Subject: State Aid SA.48858 (2017/N) – Italy
Aid scheme supporting combined transport in the Province of Bolzano

Dear Sir,

1. PROCEDURE

(1) Pursuant to Article 108(3) of the Treaty on the Functioning of the European Union (hereafter "TFEU" or the "Treaty"), on 3 August 2017, Italy notified an aid scheme in support of combined rail freight transport in the Province of Bolzano.

(2) On 28 September 2017, the Commission requested additional information from the Italian authorities on the notified scheme. On 26 October 2017, the Italian authorities submitted additional information to complement their notification.

2. DESCRIPTION OF THE MEASURE

2.1. Action tool and objective

(3) The Province of Bolzano intends to foster the access to combined freight transport services along the Brenner - Salorno route (120 km of railway part of the Trento-Wörgl route; 116 km of highway) through a subsidy to be reflected in the rates of multimodal transport operators ("MTOs")\(^1\) and railway undertakings\(^2\) applied to final clients.

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\(^1\) In the present scheme, a multimodal transport operator is defined as a legal person which concludes a multimodal transport agreement on its own behalf and organises international or national freight

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The notified scheme aims at promoting a modal shift from road transport to freight rail transport by compensating for the lack of internalisation of external costs of road transport. It pursues the general objective of reducing the environmental, health and social impact of road traffic on the territory of the Province of Bolzano by decongesting the heavy vehicles traffic across the Brenner Corridor.

Over 40% of all the goods crossing the Alps transits through the Brenner Corridor\(^3\). In 2015, 43.9 million tonnes of freight were transported along the Brenner Corridor, of which 71% (31.2 million tonnes) hauled by road and 29% (12.7 million tonnes) by rail. Table 1 below shows the tonnes of freight transported per year by road and by rail along the Brenner Corridor and the other Alpine corridors in Northern Italy between 2005 and 2015.

### Table 1 - Tonnes of freight transported per year by road and rail per corridor (2005-2015)

![Number of tons transported per year: Rail and Road](image_url)


The overall volume of freight transported by road along the Brenner Corridor has been registering a steady increase since 2013, whereas rail freight transport has been stagnating after a sharp decrease in 2012. This freight development trend is in contrast with the objective to shift freight transport from road to rail set out in

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2 In the present scheme, a railway undertaking is defined as any public or private undertaking licensed to provide services for the transport of freight by rail. This definition is in line with Article 3(1) of Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 establishing a single European railway area, OJ L 343 of 14.12.2012, p. 32.


iMonitrA is a project involving various Alpine regions intended to develop new shared solutions to reduce and monitor traffic along the five Alpine corridors in northern Italy (Fréjus, Mont Blanc, Gotthard, Brenner and Tarvisio).
the Commission’s White Paper on Transport Policy\(^4\) and has a negative impact on the concentration of air pollutants along the Brenner Corridor\(^5\).

(7) The notified measure intends to contribute to increasing the share of rail and intermodal activities along the Brenner Corridor. The measure complements, at the local level, the national schemes supporting rail and combined freight transport authorised by the Commission with decisions of 24 November 2016 (case SA.44627 – ‘Ferrobonus’ – incentive for rail transport)\(^6\) and of 19 December 2016 (case SA.45482 – Italy – Rail freight transport support scheme)\(^7\). It also integrates with the schemes adopted by the Province of Trento in support of rail and combined freight transport that were authorised by the Commission with decisions of 29 April 2016 (case SA.41033 – Integrated transport scheme in the Province of Trento)\(^8\) and of 25 July 2017 (case SA.46806– Aid to combined transport in the Province of Trento)\(^9\).

2.2. Legal basis

(8) The notified measure is based on the Provincial Law No 37 of 14 December 1974, on Rules governing expenses and subsidies for the development and amelioration of the communications and transports in the territory of the Province of Bolzano and for the support of interoperability (hereinafter the “Law”).

(9) Article 7 of the Law, as replaced by Article 22 of Provincial Law No 21 of 18 October 2016, empowers the Province of Bolzano to grant subsidies to public and private operators in the rail and road freight transport sector and to promote initiatives aimed at supporting the modal shift from road freight transport to rail freight transport. The updated version of the Provincial Law was published on 25 October 2016 in the Region’s Official Journal.

(10) The criteria and rules for the granting of aid to support combined freight transport services along the Brenner – Salorno route were approved by the Province of Bolzano with Decision of the Provincial Council No 655 of 13 June 2017 (hereinafter the "Implementing Rules"), published on 20 June 2017 in the Region’s Official Journal\(^10\). Article 6 of Annex A of the Implementing Rules has

\(^4\) Roadmap to a Single European Transport Area–Towards a competitive and resource efficient transport system, COM(2011)144 of 28.03.11.

\(^5\) The Italian authorities pointed out that in the past few years the concentration of pollutants in the air along the Brenner Corridor has experienced an increase for NO\(_2\) (nitrogen dioxide), mainly related to road transport. The limit values of NO\(_2\) envisaged by the European Union (40 µg/m\(^3\)) have been exceeded at all measurement points along the Brenner Corridor for many years and the measurement point in the city of Velturino (in the middle of the Brenner – Salorno route) recorded the highest annual average in 2016 (64 µg/m\(^3\)), see iMonitr: Annual Report 2016, Zurich/Tübingen, 6th February 2017, p. 21.


\(^7\) Commission decision of 19 December 2016, SA.45482 (2016/N), Italy – Rail freight transport support scheme, OJ C 145, 09.05.2017, p.2.


