



Improving European Railways

# retrack

An Integrated EU-Project

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## EDITORIAL

While I write this it is snowing outside. Last week, roads have turned into fairground slides and cars crashed and stood still. Airlines cancelled flights and airports were full of grounded passengers. Rail transport also experienced serious problems in its service offering. People stayed at home en masse and

if they did not have a holiday, teleworking was the only alternative. The bad news: the transport system appears to be vulnerable to the weather conditions. The good news: internet shopping experienced top sales in December. The challenge: the transport system has to become more resilient. This analysis does not only apply to the bad winter weather. Actually, each development has good and bad elements and creates challenges, even the economic downturn we experienced last year. Let us focus on the challenges!

This newsletter reports on the synthesis workshop we held in November in Delft. The presentations and discussions were about capturing the challenges for RETRACK. The newsletter also includes a report of the Romanian Railway Summit held in November in Bucharest. Johanna Ludvigsen presented RETRACK and her views on the current rail market.

RETRACK is currently preparing for the launch of its rail freight demonstration, which is intended to start in the first months of 2010. Please look at the RETRACK website for the latest developments.

Although 2009 was a bad year for rail freight, the outlook for 2010 is better. And I tend to look forward instead of looking back. Rail freight in The Netherlands is expected to grow by 3.7% in 2010, thus benefiting more than road and inland waterway transport from the recovery. In particular container transport by rail is expected to grow by 7% next year, according to NEA forecast. This offers opportunities for RETRACK as well. In the next newsletter I will report on how we took advantage of these opportunities. For now, I wish you all the best for 2010, a year full of challenges and opportunities!

**Gerwin Zomer**

## RETRACK Synthesis Workshop 2009 Igor Davydenko, TNO

In November 2009 TNO held its annual RETRACK Synthesis workshop in Delft, the Netherlands. The workshop was organized to inform the broad audience of developments in RETRACK, to discuss actual issues in rail freight transport and to facilitate the exchange of ideas between representatives of industry, the transport sector, governmental bodies and knowledge organizations.



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 the road sector, by no means escaping the downturn, continues to fight hard for the declining markets. The planned launch of the RETRACK pilot has coincided with a strong decline in transported volumes, such that no hard commitments have been reached with the anchor customers. As a result, the launch of the pilot service has been postponed until 2010.

Johannes Marg of Transpetrol explained further the situation with the RETRACK pilot train. There has been a drastic drop in the volume of "rail-able" freight to and from South Eastern Europe, which has coincided with a sharp decline in road, barge and maritime transport cost levels. These developments resulted in the cancellation of the proposed Genk service, postponement of the demonstration and reduction of planned pilot frequency to one train per week. One of the approaches to resolve this impasse with the pilot is to combine automotive transport volumes with the transport of commodities, such as grain. This approach might create sufficient volumes for the pilot, but results in a highly

## WHAT IS RETRACK?

The RETRACK project is applying an innovative rail freight service concept to the movement of rail freight across Europe. RETRACK is the "Reorganisation of Transport networks by advanced Rail freight Concepts". It is funded under the European Commission (EC) FP6 Programme. The project started in May 2007 and will run for four years.



complex operation: combining regular flows with semi-regular flows with a wide variety of loading and unloading points.

Dr. Markus Brozio of SOPTIM AG informed the audience of the development of the RETRACK IT-Solution. SOPTIM Railway Management Suite (RMS) was rolled out for RETRACK in the summer of 2009.

Dr. Johanna Ludwigsen presented Business Models and Challenges in a Declining Rail Freight Market. She considered the 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 all segments of the transport market hard, it is recommended to understand and respond to the crisis through analysis of own financial condition and a competitive re-assessment of it. Defensive and offensive strategies might be best suited, depending on the results of the analysis.

The workshop finished with a lively discussion about the effects of rail freight market liberalization. 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 the 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. To facilitate the discussion, the audience was asked to express its opinion in respect to four statements that captured the essence of the competitive process in the rail freight market.

On the basis of the audience responses, it was 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 national laws and regulations. The workshop audience 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. Furthermore, acquisition of successful new entrants is the way incumbents penetrate each others markets, resulting in an oligopoly in the international rail freight market.

The proceedings of the RETRACK Synthesis Workshop 2009 can be found on the Downloads page of the RETRACK web site at [www.retrack.eu](http://www.retrack.eu)

### Report from ARILOG

Johanna Ludwigsen, TOI

ARILOG, the 7th Annual Conference of Romanian Logistics Association devoted to "Demand Chain Facing Market Challenges" was held in Bucharest on November 3rd and 4th, 2009.

Dr. Johanna Ludwigsen was invited by the organizers of the ARILOG conference to deliver a key note address to the members of their association and invited guests. RETRACK was obviously the ideal topic because it:

- 1) Covers Romania,
- 2) Will demonstrate an innovative rail service provision based on IT-aided traffic and collaboration management system, and
- 3) The rail freight service along the RETRACK corridor is provided by private rail undertakings.

The presentation focused on a series of challenges that the new rail entrants face regarding securing seamless freight movement along an international rail corridor, and dealing with competition from the state-owned railways and road haulage, plus non-interoperable infrastructure on nations rail networks.

Considerable interest was shown in the presentation. Several questions were asked relating to assessment of inter-modal and intra-modal competitive interfaces, training of rail operators for seamless border crossings and synchronization of international freight train operations. These questions revealed a good understanding of the importance assigned to competitive rail freight services and organizational difficulties associated with this task.

Other presentations focused mostly on classic logistics issues affecting the organization of freight service operations and investments in logistics infrastructure. These included forecasting techniques for dealing with seasonal demand dynamics, planning instruments for the management of purchases and inventory management, optimization of transport fleet utilization, models for network design and operations management, criteria for selection of warehouse equipment and storage facilities, and KPI-based assessment of customer service quality. The impression given was that:

1. The Romanian logistics and freight transport industry continues to grow (despite the current economic downturn),
2. All large global and European logistics companies (e.g., Schenker, Kuhne-Nagel, Panalpina) are already well-established in the Romanian freight logistics market, and
3. The industry has managed to attract many young professionals who are very enthusiastic about their work and want to learn more in order to improve their performance.

## RETRACK CONTACT DETAILS

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