Together with 400 European transport stakeholders and its partner association CER, the Community of European Railways and Infrastructure Managers, UNIFE will start the political year with an Annual Reception held in Brussels on 26 February 2013. At the presence of Vice-President of the European Commission Siim Kallas, Benedikt Weibel, former CEO of the Swiss Federal Railways (SBB) and Dr Johannes Nicolin, German engineer, will receive the prestigious European Railway Award.

The Irish Transport Minister Mr. Varadkar is of course invited to be the keynote speaker of this high level event of the rail community.

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# TABLE OF CONTENTS

**UNIFE and the European rail supply industry**

- A few words about UNIFE  
- Challenges from an industrial perspective  
- Challenges from a transport perspective  
- Looking forward to working with the Slovak Presidency

**I. Industrial Policy**

- a. Implementing the European Parliament Resolution on the Competitiveness of the European Rail Supply Industry  
- b. Focus on research & innovation and Shift2Rail  
- c. Focus on SME policy  
- d. Focus on Public Procurement policy  
- e. Focus on Skills policy

**II. Mobility policy**

- a. Implementing the Technical Pillar of the Fourth Railway Package  
- b. After COP21: Transport decarbonisation, EU climate policies and stocktaking review of the Transport White Paper  
- c. Digitalisation  
- d. Urban mobility  
- e. Freight policy

**III. ERTMS**

**IV. Investment Policy**

- a. Connecting Europe Facility and EU Structural Funds  
- b. Mobilising private investment for rail (EFSI and other initiatives)

**V. Trade and International Affairs**

- a. EU-Japan Free Trade Agreement negotiations  
- b. Transatlantic Trade Investment Partnership (TTIP) negotiations  
- c. EU-China Investment Agreement negotiations and Connectivity Platform with China  
- d. International Public Procurement Instrument  
- e. Responsible sourcing from minerals from conflict zones
Based in Brussels since 1992, UNIFE is the association representing the European rail supply industry at the EU and international level. UNIFE gathers over 85 direct company Members – from numerous SMEs to major industrial champions from all over Europe – active in the engineering, design and manufacture of rolling stock (i.e. trains, metros, trams, freight wagons) as well as rail signalling and infrastructure equipment. UNIFE also brings together national rail industry associations from no less than 14 European States.
The European rail supply industry is a diverse and geographically widespread industry – from thousands of SMEs to major industrial champions; from rail supplies in rolling stock to signalling systems and infrastructure, including all components and subcomponents. In total the European rail supply industry employs approximately 400,000 people all over Europe. With absolute sales of €47 billion, the European rail supply industry accounts today for 46% of the accessible market for rail products worldwide. The world leadership of this export-oriented industry is also due to R&D capacities. Indeed, innovation is in the D.N.A. of the European rail industry, which currently invests 2.7% of its annual turnover in R&D and that has developed innovations such as the high speed train, ERTMS (European Rail Traffic Management Systems) and automated metro systems.

This is a pivotal moment for the European rail supply industry as industrial competition from Asia, and especially China, is becoming increasingly fierce. This was already aptly pointed out by DG GROW in its 2013 Sector Overview and Competitiveness Survey of the Railway Supply Industry. Three years later, the rapidly-evolving situation has definitely become a cause for serious concern for all European rail suppliers.

While the access to some key markets is becoming increasingly restricted or is effectively non-existent for European rail suppliers, some companies from these same countries have become major competitors in all product segments and on all continents. This is particularly the case for Chinese state-owned companies, which have growing export ambitions, including within the EU. The merger between the two biggest Chinese manufacturers – CNR Corporation Ltd (CNR) and CSR Corporation Ltd (CSR) – was finalised on 1 June 2015, officially creating the CRRC Corporation Limited, the world’s largest train builder with combined sales amounting to USD $31.7 billion in 2013.
This worrying situation is recognised by the European Parliament in its Resolution on the Competitiveness of the European Rail Supply Industry adopted on 9 June 2016: “While the EU is largely open to competitors from third countries, third countries have several barriers in place that discriminate against the European rail supply industry”, and furthermore: “third-country competitors, especially from China, are expanding rapidly and aggressively into Europe and other world regions, often with strong political and financial support from their country of origin.”
In the post-COP 21 context, it is evermore essential to reiterate that rail – be it for mainlines, urban/suburban or freight transport – is the greenest and safest mode of transport. However, despite its obvious benefits, as a mode, rail today has a lower share of transport usage than would be expected. Nevertheless, it still has great potential that should be unleashed in order to meet the ultimate decarbonisation target of a 60% reduction in CO2 emissions in the transportation sector by 2050 as well as the two key objectives set in the Commission’s Transport White Paper published in March 2011:

- 30% of road freight over 300 km should shift to other modes such as rail or waterborne transport by 2030, and more than 50% by 2050, facilitated by efficient and green freight corridors. To meet this goal will also require appropriate infrastructure to be developed.

- By 2050, complete a European high-speed rail network. Triple the length of the existing high-speed rail network by 2030 and maintain a dense railway network in all Member States. By 2050 the majority of medium-distance passenger transport should go by rail.
Looking forward to working with the Slovak Presidency

With more than 3600 km of track, Slovakia has a longstanding railway tradition which is reflected today in the sustained investment into the rail system. Furthermore, three Trans-European (TEN-T) corridors cross the Slovak rail network: Rhine–Danube Corridor, Baltic-Adriatic Corridor and Orient / East Med Corridor.

Therefore, even though we regret the absence of a major rail event organised by the Slovak Presidency in Slovakia, UNIFE looks forward to a fruitful cooperation with the Council of the European Union and its Slovak Presidency during the second semester of 2016, as well as continued collaboration with the various European Commissioners and European Parliament Committees preparing and executing policies impacting our industry.

It is worth mentioning here that two important rail events will take place during the second Semester 2016: Innotrans 2016 and the publication of the new World Rail Market Study. Like every two years, in September, Berlin will host the most prominent global event for all rail equipment suppliers: the InnoTrans Rail Technology Trade Fair. This year, InnoTrans will take place from 20-23 September and will, once again, bring together rail industry leaders and Government officials from around the world. In 2014, there were nearly 2800 exhibitors from 55 countries and 135,000 visitors from 146 countries; and this number is expected to grow for this year’s edition. As a point of comparison, this event is the rail supply industry’s equivalent of the Paris Air Show at Le Bourget (for the aviation industry) or the Frankfurt International Motor Show (for the automotive industry).

Innotrans 2016 will be marked by the publication of the new edition of the UNIFE World Rail Market Study. Every two years, UNIFE commissions an updated version of this global rail market study which has become the reference for the rail sector and is regularly referred to as a standard set of data for the rail supply industry. This study provides a detailed analysis of 60 focus countries including the major existing rail markets and the most promising emerging ones. It provides an analysis of the current market situation and gives an outlook over the next 5 years.
I. INDUSTRIAL POLICY

a. Implementing the European Parliament Resolution on the Competitiveness of the European Rail Supply Industry

The European rail supply industry is a strategic economic sector for the EU. It is an innovative and export-oriented manufacturing industry with approximately €47 billion in annual global sales and employing approximately 400,000 people in Europe. As shown in the new 2016 World Rail Market Study, rail markets will continue to grow on all continents and there are, therefore, great business opportunities to seize for European suppliers. However, European rail supply companies face a critical challenge to their global market leadership with industrial competition from Asia, and especially China, becoming increasingly fierce.
The European rail supply industry is now at a crossroads and requires proactive action from the European institutions and the Member States to safeguard its leadership of the global rail supply market. In this respect, UNIFE particularly welcomed the unanimous adoption by the European Parliament on 9 June of an official Resolution on the Competitiveness of the European Rail Supply Industry. Prepared by the Committee for Industry, Research and Energy (ITRE) at the initiative of Rapporteur MEP Martina Werner, this Resolution has been a strong positive signal to this strategic, job-creating and export-oriented European industry.

