

Cooperation agreement between ÖBB and Baumann Paletten Answers to Frequently Asked Questions (FAQs) from EPAL

In a press release dated 22 March 2023, ÖBB Rail Cargo Group (ÖBB) stated that it had concluded a cooperation agreement with the German company Baumann Paletten GmbH to strengthen the 'EUR' brand and its open pallet pool. Since then, EPAL has been receiving many questions as to whether this initiative by ÖBB has any impact on the open EPAL Euro pallet pool.

EPAL has therefore compiled the most frequently asked questions to provide consistent information for all users of EPAL Euro pallets and EPAL licensees. The answers are below:

Question In a press release dated 22 March 2023, ÖBB reported the conclusion of a cooperation agreement with Baumann Paletten GmbH. Does this cooperation agreement mean that EPAL Euro pallets and UIC/EUR pallets are exchangeable again?

Answer No. The lack of exchangeability between UIC/EUR pallets and the EPAL Euro pallet pool has not changed due to the cooperation between ÖBB and Baumann Paletten. This is not addressed in the ÖBB press release and, as far as EPAL is concerned, this cooperation does not change the current situation. Baumann Paletten is a licensed ÖBB (Rail Cargo Austria) repair operation which means these are simply internal processes within the UIC exchange pool. Nothing has changed as far as the reasons which led to the termination of the exchangeability agreement between EPAL and UIC in 2017 are concerned.

Question Why are UIC/EUR pallets and EPAL Euro pallets not exchangeable?

Answer In 2017, EPAL terminated the exchange agreement concluded with UIC in 2014 for EPAL Euro pallets and UIC/EUR pallets because, prior to that, many EPAL users and licensees had reported that the quality of UIC/EUR pallets frequently did not correspond to the quality of EPAL Euro pallets and many counterfeit UIC/EUR pallets were in circulation. Martin Leibrandt, the CEO of EPAL from 2011 to 2018, elaborated on this in a press release dated 1 March 2017 <https://www.epal-pallets.org/en/news/news/details/article/epal-decides-to-end-the-exchangeability-agreement-with-the-uic-as-of-1st-may-2017-1> : *"EPAL can no longer guarantee that UIC/EUR pallets meet the demands that the industry, retail and logistics sectors justifiably place on the quality and safety of EPAL Euro pallets. In particular, the uncontrolled import of counterfeit UIC/EUR pallets endangers the quality and safety of the EPAL Euro pallet pool."*

Nothing has changed in this context since 2017. Martin Leibrandt has recently taken on the role of Marketing Director at Baumann Paletten so ÖBB and Baumann Paletten know that UIC/EUR pallets are not exchangeable in the EPAL Euro pallet pool and why this is.

Question What are EPAL's specific reasons for rejecting the exchangeability of UIC/EUR pallets?

Answer The prerequisite for the exchangeability of Euro pallets is a uniform, standardised quality. Euro pallet users quite rightly expect that they get back Euro pallets of the same quality as the EPAL Euro pallets they use in logistics. In pallet exchange, the pallets act like a currency. However, this only works if the uniform value of the pallets is supported by a uniform quality. EPAL cannot guarantee this for UIC/EUR pallets because UIC has no quality assurance at all in many European countries and in other countries, the UIC quality assurance does not correspond to the EPAL standards in terms of frequency and quality. Also,

efforts made to fight counterfeit pallets do not meet EPAL's requirements. This situation has not improved since 2017 but, in EPAL's opinion, has got worse.

For companies in industry, retail and logistics who use pallets in high bay racking systems or in automatic conveyor systems and who are therefore dependent on a uniform quality and quality assurance, there is therefore no alternative to EPAL Euro pallets in the foreseeable future. The same applies for international exchangeability and the resilience of pallet logistics through a wide range of suppliers. All of this can only be guaranteed by EPAL. Therefore, when ordering new and used pallets, we recommend to explicitly agree on supply and use of EPAL Euro pallets only, and to refer to EPAL's Exchange Conditions <https://www.epal-pallets.org/eu-en/translate-to-en-qualitaet-und-tausch/translate-to-en-tauschbedingungen> and Quality Classification <https://www.epal-pallets.org/eu-en/translate-to-en-qualitaet-und-tausch/translate-to-en-qualitaetsklassifizierung> when exchanging pallets

Question Does EPAL anticipate the cooperation between ÖBB and Baumann Paletten leading to an improvement in the quality of UIC/EUR pallets?

