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POSITION PAPER

Rail freight transportation

The need for higher cost-efficiency and better services

Triggered by the paper industry, around 250 million tonnes of raw materials and finished products are yearly transported across Europe and the volumes transported have gradually increased along with the economic growth, the production, consumption and trade of paper and board. External logistics costs average 10% of turnover. It is of primary importance that European and national legislation leave all the options open for the paper industry to choose the most cost-efficient and sustainable transportation system.

Transport costs have constantly increased over the years because of rising energy price and a tighter supply-demand balance. Further cost increases are already forecasted for the coming years. At the same time, supply chains have become more complex and the need for shorter delivery times has increased.

Due to continuing globalisation and enlargement, more European countries will become transit countries. In addition to the common usual North-South routes, East-West connections and traffic will increase. Austria, Germany, Netherlands and Switzerland are countries that are expected to become EU road-transport bottlenecks soon.

Rail services remain in many cases unattractive

Road is by far the main mode of transport for the pulp and paper industry in Europe. Rail services remain in many cases unattractive[1], due to limited flexibility, long transport times and delays, but also the lack of shunting stations and the too fragmented network. In many countries, too low cost-efficiency and quality of services combined with too short distances constitute hurdles to rail freight development. Still today, long and unpredictable delivery delays are very common, freight tracking is unsatisfactory and the protection of the goods transported is often insufficient. Moreover, there is a structural lack of capacities and final customers are not/no longer connected to the network in most cases. The European Commission forecasts indicate a further decreasing share of rail freight transport: 8% in 2020[2] - compared to 12% at the beginning of the 1990s and 10% in 2005- despite sustained efforts to shift freight from road to rail.

[1] Jones Lang Lasalle's May 2008 survey.
[2] Eurostat.

Each transport mode, and particularly rail, should improve its performance in terms of competitiveness and sustainability

The industry requires a wide range and choice of competitive transport options to meet its existing and future needs. In the end, productivity in terms of price, quality and reliability but also sustainability will decide on the utilisation of the various modes. Each transport mode should be therefore encouraged to improve its performance to allow optimised solutions for industry in a sustainable way. Rail has definitely an important role to play, especially in the area of long-distance trips. Any further internalisation of external cost[3] should aim at producing a fairer mechanism to cover the costs of the environmental and social damages caused by ALL modes of transport and not only road as it would create market distortions. It is however not expected to lead to any modal shift[4], i.e. freight volumes going from road to rail, because of the lack of capacities and the low cost-efficiency level of rail. It would result only in generally higher freight transport costs.

EU policy has given a boost but now it is time for full implementation

It is essential to base transport policy on the needs of the users, to consider the entire transport chain and to place logistics at the centre of the current and future EU's strategy. Railway packages have been launched over the recent period to boost rail transport. Liberalisation of the rail freight has come quite a long way in some EU Member States but has been very slow in others where the rail sector is still not functioning as a proper market and is dominated by a handful of players only; the positive effects of rail freight liberalisation will take many years to be felt. Cost-efficient and better quality rail freight services are required to achieve greater sustainability and share with the road the increasing volume of freight that is forecasted. To optimise rail transport and improve competitiveness and quality of services – particularly in terms of cost and delay, it seems essential:

- To substantially increase investments in infrastructure for rail and thus to secure infrastructure funding in the long run;

- To secure the full implementation of the railway packages, and particularly the 1st and 2nd ones;

- To speed-up liberalisation in the railways by better identifying the various market obstacles and promote full and open access to operators. Effective liberalisation has materialised in some countries with new entrants – practical results have been obtained in some Member States such as the UK and Sweden. Greater operational efficiency and lower prices would improve rail's ability to compete with other modes;

- To ensure full separation between rail-infrastructure managers and rail-operators.

Some technical aspects should be highlighted

- To ensure full interoperability and stimulate operators to address functional problems which hamper the development of intermodal operations and encourage innovative solutions;

- To implement a Europe-wide dedicated rail networks for freight.

[3] See European Shippers' Council position paper on "internalizing external costs of transport – May 2008" - http://www.europeanshippers.com/public_statements.jsp
[4] Jones Lang Lasalle, "Freight transport: road versus rail – modal changes ahead?" - June 2008.

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The necessary promotion of the "Single Wagon"

Over the last years, some rail freight companies have decided to significantly increase the cost of "single wagon" shipping or even to stop that service. It is essential to promote the "single wagon" shipping from shunting station to shunting station as it offers a flexible and practical way of delivering paper to the customers, encourage co-modality - particularly through swap bodies and joloda equipment - and can help improving rail freight companies' profitability.

- The definition and the practice of single wagon shipping has to be harmonised throughout Europe;

- A strong commitment of rail freight operators to support single wagon shipping is required as well as a greater flexibility;

- One has to maintain and modernise shunting stations to better deliver in terms of flexibility and delay. The general access to those shunting stations granted for all railway operators is another crucial precondition.

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The European pulp and paper industry key figures:

- It is composed of 780 companies and 1,150 mills
- It has a turnover of 80 billion Euro and a value added of 20 billion Euro
- It employs some 250,000 people directly and provides indirect employment to some 1.8 million people
- It produces some 102 million tonnes of paper and 43 million tonnes of pulp
- It represents 27% of the world production
- It exports 17 million tonnes of paper, around 17% of its production
- Some 64% of the paper and board consumed is recycled
- It is part of the Forest-Based Industries, which has a turnover of 375 billion euros, i.e. 6.5% of the European manufacturing industry's turnover