

“The distance between Germany and the CIS is ideal for rail transport if we manage to provide the right product at the right price”



Rail traffic in Russia constitutes a much bigger chunk of the domestic transport market than in Western Europe. Ludwig Bölkow, Head of International Relations, Deutsche Bahn AG explains why his company is teaming up with Russian Railways

In April 2005 Russian Railways and Railion Deutschland AG signed an agreement on the foundation of the Railion-Russia joint enterprise. What is the significance of this joint enterprise and by what criteria will it be judged to be a success?

Trade relations between Western Europe and Russia and into the Far East have shown a significant up-swing and demand for transport is increasing accordingly. In answering this demand, rail would be the right solution. However, mostly for historical reasons, rail transport is still suffering from a number of physical and administrative obstacles, and, accordingly, market share of railways is unacceptably poor. Together with other railways and governments along the Germany-Poland-Belarus-Russia corridor (known as Corridor II), we are trying to overcome such barriers by tackling a variety of issues.

Besides improving the traffic flow on the rail corridor, we need to reposition ourselves vis á vis the market and our customers. The customer wants to deal with one single contact for his transport needs. Together with RZD we want to provide such a one-stop-shop and, at the same time, tailor-make rail based transport products in the German-Russian market and beyond. The goal is, of course, to significantly increase rail transport between the regions.

The joint enterprise will face many hurdles, including adopting to different transport regulation systems, customs and border formalities, and different track gauges. How will these problems be overcome?

Your statement is correct: there are many hurdles to overcome. Number one is delays at the borders which create not only problems with the transport time needed but also will reliability of schedules in particular. The joint task force along Corridor II, which we call the 4-axis-projects, and which besides Russia and Germany includes the Polish PKP and the Belorussian BC, is working on improving and accelerating cross-border-procedures. Improved electronic communication and information reliability is high on the agenda. Installations for automatic gauge change for selected market segments are being studied. At the same time and at the instigation of the 4-axis-project, government bodies on a national as well as a supra-national level have put items like phased-in integration of transport law and of customs procedures and regulations on their priority agenda. Realistically, we can not expect quick results in such highly complicated areas. But for rail transport it is of paramount importance to operate in a regulatory environment which does not discriminate rail against other modes of transport.

To what extent was the formalisation of relations, in the form of the joint venture, inspired by rapid development of the economies in the Asian-Pacific region?

The market is exactly what drives us. We think we can do much better than we do now. The distance between Germany and the CIS is ideal for rail transport if we manage to provide the right product at the right price. The same goes for the booming trade with China and other countries in that region. Rail Transport

can play a much bigger role considering the advantages in terms of distance and transport time. We are just about, together with RZD, to deepen our dialogue with the Chinese Railways.

How are Deutsche Bahn's subsidiaries seeking to establish a distribution network across Russia's principal economic centres?

The exact way that the Joint Venture will look is still being studied by Railion and RZD. But, certainly, the distribution activities will be where the customers are. Other DB Companies, Schenker Forwarding in particular, have been present in the Russian market for many years. As in the past, they will adjust their capacity and capabilities according to market needs in the future.

Does Deutsche Bahn consider itself a future potential bidder for Russian freight operators?

We are partners of RZD and we will continue to be a partner of RZD. There are no other plans.

What needs to be done to make rail transport in Russia more competitive?

Given its great rail system and favourable geographic conditions, rail-traffic in Russia enjoys a much bigger chunk of the domestic transport market than we do in Western Europe. To make international rail traffic between our regions more successful it would be desirable, in our view, to jointly shape a pricing policy for rail transport, which can be marketed better over the entire corridor route, taking into consideration the harsh competition from other modes of transport. 