Edition 2015

Barometer of the perception of rail shippers

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THE ART OF **MOBILIZATION**

Introduction

Shippers and freight forwarders are at the crux of transport companies' concerns, prescribing the employed modes of transport. This barometer, realized within the context of the *sixth European Day for Rail Freight,* **aims to give shippers a voice and evaluate their opinion on rail fret**.

After the first edition of the Barometer, submitted during the fourth European Day for Rail Freight in 2013, EUROGROUP CONSULTING FRANCE carried out, in partnership with SITL, AFRA, SNCF RESEAU, AUTF and ECR France, **the third edition of its Barometer**.

From year to year, this data is updated in order **to identify trends** and set a vision to the stakeholders.

The gathered comments allow drawing up an analysis on the modal shift preferred by the shippers to transport their goods, on rail services user-friendliness and its associated satisfaction. **From these considerations are emerging development trends of rail freight in the coming years**.

The 2015 Barometer focused on the perception of rail transport shipper is available on the EUROGROUP CONSULTING website: www.eurogroupconsulting.fr

Sommaire

Barometer general information

Target population

Industrial shippers, retail shippers and freight forwarders using or not conventional or combined rail transport.

Administration

An online survey sent to clients and members of the steering committee (AFRA, AUTF, ECR France , EIM , GNTC, OBJECTIF OFP, REED EXPOSITIONS, SNCF RESEAU et UIC).

Thanks to our international network, *n*extcontinent, of which Eurogroup Consulting is a member, the European outreach of the survey has been enhanced.

Scope

A panel of 129 respondents, including 76 French and 53 international.

The previous barometer, in 2014, listed 85 participants including 7 international.

Administration deadlines

From January 13 to March 13, 2015

A European panel mainly carrying consumer goods

- The panel is balanced between **French respondents (57%) and respondents from other European countries (43%).**
- The panel is made up of **68% of "industrial" shippers, 18% of freight forwarders** and **14% of "retail" shippers** *(Chart 1).*
- The respondents **mainly carry consumer goods (49%)** *(Chart 2).*
- 40% of the panel have **a yearly turnover above €800 M** ; 30% between €200 and €800 M.
- **67% of the panel move along their goods** in Europe, thereby confirming trends from 2014.

Chart 1: Types of goods mainly transported
(depending on the number of answers)

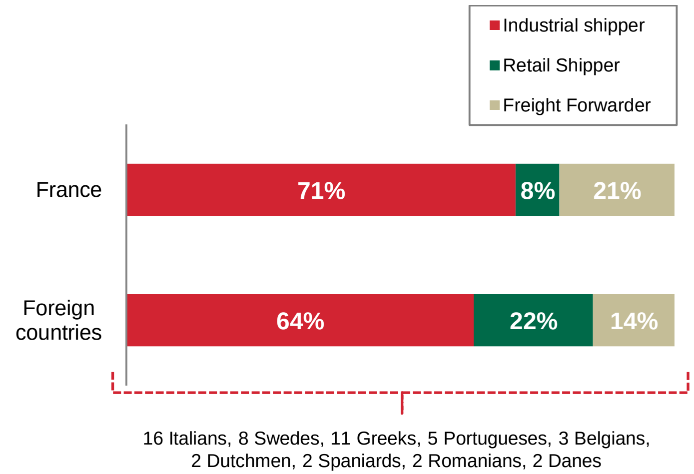
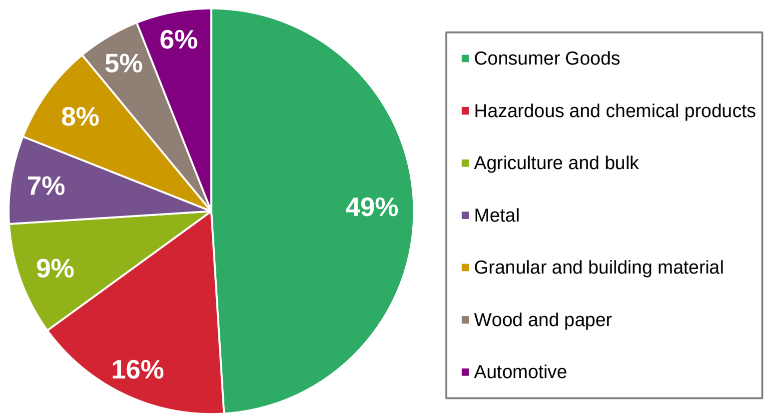


