

# The political framework for the European Railways and their employees

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Management Strategies in the Railway Sector“  
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**The political framework**

**About CER**

**CER – ETF agreements**

**Today's rail market situation in Europe**

**Main policy lines**



# CER – the Community of European Railway and Infrastructure Companies



**CER  
Team  
Brussels**



- CER represents the railway community vis-à-vis EU institutions but also inside official EU bodies
- Information and advice to political decision-makers in Brussels
- Monitoring of and input to all EU political questions relevant to railways (close cooperation on technical issues with the UIC, Paris)

- Information on EU developments to members
- Advice on all issues concerning the EU and its laws
- Facilitation of direct contact / discussions
- contact with national authorities / institutions (on demand)



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# Common European Market for Rail Transport: Agreement between Social Partners in Railway Sector

The first ever negotiations between railway partners on the European level have been finalised by an agreement, which was signed on 27 January 2004:

- Working conditions of mobile staff in cross-border services
- European locomotive driving licence



*With this remarkable agreement minimum social standards have been fixed – it is an important contribution of the railways for the Creation of a European railway market, which was taken up by the Commission in the context of its proposed 3<sup>rd</sup> Railway package*

# CER-ETF Agreements 2004 – what has happened afterwards?

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## Agreement on working conditions is now Directive 2005/47

27.7.2005

EN

Official Journal of the European Union

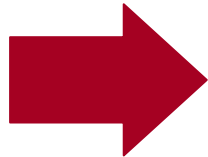
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COUNCIL DIRECTIVE 2005/47/EC

of 18 July 2005

on the Agreement between the Community of European Railways (CER) and the European Transport Workers' Federation (ETF) on certain aspects of the working conditions of mobile workers engaged in interoperable cross-border services in the railway sector



**Agreed evaluation and re-negotiations are being prepared at the moment**

## European locomotive driving licence



**Taken up in the context of the European Commission's 3rd Railway Package**



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# The re-negotiation of Directive 2005/47/EC is in preparation

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- There are no relay stations (driver's depots) on all the new routes, in particular along long distance freight corridors
  - New companies at the very start
  - Traditional companies operating beyond their national borders
- ➔ **CER wants to start discussions on the daily rest away from home (clause 4) for having more flexible provisions**

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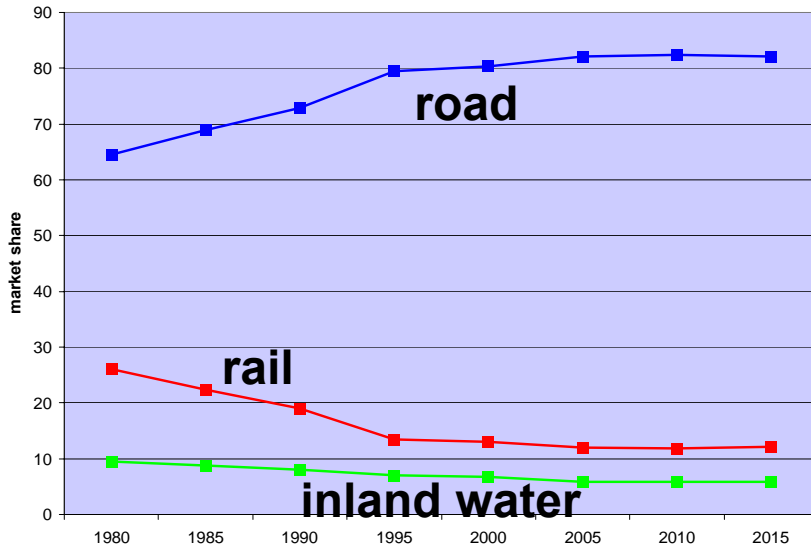
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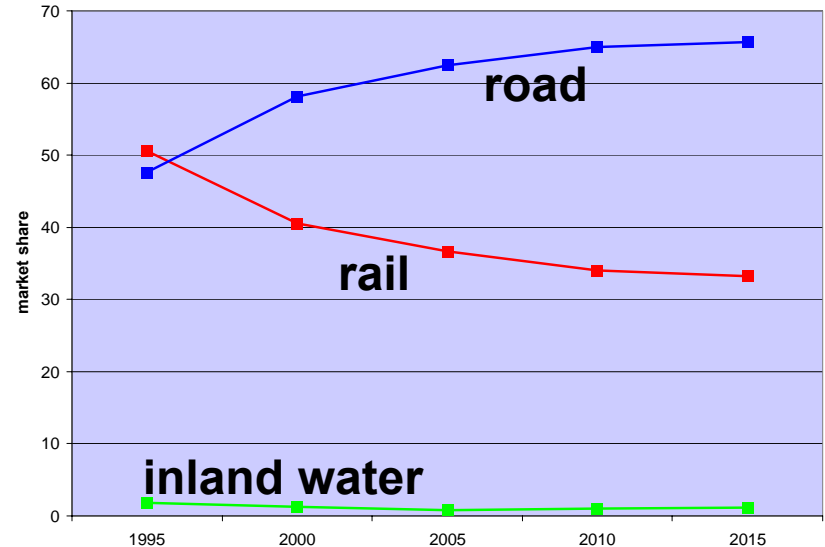
# In the EU 15, railways lost sizable market shares to road in the freight market until the end of the 90s

