



## Freight Stakeholders call for open dialogue on wagonload services

CEFIC, CEPI, CER, CLECAT, EFIP, ESC, ESPO and UIP, hereafter “the associations”, welcome the fact that rail freight, which has a strategic role to play in addressing pressing societal and logistical challenges, is on the agenda of the European Commission. The 2011 Transport White Paper, indeed, recognises the important role of rail freight and provides the basis for its development.

In spite of its crucial importance for certain industries, wagonload is one particular segment of rail freight which is at risk of disappearing. The associations would like to recall the urgency of taking action to prevent wagonload services from further decline.

While market-driven solutions are crucial, policy intervention and support is also needed. In this respect, there should be a strong cooperation with Member States, ports, regional and local authorities towards implementing the most appropriate solutions, including best practices.

The associations would like to start an open dialogue on the need to revitalise wagonload services and in particular rail freight at the last mile, recognising that each actor in the supply-chain has the responsibility to consider solutions reflecting the business and meeting the needs of our (end) customers. The following is a summary of the points discussed which we hope will serve as a basis and a starting point for further dialogue and action at policy and operational levels.

### 1. Wagonload: a segment at risk

Wagonload traffic, understood as less than trainload, is still a significant segment of rail freight and an important feeder for block trains. Its model is well adapted to complex logistic chains, allowing customers to dispatch a diversity of goods towards a large number of destinations.

However, the competitiveness of wagonload services is hampered by several factors, including high fixed costs related to wagonload production processes and the quality of infrastructure, which does not receive sufficient investment for upgrades and maintenance.

A recent study<sup>1</sup> conducted by a consortium led by PwC on behalf of the European Commission showed that wagonload traffic suffers from various difficulties, such as:

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<sup>1</sup> Study on single wagonload traffic in Europe – challenges, prospects and policy options

- A general reduction of the trade volumes of some commodities often transported by wagonload,
- Low cost-effectiveness and low profitability of wagonload services,
- Difficulties in modernising production systems and in taking up technical innovation to improve wagonload services,
- Lack of investment in last-mile infrastructure, including private sidings.

## **2. Considerations towards the improvement of the economic sustainability and competitiveness of wagonload services**

### ***High quality and capacity of rail infrastructure***

A well-connected and well-maintained infrastructure network with high capacity is crucial for the performance of rail freight services, including wagonload. National authorities should provide sufficient and reliable long-term funding for rail infrastructure, including last-mile infrastructure, which is crucial for wagonload traffic. In addition to increasing the attractiveness and quality of wagonload services, this will also ease the burden on infrastructure users, and as a result, will allow rail freight operators to offer more attractive services to potential and existing customers.

### ***Track access charges***

Different rail freight customers have different needs and expectations regarding speed of delivery. Without prejudice to the quality and cost efficient services that infrastructure managers should already be providing to users, one further step forward could be to allow operators to provide more tailored offers to their customers. One way of doing this would be implementing track access charges regimes reflecting path quality and speed, without prejudice to current quality standards and without resulting in disproportionate track access charges levels for other rail segments.

### ***Technical innovation***

Innovation is crucial to help raise the quality of rail freight and wagonload services. The European Commission should foster innovation within the framework of Horizon 2020 and the Shift<sup>2</sup>Rail Joint Undertaking initiative, and in particular IP5, in order to optimise rail freight technologies and services. These programmes will support the implementation of telematics applications, increase capacity bundling and help improve the use of available infrastructure. This will in turn help reduce the costs related to wagonload transport and increase the attractiveness of wagonload services for the customer.

### ***Last-mile infrastructure***

It goes without saying that, for revitalising wagonload services, a non-discriminatory access to all last-mile infrastructure and in particular marshalling yards is essential. However, a serious obstacle hampering rail freight and wagonload services is the lack of funding for infrastructure and for the provision of ‘last mile’ links to industrial sites, ports and logistics centres. While the access to the road network is always provided by default by local authorities at no extra charge, access to the rail network is far from being a given.

The European Commission should allow and encourage the provision of public funds or the offer of attractive loans for investment in last-mile infrastructure and in any related rail freight equipment aimed at improving efficiency and reducing last-mile costs.

Member States should set up funding programmes for investment in last-mile infrastructure and the European Commission should consider the use of EU funds for such purpose, in particular where national funds are limited. An on-going study<sup>2</sup> led by PwC about former and existing funding schemes for investment in last-mile infrastructure could help identify best practices and develop appropriate funding schemes. The European Commission should also establish guidelines or recommended practices concerning the provision of co-funding for the construction and rehabilitation of last-mile infrastructure.

Last-mile infrastructure and dedicated facilities for marshalling and shunting are key for the revitalisation of wagonload traffic and therefore their closure shall be avoided. In this context we would refer to the option, as also outlined in the Recast, that facilities can be put up for leasing or rented by their owners. Regulatory bodies should also prevent non-EU compliant practices regarding the non-discriminatory and transparent access to rail facilities and services that are essential for the provision of wagonload traffic (marshalling yards, sidings etc.) by ensuring an appropriate enforcement of article 13 of the Directive 2012/34/EU.

