

FERROVIE DELLO STATO POSITION

A SUSTAINABLE FUTURE FOR TRASPORT: TOWARDS AN INTEGRATED, TECHNOLOGY LED AND USER FRIENDLY SYSTEM

COMMUNICATION FROM THE COMMISSION COM (2009) 279

1. Ferrovie dello Stato welcomes the European Commission Communication, as a useful basis to discuss the conditions of an efficient and competitive transport market. The Commission recognises that the targets of the 2001 White Paper have only been partially achieved. While some results have been formally reached in the field of intra-modal liberalisation, the other two main policies outlined in the White Paper have not been put into effect. In fact, adequate financing of railways (infrastructure and public service obligations) and fair inter-modal competition are problems still unsolved. The present document contains some specific remarks on the major policies outlined in the Communication mentioned.

Infrastructure development

2. Transport infrastructure is essential to achieve the objectives of the Lisbon agenda on growth and jobs, to support the single market development and to reduce transport impact on the environment. Taking into account the huge investment already mobilised by the European Union and by Member States, FS considers that the implementation of the existing unfinished TEN-T projects - in particular of the cross-border sections - and of the ERTMS system, should be one of the priority of the European Union for the next years.

3. In the current under-financing infrastructure framework (and considering the delay in the realisation of the TEN-T) providing dedicated infrastructures for both passenger and freight seems to be unsustainable.

4. According to the 2008 TEN-T Progress Report of the European Commission, one third of the investment – more than € 120 billion - will still be required after the current multi annual period which expires in 2013. Considering the expected infrastructure costs and the leverage effect, FS estimates expect an adequate EU



budget of € 20 billion, as proposed by the Commission for the 2007-2013 perspectives. A budgetary stimulus of € 20 billion would have a major impact on the EU GDP, estimated at about € 49 billion, contributing to the European Recovery Plan.

5. As underlined by the Commission in its green paper on the TEN-T policy review, the global development of transport and the growing importance of the extra-EU transport call for a strong support for co-modal transport. To this aim the European Union should support the link between the TEN-T priority projects and the major 25 European ports and Airports.

Sustainable transport funding

6. Transport accounts for 22.8% of the EU's CO₂ emissions with road and air responsible for most of this. The Commission should define an ambitious Transport and Climate Change package comparable to that in place for the energy and climate change policy. FS considers that a cap should be introduced on the global European transport emissions in order to move transport growth towards the most efficient and clean modes such as rails and maritime/inland water transport.

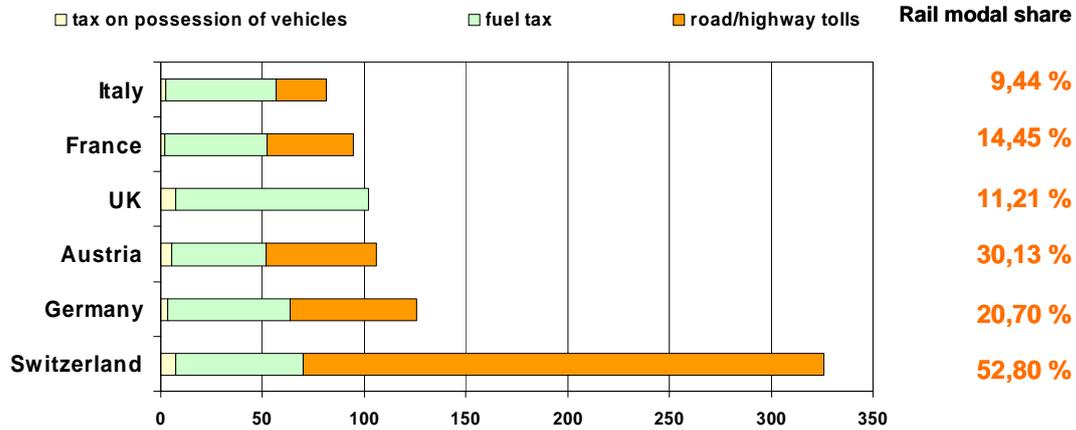
7. On July 8 2008, the European Commission adopted the Greening Transport Package, which includes a proposal to revise the Eurovignette Directive on charges for heavy-goods vehicles. The proposal is a first step to introduce the internalization of the external costs of road transport and represents a positive initiative.

8. FS thinks that the proposal should evolve to include the CO₂ emissions and the accidents in the scope of the external cost charges and promoting the earmarking of revenues from external cost charges to finance the TEN-T. CO₂ emissions saving are crucial for fighting climate change. In freight transport, every point of modal shift from road to rail transport can lead to a saving of more than 3.5 million tonnes of CO₂ a year.

