ERFA MANIFESTO

DELIVERING FOR RAIL FREIGHT: 2024-2029

EUROPEAN RAIL FREIGHT ASSOCIATION

WHAT IS ERFA?

The European Rail Freight Association (ERFA) is the voice of private and independent rail freight companies in the EU.

Founded in 2002 at the beginning of the opening of the rail freight market, ERFA promotes the interests of its 25 members consisting of national associations, railway undertakings, terminal operators and wagonkeepers from across the EU and Switzerland.

ERFA members share a commitment to work towards a non-discriminatory, competitive and innovative Single European Railway Area.

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ROLE OF CHALLENGERS

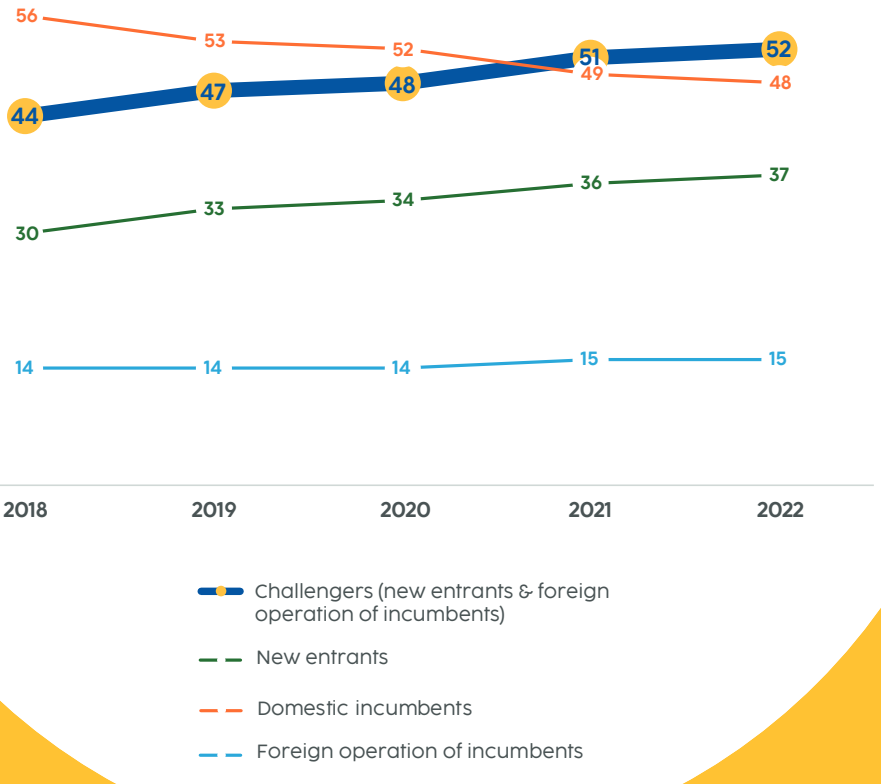
Rail freight **challengers** – both new entrants and foreign operation of incumbents – are the **driving force in the most dynamic parts of the market**. They are especially strong in dynamic segments of the markets like intermodal transport. Challengers are also a driving force behind efficiency improvements and innovations. Public support should reflect the new diversity of the market.

Up to 700

Number of active freight undertakings in the EU

Market share (% of net tkm) on the rail freight market (2018-2022)

Source: IRG 12th Annual Market Monitoring Report



RAIL FREIGHT AS BACKBONE OF EUROPEAN LOGISTICS

Rail freight is essential to European industrial policy. It is a **key enabler to allow growth in European industries**, by allowing efficiency in logistics, mass transit of a wide array of goods along medium and long distance, with a strong focus on cross-border transportation. Every day, rail freight links European industries to other companies, ports, intermodal terminals and customers.

52

Truck loads that can be moved by one single 740m freight train

376,2 bn

Tonne per kilometre transported by rail freight in the EU in 2023

898

Number of rail-intermodal terminals in the EU and Switzerland

53,3%

Market share of rail freight for Hamburg port's hinterland traffic

RAIL FREIGHT'S GREEN CREDENTIALS

Rail freight is **the most sustainable form of motorised land transport for moving goods**. Thanks to low friction, locomotives mostly running with electricity, and a dense network, rail freight generates much less emissions, pollution, external costs and consumes much less space than its competitors. It is also a safe mode of transportation that enables the movement of trucks from congested roads and highways to the rail network. Thanks to the electrification of the network and the fleet, as well as the modernisation of locomotives, rail is also the only mode of transport that has significantly reduced its emissions over the last decades (-66% since 1990).

