

Special Report

Rail freight transport in the EU: still not on the right track



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Special Report**Rail freight transport in the EU: still not on the right track**

(pursuant to Article 287(4), second subparagraph, TFEU)

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This performance audit was produced by Audit Chamber II — headed by ECA Member Henri Grethen — which specialises in structural policies, transport and energy spending areas. The audit was led by ECA Member Ladislav Balko, supported by the Head of his private office, Branislav Urbanic and Zuzana Frankova, Attaché; Pietro Puricella, Principal Manager; Fernando Pascual Gil, Head of Task; Kurt Bungartz, Aleksandra Klis-Lemieszonek, Nils Odins, Jelena Magermane and Di Hai, auditors.



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Paragraph

Glossary

I–XVII **Executive summary**

VI–VII **About this audit**

VIII–XV **What the Court found**

XVI–XVII **What the Court recommends**

1–13 **Introduction**

1–4 **Background**

5–6 **Rail freight stakeholders and forms**

7–13 **EU interventions regarding rail freight transport**

14–18 **Audit scope and approach**

19–93 **Observations**

19–29 **The performance of rail freight transport in the EU remains unsatisfactory overall**

19–22 Road remains the leading mode of freight transport in the EU

23–27 Some Member States have nevertheless managed to increase the proportion of goods transported by rail

28–29 The poor performance of rail freight transport has not been helped by the low speed of trains

30–73 **Many strategic and regulatory factors prevent rail freight from being more competitive**

30–31 Rail freight must be made economically attractive so that the EU's transport policy objectives can be achieved

32–36 The Commission has made efforts to improve the framework conditions for the transport of goods by rail, but a single European railway area is still a long way from being achieved

- 37–43 Rail freight market liberalisation has achieved uneven progress in Member States and certain anti-competitive practices still prevail
- 44–57 Traffic management procedures have not been adapted to the needs of the rail freight sector, even within EU rail freight corridors
- 58–63 Administrative and technical constraints still hamper the competitiveness of rail freight
- 64–67 The lack of transparency on the performance of the rail freight sector has not stimulated improvements in customer service
- 68–73 Charges for accessing rail infrastructure compare unfavourably to those for accessing roads
- 74–93 **The infrastructure needs of the rail freight sector should be better targeted by EU funding**
- 74–77 Overall more EU funds were allocated to roads than to rail infrastructure
- 78–83 When allocated to rail, EU funds did not specifically target rail freight needs
- 84–89 Examined rail infrastructure projects have delivered or are likely to deliver expected outputs, but so far no general improvements in rail freight transport performance have been achieved
- 90–93 The poor maintenance of the rail network affects the sustainability and the performance of EU-funded infrastructure

94–100 **Conclusions and recommendations**

- Annex I — Legislative acts governing railway packages**
- Annex II — EU allocations to rail per Member State for 2007-2013**
- Annex III — List of projects examined by the Court**
- Annex IV — Rail freight transport as a share of total inland freight transport**
- Annex V — Rail freight modal share (inland freight) in the five Member States visited (2000 to 2013)**
- Annex VI — Case study on the cross-border section between Spain and France (rail freight corridor 6 Mediterranean)**

Reply of the Commission

Cohesion Fund: A fund aimed at strengthening economic and social cohesion within the European Union by financing environment and transport projects in Member States with a per capita GNP of less than 90 % of the EU average.

Connecting Europe Facility (CEF): A facility which since 2014 has provided financial aid to three sectors: energy, transport and information and communication technology (ICT). In these three areas, the CEF identifies investment priorities that should be implemented in the coming decade, such as electricity and gas corridors, the use of renewable energy, interconnected transport corridors and cleaner modes of transport, high-speed broadband connections and digital networks.

European Rail Traffic Management system (ERTMS): A major European industrial project aimed at replacing the different national train control and command systems to promote interoperability. It has two basic components: the European Train Control System (ETCS), and a radio system for providing voice and data communication between the track and the train, using standard GSM frequencies specifically reserved for rail (GSM-R).

European Regional Development Fund (ERDF): An EU fund aimed at reinforcing economic and social cohesion within the European Union by redressing the main regional imbalances through financial support for the creation of infrastructure and productive job-creating investment, mainly for businesses.

Incumbent freight operator: The rail operator with a historically dominant position in the national market, deriving from a single integrated company which used to be responsible for the management of the rail infrastructure and provision of transport services.

Infrastructure manager: A body or undertaking responsible in particular for establishing, managing and maintaining railway infrastructure.

Interoperability: Interoperability is defined as the capability to operate on any stretch of the rail network without any difference. In other words, the focus is on making the different technical systems on the EU's railways work together.

Innovation and Networks Executive Agency (INEA): The Innovation and Networks Executive Agency (INEA) is the successor of the Trans-European Transport Network Executive Agency (TEN-T EA), which was created by the European Commission in 2006 to manage the technical and financial implementation of its TEN-T programme. INEA, with its headquarters in Brussels, officially started its activities on 1 January 2014 in order to implement parts of the Connecting Europe Facility (CEF), Horizon 2020, and other legacy programmes (TEN-T and Marco Polo 2007-2013).

Modal share: The share of total journeys, volume, weight, vehicle or transport performance (vehicle, tonne- or passenger-kilometres) of alternative modes of transport, such as road, rail, inland waterways, maritime and air transport, including non-motorised transport. In this report, modal share refers to rail freight transport.

New entrant: Any rail freight operator (other than the incumbent freight operator) licensed according to the applicable EU and national rules, operating in the competitive market.

One-stop shop (OSS): In the context of this report a single point of contact established for each rail freight corridor to deal with requests for international capacity.

Path: The capacity to run a train between two places over a given period.

Rail freight corridor (RFC): Nine international market-oriented rail freight corridors crossing Europe established by Regulation (EU) No 913/2010 with the objective of enhancing and facilitating rail freight transport.

RailNetEurope: An association set up by a majority of European rail infrastructure managers and allocation bodies to enable fast and easy access to European rail. Its aim is to provide support to railway undertakings in their international activities (both for freight and passengers) and to facilitate the simplification, harmonisation and optimisation of international rail processes. The association also carries out a number of projects co-financed by TEN-T funds with a purpose to help with implementation of the rail freight corridors as set out in Regulation (EU) No 913/2010.

Railway undertaking: A public or private rail operator licensed according to applicable EU legislation, the principal business of which is to provide services for the transport of goods and/or passengers by rail.

Regulatory body: The task of a regulatory body is to ensure that charges and arrangements for access set by the infrastructure manager comply with the applicable legislation and are non-discriminatory. It must be independent from any infrastructure manager, charging body, path allocation body or any railway undertaking. Any railway undertaking has the right to appeal to the regulatory body against decisions taken by the infrastructure manager concerning the network statement, the allocation process and its result, the charging scheme and arrangements for access in accordance with the applicable legislation. The regulatory body is also obliged to monitor the competitive situation in the railway market on its own initiative and may take measures to correct discrimination against applicants, market distortion and any other undesirable developments in the railway market.

Tonne-kilometre: Unit of measurement for recording transport output, corresponding to the carriage of 1 tonne over 1 kilometre calculated by multiplying the quantity carried in tonnes by the distance covered in kilometres.

Train-kilometre: Unit of measurement representing the movement of a train over 1 kilometre.

Trans-European Transport Networks (TEN-T): A planned set of road, rail, air and water transport networks in Europe. The TEN-T networks are part of a wider system of Trans-European Networks (TENs), including a telecommunications network (eTEN) and a proposed energy network (TEN-E). The infrastructure development of the TEN-T is closely linked with the implementation and further advancement of EU transport policy. The new TEN-T regulation, revised in 2013, introduces a new approach to the development of an efficient infrastructure network and financial support targeted to EU added value projects.

I

The mobility of goods is an essential component of the EU internal market, and one that is crucial for maintaining the competitiveness of European industry and services. It has a significant impact on economic growth and job creation. In recent years, inland freight transport volumes in the EU (comprising road, rail and inland waterways) have stabilised at around 2 300 billion tonne-kilometres per year, with road accounting for approximately 75 % of this total.

II

However, transport has also a negative impact on the environment and on the quality of life of EU citizens. It accounts for around one third of energy consumption and of total CO₂ emissions in the EU. Promoting efficient and sustainable methods of transport such as rail and inland waterways over roads could help to lower Europe's dependence on imported oil and reduce pollution. According to the European Environment Agency, CO₂ emissions from rail transport are 3.5 times lower per tonne-kilometre than those from the road transport.

III

More sustainable methods of transport could also help to reduce the costs associated with road congestion, which are currently projected to increase by about 50 % by 2050, to nearly 200 billion euros annually, and cut the number of transport fatalities.

IV

The promotion of more efficient and sustainable methods of transport, and in particular of rail freight, has been a key part of EU policy for the last 25 years. As long ago as 1992, the European Commission set the shifting of the balance between different modes of transport as a main objective. In 2001, the Commission confirmed the importance of revitalising the rail sector, setting a target of maintaining the market share of rail freight in central and eastern European Member States at a level of 35 % by 2010. Finally, in 2011, the Commission set a target of shifting as much as 30 % of road freight being transported further than 300 km to other modes of transport such as rail or waterborne transport by 2030, and more than 50 % by 2050.

V

The EU's policy objectives for shifting goods from road to rail have been translated into a series of EU legislative measures mainly aiming at opening the market, ensuring non-discriminatory access and promoting interoperability and safety. The EU budget also contributed by approximately 28 billion euros to funding rail projects between 2007 and 2013.

About this audit

VI

Through this audit, the Court assessed whether the EU had been effective in enhancing rail freight transport. In particular, we reviewed whether the performance of rail freight transport in the EU, especially in terms of modal share and volume transported, had improved since 2000. We evaluated the strategic and regulatory framework set by the Commission and the Member States to determine whether it had been successful in promoting the competitiveness of rail freight transport. Finally, we also examined whether the EU funds available had properly targeted the specific infrastructure needs of the rail freight sector.

VII

Our audit was carried out at the Commission and in five Member States — the Czech Republic, Germany, Spain, France and Poland — from mid-2014 until mid-2015. It included a review of 18 rail infrastructure projects intended to benefit, at least partly, rail freight transport.

What the Court found

VIII

Overall, the performance of rail freight transport in the EU remains unsatisfactory, and the position of road transport has grown further since 2000. Despite the EU policy objectives set by the Commission of shifting freight from road to rail and the EU funding available for rail infrastructure, rail freight transport performance in the EU is unsatisfactory in terms of volume transported and modal share. On average, rail freight modal share at the EU level has actually declined slightly since 2011.

IX

In addition to the poor performance of rail freight transport in terms of volume and modal share, the average commercial speed of freight trains in the EU is very low (only around 18 km/h on many international routes). This is also due to the weak cooperation between the national infrastructure managers. We found no evidence of a significant increase over the last decade. However, in rail freight corridors the average speed of trains is relatively comparable to the speed of lorries.

X

Rail freight transport has failed over the last 15 years to respond effectively to the competition presented by road transport in the EU. Shippers clearly prefer road over rail for transporting goods. Nevertheless, some Member States (such as Austria, Germany and Sweden) have managed to achieve better results in terms of modal share and volumes transported by rail.

XI

Market liberalisation has achieved uneven progress in Member States and a single European railway area is still a long way from being achieved. The EU rail network has by and large remained a system of 26 separate rail networks (Cyprus and Malta have no rail networks) which are not fully interoperable, with various infrastructure managers, national safety authorities and very different national rules governing path allocation, management, pricing, etc.

XII

Traffic management procedures are not adapted to the needs of rail freight, even within rail freight corridors. This makes it difficult for rail to compete with other modes of transport, especially road transport whose infrastructure is easily accessible across all Member States.

XIII

Freight trains are charged for every kilometre of rail infrastructure used; this is not always the case for road transport. Externalities produced by rail and road transport (environmental impacts and pollution, congestion, accidents, etc.) are not taken into account in a comprehensive manner when setting the price to be paid by users for access to infrastructure.

XIV

In three of the five visited Member States more EU funds were allocated to roads than to rail during the 2007-2013 period, in particular as regards the Cohesion Fund and ERDF. When EU funds were allocated to rail transport they were not primarily used to target the needs of the rail freight sector.

XV

Poor maintenance of the rail network can affect the sustainability and the performance of EU-funded infrastructure. In order to provide a good quality service to rail freight operators and shippers, and in general to make rail freight transport competitive, a rail network needs not only to be renovated and modernised by the infrastructure manager, but also to be regularly maintained. This is of particular importance for the rail freight corridors. Without the adequate maintenance of tracks, speed restrictions become necessary and rail lines progressively close.

What the Court recommends

XVI

The strategic and regulatory issues identified in this report are of such nature that, if not addressed, extra funding for rail infrastructure, by itself, will not resolve the problems which we have identified. The Commission and the Member States should help infrastructure managers and railway undertakings to focus on increasing the competitiveness of rail freight transport, particularly in terms of reliability, frequency, flexibility, customer orientation, transport time and price, as they are the main factors taken into account by shippers when choosing between the different methods of transport available.

XVII

In this respect the Court makes a number of recommendations which are focused on two main issues: first, necessary improvements in the strategic and regulatory framework under which the transport of goods by rail is carried out. To this end the Commission, together with the Member States, should address the weaknesses observed in rail freight market liberalisation; traffic management procedures; administrative and technical constraints; monitoring and transparency of the performance of the rail freight sector; and fair competition between different modes of transport. Secondly, the Court recommends that better use be made of available EU funds in targeting the needs of the rail freight sector. To this end, the Commission and the Member States should ensure improvements in the following areas: consistent approach between policy objectives and fund allocation (with focus on rail freight corridors), selection, planning and management of projects and maintenance of the rail network.

Background

01

The mobility of goods is an essential component of the EU internal market; it contributes significantly to the competitiveness of European industry and services. It also has a substantial impact on economic growth and job creation. In recent years, inland freight transport volumes in the EU (comprising road, rail and inland waterways¹) have stabilised at around 2 300 billion tonne-kilometres per year, with road accounting for approximately 75 % of the total.

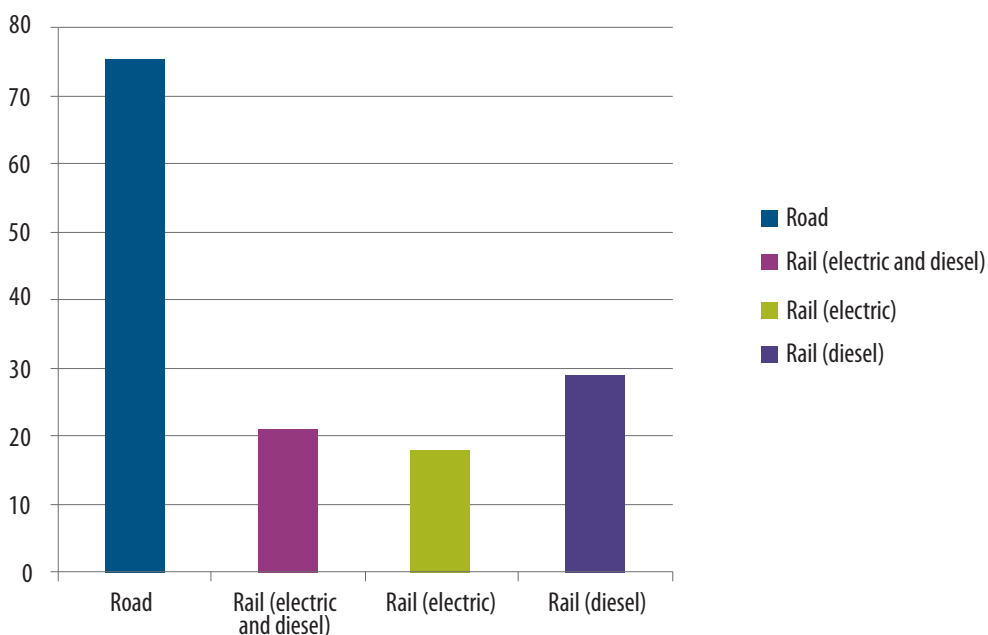
02

However, transport has also a negative impact on the environment and on the quality of life of EU citizens. It accounts for around one third of energy consumption and total CO₂ emissions in the EU². Promoting efficient and sustainable methods of transport, such as rail and inland waterways over roads, could help lower Europe's dependence on imported oil and reduce pollution. According to the European Environment Agency, CO₂ emissions from rail transport are 3.5 times lower per tonne-kilometre than those from road transport (see **Figure 1**).

- 1 Excluding pipelines, maritime and air transport.
- 2 European Commission, 'EU transport in figures', *Statistical Pocketbook*, 2014.

Figure 1

CO₂ emissions per tonne-kilometre in the EU in 2012



Source: European Court of Auditors based on European Environment Agency data.

Introduction

03

More sustainable methods of transport could also help to reduce the costs associated with road congestion, which are currently projected to increase by about 50 % by 2050, to nearly 200 billion euros annually³, and cut the number of transport fatalities (in 2012, there were 28 126 road fatalities in the EU, compared to 36 fatalities associated with rail transport⁴).

04

A network of around 216 000 km of active railway lines exists in the EU⁵. This could potentially offer a sustainable alternative to road transport, especially over medium and long distances where rail freight transport has the potential to be more competitive. In the EU medium- and long-distance journeys generally involve trains crossing at least one border. The total cost of an international train journey varies across Europe; it depends on national access charges, the level of competition, the journey time and the economy of scale gained. In particular, significant fixed additional costs related to the first and the last mile (e.g. loading/unloading in terminals) is more evenly divided over medium and long distances. As a result the overall cost per tonne-kilometre for rail freight transport over such distances can be lower than if the same goods were transported by road. Rail, together with inland waterways in some geographical areas⁶, is also the most economical method of transport for certain specific types of goods, such as solid mineral fuels, raw materials and chemical products.

Rail freight stakeholders and forms

05

The transport of goods by rail involves the participation of different stakeholders, in particular: shippers (who choose the method of transport which best suits their needs), railway undertakings (rail freight operators who provide the service of transporting goods, since 2007 competing on an open market in the EU), infrastructure managers (who own the infrastructure and are in charge, among other tasks, of allocating capacity on the infrastructure to railway undertakings), national regulatory bodies (in charge of ensuring fair and non-discriminatory access to the rail network to all railway undertakings) and national safety authorities (responsible for issuing safety certificates for railway undertakings and for the delivery of authorisation of rail vehicles in cooperation with the European Railway Agency). Their role is summarised in **Figure 2**.

3 SEC(2011) 391 final of 28.3.2011 'Accompanying the White Paper — Roadmap to a Single European Transport Area — Towards a competitive and resource efficient transport system'.

