

# 'Rail has a bright future in Europe'

The policies being pursued by the European Commission are intended to create a strong, healthy and competitive market in the rail sector, reducing costs and encouraging investment, DG Move Director-General **João Aguiar Machado** explains to Chris Jackson.



**The European Commission's transport white paper of 2011 focuses on the concept of the Single European Transport Area. Where do you see rail fitting within this strategy, and what is the Commission doing to strengthen the rail sector?**

Rail is crucial. It plays a key role in the whole of the strategy that is rolled out in the 2011 white paper. We are convinced that rail has a bright future in Europe. It is safe, environmentally friendly and energy-efficient, so it is a mode of transport that we need to develop further. If we want to achieve some of the long-term strategic goals set out in the white paper — for example the reduction in CO<sub>2</sub> emissions — we need to have more rail in the transport system. From that perspective, I think that for us rail is the sector of the future.

What have we done? The Commission has developed a three-pronged strategy at the policy level. We first attack the regulatory hurdles. Secondly, we propose to advance innovation, and thirdly we are addressing the topic of infrastructure.

On the regulatory level, there are some interesting discussions underway over the Fourth Railway Package. Our objective with this package is to modernise the regulatory framework and create a positive environment for rail in Europe. The aim is to simplify things and do away with many of the technical and regulatory barriers that hinder the provision of a good service.

Secondly, innovation. We have now launched the

Arrows to the future: Frecciabianca and Frecciarossa inter-city trainsets operated by Trenitalia stand at Milano Centrale.

Shift2Rail joint undertaking, with an overall budget of rather more than €900m, which is financed by the industry and the Commission. We are in the process of setting it up, and things are going very well. Now we need to determine, together with the industry, what the good projects are that we need to promote in terms of innovation for the rail mode. Our expectation is that through Shift2Rail, you can achieve substantial gains in reliability and punctuality in the rail system, which is crucial. If we want to attract more passengers and freight onto trains, we need to find ways to improve the quality and punctuality of those trains.

And thirdly, infrastructure. As you know, we have the Connecting Europe Facility, with an overall budget of €26bn, which is a three-fold increase over what we had before. And rail is the central beneficiary of the Connecting Europe Facility. We have recently launched the first call for proposals, around €12bn, and the project proposals have to be submitted by February. We know there is a lot of interest, so we will be scrutinising and selecting the best proposals.

But in short, as I indicated, our railway policy has to address all of these three areas — regulation, innovation and infrastructure. Of course, we need to push all of them; I don't believe you can succeed if you only tackle part of it. We need to address all three areas in order to ensure that Europe has the rail sector that it deserves, and to make sure that rail has the place it deserves in the Single European Transport Area.

## INTERVIEW João Aguiar Machado

**The white paper set some very ambitious targets for modal shift from road to rail over the next decades, particularly to reduce the environmental impact of transport. What do you see as the key steps to drive this modal shift, and what does the rail sector have to do to prepare for a significant increase in both freight and passenger traffic?**

The white paper made clear that railways should play an increasing role in transport, in order to fight the challenges of oil dependency, CO<sub>2</sub> emissions and congestion. To achieve this goal, a series of measures have to be taken in both the rail passenger and freight markets.

In terms of passenger traffic, improvements in service quality and efficiency are necessary to make rail a more attractive choice. Previous national initiatives have shown that these objectives can be achieved by opening up the markets to competition. Users have benefited from an increase in both the volume and the quality of services, while at the same time the competent authorities obtained better value for public money when contracting out the operation of public transport services by rail.

Therefore, we believe that the further liberalisation of the domestic passenger market, which represents 94% of all passenger-km, should be pursued in order to ensure that railways can increase their modal share.

On the freight side, some parts of the rail network are congested. There is a need to invest more to remove these infrastructure bottlenecks and improve intermodal connections. The European Union is providing funding to help finance such projects. Within this, the focus should remain on the development of pan-European rail freight corridors, with the aim of connecting the major ports and industrial regions. Infrastructure in these corridors should be of a higher quality, and the lines need to be equipped with ERTMS to improve both interoperability and capacity. The connections from the corridors to the ports and intermodal terminals also need to be enhanced.

As I said before, innovation is important at every level:

The priority of European policymakers is to remove legal, institutional and technical barriers in both domestic and international rail markets. This will require harmonisation of driver training and certification, which is being co-ordinated by the European Railway Agency.

technology, services, business models and working methods. We believe that innovation is essential, which is why we intend to fully exploit the potential of the Shift2Rail initiative by focusing the available funds on the needs of the sector.

