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## Non-Paper

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# Single Wagonload

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For: **CER** (Community of European Railway & Infrastructure Companies)

## **A. Single wagonload for EU competitiveness, energy efficiency & climate goals**

1. Recent geopolitical events have increased the pressure on Europe to reconsider its dependency on global supply chains and energy supplies, whilst at the same time ensuring delivery of its Green Deal objectives. In the 2011 Transport White Paper, the European Commission already set clear objectives in terms of competitiveness, efficiency, and sustainability of the transport sector. It particularly set ambitious objectives with regards to greenhouse gas emissions, which have been restated and updated in the 2020 EU Strategy for Sustainable and Smart Mobility (EUSSSM). Rail has a strategic role to play in addressing these pressing societal and logistical challenges, and therefore needs to be properly supported to allow Europe to reach the Green Deal objectives.
2. The single wagonload model (SWL) proves to be the backbone of rail freight in many European countries and is therefore able to contribute to this long-term vision. In single wagonload, either individual, or groups of wagons from different consignors are bundled together to form a block train. These individual wagons are loaded at the loading station, transported to a collection point, bundled in a block train, transported from the starting point to the destination and distributed at the arrival station. The single wagonload model allows rail freight to meet the needs of flows which have insufficient volumes to warrant block trains.
3. SWL is key to modal-shift, as it is the part of rail transport answering the needs of customers otherwise using road transport. Without SWL it would be difficult to achieve any modal shift. Modal shift is crucial for supporting energy security in the EU – rail is 7x times more energy efficient than to road transports. Without modal shift and only decarbonizing road (shift to electricity) there won't be enough electric energy sources to provide for that.
4. Several industries rely deeply on the single wagonload offer for their transport needs, such as the steel, chemical, paper and pulp, agriculture, and automotive industries. Depending on their geographic locations and the nature of their industrial networks, these businesses need flexible transport offers, with a high number of potential destinations all across Europe. The most appropriate rail freight offering and alternative to road transport is the Single Wagonload Network.
5. Single Wagonload is also an important feeder for full trains (block trains): indeed, only part of so-called block trains are shuttle trains, i.e. running customer-to-customer site without change in composition. The rest use the single wagon production system or its resources, e.g. to convey empty wagons back to sites where full trains are formed.
6. As a result of the poor financial performance of the single wagonload system, railway undertakings in some countries have abandoned it completely, whilst others have drastically reduced the covering, e.g. to only cover areas of dense industrial activity. However, SWL remains an essential component of several industries' logistical chains and a sustainable alternative to trucks. In particular, it supports European Industrial Sovereignty, by allowing European manufacturers to distribute products such as overlength steel products or dangerous goods across the continent, which are more suited to rail transport than road.

## **Examples of Single Wagon Load Service**

### *The European Steel Industries – Examples by DB Cargo and CFL Cargo*

For the European steel industry, single wagon load transport is of paramount importance for the transportation of its products (such as steel coils, slabs, etc.) from the plant to the customer. Steel products are not only purchased by key accounts in Europe. Numerous medium-sized and smaller locations are dependent on receiving a number of wagons per delivery that is adapted to their needs in order to be able to process them. Only single wagon load transport can provide this tailor-made solution by rail.

Arcelor Mittal, by far the largest steel producer in Europe, transports its products from its plants in Germany, Luxembourg, Belgium, France and Poland. DB Cargo transports several million tons of high-quality steel by rail across Europe every year. More than 60% of this is transported in the European single wagonload network. This saves around 73 tons of CO<sub>2</sub>e per year compared to transport by road.

Luxembourg remains a major European steel producer, with over 2million tonnes of long steel products of different types being produced each year in the country.

The Luxembourg steel industry depends on the single wagon load network both for transporting raw materials, in the form of steel scrap, into the country, and for the distribution of finished products both across Europe, and to Antwerp for onward shipment to world markets.

Of particular importance to CFL Cargo's customers is the ease with which the SWL network can transport long products (of 24m or more in length) across the continent. Such consignments are difficult to organize by road, but can be safely transported direct to customer sidings by the SWL system.

### *The Paper Industry – Examples by ÖBB Rail Cargo Group*

With a few exceptions, the entire paper industry in Austria has a very high affinity for single wagonload transport, both for the transport of incoming raw materials (waste paper / pulp / wood) as well as outgoing finished goods.

One example is the company Essity Ortmann. Essity Ortmann produces hygiene paper and supplies it to the central warehouses of Austrian supermarket chains.