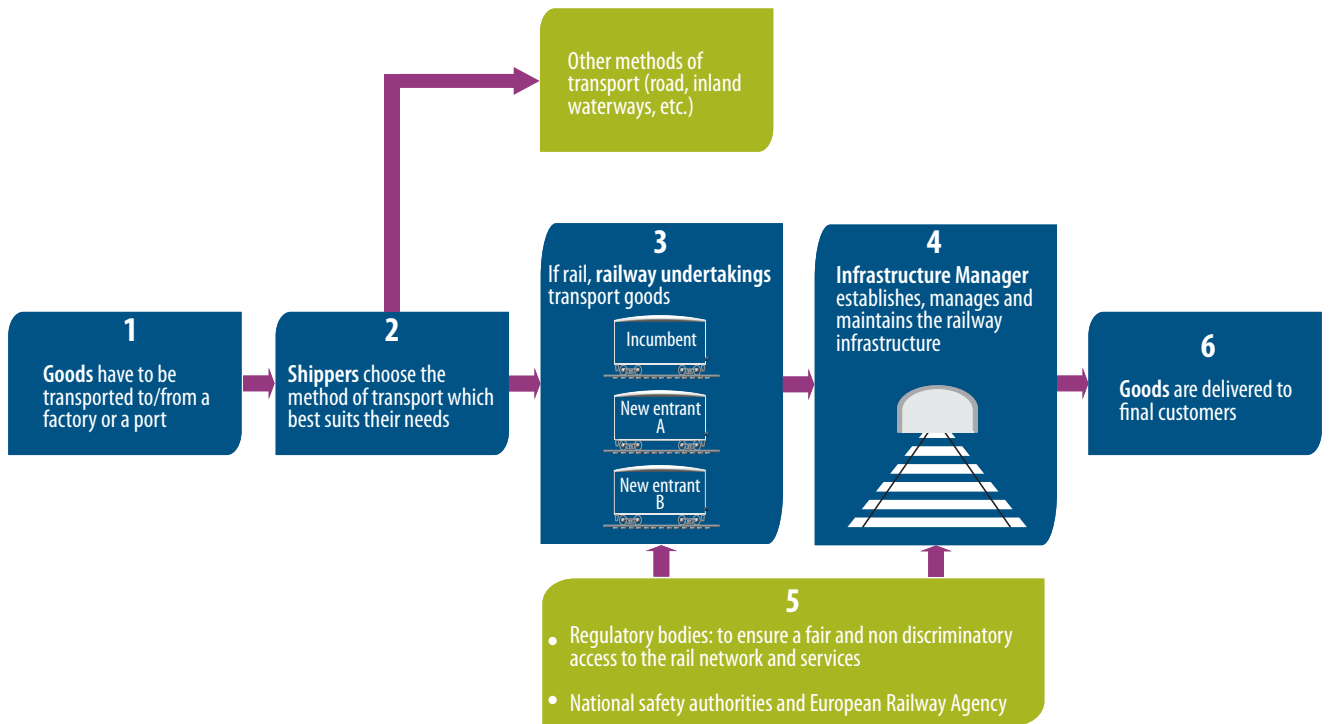
4 European Commission, 'EU transport in figures', *Statistical Pocketbook*, 2014.

5 European Commission, 'EU transport in figures', *Statistical Pocketbook*, 2014.

6 European Court of Auditors Special Report No 1/2015 'Inland Waterway Transport in Europe: No significant improvements in modal share and navigability conditions since 2001' (<http://eca.europa.eu>).

Figure 2

Main rail freight transport stakeholders



Source: European Court of Auditors.

06

Several forms of rail freight transportation exist: single wagon (the client wants to transport a few wagons and the train is composed of wagons of different clients), full or block train (the client has enough goods to fill a train) and intermodal or combined rail–road transport (the container or trailer is lifted on the wagon).

EU interventions regarding rail freight transport

EU transport policy objectives for shifting goods from road to rail

07

The promotion of more efficient and sustainable methods of transport, and in particular of rail freight, has been a key part of EU policy for the last 25 years. As early as 1992, the European Commission set shifting the balance between modes of transport as one of its main objectives⁷. In 2001, the European Commission confirmed the importance of revitalising the railways, setting the objective of maintaining market share of the rail freight sector in central and eastern European Member States at 35 % by 2010⁸. Finally, in 2011, the Commission set a target of shifting as much as 30 % of road freight transported over distances greater than 300 km to other modes of transport such as rail or waterborne transport by 2030, and more than 50 % by 2050⁹.

The legal framework governing rail freight transport

08

The EU's policy objectives for shifting goods from road to rail have been translated into a series of EU legislative measures mainly aiming at opening the market, ensuring non-discriminatory access and promoting interoperability and safety. In particular, as a result of the three railway packages and the recast of the first railway package (see **Annex I**):

- formerly integrated railway companies have been separated into national infrastructure managers and railway undertakings;
- the rail freight market was to be fully open to competition by 1 January 2007 at the latest;
- national regulatory bodies were set up to ensure fair and non-discriminatory access to the rail network and services;
- the European Railway Agency was established, in charge mainly of developing safety and interoperability standards and harmonising technical specifications. The agency works closely with national safety authorities.

- 7 COM(92) 494 final of 2 December 1992 'White Paper — The Future Development of the Common Transport Policy — A Global Approach to the Construction of a Community Framework for Sustainable Mobility'.
- 8 COM(2001) 370 final of 12 September 2001 'White Paper — European transport policy for 2010: time to decide'.
- 9 COM(2011) 144 final of 28 March 2011 'White Paper — Roadmap to a Single European Transport Area — Towards a competitive and resource efficient transport system'.

09

In January 2013, the Commission adopted its proposal for the fourth railway package to complete a single European railway area. This package is organised around two main pillars: the technical pillar (among other things, enhancing the role of the European Railway Agency, which will become the body responsible for issuing safety certificates for railway undertakings and vehicle approvals in all Member States) and the governance and market-opening pillar (strengthening in particular the role of infrastructure managers and opening domestic passenger markets). Although discussions on the technical pillar have been going on for almost 3 years, at the time of the audit the package had not yet been approved by the Council and the European Parliament.

10

In addition to the railway packages and other legislative acts¹⁰, applicable to the rail sector in general, there are earlier specific legislative measures which exclusively address the transport of goods by rail. In 2007, the Commission adopted a Communication¹¹ proposing a set of new actions that would promote the establishment of a European rail network with specific focus on freight corridors. Regulation (EU) No 913/2010 concerning a European rail network for competitive freight continued the line taken by the 2007 Communication, setting out rules for the selection, organisation, management and indicative investment planning of nine rail freight corridors (RFCs) (see **Figure 3** and **Box 1**). The objective was to improve coordination between different stakeholders as regards traffic management, access to infrastructure and investments in rail infrastructure, as well as to improve the continuity of traffic throughout the Member States, focusing on giving sufficient priority to rail freight traffic. In particular, Regulation (EU) No 913/2010 specifically required that a 'one-stop shop' should be set up for each rail freight corridor to manage requests for infrastructure capacity for freight trains crossing at least one border along the corridor.

10 Directive 2012/34/EU establishing a single European railway area (set out as a concept in the 2011 White Paper), Regulation (EU) No 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU.

11 COM(2007) 608 final of 18 October 2007 'Towards a rail network giving priority to freight'.

Figure 3

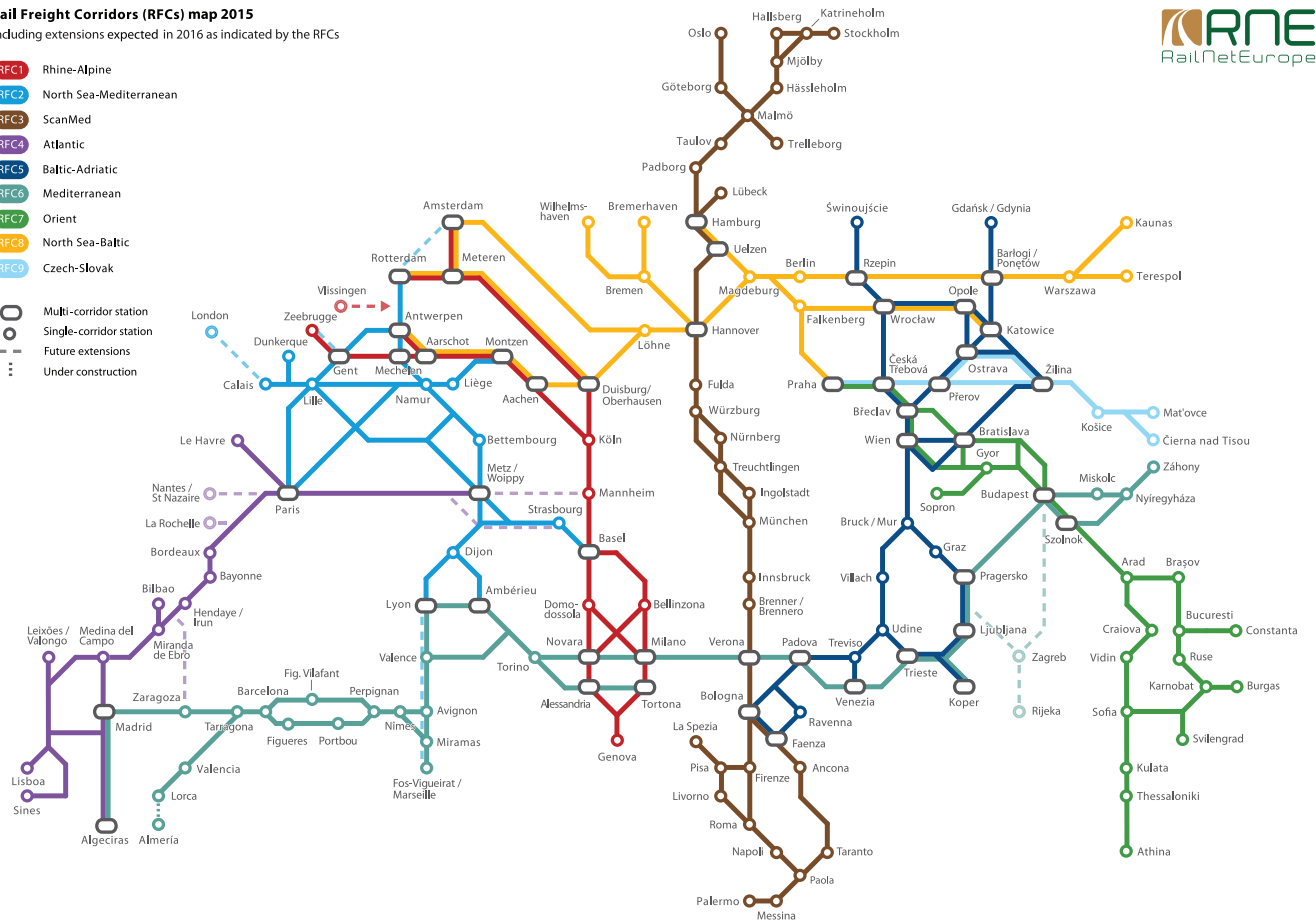
European rail freight corridors

Rail Freight Corridors (RFCs) map 2015

Including extensions expected in 2016 as indicated by the RFCs

- RFC1 Rhine-Alpine
- RFC2 North Sea-Mediterranean
- RFC3 ScanMed
- RFC4 Atlantic
- RFC5 Baltic-Adriatic
- RFC6 Mediterranean
- RFC7 Orient
- RFC8 North Sea-Baltic
- RFC9 Czech-Slovak

- Multi-corridor station
- Single-corridor station
- - - Future extensions
- ⋮ Under construction



Based on Regulation (EU) No 913/2010, this map was created by RNE and agreed with all RFCs.

Source: www.rne.eu, ©RNE.

Box 1

List of the nine rail freight corridors and start date according to Regulation (EU) No 913/2010¹²

- RFC1 Rhine–Alpine, covering the Netherlands, Belgium, Germany and Italy (November 2013)
- RFC2 North Sea–Mediterranean, covering the Netherlands, Belgium, Luxembourg and France (November 2013)
- RFC3 ScanMed, covering Sweden, Denmark, Germany, Austria and Italy (November 2015)
- RFC4 Atlantic, covering Portugal, Spain and France (November 2013)
- RFC5 Baltic–Adriatic, covering Poland, the Czech Republic, Slovakia, Austria, Italy and Slovenia (November 2015)
- RFC6 Mediterranean, covering Spain, France, Italy, Slovenia and Hungary (start date: November 2013)
- RFC7 Orient, covering the Czech Republic, Austria, Slovakia, Hungary, Romania, Bulgaria and Greece (start date: November 2013)
- RFC8 North Sea–Baltic, covering Germany, the Netherlands, Belgium, Poland and Lithuania (start date: November 2015)
- RFC9 Czech–Slovak, covering the Czech Republic and Slovakia (start date: November 2013)

¹² Regulation (EU) No 913/2010 of the European Parliament and of the Council of 22 September 2010 concerning a European rail network for competitive freight (OJ L 276, 20.10.2010, p. 22).

EU financial support in the field of rail freight infrastructure

11

In order to help the Member States and regions to shift goods from road to rail, EU financial support is available for investments in rail infrastructure. Approximately 28 billion euros was allocated from the EU budget to rail between 2007 and 2013: 23.5 billion euros through the Cohesion Policy (the European Regional Development Fund (ERDF)¹³ and the Cohesion Fund¹⁴), and 4.5 billion euros through the Trans-European Network for Transport (TEN-T) Programme¹⁵, which has been replaced by the Connecting Europe Facility (CEF) from 2014 onwards¹⁶. The amounts allocated by the EU to rail infrastructure projects in each Member State are presented in **Annex II**.

12

The two main sources of EU funding for rail infrastructure projects operate on the following basis.

- (a) Projects co-financed by the ERDF and Cohesion Fund are implemented under shared management between the Commission (the Directorate-General for Regional and Urban Policy) and the Member States. Projects are generally selected by the national managing authorities based on proposals submitted by the implementing bodies, which in many cases are the infrastructure managers. The Commission itself examines major projects whose total cost exceeds 50 million euros (which is normally the case for rail infrastructure projects) and assesses operational programmes submitted by the national authorities, based on which all projects (regardless of the project cost) are implemented. Co-financing can be provided at rates of up to 85 %.
- (b) The management of the technical and financial implementation of projects co-financed under the TEN-T Programme is the responsibility of the Innovation and Networks Executive Agency (INEA), under the supervision of the Directorate-General for Mobility and Transport; the approval of each individual project submitted by the Member States' authorities is the responsibility of the Commission. Co-financing rates vary: up to 20 % for works projects, up to 30 % for cross-border projects and up to 50 % for studies¹⁷.

13 Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999 (OJ L 210, 31.7.2006, p. 1).

14 Council Regulation (EC) No 1084/2006 of 11 July 2006 establishing a Cohesion Fund and repealing Regulation (EC) No 1164/94 (OJ L 210, 31.7.2006, p. 79).

15 Decision No 661/2010/EU of the European Parliament and of the Council of 7 July 2010 on Union guidelines for the development of the trans-European transport network (recast) (OJ L 204, 5.8.2010, p. 1).

16 Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010 (OJ L 348, 20.12.2013, p. 129).

17 Under the CEF, which replaces the TEN-T for 2014-2020, rail projects can benefit from a co-financing rate of up to 20 % of the eligible costs for works projects, which can be increased to 30 % for rail projects addressing bottlenecks and to 40 % for rail projects concerning cross-border sections.

13

The financial support provided by the EU¹⁸ focuses mainly on the construction of new rail lines or the renovation and upgrading of existing lines, which typically involves increasing the speed and axle load or adapting to interoperability requirements¹⁹. Except for projects on lines used exclusively by passenger trains (generally high-speed lines) or in rare cases on lines used only by freight trains, investments in rail infrastructure benefit both types of traffic. **Box 2** contains a short description of two typical infrastructure projects which we examined during this audit.

18 EU financial support to individual projects is granted to complement national funding, at different co-financing rates, depending on the source of financing.

19 To a minor extent, the EU budget also supports investments into rolling stock; a number of non-infrastructure actions aimed at supporting the implementation of EU rail policy (via the TEN-T and CEF programmes); and research projects (for example through the Shift2Rail Joint Undertaking established following the entry into force of Council Regulation (EU) No 642/2014 of 16 June 2014 (OJ L 177, 17.6.2014, p. 9) in order to boost and coordinate research and innovation in rail products, processes and services). However, these were not directly covered by this audit.

Examples of co-financed rail infrastructure projects intended to benefit freight traffic

Photo 1 — Girona mercancías-Figueras bypass project (Spain)

- (a) One of the examined projects in Spain involved renovating the tracks, building two railway sidings and adding a third rail to an existing track to allow both Iberian gauge (see paragraph 62(e)) and standard European gauge trains to use the line. It was co-financed at a rate of 10 % under the TEN-T Programme, receiving a total of 6.1 million euros.



Photo 2 — A freight train passing through the reconstructed Břeclav railway junction (Czech Republic)

- (b) Another examined project in the Czech Republic involved renovating and upgrading a rail junction, in particular increasing its axle load category. It was co-financed by the Cohesion Fund at a rate of 85 %. The EU's contribution was around 59.9 million euros.

Audit scope and approach

14

In this audit the Court assessed whether the EU had been effective in enhancing rail freight transport. To do this, we examined:

- whether the performance of rail freight transport in the EU, especially in terms of modal share and volume transported, had improved since 2000;
- whether the strategic and regulatory framework set by the Commission and the Member States had promoted the competitiveness of rail freight transport;
- whether the EU funds available had targeted the specific infrastructure needs of the rail freight sector.

15

Our audit was carried out between mid-2014 and mid-2015 at the Commission, the INEA and in five Member States (the Czech Republic, Germany, Spain, France and Poland)²⁰. These Member States cover all rail freight corridors at least partially. Interviews were held with Commission staff, Member State authorities (transport ministries, infrastructure managers, regulatory bodies, safety authorities, etc.), rail freight operators (both incumbent railway undertakings and new entrants) and other stakeholders (shippers, transport associations, etc.).

16

The audit covered the period from 2001 when the Commission confirmed its objective of promoting environmentally friendly methods of transport, particularly railways. Where possible, good practices which could be shared between stakeholders in other Member States were also identified.

²⁰ The Czech Republic, Spain and Poland were the three largest total recipients of EU funds for rail during the 2007-2013 period; Germany and France were the main beneficiaries of the TEN-T funding for rail projects during the same period.

17

In a previous report²¹ the Court already highlighted a number of obstacles to developing a strong and competitive European rail transport: rail infrastructure which was poorly adapted to cater for trans-European services (in particular missing cross-border links, bottlenecks on important axes, infrastructure in need of upgrading); interoperability problems caused by the fact that the European rail network is a system of national rail networks with specific technical and operational characteristics and administrative procedures; and a need to develop a competitive market for rail transport. While most of these obstacles remain to be effectively removed, in particular by way of adopting and implementing the 4th Railway Package, this report focuses specifically on the situation of rail freight. In addition, a recent study commissioned by the European Parliament analysing the results, efficiency and effectiveness of EU investment in rail infrastructure was also taken into account²².

18

In addition, 18 rail infrastructure projects co-financed by the Cohesion Fund, the ERDF and the TEN-T programme during the 2007-2013 period were selected for review. All of these were intended to benefit freight traffic, at least to some extent. **Annex III** contains a list of projects examined by the Court.

21 Special Report No 8/2010 'Improving transport performance on Trans-European rail axes: Have EU rail infrastructure investments been effective?' (<http://eca.europa.eu>).

22 European Parliament, Directorate-General for Internal Policies, 'Study on the Results and Efficiency of Railway Infrastructure Financing within the European Union', 2015.

The performance of rail freight transport in the EU remains unsatisfactory overall

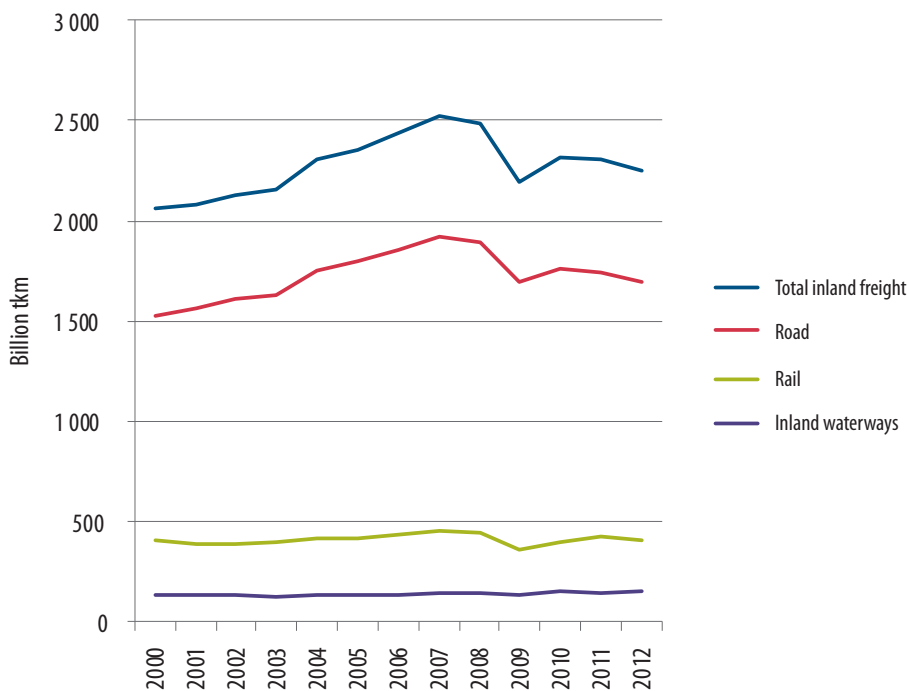
Road remains the leading mode of freight transport in the EU

19

Notwithstanding the efforts made by the Commission since the 2001 White Paper, the performance of the transport of goods by rail in the EU remains unsatisfactory overall. The volume of freight transported annually by rail remained relatively stable between 2000 and 2012 (around 400 billion tonne-kilometres). During the same period, though, the volume of freight transported by road increased (from 1 522 to 1 693 billion tonne-kilometres), as shown in **Figure 4**.

