

**The transparent
quality network**



Capacity Booking – Way forward to network optimization and competitive European SWL


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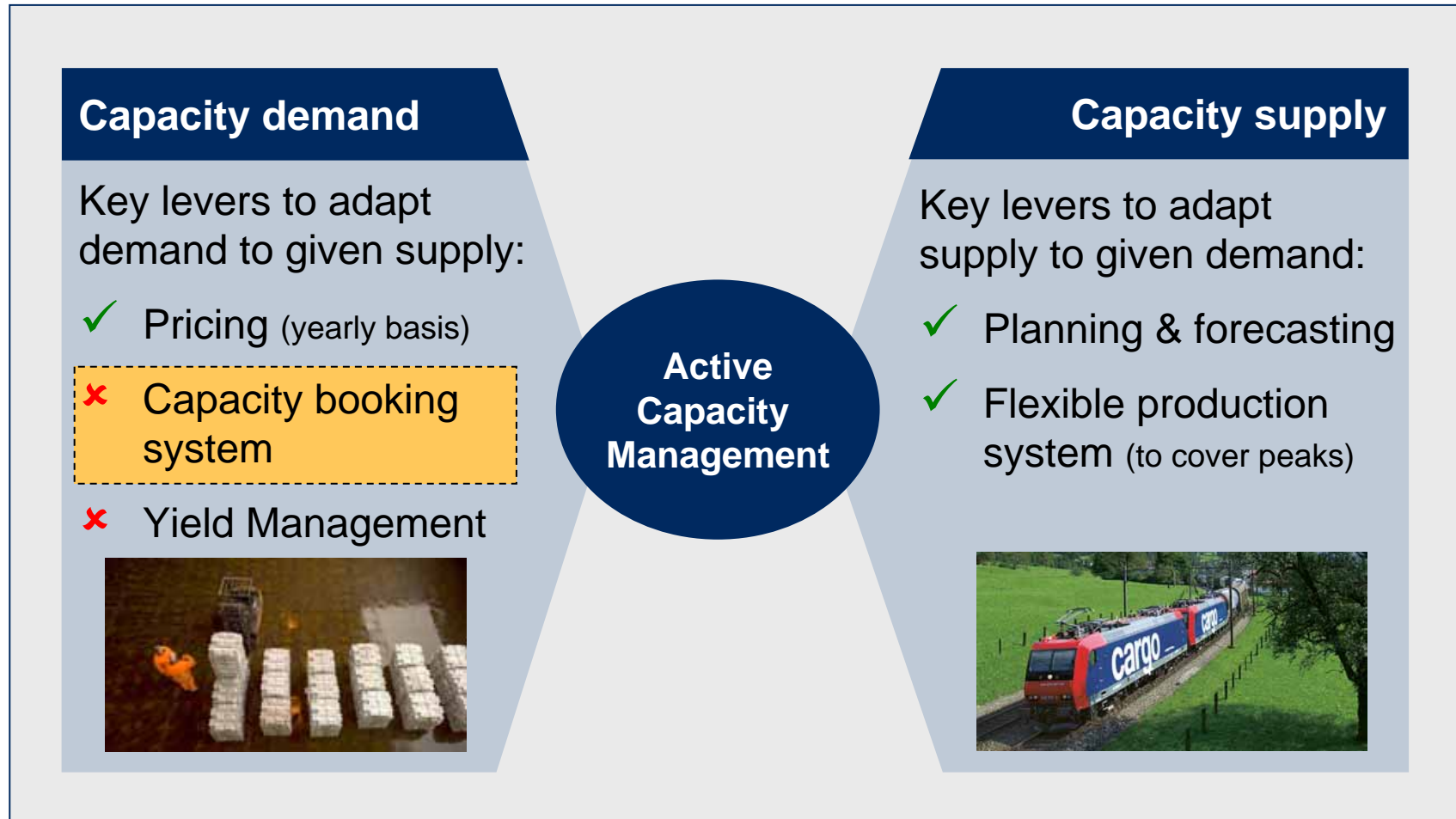
St. Petersburg, July 7th, 2010



