

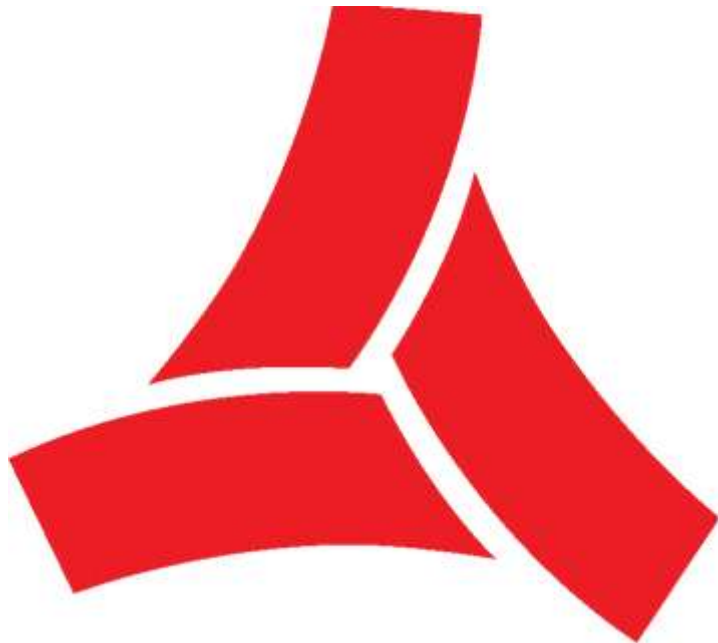
Improving European Railways

Interim results customer survey and pilot evaluation

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retrack

An Integrated EU-Project

RETRACK Rail Freight Pilot Why ?



- To develop and implement a long haul pan-European (international) rail freight service, offered by private train operators, initially with EC support funding;
- The rail freight services to be competitive, reliable, and attractive to potential customers/users;
- The services to take advantage of the market liberalization and reform measures introduced by the EC over the last decade;
- The Pilot to be implemented and operated as a precursor to full commercialization;
- Core line of route identified as the proposed basis of operations and service offer and market research contacts;

RETRACK Pilot – Initial Stage



- ✚ Complex and protracted organizational build up to the start up of rail freight operations;
- ✚ Changes in composition of the project and participants;
- ✚ Protracted definition of roles, responsibilities and commercial involvement;
- ✚ Unfortunate and unexpected major economic downturn coinciding with the build up to the start of pilot project;
- ✚ Anchor customers disappeared due to the recession;
- ✚ Existing operators reducing services 2009/2010;
- ✚ Multiple changes in potential traffic offers and potential line of routes;
- ✚ Reality of selling the service compared with marketing positions identified in earlier phases.

RETRACK Pilot Update– Basic Info



- Start up end February 2010;
- Core line of route from Benelux/Germany to Hungary initially on one rotation per week;
- Base load traffic of grain (W/B) from Hungary with no immediate equivalent east bound volume;
- Core corridor between Cologne & Gyor.
- Three major partners involved (TP, LTE & CER) in the deployment and delivery of the RETRACK service;
- Open service status selling on transit–time reduction but cargo rates set at prevailing market rates;
- Networks offered beyond the core traffic aggregation and dispersal points;
- Development of “satellite” operations;

RETRACK Pilot –Operation Update



- ✚ Structure and support model established and is still evolving;
- ✚ Operational and commercial issues managed and control led by TP;
- ✚ Also sales support through TP field personnel;
- ✚ LTE as traction providers and CER manage rail operations in/out of Hungary;
- ✚ Recognition by the customers as a new service beyond the pilot;
- ✚ Increase of train frequency to three/week with high loco productivity;
- ✚ Growing traffic E/B with a mix of wagon load, minimal inter-modal with a wide diversity of commodities carried;
- ✚ Strong revenue from wagon load tanker traffic with weight advantage;
- ✚ Development of satellite options as a flexible response to shippers enquiries;
- ✚ Real time train location with any incurred delay possible in Germany & Austria.

