

## CHALLENGES OF CONTINUED SERBIAN RAILWAY RESTRUCTURING PROCESS

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**Abstract** – Serbian railways are facing with new challenges of continuing the restructuring process. How come that many think this process is over even though it has just begun? What are the possible markers and how to define a further strategy for the restructuring and development of the railway sector in Serbia? Where is the focus in further development in order to get efficient railways in Serbia? What are the chances for the development of the Serbian railway and what kind of changes do these changes require? What measures the Serbian Government must take to finally get an efficient rail system and competitive rail service and railway sector? Do we know really how deep the requires of the restructuring process are and what is the main goal the restructuring of the railway sector? How long does it take in European and regional conditions and why? What kind of support and assumptions are needed to take this process forward? What capacities are required, and what do we really have in terms of human resources, the necessary knowledge, and investments? These are some of the issues discussed in the paper having in mind previous experience of Serbia. Also, by the case of Serbia is illustrated and commented on how to recognize the restructuring phases, the possible and necessary process dynamics, and the sustainability of this process and the railway sector in the transition phase. In the paper was given analyzes, synthesizes and systematization of the transformed path of the restructuring of the Serbian railway sector in order to sublimate the experiences for the continuation of the process, as well as the answer to the question of why the essential steps for this process are yet ahead.

**Keywords** – railway reforms, market competition, corridor, case study

### 1. INTRODUCTION

European railways are still in the phase of significant changes that began since 1991. The key word for recognizing, understanding and tracking these changes is the "market." The introduction of market relations into a system that was a monopoly required structural changes that affected all parts of the system. Instead of two actors (one company with three activities and the government as the owner and regulator of the sector), there is now a much greater number of actors, stakeholders, and relationships.

That process started in the EU in 1991, was not limited to the specified model but only with deadlines of liberalization of particular market segments. With regard to the directive requirements, on the one hand, and the different positions of the countries (geographical, political, society transition phase, etc.) the network capacity, the characteristic of (monopolistic) companies and the situation in industrial sector, on the other hand, each country had to find its own model of railway sector restructuring. The unique model did not exist, nor could it exist in European conditions characterized by high

heterogeneity of railway systems and their development [1].

Market opening in the railway infrastructure requires the set up of several new bodies: the Regulatory body, Safety authority, Licensing body, and Investigation body. In its legal acts, EU has defined a role, jurisdictions, independence of those bodies under market participants and certain procedures, but not there models of organization and position in the system of government. There is still considerable freedom or ambiguity in terms of independence and mutual relationships of these bodies, as well as in relation to other bodies of the railway sector and country [2].

Although the process of establishing the mentioned bodies in Europe has lasted over 15 years, the same process is still characterized by frequent changes and wandering. The process of establishing railway bodies is a particular challenge for small countries with lack of knowledge, financial, human and other resources. It also requires a significant commitment of the Government and budget. If we take into account actual economic crises demand to reduce the budget

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deficit and public administration as a general trend in Europe, then the problem of establishing and stabilizing above mentioned new bodies, and in particular, the building of its authority, becomes even more difficult. This process is highly correlating with the process of railway sector restructuring, in particular with restructuring of incumbents.

## 2. PHASES OF THE SERBIAN RAILWAYS RESTRUCTURING PROCESS - A CRITICAL OVERVIEW

Railway sector reforms in Serbia started in 2005 by transposing the main EU railway acquis in the new Railway Law. Under the same law, most of the measures implemented provided deadlines in respect of set-up of competent state authorities and institutions (the setup of new bodies, the railway market authorities, by-laws, etc.). However, the restructuring of the monopoly railways company Serbian Railways JSC started only in 2015. In addition to the Government of Serbia, the International Monetary Funds (IMF) and the World Bank (WB) were involved in this process. State railway companies are now at the stage of turbulent changes in all areas of business and operation, and at all levels. The new, and actually "old" actors are now in new roles and in new mutual relations.

