

Business models for Wagon Loads

A shippers perspective

Henk Schaafstal, Chairman ESC Rail Freight Council

VDV: Future of Wagon Loads: Frankfurt 5/10/2011

European Shippers Council (ESC)

ESC Represents

- Users of freight transport services (shippers)
- More than 100,000 companies throughout Europe

Representation by

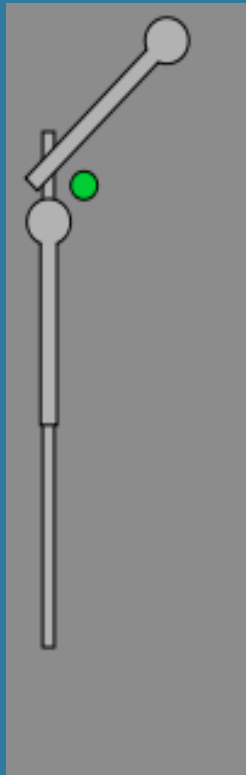
- National transport users organisations
- National shippers councils
- Corporate membership

Agenda for presentation

- Learning from the (wagon load) developments
- Securing the (long term) future of wagon load business

Learning from the past

Liberalization leading to changes



Liberalization creating EU wide “open” rail market

Block trains: booming business

- Mass goods and, **particularly**, containers from the main ports

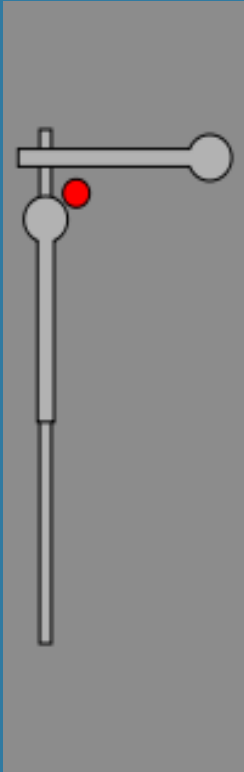
New entrants and incumbents fight for market share

- Innovation: New logistic concepts
- Investments: New generation of locomotives
- Organization: Seamless, cross border, organization

Control over rail cars and shunting capabilities

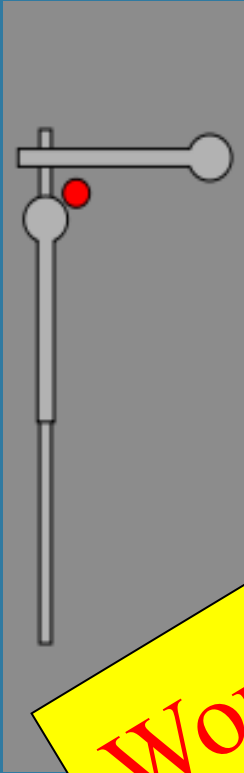
- **Critical for shippers freedom of choice w.r.t. traction provider**

Wagon Loads



A number of causes leading to strong market decline

EU initiatives did not have a positive impact on Wagon Loads



Wagon Loads business model

- Regional “monopolies” of collaboration

Limited separation of infrastructure and transport

- No non-discriminatory access to infrastructure, energy, shunting yards

Alternatives for

- Need a lot of investment to be able to operate network
- Access to shunting yards
- Access to rail cars?

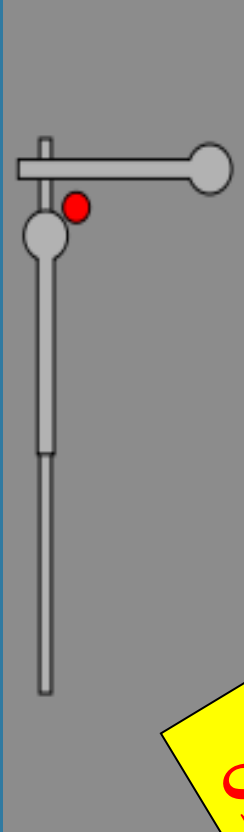
- All rail cars owned by incumbents

- Incumbents initiatives easily frustrated

Can new entrants make a profitable business of wagon load?

Would you invest in such a business ?