IN COMPARISON TO A ROAD JOURNEY, TRANSPORTING GOODS ON RAIL GENERATES…

6X less
ENERGY CONSUMPTION

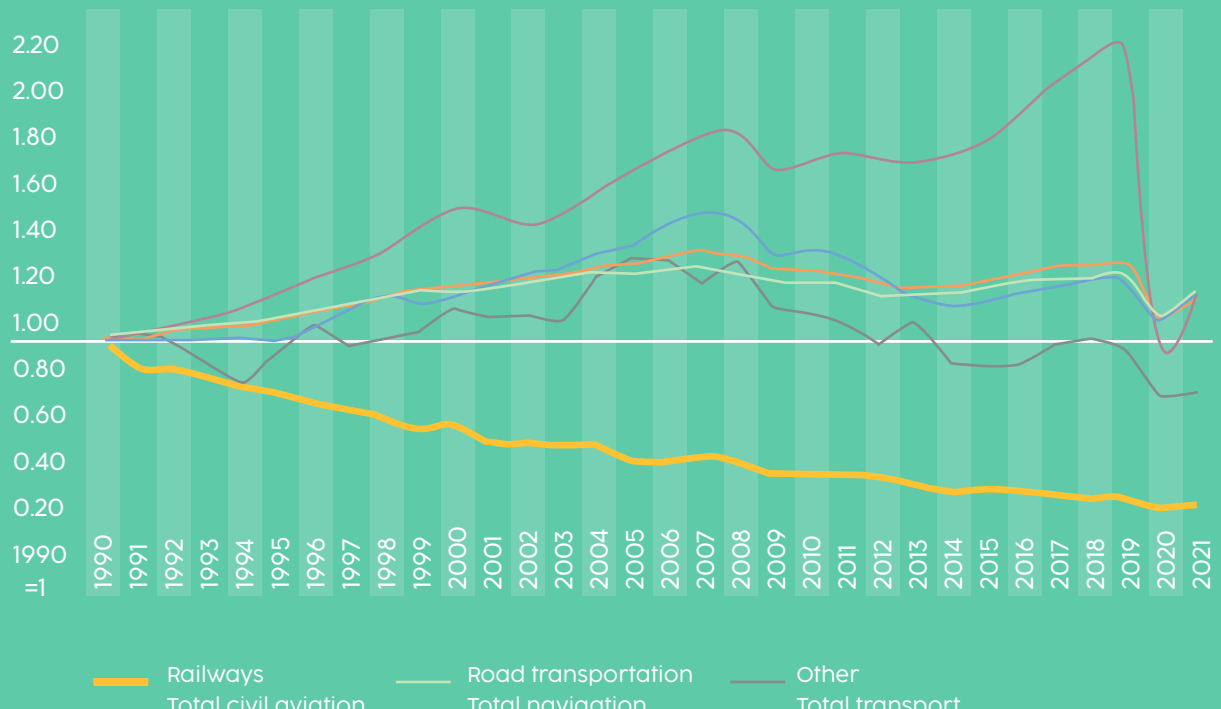
9X less
CO_2 EMISSIONS

8X less
AIR POLLUTION

12X less
EXTERNAL COSTS TO SOCIETY

GHG emissions from transport – EU27

By mode (million tonnes CO_2 equivalent)



THE COMPLEXITY OF RAIL OPERATIONS IN THE EU

CURRENT INFRASTRUCTURE IS UNDERPERFORMING

40%

Core Network Corridors not equipped with GSM-R

4488 km

Length of congested lines along Rail Freight Corridors

40

Number of German freight corridors to be closed for renovation for several months by 2030

56%

Electrification rate of the rail network

NATIONAL SPECIFICATIONS AND PROCEDURES ARE STILL DOMINANT

821

Number of national rules remaining for vehicle authorisation

14%

Core Network Corridors equipped with ERTMS

2 out of 10

Number of TAF TSI functions implemented by at least 65% of RUs, IMs and wagonkeepers

B1

Linguistic requirements in the national language of the countries where train driver operates

