

Response to the Publication of the Draft Guidelines for Land Transport and Multimodal Transport (LMT) and the Draft Block Exemption Regulation (TBER)

As **Wiener Stadtwerke Group**, we welcome any initiatives that support climate-friendly transportation options. Together with our group companies in rail freight transport (**Wiener Lokalbahnen Cargo**) and public transport (**Wiener Linien** and **Wiener Lokalbahnen**), we thank you for the opportunity to comment on the European Commission's draft guidelines for land transport and multimodal transport, as well as the block exemption regulation.

Promotion of Rail Freight Transport

Due to the strained situation in the rail freight sector, it is currently unable to achieve the necessary modal shift required to facilitate a green transformation of EU freight transport and meet the EU's climate goals. While it is necessary for the sector itself to improve its intermodal competitiveness by optimizing processes, fostering innovation, and striving for cross-border interoperability, state aid is essential to help rail freight reduce its competitive disadvantage compared to road transport. This includes aid to **reduce external costs, infrastructure cost subsidies**, and **interoperability aid**. Furthermore, the newly added provisions for **investment aid** are an important signal, both to the sector and to the member states, that technological innovations in rail and multimodal transport are necessary.

This revision of the LMT guidelines should be used to provide an appropriate basis to support the rail sector and sustainable multimodal transport in achieving the EU's climate goals with the following key levers:

Full Compensation of Additional Costs Compared to Road Transport

Compared to rail, road transport is still much easier and cheaper, making it more attractive to customers. The main reason for this is the continued **lack of a level playing field between rail and road**, the preferential treatment of road transport in terms of taxation and regulation, and the fact that road transport's external costs are currently passed on to taxpayers rather than internalized by the road transport sector itself.

For these reasons, **new rules on operating aid** are important steps towards redressing the competitive imbalance between road, rail and multimodal transport. With the following measures, however, they can still have an impact on achieving the objectives:

- **Increasing Aid Intensity to Reduce External Transport Costs:**

The level of aid intended for the Commission's objectives is too low. Aid intensity is limited to 75% of eligible costs. The draft falls short and is even a regression, as previously, in the case of infrastructure use aid, up to 30% of total rail costs and up to 100% of eligible costs were possible. A general **increase in aid intensity to 100% to reduce external transport costs** would help compensate for the sector's unintended additional costs.

- **Special Consideration of Infrastructure-related Additional Costs:**

As a rail-based mode of transport, rail faces numerous challenges, especially concerning cross-border interoperability. In addition to strict regulation, the operational, regulatory, and technical conditions in EU member states differ, making rail freight transport less flexible and more expensive than road transport. Rail's specific infrastructure exacerbates the imbalance with road, particularly due to extensive construction, unreliability caused by short-term closures, and rerouting, all of which lead to significant additional costs. Rail freight cannot manage these without operating aid, making it impossible to compete with road transport. Therefore, **aid for infrastructure use should be retained** as a **category** of operating aid, **expanded for additional infrastructure-related costs**, and **maintained at the current aid intensity of 100%** of eligible costs.

- **Retention of Existing Aid Categories:**

The current guidelines distinguish aid categories by recognizing external costs compared to road transport and infrastructure use costs. The new proposal eliminates aid for reducing the cost differential of infrastructure use, which was previously 100% fundable. While the aid intensity for external cost differentials has increased by 25%, the removal of this important infrastructure aid category negatively impacts overall aid intensity and severely restricts the scope of eligibility. By removing these categories, unequal situations and aid needs are subject to the same regulations, without properly addressing the challenges of the different areas. **This adjustment reinforces existing systemic competitive inequalities, making the retention of these distinctions essential for targeted aid regulations.**

Investment Incentives for the Renewal and Upgrading of the European Fleet

To ensure safe operations and ultimately security of supply in Europe, rail companies, regardless of size or market maturity, must invest in new locomotives and upgrades to existing rolling stock (e.g., ERTMS). Given the enormous costs involved, urgent aid in the form of **direct grants** and more **flexible frameworks** is needed.

The LMT guidelines send an important signal to member states by stipulating investment aid for the introduction of ERTMS, with aid intensity at 80% of eligible costs, highlighting the urgent financing needs for new purchases and fleet upgrades. However, infrastructure-mandated upgrade requirements related to ERTMS often come with implementation uncertainties (due to varying implementation across European routes) and are often financially disproportionate to the overall value of the fleet to be upgraded. As the rail sector is in fierce price competition with road transport, investments are often delayed as long as possible. The high costs for new purchases prevent rail companies from investing in new vehicles or upgrades in a timely manner. Aid in the form of direct grants can trigger and accelerate such investments. However, the LMT guidelines only provide for investment aid in the form of public guarantees for vehicle acquisition and limit the beneficiaries to SMEs and new market entrants. Since public guarantees come with significant financial and time burdens and are not effective for all market players given the required implementation deadlines, **direct grants** for the rail freight sector **should be available to all market participants with upgrade obligations**.

Exemption for Urban Transport and Surrounding Regional Transport

We welcome the clear reference in Article 2(2)(f) that services falling under the PSO Regulation (1370/2007) are exempt. However, we would like to point out that due to the current definition of terms in the state aid regulations, with the explicit mention of the combination with other transport modes, indirect effects on such services could be possible. Therefore, the inclusion of this stakeholder group remains important for these initiatives in the future.