Incumbents focusing on competing in block train market



From state owned to liberalized

→ Business transformation required for WL

- Priorities not with improving WL performance
- Rationalization not initiated in time

Customer focus

- Customer service not on the main agenda
- Non transparent pricing, reliability of services

Business model

- Companies not forming alliances

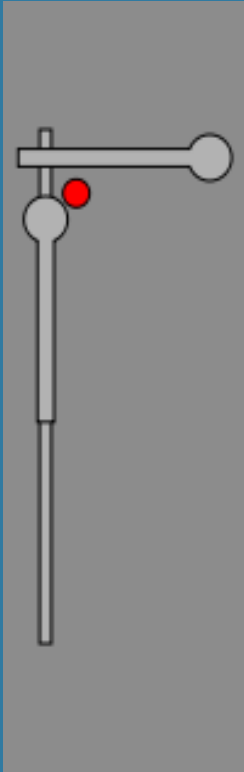
Low relative profitability

High number of terminals/ branches/ rail lines

Some countries reorganizing WL in a dramatic way

Shippers strategic transportation model ?

Shift of (bulk) production



From Europe to Asia, Middle East and BRIC

→ Imports in containers

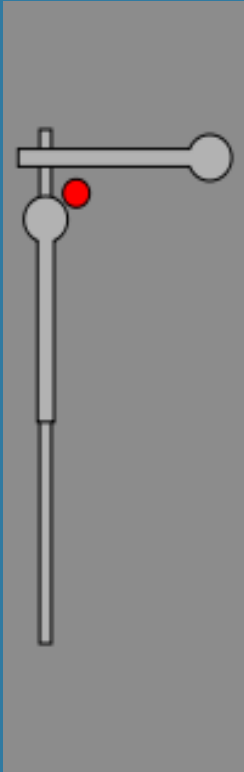
Within Europe to the East

→ Strong focus on truck

Within Europe to industrial clusters and to the coasts

→ Inland production locations: declining volumes

Competition innovating and taking market share from WL



Price, Performance and Pollution

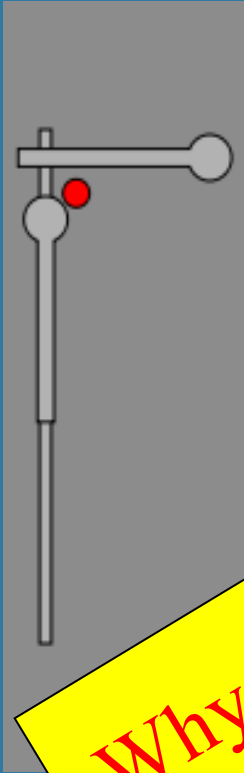
Trucking, Short Sea shipping, Barging

Inter-Modal

New entrants logistic models competing with wagon loads

- Shift from wagon loads to block trains
- Hub and spoke models for selected customers
- Industry solutions