CROSS-BORDER TRAFFIC IS CUMBERSOME, ESPECIALLY IN COMPARISON TO ROAD SECTOR

1 hour

Average delay for freight trains at main EU cross-border sections

17%

Market share of rail freight in land transport (75% for road transport)

50%

Average exit punctuality on Rhine-Alpine Corridor (30' threshold)

18 km/h

Average speed of most international freight trains


MEDWAY


HUPAC

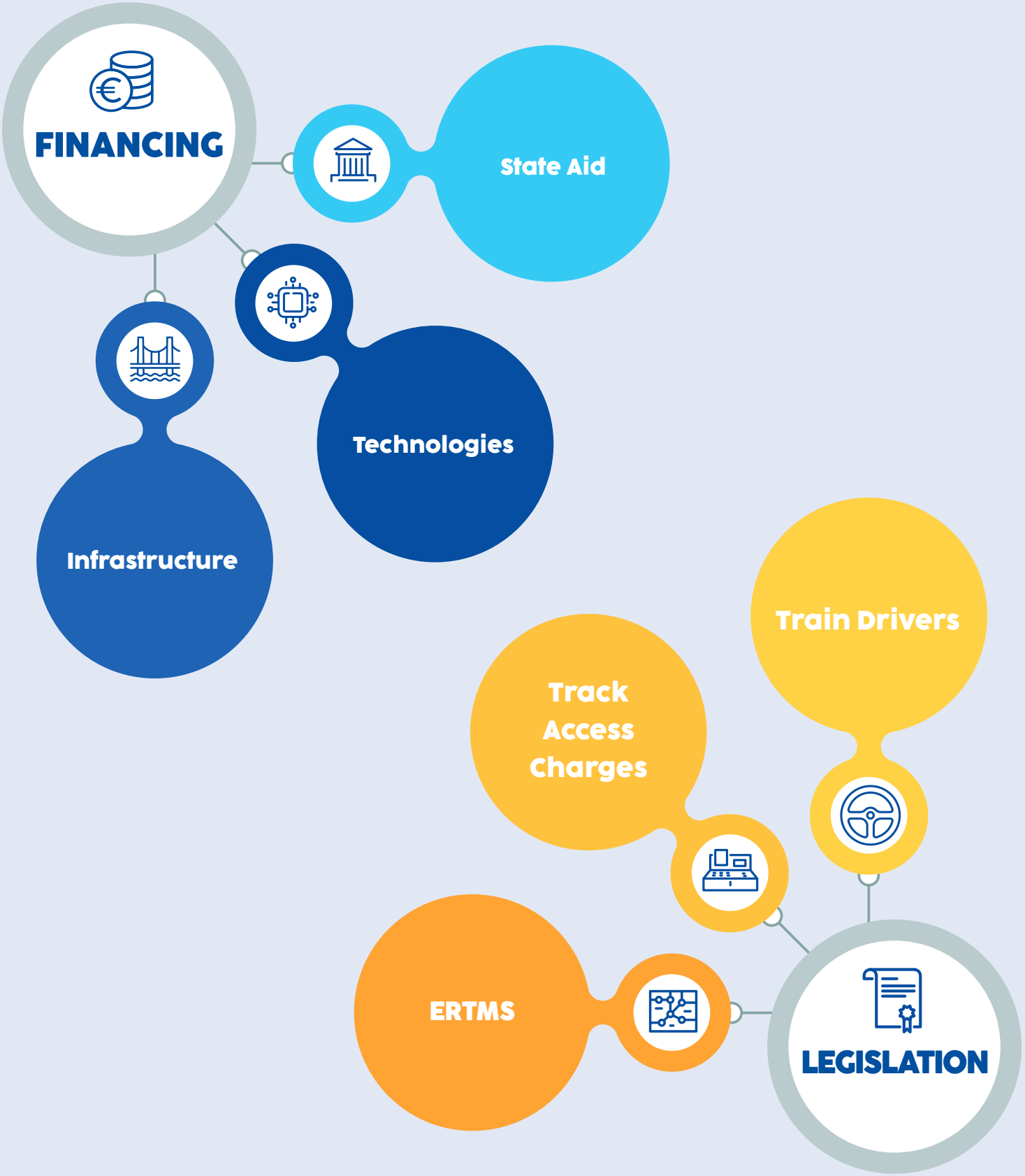
ERFA PRIORITIES FOR RAIL FREIGHT

FIXING INFRASTRUCTURE

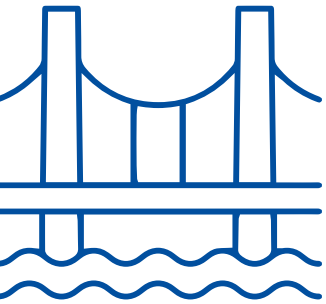
ACHIEVING THE SINGLE EUROPEAN RAILWAY AREA

IMPROVING RAIL FREIGHT'S COMPETITIVENESS

ERFA TOPICS FOR RAIL FREIGHT



FINANCING



INFRASTRUCTURE

CONTEXT

As most of the EU rail network is shared between passenger and freight traffic, **capacity is scarce** near key urban nodes and along most main axes, forming bottlenecks. Intense works are ongoing on the network, bringing substantial medium to long term benefits. However, they also bring with them short term decreases of capacity for operators, both in quantity and quality.

The Connecting Europe Facility **(CEF)** provides useful financial support to often disregarded cross-border projects, with a majority of its (limited) budget going to rail. This instrument is of crucial importance to help completing the Trans-European Network for Transport **(TEN-T)**, whose updated Guidelines just entered into force. They set an ambitious timeline for completion that appear rather **unrealistic without additional investments**.

KEY FIGURES

8332 km

Length of lines considered congested in 2020, including 4488 km along rail freight corridors (RFCs)

EUR 26 billion

CEF Transport budget 2021-2027

SOLUTIONS

Fixing infrastructure

Member States need to focus their efforts on **completing the TEN-T** according to the new deadlines set in the updated Guidelines. The deployment of some infrastructure parameters is of crucial importance for rail freight **(740m train, P400 norm, 22,5 tonne axle load)**.

Achieving the Single European Railway Area

As the TEN-T is not an addition of nationally focussed networks but rather a multimodal pan-European network, this European mindset should be strengthened when translating maps into concrete projects on the ground. In that spirit, the Commission should preserve the ambition and coherence of TEN-T when assessing request for potential exemptions.

Similarly, Member States should **renew the CEF** for the next financial cycle 2025-2034, maintain its direct management by the Commission, increase its budget, and extend its activities to the financing of on-board ETCS unit.

