

Rail and Inter-modal Working Group
4th Session, Belgrade, 25 April 2007

Chairman: Mr Frank Jost, European Commission

Members:

Mr Vullnet Pepellashi, Director of Technical Directorate of General Railways Directorate, Albanian Railways, Albania
Mrs Nerejda Hoxha, TA to MPWTT, Ministry of Public Works and Transport, Albania
Mr Mustafa Kovacevic, B.Sc. Railway Engineering, Ministry of Communications and Transport, Bosnia and Herzegovina
Mr Danijel Krakic, Senior Advisor, Ministry of Sea, Tourism, Transport and Development, Croatia
Mr Goran Ilkoski, Traffic Engineer in Development and Investment Sector, Croatian Railways, Croatia
Mr Zeljko Cindric, Head of Department for Intermodal Transport, Croatian Railways, Croatia
Mr D Mitar Stefanov, Macedonian Railways, Macedonia
Mr Milan Bankovic, Executive Director Assistant for Traffic Regulations, Railways of Montenegro, Montenegro
Ms Tatjana Jankovic, Head of Railway Infrastructure Group, Ministry of Capital Investment, Serbia
Mr Miodrag Poledica, Head of Department for Intermodal and Railway Transport, Ministry of Capital Investment, Serbia
Mr Xhevat Ramosaj, Managing Director, UNMIK / Kosovo
Ms Vera Morandini, Economic and European Integration, EC Delegation in Serbia

Observers from Neighbouring Countries

Mr Walter Hirschmann, BMVIT Landverkehr Abt. EU – Koordination und Internationale Angelegenheiten, Austria
Mr Georgi Popov, State Expert, Ministry of Transport, Bulgaria
Ms Elena Siskova, Expert, Ministry of Transport, Bulgaria
Mr Alexandru Potocean, Director, National Rail Freight Transport Company, CFR Marfa, Romania
Mr Alexandru Olaru, Head of Commercial Division – Branch Timisoara, CFR Marfa, Romania

Presenters and Guests

Mr Diego Fernandez Belmonte, Civil Engineer, CENIT
Mr Ramon M. Reigada Granda, Programme Manager, EAR
Mrs Gabriela Fritz, Resident Twinning Advisor, EU Twinning Project "First Alignment with the Transport Acquis"
Mr Paulus Guitink, Senior Transport Specialist, World Bank
Nikola Rakocevic, Junior National Expert, EAR, BCEOM SAFAGE IRD
Hugo Green, EAR, BCEOM SAFAGE IRD
Michel Bouvier, Support to the Transport Sector, Republic of Montenegro, EAR, BCEOM SAFAGE IRD
Mr Dragomir Mandic, Professor, University of Belgrade, Faculty of Transport and Traffic Engineering, Serbia
Mrs Mirjana Bugarinovic, Assistant, University of Belgrade, Faculty of Transport and Traffic Engineering, Serbia

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Permanent Secretariat South East Europe Transport Observatory

Mdme Slavjanka Petrusseva, General Manager
Mr Douglas Rasbash, Project Manager
Mr Andrija Gencel, Information Resources Manager
Ms Jordana Ficovic, Administrative Assistant

1. The chairman welcomed delegates and stressed that the meeting should focus on the report. 35 delegates attended the meeting, delegates introduced themselves. Romania and Austria attended from the observer states.

2. SEETO asked the delegates to respond to the Secretariat requests for information especially completing the inter-modal transport questionnaire, which was included in the materials. Delegates were reminded that the resolution of the Annual Meeting of Ministers required action to be taken to coordinate the development of IMT. SEETO is also preparing its MAP for 2008 to 2012 where data on the condition and use of the core network is missing for large sections of railway. Delegates were requested to submit all missing data as soon as possible.

3. The minutes of meeting 3 were adopted without change

4. The agenda was adopted

5. Draft report of the working group to the Steering Committee

The Chairman emphasized that most of the decisions about the length and content of the report had been discussed at previous meetings and he did not anticipate much discussion about these items. He mentioned also that there had been good presentations on border crossings and also infrastructure user charging had also been covered. There were no comments from any delegates on those sections of the report. The Chairman then introduced the subject of market access remarking that it may be inappropriate to set a time line for market access. The World Bank suggested that a road map for rail access is desirable but that it is only indicative but that monitoring the implementation is necessary. The BiH delegate implied that the report lacked serious outcomes as expected by the MoU. Simply indications or suggestions are not really sufficient to justify the work of the working group. That there really should be agreement on a common approach to the preparation of the network statements and the methodology for calculating infrastructure user charges that is acceptable to all SEETO members. He emphasized that the working group report should contain clear recommendation as to methodology. The Chairman pointed out that the legislation did not stipulate a methodology for the calculation of IUC for EU members therefore it was not appropriate for the West Balkans. However, he acknowledged that the status of accounts was critical. So it was decided not to make any specific recommendations regarding a methodology for IUC calculations but to have more discussion on the basis for charging before making recommendations. Serbia suggested moving forward with the recommendations on market access to the Steering Committee. The wording for the recommendations was discussed.

