Follow up input of CER, EIM, UNIFE to the TelCo with EC Executive Vice President Frans Timmermans on 14 May 2020

Rail projects to help the recovery of the EU economy

All participants to the TelCo appreciated greatly the opportunity of such an important exchange with Executive Vice President Timmermans.

The European rail sector is ready to participate in the recovery of the EU economy, by committing to invest to projects that are sustainable, that can contribute to job creation (by fostering especially European rail suppliers), and that can be executed within a short-term horizon. This investment has a "double booster" effect by contributing to both, the revitalization of the EU economy as well as climate protection, since strengthening the railways is also a core element of the EU Green Deal.

The participants reassure Executive Vice President Timmermans that a wide variety of projects can employ those additional resources that the Union will decide to budget via the MFF or any other ad hoc instrument: rail infrastructure projects (for passenger and freight, national and cross-border, conventional as well as high-speed lines), rail rolling stock projects as well as all projects related to automation and digitization of the rail system.

Among others and in particular:

- Additional support of major **infrastructure projects on TEN-T-Corridors** to reduce bottlenecks and foster international traffic flows is necessary if the Green Deal is to be a success. In this context, an even better rail connection of the ports to the European axes should be supported by the EU Recovery Fund. **Construction of new lines as well as the upgrade of existing ones** must be accelerated to complete missing links, create capacity for modal shift (especially as alternative to intra-EU 800-1000 km flights);
- Projects for further **electrification of the European network** are to be funded or - where not feasible - investments in roll-out projects with battery and hydrogen rolling stock;
- Deploying **ERTMS** (European Rail Traffic Management System) is needed to make the European rail network truly interoperable and increase the capacity of the network while ensuring maximal safety;
- Scrapping schemes for **rolling stock renewal** will increase in particular the quality of passenger services; funds should be made available to in invest in new interoperable long-distance train coaches, **including night trains**;
- Boosting **Digital Automatic Coupling** technologies can be the basis for a revolution of rail freight as well for solving capacity challenges of rail infrastructures. This is directly linked to automated train operations and therefore to improved end-to-end rail-based transport solutions;
- Upgrades of **rail stations** (specifically platforms including a PRM access) would be another area where funds are needed and short-term positive economic effects would be achieved.

Participants also insisted on the strong commitment of the rail sector to continue to innovate & maintain its global technological leadership if the Commission accepts to grant ambitious EU funding for "Shift2Rail 2" under Horizon Europe. Both publicly and privately-owned companies should be enabled to participate in Shift2Rail 2.

Suggestions for legislative relief measures

The participating CEOs put forward as well suggestions for legislative relief measures, to help the sector economics move forward, save jobs and create new ones.

i) The **new MFF proposal** should incorporate the proposal of the European Parliament on the past Commission MFF proposal, which adds 5 bn to the CEF envelope. With it, **co-funding rates** must be revised and set at a higher level. Access to funds should be made possible for both **larger and smaller companies**.

ii) The announced **Recovery Fund** – which shall be approved in the weeks to come by the European Council – is likely to be a mix of grants and loan guarantee instruments for many sectors of the EU economy. However, certain economic sectors are less able than others to attract private money, due to longer returns on the investments and regulatory uncertainty. Therefore, **to finance rail projects the use of grants should certainly be preferred** to any loan guarantee instruments.

iii) Ensure best value for money principle for EU-funded projects by encouraging the use of the **Most Economically Advantageous Tender (MEAT) principle** and promoting EU localisation requirements in Public Procurement. An approach based on the best price-quality ratio over the lifetime of the products and services will indeed ensure that EU public money is spent in the most efficient way.

iv) On March 19, the Commission adopted a new State aid Temporary Framework to support the economy in the context of the coronavirus outbreak, based on Article 107(3)(b) of the Treaty on the Functioning of the European Union. On the same bases **EU aid instruments should be designed** along or within the Recovery Fund to allow EU direct support to sectors and subsectors in need, such as for example rail freight single wagon load.