The rail sector must co-operate to develop and implement these various policy measures. Only in this way can we be sure that they are adapted to the needs of the market, and thus be effective. But equally, the rail sector should then recognise the potential benefits of the different measures and adhere to them.

**EU rail policy and the concept of a Single European Railway Area are primarily focused on the development of international traffic between the member states, whereas, as you say, 94% of existing rail business is domestic. How can the differing requirements of these two markets be reconciled in a way that ensures a high quality of service and good value for money?**

EU legislation already partly reconciles the relationship between public service obligations and the provision of market-oriented international services by ensuring that cabotage is allowed unless the economic equilibrium of national public service contracts would be undermined.

However, the aim should be to treat both international and national markets similarly. In this regard, we believe that the liberalisation of the rail sector should not be limited to international passenger services and rail freight. The opening up of the domestic passenger markets would establish a true EU market where all railway undertakings can provide their services under equal conditions, without any national constraints.

Adopting this approach will not only overcome any fragmentation between the international and domestic markets, but will also address the disparities between those member states that have opened up their domestic markets, and those that have not.

The removal of remaining legal, institutional and



technical obstacles both for national and international rail transport will foster the performance of the rail sector and its competitiveness.

**The liberalisation of the rail sector and the introduction of on-rail competition was intended to make railways more competitive and improve their customer focus. Yet in many cases it seems to have resulted in the disappearance of international trains (p34), a collapse of through ticketing and the break-up of integrated networks. Given rail's relatively small market share, and the modal shift targets, would it not be better for railways to co-operate to attract more traffic from road and air?**

The opening of international rail services has created a framework that allows for the existence of international commercial services. As outlined in the Commission's Market Monitoring Report, high speed international trains operated as commercial services are thriving. On the other hand, conventional long-distance services are disappearing, mostly because of competition from low-cost airlines and coach services. This is also affecting the international long-distance trains. However, the regulatory framework allows member states to finance the operation of international passenger trains through a Public Service Obligation.

Despite liberalisation and the presence of more railway undertakings on the market, there are no limitations on them co-operating in the provision of services, providing that such co-operation is not in breach of the general rules on competition.

On the issue of ticketing, the Fourth Railway Package aims to provide a basis for national ticketing systems, clarifies the existing provisions and removes certain legal uncertainties.

In terms of passenger rights, we recognise that there are still some differences between the modes, and we are going to look at these, to see if it makes sense to have them all in one single package.

**Significant investment will be needed to improve the quality of rail services and increase capacity on the core routes. How can this be found at a time when member states are all facing tough economic conditions and adopting austerity budgets to cut the funding of public services?**

Investment in infrastructure must remain a priority. As highlighted by European Commission President Jean-Claude Juncker, Europe's economy needs a new boost and additional investment in transport infrastructure will contribute to that goal.

Transport Commissioner Violeta Bulc confirmed at a meeting with the European Parliament's Transport & Tourism Committee on December 2 that funding from the proposed €315bn European Fund for Strategic Investments would also be available for transport spending, on top of the measures already announced.

Under the Connecting Europe Facility, €26.25bn is being made available from the EU's 2014-20 budget to co-fund TEN-T projects in the member states, and the majority of this will be invested in rail.

There is also a scope for better utilisation of other financial instruments. Both the EFSI and CEF allow for the combining of grants from the Cohesion Fund or other public sources with other instruments, which could ease the access to finance for railway projects. The synergies between CEF and the European Structural and Investment Funds should be maximised.

However, prioritisation is of utmost importance, and only those projects with a sound business case should be pursued. We cannot afford any more 'bridges to nowhere'.



**João Aguiar Machado** was appointed in May 2014 as Director-General, Mobility & Transport, in charge of developing an EU transport policy that ensures sustainable movement of people and goods in a single European transport area. In his previous position, he worked as Deputy Director-General for Trade and for External Relations.

EU rail policy is also designed to ensure that the rail infrastructure and operations are adequately maintained and optimised through an appropriate financial environment, stimulating both public and private investment.

As regards the funding of Public Service Obligations, the Fourth Railway Package introduces the principle of competitive awards for public service contracts in the rail market. We believe that this will generate some significant savings, and as a result more public funds could be allocated to the development of infrastructure and its capacity. ■

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