

SCI/VERKEHR BERLIN 2014



EUROPEAN RAIL FREIGHT TRANSPORT MARKET 2014

Developments – Volumes – Players

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Developments – Volumes – Players

With this Multi Client Study, entitled “[European Rail Freight Transport Market 2014](#)“, SCI Verkehr has once again dedicated the fast and constantly changing European rail freight transport market its own study. This study focuses on the rapidly changing operator landscape and the development of transport service with regard to relations and types of freight.

Europe remains in a critical economic situation. Tentative signs of recovery in the second quarter of 2013 do not mark the end of the crisis. While the upswing in 2010 and 2011 after the crisis of 2009 was relatively swift, current economic difficulties are holding the rail transport markets back for longer than expected. All economies in the region have to deal with challenging external conditions, including the debt problems in the Eurozone, volatile global financial markets and a slowing global economy. SCI Verkehr has identified the decisive developments in this currently very volatile market. The study provides a detailed analysis and presentation of the transport market and the specific operators.

In concrete terms, the market study

“EUROPEAN RAIL FREIGHT TRANSPORT MARKET 2014“ includes:

- Development of the conditions in rail freight transport, detailed for 16 country markets
- Rail freight transport volumes (transport performance, evaluation of the market drivers, volume measured in EUR, modal split, national/international transport)
- Rail freight infrastructure development
- Development of market shares of national incumbents and independent private competitors in the period under consideration
- Railway-related analysis of the transport market
- Analysis and benchmark of the most important rail freight transport operators in Europe
- Fact Sheets of approx. 30 top operators (business figures, market position, company development)

The market study is based on a number of sources of information from the press and discussions with experts which are continuously analysed, validated and entered into the SCI/Database.

The English version of the study is available from February 2014 at the price of EUR 3,300 + VAT.

SCI Verkehr GmbH is an independent consultancy company specialising in the technology and economics of transport. We have close connections to the rail industry, with consultants in a wide range of specialist fields. We have an extensive network of experts in Germany and abroad and we specialise in market and strategy aspects for the mobility sector. Our activities focus on companies in the transport and rail industry, logistics, public and private transport companies and transport and economics departments in public administration at federal, regional and municipal level.

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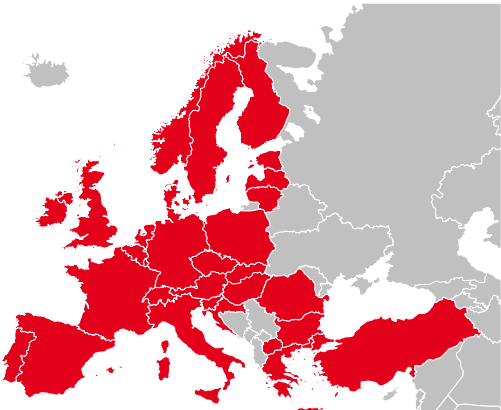
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1 Rail freight market in Europe

Rail freight transport in Europe is still in times of crisis. Railway performance remained significantly behind the level of 2007/2008. Operators show unsatisfactory financial results. Is the time ripe for market entry from newcomers?

	Rail infrastructure [km]	XXX
	Modal share rail [%]	XX%
	Market volume for rail freight transport [EUR million]	17,100
	Transport volume [million t]	XX
	Transport performance [billion tkm]	XX
	Expected tkm growth [2012-2020 p.a.]	1.3%
	Share of international rail freight transport [% of tkm]	XX%
	Incumbents' market share [% of tkm]	XX%

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Europe remains in a critical economic situation. Tentative signs of recovery in the second quarter of 2013 do not yet mark the end of the crisis. While the upswing in 2010 and 2011 after the crisis of 2009 was relatively swift, current economic difficulties are holding the rail transport markets back for longer than expected. All the economies in the region have to deal with challenging external conditions, including volatile global financial markets, debt problems and a slowing economy in the Eurozone.

The most important task for operators today is attempting to create a turnaround from negative results by implementing gradual restructuring activities in the light of uncertainty due to macroeconomic situation.

On the one hand, now is a good moment for newcomers and railway operators which would like to extend their business activities to enter the railway freight market/expand on the foreign markets. There is demand for new solutions and partnerships. On the other hand, the unsuccessful privatisations of Eastern European incumbents (CFR Marfa, HZ Cargo, BDz Cargo) clearly show the high risks of such transactions in the absence of further development strategy.

Central points of the development are:

- Railway performance remained significantly below the level of 2007/2008, showing another decline in 2013. In the long term, moderate growth is expected, but rail transport highly susceptible to volatility.
- ...

Railway performance remained significantly below the level of 2007/2008, showing another decline in 2013. In the long term, moderate growth is expected, but rail transport highly susceptible to volatility.

