

## UNIFE: "European suppliers are ready to compete on the worldwide market"



Promoting European policies in favour of the rail sector, achieving an efficient and interoperable rail system, ensuring European railway industry leadership through research and innovation, these are a few of the priorities of UNIFE (The Association of the European Rail Industry) with the same purpose: development and promotion of the most sustainable means of transport.

Pamela Luică is talking with ...  
Dr. Lutz Bertling, Chairman of the UNIFE Presiding Board

2014 was a successful year for UNIFE in which Shift2Rail was adopted, one of the most important projects of the European rail industry that will boost the competitiveness and development of rail transport and the industry. As a result, the European Commission selected the three projects, Roll2Rail, IT2Rail and In2Rail, in the “Mobility for Growth” call of the Horizon 2020 Programme in May. These projects endeavour to launch key research activities that will feed into the Innovation Programmes of the Shift2Rail Joint Undertaking. A PPP created for R&D in the railway field with a total budget of approximately 1 billion Euros will include a greater number of stakeholders, including infrastructure operators and managers, who will work together to launch innovative products that will increase capacity and service reliability at low prices, all for the benefit of the entire chain: from manufacturer to end customer. The Commission is currently in the process of establishing the Shift2Rail Joint Undertaking (JU), and JU will launch the first official open calls at the end of the year.

2015-2016 is an intense period for UNIFE in terms of promoting the European rail industry, given that worldwide competitiveness is increasing.

Another important project to the rail industry is the Fourth Railway Package, especially the Technical Pillar, as it addresses one of the problems faced by the railway sector – the authorisation process, which is costly and complex and locks up assets amounting to 1.2 billion Euros. For this purpose, UNIFE supports the adoption of the Pillar by the end of 2015.

A single European railway system means the elimination of differences that still exist in the EU states. The creation of this single system requires massive investments, and the funding for the TEN-T infrastructure for 2020 tripled, reaching a total of 26 billion Euros. Differences between

countries can be significantly reduced by increasing the absorption of European funds, which can provide 85% coverage of the costs of a project. Therefore, countries with lower absorption should prioritise their policies that lead to higher levels of attracting European funds to start infrastructure projects of national and European importance. In this context, UNIFE and CER have promoted dialogue and exchange of good practices between national administrations and rail industry.

Competitiveness in the railway sector is becoming increasingly fierce at international level, and European industry is in need of a strategy to overcome the lack of competition conditions regarding international public procurement. In this regard, the recent period has been characterised by intense negotiations with Japan, an issue of extreme importance for the European rail industry. UNIFE calls for fair, transparent and non-discriminatory treatment in the Japanese market. Negotiations are continuing and there has been a progress in negotiations on the Strategic Partnership Agreement (SPA) and Free Trade Agreement (FTA)/ Economic Partnership Agreement (EPA) to speed up processes, reiterating the intention to conclude the EPA and FTA as soon as possible. Such an agreement will address issues related to access to the goods, services and investments market, the procurement system, in particular in the rail sector, and issues related to non-tariff measures. An agreement may be reached in this respect by the end of 2015.

For more information on UNIFE’s hard work, the challenges that the European rail industry faces and its presence in the world market, and the importance of financing railways, Dr. Lutz Bertling, Chairman of the UNIFE Presiding Board was kind enough to give us an interview presented in what follows.





## What is UNIFE's strategy in terms of promoting and supporting the rail industry over the period 2015-2016?

**Lutz Bertling:** 2015-2016 represent the first two full years of intensive work of both the new European Parliament and the new European Commission. At a time of fierce global competition in our industry, UNIFE is committed to proactively raising European and national decision-makers' awareness of the strategic importance of our industry for Europe but also on the major challenges that we face.

## What are UNIFE's measures to promote growth of the rail market with a view to creating a sustainable transport system across Europe?