This should be accompanied with sufficient and reliable public funding, in line with Article 30.2 of Directive 2012/34/EU on contractual agreements, to ensure that keeping such facilities open does not put infrastructure managers in a difficult financial position. In this respect, article 8.4 of Directive 2012/34/EU, which foresees that Member states shall ensure that the profit and loss account of infrastructure managers shall at least balance income and infrastructure expenditure over a reasonable period of no more than five years, is crucial.

In spite of all supporting measures, should a marshalling yard, siding or secondary line not be viable on the short term, the removal of the infrastructure and the use of the estate for other purposes should be carefully assessed. The risk, otherwise, is that the upgrade or rebuilding of the facilities at a later time would become impossible

### ***Development of new industrial areas near rail networks***

The associations are aware that some service providers and intermodal operators have recently developed new international rail freight services, including single wagonload. However, it has to be recognised that more volumes are needed for more freight on rail and the viability of new services.

To foster the use of rail freight, including wagonload services, new industrial areas and logistic centres should be developed near existing rail infrastructure and linked to the rail network. The planning of such areas by member states, regions and local authorities should be encouraged through the provision of incentives.

The Commission together with the sector should consider sharing and promoting best practices with Member States, port authorities, regions and local authorities, for instance concerning tax incentives to attract industries to industrial sites and port areas well connected to the rail

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<sup>2</sup> Study on design features for support programmes for investments in last-mile infrastructure

network. Such concentration of industries could be encouraged along existing private sidings and feeder lines.

Rail freight and wagonload in particular is mainly competitive for the transport of high volumes of goods, as this allows for economies of scale on fixed costs, which are particularly important for wagonload. The development of new industrial areas near the rail network will result in a wider modal choice for freight customers and allow for an easier and cost-efficient bundling of shipments, which will contribute to an increase of transport volumes carried by rail. This will generate greater economies of scale for operators, allowing them to lower their costs and offer more attractive rates and services to customers.

Shippers located in the same geographical area (for instance, the same industrial park, port zone or logistic centre) should be encouraged to coordinate the timing of their wagonload shipments so as to group them and save on shortline services to the nearest marshalling yard. The European Commission may facilitate this through the exchange and promotion of best practices and by continuing to provide support to measures to improve the efficiency along the supply chain in CEF.

### ***Rail service facilities for wagonload***

The associations recognise that in addition to public measures and financial support all stakeholders must find feasible commercial solutions for revitalising wagonload traffic. They will therefore actively encourage their members to come up with ideas and discuss them together. Supported solutions then can be discussed by the Coordinating Committees and Rail Freight Communities.

## **3. The role for public authorities**

### ***Development of regional or local ‘Rail freight communities’***

Rail is a system and each component of this system must work with the others in order to find optimal solutions. Authorities at regional and local levels, ports, infrastructure managers, railway undertakings, wagon keepers, capacity bodies and freight customers are all part of the rail freight system and need to work hand in hand to find appropriate solutions for the revitalisation of wagonload traffic and rail freight in general. This can be achieved through the establishment of ‘rail freight communities’ at regional or local levels.

### ***A role for the national coordination committees***

The associations consider that the coordination committees as proposed by the 4<sup>th</sup> Railway package are an important tool for a dialogue with authorities at national and/or regional levels in order to discuss the development, maintenance and investment needs of the wagonload infrastructure.

### ***Role of the European Commission in this context***

The associations call on the European Commission to provide the right framework conditions in order for wagonload traffic to be revitalised and to flourish, and by encouraging Member States, regions and local authorities to take appropriate actions. This could be done through the provision of incentives (financial or other) and the exchange and promotion of best practices.

New regulation, which could create more burdens on freight customers, operators and infrastructure managers, should be avoided.

The role of the European Commission should be as follows:

- To propose an EU transport policy framework balancing the regulatory environment amongst transport modes.
- To promote the voluntary and bottom-up establishment of rail freight communities, and facilitate the exchange of best practices and encourage their uptake at national, regional and local levels.
- To ensure that sufficient support for innovation, deployment and implementation is provided through funding programmes developed at national and regional levels. Additional funding could be provided via Connecting Europe Facility (CEF), the European Structural and Investment Funds (ESIF), Shift<sup>2</sup>Rail, Horizon 2020 and other future financial instruments or programmes.
- To ensure that existing EU regulatory obligations are properly enforced.

## Conclusion

The quality of wagonload services could be raised by making better use of existing innovation, through the improvement of infrastructure and path quality, and implementing smart operational solutions. By reducing the operational costs and establishing well-functioning Rail Freight Communities, more competition in the provision of wagonload services could be encouraged, which can foster the attractiveness of these services for more customers.

