

# Intermodal Conference Hamburg, 2 Dec 2008

## **Intermodal rail development – Separation of track and train**

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# The EU rail liberalisation agenda

- A clear & effective regulatory framework for rail market access
- Easy market entry & competition
- Growth of a genuine European rail transport market
- A strong competitiveness of the rail transport sector
- Increase of service markets linked to rail transport provision.

# ERFA - what are the problems today?

- An unclear and ineffective regulatory framework
- Market entry & competition are patchy and unclear
- The European rail transport market is consolidating
- The competitiveness of the rail transport sector is at stake
- Service markets linked to rail transport provision depend on incumbents.

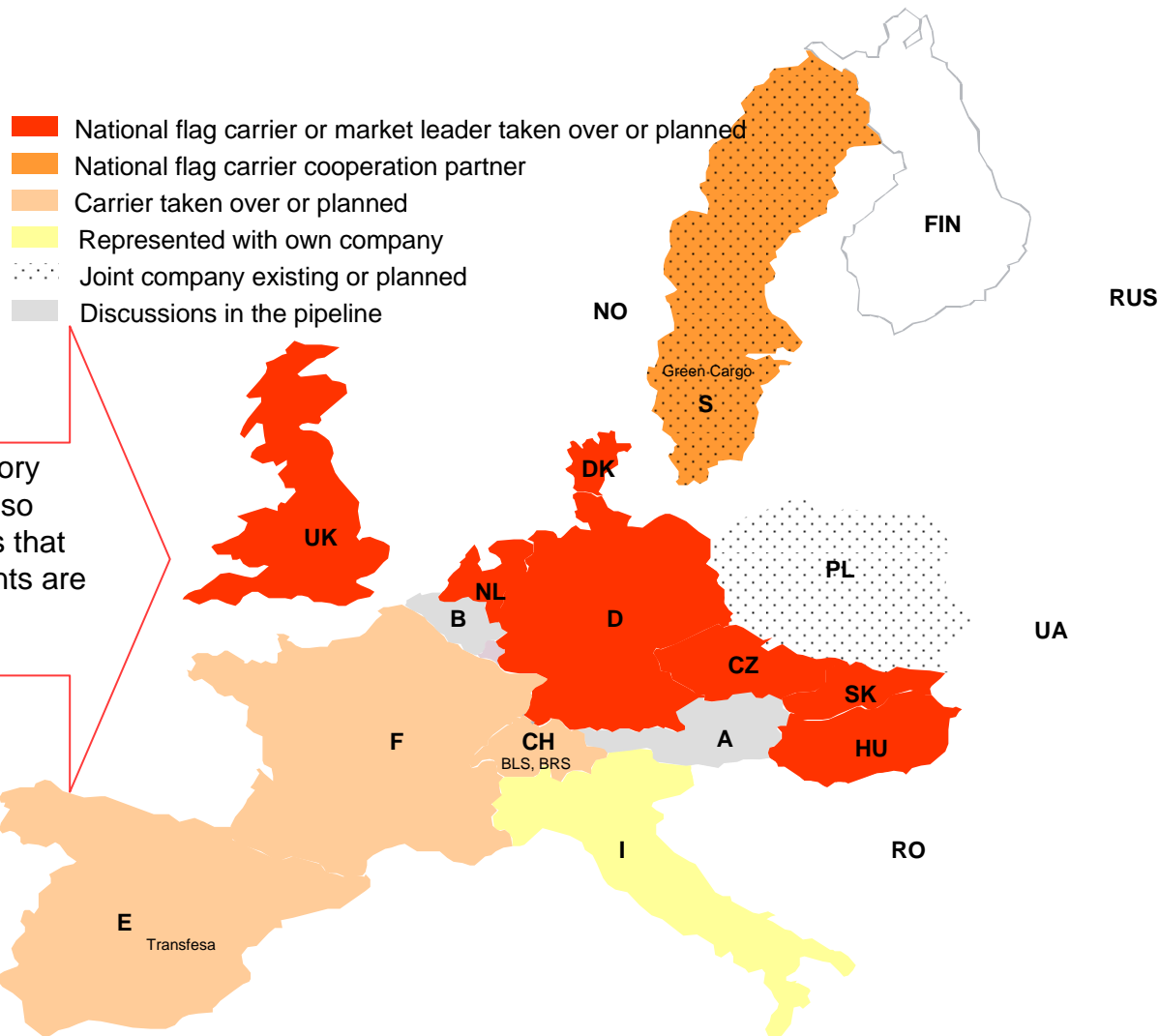


The EU intentions were good  
and the EC has the merits of having opened up  
the rail freight sector.

However, the regulatory framework does not fit  
today's market !



# The market today !



The EU regulatory framework has so many loopholes that smart incumbents are buying up their competitors !

