



The voice
of the
private rail
freight market

Communication from the Commission

A sustainable future for transport: towards an integrated, technology-led and user friendly system. COM (2009)279 – 17 June, 2009

Response from House of Rail

29 September 2009

House of Rail

1. The House of Rail (HoR) would like to comment on the European Commission's Communication 'A Sustainable Future for Transport'.
2. The House of Rail is the Europe-wide grouping of the private sector of rail freight comprising customers, shippers, forwarders, logistics companies, independent train and terminal operators and wagon leasing companies. Its members responding to this consultation are ERFA, UIP, IBS and CRE.
3. The HoR welcomes the Commission's Communication but has a number of concerns about the proposed policies which it sets out below.
4. HoR responds to the various chapters as follows, with paragraph references in the Communication in ().

European Transport Policy in the first decade of the 21st Century (2)

5. The European Commission proposes to prepare, following this publication and responses to it, a white book on transport policy for the period 2010 – 2020, which will be presented next year. As structural changes in transport policy take many years to implement, it plans the White Book to look towards 2060.
6. In view of the current EU transport strategy oriented to the target year 2010 the Commission sees progress in realising the Trans European Network (TEN-T), the reduction of air and maritime pollution, the decrease of victims of traffic accidents, the strengthening of passenger rights and the improvement of working conditions in the transport sector.
7. The Commission is not satisfied with the development of energy consumption, the growth rate of greenhouse gas emissions in transport and the limited progress in shifting transport to more efficient modes. In its opinion a certain rebalancing has taken place and the relative decline of rail transport appears to have stopped. On the other

hand, the Commission also sees no signs of a decoupling of freight transport from GDP, a policy which was one of the objectives of the 2001 White Paper.

Comments of the House of Rail

8. The HoR partners are pleased that the Commission has recognised that the European transport system is still not on a sustainable path **(7)** but regret that measures to redress this serious issue are not better developed in this document.
9. As the Commission indicates, moving to a low carbon transport system is probably the most important challenge over the next 10 years. It is regrettable that the Commission makes very little reference to rail freight as a solution to the need to reduce carbon dioxide emissions, given that rail freight's emissions are around 4 times less than that of road freight per tonne moved.
10. In general the Communication is lacking in a clear strategy to reduce the environmental effects coming from the transport sector. There is no indication of how transport should contribute to the politically decided reduction of CO₂ emissions at 20% by 2020.
11. The HoR is also surprised that the Commission claims that 'market opening has generally led to more efficiency and lower costs' **(8)** without reference to the major exception to this statement – rail freight. It may well be that, in other sectors, there is becoming an integrated transport market, but the failure of the Commission and member states to introduce effective competition, transparency and level playing fields in the rail freight sector is also one of the reasons for the failure of the transport sector to improve its sustainability. In this context, HoR is warning against the recent efforts of remonopolisation by some big state railways.
12. Other important challenges include improving transport productivity, through reduced congestion and improved reliability of transport links. A greater use of rail freight can again make a significant contribution in these areas.
13. Tactically, there remain significant challenges in ensuring that a free and open market for rail freight exists across Europe. Full compliance with the first and subsequent railway packages is a precursor to this. HoR also strongly supports the need for a recast of the First Package to clarify and strengthen key areas, in particular the role of the independent regulators, access to facilities and services and clarity of charging.
14. Social issues **(14)** have also been improved across modes, but unfortunately the Commission and member states have failed to implement policies which are fair and consistent between modes. There continues to be no justification for international train drivers to be restricted to one night away from home whilst international truck drivers receive no such benefits. This is not only anti-competitive between modes but also unfair on the private rail freight operators seeking to bring competition to the sector.

Trends and challenges (3)

15. HoR agrees broadly with the overall challenges listed. For freight, globalisation and urbanisation are likely to make the greatest impact on supply chains and distribution patterns.

16. However, whilst agreeing with the Commission that transport has a key role in reducing greenhouse gas emission by 20% with respect to 1990 **(25)**, the changes necessary to achieve this will include very significant changes to lifestyle and supply chains; this is insufficiently recognised in the EC document. HoR agrees that ‘an inversion of some of the trends will be necessary’ but believe that the amount of change needs more detailing.
17. HoR welcomes the information that, according to the 2008 TERM Report of the European Environment Agency, many Europeans still remain exposed to dangerously high levels of air pollution **(26)**. Again, this is a major argument in favour of rail freight.

