



To be checked against delivery!

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Mr. Chairman, Excellences, Ladies and Gentlemen

As you surely know from hearing me speak in my function as the CCTT Vice Chairman at earlier plenary sessions, I am not one to always applaud past activities or new achievements in the traffics between Asia and Europe.

So please allow me to draw your attention to some critical points also this time. Analysis and discussion, combined with constructive criticism, are the only way to reach new insights and the progress that comes with them.

Of course we have to mention first and foremost that we have again made further, considerable progress in the China-Europe corridor since our last plenary session in Beijing.

Thus, new records were again achieved in block train numbers along this corridor, and the amount of platforms operating in China and at European places of destination has continued increasing.

According to information we have on hand, for 2018 there are expected amounts of more than 10.000 block trains and about 350'000 TEU which are dispatched by about 20 operators.



Ladies and Gentlemen: This is of course great success, but success we owe and will continue to owe, to a large extent, to the subsidy policy of the Chinese Belt and Road Project. However I do not want to downplay the contribution all the participants here have made with their companies and organizations to the development of the China-Europe transports, CCTT and GETO included. A lot of good work has been done here, otherwise such increase in numbers would not have been possible.

On the other hand, Ladies and Gentlemen, there are developments that make me think, that even worry me – developments that we have to confront together.

1) To our disappointment, and this includes GETO members, we had to find out that national CIS railways – among them my esteemed colleagues from RZD – profit from political circumstances to attack and take over block train connections that have been existing for years between China and Europe with rates and conditions that are not in line with the market. I am not talking about the acquisition of new connections, but about concrete attacks on existing trains that, not least owing to your good name, helped generate new train connections. Clearly, the intention is to drive small and medium sized operators from the market, even if this will lead to a loss in quality and create coordination problems in Europe. Our Chinese partners apparently still don't recognize that this leads in the long term, to quasi monopolism with all its negative consequences. All existing traffics have become what they are today in part with investments. Certain business ethics should apply among the small number of operators, and I count the subsidiaries of the big state-run railways among them. This short-sighted policy could have unforeseen consequences in the long run.

2) One fact worries me a lot, and it is reflected also in the financial unbalance of diverse operators: the fact that Chinese platforms still allocate, and even in



increasing numbers, the interim financing of train handling between the Chinese external border and the European destination to the operator. This may have been necessary at the beginning with the initial volumes, but given today's volumes of thousands of trains per year, the constant allocation of interim financing to the operators will lead to quality losses in operations, and on the other hand, the operators can't concentrate on the urgently needed investments in infrastructure – if they are still prepared to fulfil their tasks in this sector at all. It is becoming increasingly obvious that European banks are hardly willing to offer financing services here.

Is this the correct way? Do we want to accept in the long run that our Chinese partners are forcing operators more and more into financing services besides their other service obligations? Would it not be better to have a bigger number of operators (and new ones are certainly welcome!) in the market to choose from – operators who can concentrate on the challenging tasks of operating trains, which will heighten coordination owing to innovation, investments and quality improvement? Is it really the task of the CIS or European operators to co-finance the Chinese endeavor to get closer to the European market, in spite of the billion-dollar support available through the Chinese investment and subsidiary policy?

3) Allow me also to take a closer look at Europe, Ladies and Gentlemen. What's the situation here? Let us not forget that we are facing huge challenges in Europe too, for instance structural shortcomings.

The European rail network is running at over-capacity, especially the border crossings are problem spots. Controls and operational transitions sometimes take much longer than in China or Kazakhstan, where the system runs like clockwork, despite bitter cold winters and strong winds. Especially in Germany, the trains in the network are much more tightly synchronized in time, and there's a much bigger variety of goods, which complicates things. At certain border crossings there are



regular jams, Aachen, for example, is such a bottleneck. In France, strikes often thwart the system, and unplanned construction sites can jeopardize train schedules.

In Germany, it would already be of great help to promptly implement the 740-meter network. We would then not have to split our trains at the borders, for example coming from Poland. Longer freight trains come with significant benefits for all, as transports are more efficient and cheaper. Moreover, the easier handling at border crossings saves time and minimizes the risk of delays or downtime.

[\(https://www.allianz-pro-schiene.de/themen/aktuell/740-meter-queterzug/ \)](https://www.allianz-pro-schiene.de/themen/aktuell/740-meter-queterzug/)

The most important route, China to Duisburg, passes through Malaszewicze at the Byelorussian-Polish border. In view of the rapidly increasing transport volumes especially in west-bound traffics, this multi-terminal border station at the external EU border is already working at full capacity load; the limit has been reached already. Although the border infrastructure was modernized with EU funding a couple of years ago, the area has not been designed for the enormous growth in container trains ex China that we are registering at the moment; at that time, such increase was not to be expected.

Owing to infrastructure construction measures that were begun in March, the handling of containers from/to China via Brest-Terespol is subject to long-term constraints. On March 12, works on the development of the Siedlce – Malaszewicze / Terespol line started; the upgrading is scheduled to be finished in 2020. The Biala Podlaska, Malaszewicze and Terespol railway stations are to be modernized at the same time, which means tracks may be closed, and traffic capacity will be limited.

Malaszewicze Poludniowe station, the station trains to Brest use, was closed in May until the end of the year, as the tracks are to be modernized (1,435mm). During this time, the trains are routed via Malaszewicze Centralne station. The modernization works reduce the handling capacity of 14 trains per day to eight.



So, are there any alternatives?

Of course, one is looking for other EU border crossings to defuse the situation at Malaszewicze. Unfortunately, transit through Ukraine seems still limited due to political reasons. From there regular and fast connections could be built up to Central and South Eastern Europe.

It would also be a viable option to route trains from Kazakhstan via Turkey to these regions. But this is still a dream of the future as rates, conditions, transit time and service quality does not yet respond to market requirements.

Under discussion is Kaliningrad, the Russian enclave – an option Russia and Europe would be interested in.

There are plans to develop the Kaliningrad Region to become a transit hub for export freight from Russia; the plans include the overland terminals as well the sea port. Moreover, Russia intends to route considerable sections of the New Silk Road through Kaliningrad Region, for which lots of funds are to be provided. Which means we should take a close look at Kaliningrad Region, all the more so as the inland tariff will be adjusted accordingly.

Under discussion is also Lithuania. Should one of these options be confirmed, it would still take another two, three years of development for the terminals to reach the capacity of Malaszewicze. Politicians in the East and in the West should act in concert. We need agreements that unify the regulation of freight transportation. European railways should invest to be able to meet the increasing volumes from China: there are not enough locomotives and wagons; there is also not really enough collaboration and coordination among them.

What ideas can I offer to solve all these problems?

It would make sense if, maybe on invitation of the CCTT, a round table discussion could be initiated as a basis for discussion among all operators concerned. As we all



know we are speaking of a about dozen companies that offer the CIS and the European connection as end-to-end-operators from one source. Among them are, of course, the logistics subsidiaries of the national CIS railways. Such a round table discussion could help solve existing problems, to tackle shortcomings together, and clarify questions regarding financing.

Policy makers are called on now, especially those of the EU. The shortcomings in Europe have to be tackled: the development of the railway infrastructure is lagging behind. GETO will support policy makers with its connections and relations. And we need more communication between the European players and the Chinese platforms – only together can we create solutions that live up to today's rapid growth.

In this spirit, I wish you a very interesting plenary session with lots of constructive meetings and discussions.