THE 2001 CAPE TOWN CONVENTION
ON INTERNATIONAL INTERESTS IN MOBILE EQUIPMENT

RAIL WORKING GROUP

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PRESS RELEASE

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WHY DO GOVERNMENTS FINANCE NEARLY ALL RAILWAY EQUIPMENT IN WESTERN EUROPE?

New Study shows that governments, or their state owned agencies, continue to finance 87% of railways rolling stock procurement. But growing budgetary pressures and the gradual liberalisation of the rail market across Europe must lead to more private investment in the railways if the conditions are right.

The Rail Working Group together with the Consulting firm Roland Berger have today published a new study examining the extent to which rolling stock procurement in Western Europe is, directly or indirectly publicly funded. The Study analyses by country and sector 246 rolling stock procurement projects in 13 countries across Western Europe over the years 2011-2013, averaging spending of close to EUR 11 billion per annum. However EUR 9.352 bn. (87%) representing 191 of 246 projects (78%), was directly or indirectly financed by governments. A full copy of the study is available at http://railworkinggroup.org/wp-content/uploads/docs/151207_Private financing of rolling stock.pdf

The Study also shows a clear correlation between the deregulation of rail markets and private finance: the more markets are opened up, the greater role private capital plays in financing new railway equipment. "Bearing in mind a more liberalised market in the future, projected steady procurement expansion of about 2.7% per annum and increasing pressure on government debt levels, the trend is clear" says Roland Berger partner Andreas Schwilling, one of the authors of the report. "We can expect a requirement for much more private finance looking forward" he adds.

Rail Freight Group Chairman Tony Berkeley welcomed this report as evidence that the best way to attract private finance to the railway is to ensure an open transparent market structure where there is fair competition between different players. "In freight in the UK, there is already a thriving market in private wagon and locomotive financing and leasing, which is helping to encourage investment and growth" he said.

"Part of the problem," observes Howard Rosen, Chairman of the Rail Working Group, "is a legacy of the historic ownership of the railways where there was limited need for private sector finance and very patchy legally enforceable security for private sector lenders, so even where support from banks and institutions has been needed, they were reluctant to come into the market". EU-led reform of the European rail system, including open access for freight and gradually passenger services, is now creating a more competitive industry which urgently needs private capital for investment in new, more efficient, equipment.

"The Luxembourg Rail Protocol, a global treaty creating a new system of security for lenders and lessors, will significantly change the way that the private sector looks at financing rolling stock in the future, leading to cheaper and more available finance, new possibilities for operating leasing and a more dynamic rail sector. What this study shows is that there is massive potential for the private sector to finance new, and much needed rolling stock procurement, creating more jobs and underwriting more environmentally friendly transportation in the future. The Luxembourg Rail Protocol will support this by delivering a consistent legal framework for this area of finance" added Rosen

A second study covering Eastern Europe will be published in early 2016.

NOTES FOR EDITORS

The Luxembourg Rail Protocol to the Cape Town Convention on International Interests in Mobile Equipment is a new global treaty which will make it much easier and cheaper for the private sector to finance railway rolling stock. It sets up a new system for recognition, priorities and enforcement of creditor and lessor rights, which will be registered in an international registry based in Luxembourg, accessible to everyone over the internet 24/7. The Protocol is not yet in force but Luxembourg has ratified it as has the European Union. Germany, Italy and Switzerland have signed the Protocol and they and many other countries, including South Africa and the UK, are actively working on adopting the Protocol. It is expected to come into force in 2017.

Roland Berger www.rolandberger.com, founded in 1967, is the only leading consultancies with German origin and European roots. With more than 2,400 employees in 36 countries, the company has successful operations in all major markets globally. The 50 offices of Roland Berger located worldwide to central business locations. The consultancy is an independent partnership exclusively owned by about 220 Partners.

The Rail Working Group is a Swiss not-for-profit rail and finance industry group focused on the adoption and implementation of the Luxembourg Rail Protocol.

For more on the Luxembourg Rail Protocol and the Rail Working Group see www.railworkinggroup.org

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