

Strategic market approach for a fair global rail supply market

2015 was, once again, a very busy year for UNIFE and the European Rail Industry as a whole. The engines are starting to turn for Shift2Rail, the first major R&D joint undertaking of European railway industry in recent history, alongside keeping pace with the political negotiations around the future 4th Railway Package Technical Pillar and international free trade agreements foreseen by EU and pushing for an extensive adoption of IRIS as a real industry quality standard, are only a few of areas UNIFE team has been involved. The start of the New Year is an opportune occasion to reflect with Philippe Citroën, Director General of UNIFE on a few of these developments and to look ahead at what the future holds for the industry.

Stefan Roseanu is talking with ...**Philippe Citroën**,
Director General, UNIFE



Looking ahead, what are the main concerns of the European rail industry and, likewise, what are UNIFE's main legislative priorities for 2016?

Philippe Citroën: We are hoping that the Fourth Railway Package will be adopted across the first semester of this year; the Technical Pillar of which has been a major priority for UNIFE members. With the Fourth Railway Package legislation adopted we will shift attention to the implementation of the Technical Pillar but we are also looking more broadly on how the EU might help boost the competitiveness of the European Rail Industry—which is, of course, a flagship industry for Europe and a leader on the world market.

Boosting the competitiveness of a manufacturing industry involves many aspects of EU policy, which have not been unified with a European sectoral strategy like in the automotive and shipbuilding industries. Last year we witnessed some major concerning trends on the world rail supply market—notably the consolidation happening in the industry in other parts of the world (e.g. CRRC in China), an increased presence of non-European suppliers on the EU market, and diminishing or no access to key markets for European suppliers (e.g. China and Japan). With these concerns in mind, we were very pleased to learn of the European Parliament's Industry (ITRE) Committee's intent to draft and adopt a Resolution on the Competitiveness of the European Rail Supply Industry. This initiative, under the lead of Rapporteur MEP Martina Werner endeavours to define for the first time a coordinated European industrial strategy for the rail supply industry—covering all topics of EU competences impacting rail industry competitiveness, such as: research and innovation, skills and training, internal market, public procurement, trade/access to foreign markets, SME Policy and demand stimulation. UNIFE is very grateful to the ITRE (Industry) Committee of the European Parliament and especially MEP Werner for undertaking this Resolution as well as promoting it to the EU institutions and Member States. We anticipate a first draft to be prepared very soon and expect its approval in the ITRE Committee and adoption in plenary during the first half of this year. This is extremely important for our industry but is only an official launch pad for a much larger discussion on the development of a formal European strategy to boost the competitiveness of this strategic, job-creating and export-oriented European industry. We look forward to continuing to work with the EU institutions and especially Transport Commissioner Bulc and Industry Commissioner Bienkowska on developing this strategy following the adoption of this vital Parliamentary Resolution.

Also, following the UNIFE General Assembly in Bucharest last year, we are continuing to push Central and Eastern European Member States to absorb EU funds such as the cohesion and Connecting Europe Facility and invest them in rail. We have already had some preliminary discussions with the future Slovak Presidency of the EU (July-December 2016) on transport

topics and we hope they will consider organising an event in Bratislava later this year with UNIFE and the broader European rail sector on boosting investment for rail. UNIFE plans on participating in RailwayPro/ClubFeroviar's events on this topic this year as well!



The 4th Railway Package seems to be a very hot egg in the hands of both politicians and european RUs. Some compromises have been reached during the last months. What is the benefit to railway suppliers in the new legislation?

Philippe Citroën: The Fourth Railway Package has now been hotly debated for over three years—the discussions began 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 EUR1.2 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 28 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.

In November 2015 in Luxembourg, Transport Commissioner Bulc announced that she expected the Technical Pillar to be formally adopted next month (March). 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! >

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Photo: European Railway Agency

ERA Executive Director Josef Doppelbauer

Staying in the same legislative area of interest, 2015 is the year the new Public Acquisition Rules have been published in the European Official Journal. What is the impact on future public railway projects?

Philippe Citroën: Public procurement is crucial for the rail industry and future rail projects. It was recently reported that, in Europe, 88% of rolling stock procurement is funded by European governments. Indeed, the EU public procurement framework has been modernised recently and is expected to be fully transposed into national law and practice set by 18 April this year.

Among the important developments of this new framework, it is now specified that “contracting entities shall base the award of contracts on the most economically advantageous tender” (the 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.” UNIFE has strongly advocated the use and enforcement of the MEAT principle because outside of the mere purchase price, there are numerous other factors that directly or indirectly determine the total cost of ownership (TCO) and lifecycle cost.

