

RAIL FREIGHT QUALITY: PROGRESS IN A COMPETITIVE MARKET



UPDATE REPORT ON THE CER-UIC-CIT CHARTER

SEPTEMBER 2005

The Voice of European Railways



COMMUNITY OF EUROPEAN RAILWAY AND INFRASTRUCTURE COMPANIES
COMMUNAUTÉ EUROPÉENNE DU RAIL ET DES COMPAGNIES D'INFRASTRUCTURE
GEMEINSCHAFT DER EUROPÄISCHEN BAHNEN UND INFRASTRUKTURGESELLSCHAFTEN



TABLE OF CONTENTS

FOREWORD	3
I. EXECUTIVE SUMMARY	5
II. BACKGROUND	7
1. MARKET DEVELOPMENTS	8
2. THE CER-UIC-CIT FREIGHT QUALITY CHARTER.....	10
III. ASSESSMENT OF PROGRESS IN 2004	11
1. QUALITY CLAUSES IN CONTRACTS	11
2. BETTER PUNCTUALITY.....	15
IV. INITIATIVES TO IMPROVE QUALITY	21
1. SECTOR-WIDE APPROACHES TO IMPROVE QUALITY	21
2. COMPANY INITIATIVES ON QUALITY.....	26
V. POLICY PRIORITIES FOR RAIL FREIGHT	32
1. THE IMPORTANCE OF INTEROPERABILITY ON THE EUROPEAN RAIL NETWORK.....	32
2. THE INFRASTRUCTURE CHALLENGE	34
3. INFRASTRUCTURE ACCESS CHARGING ACROSS TRANSPORT MODES.....	38
VI. CONCLUSION	39
APPENDIX A: THE CER-UIC-CIT FREIGHT QUALITY CHARTER	40
APPENDIX B: THE UIC/UIRR JOINT COMMITMENT ON THE QUALITY OF COMBINED TRANSPORT SERVICES	41
APPENDIX C: JOINT DECLARATION BY UIC/CER AND FIATA/CLECAT ON QUALITY IN INTERNATIONAL CONVENTIONAL AND COMBINED RAILWAY FREIGHT TRAFFIC	47





FOREWORD

This is the third report to be published on the implementation of the CER-UIC-CIT Freight Quality Charter. As in earlier reports¹, we will illustrate concrete results and progress achieved by the railways in the field of rail freight quality two years after the adoption of the Charter in July 2003.

Over the past two years, rail freight quality has been a topic of intense political discussions in the Brussels political arena. As part of the so-called Third Railway Package currently under discussion in the European Parliament and Council, the European Commission decided to propose a regulation to impose a system of contractual penalties on rail freight.²

This regulation has been received with great scepticism not only by the European railway community but also by customers themselves and by the Council of the European Union and a large majority of the Members of the Transport and Tourism Committee (TRAN Committee) of the European Parliament. Imposing a system of penalties on rail freight services appears rather inconsistent with the political objective adopted by the European Parliament and the Council of Ministers in 2004 to improve the performance of railway services by the introduction of competition (Second Railway Package) and thus to reinforce the entrepreneurial responsibility of railway companies. These market-based mechanisms are all the more important as the rail freight market is a very differentiated one with an enormous variety of customer wishes and preferences on the one side and supplier options to meet these differing demands on the other. As no uniform regulations can fit into this market reality CER is grateful that the proposal for state intervention at this point was not supported by the European legislative authorities, neither by the competent committee of the European Parliament nor by the Council of EU Transport Ministers.

In general, economists have shown that quality in a liberalised market is best handled by the market actors themselves, whether through the natural functioning of competition or within the frame of contractual relations. As a matter of fact, and as will be seen in the course of this report, a significant and increasing part of the rail freight business in Europe is already subject to contractual quality terms between individual customers and railway companies.

1. Original report: "Rail Freight Quality: The Challenge – Between Compensation and Quality Enhancement", July 2003. First update report: "Rail Freight Quality: Meeting the challenge – A report on the first year of the CER-UIC-CIT Freight Quality Charter", December 2004. Both can be downloaded from www.cer.be
2. Proposal of the European Commission for a regulation of the European Parliament and of the Council on compensation in cases of non-compliance with contractual quality requirements for rail freight services, COM(2004) 144 final of 3 March 2004

FOREWORD

In this context, CER is also pleased to report on the recent conclusion of two important agreements between three major customer representative bodies and the railway community:

- The agreement signed on 15 April 2005 between FIATA (the International Federation of Freight Forwarders Associations), CLECAT (the European Association for Forwarding, Transport, Logistics and Customs Services), UIC (the International Union of Railways) and CER. This deals with the development of common quality indicators to be used in contracts between railways and freight forwarders.
- The agreement signed between the International Union of Rail-Road combined transport operators (UIRR) and the International Union of Railways (UIC) on 16 June 2005. This sets a list of obligations for the intermodal sector regarding punctuality, information on train delays and the establishment of penalties to be paid in case of a train delay or a cancellation, etc.

These two recent major agreements and the development of quality contracts between individual customers and railways are some of concrete results of the CER-UIC-CIT³ Freight Quality Charter adopted by the railway community on 4 July 2003. In this voluntary commitment, Europe's railways commit themselves to providing attractive freight services with a high quality level and controlled, whenever requested by the customers, through the use of quality contracts.

We hope that you will find the report an illuminating read.



Johannes Ludewig
CER Executive Director



Jacques Dirand
CER Senior Freight Advisor

3. CIT: International Rail Transport Committee, an international organisation based in Bern, Switzerland, dealing with international legal rules in the rail transport sector.

I. EXECUTIVE SUMMARY



Two years after the official adoption of the CER-UIC-CIT Freight Quality Charter, on 4 July 2003 in Rome, the European rail freight industry demonstrates its ability to face both the challenge of growth and quality. Significant progress has been observed on the two most sensitive indicators for freight quality:

- the use of quality contracts between the railways and their customers
- the punctuality of freight trains.

First, when looking at the quality contracts concluded between the railways and their freight customers, progress is clearly visible between 2003 and 2005, especially in the quality sensitive intermodal sector, where the proportion of the intermodal business covered by quality clauses has increased by 18 percentage points (from 40% in 2003 to 58% in 2005). Across all markets, including the least performance-sensitive segments, 31% of freight contracts now contain quality clauses. One interesting development is the increasing differentiation in contracts offered to customers. Freight customers across large parts of Europe can currently choose between several different price/quality mixes for rail freight services. Good commercial practice is to provide a menu of price-quality mixes, not a single “one-size-fits-all” contract.

At the same time, rail freight performance continues to improve. For example, 72% of the monitored trains involved in combined road-rail transport in 2004 were punctual, which represents an increase of 22 percentage points compared to 2001. The quality follow-up of these intermodal trains has also greatly improved, with nearly 100% of them being monitored in 2005 (compared to 65% in 1999).

Most effort to improve has been focussed on those customers that are most sensitive to performance (mainly the rail-road and maritime intermodal segments) and also on some major corridors where congestion particularly affects freight services, such as the Brenner corridor between Munich and Verona. Punctuality has increased substantially in these market segments. For example, along the “Brenner Corridor”, punctuality has increased by 26 percentage points in 2004 to an absolute level of 73%.

At national level, some companies have achieved very high punctuality rates: 92% punctuality for SBB Cargo in Switzerland (with a tolerance margin of 30 minutes) and 94% for VR Cargo in Finland (within a tolerance margin of only 15 minutes!).

Behind the statistical evidence supporting the increased quality of rail transport, numerous initiatives from the railway sector make it clear that the railways are doing their very best to increase their attractiveness for their customers. Examples of these initiatives are given in this report, whether sector-wide or company-specific.



I. EXECUTIVE SUMMARY

They concern aspects related to the improvement of companies' internal processes or aspects regarding corporate investments in the field of interoperability. These initiatives also concern specific commitments taken by the railway sector towards their customers, such as:

- the “Joint Declaration on Quality in international conventional and combined railway freight traffic” signed by UIC/CER and FIATA/CLECAT on 15 April 2005,
- and the “Joint Commitment to develop the quality of scheduled trains operating Combined Transport Services and of contracts covering this quality” signed by the railway undertakings, members of UIC and the combined transport operators, members of UIRR, on 16 June 2005.

However, despite the initiatives taken and despite the progress already made, there are some very clear factors limiting the development of the European rail freight sector. The lack of interoperability and infrastructure has to be resolved. Initiatives are under way: for instance the Memorandum of Understanding on ERTMS⁴ deployment, and the implementation of the TAF TSI (Technical Standard for Interoperability for Telematics Applications for Freight services). Both aim strategically to improve rail freight services across Europe.

In particular, the lack of adequate infrastructure is a crucial problem today, affecting the quality of rail freight services. When combined with good quality infrastructure, punctuality levels of over 90% are achieved – for example in Switzerland or Finland. Some infrastructure projects are under way but in order to have a competitive and attractive European rail freight service, considerable additional investments will continue to be needed in the years to come.

No doubt the development of rail infrastructure, in particular the enhancement of infrastructure capacity and the removal of the numerous bottlenecks on major European rail corridors as well as the installation of dedicated rail freight lines, will remain the key challenge to further improve the quality of rail freight services in Europe in the medium term.

Last, but most important of all, coordination of infrastructure charging policy across the modes of transport and the progress with the Eurovignette Directive are critical for the future of European rail freight. The Eurovignette Directive is of paramount importance to railway companies. If trucks have to pay their external costs, demand for rail freight will increase. A higher demand for rail freight increases the possibility to generate profit, which in turn can be used to invest in capacity.

4. European Rail Traffic Management System

II. BACKGROUND



Two years ago, the Community of European Railway and Infrastructure Companies (CER), together with its partners UIC and CIT, developed a Quality Charter which was adopted in Rome on 4 July 2003 by all its members. To accompany this event, CER published a first report on rail freight quality in which it described the initiatives taken by the European railways to improve the quality of their freight services.

Eighteen months later, in December 2004, a second report was published. This report assessed the progress made by the European railways to improve rail freight quality, giving numerous examples of improved quality in rail freight, as well as general indicators. The last part of the report was dedicated to ways of further improvement, either by means of the railway industry's own efforts, or with the active participation of other stakeholders, especially at political level.

This report is the 2005 update of the previous reports. Improving performance is indeed a permanent objective for the railway industry and CER wishes to report on the progress made and indicate what the next steps may be.

Before turning to the description of the railways' latest achievements in the field of freight quality, it is worth recalling the market conditions faced by railway companies over this period and give a brief reminder of objectives and content of the CER-UIC-CIT Freight Quality Charter .

