

# CER Policy Priorities for the 2014-2019 Mandate

## *Recommendations for the European Commission and the European Parliament*

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COMMUNITY OF EUROPEAN RAILWAY AND INFRASTRUCTURE COMPANIES - COMMUNAUTÉ EUROPÉENNE DU RAIL ET DES COMPAGNIES D'INFRASTRUCTURE - GEMEINSCHAFT DER EUROPÄISCHEN BAHNEN UND INFRASTRUKTURGESELLSCHAFTEN



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## CER SECTOR VISION

### *Our vision is for a European rail sector that is:*

- A competitive and viable first-choice transport mode in terms of price and service quality for both passengers and freight customers
- The backbone of a seamless and integrated transport system - in close cooperation with the other transport modes
- An enabling factor for the competitiveness of the European economy, supporting economic growth and job creation, and contributing to an inclusive society
- Central to the delivery of Europe's goals of cutting greenhouse gas emissions, achieving energy security, and relieving congestion

### *Our commitment is to achieve a situation where:*

- The rail sector places a premium on technological innovation and on new service models in areas such as ticketing, travel information, real-time information for customers
- Europe's railway companies emerge as leading providers of transport and logistics solutions across borders and across modes
- Rail remains the greenest and the safest mode of transport

### *Our plea to policy-makers is to ensure that:*

- Rail infrastructure funding is solid, sufficient, and predictable
- EU policies facilitate development, innovation, and growth - leaving companies in charge of choosing the best way to implement, and cities, regions, and Member States in the driving seat of public transport policy
- A level playing field is created between transport modes - while supporting new infrastructure connections and new complementarities between the modes

## Long-run transport trends affecting European rail transport

### FREIGHT

Strong transport volume growth is projected with and within large emerging economies such as China and India - with large increases in global trade flows also for Europe. There is also a strong potential but less certainty with respect to trade between Europe and the Middle East & Africa.

This implies a potential for growth in land transport volumes, and possible infrastructure investment needs, to and from Turkey, Russia and other CIS countries, and within the European Union to handle potential growth in maritime shipping volumes.

Recent developments in European rail freight reveal a challenging cost environment and an overall stagnation in modal share in spite of an attractive growth potential. A clear challenge for European rail freight will be the ability to diversify (to some degree) into shipments other than raw materials which are pro-cyclical and also negatively affected by oil shocks - though raw materials are likely to remain rail freight's main activity.

### PASSENGER

Within Europe, the emerging mobility profile is more dynamic, more inter-modal, and more ICT-focused - with stronger expectations in terms of flexible and convenient travel information and payment modalities. For rail this means a need to continuously innovate in offering multimodal travel solutions including convenient information and ticketing services.

Several EU Member States have experienced significant increases in the overall share of railway and public transport. One emerging trend which may partly explain this development is a partial move away from car ownership as a decisive social status symbol. A trend towards more car-sharing or renting, combined with stronger expectations about how public transport should connect with the car, may be unfolding.

Furthermore, with the gradual emergence of the electric car, the rail sector should develop a concept of door-to-door electrified mobility.

At the same time population ageing will continue unabated, raising the level of expectations regarding accessibility of both vehicles and stations.

Tourism within Europe shall retain a great potential - for Europeans and non-Europeans alike - and transport is the enabler of tourism. Road and aviation will remain essential but rail can contribute and in turn benefit by providing the right services, not only in terms of types of services, but also by offering inter-modal package deals.

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## Introduction

1. Transport, energy, and climate policies can play a very significant role in strengthening Europe's economic security, its competitiveness and its ability to pursue a robust external policy. The challenge of Europe's high and rapidly growing reliance on imported fossil fuels is again climbing to the top of the political agenda.

2. Europe needs to move away from imported fossil fuels while also achieving a high-efficiency, low-carbon economy. The emergence of a resilient transport and energy system is crucial to achieving that goal. The solutions already exist: a greater use of domestic and/or renewable and/or zero-carbon energy sources for power generation; energy efficient, concentrated transport flows in both passenger and freight; new technologies in both the energy and transport sectors. They require upfront investment and strong incentives and pricing signals. They require political will, first and foremost.

3. Rail, as a low-oil and low-carbon transport mode, can make a crucial contribution as the backbone of a new-generation transport system for Europe, while also delivering positive economic and competitiveness effects. Stronger rail connections can have positive economic spill-over effects. This includes enhancing transaction opportunities on both the labour and product markets as well as positive spatial agglomeration effects. These effects support the productivity and the competitiveness of the European economy while offering a springboard for greater export performance for its supplying industry.

4. CER calls for policy initiatives that facilitate growth and business development in the rail sector on the basis of: substantial and rapid infrastructure investments where positive business cases exist, covering both maintenance and renewal needs, and upgrade and new build priorities; strong and fair price signals within and between transport modes; and business-friendly measures to support the emergence of new infrastructure and new services. A stable legal framework, applied in a consistent manner, is a crucial basis for investment and new business development.

5. CER calls for the following three-tier approach for the railway sector:

**I. Stabilise the Legislative Framework for the Railway Market**

**II. Pursue a Pro-Growth Agenda for the Railway Sector**

**III. Develop a new Inter-Modal Strategy for Transport**

## Strategic background: a resilient energy and transport system for a strong Europe

6. Recent trends and events have cast aside widely-held assumptions from the 1990s and early 2000s. The economic globalisation of that period was nurtured by large increases in international trade flows based on low energy prices and low transport prices. For Europe, dependence on imported energy was assumed not to matter: the rise of new global powers would create demand for European goods and services and thus be security-enhancing.

7. In 2012, the EU sourced 86% of its oil consumption, and 66% of its natural gas, from net imports. Energy scenario projections (e.g. IEA, PRIMES) predict steep increases in the EU's net import dependence, even if one factors in unconventional oil and gas. This import dependence makes the EU highly vulnerable to energy supply shocks, notably due to the transport sector's high dependence on imported energy and its dominant share in EU oil consumption. This vulnerability also weakens the EU's margin of manoeuvre in its foreign and security policies.

8. A new economic structure needs to emerge in Europe, based on a highly resilient energy and transport system, i.e. a system that can function with very low levels of imported energy. The analysis of how such a system may come into being has partly been done: the European Commission's "Roadmaps to 2050" in the fields of energy, transport, and climate change outline important goals for Europe that need to be kept.

9. Rail is a low-oil, low-carbon transport mode <sup>(1)</sup>. As such, rail can make a crucial contribution as the backbone of a new-generation transport system for Europe, while also delivering positive economic and competitiveness effects. This potential was correctly identified in the European Commission's 2011 Transport White Paper and is further documented in a recent study commissioned by CER.

10. Likewise, the European Commission's modelling work for the 2011 Transport White Paper revealed that a sharp reduction of transport GHG emissions would require combining an expansion of public transport and rail with a switch-over to electric cars and vans. For CER there can be no doubt: a clear industrial policy must be chosen, putting the electrification of transport at the heart of European transport policy, while deepening and accelerating efforts to decarbonise power generation and to reduce its reliance on imported fossil fuels. In sum, electrified rail and electrified public transport need to be massively expanded and efficiently combined with private electric road vehicles.

