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**Retrack
Synthesis Workshop 2009 Overview**

REorganization of Transport networks by advanced RAIL freight Concepts

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1 Retrack Synthesis Workshop 2009: Challenges in a declining rail freight market

1.1 Introduction

The Retrack project is intended to test and apply advanced rail freight concepts to reorganize transport networks. The project has taken the initiative to design, develop and implement a new and innovative trans-European rail freight service concept, starting with the rail corridor Rotterdam to Constanza (Romania) and on to the Black Sea area and Turkey. The Retrack partners want to demonstrate that rail freight services on trans-European corridors can be successfully offered as a genuine competitive alternative to road haulage. The project aims to show and validate these new services by the means of a demonstration rail service, which will result in a high frequency and reliability train service.

This deliverable accounts for activities done in the framework of Retrack WP 10, namely describes the Retrack Synthesis Workshop 2009. WP 10 is the recording and analysis of the results of the other WPs. The document captures annual progress of the project, as reported by the consortium partners, including barriers, challenges, evaluation of innovation process. The content of the deliverable also summarizes experiences, practises and analysis done by the consortium partners in the reporting year (2009) as these have been presented during the Synthesis Workshop.

RETRACK organized the Synthesis Workshop 2009, which was devoted to the communication of the achievements and activities within the Retrack project as well as discussions over actual developments in the European rail sector. This workshop has been organized within Work Package 10, task 10.1. It has also contributed to the dissemination of Retrack knowledge gained during 2009.

This deliverable provides an overview of the workshop. It includes the agenda, the outcomes, the list of participants and pictures of the event. The presentations are included in the Appendix, actual presentations are supplied as Microsoft Power Point files.

1.2 Agenda

Retrack Synthesis Workshop 2009: Challenges in a declining rail freight market

Preliminary Agenda

Thursday, 5 November 2009

Van Mourik Broekmanweg 6

2628 XE Delft, the Netherlands

14:30	14:40	Registration and coffee
14:40	15:00	Welcome & Status RETRACK project Gerwin Zomer, RETRACK coordinator, TNO, The Netherlands
15:00	15:20	The RETRACK Rail Freight Demonstration Johannes Marg, Business Development Manager, Transpetrol, Germany
15:20	15:40	The RETRACK IT Solution Heiner Halbach, Executive Board Member, SOPTIM, Germany
15:40	16:10	Coffee / Tea
16:10	16:30	Business Models and Competitive Strategies in rail freight Johanna Ludvigsen, Chief Research Officer, TOI, Norway
16:30	17:00	Discussion Moderator: Gerwin Zomer, TNO, The Netherlands
17:00	17:30	Network drinks

TNO 5 Nov 2009

1.3 Outcomes

Welcome & Status RETRACK project

Gerwin Zomer welcomes all participants at 14:30 at TNO for the Retrack Synthesis Workshop. He gives a short overview of the Retrack project and its rail freight concept, as well as a short introduction of the host institution TNO.

Gerwin Zomer (project coordinator) stressed in his presentation that the economic crisis has had a big impact on the course of the project. The rail freight sector has been experiencing a considerable drop in freight volumes, while road sector, by no means escaping the downturn, continued its severe competition fighting for their declining markets. The planned launch of the Retrack pilot has coincided with the strong decline in transported volumes, such that no

hard commitments have been reached with the anchor customers. As the result, the launch of the pilot service has been postponed until 2010.

During the presentation especial emphasis was made on the timeline: the Retrack project has already been running for two years, therefore it is time to start bringing concrete results, share them with the stakeholders and form the future outlook.

