
19th Meeting of Working Group Railway and Intermodal Policy (RWWG) Skopje, March 20-21th, 2014

Chairman:

- **Frank Jost**, Single European Rail Area, Directorate General for Mobility and Transport, European Commission

Regional Participants:

- **Arjol Ago**, Competition Authority, Albania
- **Denis Demiri**, Inspector - Legal department, Competition Authority, Albania
- **Mustafa Kovacevic**, Expert Adviser for rail traffic, Ministry of Communication and Transport, Bosnia and Herzegovina
- **Liljana Bosak**, Senior advisor, Ministry of Maritime Affairs, Transport and Infrastructure, Croatia
- **Goran Matesic**, President of Administrative Board, Railway Market Regulatory Agency, Croatia
- **Ivan Krivic**, Expert associate – abuse of dominance and restrictive agreements, Croatian Competition agency, Croatia
- **Elena Kuzmanovska**, State Secretary, Ministry of Transport and Communications, the former Yugoslav Republic of Macedonia
- **Jasminka Kirkova**, State Counsellor, Ministry of Transport and Communications, the former Yugoslav Republic of Macedonia
- **Biljana Zdraveva**, Head of the railway department, Ministry of Transport and Communications, the former Yugoslav Republic of Macedonia
- **Svetlanka Popovska**, Head of the railway infrastructure unit, Ministry of Transport and Communications, the former Yugoslav Republic of Macedonia
- **Karolina Andonovska**, Head of Unit, Commission for Protection of Competition, the former Yugoslav Republic of Macedonia
- **Nikola Kostadinovski**, Director of the Agency for regulating the railway sector, Agency for regulating the railway sector, the former Yugoslav Republic of Macedonia
- **Ibrahim Ferati**, Head of department, Directorate for safety in the railway system, the former Yugoslav Republic of Macedonia
- **Zoran Angeleski**, Macedonian Infrastructure Manager, the former Yugoslav Republic of Macedonia
- **Dimitar Stefanov**, Director, MZ Transport JSC-Skopje, Freight Traffic Branch, the former Yugoslav Republic of Macedonia
- **Milena Milacic**, Advisor for railway transport, Ministry of Transport and Maritime Affairs, Montenegro
- **Milan Bankovic**, Advisor to the Director, Railway Directorate, Montenegro
- **Bozenka Nikolic**, Senior Advisor, Agency for protection of competition, Montenegro
- **Momir Cukic**, Senior Advisor, Agency for protection of competition, Montenegro
- **Zorica Radovic**, Legal Advisor for Railway Market Regulation, Directorate for Railways, Republic of Serbia
- **Milijan Milic**, Advisor - Sector for Railways and Intermodal transport, Ministry of Transport, Republic of Serbia
- **Biljana Makevic**, Senior Adviser- Restrictive Practices Division, Commission for Protection of Competition, Republic of Serbia
- **Miroslav Stankovic**, Senior Adviser- Legal Affairs Division, Commission for Protection of Competition, Republic of Serbia

- **Olluri Petrit**, Director - Department of operation, KOSOVORAILWAY – TRAINKOS J.S.C., Kosovo*
- **Martin Halilaj**, Head of railway division, Ministry of Infrastructure
- **Xhevat Ramosaj**, Deputy CEO, Infrastructure of Kosovo Railways JSC – INFRAKOS, Kosovo
- **Selajdin Bega**, Investigating Inspector- Department of Market Surveillance, Competition Authority, Kosovo
- **Rizah Arifi**, Investigating Inspector- Department of Market Surveillance, Competition Authority, Kosovo
- **Jakup Bellaqa**, Head of Market Regulation, Railway Regulatory Authority, Kosovo

SEETO - South East Europe Transport Observatory

- **Nedim Begovic**, Regional Railway Expert, SEETO

Speakers

- **Par-Erik Westin**, Long term planner, Swedish Transport Administration
- **Holger Eiletz**, Authorised Representative/CFO, MC Mobility Consultants GmbH
- **Klaus-Juergen Uhl**, Expert
- **Dyre Martin Gulbrandsen**, Director, Norwegian National Rail Administration

Guests and Observers

- **Stefan Mahler**, Railistics
- **Udo Sauerbrey**, Railistics
- **Tatjana Mirkovic**, Senior Rail Transport Expert, COWI

*"This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence."