The railway sector of Serbia has the following participants and structure of the system today (Fig.1):

- a) Railway companies: JSC for Management of Public Railway Infrastructure „*Infrastruktura železnice Srbije*“; railway undertakings: JSC for passenger transport „*Srbija Voz*“, JSC for freight transport „*Srbija Kargo*“ (all three companies originated by the separation of a vertically integrated company JSC „*Serbian Railways*“), *Kombinovani prevoz d.o.o.* and *Despotija d.o.o.* (two new private company) being the actors on the railway market. There are 5 more companies registered for the freight transports, but they are not present on the market.
- b) Government institutions: *Ministry of Construction, Transport and Infrastructure* (MoCTI) as Ministry in charge for the railway, *Directorate for Railways* (body of the Serbian Government) - being the institutions which comprises in itself the Regulatory body, Safety authority, Licensing body and Designated body; *Center for the investigation of traffic accidents* (Investigation body) which is joint for air, inland waterways and railway traffic.

In the heretofore stream of the railway sector restructuring in Serbia, two phases can be distinguished, and activities for the preparation of the third phase are currently underway. Each of the

phases was preceded by a political decision that the Serbian Government had to make and which was always reflected in the adoption of a strategic document.

By the adoption of a new *Railway Law* in 2005, the first time was allowed reforms to the market opening. That is showed by the establishing new institutions (such as *Directorate for Railways*) and to the restructuring the vertically integrated company „*ŽTP Beograd*“. The law was awaiting adoption in the Serbian Parliament for two years. At that time, its adoption was a condition for further investment supported by European banks: the EIB and the EBRD. Implementation of the law was carried out only in the domain of state institutions (the set up of new bodies in the railway market, adoption of bylaws, etc.). There was no restructuring of the „*ŽTP Beograd*“, which only changed its name to the Public Enterprise “*Serbian Railways*” and then became a joint-stock company with one owner.

In the period from 2005 to 2015, the *Law on Railways* has been amended several times, a new *Law on Interoperability Safety of the Railway* has been adopted, numerous bylaws related to the new regulation of railway safety and market relations have been adopted as well, established and strengthened the *Directorate for railways* as a regulatory, licensing and safety body, but there were no practical and essential steps in opening up the market and restructuring the monopoly system.

The second phase of restructuring started in August 2015 with vertical separation of incumbent core activities (infrastructure management, freight transport, and passenger transport) to fully independent companies. This model was adopted even though the model of the holding was a solution “on the table” for a long period. This phase of restructuring was preceded by a political decision with the adoption of a strategic document proposed by the *World Bank (Accelerating the Railways in Serbia - the Roadmap)*, and then by *Planet S.A.* consulting company from London (*Serbian Railways Reform Plan 2016-2020*), which mainly elaborated in more detail the proposed plan by WB.

On that occasion, the WB introduced the Action Plan measures under the report *Accelerating the Railways in Serbia - the Roadmap*, which the Serbian Government adopted and implemented as its own act. The Government of Serbia has established the Working Group for the management of the Serbian Railways Reform Process as foreseen by the WB Action Plan. The working group was formed in December 2014 and included representatives of incumbent, some ministries (MoCTI, Ministry of Finance, Ministry of Economy and Ministry of Labor, Employment, Veterans' Affairs and Social Affairs), the Republic Property Directorate and international

institutions (IMF, WB, EU delegation). The working group changed the participants (not structure) several times in line with the changes that occurred

(reconstruction of the Government of Serbia, new management in companies, etc.).

