

EUROPE: CAN RAIL TRAVEL COMPETE WITH LOW-COST AIRLINES?



There are ongoing protests against the aviation industry and its environmental impact. This pressure is now being felt in the political mainstream, with European policymakers debating whether airlines and airports should be mandated to decrease the number of flights to slow emissions growth.

Recently, Spain followed France in announcing a limited ban on short-haul flights. Other countries, such as the Netherlands, Denmark, and France, are considering higher taxes on flying. **The Dutch government previously attempted to impose a hard cap on the number of flights at Schiphol.** In contrast, even cross-border short-haul flights are expected to shift towards rail travel, such as [trains from Copenhagen to Stockholm](#) or Barcelona to Paris.

However, policymakers must also recognize the popularity of affordable flying and the lack of viable alternatives. The European Court of Auditors, which evaluates EU policy, reported that of the €54 billion required for eight cross-border transport "mega-projects," the EU had only spent €3.4 billion. Although efforts have been made since then to improve the rollout, it concluded that the core network is unlikely to be workable by 2030.

Although aviation is a highly competitive industry with frequent price wars, rail travel is still dominated by state-run operators whose domestic priorities often hinder efforts to improve international connectivity.

Despite the many advantages of flying over rail, many aviation executives worry about facing increasing regulatory scrutiny if they are not seen to be making progress on decarbonization.

As one airport investor admits, "everyone realizes this industry is doomed unless there is a clear plan to achieve net-zero emissions."

Ryanair's Dublin-based CEO, Michael O'Leary, plans to expand rather than cut back despite being located around 750km northwest of Amsterdam.

Over his 30 years in charge and with the help of successive rounds of deregulation, O'Leary has transformed Ryanair from a small carrier with only a few planes into Europe's largest airline, with expectations to carry up to 200 million passengers in the next financial year.

As employees in the operations room silently monitor screens displaying the nearly 3,000 flights Ryanair operates on a typical winter's day, O'Leary outlined how he aims to carry 300 million passengers within a decade.

Aviation is an essential industry in the EU, providing jobs for almost 5 million people and contributing €300 billion (or 2.1% of the GDP) to the European economy. However, it is also responsible for around 4% of the EU's carbon emissions, making it one of the fastest-growing sources of pollution. Therefore, it faces a significant technological challenge to decarbonize.

European airlines and airports have developed a detailed plan to achieve net-zero emissions (carbon)

by 2050 to address this challenge. The plan involves transitioning to sustainable aviation fuels (SAFs), produced from feedstocks other than fossil fuels, and emitting less carbon from production to combustion.

Despite the industry's efforts to reduce its carbon footprint, European airlines face stringent environmental regulations. For example, they are subject to a carbon tax on intra-European flights and must ensure that 6% of the fuel used on every flight is sustainable by 2030.

In 2022, a report by Oxera, a consultancy firm commissioned by the airline industry, revealed that a ban on flights up to 500km within the European Union would only reduce overall EU aviation emissions by 1-2%. This is mainly because it would exclude the longest and most polluting flights. The airline industry argues that the EU's emissions regulations would drive up ticket prices, causing some people to avoid flying, and that this contributes to 15% of the net carbon emissions reduction within the industry's net zero roadmap.

However, environmental groups believe a crackdown on cheap flights should go further. T&E has called for higher carbon prices, a tax on aviation fuel, and a value-added tax to be added to airline tickets. According to T&E, airlines currently pay no duty on their fuel, while tickets are exempt from VAT, and airports and aircraft makers often receive state subsidies. This gives flying a cost advantage, as a Greenpeace study comparing ticket prices on more than 100 routes between major European cities last summer found that, on average, trains were twice as expensive as flights.

Paul Morozzo, a transport campaigner at Greenpeace, believes that flying appears to be less expensive only because airlines are not required to pay for the devastating cost of their pollution. The aviation sector's failure to be adequately taxed for the fuel it consumes and the pollution it causes has resulted in an uneven playing field.

However, cost is only one of the factors hindering more rail travel. A more significant issue is that the network must provide travelers' required connectivity.

In 2020, a Eurobarometer survey revealed that the cost of greener forms of travel was the main obstacle for people, but 40 percent of respondents also mentioned that speed was an issue. At present, flights are usually quicker than trains, despite the time required for traveling to and passing through airports. According to O'Leary, there are only six routes across Europe where two-hour train journeys are competitive.

However, Brussels is working to change this situation by investing more in the TEN-T network - a trans-European network of roads and rail lines designed to connect the continent's major hubs. This network is the backbone of the EU's land transport policy. The commission aims to double high-speed rail traffic by 2030 and triple it by 2050. This will ensure that passenger trains on the TEN-T network travel at a minimum speed of 160km/h. The Green Deal climate law requires the bloc to reduce transport greenhouse gas emissions by 90 percent to reach net-zero emissions by 2050.

Despite Brussels' efforts to stimulate growth, land-based connections have needed to develop faster than the vast expansion of airline routes in recent decades.

In 2016, the EU introduced new regulations to promote competition between state railways and private companies to enhance cross-border rail services. Due to these changes coming into effect in 2019, some operators have expanded into new markets. Brussels has also aimed to reduce bureaucracy for operators and make competitive bidding necessary for public service contracts to liberalize the industry further.

Transportation consumes the most significant portion of the EU's Recovery and Resilience Facility, worth €723bn. **Rail accounts for most projects within the €25.8bn allocated for transportation in the EU's Connecting Europe Facility.**

However, constructing new rail infrastructure is expensive, frequently experiencing delays, and it takes a long time to pay back the capital invested in its construction. This makes it less appealing to private financing and makes it easier for governments to justify when public finances are tight.

Therefore, Europe should invest in rail infrastructure and convene with national governments to establish a European rail travel strategy. No such strategy exists currently. In the meantime, aviation expansion is expected to continue despite environmental opposition.

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