

Introduction to the Luxembourg Rail Protocol

Advantages and Opportunities

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Introduction of the Rail Working Group

- ❑ Formed in 1996 at the request of UNIDROIT
- ❑ Not for profit global industry group based in Switzerland
- ❑ More than 80 direct members and hundreds via 14 industry associations
- ❑ Linking up the various stakeholders in the industry
- ❑ Dedicated to the adoption of the Luxembourg Rail Protocol

Setting the Scene / Railways in the 21st Century

- ☐ Long history of global (relative) decline
- ☐ Cross border operation essential to serve global markets
- ☐ Significant underinvestment worldwide both in infrastructure and rolling stock
- ☐ Transportation mode of preference for policy makers for good economic, environmental, social and public policy reasons
- ☐ New interest in high-speed inter urban links and municipal light rail

Setting the Scene / Railways in the 21st Century

- ☐ Major modal shift required from road to rail
- ☐ Governments need resources for new rail infrastructure
- ☐ More entrepreneurs needed for passenger transport
- ☐ More private operators mean more private capital needed
- ☐ More credit support required
- ☐ Funding rates matter if competition is to be encouraged
- ☐ Public sector needs to offload risks

Financing Railway Rolling Stock

- ☐ Public finance
 - Equity, state loans and grants, aid
- ☐ Public export finance
 - ECA, state or parastatal loans
- ☐ Private investments
 - Private equity, secured credit, BOT, etc.