Development of rail freight performance in Europe 2000-2012 and forecast until 2020 [Index 2000 = 100]

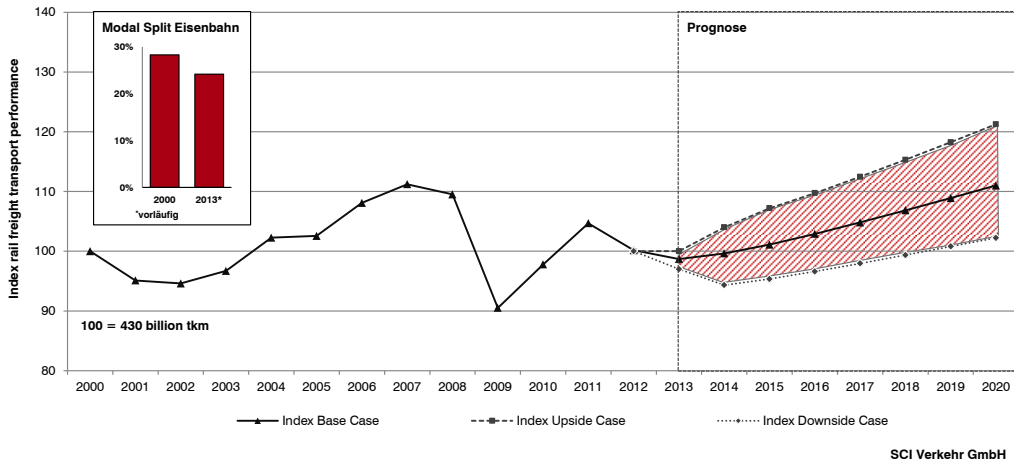


Figure: Development of the rail freight performance in Europe 2000-2012 and forecast until 2020

Development of rail freight transport in Europe can be characterized as follows:

- ...
- **For the long-term period to 2020, SCI Verkehr expects a compound annual growth rate (CAGR) of only about 1.3% p.a. for rail freight transport in Europe.**
- ...

Germany, Poland and France are the most important rail freight markets in Europe, although the latter has significantly lost its position in the last years. The European market is very fragmented and heterogeneous, but one trend is still very clear: rail freight performance has been stagnating since 2012 in almost all European countries. This trend has continued in 2013; the return is expected to come in 2014-2015.

Rail freight transport is under threat: the majority of European countries have had negative growth and high volatility between 2008 and 2012

Development rail freight transport in Europe in comparison [tkm, growth 2008-2012 and standard deviation]

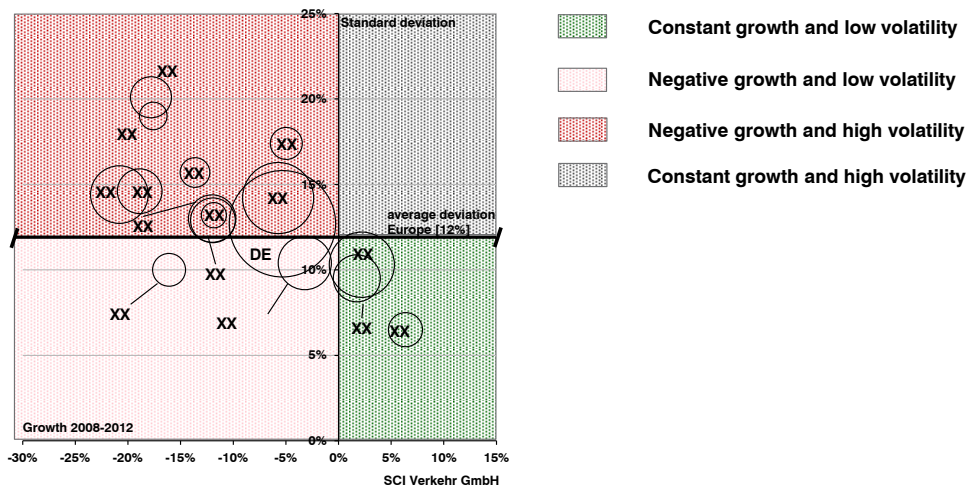


Figure: Development rail freight transport in Europe in comparison

Railway companies should operate under the changes, adjustment on development of key industries is necessary.

Share of rail freight transport goods and transport performance in Europe in 2012 [bn. tkm]

