

“Europe needs to prove that it values rail competition and cooperation”

Leipzig, Germany / May 21, 2014 — “To widen their market and become successful, European railways need to be opened up for both competition and cooperation,” said Henry Posner III, Chairman of Railroad Development Corporation (RDC), Pittsburgh (USA) at the OECD International Transport Forum today. Posner was one of a number of railway experts from around the world who took part in an exclusive ministerial roundtable discussion addressing the importance of rail for ecologically sound, sustainable mobility.

[\(Download photos from the Ministers’ Roundtable Competition in Rail Transport at the 2014 Annual Summit of the International Transport Forum\)](#)

Coming from a continent on which, contrary to European thinking, freight rail traffic has a long history of success, and referring to RDC’s worldwide engagement both in freight and passenger business currently in the U.S., Latin America (Colombia, Peru), Europe (Germany, France) and earlier in Estonia, Malawi, Mozambique, Argentina and Guatemala, Posner said, “Being no stranger to environments of institutional resistance and perverse economics, Europe is nonetheless an extreme case for us.”

Posner stated that what he finds in Europe is, “that many railways are and operate like states within states. This is much different from the North American situation where railways are culturally diverse and, though sometimes arrogant, do not enjoy the support of the State in that arrogance.”

Posner criticized that in Europe railways tend to work against each other and against both competition and cooperation. Giving OFPs (Operateurs de Fret de Proximité, or freight rail feeder operations similar to North American short lines) as an example he said, “SWL (single wagonload) is a network business at the national and European levels. Thus cooperation – and not competition – is necessary between network operators and OFPs in order to secure customer commitments. In addition, having small, creative companies in a market, brings in alternative thinking and innovative ideas with positive results not only for customers but for all operators.”

“Additionally, the behavior of European railways is less than understandable, as easy intermodal cooperation—in addition to competition—would strengthen the rail system,” Posner said. “Instead many European states prefer an underfinanced rail system with one national quasi-monopolist operator and thus are missing out on building up an attractive alternative to road and air transport.”

Posner urged the European Commission to continue on the EU-level to complete the single European railway area to foster European competitiveness and growth. He said, “We support the Commission’s struggle to succeed. We need more competition in and for rail in Europe, a level playing field for all players, for new endeavors and ideas. To achieve this, we need the 4th railway package in the version that was voted for by the Committee on Transport and Tourism (TRAN) of the European Commission before Christmas 2013, including more regulations and – for vertically integrated incumbents – strong Chinese walls. To accept the current version of the package would be fatal, since it would take the European railway market several steps backwards, instead of towards lively and fruitful competition with significant advantages for people, business and environment.”

Currently in Germany, RDC is the major shareholder of Hamburg-Köln-Express GmbH (HKX), the first private railway company in Germany which exclusively supplies long-distance passenger rail services. When setting up their services, HKX experienced a whole range of obstacles, most of them caused by regulations that favored the German incumbent Deutsche Bahn or by the rules due to the set-up of Deutsche Bahn as a vertically integrated, national railway system. Some examples are:

- The fact that framework agreements for track access can only be made every five years, and that track access fees are exorbitantly high compared to other countries and, equally important, other modes of transportation.
- The fact that fees raised for stops in train stations are not plausible and transparent, and lack price stability.
- The fact that competitors have no access to tariffs and sales distribution channels since these are owned by Deutsche Bahn; now the federal cartel authority is looking into this.
- The fact that traction current is supposed to be subject to higher state contributions under the Renewable Energies Act (EEG).

In France, RDC is a joint venture partner with Belgian rail-based forwarder EuroRail in RegioRail, the largest operator of OFPs in France. This was only possible after Fret SNCF instituted a policy of consolidation and accordingly decreased its presence in SWL, which though the highest-cost is also the highest-value segment of the market, and quite sensible to pursue if shifting the modal split in transport towards rails is a common goal. But it took six years and many false starts, as well as finding the right European partner, before RDC's wagonload freight initiative has finally taken root. Examples for old and new obstacles are:

- The fact that there is no stable agreement with the incumbents as to share capacity and risks in long-haul trains.
- The fact that meanwhile the incumbents are fighting to pick back traffics once discontinued and then saved by OFPs.

Posner concluded, "To repeat: Europe needs cooperation as much as it needs competition in the rail sector. These are basic institutional solutions; by comparison, political solutions are both a waste of resources and a distraction."

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