Capacity booking is an important lever of capacity management and aims to manage demand to better match supply

LEVERS TO MANAGE CAPACITY

 Focus of today




- ✓ Applied but only to a limited extent by most European SWL RUs without a booking system
- ✗ Not applied by RUs with open systems

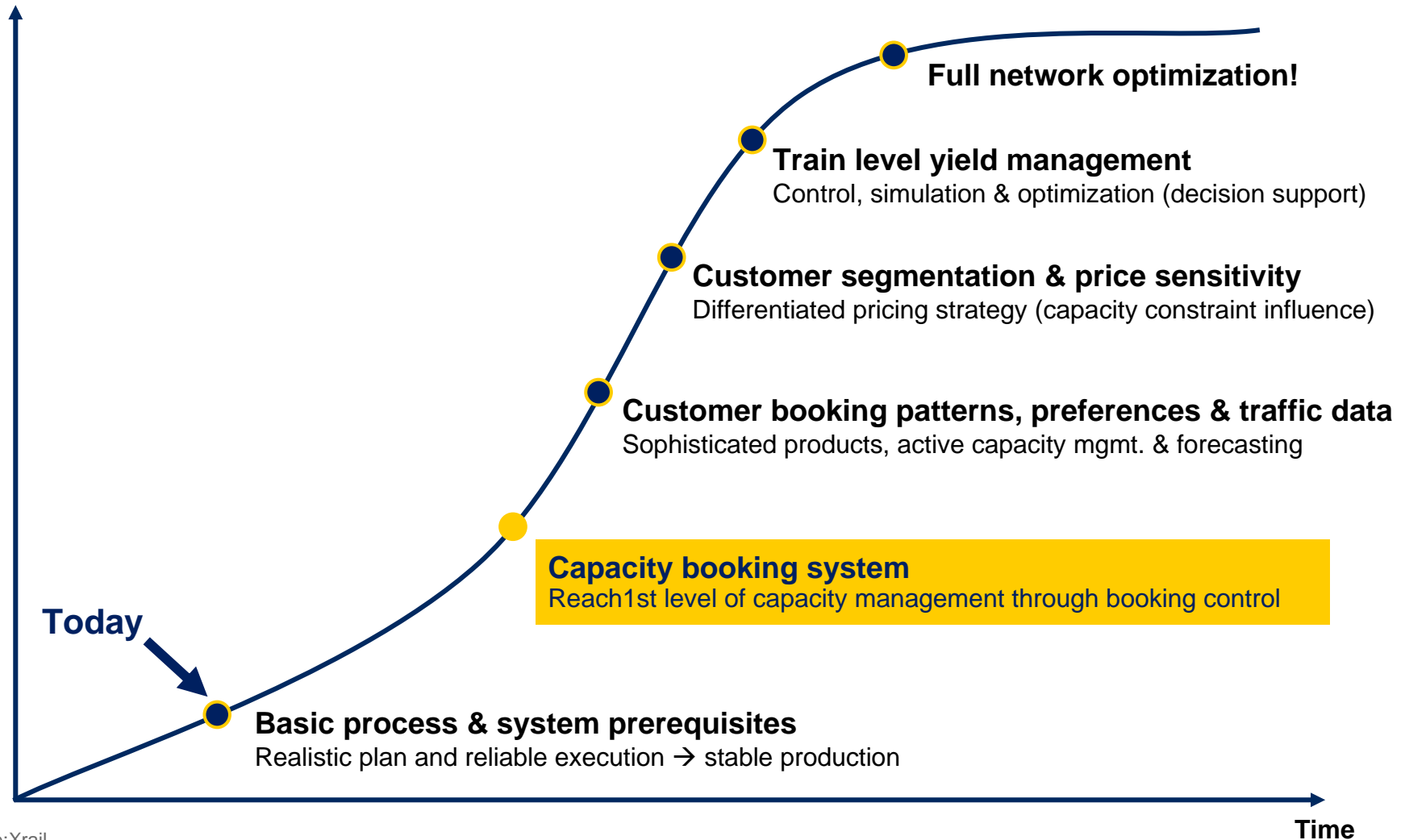
Source: Xrail

Developing a capacity booking system is a requirement and a typical first step for both, pro-active capacity and yield management

