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.
UNIFE and the European rail supply industry

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A few words about UNIFE

Based in Brussels since 1992, UNIFE is the association representing the European rail supply industry at EU and international level. UNIFE gathers over 95 direct member companies – 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 and freight wagons) as well as rail signalling and infrastructure equipment. UNIFE also brings together national rail industry associations from no less than 14 EU Member States.
Challenges from an industrial perspective

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 today accounts for 46% of the accessible market for rail products worldwide. The world leadership of this export-oriented industry is also due to its R&D capacities. Indeed, innovation is in the DNA of the European rail industry, which currently invests 2.7% of its annual turnover in R&D and has developed innovations such as the high-speed train, ERTMS (European Rail Traffic Management Systems) and automated metro systems.

Nevertheless, industrial competition from Asia, and especially China, has become extremely fierce and the rapidly-evolving situation is a cause for very serious concern for all European rail suppliers.

While access to some key markets is becoming increasingly restricted or 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 China, whose accessibility rate has decreased to 22% for European rail manufacturers. At the same time, Chinese state-owned rail suppliers (including CRRC, the world’s largest train builder with total revenues amounting to €33.7 billion in 2015), have impressive export ambitions, including within the EU. It is also worth underlining that ‘advanced railway transportation equipment’ is among the 10 priority sectors identified by the Chinese Government in its ‘Made in China 2025’ strategy, which aims to turn the country into a ‘manufacturing superpower’ in the coming years.

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”.

As COP23 in Bonn approaches, 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 should be expected. Nevertheless, it still has great potential which must be unleashed if we are 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 out 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 Estonian Presidency

UNIFE is particularly thankful to the Estonian Presidency of the Council of the European Union for organising important events in the coming months, from the Connecting Europe conference in September, to MANUFUTURE in October and the Digital Transport Days in November.

The Estonian Presidency will also provide a great opportunity to shed light on what is one of the biggest flagship rail infrastructure projects supported by the EU – Rail Baltica.

UNIFE looks forward to a fruitful cooperation with the Council of the European Union and its Estonian Presidency during the second semester of 2017, as well as continued collaboration with the various European Commissioners and European Parliament Committees in preparing and executing policies impacting the rail supply industry.
1. INDUSTRIAL COMPETITIVENESS

a. An unprecedented mobilisation for an ambitious EU Industrial Strategy

Europe is the cradle of the manufacturing industry and has always been at the forefront of industrial revolutions and technological innovations. The manufacturing industry directly employs over 34 million people across all Member States, in supply chains comprising hundreds of thousands of SMEs and larger suppliers. It also indirectly accounts for millions of additional jobs in related sectors.
Nonetheless, the time has come for European manufacturing industries to raise the alarm about the considerable challenges facing them. Between 2000 and 2014, the share of manufacturing in total EU output fell from 18.8% to 15.3%, while 3.5 million manufacturing jobs were lost between 2008 and 2014. Meanwhile, countries such as China, India and the US have been putting industry at the very top of their political agendas.

Consequently, together with 127 other European Associations – representing all manufacturing sectors – UNIFE decided to co-sign the Joint Declaration for an ambitious EU Industrial Strategy, which calls on the European Commission to:

- reaffirm its commitment to reaching the target of 20% of GDP from industry, with an ambitious and realistic timeline;
- adopt an Action Plan to tackle the challenges that the industrial sectors are facing, in the framework of a Communication that would include concrete steps and milestones; and
- commit to implement this Action Plan in a timely manner and regularly report on progress.

In this respect, UNIFE particularly welcomes the Competitiveness Council Conclusions on “A future EU industrial policy strategy” adopted last 29 May under the Maltese Presidency. Importantly, the Ministers of Economy and Industry are calling on the European Commission to “provide a holistic EU industrial policy strategy for the future in time for the European Council meeting in spring 2018”; a strategy which “should present medium to long term strategic objectives for industry and […] be accompanied by an action plan including concrete measures, developed in close consultation with Member States and relevant stakeholders”.

UNIFE very much welcomes the intention of the Estonian Presidency to keep industrial policy at the top of the Competitiveness Council’s agenda and thanks the Presidency for hosting the conference ‘MANUFUTURE 2017: Moving up the Value Chain’ (Tallinn, 24-25 October 2017) with its key and essential focus on smart manufacturing and Industry 4.0.

As a co-signatory of the Joint Declaration for an Ambitious EU Industrial Strategy, UNIFE calls on the Estonian Presidency to support the efforts of the Competitiveness Council to convince the European Commission to adopt an industrial policy strategy for Europe accompanied by an action plan.
b. A ‘Commission Expert Group’ 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 for European suppliers to seize. However, European rail supply companies face a critical challenge to their global market leadership in the form of industrial competition from Asia, and especially China, which has become extremely fierce.

A major milestone: the European Parliament Resolution on the Competitiveness of the European Rail Supply Industry (June 2016)

The European rail supply industry is now at a crossroads and requires proactive efforts from the European institutions and Member States to maintain its leadership of the global rail supply market. In this respect, UNIFE particularly welcomed the unanimous adoption by the European Parliament on 9 June 2016 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 Martina Werner MEP, this Resolution has sent a strong and positive signal to this strategic, job-creating and export-oriented European industry.

More specifically, this parliamentary 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 in the global market for rail equipment. More specifically, it reflects the European Parliament’s ambition to set up, in cooperation with the Commission and the Member States, a coordinated European industrial strategy for the rail supply industry (similar to those in place for the automotive and the steel industries) with concrete recommendations covering all topics of EU competence impacting industrial competitiveness (including research and innovation, skills and training, the internal market, public procurement, trade/access to foreign markets, SME policy and demand stimulation).
In order to ensure a concrete follow-up, the European Parliament requested in its 2016 Resolution that the European Commission “organise a high-level industrial dialogue on the rail supply industry” which would bring together national and European decision-makers with representatives of the rail industry, so as to "enable a structured discussion at European level on [...] the effects of EU policies on the competitiveness of the rail supply industry."

