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PART 5/9

**COMMISSION STAFF WORKING DOCUMENT**

**EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT**  
*Accompanying the document*

**Proposal for a Council Regulation establishing the Joint Undertakings under Horizon  
Europe**

**European Partnership for transforming Europe's rail system**

{COM(2021) 87 final} - {SEC(2021) 100 final} - {SWD(2021) 37 final}

<b>Executive Summary Sheet (Max 2 pages)</b>
Impact assessment on a European partnership for transforming Europe's rail system
<b>A. Need for action</b>
<b>What is the problem and why is it a problem at EU level?</b>
<p>The problem to be addressed is the failure of the rail industry to develop a common vision for change by allowing for the rapid utilisation of modern technologies (especially digitalisation and automation) to deliver a fully interoperable flexible and cost-efficient rail system.</p> <p>The drivers are:</p> <ul style="list-style-type: none"> <li>• fragmentation of the industry – the effective use of most innovations in a very complex system requires coordination between Member States, between infrastructure and rolling stock, and between developers of different subsystems;</li> <li>• a need for coherence between R&amp;I and standardisation/regulation;</li> <li>• limited and uncoordinated participation in R&amp;I;</li> <li>• high R&amp;I costs, risks and lead-time; and</li> <li>• insufficient alignment.</li> </ul> <p>The consequences, which affect all stakeholders along the value chain, are that the rail sector:</p> <ul style="list-style-type: none"> <li>✗ makes a limited contribution to a more sustainable transport system;</li> <li>✗ is dependent on bespoke products, which are expensive and inflexible in operation; and</li> <li>✗ is less competitive <i>vis-à-vis</i> other modes of transport.</li> </ul>
<b>What should be achieved?</b>
<p>The main objectives are:</p> <ul style="list-style-type: none"> <li>➤ to modernise rail in Europe so that it can increase its market share;</li> <li>➤ to support rail freight in order to reduce greenhouse gas emissions from transport; and</li> <li>➤ to advance the completion of a single European railway area by delivering on an integrated and sustainable rail system taking full advantage of digitalisation and automation.</li> </ul> <p>In turn, this would enhance the rail industry's contribution to societal development in the EU, increasing the capability and capacity of rail freight, and ensure that rail-related R&amp;I is based on a user-centric approach better attuned to market needs.</p>
<b>What is the value added of action at the EU level (subsidiarity)?</b>
<p>A common European strategy for rail-related R&amp;I would help ensure a more coordinated, market-focused approach capable of bringing stakeholders together to deliver on a common overall vision. This would enable the rail industry to meet European transport and broader policy objectives, increasing the attractiveness of rail transport in comparison to other modes.</p>
<b>B. Solutions</b>
<b>What are the various options to achieve the objectives? Is there a preferred option or not? If not,</b>

<b>why?</b>
<p>The options are to support rail R&amp;I through:</p> <ul style="list-style-type: none"> <li>• traditional Horizon Europe calls;</li> <li>• a co-programmed partnership; or</li> <li>• an institutionalised partnership under Article 187 TFEU.</li> </ul> <p>The institutionalised partnership is the preferred option, since it is the only one that provides a platform for the common development of R&amp;I serving a coherent overall vision. It is also best at providing a long-term strategy and commitment from industry and the EU. It has proved its value in the current S2R joint undertaking. The stability of this option and the legally binding commitments from the EU and industry partners would be key to involving stakeholders in the aftermath of the Covid-19 outbreak and its expected economic impacts, which could include cuts in the sector R&amp;I investment.</p>
<b>What are different stakeholders' views? Who supports which option?</b>
<p>Over 65% of respondents indicated that institutionalised partnerships were the most appropriate way of addressing rail challenges and transforming the European rail system. In particular, they cited the entire product development cycle, long-term commitment and market uptake.</p>
<b>C. Impacts of the preferred option</b>
<b>What are the benefits of the preferred option (if any, otherwise of main ones)?</b>
<p>An institutionalised partnership is the best way of ensuring that the private and public sectors remain fully engaged in the development and implementation of a long-term strategy for rail R&amp;I, while encouraging broad participation from key stakeholders. This option ensures substantial scientific, economic, technological and societal impacts, e.g. market uptake of innovative solutions and emissions reductions. Also, it will leverage industrial financial and in-kind resources to maximise the impact of Commission funding.</p>
<b>What are the costs of the preferred option (if any, otherwise of main ones)?</b>
<p>The S2R joint undertaking costs €3.5 million (€1.6 million administrative + €1.9 million staff costs) per year of operation. Its total running costs cannot exceed €27 million (50% from the EU; 50% from other members). These baseline costs should be adapted on the basis of the ambition, programme and budget of the Transforming Europe's Rail System candidate partnership.</p>
<b>What are the impacts on SMEs and competitiveness?</b>
<p>Wide stakeholder participation and the creation of networks linking universities and research-based organisations under the coordination of the future partnership would foster greater involvement by SMEs, who have the flexibility to develop innovations and bring them to market relatively rapidly.</p> <p>An institutionalised partnership would have a significant impact on the competitiveness of both the rail transport industry and the rail supply industry. It would ensure that a high proportion of R&amp;I outputs would be taken up by the market.</p>
<b>Will there be significant impacts on national budgets and administrations?</b>
<p>An institutionalised partnership would be able to simplify the administration relating to the members'</p>

<p>participation in the R&amp;I activities. It could ensure alignment between developing national rail R&amp;I programmes and thus better overall use of public resources.</p>
<p><b>Will there be other significant impacts?</b></p>
<p>The initiative would:</p> <ul style="list-style-type: none"> <li>✓ strengthen significantly the rights of EU citizens through a greater emphasis on the integration of national, regional and local rail systems with other modes; and</li> <li>✓ enable effective dialogue between those engaged in R&amp;I activity and those responsible for rail policy and regulation at international and national level (including international standards bodies).</li> </ul>
<p><b>Proportionality?</b></p>
<p>An institutionalised partnership would ensure that the private and public sectors remain fully engaged in the development and implementation of a long-term strategy for rail R&amp;I, and leverage industrial financial and in-kind resources to maximise the impact of Commission funding and deliver on the ‘green deal’ priorities. Therefore, the preferred option does not exceed what is necessary to solve the original problem and meet the objectives of the initiative.</p>
<p><b>D. Follow up</b></p>
<p><b>When will the policy be reviewed?</b></p>
<p>An interim evaluation of the proposed institutionalised partnership would be carried out after it has been in operation for 3 years.</p>