STEPS TOWARDS NETWORK OPTIMIZATION

 Focus of today

Network Optimization

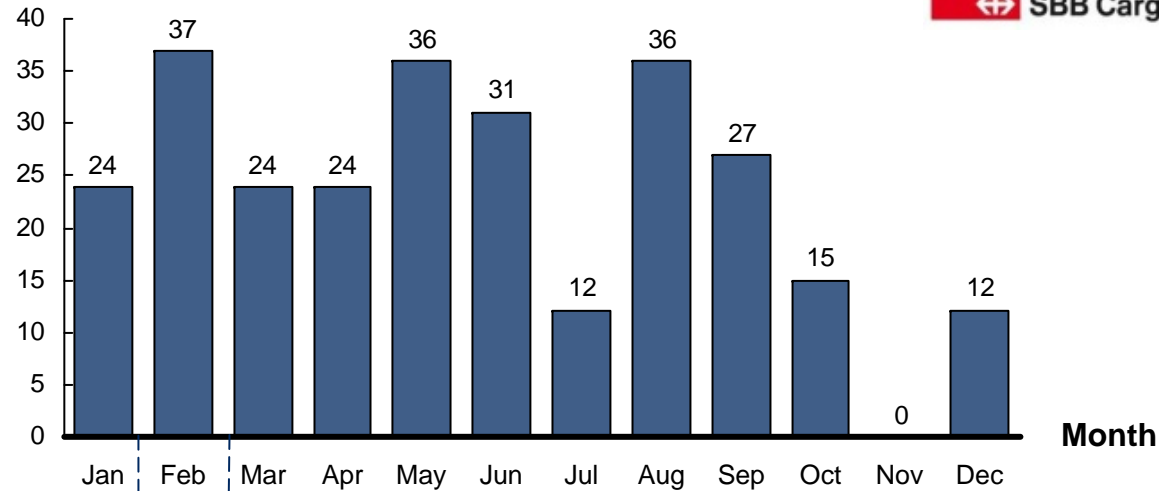


Source: Xrail

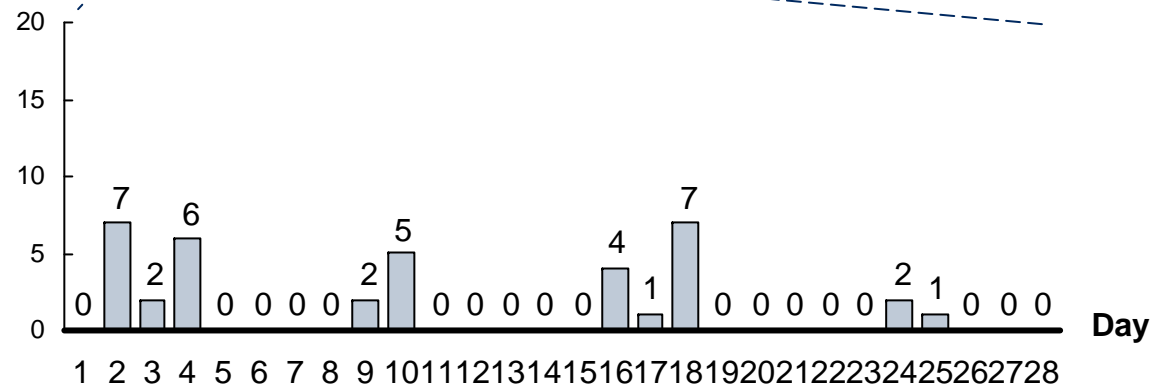
Today's open production systems with "uncontrolled" capacities lead to very low demand stability for railway undertakings (RUs)

EXAMPLE OF HIGH DEMAND VOLATILITY IN SINGLE WAGON LOAD (SWL)

