

BRUSSELS RAIL TRANSPORT BRIEF: JULY-AUGUST 2020

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European Regulatory Newsletter

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ANTITRUST AND COMPETITION

Commission approves German scheme compensating public transport companies

On 7 August 2020, the European Commission approved €6 billion in German state aid to compensate regional and local public transport companies. The aid will go towards public transport companies that faced damages due to the coronavirus pandemic.

Under the scheme, the transport companies will be entitled to compensation in the form of direct grants for damages incurred between 1 March and 31 August 2020. Germany has ensured that no individual transport operator will receive more in compensation than it has suffered in damages and that any payment in excess of the actual damage will be recovered.

European Commission clears Alstom's acquisition of Bombardier Transportation

On 31 July 2020, the European Commission announced that it has cleared Alstom's acquisition of Canada's Bombardier, subject to concessions.

Executive Vice-President Margrethe Vestager, in charge of competition policy, said:

Thanks to the comprehensive remedies offered to solve the competition concerns in the areas of very high-speed, mainline trains and mainline signalling, the Commission has been able to speedily review and approve this transaction. Thanks to these remedies, the new company will also continue to be challenged in its core markets to the benefit of European customers and consumers.

The set of concessions offered by Alstom to obtain clearance are found below:

- A transfer of Bombardier Transportation's contribution to the V300 ZEFIRO high-speed train and an offer of intellectual property license to Hitachi for the train co-developed by Hitachi and Bombardier Transportation for use in future high-speed tenders in the United Kingdom.
- The divestment of the Alstom Coradia Polyvalent and the Reichshoffen production site in France.
- The divestment of the Bombardier TALENT 3 platform and dedicated production facilities located within the Hennigsdorf site in Germany.

- The providing of access to certain interfaces and products for some of Bombardier Transportation's signaling on-board units and train control management systems.

The divestitures will comply with all applicable social processes and consultations with employee representatives' bodies.

The transaction remains subject to further regulatory approvals in several other jurisdictions and customary closing conditions.

The decision comes less than two years after European Union (EU) competition chief Margrethe Vestager had blocked the rail merger between Alstom and Germany's Siemens. The merger will create the world's second largest train maker, after China's CRRC.

Strategic French steel businesses acquired

Liberty Steel Group (LSG), part of Sanjeev Gupta's sustainable industry leader GFG Alliance, has won the tender for the acquisition of the strategic French steel assets of France Rail Industry business (Hayange) and the Ascoval steelworks.

Following the decision in July by the Tribunal de Grande Instance de Strasbourg to award Hayange to LSG, the French government approved the transaction on 14 August.

GFG Alliance has announced that it intends to develop Ascoval as a Greensteel hub and to push Hayange towards new markets, creating a strategic engagement with main European rail companies and aspiring to make their networks carbon-neutral.

RAIL REGULATORY AND POLICY

The Council supports the European Year of Rail initiative

On 24 June 2020, the European Council agreed on a negotiated mandate of the European Year of Rail initiative proposed by the European Commission in March. The proposal aims to promote a green, safe and innovative mode of transport. The European Year of Rail will support the delivery of the European Green Deal objectives, thereby accelerating the shift to sustainable and smart mobility to reduce greenhouse gas emissions. In particular, a substantial part of the 75 percent of inland freight carried today by road should shift onto rail and inland waterways.

Croatian Minister of Transport and President of the Council, Oleg Butković, said: "Environmentally-friendly and energy-efficient, rail will play a crucial role in helping the EU become climate neutral by 2050. The COVID-19 crisis has also shown how rail transport can facilitate the supply of essential goods such as medical devices, food and fuel in exceptional circumstances."

The changes to the mandate introduced by the European Council include:

- Several important themes have been added to the initiative, such as the role of railways in end-to-end mobility, how to increase the capacity of railway infrastructure, and informing rail passengers of their rights and of the availability of through-ticketing.

- The European Commission has been asked to launch a feasibility study on the creation of a European label to promote goods transported by rail. Such a label would also encourage businesses to shift their transport to rail. The European Commission is to inform of its plans by the end of March 2021.
- Introduction of the use of key performance indicators to make the evaluation of the results of the European Year of Rail activities more robust and to use such indicators for its report, which is due by the end of 2022.

