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State aid: Commission approves €374 million Italian scheme to compensate rail freight transport companies for the damage suffered due to the coronavirus pandemic

The European Commission has approved, under EU State aid rules, €374 million Italian support to compensate rail freight transport companies for the damage suffered during the period between 12 March and 31 May 2020 due to the coronavirus pandemic and the restrictions that Italy and other countries had to implement to limit the spread of the virus.

Executive Vice-President Margrethe **Vestager**, in charge of competition policy, said: "*This €374 million measure will enable Italy to compensate rail freight transport companies for the damage suffered as a result of the coronavirus pandemic and the related restrictions. We continue working closely with all Member States to ensure that national measures to support all sectors that were hit by the crisis, including the rail sector, can be implemented as quickly as possible, in line with EU rules*".

The Italian support measure

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Since the beginning of the pandemic, Italy and other countries put in place an array of measures to limit the

spread of the virus, including notably a ban on production and trade activities, free movement restrictions, and occupational health and safety requirements.

The restrictions in place between 12 March and 31 May 2020 had in particular a direct negative impact on demand for rail freight transport services, due to the limited production and trade of goods transported by rail. As a result, rail freight companies experienced a significant drop in transport volumes and revenues, compared to the same period in 2019. At the same time, they continued to face various costs, in particular additional expenditures to implement enhanced sanitary and hygiene measures.

Under the notified scheme, eligible beneficiaries will be entitled to receive compensation in the form of direct grants for the damage suffered during the relevant period.

The measure will be open to companies active along the rail freight transport and logistics chain, including: (a) rail freight carriers; (b) wagon keepers, whose main business is to lease out rail freight wagons; and (c) freight forwarders and multimodal transport operators, which organise transport and logistics on behalf of freight owners.

The Commission assessed the measure under Article 107(2)(b) TFEU, which enables the Commission to approve State aid measures granted by Member States to compensate specific companies or specific sectors for the damages directly caused by exceptional occurrences.

The Commission considers that the coronavirus pandemic qualifies as such exceptional occurrence, as it is an extraordinary, unforeseeable event having a significant economic impact. As a result, exceptional interventions by Member States to compensate for damages linked to the outbreak are justified.

The Commission found that the Italian aid scheme will compensate damages that are directly linked to the coronavirus pandemic. It also found that the measure is proportionate, as the envisaged compensation does not exceed what is necessary to make good the damage.

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The Commission therefore concluded that the scheme is in line with EU State aid rules.

Background

Financial support from EU or national funds granted to health services or other public services to tackle the coronavirus situation falls outside the scope of State aid control. The same applies to any public financial support given directly to citizens. Similarly, public support measures that are available to all companies such as for example wage subsidies and suspension of payments of corporate and value added taxes or social contributions do not fall under State aid control and do not require the Commission's approval under EU State aid rules. In all these cases, Member States can act immediately. When State aid rules are applicable, Member States can design ample aid measures to support specific companies or sectors suffering from the consequences of the coronavirus outbreak in line with the existing EU State aid framework.

On 13 March 2020, the Commission adopted a Communication on a coordinated economic response to the COVID-19 outbreak setting out these possibilities.

In this respect, for example:

- Member States can compensate specific companies or specific sectors (in the form of schemes) for the damage suffered due and directly caused by exceptional occurrences, such as those caused by the coronavirus outbreak. This is foreseen by Article 107(2)(b)TFEU.
- State aid rules based on Article 107(3)(c) TFEU enable Member States to help companies cope with liquidity shortages and needing urgent rescue aid.
- This can be complemented by a variety of additional measures, such as under the *de minimis* Regulation and the General Block Exemption Regulation, which can also be put in place by Member States immediately, without involvement of the Commission.

In case of particularly severe economic situations, such as the one currently faced by all Member States due the

the one currently faced by all Member States due the coronavirus outbreak, EU State aid rules allow Member

States to grant support to remedy a serious disturbance to their economy. This is foreseen by Article 107(3)(b) TFEU of the Treaty on the Functioning of the European Union.

On 19 March 2020, the Commission adopted a State aid Temporary Framework based on Article 107(3)(b) TFEU to enable Member States to use the full flexibility foreseen under State aid rules to support the economy in the context of the coronavirus outbreak. The Temporary Framework, as amended on 3 April, 8 May, 29 June, 13 October 2020, 28 January and 18 November 2021, provides for the following types of aid, which can be granted by Member States: (i) Direct grants, equity injections, selective tax advantages and advance payments; (ii) State guarantees for loans taken by companies; (iii) Subsidised public loans to companies, including subordinated loans; (iv) Safeguards for banks that channel State aid to the real economy; (v) Public short-term export credit insurance;(vi) Support for coronavirus related research and development (R&D); (vii) Support for the construction and upscaling of testing facilities; (viii) Support for the production of products relevant to tackle the coronavirus outbreak; (ix) Targeted support in the form of deferral of tax payments and/or suspensions of social security contributions; (x) Targeted support in the form of wage subsidies for employees; (xi) Targeted support in the form of equity and/or hybrid capital instruments; (xii) Support for uncovered fixed costs for companies facing a decline in turnover in the context of the coronavirus outbreak; (xiii) Investment support towards a sustainable recovery; and (xiv) Solvency support.

The Temporary Framework will be in place until 30 June 2022, with the exception of investment support towards a sustainable recovery, which will be in place until 31 December 2022, and of solvency support, which will be in place until 31 December 2023. The Commission will continue to monitor closely the developments of the COVID-19 pandemic and other risks to the economic recovery.

Furthermore, on 23 March 2022, the Commission adopted the State aid Temporary Crisis Framework to enable Member

States to use the flexibility foreseen under State aid rules to support the economy in the context of Russia's invasion of Ukraine. The Temporary Crisis Framework will be in place until 31 December 2022. With a view to ensuring legal certainty, the Commission will assess before that date if it needs to be extended. Moreover, during its period of application, the Commission will keep the content and scope of the Framework under review in the light of developments regarding the energy markets, other input markets and the general economic situation.

The non-confidential version of the decision will be made available under the case number SA.63174 in the State aid case register on the Commission's competition website once any confidentiality issues have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the Competition Weekly e-News.

More information on the Temporary Framework and other action the Commission has taken to address the economic impact of the Coronavirus pandemic can be found here.

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