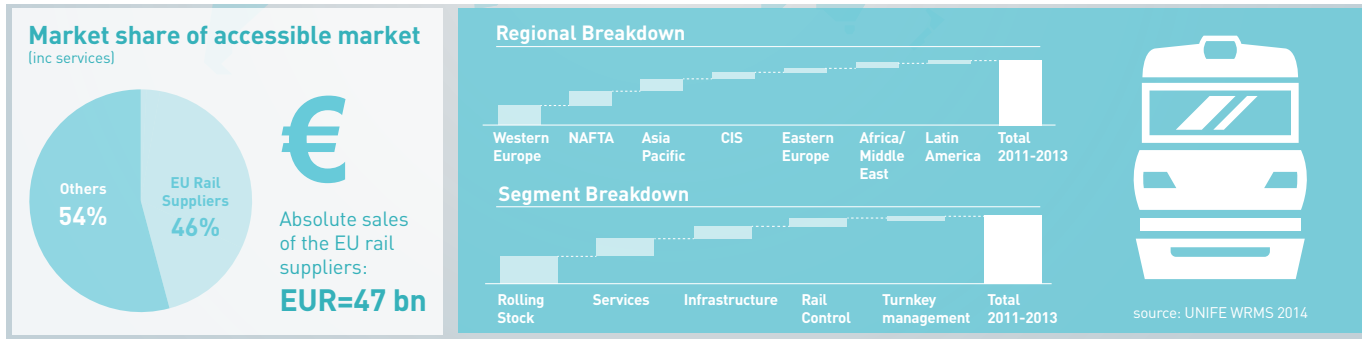
**Lutz Bertling:** I am happy to chair an Association whose objective is to act on a daily basis to create the political and technical framework most conducive to business for the European rail industry. In the past years the proactive efforts of UNIFE have gone a long way towards influencing legislation at the European level and ensuring adequate attention and EU funding to rail initiatives.

UNIFE also strongly believes in the importance of achieving an interoperable European railway system. In this regard, UNIFE is more committed than ever to promote a more efficient, rapid and cost-effective vehicle authorisation system; and, therefore, we continue to advocate a swift adoption of the Technical Pillar of the 4th Railway Package, giving a powerful and central role to the European Railway Agency (ERA).

When it comes to energy and climate policies, UNIFE advocates a specific target for CO2 emissions reduction in the transport sector and promotes further pricing mechanisms such as road charging or the use of the Emissions Trading System (ETS) revenues to finance rail.

And this brings us to crucial issue to our industry and the future of the rail system: financing. In other words, how to stimulate demand for rail projects, be it for rolling stock, signalling such as ERTMS or infrastructure, at the urban, regional, national and trans-European level? UNIFE is following the implementation of rail transport projects in the current programming period of the Trans-European Transport Policy (2014-2020). UNIFE is also tuned into the work of the European Commission and also European Investment Bank (EIB) in order to ensure that rail projects benefit from the support of the European Union, via the Structural Funds, especially the Cohesion Fund, the Connecting Europe Facility (CEF), the EIB lending policy or the upcoming European Fund for Strategic Investments (EFSI). With regard to EU Regional Policy, UNIFE pays special attention to the use of the European Structural Funds and the implementation of the new Operational Programmes (2014-2020) in an effort to foster an environment that allows national administrations to better absorb EU funds for rail projects. In fact, UNIFE has opted to hold its 2015 General Assembly in Bucharest this month to emphasise the importance of Romania and other countries in the region to the industry and to encourage national decision makers to effectively absorb available EU funds for transport for rail projects. We're confident that it will be a successful meeting and we look forward to the discussions with Romanian government officials and rail stakeholders in Bucharest.





What can you tell us about the challenges faced by the rail companies and how can they be addressed?

**Lutz Bertling:** The global economy is slowly recovering from the financial crisis of 2008 and the subsequent recession. Therefore, national governments in and outside Europe are still somewhat cautious when it comes to investing in rail projects. However, the 2014 edition of the UNIFE World Rail Market Study demonstrates again that the rail industry has proven to be resilient to economic ups and downs. This is also the result of ongoing trends towards decarbonisation and the fight against climate change in which rail plays a key role and is a key part of the global solution.

As far as the rail market is concerned, the issue of growing competition from third countries especially from Asia is increasingly imminent. In this respect, a comprehensive and coherent EU strategy should be defined in order to remedy the lack of level playing field in public procurement at the international level which is detrimental to the EU's interests. This should include strengthening the capabilities and increasing the awareness of contracting authorities on the existing legal framework designed to gain leverage on international trade partners, and by closely monitoring foreign investments in the EU and the use of EU funds. This should be complemented by adequate financing of research in order to maintain the EU industry's global leadership. In this respect, Shift2Rail is a step in the right direction.

