

Position Paper

Brussels, 09 March 2022

Action plan to boost longdistance and cross-border passenger rail



Summary

European railways welcome the timely adoption of the EU Action plan to boost longdistance and cross-border passenger rail, which shows the commitment of the European Commission to reach ambitious goals coming from the EU Green Deal and the Sustainable and Smart Mobility Strategy. CER Members are determined to be an active partner in the push to realise the modal shift and help the EU achieve the goals to mitigate the consequence of climate change.

CER would like to convey the following comments on the Action Plan:

- CER fully supports the strive towards a safe and fully interoperable railway system as a Single European Railway System. The objective is to build a high-capacity integrated European railway network by eliminating barriers to interoperability.
- The new and enhanced high-quality infrastructure requirements with ambitious implementation deadlines, as expressed in the revision of the TEN-T Regulation, must come hand-in-hand with appropriate and sufficient funding and be based on a cost-benefit analysis.
- Regarding ERTMS, CER regards a synchronised and harmonised ERTMS deployment
 of tracksides and onboards as vital¹. To reach this goal, it is necessary to increase
 the available funding for the deployment of ERTMS via the financial instruments in
 place and increase public financing rates (up to 100%) to incentivise large-scale
 investments in ERTMS and to streamline the rules for the vehicle authorisation
 further.
- CER underlines that the achievement of any future target system (being fully TSI compliant) shall be based on impact assessments and accompanied by a sound financing and funding scheme. CER believes that it is necessary to improve the financial instruments in place to incentivise large-scale investments in the rolling stock, infrastructure and CCS subsystems, in particular ERTMS and multisystem equipment of rolling stock. One of the avenues for providing sufficient funds is to use revenues collected from the EU Emissions Trading System (ETS).
- CER members warn about the skill shortage that will happen in the next ten years and want to help address the recruitment issues. For this, the sector must be more attractive for young people, notably women, who only represent 21% of the workforce.
- A Union-level entity overseeing the optimisation of cross-border rail traffic and coordination mechanisms should not have more than a monitoring and guiding role, and always with respect to the Infrastructure Manager's individual autonomy and responsibility on traffic management.
- As competitive prices are one of the keys to increasing the demand for international rail services, the Commission should recommend best practices in limiting mark-ups and long-term charges as part of its expected Guidelines on track access charges. However, track access charges must be economically viable for the infrastructure manager and provide the possibility to steer market demand where there is potential.
- Railway undertakings have committed to improve international ticketing for rail and have agreed on a <u>Ticketing Roadmap</u>. In order to achieve seamless ticketing, sector-based solutions should be supported and considered as the starting point when improving multimodal ticketing.
- CER members fully support the simplification of the existing procedures for all types of aid for coordination of transport, in particular by way of increasing the current

¹ Also ensuring, as appropriate, compatibility with ERTMS systems already in operation.



thresholds for the presumption of aid compatibility and by establishing the exemption from the notification obligation under State aid rules for the public financing of the reduction of track access charges and ERTMS.

- CER fully supports actions to level the playing field, based on principles CER has been advocating for a very long time. Given that cross-border passenger transport in aviation is exempted from VAT in all EU Member States, CER suggests that the Commission takes appropriate steps in the revision of the VAT directives to ensure fair competition between all travel modes.
- It is important that the revised text of the Interpretative Guidelines concerning PSO Regulation 1370/2007 provides practical application aid for the competent authorities, taking into account the latest changes to the Regulation 1370/2007 and relevant CJEU jurisprudence, without creating any new obligations that go beyond the provisions of the Regulation 1370/2007.
- CER welcomes the 2022 Year of Youth and believes it is the perfect continuation of the 2021 Year of Rail.
- CER welcomes the proposals for pilot projects and would appreciate more information on the nature of these pilots and insights sought for, the amount of time they are expected to run, available funding, and ways to measure results and the effects of those results. CER Members are ready to maintain a dialogue with and support the European Commission on the preparation and implementation of pilots, following clarification on their nature.



1. Introduction

The targets in the Smart and Sustainable Mobility strategy and the European Green Deal gives new impetus to increase rail passenger traffic, and CER Members are determined to be an active partner in the push to accelerate the modal shift. It is important to underline that cross-border international rail passenger services must be economically sustainable to succeed.

