



- Multi-annual Contracts for rail infrastructure quality

EIM Conference
(Brussels, 13 February 2008)



- Key elements

- **Multi-annual contracts between the state and the rail infrastructure manager (IM)**
- **to fill the financial gap between revenues and expenditures, i.e. financial compensation from the state to the IM for infrastructure provision**
- **running for more than three years**
- **performance scheme, monitoring and sanctions**

- The legal situation ...
 - EU law does not impose multi-annual contracts. But: legal framework is conducive
 - Management independence of IM, also from the state (dir 91/440, art. 4.2)
 - separate accounts for IM (dir 91/440 art 6.1)

● The legal situation ...

- **No transfer of public funds between service provision and infrastructure management (dir 91/440 art 6.1)**
- **IM's financing has to be consistent with its tasks, size and financial requirements (91/440, art 7.3)**
- **MS to ensure financial viability of the IM, regarding balance of expenditures and revenues (dir 2001/14 art 6.1)**

- The legal situation ...
 - **IM has to draw up a business plan to ensure the development of the infrastructure under financial balance and providing the necessary means**
 - **IM must be able to calculate marginal costs, mark ups and full costs**

● Why multi-annual contracts?

- **Transparency/Consistency:** Only when financing is in line with the tasks, politicians can compare different options and make informed decisions. Such option cannot be revised every year.
- **Predictability:** business models are long term and they depend on predictable costs of infrastructure provision. With abrupt increases in charges, rail cannot compete with other modes.
- **Increasing the IM's performance has be planned on a multi-annual basis, not only annually**
- **Motivation of staff:** with a perspective over more than one year (avoiding strikes ...)

● Obstacles ...

- **Parliaments and Finance ministers are used to annual budgets, they find difficult multi-annual commitments**
- **Regulatory bodies may lack the expertise to verify the performance**
- **The IM may not go against his owner, when the latter does not respect the contract, and State would not go against the IM, when he is the only shareholder**



- Contents of a multi-annual contracts
 - **Duration, termination, scope and, if any, management backlog**
 - **Performance targets**
 - **Reporting and publication**
 - **Monitoring body and arbiter**
 - **Non-fulfilment procedures**
 - **Keeping an asset register**
 - **Consistency and synchronisation with charging framework, IM's business plan, transport strategy and infrastructure master plan**

- State of implementation in Oct. 2007
 - **Half of EU Member States have agreed multi-annual contracts**
 - **Others are preparing MAC for the first time (DE) or renewing (UK) or have equivalent arrangements in place (NL)**
 - **About half of the MS have entrusted a monitoring role on their regulator**



- Stakeholder consultation
 - support for multi-annual contracts
 - Favour output indicators to input indic.
 - Support monitoring role of (independent) regulatory body
 - Multi-annual contract not to be imposed on the short term
 - IM publishing performance indicators
 - Support for minimum set of contract provisions
 - MAC must replace discretionary state intervention

- Commission Communication of February 2008
 - **Serious concerns about financial viability and quality of infrastructure maintenance**
 - **Efficiency potentials not fully exploited**
 - **Lack of performance incentives for IM**
 - **IM's management independence doubtful**
 - **Recast of railway directives in end 2008**