II. BACKGROUND

1. MARKET DEVELOPMENTS

In 2004 rail freight has scored better than the GDP (Gross Domestic Product) rate in the European Union with 25 members (EU-25): according to Eurostat, GDP grew by 2.3% in 2004 in EU-25; expressed in tonnes-kilometres, rail freight grew by 3.5% in the same period of time as shown below (Figure 1).

	2003	2004	Change 2003-2004	
	Billion t-km	Billion t-km	%	Billion t-km
EU-15	241	251	+ 4.4%	+ 10.5
New Member States (8)	123	126	+ 1.7%	+ 2.1
EU-25	364	377	+ 3.5%	+ 12.6

Figure 1. Evolution 2003-2004 of rail freight in Europe (Source: Eurostat)

Within the European Union, progress has differed:

- the rate of rail freight growth was only 1.7% in 2004 in the new Member States, compared with a 4.4% in the old EU-15 countries;
- Individually, Germany and UK did well, while France and the Czech Republic evolved less favourably.

However, for 2005 it is expected that market growth will be more moderate.

These diverging results can be explained by the non-stabilised state of the market:

- in the New Member States, the former monopoly of the state railways is now challenged by the quick development of other modes of transportation, especially road transport;
- in many countries the restructuring required by the evolution of the market and its liberalisation puts historic rail companies under extreme pressure to rationalise production. It has to be expected that in some cases, traffic will decrease for some time, as non-profitable flows are being abandoned in order to concentrate resources on potentially threatened market segments.

II. BACKGROUND

Not only is the freight sector growing, it will also undergo significant changes in the coming years. Because of Directive 2004/51 EC on the development of the Community's railways, all railway undertakings shall on 1 January 2006 be granted access to the whole of the European Rail Network for the purpose of operating international freight services. In addition, at the latest by 1 January 2007, all railway undertakings shall be granted access to infrastructure in all Member States for the purpose of operating all types of rail freight services (including domestic services). The European rail freight sector will in effect become completely liberalised, with companies being allowed to perform cabotage services in other Member States. This will have a profound effect on the way companies will organise their business strategies.



II. BACKGROUND

2. THE CER-UIC-CIT FREIGHT QUALITY CHARTER



The changing market conditions in the liberalised rail freight sector require a different business approach than in previous times. In order to be able to compete with the ever-growing road transport sector, and to stand out in a competitive market, the European railway companies initiated the Freight Quality Charter.

The Freight Quality Charter (see Annex A for complete text) is a voluntary commitment by European railway undertakings on the quality of the services they provide to their customers. It was signed on 4 July 2003 in Rome by the members of CER, UIC and CIT. Through the Charter, railway undertakings commit to provide attractive freight services with a high quality level. In practice, this means that contracts between railway companies and their customers shall include customer service quality provisions in one or more of the following services areas:

1. Responsibility
2. Safety
3. Planning
4. Punctuality and reliability
5. Information
6. Rolling stock
7. Billing
8. After-sales service.

In return, the railway undertakings' commitments depend on customer support with regard to timely customer presentation of wagons and cargo at the handover point and proper and timely receipt of customer documentation.

In case the agreed quality targets are not met, customers can obtain appropriate compensation. To make the Freight Quality Charter as customer-oriented as possible, it was discussed beforehand with rail freight customer organisations such as UIRR (representing the rail-road combined transport sector) and ERFCP (the European Rail Freight Customer Platform). Both associations were very much in favour of the project and welcomed the initiative by the European railway sector.

Many improvements can be seen at the time of the second anniversary of the Charter. The next chapter examines these improvements in more detail.



III. ASSESSMENT OF PROGRESS IN 2004

Freight quality is a multifaceted concept and has no universal definition. Different indicators are needed for various types of services. Specific indicators are sometimes also set up on international corridors for bi- and multilateral traffic flows. There is nevertheless a need for synthesised indicators to get a general idea of evolution in this area. This is why two very simple indicators to measure quality were chosen for this report:

- The amount of freight business covered by explicit quality clauses. This can be either in a dedicated co-signed agreement between a railway undertaking and a customer; or through specific quality clauses in the commercial contract or in the general terms and conditions.
- The punctuality of freight trains. Although punctuality is not the only factor to take into consideration, it is the least difficult to measure and the most sensitive for customers.

According to both indicators, quality has increased again in 2004 after a first improvement in 2003.

1. QUALITY CLAUSES IN CONTRACTS

CER has conducted a Survey of its members to see what proportion of the European rail freight business (measured in “tonne-kilometres”) is currently subject to contractual quality commitments, as provided in the Freight Quality Charter.

We discuss the results below for the two sectors of the total freight business - the intermodal and conventional transport sectors. The intermodal sector deals with the transport of containers (or swap-bodies) which can be transferred from one transport mode to another. The conventional transport sector covers anything that is not intermodal transport (i.e. the transport of goods in conventional wagons, whether in full or part train loads).

III. ASSESSMENT OF PROGRESS IN 2004

Proportion of freight business (measured in tonnes kilometres) subject to quality clauses

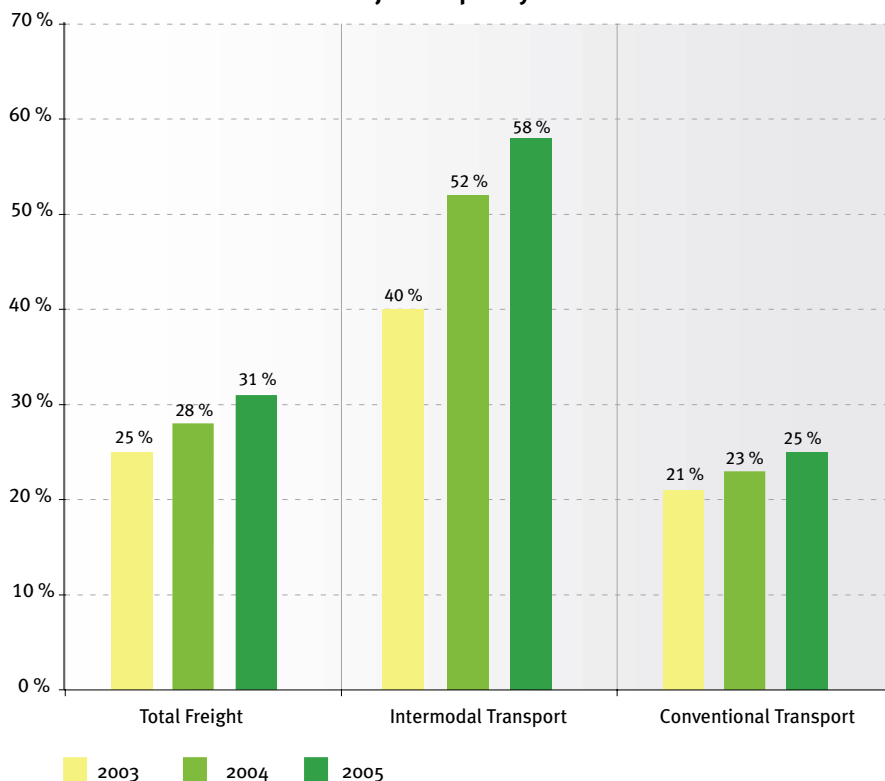


Figure 2. The use of quality clauses in the European Union (with 25 members)⁵

1.1 Quality clauses in the intermodal sector

In the intermodal sector, significant progress has been made with an 18 percentage points increase of business covered by contractual quality clauses between 2003 and 2005. This can be explained by the fact that intermodal transport is the market segment that, overall, is most heavily dependent on transport quality. It is therefore understandable that the railways first concentrated their efforts on this particular segment. Another reason is that this segment already has a long experience of such contracts, with a level of contract standardisation. The ability to enter into contract on quality in this sector is also helped by the relative uniformity and simplicity of the production processes applied in intermodal transport (e.g. shuttle trains between terminals and/or between ports operating on a regular basis and planned well in advance).

5. The 2003 and 2004 figures shown in this chart differ slightly from last year's report. This is because the response rate in 2005 has been higher than in 2004 (respondents to the 2005 survey indeed cover 58% of tonne-kilometres hauled in the European Union, compared to 52% in the 2004 survey). Also, the 2004 figures have been updated ex post on the basis of the actual end-of-year results. The 2005 figures are not complete at the time of publishing. However, most commercial and quality contracts are signed before the start of the year, whereas a minority of them are signed during the course of the year during which they apply. Therefore, the 2005 figures are not expected to change significantly.

III. ASSESSMENT OF PROGRESS IN 2004

In addition to the increase of the quality clauses in the intermodal transport sector as a whole (which encompasses both the rail-road part and the rail-maritime part), the number of rail-road intermodal trains monitored has steadily increased over the years. This is demonstrated by the statistics gathered for UIRR.

Year	Number of UIRR trains monitored
1999	18 347
2000	20 016
2001	21 324
2002	20 189
2003	25 476
2004	28 230

As can be seen, the number of trains monitored has increased over the past years, with now 28,230 UIRR trains monitored, which represents nearly all UIRR trains. More information on these monitoring systems will be given on pages 23 and 24.

For the future, even more improvement can be expected, especially since railway undertakings and intermodal operators have now concluded an agreement on quality for the intermodal sector. More information on this agreement adopted by UIC and UIRR on 16 June 2005 is given in chapter IV.

1.2 Quality clauses in the conventional sector

As Figure 2 on page 12 shows, progress has been more modest in the “conventional transport” sector with a 4 percentage points increase of business covered by quality clauses between 2003 and 2005.

The conventional sector is split up between wagonload or trainload transport segment.

The wagonload segment consists of a European network of trains conveying wagons consigned individually or in groups between hubs (marshalling yards). Here the trains are split up and the wagons regrouped into new trains to continue to their destination, which may be another hub, a terminal or the customer’s private siding. Because of this logistical complexity, the wagonload segment (which represents no less than 50% of the rail freight business in Europe) is least sensitive to progress.



III. ASSESSMENT OF PROGRESS IN 2004

The trainload segment is a tailor-made system for an individual customer who has sufficient consignment volume to warrant his own train. In this segment the rail mode can perform at its best because of resource and planning implications of the business volume - usually large - and of the regularity of shipments for these big customers.

In these two segments, the customer negotiations frequently focus on the right price/service level with a less demanding transit time, compared to the combined transport segment. Especially in the field of trainload contracts, emphasis is increasingly placed on regularity and reliability before transit times.

1.3 Summary

Figure 2 shows that, overall, the amount of rail freight business covered by quality commitments has increased steadily over the past two years. In 2005, 31% of the total freight business was subject to quality clauses, an increase of 3 percentage points compared to 2004 and of 6 percentage points compared to 2003. Substantial progress is evident in the more time-sensitive intermodal sector, with an 18 percentage point increase over the period.