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<sup>1</sup> CO<sub>2</sub> intensity is 2.5 times lower for diesel freight trains as compared to road (4 times lower for electric freight trains); for passenger the ratios are 1.6 times for diesel trains, 2.9 times for electric trains. Source: TERM 27, European Environment Agency (EEA) (EU data for 2011).

11. In its 2011 Transport White Paper, the European Commission defined Europe's overall goal of reducing transport GHG emissions by at least 60% by 2050 with respect to 1990. This is the right goal but it must happen sooner than 2050. The White Paper further specified Ten Goals consistent with the 60% target, in particular:

(3) 30% of road freight over 300 km should shift to other modes such as rail or waterborne transport by 2030, and more than 50% by 2050, facilitated by efficient and green freight corridors. To meet this goal will also require appropriate infrastructure to be developed.

(4) By 2050, complete a European high-speed rail network. Triple the length of the existing high-speed rail network by 2030 and maintain a dense railway network in all Member States. By 2050 the majority of medium-distance passenger transport should go by rail.

12. Forthcoming European transport policy measures must be consistent with these goals.

13. CER fully endorses these goals and their implications in terms of necessary infrastructure development, noting again that these goals must be reached much sooner than 2050. Rail infrastructure funding must be commensurate with ambitions and future demand in all areas, i.e. maintenance, renewal, upgrades, and new build. On that basis, CER believes that the rail sector can develop the high-quality services that are needed to attract and satisfy customers in both passenger and freight. CER reiterates its full support for a flexible market-oriented and business-friendly approach, as well as its full support for the further development of on-track (Open Access) competition in both passenger and freight, reflecting a pro-growth agenda.

14. A key feature of rail is its long-term character. Infrastructure takes up to 10 years to be approved and built and can last up to 100 years. Rolling stock lasts 30 years. These long lifetimes explain why the rail sector has high fixed costs, with low marginal costs as volumes grow. As a result, the legal and regulatory framework needs to be stable over an extended period of time in order to ensure consistency in business and investment decisions. It is important to take account of these structural factors before designing policy.

15. In some cases, rail infrastructure projects could benefit from greater private sector investment. Policies to facilitate and attract such investment, where appropriate, should be considered.

16. As argued in Part I of this document, CER believes that substantial work has (very recently) occurred in the area of sector-specific market legislation, so that the focus should now be placed on effective implementation and a stabilisation of the regulatory framework.

17. Policy initiatives aiming at supporting rail business development, most notably in the areas of medium and long-distance rail freight and high-speed passenger rail, are clearly the next necessary step, as presented in Part II of this document.

18. Transport modes do not exist in isolation from each other. This is why it is necessary to take a fresh look at the conditions governing the interactions between transport modes. These interactions are a mix of competition and cooperation, as transport customers make modal choices in favour of specific modes as well as in favour of specific combinations of modes. Ensuring a level playing field between competing transport modes as well as facilitating win-win inter-modal cooperation are essential priorities. This is what is developed in Part III of this document.

## I. Stabilise the legislative framework for the railway market

19. Railway stakeholders have had much to do in recent years with the near-contiguous processes of the Recast of the First Railway Package, which entered into force in December 2012, and the proposal of a Fourth Railway Package, which was adopted by the Commission just two months later in January 2013. Market regulation reforms and structural reforms often have sweeping consequences on cost structures, on competitiveness, on planning capacity, and on people, both sector employees and users. A sector subjected to repeated top-down restructuring measures cannot flourish and grow. The EU's railways need stability and legal certainty in order to focus on what they are meant to do: achieving customer satisfaction in the transportation of people and goods, based on services that are reliable, safe, and competitive.

20. With regards to the on-going political process surrounding the Fourth Railway Package, CER reiterates its key positions:

- The Technical Pillar must be the top priority for policy-makers, since this part of the package will bring visible positive economic effects enabling faster market access for new entrants and established players alike.
- On governance, CER strongly supports reverting to the *existing* structural requirements as set in the Recast Directive which offers flexibility for Member States in terms of governance models. New separation requirements are not the way forward. Discriminatory behaviour can be more effectively prevented by strengthening national regulatory bodies and by strengthening the European network of national regulatory bodies.
- On market opening, CER warmly welcomes the Commission's proposal to open domestic rail markets to commercial competition (open access), subject to safeguarding the economic equilibrium of Public Service Obligations (PSOs).
- For PSOs, CER calls for flexibility for Competent Authorities to determine the award mechanism, scope, and size of contracts, in line with the subsidiarity principle.

21. The Fourth Railway Package aside, the priority in the market regulation area should be to effectively implement provisions, thus giving railway actors clear sets of rules. Implementation should proceed without undue delays and should be consistent across the Union - while also being proportionate with respect to the entrepreneurial responsibilities and competences of railway companies.

22. Specific analyses and policies are justified for railway infrastructure that is technically and economically distinct from the main European network, e.g. where there is a different track gauge from the main European network coupled with strong reliance on operations with third countries, or for networks with a track length of less than 450 km whose operation does not have any strategic importance for the functioning of the rail market. The TEN-T Regulation and the Recast Directive provide examples of well-grounded exemptions.

23. CER wishes to pursue a policy of active and constructive engagement with Commission officials in order to accompany this important process of implementation. A common goal for the Commission and CER should be to work closely together, leading to a strong common understanding of the legislative framework - of 'the rules of the game' in the railway sector.

24. Recent areas of work include: the guidelines on Public Service Obligations; the implementing acts of the Recast Directive on track access charges, on the economic equilibrium and principal purpose tests, on licensing of railway undertakings, on framework agreements, and on the Railway Market Monitoring Scheme, among others; in the technical field, TSIs are now published including essential requirements to be applied for any new or upgraded railway sub-system, and safety regulations are defined mainly to harmonise the method used to assess safety risk or monitor them.

25. Track access charges can represent a large part of the costs of operations. The Recast Directive opened the way for more precise work on defining how track access charges should be computed, with particular reference to the concept of **cost directly incurred**. CER will continue to engage with the European Commission in order to arrive at a clear concept that finds broad acceptance across the sector in Europe. Furthermore, CER notes the possibility of infrastructure managers to levy mark-ups, on top of the **cost directly incurred**, "*if the market can bear this [and] while guaranteeing optimal competitiveness of rail market segments*". CER stands ready to work with regulatory bodies, the Commission, and other stakeholders in order to document best-practice on these issues, with the goal of ensuring optimal competitiveness for each market segment, namely at least PSO, non-PSO passenger, and freight.

26. In addition to this formal work, CER notes the interest of both railway undertakings and infrastructure managers in obtaining greater predictability and stability for the future level of track access charges, and in obtaining greater stability of state funding for infrastructure. Converging processes are already at work. Besides the clarification of rules for the computation of track access charges, CER notes the importance of ensuring clarity of interpretation of those rules by regulatory bodies, as well as the obligation of Member States to ensure mid-term visibility (at least 5 years) regarding state funding to infrastructure managers as provided for in Article 8 and in Article 30 (2) of Directive 2012/34/EU.