Public consultation launched on the future of transport

On 1 July 2020, the European Commission launched a public consultation on the future of transport to allow both stakeholders and citizens to comment and identify their priorities. This should enable the European Commission to better understand how the EU can help the sector become more sustainable, competitive, modern, and resilient to crises.

Commissioner for Transport, Adina Vălean added:

We are encouraging our citizens and stakeholders to take part in the public consultation we are launching today. Mobility is a key priority and our new strategy aims at creating a crisis-proof transport system for us and for the generations to come. We shall start from recovery and build on this foundation a solid structure, fit both for the challenges and advantages of a more digital and green future.

The consultation will be open until 23 September and is available at the “Have your say” portal. Citizens and stakeholders are invited to log in and share their feedback and opinions.

Germany commits towards sustainability rail summit

On 30 June 2020, during a Rail Summit hosted by the Federal Ministry of Transport and Digital Infrastructure in Berlin, the German federal government underlined its commitment to investment in the rail sector by introducing a program to enable significant increases in market share. The long-term program aims at doubling the number of passengers by 2030 and carrying “substantially more” freight as well as:

- delivering more capacity, thanks to digitalization and the upgrading of specific routes, corridors and nodes;
- introduce more on-rail competition;
- improve rail's environmental performance and reduce noise from trains;
- introduce more innovative vehicles and technologies and promote more research;
- provide more highly motivated and qualified staff thanks to good working conditions; and
- attract more freight to rail.

European Commission opens infringement proceedings against Greece and Italy for failure to comply with EU rules protecting rights of passengers

On 2 July 2020, the European Commission launched infringement proceedings by sending letters of formal notice to Greece and Italy for being in violation of EU rules protecting rights of passengers. The two countries took measures that do not comply with EU rules on air passenger rights (Regulation (EC) No 261/2004) and on waterborne travel (Regulation (EU) No 1177/2010), by adopting legislation allowing carriers to offer vouchers as the only form of reimbursement. Under the EU passenger rights regulation, passengers have the right to choose between reimbursement in money and other forms of refund, such as a voucher. Greece and Italy now have two months to reply to the arguments raised by the European Commission.

European Union invests over €2 billion in 140 key transport projects

On 16 July 2020, the EU declared that it will be supporting the economic recovery in all member states by investing almost €2 billion into 140 key transport projects. The projects will receive funding through the Connecting Europe Facility (CEF) and are aimed at reinforcing transport links across the continent, support sustainable transport, and create jobs.

The EU aims to achieve the climate objectives set out in the European Green Deal by reinforcing railways, including cross-border links and connections to ports and airports. Inland waterway transport is also boosted through more capacity and better multimodal connections to the road and rail networks.

The EU will mainly support:

- Rail infrastructure projects located on the Trans-European Transport Network (TEN-T) with a total of €1.6 billion (55 projects). This includes, for example, the Rail Baltica project, which integrates the Baltic states in the European rail network, as well as the cross-border section of the railway line between Dresden (Germany) and Prague (Czechia).
- The shift to greener fuels for transport (19 projects). With almost €142 million, a number of projects involve converting vessels so they may run on liquefied natural gas, as well as installing corresponding infrastructure in ports.
- Road transport by deploying an alternative fuels infrastructure, namely through the installation of 17,275 charging points on the road network and the deployment of 355 new buses.

Furthermore, nine projects with a budget of €49.8 million will contribute to an interoperable railway system in the EU and the optimal operation of trains across the continent through the European Rail Traffic Management System (ERTMS) by upgrading locomotives and railway track to the unified European train control system, which will increase safety, reduce travel times, and optimize track usage.

Draft rules on a new regulation establishing measures for a sustainable rail market

The Proposal, published on 19 June 2020, highlights rules that will allow EU countries to reduce, waive or defer track access charges. The new regulation would also apply to the use of infrastructure for domestic and international rail services covered by Directive 2012/34/EU from 1 March 2020 until 31 December 2020. These measures are introduced to mitigate the impact of the Covid-19 pandemic in the rail sector.

DG MOVE's Elisabeth Werner told transport committee MEPs that the new legislation should be passed as soon as possible. She expanded declaring "other sectors have had quickly approved support measures, we hope this will be the case for this one as well. This possibility to reduce track access and other infrastructure charges is a transparent way of providing support and most of all it is non-discriminatory."

