Annual Report

2009

International Union of combined Road-Rail transport companies

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IMPRESSUM

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The Chairman's address

RUDY COLLE
EXECUTIVE CHAIRMAN

2009 has been an especially difficult year for Road-Rail Combined Transport as the financial and economic crisis brought about a break in the otherwise robust growth experienced by the sector over the preceding decade. It is presently estimated that the crisis-related setbacks will erase roughly three-years of progress of UIRR members, which is equal to a similar setback of the entire cause of turning European freight transport sustainable.

UIRR remains confident regarding the bright future of Combined Transport. Nevertheless, the coordinated actions of politicians, rail infrastructure managers and traction providers will be needed to assist the relentless efforts of Combined Transport Operators to bring this growth back, and to return to the successful inclusion of the rail mode – through Combined Transport – into the long distance freight transport supply chains of Europe.

Rail infrastructure managers are expected to make substantial efforts to improve the reliability of their services, while traction providers should improve their productivity scores and customer-friendliness, and politicians translate their ambitious rhetoric about curbing the negative impact of (primarily road) transport on climate change into concrete policy action. A comparable charging scheme should be devised for the access to the rail infrastructure and the public road network throughout Europe, full internalisation of the external costs of transport has to be achieved, and the irreversible damage that the introduction of gigaliners to Europe's roads would cause to sustainable transport systems, like Combined Transport, also needs to be recognised.

We deem it essential that liberalisation of the rail sector continues through progressive enforcement of the existing European legislation in every Member State, while not forgetting about the need to achieve a sustainable financial architecture for (State owned) rail infrastructure managers at the same time. The independence of infrastructure managers from rail operators is also an important pre-condition of increased and fair competition, which is the only force that could bring about the much needed improvements in performance and quality.

UIRR continued to exert its efforts and influence in all aspects relevant to advance the above causes throughout 2009 in Brussels. Whether as a speaker at conferences, contributor to European policy-preparatory projects, or a partner in face-to-face conversations, UIRR clearly represented the philosophy of competition, and the need to promote Combined Transport as an ideal means to achieving the goals of sustainability and a substantially reduced carbon footprint in freight transport.

"Crisis-related setbacks will erase roughly three-years of progress of UIRR members"

Rudy Colle
Executive Chairman

Key figures of the year

COMBINED TRANSPORT IN 2009

The crisis-induced economic slowdown caused a major decline in trade and the movement of goods throughout Europe in 2009. As a consequence, CT operators experienced the first overall decline in unaccompanied shipments in ten years. The 19% decline of this type of traffic, which accounts for almost 6 out of 7 CT consignments, in 2009 is unprecedented in the 40 year history of UIRR.

Besides the imminent detrimental effects of the economic downturn – which materialised in loss of traffic – the following factors, which influence future outlook for CT, also suffered setbacks during 2009:

- Investment projects to improve rail and terminal infrastructure,
- Regulatory developments aiming to internalise the external costs of road transport, and
- Initiatives to introduce electronic road toll systems, and/or increases in road toll levels with the aim of equalising infrastructure charges accross modes.

-17%

decline of total CT traffic in 2009

+21

number of new CT services introduced in 2009

2,25

million tons of CO_2 saved by UIRR operators in 2009

Without the once-off effect caused by new member Interferryboats (IFB), UIRR Operators have suffered a compounded decline of 17% over 2009, the first year of negative growth for the past decade. The average growth rate of CT year-on-year between 1998-2008 was close to 6%.

The primary reason behind the decline was the business slowdown in Europe, attributable to the global economic crisis, which resulted in a substantial reduction in trade and the flow of goods. The negative impact of this decline on CT was further exacerbated by the intensive efforts of the road sector to retain as much business as possible through below-cost pricing. Also, with alternate priorities for public finances, some EU Member States slowed rail infrastructure investments. Furthermore, there are numerous examples of other actions, such as increases in track access charges and traction pricing, which reduced the competitiveness of rail transport.

The obvious reaction – in view of the crisis-related decline – of CT Operators was to scrutinise existing services, which resulted in reduced frequencies in several cases. Nevertheless, UIRR Companies have also demonstrated their confidence in their CT systems again by initiating as many as 21 new services over the course of 2009 along every major transport corridor of Europe.

New cross-border CT services were launched alongside the Portugal-Spain-France-Germany-Poland-Russia axis, on the North-South axis connecting the major ports of Belgium, the Netherlands and Germany with South and Southeast Europe, and finally along the axis connecting the Northwest with the East, the Balkans and ultimately Turkey. New domestic services were also offered, though predominantly in the Western half of Europe.

The environmental performance of CT, including close to 60% lower carbon footprint compared with road transport, continued to contribute significantly to reducing the CO_2 emissions of transport in Europe. Thanks to CT 2,25 million tons of transport generated CO_2 was saved, when compared with pure road haulage, during 2009 in Europe.

CT offers the ultimate solution in clean freight forwarding thanks to substantially lower (electric) traction-energy needs in rail freight, as compared with other modes. Hence, by harming the environment the least, CT contributes greatly to making Europe's freight logistics system more sustainable.

The Director General's address

MARTIN BURKHARDT
DIRECTOR GENERAL

Even though the depth and duration of the current financial crisis cannot be predicted with any certainty, one thing remains clear: Combined Transport can still significantly increase its market share. Almost half of the tonne-kilometres performed by road transport today are over distances of more than 300 km, which translates to a large potential market. And the Swiss transit traffic example has already shown that two-thirds of this could be transported by rail. Furthermore, thousands of freight forwarders, road haulage companies and logistics companies, as shareholders and customers of UIRR companies, have shown their lack of aversion to the railways.