27. Under-funding of infrastructure, under-compensation of public service obligations, and a failure to clear historical debt are three core reasons explaining the difficulties experienced by railway systems in several Member States, notably but not exclusively in Central and Eastern Europe. CER calls upon the Commission to monitor the compliance of

Member States with their funding obligations and to take appropriate steps when these are not met.

28. CER supported the introduction of **cooperation agreements** between an infrastructure manager and one or more railway undertakings into the Fourth Railway Package, in line with the concept of alignment of incentives <sup>(2)</sup>. The European Parliament endorsed this in its First Reading position. If such a provision is present in the final text, CER will engage closely with the Commission, if necessary, in order to support a favourable implementation while noting the importance of avoiding discrimination against competing undertakings that are not parties to any relevant cooperation agreement.

29. CER wishes to continue the long-standing tradition of positive cooperation, with both the Commission and the European Railway Agency, on the implementation of the technical legislation and on the Technical Specifications for Interoperability (TSIs). CER hopes that this positive spirit can be deepened and strengthened in view of the eventual entry into force of the Fourth Railway Package.

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<sup>2</sup> For an introductory discussion of this type of set-up see e.g. McNulty (2011), “Realising the potential of GB rail - final independent report of the rail value for money study - detailed report”, UK Department for Transport.

30. In the technical field, CER identifies the following top priorities:

*In the context of the 4<sup>th</sup> Railway Package, building on the Commission proposal:*

- The European Railway Agency (ERA) should become, in cooperation with the sector and within the next 3 years, a one-stop-shop for decisions on safety certifications, vehicle authorisations, and track-side ERTMS authorisations. This step would bring substantial efficiency gains and decrease delays for certifications/authorisations
- The ERA should also adopt a role of EU-level referee in case of disputes, acting as the appeal body for disputes between an applicant and a National Safety Agency for domestic rail services, while an independent appeal board should be responsible for disputes between an applicant and the Agency for cross-border rail services
- The ERA should review national rules in order to limit their number, avoid any inconsistencies, and promote harmonisation wherever possible
- The European Railway Agency should ensure proximity of service delivery through national and, where appropriate, regional contact points. Costs incurred for the translation of documents necessary for Agency procedures should be borne by the Agency

Also in the context of the 4<sup>th</sup> Railway Package, new provisions would be helpful on the issue of standardisation of spare parts. Greater standardisation would lead to a more liquid and competitive EU railway equipment market. This would bring efficiency and cost gains for both railway undertakings and infrastructure managers, while also boosting the global export potential of EU manufacturers:

- CER's vision is that the ERA, together with the railway operating community, should identify the relevant spare parts to be standardised

*Key areas to address in the context of the ERA Work Programme include:*

- Further work on technical harmonisation, including in particular the identification of deficiencies in the Technical Specifications for Interoperability (TSIs) and the improvement of the authorisation process for vehicles
- Clarification of the roles and duties of all actors involved in rail safety (railway undertakings, infrastructure managers, entities in charge of maintenance, wagon keepers, fillers, loaders, unloaders, manufacturers, consignees, consignors, carriers)
- ERTMS - stabilisation of the specification, including test specifications, standardised interfaces and backwards compatibility, and monitoring of implementation. The ERA, not the National Safety Agencies (NSAs), must be the ultimate decision-maker to ensure a harmonised approach

All of these priorities should be implemented on the basis of solid cost-benefit analyses. Advances in the area of interoperability should be contingent on bringing a net benefit to rail sector actors and contributing to the competitiveness of international rail transport.

31. In the market regulation field, whatever the final outcome policy-makers choose to give to the (amended) Recast Directive and PSO Regulation, careful implementation work will be necessary at least in the following key areas:

- The articulation between Open Access services and Public Service Obligations
- Coordination between Infrastructure Managers and Railway Undertakings
- Social standards and railway staff impacts, including the role of the European Transport Workers' Federation (ETF)

32. On the topic of the articulation between Open Access services and Public Service Obligations, CER produced detailed suggestions regarding both the Economic Equilibrium Test and the Principal Purpose Test for new passenger services. CER is committed to facilitating the emergence of new passenger services and will continue to engage with relevant stakeholders and institutions.

33. Due to the significant work-load that will result from the need to implement the Recast Directive, conclude the legislative process for the Fourth Railway Package, and then implement it, CER believes that any new legislative proposal in the area of rail market regulation would be counter-productive over the course of the next Commission. It is important for all actors concerned to focus their energies on achieving a stable regulatory framework that market players can take as given for future planning and investment.

34. There is however one important exception, namely the need to further formalise and strengthen the Network of Regulatory Bodies and/or create a European Regulatory Body (depending on the exact outcome of the Fourth Railway Package). In CER's view, either goal can be achieved based on a short and well-calibrated legislative proposal which should easily garner political support. CER looks forward to further talks with the Commission on this matter. More generally CER will continue its policy of supporting strong and capable Regulatory Bodies and a strengthened Network of Regulatory Bodies as the central actors guaranteeing non-discriminatory access to infrastructure.

35. In general, CER underscores its support for well-grounded legislative acts that respect the principles of subsidiarity and proportionality. CER notes in that context the crucial role of Impact Assessments and Stakeholder Consultations at the beginning of the process. When legislative proposals are drafted or amended by policy-makers, it is also important to ensure a proportionate use of delegated acts and of implementing acts. Delegated acts exist in order to give legal precision to non-essential elements of a directive, in other words essential elements of directives should not be placed under the scope of delegated acts. As for implementing acts, they should only be used where uniform conditions are needed. Last but not least, interpretations of existing legislation should adhere strictly to the wordings of relevant articles and recitals.

36. Effective stakeholder engagement is an important component of good policy-making. High priority should be given to ex-ante sector consultation, based on an open and unbiased approach. Sector expertise is essential in order to formulate workable policy options. CER looks forward to playing a constructive role in such consultations, as well as with other sector associations and through relevant rail sector platforms where both railway undertakings and infrastructure managers should be represented together, as railways should be seen as one system.

37. Impact Assessments are essential for sound legislative proposals. In line with the Commission's Impact Assessment Guidelines, CER stresses that the choice of initial policy options should be broad and the initial screening of policy options should be based on objective and openly-stated criteria, retaining those options that promise the greatest net benefits. Furthermore, CER would like to make some general 'best practice' suggestions:

- Relevant differences between regions and Member States of the Union should always be adequately analysed
- Throughout an Impact Assessment, any working hypotheses that are used (e.g. to screen policy options or to monetise a variable in a cost-benefit analysis) should be based either on a fair assessment from available literature and sources, or on the testing of falsifiable hypotheses using adequate methodologies and data sources
- The assumptions underpinning cost-benefit analyses or cost-effectiveness analyses should not embed any pre-determined conclusions
- Validation and corroboration of conclusions should occur with reference to independent assessments and studies
- Finally, consultant studies used as inputs for Commission Impact Assessments should be published for reasons of transparency, with appropriate redaction (removal) of confidential information

38. CER wishes to be as constructive as possible with the Commission regarding how relevant rail sector expertise can best be used in the context of Commission studies and Impact Assessments. CER strongly appreciates the opportunities given by targeted stakeholder consultations, public consultations, and other formal and informal exchanges. However, for understandable reasons, rail sector expertise communicated through those channels may at times be perceived by the Commission as partly self-interested. CER would therefore welcome a discussion with the Commission on additional ways to tap into available rail sector expertise from a variety of sources and institutions.