## Market shares freight [%]

### EU-15



### EU-8 (New EU MS)



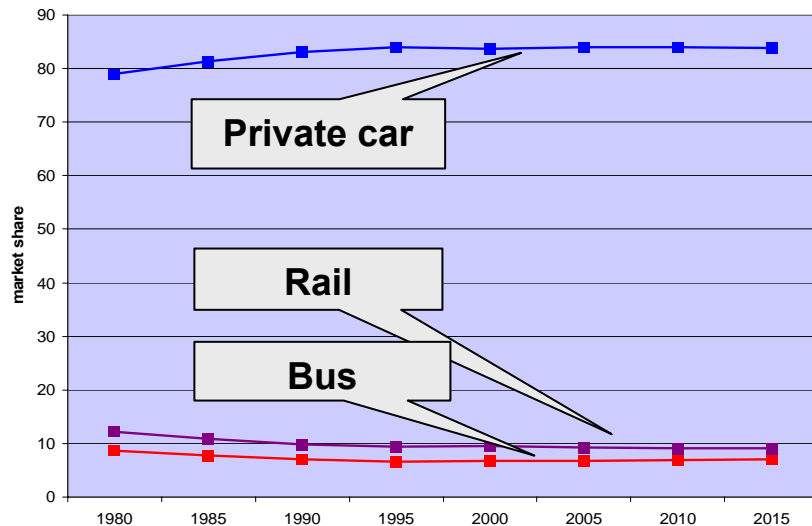
# In the passenger market, car remains the dominant mode

## Market shares passenger market [%]

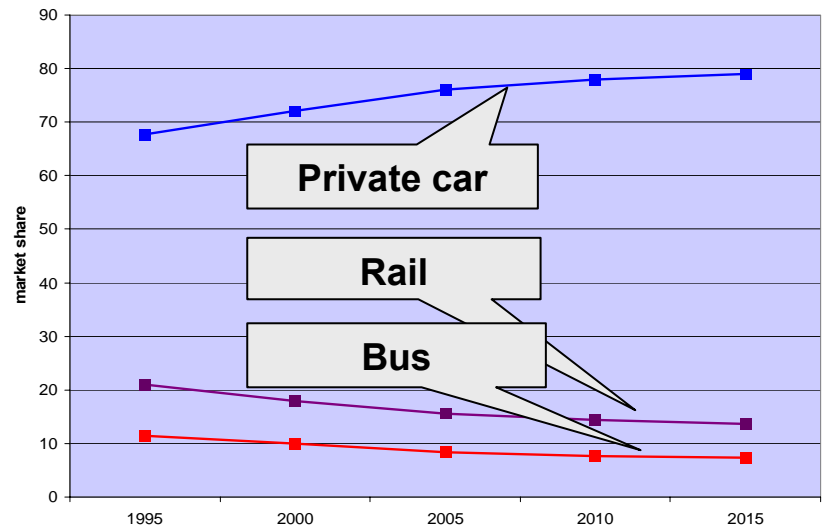
→ EU 15: car remains the dominant mode

→ EU 8: car ownership increased and now stabilises

### EU-15



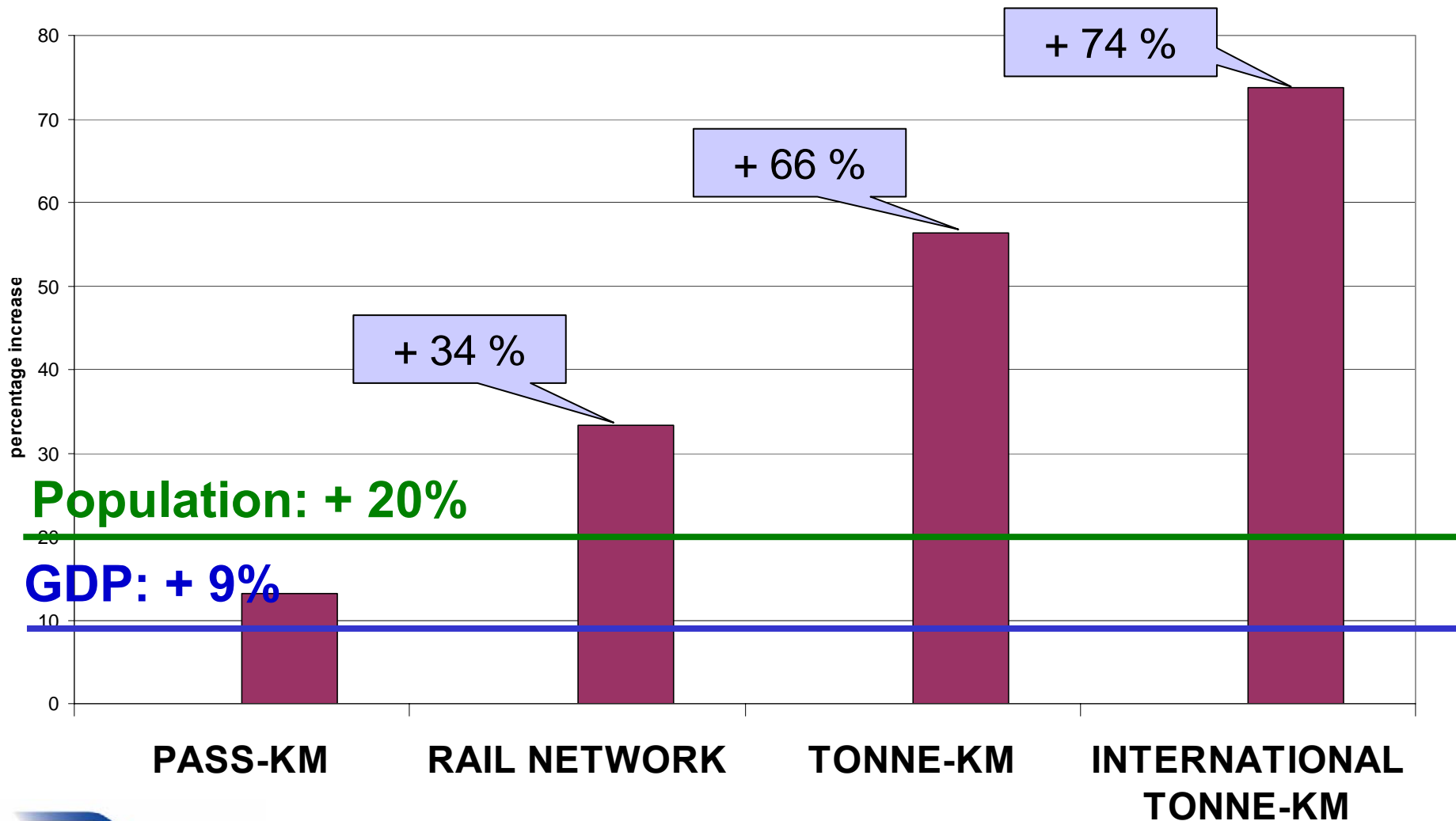
### EU-8 (New EU MS)