Wagons per month



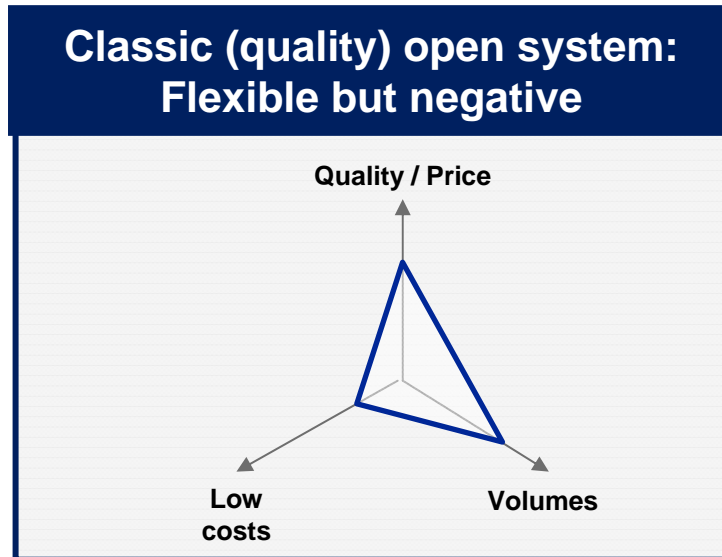
Wagons per day



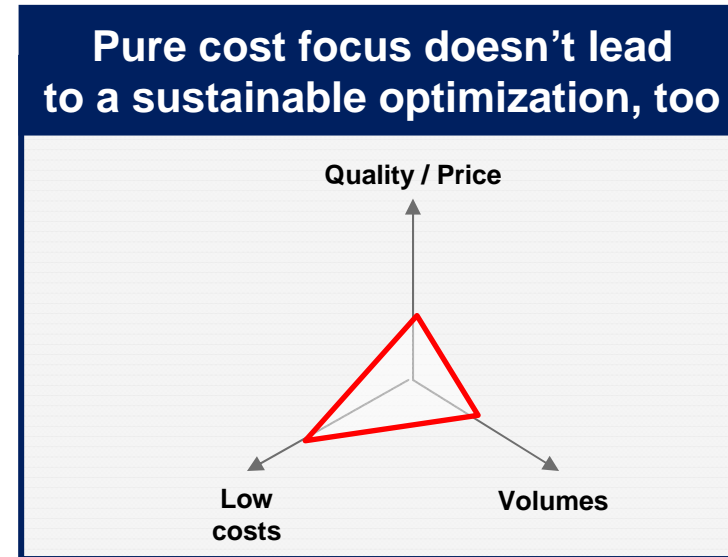
Source: XRail

A trade-off between quality & utilization of employed resources usually occurs in a fully “open” SWL system – risk of downward spiral

TODAY’S OPTIMIZATION DILEMMA FOR SWL



- RU flexibility appreciated by customers but mostly neither needed nor paid
- Low utilization of (vast) resources resulting from guaranteed availability and punctuality even in peak times
- Owners don't accept anymore to subsidize → RUs react by reducing the network or closing it down

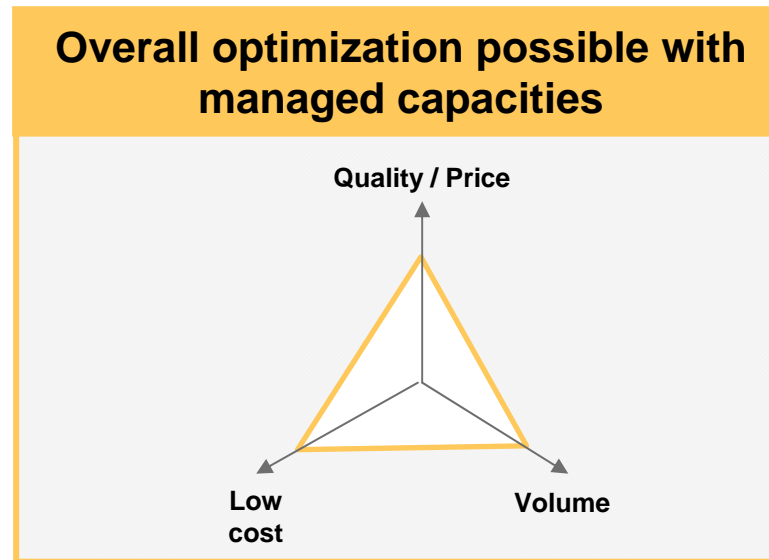


- An “uncontrolled” reduction of costs with primary focus on utilization of employed resources in many cases leads to a low quality level...
- ...followed by a reduced price level and/or a drop in volumes (or limited potential to acquire new business)
- Resource need still defined by peaks

