

DRAFT Phasing-out plan of the Europe's Rail Joint Undertaking

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1. Executive Summary and Introduction

1.1. A brief history of the JU including its predecessors

The Europe's Rail Joint Undertaking ("EU-Rail") was established by the Council Regulation (EU) 2021/2085 of 19 November 2021 establishing the Joint Undertakings under Horizon Europe and repealing Regulations (EC) No 219/2007, (EU) No 557/2014, (EU) No 558/2014, (EU) No 559/2014, (EU) No 560/2014, (EU) No 561/2014 and (EU) No 642/2014 ("the Single Basic Act" or "the SBA"), which entered into force on 30 November 2021. In accordance with Article 174(6) of the SBA, EU-Rail is the legal and universal successor in respect of all contracts, including employment contracts and grant agreements, liabilities and acquired property of the Shift2Rail Joint Undertaking ("the S2R JU") which it replaced and succeeded.

The predecessor of EU-Rail – the Shift2Rail Joint Undertaking – was established on 7 July 2014 by the Council Regulation (EU) No 642/2014 of 16 June 2014 establishing the Shift2Rail Joint Undertaking as a public-private partnership under the Horizon 2020 Framework Programme.

EU-Rail is an autonomous body with its own legal personality having its seat located in Brussels, Belgium. It is an institutionalised European partnership as per Article 187 of the Treaty on the Functioning of the European Union dedicated to managing and coordinating mission-oriented Research and Innovation ("R&I") activities for a major transformation in rail systems in Europe.

In accordance with article 87(1) of the SBA, the members of EU-Rail are the European Union, represented by the European Commission, and 25 Private Members. As per Article 2(5) of the SBA, "Private Member" means any legal entity established under public or private law that is a member of a joint undertaking other than the Union, participating states or international organisations. The

Private Members of EU-Rail were selected via an open and transparent process, started with an “invitation to manifest the interest to become Candidate Founding Member of the Transforming Europe’s Rail System European Partnership” on 13 August 2020 and concluded with the listing of 25 entities retained as Founding Members in Annex II of the SBA. The Private Members of EU-Rail signed a Letter of Commitment in accordance with the provisions of the SBA to deliver the contributions established in its Article 89. EU-Rail intends to support the Commission in launching by end of the first half of 2024 a call for expression of interest with a view to selecting Associated members in accordance with Article 7 of the SBA, after having performed an in-depth review of the areas where such type of membership would bring added value to the R&I Programme.

[the legal/administrative history above will be complemented by the end of 2024 with the R&I output of the S2R programme that will be operationally concluded in 2023.]

1.2. A brief outline of the policy context of the focus area of the JU

EU-Rail works towards the twin green and digital transition of Europe.