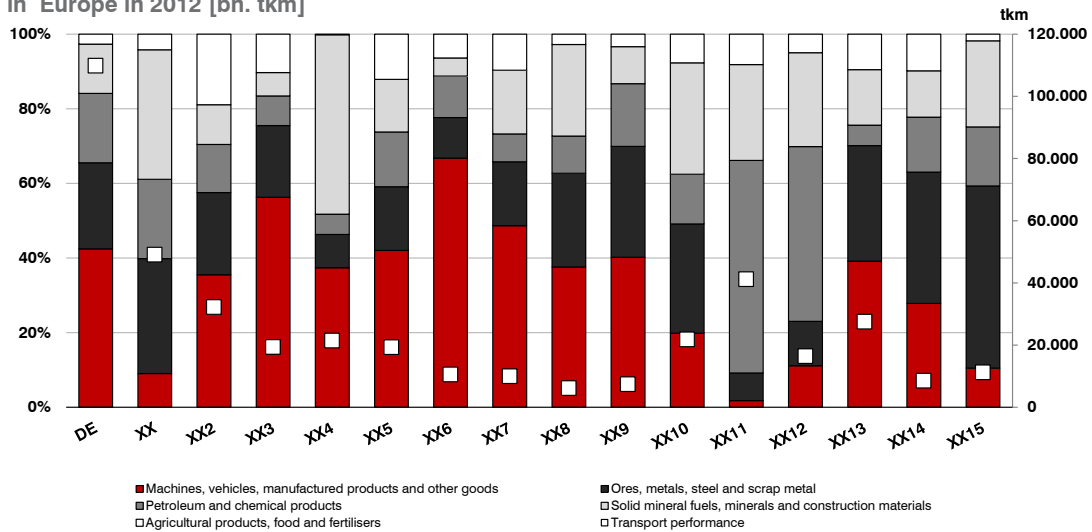


Figure: Figure: Share of rail transport goods and transport performance in

Increasing integration of the national economies throughout Europe will drive a rise in cross-border connections, amounting to almost a half of a total transport performance

Share of the national and international rail freight transport in European countries in 2012 [% , bn. tkm]

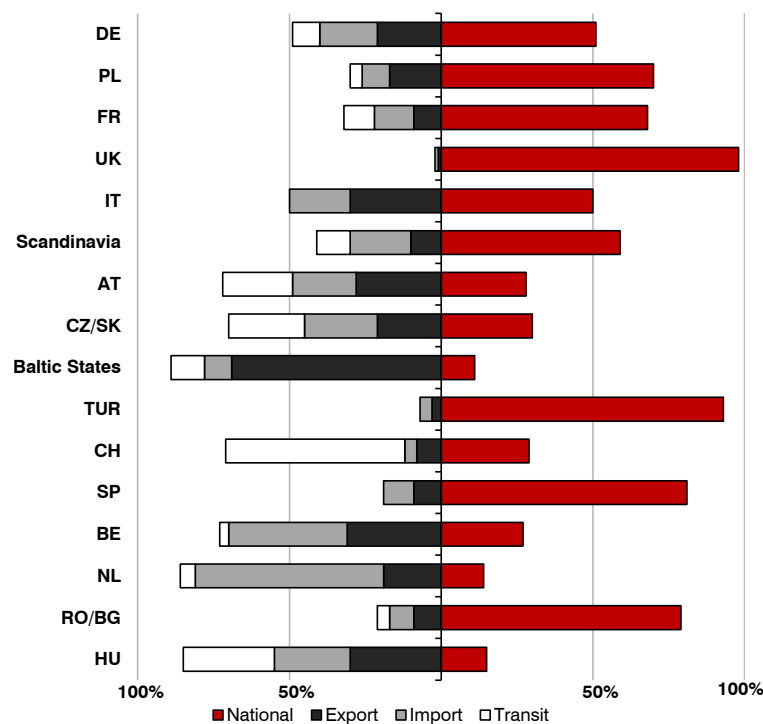


Figure: Share of the national and international rail freight transport in European countries in 2012

Development of rail freight market shares of national/foreigns incumbents and competitors Europe 2005-2012 [tkm]

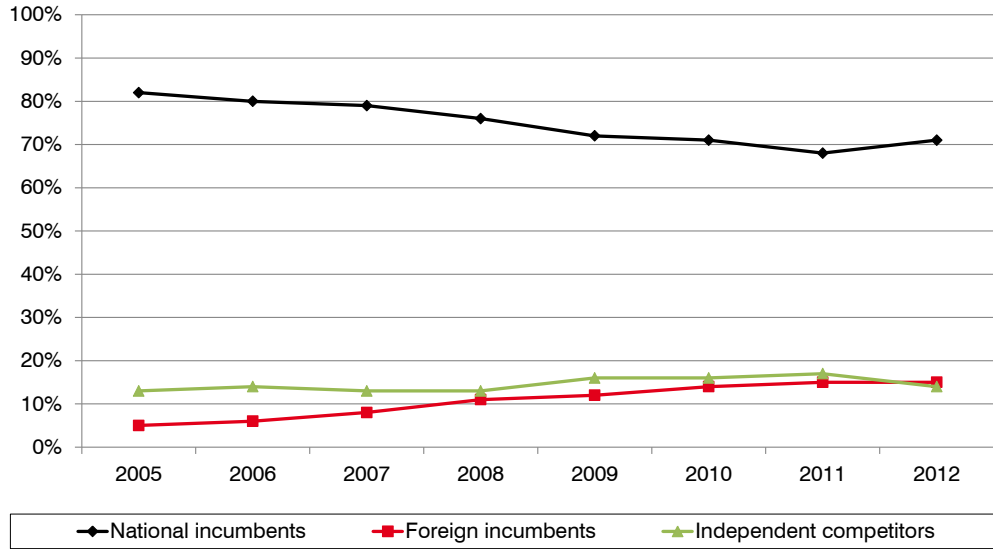


Figure: Development of rail freight market shares national/foreign incumbents and competitors [2005-2012]