1. Welcome and recent developments

The chairman of the RWWG, Mr. Jost opened the 19th RWWG Meeting and welcomed all participants and gave the floor to Mrs. Kirkova, State Counsellor and SEETO Chairlady who informed about the latest activities in the region. Infrastructure and regulatory changes and challenges are focal points for all regional Ministries of Transport; Transport Community Treaty which should give more focus on regional goals is pending and in the meantime SEETO remains the most important regional transport organization. Furthermore Mrs. Kirkova stressed the importance of the RWWG meeting and commended the work of the RWWG so far. She supported the work of the RWWG and wished the participants a successful meeting. Ms. Elena Kuzmanovska, State Secretary of the Macedonian Ministry of Transport and Communications also welcomed the participants emphasising that regular meetings of the Railway and intermodal working group within the framework of SEETO provide good opportunity to share regional participant's latest developments in the rail sector and for knowledge transfer and expertise sharing between the RWWG members. She informed about the latest infrastructure projects in the former Yugoslav Republic of Macedonia, namely Corridor X and Corridor VIII as well as several regulatory changes (TAC, recast) and pointed out that railways are one of the primary sectors for the Ministry of Transport and Communications.

2. Administrative matters

- Adoption of Agenda – Agenda was adopted with slight changes to utilize experts presence in the best possible manner
- Adoption of the draft minutes from the 18th RWWG – Minutes were adopted with included comments from the RWWG members
- Mr. Begovic presented the main points which were discussed on the 18th RWWG meeting.

3. Round Table

The Participants presented progress in rail reform in the SEE since the 18th RWWG meeting.¹

Kosovo

Based on existing Railway Law two important Administrative Instructions have been signed (28.06.2013) by the Minister of infrastructure which were prerequisites for the IM to publish the Network Statement based on Kosovo Railway Law.

Following the administrative instructions, INFRAKOS prepared 2013 NS, which was adopted after the consultation process and the approval of infrastructure fees by the Ministry of Infrastructure, The same procedure will be applied for 2014, as well.

¹ Short summary is presented in the minutes, while comprehensive RP reports can be found on the SEETO web page: <http://www.seetoint.org/library/meetings/wg/>

RRA (Railway Regulatory Authority) has been established and working in full capacity. In 2012/2013 it has issued all needed licences, safety certificates and safety authorisations, based on the Railway Law, to the IM INFRAKOS and the operator TRAIKOS.

Question was raised about the driver licences and the register of driver licences. It was answered that the Ministry is drafting an administrative instruction for new and existing drivers.

Railway Border Crossing Agreement with the former Yugoslav Republic of Macedonia has been signed on 19th of September 2011. The rail infrastructure managers and the two railway undertakings are finalizing their protocols, however no progress has been made in negotiating the protocols between the border agencies (Customs, Border Police etc.)

As for the infrastructure, €1.84 million has been approved for the Detailed Design for the project "general rehabilitation of the Southern part of the Railway Route 10", financed by the WBIF.

For 2013, railway operator TRAIKOS, signed one year PSO contract with the Ministry of Infrastructure, the same template will be used for the PSO contract for 2014.

Question was raised on the duration of the PSO contract. It was explained that this is temporary measure. According to the Railway Law, Government should sign minimum 3 year contract for PSO and 5 year for the IM. However due to some unresolved issues and overlapping between the Ministry of Finance and Ministry of Infrastructure, currently one year PSO contract is signed by the Ministry of Infrastructure. This issue should be resolved in the coming years.

