

Brussels, January 7th 2009

Increase and acceleration of rail infrastructure investments

Dear Mr. President,

The European rail sector warmly welcomes the EU Economic Recovery Plan presented by the European Commission on 27 November 2008. UNIFE, CER and EIM believe that the current financial and economic crisis calls for such extraordinary measures and particularly welcome the European Commission's proposal to ***“accelerate [the European] investments in infrastructure, particularly in the environmentally-friendly transport modes”***.

However, merely ***accelerating*** investments that are already planned in the framework of the cohesion and TEN-T policies will not be sufficient to raise demand, boost employment and growth in the European Union and challenge the effects of the financial crisis. Infrastructure investment must be increase in order to multiply the effects of all other investments on the economy.

Investment in rail infrastructure has many benefits. In the short-term, jobs in the construction sector and for contractors would be created. Investment in infrastructure would also enable increased capacity and generate additional demand for rail transport (in particular for investments in high-speed rail). Capacity on existing lines would also be freed up for freight transport. Improved infrastructure quality would in addition reinforce the attractiveness, as well as the economy and job market, of the regions served by rail. Rail infrastructure investment generates long-lasting benefits for the environment, by reducing greenhouse gas emissions from the transport sector by shifting passengers from private cars and air transport and goods from road transport.

Recently, many countries announced that they will invest in large infrastructure programs in order to stimulate growth and employment. We firmly believe that this is the right path to follow at EU level. ***Increasing and accelerating*** investment in rail infrastructure would boost short-term (by 2010) economic growth and jobs while helping the EU to achieve greenhouse gas reduction targets.

1) Increase investments in rail infrastructure

- for TEN-Ts

Building a trans-European transport network which connects all EU Member States, is essential for promoting economic growth, social cohesion, competitiveness and environmental sustainability.

However, major projects are being delayed due to a lack of funding and government coordination. So far, only one third of the 30 priority projects have been completed. While the sector welcomes the forthcoming publication of a Green Paper on the future of the TEN-T policy, the proposed €500 million call for proposals in the EU Economic Recovery Plan is clearly insufficient. In particular, it fails to respond to the growing imbalance between the proposed allocated funds and the budget required by stakeholders to complete TEN-T projects in Europe. At a time when several countries are launching major rail investment programs to tackle the economic crisis, the European rail sector believes that the EU recovery plan should be more ambitious.

→ **another €2 billion** would be an important contribution to promote the upgrade of the TEN-T networks, thus requiring **an increase in the TEN-T budget from €8 to 10 billion**.

- for rail research through DG RTD funds

The European rail sector welcomes the increased investment in R&D, innovation and education set out in the EU Economic Recovery Plan, and exhorts the EU to find ways to increase private sector R&D investment.

However, we also call on the European Commission to put into practice the Transport White Paper's 2001 objective of modal-shift towards more ecologically friendly transport modes (i.e. from road to rail). Unfortunately the EU budget allocation does not reflect this primary objective.

In particular the R&D funds allocated to the rail sector, the most sustainable transport mode in Europe, are not sufficient. The current flexibility provided by the multi-annual financial framework could be better adjusted to the particular needs of the sector since the 7th Framework Programme for Research for the Sustainable Surface Transport modes failed in allocating the right amount of money for the needs of rail in a flexible (annual) approach. In fact, the budget provided is still insufficient. About €900 million were requested for funding in the first call whereas only €192 million could be awarded. In addition the EU budget for co-funded R&D projects does not favour the rail sector since in absolute terms more grants are allocated to less sustainable transport modes such as the automotive and aeronautics industries.

The EU Economic Recovery Plan completely fails to recognise the R&D needs of the future, proposing only specific solutions for “Developing clean technologies for cars and construction” (point 9 of the paragraph d) and for “High-speed Internet for all” (point 10 of the paragraph d). In the current economic situation the European Commission should recognise that investment in rail-based R&D activities should also be a priority since rail is proven to be the most sustainable transport mode in the long term.

→ The European rail sector considers that rail research would require a **budget of 50% instead of the current 30%** of the FP7 Sustainable Surface Transport.

- for co-modality

In the mid-term review of the 2001 Transport White Paper, the European Commission stressed the importance of promoting "co-modality" integrating the different transport modes into efficient logistics chains by using each mode to its optimal potential and combined with others. Rail infrastructure investments are required to solve the huge bottlenecks in port-hinterland connections which are slowing down freight flows.

- ... in ERTMS

The European Rail Traffic Management System (ERTMS) is an essential technology in enabling interoperability between European railways, increasing the sector's competitiveness and level the playing field with road transport. At a time when the Commission voices its intention to promote rail freight, replacing the more than twenty signalling systems in Europe by a common one should be a matter of urgency.

While ERTMS investments are growing worldwide (40% of the investments are made outside Europe), some European countries have been slower to invest, preventing the creation of a seamless railway network. The sector believes that EU funding has a specific role to play in this respect.

A total of €500 million has been allocated to ERTMS in the current financial framework. The previous calls have demonstrated that the funding earmarked to ERTMS failed to meet the growing demand for this technology - in the May 2007 call, €270 million were granted, whilst requests for funding amounted to €1.2 billion. The Commission is expected to launch its second call in the first part of 2009.

The sector believes that EU funding plays a pivotal role in enabling ERTMS deployment in Europe. For this reason, we urge the European Commission to significantly increase the budget allocated to ERTMS.

→ An *increase of the amount allocated for the second call* expected next year should be envisaged.

2) Accelerate investments in rail infrastructure

- ... through regional and cohesion funds

The EU Economic Recovery Plan aims to accelerate the implementation of EU structural funds. However, the Commission is aware that bringing funds forward will not resolve the absorption capacity problems encountered in most Central and Eastern European countries. Solutions need

to be urgently found in order to respond to this issue. In particular, the choice of turnkey solutions can accelerate the implementation of infrastructure projects. For the same purpose, it is necessary to avoid slicing infrastructure projects into small pieces. The European Commission should put more pressure on member states to achieve planned investments on time. Also, the Commission should make sure that investments are coordinated between Member States in order to make sure that they produce an optimal effect on both sides of borders.

The European rail sector believes that these proposals, ready to be implemented in the short-term, will also contribute to medium and long-term economic growth. EU governments should not lose sight of transport sustainability targets and that the current crisis will create new opportunities for transition to green transport through a clever combination of regulation, incentives and investments.

Yours Sincerely,

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