

Philippe Citröen, General Director of UNIFE ( Union of the European Railway Industries)

## “The European rail industry supplies almost half of the world”



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BRUSSELS. SPAIN.

The General Director of UNIFE analyzes the European market and explains the achievements of the Association.

**UNIFE was established in 1991 with the main aim of defending the interests of the rail industry within the newly created European Single Market. What assessment would you make of the objectives achieved by UNIFE over more than two decades of existence?**

UNIFE has, indeed, been advocating for the interests of its members, European rail supply companies, for over two decades. From my perspective, UNIFE's work both in the technical domains of European research coordination and standards and regulation development as well as the public affairs domain promoting investment and policy favourable to rail has certainly had a positive impact on rail systems in Europe and abroad across the decades. As a staunch advocate of the creation of a single European railway area, UNIFE has played a role in the increase in influence of the European Railway Agency as well as the elimination of many barriers to interoperability between the Member States. The fruits of these labours are apparent more than ever in 2016 as we are now on the verge of the adoption of the 4th Railway Package's Technical Pillar; which will boost the role of ERA even more by making it the one-stop shop for vehicle authorisation and safety certification for rolling

stock in the EU.

The successful adoption of the regulation creating the Shift2Rail Joint Undertaking in June 2014 was a major milestone for UNIFE, as the Association, our members and other partners defied all odds in trebling the EU funding for rail research. All in all, we're seeing a lot more action at the EU-level in favour of the rail system. I'm not going to attempt to quantify the impact of UNIFE's efforts since its inception; but I'll just say that it is evident when you reflect on what has been accomplished even in the past decade. This brings me to another important initiative that illustrates the important role that UNIFE plays in Brussels—the European Parliament's Resolution for the Competitiveness of the European Rail Supply Industry, which is expected to be fully adopted by the EP in the coming months and will serve as a guiding document and impetus for further EU activities in support of our industry. Faced with rapidly increasing competition on the global market (and even in Europe), it became apparent to UNIFE and our members that a broader industrial strategy had to be embraced at the EU level (as set out for other industries). With the proactive and capable leadership of MEP Martina Werner, the Resolution has become a reality and outlines, holistically, the challenges and possible solutions to these challenges facing the European rail industry as a job-creating, export-oriented and strategic industry for Europe.

We encourage MAFEX and its members to support this impor-



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tant Resolution encouraging action from Spanish MEPs and transport officials to ensure that there is a strong follow up to this work. In fact, I'd like to take this opportunity to express that we really need a more significant official involvement of Spanish stakeholders on many topics at the EU level. In the end, UNIFE occupies a strategic position in influencing EU policy in favour of rail and our industry.

**As for the negotiations of the Free Trade Agreements (FTAs) with third countries like Japan, USA and China. Could you briefly explain the achievements realized so far? In particular, in relation to the US market, in what stage is the TTIP (Transatlantic Trade and Investment Partnership) and how much will it benefit the European rail industry?**

While the European rail industry has a strong home market in the European rail system—it is also

an export-oriented industry and currently supplies nearly half of the accessible global market for rail equipment. However, in recent years, we have noticed that the accessible market has been decreasing while non-European rail suppliers are growing in size and becoming increasingly present in Europe and on global markets. This is especially the case in China where the newly formed state-supported CRRC Corporation emerged last year as the largest rail manufacturer in the world and with significant international ambitions. The World Rail Market Study, the next edition of which will be released and presented at InnoTrans in Berlin this September, will certainly give us precise information on these global market accessibility trends.

Therefore, boosting access to foreign markets has become, more than ever, a priority for UNIFE and our members. We expect a level

playing field when it comes to accessing these markets, which is why we ask the European Commission to ensure that market access and procurement discussions result in a wide and by all means reciprocal access to foreign markets for EU rail suppliers.

For this reason, UNIFE has been very active on the EU-Japan Free Trade Agreement (FTA) negotiations and we are aggressively pushing for concrete signs of market opening and reduction of non-tariff barriers to entry such as the Operational Safety Clause. Likewise, UNIFE is pursuing fair terms for accessing Chinese and US markets in the EU-China Investment Agreement and the Transatlantic Trade and Investment Partnership (TTIP) negotiations, respectively. We hope that Spanish companies and MAFEX will continue to be proactive on these negotiations and will push for a support of the Spanish government of the new version of the Interna-

tional Procurement Instrument. With regard to the TTIP discussions—the twelfth round of EU-US trade talks took place in Brussels in late February. Negotiators discussed all three main parts of the agreement, namely market access, regulatory cooperation, and rules. Following the round, there was a first exchange of offers on public procurement, which is the main focus of UNIFE and its members, and three full days of negotiations. UNIFE will continue to follow the TTIP negotiations closely and advocate for an improvement of the US public procurement system.

**Since more than a year, the JU (Joint Undertaking) of Shift2Rail is a reality. What progress has there been since then? What would you say to small and medium enterprises who see this program out of reach, as an initiative that benefits only large multinational companies?**

Shift2Rail represents great promise for the broader European rail sector and industry in general. We also know that many Spanish companies are very interested and involved in this Joint Undertaking. In order to modernise and continue to compete as a mode—the rail system needs to offer better technology that boosts the capacity and reliability of the current system and reduces overall costs. Similarly, so that the European rail industry can maintain its leadership of the world rail market—a step change in the technology brought to market must be achieved in order to compete with significant state-sponsored investments in R&D available to large Asian competitors.

