Station area developments in Tokyo and what the Randstad can learn from it
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This chapter aims to provide an overview of how station areas are being developed in the Randstad and what actors are involved. To understand the context in which these actors operate first the organisation of the railway sector in the Netherlands is described. In the subsequent two paragraphs a brief overview is given of how the planning of railway improvements is carried out in the Randstad and how the planning system in the Netherlands works. Next a description of the key actors involved in developing station areas is given. Subsequently, more attention is paid to the role of Dutch railways (NS) as it has exclusive rights to operate passenger railway services in the Randstad. It also owns the station buildings, and in many cases the land surrounding its stations. Consequently, they are an important actor in developing station areas in the Randstad. After the role of NS is outlined, a comparison is drawn between the Dutch and the Japanese railway sector based on the aspects mentioned above. This will indicate the extent to which the approach used for developing station areas and railway networks in the Randstad differs from Tokyo. The chapter ends by highlighting the typical features of developing station areas in the Randstad.
8.1 The railway sector in the Netherlands

The development, management and operation of railway networks are basically in the hands of three actors: the Ministry of Infrastructure and the Environment (IenM), ProRail and NS. Together these organisations form the heart of the railway sector in the Netherlands. As figure 8-1 illustrates IenM, ProRail and NS are involved in a three-sided relationship, also referred to as the ‘institutional triangle’ (institutionele driehoek). The regional transport authorities and other railway companies play a secondary role, as their involvement is limited to a relatively small part of the Dutch railway network. Below the role of each actor is further elaborated upon. The supervisory authorities are not included in figure 8-1 as they do not seem to be relevant for the development, management and exploitation of railway networks.

**Figure 8-1  Organisation of the railway sector in the Netherlands**

**Ministry of Infrastructure and the Environment (IenM)**

Within the triangular relationship IenM is responsible for issuing the concession for passenger transport on the main railway network (hoofdtrailnet) and infrastructure management on the whole network. Both concessions were directly awarded to respectively NS (i.e. the transport concession) and ProRail (i.e. the infrastructure management concession) in 2005 and are valid for 10 years. Furthermore, IenM is responsible for general railway policies and for payments to the railway sector. Regarding the latter, the ministry provides annual subsidies to ProRail for the maintenance, management and, when decided by the national government, extension of the national railway network. In addition, specific subsidy programmes are, or have
been, made available for improving access to stations and their related facilities, the
removal of at-grade level railway crossings, and the construction of bicycle sheds at
stations. Regional transport authorities (i.e. provinces and city-regions) receive annual
subsidies for the implementation of traffic and transport policies.

ProRail
ProRail is the infrastructure manager of the whole network, for which it has been
granted an exclusive right until the year 2015. Each year ProRail is required, according
to its concession, to submit an infrastructure management plan (beheerplan) to the
ministry. This plan contains a set of performances that need to be delivered by ProRail.
ProRail receives access charges from NS and the other railway operators for the use of
their tracks. In the year 2010 the access charges for NS amounted to 246 million euro
(NS, 2010). Furthermore, each railway operator is required to enter into an access
agreement with ProRail for access to and use of the railways.

NS and other railway operators
NS is the railway operator of the hoofdrailnet (main railway network) in the
Netherlands, for which it has been granted an exclusive right until the year 2015. Since
2008 NS has been required to pay an annual concession fee (concessievergoeding) to
IenM. This fee is considered an ‘incentive’ for NS to focus continuously on improving
its services. The concession fee for 2011 is set at 20 million euro and will increase to 30
million euro in 2014 (NS, 2010). Railway services are provided without subsidies from
the national government. NS is, just like ProRail, required to submit a yearly plan, i.e.
a transport plan (vervoerplan) to the ministry regarding performances that it needs to
deliver. The remainder of the railway network is operated by various railway operators.
The contracting of these regional lines usually falls under the responsibility of the
province43. Train companies receive an annual contribution for operating these lines.
This operational subsidy is paid out of the ministerial grant that provinces receive
yearly for implementing their traffic and transport policies (see below).

43 In November 2011 it was announced that NS will be granted the concession for another ten years (i.e.
2015-2025).
Regional transport authorities
Regional transport authorities in the Netherlands are represented by two tiers of government, i.e. city-regions and provinces. City-regions are responsible for contracting public transportation services at the regional level, while provinces are responsible for public transport services at the supra-regional level. For the Randstad this means that city-regions are responsible for the local/regional bus, tram and light rail services, while provinces are responsible for the supra-regional bus services and the bus services operated in the areas outside the city-regions. No passenger railway services are tendered by the province. Furthermore, city-regions and provinces have their own transport policies laid down in a regional and a provincial traffic and transportation plan respectively. Each year the city-regions and provinces receive a grant from IenM, i.e. the overall goal-oriented grant (Brede Doeluitkering). This grant is intended for traffic and transport measures such as concessions for public transport, construction of bicycle lanes and bicycle sheds, roads, park and ride areas, and traffic safety (Winnips & Straatemeier, 2010).