The vote on 9 June took place following a 90-minute debate where 34 MEPs from all political parties took the floor to voice their support for the European rail supply industry and called on the European Commission to coordinate an ambitious industrial policy for the benefit of the industry.

This is all the more encouraging since Industry and Economy Ministers from 16 EU Member States officially recognised the rail supply industry as one of the most strategic manufacturing sectors for the reindustrialisation of Europe in the “Joint Warsaw Declaration” of the Friends of Industry, signed on 22 April 2016.

The European Parliament Resolution puts forward strategic measures that should be undertaken by the EU institutions in order to boost the competitiveness of the European rail supply industry in the face of aggressive Asian competition and create a more level playing field on the global market for rail equipment. More specifically, it reflects the European Parliament’s ambition to set up with the Commission and the Member States a coordinated European industrial strategy for the rail supply industry (like for the automotive or the steel industries) with concrete recommendations covering all topics of EU competence impacting industrial competitiveness (including research and innovation, skills and training, internal market, public procurement, trade/access to foreign markets, SME policy and demand stimulation).
The recommendations of the European Parliament are fully in line with the industrial approach that UNIFE has been advocating. Indeed, in order to enable the industry to maintain its world leadership and their 400 000 jobs in Europe, European rail suppliers have called for strong EU measures targeting three inseparable pillars:

1. Such a strategy should first address how the EU can help “strengthen the offer” by enabling European suppliers to continue to produce the best rail products on the world market;

2. Secondly, it is essential to improve the business environment in the EU and internationally and ensure that European suppliers can produce and sell their products in fair market conditions;

3. Still, the best products and a satisfactory business environment are inconsequential if there is no demand for rail products. Therefore, stimulating the demand for rail in the EU and globally should remain the critical third pillar of such a policy strategy.

**Strengthen the offer**
- **Research and Innovation**
  - Shift2Rail, Horizon 2020, Structural Funds, EIB
- **Energy-efficiency**
- **Skills and Training**
  - European Sector Skills Council, European Social Fund (ESF)

**Improve the EU and International business environment**
- **Internal Market**
- **Internationalisation and Market access**
- **Business environment for SMEs**
  - Technical Pillar of 4th Railway Package, Public Procurement
  - IPI, TTIP, FTA EU-Japan, EU-China Investment Agreement
  - Support to innovation & clusters, support to export, access to finance

**Stimulate demand in the EU and worldwide**
- **Public grants for rail projects**
- **Mobilising development banks and private investment**
- **Rail-friendly Transport policy**
  - Connecting Europe Facility (CEF), Structural Funds, IPA
  - Juncker Investment Plan (EFSI), EIB, EBRD, World Bank
  - Modal shift policy, decarbonisation, ERTMS deployment
UNIFE would like to thank once again Rapporteur MEP Martina Werner, ITRE Chairman Jerzy Buzek as well as Shadow Rapporteurs MEPs Nadine Morano, Dominique Riquet, Reinhard Bütekofer, Evžen Tošenovský and David Borrelli for their support and tremendous work on this Resolution.

With the support of the Slovak Presidency of the Council and the Member States, UNIFE now hopes that EU Commissioner for Internal Market, Industry, Entrepreneurship and SMEs, Elżbieta Bieńkowska, will take action without delay on this important dossier and coordinate and monitor the swift implementation of this Resolution.

Taking into account the key importance of the Resolution of the European Parliament for the future of the industry, UNIFE calls on the Slovak Presidency to:

- Work together with the European Commission and the European Parliament to capitalise on this momentum and push for an ambitious and coordinated European industrial strategy to safeguard the world leadership of European rail suppliers;

- Follow-up on the recommendation of the European Parliament and put the European rail supply industry on the agenda of the Competitiveness Council;

- Work with the European Commission and the European Parliament on the establishment of a structured Industrial Dialogue – which DG GROW would organise at least once a year – bringing together the Member States (Industry/Transport/Trade Ministries), high-level Representatives of the various European Commission Directorate-Generals and Members of different Committees of the European Parliament with high-level representatives of the rail supply industry as well as other key players such as the European Union Agency for Railways (formerly ERA) and CEN-CENELEC. This would facilitate a comprehensive review and discussion of the various EU policies impacting the global competitiveness of European rail suppliers, as well as providing an opportunity to follow up on the implementation of the measures that the European Parliament recommends in its Resolution.
b. **Focus on research & innovation and Shift2Rail**

Staying at the forefront of research and innovation will be a key factor if Europe wants to win the industrial battle against foreign (and especially Asian) competitors.

Therefore, UNIFE reiterates its appreciation to the Council for its intensive and efficient work on the proposal for a Regulation to establish the Shift2Rail Joint Undertaking (JU), published by the Commission on 16 December 2013 and officially adopted by the Council on 16 June 2014.

A few months before the MFF Mid-term Review, UNIFE particularly welcomes the Chapter on a “renewed European rail industry innovation agenda” of the Resolution of the European Parliament on the Competitiveness of the European Rail Supply Industry (June 2016). The European Parliament notably calls on the Commission to “fully mobilise the various EU funding instruments, to explore and exploit additional sources of financing for Shift2Rail and to seek for synergies between different EU funds and with private investments” and calls on the Commission to “exploit additional EU funding instruments for rail technology outside of S2R (e.g. dedicated rail research calls in Horizon 2020 outside of S2R, InnovFin, CEF, Structural Funds, EFSI)”.

UNIFE looks forward to the next calls for proposals that shall be launched under the Slovak Presidency and hopes that the SME participation in Shift2Rail will continue to grow.
UNIFE calls on the Slovak Presidency to:

- Ensure the timely implementation of all the R&D activities of the Shift2Rail Joint Undertaking;

- Closely monitor – including through the States Representatives Group – the initial operations of the Shift2Rail JU;

- Investigate, together with the European Commission, the Innovation and Networks Executive Agency (INEA) and the European Investment Bank (EIB), additional financing opportunities for Shift2Rail; in particular for deployment activities (for example with the Connecting Europe Facility);

- Explore with the European Commission and the EIB the possibility to fund rail Research and Innovation outside of Shift2Rail (e.g. dedicated rail research calls in Horizon 2020 outside of Shift2Rail – as is the case for the aeronautical industry outside of CleanSky);

- Ensure that rail will be duly considered in the preparation of the Strategic Transport Research and Innovation Agenda (STRIA) to tackle climate and energy challenges.
c. **Focus on SME policy**

Similar to the automotive industry where world renowned assemblers work together with thousands of sub-suppliers, the European rail supply industry is also composed of some world-class “system integrators” and of many more specialised rail suppliers, including thousands of SMEs. Therefore, it is worth stressing that a large portion of employees in the rail supply industry (400,000 in total) are attributed to the vitality of the SMEs in the sector.

A few months ago, UNIFE welcomed the intention of the European Commission to revise the Small Business Act with the goal “to continue a strong European policy to support Small and Medium-sized enterprises”. With the help of its SME Committee, UNIFE responded in 2015 to the public consultation launched by the European Commission.

UNIFE took advantage of this public consultation to call for a revised “Small Business Act” that would benefit to rail supply SMEs by:

- supporting their internationalisation
- supporting their efforts to innovate
- facilitating their access to finance
- making national administrations more responsive to SME needs
- reinforcing skills development to overcome the shortage of skilled labour

UNIFE and its SME Committee heartily welcome the strong support for SMEs demonstrated by the Members of the European Parliament – and particularly Rapporteur MEP Martina Werner – in the Resolution on the Competitiveness of the European Rail Supply Industry.

As EU Commissioner for Internal Market, Industry, Entrepreneurship and SMEs, Elżbieta Bieńkowska has not yet made any announcement concerning a new Small Business Act, UNIFE calls on the Slovak Presidency to work with the European Commission to ensure that a new European policy framework will be proposed in 2016 that will help boost the competitiveness of rail-supply SMEs.

