Slow train coming

A lack of investment is holding back growth in the European rail sector, writes Dave Keating

Over the past 60 years, the rail sector in Europe has lost market share – in both freight and passenger traffic – to road and air transport. As concerns over climate change have grown in recent decades, political leaders have set a goal of reversing this trend, shifting the mode of transport for freight and passengers from air and road to rail. The EU set this as a headline goal for freight in its white paper on transport in 2011.

Yet, despite this change in thinking, the market for rail freight has grown by only 8.8% since 1995, compared to 25% overall growth for all transport modes since then. Many rail transport companies continue to rely on public subsidies. And passenger satisfaction with rail travel lags behind many other sectors, according to a recent Eurobarometer survey.

The problem is largely a lack of investment. According to a 2012 study conducted for the European Commission, the economic crisis has seen a dramatic decrease of investment in the sector, especially in high-speed rail. This lack of investment in new projects is having knock-on effects on the market for supplying rail equipment. Although Western Europe remains the world's largest market, the growth rates in Latin America and Asia are much higher. Asia will soon overtake Europe as the largest rail supply market, largely because of an increase in research and innovation investments in China and South Korea. By contrast, the European market is now restricted mainly to replacing existing rail and rolling stock.

This slowdown is troubling news for Europe's rail-technology companies. Though they can supply parts to the expanding markets outside Europe, without a market in Europe there is likely be a tailing-off in innovation. The EU's goal of a 'modal shift' from road traffic to rail, a central element in the Commission's transport white paper issued in March 2011, is unlikely to be realised. Rail currently carries only 10% of European cargo and 6% of passengers in the EU. The white paper set a goal of bringing this up to 30% for freight by 2030 and 50% by 2050.

Rail is still losing out to the competition from roads. To counter this trend, in December the Commission proposed a public-private partnership called 'Shift2Rail'. The scheme aims to invest almost €1 billion in research and innovation in 2014-20 with the specific objective of moving people and cargo from road to rail. Of the total, €450 million will come from the EU, matched by €470m from industry.

"If we want to get more passengers and freight on Europe's railways, then rail needs to provide better services and offer an attractive choice to more customers," says Siim Kallas, the European commissioner for transport. "For that to happen, rail needs to innovate."

The initiative will focus on developing solutions for three innovation targets: doubling the capacity of the rail system, increasing reliability by up to 50%, and reducing life-cycle costs by up to 50%. So far, 25 major rail stakeholders, including infrastructure managers and operators, have committed themselves to providing resources. Crucially, Deutsche Bahn has recently committed itself to the project, and 36 industrial partners have also signed up.

However, the proposal must still be approved by the European Parliament and member states.

Shift2Rail is being coordinated by UNIFE, the European association of rail supply companies. Philippe Citroën, its director-general, stresses that this is not simply a research funding stream – there are targets for moving people and cargo to rail. "This will bring together on a large scale, for the first time in our history, industry, railway undertakings, urban operators, infrastructure managers, SMEs and research centres and academia from all over the EU," he says.

So far the reaction from the Parliament and member states has been positive, and the experience with transport funding in the EU budget suggests this is an area that national governments see as a priority.