

## **Strategic paper on Multimodality**

**The objective of this paper is** to foster strategic discussions among the CEOs and the EC within PRIME, with the ultimate goal to present rail's business perspective in the context of EC's public policy perspective, regarding multimodality.

### **Background**

The issue of multimodality was discussed in PRIME 11 Plenary, within the context of boosting innovation and finding new sources of revenues and funding.

Ms Violeta Bulc, The Commissioner for Transport has called on 2018 to be the Multimodality Year of the European Union, with the aim to discuss challenges and opportunities for more multimodal transport in Europe and a better use of the existing European transport system.

This paper might be followed up with a workshop (if relevant) and to be presented during the High Level Ministerial Conference on Multimodality in Sofia on 19-20 March 2018

### **Two perspectives**

1. Business perspective - Multi-modality provides economic benefits for IMs and their customers which are not yet well known: income diversification and scale efficiencies, attracts more customers to rail and allows railways to sell its skills to other modes
2. Public policy perspective - Multi-modality must find its rightful place in public policies, as its benefits are considerable for society: optimisation of the use of existing public assets, fight against global warming, fight against congestion.

### **Business perspective of the IM, generally speaking**

The business perspective should be understood as the wider scope of the IMs performing their core business related to the infrastructure and its use.

It must not be limited to profit margins and dividends as appropriate, but more generally business driven opportunities that eventually will generate the revenue and funding schemes necessary for delivering the services of the IMs - at the level requested by the market and supported by the owners of the IMs, notably Member states.

### **Public policy perspective**

Given the (mostly) public funding of IMs' business, directly or indirectly, there is a clear link with the public policy perspective. The link to the public policy perspective funding is further enhanced by the task of many IMs to facilitate public rail transport.

This is especially true for public policy investments in infrastructure.

Public policy investments are made for all kinds of transport mode infrastructures. Thus, from the view point of the public funders it makes sense to optimise the use of existing public assets across transport modes.

The Connecting Europe Facility and the Trans-European Transport Network is just one example of this.

Passenger transport in rural areas is indeed another important public policy challenge. We need to address the future of regional railway lines experiencing declining traffic due to fewer and fewer inhabitants. In this context, the transport service levels in rural areas are key from the public policy perspective. In France alternative modal solutions ranging from bicycling to buses are being looked into, a regional public policy concept.

### **Business driven opportunities for IM, more specifically**

Multimodality business opportunities in freight are very much linked to joint ventures with other transport infrastructure managers in transport nodes, notably terminals and ports.

The same goes for passenger transports. Stations, bus terminals, metro stations and travel centres are important multimodal nodes for both commuter and long distance passenger services. Furthermore, multimodal connections to airports provides opportunities for joint ventures too.

Coming back to freight, joint ventures with other transport mode infrastructure managers normally require investments in the rail network of the IM, might it be main line capacity or last mile infrastructure.

Furthermore, end users such as manufacturing plants of all kinds also invest in their assets while taking into account aspects of logistics. This would eventually determine the location of a production unit as well as major investments in heavy machinery for production etc.

These investments in infrastructure must be coordinated and fully aligned in order for achieving the best business case for the parties.

Given the financial situation, the funding perspectives and market demands this can be done in steps as appropriate.

The Port of Gothenburg is just one example of multimodal transport solutions combining maritime, rail and road transport. As shown <https://www.goteborgshamn.se/en/Railport/> the business case has been explored and developed in steps raising the modal share of rail freight significantly.

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Similarly, multimodal transport hubs have proven to boost rail passenger services by joint ventures with regions and cities and well as airports.

In France SNCF Réseau jointly with the Airports of Paris (ADP) invest in a direct rail link from Paris to Charles de Gaulle airport which enter into service for the Olympic Games in 2024. The simple idea behind this project is that when dealing with multimodality SNCF Réseau and ADP share/allocate financing and risks between two different modes in joint venture.

In the case of passenger transport hubs in regions and cities a substantial part of public funding would normally be involved, leading up to another kind of business cases than for freight.

This would have a strong link to the public policy perspective, such as liveable and smart cities.

Given the overall business case awareness it is clear that both regions/cities and transport infrastructure managers can raise funding and revenues for win-win business cases.

It can be about land use and real estate handling as such. However, the possibility for regions/cities to attract citizens - and together with that trade and industry - has a significant impact. This is further underpinned by the positive increase of the local tax base and thus the financial situation for a number

of cities. This together makes a solid foundation for win-win business cases with transport infrastructure managers.

The Netherlands is successful in having the overall perspective of (multimodal) transport planning and development of attractive and vital cities. E.g. the Netherlands takes the lead in the Network for Urban Vitality <https://www.nuvit.eu/>.

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Furthermore, the Amsterdam/Schiphol airport has proven to be very successful thanks to its very customer focussed orientation and flexibility. There are estimates for the turnover required in order for an airport hub to be successful. Schiphol airport has succeeded in attracting customers partly because of excellent ground transportation systems e.g. frequent rail services to most parts of the country that constantly are being further explored for new innovative services. <https://www.schiphol.nl/en/developer-center/page/dutch-mobility-hackathon/>

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### **Challenges**

The competition between transport modes as perceived is indeed a challenge in itself.

From the most relevant perspective, that of the customer, we have to bear in mind that customers usually use more modalities for their journeys as do many freight customers. Thus, rail should not isolate itself from other transport modes. If isolation occurs because of public policy aspects purely then there is very little that the IM can do, unfortunately.

If, on the other hand, the isolation is a corporate decision purely it has to be underpinned by a solid (alternative) business case.

Another challenge is how to handle an array of business partners and the potential funding schemes which could clash with public funding requirements. In some circumstances blending of public and private funding do indeed require another mind-set of all funders involved.

However, this process is already on-going and will probably not be reversible for the shorter term.

### **Possible routes forward**

One way forward could be to collect and disseminate best practice among PRIME members.

Another way forward could be to have a workshop on multimodal business cases for transport infrastructure managers.

In any case it will be necessary to further explore adequate funding schemes.

Given the (mostly) public ownership of IMs this has to be done jointly with the Ministries of the Member states as appropriate – and representatives from major private companies within trade and industry, as appropriate.

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