



## **Rail and Inter-modal Working Group**

**2nd Session, Belgrade, 21 September 2006**

**Chairman:** Mr Frank Jost, European Commission

### **Members:**

Mr Mustafa Kovacevic, Ministry of Transport and Communications, Bosnia & Herzegovina  
Mr Goran Ilkoski, Traffic Engineer, Croatian Railways, Croatia  
Mr Zeljko Cindric, Head of Department for Intermodal Transport, Croatian Railways, Croatia  
Mr Xhevat Ramosaj, Managing Director, Kosovo Railways, UNMIK / Kosovo  
Mr Antoni Pesev, Former Minister/ Consultant, FYROM  
Mr Risto Trajcevski, Assistant Manager, Macedonia Railways, FYROM  
Ms Tatjana Jankovic- Head of Railway Infrastructure Group Ministry of Capital Investment, Serbia

### **Other participants from the CARDS Area**

Mr Romir Ametaj Ministry of Public Works Transport and Telecommunications, Albania  
Mr Arben Keci Director of Technical Directorate, Albanian Railways, Albania

### **Observers from Neighbouring Countries**

Mr Maximilian Bauernfeind, Department for EU Affairs, Federal Ministry of Transport, Innovation and Technology, Austria  
Mr Georgi Popov, State Expert, Ministry of Transport, Bulgaria  
Mr Alexandru Potocean, Director, National Rail Freight Transport Company, CFR Marfa, Romania  
Mr Pop Liviu, Central Dispatcher in the Had Office of CFR Marfa in Bucharest, National Rail Freight Transport Company, CFR Marfa, Romania  
Blagomir Cerne, Chief Strategy and Development Service, Slovenian railways, Slovenia

### **Presenters and Guests**

Mr Ad Toet, Adviser Central and Eastern European Countries, CER, Brussels  
Mr Paulus Guitink, Senior Transport Specialist, World Bank  
Thomas Wimroither, Head of the Market Task, ARGE Corridor X  
Ake Lewerentz, Chairman of the Network Statement Working Group within RailNet Europe (RNE), Banverket

### **Permanent Secretariat South East Europe Transport Observatory**

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## **1 Welcome by the Chairman, EU Commission**

Mr. Frank Jost chaired the Second Railway Working Group Meeting on behalf of Mr Enrico Grillo Pasquarelli, who was unable to come. He welcomed delegates to the second meeting of the working group; In his opening remarks he challenged delegates to agree the direction that the wg was taking, reminding them of the mandate that was endorsed by the SC. There being no comments on the direction or mandate the acting chairman introduced the agenda which was accepted without comment. Delegates were in receipt of materials that included; Minutes of rwg1 held on 23 June 2006 also in Belgrade, wg Mandate, SEETO Reform questionnaire, presentation material of network statement, directives, proposed ministers declaration and the paper on institutional requirements.

## **2 Adoption of the Minutes of previous meeting**

Changes the chairman had suggested in writing to the secretariat were accepted. Otherwise not further changes were proposed. The minutes of the previous meeting were adopted without comment.

## **3 Follow-up Action to previous meeting, SEETO secretariat**

Progress made by the SEETO was presented by Mr D. Rasbash; SEETO was required to collect railway laws, determine the status of reform process and put the RNE model network statement on the web site. SEETO reported that the laws had been received from Albania and Kosovo only and requested a response from other delegates. SEETO had prepared a questionnaire on the rail reform process – it was sent to delegates in August, only Kosovo responded with about 60% of answers. SEETO has placed the model network statement on the SEETO web site. It was also included in the WG materials. Croatia has prepared an overview of their railway law and the state of EU law implementation for the accession negotiations, which they could also use a response to the SEETO secretariat. SEETO underlined that responses were not considered to be legally binding reflecting more an expert point of view. The WB Mr P Guitink questioned who the respondent should be. The EC / SEETO expected responses mainly from ministry sources rather than railway organisations. Delegates undertook to send all laws and the questionnaire to SEETO in 4 weeks / Friday 19<sup>th</sup> October 2006.

The link to RNE's best practice guidelines on network statements and their collection of EU network statements has been activated at SEETO's web site.

The secretariat reminded delegates of their commitment to send national railway law for putting it on the SEETO Webs site.