Rail is the most energy-efficient transport mode and the most effective way to decarbonise transport in large parts of the Union's territory. Representing 27% of the EU's greenhouse gas (GHG) emissions, transport emissions continued to grow while rail's emissions have fallen by 32% in 30 years.

2. Actions to boost long-distance and cross-border passenger rail

CER supports the Actions proposed in the Commission's Action Plan. Especially worth mentioning is the point on Level Playing Field. This is a key principle CER has been advocating for in the past years and one major step in order to make modal shift a reality.

One key omission from the Action Plan is the effect the COVID-19 pandemic will have on the future investment capabilities of European railways, and changing travel habits will have a profound impact on the mobility sector in the EU for the foreseeable future. Any short-term and long-term plans cannot be realistic without considering the long-term COVID consequences. In the context of the COVID-19 pandemic, the sector would like to express its support and appreciation of the Commission proposal for a Regulation to extend the reference period of Regulation (EU) 2020/1429 until 30 June 2022 and to empower the Commission to adopt delegated acts to further extend such period until 31 December 2023, if necessary.

In the remaining chapters of the position paper, CER outlines broad positions on the actions listed by the Commission, providing its views and suitable steps forward for a seamless and fully functional Single European Railway System.

Action 1: Better implementation of the Union rail acquis and accelerated interoperability

CER supports the strive towards a safe and fully interoperable railway system as a Single European Railway System. The objective is to build a high-capacity integrated European railway network by eliminating barriers to interoperability. We would like to point out that a timely ERTMS/ETCS implementation will only be possible if the right framework conditions are secured, which means sufficient technologies and resources from the industry and programs for retrofitting rolling stock. That should exploit the vast potential for digitalisation and automation to reduce rail's costs, increase its capacity, maintain safety and enhance its flexibility and reliability. It should be based upon a solid reference functional system architecture shared by the sector, in coordination with the European Union Agency for Railways. CER also fully supports the harmonised technical specification for interoperability and the reduction/elimination of national rules, where applicable. Nonetheless, these implementation and deployment plans must be based on a cost-benefit analysis and, if applicable, accompanied by a sound and realistic funding and finance plan.

The European Rail Traffic Management System (ERTMS) system offers the necessary conditions for uninterrupted, safe, efficient and fast railway services with significant



investments needed for its broad deployment. CER believes that ERTMS deployment shall be boosted, and to this purpose, a future strong and centralised EU Level ERTMS governance is needed, governing funding, National Implementation Plans (NIP) planning, resourcing, market uptake, migration and transition. CER considers an accelerated ERTMS rollout as vital for the modal shift envisaged in the Green Deal, under the precondition of having suitable funding and financing options in place. CER strongly believes in the need for an industrialisation of ERTMS to tackle the existing bottlenecks with ERTMS deployment. The implementation of ERTMS/ETCS (trackside and on-board of trains) must be accompanied by funding from national and European sources. It is critical to understand that the currently planned amount of financial support will not be sufficient to meet the more ambitious deadlines. We would also like to stress that in addition to the rollout of the infrastructure, the equipment of rolling stock with ERTMS/ETCS on-board units is crucial. In any case, there shall be no economic disadvantage for affected actors, in particular Railway Undertakings (RUs). Therefore, we ask the Commission to conduct a study that, in parallel to the rollout of ERTMS/ETCS, transparently outlines the implementation paths to 2030 and 2040. This study shall not only look into feasibility in terms of technology but also in terms of resources and financial support/subsidies in order to prevent a negative business case for Railway Undertakings. We would like to highlight that the ERTMS System needs to consist only of baselines that ensure full technical interoperability at ETCS function level, governed by the ERTMS System Version Management principles.

A crucial component of ERTMS - the European Traffic Management System (TMS) - has yet to be developed. TMS needs to be made available soon, preferably as an accelerated outcome of Europe's Rail Joint Undertaking. CER supports and actively contributes to the 2022 revision of the TSI. The implementation and migration plan shall include a sound transition, be monitored, defined by realistic and feasible milestones and, most importantly, accompanied by a sound and realistic funding and finance plan. The ERJU System pillar shall develop the operational concept and system architecture of the future railway system and contribute to the revision of railway specifications (incl. TSIs) and standards and shall establish interfaces to ERA and standardisation bodies.