Montenegro

In June 2013th a new Law on Railways was adopted, due to the many novelties within the law, implementation has started in January 2014. Among other things, a new Law on Railways defined a legal basis for the PSC. PSC will be signed after the adoption of the bylaw. The bylaw is going to be prepared with the help of Technical Assistance (TA) from Slovenia.

Additionally in January of 2014th a new Law on safety and interoperability (Law on safety, organization and efficiency of railway transport) entered into force. TA is also being requested to help with the proper implementation of the Law (for preparation of Directory for railways; railway companies; training of employees in railway companies in order to establish efficient SMS system).

As for the Entity in charge of maintenance, the Directorate for railways issued in May 2013 a certificate to the freight company Montecargo as an authorized entity to maintain their own vehicles according to the rules and patterns of OTIF. Certificate is valid for one year and before reissuing another one, audit of maintenance system will be carried out by the Directorate for Railways.

Funds for the establishment of NIB (national accident investigation body) have been allocated through the National Budget for 2014. NIB will be a joint body for air, rail and maritime transport, which will have three inspectors (investigators) for every mode of transport. Selection process of investigators is in progress.

As for the Border crossing agreements, the implementation of the Agreement with Serbia has not started yet. Adaptation of facilities for the border police in station Bijelo Polje has not been carried out. Reconstruction of station building will start after resolving certain administrative issues. Draft Terms of Reference for a Preliminary and Main design has been prepared; currently funds are sought for the reconstruction and adaptation of the Border crossing station.

When it comes to railway passenger transport, a steady growth has been recorded. The main reason was the establishment of passenger transport on rail line from Podgorica to Nikšić, timetabling according to passenger requirements, introduction of three new electric trains, which altogether led to the improvements in quality of transport services on all railway lines.

As for the freight operator JSC "Montecargo", in 2014 the company was included in the list of Privatization and Capital investment Council of Montenegro, as one of the companies (determined by the Government) to be privatized.

Bosnia and Herzegovina

Current poor political situation has influenced reforms in all sectors in Bosnia and Herzegovina including the railway sector. Railway Law from 2005 is still on power and it needs revision. Bylaw on technical and technological process has been adopted. Bosnia and Herzegovina is actively participating in OTIF, where several specifications have been transposed in the national legislation.

Both railway undertakings (ZRS, ZFBiH) have been licensed, while the license for the IM is still pending. The reason is poor infrastructure condition which is influencing the safety. Currently main design and rehabilitation projects are being prepared for several sections, which should enable issuing of license.

Question was raised on the international passenger services. It was answered that a high decrease in passenger traffic was recorded in 2013. International trains to Budapest (Hungary) and to Belgrade (Serbia) have been cancelled, due to the low profitability of these services. Croatian passenger operator does not receive any subsidies for international trains. Currently there is only one international train, to Zagreb.

The former Yugoslav Republic of Macedonia

The National Infrastructure Programme 2014-2016 was adopted by the Assembly. In 2013, €5.12 million were allocated from the State budget for railway maintenance and procurement of spare parts, while for 2014 approximately €6 million has been secured.

The Government adopted a Decision on determination of public service obligation in railway passenger transport. Namely, the passenger transport is performed by the MRT-national operator. The PSO agreement is signed for a period of three years 2014-2016. An annual budget has been defined in the national state budget for this service an amount of €3,5 million.

The negotiations regarding the Border crossing agreement between the Macedonian and Serbian Government is ongoing and it is planned to be signed after the elections in both countries. BCA between the former Yugoslav Republic of Macedonia and Kosovo exist, however the protocols related to customs, border police and others, mentioned in the agreement have not been agreed and signed yet.

Mrs.Kirkova pointed out that the initiative and draft BC agreement were also sent to Greece, which until now did not respond. Furthermore she asked support from the RWWG members and the EC in dealing with this issue, since BCA and establishment of joint border station, greatly influence shortening the waiting times at the borders.

