

SEA CHANGE IN RAIL FREIGHT PRACTICES

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During the past ten years, freight transport volume increased by 30 percent in the European Union, whereas road increased by 38 per cent. One can therefore not be very optimistic about rail freight. Not only has rail freight stagnated during that period, but moreover it is losing important market shares to competitors. As a matter of fact, there has been a regression in absolute volume from 2002 to 2003.

Consequently, we must ask ourselves: What the implications and the effects of declining railway freight will be on the logistics industry?

Most of the economic actors would not be in a position to suggest empirical answers since they do not use rail anymore. As a matter of fact, the railways do not even carry a tenth of European freight and is barely estimated at less than 8 per cent.

According to the European Commission, the shift away from the railways is caused, above all, by reliability and quality issues. In order to tackle this situation, the European Commission submitted its "**Third railway package**" to the Parliament. Subsequently, the Parliament's Transport Commission discussed this situation on Wednesday October 6th, 2004. To recall, the third package reinforces, on the one hand, the economic instruments such as the full implementation of the liberalization process through the opening up the market to competition. On the other hand, it defines the legal framework and tools necessary to implement it.

1) The economic aspects: The third package indicates that the entire European freight network should be liberalized as of 2006. This is in line with former guidelines and decisions adopted by the European Parliament, which, for instance, had voted in 2003 an amendment requesting that all passenger rail operators opened up their services to competition, from January 1st, 2008 onwards.

2) The legal aspects: The Third package proposes a draft Regulation. It introduces minimal quality requirements in the contracts binding railway companies to their customers. Currently, such requirements are considered as a "good practice" but are not compulsory).

Furthermore, it proposes a draft Directive on the certification of train drivers and of train crews. Each train driver will possess his own personal certificate attesting to his general qualifications. These certificates will be valid throughout the Community.

Why a third package?

To recall, the "**First railway package**" was introduced ten years ago. It consisted of Directives aiming at restructuring railway companies -at that time, and still today, publicly owned entities - and focused on access to national infrastructure networks. For the first time, It introduced some competition into the industry. This package was composed of the famous Directive 91/440, which required the separation between transport and infrastructure in accounting terms. In 2001, several directives (2001/12, 2001/13 and 2001/14) modified the first railway package. These three new Directives were transposed into the national laws of all European Member States before 2003.

In practice, however, the opening up of the national rail freight markets did not really produced the expected benefits. A few new players emerged, yet accounted for only 3 to 4% of the overall market. In several member states, actually no new entrants emerged. Therefore, in an attempt to stimulate the market, the Commission adopted a "**Second railway package**" with a clear focus on the introduction of the liberalization of the sector. In April 2004, the Parliament and the Council ratified this package.(by anticipation, Switzerland had modified its Ordinance on rail network access on January 1st , 2004). Nevertheless, this second package has not yet been fully transposed into the national legislation of all Member States.

In this context, the "**Third railway package**" should allow a better management of the emergence of competition in this market. The third package is therefore expected to encourage railway undertakings to adopt and create incentives for operational undertakings as well as to push for technological measures (e.g. the use of electronic data interchange systems at the European level), in order to improve the quality of services, not only for improving productivity and profitability, but also for avoiding the cost of compensating their customers in cases such as non-compliance with contractual obligations. Thus, the European Commission has created a framework within which the rail freight undertakings will have to become, yet, get organized, still with a reasonable level of freedom. This is likely to put pressure on rail freight transport operators, some which may not survive.