Action 2: A strengthened infrastructure for passenger rail

Ambitious aims to develop railway infrastructure as set in the proposed revision of the TEN-T Guidelines are welcomed. However, the implementation of a constant 160km/h minimum speed for passenger trains will not always be feasible. It will increase the cost of updating the core network, especially in mountainous areas. Possible exemptions from this criterion should take this into account. In addition, it is important to take into consideration mixed operations of passenger and freight traffic in the rail infrastructure, as is already the case in many countries. Passenger transport should not be accelerated at the cost of capacity for rail freight. For this, the travel times required by the market between two train stations must be achieved, keeping in mind that, depending on the topography of a route, this can be achieved using a speed mix that does not necessarily prescribe a minimum speed. It should be considered that many European countries use systematic/synchronised timetables including nodes, and passenger trains are scheduled to go as fast as required to fit the timetable and not as fast as possible. A 160km/h speed potential could not be used in many areas because it would counteract these systematic timetables. Despite the obvious advantages of this target (shorter travel time) and besides embracing the EC's level of ambition, for some trajectories, a minimum speed of 160km/h is not practical and could even be detrimental to operations (such as efficient capacity utilisation or prioritising international over domestic operations). It could also result in



significant infrastructural investments in sections of a transport corridor that are not utilised for operations at these speeds. Such a minimum/average speed should only be introduced in cases where it leads to an improvement of rail services.

New and enhanced high-quality infrastructure standards with ambitious implementation deadlines have to go hand-in-hand with appropriate and sufficient funding. CER supports the Commission's strong focus on completing the core network by 2030 and further planned high-speed rail connections in the extended core network to be realised by 2040 in all EU capitals and major cities. However, they should also be reflected by national investment plans. Ex-ante economic and financial evaluation is important to ensure targeted investments. Sufficient funding for the realisation of the projects must be provided. One of the avenues for providing adequate funds is to use revenues collected from the EU Emissions Trading System (ETS). We share the Commission's ambition on first/last mile connectivity through multimodal passenger hubs in all EU cities above 100,000 inhabitants that are connected to the TEN-T network and support strengthening air-rail connectivity for all core EU airports and EU airports above 4 million passengers.

Action 3: Sufficient rolling stock availability

CER supports investment commitments for the benefits of modern, technically advanced trains for passengers and freight on an increasing number of routes. Regarding ERTMS, CER regards a synchronised and harmonised ERTMS deployment of tracksides and onboards as vital. CER believes that improving the existing financial instruments is necessary to incentivise large-scale investments on ERTMS both trackside and on-board. In particular, CER calls for increasing the limit of 50% (unless notified) of the eligible costs setting a common threshold (up to 100%) at the European level via the intervention of the competent EU decision making bodies and for providing more flexibility in terms of the implementation time frame that is currently limited to 5 years. In relation to CEF grants, as underlined by the European Parliament, CER wishes to point out that EU co-financing rates for ERTMS are insufficient. One of the avenues for providing sufficient funding for deployment is to use revenues collected from the EU Emissions Trading System (ETS). Besides, CER would like to express its full support for establishing the exemption from the notification obligation under State aid rules for the public financing of ERTMS.

CER supports the political objective of clarifying the Railway State aid Guidelines' rules for the financing of rail rolling stock. Railway undertakings can face financial difficulties in acquiring passenger rolling stock. The revised text of the Guidelines should make it easier for Member States to support rail transport, by providing clearer and more flexible provisions on funding for the purchase, renewal and retrofitting of rolling stock (all types of international passenger traffic for day and night connections, comfort and low-cost, sitting and sleeper compartments). Such State aid is needed as better rolling stock improves customers' experience and supports the shift to rail but requires high investments. In particular, cross-border transport requires funding for equipment of rolling stock with multisystem technology. CER supports the voluntary implementation of the Luxembourg Rail Protocol, while we would like to highlight that there are some technical issues still to be resolved.