UNIFE also calls on the Slovak Presidency to work with the European Parliament to help shed light on SME-related aspects of the European Parliament Resolution on the Competitiveness of the European Rail Supply Industry.
d. Focus on Public Procurement policy

Promotion of the MEAT principle for procurement of rail products in Europe

UNIFE has undertaken activities in the wake of the modernisation of the EU Public Procurement framework. Indeed, public procurement accounts for a significant share of the EU economy (around 20% of EU GDP), and is crucial for European manufacturers of rail products. Three new Directives entered into force on 17 April 2014 (2014/24/EU; 2014/25/EU; 2014/23/EU), with their transposition into national law and practice set by 18 April 2016.

Among the important developments of this new framework, it is now specified that “contracting entities shall base the award of contracts on the most economically advantageous tender” (so-called MEAT principle) and that award criteria “shall be identified on the basis of the price or cost, using a cost-effectiveness approach, such as life-cycle costing”. More qualitative, social and environmental criteria could therefore become determining factors in the choice of a contractor. Even though this is left to the discretion of the Member States, the promotion of this MEAT principle will hopefully put an end to the dominance of the lowest price and make quality and life-cycle approaches central in procurement of rail products.

It will be extremely important to raise the awareness of contracting authorities to these new award criteria so that the MEAT principle can be swiftly enforced in the procurement practices of rail operators and infrastructure managers. On its side, UNIFE has already engaged in a promising dialogue on this topic with the European Rail Infrastructure Managers Association (EIM). UNIFE also thanks EU Commissioner for Internal Market, Industry, Entrepreneurship and SMEs, Elżbieta Bieńkowska, and DG GROW for organising a conference on ‘Getting the award criteria right in public procurement’ on 19 May in Tallinn. This has been an important step to promote the ‘Best Price-Quality Ratio’ versus ‘Lowest Price’ in Member State public procurement.
UNIFE calls on the Slovak Presidency to:

- Ensure the fast implementation of the 2014 Public Procurement Directives which describe the “Most Economically Advantageous Tender” (MEAT) principle, especially for long term infrastructure investments;

- Exchange with the other Member States on how to best 1) raise awareness of contracting authorities to the new rules for public procurement and 2) encourage them to award contracts on the basis of the “MEAT” principle (taking particularly into account quality, environment, innovation and social criteria);

- Promote the whole life-cycle cost (LCC) analysis as a standard practice in long-term investments in order to reduce the public expenses.
Monitoring the enforcement of EU public procurement rules for rail projects financed by non-EU investors

UNIFE asserts that EU public procurement rules must be enforced on both ongoing and forthcoming investment projects financed by non-EU instruments/investors in order to ensure that a level playing field is ensured between all rail market players. This has become all the more important as China is evaluating with numerous EU Member States (especially in the framework of the China-Central and Eastern European Countries Cooperation1 called “16+1”) massive investments in rail infrastructure, and seeking to connect Asia and Europe via the Silk Road Economic Belt.

In its Resolution on the Competitiveness of the European Rail Supply Industry (June 2016), the European Parliament calls on the Commission “to monitor non-European rail investment in EU Member States and to guarantee compliance with European public procurement legislation, for example the legislation on abnormally low tenders and unfair competition”. The Parliament also “invites the Commission to make inquiries concerning potential non-European candidates who submit tenders in the EU while receiving government subsidies from third countries” and asks “the Commission and the Member States to remind contracting authorities of the existence of a provision, in the context of the revised European Framework on Public Procurement, which makes it possible to reject bids if more than 50% of the value is added outside the EU (Article 85 of Directive 2014/25/EU)”.

UNIFE calls on the Slovak Presidency to work together with the European Commission and the other Member States to ensure the enforcement of EU public procurement rules in both ongoing and forthcoming investment projects financed by non-EU instruments/investors in order to ensure that a level playing field can be guaranteed between all rail market players.
### Focus on Skills policy

A study published by the EC’s DG GROW (then referred to as DG ENTR) in 2013 entitled Sector Overview and Competitiveness Survey of the Railway Supply Industry identified the “safeguarding access to skilled labour” as one of the 4 major action fields for the future of the rail supply industry in Europe. According to this study, “as in most technical engineering sectors the supply of technical engineers may become a bottleneck in maintaining the competitive position of the European rail supply industry on the long term. Especially in view of the ageing population it can be expected that a significant cohort will retire”. The Commission’s study therefore makes various recommendations that are still very relevant today and for which UNIFE invites the European Institutions to further investigate.

Moreover, UNIFE follows with great interest the developments of the European Commission’s policy on skills and welcomes the publication on 10 June 2016 of the Communication *A New Skills Agenda for Europe: Working together to strengthen human capital, employability and competitiveness*. In this Communication, the Commission rightly points out that “the supply of right skills at the right time is key for enabling competitiveness and innovation”. UNIFE also agrees that “to ensure long-lasting outcomes with a real impact, sectoral skills cooperation can usefully be linked to growth strategies for the sectors concerned, and backed-up by political commitment and stakeholder involvement at EU, national and regional levels”. Therefore, UNIFE welcomes the launch by the Commission of a “Blueprint for Sectoral Cooperation on Skills“ which aims at mobilising and coordinating key players and promoting more strategic use of relevant EU and national funding programmes in order to improve skills intelligence and tackle skills shortages in economic sectors. UNIFE takes good note of the decision of the European Commission to first concentrate on 6 sectors (automotive, maritime technology, space, defence, textile and tourism) and assess additional areas (construction, steel, health, green technologies and renewable energies) in a second wave of implementation starting as of 2017. UNIFE is now ready to work with the European Commission to assess the feasibility of such an initiative in the rail supply industry.

In the meantime, UNIFE, with the help of its National Rail Industry Associations, continues to encourage Member States to support national initiatives such as the successful National Skills Academy for Railway Engineering (NSARE) in the UK – which allows the railway industry to work with the UK Government and training providers to shape the qualifications of their employees in order to better compete in global markets.

Last but not least, once again in line with the European Parliament recommendations, UNIFE also encourages the use of the European Social Fund (ESF) to launch “a campaign to increase the visibility and attractiveness of the rail supply industry with young engineers”.

In the framework of the New Skills Agenda and one year after both Transport Commissioner Violeta Bulc and Employment Commissioner Marianne Thyssen officially announced their common ambition to develop a “Social Agenda for Transport”, UNIFE is eager to cooperate with the Slovak Presidency and the European Institutions to:

- Assess the possibility of launching a “Blueprint for Sectoral Cooperation on Skills” for the rail supply industry;

- Further investigate on the Recommendations of the Commission’s Sector Overview and Competitiveness Survey of the Railway Supply Industry regarding “safeguarding access to skilled labour”;

- Assess the feasibility of using the European Social Fund (ESF) to launch image campaigns at European/national/regional level(s) to help attract young people to the rail supply industry.
II. MOBILITY POLICY

a. Implementing the Technical Pillar of the Fourth Railway Package

UNIFE enthusiastically welcomed the European Parliament’s Plenary adoption of the Council Common Position on the Technical Pillar of the Fourth Railway Package on 28 April 2016, thanks to the much-appreciated efforts of the Netherlands Presidency. UNIFE would like to thank the Council, the European Parliament – with its TRAN Committee Chair Michael Cramer – and the European Commission – in particular Transport Commissioner Violeta Bulc – once more for their intensive and efficient work on a key legislative framework that will create a streamlined and efficient process for vehicle authorisation in Europe and enhance the role of ERA, making it a one-stop-shop for vehicle authorisation and safety certification.
The three texts comprising the Technical Pillar of the Fourth Railway Package were published in the Official Journal of the European Union on 26 May 2016. Member states have until 16 June 2019 to transpose the Directives into domestic legislation but may delay implementation by one year if they provide justification to the European Commission and the European Union Agency for Railways (formerly ERA).

