France moves to revive rail freight

By Robert Wright in London

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The French government is turning to a Pittsburgh-based investor in its efforts to revive rail freight and stem losses at the state train operator's freight arm.

Railroad Development Corp., which has successfully revived the Iowa Interstate Railroad, wants to replicate in France the technique, known as short-lining, that has seen local traffic revived on many US rail lines.

Major North American railways have sold many lightly used rail lines since 1980 to small, often locally owned companies, which have marketed freight services more aggressively and cut costs. Short lines typically have less onerous union agreements than the largest, Class I operators. They also often reduce track and other infrastructure costs by running lighter, slower trains. The approach has boosted many lines' traffic – and profitability – significantly.

RDC has signed a joint venture agreement with Réseau Ferré de France, owner of rail infrastructure, and Caisse des Dépôts, France's development bank, to look for and operate branch lines as short lines.

The venture is intended to revive the wagonload freight business offered by SNCF, the state-owned train operator, according to Henry Posner, RDC's chairman.

Wagonload business – where customers can have a single wagon of freight moved, instead of booking a whole train – is a major contributor to the losses of SNCF's freight division, which made operating losses of €611m ($811m) on €8.03bn turnover in 2008.

The new joint venture will move wagons between marshalling yards on main lines, where they can be formed into longer trains moved onwards by SNCF, and local factories and distribution centres.

"We think we can play a role in stabilising the wagonload business," Mr. Posner said. "That will be part of restoring the freight business of SNCF to health."

Some European countries have abandoned wagonload freight because of its high operating costs. Some North American railroads – including Canadian National – have found it highly profitable, however.

Dominique Bussereau, France's transport secretary, said the government had put in place special regulations for lightly used, freight-only lines.

The joint venture would seek a small number of promising areas to start the initiative, Mr. Posner said. While some might fail, others would work well.

"For this really to succeed, we need some early success stories," Mr. Posner said. The venture would need the support of France's combative rail unions, he said.

SNCF executives attribute many problems at the freight division to restrictive labour practices.

"There's no question that we're going to need some flexibility in dealing with labour," Mr. Posner said.

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