CER fully supports the aims of the Green Rail Investment Platform - EIB lending, blending and advisory instruments for the financing of rolling stock. However, instead of creating new financial means, the Green Rail Investment platform merely bundles existing financial products such as loans from the EIB, Invest EU fund or other blending instruments. Such instruments are not always sufficient. For the above-mentioned upgrading/equipment of new rolling stock with multisystem possibility for international operations, a financial assistance programme should be set up. The different railway electrification systems and



train protection systems used in different countries mean that complex multisystem vehicles must be used for international transport. These vehicles are much more expensive and require more complicated approval procedures than single-system vehicles. In their letter of intent of 17 May 2021 on international high-speed and overnight rail services, many Member States called for the Commission to propose supporting financial means for internationally deployable rolling stock. The sector highly appreciates this call.

We would like to point out that, when it comes to the financial support for rolling stock, Railway Undertakings should be able to apply also for rolling stock that is already ordered but not yet paid for.

Action 4: Bringing train drivers and railway staff training and certification in line with future needs

CER welcomes the upcoming revision of the Train Drivers Directive (07/59/EC) and is gathering information about members' positions and views of the key issues at stake. Since it entered into force, the Directive has permitted progress towards a more harmonised system of licences and certifications. There are still several shortcomings that need to be addressed in the upcoming revision, but the Directive is heading in the right direction. All in all, the revised Directive needs to consider technical developments.

CER members warn about the skill shortage that will happen in the next ten years and want to help address the recruitment issues. For this, the sector must be more attractive for young people, notably women, who only represent 21% of the sector's workforce. CER actively participates in the Erasmus+ funded <u>STAFFER</u> project, which aims to identify the skill shortages and develop concrete actions to address them. CER members also recently signed an <u>autonomous agreement</u> on Women in Rail to help attract more women to the railway sector and are now focused on the implementation of the agreement.

Action 5: A more efficient use of the networks

While CER agrees that capacity is one of the key drivers of modal shift and welcomes that the Commission highlights the importance of the sector project timetable redesign (TTR), we caution the way this initiative could be implemented. The main body of the Directive 2012/34/EU should not be reopened, as otherwise, the railway sector will be destabilised by such a frequent change of the EU legal framework. For the a robust legal basis for TTR without changes to the main body of Directive 2012/34. In the latter case, the changes to the text of the Directive 2012/34 should be of a very targeted nature, i.e. strictly limited to enabling the TTR project, as otherwise the railway sector will be destabilised by such a frequent change of the EU legal framework². In addition, the legal basis should apply to the whole European rail network so that the capacity gains through TTR can reach their full potential.

Concerning an integrated Timetabling and Capacity Redesign programme (TTR), TTR will provide international customers with a long-term basis for planning their commercial services. However, prioritising international traffic should not rule over and above all

² For detailed information on putting TTR on a sound legal basis, read the <u>CER position</u> paper on Rail Freight Corridors & TTR for Smart Capacity Management including Digital <u>Capacity Management</u>



requirements of national networks. Instead, national integrated TT must be connected into an integrated European schedule.

Infrastructure Managers (IMs) are in the process of developing a virtual European Traffic Management network that will bring the national Traffic Control Centres (NTCCs) closer together. With stronger cooperation and collaboration, the traffic management process will be improved, contributing to a modal shift and achieving the European Smart and Sustainable Mobility Strategy and European Green Deal objectives. A Union-level entity overseeing the optimisation of cross-border rail traffic and coordination mechanisms cannot have more than a monitoring and advising role, with respect to the IM's individual autonomy and responsibility on traffic management. However, it should aim to identify best practices of cross-border coordination facilitating international pathway allocation and disruption management. Although CER fully supports the facilitation of the capacity assignment to international passenger transport, this should not jeopardise the objective to double rail freight by 2030. As rail freight is primarily an international business, sufficient international capacity should be preserved and increased, especially in the RFCs.

Action 6: Appropriate pricing for track access

CER would like to express its full support for simplification of the existing procedures for all types of aid for coordination of transport, in particular by establishing the block exemption for all types of aid for coordination of transport. More specifically, CER fully supports establishing the exemption from the notification obligation under State aid rules for the public financing of the reduction of track access charges.

