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**How can a RU best achieve a high level of efficiency
in Poland? The Freightliner experience**

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Company overview

- Freightliner PL (FPL) and Freightliner DE (FDE) form part of global railway company **Genesee & Wyoming Inc.**, which was established in **1899** and is traded at NYSE, with current market capitalization of **US\$ 4.9 bn**
- G&W manages **120 railway lines** of over **25 000 km** globally, employing **8 000** highly qualified employees and providing services to over **3 000** clients
- FPL started operations in **2007**, and FDE in **2012**
- Over **250** employees in Poland and Germany
- Over **40** locomotives and **1400** wagons
- Partnerships with railways from Ukraine, Belarus and Czech Republic
- Focus on service quality, efficiency and flexibility



Efficient train concept as a competitive advantage

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- FPL focus on efficient train concept with strong locomotive and optimised wagons
- Since 2007, FPL invested in excess €150mn in new assets with support of industry financiers
- Interoperable, powerful six-axle diesel **Class 66** locomotives form the base of FPL`s fleet
- Class 66 allow to run the heaviest trains in Europe, up to 4800 tonnes
- Electric hybrid **Dragon** was the first European six-axle electric locomotive with additional diesel engine
- Diesel engine of **Dragon** loco allows running trains at non-electrified sections and shunting operations

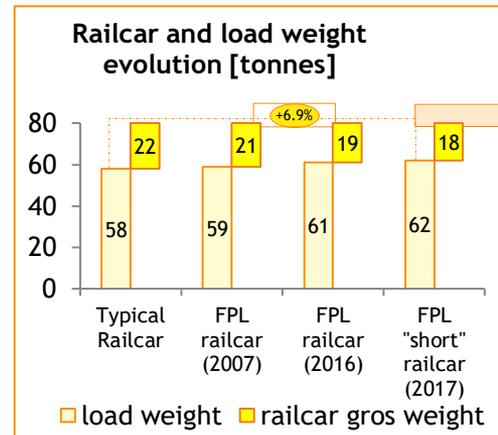
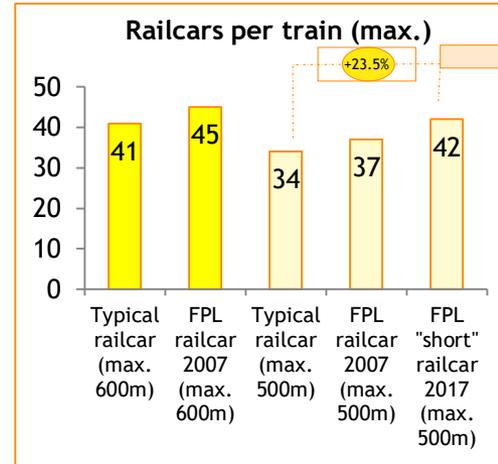




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Freightliner's wagon innovations

- Purpose-built shorter & lighter box railcars allows more wagons in one length-restricted train
- Optimised box „short” wagons provide the same loading capacity but lower tare weight, allowing more payload per wagon
- All FPL's box wagons were built in Poland
- The wagon concept has been recently copied by other non-state RUs in Poland and Germany



Load Innovation Effect
[per train]
up to +30%



UK/Europe Region

Efficiency of RUs is not sufficient

- RUs has limited capabilities to improve efficiency of railway system without better external conditions
- Strong engagement of IMs is a must for improvement of rail sector`s competitiveness
- Equal conditions for different modes of transport are crucial for change in modal shift and should be underpinned by aligned European and national transport policy
- The network of modern motorways in Poland is growing quickly (nearly 2500 km built since 2004) supported by EU funds improving conditions for road freight
- The Polish rail network is also being modernised at a fast pace, but...



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Infrastructure quality remains a challenge in Poland

- Costly modernisations are focused on the needs of passenger transport leading to deterioration of network quality for rail freight:
 - Closures of stations
 - Liquidation of additional tracks
 - Longer sections
 - Liquidation of passing loops
 - Increased axle loads, but not at engineering objects (i.e. bridges)
- Examples from E20 (Germany - Poznan - Warsaw), E30 (Germany - Wroclaw - Krakow - Rzeszow), E65 (Warsaw - Gdansk)
- Point/station infrastructure considered separately, not as part of „big” modernisation investment projects



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Operations management by Polish IM can be improved

- Night closures of lines important for freight
 - Sometimes a line is opened 12h daily 3 days a week, e.g. Monday, Wednesday and Friday, which makes a line de-facto closed for 80% of time
 - Usually these are the lines that are used by freight only and freight often runs at night
- Poor closures planning - unpredictable diversionary routes
- Improving, but still not satisfactory quality of traffic management
- Observed examples of non-Network Statement-based priority given to the historic incumbent operator
- IM doesn't see the final client (shipper or recipient of goods) as a client



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Poor value for money TAC slows rail freight growth in Poland

- Track access charges in Poland remain among the highest in EU despite:
 - Low average speed for freight train - below 25 km/h
 - Lower unit labour costs for Polish IM when compared to Western IMs
- As a result, whole logistics market development since Poland joined EU in 2004 has been captured by road transport:
 - Road transport doubled from 732 to 1500m tonnes per year
 - Rail freight dropped from 283 to 250m tonnes per year

