Freight transport in Europe

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The purpose of this paper is to set out what measures, both the Member States and infrastructure managers, should take in order to find the **right balance between financial equilibrium and an appropriate level of rail infrastructure services**. Special attention is given to the use of multi-annual contracts, which the EU rail infrastructure Directives allow for.

To recall, multi-annual contracts are concluded for at least three years, with payments, decided in advance, covering the entire contract duration. The Commission is of the view that it would be useful if this approach were applied more widely on the basis of existing best practices. The use of multi-annual contracts varies considerably across the Member States. Roughly half neither use nor plan to make use of them. Some Member States provide no finance for rail infrastructure maintenance, others are in the process of negotiating contracts for the first time. An increasing number of Member States plan to introduce them, having put in place the requirements under the first railway package.

In 2006, expenditure on maintenance per kilometre of track, ranged from as little as EUR 220 in Slovakia and EUR 16 000 in Poland to up to EUR 160 000 in Germany and EUR 360 000 in the United Kingdom. This large discrepancy, over and above differences in cost levels, may imply that in some cases maintenance is not sustainable, whereas in other cases infrastructure managers may not have exploited cost reduction potentials in the same way all over Europe.

Multi-annual contracts represent a long-term financing arrangement for infrastructure maintenance. Stakeholder workshops concluded that multi-annual contracts lead to more informed trade-offs between taxpayers, on the one hand, and users, on the other, between maintenance and the quality of the network and between short-term maintenance and renewal.

Bearing the above in mind, the paper proposes that in future action should be based on three levels: (i) the Member States; (ii) infrastructure managers and (iii) regulatory bodies. Best practice will require that the:

- Member States conclude multi-annual contracts with their infrastructure managers. In cases where such contracts do not exist, Member States should provide for at least one infrastructure manager and to conclude a three-year minimum contract with them;
- Member States, and their infrastructure managers, should conclude multi-annual contracts that are consistent with their national strategic transport plans and the infrastructure manager’s business plan. The same must apply to infrastructure franchises and for any framework contracts between railway undertakings and infrastructure managers;
- Member States should consult stakeholders on any proposal for multi-annual contracts before letting a new contract or renegotiating existing provisions;
- Member States should reduce costs and charges for the provision of infrastructure and use. To this end, the Member States should agree, monitor and enforce quantified cost reduction targets for a three year minimum period;
- infrastructure managers should measure track condition at least once a year on all their lines, and more frequently, on their main lines;
- infrastructure managers should define and publish indicators that allow them to assess and predict infrastructure quality and performance on an annual bases throughout the length of the multi-annual contract;
- Member States should interfere in infrastructure management in cases provided for in the contract and the manager should be given a broad degree of managerial independence;

- infrastructure managers should report, in their network statements, which lines have not been properly maintained and in cases where the quality is deemed to be in decline. This information should be timely enough to allow for prompt action and to act as an early warning system for users;
- independent body should be tasked with monitoring compliance with a multi-annual contract and with mediating between the parties to the multi-annual contract in the vent of any dispute.

On a final point, multi-annual contracts should be a precursor for making better use of competitive tendering for infrastructure services. Given that it will be difficult to put an entire national network out to tender, the tendering process may involve an increasing number of infrastructure managers, network statements, charging systems and access conditions. To minimise any possible negative effects, safeguard measures should be taken that allow for simple, non-discriminatory access rules and that are fully compatible with competition rules. At this stage, the Commission will consider whether or not to include a number of the previous recommendations in its proposal for recasting the first rail package, due in 2008.