



AERRL welcomes the initiative, after 16 years, to revise the Community guidelines on State aid for railway undertaking to turn them into Land and Multimodal Transport Guidelines (LMTG). We have contributed to the various consultations that preceded the publication of the Draft Communication's text as well as the consultations regarding the Transport Block-Exemption Regulation (TBER). On all these occasions, we have stressed the following major points:

- Support of EU Strategy and Focus on Infrastructure
  - Public aid should support the EU's smart and sustainable mobility strategy.
  - Aid should primarily support infrastructure rather than transport operations or rolling stock to avoid disrupting the private investment market.
  - Aid plans financing rail rolling stock should be avoided.
  - Lump-sum subsidies for new rolling stock investments should be forbidden.
- Non-discrimination
  - Public aid must be offered to the entire European market non-discriminatorily.
  - All calls for aid must be published in English.
- Technological Upgrades
  - Support is required for mandatory technological upgrades (e.g., ETCS).
  - Public subsidies should cover the full costs of new technologies and related retrofits on existing rolling stock at manufacturing level.
- Support to Innovation
  - Public intervention is needed in research and innovations, including pilots.
  - Priority for subsidies should be given to projects involving disruptive technologies, decarbonization, and rail digitalization
- Aid to infrastructure
  - The regulation should encompass aid to maintenance facilities.
  - The regulation should encourage the adoption of the EU standard gauge.

Unfortunately, it seems that the points that were raised by the private Rolling Stock Leasing sector have been only partially taken into account in the Draft LMTG Regulation. Therefore, the following points could benefit from additional clarification or revision:

## TBER

We feel that the position of AERRL that was shared with the EC through the public consultation on the TBER has not been addressed. AERRL is concerned that the draft does not foresee any form of reparation or appeal should aid be granted unjustly.

## Non-discrimination:

The Draft does not mention the requirement to publish calls in English. As per the "Letta Report on the Single Market"<sup>1</sup>, We should aim for European-wide state aid in order to ensure a level playing field across European Businesses. "[...] balance a stricter enforcement of State aid at national level and the progressive expansion of EU level funding support.". This could be facilitated by the use of a common language in the calls related to state aid. Our members operate across various member states contributing to each's economy without

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<sup>1</sup> <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>



necessarily having legal representation in all of them. Given the transnational soul of railways, this should not hinder the ability to gain access to much-needed funds.

## No aid if no market failure:

The aim of the Draft text is to limit the State aid aimed at financing the procurement of Rail rolling stock given that is already a profitable private market. For this reason, we agree with the proposed text to limit financing to guarantees of up to 90 to 80% of the loan (depending on whether or not the block exemption is used) and to limit the access of such aid to new entrants and SMEs. Nevertheless, AERRL feels that the prohibition of the point related to the financing of the procurement of Rail rolling stock should be more strongly or explicitly stressed in the Regulation. We'd like to make the example of the "Adaptation of rolling stock to different electrical systems". Locomotives are usually not adapted but rather built as multisystem units. This kind of aid for procurement of electric locomotives would lead to a sure market distortion as it is a proven working free market.

## Technological Upgrades:

- We welcome the fact that the large and increasing costs needed for technological upgrades and retrofits of rolling stock have been acknowledged. We'd like to propose that the majority of the resources be devoted to migrating to ERTMS and DAC technologies at European level also with a focus on safety-related features.
- The aid should be granted in a way that ensures that both Infrastructure Managers (IM) and vehicle keepers are compensated for the costs, net of the benefits. Currently, for the implementation of GNSS (Global Navigation Satellite System) technologies related to ERTMS IMs would reap most of the benefits while the majority of the costs would fall on the keepers. State aid should take this into account and allow for fair compensation of these implementation costs.
- We also would like to propose that aid in this field takes the form of compensation at manufacturing level and ensure that IP rights are not being used as a competitive advantage.

## Support to innovation

State aid should also encourage investment in technologies that could help reduce CO2 emissions and other pollutants in the railway sector, especially in the realm of rolling stock. State aid aimed at the decarbonization of the railway sector would aid the development of economic activity in an environmentally friendly manner, without adversely affecting trading conditions to an extent contrary to the common interest of the Union. This aid should be focused as well on supporting innovative projects of zero net emission locomotives as well as on production, distribution, and storage units of alternative energies.

## Aid to infrastructure and maintenance facilities

In order to be functional, the rail sector has to be comprised of both rolling stock and an infrastructure on which it can circulate. Therefore, we propose to amend the wording "Adaptation of rolling stock to different track gauges" to "Adaptation of rolling stock to different track gauges or adaptation of infrastructure to reduce the differences of track gauges". As per the Union's goals, we should aim for the development of a standard gauge network wherever possible and financially sensible. Additionally, the regulation should envisage aid for Maintenance facilities including access lines and electrification of said lines.