Figure 4

Inland freight transport in the EU, in billion tonne-kilometres



Source: European Court of Auditors based on latest available Eurostat data.

Observations

20

This has resulted in the market share of rail freight as a proportion of total inland freight transport declining slightly. It decreased from 19.7 % in 2000 to 17.8 % in 2013, whereas the proportion of goods transported by road increased slightly from 73.7 % to 75.4 % during the same period. This trend puts at risk the achievement of the target set in the Commission's 2011 White Paper of shifting as much as 30 % of road freight being transported over distances greater than 300 km to other modes of transport such as rail or waterborne transport by 2030.

21

However, our analysis showed that Switzerland, despite being a relatively small and mountainous country with no major heavy industry, has managed to maintain its rail freight modal share at above 40 % since 2000, reaching 48 % in 2013. A combination of regulatory measures (such as a heavy vehicle fee, subsidies for combined transport, a night and weekend driving ban, and restrictions on the maximum permitted weight and dimension of trucks) as well as investments in the renovation and building of new rail lines (in particular cross-Alpine tunnels), has contributed to enhancing rail freight transport performance in Switzerland. Within the EU a comparable increase can be observed in Austria, which also applied similar regulatory measures.

22

Rail freight transport performs differently in other parts of the world, where it is often the predominant mode of transport, reaching market shares of 40 % and more (e.g. in the United States, Australia, China, India, and South Africa)²³. This is generally due to a large proportion of raw materials being transported by rail, the countries referred to all covering large geographical areas subject to one single national legislative order, language regime and technical system for railway services: the situation here cannot therefore be easily compared to the situation in the EU.

Some Member States have nevertheless managed to increase the proportion of goods transported by rail

23

The general downward trend in the EU can be traced back to various problems that rail freight traffic is facing in many Member States, which has resulted from fragmentation of the European rail market into several national segments. These problems include a lack of competition in the market, rail traffic management procedures which are not adapted to the needs of rail freight, other administrative and technical constraints. This situation is exacerbated by obsolete infrastructure which has been neglected for years in favour of road transport, with rail infrastructure projects being focused on the development of high-speed lines.

²³ International Union of Railways (UIC) portal and European Commission, 'EU transport in figures', *Statistical Pocketbook*, 2014.

24

Although the situation of the rail freight sector remains generally unsatisfactory in terms of modal share and volume transported, the scale of the issue is not uniform across the EU. Our analysis of Eurostat data shows that overall in 10 out of 26 Member States the modal share of goods transported by rail has increased²⁴ between 2000 and 2013. Other Member States have seen their performance decrease, for example all central and eastern European Member States whose modal share in 2000 was relatively high. Moreover, our analysis illustrates that both increase and decrease in the rail freight share took place regardless of the level of the modal share achieved (see **Table 1**). Statistical data for all Member States are provided in **Annex IV**.

24 Based on Eurostat data (<http://ec.europa.eu/eurostat/data/database>). Cyprus and Malta do not have any rail network.

Table 1 Rail freight modal share across the EU

Rail freight modal share in 2013	Rail freight modal share in 2013 and trend between 2000 and 2013	
Above 40 %	↑	Austria (42.1 %)
	↓	Estonia (44.1 %) and Latvia (60.4 %)
Between 30 % and 40 %	↑	Sweden (38.2 %)
	↓	Lithuania (33.6 %)
Between 20 % and 30 %	↑	Germany (23.5 %) and Finland (27.8 %)
	↓	Czech Republic (20.3 %) , Hungary (20.5 %), Slovakia (21.4 %) and Romania (21.9 %)
Between 10 % and 20 %	↑	Italy (13 %), United Kingdom (13.2 %), Belgium (15.1 %) and Denmark (13.2 %)
	↓	France (15 %) , Poland (17 %) , Croatia (17.4 %), EU average (17.8 %) and Slovenia (19.3 %)
Below 10 %	↑	Netherlands (4.9 %)
	↓	Ireland (1.1 %), Greece (1.2 %), Luxembourg (2.4 %), Spain (4.6 %) , Portugal (5.9 %) and Bulgaria (9.1 %)

Note: the Member States visited for this audit and the EU average are in bold type.

Source: European Court of Auditors based on Eurostat data.

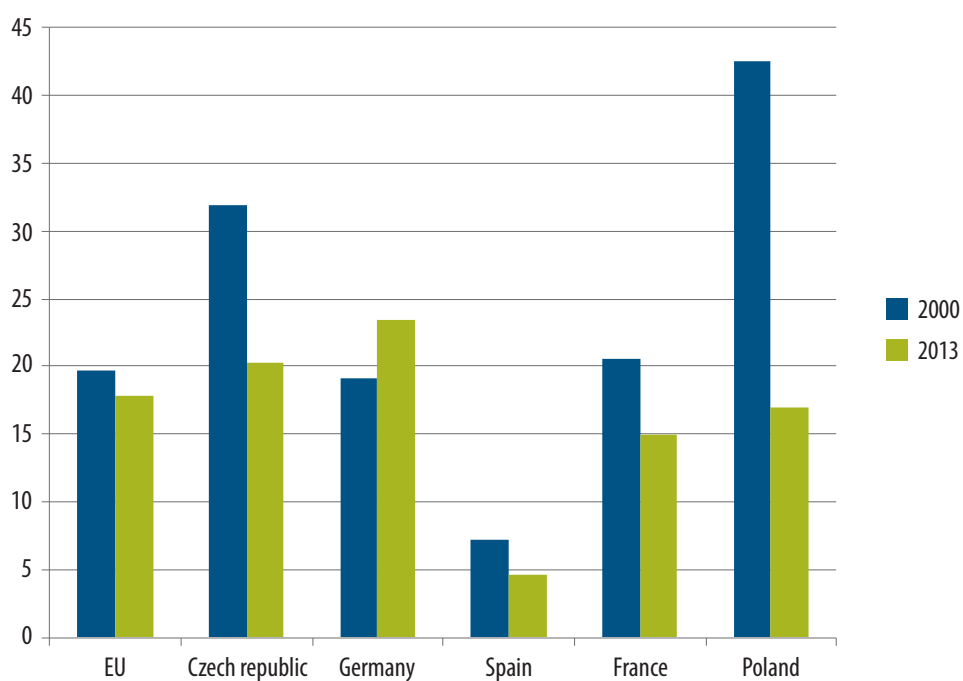
Observations

25

As regards the Member States visited for this audit, the modal share of goods transported by rail decreased between 2000 and 2013 in four of them (the Czech Republic, Spain, France and Poland) and increased in one (Germany), as shown by **Figure 5** and **Annex V**.

Figure 5

Rail freight modal share (inland freight transport) in %



Source: European Court of Auditors based on Eurostat data.

Observations

26

In particular, in the Czech Republic and Poland, rail freight transport performance suffers from the poor condition of the rail network (which is not helped by the priority given in the allocation of EU funds to roads in both Member States), the relatively high level at which access charges are set, and the lack of independence of the regulatory body (see paragraph 43 and **Table 3**) (especially in the case of the Czech Republic). For these two Member States, this has led to a failure to meet the 2001 White Paper targets for the central and eastern European Member States. Spain has suffered from a slow and incomplete market liberalisation process, and in France performance had been adversely affected by the lack of a heavy vehicle fee as well as the poor quality of paths offered to rail freight transport.

27

In the case of Germany the comparatively high share of rail freight is due to the country's central location and high level of industry, but also to the early liberalisation of the rail freight market, the introduction of a road toll for heavy vehicles in 2005, and the existence of a relatively strong and independent regulatory body.

The poor performance of rail freight transport has not been helped by the low speed of trains

28

The poor performance of rail freight transport in terms of volume and modal share in the EU is not helped by the average commercial speed of freight trains. Simply put, freight trains run slowly and their speed has not significantly increased over the last decade. On some international routes freight trains run at an average speed of only around 18 km/h²⁵. This is also due to weak cooperation between the national infrastructure managers²⁶. In central and eastern European Member States, the average speed is between 20 and 30 km/h. For example, in Poland our audit found that in 2014 the average commercial speed of freight trains was 22.7 km/h.

29

Our analysis showed, however, that the situation is significantly better in some rail freight corridors, where the average speed is around 50 km/h²⁷. This is closer to the average speed of trucks (around 60 km/h).

- 25 Average freight train speeds are measured from the departure at the station of origin until the arrival to the station of destination of a freight train — this is usually not the door-to-door speed, since freight trains usually do not operate door-to-door, but between different service facilities (train formation or maintenance facilities, marshalling yards, etc.).
- 26 SWD(2013) 12 final of 30 January 2013 'Impact assessment of the fourth railway package', p. 21.
- 27 E.g. this was the case of corridor 1 Rhine–Alpine.

Many strategic and regulatory factors prevent rail freight from being more competitive

Rail freight must be made economically attractive so that the EU's transport policy objectives can be achieved

30

Every day thousands of tonnes of goods are transported across the EU to factories, warehouses or final customers. Rail freight (and combined rail–road transport) is in direct competition with road haulage: shippers regularly compare the two when deciding which mode of transport to use. They naturally choose the one which best suits their needs, taking mainly into account: reliability, price, customer service, frequency and transport time²⁸. In other words shippers choose methods of transport on the basis of business criteria, and not on the basis of EU policy priorities.

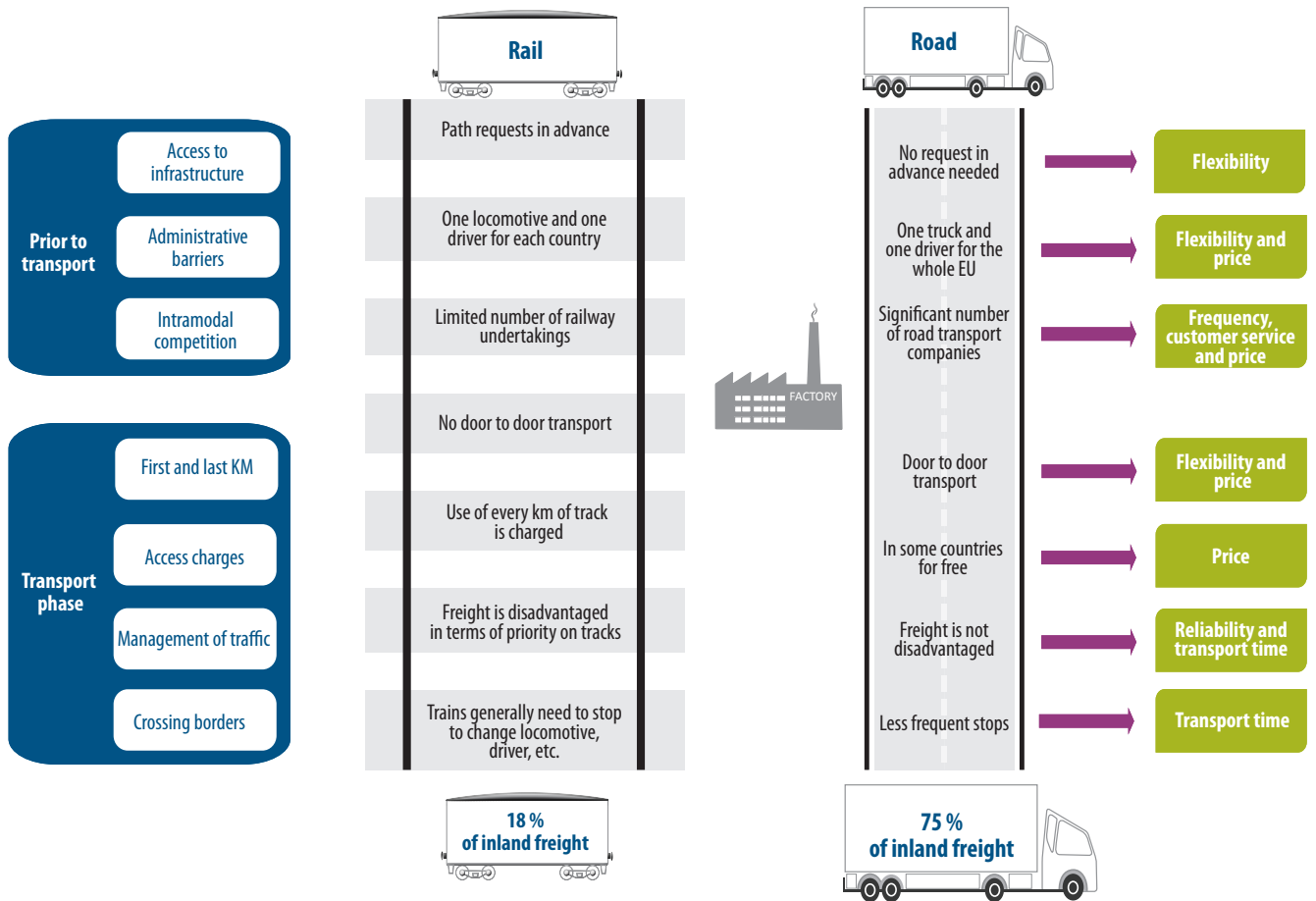
31

As mentioned above, some products such as raw materials are by nature more suitable for transporting by rail (see paragraph 4). However, to be competitive with the road transport for other types of goods, the rail sector faces several challenges which have an impact on shippers' choice such as timetable, access charges or punctuality (see **Figure 6**).

28 Risk of loss and damage, flexibility and environmental impact are also taken into consideration (*source*: European Intermodal Association, 'Intermodal yearbook 2011 and 2012').

Figure 6

Comparison of some of the challenges faced by rail freight transport compared to road



Source: European Court of Auditors.

The Commission has made efforts to improve the conditions for the transport of goods by rail, but a single European railway area is still a long way from being achieved

32

Over the last 15 years, the Commission has made efforts to improve the conditions for transporting goods by rail. In particular, it has produced several different railway packages and other legislative measures (see paragraphs 8 to 10). These measures were intended to open up national markets, harmonise rules, better target EU funding on sustainable modes of transport and make railways more competitive and interoperable at EU level in order to achieve a single European railway area.

Infringement procedures

33

To ensure that these conditions were actually implemented in practice, the Commission has launched a substantial number of infringement procedures concerning Directives 91/440/EEC and 2001/14/EC²⁹ (see **Table 2**). For 14 out of 26³⁰ Member States the procedures led to a judgment by the European Court of Justice. The most common reasons for infringements are in the areas of: performance scheme creating incentives to improve the performance of the railway network, the separation of accounts between the incumbent railway undertaking and the infrastructure manager, calculation of access charges and non-communication of transposition measures. Furthermore, the Commission launched additional infringement procedures concerning the safety and interoperability directives (respectively 2004/49/EC and 2008/57/EC).

34

In particular, the five Member States visited had been subject to infringement procedures concerning access charges set by the infrastructure manager, the independence of regulatory bodies and infrastructure managers, lack of performance scheme, non-communication of transposition measures, capacity allocation rules and the separation of accounts between the incumbent railway undertaking and the infrastructure manager.

- 29 If a Member State fails to incorporate EU directives into its national law or is suspected of breaching Union law, the Commission can launch a formal infringement procedure. Such a procedure contains a number of steps set out in the Treaties, each of which is laid down in a formal decision.
- 30 Cyprus and Malta do not have any rail network.

Table 2 Infringement procedures

Infringement procedures that have led to a judgment of the European Court of Justice concluding that the Member State concerned has failed to correctly transpose/implement EU law												
Member State	Subject											
	lack of a performance scheme	separation of accounts	calculation of track access charges	non-communication of transition measures	reducing costs of providing infrastructure and level of access charges	direct costs principle for calculation of access charges	capacity allocation rules	independence of infrastructure manager (path allocation)	management independence of infrastructure manager (setting of charges)	balancing accounts of an infrastructure manager	judicial appeal against decisions of the regulatory body	management independence of railway undertakings
Bulgaria			√			√						
Czech Republic	√				√				√		√	
Germany		√ ¹		√								
Ireland				√								
Greece			√	√								
Spain	√						√		√			
France	√	√ ¹						√				
Italy		√ ¹	√									
Hungary					√	√				√		
Austria		√ ¹										
Poland	√	√ ¹	√				√					
Portugal										√		√
Slovenia	√				√	√		√				
United Kingdom				√								

1 Pending cases.

Note 1: The Member States visited for this audit are in bold type.

Note 2: The number of infringement procedures referred to by the Court of Auditors only concerns procedures relating to Directives 91/440/EEC and 2001/14/EC. Additional infringement procedures were launched concerning the safety and interoperability directives (respectively 2004/49/EC and 2008/57/EC).

Source: European Court of Auditors based on Commission data.

Other measures

35

The Commission has also promoted the coordination of various rail freight stakeholders contributing to the development of platforms and working groups, such as the European Network of Rail Regulatory Bodies (ENRRB), the Platform for Rail Infrastructure Managers in Europe (PRIME) and the Dialogue of Railway Undertakings (RU Dialogue) as well as appointing a European coordinator for network corridors and an additional one for the European Rail Traffic Management System (ERTMS)³¹. Additionally, the Commission has set up nine rail freight corridors, each with its own governance structure and one-stop shop to ensure that traffic management, access to the infrastructure and investment in rail infrastructure are coordinated well (see paragraph 10).

36

Notwithstanding this effort, at the time of the audit a single European railway area was still a long way from being achieved: the EU's rail network is still a system of 26 (Cyprus and Malta have no rail networks) separate rail networks which are not fully interoperable. Across the continent there are various infrastructure managers (with at least one dominant infrastructure manager per Member State), national safety authorities, and very different national rules governing path allocation, management, pricing, etc. All of this hampers the competitiveness of rail freight transport.

Rail freight market liberalisation has achieved uneven progress in Member States and certain anti-competitive practices still prevail

Position of the incumbent freight operator

37

Historically, in 26 Member States a single integrated company was responsible for managing the rail infrastructure and providing transport services. The first railway package, adopted in 2001, required a certain separation to be introduced between these two activities: infrastructure managers and incumbent railway undertakings (freight operators).

31 These coordinators act in the name of the European Commission and on its behalf. Their mandate includes drawing up the relevant corridor work plan; supporting and monitoring implementation of the work plan; regularly consulting the corridor forum; making recommendations in areas such as transport development along corridors or access to funding sources; and reporting annually to the European Parliament, Council, Commission and the Member States concerned on the progress achieved.

Observations

38

The second railway package of 2004 required Member States to fully open their rail freight transport markets by 1 January 2007. Since then, any licensed railway undertaking has been able to request access to rail infrastructure, apply for a path, and provide services for the transport of goods in competition with other rail operators (including the incumbent freight operator)³².