Combined Transport options would be chosen more often if the railways were more competitive, which hangs on two important factors: positive framework conditions and higher investments.

The general introduction of the "polluter pays" principle, e.g. the taxing of greenhouse gas emissions in order to slow the pace of climate change, will favour the eco-friendly rail mode. The rail network is now largely electrified and CO_2 emissions of trains could be reduced to practically zero through increased use of "green" energy. The measures needed to achieve the EU's goal to drastically reduce road accidents involve stricter controls on how long drivers may drive for and breaks they must hold, the securing of loads, reduced speed limits and restrictions on driving during adverse weather conditions. These measures would increase the cost of road by roughly 1/3, and ensure that the practically 40 times higher safety of trains would finally pay-off for rail transportation.

Besides ensuring the proper framework conditions, higher investments would also be needed to increase productivity. Other modes of transport are showing what can be done: larger ships and aircraft mean reduced pro-rata costs. The size and volume of road vehicles have also been continuously increasing in the past, but they are now reaching traffic safety limits. This has not occurred in rail transport. Even though the conditions on US railways are different, they still highlight how things in Europe must change: longer, heavier trains and standardised carriages with higher axle loads would generate unbeatable competitive advantages for rail freight over longer distances. Modernising and increasing the capacity of the infrastructure also have a key role to play, with responsibility for this lying with Member States and their infrastructure managers.

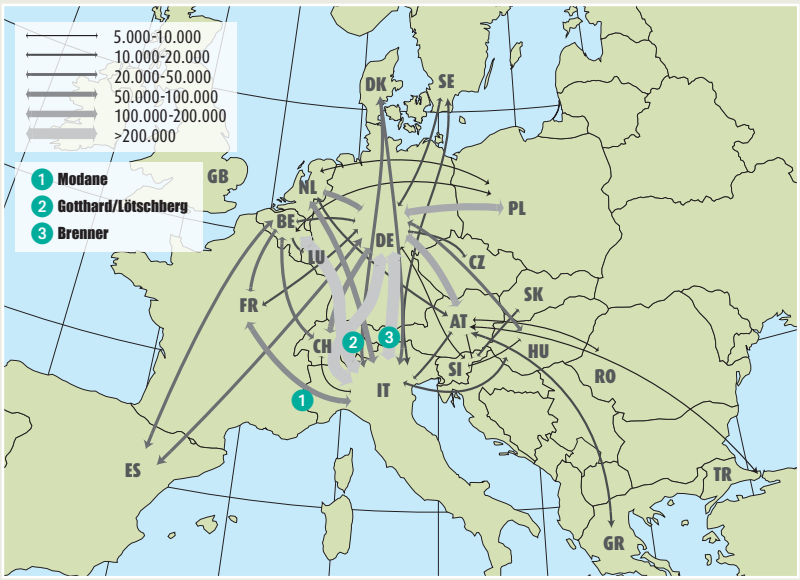
If the climate summit in Copenhagen has proven anything, it is that things can not remain as they are. Resource scarcity and climate change are causing fundamental changes to the framework conditions. These will either become socially acceptable through forward-looking policies, or will be forced upon us through crises. A modal shift involving rail is by far the most effective means of conserving resources and reducing emissions and accidents.

"Longer, heavier trains and standardised carriages with higher axle loads would generate unbeatable competitive advantages"

Martin Burkhardt
Director General

The Unaccompanied product

The most prevalent form of Combined Transport (CT) is the transportation of swap bodies, containers and semi-trailers, collectively: unaccompanied transport (where the loading units are not accompanied during their journey on rail). In more than 40 years, UIRR Companies have established an extensive European CT network based on direct consolidated trains. On this network, it is possible to forward any kind of goods from containerised raw materials to products packed on pallets to virtually everywhere in Europe.



Owing to the particular environment-consciousness of Austria and Switzerland and the framework conditions they have consequently implemented, it is not a surprise that the most successful unaccompanied routes are transiting through these Alpine countries, in particular from the north of Europe (Benelux countries, Scandinavia and Germany) to Italy (via Modane in France, via the Brenner Pass in Austria and via the Gotthard/Simplon/Lötschberg tunnels in Switzerland). This cross-alpine traffic represents around 55% of the UIRR unaccompanied traffic. With the EU enlargement in 2004, the connections to the East have gained in importance and will become, as also the maritime hinterland traffic in the Western part, an increasing market segment for the next years.

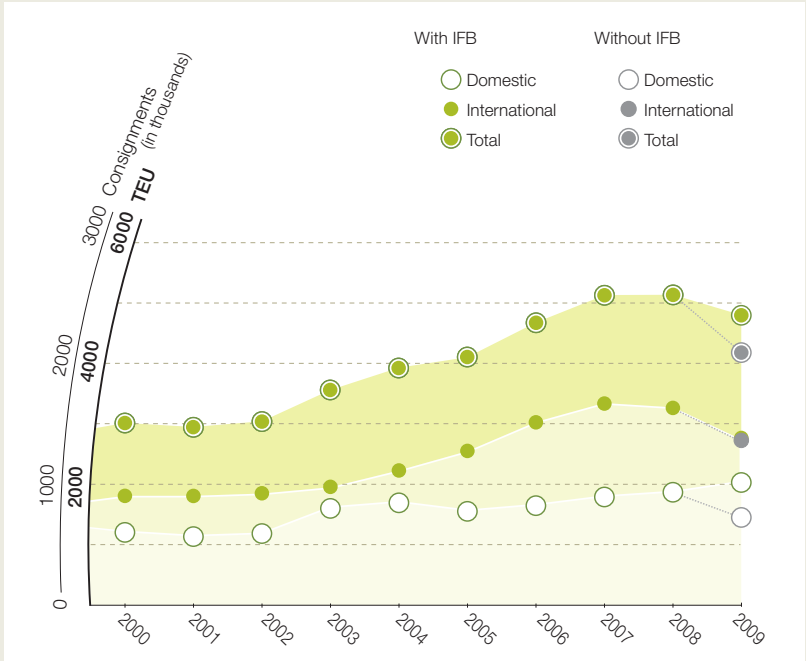
On the most important unaccompanied routes, the services are quite fast and reliable: the average speed on rail reaches almost 50 km per hour whereas the punctuality rates (punctuality = first loading unit ready to be picked up by the customer with a tolerance time of 30 minutes) are at about a still unsatisfactory 70%. On the most important relation Germany to Italy, such services represent more than 15,000 trains per year with a gross weight of around 25 tons per consignment travelling on an average distance of 730 km.