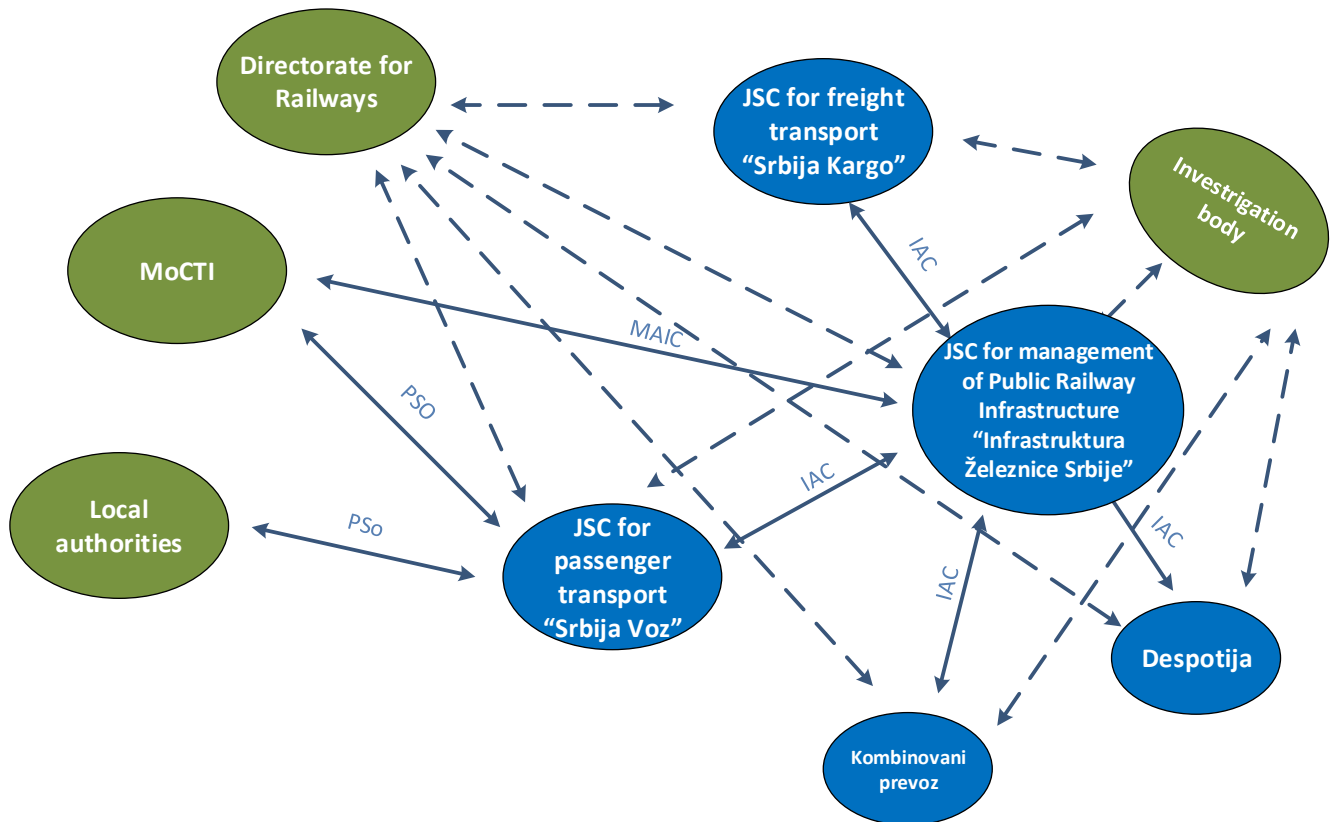


Fig. 1. Stakeholders on the railway market with relationships

The period from 2005 to 2015 today can be marked as the wasting time period for the railway sector in Serbia. The restructuring was continuously postponed for some other or better times, which they could not even come in. The main justification was that is first necessary to raise the company to a higher level of competitiveness so then it can start on the market equally. The result of the postponement was, instead of better, an even worse starting point for restructuring: the infrastructure and financial operations of the incumbent company PE "Serbia Railways" have never been worse.

In the same period, project restructuring activity continued to be carried out as an aid to international, and, above all, EU institutions. The projects came one after the other and included different areas starting with the methodology for cost monitoring and finances according to the services provided [3], creating a business rolling plan and a new organizational model [4], modeling the access charges [5], five years rolling plan and multiannual infrastructure agreement [6], strengthening the capacity for the regulatory and safety body [7], to the study of organizational models in the separation of activities and management of costs [8], asset management plan, commercialization of assets and models of contracts between companies [9], etc.

However, none of these projects has been implemented. The primary reason was the lack of will on the part of the Government (either as a competent authority or owner), and then with the management of a railway company that passed passively, leaving to the „fate of waiting“.