Chart 2: Segmentation by transported goods
(depending on the number of answers)

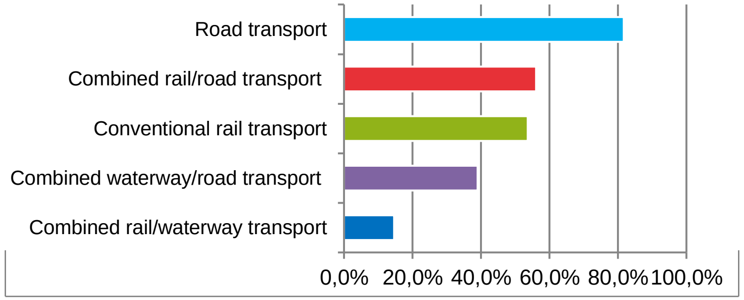


Modal split

A share of the combined modes on the rise and a prevailing road mode…

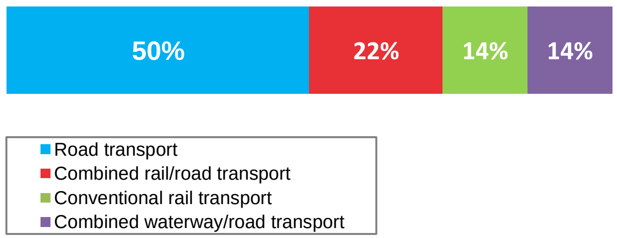
- **Road transport remains the first transport mode to be sought** (*Chart 3*).
- **Each combined waterway/road transport and combined rail/road transport improved by 10 points on last year**.
- Conventional rail transport remains stable in comparison to the 2014 Barometer.

Chart 3: Shippers modal split
(depending on the number of answers)



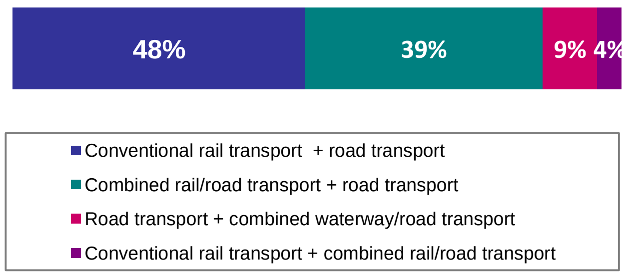
- Road transport remains favored by the panel respondents **using only one mode of transport**. (*Chart 4*).

Chart 4: Shippers modal split, when they only use one mode
(depending on the number of answers)



- **The players prefer the combination of conventional rail transport with road transport**, when two modes should be used (*Chart 5*).
- Coming in second place, the association of combined rail/road transport and road transport improved by 7 points, compared to last year.

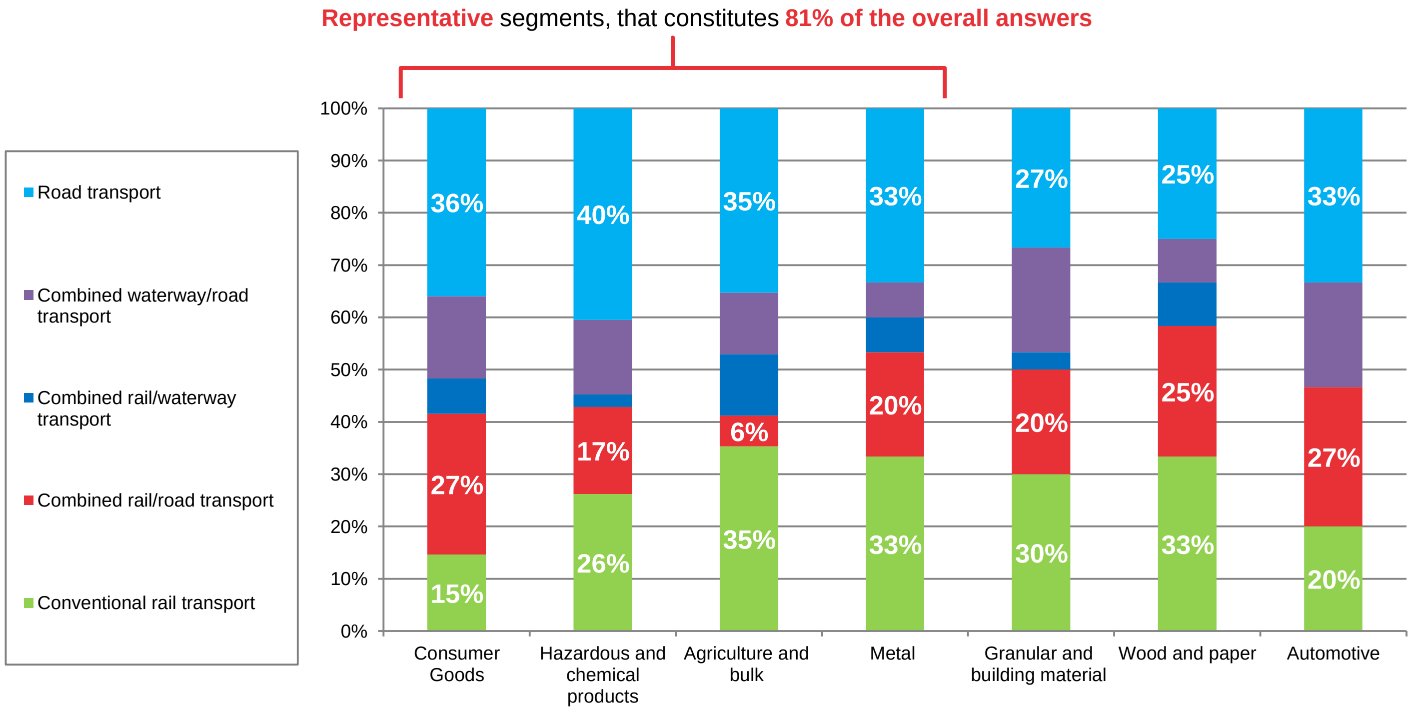
Chart 5: Shippers modal split, when they use two modes
(depending on the number of answers)



