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European Commission Executive Vice President

Adina Vălean

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Elisa Ferreira

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Brussels, 27 March 2020

A letter from the European rail sector on concrete measures to face the COVID-19 pandemic and its economic consequences

Dear Vice President Vestager,

Dear Commissioner Vălean,

Dear Commissioner Ferreira,

We, the representatives of European railways, combined transport and wagon load operators, wagon keepers, workshops and mobile services associations, on behalf of our members and of the European rail and intermodal sectors 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.

Railways ensure the critical mobility of people and goods

We are well aware that keeping European mobility and logistics operational is essential. All European rail operators, infrastructure managers and other service providers are doing their best in order to respond to the critical mobility needs in these dire times.

European rail freight companies together with combined transport and wagon load operators, wagon keepers, workshops and mobile services are offering concrete solutions to maintaining



consumer goods supplies running, with a special focus on food supplies, health supplies and medicines.

In this context, we wish to underline our appreciation for the initiative taken by the European Commission on 16 March and again on 23 March to provide for Green Lanes at border-crossing, to expedite the transportation of goods. The Commission Guidelines as much as the following Commission Communication represent a concrete help that will help freight traffic continue across the continent.

Meanwhile, despite the very sharp drop in demand, passenger operators still provide services wherever possible, albeit in a reduced manner. They nevertheless manage to enable medical staff and essential workforce to commute to work. The health and safety of travelling public and staff are the highest priority. Passenger operators are in close contact with health & government authorities, often going above and beyond the recommended measures.

Infrastructure managers are doing their best to enable all operators to deliver their services.

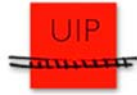
Other service providers are also fulfilling useful roles, such as providing comprehensive travel information to passengers.

All in all, railways strive to be the backbone of mobility and logistics in Europe also in this time of crisis. With a long-term perspective, rail sector will be essential to boost and mobilize investment and support the European economic recovery with concrete actions. Future generation and people from all backgrounds shall not miss the opportunity to travel around Europe by rail, with fellow Europeans, learning from other cultures, and explore their European identity. After the crisis, rail will continue to support European and national cohesion as well essential transport to people and freight, investments and economic growth.

A heavy economic impact

At the same time, the rail sector is suffering from the containment measures taken by Member States to fight the spread of the pandemic and from the consequent huge drop of the mobility demand.

Last year in 2019, the passenger rail sector was growing across the board. Many operators, such as those providing night train services, experienced the strongest increase in demand for a very long time. This was, to a certain extent, due to popular movements calling for more sustainable travel, both domestic and intra-EU. However, the COVID-19 pandemic has brought about a sudden and startling reversal: international passenger traffic is almost at a standstill due to the



closure of intra-EU borders. At national level, passenger traffic is reduced - in some countries more than 90%. Both business and leisure booking activity has decreased to almost zero.

European rail freight companies, combined transport and wagon load operators, wagon keepers, workshops and mobile services are only able to maintain their operations thanks to massive efforts. In spite of the challenging framework conditions, vital rail freight flows continued within Member States and across Europe, demonstrating that rail freight is a strategic asset in keeping freight moving. Difficulties and a significant drop in the services between Europe and China will have further negative impact on rail freight operators.

Infrastructure managers keep up infrastructure availability and operations on highest possible levels. They will also suffer, if less services will run on rail lines and the liquidity provided by track access charge revenues will be cut proportionally to the reduction of traffic.

As for all other sectors of the economy, the COVID-19 crisis hit European railways, combined transport and wagon load operators, wagon keepers, workshops and mobile services in a sudden and dramatic way, and the extent of its final impact will be great.

We call on the European Union as well as the Member States to ensure that railway companies combined transport and wagon load operators, wagon keepers, workshops and mobile services can successfully continue their business activities during as well as after the crisis and we commit all our efforts in this same direction.

A correct use of the new State aid Temporary Framework

The State aid Temporary Framework recently adopted by the European Commission¹ is most welcome, and Member States' authorities should make the widest possible use of it. We particularly appreciate the readiness of the Commission to take action – something that enabled Member States to already take initiatives under the said Framework.

We hope that the Member States will adhere to this requirement without exception and ensure that all companies in the railway sector will receive fair and adequate support vis-à-vis other transport modes.

Specifically, as it has already been confirmed by the Commission, the COVID-19 crisis can be considered as an exceptional circumstance which allows Member States to adopt aid measures pursuant to Article 107(2)(b) TFEU in order to compensate undertakings for damages suffered due to and directly caused by the outbreak.