In conclusion, it is possible to say that the railways' commitment to the CER-UIC-CIT Freight Quality Charter has been effective. This result is all the more significant, as railway undertakings are today very restricted as to the level of commitment they can offer to their customers. This is due to the lack of scope in practice for back-to-back agreements with their infrastructure suppliers. In most cases, the contracts signed between railway undertakings and their customers cannot be backed by corresponding obligations on infrastructure managers towards railway undertakings. Hence, in entering into quality agreements with their customers, the railway undertakings themselves bear the full risk of quality failure, with little opportunity for recourse to the infrastructure managers.

On the other hand, faced with the saturation of significant parts of their network, infrastructure managers understandably hesitate to commit on the punctuality of certain trains, if they do not know in advance on which other train they can transfer the impact of congestion. This highlights the very delicate issue of "priority rules" between trains (which have particular impact where the system is congested). The railway system is inter-active: individual infrastructure capacity and quality problems have a more far-reaching effect than in other modes of transport.

III. ASSESSMENT OF PROGRESS IN 2004

2. BETTER PUNCTUALITY

Quality is not only punctuality, but punctuality is nevertheless often the main customer requirement, and as such, its improvement is a constant objective for the railway companies. Results in this area are more than encouraging, as the following examples will show.

Very often the source of a lack of quality can be found outside the freight railway undertakings in charge of the operations, when there are bottlenecks on the infrastructure, due to underinvestment or priorities given to other types of traffic (especially long-distance or commuter passenger traffic). For this very reason, clear and detailed agreements between railway undertakings and infrastructure managers have to be set up, not only to protect the railway undertakings' legitimate interests, but also to give an incentive to the authorities in charge to provide the necessary infrastructure.

There is no global punctuality indicator available, as data is very fragmented, but examples will show that good progress has been made in this area. First, data from UIRR members will show the improved punctuality of road-rail intermodal trains. Then, the punctuality on the important Brenner corridor and of some specific railway companies will be explained in further detail.



2.1 Punctuality of rail-road intermodal trains

First, as the table shows, punctuality of international intermodal trains operated by UIRR members has significantly increased in the past years.

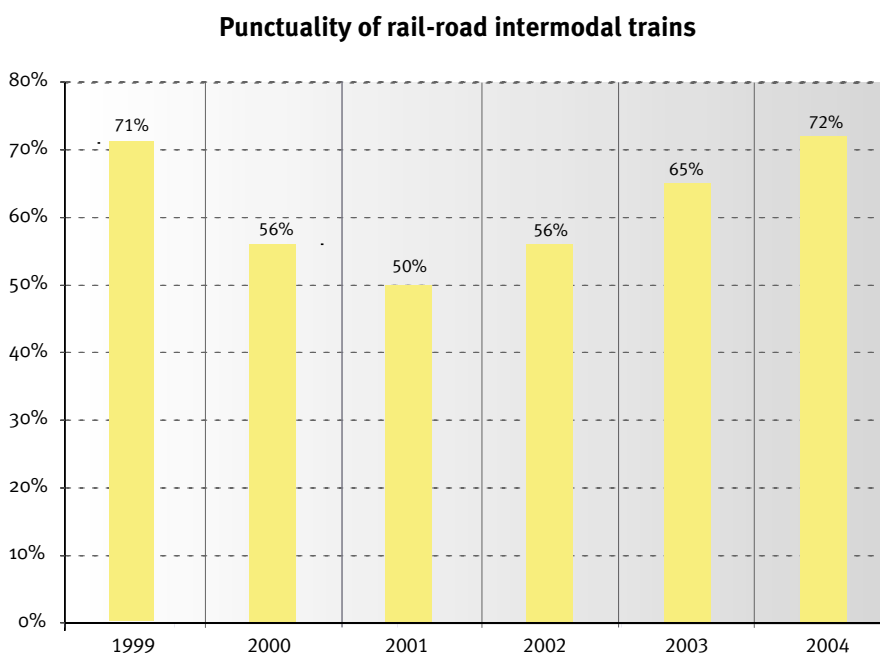


Figure 3. Punctuality of rail-road intermodal transport operators (with one hour tolerance margin). (Source: Interunit Platform)

It had dropped to an all-time low in the year 2001 when only one out of two trains arrived within the punctuality margin. The rail infrastructure network was saturated, and operational difficulties affected essential corridors, causing many problems and delays. The completion of new infrastructure works as well as the increased attention these trains are now receiving via a dedicated monitoring system has resulted in an increased punctuality. In 2004, punctuality levels increased by 7 percentage points and reached 72% of the trains running on time, thereby surpassing the level of 1999.

2.2 Punctuality on the “Brenner Corridor”

A more specific example of punctuality can be given for the Brenner Corridor, a rail corridor between Munich in Germany and Verona in Italy via the Austrian Alps. Thanks to the existence of dedicated monitoring systems, specifically developed for and with customers, detailed punctuality information is available. Here too a positive trend in the field of punctuality can be seen. After a decreasing punctuality at the turn of the century of 47% in 2001, levels have strongly increased since then. This can be explained by a number of reasons, such as improved management processes, the upgrading of the infrastructure and the intensification of competition in this corridor. In 2004, 73% of the trains were running on time, an increase of an impressive 26 percentage points compared to the 2001 level. At the same time, the percentage of trains delayed for more than three hours has been further reduced.

Punctuality performance along the Brenner corridor

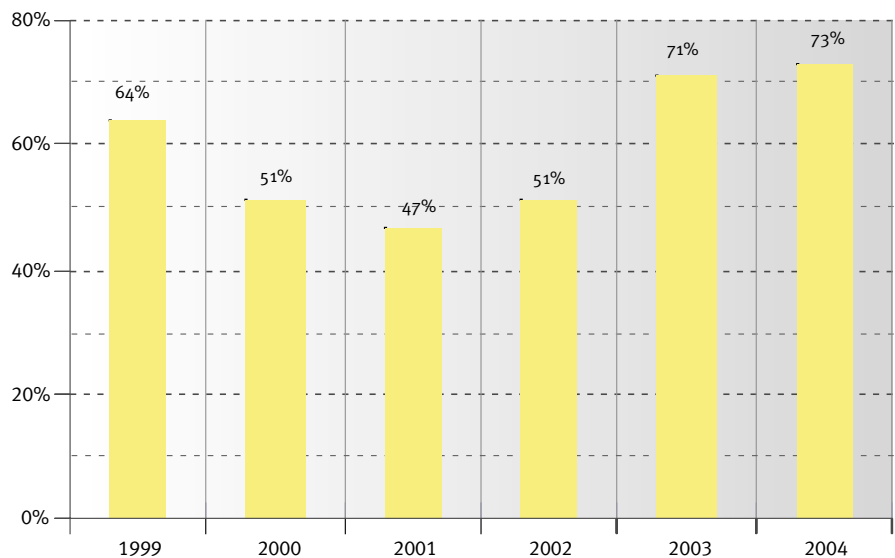


Figure 4. Punctuality performance along the Brenner Corridor

2.3 Examples of punctuality of individual companies

Apart from statistics on intermodal trains and on the Brenner corridor, evidence from individual companies also clearly shows that trains are running more punctually now than some years ago. For instance in Germany, where Raillion has been introducing a market segmentation of its services, one can see the punctuality statistics for the “high-performance” segment for which quality monitoring currently exists.

Raillion market segment: “Quality” (Domestic trains)		2003	2004	% change
	Nr Trains	(110,231)	(116,598)	
Punctuality at departure	< 60 min	96.0%	97.0%	+1.0%
Punctuality at arrival	< 60 min	89.0%	90.6%	+1.6%

In 2004 Raillion trains continued to improve their performance, with 90.6% of the trains of the “Quality” segment punctual at arrival, which means an increase compared to 2003 statistics. This should be seen in the context of increased network saturation with a growth of the overall volume transported from 110,231 trains in 2003 to 116,598 in 2004 (which represents a total traffic increase of 5.8%).

The following table shows the punctuality on departure and arrival of trains operated by the major Swiss operator SBB Cargo. The punctuality figures in this table are based on a tolerance margin of only 30 minutes.

III. ASSESSMENT OF PROGRESS IN 2004

SBB Cargo punctuality

	2002		2003		2004	
	Punctuality at Departure	Punctuality on Arrival	Punctuality at Departure	Punctuality on Arrival	Punctuality at Departure	Punctuality on Arrival
Jan.	91.66	92.27	89.35	89.66	91.55	91.67
Feb.	92.49	93.58	88.33	88.61	92.65	92.74
Mar.	90.66	91.69	90.36	90.60	92.57	92.72
Apr.	91.40	92.37	90.73	91.03	91.40	91.53
May	89.39	90.59	90.65	90.79	91.51	91.64
June	87.57	87.89	88.69	88.87	91.18	91.35
July	91.35	91.69	92.69	92.80	93.34	93.45
Aug.	94.30	94.74	94.75	94.88	95.38	95.45
Sept.	89.61	89.76	92.39	92.54	91.61	91.68
Oct.	89.65	90.36	89.99	90.14	91.85	91.47
Nov.	88.75	89.53	89.48	89.61	91.70	91.82
Dec.	89.75	90.01	91.33	91.48	91.47	91.51
TOTAL	90.55	91.21	90.73	90.92	92.18	92.25

Note: Punctuality of International trains is monitored and recorded only on the Swiss part of the journey. Departure and arrival data, therefore, include departures from the border for import traffic and arrivals at the border for export traffic.

In 2004, over 92% of the trains of SBB Cargo arrived on time, up 1.3% compared to 2003. Also punctuality at departure increased similarly to over 92% in 2004. SBB Cargo attributes such a good performance not only to the company's own quality management but also to the particularly good quality and availability of rail infrastructure in Switzerland.

In Finland, VR Cargo has also shown a clear improvement of its punctuality record. At the end of 2004, an average punctuality rate of 94% within a tolerance margin of only 15 minutes could be measured. Because of heavy winter conditions, punctuality seasonally decreases but the punctuality figures are high on average in spite of this.

