

CEF funding for ERTMS deployment in the post-2020 Multiannual Financial Framework

April 2018

About UNIFE

Based in Brussels since 1992, UNIFE is the association representing the European rail supply industry at the European Union (EU) and international level. UNIFE gathers over 90 direct company Members – from numerous SMEs to major industrial champions from all over Europe – active in the engineering, design and manufacture of rolling stock (i.e. trains, metros, trams, freight wagons) as well as rail signalling and infrastructure equipment. UNIFE also brings together national rail industry associations from 14 European States.

ERTMS should be a key priority in the next MFF

ERTMS (European Rail Traffic Management System) remains one of the key pillars for achieving an interoperable and attractive railway system. The standard targets the integration of the different European national signalling systems - and represents, at its foundation, the aspiration to build a Single European Railway Area.

As a unique global signalling system, ERTMS considerably facilitates cross-border traffic movements. Trains equipped with ERTMS systems and components manufactured by any qualified supplier can run on the ERTMS equipped tracks of any other supplier. This enables the seamless coordination of domestic and international train services and helps to make this mode of transport more competitive, which will be key for the EU to meet its climate change targets.

When ERTMS is installed along a given corridor in Europe, rail operators need only to purchase ETCS on-board equipment, as opposed to the many legacy systems running in different countries. This significantly reduces the overall costs of signalling equipment while also allowing for the reduction of maintenance costs and increasing the flexibility of drivers' work routines.

As a result, ERTMS should remain a priority in the successor of the current Connecting Europe Facility (CEF). Moreover, CEF has proved to be a relevant tool as it promotes transnational cooperation and therefore is key in building pan-European traffic management systems such as ERTMS.

CEF Transport Grants – vital element for ERTMS deployment

Support in the form of grants should continue to be the cornerstone of the EU Investment Policy in the transport sector also in the post-2020 period. CEF grants will be vital for the development of the Trans-European Transport Network (TEN-T) Core Network Corridors and ERTMS deployment.

Blending of grants with other sources of financing can be seen as an additional tool, but in cases where business cases are hard to establish, and especially for the retrofitting of rolling stock, grants should remain the preferred way to support ERTMS deployment.

ERTMS deployment – latest state of play in the EU

The latest statistics demonstrate that there is a constant, stable rate of increase in ERTMS investments in the EU. Some Member States are continuously introducing, extending and implementing ERTMS in their networks. Complete, nationwide network deployments are ongoing in countries such as Belgium, Denmark and Luxembourg. Significant investment plans are also foreseen in the Netherlands and the United Kingdom.

Some Central and Eastern European Member States have also made progress in deploying ERTMS on their networks. However, uptake in CEE Member States is generally rather slow, despite the availability of European funds for this purpose.

The European Commission published on 5 January 2017 an Implementing Regulation on the European Rail Traffic Management System European deployment plan – the so-called ERTMS European Deployment Plan (EDP) – which sets deadlines for the progressive deployment of ERTMS along the main European rail routes, under the coordination of European ERTMS Coordinator Karel Vinck.

The ERTMS EDP sets new targets until 2023 by which about 50% of the Core Network Corridors shall be equipped. In 2023, the ERTMS EDP will be updated again setting out the precise dates for the remaining part of the Corridors between 2024 and 2030. This new deployment plan should facilitate the planning of investments of both railway undertakings and infrastructure managers.

On 7 February 2017, the CEOs of Alstom, Ansaldo STS, AZD Praha, Bombardier, CAF, MerMec, Siemens and Thales, as members of UNISIG, renewed their commitment for the development of ERTMS by signing individual Letters of Intent in the presence of DG Move Director-General Henrik Hololei, ERTMS Co-ordinator Karel Vinck and EU Agency for Railways Executive Director Josef Doppelbauer. This commitment intends to secure long-term stability for the ERTMS specifications following the adoption of Baseline 3 Release 2 and promote a 'swift and coordinated' deployment across Europe. The Letter of Intent comes as a result of a fourth Memorandum of Understanding (MoU) signed by various rail sector associations including UNIFE and UNISIG with the EU Agency for Railways and the European Commission in September 2016.

