
6th Meeting of Rail and Inter-modal Working Group

Sarajevo, April 08th, 2008

Chairman:

- Frank Jost, Rail and Transport Operability, DG TREN, European Commission

Members:

- Miranda Jani, Responsible for International Relations, Albanian Railways, Albania
- Izet Bajrambasic, Assistant Minister, Ministry of Communications and Transport, Bosnia and Herzegovina
- Snjezana Ivkovic, Advisor for International Collaboration, Ministry of Communications and Transport, Bosnia and Herzegovina
- Danijel Kracic, Head of Unit, Ministry of Sea, Tourism, Transport and Development, Croatia
- Zeljko Cindric, Head of department for Intermodal transport, Croatian Railways, Croatia
- Goran Ilkoski, Traffic Eng. in Development and Investment Sector, Croatian Railways, Croatia
- Svetlanka Popovska, Railway Infrastructure Adviser, Ministry of Transport and Communications, Macedonia
- Milan Jankuloski, Director of Electro technical Department, Assistant Director of WB Project, PE Macedonian Railways, Macedonia
- Goran Radosavljevic, Advisor, Ministry of Transport, Maritime Affairs and Telecommunications, Montenegro
- Nenad Babic, Executive Director Assistant, Railways of Montenegro, Montenegro
- Milan Bankovic, Executive Director Assistant for Traffic Regulations, Railways of Montenegro, Montenegro
- Tatjana Jankovic, Head of Railway Infrastructure Group, Ministry of Infrastructure, Serbia
- Mr. Zoran Sretenovic, Deputy Director, Public Enterprise Serbian Railways, Serbia
- Mr Xhevat Ramosaj, Managing Director, UNMIK / Kosovo
- Risheg Fayez, Head of Office, EU Pillar of UNMIK – Belgrade Office
- Goran Filipovic, Task Manager, EC Delegation in Sarajevo

Observers from Neighbouring Countries

- George Popov, Junior Expert „Coordination of EU Affairs and International Relations” Directorate, Ministry of Transport, Bulgaria
- Peter Huszka, Counselor, Ministry of Economy and Transport, Hungary
- Daniel Antal, President, Hungarian Rail Office, Hungary
- Szandra Toth, Legal Expert, Hungarian Rail Office, Hungary
- Alexandru Potocean, Director CFR Marfa, National Rail Freight Transport Company CFR Marfa SA, Romania
- Adriana Seitan, Head of Legal Assistance Office of CFR Marfa, National Rail Freight Transport Company CFR Marfa SA, Romania
- Alexandru Olaru, Head of Commercial Division – Branch Timisoara, National Rail Freight Transport Company CFR Marfa SA, Romania

Other Invitees

- Paulus Guitink, Senior Adviser Central & Eastern Europe, CER - Community of European Railway and Infrastructure Companies AISBL
- Lars Deitering, Head of Departments, Freight Transport and Logistics, Project Manager CREAM, HaCon Ingenieurgesellschaft mbH

- Graham Hewett, Head of Division Rail Strategy and Policy, Scott Wilson
- Herald Hotz, Netzzugang, OBB – Infrastruktur Betrieb AG
- Evmolpidis Vassilis, Managing Director, TRADEMCO S.A

SEETO - South East Europe Transport Observatory

- Slavjanka Petrusseva, General Manager
- Jordana Ficovic, Finance and Administrative Assistant

1. Welcome addresses and recent developments

The Chairman opened 6th RWG Meeting and welcomed all participants. Mr. Jost explained that new delegates participate on RWG Meeting for the first time and asked all representatives to introduce themselves. He explained that 7 MoU signatories are holders of the RWG and stated that each beneficiary has at least one participant present, that RWG also includes representatives of neighboring countries, such as Bulgaria, Hungary, Romania but also social partners such as CER, ETF who didn't confirm participation and ad hoc experts which are supplying RWG with important information.

Mr. Jost explained that RWG was involved in preparation of very important documents, such as:

- Mandate to SC given in June 2007 which was accepted very well
- Railway Declaration prepared for ministers which is giving commitments for railway sector
- Time table which should be updated with information about conditions on railway sector from each beneficiary

2. Approval of the minutes of RW WG5 – there was no comments on Minutes.

Conclusion: Minutes are adopted.