The Chairman suggested and delegates agreed that the report should be the first interim report of the working group and that future meetings should both further develop the key issues but bear in mind that mandate from the Ministers that requires the SEETO to follow up on the development of the common network statement as well as other items.

The agenda therefore should cover a) the progress with the network statement, b) methodology for calculating IUC, c) performance with border crossings.

With respect to future work of the group the delegate from B&H strongly emphasised the need to act concretely. He notes that all members are progressing their reforms and carrying out studies to introduce EU Directives. The Chairman undertook to include the comments of the members of the working group.

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The Chairman stated that the WG has a ministerial mandate to continue its work. Future work was also discussed in the context of the recommendation made by the report. The Chairman advised that the MoU (for the development of the core network) is being amended to cover railways. That he recommended that the Working Group be used to consult on the addendum. A meeting in June could be used to discuss the proposed addendum. The World Bank stressed the need to elaborate the actions to be taken in more detail. The Chairman advised that a project to establish a regional adviser for the preparation of Network Statements is being tendered and that the expert may be in place in SEETO in September. The delegate from Croatia wondered if PSO could be included in the future.

6. State of rail reform in the SEETO signatory states and rail market monitoring (Round table)

The SEETO advised that this is an important feature of the Working Group because it helps with monitoring etc. and that the presentation may be more specifically structured in the future. Proposals will be made for more structured reporting for the next meeting

Albania stated that the government approved the separation of infrastructure although it is only at a draft stage, and progress is being made with the appointment of a TA to the railway directorate. The primary task of the TA is to focus on reform. Freight traffic is expected to rise with the introduction of new services to Montenegro but passenger traffic is in decline.

BiH proposals to reform railways is progressing slowly, the Stability and Association Agreement gives 5 years to implement certain structural changes. The regulatory body is established but it has yet to be resourced and staffed, more seriously there is a critical lack of capacity and know how to implement the laws. He warned again that if there is a significant difference of the methodology in calculating access charges the consequences could be very serious for the railways.

Croatia opened by commenting that the differences in access fees are simply a commercial decision so that differences can be resolved through normal commercial processes. Croatia is moving forward with reform, the division has taken place and it is now in the process of awarding licenses to the independent operators. New railway market regulation will be passed in June and the body will be established by the end of the year for operation in 2008. Traffic, both passengers and freight was growing due to the increased activities at the Ports. Answering the Chairman's question regarding private operators, there appears to be little evidence of such operations.

Macedonia covered the reform process in its special presentation.

Montenegrin Railways has separated its functions. The Ministry is making the necessary changes to legislation to railway laws that may lead to privatization. Many legal documents need improving. Cross border agreements with Serbia and

In Serbia the delegate advised that there have been no real changes since the last meeting. The new Government has not yet settled on these matters. A working group will be established for the financial consolidation of railways to takeover the debt with results expected in June. The World Bank project started 19th March to determine access charges and prepare a network statement. Another consultant will be continue with reform of the railways, for example with preparing PSO. Good progress is expected. The regulatory body is established with about 55 staff to work with the ministry to develop regulations. The licenses have been formulated but await the agreement of a charging mechanism. Traffic is increasing, especially transit traffic. Traffic is being diverted from Romania perhaps because Romania's access charges are rather high. Serbia is also establishing an Inter-modal Organisation.

For UNMIK Kosovo progress is slow. There has been one visit by an expert that recommended a joint road/ Railway regulatory body. The EAR is starting a project in May to set up an inter-modal planning

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agency including railways. Contracts are being negotiated with ferro-nichol mines that transport 1 million tons by railways. There is a capacity problem to set up a network statement. The chairman acknowledged that besides Serbia, the rest of the regions network statements will be covered by a single technical assistance project.

7. The Chairman presented the Commission's Communication on the Extension of trans-European transport axes of January 2007. The document sets out the policy for the coming years taking into account the enlargement. The document will be put on the SEETO Web Site. Aim is avoid dividing lines in Europe and integrate regional exercises such as the Pan-European Corridors, SEE Core Network. The communication recommends the extension of the geographical coverage, including non-infrastructure measures. The exercise led to the definition of 5 Axes. The South Eastern Axis covers the core network. There are some 20 horizontal measures to improve the efficiency and safety and technical interoperability. The funding comes from pooling all financial instruments including IPA. Implementation should utilise existing institutions such as SEETO. The policy covers some 27 countries, so the issues include whether Russia for example, would be willing to move forward with the reforms and investments. The Chairman said that better results can be achieved by a collective discussion with country groups along corridors – for example – than separately.