## II. Pursue a Pro-Growth Agenda for the Railway Sector

### General priorities

39. Railway transport contributes to economic growth and to job creation. Enabling railway transport to develop and grow is thus not only attractive from the viewpoints of sustainability, or energy security, or safety, but also from the economic point of view. Stronger rail connections can enhance transaction opportunities on both the labour and product markets and can generate positive spatial agglomeration effects. These effects support the productivity and the competitiveness of the domestic economy while offering a springboard for greater export performance for its supplying industry.

40. In its 2011 Transport White Paper, the Commission gave Europe a long-term vision for a new transport system in which rail would play a key role particularly for medium and long distances in both passenger and freight. These goals require ambitious pro-growth strategies, resting on solid growth enablers. These include sufficient, reliable, and efficient infrastructure, together with a broad set of policies including in areas other than transport policy which have an impact on transport demand and supply.

41. A resilient transport system is first and foremost an energy-efficient transport system. Concentration of both passenger and freight flows is a crucial condition in that regard, which in turn implies the need to design new incentives within urban and spatial planning policy, covering both housing and industrial sites. Such an approach has the important added benefit of generating higher positive “agglomeration effects”, i.e. positive economic effects that arise from greater spatial concentration of economic actors.

42. Urban areas should also provide efficient interconnection points for the trans-European transport network and offer efficient ‘last mile’ transport for freight. The Commission should encourage the inclusion of rail transport within urban and industrial planning and policies, for instance by making it a pre-condition for the use of structural funds related to industrial and urban projects. The grouping of industries in “industrial parks” (or “freight villages”), well-connected to the rail network, is an essential parameter to guarantee sufficient volumes and ensure that rail is competitive in terms of price and convenience for users.

43. Infrastructure capacity, compliant with adequate minimal norms, is essential for the future of rail. The EU’s Trans-European Transport Network (TEN-T) Guidelines and its related financial instrument, the Connecting Europe Facility (CEF), are two important tools in this respect. The TEN-T Guidelines foresees the implementation of the core network to be completed by 2030, and the comprehensive network by 2050. For the rail sector, the more stringent technical requirements and the new core network corridor concept as put forward by the TEN-T Guidelines lie at the heart of the new transport policy. CER believes

that the standards of the TEN-T Guidelines are the real enablers needed to achieve the ambitious modal shift targets for the railways in Europe. However CER notes the considerable resources needed for trans-European networks as a whole. Every possible effort should be made to mobilise the necessary resources.

44. The TEN-T multimodal core network corridors are expected to lead to better coordination between member states and stakeholders in the planning and investment of corridors, and are believed to enable efficiency gains for the rail sector in the long run. The financing prioritization outlined in CEF will enable focusing scarce financial resources on projects of high European added value, such as the removal of bottlenecks, the construction of missing links and cross border projects. CER will therefore very closely observe the implementation of both regulations, focusing in particular on progress made with respect to the technical standards for rail infrastructure and the development of corridors.

### **Enhanced Framework Conditions for High-Speed Rail and cross-border services**

45. The first and biggest advantage of high speed rail is to offer much faster train connections between city centres in Europe, improving connections between major nodes. High speed trains running in the range of 300 - 320 km/h have for instance cut travel time by rail by 45% between Brussels and Frankfurt <sup>(3)</sup> and by more than 60% between Madrid and Barcelona <sup>(4)</sup>. As such, high speed (reaching a speed of at least 220 - 250 km/h) has the potential to take over the majority of medium-distance passenger traffic in Europe, as a proven alternative for air transport with travel times of up to four hours <sup>(5)</sup>.

46. A number of bottlenecks are currently preventing high speed rail from being as efficient and competitive as it could be. A number of issues are of particular concern to companies operating long-distance, cross-border services, and more particularly to (cross-border) high-speed operators. These relate, amongst others, to visibility, stability and cross-border consistency of charging and of allocation of infrastructure capacity. It will be important to ensure that infrastructure managers are in a position to cooperate in order to implement Articles 37 and 40 of Directive 2012/34/EU while avoiding any duplication with respect to existing coordination structures.

47. CER notes the strong commitment that France gave to high-speed rail following the First Oil Shock of 1973. CER advocates a similar response across Europe today. The potential for high-speed lines has already been met in some Western European Member States, while others are planning new lines. Going forward there is a need to adequately

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<sup>3</sup> European Commission estimate

<sup>4</sup> UIC study on “High Speed Rail: fast track to sustainable mobility”, 2012

<sup>5</sup> TRT Trasporti e Territorio SRL, “Potential of modal shift to rail transport: Study on the projected effects on GHG emissions and transport volumes”, 2011

maintain, renew, and where necessary upgrade or extend existing high-speed lines in Western Europe, to develop new ones in Central and Eastern Europe, and to ensure connectivity with conventional services network-wide. Europe has already made a commitment to high speed rail in the 2011 Transport White Paper. CER calls on Member States to live up to this crucial goal. Much of the funding will have to come from national budgets. However the European Commission can play a positive role in guiding cross-border coordination and contributing EU funding on cross-border projects and on those with the highest European added value.

### *Reducing operational costs, risks and barriers*

48. Path allocation can be an issue for cross-border passenger services, notably high-speed services. Finding compatible paths between multiple networks that can fit with commercial demand and expectations is time consuming. Improved practices should be sought in the context of the implementation of Article 40 of Directive 2012/34/EU, encouraging further automation of reservation processes and facilitating interactions not only between infrastructure managers but also with the involvement of interested railway undertakings.

49. Framework Agreements covering more than one network could provide a more predictable business and investment climate for cross-border operators. It is already possible today, in principle, to set up a Single Framework Agreement between a railway undertaking on the one hand, and two or more infrastructure managers on the other. The use of this possibility should be promoted while avoiding market foreclosure for undertakings not party to such agreements. It may be noted that the responsibility of Member States to ensure that infrastructure managers cooperate in the area of capacity allocation referred to in Article 40(1) of Directive 2012/34/EU explicitly covers framework agreements.

50. High-speed services compete directly with short-haul flights on specific origin-destinations. In the broader picture, high-speed services can also be feeder services for aviation. The potential development of these interactions is diminished due to differences in booking horizons between the two modes, as well as due to challenges with path allocation. A possible solution could be to assign, within the path allocation process, a higher priority to high-speed services that require alignment with air services.

### **A European Master Plan for Rail Freight**

51. Rail significantly outperforms both road and inland waterway transport when it comes to greenhouse gas emissions. According to European Environment Agency data, average specific emissions in 2011 in tonnes of CO<sub>2</sub> per million tonne-kilometre were 75 for road, 61 for inland waterways, and just 21 for rail (3.5 times better than road, 2.9 times better

than inland waterways). Furthermore, through its use of electricity for around 80% of its traffic, rail is also the only major mode of transport that can rely significantly on non-fossil energy sources. Other things equal, a shift to rail means a lower dependence on imported energy.

