

Press Release – Supporting Single Wagon Traffic without Distorting Competition

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At European and national levels, discussions are ongoing on the development of financing systems to support single wagon traffic. ERFA recognizes that financial support for single wagon traffic can play an important role in achieving the modal shift targets set out in the European Sustainable and Smart Mobility Strategy, but such aid must focus on last mile services and not distort competition with other rail freight services.

Firstly, it must be recognized that any financial support directly granted to rail freight undertakings has the potential to distort competition in the rail freight market. It is therefore essential that where financial aid is granted to SWT (Single Wagon Traffic), these activities of the operator – which mostly will be the national incumbent – in receipt of financial aid must be separated organizationally and financially from other rail freight services such as block train operations. Competition in block train segments between incumbents and challengers could otherwise be distorted.

Secondly financial aid should be limited as much as possible and should be targeted where there is a sectoral benefit which incentivizes volume growth and potential for modal shift from road to rail. Thirdly any financial aid system should be stimulating efficiencies and, if needed, facilitate possible cooperation between Railway Undertakings to avoid redundancies. It should definitely not support a particular inefficient operational practices. Fourth, direct aid to specific rail freight undertakings should be avoided and any aid mechanism should be non-discriminatory, which means that definitions of relevant concepts (such as sidings, shunting tracks) should not advantage a particular market participant. The focus of aid should be placed on financially supporting costs of the last mile services which should be offered non-discriminatorily to all market players.

If in the future Public Service Obligations (PSOs) for SWT would be possible, the PSOs should be set up in such a way that they are not discriminatory and tendered transparently on a regular basis in order to assure maximum efficiency and neutrality.

Crucially, financial aid for SWT should not be admissible where it distorts competition with other rail freight services which are viable without support (such as block train traffic or even the long-haul part of conventional freight trains). An artificial transfer of today's block trains volumes back to subsidized SWT is not acceptable. To avoid that, the SWT support mechanism

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should focus on client sidings with SWT and/or include shunting operations at a shunting yard (different from the client siding).

The focus of support for SWT should instead be where it is most needed and of most use to the sector, namely the costly part of last mile and not for long-haul trains between marshalling yards. This means the focus of aid should be on a subsidy per maneuver (last mile service), especially for less used sidings (low volumes and frequency of service), as opposed to subsidies which support long-haul operations via SWT. That would also lead subsidies not only towards the incumbents but rather to all actors involved in rail freight.

ERFA President, Dirk Stahl, stated, *“operational aid can play an important role in the development of the rail freight market, but it needs to be targeted and focused. State Aid must not be used to support unviable business practices or undermine competition. Support for SWT can be positive for the sector, but only where there is a clear understanding of the role of such aid, namely last mile connections, and conditional to organizational and financial separation of the activities in receipt of financial aid which is enshrined in law.”*

ERFA Secretary General, Conor Feighan, concluded, *“the upcoming revision of the State Aid Guidelines for Railway Undertakings will play an important role in setting the conditions for any aid for specific rail freight operations such as SWT. It is essential that the revised Guidelines clearly limit the scope of any financial aid whilst also establishing safeguards, as outlined, which will protect competition within the rail freight sector.”*

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