

# Scope of work for the Rail Baltica Infrastructure Access Policy studies

## > Capacity allocation and track access charging policies

- Overview of EU Legislation on capacity allocation and access charging
- Best practice for railway infrastructure access policy frameworks analysis

## > Service contracting models

- EU Legislation regarding service contracting models' overview
- Service contracting models for passenger and freight services' (different types of services) review

## > Rolling stock acquisition models

- Critical analysis of options and recommendations for rolling stock acquisition, including purchase, leasing, and other models



# Capacity allocation and track access charging policies

The figure explains how TAC\* (Direct Costs and Mark Ups) fit within the wider financial framework established by the Legislation for railway IMs (infrastructure managers).

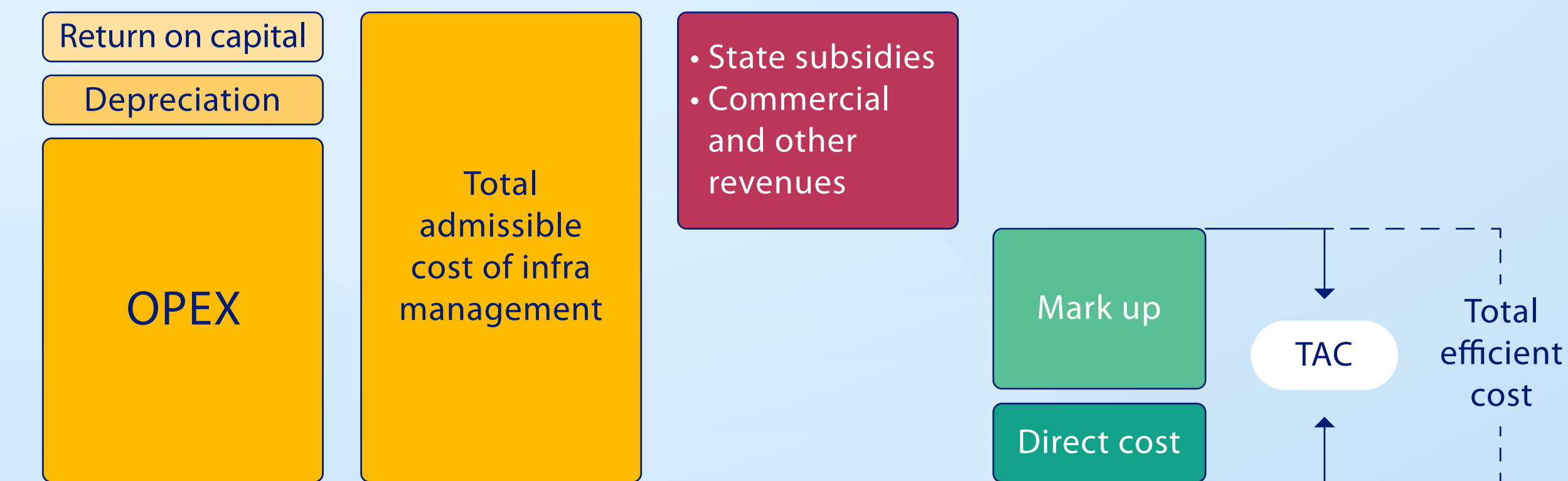


