

Support for Implementing Measures for the South East Core Regional Transport Network Multi Annual Plan (EuropeAid/125783/C/SER/MULTI)

Railway Sector in Serbia
First Railway Reform Workshop

prepared by
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Present situation in rail sector in Serbia
 Key aspects of the existing regulations

Railway Law and sub laws:

- Introduction of competition
- Separation of railway system to infrastructure and operations
- Equal access to public railway infrastructure for interested operators
- Procedure for access to railway infrastructure
- Infrastructure access fees
- Conditions for issuing certificates and licenses
- Introduction of Public Service Obligation for certain line
- Establishment of Directorate for Railways as Governmental body

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Present situation in rail sector in Serbia
 Key aspects of the existing regulations

Decree on Establishment
 PE "Serbian Railways"

- Establish a public company for public rail infrastructure management and public transportation in railway traffic.
- Company is registered under the name: "Železnice Srbije".
- Railway company performs his work in principle of division in managing the railway infrastructure and performing public transportation and maintenance of rolling stock
- Railway company enact Rolling plan for five years of work and development, Annual Business plan and Annual plan for maintenance of railway infrastructure, organization and regulation of railway traffic.
- Rail Company shall maintain separate performance accounts;
- Identify the funding sources for the infrastructure and public transport.
- Railway company performs its activities on market basis.

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Present situation in rail sector in Serbia

Legal framework established

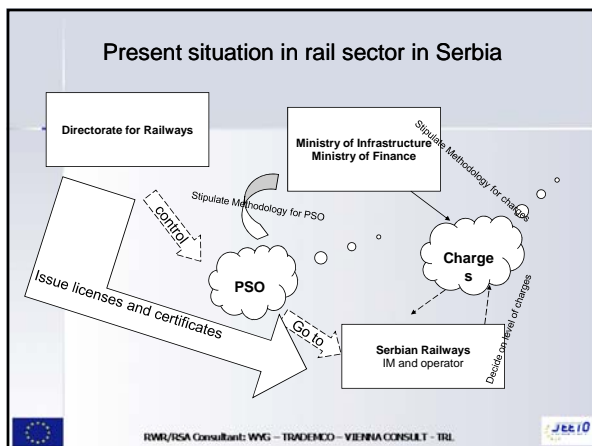
Present situation 2009

- Railway law March 2005
- Decree on establishment of Serbian Railways May 2005
- 9 sub laws according to the Railway Law

Railway market is not liberalized

Serbian Railways – one company for infrastructure management and operations

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WB project: Designing an infrastructure charging regime and Network Statement for rail sector in Serbia

- Project started in March 2007 and lasted for 10 months
- Situation: one railway company – no separation between IM and operator
- Financed by PPIAF fund governed by World bank and Ministry of Infrastructure
- Performed by consultant Booz Allen Hamilton
- Tasks:
 - Preparation of Access charges regime
 - Development of Network Statement document
- Main results are:
 - Proposal of Methodology for access charges
 - Draft Network Statement
 - Model for calculation of access charges
 - Action plan for implementation of the project results

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WB project: Designing an infrastructure charging regime and Network Statement for rail sector in Serbia

There was no major constraints for the development of an access regime for Serbia. The key objectives were to achieve:

- Compliance with legal requirements in Serbia
- Compliance with EU Directive 2001/14/EC
- Create incentives in relation to track wear
- Develop a user friendly tariff structure
- Establish long term commercial agreements between the IM and State

The proposed rail infrastructure access and pricing framework provides a balanced trade-off between:

- cost reflectivity,
- simplicity of use and
- data availability



WB project: Designing an infrastructure charging regime and Network Statement for rail sector in Serbia

The resulting network model is divided in:

3 line categories (52 line sections): Main, Regional, Local and 6 nodes.

- Data on freight trains operating on each line section on the network was derived by looking at the traffic data supplied per node and the associated links. Modeling of passenger trains was based on the analysis of the passenger timetables supplied by Serbian Railways.
- Cost loading of the network model was made using SR input data:
 - SR general Ledger for 2006
 - Internal Profit and Loss account for the Infrastructure directorate for 2006
 - 2006 Infrastructure cost breakdown per direct and indirect component
 - Breakdown of cost per category of infrastructure work
- Human resource model is developed with two goals:
 - Allocation of the cost of HR across the network sections
 - Allocation of the cost of HR per type of service delivered by the IM



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The proposed structure of charges involves:

- a simple tariff structure based on recovery of marginal costs plus
- a markup to cover some of the fixed costs ("MC+") where appropriate.
- Built model allows:
 - possibilities to change variable and fixed costs
 - there is no distinguish between passenger and freight trains, only take in consideration weight of the train



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The charging structure based on marginal costs includes three components:

- charges based upon train-km and gtkm
- charges for the use of facilities based on the number of trains "serviced" in the nodes
- mark up

Marginal costs are difficult to measure, practical approach of using variable operating costs is adopted, representing wear on the infrastructure (gtkm), direct operating cost of IM (tkm), renewals and financial expenses.

Proposed charging structure is based on recovery of variable operating costs plus a part of the fixed costs.



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The treatment of the remaining components of the infrastructure charging regime which have been identified within the EC Directive 2001/14/EC is as follows:

- the charges which reflect scarcity of capacity do not exist.
- in accordance with the current practice for other transport modes in Serbia, charges which reflect environment costs do not exist.
- the discounts on the infrastructure charges may apply in cases where new traffic on the railway is a consequence of (1) a switch from other transport modes or (2) an emergence of new traffic for the railway.
- the compensation for unpaid environmental, accident and infrastructure costs of competing modes of transport does not exist.
- the reservation charge does not exist.