By using unaccompanied services, CT customers, mainly freight forwarders and road transport hauliers, are fully in line with the European concept of 'co-modality'*. Indeed they make out the best possible combination: of road and rail road for its flexibility needed for regional distribution (for the pre- and post-haulage on short distances) and rail for its ability to reliably transport large volumes on longer distances.

The advantages of unaccompanied CT are not only directly customer-related but are also of high importance for society at large. Besides the reduction of road infrastructure expenses, this transport technique generates considerably less external costs than pure road transport. It is also a statistical fact that the frequency of accidents in railway transportation is 40 times less than in road transport, and that energy consumption as well as polluting emission levels are also significantly below those of road transport, and in most cases even below those of short-distance sea shipping. A UIRR study showed that the transfer of road consignments onto rail in unaccompanied transport enables energy savings of 30% and, with the presently employed electricity generation mix, a reduction of CO_2 emissions of up to 60%.

* Co-modality: complementary and efficient use of modes in an optimal European transport system

Performance in 2009



Starting in the last quarter of 2008, the impacts of the economic recession were fully felt during the entire year 2009 and have particularly affected the overall transport demand. Whereas the road sector recorded an overall traffic reduction of only 10%, the total unaccompanied business of the UIRR companies (excluding new membership) suffered much more with a decline of 19% (i.e. 500,000 fewer shipments compared to 2008). If adding the figures of the new member, IFB, the drop is still significant with 6% fewer shipments as compared to a year earlier.

International unaccompanied traffic – which experienced annual growth rates of 10%-15% over the last decade – was confronted in 2009 with its worst result since the founding of UIRR 40 years ago: an overall decline of 16% (300,000 fewer shipments compared to 2008). The decline amounts to 15% if performance of the new member, IFB, is incorporated).

Transalpine traffic (through Austria, France and Switzerland), the most dynamic CT market, was not spared the effects of reduced EU trade, in particular on the core relation between Italy and respectively Germany (-11%, or 70,000 fewer shipments than in 2008), Belgium (-12%, or 22,000 fewer shipments), The Netherlands (-13%, or 15,000 fewer consignments) and France (-15%, or 10,000 fewer units).

The traffic to and from the Iberian Peninsula also recorded a substancial decrease of about 10,000 consignments less than in 2008 (-16%).

Even in these difficult times, some significant positive developments could be registered by UIRR Companies, in particular by extending their network towards the East (Poland, Russia, Romania and Turkey) and by consolidating their offers on some important routes such as between France and Belgium (+12%, or 7,000 additional shipments).

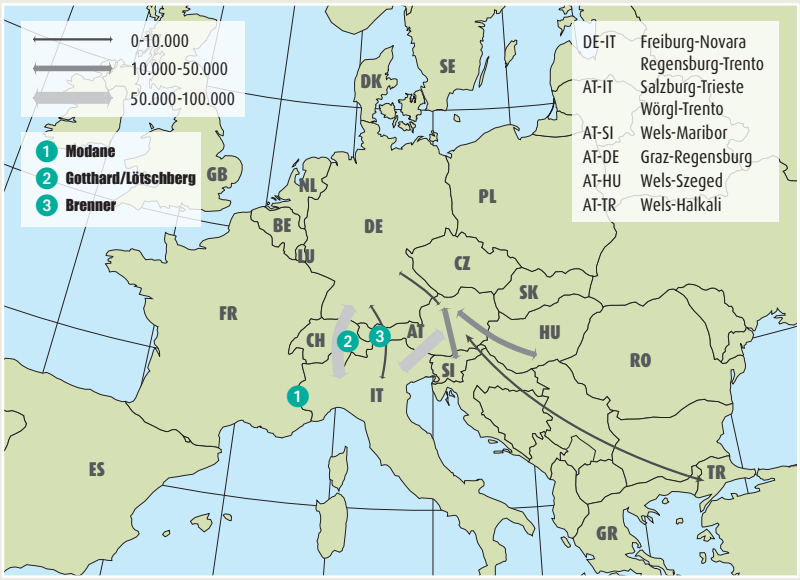
The performance of **domestic** unaccompanied traffic (excluding the figures of the new member, IFB) showed a decline of 24% compared to 2008. The results of the three countries (France, Germany, and Italy), covering more than 80% of such traffic, are particularly disappointing.

In Germany, the operators suffered a 20% reduction in traffic (over 60,000 fewer shipments compared to 2008). Due to repositioning policies in their markets, traffic was down 16% in France and as much as 48% in Italy (93,000 fewer consignments than in 2008).

