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### **Financial transparency – an essential pre-condition for a rail system that generates growth and competitiveness**

**ERFA, representing rail newcomers, expresses alarm at plans to weaken financial transparency as part of the on-going discussions on the 4<sup>th</sup> Railway Package.**

ERFA is concerned that the EU Member States are sending the wrong signals to the rail market on attracting investment and growth to the sector.

More, not less, financial transparency is needed to support a competitive and non-discriminatory rail system that generates growth, jobs and sustainability.

An infrastructure manager that not only has a financial link to one railway undertaking, but also has the tools to cross-subsidise its railway undertaking, does not create the conditions for a level playing field in the rail sector.

The on-going court cases against Germany and Austria for failing to comply with EU financial transparency rules, highlight the on-going problems.

In both cases the accusation is that funds from the infrastructure manager may be used to cross subsidise other transport services open to competition, such as freight or passenger services. This type of cross-subsidisation is strictly forbidden under current rules, but is difficult to enforce by the regulators.

ERFA is concerned over the impact of cross-subsidisation and other distortionary practices on a competitive European rail sector. As the number of independent rail freight companies has severely diminished in recent years, ERFA highlights the damaging impact if incumbents are able to cross-subsidise in order to buy up independent operators or to artificially lower their prices, driving independent operators off the market.

A truly competitive European rail market can only exist if small, medium-sized and large rail operators can exist side-by-side, not if the large rail operators are able to use their privileged

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links with the infrastructure manager to reduce choice on the European market, while increasing their own market shares.

It is for this reason that ERFA considers completely separate financial circuits between infrastructure manager on the one hand and the holding and its transport subsidiaries on the other hand, as a crucial provision. The possibility for the holding to manage the loans for the infrastructure manager confuses these financial circuits and again creates the possibility for the holding to divert money foreseen for infrastructure.

A provision which clearly states that the accounts of the infrastructure manager and of the other legal entities within a vertically integrated undertaking have to be kept in a way that ensures separate financial circuits within the undertaking is a pre-condition to ensure a sufficient level of financial transparency and avoid cross-subsidization and discrimination. Without separate financial flows regulatory control is impossible.

ERFA urges EU Member States to ensure that the wording of the revised Directive clearly reflects the necessity to separate these financial circuits.

### Note to editors:

Commission takes Austria to court for not ensuring financial transparency [http://europa.eu/rapid/press-release\\_IP-14-2132\\_en.htm](http://europa.eu/rapid/press-release_IP-14-2132_en.htm)

Commission takes Germany to court for failure to separate financial flows [http://europa.eu/rapid/press-release\\_IP-13-1097\\_en.htm](http://europa.eu/rapid/press-release_IP-13-1097_en.htm)

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ERFA - European Rail Freight Association - represents new entrants, i.e. all those operators who want open access and fair market conditions, and sustains their role of pushing forward the development of the railway market. The Association is very much a spin-off of the First Railway Package, adopted by the EU in 2001, and its vision of creating an open and competitive European rail market.

In 2015, ERFA represents 33 members from 16 countries. The members of ERFA all share a commitment to work towards a competitive and innovative single European railway market by promoting attractive, fair and transparent market conditions for all railway companies.

The members of ERFA represent the entire value chain of rail transportation: rail freight operators, wagon keepers, service providers, forwarders, passenger operators and national rail freight associations.