Figure 2-3 – TAC Costing

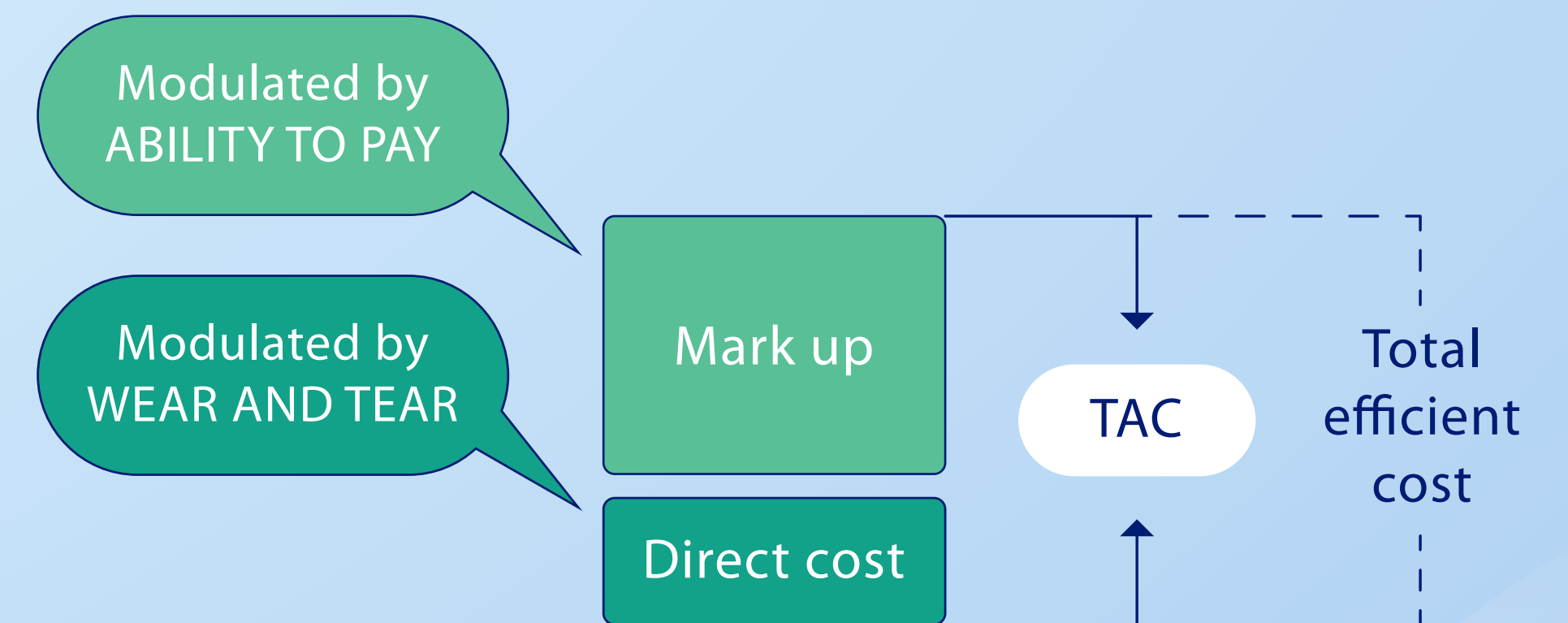
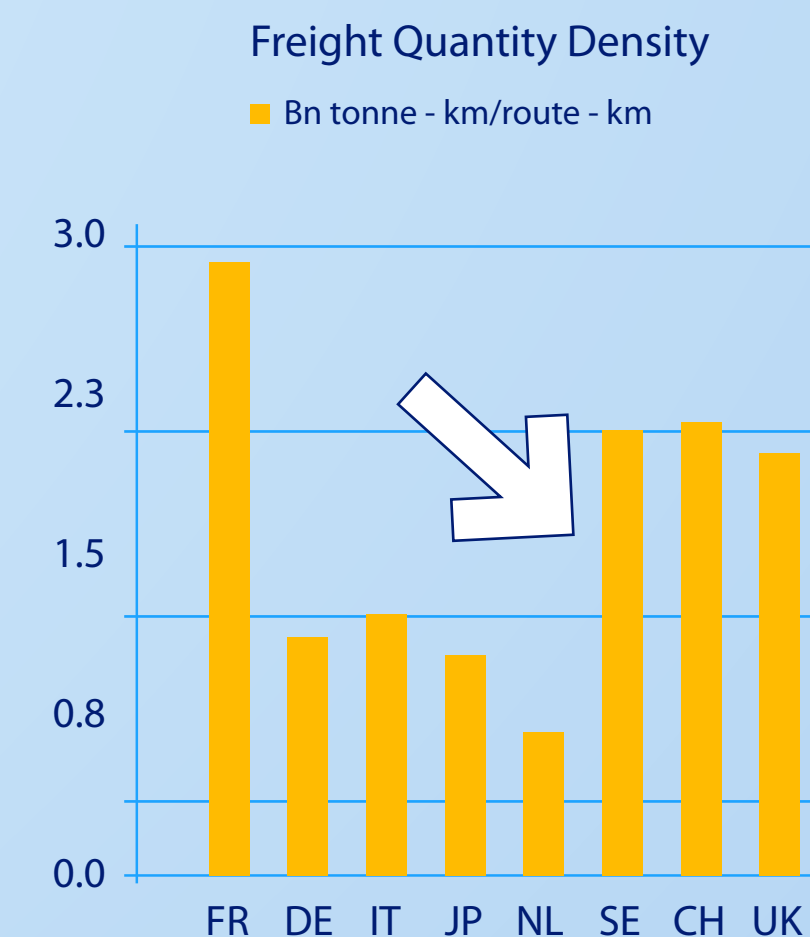
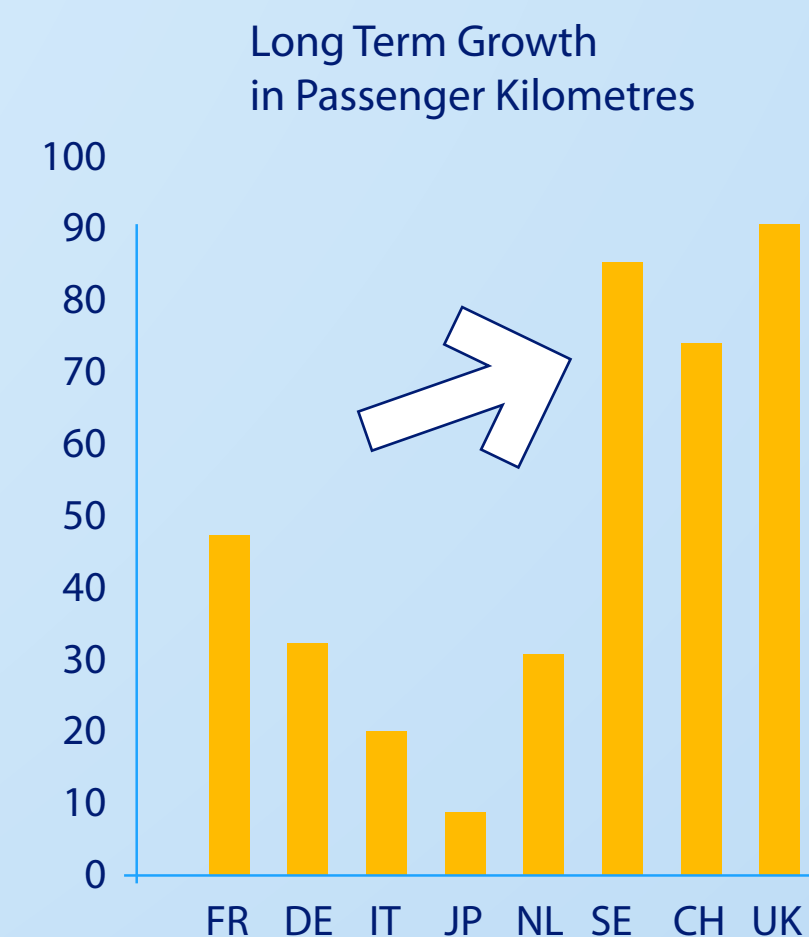
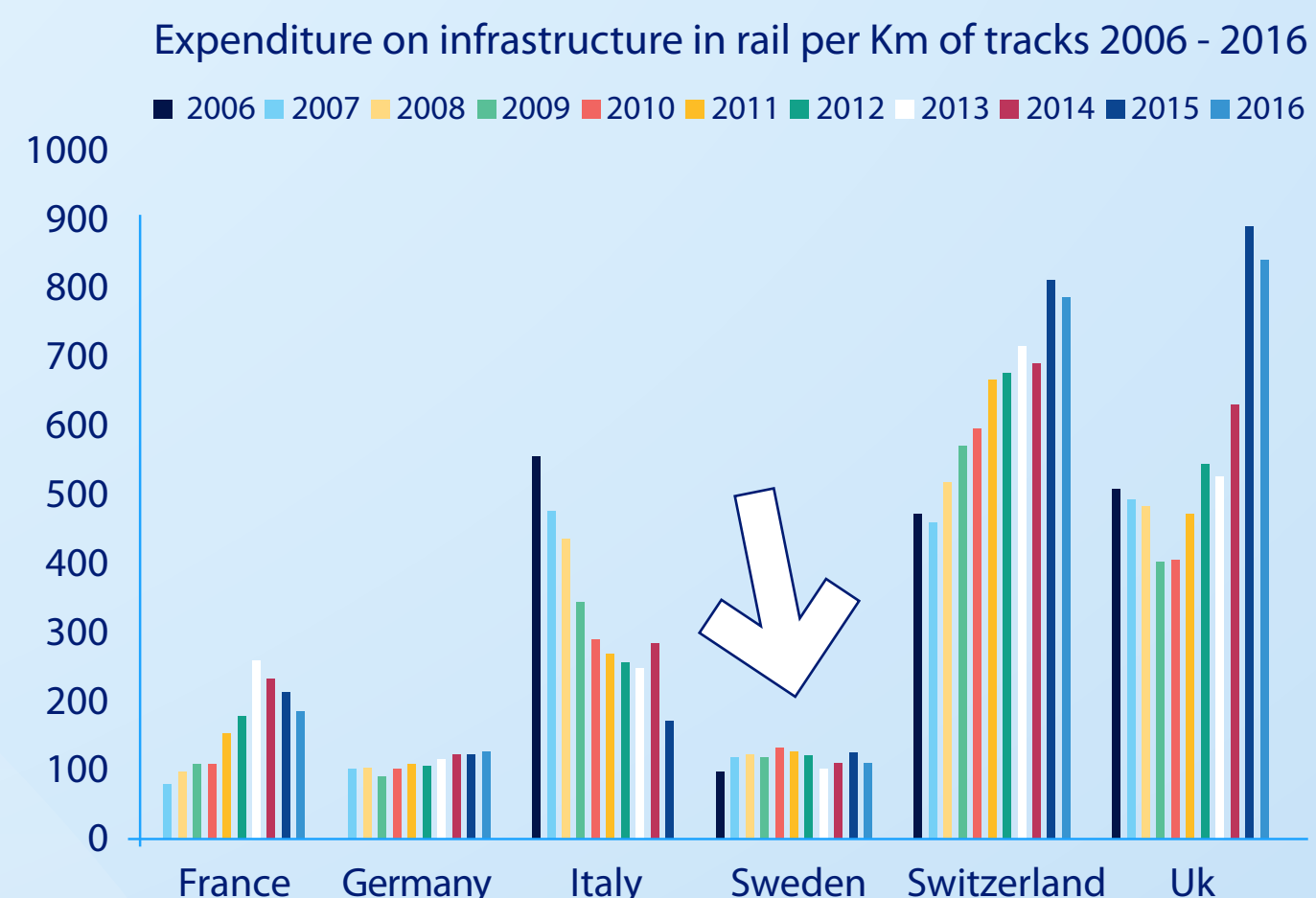
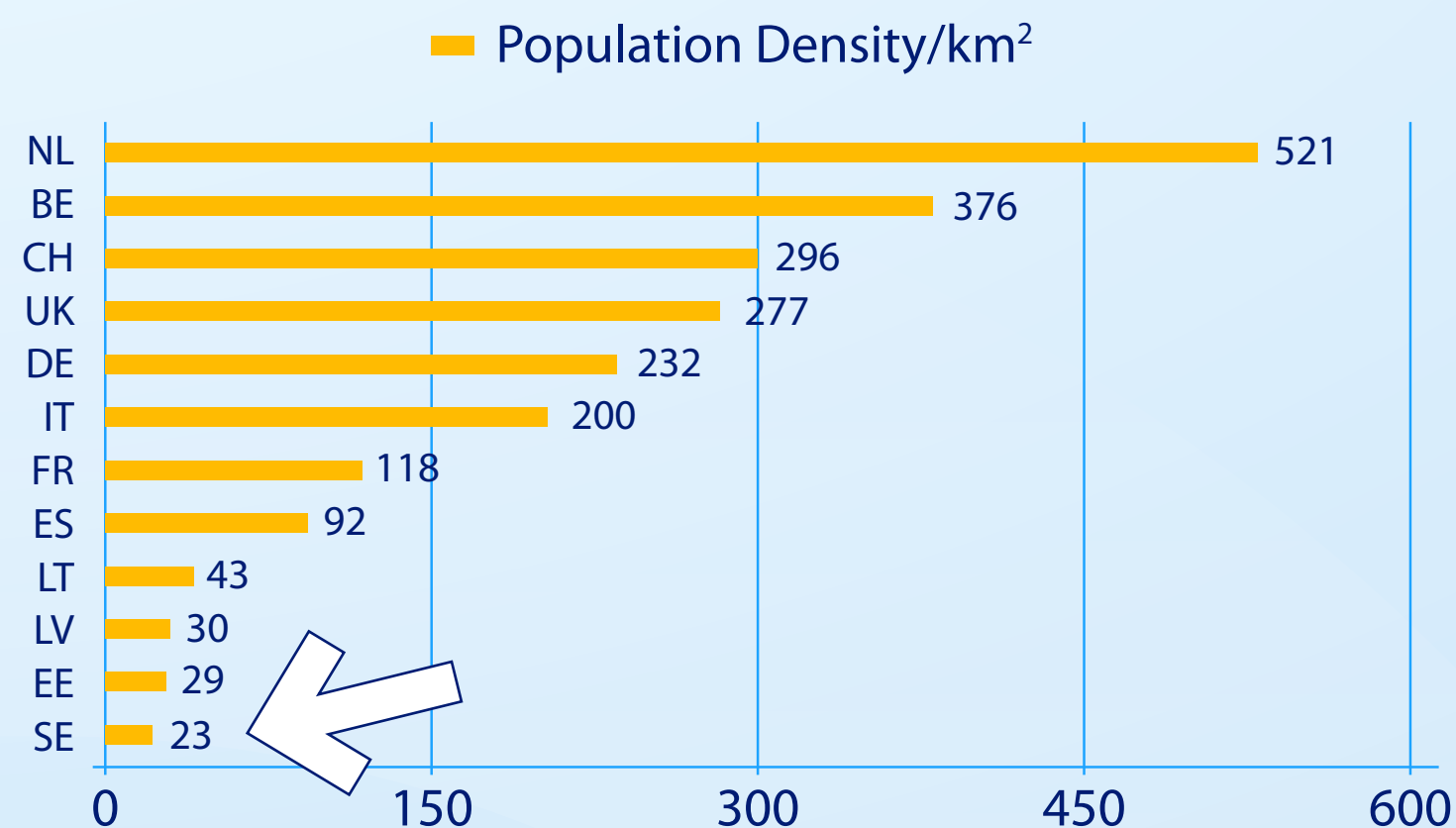