At this moment, Serbia almost completely implemented EU legislation (except for the IV package of directives) into its laws or bylaws acts. The latest set of laws from June 2018<sup>1</sup> further improved the legal basis for the market foundations of the Serbian railway sector. So, in a legal sense, Serbia has mostly liberalized the market. However, the functioning of the market is at the very beginning in every way.

What does the Serbian history of restructuring tell us and their experience in choosing the moment of starting the restructuring process and its implementing dynamics? The conclusion is unequivocal: the process has been reluctantly and under pressure of international factors related to the conditions of

<sup>1</sup> In May 2018, the following new laws were adopted: *Railway Law* ("Official Gazette of RS", No. 41/18), *Law on Safety in Railway Transport* ("Official Gazette of RS", No. 41/18) and *Law on Interoperability of the Rail System* ("Official Gazette of RS", No 41/18)

financing of railway infrastructure and rolling stock or previously, the obligations undertaken in the process of EU accession. These two factors almost always work together when it comes to the Southeast Europe area. These circumstances are not a good starting point for the beginning and the course of the restructuring process. Today, we are entirely sure that the period 2005–2015 was a period of missed chances. The best evidence for this is stated, and non-implemented, projects and economic crisis whose beginning is related to 2008. Namely, the Serbian railway sector has met a crisis unreformed, which has proven to be devastating over the past ten years. Now no one is arguing that the restructured railways have overcome the economic crisis since unreformed [10].

### 3. THE BASIC SETTINGS OF THE THIRD PHASE OF RESTRUCTURING

Two years after the implementation of *World Bank* and *Planet S.A.* action plans, it was engaged a consortium led by the KPMG consulting company to develop new *Action Plan (AP)* for continuing the reforms, entirely based on the Project's Terms of Reference "Technical Assistance to the Ministry of Construction, Transport and Infrastructure and the State-owned railway companies in Serbia – Comprehensive Railway Reform" and funded by the European Union in IPA framework. This AP shows continuity in view of the previous AP, however in continuing the reform process deals mainly with roles of the Government and the responsible ministry of transport. Now the focus is on reforms leading to efficient railways and a sustainable Serbian rail sector.

The concept and activities proposed in the AP are backed by the analyses of previous experiences, current circumstances present in Serbia, the best EU practices, as well as tried-and-tested models in railway reforms from other countries. However, all of the above has been put into the function of achieving a sustainable and efficient rail sector **in relation to market factors**.

The study has identified eight fields of conceptual measures (*Table 1*). The measures follow five main roles and responsibilities held by the Government of Serbia and MoCTI<sup>2</sup>. They jointly strive to boost the

performance, efficiency, and competitiveness of the Serbian railway system. To summarize, they denote a new objective – a sustainable railway sector.

The activities/measures are designed to (1) improve railways' competitiveness railways in the transportation market, (2) increase competition in the Serbian rail network, and (3) improve institutional solutions to support the foregoing said. Goals set in such a manner called for a change in the regulatory and institutional framework to create prerequisites for their implementation. They also call for a shift from a structure largely regulated based on a certain hierarchy (chain of command) and control to the structure led by business principles and competencies specific for commercial company management.

The AP focuses on the need to improve and establish a legislative and regulatory framework that would ensure sustainability of set targets, as in the absence of a more substantial institutional reform, the increased investment would yield minimal impact on the railway performance. Without reforms, Serbian railways cannot expect an advance in the transportation market just because they remain uncompetitive. It takes a change of attitude and focus to first preserve, and then grow the market share.

What defined the proposed AP in such form or what is the key landmark in defining a further strategy for the restructuring and development of the Serbian railway sector? **The answer to this question must be a marketable landmark.** As a result, the current and perspective flows of passengers and goods on the Serbian railroad network have been focused as a landmark. In conditions of highly-subsidized or unprofitable passenger transport, the focus was placed on reforms that ought to increase the competitiveness of rail freight transport that generates 80% of the railway network transport revenue, and then increase the efficiency and effectiveness of passenger traffic within the public transport obligation. Historical trends, as well as today's reality, indicate that more than 80% of freight transport is generated on Corridor X. This fact indicates that Corridor X is a chance that must not be missed for railway transit network and country such as Serbia, a key factor that will determine the future comprehensive reform of the Serbian railway sector. In other words, **the competitiveness of Corridor X in both railway and transportation markets will define the fate of the Serbian railway sector and determine competitiveness and the size of incentives for other industries in Serbia.**