UNIFE hopes that these new procurement rules that take into account the MEAT and TCO principles will give an advantage to high-quality, but sometimes more expensive products produced by the European rail industry. In other words, ensuring that rail equipment procurers take into account the long life cycle, durability, and reliability of European products means that they will be less inclined to jump at low price tags of foreign competition that does not always boast the same qualities.

European industry is one of the major international players, mostly due to its innovative products and services and Shift2Rail initiative has been foreseen as a lever to help keeping the momentum. How do you see the role and impact of this JTI as it has already started to work?

Philippe Citroën: It is true that Shift2Rail represents great promise for the broader European rail sector and industry in general. 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 world leadership of the world rail market—a step change in the technology brought to market must be realised 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 out preliminary research activities which will feed into the main Innovation Programmes of the JU. Furthermore, the Associated Members of the JU have been selected and are currently answering the call for project proposals. Additionally, the open calls for proposals for non-JU members were launched in December 2015 with a deadline of mid-March and we have learned that the official JU research activities are expected to begin this autumn. I hope to see some more Central and Eastern European SMEs and universities apply to participate in these important research activities. As the rail system and the European Rail industry depend on this system-wide research to boost their competitive edge; UNIFE is urging the EU Institutions and JU to accelerate this setup and begin official research activities without any further delay.



MEP Martina Werner,

Rapporteur on future EP Rail Industry Competitiveness Resolution

Photo: UNIFE

Talking about international markets, UNIFE has been an active player in the international trade agreements negotiations. What is to be expected by the railway suppliers when we talk about international markets and competition?

Philippe Citroën: 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 shrinking while non-European rail suppliers are growing in size and becoming increasingly present in Europe. This is especially the

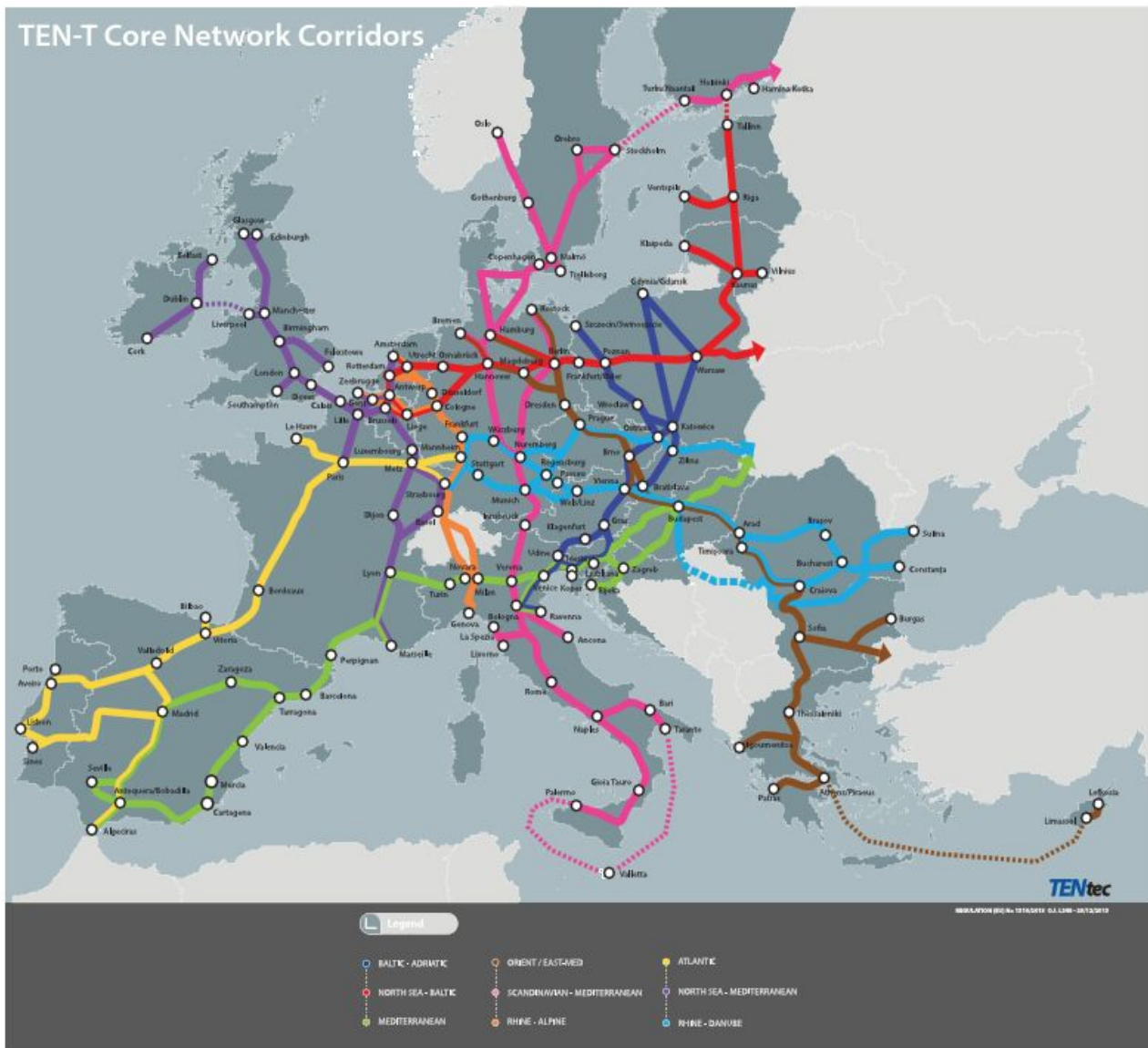
case in China where the newly formed state-supported CRRC Corporation emerged last year as the largest rail manufacturer in the world and with significant international ambitions.

