Joint Technical Workshop on International Rail Passenger and Freight Traffic on TEN-T Infrastructure

BORDEAUX 11 December 2024

BREAKOUT GROUP #4-5 – International Rail Freight Market Development

MEETING NOTES

PARTICIPANTS IN THE BREAKOUT GROUP ON INTERNATIONAL RAIL FREIGHT

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- Maria Corral, Ana Ruiz, Elisa Sampere (Spanish MoT)
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- Christian Ottman (Rail Logistics Europe)
- Romain Hardy (DB Cargo France)
- André Flesch (HUPAC)
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Terminal Operators:

- Luis Moreno (ADIF Terminales)
- Christian Comet (CEF de Mouguerre)
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RFC Atlantic Management Board:

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ANNEXES

Annex 1 presents a description of the context for the Breakout Group #4/5, with the information sent in advance to the participants in the meeting.

INTRODUCTION

The current infrastructure development in Portugal, Spain and France is welcomed and will help the development of international rail freight. Electrification, changes to UIC gauge on important routes in Spain, the possibility to run 750m trains and the introduction of P400 / enabling the rolling motorway, in both Spain and Portugal, will improve the situation for rail freight in the medium to long term.

However, the representatives of RUs and the CT operator emphasise, that there are many factors which strongly hamper the development of international rail freight on the Iberian Peninsula and to/from France and other European countries. The terminal operators generally have a more positive view and are preparing for increasing rail freight, especially in Spain, which is developing a comprehensive long-term project for rail freight.

VIEW OF RUs / CT OPERATOR

Rail freight competes with road transport. In order to gain market share, rail transport needs to be both competitive (price and quality) and sustainable; otherwise, there will be no incentive for the customers to shift to rail.

Pricing and Competitiveness

Representatives of Railway Undertakings (RUs) emphasize that rail freight costs should ideally be 20-30% lower than road freight to offset its relatively lower flexibility and predictability.

Eco-incentives introduced by Member States (MSs) in Portugal and Spain have been an important step toward supporting rail freight. These incentives are linked to the tonnage transported by RUs, rewarding environmentally sustainable operations. By encouraging greater adoption of rail freight, these measures align with broader goals to reduce carbon emissions and promote greener logistics.

However, the benefits of these eco-incentives have been undermined by policy inconsistencies. For example, the 2023 decision by both Spain and Portugal to eliminate motorway tolls for trucks on key routes significantly impacted the competitiveness of rail freight. This move caused an immediate 15-25% loss in rail freight's cost advantage on the affected corridors, offsetting gains made through eco-incentives and creating an uneven playing field.

To mitigate this impact, the RU representatives advocate for consistent and aligned policies that genuinely promote rail as a competitive alternative, including lowering of track access charges. In Portugal, for instance, a planned increase in track access charges was withdrawn following regulatory intervention—an action strongly welcomed by the industry as it reflects a commitment to sustaining rail freight's competitiveness. Regarding the access charges, RFC/IM representatives comment that the rules on how to establish the track access charges are strongly limited by EU rules.

RUs urge Member States (MS) to take a holistic approach to policy design. While eco-incentives are a step in the right direction, they must be complemented by measures that do not inadvertently favour road transport. By ensuring consistency and fairness in infrastructure charges and regulatory frameworks, MS can create a stable environment for rail freight to thrive and contribute to a more sustainable transport network.

Reliability and Predictability

The reliability of rail freight operations remains a pressing concern, as disruptions caused by all kind of Temporary Capacity Restrictions (TCRs) like strikes, weather events, new rail infrastructure development and infrastructure maintenance frequently hinder service quality and reliability. These issues are particularly pronounced in the Iberian Peninsula, where long-term closures of critical lines pose significant challenges. For instance, the three-year closure of the Beira Alta line in Portugal was a notable disruption.

However, the IP representative comments that it is important to note that this closure was implemented only after an alternative route via the Beira Baixa line was made available, mitigating the impact on rail freight operations.

To retain customers during such disruptions, Portugal has introduced innovative Support Scheme. These measures include covering additional costs for freight rerouted through alternative rail itineraries and, to a lesser extent (10-20%), freight temporarily shifted to road transport. This approach has been instrumental in ensuring that customers remain committed to rail freight, even during prolonged infrastructure projects or unforeseen closures.

