

7th Meeting of Rail and Inter-modal Working Group

Zagreb, September 25th, 2008

Chairman:

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

Members:

- Miranda Jani, Responsible for International Relations, Albanian Railways, Albania
- Snjezana Ivkovic, Advisor for International Collaboration, Ministry of Communications and Transport, Bosnia and Herzegovina
- Danijel Krakic, Assistant Minister, Ministry of Sea, Transport and Infrastructure, Croatia
- Svetlanka Popovska, Railway Infrastructure Adviser, Ministry of Transport and Communications, the former Yugoslav Republic of Macedonia
- Meri Cacic, Chief of Cabinet, PE Macedonian Railways, the former Yugoslav Republic of Macedonia
- Goran Radosavljevic, Advisor, Ministry of Transport, Maritime Affairs and Telecommunications, Montenegro
- Milan Bankovic, Executive Director Assistant for Traffic Regulations, Railways of Montenegro, Montenegro
- Zoran Sretenovic, Deputy Director, Public Enterprise Serbian Railways, Serbia
- Gordana Savic Popovic, Director of Property Department, PE Serbian Railways, Serbia
- Xhevat Ramosaj, Managing Director, Kosovo under UNSCR 1244/99

Observers from Neighbouring Countries

- 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
- Evmolpidis Vassilis, Team Leader, RWR/RSA Project
- Kees van Krieken, Independent Consultant
- Katarina Mindum, Railway Workers' Trade Union of Croatia
- Alain Lutz, Project Manager of the Tracks Access Study, SYSTRA – Transport Planning Department
- Laetitia Voegelin, Economist, SYSTRA – Transport Planning Department
- Peter Haefner, Legal Expert, SYSTRA – Transport Planning Department

SEETO - South East Europe Transport Observatory

- Mirjana Bugarinovic, Railway Expert
- Jordana Ficovic, Finance and Administrative Assistant

1. Welcome addresses and recent developments

Chairman opened 7th RWG Meeting and welcomed all participants. He confirmed that all Participants have representatives and asked everyone to introduce themselves.

Mr. Jost briefly explained recent and ongoing activities in the EU, stressing that delegates may indicate need for further information for next meeting. He explained situation on EU legislation and actions in the railway domain, ongoing activities on existing negotiations, and future activities regarding freight rail network:

- 1st Railway Package - DG TREN prepare program for next year; analysis achieved results and 5 different directives will be merged into single one. Regarding Freight Rail Network, EC will adopt proposals on this issue in November 2008. However, EC is not satisfied with state of freight transport and will initiate and ask from member states proposals for better corridors
- 6 ERTMS corridor (letter A- F) must to be improved - the Commission signed MoU with railway operators, CER and infrastructure operators on next steps that have to be taken with ERTMS.
- COTIF agreements and conflict with EU Railway Law – there is conflict between two legal system; OTIF Organization is in charge to find problems which brought to conflicts
- Directive 2008 57 EC is adopted and complies previous directives
- Communication with EC on guidelines 2008/184/07 – it is not legislation in strict sense, but is in charge for financial transfers and procedures in the Rail Sector
- 2nd Railway Package – adopted in October 2007 and published in lex web site
- Community guidelines for RU (it is not recommendation it is rules what member states pay - financial transfer to railway sector).

Conclusion: Members indicated that they would like to hear more information on Greening Transport Package (Green Paper)

2. Adoption of the minutes of RW WG5

It is agreed that last sentence of Item 10 will be deleted and that Mr. Antals statement was not interpreted in good way.

Conclusion: changes will be made and revised 6th RWG Minutes will be published on the website

3. Adoption of the Agenda

Chairman stressed overlap between Item 4 and Item 7 – both are on Timetable issue and proposed to merge these Agenda items

Conclusion: Agenda was adopted with these changes – Item 7 merged into Item 4.

4. Item 4 and 7 together - Debriefing of the 16th Steering Committee Meeting and Time Table for implementation according to Addendum on MoU Item 5

SEETO Secretariat briefly informed about comments given by Steering committee:

- Update of Summary Time Table
- RWG Meeting materials should be given well in advance
- Agenda should be more detailed even in first draft
- To be careful about Participant name of the former Yugoslav Republic of Macedonia

Regarding individual Time tables, Mr. Jost stressed that it is up to Participant to update Timetable. However, updates should be limited and agreed between SC Member and RWG Member. He went separately with each Participant through data in Time Table.