## **4 Discussion of draft of report , Delegaties**

Drafting of the report has not yet started. The report should be structured in the same way as the mandate given by the working group, unless deviation is justified. The acting chair introduced the topic of reporting of the wg (It should summarise the conclusions made in the meetings and come up with clear recommendations to the ministers), requesting delegates opinions on its scope and size. BiH expected the report to contain i) an analysis of the questionnaire, ii) conclusions on the institutional issues arising, iii) facts on railway performance and recommendations. The report should focus on the step by step implementation of national railway laws. FYROM wanted the report to focus on the questionable issues for harmonisation, and make concrete recommendations, even to be provocative to get a response. The WB advised on the inclusion of an executive summary and that much information is available in their railway reform report. Kosovo said that the report must contain a framework for implementation but be concise. Albania considered that a report of 20 pages would be acceptable. Serbia emphasised that the report objectives must be clear, should contain results, make concrete recommendations and be about 10 pages in length and that it could be written by a drafting committee; the acting chairman agreed with this. The composition of the drafting committee was thus agreed to be Mr Fank Jost, Mr Douglas Rasbash, Miss Tatjana Jankovic and Mr Mustafa Kovacevic. The draft report should be delivered in 3 months – by the 21<sup>st</sup> December 2006. The conclusions were that report should be 10 pp in length.

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## **5 Adoption of the agenda, Delegates**

No changes, except that the item on the date and the action to prepare the next meeting was discussed directly after lunch

## **6 Network Statements, Mr. Ake Lewerentz, Banverket**

## **7 Questions and answers**

The preparation of the network statement was presented by Mr Ake Lewerentz, Chairman of the Network Statement Working Group of Railnet Europe. Drafting a network statement is time consuming. It should be targeted to the users, i.e. new entrant and foreign railways. Regulatory bodies should accompany the process and they should be staffed appropriately as well as set up a regional cooperation to find common positions with regards to a network statement. The starting point for the preparation of the Railway Network Statement (RNS) in EU Directive 2001/14, the overall objective of which is to promote greater integration of the EU railways. The directive requires Infrastructure Managers (IMs) to cooperate. The RNS is legally binding forming an integral part of access agreements with railway undertakings (RUs) (operators). RNE covers all EU plus some other railways. Noted that there was no standardisation in the documentation, language / terminology and the level of detail varied a lot, as well as structure and content. Bearing in mind that foreign and independent operators may be contracting with two or more IMs, to be faced with such a diverse set of information and conditions, is a real problem. Given this RNE proposed a standard format. The RNE format was described, it was included in the materials given to delegates and could be downloaded from the RNE Web Site and also SEETO's. The chairman emphasised that the RNS is a contractually binding document, it is not a plan and requested information on the sizes of the RNS. The speaker advised that sizes ranged from over 200 pages to less than 30. He stated that a problem would arise if there was no competent regulatory body that would have to approve the RNS as well as arbitrate disputes. The RNS needed to be presented in an international language (English).

On the question of a common statement, the chair advised that there is no precedent. The WB considered it to be difficult to prepare a common statement as there were always many differences. But SEETO reminded that the network was once homogeneous, under one management so was exceptional. The benefits to both the IM and IU of a common statement outweigh the difficulties of preparing it. Moreover SEETO reminded that 6 of the 8 railways have networks of less than 500km – not the case in the EU 25 – and will not have capacity to implement the access regime – efficiently and effectively. Finally most of the future IM net revenue will derive from transit traffic on Corridor X. EBRD gives funds to HS to draft a network statement. The work is now starting. The CER (arriving later) was concerned that giving such funds to only one of the IMs only risks diverging network statements to be drafted, but now supported this position and urged members to set the Common Statement as an ultimate goal. SEETO also observed that the RNE normative format did not make provision for the inclusion of border crossings.

The conclusion was that:

all members agreed to follow the RNE format as a starting point and to identify items in the RNE that were clearly common; members also agreed to harmonise other items as much as possible and to coordinate and consult with each other. Finally members agreed that as a minimum a regional network statement could also be a compilation of all network statements.

## **8 Corridor X, Mr Thomas Wimroither,**

Bearing in mind the importance of Corridor X to the region, the EU and Austria in particular, ARGE was set up in 2001 and represents cooperation of infrastructure managers along this rail corridor between Germany and Thessaloniki. The final date of delivery was postponed from end of 2006 to end of 2008. Network statements are a deliverable in the ARGE Corridor X's programme. The ARGE will not develop a network statement, but only waits for the regional infrastructure managers to provide theirs so that it can present

them along corridor X. The links with RailNet Europe and the new Memorandum of Understanding of June 2006 of the states along corridor X seem not be developed.