With traffic of more than 303,000 containers, the new member IFB contributed a once-off improvement to the overall domestic volume (+9%).

The Accompanied product

Accompanied Combined Transport, or Rolling Motorway (RoMo), is a convenient and rapid form of CT which consists of transporting complete trucks, road trains or articulated vehicles (including tractors) on special low-floor wagons, with their drivers 'accompanying' the railway journey in a special sleeper wagon. RoMo is capable to accommodate any type of standard road vehicle without special technical adaptations. In general, RoMo services have been put into operations as a (fast) modal shift solution – a kind-of 'land ferry' – to bridge sensitive geographic obstacles like mountain passes, or road sections involving weight, and/or other types of access restrictions.



The most successful RoMo routes are located in the countries where political support for rail is strong (like in Austria and Switzerland) and in which the railway gauge is high enough to allow for 4m heights (as for example in the East-European countries like Hungary and Slovenia). An extension of the current RoMo network will only be possible if its cost/benefit ratio, compared to other techniques, improves in the next years through means such as the introduction of usage based (electronic) road tolling, and internalisation of the external costs of road transport.

The speed of an average RoMo train reached 45 km/hour in 2009 and had a punctuality rate (first truck to leave the ramp) of around 70%.

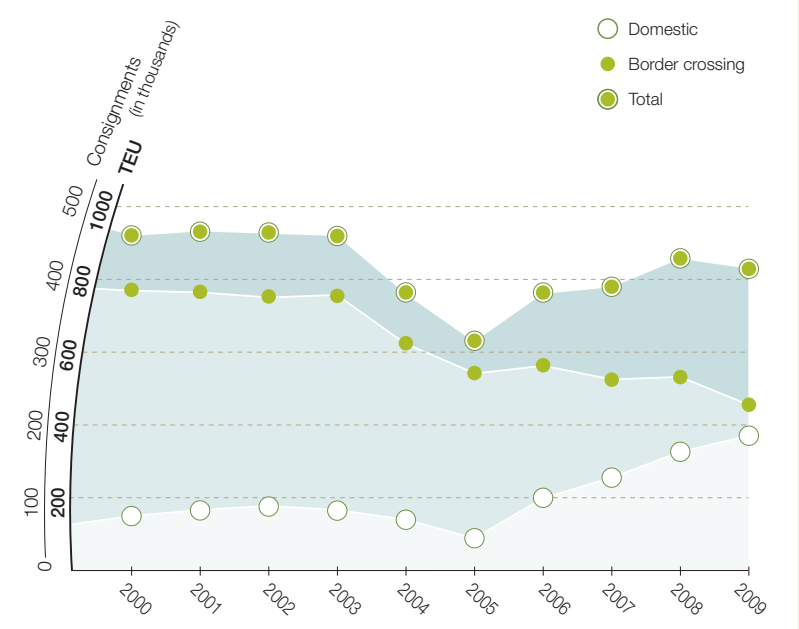
Nearly 100 RoMo trains transport trucks on an average workday on border crossing and purely domestic relations in a single year throughout Europe.

Considering the weight of a typical truck being 35/37 tonnes, and the average distance covered 210 km, each RoMo forwarded truck saves 10,000 tonne-kilometres of road traffic.

RoMo services are – among others – directed towards consignees who wish to transport sensitive goods requiring for example just-in-time deliveries and/or using continuous tracking and tracing. RoMo enables the incorporation of the rail mode into the forwarding of any kind of goods including high-tech products and components, high value drugs and spare parts, as well as perishable foodstuff.

Through the use of RoMo, which is available around the clock 7 days a week, road hauliers avoid payment of road tolls and highway fees. Furthermore, the railway journey of the trucks is legally recognised as resting time for their drivers which means they may resume their road journey immediately upon arrival of the train. An additional regulatory advantage consists of the possibility of having the positioning road legs to/from a terminal exempted from applicable driving bans.

Performance in 2009



Since the economic advantages of Rolling Motorway (RoMo) were less affected by the economic crisis in 2009 than unaccompanied CT, the RoMo business managed to fare better than unaccompanied by suffering a considerably smaller decline of only 3% compared to a year earlier. In contrast, the growth rate of accompanied Combined Transport during the previous three years averaged 18%.

The 3% decline of 2009 translates to just 13,000 fewer full trucks having used RoMo services as compared to 2008. In total, the performance of RoMo traffic amounted to 15 million tons, and 3.8 billion TKM (400,000 trucks transported on an average distance of 272 km with a typical weight of 35 tons). The average load factor per train was as high as 85% even above 90% for some relations as for example between Trieste, Italy and Salzburg, Austria.

Border crossing RoMo suffered proportionally more from the adverse economic developments; such traffic handled by UIRR Operators decreased by 14%, or 36,500 fewer full tucks, compared to 2008. The most significant decline was recorded in Eastern directions on the corridor Danube-Pyhrn-Tauern connecting Austria to Hungary, as well as to Slovenia and Italy (-30% for this corridor). This decline mirrored the contraction of trade volumes between Turkey and the European Union.

However substantial increases were recorded on some cross-border relations, especially on the Gotthard corridor connecting Italy to Northern Europe delivering an improvement of +9% compared to 2008 (+8,000 trucks). The average cross-border RoMo traffic covered a distance of just above 400 km with a typical gross weight of 33 tons per unit.

At the same time, **domestic** RoMo recorded an overall growth of +14% (23,000 additional trucks), which masked some contrasting trends in 2009.

Despite the overall difficult economical situation, Austria reported an exceptional growth of 16% (i.e. 25,000 additional shipments), a volume, never before reached, and which may be attributed to strong support by the Authorities for RoMo. A study recently published by the Austrian Federal Ministry of the Environment confirms that one ROLA train on the 100km long Wörgl-Brenner line saves about 2.5 tons of CO_2.