\(^10\) Article 4 paragraph 1 letter b) and article 7 of Annex A of the Implementing Rules also provide for aid to investments in railway infrastructures to enhance the rail-road interoperability in the territory of the Trentino-Alto Adige Region. However, the Italian authorities confirmed that such aid has not been
been subject to a purely formal modification by Decision of the Provincial Council No 786 of 18 July 2017, published on 25 July 2017 in the Region's Official Journal. The Italian authorities committed to further amend Article 6 of Annex A of the Implementing Rules in order to clarify the maximum grantable aid amount for unaccompanied combined transport complying with the thresholds set out in the Community Guidelines on State aid for railway undertakings (hereafter "Railway Guidelines")\(^{11}\).

2.3. Scope

(11) The notified scheme applies to accompanied\(^{12}\) (the so-called "RoLa"\(^{13}\)) and unaccompanied combined freight transport services provided on the Brenner – Salorno route (120 km railway). The aid takes the form of a grant per unidirectional intermodal transport unit ("ITU") transhipped along the entire route. No aid is granted in case of ITU travelling empty or on one segment only of the route. The aid will be granted on the basis of the number of transport operations actually carried out.

2.4. Beneficiaries

(12) The eligible beneficiaries of the scheme are railway undertakings and MTOs that provide rail freight transport services in the territory of the Province of Bolzano.

(13) According to estimates provided by Italy, the number of beneficiaries should not exceed ten.

(14) Undertakings in difficulty, as defined in the Guidelines on the State aid for rescuing and restructuring non-financial undertakings in difficulty\(^ {14}\) are not eligible for the aid.

2.5. Duration

(15) The aid will be granted only after the Commission has authorised the scheme\(^ {15}\). Following approval of the Commission the aid may be granted until 31 December 2019, with the possibility to extend the duration of the scheme by maximum 24 months if additional resources are available. Any extension will be in any case subject to the Commission’s authorisation.

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\(^{12}\) Combined transport is said to be "accompanied" when the driver of a complete freight carrying road vehicle is accompanying that vehicle, while it is being transported using other mode of transport. In rail transportation it involves the conveying of road trucks by rail, accompanied by their drivers travelling in a railway passenger car.

\(^{13}\) Rolling highway, from the German "Rollende Landstraße".


\(^{15}\) Pursuant to Article 18 of the Implementing Rules, the aid scheme takes effect as of the date of publication of the positive decision of the Commission on approving the aid measure in the Region's Official Journal.
2.6. Budget

(16) The overall allocated budget of the scheme for the reduction of external costs is EUR 9 million over three years (EUR 3 million per annum).

2.7. Eligible costs

(17) The scheme has been designed as aid for the reduction of external costs related to freight transport on the Brenner – Salorno route. The eligible costs under the scheme correspond to the part of external costs that rail transport avoids compared with road transport.

(18) The quantification of the eligible costs under the notified scheme is based on the results of the calculation of the external cost differential between rail and road transport modes on the Brenner – Salorno route provided in the study dated March 2017 carried out by EURAC Research, a private research centre (hereinafter "the EURAC Study").

(19) The EURAC Study was commissioned in January 2017 by the Province of Bolzano in order to identify the eligible costs under the scheme on the basis of a comparative ex-ante analysis of the externalities on the Brenner – Salorno route. The comparative analysis was carried out taking into account two possible types of road transport vehicles: 40-tonne heavy good vehicles on the one hand and 26–28-tonne heavy good vehicles on the other hand.

(20) The results of the EURAC Study are shown in Table 2.

