
***Study on Single
Wagon Load
Traffic in
Europe –
challenges,
prospects and
policy options***
Meeting Minutes
(Workshop on fact
finding results)

15 November 2013



Place and date

- **European Commission – DG MOVE**
- **Centre Albert Borschette (rue Froissart, 36), Brussels**
- **09.30 – 13.15**

Participants

- The list of participants is available at Annex I.

Scope of the meeting

In the context of the study on: “Single Wagonload traffic in Europe - challenges, prospects and policy options” the European Commission has held a stakeholder seminar, in order to:

- i. present the approach of the study;
- ii. share the preliminary findings with the most relevant stakeholders;
- iii. gather additional information for the study.

Main elements and issues emerged during the meeting

European Commission introduction

Sian Prout (EC) opened the meeting. She welcomed the stakeholders which have joined the workshop and pointed out that the great participation both from user and provider side demonstrate the interest in the subject.

The seminar is based on the preliminary outcome of a study which has been recently launched by the Commission. The objective of the study is to assess the importance of the SWL market today and to identify policies and best practice to promote a positive development of the SWL traffic.

PwC in partnership with University of Rome have been appointed to carry out the study. In this context they have already carried out a number of interviews. More interviews are planned over the next weeks. The main objectives of these interviews is to collect facts and figures. Views and opinions of stakeholders would be collected during this meeting and during next steps of the study.

There were no comprehensive results yet from the study. The purpose of this workshop was, also, to collect missing information and to incorporate them into the study.

The overall aim of the study is to have a clear picture of this specific segment of the market in order to understand if there is a need for an EU intervention; and if yes which type of policy should be put in place. To achieve such result, the involvement of the different stakeholders is needed.

Gerhard Troche (EC) thanked the stakeholders for the interest in the study and for the attendance to the workshop; then he gave an overview of the study context and policy background.

See presentation in Annex II.

Preliminary findings of the study

Paolo Guglielminetti (PwC) introduced the presentation by the consultants and explained the aim of the support provided to the Commission.

See initial part of presentation in Annex III (pp 3 – 9).

Riccardo Licciardello (University of Rome La Sapienza) took the floor to present the outcome of data collection, traffic, infrastructure and production models.

See second part of presentation in Annex III (pp 10 – 28).

Marie France Lagraulet (PwC – external consultant) presented a selection of business models adopted by different operators.

See final section of the presentation in Annex III (pp 29 – 36).

Paolo Guglielminetti (PwC) closed the consultants' intervention suggesting the topics for the open discussion.

See closing part of the presentation in Annex III (pp 37 – 38).

Presentation by relevant associations

Libor Lochman (CER) presented the view of Railways Undertakings, with emphasis on what would be needed to re - launch this kind of rail freight supply that is essential to ensure the expected modal shift to rail, given its higher flexibility to satisfy variable demand patterns.

See presentation in Annex IV.

Francois Coart (ERFA) presented the aim of the association and the interest of new entrants into the market for this specific traffic segment. See presentation in Annex V.

Andre Thinieres (OFP) presented the recent challenges faced by the SWL market in France and the opportunities for future development, with focus on the contribution that local freight RUs could bring to the performances of SWL.

See presentation in Annex VI.

Gilles Peterhans (UIP) presented the view of the association, presenting also the expected actions to be implemented by the Commission.

See presentation in Annex VII.

Jos Verlinden (CEFIC) emphasized the importance of considering the view of the shippers. Besides, he explained the importance of SWL to the chemical industry and the concern over the decline of the sector (a “domino effect” is a possible risk: the reduction of the available SWL supply could trigger further decline of demand until the total collapse of the system). The final effect will not be limited to the transport sector, but it could imply closure of production sites and loss of jobs.

See presentation in Annex VIII.

Olaf Krueger (IBS) presented the forwarders association’s view on the matter, highlighting their vision to improve SWL services and the related preconditions.

See presentation in Annex IX.

Georges Di Lallo (FFA - EUROFER) presented the importance of EUROFER in Europe (EUROFER represents nearly 100 per cent of steel production in the European Union). The situation of SWL is completely different country to country and industry to industry. For instance there are not relevant issues concerning SWL in France and Germany for the steel industry? (what does this mean?)

Despite the reduction of volumes transported with SWL in comparison with the past, he confirmed that the current modal share of steel using SWL on total rail freight is around 30%.

The steel industry is one of the main customer for rail transport and therefore it is understandable that they can achieve a competitive service by rail.

The business models adopted from SNCF (Multilot, Multiclient) is a good solution for prices and to support customers, thus increasing their satisfaction. In France the SWL traffic is mostly composed of steel and chemicals (90 % of the total).

Small customers have moved to road transport. To bring them back to rail, rehabilitation of last mile is a priority.

