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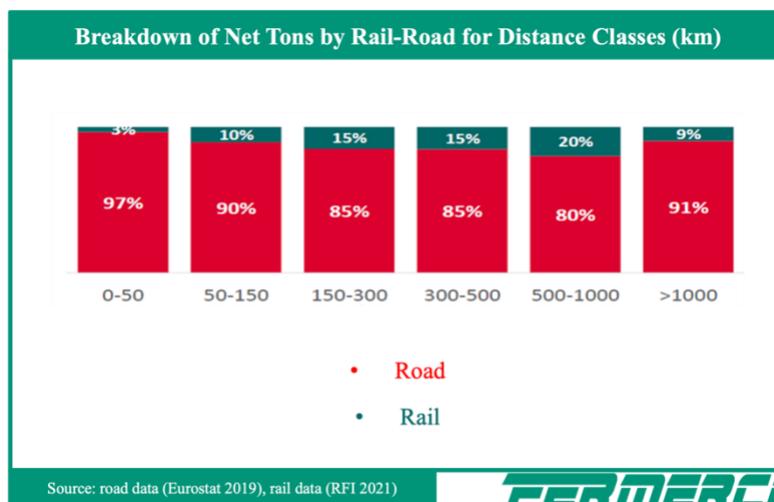
European Commission
Directorate-General for Competition
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SUBJECT: Fermerci Association - HT.5524 - Reply_from_an_organisation

The European Commission's (EC) draft new state aid rules for inland and multimodal transport state that aid to reduce external transport costs can only be granted if a more polluting competing mode of transport is an economically viable alternative to the mode supported by the aid.

In the freight transport sector, the EC considers that the competitiveness of rail transport compared to road transport depends on the distance covered by the service. Therefore, both in the Guidelines and in the TBER, the following distance thresholds are defined, beyond which the exemption from notification will not apply and the potential loss of competitiveness compared to road transport has to be demonstrated on a case-by-case basis: 800 km for multimodal rail transport, 350 km for unimodal rail transport (except single wagonload).

The criteria proposed by the Commission, as described above, raise a number of critical issues in the author's view. Firstly, the higher competitiveness of rail freight compared to road freight, as assumed by the Commission above the above-mentioned thresholds, is not considered to be an adequate reflection of the reality of the sector. Secondly, these criteria, based solely on the distance travelled as a discriminatory element to determine the competitiveness of rail freight in relation to road freight, would not allow public contributions to be granted to the rail sector over medium and long distances (in particular over 350 km for unimodal transport and 800 km for intermodal transport), which would hinder the modal shift from road to rail and also encourage the reverse modal shift. In fact, in Italy, even for distances over 300 km, more than 80% of the tonnes of goods are currently transported by road (figure below).



In Italy, road hauliers, generally SMEs, can also benefit from numerous public contributions under the de minimis rule.

The competitive gap between rail and road freight transport over medium and long distances is influenced by several structural elements that need to be taken into account. In particular, for distances above 350 km for unimodal transport and 800 km for intermodal transport, the main factors that make road transport a competitive alternative to rail freight transport are the extension and capacity of the infrastructure, the

difference in the cost of access to the infrastructure, the difficulty of balancing services in both directions, the competitiveness of RO-RO transport and the performance of the infrastructure.

Road transport remains a valid alternative to rail for medium and long distances, thanks to a more extensive and widespread network. On the other hand, the railway infrastructure is growing much more slowly, resulting in the existence of large areas that are poorly served and with few alternative routes, leading to an inevitable shift to road transport solutions, especially in the case of line interruptions and exceptional weather events.

Competitiveness is accentuated by the difference in the cost of access to rail infrastructure compared to road infrastructure, estimated at €1.30 per train-km in the southern regions, rising to €1.83 per train-km in Sicily due to the additional cost of ferry operations. In addition, rail freight (unlike road freight) incurs parking costs throughout the network, which are expected to increase significantly from 2025.

It is also important to take into account the difficulties of balancing inward and outward rail traffic (especially for Italian traffic, which develops over medium and long distances, along the "south - north" axis): while the flexibility and capillarity of road transport allow for a high degree of utilisation of services in both directions, the rigidity and specific characteristics of rail transport make it difficult to achieve a high degree of utilisation of services in both directions, while the rigidity and specific characteristics of road transport make it difficult to achieve a high degree of utilisation of services in both directions.

Therefore, the total cost of a round trip reduces the profitability of rail services and undermines their economic sustainability, as it cannot be passed on to the market without further loss of competitiveness.

When determining the contribution thresholds, it is also necessary to take into account the competitiveness of RO-RO traffic, which often benefits from short distances to connect two points that would require significantly higher costs and distances by rail. Consider, for example, the Bari - Trieste route: the sea route is about 50% shorter than the rail route and could, under the current EC proposal, fall within the kilometre thresholds for short sea shipping contributions (unlike the rail route, which would exceed the thresholds set).