9. Regarding road freight transport there are two categories of burdens charged to:
A) taxes (tax on possession of vehicles and fuel taxes);
B) road/highway tolls, based on different pricing models (related to the distance or time of use). There is a positive correlation between the burdens charged to road and the railway modal share (high burdens charged to road seems to have a positive effect on rail modal share, see figure 1).



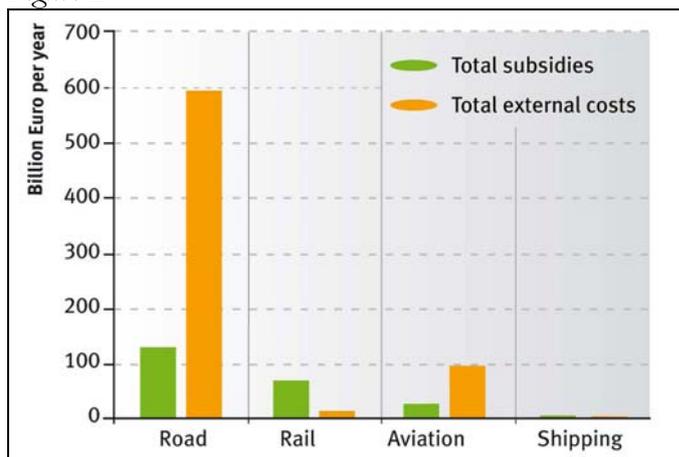
Figure 1



Source: ECMT DataBase_08

10. Subsidies policies are highly heterogeneous between transport modes and between countries. Road, notwithstanding its negative externalities on climate change and congestion, continues to absorb the biggest part of subsidies (see figure 2). For a sustainable transport funding it is therefore necessary to harmonize subsidies policy between railways and other modes of transport and among different Member States.

Figure 2



Source: European Environment Agency Report No 1/2007

11. The inadequate financial architecture has led to a worsening competitive position for railways in relation to other modes of transport leading to a vicious



circle of decline. The quality of the services provided and the competitive position are dependant on adequate financing.

12. Public Service Obligations must be properly compensated, including a reasonable profit. The current scenario shows a wide variety of situations at European level (under compensation or over compensation of PSO):

- some obligations are not explicitly included in public service contracts but railway undertakings sometimes continue to provide services to avoid political problems;
- in some countries losses are compensated through the allocation of commercial services revenues, while in other countries the overcompensation of public service finance some inefficiencies or brings extra profits;
- a recent study carried out in Italy¹ on the comparisons of public resources committed to regional transport highlights that in France and Germany they are higher than in Italy by 68% and 44% respectively;
- under financed railway undertakings suffer from chronically insufficient renewal of their rolling stock, and by consequence aren't in condition to offer quality services.

13. The public service contracts must reflect the reality of the financial situation. The European Union should enforce the provision foreseen in the EU legislation to have services financed in a proper way or to be reduced. At the same time uniform level of conditions at European level should be assured.

Technology and innovation

14. The Commission itself recognises the importance of adequate state aids rules in favour of investments in new technologies. This is a crucial point since the railway system does not have high revenues to guarantee those investments.

Some progress has already been made but, in order to assure the effective use of the European R&D funds a form of public demand for new technologies should be introduced by the Commission following the example of renewable energy sector. The governance at Commission level of technology research in transport should be reinforced.

Legislative framework and completion of the Single Market

¹ *Liberalizzazione e competizione: lo sviluppo delle infrastrutture e dei servizi ferroviari in Europa e in Italia, The European House-Ambrosetti, 2009.*



15. FS welcomes the Commission's opinion on the need of the completion of the single market. To this aim the further opening of the market should proceed together with the improvement of safety and interoperability.

Liberalisation

16. Railway transport is one of the few European sectors in which the single market has not been achieved. After the liberalisation of freight and of international passenger transport (from the 1st January 2010) it is essential to complete the process.

17. The national passenger transport has been already liberalized in Italy, Germany, United Kingdom, Sweden, Netherlands and Denmark. The scenario is not homogeneous and the current asymmetry has led to unfair competition between RU operating in open markets and RU enjoying monopoly in their own countries.

18. The Commission should propose the opening of the national transport markets which is the biggest share of the railway transport (representing about the 75% of the market in terms of economic value) from 1st January 2012 introducing reciprocity clauses for those Member States that open their market in advance. This is crucial to push all the players to enhance their efficiency and the level of their services.