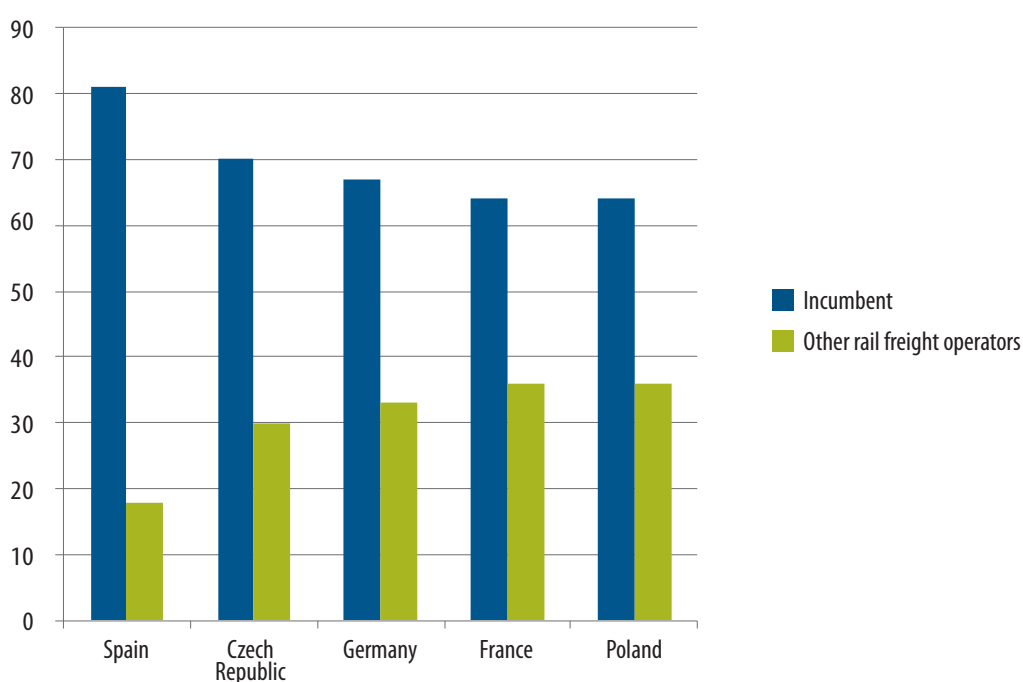
39

However, market liberalisation has not reached the same level in all Member States. In Slovakia and Slovenia the market share of the incumbent freight operator at the time of the audit was still at around 90 % and in six other Member States (Ireland, Greece, Croatia, Lithuania, Luxembourg and Finland) the rail freight market remains closed in practice, as the incumbent freight operator accounts for 100 % of the market share. In the five visited Member States, even if the market share of new entrants has grown constantly since the opening of the market, one single railway undertaking, the incumbent freight operator, still accounts in each country for at least 64 % (in tonne-km) of market share, the remainder being divided across other rail freight operators; the share of the incumbent freight operator was considerably higher in Spain (81 %), as shown in **Figure 7**. In the whole EU, on average, the incumbent freight operators account for 66 % of the rail freight market.

32 The rail freight market in some Member States visited (such as Germany) was opened even before the deadline.

Figure 7

Rail freight market shares of the incumbent freight operator and new entrants (in 2013)



Source: European Court of Auditors based on data provided by national authorities.

40

The incumbent freight operators still benefit in a certain number of cases from their historic dominant position, and conflicts of interest may still exist and lead to discriminatory practices, impairing the competition in rail services. Such practices include the following.

- (a) Access to terminals and point infrastructure (such as sidings, marshalling yards). Terminals and other essential facilities are a key part of rail infrastructure. In some cases new entrants have difficulty in accessing those facilities on the same terms as the incumbent freight operator (see **Box 3(a)**)³³.
- (b) Train path allocation. In order to transport goods, rail freight operators first have to ask the infrastructure manager for the capacity needed to run a train between two places over a given period. In some cases the incumbent freight operators still benefit from some advantages in the allocation of paths (see **Box 3(b)**).
- (c) Availability of rolling stock. New rail operators may have problems in accessing the rolling stock to start their activity (especially locomotives which are expensive), whereas the incumbent freight operators have inherited an extensive fleet of locomotives and wagons from the old integrated rail company which was often subsidised with public funding. Incumbent freight operators are generally reluctant to rent or sell excess rolling stock to competitors at a fair price (see **Box 3(c)**).
- (d) Maintenance of rolling stock. Locomotives and wagons have to be regularly maintained. The access to the maintenance centres can be difficult for new entrants, as in some cases they are partly owned by the incumbent freight operator.

41

Moreover, the EU rail freight market is also facing a process of consolidation with incumbent freight operators buying other rail freight operators both in their home market and in other Member States. This may impair competition, as the EU market may come to be dominated by a small number of major companies. For example, the German incumbent freight operator has become the main operator in three other Member States — Denmark, the Netherlands and the United Kingdom after having acquired new entrants.

33 Article 13 of Directive 2012/34/EU introduced a comprehensive set of new rules to address difficulties in accessing terminals and other service facilities, the deadline for transposition was in June 2015.

Examples of practices limiting competition: Poland, France, Spain

- (a) In **Poland** the incumbent freight operator owns via subsidiary companies most of the country's rail terminals, including important border terminals. One such terminal is located on a major route along one of the rail freight corridors. Access to this terminal should be provided to other rail freight operators on a fair and non-discriminatory basis, but at the time of the audit this was not put into practice: the terminal's capacity was mostly booked by the incumbent freight operator. This presented an obstacle to new entrants, who were obliged to take longer routes through another border point.
- (b) In **France**, the incumbent freight operator has been allocated fixed paths (paths which are less subject to changes because of maintenance works, etc.) far more often than other operators. In 2014, about 80 % of the total paths allocated to the incumbent freight operators were fixed, compared to 68 % of those allocated to new entrants.
- (c) In **Spain**, none of the incumbent freight operator's excess locomotives or wagons have been sold to other rail operators within the Spanish market, although some of the extra rolling stock was sold to operators in other countries. In April 2014 the Spanish government established a separate company, still within the same business group as the incumbent, for renting out rolling stock. However, by the time of the audit, not a single locomotive or wagon had yet been rented by this company to new entrants. In addition, the incumbent freight operator is the only operator with locomotives authorised to run freight trains both in Spain and on the international Perpignan–Figueras section.

Regulatory bodies

42

As part of the process of liberalisation, Member States were required to set up national regulatory bodies to ensure non-discriminatory access to the rail network³⁴. However, in practice, the regulatory body established by each Member State did not always enjoy the independence, powers and resources they needed to carry out their duties. This led the Commission to launch several infringement procedures against certain Member States (see paragraph 33 and **Table 2**).

43

Our audit found that in the five visited Member States, the number of staff assigned to regulatory tasks and the bodies' operational and financial independence situation still varied significantly. **Table 3** shows the situation of regulatory bodies in each visited Member State at the time of the audit:

34 Directive 2001/14/EC of the European Parliament and of the Council of 26 February 2001 on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure and safety certification (OJ L 75, 15.3.2001, p. 29).

Table 3

Regulatory bodies in the Member States visited — key figures

Member State	No of staff dealing with regulatory issues	Indicator: km of network per staff	No of complaints received by the time of the audit	Independent budget	Independent from transport ministry
Czech Republic	1	9 570	Not provided	No	No. Body under the responsibility of the transport ministry.
Germany	50	826	82-112 per year (freight and passenger services)	Yes	Yes. Budget approved by the Ministry of Economy; president and two vice-presidents are appointed by the Federal President.
Spain	3	4 658	2	Yes (since 2013)	Yes. President and management board appointed by the Parliament.
France	36	813	15	Yes (since 2011)	Yes. Out of 7 members, 4 are nominated by the government and the remaining 3 are nominated by the Parliament and Economic, social and environmental council.
Poland	17	1 136	5	Yes	Partially. President appointed by the prime minister and two deputy presidents appointed by the minister responsible for transport.

Traffic management procedures have not been adapted to the needs of rail freight sector, even within rail freight corridors

44

The rail network in the EU is generally designed for mixed traffic; in other words, freight and passenger trains normally use the same tracks. For the rail network to operate, traffic management procedures have to be in place for allocating and managing paths. This is done individually by each infrastructure manager. However, as explained below, these procedures are generally not adapted to the specific needs of rail freight transport, which is cross-border in more than 50 % of cases, even within the rail freight corridors (see also paragraph 52). This makes it difficult for rail to compete with other modes of transport, especially road transport, the infrastructure for which is openly accessible across the EU.

Capacity allocation

45

In order to run a train within the rail network of a country, a railway undertaking first has to ask the responsible infrastructure manager to allocate a path (the capacity needed to run a train between two places over a given period). This is done using a procedure set by each infrastructure manager: rail freight operators can generally either apply for a path well in advance under the annual timetable, or request a path at a later stage on an ad hoc basis among those still available within the reserve capacity. However, the timing set by the infrastructure managers for the construction of the annual timetable is not adapted to the needs of the freight transport sector, as paths have to be booked around 1 year in advance. Unlike passenger traffic, which is more regular and easier to plan, it is difficult for freight operators to anticipate their future demand so far in advance and reserve the most suitable paths available on the network.

46

Rail freight operators, especially smaller ones, are therefore generally forced to use the ad hoc system (for example, this happens in 90 % of cases in Poland). Under this system only a limited number of paths are available (those not yet booked through the annual timetable especially by passenger trains). This often gives rise to one of two situations: either only a limited number of paths are available, with the result that the shipper may have no suitable path to choose from (so a potential customer uses an alternative mode of transport, usually road transport) or a less suitable path is offered (e.g. a longer, more circuitous route), generally leading to higher costs and more time needed.

47

Reservation charges paid by freight operators may be a useful instrument to discourage 'empty' reservations, however asymmetric penalty systems can further exacerbate the difficulties rail freight operators face in using the annual timetabling system (see **Box 4**).

Box 4

Example of asymmetric penalty systems: the Czech Republic

In the **Czech Republic** a penalty is now applied if a path has been booked but not used. It is more than 40 % higher (per train-kilometre) for freight than for passenger transport.

48

Under Articles 39 and 47 of Directive 2012/34/EU Member States must determine specific capacity allocation rules for different services. In case of a conflict (when two or more rail freight operators request the same path), and if the coordination process whereby the infrastructure manager proposes alternative routes to the operators cannot resolve it, infrastructure managers apply a set of priority rules which generally disadvantage freight traffic (see **Box 5**).

Box 5

Examples of disadvantageous priority order: Poland and Czech Republic

In **Poland** freight trains are sixth and seventh in the order of eight priority categories (the eighth being empty passenger trains).

In the **Czech Republic**, the infrastructure manager applies a set of priority rules under which international freight transport is given the lowest priority.

49

Articles 37 and 40 of Directive 2012/34/EU introduced specific cooperation requirements between infrastructure managers as regards capacity allocation and charging for cross-border rail services. Taking into account that the deadline for transposition of the directive was June 2015, it is too early to assess the impact of these new legal obligations.

Management of the circulation of trains

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Once paths have been allocated to the railway undertakings and trains are running on the network, the infrastructure manager is responsible for traffic management. Trains have to be rescheduled or stopped every day to take into account network disturbances, maintenance works on certain lines, delays of other trains, etc. In these cases infrastructure managers give priority to passenger traffic leading to significant delays to freight trains, regardless of the nature of goods transported or the reason for the delay.

51

In addition, maintenance work generally takes place at night, which is the time when rail network capacity tends to be more accessible to freight trains.

European rail freight corridors

52

The aim of the rail freight corridors regulation³⁵ was to facilitate and promote rail freight traffic operations, including traffic management. In particular, it established nine rail freight corridors (RFCs), six of which have been in operation since November 2013. At the time of the audit the remaining three were scheduled to start operations in November 2015 (see **Box 1**).

53

One of the major innovations in the rail freight corridors has been the establishment of one-stop shops (OSS), which allow operators to request a train path in the form of so called pre-arranged paths (PaPs) or reserve capacity for freight trains crossing at least one border along the corridor in a single place and in a single operation. This development means that a rail freight operator wishing to organise a freight train journey along the corridor no longer needs to contact each infrastructure manager in the Member States concerned individually. Instead, it can address its request for a path to the OSS. PaPs cannot be cancelled in the last 2 months before the scheduled departure of the train.

54

The international pre-arranged paths and reserve capacity proposed are reserved for freight trains, with priority to trains crossing at least one border; in case of a conflict the priority rules are set out in the Framework for Capacity Allocation defined by the Executive Board of the rail freight corridors.

55

Although the average speed of freight trains in the corridors is higher than in the rest of the network (see paragraph 29), our audit found that in practice, in the first year of operation, the rail freight corridors have supported rail freight traffic only to a limited extent and many of the shortcomings described above apply. In particular, the following situations can be observed.

- (a) The number and quality of the PaPs made available, as well as the timetable for requesting a path via the OSSs, are not adapted to the needs of freight transport. PaPs have to be requested approximately 1 year in advance, too early to anticipate in the freight transport sector. However there is some reserve capacity for ad hoc traffic planning; this allows a path to be requested around 2 months in advance.
- (b) The rules of circulation on the European rail freight corridors are the same rules applied by infrastructure managers in all Member States (with the exception of the United Kingdom); these disadvantage freight trains if there is a network disturbance (see paragraph 50).

35 Regulation (EU) No 913/2010.

56

We also found that the rules and procedures governing the nine rail freight corridors are not harmonised either along or between corridors. Moreover, there is no obligation in the legislation for rail freight corridors to adopt common procedures. This does not facilitate rail freight operations across Europe (see **Box 6**).

Box 6**Examples of non-harmonised rules: rail freight corridors 4 Atlantic, 7 Orient and 9 Czech–Slovak**

In **rail freight corridor 4**, which covers Portugal, Spain and France, PaPs are made available 7 days a week in Spain and Portugal, whereas in France they are made available only 5 days a week due to maintenance works on the network and the limited opening hours of the terminals.

The deadline for a rail freight operator to apply for reserve capacity is 60 days before the departure of the train on the **rail freight corridor 7**, which covers Bulgaria, the Czech Republic, Greece, Hungary, Austria, Romania and Slovakia, but 30 days before departure on the **rail freight corridor 9**, which covers the Czech Republic and Slovakia. This difference applies even within the territory of a single Member State.

To address this situation, in October 2015, the management boards of each corridor agreed to apply a harmonised 30 days deadline which will be in place only as of 2017.

57

As a result, the take-up of PaPs in some areas has been very low. For example, in the Czech Republic, on rail freight corridor 9 Czech–Slovak only 3 out of 24 PaPs had been booked for 2015 and not a single PaP had been booked on rail freight corridor 7 Orient. For 2015, only 5 out of the 14 available PaPs on rail freight corridor 4 Atlantic had been requested on the Spanish section of this corridor.

Administrative and technical constraints still hamper the competitiveness of rail freight

58

Different national regulations and rules applicable to rail freight operators in the EU are the result of the separate development of 26 railway networks and of differences in how the EU railway regulatory framework has been interpreted and transposed. The Commission has managed to remove some administrative and technical barriers, for example by establishing the European Railway Agency under the second railway package. This agency plays a central role in promoting interoperability, harmonising technical standards, and developing a common approach to safety, in close cooperation with the Member States and rail sector stakeholders.

59

However, as the Court reported in 2010³⁶, certain administrative and technical constraints still persist, increasing the cost of transporting goods by rail and making rail freight operation more complex. In addition, those constraints can result in market access barriers, especially for new entrants.

60

These barriers include lengthy procedures for approving vehicles and issuing safety certificates for railway undertakings. Each vehicle must be authorised by the safety authority of each Member State where it will be used, resulting in costly and lengthy procedures. The total additional costs associated with the vehicle authorisations issued by the national safety authorities amount to around 1.6 million euros per vehicle³⁷. In order to facilitate this process, some Member States have signed agreements on the mutual recognition of rolling stock authorisation procedures, but these do not always cover freight wagons. These administrative constraints should be significantly reduced if the technical pillar of the fourth railway package, enhancing the role of the European Railway Agency in the authorisation process, is finally approved by the Council and the European Parliament and properly implemented.

36 Special Report No 8/2010.

37 SWD(2013) 8 final of 30 January 2013 'Impact assessment of the Fourth railway package'.

Observations

61

Language requirements for locomotive drivers are another issue. It is compulsory for a locomotive driver to be able to communicate in the language of the country in which the train is travelling. As a result, unlike in the aviation sector where there is only one operational language, it is usually necessary to change the driver at the border point, which is costly and cumbersome.

62

The constraints also concern technical aspects of train operations which hinder interoperability.

- (a) Different signalling systems: any locomotive entering a country must be equipped with a national signalling system which means that locomotives crossing a border must have at least two or three signalling systems installed on board. The Commission, in close cooperation with the Member States and other rail stakeholders, is developing and implementing a European signalling system, ERTMS, intended to replace national signalling systems. However, ERTMS is being implemented slowly and is experiencing interoperability problems.
- (b) Different electrification systems are used in different Member States, and sometimes even within one country (e.g. the Czech Republic and France). A lack of electrified lines can also cause problems.
- (c) Differences in the maximum length of trains (for example, trains may be 450 m long in Spain, while trains of up to 740 m are allowed in France). This significantly reduces the competitiveness of transporting goods by rail.
- (d) Different categories of axle load.
- (e) Lack of a standard European track gauge (for example, standard gauge trains are unable to run on lines in Spain or the Baltic states; trains have to stop at the border to transfer their goods to other trains which can run on the local track gauge).

63

Some of these constraints have been addressed in the revised TEN-T regulation adopted in 2013. For example the regulation requires the core network to be upgraded to the specific standards, unified across the EU. These include respective technical specifications for interoperability (TSI), ERTMS deployment, electrification (although no specific type of electrification is imposed), possibility to run trains of 740 m length with 100 km/h and 22.5 t axle load. The migration to the standard UIC gauge (1 435 mm) is also a priority for the core network. The above-mentioned requirements have to be implemented by 2030 for core network and until 2050 for the comprehensive network.

The lack of transparency on the performance of the rail freight sector has not stimulated improvements in customer service

64

Customer service is one of the main factors for shippers when choosing the mode of transport (see paragraph 30). The service provided by the rail operators includes not only the price of the service but also the reliability or the transport time. However, the infrastructure managers are not formally obliged to publicly disclose network performance data such as paths allocated and cancelled, average speed of freight traffic on the network, network punctuality and reliability. As a result, infrastructure managers have no pressure to improve the performance of the network and shippers have difficulties in obtaining reliable information on the customer service offered by rail freight operators, especially new entrants, since the data they might provide to advertise their services cannot be cross-checked.

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This kind of data is already collected for passenger traffic under voluntary Railway Market Monitoring Scheme (RMMS) managed by the Commission; however, this has not yet been extended to freight traffic. The Commission Implementing Regulation (EU)2015/1100 will, as from 2016, oblige the Member States to provide RMMS data, including successful and rejected path allocations, punctuality and cancellations of freight services, number and description of complaints relating to service facilities³⁸. If the regulation is properly enforced, the publication of these data should contribute to transparency and encourage infrastructure managers and operators to improve the quality of the services provided. Information on average speed of freight services remains however optional.

66

The rail freight corridors regulation already attempted to increase the transparency of the performance of rail freight services on freight corridors. According to the regulation, performance indicators should be set at the level of each corridor, monitored every year and the results should be published in the corridors' annual reports. Moreover, the management board of each corridor is obliged to launch a satisfaction survey for the users of the freight corridor and to publish its results once a year. However, our analysis shows that some limitations still persist.

38 Commission Implementing Regulation (EU) 2015/1100 of 7 July 2015 on the reporting obligations of the Member States in the framework of rail market monitoring (OJ L 181, 9.7.2015, p. 1).

Observations

- (a) The satisfaction survey only covers rail freight corridors, and the questionnaire that the Member States are required by Commission Regulation (EU) 2015/1100 to complete does not contain any evaluation of users' satisfaction with the whole network. But rail freight operators, and especially shippers, are interested in the performance of the entire network: how much time it takes to transport a container from point A to point B and how reliable the service is, regardless of the rail line to be used (whether or not it is a rail freight corridor).
- (b) Performance indicators are defined individually for each rail freight corridor, and might not therefore be consistent or comparable.

67

More generally, we also noted that the Commission does not regularly monitor two other key elements of its rail freight policy.

- (a) The progress made towards the achievement of the rail freight policy targets set in the 2011 White Paper, of shifting as much as 30 % of road freight transported over distances greater than 300 km to other modes of transport by 2030 and more than 50 % by 2050. In addition, no intermediate targets have been set.
- (b) The share of goods transported by electric locomotives, whose CO₂ emissions are lower than those of diesel locomotives (the Commission only has information on the share of electrified lines, not on their usage).