On the contrary, RoMo services within Switzerland dropped by 9% due to the closing of the Monte Olimpio tunnel for maintenance works, and the limitation of railway gauge (3,80m) in the old-Gotthard tunnel.

Business environment

Three elements of the fundamental economic and regulatory circumstances of Combined Transport showed change during 2009:

- Oil based fuels became cheaper as the global economic slowdown depressed the price of crude oil compared to 2008; on the other hand the relative price of traction electricity decreased less due to higher costs involved with alternative energy sources, and the inclusion of electricity production into the European Emission Trading System (ETS).

- The acceleration of the climate change phenomenon*, and the significant negative role of transport in it, was increasingly recognised; however, it did not induce any changes in the economics of transport during 2009. Discussions on the amendment of the Eurovignette Directive slowed considerably, and several Member States wilfully slowed market forces through assisting their 'troubled' road hauliers.

- The implementation of the "user pays" and "polluter pays" principles in EU road tolling also progressed sluggishly. Including Slovakia, which commenced with usage based electronic road toll collection for commercial vehicles on 1 January 2010, only eleven EU Member States employ a system which (technically) enables the comparable – usage based – charging of commercial road users as in place for freight railways. And only the Swiss system levies road tolls which are comparable to the levels of charging for accessing the rail infrastructure.

In summary, it must be noted that the regulatory and economic environment for railways, and for CT, which aims at introducing more substantially the railway mode into logistics chains, has not improved noticeably over 2009.

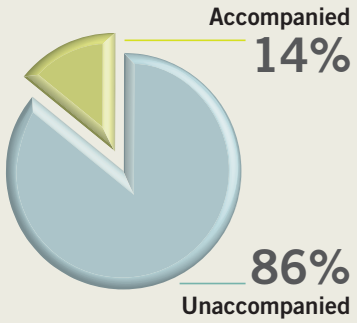
The several decade old realisation that Europe's freight logistics sector needs to better exploit the extensive rail network of the continent experienced little progress in 2009, despite the fact that rail's accident rate is 40 times lower as compared to road, and that electricity-powered rail freight uses 60% less traction energy per tonne-kilometre and produces almost no harmful exhaust (its carbon footprint is negligent compared to its road rivals'). The concept of modal shift (from road to rail) was kept under heavy attack by road transport advocates throughout the year, who used the global economic and financial crisis as an excuse to maintain the positive regulatory bias towards pure road transport. Consequently, during 2009 Europe lost a year in shifting its freight logistics network onto a more sustainable path.

* The overall economic losses attributable to only climate-related events in the World amounted to USD 800 billion in the 2000-2009 period according to Munich-Re (press releases on 26 November and 29 December 2009), and within this figure the total amount of externalities – including accidents, congestion, noise, PM10 emissions, vibration etc. – are estimated at several hundred million euros within the European Union.

Challenges and outlook

Unaccompanied Combined Transport remained the dominant CT service offered by UIRR Operators in 2009.

Resolution of technical restrictions such as limitations in railway gauge (height of the rail infrastructure elements such as tunnels or bridges), and increased net load capacity per train/axle would be needed to further develop Rolling Motorway services (accompanied CT) throughout Europe.



The typical business model of CT operators employs railway undertakings for traction services, and these are at present, for operational convenience and because rail liberalisation is still insufficiently advanced in Europe, also in charge of arranging the train paths. Hence, CT Operators are in most cases not in direct contact with rail infrastructure managers. Both the condition of rail infrastructure and the quality of rail traffic management influence directly the competitiveness of (Combined) Transport, which is essential since – besides environmental sustainability – customers primarily seek speedy, punctual and reliable services.

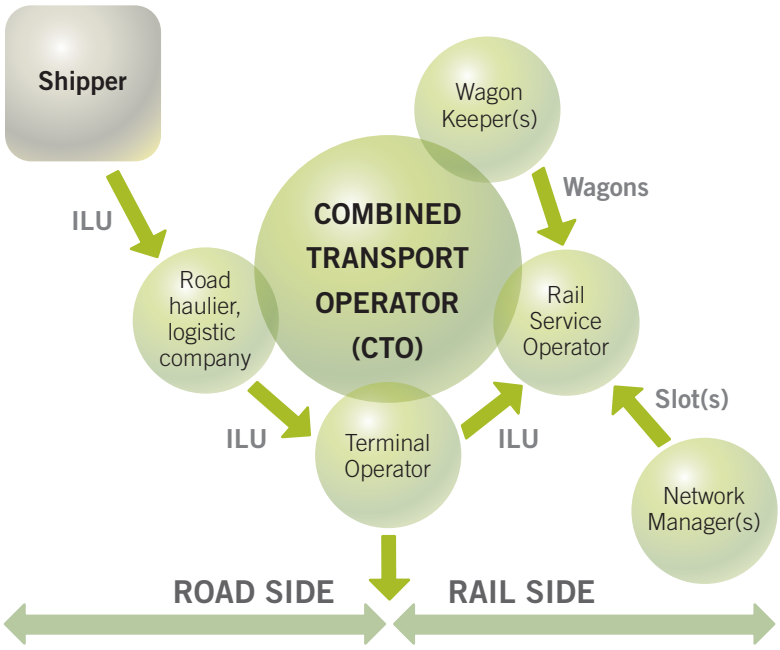
In this respect, UIRR Companies share the feeling that rail infrastructure and terminal managers together with rail traction providers have substantial room for internal improvements in becoming more customer oriented and reliable in their levels of quality. Finally also, the regulatory framework governing the co-operation of these players toward their clients, such as CT operators, also offers opportunities for improvement in both legislation and enforcement of existing rules.