III. ASSESSMENT OF PROGRESS IN 2004

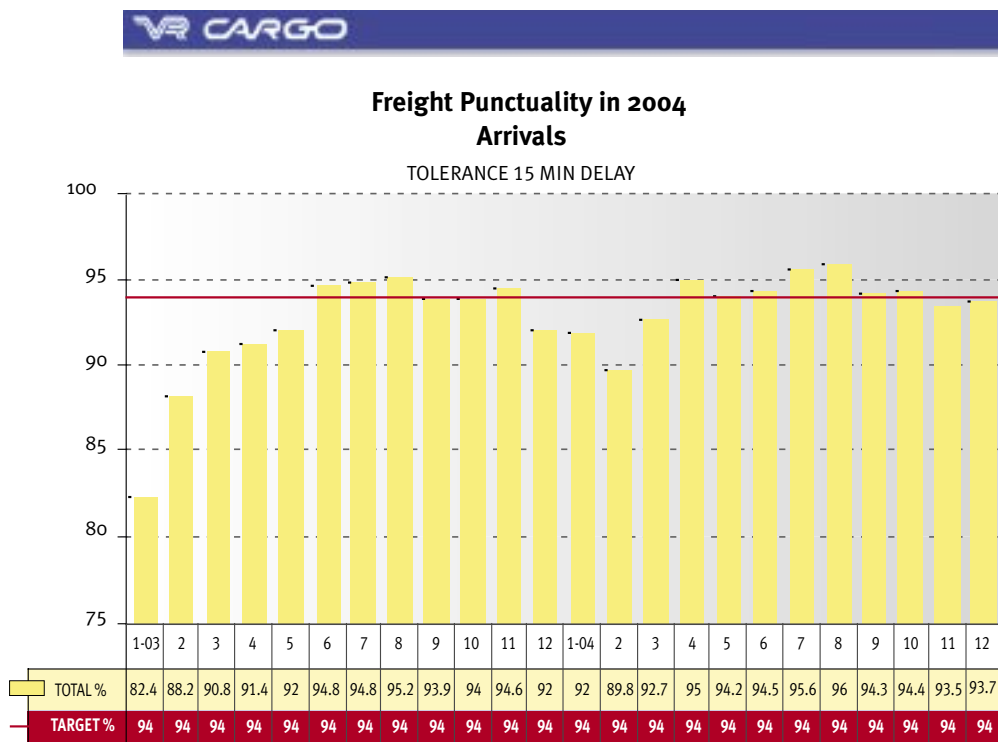


Figure 5. VR Cargo punctuality rating (within 15 minutes of agreed delivery time)

Here again, like Switzerland, the quality and availability of infrastructure capacity greatly contributed to the operator's own performance.



IV. INITIATIVES TO IMPROVE QUALITY

The achievements observed during the past two years are the results of the railways own efforts to improve quality. Quality improvements can be the result of specific quality initiatives or the indirect consequence of a more efficient approach to interoperability and/or operations. Various examples of progress in those areas are given here.

The measures discussed here are either general improvements originating from the railway sector or company initiatives to improve their own services . Please note that the list of examples given here is by no means exhaustive but is intended to illustrate the most recent and/or most significant initiatives railways are taking to improve the quality of their services. Other significant examples can be found in the previous quality reports issued in 2003 and 2004, referred to in chapter II.

The initiatives described here show the dedication of the railway sector to improve quality. However, as mentioned before, the rail freight sector is currently undergoing a liberalisation process, with the aim of completely opening the rail freight sector to competition by January 2007. In an open market, quality will more and more become a tool for companies to differentiate themselves from one another (and will fall more and more under the entrepreneurial responsibility of each individual company).

1. SECTOR-WIDE APPROACHES TO IMPROVE QUALITY

Sector-wide approaches are usually initiated by trade associations. Sometimes they may be initiated by a group of companies sharing the same objective.

1.1 UIC/UIRR Joint commitment on quality of combined transport services

At the trade association level, a very important step to improve quality in rail freight was taken on 16 June 2005, with the “Joint commitment by the railway undertakings, members of UIC and the combined transport operators, members of UIRR, to develop the quality of scheduled trains operating combined transport services and of contracts covering this quality”.⁶

6. See Annex B for the complete text of the commitment.

IV. INITIATIVES TO IMPROVE QUALITY

This commitment states that combined road-rail transport has proved that it can make a valuable contribution to sustainable development. In order to develop combined transport further, railway undertakings and operators have voluntarily agreed to set standards to ensure that combined transport services can be competitive with road transport in terms of quality. The commitment lists the main different elements to be developed by railway undertakings and operators in the framework of quality contracts on each individual route, especially on the following points:

- the scheduling of trains;
- the appropriate procedures and communication circuits needed for implementing quality contracts;
- the updating of train punctuality indicators;
- the establishment of reciprocal penalties, charged to the responsible party, in case of train delay or cancellation;
- the operational information to be supplied by the different parties.

This joint commitment covers the very important combined transport market segment, implementing the conditions set out in the CER-UIC-CIT Freight Quality Charter. It shows that the Charter is by no means the end of the efforts of the sector to improve quality, but can be seen as a stepping stone for further agreements at sector level as well as individual company level.



1.2 The development of dedicated train monitoring systems for combined transport

In order to be able to guarantee the quality of the services provided it is of prime importance to have a good monitoring system of trains. Tracking and tracing as well as real-time traffic management is essential in areas where punctuality is of the utmost importance. Combined transport is one of the market segments where this is the case and where the issue is particularly sensitive. The issue is twofold:

1. Combined transport operators need to be able to know whether their cargo is experiencing difficulties along the way, in order to be prepared for any delay at arrival.
2. When trains are delayed, operators usually very quickly require a new “expected time of arrival” (ETA) to help them reschedule the road part of the transport. Fulfilling such an expectation needs more than just a reliable tracking and tracing system. In international transport, it is therefore crucial to make use of a cross-border data exchange system allowing for “real-time traffic management”.

Rail operators are therefore monitoring their trains more and more. As seen on page 13, the increase for UIRR companies has been from 18,500 trains monitored in 1999 to around 28,500 in 2004, which represents nearly all UIRR trains in Europe today.

To that end, it has been necessary to create “purpose-built” monitoring systems for each train to be monitored. A number of measuring points, such as the sending terminal or the first border crossing, have been created along each of the routes taken by the UIRR trains.

Similar monitoring systems have been developed in the “maritime” intermodal sector. For the traffics of InterContainer Frigo (ICF) for example, 42 “measuring points” (called “external sites”) have been put in place all over Europe since 2000, employing around 130 people working in shifts both from ICF and the participating railways. About 33,000 containers are being monitored each month in this way, which represents around 75% of the ICF business. 250 end customers have access/tracing data.



IV. INITIATIVES TO IMPROVE QUALITY

On some corridors, trains are not only being monitored but specific quality working groups have been set up with the aim of examining quality problems along a number of important rail corridors. At present, the following corridors are subject to a regular monitoring and investigation:

- Alpine traffic through the Brenner, Gotthard and Modane (the countries concerned are: Germany, Austria, Belgium, France, Great Britain, Italy, the Netherlands and Switzerland)
- Iberian Peninsula traffic (Germany, Belgium, France, Spain, Portugal)
- traffic to/from Eastern Europe (Hungary, Poland and Austria)
- traffic between Belgium and Switzerland.

This represents around 14,000 trains a year and nearly 50% of the traffic volume carried by the group of UIRR operators handling international unaccompanied traffic. For each axis and direction (North-South and South-North), detailed information is assembled every working day for each train by the different «Quality» groups. The analysis covers, for each train service group, the number of trains operated, their punctuality levels and delay causes. This information is then sent to the UIRR office and combined in a single system facilitating the analysis of the situation at the European level. This close collaboration between the operators and rail companies developed from 1999 onwards, and has now produced a system to control international trains in the rail-road intermodal sector. As seen on page 16, the results are clear, as punctuality of UIRR trains has increased by 26 percentage points between 2001 and 2004.

In line with the monitoring developed for the intermodal sector, common projects are being developed at trade level to rationalise the monitoring and the tracking and tracing of freight trains at European level. One major project concerns the development of a uniform system of data exchange for rail freight services in Europe within the next decade (see page 34).

1.3 Joint Declaration by UIC/CER and FIATA⁷/CLECAT⁸ on quality in international conventional and combined railway freight traffic

Quality management systems rely heavily on the use of quality indicators which must be appropriate and actionable. On 15 April 2005 the UIC-FIATA Permanent Contact Group launched a Joint Declaration by UIC/CER and FIATA/CLECAT on quality in international conventional and combined railway freight traffic.⁹

This joint initiative aims to develop a set of quality indicators, building on the CER-UIC-CIT Freight Quality Charter. The indicators to be developed should be a response to market demands but should at the same time be realistically applicable for both customers and railway undertakings. Customers will have the right to include quality parameters in the contracts they conclude with railway companies. In case of non-compliance, there will be the necessary consequences for both parties. In an initial phase, train loads in conventional wagon and combined transport will be covered; later, wagon load operations will also be included.

This initiative is linked to the TREND¹⁰ research programme. CER and UIC, together with the customer organisations UIRR and ERFCP, are indeed currently working together in a research project within the framework of the EU 6th Framework Programme for Research. This project was selected by the Programme Committee as one of the three projects eligible for Community support under the second call for proposals of this 6th Framework Programme for Research.

One of the aims of the TREND programme is to develop “key performance indicators” to meet market requirements (punctuality, reliability, customer information, provision of rolling stock, safety, etc.), like the quality indicators which will be developed in the framework of the UIC/CER and FIATA/CLECAT joint initiative.

The research, in which the railways are taking an active part, is currently under way. The first preliminary results will be available by the end of 2005 and will contribute to the objective laid down in the UIC/CER and FIATA/CLECAT Joint Declaration.

7. FIATA: International Federation of Freight Forwarders

8. CLECAT: European Association for Forwarding, Transport, Logistics and Custom Services

9. See Annex C for the full text of the Declaration.

10. TREND: Towards new rail freight quality and concepts in the European network in respect to market demand

IV. INITIATIVES TO IMPROVE QUALITY

2. COMPANY INITIATIVES ON QUALITY

The sector-wide approaches to improve quality are even more obvious in the initiatives developed by individual companies. The examples given below are far from being exhaustive. They mostly give indications of some significant developments in 2004/2005. Other significant examples can be found in the previous quality reports issued in 2003 and 2004.

2.1 Railion's approach, or how standards can increase quality

One example already mentioned in the previous edition of this Quality Report, deserves to be recalled here, as it demonstrates that quality needs to be handled in a differentiated manner depending on market conditions. In Germany, Stinnes and Railion Deutschland have introduced a marketing strategy. The objective was to launch clearly defined products with different product characteristics and hence responding to diverse customer expectations.

Stinnes AG and Railion launched the three wagon-load products "Classic", "Quality" and "Prime". These products allow for different transit times for single wagons. "Quality" and "Prime" offer proactive customer information, monthly quality reporting and guaranteed transit times of up to 48 hours (Quality) and 24 hours respectively (Prime). For every delayed freight car by which Railion fails to meet a fulfilment ratio of 95 percent, the customer receives compensation.

Pharmaceutical company Paul Hartmann AG chose Railion's "Quality" service in six services between its production site and its logistic platforms. The advantage of the "quality" service is that even time-sensitive goods can now be transported by rail wagon-load service, while before only road transport was an option for smaller traffic volumes. Paul Hartmann's transport policy also values environmental considerations and this was another important reason for them to choose the rail services of Stinnes/Railion.

