



TRANSPORT OF STEEL IN THE EUROPEAN UNION

450 million tonnes on the move



The steel industry's answer to future challenges



Introduction

The European steel industry is the world's largest producer of crude steel. In 2001 its output (159 million tonnes) represented almost 20% of the world production. Despite the present difficult operating conditions in the world steel market caused by the financial and economic crisis in various regions of the world and the disruption of trade flows in steel products, the European steel companies are the most competitive in the world. They are among the best in terms of equipment performance, product quality, and innovative capacity.

This leadership is the result of gradual and evolutionary changes. In-depth restructuring processes, mergers and consolidations have been ensuring the survival and growth of the European steel industry in an open-market environment since the mid-seventies. Fifteen years ago, more than 50% of the European steel industry was state-owned. Today, almost 100% is run as private business and its production is concentrated on the most modern and efficient facilities. The ongoing consolidation of the European steel industry puts it in a position to meet the challenges of intensifying and increasingly global competition. The European industry is ready to provide its main customers competitively in terms of services, quality and prices as they too respond to globalisation.

However, although many of the European steel companies have established facilities in other regions of the world, the intensity of world trade has increased and delivery times continually become ever shorter.

Hence, efficient transportation is essential.

Freight transport on the right track?

In Europe, freight transport development has focussed on three main sectors: rail, road and water. River transport is particularly important in certain countries of northern Europe like Germany and the Netherlands, whereas it is much less used in Spain or Italy because of their geographical characteristics. The level of investments in rail freight has been particularly poor during the last twenty years, especially if compared to rail passengers and road. Decreased investments in railway systems have led to this sector now being used for only around 8% of the transport of major industrial materials.

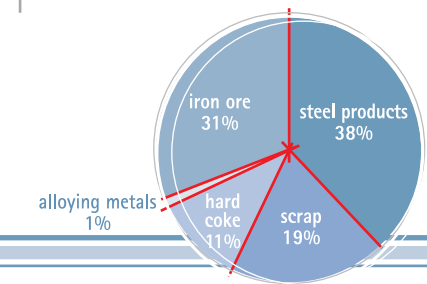
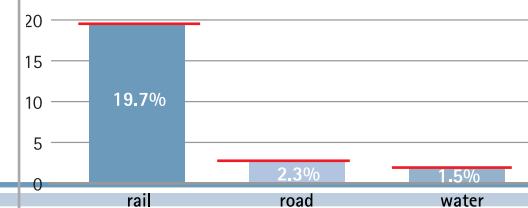
As regards the steel industry, a mix of three terrestrial transport systems is used: rail, road and water (inland waterways and coastal sea routes). Considering overall freight transportation within the European Union (EU) in 2001, the steel sector appears as the main user of the rail system (19.7%).

Steel-related transport concerns not only steel products (e.g. coils, bars, wire rods, etc.) but also raw materials (e.g. iron ore, scrap, etc.). In 2001, a total of 450 million tonnes of those products were transported within the EU.

STEEL-RELATED TRANSPORT IN THE EU IN 2001

Million tonnes	
165	STEEL FINISHED PRODUCTS
140	IRON ORE
90	SCRAP
50	HARD COKE
5	ALLOYING METALS
450	TOTAL

SHARE OF METAL PRODUCTS* IN TRANSPORT OF FREIGHT IN THE EU IN 2001



* Metal products: pig iron and crude steel, ferro-alloy, long products, flat products, tubes, pipes, iron and steel castings and forgings, non-ferrous metals.

AUSTRIA

Austria faces huge challenges by the opening of the EU to the central and eastern European countries in 2004, mainly concerning road traffic. The installation of the road pricing-system will also have large effects on the transport sector as a whole.

Because the inland waterways are very important for the Austrian steel industry (31% of all transports on the Danube are steel-related), the remaining bottlenecks on the Rhine-Main-Danube channel still prevent the effective use of this mode of transport.

On rail, which is the main mode of transport used by the Austrian steel industry, there are slight beginnings of openings of the state-controlled railway network. The steel industry is among the first to use those new opportunities.

The outgoing materials (e.g. steel coils and long products, mainly rails) are normally transported by rail, but also by road and inland water way (Danube). In particular, steel coils have a transport mix of rail (60%), road (30%) and water (10%). Ingoing transport flows of raw materials like ore, coal and scrap are also mainly transported by rail but there is also significant transport via the Danube. Road transport of imported materials is very low.



