

## NEWS IN BRIEF

### COMPETITION IN LITHUANIA?

Concerns have been raised regarding basic **rail discrimination** problems in Lithuania, related to both **track access charges** and **capacity allocation**. Just a few months ago Lithuania was fined by the European Commission for dismantling a publicly financed railway track in order to prevent a major customer from using the rail services of competitors. The anti-competitive measure caused irreparable harm to modal shift objectives in Lithuania. Independence in the setting of track access charges and capacity allocation are vital to create a business-friendly environment for rail competition and growth and a basic requirement of EU rules.

### LANGUAGE – BACKWARDS STEP!

ERFA is concerned to hear the developments regarding the new **language requirements at border crossings between France and Germany**. It appears a **political solution** has been found, which is far **removed from the needs of the market or from supporting rail's competitiveness**. On half the French-German border crossings the language requirements between driver and traffic controller will now be in French and the other half in German! This replaces the current agreement where German is spoken on all 8 border crossings. At a time when rail is badly in need of simplification and the removal of national, protectionist rules, this move signals a backward step. The establishment of a **common language for cross-border operations** is essential for rail and in the short term the **language requirement should be reversed to the traffic controllers**.

## Where is the progress in making international rail freight more competitive? Dominance of Rastatt disaster at the Rail Freight Day discussions in Vienna speaks volumes.



*ERFA speaker Michail Stahlhut, CEO SBB Cargo Int., Rail Freight Day, Vienna*



*Irmtraut Tonndorf from HUPAC, Hupac Intermodal Conference, Düsseldorf*

**7<sup>th</sup> December 2017** was supposed to be a **litmus test** for how far the voluntary initiatives of the rail sector, backed by the commitments of EU Transport Ministers, had contributed to boosting rail freight's competitiveness and attracting new and more customers to Europe's most sustainable mode of transport. Instead the **Rastatt disaster**, which saw 7 weeks of unplanned line closure on Europe's most important transport corridor, was perceived as a **clear sign of the weakness of the rail system**, far overshadowing the efforts made elsewhere. The EU Commission, for a long time the strongest supporter of modal shift to rail, set the tone of the conference, with Commissioner Violeta Bulc strongly warning that while **rail accounts for 73% of EU transport funding, it accounts for only just under 12% of modal share**. Rail's failure to deliver cannot continue to be supported with public funding. While **the support of national governments is needed** now more than ever if rail is to get back on track, the lack of any official Ministerial presence at the conference signalled the steep challenges that faced by rail freight.

Rail's end customers signalled very clearly at the previous day's **HUPAC Conference in Düsseldorf**, dedicated to the lessons to be learnt from Rastatt, the need for **more international-focused rail operations** and **pragmatic solutions** to bring rail into the 21<sup>st</sup> Century. The problems of international rail freight are not limited to one EU country, but are **international in nature**. The support of national ministries and infrastructure managers is needed if rail is to deliver on overcoming the **language barrier, creating viable alternative routes and centralising traffic operations**.

## NEW SUPPORT FOR COMBINED TRANSPORT

The main European legislation promoting **intermodal transport** is currently being revised. The current legislation allows EU countries to put in place support measures to initial road + non road leg of minimum 100km + final road leg cross-border transport journeys. The idea is to **incentivise a shift away from pure road transport**. The current legislation is sporadically applied by EU countries and contains outdated provisions. The proposed new EU rules seek to create **improved incentives** for intermodal, also allowing for more flexibility. Support measures will now be allowed for **national intermodal operations; investments into transshipment terminals will be promoted**. On the other hand the obligation for a minimum 100km non road leg journey is taken away.

## ERTMS FINANCING FOR RUs

Good news from the UK as the **UK Infrastructure Manager** announces an agreement to start **upgrading the current freight fleet** of 750 vehicles to **ETCS in-cab signalling**. The financing of the digitalisation drive will be supported by c. 510 million EUR of Government funding. The initial focus will be on the heaviest used types of locomotive and the retrofitting work will begin in 2022. This is **a welcome step forward in developing rail freight's competitiveness without harming the RU business model and should be replicated elsewhere in Europe**

## Next Steps:

European Commission organises a **joint IM-RU Meeting**, inviting also representatives of the logistics sector, **on 17<sup>th</sup> January 2018** in Brussels dedicated to discussing international contingency planning and language and other interoperability issues.