Charges for accessing rail infrastructure compare unfavourably to those for accessing roads

68

In order to run a locomotive within a country's rail network, a railway undertaking has to ask the infrastructure manager in charge of the management of the infrastructure to allocate it a path. The infrastructure manager sets an access charge which must be paid by the railway undertaking for the use of every kilometre of the rail network. These charges can account for 20 % to 35 % of the operational costs borne by rail freight operators.

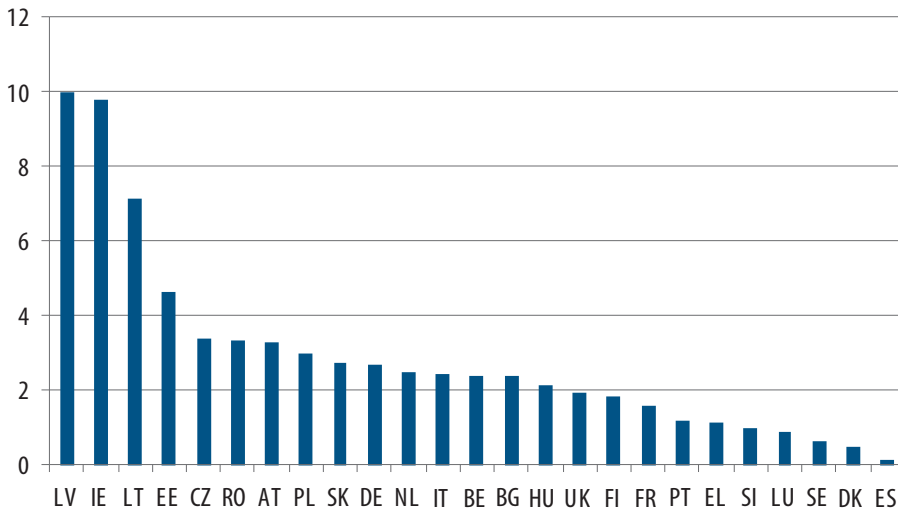
69

Access charges are determined by each infrastructure manager on the basis of the general provisions of Directives No 2001/14/EC and No 2012/34/EC and a Commission implementing regulation³⁹. Rail access charges for freight trains vary significantly across the Member States, even in the same rail freight corridor (see **Figure 8**). Also, they do not always reflect the condition of the infrastructure.

39 Commission Implementing Regulation (EU) 2015/909 of 12 June 2015 on the modalities for the calculation of the cost that is directly incurred as a result of operating the train service (OJ L 148, 13.6.2015, pp. 17–22), which specifies the rules to be applied by infrastructure managers.

Figure 8

Track access charge per train-km (in euro) in 2014 (based on a freight train of 1 000 gross tonnes)



Source: European Court of Auditors, based on RMMS questionnaires (Annex 8 of SWD(2014) 186) — for France and Italy, data refers to 2013.

Observations

70

In addition, rail access charges for freight trains in the EU are on average 28 % and 78 % higher than for intercity passenger trains and suburban trains respectively⁴⁰. This was the case for two of the five Member States visited.

- (a) In the Czech Republic, the fee for using infrastructure consists of two elements: the price for traffic management and the price for the infrastructure itself. Together, these amount to an average of approximately 1.50 euros per train-km and 1.75 euros per thousand gross tonne-km for freight trains and 0.25 euros per train-km and 1.35 euros per thousand gross tonne-km for passenger trains.
- (b) In Poland, average access charges (in train-km) for freight trains remain significantly higher for freight trains than for passenger trains (approximately 3.3 euros compared to 1.6 euros in 2015), although they have decreased since 2013.

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On the other hand, trucks access road infrastructure at no cost except charges for toll roads or roads covered by a heavy vehicle fee, if such a fee exists. The EU directive on the charging of heavy goods vehicles for the use of certain infrastructures⁴¹ stipulates that the cost of constructing, operating and developing infrastructure can be recovered by charging road users for tolls and vignettes. However, the use of tolls and vignettes is not mandatory in the EU. Out of the five visited Member States, a heavy vehicle fee for trucks was in place in the Czech Republic, Germany and Poland. In these three Member States, the rate per tonne-kilometre is lower than the average track access charge. In the Czech Republic and Poland, the fee only applied on a limited length of road (around 20 % and 15 % of the national road networks respectively). In Spain and France, trucks usually have to pay the toll only on motorways. This situation further reduces the competitiveness of freight transport by rail compared to road in terms of cost (see example in **Box 7**).

40 According to the Fourth Report to the Council and the European Parliament on monitoring development of the rail market (COM(2014) 353 final of 13 June 2014).

41 Directive 1999/62/EC (OJ L 187, 20.7.1999, p. 42), as modified by Directive 2006/38/EC (OJ L 157, 9.6.2006, p. 8) and by Directive 2011/76/EU (OJ L 269, 14.10.2011, p. 1).

Box 7

The cost of accessing the international section between France and Spain

The international rail section between Perpignan and Figueras is managed by a private concessionary which is responsible for setting access charges for trains. The total cost of the construction of this newly built line amounts to 1.1 billion euros, of which 162 million euros was provided from EU funds. In this section of rail the cost of accessing the infrastructure is six times higher for a train than the amount that the equivalent number of trucks⁴² would pay for using the highway between the same two points.

42 Considering that the average freight load per train in France is 475 tonnes (according to the 2013 Annual Market Monitoring Report of the Independent Regulator's Group-Rail IRG-Rail), approximately 12 trucks of 40 tonnes would be needed to transport the same volume of goods.

72

In addition, externalities produced by rail and road transport (environmental impacts and pollution, congestion or accidents, etc.) are not taken into account in a comprehensive manner when setting the price to be paid by users for access to infrastructure. This adds to the disadvantages of rail freight transport compared to roads.

73

In addition to balancing the access charges between different methods of transport, there are other measures which can be applied to promote rail freight transport. These include road traffic restrictions for lorries and subsidies for companies carrying out rail–road combined transport. Such practices are applied, for example, in Switzerland where the modal share of rail freight in Switzerland is 170 % higher than the EU average. Within the EU a comparable increase can be observed in Austria, which also applied similar regulatory measures (see paragraph 21).

The infrastructure needs of the rail freight sector should be better targeted by EU funding

Overall more EU funds were allocated to roads than to rail infrastructure

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In three of the five Member States visited, more EU funds had been allocated to roads than to rail during the 2007-2013 period (as shown in **Figure 9**) even though the Commission's policy prioritised more sustainable and efficient methods of transporting goods (see paragraph 7).

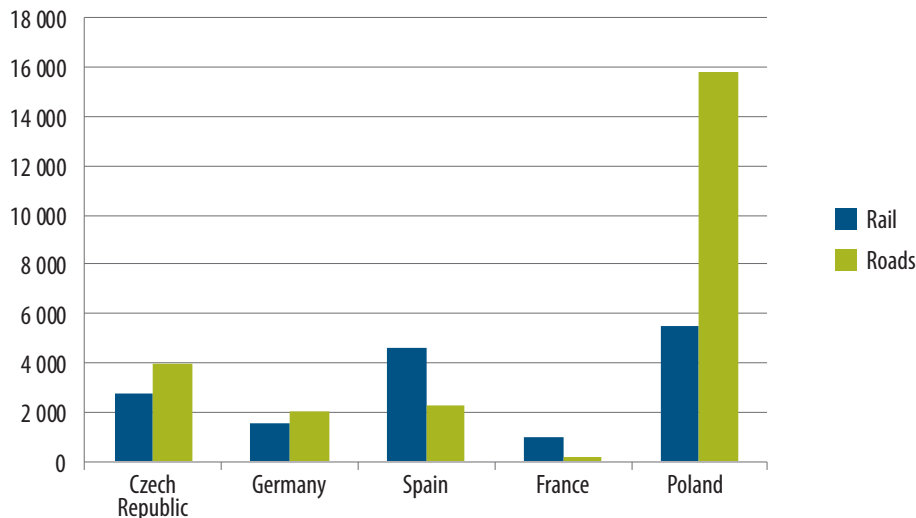
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Our audit showed that the allocation of EU funds to road and rail varied significantly between Cohesion policy funding (ERDF and Cohesion Fund) and the TEN-T programme. Whereas TEN-T funds were allocated mainly to rail compared to roads⁴³, the Cohesion policy funding prioritised roads in the Czech Republic, Germany and Poland. In these three Member States, Cohesion policy funding allocated to rail during the 2007-2013 period amounted respectively to 69 %, 38 % and 35 % of the amounts allocated to roads⁴⁴.

- 43 In France 793 million euros was allocated to rail and 21 million euros to roads. In Spain 484 million euros was allocated to rail and 52 million euros to roads. In Germany 798 million euros was allocated to rail and 23 million euros to roads. In the two other Member States visited (the Czech Republic and Poland) a very limited number of rail and road projects were co-financed by the TEN-T programme.
- 44 The Czech Republic: approximately 2.7 billion euros for rail and 3.9 billion euros to roads; Germany: 0.75 billion euros for rail and 2 billion euros; Poland: 5.5 billion euros and 15.8 billion euros (the Commission did not accept the request for reallocation of funds dedicated to rail to road investments, submitted by the Polish authorities in June 2011).

Figure 9

EU funds (ERDF, Cohesion Fund and TEN-T) allocated to rail and roads during the 2007-2013 period (million euro)



Source: European Court of Auditors based on information provided by the Commission, INEA and national authorities.

76

In addition, under the Cohesion policy funding schemes, transport projects could benefit from a co-financing rate of up to 85 %, whereas the co-financing rates of the TEN-T programme during the 2007-2013 period, which had a major focus on rail, were lower: up to 20 % for works projects, up to 30 % for cross-border projects and up to 50 % for studies. Since road projects were usually financed under the Cohesion Fund/ERDF, they have benefited in general from a higher co-financing rate than investments in rail infrastructure.

77

This situation will tend to continue during the 2014-2020 period, with the CEF (the successor programme to TEN-T) focusing on rail investments⁴⁵ and Cohesion policy funding prioritising roads. Of the five visited Member States, this particularly concerns the Czech Republic and Poland, where Cohesion policy allocations to rail amount to 1.8 billion euros and 6.8 billion euros respectively, whereas 2.9 billion euros and 14.6 billion euros respectively will be available for roads. This represents 62 % and 47 % of the total amounts allocated to roads. In comparison with the 2007-2013 period, Poland, unlike the Czech Republic, has increased both the amount and the percentage of funds allocated to rail versus roads.

45 Preliminary figures provided by the Commission for the CEF: the Czech Republic (rail 257 million euros and no EU funding for roads), Germany (rail 2.26 billion euros and road 41.3 million euros), Spain (rail: 731 million euros and road 41.0 million euros), France (rail: 1.53 billion euros and road 41 million euros), and Poland (rail: 1.52 billion euros and road 414 million euros).

When allocated to rail, EU funds did not specifically target rail freight needs

78

In order to enhance the competitiveness of rail freight transport, the rail network should meet the needs of the freight sector. It is generally accepted that in particular, it should⁴⁶:

- easily allow borders to be crossed as rail freight transport is more competitive over medium and long distances (which in Europe generally implies the transport of goods between different Member States) through better cross-border connections and enhanced rail interoperability;
- provide good connections to/from significant generators of freight traffic and support development of multimodal logistics platforms including connections to inland and maritime ports and airports;
- provide point infrastructure and last-mile facilities to make it easier for freight to enter and exit the rail system, and provide interfaces to other transport modes (in particular, to facilitate rail-road combined transport if necessary);
- allow longer trains to run, in order to reduce the unit cost per tonne of goods transported.

79

However, we found that the EU funds allocated to rail infrastructure projects during the 2007-2013 period in the five Member States visited focused primarily on rail passengers' needs (e.g. high-speed lines, see **Box 8**) or on mixed lines used more by passenger trains. They did not target the needs of rail freight.

46 TEN-T Guidelines, EU directives, Commission policy papers, interviews with the stakeholders during the audit.

Box 8

Example of prioritisation of high speed lines: Spain 2007-2013

In **Spain**, around 95 % of Cohesion Fund and ERDF funding for rail were dedicated to high-speed lines. Even if some of the high-speed rail lines were expected to serve both passenger and freight traffic, in practice, due to their technical characteristics, freight and passenger trains cannot use parallel tracks (in opposite directions) simultaneously. As a result, the high-speed rail lines are now almost exclusively devoted to passenger traffic, except the Barcelona-Figueras-Perpignan sections.

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Investments in rail connections to ports and cross-border sections, which are more relevant for freight, have been limited, as shown in **Table 4**. This is particularly noticeable in the case of the ERDF and the Cohesion Fund; the TEN-T programme focused more on cross-border sections. **Box 9** provides examples from two Member States.

Box 9

Problems with rail connections to ports: Poland and France

In **Poland**, significant problems were noted with access to the port of Gdynia where, according to rail freight operators, freight trains could be stopped up to 10 hours before being granted access to the port. A report on capacity demand prepared by the regulatory body indicates that the investments which are needed to eliminate the bottlenecks in this area are planned to be carried out in the 2014-2020 period.

In **France**, the rail network which connects ports to their hinterland is generally in poor condition, with very low door-to-door speeds in some cases (for example, 6 km/h between the large port of Le Havre and Paris according to a study carried out by the European Parliament⁴⁷). In the seven biggest ports in France, only 11.5 % of goods were transported by rail in 2012.

⁴⁷ European Parliament study 'Freight on road: why EU shippers prefer truck to train', 2015.

Table 4

EU funds allocated to cross-border rail sections and rail connections to ports in the 2007-2013 period (in million euros and in % of the EU funds allocated to rail)

	Cross-border rail projects						Rail connections to ports					
	ERDF/CF		TEN-T ¹		Total		ERDF/CF		TEN-T		Total	
	Euro	%	Euro	%	Euro	%	Euro	%	Euro	%	Euro	%
France	0	0 %	769	59 %	769	52 %	2.5	1 %	5.8	0.4 %	8.3	1 %
Spain	0	0 %	456	94 %	456	10 %	0	0 %	1	0.2 %	1	0 %
Germany	24	4 % ²	299	37 %	323	21 %	123	16 %	5.5	0.7 %	129	8.3 %
Poland	35	1 %	0	0 %	35	1 %	1.1	0.1 %	0	0 %	1.1	0.1 %
Czech Republic	343	13 %	0.37	1 %	344	12 %	NA (no seaports)					

¹ Not including ERTMS.

² Only taking into account the 675.2 million euros under the Operational Programme Transport (which accounts for 90 % of rail allocations in Germany).

Source: European Court of Auditors based on information provided by the national authorities.

Observations

81

In addition, EU funding, with the exception of TEN-T funding in France and Spain (see **Table 4**) did not prioritise other rail freight needs in terms of infrastructure. Some examples of this can be found below.

- (a) No priority was given to renovating and improving point infrastructure and last-mile facilities. For example, in Poland, at a border station with Germany, the station had been fully renovated but the only track for unloading was closed due to its poor condition.
- (b) No priority was given to adapting the network to longer trains. Currently, the maximum permitted length of trains varies between Member States and even on the same rail freight corridor within one country (see paragraph 62(c)).

82

Regulation (EU) No 913/2010 stipulates that investment plans must be prepared for each rail freight corridor to help to identify specific needs for rail freight infrastructure investments. For the six rail freight corridors that started operation in November 2013 the plans were indeed available; however, no financial commitment from the Member States concerned has followed.

83

Finally, the Commission does not monitor how much EU funding for rail infrastructure projects has been allocated to support projects with a freight component, cross-border sections, or the sections connecting ports to the rail network. This makes it more difficult for the Commission to ensure that the needs of the rail freight sector are being effectively targeted by EU funding.

Examined rail infrastructure projects have delivered or are likely to deliver expected outputs, but so far no general improvements in rail freight transport performance have been achieved

84

Our audit also included a review of 18 rail infrastructure projects intended to benefit, at least to a certain extent, rail freight transport (see **Annex III**). We found that overall outputs were delivered or are likely to be delivered according to the project specifications, without major changes in the scope of works (e.g. in the number of kilometres of tracks renovated or built, the electrification systems put in place, etc.) or major cost overruns.

85

As regards the performance, the full anticipated impact of the individual projects can only be confirmed once the works on the whole rail line to which they belong are finalised. In some cases, though, we noted that there has been a lack of coordination of investments; this has led to the network being developed in a piecemeal fashion. This was particularly noticeable in two projects located along the same corridor connecting France and Spain (corridor 4 Atlantic): one of these was barely used by any freight trains, and the traffic levels on the other fell significantly short of what had been forecast. A case study in **Annex VI** provides more information on these two projects.

86

Some projects focused on increasing the speed of rail freight trains and resulted in time savings of a few minutes. However such minor improvements did not help increase the volume of goods transported. In fact, it decreased significantly. This shows a low cost-efficiency of the projects co-funded from the EU budget (see **Box 10**).

Box 10

Examples of projects resulting in time savings but not in increasing the freight traffic: Czech Republic

In the Czech Republic two projects we examined consisted in an upgrade of mixed use rail infrastructure. They improved the quality of the respective lines and increased maximum speed and this resulted in the reduction of the journey time of freight trains. However, the performance (in tonne-km) of the rail freight transport fell between 2007 (the last year before the works started) and 2013.

Project 1: an EU contribution of 36.1 million euros to save 5.5 minutes on a stretch of 39 km. However, the amount of goods transported by rail fell from 358 million tonne-km in 2007 to 159 million tonne-km in 2013.

Project 2: an EU contribution of 116.7 million euros to save 12 minutes on a stretch of 40 km. However, the amount of goods transported by rail fell from 224 million tonne-km in 2007 to 187 million tonne-km in 2013.

87

Six projects were significantly delayed, which put at risk the performance of the whole rail line on which they are implemented (see **Box 11**).

Box 11

Examples of delays in project implementation: Poland and Spain

In **Poland**, four projects selected for review are facing significant delays and are likely not to be completed before the end of the eligibility period (national authorities have acknowledged that one of the projects is going to be phased into the 2014-2020 period). These delays were mainly due to a lack of administrative capacity of the infrastructure manager.

In **Spain**, two projects are expected to be completed with around a 3-year delay. In both cases the projects concern the first phase of the construction of a new line. They cover the construction of the track-bed which is necessary for the subsequent installation of the tracks, of the communication and signalling systems and of the electrification. As a result the start of operations of the whole line where those individual projects are located has been delayed.

88

Finally, although the rail lines were designed for mixed use, no quantified targets for freight traffic were set in the project application of 8 of the 18 rail infrastructure projects selected. This lack of quantified objectives in terms of number of freight trains, volume of goods to be transported or time savings was noted especially in Spain and Poland, where none of the examined project applications contained any quantified target for freight⁴⁸. On the other hand, forecasts for the number of passengers were generally included in project applications.

48 With the exception for Spain of the international section Perpignan-Figueras implemented together with French authorities.

89

This situation makes it more difficult to evaluate which projects are most needed from a freight perspective, and to select the projects with the highest added value. However, we noted that all these projects had been individually approved by the Commission between 2008 and 2013, as it is compulsory for ERDF/Cohe-sion Fund major projects and all TEN-T projects (see **Annex III**).

The poor maintenance of the rail network affects the sustainability and the performance of EU-funded infrastructure

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In order to provide good quality service to railway undertakings and more generally to shippers, and to make rail freight transport competitive the rail network not only needs to be renovated and modernised by the infrastructure manager to meet rail freight specific needs (see paragraph 76), but also to be regularly maintained.

91

However, despite the business plans and indicative infrastructure development strategies to be established by the infrastructure managers⁴⁹, rail lines more often used by freight trains and with limited passenger traffic are more generally subject to closures and to speed restrictions (see **Box 12**). This has an impact on the performance of the rest of the rail network in terms of the volumes of goods transported, including the sections which could have potentially benefited from EU funds, as the possibility of transporting goods from their point of production to the consumption centres is hampered.

49 Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 establishing a single European railway area (recast) (OJ L 343, 14.12.2012, p. 32).

