The Voice of European Railways

POSITION PAPER

A funding scheme supporting sustainable and efficient freight transport services

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COMMUNITY OF EUROPEAN RAILWAY AND INFRASTRUCTURE COMPANIES - COMMUNAUTÉ EUROPÉENNE DU RAIL ET DES COMPAGNIES D'INFRASTRUCTURE - GEMEINSCHAFT DER EUROPÄISCHEN BAHNEN UND INFRASTRUKTURGESELLSCHAFTEN

CER aisbl Avenue des Arts, 53 B-1000 Bruxelles Tel: +32 2 213 08 70 Fax: +32 2 512 52 31 contact@cer.be www.cer.be

CER considers that a funding scheme supporting sustainable and efficient freight transport services as part of the Connecting Europe Facility (CEF) instrument is a pre-requisite to the fulfilment of the 2011 Transport White Paper vision. Such a scheme should be completed by appropriate framework conditions to guarantee sufficient investment in sustainable transport infrastructure, to put all modes on a level playing field and to remove technical and administrative bottlenecks and cut red tape.

The design of such a scheme as part of the CEF should take into account lessons learnt from the Marco Polo programmes, and its core objective should be modal shift, in line with the transport White Paper. This scheme should offer a mix of grants, loans at low interest rates and guarantees, in synergy with other priorities of the Connecting Europe Facility (CEF) instrument. Grants should be used to correct market limitations hampering the development of alternatives to road transport, to support the building and renewal of small-scale infrastructure (such as rail sidings) and to co-fund projects aimed at increasing the competitiveness of sustainable and efficient alternatives to road transport.

CER, the Community of European Railways and Infrastructure Companies, welcomes the opportunity to contribute to the public consultation on a funding scheme supporting sustainable and efficient freight transport services. In addition to our response to the online questionnaire, we would like to bring a number of points to the Commission's attention.

1. IMPORTANCE OF A FUNDING SCHEME SUPPORTING SUSTAINABLE AND EFFICIENT FREIGHT TRANSPORT SERVICES

The European Commission's 2011 Transport White Paper set clear objectives in terms of competitiveness, efficiency and sustainability of the transport sector. It provided a clear blueprint for reducing the transport system's dependence on oil and its environmental footprint, while insuring that it kept underpinning Europe's economic progress and competitiveness. These objectives are very ambitious, and evolution of the modal share of road and other modes clearly shows that without any public intervention, these objectives will not be reached. Support through specific policy measures and incentives are therefore needed to initiate a change in the right direction and the modal shift called for in the 2011 White Paper. Specific support should be provided to services which rely on high demand to be profitable, such as the single wagonload offer, which allows rail to provide a comparable offer to road transport and on which a number of industries rely deeply.

2. LESSONS LEARNT FROM THE MARCO POLO PROGRAMMES (I & II)

The 2013 Commission Communication on the Marco Polo programme confirmed that the programme would not be renewed for the next budgetary period. Indeed, the uptake of Marco Polo was not considered satisfactory, and results in terms of modal shift were felt to be somehow disappointing. While the economic crisis might have had an impact on the outcomes of the programme and the viability of some projects, unsatisfactory results cannot be blamed on the difficult economic climate alone. On 16 July 2013, the European Court of Auditors issued its conclusions on Marco Polo in a report which stated that the programme failed to meet its targets, and that half of the audited projects were of limited sustainability. The report highlighted that there were serious indications of “deadweight”: projects which would have gone ahead even without EU funding.

The objective of Marco Polo – to accelerate modal shift towards less polluting modes of transport – was a laudable one. This is an objective that CER can only support, particularly given the difficulties experienced by the rail freight sector in the last decade. However, the limited budget available through Marco Polo alone was far from being sufficient, with the risk of becoming a “green-washing exercise”. Likewise, the lack of critical mass with funded projects, due to low thresholds, did not allow projects to survive beyond the funding phase. The emphasis on small companies, which might work well in other types of programmes, was not appropriate. Indeed, the transport and logistics industry able to launch pivotal projects to create substantial modal shift is typically made up of larger companies. The focus of the programme should have been on those actors able to create catalyst and lever effects. Projects should also have received funding for a minimum of three years, to allow them to survive beyond the funding phase. Finally, time to grant was an issue with the Marco Polo programme: in order to act as a real start-up aid for new projects and initiatives, any future scheme as part of the CEF should provide a much shorter time to grant for beneficiaries.

