

## Press Release – Creating a State Aid Regime for a Competitive Rail Freight Market

22 March 2022

**On 16 March, the European Commission concluded its public consultation on the revision of the State Aid Guidelines for Railway Undertakings. What is already known is that the Guidelines are in need of modernization and a revision is therefore essential. ERFA believes it is important that the correct approach is adopted to this revision process so as to ensure the revised Guidelines play a constructive role in supporting a diverse and competitive European rail freight market<sup>1</sup>.**

ERFA has identified three key areas which need to be addressed in the revision. Regarding **Support for Modal Shift**, ERFA believes State Aid has an important role to play in supporting a transition towards more sustainable transport solutions. Operational Aid is therefore important although thresholds should be maintained so as to ensure State Aid does not just subsidize unsustainable business models. Given the high investments required in digitalization, particularly ETCS deployment, Interoperability Aid should be increased to 100%.

Regarding **State Aid for Rolling Stock**, a cautious approach is needed. The needs of the passenger market and freight market are fundamentally different. A different approach is therefore needed. State Aid does have an important role to play however in upgrading existing rolling stock where it is in the common interest, for example, through noise reduction retrofitting of locomotives and wagons.

Finally, in relation to **Restructuring or Rescuing of a Rail Freight Undertaking**, it must be recognized that such a process can greatly undermine competition. There should be no special treatment for restructuring of rail freight undertakings and normal State Aid Guidelines for Rescuing and Restructuring (R&R GL) should be applicable for all rail freight undertakings. It must be recognized that liberalization of the sector has taken place over the past 20 years and that under the existing Guidelines, Railway Undertakings have already had the opportunity to avail of restructuring up until 01 January 2010. In the same vein, ERFA stresses the revised Guidelines have an essential role to play in promoting that the provisions of Directive 2012/34, particularly regarding Articles 4-6 relating to the independence of Railway Undertakings, are properly implemented and enforced to avoid non-transparent illegal cross-subsidisation.

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<sup>1</sup> 48% of national rail freight markets in the European Union are made up of challengers to national incumbent operators.

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**ERFA President, Dirk Stahl**, commented, *“almost half of the European rail freight market is made up of challengers to national incumbents. If we are to look at how these figures have evolved over the past two decades, we can anticipate this trend will continue and that challengers will soon hold the majority of national markets on average. We therefore need an evolution in how we think about State Aid. We need to transition to an approach which focuses on sectoral support measures rather than supporting individual operators.”*

**ERFA Secretary General, Conor Feighan**, concluded, *“ERFA has responded to the European Commission’s public consultation and is engaged in discussions on the revision of the State Aid Guidelines. We welcome the decision of the European Commission to revise the Guidelines but stress it is essential this revision process is a success. The revised Guidelines will determine the State Aid regime for the coming decade – a decade in which challengers are expected to become increasingly important – and it is critical the revised text reflects this reality.”*

More information on ERFA’s position can be accessed [here](#).

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