19. Outside Europe, the most efficient Railway systems are based in liberalised markets. In the United States, since 1980 Staggers Rail Act – designing a model based on integrated railways and reduction of government regulation of services, routes, prices - freight railroad has operated in a highly-competitive environment. This new framework has produced improvements in terms of productivity and volume and reductions in term of accidents and fares (see figures 3, 4). Since USA rail reform, freight railroads have re-invested more than \$ 440 billion back into their operations².

Figure 3

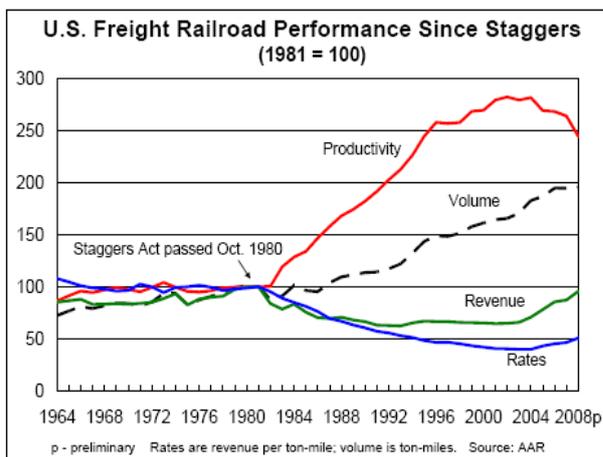
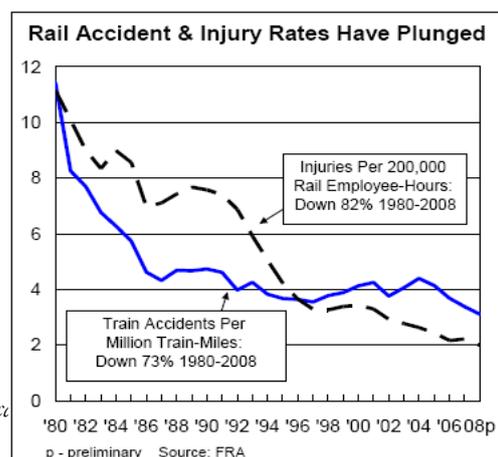


Figure 4





20. In Japan, railway reform has led to independent management from government and to privatisation. During this time railways have performed brilliantly: while service quality has greatly improved, the railway system has not received any subsidies and has paid a yearly average of 260 billion yen in taxes, fees and charges (before the reform JNR received 600 billion yen per year)³.

Safety and Interoperability

21. Further harmonisation is needed also in safety and interoperability legislation. European rules should promote an improvement in current rail safety standards.

22. FS supports a stronger role of the European Railway Agency (ERA) on all tasks related to the homologation and certification of rolling stock compliance with the Technical Standard for Interoperability (TSI). If done at ERA level, these activities could bring a better harmonisation and a cost reduction. Indeed ERA should have a stronger role in the coordination, supervision and audit of the National Safety Authorities. In the longer term, NSA should become, following the example of the Aviation sector, ERA's national branches. Practices and decision making regulations must be applied in coherence in all Europe.

23. Every liberalization process should be duly steered in order to avoid competition and cost containment that may bring to a deterioration of safety level. In this regard, FS supports a better definition of wagon maintenance and a better management of spare parts that should also include wagon mileage. The version of the Safety Directive approved in December 2008, states that the entity in charge of wagon maintenance may be a railway undertaking, an infrastructure manager or a wagon keeper. Due to the frequent change of ownership, it is more reasonable and safe to assign maintenance responsibilities and the consequent liability to the wagon owner.

Governance and Urban Transport

24. FS fully concurs with the opinion of the Commission that increasing urbanisation will imply significant impacts on mobility needs and patterns. However, FS believes that the issue deserves a harder hitting message, outlining that the “greater need for individual transport modes” should be properly dealt with by

³ *The Break-up and privatisation of Japan National Railways and management reforms at JR East, Yoshio Ishida, CER Essay Series, December 2007*



an adequate planning of urban mobility which should provide opportunities to promote a major development of environmentally-friendly collective modes of transport.

25. Most European cities suffer from urban rail infrastructure under-investment that has led to major limitations on the capacity for rail to increase its share of the urban passenger task..

26. Also if, as recognised by the Commission itself, the role of the EU in the regulation of urban transport is limited because of subsidiarity reasons, in order to reverse such a situation, EU should clearly encourage the adoption of combined investment and congestion pricing schemes on an urban and regional scale. The integrated adoption of supply-side and demand-side measures should allow for the extension of urban and sub urban rail (light rail) networks and for a more intensive use of such networks.