Improving rail freight's competitiveness

There is an urgent need to reduce complexity for operators to use a rail network where works are multiplying. Policymakers should not miss the opportunity of the proposed Regulation on the Use of Rail Infrastructure Capacity to **better balance works' and users' needs**. Infrastructure Managers (IMs) should be incentivised for more client-oriented practices. Operators should receive compensation for additional costs due to works.

TECHNOLOGIES

CONTEXT

Two decades after its launch, the deployment of the European Rail Traffic Management System **(ERTMS) is severely delayed**. Though it provides long term benefits in terms of safety and capacity increase, ERTMS does not bring short & medium-term business case for railway undertakings (RUs) for the installation of ETCS on-board unit.

At a time where various technological projects are being promoted by public and private actors (ERTMS but also the Digital Automatic Coupling (DAC)), available funding are limited. **Policy-makers should make clear choices** over which technologies need immediate support. **DAC's benefits currently appear to be primarily for single-wagonload**, while they are very limited for the growing markets of block trains and intermodal traffic.

KEY FIGURES

15%

Percentage of TEN-T Core Network where operations are conducted with ETCS

27%

Market share of single wagonload

SOLUTIONS

Fixing infrastructure

All stakeholders should work together to develop an **integrated deployment strategy for both trackside and onboard ERTMS systems**. A new ERTMS unit inside the Commission should be tasked to implement this strategy with new powers and sufficient staff.

Achieving the Single European Railway Area

The EU's role should be on supporting technologies that improves interoperability and reduce national barriers over technologies that only aim to improve operations, the latter task is up to the market. This means that **the EU should prioritise its efforts and funding on deploying ERTMS over DAC**.

Improving rail freight's competitiveness

Rail freight operators should not be forced to deploy a technology whose benefits are limited to specific and declining market segments. **DAC deployment should become optional.** In that regard, as the Commission is envisaging integrating DAC-related points into the Technical Specification for Interoperability (TSIs), it should be clearly specified that these chapters will only apply to those interested in the deployment of this technology.