The World Bank mentioned again the relevance of the Motorways of the Sea. For the working group, it is the development of the hinterland connections that the opportunity exists. The Chairman remarked the motorways of the sea are flourishing, traffic is growing, but for railways, assistance to improve performance is needed. The World Bank further advised that studies show that container and other IMT will continue to grow and that Ports will become congested. There will be a need to improve ports and railway access.

Macedonia raised the issue of railways on Corridor VIII; the World Bank responded by advising that the project is not economic and only when traffic is high enough should a railway be constructed. SEETO commented on the lack of inter-modal transport infrastructure in the report of the High Level Group, that the modal balance between road and rail is practically unchanged despite policy and investment and that this may continue with the new policy for the expanded network unless serious attention is given to encourage inter-modal transport.

8. Technical Assistance under IPA (Mr. R.R. Reiganda Granda)

The EAR is responsible for implementing EU funded programmes which ends in 2007. The Integrated pre-accession agreement supports the process to accession. The five components are transition assistance, regional and cross border cooperation, regional development human resources and rural development. Funds can be used for transition assistance for institution building. Various instruments and programmes were outlined. The process of accessing funds was outlined, IPA is implemented through multi-annual indicative programmes submitted covering a three years period. The contents of a project submission was described by the presenter. The EAR has 6 transport projects in Serbia valued at 23 million including development of an Inter-modal Transport Policy. Transport accounts for about 20% of the funding for Serbia. The presentation is available on the SEETO web site. Visit also <http://www.delscg.cec.eu.int>

9. The Twinning Project with Serbia (Mrs. G. Fritz)

Twinning is a method for institution building to implement EU legislation. For the case study Serbia MoCI is twinned with paralled institutions in Germany and Austria to move forward with the Transport Aquis. The project prepares a legal action plan to realign Serbian Law to that of the EU taking into account that Serbia has yet to achieve pre-accession status. The project then prepares some of the priority regulatory documentation. For railways, the project is amending the Railway Laws to align with 91/440 and in the longer term 2004/49 on railway safety. The twinning project also provides monitoring of legal reform. The project will arrange for a translation of the Aquis to be made available to SEETO to be placed on the

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SEETO Web Site. SEETO asked to what extent the realignment of local laws takes into account the laws of neighbouring countries because all railway laws are on the SEETO Web Site. EU Directives have been translated by Croatia to local languages but they are available only bilaterally not multi-laterally. The SEETO Forum provides an opportunity to raise all kind of issues and exchange information.

10. Focus country Macedonia: Opening of the railway market (Macedonian delegate)

One of the main constraints to the development of Macedonian Railways is the historic debt. The World Bank advises that progress is being made although it is very protracted. The World Bank advises more bilateral exchange between railways, to share experience, SEETO is not needed for this. SEETO will contact the World Bank Joint Office to obtain project fiches for soft measures and put them on the SEETO Web Site. The Chairman also recommended that there should be more multi-country orientated TA projects to ensure consistency and that the preparation of the TA projects should have a more regional dimension.

11. Track access charging in practice Diego Fernandez Belmonte

Railcalc – is a project to set out the best practices for rail access charging. The basis for charging was set out according to the Directive. The outputs are to develop a best practice guide and then to review all railways access charges in the EU plus Switzerland and the West Balkans. The project made an inventory of the charges and other data from the Network Statement. IUCs must be based on marginal cost with mark ups for commercial reasons. Other factors may include congestion, reservation and discounts for volume etc. There are great differences in the application of the charging principles and calculation procedures, also the percentage of cost recovery varies widely. Various models and approaches exist from Top Down Econometric Models in Finland to bottom up engineering approach as in the UK. The model used by Portugal is based on general experience and is more pragmatic and is useful where good data does not exist. Mark-ups relate to improved services such as High Speed Lines. Congestion charges – capacity constraints – are included in some countries in various ways. Capacity Charge, Traffic Management and incentives to optimize use of train paths. Cancellation charges are observed to increase as the time of the movement approaches. Environmental subsidies are given in some countries such as Scandinavia based on Ton Km where as noise subsidies in Switzerland are based on Axle kms. There are many other factors used for different variables delay, performance, and a coefficient of modulation is applied in France to faster trains. Discounts provide incentives to use certain new or underused parts of the network.