IV. INITIATIVES TO IMPROVE QUALITY

Earlier in 2003, Stinnes AG and Railion Deutschland had also introduced three new “block trains” products: “Plantrain”, “Variotrain” and “Flextrain”, which are differentiated by the flexibility they offer in customer order deadlines.

“Plantrain” is specifically meant for customers that have regular transports on fixed routes. As a compensation for the necessary long term planning, the customer will get the best possible reliability and price level. “Variotrain” is also meant for fixed routes, but allows more flexibility in reservation deadlines. There is also long term planning, but reservations have to be confirmed one week in advance (or one month according to specific agreements). For customers unable to commit to any kind of planning, “Flextrain” is the solution. With this service, even an advance notice of only 24 hours before departure is possible.

These block train products are offered not only in German domestic traffic, but also since the beginning of 2004 with the Railion companies Railion Nederland and Railion Danmark.

These products allow the customer to choose according to his needs in terms of quality and expectation as far as price level. Such product segmentation is rather new in the European railway industry but now tends to be spread across Europe. It is appreciated positively by the market and shows that the concept of quality needs to be adapted to each customer segment because the needs are simply not the same everywhere.



2.2 Trenitalia's service quality initiatives

In Italy, the rail freight company Trenitalia Logistica has kept its commitment to improve the quality of its freight services through a whole array of initiatives. In the first six months of 2005 punctuality for all products has improved to 78% (76% in 2004).

At the end of 2004, Trenitalia Logistica issued the third edition of its Freight Quality Charter (“Carta dei Servizi 2005 di Trenitalia Logistica”), setting new and more challenging quality targets for 2005. The service quality parameters used in the Trenitalia charter are very much inspired by the CER-UIC-CIT Freight Quality Charter, and include train punctuality, service reliability, transport safety, flexibility, speed of transport, availability of rolling stock, information and customer relations.



IV. INITIATIVES TO IMPROVE QUALITY

Trenitalia also set up a new call centre with one central phone number where customers can get cargo monitoring information in “real time”. Claims and complaints are managed according to the international standard ISO 9001/2000 and national standard UNI 10600/1997.

Finally, Trenitalia Logistica has created a specific “quality product” for the single wagon traffic, called “Servizio Espresso”. It is a door-to-door service linking rail and road. Rail is used to connect logistics platforms in the main Italian economic areas (with the highest density of traffic) while road is used to forward the goods to their final destinations. Trenitalia Logistica remains the unique contact point for the customer from origin to destination.

2.3 Trenitalia and Slovenian Railways SZ Quality Cooperation

Trenitalia Logistica and Slovenian Railways (SZ) are managing a common Quality Centre at Villa Opicina on the border between Italy and Slovenia for international operations. This guarantees the monitoring of cross-border trains (thanks to a specific Data Monitoring System) and a close relationship with customers (including post-sales assistance). One of the main activities is to monitor the quality of the two direct multi-client trains, East-West Rail Shuttle (EWRS) and East Gate Express (EGE), between Italy and Slovenia that link to the Eastern European countries. For both products, vast complementary logistic services are offered at the Milan, Bologna and Ljubljana terminals.

2.4 The “Local Service Agreements” of SNCF

At the end of 2004 SNCF created a special department aimed at improving freight customers’ satisfaction. This was part of the Freight Plan of SNCF, aimed at generally improving the quality of service. One of the initiatives within the framework of the Freight Plan was to establish so-called “Local Service Agreements”, i.e. reciprocal commitments between the customer and local freight stations. These agreements determine the characteristics of the services provided by the local stations and establish performance targets as well as a follow up of performance at local level. The Local Service Agreements, tested at the beginning of 2005, are now being deployed on the whole network. They have been very well received by customers, who perceive them as a means of optimising the partnership with their transport supplier. At the moment, 15 Local Service Agreements have been signed and an additional 20 are under way.



IV. INITIATIVES TO IMPROVE QUALITY

2.5 ZSSK Quality management system

Slovakian company ZSSK CARGO's strategic goal is orientation on the customer interests and needs by increasing quality and reliability of services at prices acceptable to both parties. In November 2004, ZSSK CARGO obtained a certificate for quality management system for selected services in freight transport according to ISO standards, certificate ISO 9001/2001.

The 9001/2001 ISO certification was obtained for the following services, exclusively in block trains:

- iron pellets from Lvov (Ukraine) to Linz (Austria) via Bratislava;
- transport of block trains for Continental Puchov;
- transport of block trains for Porsche Slovakia;
- transport of block trains for Volkswagen;
- transport of block trains for Slovalco.

ZSSK is one example among several railway companies that have now implemented a quality management system, and to support this UIC has developed a guideline on the development of Q-management systems in accordance with ISO 9001.

2.6 Successful interoperability projects on European corridors

The 2004 Freight Quality Report described interoperability improvement on two important European corridors:

- Athus-Meuse-Basel (SNCB, CFL and SNCF)
- Woippy (Metz)-Mannheim (SNCF, DB and Railion Deutschland)

These projects combined interoperable locomotives and crews with improved train management systems to eliminate conventional border exchanges. Both projects have been successful: punctuality has increased on Athus-Meuse-Basel by 10 percentage points on average; and SNCF and Railion Deutschland have now extended the original Woippy-Mannheim link north to Cologne (and beyond), and south to Lyon (and beyond).

2.7 Railion NL trains for Volvo

Since December 2004, Railion NL is offering a special service for Volvo from Älmhult in Sweden, via Denmark, Germany and the Netherlands to Ghent in Belgium and vice-versa. A specific monitoring system handles this journey through five different countries with 19 trains per week, completing the journey in less than 24 hours. In February 2005 more than 90% of the trains met the transit time contracted with the customer. The monitoring system allows service changes to be notified to the customer in time, to allow any logistics adjustment needed.

Previously, this service took a different route through Belgium with conventional border exchanges. The new service model uses a special team of Belgian and Dutch drivers with interoperable locomotives, eliminating the stop at the Belgian-Dutch border. The success of the Volvo trains shows how a customer-oriented solution with international train transport through five countries can result in a highly reliable service.

2.8 Improving reliability on the Brenner: ÖBB operations innovation

Because of the Alpine characteristics of the Brenner line from Innsbruck up to Brenner Station, three locomotives are needed to haul heavy freight trains; two at the front and one manned locomotive in the rear.

The second locomotive is already operated by a remote control, by wire. The aim of a new innovative operational system is to handle the third locomotive by radio remote control, allowing different types of locomotives to be used.

At the time of writing, more than 200 trains have been safely operated in this way. The project partners have applied for the Austrian government safety approval to use the Radio Remote Control system for normal operations. In this way, a train with three locomotives can be operated by only one driver instead of three, thereby reducing driver resourcing costs and risks.

2.9 SBB-Cargo new management system (DEKRA)

Swiss freight railway (SBB-Cargo) has set up a new wagon management system based on a cooperative use of internet by both customer and company. The system gives access to every type of information for all wagons in use in Switzerland or on the north-south route between Germany and Italy. Customers can rent a wagon online up to one year in advance. For the company, this will enable better wagon management, with a better loading factor and less bottlenecks.

2.10 The Train Office project of CP (Caminhos de Ferro Portugueses)

The Portuguese company CP has just implemented a GPS positioning system on its locomotives and a wagon identification system with tags, allowing a link between a particular wagon with a locomotive. In this way, position of drivers, locomotives and wagons are known in real time.

This new tool enables CP at the same time:

- to improve resources and management
- to increase customers' satisfaction by giving them direct access to sensitive information like position of wagons and estimated time of arrival.

2.11 Railog shuttle trains to Istanbul

An extraordinary example of multi-country train service is the Railog shuttle train service to Istanbul. Railog is a subsidiary of Schenker, and has set up a new operation with direct trains from Duisburg (Germany) to Istanbul. Each train is made of 17 extra long wagons, each able to carry two high cube 45' containers. With this service, Railog in cooperation with Stinnes Intermodal offers a door to door transport solution, including trucking at both extremities.

Not only is the area of Duisburg concerned, but also Belgium and the Netherlands as a natural hinterland.

V. POLICY PRIORITIES FOR RAIL FREIGHT

Railway undertakings have been working very hard to improve their quality of service, and successfully so, as shown in the previous chapters. These quality improvements by rail companies were necessary, but not enough on their own to develop rail freight as demanded by EU transport policy.

To achieve this, progress must be made in three areas: interoperability, infrastructure provision, and – last but not least – infrastructure access charging or taxation across transport modes.

1. THE IMPORTANCE OF INTEROPERABILITY ON THE EUROPEAN RAIL NETWORK

We have read in Chapter IV about railway companies' current initiatives to simplify specific international freight flows through improved interoperability. The European rail sector is currently undergoing significant change due to the liberalisation process. In this context, CER recognises the importance of interoperability for long-distance freight in the new EU and will support the work of the new European Railway Agency that is starting in 2005. There is much at stake with the successful progress of the Agency's work on railway safety harmonisation and interoperability. CER expects that the economic case for system and safety harmonisation will be a vital ingredient in the Agency's work. If technical harmonisation that does not take this properly into account, this could well increase prices and drive customers away from rail.

1.1 The Memorandum of Understanding on ERTMS deployment

The implementation of the interoperability specification (TSI) for train signalling control¹¹ lies at the core of Europe-wide interoperability development. We have a new opportunity to work with the European Commission on the implementation of a harmonised European Rail Traffic Management System (ERTMS), as set out in the Memorandum of Understanding (MoU) signed in the March 2005 between the Commission, railway companies and manufacturers. Installing ERTMS along the main rail corridors of Europe offers considerable potential to improve international freight performance with improved transit times and simpler operating processes. Eventually this will allow conventional trackside signalling to be removed. However, when funding is scarce (in particular for freight), such expensive investments can only be made as part of a coherent approach to upgrading entire corridors, including terminals, which establishes Europe-wide priorities and timing for investment.



Commissioner Jacques Barrot and Johannes Ludewig (CER) sign the Memorandum of Understanding with the partners from UNIFE, UIC, EIM and the CER Vice-President Jan Komárek watching.

11. The ETCS TSI, the train control component of the European Rail Traffic Management System (ERTMS)

V. POLICY PRIORITIES FOR RAIL FREIGHT

The MoU gives the rail community eighteen months to develop a common methodology for comparing the costs and benefits of all relevant investments needed to develop an effective rail corridor; and use this to produce case studies on each corridor defined in the TSI – see Figure 6 below. These studies – funded by the Commission – will be the basis for developing national and European-level implementation plans and a prerequisite for designing funding mechanisms.

This work programme will, undoubtedly, provide a challenge for all partners in 2005 and beyond. In this respect, we particularly appreciate that Karel Vinck, former CEO of SNCB and former Acting Chairman of CER, has been appointed as Coordinator for this initiative.