STATE AID

CONTEXT

State aid has the potential to support rail freight to a significant extent, accelerate its modernisation, lower its operational costs, and consequently establish a more level playing field with other modes of transport. On the other hand, **State aid can severely undermine competition** by favouring some operators in an open market that has been liberalised for more than two decades and where hundreds of different players are competing at national level or across the EU.

In an environment where public money is limited, State aid should be used where there is a real added value. On the same spirit, State aid should not be used to support failing business models or services overly reliant on public financing.

KEY FIGURES

52%

Total marketshare of competitors

Up to 237

Number of Railway Undertakings active in at least one Member State

SOLUTIONS

Achieving the Single European Railway Area

First and foremost, **State aid must be fair, transparent and open to all operators**. These criteria are critical to ensure that State aid do not interfere with the functioning of a competitive rail freight market. Any other model would go against the spirit of the Railway Packages adopted by the EU over the last three decades. In that regard, the applicability of operational aid should be clearly defined and limited.

Improving rail freight's competitiveness

Applying for State aid scheme represent a significant burden for operators, especially small and medium size companies. **Moving from application-based schemes to indirect support** is therefore a way to facilitate the use of State support by all actors. Such schemes can take the form of infrastructure charges reductions as seen in several Member States during the pandemic, or compensation for infrastructure underperformance. In any case, decision-makers must bear in mind that their role is not to shape rail freight market by favouring some train production models over another.

LEGISLATION

ERTMS

CONTEXT

In parallel to a slow ERTMS deployment, the **evolution of specifications** between the various baselines **often overtake deployment**. Not only are manufacturers overloaded and overburdened by the multiple evolution, but railway undertakings are also unsure whether their substantial investments in on-board units will not become quickly obsolete as trackside deployment evolves at a different pace.

Despite its aim to improve interoperability across the EU, deployment is mostly carried out on a country-by-country basis, under the direction of national IMs, with often diverging way of setting ERTMS specifications. The network is therefore made of **small "ERTMS islands"** with high and uneven requirements across countries, making the situation extremely complex along cross-border freight corridors.

When it comes to ETCS/Radio System Compatibility (ESC/RSC), tests are more complex with an uncontrolled diversification of testing, in comparison to previously used national class B systems.

KEY FIGURES

30 or more

Number of ESC/RSC tests in some Member States

12 months or more

Time needed for software approval of international vehicles

SOLUTIONS

Fixing infrastructure

In parallel to ERTMS deployment, the rail sector is envisaging to move from near obsolete GSM-R communication technology to the Future Railway Mobile Communication System **(FRMCS)**. Its design should urgently **take stock of lessons learned from ERTMS**.

Achieving the Single European Railway Area

There is an urgent need to **establish reliable deployment plans** whose design will be based on large **consultations of ERTMS users**. Such plans should take into consideration backward compatibility of existing rolling stock and possibilities to implement upgrades of yet homologated vehicles.

Improving rail freight's competitiveness

Reducing cost of deployment and secure investments for operators should come by **minimising specification changes before the wide implementation of a standard** on large part of the network. This will also come by minimising and harmonising ESC/RSC test specifications and maximising coordination of test cases throughout different Member States.

TRACK ACCESS CHARGES

CONTEXT

The SERA Directive specifies in EU law that **TAC are equal to the direct cost incurred as a result of operating a train on the network, with few flexibilities remaining for Member States**. TACs represent one of the main costs for RUs. They are also changed erratically year by year, depending on the evolution of IM expenses or cost of energy. This environment creates significant uncertainties for operators as contracts with chargers are often concluded two to three years prior to the operation.

Adopting right at the beginning of the pandemic, **EU Regulation 2020/1429 was an interesting precedent** by allowing Member States to delay, reduce or withdraw TAC payments to all operators. It showed how TAC can be used as a strategic tool to achieve modal shift.

KEY FIGURES

100%

Share of the cost of infrastructure use paid by RUs. No other freight mode covers all its use costs

SOLUTIONS

Fixing infrastructure

In order to avoid erratic changes to the price of TACs because of sudden lack of resources, IMs need to have a long-term vision on the evolution of the financial support they receive from the State. This is why, **Member States must provide stable multiannual financing plans to IMs** allowing them to design multi-annual investment plans.

Achieving the Single European Railway Area

EU legislation should introduce an obligation limiting charging increases when rail freight growth in a specific country is not in line with the EU's 2030 and 2050 growth targets or when quality parameters are not met. EU Decision-makers should also put into legislation that IM have to create **multiannual framework for railway infrastructure charges**.

