

# UNIFE Contribution to the Consultation on the Future “EU 2020” Strategy

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## *Introduction*

UNIFE, the European Rail Industry, welcomes the opportunity to contribute to the consultation on the “EU 2020” Strategy.

The Lisbon Strategy has been a useful tool to encourage cooperation between the EU and its member States on reforms aimed at generating growth and employment by investing in people’s skills, the greening of the economy and innovation in the last 10 years. However, most observers acknowledge its weaknesses and the fact that the Lisbon Strategy has not delivered the results that were expected. In particular, the slow pace of structural reforms at the national level has meant that the EU is increasingly facing competition from emerging powers.

UNIFE considers that the Commission is right to emphasise the need to develop “a **smarter, greener economy**” in the framework of the future “EU 2020” Strategy. This is where the EU can make a real difference. The rail industry is convinced that **innovative and green industries can contribute to provide a sound basis to the competitiveness of the continent in the next years.**

In this paper, UNIFE formulates comments that we believe are worth including in the formal Communication to be addressed to the Spring European Council.

### *1. Creating value by basing growth on knowledge*

The European Rail Industry is world market leader. This success is based above all on the **quality** of its products, and in particular on **innovation** brought by the companies of the sector.

UNIFE believes that **innovation will continue to drive the success of the European industry** and that it should be further encouraged by public authorities. Therefore, **strengthening education and research, and promoting European standards should be a key priority for the EU and its Member States.**

As far as **education** is concerned, it is very important that the higher educational system **produces a sufficient number of graduates with skills corresponding to the needs of the economic sectors that need to recruit.** The rail industry currently has to weather a shortage of railway engineers. Indeed, some of our members face serious recruitment problems, whereas the sector has enjoyed sustainable growth in the past

years. This has been identified as one of the most important threats to the sector in the UNIFE Worldwide Rail Market Study.<sup>1</sup>

As far as **research** is concerned, the EU and its Member States should **increase their R&D spending** and concentrate it on **projects with a good market uptake**. Applied research and the implementation of its results (through innovative products) must definitely become a priority. As far as the rail industry is concerned, R&D spending is a very useful tool that is currently used to reinforce the interoperability of its products, improve their environmental performance and their reliability, but also to increase its competitive advantage in terms of exports.

As far as **European standards** are concerned, UNIFE believes that the EU and its Member States should strongly **encourage the development and the worldwide deployment of European standards**. In effect, this would put the European industry in a stronger position on international markets, thus allowing maintaining a high level of investment and innovation to the benefit of European rail.

**Preserving the competitive advantage of the EU industry sectors that are global leaders** (such as the European rail industry) is essential. In order to sustain their leadership, these competitive sectors must be actively encouraged. On the one hand, public support to higher education and R&D must bear in mind the needs of these particular sectors, where return on investment will be higher. On the other hand, European standards should be promoted worldwide to reinforce the position of the European industry on international markets.

## ***2. Empowering people in inclusive societies***

Although UNIFE globally agrees with the ideas presented by the Commission in this regard in its working document, the association is currently not working on these issues and therefore does not wish to comment. UNIFE members are represented in employers' organisations that can provide detailed positions on these issues.

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<sup>1</sup> *Worldwide Rail Market Study, status quo and outlook 2016*, UNIFE, 2008

### 3. *Creating a competitive, connected and greener economy*

UNIFE believes that a **smarter, greener European transport system will contribute to improving the competitiveness of the European economy**. For this purpose, as underlined in the Commission working document, the following objectives must be pursued:

- The European economy must become more productive by reducing pressure on resources and apply greener technologies;
- Infrastructures must be upgraded and better interconnected;
- Effective competition of network industries in the single market, including rail transport, must be ensured.

a. Becoming more productive by reducing pressure on resources and applying greener technologies

In the field of transport, pressure on resources will be reduced only if the transport system is managed more efficiently and if the most sustainable and energy-efficient transport technologies are more widely used. UNIFE believes that the most energy-efficient modes of transport should be further encouraged by public authorities and gain a larger modal share to achieve this objective. Rail transport currently provides the best credentials in this field: rail electric traction has the lowest energy consumption amongst transport modes. Besides, it does not generate air pollution on the spot. Rail transport as such, provides an answer to the need to improving the environmental performance of transport, to increase safety and to reduce congestion and the dependence on oil. If modal shift occurs, the overall performance of the whole transport sector is improved.