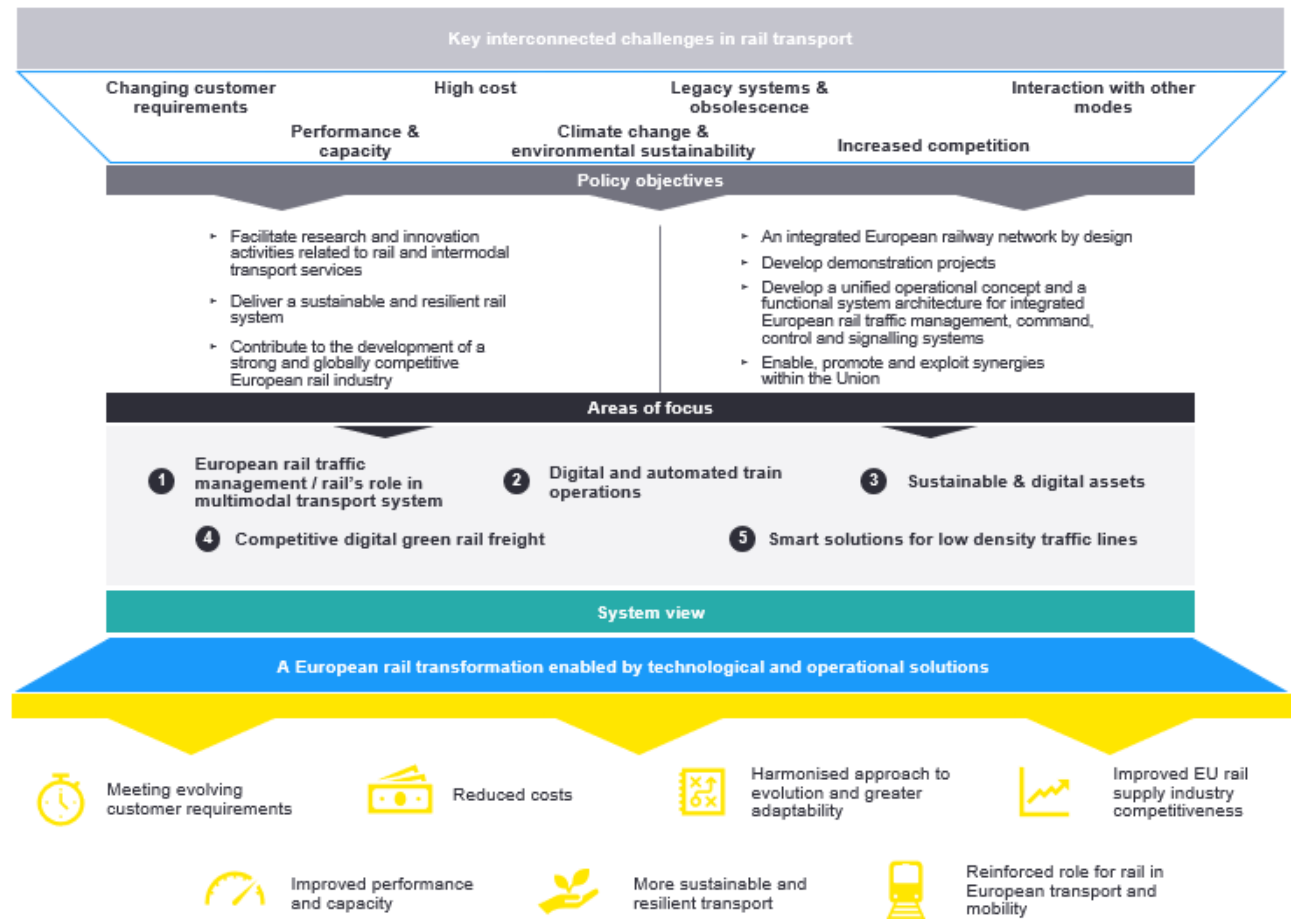
The European Green Deal objective is to reach climate neutrality by 2050, the Fit for 55 package sets medium-term greenhouse gas emissions reduction objectives, and the Digital Decade sets the path to bring Europe to the forefront of digitalisation and automation.

The Sustainable and Smart Mobility Strategy articulates the pathways towards digitalising and greening the transport sector and sets specific milestones for the railway sector. The Industrial Strategy aims at enhancing Europe’s industrial competitiveness, including in sectors at the forefront of the twin transitions such as the rail supply industry.

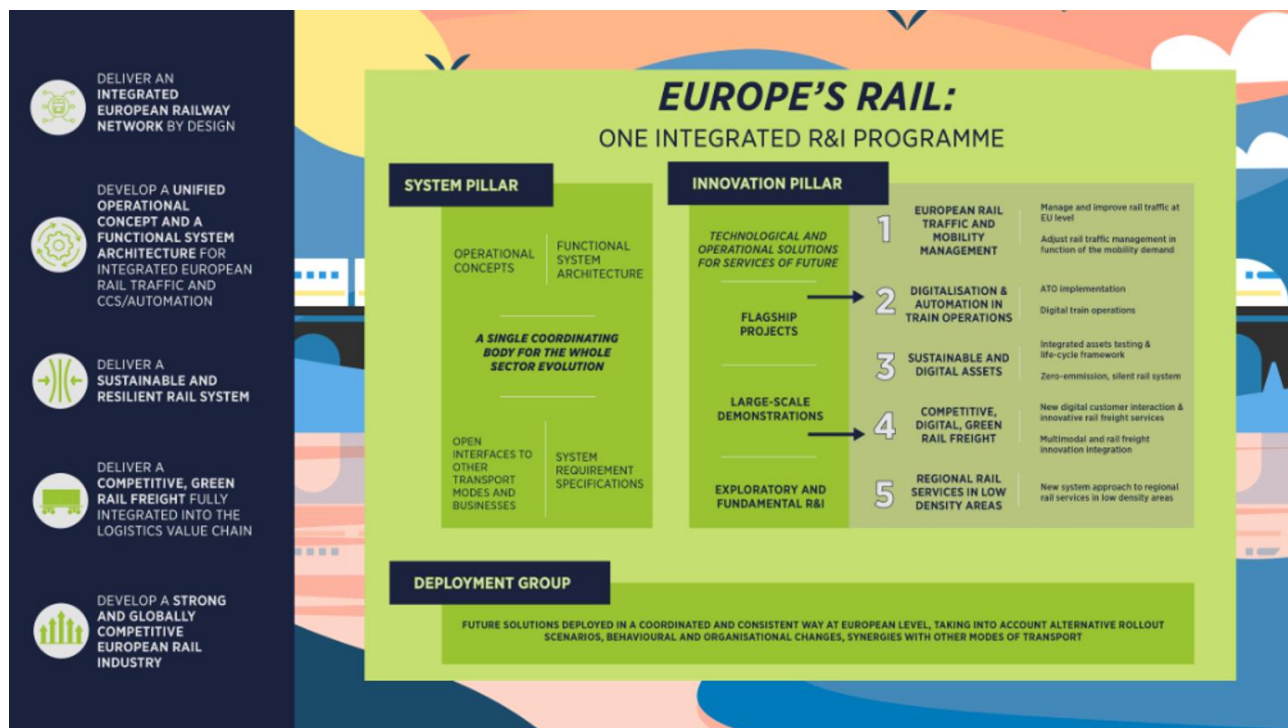
These Union policy goals are a major reason for the railway sector to undergo a significant transformation - increasing its capacity for passenger and goods transport, enabling an increase in the use of rail transport, and reducing further the greenhouse gas emissions of the railway sector itself.