The development of rail travel (passenger trains) and also of rail freight outpaces the expansion of rail infrastructure capacity. This resulted in slower than desirable improvements in the quality of infrastructure services, which today is seen as the number one inhibitor of productivity improvements in CT.

In order to enable closer cooperation with infrastructure managers, and a better client-service provider relationship, CT Operators further seek to have the legal status of Authorised Applicant (for train paths) allowed in every Member State.

Finally, CT Operators would like to gain access to real-time train traffic information directly from the infrastructure managers, and not through railway traction providers.

Operators of CT (transhipment) terminals are the third group of important specialised suppliers to performing CT services. While overall terminal services are less of a source of problems in most European Member States today, a shortage of terminal capacity is already a fact in major locations, and this will become even more critical in the years to come. The potential growth of CT beyond 2020, as made clear by the DIOMIS study of the UIC will be limited by this factor unless the issue is addressed by the relevant players (in time).



Members' News

ADRIA KOMBI

The SEEIS project financed by the EU's Marco Polo program enabled the introduction of six new routes along the Northwest-Southeast corridor, which is the most dynamically developing axis of Combined Transport in collaboration with UIRR members Cemat, Kombiverkehr and Rocombi.

ALPE ADRIA

After a traffic decline of 30%, the Trieste-Salzburg RoMo service – connecting Turkish and Greek road hauliers arriving in Trieste by short-sea-ferries – recovers well.

BOHEMIAKOMBI

Newly introduced electronic road tolling in the Czech Republic aided the company to defy the negative European trends, and reach a traffic growth of 2% during 2009.

CEMAT

The company has been thoroughly reorganised after Trenitalia became its controlling shareholder; terminal management responsibilities of Cemat were shifted to Terminal Italia (a wholly owned subsidiary of RFI). Cemat henceforth focuses on organising the CT trains.

COMBIBERIA

Notwithstanding a 15% decline in 2009, the company is confident that new service with Hupac between Barcelona and Busto in north-central Italy will result in a progressively upwards trend as from early 2010.

CROKOMBI

After a severe crisis-related drop in traffic in 2009, the company launched new services, together with its partners, as from the end of the year; in particular promising block-train operations from Luka Rijeka (CR) which actually show a slight upwards trend as from early 2010.

HUNGAROKOMBI

Ökombi acquired majority share of Hungarokombi, together with which they pursued an expansion of rolling motorway services alongside the Northwest-Southeast axis (Szeged-Wels) aided by the Marco Polo-financed RoMoNet project. Hungarokombi launched the unique Combi Cost Calculator, an online application enabling the comparison of pure road and combined transport developed also under the guise of RoMoNet.

HUPAC

Successfully limited crisis effects to only a 7% loss of traffic in 2009. Hupac continued its growth strategy by opening a new terminal in Antwerp. New services were developed along the Southwest-Northeast axis (Portugal-Poland-Russia), and the Northwest-Southeast axis (to Hungary and Romania).

INTERCONTAINER AUSTRIA (ICA)
The company continues to offer connections to 41 countries despite substantial loss of traffic volumes in 2009.

INTERFERRYBOATS (IFB)
B-Cargo, majority shareholder of TRW, concluded a major reorganisation of its Combined Transport activities; as a consequence IFB took over all such activities within the group, and hence became a new member of UIRR. (TRW continues with a different profile and mission.)

KOMBIVERKEHR
The company was successful in limiting the decline caused by the crisis to a 12% loss of traffic, which is two-thirds the industry average (compared with -17% for the sector). In anticipation of European economic recovery expansion of services continued along all major European CT corridors throughout 2009. To demonstrate the potential of TEN-T (Rail) Corridor X, the Bosphorus-Europe Express (BEEX) was launched together with Adria Kombi. BEEX covers the München-Ljubljana-Istanbul route in 35 hours.

NAVILAND CARGO
Continued the strategy of becoming an integrated service provider using own locomotives and wagons; using its newly leased locomotives Naviland Cargo began offering traction services to third parties in 2009.

NOVATRANS
The company was restructured after SNCF Fret became its majority shareholder; the French Competition Authority approved the transaction on 16 October 2009.

ÖKOMBI
Growth of Ökombi's national traffic was 15% compared with 2008, manifested by the 2 millionth RoLa truck loaded at Terminal Wels.

POLZUG
Despite losses of 35% in the Polish core market, Polzug managed to grow in CIS markets, especially with a new service in the Caucasus.

RALPIN
Despite the disturbances caused by maintenance works and heavy passenger traffic, RAlpin defied the trends and recorded a growth of 7% year-on-year on the back of exceptional load factors of over 90% achieved during 2009.

CEMAT

MARCO GOSSO
DIRECTOR GENERAL

"We will exploit the "calm" to prepare the "boat" for the future challenges"

Q.: In 2009, the world experienced the deepest and most widespread economic downturn since the beginning of the 20th century: how did Cemat face the challenge?
A: For Cemat, the challenge posed by the recent economic and financial crisis has been very difficult and complex. But to give a simple answer, I would say that it can very well be compared to "shooting the rapids". As we all know, charting the course through white-waters, there are many possible paths, but few attractive destinations. It's the river, not the paddler, that dictates the speed with which the boat moves. There is no opportunity to pause and rethink strategy, or to reverse direction: it's the capacity to reorganize while undergoing change that ultimately determines the journey's outcome. Besides, the challenge is a collective one: the direction of the boat depends on the combined effort of all those on board.

