

State aid guidelines and TBER

Intermodal/Combined Transport carries cargo stuffed into an *Intermodal Loading Unit* (ILU) - container, swap body or semi-trailer. Door-to-door intermodal transport, also referred to as *multimodal freight transport*, is capable of productively bringing together several different modes of transport to perform a single cargo movement typically over longer distances with efficiencies in energy-consumption, labour use, infrastructure-needs and environmental-performance that far outperform the unimodal long-distance road transport alternative.

If multimodal freight transport outperforms the currently dominant mode of freight transport, being trucks on the road, why does it need to rely on state aid? What kind of state aid does it need and for how long under what conditions? This paper will answer these questions.

Regulatory and policy measures in place do not enable the low external costs of non-road transport modes, and primarily electric rail, to appear in its most important market signal: price. The per tonne-kilometre infrastructure cost of electric rail freight is fraction of that of road, the harmful pollutant and carbon dioxide emissions are multiple times lower than road transport's, while the accidents and accident-related disruption impact of rail freight are several order of magnitudes smaller than in the case of long-distance trucking. Electric rail freight barely contributes to the dependency of Europe on imported fossil fuel products, which imposes substantial security risks on the continent. Therefore, and as long as these substantial externality advantages of electric rail freight are not enabled to be reflected by the regulatory framework in the prices through the internalisation of these externalities, temporary operational state aid measures should be employed to achieve the same effect.

Investment aid can be justified by the asset-prerequisites of having more multimodal freight transport. The profitability of multimodal freight transport is suppressed by the dominant road rates, which omit externality costs. Through this mechanism private investors may not find investments into multimodal freight transport assets commercially attractive unless investment state aid is provided to their endeavour. Having more multimodal freight transport services is in the greater interest of society and the economy. Therefore, and as long as the substantial externality advantages of multimodal freight transport are not enabled to be reflected by the regulatory framework in the prices through the internalisation of these externalities, temporary investment state aid measures should be employed to achieve the same effect.

Multimodal freight transport requests

- Operational aid for multimodal transport on the territory of the Member State: **the rail transport distance should be increased to 1100km** or the longest domestic railway distance from a major port or terminal to the dominant border-crossing station.
- The multimodal freight transport sector **fails to recognise the merits of public services in rail freight transport**, therefore suggests the omission of this section.
- Aid to launch new commercial connections: **the definition of a "new commercial rail freight connection" should be precisely provided.**
- Investment aid for new facilities or their renewal: **consideration should be given to the commercial interests** of modern functioning facilities within a 100km radius to the beneficiary with a potential need for compensation payments or other form of state support should be offered.
- The threshold for the **exemption for investment state aid for the construction of terminals** set at €3 million per projects should be revised upwards in the TBER.
- Interoperability aid or aid for technical adaptation and modernisation: **consideration should be given to the commercial interests** of owners of investments, which are already interoperable, especially owners of ETCS-compliant locomotives and DAC-equipped wagons, that have been funded without state aid, with a potential need for compensation payments or other form of state support should be offered.
- In order to close the information gap between national and foreign companies and facilitate cross border transports, the transparency provisions in 82 and 83 should also be published on one **single European website**, that comprehends all member states state aid schemes.

Operational aid needs of multimodal freight transport

The national situation regarding external costs of infrastructure shows a great discrepancy throughout the various Member States. Especially in those countries where only a limited section of the motorway and highway network is charged – typically concession motorways only – the track access charge of freight trains running on a network charged in its entirety may need to be reimbursed irrespective of the distance covered. But also, the levels of road toll applied in countries with a universal distance-based toll system may not be commensurate to the wear-and-tear caused by heavy trucks to the road infrastructure. The 800km distance limit contained for operational state aid in the proposal does not reflect this reality.

Examples of presently used multimodal rail freight routes per country:

Member State	from	to	distance
France	Forbach (DE/FR border)	Hendaye (FR/ES border)	1083km
	Dourges (terminal)	Perpignan (terminal)	1050km
	Dourges (terminal)	Miramas (terminal)	940km
Germany	Rostock Port (DE to Scandinavia)	Kufstein (DE/AT border)	915km
Italy	Busto (terminal)	Bari Port (IT to Greece, Albania, Turkey)	900km
	Verona (terminal)	Bari Port (IT to Greece, Albania, Turkey)	810km
Poland	Swinoujscie Frontier (PL/DE border)	Lupkow (PL/SK)	1091km
	Swinoujscie Frontier (PL/DE border)	Muszyna (PL/SK)	995km
Spain	Port Bou (ES/FR border)	Algeciras Port (ES to Africa)	1444km
	Badajoz-Elvas-Frontera (ES/PT border)	Hendaye (FR/ES border)	1009km
	Valencia de Alcantare-Frontera (ES/PT border)	Hendaye (FR/ES border)	984km

It is visible from the table above that **1100km is a railway distance for operational state aid** that complies better with existing cross-border relations of multimodal rail freight – dominantly cross-border trains – while even 1500km could be justified.

