Reducing costs in the Single European Rail Area

Challenge

An integrated, standardized, competitive, digital, and automated railway is a crucial part of the European transport network for passengers and for freight. However, the cost of managing and developing railway infrastructure is reaching unsustainable levels, and in Denmark the associated infrastructure cost of moving a person one kilometre is currently 10-25 times higher for railways than for roads. At the same time, ongoing electrification of cars and heavy-duty vehicles makes road transport greener. As rail becomes more expensive and road becomes greener, it is increasingly difficult to justify the considerable national and regional investments required by railway infrastructure from a socio-economic point of view.

If we allow bureaucratic requirements, high barriers of entry, and expensive technologies to inhibit competition and increase infrastructure costs, while passenger numbers and freight loads remain miniscule vis-á-vis other modes of transport, railways will increasingly lose relevance. To keep railways competitive in such an environment, we need – before anything else – to initiate an extensive assessment of the EU railway acquis with the aim of simplifying it and identifying ways to reduce costs.

What drives costs?

One example of high costs is the approval processes for changes to rolling stock and infrastructure. The need for complicated approval mechanisms and independent assessments – sometimes several assessments – increases complexity and drives up costs far beyond the direct costs associated with the paperwork. A recent example is the fitment of Danish trains with ETCS, where more people at the infrastructure manager, Banedanmark, were employed to keep track of procedures and paperwork than to actually work on installing the ETCS equipment in the trains.

In the road sector, many companies enter the market, ensuring high competition and lower prices on both infrastructure projects and the transport of goods and passengers. In rail, however, complicated rules and procedures inhibit new players from entering. A profoundly high level of competence and sector knowledge is required from new entrants. This is a significant market barrier, that effectively blocks healthy competition. The prime example in Denmark is the market for ERTMS. Before the rollout of ERTMS, many companies were able to participate in signal-related public tenders. Today, only a few players are qualified, and long-term maintenance contracts in effect create monopolies, where companies to a large degree can decide the cost and timing of projects. In the Copenhagen metropolitan area, the cost of relocating a railway signal before the rollout of new signals was 40.000 – 175.000 EUR. After the rollout the cost grew to more than 2,1 million EUR – an increase of 1,000-5,000 percent.

Proposal

In short Interoperability and safety are key to a well-functioning Single European Railway Area, but revisions need to focus on standardising market with competitive prices and quick time-to-market instead of monopolies and bureaucratic procedures. The examples above show complexity of the railway sector and its acquis is a crucial element in driving up costs. New regulation and more demanding standards on top of the existing ones will only worsen the situation. While evidently bringing improvements, such as needed standardisation in some parts of the infrastructure, the current acquis is in risk of being a contributing factor in a modal shift *away* from rail – the opposite of the goal set out in the TEN-T regulation and the European Green Deal.

Examples from Denmark suggests that the current approach to railway regulation in the EU, including the approach to interoperability, safety and opening of the national markets, could be counterproductive for a competitive and cost-effective railway.

We are, however, very interested in learning if other countries have had more success in making railway operations, investments, maintenance and renewal more affordable and competitive compared to other modes of transport.

We would therefore like the Commission to provide examples of successful and cost-effective implementation of the acquis. Or alternatively point to non-EU countries that have successfully tried the same approach. This includes the approach to opening of national markets with clear separations between infrastructure managers, railway companies, supervisory authorities etc.

We would also like the Commission to comment on the possibility of launching a new REFIT programme mapping out unintended legislative cocktail-effects and analysing costs versus benefits of certain railway legislation. We believe that no question is too big to be addressed, and the assessment could include questions such as:

- Should the entire TEN-T railway core network be covered by TSI's?
- Could there be scope for more alternatives or derogations?
- How do the TSI's support a standardised market that *reduces* costs, rather than increasing them?
- Do the TSI's need to be drastically simplified, or could they be aligned with requirements for other modes of transport? Could a more risk-based approach be employed?
- Are EN-standards opening up for industrial and competitive solutions?
- Should safety be regulated at a European level, or is a there another approach?
- Are assessors and notified bodies necessary?
- Should trains and equipment be subject to the documentation and approval requirements as is the case today, or is it possible to find a less burdensome solution?
- Could larger parts of the paperwork related to documenting safety and interoperability be placed within the railway infrastructure managers' own organisation?

The Danish Ministry of Transport will gladly assist in this work as well as providing thoughts on these questions as well as sharing examples of the challenges described above.