UNIFE is working closely with the European Commission and the Agency to ensure a fast and smooth transition towards the new certification and authorisation systems and an effective implementation as of 2019.

Last but not least, the European Parliament rightly pointed in its recently adopted Resolution on the Competitiveness of the European Rail Supply Industry points out “the need to provide the Agency with sufficient human and financial resources to realise its new extended tasks”.

Given the utmost importance of the Technical Pillar for the entire rail sector, UNIFE calls on the support of the Slovak Presidency to:

- Ensure that Member States complete the transitional phase by the agreed deadline of June 2019 so that the Technical Pillar of the Fourth Railway Package will become immediately operational;

- Work together with the European Commission and the European Union Agency for Railways (formerly ERA) – in cooperation with the NSAs and the other rail stakeholders – to prepare the implementation of the Technical Pillar. In this respect, UNIFE supports the European Commission and the Agency in their efforts to speed up the cleaning-up of the National Rules.
b. After COP21: Transport decarbonisation, EU climate policies and stocktaking review of the Transport White Paper

The transport sector still accounts for around a third of EU greenhouse gas emissions, which makes it the second biggest greenhouse gas emitting sector after energy. Given the increasing dependency of the EU on imports of fossil fuels and the EU commitment to meet ambitious CO2 emissions reduction targets, the transport sector definitely needs to be decarbonised. Besides a low use of imported fossil fuels, rail’s performance clearly stands out in terms of high energy efficiency, low specific emissions of CO2, and a growing use of renewables.

The Transport White Paper, published by the European Commission in 2011, outlined the vision for EU transport policy for the next ten years including perspectives up to 2050. The roadmap elaborated by the European Commission highlighted a number of challenges that are still more than relevant four years later, such as oil scarcity, increasing competition and congestion. In light of these challenges, the document rightly emphasised the role of rail in meeting EU targets for the decarbonisation of the transport sector and the establishment of a single European transport area.

UNIFE welcomed the European Parliament’s own initiative Report drafted under the coordination of MEP Wim van de Camp and looks forward to the publication of the results of the stocktaking exercise on the Transport White Paper, launched by the Commission over a year ago.

Decarbonisation of the transport sector should mean, above all, more rail-bound public transportation solutions, and further electrification of the system. At a time where the political attention risks being shifted towards connected cars, UNIFE advocates more than ever for a modal shift from road and air to rail, the most environmentally friendly major mode of transport. Modal shift will also generate a number of additional benefits such as reduced dependency on foreign energy suppliers and reduced congestion and pollution.
UNIFE welcomes the international climate agreement reached during the 21st Conference of Parties (COP21) which took place in Paris in December 2015. By committing to hold the increase in the global average temperature to below 2°C above pre-industrial levels and to limit the temperature increase to 1.5°C above pre-industrial levels, this ambitious agreement provides a major opportunity for decision-makers to design more sustainable transport policies with rail as their backbone. This is in line with the encouraging Conclusions of the October 2014 European Council on the 2030 Framework for Climate and Energy Policies. However, concrete actions are yet to be taken in order to achieve these ambitious objectives.

On 3 June 2016, UNIFE and CER (Community of European Railways) released a joint Position Paper¹ on ‘Rail as a key to decarbonising transport’ ahead of the publication of a Communication on the decarbonisation of transport by the European Commission. The Position Paper calls for EU Institutions – and in particular Vice-President Maroš Šefčovič and Transport Commissioner Violeta Bulc – to pursue a strategy linking climate, energy and transport policies, and to promote electrified public transport in Europe while providing fair intermodal competition.

¹ http://www.unife.org/component/attachments/attachments.html?id=683&task=download
In view of the upcoming publication of the European Commission Communication on transport decarbonisation, UNIFE calls on the Slovak Presidency and on the Member States to:

- Develop a reporting mechanism for Member States to monitor and facilitate their progress in reducing transport emissions. Annual reports should be published so as to incentivise Member States to achieve progress;

- Confirm in legislation the 60% reduction target for transport emissions by 2050 compared to 1990 levels (Transport White Paper 2011), with an additional binding target for 2030;

- Where carbon savings and the economic case of a project are positive, further electrify and upgrade the rail network (regional and main lines), as electrified railway transport is by far the most efficient form of e-mobility;

- Promote rail as the backbone of sustainable mobility and its interconnectivity with other low-carbon modes, e.g. with bicycle sharing and parking facilities at railway stations;

- Support the development and market introduction of energy-efficient solutions and new vehicle concepts like hybrid locomotives and battery-operated vehicles for short sections of track where electrification is not viable;

- Encourage use of electric transportation by fair framework conditions for competing transport modes;

- Continue and intensify support to rail research and innovation.
c. Digitalisation

Considering the European rail industry’s key role as suppliers of new IT technologies, automation, sensors and monitoring tools, traffic/asset/energy/big data management solutions (including ERTMS/ETCS) or security systems; UNIFE warmly welcomed the Communication on a Digital Single Market Strategy for Europe presented by the European Commission in May 2015. As rightly pointed out in the “e-Transport” chapter of this Communication: “digitalisation and better integration of existing tools can significantly improve transport and traffic management and open up a wide range of opportunities”. Digitalisation is also one of the four “core content drivers” put forward by Violeta Bulc, European Commissioner for Transport, who has made digitalisation of transport one of the top priorities of her mandate, and UNIFE stands ready to support her in delivering concrete results in this field.

UNIFE agrees with the Commission that deployment of ITS technologies in the transport sector has the potential to create new growth, more efficient transport networks, more efficient logistics and better use of the existing infrastructure. To this end, UNIFE has been happy to engage with the European Commission on this key topic and is now actively contributing to the work of DG MOVE for the definition of a new EU Strategy for a “Digital Single European Railway Area”. UNIFE will also continue to work with the European Commission as a Member of the recently-established “Digital Transport and Logistic Forum” whose objective is to foster a more efficient exchange of information in transport and logistics. Furthermore, in order to better respond to the challenges facing the railway sector and to interact with other stakeholders, a Digitalisation Platform has been created within UNIFE.
In this context, UNIFE considers that Shift2Rail, the major EU rail R&D initiative, provides an excellent opportunity to handle most of the future of rail digitalisation with a holistic approach. ERTMS, with its technical component, the European Train Control System (ETCS) should also be a major element of the Digital Single European Railway Area. However, since digitalisation is a very wide subject area, the way to foster competitiveness of the rail industry would be to have further opportunities for research projects in addition to Shift2Rail. UNIFE would like to convey the industry’s commitment to work together to achieve the Digital Single European Area.

In the framework of the preparation by the European Commission of its Strategy for a “Digital Single European Railway Area”, UNIFE calls on the support of the Slovak Presidency to ensure that the upcoming EU Strategy will:

- foresee new dedicated financial resources for concrete implementation;
- be developed in full coherence with the related priorities of already existing EU instruments and initiatives such as ERTMS and Shift2Rail;
- UNIFE expects the Slovak Presidency to work together with Transport Commissioner Violeta Bulc to outline clear actions that will pave the way towards a successful digital transformation of rail transport in Europe.
d. Urban mobility

Urbanisation has been a major trend of the past decades that is expected to continue. As a result, urban transport now accounts for 40% of CO2 emissions and 70% of emissions of other pollutants arising from road transport; in addition, it is the main source of congestion, which costs nearly €100 billion, or 1% of the EU's GDP, annually. Hence, urban transport must meet the challenge of an increased demand for mobility and safety while reducing pollutant emissions.

UNIFE considers a modal shift from private vehicles to public transport to be the most effective way to reach the goal of more sustainable urban mobility in European cities, and thus contribute to meeting the 2011 Transport White Paper CO2 emission reduction targets of 60% by 2050 compared to 1990 as well as to the objectives agreed in Paris during the COP21 summit.

