



**EUROPEAN COMMISSION**

**Siim Kallas**

Vice President of the European Commission

## **Europe's railways at a junction: the future for freight**

European Rail Freight Association Annual Assembly

**Brussels, 1 April 2014**

Ladies and gentlemen

Thank you for inviting me to your 12<sup>th</sup> General Assembly today.

I should start by congratulating the organizers on their choice of theme for this seminar. I fully agree that Europe's core transport network needs the 4<sup>th</sup> Railway Package.

As you can see from our proposals, the Commission has great ambitions for rail. They are underpinned by several factors driving my philosophy for rail reform.

These are for rail to achieve its full growth potential, to make it faster, more punctual, efficient and reliable. To achieve all that, rail services need to be customer-driven. This is the key for success in both freight and passenger transport.

I think all of us here today can share these principles.

But, as we move ahead, the second sentence in today's seminar theme puts it very well: regarding the 4<sup>th</sup> Package, there certainly has been enough talking.

It is time to act, because the rail sector now has to continue and accelerate the reform process that has been started.

European Rail Freight Association and its members are an important force for revitalising the European rail freight market and putting it back on the path to growth after decades of decline.

I am aware this has not always been an easy challenge, given the resistance from some in the market who are not so prepared - or committed - to change.

However, we are now seeing small signs of progress, with encouraging results in some EU countries - like Denmark, the Netherlands and UK - where some real competition is developing for rail with other forms of transport.

In these countries, we have seen increases in absolute freight volumes and in some cases, even increases in market share for rail. This is a historic reverse to its long-seated trend of decline.

The results have been higher cost efficiency, better cost competitiveness and improved customer orientation.

And more internationalisation too, badly needed in a market whose traditional market players have been very nationally focused for a very long time.

But this is also a market which is European, not national - around 50% of rail freight tonnage-kilometres are international. It's a market where customers and shippers expect borderless European transport services and logistics.

They expect better connections with ports and better service quality through the entire logistical chain.

To me, it confirms that market opening is the right medicine to generate growth.

It will allow us to increase rail's market share of transport use, by attracting more companies through raising service quality and efficiency.

This is a major challenge, of course. We know that capacity demand for freight is growing and therefore there has to be sufficient capacity for freight in the railway system.

It also presents an opportunity for Europe's people, businesses and economy.

With the 4<sup>th</sup> Railway Package, we have the chance to create – finally – a single European Rail Area that will allow rail freight to compete with road freight.

It goes hand in hand with our work to revitalise Europe's railways by making more use of research and innovation. This will help rail to provide better and more efficient services so that customers have an attractive choice.

The new public-private partnership Shift2Rail triples our funding for research and innovation in rail. Over the next 7 years, almost €1 billion of public and private funds will be invested.

Ladies and gentlemen

We are already making good progress in raising the role of rail freight by developing nine international corridors with which you are all familiar.

As you know, six corridors became operational last November: an important milestone in the creation of a European Rail Network for Competitive Freight.

I know that many of you are involved in the Advisory Groups of Rail Freight Corridors and I would like to thank you for your participation and involvement.

The corridors will be the backbone of Europe's planned core network corridors.

They will help to raise the competitiveness, quality and efficiency of rail freight.

They will lead to better cross-border coordination and cooperation between rail infrastructure managers so that international freight traffic can flow more smoothly between EU countries.

Apart from a proper legislative and regulatory environment, some other conditions must be met if these corridors are to be successful and efficient.

Firstly, targeted and coordinated investment to make sure that the infrastructure is of a sufficiently high quality. For this, substantial amounts of EU funding are available.

One important objective is to implement the infrastructure requirements for the Trans-European Transport Network.

It is also essential for ERTMS to be properly deployed across Europe's entire rail network so that full interoperability is achieved as soon as possible.

Multiple systems delay the authorisation process, increase costs, reduce availability and are just hampering the development of the corridor.

I know that migrating to ERTMS poses big challenges for everyone involved.

But it is particularly important for freight traffic, which flows across borders to a much greater extent than passenger traffic.

Our priority is now is to meet these conditions. That said, I am convinced that the corridor approach will be successful and will trigger a snowball effect.

It is, of course, important to make sure one or two corridors are successful. But railways also need a network, which is where interconnections between the corridors become important.

Ladies and gentlemen

Let me conclude by returning to the 4<sup>th</sup> Railway Package. I know that many of you are following these important proposals very closely.

Many of you have also expressed your strong support, for which I would like to express my thanks.

The European Parliament has now finalised its first reading position on the six legislative parts of the package. It is now up to the Council to take its position.

On the technical elements of the package, Parliament confirmed the need to remove existing administrative and technical barriers.

But its plenary vote on the governance proposal came as a real disappointment; not only for the Commission, but also for many in the rail sector. It is simply not the strong signal that European rail needs - and expects - to raise its attractiveness.

This vote demonstrates, yet again, the tenacity of vested national interests that proved more appealing to MEPs than the balanced and well-reasoned compromises that the Transport and Tourism Committee reached last December.

The EP's amendments fail to ensure the effective independence of the infrastructure manager, or financial transparency within vertically integrated structures. These are vital to guarantee equal and non-discriminatory access to the European rail network. The concept of "Chinese walls" is still important – particularly for rail freight.

So far, the Council has examined the proposals sequentially. It has now reached a position on the whole technical pillar. It is now important that examination of the market pillar starts as soon as possible.

Let me say now clearly that we remain committed to our proposals. For the Commission, there are certain 'red lines' that cannot be crossed. We are not about to abandon the market pillar, for example.

I do not see any option for accepting solutions that would fall below the provisions – or rather, the progress – already achieved with the Recast of the First Railway Package.

Ladies and gentlemen

I would like to thank you again for your support throughout. I wish you an excellent evening of discussions as we continue to work together to create a Single European Rail Area for freight.

Thank you for your attention.