EBRD financed institutional strengthening assistance to Project Implementation Unit to prepare the Business Segmentation Strategy and the Fleet Management Plan for the Borrower in total amount EUR 450.000.

The Business Segmentation Strategy concerns the separation of the freight and passenger operations, in order to establish new separate legal entities which would be able to operate independently and on the sustainable financial grounds. This separation should provide sufficient information for the provision and monitoring of PSO payments, i.e. the framework chosen must allow further breakdowns of passenger costs and revenues, in particular, by service group to a level of detail which is satisfactory to the Ministry of transport and communications and the Ministry of finance.

Similarly, the implementation of the Safety Management System is planned to be funded from the technical cooperation funds, to manage health and safety of workers and third parties in line with good international practice.

EBRD secured grant funds (€ 220.000) for the methodology for direct cost calculation for the use of railway infrastructure. The contract has been signed with a German company Railistics, which should within 6 months, analyse, improve and calculate the methodology structure. Afterwards appropriate software for calculation of infrastructure usage charges should be procured.

As for the transport, the railway passenger transport recorded a decrease of 16% in 2013 compared to 2012. National transport is predominant, representing approximately 90% of the total transport. In freight transport a decrease of 11% has also been recorded when comparing 2012 and 2013. In contrast to passenger transport, share of international freight transport is approximately 98%. The transport is still affected by the economic crises and by increased ticket price of 50% for the passenger transport.

Mr. Jost commented on the MRT-national operator rolling stock procurement, which was credited by the EBRD. He suggested that in cases when the rolling stock is financed by the State, it should be avoided to give the rolling stock to the incumbent operator. Possible solutions are to give the rolling stock to the IM which could then lease it to all interested market players or to form a leasing company which will then lease it to the interested railway undertakings.

Croatia

Croatia became the 28th member state of European Union on 1st July, 2013. Before the accession all the legislation, rules and administrative procedures had to be aligned with EU laws and standards.

To this end, a new Railway Act was published, in which for the most part the Directive 2012/34/EU establishing a single European railway area (recast) was implemented. Act on Safety and Interoperability of Railway system, which was also adopted in 2013, fully transposed the Railway Safety Directive (2004/49/EC) with amendments (2008/110/EC & 2009/149/EC) and Interoperability Directive (2008/57/EC) with amendments (2009/131/EC, 2011/18/EU & 2013/9/EU). The Directive 2007/59/EC on the certification of train drivers was partly included in the law, however all the additional provisions were transposed in the Ordinance on certification of train drivers, published in Official journal No. 96/13.

Additionally, the new Rail Market Regulation Act is being prepared, according to which the Rail Market Regulatory Agency will be joined with Croatian Post and Electronic Communications Agency in a new agency called Croatian Regulatory Authority for Network Industries.

The Croatian Railway Safety Agency, the National Safety Agency in the previous period was involved in the following tasks:

- train drivers: the Railway Technical School in Zagreb was recognised as training centre for general professional knowledge for issuing the licences; lay-out of licence and instructions for applicants are prepared,
- undertakings: a safety certificate (part A and B) was issued to ADRIA Transport d.o.o. - company for rail freight transport - which has a licence issued by the competent ministry,
- vehicles: issuing authorizations for placing into service of vehicles are ongoing, also issuing certificates for ECM for freight wagons,
- national vehicle register: established and linked to ERA,
- other subsystems: for interlocking system at the Central Station in Zagreb a temporary authorisation for placing into service is issued.

Mr. Jost asked whether the NSA has the capacity and competences to participate in TAIEX. It was answered that the NSA only recently started to work at full capacity and that it is more important to currently concentrate on their tasks and to later participate in TAIEX.

In rail freight transport company HŽ Cargo d.o.o. a restructuring process is ongoing, which means that about 1.000 employees (from total 3.500) have to be dismissed, salaries will be reduced by 20 %, and only core business processes will be kept.