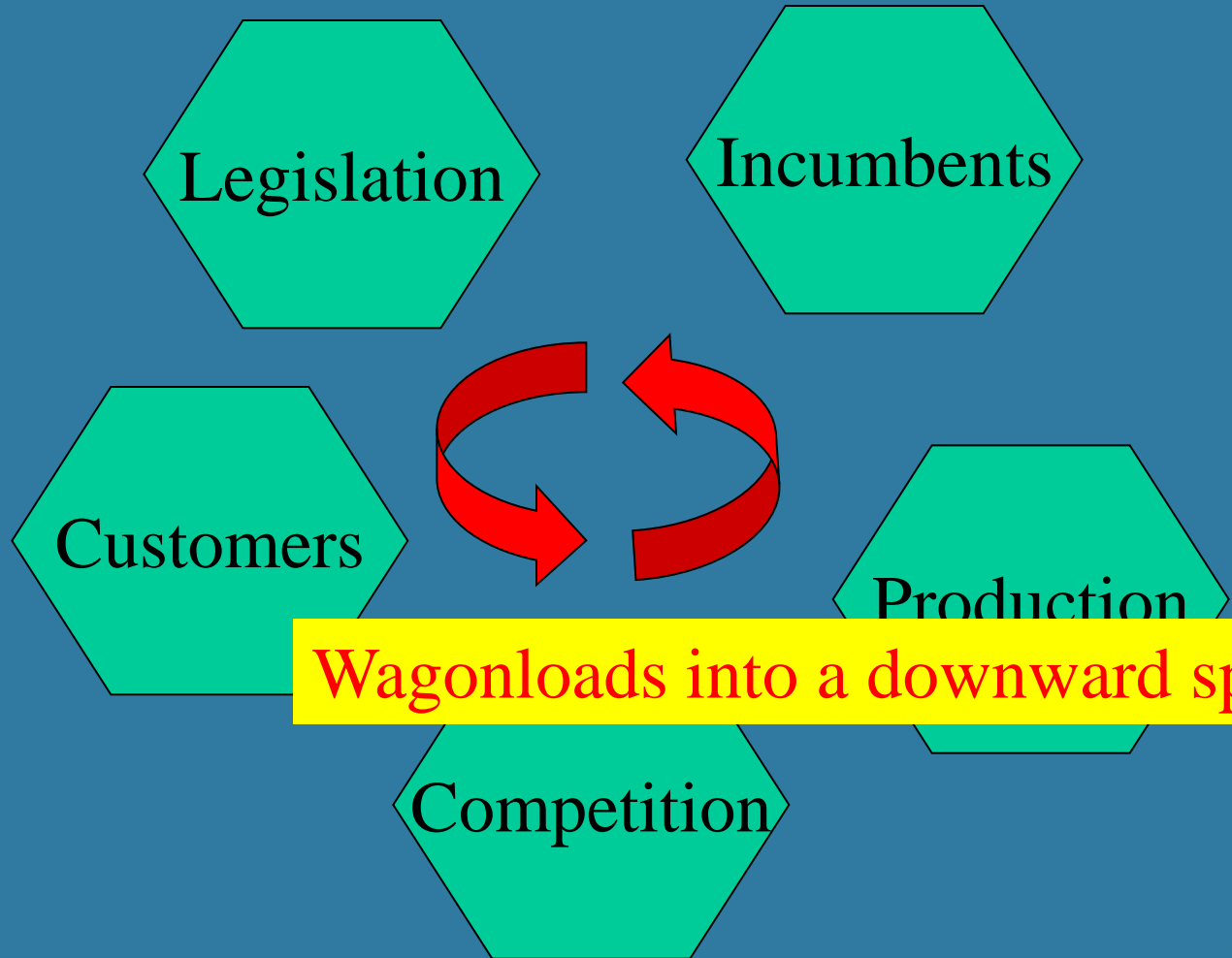
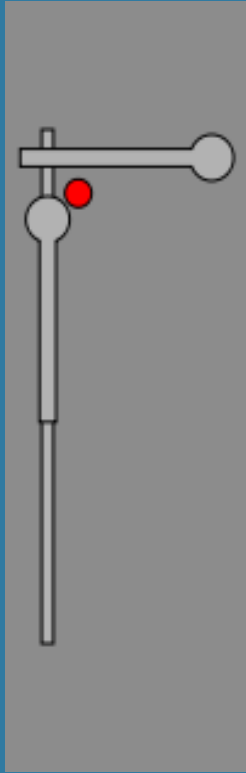
Customers loosing confidence in wagon load option



Strategic transport choices part of strategic decision making
- Stability, reliability and security of transport as selection criteria

Why advice to design logistics for wagon load ?

Five causes, one result



Wagonloads into a downward spiral

An imploding WL system: risk to EU wide ambitions

Destruction of logistic infrastructure and logistic knowledge

- Build in a period of 150 years and paid for with public money
- Irreversible process !!!!!

Negative impact on the business environment in the EU

Contradictory to EU policies

- CO2 emission reduction, fine dust, accidents, congestion, ..

Increase problems related to road transport

- Congestion, lack of drivers, building new infrastructure ..

Huge impact on shippers

Time

- Shippers need time to change and implement new logistic concepts

Costs

- Higher costs for transportation
 - Closures of plants heavily dependent on WL
 - Industry segments disappear or relocate
 - Loosing competitive position against overseas producers

Risks

- Transports of chemicals

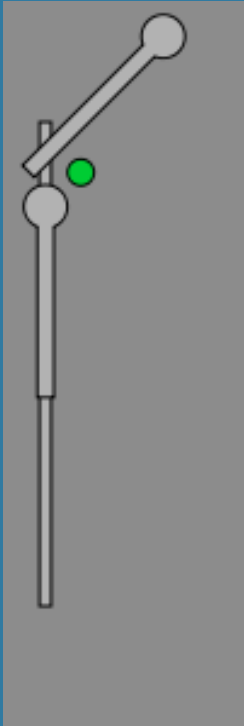
Inter modal transport

- Not a realistic alternative for intra European transports

Securing the future

EU needs a perfectly functioning wagon load system for to cope with challenges ahead !