A comprehensive reform process should be regarded as a priority in strengthening the competitiveness of Serbian railways and human resources that support and facilitate them. The Government of Serbia should promptly decide, as the next step, on the reform action plan with setting clear

<sup>2</sup> The five roles of the Government and the ministry responsible for transport are as follows:

- 1) the policy maker responsible for defining the national transport strategy and the owner (shareholder in state-owned companies);
- 2) the railway sector regulator responsible for creating the structure and regulating the railway sector;
- 3) the client – responsible for managing railway contracts;
- 4) the mediator (the facilitator) in the international railway integration;
- 5) the one responsible for establishing administrative apparatus in the railway sector.

and strict deadlines for the so-called “soft” measures and needed investments, all of which should enable Serbia to increase the competitiveness of Corridor X

and really use the opportunity to attract the flow of goods, primarily from China and Turkey, to Central Europe.

Tab. 1. The reform conceptual measures (fields of action)

No.	Conceptual measure	No. of Action	No. of Activities
1.	Harmonization with the EU regulations and improving financial discipline in the railway sector	5	12
2.	Introduction of performance contracts for management of railway companies	6	7
3.	Improved PSO and MAIC management and obtaining a value for money	10	19
4.	MoCTI as moderator of international integration of Serbian railway sector	1	5
5.	Development of effective and efficient railway network in Serbia	2	6
6.	Improved management of the fixed assets and the rolling stock	1	1
7.	Setting up of state-level capacity for improving the competitiveness of the railway	3	7
8.	Enhancing competence of the Regulatory Body	1	4

In the next two chapters, **two key elements for the success of the reform process of Serbian railways are considered in depth: the competitiveness of Corridor X and the need to strengthen the capacity and competence of the ministry responsible for transport.**

#### 4. CORRIDOR X AS A CHANCE AND REQUIREMENTS GENERATOR FOR SERBIAN RAILWAY REFORMS

The importance of Corridor X for the business operations on the Serbian rail market is extremely high. Not only that the Serbian railway is highly dependent on international traffic (as can be seen in table 2), given that transit plays the lead role. The transport on Corridor X is also crucial for the other railways in Southeast Europe (Macedonia, Greece, and Croatia) because it makes far more than half of the share of total transport and income of the freight transport.

However, Corridor X is in direct competition with the Corridor IV which can be seen at first glance on the Fig.2.

Corridor IV had offered a stable alternative to circumvent the former Yugoslavia due to previous political instability in the Balkans in 90th years. At the same time, Corridor IV is the shortest land route between Turkey/Greece and Central Europe that runs entirely across the EU territory. The new bridge (Vidin-Kalafat) linking Bulgaria and Romania across the Danube further shortens the distance along Corridor IV. Seeing that EU investments continue to focus on Corridor IV (6,8 billion EUR were recently made available to Romania for supporting Corridor IV transport infrastructure), Serbia must adapt to the existing geopolitical situation and position itself in line with China’s and Russia’s strategic plans for Central Europe to overcome the harm inflicted by the political turmoil of the 1990s.

Table 2. The importance of (international) freight transport for SEE countries

Country	Transit tone-km (millions)	% of the international freight traffic in a total volume of the freight traffic	% of freight traffic revenues in total traffic revenues
Croatia	1.987	78	67,87
Serbia	2.457	90	79,82
FYROM	379	98	81,03
Greece	33	86	27,58
Bulgaria	909	32	52,13
Romania	1.881	33	72,97