Source: Xrail

An overall optimization is possible through a transparent system with booked & controlled capacities

HOW CAN A SUSTAINABLE OPTIMIZATION BE REACHED?



- A “managed capacities” system features planning on limited total capacity without compromising on quality as booked slot will be executed as foreseen
- It reaches low need / high utilization of resources by redirecting demand:
 - to the planned network offer (supply)
 - from capacity constrained slots (times/dates) to less utilized ones (leveling peaks off)

Positive experiences of freight RUs show that implementing a capacity booking system is an important step towards network optimization

SUMMARY OF EXPERIENCES BY GREEN CARGO, EWS AND CANADIAN NATIONAL

1

Higher transparency, better control of traffic and earlier involvement of customer support; better planning and reliable execution of production

2

Enabling RUs to smooth demand / cut off peaks and to have a more stable production (train supply)

3

Basis for optimization & better steering of resources, e.g. higher loco / wagon utilization, less resources, optimized dispatching, etc.

4

Basis for improved customer segmentation with better differentiated price and service levels → basis for future yield management

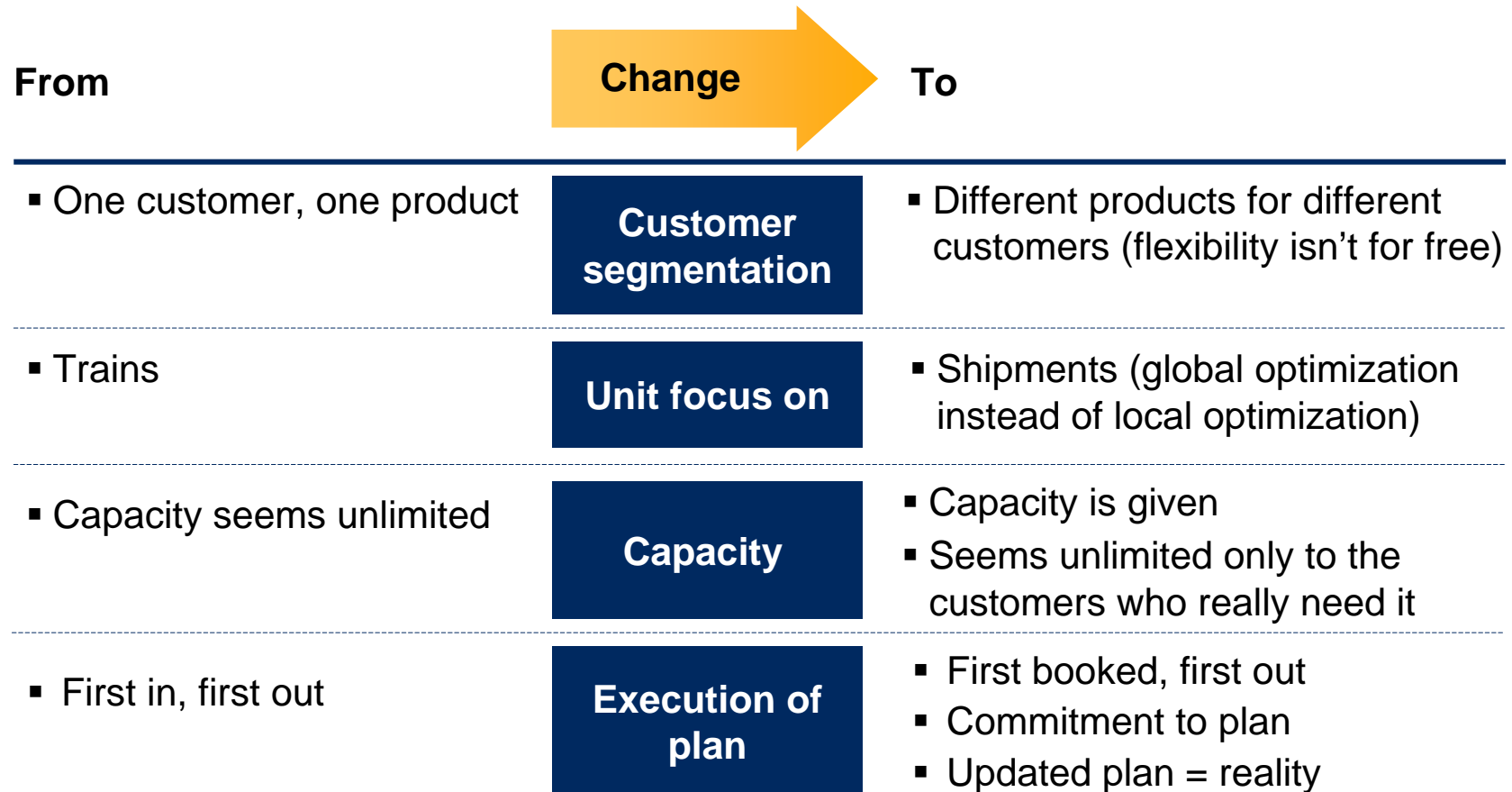
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Realization of (future) market requirements, e.g. ETA promise on international level, enabling RUs to gain more market share



