Growing clamour for single wagons

Operators are becoming more open to offering one-wagon load services, now there is falling demand for block trains, reports James Falkner

While block train volumes remain stagnant, the single wagon load market may be entering a new era, thanks to the increased pressure from shippers to shrink consignment sizes and force providers to rethink their business plans.

Grouping rail freight traffic in a similar way to running a hub and spoke network – by feeding smaller traffic into a larger system – has until now only been popular with forwarders, with its potential to attract shippers and boost overall volumes. Tracton providers, however, have always shunned the idea as being too expensive – preferring instead to tie those shippers with the critical mass into block trains and fixed volume commitments.

Single wagon load logistics cost operators more – it requires block movements and then multi-point distribution of individual wagons. However, the recession has dragged conventional block train volumes down so much that the market can be considered operating without that safety net.

Proctor & Gamble (P&G) recently announced it is going to triple its use of rail freight on the back of some successful block train pilot schemes in Belgium and France, and added that it wants to increase single container loads as part of its green agenda – but said rail had to get its act together. The uncertainty of customer spending and purchasing forecasts, the unwillingness to store large volumes and the general trend of retailers to destock, all argue the case for increasing rail groupage.

Nicolette van der Jagt, secretary general of the European Shippers’ Council (ESC), says: “We understand why rail freight operators would prefer to provide block-train services rather than single-wagon traffic – it is easier and more profitable. But we think it is important for politicians, civil servants and the public to understand that the economics can be stacked against the use of rail freight and that together rail freight customers and rail Undertakings must look urgently for solutions to this problem.”

Around 50% of SNCF-Fret’s business involves single-wagon loads and the French government has brought in experts from the US to help it revitalize the struggling business.

It is now looking to increase revenues not by encouraging additional volumes – which, arguably, are not there – but through attracting smaller consignments.

Revamping

The Railroad Development Corporation (RDC), a Pittsburgh-based investment and management company is confident it can turn SNCF’s fortunes around.

It focuses on revamping underperforming transport corridors and has recently completed freight transport projects in the US and South America. The latest was the Iowa Interstate Railroad, a 1,000 km link between Chicago and Omaha in Nebraska.

The project helped to speed up freight flow and increase volumes with a process called short-lining, which uses small companies to run small amounts of freight, feeding into a larger overall network.

RDC has now signed a joint venture agreement with French infrastructure manager Réseau Ferroviaire de France (RFF) and the country’s development bank, Caisse des Dépôts, to operate branch lines in France as short lines and encourage the business plan.

Henry Posner, chairman of RDC, likens the scheme to a passenger airline: “You may buy a ticket with United Airlines but the underlying carrier might, in fact, be a local airline.

“One of the underpinnings of the success of the US rail freight network is the existence of literally hundreds of locally owned and managed “short-line” railways that feed the larger railways. Most traffic in North America is single wagon load traffic that involves several carriers.”

“That model has evolved thanks to deregulation, although you could argue that it is the distances and layout of the North American network, but I would argue that even in a smaller market, there is a niche for the single wagon load.”

He adds that the technique has revived the US sector and he was positive the same would work for France, where 53% of its volumes are already single wagons.

“At the moment, in Europe, nobody has an answer for the wagon load,” he says. “Customers prefer to move block trains into regions and then disperse traffic by truck.

“In Europe, there is a race to the bottom toward a business based purely on block trains.” This, he argues is not sustainable in the current market conditions.

He observes a struggling market and says: “There is very little to suggest that rail is succeeding in attracting new business. In Europe, there is still a wagon load base. SNCF’s traffic base is roughly 50% wagon load and many other European countries still have a viable wagon load sector, but unless they look at new ways of doing things, it’s going to be by the wayside.”

“We want to become SNCF’s partner to stabilize the wagon load business to make sure the critical mass of traffic survives.”

The wagon load business has very similar principles to hub and spoke groupage and works by allowing customers to have a single wagon of freight moved, instead of booking a whole train.

SNCF’s reforms have always been blocked at every turn by unions, but Posner reckons they have responded well to early discussions.

“It is not going to be a silver bullet, but if we can prove it works, it is possible to stabilize and restore some of the market share that has been lost. That will be a very positive message for rail freight in Europe.”

“The mood in Europe at the moment is whether there is going to be a single wagon load business at all. My experience of dealing with unions is that they are pragmatic people. If you draw them into the discussions early in the process, they are likely to be part of the solution.”

“It is the wagon load business that will take trucks off the highway. I don’t think there’s any risk coal trains will wind up on the highway,” he adds.

“If the wagon load business collapses in western Europe, rail will become ruled by the distribution centre/block train business, where it goes to a central hub and is then trucked to the final destination.”

User-friendly

The new joint venture will move wagons between marshalling yards on main lines, where they can be formed into longer trains moved onwards by SNCF using containers of French goods from local factories and distribution centers bound for national or international transit.

Posner says rail is a more complex business than trucking, and part of RDC’s plan in France is to make it much more shipper-friendly.

He says: “While cost reduction is important, what is more important is revenue growth and one of the ways that is going to be achieved is through local management presenting a user-friendly local face to the local users.

“SNCF has been put in an extremely difficult position because on the one hand its train load business is under attack by open access operators, and what for them was their most profitable business has been reduced to a commodity as a result of EU open access policy. What is left is the competitive wagon load business.”

Van der Jagt adds: “If we cannot find solutions then we must accept that shippers will have no choice but to move their freight to other modes that can deliver the services they need, with the desired service quality, and at the prices that are affordable and competitive.”

Posner says: “Because of the recession, there has been a substantial drop in train traffic that has got a lot of people concerned. I think there is now a sense of urgency that is driving the creation of short lines because it is one of the key solutions that can save the wagon load business.

“If we can establish a short line industry in France, the existence of that will help the overall health of the wagon load sector, just like it helped it in the US.”

“Rail freight customers and railway undertakings must look urgently for solutions to this problem!”

Nicolette van der Jagt

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