BELGIUM



The Belgian steel industry wants the transport policy of the Belgian Authorities to be conceived in a European perspective. In particular, it should focus on decongestion of road transport by setting up effective alternatives that are competitive in terms of price and flexibility. There is a need for revitalisation of railway transport and promotion of inland waterway and short-sea transport. In addition, the creation of a trans-European freight transport network is needed with efficient intra- and inter-system transfer.

To this end, the Belgian steel industry fully supports the proposals of the European Commission, that aim to open a trans-Europe railway network by 2006, creating at the same time technical interoperability of existing European national networks. In this context, the development of the rail freight transport will be carried out independently from the passenger sector, and will address the necessary investments in infrastructure, locomotives and rolling stock.

The positive evolution of transport by inland waterways, since the abolition of market regulation, has to be encouraged. In particular, remaining obstacles (e.g. lifting the remaining limitations of Sundays and public holidays, and the reduction of navigation rights) should be rapidly removed and the necessary investments made for infrastructure development and maintenance.

FRANCE



The French steel industry conveys its products mainly by rail. Between 1997 and 2001, the proportion of steel products transported by rail increased by 5%: from 50% to 55%; whereas only 14% of all other industrial products use rail transport. Road transport of steel products is also important (42%) but decreased slightly during the same period.

The poor quality of railway freight facilities was the main factor that obliged the steel industry to turn towards alternative modes of transport. For instance, the sea transport from the production site of Fos-sur-Mer (Marseilles) towards Spain, is used also to avoid road traffic congestion in the area of Nîmes/Montpellier. Due to the general road traffic congestion of southern France, sea transport was developed from Fos-sur-Mer towards Italy.

This solution provides an effective approach to surmount transport difficulties before adapted infrastructures dedicated to freight are developed. The use of inland waterway transport is marginal (3%) and its development will be very slow, due to the delays in the implementation of new investments, especially in the northern part of the Seine.

The development of transport infrastructures in France is strategic to ensure a dynamic trade flow. Indeed, France represents an important crossroad between the northern countries (Germany, UK, the Netherlands, etc.) and the southern countries (Italy, Portugal, Spain, etc.). The important investments in rail expected during the coming years in the Pyrenees and the Alps (Lyons-Turin) will substantially energise the transport of freight south-north, and the steel industry will benefit from the new infrastructures.

GERMANY

Traditionally, transport by train is very important for the German steel industry. The freight transport division of Deutsche Bahn, DB Cargo, has for some time been undergoing fundamental re-organisation. The main targets are implementation of cost transparency, a market segmentation with reference to speed as punctuality, modernisation of the rolling stock, the closing down of non-profitable terminals and significant improvement of international rail transport systems. These efforts are supported by the German steel industry. Although there are more than 150 competing railway companies, the market share of DB Cargo is more than 90%. Complete separation of the railway network from the DB transport companies would be helpful to ensure that no discrimination will be possible.

Use of inland waterway transport is also of great importance to the German steel industry. River systems like those of the Rhine and the Moselle have been used by the steel industry from the very beginning. The larger rivers are connected by a complex canal system which in addition allows access to "dry" production sites. However, the productivity effectiveness of this water network has deteriorated following neglect of its infrastructure.

There are similar problems associated with the road transport sector use of which lags behind the other two methods of transportation. In view of the increase in freight transport volume on German motorways, the planned monetary investment in the road infrastructure must be regarded as essentially too low. The motorway toll that will be implemented in 2003 will lead to cost increases for freight transport by road. However, only a minor percentage of the receipts will be used for investment in road infrastructure.



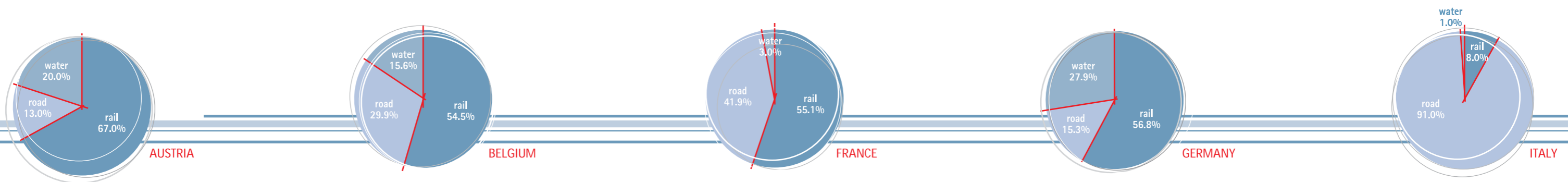
ITALY



The development of transport infrastructures in Italy is hindered by a geographical problem: the morphology of the peninsula. It does not allow the development of inland water ways because only a small number of rivers are navigable. It also would make investments very expensive, because the territory is mainly mountainous and the construction of viaducts and tunnels would be needed.