The Croatian infrastructure manager - HŽ Infrastruktura d.o.o. - is finalising the renewal of section Okučani - Novska, completion is expected by the end of this year. Tenders for two important projects located on the corridor Vb (sections Dugo Selo - Križevci and Sv. Ivan Žabno - Gradec) are ongoing.

According to figures released by the National Bureau of Statistics, passenger and freight transport declined from 2012 to 2013. Over 93 million passengers were transported in 2013, which was a decline of 1.5% in comparison with 2012. Increase of passenger volumes was reported by all other modes (road, maritime and coastal transport operators) while railway transport recorded sharpest drop, as the number of passengers fell by 12.7% to 24.1 million. Rail freight transport reported a decline of 2%, in comparison to 2012.

Serbia

In the period from the last RWWG meeting, many new developments occurred. Two laws have been adopted: the Railway law and the Railway safety and interoperability Law.

Railways Law was adopted on 22 May, 2013, as part of the process of harmonization with the EU regulations (Directive on the development of the Community's railways, Directive on the licensing of railway undertakings, Directive on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure and safety certification and Regulation on public passenger transport service by rail).

Following the adoption of the new law, eight bylaws were prepared and adopted (Rulebook on content and form of the Network; Regulation on the categorization of railway lines; Rulebook on charges for issuing of the license for carriage in railway transport; Rulebook on charges for issuing of the license for railway infrastructure management; Rulebook on railway infrastructure elements; Rulebook on the licenses for carriage in railway; Rulebook on the licenses for railway infrastructure management).

Railway safety and interoperability Law was adopted on 26 November, 2013, it was further aligned with the EU safety and interoperability legislation (Railway Safety Directive, Directive on the certification of train drivers operating locomotives and trains on the railway system and Directive on the interoperability).

The abovementioned laws expand the jurisdiction of the Directorate of Railways, as a Regulatory body, the Licensing body and the National safety authority.

As for the restructuring, the vertical railway company "Serbian Railways" JSC has an obligation, according to the new law, to carry out the separation by 31 May of 2014, however this process is moving in a slower pace.

The preparation of the founding acts for joint stock companies (IM, transport operator) is underway. The current "Serbian Railways" JSC will continue to exist as a founder of two controlled companies and it will be a separate legal entity. Further

plans are to separate the transport company to two companies (freight, passengers), by the end of 2014.

Within international cooperation, the most significant activities are related to the conclusion of international agreements. On 27 November 2013 year, National Assembly confirmed the two agreements on cooperation in the field of rail transport (between Serbia and Russia and Ukraine).

Currently ongoing is the TA project to the Ministry of Transport, financed by the World Bank, "Supporting the Rail Policy Reform" whose task is to analyze the current state of the railway system in the Republic of Serbia, taking into account the legal, financial and operational aspects, assets, employees, etc, and to establish recommendations for further reform in this system. It is expected that the project will be completed by the end of June of 2014.

As for the infrastructure projects, several projects are currently ongoing:

- Railways Rehabilitation Project II, financed by the EIB (€80 million). The project comprises three components, i.e. the reconstruction and modernization of the section Batajnica - Golubinci; section Gilje-Cuprija-Paracin and section Cele Kula-Staničenje.
- Procurement of Rolling stock - Electric Multiple Units – financed by EBRD (€100 million).
- Corridor X – financed by the EBRD (€100 million). The project includes following components: the Rehabilitation of the railway sections along Corridor X, including the purchase of machinery for track maintenance and acquisition of around 15 multi-system electric locomotives.
- Railway line Rehabilitation Project - financed by the EBRD (€95 million). The project includes the reconstruction of the section Belgrade-Rakovica-Resnik and rehabilitation of sections along the Corridor X.
- Infrastructure projects and rolling stock – a Russian loan (800 million USD) with the participation of the Republic of Serbia of 15%, the total value of the project amounts to 941 million USD. It includes following components: construction and electrification of the second track of the Belgrade Center-Pancevo main station; rehabilitation and reconstruction of 6 sections of Corridor X; purchase of DMV trains.
- Railway station Belgrade Center – Phase 1 – Loan of the Kuwait Fund for Arab Economic Development in the amount of 10 million Kuwaiti dinars (26 million euros).²