Thanks to the essential support of Member States such as France and Germany, European Commission Vice-President Jyrki Katainen announced in September 2016 the creation of a “dialogue between stakeholders and Commission services [...] open to the representatives of the European Parliament and of the Member States,” the objective of which will be to discuss “possible measures in the follow-up to the Parliament Resolution” and more generally to “provide a platform to assess regularly the competitiveness of the sector and to address its challenges.”

A ‘Commission Expert Group’ to turn recommendations into concrete measures
Six months later, on 2 March 2017, the European Commission’s Directorate-General for Industry (DG GROW) organised the long-awaited kick-off meeting of the Forum on the Competitiveness of the European Rail Supply Industry in Brussels, in the presence of numerous representatives of the rail supply industry, the Member States, trade unions, competitiveness clusters, and of course the Departments of the European Commission responsible for industry, public procurement, trade, research & innovation, and transport. During this kick-off meeting, the Commission announced the formalisation of the Forum through the creation of a ‘Commission Expert Group’ that would be set up after the launch of a dedicated Call for Members (so as to specifically identify the rail suppliers that would participate in this platform of dialogue with the European Institutions). The Commission also confirmed the creation, at a later stage, of a specific subgroup on Trade and Public Procurement.

Considering the rapid and worrying evolution of global competition and the concerns raised within the rail supply industry, we hope that the European Commission will be able to launch the Call for Members and even start the work of the Expert Group under the Estonian Presidency.

Considering the key importance of this Expert Group for the future of our industry, UNIFE calls on the Estonian Presidency to:

- Work with the European Commission and the European Parliament to ensure the launch, during its Presidency, of the Commission Expert Group on the Competitiveness of the European Rail Supply Industry, under the leadership of DG GROW;

- Follow-up on the recommendation of the European Parliament by putting the European rail supply industry on the agenda of the Competitiveness Council.
c. **Research & Innovation and Shift2Rail as key pillars of industrial competitiveness**

Staying at the forefront of research and innovation will be a key factor if Europe wants to maintain its industrial lead against the threat of foreign (and particularly Asian) competition.

UNIFE therefore reiterates its thanks 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.

UNIFE gives its full support to the JU and its Executive Director Carlo Borghini, and is particularly pleased to note the growing popularity of the Shift2Rail calls for proposal among rail stakeholders, including SMEs.
Making Shift2Rail a success

In its Resolution on the Competitiveness of the European Rail Supply Industry (June 2016), the European Parliament recognises the key role of Shift2Rail in helping Europe “maintain a technological and innovative advantage”. For this purpose, 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 synergies between different EU funds and with private investments”. It further calls on the Commission to “exploit additional EU funding instruments for rail technology outside of Shift2Rail (e.g. dedicated rail research calls in Horizon 2020 outside of Shift2Rail, InnovFin, CEF, Structural Funds, EFSI).”

More recently, on 9 December 2016, the European Commission launched a public consultation to collect citizen perceptions of the implementation of the Joint Undertakings under Horizon 2020 for the period 2014 to 2016, including Shift2Rail. The outcome of this consultation – as well as the European Parliament Report on the Assessment of Horizon 2020 implementation in view of its interim evaluation and the Framework Programme 9 proposal (June 2017) – will provide input for the ongoing interim JU evaluation, covering the 2014–2016 period. The results of this interim evaluation will be used as a basis to improve JU performance from now until the end of the current programming period.

Preparing Shift2Rail 2.0

Two and a half years after Shift2Rail began operations, it is clear that collaborative research still has enormous potential to be exploited, and that the journey towards achieving the White Paper objectives has only just begun. This is why the European rail supply industry fully supports the extension of Shift2Rail activities under the next programming period post-2020.

However, while the objectives are still very relevant to the sustainability of the EU transport sector and the benefit of EU citizens, new challenges have emerged which should prompt a refocusing of collaborative research activities and structure. In particular, the next Shift2Rail (referred to here as ‘Shift2Rail 2.0’) should take account of the ongoing mega-trends, especially in terms of urbanisation, growing interest in environmental issues and an ageing population. Moreover, it is important to consider the technological progress achieved so far, not only in the rail sector but also in other transport modes, such as electric, autonomous and connected cars. In this respect, the increasing need for shared mobility, and customer-focused, digital and intermodal transport solutions should be a guiding principle of Shift2Rail 2.0.
Shift2Rail 2.0 should aim to improve the efficiency of the rail transport system and the competitiveness of the European rail supply industry. It should remove remaining technical obstacles to achieving a real Single European Railway Area (SERA). It should continue to address Shift2Rail’s current high-level objectives (capacity, reliability, costs) while also focusing on key long-term considerations for the future of the rail transport system, i.e. how to increase market share, incomes and societal benefits in a multi-modal context.

UNIFE calls on the Estonian Presidency to:

- Monitor the development of operations of the Shift2Rail JU, be it through the States Representatives Group or potential hearings within the Council;

- Investigate, together with the European Commission, the Innovation and Networks Executive Agency (INEA) and the European Investment Bank, additional financing opportunities for Shift2Rail, especially for deployment activities (e.g. with the Connecting Europe Facility);

- Work together with the European Commission, the Joint Undertaking and the industry to prepare Shift2Rail 2.0 under the next Multiannual Financial Framework and the 9th Research Framework Programme.
2. INTERNAL MARKET

a. Public Procurement policy

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 for both ongoing and forthcoming investment projects financed by non-EU instruments/investors, in order to ensure that a level playing field is guaranteed between all rail market players.