Policy objectives for sustainable transport (4)

18. Overall, HoR is of the opinion that the Commission should principally consider policy options that enable the free market to operate. This includes full liberalisation, and ensuring charging mechanisms which recognise the full costs of each mode.
19. There should be more use of fiscal signals to encourage use of low carbon transport modes. For example, extension of carbon trading schemes, if fairly applied to all modes, could incentivise a greater use of low carbon modes. It is difficult to understand why road and maritime transport are not covered.
20. Whilst not disagreeing with the opinions expressed in **(38)** about the ‘most immediate priorities’, one must surely be the completion and enforcement of the First Railway Package as well as a comprehensive recast, so that rail and freight in particular can play a full part in the future sustainable transport needs of the EU.
21. Similarly, the need for ‘an intelligent and integrated logistics system to become a reality’ will not happen unless there is a fully liberalised and competitive rail freight market to play its part. **(46)**.
22. In paragraphs **(48)** and **(49)**, whilst supporting the need to move towards more environmentally sustainable transport, the Commission must again address the failure of to introduce liberalisation to the rail freight sector and its consequent failure to grow and therefore contribute effectively to sustainability.

Quality Transport which is safe and secure:

23. Measures to improve safety and security should not create a distortion between modes. Road transport is generally more difficult to regulate than rail but this should not mean that rail is subject to more onerous requirements.
24. HoR notes that contested topics of the EU transport policy have been avoided. Unfortunately, in the framework of road safety **(41)** the Commission does not take position on the current discussion about the authorization of 25-m-lorries (Gigaliners), although this question has considerable and long term consequences for the transport policy, such as competition between transport modes, road safety and the extension of infrastructure. The introduction of gigaliners on any road infrastructure in the EU requires large-scale investments into road infrastructure to strengthen enlarge or adapt roads, bridges, tunnels, crossings, etc. The study on the “Effects of adapting the rules on weights and dimensions of heavy commercial vehicles as established within

Directive 96/53/EC on January 2009" itself states that the individual LHV is more unsafe and more polluting than a regular truck and investments in maintenance and bridges are higher.

A Well Maintained and Fully Integrated Network:

25. HoR agrees that there is a lack of integration between modes and particularly between member states. This is an area where direct intervention on specific issues by the Commission could yield results – for example in resolving long running issues regarding cross border freight services.
26. Measures to integrate freight services must recognise that the logistics market and their customers are best placed to decide optimum supply chains and service patterns, and that these will change over time. Rigid solutions, and those tied to single ports / terminals / operators are unlikely to remain successful. The Commission will also wish to review whether, with the ongoing consolidation of rail freight operators by state owned incumbents, there is sufficient choice in the sector and, in the process, look more closely at increasing dominant positions of some operators in the sector.

More Environmentally Sustainable Transport.

27. HoR supports this policy objective as set out above. Measures to improve the carbon efficiency of rail should also be covered by research programmes.

Transport Services and Technologies

28. Clearly, technology has a vital role to play in the development of transport systems. However, it is questionable whether European wide systems are currently delivering as expected, and mandatory solutions provided by a single supplier are problematic. Technological solutions should therefore perhaps have a greater focus on specification, demonstration models and minimum mandatory requirements rather than on specific solutions. Additional costs should be minimised.

Human Capital

29. HoR broadly supports this objective, but the Commission must ensure that different standards applying to different modes of transport, and a failure to enforce them, does not unduly and adversely affect the competitive position of modes.

Smart Prices as Traffic Signals

30. HoR supports measures to ensure that each mode pays for its full costs in order to ensure an equal and fair competition. This is particularly important in addressing modal shift, or in assessing the impacts of possible measures such as longer heavier lorries. Assessment of externalities also needs to consider the extent to which existing legislation is complied with, as well as for consistency between member states.
31. Where measures, such as carbon trading schemes, are introduced it will be important to do so in a fair manner between modes. For example, if rail freight is to be included, then road freight must also be.

32. Land use planning issues are a key constraint for rail freight. Once valuable land resources are used for housing and leisure, there is little or no chance of rail freight facilities being built proximate to the point of consumption. Such facilities therefore need to be planned appropriately and assisted through the planning process at national or European level. The HoR refers to its conclusions made on the occasion of its conference on sidings/last miles (November 2008) and recommends strongly to develop a European sidings/last miles approach taking into account availability and non-discriminatory access to the infrastructure of the last miles.

Policies for sustainable transport (5)

33. To date, the Commission's role has been principally that of policy development and legislation. There is now strong evidence that, notwithstanding that all member states signed up to the railways legislation, their failure to implement this legislation in a proper manner is now a serious impediment to growth. There is therefore an increasing need to strengthen the EC's enforcement role in the transport sector, and to address areas where current policy is failing to be implemented effectively or to deliver. Similarly, the Commission must take action to ensure better harmonisation of charges and methodologies within modes and across the EU.

34. HoR welcomes the emphasis on creation of logistics centres **(63)** without which effective, efficient and sustainable freight transport cannot operate.

