

# Policy compass for **internet consultation**

Temporary subsidy scheme ERTMS freight locomotives

## ∞ Who are stakeholders and why?

### Sub-questions

- Who are directly or indirectly stakeholders in the issue in question?

Freight vehicle owners, Freight carriers, Shippers, Rail manager ProRail, the ERTMS Program Directorate, Rijksdienst Voor Ondernemend Nederland (RVO), the Ministry of Infrastructure and Water Management (IenW).

- Who has relevant knowledge and experience with the issue?

ERTMS Program Directorate, Rail manager ProRail, RVO, Freight vehicle owners, Freight carriers, IenW.

- How have stakeholders been involved in the various phases of the policy process so far?

The draft scheme uses the preconditions from the ERTMS 2019 program decision and a previous subsidy scheme for ERTMS. Stakeholders were involved in drawing up the program decision and the previous subsidy scheme. In addition, there was intensive cooperation between ERTMS Program Directorate, RvO and IenW in the development of the scheme. Equipment owners and freight transporters are informed about the internet consultation via the ERTMS Program Directorate.

## 1. What's the problem?

### Sub-questions

- a) What's the problem?

In the Netherlands, ERTMS will be installed in the infrastructure in the coming years as a security system. To be able to run over this infrastructure, locomotives must also have ERTMS on board. European Train Control System (ETCS) is part of ERTMS and is important, among other things, for the equipment. Adapting a locomotive to ETCS system version 2.0 or higher is expensive. The benefits of this investment lie further in the future, when the entire European system has been converted to ERTMS. This means there is a high risk that there will be insufficient locomotives available in the Netherlands that can run on route sections with ERTMS. The costs of freight transport by rail are also likely to increase. This is not in line with the modal shift policy desired by the Netherlands.

- b) What are the causes of the problem?

The implementation of a new security system (ERTMS) on the Dutch infrastructure.

- c) What is the scale of the problem?

It is estimated that there are approximately 180 to 190 freight locomotives that meet the preconditions as set out in the ERTMS 2019 program decision, but that are not yet in the process of conversion. It has been shown that conversion of this group of locomotives contributes to rail freight transport in the Netherlands.

- d) What is the current policy and what has the evaluation yielded?

The ERTMS 2019 program decision sets preconditions for subsidizing owners for the conversion of locomotives. Various locomotives are currently being converted through a previous subsidy scheme.

- e) What happens if the government does nothing (Zero Option)? What justifies government intervention?

If owners have to bear the full conversion costs to ERTMS themselves, it is expected that too few locomotives will be converted for operation in the Netherlands. In addition, the full costs must be included in the price of rail freight transport, which worsens the competitive position. Expensive prototypes of certain types of locomotives are also being developed under a previous subsidy scheme. The cooperation agreements for this previous scheme promised that a new comparable scheme for the conversion of freight locomotives will be introduced in 2024. This new scheme focuses on cheaper serial conversions that are possible as a result of the creation of prototypes from the previous scheme.

## 2. What is the intended purpose?

### Sub-questions

- a) What are the policy goals?

The intended policy goal is to encourage the owners of freight locomotives to make the locomotive suitable for ETCS system version 2.0 or higher for ETCS level 2 suitable, and thus have sufficient freight locomotives with ERTMS available in a timely manner. Another aim is to limit the negative effects on the competitive position of the rail freight sector compared to other modalities and countries.

- b) To which sustainable development [goals \(SDGs\) and broad prosperity outcomes](#) do the goals contribute?

The ERTMS program and the subsidy scheme for the conversion of freight locomotives contribute to improving the safety and interoperability of rail in Europe. In this way it contributes to sustainable infrastructure. For the conversion of freight locomotives, this concerns even more specifically the facilitation of trade in the Netherlands and the competitive position of the rail freight sector.

### 3. What are options to achieve the goal?

#### Sub-questions

- a) What are promising opportunities to achieve the goal?

Encourage the conversion of sufficient freight locomotives to ERTMS and limit the negative effects on the competitive position of the rail freight sector. In the previous subsidy scheme, prototypes of several types are made with ERTMS. After a prototype of a type is ready, the other locomotives of that type can be serially converted for a considerably lower amount. Some of the locomotives for this serial conversion are already included in the previous arrangement. This new arrangement is intended, among other things, to also convert the other locomotives of the types for which a prototype is in the making.

- b) What are promising policy options?

Drawing up a subsidy scheme that will reduce the costs for owners to convert freight locomotives to ERTMS.

- c) What is the [policy theory \(goals tree\)](#) for each promising policy option?

A subsidy scheme reduces the costs of construction, which will have an encouraging effect on actually converting. These lower costs also mean that fewer conversion costs need to be included in the price of rail freight, which benefits the competitive position. This follows the ERTMS 2019 program decision. The previous subsidy scheme has shown that there is indeed an incentive effect.

### 4. What are the consequences of the options?

#### Sub-questions

- a) What are the expected consequences for each policy option?

The conversion of approximately 180 to 190 freight locomotives to ERTMS, so that these locomotives can be used in the future on both the new ERTMS track sections and the current ATB track sections. With the 50% contribution from the subsidy, the parties are encouraged to build and the negative effect on the competitive position is limited.

- b) Which [mandatory tests](#) apply and what are the results (if known)?

The enforceability and feasibility test (HUF) is carried out simultaneously with this internet consultation. The regulatory burden test by the ATR is also carried out simultaneously with this internet consultation.

## 5. What is the preferred option?

### Sub-questions

a) What is the proposal?

Subsidy scheme of a maximum of 50% of the costs for converting freight locomotives so that they are suitable for ETCS system version 2.0 or higher for ETCS level 2. This concerns freight locomotives that meet the requirements as stated in the ERTMS 2019 program decision. In this way, the previous ERTMS subsidy scheme is followed up, in which several expensive prototypes are built. Creating a new, complicated scheme is an agreement made during the first scheme and a logical consequence of converting the prototypes. In addition, the new scheme also offers the option of converting other freight locomotives that meet the requirements in the program decision. This means that one prototype can also be developed via the new scheme.

b) How does the proposal take into account:

- [effectiveness](#) and [efficiency](#); \_
- feasibility for all relevant parties (including [capacity to act](#), [regulatory burden](#) and [enforcement](#));
- broad social impact?

The scheme takes effectiveness and efficiency into account by only opening the scheme to specific types/series that meet specific conditions. In addition, for effectiveness, a minimum obligation is set for deployment in the Netherlands after conversion. This is important to prevent locomotives from using the scheme that are then not used in the Netherlands. Determining maximum amounts per conversion of freight locomotives and the subsidy level of 50% encourage the applicant to work efficiently, which further improves efficiency and appeals to one's own capacity to do so. Regulatory pressure has been taken into account by choosing the maximum amount within the IenW subsidies framework law, which can be available as a fixed amount. Enforcement and feasibility have also been taken into account by involving the implementing parties (RVO and ERTMS Program Directorate) in drawing up the scheme.

c) What are the risks and uncertainties of this proposal?

It is uncertain whether the 50% contribution for all freight locomotive owners is sufficient to achieve the desired incentive effect. Prices for conversions can also fluctuate, meaning that the predetermined maximum amount per freight locomotive provides a lower contribution than 50% of the actual conversion costs.

d) What does the intended [monitoring and evaluation look](#) like?

IenW monitors the number of applications to determine whether the subsidy scheme has the desired stimulating effect and how many freight locomotives are converted with the support of the scheme. After the expiry of the scheme, an evaluation of the scheme is carried out.