Moreover, the European rail industry is currently actively involved in developing solutions to further enhance the environmental performance of rail transport. **As for energy consumption, the rail industry has managed to extend its advance over the car manufacturing industry in the past years**. While power consumption of private cars has gone down by 13% on average since 1995, that of passenger trains has decreased by 21%.<sup>2</sup>

As mentioned in the Commission working document, making the European economy more productive with fewer resources requires “targeted regulation, emission trading, tax reform, grants, subsidies and loans, public investment and procurement policies, targeting research and innovation budgets to this end”.

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<sup>2</sup> Source : Institut für Energie- und Umweltforschung (IFEU)

In this regard, UNIFE considers that pricing signals should be better used to guide the behaviour of citizens and businesses. At present, transport prices unfortunately barely reflect real cost to the society. **The external costs of transport are largely ignored. If the EU does however, aim to create a smarter and greener transport system for the future, these urgently need to be internalised.** This would also provide a more **level playing field** between different modes of transport as transparent and effective pricing allows for more economically viable choices. In addition, **taxation** for the different modes of transport should be reviewed. While tickets for a train may include VAT charges in some Member States, this is not the case for international air tickets. The same applies to fuels. While a diesel train will usually be charged fuel taxes,<sup>3</sup> this is not the case for the kerosene used by planes. Aviation is generally exempt from both taxes. If policy makers expect passengers and shippers are to make an informed and sustainable choice of transport modes, taxation and charges should at the very least, not favour less environmentally friendly modes of transport. **The revenues coming from such a charging and taxation schemes should be earmarked for sustainable transport infrastructures such as rail.**

In order to make the transport sector more productive with fewer resources, the EU should **also set a comprehensive overall CO<sub>2</sub> emission reduction goal for the transport sector.** Indeed, this target system would serve as a clear incentive for the sector to reduce its energy consumption and to invest in innovative solutions. The efficiency of the transport market would therefore be reinforced and this would help the EU meeting its general 20% GHG emission reduction target by 2020. This goal should then be complemented by concrete policy measures, such as the internalisation of external costs and consequent investments in sustainable transport infrastructure.

#### b. Upgrading and inter-connecting infrastructures

Providing the continent with up-to-date infrastructure is necessary to ensure its competitiveness. This is also an area where the EU can make a difference to other growing economies. The needed infrastructure includes telecommunication (broadband), energy networks and transport networks. Better transport infrastructure, combined with the internalisation of transport external costs, will **decrease congestion and improve travel time for passengers and goods**, thus having an important positive effect on GDP.

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<sup>3</sup> The use of electricity for rail is also taxed in some Member States.

### *Integrating transport networks*

In order to meet the challenges posed to the European transport system in the coming years, a **better integration of the different modal networks is vital**. However, rather than a “balanced use” of the different modes of transport, a most effective use in terms of environmental, social and commercial aspects needs to be found. This implies a fundamental **rethinking in terms of the overall share of each mode** if the EU is to meet its environmental targets for 2020. While roads are becoming increasingly congested, a large number of Member States demonstrate a very low intensity of use of their railway infrastructure - a trend that needs to be reversed. On the other hand, a number of bottlenecks in rail infrastructure have been identified, where investment should be primarily concentrated. For passenger transport the most important aspect is that swift connections between different modes of transport are needed. This requires the creation of transport hubs as well as the use of IT technology across all transport modes to facilitate better integration. In freight transport, a similar logic applies. If rail is to take up a more prominent role in the modal split, a better coordination with other modes of transport is needed. In addition, in order to enhance the reliability of freight transport smart traffic management rules need to be found so as to enhance punctuality and thus overall efficiency of freight transport.

### *Developing alternatives to road transport*

Alternatives to road transport must be developed in order to limit the huge external costs it creates (accidents, CO<sub>2</sub> emissions, air pollution, congestion, etc.). **Where they are relevant, more sustainable alternatives should always be favoured**. For passenger transport, inter-city transport must become smooth, quick and carbon-free. For this purpose, **a fully-fledged European very high speed network should be developed** and connect Europe’s main cities. For long-distance freight transport, good connections between cities, ports, and airports should be provided by rail along **green corridors**.

### *Promoting clean technologies*

At a time when electro-mobility is becoming a trendy concept, one seems to forget that **rail transport already offers advanced electric mobility**. Most European traffic already runs on electrified lines and electrification is ongoing in most Member States.<sup>4</sup> Of course, the carbon footprint of rail transport therefore depends on the energy mix in power generation, but it must be underlined that rail transport is in general the most efficient in terms of energy-efficiency.

