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POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES

TRANSPORT AND TOURISM

FREIGHT ON ROAD: WHY EU SHIPPERS PREFER TRUCK TO TRAIN

EXECUTIVE SUMMARY

Abstract

This is an assessment of the influences on the transport mode choice of shippers in the EU, highlighting why they often prefer road to rail. Drawing on the analysis of long-term trends of freight transport, a number of national case studies (Germany, Poland, France, Italy and Spain) and interviews with industry actors, the study investigates the main underlying factors driving freight mode choice. The concluding chapter provides recommendations on the key elements of an effective strategy to incentivise the use of rail, building on the lessons learnt from previous policy experience.

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EXECUTIVE SUMMARY

TRENDS IN ROAD AND RAIL FREIGHT

On average, rail freight transport has experienced low levels of absolute growth across the EU since 2000. In relative terms, the share of rail freight has declined at the expense of road freight. The average trend masks substantial differences between Member States.

National trends depend on a number of factors, including the extent of railway networks, the proportion of international traffic in total traffic and the extent of competition from other modes (e.g. inland waterways). The share of freight carried by road and rail varies greatly depending on the type of goods transported. Heavy bulk transport (such as coal) is predominantly transported by rail, whereas goods that are lighter and/or more perishable are transported by road.

FACTORS CONTRIBUTING TO SHIPPERS MODE CHOICE

In between the extreme cases of goods that are almost always carried by rail and those most likely to be transported by road, a number of micro-level factors influence mode choice. Decisions made by shippers (the key decision makers in this process) are a function of the characteristics of past experience, the type of goods carried, the carriers' attributes and distance/time requirements.

In addition, some overarching and structural factors also contribute to long-term changes in modal share. These include the relationship between economic growth and freight transport, with road generally more responsive to changes in the economic cycle than rail. Changes in the industrial production process and the fragmentation of logistics have negatively affected rail freight; new forms of intermodal transport conversely represent a high-growth market segment for rail.

Evidence about shippers' preferences from national case studies points to the importance of cost considerations in some countries where rail freight is perceived to be too expensive (France, Italy). More broadly, the need for high-quality and better connected rail infrastructure is demonstrated by all case studies, with a focus on bottlenecks (Germany), capacity (Italy, France) and reliability (Spain, Poland).

Various studies have assessed the potential shift from road to rail or intermodal services; estimates of the shift range from 1 to 14 percentage points. The literature also points to a threshold of 200-300km above which rail is particularly competitive and the potential for modal shift is higher. A realistic overall target for the share of freight carried by rail in the EU could be, in the medium term, around 20% of all inland transport volumes, measured in terms of tonne-km.

EXISTING MEASURES AIMED AT MODE CHOICE

A number of initiatives targeted at modal shift from road to rail have been introduced at the EU level. These include the Eurovignette Directive, introducing road charging based on external costs, railway reforms opening freight markets to competition and improving interoperability, and programmes for funding investment in intermodal infrastructure and operations, such as TEN-T and Marco Polo programmes.

In parallel, Member States have implemented a range of measures, including direct financial support targeted at rail infrastructure development (for instance by providing better gauge clearance for heavier trains and reinstating sidings). Taken together, however, national measures have not had a major impact on modal shift. This can be attributed to the generally small scale of the investment in rail and intermodal transport relative to investment in roads, and to a lack of coordination of rail freight policy initiatives at the EU and national levels. Road charges have been introduced in a number of countries, although the impact on road freight has typically been offset by other measures tending to encourage the use of road transport.

The most effective policies appear to have been those targeting intermodal transport, either through targeted subsidies to intermodal operators, or through specific agreements at key intermodal nodes, with a particular focus on ports, such as in Germany, Spain and the UK.

STRATEGIES FOR MODIFYING SHIPPERS' MODE CHOICE

The analysis carried out for this study suggests that active policies to encourage mode shift can have an impact on shippers' choices by targeting the key factors affecting the competitiveness of rail freight. These policies encompass both targeted regulatory incentives and infrastructure investment measures.

Three main conclusions can be drawn from the lack of effectiveness of past policies, as well as from the good practices identified by the national case studies:

- First, better coordination of strategies at different administrative levels, as well as across modes, will be critical. Mode shift programmes need to avoid a patchwork approach to monetary incentives. Lessons learnt from each scheme need to be better shared within the industry. The forthcoming Shift2Rail initiative should serve this purpose by focusing on solutions to enhance capacity, consolidate reliability and improve the life cycle of the European rail systems. Coordination of rail and road policies is also needed as any measures affecting the competitive position of one mode have repercussions on the other.
- Second, it is important that mode shift strategies are tailored to the specific circumstances in which they are implemented. For example the recognition that longer-distance, cross-border transport is most likely to shift from road to rail is being reflected in the development of EU policies.
- Third, the implementation of effective strategies will require stable and sufficient funding from both the EU and Member States. The Connecting Europe Facility (CEF) will help in this respect by providing substantial resources to co-fund the development of the TEN-T network and ERTMS. While transport funds are not ring-fenced under the new CEF policy, this could incentivise project sponsors to compete for funding and demonstrate the real value added of each investment scheme.