8.2 Planning of railway networks
IenM is responsible for formulating a long term investment programme regarding spatial, infrastructure and transport matters, also referred to as MIRT. Through this programme the national government hopes to establish greater coherence in large spatial projects. The MIRT-programme contains the investment projects and programmes in which the national government has a direct financial involvement. This may involve the (partial) funding of a new railway line or the co-financing of projects from the lower tiers of government, such as the development of a station area. Until 2008, the programme primarily focused on infrastructure investments. After 2008 the programme also included other types of spatial investments. It was hoped that broadening the investment programme would lead to greater cooperation between national government departments and between the national government and the lower tiers of government. It was also hoped this would result in more coordinated decision-making regarding infrastructure and spatial developments. The contents of the MIRT are jointly decided by the Ministry of Infrastructure and the Environment, the Ministry of Economic Affairs, Agriculture and Innovation, and the lower tiers of government (i.e. provinces, city-regions and municipalities). The current MIRT-programme lasts until the year 2020.

In preparing the MIRT-programme a regional agenda is drafted, the so-called Gebiedsagenda (i.e. ‘area agenda’) in which the bottlenecks and desired development directions for the short, mid –and long-term are addressed. The area agendas are intended to provide support for decisions on national government investments in the context of the MIRT programme. In a subsequent governmental meeting between the national government and the regional governments (i.e. provinces and city-regions) decisions are made regarding the implementation of the area agenda. The investment
programmes stemming from the agenda are updated annually. Such an agenda has been drafted for the eight regions covering the whole of the Netherlands. Three of them are related to the Randstad. In figure 8-2 an example of an area agenda is given. Plans regarding the development of station areas may be included in an area agenda, while railway infrastructure improvements are excluded as they form a separate category within the MIRT programme.

Figure 8-2  Example of an area agenda for the North-western part of the Netherlands

Note: this agenda includes the metropolitan area of Amsterdam, and the provinces of North Holland and Flevoland.
Source: Stadsregio Amsterdam et al., 2009
8.3 Planning in the Netherlands

The purpose of this paragraph is to outline how the planning system in the Netherlands works. This will provide an understanding of how station area development projects are being planned in the Randstad.

In the Netherlands planning is carried out at three levels\textsuperscript{44}: the national, provincial and local level. Each government tier is required to set out its policies in one or more structural visions (structuurvisies). The structural vision is a fairly new type of strategic policy document and is a direct outcome of the new Spatial Planning Act (Wro) which went into effect in 2008. The old Spatial Planning Act (WRO) dated from 1965 and since that time numerous small revisions had taken place. As a consequence it was felt that the Act lacked clarity and quality (Ministerie van VROM, 2007). In addition, decision-making procedures were considered too long and too complex. The new Spatial Planning Act was designed to address both problems and had as its guiding principles ‘fewer rules,’ ‘less central control as possible,’ and an ‘implementation-oriented approach’ (Ibid, 2007). The recently published Draft National Policy Strategy for Infrastructure and Spatial Planning (Ontwerp-structuurvisie Infrastructuur en Ruimte) can be considered an example of a structural vision at the national level. It defines the national government interests regarding spatial planning and infrastructure. As such it can be characterised as a strategic policy document of the national government. Provinces form the intermediary level between the national government and the municipalities at the local level. They are responsible for coordinating policies at the sub-national/regional level regarding planning, transport, culture and social affairs. These policies are set out in its provincial structural vision. Municipalities form the lowest level of government in the Netherlands. Municipalities are responsible for a wide range of policy sectors at the local level such as roads, public transport, housing, planning, environment, social affairs, economic development, education, health care etc. (OECD, 2007). These policies are set out in a structural vision. Besides drafting a structural vision, municipalities have the prime authority for making land use zoning plans in the Netherlands.

The national and provincial governments both have some instruments at their disposal which they can use to force the lower government tiers to adapt their policies in accordance with national and provincial interests. These instruments include national and provincial ordinances (verordening), national and provincial instructions (aanwijzing) and national and provincial land use zoning plans (inpassingsplan). Ordinances allow both governments to establish rules on the content of municipal land use zoning plans. Based on these rules municipalities must adapt their land use zoning plans. Moreover, the national government can also set rules regarding the contents of provincial regulations. The instruction is another type of instrument that can be used when local land use policies are in conflict with provincial or national interests.