The raw material (waste paper / pulp) is sourced from various suppliers and dispatch stations in Austria and abroad.

ÖBB Rail Cargo Group transports these raw materials through its SWL network to Essity Ortmann's production site and uses the same wagons also for the dispatch of finished goods. Thereby, unnecessary empty kilometers are avoided.

The finished goods, i.e. the hygiene paper, are delivered by rail through the SWL network to the central warehouses in the east and west of Austria, from where they are transported to the supermarkets, where we can buy them as final consumers.

### *Other Economic Activities - examples from ČD Cargo*

Single Wagonload provides a valid solution for a vaster array of economic activities, enabling them to perform their regular operations, which is the case of the distribution of containers from intermodal terminals to other intermodal terminals or sites in diverse destinations supplying the production chains of industry and services. The transport of

wood chips to heating plants is an example that is included in the generation of energy. Finally, this type of service can support operations for the treatment of waste streams. This is the case of the transport of municipal waste to an incineration process.

These are some of the services provided by CD Cargo, avoiding several thousands of road trips with consequential negative impacts on road congestion. Rail transport of freight through Single Wagonload provides customers with a high safety transport combined with an energy efficient service.

## B. Single wagonload: a segment at risk

Single wagonload has the potential to play a key role in reducing road congestion and transport's dependence on oil. **Despite the advantages that SWL offers**, the model has been under very high pressure in Europe, partly linked to economic and structural factors:

1. **Generally high fixed costs for Railway Undertakings** (shunting, track access charges, shunting locos & wagons)

By offering this flexible, "on-demand" service, with a large pan-European geographic reach, SWL operators need to bear very high fixed costs. The production network is based upon high-frequency, regular long-haul full trains between marshalling yards, which then feed into last-mile operations between the marshalling yards and customer sidings. Much of the costs come from the last-mile activities (locomotives, personnel) and the marshalling yards (locomotives, personnel, infrastructure). In addition, the rail operator provides the regular services between marshalling yards, again generating locomotive, personnel and track-access charges. A sufficient volume of traffic is then required to absorb these fixed network costs.

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 marshalling yard in order to assemble a longer train, whilst guaranteeing attractive lead-times. This means complex processes, e.g. frequent coupling. Every effort at increasing efficiency (incl. actions needing digitalisation) is worthwhile, e.g. the introduction of innovative freight wagons and solutions, DAC etc. in order to gain capacity and increase efficiency.

Moreover, the polluter-pays principle still does not apply in full and internalization of external costs remains to be introduced.

2. **High infrastructure costs for shipping customers** (construction, maintenance & operation costs for private sidings)

For companies to be able to transport their goods by single wagon load, access to the rail network must be guaranteed. Private sidings are the most direct way of loading goods onto the railway at the company premises and transporting them to their destination by single wagonload. For customers without their own sidings, public loading sidings form the interface for loading onto rail.

There has been a significant decline in the number of private sidings in recent years. A key reason for this situation in the EU is that companies usually must pay for the construction, maintenance, and operation of their sidings themselves, which means that transport by

truck is usually the cheaper alternative. However, for rail freight transport to grow and come closer to its modal share target, it is essential that there is sufficient access to rail close to customers.

**3. Current economic situation putting additional pressure on single wagon load**  
(generally low transport volumes, high electricity prices)

The decline of industrial sectors that have been traditional users of the single wagon model in Europe, together with the recent economic downturn and changed patterns in quantity, have resulted in a drop of volumes. This - in combination with continuously high electricity prices - has further reduced marginal returns for railway undertakings necessary to cover their fixed costs.

Paradoxically rail (as being mostly run on electricity) is paying the “price” for energy production decarbonization in higher costs of emission allowance included in electricity prices (EU ETS I), although the higher polluting road transports are not yet paying (until EU ETS II).

Overall, all these factors result in a low competitiveness compared to road, leading to a reverse modal shift from rail to road.

## **C. Policy Recommendations**

Several industry initiatives are under way aiming at optimizing processes and promoting innovation for a more competitive single wagonload offer, but these initiatives alone will not be sufficient. 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:

### **A. Create a level playing field between rail and road:**

- i. Use the current revision of the Railway State Aid Guidelines to effectively address the unlevel competition between rail and road by increasing the allowed aid intensities for state aid for the coordination of transport. In particular, aids with intensities of up to 100% of the external costs avoided by rail transport should be considered compatible with the internal market.
- ii. Exempt from notification aid for the coordination of transport by means of a block-exemption thereby reducing the administrative burden and speeding up the process of introducing national state aid schemes.
- iii. More intense enforcement of rules which already apply to road transports
- iv. Introduce schemes for funding of rolling stock from existing funds which contain revenues from polluting allowances (EU ETS I + in future EU ETS II)
- v. Ensure alignment between road and rail infrastructure charges for freight based on the Eurovignette Directive.
- vi. Harmonize social charges & tax regimes across modes. Apply the energy efficiency first principle in freight investments.

