



Paper

Brussels, October 2016

ERTMS Business Case on the 9 core network corridors



1. Introduction

- CER welcomes the business case study as it is an important step towards a systematic investigation on the economic perspective of ERTMS. It is helpful to have this sector analysis showing the possible long-term value of ERTMS.
- The corridor business cases cover wider societal benefits and do not reflect all local implementation cases – neither from a technical, nor from an operational economic perspective. Further work is still needed to refine and agree on the picture provided by the study.
- The economic feasibility of a large scale ERTMS deployment for each railway actor, in particular Railway Undertakings, is now the main issue to be solved. Several assumptions, in particular the outcome of the breakthrough program in terms of cost reduction and reduced need for upgrades, are quite ambitious and not in line with current experiences. There are still many risk for RUs that must be well mitigated (higher complexity, higher operational costs, further investments...). Therefore, actions have to be identified and steered to ensure that all business case assumptions are valid and can be achieved, now and in the future.
- The corridor approach does not reflect a wider network-wide roll out for which other benefits and costs need to be considered.

2. Objective of the business case tool

The business case is a way to engage all actors in optimizing deployment of ERTMS. On this basis the refined business case is seen as a valuable tool:

- To support the reliability of national implementation plans and deployment scenarios by providing a set of realistic reference values. This should bring certainty for users;
- To investigate the impact on stakeholders, especially RUs, and estimate necessary funding schemes, especially to avoid reverse modal shift (from rail to road) during the migration period leading to negative cash flows. This shall ensure affordability for users;
- To explore and anticipate the needed industrial capacity and organization that will support the deployment of ERTMS. This should deliver value for users.

However, CER believes that the business case calculator cannot serve as a tool to define new mandatory EU policies for installing ERTMS as local implementation cases must be set up on a solid economic basis and/or a clear and reliable migration strategy.



3. Way forward

When focusing on the ambitious scenario, calling it THE Business case, it should be elaborated by taking into account all relevant steps to achieve it. A comprehensive action plan and organization should be defined. CER suggests a stepwise and cooperative approach:

1. Refinement on actor level (i.e. RUs, IMs, lessor, society) and updating of assumptions which can affect the outcome
2. Shape ERTMS budget for a financing scheme for RUs (at MS and EU level), taking into account absolute business cases for each actor, not only relative cases of the differential approach: what are the steps to achieve fair financing solutions?
3. Look back at the previous development of implementation and activities of the industry in order to mitigate risk related to business case assumptions: What are the actions to ensure ERTMS becomes affordable?
4. Through the reporting on the National Implementation Plan, clarify and optimize the business case to implement ERTMS: what are the information that will support certainty for users?

CER is keen to engage in regular meetings to progress on the 3 first steps (e.g. every 2 months). For necessary discussions at national and company level, as far as necessary, CER would identify relevant contacts for companies and facilitate any relevant discussions.

Another workshop should be organized in 6 months to conclude the first step (refinement on actor level) and verify progress on the second and the third step (roadmap on financing tools and ERTMS costs).

After July 2017, a workshop should be organized when National implementation plans will be notified by Member States. This should allow MS to exchange experience on lessons on how to deploy ERTMS in an effective way.

CER expects the European Union Railway Agency to take an active role in this exercise. The corridor business case should turn into a general ERTMS business case (or even better into a signaling case including interlocking) that serves as a basis to analyse all the value that can be driven by ERTMS (e.g. same level of safety than today, more infrastructure capacity for lower cost, more quality and performance of infrastructure for RUs). In this context, the Agency should now drive detailed investigation on the economics of the ERTMS game changers (ATO, L3) in order to improve the robustness of the ERTMS business case.

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About CER

The Community of European Railway and Infrastructure Companies (CER) brings together more than 70 railway undertakings, their national associations as well as infrastructure managers and vehicle leasing companies. The membership is made up of long-established bodies, new entrants and both private and public enterprises, representing 73% of the rail network length, 80% of the rail freight business and about 96% of rail passenger operations in EU, EFTA and EU accession countries. CER represents the interests of its members towards EU policy makers and transport stakeholders, advocating rail as the backbone of a competitive and sustainable transport system in Europe. For more information, visit www.cer.be or follow us via Twitter at @CER_railways.

About ERFA

ERFA - European Rail Freight Association - represents new entrants, i.e. all those operators who want open access and fair market conditions, and sustains their role of pushing forward the development of the railway market. The Association is very much a spin-off of the First Railway Package, adopted by the EU in 2001, and its vision of creating an open and competitive European rail market.

In 2015, ERFA represents 36 members from 16 countries. The members of ERFA all share a commitment to work towards a competitive and innovative single European railway market by promoting attractive, fair and transparent market conditions for all railway companies.

The members of ERFA represent the entire value chain of rail transportation: rail freight operators, wagon keepers, service providers, forwarders, passenger operators and national rail freight associations.

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