



*European Communities
Commission
Background Report*

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COMBINING THE BENEFITS OF ROAD AND RAIL TRANSPORT FOR EEC GOODS

Commission Proposes "Ferroutage" Directive Should

Be Made Permanent

In February 1975 the Council of Transport Ministers laid down in a Directive a set of rules, to last until the end of 1978, to encourage the development of combined road/rail goods transport - a technique known as 'Ferroutage'. The Directive freed combined road/rail carriage from any quantitative restrictions - quotas; and removed various administrative constraints - authorizations, by October 1, 1975.

A Commission progress report⁺ presented at the end of last year finds that this combined carriage has developed in the intervening period and recommends that the Directive should be made permanent. It outlines how the Directive was applied, fairly successfully, by Member States and sets out the problems encountered in consultations with railways, road hauliers and others. It finds that Ferroutage has many advantages to railways, hauliers and users and suggests that a global Community policy and investment strategy, beyond the limited aims of the Directive, is desirable.

SCOPE OF FERROUTAGE

It is not easy to measure the exact scope of combined road/rail carriage or how materially it has been enlarged over the last two years, partly because of the shortage of the time span, and also because goods traffic in general is only gradually recovering from the set backs caused by the world recession in the mid 1970s. Even so, there is no doubt that combined traffic is increasing. An analysis of figures from five of the major commercial transport companies specialising in road/rail carriage showed an increase in combined traffic from 4.45 million gross tonnes in 1973, 4.66 million in 1974, a dip in 1975 to 4.3 million and then a sharp increase to 5.33 million gross tonnes in 1976. The indications are of a decided upward trend. Of this, about 19% was international traffic in 1976 and the indications for 1977 would put the figure now at over 22%.

Although this is a tiny proportion of total freight traffic, it is a more significant proportion of its own market - that is, long distance heavy freight.

There are six major companies specialising in Ferroutage, with varying shares of the international market. They are: Kombiverkehr in Germany; T.R.W. in Belgium; Novatrans in France; Ferpac in Italy; Trailstar in the Netherlands; and Hupac in Switzerland. Since 1970 these have been joined by A.S.G. in Sweden to form the 'Union Internationale des Transports Combinés Rail/Route' - U.I.R.R.

⁺ COM (77) 676 final of December 15, 1977

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These, together with the railways of the Nine Member States and those of Switzerland and Austria have formed a committee to coordinate efforts at international level to develop combined rail/road carriage.

There are some 2,300 wagons in use in this traffic, of which 25% are assigned to international traffic. Nearly 1,100 wagons are owned by the German railways, and nearly another 800 belong to management companies of private wagons in France.

DISTRIBUTION

There is a wide distribution of this traffic between the large commercial centres throughout the Community - 76 major links in all, 29 of which concern Italy. There are links which connect outside the Community with both Spain and Switzerland. Most of the carriage used falls either into the category of wagons adapted to road vehicles - like the French 'Kangaroo' wagons or the Germans wagons of the 'Aachen' type (both of which are 'dropped axle' wagons); or they are road vehicles which adapt to rail use, like the German 'Flexi-Van' (which is a 'swop body'). The 'Flexi-Van' however is becoming increasingly popular in all countries.

There are about 60 terminals for road/rail interchange - half of them in France and 16 in Germany, but there are studies for a possible further 10, in Italy, France, the Netherlands, Belgium and also Spain.

HOW THE SYSTEM WORKS:

The theoretical advantages of Ferroutage are as follows: Combined carriage uses rail for long distance. Block trains on well selected routes are good business for the railways, have the advantages of safety, regularity and speed, and are less affected by bad weather or traffic conditions. There is also some reduction in road traffic, which makes a contribution to the environment and is also in line with general policy for energy conservation and regional development. It brings the advantage to the user of a 'door to door' service; and yet it can also be to the advantage of road hauliers because it reduces their operating costs, especially labour costs, which are of particular significance to them.

Having studied the effects of the pilot scheme, and having discussed the technical and commercial difficulties with the various parties concerned, the Commission considers that these positive arguments outweigh the difficulties, and that with increased cooperation between the road and rail interests, and with a dynamic investment policy at Community level, combined road/rail carriage could have an increasingly large part to play in future inter-state trade.

