

Public Budget Contributions to the European Rail Sector

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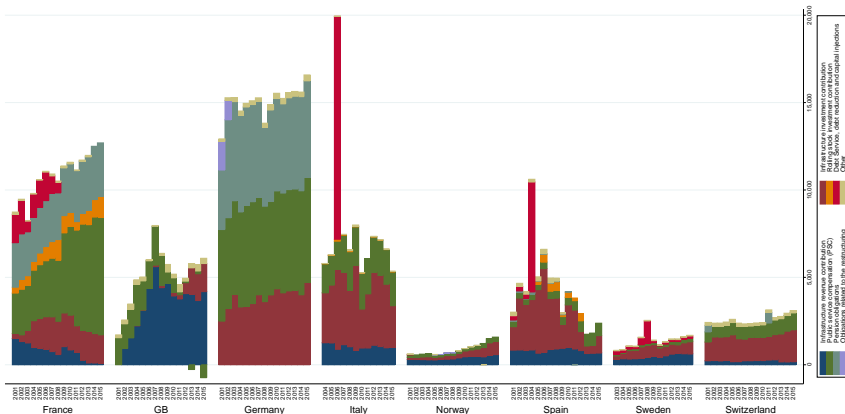
Workshop on Financing and Performance
May 11, 2017

Introduction

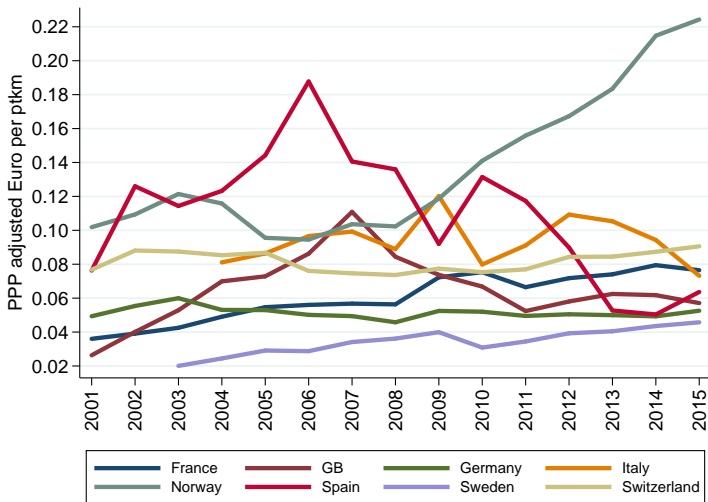
- Public Budget Contributions are one of the main funding sources of the European railway sector
- Detailed information on the level and use of funds is typically not available in easily accessible, systematic and well structured form
- We have updated and expanded the well-known database of Nera (2004, 2005) for 8 Countries
- Data is used to compare the structure of contributions as well as to identify differences in the applied financing models that might be likely to influence the performance of the sector

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- 2 Public Budget Contributions to Railways: Case Studies on 8 European Countries
- 3 Financing of Infrastructure Management and Transport Operations
- 4 Financing of Infrastructure Investments
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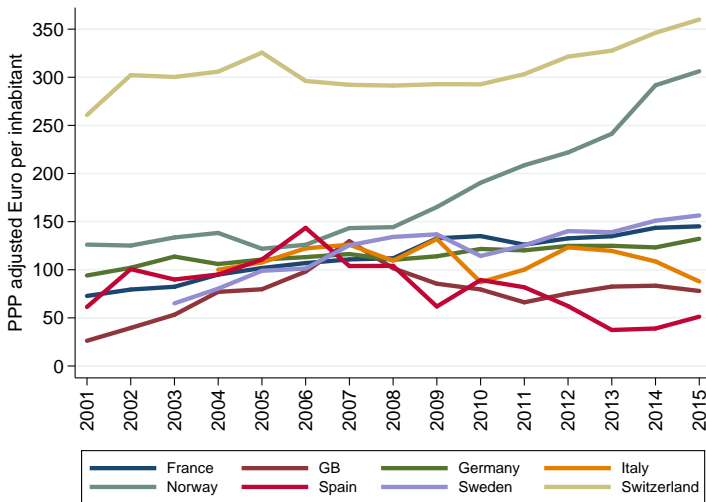
Development and Breakdown of Public Budget Contributions 2001-2015 in millions of PPP adjusted Euro



