

Mr Olivier Guersent, Director-General

DG COMP

Mr Henrik Hololei, Director-General

DG MOVE

Mr Marc Lemaitre, Director-General

DG REGIO

Dr Libor Lochman

CER Executive Director

Dear Sir,

On behalf of all the members of the Community of European Railway and Infrastructure companies, I would like to thank all public authorities at all levels – European, national and local - for their efforts to ensure a coordinated and quick European response to the health and economic crises triggered by the COVID-19 pandemic.

European railways especially appreciated the efforts made by the European Commission to put in place as quickly as possible concrete economic measures to help Member States' governments protecting all economic sectors.

This letter means to be a sectoral contribution to these measures, in view of making them more complete, better applicable and more effective. Its implementation will help the rail system to keep European mobility alive, thereby providing critical support to the fastest possible EU-wide economic recovery.

1. Plunging sales and heavily reduced passenger services

As many companies in other industrial sectors, CER members are heavily suffering from the consequences of the pandemic. Amid plunging sales, international passenger traffic is almost at a standstill due to the closure of intra-EU borders. At national level, commercial passenger traffic and PSO-based passenger traffic are severely reduced - in some countries more than 80% - due to the national containment measures taken by Member State authorities' advice to keep travel via public transport to a minimum.

2. Rail freight - a reliable service in moving goods across Europe

Intra-European freight traffic is proving its resilience: while hinterland rail traffic from seaports is dropping due to decreasing intercontinental exchanges, freight operators can free extra capacity to ensure intra-continental connections. In this way, they are able to offer safe cross-border cargo connections for large volumes of goods using minimal human resources. Nevertheless, a generalized economic downturn will most certainly translate in the short to medium term into a negative economic impact on rail freight operators as well.

3. Necessary next step: Temporary Framework for State Aid

CER calls for activating and speeding up the use of Article 107(2)(b) and (3)(b) of TFEU also for railways.

This could enable the Commission to approve additional national support measures to remedy a serious disturbance to the economy of a Member State and to compensate companies for the damage directly caused by exceptional occurrences.

At the same time, the disruption of supply chains, the lower consumers demand, the negative effects of uncertainty on investment plans and the impact of liquidity constraints for railways undertakings and infrastructure managers represent serious and urgent difficulties to cope with.

CER stresses on the need that all the European Commission Decisions on State aids are adopted taking into consideration the principle of rapidity after receiving notifications from the Member States.

In the overall effort of the railways sector to tackle the effects of the COVID-19 outbreak and to keep the European railways sector competitive, efficient and responsive to the passenger and freight needs of mobility during and after the crisis, CER calls the European Commission to set out specific temporary state aid rules for the railway sector to endorse and to speed up the economic recovery through the following measures:

- support to public transport operators active according to PSO contracts ensuring mobility continuity to cover losses for the COVID-19 reduction of ridership;
- support to commercial passenger transport activities by rail subject to open access that are heavily affected by the losses caused by cancellation and reduction of rail passenger services;
- direct grants to the rail freight transport and indirect grants to the undertakings affiliated to the rail freight sector;
- direct grants to the railway infrastructure for lost revenues due to the reduction of traffic and its safety.

Support measures regarding the aforementioned areas are indispensable from the current point of view. At any time, we are available for an exchange about possible conditions within a future framework that such support measures should meet.

4. Necessary next steps: modifications of existing EU funding regulations

In the longer term, investments for rail infrastructure projects should also be defended and promoted further, as they have a direct and positive effect on the regional, national and European economies. More than 2.3 million people are employed by rail companies or by rail suppliers: maintaining the investments' intensity in rail projects will be a necessary economic lifeline for the entire EU economy.

However, the COVID-19 crisis has already severely affected ongoing EU-funded rail investments. Difficult financial and operational situations of contractors have already translated into delays and sometimes even full stoppage of both construction works as well as timely delivery of railway equipment or rolling stock.

The observed price increase for ordered materials, services and works worsens the situation even further.

Most of the contracts require at this point profound modifications: EU funded investments can be distributed onto two programming periods, modified or allowed to be prolonged for one year at least. Nonetheless, all of these possibilities are incompatible with current EU legislation, so that in case the Commission does not take appropriate action we may end up with an investments crisis in the rail sector.

We call therefore on the Commission to propose a number of modifications to current EU regulations in order to secure accomplishment of ongoing EU funded railway investments.

- Necessary modifications to the Cohesion Policy and CEF regulatory framework:
 - extension of eligibility period for the costs of the project by one year (until end of 2024);
 - increase of pre-financing ceiling;
 - more flexibility with payment claims (declaration of expenditures);
 - possible increase of co-financing rate and/or creation of fast-lane procedures of obtaining debt measures (e.g. from EIB) in order to cover increased beneficiary's own contribution;
 - allowing phasing of the projects in CEF;
 - allowing financing justified cost increase in the ongoing projects to certain extent (% ceiling).
- Other necessary modifications:
 - flexibility for procurement rules not only for health supplies and services but also in other areas, like transport, as the case may be. In particular more relaxed rules should be designed on annexing already concluded contracts, including PSO contracts;
 - easing procedures to obtain and have access to various EU financial instruments, including EFSI or EIB loans;
 - general regulatory adjustments so that state aid can flow to companies in the need (regardless of their size).

European railways remain at the disposal of all public authorities to support all measures that are foreseen to contain the pandemic and to keep our Union running.

Yours sincerely,