In this context, road is largely the main mode of transport used by the Italian steel industry (91%). Indeed, political choices have always supported the development of this mode of transport rather than rail. It will also remain the most used in the foreseeable future. The use of rail remains low, though there was a small increase registered between 1997 and 2001: from 4% to 8%.

MODE OF TRANSPORTATION OF STEEL FINISHED PRODUCTS IN 2001 Source: Eurofer





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LUXEMBOURG

Luxembourg is an important strategic transport point for the European steel industry. During the last five years, no significant change was noted in relative use of the different transport modes available.

Transport by rail remains by far the most important. In 2001, rail represented more than 60% of traffic, but transport by road (31%) is continuously increasing.

The high market share of rail is mainly due to an inherent characteristic of the main steel products (i.e. their length that provides natural affinity with this mode). To preserve or increase the use of rail transport in future, railway companies will need to develop innovative solutions and show a high degree of flexibility.



THE NETHERLANDS

Each of the four modes of freight transport (road, rail, inland and coastal waters) is significantly represented and their use shares are well-balanced, giving the Netherlands a competitive edge in any choice for a modal split.

Despite the difficulties of the Dutch road network arising from increasing congestion, there is an increasing of transport by truck, especially for distances under 250 kilometers.



SPAIN

The major transport mode used by the steel industry in Spain is road (86%), followed by rail (14%). In particular, 70% of flat products are transported by road and 29% by rail, while for long products, 94% are transported by road and only 5% by rail.

Rail transport in Spain will be improved through its modernisation and the opening of the rail networks to competition, probably achieved by 2010. The historical structure of rail transport in Spain was, and remains, related to the development of passenger transport. This is the reason for the important delay in this country in the development of freight transport by rail. In addition, access via the Pyrenees remains difficult. As an example, freight transport by rail between France and Italy represents 23% of the total and is a mere 8% between Spain and France. The need for considering rail transport of freight separately from the transport of passengers seems to be a fundamental element for the development of railway freight in Spain.

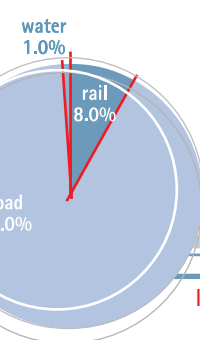


UNITED KINGDOM

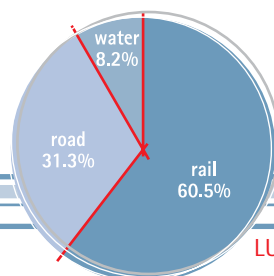


In the UK there is no movement of steel by inland waterways. A small volume of steel is transported by coastal shipping to other ports around the UK. However the majority of steel is transported by road. This includes steel transported from steel producers to customers in the UK and by road to customers in the rest of Europe using sea ferries and the Channel Tunnel. Road transportation is also involved for movement of steel to ports for shipment over short distances to Europe or for ocean transport to USA and the South-East Asia.

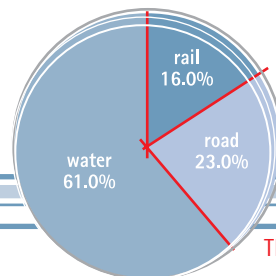
Following the privatisation of the rail industry in the UK, a major company has taken responsibility for movement of industrial goods by rail. The use of rail transport for raw materials such as iron ore, coal and scrap is well established and the company has been attempting to increase the amount of finished steel products which are transported by rail. As a result of competitive pricing, the improvements have been positive and the amount of finished steel transported by rail is estimated to have increased by 2% over recent years.