This is all the more important given that China is seeking to connect Asia and Europe via the One Belt One Belt (OBOR) initiative and considering massive investments in rail infrastructure with numerous EU Member States (especially...
in the framework of the China-Central and Eastern European Countries Cooperation’, called ‘16+1’). Indeed, ‘advanced railway transportation equipment’ is listed by the Chinese government as one of the 10 priority sectors in its ‘Made in China 2025’ strategy, and joint projects such as those described above are routinely used to promote China–made equipment and standards. During the last ‘16+1’ Summit in Riga on 5 and 6 November 2016, Chinese Head of Government Li Keqiang announced the creation of a €10 billion investment fund to finance projects in the infrastructure, high-tech manufacturing and consumer goods sectors in Central and Eastern Europe. The industrial objective of the Chinese Government is clear: ‘promote China-made equipment and products by helping finance joint projects in the region.’

In its Resolution on the Competitiveness of the European Rail Supply Industry (June 2016), the European Parliament rightly calls on the European 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.”

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

**Ensuring that Public Procurement policy contributes to the reindustrialisation of Europe**

As clearly stated by the European Commission in its 2014 Communication For a European Industrial Renaissance, “Europe must send a clear signal of its commitment to reindustrialisation.” If the Commission is to achieve its objective of raising the contribution of industry to GDP to as much as 20% by 2020, it will be essential to ensure – including through EU localisation requirements – that European taxpayers’ money can be used as a lever to stimulate growth and jobs for EU companies and thereby maximise local economic benefits.

Furthermore, an increasing number of Members of the European Parliament and Member States are now calling for a ‘Buy European Act’, which would support EU companies participating in public procurements in Europe.

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1 http://www.china-ceec.org/eng/
2 http://www.chinadaily.com.cn/world/2016liattendsSCOCCEEC/2016-11/06/content_27286146.htm
In its Resolution on the Competitiveness of the European Rail Supply Industry (June 2016), the European Parliament called on the Commission and 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 supports this approach and also calls for broader promotion of EU localisation requirements for rail projects taking place in Europe, especially for those supported by EU funds.

UNIFE calls on the Estonian Presidency to work together with DG GROW to:

- Ensure that the actionable safeguards of Articles 85 and 86 (of Directive 2014/25/EU) have in fact been transposed into national legislation;

- Draft specific guidelines which would provide legal and operational certainty to contracting authorities, particularly in relation to the scope of application and procedure to be followed in respect to of these two Articles.

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

UNIFE has undertaken activities following the modernisation of the EU Public Procurement framework. 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 was the specification that “contracting entities shall base the award of contracts on the most economically advantageous tender” (the 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 can therefore become determining factors in the choice of a contractor. Even though this is left to the discretion of the Member States, UNIFE hopes that the promotion of this principle will put an end to the dominance of the lowest price and make quality and life-cycle approaches central to rail product procurement.

It is extremely important to ensure that contracting authorities are aware of these new award criteria so that the MEAT principle can be swiftly implemented in
the procurement practices of rail operators and infrastructure managers. UNIFE has already engaged in a promising dialogue on this topic with the European Rail Infrastructure Managers Association (EIM), leading to the organisation of a joint event entitled ‘The new EU Public Procurement Framework: A Regulatory Stimulus for Sustainable Rail Products’ on 25 May 2016.

DG GROW also organised a conference on ‘Getting the award criteria right in public procurement’ on 19 May 2016 in Tallinn. This was an important step in promoting the ‘Best Price-Quality Ratio’ approach versus the ‘Lowest Price’ approach in Member State public procurement. UNIFE hopes that DG GROW will continue its efforts in this area by organising other high-level events in 2017, with the active support of the Estonian Presidency and Member States.

UNIFE calls on the Estonian Presidency to:

- Ensure the active promotion of the “Most Economically Advantageous Tender” (MEAT) principle from the 2014 Public Procurement Directives, especially for long-term infrastructure investments;

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

- Promote whole life-cycle cost (LCC) analysis as a standard practice in long-term investments in order to reduce public expense.
b. Towards a real single market for rail products in Europe

As rightly underlined by the European Parliament in its Resolution on the Competitiveness of the European Rail Supply Industry (June 2016), the Technical Pillar of the Fourth Railway Package will be “a key enabler for a real single market for rail products” with its “potential to bring down costs for the development and authorisation of rolling stock and the European Railway Traffic Management System (ERTMS) trackside.”

As such, 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. UNIFE would like to thank the Council, the European Parliament and the European Commission once more for their intensive and important work on this key legislative framework, which will create a streamlined and efficient process for vehicle authorisation in Europe and enhance the role of the European Union Agency for Railways (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 ERA.
UNIFE looks forward to continuing to work with the European Commission, the ERA – particularly its Executive Director Josef Doppelbauer – and the Member States on a number of essential topics which will be further discussed during the second semester, including vehicle authorisation, ERTMS trackside approval, fees and charges, board and appeal, transition period or the one-stop-shop.

Close cooperation between all stakeholders will be essential to ensuring a fast and smooth transition to new certification and authorisation systems, and a comprehensive implementation as of 2019.

