

ERFA perspective:

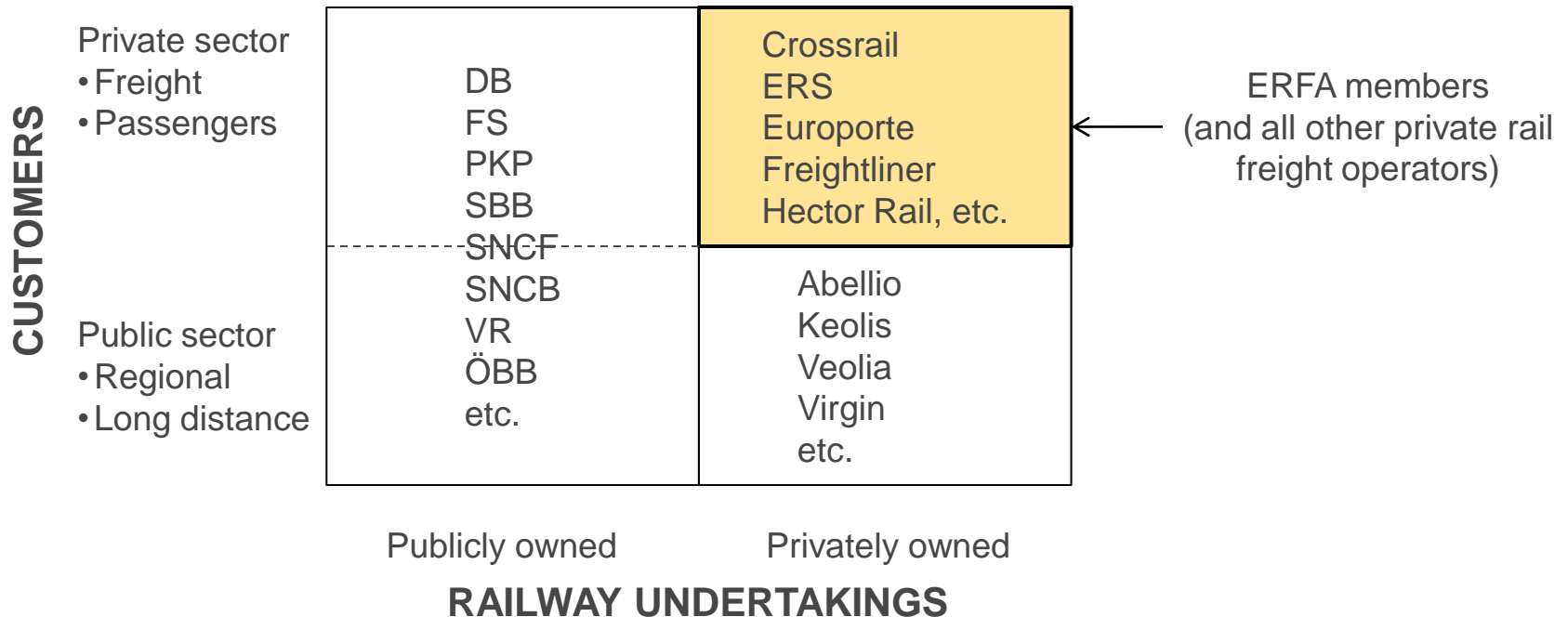
Effective financing solution required for ERTMS conversion

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CCRCC 2012, Lille, November 6+7, 2012