The competitiveness of rail vis-à-vis other transport modes also depends on attractive charging conditions and a level playing field with other modes. High track access charges on international and national long-distance services can prevent operators from offering competitive prices. In its upcoming Guidelines, the Commission should highlight best practices to limit excessive mark-ups and long-term charges on long-distance/high-speed services and cross-border coordination between infrastructure managers on charging. Steep increases in Track Access charges (TAC) from one year to another should be avoided unless it is sustainable for the market. CER also suggests creating recommendations in the new guidelines for a Europe-wide category of infrastructure charges for night trains, as consistent as possible throughout Europe.

At the same time, track access charging (TAC) is the primary revenue stream for Infrastructure Managers. As such, any imposed reduction in the level of TACs should be compensated, similar to what several member states do for freight TACs must be economically viable for the infrastructure manager and provide the possibility to steer market demand.

It is worth noting that a critical challenge for growth is the lack of capacity, especially in markets with growth potential. Pricing here has an essential function for prioritising and steering capacity towards the most attractive train services. This effect would be weakened if prices were set at the level of direct costs, only covering a fraction of full costs and value.

As a suggestion, pilot projects should explore different infrastructure charging models, reductions in fares, their impact on demand and compensation mechanisms. The financial allocation should be spared to incentivise member states/infrastructure managers to fund these trials.



Action 7: User-friendly ticketing and access to the rail system

CER members realise that, while national journeys are easily arranged, today booking a train ticket for an international journey can leave much to be desired. Therefore, the railway undertakings committed to improving international ticketing for rail in their <u>Ticketing Roadmap</u>. Our vision of ticketing is that the passengers will have a seamless user experience when searching, selecting and buying their railway services. European railways have a plan to achieve many elements of the vision by 2025 at the latest, which we believe is both an ambitious and realistic plan. We appreciate any support that the Commission can provide in helping us to reach it. Moreover, rail must be considered an extension of flights for passengers flying to Europe from third countries.

In order to achieve seamless ticketing, sector-based solutions should be supported and considered as the starting point when improving multimodal ticketing. The sector has invested time and effort in TAP TSI/OSDM, which should be available as a solution to implement seamless ticketing in the EU. Rail is already working with other stakeholders, like ticket vendors, to ensure transparency and offer better service to our clients. We expect the Commission proposal to provide a legal framework to maximise the efficiency and transparency of these solutions without extra administrative burden. CER also believes mobility providers should be allowed to negotiate their pricing policy freely, and we do not agree that tickets could be re-sold at different prices without prior agreement. Within the railway sector, a lot of data is already shared, and hence we also call for data exchange reciprocity in any future legislation.

We need to avoid the emergence of only one or two online MMDMS platforms, which would automatically become gatekeepers, resulting in a platform economy with the risk of (paid) algorithms deciding the preferred mobility solution. The European Union should consider the many challenges in regulating digital mobility services and the already existing legal framework before proposing new regulation. CER members are looking forward to engaging with the Commission to achieve seamless ticketing across Europe.

Action 8: A level playing field with other transport modes

CER strongly welcomes this action proposed by the Commission. The introduction of an EU-wide uniform kerosene tax is necessary to eliminate the current imbalance between rail and aviation and establish a level-playing field between different modes of transport. In addition to the electrification of the road sector, ETS will offer the possibility to apply the principles of user-pays and polluter-pays in transport both for freight (complementing the currently weak Eurovignette Directive provisions) as well as for private car usage.

Putting a price on carbon and using the ETS revenues to support rail and public transport is the most cost-effective way to ensure rapid GHG emissions reduction in the transport sector, while enabling access to low and zero-emission collective mobility services for the most vulnerable households. This will support the achievement of the EU modal shift objectives and have rail performance as the backbone of a carbon-neutral mobility system.