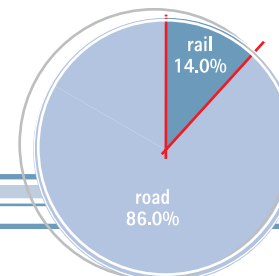
ITALY



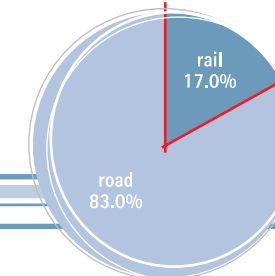
LUXEMBOURG



THE NETHERLANDS



SPAIN



UNITED KINGDOM

In September 2001, the European Commission issued the White Paper "The European Transport Policy for 2010, time to decide".

This document proposes an action plan to improve the quality and efficiency of transport in the EU: transport by rail suffers from bottlenecks and transport by road suffers daily from more than 7,500 km of congestion and 16,000 km of bottlenecks. A strategy to break the link between economic growth and transport growth, in order to reduce the pressure on the environment and prevent congestion while maintaining the EU's economic competitiveness, is also envisaged.

In particular, a first measure is intended "to shift the balance between modes of transport by 2010 by revitalising railways, promoting maritime and inland waterway transport and linking up the different modes of transport".

See at: http://europa.eu.int/comm/energy_transport/en/lb_en.html

The European steel industry supports the approach of the White Paper and is ready to take part actively in the achievement of its objectives. In particular, it considers that to achieve these ambitious targets the following are necessary:

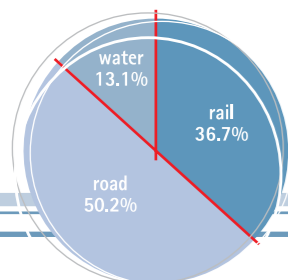
- Investments should be made to create and/or further develop rail infrastructures intended for freight transport, with dynamics like those developed for certain passenger rail transport systems (e.g. the high speed train);
- Continuation of the liberalisation process aiming at allowing access to national rail networks by private operators;
- Acceleration of implementation of interoperability among rail networks and equipment at the European level;
- New terminals/service areas to provide effective transport links between the railway stations and industrial sites;
- A competitive combined transport beyond 500 km.

The European steel industry, as the main user of an integrated EU rail network, is deeply concerned by the current bad situation and the poor prospects for its evolution. Thus, a significant improvement in the efficiency of rail freight transport, without adversely affecting the development of the other modes of transport is a priority. Nevertheless, road transport remains the foremost mode of transport for the steel industry.

Furthermore, the cost of transport has a real effect on the competitiveness of certain enterprises: for steel companies, transport costs amount to 10-15% of turnover. It is therefore vital to avoid rises in costs that could not be easily borne by enterprises that are confronted with increasing competition on a world scale. Transport costs remain higher in Europe than in other large competing areas such as the United States, where they have decreased by 45% since 1984. Additionally, the harmonisation of road transport regulation should be accelerated: this must be done not only within the EU but also with central and eastern European countries which will become part of the EU in 2004.

MODE OF TRANSPORTATION OF STEEL FINISHED PRODUCTS IN 2001

('000 tonnes)	Austria	Belgium	France	Germany	Italy	Luxemburg	The Netherlands	Spain	UK	TOTAL 9 countries
BY RAIL	3 821	7 962	9 653	23 376	2 414	1 833	920	2 475	2 263	54 717
% of total	67.0	54.5	55.1	56.8	8.0	60.5	16.0	14.0	17.0	36.7
BY ROAD	741	4 368	7 341	6 297	27 454	949	1 323	15 203	11 046	74 722
% of total	13.0	29.9	41.9	15.3	91.0	31.3	23.0	86.0	83.0	50.2
BY WATER	1 140	2 279	526	11 482	302	249	3 509	0.0	0.0	19 487
% of total	20.0	15.6	3.0	27.9	1.0	8.2	61.0	0.0	0.0	13.1



These figures concern the production of steel finished products within the 9 EU countries. It also includes their imports of steel finished products from Third Countries.

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EUROFER is the European Confederation of Iron and Steel Industries. Its members and associate members are steel companies and national steel federations throughout the European Union (EU) and the Central and Eastern European Countries (CEEC). Together they represent more than 95% of total steel production in the EU and CEEC.

The objectives of EUROFER are co-operation amongst the national federations and companies in all matters, which contribute to the development of the European steel industry, and representation of the common interests of its members vis-à-vis third parties, notably the European institutions and other international organisations.

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