- Places are strictly limited to 10 RU representatives.
- RU International freight subgroup meeting on 10th January in Vienna to prepare freight RU priorities.

## ERFA Strategy Day – Rebuilding support for rail freight



ERFA held its annual **strategy day** with members on 15<sup>th</sup> November in Brussels. The **unfriendly business environment for rail freight** and **weak state of the industry** were the key themes and in particular the failure of rail to make any significant gains from modal shift was highlighted as a key symptom of weak competition in the market. As rail does not have a competitive market, it is

not in a strong position to compete with road on price, quality or innovation. In most EU Member States one dominant market player, normally the state-owned company, trounces the competition, with the nearest, biggest competitor trailing far behind. The monopoly situation fosters pricing distortion; limited customer orientation and unsustainable business models.

The **crucial role of national governments and infrastructure managers in supporting the competitiveness of rail freight was stressed**. Rail companies, who have to adapt to different operational rules, signalling systems, language requirements, technical requirements for their equipment each time they cross a national border can never deliver a competitive offer.

## Next Steps:

- ERFA to build on the **German Master Plan Initiative**, including the development of international rail traffic as a central plan of any national government's support for rail freight and using it as best practice in other EU countries
- **Best practice guide** for ensuring effective application of new EU rules on **minimising the impact of disruptions on rail services** and in addition exploring the option of an **RU compensation scheme** for planned disruptions.

## REVISION OF EU ROAD CHARGING LEGISLATION

**Why price signals will continue to favour the more polluting road over rail: What can be done about it?**

The less polluting the vehicle the less costs it should face in accessing the infrastructure. **Why does this principle not apply to how Member States treat the**

## UNLAWFUL STATE AID IN ROMANIA?

The EU Competition Commissioner has started an **investigation into alleged state aids for the state incumbent freight operator CFR Marfa**. The allegation is that the state incumbent has benefited from the cancellation of public debts and the failure of public creditors to collect debts owed by it, since at least 2010. There are many private rail companies competing with the Romanian state incumbent. Unfair state aid has the effect of distorting prices; limiting customer orientation and fostering unsustainable business models, and ultimately misdirecting public investments in rail.

## LOGBOOK: YOUR INPUT NEEDED!

The EU Rail Agency, with the support of the European Commission, have set up an “**Issues Logbook**”, a positive development to better **share information on the interoperability issues that hamper cross-border operations**. It should be the main tool for solving interoperability issues between the EU Agency for Railways and the Rail Freight Corridors. The initiative can only be a success if RUs feed the logbook with the issues they encounter, prioritise them and regularly update them for progress. **First deadline for submitting issues to the logbook is 15<sup>th</sup> January 2018.**

**much cleaner rail vehicles? The different conditions for road and rail pricing distorts competition** between the two competing modes and **favours the more polluting option.**

Price as well as reliability of the service are key factors in determining which mode of transport a customer chooses. Until the price signals are corrected rail stands little chance of being able to effectively compete with the cheaper road option.



**Rail today**

- ➔ Trains pay for every single km of track
- ➔ 100% of the European rail network is covered
- ➔ Covers 60% of infrastructure costs



**Trucks today**

- ➔ Truck charges are limited and fragmented
- ➔ 20% of motorways and main road in Europe are tolled
- ➔ Covers 20% of road infrastructure costs

ERFA welcomes the **revision of the EU's Eurovignette Directive** as a way of promoting the user pays and polluter pays principle in road transport.

**AN ADDITIONAL STEP** is however needed to bridge the disparities that exist today and will continue to exist until comparable charging schemes are applied for road. In order to eliminate the distortions of competition and establish fair mechanisms for infrastructure charges, ERFA therefore proposes that Member States should support their rail sector in being competitive by **decreasing rail track access charges to a comparable level of user tolls paid by road transport**. A level playing field is not possible when the levying of charges is mandatory throughout the EU for all trains on all routes, while road tolls are, where applied at all, mostly limited to motorways and main roads.