Positive developments with regard to Wagon Loads

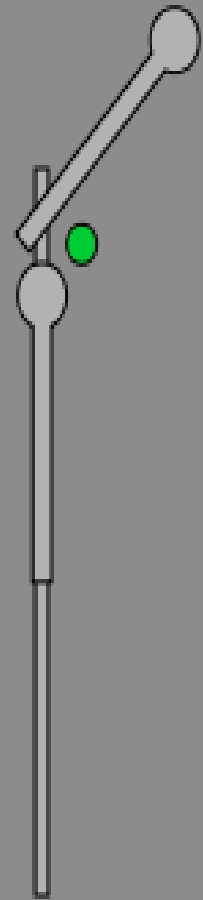


“Europorte concludes a major partnership with Italian rail operator Trenitalia”

“RoAn train shuttle goes continental”

“New rail product from DB Schenker links Oslo and Narvik”

“SNCB Logistics has developed a comprehensive rail service in Northern France”



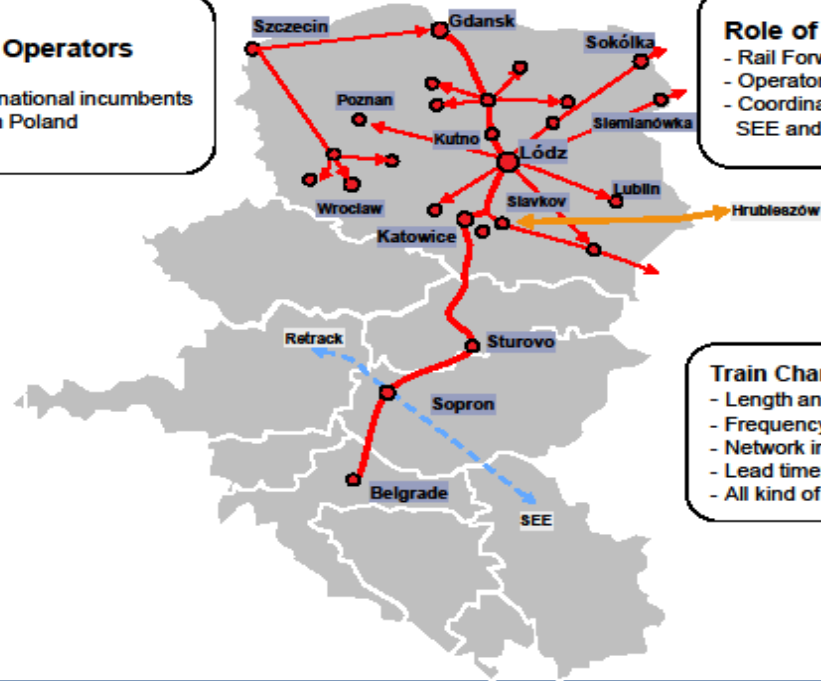
Railnetwork North-East

Railnetwork NE - Operators

- Transpetrol
- ...in cooperation with national incumbents and private railways in Poland

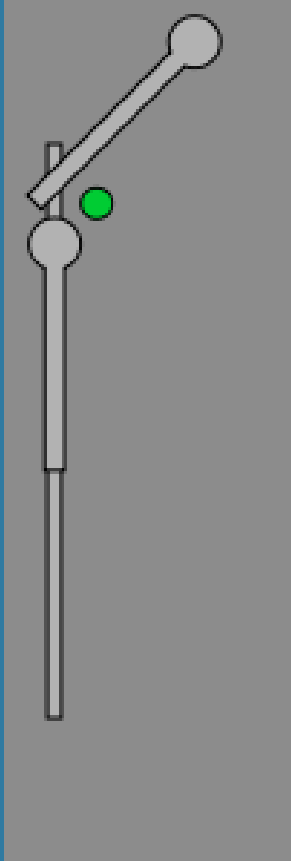
Role of Transpetrol

- Rail Forwarder
- Operator in Poland
- Coordinator between Railnetworks SEE and NE



Train Characteristics:

- Length and weight on demand
- Frequency: daily
- Network in Poland for wagon groups
- Lead time: Sturorvo – Plock 3 days
- All kind of wagons & commodities



Das Logistikunternehmen ScandFibre Logistics AB, hat Verträge mit GREEN CARGO, HECTOR RAIL, CAPTRAIN und TRANSWAGGON geschlossen, um das neue schienenbezogene Logistiksystem „Rail 11“ zu betreiben