Finally, UNIFE agrees with the European Parliament in its recently adopted Resolution on the Competitiveness of the European Rail Supply Industry when it highlighted “the need to provide the ERA 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 Estonian Presidency to:

- Ensure that Member States complete the transitional phase by the agreed deadline of June 2019 so that the Technical Pillar becomes operational immediately;

- Work together with the European Commission and ERA – in cooperation with NSAs and the other rail stakeholders – to prepare the implementation of the Technical Pillar. As such, UNIFE supports the European Commission and ERA in their efforts to hasten the clean-up of the National Rules;

- Ensure that the implementation of the Technical Pillar will effectively cut the time and costs for rail manufacturers in obtaining authorisation for locomotives and rolling stock for use on the European rail network. This reduction will be essential to fostering the competitiveness of the European rail supply industry;

3. SUSTAINABLE MOBILITY

a. On track to COP23 in Bonn: Transport decarbonisation and EU climate policies

The transport sector still accounts for around a third of EU greenhouse gas emissions, which makes it the second-biggest sector, after energy, for greenhouse gas emissions. Given the increasing dependency of the EU on fossil fuel imports and its commitment to meet ambitious CO2 emissions reduction targets, the transport sector must be decarbonised. Not only does rail rely very little on imported fossil fuels, it clearly stands out for its high energy efficiency, low specific emissions of CO2, and 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 highlighted several challenges that are still very pertinent four years later, such as oil scarcity, increasing competition and congestion. In light of these challenges, the White Paper emphasised the role of rail in meeting EU targets for decarbonising of the transport sector and establishing a single European transport area.

The decarbonisation of the transport sector should mean, above all, more rail-bound public transportation solutions and further electrification of the system. At a time when political attention risks shifting towards connected cars, UNIFE advocates more strongly than ever for a modal shift from road and air to rail, the most environmentally friendly major mode of transport. A modal shift would also generate several additional benefits, such as reduced dependency on foreign energy suppliers, and reduced congestion and pollution. As such, and as a leading member of the Platform for Electro-Mobility, UNIFE welcomed the Commission’s Strategy for Low Emission Mobility, published on 20 July 2016. UNIFE also continues to articulate the need for a level regulatory playing field between road and rail transport in the context of the Mobility Package, recently presented by the European Commission. In particular, the review of the Eurovignette Directive should emphasise that pricing must reflect the polluter-pays and user-pays principles for all transport modes.

Finally, UNIFE welcomed the international climate agreement reached during the 21st Conference of Parties (COP21), which took place in Paris in December 2015, and its entry into force in November 2016. 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.

It is now time to deliver on these ambitious objectives with concrete actions. UNIFE participated in the 22nd Conference of the Parties (COP22), which focused entirely on action and implementation, and will play an active role in COP23 – to be held in Bonn during the Estonian Presidency – promoting rail solutions as the key to addressing transport decarbonisation and climate challenges.
Following the publication of the European Commission Communication on transport decarbonisation, and of the Mobility Package, UNIFE calls on the Estonian Presidency and Member States to:

- 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, through EU funding, 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, through fair framework conditions based on the user-pays and polluter-pays principles, as against competing transport modes (in the context of the Mobility package).

b. Digitalisation

The European rail industry plays a key role as a supplier of new IT technologies, automation, sensors, monitoring tools, traffic/asset/energy/big data management solutions (including ERTMS/ETCS) and security systems. As such, UNIFE warmly welcomed the Communication on a ‘Digital Single Market Strategy for Europe’ presented by the European Commission in May 2015. This strategy, in its ‘e-Transport’ chapter, rightly pointed out that “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. UNIFE stands ready to support her in delivering concrete results in this area.

The Communication on the Mid-Term Review on the implementation of the Digital Single Market Strategy stresses that “the shift towards cooperative, connected and automated mobility can reduce accidents, pollution and congestion, and enhances traffic and capacity management as well as energy efficiency.” The European rail supply industry has long pioneered driverless technologies, particularly in metro systems, and automation projects for rail are being supported via the Shift2Rail Joint Undertaking. Nevertheless, this potential in the rail sector has not yet been fully exploited. UNIFE therefore calls on the European Commission to give much greater political and financial priority to rail digitalisation, which is currently overshadowed by the focus on other transport modes.
UNIFE agrees with the Commission that deploying ITS technologies in the transport sector has the potential to create new growth, more efficient transport networks and 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 will continue this work as a member of the ‘Digital Transport and Logistic Forum’, which aims to foster for more efficient information exchange in transport and logistics.

Furthermore, in order to better respond to the challenges facing the railway sector, in collaboration with other stakeholders, UNIFE Members are actively engaged in multiple work streams within the UNIFE Digitalisation Platform. With its support, UNIFE adopted an ambitious Position Paper on Digitalisation of Railways, which set out short and long-term priorities and targets for the rail supply industry’s contribution to the digital transformation of rail. The position paper identifies four key priorities for action:

- Improving the end-user experience;
- Enhancing rail system security;
- Improving the use of existing infrastructure, under two headings:
  - ERTMS deployment as a key priority for the rail supply industry;
  - Predictive maintenance;
- Better access to and use of data.

In this context, UNIFE considers that Shift2Rail, as the primary EU rail R&D initiative, provides an excellent opportunity to take a holistic approach to the future of rail digitalisation. ERTMS, with its technical component, and the European Train Control System (ETCS), should also be major elements of the Digital Single European Railway Area.

It is equally important to emphasise that funding and financing mechanisms should be reinforced in order to provide a necessary boost to the digital transformation of rail, be it via CEF grants for ERTMS deployment or other EU funding and financing instruments, including European Structural and Investment Funds, the European Fund for Strategic Investments (EFSI) and the European Investment Bank’s lending facilities. The preparation of the next Multiannual Financial Framework (MFF) should be taken as an opportunity to increase financial support for the digitalisation of rail transport, as investment in this area would deliver enormous benefits for the entire European transport system and indeed the economy as a whole.