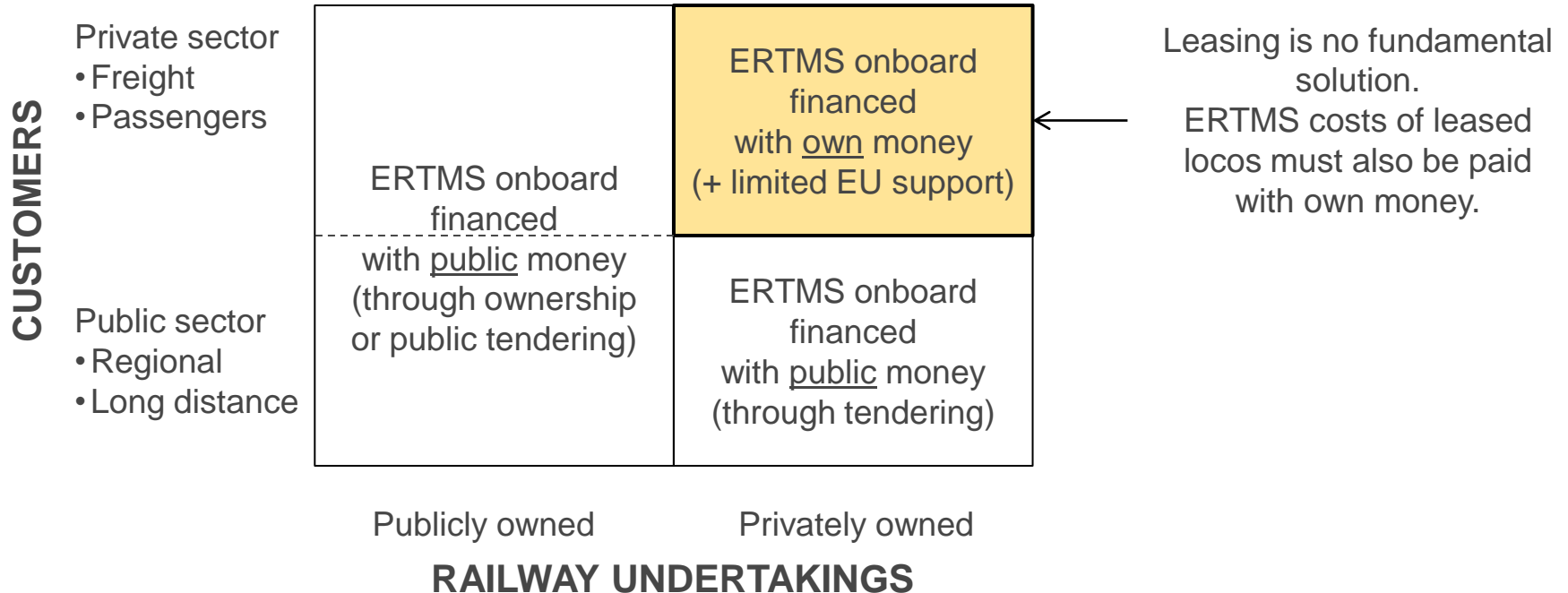
Effective financing needed for conversion

- ERTMS adds large costs to existing loco fleets
 - Cost of 0,2 to 2,5 MEUR/loco, on top of loco value of 0,2 to 4,5 MEUR
 - i.e. ERTMS adds 5% to 200% to the cost of locos, typically 20-40% (or more, if conversion cost is depreciated faster than remaining loco life)
 - ...plus unknown costs for future upgrades
- ERTMS does, however, not add any near or medium term benefits
- Thus, undesired consequences expected (without effective financing)
 - Rail will lose competitiveness in the near term
 - Risk of bankruptcies and a serious setback in market opening
 - Effective financing solutions may be found, e.g.: “Toll Bridge Model”


Market structure- ERTMS onboard discussion



Private operators with private customers most exposed to conversion cost



Clearly see undesired consequences without effective financing

- In freight transport, each %-point of cost is important
 - Rail freight operators have very low margins and fight hard to survive
 - The capital cost of locomotives is 15-20% of rail freight costs
 - With 20-40% increase, rail freight costs will increase by 3% to 8%
 - or more (if depreciated faster than locos), plus future costs for upgrades
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- A yellow arrow pointing downwards, indicating a causal link between the cost increase and the subsequent consequences.
- Rail freight will lose competitiveness (and market share)
 - Against EU's environmental objectives
 - Private companies will go bankrupt
 - Against EU's market opening objective

Effective financing for national fleets is possible, e.g.: “Toll bridge financing”

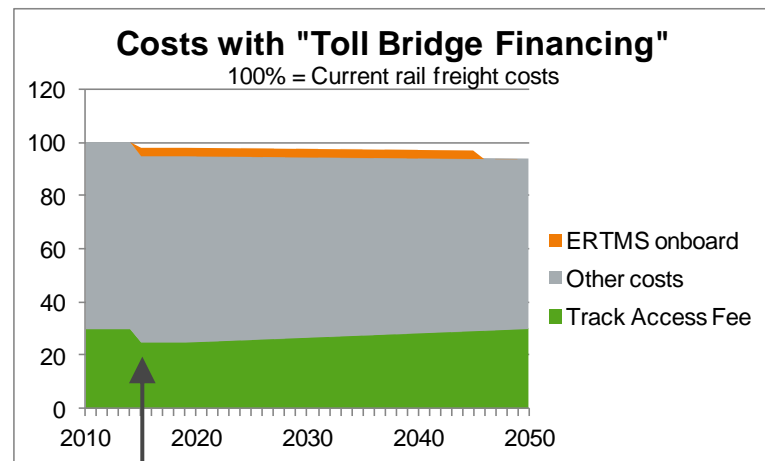
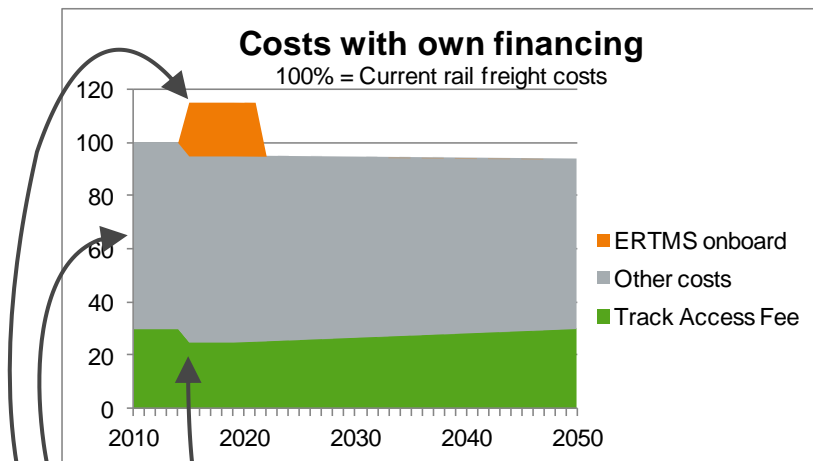
Logic: Operators who benefit from ERTMS pay for conversion costs