Public Budget Contributions for infrastructure investments, operation, PSC and investments in rolling stock in €PPP per ptkm



Public Budget Contributions for infrastructure investments, operation, PSC and investments in rolling stock in €PPP per inhabitant

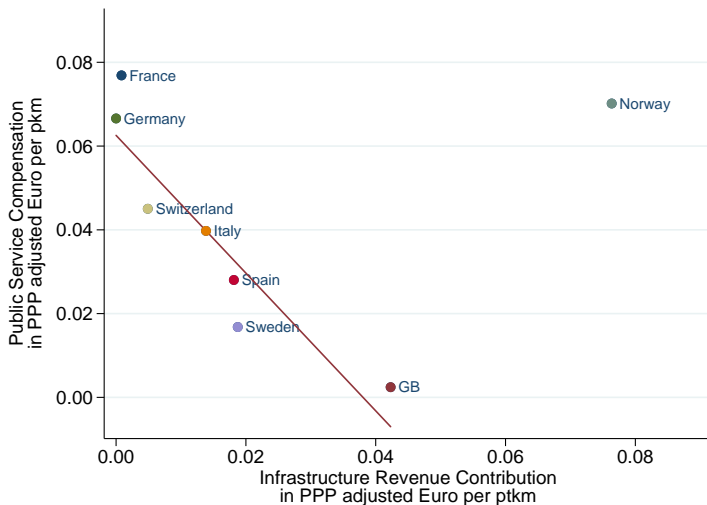


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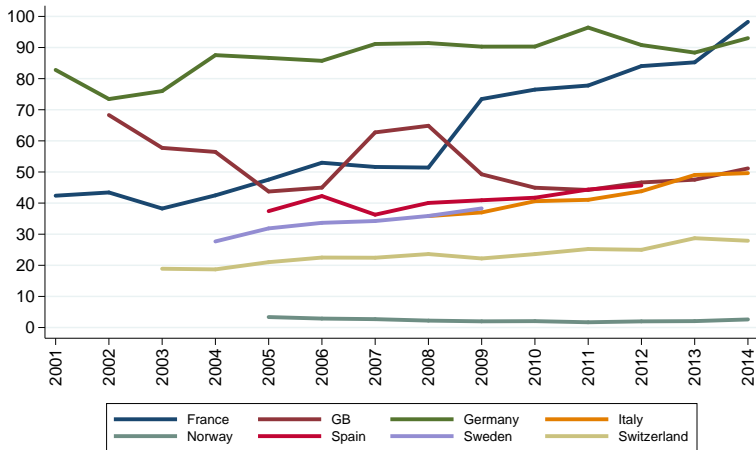
Introduction

- Main sources of funds: market revenue, revenue from access charges as well as PSC or revenue contributions
- Tendency to mainly three financing models:
 - ① Focus on financing of infrastructure management
 - ② Focus on financing of public services
 - ③ 'Hybrid'-like financing approach
- Substitution effect
 - Financing model 1 implies lower network charges and thus a lower amount of necessary Public Service Compensation
 - Financing model 2 implies a higher degree of cost coverage of access charges and thus lower operating contributions that need to be paid to the infrastructure manager

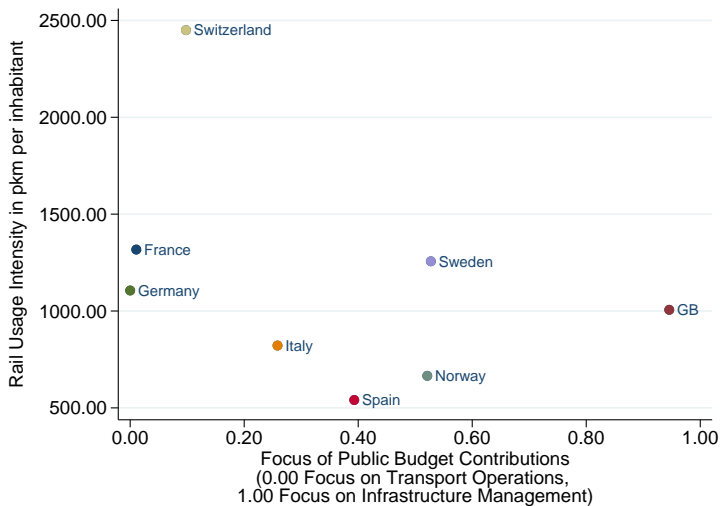
Ratio of PSC and infrastructure revenue contribution in 2014