Box 12

Poor maintenance of rail lines mainly used by freight trains: France

In **France**, rail freight has been affected by the poor maintenance of the rail lines more used by freight trains (around 76 % of lines with no passenger traffic are subject to temporary speed limitations) and the closure of a significant number of secondary rail lines, which nonetheless remains important for freight trains because it allows goods to be transported from their point of production to where they are consumed.

92

The lack of priority given by infrastructure managers to the maintenance of the rail lines used more often by freight trains is a result of the preference given to passenger lines, which are more politically sensitive, and in some cases by the low profits generated by rail freight transport. Our analysis showed that out of the five visited Member States, in the two where the rail freight modal share was lowest, Spain and France, the revenue generated from access charges paid by rail freight operators was also very low.

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Given a difficult competitive situation in intermodal competition, the ability of the freight sector to pay access charges needs to be taken into account. If an analysis of the freight sector indicates that this market segment is not able to pay higher charges (i.e. charges going beyond the costs directly incurred as a result of operating the train service), Article 32(1) of Directive 2012/34/EU would even prohibit the levying of higher charges (i.e. mark-ups) by the infrastructure manager. Our audit found that low access charges did not incentivise infrastructure managers to invest in renovating and maintaining rail lines (see **Box 13**).

Box 13

Examples of low level of revenues for infrastructure managers generated by rail freight transport: France and Spain

In **France**, investments in rail freight infrastructure are not attractive for the infrastructure manager because of their low profitability. Freight represents 15 % of all rail traffic, but only 3 % of the fees collected by the infrastructure manager and 7 % of its income if the freight compensation paid by the state is included. This situation may partly explain the priority given in France to investment intended to develop rail passenger traffic in comparison to rail freight.

In **Spain**, the revenue from access charges collected from freight trains amounted to 3,8 million euros in 2013, which represents less than 1 % of total revenue from access charges (including those paid by railway undertakings for passenger traffic).

94

Overall, the Court found that the EU had not been effective in enhancing rail freight transport. Rail freight transport in the EU has failed over the last 15 years to respond effectively to the competition presented by road transport. Shippers show a clear preference for road compared to rail for the transport of goods. As a result, and despite the EU's policy objectives of shifting goods from roads to rail, the rail freight transport performance in the EU is persistently unsatisfactory in terms of modal share and volumes transported, although some Member States have managed to improve their performance. The strategic and regulatory issues identified in this report are of such nature that, if not addressed, extra funding for rail infrastructure will not by itself resolve the problems identified and increase the competitiveness of rail freight transport.

The performance of rail freight transport in the EU is not satisfactory

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In the visited Member States, the volume and modal share of goods transported by rail show a generally negative trend. This jeopardises the achievement of the targets set out in the Commission's 2011 White Paper. The general shrinking trend in the visited Member States reflects various problems that rail freight traffic is facing in the EU: lack of competition in the market, rail traffic management procedures not adapted to the needs of the rail freight sector, the low speed of freight trains, administrative and technical constraints, and obsolete infrastructure (see paragraphs 19 to 29).

The competitiveness of European rail freight transport is still hampered by many strategic and regulatory factors

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Shippers decide which mode of transport to use on the basis of business criteria and not on the basis of EU policy priorities. To shift goods from roads to rail, it is therefore essential to ensure that rail freight transport in the EU is as competitive as possible. However, this competitiveness is still hampered today by many strategic and regulatory factors.

- (a) Market liberalisation has achieved uneven progress in Member States: regulatory bodies do not always have sufficient competence to ensure that new entrants are treated fairly and without discrimination. Certain practices observed in rail services affect competition in terms of access to terminals and other facilities, train path allocation, availability and maintenance of rolling stock, etc. In addition, the market is experiencing a process of consolidation; this reduces the scope for effective competition (see paragraphs 37 to 43).

- (b) Rail traffic management procedures (particularly capacity allocation and the management of the circulation of trains) are not adapted to the specific needs of the rail freight sector, even within rail freight corridors (see paragraphs 44 to 57). Persistent administrative and technical constraints also increase the cost and complexity of transporting goods by rail (see paragraphs 58 to 63).
- (c) A lack of transparency on the performance of the rail freight sector does not stimulate improvements in the customer service offered to the users of the rail infrastructure (rail freight operators and shippers) (see paragraphs 64 to 67).
- (d) There is not a level playing field between different modes of transport: rail freight is disadvantaged compared to road in terms of the cost of access to the infrastructure (see paragraphs 68 to 73).

97

In general, the Court recommends that the Commission and the Member States improve the strategic and regulatory framework under which the transport of goods by rail is carried out. In order to achieve this, the Commission and the Member States should take the following action.

Recommendation 1 — Rail freight market liberalisation

The Commission and the Member States should ensure that the national regulatory bodies possess, and can actually exercise, the necessary powers, independence and resources to carry out the tasks assigned to them, in particular to prevent, together with competition authorities, anti-competitive practices being committed by infrastructure managers and incumbent railway undertakings.

Recommendation 2 — Traffic management procedures

- (a) The Commission and the Member States should, within their respective re-mits, initiate the adaptation, in particular in rail freight corridors, of the traffic management rules applied by infrastructure managers to the specific needs of the rail freight sector. This regards, for example, the timetable for path allocation and the number and the quality of the paths on offer.
- (b) The Commission should, within its remit, initiate the harmonisation of the rules and procedures governing various rail freight corridors to facilitate rail freight operations across Europe, as well as considering how a consistent approach to path allocation could best be ensured across the whole rail network.

Recommendation 3 — Administrative and technical constraints

- (a) The Commission, together with the Member States, should simplify and harmonise the procedures for vehicle approval and for issuing safety certificates to railway undertakings. This would be helped by a rapid adoption of the fourth railway package (which involves enhancing the position of the European Railways Agency) by the Parliament and the Council and its proper implementation.
- (b) The Commission and the Member States should also assess the possibility of progressively simplifying language requirements for locomotive drivers to make medium- and long-distance rail freight traffic in the EU easier and more competitive.

Recommendation 4 — Monitoring and transparency of the performance of the rail freight sector

- (a) The Commission should regularly monitor progress made towards achieving the 2011 Transport White Paper targets for shifting goods from road to rail. In view of the long planning horizons in rail sector (going up to 2050), intermediate targets should also be set in future policy papers.
- (b) The Commission and the Member States should evaluate the satisfaction level of rail freight operators, shippers and other users of the entire rail network to promote good quality service for the users of the rail network.
- (c) The Commission should take the necessary steps to ensure that Member States effectively participate in the Railway Market Monitoring Scheme (RMMS) and should initiate the harmonisation of quality and performance monitoring across rail freight corridors.

Recommendation 5 — Fair competition between different modes of transport

The Commission and the Member States should promote a level playing field between the different methods of transport by introducing additional regulatory and/or other measures to support rail freight traffic when necessary. As regards the cost of accessing infrastructure, consideration should be given to externalities such as environmental impacts, congestion or the number of accidents produced by each method of transport.

Rail freight infrastructure needs should be better targeted by EU funding

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In addition to improving the regulatory and strategic framework, enhancing rail freight transport competitiveness requires a rail network adapted to specific rail freight needs, which entails making the best possible use of the available funding.

99

Our audit identified in this regard that the infrastructure needs of the rail freight sector needs to be better targeted by EU funding.

- (a) The allocation of EU funds was not always aligned with the EU policy objectives of shifting goods from road to rail, as in three of the five visited Member States more EU funds in total were allocated to roads than to rail during the 2007-2013 period. This is particularly the case for Cohesion Fund and ERDF funding (see paragraphs 74 to 77).
- (b) When allocated to rail, overall EU funds had not targeted the specific needs of rail freight transport in the five visited Member States. Limited investments had been made with the aim of streamlining the process of crossing borders, providing good connections to significant generators of freight traffic, allowing longer trains to run, providing point infrastructure and last-mile facilities to make it easier to transport goods to final customers, or facilitating rail–road combined transport where necessary (see paragraphs 78 to 83).
- (c) Overall, the examined co-financed rail infrastructure projects had delivered their expected outputs, but in general had not yet resulted in an increase in rail freight transport performance in terms of tonnes of goods transported by rail (see paragraph 84 to 89).
- (d) The rail network, in order to provide good quality service to railway undertakings and more generally to shippers, needs to be regularly maintained. Closures and poor maintenance of parts of the rail network, generally lines which are more frequently used by freight trains, have an impact on the performance of the rest of the network (including sections which could have potentially benefited from EU funds), as they make it more difficult to transport goods by rail as close as possible from the point of production to where they are needed (see paragraphs 90 to 93).

Conclusions and recommendations

100

The Court recommends that the Commission and the Member States make better use of available EU funds.

Recommendation 6 — Consistent approach between policy objectives and fund allocation

- (a) The Commission and the Member States should allocate available EU funding for transport infrastructure in line with the EU transport policy objectives, enhancing a sustainable, competitive and efficient rail freight transport system. In particular, EU funds should target as a priority bottlenecks and missing links such as rail connections to ports and cross-border areas, as well as other measures with a potentially high impact on rail freight transport competitiveness such as the renovation of point infrastructure and last-mile facilities.
- (b) The Commission should then monitor how much EU funding is actually invested into rail freight projects (or projects with a rail freight component).

Recommendation 7 — Selection, planning and management of projects

- (a) The Member States, together with the Commission, should improve the coordination of rail investments in order to maximise their effectiveness and avoid the rail network being developed in a piecemeal fashion. In this context, funding of investments in rail freight corridors should be prioritised.
- (b) The Commission and the Member States should assess projects' capacity to increase rail freight performance and sustainability. Quantitative objectives for freight (e.g. volume to be transported, number of freight trains, average commercial speed of freight trains and how it is related to the increase in maximum design speed, etc.) should be systematically included in project applications.

Conclusions and recommendations

Recommendation 8 — Rail network maintenance

The Member States should, in the framework of the business plans and indicative infrastructure development strategies set by the infrastructure managers, ensure the proper maintenance of the rail network (including last-mile facilities), in particular in rail freight corridors. The Commission should verify that Member States implement those strategies.

This report was adopted by Chamber II, headed by Mr Henri GRETHEN, Member of the Court of Auditors, in Luxembourg at its meeting of 24 February 2016.

For the Court of Auditors



Vítor Manuel da SILVA CALDEIRA
President

Legislative acts governing railway packages

Railway package	Legislative act
First railway package (adopted in February 2001)	Directive 2001/12/EC of 26 February 2001 amending Council Directive 91/440/EEC on the development of the Community's railways Directive 2001/13/EC of 26 February 2001 amending Council Directive 95/18/CE on the licensing of railway undertakings Directive 2001/14/EC of 26 February 2001 on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure and safety certification
Second railway package (adopted in April 2004)	Directive 2004/49/EC of 29 April 2004 on safety on the Community's railways and amending Council Directive 95/18/CE on the licensing of railway undertakings and Directive 2001/14/CE on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure and safety certification Directive 2004/50/EC of 29 April 2004 amending Council Directive 96/48/EC on the interoperability of the trans-European high-speed rail system and Directive 2001/16/EC of the European Parliament and of the Council on the interoperability of the trans-European conventional rail system Directive 2004/51/EC of 29 April 2004 amending Council Directive 91/440/EEC on the development of the Community's railways Regulation (EC) No 881/2004 of the European Parliament and of the Council of 29 April 2004 establishing a European Railway Agency
Third railway package (adopted in October 2007)	Directive 2007/58/EC of the European Parliament and of the Council of 23 October 2007 amending Council Directive 91/440/EEC on the development of the Community's railways and Directive 2001/14/EC on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure Directive 2007/59/EC of the European Parliament and of the Council of 23 October 2007 on the certification of train drivers operating locomotives and trains on the railway system in the Community Regulation (EC) No 1370/2007 of 23 October 2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) Nos 1191/69 and 1107/70 Regulation (EC) No 1371/2007 of 23 October 2007 on rail passengers' rights and obligations Regulation (EC) No 1372/2007 of 23 October 2007 amending Council Regulation (EC) No 577/98 on the organisation of a labour force sample survey in the Community
Recast first railway package	Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 establishing a single European railway area (recast)
Fourth railway package	Commission proposal of January 2013 has not been yet adopted by the European Parliament and the Council. An agreement was reached on technical pillar in October 2015 whereas governance and market-opening pillar is still under discussion.

EU allocations to rail per Member States for 2007-2013 (euro)

Member State	ERDF/CF (as of 21.11.2013)	TEN-T (as of 01.12.2013)	Total 2007-2013
Belgium	0	38 368 723	38 368 723
Bulgaria	312 000 000	1 550 000	313 550 000
Czech Republic	2 757 734 752	75 418 778	2 833 153 530
Denmark	0	102 425 000	102 425 000
Germany	769 493 444	566 166 086	1 335 659 530
Estonia	185 307 991	14 528 479	199 836 470
Ireland	16 750 000	10 724 000	27 474 000
Greece	761 942 391	34 258 192	796 200 583
Spain	4 045 448 445	302 881 069	4 348 329 514
France	203 128 796	442 229 850	645 358 646
Croatia	221 634 478	0	221 634 478
Italy	2 275 968 478	250 233 670	2 526 202 148
Cyprus	0	0	0
Latvia	256 300 000	17 504 744	273 804 744
Lithuania	580 370 413	61 773 402	642 143 815
Luxembourg	0	8 335 754	8 335 754
Hungary	1 720 106 773	14 250 000	1 734 356 773
Malta	0	0	0
Netherlands	423 500	66 411 325	66 834 825
Austria	0	293 227 541	293 227 541
Poland	5 557 540 807	30 377 657	5 587 918 464
Portugal	363 160 743	86 019 797	449 180 540
Romania	1 784 367 036	0	1 784 367 036
Slovenia	449 567 581	77 369 000	526 936 581
Slovakia	1 093 086 960	50 425 000	1 143 511 960
Finland	10 198 058	81 865 000	92 063 058
Sweden	11 605 373	210 898 000	222 503 373
United Kingdom	86 863 617	75 339 333	162 202 950
Cross-border	79 971 793	1 496 471 548	1 576 443 341
EU	23 542 971 429	4 409 051 948	27 952 023 377

Source: European Court of Auditors, based on Commission databases.

List of projects examined by the Court

MS	Code	Title	EU funding source	EU contribution (in euro)	Commission decision	Co-financing rate	Total cost (in euro)
CZ	2010CZ161PR012	Optimisation of the Horni Dvoriste state border-Ceske Budejovice railway line	Cohesion Fund	36 062 780	21.12.2011	85 %	50 646 773
CZ	2008CZ161PR015	Optimisation of the Plana u M.L.-Cheb line (except stations)	Cohesion Fund	116 710 460	13.9.2010	85 %	159 695 770
CZ	2009CZ161PR010	Electrification of Zabreh-Sumperk track section	Cohesion Fund	46 458 142	19.9.2011	85 %	56 615 535
CZ	2008CZ161PR005	Reconstruction of the Railway Junction Breclav, 1st Construction	Cohesion Fund	70 303 930	5.12.2011	85 %	98 242 674
DE	2011-DE-161PR005	Electrification of railway line Reichenbach-Landesgrenze Sachsen Bayern (Module 1)	ERDF	25 700 000	21.2.2012	65 %	60 000 000
DE	2012-DE-161PR001	Electrification of railway line Reichenbach-Landesgrenze Sachsen Bayern (Module 2)	ERDF	22 000 000	20.7.2012	65 %	56 000 000
DE	2009-DE-161PR010	Upgrading railway line Rostock-Berlin (module 1)	ERDF	39 800 000	19.4.2011	65 %	60 800 000
DE	2012-DE-161PR006	Upgrading railway line Rostock-Berlin (module 2)	ERDF	39 800 000	05.2.2013	65 %	60 800 000
DE	2007-DE-01050-P	New railway line Erfurt-Leipzig/Halle, Erfurt-Halle section	TEN-T	48 850 000	5.12.2008	6.42 %	762 000 000
ES	2008ES161PR001	'High speed line Madrid-León-Asturias. Section: Variante de Pajares. Sub-section: La Robla-Túneles de Pajares y Túneles de Pajares-Sotiello-Campomanes-Pola de Lena (Fase I)'	Cohesion Fund	253 953 331	27.10.2009	80 %	377 547 173
ES	2009ES162PR012	'High speed line Madrid-Castilla-La Mancha-Comunidad Valenciana-Región de Murcia. Section: Elche-Murcia Plataforma Fase I'	ERDF	131 300 576	8.4.2010	80 %	203 125 891
ES	2008-ES-92512-P	Upgrading of the Barcelona-France line and access for operating an international gauge	TEN-T	6 150 000	4.5.2009	9.99 %	61 542 534
ES	2009-ES-92516-P	High speed railway line Paris-Madrid: section Mondragón-Elorrio	TEN-T	5 225 400	6.9.2010	10 %	52 254 000
FR and ES	2007-EU-03110-P	Works for construction of a high speed railway section between Perpignan and Figueras	TEN-T	69 750 000	3.12.2008	25 %	279 000 000

MS	Code	Title	EU funding source	EU contribution (in euro)	Commission decision	Co-financing rate	Total cost (in euro)
PL	2011PL1661PR001	Modernisation of the railway line E30/C-E30 Kraków-Rzeszów, stage III	Cohesion Fund	559 949 536	19.11.2012	85 %	989 501 956
PL	2013PL161PR017	Modernisation of the railway line E 75 Rail Baltica, Warsaw-Białystok-Lithuanian border, stage I, section Warsaw-Rembertów-Zielonka-Tłuszcz (Sadowne)	Cohesion Fund	220 382 666	26.11.2013	85 %	444 209 017
PL	2012PL161PR058	Modernisation of railway line E 20/C-E 20, section Siedlce-Terespol, stage II	Cohesion Fund	106 688 713	27.9.2013	85 %	162 833 314
PL	2010PL161PR005	Modernisation of railway line E 65/C-E 65 Warsaw-Gdańsk, section LCS Ciechanów	Cohesion Fund	207 251 518	24.3.2011	85 %	367 901 203

Note: for the Czech Republic and Poland the amounts in euro were determined based on information contained in Commission's databases or on the last available exchange rate.

