

The Wagonload — An Important (and Sustainable!) Business for France...and Europe

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**“What is the organization dynamic
for the rail freight sector?”**

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OVERVIEW

- **Wagonload: A Better Business than Trainload**
- **Trainload: An Economic “Race to the Bottom”**
- **How Wagonload Can Be Profitable**
- **“Soft” Benefits of Wagonload**
- **A Strategy for France**
- **A Plan for France**

Wagonload: A Better Business than Trainload

ECONOMIC



Trainload = Commodity

Wagonload = Value-Added Niche

MARKETING



Wagonload can serve **medium** and **small customers**; *a broader and deeper market*

STRATEGIC



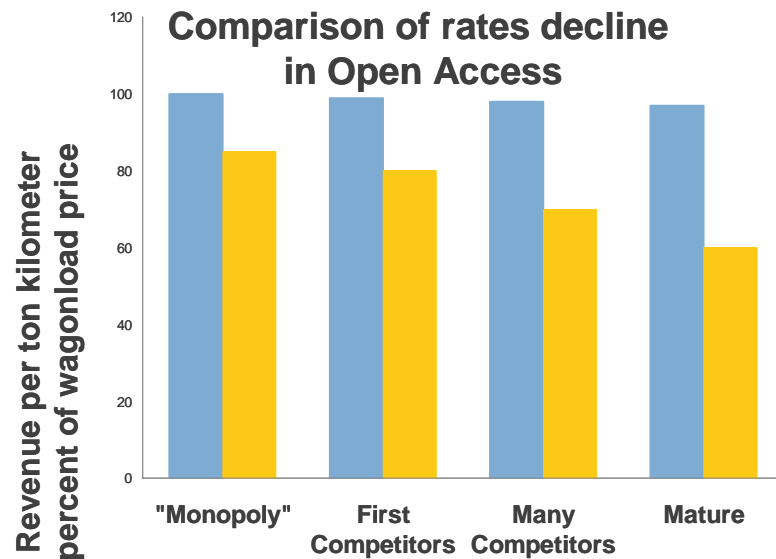
Flexibility of wagonload; positioned to serve **unknown future markets**

Trainload: An Economic “Race to the Bottom”

Source: Oliver Wyman, Prague Rail Conference, 2008

Due to increasing competition, price pressure will persist.

“Open Access” often brings with it significant rates reductions, but the single commodity or single client trainload flows are the most exposed.



▶ In “monopoly” situations, pricing was based on competition from road, water, and the internal costs of production.

▶ Discounts on the wagonload prices were offered to attract clients to use the trainload system.

▶ Rail-to-Rail competition has reduced the trainload prices dramatically.

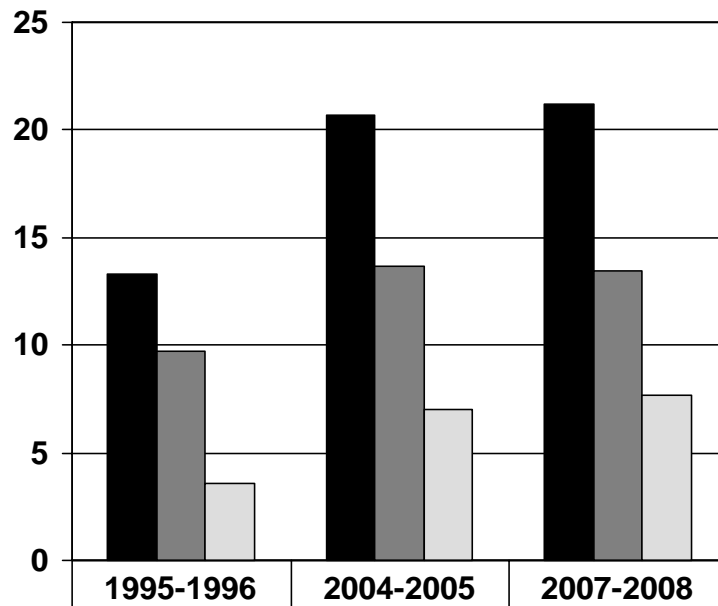
Increasing maturity of an “Open Access” market

■ Wagonload ■ Trainload

▶ In some European Open Access markets, the trainload prices have fallen to 50% of the wagonload prices on a Euro/tkm basis.