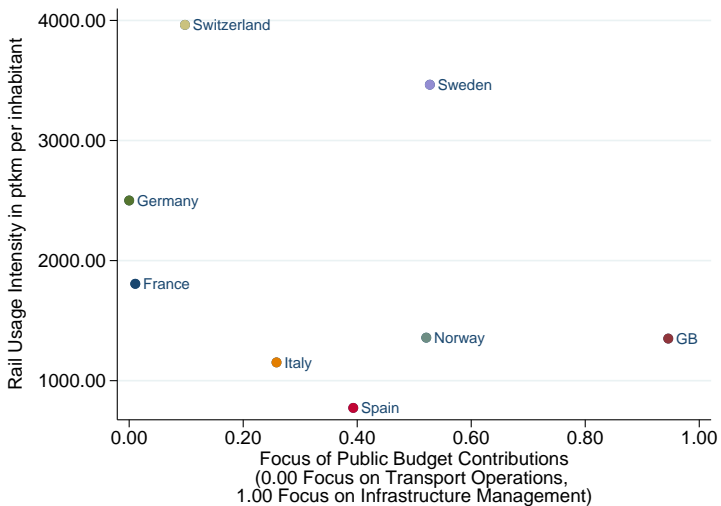
Share of infrastructure operating cost covered by access charges 2001-2014 in percent



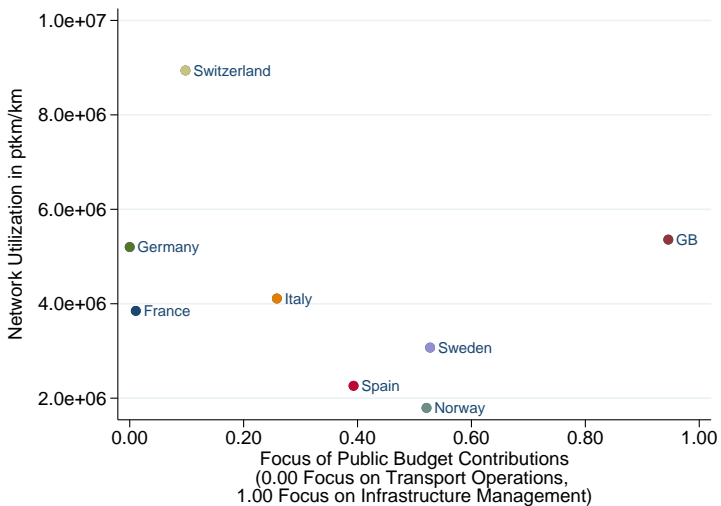
Rail Usage Intensity in pkm per inhabitant



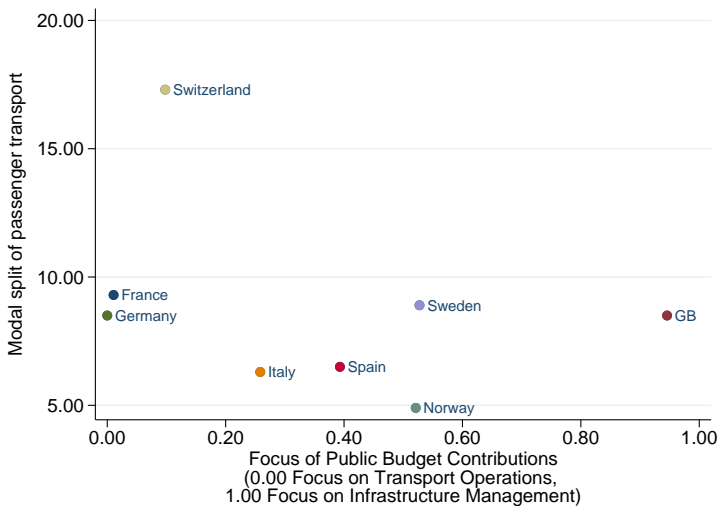
Rail Usage Intensity in ptkm per inhabitant