The European rail supply industry provides solutions for urban transport with low, or even zero emissions of CO2 and other pollutant gases. Light rail, metros and commuter trains are the least polluting public transport means in urban areas. Moreover, the rail supply industry is committed to improving the energy-efficiency of its products through different technologies and methods, such as hybrid technologies, weight reduction, regenerative braking, energy storage, new traction technologies, optimised operational parameters or alternative green power supply solutions.

Therefore, rail should play a central role in future EU policies on sustainable urban mobility as it is a key part of the solution to current issues, such as pollution, greenhouse gas (GHG) emissions and congestion. In order to boost this process towards sustainable mobility, adequate financing, at both the EU and national level, should be ensured for rail-bound projects in light of their high economic, environmental and social impacts.

This key message was also conveyed by UNIFE to the European Parliament in the framework of the own-initiative Report on sustainable urban mobility, adopted on 2 December 2015 under the coordination of Rapporteur MEP Karima Delli. UNIFE now looks forward to concrete follow-up actions by the European Commission and Member States, aimed at implementing the sustainable mobility policies addressed in the European Parliament’s own initiative Report.
In the framework of the EU Urban Agenda and in order to make concrete steps towards the implementation of the COP21 Agreement, UNIFE calls on the Slovak Presidency to take into account the following points when it comes to urban mobility:

- Rail is by far the largest provider of electric mobility for both urban and interurban transport. As a consequence, rail-bound solutions should be the starting point for any future EU policies aimed at promoting electric mobility.

- Investments in urban transport are essential. In this respect, UNIFE calls on the European Commission to increase or at least maintain the current level of public investment in sustainable urban transport and urges local and national authorities to explore alternative sources of financing for rail-bound urban projects.

- In order to keep the momentum and further boost the development of urban rail systems, UNIFE would like to highlight the need to secure sufficient EU funds for future R&D activities in urban rail.

- Shift2Rail shall play a role when it comes to developing innovative solutions for sustainable urban mobility.
e. Freight policy

Despite the ambitious modal shift targets set in the 2011 Transport White Paper and its clear benefits in terms of sustainability, rail freight is currently still very far from unleashing its full potential. This is due to a number of technical and regulatory barriers within Europe, such as lengthy authorisation procedures for rolling stock or insufficient cross-border cooperation in traffic management. In order to reverse the current declining trend, the European Commission is planning to develop a new agenda for rail freight, based on the experience of the Rail Freight Corridors.

UNIFE is convinced that the revitalisation of rail freight is closely linked to interoperability, innovation, and streamlined authorisation processes. In this respect, besides advocating for both Shift2Rail and the Technical Pillar of the Fourth Railway Package, UNIFE also supports the implementation of Rail Freight Corridors and the Commission’s ongoing plans aimed at making rail freight a more attractive transport solution for customers. Furthermore, UNIFE is following with interest the discussions on measures to reduce rail noise, especially from freight trains.

In a spirit of sector cooperation for more competitive rail freight in Europe, UNIFE is a signatory of the Sector Statement on Rail Freight Corridors “Boosting International Rail Freight”, officially presented during the TEN-T Days in June 2016 in Rotterdam. In order to become an attractive option for shippers, all actors in the rail freight logistics chain committed to increase cooperation with the aim of reducing the response time to planning requests, providing the necessary flexibility needed by shippers in a volatile and fluctuating market, reducing transit times and disruptions, improving reliability by keeping delays at a minimum, and providing tracking ability for shippers to enable up-to-date access and reliable information on the status of their goods.
UNIFE also welcomes the Ministerial Declaration signed by EU Transport Ministers last 21 June during the TEN-T Days in Rotterdam, which gives a strong political signal on the key role of rail freight in future EU transport policies.

Last but not least, UNIFE looks forward to the third EU Rail Freight Day which will be organised by the European Commission in Vienna during the Slovak Presidency on 9 December 2016.

UNIFE calls on the Slovak Presidency to promote continuous development in terms of standards, interoperability for ERTMS and capacity, paving the way for improved quality of rail freight services across Europe.

In this respect, UNIFE looks forward to the implementation of the objectives set by rail stakeholders and Member States in their respective Declarations signed on 21 June 2016 during the TEN-T days in Rotterdam.
ERTMS (European Rail Traffic Management System) remains one of the key pillars for achieving an interoperable and attractive railway system. The standard targets the integration of the different European national signalling systems – and represents, at its foundation, the aspiration to build a Single European Railway Area.

As a unique global signalling system, ERTMS considerably facilitates cross-border traffic movements. Trains equipped with ERTMS systems and components manufactured by any qualified supplier are able to run on tracks equipped with ERTMS of any other supplier. This enables the easy and seamless coordination of domestic and international train services and helps make the rail transport mode more competitive.
When ERTMS is installed along a given corridor in Europe, rail operators need only to purchase ETCS on-board equipment, as opposed to the many legacy systems running in different countries. This significantly reduces the overall costs of signalling equipment whilst allowing for the reduction of maintenance costs and increasing the flexibility of drivers’ work routines.

Speeding up the deployment of ERTMS

UNIFE statistics (June 2016) show that over 88,000 km of railway tracks and nearly 12,0000 vehicles are already running or contracted to be equipped with ERTMS worldwide. Europe’s share in trackside investment is 54% and significant investments are on-going in Asia (29% of the total ERTMS trackside investments) and in Africa and the Middle East (14%).

The latest statistics also demonstrate that there is a constant, stable rate of increase in ERTMS investments in Europe. Some Member States are continuously introducing, extending and implementing ERTMS in their network. Complete, nationwide network deployments are ongoing in countries such as Belgium, Denmark and Luxembourg. A significant investment plan is also foreseen in the Netherlands and in the United Kingdom. It is also worth noting that Germany unveiled in 2015 their strategy, targeting, in the first stage, cross border sections and European corridors, and in the second stage, a full deployment of ETCS on its network.

Some Central and Eastern European Member States have also made progress in deploying ERTMS on their networks. Nonetheless, a rather slow uptake is visible in CEE Member States despite the availability of European funds for this purpose.

UNIFE calls on the Slovak Presidency to work together with the European Commission to ensure a harmonised and coordinated deployment of ERTMS in Europe, as well as encouraging a dialogue with the Member States on financing issues.
On its side, UNIFE is fully in favour of speeding up ERTMS deployment to gain the greatest benefit of ERTMS system by:

- Ensuring the stability of the specifications and the preparation of the evolution of the system in full coordination with the sector, including the European Union Agency for Railways (formerly ERA) – whose role as ERTMS System Authority is being reinforced by the Fourth Railway Package;

- Reducing migration time;

- Using the availability of European funds to deploy ERTMS in the EU and build an attractive business case for ERTMS by implementing the system throughout Europe;

- Actively contributing and collaborating with the sector in the newly established “ERTMS Stakeholders’ Platform”, established by the European Union Agency for Railways in December 2015. In this framework, the railway sector, under the leadership of ERA, has started negotiating the fourth ERTMS Memorandum of Understanding (MoU). This revised MoU – which is expected to be signed at the InnoTrans trade fair in September 2016 – will be an opportunity to update the different provisions and commitments to be taken by all stakeholders (Railway Undertakings, Infrastructure Managers, Suppliers, the Agency and the European Commission) to speed up the deployment of ERTMS in Europe. The new document (the last MoU was signed in Copenhagen in 2012) will encompass a whole range of topics: stability of the Baseline 3 specifications, preparation and coordination for the evolution of the system, testing, certification and authorisation issues as well as migration, deployment and financing aspects.

