

The Case of Veolia

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Veolia Cargo, part of the VE business and strategy

- For Veolia Environnement
 - ➔ Contribute to sustainable development by favoring the modal split from road to rail
 - ➔ Provide services to other VE divisions e.g. waste management, energy
- For Veolia Transport
 - ➔ Take advantage of a profitable growth opportunity resulting from a new market
 - ➔ Expanding a portfolio of contracts with industrial clients
 - ➔ Support the passenger rail transportation activities:
 - Sharing experience in technical, safety, and operational areas
 - Operational synergies (training, maintenance, etc.)



Veolia Cargo, a rail – based logistics provider

- Start of operations : 2005
- Leading independent freight transportation company in Europe, specialized in door-to-door rail-based logistics
- Full service regional, national and international rail transportation
- Revenue: €220 m
- Tonnage: 1.8 billion T km
- Staff ≈ 1000



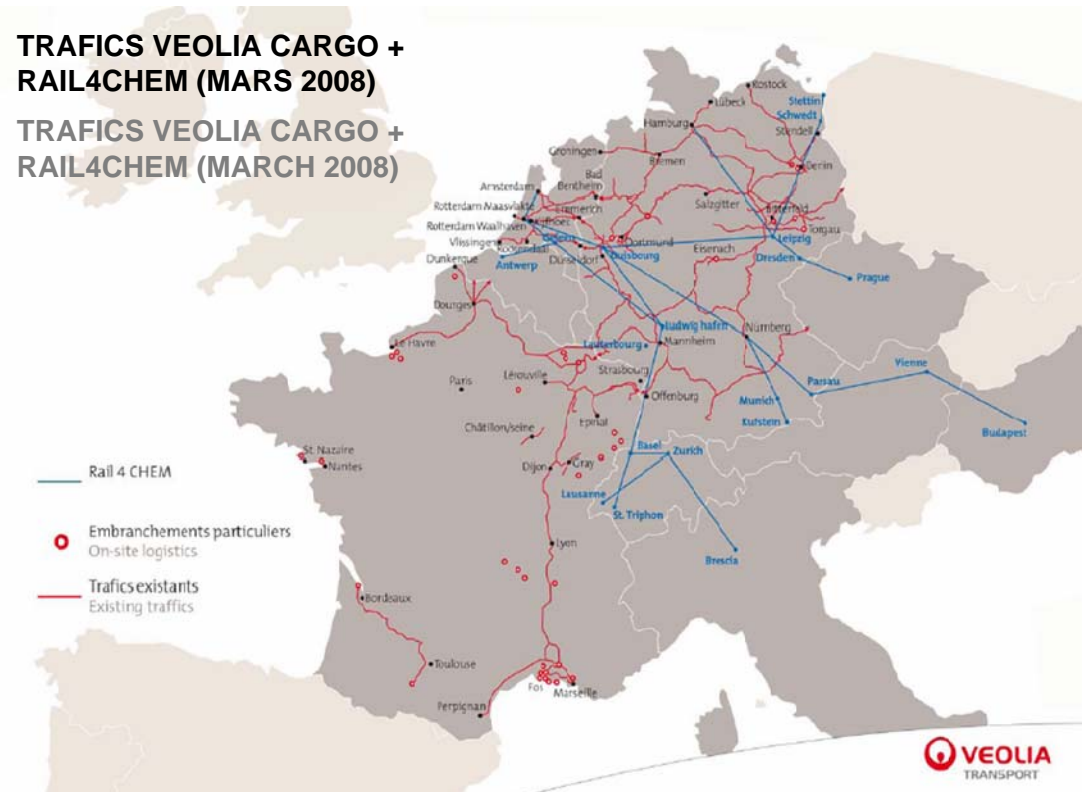
Cargo



Geography

Operations all over Europe:

- **National subsidiaries** in Belgium, France, Germany, Italy and The Netherlands
- **Partnership** In the other countries (e.g. Czech Republic, Poland...)
- **Recent acquisition of Rail4Chem** opens new markets such as Switzerland
- **Strategic partnership with CMA-CGM** gives access to the major ports



Key challenges

Market

- Cover the main European corridors
- Answer to the growing demand of clients vis-à-vis environmental friendly modes of transport

Profitability

- Reach the critical size
- Increase our position in the value chain



Veolia Cargo in 2008: key developments

- Opening of Veolia Cargo Italia
- Acquisition of Rail4Chem
- Opening of Veolia Cargo Bénélux
- Partnership with CMA - CGM



→ Veolia Cargo is now active on the major European corridors



Rail: a growing market

■ Railway freight market share

EU (15) 14,4 % (2006)