… still ranks first, depending on the transported types of goods

- **Road Transport remains the first mode**, used in transportation of consumer goods and hazardous and chemical products (*Chart 6*).
- Road transport is however not the majority mode, if we take into consideration the combined modes.

Chart 6 : Modal split depending on the types of transported goods
(depending on the number of answers)



A balanced panel of partners to organize transport

- The shippers **equally resort to freight forwarders, rail operators or short-haul rail operators, road transport companies and combined transport operators** (*Chart 7*).
- **This balance is the same for French and international shippers.**
- **45% of the panel declare that they are dealing with only one partner to organize rail or rail/road flows** and 36% deal with two transport partners.
- It appears that **the number of requests to transport the goods by railway specifically is the same as last year.** One in three is asked to do so. *(Chart 8).*
- The main arguments, to encourage the transport of goods by rail, are ***"promoting a green mode of transport"*** and ***"the implementation of an environmental policy"***.

Chart 7: Types of transport partners to organize the rail or rail/road flows
(depending on the number of answers)

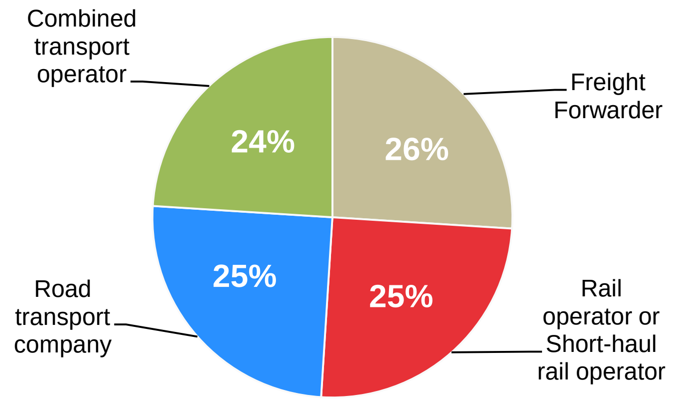
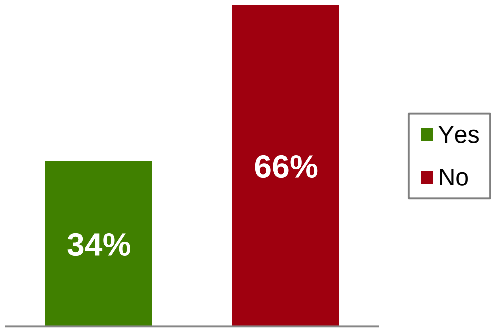


Chart 8 : Do you have requests to transport the goods by railway specifically?
(depending on the number of answers)



French shippers are more rail-connected but more reluctant to group together their goods

- **Foreign shippers appear to be more eager to group together their goods** (42%) **than the French are used to** (10%) (*Chart 9*).
- **The French panel is more rail-connected** (~60% of the respondents) than the foreign one (~38%) (*Chart 10*).