SOURCE: 1980 to 2000 - Eurostat; 2005 onwards - projections from PROGTRANS 2004

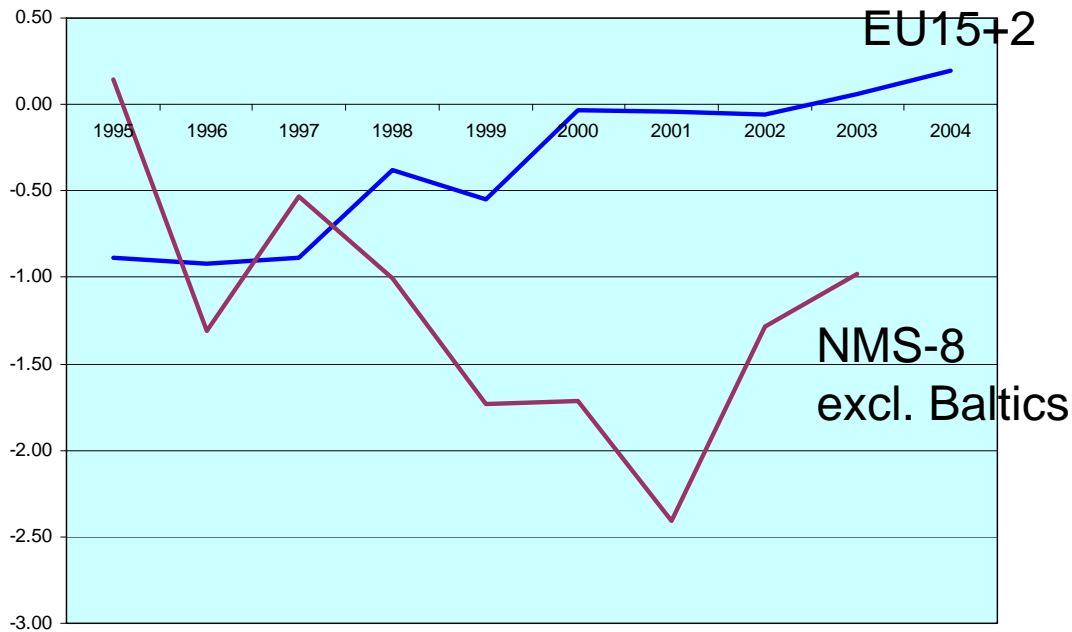


# The impact of 10 new EU Member States for the rail sector



# Financial stability – worrying trend in CEEC

## Annual net result per train kilometre



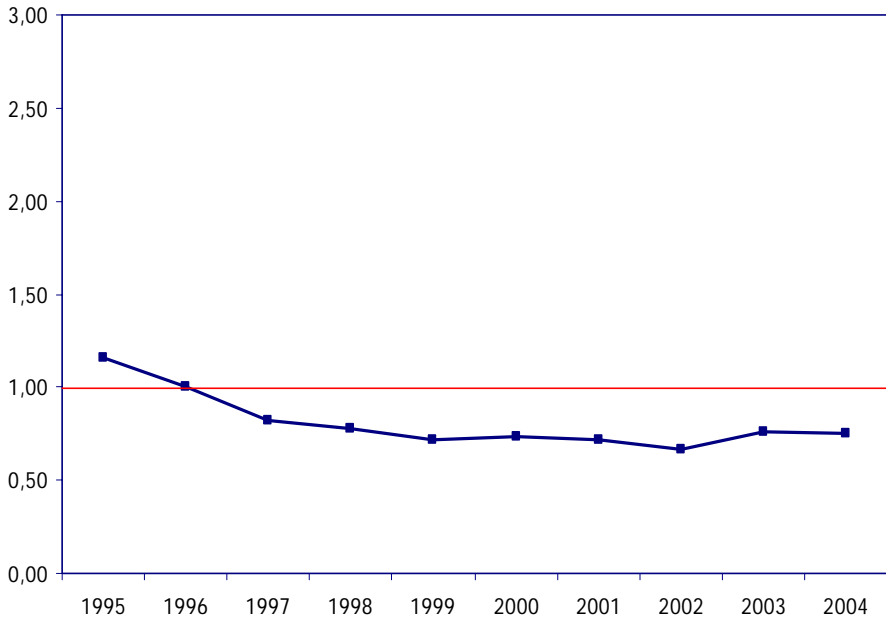
### Cause of financial problems in CEEC:

- lack of PSO
- imbalance between network size and public financing

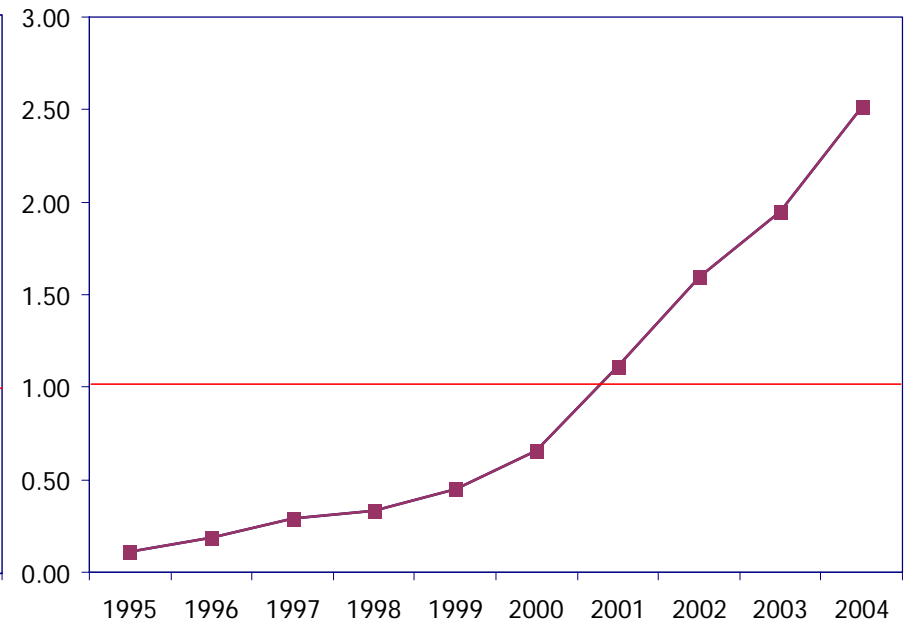


# Debt/Equity Ratio (total debt/total equity)

## EU15+2



## NMS8+2



**Commercially sustainable level = 1.0**

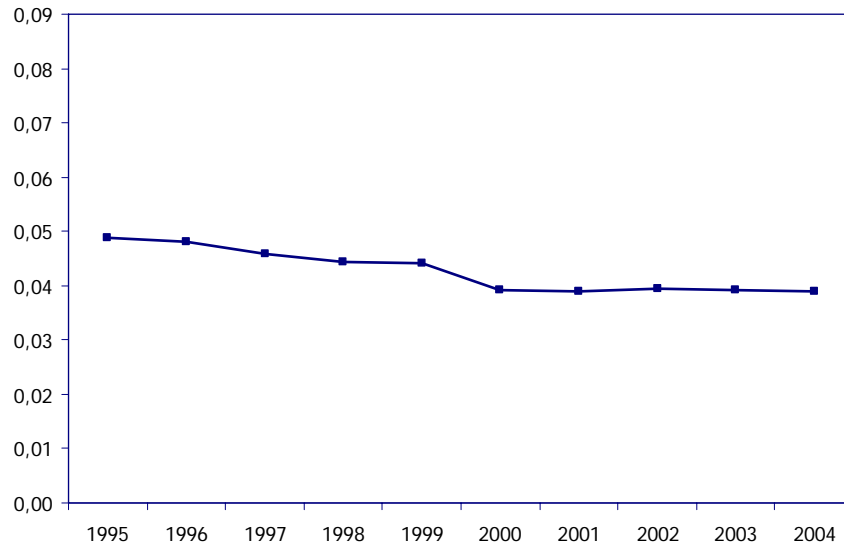


# Trend in the rail freight market: customer prices falling...

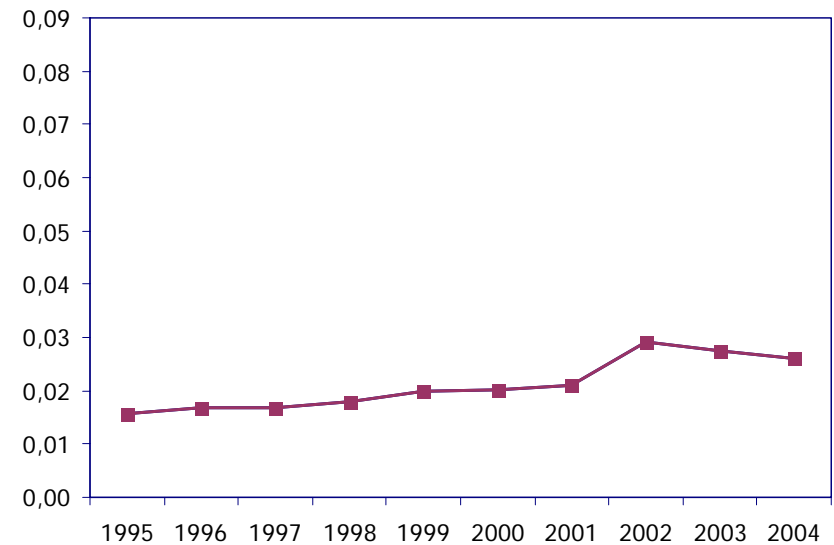
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## Commercial freight revenue (2001 Euros)

EU15+2without DB



NMS8+2



# ...but revenues are falling faster than costs

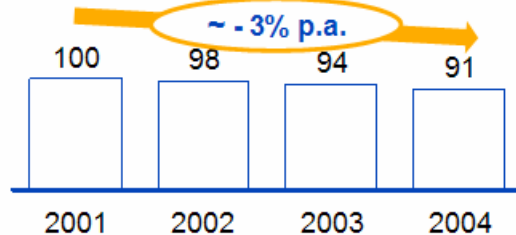
## Incumbents financial situation remains fragile due to price/cost squeeze

ESTIMATES

### EFFECTS OF RAIL LIBERALIZATION

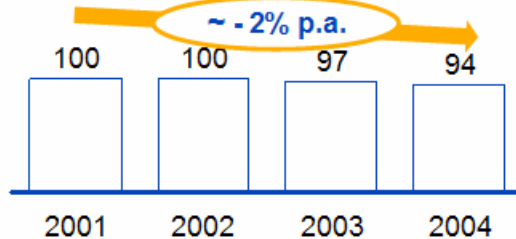
#### Price per tkm \*\*

2001 price = 100



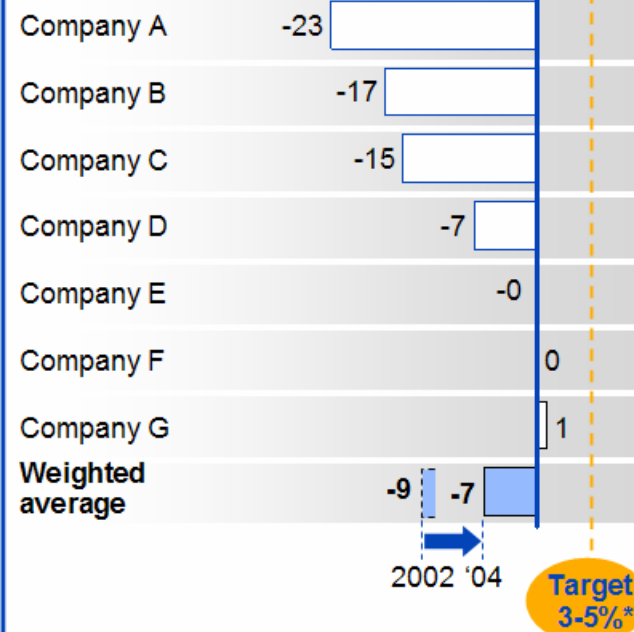
#### Cost per tkm \*\*

2001 cost = 100



#### Incumbent freight division profitability

ROS, percent, 2004



Source:  
McKinsey (2005)

\* Required to earn weighted average cost of capital

\*\* Based on DB, SNCF, Green Cargo and SBB, SNCF and SBB figures were adjusted for non freight, corrected for inflation

Source: UIC, annual reports, press clippings, company websites, team analysis

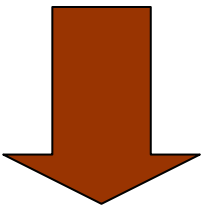


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# Contribution from railways and their employees: restructuring and substantial improvement of efficiency

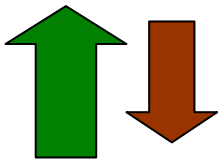
**Number of Employees  
decreased**



1995-2004  
EU 15+ **- 21%**    NMS **- 44%**



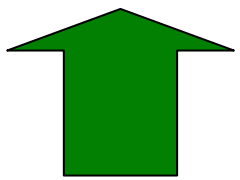
**Transport Units increased in  
EU 15+/decreased in NMS**



1995-2004  
EU 15+ **+ 11%**    NMS **- 23%**



**→ Productivity increased!**



1995-2004  
EU 15+ **+ 39%**    NMS **+ 34%**



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Source: NERA (1995-2001) and CER Database (2002-2004)