Method: Conversion of all rolling stock (publicly and privately owned) is paid with EIB loan, and repaid longer term with track access fee

Benefits:

- Ensures lowest cost financing: risk-free rate, 30+ years repayment
- Avoids near term “ERTMS cost shock” and negative market effects
- Creates motivation for ERTMS instead of resistance
- Ensures non-discrimination:
 - Small vs. big train fleet owners
 - Operators without national subsidy vs. operators with national subsidy (in cross border traffic)
 - Current vs. future operators (surviving operators don’t carry debt burden of conversion into the future)

”Toll Bridge Financing” matches lower track access fees in Recast of 1st R.D.

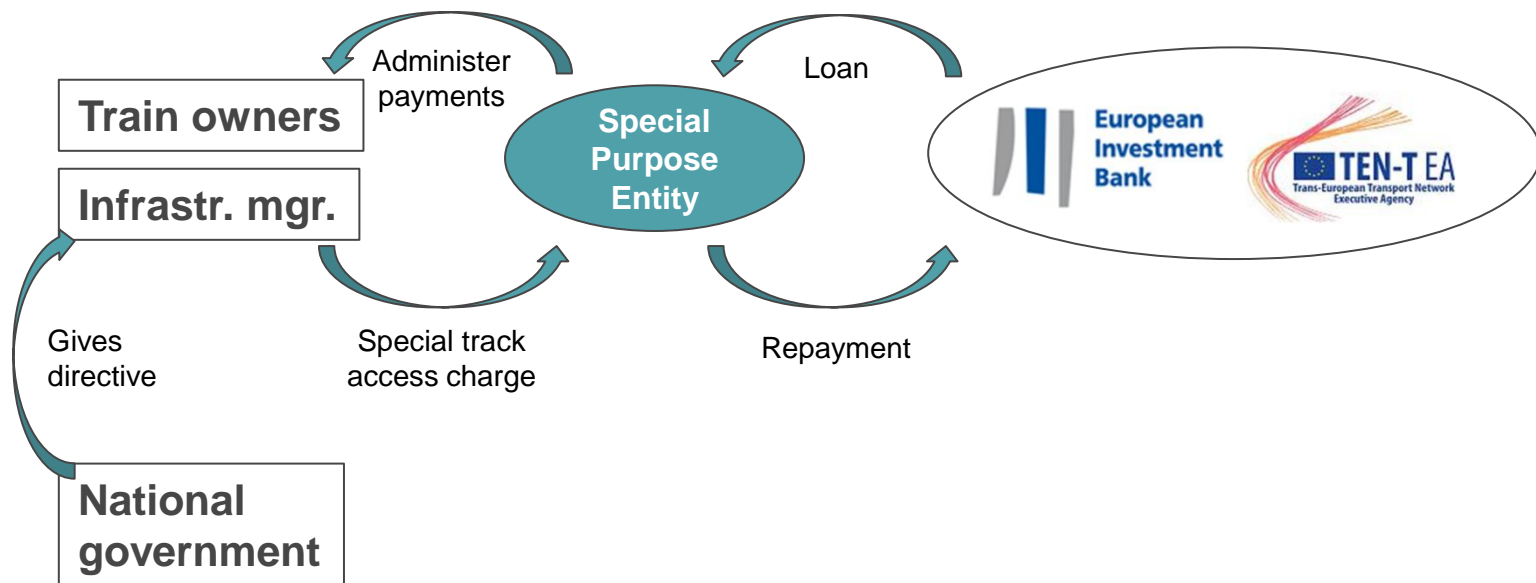


Effect of temporarily reduced track access fees in the Recast of the 1:st Railway Directive

Gradually declining loco costs with ERTMS as standard and with "one stop authorization"

Higher capital costs and shorter amortization period without "Toll Bridge Financing"

“Toll Bridge Financing” structure



The ERFA message:

**Effective financing solution
required for ERTMS conversion
- and this is possible**

Thank you for your attention!

