



UIP POSITION PAPER

19.09.24

UIP contribution to the European Commission consultation on the draft TBER (C(2024) 3946 final) and draft LMTG (C(2024) 3948 final)

Introduction

UIP supports the European Commission's Sustainable and Smart Mobility Strategy objective of greening logistics, by supporting the growth of rail freight and intermodal transport and making rail freight the backbone of low-carbon supply chains in Europe. While State aid in the transport sector has traditionally been used to address and correct market failures, UIP acknowledges that it can have a role to play to support these growth and modal shift objectives and the greening of logistics. Substantial investments are and will indeed be needed. Both public funding and private financing will have significant roles to play and should respectively be utilised in the most effective and complementary ways.

In that sense, UIP welcomes the introduction of a block exemption in transport (TBER), which will simplify the procedures for Member States to make use of State aid measures that support the coordination of transport, as well as the new State aid guidelines on land and multimodal transport (LMTG), which will replace the outdated State aid guidelines for railway undertakings. UIP strongly supports the extension of the scope of the guidelines to combined transport and inland waterways and to all key players, in particular shippers who can contribute successfully to the growth of sustainable modes of transport. Concerning the rail freight sector, UIP generally welcomes the relevant and clearly categorised types of operating aid and investment aid, such as investments into infrastructure (new, upgrades, last mile infrastructure, multimodal transshipment centres) and the deployment of game changing innovation projects such as ERTMS, FRMCS and DAC.

However, **UIP considers that public investments and State aid should focus exclusively on areas where the private market cannot provide alone.** By this logic, UIP would like to request the following:

- **A distinction should be made in the TBER and the LMTG between rail freight and rail passenger transport when it comes to the acquisition of rolling stock, as the two sectors are significantly different in terms of market organisation, degree of liberalisation and maturity of the rolling stock leasing market.** The passenger rail market is driven mostly by the supply of mobility services, while the rail freight market is driven by the demand for logistics services. The rail freight sector has been liberalised since 2007, whereas the rail passenger sector, in theory only, since the end of 2023.¹ While new entrants in the rail freight transport market can easily lease rolling stock, new entrants in the passenger transport market have difficulties to purchase or lease rolling

¹ So called 'new entrants' in the rail passenger market have complained that several Member States renewed public service contracts to incumbents at the last minute. It will take another 10 years before new entrants can participate in the next tenders.

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stock. Freight wagons are highly standardised and can run on the whole EU network, in contrast to passenger coaches, EMUs and DMUs, which are mostly tailor-made for each network and lack standardisation. The leasing market for freight rolling stock is liquid and competitive, with many private players managing over half of the total European fleet.² In contrast, leasing passenger coaches is a niche market in the EU with less than 1 % of the total fleet³ managed by private companies.⁴

- **With the application of the new TBER and LMTG in the rail freight sector, the Commission must explicitly ensure that national grants for the acquisition of rail freight and intermodal rolling stock will no longer be allowed.** Several national State aid schemes approved by the Commission over the last years have proven unnecessary and superfluous. Not only have they not delivered the expected increase in rail freight activity, but they have, on the contrary, disproportionately distorted the wagon leasing market and discouraged private investments.

A more detailed position on the various sections of the draft TBER and LMTG can be found below:

Investment aid for the acquisition of vehicles for rail or inland waterways transport and of equipment for sustainable multimodal transport

UIP recommends that the new TBER and LMTG no longer allow State aid in the form of grants for the acquisition of freight and intermodal rolling stock.

State aid cases, notably in Poland where the Commission approved grants for the acquisition of freight and intermodal rolling stock, provide tangible evidence that such schemes are superfluous and counter productive.⁵ They have unnecessarily distorted competition and have not led to an increase in rail freight activity or modal share. The support granted to the acquisition of intermodal rolling stock over the last years have led to an oversupply of this type of wagons with again no real effect in increasing intermodal transport.⁶ According to UIP members, the aid not only distorted leasing prices of intermodal wagons but also the prices of newly built wagons, as price elasticity was very limited. Grants for freight rolling stock can even lead to questionable investment strategies, as is the case with PKP Cargo, the main beneficiary of the Polish State aid scheme, who is currently facing bankruptcy.

UIP considers that State aid for the acquisition of freight and intermodal rolling stock, even in the form of public guarantees, is superfluous and causes unjustified and disproportionate distortions of competition. Private market players are able to anticipate and respond to the demand and growth of the rolling stock fleet for freight as envisaged by the modal shift objectives.