Conclusion:

- Croatia will leave empty cells on items 2.3, 2.5, 2.6
- Kosovo gave additional information on item 2.4 – June 2009
- Word "delay" will be changed with "target period"

Mrs. Ivkovic stressed suggestion of Bosnian SC Member Mr. Izet Bajrambasic that Summary Time table shouldn't be per Participant. Information for each measure should be stated on regional level because data should be given for the whole Region.

This raised different comments and opinions:

- Croatia, Serbia and Montenegro proposed both options to be presented in front of the Steering Committee who will give final decision:
 - 1st proposal – to leave information per Participant and to add additional column on Regional level
 - 2nd proposal – Bosnian proposal to have only information on Regional level

All participants agreed with this solution.

Mr. Jost stressed that it is up to Participants to decide, but that his opinion is that information per Participant should stay; this is not strict document and changes could be made, but everyone should agree on decision

Conclusion: RWG agreed that SC should have final conclusion and Mr. Jost will present both alternatives on 17th SC Meeting:

- *Table of information per Participant together with information on Regional level*
- *Table with only one column - information on Regional level*

Mr. Guitink expressed concerns regarding the interpretation of the data included in the timetable. For example, on the issue of financial stability it may give the impression that full financial stability of railways would be achieved by the date provided under the last column. However, it is unlikely that full operability will be achieved by that date

5. Conclusions on study of PSO in the former Yugoslav Republic of Macedonia

On the basis of the presentation on financing of passenger rail service under PSO on the previous meeting Mr. Jost asked participants for their opinion.

Mr. Guitink stressed that if the compensation for rolling stock would be contemplated under directly awarded PSO contracts, the risk of being considered state aid by the European Commission would be high, because of the underlying transparency and equal opportunity principles of the EC Treaty itself.

Mr. Evmolpidis mentioned that in this text which is of general context and more particularly in second paragraph of page 2, there should be reference to competing modes of transport and not to "the study of the transport need of the greater Skopje Conurbation".

Conclusion: Instruction of Mr. Guitink and Mr. Evmolpidis will be added in next Report, paragraph 2; paragraph 8 – "... greater Skopje conurbation..." will be deleted; paragraph 9 should have more transport modes (buses, regional taxis, airplane, boats).

6. Round Table

Round Table gave opportunity for all Participants for updating on latest information in it:

Montenegro – for the purpose on further completion of legal framework in railway sector The Ministry of Transport, Maritime Affairs and Telecommunications has prepared four Draft Regulations, based on the Law on Railways, which regulate the terms and conditions for issuing transport licenses and safety certificates, as well as the Draft Contract on the Use of the Railway Infrastructure. They also prepared a new Regulation on the manner of railway transport of dangerous goods, which is in line with the RID standard and will be passed by the end of September 2008. Working Group is formed by members of the Ministry, Infrastructure Manager, Transport Directorate and foreign consultants to prepare Network Statement (end of October 2008). Government planned to pass the Criteria for access charges (setting fees) for the use of

the railway infrastructure. Additional sub laws should be adopted and should influence strengthening of Traffic Directorate capacities - Department for Railway Transport which overtakes the role of Regulatory body. At the end of November the Directorate should be ready and competent for operations related to: issuing licenses for infrastructure manager, issuing structure safety certificates for infrastructure manager, issuing licenses and certificates for transport operators; evaluation of criteria and definition of access charges for infrastructure use; supervision of railway traffic regulation; monitoring safety conditions; as well as professional control of work performance on construction, reconstruction and maintenance of infrastructure. Regarding Law on Safety in Railway Transport according to Addendum MoU (item 2.1) objectives prescribes establishing of Independent investigation body responsible for railway accident investigation National Safety Authority and Notified body, to be formed within the scope of Directorate for Transport – Railway traffic Department. Deadline for their establishing is third quarter of 2009. Government of Montenegro has adopted Restructuring Strategy of the Railway of Montenegro in September 2007. Montenegro applies of disintegrated mode of organization, which means complete separation of railway undertaking from infrastructure manager.

The Action Restructuring Programme will be carried out in three phases and include following:

- Harmonization of balance sheet and income statement, changes of capital and cash flow; to register already allocated and non-allocated assets of mother companies into balances of Infrastructure and Operations. The full finishing of this phase is expected by the end of November.
- Segmentation of the company through providing fully independent functioning of Infrastructure and Operations. At the end of this phase each of them will have three sister companies. It is expected that this phase will be adopted by the end of February 2009.
- Privatisation where planned privatisation of three sister companies will be carried out through the joint venture with the strategic partner or by buying and selling of the State's block of shares. Infrastructure Management and Traffic Regulation will remain as a company with major state's ownership. This phase should be finished by the end of 2009.