## ERFA at rail regulators plenary



ERFA presented at the European Rail Regulators' (IRG Rail) plenary in Paris at the end of November. The focus of the discussions was **on end customer needs** and how rail regulators could **better support a more customer-orientated rail network**. ERFA highlighted that a **competitive environment** is key to fostering the right conditions to meet

customer needs. Healthy competition does not exist in most Member States. Dominant position of state incumbents undermines customer choice, quality, cost and innovation of services. Infrastructure managers have limited incentives to

create the right conditions to ensure competitive services, which in turn feeds bad quality and high prices. **Rail regulators should use their role in the market to foster a competitive environment, root out basic competition**

**problems and support the end goal of modal shift.** Private and independent rail companies rely on strong, independent and proactive rail regulators to support much needed change in the rail sector. Key issues where we need greater rail regulatory involvement include on ensuring the non-discriminatory nature of track access charges and national technical/safety rules; market-orientated rail freight corridors; performance schemes that actually enhance quality of rail services and in supporting the business stability of the long-term contracts between the state and the infrastructure manager.



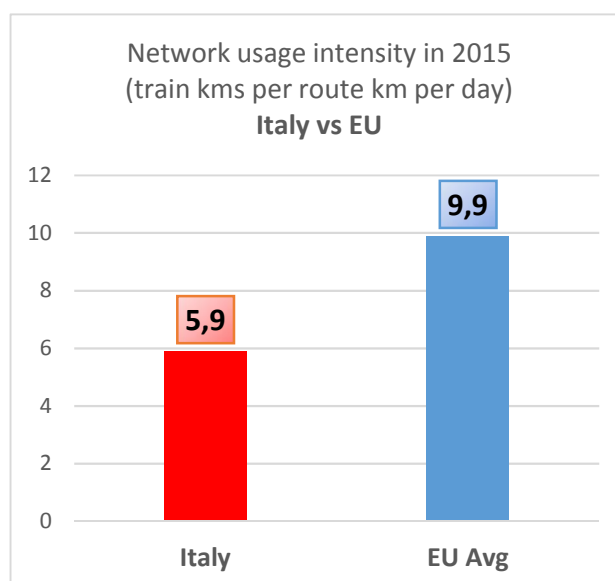
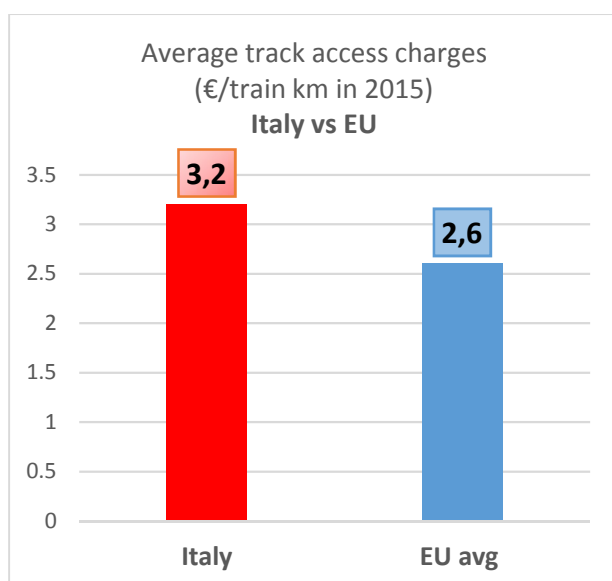
## ITALY IN THE SPOTLIGHT

### High Access Charges and lots of unused capacity – is there a link?

This month ERFA focuses its attention on the different track access charges paid by Railway Undertakings for as reported in the IRG-Rail Monitoring Report.

The first graph “average track access charges” compares the amount paid by freight Railway Undertakings in 2015 for every freight train km travelled in Italy and the European average.

The second graph “Network usage intensity” representing the number of rail freight trains per route kilometre per day in Italy compared to the European average.



Source: Fifth Annual Market Monitoring Report, IRG-Rail, 2017.