EUROPEAN COMMISSION

PRESS RELEASE

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European Railways at a junction: the Commission adopts proposals for a Fourth Railway Package

The European Commission today announced a comprehensive package of measures to deliver better quality and more choice in railway services in Europe. Rail is a vital part of EU transport, with a key role in addressing rising traffic demand, congestion, fuel security and decarbonisation. But many European rail markets are currently facing stagnation or decline.

Faced with this reality, the Commission is proposing far reaching measures to encourage more innovation in EU railways by opening EU domestic passenger markets to competition, as well as substantial accompanying technical and structural reforms.

Vice President Siim Kallas, European Commission Vice President responsible for Transport said: *"Europe's railways are approaching a very important junction. Faced with stagnation or decline in rail in many markets across Europe, we have a simple choice. We can take the tough decisions now that are needed to restructure Europe's railway market to encourage innovation and the provision of better services. Rail will be able to grow again to the benefit of citizens, business and the environment. Or we can take the other track. We can accept an irreversible slide down the slippery slope to a Europe where railways are a luxury toy for a few rich countries and are unaffordable for most in the face of scarce public money."*

The proposals focus on four key areas:

Standards and approvals that work

The Commission wants to cut the administrative costs of rail companies and facilitate the entrance of new operators into the market.

Under the new proposals, the European Rail Agency will become a "one stop shop." issuing EU wide vehicle authorisations for placing on the market as well as EU wide safety certificates for operators. Currently rail authorisations and safety certificates are issued by each Member State.

The proposed measures would allow a 20% reduction in the time to market for new railway undertakings and a 20% reduction in the cost and duration of the authorisation of rolling stock. Overall, this should lead to a saving for companies of €500 million by 2025.

Better quality and more choice through allowing new players to run rail services

To encourage innovation, efficiency and better value for money, the Commission is proposing that domestic passenger railways should be opened up to new entrants and services from December 2019.

Companies will be able to offer domestic rail passenger services across the EU: either by offering competing commercial services or through bidding for public service rail contracts, which account for a majority (over 90%) of EU rail journeys and will become subject to mandatory tendering.

The proposals would bring clear benefits to passengers in terms of improved services, increasing choice. Combined with structural reforms, it could produce more than €40 billion of financial benefits for citizens and companies involved by 2035 and would allow provision of up to about 16 billion additional passenger-km according to Commission estimates.

National domestic passenger markets remain largely closed. Only Sweden and the UK have fully opened their markets, with Germany, Austria, Italy, Czech Republic and the Netherlands having opened theirs to a limited extent.

Experience in these open markets, has shown improvements in quality and availability of services with passenger satisfaction rises year on year and passenger growth in some cases of over 50% over 10 years. In other liberalised markets, tendering of public service contracts has shown savings of 20-30% for a given level of service which can be re-invested to improve services.

A structure that delivers

To ensure fair access for all to the railway, independent track ("infrastructure") managers must run networks in an efficient and non-discriminatory manner and coordinate at EU-level to underpin the development of a truly European network.

To ensure that the network is developed in the interests of all players, and to maximise operational efficiencies, the Commission is proposing to strengthen infrastructure managers so that they control all the functions at the heart of the rail network – including infrastructure investment planning, day-to-day operations and maintenance, as well as timetabling.

Faced with numerous complaints from users, the Commission considers that the infrastructure managers must have operational and financial independence from any transport operator running the trains. This is essential to remove potential conflicts of interest and give all companies access to tracks in a non-discriminatory way.

As a general rule, the proposal confirms institutional separation as the simplest and most transparent way to achieve this. Rail undertakings independent of infrastructure managers will have immediate access to the internal passenger market in 2019.

However, the Commission can accept that a vertically integrated or "holding structure" may also deliver the necessary independence, with strict "Chinese walls" to ensure the necessary, legal, financial and operational separation (see MEMO for details).

Compliance Verification Clause: To safeguard this independence, in view of full passenger market opening in 2019, rail undertakings forming part of a vertically integrated structure could be prevented from operating in other Member States if they have not first satisfied the Commission that all safeguards are in place to ensure a level playing field in practice, and a fair competition is possible in their home market.

A skilled workforce

A vibrant rail sector depends on a skilled and motivated workforce. Over the next 10 years, rail will face the combined challenges of attracting new staff to replace the third of its workforce which will retire, while responding to a new and more competitive environment.

Experience in Member States which have opened their markets shows this should lead to new and better jobs. Under the EU regulatory framework, Member States will have the possibility to protect workers by requiring new contractors to take them on when public service contracts are transferred, going beyond the general EU requirements on transfers of undertakings.

Next steps

The Commission's proposals must be approved by the European Parliament and Member State Governments, before being adopted.

Key facts and figures

- The rail industry has a turnover of €73 billion, which corresponds to 65% of that of air (€112 billion), and has 800,000 employees.
- Rail is critical to the effective functioning of the European economy. More than 8 billion passenger journeys are made by rail each year. Rail carries about 10% of all freight traffic across Europe, with estimated revenue of €13 billion.
- The Rotterdam Genoa freight corridor, for example, runs approximately 130,000 trains per year, the equivalent of nearly 4 million trucks per year.
- Each year public authorities invest huge sums in the railway sector. In 2009 this amounted to some €46 billion of public subsidies. This kind of public funding is becoming scarcer.
- Substantial public sector investment, particularly in the EU-10 where subsidy payments more than doubled in six years, has not in itself secured equivalent increases in rail demand.
- Rail is stagnating or declining in many EU Member States. Despite positive developments in a few markets, the modal share of passenger rail in intra-EU transport has on average remained more or less constant since 2000, at around 6%, whereas the modal share of rail freight has decreased from 11.5% to 10.2%.
- Since the mid-nineties, in parts of the EU - EU10 in particular, underinvestment has created a vicious cycle of decline, with the decay of infrastructure and rolling stock rendering rail unattractive, especially given wealth-driven high growth of car ownership.
- In many instances, railway undertakings have had to be bailed out and in some countries such as Spain, Portugal or Bulgaria incumbent operators are indebted.
- The Belgian railway incumbent had to transfer in 2004 a debt of €7.4 billion to the Belgian State, comparable to 2% of Belgium's GDP. When RFF was formed €20.5 billion of debt was transferred from SNCF. (Debts many companies are bearing now are the result of the inefficient integrated structures of the past.)
- Europe faces major transport challenges: rising traffic demand, (freight transport is projected to increase, by around 40% in 2030 (compared to 2005) and by little over 80% by 2050. Passenger traffic would grow slightly less than freight transport: 34% by 2030 and 51% by 2050); as well as the linked challenges of congestion; fuel security, CO2 emissions and the need to create an efficient transport infrastructure to underpin growth in the European economy.
- To accept the current negative trends, and an inexorable decline of European rail, is not an option.

For more information please see MEMO/13/45

http://www.youtube.com/watch?v=8GHz-stzCso

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