\textsuperscript{44} In the region Arnhem--Nijmegen, however, the contracting of the regional railway line Arnhem--Doetinchem is done by the city-region.
By using an instruction a municipal land use zoning plan can be made inoperative regarding the items that go against provincial and national interests. Subsequently a municipality must adapt its land use zoning plan following the guidelines provided in the instruction. The last instrument that the national government and the provinces can use is to draft a land use zoning plan themselves. A national or provincial land use zoning plan is ideally used in projects where provincial or national interests have to be realized. For instance, an integration plan can be made for the realization of a provincial road or regional housing development. The prime authority for making a land use zoning plan, however, lies at the municipal level (see figure 8-3).

Figure 8-3 Planning system in the Randstad/Netherlands

8.4 Key actors involved in the development of station areas

In principle three actors are, or at least should be, always involved in the development of station areas in the Netherlands. They are the municipality, NS and ProRail. The other tiers of government (i.e. ministry of Infrastructure and the Environment, the province and the city-region) are occasionally involved, but usually play a subordinate role. Moreover, there may be other developers than NS involved in the development of a station area. Their involvement, however, varies greatly depending on the location. Therefore, this paragraph only focuses on the roles of the three actors mentioned above.

Municipality

A station area development project is usually initiated by a municipality. For its completion, however, a municipality depends on the collaboration of other parties such as NS, ProRail and other stakeholders (i.e. developers, investors and individuals) as they are all owners of buildings and/or land within a station area. A municipality has the administrative and legal responsibility for implementing a station area development project. It is responsible for drafting a development plan (e.g. a master plan or a structural vision) in which the building locations, building heights, the location of various functions and the planned location of streets, squares, gardens and parks within a station area are specified. Eventually this plan is translated into a legally binding local land use zoning plan (bestemmingsplan). Besides establishing the rules of the game, a municipality is also often one of the players in the game through its ownership of land within a station area. Consequently, it often has a dual role in developing station areas as it is the regulator and the developer at the same time. It is quite conceivable that this could lead to possible conflicts of interest within a municipality. The prime responsibility of a municipality is to safeguard the quality of the public space. As such it holds within a station area the responsibility for the management and maintenance of the public space.

NS

NS, in particular NS Poort, is responsible for establishing commercial facilities at railway stations. These include things such as shops, kiosks and restaurants. The number and type of commercial facilities to be realized depends strongly on the number of passengers that make use of the stations. Furthermore, contextual factors also play a role, such as how far a station is located from an existing shopping centre. Consequently, there are also a considerable number of stations that do not have any commercial facilities within their premises. Furthermore, NS Poort often owns land and/or buildings within station areas. It uses these properties for developing activities such as shopping, working, leisure, living and education. Thus besides being responsible for the commercial exploitation of stations, NS Poort is also a developer of properties in the areas surrounding stations.

45 Previously city-regions were also authorized to carry out spatial planning tasks. However, with the enactment of the ‘new’ Spatial Planning Act (Wro) in 2008 they lost this right.
Furthermore, NS Poort is responsible for the exploitation of (a part of) bicycle sheds at stations. This is important as the bicycle is the dominant mode of transport for people travelling to stations in the Netherlands (see also chapter 3). As many stations lack bike parking capacity, the extension of bicycle sheds is usually an integral part of a station area development project. Last but not least, NS Poort is also responsible for the management and maintenance of station buildings and the transfer spaces such as under and overpasses, station halls and platforms.

In general NS Reizigers plays a sideline role, acting as a consultant on matters regarding journey chain facilities and transfer. However, when a station area development involves a new station the role of NS is more prominent, as it has to assess whether a station is feasible or not.

**ProRail**

In a station area development project ProRail is responsible for the construction of a new station or the refurbishment of an existing one. It does this as a managing principal on behalf of the Ministry of Infrastructure and the Environment. Furthermore, ProRail owns the railway infrastructure and transfer facilities at stations such as the escalators, elevators, stairs and the station halls. Any construction that takes place within a certain distance (usually 11 metres) of a station must be approved by ProRail as is stipulated in the Spoorwegwet (Railways Act). Consequently, a tunnel, passageway or a building over railway tracks cannot be built without the permission of ProRail. It is also ProRail's responsibility to ensure that any construction design or redesign does not hinder its transfer facilities. This means that ProRail must work in cooperation with NS to make sure that, for example, the construction of commercial facilities in a station hall does not hinder daily transfer routes. In some station areas ProRail owns railway yards or railway tracks that are no longer used. By disposing of these railway assets it is able to increase the amount of developable land within a station area. Moreover, ProRail is not allowed to develop these redundant assets alone, as it is not considered a role that a government owned company should do (Ministerie van V&W, 2009).