The approval of the regulation setting up the Shift2Rail Joint Undertaking (JU) in 2014 was a major achievement for the sector. While the JU is just now finalising its set up and expects to begin official R&D activities later this year; the Shift2Rail lighthouse projects, Roll2Rail, IT2Rail and In2Rail kicked off last spring and are already carrying



Philippe Citroën during Mafex Convention.

out preliminary research activities which will feed into the main Innovation Programmes of the JU. Furthermore, the Associated Members of the JU were selected in December 2015 and the open calls for proposals for non-JU members were launched in December 2015 with a deadline of mid-March 2016. We have learned that the official JU research activities are expected to begin this autumn. The Shift2Rail open calls provide a good opportunity for SMEs to benefit and participate in the JU. Nevertheless, we encourage Spanish SMEs to be proactive and persistent in their outreach to the Joint Undertaking.

**In relation to the 4th railway package (4RP) it is expected to create a single European railway area. What is the current state of negotiations regarding the Technical and Political Pillars? What benefits will this initiative offer the European rail industry?**

To provide a little context for your readers, the Fourth Railway Package has now been hotly debated for over three years starting with the European Commission's proposal of 30 January 2013. For UNIFE and European rail supply companies—we have focused on the Technical Pillar of the Package

which addresses the complex and expensive authorisation procedures for rolling stock in Europe. It has been estimated that these procedures currently immobilise assets worth up to €1.2 billion. At present, rolling stock must go through the lengthy authorisation and safety certification process in each EU Member State where it will operate—creating significant regulatory obstacles to cross border traffic at a time where the EU is endeavouring to create a Single European Railway Area. The Technical Pillar of the Fourth Railway Package, once implemented, will create in the European Railway Agency (ERA) a one-stop-shop for vehicle authorisation and safety certification valid in all EU Member States. This will drastically reduce the costs and time necessary to put rolling stock into operation, which in turn will make the rail industry and rail transport mode much more competitive.

Regarding the ongoing status of the Technical Pillar, in March the European Parliament's Transport Committee gave its final green light on the Technical Pillar of the 4th Railway Package, on the basis of an inter-institutional agreement reached between the Council and the Parliament in June 2015. Spanish MEPs were particularly active during this vote. The Committee vote on the Interoperability and Safety Directives and ERA Regulation will now allow the Technical Pillar to be officially adopted during a Plenary Session in Strasbourg. According to the EP official schedule, this final step should be accomplished during a Plenary Session (in April), although there is, once again, some speculation that some MEPs may want to delay this vote in order to speed up the progress on the Political Pillar, on which Triologue discussions are still ongoing. As the principles of the Technical Pillar were agreed last June, we are hoping for a swift adoption by the European Parliament this spring so that the three-year implementation

period can begin and its benefits realised by the entire sector as soon as possible!

**Regarding the Juncker Plan (EFSI) and the cost reductions that this Plan aims to implement in Shift2Rail and Connecting Europe Facility (CEF), what is UNIFE's position? How will these cuts affect the Trans-European Transport Network (TEN-T) and the two freight corridors passing through Spain?**

UNIFE has been very supportive towards the newly created European Fund for Strategic Investments (the so-called Juncker Plan), even though, as you rightly point out, it came with a cost for the Horizon2020 and CEF. When analysing the EFSI impact on the rail sector, we have to take into account that it is both an opportunity and a challenge. At present, we haven't been able to ascertain the position of the Spanish government on the EFSI.

First, it is an opportunity for those rail projects that have a potential to attract private financing. For a project to receive the EFSI guarantee (via the European Investment Bank), the project needs to be commercially sound, economically and technically viable, contributing to EU objectives, mature enough to be bankable. We have seen in Spain that railway projects can benefit from EFSI, as the EIB is in the process of assessing financing for construction and improvement of rail access to ports. Another project that has already received EFSI financing is a €300 million loan to Trenitalia for acquisition of new rolling stock. This means that the potential is there, but all stakeholders need to work together in order to prepare a good project pipeline. Therefore, UNIFE is working closely with the European Commission and the EIB in order to ensure that the rail sector would benefit from the EFSI as much as possible. In fact, in a letter I received in March, European Transport Commissioner

Violeta Bulc expressed her hope that our members and stakeholders would submit projects to the European Investment Project Portal, stating, "The transport sector is well positioned to benefit from this new initiative [EFSI]... I strongly encourage the members of your association to upload your projects on the Portal in the spirit of a shared goal to revive investments in transport infrastructure, contributing to bringing the European economy on the path of growth."

Second, EFSI poses a significant challenge, because there is no geographical pre-allocation or sectoral distribution of resources. This means that rail projects have to compete with all other good projects at the EU level. In this sense, there is no guarantee that the money taken away from the CEF (€2.2 billion) will be proportionately returned to the railway sector under the EFSI. Moreover, the main rationale behind EFSI is different than that of the CEF, which was created to support the implementation of the TEN-T Policy. For the EFSI, the main task is to mobilise at least €315 billion of additional investment in 3 years and the political stakes are extremely high to achieve this target, so there is no consistent evaluation whether all TEN-T Core Network Corridors will receive the much needed support. By mid-March, there were only two EFSI projects in the railway sector, with the majority of transport projects concerning construction, upgrading and widening of motorways.

**How do you assess the cooperation of Mafex as an associate member of UNIFE?**

We are very happy to work with MAFEX and we know that we can rely on the MAFEX association and its members when necessary to contact the Spanish public authorities and Members of European Parliament on the many important European and international dossiers. ☺