**Table 2 - External costs (EURcent/tnet) on the Brennero - Salorno route in 2015**

<table>
<thead>
<tr>
<th>Cost element</th>
<th>Details</th>
<th>Road A (40 t)</th>
<th>Road B (26-28 t)</th>
<th>Rail</th>
<th>Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Road A - Rail</td>
</tr>
<tr>
<td>Local air pollution</td>
<td>Euro I</td>
<td>85.46</td>
<td>104.25</td>
<td>0.00</td>
<td>85.46</td>
</tr>
<tr>
<td></td>
<td>Euro II</td>
<td>85.02</td>
<td>103.91</td>
<td>0.00</td>
<td>85.02</td>
</tr>
<tr>
<td></td>
<td>Euro III</td>
<td>64.85</td>
<td>77.45</td>
<td>0.00</td>
<td>64.85</td>
</tr>
<tr>
<td></td>
<td>Euro IV</td>
<td>27.54</td>
<td>38.74</td>
<td>0.00</td>
<td>27.54</td>
</tr>
<tr>
<td></td>
<td>Euro V</td>
<td>17.35</td>
<td>26.16</td>
<td>0.00</td>
<td>17.35</td>
</tr>
<tr>
<td></td>
<td>Euro VI</td>
<td>2.56</td>
<td>4.58</td>
<td>0.00</td>
<td>2.56</td>
</tr>
<tr>
<td>Greenhouse gases</td>
<td>Euro I</td>
<td>62.64</td>
<td>76.19</td>
<td>0.00</td>
<td>62.64</td>
</tr>
<tr>
<td></td>
<td>Euro II</td>
<td>62.28</td>
<td>75.11</td>
<td>0.00</td>
<td>62.28</td>
</tr>
<tr>
<td></td>
<td>Euro III</td>
<td>63.52</td>
<td>77.74</td>
<td>0.00</td>
<td>63.52</td>
</tr>
<tr>
<td></td>
<td>Euro IV</td>
<td>62.07</td>
<td>73.90</td>
<td>0.00</td>
<td>62.07</td>
</tr>
<tr>
<td></td>
<td>Euro V</td>
<td>62.24</td>
<td>74.15</td>
<td>0.00</td>
<td>62.24</td>
</tr>
<tr>
<td></td>
<td>Euro VI</td>
<td>63.17</td>
<td>75.73</td>
<td>0.00</td>
<td>63.17</td>
</tr>
<tr>
<td>Noise</td>
<td>Day – high concentration</td>
<td>0.54</td>
<td>0.87</td>
<td>0.64</td>
<td>(0.10)</td>
</tr>
<tr>
<td>Traffic</td>
<td>Congestion</td>
<td>25.59</td>
<td>26.81</td>
<td>0.00</td>
<td>25.59</td>
</tr>
<tr>
<td>Accidents</td>
<td>Death, serious and minor injuries, claims</td>
<td>22.46</td>
<td>35.93</td>
<td>0.004</td>
<td>22.45</td>
</tr>
<tr>
<td>Total</td>
<td>Euro I</td>
<td>196.69</td>
<td>244.05</td>
<td>0.65</td>
<td>196.04</td>
</tr>
<tr>
<td></td>
<td>Euro II</td>
<td>195.89</td>
<td>242.62</td>
<td>0.65</td>
<td>195.24</td>
</tr>
<tr>
<td></td>
<td>Euro III</td>
<td>176.97</td>
<td>218.80</td>
<td>0.65</td>
<td>176.32</td>
</tr>
<tr>
<td></td>
<td>Euro IV</td>
<td>138.20</td>
<td>176.25</td>
<td>0.65</td>
<td>137.55</td>
</tr>
<tr>
<td></td>
<td>Euro V</td>
<td>128.18</td>
<td>163.92</td>
<td>0.65</td>
<td>127.54</td>
</tr>
<tr>
<td></td>
<td>Euro VI</td>
<td>114.33</td>
<td>143.92</td>
<td>0.65</td>
<td>113.68</td>
</tr>
<tr>
<td></td>
<td>Average Euro I-VI</td>
<td>158.38</td>
<td>198.26</td>
<td>0.65</td>
<td>157.73</td>
</tr>
</tbody>
</table>

The EURAC Study concluded that in 2015 the external cost differential between road and rail along the Brenner – Salorno route varied depending on the type of vehicle used for road transport. Based on the values in Table 3, the EURAC Study estimated external cost differential per tonne and per tonne-kilometre as:

(a) EUR 1.5773 per tonne in case of 40-tonne heavy good vehicles (i.e. EUR 0.013 per tonne-kilometre calculated as follows: EUR 1.5773: 120 km); and

(b) EUR 1.9761 per tonne in case of 28-tonne heavy good vehicles (i.e. EUR 0.016 per tonne-kilometre calculated as follows: EUR 1.9761: 120 km).

The Italian authorities determined the maximum eligible costs on the basis of the (lower) external cost differential of EUR 1.5773 per tonne on the route Brenner - Salorno because the 40-tonne heavy good vehicles are the most commonly used in international transport.

### 2.8. Rail transport costs

As regards rail transport costs, the Italian authorities explained that:

(a) In 2016 the average cost of operating rail freight transport on the Brenner – Salorno route was EUR 163.72 per ITU in case of accompanied combined transport and EUR 67.41 per ITU in case of unaccompanied combined transport;

(b) The load factor of each ITU is 48.6 tonnes in case of accompanied combined transport and 36.4 tonnes in case of unaccompanied combined transport because rail transport across the Brenner Pass is generally carried out by 1,200-tonne trains with an average of 1,020-tonne load and each train is composed of an average of 21 ITUs in case of accompanied transport and of 28 ITUs in case of unaccompanied transport.

Therefore, the average cost of rail transport on the route Brenner – Salorno is EUR 3.37 per tonne (i.e. EUR 163.72: 48.6 tonnes) in case of accompanied combined transport and of EUR 1.85 per tonne (i.e. EUR 67.41: 36.4 tonnes) in case of unaccompanied combined transport.

### 2.9. Aid amount

The scheme provides for a aid amount ranging from minimum EUR 26 to maximum EUR 33 per ITU travelling on the Brenner – Salorno route in case of accompanied combined transport and from minimum EUR 14 to maximum EUR 19 per ITU travelling on the Brenner – Salorno route in case of unaccompanied combined transport. The Province of Bolzano reserves the right to recalculate and reduce the amount of aid should more favourable market conditions occur.

- For the purposes of quantifying the aid, the Province of Bolzano considered the following possible aid amounts within the EUR 33-26 range: EUR 33, EUR 30, EUR 28, and EUR 26.
- For the purposes of quantifying the aid, the Province of Bolzano considered the following possible aid amounts within the EUR 25-14 range: EUR 25, EUR 20, and EUR 14, and concluded that EUR 25 and EUR 20 were too high to respect the thresholds set out in the Railway Guidelines.
The Italian authorities explained that:

(a) In case of accompanied combined transport, the maximum envisaged subsidy of EUR 33 per ITU travelling on the Brenner-Salorno route corresponds to a subsidy of EUR 0.0056 per tonne-kilometre.

(b) In case of unaccompanied combined transport, the maximum envisaged subsidy of EUR 19 per ITU on the Brenner-Salorno route corresponds to a subsidy of EUR 0.0043 per tonne-kilometre.

