

# POSITION PAPER

## THE EU COVID-19 STATE AID TEMPORARY FRAMEWORK DOES NOT WORK FOR PASSENGER RAIL – the economy will suffer, taxpayer money will be wasted and the EU Green Deal will be jeopardised

Our non-profit association ALLRAIL, the Alliance of Rail New Entrants – represents independent, privately owned passenger rail operators & ticket vendors in Europe. **Our members are now confronted with the dire economic impact of COVID-19, threatening both their survival and recovery, which is not being adequately tackled by the Member States.**

Since 2011, new competition both on the rail tracks and in the downstream rail ticket retail market has benefited passengers, taxpayers and the environment. It has led to an increased number of rail travellers – sometimes by more than 100% in just five years. This has boosted regional economies while reducing the carbon footprint.

At the same time - like the majority of European airlines – independent passenger rail companies are not state-owned. Like airlines, they are mostly commercially-driven and do not receive subsidy.

Consequently, they are also confronted by the harsh economic impact of COVID-19, with a drop of over 90% in passengers, particularly in those cases where intra-EU borders have been closed.

**Together, our members face over €1 billion in lost income by the end of this year.**

**It is no exaggeration to say that we might already face the first wave of bankruptcies within the next few months. Therefore, we require urgent action from Member States.**

### **We welcome the Temporary Framework, but it does not work for passenger rail**

Our members find themselves in a progressively worsening situation. They have significantly reduced operations with the few remaining connections run as a ghost service.

- Despite repeated requests, **Member States are not willing to provide liquidity to commercially-driven independent passenger rail companies:**
  - No grants and no credit lines for rail anywhere in the EU.
  - No state guarantee for loans or leases and few opportunities to postpone such payments.
  - Out of the general schemes, only short-term work ones have been helpful, but this is not enough to save capital intensive businesses.
- At the same time, **independent passenger rail companies continue to incur very high costs:**
  - For example, there are still few cases where cancellation fees for access to state-owned infrastructure has been waived.

- In Sweden, the Transport Agency has ceased to invoice for its supervision/inspections, but these invoices were already paid by most operators at the beginning of the year(!)

### **While sidelining rail, Member States are giving special aid to other transport modes:**

A lot of the focus is placed on aviation, where numerous airlines are receiving bailouts; for example, Sweden conceived a EUR 0.5 bln support scheme in the form of credit guarantees for any airline that held a licence to operate in Swedish airspace on January 1, 2020. As commercially-driven 'open access' rail operators are not given the same treatment, this scheme clearly discriminates against them considering that they compete on the same domestic routes within the country.

### **Discrimination between transport modes will have a negative impact on the economy:**

In some cases it does not make economic sense to prioritise airlines, because larger amounts of people use other modes of transport. For example in Italy: 65 million people use the 2 competing domestic high speed rail operators Italo & FS Trenitalia while only 35 million use domestic flights. Despite this, the Italian government is planning to bail out Alitalia which has not made a profit since 2002.

### **The COVID-19 outbreak must not be a pretext to dismiss Green Deal objectives:**

The EU Green Deal states that aviation generated 14% of greenhouse gas emissions in the transport sector, whereas rail is only at about 0.5%. We must not lose sight of the persisting climate and ecological crisis when working out how to spur the economy after coronavirus.

### **The EU Commission should look into anti-competitive behaviour during the outbreak:**

Some commercially-driven passenger rail operators in Europe are state-owned, which might be resulting in preferential treatment during the pandemic. For example, DB's long-distance operator in Germany ("DB Fernverkehr") which runs on an commercial 'open access' basis keeps running 75% of its trains with 5% of passengers. As no privately owned operator can afford to run almost empty, it is obviously receiving some form of preferential treatment from its owner (the German government).

### **To ensure the survival of new entrants: top priority is liquidity**

#### **The Member States need to introduce specific provisions to help independent passenger rail companies in their emergency decrees, allowing for:**

- ⇒ Temporary public service contracts ('PSOs') for commercially-driven 'open access' operators to carry out reduced services - backdated until mid-March 2020.
- ⇒ State guarantees for all existing loans and the ability to postpone lease payments.
- ⇒ Deferral of payments of statutory company taxes and social security contributions.
- ⇒ Reduction in access charges to state-owned track infrastructure, stations, service facilities & rolling stock parking. This is all under the control of the Member States.
- ⇒ Reduction in guarantees paid by ticket vendors to operators. These are to protect higher volumes of tickets sold. As long as these volumes are not there, much of the money should be returned.

The liberalisation of the passenger rail market is the cornerstone of the EU 4th Railway Package. A Single European Rail Market will be a source of both our collective future prosperity and wellbeing. However, with private rail entrants going into bankruptcy, we risk that the goals of the 4th Railway Package's 'market pillar' will become out of reach – for ever.

### **As a matter of extreme urgency, ALLRAIL calls on the European Commission to reach out to Member States and compel them to provide specific rail aid programmes in a fast and efficient manner.**