35. HoR also supports the importance of common methodologies **(65)** for appraisal of projects, not just across modes but across different member states. This should also lead to common corridor management across member states, as well as common methodology of charging costs on different modes and for different traffics. Again, these should be harmonised across member states and across modes, reflecting the full internal and external costs **(72)**.

36. In specific areas:

Infrastructure

37. HoR recognises the increasing shortage of public funding. The increasing need of investment in the transport sector requires therefore to finance the construction and maintenance of infrastructure by user charges.

38. In addition the improvement of infrastructure provision does not in all cases require major investment. Small schemes, and optimised use of the network can deliver capacity at small or minimal cost. There are cross border issues to be addressed for example in the planning of engineering work and the removal of legal and technical barriers which prevent some operators from providing such services.

39. HoR is not convinced about the relevance of 'green corridors' **(64)**. Whereas congestion and environmental pollution may be caused by bottlenecks, solutions cannot necessarily be found just at the bottleneck concerned and are much more likely to require transferring to more environmentally friendly modes as rail.

Funding

40. As above, HoR supports moves to ensure each mode pays the full costs it incurs. Even so, it is likely that public funds will still pay the majority of the infrastructure costs. It is therefore ever more important that the Commission takes a clear view on the use of state funds and state aids, and ensures that there is clarity on how such funds are used.

Technology

41. HoR agrees that standard setting and R&D are appropriate approaches to technology development.
42. The development of a uniform EU wide set of open standards **(78)** for the transport sector is appropriate, as it makes possible a trans-frontier use of the transport network. A coordinated drafting of standards may sometimes hinder the development of better alternatives but basic standards which are valid EU wide create security of planning and improve the environment for further innovation.
43. HoR sees critically support of R&D expenditures towards certain technologies in the transport sector, such as “the European Green Cars Initiative” **(79)**. Should these technologies have a commercial future private investors will recognize their potential. Besides, there is a risk of distortion of competition to the detriment of non subsidized technology developments.

Legislative Framework

44. HoR strongly supports full liberalisation **(80)** and **(81)**. This is critical to the success of rail freight. The legislative framework **(80)** has not ‘proved successful’ in the rail freight sector, largely due to the fact that some member states fail to implement EU legislation properly. The regulatory framework **(82)** on the railways is only effective in a very few member states, and needs strengthening to a more consistent and comprehensive structure Europe-wide. The private sector will invest in rail freight where it has confidence that it will be able to operate in a fair business environment without undue interference or treatment from state-owned entities, and with the ability to appeal to an independent regulator who has the powers to enforce decisions.
45. However, in **(83)**, HoR notes that experience to date suggests that infrastructure and services owned and funded by public authorities is less likely to have achieved full compliance than that in the private sector. In particular, the widespread failure of member states to separate infrastructure operation from train operation frequently results in the latter restricting access to facilities by third parties, in spite of these facilities being built using public funds in the past.
46. HoR is not convinced that transnational infrastructure managers are necessary but co-ordinated plans for engineering work and infrastructure development should of course be progressed across frontiers.
47. HoR would like in this context to stress the problem of access charges which in case of integrated services are distorting competition with new entrants.

External Dimension

48. HoR agrees that the international perspective is important to the development of European policy particularly in the context of international supply chains. However, policies must be sufficiently flexible to respond whatever the international impacts are, or how frequently they change.

Conclusions

In the opinion of the HoR, the objectives of the 2001 White Paper have only been realised to a limited extent in the rail freight sector. A noticeable modal shift to rail as announced as necessary has not taken place. The failure of the Commission and member states to introduce effective competition, transparency and level playing fields has prevented the sector from improving its sustainability.

Unfortunately, the measures listed in the Communication COM(2009) 279 final to redress this unsatisfactory situation are not sufficiently developed.

In particular:

- the communication is lacking a clear strategy to reduce the environmental effects coming from the transport sector. There should be more fiscal signals to encourage low carbon transport modes. It is not obvious from the Communication how the upward trend in transport emissions, especially in the transport mode with the highest emissions level – road – will be reversed.
- Significant challenges remain in ensuring that a free and open market for rail freight exists across Europe.
- Commission and Member States have failed to implement policies which are fair and consistent between the transport modes including charging mechanisms which recognise the full costs of each mode.
- Contested topics of EU transport policy like “Gigaliners” should not be avoided.
- Land use planning issues are a key constraint for rail freight. A European sidings/last miles approach should be developed taking into account availability and non-discriminatory access to the infrastructure of the last miles.
- Full liberalisation is critical to the success of rail freight. It should be kept in mind that the regulatory framework on the railways is only effective in a very few member States and needs strengthening to a more consistent and comprehensive structure Europe-wide.
- The private sector will only invest in rail freight if it has confidence that it will be able to operate in a fair business environment.