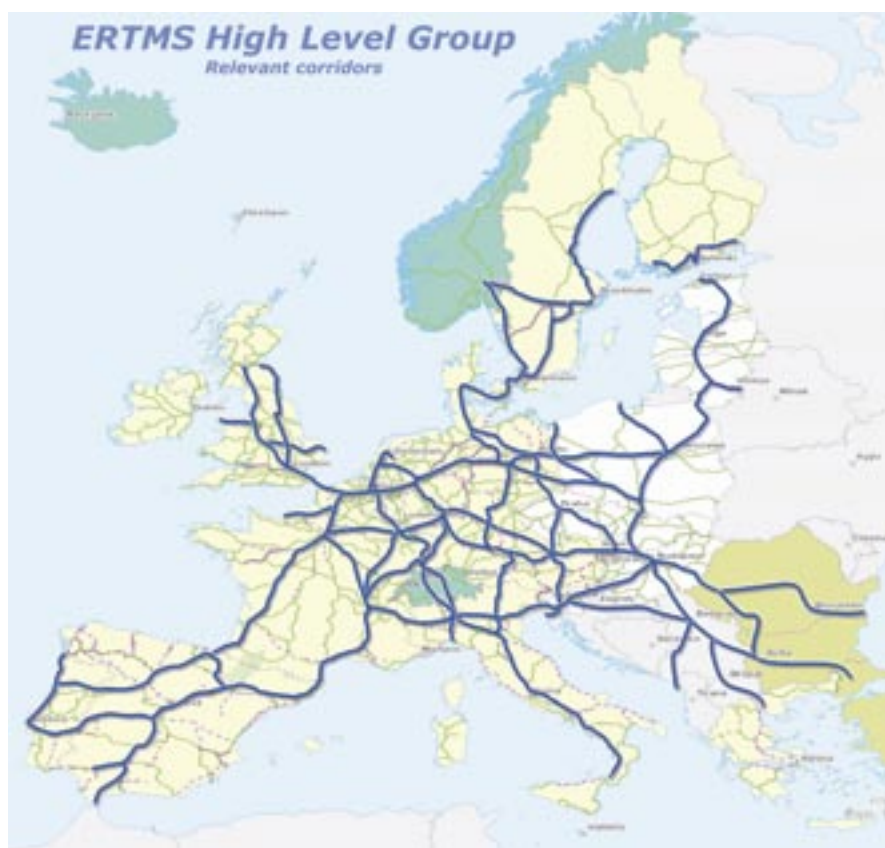


Figure 6. Corridors for the case studies.
(Source: European Commission)

V. POLICY PRIORITIES FOR RAIL FREIGHT

1.2 TAF TSI

In order to achieve full interoperability of the European rail system, interoperability must also cover the area of data exchange, beyond that required to control actual train movements. To achieve this for freight, a TSI has been developed to facilitate the international exchange of information on cross-border rail freight services, the so-called TAF TSI (Technical Standard for Interoperability for Telematic Applications for Freight services).

The TAF TSI sets the functional and technical interface standards for exchanging information between infrastructure managers, railway undertakings and other stakeholders. Easy exchange of such information (for example on train movements, wagon and consignment details – location, expected arrival times) is expected to increase efficiency, service quality, reduced freight handling costs and provide better customer information, thus helping to improve rail freight market share.

The European rail industry has started to produce a “Strategic European Deployment Plan” (SEDP) for the TAF TSI. When delivered to the European Commission by mid-2006 (as required by law), the SEDP will identify when each European railway undertaking and infrastructure manager will migrate their IT systems in order to fulfil the objective of a flawless international exchange of information.

2. THE INFRASTRUCTURE CHALLENGE

A high-quality freight service requires sufficient modern infrastructure.

Freight train delays caused by infrastructure quality and congestion and problems often have a wider effect than is realised: they cause knock-on delays to other services because of interlinked resource plans (for crews, locomotives, etc).

Recent infrastructure investments have mostly been in high-speed lines, for instance the triangle between Paris, Brussels and London, which can ease freight capacity problems. We have an example of a dedicated freight line in the Netherlands, where a totally new 160 km freight-only railway line will be completed in 2007 to resolve major capacity conflicts between freight and passenger services. But these examples remain very much the exception - much of Europe’s network was built to meet national requirements from more than a hundred years ago. There is too little route and terminal capacity along many important corridors. The map on page 35 shows the capacity shortfall expected by 2015, and even the TEN-T projects will not completely address this issue.



V. POLICY PRIORITIES FOR RAIL FREIGHT

Bottlenecks in 2015 (not taking into account the planned infrastructure investments (incl. TEN))

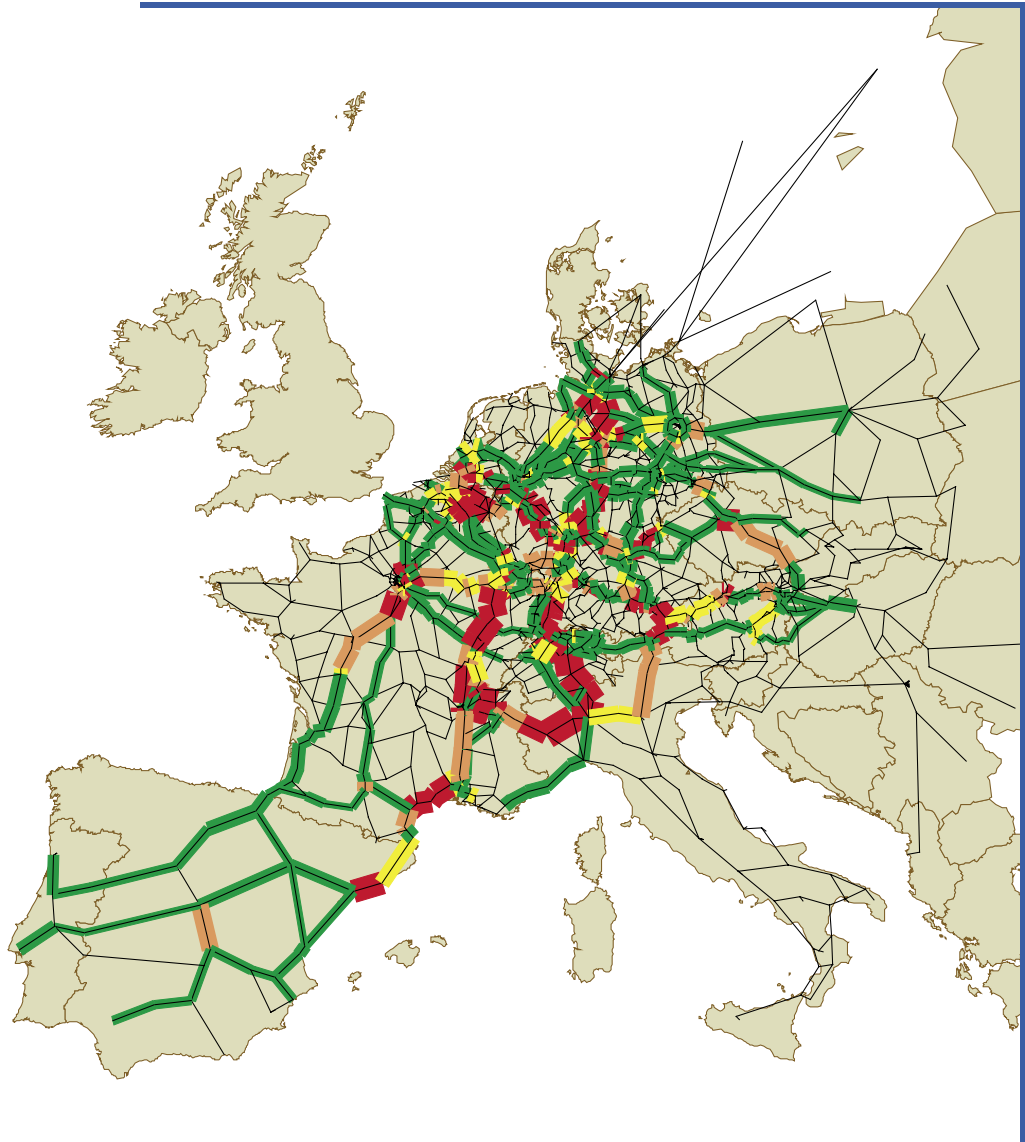


Figure 7: Bottlenecks on the European rail network
(Source: UIC)

V. POLICY PRIORITIES FOR RAIL FREIGHT

In other parts of the network, infrastructure is used more lightly, and maintenance costs can represent an inefficient drain on resources. In fact, far from improving, infrastructure capacity is being further jeopardised as speed limits are being reduced for freight trains on sections of the European rail network due to lack of investment. For example, in France, 800km of lines have seen their authorised speed for freight trains reduced in 2004, and 1500km in 2005. Whilst infrastructure quality problems exist across all of Europe, they are particularly acute in parts of Central and Eastern Europe.

Action is urgently needed to tackle over 50 years of under-investment. The chart below shows the stark difference between rail and road infrastructure development in recent decades.

Year	Highways	Rail High Speed Lines
1990	40.000 km	900 km
2000	50.000 km	3.000 km
2010	70.000 km	6.000 km

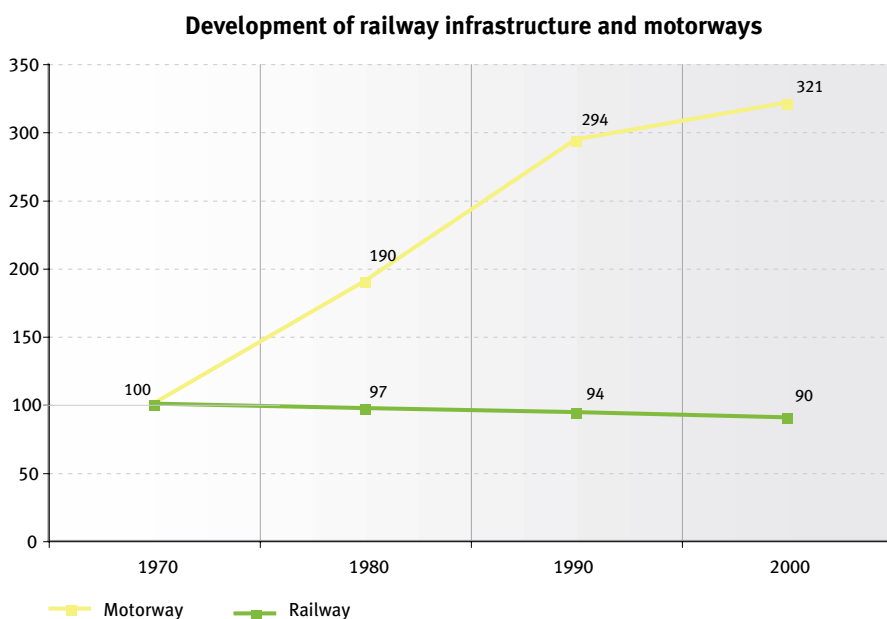


Figure 8: Development of railway infrastructure and motorways (km) in the EU-15 from 1970 to 2000 (Index 1970 = 100)



V. POLICY PRIORITIES FOR RAIL FREIGHT

Against this background, CER welcomed the adoption of the 30 transport priority projects on TEN corridors – 22 of which are rail related – by the European Union in the spring of 2004, as a start on addressing the investment backlog. We look forward to the eastwards extension of these corridors – towards the important markets of Turkey, Russia and China – in the near future. The High-Level group formed in October 2004 and chaired by ex-Commissioner de Palacio, will hopefully develop these important new strategic corridors. On 20 July 2005, the Commission adopted a series of measures on closer political and technical coordination on the completion of the trans-European transport network, the appointment of six senior-level TEN-T coordinators and the setting up of an Executive Agency for the TEN-T. The coordinators will draw up an annual report on progress made on the TEN priority projects, any development which might affect the characteristics of the projects and any difficulties and obstacles which could result in significant delays vis-à-vis project completion dates. Such measures are welcomed as essential to avoid the problems which led to the effective failure of the first TEN-T initiative – the “Essen list” – over the last decade. It is also clear that the work on the ERTMS MoU implementation (described earlier in this chapter) is an essential component of TEN-T project development.