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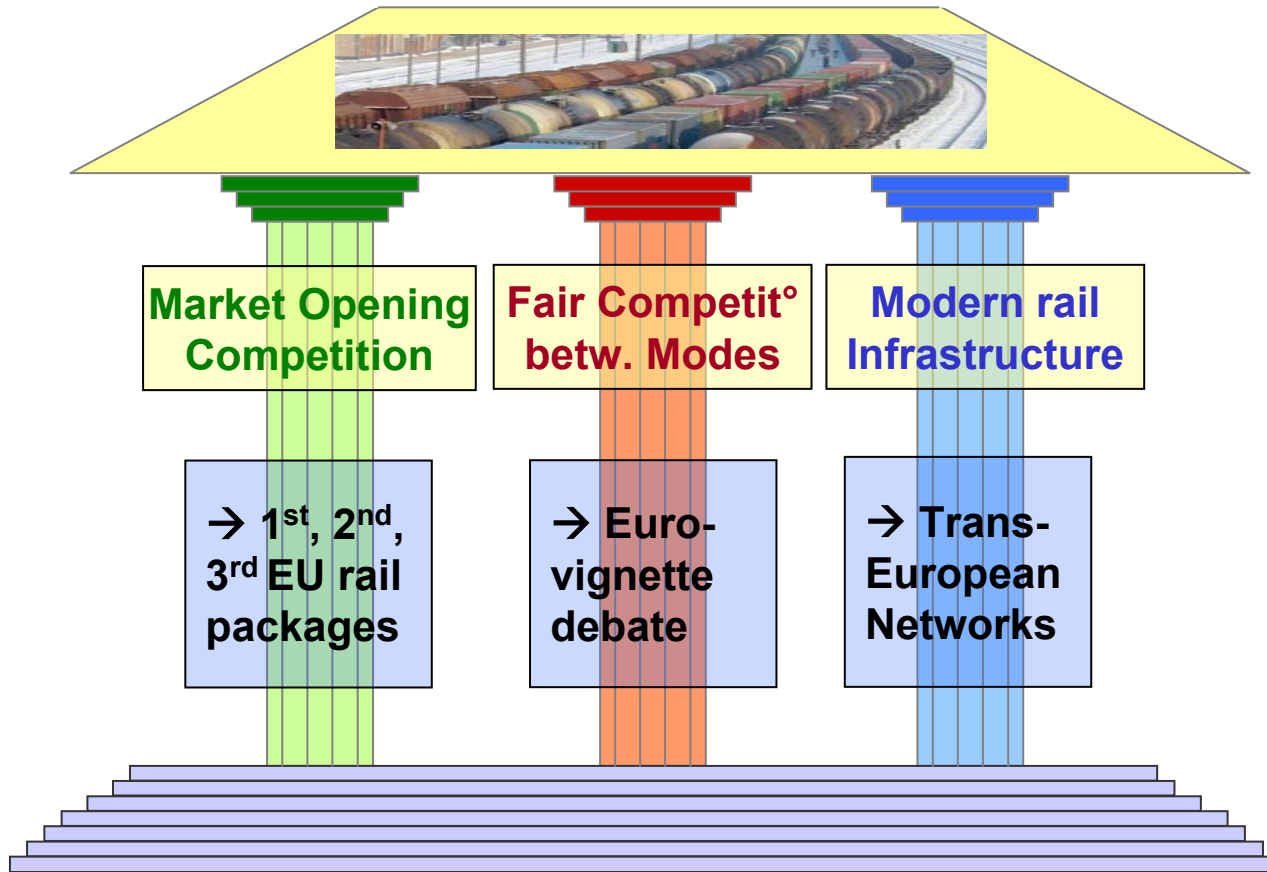
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# The architecture of European transport and railway policy...