# Major obstacles to a genuine free EU rail freight market

Problem*		Examples		Market effect
Insufficient independence of the IM from the RU holding & its transport affiliates	→	Discrimination in access to infrastructure facilities		<b>Bulk traffic or single wagon business</b> dominated by incumbents
Infrastructure Manager does not itself determine the <b>charges</b> for the use of the infrastructure	→	Unclear or unfair prices (all pay the same ?)		New entrants have no <b>price transparency</b> and refrain from certain traffic
Lack of a <b>performance scheme</b> to improve the rail network performance	→	Increase of delays / unreliable traffic on certain corridors		Negative modal shift (rail->road) because of contractual penalties of customers
Insufficient accessibility / independence / powers of the <b>Regulatory Body</b>	→	RBs have only an 'advisory' role, decision is taken by Ministry of Transport		No control of infrastructure prices, low number of competitors

# ERFA proposals for action on EU and national level

- **Enforce current regulatory framework** to its maximum extent (< 50 % of all EU MSTs have implemented > 50 % of the 1st Railway Package !)
- **Recast the regulatory framework** to allow for full market opening (include independence, full rail services access, regulatory body, fair and competitive pricing)
- Make the **new regulatory framework a regulation**
- Development of the **freight oriented network** quickly
- Deploy **ERTMS** within next 10 years and ensure one single version
- Removing **technical and operational obstacles** to the liberalization of the European railway market
- **Removing financial obstacles** to fair liberalization of the European railway market by prohibiting state aid to incumbents only
- Reduce and harmonise **infrastructure charges** in entire EU
- **Regulatory Bodies** need to be entrusted with genuine legal power covering the entire rail freight production process
- In case of **cross-border problems** (e.g. at border stations), a national Regulatory Body need to be entrusted with the relevant power to act also on behalf of its peer

# Separation of track and train

Total separation is necessary:

- to enable full and fair competition above rail,
- To ensure transparency between IMs, RUs and holding companies on financing and state aids
- To ensure fair allocation of capacity and access to tracks, last mile and terminals
- In order to separate a natural monopoly (IM) from companies (RUs) who should be competing – they both need regulation, but in different ways.

# Why bother?

- EU policy is to encourage the growth in rail freight.
- Competition above track is demonstrated by EU to increase volumes by rail.
- Compare last ten years:
  - UK: 6 competing operators all independent of IM, the largest with 58% market share, growth >60%
  - F: 3 competing operators, largest linked to IM's activities and with >90% market share, lost 40% traffic



# The issues...

## Fair allocation of capacity

- ‘There is a lack of confidentiality when requesting path...ECR have to apply for regular paths well in advance. 45% of regular paths withdrawn in 2008 without a suitable alternative route.’
- *Ben Smail, Commercial Director, Euro Cargo Rail at ASI Conference Brussels 28 November 2008*

# Access charges for use of track

- Are they related to costs?
- Are the costs reasonable?
- Are the charges related to costs?

Because lower costs = lower charges.

Examples – UK – Office of Rail Regulation requires IM to reduce costs by 50% in ten years with improvements in quality. Sets freight access charges 50% in ten years

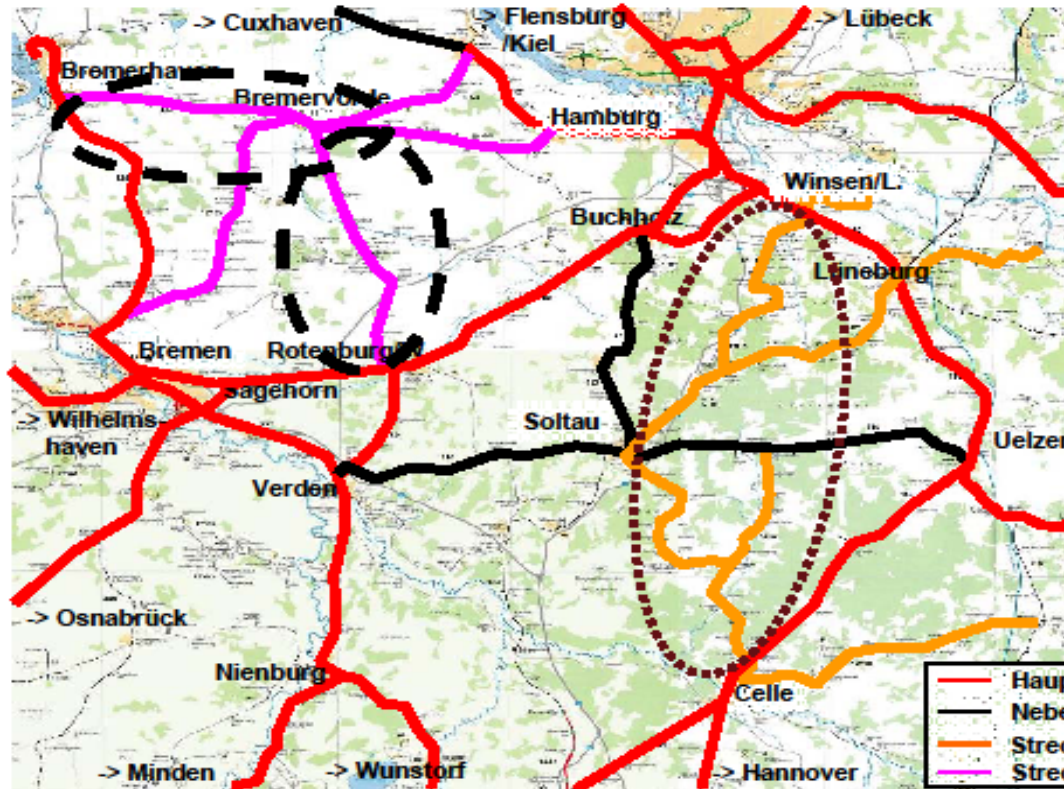
D – Regulator sets charges based on costs quoted by DB Netz. Has no information on costs and no role in regulating them.