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Charge for access to service facilities and supply of services in service facilities

Special component of the access charge which reflects track access to service facilities (EU Category IIa) does not exist.

The component of the access charge which reflects the services provided at service facilities (EU Category II b) is based on the ownership of the facility and the number of trains using the facility. The charge is established to reflect the category of track (main line, regional or local) and other parameters:

- train-km
- gross-ton
- type of train (passenger or freight)
- traction type (electric or diesel)
- number of trains "serviced".



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Structure of charges

CHARGING CATEGORY I MINIMUM ACCESS PACKAGE	CHARGING CATEGORY II TRACK ACCESS TO SERVICE FACILITIES	CHARGING CATEGORY III IN SUPPLY OF SERVICES OR SERVICE FACILITIES	CHARGING CATEGORY IV ADDITIONAL SERVICES	CHARGING CATEGORY V ANCILLARY SERVICES
<ul style="list-style-type: none"> Handling of requests for infrastructure capacity The right to utilize capacity which is granted Use of existing track points and junctions Train control and provision of all-on train movement All other info required to run the service for which separate track access charges are not applicable 	<ul style="list-style-type: none"> Track access to railway sidings Track access to passenger stations, train buildings and other facilities Track access to freight terminals Track access to marshalling yards Track access to train formation facilities Track access to storage sidings Track access to maintenance and other technical facilities 	<ul style="list-style-type: none"> Use of service points, equipment for traction control, signalisation Refueling facilities Passenger stations, train buildings and other facilities Freight terminals Marshalling yards Train formation facilities Storage sidings Maintenance and other technical facilities 	<ul style="list-style-type: none"> Traction current Provisioning of passenger trains Supply of fuel, electricity and all other services and all other services Labour made contracts for control of transport of dangerous goods Labour made contracts for assistance in running electrical stock 	<ul style="list-style-type: none"> Access to telecommunications network Provision of supplementary information Technical inspection of rolling stock
<ul style="list-style-type: none"> SERVICE PROVIDED BY INFRASTRUCTURE 	<ul style="list-style-type: none"> SERVICE PROVIDED BY INFRASTRUCTURE 	<ul style="list-style-type: none"> SERVICE PROVIDED BY INFRASTRUCTURE 	<ul style="list-style-type: none"> SERVICE PROVIDED TO BE DETERMINED BY OPERATOR 	<ul style="list-style-type: none"> SERVICE PROVIDED TO BE DETERMINED BY OPERATOR

WB project: Designing an infrastructure charging regime and Network Statement for rail sector in Serbia

Project results:

Fixed cost must be recovered either from user charges or from Government subvention in order for the infrastructure manager to remain financially viable.

Analysis of the breakdown of the projected cost for 2010 suggests that in the case the infrastructure charges for existing users are set at the level of variable cost, 20% of the total infrastructure cost will be recovered through access charges.

This will leave the fixed cost (80% of total cost) to be recovered from Budget contribution.

WB project: Designing an infrastructure charging regime and Network Statement for rail sector in Serbia

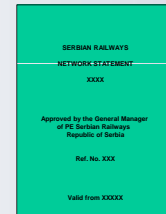
Draft of Network Statement The Network Statement is prepared in line with:

- RailNetEurope(RNE) requirements
- Regulations on issuing conditions and the contents of safety certificates for Railway Infrastructure Management, (Official Gazette Republic of Serbia num. 83/06)

WB project: Designing an infrastructure charging regime and Network Statement for rail sector in Serbia

The Network Statements prepared for Serbia includes the following components:

- General information
- Access conditions
- Infrastructure
- Capacity allocation
- Services
- Charges



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Recommendation from WB Project results:

- Enact Methodology for determination of infrastructure access charges on the Government
- Serbian Railways need to finish Network Statement document

To connect results from WB project with EBRD Project in order to prepare and introduce PSO system in Serbia

Possible shadow charging regime from 2010 that will include:

- Testing of level of charges in two steps
- I step: Only one railway company Serbian Railways for introduction of charging system
- II step: Local market opening

Directorate for Railways

- special organization (governmental body)
- competencies:
 - expert, regulatory and other operations, including:

- issuing of licences, certificates and permits
- elaboration of technical regulations, norms & standards
- participation in preparing of regulations & agreements

Directorate for Railways

Total number of documents issued in 2008:

Permits on usage of railway rolling stock (396), parts and equipment for railway rolling stock (8) and devices, parts and equipment for railway infrastructure (34): 438

Certificates on safety for carriage in railway transport: 3



Next steps

- Amendment on the Decree on Establishment of SR by the Government,
- Transformation of the SR in Holding company,
- Splitting up core business: Infrastructure, Freight transport, Passenger transport and Maintenance,
- Separation of accounts between core business entities.



Next steps

Continuation of restructuring process in the SR:

- organizational reorganization,
- reducing of staff,
- temporary closing unprofitable lines,
- privatization process,
- financial and technological consolidation etc.



Next steps-Legal frame

1. Amendment of the Railway Law by the Parliament (draft in the Governmental procedure)
2. Regulation on the Track access charge by the Government (Project done-BAH/WB)
3. Regulation on the PSO by the Government (Project on going-BCEOM/EBRD)
4. Opening Serbian railway market in “three steps”



Thank you for your attention!

Belgrade, 25 February 2009