However, there are problems. The commercial parties involved in combined goods traffic are mainly: the railways of Member States; the hire-and-reward road hauliers; users and hauliers operating on their own account; and the combined road/rail companies of the U.I.R.R. The railways are generally in favour of combined traffic and would operate on lower revenue than that of their other traffic, but they say that liberalizing the quota system has also meant an increase in competitive 'pure' road haulage. They wish combined traffic to be treated as 'pure' road haulage and deducted from road traffic quotas. The railways do not, however, wish to interfere with the commercial management of the road hauliers. The hire-and-reward road hauliers on the other hand, while in favour of developing combined carriage in a neutral market, fear that future authorizations could be biased against them or that the railways might fail to promote or improve the service, which would then affect their independence. This is roughly the view also

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of the own-account representatives, who feel that the development of this form of carriage should be decided by the open market. The companies of the U.I.R.R., as might be expected, like the streamlining of bureaucracy in the system introduced and want it continued.

The Commission is convinced that these initial difficulties can be overcome with increased cooperation and that the Directive should be made permanent. It also suggests that its extension to international carriage with third countries should be considered.

PROBLEMS TO BE RESOLVED:

The Commission found that there were, however, still a number of technical problems which were hampering the operation of the Directive.

There were bureaucratic problems - for instance that tug units from one Member State still had to be treated under the national quota and authorization of any other country in which they might be operating when completing the terminal run of one of their own containers; or again, that trailers or swog-bodies used in own-account terminal runs might be subject to hire-and-reward authorizations under some circumstances. The Commission feels that this sort of bureaucracy is not acceptable.

There were important tariff questions to work out. Rail tariffs must be attractive both to the haulier, to make him choose rail, and to the railways to make combined traffic viable. In the long run, the railways should cover their costs on this traffic, but the Commission wondered whether rail could not be exempted from commercial requirements for this traffic in the meantime. The quality of service offered is also seen to be of the highest importance.

There is a need for study of the idea in the Directive of using the 'appropriate nearest station'. What is required is a development of the concept of the station which is situated for optimum technical and commercial operation - in other words, it may not necessarily be geographically nearest.

Indeed, the whole operation of combined transport needs a careful choice of location for transshipment centres, with a fluid road network around each centre. And the Commission suggests there is a need for state subsidies towards infrastructure costs and road equipment. The Commission also suggests coordinated planning to include such items as the use of gantry cranes at the 'trans-container' yards etc.

Uniformity of rolling stock is another theme of the report; and the Commission wonders whether it might be worthwhile to create an international company on the lines of S.E.G.I. in France, which is financed by banks and the builders of rolling stock to buy wagons and hire them to companies for the period until amortization costs are covered. Such a company could encourage greater uniformity and hence profitability in ferroutage techniques.

But in the whole field of commercial organization, the Commission thinks that although the organization of combined transport is mainly the responsibility of the undertakings themselves, there is room for far more cooperation and mutual understanding. In the case of the railways, the report believes that there should be a greater understanding of their common interest, and it points to the need for more exchange of information on costs of carriage, as set out in a proposed Council regulation (OF No C 155/10 of July 2, 1977).

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For the road hauliers and forwarding agents, with whom the Commission has had many discussions, it feels that the formation of specialized companies has already helped and puts forward as a suggestion that these undertakings could request the services of the 'Bureau de rapprochement des entreprises' to help solve future combined transport problems. The problems of organization on the whole question of the size and scope of their commercial activities are for the undertakings themselves to solve, as is the delicate question of their relationship with container transporting companies which may also be subsidiaries of the railways.

Finally, the Commission finds that there are still unsolved problems for companies using own-account transport. These companies complain that in some countries they are deterred by high rates and by being made to work through transport agents. The Commission feels that while the railways have the right to fix special rates for the big combined companies, it should be possible to find a fair rate for the smaller own-account companies. And it does not feel that these companies should be forced always to work through transport agents.

The Commission believes that these technical problems can be solved and although it is not within the terms of reference of the progress report to make concrete proposals, the Commission will be submitting a proposal during 1978 on measures to encourage further the development of Ferroutage after the end of the present temporary Directive.

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