The Italian authorities explained that these amounts represent an indicative estimation based on the following calculation. The amount of subsidies in terms of tonne-kilometre is determined by dividing the average tonnage of the ITU used in case of accompanied (48.6 tonnes) and unaccompanied (36.4 tonnes) combined transport by the length of the Brenner – Salorno route (120 km).

Table 3 shows the resulting aid amounts per tonne travelling on the Brenner – Salorno route and per tonne-kilometre.

<table>
<thead>
<tr>
<th>Combined transport</th>
<th>Subsidy (EUR)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per ITU on the Brenner – Salorno route (120 km)</td>
<td>Per tonne on the Brenner – Salorno route (120 km)</td>
<td>Per tonne per kilometre</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Min</td>
<td>Max</td>
<td>Min</td>
<td>Max</td>
</tr>
<tr>
<td>Accompanied</td>
<td>26.00</td>
<td>33.00</td>
<td>0.5349</td>
<td>0.6790</td>
</tr>
<tr>
<td>Unaccompanied</td>
<td>14.00</td>
<td>19.00</td>
<td>0.3846</td>
<td>0.5219</td>
</tr>
</tbody>
</table>

2.10. Other eligibility criteria

The aid scheme does not apply to projects if works on the project activities started before the applicant has submitted a written application for the aid.

2.11. Procedure for granting the aid

The granting authority will publish a call for aid applications relating to the notified scheme on a yearly basis.

The MTOs and the railway undertakings providing rail freight transport services in the territory of the Province of Bolzano shall submit to the granting authority the aid application together with the breakdown of all freight transport services planned over each calendar year (from 1 January to 31 December). The applications shall be accompanied by a business plan laying down a detailed description of the service (including the number of ITUs to be dispatched, itinerary, the platform or terminal where the ITU is loaded or unloaded). Any amendment shall be notified to the granting authority in order to be duly authorised.

The aid will be granted by decision of the granting authority within 60 days following the closing date for the submission of applications. The granting authority can grant the aid only after the Commission has authorised the scheme.
The aid will be granted within the limits of available financing. On the basis of the resources available and of the number of ITUs for which aid has been requested, the Province of Bolzano will determine on a yearly basis the amount of aid to be allocated, within the maximum amounts provided in Article 6 of Annex A of the Implementing Rules (i.e. EUR 33 per ITU travelling via accompanied combined transport and EUR 19 per ITU travelling via unaccompanied combined transport). In any case, the Province of Bolzano committed to respect the thresholds set out in the Railway Guidelines in each individual grant.

2.12. Rules on cumulation

Cumulation with any other European, national regional or local public support is not permitted in relation to the same eligible costs if such cumulation results in exceeding the highest aid intensity applicable to this aid under Section 6 of the Railway Guidelines, i.e. 30% of the total integrated transport cost and 50% of the eligible costs (i.e. of the difference between the external costs for rail transport and road transport).

Article 8 "Cumulation" of the Implementing rules allows cumulation with other State aid granted through local, regional, national or EU resources, provided that the ceilings set out in the Railway Guidelines are respected.

According to Article 52 of Law No. 234/2012, before granting the aid, the Province of Bolzano shall verify the compliance with the rules on cumulation through the national State Aid Registry.

In calculating the maximum grantable aid amount, the Province of Bolzano committed to take into account the tax exemption applicable in Italy to the consumption of electricity for rail traction since 1924. Article 52(3)(c) of the current Consolidated Law on the taxation of energy consumption, as amended by Legislative Decree No 26 of 2 February 2007, maintains the exemption from excise duty on electricity "used for the installation and operation of railway lines for the transport of freight and passengers", in line with Article 15(1)(e) of Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity that allows Member States to apply total or partial exemption in the level of taxation to electricity used notably for the carriage of goods by rail. The corresponding value of the tax exemption is EUR 3.1 per MWh, which represents a saving of approximately EUR 0.0002 per tonne-kilometre.

In addition to the above, the Province of Bolzano committed to liaise closely with the authorities, which might have granted and/or intend to grant contributions for combined transport operations along the Brenner Corridor.

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18 The obligations and sanctions laid down in article 52 of Law No. 234/2012 are in force as of 12 August 2017, pursuant to decree No. 115 of the Ministry of Economic Development of 31 May 2017.
19 Legislative Decree No 504 of 26 October 1995.
20 OJ L283 of 31.10.2003, p. 51
2.13. Repayment mechanism and monitoring

(39) Sample checks will be carried out on the eligible applications. The granting authority shall order the forfeiture of the aid if the beneficiary fails to comply with the Implementing Rules.

(40) The Italian authorities committed to transmit to the Commission annual reports on the implementation of the scheme.

3. ASSESSMENT

3.1. Existence of aid

(41) Pursuant to Article 107 (1) TFEU, "any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market".

(42) The criteria laid down in Article 107(1) TFEU are cumulative. Therefore, in order to determine whether the notified measure constitutes State aid within the meaning of Article 107(1) TFEU all of the following conditions need to be fulfilled. The financial support must:

(a) be granted by the State or through State resources;

(b) favour certain undertakings or the production of certain goods;

(c) distort or threaten to distort competition; and

(d) affect trade between Member States.