In table 8-1 the above-described rights of NS and ProRail regarding the development of station areas are summarized.
Table 8-1  Rights of NS and ProRail related to the development of station areas

<table>
<thead>
<tr>
<th></th>
<th>ProRail</th>
<th>NS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Station building</strong></td>
<td>Construction/ renovation and maintenance of station building</td>
<td>Legal ownership and commercial exploitation</td>
</tr>
<tr>
<td><strong>Platforms</strong></td>
<td>Legal ownership</td>
<td>Commercial exploitation, right to build over and under platforms</td>
</tr>
<tr>
<td><strong>Escalators/ elevators</strong></td>
<td>Legal ownership</td>
<td>Cleaning and maintenance</td>
</tr>
<tr>
<td><strong>Passenger tunnel</strong></td>
<td>Legal ownership</td>
<td>Commercial exploitation</td>
</tr>
<tr>
<td><strong>Railway tracks</strong></td>
<td>Economic ownership (Legal ownership is in the hands of Railinfratrust Company (Railinfratrust BV))</td>
<td>Right to build over and under railway tracks near stations</td>
</tr>
<tr>
<td><strong>Railway yard</strong></td>
<td>Legal and economic ownership</td>
<td>In case of disposal NS has the first purchase right</td>
</tr>
<tr>
<td><strong>Station square</strong></td>
<td>(legal ownership, maintenance and management are usually the responsibility of the municipality)</td>
<td>First development right</td>
</tr>
<tr>
<td><strong>Bicycle parking facilities</strong></td>
<td>Construction</td>
<td>Legal ownership and commercial exploitation</td>
</tr>
</tbody>
</table>

Source: adapted from Ministerie van V&V, 2008.

A few of the elements outlined in table 8-1 deserve some further explanation:

First, in the Netherlands a station building is constructed or remodelled by ProRail for which most funds are received from the national government. After the development or maintenance work is completed the station is handed over to NS, while the management remains in the hands of ProRail. Because NS does not financially contribute to the (re)development of the station building itself, its influence on the
design of the building is rather limited. This is rather striking since NS is the end-user of the station buildings.
Second, within a station building ProRail is the legal owner of the non-commercial public space, i.e. the transfer space, while NS is the owner of the commercial space. In other words, facilities such as platforms and passenger tunnels are owned by ProRail, while the shops within these facilities are owned by NS. In addition, NS is also the legal owner of the station hall in which it exploits commercial facilities. Expansion of the commercial facilities should be done in consultation with ProRail as such facilities should not impede passenger flows.

Third, NS is given preferential treatment regarding the usage of railway infrastructure. For instance, NS has the right to build over and under railway tracks near stations. This gives them a rather powerful position when a railway tunnel or viaduct needs to be built, as in such cases their air rights would be harmed for which they gain compensation. For example in Rotterdam Blaak, one of the case studies discussed in chapter 9, NS exchanged a part of their air rights above the railway tunnel for development rights elsewhere. Apart from this, the exchange of development rights is common practice when developing station areas in the Netherlands. For example, NS may donate a piece of land to a municipality in exchange for a piece of land elsewhere within a station area. The preferential treatment of NS is further illustrated by the fact that it has been granted the pre-emptive right to buy any railway infrastructure such as railway tracks or railway yards that ProRail disposes of. Consequently, NS has the first opportunity to buy disused railway assets and to convert them into more efficient land uses. Since a considerable number of these railway yards are situated in prime locations (i.e. close to the city centre), one can imagine that this has put NS in a rather comfortable position.

8.5 Dutch Railways (NS) and its role in developing station areas

NS has the exclusive right to operate passenger railway services in the Randstad and it owns the (station) buildings and (part of) the land around its stations. As such, it is a key actor in developing station areas. In this it shares some similarities with its Japanese counterparts (see paragraph 4.5); however, there are also some important differences. To gain a better understanding of these similarities and differences this paragraph focuses mainly on the role of NS in developing station areas.

