



Informal Meeting of Transport Ministers

Actions and steps for developing a competitive, future-oriented EU Transport Policy

19-20 September, 2024

Budapest

The EU needs a new competitiveness deal with its citizens and economic operators. As highlighted in the report of the Belgian Presidency on progress towards a new European Competitiveness Deal, the transport sector plays a crucial role in the EU's integration and competitiveness. Improved transport connectivity reduces travel time and logistics costs, allows rural businesses to experience the benefits of the Single Market, thus bridging the divide between different regions, and fosters dynamic economic links with neighbouring countries.

However, the sector still faces numerous challenges to its effective performance within a competitive European economy: the transport sector needs to further decarbonise and at the same time requires strategic development to facilitate a green transition. It still faces infrastructure gaps and bottlenecks and an uneven development of its modes in terms of infrastructure, digitalisation and market opening. In addition, there is a deficiency in multimodal connections, particularly in linking rail and road networks with ports and airports. Addressing these challenges is essential for developing high-quality, green, and resilient infrastructure across all modes of transport.

The informal ministerial meeting on transport of 19-20 September 2024 will provide an excellent opportunity for ministers to identify measures to enhance the competitiveness of the transport sector and outline the necessary tools for implementation. We believe that the ministerial debate could serve as a valuable platform for developing, ahead of expected initiatives of the European Commission 2024-29, the transport components of the New Competitiveness Deal and for implementing the recommendations from Enrico Letta's report, "Much more than a market", as announced at the European Council meeting on 17-18 April 2024.

Collaboration is essential for making a significant impact. To contribute to this collective reflection, we invited ministers from the Western Balkans, Ukraine, Moldova and Georgia, to the informal ministerial meeting.

Session 1: Improving the competitiveness of the EU Transport Sector

Enhancing the efficiency of a European transport supply chain is crucial for strengthening Europe's global competitiveness. Looking ahead at the future competitiveness of the sector, we face issues that demand an immediate and unified response and action from the European Union.

Improving connectivity between the European Union and neighbouring countries

The enlargement towards the Western Balkans, Ukraine and Moldova and the increasing emphasis on the EU's neighbourhood policy in response to global political events necessitated a geographical rethinking of European interconnections. Here, the Solidarity Lanes play an important role by introducing instant improvements in cross-border connectivity between the EU and Ukraine and Moldova, and by laying the ground for the longer-term connectivity with these countries with a priority for the new TEN-T corridors. This will also be important in Ukraine's reconstruction and integration in the EU single market. The work of the Transport Community is crucial for the progressive integration of transport markets of the Western Balkans and of Ukraine and Moldova into the EU transport market based on the alignment with the EU acquis (including in the areas of technical standards, interoperability, safety, security, traffic management, social policy, public procurement, climate and environment). By improving the connections within the candidate countries and with the EU, the forthcoming enlargement process presents a unique opportunity to leverage the region's economic potential.

Improving weaker connections can help reaching the goals of bridging the division between different regions of the EU. Increasing the importance of North-South corridors for freight transport and re-balancing East-West freight movements can contribute significantly to this aim. Connectivity is vital for addressing the demographic challenges faced by rural areas, such as depopulation, ageing, and economic decline. Improving transport infrastructure can boost the economies of rural regions and municipalities, leading to a better quality of life and greater social cohesion. Strategic investments and measures aiming to revitalise rural connectivity can develop these areas, make them more sustainable, and even reverse the negative demographic trends experienced locally.

Challenges and opportunities arising from greening transport

The European Climate Law requires the EU to achieve net-zero emissions by 2050, with an intermediate target of reducing greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. Achieving a climate-neutral EU by 2050 will necessitate a rapid reduction in greenhouse gas emissions from the transport sector. This green transition requires actions from a diverse array of government and corporate authorities, stakeholders and citizens, including from the energy sector where alternative fuel production (including hydrogen and sustainable transport fuels) and robust electricity grids for powerful recharging infrastructure and shore side electricity supply will be critical for the transition in the transport sector. Establishing a long-term, coordinated European approach to sustainable transport fuels and increased clean, affordable energy supply will help to provide predictability for businesses to accelerate their sustainable transition and maintain their competitiveness in the global market.

Challenges arising from digitalisation in transport

Accelerating the digital transition has a huge potential. On the one side, digital services can reduce the demand for transport services. More important, setting up smart and connected platforms will allow to save time and reduce the administrative workload of transport service providers and administrations alike. This way, they can focus on their core duties: providing transport services and making sure that the rules are respected.

Future transport funding opportunities

Funding for transport investment should be commensurate to the challenges ahead. There is an urgent need for improving the sector financing. The Commission estimates that €500 billion will be required to complete the Trans-European Networks (TEN-T core network) by 2030 alone.