Identifying infrastructure projects is interesting – but without funding, it remains academic. The Brenner base tunnel, for instance, is a prime example of how an essential project can remain blocked for decades for lack of political commitment. We therefore strongly welcome the proposal by the Commission to increase European funding to €20bn for the TEN-T network over the funding period 2007-2013. In short, it is time for the Council of Finance Ministers to decide whether the TEN-T programme can make a substantial contribution to European development or not. However, even this has to be seen from the perspectives of the total funding requirements, estimated over this period at €140 billion. We recognise that Member States, particularly those bound by euro-zone fiscal constraints, cannot fund large-scale investment projects via traditional debt instruments. Public budgets in general are decreasing. By contrast, private European capital funds are plentiful. The rail sector faces the challenge to generate greater internal financing and, in doing so, make itself more attractive to external investors. Generating such internal finances requires two measures from governments. Firstly, public financing needs to be stable and predictable. Secondly, governments need a coherent policy towards taxing the different modes, as we discuss next.

V. POLICY PRIORITIES FOR RAIL FREIGHT

3. INFRASTRUCTURE ACCESS CHARGING ACROSS TRANSPORT MODES

Within the context of infrastructure, the need for a coordinated charging policy across the modes of transport is also of importance. Contrary to the aims expressed in the 2001 White Paper on Transport Policy¹², which argues for a “Framework Directive” on infrastructure charging, discussions have focussed on the principles to be applied to charging trucks to use Europe’s motorways, in the form of amendments to the Eurovignette Directive. This Directive is of paramount importance to railway companies. If trucks have to pay their external costs, demand for rail freight will increase. In a “returns-to-scale” industry, i.e. one in which higher volumes imply lower unit costs, higher demand for rail freight increases the possibility to generate profit, which in turn can be used to invest in capacity.

The April 2005 Transport Council agreement on Eurovignette remains disappointing as it does not allow Member States to internalise all external costs. Rather, on average, charges will only cover the costs of building and maintaining infrastructure. In general, this constraint will keep charges below the efficient level.¹³ This “compromise” construction remains in contrast to numerous public commitments by governments to implement the “polluter pays” principle. However, progress has been made by Council – it has been discussed three times before without agreement. The railway community trusts that the European Commission and the European Parliament will work towards a compromise. The Parliament’s position does allow for the full internalisation of external costs as proposed by the 2001 Commission White Paper.

12. White Paper on European Transport Policy for 2010: Time to Decide, COM (2001)370

13. For instance, the ECMT 2003 Report Reforming Transport Taxes, shows how efficient charges on road vehicles generate revenues that exceed costs by a ratio of two to three. The current proposal, however, imposes that revenues cannot exceed costs.





VI. CONCLUSION

In a liberalised European rail freight market, quality is of utmost importance. Without quality no customer is going to choose rail transport, however low the price may be. For this reason, the commitment of the railway companies to this subject is clear and they are therefore continuously developing new projects to improve quality. A major step was the adoption of the Freight Quality Charter in 2003 and today, two years after the adoption of the Charter, results are more than encouraging. The numerous projects are supported by solid statistical evidence that rail quality is improving. In future this trend is likely to be continued.

The success of the quality approach of the European rail freight sector can be explained by the fact that freight transport is mainly based on individual contract-regulated relations taking into account the differentiated structure of the rail freight market. A marketing-based approach taking into account the specific conditions of every individual contract between a customer and a railway company therefore gives a much more satisfactory result than any mandatory and generally applicable regulation may ever produce.

However, challenges also remain for the future. The opening of Trans-European Rail Freight Network on 1 January 2006 and the complete opening of the market from 1 January 2007 onwards, will mean that the freight sector will change. The effects of this change are already noticeable as railways are already adapting to the new conditions.

Infrastructure, interoperability and charging for infrastructure use remain the challenging issues where progress is needed to ensure an optimum freight network. Projects in these fields are often long-term and results are not always immediately noticeable, and a coordinated charging policy across the modes of transport is still far off. The present political debate on the Eurovignette for road freight is of paramount importance for rail freight. Working together the railway sector (railway undertakings and infrastructure managers) and the public authorities can still ensure an attractive, competitive and high-quality European rail freight network for the future.

APPENDIX A: THE CER-UIC-CIT FREIGHT QUALITY CHARTER



Freight Quality Charter-2003

(Adopted on 4 July 2003 in Rome)

This Rail Freight Charter sets out a voluntary commitment by the European Railway Undertakings on the service quality offered to their Freight Customers. This initiative is intended to meet the requirements of the market and support Business development.

By subscribing to this Charter, European Railway Undertakings demonstrate commitment to the customer to provide and further develop attractive rail services, respecting contractual quality provisions. The charter covers areas relevant to the stages of freight transport.

The Railways undertake to work out all the necessary international measuring methods to ensure that the commitment contained in this Charter is implemented and respected. To this end they commit to introduce the appropriate arrangements in agreement with customer need.

THE COMMITMENT

It is Freight Customers' obvious right to freely negotiate Quality of Service commitments with Railway Undertakings and to enter into agreement with Railway Undertakings on such commitments.

Contracts between Freight Customers and Railway Undertakings shall include customer service quality provisions in one or more of the following service areas, depending on Customers and Railways respective quality requirements towards each other.

1. Responsibility

Responsibility towards the customer for the entire transport chain will be clearly specified in line with the CIM conditions (which will be considered as the minimal requirement).

2. Safety

Railway undertakings have safety as their highest priority: they aim to move freight in secure conditions, free of damage, and with respect for the environment. Compensation terms and conditions for damage to goods in transit will be defined in the contract. They will respect at least the terms set out in the CIM conditions.

3. Planning

The service planned for the customer - service frequency, departure, arrival times and transport order deadlines - will be clearly defined (within agreed performance margins in line with market conditions) for major traffic flows with quality requirements. Improved international planning processes will be pursued.

4. Punctuality and reliability

Railway Undertakings commit to improve their processes in order to guarantee service reliability and punctuality. Contracts with negotiated quality standards and according to client requirements shall provide for appropriate compensation in the event of unacceptable reliability and punctuality performance.

The compensation structure, levels and thresholds will be individually negotiated in line with business standards and taking into account the respective responsibility of the partners. Processes to develop methods and ensure application will be in place.

5. Information

Railway Undertakings shall provide transport status information, in particular any delays or service changes, to customers as soon as possible. Railway Undertakings will commit to arrangements for defining with the customer the particular reasonable information needs for the traffic flow concerned. Cross border information systems are in process of being worked out.

6. Rolling stock

When contracted and Railway Undertakings are also rolling stock provider they will provide sufficient, clean freight rolling stock in a timely manner (and according to defined standards). When required by the client contracts may include provisions for any shortfall.

7. Billing

Transparent billing arrangements will be contracted (according to commercial circumstances) between railway undertakings and freight customers.

8. After-sale service

Processes will be in place to ensure the timely resolution of any matters raised by the customer under the terms of the contract.

CUSTOMER SUPPORT

The Railway Undertakings' commitments depend upon customer support on

- timely customer presentation of wagons and cargo at the handover point,
- proper and timely receipt of customer documentation.

Railway Undertakings will require appropriate contractual provisions in this respect.

Railway Undertakings may also require contractual commitments from customers on

- the earliest possible notice to railway undertakings of any delays or changes,
- the hand-over of cargo in the form and packaging agreed between the parties.



APPENDIX B: THE UIC/UIRR JOINT COMMITMENT
ON THE QUALITY OF COMBINED TRANSPORT
SERVICES

INTERUNIT

Comité International de Coordination du Transport Combiné Rail-Route
Internationales Koordinationskomitee des Kombinierten Verkehrs Schiene-Straße



Joint Commitment by Railway Undertakings, members of the UIC Freight Forum and Combined Transport Operators, members of UIRR, to develop the quality of scheduled trains operating Combined Transport services and of contracts covering this quality

Chairman Eric Peetermans - SNCB Holding
Secretary: Rudy Collé - UIRR act - 31 rue Montoyer Ste 11 - 1000 Bruxelles
Tel : +32 (0) 2 548 78 90 Fax +32 (0) 2 512 63 93 E-mail: headoffice.brussels@uic.com

APPENDIX B: THE UIC/UIRR JOINT COMMITMENT ON THE QUALITY OF COMBINED TRANSPORT SERVICES

1.- According to projections given in the EU White Paper (2001), freight transport volumes are set to grow by 38% between 1998 and 2010, which would translate into a 50% increase for the rail mode and a doubling of Combined Transport (CT) business. This last projection has been confirmed by the Capacity Reserves Study 2015, published by the UIC Combined Transport Group (CTG) in June 2015.

It is however Road transport that over the years has best capitalised on the opportunities offered by this expanding market.

It is nevertheless thanks to CT that the rail mode has managed to maintain its freight traffic volumes. Rail-Road CT, in particular, has demonstrated its pertinence and the contribution it can make towards more sustainable mobility but CT must now tailor its product range to the qualitative needs of the market.