The NS group consists of two divisions: passenger services and hub development and operation (see figure 8-4). There used to be a third division called rail infrastructure and construction, but this division was sold in 2010. Passenger services consist of four companies. NS Reizigers is responsible for transport services in the Netherlands and the associated sales and services. NS Hispeed is responsible for the cross border passenger services and for the high speed railway services within the Netherlands.
Abellio is the company handling the acquisition and operation of concessions abroad, and Nedtrain is the company dealing with the maintenance of the rolling stock. Hub development and operation is carried out by NS Poort. This company is responsible for the commercial operation and management of stations in the Netherlands and for the development around these stations (NS, 2010). Given the focus of this research (i.e. the development of station areas) the activities of NS Poort will be further elaborated upon in the next paragraph.

Figure 8.4 Organisational chart NS Group

The NS organisation


8.5.1 NS Poort

NS Poort distinguishes four main activities, i.e. commercial operations, property development, retail development, and management. Each activity is accommodated in a separate organizational unit (in the case of retail this is a separate company). The commercial operations unit is in charge of all land and buildings owned by NS such as shops and hospitality outlets at stations, and offices and parking facilities in the vicinity of these stations. The property development unit is responsible for the development of schools, offices, residences, hotels, and shops near stations. The retail company (Servex) is in charge of the commercial operation of shops at stations, and finally the management company is responsible for the commercial, administrative and technical management of stations (NS, 2010). In addition, NS has three subsidiaries, i.e. NS Fiets, OV Fiets, and Passenger Terminal Amsterdam. NS Fiets is responsible for the operation and management of bicycle storage facilities at stations, OV Fiets is the provider of rental bicycle services at stations, and the Passenger Terminal Amsterdam is a terminal for cruise ships and a joint venture between NS Poort and the port authority of Amsterdam.

NS owns approximately 4,500 hectares of land, 350 station buildings and 450 other buildings with various functions (Kuenen, 2008). These include goods sheds, dwellings, offices and former locomotive sheds. NS Poort is responsible for the development, management and commercial exploitation of these real estate holdings. It might be

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46 Since February 2012 NS Poort changed its name to NS Stations.
obvious that not all of these assets are considered to have development potential. Moreover, a considerable part of its landholdings consists of small strips of land next to railway lines which are unsuitable to build on.

NS Poort has divided its real estate holdings into two categories, i.e. the strategic assets which it wants to develop and the non-strategic assets which it wants to get rid of. Its strategic assets include its station complexes, the square fronting to its stations, the intermodal facilities surrounding its station complexes (i.e. ‘station location’ in figure 8-5) and a certain part of the area surrounding its stations. A standard size for a station area is not given as this largely depends on the local context, hence the dotted line in figure 8-5. Its assets located outside of the specified station areas are considered non-strategic assets.

NS Poort rather pragmatically determined the size of each station area by asking its employees who were familiar with the local context to draw a line around each station. Consequently, it was calculated that collectively all the station areas comprised 3,500 hectares of which NS Poort owned 470 hectares, or 16% of the total (Kuenen, 2008).

In the station areas where NS Poort owns properties it wants to influence the station surroundings by initiating real estate activities. In case land ownership is limited in a station area, but a more influential role is desired by NS, new properties will be acquired to guarantee this role.

What the previously-outlined distinction makes clear is that NS Poort somewhat differs from an ordinary developer. NS Poort primarily focuses on stations and the areas directly surrounding them. Consequently it has no interest in developing residences or offices outside station areas, as this is not considered its core business.

Figure 8-5  Schematic representation of strategic and non-strategic assets

**Station area (strategic)**

**Other real estate (non-strategic)**

**Station location**

- Station complex/transfer
- Intermodal facilities: Square, walking routes, bicycle sheds, car parking, taxi, bus station etc.

Source: adopted from Kuenen, 2008.
8.5.2 Vision 2020
In 2007 NS presented its vision for the year 2020, a long term plan in which NS gave its view on how mobility could look like in the year 2020. Central to this plan was the notion of freedom to move for which convenience, comfort and freedom of choice were considered essential elements. Interestingly, NS was prepared to look further than the trains for making this happen. NS envisaged that for realizing this vision the following measures would be needed:

1. An integrated network between the car and public transport, allowing travellers a safe and efficient transfer between different modes of transport.
2. High-frequency services (i.e. 6 intercity trains per hour) on the congestion-sensitive corridors.
3. Increasing the speed of the intercity trains from 140 km/hour to 160 km/hour.
4. Developing stations into dynamic places well suited to an efficient combination of activities such as living, working, shopping, studying and recreating.

