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Working Party on Rail Transport

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Activities of the European Commission in rail transport

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Note by the European Union

I. Some facts and figures on rail transport in the EU

Following a long period of decline, since 2000 rail has managed to increase passengers and freight volumes transported and to stabilise its modal share (11% for freight and 6% for passenger transport). The rapid fall in rail employment had also slowed down before the onset of the crisis, since job losses in the incumbents have been partly offset by job creation in newly established railway and services companies. Safety has also improved significantly (with 62 passenger fatalities in 2010, compared to 31,000 on EU roads).

II. The role of regulators

Consistent enforcement of economic legislation will support competition and market orientation in the sector. Strong and independent regulators have a key role in ensuring enforcement of the legislation. National regulators shall therefore be further strengthened; Directive 2012/34/EU contains a number of provisions designed to meet this objective, i.e. extension of competences and increased independence requirements. These provisions now need to be implemented by Member States (deadline June 2015).

Moreover, Directive 2012/34/EU brought a series of provisions aiming at ensuring cooperation among regulatory bodies in order to guarantee a most effective and consistent enforcement of the provisions on access to the railway market throughout the EU. Cooperation includes regular meetings to exchange information about decision-making practices, main issues if procedures and problems of transposing Union law in the context of the European network of rail regulatory bodies, which convenes three times per year. Moreover, regulators have taken measures to ensure efficient cooperation in the context of rail freight corridors (e.g. cooperation agreement between regulatory bodies along a corridor). Also, a considerable number of EU rail regulators cooperate in the independent rail regulators group, where they perform, among others, joint market monitoring activities.

III. Shift2Rail

"Shift2Rail" is an ambitious public-private partnership which will manage a 7-year work programme of targeted research and innovation to support the development of better rail services in Europe. It will develop and accelerate the bringing to market of technological breakthroughs.

With "Shift2Rail", the Commission is more than tripling its financing for rail research and innovation to €450 million (2014-2020) compared to €155 million for the previous period. This will be matched by €470 million from the rail industry. The net gains of this long term collaborative approach will give a very substantial boost to innovation in the rail industry, compared to previous co-funding of individual projects.

Shift2Rail aims to deliver: a reduction, by up to 50%, in the life-cycle cost of railway transport (i.e. costs of building, operating, maintaining and renewing infrastructure and rolling stock); an overall increase in capacity of up to 100%; and an overall increase in reliability of up to 50% in the different rail market segments.

The research and innovation will focus on five key areas:

- To improve the quality of services , it will focus on developing a new generation of high capacity trains which are cost-efficient and reliable;
- To increase capacity and get more trains running on the same lines – it will develop better intelligent traffic management and control systems;
- To provide reliable, high quality, infrastructure, including reducing track noise, cutting costs and developing intelligent maintenance
- To provide integrated ticketing and journey planners – it will develop innovative IT solutions and services;
- To allow rail to compete effectively in more markets, it will develop better logistics and inter-modal freight solutions, so rail can connect better with other forms of transport.

The establishment of a rail joint undertaking – a public-private partnership called Shift2Rail – will enable the pooling of public and private resources to focus on research activities critical to delivering the Single European Railway Area and to supporting the competitiveness of the rail sector as a whole, creating jobs and boosting exports.

IV. Investments needs and projects to be financed through grants under the Connecting Europe Facility (CEF)

Rail projects will receive between 80 and 85% of the €31.7bn of funds under the CEF. In the Annex of the CER Regulation, the 10 Corridors of the Core Network are based upon the European Rail freight corridors and include mostly rail projects. The wide majority of projects of the Core Network that are not part of the Corridors are rail projects. ERTMS is one of the horizontal priorities covered by the CEF Annex. These projects have been identified on the basis of the portfolio of the Member States that were discussed with the Commission services.

CEF will be able to finance with grants rail projects of the Core Network, multimodal platforms, actions to reduce rail freight noise by retrofitting of rolling stock, the greening of freight services and the rail connections to ports and airports.