It is important to encourage a cooperation between private and public sector with PPP initiatives. Such initiatives can increase the stability of the system and the sustainability of the SWL service.

An important element to maintain the SWL attractiveness will be the control of the price of transport: the strong competition faced from road transport is constantly reducing the prices of transport of this mode triggering a decline in the volumes shipped by rail.

The above mentioned issue is very important. Indeed, in case the situation does not change, road transport is expected to increase of 60% by 2022.

Livio Ambrogio (EIA) apart from UIP and CEFIC all others referred to SWL as an independent sector from all the others, but in reality it is interconnected with other kinds of rail freight supply.

He suggested considering the issues and requests from the market rather than providing general services not allowing the expected cost reduction for these services.

There are truck companies which are interested in organising trains. But some of these projects have been abandoned because of infrastructure constraints.

Rail transport is sustainable when full train load can be composed. For other situations, a place for wagons aggregation is needed in order to compose half trains/ part trains . To be able to compose trains under competitive costs, investment in both technology and infrastructure are required. When sidings are available, pure SWL or group of wagons can be the solution, but when sidings are not available intermodal solutions need to be used in combination with SWL.

Nowadays, customers show renewed interest into shifting their goods to rail, and, therefore, this trend should be supported with rail services tailored to customer needs.

Paola Lancellotti (ESC) presented the association and stated that there are key industries in Europe which deeply rely on SWL. ESC is very open to contribute to the study by providing their view and the recently announced ESC's manifesto on the supply chain.

Sabine Trier (ETF) underlined that ETF welcomes the initiative and is interested in the result. SWL is very important for employment and she fears about employment reduction because of the decline of the sector (as it happened in the past).

Enforcement of social policies in road transport is crucial and fully supported by ETF. Full opening of road transport cabotage is expected to result in social dumping leading in the long term to deteriorate also the working conditions in the rail sector as well.

Finally ETF fully supports the point raised from ERFA on workers' versatility as a matter of fact to develop freight transport.

He expects that the employment impacts of SWL evolution / decline will be addressed by the Study.

Sian Prout (EC) invites CLECAT, EIM, UIC, UNIFE and CEPI to take the floor to provide their statements, but none of them feel the need to intervene.

Open discussion

Ole Kjoerrefjord (Hector Rail) presented a success story of SWL service which is provided over a long corridor from Scandinavia to Western and South Europe. Southbound flow is composed mainly of paper products (Scand Fiber) while inbound flow is mainly composed of different commodities such as pasta, wine, oil, shoes and building materials; the amount of traffic is approximately 5 billion tonne*km. Main issues identified to enter in the SWL market are:

- The incumbent railway undertakings today face huge losses due to their high domestic costs (stop to public subsidy could likely resolve this problem).
- High inefficiencies are faced while crossing borders (integration among the different IT tools and procedure is crucial to solve this problem).
- Access to marshalling yards is often dominated by the incumbent, this hampers private operators to enter the market and make efficient use of the infrastructure.

The main threat for SWL is the further downsizing of the relevant infrastructure. This would hamper any positive development of this kind of rail freight supply.

According to **Armand Toubol (Expert / former SNCF manager)** we should speak of “wagonload traffic” since the adjective “single” is not appropriate in many cases.

He explained that the cost is the major driver. The price is fixed by the rail competition and if the costs are too high, some operators will reduce the supply of the service (dangerous approach leading to a vicious circle which results in looking the break ??even on a small scale) and others may decide to stay in the market but generate big losses. It is important to discuss about priority and quality of performance of SWL. It is important to think about the value added that can be created by ensuring timely delivery of freight (e.g. with freight path having priority over some passenger trains).

Below a critical mass SWL cannot be profitable. Therefore there is need to bundle the traffic. Thus, there is need for places such as freight villages, where it is possible to bundle traffic flows without heavy costs, having the functions of both transshipment terminal for combined transport and train formation site.

Innovation in marshalling yards is important to improve the reliability of the service. Innovative last mile solutions are also needed to reduce the cost of transport.

Flexibility of the SWL service is fundamental to the market (i.e. there is a need to keep an extensive availability of infrastructure facilities in order to serve all potential customers). The Commission may have an impact in preserve sidings and marshalling yards.

According to **Maria Martisiute (EIM)**, it is important to consider next steps for the study. It is asked if the study will also consider the impacts and issues arising from the latest fourth package of liberalisation of rail services in particular considering the issues arising from the so-called compliance verification clause¹.

Sian Prout (EC) states that the Consultants are not working yet on future policies and have not a specific mandate to study the topics raised by Maria Martisiute (EIM). The proposed topic is interesting but it will be addressed if appropriate at a later stage by the Commission.

