

THE POTENTIAL OF THE RAIL SECTOR FOR DELIVERING EU POLICY PRIORITIES EUROPEAN COMMITTEE OF THE REGIONS STAKEHOLDER HEARING 11TH JULY 2019

- 1) *In your experience and in order of priority, what are the main contributions that the rail sector has made to date towards delivery of EU policy objectives at local and regional level?*

Despite the many opportunities presented to it, the rail sector has a disappointing record in its delivery of EU policy objectives at local and regional level.

In 2011 the European Commission adopted its defining transport policy White Paper *Roadmap to a Single European Transport Area: Towards a competitive and resource efficient system*ⁱ. Its central thesis, as noted in Vice-President Kallas' foreword, was that with rising oil prices, growing congestion and looming climate change, the EU's transport system needed radical overhaul to maintain its role of growth engine and to compete globally whilst escaping oil dependency without sacrificing efficiency or limiting free movement. The White Paper described this transformation as key to a well-functioning internal market and the ability of all of our regions to remain part of a fully integrated world economy. The stakes were very high.

Transformation of the sector was at the heart of the strategy. The White Paper envisioned that rail should become more attractive to gain a significant increase in market share. It identified a number of targets, including:

- Rail travel would account for the majority of medium-distance passenger transport by 2050. **Instead, its modal share has stuck at between 7% - 8% throughout the last decade**ⁱⁱ.
- The length of the European high-speed networkⁱⁱⁱ would triple to 21.000 km by 2030 and be completed by 2050. **This target will not be reached**^{iv}: **9.000 km of were in use by 2018, with a further 1.700 km under construction.**
- High-speed rail would grow faster than air transport for journeys of up to 1.000 km, and by 2050, all core network airports should be connected to the rail system. **The cumulative annual growth rate in passenger km for rail was 1,2% between 2011-16. In 2016-17, air travel between the EU-28s top ten airport pairs (typically journeys of 500-900 km) increased by 1,02% in a single year. Where high-speed rail offered competition, air passenger numbers declined very slightly (<0,2%)**^v. **Only limited progress has been made in establishing new rail links with airports.**

The *Roadmap* identified some key enablers of the necessary structural change in the rail sector. These included:

- Opening rail passenger markets. **Only half of the Member States have competitors operating in the commercial passenger market and operators other than historic incumbents provide the majority of services in only a few Member States.**
- Structural separation of infrastructure managers and service providers. **Consistent implementation is still 'work in progress' although separation may make it difficult to exploit the potential for cost saving and enhanced system reliability of 'intelligent' vehicle technology.**
- Improvements to the regulatory environment to encourage new entrants and fair competition, innovation and greater efficiencies through standardisation, interoperability and higher safety standards throughout the Union. **Continuing variances in the scope, capacity and competences of national regulators with significant impediments to achieving regulatory consistency across the Union.**

A number of measures were also to be introduced across the wider transport network. These included:

- Establishing an EU-wide, core, integrated transport network by 2030. **The core TEN-T network is due to be implemented by 2030**^{vi}. **A Commission Impact Assessment noted in 2019 the risk that this would be missed**^{vii}.

- Developing a multimodal transport information management and payment system by 2020. **Such systems integrate data received from both users and transport providers. They require regulation: open data and specified standard interfaces ensure interoperability. Substantive progress is still awaited^{viii}.**
- Ensuring a fair competitive environment, through a new approach to transport charging, with the application of ‘user pays’ and ‘polluter pays’ and the internalisation of external costs. **This is still “work in progress” despite its potential impact on policies relating to transport: a recent Commission study estimated the level of external costs in transport to be around €1 trillion - almost 7% of EU-28 GDP^{ix}.**

Parts of the White Paper were enabled by Directive 2012/34 establishing a European railway area. The Directive’s preamble recognised that greater integration of the Union transport sector is essential to completion of the internal market and it recognised the vital part that railways should play in moving towards achieving sustainable mobility. It noted that the efficiency of the railway system should be improved to integrate it into a competitive transport market and emphasised the importance of adapting to market needs – responding to users and potential users.

The rail sector, particularly that part dominated by some of the larger incumbents, has seemed unsympathetic to the spirit of the new acquis and maintained vigorous opposition to user-focused parts of collateral legislative initiatives, such as the revision of the rail passengers’ rights Regulation 1371/2007.

Key operators sometimes appear reluctant to adapt to market opportunities and the evolution of the European project. These include:

- Development of cross-border services, including reinstatement of local cross-border routes, and expansion of high-speed alternatives to air travel.
- Ticketing for through journeys involving multiple operators.
- The demand for a comprehensive network of sleeper services as a more sustainable alternative to air travel.