The work programme of ARGE was explained by Thomas Wimroither from OBB – Austrian Railways; the programme has 8 activities; MP1 Cutting Running Time; MP2 CorridorX Product plan; MP3 Common Corridor Network Statement; MP4 assessing market potential; MP5 Assessing Infrastructure Capacity; MP6 Coordination of investments; MP7 Cutting stopping time at borders and MP8 Establishing a one stop shop. The target travel time of 48 hours from Vienna to Istanbul was questioned – it included assumed waiting times at the borders that may not reflect reality. SEETO wondered whether there was a traffic or business target – OBB explained that it is being formulated. The 2008 completion date for the Corridor X network statement was noted as being 2 years later than planned – the reason OBB explained was due to lack of data from Serbia

Conclusions – OBB will provide delegates with contact lists of persons responsible. The value of an integrated network statement for Corridor X was seen as being very important by the WG.

## **9 Declaration for AMM ( item discussed later but place in agenda order in minutes)**

The acting EC chair presented the declaration to be signed by Ministers at the next AMM that will be held in Brussels early December. The declaration was accepted, only the last sentence was slightly changed to start with a network statement based on a common format, instead of requiring a single NS from the beginning. The object of the memo was to formalise the support of SEE railways for a common approach to the formulation of the network statement, user charging and the regulatory regime. The declaration in the form of a memorandum, would not be legally binding, but the EC is seriously progressing a Treaty that would extend the Euro Rail Market Area to SEE, in advance of EU accession. Working group members very much supported this and encouraged the EC to move forward with it as soon as possible as it would encourage their governments to advance implementation of railway reform.

## **10 Rail institutional set up and administrative capacity , EU Commission**

In his presentation, Mr Jost presented a note on the in the different authorities as they are required under the EU rail acquis, ie. regulatory body, licensing body, safety authority, independent accident investigation body, notified body and European Railway Agency. He explained that these institutions are crucial for starting competition and that it was up to each government to set up its own regulatory bodies. This remains an open question as to whether it can be multinational. Independence from the IM and RU is important. The regulatory body has a duty to accept the network statement, including access charges and conditions, to provide oversight to allocation and to arbitrate in the even of disputes. The licensing body is required to licence IRUs, with competence over qualifications and safety. The form of licensing has yet to evolve to be international so varies inc content and form. Moving onto safety, an Authority is required that must also be independent of the IM and IU, with an explicit remit. Invariably these have existed for some time in the form of inspectorates that adjudicate accident investigations and offer technical advice.

Albania wanted to know if separation of track and operations was needed before setting up the regulatory bodies. Mr Jost advised that both was required, only thatit would be much more difficult to administer where separation was not clear cut. The CER was very concerned about the capacity of small SEE railways to deliver effective regulation as well as carry its cost. A discussion ensued as to whether the Directives were explicitly requiring national bodies and not permitting international regulatory organs. There was no satisfactory conclusion to this important issue but WB floated the possibility of outsourcing the expertise necessary in the form of a railway agency – perhaps a SEE Railway agency – where expertise could be pooled.

However, states have a lot of freedom on the ways to establish these functions. In particular, the authorities do not have to be in different from one another but can also be integrated, with the possible exception of an appeal body to the safety authority. Authorities can multiply their effectiveness through a good regional and EU wide cooperation. CER asked the chairman to get a decision from the working group, that West Balkan states could share such authorities. In fact, the working group cannot give an opinion on whether it is

possible to have one authority serving several countries. The chairman said that the proposed note was neutral with regards to that specific topic.

Serbia asked for the last sentence of the conclusions to be removed. The chairman said that the text would be put to discussion and adoption again at the next meeting.

## **11 State of rail reform in the SEETO signatory states and rail market monitoring, Round Table**

The state of reform of the railways sector was described by each member:

Albania has approved a 5 year business plan has a new organisational structure , has set up an action plan that included implementation of PSO and creation of independent business units, that by inference would include infrastructure management and transport operations. Albania proposes an independent regulatory body. The railway is cutting down on staff. Market information was not presented.

Bosnia & Herzegovina has a new railway law in 2005. Reforms are being advanced with separation of accounting for track and operations and establishment of IMs. The market was increasing for freight but passenger demand was low. The main priority is the upgrading of the railway route in Corridor 5c.

Croatia had started implementing their 2004 railway law in 2005. The separation of track and operations is completed, the reform sets up freight and passenger companies, a traction company and a holding company. Traffic volumes for both passenger and freight are increasing. The network statement is under preparation.

