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Working Party on Rail Transport

Revisions Committee to the Model Rules on the Permanent Identification of Railway Rolling Stock

Second session

Geneva, 2–4 September 2024

Item 5 of the provisional agenda

Workshop on the role of PPPs in the financing of investment in the railways

Background information to the Workshop on the role of PPPs in the financing of investment in the railways

Note by the secretariat

Background

1. There is an expanding need for investment in the rail sector for good social, economic and environmental reasons. This requires significant financial commitment from the public sector, but resources are limited, and the solution can be to bring in funding from the private sector. Although the focus is often on the building, maintenance or rehabilitation of rail infrastructure, this investment creates very limited benefits unless there is also investment in railway rolling stock. Classically, particularly in relation to passenger rail transport, this cost has also been borne by the public sector. With ever increasing pressures on state budgets, the result can be underinvestment with consequent inefficiencies. One way to relieve governments of a fiscal burden is to create PPP structures which allow them to focus limited resources on infrastructure, perhaps sharing the cost with the private sector and then looking to the private sector to finance the rolling stock. This leverages state budgets, but it can also create a more transparent, competitive and open operational model.
2. The Luxembourg Rail Protocol to the Cape Town Convention on Mobile Equipment (henceforth the Protocol) and the Model Rules for the Permanent Identification of Railway Rolling Stock (henceforth the Model Rules) have at their core the goal of facilitating the investment in railway rolling stock. Given the inherent nature of the railways, the public policy issues and the possible state underwriting of public service obligations in the rail sector, there will often be either formal or informal relationships between private financiers and operators of rolling stock with public authorities. Indeed, the operator may also be state owned. In major projects this will be structured in the form of public-private partnerships (PPPs) where the private and public sectors come together to create a total solution for the development or renewal of the rail sector.
3. Private finance of railway rolling stock has at times been built into rail PPPs throughout the world and many examples of such practices have also been shared in previous sessions of the United Nations Economic Commission for Europe's (UNECE) Working Party



on Rail Transport through a dedicated agenda item discussed annually. UNECE also has a dedicated unit focusing on the development of guidelines on PPPs for the SDGs (<https://unece.org/ppp>) and significant work on this has also been done by United Nations Trade and Development through its Investment Policy Hub (<https://investmentpolicy.unctad.org/>).

4. There are, however, many different models and options for PPPs and there is no one-size-fits-all solution. This is particularly true for the financing of railway rolling stock where a balance needs to be struck between the needs of the train operator, their ability to finance rolling stock, the *service publique* and the public funds that are available. This is where the certainty that is brought by the Protocol and the Model Rules is so important as it widens the scope of possible options for financing, from secured debt to leasing, moving away from debtor-based to asset-based models and the scope to bring these options into future PPPs, in turn reducing the risk premium associated with some PPPs.

5. The aim of this workshop is to bring together experts from international finance institutions, the banking sector, the rail industry, international organisations, regulatory bodies and the various United Nations entities involved in this work to discuss how the Protocol and the Model Rules can be a catalyst for further PPPs in the sector and therefore increased investment in development and renewal of the railways. The workshop will touch on the experiences of different actors with PPPs in the sector and how they expect the market for private finance of rolling stock, and the role it can play in rail PPPs, will change as a result of the full implementation of the Luxembourg Rail Protocol and the Model Rules. At the centre of discussions will be an understanding of how the Protocol and the Model Rules can best be applied to obtain the greatest benefit for users and governments.

6. A draft programme for the workshop will be published closer to the date of the meeting.