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Benchmark: EBIT per transport performance [2012; EUR/tkm]

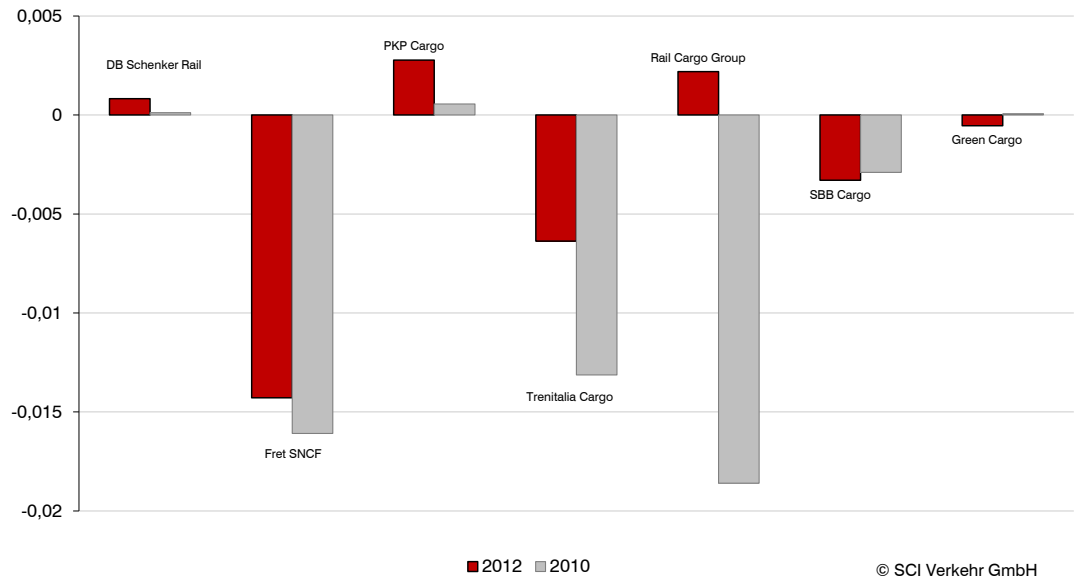


Figure: EBIT per tkm by European rail freight transport operators [2012]

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Development of railway operators in Europe [2012]

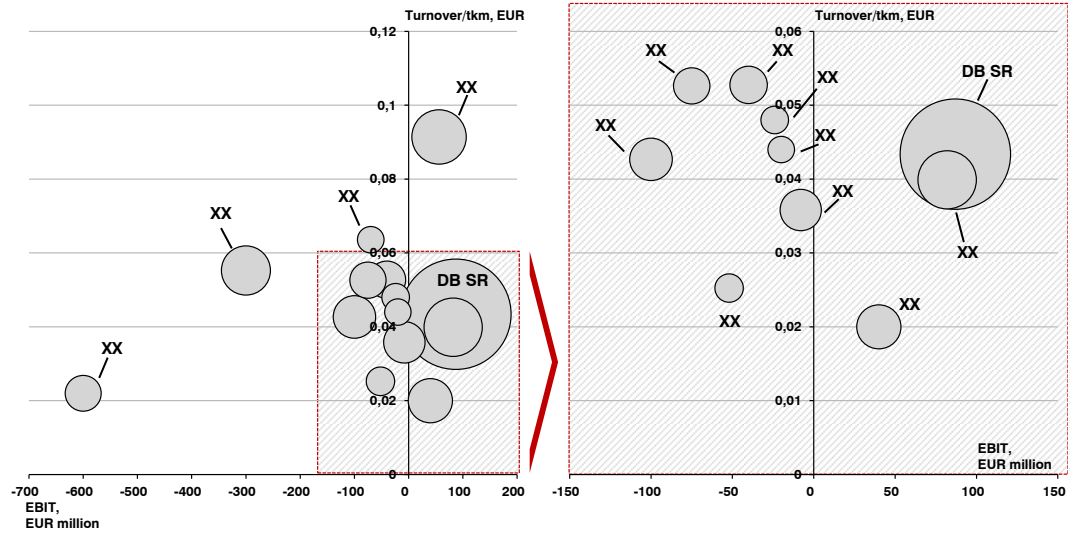


Figure: Benchmark railway freight operators [tkm, turnover, EBIT]

Benchmark incumbents: operating countries

Country	DB SR	PKP Cargo	Fret SNCF	Rail Cargo Group	Trenitalia Cargo	Green Cargo	SBB Cargo	CD Cargo	Rente Mercancias	ZSSK Cargo	SNCB Logistics	CFR Marfa
GER	●											
PL	●											
FR	●											
IT	●											
UK	●											
AT	●											
CH	●											
SP	●											
NL	●											
BE	●											
CZ/SK	●											
RO/BG	●											
Scandinavia	●											
HU	●											
TUR	●											

