

# **RAIL BUSINESS AT TRANSIT SPEED**

Munich, May 10, 2017

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## **TRANSCONTINENTAL ROUTES – Improvement of Logistics Processes**

or

**What challenges are we facing in the China-Europe container rail  
traffic?**

Ladies and Gentlemen

I am happy to be able to speak here at this forum and on the occasion of  
the globally most important transport and logistics trade show.

For my topic

Transcontinental Routes  
Improvement of logistics processes

I looked at today's train connections China – Europa – China as an  
example and point of departure, where over the last years, GETO  
members have been pioneers.

But, ladies and gentlemen, let us stick to the truth: although all state-  
owned railways, operators, forwarders as well as end-uses have  
expressed their interest for years, we owe the breakthrough to today's  
enormous variety of train connections between China and Europe only to  
the ONE BELT ONE ROAD (OBOR) initiative of the Chinese government

under President Xi-Jinping. If today there are trains leaving from over 15 Chinese stations (I call them regional platforms) headed for up to ten destinations in Europe, this could never have been realized without the freight cost subventions from the OBOR New Silk Road Fund, which moreover supports important infra structure projects in China and abroad. Without this financial aid, we would probably still be writing letters of intent, without all the daily container trains going to and from China.

And this where I want to start:

The New Silk Road Fund, where the subventions come from, was funded by the Chinese government in 2013 with 40 billion USD, yet after four years of a partly limitless exploitation of these means, the first limitations are noticeable and subventions of freight costs are possibly ending already in 2020.

The latest news from China indicate that soon, subvention is reduced to 50% of the transport costs per container. This might especially hurt the platform companies that have established numerous train connections, although poorly utilized, in order to demonstrate how well their Chinese hinterland region is connected in terms of logistics, and to attract foreign industrialization.

Other platform operators that have different strategic objectives in mind like Yiwu, which banks already on sustainability and trains used to full capacity, might not be affected by the stop to subventions to such a degree; but even here, solutions are needed, at least for the enormously important east-bound trains. Production-wise, they cost roughly the same as westbound trains, but have to be marketed at cheaper prices in order to compete with the much cheaper sea freight and air freight tariffs in the east going transport market.

So, what are the solution approaches?

- Production costs need to go down – the state-owned railways can help here, by keeping low the production prices for railway lines and rolling stock, by reducing bureaucracy and setting clear priorities. Kazakhstan and Russia seem to be taking this seriously.
- We need train departures according to fixed time tables in both directions, which makes a certain coordination between platform

operators necessary especially in China. Maybe the Chinese Railway can take on this role?

- The transit time China hub – European hub is to be limited to a maximum of ten days. This seems the precondition as postulated by the market and as technically feasible for rail to be the carrier of choice on the transcontinental corridor in the long term. With a 13 to 14-day transit time between Yiwu and Duisburg, to give an example, we have come quite close to this aim, but as you all know, the further reduction of transit time might be the most difficult.
- There need to be solutions for the eastbound transport of foodstuffs in liquid form (also for beverages) and in solid form; which means refrigerated container concepts have to be developed based on a round trip solution to keep costs low. There are already approaches in this field, between the electronics industry that uses such containers in winter for its sensitive products, and the food industry – as a liaison, the forwarder / logistics company can play an important role here.
- I also find important that end users are supported in adapting their in-house logistics. Just a short while ago, I was in a discussion with two renowned personalities: one from the retail business, the other from the automotive industry.

Both declared that their in-house logistics concepts are still based on the former sea and air freight transport times – rail transport, which is punctual and fast over this distance does not yet fit into the concept, where most of the time, because it is urgent, air freight is delivered straight to the shop floor or conveyor belt, while sea freight is mostly handled via the warehouse.

It is a task for all of us, operator, forwarders and logisticians, to help create the appropriate concepts for the end user.

- And then, ladies and gentlemen, of course new software solutions are needed and required, down to digitalized booking – scheduled train departures with good capacity utilization are almost predestined for digitalization as we see it on booking.com and the like.  
Whether the Chinese platform operators and the state-owned railway play along in terms of connectivity remains to be seen.

- Yet concerning electronic trains, where the transport documents are transmitted electronically, we are again and again confronted with political ambitions. CCTT, the Coordinating Council on Trans-Siberian Transportation, and GETO, the Association of European Trans-Eurasia Forwarders and Operators, have tried again and again to take a leading and coordinating role between the state-run railways and customs authorities. But the efforts of many years have so far not produced standardized software so accompanying documents can be transmitted electronically from train to train or between train and customs office – unfortunately, it can't yet be done without the hard copy. For me, it is therefore already gratifying to notice the recent declaration of the VP of RZD as well as his counterpart at Chinese MOR to look into this topic more decidedly.

Ladies and gentlemen, I have come to the end of my short lecture: thank you for listening, and I wish you lots of success at the trade fair!

# Hans Reinhard

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## **TRANSCONTINENTAL ROUTES – Improvement of Logistics Processes**

or

**What challenges are we facing in the China-Europe container rail traffic?**

## ***Our today's challenges***

- Decreasing subventions
- Lacking coordination of train connections offered
- Lacking sustainability and missing product-related transport solution approaches

## ***Solution Scenarios***

- Reducing production costs (railway lines, rolling stock, equipment)
- Fixed schedules
- Shorter transit times / hub to hub max. ten days
- Solutions for solid and liquid food transports eastbound
- Consultancy for end user / in-house logistics as interface to rail transport East-West
- Innovative IT solutions / key words: digitalization, electronic train