The RETRACK Rail Freight Demonstration

Johannes Marg, Business Development Manager, Transpetrol, Germany

Johannes Marg of Transpetrol explained further the situation with the Retrack pilot train. There was a considerable to drastic drop of “rail-able” volumes from and to South Eastern Europe, which coincided with a sharp decline of road, barge and maritime transport cost level. These developments resulted in cancelling of proposed Genk service, postponement of demonstration and reduction of planned pilot frequency to one train per week. One of the approaches to resolve the impasse with the pilot is to combine automotive transport volumes

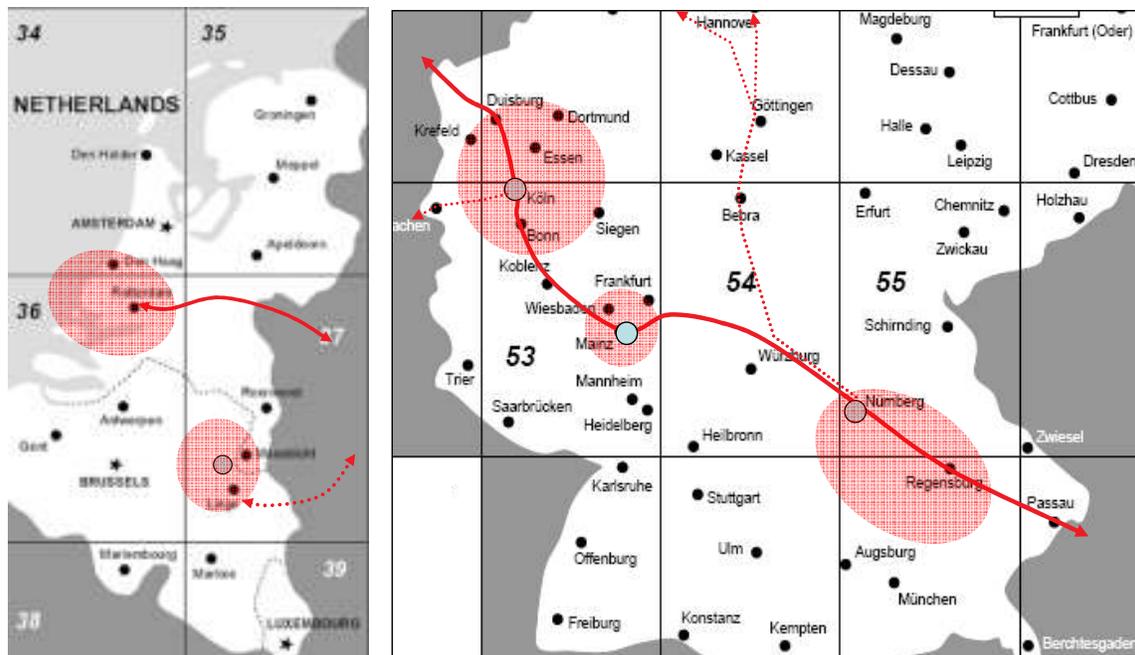


Figure 1. Extra volumes and connections in Germany and Belgium

with the transport of commodities, such as grain. The approach might create sufficient volumes for the pilot, but results in a high operational complexity: combining regular flows with semi-regular flows with a wide variety of loading and unloading points.

To overcome adverse effects of the economic crisis, some new concepts for the Retrack train have been considered. Given the difficulty in finding enough cargo volumes for the train connecting Rotterdam and Constanta, a possibility to add wagons – either conventional or container cars – to the trains in Cologne and in Nuernberg has been considered. The train might also serve not only the port of Rotterdam, but Belgian hubs as well, Figure 1.

It will be also useful to serve a number of German customers, who cluster around Köln, Mainz, Nurnberg, Regensburg, providing Link to the German North Sea Ports via existing services in Nurnberg. The train has an opportunity to combine liquid and dry bulk freight,

containers, industrial goods in conventional cars and chemical bulk in one train with block train quality.

The RETRACK IT Solution

Dr. Heiner Halbach/Dr. Markus Brozio, SOPTIM AG

Dr. Markus Brozio of SOPTIM AG informed the audience over the development of the Retrack IT-Solution. SOPTIM Railway Management Suite (RMS) was rolled out for Retrack in the summer of 2009. The company currently develops communication with 3rd-party railway management systems, significant performance improvements, addition of more flexibility in handling complex train runs like parallel running trains, web-based Customer Information Centre (CIC) and support of the RETRACK training and reporting requirements.