From an industrial perspective, digital transformation also implicates product development, manufacturing processes and business models. UNIFE welcomed the Communication on Digitising European Industry (2016), but would point out that greater cooperation between the European Commission and the rail supply industry would yield improved results, as currently most of the initiatives concern connected and automated driving. UNIFE looks forward to working together with the Estonian Presidency on this important topic and welcomes the Presidency’s focus on smart manufacturing, Industry 4.0 and factories of the future.

UNIFE expects the Estonian Presidency to work together with the European Commission to outline clear actions that will pave the way towards a successful digital transformation of rail transport in Europe.

UNIFE also calls on the support of the Estonian Presidency in ensuring that dedicated financial resources are put in place to advance the digitalisation of rail transport.

Finally, UNIFE thanks the Estonian Presidency for organising two major events during the coming months: the conference ‘MANUFUTURE 2017: Moving up the Value Chain’ (Tallinn, 24–25 October 2017), with its essential focus on smart manufacturing and Industry 4.0, and the Digital Transport Days (Tallinn, 8–10 November 2017).
Urbanisation has been a major trend in recent decades which 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. Urban transport must therefore meet the challenge of an increased demand for mobility and safety while simultaneously reducing pollutant emissions.

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 mode of public transport 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 and alternative green power supply solutions.

Rail should therefore play a central role in future EU policies on sustainable urban mobility, as it is a key element of the solution to the current issues of pollution, greenhouse gas (GHG) emissions and congestion. As such, adequate financing should be ensured for rail-bound projects, at both the EU and national level, in light of their high economic, environmental and social benefits. This was a key conclusion of the European conference on Urban Rail Transport organised last April by the Maltese Presidency of the Council with the support of UNIFE, and with the presence of European Commissioner Karmenu Vella.
UNIFE welcomes the launch in March 2017 of a Partnership on Urban Mobility in the framework of the EU Urban Agenda. UNIFE is ready to work together with the Members of this Partnership in ensuring a major role for urban rail in the Action Plan that will be drafted under the Estonian Presidency.

In order to take concrete steps towards implementing the COP21 Agreement, UNIFE calls on the Estonian 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 which aim to promote electric mobility.

- Investments in urban transport are essential. In this respect, UNIFE calls on the European Commission to push for 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 maintain momentum and further boost the development of urban rail systems, UNIFE highlights the need to secure sufficient EU funding for future R&D activities in urban rail.

- Shift2Rail will play a key role in developing innovative solutions for sustainable urban mobility.

**d. Freight policy**

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

UNIFE believes that the revitalisation of rail freight is closely linked to interoperability (including through ERTMS deployment), 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 which aim to make 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 the spirit of sectoral cooperation for more competitive rail freight in Europe, UNIFE was one of the signatories of the Sector Statement on Rail Freight Corridors: ‘Boosting International Rail Freight’, officially presented during the TEN-T Days in June 2016 in Rotterdam.

The Sector Statement on Rail Freight Corridors can be accessed on the UNIFE website at the following address: http://www.unife.org/component/news/news/145-railway-sector-declaration-on-boosting-international-rail-freight.html

UNIFE also welcomes the Ministerial Declaration, signed by EU Transport Ministers on 21 June 2016 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.

Finally, UNIFE looks forward to the fourth EU Rail Freight Day, which will be organised by the European Commission in Vienna during the Estonian Presidency on 7 December 2017.

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

In this respect, UNIFE will continue to work with the European Commission, the Member States and rail stakeholders to ensure 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 can run on the ERTMS equipped tracks of any other supplier. This enables the seamless coordination of domestic and international train services, and helps to make this mode of transport more competitive.

When ERTMS is installed along a given corridor in Europe, rail operators need only 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 while also allowing for the reduction of maintenance costs and increasing the flexibility of drivers' work routines.
UNIFE statistics (as of December 2016) show that over 88,000 km of railway tracks and nearly 12,000 vehicles are already running or are contracted to be equipped with ERTMS worldwide. Europe’s share in trackside investment is 54% and significant investments are ongoing in Asia (29% of total ERTMS trackside investments), 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 networks. Complete, nationwide network deployments are ongoing in countries such as Belgium, Denmark and Luxembourg. Significant investment plans are also foreseen in the Netherlands and the United Kingdom.

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

UNIFE calls on the Estonian Presidency to work together with the European Commission to ensure a harmonised and coordinated deployment of ERTMS in Europe, and to encourage a dialogue with the Member States on financing issues.

UNIFE also fully supports speeding up ERTMS deployment, in order to gain the greatest benefit from the system, by:

- Ensuring the stability of the specifications, as per the key principles included in the Fourth ERTMS Memorandum of Understanding (MoU), adopted by the European Commission, the European Union Agency for Railways (ERA) and the railway sector in September 2016;

- Preparing for the evolution of ERTMS in full coordination with the sector, including the European Union Agency for Railways (ERA) and, where relevant, the activities planned in Shift2Rail;

- Reducing migration time;

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

- Actively collaborating with the sector in the ‘ERTMS Stakeholders’ Platform’, established by the European Union Agency for Railways (ERA) in December 2015.
As aptly pointed out by the European Parliament in its 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”. As the European Institutions prepare for negotiations on the next Multiannual Financial Framework (MFF), it is crucial to address the points raised by the Resolution.
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. The European Commission estimates that €430 billion is needed in rail investment by 2030. UNIFE therefore advocates for a clear focus on rail projects – be it for infrastructure, rolling stock or signalling – within all existing funding instruments (in particular CEF and Structural Funds).

Connecting Europe Facility (CEF)

In this context, the CEF will continue to be the cornerstone of the EU Investment Policy in the transport sector for both the current and post-2020 periods. Financial support through CEF grants will be vital to 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 threefold following the 2007-2013 period.