52. While rail freight's modal share has grown in some Member States in recent years, the overall modal share at EU level has not progressed in the last 10 years (18.2% of total inland freight in 2003 and again in 2012, after a dip caused by the 2009-2010 recession). This is in spite of increased competition within the sector and intensive efforts from operators. Specific services such as single wagonload, on which a number of industries rely deeply, are particularly suffering and risk disappearing in several parts of Europe. Combined transport, which should be encouraged to help take trucks off the roads in the context of a still relatively dispersed industrial web, is threatened by the emergence of vehicles with sizes and dimensions that are not compatible with their transshipment onto rail wagons. The risk is not only to waste the huge potential that a shift to rail could bring to Europe, in terms of energy efficiency and energy savings, but to fail to create a truly efficient transport system.

53. To offer competitive services to their customers, rail freight operators will need to:

- Have access to sufficient capacity on the network and to competitive and satisfactory paths, in particular for premium services, in order to improve their punctuality and reliability and offer attractive delivery times
- Be well integrated in the logistics chain, including through appropriate infrastructure links with industrial sites and into urban areas
- Be able to optimise their resources and increase the productivity of their services
- And, in the context of increasing energy prices, be able to deliver mass transport solutions between re-concentrated industrial settlements

54. Furthermore CER stresses the challenges to the rail freight sector's cost structure which result from specific policy choices. Taxation of electrical energy above and beyond the internalisation of CO<sub>2</sub> emissions that occurs with the EU ETS seems difficult to understand. Under-funding of infrastructure can cause infrastructure managers to impose levels of track access charges that rail freight operators cannot cope with. Also, new legal requirements on the vehicle side that imply a need for retrofitting and/or accelerated fleet turnover (e.g. noise abatement, ERTMS) can, if not fully funded, lead to a loss of competitiveness for the sector. New requirements on the rail sector should always guarantee net revenue neutrality for both operators and infrastructure managers.

### *Capacity and infrastructure quality*

55. The under-financing of rail infrastructure over the past decades has become one of the main problems in Europe's freight transport policy. Dedicated funding to remove bottlenecks, improve cross-border links and more generally to maintain and improve the quality of the core and comprehensive networks through CEF is most welcome but more efforts are needed. Clear problem cases are in evidence notably in some New Member States. However insufficient capacity for freight is also a barrier in parts of Western Europe.

56. Further investments will also be needed for **feeder lines into the main freight corridors**, which might not form part of the core network, but are nonetheless essential. Structural and cohesion funds, in particular, could play an instrumental role by usefully completing the already ongoing efforts on the core and comprehensive network.

57. Capacity is a crucial issue for rail freight operators. Congestion of infrastructure has a dramatic effect on punctuality and on efficiency due to a lower level of productive time of train drivers and rolling stock utilisation. Due to the cost of building new lines, alternative solutions are generally preferred. **Making greater use of parallel or alternative routes to main corridors can be a solution if such lines exist and are well maintained.** The building of dedicated high speed lines also has a positive effect by freeing up capacity for conventional freight services.

58. Differences in operating speeds and the requirements of safe traffic management can lead to knock-on effects on train punctuality. In many cases freight trains suffer disproportionately. One measure in terms of physical infrastructure capacity is to develop passing loops, i.e. to preserve existing passing loops and to build new ones where appropriate, with a particular focus on sections that are congested or close to congestion, notably in the vicinity of urban areas. This option may be deployed more rapidly and at much lower cost than building fully dedicated infrastructure.

59. Aside from capacity issues, the **quality of infrastructure is a crucial parameter for rail freight, due to its impact on average speed and punctuality.** Poorly maintained infrastructure leads to the imposition of safety-related speed restrictions and hence delays. A second wave of problems then occurs when States do provide funding after an extended period of insufficient funding: as the infrastructure manager scrambles to catch-up on the maintenance back-log, traffic restrictions occur again, this time due to the additional works. This is an issue notably in parts of Central and Eastern Europe due to an inherited imbalance between road and rail infrastructure maintenance funding. At EU level, Cohesion Funds could provide important funding to alleviate the problem. Politically, a stronger signal from the Commission to relevant Member States would also be helpful in order to encourage more stable funding patterns over time.

### *Use of existing capacity*

60. The attractiveness of rail freight services for potential customers depends on several parameters. The most important parameters are punctuality (predictability of departure and arrival times) and average speed, in that order. For many shipments a customer may have no problem accepting a relatively low average speed provided that the shipment arrives on time. For specific types of shipments a high average speed may furthermore be decisive. Two key objectives should therefore be pursued: freight trains must be punctual; and it must be possible to enable some freight trains to attain high operating speeds (for premium shipments).

61. CER notes the existence of ‘express’ or ‘priority’ freight train paths on some networks. This type of arrangement can be useful as a ‘screening device’ for an infrastructure manager, allowing freight operators to self-select into ‘standard’ versus ‘priority’ paths, the latter being useful for higher value added, more time-sensitive shipments which may represent new revenue opportunities for freight operators. CER calls for a constructive approach to ensure that such instruments can be designed and used by infrastructure managers, taking due account of interaction effects with overall system performance as well as with what occurs on neighbouring networks.

62. For the majority of freight trains average speed is not a major factor. On Europe’s mixed traffic networks this encourages a view that freight train punctuality is less important than passenger train punctuality - a view that is strengthened by the fact that ‘goods don’t vote’. As a result, infrastructure managers tend to give lower priority to freight trains in the area of traffic management when trains are delayed and, on some networks, even when trains are running within their allocated paths. As a result, an initial delay for a freight train typically leads to additional delays as the train in question is treated with lower priority compared to most other trains in circulation. The total impact on the freight train’s arrival time is very difficult to predict: it depends on what other trains are in circulation, on which of them are also running with a delay, and on the priority rules in place. Punctuality and average speed are thus negatively affected, as is any ability to inform customers about revised arrival times.

63. CER believes that further analysis and reflection is needed on how best to handle the operational needs of freight trains in the context of mixed traffic lines, particularly when capacity use is high. Traffic management priority rules differ between national networks, but the goal should in any case be to aim for an optimal use of existing capacity in the sense of ensuring high punctuality for both freight and passenger trains. In the context of rail freight corridors, Regulation 913/2010 establishes the principle of minimising overall network recovery time with regard to the needs of all types of transport. While more time is needed to gain experience from the implementation of the provisions of Regulation 913/2010, a possible support measure at EU level could be to provide research funding for

studies and assessments regarding the optimisation of traffic management rules and practices.

64. Passenger services and freight services also do not have the same needs when it comes to the flexibility of the path allocation process. Freight operators have a much greater need for short-run flexibility, so the ability to change or swap already allocated paths at short notice, in order to better respond to the needs of shippers. A sector-based study could be interesting in order to document best practice and develop recommendations taking into account the needs of both passenger and freight.