With these measures NS intends to play a larger role in the development of mobility in the Netherlands (NS, 2006). The implementation of these measures, however, requires considerable investments. For example, NS estimated that for enabling a high-frequency network with increased speeds in the Netherlands, an investment in the range of 5 billion euro would be required. This money is needed for the improvement and expansion of railway capacity. Furthermore, existing capacity bottlenecks need to be eliminated for which money is also needed. In 2007 the national government launched the High-frequency Rail Programme (Programma Hoogfrequent Spoorvervoer). This programme was designed to enable high-frequency passenger services on the busiest routes in the Netherlands. In 2008, it was decided to assign a budget of 4.6 billion euro to this programme of which NS was required to contribute approximately 1.4 billion euro. It financed this amount by paying a dividend to the national government, its sole shareholder. The responsibility for the implementation of this programme came to lie in the hands of the ministry of Environment and Infrastructure. It is expected to be completed in 2020.

8.5.3 Strategy NS
The main mission of the NS group is to transport more passengers safely, punctually and comfortably via attractive stations (NS, 2010). Within this mission NS Poort is responsible for creating attractive stations. More specifically it has defined its mission as follows:

“We want to develop, operate and manage stations and station areas for creating pleasant, vibrant and sustainable places to stay, work, and live so that our customers like to use our services and businesses want to establish themselves around stations. We can do this because of our position in stations areas, the unique portfolio of activities and the relationship with the passenger services department of NS.”

(Translated by the author)
The mission as defined above is aimed at coordinating real estate activities within station areas so that additional value is created for the passenger services department of NS. Three strategies are used in order to positively influence the operations of the passenger services department (i.e. NS Reizigers). The first strategy is called ‘accelerate’ (versnellen) and refers to measures that can be taken in order to reduce the travel time, such as increasing the average speed or reducing the waiting time. For example, by building a more direct link between two stations or by improving the status of a station (from local express to rapid express) the travel time can be reduced. The waiting time in turn can be reduced by offering better transport connections or higher-frequency rail services.

The second strategy is called ‘making more pleasant’ (veraangenamen) and refers to the measures that can be taken in order to make a trip more pleasant and safe. For example, by paying more attention to the quality of the station and the layout of its surroundings a journey can become more pleasant. The third and last strategy is called ‘densifying’ (verdichten) and refers to measures that can be taken to increase the number of passengers. For example, by adding a large number of houses and offices to a station area, the number of trips made by the users of these properties is expected to increase. With its real estate activities, NS Poort is particularly able to contribute to making trips more pleasant and safe and to increase the number of trips (i.e. the second and third strategy).

8.5.4 Financial performance NS

Providing passenger services and creating attractive station areas are considered the core activities of NS. In terms of their share in operating revenues, however, the passenger services clearly dominate, while the share of real estate and retail activities has remained stable (see figure 8-6). This contrasts sharply with the Japanese private railway operators, where the greatest revenues are generated by the retail activities, with the exception of JR East (see chapter 4).
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Figure 8-6  Operating revenues during fiscal year 2005-2010 (million Euros)

Note: In 2010 the rail infrastructure and construction department was sold. Therefore the operating revenues for the construction segment are left out for fiscal year 2010.
Source: compiled from annual reports 2005-2010 of NS.

Transportation is the most profitable business segment of NS occupying more than half of the total profit (see figure 8-7). This demonstrates that transportation is by far (still) the most important business activity of NS. Despite that in Japan most revenues are generated by retail activities, its transportation activities appear to be the most profitable ones. For instance, in fiscal year 2009 (31 March 2009-1 April 2010) the profits generated by the transportation activities of Odakyu Electric Railway Corporation and JR East accounted for 63% and 66% respectively (OER, 2010; JR East, 2010). A notable exception is Tokyu Corporation where almost an equal share of the profits is generated by its real estate activities (see chapter 4).

Figure 8-7  Operating profit per segment in fiscal year 2010 (million euros)

Source: compiled from the annual report 2010 of NS.

In the annual reports of NS the profits of the hub development and operation division are shown. However, no further distinction is made between its profits deriving from real estate activities and its profits deriving from retail activities. Therefore such a
distinction has been made by the researcher as without such a distinction it would have been difficult to compare the financial results of NS with those of private Japanese railway operators. This was done as follows. For investments NS is required to achieve a return of 8 percent. Consequently, for determining the retail share the required return was multiplied by the operating revenues of retail that had been published. Next, this amount was deducted from the total profits of the hub development and operation division to determine the profit share of retail. The remaining profit is considered to be the profit share of real estate. It is important to realize that the numbers provided in figure 8-9 are estimations of the profits in the real estate and retail segment. It is very likely that the actual profit share of retail is much higher than presented here. Nevertheless, this information gives an idea of how profits are distributed among the different business activities of NS and how this differs from Japan.