Solutions – give independent regulators power to have all information necessary to set reasonable costs of IM and set related charges. IMs are monopolies and need regulation.



# But there is infrastructure competition near Hamburg!

## Regional infrastructures as dedicated freight lines



- Between Hamburg Hannover and Bremen 30% of the Infrastructure is private
- OHE contributes to the elimination of bottlenecks
- OHE offers additional track capacity for step by step of market growth
- Fundingsystem for reinvestment is 77€/m for stateinfra and ca.1 €/m for private infra
- There is no fundingsystem for complete new private infra instead of the 50% siding funding



# Access to last mile and terminals

*ERFA/EIM House of Rail Last Mile and Terminals  
Conference in Brussels on 28 November 2008.*

Many case studies on higher charges to new entrants, terminals 'full' to keep out competition, tortuous negotiations to achieve access etc.

Conclusions on which EU intends to act:

- Co-funding up to 60 % for SMEs for sidings
- Inclusion of sidings & last miles in the European infrastructure register
- Inclusion of last miles & sidings in the recast of the 1st Railway Package (regulating infrastructure access rights)

# Independent regulation

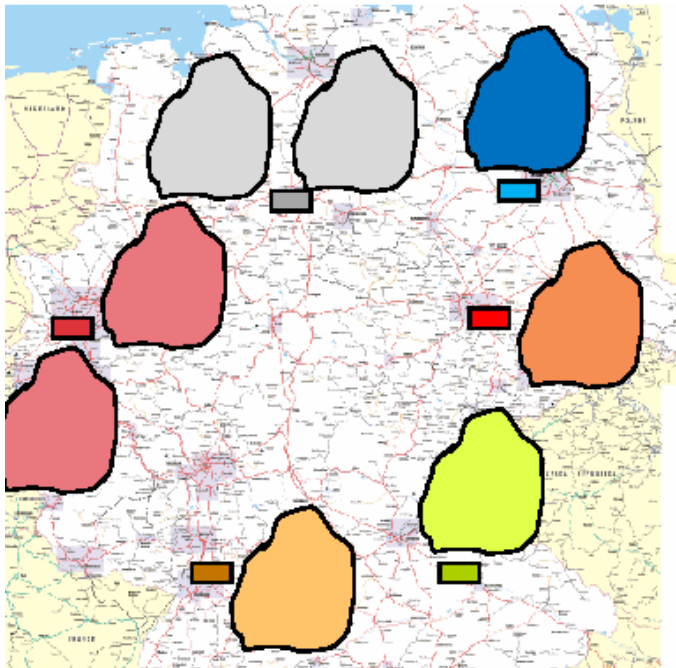
- Regulators must be independent of governments, IMs and RUs.
- Governments who try to be regulators will always fail – too much conflict of interest with financing and political pressures.
- Example – UK – ORR for main network – 50% reductions on costs and charges
- UK Department for Transport regulates high speed line – charges for freight six times that of classic lines; awarded 80 year ‘cost-plus’ contract to operate and maintain infrastructure.
- Regulators must also be responsible to access to network and terminals, and be the body responsible for hearing complaints and appeals.



## Arriva D - ideas for single wagon flows

- competition possible - Key issues – full access to all terminals and shunting yards for all RUs

### Siding Support Model



- The fundingsystem must be simple and regional based
- The link to the local single unit system must be open! Like in passengertransport there must be a fixed industrial timetable in single unit feeder areas.
- **BUT: There must be a regional competition about feederareas**
- Next step must be a regular open access to the bigger shunting yards
- TAV TSI gives a standard for waggoninformation in each siding due to this you can bring every waggon of every owner into every siding



# Conclusion - 1

- Total separation of IM and RUs essential for fair competition, customer service and growth.
- Incumbents fear incursions into 'their territories' but complain about difficulties of entering other ones. They want their cosy monopoly life to continue for ever!
- New entrants suffer much more – costs, delays, technical barriers, frontier issues etc.
- The only solution to meet the demands of growth in rail freight is a wholesale recast of the First Railway Package and completion of the Infringement processes by EU against Member States.

# Conclusion - 2

- MS, RUs and IM's should realise that they have more to gain from being proactive in encouraging competition rather than fighting it.
- They will save state money and see more freight transferring from road to rail.
- The liberalisation process started in 1991 – it is time to complete it!



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