PUBLIC PROCUREMENT AND NEW PROJECTS

Renfe awards CAF €250 million

On 1 July 2020, Renfe awarded Spanish train group Construcciones y Auxiliar de Ferrocarriles (CAF) a €250 million contract for the supply of 37 metric gauge trains. The vehicles will be used on Renfe's lines improving rail services in Galicia, Asturias, Cantabria, Castilla y León, and the Basque Country.

Under the contracts, CAF will deliver electric and hybrid trainsets to achieve more sustainable mobility. The new trains can replace other means of transport for both short and long-distance journeys due to their consumption capacity and efficiency, and they will also play an important role in developing how transport will be in the future.

Renfe is currently implementing an investment scheme (parts loaned by the European Investment Bank (EIB)) of €5 billion budget to replace a significant part of its outdated train fleet.

German and Austrian tender launched for tram-train procurement

On 11 August 2020, six German and Austrian public transport companies launched a common €4 billion tender for the procurement of 504 tram-trains. This will be done under the VDV-Tram-Train project and will also include a maintenance contract for a period of 32 years.

VBK, the Karlsruhe Transport Company, Saarbahn Netz, Schiene Oberösterreich, the transport operator in the Upper Austrian region, the State of Salzburg, and the regional Stadtbahn Neckar-Alb association are the project partners. The common tender will help companies to offer light rail vehicles for up to €1 million less per vehicle, as those trains will have a standard design which will allow for such savings.

The governing board of Shift2Rail approves the European DAC Delivery Program

Shift2Rail, the first European rail initiative to seek focused research and innovation, has approved the European Digital Automatic Couples (DAC) Delivery Programme, which will support freight shift towards railways, increase rail market share, and thus help the European Green Deal's priority to shift 75 percent of EU freight transport from road to rail.

The European DAC Delivery program includes three main activities:

- The selection of an open, functional, and operationally tested, safe, and sustainable European DAC model ready for industrialization and deployment.
- The delivery of a final, open design of the selected model, based on use-case considerations by the end of 2021 and its interoperability and safety requirements, which could be incorporated into the Technical Specifications Interoperability, European Green Deal, and digitalization package in 2022.
- The identification of migration and business plans compatible across Europe, as well as the necessary resources to match them.

EIB to finance Trenitalia hybrid trainsets

On 24 July 2020, the EIB agreed to a €450m financing package that will support Trenitalia's plans to order 135 electric-diesel-battery hybrid regional multiple units at total cost. The units are to be used in regions including Calabria, Lazio, Molise, Toscana, and Valle d'Aosta, as well as in Sicily and Sardinia. They will use conventional overhead electrification where available, with "cutting-edge" diesel engines for operation on nonelectrified routes, as well as batteries to allow emission-free transport in nonelectrified urban areas.

Sweden: Direct night train to Brussels in 2022

On 23 July 2020, a deal was reached by Sweden's coalition government for the country to fund a direct train connection between Malmö and Brussels. The service should be starting in the summer of 2022. The Swedish Transport Administration has been tasked by the Social Democrat-Green government with procuring sleeper carriages and organizing timetables for two separate routes, to put trains on the Malmö-Brussels route beginning 1 August 2022. A direct Stockholm-Hamburg connection is also planned. Currently, a trip to Brussels from Malmö would involve at least three changes in Copenhagen, Hamburg, and Cologne.

Rail Baltica receives a further €184 million in funding

The total investment towards the project has now reached €216 million. €1.2 billion national and European funding is available for the implementation of the project across the three Baltic states. The Rail Baltica Global project has been allocated €128 million for construction work and € 88 million for technical design and planning work. So far, the Rail Baltica corridor has received the largest financial allocation (55 percent) from the total available funding of the 2019 CEF Cohesion Transport call.

Progress report published on TEN-T network

On 26 August 2020, the European Commission published a progress report on the work done to implement the TEN-T, concluding that significant progress was made during 2016 and 2017, with regard to technical compliance and financial investments.

The TEN-T network must comply with EU requirements. The progress report calculated with a series of studies the level of compliance with EU requirements, which is estimated at 81–100 percent. The achievement can be directly linked to a €91 billion investment in the TEN-T that helped to close compliance gaps. The highest share of this investment (€80 billion), including EU co-funding, has been invested in the core network, with most going to TEN-T railways (including ERTMS).

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