At the European level, efficiency is key. As mentioned before, the Technical Pillar of the Fourth Railway Package will simplify the authorisation process of rolling stock, resulting in huge efficiency and economic gains. Moreover, UNIFE is particularly keen on the efficient use of EU funds in the rail sector especially in Central and Eastern European countries. To this end, UNIFE has been in discussions with EU Commissioner for Regional Policy, Corina Crețu, her cabinet and DG REGIO on ways to boost the absorption rate of these cohesion funds and encourage these Member States to invest them in their rail infrastructure.

Last but not least, we should not forget the end users of our products. In this respect, UNIFE is involved in EU Transport Commissioner Bulc's initiative to develop "digital railways" in order to make rail a more attractive and user-friendly transport mode.

Connecting Europe Facility is an essential tool in financing the railways, which will allot important amounts for projects in this field. If we are to compare the situation of Central and Eastern European countries to that of the Western countries, there are major differences preventing the creation of a single European transport system. In light of these differences, how can a single railway system be achieved? In your opinion, what are the issues and how can they be reduced/eliminated?

**Lutz Bertling:** The creation of a single European transport system will require significant investments; therefore we were happy to see that the funding for TEN-T transport infrastructure for the 2014-2020 period was more than tripled, reaching a total of €26 billion. I believe that without Connecting Europe Facility many key cross-border transport links would not have been initiated. The policy focus on the nine strategic corridors that will connect East and West, North and South will ensure that the European transport area as a whole will become more integrated. However, as you rightly pointed to the existing differences in the question, a major concern in this context is the absorption capacity which varies significantly from one member state to the next. Even with the co-financing rates of up to 85% of the project costs, several countries are having difficulties in absorbing available EU funds for rail. In this context, UNIFE has been active together with CER in fostering dialogue and best practice exchanges between national administrations and our industry.

The Fourth Railway Package will contribute to creating a competitive, standardised and well-managed transport system. To what extent will the Fourth Railway Package contribute to the success of creating a single European railway system to determine growth and competitiveness, considering the major differences between European Union countries?

**Lutz Bertling:** The Fourth Railway Package, and in particular its Technical Pillar, is extremely important for the European rail industry as it addresses one of the heaviest burdens on the rail sector: the complex and expensive authorisation procedures in Europe that currently immobilise assets worth € 1.2 billion. By addressing this problem, the Technical Pillar will help create the strong home market that the European Rail Industry needs to continue to be successful globally. The Technical Pillar will also define a new legal framework for the >

talking with...



> European Railway Agency (ERA), which will be transformed into an operational one-stop-shop for issuing vehicle authorisation and safety certification.

Therefore, it should come as no surprise that UNIFE advocates the quick adoption of the Technical Pillar by the end of 2015. However, the formal adoption of the Technical Pillar legislation is not enough, on its own, but we rely on quick and proper implementation in order to realise its benefits. In this respect, the rail industry believes that the transition period should be relatively short, bearing in mind that ERA can be ready to fulfil its new role as soon as 2019.

The Commission's proposal to establish the European Fund for Strategic Investments (EFSI) has generated veritable controversies among transport associations. Should EFSI be established, the amounts allotted for transportation projects would decrease by 18% in non-cohesion countries. What is your opinion on this matter?

**Lutz Bertling:** We must remember that the CEF alone cannot cover all the transport needs in the EU. In this respect, we fully support European Commission's efforts in exploring new financial instruments to further leverage the available funds by attracting new private investment. However, UNIFE, along with other transport associations, was perplexed to see that € 2.7 billion were targeted to be transferred from the CEF transport grants envelope to EFSI – money that would not necessarily be earmarked for transport in EFSI. As you rightly pointed out, the overall sum available for grant funding of transport projects in non-cohesion countries would be reduced by more than 18%! Therefore we expressed our concerns regarding the impact of EFSI on EU priorities in the transport sector. As you know, the corridor work plans have already identified the priority projects with the highest European added value that should be the first recipients of EU funding.

Shift2Rail is a success, three projects Roll2Rail, IT2Rail and In2Rail having been recently selected by the EC within "Mobility for Growth" call of the Horizon 2020 Programme. Thus, the rail industry joins forces to develop innovative, high-quality products. In practical terms, what does it mean for the rail industry, the operators, but also for the end users?