3. Approval of Agenda

Chairman proposed to add one subject of the Agenda – Debriefing on new legal access adopted since last meeting was held - Adopted

It was agreed to have item on Railway legislation after item on Steering Committee – Adopted

Mr. Jost explained that he will replace Mr. Evenhuis for the presentation, because Mr. Evenhuis canceled participation.

Conclusion: The agenda was adopted with these changes.

4. Debriefing of 3rd AMM and 15th SC Meeting

On subject of Steering Committee, Chairman explained that SC wishes to continue with time table because it will prepare results of RWG activities for next SC Meeting in June 2008.

Ms. Petrusseva added that Steering Committee considers preparation of the Action Plan as the most important task for RWG. It has to be prepared by RWG for the next SC Meeting.

As agreed that legal matters will be discussed, Chairman explained that EC has to control implementation of legislation in member countries and stressed that proper interpretation of legislation is very important. He explained that in this stage legislation is divided on 4-5 directives but will be merged into one. If any country has to submit additional information on this subject, changes could be made only during 2008; after February 2009, changes will not be made.

Mr. Jost presented International Market Opening and Directive 58/2007/EC on this subject, where he gave detailed status on passenger transport role and Cabotage as very important item. Chairman explained that new conditions exist which could give opportunity for new services to be set up. EC agreed to make Report to the Parliament about implementation on International Market Opening and to give recommendation for future.

Mr. Jost also presented Performance Regimes where he informed about status on infrastructure charges. He presented practical aspects and administrative border which includes recalling of train delays, but also viability of business modules and how payment should be done. Chairman also stressed importance of performance regime implementation which will be even more explained in legislation document.

Multi Annual Contracts were also explained in short by Mr. Jost.

After presentations, Chairman welcomed Mr. Izet Bajrambasic who hosted this meeting and Mr. Paulus Guitink in front of CER.

Mr. Bajrambasic welcomed everyone in Sarajevo and stressed importance of 6th RWG Meeting because of important subjects such as Addendum and Action Plan. These documents should be considered as most important one and Action Plan need to be submitted on next SC in June.

5. Round Table

Chairman explained that Round Table is regularly used for updating on latest information and that this will be opportunity to discuss Time Table which was earlier submitted to MoU signatories. Each beneficiary stated latest information:

Albania stressed that after signing Association Agreement in 2007 they started process of organization restructuring. Restructuring was done in financial and legal sense. Regarding financial restructuring, in September 2008 they will start with new financial approach. Regarding legal restructuring, they are working on new Law on Railway. So far they also prepared Business Plan to present informant of ministries. There is a plan that Ministers of Economy, Finance and Transport will meet with Railway company representatives on April 14th, 2008 to discuss achieved progress and how to continue with the process. In all changing procedures, Albania is trying to face at least minimum level of EU rules. On the other hand, Albania is facing with problems of ownership and lender-ship and Albanian infrastructure is in very bad condition. For them, year 2008 is transitional year and MoU targets should be implemented in 2009. Regarding to Time table, they could not submit it earlier, but provisional time table was brought. As regards to Market development, they have a written statement. Regarding domestic passenger transport, they stressed very bad condition of passenger transport. On question for plans regarding Network Statement, Albanian representative stressed willingness to prepare and finalize paper work and they engaged Technical Assistance for this purpose.

Croatia sent Time Table in advance. Regarding restructuring they stated that, since January 2007 railway companies are organized as 4 separated departments under one umbrella company which is

holding. However, Railway Infrastructure Company still exists in Croatia. As regards to activities on Railway Law, Croatia has Railway Safety Law and Law on Agency for Railway Market Regulation – regulatory body will be established actually in next two months. For 2008 they also planned EU harmonization with Achee; finalization of Draft Agreement for Infrastructure Manager, but also drafting of Infrastructure Charging and Regulatory Law (Technical Assistance from Fare Program is already delegated for drafting documents). New Technical Assistance is planned also through FARE Program for 2008 and 2009 and should prepare implementation of EU Directive. Workshops and study tours are planned to face EU experience. Agreement with Railway Operator is signed. Cargo transport demands increased for 2% and for passenger transport they don't have new data. Network Statement is available on website (at this moment only in Croatian; translation in English will be made in next period because it is not needed in this stage). Licensing is still in frame of the Ministry, but is possible - Operators are taking service from traction companies and have to be licensed. Regarding to Investigating Body, there is systematization in the Ministry at this moment after which they will have separated Sector for Investigating Body.

