

VIENNA, AUSTRIA
FEBRUARY 20-22, 2018

INTERNATIONAL RAIL BUSINESS FORUM
STRATEGIC PARTNERSHIP 1520:
CENTRAL EUROPE



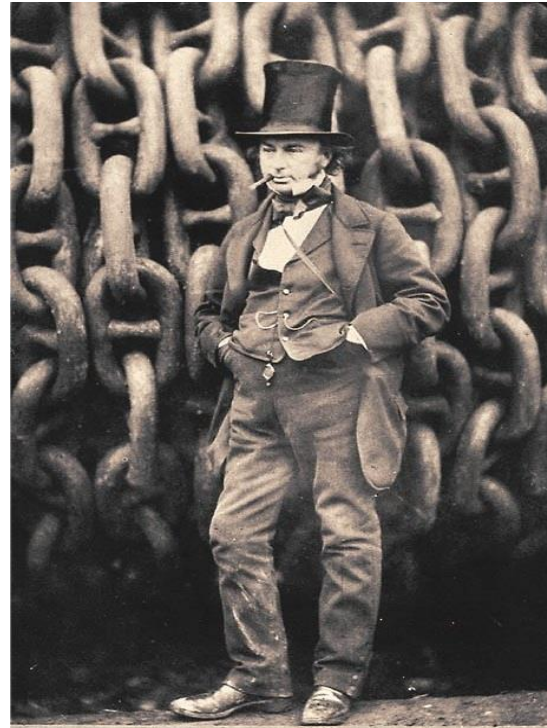
FINANCING INFRASTRUCTURE ...and who pays for the Rolling Stock?

THE 2001 CAPE TOWN CONVENTION
ON INTERNATIONAL INTERESTS IN MOBILE EQUIPMENT



Howard Rosen, Switzerland
Chairman, Rail Working Group

The Symbiotic Relationship



The Symbiotic Relationship

- Wagons came first!
- Rolling stock protocols may govern the design of the infrastructure
- 21st century technology
 - Driverless trains
 - Catenary free
 - Variable gauge rolling stock
- Rolling stock costs can amount to 25 – 30% of the cost of a new rail project



Underfunding challenges

- Rail Projects predominantly publicly funded
- Moving rolling stock procurement costs over to the private sector
 - Offloads balance sheet finance and risk burdens
 - Focuses state resources and debt on infrastructure
 - Encourages a more competitive market
 - Supports foreign inward investment
 - Facilitates economic development, jobs, innovation and new skills
 - Makes it easier to franchise out operations
 - Supports non discriminatory competitive use of the infrastructure
- But major obstacles to private finance

Underfunding challenges

- No national title or security registry
- Identifiers unstable (from a creditor's perspective) and inconsistent across the sector
- Limited legal infrastructure domestically and internationally
- Repossession issues for creditors on debtor default or insolvency; Public Policy and Public Interest
- Bank's capital requirements and Basel II and III
- Limited commercial tracking of assets
- Conflict of laws and cross border risks

Cape Town Convention on International Interests in Mobile Equipment

- New system of international legal rights and priorities for secured creditors
- Common system for enforcing creditor rights on debtor default or insolvency
- Public registry of security interests, accessible 24/7 through the internet
- Aircraft Protocol operating since 2006 in c. 70 states



Luxembourg [Rail] Protocol

- Applies Cape Town Convention to all types of railway rolling stock
- International registry in Luxembourg
- Will introduce global unique identification system for railway equipment
- Operating from mid-2019



Large-scale impact

- Protects rolling stock financed in one part of a continent when it is operating outside of that jurisdiction
- Encourages cross border operations within the same gauge system – so of direct benefit to the “1520” environment
- Opens out new opportunities with the Belt and Road Initiative
- Encourages operating leasing leading to
 - More competition and greater efficiency
 - More standardised production and economies of scale
- Cheaper finance

Large-scale impact

- Oxera Study for the Rail Working Group published today
- Available at www.railworkinggroup.org/oxera-report
- Evaluated only direct micro-economic benefits (principally cost of capital)
- In 20 countries across Europe surveyed, the Luxembourg Protocol will save close to €20 billion
- Macro economic benefits in addition
- The Luxembourg Protocol will support new infrastructure projects
 - Removing the need for governments to finance rolling stock
 - Provide cheaper finance to ensure that rail can successfully compete with other forms of transport

VIENNA, AUSTRIA
FEBRUARY 20-22, 2018

INTERNATIONAL RAIL BUSINESS FORUM
STRATEGIC PARTNERSHIP 1520:
CENTRAL EUROPE



FINANCING INFRASTRUCTURE ...and who pays for the Rolling Stock?

THE 2001 CAPE TOWN CONVENTION
ON INTERNATIONAL INTERESTS IN MOBILE EQUIPMENT



Howard Rosen, Switzerland
Chairman, Rail Working Group
www.railworkinggroup.org