**B. Support cooperation of rail and road** as the cooperation is the future for EU transports:

- i. Secure appropriate funding for general loading and unloading tracks (and handling equipment) in smaller stations in order to facilitate first and last mile connection to road transport.
- ii. Secure appropriate funding for city logistics (and also related small terminals) – delivery between city terminals by trains and there transshipment to electric vans for delivery around the city.
- iii. Secure co-funding of innovative freight wagons including swap bodies.

**C. Provide appropriate funding to essential infrastructure:**

- i. 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, CEF and Recovery funds for instance) including the necessary service facilities (e.g. marshalling yards). New and ambitious infrastructure requirements in the revised TEN-T regulation such as easy access for 740m trains, P400 standard and speed targets for rail freight require increased European co-funding.
- ii. By ensuring appropriate implementation of Article 30 of Directive 2012/34 which aims at ensuring the balance of infrastructure managers' accounts and encouraging multi-annual contracts between public authorities and infrastructure managers.
- iii. By encouraging and launching national programs to support the development and maintenance of the rail connections of industrial sites to the main rail network (the so-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. The 2013 PWC Study on Single Wagon Load Traffic in Europe – challenges, prospects and policy options commissioned by the European Commission provides essential insight and recommendations in this respect.

**D. Optimise processes and facilitate cross-border operations of wagonload trains,** by achieving a single European Railway Area through the harmonisation of technical requirements, automation, digitalization and capacity management processes

- i. Secure co-funding of innovative freight wagons (and swap bodies).
- ii. (Co-)fund the take up of innovations, especially the running projects, as ETCS on-board units or innovative freight wagons. Provide sufficient EU level funds for new projects such as technologies for Digital Automatic Coupling (DAC), etc.
- iii. DAC, its automation and digital technology and operational procedures have to be clearly defined and harmonised (single operational, mechanical, electrical and digital European DAC system).
- iv. Besides funding for the development and pilot phase of DAC, EU (CEF or other) funding is needed for its Europe-wide roll-out. Relying on state funding at different levels would lead to distortion of economic competition.

- v. In coordination with the European Union Agency for Railways (ERA), suitable DAC authorisation provisions need to apply in Europe without compromising safety.
- vi. By supporting ERA in auditing the implementation process of EU rules and in identifying hampering national rules and request their removal.
- vii. By enhancing European capacity management including securing slots for rail freight through “rolling planning”, as proposed by the Commission in its proposal for the use of railway infrastructure in the single European railway market.

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

- i. Limit the use of mega trucks 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. The Commission proposal on Road Vehicles Weights & Dimensions need to be adapted in this regard.
- ii. Extend the support from today’s narrow definition of combined transport operations to more intermodal or multimodal operations. Ensure fast implementation of the economic and regulatory support measures in the Commission revision of the combined transport directive such as exempting road tolls in the up- or downstream part of the intermodal journey or supporting transshipment costs in terminals.
- iii. Earmark (at least partially) funds collected through the road tolls and utilise ETS revenues towards the development of environmentally friendly transport solutions.
- iv. Moreover, use the current revision of the Railway State Aid Guidelines to define clear provisions for public service obligation in rail freight transport, enabling member states to boost a shift from road to rail in regions where single wagon load services cannot be operated on a commercial basis.

## Conclusion

Retaining a dense and dynamic industrial network in Europe is a priority for the future competitiveness and industrial sovereignty 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.

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### About CER

The Community of European Railway and Infrastructure Companies (CER) brings together railway undertakings, their national associations as well as infrastructure managers and vehicle leasing companies. The membership is made up of long-established bodies, new entrants and both private and public enterprises, representing 78% of the rail network length, 81% of the rail freight business and about 94% of rail passenger operations in EU, EFTA and EU accession countries. CER represents the interests of its members towards EU policy makers and transport stakeholders, advocating rail as the backbone of a competitive and sustainable transport system in Europe. For more information, visit [www.cer.be](http://www.cer.be) or follow us on Twitter [@CER\\_railways](https://twitter.com/CER_railways) or [LinkedIn](https://www.linkedin.com/company/cer).

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