While the RU representatives acknowledge that these efforts reflect proactive thinking and demonstrate a commitment to maintaining the viability of rail freight, they call for broader coordination between Member States (MSs), Infrastructure Managers (IMs) and Railway Undertakings (RUs) on the Atlantic Corridor. They request that infrastructure maintenance and construction schedules should be stronger harmonised, improving the predictability of TCRs, and they ask for consistent compensation schemes across borders to enhance service reliability and bolster customer confidence in rail freight as a dependable transport solution.

Challenges with Multi-System Locomotives and ETCS Deployment

Operating across Spain, Portugal, and France presents significant technical challenges due to the existence of three distinct electricity systems and distinct Class B systems and stepwise future ETCS implementation. The electrification of major routes between Portugal and Spain, while an essential step forward, has introduced complexities in locomotive development, particularly the procurement of multi-system locomotives equipped with the European Train Control System (ETCS).

Since 2017, Portugal has struggled with a shortage of ETCS suppliers, which has delayed the delivery of new vehicles and hindered the country's ability to modernize its rail network. The challenge is similar for the Spanish-French border crossing, where the market is dominated by a single supplier of multi-system locomotives. This lack of competition leads to higher costs, slower innovation, and limited availability of the interoperable locomotives needed to facilitate seamless cross-border freight operations.

Recognizing these issues, in Portugal a group of private Railway Undertakings (RUs) has partnered with a signalling system provider to develop a Specific Transmission Module (STM) for new locomotives; the national Infrastructure Manager (IM) and Regulatory Body (RB) are involved in legal matters working group. The STM aims to ensure compatibility across the existing systems on the Iberian Peninsula and address the interoperability challenges posed by the distinct Class B systems. While this initiative is a significant step forward, the solution is not expected to be operational until 2028/2029, leaving a considerable gap in addressing the immediate needs of international rail freight.

The lack of a competitive ETCS supply chain across Europe is a critical concern raised by RUs. Without competition in the industry, costs remain high, and deployment timelines are extended, further delaying the realization of a fully interoperable rail network. RUs are calling for Europe-wide measures to stimulate competition among ETCS suppliers and foster innovation to reduce costs and accelerate deployment. The lack of multi-system locomotive options at competitive prices is a big challenge on the Atlantic Corridor, making cross-border operations less economically viable.

Infrastructure Investment and Coordination Needs

With regard to the development of infrastructure for rail freight transport, the participants see Spain as a model country. With a planning perspective of 10-20 years, Spain is investing 12 billion Euro for rail freight, including electrification, 750m train length, P400 compatibility and UIC gauge/rolling motorway. The connected development of public ADIF terminals is highly appreciated by the RUs.

Portugal is also making significant strides, with all international freight corridors set to support 750m trains by 2025. Additionally, the southern corridor between Lisbon and Badajoz will be P400-compatible by the same year, demonstrating strong cross-border coordination with Spain as agreed with rail freight operators.

The participants emphasise missing P400 links on key routes which require further investment, such as the northern corridor through Villar Formoso/Fuentes de Oñoro to Irun.

Regarding traffic between the Iberian Peninsula and France/rest of Europe, Hupac states that the major obstacle for the development of combined transport on the Atlantic corridor is the lack of P400 gauge in France (standard wagons 27 cm above track), especially for the section Poitiers – Bordeaux – Hendaye and Paris – Epernay. Representatives of the French Transport Ministry explain, that a study has already been carried out on the P400 development in France. The final decision is still to be taken, but they foresee a stepwise development on the French part of the Atlantic corridor until about 2042 – a timeline the RU participants and Hupac consider too long to meet market demands

In the light of the ongoing comprehensive rail infrastructure development on the Atlantic corridor, the RUs highlight the importance of synchronizing infrastructure investments and TCR planning between Member States.

Further Topics

To ensure smooth operations at the border between countries, different national requirements that hinder this smoothness, such as language requirements, should be eliminated especially in the border points like Hendaye/Irun. The presence of National Technical Rules poses challenges to cross-border operations. Also, a simplification of requirements for the safety certificate in the border areas could help.

On the French part of the Atlantic Corridor, RU participants require more reliable capacity. They see too many restrictions from TCRs, e.g. with works at night.

The DG Move participant suggests prioritizing the most critical issues as a starting point for resolution, including an identification of “low hanging fruits”. It is agreed to do this in follow-up discussions of the workshop.

VIEW OF TERMINAL OPERATORS

The representatives of terminal operators are all prepared for increasing rail freight traffic. They see a big potential for a shift from road to rail from the rail infrastructure improvements on the Atlantic corridor. In Spain they appreciate the discussions on the investment program with the sector stakeholders and expect that P400 and the rolling motorway will make a big difference especially for national rail freight.

