

STATE AID AS A MEANS TO SUPPORT A SUSTAINABLE RECOVERY OF THE TRANSPORT SECTOR

Following the Covid-19 crisis, many transport companies have received state aid. The financial support of operators impacted by the crisis is certainly welcome. However, such aid should be justified so that it is not endangering competition – neither between operators, nor between modes. EPF stresses that decisions taken today must be considered in a broader, long-term perspective and assessed against the three pillars of sustainability – economic, social and environment.

State aid to the rail industry should not distort competition between operators

The Covid-19 crisis has triggered a number of Member States to grant state aid to help railway companies recover after a dramatic drop in ridership. This is necessary, considering the important role of public transport and particularly of rail services in the development of an efficient and decarbonised mobility in line with the Green Deal objectives.

Passengers wish for a vibrant rail market and fair competition is a tool to get diversified offers and service quality. When dealing with state aid, it is therefore crucial to ensure a level playing field between different railway undertakings. One should be careful that state aid doesn't distort or threaten competition rules set out by the EU legislation.

The [guidelines 2008C-184/07](#) issued by the European Commission clarify the rules for the public funding of rail undertakings and their compatibility with providing state aid. These guidelines apply to rail undertakings as well as to urban, suburban or regional public transport companies as regards the aid for the purchase or renewal of rolling stock.

EPF's position is that a distinction should be made between two cases:

- If the state aid is meant to compensate a rail undertaking suffering of inappropriate management decisions, the issue has to be considered carefully in order to assess if the state aid is legitimate and if it doesn't **distort or endanger fair competition**;
- If the state aid is necessary due to an **exceptional and unexpected event** affecting the whole rail industry, financial support ought to be non-discriminatory, i.e. services operated by new entrants should benefit just as much as those operated by incumbents.

EPF supports interventions that benefit all operators, such as **reduction in track access charges**. Such a measure not only seems to be the fairest, but also in the passengers' interest.

State aid for the aviation sector should be linked to strong conditions

A huge amount of state aid and bailout measures were granted after the Covid-19 crisis to numerous European airlines. In EPF's view, such state aid should be guided by the principles of market efficiency and connectivity, i.e. it should only be used to support air services that are needed to ensure connectivity & cannot be fulfilled by another, more environmentally friendly, mode of transport, notably high-speed rail. In addition, it should come with strict social obligations towards both staff and passengers.

EPF's position on state aid in aviation is:

- Approval of state aid should be conditional on mitigating the impacts of air travel, for example, by encouraging a shift to more climate-neutral modes
- Approval of state aid should be conditional on compliance with European acquis (including passenger rights)
- Without remedial measures, state aid to support legacy carriers risks to accentuate market distortions: not only in relation to new entrants and smaller regional carriers, but also in relation to Europe's transport sector (including coach and especially rail) more widely.

A level playing field needed in an integrated transport market

State aid measures to help the transport sector should be considered from a more multimodal perspective because transport is an integrated market or should be considered as such. Promoting air travel at the expense of other more sustainable modes (e.g. through tax relief or exemptions measures) is not compatible with the Green Deal objectives and not acceptable. Instead, EPF is in favour of internalisation of external cost and the basis of charging should be consistent across modes.

EPF fully supports any initiatives to facilitate EU-wide multimodal travel information, ticketing and payment, which would allow passengers to make an informed and sustainable choice. More and more Europeans want transparent and trustworthy information on the environmental footprint of their journeys. This can be a great incentive for the industry to change and the European institutions could help support one EU standard for calculating the environmental impact score, to be applied across platforms and across modes, taking into account the whole supply chain and avoiding "greenwashing".

Position paper adopted 02.10.2021, General meeting Düsseldorf