The company concentrates its effort in the Retrack project on breaking down communication barriers, thus improving competitiveness of small and medium-sized European railway undertakings (time, cost, service quality) as well as improving the interoperability between railway undertakings.

Business Models and Competitive Strategies in rail freight

Johanna Ludvigsen, Chief Research Officer, TOI, Norway

Dr. Johanna Ludvigsen presented Business Models and Challenges in Declining Rail Freight Market. She considered competitive advantages and disadvantages of business models such as agent anchor customer models, which are applicable to the Retrack environment. Given the fact that the crisis struck hard all segments of transport market, it is recommended to understand and response to the crisis through analysis of own financial condition and competitive re-assessment of it. Defensive and offensive strategies might be best suited, depending on the analysis results.

Discussion

Moderator: Gerwin Zomer, TNO, The Netherlands

The final section of the workshop was related to the discussion over the effects of rail freight market liberalization. The participants of the workshop have been asked to consider four statements and provide their response to the statements on the scale of Fully Agree / Agree / Neutral / Disagree / Fully Disagree. Figure 2 presents the statements for which the participants gave their assessments

**Retrack Synthesis Workshop 2009:
Challenges in a declining rail freight market
Statements for discussion**

1. New entrants have ‘awakened’ the incumbent RU’s. Consequentially, the incumbents had to improve their service offering.

Fully agree / Agree / Neutral / Disagree / Fully disagree
? ? ? ? ?

2. Incumbents have bought successful new entrants. Moreover, liberalization has opened the protected national markets for other incumbents.

Fully agree / Agree / Neutral / Disagree / Fully disagree
? ? ? ? ?

3. Despite fierce intra-rail competition in Central and South-eastern Europe, the rail service quality offered today does not yet threaten the dominant position of trucks.

Fully agree / Agree / Neutral / Disagree / Fully disagree
? ? ? ? ?

4. The Rail Liberalization Index still shows slow progress in several Member States. We don’t need more EU regulation to support the liberalization process, the EC should simply exercise its legal power to ensure Member States to transpose EU law.

Fully agree / Agree / Neutral / Disagree / Fully disagree
? ? ? ? ?

Figure 2. Statements for assessment

The main discussion point was that the incumbent parties such as DB Schenker and SNCF still have a dominant position in their home markets. The incumbents compete with each other by the means of acquisition of successful newcomers and startups in this market. From the perspective of competition between incumbents and new aspirants, the process of liberalization appears to be a failure. To improve competition in rail freight market, some steps have been made to support big companies entering their competitors' home markets, such that a small number of big players start cross-competing in their home markets. The following figure shows the assessments that the audience gave to the statements in figure 2; it also presents the standard deviation in answers, which adds information over whether the opinion of the audience is divided over the subject.

Response NR	Q1	Q2	Q3	Q4
1	4	4	3	4
2	4	1	2	5
3	3	2	5	4
4	4	4	5	5
5	3	5	4	4
6	5	5	5	5
7	4	4	4	4
8	3	4	2	4
9	4	4	4	3
10	2	3	5	4
11	4	4	4	4
12	4	4	4	4
13	4	4	4	4
14	4	4	5	5
15	4	4	3	4
16	4	2	4	4
17	4	4	5	4
18	3	5	4	4
Average	3,722	3,722	4,000	4,167
Deviation	0,669	1,074	0,970	0,514

Legend

- 5= Fully agree
- 4= Agree
- 3= Neutral
- 2= Disagree
- 1= Fully disagree

Figure 3. Analysis of the responses to the statements

On the basis of the audience responses, it is concluded that new rail enterprises create some pressure on the incumbents to improve their services; while Europe does not need more regulation of the rail sector, but consistent implementation of EC directives in the national laws and regulations. The audience of the workshop was even more inclined to agree that despite fierce intra-rail competition in Central and South-eastern Europe, the rail service quality offered today does not yet threaten the dominant position of the road transport. Further more, acquisition of successful new entrants is the way incumbents penetrate each others markets, resulting in an oligopoly in the international rail freight market.