The TEN-T is financed collaboratively by the European Union and Member States, with EU financial support serving as a catalyst while the majority of the funding will be provided by Member States. To complete the network and to ensure that cross-border sections will be built, it is vital to ensure sufficient funding for these investments. TEN-T funding is sourced at the EU-level from the Connecting Europe Facility (CEF) and can also be supplemented by other EU funds (such as structural funds, Recovery and Resilience Facility), support from the European Investment Bank (EIB), and contributions from the private sector.

Additional resources will also be needed to meet new challenges. The Letta report recommends that the current financing mechanism for the transport sector should evolve beyond its existing structure and objectives. It recommends redefining the CEF as a European fund capable of addressing the sector's dynamic investment needs.

Questions for delegations:

- *What technical assistance and cooperation opportunities are essential for enhancing connections between the European Union and its neighbouring countries?*
- *What can we do to support the ongoing green and digital transformation of the European transport sector?*
- *How should funding mechanism evolve to meet the investment costs required to achieve a competitive EU transport sector?*

Session 2: A Competitive EU Rail Sector

According to the Letta report, creating a comprehensive, pan-European high-speed rail network (HSR) that seamlessly connects all the capitals and major urban centres of the European Union would offer an unparalleled opportunity to revolutionise European travel and act as a catalyst for EU integration. Regarding freight transport, the report advocates for fully leveraging rail freight services, which includes increasing rail infrastructure capacity and ensuring adequate and sufficient rail connections in the planning of industrial parks.

Recently, several EU initiatives have advanced the greening of transport by emphasising the rail sector, such as the package for greening freight transport. The new TEN-T Regulation, published on 28 June 2024, outlines the implementation of key strategic infrastructure networks in a timely manner and, for the first time, extends the European transport corridors system to neighbouring countries (Ukraine, Moldova, and Western Balkan partners). The Railway Infrastructure Capacity proposal also aims to help increase the efficiency and thus the attractiveness of the sector for transport and logistics companies. However, achieving the milestones set in the 2020 Sustainable and Smart Mobility Strategy – such as doubling high-speed rail traffic by 2030 and tripling it by 2050, and doubling rail freight traffic by 2050 – will require additional efforts in infrastructure development, fleet modernisation and digitalisation.

According to a 2018 report by the European Court of Auditors, a high-speed line would ideally need to carry at least 9 million passengers a year for the investment to be successful. In order to make high speed lines more attractive to be developed, there is a need to maximise the catchment areas, with measures that for example improve the rail links between rural and urban areas and rail connections to the international airports, which will also contribute to the rural population retention potential and improve demographic indicators. Other measures such as high-speed services serving longer distances or the efficient use of rail services at speeds of 200-250 km/h can also be important to maximising demand for individual parts of the network.

In addition to new and upgraded infrastructure, maintenance and renewal of the existing infrastructure is a crucial precondition for a high-performance rail system. Maintenance backlogs have accumulated over the past decades in many Member States. In recent years, many Member States have intensified efforts to renew rail infrastructure, but in the short term, works on the existing network result in significant capacity restrictions throughout Europe. The impacts must be carefully managed in close cooperation with infrastructure users to strike a good balance between the need to renew networks and to ensure that rail transport remains attractive and competitive in the interim period.

According to the Letta report, to fully exploit the opportunities within the railway sector, it is crucial to leverage the potential of key digital tools in railway transport (such as the European Rail Traffic Management System (ERTMS), Digital Automatic Coupling (DAC), and Digital Capacity Management (DCM)). The use of these developments can bring costs down, improve the efficiency of rail operations and attract further capacity to this mode. However, the complexity of these systems, along with the significant costs and resources required for their implementation, necessitates a unified system management approach, as outlined in the Letta report.

In addition to investments in infrastructure and digital tools, more work is needed to create a true single European market for rail transport services, enabling rail operators to offer seamless high-quality rail services to passengers and freight shippers. This could require the elimination of remaining barriers to market entry, amongst others by ensuring transparent and non-discriminatory access, including to rolling stock, providing easy access to rail service facilities and harmonising the railway network capacity management. Passengers need easier ways to book tickets, in particular for cross-border travel, and freight forwarders more reliable, flexible, competitive and resilient services with multi-modal connectivity.

To realise these plans and the EU targets, a long-term investment strategy, additional financial contributions from the European budget (CEF, other European investment funds), national budgets, new resources and funding from private investors are needed.

Questions for delegations:

- *What measures are needed at the EU level to create a pan-European high-speed rail network? What EU-level strategies and projects would help develop a high-speed network which reduces emissions, improves connectivity and foster cohesion in the EU? What additional measures do you see as necessary to facilitate the implementation of cross-border projects?*

- *To maximise the utilisation of high-speed rail catchment areas, what measures are necessary to improve the connectivity and traffic management between rural and urban areas? How can traditional rail contribute to improving these connections and potentially extend the higher speed network at lower cost? What more should be done to maximise the potential of high-speed rail over longer distances?*
- *How to exploit the potential of digitalisation to enhance the competitiveness of the European rail passenger and freight sector? How to mobilise the necessary resources to achieve this? What best practices and tools are being utilised in Member States to promote rail transport and to remove barriers to competitive services?*