Chart 9: Do you group together your goods with other shippers?
(depending on the number of answers)

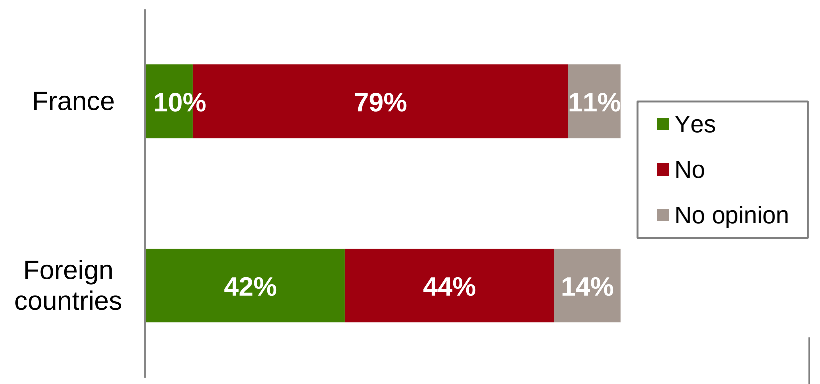
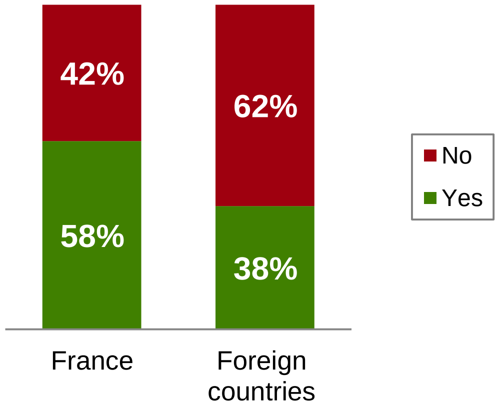


Chart 10: Are you rail connected?
(depending on the number of answers)

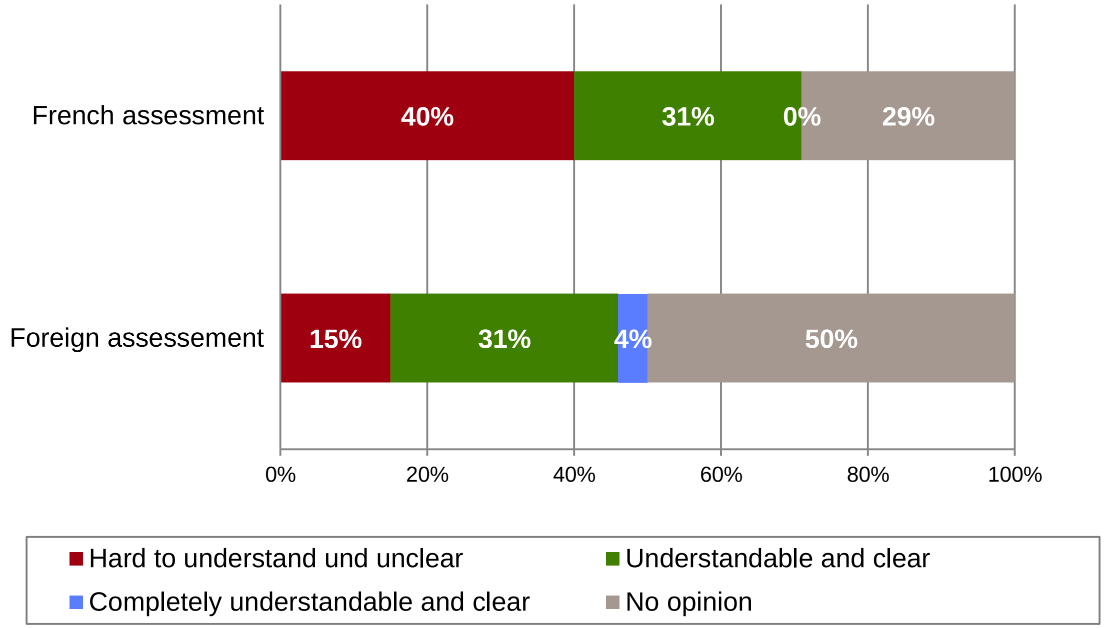


Rail freight user-friendliness

A better-judged user-friendliness of the market than in the previous editions

- **The improvement of user-friendliness has however to be put into perspective, considering the fact that 40% of French shippers and 15% of foreign ones have an unfavourable opinion**. Also, the results are due to the 1/3 of the panel who did not answer *(Chart 11).*
- The answers highlight the ***"lack of comprehensiveness", "lack of information regarding the offers », « the fact that the system is unwieldy" and "the high number of intermediaries".***
- The panel wishes for ***"a 'door to door' commercial approach, based on customer demand", "a clarification of the role of the historic incumbent" and "a better knowledge of the geographical coverage of railway companies"***.