8.5.5 **Comparing the Dutch railway sector with the Japanese railway sector**

Having gained an insight into how the Dutch railway sector operates, a comparison with the Japanese railway sector can be made. The aspects in which they differ are illustrated in table 8-2 and are further elaborated upon below.

<table>
<thead>
<tr>
<th></th>
<th>Dutch railway sector</th>
<th>Japanese railway sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company structure</strong></td>
<td>Semi-public</td>
<td>Private</td>
</tr>
<tr>
<td><strong>Concession period</strong></td>
<td>10 years</td>
<td>Life-time concession</td>
</tr>
<tr>
<td><strong>Relation infrastructure management and transport services</strong></td>
<td>Full separation between infrastructure management and transport services</td>
<td>Full integration between infrastructure management and transport services</td>
</tr>
<tr>
<td><strong>Role of the national government</strong></td>
<td>Large influence on the performance of railway companies</td>
<td>Limited influence on the performance of railway companies</td>
</tr>
<tr>
<td><strong>Financing railway developments</strong></td>
<td>Mostly publicly financed (by the government)</td>
<td>Mostly privately financed (by the private railway sector)</td>
</tr>
<tr>
<td><strong>Planning of railway developments</strong></td>
<td>Ministry of Infrastructure and the Environment</td>
<td>Transport Policy Council</td>
</tr>
<tr>
<td><strong>Degree of business diversification</strong></td>
<td>Moderate</td>
<td>Strong</td>
</tr>
</tbody>
</table>
The first aspect highlights the difference in company structure. NS is a semi-public company with the national government (i.e. the Ministry of Finance) as its sole shareholder. In Japan, railway companies are private and their shares are owned by various shareholders. Larger shareholders are in particular banks and life-time insurance companies. This is an essential difference as it strongly determines the course of the company. One can imagine that in Japan, under the influence of their various stakeholders, the actions of railway operators are mainly profit-driven. Conversely in the Netherlands, under the influence of the national government, other aspects are also considered important such as the quality and level of the transportation services.

The second aspect concerns the difference in length of the concession period. In Japan, railway companies are granted a life-time concession by the national government, while in the Netherlands railway operators such as NS are granted a temporary concession. However, this does not mean that there is no competition in Japan. On the contrary, because there are multiple railway companies operating parallel services the competition on certain sections of the railway network can be rather strong. For example, in Tokyo there are multiple operators providing services between Shibuya and Yokohama and consequently they are competing for the same travellers. Although in the Netherlands theoretically the competition for railway services seems strong, in practice competition is virtually absent. This is especially the case for the main railway network where the concession is directly awarded to NS. National interests (i.e. the railway network should be operated by a Dutch railway operator) seem to have played a strong role in this.

The third aspect deals with the relationship between infrastructure management and the operation of transport services. In Japan, in most cases, railways are owned and operated by the same railway operator. This, in combination with their life-time concessions, encourages private railway operators to develop long term plans for their railway territories (i.e. the so-called area strategies as described in chapter 6). In the Netherlands, infrastructure management and the operation of transport services is fully separated. Consequently, railways cannot be owned and operated by the same railway operator. This, in combination with the fact that concessions are only temporary, discourages rather than encourages private railway operators to make long term plans for their railway territories. Although NS has made a long term plan for the year 2020, this plan mainly focuses on mobility issues and does not, unlike Japan, contain a vision regarding the development of its railway territories.

The fourth aspect in which the Dutch and the Japanese railway sector differ concerns the role of the national government. In Japan, the national government has a limited role in controlling the operations of railway companies. Basically, they set some general standards to secure the safety of transportation, to protect the benefits of the users of railways and to ensure a sound advancement of railway operations. For the remaining part, private railway operators are basically free to decide what activities they want to become engaged in. In the Netherlands, the steering role of the national government is much stronger. The concession is used by the ministry to stipulate in a rather detailed
manner the requirements that railway operators must comply with. These concern aspects such as frequency, punctuality, personal safety and cleanliness. NS is required to make a transport plan each year explaining how these requirements are being dealt with. Moreover, because the national government is its sole shareholder, NS is rather limited in its freedom to conduct activities that are not strictly related to its railway activities.

The fifth aspect relates to the financing of railway developments such as the extension or quadrupling of railway networks. In Japan, the majority of finance is provided by the private railway operators themselves. However, national and local governments provide some subsidies to relieve the private sector from the burden of these often huge investments. For example, private railway operators are eligible for subsidies for the construction of double-track or four track lines. Furthermore, grants are provided for projects that shorten travel time (i.e. by the construction of short-cut lines) or facilitate transfer (i.e. by changing platforms or railway tracks).