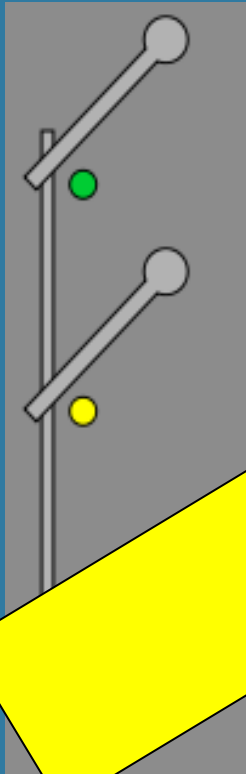
Ermechem operates hub and spoke model for chemicals in the relation between the Netherlands and France

The X-Rail initiative

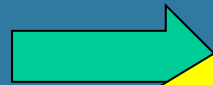


EU research initiative into the future of wagon loads

Things are developing



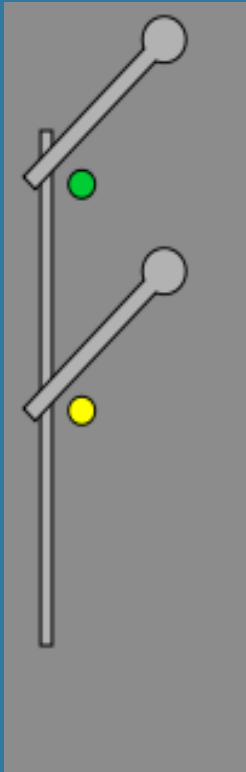
But more should be done



Stakeholders need to act

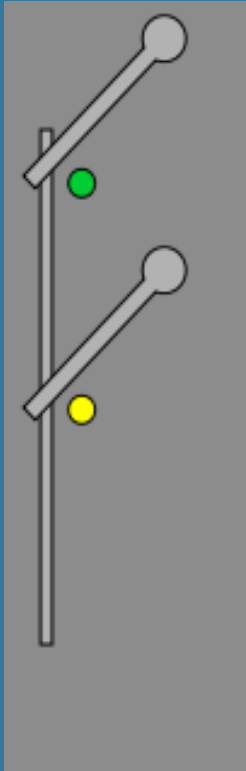
There is no time to waste !!

Shippers need rail for long term transport requirements



- Put climate change and pollution on the strategic agenda
- Increase knowledge with respect to rail transport options
- Consider rail with respect to new developments
- Stimulate (regional/ industry) collaboration
- Bundle interests and influence main stakeholders

EU and Governmental



Make sure that there is sufficient capacity in the networks

Further drive the unbundling effort

Harmonize European Railway regulations

- Optimize inter-operability
- Create data platform as basis for transport planning & monitoring

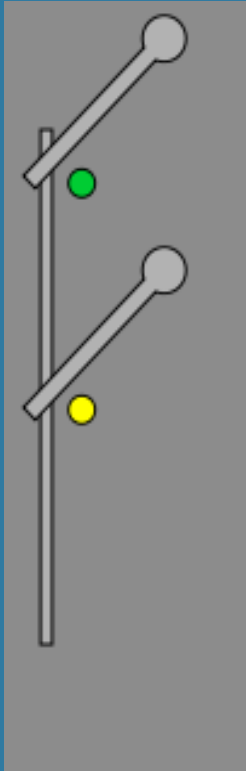
Stimulate building and upgrading of sidings

Stimulate building regional transfer & consolidation points

- Independent, minimum volume indication: 300 KTa

Stimulate development of regional feeding solutions

Innovation



Development of strong, independent, LSP's

- That are familiar with developing alternative rail models
- That are capable to manage whole supply chain
 - Integrate warehousing, terminalling, first and last mile

LSP's to develop new rail models as core competence

- Combine product flows from groups of customers

LSP's to invest in state of the art data management systems

- Bench mark: the modern airline industry

Industry to invest in preventing pollution

- Silent brakes, electric traction, clean diesels

Incumbents and New Entrants

Rail operators to further optimize business models

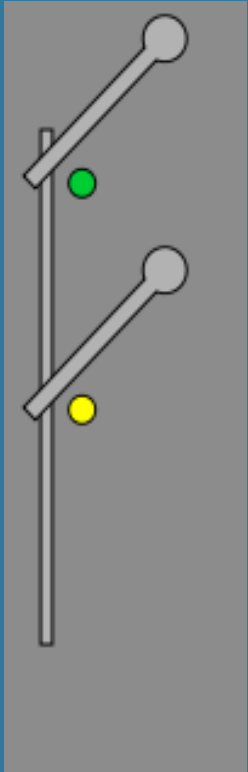
- Collaborative alliances in a competitive environment rather than competition to optimize system use
 - Create transparent pricing-, booking- and performance models