Chart 11: Panel assessment regarding French rail freight organization and system
(depending on the number of answers)



Given the development of the last three years, rail sector transparency appears to have improved since 60% of respondents of the 2013 Barometer had a negative opinion against 50% in the 2014 edition.

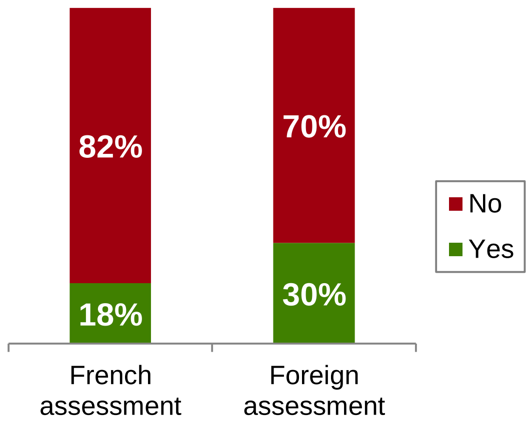
The difference has been shifted on the number of shippers, who are considering that the system is « understandable and clear », from 23% to 33%.

Shippers denounce rail offer's lack of suitability, even more so in France

- **82% of French respondents have a negative opinion of how the rail freight offer matches their needs,** like 70% of the foreign respondents. *(Chart 12).*

- The replies emphasize that:
  - **Railway companies' offers are not always suitable** to the rail freight value chain: "*commercial interface*", "*marketing*", "*responsiveness regarding costs reduction*".
  - **Prices considered as too expensive** for "*services that are not fast enough* ".
  - **Lack of flexibility**, regarded as a structural issue: "*for pneumatic, we need volume while swap bodies are 84m3.*"
  - **Lack of rail lines to meet demand:** such as scarcity of offers on "*east/west axis and abroad*" or "*between France and Great Britain*".
  - **Lack of competition**.

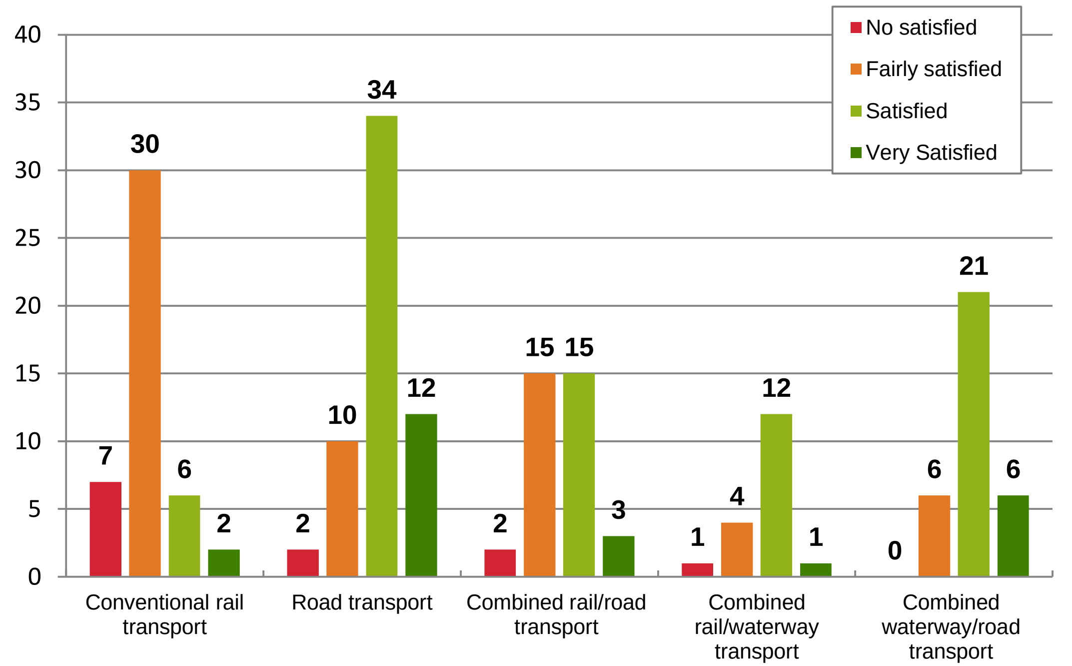
Chart 12: Rail offer relevance in comparison to the respondents' needs (France/Foreign countries)
(depending on the number of answers)