On 22 September 2016, UNIFE will organise a Dialog Forum event dedicated to ERTMS in the framework of the InnoTrans Fair in Berlin. This special event will be an opportunity to address key issues related to the planned evolution and innovations of the system.
IV. INVESTMENT POLICY

As aptly pointed out by the European Parliament in its recently adopted Resolution on the Competitiveness of the European Rail Supply Industry, stimulating demand by boosting rail projects is key to the future of European rail suppliers. In this Resolution, the European Parliament therefore “expects existing EU funding instruments (e.g. CEF, Structural Funds) to be used to the full so that demand is stimulated for rail projects (including EU funding instruments for investment outside the EU such as the Pre-accession Assistance and European Neighbourhood Instrument)” while highlighting at the same time “the importance of a successful implementation of the European Fund for Strategic Investments (EFSI) as one tool to mobilise private capital for the rail sector” and calling “for further exploration of how private investments can be put in motion for rail projects”.

a. Connecting Europe Facility and EU Structural Funds

There is an enormous need for investment in rail transport at all levels: European, national, regional and urban. For transport infrastructure alone, the 2011 Transport White Paper evaluated that more than €1.5 trillion will need to be invested in the 2010-2030 period. Therefore, UNIFE believes that all available EU financial resources for rail transport should be fully used in the best possible way; be it for infrastructure, rolling stock or signalling.

In this context, the Connecting Europe Facility (CEF) will continue to be the cornerstone of the EU Investment Policy in the transport sector for the 2014-2020 period. The financial support through CEF grants will be vital for the development of the TEN-T Core Network Corridors. The rail system is a key beneficiary of the funds available under the CEF, which were increased by threefold compared to the 2007-2013 period. The high demand for EU co-funding was exemplified by the first two CEF Transport calls.

For the 2014 CEF Transport Calls for Proposals the demand was three times higher than the available funding, thus encouraging the Commission to increase the total amount of the call from €11.9 billion to €13.1 billion with a total of 112 rail projects supported. UNIFE also welcomes the results of the 2015 CEF Transport Calls for Proposals with a total of €7.6 billion made available for transport projects, from which €6.5 billion were earmarked for countries eligible for the Cohesion Fund. The second calls were again largely oversubscribed (2.9 times for the General call and 1.5 times for the Cohesion call). For instance, for the pre-identified Core Network Corridor projects, €6 billion out of €7 billion requested funding were related to railways (with a total of €5 billion available for 3 transport modes).

The high number and quality of the rail projects for these two CEF Transport calls demonstrated the dynamism of the railway sector which is willing to carry out major construction, upgrading and modernisation plans. UNIFE will continue to monitor the implementation of these major projects in order to push for the completion of the strategically important TEN-T rail corridors.

UNIFE considers that the forthcoming MFF (Multi-annual Financial Framework) Mid-term Review/Revision should be used as an opportunity to support this very successful funding instrument by increasing the CEF budget.

Moreover, the achievement of an integrated European transport system will also depend on the successful implementation of the EU Structural and Investment Funds (ESI Funds), in particular the Cohesion Fund. In this context, UNIFE emphasises the need to prioritise the rail projects and increase absorption capacity.
UNIFE welcomes commitments for rail investment made by Cohesion Countries in their (Transport) Operational Programmes and supports a shift towards a more balanced investment portfolio favouring environment-friendly means of transport (i.e. investments in rail and urban transport). UNIFE considers it essential for these Member States to make best use of the Cohesion Fund to support rail projects.

UNIFE also supports the European Commissioner for Regional Policy, Corina Creţu, in her efforts to achieve a more results-oriented approach for EU Cohesion Funding. The requirement for a comprehensive Transport Plan as an ex-ante conditionality forms a solid basis for the future investments. With clear results and output indicators reflecting the planned outcomes of the Operational Programmes, all stakeholders will be able to evaluate the impact of the investments. UNIFE also welcomes the work of the High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries that aims to reduce the administrative burden, led by Former Commission Vice-President Siim Kallas.

Nevertheless, the absorption capacity – which varies significantly from one Member State to another – remains a concern for UNIFE. In some Member States, rail infrastructure and rail transport still face dramatic underinvestment. Moreover, in several Member States UNIFE observes delays with regard to the projects foreseen in the current programming period. Capacity-building measures should be prioritised in order to achieve long-standing results. Therefore, UNIFE will continue to foster dialogue between EU Institutions, national administrations, railway infrastructure managers/operators and the rail supply industry in order to exchange best practices.

In this context, UNIFE would like to reiterate that public grants will remain of vital importance for rail transport projects and therefore calls on the Slovak Presidency to ensure – together with the European Commission, the European Parliament and the Innovation and Networks Executive Agency (INEA) – that the best use is made of both the Connecting Europe Facility and the EU Structural Funds in order to boost rail investment all over Europe. UNIFE also hopes that Slovak Presidency will support the increase of CEF grants during the MFF Mid-term Review/Revision.
b. Mobilising private investment for rail (EFSI and other initiatives)

While public grants will remain of vital importance to rail projects, UNIFE will also continue to work with the European Institutions and the European Investment Bank (EIB) to ensure that EU initiatives aimed at mobilising private investment for strategic projects benefit the rail sector in Europe.

The European Fund for Strategic Investments (EFSI) will play a key role in fostering private investment in important long-term transport infrastructure projects. With a total amount of planned investment of €315 billion – including €240 billion to be invested in infrastructure and innovation – it is essential to ensure that rail projects will benefit from these investments. However, so far the majority of EFSI projects in the transport sector are for the widening and modernisation of motorways. As of mid-June, there were only 2 rail-related EFSI projects. Therefore, UNIFE would like to underline the important role of the European Investment Advisory Hub and welcomes the fact that it is accessible not only to Member States and public authorities, but also to project promoters and the private sector. The EIB will have a crucial role in helping to structure the projects in a way that they can benefit from private investments under the EFSI. It will also be important to foster complementarities between the EFSI and the ESI Funds since rail projects demand a large share of public investment. In this regard, UNIFE welcomes the new guidelines on combining the ESI Funds with the EFSI, published by the European Commission in February 2016.

While UNIFE welcomes the interest from third countries to contribute to the EFSI, these contributions should not influence the decisions made by the independent EFSI Investment Committee and should not lead to preferential treatment of third country companies. This is particularly important in the case of Chinese investment in Europe.

Many successful public-private partnership (PPP) projects with the participation of European rail manufacturers also testify to the potential of private investments in rail projects (particularly in the fields of urban mobility, rail connections to airports, ERTMS deployment and high speed rail infrastructure). However, project promoters and investors currently lack certainty on the interpretation of the EUROSTAT provisions regarding the balance sheet treatment of PPPs. In order to maximise EFSI’s impact on the railway sector, it is therefore of utmost importance to provide predictability on the interpretation of the current EUROSTAT provisions. UNIFE considers that there should be a clear and incentivising statistical treatment of PPPs acknowledging their contribution to jobs and growth and providing certainty to both project promoters and investors.
UNIFE supports the European Commission’s efforts to explore innovative financing schemes and business models for the deployment of ERTMS. In particular, UNIFE believes that the EFSI should provide the impetus for accelerating the deployment of ERTMS. UNIFE is looking forward to working closely with the Member States, the European Commission, the EIB, the operators and infrastructure managers in order to achieve concrete results.

UNIFE also strongly supports the European Commission’s ongoing work on the creation of a Capital Markets Union that will help unlock more investment for companies and for infrastructure projects.

In view of the reforms envisaged by the Basel Committee on Banking Supervision with regard to secured lending, UNIFE would like to emphasise that a system where lenders would have to make essentially the same provisions on secured finance (regardless of the asset, default history, industry sector and customer profile) could have serious negative consequences on the private sector financing for rail projects (in particular pricing), and thus on rail sector competitiveness. UNIFE hopes that European Institutions will take this into the account in their response to the reforms proposed by the Basel Committee.

Last but not least UNIFE continues to work closely with the European Parliament’s Long-Term Investment Intergroup – chaired by TRAN Committee Vice-Chair Dominique Riquet – and is committed to actively support its efforts to “promote and finance long-term sustainable investment in the real economy”.