**Lutz Bertling:** The creation of a multiannual Public-Private Partnership for rail R&D with a total budget of nearly €1 Billion will allow a higher number of rail stakeholders – including operators and infrastructure managers – to work together to develop tomorrow's technologies for the benefit of all end-users. To put it in a nutshell, the overall objective of Shift2Rail is indeed to create an innovative rail system that provides a higher capacity and more reliable services at lower overall costs. This is the reason why the Shift2Rail PPP foresees explicit targets such as a 50% reduction in the lifecycle cost of railway transport, a 50% increase in the reliability and punctuality of rail services and a 100% increase in the capacity of the railway transport system to meet increased demand. Ultimately the European citizens and all passengers will benefit from the best-ever travel experience with the most sustainable transport mode: rail!

As far as the timing for concrete R&D projects is concerned, the Commission is still in the setting-up process of the Shift2Rail Joint Undertaking (JU). While the first official open calls should be launched by the JU before the end of this year, three so-called "lighthouse projects" – Roll2Rail, IT2Rail and In2Rail – have been recently selected by the European Commission in the framework of the "Mobility for Growth" first call of Horizon 2020. These lighthouse projects are the first steps towards the real launch of Shift2Rail.

It is worth underlining that several operators, infrastructure managers, research centres and universities are already participating in these three projects, which demonstrates their high interest in Shift2Rail and the important role they will





Photo: NetworkRail

have in this PPP. However, we would like to see even more participation from stakeholders from the Central and Eastern part of Europe. The necessary market uptake of the future R&D results of Shift2Rail by the operators and infrastructure managers will indeed be facilitated by their direct involvement in the Programme, as they will directly witness in the system platform demonstrations the benefit of the cutting edge technologies that will be developed.

According to the World Rail Market Study, a global growth of the industry by 2.7% is expected, with a volume of €176 billion per year by 2017. What is the contribution of the European rail industry to these figures?

**Lutz Bertling:** According to a study carried out by Roland Berger for UNIFE, the rail supply industry today accounts for 46% of the world market for rail products and a market share of 84% in Europe. Moreover, according to the 2014 UNIFE World Rail Market Study, the EU represents the biggest absolute market for rail products and services, with the rolling stock segment representing the largest part of this market. The European Rail Supply Industry is a top exporter for the EU in a competitive market with major investments being made by the rail supply industry in other regions.

All in all, European suppliers are ready to compete on the worldwide market, as long as equal conditions are ensured for all players on all markets.

**Railway PRO:** How would you describe the presence of the European rail industry on the markets in Latin America, Asia/Pacific, Africa/Middle East and NAFTA, which will witness the highest growth?

**Lutz Bertling:** The European rail industry is widely present on the world's most thriving markets. To mention a few, the NAFTA region is expected to witness a growth of 3.5% in the years 2017-2019, and UNIFE members have an excellent track record in the US and Canada. Another important

region is the Middle East. The GCC's ongoing rail project and the numerous urban transport projects constitute major business opportunities for European companies, which are already well established on all market segments: rolling stock, infrastructure and signalling.

This presence is reflected by the involvement of UNIFE in international affairs, since bilateral cooperation activities have been established with rail stakeholders and industry counterparts in the US, Brazil, Russia and in the Gulf Countries.

However, the European rail industry is facing growing competition from other countries on these very markets. While it is healthy to have competition, the European rail industry is increasingly concerned with unfair practices linked to government support and non-abidance to OECD export credit rules. This is all the more problematic as non-tariff barriers tend to increase on the very markets where competition emerges.

Among EU initiatives that will determine the improvement of the competitiveness of the European rail industry are the free trade agreements. In this context, what is your opinion on the ongoing negotiations with Japan and, in your view, what would be the solution to reach a favourable agreement for both parties?

**Lutz Bertling:** The free trade agreements (FTA) that the EU is negotiating with its trade partners are very important to achieving a true level-playing field on world markets. The ongoing trade negotiations with Japan are a good example, as the European rail industry has been advocating for a fair, transparent and non-discriminatory treatment on the Japanese rail market. While some progress has been witnessed, it is clear that the EU-Japan FTA negotiations have not yet solved the issue of the Operational Safety Clause, of cumbersome standardisation and testing schemes, and of unbalanced market coverage. The European rail industry remains therefore committed to these negotiations in order to achieve comparable access between the European and the Japanese rail markets by the end of the FTA negotiations.

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