan belgian rail freight

it is proposed to extend to project with one sprint to:

(i) adequately validate the plan with stakeholders and (ii) align / consult / onboard cabinet Gilkinet