On their side, Member States were also asked to draw up National Implementation Plans and to submit them to the European Commission before 5 July 2017. These National Implementation Plans shall be updated at least every 5 years.

At the Single European Rail Area (SERA) Convention in Brussels on 20 June 2017, EU Transport Commissioner Violeta Bulc presented a first version of the ERTMS Deployment Action Plan. The Action Plan is addressing the necessary steps to address identified barriers around the following objectives:

- Interoperable and compliant infrastructure;

- Standardisation of on-board unit (OBU);
- Testing and validation;
- Maintaining ERTMS in a reliable and consistent manner;
- Funding/financing support.

The final version of the Action Plan was adopted during the Control Command and Railway Communication Conference (CCRCC) organised by ERA in Valenciennes on 15-16 November 2017.

The follow-up of the ERTMS Deployment Action Plan is performed by the ERTMS Stakeholder Platform Coordination Subgroup including representatives from UNIFE, UNISIG, DGMove, ERA, EIM, CER, ERFA and EPPTOLA.

When preparing the CEF 2 in the post-2020 period, it is important that funding for ERTMS projects should be made conditional on the existence of a national coordination plan drafted by Member States, describing the national actions to comply with this TSI, setting out the steps to be followed for the implementation of fully interoperable 'control-command and signalling' subsystems. Such national coordination plans should clearly set the link between the onboard and the land-based components. With no clear national planning strategy to shift to ERTMS, funding can't be granted.

Particular attention should be given on how to improve the quality of application by providing practical support to applicants (IMs, RUs) and by ensuring full transparency of evaluation criteria.

UNIFE will continue to closely cooperate with the European Commission and Mr Karel Vinck, ERTMS European Coordinator, in their continuous efforts to speed up ERTMS deployment, as well as with other European Coordinators in the development of the TEN-T. UNIFE agrees with the European Coordinators that "more efforts are required in funding and financing to meet the TEN-T needs, with an investment package that is even more powerful on growth, jobs and sustainability".¹

Improving the business case for ERTMS deployment

UNIFE welcomes the ongoing work by the Deployment Management Team on Business Case for the deployment of the ERTMS on the Core Network Corridors. The Business Case for Railway Undertakings (RUs) should be improved by:

- Allowing Member States to sponsor the ERTMS on-board deployment on vehicles of RUs;
- Adapting track access charges in the sense that ERTMS equipped trains shall get an advantage;
- Allowing vehicles without National System on-board to benefit to an even higher extent;
- Granting stability of the ETCS-Baseline for predictable life-cycle.

¹ Joint Declaration of the European Coordinators on the future of TEN-T & CEF, September 2017, p.5. Available online: https://ec.europa.eu/transport/sites/transport/files/coordinators_joint_declaration.pdf

Management of grants

With regard to the management of grants in the next post-2020 period, there are several issues that should be taken into account when preparing the CEF 2:

- For ERTMS projects (on-board and trackside), the duration covered by the GA is not long enough to cover the cycles related to public procurement procedures (this is particularly the case when there are appeal procedures involving national courts). They are only suited for projects for which a contract is already signed with a supplier. In this sense, more time is needed to execute ERTMS projects. In addition, in the process of the project evaluation, when assessing the maturity of a proposal, particular attention should be also given to the status of the public procurement process (when relevant).
- In order to avoid project delays, the authorisation process has to be significantly simplified and streamlined. Especially, for vehicles comprising on-board units running in several Member States, authorisation and re-authorisation is time consuming and rather unpredictable.
- For ERTMS on-board projects, the duration of tests can largely vary depending on the Member States, and the duration is significantly long for vehicles circulating in corridors. These tests are performed after interoperability is demonstrated and a Notified Body Certificate is issued. Nevertheless, these tests are needed to obtain a national Designated Body Certificate before submitting the authorisation file to the National Safety Authority. CEF grants should be paid to the beneficiaries on the basis of the interoperability demonstration (NoBo Certificate), and not on the submission of the file to the National Safety Authority that comes much later after the national certificates are issued.
- In addition to the previous point, if the grant is conditioned by an ETCS compatibility demonstration, the process for this demonstration should be harmonised and consistent among the Member States. This could be achieved by having clear regulation on ETCS compatibility testing in each Member State and by having reliable commercial and technical conditions for accessing the Laboratories able to perform those tests.
- As pointed out by the European Court of Auditors², during the 2007-2013 programme period, overall in the EU, 50 % of TEN-T funds originally allocated to ERTMS projects were de-committed, due to the lack of alignment with the life cycle of ERTMS projects, which can vary depending on testing and certification procedures or changes in the technical specifications and national implementation strategies. Moreover, there is a risk that CEF funds may also be decommitted during the 2014-2020 and future programming periods. EU funds already decommitted or to be decommitted at a later stage in the programming period are transferred back to the general EU budget, reducing drastically the availability of EU funds for ERTMS deployment. Therefore, UNIFE calls for much more flexibility in the future between project milestones and financing period, so that funding for the ERTMS deployment would not be lost.

² European Court of Auditors, *Special Report: A single European rail traffic management system: will the political choice ever become reality?* pp. 40-41. Available online: https://www.eca.europa.eu/Lists/ECADocuments/SR17_13/SR_ERTMS_RAIL_EN.pdf

There should be change in the funding principles for ETCS OBUs:

- Funding should be more linked to “First of Class” (FoC) of a vehicle type and less to equipping the single vehicle of a fleet. Today the funding is only granted when all vehicles are equipped. Any delay in the production or retro-fitting leads to overall project delays
- Retro-fitting of old rolling stock in the current situation is highly risky and economically questionable. Therefore, there should be funding of Rolling Stock renewal, and the TSI requirements for retro-fitted vehicles should be reduced as much as possible.

Class B Systems

Class B systems, which are a limited set of national train protection systems that were in use before 20 April 2001, significantly hamper the interoperability of locomotives and traction units but are necessary to ensure safe operations where Class A systems are not implemented. However, a transparent plan for European Train Control System (ETCS) implementation and decommissioning of Class B systems should be required as it is an essential element to achieve the objectives of the Single European Railway Area. Further, the life-time of Class B systems should be reduced and the gap until they are switched off should be managed considering the following:

- Availability of Specific Transmission Modules (STM) as long as they are needed;
- Funding should be made available to reduce hurdles of STM accessibility;
- Incentives on end-of-life of Class B systems.

Public Procurement

The next MFF should be used as an opportunity to incentivise the Member States – when receiving support from CEF 2 – to swiftly implement the 2014 EU public procurement framework, in particular the most economically advantageous tender (MEAT) principle, as well as to raise the awareness about the Articles 85 and 86 of Directive 2014/25/EU.

In its Resolution on the Competitiveness of the European Rail Supply Industry (June 2016), the European Parliament asks “the Commission and the Member States to remind contracting authorities of the existence of a provision, in the context of the revised European Framework on Public Procurement, which makes it possible to reject bids if more than 50 % of the value is added outside the EU (Article 85 of Directive 2014/25/EU)”.

The EU Public Procurement framework also specifies that “contracting entities shall base the award of contracts on the most economically advantageous tender” and that award criteria “shall be identified on the basis of the price or cost, using a cost-effectiveness approach, such as life-cycle costing”. More qualitative, social and environmental criteria should therefore become determining factors in the choice of a contractor.

For further questions, please contact:

Arturs Alksnis
Public Affairs Manager
+32 2 642 23 20
arturs.alksnis@unife.org

Jonathan Cutuli
UNISIG/ERTMS Project Manager
+32 2 643 70 81
jonathan.cutuli@unife.org