3. RECOMMENDATIONS FOR A SUCCESSOR TO MARCO POLO

The key objective which should continue to underpin freight transport policy in the EU is the objective of modal shift. The objective of modal shift was the focus of the Marco Polo programmes, and it should remain the focus of a potential successor to Marco Polo in the frame of the CEF, even if this is not stated explicitly in the Connecting Europe Facility (CEF) Regulation. Priority should be given to alternatives to road transport, such as rail, and should road transport be funded, this should always be done for the purpose of improving combined transport, where road is used for a minimal part of the journey.

The successor to Marco Polo should offer a mix of:

- Grants: to correct market limitations, support the building and renewal of small-scale infrastructure and co-fund projects aimed at increasing the competitiveness of sustainable and efficient alternatives to road transport,
- Loans with low interest rates: to help solve short-term liquidity issues for operators, and
- Guarantees: to help attract private investment in projects with a good chance of success and profitability.

Grants would be particularly beneficial for investment in small-scale infrastructure such as links between industrial sites and the transport network for sustainable alternatives to road transport. The absence or dismantlement of last mile rail infrastructure connecting industrial sites and the rail network, for instance, is a very important issue: without efficient last mile links, rail is de-facto ruled out as a transportation option. Financing small scale infrastructure (i.e. investments in sidings) would have a very crucial impact on sustainable modes' ability to attract shippers and on the development of sustainable and efficient alternatives to road transport.

Positive developments are happening at business level (driven by individual companies or taking place at sector level), related to optimization of single wagonload and combined transport processes, longer trains, e-freight and other operational improvements. These efforts need to be supported through the funding of pilots, in order to test new processes, and through co-funding or risk-sharing mechanisms, to generate greater liquidities to allow operators to take up innovations. Transshipment is often a financial and practical barrier to combined transport: co-funding the development and uptake of transshipment technologies to transfer goods to rail would therefore also be very useful.

One of the main barriers to modal shift and greater efficiency of the transport system is the fact that the sizes of consignments are dropping, with just in time delivery practices, avoidance of stock management, lower densities in the industrial web and disappearance of a significant part of Europe's industrial web. Cargo bundling and cooperation between transporters and shippers combined with a more intense use of warehousing and stock management as an integral part of the logistic chain could bring new solutions to these problems and reinforce the competitiveness of mass transportation, more efficient and sustainable than road transportation. Optimisation of transport processes could also have a very positive impact on the efficiency and sustainability of the transport system, as would logistics solutions to increase the size of consignments (by encouraging the use of warehousing and stock management in the logistic chain), to increase the load factor, to reduce the number of trips and empty runs, and to increase the efficiency of the transport system. Pilots and projects to test out these processes or allow their development should be supported.

Finally, dedicated information campaigns and training to increase awareness of and understanding of alternatives to road transport would be beneficial.

4. OTHER IMPORTANT ELEMENTS TO TAKE INTO CONSIDERATION

Fighting the increasing congestion on European roads and pushing for a modal shift towards less polluting modes of transport, such as rail, should remain key objectives of future European transport policies. However, a programme such as Marco Polo will never manage to create substantial and sustainable change on its own. While its successor as part of the CEF could be part of the solution, provided a bigger budget is made available and higher thresholds are in place, it will fail if framework conditions, such as differences in charging across modes, remain unchanged. Even the biggest and best programme will not be able to compensate for the lack of funding for rail infrastructure at national level, or the lack of level playing field between modes.

The targets of the 2011 Transport White Paper will only be reached if the following pre-conditions are in place:

1. Sufficient investment into infrastructure, to guaranty the availability of a well-connected and well-maintained infrastructure network for rail,
2. A framework in which all transport modes can compete on a level-playing field (putting an end to unfair competition between modes on infrastructure charges, social charges and tax regimes, and introducing full internalization of external costs);
3. Measures to remove technical and administrative bottlenecks and to cut red tape.

With regard to investment in infrastructure, aside from last mile connections between industrial sites and the main network, links between ports and their hinterland should be improved. Investment will therefore be needed in rail infrastructure in ports and towards their hinterland. This would fit nicely under the 'Motorways of the Sea' priority of the CEF instrument.

These three objectives could form the basis of an action plan for rail freight's revival. Financing of sustainable transport services should remain as a principle, together with other priorities, such as noise retrofitting, faster adoption of ERTMS and implementation of TAF TSI, which are already included in CEF, as well as implementation of e-customs solutions as part of the revision of the Customs Code.

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Community of European Railway and Infrastructure Companies (CER) AISBL
Avenue des Arts 53
B-1000 Brussels
Belgium
Tel +32 2 213 08 70
Fax +32 2 512 52 31
contact@cer.be

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