

## Press Release – Building the Conditions for the Success of a Liberalized Rail Freight Market

24 March 2022

**The liberalisation process has fundamentally changed, diversified and internationalized the European Rail Freight Market. Challengers have increased their market share on average in European Countries from 17% (2007) to an average market share of 48% (2021) and subsequently represent almost half of the EU rail market. In light of this trend, ERFA has identified different action fields on infrastructure, technological and competition policy which are crucial to secure fair competition and give Railway Undertakings, and especially challengers, support to efficiently contribute to modal shift and the targets of The Green Deal and European Sustainable and Smart Mobility Strategy.**

In connection with ERFA celebrating its 20<sup>th</sup> anniversary, ERFA has tasked ECM Ventures to conclude a study on the current status of liberalization, its effects on the rail freight market and remaining hurdles which have to be overcome in order for rail freight to be able to play its necessary role as the most sustainable means of freight transportation. The findings of this study, along with keynote speeches and a panel discussion, were presented to policy makers and business representatives during ERFA's annual event on 24 March 2022.

The study results confirm that it can be concluded that the liberalisation process, which started 20 years ago, has fundamentally changed, diversified and internationalized the European Rail Freight Market. Incumbent rail freight undertakings now account for less than 50% in many national markets (e.g. Germany, Italy, Poland), and in some countries the original incumbents have disappeared entirely. Challengers, which consist of new entrant Railway Undertakings, but also as part of foreign activities of incumbent subsidiaries, have increased their market share on average in European Countries from 17% (2007) to a market share of 48% (2021) and represent almost half of the EU rail market. As challengers are especially strong in the growing markets of the international intermodal business, it is expected that over the next years they will reach a market leadership position. Challengers will have a decisive role to play in modal shift and will contribute to the Green Deal.

Over the years, challengers have evolved their business models to seamless international production, focused mixed usage of own and leased locos and drivers and optimized production concepts whilst facing strong intramodal competition. This evolution comes with specific demands for the Single European Railway Area and the broader Regulatory framework. In a survey with CEOs of important challenger Railway Undertakings from

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different countries, the following demand for action fields has been identified on infrastructure, technology and competition topics:

Regarding **infrastructure**, the main focus has to be on enhanced TEN-T 2030 plans (maximized train capacity), focused debottlenecking, enhanced management of planned and unplanned infrastructure constraints, corridor quality management & leadership, monitoring and ETA instruments, effective and efficient digital management of international path capacity and safe-guarded capacity for freight trains. Here ERFA has already made concrete position on the [Proposal for a Regulation on Union Guidelines for the Development of the Trans-European Transport Network](#).

Regarding **technology**, it is essential that there is a standard and consistent European ERTMS deployment which is fully achieved along the main corridors by 2030, whilst it is also critical that over the next years Railway Undertakings are not hindered by complex software changes and recertification processes.

From the perspective of challengers, the achievement of an equal level playing field in **competition** is still crucial, especially given discussions on COVID pandemic recovery plans, where State Aid and subsidies to incumbents are under discussion. For ERFA, specific support in crisis situations or support for green transport modes can be generally supported, but it is crucial that these subsidies are given in a fair and non-discriminatory way. In the last two years ERFA welcomed that the European Commission put pressure on Member States not to give direct subsidies to individual Railway Undertakings, but rather to promote and implement reductions of Track Access Charges, which gave the correct support to all Railway Undertakings. Regarding competition policy, ERFA demands a strong enforcement of antitrust Regulations, the unbundling of public service operations (with subsidies) from open market businesses and to end direct subsidies and recapitalization of state-owned rail freight undertakings. ERFA has made concrete position on this during the revision of the [State Aid Guidelines for Railway Undertakings](#).

**ERFA President, Dirk Stahl**, commented, *“We have now reached a market structure and market shares where challengers and incumbents compete at eye level. Let`s further develop the infrastructural, technological and regulatory framework which will allow the sector to reach the modal shift objectives set out in the Sustainable and Smart Mobility Strategy and Green Deal. The next years will be decisive for our joint efforts.”*

**ERFA Secretary General, Conor Feighan**, continued, *“The findings of this study are timely. We already have a proposal for a revised TEN-T network which is currently under discussion in the European Parliament and Council. Over the next months we expect more important legislative texts to be introduced – crucially those concerned State Aid for Railway Undertakings and guidelines on capacity management. It is essential that policy makers take into consideration how the market has changed during these processes”*.

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