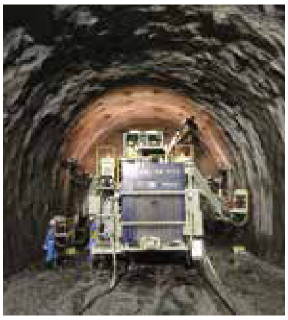
Railway Gazette

INTERNATIONAL



HIGH SPEED

Shinkansen still growing

The expansion of Japan's high speed network is being accelerated

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July 2016

Maintaining momentum in high speed

EUROPE

Not on the right track

A review of European rail freight finds much remains to be done to improve performance and competitiveness if the European Commission's long-term objectives for modal shift are to be met.

Multi-system locos such as the Siemens Vectrons ordered by MRCE are facilitating cross-border rail freight services in Europe.

Rail freight in the European Union has failed to respond effectively to road competition, according to a report issued by the European Court of Auditors on May 24.

Entitled 'Rail freight transport in the EU: still not on the right track', the report is based on visits to the Czech Republic, Germany, Spain, France and Poland in 2014-15, and a review of the performance of the rail freight sector since 2000.

The auditors feel that shippers 'clearly prefer' road over rail. Freight transport by road, rail and inland waterways in the EU has stabilised at around 2 300 billion tonne-km/year, but road still accounts for approximately 75%. Despite the modal shift objectives set out in the European Commission's 2011 Transport White Paper, rail's average market share has declined slightly since 2011, although countries such as Austria, Germany and Sweden have achieved better results.

The EU contributed €28bn to rail projects in 2007-13, but the auditors accept that this was not primarily targeted at freight. They highlight how poor maintenance can affect network sustainability and performance, resulting in speed restrictions and even route closures. The report also notes 'uneven progress' with market liberalisation. The Single European Railway Area is still a long way from being achieved, with 'very different' national rules governing path allocation and pricing, as well as traffic management procedures 'not adapted to freight needs'.

ECA recommends that the Commission and member states should address 'weaknesses' in market liberalisation, traffic management, administrative and technical constraints, as well as performance monitoring, transparency and fair competition between modes. Funding and project selection should be matched more consistently to policy objectives.

75 %

ROAD TRANSPORT'S SHARE OF THE EUROPEAN FREIGHT MARKET

'Extra funding will not resolve the problem by itself' if strategic and regulatory issues are not addressed, says Court member Ladislav Balko. 'The Commission and the member states need to help train and track managers improve rail freight's reliability, frequency, flexibility, customer focus, transport time and price.' These, he says, are still the main factors that influence shippers when choosing transport modes.

Agreeing with the report's main findings, the European Rail Freight Association told *Railway Gazette International* that parts of the rail sector still act like monopoly service providers and have not adapted to attract customers. Consolidation in the rail sector, where incumbent railways have been buying up smaller operators, means a lack of choice when compared to road. Pointing out that 'customers choose rail not on the basis of EU policy priorities, but on business decisions based on performance and quality', ERFA says there is a need to 'restore confidence in the ability of rail to deliver'. It wants a 'frank discussion' on ways to support a competitive rail sector, questioning the political prioritisation of passenger services over freight, and stressing the importance of performance indicators to steer improvements.

Citing an observation by Marie Antoinette that 'there is nothing new except what has been forgotten', Gilles Peterhans, Secretary General of the private wagon keepers' association UIP, agrees that the report 'falls short of addressing the key challenges which our industry is facing today'.

In particular, he says, 'it does not assess rail freight transport from a system point of view. By highlighting deficiencies from the perspective of a single infrastructure manager or rail operator, it ignores all the other players in the logistics supply chain.' He is also concerned that the report does not assess how regulatory changes might help to reduce rail's cost burden, citing the measures in the Fourth Railway Package.

Nevertheless, Peterhans believes that 'combined with a long list of other rail-related documents published within the last 12 months, this report could become an important piece of work to unleash rail freight's competitiveness.' ■

AUSTRALIA

Asciano deal takes shape

By the end of next month, interstate freight operator Pacific National could be under new ownership, if the long-running takeover battle for its parent company is completed on August 19 as currently envisaged.

More than 99% of Asciano shareholders voted at a special meeting on June 2 to accept the latest A$9·05bn package put together earlier this year by rival bidders Qube and Brookfield Investments. This complex proposal would see Asciano's port, rail and logistics activities split between the different groups of global investors.

Last August Asciano agreed a takeover deal with a Brookfield-led consortium (RG 9.15 p11), but this was subsequently derailed when Qube and its own backers acquired a stake in the business at the end of October. After the Asciano board switched sides and recommended the rival bid earlier this year, the two consortia pooled their offers in a common approach.

