THE EUROPEAN RAIL TRAFFIC MANAGEMENT SYSTEM (ERTMS) PROJECT AND ECONOMIC EVALUATION ACTIVITIES OF THE EUROPEAN RAILWAY AGENCY (ERA)

Note by the European Railway Agency
Economic Evaluation at the European Railway Agency

UNECE – 62\textsuperscript{nd} session of the Working Party on Rail Transport
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What is Economic Evaluation?

Economic Evaluation (short: EE) = generic expression

Impact Assessment is required as a means to improve quality of EU lawmaking

Impact Assessment Guidelines – SEC(2005)791 is a useful reference

2004/49 (« Safety » directive):

- All proposals for [...] Common Safety Targets shall [...] be accompanied by an assessment of the estimated costs and benefits, indicating their likely impact for all the operators and economic agents involved and their impact on the societal acceptance of risk
Explicit references to economic evaluation

From Interoperability Directive 2008/57

Recital (22)

- care should be taken **not to penalise rail economically** vis-à-vis other modes of transport

Recital (30)

- The drawing up of Technical Specifications for Interoperability and their application to the rail system should **not impede** technological innovation, which should be directed towards improving economic performance.

Art. 6.3

- An overall assessment of the estimated costs and benefits of the implementation of the Technical Specifications for Interoperability shall be attached to the draft TSI; this assessment shall indicate the likely impact for all the operators and economic agents involved.
Economic Evaluation in a workflow

European Commission
- Directives
- Impact assessment of Directives
- Mandates

ERA
- Recommendations
- Impact assessment of Recommendations

EIB, Member States, Stakeholders
- Funding
- Implementation

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Is EE really possible: TSI case

- TSIs apply to new, renewed or upgraded systems

- But railway assets have long lifetimes
  - Material assets, linked to...
  - ...immaterial ones: rulebooks, etc.

- Typical process (in difficult cases):
  - Set reasonable « ultimate target » (20-40 yrs)
  - Carefully check initial transition period (10 yrs)
  - EU, Member States & Stakeholders take action
  - Ex post evaluation ➔ revise « Ultimate target » …
Does Economic Evaluation matter?

Economic Evaluation is **required** by the Directives
- Interoperability
- Safety

« Result » is no pass / fail criterion
- « Positive result » of one particular recommendation is no design target
- Would be very demanding (model calibration)
Did Economic Evaluation matter?

Justifying the status quo
- Ongoing work: voltage systems in Europe
- Unfortunately, “status quo” may not be optimal

Justifying a trend
- Ongoing work: passive safety requirements for rolling stock
- There seems to be a strong economic rationale behind

Putting a brake on a trend
- Should ETCS become the cure-all of railways?
- Feature overload is a cost and a risk

Avoiding “CBA as an excuse”
- Ongoing work: specific cases – setting up pre-conditions before we even look at the figures

Coming to a conclusion
- Absence of decision may be worse than wrong decision, sometimes
- Example: ETCS Limited Supervision function

The evaluation process may be as important as the result
How is Economic Evaluation organized?

- No constraints from Agency Regulation
- EE Unit = 5 staff now, at most 6 (… given the current mandates)
  - and expansion is NOT a primary goal
- Working Parties & Mirror Groups
- Economic Survey Group & Mirror Groups
- Ad hoc groups for special tasks
- Cooperation / re-use of available studies
- Contracts
What does Economic Evaluation deliver?

Approval at **Railway Safety & Interoperability**

Approval at **Survey Group** level

Approval at **Working Party** level

Descriptive data
- Business & Traffic data
- Railway system description
- General economic data
- Railway system costing

Economic data
- Review of EE frameworks
- CBA application to Railway Sector
- ERA applied economic evaluation
- EE confidentiality rules
- Measurement guidelines for impact

EE, applied to Project evaluation
EE, applied to other recommendations
EE, applied to Safety
EE, applied to TSIs
EE reports, Project evaluation
EE reports, other
EE reports, Safety
EE reports, TSIs

EE Outline

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Overview of activities

DREAM database & model generator project

Descriptive data
- Traffic data
- Railway system description

Economic data
- General economic data
- Railway system costing

Data processing

EE Guidelines

CBA application to Railways

Review of EE frameworks

EE confidentiality rules

ERA applied economic evaluation

Measurement guidelines for impact

EE, application to Project evaluation

EE, application to Safety

EE, application to TSIs

EE reports, other

EE reports, Safety

EE reports, TSIs

EE reports, Project evaluation
### Way to go?

<table>
<thead>
<tr>
<th>Satisfactory:</th>
<th>Need attention:</th>
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<tr>
<td><strong>Quality:</strong></td>
<td>Proper involvement of Sector Organisations in economic affairs</td>
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<tr>
<td>• Consistency of works</td>
<td>Proper involvement of non represented stakeholders</td>
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<td>• Traceability</td>
<td>Availability and reliability of relevant data</td>
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<td>• Cooperation with « technicians » in Working Parties</td>
<td>Uncertain economic balance (RU/IM/States)</td>
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<td><strong>Efficiency:</strong></td>
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<tr>
<td>• Re-use of data (Commission, UIC)</td>
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<tr>
<td>• Re-use of methods (Commission, EIB)</td>
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Economic Evaluation Unit

Airy Magnien
Torben Holvad
Martin Schröder
Ernest Godward
Gilles Gardiol
Stéphanie Desprez, Amelisa Megos

airy.magnien@era.europa.eu
www.era.europa.eu

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