● active as a traction company
 active with partner
 ○ no regular activity

Figure: Benchmark of operating countries (incumbents)

Rail freight market in Europe

Private operators have a broad range of specialisations according to transport of different commodities, from purely container freight forwarders to integrated logistics groups for all types of goods:

Benchmark operators: operating industries

Country	Freightliner	CTL Logistics	Europorte	Crossrail	Rhein Cargo	TX Logistik	Metrans	BLS Cargo	Lotos Kolej	Polzug	Captrain
Automotive	●										
Intermodal	●										
Chemical	●										
Steel	●										
Coal	●										
Construction	●										
Petroleum	●										
Agriculture	○										

● active in this segment ○ no regular activity

Figure: Benchmark operating industries (private rail operators)

The incumbents are not included in the benchmark: generally they can transport all types of goods.

Operator benchmark: own assets and access to the terminals and marshaling yards are a significant advantage over the competitors

Incumbent benchmark: asset ownership structure

Country	DB SR DE	PKP Cargo	Fret SNCF	Rail Cargo Group	Trenitalia Cargo	Green Cargo	SBB Cargo	CD Cargo	Renfe Mercancias	ZSSK Cargo	SNCB Logistics	CFR Marfa
Freight wagons	◐											
D-Locomotives	◐											
E-Locomotives	◐											

■ share incumbent ◐ share competitors/leasing

Incumbent benchmark: asset average age

Country	DB SR DE	PKP Cargo	Fret SNCF	Rail Cargo Group	Trenitalia Cargo	Green Cargo	SBB Cargo	CD Cargo	Renfe Mercancias	ZSSK Cargo	SNCB Logistics	CFR Marfa
Freight wagons	◐											
D-Locomotives	●											
E-Locomotives	○											


● over 30 years ◐ 16-29 years ○ up to 15 years

Figure: Rolling stock benchmark (incumbents)

2 Country markets

2.1 South Europe: Romania and Bulgaria

South Europe (Romania and Bulgaria): overview

	Rail infrastructure [km]	18,500
	Modal share rail [%]	22.5%
	Market volume for rail freight transport [EUR million]	~700
	Transport volume [million t]	68
	Transport performance [billion tkm]	16.4
	Expected tkm growth [2012-2020 p.a.]	1.4%
	Share of international rail freight transport [% of tkm]	21%
	Incumbent's market share [% of tkm]	52%

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In the long-term the countries of South Europe offer a great potential for rail freight transport. Their favourable geographical position could attract transit flows between the Bosphorus and Central Europe. Currently the rail freight market is in a difficult position: the importance of rail transport has dropped considerably in the region, transport performance is declining, infrastructure is mostly in poor condition, the privatisation processes of both incumbents has been suspended, which have accumulated substantial losses.

Development of basic parameters in South Europe (indexation) [2000-2012]

Development of freight transport performance, modal share and GDP in South Europe in 2000-2012 (indexation)*

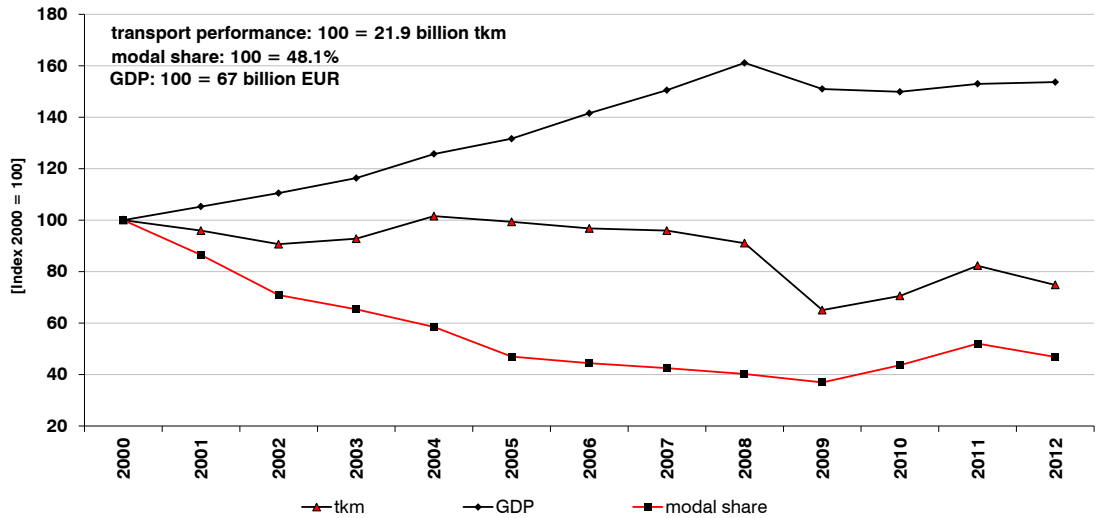


Figure: Development of basic parameters in South Europe [2000-2012]

* GDP: [EUR billion], modal share rail: [%], freight transport performance: [billion tonne-kilometres]

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The development of basic parameters in South Europe can be defined as follows: ...