Shippers continue to be satisfied of road transport and combined rail/road transport

- **The most satisfied shippers are those who use road transport**, like last year (*Chart 13*).
- It seems that 80% of the panel are satisfied, not to say, very satisfied regarding combined waterway/road transport, when only 53% in the 2014 Barometer
- **50% of combined rail/road transport users are satisfied not to say very satisfied**, confirming the previous trend (53%).
- **As for rail transport, the situation has worsened** since 80% of users are now fairly satisfied or not satisfied at all, against 77% last year and 61% in the 2013 Barometer.

Chart 13: Satisfaction assessment by mode of transport
(depending on the number of answers)



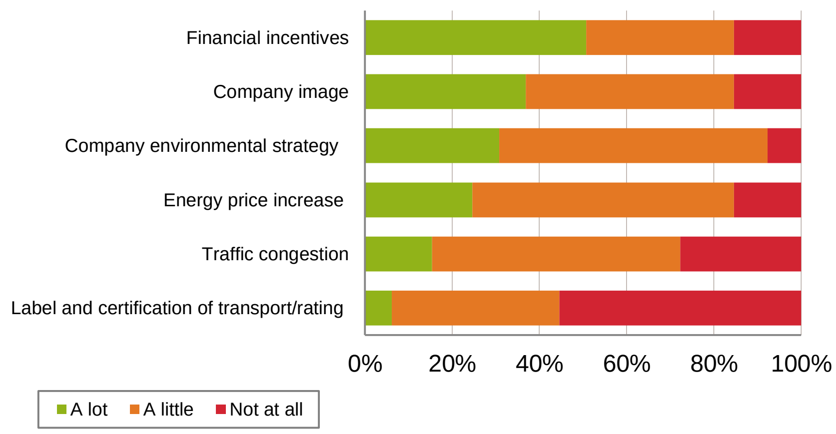
Financial incentive and company image are prevailing in the choice of transport

- **An increase of 5 to 10% of rail freight prices would cause a strategy change,** like the previous year.
- Although to a lesser extent than in the 2014 Barometer, **road transport price is likely to have an impact** on the choice of mode of transport, **for almost 68% of respondents**. In case of a rate increase, 63% would turn to combined transport (rail and other modes of transport) and **just over a third would then prefer conventional rail transport**, that is to say twice the proportion of last year. **83% of shippers answered that they would therefore rather choose one mode of transport**, of which 73% combined ones and 27% conventional rail.

- **For more than 90% of the panel, environmental strategy is a small or a significant enabler** (30%) for facilitating modal shift of goods *(Chart 14).*
- **The ability to consolidate flows with other shippers is a new criterion, pointed out as an asset** for the development of combined rail/road transport.

According to the interrogated panel:
For a company, **transport represents between 15% and 20% of total costs**.
As always this average ranks third in the total expenditure.

Chart 14: Criteria encouraging modal shift of goods in the medium term
(depending on the number of answers)



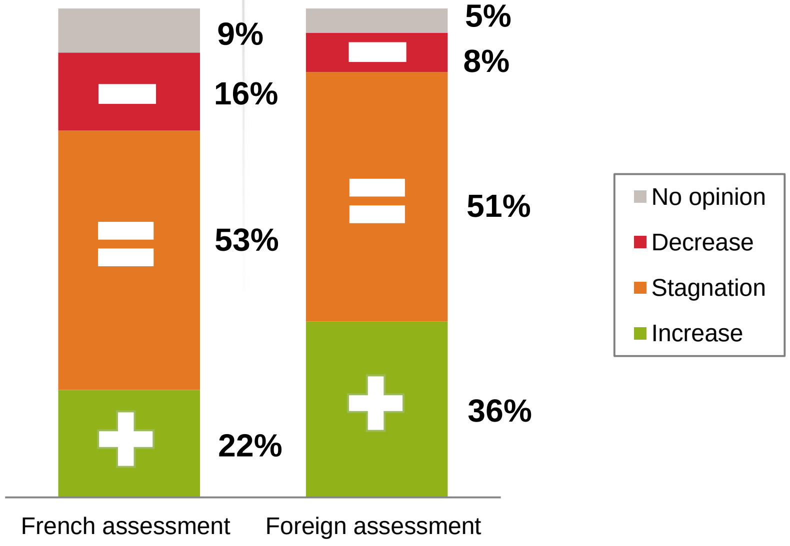
Stable development prospects for rail freight

- The number of shippers who think **that rail freight will be stable next year, improved by 10 points** compared to the 2014 Barometer (52%).