UNIFE calls on the Slovak Presidency to:

- Closely monitor the implementation of the EFSI in the transport sector, where currently the majority of projects are for the widening and modernisation of motorways;

- Work together with the European Commission (in particular Vice-President Jyrki Katainen and Transport Commissioner Violeta Bulc) and the EIB (and notably EIB Vice-President Pim van Ballekom) to ensure that support under the EFSI in the transport sector will indeed go to “projects and priorities eligible under the CEF Regulation and TEN-T Guidelines” (especially ERTMS deployment) as well as “smart and sustainable urban mobility projects”, as foreseen by the EFSI Regulation;

- Ensure a continuous dialogue between the European Institutions, the EIB and rail stakeholders on EFSI and the other initiatives aimed at boosting private investment.
Trade and international affairs are a key aspect of UNIFE’s activities, with the objective to address barriers that significantly hamper EU suppliers’ access to world rail markets and to build solid partnerships with rail stakeholders in prominent countries.

The European Parliament recently recognised the key role played by trade negotiations on the global competitiveness of European rail suppliers. In its Resolution on the Competitiveness of the European Rail Supply Industry (June 2016), the European Parliament insists on “the need for a fair and level-playing field in global competition and reciprocal market access to avert the risk of job losses and to safeguard industrial know-how in Europe”. In particular, the European Parliament “calls on the Commission to ensure that future trade agreements – including the ongoing negotiations with Japan, China and the USA – and the revisions of existing trade agreements include specific provisions which significantly improve market access for the European RSI, especially with respect to public procurement, including tackling the problem of increased localisation requirements and ensuring reciprocal access to foreign markets for the European rail supply industry”.

To achieve these objectives, UNIFE works closely with the European Institutions, in particular with the European Commission (i.e. Commissioner Malmström), with the Presidencies of the Council as well as with the European Parliament International Trade Committee (INTA). UNIFE is, therefore, looking forward to working with the Slovak Presidency on the following key dossiers.
a. EU-Japan Free Trade Agreement negotiations

Following Japan’s unilateral commitment to guarantee transparency and non-discrimination of procurement process in the railway sector in 2011, a package of measures entered into force in October 2014, following the EU decision to lift its objection to the delisting of the 3 Honshu Japanese Railways (JR East, Central and West). UNIFE welcomed the measures as a step in the right direction to improve transparency on the Japanese rail market, and many EU suppliers have approached Japanese rail operators ever since.

However, the European rail supply industry expects a much more ambitious result on railways by the end of the EU-Japan FTA negotiations, in order to achieve effective market opening for European suppliers and comparable access between the European and the Japanese rail markets. Generally speaking, the information provided by Japanese entities remains far below the EU’s (with the European centralised information system called Tenders Electronic Daily - TED), and only one Japanese rail operator has launched open tenders so far. Furthermore, the ‘one-year package’ has not solved the most critical issues, i.e. the Operational Safety Clause (OSC) and insufficient coverage of Japanese rail/urban transport entities.

At a time when the second phase of negotiations on railways is accelerating, the European Union should remain firm on the necessity to address procurement and technical issues so as to reach a comparable market access by the end of the negotiations. UNIFE has been discussing these issues since 2011 and little progress has been achieved since. In the meantime, a major WTO GPA party does not live up to its commitments on transparency and non-discrimination on the basis of unfounded arguments on safety, while requesting additional concessions from the EU.
UNIFE would like to call the attention of the Slovak Presidency and Council to the following key points:

- Timing for the conclusion of negotiations should in no case prevail over quality, although UNIFE would like to see a swift agreement to provide a better business environment for the European rail industry. The FTA negotiations represent a unique opportunity and a political momentum to solve critical issues, so EU negotiators must make sure that the final agreement effectively addresses these issues and provides tangible business opportunities for the European rail industry. In this respect, the support of the Slovak Presidency and of the other Member States will be crucial, notably in view of the sixth EU-Japan Industrial Dialogue on Railways that will be held in Japan during the Slovak Presidency.

- In terms of content, the industry expects the European Commission, the European Union Agency for Railways (formerly ERA) and the Japanese Government to intensify their discussions during the Slovak Presidency. UNIFE believes that the EU should make no further concessions on railways unless the Japanese Government agrees to a comprehensive package consisting of:
  
  - The complete removal of the OSC without any transition period and at reasonable thresholds;
  
  - An extended coverage of rail entities so that EU suppliers can benefit from a wider and by all means reciprocal access to the Japanese rail market (otherwise the removal of the OSC will have no effect on the ground);
  
  - Guarantees related to technical issues of testing, certification and acceptance of European and international standards in Japan.
b. Transatlantic Trade Investment Partnership (TTIP) negotiations

UNIFE is a strong proponent of the trade negotiations launched in June 2013, arguing that both the EU and the US would benefit from an improved business environment in the rail sector.

Although many railway manufacturers have established themselves on the US market, the rail sector is increasingly subject to domestic content requirements, notably:

- US federal authorities (in particular the Federal Railroad Administration, the Federal Transit Administration and Amtrak) demand a certain percentage of domestically-produced equipment. The requested percentages have increased in recent years due to political pressure from the US government, moving for instance from 60 to 70% for mass transit projects to be funded by the FAST (Fixing America’s Surface Transportation) Act.

- On top of that, US States or municipalities and their related mass transit authorities can impose local content requirements when only the State budget is involved.

- More recently, European rail suppliers have reported that the US Department of Transportation intends to authorise for the first time local hiring requirements for projects using federal money, which was, until now, prohibited by Federal law.

This situation acts as a deterrent against foreign companies and has major collateral impacts (increase in production prices, difficulties in finding appropriate domestic suppliers etc.). It is therefore of utmost importance to remedy this situation in order to facilitate trade between the two blocks. In particular, local hiring requirements are a source of concern for European rail suppliers since they could fragment the market and are in no way sustainable for all EU producers that have already localised their industry in the US. This also encourages unfair competition from state-owned companies, as can be seen with the award of two major metro car contracts in Boston and Chicago to the Chinese rail supply industry (CRRC).

After three years of negotiations, UNIFE is concerned by the lack of progress on the public procurement chapter and the disappointing US offer on public procurement.
As stated in its December 2015 Position Paper and reaffirmed by UNIFE Director General, Philippe Citroën, during the joint INTA-IMCO public hearing on TTIP and public procurement (organised by IMCO and INTA Chairs Vicky Ford and Bernd Lange on 20 April 2016), UNIFE would like to stress the importance of achieving a balanced and satisfactory result on this chapter given the importance of public procurement for the European rail supply industry.

UNIFE calls on the Slovak Presidency and the Council to maintain a high level of ambition regarding public procurement following the first exchange of offers. In particular:

- The US offer should address concerns of the European rail supply industry regarding domestic content requirements at the central and sub-central level – and at minimum costs for the EU.

- ‘Buy America(n)’ requirements that significantly hamper EU suppliers’ access to US markets due to their high stringency level (e.g. 100% requirements as proposed in the draft ‘Grow America Act’) should be lowered to a reasonable level to offer EU suppliers a net benefit, and additional state requirements supplementing the federal ones should not be allowed. In particular, local hiring preferences should be forbidden as they affect companies’ ability to conduct competitive procurement, with no net gain in employment.

- Procurement commitments under the WTO Agreement on Government Procurement (GPA) should be expanded to ensure that all rail transport related federal and sub-federal entities (especially mass transit entities) are covered, while guaranteeing transparent and open procedural requirements. In this respect, the involvement of US States needs to be secured so as to ensure the success of the negotiations and the finalisation of an agreement.

- Existing cooperation initiatives in the rail sector should be intensified by a more frequent regulatory dialogue between the EU (DG MOVE/ European Union Agency for Railways) and the US (Federal Railroad Administration - FRA), with each party sharing its experience and achievements. A convergence of EU and US regulatory and standardisation systems should be encouraged in order to facilitate access to US markets for EU suppliers.
c. EU-China Investment Agreement negotiations and Connectivity Platform with China

In the past few years, European rail manufacturers have encountered increasing difficulties on the Chinese rail market. Not only are some market segments now de facto closed to foreign suppliers (even in the case of Joint Ventures), but additional constraints are imposed by adjudicating authorities (non-transparent public procurement procedures, increasing localisation rates, etc.) on the market segments that are still accessible to foreign suppliers.