(43) The notified measure fulfils all the four cumulative conditions for the following reasons:

(a) State resources and imputability: Since the notified measure involves financing granted by the Italian authorities to the beneficiaries as defined in recital (12) above, it involves the use of State resources. Besides, the decision to set up the scheme has been taken by the Provincial authorities on the basis of a Provincial Law and of a Decision of the Provincial Council. The Commission concludes therefore that the measure is imputable to the State;

(b) Economic advantage: The measure reduces the costs that the beneficiaries would normally have to bear. The Commission concludes therefore that the measure confers an economic advantage;

(c) Selectivity: The public financing is directed at certain eligible undertakings providing freight transport services. The Commission concludes therefore that the measure is selective in nature;

(d) Distortion of competition and impact on trade: When aid granted by a Member State strengthens the position of an undertaking compared with other undertakings competing in intra-Union trade, the latter must be
regarded as affected by that aid. It is sufficient that the recipient of the aid competes with other undertakings on markets open to competition. In the present case, the notified measure strengthens the position of the beneficiary undertakings in relation to other undertakings active in the rail freight market which is open to competition. The Commission concludes therefore that the measure is liable to distort competition and to affect trade between Member States.

(44) On the basis of the above considerations, the Commission concludes that the notified aid scheme constitutes State aid within the meaning of Article 107(1) TFEU.

3.2. Lawfulness of the aid

(45) As described in footnote 14, the legal basis contains a stand-still clause whereby the aid granting body can only grant the aid after the Commission has authorised the aid. The Commission notes that the notified scheme has not been implemented so far. Therefore Italy is in compliance with the obligation laid down in Article 108(3) TFEU.

3.3. Compatibility of the aid

(46) The notified measure falls within the scope of Article 93 TFEU and has therefore to be assessed on that basis.

(47) Article 93 TFEU states that State aid shall be compatible with the Treaty if it meets the needs of coordination of transport. The concept of "aid meeting the needs of coordination of transport" refers to the need for public intervention arising notably in the presence of market failure. In this regard, the Commission notes that measures of coordination of transport may be needed when certain modes of transport do not bear the costs of the negative externalities which they impose on society.

(48) As expressed in the Commission’s White Paper on Transport Policy\(^2\), the fundamental charging principle for infrastructure use is that charges must cover not only infrastructure costs, but also external costs, namely costs connected to accidents, air pollution, noise and congestion. This approach has been applied in a number of the Commission State aid decisions over the years\(^2^2\).

\(^{21}\) Roadmap to a Single European Transport Area—Towards a competitive and resource efficient transport system, COM(2011)144 of 28.03.11.

This approach reflects also the fact that, in view of Articles 3, 6, 191 TFEU, the environmental objectives of the Treaty have to be pursued inter alia through the Common Transport Policy. Rail transport generates lower negative externalities than road transport in terms of accident and pollution costs, noise, climate costs or congestion costs. In general this transport mode also has considerable spare capacity and can therefore play a role in shifting traffic away from the congested parts of the road networks.

Rules for the application of Article 93 TFEU (aid for the coordination of transport) have been set out in Section 6 of the Railway Guidelines.

According to point 95 of the Railway Guidelines, aid that meets the needs of transport coordination is considered compatible with the Treaty. Point 96 of the Railway Guidelines provides that for a given aid measure to be considered to “meet the needs” of transport coordination it has to be necessary and proportionate to the intended objective. Furthermore, the distortion of competition which is inherent in aid must not jeopardise the general interests of the European Union.

According to point 98 of the Railway Guidelines, aid for the needs of transport coordination can take several forms including aid for reducing external costs that is designed to encourage a modal shift to rail because it generates lower external costs than other modes such as road transport.

In accordance with the Commission's previous decision-making practice, the principles set out in the Railway Guidelines concerning aid for reducing external costs apply also when the direct beneficiaries of the scheme are not railway undertakings. The compatibility assessment of the present scheme will therefore be carried out in the light of the Railway Guidelines' provisions on aid for reducing external costs (points 101 to 112) also with regard to aid to MTOs.

3.3.1. Eligible costs

According to point 103 of the Railway Guidelines, the eligible costs as regards aid for reducing external costs are the part of the external costs which rail transport makes it possible to avoid compared to competing transport modes.

Point 104 of the Railway Guidelines states that "Member States may put in place a time-limited compensation scheme for the use of railway infrastructure for the demonstrably unpaid environmental, accident and infrastructure costs of competing transport modes in so far as these costs exceed the equivalent costs of rail".

Point 105 of the Railway Guidelines requires a transparent, reasoned and quantified comparative cost analysis between the supported transport mode and

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the alternative options. The methodology used and calculations performed must be made publicly available.

(57) The EURAC Study on external costs savings provides a transparent, reasoned and quantified comparative cost analysis between the supported transport mode and the alternative options. The EURAC Study was published at the following web address: http://www.provincia.bz.it/turismo-mobilita/mobilita/service/pubblicazioni.asp. The Commission concludes that the Italian authorities comply with points 104 and 105 of the Railway Guidelines.

(58) The results of the EURAC Study are in line with the most recent calculation of external costs produced in 2012 by the Joint Research Centre of the Commission for different transport modes in Italy, based on the methodology presented in a Handbook on estimation of external cost in the transport sector published by the Commission and on the data from the TREMOVE model.

(59) Table 4 below shows the marginal average external costs of road and rail transport based on electric traction in Italy in 2012 estimated by the Joint Research Centre of the Commission, which amounts to a total of EUR 0.012 per tonne-kilometre.

