

## Opportunity for application for funding for fitment of freight locomotives with STM and ETCS

### 1. Background

As part of the roll-out of the new signaling systems on the Danish railway, Banedanmark has the opportunity to compensate Railway Freight Undertakings for up to half of their expenses in connection with the purchase and installation of new train control systems in freight locomotives<sup>1</sup>.

The parliament has granted 57.1 millions DKK (pl-2017), and the EU Commission approved the scheme in July 2017.

### 2. Who can apply

1. Railway Freight Undertakings with own freight locomotives and own safety certificate.
2. Railway Freight Undertakings, operating with own freight locomotives on the basis of a railway infrastructure manager's safety certificate, or planning to operate on Banedanmark's infrastructure with freight locomotives with a valid APIS (Approval for Placing Into Service).
3. Railway Freight Undertaking who have received an APIS for leased freight locomotives.

### 3. What can be applied for

A total of up to 50% of the total direct costs can be included in the application for purchasing and installing ETCS and Danish STM.

Cost of purchase and installation of Danish STM can be included up to 100%. Costs for the purchase and installation of ETCS equipment can be included with up to 50%, however the total compensation cannot exceed 50% of the total direct costs of purchasing and installation of ETCS and Danish STM.

A maximum compensation of 1.246 million DKK can be granted on equipment of the first freight locomotive in a series (First-of-Class – FoC) and 0.519 million DKK for the following freight locomotives in the series. Within the above amount per vehicle, the proportion of funding for Danish STM must amount to a maximum of 286,000 DKK. If the Danish STM is purchased in addition to existing ETCS equipment, the aid can only amount to 50%.

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<sup>1</sup> Freight locomotives are defined as a traction locomotive or a shunter locomotive. The definition thus excludes work vehicles / yellow machines. On the other hand, support for locomotives that are used for infrastructure works (track maintenance and engineering work on the infrastructure) is applicable

Any exceeding of the project budget is the applicant's responsibility. It will not be possible to apply Banedanmark for additional funds for ETCS and STM costs.

It is not possible to apply for recover of indirect costs and project costs.

If other public funding (including EU funding) has been obtained for the fitment of the STM and / or ETCS freight locomotives concerned, it should be noted that it is possible to obtain up to 50% of the direct funding cost of purchasing and installing equipment on a specific freight locomotive across the various public funding pools.

If an application has been submitted or planned for EU funding or funding from another public authority, it must be stated in this application. If an application has been submitted, it must be attached to the application scheme.

#### **4. Timeschedule**

As long as there are funds available, it is possible to apply for funding for freight locomotives that are being fitted during the period 01/10/2017 - 31/10/2020. A supported project must be completed with an APIS or commissioning report no later than 31/12/2021 to be eligible for funding otherwise the commitment / funding will be withdrawn.

#### **5. Operational application criteria for freight locomotive affiliation with Denmark**

Banedanmark will, in the event that it subsequently appears that the conditions for support set out below are not met and where the on demand bank guarantee has been released, claim already paid funding back.

##### Existing Railway Freight Undertakings on the Danish railway

Applications can be made for freight locomotives which over the last five (5) years, have driven 50.000 trainkm<sup>2</sup> or over the last five (5) years have driven 5.000 operational hours<sup>3</sup>.

In addition, a Solemn Declaration must be signed for continued driving with the subsidized freight locomotives for at least five years to come.

In case of trading a subsidized freight locomotive, historical traffic is associated with the specific freight locomotive and not the Railway Freight Undertaking.

In order to have 1<sup>st</sup> ratio paid out existing Railway Freight Undertakings must provide a bank guarantee / Floating charge (virksomhedspant) for the amount paid, cf. below.

Freight locomotives that do not comply with the above requirements are to be handled according to the same principles as apply to new Railway Freight Undertakings freight locomotives, cf. below.

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<sup>2</sup> Trainkilometers also include empty runnings in connection with the placement of rolling stock

<sup>3</sup> Operational hours are hours, where the freight locomotive is in operation and manned, however it is not a prerequisite that the train is in movement. The latter can occur in connection with engineering work on the Danish railway.

### New Railway Freight Undertakings / new freight locomotives on the Danish railway

Applications for freight locomotives can be applied for by Railway Freight Undertakings, which are new to the Danish market.

These freight locomotives must run at least 50,000 train kilometers<sup>4</sup> over a period of five years or perform 5,000 hours of operation<sup>5</sup>.

New Railway Freight Undertakings must in order to receive support provide a bank guarantee / Floating charge (virksomhedspant) for the amount received, cf. below.

When applying for support for new freight locomotives, the specific costs of train control facilities should be identified in the price of the new locomotive.

### 6. Technical application criterias

Applications for funding for train control systems that meet the following technical application criteria can be submitted:

- The equipment must be based on ERTMS baseline 3 and meet the criteria in "Bekendtgørelse nr. 1465 af 5. december 2016 om køretøjers tekniske kompatibilitet med jernbanenettet".
- Banedanmark must receive documentation that the system and installation are certified as interoperable against the relevant reference at the time of contract signature upon delivery of the equipment (through delivery of constituent and subsystem certificates including the technical files). If the certification is based on derogations, then the derogations shall be documented as part of the Interoperability Documentation.
- The equipment must be demonstrated to be compatible with the Danish ERTMS infrastructure in East and West Denmark in these two ways:
  1. Execution of the Danish ERTMS test cases in Banedanmark's Joint Test Lab
  2. Execution of a subset of these tests on ETCS-lines in East and West Denmark.