- For the general panel, rail transport growth prospects are more on the upside than on the downside (28% versus 13%) (comparison France/Foreign countries – *Chart 15*).

- Combined rail/road transport is the mode that has the highest potential for development. It provides the ability to **transport a growing number of goods, while minimizing costs** and its four assets are: ***"flexibility", "adaptability", "timely delivery" and "environment-friendliness"***.

Chart 15: Prospects for railway transport in 2016-2017
(depending on the number of answers)



- Unlike last year, **road transport development prospects appear slightly more positive than those of conventional rail freight**, which ranks third:
  - ***"Demise of heavy vehicle tax"*** ***is*** *quoted as another reason to carry on transporting goods by road. Road transport increasingly appears as more flexible and above all cheap.*
  - *From a foreign perspective,* ***some political decisions have been seen as an impediment to rail freight development****.*

Shippers are supportive of rail transport…

- **95% of respondents are willing to carry more goods by rail** (*Chart 16*), thus confirming the trend already present in the 2nd edition of the Barometer (97%).

- Among the users, who do not use rail and are eager to use this mode more, **70% of them are carrying consumer goods** (*Chart 17*).

- It also seems that metal and agriculture and bulk carriers are more willing to be involved in rail freight.

Chart 16: Shippers interest to transport more goods by rail
(depending on the number of answers)

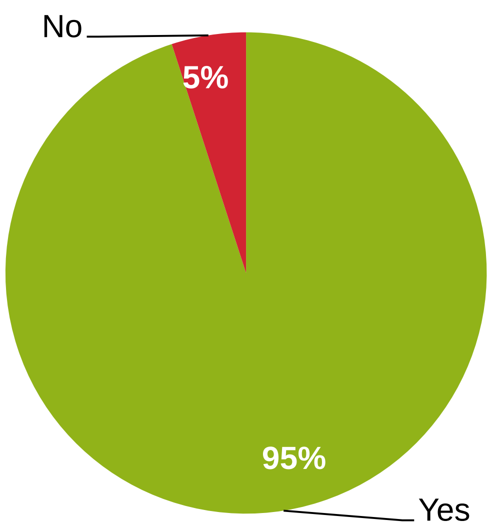
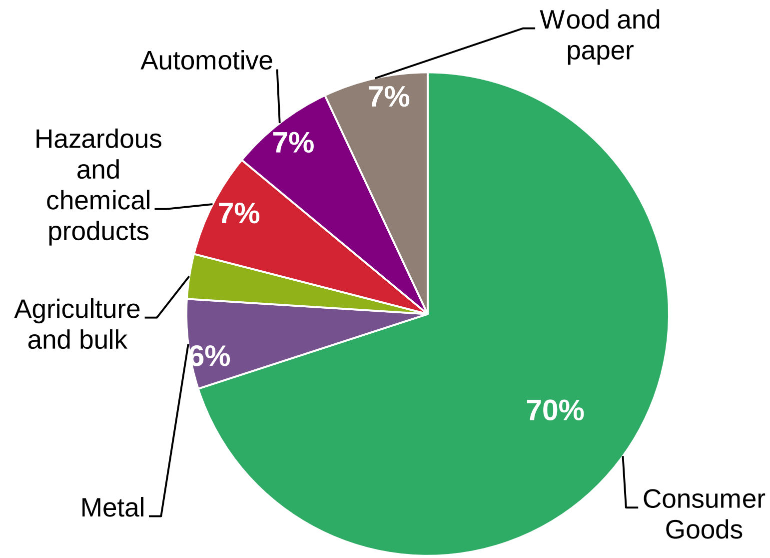


Chart 17: Types of goods transported by users, who do not use rail and are eager to use this mode more
(depending on the number of answers)