<table>
<thead>
<tr>
<th>Cost element</th>
<th>Road (EUR/tkm)</th>
<th>Rail electric (EUR/tkm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accidents</td>
<td>0.0022</td>
<td>0.0004</td>
</tr>
<tr>
<td>Noise</td>
<td>0.0018</td>
<td>0.0031</td>
</tr>
<tr>
<td>Air pollution</td>
<td>0.0069</td>
<td>0.0004</td>
</tr>
<tr>
<td>Climate Costs</td>
<td>0.0037</td>
<td>0.0021</td>
</tr>
<tr>
<td>Congestion</td>
<td>0.0037</td>
<td>0.0003</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>0.0183</strong></td>
<td><strong>0.0063</strong></td>
</tr>
</tbody>
</table>

External cost savings by shifting 1 tkm from road to rail

0.012

(60) The marginal average external cost differential calculated by the Italian authorities on the basis of the EURAC Study amounts to EUR 0.013 per tonne-kilometre in 2015 along the Brenner – Salorno route, as explained in recital (21).

(61) The marginal discrepancies between the EURAC's and the Joint Research Centre's calculation might be attributed to the very specific geographic features of the route concerned by the scheme (e.g. type of road and road gradient). Moreover, the notified scheme concerns only rail freight based on electric traction because only electrified trains transit in the Brenner corridor. It is acknowledged

24 http://ec.europa.eu/transport/themes/sustainable/studies/sustainable_en
25 TREMOVE is an EU-wide transport model used as a policy assessment model, designed to study the effects of different transport and environment policies on the transport sector. The model estimates the transport demand, modal shifts, vehicle stock renewal and scrappage decisions as well as the emissions of greenhouse gases, air pollutants and the welfare level, for policies such as road pricing, public transport pricing, emission standards, subsidies for cleaner cars etc. For more details see http://www.tremove.org.
26 The results of the EURAC Study are based on the assessment of road traffic on the 116-km highway connecting Brenner and Salorno, where heavy good vehicles are subject to maximum speed limits of 80 km/h (60 km/h in a specific section) and the road gradient reaches 43.9% in the section Brenner – Vipiteno (the first 15 kilometres of the route).
that rail transport, and in particular electrified rail freight transportation, has much lower external costs in terms of accident costs, noise and air pollution, when compared to road transport.

(62) In line with points 103 to 105 of the Railway Guidelines, the Commission concludes that the eligible costs of the scheme correspond to the part of the external costs which rail transport makes possible to avoid compared with road transport.

3.3.2. **Necessity and proportionality of the aid measures**

(63) According to points 107 (b) and 109 of the Railway Guidelines, there is a presumption of necessity, proportionality and absence of overcompensation of the aid for reducing external costs when the intensity of the aid stays below the following values: 50% of the eligible costs and up to 30% of the total cost of rail transport.

(64) The Province of Bolzano adopted a subsidy system based on ITU travelling the Brenner-Salorno route rather than a system based on tonne-kilometre. The Italian authorities explained that the system based on ITU allows transferring a higher amount of freight traffic from road to rail in terms of volume as compared to the system based on tonne-kilometre, in order to decongest the heavy vehicles traffic across Brenner Corridor.

(65) In relation to the choice of a system based on ITU, the Commission notes the following. First, as explained in recital (32), the aid applications must be accompanied in advance by a detailed plan of the service scheduled for the following 12 months (including the number of ITUs to be dispatched) and any amendment to the plan needs to be duly authorised by the granting authority. Second, as explained in recital (34), the maximum amount per beneficiary is strictly determined in advance on a yearly basis, according to the number of ITUs requested in the application and on the resources available in the budget, therefore a higher number of ITUs implies a smaller aid amount per ITU. Third, as indicated in recital (23), the costs connected with the use of the railway infrastructure on the Brenner – Salorno route are almost five times higher than the maximum aid available per ITU in case of accompanied combined transport and almost three times higher than the maximum aid available per ITU in case of unaccompanied combined transport, thus leaving no room for inefficiencies. Based on the above, the Commission concludes that there is no risk that a system based on ITU per journey would incentivise companies to tranship several partially loaded ITUs, rather than fully loaded ITUs, in order to receive additional subsidies.

(66) The Italian authorities committed to respect the thresholds set out in the Railway Guidelines in each individual grant: the maximum aid amount that will be granted under the notified scheme will not exceed 50% of the eligible costs and 30% of the costs of rail transport.

3.3.2.1. **The aid does not exceed 50% of the eligible costs**

(67) As explained under recital (26), the notified scheme foresees a maximum grant of EUR 0.0056 for each tonne per kilometre travelled by accompanied combined
transport and a maximum grant of EUR 0.0043 for each tonne per kilometre travelled by unaccompanied combined transport.

(68) In addition, as explained in recital (37), the Commission notes that each tonne per kilometre travelled by rail generates a tax exemption for electricity consumption for electrified traction of EUR 0.0002 per tonne per kilometre (i.e. EUR 0.0240 per tonne on the route Brenner – Salorno or EUR 1.1664 per ITU of accompanied transport travelling the Brenner – Salorno route and EUR 0.8736 per ITU of unaccompanied transport travelling the Brenner – Salorno route).

(69) The EURAC Study estimated a cost differential between road and rail transport of EUR 1.5773 per tonne on the Brenner – Salorno route. This corresponds to a cost differential of:

(a) EUR 0.013 per tonne-kilometre; or

(b) EUR 76.6 in case of a 48.6-tonne accompanied ITU travelling on the Brenner – Salorno route and EUR 57.4 in case of a 36.4-tonne unaccompanied ITU travelling on the Brenner – Salorno route.

