CEPS Task Force:
‘EU Transport Policy - Innovation, Integration and 21st Century Infrastructure’

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GHG emissions: the problem of transport

1990-2050: EU27 emissions reduction trajectory v. transport emissions growth

- If current growth rates in transport continue, by 2050 CO2 emissions from the sector are projected to exceed the entire GHG emissions allocation for the whole of the EU.
Current contribution of rail to CO2 emissions

- Rail has a market share of 17% of EU inland freight transport and 8% of EU passenger transport in the EU27, but is responsible for only 1.6% of transport’s CO2 emissions.
- The failure to invest in rail infrastructure has led to reduced rail capacity and performance and limits the role that rail, as a low-carbon mode of transport, can play in reducing carbon emissions in transport.

Unlike elsewhere, in the transport sector, infrastructure investment drives demand

In EU15, between 1970 and 2008, motorway length increased by 3.5 times while rail track length decreased by 14%

Since 2007, ROAD traffic almost TRIPLED!
Since 2007, RAIL traffic increased only marginally
Similar growth levels can be reached by rail with similar levels of investments as in road.
European countries have invested more in road infrastructure for many years

Modal split of total rail/road investment in infrastructure

Share of government spending on land transport infrastructure declining in EU-15

Recent letter from Vice-President Siim Kallas to European Parliament:

“Overall investment in transport is declining: from around 1.5% per year in the 1960s and 70s in EU-15, to around 0.7% today.”
Still some member states follow their own political objectives: Example of Poland

Investment in Rail and Road Transport Infrastructure in Poland (million EUR at current prices)

- Rail market share in Poland has dropped significantly in past 12 years:
  - 1995: 51%
  - 2007: 24%

The Polish transport minister recently pledged to continue favouring road infrastructure investments in the future. "EU transport policy ignored in Poland"

Successful functioning of the railway system

Government

Rail Regulator

- Infrastructure

Operator 1

Operator 2, 3, ...
How can rail infrastructure financing be increased under current public budget constraints?

- Increase user financing: **internalisation of external costs** in line with Commission’s 2009 Future of Transport publication
- Improve **rail network efficiency** (interoperability, etc.)
- Better coordinated **cross-border corridor** investments
- Correct other ‘missing’ framework conditions:
  - introduce **Multi-Annual Contracts**
  - full compensation for **public service obligations**
- Use the opportunity that current **revision of TEN-T policy** presents:
  - Combine **TEN-T guidelines and TEN-T financial regulations**
  - **Priority funding to low-carbon modes to meet wider EU priorities**

All the above will create the necessary conditions for attracting private capital, including PPPs.

External costs: the untapped source for investment

- **Switzerland** raised €1 billion in 2008 charging for the external costs of HGVs.
- If all the EU-27 member states implemented the Eurovignette Directive based on the **2008 Commission proposal**, €10 billion could be raised.
- **Full internalisation** of the external costs of HGVs in the EU-27 would raise €87 billion.

Source: CER calculation
The Swiss example 1:
An innovative and public budget-saving approach...

Revenues used for rail infrastructure following referendum → less need for taxpayer money!

Source: LITRA 2010

The Swiss example 2:
How external cost revenues benefit Switzerland

- Revenues from charging HGVS their external costs are used to modernise the rail network → recent completion of the 57km-long trans-Alpine Gotthard base tunnel.

- By strengthening the competitiveness of the railways, the capacities of the rail infrastructure can be used optimally and in a way that means they can cover their costs.

- The charging regime has not affected the Swiss economy - it remains one of the most competitive economies in the world.
The Swiss example 3: Determined and visionary transport policy has proven effective

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<th>France</th>
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<td>2006</td>
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<td>Road 78.0%</td>
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<td>Road 75.8%</td>
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<td>Rail 22.0%</td>
<td>Rail 66.1%</td>
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<td>Total 27.7 Mtn. t</td>
<td>Total 38.1 Mtn. t</td>
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Source: Alpinfo 2006

Conclusions

- There is a clear discrepancy between the structure of transport infrastructure investment (for all modes) and the currently-recognised political priorities, such as CO2 reduction and sustainability.
- This development is much more striking in Central and Eastern Europe (CEE) than in Western Europe. There is no coherent EU-wide transport policy in terms of infrastructure financing.
- In rail in particular:
  - EU put into place a complete regulatory framework but huge discrepancies in infrastructure financing remain
  - There is continued dramatic structural underfinancing in CEE rail infrastructure, as well as deficiencies in some Western European countries

We need railway policy in line with the political priorities for the entire EU: adequate infrastructure financing, PSO compensation and multi-annual contracts.