¹ C(2020) 1863 final of 19.03.2020.



It is clear that Member States can adopt aid measures according to Article 107(2)(b) TFEU in order to support rail operators, which run open access passenger services and freight transport services.

With regard to public transport operators providing services under public service obligation (PSO) contracts, they are also reducing their services due to the COVID-19 crisis. Therefore, Member States should take measures aimed at covering the losses of public service operators and at safeguarding the economic equilibrium of the contracts.

We would welcome if the Commission could explicitly confirm that Member States may allocate necessary additional resources in the context of the PSO contracts without asking for the prior authorisation of the Commission.

In addition, aid schemes should be horizontal & sectorial, and need to include service providers associated within the transport sector, such as ticket vendors, catering companies, station managers and freight terminals, since they are immediately and directly affected by the withdrawal of traffic.

Short-term liquidity needs

Short-term liquidity in particular should be guaranteed to keep these businesses alive and secure jobs. This is of course true for both railways and their supply chains. Special attention must be dedicated to providers of open access services. Aid in the form of direct grants or tax deductions should be the preferential channel through which liquidity is ensured and bankruptcies are prevented, with caps that for capital intensive industries such as rail should be substantially higher than the €800,000 cap provided by the Commission Temporary Framework.

Also in this case, the Temporary Framework clarifies that the COVID-19 crisis is of a nature and scale that causes a serious disturbance in the economy of several Member States, thereby allowing the use of Article 107(3)(b) TFEU.

Necessary modification of existing EU funding regulations

In the longer term, investments for rail infrastructure projects should also be secured and promoted further, as they have a direct and positive effect on the regional and national economies. More than 2.3 million people are employed by European passenger and freight operators, combined transport and wagon load operators, wagon keepers, workshops, ticket vendors, mobile services and by rail suppliers: maintaining 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 requires at this point profound modifications: EU funded investments should be distributed onto two programming periods, modified or allowed to be prolonged for one year at least. Nonetheless, none of these possibilities are today compatible with the existing 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 the accomplishment of ongoing EU funded railway investments (see Annex).

Rail staff as strategic workforce

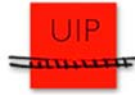
The efforts that are being made by all rail and intermodal workers are unprecedented, and we want to take this opportunity to praise their incredible courage and firm dedication.

Last but not least, train drivers and other operational staff need to be regarded as strategic workforce, and therefore be allowed to cross borders without unnecessary restrictions in order to pick up and deliver trains smoothly.

As stressed in the European Commission Communication on Green Lanes, train drivers and operational staff should be exempted from national rules such as travel restrictions and mandatory quarantine. In order to support rail companies and staff in the daily operation, the measures in place for the road shall be extended as much as possible to the rail sector in particular for the simplification of the accompanying documentation of goods, health screening and the prorogation for the validity of complementary certificates and driver's licenses, suspension of the traffic ban for wagons with cast iron brakes as it would contribute to increase the fluidity of traffic.

Joint European efforts to support rail freight services

It is of particular importance to keep rail and intermodal freight services up and running.



Maintenance facilities need to be able to provide a minimum capacity to maintain rolling stock and locomotives in service.

Given the circumstances it is even more important to coordinate the approach to capacity restrictions and reduce possible traffic disturbances.

Recognition of documents in electronic form in the different customs procedures (import/export/transit) shall be considered, due to the current exceptional situation. Only in this way can customs clearances for goods transport currently be carried out without massive delays, thereby allowing supply chains' logistics to be maintained.

Support for infrastructure managers together with reduced infrastructure and energy charges for operators

Increased support should be granted to infrastructure managers to ensure the network remains operational over these critical times. This can be temporarily coupled with an ad hoc reduction of Track Access Charges and Energy Charges for rail operators.



Even in these difficult times, it must not be forgotten that the EU plans to achieve a 50% reduction in CO2 emissions by 2030. It is critical that - once the crisis is over - the rail sector is able to mobilise again quickly and offer the same levels of service as before the crisis. In order for the Green Deal to be a success, there is an urgent need now to safeguard all rail services that were taking place before the crisis.

European passenger and freight operators, combined transport and wagon load operators, wagon keepers, workshops, ticket vendors and mobile services 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.

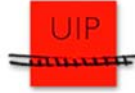
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Annex

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 - assuming that there is a causal link to the current crisis;
- 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).