In 2009, Cemat has worked very hard to improve its ability of "shooting the rapids". We have developed the capacity to keep the company going and to maintain an element of permanency in a very turbulent environment. The pace of the transition has been dictated by the risks themselves, yet the company could only succeed if it had been prepared to take the initiative.

Q.: More specifically, what actions were taken and what results have been achieved in 2009?
A: Cemat has promptly adapted to the new market situation by putting under strict control its demand/supply structure. Measures have been put in place in all areas of the company, i.e. strict train timetabling, rationalisation of the network, optimisation of wagon fleet management and maintenance and restricting overheads. We have also postponed "low priority" investments. We have done all this without laying off our employees. Our cost reduction policy has been accompanied by innovative endeavours, which form the basis of any company's competitiveness and growth. Finally, this year we have taken the opportunity offered by the low level of activity to begin the modernization process of our IT system. Phase 1 was completed at the end of December and we are now tackling Phase 2 of this ambitious project.

Such approach and action plan have allowed Cemat to achieve, also in 2009, a positive EBITDA and a net result that, apart from the extraordinary items, is in line with 2008. And that, despite the significant drop in revenues suffered in 2009. More generally, I believe that the results achieved by Cemat have been determined by the ability to act in concert, as well as with networks of other companies. The aim was not to balance power between competing companies, but to aggregate the efforts of all those willing to aim for the preferred destination!

Q.: Finally, what do you expect for 2010?
A: Our expectations for 2010 are for a slight improvement of the economic situation in the main European markets. This means that the volume of activity that we will have to manage in 2010 will be lower than the level of 2008. We will exploit the "calm" to prepare the "boat" for the future challenges: human resources improvement programs, business process re-engineering, customer care and operational efficiency. Those are our main tasks for 2010.

kombi verkehr

ROBERT BREUHAHN
DIRECTOR GENERAL

Q: Having experienced the downturn caused by the economic and financial crisis in 2009, how do you perceive the future outlook of Combined Transport?
A: The future belongs to combined transport. After all, it combines the strengths of road and rail, while making the best use of infrastructure, and is considerably more environmentally-friendly than transporting goods by road alone. Few doubt this.

However, the financial and economic crisis has shown that even the transport method of the future is not immune to harsh slumps. Driven by massive overcapacity, the price of transporting goods by road has been reduced, thereby adding transport volumes to the roads. This is counterproductive to the modal shift desired by all sides.

In spite of its obvious ecological benefits, it is clear that Combined Transport will only be used when it is also an economic alternative. Only further process improvements will lead combined transport out of the valley it entered last year.

Q: How does Kombiverkehr propose to achieve this improvement?
A: Longer and heavier trains have the most to offer in this respect. 835-metre test trains between Hamburg and Denmark, for example, have shown that the prevailing practice in Germany of operating up to 700-metre long combined trains can still be improved on significantly. Even the 700-metre trains are hard fought for on some other routes, with the 600-metre limit on the Betuwe line – between Duisburg and Rotterdam – only lifted in February of 2010.

On the other hand, trains there may weigh up to 2,000 tons, while 1,600 tons or even less is commonplace elsewhere. In principle, every extra metre and ton helps improve the economics of Combined Transport. Therefore, network and haulage operators are going to have to gauge the possibilities on each individual line and tap into the potential there.

Q: Are there any further particular areas Kombiverkehr is exploring when aiming at improving its productivity?
A: Improvements that reduce costs and save time for Combined Transport users and the various operators of the multimodal transport chain must also be found.

Such productivity gains might be achieved, for instance, through harmonised order processing in the terminals. If shipment data could be exchanged via defined interfaces between the terminal, agency, railway transport company and haulage firm, there would be no need for it to be processed multiple times in the terminal.

This way throughput times in the terminal would be shorter and truck drivers could fit in more trips. Accelerated processing would take the pressure off the terminal and make it more efficient, something which is of utmost importance in heavily used nodes. The "only" problem here would be to agree on a standard, thereby simplifying processing.

"Improvements that reduce costs and save time for Combined Transport users must be found"

Rocombi S.A.

GRIGORE STOICA
DIRECTOR GENERAL

"We will in particular see to develop international traffic which is a domain still offering many opportunities"

Q: Please describe the situation of your company as a consequence of the economic downturn caused by the financial crisis. Have you developed a strategy on how to counter the difficulties?
A: The worldwide economic slowdown is having a very negative effect on our activities. Since March 2009, the volume of transported units has collapsed, it decreased by 70% compared to 2008. The reduction in the number of complete trains operated by Rocombi was also down by almost 80% from 12,300 units in 2008 to 2,315 in 2009.

While we are facing extremely tough competition from the road sector, rail freight rates have been increased by 20% on 1 February 2009. At the same time road hauliers reduced their prices, hence rail transport became very expensive.

Imports in Romania decreased by 35% in 2009, traffic volume at Constanta Port today stands at 60% of 2008 levels. We need to adapt to the market's new requirements by having our development focusing among others on new routes between Central and Western Romania on the one hand and Hungary and Western Europe on the other.

Q: Rocombi has commenced an international expansion through the SEEIS Project, supported by the European Union's Marco Polo program in 2008. How were this project and the international activities of Rocombi affected by the crisis?
A: The international traffic is a priority for us. For the moment there are serious difficulties in finding enough consignments and good quality rail connections from Romania to Italy and Slovenia.

Additional investments to modernize the rail terminal in Bucharest, shorter journey times and lower rail transport rates would also be needed to be competitive in the international transport market.

