

# Tracking progress

*Lesley Bankes-Hughes talks to Lord Berkeley, Chairman of the UK's Rail Freight Group, about the security issues and operational challenges facing the proponents of an integrated European rail freight network*



Lord Berkeley is chairman of the Rail Freight Group, the representative body of the UK rail freight industry. He is a Board Member of the European Rail Freight Association. He sits in the House of Lords and was an opposition Transport Spokesperson 1996-7. He is Secretary of the All Party Parliamentary Rail Group. He was Public Affairs Manager of Eurotunnel from 1981 until the end of construction of the Channel Tunnel in 1994.

Contact:  
Rail Freight Group  
Tel: +44 207 7907 4646  
Web: [www.rfg.org.uk](http://www.rfg.org.uk)

The imposition of security measures on each and every mode of freight transportation does, to a greater or lesser extent, exert a toll on supply chain facilitation both in terms of time lost and a subsequent reduction in cost efficiency. While the advocates of 'heavy-handed' or highly visible security controls would have us believe that the seamless and uninterrupted passage of freight through rigorous security checks is only just round the corner, the reality is that even light security measures implemented through a risk-based approach can slow the flow of trade.

Consider then the challenges facing the rail freight sector in Europe given the ongoing international political and industrial lobby for tougher security measures. For decades the rail industry has been the poor relation in Europe with the sector seeing the erosion of its market share by a focused and energetic road haulage industry.

In 2005, according to **Eurostat** statistics, rail accounted for only 10% of the European transportation sector terms of freight transport tonne per kilometre. Compare this with road transport's hefty 44.2% slice of the business and maritime transport's 39.1% and it is easy to see that rail freight transportation has had a steep mountain to climb in terms of changing potential users' perception of it as an inefficient, unreliable reactionary business stuck in a 1970s' time warp.

Little by little, however, rail is becoming a more streamlined and dynamic provider of freight transportation. The picture is not uniformly rosy across all European Union (EU) member states (more of this later), but the **European Commission (EC)** is making strenuous efforts to meld national rail infrastructures and improve the punctuality and quality of rail services.

Lord Berkeley has much to say on the need for more joined-up thinking by infrastructure managers and rail operators in many parts of the EU, but at the outset of his interview with *Cargo Security International* he was keen to focus on the degree to which rail freight

is viewed as particularly vulnerable to security threats.

'Governments tend to expect and regulate for a higher level of security for rail than they do for road and sea. Rail is in direct competition with these other forms of transport, but regulations are imposed on it with very little or no consultation even though rail freight has not been shown to be any more dangerous than road, rail or even air.'

He cites the example of the development of the site for the 2012 Olympics village in Stratford, East London. A freight line is planned to go under the village, but, because of the UK government's security concerns, freight trains will be banned from using the line for a month before and a month after the event. 'Why?' says Lord Berkeley. 'The threat of danger from a freight train is extremely low; you could cause damage more easily by driving a truck or a car.' He is clear that he feels that rail freight is unfairly discriminated against in terms of governmental threat assessment: 'The regulations applied to the sector must be proportionate to the risk and they must be similarly applied to road transportation, which at the moment they are not.'

He also remains to be convinced about the effectiveness and necessity for scanning rail freight. 'It is difficult and time-consuming,' he comments, and points to the example of the recent fire in the Channel Tunnel. 'We still don't know the cause at all – was it a security issue? We just don't know and although the report on the investigation into the cause may be ready by September, it may even be delayed after that date.'

Trucks and cars are scanned on entry into the tunnel according to risk-based assessments, whereas rail freight is not scanned at all. Lord Berkeley, who was heavily involved with the evolution of the Channel Tunnel project, is quite comfortable with this approach to rail freight, reiterating that it remains a very secure mode of transportation.

In the last issue of *Cargo Security International* (December 2008/January 2009), we revealed that after an earlier

abortive attempt to introduce a pan-European security standard for rail freight security, the EC has now approached the **European Committee for Standardization (CEN)** to produce such a standard. This move has elicited a lukewarm response in some parts of the rail industry, and Lord Berkeley himself rejects the need for any form of compulsory standard. Best practice is the norm for most parties involved in the rail freight industry, he says, and 'if the EC is going to push to introduce this, then there is a problem. What will happen in the end we don't know – perhaps the EC will decide to take no action at all – but why target the railways? Nobody is concerned about producing a similar standard for road transport.'

The liberalisation of national rail services has been the driver for change in Europe. The UK's rail sector was deregulated in 1997, while the European market was opened up to competition in 2007. **The Association of the European Rail Industry (UNIFE)** estimates that rail now has a 17.7% share of the EU 27 transport market. The UK is one of the prime movers in the regeneration of this formerly lacklustre business; rail freight volumes here have increased by some 70% in the past decade and it now has a 12% share of the national market. A report undertaken by CEN and consultants **McKinsey** has shown that an investment of €145 billion (\$188 million) in the rail freight infrastructure by 2020 could boost the capacity of rail transport along six designated rail freight corridors throughout Europe, and the modal share of the rail sector could be pushed up to 23%. The report estimates that to achieve this level of improvement in France, an annual investment of some €800 million (\$1,035 million) would be needed – a not insignificant amount of money by anyone's standards but it is only 4% of what France is currently spending on its road infrastructure each year.

The road sector's reputation has also been somewhat tarnished because of its voracious appetite for fuel; figures

for 2004 show that it consumed a staggering 83% of transport's fuel energy consumption in Europe. In terms of environmental responsibility, rail scores highly and with the removal of border restrictions within a much enlarged EC, the sector begins to look an increasingly attractive alternative to road transportation in its ability to move large volumes of freight over long distances.