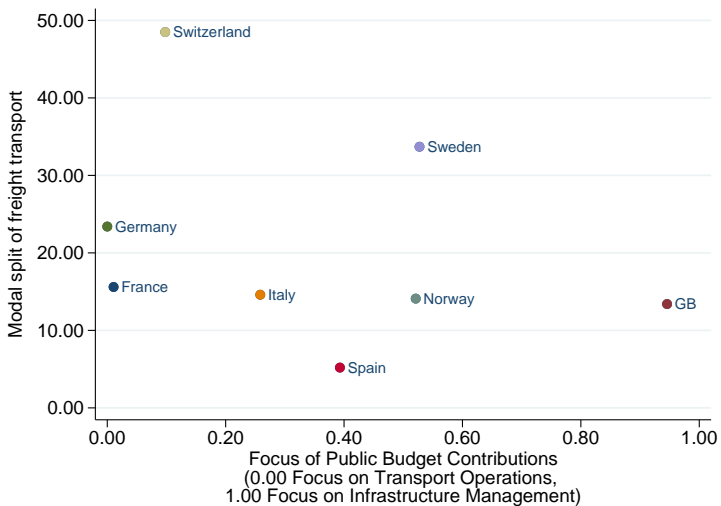
Network Utilization in ptkm per kilometer of the network



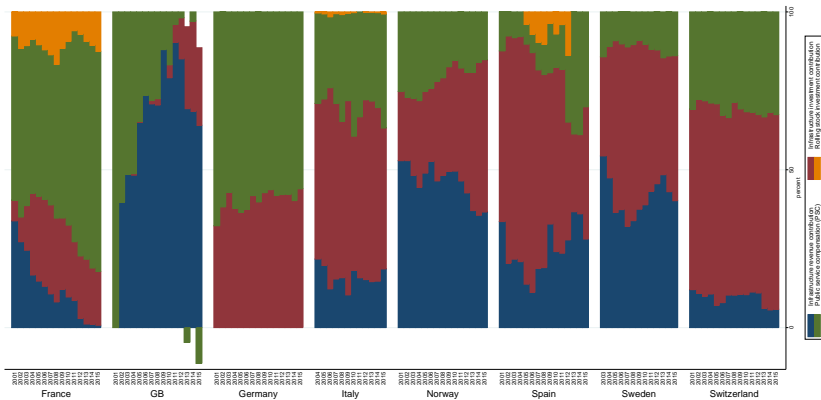
Modal Share of Passenger Transport



Modal Share of Freight Transport



Breakdown of Public Budget Contributions 2001-2015 in percent of Total Contributions for infrastructure investments, operation, PSC and investments in rolling stock