Source: Eurostat and UIC 2016

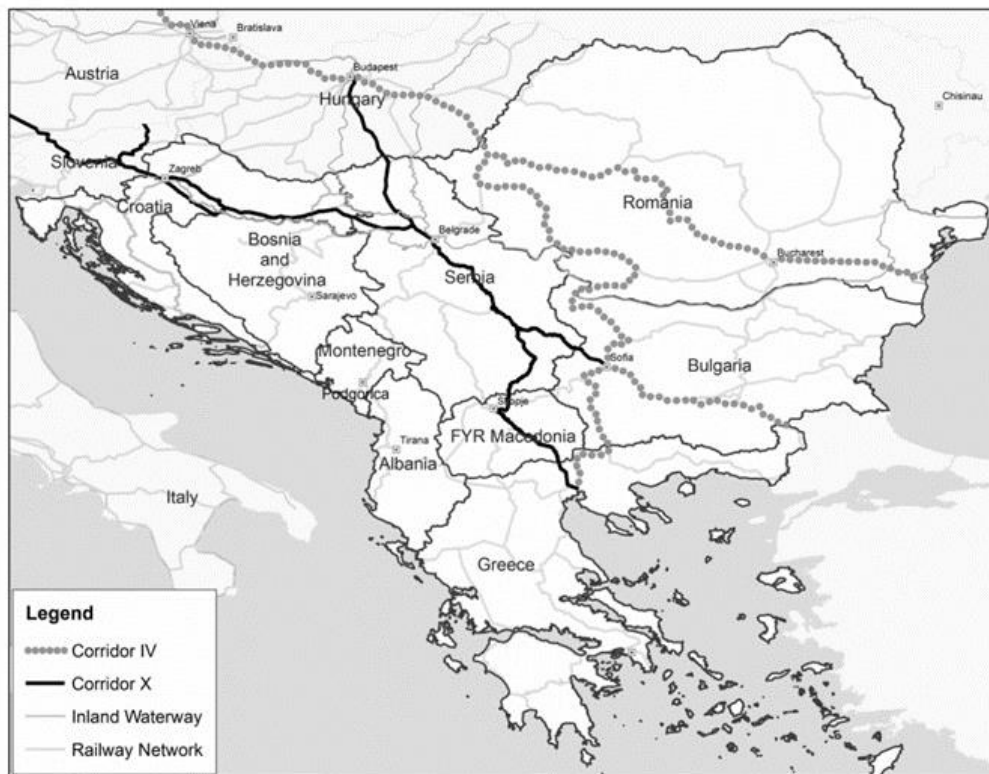


Fig 2 SEE countries and railway corridors X and IV

The Chinese state and economy have designated the Port of Piraeus as the new logistics center for goods heading towards Central Europe. Chinese investments represent an unexpected chance for Serbia to catch up in developing Corridor X and make a comeback as an important partner in the European transportation market. In conditions of high competition between Corridor X and Corridor IV, the travel time of goods, or more specifically the difference in the time of travel, will determine the volume of freight in the railway network of Serbia. In doing so, the fact that Corridor IV runs entirely across the EU territory having no stops at border crossings for customs and inspection and other control, a major handicap for Corridor X, must not be neglected.

Infrastructure is a key element in China's policy towards the Balkan region. The development of a network of infrastructure facilities in the region is a component of Beijing's plan to eventually link China and Europe, link East and West. In September 2013, the new China's president Xi Jinping announced his initiative for building The Silk Road Economic Belt to boost cooperation and to improve traffic connectivity, so as to open the strategic regional thoroughfare from the Pacific Ocean to the Baltic Sea. Undoubtedly, the new Silk Road project will facilitate the distribution of Chinese products and enhance Chinese economic presence in Europe.

Chinese state-owned shipping companies, along with several East Asian corporations, have marked the Port of Piraeus as a new logistics hub of Europe.

China Ocean Shipping Company (COSCO) in 2009 won the 35-year concession for the two of three port terminals and in January 2016 formally acquired a 67% share for 370 million EUR. Furthermore, the company has announced another 350 million EUR investment in the next five years, increasing the port capacity from 1 million to 7 million TEU [11].

The loss of competitiveness of Corridor X in relation to Corridor IV due to the high percentage of transit traffic as well as to the poor development of Western Balkan countries' industries would be and is already irreplaceable for the Serbian railway sector and also a handicap for the economy of Serbia in general.

Although investments are foreseen for the modernization and reconstruction of Corridor X, which in Serbia alone exceed EUR 1.5 billion, infrastructure investments alone will not suffice. Investments in the bare track will not be enough to allow Corridor X to compete with Corridor IV on the key parallel section of corridors X and IV from Thessaloniki to Budapest.

