

# PRESS RELEASE

## **Landmark judgement in CORSICA: €86m fine because Public Service Obligation not justified – relevant to passenger rail**

**PARIS & BRUSSELS, 13 October 2021: the Corsica Island authority has been fined €86 million due to an unjustified Public Service Obligation ('PSO') subsidy for the state ferry operator SNCM compared to a privately owned competitor<sup>1</sup>. This case is 100% relevant to EU passenger rail. Some EU countries are being lobbied hard by their state rail incumbents to directly award PSO contracts. There is high risk that – like in Corsica – such PSOs will be an unjustified & wasteful use of subsidy – with no benefit for passengers or the environment.**

PSOs are intended to provide a services of societal need – assuming operators are unable to serve the demand on a commercially viable basis. Yet there is a severe risk that they are being misused to provide state aid in competitive markets.

After all: similar to this clearly unjustified PSO for ferry services between Corsica and mainland France, PSOs for state-owned rail incumbents are often still:

1. Directly awarded – denying taxpayers and passengers the positive effects of competition, such as cost reduction and increased service quality.
2. Unjustified: commercially viable services could be offered without subsidy.

Our chief concern is that the scope of many PSO contracts **neither** reflects societal interest **nor** are they only introduced if commercially driven passenger rail services are viable. Instead, they are designed to serve the desires of the state-owned rail incumbents and must be considered illegal state aid – just like in Corsica.

According to EU legislation, rail PSOs need to be justified – there needs to be an objective and transparent transportation plan proving the need for subsidy.

Yet – in reality – such analyses are rarely completed nor controlled afterwards by EU Member States, who are also 100% shareholders of the state rail incumbents.

Taxpayer funds wasted on unjustified and directly awarded PSOs just perpetuate inefficient operators. But such funds are not unlimited – and they should be spent on boosting modal shift instead, e.g. on improved cross-border rail infrastructure.

ALLRAIL Secretary General Nick Brooks states: *“after this landmark judgement, it is crucial to implement the EU 4th Railway Package. All new passenger rail PSOs must undergo intensive checks to prove that they are justified. Furthermore: any PSOs due to expire after 2025 should undergo an additional check by external auditors”.*

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<sup>1</sup> [Corsica Ferries : le Conseil d'Etat confirme la condamnation de la Collectivité de Corse \(lemonde.fr\)](https://www.lemonde.fr/corsica/article/2021/10/13/corsica-ferries-le-conseil-d-etat-confirme-la-condamnation-de-la-collectivite-de-corse_6101183_1881.html)