The competitive short-comings of the European rail sector are reflected in a number of Union-wide surveys. These provide a clue as to its difficulty in attracting new customers and moving towards the modal-share targets that it was set by the transport White Paper.

The European Commission publishes a *Consumer Markets’ Scoreboard^x*. This monitors how consumers in the EU, Iceland and Norway assess the performance of key goods and services markets. Of the forty sectors surveyed for the 2018 edition, train services ranked joint fifth from the bottom of the list (although out-performing electricity services, mortgage providers, investment products, real estate and second-hand car providers). Rail’s poor performance does not appear to be typical of all public transport: while train services were rated as low performing, air services were regarded as high performing and tram, local bus, metro and underground services middle to high performing.

In 2018 DG MOVE commissioned a repeat of its previous Eurobarometer exercises on Europeans’ satisfaction with passenger rail services^{xi}. Satisfaction with frequency, punctuality and reliability of trains is increasing, but there is still room for improvement. Two thirds of respondents (66%) are satisfied with the frequency of trains – an increase of seven percentage points since 2013. Despite an increase of four points since 2013, less than six in ten respondents are satisfied with the punctuality and reliability of railway travel (59%). We know from analysis of large-sample national research^{xii} that punctuality and reliability are key drivers of passenger satisfaction (and that the way in which railway undertakings handle things when they go wrong is the largest driver of dissatisfaction).

It follows from this that the failure of the rail sector to satisfy user needs is a major contributor to its inability to drive modal shift. Further, it appears that the implementation of successive railway packages has had only limited success in creating the conditions in which rail can play a bigger role in an integrated transport market.

Frustration at the rail sector’s response to successive attempts to improve its prospects may even have fuelled the relative lack of priority that it now has in the European Commission’s policy planning. Union

investment in the aeronautical and automotive sectors greatly exceeds that in rail research and innovation. This is unsustainable and the EU needs to address this issue urgently.

2) *How could the potential of the rail sector be further optimised in future towards key EU policy objectives such as a sustainable and inclusive economy, climate change mitigation and territorial cohesion? What particular challenges would have to be overcome?*

The Union has identified the enormity of the twin challenges of decarbonisation and coping with congestion in our increasingly urbanised society. Three out of every four people in the EU live in urban areas (compared to around 50% in 1950). This is projected to rise to over 80% by 2050. They account for 85% of Europe's GDP. Urban space is at a premium with road traffic, including space for parking road vehicles, accounting for more than half the total area of many cities while urban transport accounts for almost one quarter of CO₂ emissions. The European Commission estimates that congestion costs around €130 billion annually.

The Paris climate change conference (COP21) marked a paradigm shift. The Union is committed to delivering and going beyond that to which it committed in 2015. Rail can be at the heart of a modern, sustainable, integrated and user-focussed European mobility system.

Railways have strengths that are particularly relevant to the future of mobility:

- They can handle large volumes at high speed and very safely.
- They are one of the most sustainable modes of transport.
- They can be energy efficient, using mainly electric haulage; and they are active in testing-out new carbon-neutral power sources such as hydrogen and other alternative propulsion concepts.
- Railways already provide an almost seamless web of connectivity. Their potential to complement, and thus reduce over-dependence on, other modes is vital to the delivery of sustainable mobility and relieving congestion.

Despite its potential, the rail sector has largely failed to meet the goals set for it in the 2011 White Paper. If rail is to play its part in helping Europe to deliver its COP21 commitments it must adopt a user focus – delivering a system that is centred on understanding and satisfying the needs of users and potential users. It must become a mode of choice at the heart of the system.

Passengers want a public transport system that is

- affordable,
- reliable,
- sustainable and
- coordinated

with sufficient capacity to get people comfortably to where they want to go at the times they wish to travel, using whichever combination of modes is most efficient overall, in social and environmental as well as economic terms.

The European Union can help delivering this vision.

3) *With a view to the next political mandate of the European Parliament and of the European Commission, what specific measures would you recommend for making better use of the potential of the rail sector?*

The European Passengers' Federation has identified a number of priorities for Union action that it considers will help unleash the potential of the rail sector

Goal: A seamless European passenger transport system. Passenger transport providers can learn from pioneering work on synchro-mobility in the logistics sector. This involves integrating the different transport modes and their under-pinning IT systems. This is as relevant to passenger mobility as it is to freight logistics. Its purpose is to deliver a flexible, synchronised and efficient inter-modal network. Switches between modes during end-to-end journeys can be

achieved almost seamlessly, facilitated by an integrated data framework and collaborative data analytics. It is a system in which a passenger is enabled to use each mode to do that for which it is the most efficient in achieving an affordable, reliable and sustainable end-to-end journey.