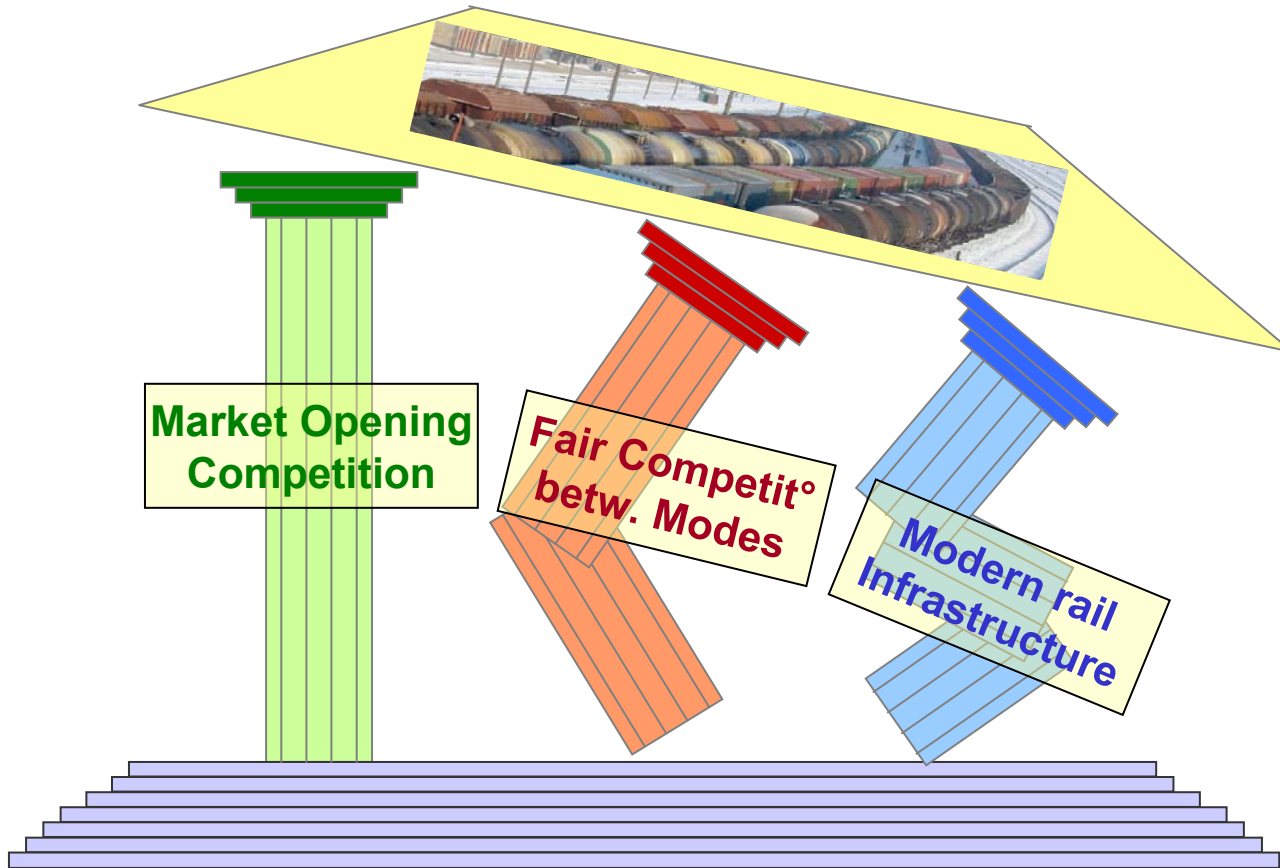
...rests on 3 important 'pillars'



# The situation today...

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One solid and two neglected 'pillars'!



# Market opening / competition in the European railway market



## Open access

- 
- |                   |  |
|-------------------|--|
| 1993              | International combined transport<br>International grouping (no practical impact)     |
| 15.03.2003        | International freight services on “Trans-European rail freight network” (TERFN)      |
| 01.01.2006        | International freight services on whole network                                      |
| <b>01.01.2007</b> | <b>all freight services – international and domestic</b>                             |
| 2008              | Public service obligations   |
| 2008/2012         | international and national passenger services with cabotage (still under discussion) |



# Competition between modes – remaining disadvantage for rail

Fair Competition between modes

➤ remaining disadvantage for rail, in particular **external costs** (damage for the environment, noise emissions, etc) are not taken into account in road pricing

➤ **commitments** of the White Paper 2001 and by the European Council 2001 (Göteborg) **not realised**



➤ **disappointing** result of **Eurovignette discussion**: decision on internalisation of external costs has been put off once more

# Modern Rail Infrastructure – how to finance?

Modern rail  
Infrastructure

**1994:**

„Essen list“ – 14 projects

→ failure

**2004:**

30 TEN-T priority projects  
+ ERTMS + Galileo

→ Financing??? (EU-Budget 2007-13)

→ national and EU contributions  
unbalanced and insufficient!