The current plan would see Asciano's port operations sold to the 'Ports Consortium' in which Qube would hold 50% and Brookfield 33%. Singapore's GIC, Canadian investment fund bmIMC and the Qatar Investment Authority would hold the rest. The Bulk & Automotive business would go to the BAPS consortium in which Brookfield would have 67% and the three investment groups 11% each.

With these businesses spun off, Asciano would effectively become a holding company for the Pacific National rail operations, being in turn owned by a new Rail Holdco of five investors. Canada Pension Plan Investment Board would be the largest backer with a 33% stake, followed by Global Infrastructure Partners with 27%. The remainder would be shared between CIC Capital, GIP and bcIMC.

The takeover has yet to be agreed by the Australian Competition & Consumer Commission, which issued a draft report on May 26 outlining a number of concerns for consultation. These include vertical integration issues as well as overlaps between the various Asciano operations and other businesses owned by the different inevstors. ACCC is now expected to issue its final ruling on July 21, following the national elections on July 2. Logistics group ACFS has also launched a court case over the change of control of its 50:50 joint venture with Asciano, which under the proposals would pass to the BAPS consortium.

Nevertheless, speaking at the shareholder meeting in Melbourne on June 2, Asciano chairman Malcolm Broomhead told investors that 'we are working with the consortium partners to address all the outstanding issues and to move to completion of the transaction as soon as practically possible', adding that he expected the deal to be completed by mid-August. ■

EUROPE

Economic advantage

New EU public procurement rules now entering force should encourage railway operators and infrastructure managers to focus more on quality, life-cycle costs, and even after-sales support, rather than simply going for the cheapest price.

Effective use of the new principle of 'most economically advantageous tender' was addressed at a seminar in Brussels on May 25, organised by supply industry association UNIFE in co-operation with infrastructure managers association EIM and Austrian transport research society ÖVG.

Three directives to update the procurement regime were due to have been transposed into national law in all EU member states by April 18. Directive 2014/24/EU covers public procurement, 2014/25/EU the utilities sector and 2014/23/EU the award of concession contracts.

Pointing out that public procurement in the EU totals more than €2 000bn a year, François Arbault from the European Commission's internal market directorate reiterated that it was essential to ensure value for money. However, DG Grow was keen to make the procurement process 'more agile', as it provided 'a lever to achieve other policy goals', whether environmental, social or in terms of driving innovation. Pointing out that 'the new framework is very much an enabling toolbox', he said the Commission wanted to 'dispel the myth' that public bodies always had to accept the lowest price. 'We are sending a clear sign to authorities: "do not shy away from quality"', he emphasised.

Rail manufacturer Voestalpine is among the companies urging a more holistic approach to procurement, including analysis of the social and environmental aspects of procurement.

€650m

ANNUAL SAVINGS ACHIEVED BY INFRABEL FROM USING THE 'MEAT' PROCUREMENT APPROACH

Lucy Anderson from the TRAN Committee told the delegates that the railway supply industry was 'a big area' for the European Parliament, which was keen to support local employment and technical leadership. She called on railways to 'make the most of the directive' in order to support European suppliers.

Martin Platzer from Voestalpine said it was now possible to calculate the customer benefits of buying higher-quality products, which went beyond life-cycle cost to include reliability, availability, and maintenance as well as wider societal aspects such as environmental impact, recycling and energy consumption.

Speaking for the infrastructure managers, Infrabel's Head of Procurement Frédéric Tilmans said his organisation faced the need to reduce infrastructure costs while meeting a growing demand for sustainable mobility. Pointing out that Infrabel had been using MEAT procurement since 2010, and achieved savings of €650m a year as a result, he emphasised that this required a higher level of skill in negotiating the specifications and tendering criteria with internal customers. Noting the need to align procurement priorities with Infrabel's wider strategic objectives, he felt that suppliers did not often engage with these big picture issues, even though their work could have a direct impact on railway performance and safety.

Both Tilmans and Platzer underlined the benefits of establishing long-term partnerships with key suppliers, but accepted that a 'smarter' approach to procurement was essential to harness the benefits of competitive tendering within the more flexible criteria that now apply. ■

JAPAN

Seeking best in class

East Japan Railway is seeking opportunities to engage with European suppliers in its search for 'best-in-class products and technologies', according to Executive Director Yuji Morimoto.

Speaking at the Fifth EU-Japan Industrial Dialogue on Railways, held in Brussels on May 31, Morimoto said JR East would work directly with European businesses 'to further shorten the distance between the EU and Japan'.

The Industrial Dialogue is intended to enhance mutual access to business opportunities in the two markets. Attendees included representatives from the Japanese government and the EU, as well as operators, manufacturers and industry associations. Special workshops for operators and manufacturers were introduced at the fifth meeting.

JR East had organised its second European Suppliers Tour during April,