Enablers:

Interfaces: Common standards and standardised interfaces are vital to synchro-mobility. They facilitate interoperability, minimising eliminating operational delays between networks, operators, systems and modes, and creating economies of scale. The European Union has a key role to play in specifying these standards. The European Commission's work with the automotive sector on connected and automated mobility has familiarised it with its principal technical and regulatory implications. Consideration should now be given to providing an enabling regulatory framework for synchro-mobility across all modes.

Goal: Passengers should have access to unbiased, dynamic journey information, enabling informed choices, both when planning and making their journeys. Informed consumers are essential to any truly competitive market. Passengers also need timely and practical information should things go wrong during their journey. (Lack of useful information at times of disruption is the major source of passenger dissatisfaction.)

Enablers:

Multimodal transport information management and payment system: There is a need to integrate historic, static and dynamic data (to enable real-time services) from both users and transport providers, and for provision and access to be regulated to ensure open data and the use of specified standard interfaces to enable interoperability.

Transparency & non-discrimination: There may need to be regulation of those who accrete and then effectively control the supply of information to consumers or to third-party intermediaries such as ticketing retailers. Information provision should be transparent, non-discriminatory, accurate, up-to-date and non-exclusive^{xiii}. Regulation may also be needed to address privacy principles as well as security concerns arising from individuals' data use and provision.

Consistent and effective regulatory enforcement: There appears to be considerable variances between the competence and capacity of National Enforcement Bodies. The European Union should consider if further legislative measures are necessary to ensure greater coherence and effective and consistent enforcement. The European Commission should also ensure that there is provision for Alternative Dispute Resolution, capable of dealing with disputes about multimodal journeys and that suitable arrangements are in place for the oversight passengers' rights in the case of journeys involving more than one mode.

Goal: Administrative and political boundaries should not be a barrier to the efficiency of Europe's passenger transport system. The European transport network should reflect the needs of potential passengers and of its ability to act as an instrument of economic development, social cohesion and the promotion of greater sustainability across frontiers.

Enablers:

Actions to promote cross-frontier links: Active support for cross-border transport initiatives, such as that pioneered by Aachener Verkehrsverbund GmbH (AVV). This requires engagement of local stakeholders, needs to reflect the input of passengers, and may benefit from European seed-corn funding.

Consistent regulatory principles: Prospective operators of new international rail services, in particular, claim that realisation of their aspirations can be inhibited by the lack of a common regulatory approach between neighbouring countries, particularly in relation to incompatible train service planning cycles, track access policies etc.; there is insufficient collaboration between infrastructure managers and between regulators. Some of the rail regulators - but by no means all - meet in the IRG-Rail. This has the general objective of promoting a more competitive internal rail market, but it is not an EU Agency, has limited standing and no formal role in relation to the European corridors and other major EU initiatives affecting the rail sector. A framework for more effective collaboration is needed. In the telecommunications sector the EU has created the Body of European Regulators for Electronic Communications (BEREC) to improve consistency of EU telecoms rules and to contribute to the development of the Single

Market. The Agency for the Cooperation of Energy Regulators (ACER) is the analogous EU Agency for the natural gas and electricity market. It fosters cooperation among European energy regulators, ensures market integration and the harmonisation of regulatory frameworks within the framework of the EU's energy policy objective. An opportunity is being missed to ensure consistent regulatory practice and shape the evolution of the Single European Railway Area and to assist the ERA in developing realistic work programme priorities, reflecting the needs of end-users.

Goal: More-informed decision making: Understanding costs is important to the successful realisation of synchro-mobility. It is a foundation for the level playing-field upon which fair competition and the optimisation of resources depends.

Enablers:

Internalisation of External Costs: EPF was impressed by the preliminary results of the study conducted in the context of the Commission's Year of Multimodality, 2018, *Sustainable Transport Infrastructure Charging and Internalisation of Transport Externalities*^{xiv}. This estimated that the annual cost of transport externalities is about 1€ billion (of which road accounts for 75%, maritime 15%, air 7% and rail 3%). Internalisation of transport externalities must form a pillar of future Commission transport initiatives.

Polluter-pays principle: The surge of popular concern about climate change and more particularly, the growing recognition of the scale and effects of particulate pollution on mortality and public health, means that more sustainable forms of transport such as land-based public transport will gain increased political momentum. This requires that it should have a more prominent place in European Union's priorities and that greater effort should be directed at establishing which policy and investment measures would make it more attractive for passengers.