Improving rail freight's competitiveness

EU legislation should empower Member States and IMs to use TAC as a strategic tool to achieve modal shift. Member States should have the power to reduce TAC and compensate revenues to IMs as to make rail freight more competitive. Such measures would be in line with the need to reduce disparities in infrastructure charges across modes. Decision-makers should further work on how to apply the "polluter-pay" principle to all modes of transport and to internalise the external costs generated by each type of traffic.

TRAIN DRIVERS

CONTEXT

Unlike in other transport modes, **B1 language level is required for train drivers operating their train in one EU Member States** (A2+ in multi-language countries). As half of freight trains cross at least one EU internal border, this rule significantly complexifies operations, especially as alternative routes often cross border, potentially adding further language requirements. In this context, train drivers often switch at border stations. The efficiency potential of international drivers is largely not used.

In parallel, drivers experienced uneven trainings from one country to another and limited mobility, across borders and across companies. **The revision process of the Train Driver Directive (TDD) is in a standstill**, and it will be up to the next Transport Commissioner to relaunch it or not.

KEY FIGURES

50%

Share of freight trains crossing at least one EU border (90% in intermodal)

41,9%

Percentage of RUs workforce older than 50

SOLUTIONS

Fixing infrastructure

Member States should create incentives for IMs to train their staff in language of neighbouring countries and English. As train drivers are in constant dialogue with them, any changes to the communication regime must also involve IM staff. A revised TDD should also include **the establishment of a "degraded mode" to be easily triggered** as to temporarily reduce language requirements in case of Temporary Capacity Restrictions (TCRs) and cross-border alternative routes..

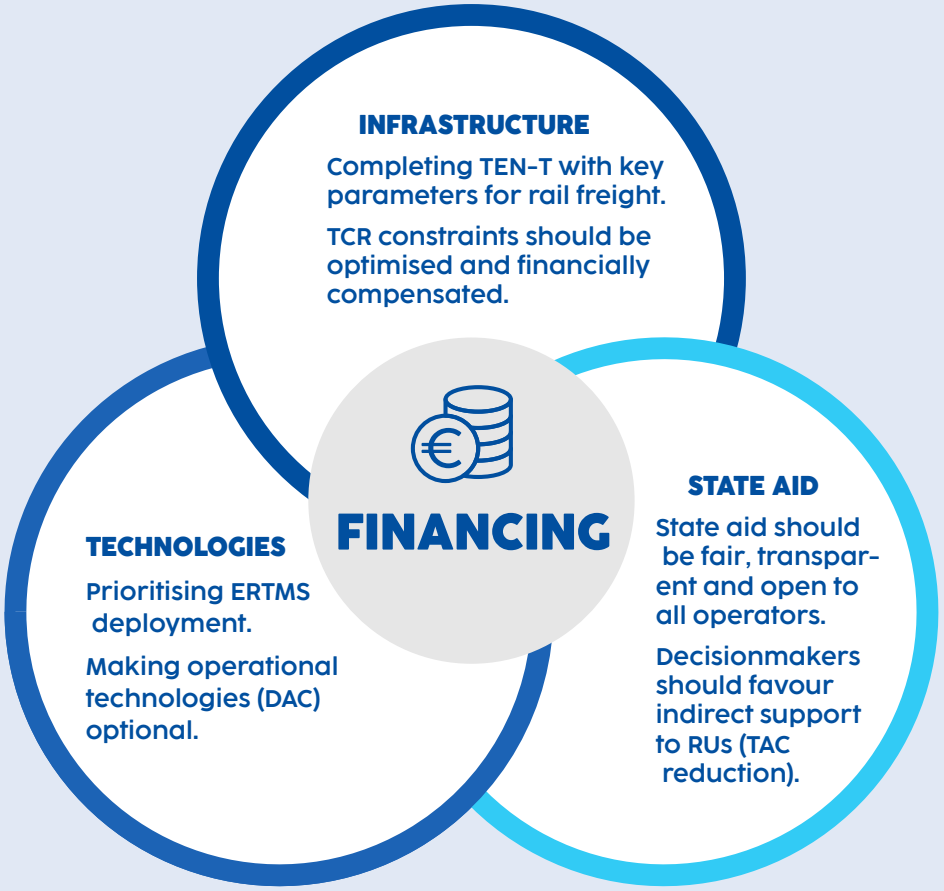
Achieving the Single European Railway Area