Implementing capacity booking is much more than just a new IT tool – it requests a change of RU processes, production philosophy and culture

CHANGE / MIGRATION TOWARDS PROACTIVE CAPACITY MANAGEMENT



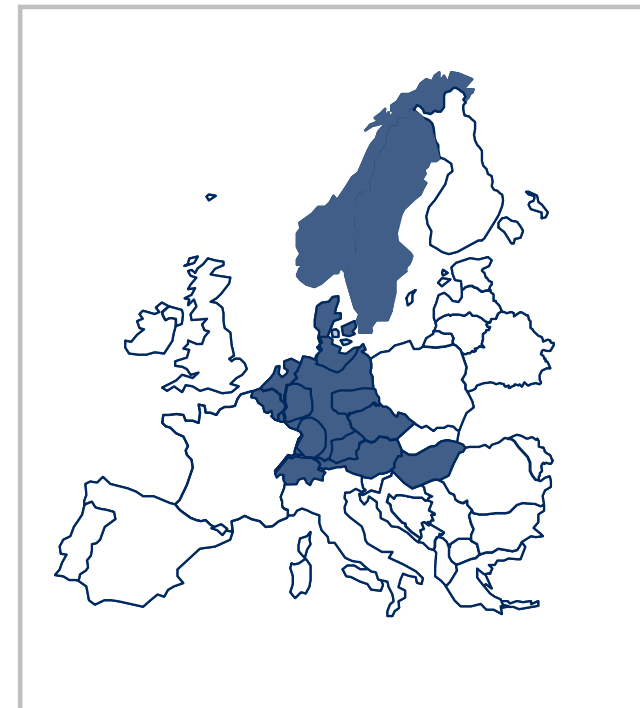
Source: Xrail

Managing SWL network capacities in a geographic setting like Europe can only succeed if the international perspective is taken into account

CONNECTION OF RU BOOKING SYSTEMS NEEDED ON INTERNATIONAL LEVEL

- Up to 50% European single wagonload is spread over the different networks (Import, export, transit)
- Int. SWL wagon runs must also be booked into affected RU systems (based on available capacity) to make RU booking systems work properly & deliver intended benefits
- It is thus mandatory to connect RU specific booking systems via European broker solution (with aligned processes, rules, minimum requirements, standards)

Xrail The European quality SWL network



Participating RUs will be able to offer a seamless available & bookable product with reliable ETA promise to international customers