



ETF contribution to EC consultation

State aid – draft Land and Multimodal Transport Guidelines (LMTG) and draft Transport Block Exemption Regulation (TBER)

Just transition is a priority demand for the whole labour movement with important implications in transport. The ETF has expressed unambiguous support for modal shift, stressing that targets cannot be reached until such time choices for more polluting forms of transport are acknowledged and dealt with. For years, road transport has been kept artificially cheap, mainly because road operators cut down on labour costs, circumventing EU social rules and resorting to dumping practices. This is and will remain one of the key barriers in shifting a big part of the 75% inland freight carried today by road, to rail and inland waterways (EU Green Deal).

Having said that, the ETF welcomes the EC initiative on state aid, in as much as the intended **guidelines and related TBER constitute a clear recognition that rail and inland waterways must be publicly funded if they are to have any chance of gaining ground against the more polluting transport means**. State aid is at the same time an indispensable tool to maintain employment levels and quality jobs there where shortage of workers threatens the future functioning of rail and inland waterways.

The ETF also estimates that the EC initiative considers a large variety of state aid measures as potentially compatible with EU law, providing a fair amount of opportunity to Member States wishing to subsidise freight by rail and inland waterways.

It equally lays down clear and, for the most part, objective criteria to assess compatibility. They thus reduce the risk of unpredictable case-by-case assessment and create legal certainty and some simplification for Member States.

However, ironically, having had pushed for liberalisation of freight services for almost 2 decades, the Commission is now opening doors to public subsidies in order to maintain the sector afloat. In this respect, we notice with concern that the guidelines continue to express a preference for private ownership, arguing that public ownership is not conducive to efficiencies.

The ETF notes that there is not a single reference to workers in the EC draft rules subject to this consultation process. Rail and inland waterways can receive aid to account for externalities but these externalities are mostly of environmental nature. The fact that road and low-cost aviation rely on social dumping as a competitive advantage is completely overlooked by the EC draft. This will unduly limit the total amount of aid that companies can receive in order to remain competitive. **In**



their current state, the guidelines are therefore an insufficient tool to protect workers against cost cutting practices.

In addition to the narrow understanding of external costs, there is an underlying assumption that the rail sector should not be entirely subsidised. The amounts available are therefore capped at a certain percentage of the costs. As a result, it is possible that the guidelines and the TBER remain insufficient to guarantee that rail is competitive enough, compared to more polluting transport means.

The ETF believes that greening the transport sector must therefore be accompanied by strong social measures as there is an undeniable link between social and environmental sustainability. In other words, **social conditionalities must mandatorily accompany any type of state aid**. This is crucial for just transitions and ensures that public funding is used in a socially responsible manner. Before granting any state aid measure, it should be established that the beneficiary:

- Commits to fundamental trade union rights and has a track record of engaging in social dialogue
- Has a valid collective agreement in place, in accordance with the law and practice of the place of work
- Where relevant, commits to put in place supporting measures in the transition to new jobs (e.g. upskilling, reskilling, employment guarantees etc)

The EC draft rules should equally introduce safeguards to prevent social dumping practices and other aggressive cost cutting measures targeting labour.

Additionally, the rules should ensure full involvement of social partners in the changes and transformation processes, including information and consultation rights and collective negotiation of accompanying measures.

The ETF stresses that the guidelines should:

- **Factor in the cost for fair working conditions into the calculation of external costs**
- **Ensure higher aid intensity in order to create a genuine level playing field with other, more polluting transport modes.** In particular, operating aid to reduce external costs (including cost for fair working conditions) must be raised to 100%.
- **Allow aid measures to support undertakings in financial difficulties.** The draft guidelines exclude this category of aid, arguing that they need to be analysed under the separate guidelines on state aid for rescuing and restructuring non-financial undertakings in difficulty¹. This separate instrument, however is not adapted to the specificities of the rail sector which has gone through highly turbulent times in the aftermath of the covid and energy crises. A more relaxed approach to public support in this sector is necessary in order to allow greener modes of transport to survive on the market.

¹ Communication from the Commission of 31.7.2014, OJ C 249



Finally, independently from the draft guidelines and TBER, **the Commission should carry out a comprehensive assessment of the impact of liberalisation on the sustainable financing and effectiveness of the railway sector.** In ETF experience, liberalisation of certain state-owned services did not translate into benefits for users. Private investors expect satisfactory returns on investment, often in the short-term, and this has created tangible risks to employment and the overall quality of services.

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