The high demand for EU co-funding was exemplified by the 2014, 2015 and 2016 CEF Transport calls, which were all heavily oversubscribed. This very high demand for CEF funding indicates that the budget should be increased further in the next Multiannual Financial Framework (MFF). UNIFE will also continue to offer its full support to all the European Coordinators, who play a crucial role in realising the completion of the TEN-T network.

Focus on Rail Baltica – A Flagship Project for the Trans-European Network (TEN-T)

UNIFE continues to provide its support to the Rail Baltica project, a key cross-border transport infrastructure project on the TEN-T North Sea-Baltic Core Network Corridor. Rail Baltica will be a new fast conventional, double-track, European standard gauge, electrified and ERTMS-equipped railway line with a design speed of 240 km/h.

Rail Baltica will once again demonstrate the wide economic and societal benefits of investments in large-scale and cross-border rail infrastructure projects. The Rail Baltica Global Cost-Benefit Analysis, presented on 24 April 2017 during the Rail Baltica Global Forum in Riga, estimates that socio-economic benefits will reach €16.2 billion. In addition, the project is expected to create a GDP multiplier effect worth an additional €2 billion. The analysis also concludes that the project will bring other important benefits, such as reduced travel times, a lower carbon footprint and increased exports to the whole region. Therefore, as emphasised by the CEO of RB Rail AS, Baiba Rubesa, during the Rail Baltica Global Forum, Rail Baltica will be “a unique large-scale transnational infrastructure project to form the new economic corridor, which will closely connect the North East of Europe with the rest of the Union.”
Rail Baltica will not only constitute an important contribution to the region’s economic development, it has also the potential to prompt a significant breakthrough in the use of the newest technologies. The European rail supply industry is ready to take up this opportunity. In this context, it is important that the procurement process promotes innovative and high-quality products by fully integrating the ‘Best Price-Quality Ratio’ at the procurement stage (cf. the Briefing chapter dedicated to ‘Promoting the MEAT principle for the procurement of rail products in Europe’).

UNIFE looks forward to working closely with the Estonian Presidency to maintain this political drive behind the project at both national and EU level, in order to bring it to completion. With the total estimated cost of the project amounting to €5.8 billion between the three Baltic countries, the project will require significant and continuous financial support from the EU if it is to succeed.

**EU Structural and Investment Funds (ESI Funds)**

The achievement of an integrated European transport system will also depend on the successful implementation of the EU Structural and Investment Funds (ESI Funds), particularly the Cohesion Fund. In this context, UNIFE emphasises the need to prioritise rail projects and increase absorption capacity.
UNIFE welcomes the commitments to rail investment made by Cohesion Countries in their (Transport) Operational Programmes, and supports a shift towards a more balanced investment portfolio which favours environment-friendly means of transport (i.e. investments in rail and urban transport).

UNIFE also supports the European Commissioner for Regional Policy, Corina Creţu, in her efforts to achieve a more results-oriented approach to EU Cohesion Funding. Clear results and output indicators which reflect the planned outcomes of the Operational Programmes will help all stakeholders to evaluate the impact of investment. UNIFE particularly welcomes the work of ‘fi-compass’, the platform for advisory services on financial instruments under the European Structural and Investment Funds. UNIFE urges all stakeholders to be proactive in using this platform, provided by the European Commission and the European Investment Bank, as it provide practical know-how and learning tools relating to the financial instruments.

Nevertheless, absorption capacity – which varies significantly from one Member State to another – remains a major concern for UNIFE. In some Member States, rail transport still faces dramatic under-investment, be it for rolling stock, infrastructure or signalling. Moreover, in several Member States UNIFE has observed delays to the projects foreseen in the current programming period. Capacity-building measures should be prioritised in order to achieve long-standing results. UNIFE will therefore continue to foster dialogue between EU Institutions, national administrations, railway infrastructure managers/operators and the rail supply industry in order to exchange best practices and lessons for the future, and to develop new ideas for the post-2020 period.

In this context, UNIFE reiterates that public grants will remain of vital importance for rail transport projects and therefore calls on the Estonian Presidency to ensure – together with the European Commission, the European Parliament and the Innovation and Networks Executive Agency (INEA) – that clear priority is given to rail projects (be it for infrastructure, rolling stock or signalling) within both the Connecting Europe Facility and the EU Structural Funds, in order to boost much-needed rail investment all over Europe.

UNIFE also calls on the Estonian Presidency to work together with the European Commission on the preparation of the post-2020 Multiannual Financial Framework (MFF), so as to ensure that all EU Member States – and especially Cohesion countries – will continue to benefit from EU grants for rail projects in future.

UNIFE thanks the Estonian Presidency for co-organising the Connecting Europe Conference on 21-22 September in Tallinn, as this will be a key opportunity to highlight the importance of EU funds in the development of the TEN-T network.
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. As rightly pointed out by Transport Commissioner Violeta Bulc, while the railway sector is indeed the main beneficiary of CEF funding, the grants made available at EU level “remain a drop in the ocean compared to the needs of rail.”

More recently, Commissioner Bulc confirmed during the Regional Transport Investment Conference in Sofia (23 March 2017) that “public grants will not be enough to deliver on our vision for seamless, intelligent and sustainable mobility. With the Commission’s Investment Plan for Europe, we want to offer innovative solutions to mobilise additional private financing.” As the cornerstone of the Commission’s Investment Plan for Europe, the European Fund for Strategic Investments (EFSI) should play a key role in fostering private investment in important long-term transport infrastructure projects. With a total planned investment of €315 billion by 2018 – and the Commission proposing to increase this to €500 billion by 2020 – it is essential to ensure that rail projects benefit from these investments. Unfortunately, the number of projects in the rail sector so far is small, with only four signed projects. In this context, UNIFE hopes that the Estonian Presidency will strike a compromise by facilitating an extension of the EFSI that would refocus it towards sustainable transport projects.