Q: How did the situation of terminals and terminal services, and the overall economic circumstances of CT develop in Romania during the last 12 months?
A: The development of Combined Transport needs urgent support in Romania. Many CT Terminals are very old and need massive investments in systems and equipment. The rail infrastructure is also problematic. The new rail line between Bucharest to Constanta is only 75% ready; the rest is still under construction, which leads to higher transit times and major delays from Constanta to all destinations in Romania.

Q: What are the most important ingredients of success for CT in Romania, and Rocombi in particular?
A: It will certainly take a long time to get back to levels of growth of the last years. The fall in the movement of goods – especially by CT techniques – will require long time to recover. We must see to develop the international traffic, as there are still many opportunities in this area, and, in close cooperation with our UIRR partners, we must conceive new and competitive CT services that may be welcomed by our customers.

Q: Overall, Accompanied Combined Transport, in which RAlpin is active, suffered a modest decline of 3% in Europe during 2009 as a consequence of the crisis, while under the very same circumstances RAlpin managed to considerably increase its traffic. How was this possible, to which factors do you attribute RAlpin's 2009 performance?
A: Road hauliers under price pressures due to the crisis decided to use RAlpin's services in increasing numbers resulting in a 9% year-on-year growth in 2009 compared to a year earlier.

RAlpin successfully capitalised on the economic advantages of the Rolling Motorway we operate: the truck moves even during the compulsory resting time of the drivers, there are lower operating costs of the vehicle by savings on fuel, tyres, maintenance and waiting time, no need to pay the road tolls, avoidance of slow traffic at tunnel entrances and borders, and the ability to travel over weekend and holiday driving-ban periods.

Q: What is the role of the Swiss transport policy in the success of RAlpin?
A: The Swiss transport policy plays a significant role in the success of freight transport on rail in the whole of Switzerland, best reflected in the near 40% market share of the rail mode.

Switzerland employs a usage based and polluter pays electronic road toll system for all commercial vehicles, which reflects the true costs of using road transport, and hence places rail in a more favourable relative position than in other European countries.

Moreover, the Swiss people's preference for creating a more liveable country through moderated road traffic also resulted in regulations on driving bans and a serious enforcement effort of all other rules.

Q: What were the greatest obstacles to RAlpin's development in 2009?
A: Line closures and limitations to train traffic in Italy, a lower priority for freight trains' access to the tracks, and a lack of traction services all hindered RAlpin's performance in 2009.

Both rail infrastructure managers, and railway undertakings providing traction services to Combined Transport operators, such as RAlpin, need to improve their service mentality, and thus take us, their clients, much more seriously.

Q: What are the most important outside ingredients in your opinion needed to continue the improvement in RAlpin's productivity levels, and its capability to serve clients even better?
A: RAlpin plans to further develop its Rolling Motorway capacities. The quality of the passenger wagons – couchettes – used to transport the drivers accompanying their trucks during the 10 hour journey across the Alps, and the services extended to them, will also be improved in the coming years.

The development of the Freiburg Terminal (D) will allow for a new service to Domodossola (I) to be launched.

RENÉ DANCET
DIRECTOR GENERAL

"The Swiss transport policy plays a significant role in the success of freight transport on rail"

UIRR's year in brief

The Brussels Liaison Office, serving as the nerve-centre for UIRR located in the EU quarter of Brussels, has been even more than usually active throughout 2009 in its core domains:

- Collecting information on industrial, economic and political developments directly or indirectly influencing CT and which it shares on a vast scale through its Annual Report (in three languages) and its accompanying annual Statistics publication;

- Drafting of position papers in relation to legislative or regulatory proposals of the European Commission in transport matters, or formulating suggestions that may help elaborate long term policies;

- General promotion of the CT concept and representation of CT and members' interests by way of publishing general brochures or leaflets on specific current topics (safety, environment etc.), participating in conferences, during one-on-one meetings with decision-makers, opinion leaders, and journalists;

- Assisting member companies in multi-partner projects.

Concerning this latter point, UIRR collaborated extensively with other Brussels-based organisations representing the transport and logistics sector in particular in following projects during 2009: **Be-Logic**, which aims to develop a convenient online tool for small and medium size consignees to assess the potential of Combined Transport in their operations, **Counteract**, which dealt with security and anti-terrorism issues, and **Diomis**, which projects the development path for Combined Transport in Europe.

UIRR was a participant in the **Train to Copenhagen** initiative linked to the Copenhagen UN Climate Conference held in December 2009. A special publication was issued on the occasion in which the environmental advantages of Combined Transport were highlighted drawing attention to the role rail can play in making transport sustainable.

The Brussels Liaison Office supported member companies in the **RoMoNet** and **SEEIS** projects submitted under the European Union's Marco Polo Program to assist with the start-up costs of new services which result in transferring transport volumes from road to the considerably more sustainable rail mode.

UIRR's professional committees were instrumental in preparing the staff of the office to represent the interests of Combined Transport at the **European Railway Agency** (ERA), during the annual **Rail Market Monitoring System** meeting, the annual conference of **Rail Net Europe** (RNE), the gathering of rail infrastructure managers, as well as in ad-hoc activities like the steel coil group or the investigation following the Viareggio accident.

Modernisation of the **CESAR** system (tracking & tracing, booking), managed by its shareholders Kombiverkehr, Hupac, Cemat, Novatrans and UIRR for the administrative coordination, was prepared over the course of 2009.

The internal IT systems employed by UIRR and the liaison office's premises were also enhanced. The entire staff of UIRR remains determined to provide expert representation of the interests of Combined Transport in Brussels.

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