Serbia stressed at the beginning that for Time Table they need more time to discuss some points and they don't have information when first draft will be sent. However, process of restructuring continues. Law on amendments of Railway Law is prepared but for adoption of this Law, new Government needs to be set up. Serbian delegates mentioned that good cooperation was achieved through Twinning Project and even it is finished, they expect continuation through IPA 2008 project. Project with help of PPIF fund through World Bank was mentioned as good example for preparation of documents on Access Charging Regime, as well as document on Network Statement. Ministry prepared those documents with consultant Booz Allen Hamilton and good Action Plan for implementation of the project came up from this project. For finalization of all documents Serbia also have to wait new Government to set up. This project had some problem in the beginning to receive some data because Serbian Railways do not make statistics on needed way. New project in Serbian Railways with donation from EBRD started in January 2008 and will last up to November; The project will produce necessary documents for PSO, accounting reform, organizational reform and human resource development; BCEOM French Company was selected as consulting company. According to statistics, Serbia increased cargo traffic for 14%, traffic revenue for 15%, but passenger traffic is on the same level. After Mr. Jost asked to keep with deadlines for Time table collection, Ms. Jankovic explained that lateness exist because of not reached decision for taking some steps stated in Time table and that she is going to do her best to get provisional table as soon as possible. Mr Jost approved coordination of the projects from one person in the Ministry. She explained that Ministry delegated her as only contact person to coordinate with experts in document preparation and. Mr. Jost agreed that it is very good step when Ministry appoint one person to coordinate with experts and that it should bring up to results. Mr. Guitink agreed with this procedure but only if Railway Company also delegate one contact person on their side. As regards to the Report on Access charges regime, for Serbia still it is not available for publishing. When it comes for publishing, Ms. Jankovic proposed first distribution through RWG to be through SEETO.

Bosnia and Herzegovina submitted Time Table in advance. Regarding restructuring, as they have two entities – Republic of Srpska and Federation of BiH, they have Railways of Republic of Srpska and Railways of Bosnia and Herzegovina. When speaking about good cooperation it was recognized through Twinning Project and through cooperation with Estonia. Twinning Project has been organized through trainings and seminars and from the project Bosnia got EUR 21.000.000. The biggest problem they are facing with is how to improve capacity within the Ministry for implementation of EU Regulatory. State Railway Law in Bosnia is from 2005. Year 2006 was dedicated to Railway Regulatory Board which is administrative organization within the Ministry of Transport and will be fully staffed in April 2008. Chairman stressed that it could be a problem if Regulatory Board exists within the Ministry and that EC interpretation of the Board is different. In further presenting of

current situation Ms. Ivkovic stated that Railway Registers are in preparatory phase in the Ministry, that regarding Network Statement they finished Action Plan and published it on the web. Some bilateral agreements are in process – with Croatia already started and with Montenegro and Serbia discussions are in preparatory phase.

Mr. Goran Filipovic from EC Delegation in Sarajevo stressed opinion that railway will also benefit from Registry of rolling stock.

