

Key note address of Mr. Siim Kallas, Vice-President of the European Commission

Europe's railways: connecting and competing in the future

Conference on the 4th railway package
Brussels, 24 September 2012

Ladies and gentlemen

Thank you all for coming to this conference organised by the European Commission. Your presence today shows your commitment to helping Europe's railways adapt to the many challenges ahead and to enable the sector to achieve its full potential.

As you know, the Commission has great ambitions for rail. It is an essential element in our project to complete the trans-European transport network where the aim is to create a real single European railway area to join up our continent.

With the recent agreement on the rail recast, we have now made a good deal of progress towards achieving a single European rail area. When the recast comes into force, it will considerably change the way the rail market works – by stimulating investment, improving market access conditions and reinforcing the role of national rail regulators.

But there is more work to be done – and more reform is needed if rail is to achieve its full potential. It is time now to ask what we want from our railways, how we see the sector evolving and how we can achieve a single European rail market.

Rail just hasn't been able to offset the gains made by aviation during the last decade or to take more freight and passengers from the road sector. This is something we need to improve, by attracting more operators into the market and raising service quality and efficiency.

Today, rail is a split and fragmented sector with diverging rules, standards and a history of protected national markets. These and other barriers make it difficult for newcomers to set up and compete with existing service providers. Removing them should lead to better quality – and that means punctuality, comfort and reliability.

For rail to thrive, there **must** be a genuine single market. This means it should be possible to build a train to certain EU standards, and then certify it to run everywhere in the EU. At the moment, we have thousands of different rules and standards in effect, hindering the development of a truly European rail area.

We now need to complete and apply the EU-wide standards, using them to move to a single European approval system. This will save money and give a more efficient service once we improve the availability of rolling stock that can cross EU borders.

Since this will take a great deal of technical work, the European Railway Agency should become a 'one stop shop' that can, eventually, issue single certificates for safety and authorisation: a European 'passport' to allow rolling stock to move freely in all national rail networks, provided there is technical compatibility.

The Agency would still rely on national authorities to carry out much of the technical work. Today's approvals system does not help to bring more competition into Europe's market for

rail services, where one of the largest single barriers to creating a fully open market is access to rolling stock, particularly for newcomers.

This brings me onto another issue that we will address: the domestic rail passenger market, where so far only a few countries are open to competition.

Market opening comes from the need to encourage innovation and cost-efficiency, as well as offering a better service. Since conditions are different across the Member States, I believe the best way forward is a mixture of open access and public service contracts – competition in and competition for the market.

Lack of competition to the existing operators, which often enjoy a *de jure* or *de facto* monopoly in the national market, is one of the reasons why, in many cases, rail services are of a far lower quality and efficiency than they should be.

Europe's rail sector cannot develop solely within national borders with Member States protecting what they consider as their national champions. If passengers are to see rail as a real alternative, the future European railway area should have pan-European railway entities. That means European railway carriers instead of - and in addition to – national ones.

This brings me to a key area that we will also address in the forthcoming proposals for the EU rail sector: the relationship between the infrastructure managers who run the network and the rail service operators that use it for transporting passengers or goods.

Experience shows us numerous examples of restrictions of competition that would not exist in a separated structure and can only be explained by the conflict of interest that exists in an integrated structure. And there is no way that a return to the integrated railway structures that we had in Europe 20 years ago can realistically be seen as any kind of way forward.

Ladies and gentlemen

We all know there are many different approaches across the Member States to the idea of separating these activities. Since the existing separation requirements do not seem to be implemented or working very well, the overall result is still that there is no coherent model across the European Union. That makes it difficult to coordinate infrastructure managers on an EU-wide basis, and to manage networks properly and efficiently.

Infrastructure management functions which are potential sources of discrimination should be kept apart from the operation of transport services. These have to be exercised in an independent and neutral way.

They include infrastructure charging and the allocation of rail capacity: what we know today as "essential functions". They also include infrastructure maintenance, renewal, upgrade and development, day-to-day traffic management and the provision of real-time information – which are intrinsically related.

Another important aspect of the governance issue is financial transparency.

It is very difficult to ensure separation of accounts within integrated groups, which makes it possible to cross-subsidise railway operators of the holding with government money or track access revenues from competitors.

This is unacceptable for market newcomers and makes it very difficult for them to compete. So there must be legal, commercial and financial independence.

Of course, we do not have all the solutions today to all the issues which we need to address. We are still listening intently to all your views as we draw up the options for reform.

This is why today's conference will be such a useful forum for everyone to air their views and offer ideas for the way ahead, for how we can improve Europe's railways and finally build the single rail area, which will benefit citizens and business alike.

Ladies and gentlemen: this is not about having competition for competition's sake. It is about providing a better service and making sure that rail is able to fulfil its underused potential so that it becomes a real and attractive alternative.

Our railways deserve better. European citizens also deserve better

Thank you for your attention.