65. The cooperation agreements referred to in Part I of this strategy (which may be introduced into the amended Directive 2012/34/EU in the context of the Fourth Railway Package) may be helpful not only for passenger services but also for freight services. An adapted, more flexible wording for the relevant provision may be necessary in order to allow at least the most relevant cases of non-discriminatory ‘win-win’ outcomes. For illustration: an infrastructure manager would adjust certain operational rules in order to help increase freight service quality. New revenues made by the freight operator(s) party to the cooperation agreement would then be shared with the infrastructure manager. CER proposes to develop these concepts further and to present them to the EU institutions for further discussion in the context of the Fourth Railway Package. Practical implementation should then occur on the ground, for example starting with pilot projects on the rail freight corridors defined in Regulation (EU) 913/2010.

#### *Last Mile rail infrastructure & integration into urban logistics chains*

66. The absence or dismantlement of last mile rail infrastructure (‘private sidings’) connecting the rail network to industrial sites and to urban distribution nodes often means that rail is de-facto ruled out as a transportation option. The Commission should co-fund the development and maintenance of last mile rail infrastructure through CEF and the structural funds, as this type of infrastructure will have a crucial impact on rail’s capacity to attract shippers. National co-funding programmes for the development and maintenance of private sidings should be encouraged, through the exchange of best practices.

67. The Commission should also consider making recommendations to Member States and regional authorities, through the sharing of best practices concerning tax incentives to attract industries to industrial sites well connected to the rail network. Such concentration of industries could be encouraged along existing private sidings and feeder lines.

#### *Optimisation of resources and productivity gains*

68. Several railway undertakings have tested new collaboration practices, through production alliances allowing the pooling and sharing of resources such as locomotives.

These practices should be facilitated. Financial instruments such as guarantees for bank loans and support instruments for PPPs could be useful for certain joint investments.

69. Rail freight has suffered from structural economic developments that were based on low energy and transport prices, i.e. smaller consignment sizes, Just-In-Time logistics, avoidance of stock management. Given the necessary strategic goal of setting up a more resilient and more concentrated transport system with much lower energy consumption, new support measures need to be designed in order to incentivise a return to rail. Measures supporting cargo bundling and cooperation between transporters and shippers could bring new solutions to these problems and would make a positive contribution towards energy efficiency policy goals.

70. Optimisation of transport processes, through innovative last mile solutions in urban areas to increase the load factor, as well as concentration of transport flows, could have a very positive impact on the efficiency and sustainability of the transport system. Supporting and co-funding the development of warehouse facilities and other last-mile facilities that are linked to the rail network would be justified as part of a sustainable transport policy, for instance through the structural funds.

71. The European Commission declared its intention to develop a funding scheme for freight transport, de facto a successor to the Marco Polo programme, within the Connecting Europe Facility and for the 2014-2020 financing period. CER strongly supports this proposal. In line with its April 2014 response to the Commission consultation, CER stresses the need to take into account lessons learnt from the Marco Polo programme. The focus should be on the objective of modal shift, in line with the 2011 Transport White Paper. The scheme should offer a mix of grants, low-interest loans and credit guarantees and should provide longer funding horizons and shorter time-to-grant for beneficiaries. Opportunities should arise not only for SMEs but also for larger players in order to tap into economies of scale.

72. Longer freight trains can generate important economic benefits and productivity gains for rail freight. On the policy side a major step forward was achieved with the new TEN-T guidelines that establish the norm that core network infrastructure for freight must be adapted so as to allow for trains of a length of at least 740 metres. Much work and significant investments will be needed to implement this high-priority requirement, including relevant adaptation of rail freight terminals. Furthermore CER believes that, where feasible economically, operationally and technically, infrastructure adaptation allowing for trains of a length of up to 1500 metres should also be carried out.

## **Research and Development**

73. CER will follow and monitor the research activities in Shift<sup>2</sup>Rail, as the single reference point on rail-related research and innovation projects funded at Union level, in the Shift<sup>2</sup>Rail Strategic Board. CER will promote its members' interests and ensure that the needs and requirements of infrastructure managers and railway undertakings are appropriately reflected. CER will continuously recall the need for a system view to ensure that the railway system is analysed holistically and that technical components are not developed independently of the overall system in place.

74. For the annual calls in the framework of Horizon 2020 the focus must be on the one hand on finding solutions for closing open points in the Technical Specifications for Interoperability (TSI) and on the other hand on finding technical solutions following the strategies outlined in the ERRAC (European Rail Research Advisory Council) roadmaps.

75. Any research results leading to a proposal for closing open points in the TSI has to be exclusively channelled via the Group of Representative Bodies (GRB) and the corresponding ERA (European Railway Agency) Working Parties (ERA WP) according to the ERA Regulation. CER will argue that only technical implementable and economically feasible rail research results are proposed for closing open points in any TSI. At the same time, innovation and research projects that go beyond what is today foreseen in the TSIs should not be restricted. The whole TSI framework should be seen as evolving and adapting to innovation over time.

76. Research ideas and new project proposals must lead to implementable results. The results must be compliant with the existing railway system in terms of interoperability and safety. The railway system must be viewed as a whole when assessing the feasibility of new research ideas and projects. For any rail research project a continuous monitoring by the rail operating community is necessary to ensure that research and research intentions proceed from a positive business case, credible implementation prospects, and are compatible with the technical and operational state-of-play of the end-users. One particularly important research topic is standardisation of spare parts.

77. Climate change adaptation is another important area where R&D activities are needed. A step-by-step approach, focusing on adequate adaptations to existing standardisation, is the most promising approach (6). Such adaptations, including the definition of a target system with design parameters and limit values for resilient infrastructure and rolling stock, must be based on well-focused research agreed by the rail sector. These activities could be developed in the framework of Shift<sup>2</sup>Rail.

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<sup>6</sup> For further information please see the joint rail sector position paper '*Climate Change & Standardisation*' of 20 December 2012 by CER, UIC, EIM, UNIFE, UITP, UIP, and EFRTC.

78. Standardisation is important for efficiency and cost-effectiveness. Other modes where there are key critical system-interfaces (e.g. the aviation sector) have a detailed standardisation programme that is developed for the sector by the sector. The rail sector firmly believes that this is the direction in which the rail sector should head.

79. Redefinition of the standardisation framework for rail as a whole is necessary to close the current gap between research and innovation efforts and the industrialisation processes of design and manufacture which discourage participation by certain general purpose technology and product providers, limit market uptake of innovative solutions, and incentivise companies to fund innovation through national funds thus reducing the effectiveness of EU research coordination. This redefinition must lead to a standardisation process that is managed by the sector. A key and important step has already been achieved through the publication of the Challenge 2050 rail sector vision which calls for an effective focus on standardisation that works, generates value, and is taken up by the market.

### **Social dimension and attractiveness for employees**

80. CER believes that competition should be based on differences in efficiency and innovation rather than in social standards. Member States should ensure an adequate level of social standards at the latest at the opening of the domestic railway market by sector-wide collective agreements and/or national law.

81. CER highlights the key question of transfer of staff when there is a change of operator for a PSO contract. The EU should recognise the necessity to promote a stable framework for transfer of staff at national level on the basis of the CER-ETF joint opinion.

82. CER supports the development of skills for rail employees, such as safety skills, customer service skills, foreign languages, and knowledge of other EU railway systems. The railway sector will also continue to need staff with specialisations such as telecommunications, electrical, and civil engineering so project work to improve the perceived attractiveness and career potential of the sector is important. Exchange programmes between institutions responsible for academic or professional training in rail could be investigated as a means of promoting career development for key staff. A further idea could be to set up a European Centre of Excellence for railway staff training with EU-level support.