RETRACK Pilot – Challenges



- ✚ Major operational and technical problems experienced over Summer 2010 largely as a result of grain wagon defects.(mainly as a result of bearing failures and long distance application of older equipment);
- ✚ Loss of revenue and delayed transition to break-even and profitability;
- ✚ Loss of traffic and shipper confidence but the service was restored to full capacity and the three rotations per week in the autumn;
- ✚ Also weather delays experienced in early winter 2010/2011;
- ✚ Also problems of frozen points in Cologne and a change of shunting service provider;
- ✚ Also derailments in Austria leading to service suspension;
- ✚ Constrained access to sidings on a nominated basis in Hungary;
- ✚ Border delays caused by multiple formalities such as inspection, loco documents inspection, driver details check;

RETRACK Pilot – More Challenges



- Ongoing development issues along the route;
- Un-balanced loads to make fullest use of slot length and loco capability;
- Use of grain traffic as a flexible base load traffic able to be managed as other higher value/revenue traffic is developed;
- Identification and attraction of high value wagon load traffic (heavy, hazardous) to generate more revenue over the core route and beyond at each end;
- Weight and speed advantage maximised;
- Some traffic shift from road but some rail on rail transfer;
- Understand the commercial muscle of the key competitors and relationships of the principals outside RETRACK;
- Need for continuous operations monitoring to ensure service integrity and intervention to plan around disruptions and resource issues;

RETRACK Pilot- Experience So Far



- Some new cargo to rail,
- Some cargo won from competing modes;
- Also some cargo won from competing rail;
- Load factor;
 - high (almost full) west bound,
 - developing east bound;
- Moving towards break even position;
- Expected to move towards the profit territory by the end of the year;
- Full profitability on existing route and service level;

RETRACK Pilot– Lessons Learned



- ▲ Mix of commercial partners' expertise, experience and interests;
- ▲ Project provided an opportunity to develop a service with funding support FROM EC;
- ▲ Lengthy build up to start up the services with changes in participation;
- ▲ Need for “model” consortium structure and agreements to guide commercial and operational activities;
- ▲ Need for a recognised and experienced lead partner to drive commercial and operational matters but with open lines of communication to manage the service, resource allocation, train space planning and asset rotation;
- ▲ Simple control system and train planning methods used;
- ▲ Potential limits if additional trains or links added;
- ▲ Need for 24/7 cover and network of contacts to respond to disruptions and changes in resource availability (personnel & equipment)

- The big question is; What WILL happen when EC funding ceases?
- NOW IS THE TIME to address options on retention of current position and/or further adaption;
- Need for a full commercial and operational template with cost and revenue share fully contracted;
- If needed, a competent new partner should be added;
- New routeings can be explored as well;
- Needs to be addressed at -12 months before EC support is completed;
- Partner ambitions to replicate and extend the service on emergent EU core corridors;

RETRACK Objective Achievement?



- Has the project achieved its objectives?
- YES; Actually a big yes;
- A privately operated rail service on a new pan-European corridor has been introduced and sustained;
- The rail freight service has gained market recognition as a credible service despite suffered some problems;
- The major challenging is not on price but on better service level offerings;
- Playing to rail's strengths on energy efficiency and weight compared with road transport over the main corridor;
- Retention and development of single wagon load traffic as a profitable component of traffic on a core corridor with satellite services;
- Exploits railway reform package opportunities.

RETRACK Objective Achievement?



- Competitive privately operated services in place and accepted by the market;
- No massive commercial counter measures by incumbents;
- Still some external bureaucratic and management issues to be resolved following start up of operations (e.g. border crossing processing)
- RETRACK as a possible future model able to be replicated on the basis of a successful demonstration pilot in terms of roles, responsibility, cost and revenue sharing;
- Need for more rapid build up to operations if this model is to be re-cycled once a project is identified;

RETRACK Objective Achievement?



- ⚠ Concerns over the mismatch of the initial marketing (commodities/traffic) and the actual outcome in terms of realised traffic;
- ⚠ Future new rail services – the need for start up finance and sources;
- ⚠ Risk aversion within the rail sector and complexity of assembly of international services;
- ⚠ Issues on suitable rolling stock availability – shipper owned or leased;
- ⚠ SWL market potential for hazardous and heavy traffic
- ⚠ Emergence of a core operational model (concentration points) with satellite activity driven by shipper requirements.

Any question?

Thank you very much for your attention

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