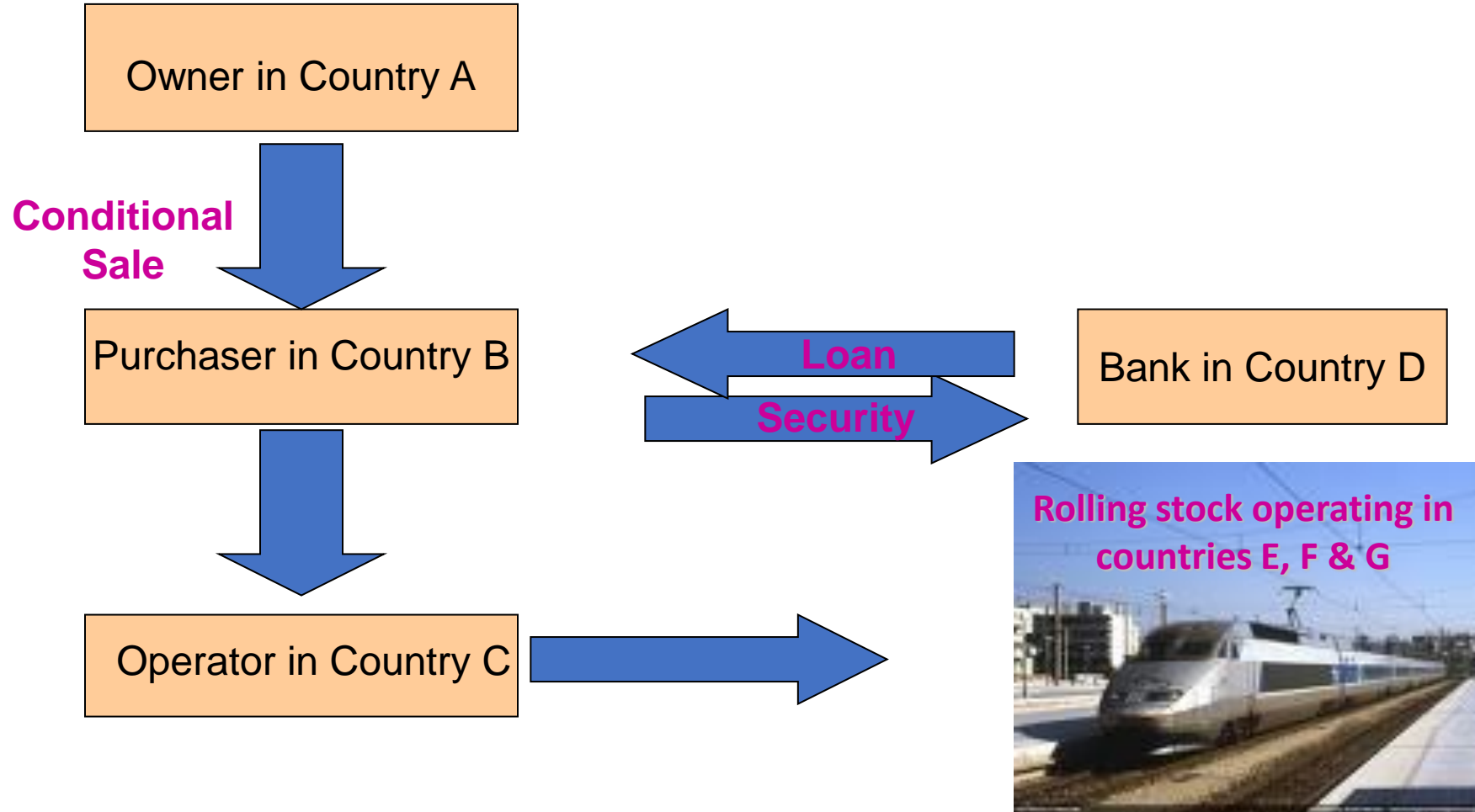
Financing Railway Rolling Stock

- ❑ Current constraints
 - Cost of credit
 - Funder security/collateral
 - Creditor especially exposed on cross border financing or operations

Problems of bringing in private capital

- ☐ No national title or security registry
- ☐ Identifiers unstable (from a creditor's perspective)
- ☐ No comparable running number for other rolling stock (e.g. metros)
- ☐ 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 III and Basel IV
- ☐ Limited commercial tracking of assets
- ☐ Cross border risks

Financing Railway Rolling Stock today



Cape Town October / November 2001

- ❑ Participants from 58 States and 11 international organisations at the Diplomatic Conference

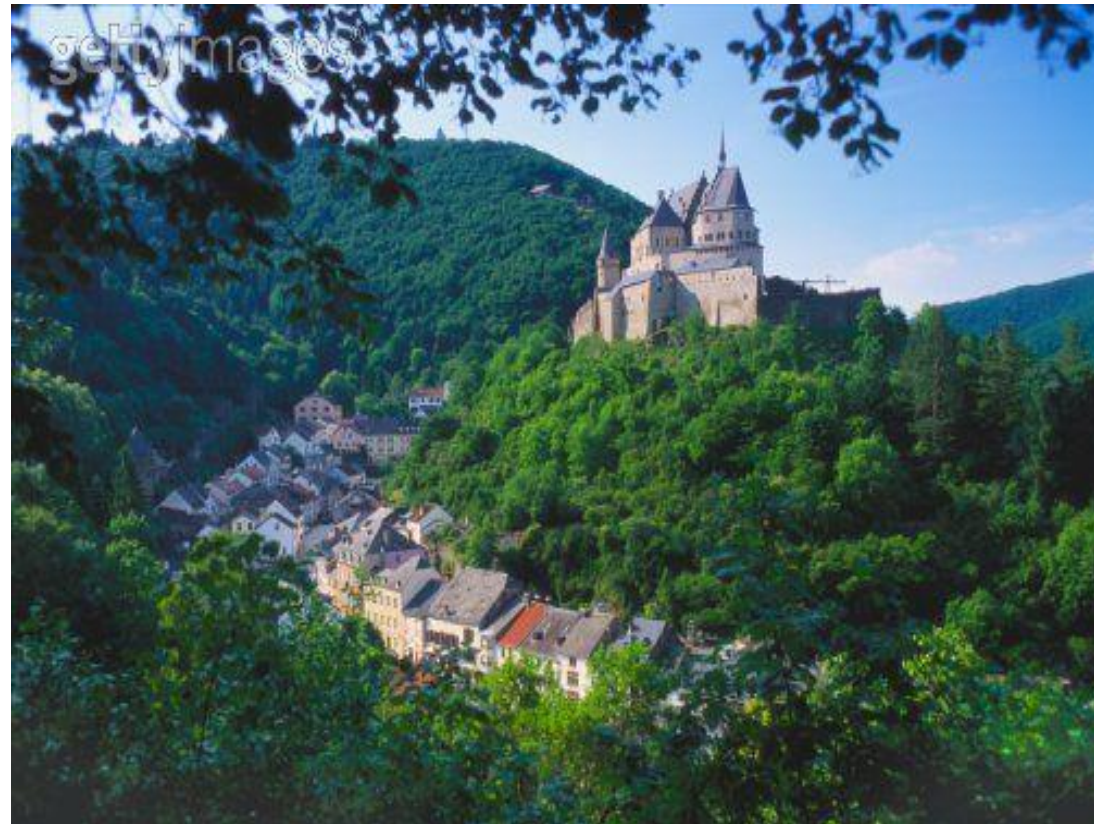


Cape Town Convention

- ❑ Aircraft Protocol operating in over 84 jurisdictions (including US, Canada and Mexico)
- ❑ International registry for aircraft running in Dublin since 2006
- ❑ Over one million registrations to date – estimated value of almost one trillion USD
- ❑ Registrar - Special purpose company established by SITA
- ❑ Aviation Working Group: “Cape Town” will save the air transport industry \$ 161 Billion 2009-2030