(70) Table 5 below shows the aid intensity of the aid, calculated as percentage of the cost differential between road and rail transport. For the sake of completeness, the aid amounts are expressed not only in terms of ITU travelling on the Brenner – Salorno route, but also in terms of tonne travelling on the Brenner – Salorno route and tonne-kilometre. The table also shows the aid amounts adjusted considering the benefits deriving from the tax exemption for electricity consumption for electrified traction.

<table>
<thead>
<tr>
<th>Combined transport mode</th>
<th>EUR per ITU on the Brenner – Salorno route (120 km)</th>
<th>EUR per tonne on the Brenner – Salorno route (120 km)</th>
<th>EUR per tonne per kilometre</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Eligible Costs</td>
<td>Max Subsidy</td>
<td>% eligible costs</td>
</tr>
<tr>
<td>Accompanied</td>
<td>76.6</td>
<td>33.00</td>
<td>43.08%</td>
</tr>
<tr>
<td>Unaccompanied</td>
<td>57.4</td>
<td>19.00</td>
<td>33.10%</td>
</tr>
</tbody>
</table>

Subsidy adjusted considering the benefits deriving from the tax exemption for electricity consumption for electrified traction

(71) Taking into account the above cost differentials, the Commission concludes that even considering the benefits deriving from the tax exemption for electricity consumption for electrified traction, the aid intensity does not exceed 50% of the eligible costs. In any event, as pointed out in recital (33), the Province of Bolzano committed to respect the thresholds set out in the Railway Guidelines in each individual grant.

3.3.2.2. The aid does not exceed 30% of the costs of rail transport

(72) As described in recital (23), the estimated cost for the operation of rail freight transport on the Brenner – Salorno route is EUR 163.72 per ITU in case of accompanied transport and EUR 67.41 per ITU in case of unaccompanied transport.

(73) The Italian authorities explained that these estimations are based on the costs supported in 2016 by rail freight operators on the routes Trento – Wörgl (236 km)
in case of accompanied transport, namely EUR 322 per ITU, and Verona – Munich (445 km) in case of unaccompanied transport, namely EUR 250 per ITU.

(74) Table 6 below shows the aid intensity of the aid in terms of percentage of the costs for operation of rail freight transport. For the sake of completeness, the aid amounts are expressed not only in terms of ITU travelling on the Brenner – Salorno route, but also in terms of tonne travelling on the Brenner – Salorno route and tonne-kilometre. The table also shows the aid amounts adjusted considering the benefits deriving from the tax exemption for electricity consumption for electrified traction.

Table 6 – Aid intensity as % of the costs of rail transport

<table>
<thead>
<tr>
<th>Combined transport mode</th>
<th>EUR per ITU on the Brenner – Salorno route (120 km)</th>
<th>EUR per tonne on the Brenner – Salorno route (120 km)</th>
<th>EUR per tonne per kilometre</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rail freight cost</td>
<td>Subsidy</td>
<td>% rail freight costs</td>
</tr>
<tr>
<td>Accompanied</td>
<td>163.72</td>
<td>33.00</td>
<td>20.15%</td>
</tr>
<tr>
<td></td>
<td>163.72</td>
<td>30.00</td>
<td>18.32%</td>
</tr>
<tr>
<td></td>
<td>163.72</td>
<td>28.00</td>
<td>17.10%</td>
</tr>
<tr>
<td></td>
<td>163.72</td>
<td>26.00</td>
<td>15.88%</td>
</tr>
<tr>
<td>Unaccompanied</td>
<td>67.41</td>
<td>19.00</td>
<td>28.19%</td>
</tr>
<tr>
<td></td>
<td>67.41</td>
<td>14.00</td>
<td>20.77%</td>
</tr>
<tr>
<td></td>
<td>67.41</td>
<td>12.00</td>
<td>20.04%</td>
</tr>
<tr>
<td></td>
<td>67.41</td>
<td>10.00</td>
<td>19.31%</td>
</tr>
<tr>
<td></td>
<td>67.41</td>
<td>9.00</td>
<td>18.75%</td>
</tr>
</tbody>
</table>

Subsidy adjusted considering the benefits deriving from the tax exemption for electricity consumption for electrified traction

| Accompanied             | 163.72            | 34.17   | 20.87%             | 3.369            | 0.7030  | 20.87%             | 0.0280          | 0.0058  | 20.71%             |
|                         | 163.72            | 31.17   | 19.49%             | 3.369            | 0.6412  | 19.49%             | 0.0280          | 0.0053  | 19.33%             |
|                         | 163.72            | 29.17   | 18.21%             | 3.369            | 0.5890  | 18.21%             | 0.0280          | 0.0049  | 18.05%             |
|                         | 163.72            | 27.17   | 16.93%             | 3.369            | 0.5350  | 16.93%             | 0.0280          | 0.0044  | 16.77%             |
| Unaccompanied           | 67.41             | 19.87   | 29.48%             | 1.851            | 0.5459  | 29.48%             | 0.0154          | 0.0045  | 29.22%             |
|                         | 67.41             | 14.87   | 20.75%             | 1.851            | 0.4986  | 20.75%             | 0.0154          | 0.0034  | 20.59%             |

Aid intensities exceeding the thresholds set out in the Railway Guidelines are highlighted in bold.

