

POSITION PAPER

CER Position on Single Wagonload

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COMMUNITY OF EUROPEAN RAILWAY AND INFRASTRUCTURE COMPANIES - COMMUNAUTÉ EUROPÉENNE DU RAIL ET DES COMPAGNIES D'INFRASTRUCTURE - GEMEINSCHAFT DER EUROPÄISCHEN BAHNEN UND INFRASTRUKTURGESELLSCHAFTEN



1. Importance of single wagonload for Europe's competitiveness

The 2011 Transport White Paper set clear objectives in terms of competitiveness, efficiency and sustainability of the transport sector. It provided a clear blueprint for reducing the transport's system dependence on oil and decreasing its environmental footprint, while ensuring that it keeps underpinning Europe's economic progress and competitiveness. It particularly set ambitious objectives with regards to greenhouse gas emissions, with a foreseen reduction of at least 20% of emissions from the transport sector by 2030 and 60% by 2050 compared to 1990 levels. Rail has a strategic role in addressing these pressing societal and logistical challenges, and therefore needs to be properly supported to allow Europe to reach the objectives set in the 2011 Transport White Paper.

The single wagonload model is able to contribute to this long-term vision, as it presents strong advantages compared to other transport modes. Single wagonloads have, as a rule, a much lower environmental impact than trucks, and the potential to play a key role in reducing road congestion and transport's dependence on oil. Single wagonloads also offer increased flexibility to freight customers since quantities can be very variable. The single wagonload model is well adapted to complex logistics chains, allowing customers to dispatch a diversity of goods towards a large number of destinations: as such, it is therefore a worthwhile alternative to road transport.

A number of industries rely deeply on the single wagonload offer for their transport needs, such as the steel industry, chemical companies, the paper and pulp industry, agriculture and the automotive industries. Due to their geographic locations and to the nature of their industrial networks, these industries need flexible transport offers, with a high number of potential destinations. The full-trainload offer is therefore not always appropriate for them.

2. Single wagonload: a segment at risk

However, the single wagonload model has been under very high pressure in Europe for quite some time, due to intense competition from road transport, partly linked to economic and structural factors.

Single wagon operators need to bear very high fixed costs, mainly related to wagon and locomotive expenses and shunting activities as well as track access charges linked to the operations and maintenance of the rail infrastructure. Operators need to handle high volumes to be competitive vis-à-vis other transport modes which benefit from a lower proportion of fixed costs. The decline of industrial sectors that have been traditional users of the single wagon model in Europe, together with the economic downturn and changed patterns in quantity released by the consignee, have resulted in a drop of volumes, which has further reduced marginal returns

for railway undertakings necessary to cover their fixed costs. Whereas the single wagon model is generally not profitable, revenues have dropped even further with a reduction in the overall level of demand.

Unlike road operators, rail operators have to pay track access charges from origin to destination. These charges are higher than road tolls and together with shunting (marshaling) costs they have a negative impact on the competitiveness of this model compared with road transport which generally enjoys lower or no infrastructure fees. Moreover, the polluter-pays principle still does not apply in full and internalization of external costs remains to be introduced. Finally, in deindustrialized areas or in areas where the industrial web is particularly sparse, the collection of single wagons has to take place on larger territories; small numbers of wagons have to run longer distances to the nearest marshaling yard in order to assemble a longer train. This, of course, adds on costs to which road transport is not exposed.

Some countries have abandoned the single wagonload offer completely, while others have drastically reduced it. Yet, it is an essential component of several industries' logistical chains and a sustainable alternative to trucks. Single wagonload is also an important feeder for full trains (block trains): indeed, only 20 to 30% of full trains are shuttle trains, i.e. running customer-to-customer site without change in composition¹. The rest (70 to 80% of the full trains) use the single wagon production system to convey empty wagons back to sites where full trains are formed. As such, single wagonload is an important element for rail freight in general.

3. Policy recommendations

Several industry initiatives are under way with a view to reviving the single wagonload offer, but these initiatives alone will not be sufficient. Indeed, political support is needed if Europe is serious about reaching the White Paper objectives of sustainability and efficient mobility. CER is therefore calling on the Commission and Member States to adopt the following measures as a matter of urgency to support the single wagonload offer:

1. Provide appropriate funding to essential infrastructure:

- With the allocation of European co-funding, on top of funding from national and regional authorities, for the building and maintenance of rail infrastructure (via structural and TEN-T funds for instance)
- By ensuring appropriate implementation of Article 6 of Directive 2001/14 which aims at ensuring the balance of infrastructure managers' accounts, and encouraging multi-annual contracts between public authorities and infrastructure managers.
- By encouraging and launching national programmes to support the development and maintenance of the rail connections of industrial sites to the main rail network (the so-

¹ McKinsey & Co, 2007

called “private sidings”), following the examples of Germany, Austria, Switzerland and the UK, which co-finance the rail connections of industrial sites to the main rail network.

2. Facilitate cross-border operations of wagonload companies, by achieving a single European Railway Area through the harmonisation of technical requirements:

- By allowing the European Railway Agency to act as a one-stop-shop in the EU for issuing a single safety certificate to railway undertakings and authorisations for placing vehicles in service. The introduction of a simplified European approach for vehicle authorisation and safety certification would reduce the timescales, cost and level of uncertainty surrounding these procedures, by putting an end to different national interpretations and approval processes.
- By granting a mandate to ERA to audit the implementation process of EU rules by National Safety Authorities and to identify superfluous national rules and request their mandatory removal.

3. Create a level playing field between transport modes:

- Ensure alignment between road and rail infrastructure charges for freight.
- Fully internalise external costs of transport (such as CO2 emissions, air pollution or congestion), by applying the “polluter pays” principle.
- Harmonise social charges & tax regimes across modes.

4. Encourage a modal shift from road to rail for medium and long-distance freight:

- Co-fund the take up of innovations, such as technologies for automatic decoupling or innovative freight wagons, through the structural funds.
- Limit the utilisation of megatrucks to the national level and maintain their ban on cross-border traffic since they have a negative effect on single wagonload (as well as intermodal) traffic.
- Earmark (at least partially) funds collected through the road tolls towards the development of environmentally friendly transport solutions.

4. Conclusion

Retaining a dense and dynamic industrial network in Europe is a priority for the future competitiveness of the EU. One essential component to ensure that European industries remain in Europe is to provide them with efficient, flexible and sustainable transport solutions. Supporting the single wagonload model with the policy measures listed above is an important element in this respect, in order to reach the Europe 2020 objectives of a smart and sustainable growth in Europe.

Disclaimer

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