Montenegro submitted Time Table in advance and informed on activities within Railway PC and Ministry. They stated that important steps were made in process of reforms in railway sector and in process of implementation of responsibilities from MoU. Draft Development Strategy of Transport should be adopted in second quarter of 2008, four priority projects in railway sector are defined for following ten years and some of them are in process of implementation already. They secure funds from Budget of Montenegro, but also from EBRD and EIB and will use these funds for railway infrastructure maintenance as well as for reconstruction of critical points on railway line Bar-Bijelo Polje. They also announced interests of Italian and Serbian Government in this project, as well as interests of Italian and Ukraine companies to invest into railway track of Bar. Regarding laws, Law on Railways was adopted in 2004, but now is improved by the Law on Safety in Railway Transport adopted in December 2007. New Law on Railway Transport Contracts will be ready for adoption in 2009; until than Law from 1995 is in power. Law on Transport of Dangerous Goods was adopted in January 2008 according which Regulation on transport of dangerous goods by rail should be adopted by the end of the year. Independent investigation body and National Safety Authority should be established according to Addendum on Mou which is expected to be finalized during 2009. Restructuring Strategy of the Railway was adopted in September 2007 and is in compliance with Draft Transport Strategy of Montenegro, EU Transport Policy for 2010, with the Stabilization and Association Agreement with EU, Economic Policy, Agenda of Economic Reforms and Annual Plans for Privatizations. As regards to process of restructuring, the Programme will be carried out in three phases –first one should secure registering of mother company's assets into balance of Infrastructure and Operations (this phase should be finished by end of March 2008); second one consider segmentation of the company trough providing independent functioning of Infrastructure and Operations which will be two separated holdings (this phase should be finished by end of June 2008); third phase includes privatization, operators will be sold in 2009 (this phase should be finished by end of 2009). Montenegro Railways signed with port of Bar and Hungarian and Serbian Railways Contract on Establishing the Container Railway line Budapest-Belgrade-Bar. These days Bilateral Agreement on border crossing control is expected with Serbia and Agreement on border crossing cooperation with Albanian Railways is in preparatory phase. In March 2008 Ministries of Transport of Montenegro and Bosnia and Herzegovina signed Memorandum on Join Activities regarding development of Project-Research documentation for railway connecting between these two countries. They stated that Network Statement is in preparatory phase and they will use experience from cooperation with Serbia and from Croatian documents. Mr. Huszka from Hungary was interested in companies which were interested in Port of Bar and railway track in Bar and Mr. Bankovic only informed that Port of Bar will be privatized during next year.

Macedonia submitted Time Table in advance and thanked to participants who referred to Macedonian railway reforms. They stated that EU Directives are already implemented in Law on Railway and that Law on Railway Transport Safety includes important Regulative. Both Regulative and Law has been adopted and published. Bylaws from Railway Safety parts are also adopted and will be published during next month. Regarding restructuring, Macedonia have two separated entities - Infrastructure Company P.E. and Macedonian Railways P.E. Regarding plans for future period, four studies should be done: Track Access Charges Study with which they are already satisfied; Study on Public Service Administration – Final Report should be done until June; Advising, Staffing and Cutting Cost Study

with which they are not satisfied; Study of Privatization of Company - this is ongoing Study for which company prequalification and short list is done. Macedonia started negotiations with Serbia about crossing time, as well as negotiations with Bulgaria on border crossing Dimitrovgrad. They finished Railway Refund Project with World Bank. This Project included work on border time cutting and considered financing of optical cables on Corridor X as well as investing in multiplex equipment and soft measure for freight transport harmonization. As regards to traffic development in Macedonia, traffic of freight increased for 40% on Corridor X. Action Plan will be finalized in beginning of 2009 and will include new communication and ITS systems.

UNMIK/Kosovo did not provide filled Time Table, but it will be done during April 2008. They stressed that some movements could be recognized in Railway Sector since 2006 and improvements will continue in next period. Improvements could be seen through Agreement regarding railways, signed between Ministry and Railway company and also through Railway Regulatory Authority. In 2007 they started with new passenger line and increased terminal containers for 69.2%. Network Statement is in preparatory phase, but Technical Assistance is needed to finalize it – Mr. Jost took a note on this.

6. Out of the Agenda, Mr. Evmolpidis Vassilis represented himself and TRADEMCO S.A. which, together with Vienna Consult won Tender for new Project on Soft Measures, Coordination and Access Charges on one side and issue of Road Safety Audit on another side. This project will consider together Rail Reforms and Road Safety Audit. Mr. Vassilis explained that he will be Project Manager and Team Leader and he wishes to continue good cooperation which TRADEMCO started through SEETO.