In total, the travel time from Thessaloniki to Budapest on Corridor X can be as high as three days. On average, it lasts 49 hours, half of the time spent at the borders. Average commercial speed is 22 km/h, and average running speed is around 35 km/h.

At the same time, a significant portion of the Corridor IV railway infrastructure is a single track with operating speeds between 60 and 70 km/h. Notwithstanding the EU membership, the countries on

this stretch of the Corridor IV still face an issue with the border procedures. The waiting time on the Greece /Bulgaria border is around 3,5 hrs, Bulgaria/Romania around 2,5 hrs and Romania/Hungary up to 2 hrs.

Corridor X, although 300 km shorter than Corridor IV from Thessaloniki to Budapest, is currently not a viable option for the long-distance freight transport. Extended travel times, inadequate maintenance, slow speeds and on-going development of road infrastructure parallel to railways have contributed to the decline in the freight transport. Furthermore, waiting time on the borders is on average eight hours. Each train is stopped twice per border, where it goes through numerous customs and operational procedures. Further organizational problems, such as extra services for transfer between border stations, lack of coordination and communication between the operators and legislative differences boost the waiting further.

In order to take a share of the transit flows from the Piraeus port for Central Europe by Corridor X and the railway's additional reforms must be implemented. These are the so-called "soft measures," referred to above. The biggest time savings can come from a better border crossing procedure followed by all other operational procedures and measures. Altogether, it is possible to cut the border waiting times by up to 16 hours, and travel time by 4 hours, by implementing "soft" measures for a relatively small fraction of cost of the planned investment.

Therefore, the focus of the AP is on the so-called "soft" measures that involve no significant financial burden but require extensive work and qualified human resources. Particular attention is dedicated to finding solutions for strengthening state-level human resources (MoCTI), as they are necessary capacities for carrying out actions and activities from the defined AP. This activity is termed as a *condition sine qua non*.

## 5. STRENGTHENING HUMAN RESOURCES ON THE STATE LEVEL

Increasing the efficiency of the rail sector and the liberalization of the rail market require significantly stronger capacities and human resources at the level of the ministry responsible for transport than it was during the period of the monopoly organized railway sector. In addition to the five key activities carried out by modern ministries responsible for transport in the world (given in footnote 2), the implementation of reform activities requires a strengthening of human and organizational capacities at the Government level for several years. Mainly because the tasks that come with the continuation of the restructuring are primarily from the field so-called „soft“ measures, and they require the hard work and human resources of MoCTI both regarding knowledge and skills, as well as

looking at the number of employees. The largest number of these activities are currently present in minimum level at the MoCTI, such as:

- Providing procedures and methodologies for contracting and contract management for PSO and MAIC, as well as monitoring performance indicators;
- Planning and budgeting of public expenditures by which will be more precisely allocate costs to the railway policy individual goals;
- Implementation of internal control and audit;
- Management of infrastructure costs and investments in accordance with the specific objectives and criteria which needed to be determined;
- Establishment of measures that support the implementation of the third and fourth railway packages;
- Creating a policy and legal framework for opening a market for passenger transport;
- Development of a program for increasing the efficiency of the railway sector and, in particular, infrastructure manager (objectives and priorities for investing and maintaining railways, closing railway lines, offering lines for PPP/concessions to third parties or local authorities, etc.)

For the predicted scope and content of the reforms, three variants of organizing form human resources are possible for the continuation of the process of restructuring of the railway sector of Serbia. Which model will be adopted will depend on, apart from MoCTI preferences, from external circumstances among which the most important is the speed of the EU integration process. Each model has, as an outcome, different capacities of both human resources and organizational. Each of the three variants requires a specific preparatory period for its implementation.

If the reform process were to take place without any sudden leaps or relatively gradually, then the establishment of a Permanent Working Group for Railway Reform (PWG) should start in the initial period. According to this model, instead of the current Working Group (WG) for the restructuring of the railways, the Government's decision should establish a permanent WG, since the next phase of restructuring requires a more permanent commitment and higher capacity of the ministry responsible for transport than needed by the previous activities. The PWG structure should correspond to the structure of the measures and activities that need to be implemented according to the proposed Action Plan.