Figure 2-2 – TAC Breakdown

# Capacity allocation and track access charging policies: Swedish Example

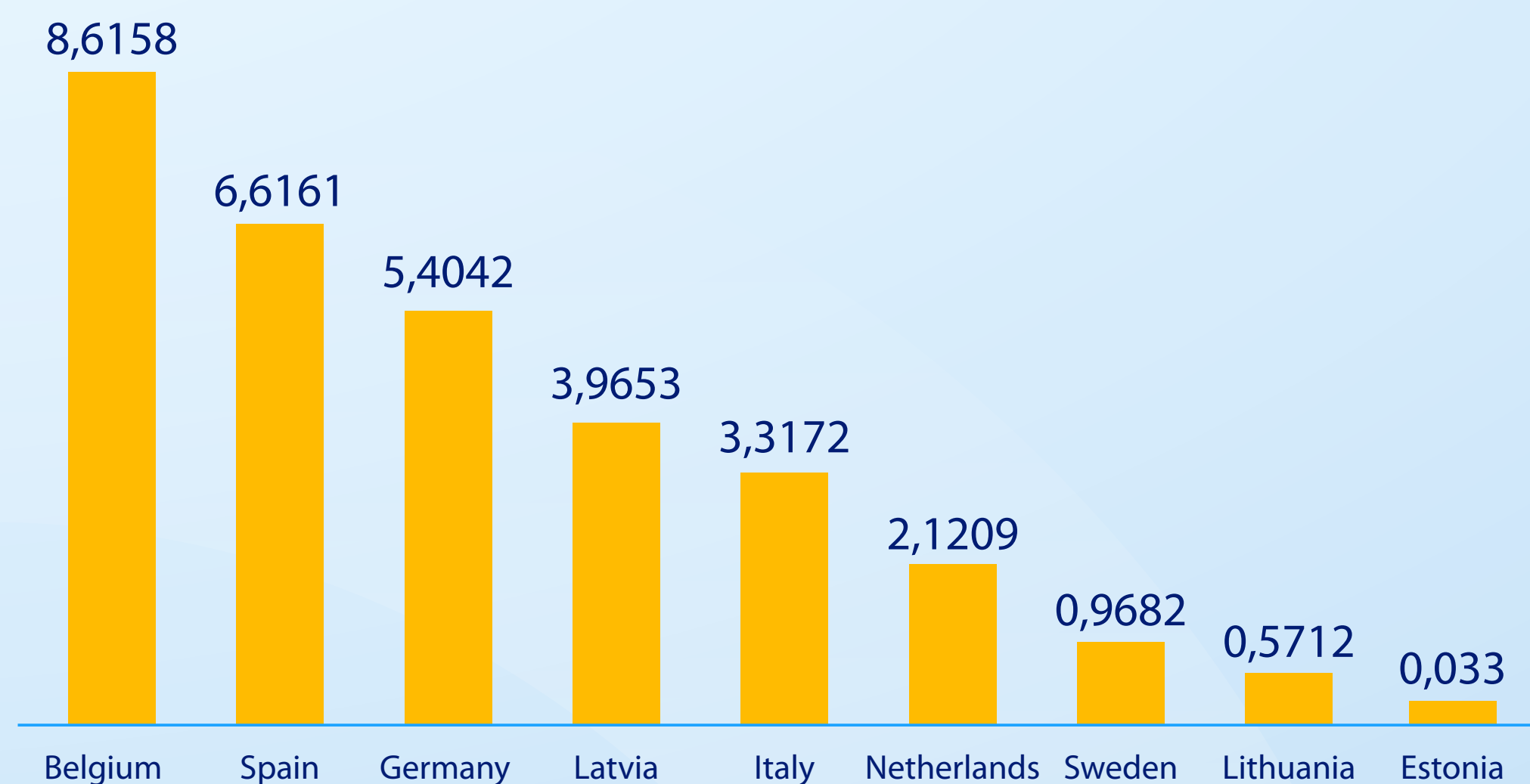
## Swedish example



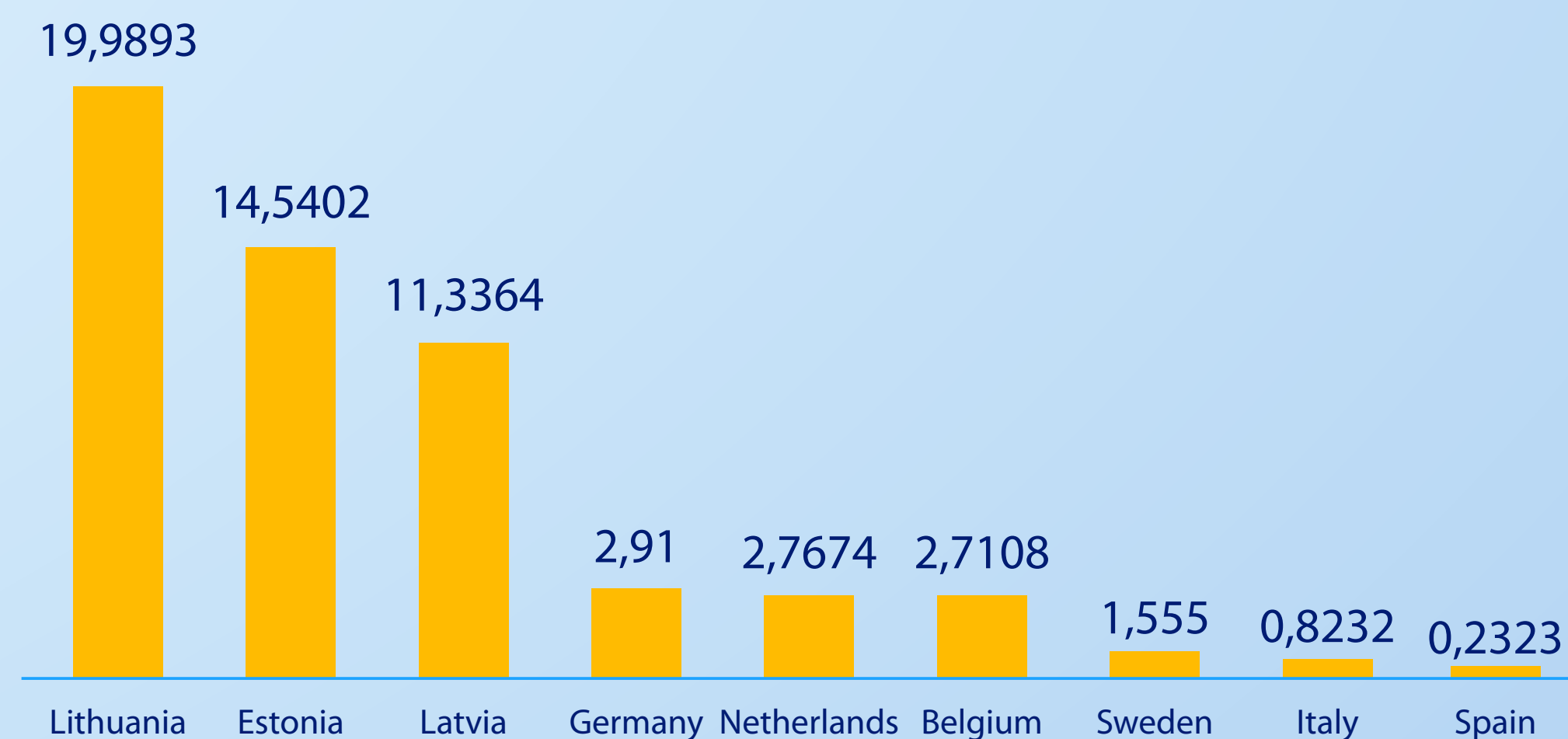
- Neither direct grants nor high TAC rates determine the absolute amount of railway subsidy
- If the intensity of network use rises sufficiently, even with lower TAC rates, it can result in just as much revenue
- High level of TAC may well be an entry barrier for new entrants and prevent competition
- Moderate but sustained investment in infrastructure, good cost governance and control is of an importance
- Population density is an important factor to consider, as population density can have a significant impact on what level of traffic intensity is possible for railway's operation.
- Several EU states subsidise their rail infrastructure; this is permitted providing that the Network Grant is transparent and does not cause the IM to discriminate between Railway Undertakings of the same type.