The Danish ERTMS test cases are developed by the Danish Signalling Programme and will be distributed to the relevant parties on request.

Note that if the interoperability certification is based on derogations, the areas of use for the freight locomotive is likely to be limited to Denmark, unless the derogation is recognized in other EU Member States. If the freight locomotive is intended for operation across Sweden and / or Germany, further compatibility tests must be foreseen and planned in cooperation with these infrastructure managers. Banedanmark will not be involved in planning or execution of such tests on other EU Member States' rail infrastructure.

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<sup>5</sup> Operational hours are hours, where the freight locomotive is in operation and manned, however it is not a prerequisite that the train is in movement. The latter can occur in connection with engineering work on the Danish railway.



## 7. Payout

### Criteria for the payment of the funding for a FoC freight locomotive

- 1<sup>st</sup> ratio of 50% of the funding can be prepaid when Banedanmark has received a copy of a detailed design approved by the notified body (NoBo) for the installation in the freight locomotive for which funding is given.
- 2<sup>nd</sup> ratio of 50 % is paid out, when Banedanmark has received a copy of the APIS for the ETCS-fitted freight locomotive.

### Criteria for the payment of funding for a freight locomotive that is installed as part of a series fitmente

On request, the 1<sup>st</sup> ratio of 25% of the funding can be paid not earlier than six (6) months before the physical installation of the freight locomotive is started, and Banedanmark has received a copy of the detailed design for the FoC as is approved by NoBo.

- 2<sup>nd</sup> ratio of the 75% of the funding will be paid when the installation is complete and Banedanmark has received a copy of the commissioning report issued by the supplier of the ETCS equipment for the specific freight locomotive.

## 8. Other documentation requirements

A freight locomotive may be considered to receive funding for the installation of STM and / or ETCS equipment when a contract has been concluded or a binding offer have received from a supplier for installation in the freight locomotive.

It is a requirement for the grant of funding that a copy of the agreements and the relevant budgets / price documents will be sent together with the application as documentation for the above.

Before payment of the 2<sup>nd</sup> rate and / or the release of a bank guarantee / Floating charge (virksomhedspant), documentation of the expenses must be submitted to Banedanmark in the form of an auditor signed project account and the underlying documents.

If freight operators import locomotives to Denmark with ETCS equipment already installed to be used on the Danish rail network, they can be granted support at the same terms as locomotives that is retrofitted. The respective freight operator needs to be able to document the specific costs for the equipment and installation as well as the age of the equipment to make Banedanmark able to calculate the granting in a documented manner based on depreciation on the declining balance method over 25 years.

## 9. Bank guarantee / Floating charge (virksomhedspant)

The bank guarantee / floating charge will serve as Banedanmark's security towards the Railway Freight Undertaking's repayment if the company does not meet all the conditions for receiving funding.

### *Existing Rail Freight Undertakings on the danish railway*

It is a requirement for any payment of the 1<sup>st</sup> ratio of the funding that the applicant towards Banedanmark either imposes an on demand bank guarantee that Banedanmark may call, or issue a Float-

ing charge (with mortgage in all asset types) with the same denomination as the amount of aid received. A Floating charge must be registered in the Danish Personal Property Register (Personbogen (public register on Floating charges)).

The entire bank guarantee / floating charge is released when the criteria for payment of the 2<sup>nd</sup> ratio have been obtained and documentation has been submitted for the costs in the form of an auditor signed project account and the underlying documents.

#### *New Rail Freight Undertakings and/or new freight locomotives*

It is a requirement for payment of the funding that the applicant either imposes an on demand bank guarantee towards Banedanmark or issue a Floating charge (with mortgage in all asset types) with the same denomination as the amount of aid received. A Floating charge must be registered in the Danish Personal Property Register (Personbog (public register with floating charges)).

Half of the bank guarantee / floating charge can be released when the individual freight locomotive has driven 35,500 kilometers or has been used 3,500 hours, as documented by sending a logbook for the use of the individual freight locomotive, and documentation has been provided for the costs in the form of an auditor signed project account and the underlying documents.

The other half of the bank guarantee / business lease can be released when the freight locomotive has driven the full 50,000 km or been used for 5,000 hours on Banedanmark's railways, which is documented by sending a logbook for each freight locomotive, and (if it has not happened before) the Documentation of expenses in the form of an auditor signed project account and the underlying documents.

## **10. Application dates**

The application round will open on 1 October 2017 and close on 31 October 2020 or when there are no more funds available.

Banedanmark will continuously review the submitted applications in the received order and the continuous allocation of funds.

Banedanmark will, after receiving an application, review the application and notify the results within five weeks.

## **11. Publication**

The application round will be published via the following media:

- <https://www.statens-tilskudspuljer.dk/> (in Danish)
- Banedanmarks homepage (in Danish and English)

Applicants should be aware that an allocation of funds will be registered in the state aid register according to the rules of this registry.

## **12. Other conditions**

**banedanmark**



Rights and obligations between a beneficiary and an owner of a locomotive do not concern Banedanmark.