User charging: As a corollary to its support for a level playing-field to enable fair competition between transport modes, EPF considers that transport users should meet the external cost of their journey and that there should be consistency as to the basis of charging across all modes, including environmental impact costs in the case of maritime and air transport. Any rebate then granted in pursuit of other government policy objectives – for example, to secure social inclusion – should be identified transparently.

Goal: A greater focus on end-users: Public transport provision is inevitably characterised by market failure^{xv}. Adam Smith's 'invisible hand' cannot work efficiently when the marginal cost of an additional customer is effectively zero. (The cost of running a coach, ferry, aeroplane or train is much the same whether it is full or carrying just one passenger.) Policymakers need tools which can help make up for the deficiency of market information or help mimic information normally available in a functioning free market.

Enablers:

Passenger satisfaction surveys: We welcome DG MOVE's increasing use of the Special Eurobarometer surveys of passenger satisfaction. Successive surveys – as with the successive surveys of passenger satisfaction with train services – are beginning to build a useful evidence base with which to inform understanding of transport delivery. Satisfaction surveys, comparable across all modes, could be commissioned usefully on an annual basis and used to inform the assessment of policy delivery.

Understanding behaviours: *Horizon Europe* should make provision for behavioural research with a view to gaining greater understanding of the potential drivers and barriers to modal shift to more sustainable mobility and the use of public transport.

End-user engagement: European acquis acknowledges that passengers are the weaker party to the transport contract. The Commission needs to make greater effort to connect with users' representatives and, where-ever possible, to ensure that end-users' representatives are encouraged to participate in policy development processes, as is currently the case with the Administrative Board of the ERA, the Commission's Rail Security Platform and the Rail Market Monitoring working group, amongst a number of similar engagements. It needs to accept that, as largely voluntary organisations seeking to represent diffuse publics, the costs of representation at European level is a heavy burden, yet without effective representation there

is a democratic deficit that needs to be addressed. The European Commission should make financial provision for this.

ⁱhttps://ec.europa.eu/transport/sites/transport/files/themes/strategies/doc/2011_white_paper/white-paper-illustrated-brochure_en.pdf

ⁱⁱhttps://ec.europa.eu/transport/sites/transport/files/staff_working_document_-_6th_rmms_report.pdf

ⁱⁱⁱThe European Commission reports as high-speed lines the lines or of sections of lines on which trains can go faster than 250 km/h at some point during the journey. However, high-speed lines could be interpreted more inclusively by counting also lines allowing speeds of at least 200 km/h (and not necessarily exclusively dedicated to high-speed). The TEN-T Guidelines, which are in line with the Directive 2008/57/EC ('the Interoperability Directive'), follow this more extended definition which results in a current total of 11 400 km.

^{iv}https://www.ec.europa.eu/Lists/ECADocuments/SR18_19/SR_HIGH_SPEED_RAIL_EN.pdf

^vhttps://ec.europa.eu/eurostat/statistics-explained/index.php/Air_transport_statistics#Progressive_growth_in_air_transport_of_passengers_in_the_course_of_2017. The ten top pairs were MAD-BCN, ORY-TLS, ORY-NCE, FCO-CTA, TXL-MUC, TXL-FRA, BCN-PMI, SKG-ATH, MAD-PMI, LHR-DUB, HAM-MUC.

^{vi}Regulation (EU) 1315/2013

^{vii}Impact assessment (SWD(2018)178, part 1 and 2, SWD(2018)179 (summary)) accompanying a Commission proposal for a regulation of the European Parliament and of the Council on streamlining measures for advancing the realisation of the Trans-European Transport Network (COM(2018)277)

^{viii}The Transport Commissioner declared 2018 'The Year of Multimodality' but no legislative proposals were introduced.

^{ix}<https://data.consilium.europa.eu/doc/document/ST-5953-2019-INIT/en/pdf>

^xhttps://ec.europa.eu/info/policies/consumers/consumer-protection/evidence-based-consumer-policy/market-monitoring_en

^{xi}<http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/survey/getsurveydetail/instruments/flash/surveykv/2172>

^{xii}Transport Focus, National Rail Passenger Satisfaction Survey, Autumn 2018

^{xiii}See, for example, Council Regulation 2299/89, replaced by Regulation 80/2009 on a Code of Conduct for Computerised Reservation Systems.

^{xiv}<https://ec.europa.eu/transport/sites/transport/files/2018-year-multimodality-external-costs-ce-delft-preliminary-results.pdf>

^{xv}Recital 71 of Directive 2012/34/EU acknowledges that railway infrastructure is a natural monopoly just as the passenger rights' acquis successively acknowledges that passengers are the weaker party to the transport contract and, implicitly, the imperfect nature of the transport market.