² Comprehensive RP reports can be found on the SEETO web page: <http://www.seetoint.org/library/meetings/wg/>

4. Recent developments on the EU level

Presentation was made by Mr. Frank Jost from the European Commission, who informed the participants about the latest development with the EU, such as Connecting Europe Facility, new EU legislation (implementing acts) and latest EU market studies. Presentation is available on the official SEETO web site.

Comment was made on the BCA in EU. It was answered that this issue is currently focal point of the EC, where all the internal EU agreements are being reviewed, while the procedure for external agreements is different. Results of the EC review of BCA should be finalized and published by the end of 2014.

Discussion centred on the modal share of freight traffic in EU. It was pointed out that high increase of railway traffic is most commonly associated to countries with strongest intensity of competition. Additionally it was added, when fixed cost are included in the TAC, usually new market entrants cannot bear high cost which leads to decrease of competition and transfer of goods to other modes of transport.

Presentation continued with the decisions of EU court of justice on independence of the infrastructure manager, direct costs, financial equilibrium of the infrastructure manager, performance scheme. Mr. Jost explained that calculation of the direct cost of different IM started with the full costs, after which all the unnecessary elements were deducted. Regarding the performance scheme, EC proved that most of the MS does not use performance scheme.

As for the new EU legislation, the following implementing acts under Directive 2012/34/EU have been either drafted or adopted: EE & PP- economic equilibrium and primary purpose, direct costs of infrastructure use, applicants for infrastructure capacity, licensing of railway undertakings, and framework contracts for infrastructure capacity allocation.

Mr. Jost explained the reasons behind preparation of the implementing acts. As for the economic equilibrium, previously if the international train would provide service on the national line which is under PSO agreement, MS would prevent domestic passenger transport, claiming that it would significantly reduce revenues, which was qualified as the discrimination. New implementing acts targets to assess whether such economic equilibrium of the PSO contract can be disturbed and clarifies when a service is considered as international.

As for the licensing of the RU, time limits have been introduced; more specifically one month is given to the RU to deliver all the necessary documentation. Also provisions on fees have been introduced, for MS where licensing fee is more than 5000 €, licensing body must explain to the applicant how the additional money was spent.

Implementing act on framework contracts for the capacity allocation, in several MS contract were signed where all capacity has been dedicated to one company. This implementing act addresses the issue of capacity which has not been used and also it imposed the time limit for the length of the framework contract.

Objectives of implementing act on direct costs is to level out charges between IMs; to clarify the direct cost (direct costs include only marginal costs of an additional service (general economic principle)); to establish compatibility with cost accounting of all EU IMs; to increase enforceability of methodology and values by RB; mark-ups for full cost recovery only pursuant to market segmentation (stop excluding segments) and to provide option of maximising revenues up to full cost if the States allows this.

5. ERESS Clearing and invoicing of traction electricity in a multi-user/multi – loco- system/multi electricity supplier environment

Mr. Dyre Martin Gulbrandsen from the European partnership for railway energy settlement systems (ERESS) gave a presentation on the clearing and invoicing of traction and electricity and the need for international harmonisation. Presentation is available on the official SEETO web site³.

Comment was made that on the measurement of the energy. It was explained that ERESS measures energy consumption, records location and the time, based on which calculation were made about the energy supply and pricing. One traction unit is considered as one customer. It was pointed out that process of the energy supply has to be simple.

Question was raised regarding the selection of traction and the energy supplier (RU or IM). It was explained that in most cases RU chooses the traction, catenary expenditure is calculated through the TAC while energy consumption is calculated by ERESS.

