Investment aid for mobile equipment

24th Florence Rail Forum: *Revision of the Community guidelines on State aid for railway undertakings*

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Introduction (1/2)

Summary and aim of the presentation

- The aim of this presentation is to share the view of Ferrovie dello Stato Italiane S.p.A. in regard to the content of the updated text of the "Community guidelines on State aid for railway undertakings" adopted in 2008 [1] (hereinafter "Railway Guidelines", "Guidelines"), which is currently being developed by DG Competition.
- In its Communication on a "Sustainable and Smart Mobility Strategy – putting European transport on track for the future" [2], the Commission noted the need for "decisive action to shift more activity towards more sustainable transport modes (notably […] shifting a substantial amount of freight onto rail)", indicating that transport by rail should double by 2050.
- In 2021, road transport accounted for more than three-quarters (77%) of the EU's inland freight transport (based on tonne-kilometres performed), while rail transport accounted only for 17%.
- In this context, the new Guidelines should enable Member States to adequately support the necessary shift to rail and to ensure a level playing field between different modes of transport. In particular, this presentation focuses on the importance:
  - to introduce clearer and more flexible provisions on funding for the purchase and renewal of rolling stock;
  - to support investments in interoperability projects.

(1) Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52008XC0722(04)
(2) COM (2020) 789 final of 9.12.2020. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0789

Introduction (2/2)

Impact of the current legal framework on rail freight transport

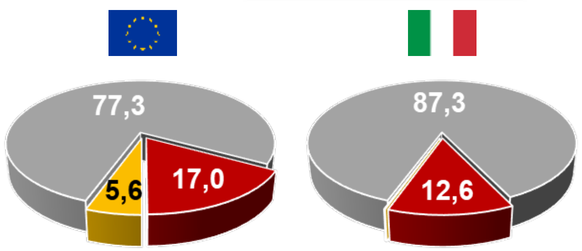
The Community guidelines on State aid for railway undertakings were adopted in 2008, following:

- the liberalization of the rail freight sector (2007)
- the phasing out of the freight Public Service Obligations (PSOs) (Regulation (EC) No 1370/2007 provided that, whilst Regulation (EEC) No. 1191/69 was repealed, its provisions continued to apply until 2012).