Another disadvantage compared to road transport is the infrastructure capacity, which prevents the loading of large quantities of goods on trains and thus the exploitation of economies of scale. In this respect, it should be noted that in Italy the possibility of operating trains of 740 metres in length is severely limited by the very low percentage of terminal structures capable of receiving trains complying with this European standard, as shown in the table below:

Characteristics of last mile infrastructure clusters in Italy						
Cluster (#numerousness)	Dimension	Min	Max	Average	Total	N. sidings on the total
Infrastructure with outstanding capacity (15)	N. binari	26	78	35		
	Modulo max	535	1.034	716		
	N. raccordi attivi	-	3	1	19	6%
High-capacity infrastructure (33)	N. binari	2	33	11		
	Modulo max	476	760	617		
	N. raccordi attivi	3	10	4	144	45%
Medium-capacity infrastructure (110)	N. binari	1	19	6		
	Modulo max	498	950	634		
	N. raccordi attivi	-	3	1	121	38%
Low-capacity infrastructure (38)	N. binari	1	14	5		
	Modulo max	92	495	338		
	N. raccordi attivi	-	2	1	38	12%
Unclustered (2)	N. binari	8	8	8		
	Modulo max	-	-	-		
	N. raccordi attivi	-	-	-		

Source: Last Mile Map - Fermerci Association

Recently, the European Court of Auditors stated that the exploitation of economies of scale related to the train length requirement should be considered as one of the most cost-effective factors to ensure the competitiveness of the sector. This aspect becomes even more relevant in the light of the recent revision processes of the European regulatory framework for road transport, which propose an increase in the weights and dimensions of the towable masses of road vehicles.

In addition, when determining the competitive gap with road transport, we must also take into account the difficulties associated with the long pay-back periods for investments in rolling stock, which are necessary to replace the oldest fleet of vehicles in circulation of operators that have been in the market for longer. Under the current draft proposed by the EC, such investments risk being excluded from aid schemes, unlike those for the purchase of vehicles used for road freight transport.

In this context, it is estimated that the mileage thresholds currently envisaged by the Commission for Italy would result in an exclusion from the aid scheme (calculated on the basis of the distances covered on national territory in terms of tonne-kilometres) estimated at around 70% of total unimodal rail services and 30% of total intermodal services. Overall, about 50% of rail freight services on the national network (weighted by distance travelled), which are currently largely supported by specific support programmes, would fall outside the eligibility thresholds. The lines most at risk would include almost all those originating or terminating in the southern regions of Italy.

Under the current draft proposed by the EC, consolidated and essential aid schemes for the sustainability of rail freight, such as Ferrobonus and Norma Merici, risk having to be re-parameterised and losing their incentive and compensatory effect for the competitive gap with other modes of transport. The importance of incentives for the rail freight transport sector is illustrated in the following graph, which analyzes the trend of rail freight transport in relation to national incentives, Noma Merici and Ferrobonus:



In the light of the arguments set out above, it is therefore considered appropriate to modify the criteria set by the Commission for aid related to the reduction of external transport costs by removing or, alternatively, increasing the kilometre thresholds for rail freight in the new rules on State aid for inland and multimodal transport. In addition, in order to effectively support the competitiveness of rail freight, Member States should be allowed, on the one hand, to modulate national incentives on the basis of the performance of rail freight in order to keep the unit contribution coefficients stable and constant over time and, on the other hand, to review the amount allocated on the basis of inflation.

Finally, it is important to emphasise the central role played by terminal railway infrastructures and connecting lines to the national network in the freight transport system. The current critical problems related to the "last" and "penultimate mile" cause serious economic and operational inefficiencies for the whole system and require, in order to be overcome, significant investments aimed at strengthening facilities and developing rail connections. However, in a context characterized by high costs and low profit margins, the adoption of public support measures represents an indispensable incentive tool for the implementation of the necessary interventions.

In this respect, we welcome the definition in the Commission's proposal of the new framework for the construction, modernization and renewal of rail transport facilities and sidings. However, we hope to see an increase in the exemption thresholds contained in the current draft TBER in order to allow for timely and adequate forms of support in response to the urgent needs of the moment.

In conclusion, we consider that the proposals formulated are in line with the objectives set out in the Guidelines on State aid for inland and multimodal transport (C/2024/5046), as well as with the broader objectives of modal shift set out in the White Paper on Transport (COM/2011/0144) and the Strategy for Sustainable and Intelligent Mobility (COM/2020/789).

The President

Clemente Carta



Fermerci Association – WHO WE ARE

Fermerci is the System Association that represents rail freight transport operators in Italy: Railway Companies, Railway Terminals, Multimodal Operators, Railway Shunting Operators, Wagon Owners and their Workshops, Manufacturers and Owners of Railway Vehicles, Training Centres for Personnel in the Railway Sector.

Website: www.fermerci.it

The list of all our members is available at the following link: <https://www.fermerci.it/associati/>

[Watch the presentation video of the Fermerci Association](#)

Annually, Associazione Fermerci draws up the Report on the state of Italian rail freight transport, consult the editions: [Annual Report 2024](#) and [Annual Report 2023](#)