7. New freight services in SEE – Presentation of the research project Cream

Chairman presented Mr. Lars Deitering as person in charge of new EC Project called CREAM and welcomed his presentation which should explain ideas and tasks which CREAM Project has

Mr. Deitering presented CREAM as freight oriented project without interests for passengers, stressing that main reasons for initiating this Project were economic and technical advantage as well as multi support. He presented organizational issues and administrative aspects of implementation, but also different partners involved in the Project. As the most important motto of the Project, Mr. Deitering stressed importance of connecting into Team to achieve settled goals. He also presented map of corridors in which they are interested in and customer service meaning. Two main approaches were presented as Operative view and Strategic view. General remark was that CREAM will work on improving of existing infrastructure. As the main targets for common cooperation Mr. Deitering stressed:

- shorten of transport time between Western Europe and Turkey and Greece
- growth of freight on the corridors
- utilization of cooperative business models
- creation of common quality management system on corridors
- utilization of harmonized IT and Telematic systems
- knowledge practice
- cooperation for interoperable operation

It was agreed that PDF Presentation will be sent for publishing on SEETO website.

Mr. Guitink was interested in parallel to road corridor and Mr. Deitering explained that Project focus only on railway and road is out of scope.

Ms Jankovic made a remark that lots of border crossing issues are not a mandate of railway companies and transport ministries but subject of custom control and border crossing control and that this procedures produce more waiting time. Question was how this project deal with it.

Mr. Krakic was interested what makes CREAM different comparing to other projects that were dealing with border crossing subject and how they will solve this issue. Mr. Deitering confirmed that different studies were done already and that from these studies Project could use 70% of information. These information are showing good progress and for more conclusion they still need to work on more detailed information.

Mr. Antal made remark that CREAM Project could be very useful for RWG participants. However, it is still up to each Government to regulate procedures on border crossing, but information they could receive from the Project could be helpful.

Mrs. Ivkovic was interested why CREAM did not include Corridor Vc even it was accepted on HLG in Brussels and MR. Deitering explained that selection of projects was not done in Brussels, but if there are proposals to extend network it can be discussed.

Mr. Jost asked all participants to inform him by email or during the break if they consider that CREAM should present Project results in six months, so that he know if he should invite them again.

8. Time Table

Chairman stated that including Albanian Time Table submitted today on the Meeting, he received 5, missing are from Serbia and UNMIK/Kosovo. After both delegations stated that will submit filled Time Table as soon as possible, Mr. Jost asked if there are any suggestions how to present Time Table in front of the Steering Committee. He proposed to merge all of them into one Time Table, to simplify it and to make text with a conclusion on received information.

Croatia stressed that feasibility of time frame should be presented individually and that merget Time Table is good enough for presentation in front of SEETO beneficiaries.

Mr. Guitink stressed that one single Time Table could give very powerful sign for regional cooperation, especially on Ministerial Meeting.

UNMIK/Kosovo voted for single Time Table

Serbia stressed that according to Addendum, Article 5, second paragraph is saying that each beneficiary should submit own Time Table which will be presented in front of SC and on the AMM, but to prepare one single common presentation which will show common state and future plans. Also, as RWG is the one that prepare Time Table, there should be analysis done to include all information together. Each participant could prepare short examination of own Time Table and send to Mr. Jost who could merge all analysis.

At the first stage Mr. Jost asked to prepare together document immediately – country by country to give statement and 1st draft to be prepared during meeting. It was not accepted.

Mr. Guitink stressed that Public Service Contract should provide specific information and proposed to Mr. Jost that his Report should include obligation that financing will be allocated in National Budget. This has to be clearly stated to Ministry of Finance of each Government and should apply specially for Public Service Obligation and Access Traffic Charges.

Mr. Vassilis confirmed that Ministry of Finance has to be informed about plans for which they should allocate budget.

Mr. Antal also made a point on Public Service Obligation and stressed that unless you have it, you can not have Access Charging Regime. He confirmed that Hungary already faced this problem.

Mr. Krakic informed that when speaking about Public Service Contracting, everyone should be very careful to avoid facing with problems and this Contract should be strictly provisional.

Mr. Jost asked specific comments from all beneficiaries:

Macedonia promised to submit additional information and revised Time Table in one week, including fulfilled item 26. *Agreed*

Serbia stressed that worry that Time Table is too binding because someone has to take responsibility and that it could be filled only with expert opinion, but for Ministerial Conference it has to be sent to different Ministries for opinion. This was proposed as procedure between members.