UNIFE would like to underline the important role of the European Investment Advisory Hub (EIAH) and welcomes the fact that it is accessible, not only to Member States and public authorities, but to project promoters and the private sector. UNIFE agrees with the Commission that in view of the extension of the EFSI the EIAH should “contribute actively to the objective of sectoral and geographical diversification of the EFSI.” The EIB will play a crucial role in helping to structure the projects so that they can benefit from private investments under the EFSI. It will also be important to foster complementarities between the EFSI, CEF and Structural Funds, since rail projects demand a large share of public investment. In this regard, UNIFE welcomes the guidelines on combining the ESI Funds with the EFSI, published by the European Commission in February 2016.

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4 As of end of May 2017, there were only four signed rail-related EFSI projects: Trenitalia Regional rolling stock project (€300 million EFSI contribution), Rock Rail East Anglia rolling stock project (€69 million EFSI contribution), Przewozy Regional rolling stock modernisation project (€45 million EFSI contribution), and Accessibility Ports infrastructure project in Spain (road and rail, with €105 million EFSI contribution). There was also one approved (i.e. not yet signed) rolling stock project (Cityjet Regional Rolling Stock in Austria with €500 million EFSI contribution) and one approved project for low-floor trams and tramway infrastructure (a mixed Riga Transport Company project in Latvia, with €75 million EFSI contribution, part of which will also support purchase of hydrogen fuel cell buses, hytrolleys, construction of hydrogen fuel production and storage facility).
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, there should be greater incentives for projects contributing to the objectives set by the COP21, especially with regard to accounting and statistical treatment (i.e. non-inclusion in the public debt as defined in the Stability & Growth Pact). In order to maximise EFSI’s impact on the railway sector, it is therefore of utmost importance to ensure predictability in the interpretation of the current EUROSTAT provisions. In this context, UNIFE welcomes the ‘Guide to Statistical Treatment of PPPs’ published by EUROSTAT and the European PPP Expertise Centre (EPEC) in September 2016, which will be a very useful tool for public authorities.

While grants will remain essential for rapid deployment of ERTMS across the EU, UNIFE also supports the European Commission’s efforts to explore innovative financing schemes and business models for ERTMS deployment that may eventually complement grants.

While grants will remain essential for rapid deployment of ERTMS across the EU, UNIFE also supports the European Commission’s efforts to explore innovative financing schemes and business models for ERTMS deployment that may eventually complement grants.

Finally, 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 supporting its efforts to “promote and finance long-term sustainable investment in the real economy”. We look forward to the event on ‘Financing sustainable cities: ensuring long term investment for urban rail transport’ that UNIFE will co-organise in the framework of the Intergroup during the Estonian Presidency, and we hope that this will give boost investment in rail transport at urban level.

UNIFE calls on the Estonian Presidency to:

- Closely monitor the implementation of the EFSI in the transport sector, where there is a need for a balance that favours sustainable transport projects;

- Work together with the European Commission (in particular Vice-President Jyrki Katainen and Transport Commissioner Violeta Bulc) and the EIB (and notably 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, aiming 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 in the global competitiveness of European rail suppliers. In its Resolution on the Competitiveness of the European Rail Supply Industry, 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 and China – 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 is working closely with the European Institutions, particularly the European Commission (i.e. Commissioner Malmström), the Presidencies of the Council, and the European Parliament International Trade Committee (INTA). UNIFE is therefore looking forward to working with the Estonian Presidency on the four key dossiers relating to Japan, China, the International Procurement Instrument (IPI) and the OECD Arrangement on Export Credits, which are outlined in further detail below.

With regard to the United States and following the visit to Brussels of US President Donald Trump last 25 May, UNIFE hopes that the announced joint delegation from the US Government and the EU executive will be able to meet under the Estonian Presidency and make progress on a ‘joint EU-US action plan’ on trade that will eventually improve the business environment for European rail suppliers in the US.

a. EU-Japan Free Trade Agreement negotiations

Following Japan’s unilateral commitment in 2011 to guarantee transparency and non-discrimination in procurement processes in the railway sector, a package of measures entered into force in October 2014. This followed the EU’s decision to lift its objection to the delisting of the three Honshu Japanese Railways (JR East, Central and West). UNIFE welcomed the measures as a step direction towards improve transparency in the Japanese rail market, and many EU suppliers have since had the opportunity to approach Japanese rail operators.

However, the European rail supply industry – which has been very disappointed so far by the outcomes of the negotiations – expects a much more ambitious result for railways by the end of the EU-Japan FTA negotiations, in order to achieve a level playing field and effective market opening for European suppliers, and comparable access between the European and Japanese rail markets. Generally speaking, the amount of information provided by Japanese entities remains far less than that provided by the EU (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, namely the Operational Safety Clause (OSC) and the insufficient coverage of Japanese rail/urban transport entities.
At a time when both parties want to reach a political agreement before the end of the year, it is of utmost importance that the EU hold firm regarding the need to address procurement and technical issues, the main barriers to comparable market access, by the end of negotiations. UNIFE has been discussing these issues since 2011 and has seen little progress during this time. In the meantime, a major WTO GPA party is failing to live up to its commitments on transparency and non-discrimination, with the excuse of unfounded safety arguments, while requesting additional concessions from the EU.

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

- Timing for the conclusion of negotiations should in no case be prioritised over quality, although UNIFE would shares in the desire to see a swift agreement, as this would provide a better business environment for the European rail industry. The FTA negotiations represent a unique opportunity and political momentum to solve critical issues, so it is vital that EU negotiators ensure that the final agreement effectively addresses these concerns. The support of the Estonian Presidency and of the other Member States will be crucial to achieving this.