### III. Develop a new Inter-Modal Strategy for Transport

83. Europe's future transport system should be both sustainable and competitive. While each transport mode has a contribution to make, a fresh analysis is needed with regards to overall conditions between transport modes.

84. CER identifies two principal angles of analysis:

1. Achieve **equal treatment between modes**. We believe that the Commission should, to a far greater extent, draft and propose cross-modal legislative acts where this may help this goal, or at least include cross-references between legislative acts that cover different modes
2. Foster **win-win solutions for inter-modal cooperation**. This means a systematic inclusion of initiatives and of provisions in legislation that support better inter-modal connections in order to tap into new demand flows for the benefit of all modes

#### **Equal treatment between modes**

85. It is sometimes claimed that transport modes are so different from each other that they are only complementary and never in competition. Such views are demonstrably incorrect. In freight, discussions with rail operators make clear the strong constraints that road freight prices impose on rail freight pricing, while discussions with shippers show that, for many shipments, modal choice does occur, and that such choice is driven notably but not exclusively by price differentials between the two modes. For passenger transport, rail is in competition with road (both private vehicles and buses and coaches) over shorter distances and, for longer distances and in the case of high-speed rail, with short-haul aviation.

86. Competition between transport modes as described above is no different than competition within transport modes, or than competition within other sectors of the economy. Conditions need to be fair, thus avoiding distortions to competition within the Single Market.

87. CER accepts that cost drivers for capital items (vehicles, infrastructure) and their operation and maintenance have a high degree of specificity for each mode. Labour costs also obey this pattern to some extent. On the other hand, a number of cost drivers that affect transport modes are effectively determined by political and legislative choices rather than by market structures (e.g. taxation, infrastructure pricing, social standards, passenger rights). For those cases CER believes that policy-makers have a duty to ensure fair conditions through appropriate legislative intervention.

88. The implementation and enforcement of social standards and working conditions, including working time rules, needs to be consistent across transport modes in order to avoid distortions to competition.

89. Regarding pricing policies, CER identifies the following for possible action: infrastructure pricing; internalisation of local external costs; the internalisation of the global external cost of climate change; and taxation.

90. Regarding value added tax (VAT), CER notes that both aviation and maritime shipping are zero-rated for cross-border passenger services while this is not the case for rail or indeed for road. CER would support broadening this treatment to all cross-border passenger services, regardless of transport mode. This would revitalise both business and leisure travel between Member States and would in particular ensure a level playing field for cross-border high-speed trains as compared to competing short-haul flights.

91. Distortions also exist regarding consumer protection. Railway companies are liable for delays in cases of ‘force majeure’ (such as severe weather conditions), whereas companies in the aviation, maritime, and coach sectors are not. Accordingly, there is an urgent need to ensure a level playing field between transport modes.

92. Appropriate price signals need to be applied to transport users. Such signals need to be distance-based in order to be related, at a minimum, to infrastructure wear-and-tear. In the rail sector this principle is already enshrined in EU legislation with the concept of ‘cost directly incurred’ in Article 31 of Directive 2012/34/EU (“Recast Directive”) which is being further specified as noted in Part 1 of this document. Road infrastructure pricing remains voluntary and is applied in a piece-meal fashion across the Union, based on a patchwork of principles. CER fully supports the European Commission’s intention to move towards **distance-based tolling** and to phase out time-based charges, i.e. vignettes. The existing legislation, namely Directive 2011/76/EU, nevertheless still allows both types of pricing. Furthermore, even when looking only at heavy-goods vehicles, tolls remain voluntary whereas in rail, both passenger and freight trains are charged for every kilometre of track they use.

93. Congestion pricing and so-called scarcity pricing are an important additional category of costs which naturally fits in with infrastructure pricing. Again here principles between transport modes differ. In the road sector, according to Directive 2011/76/EU, congestion pricing may only be based on a modulation of tolls rather than on a net additional amount on top of the infrastructure costs as is the case in rail.

94. Infrastructure pricing has also become the instrument of choice for the **internalisation of local external costs**, namely local air pollution, accidents, and noise. CER has no objection to this approach, while noting the need for harmonised conditions between transport modes - meaning that the external costs should be introduced into infrastructure pricing, under comparable conditions and starting from the same date, at the minimum for both road and rail.

95. Pricing of local externalities should be without prejudice to other measures that are being pursued in order to reduce (mitigate) externalities, e.g. rail freight noise where a technical vehicle-side solution would be incentivised. However it is essential to preserve the mid-term goal of full internalisation of external costs, i.e. based on the pricing in of suitable damage-based estimates for each externality across the Union while avoiding any distortions between modes.

96. A great deal can already be done by proposing a new Directive on charging for heavy-goods vehicles amending Directive 2011/76/EU. CER understands that Commission services were working on this topic in the course of 2013. This opens up an excellent opportunity for the creation of adequate linkages with railway legislation so as to put transport infrastructure pricing on a path of **cross-modal convergence**.

#### *The climate change externality*

97. The new 2030 Framework commits the EU to a 40% reduction of total greenhouse gas emissions on the 1990 level by 2030, as well as to reaching a share of 27% of renewable energy in total energy consumption. CER strongly supports these goals, and believes that they are compatible with and complementary to additional energy and transport policies that Europe needs for a more secure future.

98. CER believes that both transport policy and energy security policy need to be given key structural roles within the 2030 Framework. In addition to the goals on greenhouse gas emissions and on renewable energy, CER would support additional goals aiming at a reduction in total fossil fuel imports, together with the creation of a ‘**transport pillar**’ within the Framework, aiming at guaranteeing strong reductions in both greenhouse gas emissions and fossil fuel imports for the transport sector. CER reiterates the fact that rail uses very low amounts of fossil fuel and generates very low levels of CO<sub>2</sub> per passenger-kilometre or per tonne-kilometre. Further incentives for modal shift are therefore the way forward. This should include a careful consideration of the full effect of policy measures on rail sector costs, including at national level (e.g. feed-in tariffs to support renewable sources of energy in power generation).

99. CER disagrees with the view that fossil fuel taxation already internalises the climate change externality, or even the climate change externality plus incentivising energy efficiency. There is no commonly-agreed approach towards identifying the full meaning or purpose of fossil fuel taxation. One could decide that fossil fuel taxation also has a role in raising funds for transport infrastructure, in managing transport demand, in internalising local externalities from transport (such as noise, local air pollution, accidents). Fossil fuel taxation also plays a small but interesting role in dampening energy price shocks, i.e. a partial internalisation of the ‘energy insecurity’ externality. In the context of Europe’s high dependence on imported fossil fuels, it may be valid to argue for further increases in

fossil fuel taxation, with revenue recycling in favour of transport solutions based on much lower consumption of fossil fuel imports, including rail-based solutions.

100. The EU's flagship policy for the internalisation of the global external cost of climate change is the Emissions Trading System (EU ETS). The EU ETS generates a carbon price that offers a signal for behavioural change and investment for the sectors which it covers.

