



## The McNulty-Report and the Issue of Unbundling

UIRR keenly follows the discussions in Brussels that relate to the **issue of unbundling** with relation to the presently ongoing second reading of the Recast of the First Railway Package and the drafting of the Fourth railway package.

A considerable debate emerged recently around some of the recommendations made within the UK Government-commissioned "McNulty Report"<sup>1</sup> which recommended that the great degree of mistrust between sector players in the UK (the IM and Railway Undertakings) is resolved through "**closer industry-level cooperation**".

Proponents of the integrated model of rail<sup>2</sup> argue that there is no conclusive evidence which would underpin the claims that structurally separated railways (where the ownership ties between infrastructure managers and railway service providers are severed) would perform better, more efficiently, than in those countries like the UK, where such separation was carried out (in 1994).

Besides the evidence listed in Lord McNulty's Report (strong advances in railway quality, output and safety performance in the UK), the UK's Rail Freight Group published a powerful paper<sup>3</sup>, which lists excessive examples why **the UK model outperforms the German**, where a large integrated holding company dominates the sector.



"Smaller, separate units are usually more efficient than huge and integrated (ones)" – proclaimed Sir Roy McNulty at an event on 1 February 2012 held in Brussels<sup>4</sup>. He added: "Competition was a key driver for innovation and efficiency at both UK passenger and freight operations."

<sup>1</sup> Titled: Britain's Rail Value for Money <http://assets.dft.gov.uk/publications/report-of-the-rail-vmf-study/realising-the-potential-of-gb-rail.pdf>

<sup>2</sup> Does vertical separation always make sense? p.37 Railway Gazette 10/2011

<sup>3</sup> <http://uirr.com/en/media-centre/articles-from-the-press/2012.html>

<sup>4</sup> <http://www.cer.be/events/past-events/icalrepeat.detail/2012/02/01/92/-/britains-rail-value-for-money-report-qmcnulty-reportq-an-inspiration-for-future-eu-rail-policy>

UIRR expressed its position on unbundling numerous times, most lately in a position paper on 3 March 2011<sup>5</sup> stating: "as a matter of principle UIRR holds that **no railway undertaking should be permitted to have any privileged (ownership-type) relationship with an infrastructure manager**".



"Combined Transport Operators are extensive contractors for quality rail freight services, and UIRR can only agree with Lord McNulty that there is no better way to enhance efficiency than through competition." – said UIRR Chairman, Rudy Colle.

Major European rail-countries continuing to live under the 'integrated holding model' are: Austria, Belgium, Czech Republic and France (following the French model), Germany and Italy. Examples for the separated model include Bulgaria, Poland, Romania, Scandinavia, Spain, The Netherlands, The UK.

UIRR hereby expresses its strong hopes that the conflict of interest rules proposed by the European Commission in the recast of the First Railway Package are ultimately upheld by the European Legislator, and the issue of unbundling is ultimately (and permanently) settled in the Fourth Railway Package, thereby releasing the full innovative force of competition within the European railway sector.

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*Who is UIRR?* - Founded in 1970, the International Union of Combined Road-Rail Transport Companies (UIRR) represents the interests of European road-rail Combined Transport Operators. Road-Rail Combined Transport (CT) is a system of freight forwarding which is based upon inserting economically and ecologically sustainable electric rail into long-distance (road) transport-chains through the use of intermodal loading units<sup>6</sup> (ILU). The shifting of loads between modes takes place quickly and efficiently at transshipment terminals. CT offers the competitive combination of the flexibility of road transport – used in the positioning legs of ILUs – with the energy efficiency, extreme low greenhouse gas emissions and superior safety record of electric rail traction over long distances.

<sup>5</sup> <http://uirr.com/en/media-centre/press-releases-and-position-papers/2011/mediacentre/414-pospap-recast-first-rail-package.html>

<sup>6</sup> ILU=swap-bodies, containers and semi-trailers