

## The Recast Railway Package

All MEPs in favour of seeing greater use of rail for the movement of freight should be asking one question: **What would make shippers and freight forwarders choose to use more rail freight services?**

The answers are simple:

- RELIABILITY | FREQUENCY OF SERVICE | EFFICIENCY | ECONOMICALLY VIABLE | EXTENSIVE AND SEAMLESS NETWORK | EASY ACCESS

Achieving these goals is IMPOSSIBLE without first separating the ownership and management of the network from the operation of services and, second, establishing an independent regulator to oversee fairness and efficient management of the industry.

But separating the organisational and decision-making aspects of rail freight infrastructure management and ownership from that of freight operations does not go far enough. ESC and CLECAT support those who call for complete unbundling of the two.

### Compelling arguments for complete unbundling

#### Fair Competition?

What incentives are there to provide competitive services? How can you be sure that they will not restrict access to track and yards for competing services that a shipper or a freight forwarder might prefer to use? As a shipper or a freight forwarder, how could you trust a body which owns, operates and manages the rail freight infrastructure and which also provides rail freight services?

***Answer: you couldn't.***

Without fair competition and open access, shipper's or freight forwarder's choices are limited. The infrastructure manager is bound to give preference to his own operating business over any competitor whenever demand outstrips supply or capacity. That makes any promise of RELIABILITY impossible to trust.

#### Clear Accounting?

When track management and ownership are bundled with operations, there is no clear way of seeing what the costs of different aspects of the business truly are. Without clarity it becomes very difficult to manage the true costs and drive them down. That makes it less likely that operations will be as competitively priced as they might otherwise be – assuming any fair competition actually exists in the first place. If you cannot clearly see your costs to manage them, you cannot provide the optimum efficiency of the services provided; and without effective competition, there is less incentive to improve efficiency or lower prices.

**Clarity of costs and revenues from a free and competitive market provides greater confidence in strategic development plans and their delivery, on time and to budget. Without such assurances, a shipper or a freight forwarder could not have confidence that plans might not change, charges increase, and services be disrupted, cancelled or withdrawn completely at some future date.**

#### Management Collaboration

If it is a seamless and extensive network of rail freight services that is required, you need operational collaboration between the network managers. This is not going to be possible if one or more also manage service providers: it sets one network manager against another, and neither will be prepared to fully cooperate when their separate services come head-to-head in competition.

*All of the above needs to be overseen by an **independent regulator**, prepared to stamp down on unfair and poor management practices – protecting the interests of all parties equitably.*

## **“Arguments against the proposed recast of the 1st railway package simply do not stack up”**

Claims that unbundling network management from operations will be too costly miss the point about having the Recast proposals. **This is a policy for growth and expansion of the rail infrastructure:**

- Without unbundling, accounting practice remains unclear: it is difficult to manage costs if you cannot clearly see what they are. So how can anyone even say if unbundling will be too costly?
- Unbundling will provide clarity to the accounts and better management of costs
- Unbundling will clarify what exactly are the true extent of costs and debts. There is an obligation to tax payers and network users to account for and better manage debt
- Clearer accounts, mean clearer and better costed strategies, plans and budget management
- Clear strategies and plans for the maintenance and development of the network provide **confidence** in the future delivery of a network that can support existing and new services
  - More confidence means **more commitment** to and **more investment** in rail freight services
  - More traffic means more revenue, and **more investment** into the network
  - Clearer accounts, strategies and plans for growth and confidence in the management of costs and delivery of strategies for growth reduces the risks; **reducing risk reduces costs of finance**
- Removing conflict of interest between infrastructure provision and running services builds confidence that all services will be given equal access to the infrastructure, and it improves the likelihood of cross-border network collaboration to provide **seamless**, and **coordinated** network strategies, for **reliable and more extensive** range of international services

Claims that access charges will rise from unbundling are unfounded and contrary to experience

- Improved visibility of costs, better cost control, improved and independent regulation of infrastructure managers and service providers to ensure fair and free competition to exist among service providers **will create efficiencies, and drive down and out unnecessary costs and allow access prices to be kept to a minimum**, necessary to support consequent growth in demand
- Experience in the UK, The Netherlands, Denmark and Sweden verifies that pursuing the Recast policy **reduces access charges**, promotes **growth in demand** and provides for the **expansion of the network and freight services**

Claims of large-scale job losses are unfounded.

- Lower costs, expansion of a reliable, efficient network, supporting more services and attracting more customers are all essential ingredients for **sustainable employment** in the rail industry
- The reverse, an unreliable, inefficient network and services, scaring off industry, is a recipe for job losses in a declining rail freight industry

Claims that the Recast policy will create an unsustainable rail network and services contradicts reality and logic

- Separating infrastructure provision and management from service management and provision better **facilitates and supports operational collaboration and management** coordination to ensure a seamless, efficient service exists across the widest possible rail freight network
- Operational collaboration works in air freight, international shipping and logistics; it will work for rail freight, **optimising the use of assets, extending the range of sustainable services and reducing costs and ensuring competitive prices**
- Many European rail freight operators are moving to increased operational and technical collaboration in order to ensure **viable single wagon-load services** can be maintained and expanded: the proposed recast will support and enhance such initiatives

**Without separation of network management and control from operation of services, rail freight is too high a risk for many shippers and freight forwarders to seriously consider.**

**Support the Recast proposals if you want to support a sustainable and growing rail freight network and European industry**