v) The deadline for spending current **CEF** money and **European funds** within the cohesion policy should be extended from 2023 to 2024.

vi) Support for **night train operations** in Europe is needed with an *ad hoc* funding scheme, at least for the implementation phase of new routes.

vii) Member States should make the best possible use of the State aid Temporary Framework also to **provide rail undertakings affected by the crisis adequate support**. **Temporarily waiving of rail infrastructure track access charges** (in total or in part, by for example waiving TAC mark-ups and/or path cancellation charges and/or parking charges or by deferring TAC payments) **can be considered as last resource and only if full compensation for the loss incurred by the infrastructure managers is explicitly guaranteed**. The so-called 'investment recovery charge' (article 32 par. 3 Directive 2012/34) should never be waived, since this will undoubtedly endanger the financial stability of private infrastructure managers. [Ref. Directive 2012/34]

viii) Measures should be designed so to temporarily allow the **fast establishment of new Public Service Contracts** when necessary to provide for essential services to citizens and a recommendation for competent authorities to consider - in coordination with the relevant public and private operators of public services - a temporary adaption of the existing public service contracts and, if necessary, the public service compensation. [Ref. Regulation 1370/2007]

ix) **Demand stimulus measures for rail customers** (passengers and freight), for instance through tax incentives, such as a 'mobility premium' that incentivises consumers to switch to sustainable transport modes, e.g. to purchase public-transport season ticket.

x) A revision of the interpretative guideline on **passenger rights** to ensure an immediate relief for those rail companies struggling to balance at the same time increased exposure to reimbursement requests with no revenues in new ticket sales. In particular, a recommendation to National Enforcement Bodies is needed to suggest that travel vouchers valid for at least 12 months are to be considered a valid although temporary alternative to immediate refunds. [Ref. Regulation 1371/2007 and Communication C(2020) 1830]

xi) Further action at EU level could be aimed at encouraging Member States to help **flattening commuter travel in peak vs off-peak hours** for example with guidance on flexible working time provisions to be foreseen for all European workers. A more even passenger volume profile would obviously help public transport companies to avoid crowded trains in peak hours and nearly empty trains in off-peak hours, thus limiting rolling stock and staff needs, which are geared to peak hours.

xii) **Financial Aid for Renewable Energy used for Rail** - The Renewable Energy Directive ((EU) 2018/2001) and the EC's Guidelines on State Aid for Environmental Protection and energy should be revised to allow member states to financially support renewables (e.g. photovoltaic and wind power) that directly supply electricity to railways (i.e. sector integration power-to-mobility). Currently subsidies are intended only for electricity that goes into the electricity market.

xiii) **Funding of Alternative Drives and Sector Integration Technologies** - Alternative drives (e.g. battery operated, fuel cells) and infrastructure (e.g. sector integration by hydrogen electrolysis) will be crucial to decarbonize railway lines. A consistent funding strategy at all Technology Readiness Levels would ensure the successful market integration of these new technologies (e.g. through Horizon Europe, European Innovation Funds, IPCEI, state aid). Additionally, legal and technical standards should be harmonized across the EU.

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EIM, the association of European Rail Infrastructure Managers, was established in 2002 to promote the interests and views of the independent Infrastructure Managers in Europe, following liberalisation of the railway market. It also provides technical expertise to the appropriate European bodies such as the European Union Agency for Railways. EIM's primary goal is promoting growth of rail traffic and the development of an open, sustainable, efficient and customer orientated rail network in Europe.

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UNIFE represents the European Rail Supply Industry in Brussels since 1992. The Association gathers over 100 of Europe's leading large and medium-sized rail supply companies active in the design, manufacture, maintenance and refurbishment of rail transport systems, subsystems and related equipment. UNIFE also brings together 14 national rail industry associations of European countries. UNIFE members have an 84% market share in Europe and supply 46% of the worldwide production of rail equipment and services. For more information, visit www.unife.org or follow @unife on Twitter.