Europe’s Rail shall deliver a high capacity integrated European railway network by eliminating barriers to interoperability and providing solutions for full integration, covering traffic management, vehicles, infrastructure and services, aiming to achieve faster uptake and deployment of projects and innovations. That should exploit the huge potential for digitalisation and automation to reduce rail’s costs, increase its capacity and enhance its flexibility and reliability, and should be based upon a solid reference functional system architecture shared by the sector, in coordination with the European Union Agency for Railways.

Five areas of priority have been identified in the EU-Rail Master Plan to address Key interconnected challenges in rail transport and to meet at the same time the Union policy objectives, those are expressed in the figure below:



EU-Rail is set up around one integrated Research and Innovation Programme based on a system view. The Programme is delivered by two pillars - the System Pillar and the Innovation Pillar - and complemented by a Deployment Group, all together covering the full life cycle of R&I from blue sky to pre-deployment and pre-industrialisation processes.



1.3. An outline of the JU's objectives and contribution to broader strategic EU priorities.

In addition to the General and Specific Objectives established in Chapter 1 of the SBA, EU-Rail is further entrusted with the following:

General Objectives

- (a) contribute towards the achievement of the Single European Railway Area;
- (b) ensure a fast transition to more attractive, user-friendly, competitive, affordable, easy to maintain, efficient and sustainable European rail system, integrated into the wider mobility system;
- (c) support the development of a strong and globally competitive European rail industry.

Specific objectives

- (a) facilitate research and innovation activities to deliver an integrated European railway network by design, eliminating barriers to interoperability and providing solutions for full integration, covering traffic management, vehicles, infrastructure also including integration with non-standard national gauges, such as 1520, 1000 or 1668 mm railway, and services, and providing the best answer to the needs of passengers and businesses, accelerating uptake of innovative solutions to support the Single European Railway Area, while increasing capacity and reliability and decreasing costs of railway transport;

- (b) deliver a sustainable and resilient rail system: by developing a zero-emission, silent rail system and climate resilient infrastructure, applying circular economy to the rail sector, piloting the use of innovative processes, technologies, designs and materials in the full life cycle of rail systems and developing other innovative solutions to guided surface transport;
- (c) develop through its System Pillar a unified operational concept and a functional, safe and secure system architecture, with due consideration of cyber-security aspects, focused on the European railway network to which Directive 2016/797 applies, for integrated European rail traffic management, command, control and signalling systems, including automated train operation which shall ensure that research and innovation is targeted on commonly agreed and shared customer requirements and operational needs, and is open to evolution;
- (d) facilitate research and innovation activities related to rail freight and intermodal transport services to deliver a competitive green rail freight fully integrated into the logistic value chain, with automation and digitalisation of freight rail at the core;
- (e) develop demonstration projects in interested member states;
- (f) contribute to the development of a strong and globally competitive European rail industry;
- (g) enable, promote and exploit synergies with other Union policies, programmes, initiatives, instruments or funds in order to maximise its impact and added value.