101. Transport is however mostly missing from the EU ETS. While aviation has recently been partly included, and while the rail sector is indirectly covered through its electricity consumption (as the power generation sector is included), transport fuels other than electricity do not internalise the climate change externality because they are not covered by the EU ETS. CER believes that the modalities and potential effects of an inclusion of surface transport fuels into the EU ETS should be analysed by the European Commission, among other options seeking to ensure full internalisation of the climate change externality for all transport modes, including road.

102. CER also notes the emerging problem of natural gas as a transport fuel: natural gas taxation is considerably lower than petroleum product taxation, although natural gas is also a non-renewable fossil fuel with significant CO<sub>2</sub> emissions at the point of use. In relation to energy security concerns it is no secret that a very large share of the gas likely to be used as transport fuel would be imported natural gas rather than EU-sourced natural gas or biomethane. It is difficult to understand why Member States would want to support this shift which will only further entrench dependence on imported fossil fuels while also reducing fuel taxation revenues.

103. While CER supports a strong and credible EU ETS, it should also be noted that the railway sector, as a major consumer of electricity, may in future be significantly affected by high allowance prices. CER accepts that this will be the result of a policy of internalisation of external costs that CER has always advocated. Nevertheless, fair treatment between modes of transport must become a reality: aviation needs to be fully subject to auctioning in the same way as power generation and industry; and road transport fuels need to be included, also subject to auctioning like the other sectors, or subject to measures of an equivalent effect. Furthermore CER does not see any justification for taxation of electricity, given that electricity generation is fully incorporated into the EU ETS. By cumulating the cost of allowances under the EU ETS with taxation, excessive cost pressure against the cleanest form of transport, namely electrified transport, will occur. This should not be happening.

104. Concordantly with structural reforms to the EU ETS, CER wishes to highlight the role that the EU ETS can play as a funding instrument based on the revenues from auctioning of allowances. Article 10 (3) of Directive 2009/29/EC stipulates that a minimum share of those revenues *should* be used for one or more of a set of 9 possible measures. One of

these measures is “*to encourage a shift to low-emission and public forms of transport*”. CER would propose a strengthening of this provision, offering a binding commitment on all Member States at least on low-emission and public forms of transport, for example based on a minimum percentage of revenues allocated for low-emission transport.

### **Inter-modal cooperation**

105. Rail has a natural backbone role within the broader surface transport system. Its successful deployment depends on transport flow concentration, and competitiveness is generally higher over medium and long distances. In practice this means that the so-called ‘last mile’, in both passenger and freight, is by road. More broadly, intermodal freight connections at ports and terminals and intermodal passenger connections at passenger train stations are where demand for rail transport services is met.

106. For freight, links to major multimodal nodes, in particular maritime ports, are essential. With growing congestion at ports and the ever increasing size of vessels, greater rail capacity for shipping goods and containers from ports to the hinterland is becoming a necessity. Projects focusing on better connections between ports and the rail network should therefore be supported under the ‘Motorways of the Seas’ priority of TEN-T. Mechanisms to attract private investment in rail freight infrastructure links to seaports could also be useful for projects that are likely to have a good return on investment. Regarding last mile distribution, bringing rail freight into urban areas for final distribution of shipments is important.

107. One of the most promising segments of rail freight in the short to medium term is rail-road combined transport, where the major part of the journey takes place by rail, and the initial and/or final legs are carried out by road and are as short as possible. Volumes transported by rail-road combined transport have progressed at a growth rate of 29% for the period 2005-2011. However, changes in masses and dimensions of road vehicles and trailers potentially no longer compatible with combined transport could hinder this growth and the development of rolling highways <sup>(7)</sup>.

108. For passenger transport, rail can generate important economic benefits to areas surrounding stations and regions benefiting from more efficient transport connections. Stations must be strategically located to benefit from the advantages of the reduced travel times offered, and must be well-connected with airports, mass transit systems and private transport. These considerations must be taken into account by planning authorities, as well as authorities in charge of infrastructure funding. It should also be an important criterion for EU funding into rail infrastructure, notably high-speed rail infrastructure.

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<sup>7</sup> The transport of complete road vehicles using roll-on roll-off techniques on trains comprising low-floor wagons

109. The on-going development of high-speed rail including links with airports increasingly leads to new possibilities for business partnerships between high-speed rail and aviation. This is all the more necessary given that airport capacity is reaching its limits and that high speed is a relevant substitute to connecting short-haul flights. Ensuring seamless connections between rail and aviation services will be important.

## CER'S TOP POLICY PRIORITIES FOR 2014-2019

### I. Stabilise the Legislative Framework for the Railway Market

### II. Pursue a Pro-Growth Agenda for the Railway Sector

### III. Develop a new Inter-Modal Strategy for Transport

#### I. Stabilise the Legislative Framework for the Railway Market

<p><b>Bring the Fourth Railway Package to a successful political conclusion...</b> Complete the Technical Pillar Support market opening for commercial (open access) services while safeguarding the economic equilibrium of Public Service Obligations Respect subsidiarity on governance structures and on definition and award of Public Service Obligations</p>	<p><b>...And then allow the legislative environment to stabilise</b> The top priority must now be the efficient implementation of the Recast Directive and of the Fourth Railway Package once it enters into force – based on strong national regulatory bodies</p>
<p><b>ERTMS: stabilise the specification</b> With the European Railway Agency as the ultimate decision-maker</p>	<p><b>Spare parts: overcoming market fragmentation</b> The European Railway Agency should identify which spare parts require standardisation</p>

#### II. Pursue a Pro-Growth Agenda for the Railway Sector

<p><b>High-Speed: uphold Europe's commitment!</b> The 2011 Transport White Paper sets the target for 2030 of extending the length of the existing high-speed rail network while maintaining a dense railway network in all Member States</p>	<p><b>Freight: smart investments for better quality</b> Passing loops to support freight train punctuality First- and last-mile links to industrial sites, warehousing facilities, and urban distribution nodes</p>
<p><b>High-Speed: facilitate cross-border services</b> With an effective implementation of existing provisions on cooperation between infrastructure managers</p>	<p><b>Freight: ensure process innovation can arise</b> The sector must be able to easily pilot and introduce new capacity allocation and traffic management practices to support higher punctuality</p>
<p><b>Infrastructure: the bedrock for growth</b> Ensure that Member States provide sufficient and reliable long-term funding for infrastructure, at the minimum in line with their existing legal obligations. Rail infrastructure funding must be commensurate with ambitions and future demand in all areas, i.e. maintenance, renewal, upgrades, and new build</p>	

#### III. Develop a new Inter-Modal Strategy for Transport

<p><b>A level playing field between transport modes</b> Distance-based infrastructure pricing to become the norm across all of surface transport, with pricing in of local externalities in all modes Value Added Tax to be aligned between modes</p>	<p><b>Cooperation: aviation and rail</b> Ensure seamless connections between aviation services and rail services – notably high-speed</p>
<p><b>Sustainability: CO2 emissions in transport</b> Transport at the heart of EU energy and climate policy Reform the EU ETS to better account for transport</p>	<p><b>Cooperation: rail freight and seaports</b> Enhance rail connections to seaports</p>

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