In the Netherlands most of the funding is provided by the Ministry of Infrastructure and the Environment. Maintenance, development and extension projects concerning railway infrastructure are included in the long investment programme MIRT. Some station area development projects are also included in this programme. Regarding the High-frequency Rail Programme, NS also provides a substantial part of the finances (i.e. 1.4 billion Euros).

The sixth aspect is closely related to the previous one. In Japan the planning for railway network improvements or extensions is done by the Transport Policy Council, an advisory body within the Ministry of Land, Infrastructure, Transport and Tourism. Since the railway investments proposed by this Council are largely paid for by private railway operators, the planning is done in close cooperation with these operators. In fact, some of the major private railway operators are represented in the Council. One can imagine that in such a system railway operators are reluctant to propose new projects, as such projects form a heavy burden for their operations.

In the Netherlands, the planning of railway network improvements or extensions is done by the national government in close cooperation with other ministries and supra-regional and regional governments. Together they set the agenda for a certain area and determine which projects should be developed first. Japan does not use such a comprehensive planning approach.

The seventh and last aspect refers to the degree to which railway operators are involved in side-businesses. In Japan, railway operators were involved in side-businesses relatively early. They were more or less ‘forced’ to engage in other activities, as strict fare regulations allowed them only minimum profits. In order to strengthen their profit margins- the transport market provided only limited business growth- they started to look for other revenue sources. Most of the revenues, with the exception of JR East, are nowadays generated by its side-businesses, in particular its retail businesses (see chapter 4). NS does not have such a strong diversification. Its transportation services still provide the largest part of the revenues. However, its retail and real estate activities
can be considered real ‘cash cows’ as together they provide the largest share of the profits for NS. It is quite conceivable that the relatively modest engagement of NS in other activities has been influenced by the fact that NS is a semi-public company. According to public and political opinion, NS is not a real estate company and consequently should limit its involvement in non-transportation activities.

8.6 Conclusion

This chapter has provided an insight into how station areas are being developed in the Randstad and which key actors are involved. When reflecting upon the roles of the key actors in the development of station areas it can be concluded that the role of the municipality is rather prominent in especially the planning, but also the development of station areas. Municipalities are responsible for drafting urban plans and they are usually the initiator of station area development projects. Besides their regulating role, municipalities are often involved in the actual development of station areas because of their landownership. As such they have a dual role as developer and regulator of station area developments. In Tokyo, the local government (i.e. the TMG) does not have such a prominent role in the planning and development of station areas. In fact, the actual planning of station areas in Tokyo is not done by governments, but by the private (railway) sector. Instead the role of the Tokyo Metropolitan Government is limited to facilitating and conditioning land use developments in station areas for which it uses its planning and financial instruments. Despite its limited role, the TMG is rather influential in guiding station area developments (see chapter 7).

The above indicates that the role of NS and ProRail is less prominent in the planning of station area developments compared to their Japanese counterparts. NS does not draft urban plans alone and does not usually take the initiative to launch new station area development projects. As such its role can be characterized as a more passive one; if another actor (e.g. a municipality) wants to launch a development initiative within a station area then they would get involved. In Tokyo/Japan private railway operators are rather actively involved in the planning of station areas. They draw up urban plans by themselves or in conjunction with other private actors and are also actively involved in initiating real estate/retail activities in or near their station premises. In addition, NS is mainly interested in the development of areas directly bordering its stations, as these areas are considered strategic. Less interest is expressed in areas located a greater distance from its stations. Interestingly this is contrary to the business strategies of private railway operators in Tokyo, as they pay close attention to the wider area in which their stations are located (see chapter 6).

As owner of buildings and or land within a station area NS is usually actively involved in the development of a station area. This is similar to the role of private railway operators in Tokyo, albeit with the difference that in most cases the municipality rather than the railway operator is the initiator of a project.
Like NS, ProRail is not actively involved in the planning of station area developments. That is, it will not take the initiative for launching a new station area development project nor does it draft urban plans alone. Only when the development of a station area affects the functioning of railway infrastructure and/or transfer facilities (e.g. in case a station building is refurbished or buildings are erected above or adjacent to railway tracks) does ProRail become involved. This is different from the situation in Tokyo where infrastructure management and transport services are in the hands of one and the same actor: the private railway operator (see also paragraph 8.5.5). The fact that ProRail owns the railway infrastructure and transfer facilities at stations requires their involvement in the development of station areas.