Mr. Jost did not accept delays because of Government procedure as Time Table was submitted in December 2007. It is only document which will be used for informing about plans, not to be adopted. He is prepared to write in conclusion that proposed Plan is indicative, not final. Chairman also proposed that each delegation should submit own proposals by email and he will make conclusion

Croatia promised to do their best to submit additional information and revised Time Table at least for step 6 in one week. If not sure about month of finalization, they will put December. *Agreed*
They were interested for which purpose Time Table will be used in future and agreed that if Minister should sign it, procedure has to pass and be approved on higher level. Otherwise it can be used only on expert level. He proposed to add sentence which will make document clearer: This is used only for information about intentions and current status. Regarding border crossing, they can not give precise information because it is not problem of one country, so it has to be estimated.

Mr. Guitink agreed that no one can give precise information when Agreement will be done, but each delegation could have approximate date for Agreement.

Mr. Antal proposed that Border Crossing Agreement could start with EU directly, not within beneficiaries.

Albania proposed to the Chairman to send letter with information that Time Table should be adopted on Ministerial level if it has to be adopted by Ministers. She agreed that Time Table includes only expert opinion and that it can not be presented on Ministerial level. They will update Time Table and submit it within next days.

Mr. Jost was interested if participants need more clarification, so Mr. Krakic asked explanation for point 25 and point 12/step 2. Chairman explained that N/A is good enough for these cells.

Conclusion: All delegations should submit revised Time Table within next 10 days, latest April 20th, 2008. Apart from revised document, beneficiaries could propose some conclusions as well.

9. Implementing public service obligations for all passenger transport, Scott Wilson

In front of Scott Wilson presentation was held by Mr. Graham Hewett who presented settings and public service obligations and experience he had in cooperation with Macedonian Railways, showing what has been done through this cooperation and explaining what else should be done. He presented context, structure and structural issues of public service obligations, but also overview of findings they faced with during this cooperation and recommendations for future. He considered Macedonia as good example for cooperation.

It is agreed to publish Mr. Hewett's presentation on the SEETO website.

10. Network Statement and Infrastructure Charging Scheme for Serbia, Tatjana Janković, Ministry of Infrastructure, Republic of Serbia

In front of Republic of Serbia, Ministry of Infrastructure, Ms. Jankovic gave a presentation on which it was presented current situation in railway sector in Serbia, projects in rail sector, World bank project: Designing an infrastructure charging regime and Network Statement for rail sector in Serbia and next steps. WB project was very useful for legislation that should be introduced in Serbia. Within this project, there is a proposed access charges regime that very soon will be adopted on the Government. This proposed regime is in compliance with Directive 2001/14/EC and proposes simple tariff structure based on recovery of marginal costs plus a markup to cover some of the fixed costs ("MC+") where appropriate. Practical approach of using variable operating costs is adopted, representing wear on the infrastructure (g_{tkm}), direct operating cost of IM (t_{tkm}), renewals and financial expenses. Proposed charging structure is based on recovery of variable operating costs plus a part of the fixed costs. Draft of Network Statement is prepared in line with: RailNetEurope(RNE) requirements and Regulations on issuing conditions and the contents of safety certificates for Railway Infrastructure Management, (Official Gazette Republic of Serbia num. 83/06). 80% of NS document is finished on the WB project.

Mr. Krakic was interested who is opposite side when making PSO Agreement and Ms. Jankovic answered that it could be state, local authorities and big city such as Belgrade. Small municipalities don't have budget for this issue.

Mr. Jost was interested in proportion that Infrastructure Manager is covering and if they fulfilled obligation from Directive 2014. Mr. Jankovic explained that according to latest researches 20% will be covered by Infrastructure Managers and / if 80% is covered by the Government. This calculation is without markups.

11. Next Meeting

Conclusion: It is agreed that next Railway Working Group Meeting will be held in first half of June, before Steering Committee Meeting. Written comments on Time Table will be submitted as agreed and consensus on wording of the text should be prepared before next SC Meeting as well. It was agreed that Macedonia will prepare presentation for the Next RWG Meeting. Venue and precise date will be agreed during next days. Mr. Vassilis confirmed that he will be more active in the Region during May and that he will do his best to prepare presentation on new Project for the next RWG Meeting