[the EU-Rail objectives above will be further complemented by the of 2024 with the broader contribution to the EU priorities and, as per template instructions', with "a critical look at the plan extracting its main elements and salient features also focusing on outlining the goals to be achieved in the subsequent sections of the plan itself"]

2. Short and long-term targets

[During the GB meeting in December where this first version of the draft phasing-out plan will be presented for GB decision focusing mainly on Chapter 5, the ED a.i. will present the possible steps and/or procedural aspects needed to complement this chapter of the phasing-out strategy by the end of 2024.]

3. Strategic alignment

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4. Financial sustainability

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5. Administrative and operational adaptations

5.1. Legal status [legal form, private entity, public/private association...]

[Future legal forms will depend on the completion of the previous sections and this section will therefore be complemented in the phasing-out strategy by the end of 2024.]

5.2. Staffing

In line with the Legal and Financial Statement annexed to the proposal for the SBA, the following **estimate of the staff needs** in the transition phase or phasing out from Programme funding has been established by the EC services and will be complied by the EU-Rail:

Function group and grade	Year 2029	Year 2030	Year 2031	Post 2031
AD16				
AD15				
AD14	1	1	1	0
AD13				
AD12	2	2	2	0
AD11	1	1		
AD10				0
AD9				
AD8	3	2	2	0
AD7				0
AD6				0
AD5				

AD Total	7	6	5	0
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Contract agents	Year 2029	Year 2030	Year 2031	Post 2031
Function group IV	10	8	6	
Function group III				
Function group II	1	1	1	
Function group I				
Total	11	9	7	0

Total staff	Year 2029	Year 2030	Year 2031	Post 2031
Total	18	15	12	0

In case of phasing out of the current JU without a renewal of a new Programme building up on its achievements and further innovating with new Policy objectives, despite the availability of positions in EU-Rail, the likelihood of an early departure of staff is considered high. This scenario will impact the closure of the programme, with the difficult challenge to recruit qualified staff to support the phase out of the programme. Should that be confirmed, an annual assessment of available human resources is needed from 2026 onwards to estimate the needs and possibly adjust the current estimation and phasing-out plan activities.

5.3. Accounting and Cashflow

In accordance with the Legal and Financial Statement annexed to the proposal for the SBA, the estimated impact on expenditure for the years 2028-2031 is expected as following:

Europe's Rail Joint Undertaking			<i>Post 2027</i> <i>EUR million (to three decimal places)</i>
Title 1	Commitments	(1)	
	Payments	(2)	5.414
Title 2	Commitments	(1a)	

	Payments	(2a)	2.355
Title 3	Commitments	(3a)	
	Payments	(3b)	77.231
TOTAL appropriations for Joint Undertaking	Commitments	=1+1a +3a	
	Payments	=2+2a+ 3b	85.000

The accounting and budget management would be done by the EU-Rail Programme Office with the available staff in accordance with the previous section.

These years are planned to be executed with (EU budget) payment appropriations from the implementation and closure of existing administrative and operational expenditures of procurement contracts and grant agreements. Those latter are described in the following section 5.5.

However, some new administrative commitments and contracts between 2028 and 2031 will be necessary for the functioning of the JU. The EU-Rail Programme Office will be in position to conclude such commitments by making use of the JU unused commitment appropriations, and the private Members contributions to the JU's administrative expenditure. These commitments include the staff expenditure (salary, mission, and others), as well as the JU running costs (renting contract, audits, etc.).

EU-Rail will keep its financial and reporting obligation, in accordance with the JU's Financial Rules. The Programme Office will therefore continue to prepare the JU's annual accounts, monitoring the financial contributions from partners and the assets of the organisation until 31/12/2031. The final accounts of EU-Rail – due by June 2032 together with the 2031 Annual Activity Report will have to be prepared in the context of the legacy management.

Post 2031, in case of phasing-out of the current JU without a renewal of a new Programme building up on its achievements and further innovating with new Policy objectives, all the remaining obligations will be transferred to the relevant EC Services.

5.4. Procurement, Logistics and IT

In a phasing-out situation, the last procurements, logistic and IT purchase, including assets, would be done between 2028 and 2031.

The administrative phase-out of any commitment and associated contractual obligation, as well as fixed assets or physical items will be withdrawn from inventory by 2031.

On the side of Logistics, and during the period 2028-2031, the most important aspects are related to the management of the building where the JU is located, the office furniture and consumable, the IT infrastructure and material. The JUs, located in the White Atrium building, have a rental contract until 31/12/2031. By that date a move will have to be budgeted and organised in order to vacate the

premises. For what concerns the IT infrastructure, the framework contract with the IT service providers will be maintained until that date.