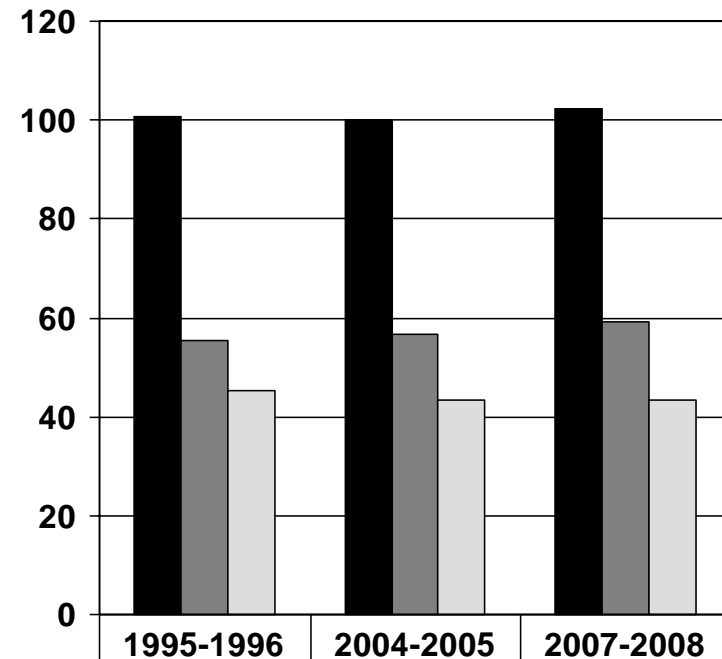
Trainload: An Economic “Race to the Bottom” (cont.)

**UK Net Ton Kilometers
(in billions)**



■ TOTAL	13.3	20.7	21.18
■ Non-Coal	9.7	13.7	13.48
■ Coal	3.6	7	7.7

**UK Net Tons
(in millions)**



■ TOTAL	100.7	100.1	102.4
■ Non-Coal	55.5	56.8	59.1
■ Coal	45.2	43.3	43.3

Source: Office of Rail Regulation (www.rail-reg.gov.uk)

How Wagonload Can Be Profitable

- Reduced handlings = increased **reliability, speed...**
- ...therefore **lower cost, more valuable** product
- More valuable product = **higher revenue/wagon**
- Lower costs also include **asset utilization; risk sharing** with asset owners, etc.
- **Promote creation of, and full commercial integration with, short lines (and international connections)**

“Soft” Benefits of Wagonload

Environmental:	Most haulage electric
Congestion:	500,000 wagonloads = 1,000,000 trucks
Economic Development:	Platform for regional growth
Employment:	Thousands of jobs

A Strategy for the Wagonload in France

- **Partnership** with SNCF, Government, others
- **Stabilize the business** through:
 - ✓ Service improvements
 - ✓ Cost reductions
 - ✓ Revenue growth

A Strategy for the Wagonload in France (cont.)

➤ Commercial strategy: work with **rail connections** to compete with trucks:

✓ International: **X-Rail**

✓ Domestic: **Short Lines**

(For **light density** short lines, work with regional public sector as needed)

A Plan for Wagonload

Basic Ingredients Exist...	...And Risk is (relatively) Low
<ul style="list-style-type: none">➤ Customer Support➤ Human capital➤ Physical assets (including yards, private sidings)	<ul style="list-style-type: none">➤ Diverse traffic base➤ Defined competition (truck)

A Plan for Wagonload (cont.)

Missing Ingredients...

- **Commercial framework** for truck-competitive, interline cooperation
- **Financial commitment** to re-capitalization (not subsidies!)
- **Dedicated** (i.e. separate) **management**
- **Institutional will**