Answer EPAL has no insight into ÖBB's and Baumann Paletten's plans.

The press release dated 22 March 2023 and the Baumann Paletten website provide no information on this. However, the primary objective here is obviously to use marketing to improve the 'EUR' brand image, which ÖBB itself admits is not perfect. However, it is not enough to improve UIC's marketing activities and push the 'EUR' brand to the fore because there only very few railways still actively participating in the UIC exchange pool on UIC's side. Active and international organisation of the UIC exchange pool and an improvement in UIC's quality assurance would be necessary. However, this is not mentioned in ÖBB's and Baumann Paletten's publications.

Question Can Baumann Paletten take over the organisation of the UIC/EUR exchange pool?

Answer This is not possible if UIC takes its own conditions seriously.

Regulations in the UIC Leaflet 435-2 for the production of UIC/EUR pallets, state that pallet organisations must prove their independence *'from the interests of actors involved with reusable load carriers in order to exclude conflicts of interest'*. As a UIC (ÖBB/RCA) licensee and supplier of UIC/EUR pallets and pooling services, Baumann Paletten is obviously not independent but is in direct competition with other UIC licensees and market players. It therefore not possible for this cooperation between ÖBB and Baumann Paletten to improve the organisation of the UIC/EUR exchange pool. Also, even if no organisational tasks are transferred, the conclusion of the cooperation agreement gives the impression of a conflict of interests.

Question Can Baumann Paletten at least take over or improve the quality assurance of the UIC/EUR exchange pool?

Answer This is also not possible because this would be associated with a specific conflict of interests.

As a repair licensee of ÖBB (RCA), Baumann Paletten must be inspected by UIC within its quality assurance in accordance with the UIC Leaflet 435-2. This precludes Baumann Paletten from organising UIC's quality assurance itself or being involved in it in any way. UIC quite rightly stipulates in Leaflet 435-2 that conflicts of interest are to be avoided, so ÖBB can therefore not commission Baumann Paletten to carry out inspections. Preferential treatment of a specific licensee through the conclusion of a cooperation

agreement already raises the issue of the future independence of the UIC/EUR exchange pool. Giving a specific licensee such an advantage is not possible in the EPAL Euro pallet pool.

Question Are there any disadvantages or risks for other pallet producers or repair operations associated with the cooperation agreement between ÖBB and Baumann Paletten?

Answer We are currently not able to evaluate this as we are not privy to the content of the cooperation agreement.

It is probably not a coincidence that there is no information on the specific content of the cooperation agreement either in the ÖBB press release or on Baumann Paletten's website. EPAL licensees who also have a UIC licence have, however, informed us of their concerns that Baumann Paletten will also have access to the results of UIC inspections or even that the results may be evaluated by Baumann Paletten. However, as far as EPAL is concerned, we can guarantee strict confidentiality with respect to the inspection companies' quality assurance findings. Other licensees do not have access to these documents. EPAL knows that production methods and technology are trade secrets to which competition must not have access.

Question Does Baumann Paletten have an EPAL licence to produce or repair EPAL pallets?

Answer No. Baumann Paletten is not an EPAL licensee and is therefore not entitled to use the EPAL brand as part of the production or repair of EPAL pallets.

EPAL will not grant a licence due to the cooperation between Baumann Paletten and ÖBB and the associated conflict of interests. One of the most important principles for EPAL is that licensees are treated equally. This applies to the internationally uniform and independent quality assurance and also excludes individual licensees having special rights which could result in competitive advantages. Fair competition between the more than 1,600 EPAL licensees is the basis of the success of the EPAL Euro pallet pool.