Further, bilateral agreements with Serbia and Albania on the cross-border railway control will be arranged and should come into effect by the end of 2008. A social dialogue with representatives of the trade union of the Railways of Montenegro is under way and it is one of the activities defined in the Montenegro Railway Restructuring Strategy. The implementation of a social scheme for addressing redundancies began in July this year with the beginning of the second stage of restructuring, i.e. segmentation of the company into two new joint stock companies – Infrastructure and Operations. (Here it should be said that the IBRD credit support to the social scheme of EUR 1.45 million has already been provided under the government guarantee as the

Mr. Guitink was interested to learn whether financial stability has been established and Mr. Bankovic explained that State budget provides budget for infrastructure, although not sufficient; there are problems with undertaking and passenger traffic is expensive but not adequately compensated through a PSO contract. Network statement should be finalized within next months and it should secure infrastructure charges and tax payment.

Mr. Jost was interested in market development and there was an explanation that freight service increased in 10% per year and passenger service is increasing as well. They have 90% of tracks with electricity power. There is freight service with Albania and it increased 20%. Next forecast is planned for next year.

Kosovo under UNSCR 1244/99 - Law on Railway is adopted. Railway Regulatory body should be established during 2009. First draft of Network Statement is completed and very helpful was TA provided by SEETO. There is concession signed in June 2008. Separation of Infrastructure from Operation didn't start yet. There are 390 employees, 330 length of network and situation regarding traffic development is similar as in 2007. New company FERONICL (private consortium) gave 1 million gross tones for traffic. Contract for maintenance of line and maintenance of wagons is based on PPP.

Albania – The round table with high officials from the Ministry of Transport, Ministry of Economy and Ministry of Finance to start up the decision making process, could not reach its main goal, so Government accepted to review a concession proposal coming from of a Czech company. According to the Albanian law on concessions, it was classified as an unsolicited proposal and within 120 days the Czech company had to submit the necessary information, including a technical and financial feasibility study, to prove the feasibility of their project. On 15th of September the Czech proposal was delivered to our Ministry of Transports and its evaluation process will start on 5th of October. The process of reforms has continued at the railway level as regards organizational and financial restructuring; directors of new business units have been appointed and adopted by the Supervisory Council; all the necessary documentation for the procurement of the new financial system has been prepared (An eventual financing of this system is expected by the EU delegation in Tirana); new discussions regarding law, regulatory bodies, access charging system, network statement, PSO contract etc should be reopened with the Ministry. Regarding Market situation the cement industry and steel industry are expanding their business and they are willing to use rail for transport to and from Durres port and to and from Europe via Montenegro. International transport is growing very fast for import and is assumed to grow more. A second cement factory is going to be built next year and a second electro furnace will start production this year.

Bosnia and Herzegovina - Railway regulatory body (RRB) is established as part of Ministry. Investigation body is included. RRB has new employees, now number of staff is 8. They prepare 8 regulations. Network Statement isn't published and separation of railway is in progress. There are no infrastructure managers. Software for infrastructure registry is in focus and it will be property of RRB. There is a problem in coordination between entities.

Croatia - Law for Railway from 2003 made basis for liberalization of Railway Market and it carried out in 2005. Separation of railway in to the infrastructure and operation. The regulatory body - Agency for Railway market is not physically established yet due to various problems. Railway Safety Law is approved by Ministry and published in Official Gazette technical condition of safety, certificate for railway vehicle safety, certificate for railway vehicle maintenance. Network Statement is published at the end of 2007 (only on Croatian language) but not yet applied.

Regarding needed projects there are Staff training for regulatory body, IT support for whole railway sector, EU experience is needed to help with National Plan (what and when to implement). Railways Safety Directives should be finalized with two TAIEX Missions. To support further connections with EU directives, there is PHARE project – now is in selection phase, main theme is technical assistance for overview of the railway sector - measure what can be done – analysis of current situation concerning laws, regulative, staff. This should also help with drafting of bylaws, revision of existing laws, etc. There was opening of works on Corridor X at 24.09. (Vinkovci – Tovarnik – state border) – major overhaul and implementation of signalling and telecommunication facilities.

Freight traffic average growth is 3,3%. Passenger transport is increasing as well.

the former Yugoslav Republic of Macedonia – on previous RWG Meeting in Sarajevo first stage of PSO project was presented. Second stage has not been done yet. Railway undertaking (RU) not received subsidy in 2008. Information has been sent to the Governmental session prepared by the MoTC which recommends Ministry of finance to allocate funds in the State Budget for next year (2009) for compensating PSO starting from January 1, 2009 to the railway undertakings.