At the same time, however, Chinese state-owned companies are becoming increasingly challenging competitors in all product segments and on all continents through unfair competition. The most recent development in this respect is the merger between the two main Chinese train manufacturers CNR and CSR. The merger process was finalised on 1 June 2015, with the two companies establishing CRRC, the largest rolling stock supplier in the world. The situation is all the more worrying that CRRC has initiated a long-term strategy to access new markets between China and Europe via the ‘One Belt One Road’ (OBOR) initiative. For instance, cooperation agreements for the Belgrade-Budapest rail project were signed by representatives of the Serbian and Hungarian railway authorities in October 2015. In this respect, the establishment of an EU-China Connectivity Platform should be used by the EU to steer both offensive and defensive interests regarding China.

At a time where the European Institutions are discussing the Market Economy Status (MES) of China within the WTO, UNIFE would like to draw the attention of the Slovak Presidency and of all the Member States to the possible consequences in terms of jobs and economic growth if European suppliers lose their competitive position as a leading industry worldwide. Therefore, UNIFE believes that the EU should seize all the instruments at its disposal to achieve a level-playing field with China. In this respect, UNIFE welcomes the Joint Communication from the European Commission Elements for a new EU strategy on China (22 June 2016), which will be discussed by the Council during the Slovak Presidency. The Communication clearly states that the EU should “ensure reciprocity and a level playing field in all aspects of its trade and investment relationship with China”, and that EU “Member States’ engagement with China must comply with EU laws, rules and policies”.
In particular, UNIFE believes that the negotiations on a bilateral Investment Agreement between the EU and China should facilitate European business in China and aim at improving access to the Chinese market and providing EU investors in China with a high level of investment protection. Nevertheless, the market access component must be the cornerstone of the negotiations, addressing important issues like mandatory Joint Ventures, licensing regimes and localisation rates for the European rail supply industry. In this respect, UNIFE is concerned by the lack of progress of the negotiations and advocates for the negotiations to accelerate.

UNIFE would like to call the attention of the Slovak Presidency and Council on the following key points:

- Member States should endorse the messages from the Joint Communication Elements for a new EU strategy on China on the necessity for the EU to ensure reciprocity and a level-playing field in all aspects of its trade and investment relationship with China, and translate them into concrete actions to achieve this goal.

- Member States should ensure that market access barriers faced by the European rail supply industry are adequately addressed in the EU-China Investment Agreement negotiations, and that they result as soon as possible in concrete improvements for EU companies. UNIFE will keep working closely with European Institutions on this topic.

- Member States should support the European Commission in the negotiations for China’s access to the WTO Agreement on Government Procurement (GPA), so as to ensure that China can join with a revised offer on a reciprocal basis with the EU – i.e. with extensive coverage of central, sub-central entities and State-Owned-Enterprises (SOE), and no specific carve-out for the rail sector.

- The launch of an EU-China Connectivity Platform by the European Commission (DG MOVE) and the Chinese NDRC in September 2015 could steer the EU’s offensive interests on the Chinese market, while defending the EU rail supply industry against unfair competition. By all means, Member States should ensure that Chinese investments in Europe are coherent from an economic point of view and in compliance with EU policies (TEN-T) and rules (public procurement, Technical Specifications for Interoperability, etc.).
d. International Public Procurement Instrument

UNIFE has been a proponent of the International Procurement Instrument since the first proposal made by the European Commission in 2012. As global companies whose products are usually purchased through public procurement procedures, European rail suppliers have experienced different levels of openness when trying to establish themselves in non-European markets. In some countries, they face significant barriers, either in the form of domestic content requirements, forced technology transfers, or de facto exclusion. These barriers result in missed business opportunities for the European industry, and ultimately impacts both economic growth and jobs. This stands in sharp contrast with the situation in Europe, where public procurement rules are fully transparent and open as per the EU public procurement legislation.

Given the importance of public procurement for the EU rail supply industry and Member States on the one hand, and persisting difficulties in negotiating opening of markets on the other, UNIFE believes it is crucial to have an effective and robust instrument in order to ensure an optimal outcome of negotiations, i.e. assuring EU companies’ equivalent access to government procurement in the markets of the EU’s major trading partners.

In January 2016, UNIFE welcomed the revised Proposal made by EU Trade Commissioner Cecilia Malmström. Although the proposal is being discussed by the Council, there are still major difficulties to reach a common position among Member States, and UNIFE hopes that the Slovak Presidency will address this topic as a priority and help reach a suitable compromise during this second Semester.
Against this background:

- UNIFE would like to reiterate its support for the international procurement instrument as a tool to increase the EU’s leverage in trade negotiations and achieve a level-playing field between the EU and other major world markets.

- Despite the laudable objective of the amended proposal, UNIFE would like to stress that the level of ambition has significantly decreased compared to the original proposal and calls for changes to turn the Commission’s proposal into a more business-friendly, efficient legislative instrument:
  - Clarify the scope of application of the instrument;
  - Avoid a modification of the EU public procurement framework (Articles 85 and 86 of Directive 2014/25/EU are already enshrined in the EU public procurement framework and should not be removed as they constitute an essential safeguard);
  - Reinforce the impact of ‘price adjustment measures’ (e.g. impose a price adjustment of 20% minimum (i.e. ‘at least 20%’) – a threshold under which such measures would be inefficient according to the experience of European suppliers);
  - Achieve a more business-friendly procedure (e.g. reduce investigation and consultation to a maximum combined time of 12 months);

- UNIFE calls on the Slovak Presidency to find a suitable compromise which could accommodate Member States whilst featuring a high-level of ambition and creating new business opportunities for the European rail supply industry.
e. **Responsible sourcing from minerals from conflict zones**

In March 2014, the European Commission proposed a new Regulation setting up an EU system of self-certification for importers of tin, tantalum, tungsten and gold for companies that choose to import these minerals responsibly into the Union. Self-certification would require EU importers of these metals and their ores to exercise ‘due diligence’ by monitoring and administering their purchases and sales in line with the five steps of the Organisation for Economic Cooperation and Development (OECD) Due Diligence Guidance.

In May 2015, the plenary session of the European Parliament voted in favour of a mandatory EU-wide scheme on responsible minerals originating from conflict-affected and high-risk areas. The plenary session amended the Report proposed by the INTA Committee, making the scheme mandatory and expanding it to all players in the supply chain, both upstream and downstream.

While the European rail supply industry welcomed the initiative as originally proposed by the European Commission and is committed to operate with transparency, a pragmatic and efficient proposal should be put forward. Supply chains are extremely complex in the rail sector, as a rail supply company can have several hundreds of suppliers supplying materials and components to an end product. As it is written, this Regulation would add a significant obstacle to business, as it is technically very difficult, if not impossible, to collect all reliable and verifiable data from first-tier suppliers. This would bring the draft Regulation far from its initial target.

In view of the continuation of trilogues with the European Parliament, UNIFE would like to call the attention of the Slovak Presidency and Council to the following key points:

- The voluntary nature of the scheme should be maintained to incentivise companies to further develop responsible management systems, and the scheme should remain focused on the most effective level of the EU supply chain, i.e. upstream. Expanding the scope of the EU scheme to downstream users will make the system costly for a lot of companies (especially SMEs) while results will be limited.

- The EU should maintain the scope of the 4 proposed minerals – tin, tungsten, tantalum and gold – for which international expertise in due diligence schemes already exists.

- Candidates to European and/or national public procurements should not be asked to implement the fully fledged due diligence process. The competitiveness of the EU industry is at stake and this would also have serious implication on the price of final products.
For further questions, please contact:

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UNIFE. Promoting Rail Market Growth For Sustainable Mobility