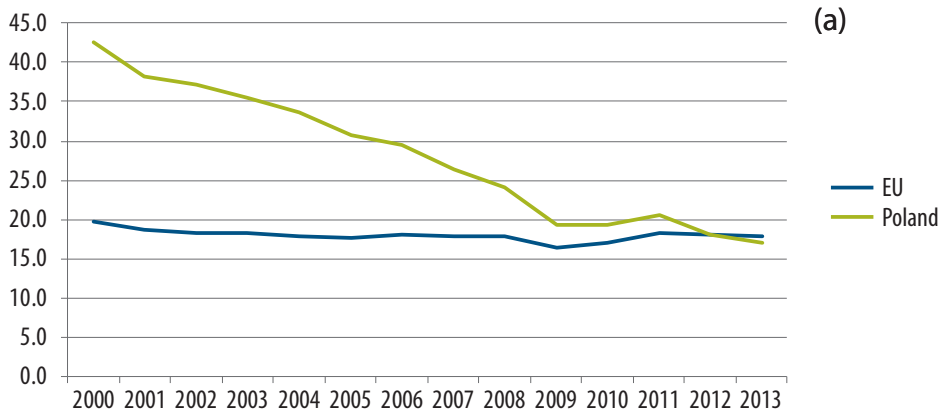
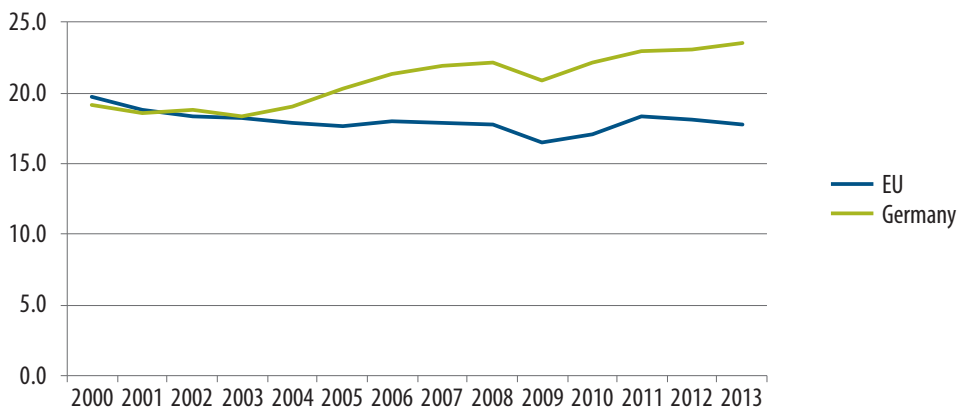
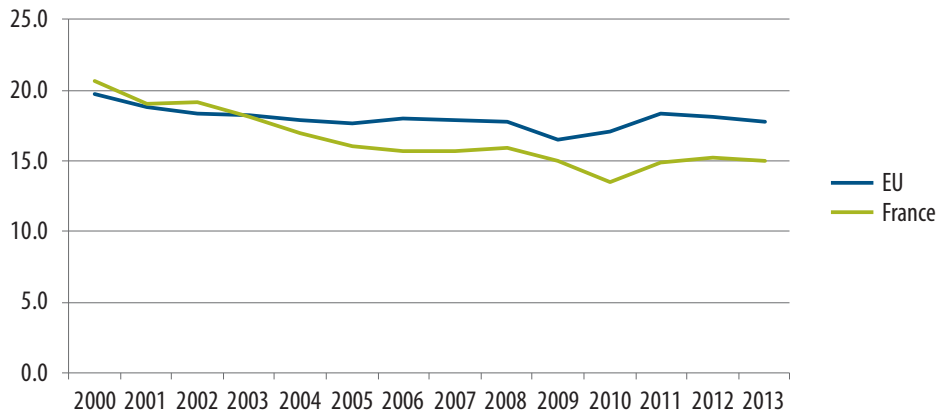
Rail freight transport as a share of total inland freight transport

GEO/TIME	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU	19.7	18.8	18.3	18.2	17.9	17.7	18	17.9	17.8	16.5	17.1	18.3	18.1	17.8
Belgium	11.6	10.4	10.7	11	12	13.4	15.4	15.3	15.9	12.8	14.5	15.2	15	15.1
Bulgaria	45.2	36.7	33.1	34.3	29.2	25.4	27.1	25.1	20.5	11.9	10.7	11.4	8.9	9.1
Czech Republic	31.9	30.1	26.6	25.4	24.7	25.5	23.8	25.3	23.3	22.1	21	20.7	21.8	20.3
Denmark	7.9	8.2	7.9	7.9	9.1	7.8	8.2	7.8	8.7	9.2	13	14	12	13.2
Germany	19.2	18.6	18.8	18.4	19	20.3	21.4	21.9	22.2	20.9	22.2	23	23.1	23.5
Estonia	62.7	68.8	69.7	70.9	67.3	64.6	65.3	56.8	44.7	52.7	54.2	51.5	47	44.1
Ireland	3.8	4	2.9	2.5	2.3	1.7	1.2	0.7	0.6	0.7	0.8	1	0.9	1.1
Greece	2.1	1.9	1.6	2.3	1.6	2.5	1.9	2.9	2.7	1.9	2	1.7	1.3	1.2
Spain	7.2	6.8	5.9	5.7	5.3	4.7	4.6	4.2	4.3	3.6	4.1	4.4	4.5	4.6
France	20.6	19	19.1	18.1	17	16	15.7	15.7	15.9	15	13.5	14.9	15.2	15
Croatia	NA	21.2	21.1	21.5	20.4	23.1	24.3	25.2	21.8	20.6	21.2	20.2	19.8	17.4
Italy	11	10.6	9.6	10.4	10.1	9.7	11.4	12.3	11.7	9.6	9.6	12.2	14	13
Latvia	73.5	72.6	70.8	72.5	71.6	70.2	61	58.1	61.3	69.8	61.9	63.8	64.2	60.4
Lithuania	53.4	48.3	47.7	50	48.7	43.9	41.6	41.5	41.9	40.1	40.9	41.2	37.7	33.6
Luxembourg	7.9	6.5	5.6	5	5.3	4.1	4.6	5.5	2.9	2.3	3.4	3.1	2.7	2.4
Hungary	28.8	28.3	28.6	27.9	28	25	23.9	20.9	20.6	17.1	19.6	20	20.5	20.5
Netherlands	3.7	3.4	3.3	3.8	4.2	4.4	4.8	5.5	5.4	4.9	4.6	5	5.1	4.9
Austria	30.6	29.6	29.3	28.7	31.4	32.8	33.8	34.8	37.4	36.4	39	39.9	40.8	42.1
Poland	42.5	38.2	37.2	35.5	33.7	30.8	29.4	26.4	24	19.4	19.4	20.5	18	17
Portugal	7.6	6.7	6.9	7	5.3	5.4	5.1	5.3	6.1	5.7	6.1	6	6.8	5.9
Romania	49.1	43.1	34.4	30.4	27.8	21.7	19.4	18.9	19	19.4	23.5	28	24.2	21.9
Slovenia	28.1	27	30	30	25.9	22.7	21.8	20.8	17.8	16	17.7	18.6	17.9	19.3
Slovakia	41.7	42.4	40.9	37.5	34.3	29.5	30.9	25.5	23.4	19.6	22	20.9	19.8	21.4
Finland	24	24.4	23.2	24.5	23.8	23.3	27.1	25.9	25.7	24.1	24.8	25.8	26.6	27.8
Sweden	35.3	35.7	34.4	35.5	36.1	36	35.8	36.4	35.1	36.8	39.3	38.2	39.7	38.2
United Kingdom	9.8	10.6	10.2	10.1	12.2	11.7	11.7	11.1	11.6	12.1	11.2	12	11.9	13.2

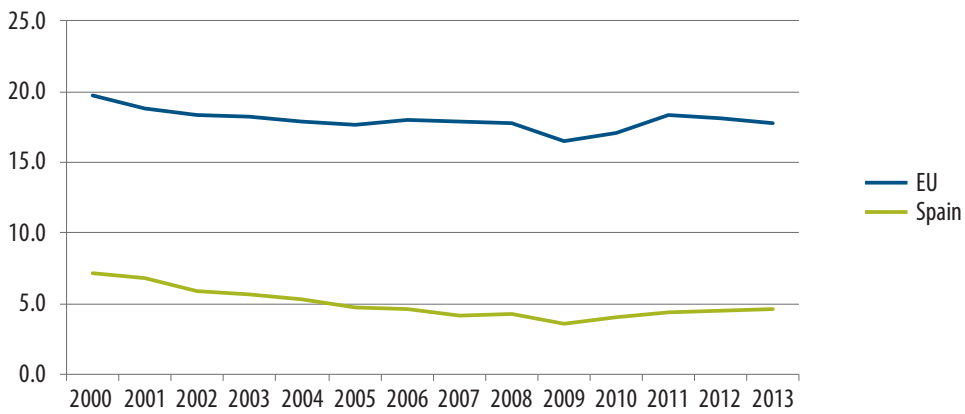
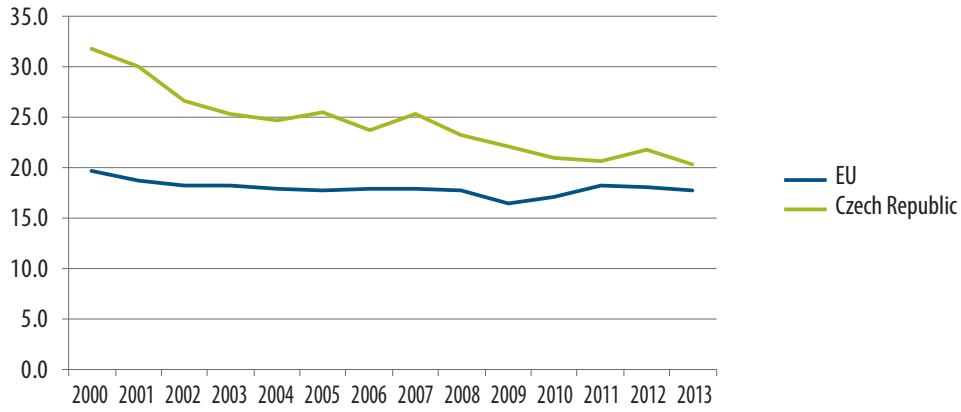
Note: Cyprus and Malta do not have a rail network.

Source: Eurostat.

Rail freight modal share (inland freight) in the five Member States visited (2000 to 2013)



Annex V



Source: European Court of Auditors based on Eurostat data.

Case study on the cross-border section between Spain and France (rail freight corridor 6 Mediterranean)

Out of 18 projects selected by the Court for a review, two are located on rail freight corridor 6 between Barcelona (Spain) and Perpignan (France).

Every year, around 90 million tonnes of goods cross the border between France and Spain in heavy goods vehicles (around 19 000 lorries per day), mostly via the west and east coasts. Only 3.1 million tonnes of those goods are transported over the Pyrenees by rail per year; this represents around 3 % of the total inland freight traffic between these two countries¹.

The main objective of the first project on this corridor was to add a third rail to one of the existing tracks to allow standard gauge trains to run on the line, and to ensure that the Spanish rail network could operate using European standards on this line. The project cost was 61.5 million euros, with an EU contribution of 6.1 million euros; it was put into operation in December 2010. However, during 2011 and 2012, the third rail installed as part of the project was only used by a maximum of two to three freight trains per day. Since the entry into service of a new high-speed line in January 2013 with a similar route, not a single freight or passenger train has ever used the third rail.

The other project concerns the new international Perpignan-Figueras railway section between France and Spain. The quantitative targets in terms of the number of freight trains and the tonnage of goods transported on this section once the project is completed are far from being achieved. The total cost of the project selected on this line was 279 million euros, with an EU contribution of almost 70 million euros. In the first 3 years of operation (2011-2013) the annual number of freight trains was 357, 636 and 931 respectively, compared to a target of 8 665 freight trains set for the first year of operation (i.e. in 2009) and a target of 19 759 freight trains in 2019. In practical terms it means that, on average, fewer than four freight trains used the line per day.

¹ European Commission, 'EU transport in figures', *Statistical Pocketbook*, 2014, and Observatorio hispano-francés del tráfico en los Pirineos.



Photo 3 — Perpignan-Figueras international section: high potential but scarce traffic

Our analysis shows that the lack of competitiveness within this section and the resulting underperformance was mainly due to problems with the coordination of the investment on both sides of the border. In France, the Perpignan-Montpellier line is congested, not equipped with ERTMS, and constrained in many technical parameters, including several level crossings along a stretch of 150 km. The renovation of the line, which is not a priority for France, is not likely to start before 2030. In Spain, on the Barcelona-Figueras section, a number of ports and factories that are important sources and destinations for freight are not yet connected to the rail network with the standard gauge. In addition the length of freight trains is limited to around 500 metres instead of the European standard of 740 metres, and freight trains are regularly stopped to let passenger trains pass. This illustrates that the rail freight corridor concept is still not fully taken into account by the relevant national authorities.

Executive summary

VIII

The Commission considers that performance of the EU programmes should be measured against baseline scenarios. As a baseline scenario, the 2001 White Paper highlighted the 'risk of road haulage enjoying a virtual monopoly for goods transport' in the EU in the future, if no action is taken.

Against this background, the Commission considers that the relative stability in the modal share of railway freight transport is a moderate success, especially taking into consideration the restructuring of the economies of the central and eastern European Member States resulting in the decrease of the share of most tonne-km oriented traditional industries. Moreover, the Commission is confident that with the actions recently undertaken the modal share of rail freight will increase in the years to come.

The problems identified and described by the Court in this report are partially due to the fact that the competition is not based on a level playing field (internalisation of external costs). Also, the effects of the policy can be measured in the medium to long term; as such, more time is needed.

IX

The Commission would like to point out that the projects examined by this audit delivered substantial time-savings.

X

The Commission would like to point out that the significant investments in rail have helped to reduce the decline in the market share of rail.

XI

The Commission is confident that full implementation of the Directive 2012/34/EU and the adoption of the 4th Railway Package as proposed by the Commission will contribute towards achieving the target of the Single European Railway Area.

XII

The Commission is aware of problems encountered by freight operators with regard to traffic management procedures and is in the process of assessing possible solutions to address these problems.

XIV

Cohesion funding is not specifically targeted to rail freight as such and may cover all different modes of transport with a view to reducing regional disparities. In some Member States in which there is a mixture of less developed and more developed regions (like Germany) the focus of ERDF and Cohesion Fund might be in regions which are not the areas with priority freight corridors.

The Commission, moreover, considers that important efforts were made to target much needed investments in rail, e.g. through the TEN-T projects.

XV

The Commission recalls that maintenance is a national competence and is not eligible for EU funding.

However, the necessity of maintenance is taken into account for funding purposes, as follows:

- During the 2007-2013 period, maintenance costs were considered and included in the CBAs as well as feasibility studies for the calculation of the funding gap.
- As regards ESIF Funds, under the 2014-2020 programming period maintenance is regularly included in programmes as a conditionality in major project applications.

This problem is also addressed in Article 8 of the RECAST Directive 2012/34/EU.

XVI

The Commission agrees that enhancing performance of rail is key in supporting rail freight. It has consequently launched the process both with the infrastructure managers (through the Platform of Rail Infrastructure Managers in Europe — PRIME) and railway undertakings (through the RU Dialogue) to develop key performance indicators with the aim to enhance efficiency and customer focus of the sector. In addition, performance is monitored at the level of Rail Freight Corridors and TEN-T core network corridors.

XVII

In terms of the alignment of policy objectives with fund allocations, the Commission would like to point out that the methodologies used are such as to ensure that there is a strong focus on key objectives, such as the completion of the TEN-T corridors and, therefore, the successful completion of corridors of European added value.

The Commission points out that it applies strict cost benefit methodologies and economic considerations when it comes to the evaluation of projects. There are established project evaluation procedures for selecting quality projects.

Audit scope and approach

17

The Commission considers that most of these issues have been addressed under the 4th Railway Package. In addition, they are already dealt with in the revised TEN-T Guidelines and the new financing instrument of the CEF.

Observations

19

The Commission considers that performance of the EU programmes should be measured against baseline scenarios. As a baseline scenario, the 2001 White Paper highlighted the 'risk of road haulage enjoying a virtual monopoly for goods transport' in the EU in the future, if no action is taken.

Against this background, the Commission considers that the relative stability in the modal share of railway freight transport is a moderate success, especially taking into consideration the restructuring of the economies of the central and eastern European Member States resulting in the decrease of the share of most tonne-km oriented traditional industries. Moreover, the Commission is confident that with the actions recently undertaken the modal share of rail freight will increase in the years to come.

20

The Commission considers that the new EU regulations such as the revised TEN-T Guidelines and the new financing instrument of the CEF will help to redress the trend and will work towards the achievement of the target in the Commission's 2011 White Paper.

22

When comparing the rail markets of countries like USA, Australia, China, India and South Africa to the EU, important differences concerning the legal framework and technical conditions also need to be taken into account, which have an impact on the development of the respective railway markets.

26

Infringement procedures were launched against Poland and the Czech Republic concerning incomplete/incorrect transposition of Directives 2001/14/EC and 91/440/EEC; the European Court of Justice delivered its judgments in May and July 2013 respectively (cases C-512/10 and C-545/10). Both Member States have since taken measures to ensure compliance with EU law, in particular as regards calculation of track access charges. These measures are expected to lead to a reduction of the level of access charges in the Member States concerned.

The rail infrastructure (and infrastructure in general) in the Czech Republic and Poland has been suffering from almost five decades of under-maintenance and neglect. The Commission is confident that the investments made in these Member States will bear fruit in the years to come.

28

The Commission would like to point out that the projects examined by this audit delivered substantial time-savings (**Box 9**).

32

As the deadline for Member States to transpose the directive was June 2015, the Commission is confident that full implementation of the directive will contribute towards achieving the target of the Single European Railway Area.

36

The Commission is confident that full implementation of the Directive 2012/34/EU and the adoption of the 4th Railway Package as proposed by the Commission will contribute towards achieving the target of the Single European Railway Area.

40(a)

The Commission notes that the deadline for transposition of Article 13 of Directive 2012/34/EU which has introduced a comprehensive set of new rules to address difficulties in accessing terminals and other service facilities, expired only in June 2015.

42

The Commission has addressed this through Directive 2012/34/EU and the 4th Railway Package.

Article 56 of Directive 2012/34/EU has considerably extended the powers of regulatory bodies; transposition date was only June 2015.

In the context of the negotiations on the 4th Railway Package, a further strengthening of regulatory bodies, including an extension of their powers, is being discussed.

45

The Commission is aware of problems encountered by freight operators with regard to the annual scheduling process for train paths and is in the process of assessing possible solutions to address these problems. However, it needs to be recalled that this process, which is enshrined in Directive 2012/34/EU, is designed to ensure a balanced treatment of passenger and freight operators as well as incumbents and new entrants. An annual deadline for submission of capacity requests facilitates the coordination of conflicting requests and ensures fair and equal treatment of all applicants.

55

The Commission considers that while certain measures, such as the harmonisation of operational rules, can be expected to have a positive impact more quickly, other measures, in particular those linked to infrastructure improvements, will rather have an impact in the medium- to long-term.

Often the governance structure set up in corridors works and has enabled to identify precise issues hampering rail freight traffic, particularly cross-border traffic, and to put around the table all the relevant stakeholders to solve them.

Reply of the Commission

56

The Commission notes that in some fields progress has been made, even for the harmonisation between the different Rail Freight Corridors (RFCs) (e.g. common Framework for capacity allocation for all of the 9 RFCs as of timetable 2016).

In certain areas, the work towards the harmonisation of processes is progressing through projects of RailNetEurope.

The Commission acknowledges the necessity of further harmonisation in this field so that the RFCs can produce all their benefits towards the development of rail freight.

57

The Commission considers that the specific situation of each region in Europe (e.g. economic situation, presence of big ports, industrial base, quality of the already existing infrastructure, of the last-mile infrastructure) and the different business models in different Member States should for example be also taken into account.

62(a)

As regards ERTMS, the Commission has appointed a European Coordinator for the ERTMS deployment who is currently implementing his Breakthrough programme for ERTMS. This programme consists of five objectives that need to be achieved by the end of 2016. The Coordinator will then submit a proposal for the ERTMS Deployment Plan (EDP) for 9 Core Network Corridors so that the current EDP for 6 ERTMS Corridors can be repealed. Member States should ensure that major part of ERTMS implementation along the Corridors is finalised by 2027, using the financial opportunities provided by the ongoing (2014-2020) and future programming period (2020-2027).

The coordinator has concluded what will be implemented by 2020. These data will be then translated into different activities converging into a single coherent implementation plan from technical and deployment perspectives.

64

Infrastructure managers have to offer performance schemes to reduce disruptions and delays as part of their charging schemes in accordance with Article 35 and Annex VI of Directive 2012/34/EU. In addition, contractual agreements between infrastructure managers and states, which establish the level of public compensation to infrastructure managers, have to specify user-oriented performance targets in the form of indicators and quality criteria, as specified in Article 30 and Annex V of Directive 2012/34/EU. These performance targets put pressure on infrastructure managers to ensure the agreed level of performance, given that non-compliance may result in lower compensation or other form of penalty.

Further, the Commission is working with infrastructure managers in the framework of PRIME on best performance benchmarking.

66(b)

The key performance indicators (KPIs) for the allocation process have been harmonised in the common Framework for capacity allocation applying to all the 9 RFCs, agreed in October 2015. Operations and market development KPIs are in the process of being harmonised through a project of RailNetEurope.

67

The Commission is working closely with Eurostat to produce the indicators needed to monitor the White Paper goals. The timeliness and quality of indicators will however depend on the availability of Member States data.

Common Commission reply to paragraphs 74 and 75

The objectives of Cohesion policy in the area of transport are to build a sustainable, multi-modal, seamless and reliable transport system. As a consequence, Cohesion funding is not specifically targeted to rail freight as such and may cover all different modes of transport with a view to reducing regional disparities. In some Member States in which there is a mixture of less developed and more developed regions (like Germany) the focus of ERDF and Cohesion Fund might be in regions which are not the areas with priority freight corridors.