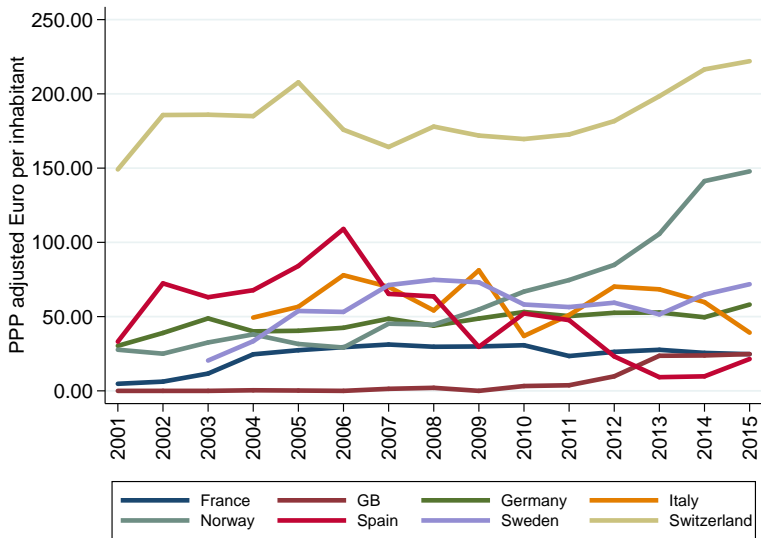


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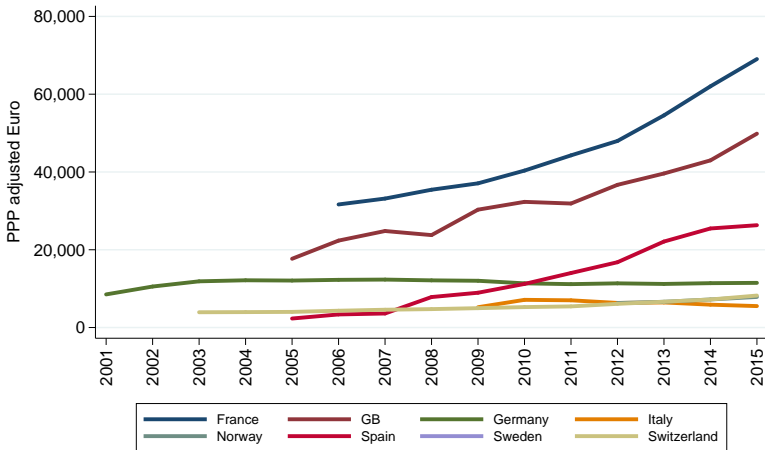
Introduction

- Main sources of funds: Investment contributions, debt instruments (Bonds, loans), equity, project finance (PPPs)
- Tendency to two approaches
 - ① Government Contributions
 - ② Funds of the infrastructure manager (involves issuing debt)
- Some infrastructure managers are compensated for the additional burden of financing debt while other IM need to cover expenses from network charges and public contributions
- Degree of government funding is observable in the amount of debt issued by infrastructure managers
- Infrastructure managers that carry a large amount of debt must bear higher interest burdens

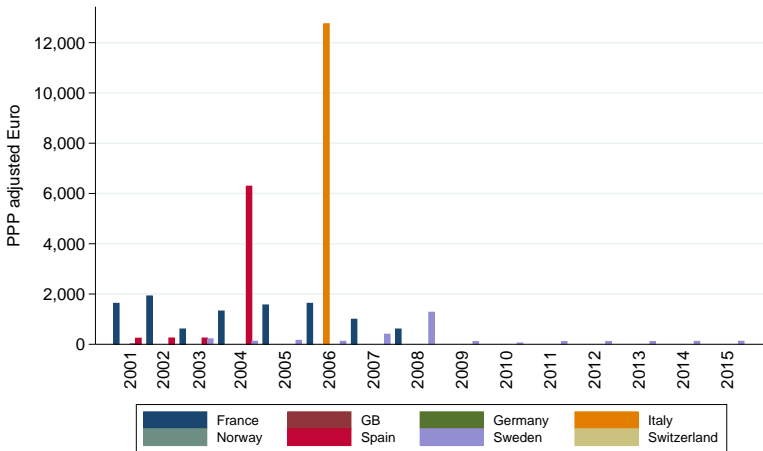
Infrastructure investment contribution 2001-2015 in €PPP per inhabitant



Non-Current liabilities of main infrastructure managers 2001-2015 in million PPP adjusted Euro



Debt service, debt reduction and capital injections 2001-2015 in million PPP adjusted Euro