Albert Counet (AC+ Consult SPRL) claims that the SWL topic has been studied and approached many times over the last decades. According to him single wagon trains are not sustainable and the only way forward are the group of wagons trains. According to him in the segment 150 to 500 km, 60% to 80% of traffic is eligible to be moved from road to SWL. On smaller distances freight traffic is moved by trucks.

Geographic coverage and capillarity is important: opening new marshalling yards can help the sector, but it is crucial that the same operator performs both the marshalling yards activities and the last mile services. If not, the costs are doubled. Wagon Load business should be performed on a network basis and the infrastructure managers should not close down marshalling yards.

It is important to address costs in the last mile and initial/final operations (representing roughly 50% of the total cost). For main RUs, such operations generate high costs since they will use expensive locomotives and staff. Instead, specialised RUS for local rail service has also to be considered because

- they can be more effective using less costly resources;

¹ This clause will allow the EC to block the subsidiaries of vertically-integrated railways from operating in other member states if they have not implemented all possible safeguards to ensure fair competition in their home market
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- they can improve the performance in elements that are crucial to the overall service quality / profitability.

Regarding the track access charges, it can be noted that SWL services tend to pay higher overall prices in comparison with block train services, since the former pay also access charges for access to the marshalling yards and charges for feeder services moving single wagons. In terms of market opening, it would be better that marshalling yards and feeder services will be managed by IMs.

Moreover, in some countries, SWL trains pay higher access charges by train km than heavy full train load.

According to **Ole Kjoerrefjord (Hector Rail)**, even if there might be a benefit to have a single company to operate the marshalling yards and to provide last mile service, this will eliminate the competition. In Sweden, in many cases the feeder services are successfully provided by private operators.

Jos Verlinden (CEFIC) stated that their members are interested in participating and to input into the study and asked how they will be involved over the next steps of the study.

Paolo Guglielminetti (PwC) explained that the Consultants will be in touch with all the associations. The Consultants are currently working to the preparation of the Midterm Report (covering fact finding phase of the study) and they plan to interview and survey the representatives of the stakeholders to collect all different views in the second phase of the study (oriented on policies and best practices).

Francois Coart (ERFA) explained that in Germany many ports have their own rail services, but in other countries, there is not support from the ports to carry out the last mile services. The port authorities should be involved in order to generate initiatives in this context.

Paolo Guglielminetti (PwC) claimed that ESPO was invited but they have not joined the work shop, however further attempts to involve them will be made in the future.

Olaf Krueger (IBS) pointed out that IBS is investigating in comparative terms road and rail transport for four different business cases. This will help to establish the advantages and disadvantages of the two modes of transport.

Gilles Peterhans (UIP) claimed that when business models are analysed, attention should be paid to define which part of the business should be under competition and which not.

Paolo Guglielminetti (PwC) explained that this is one of the subjects of the study.

Albert Counet (AC+ Consult SPRL) explained that the value of the total product depends on the perception of the customers: a portion of the service from marshalling yards to last mile should be strongly based on customer needs; for instance, by providing customer oriented last mile services that give value to the customers.

On the contrary, long distance traction services between marshalling yards/hubs should be considered a commodity service with strong competition on price.

Jos Verlinden (CEFIC) suggested to take into account the FERRMED study.

Paolo Guglielminetti (PwC) confirmed that the mentioned study will be considered.

Francois Coart (ERFA) asked if the study will consider the issue of having one major actor regulating competition within the market or smaller actors playing regulation at national and local level.

Sian Prout (EC) thanked all the participants and closed the workshop by suggesting the organisation of a new workshop in spring time next year to present the study results.

Annexes list

Annex	Filename	Author	Type of document
I	Participants to 15.11 WS.xlsx	EC DG - MOVE	WS participants list
II	DG-MOVE__Stakeholder_seminar_Wagonload_2013-11-15.pdf	EC DG - MOVE	PowerPoint presentation
III	PwC_SWL-presentation_15-Nov-2013	PWC	PowerPoint presentation
IV	20131115_Single_wagonload_EC_study_CER_presentation.pdf	CER	PowerPoint presentation
V	ERFA(F)-ECStakeholder seminar - SWLtraffic – 20131115.pdf	ERFA	PowerPoint presentation
VI	A.Thinieres. Can local freight Railway Undertakings contribute to the improvement of wagon load traffic in France.pdf	OFP	PowerPoint presentation
VII	20131115_EC seminar-SWL_UIP views.pdf	UIP	PowerPoint presentation
VIII	CEFIC - EC SWL Stakeholder Seminar 15 Nov 2013-Final.pdf	CEFIC	PowerPoint presentation
IX	IBS - Stakeholder seminar EU_Brussels_15112013.pdf	IBS	PowerPoint presentation