
Cefic Position on Single Wagon Services in Rail Freight Transport

Introduction

Single Wagon transport is of key importance for the chemical industry in Europe, representing more than 60% of its total rail freight volume. For many chemical production sites, Single Wagon transport plays an essential role in their supply chain, both in the delivery of raw materials that are used in the production processes, as well as in the transport of the final products to the customers. Single Wagon transport is an integral part of the business model of these companies.

In recent years there has been a growing concern among Cefic member companies about the decline of Single Wagon services in parts of Europe. A further decline would have a serious impact on the competitive position of many companies and could even result in the closure of certain production sites.

Background

Cefic has always advocated and supported the subsequent EC legislative railway packages which have created the legal framework for the liberalization of the rail sector in Europe, with a separation of the operation of rail freight services from the infrastructure management. Although good progress in the liberalization of rail freight has been made in several areas, there still remain many administrative and technical barriers. Cefic therefore welcomes the recent proposal of the European Commission for a Directive establishing a single European railway area (recast of the first rail package) to remove any remaining obstacles in rail liberalization.

For full train operations, the rail liberalization has indeed resulted over the past years in a revitalization of the market. New players entered into the market offering alternative transport options. The competition of these new entrants with the ‘incumbent’ national rail operators resulted in a general improvement of the services at lower prices.

Due to the recent economic crisis, the pace of market development has been slowing-down. Some new entrants have ceased operations or were taken over by the national rail companies, resulting in a certain degree of re-monopolization of full train operations. The total picture remains however positive and there are encouraging signs of recovery. The same positive developments are visible in intermodal rail freight transport with significantly growing volumes, in particular from and to the main ports.

The situation in Single Wagon transport is however totally different. Liberalization did not result in a real opening of the market. Only few new entrants became active in Single Wagon operations, mainly in local last-mile operations (short lines). This was caused by the numerous obstacles which still exist for new entrants to become active in the Single Wagon market, such as the lack of free access to terminals, marshalling yards, maintenance services etc. As a result most of the Single Wagon activities are still operated by the national rail companies, creating a factual monopoly. With this lack of competition, improving the quality and efficiency of the Single Wagon service was not high on the agenda of most national rail companies: a rationalization was not initiated in time, leading

to increasing costs and a declining profitability. This caused over the past year dramatic very short-notice reorganizations of the Single Wagon operations in countries like France and Italy: rail operators in these countries were charging very high fixed costs to deliver the same transport service or were even completely closing down the Single Wagon service at short-notice. These changes might have a domino effect on Single Wagon operations in the rest of Europe.

Impact of re-organizing and closing down Single Wagon services on the chemical industry

Costs

Development of new logistics concepts to replace Single Wagon transport by other transport modes (road) require high investments for building new infrastructure and purchasing of new equipment and may result in a significant increase in the operational transport and storage costs. For production installations that operate in very competitive market and that are heavily dependent on Single Wagon transport, this cost increase may even lead to a closing down of the operations.

Transport Risks

Over the years rail transport has proved to be a very safe mode of transport with few accidents. In many cases road transport is the only possible alternative for Single Wagon transport. Switching from rail to road would lead to a significant increase of the transport risks, in particular for highly dangerous goods, while European and national authorities have always stimulated the use of rail for dangerous materials.

Transport Emissions

Reducing the GHG emissions of transport is one of the main challenges of the European transport policy. Therefore the European Commission promotes the concept of co-modality with optimal use of the 'greener' transport modes such as rail. Shippers are ready to explore opportunities to further reduce their transport carbon footprint wherever possible, but their efforts should be supported by a transport policy framework that stimulates this. The current decline of Single Wagon service is however in contraction with the European policy to stimulate and further develop the 'greener' transport modes. It will force the transfer of important product flows from rail to road, leading to a reverse modal shift with even more road congestion and higher GHG emissions.

Timing

Chemical companies that have been relying on single wagon operations during several decades, are not able to change their logistics chains overnight and need time to develop and implement new logistics concepts. This requires the construction of new infrastructure for the handling and storage of the products, with complex and lengthy procedures to be followed for obtaining the necessary authorizations and building permits, in particular when dangerous products are involved which is often the case in the chemical industry. Therefore drastic changes of the Single Wagon service on short notice are totally unacceptable because they completely disrupt the normal operation of production sites. Furthermore, when a national railway company decides to stop (part of) its Single Wagon operations, it should make the necessary infrastructure including rail sidings, without any

restriction and delay available to other rail operators who are interested in a continuation of the service.

Obstacles to use full trains

Even when sufficient volumes to fill a full train can be made available or received at production installations, the operation of full train services can prove to be difficult because of the complexity to obtain from the authorities the permits to build storage tanks large enough to unload full trains, particularly for dangerous goods. An additional complication is the unavailability of side tracks at stations that are large enough to park and manoeuvre long trains for the discharge of their freight, and insufficient time allowed by rail station operators to discharge long trains and return the empty wagons.

Way forward

Cefic is convinced that there is still a future for sustainable Single Wagon operations in Europe. This is demonstrated by the Single Wagon services operated in Germany and Sweden which are effective and profitable. At a recent seminar organized by ESC, several examples of business models of sustainable Single Wagon services were presented. These were largely based on collaborative models - either of several rail freight operators combining their operations of international Single Wagon services (such as Xrail) or of individual shippers grouping the necessary volumes to support a sustainable service in a certain industrial area. Although improving the efficiency and reliability of Single Wagon services is in the first place the responsibility of the rail freight service providers, shippers can also contribute by combining product volumes and by showing a certain level of commitment.

Cefic fully supports the initiative of seven rail freight operators to create the Xrail alliance, establishing a collaborative operational network to provide international single wagon services. It allows mutual access to the national networks, short-lines, terminals and marshalling yards that are essential to the provision of international single-wagon freight services. The Xrail alliance should allow operators to manage the utilization of their assets more effectively and to create a single wagon network which provides an improved customer service and reliability across Europe.

Cefic encourages the extension of Xrail to other operators. It is unfortunate that SNCF and Trenitalia have not yet joined the Xrail alliance.

Conclusions

Single Wagon transport is an integral part of the business model of many chemical companies. Several millions of tons of chemicals are transported every year via this mode of transport. A sustainable continuation of Single Wagon transport is therefore of critical importance for the chemical industry in Europe.

The recent developments in several countries to scale back or stop single-wagon operations are in contradiction with the EU policy to revitalize rail freight transport. The European Commission should therefore take urgent action to stop the breakdown of Single Wagon transport. Cefic therefore welcomes the recent initiative to carry out an EC study to assess the situation and to review policy options for revitalization of Single Wagon traffic. Industry should be involved in this study in order to ensure that the needs of shippers are

taking into account. This study should be followed by appropriate policy actions to safeguard a sustainable future of Single Wagon transport services that meet the needs and requirements of industry.

In anticipation of the completion of this study, the European Commission should urgently take the necessary short-term measures to stop a further decline or even collapse of the Single Wagon network. The introduction of financial support for investments by shippers that are necessary for the continuation of Single Wagon transport or for the development of new single Wagon projects should also be considered.