- ✓ **There is sufficient financial capacity, market knowledge and readiness to invest into new freight rolling stock and meet short- and long-term demand.**
 - Sufficient capital is available to European wagon keepers and investments in new freight rolling stock will meet any future demand.
 - Freight wagons are considered as “green” and “sustainable” assets, hence it is relatively easy to get access to finance from banks and financial institutions to purchase new freight and intermodal wagons.

² UIP represents over 250 private wagon keepers.

³ Impact assessment support study for the review of the EC guidelines on State aid for Railway undertakings p.65

⁴ Six market players, according to AERRL.

⁵ E.g. SA.36485 and SA.48093

⁶ According to UIRR annual report 2023-2024, CT operations suffered a loss of 9.39% in tonne-kilometres during 2023

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- There is no shortage of rail freight wagons in Europe.⁷ Depending on the market situation around 10-15% of the UIP fleet is currently not rented out, meaning that there are at present around 30'000-35'000 freight wagons available for leasing, of which 10'000-15'000 are intermodal wagons.⁸
 - The actual renewal rate of wagons is also much higher than assumed by DG COMP.⁹ Instead of an estimated 4'440 freight wagons manufactured per year, an average of over 14'900 freight wagons were actually authorised between 2021 and 2023 by ERA alone.¹⁰
- ✓ **There is no obstacle for RUs to access freight and intermodal rolling stock, as the leasing market is robust and well-functioning**
- The rail freight leasing market is competitive with around 250 private wagon keepers, including a few big shippers and over 240 SMEs.¹¹
 - “New entrants” in the rail freight market have not identified the access to rolling stock as a barrier to their activity and can lease freight wagons just as easily as incumbents.
- ✓ **The relative absence of growth of rail freight in Europe is not linked to a shortage of rolling stock**
- The reason behind the stagnating of rail freight’s modal share in Europe is not a shortage of rolling stock. There is sufficient rolling stock available on the market to meet today’s and tomorrow’s demand.
 - The main issues with rail freight according to European shippers are primarily related to the service provided by RUs, their lack of competitiveness, service quality, reliability, punctuality and flexibility. In parallel, the rail infrastructure is in a poor state and congested in many countries, with railway sidings and access points being increasingly dismantled.
- ✓ **The age of a freight wagons is not particularly relevant, as long as they are fit for purpose**
- Almost the entire European freight wagon fleet is interoperable and running across the EU and shippers do not make their decision to use rail freight based on the age of a wagon. Aspects like digitalisation, payload and availability are much more important.
 - Wagons can easily operate beyond 40 years, as long as spare parts are available, maintenance remains affordable and safety can be guaranteed.

Given that private market players are capable of anticipating and meeting the short- and long-term demand for new freight and intermodal rolling stock and given that access to rolling stock is not a problem in the rail freight and intermodal sector, **UIP urges the European Commission to exclude freight and intermodal wagons from the scope of the “investment aid for the acquisition of vehicles for rail or inland waterways transport”, in the TBER and LMTG.**

⁷ The total European rail freight fleet is 560'000 based on the GCU database.

⁸ Based on internal UIP inquiry

⁹ The EC support study, p. 56.

¹⁰ ERA data on the number of authorised freight wagons provided by the ERA unit Planning and approvals delivery unit.

¹¹ UIP members



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On operating aid to reduce external costs of transport

UIP welcomes incentives to transport organisers, by rewarding the avoidance of external costs. Choosing less energy- and carbon-intensive modes of transport provides tangible benefits to the EU and its citizens. There should therefore also be tangible benefits, in the form of financial incentives, for the parties making the decision to use more sustainable modes of transport (transport organisers, freight forwarders, shippers). These financial incentives should reflect the social costs savings made by not using road transport, and in addition, compensate for the operational costs of transshipments from/to rail.

On investment aid for interoperability

Digitalisation and automation of the rail freight sector will be essential to make it more attractive, reliable, flexible and creating more capacity.

UIP fully supports the suggested proposals and all the listed eligible investment projects in the draft TBER and LMTG. UIP welcomes the overall 50% co-financing rate and 80% for real game-changing projects such as the DAC, ERTMS, ETCS and FRMCS in the TBER.

Investment aid for technical adaptation and modernisation of vehicles and equipment for sustainable multimodal transport

UIP welcomes the investment aid for technical adaptation and modernisation of rolling stock, even though the state aid intensity could be higher than 20%.

In anticipation to the future decline in the transport of fossil fuel products, wagon keepers are already technically adapting wagons like hoppers, which traditionally transported coal to now transport other types of dry goods. Given the long-life cycle of freight rolling stock and in respect of the principle of a circular economy, **UIP therefore requests that the European Commission extends the eligible investment projects of “technical adaptation of inland waterways vessels to new types of freight” to also include rail freight rolling stock.**