1.4 Conclusions

The Retrack Synthesis Workshop 2009 brought together representatives of the Retrack consortium and broader public in an effort to communicate intermediate results, analysis status and challenges experienced in the project. The main challenge reported by the majority of the presentations is the impact of current economic doldrums on the project: the great challenge to start Retrack demonstration activities. The ongoing economic crisis has led to a substantial decrease in production and trade, which have been translated into fewer goods being transported on the one hand, and stable and often unused transportation

capacity on the other. The unused transportation capacity puts a downward pressure on transport prices, while transport costs generally remain unchanged, in other words transport companies are chasing a declining number of transport assignments.

In this economic climate it is indeed very difficult to start a new transport service, for which transport volumes must be found. This presents the main challenge currently for establishing of demonstrations: letting the Retrack train to ride. The analysis of underlying issues has been given in presentations of Gerwin Zomer (TNO) and Johannes Marg (Transpetrol). Johanna Ludvigsen (TOI) has acknowledged the difficulties, but outlined the business models that could help overcoming the current situation, stressing the importance of making the right choice in respect to selection of an appropriate business model. Markus Brozio (SOPTIM) has presented the progress of developing the Retrack IT solution, which would give the Retrack service a competitive advantage in establishing the service in current challenging environment.

The discussion over the challenges in the declining rail market, which followed the presentations, has deepened understanding of the current state of the European rail market. As Retrack strives to employ innovative collaboration models in rail freight transport, the audience has given its opinion over current movements in the market, which will be of importance in the coming months for the project. Though one of the conclusions has been that the quality of rail services falls short of those of road sector, it shows the main path for creation of the competitive advantage for Retrack: it is the service quality which will determine the likelihood of a successful rail service.

The coming months will determine success of the Retrack pilot train and the outcome of the demonstration activities. The consortium will continue performing analysis of the knowledge gained in the project. The next Synthesis Workshop, which is planned for November 2010, will report on the progress made in 2010 and present the audience with knowledge gained during the year, analysis of difficulties and successes experienced in the project and let the broad public to participate in debate over current state and future of the rail freight market.

1.5 List of participants

	Name	Company
1	Diederik de Ree	TNO
2	Igor Davydenko	TNO
3	Min Zhang	TNO
4	Gerwin Zomer	TNO
5	Ronald Mauck	Ingenieurbuero Mauck
6	Botond Varga	LTE
7	Roland Beier	SCG
8	Adriaan Roest Crollius	NEA
9	Remco Arnoldus	DeltaRail
10	Kees Ruijgrok	Tias Nimbis
11	Wolfgang Röhling	TCI Röhling
12	Olav Eidhammer	TOI
13	Kjell Werner Johansen	TOI
14	Marin Marinov	New Rail
15	Dewan Islam	New Rail
16	Tom Zunder	New Rail
17	Heiner Halbach	SOPTIM
18	Markus Brozio	SOPTIM
19	Johanna Ludvigsen	TOI
20	Johannes Marg	TRANSPETROL
21	Arnaud Burges	NEA

1.6 Photoshots of the workshop



Photo 1. Gerwin Zomer (TNO) presents Status of RETRACK project



Photo 2. Johannes Marg presents RETRACK Rail Freight Demonstration



Photo 3. Markus Brozio presents RETRACK IT Solution



Photo 4. Johanna Ludvigsen presents Business Models and Competitive Strategies in rail freight

2 Appendix Presentations

The following is the list of Microsoft Power Point presentations shown during the workshop. The files form part of the deliverable as appendices.

1. "RETRACK: Setting up an innovative rail freight service between Rotterdam and Constanza" presented by Gerwin Zomer (TNO)
2. "RETRACK Rail Freight Demonstration: The pilot demonstration in a time of crisis" presented by Johannes Marg (Transpetrol)
3. "The RETRACK IT-Solution" presented by Markus Brozio (SOPTIM)
4. "RETRACK Synthesis Workshop: Business Models and Challenges in Declining Rail Freight Market" presented by Johanna Ludvigsen (TØI)