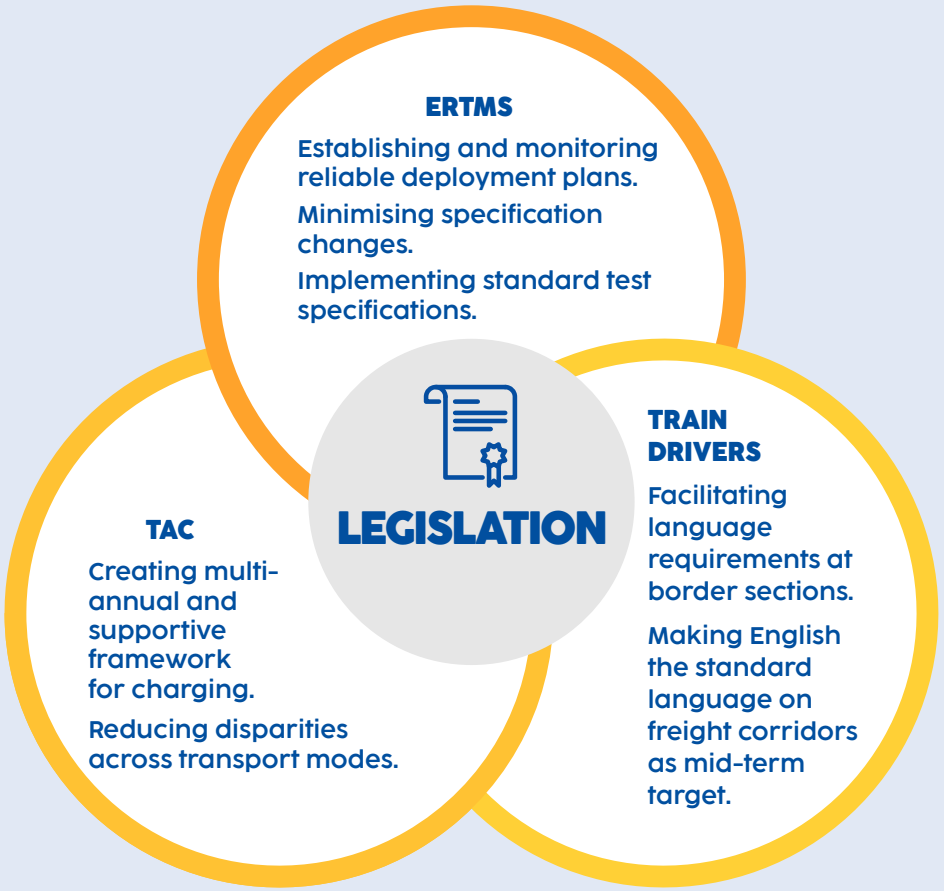
In the short term, the revision of TDD should enable lowered language requirements along border areas. Operators would therefore be able to change drivers not automatically at the border station but several kilometres further in the country, for instance at the next terminal. In the mid-term, **the TDD should make clear that English will become the standard language of operations on freight corridors**.

Improving rail freight's competitiveness

Reducing barriers to drivers' mobility while allowing sufficient time for adaptation and maintaining safety of operations is crucial to improve rail freight's competitiveness. The revised TDD should therefore include **clear deadlines for lowering language requirements.** Trainings should be harmonised under a three-layer approach (EU, national, RUs) as already suggested by other stakeholders.

CONCLUSION


INFRASTRUCTURE
Completing TEN-T with key parameters for rail freight.
TCR constraints should be optimised and financially compensated.
FINANCING
TECHNOLOGIES
Prioritising ERTMS deployment.
Making operational technologies (DAC) optional.
STATE AID
State aid should be fair, transparent and open to all operators.
Decisionmakers should favour indirect support to RUs (TAC reduction).


ERTMS
Establishing and monitoring reliable deployment plans.
Minimising specification changes.
Implementing standard test specifications.
LEGISLATION
TAC
Creating multi-annual and supportive framework for charging.
Reducing disparities across transport modes.
TRAIN DRIVERS
Facilitating language requirements at border sections.
Making English the standard language on freight corridors as mid-term target.

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MEMBERS

AUGUST 2024

European Rail Freight Association

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