Outlook: South Europe

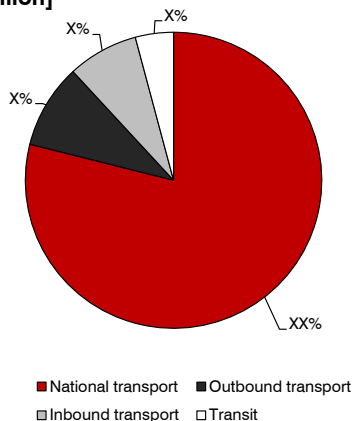
SCI Verkehr expects rail transport performance growth of 1.4% p.a. up to 2020 and the following issues for the future development of the railway transport sector in the South Europe:

...

Transport destination structure 2012

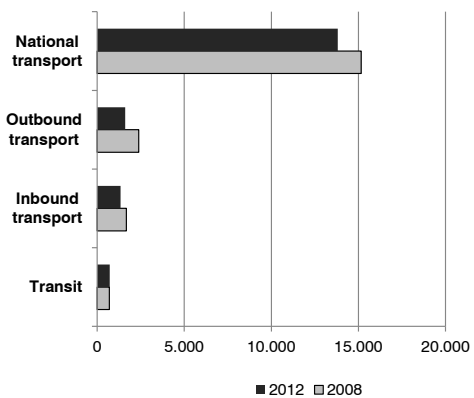
Transport destination development 2012

Transport per destination in South Europe [tkm million]



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Transport development for selected years per destination [tkm million]



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Figure: Transport destination structure and transport destination development in South

- The transport performance will be carried mostly by national transport, with Romania's share of national transport at 87% in 2012 higher than Bulgaria's at 70%.
- International transport has a low share due to weak economic development and unsatisfactory infrastructure conditions.

Transport routes/rail freight infrastructure

The railway infrastructure in the region is in an unsatisfactory condition. It was neglected over the past 20 years and has become obsolete compared to West European standards. Investment budgets and maintenance funds were often insufficient.

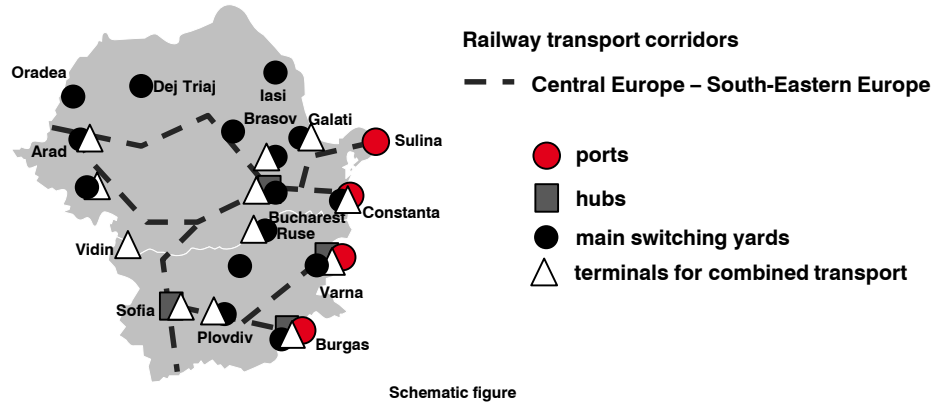


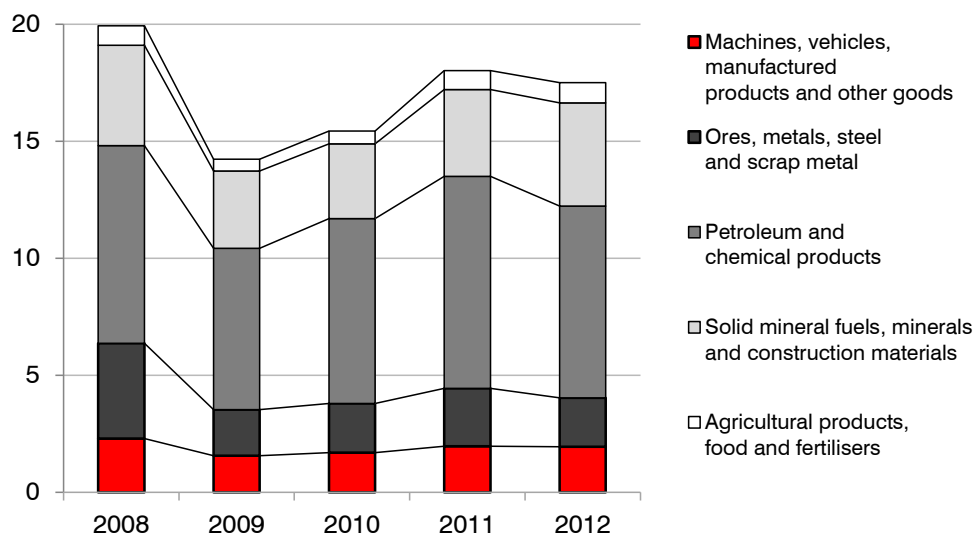
Figure: Transport routes/rail freight infrastructure in South Europe