The change of gauge between France and Spain will remain a topic on the corridor, although shifted away from the border to Júndiz. The coexistence of both gauges of the main routes in the Corridor, will have a significant impact on the terminal operators. Therefore, coordination with the Terminals is essential when considering this type of decision.

While in Spain new intermodal terminals are created, more funding for terminal development would be required in France and Portugal. It is also emphasized, that terminal development takes longer with private investors due to a lack of public financing especially for train length increase up to 750m, and that public terminals have the advantage to be open to all users. In Portugal, for example, there are mostly private terminals for rail freight and not enough public terminals, which could result in limitations to new traffic.

In general, the rail freight terminal development should be facilitated in terms of EU subsidies allocation, EU strategy and communication. It is also very difficult to comply with environmental compensation linked to rail freight terminal extension or implementation, even EU green deal push for rail freight modal share increase.

FOCUS AREAS FOR FUTURE DISCUSSIONS

From the breakout group #4-5 emerge several focus areas for the future development, to ensure the success of rail freight as a competitive and sustainable transport option. To be further discussed for Corridor Atlantic between the stakeholders from the Rail Freight Market, the Infrastructure Managers/RFC, the Transport Ministries and the European Commission:

1. **Pricing and Competitiveness**: Clarifying possibilities to improve price competitiveness of rail freight in relation to road transport, with a focus on infrastructure pricing (rail and road) .
2. **Infrastructure Investments and Reliability**: Coordinating investment strategies that meet the market needs and minimizing disruptions through better TCR planning.
3. **Technical Integration**: Enhancing competition among ETCS suppliers and expediting the deployment of interoperable locomotives.
4. **Cross-Border Simplification**: Removing operational barriers, such as language requirements at key border points like Hendaye/Irun.
5. **Terminal Development**: Coordinating the expected development of rail freight market and integrating terminals better into national rail freight planning, including strengthening of terminal development aligned to the rail capacity increase expected with the investment on the rail network.

NEXT STEPS

After this fruitful discussion, it would be quite interesting to have a follow-up meeting with the same participants, to clarify possible improvements, prioritise them and identify low hanging fruits.

Annex 1

Context for the Breakout Group

Significant infrastructure developments are set to transform rail connections between Portugal, Spain and France. They will enable major improved interoperable connections and new market possibilities for international rail freight, both on the Iberian Peninsula and with France and other European destinations.

Breakout group 4 / 5 jointly discusses:

the emerging new possibilities for international rail freight from the infrastructure development in Portugal, France and Spain requirements from the sector regarding political measures to support the shift to rail

Market possibilities from infrastructure development between Portugal and Spain

The connection between Pampilhosa and Salamanca/Medina del Campo, the northern international corridor, via Linha da Beira Alta and the border crossing Vilar Formoso/Fuentes de Oñoro will be fully electrified (under construction at ADIF in 2025/2026)

The connection between Sines/Setubal/Lisbon to Madrid via Elvas/Badajoz, the southern international corridor, will be strongly improved in Portugal by a new electrified line from Evora to Elvas (planned until the end of 2025), reducing distance and running time. Also on the Spanish side, electrification and further improvements are planned until 2028/2030.

Market possibilities from infrastructure development between France and Spain

The route between Bordeaux and Bilbao/Madrid will strongly be improved by the implementation of the Y Basque in Northern Spain (planned until 2030). New and upgraded infrastructure together with the 3rd track from San Sebastian to Hendaye and the new terminal of Júndiz (Vitoria) will enable direct trains on UIC gauge between France and Vitoria/Bilbao. Change from UIC gauge to Iberian gauge could be done in the new terminal of Júndiz. The running time between France and Bilbao and Júndiz (Vitoria) will be reduced strongly. Infrastructure is also upgraded to enable 740m trains with gauge to enable rolling motorway services up to Madrid.

Further improvements will be possible from the French GPSO project (Grand Projet ferroviaire du Sud-Ouest). The new line will be for both passenger and freight between Dax and Hendaye and will free capacity for rail freight on the conventional lines. The project also aims at increasing capacity in the railway node of Bordeaux. These improvements, which will enable freight traffic to run more efficiently, have a longer-term perspective (after 2035/2040). Therefore they have not been much in the focus of the discussions of the breakout group.

Further developments will include among others:

Infrastructure improvements for rail freight in Portugal, Spain and France are also planned to enable the circulation of 740m trains and freight trains carrying standard semi-trailers up to 4m high, to enable rolling motorway services.