For the future of wagonload, it is crucial that the planning of all freight facilities takes place in a coherent manner and is integrated in both spatial and network planning. In addition to national governments, local authorities, ports, industries and the rail sector should be included in this process and work in partnership.

Wagonload traffic has the potential to serve the needs of many categories of customers and to attract more freight to rail, but only if the right conditions are in place. Stakeholders will only be in a position to adopt positive market-driven solutions to revitalise wagonload if these conditions are in place.

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## The signatories:

	<p><b>CEFIC, the European Chemical Industry Council</b>, represents 29,000 large, medium and small chemical companies in Europe, which directly provide 1.2 million jobs and account for 17% of world chemical production. Based in Brussels since its founding in 1972, CEFIC interacts every day on behalf of its members with international and EU institutions, non-governmental organisations, the international media, and other stakeholders.</p> <p>For further information, please contact:  <a href="mailto:jve@cefic.be">jve@cefic.be</a> / <a href="http://www.cefic.org/About-us/Cefic/">http://www.cefic.org/About-us/Cefic/</a></p>
	<p>The <b>Confederation of European Paper Industries</b> is a Brussels-based non-profit-making organisation regrouping the European pulp and paper industry and championing this industry's achievements and the benefits of its products. Through its 18 member countries (17 EU members plus Norway), CEPI represents some 515 pulp, paper and board producing companies across Europe, ranging from small and medium sized companies to multi-nationals, and 950 paper mills.</p> <p>For further information, please contact:  <a href="mailto:m.cavka@cepi.org">m.cavka@cepi.org</a> / <a href="http://www.cepi.org/">http://www.cepi.org/</a></p>
	<p>The <b>Community of European Railway and Infrastructure Companies (CER)</b> brings together more than 70 European railway undertakings and infrastructure companies. CER represents the interests of its members towards the European institutions as well as other policy makers and transport actors. CER's main focus is promoting the strengthening of rail as essential to the creation of a sustainable transport system which is efficient, effective and environmentally sound.</p> <p>For further information, please contact:  <a href="mailto:Libor.Lochman@cer.be">Libor.Lochman@cer.be</a> / <a href="http://www.cer.be">www.cer.be</a></p>
	<p>The <b>European association for forwarding, transport, logistics and customs services</b>, is the leading voice on freight forwarding and logistics in Europe. Established in 1958, CLECAT represents and are supported by 25 member organisations working to promote a sound approach to transport and logistics across Europe, in support of the competitiveness of our industry.</p> <p>For further information, please contact:  <a href="mailto:nicolettevdjagt@clecat.org">nicolettevdjagt@clecat.org</a> / <a href="http://www.clecat.org/">http://www.clecat.org/</a></p>

	<p>The <b>European Federation of Inland Ports (EFIP)</b> brings together more than 200 inland ports and port authorities in 18 countries of the European Union, Switzerland and Ukraine. Since 1994, EFIP has been the voice of the inland ports in Europe. EFIP highlights and promotes the role of inland ports as multi-modal hubs.</p> <p>For more information, please contact:  <a href="mailto:Eugenio.quintieri@inlandports.be">Eugenio.quintieri@inlandports.be</a> / <a href="http://www.inlandports.eu">www.inlandports.eu</a></p>
	<p>The <b>European Shippers' Council (ESC)</b> represents the freight transport interests (by all modes of transport) of business in Europe (manufacturers, retailers or wholesalers).</p> <p>For more information, please contact:  <a href="mailto:n.delmeire@europeanshippers.eu">n.delmeire@europeanshippers.eu</a> / <a href="http://europeanshippers.eu/">http://europeanshippers.eu/</a></p>
	<p>The <b>European Sea Ports Organisation (ESPO)</b> was founded in 1993. It represents the port authorities, port associations and port administrations of the seaports of the 23 maritime Member States of the European Union and Norway. ESPO has also observer members in neighbouring countries to the EU. ESPO ensures that seaports have a clear voice in the European Union. The organisation promotes the common interests of its members throughout Europe and is also engaged in dialogue with European stakeholders in the Port and Maritime sector.</p> <p>For more information, please contact:  <a href="mailto:Isabelle.ryckbost@espo.be">Isabelle.ryckbost@espo.be</a> / <a href="http://www.espo.be/">http://www.espo.be/</a></p>
	<p>Founded in 1950, the <b>UIP - International Union of Wagon Keepers</b>, with its seat in Brussels, is the umbrella association of national associations from fourteen European countries, thus representing more than 250 keepers with approximately 180.000 freight wagons, performing 50 % of the rail freight tonne-Kilometres throughout Europe. The UIP represents the members' concerns at international level. By means of research, lobbying and focused cooperation with all stakeholders and organisations interested in rail freight transportation, the UIP wants to secure on the long term the future of rail freight transport.</p> <p>For more information, please contact:  <a href="mailto:maria.price@uiprail.org">maria.price@uiprail.org</a> / <a href="http://www.uiprail.org/">http://www.uiprail.org/</a></p>