Can cooperation unlock wagonload freight potential?

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On-rail competition has transformed the railfreight landscape in Europe over the last 20 years, but in wagonload - a sector competing directly with road for nearly every load - operators increasingly see cooperation as the key to maintaining and growing the business. Keith Barrow looks at how an alliance between wagonload operators is working to deliver service standards comparable with road.

The story of wagonload freight in Europe over the last 50 years has generally been an unhappy one. The expansion of the highway network, changes in industrial production and distribution patterns, and the increased value density of goods have favoured a shift to road haulage.

Not all of the forces working against wagonload have been external. Wagonload has suffered from limited transparency with limited information for customers on movements and significant variation in delivery times. In countries such as France wagonload customers have been forced to adapt to reorganisation of collections and deliveries as railfreight operators have sought to make a declining business viable.

At the same time the road haulage industry has become increasingly efficient, flexible, and customer-focused, which together with lower costs has helped to make a switch from train to truck all but inevitable for many wagonload customers.

Wagonload is a network business which in order to compete effectively with road needs broad geographic reach at both national and international levels. Yet declining traffic resulted in contracting networks and in some countries such as Italy continuing retrenchment made the residual wagonload network unsustainable, leading to total closure. Furthermore, the economic crisis in Europe has led to huge overcapacity in the freight transport system, keeping road freight prices low and making it difficult for rail to compete.

Nonetheless, despite wagonload's woes, this is still big business for rail operators in a number of European countries. For example in Germany, Europe's largest railfreight market, wagonload still accounts for around 30% of volumes (by tonne-km) while it represents 38% of the Swiss market. The high fixed costs, low margins and the need to operate complex national networks also means this traffic is unattractive to open-access operators which prefer to focus on more lucrative point-to-point intermodal and trainload flows.

So while wagonload has historically been viewed as something of a burden on incumbent operators, the realisation has dawned that this is a niche market beyond the grasp of open-access competitors with significant potential for growth. And while competition has helped the trainload sector to flourish in recent years, it is increasingly clear the destiny of wagonload lies in cooperation between operators at an international level.

In February 2010 seven European railfreight operators, which collectively handle around two thirds of European wagonload traffic, formed the Xrail alliance with the aim of making wagonload more customer friendly and efficient. Xrail seeks to move from loose cooperation without quality targets to a binding partnership between operators with common targets and mutually-committed service standards covering the three core issues of reliability, offer time, and transport information.

Four-and-a-half years after its inception, the Xrail partners have made considerable progress towards achieving their vision of transparency and quality in wagonload. Members are offering their customers origin and destination-specific time of arrival, track and trace, automated delay alerts, and revised delivery times in the event of a delay. Processes and interfaces are being standardised to offer uniform customer service across the whole Xrail territory.

"We're providing information to the market about single wagonload and sending out a strong message that the partners believe in the future of the business and are investing in it," Xrail CEO Mr Sassan Rabet told delegates at June's Global Rail Freight Conference, which was hosted by the International Union of Railways (UIC) and Austrian Federal Railways (ÖBB) in Vienna.

Currently around 15% of wagonload traffic between the members operates in accordance with Xrail standards and the proportion is increasing. Ten networks and 460 origin and destination points are already served by Xrail and the system will be extended into northern Italy later this year when DB Schenker Rail launches wagonload services in the region, helping to fill the void left by the closure of Trenitalia's wagonload network.

Rabet notes that European wagonload operators tend to focus on managing supply but have so far failed to manage demand. Capacity booking is in widespread use in North America but in Europe only Sweden's Green Cargo has an established capacity booking system.

To address this Xrail is moving from open to controlled capacity booking through Xrail Capacity Booking (XCB), an IT tool which will connect domestic capacity booking systems via a central broker to provide full international coverage across the entire Xrail territory. XCB will make capacity booking seamless between the seven partners and give shippers an estimated time of arrival (ETA) for their wagons at the time of booking.

"There is a strong belief among the partners that this isn't just a new IT tool but something that will change the basis of the wagonload business," says Rabet. "Our ambition is that railfreight operators have shipments and ETA in mind and not their schedules, because customers don't care whether a particular train runs on time, they only care about when their consignment will be delivered."

The European Commission's aspiration that 30% of road freight transport over 300km should shift to rail and other modes by 2030 can only become a reality if a sustainable wagonload network exists to provide small and medium-sized shippers with a viable alternative to road transport. The EC needs to play a role in this by ensuring that future legislation on market opening does not harm the fragile economics of wagonload, and that EU-funded freight-focused infrastructure enhancements benefit wagonload traffic wherever possible.

Extending the reach of Xrail west into France and east to the Czech Republic, Slovakia and Poland would be another welcome step towards making
wagonload a viable alternative to road transport for many more European businesses.