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<sup>4</sup> Currently, around 50% of the European rail network is electrified and around 80% of rail traffic runs on electrified lines.

### *Upgrading infrastructure*

It is essential that **no mode is favoured over the other in infrastructure investments**, as is currently the case. In both EU-15 and EU-12, the road currently receives the lion share of investments.<sup>5</sup> Especially considering the chronic underfunding and the state of the railway infrastructure, particularly in Central and Eastern Europe, this tendency needs to be reversed in order to find a more adequate modal balance that reflects the future challenges to the European transport system.

As for rail transport, necessary infrastructure upgrades should address both passenger and freight transport and include:

- Eliminating bottlenecks;
- Providing with better connections with other transport modes (airports, ports);
- Developing a European very high speed network;
- Making the European rail network interoperable and more efficient by deploying up-to-date traffic management system (ERTMS).

It must be underlined that **investing in rail infrastructure provides considerable economic advantages**. According to a study conducted by the Spanish government, the construction of the very high speed network has had a threefold effect:

- The investment creates a positive economic shock (0.9% of the Spanish GDP in 2005);
- As a consequence, there is an important demand effect during the project construction (around 1.6% of the GDP in 2005), due to productivity increase.

Therefore, the total effect of rail investments on the Spanish GDP was about 2.5% in 2005 (sum of investment shock and demand effect). As a consequence of this effect on GDP, there is a considerable positive effect on employment. Besides, costs savings for the society resulting from modal shift should be taken into account: there are considerable gains in time, energy and other externalities. Along these economic benefits, there are obvious **environmental benefits**, as rail investments, through modal shift, lead to decreased transport CO2 emissions and air pollution.

#### c. Ensuring effective competition of network industries in the single market

In the rail sector market opening has been a declared goal of the European transport policy during past years. While important progress has been made that has borne its fruit in the most liberalised Member States, **rail market opening across Europe remains uneven and sketchy**. Even implementation of legislation in all Member States is all the more necessary as otherwise there is a danger of market distortion where

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<sup>5</sup> Source : International Transport Forum, OECD.

some companies may end up benefiting from protected home markets while expanding in others.

However, it would be short-sighted to state that implementation of the first railway package would solve all problems related to rail market access. Much has happened since the adoption of the first railway package, it is therefore necessary to adapt the texts to current needs and extend their scope. Therefore, **opening of domestic passenger transport** needs to be addressed in the upcoming Recast of the first railway package. The same applies to the role and competences of regulatory bodies. The transparency of market access and pricing needs to be enhanced and extended to rail related services. It may also prove worthwhile to look into the markets of rail related services and to assess whether the situation could be improved. In the long term, it may also become necessary to reflect on whether the model of liberalisation that has been chosen by the EU can reasonably be achieved by the current language, or whether provisions on the separation of infrastructure and operations may not need to be rewritten.

## *Conclusions*

UNIFE believes that the success of the “EU 2020” Strategy will mainly depend on the willingness of the EU and its Member States to make it as result-oriented as possible and to commit to the realisation of its objectives.

The rail industry is convinced that creating a smarter, greener economy, where Europe’s prosperity will come from innovation and from using resources better, and where the key input will be knowledge is a valid and relevant objective for the new strategy.

UNIFE considers that to achieve this objective, the following actions need to be included in the EU 2020 Strategy:

- **Public support to higher education and R&D must particularly take into account the needs of the EU industry sectors that are global leaders; and European standards should be promoted worldwide;**
- **In the field of transport, pressure on resources will be reduced only if the transport system is managed more efficiently and if the most sustainable and energy-efficient transport technologies are more widely used. To this end, all external costs of transport should be internalised and an overall CO<sub>2</sub> emission reduction goal for the transport sector should be set;**
- **The EU must urgently upgrade and inter-connect its infrastructure, in particular its transport infrastructure;**
- **The objective of ensuring effective competition of network industries in the single market must also apply to rail transport.**

## About UNIFE

UNIFE represents the European Rail Industry in Brussels since 1992. The Association gathers 66 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. A further one thousand suppliers of railway equipment partake in UNIFE activities through 15 national rail industry associations. UNIFE members have an 80% market share in Europe and supply more than 50% of the worldwide production of rail equipment and services.

UNIFE represents its members' interests at the level of both European and international institutions. On the technical side, UNIFE works on the setting of interoperability standards and coordinates EU-funded research projects that aim at the technical harmonisation of railway systems. The association is one of the supporting bodies of the European Railway Agency.

***UNIFE. Competitive rail solutions for sustainable mobility.***

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