Poland has neither fully introduced the ECJ sentence from 2013, nor the Recast Directive's provisions regarding direct costs

TAC per 1 km of 2400 tonnes freight train, hauled by electric locomotive:

- **In Germany:** € 1.57 (after recently introduced TA rebate)
- **In Poland:** € 2.90 - € 5.43 (depending on rail line category)



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German Rail Freight Masterplan (2017) linked performance with TAC

- Joint voice of government, railway industry and clients
- Clear goal:
 - “*Rail's market share of all freight traffic in Germany is to be significantly increased over the period to 2030*”
- Relevant measures:
 - „*Charges for the use of railway infrastructure must be brought down to a competitive level*”
- Resources allocated: € 350 m annually until 2023, RUs to see **40-45% reduction of track access charges**
- Expected effects:
 - Facilitation of **investments** into new more efficient assets **by RUs**
 - **New traffic** to be captured **from roads**



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Insufficient incentives for IMs to improve infrastructure quality

EU Principle:

“Infrastructure managers shall (...) be given incentives to reduce the costs of providing infrastructure and the level of access charges” (Directive 2012/34, Art 30)

In Germany, even planned diversions for regular intermodal trains generate extra TA costs that need to be passed to the end customers or absorbed by RUs

In the UK, IM covers majority of costs related to diversions

In Poland:

- Before 2017: „pay per use”: the longer diversion, the higher income for IM
- Since 2017: IM charges for as-usual route, not for the diverted one
- RUs still cover increased costs of energy, rolling stock and labour



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Positive experiences with PLK – to be shared with other IMs

SKRJ - efficient tool for path/timetable allocation

- Path/timetable planning software developed by PKP PLK
- Allows fast ad-hoc paths (even within minutes), what brings a lot of flexibility to RUs
- Being developed on a constant basis
- Ready for cooperation with system of neighbouring countries IM`s

RUs Council - effective industry communication with IM

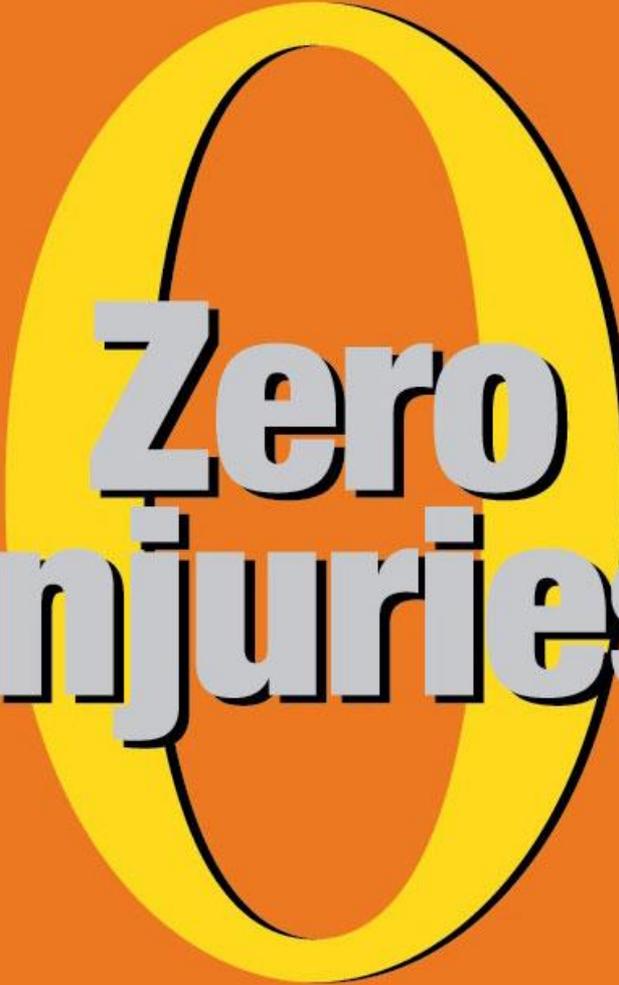
- RUs Council is an advisory body to PKP PLK Management Board, composed of key PLK managers and representatives of all major freight and passenger RUs
- Works on all issues submitted by RUs
- Meetings on regular basis (monthly)
- Focused on specific operational issues, provides a lot of value to the market



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How can a RU best achieve a high level of efficiency in Poland?

- Efficient rolling stock and focus on excellence in operations are the key responsibilities of RUs
 - Transport policy should support a shift to modern rolling stock and RUs' investments
 - TAC bonus/reduction schemes for silent and/or less track damaging rolling stock
- Infrastructure must be focused on freight:
 - Dense point infrastructure, passing loops, additional tracks, stations needed
 - Investments need to take into consideration future demand for maintenance of motorways and express roads, construction of local roads, etc.
 - Construction of lines between industrial areas, middle-sized cities that are excluded from the railway system
- TAC to be reduced by some 50% to comply with direct cost principle
- Germany's example set in 2017 Rail Freight Masterplan should be followed by Poland



**Zero
Injuries**

Our Goal Every Day