EU (27) 16,7 % (2006)

Railway business re-starts from 2005

France:

+ 4,1 % (+100% for new entrants)

Germany:

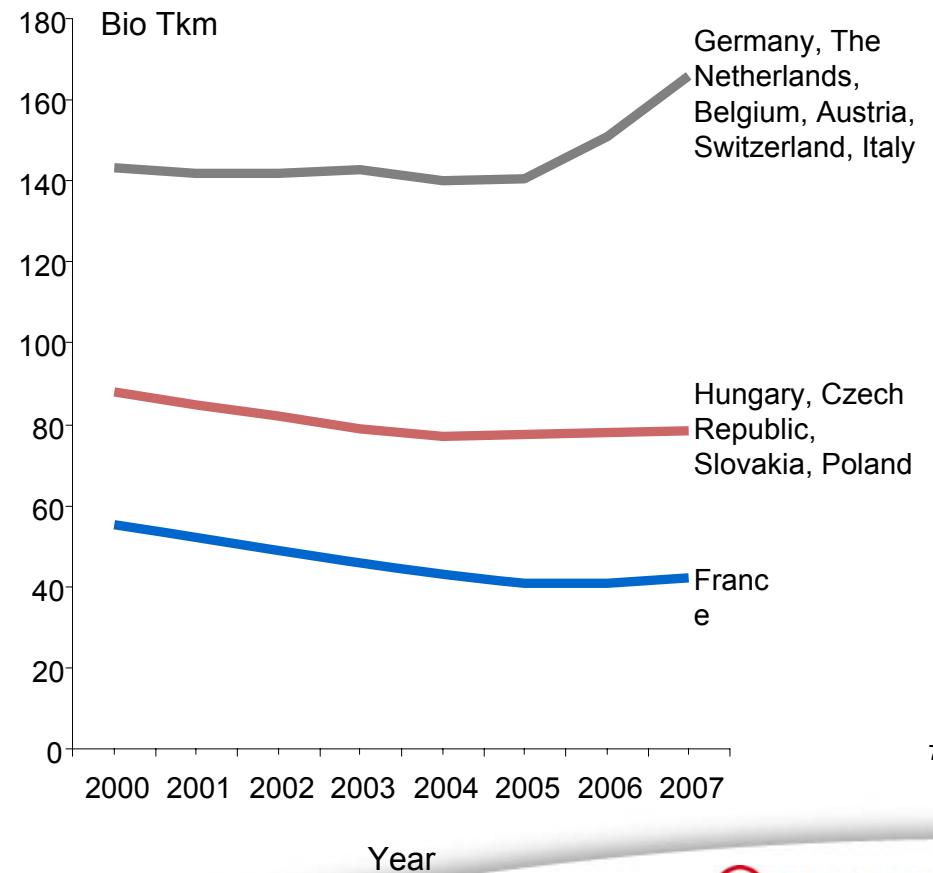
+ 9 % (+ 30 % for new entrants)

Holland :