CER suggests that the Commission takes appropriate steps in revising the VAT directives to secure fair competition between all travel modes. Certain MS are prohibited from exempting VAT on international rail travel (e.g. Austria, Germany, Belgium, Netherlands) in the current VAT directive. Given that cross border passenger transport in aviation is exempted from VAT in all EU Member States, and as a result, the European aviation sector



saves around EUR 40 billion in taxes per year³, rail should also be fully exempted. DG MOVE should engage with relevant Commission DGs and work with the Member States to ensure fair VAT rules for international rail travel compared to aviation.

Action 9: Public Service Obligations to promote sustainable crossborder and/or multimodal collective transport

The provisions of the Interpretative Guidelines concerning Regulation 1370/2007 are of great importance for the railway sector as they ensure coherent application of Regulation 1370/2007. Overall, the current text of the Guidelines is helpful and clear; however, on several points, further clarifications on the application of Regulation 1370/2007 in the sense of a practical application aid for the competent authorities are desirable.

It is important that the Revised Guidelines reflect subsequent changes to the Regulation 1370/2007 as well as relevant existing case law of the CJEU. Regarding the latter, it is important that the Revised Guidelines draw conclusions only from the relevant CJEU case law that explicitly concern the interpretation of the provisions of Regulation 1370/2007.

Furthermore, in light of the Green Deal objectives, the European Commission should use the interpretations provided in the revised PSO Guidelines to encourage Member States to establish cross-border PSOs, in particular for international night train services.

It is important to stress that the Guidelines are non-binding, may not create new legal obligations, and shall be strictly limited to the interpretation of Regulation 1370/2007 (without prejudice to any subsequent interpretation issued by the CJEU). Therefore, it is imperative that the text of the Revised Guidelines does not go beyond the wording of the provisions of Regulation 1370/2007 and does not try to create additional legal obligations that do not exist in the EU law and/or in the established judicial practice of the CJEU. If the Revised Guidelines require market participants to comply with additional requirements beyond the applicable provisions of Regulation 1370/2007, the Guidelines will have the opposite effect: legal uncertainty will be increased. This would lead to a slowdown in market processes in public transport, hamper sustainable competition and pose a risk to existing services, further resulting in a slowdown in achieving the European Green Deal objectives, which necessitate the creation of a favourable legislative framework for sustainable modes of transport.

Action 10: Empowering youth

CER welcomes the 2022 Year of Youth and believes it is the perfect continuation from the 2021 Year of Rail. During the Year of Rail and the Connecting Europe Express trip, CER coorganised an event with SNCF in Strasbourg about rail and youth, showing how rail contributes to the European identity-Young people who take sustainability to heart have contributed to the revival of the railway sector.

The Discover EU programme is a major part of that journey, and promoting sustainable modes of transport for young people, notably those doing their Erasmus programme, is something CER strongly supports.

³ Based on pre-COVID figures (2019)



3. Pilot services

CER welcomes the proposals for pilot projects, as the sector appreciates any proactive engagement in order to strive towards a safe and fully interoperable railway system as Single European Railway Area. Worth pointing out that financial support for certain aspects of pilots, including testing out different charging models, is needed and would benefit the overall impact. We believe that ongoing initiatives from IMs and Member States such as Eurolink and TEE 2.0 should be duly taken into account in the pilots' services.

We would appreciate more information on the nature of these pilots, the amount of time they are expected to run, and ways to measure the results and effects of those pilots. The sector will remain engaged in a dialogue with DG MOVE to contribute to the pilot projects in the best possible manner.

4. Conclusions

In conclusion, CER fully supports the Commission's aim of achieving a modal shift and increasing passenger numbers on intra-EU rail journeys, which is one of the main ways to reach the ambitious goals coming from the EU Green Deal and the Sustainable and Smart Mobility Strategy. CER points out that the TEN-T Regulation has to create the infrastructural basis required to implement these goals successfully.

CER underlines that the achievement of any future target system (being fully TSI compliant) shall be based on impact assessments and accompanied by a sound financing and funding scheme. CER believes that it is necessary to improve existing financial instruments to incentivise large-scale investments in the rolling stock (notably the equipment with multisystem technology), infrastructure and CCS subsystems, in particular ERTMS.

CER Members are determined to be an active partner in the push to realise the modal shift and help the EU achieve the goals to mitigate the consequence of climate change. We expect further constructive engagement by all interlocutors to make this a reality.

About CER

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