The perspectives for global logistics opened by transcontinental corridors

Global solutions to optimise flows

Ferdinand Schmidt,
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... your competent partner for rail transport
... your specialist for logistics and transport with full-service
... your key to markets in CEE & SEE – we are there for you
Facts & Figures | 2011

- Turnover: € 2.5 bn.
- Train-kilometers
  - Austria: 38.0 mln.
  - Hungary: 11.8 mln.
- Transported tons: 124.0 mln.
- Marketshare – based on gross-tonkilometres: 86.5 %
- Employees: ~10,000
- Fleet:
  - Locomotives: 855
  - Freight-wagons of different types: 30,000
For rail to be fully competitive with other transport modes like deep-sea shipping in Asian ↔ European transports it is vital to have regional distribution networks at hand.

Global supply-chains do not end/begin in a major European hub. There is need for distribution/collection of cargo at the door of our European costumers.

This means that a reliable network is needed to feed and defeed the big international rail hubs.
Situation in Europe

Traditionally there is a **very dense rail network in Europe** to serve the transport needs of the scattered industrial production-plants in Europe.

But this dense network is suffering from

- **High cost** in maintenance and operation
- **Low volumes** and **high variation** in demand and volume
- Extremely **tough road competition**

At least there are two ways to deal with this
Agenda

Wagonload situation in Europe

Xrail Objective
# Wagonload situation in Europe

## 3 main products

Wagonload transports – a crucial supply chain element for Europe's geographically dispersed industry

<table>
<thead>
<tr>
<th>Segment</th>
<th>Commodities</th>
<th>Share of volume</th>
<th>Competitive environment</th>
</tr>
</thead>
</table>
| **Block train**   | Coal, Steel, Construction materials | ~ 35%           | • Intra modal competition  
• Price decline  
• Harshly competitive |
| **Wagonload**     | Chemicals  
Paper and pulp  
Automotive | ~ 50%           | • Competitor truck  
• Complex system  
• High fixed costs  
• High entry barriers |
| **Combined traffic** | Finished goods  
Containerized goods | ~ 15%           | • Strong road competition  
• Subsidized in several countries |

Source: McKinsey

Rail Cargo Austria AG

3rd GRFC Tanger October 18th 2012
Wagonload transport accounts for around 10.6% of the market and has significant growth potential if competitiveness can be enhanced.

European transport market for full truck-load shipments compared to wagonload transports

- Wagonload has only a **small market share** due to intense competition mainly from road transport.
- Wagonload has **certain strengths** but is **not always competitive** in some key aspects of the service such as transport reliability, transport information etc.
- In many countries wagonload is **not economically sustainable** today (up to 90% fixed costs).
- Wagonload **network coverage** is therefore **declining** in many markets (Italy, France, Spain, etc.)

*Figures: McKinsey research based on statistics EU27+ Switzerland, 2006*

* estimated percentage of rail and road transport, no official figures available for wagonload on a European level

** E.g. pricing for long distances, flexibility of capacity
The Xrail alliance is a cooperative venture in wagonload traffic which impacts neither other types of rail transport nor commercial aspects.

<table>
<thead>
<tr>
<th>Commercial</th>
<th>Xrail wagonload Alliance</th>
<th>Block train</th>
<th>Combined traffic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rails can approach customers directly in all networks and remain in direct competition</td>
<td>No impact on competition for block trains</td>
<td>No impact on competition for combined trains</td>
<td></td>
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<tr>
<td>Contractually agreed wagonload production alliance with • Mutual commitments to Xrail service standards • Progress is constantly monitored by a KPI system</td>
<td>No impact on competition for block trains</td>
<td>No impact on competition for combined trains</td>
<td></td>
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Source: Xrail
Milestones of the Xrail Alliance since 2008
Implementation of Xrail capacity booking and ETA product as already foreseen next major steps

**DG Comp "non-action letter"**

2 new affiliated members

Foundation of Legal entity

**Xrail**

**Launch of Xrail**

1st release to customers

- Network coverage 19 %
- Average Reliability 84 %
- Further development of Xrail IT tool (e.g. track & trace function)
- Conceptual planning on Xrail Capacity Booking

**Planned Network extension**

**Further Roll-out of Xrail**

(ETA product, 30% network coverage)

**Source:** Xrail

Xrail Capacity Booking

(ETA Product, ~ 100% network coverage – from 2015ff on)

2008

2009

Apr 2009

Feb 2010

June 2010

July 2010

Sept 2010

2011

2012

2013

~2014/15 ff

Presentation at DG TREN (DBSR, Fret SNCF & Green Cargo)

Signing of the Alliance contract (CD Cargo and CFL cargo become full member)

Launch of Xrail IT tool

Xrail Capacity Booking

(Tanger October 18th 2012)
The Xrail Capacity Booking (XCB) initiative intends to enable seamless international SWL bookings and to enhance domestic RUs capacity management

- RU capacity management initiatives, connected via Xrail on European level, intends to change the business model for domestic and international Single Wagonload

- A detailed XCB concept and business rules set has been developed / aligned by the RU´s together with the Xrail Central Team

- The concept provides commonly elaborated processes & standards for connecting multiple RU capacity managements via a central broker solution

Source: Xrail