Corridor	Comment
Central Europe – South-Eastern Europe	<ul style="list-style-type: none"> – From Germany to Turkey via Romania and Bulgaria – Actively developing corridor, but still not satisfactory infrastructure conditions for hinterland transport and cross-border traffic – Transport volumes from Germany to South-Eastern Europe still not large enough, but increasing number of offers from railway operators on the corridor

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Transport goods structure [billion tkm and in%]

Share of rail freight transport goods; change of transport performance in South Europe 2008-2012 [bn. tkm]



Source: EU Statistics, SCI Verkehr GmbH

Figure: Transport goods structure in South Europe

The goods carried by rail are mostly crude oil and refined oil products, followed by solid mineral fuels such as coal, lignite and coke.

Industry	Analysis
Oil	–
Construction	–
Automotive	–
Intermodal	–

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Rail freight transport operators [2012]

Market shares: incumbents and competitors
South Europe 2005-2012 [tkm]

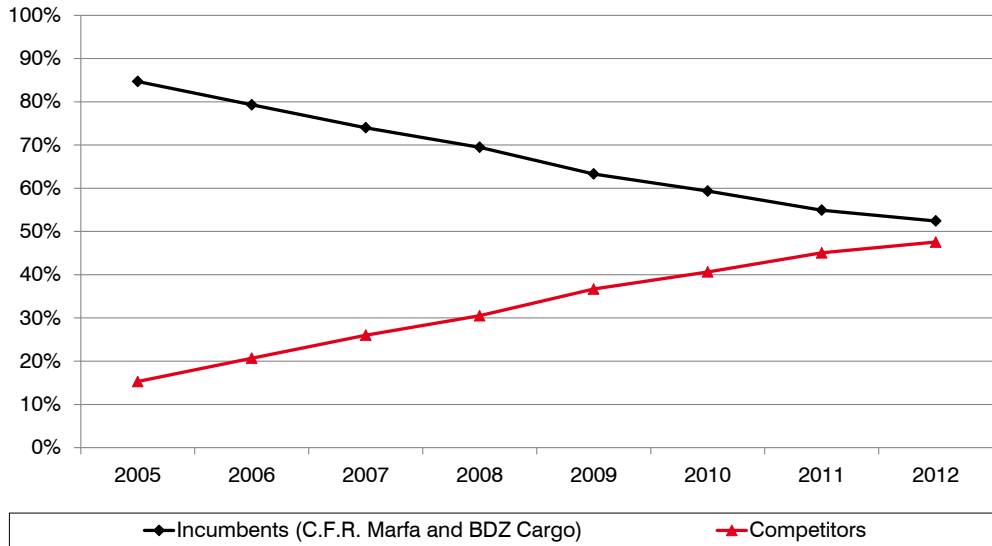
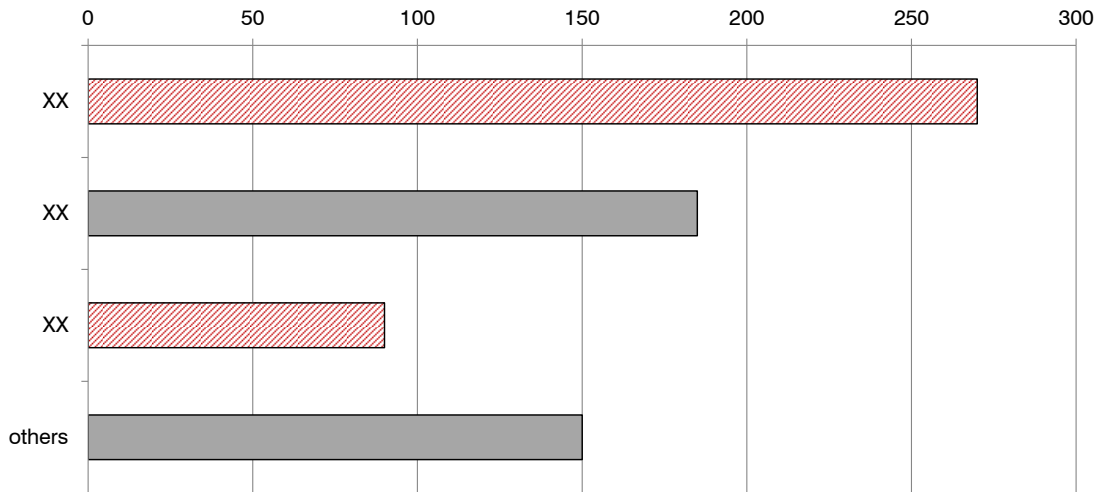