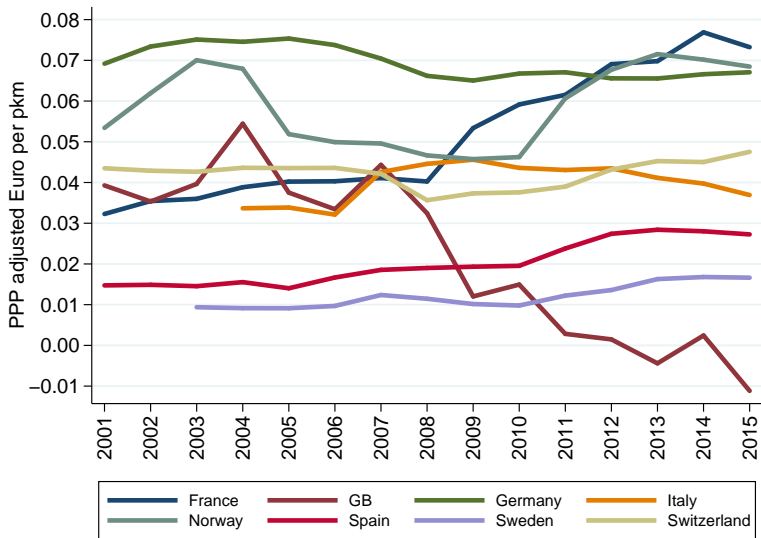


Conclusion

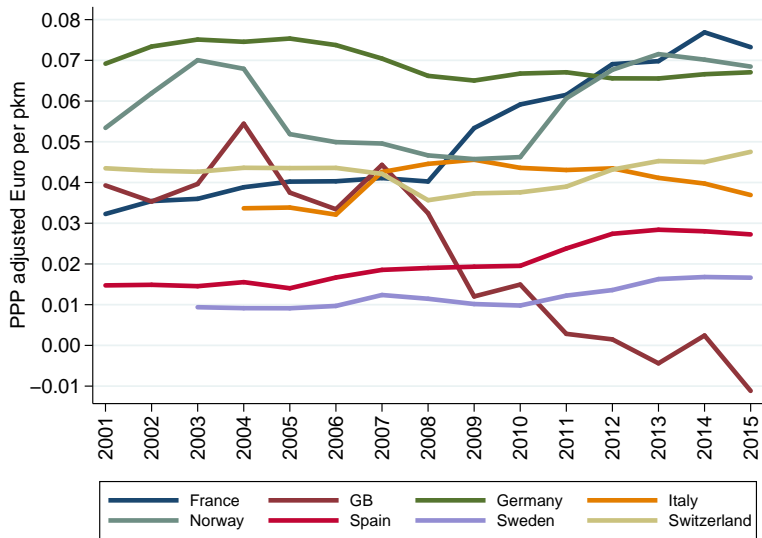
- All countries support their national railway sector by means of different types of contributions
- Large differences in the level of government contributions
- The focus of government contributions for infrastructure management and transport operations differs
 - Tendency towards three financing models
 - Cost recovery ratios differ accordingly
 - Which financing model is advantageous, remains unclear
- Different approaches for infrastructure financing that might influence the IMs performance
- When setting access charges it is crucial to review the general level of public contributions to the whole rail sector
- It seems important to ensure future-proof financing of sector expenditures (sustainable debt levels of IMs, etc.)

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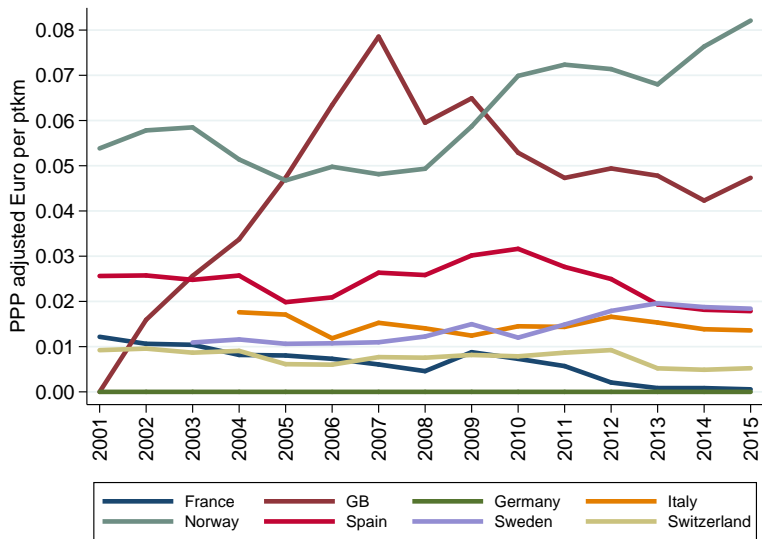
Public Service Compensation 2001-2015 in €PPP per pkm



Public Service Compensation 2001-2015 in €PPP per inhabitant



Infrastructure revenue contribution 2001-2015 in €PPP per ptkm



Infrastructure revenue contribution 2001-2015 in €PPP per inhabitant

