

## **The Luxembourg Protocol and the 4th EU Railway Package: travelling in the same direction**

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*Responsible traffic.  
Courage and co-operation.*

# EU White Paper 2011 – The Transport 2050 Roadmap

- **Single European Transport Area** - a competitive transport system that will increase mobility and at the same time dramatically reduce Europe's dependence on imported oil and cut carbon emissions in transport.
- The ten overarching strategic goals set out by the White Paper are ambitious from the point of view of European railways.
- The priority set out in the White Paper is the establishment of the **Single European Railway Area (SERA)**.
  - >To bring more efficiency to the railway sector eliminating the importance of national borders thus increasing integration of the railway system.

# Strategic goals concerning railways

- Modal shift - By 2050 more than 50% of medium distance (more than 300 kms) freight journeys should be shifted from road to rail and waterborne transport. The same goal for 2030 is 30%.
- For rail passenger traffic, the White Paper sets out a goal to triple the length of the existing European high-speed rail network by 2030. This network should be completed by 2050.
- The White Paper also sets out a goal to maintain a dense railway network in all Member States.
- As well as having the majority of the medium-distance passenger transport on rail by 2050.
- Furthermore, all core network airports should be connected to the rail network, preferably to the high-speed rail network, and all core seaports should be sufficiently connected to the rail freight.

# The key challenge

- The key challenge, identified in the White Paper, is to ensure **structural change** which enables rail to compete effectively with other transport modes but also take a significantly greater proportion of medium and long distance transport of both freight and passengers.
- The challenge would be overcome with
  - > **considerable investment to expand or to upgrade the capacity of the rail network and**
  - > **gradual investment into a new rolling stock.**

# Where do we stand today?

- Mid-term review of the 2011 White Paper in 2016.
- Public consultation was organised March-June 2015.
- The European Parliament has on its own initiative drafted a report on the implementation of the 2011 Transport White Paper:
  - > reiterates its support for the goals set out in the White Paper;
  - > urges the Commission to propose measures and initiatives to increase, speed up and streamline the efforts to meet the goals of the White Paper;
  - > states that all modes of transport must be optimised and become more environmentally friendly, safe and energy-efficient;
  - > calls out co-modality in which various transport modes are used effectively and the most energy-efficient and sustainable transport mode should be prioritised where possible.
- The EU Transport Council policy debate on 8 October 2015 - The need to invest in infrastructure was confirmed as a top priority.

# Single European Railway Area

- The Single European Railway Area was established by the recast of the first railway package with the directive 2012/34/EU (the so-called SERA-directive).
- The key provisions of the SERA-directive strengthen the powers of the national rail regulatory bodies, ensure a fairer access to rail infrastructure and rail-related services as well as provide for more uniform approach to track access charging etc.
- **The 4th Railway Package**, adopted by the European Commission in January 2013, **is the most significant step towards the Single European Railway Area** as it completes the work started out with the SERA-directive.



# Focus of the 4th Railway Package

- There are four key areas of the Commission's original proposals:
  - 1.** The efficiency of the safety certification and vehicle authorisation processes is enhanced at the same time ensuring that those are recognised on a non-discriminatory basis across the EU making the European Railway Agency a "one stop shop".
  - 2.** Vertical integration and the need to separate the functions of managing the rail infrastructure and effective rail operations.
  - 3.** The completion of the liberalisation in the passenger traffic (domestic passenger traffic).
  - 4.** The protection of staff when public service contracts are transferred.

# Persisting problems of the European railways

- The persisting problems of the European railways are all addressed by the Commission's original proposals:
  - low level of competition;
  - remaining market distortions and suboptimal structures resulting to low efficiency and quality of some rail services;
  - long and costly administrative procedures;
  - barriers for entry for new market entrants as well as
  - different market access rules in different EU Member States.



# 4th Package – Where are we today?

- **The technical pillar** have been approved by the EU Transport Council on 10 December 2015
  - waiting for European Parliament's formal approval at second reading.
- **The governance and market opening pillar** is discussed in the informal trilogue negotiations. The texts negotiated in the Council working group were adopted at a meeting of the EU Transport Council on 8 October 2015.



# Railway Rolling Stock Financing in Europe

- Early 2016 a study on European railway rolling stock financing was published (Roland Berger for the Rail Working Group).
- According to the study, private financing accounts only for 12 % (EUR 1.68 bn) of European railway rolling stock order volume. Of 370 projects studied 67 (18%) are related to private financing either to full extent or partly in Joint Ventures.
- The clear correlation between the liberalisation of market segments and the extent of private financing.
  - Highest degree of private financing can be observed in the two market segments with the highest share of liberalisation i.e. short-distance passenger transport (multiple units) and freight transport (locomotives and wagons). Public financing is inversely low in segments that are still dominated by state-owned railway undertakings or public transport companies i.e. high speed traffic and urban transport.

- The policy and legislative choices have raised two predominant needs:
  - 1.** the investment in the existing and new railway infrastructure and
  - 2.** the investment in the railway rolling stock be it for the purposes of updating the existing rolling stock or for the purposes of accessing to the rail market as a new operator.
- Market liberalisation implicates the need to ensure fair and balanced access to the market and different operations. Access to suitable railway rolling stock is one of the barriers the market newcomers need to overcome. As liberalisation brings greater competition, the needs for private financing will be growing -> private financing essential for newcomers.

# Conclusions II

- The Luxembourg Protocol establishes a legal infrastructure together with the Cape Town Convention to enable private financing to be more available and at lower cost.
- It is a tool that could play an important role in attiring private financing for European rolling stock market as it provides more security for creditors.
- Growing private financing for railway rolling stock would also release the Member States from this role and the often limited public resources could be used for much needed infrastructure investments.





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