The second variant (model) is the creation of a special organizational unit within the MoCTI that would exclusively deal with the reform of the railway sector.



The third model is the formation of a special reform body outside the ministry in charge, but under the coordination of MoCTI. This body would be responsible for analyzing, generating and supervising the implementation of reform measures in the railway sector as well as for coordinating and supervising the implementation of the reform activities of other stakeholders. This is a model that would satisfy the speedy entrance/admission of Serbia into the EU and a lot of challenging demands that the Serbian rail sector will be faced on.

Especially for the continuation of the reform process, the human resources recruitment is important. When deciding on the recruitment of human resources in the public administration in relation to the restructuring of the railway, the following should be taken into account:

- Employees, suitable candidates regardless of their education should have knowledge and skills in the field of law, strategic thinking, with a good understanding of entrepreneurship;
- Detailed knowledge of rail operations should not be considered as a prerequisite;
- Candidates should have competencies related to PSO, contract management expertise for PSO and multi-annual contract for maintenance and usage of infrastructure (MAIC).

Also, it is necessary to enable the contracting of external advisory services provided by independent experts, which is needed at this stage of the reform. Here, I will refer to one of the conclusions of the Planet S.A. consultant and the WB's recommendation [12] that in the forthcoming period each reform decision should be justified by the previous research. This is also the case with the European Commission and other EU bodies whose decisions and the various laws adoption are always preceded by a research project.

## 6. CONCLUSION

All things considered, long periods of railway backlogged maintenance accumulation has created a new reality for Corridor X. The European Union has initiated a strong development of the neighboring routes/corridors, and Corridor X is becoming an increasingly irrelevant factor in the international trade. Luckily, Chinese investments in Greece present an unexpected opportunity to catch-up with the development and re-establish itself as an important partner in the European transport market.

However, the railways and their governments on Corridor X should react rapidly to speed up short-term soft measures and liberalization roadmap reforms. Serbia has a central position on Corridor X, with the

largest percentage of the total length of Corridor X, and has the greatest responsibility not only towards itself but also towards neighboring countries/railways to make Corridor X competitive. There is not enough time to concentrate on needed investments, given: (i) the short window of opportunity that requires fact action; (ii) the current situation of rail investment policy in Serbia outlined above; (iii) the advanced state of investments and EU funding for Corridor IV. All these prove that the competitive difference for Serbia should be given by soft measures.

Without accelerated reforms, without the human capacity for reforms and capability for reforms in the railway's sector in Serbia, it will be impossible to catch up with China's strategic plans towards middle Europe.

The Governments of Serbia have a short window of opportunity to make the sweeping structural reforms on all fields: both in infrastructure and legislation, procedures and operations and they need to do it by 2020.

Main targets should be: the improved borders crossing procedure on both levels (state level and railways level) and joint border crossing railways stations.

Rapid implementation of soft measures should be accompanied by institutional reform strengthening measures:

- new body for railway reform on the state level,
- strong Railway Market Oversight Authority (Regulatory Body),
- legislative reform according to the Transportation Treaty,
- increased competition between railway companies,
- better management of railway companies insured via a better organizational structure and introduction of performance indicators for managers,
- increased capacities and capabilities for public administration involved in the reform sector.

A political decision at the level of the Government of Serbia is necessary for the implementation of the previously described measures. Strengthening and improving reform capacities at the level of the Government and the relevant ministries are not ordinary activities when it comes to the rail sector. The long-term management of the railway sector development from the level of the public enterprise has left a profound mark, and there is still strong resistance to the relocation of reform management to the level of the Government and the competent ministry. This resistance exists both at the level of state-owned companies and at the level of the Government or the ministry responsible for transport.

Therefore, these institutions responsible for the reforms are facing new challenges in the process of



restructuring the railway sector. Essential restructuring of the railway sector is only to begin now because the current course and content can be assessed as predominantly with formal character by which we meet the requirements of the EU integration process in creating towards a market environment.

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