Δ percentage points 2008-2021

+3,0 -1,7

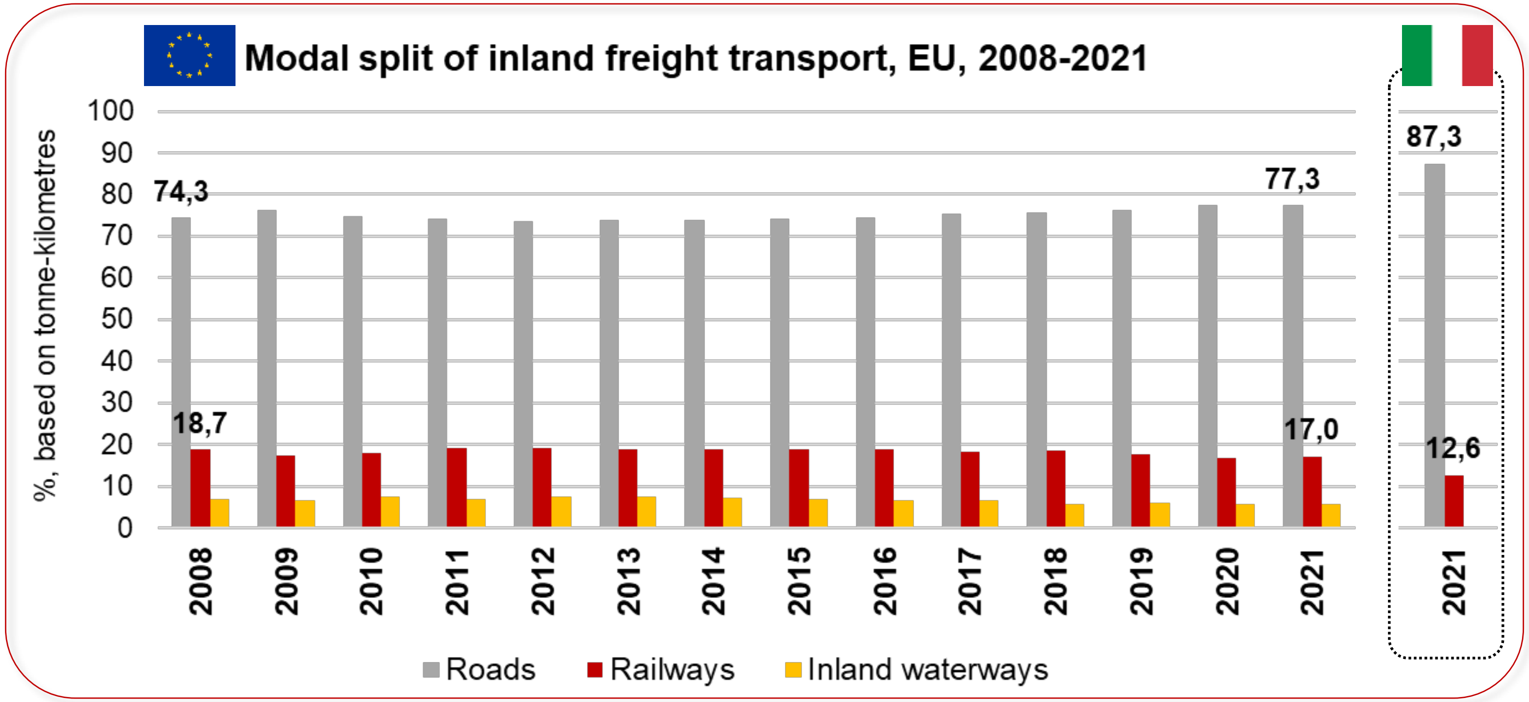
Focus 2021



Δ percentage points

+10 pp

-4 pp



Source: Eurostat (online data code: tran_hv_frmod)

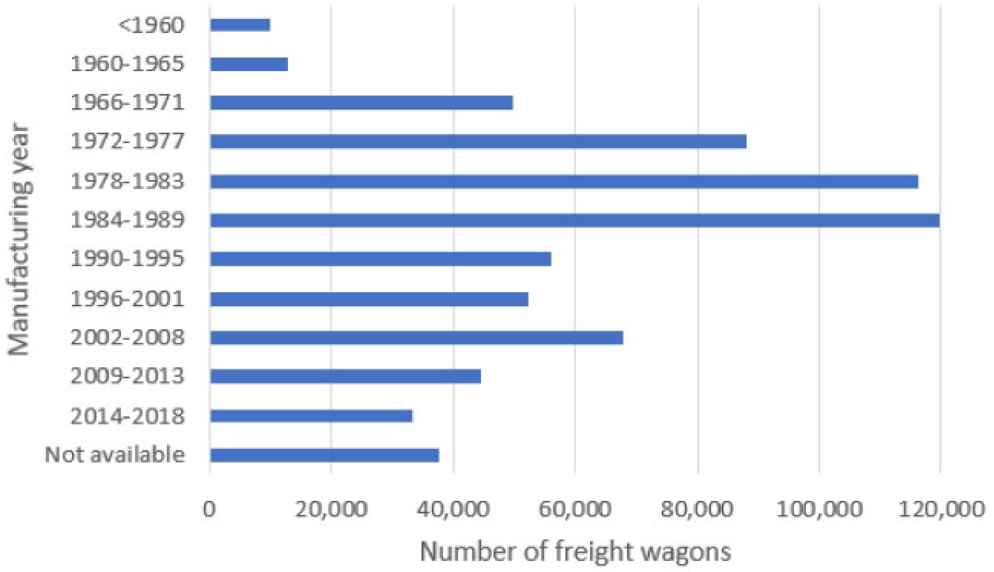
- After 2008, rail freight transport slowed its decline but did not regain market share compared to more polluting and less sustainable modes of transport.
- A new legal framework need to be introduced at European level in order to support rail transport and to provide stronger incentives for modal shift from road to rail.

Specific guidance on aid for purchase and renewal of rolling stock (1/3)

Reasons for a new framework

- The current legal framework is not sufficient to provide adequate support to the purchase and renewal of rolling stock. Article 36b of GBER on "*investment aid for the acquisition of clean vehicles or zero-emission vehicles*" is not so effective.
  - First of all, the definition of eligible costs is very restrictive, allowing the financing only of a part of *"the extra costs of purchasing/leasing the clean vehicle or the zero-emission vehicle".*
  - Secondly, the opportunity for public support is even lower when the aid is granted outside of a competitive bidding process because aid intensity shall not exceed 20/30%.
- Access to rolling stock may represent an important barrier to expansions in railway markets for railway undertakings because purchase as well as maintenance of rolling stock are characterised by significant costs.
- In fact, the existing rolling stock fleet is obsolete and in need of renewal.
  - According to the data available in 2019, more than 50% of the freight wagon fleet in Europe was older than 30 years (see graph on the right). Public support is hence needed in order to foster the modal shift to rail in line with EU ambitious objectives.