Comment was made on the cost of using electric supply equipment. It was elucidated that in northern countries this cost is paid by the state, but in some of the MS this cost is charged as a percentage to energy supply.

Furthermore Mr. Gulbrandsen explained that energy measuring unit is attached to the rolling stock, and that the energy meter and interface between track and locomotives have been standardized and agreed. Ownership of the measuring unit varies e.g in Norway and Sweden IM owns the measuring unit while in Belgium RU is the owner. Only one box is attached to the locomotive, even if it traverses more countries, but since the system is standardized, measured data are accepted by everyone. By using this system, energy consumption might be up to 15%.

Discussion centred on the drivers, their influence on the consumption and whether are they aware on the consumption. It was explained that there are various systems, some of them provide immediate on time information on the consumption, depending on the manufacturer. As for the driver influence, it was

³ <http://www.seetoint.org/library/meetings/wg/>

pointed out that potential saving through optimal driving style can reach up to 30%.

As for the financial sustainability of the ERESS as a system, it was explained that the train companies pay a fee to ERESS as a service (measuring consumption data) since they do not sell energy only provide this service.

6. Modalities to calculate direct costs of infrastructure use

Mr. Jost from the EC, informed the participants about the new implementing act on the calculation of direct cost. He presented the legislative framework for the calculation of the direct cost and objectives of the implementing act. Further on he explained services to be charged at direct costs (Minimum access package) as well as calculation method from full costs to total direct costs. The presentation is available on the SEETO web site.

Comment was made that during the calculation of direct cost, the focus should be placed on the wear and tear, which is calculated by starting with the full cost and then deducting all the other costs (Cost not related with infrastructure management, Costs not related with minimum access package, Depreciation of assets financed by grants etc).

It was stressed that large influence on the wear and tear has the speed (passenger) and the weight (freight) of the train, and that when procuring new rolling stock this should be taken into consideration, and procure rolling stock which is less damaging to infrastructure. Mr. Uhl pointed out that some of the incumbent companies use this practice for discrimination, and that Regulatory bodies should closely monitor this. Additionally it was pointed out that averaging against fluctuations of traffic was introduced to prevent adverse effect on the traffic flows and misuse of some elements.

Question was raised regarding the price indexation. It was explained that price indexation has its advantages (productivity gain) and disadvantages, which usually occur with long review periods. Example was given for France, where the first review has been done after 10 year period, in which new legislation and methodologies have been introduced. As a result of the (legally) valid methodology change, the charges were three times higher, which was too much for the RU to bear on a short notice.

Mr. Jost pointed out that the implementing act will be adopted by the June 2015, with 4 year period for implementation. He recommended using the first year for calculation of direct costs and the other 3 years to refine the calculation and to communicate to the users that in three years prices will be different.

Discussions were raised on the agreement between the RB and IM on the data exchange. It was pointed out that IM applies the calculation within his system and afterwards sends the calculation to the RB, more specifically calculation and the main elements but not just the rough figures.

Comment was made that when calculating the direct cost it is necessary to also take into consideration the financial sustainability of the IM, especially when the traffic is low. It was explained that calculation of direct costs does not have anything to do with financial equilibrium and that this method is used to set charges.

7. Calculation of direct cost of infrastructure use- the practice of a regional infrastructure manager

Mr. Eiletz (MC Mobility Consultants GmbH) and Mr. Ramosaj (INFRAKOS) gave the presentation on the Track Access Charging – The calculation of the direct costs of the rail service in accordance with Article 31 of Directive 34/2012/EC on Kosovo railways. He explained the legal basis for direct cost calculation, cited infrastructure charging in Europe examples and further explained the concept of direct cost. During the presentation concrete example of direct cost calculation in INFRAKOS was given with charges of INFRAKOS products/services, allocation of direct costs (cost centre approach) and factors of influence.

Question was raised on how much of the full cost can be covered by the direct cost, after applying this methodology. It was explained that in Kosovo example, when taking into consideration only the direct cost and not the overhead cost, 40% of the full costs could be covered.