Luxembourg 2007

- ❑ Participants from 42 States and 12 international organisations at the Diplomatic Conference



The Luxembourg Rail Protocol

Protecting creditor rights

- ❑ The Protocol creates:
 - A new type of global security interest (the “International Interest”) for railway rolling stock, internationally recognised with established priorities
 - Security registrable (voluntary) and searchable 24/7 in a public registry, in Luxembourg, through the internet
 - Relevant for domestic and international rolling stock finance
 - A common system for enforcing creditor rights on debtor default or insolvency

What does the Luxembourg Rail Protocol apply to

- ❑ To all rolling stock (broadly defined):
 - “vehicles movable on a fixed railway track or directly on, above or below a guideway” so covers:
 - ❖ Inter-urban and urban rolling stock
 - ❖ Specialist boring and other rail mounted equipment
 - ❖ Metro train and trams
 - ❖ People movers/shuttles at airports
 - ❖ Cranes and gantries at ports
 - ❖ Cable cars

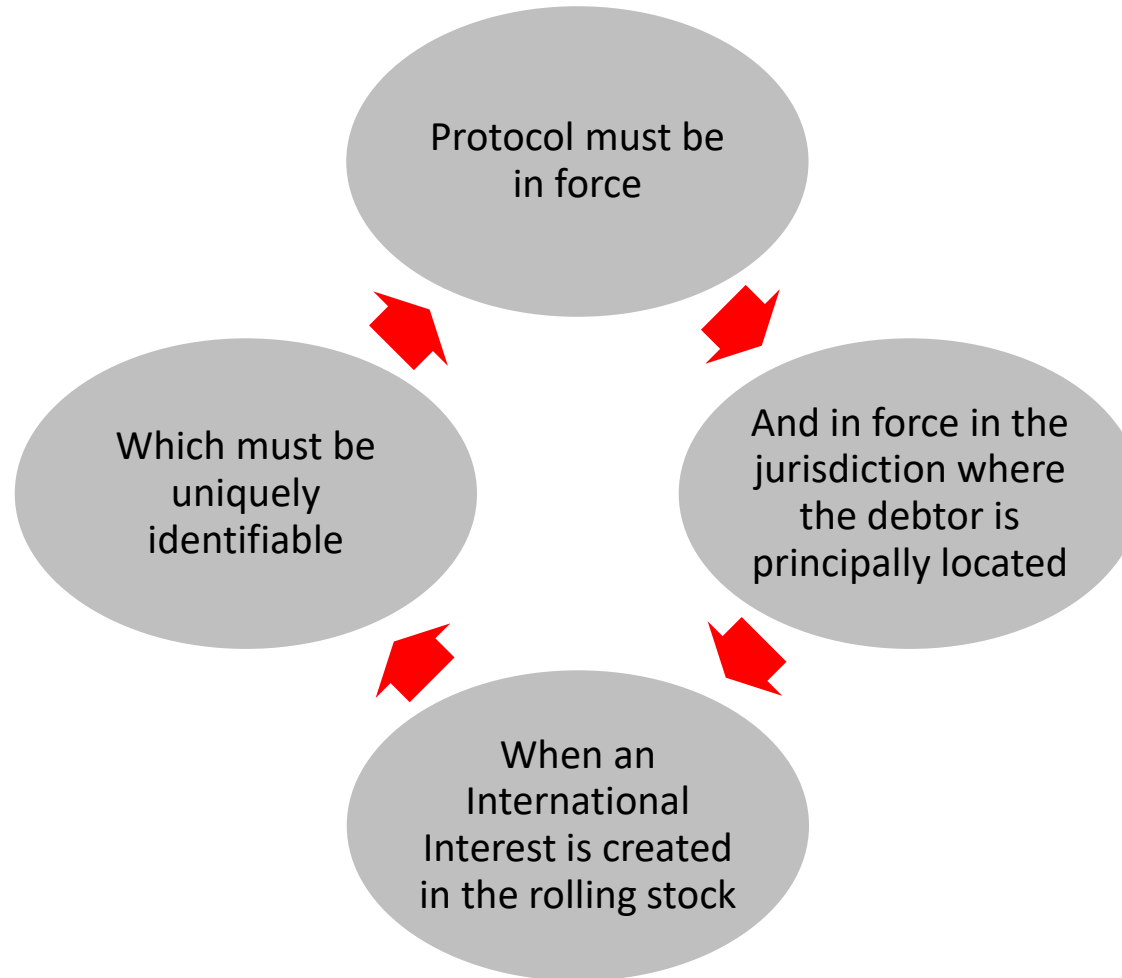
When does the Luxembourg Rail Protocol apply?