Number of freight wagons per age group in Europe (2019)



Source: Impact assessment support study for the review of the Community guidelines on State aid for railway undertakings (figure 15), available at: https://competition-policy.ec.europa.eu/system/files/2023-03/KD0423349enn_railway_guidelines_final_report.pdf .

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Specific guidance on aid for purchase and renewal of rolling stock (2/3)

Aid scheme to promote the renewal of freight rolling stock: an example

State Aid SA. 64726 (2023/N) – Italy
Notification/registration date: 05.07.2023

Objective

For the first time since the liberalisation of rail freight market of 2008, the EC has approved under EU State aid rules an Italian scheme to support the acquisition of new freight rolling stock (i.e., both locomotives and wagons). The renewal of freight rolling stock will entail considerable benefits in terms of reduction of CO_2 emissions and energy consumption, higher security and compliance with the most recent TSIs.

Budget and duration

- Budget: EUR 125 million
- Duration: Until 31.12.2025

Beneficiaries

Rail freight undertakings, keepers or owners of freight locomotives and wagons operating on the Italian territory (including rolling stock leasing companies)

Eligible costs and aid intensity

The aid (direct grants) covers:

- **up to 30%** of the purchase cost, of a new wagon upon condition that the new wagon replaces an old one, up to EUR 30,000 per vehicle;
- **up to 20%** of the purchase cost of a new locomotive, or 30% of the purchase cost of a new locomotive if the new locomotive replaces an old one, up to €1 million per vehicle in both case.

- The measure was positively assessed under Article 93 TFEU on transport coordination:
  - it is necessary to promote the use of rail transport and reduces road congestion.
  - it will facilitate a modal shift from road to rail, in line with the objectives of the EU Sustainable and Smart Mobility Strategy and of the European Green Deal;
  - it is proportionate, as it is limited to the minimum necessary, and has a limited impact on competition and trade between Member States;
  - it contributes to the coordination of transport in an environmentally friendly manner.
- On July 2022, the EC authorised under Article 93 a similar aid scheme (SA. 101273) to facilitate the purchase of transtainer gantry cranes, reach stackers and shunting vehicles (handling equipment) used in interports and intermodal terminals.

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Specific guidance on aid for purchase and renewal of rolling stock (3/3)

Facilitating access to rolling stock: some proposals

- Although they provide some guidance on aid for the purchase and renewal of rolling stock, Railway Guidelines set several restrictive conditions which make it very difficult for railway undertakings to receive public funding for the purchase and renewal of rolling stock
- The new legal framework should clarify the rules for the financing of rail rolling stock in liberalised markets, providing more flexible provisions and higher aid intensities.
- Furthermore, the new legal framework should set a model that makes it easy for all operators to have access to public funding.
- With regard to the beneficiary category, the aid should preferably be granted directly to railway undertakings.
    - Leasing companies could be beneficiaries of the aid only provided that they reduce tariffs accordingly.
    - Otherwise, the railway sector would not gain any advantage from the measures to the detriment of modal shift.

- Clear rules for the financing of rail rolling stock
- Aids granted to all potential beneficiaries with high intensities

Higher thresholds for aids for the coordination of transport

Combining higher threshold & notification exemption: support interoperability investments

Interoperability aid

- Exceptionally high investment costs are necessary to deploy innovative projects to enhance cross-border interoperability such as the European Rail Traffic Management System (ERTMS), the European Train Control System (ETCS) and the Digital Automatic Coupling (DAC).
- The need for higher aid intensities has been recognised in the established Commission's decision-making practice. In several cases the Commission has approved the interoperability aids related to ETCS/ERTMS with aid intensities of 85%-100% of eligible costs [1].

ERTMS SOLUTIONS

DAC
an innovative component to automatically couple and decouple the rolling stock in a freight train both physically as well as digitally

Thresholds for presumption of compatibility in relation to *eligible costs*

Current Guidelines		Updated Guidelines
50%	→	100%

& exemption from notification requirement

- Presumption of compatibility of the aid for interoperability aid up to 100% of the eligible costs would relieve the Member States from the administrative burden of proving the need and proportionality of such aids and, therefore, would promote higher amounts of support to be granted to railways, supporting the EU modal shift objectives.
- Exemption from notification requirements, through a specific provision in the new Transport Block Exemption Regulation ("TBER").

(1) See in particular the following decisions on State aid: SA.100432 approving aid with intensity of up to 100% of the eligible costs, SA.44621 approving aid with intensity of up to 85% of eligible costs, SA.55451 approving aid with intensity of up to 90% of eligible costs, SA.58908.

Thank you

Contact

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