In the many decades-long experience of multimodal freight transport providers represented by UIRR, their sustainable and efficient freight transport services can be extended throughout the Single European Rail Freight area fundamentally under competitive and open market conditions – perhaps assisted by well-conceived state aid programmes. On the other hand, there is no justification recognised for launching **public service rail freight operations**.

Multimodal freight transport services have existed throughout the European Union since the 1960s. These services today, and for the past several decades, have been open market commercial undertakings. Therefore, if providing state aid to launch new commercial connections, the multimodal freight transport community represented by UIRR wishes to **caution the legislator from commercially harming the existing services**. This concern may be backed up by the findings of the European Court of Auditors in their ex-post analysis of the EU's Marco Polo Programmes¹, which found that the new services launched with Marco Polo subsidies frequently cannibalised, and in some cases even annihilated existing services. Moreover, the new services were often discontinued after the Marco Polo aid ran out. Therefore, a well-conceived definition of "new commercial rail freight connection" should be provided in the State Aid Guidelines.

¹ https://www.eca.europa.eu/Lists/ECADocuments/SR13_03/SR13_03_EN.PDF

Investment aid needs of multimodal freight transport

Freight transportation within the EU single market is practiced for over 3 decades as a liberalised, competitive service. Market actors have in this time invested substantial amounts of private capital – without state aid – into various multimodal freight transport asset categories including transshipment facilities and rolling stock. Considering the typically multiple-decades-long design life of these assets, any investment-, interoperability- or technical adaptation/modernisation-type of state aid programme **must take the interests of these private sector investors and the justified need of protecting their investments into account** prior to offering state aid to owners of assets, who may be their direct competitors. Offering a compensation payment or other form of state aid to these investors should be considered.

Background to how we got to where we are today

Road transport was developed at a feverish pace after World War II due to the following reasons:

1. Armies were viewed to be moving around more tactically on rubber wheels than on tracks.
2. Oil was seen as the fuel of the future, while coal – that used to power rail – was the fuel of the past.
3. Huge military-purpose manufacturing capacities for internal combustion engines and rubber wheeled vehicles needed to be transformed for peaceful, civilian needs.
4. The reconstruction of cities reduced to rubble could only be done by rubber-wheeled and oil-powered technologies.
5. The emergence of the private automobile – to replace the dominant public transport – came at a later stage, when public comfort and individual purchasing power allowed for this.

Road infrastructure was developed at breakneck speeds and Europe was abandoning rail for the road. Trucks, buses and cars were rapidly replacing freight- and passenger trains. Funding that should have gone into restoring the war-damaged rail infrastructure was redirected towards the construction of the “technology of the future”: roads.

Electric rail traction was introduced in the 1950s. This was the only reason for investment. And rail remained intact in those areas where large volume of bulk cargo needed to be moved, or large cities of multi-million populations needed to be operated.

The first need to rethink the unabated conquest of road transport in Europe came with the oil crises of the 1970s, when it suddenly became clear that the flow of imported cheap oil may come to a halt. This was soon followed by the environmental destruction caused by acid rains. Transport-related air pollution was also recognised in large cities. Followed by the burden placed on public healthcare and pension systems by an endless growth of road traffic accidents.

Technical solutions devised within the road transport industry and manifested in vehicle technologies, road infrastructure solutions and operating and traffic management techniques were relied upon as the remedy. These, however, came close to their boundaries as the fossil fuel powered internal combustion technology could not be meaningfully upgraded any more, vehicles have gotten heavier for safety reasons and the road infrastructure could not offer any more progress.

In parallel, attention came to the potential offered by non-road modes of transport, namely by electric rail and waterborne means. The cleanliness, safety and energy-efficiency of electric railway technology was increasingly recognised – especially as the threat of a major armed conflict significantly abated with the end of the cold war. Rail infrastructure then slowly began to be developed starting in Western half of Europe, and later in the East. Nevertheless, the amount of public capital withdrawn from the rail infrastructure network has been very substantial. The road sector continues to enjoy to this day substantial public investments and operating aid in the form public budgets underwriting road transport’s external costs, which does not allow the reflection of the totality of resources used and public damages caused by this particular mode of transport.

Considering that long-distance trucking continues to define the freight rates that apply to the other less dominant modes of freight transport, as well as the extensive gaps in the internalisation of external costs, multimodal freight transport services deserve state aid in the form of both operating and investment aid measures.