- ☐ Lessor under a lease
- ☐ Creditor under a secured loan
- ☐ Vendor's rights under a conditional sales (where title is retained)

Unique Vehicle Identification?

- ☐ Rolling stock must be uniquely identifiable for the Protocol to apply
- ☐ Unique Vehicle Rail Identification System (URVIS) will be established by registry regulations
- ☐ First global unique and permanent identification system for Rolling Stock
- ☐ Unique 16-digit number allocated by registrar in Luxembourg, never used
- ☐ Affixed permanently to rolling stock by manufacturer, maintainer or keeper in accordance with UN Model Rules

When does the Luxembourg Rail Protocol apply?



Luxembourg Rail Protocol Benefits

- ☐ Establishes a new domestic and international legal framework securing creditors
- ☐ Eliminates complex documentation and structures – saving money
- ☐ Resolves cross border and conflict laws issues
- ☐ Minimises need for state support
- ☐ Reduces, private financing costs and, for exporters, ECA and political risk premiums
- ☐ Facilitates operating and finance leasing and other private sector finance
- ☐ Makes the industry more competitive against road and aircraft transportation

The Status of the Luxembourg Rail Protocol

- ☐ Entered into force on 8th March 2024
- ☐ Appointment of Registrar based in Luxembourg, run by Regulis SA – part of the ISC group and operating in the Cloud
- ☐ Ratified by Luxembourg, Sweden, Spain and Gabon and EU in respect of its competences)
- ☐ South Africa and Paraguay about to ratify
- ☐ Signed by Italy, Germany, France Mozambique, Switzerland and UK
- ☐ Other EU and non-European countries now actively working on ratifications

Why the Protocol is Important

- ❑ Creates a common system, operating in various different countries, protecting the interest of secured creditors, owners and operators
- ❑ Creates a new legal framework for domestic financings of railway equipment, reducing risk and cost, even where the assets are operating outside of a country's borders
- ❑ Relieves State budget as private investors, pension funds and banks finance old and new fleets
- ❑ URVIS identifier will be unique and permanent to run alongside other local numbering system resulting in a global system for identifying and tracking the location and status of rolling stock

Why the Protocol is Important

- ❑ Protects rolling stock financed in one part of a continent when it is operating outside of the jurisdiction
- ❑ Secures and reduces the cost of credit given to operators outside of a country by ECAs as part of export programme

Conclusion

- ❑ Railways are now the sunrise industry for good economic, social, environmental and political reasons
- ❑ New investment will mean significant additional demand for passenger and freight rolling stock
- ❑ And more private finance through loans and leases, where security of the collateral will be critical
- ❑ Leading to a larger industry, more dynamic, transparent and competitive industry
- ❑ The Protocol offers a better legal solution for asset based financing
- ❑ It's a "win" for all operators and manufacturers in relation to domestic financing and export credits

Further materials

- ☐ [Luxembourg Rail Protocol in a Nutshell \(English\)](#)
- ☐ [Summary of the Protocol](#)
- ☐ [Cape Town Convention \(full text\)](#)
- ☐ [Luxembourg Rail Protocol \(full text\)](#)
- ☐ [Rail Working Group brochure](#)
- ☐ [Rail Registry regulations](#)
- ☐ [UN Model Rules on permanent marking of rolling stock](#)
- ☐ [Working towards a global common identifier for railway rolling stock](#)
- ☐ [The Luxembourg Rail Protocol - helping to build the rail infrastructure of the future](#)
- ☐ [www.railworkinggroup.org](#)

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