First by a Decision from the Government of the former Yugoslav Republic of Macedonia, 50% of the total revenue was transferred from the RU to the infrastructure manager (IM) for utilization of infrastructure. This compensation was too much burden for the RU, secondly the Government of the former Yugoslav Republic of Macedonia took another Decision and changed it to 40% of the total revenue from the RU and it is paid as a lump-sum on monthly basis.

This year (2008) there are funds amounting to 3 million EURO provided in the Budget of the MoTC. Funds are intended for reconstruction, overhaul and maintenance of the railway infrastructure. So far, 87% of the total provided funds have been realized. It is expected that these funds will be realized in full by the end of the year.

The regulatory Agency will be established in January 2009. Increase of freight traffic is 42% and passenger stay same as previous year. In 2005 the number of employees was 3609 people. After the separation in 2007 people were placed almost half of this number in the RU and IM companies. The social mitigation started in 2007 and a program is ongoing. Recommended average productivity from EU is 6 people per 1 km of line. Network Statement will be prepared by the IM until October 15th, 2008. There is social dialogue between syndicates and management. Problem on border crossing with Greece is solved.

Serbia – there is ongoing Investment Plan for rehabilitation of road nad railway infrastructure in which Hellenic Plan will be involved. BCEOM PSO Study is in draft phase. There is a plan to have 2 workshops on this issue in November. There is increase of freight traffic. Regulatory body exists and is completely independent one.

Ongoing projects are: "Program for Rehabilitation of Serbian Railways 2" which includes two loans, EIB loan of approx. 80 mil. EURO for reparation of infrastructure on 3 spots: Batajnica – Golubinci, Cuprija-Gilje and Nis-Stanicenje, all 3 on Corridor X. Second is EBRD loan of approx. 60 million EURO - purchase of 770 freight wagons. IPA funds – feasibility study for Nis – Presevo.

8. Technical Assistance project in the former Yugoslav Republic of Macedonia on track access charges - Representative of SYSTRA presented results of the Project for Access Charges. They presented very good tools, recommendation and methodology. They also presented good starting points for discussion with stockholders.

Mr. Peter Haefner presented draft contract between the Governments and Railway Infrastructure Manager.

It is agreed that Presentation will be published on SEETO website.

9. Setting track access charges in a situation of backlogs: Experience in SE Europe, e.g. in case of Bulgaria – Mr. Kees van Krieken presented access charges setting in Bulgaria.

Presentation raised various interests, such as how possible it would be to prepare such presentation for ministers.

Mr. Jost proposed to Mr. Krieken to continue cooperation with RWG.

Conclusion: Mr. Krieken and Mr. Guitink will prepare presentation for ministers.

10. AOB

Bosnia and Herzegovina asked Chairman to make additional effort to make Annotated Agenda for future RWG meeting, maybe one month before. Till now, draft agenda was sent in adequate time but it is not detailed enough. However for good preparation and helping participants to take active role in discussions it is needed to have much more detailed explanation concerning Agenda items.

Conclusion:

- *List of participants with contact details to be published on the SEETO website*
- *Mr. Jost will make effort to prepare Annotated Agenda for next meeting and to send it enough in advance*
- *Croatia agreed to present on next RWG Meeting what they expect from FARE and TAIEX*

There was idea to have next meeting in November 2008. However, Participants didn't have any strict agreement or disagreement. It should be decided additionally when it is clear if there is need to have meeting before February 2009.

Mr. Evmolpidis at this point presented the scheduling of the workshop meetings planned by RWR/RSA project in 2009. The dates are: fourth week of February, second week of May, fourth week of June and fourth week of September. He explained that from that 4 workshops – 2 are related to access charges and network statements and 2 are related to border crossing issue. There is also plan to have 4 working groups associated with these workshops. Who and how will organize next meetings, is not decided yet; it is up to EC and the Project Team leader to agree on this issue.

Mr. Evmolpidis also stressed that a letter was sent to all main stakeholders of the project informing them that Project has started and informing them about visits that should be organized and asking them to inform accordingly the relevant Ministries and Authorities. The members were informed that the first mission for border crossings to Croatia has successfully taken place..

He stressed that workshop members should include at least 2 representatives from each Participant. Expenditures for them will be covered by project incidental expenditure (which is limited) and others who can attend will pay expenses by themselves.