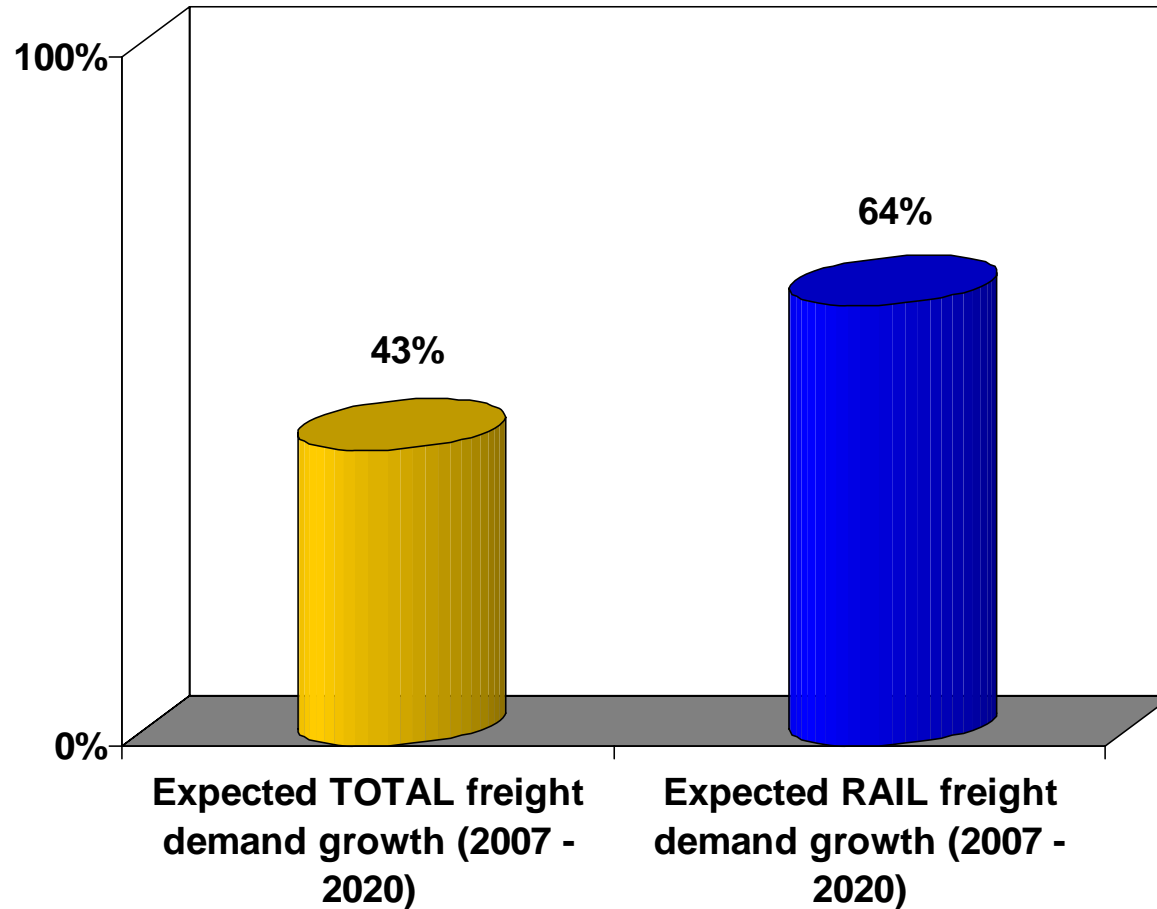
+ 7%

Swiss :

+ 11,1 %

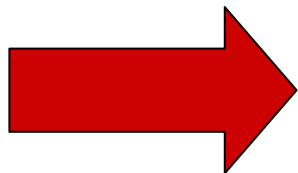


Total freight growth expectations and rail freight growth expectations...



How to address the customers' needs ?

- **One stop shop**
 - > One single contact for Europe
 - > Ability to operate cross border services under a single management
- **Dedicated** locomotives and staff to each service
 - > With a local correspondent
 - > Day to day monitoring & optimized allocation of resources
- **Versatility of staff**
 - > Driving
 - > Ground operations (checking couplings and freight cars, testing the brakes, testing the freight cars' leakproofness, checking loads and so on).
 - > Interface with customers (preparing transportation documents and loading inspection).
- Policy of maintenance perfectly structured / **Safety, Quality & Environment (SQE)** strictly managed
- **Innovative approach** vis-à-vis the customer to review the transport plan
- **Competitive price**



Reliability / Quality / Cost effectiveness



Case Study: Lafarge Ciment (France)

Lafarge, 1st cement producer over the world...highly CO2 emitter.

As a result, the group has fully incorporated the environmental issue in its strategic thinking. Investments are challenged in the light "sustainable development".

For example, Lafarge today, the use of by product of steel production, as a partial substitution of clinker, to produce cement in order to reduce CO2 emissions.

■ Original transport plan:

From quarry

⇒ truck

To cement plant

■ New transport plan 100% green:

From the steel plant in Dunkerque

⇒ short sea shipping

⇒ crushing plant in Bordeaux

⇒ railway

To cement plant in Toulouse



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CO2 emissions: comparison

Rail Diesel

165 000 km / year

Consumption 8.8 l / km of diesel (full) 4 l / km (empty)

2700 t CO2 per year



Rail Electric

Consumption 28 kWh / km (full) and 14 kWh / km (empty)

3500 MWh i.e. 132 t CO2 per year



Road

8750 AR truck per year (full) 24 t 50% return empty

4 300 000 km

4000 t CO2 per year



Giving rail its full potential to answer the customers' needs

- **Ending this « ever complaining » approach**

- ➔ RU's should find ways internally to improve their efficiency

- **Develop open partnerships** with transport providers of each mode of transport, with 3 & 4 Party Logistics (PL) & shippers

- ➔ Rail should be really part of the supply chain

But to offer to the customers a real choice some conditions are required...

- ➔ Rebalance the priority given to road along the time
Transport & logistics managers
National governments
EU institutions

- ➔ Achieve the opening of the rail market
Access to infrastructure
Access to rail related services



Thank you for your attention!



www.veolia-cargo.com