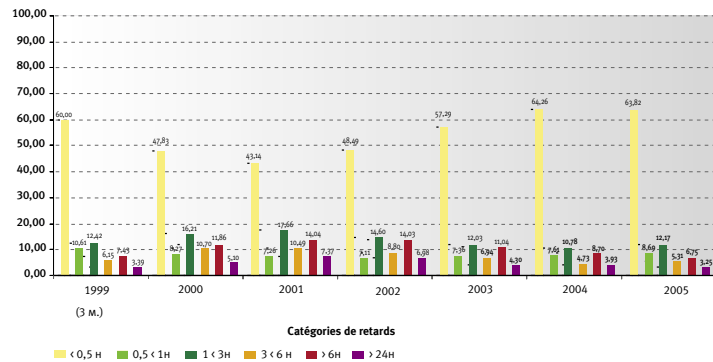
2.- The further development of CT requires that the railway undertakings and operators voluntarily set the different standards ensuring delivery of CT services that are competitive with road transport on quality, in the spirit of Article 4 of the UIC/CER/CIT Quality Chart. The specific requirements of CT in terms of quality are particularly sharp given that road transport is not only the benchmark but also the natural traffic source for CT.

A degradation of quality in the CT service reduces product attractiveness, translating into compression of demand, and lowers the productivity of assets deployed, resulting in sharply increased costs for each of the stakeholders in the CT chain and particularly for the operators, railway undertakings, infrastructure managers and, consequently, for customers as well.

3.- It is unquestionable that quality of service has, over the last two years, improved on the whole of the European TC routes, as illustrated by the enclosed graph. However, this must not hide the necessity of further efforts to bring and maintain the reliability of international TC train services to the level that is required to bring about a decisive shift in favour of this transport mode. These efforts are more necessary than ever, considering that the percentage of high delays (more than 3 h and more than 24 h) are still higher than in 1999. And the marked tendency to deterioration shown by some line of routes at the beginning of 2005 indicates that we must stay alert.

2

APPENDIX B: THE UIC/UIRR JOINT COMMITMENT ON THE QUALITY OF COMBINED TRANSPORT SERVICES



4.- The Railway Undertakings, members of the UIC Freight Forum and the CT Operators, members of the UIRR, have decided to develop and strengthen, by means of contracts, the quality of railway services provided in trainload traffic in international combined transport. The present document lists the essential components which will be duly taken into account by the practical and specific arrangements to be developed route-by-route and contract-by-contract.

This general framework therefore does not impinge on the principle of contractual freedom of parties nor on the possibility to adopt specific arrangements required to cover some market segments and open certain opportunities.

5.- The present arrangements shall apply only to non-accompanied international CT trainload traffic, including the antennas, that are listed in the production programs agreed, on the different routes, between RUs and Operators.

6.- The RUs are committed, within their field of responsibility, to deliver and maintain a quality-of-service level in line with specific and strict criteria flanked by suitable penalty provisions for non-compliance. The forms and arrangements for the criteria and penalties to be provided for in the framework of the specific quality contracts by route, will be established in conformity with the dispositions of the UIC/CER/CIT Charta of 4/7/2003, in particular its § 4 alinea 1 which states that these arrangements will be based on the requirements of the customers, in this case the Operators.

3

APPENDIX B: THE UIC/UIRR JOINT COMMITMENT ON THE QUALITY OF COMBINED TRANSPORT SERVICES

For their part the Operators - in the context of inclusive capacity purchases where they alone carry the payload-related financial risk – are committed to undertake to observe the quality criteria falling within their area of competence, and to pay, in circumstances and under forms/procedures to be foreseen in specific quality-related contracts, penalties for non-observance of these criteria.

7.- The main different elements to be developed between RUs and Operators in the framework of the quality contracts by route are, especially :

- the scheduling of the trains, meaning, among other things: the maximum gross tonnage, the maximum length, origin/departure points, in principle terminals, the itinerary, the timetable, in other words the days on which services are operated, the handover deadline (HLR), departure/arrival and placing at disposal (MAD), ...
- the appropriate procedures and communication circuits needed for implementing quality contracts, particularly in terms of operational and financial train monitoring , analysis of causes of malfunctioning, information feedback , technical adjustments, and reporting.
- updated train punctuality indicators in respect of the different routes and for the trains covered by the quality contracts. Other indicators may be agreed, especially ones related to causes of delays.
- reciprocal penalties, charged to the defective party, in case of :
 - delays relative to MAD and/or HLR, possible agreed tolerances being taken into account,
 - cancellation of trains at the initiative of one of the parties, outside the agreed exemptions or notices,
- the different penalty rates shall be set at an appropriate level. This level shall be determined jointly and shall mainly take into account the requirements of the market segment concerned and the performance required as specified by the Operators, the characteristics of the route, and the specific features of the particular service.
- cases of exemption
- cases of capacity reduction
- the operational information to be supplied:
 - by the RUs,
 - by the Operators,
 - the agreed penalties, in case of non compliance.
- the cases the RUs cannot avoid and which they are not required to cure (force majeure).

APPENDIX B: THE UIC/UIRR JOINT COMMITMENT ON THE QUALITY OF COMBINED TRANSPORT SERVICES

The underlying objective is to operate as a signal that incites the defaulting RU to deliver the service package sold to the customer, and encourages the defaulting Operator to abide by the rules that have been agreed.

8.- To ensure that their quality-of-service contracts are as effective as possible, the parties signatory to this document shall arrange for similar agreements to be signed with their respective suppliers and sub-contractors.

Railway Undertakings shall pursue all appropriate efforts to ensure that Infrastructure Managers and Regulators

- allocate paths that correspond to CT needs in terms of quality and quantity, which implies that they should accord higher priority to freight operations,
- accept full liability with respect to these operations should they be prevented from performing the service expected, and
- guarantee, jointly with the Railway Undertakings, operation of an adequate quota of CT trains in the event of sectoral strike.

RUs shall take steps to secure, from the infrastructure managers, transparent information on the causes of operational delays, and shall encourage them to take all corrective action within their field of competence and relevant to the overall quality-of-service improvement objective.

The liability of the Infrastructure Manager shall not be prejudicial to implementation of the performance programme mentioned in article 11 of Directive 2001/14/EC of the European Parliament and of the Council.

The application in this framework of performance contracts between Infrastructure Managers and RUs, should in essence foster the improvement of services as well as the confidence of the parties in the system.

The RUs shall also canvas the Community Authorities to ensure that the instances of the latter exert due pressure on infrastructure managers as well, so that the latter properly discharge their obligations by virtue of their close relationships with – and their financial dependence on – the Member States, and also given the leverage that infrastructure managers have with the RUs.

Together, the RUs and Operators shall remind national and international political authorities alike of the role expected of them as facilitators of rail transport (customs formalities, administrative/technical obstacles) ,and in terms of upgrading railway infrastructures consistent with potential demand.

5

APPENDIX B: THE UIC/UIRR JOINT COMMITMENT
ON THE QUALITY OF COMBINED TRANSPORT
SERVICES

The absence of contracts between the RUs and the Operators and their respective subcontractors does not relieve them from the mutual obligations that are the object of the present document.

9.- The parties shall also take care that the clauses of their quality contracts underwritten by route do not lessen the legal security given to the customers by the CIM and the COTIF.



Eric Peetermans
For the UIC Freight Forum



Eugenio Muzio
For UIRR

APPENDIX C: JOINT DECLARATION BY UIC/CER AND FIATA/CLECAT ON QUALITY IN INTERNATIONAL CONVENTIONAL AND COMBINED RAILWAY FREIGHT TRAFFIC



Joint Declaration by UIC/CER and FIATA/CLECAT on “Quality in international conventional and combined railway freight traffic”

(15 April 2005)

At its meeting on 1 March 2005 in Paris, the UIC-FIATA Permanent Contact Group announced the launch of joint efforts to boost quality standards in international rail freight traffic, both conventional and combined.

This joint initiative is based on moves to develop a set of quality indicators, building on the Quality Charter published by CER and UIC in July 2003 in conjunction with the CIT. These indicators, which offer a response to market demand and must also be realistically achievable for the Railway Undertakings, enshrine the customer's right to incorporate quality parameters in individual contracts concluded with the railway undertakings, with the necessary consequences for both parties in the event of non-compliance. In an initial phase, the idea is to begin with block trains in conventional wagon and combined transport, before moving onto a subsequent stage in which wagon groups or less-than-trainload operations are also included.

UIC and FIATA have agreed that, in an open market, an improvement in the quality of rail freight services can only be introduced and developed by the market protagonists themselves.

Any intervention on the part of the EU would distort the free play of market forces and consequently jeopardise the economic viability of the transport operations, with the railway undertakings liable to lose business as a result.

UIC is planning to discuss the results of this joint work with other customer associations, to ensure that the work rests on a broad spectrum of customer requirements.

CER and CLECAT welcome and support this initiative and see it as a confirmation of their existing position in relation to EU moves to develop a freight quality regulation.

FIATA
Heiner ROGGE
Chairman of the Working
Group Rail of MIT

UIC
Günther ENGELHART
Chairman of the UIC Delegation to the
Permanent Contact Group UIC/FIATA

CLECAT
Heiner ROGGE
Chairman of the CLECAT
Rail Committee of ETLI

CER
Johannes LUDEWIG
Executive Director



The Community of European Railway and Infrastructure Companies (CER) brings together 45 railway undertakings and infrastructure companies from the European Union, the accession countries (Bulgaria, Croatia and Romania) as well as Bosnia/Hercegovina, Serbia/Montenegro, Norway and Switzerland. It is based in Brussels and represents its members' interests vis-à-vis the European Parliament, Commission and Council of Ministers as well as other policy makers and transport actors. CER's main focus is promoting the development of rail as essential to the creation of a sustainable transport system which is both efficient and environmentally sound. A key priority in this respect for CER is the achievement of a more balanced modal split in the transport system, minimising external costs arising to society and improving economic efficiency. In parallel to the railways' own initiatives for improving the quality of rail services, CER sees ensuring sufficient investment in infrastructure rail projects as a prerequisite for achieving the desired modal split. All policy areas of significance to railway transport are dealt with by CER, which offers advice and recommendations to European policy makers. CER monitors and contributes to railway policy making. Its interests span the whole spectrum of European transport policy: infrastructure planning, passenger and freight services, public service, the environment, research and development and social dialogue.

www.cer.be





COMMUNITY OF EUROPEAN RAILWAY AND INFRASTRUCTURE COMPANIES - COMMUNAUTÉ EUROPÉENNE DU RAIL ET DES
COMPAGNIES D'INFRASTRUCTURE - GEMEINSCHAFT DER EUROPÄISCHEN BAHNEN UND INFRASTRUKTURGESELLSCHAFTEN



Avenue des Arts, 53 - B-1000 BRUXELLES - Tel.: +32 2 213 08 70 - Fax: +32 2 512 52 31 - contact@cer.be - www.cer.be