The Commission, moreover, considers that important efforts were made to target much needed investments in rail, e.g. through the TEN-T projects.

77

It is necessary to underline that EUR 11.3 thousand million have been transferred from the Cohesion Fund to the Connecting Europe Facility to be spent in line with the objectives of the CEF regulation, i.e. in most cases on the rail projects located on the TEN-T Core Network Corridors; the approval of each individual project submitted by the Member States' authorities is the responsibility of the Commission. Here, the co-financing rates are those applied in case of the Cohesion Funds, i.e. up to 85 % in case of rail infrastructure projects. The CEF favours rail projects, as only 10 % of the respective national envelopes of the CEF cohesion part may be used for road projects and road projects may be co-financed only if they involve a cross-border section.

The existence of a comprehensive transport plan, with a mature project pipeline is an *ex ante* conditionality for receiving ESI Funds support in the 2014-2020 period. While an overall objective of the plan must be to catalyse a transition to a more sustainable transport system, it might well be that — in view of the infrastructure already in place and the identified needs — the greatest investment effort might be needed for the road sector.

For 2014-2020, the planning of allocations was done with a view to allowing complementarity between ESIF and the CEF, rather than simply comparing percentages. In this respect, an additional EUR 1.1 thousand million in the Czech Republic and EUR 3.5 thousand million in Poland were allocated almost exclusively to rail through CEF. This fact changes dramatically the comparison: some EUR 2.8 thousand million for the Czech Republic and EUR 10.2 thousand million for Poland were allocated to rail.

Furthermore, the Commission considers that the analysis should take into account all transport modes. For example, in Poland, for 2014-2020 more funds are allocated to sustainable modes of transport versus road transport.

79

Many of the investments made for rail have significantly benefited in parallel passenger and freight operations in the Member States examined.

The Commission wishes to highlight that under the TEN-T programme funds were targeted on rail projects and on rail cross-border sections in particular. Out of 30 priority projects (PP), 22 concerned rail cross-border sections, and PP5 and PP16 specifically targeted rail freight lines. The financing under the TEN-T programme was centred on the PP¹.

In line with Council decision of 6 October 2006 on Community strategic guidelines on cohesion (2006/702/EC) the Commission did not favour freight over passenger modes.

Box 8 — Example of prioritisation of high speed lines: Spain — 2007-2013

While railway investments in Spain in 2007-2013 were mainly devoted to passenger traffic, in 2014-2020 the focus has been put on inter-modality, inter-operability and especially freight (see the Spanish Partnership Agreement, pp. 145-148). In general, only those projects having the greatest potential impact on growth and jobs will be considered for co-financing.

Freight railway lines along TEN-T core corridors with international connections (i.e. Mediterranean and Atlantic corridors) will be supported in all types of regions as the expected internal rate of return and the socioeconomic impact of these projects is considered very high, including the spillover effects.

In less developed and transition regions (i.e. Extremadura, Andalusia, Castilla-La Mancha and Murcia) some sections of high-speed lines will be co-financed provided that they belong to TEN-T networks. Most of these lines will be designed for a mixed traffic (passengers and freight).

80

See Commission reply to paragraphs 74 and 75.

83

The Commission monitors overall investments in rail infrastructure since most of the lines are of mixed use and it is difficult to separate monitoring in monetary terms the passenger and freight components of individual investments.

In the spirit of the new TEN-T guidelines and the CEF regulation, the Commission aims at streamlining the overall coordination and monitoring of projects under TEN-T corridors.

86

The Commission considers that projects should be assessed on their merits based on the project cost-benefit analysis. Increasing the volume of goods is an indicator which does not depend only on the type of investments, but also on other macroeconomic factors. Not reaching this result cannot be considered only as a consequence of the investments made. Furthermore, there are also other benefits apart from time savings such as increased safety and compliance with regulatory requirements (TSI, etc.). In addition, the Commission would like to note that time saving relates not only to rail freight but also to travel time for passengers and these should be taken into account for the purpose of assessing a project's performance. Lastly, the full added value for freight transport might only materialise after the whole section/corridor is completed.

¹ In case of the five Member States sampled, to provide some examples of this focus, the financing was awarded to the following projects: DE: Karlsruhe-Basel with particular focus on the freight traffic with construction of additional tracks for freight only (PP24), Emmerich-Oberhausen, key connection to the freight only Betuwe line (PP24); FR: Lyon-Torino (PP3), FR: Perpignan-Figueras (PP3), FR: Contournement Nîmes-Montpellier (PP3), ES: Evora-Merida.

Box 11 — Examples of delays in project implementation: Poland and Spain

In Spain two projects (Túneles de Pajares-Sotiello and (Sotiello-Campomanes) were supposed to be finalised in 2011.

Concerning Túneles de Pajares, the geological conditions of the project required a change of the technical project which was finished in 2013, instead of 2011.

Concerning Sotiello the instability of the land required emergency works and conditioned the normal implementation of the works. The project has not yet been finished..

With regard to the project performance and the achievement of the project's and programme's objectives, in both of the above cases the delays might be needed to ensure successful project finalisation.

88

The share of and the situation of rail freight transport is being currently evaluated at national level in Spain, but no figures are currently available. The sector of rail freight transport has traditionally been a very minor percentage of the total transport. The inclusion of freight in transport projects has only been a recent development which can be observed in the most recent major project² submitted to the Commission.

89

Under the Cohesion Fund and the ERDF, Member States select projects in accordance with the objective of programmes negotiated with the Commission. Moreover, the management and control system of those programmes should ensure that the projects with high value for achieving the programme's objectives are selected.

90

The Commission recalls that maintenance is a national competence and is not eligible for EU funding.

However, the necessity of maintenance is taken into account for funding purposes, as follows:

- During the 2007-2013 period, maintenance costs were considered and included in the CBAs as well as feasibility studies for the calculation of the funding gap.
- As regards ESIF Funds, under the 2014-2020 programming period maintenance is regularly included in programmes as a conditionality in major project applications.

91

The Commission is in the process of checking these business plans and indicative infrastructure development strategies required under Article 8 of Directive 2012/34/EU; it needs to be taken into account that infrastructure development strategies only had to be published by December 2014.

² The most recent project including rail freight in Spain is part of the corridor Madrid-Portuguese border, i.e. TEN-T Atlantic Corridor. In this project, trains will absorb circa 25 % of the freight traffic in the region (11 million tonnes by train, 43 million tonnes by road). The freight transport represents 1.06 % of the income of this corridor.

Reply of the Commission

92

Member States decide at national level whether infrastructure managers may charge mark-ups or only costs directly incurred for access to the railway infrastructure. If a Member State allows for mark-ups, the infrastructure manager has to take into account the principle of 'market can bear', which is enshrined in Article 32 of Directive 2012/34/EU. This rule aims at ensuring that market segments, whose ability to pay is limited (this is often the case for freight operators), are not prevented from operating rail transport services as a result of high track access charges.

During the 2007-2013 programming period, the Spanish authorities gave priority to passenger lines, therefore investments on freight lines had been reduced accordingly. See also Commission's reply to paragraph 79 and Box 8.

Conclusions and recommendations

94

The Commission considers that performance of the EU programmes should be measured against baseline scenarios. As a baseline scenario, the 2001 White Paper highlighted the 'risk of road haulage enjoying a virtual monopoly for goods transport' in the EU in the future, if no action is taken.

Against this background, the Commission considers that the relative stability in the modal share of railway freight transport is a moderate success, especially taking into consideration the restructuring of the economies of the central and eastern European Member States resulting in the decrease of the share of most tonne-km oriented traditional industries. Moreover, the Commission is confident that with the actions recently undertaken the modal share of rail freight will increase in the years to come.

The problems identified and described by the Court in this report are partially due to the fact that the competition is not based on a level playing field (internalisation of external costs). Also, the effects of the policy can be measured in medium to long term; as such, more time is needed.

95

The Commission agrees that these trends are largely the result of regulatory and cost considerations of transport companies and road hauliers, and in order for them to be reversed, there needs to be a larger emphasis placed on these issues.

The Commission draws attention to the fact that the trends in the share of rail in the freight markets result also from the fragmentation of the European rail market into several national segments. The rail freight is most effective for medium and long distances which in the case of Europe involves crossing of at least one border (see paragraph 4). The fragmented national networks lack common and interoperable rules and standards and create additional costs for operators, on top of first/last mile (e.g. changing of locomotives for regulatory reasons and training requirements for drivers).

96(a)

The Commission has addressed this through the Recast (Directive 2012/34/EU) and the fourth railway package.

Article 56 has considerably extended the powers of regulatory bodies; transposition date was only June 2015.

Article 13 brought substantive improvements of the legal framework concerning access to service facilities and rail related services.

In the context of the negotiations on the fourth railway package, a further strengthening of regulatory bodies, including an extension of their powers, is being discussed.

96(b)

The Commission is aware of problems encountered by freight operators with regard to traffic management procedures and is in the process of assessing possible solutions to address these problems.

A number of these administrative and technical constraints are being addressed through EU legislation in place or to be adopted (e.g. technical pillar of the 4th railway package, deployment of ERTMS) and specifically on the RFCs through the setting up of a certain number of specific working groups.

96(c)

The rail freight corridors already strive for transparency of the performance of rail freight services on freight corridors. In accordance with the regulation, performance indicators have been set at the level of each corridor, are being monitored every year and the results are being published.

Recommendation 1

The Commission, as far as it is concerned by it, accepts this recommendation and has taken the necessary measures addressing the issue through the Directive 2012/34/EU and the fourth railway package.

Member States now have to address it in

- (i) transposing the legislation, in particular Directive 2012/34/EU fully/correctly (deadline for transposition was June 2015) and
- (ii) giving regulators the required resources in accordance with Art. 55(3) and 56(5) of Directive 2012/34/EU.

The Commission will closely monitor the implementation of the directive.

Reply of the Commission

Recommendation 2(a)

The Commission accepts the recommendation and steps have already been taken by the Commission towards addressing these issues.

For example, as regards the process linked to the establishment of timetables for path allocation, the Commission has put in place a regulatory framework through Directive 2012/34/EU which contains provisions setting out deadlines and rules to be complied with by infrastructure managers (in particular Articles 43 and following and Annex VII). Article 43 of Directive 2012/34/EU provides for a possibility for the Commission to adopt delegated acts amending the schedule for the timetabling process set out in Annex VII. Depending on the outcome of a future evaluation of the implementation of these provisions on the basis of feedback/evidence from the sector, the Commission may consider changing this Annex.

Recommendation 2(b)

The Commission accepts the recommendation.

Stakeholders have taken the lead in harmonising in certain areas (e.g. the common Framework for capacity allocation).

An evaluation of the RFC regulation will be conducted in 2016 taking into account what has already been done or is in the process of being done, and assessing whether there are areas where harmonisation is needed through an intervention from the Commission.

Recommendation 3(a)

The Commission accepts this recommendation and considers that these issues are being addressed through the 4th Railway Package for which it has made legislative proposals in January 2013.

Recommendation 3(b)

The Commission accepts the recommendation and has already taken steps towards its implementation. As far as language requirements for cross-border sections are concerned, the relevant annex of Directive 2007/59/EC is in the process of being amended.

The upcoming evaluation of the train driver directive in 2016 will examine whether legislative changes are needed, but while assuring an adequate safety level.

Recommendation 4(a)

The Commission accepts the recommendation on monitoring progress towards achieving the 2011 Transport White Paper target and partially accepts the recommendation on intermediate targets.

The Commission is working closely with Eurostat to produce the indicators needed to monitor the White Paper goals. The timeliness and quality of indicators will however depend on the availability of Member States data.

In the case of future policy papers, the Commission agrees that intermediate targets are in principle desirable and will consider the opportunity of setting intermediate targets depending on the scope of the initiative, relevance and timeliness of indicators.

Recommendation 4(b)

The Commission accepts the recommendation and considers it partially implemented.

Article 56(7) of Directive 2012/34/EU introduced a new obligation for regulatory bodies to consult representatives of users of the rail freight and passenger market at least every 2 years. The findings of these consultations are valuable input for such evaluation.

Moreover, a satisfaction survey of the users of the RFCs is being conducted once a year, with the results being published by the RFCs.

Recommendation 4(c)

The Commission accepts the recommendation.

Regarding RMMS, the Commission has already adopted an implementing act (Commission implementing Regulation (EU) 2015/1100 Of 7 July 2015) which obliges Member States to fulfil their reporting obligations and therefore considers it already implemented.

Regarding rail freight corridors, the Commission considers it partially implemented. A degree of harmonisation is in the process of being partly achieved through a project of RailNetEurope. Through an evaluation of the RFC regulation, the Commission will assess the need for further harmonisation in this area, taking account of the outcome of RailNetEurope project.

Recommendation 5

The Commission accepts the recommendation and agrees on the principle to promote level of playing field.

98

Under the 2014-2020 MFF, the newly created CEF instrument focuses almost entirely on projects with clear European added value, in particular cross-border rail projects and the ERTMS deployment. Focusing on cross-border sections and interoperability will necessarily be beneficial for rail freight services, since rail freight is particularly competitive for medium and long distances.

The Commission considers that efforts were made, and will continue to be made, to target rail investments, e.g. in the case of the TEN-T Programme.

98(a)

With regards to ESIF Funds, comparing only rail to road in only three out of 28 Member States does not consider that building a comprehensive, sustainable, multi-modal, seamless and reliable transport system requires investments in all modes of transport: rail, maritime, aviation, inland waterways, and roads, as well as in multi-modal infrastructure.

Striking the right balance is not an exercise of allotting predefined shares of the available budget to one transport mode or another. Instead, the analysis must take into account the needs of various Member States and regions in different modes of transport.

The TEN-T programme, the main instrument of EU funding to implement the EU transport strategy, specifically targeted rail which was the main beneficiary of the funds. 56% of the available funds were allocated to rail projects topped up with additional 7% spent on ERTMS implementation, compared to only 4% allocated to traditional road. This approach is continued under the newly created CEF.

98(b)

The TEN-T programme specifically targeted rail projects, cross-border sections in particular (see paragraph 77). Moreover, the projects aiming at developing mixed or High Speed lines were beneficial for freight, also by creating additional capacity on conventional and other parallel lines. It is also methodologically difficult to separate in monetary terms the impacts of investments targeting mixed lines made on freight or passenger traffic.

It should be also noted that several new governance tools have been introduced by the TEN-T regulation for the implementation of the TEN-T core network (Core Network Corridors, European Coordinators, Corridor Work Plans, Corridor Fora). These tools help better monitor TEN-T implementation and the identification of a project pipeline that serves the EU policy objectives, among which rail freight development takes a central part.

98(c)

The Commission considers that rail infrastructure is a key element but has to be accompanied by necessary operational and legislative measures. The 4th Railway Package will bear fruit only when fully implemented. Moreover, the market conditions (economic crisis) did not favour development of rail freight services in the past few years.

See replies to paragraphs 25 and 84.

98(d)

The Commission points out that maintenance is Member States' competence and is not eligible for EU funding in general.

See the Commission's reply to paragraph 88.

100

The new TEN-T and CEF frameworks aim at making a better use of EU funds by targeting projects with high EU added value such as rail cross-border links and addressing bottlenecks, rail connections to ports and airports, in alignment with technical standards established by TEN-T regulation. The Commission negotiates with the Member States operational programmes under ERDF and CF in order to achieve the main objective of Cohesion Policy, i.e. cohesion between better developed and less developed regions. The Commission considers that the regulations for the 2014-2020 period further facilitate this process by establishing *ex ante* conditionalities and performance framework.

Recommendation 6(a)

The Commission accepts this recommendation and is already implementing it. In the new regulations for the 2014-2020 cohesion policy framework, it has introduced an *ex ante* conditionality in order to ensure that the conditions necessary for effective support are in place. These include a long-term strategic plan which should be established prior to any funding decision.

The Commission shares the view that rail infrastructure planning should be carried out in the context of overall planning of transport networks. This is made clear in Article 4 of Regulation (EU) No 1315/2013 of the European Parliament and of the Council on Union guidelines for the development of the Trans-European Transport Network. Objectives of the trans-European network include 'the interconnection and interoperability of national transport networks', the 'optimal integration and interconnection of all transport modes' and 'the efficient use of infrastructure'.

In this context, the Commission considers that optimum performance also requires long-term strategic planning at national level and that cross-border effects should be taken into account.

The CEF financing will be centred on projects with high EU added value. The funds allocated to TEN-T projects under the newly created CEF will be available only for projects which comply with the TEN-T regulation, i.e. allowing for 100 km/h speed, 22.5 t axle load and 740 m train length. The result will be the improvement of conditions for rail freight operations. Moreover, CEF will focus on the access to the freight generators aiming at developing the intermodality, in particular the rail connections to ports. There is also a specific priority targeting the multimodal platforms (rail-road terminals). The Commission will make sure that they best target the needs of the European rail network.

Recommendation 6(b)

The Commission accepts the recommendation and considers it is partially implemented.

The Commission already monitors how much EU funding is invested for rail freight projects in the context of the CEF implementation.

Taking into consideration the mixed use of most of the lines, the Commission will monitor the amounts of funds spent on projects which do not target passenger traffic only (high speed lines).

Recommendation 7(a)

The Commission accepts the recommendation and considers it is partially implemented.

TEN-T/rail freight corridors, TEN-T Guidelines, pre-identified sections and priorities in the CEF regulation, TSIs as well as *ex ante* conditionality No 7.2 requirement establish a Comprehensive Transport Plan framework which facilitates the process of developing rail corridors in a way which is not fragmented.

The newly created CEF targets in particular the Core Network Corridors. The maximising of effects of actions undertaken at EU and national level is the spirit of the new TEN-T regulation. This underpins the funding strategy for CEF. The TEN-T regulation envisages creation of an EU-wide network. The new legislation strengthened the mandate of the European Coordinators whose tasks include, among others, the facilitation of a coordinated implementation of the multimodal core network corridors. This will allow exploiting potential synergies and complementarity between actions undertaken at national levels and within different programmes. This approach is believed to minimise the risk of a patchwork of projects resulting in a development of a fragmented network.

Reply of the Commission

Recommendation 7(b)

The Commission accepts the recommendation and, insofar it is concerned by it, considers it as implemented with the existence of the cost–benefit analysis (CBA) framework.

The CBA is a necessary element of all CEF application for funding. The CBA uses traffic forecasts to quantify financial and economic advantages of a given project, and these involve freight traffic for mixed lines as well. Only projects with a positive CBA receive CEF funding.

In the selection process, the Commission will pay due attention to the projects with the highest EU economic added value which in most cases involves rail freight traffic.

With regard to ESIF, the Commission would like to point out that the mentioned elements must be included in the information provided for the approval of major projects (in particular the feasibility study and the cost–benefit analysis). Legal references: for 2007-2013, Article 40 of the Regulation (EC) 1083/2006; for 2014-2020, Article 101 of the Regulation (EU) 1303/2013.

The Commission notes that Member States are also requested to carry out *ex ante* funding gap analyses for revenue generating non-major projects³.

Recommendation 8

The Commission notes that the first part of this recommendation is addressed to the Member States and accepts the second part of the recommendation.

The Member States, with the support of their regulatory bodies, should, in the framework of the business plans and indicative infrastructure development strategies set by the infrastructure managers, ensure the proper maintenance of the rail network (including last-mile facilities), in particular in rail freight corridors.

³ Guidance note on Article 55(6) of Regulation (EC) No 1083/2006, COCOF 08/0012/03.

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The promotion of more efficient and sustainable methods of transport, in particular rail freight, has been a key part of EU policy for the last 25 years. The EU budget contributed some 28 billion euros to funding rail projects between 2007 and 2013. This report assesses whether the EU has been effective in enhancing rail freight transport and whether EU rail freight transport performance has improved in terms of modal share and volume transported since 2000. We found that, overall, rail freight transport performance remains unsatisfactory, while the position of road transport has grown further.



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