Figure: Rail freight transport operators in South Europe

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Top rail freight operators by rail freight turnover (partly estimated)
South Europe 2012 [EUR million]



South Europe Top rail freight operators by rail freight turnover in South Europe [2012]

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Company	Rail freight transport market share 2012* [tkm, %]	Market position
CFR Marfa	~XX	For detailed information see Annexe (CFR Marfa factsheet)
Grup Feroviar Roman	~XX	For detailed information see Annexe (GFR factsheet)
BDZ Cargo	~XX	BDZ Cargo is a freight unit of the Bulgarian State Railway and has a share on the domestic market of 73%. The company owns 140 locomotives and 4,850 wagons. The turnover in 2012 was approx. EUR 90 million with a EUR 60 million of debt.
Servtrans Invest	~XX	Servtrans is a private company, which began its activity in 2002 as a part of IRS group with shunting services between Bucharest and Campina. In 2011 Servtrans declared insolvency and was acquired by Grampet Group in 2012. Now the company has implemented a reorganisation plan, which extends across a period of three years.
Cargo Trans Vagon	~XX	Cargo Trans Vagon is a part of TTS Group, global enterprise for the marine and offshore industries. The company was the first operator to invest in new traction rolling stock, buying four Siemens locomotives. The last two Siemens-Eurorunner ER20 diesel-electric locomotives were purchased at the end of 2011, the first in 2009.
Bulgarian Railway Company	~XX	Since 2005, the first private operator Bulgarian Railway Company has been active on the whole Bulgarian network. The company is owned Agropolychim and Grup Feroviar Roman

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* in Romania and Bulgaria

Rail freight rolling stock

Type	Number	Incumbents		Competitors/Leasing	
		Share [%]	Average Age [years]	Share [%]	Average Age [years]
E-Locomotives	XX	63%	XX	37%	XX
D-Locomotives	XX	76%	XX	24%	XX
Freight wagons	XX	77%	XX	23%	XX

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CFR Marfa SA (CFR)		Romania		
Dinicu Golescu street, no. 38, sector 1 Bucharest Romania T: (+40) 21 225 1112 F: (+40) 21 225 1113 office@marfa.cfr.ro www.cfrmarfa.cfr.ro		Business activities: <ul style="list-style-type: none"> • Rail freight transport <ul style="list-style-type: none"> - Block train services - Single-wagon services • Road freight transport/logistics 		Operates rail freight transport in: RO Share in the domestic market (tkm): RO: XX%
Management:		Dragoş Alexandru Drăghici (Director General)		
Form of company:		Joint-stock company		
Shareholder:		100% state-owned		
Performance and company figures (end of business year December)				
Volume 2012 (million t)	Performance 2012 (million tkm)	Employees 2012	Turnover 2012 (EUR million)	Net profit 2012 (EUR million)
~30*	~6,100*	8,880	270	-20
* - estimation SCI Verkehr				
Organisation and Positioning CFR Marfa is the state-owned Romanian freight railway and the largest operator in Romania. The company's main activity is the transportation of freight such as coal, cement, chemical products, grain and oil in domestic and international transport. CFR has massively lost market share, starting in 2003 with 90% and declining to 48% in 2012.				
Current business development The Romanian government officially announced the privatisation of the company in 2007, but this has not yet been completed. The privatisation of CFR Marfa was one of the obligations placed on the Romanian government by the international lenders to the country: the International Monetary Fund (IMF), the World Bank and the EU. As regards to its difficult situation, CFR Marfa owes debts to the state budget, the infrastructure manager, delay penalties and arrears to private suppliers, which make a total sum of over EUR 400 million. The last profit was recorded in 2007. CFR Marfa has a fleet of 870 locomotives and 39,000 freight wagons, but because of their poor technical state the company can only use 60% of the wagons. The privatisation of CFR Marfa in mid-2013 was unsuccessful. Grup Feroviar Roman won the second privatisation tender for CFR Marfa, offering EUR 202 million for the stake and promising to make EUR 204 million further investments in the company. This price was not paid by the deadline established, according to the official explanation. Further details of the failed transaction are still unclear.				
Growth opportunities/outlook According to new plans, the Romanian government, following the unsuccessful privatisation in 2013, will first restructure the freight carrier and sell a majority stake in the company in mid-2015. The restructuring procedure will start in December 2013. CFR Marfa expects to double its losses in 2013 to nearly EUR 50 million. According to the expected income and expense budget draft for 2014, which includes layoff compensatory payments of almost EUR 4 million, CFR Marfa will lay off 2,500 of its employees. The company will undergo intense restructuring by cutting personnel, selling outdated wagons and stopping deliveries to indebted clients.				

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