FYROM enacted a new law in 2005 that also separates infrastructure from transport operations; the state also will forgive railway debts expecting staff to be reduced by 680, the separation of non-core activities, preparation of business plans for the two entities and a PSO regime. There is ongoing work that may lead to privatisation of the transport entity. An amendment to the 2005 law is needed to set up regulatory bodies. Traffic is low, only 300,000 tons of freight and almost no passengers.

Serbia Railways restructuring is ongoing with separation of accounts for track and signalling, a 5 year plan business plan has been prepared and a new law on rail safety is planned. Staff numbers to be reduced to 3000, PSO is planned but not started, access regime and charges is subject to a study to be started. The freight market has grown by 30%, mostly transit, passenger demand is in decline. Regulations will be sent to SEETO after translation.

UNMIK Kosovo Railways exists as a joint stock company, with infrastructure and operational functions separated, though still under a single management organisation from 2006. Has reduced staff from 1000 to 320. Established a multi-modal terminal and is developing a MMT Policy and Plan with EC assistance. Regulatory regime being set up through the UN, no progress yet on the network statement, the network is 333 km. Privatisation is foreseen.

(Montenegro was not present.)

In general, all countries still have national railway monopolies. Croatia has started to develop a network statement, but it will not be ready within one year. Rail freight traffic, especially transit container traffic, is increasing steeply in Croatia and Serbia, which account for over 90% of rail transport in the West Balkan. For Serbia this increase was 30% in 2005.

## **12 Progress report, CER and World Bank**

The CER Mr Ad Toet debriefed the WG on the conclusions of the Vienna meeting on 31<sup>st</sup> August. CER's south east European group no longer insists on a single common network statement from the outset. In order not to lose time, a set of network statements based on a common format should be aimed at for the beginning.. CER underlined that West Balkans railways were special case due to size and technical capacity and surrounded by EU or would be EU members. The territory was likened to that of Switzerland. The CER supported the steps being taken by the World Bank and EC with step one being a MoU that sets out a platform for harmonisation and cooperation (refer to following minutes) and a binding Treaty that sets out market conditions for full integration of the SEE Railways into those of the EU. Regarding the implementation of EU directives and preparation of access documentation, the CER meeting concluded that a stepwise approach should be taken, with the eventual goal of a common network statement. 1 make an

inventory of all common aspects of each chapter of the RNE normative document, 2 elaborate text for items in common, 3 draft non-common items, 4 prepare final draft, 5 merge into single document.

Working group members neither endorsed or rejected the CER recommendations.

The World Bank programme for the railway sector in SEE was outlined by Mr Paulus Guitink. The Worldbank is preparing an MoU to be signed by the EU, the IFIs, including themselves, and the SEE states. The MoU should increase regional cooperation and synchronise reform steps in the different countries. A draft would be sent to the Commission by end September for comments and has been advanced to be signed by the end of the year. The MoU creates a platform for harmonisation as well as funding. All railways are expected to push forward with reforms, restructure, rationalise, modernise, improve the quality of rolling stock. Targets in the SEE RRP will be set covering these activities, the underlying principles being country governance commitment, common solutions to common problems and synchronisation of reform steps. The EC added that following the MoU a treaty could be expected in 6 to 12 months. SEETO enquired about its role in the SEE RP, the WB assured that it is included in the MoU and proposed that various studies and projects about to be started that impact on the process should be coordinated by the working group. Serbia proposed that its study can conclude a workshop with the WG; the members could not change ToR for studies but agreed to encourage early reporting to the WG at the Inception phases of each activity to ensure that a regional approach is taken. The Worldbank is also setting up a "horizontal adaptable programme" which is meant to foster both market policies and institution building. Most interesting, the funds will not be allocated to individual states beforehand, but to the region. Commitments will then be made based on the progress of reform, among other things, thus incentivising progress on reform.

### **13 Allocation of preparatory work and 3rd RWG Meeting, Delegates**

The next meeting will focus on border crossing problems and track access charging. It will be held in Belgrade on Thursday, 25. January 2007.

The secretariat should prepare a first draft of the final report sections on the state of rail reform and the review in 2 months after the meeting. Apart from the question return, the Worldbank Report, UNECE as well as EU reports should serve as input.

For the next RWG meeting, material should include following:

1. Progress report of the secretariat including analysis of reform questionnaires
2. Progress reports from WG members covering specifically reform items and market
3. Border crossings improvements (IWorld Bank to make suggestions to FJ) and questions arising from EC workshop agreement of 13<sup>th</sup> July 2006 on cross border rail transport (in materials handed out)
4. Harmonisation of Access charges (including proposal by Serbia to set committee to draft recommendations)
5. Draft text of WG report

17.30 Closed