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 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 are not far from COP21 Summit. As the documents do not make any clear demand to transport industry is there something positive to be expected by railway industry from this meeting?

Philippe Citroën: The landmark agreement in Paris in December 2015 is a major step forward in recognising the human impact on climate change and encouraging world governments to take steps to cap the increase in global temperatures. UNIFE was pleased to actively contribute and participate in many of the side events that promoted rail transport as the most carbon-conscious major mode of transport—and this was the first time in the history of the COP that transport was so widely represented. While Transport wasn't directly mentioned in the Paris Agreement; neither were other sectors. Nevertheless, Transport is part of many countries' INDC (Intended Nationally Determined Contributions). The agreement in Paris is an important first step that will certainly encourage governments to look to finance and implement sustainable >



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> transport solutions in their transport infrastructure and policy—and we believe that this will translate into more investment for rail.

Recently, we have witnessed huge steps taken by automotive industry towards automatization, connected-cars concepts and electric propulsion. What is the threat to railway industry and what is the answer?

Philippe Citroën: There has been a lot of press around the development of automated and green cars—however it must be pointed out that the mainstream, widespread deployment of these technologies is not yet fully defined and presumably in the long-term. For example, there is still a long way to go in implementing the infrastructure needed to fully support electric cars for a majority of the population. However, in Europe, nearly 80% passenger railway traffic is electrified—meaning that the rail system can and is already taking advantage of clean energy. Furthermore, given space restrictions and growing urban centres, it is important not to forget that a “green traffic jam” is still a traffic jam.

In the long term, I believe that developments in rail technology will be done in line with these futuristic developments in the automotive industry. Moreover, the rail industry is doing a lot to further digitalise rail transport and make it more attractive to end users. This is one of the main focuses of the Innovation Programme 4 in Shift2Rail which is focused on developing IT Solutions for Attractive Railway Services.

Also, the European Commission is prioritising the digitalisation of the rail network. UNIFE has been selected to join the EC’s Digital Transport and Logistics Forum launched by Commissioner Bulc last July where we are engaged in the review of the “Digital Single European Railway Area” document. Within this framework, UNIFE is particularly promoting the speeding up the implementation of existing digital technologies such as ERTMS and driverless metros. In addition to our

participation in the EC’s forum, UNIFE has just launched with its members a Digitalisation Platform that will coordinate and manage the different activities linked with the digitalisation concept, including political activities with the EU institutions and Member States, technical activities (such as standardization and regulation) and research activities (e.g. Shift2Rail, Horizon2020, etc.).

Not long ago UNIFE signed MoUs with major railway undertakings (DB, RZD, and SNCB) concerning the adoption of IRIS. How do you see the evolution of this standard and what can we expect from these kind of agreements?

Philippe Citroën: UNIFE has been working closely with European railway operators on IRIS since 2009, when several operators participated in the drafting of the IRIS Rev.02 booklet. However, in past years, we saw their interest on backing quality improvements within the IRIS framework decreasing. Therefore, after intensive discussions on common targets (and especially with DB and RZD), we decided to put our collaboration in a formal MoU. Last December, we also signed with SNCB (Belgian Railways) and are in discussions with other operators on further MoUs at the moment.

The purpose of the MoU is also to get the involved operators to participate in the upgrade of the IRIS standard. Furthermore, the decision taken by the UNIFE Presiding Board to evolve towards an international official document via ISO (International Organisation on Standardization) will give IRIS greater stability and broader global recognition.

This recognition must also be an incentive to implement the IRIS requirements throughout rail sector organisations in order to sustainably and continuously improve the quality of rail industry products and services. The European industry needs to increase its trustful visibility in view of international competition and quality and reliability is truly an area where we can differentiate ourselves.

Valentin Gapanovich/Philippe Citroën: signature of UNIFE-RZD MoU on IRIS

