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**DETERMINATION OF RAILWAY INFRASTRUCTURE CAPACITY INCLUDING
ASPECTS RELATED TO THE FEE FOR THE USE OF THE INFRASTRUCTURE**

Workshop on Track Access Charges, Brussels, 8 June 2005

Summary and Main Conclusions

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Summary and Main Conclusions

The EU Commission and the Developing European Railways Committee (DERC) had set up a task force on track access charges. It met five times between September 2004 and June 2005 and recommendations were discussed in collaboration with the European Conference of Ministers of Transport.

Based on the recommendation of the Task Force on Track Access Charges the Commission convened the workshop to get the views of stakeholders. Some 40 experts of railway associations, railway undertakings, infrastructure managers, transport ministries, railway administrations and the Commission participated (find below a list of participants). The present document summarises the conclusions and findings of the workshop.

1. Level and Structure of Charges

The level of charges is more of a problem than their structure. Where competing modes do not pay their cost of infrastructure use, railways will not be able to recover theirs because of the distorted competition. The problem is the most urgent in some of the new Member States (not including the three Baltic States). There, investment into road is much higher than into rail. At the same time, the track access charges are used to cross subsidise passenger transport to the detriment of rail freight. Moreover, the high track access charges for freight hinder the entry of new railway undertakings. As a result, the opportunity of presently high modal share of rail is spoiled, which will impact negatively on the rail transport with Western Europe.

Evidence is such that cost recovery rates of infrastructure managers are low in rich countries, and high in richer ones. Rich countries can afford to subsidise their railways, while infrastructure managers in less wealthier countries depend to a large extent on track access charges to recover their expenditures.

There are mixed views on the importance of the structure of charges. New entrant railways emphasise the need to harmonise the structure of calculating marginal and full cost, as this contributes to predictability and continuity of charges. It is essential to create transparency and comparability of infrastructure cost structures and avoid discrimination. Harmonising the structures can be a step towards a convergence of the levels of track access charges.

Action:

- Member States and Commission: A closer coordination of national transport plans and EU infrastructure funding (in particular under the Cohesion fund)
- Commission encouraging research into common structure of charges;

- Commission discussing in the Developing European Railways Committee further action.

2. Continuity and Predictability of Charging Schemes

Continuity and predictability of track access charges are crucial. Railway undertakings have to make long term investments and they have to offer services at stable prices to shippers. Frequent changes of calculations, which often involve changes of levels of charges, are detrimental to business models and markets. Dropping traffic levels in rail lead infrastructure managers to increase track access charges per train to be able to maintain their cost recovery level. Consequently, where infrastructure managers are not able to cut costs fast enough, this triggers a downward spiral.

3. Common rules state funding and pricing in competing modes

Common rules for infrastructure funding and pricing for all modes of transport: track access charges will have a limited effect as long as no common rules for state funding and infrastructure pricing are applied across competing modes or market segments. E.g. when cost recovery rates for trucks are low, rail freight will have difficulties in competing with road, given that track access charges account for between 5 and 25 % of freight tariffs.

Funding needed for railway infrastructure cannot be expected to come from public budgets, but they have to be collected from other modes of transport on the base of equal competition between modes.

Action:

The Eurovignette directive should be adopted soon and enshrine a certain degree of internalisation of external cost.

The Commission has announced a communication on infrastructure pricing outlining the common charging principles for all modes. At the same time, the Commission will make proposals for directives on pricing at airports and sea transport.

4. Public Service Contracts

There were diverging opinions on whether passenger concessions ('franchises') matter to track access charges. Where such transport concessions are used to finance passenger services on a line that is exclusively kept and maintained for that service, state contributions should permit full cost recovery. Such an approach would reveal the true cost of the service and avoid cross subsidising such services from main lines with competitive usage.

Cost recovery rates must be seen against different line categories. Setting aside public service contract, main lines with a high levels of usage can potentially achieve much higher rates of cost recovery than regional lines.

Action: Commission preparing a modified proposal for a regulation on public service contracts

5. Infrastructure managers negotiating track access charges on corridors

According to directive 2001/14/EC, infrastructure managers should not levy mark-ups on marginal cost where the market cannot bear it. Along international corridors, freight will be shifted from rail to road, when the infrastructure managers involved levy mark-ups regardless of one another. Some doubted that infrastructure managers might have the powers to negotiate, in particular where they do not set the charges. Corridor analyses are needed to limit the mark-ups according to the competitive situation of rail with regards to other modes, mainly trucks and barges. Moreover, infrastructure managers in a corridor should join and negotiate the mark ups to be levied. Where they are not yet allowed to so, they ought to be. As an example, the Swiss state allows an infrastructure manager on the transalpine corridor to charge less than marginal cost compensating him for the difference. The financial contribution was made the condition that the other infrastructure managers on that corridor do not skim off the differential by raising the track access charges. The role of the Infrastructure Manager in shifting more freight from road to rail was underlined. IM's should be a commercial entity with incentives to sell infrastructure slots.

Action: The Commission is to steer such corridor analysis in the 6th Framework Programme with involvement of infrastructure managers (e.g. through the projects TREND and REORIENT)

6. Infrastructure maintenance contracts between states and infrastructure managers

To cover the gap between income from track access charges and investments necessary to maintain their network, most infrastructure managers depend on state contributions. This is the source of instability, as the funds available depend, each year again, on discretionary decisions of the state on its annual budget. It is therefore recommended to conclude contracts over several years based on mutual commitments: The state committing itself to stable financial contributions and infrastructure managers committing themselves to maintaining their network at predefined quality levels. The latter pre-supposes agreed performance indicators, an independent monitoring and implications in case of failure to comply. In spite of doubts whether states would be willing to engage themselves on the long term or infrastructure managers having the courage to flag offences in public against their own shareholders, such contracts are generally seen as an important instrument for stability of the sector. The regulatory bodies are generally seen as best suited to monitor and assess the infrastructure quality, but it is also understood that they will have to acquire much more expertise. In addition, negotiating such contracts will force both sides to develop different alternatives corresponding to different levels of funding and thus create transparency on the implications of different financing scenarios. In fact, they already exist or are being negotiated in Sweden, Switzerland Austria, Belgium, the Netherlands, and Germany. There is also experience in the UK, which can serve as a best practice model.

Action: Commission to organise a workshop with stakeholders in autumn 2005

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8/6/2005

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