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# Infrastructure

## Trans-European network (TEN)

Modern rail  
Infrastructure

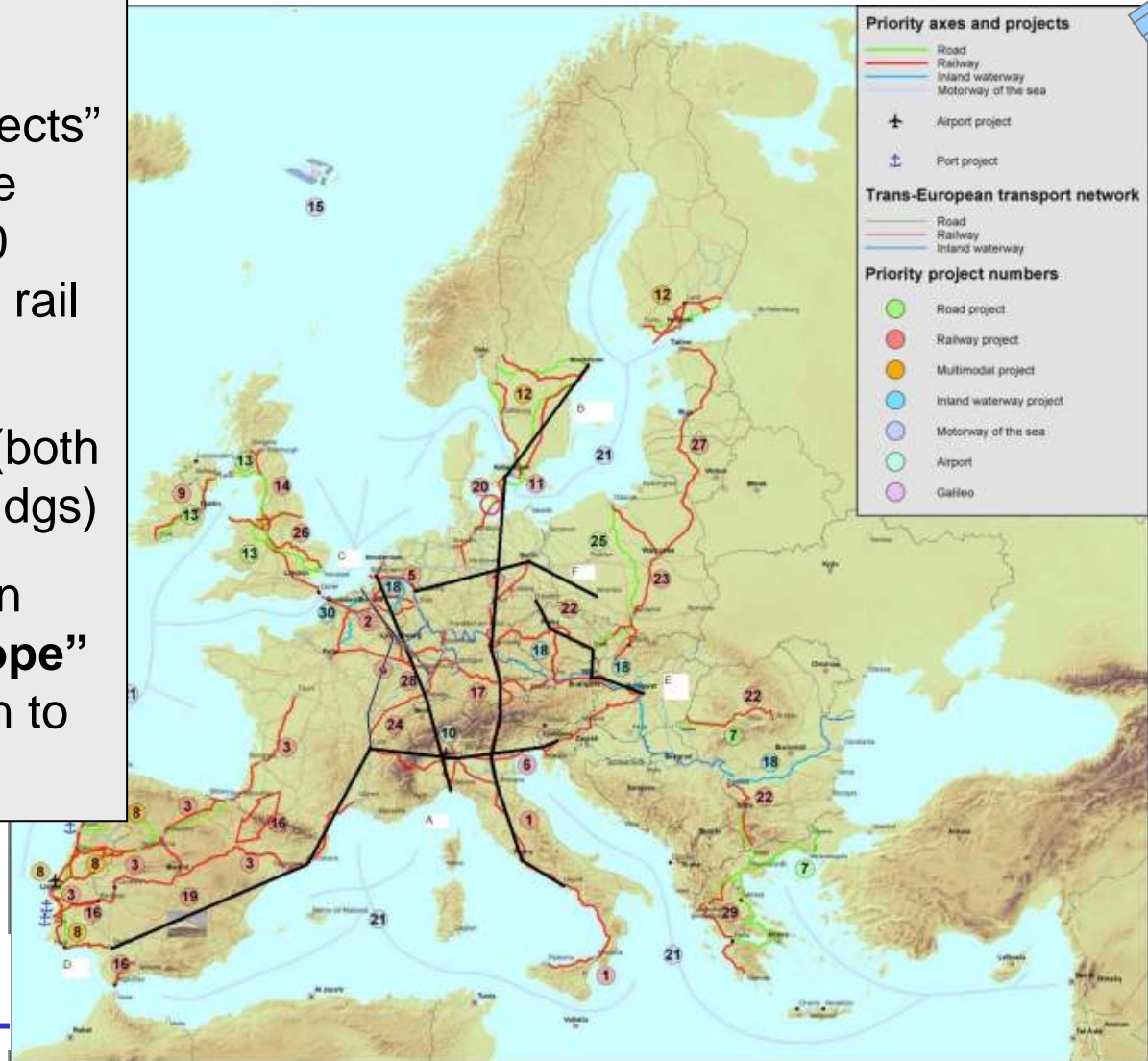
### Trans-European Networks

“Essen priority projects” of 1994 were failure  
**2004**: new list of 30 priority projects, 21 rail related!

but: **Funding gap** (both EU and national budgets)

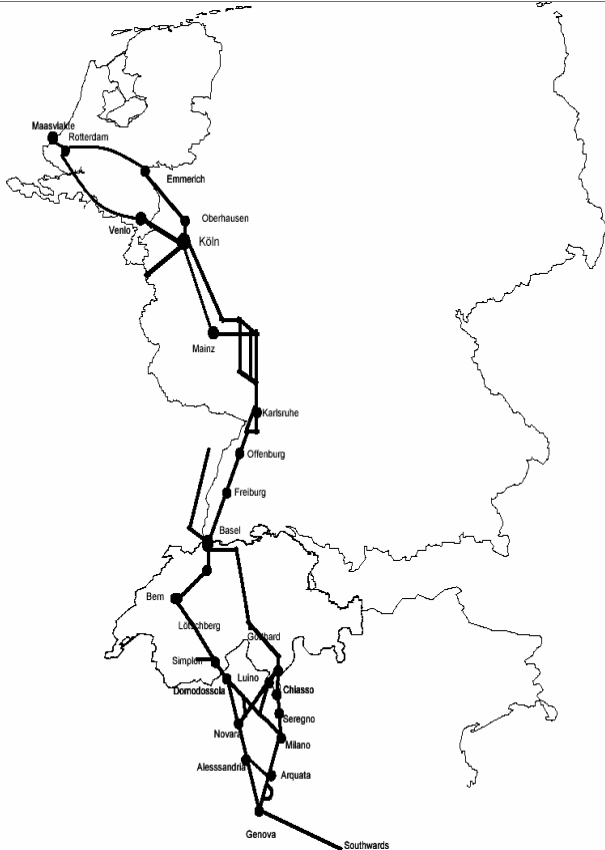
Related initiatives in 2005: “**Wider Europe**” to ensure extension to EU neighbours

**ERTMS corridors** —



# Developing international freight corridors: case study Rotterdam-Genoa

Modern rail  
Infrastructure



**ERTMS** – growing realisation that genuine European economies of scale required

## 4 Ministries working together:

- recognise investment obligations
- safety authorities streamline certification

## IMs work together:

- technical harmonisation over time
- creation of single Management Committee with support of RUs



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# Conclusions: The political framework has to become more balanced and consistent

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1. Railway **companies and employees** have delivered a substantial contribution **to the revitalisation** of the railways
2. The political framework is still unbalanced and inconsistent
  - Eurovignette: Commission asked to speed up the announced new report as a basis for further legislation  
→ Need for fair competition rules!
  - Enforcement of the 1st and 2nd Railway Package
  - Finalisation of the 3rd Railway Package (improvements still required!)
  - **No further legislation before effects are known!**
3. Nevertheless, there are **interesting market opportunities** for rail in the years to come!

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**Thank you for your  
attention!**