Increase customer focus

- Fulfil real customer requirements
- Improve responsiveness and communication

Invest in an extended “wagon load” model

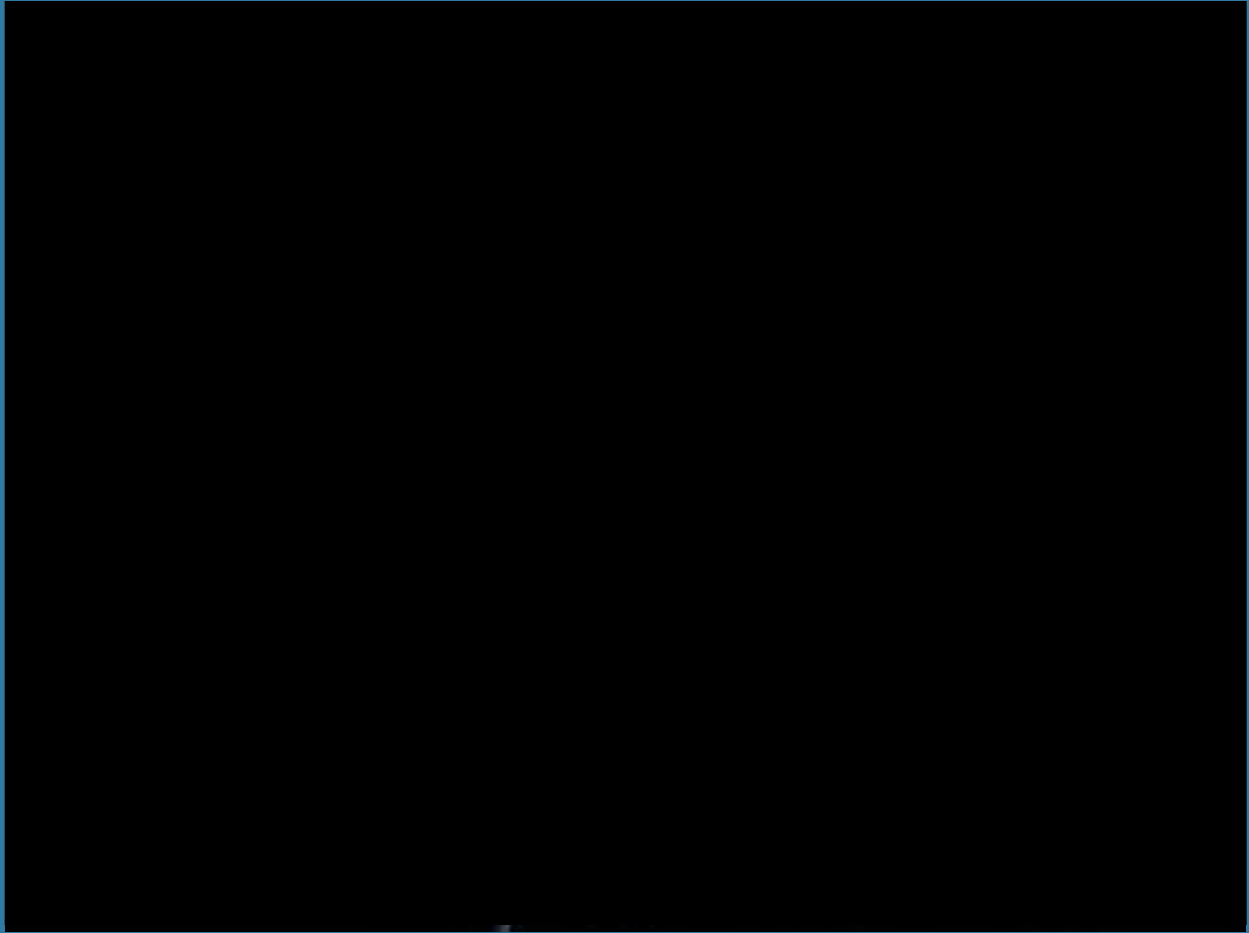
- Increase reliability of services
- Lower supply chain costs



If implemented successfully



The ball will be starting to roll again ...



And there will be light at the end of the tunnel

Questions / Discussion