The co-funding rates to be used for bottlenecks and cross-border rail projects have been increased respectively to 30 and 40%, since these projects are the most complex and difficult to realise in the TEN-T network.

V. Rail, financial instruments and PPPs

In the context of scarce public budget and in the context of the Action for Growth and Stability, alternative to public grants are needed to finance major projects. The CEF allows for combining grants (from the CEF, Cohesion Fund or other public sources) with financial instruments of the CEF, which can ease the use of financial instruments for railway projects. The synergies between CEF and ESIF should be maximised.

In transport, it was envisaged to dedicate €1bn from the CEF for innovative financing. Although it is not a common way of structuring projects in the rail sectors, PPPs or other financial schemes combining private finance for publicly run projects may prove useful in the case of specific railway projects, for instance:

- High speed line PPPs with revenues coming from traffic fares. The biggest European infrastructure project at the moment is the high speed line Tours – Bordeaux in France, with investments costs over €7bn, has been structured as a PPP, combining grants from National budget and EU financial instruments to secure commercial bank financing.
- Dedicated rail lines to connect airports to city centres: The Arlanda Express in Stockholm was structured as a concession, the Paris Charles de Gaulle airport Express could be structured as a PPP.
- Deployment of electrification or traffic management systems along an existing or new rail line: this was used in Spain on the Alicante – Albacete high speed line, and is an option being considered for the financing of electrification and signalling for major projects such as the Lyon – Turin or the Brenner base tunnels.

In addition, the CEF will also offer financial instruments dedicated to support corporate, and these instruments could be used by Railway infrastructure owners.

VI. The 4th Railway Package

The 4th Railway Package consists of six legislative proposals which are conventionally grouped under two 'pillars': the 'technical pillar' and the 'market pillar'.

The technical pillar includes:

- A proposal for a recast of the Interoperability Directive 2008/57
- A proposal for a recast of the Safety Directive 2004/49
- A proposal for a recast of the Regulation on the European Railway Agency (EC)881/2004

The market pillar includes:

- A proposal to amend Directive 2012/34 (recast) establishing a Single European Railway Area as regards the opening of the market for domestic passenger transport services by rail and the governance of the railway infrastructure;
- A proposal to amend Regulation 1370/2007 concerning the opening of the market for domestic passenger transport services by rail;

- A proposal to repeal Regulation 1192/69 on the normalisation of accounts of railway undertakings. This is an obsolete regulation designed to compensate certain railway undertakings for a number of public service obligations. This regulation has become incompatible with the State aid rules and creates discrimination between railway undertakings, as only a few, individually designated undertakings are entitled to support. Most of the support can be granted via other legal instruments anyway.

The following challenges still need to be addressed to complete a Single European Rail Area:

- interoperability is not yet fully guaranteed, technical and safety rules are unnecessarily complex and procedures too costly;
- infrastructure management is not optimised and infrastructure managers do not enjoy the level of autonomy required to ensure fair access to the infrastructure;
- only freight services and international passengers services are open to competition, leaving a large part of domestic rail markets under national monopolies.
- Public service contracts for rail transport can still be directly awarded without ensuring transparency and non-discrimination.

To this aim, the 4th Railway Package proposes to:

- remove the remaining administrative and technical barriers, in particular by establishing a common approach to safety and interoperability rules and extending the competences of the European Railway Agency.
- open the domestic rail passenger market to competition, including the mandatory competitive tendering of public service contracts for passenger services.
- reinforce the independence of infrastructure managers in order to ensure fair and non-discriminatory access of new entrants to rail infrastructure. This is particularly relevant where infrastructure managers are part of vertically integrated undertakings.

The two pillars are at different stages of the legislative procedure. In February 2014, the EP adopted a position in first reading on all six proposals, thus preserving the 'package approach'. The Council has been following a sequential approach starting by the technical pillar. Significant progress was made on this part of the package as the Council reached a political agreement in June 2014.