A case study in the UK, Network Rail is the IM regulated by the Office of the Rail Regulator. Variable charge reflects the wear and tear, capacity charge and electrification. There are 62 privately licensed operators. The User Charge is based on vehicle miles. The capacity charge is based on 2700 route sections and varies according to time. Electricity charge is recovered based on the KWh consumed. There is also a fixed charge that requires a high level of efficiency. The charges range from 2.82 to 96.74 pence per vehicle mile – a vehicle being an individual wagon or coach – not a train.

The Netherlands a two part tariff per ton km for maintenance and train km for capacity. Also charges also include other factors for reservation and scarcity. The approach is based on variable operating costs (renewal not included) They also use expert judgement and benchmarking. The charges are €0.001715 per ton km and €0.5059 per train km. Although, criteria for identifying best practice has yet to be determined, an interim conclusion is that good practices can be found in parts of many charging systems but that there are more bad practises. Serbia noted that practices from more recent applications in neighbouring countries may have also been useful. The West Balkans will not really be covered in the study. SEETO observed that railway accounts and performance are not sufficiently optimal to produce reliable user charges as they are in process of transition, downsizing and recovering a period of low investment. The presentation will be on the SEETO Web Site. The Chairman advised that another case study will be placed anonymously on the web site. The Serbian delegate will invite all WG members to share in the deliberations of their project to set out a network statement and infrastructure user charges.

12. World Bank's project on network statement and track access charges with Serbia (Tanja Jankovic)
The project is one of the components of the institutional development of Serbian Railways. Define an IUC regime, design the system and implement. Objectives are seen to provide incentives to obtain efficiency from investment, recover partial costs and encourage private investment. The rail access charging and pricing regime establishes the IM as an independent business. But it is understood that this is contingent on having a correct legal basis. Serbian Railways remain undivided, there is no separate IM. The project will produce simplified software for the calculation of IUC and a first version of the Network Statement. The Ministry of Finance is also included as a key stakeholder. The inception report is due in May Completion is due November 2007 together with an action plan. Part of the project task is to include SEETO and neighbouring countries. There will be two workshops the first 10th July 2007 where the methodology will be discussed. The second will be in September when the draft network statement will be available for comment. The time scale of 8 months is very short and is due to funding exigencies by the World Bank so that project must be completed this year. The project is managed by a steering committee containing the World Bank, MoCI, MoF and Railways. The action plan will also take into account the availability of data. The methodology may not be the best, but it is a start. The project is willing to share the results with SEETO and to help to develop a common approach. The Chairman asked whether the Government imposed a charging framework; the MoF is involved to determine the cost recovery formula. The revenue generation model will be made that will use traffic forecasts. The market response to different prices will also analysed. The presenter advised that the transition period to fully open the market may take as long as it may to enter the EU. The presenter remarked that first findings were that the accounting data did not provide a good basis to calculate an IUC for the future, as there was very low investment and very low expenditure on maintenance.

13. Progress Reports World Bank and CER

Ad Toot left CER in March 2007 and the position will be taken by Paulus Guitink, so he covered both World Bank and CER progress. Regarding the World Bank, the Railway MoU has not developed very much but the next steps to elaborate the MoU are: 1 - the concept note; 2 - the expert will agree the content and obtain approvals; 3 - high level letter to officials MoT and MoF to propose a regional project to establish a regional railway community, 4 - examine and endorse by the Steering Committee, 5 - final text will be developed through country consultation; 6 - the final document will be agreed with the Banks; 7 - then the signature to the memorandum will be at the next AMM in November / December. CER is disappointed in the MoU that comment on the lack of reference to commercialization and not reference to the implementation – CER also comments that the objectives are not clear. But CER fully supports a regional railway community. Chairman enquired about the concrete steps to be taken in developing the common network statement. There was no update to that agreed at the CER Skopje meeting. The Chairman noted that the participants should be report on the progress made in developing network statement at each meeting.

14. IT Platform – Forum A Gencel SEETO

SEETO developed for the web site a Forum for discussion. The railways working group can use the forum to exchange views on any topics in the mandate. Information and documents will also be made available on line as well. When the forum contains new comment or material – its users will be advised automatically, notification can be limited to the working group. Membership will be made automatically by SEETO and the passwords notified accordingly. Automatic notification can be turned off if the user wishes.

15. The next date of the meeting was 27th June 2007. The Agenda will include progress with preparing network statements, methodology for IUC calculation and Border Crossing performance. Member will asked to focus their presentations on these subjects and provide some performance information on border crossings to SEETO in advance of the meeting.

18.00 Closing

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