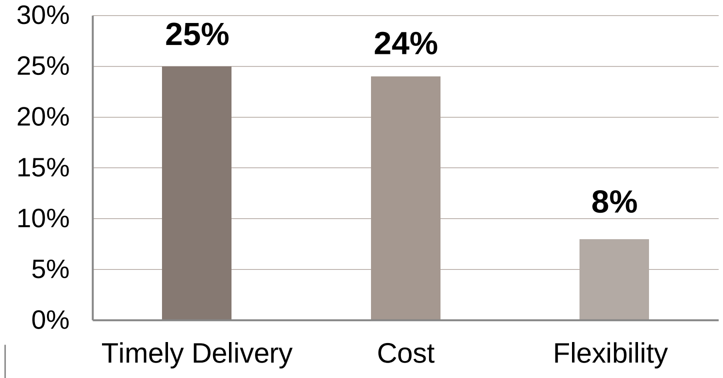


… if some particular measures are carried out

- To set out on this path, **decisive criteria are timely delivery, cost and flexibility** *(Chart 18).*

- According to all the interviewed shippers, **the 3 major actions, which are needed to be conducted to develop rail freight in 2015, echo those described in the 2014 Barometer** and are the following:

Chart 18 : Prior criteria to improve rail freight
(depending on the number of answers)



1. **Improving offer quality performance, making it more flexible, transparent and understandable,** is an absolute priority. For instance, some advocate more cooperation: "*All stakeholders in the value chain should talk and get involved together (railway companies, infrastructure managers, freight forwarders) in order to promote solutions to shippers, by supplementing their expertise.*" ; as well as the possibility of "*building with all players a real railway policy. (...) Setting up on an equal footing passenger transport and rail freight.*"
2. **Progress on costs and deadlines control are also essential. "*To be more competitive*"** is frequently prescribing, especially compared to road transport.
3. **At last, it is necessary to bring the network up to date and to develop it.** Modernizing and building new feeder lines, while ensuring increase of train frequency, **in order to push forward "distant industrial areas coverage"** and **to meet "*local needs*"**. Likewise the importance of network reliability and better management (particularly decrease of hazards) are underlined.

Trends, which have been enhanced for three years…

- **This year, the overall panel was considerably more European.** In this matter, the differences observed between the last two editions, are not so noteworthy, while we can see a more positive outlook on transport of goods abroad than in France.
- We may note **this year a more understandable rail market**, but **that still does not satisfy the majority of users**. They report a unwieldy system, combined with weaknesses in terms of quality and timely delivery. Road transport appears more convenient, both financially and organizationally.
- However, the panel acknowledges real assets for rail transport: such as **environmentally friendly, as well as security and integrity of goods**.
- Suppliers are all in favour of choosing rail transport, provided that some improvements emerge. It is mandatory to **be more competitive in terms of costs and timely delivery with a rail offering that combines transparency, accessibility and flexibility**. **Network renovation and development, in order to cover local needs**, is a step that also appears of utmost importance.
- Among other things, **the interrogated shippers advocate various actions**, such as:

1. *"Competitive pricing , improved timeliness"*
2. *"More clarity, transparency and availability"*
3. *"Cost control, decrease in hazards and lines development"*
4. *"More reliability and visibility"*
5. *"Upgrading last mile cost"*

... underpinning the need for leading change

6

"The creation of a real railway policy with all stakeholders"

7

“More precision, free indexing and carbon footprint”

8

“Funding of feeder network renovation and freezing of freight journeys price increase”

9

"An improved network and a more competitive rail market "

- **Combined rail/road transport and combined waterway/road transport appear both as satisfactory modes of transport**. The rail alternative, in its combined form (especially with road transport) provides flexibility, which can certainly catch the attention of more shippers. Nevertheless, stakeholders are not losing sight of **financial imperatives** and **environmental requirements** in their transport choice.

- We also should stress here **the necessity of mutual cooperation between transport organizers and rail companies** to try to better meet the needs of shippers, especially those that are not rail connected. It also seems required in France to step up efforts in pooling goods together, as it is more developed abroad.

- **A smoother and more used rail system would also induce general optimisation of transport flows**.

Merci

- **We would like to thank the shippers and freight forwarders that have taken the time to complete the online survey.**

- **We would like to thank also the steering committee of the European Day for Rail Freight:**
  - **AFRA** : Association Française du Rail
  - **AUTF** : Association des Utilisateurs de Transport de Fret / **ESC :** European Shippers' Council
  - **ECR France :** Efficient Consumer Response
  - **EIM** : European Rail Infrastructure Managers
  - **GNTC :** Groupement National des Transports Combinés
  - **OBJECTIF OFP** (Opérateur Ferroviaire de Proximité)
  - **REED EXPOSITIONS**
  - **SNCF RESEAU**
  - **UIC :** International Union of Railways

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