On 10 December 2008, the EC finally published a regulation proposal for a European Rail Freight Oriented Network. An earlier plan for the creation of dedicated rail freight corridors throughout Europe had been rejected as being too expensive and difficult to implement, but the new proposal is aimed at improving the commercial speed and capacity of rail freight through the development of international corridors where freight will be given priority over passenger trains in some of the timetabling.

Lord Berkeley points out that while member states may well have signed up to the liberalisation of the rail sector in Europe, in reality national protectionism remains alive and well in some areas. The proposed regulation recommends that infrastructure managers, train operators and national governments would work together along the corridors, and that each corridor would be operated under the auspices of an independent governance structure which would oversee both the development and the ongoing quality and reliability of the rail service.

Lord Berkeley is a firm proponent of such an initiative: 'The UK Government is ready to sign it now,' he says. 'It is very necessary because it does give freight a degree of priority.'

'Infrastructure issues in Europe vary from country to country,' he continues, 'but under this regulation proposal the infrastructures would be merged from one member state to another and would be managed by a not-for-profit European Economic Interest Group.'

He envisages that the UK could accommodate two such corridors, but while he believes that support for the

regulation proposal is currently 'quite high' in Europe he believes there is a very long way to go before such a regulation will see the light of day. 'There have been many problems with liberalisation, and governments still have the chance of changing the proposal so I am not sure if it will survive.' He believes it will be difficult to wrest control from national infrastructure managers, and also points out that as a substantial amount for funding for rail freight is provided by regional authorities, then if they are going to be asked to partially finance freight-prioritised corridors they may well be unwilling to acquiesce to the requirements of a supra-national corridor governance authority.

'The next big battle is to get the infrastructure companies to be more efficient,' says Lord Berkeley, but this could be quite a struggle. He cites the case of Germany, where regulators are virtually impotent in their attempts to improve efficiency as they have no authority at all to access the cost figures of the infrastructure companies.

Many deeply entrenched practices and requirements in Europe still conspire against the best efforts of those who advocate increased competition in the rail freight sector, such as Lord Berkeley. He highlights the case of Romania which, as part of its accession package into the European Union, received €5.7 billion (\$7.4 billion) to invest in its transportation infrastructure. Investment in the rail freight sector was predicated upon its ability to reach stipulated overall speed requirements. However, the fact was ignored that many of the country's rail routes pass through the Carpathian Mountains, with an inevitable impact on speed, and so the majority of that tantalising pot of euros will now be spent on the country's road network.

'There is,' says Lord Berkeley, 'a direct correlation between an increase in freight volumes and the extent of competition in each member state'. He comments wryly that 'the market economy still hasn't visited some parts of Europe'. Anti-competitive measures are still in place which prevent a transparent opening up

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to competition in some countries, and the entry of foreign train operators. **Freightliner** has ventured into Poland, and **EWS** (now under the ownership of **Deutsche Bahn** resulting in a change of name to **DB Schenker** from January 2009) operates in France. Its acquisition by the German rail group may potentially furnish Deutsche Bahn with the means of breaking into the French market which currently remains under the absolute rule of **SNCF**. Lord Berkeley notes that SNCF's stranglehold on the rail sector has resulted in an inefficient freight service where volumes are down by 40%, and rules and regulations require that a total of six drivers may be required to take a single freight train through the length of the country.

Freight charges differ widely between member states. They remain highest in the former Communist states where political pressures dictate that passenger services are heavily subsidised so the cost burden falls heavily on the rail freight sector. Lord Berkeley also remains vexed by the issue of anti-competitive subsidies. He welcomes the fact that **Arriva** is operating in the German market near Hamburg, but he points out that, according to Arriva's figures, while it receives a subsidy of €0.77 per metre (\$0.99), the home-grown Deutsche Bahn squirrels away some €71.43 (\$92.42) of subsidy per metre.

He believes that the question of access is key in the struggle to open up the European market. 'Refuelling depots are owned by infrastructure companies who can dictate who can use them,' he says, 'while train operators who own terminals can determine who can go in; there should be open access to terminals and the facilities within them'. Similarly, wagons used for the transportation of goods such as steel and aggregates are often operated under monopolistic contracts.

In December 2008, the EC demonstrated its support for the Technical Specification for Interoperability for Telematics for Freight (TAF-TSI) by agreeing to provide €780,000 (\$1.9 million) in

funding for the development of a common communications interface. The programme will play a significant part in improving the security and safety of pan-European rail networks as it calls for the development of a computer network for data exchange which will be operated within a secure environment.

Lord Berkeley supports the aims of such an initiative: 'The principle of a Europe-wide track and trace system is good,' he agrees, but he expresses some doubt over the viability of the current project. Development of the system is being administered by the **International Union of Railways (UIC)** and he points to a potential problem in the way TAF-TSI is to be made available to users: 'The rail freight sector is being told that if you join up now then you will be able to use the system for free, but if you sign up later then you will have to pay.' He points out that UIC is about to let a consultancy project, but he predicts that with an initial budget set at only €12 million (\$15.5 million) many potentially interested parties may think it is too risky to commit to an (open-ended) investment at the start of the project in return for free access to the interface. He does, however, consider that other agencies or private sector organisations may be interesting in developing their own telematics system outside the umbrella of the UIC.

One can see that involvement in the push towards an integrated European rail freight industry could be seen as an ongoing task akin to that of poor Sisyphus, and Lord Berkeley is certainly a patient man with regard to the inconsistencies which remain to be confronted in various member states: 'Unfortunately, once you think you have sorted out the bigger issues, then you find a whole range of smaller problems coming up from below!' However, he remains optimistic about the future of Europe's rail freight industry: 'The sector is being streamlined, and the drivers for change very much include the operators, who know what is possible, and the users, who also know what there is to be done and what can be done.'