- In terms of content, the industry expects the European Commission and the Japanese Government to intensify their discussions during the Estonian 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 reciprocal access to the Japanese rail market (without which the removal of the OSC will have no tangible effect);
  - Guarantees relatingd to technical issues of testing, certification and acceptance of European and international standards in Japan;
  - Tangible business opportunities for the European rail industry.
b. EU-China Investment Agreement negotiations and Connectivity Platform with China

The accessibility of China’s rail market for EU suppliers has decreased sharply and continuously in recent years, reaching as little as 20% of China’s rail market for the period 2013-2015. Not only are some market segments now effectively closed to foreign suppliers (even in the case of Joint Ventures), but additional constraints have been imposed by adjudicating authorities (non-transparent public procurement procedures, increasing localisation rates, etc.) on the market segments that are still accessible. This shrinking accessibility severely impacts the overall competitiveness of the European rail supply industry, as well as jobs and growth in Europe, as illustrated by the Roland Berger World Rail Market Study presented during InnoTrans 2016.

At the same time, Chinese state-owned companies are becoming increasingly challenging competitors in all product segments and on all continents as a result of unfair competition. In particular CRRC (by far the largest rolling stock manufacturer in the world), CRSC (for signalling) and CRCC (for railroad construction) have initiated a long-term strategy to access new markets between China and Europe via the major ‘One Belt One Road’ (OBOR) initiative launched by the Chinese Authorities. For instance, cooperation agreements for the Belgrade-Budapest rail project were signed by representatives of the Serbian and Hungarian railway authorities in October 2015. This creates a strong competitive pressure on world markets, and UNIFE would like to draw the attention of the Estonian Presidency and of all the Member States to the dramatic consequences already observed in the sector (job losses and acquisition of European companies).

UNIFE therefore believes that the EU should seize all instruments at its disposal to achieve a level playing field with China. In particular, the EU should use the EU-China Connectivity Platform to steer both offensive and defensive industrial interests regarding China. Furthermore, the negotiations on a bilateral Investment
c. **International Public Procurement Instrument (IPI): a reciprocity instrument**

UNIFE has been a proponent of the international procurement instrument since it was first proposed 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, which can take the form of domestic content requirements, forced technology transfers, or de facto exclusion. These barriers result in missed business opportunities for European industry, which ultimately impacts both economic growth and jobs. This stands in sharp contrast with the situation within 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 via Free Trade Agreements (e.g. Japan, the US…) on the other, UNIFE believes that it is crucial to have an effective and robust instrument which will 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. More recently, in the Reflection paper on harnessing globalisation⁶ that they jointly presented last 10 May, European Commission First Vice-President Frans Timmermans and Vice-President Jyrki Katainen pertinently reminded their audience that “the EU is the world’s most open market for public procurement, but access for our companies in other countries is not always reciprocal.” In the chapter entitled ‘The EU should act to restore a level-laying field’, they conclude that “the proposal for an International Procurement Instrument would address this” and that “swift action is necessary on these fronts”.

Although the proposal is under discussion by the Council, there are still major difficulties to be overcome before a common position among Member States can be reached. UNIFE hopes that the Estonian Presidency will address this topic as a priority and help the Council to reach a suitable compromise.

In this context:

- **UNIFE would like to reiterate its support for the international procurement instrument (IPI) as an essential tool in increasing the EU’s leverage in trade negotiations and achieving a level playing field between the EU and other major world markets.**

- **UNIFE calls on the Estonian Presidency to make the IPI a priority and to find a suitable compromise which can accommodate Member States’ concerns while also being highly ambitious and creating new business opportunities for the European rail supply industry.**

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d. For an extension and revision of the OECD Sector Understanding on Export Credits for Rail Infrastructure

The OECD Sector Understanding on Export Credits for Rail Infrastructure (RSU) has been in force since 1 January 2014 and was intended to provide more flexibility in rules on state financing of rail exports (i.e. better adapted to the market and financing specificities of a rail sector in which products’ economic life exceeds 30 years). In its current form, the RSU foresees a maximum repayment period of up to 12 years for transactions in High-Income OECD countries (subject to conditions intended to complement the private sector) and of up to 14 years for transactions in all other countries.

With the initial four-year trial period due to expire on 31 December 2017, the review of the RSU should be taken as an opportunity to make it an even more useful tool in supporting the European rail supply industry abroad. UNIFE therefore urges the European Union and other signatory countries (called ‘Participants’7) to extend the RSU beyond 31 December 2017.

UNIFE calls on the Participants to extend the maximum repayment terms to 18 years, as this would be closer to the useful economic life of rail products (much longer than that of products relating to other transport modes) and the average tenor offered by International Financial Institutions.

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7 The Participants to the Arrangement on Officially Supported Export Credits are: Australia, Canada, the European Union, Japan, the Republic of Korea, New Zealand, Norway, Switzerland and the United States.
An 18-year maximum repayment period would allow the European Export Credit Agencies (ECAs) to provide competitive financing offers against competitors from non-OECD countries – especially China, at a time of fierce competition with Chinese manufacturers on all continents. A larger share of local costs should also be included (up to 50% compared to the current 30%), as many countries are continuing to increase local content requirements.

UNIFE calls on the Estonian Presidency and the Council Export Credits Group to voice their support for the extension of the RSU, and to ensure that the EU position in the negotiations favours the extension of the repayment period to 18 years and the inclusion of a larger share of local costs (up to 50%).

For further questions, please contact:

Jean-Philippe Peuziat
Head of Unit – Public Affairs
+32 2 642 23 25
jeanphilippe.peuziat@unife.org
UNIFE. Promoting Rail Market Growth For Sustainable Mobility