(75) Taking into account the above estimations, the Commission notes that:

(a) The overall aid for accompanied transport does not exceed 30% of the costs of rail transport, considering that the maximum aid amount per ITU on the Brenner – Salorno route is set at EUR 33;

(b) The overall aid for unaccompanied transport does not exceed 30% of the costs of rail transport, considering that the maximum aid amount per ITU on the Brenner – Salorno route is set at EUR 19.

(76) Taking into account the above costs differentials, the Commission concludes that even considering the benefits deriving from the tax exemption for electricity consumption for electrified traction (i.e. EUR 1.1664 per ITU of accompanied transport travelling the Brenner – Salorno route and EUR 0.8736 per ITU of unaccompanied combined transport travelling the Brenner – Salorno route), the cap of 30% of the costs for operation of rail freight transport is respected.

(77) Taking into account that the beneficiaries of the scheme may benefit in whole or in part of schemes already in place at national and local level in support of rail and combined freight transport, mentioned under recital (7) above, the Commission records that the Province of Bolzano will closely monitor the application of the scheme in order to avoid that the thresholds set out in point 107(b) of the Railway Guidelines are exceeded in relation to the same eligible costs. In any event, as pointed out in recital (33), the Province of Bolzano
committed to respect the thresholds set out in the Railway Guidelines in each individual grant.

(78) Against this background the Commission concludes that the scheme complies with the requirements set out in point 107(b) of the Railway Guidelines.

3.3.3. Other conditions related to the necessity and proportionality of the aid

(79) According to point 110 of the Railway Guidelines, in principle, the aid has to be reflected in the price demanded from railway undertakings.

(80) The Italian authorities confirmed that the beneficiaries under the scheme (both railway undertakings and MTOs) are obliged to use the entire amount of aid to reduce the tariffs actually charged to end-users of the integrated transport. As the letter of the Implementing Rules was not clear on this point, the Province of Bolzano committed to amend it accordingly.

(81) The Commission values favourably that the scheme foresees an explicit obligation for the beneficiaries to pass on the aid to final users and that this obligation is extended also to MTOs. Indeed, given that the Italian rail freight market is open to competition and that road transport exercises competitive pressures on the rail combined transport services, the choice between road transport and rail combined transport will ultimately depend on the prices charged by the beneficiaries to road hauliers, which will have to factor in the full amount of the aid if those prices are to attract road hauliers to rail combined transport.

(82) For all these reasons, the Commission concludes that point 110 of the Railway Guidelines is met.

(83) According to point 111 of the Railway Guidelines, in case of aid for reducing external costs, there must be realistic prospects of keeping the traffic transferred to rail so that aid leads to a sustainable transfer of traffic.

(84) This condition has to be assessed against the specific characteristics of the freight transport along the Brenner – Salorno route, described in Section 2.1. In this regard, the Commission observes that the awarding criteria of the scheme have been designed with the view to trigger modal shift from road to rail and to keep this shift in the medium-long term (for at least one to three years). Moreover, the notified scheme is in addition to other schemes adopted by the Italian authorities in support of freight transport across the Brenner Corridor and therefore there is solid basis to believe that the positive trend will be confirmed.

(85) In the light of the criteria examined above, the Commission considers that the conditions related to the necessity and proportionality of the aid are met.

3.3.4. The aid scheme is granted on non-discriminatory terms, the aid scheme is transparent and time-limited

(86) The notified scheme does not set out any restrictive conditions based on the nationality of the undertaking or other characteristics. The aid is therefore granted on non-discriminatory terms.
The notified scheme is transparent, as the conditions for benefiting from it are clearly stipulated in the relevant legal acts.

Finally, the aid scheme is limited in time, it will apply for a period of three years (until 31 December 2019), extendable for a maximum period of 24 months. This duration is in line with the time limits laid down in point 97 of the Railway Guidelines.

3.3.5. **No effect on competition and trade contrary to the common interest**

Point 96 of the Railway Guidelines stipulates that "distortion of competition which is inherent in aid must not jeopardise the general interests of the [Union]. By way of illustration, aid likely to shift traffic flows from short sea shipping to rail would fail to meet these criteria".

The notified scheme is designed to reduce imbalances between railway transport and road transport on the sole territory of the Province of Bolzano, and in particular on the route Brenner – Salorno.

This area, together with the ones along the Brenner Corridor is characterised by a net preponderance of the road transport over rail, as shown in Table 1 above, and by the absence of alternative transport modes less polluting than rail.

Consequently, the Commission concludes that the present aid scheme does not give rise to a distortion of competition to an extent contrary to the common interest according to point 96 of the Railway Guidelines.

3.3.6. **Transparency**

The Italian authorities confirmed that they will ensure the publication of the relevant information on the notified scheme through the national State aid Registry²⁷.

It is important that Member States provide the Commission with the relevant information on the impact on the transport policy and environment of the aid schemes supporting combined transport, thus allowing a proper description of the market developments in the combined transport sector. As described in recital (42), the Italian authorities will submit a yearly evaluation report on the implementation of the scheme.

4. **Conclusion**

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 93 TFEU.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: [http://ec.europa.eu/competition/elojade/isef/index.cfm](http://ec.europa.eu/competition/elojade/isef/index.cfm).

²⁷ [https://www.rna.gov.it/sites/PortaleRNA/it_IT/home](https://www.rna.gov.it/sites/PortaleRNA/it_IT/home)
Your request should be sent electronically to the following address:

European Commission,
Directorate-General Competition
State Aid Greffe
B-1049 Brussels
Stateaidgreffe@ec.europa.eu

Yours faithfully
For the Commission

Margrethe VESTAGER
Member of the Commission