The participants noted several steps undertaken within this exercise: a) future cost has been established on the basis of the past cost, where past three years were taken into consideration; b) application of cost centres; since in railway transport, situation is more complex than in other economy branches, there are cost categories which present what IM purchases and products are what IM sells, cost centres represent intermediate step to channel these figures from the purchase to product (service), c) necessity of valid documentation and data for the coefficients as well as iterations; the model was applied and after results have been obtained several iterations were made for better adjustment and recalibration of the model.

In the continuation of the presentation, additional cost attributed to the “market can bear” clause in the directive was mentioned, where it was explained that in legal terms this approach is not applicable to the region due to the current lower traffic intensity and additional problems which might occur due to the procurement and staff policy. Furthermore, Mr. Ramosaj added that IM should calculate direct cost based on the real cost and then send this calculation to the decision makers, who then can choose to subsidize the surplus staff or not.

Additionally, it was mentioned that in the EU in cases when IM charges less than direct cost, it is acceptable by the EC, while higher charges than the direct cost are not acceptable.

Good practice example in INFRAKOS was mentioned, where accounting systems have been changed in order to be aligned with the direct cost approach. In several EU MS financial department did not change their accounting system.

8. Rail infrastructure management and track access charges in Sweden

Mr. Pär-Erik Westin from the Swedish transport administration presented Rail infrastructure management and track access charges on the Sweden example. He started with the presentation of the current situation in Sweden, then continued with the calculation of "direct cost" in Sweden and reviewed the TAC system. The presentation is available at the SEETO web site⁴.

During the presentation comment was made on the calculation of direct cost in the EU and the model applied. On the EU level, within the Cathrin study, it was determined that direct cost charges do not vary significantly between the MS. As for the model applied it was stated that two basic models exist: econometric and engineering model and it was recommend to use both. The Econometric model is a top down approach, where you start with the cost on the whole Network and then do a breakdown per sections, where different type of trains are not taken into account. In Engineering, bottom up approach is used, where you have available all the specifications per train (speed, passenger or freight train etc.) but you cannot calculate the direct cost of the whole Network.

Question was raised on the data on maintenance cost per section. It was explained that maintenance in Sweden is outsourced to a private company which is contracted by the Swedish transport administration, based on the procured cost they obtain the data on the maintenance per section. Additionally, deferred maintenance cost is mentioned, where it was explained that if the IM recovers less than the maintenance cost in one year, the difference cannot be charged next year.

In Sweden, 15% of full cost is recovered through the direct cost calculation; the rest is covered by the State and provinces that pay infrastructure fees.

9. Rail related activities at SEETO

Mr. Begovic from the SEETO Secretariat informed the participants on the latest railway activates in the SEETO Cooperation, namely Flagship initiative, Technical Assistance and SEETO SC ideas on future work of the RWWG.

The main objective of the flagship initiative is cutting the travel time and transport costs on selected SEETO Comprehensive Network axes by performing in depth analysis of the overall transport issues and problems on axis and identification/implementation of remedial measures. Four main pillars (infrastructure, market access, performance and border crossing) will be assessed, for which EC granted TA to SEETO. The participants were asked to provide support and assistance to consultants in their work if necessary.

Additionally, it was pointed out that in the future RWWG should provide more input to the Steering Committee in the sense of ideas and technical guidance on specific rail issues of regional importance. Current work of the RWWG has been recognized,

⁴ <http://www.seetoint.org/library/meetings/wg/>

in providing forum for rail reform and knowledge transfer, as well as in providing valuable technical input (conclusions of the RWWG meeting, reports etc.) for the SC members. However, further engagement of the RWWG in the SC work will be welcomed and appreciated.

10. Closing remarks

The Chairman thanked all participants for the effort made for attending the 19th RWWG meeting and for their instructive and enlightening presentations and comments. He announced next meeting in May, 2014.