# TAC costs per kilometre for passenger services & freight

Track Access Charges for passengers services (MAP) in 2019



Track Access Charges for Rail freight services (MAP) in 2019



- The three Baltic States have the highest level of TAC for rail freight services, and are much higher when compared to other European countries.
- The national IMs of the Baltic States have been able to charge premium rates for the use of existing railway network.
- Such premium rates most likely will not work for traffic on the Rail Baltica standard gauge railway because there are already alternative logistical routes in operation and the proportion of traffic that will start/end with Russia/Belarus will be very much lower.

## Service contracting models

A timeline of the EU legislation on the various Directives and Railway Packages.



## Service contracting models

2007

- 3<sup>rd</sup> Railway Package
- Directive 2007/58/EC, Directive 2007/59/EC, Regulation 1370/2007, Regulation and Regulation 1372/2007

2008

- Directive 2008/57/EC on the interoperability of the rail system within the Community (Recast)

2011

- White Paper: Roadmap to a Single European Transport Area - Towards a competitive and resource efficient transport system

2012

- Recast 1<sup>st</sup> Railway Package
- Directive 2012/34/EU establishing a single European railway area

2013  
2016

- 4<sup>th</sup> Railway Package Proposals

2021

- 2021 Action Plan (not legislation) - Action Plan to Boost Long Distance and Cross-Border Passenger Rail

# Action Plan to Boost Long Distance and Cross-Border Passenger Rail

The paper highlights a number of actions to remove obstacles and further develop long distance and cross-border passenger services:

Better implementation of the Union rail acquis and accelerated inter-operability, including ERTMS deployment across the continent
A strengthened infrastructure for passenger rail
Sufficient rolling stock availability
Bringing train drivers and railway staff training and certification in line with future needs.
A more efficient use of the networks - the optimisation of cross-border rail traffic and coordination mechanism for its better integration into the national traffic
Appropriate pricing for track access which support and encourage the development of long-distance and cross-border passenger services.
User friendly field with other transport modes - a set of proposals to align economic incentives with climate, social and environmental objectives.
A level playing field with other transport modes - a set of proposals to align economic incentives with climate, social and environmental objectives,
Public Service Obligations to promote sustainable cross-border and/or multi-modal collective transport
Empowering Youth - promoting sustainable modes of transport for young people

**There are effectively two methods for ensuring competition for passenger rail services within the EU. These are:**

- 1) 'Open Access' this effectively means that there is direct 'competition on the tracks' for passengers; and
- 2) Competitive tendering of Public Service Contracts (PSCs). In this scenario a public sector body sets up a competition for the selection of a suitable operator. This is often known as 'competition for the tracks'.

The profitability of services is a key determinant in deciding which service contracting model to pursue

# Rolling Stock Acquisition Models

## Option Assessment of Rolling Stock Ownership

	Strategic Fit	Value for Money	Deliverability
<b>Direct ownership</b>	Poor - does not meet Baltic states' aspirations in terms of affordability or capacity to own	Moderate - While there are no direct funding costs, the risk adjusted cost once all asset management responsibilities are included dilutes value	Moderate - While the process is simple to make happen, and the market can respond, the client is not well equipped to undertake the process
<b>A dry lease</b>	Good - meets the main constraints and aspirations of the Baltic states	Moderate to good - funding costs are offset by transfer of asset management risks, VfM is improved if outsourced maintenance is used	Moderate to good - depending on nature if any usage guarantees, should be deliverable in the market and will not be too hard for the client to undertake
<b>A wet or soggy lease</b>	Good - meets the main constraints and aspirations of the Baltic states	Moderate to good - funding costs are offset by transfer of asset management risks, VfM is improved as outsourced maintenance is used	Moderate to good - depending on nature if any usage guarantees, should be deliverable in the market and will not be too hard for the client to undertake
<b>An availability payment</b>	Moderate - while this meets many aspirations and constraints, the long contract term inherent in such a deal is a major negative	Moderate - unless the deal is carefully calibrated, the level of risk transfer could be too high to be good value	Moderate - low risk transfer versions are readily understood by the market, but an off balance sheet risk transfer will be hard to attract market interest.
<b>Use under a licence</b>	Not applicable - this approach works within the above options		