Question Why is Baumann Paletten, a company based in Germany, an ÖBB (RCA) licensee and why has it concluded a cooperation agreement with them and not Deutsche Bahn?

Answer Deutsche Bahn AG and its relevant subsidiary already withdrew from the organisation of the pallet pool in 2013, as have most other European railways either prior to this or since. The reasons for the withdrawal of Deutsche Bahn also led to the separation of EPAL and UIC. As the managing railway, ÖBB (RCA) is responsible for the UIC palletisation working group, which includes only Green Cargo from Sweden and a few East European railways in addition to ÖBB (RCA).

Question What information does EPAL have regarding the content of the cooperation agreement between ÖBB and Baumann Paletten?

Answer The only information EPAL has is that available from the ÖBB press release dated 22 March 2023 and on the Baumann Paletten website. On the website, it states that the 'EUR' brand is now '*in the hands*' of Baumann Paletten. If this were true, it would, of course, be extremely interesting as the UIC/EUR exchange pool would then no longer be independent and neutral with respect to the licensees and users. This also excludes exchangeability of EPAL Euro pallets and UIC/EUR pallets.

Question Is it possible that EPAL will also commission a cooperation partner and transfer special rights to the EPAL brand to them?

Answer No. As far as EPAL is concerned, no licensee or other company will be granted preferential rights to the EPAL brand.

Such a preferential treatment of a specific company would simultaneously disadvantage all the other licensees and users of EPAL pallets. On the contrary, EPAL guarantees that all licensees and the many service providers and users of pallets in the open EPAL Euro pallet pool will be treated equally.

For this reason, EPAL is organised as an international, not-for-profit association. This prevents any economic or personal interests of specific companies influencing the EPAL Euro pallet pool.

Question Why did EPAL not tender for the cooperation agreement with ÖBB?

Answer ÖBB did not inform EPAL that the EUR brand will be put out to tender even though EPAL held discussions with ÖBB and UIC in 2021 on harmonising quality assurance. These discussions also included a representative of the WKÖ (Wirtschaftskammer Österreich / Austrian Economic Chambers). As EPAL had not been informed of the tender by representatives of UIC, it can be assumed that UIC and ÖBB already had other objectives at that point in time. There has been no progress in discussions between EPAL and UIC after UIC did not respond to EPAL's proposal to disclose how many inspections they complete in order to move towards setting up joint inspections. EPAL carries out more than 25,000 unannounced inspections at EPAL licensees' premises every year.

Question: In the ÖBB press release, it states that there are 600 million Euro pallets in circulation. Is this correct?

Answer Yes and no. EPAL estimates that the number of EPAL Euro pallets currently in circulation is more than 650 million, based on an average service life of seven years and EPAL's production figures for the past seven years. EPAL licensees have produced more than 100 million EPAL Euro pallets in both 2021 and 2022.

The number of UIC/EUR pallets is considerably less. Unlike EPAL, UIC does not publish any statistical data. In the press release dated 22 March 2023, ÖBB also does not state that the estimated 600 million pallets are EUR Euro pallets but simply calls them Euro pallets, obviously in order to include EPAL Euro pallets. This 'trick' does not alter the fact that, in terms of the number of licenses and EPAL Euro pallets produced, EPAL is, by some distance, the market leader in terms of offer and exchange of Euro pallets.

Question: Baumann Paletten also offers pooling services. What does this mean for service providers in the open EPAL Euro pallet pool?

Answer The same principle applies here that EPAL does not treat any individual service provider preferentially by granting special rights. EPAL is currently not in a position to assess whether transferring the EUR brand into the hands of a pooling company will mean that UIC/EUR pallets will be private or rental pallets in the future. Service providers as well as licensees and users all have free and equal access in the EPAL Euro pallet pool. An equal competitive environment for service providers is the prerequisite for fair competition. This ensures users have a good service and market-based pricing and that there is innovative further development of the pool.

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