5.5. Follow up of grant agreement obligations after the end of projects.

Regarding the JU's legal obligations, the Programme Office will monitor from 2027 onwards the duration of contracts, framework contracts and SLAs taking into account the date of the winding up of the JUs. Progressively over the years, the JU should conclude a lower number of contract and none of them shall go beyond the 31/12/2031. A strong effort will be done in 2030 to ensure the respect of the deadline, with the object to prevent any payments to be concluded beyond.

An inventory of legal commitments in the form of procurement contracts and grant agreement will be established between 2028 until 2031, establishing the list of obligations such as record keeping, archiving, result delivery, data protection elements and document management retention period that are expected for each legal commitment. Thus allowing the new legal structure to monitor any legal requirements, in particular relevant in case of audits.

The list of obligations will be established, in greater details, considering the following elements:

- For grant beneficiaries:

RECORD-KEEPING in accordance with the Lump Sum Model Grant Agreement ARTICLE 20

"The beneficiaries must keep appropriate and sufficient evidence to prove the eligibility of all the costs declared, proper implementation of the action and compliance with all the other obligations under the Grant Agreement. If costs are not supported by appropriate and sufficient evidence, they will be rejected. 'Sufficiency' relates to the quantity of evidence; 'appropriateness' relates to its quality. Evidence is considered sufficient and appropriate if it is persuasive enough for the auditors, who assess it according to generally accepted audit standards. The evidence must be verifiable, auditable and available. It must be correctly archived for the duration indicated in the Grant Agreement.

*In general, **for at least 5 years after the balance is paid** (3 years for low value grants up to EUR 60 000) or longer if there are ongoing procedures (audits, investigations, litigation, etc). In this case, the evidence must be kept until ongoing procedures end.*

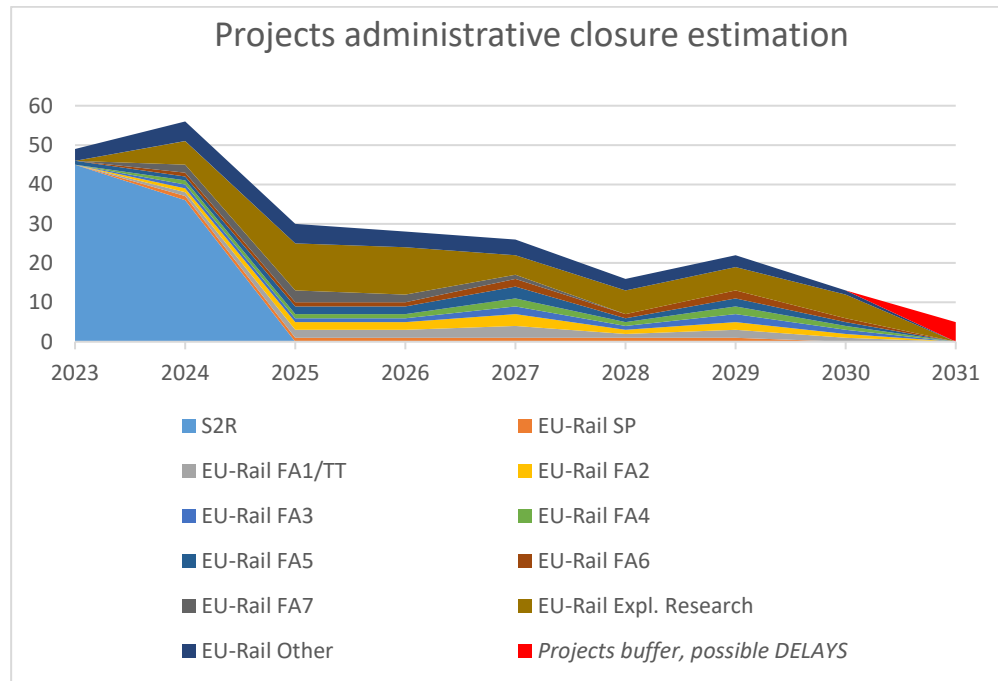
- For contractors:

For contractors: CHECKS AND AUDITS (Article II.24.General conditions): The contractor must *keep all original documents stored on any appropriate medium, including digitised originals if authorised under national law, **for a period of five years starting from the payment of the balance***

- For EU-Rail:

For EU-Rail (as contracting and granting authority), the JU should apply the rules on retention as per its Document Management Policy https://rail-research.europa.eu/wp-content/uploads/2022/12/EU-Rail_DMP_20221206_final_clean.pdf

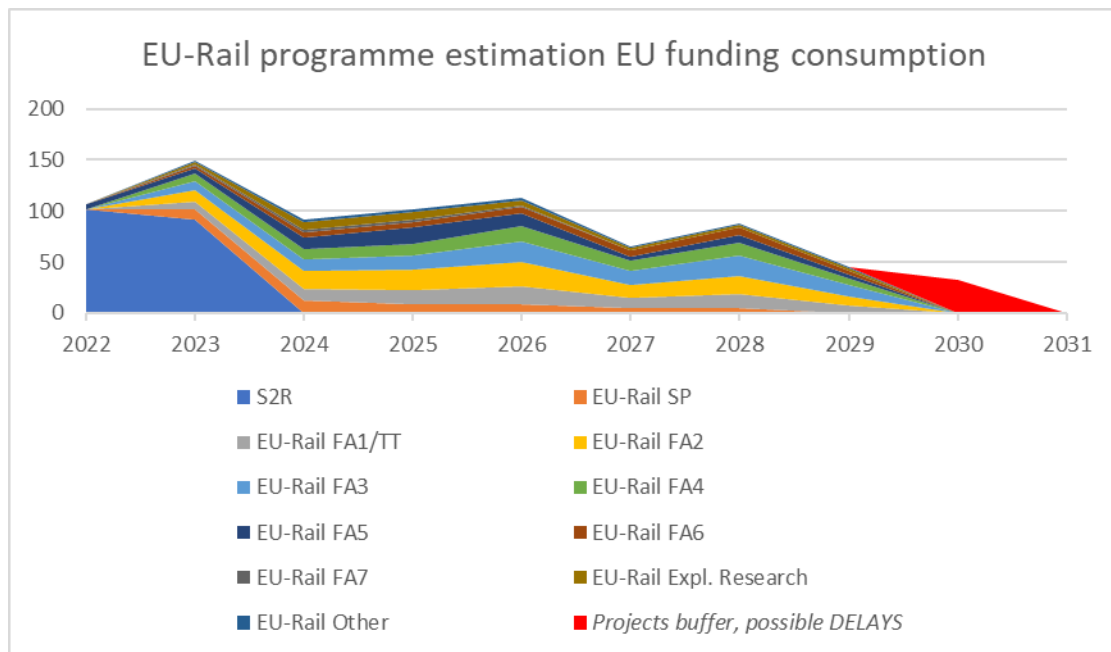
The ability of the EU-Rail Programme Office to perform its grant agreement monitoring and closure tasks is embedded with the R&I Programme design of its implementation through grants and tenders. The following table present the evolution of the expected projects per year, during and after the phase-out transition.



It is to be noted, that the number of projects do not represent the sole element to consider for the estimated workload for the Programme Office, as the EU-Programme has been purposefully designed with large Flagship Projects that would be capable to achieve an Impact at system level (not sub-components) by reducing the number of projects and increasing their respective size, values and also complexity. Administratively those projects have an increased the number of tasks, deliverables, results, KPIs and dissemination activities to be monitored, supervised and assessed by the JU.

The following table presents the average magnitude of projects distribution in million EUR, during and after the phase-out transition.

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5.6. Conclusions

In summary, the following actions would be considered following the adoption of the phasing out plan:

Task	Lead	2026	2027	2028	2029	2030	2031	Beyond 2031
EC proposal for a new Framework Programme for Research and Innovation	EC	X						
Decision on EU-RAIL phasing-out	EC		X					
Legacy decision	EC		X					
Human Resources planning/adjustment	EU-RAIL	X	X	X	X			
Budget planning/adjustment	EU-RAIL	X	X	X	X	X	X	
Annual accounts	EU-RAIL	X	X	X	X	X	X	
Logistics and IT	EU-RAIL	X	X	X	X	X	X	
Monitoring of contractual obligations, incl. project closure and follow-up	EU-RAIL	X	X	X	X	X	X	

Monitoring of financial contributions	EU-RAIL	X	X	X	X	X	X	
KPIs monitoring	EU-RAIL	X	X	X	X	X	X	
Transfer to legacy management entity							X	X

All tasks indicated above will be detailed in the related EU-Rail Annual work plans.

[The conclusion will be further complemented upon the completion of the previous sections by the end of 2024.]
