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Why GCC States should adopt the Luxembourg Rail Protocol

[The Luxembourg Rail Protocol](#) to [the Cape Town Convention](#), is a new international treaty that introduces a global legal framework to make it cheaper and easier for the private sector to finance all types of railway rolling stock (new or used, from passenger and freight locomotives and wagons to urban metro and light rail trains). without the need for state guarantees or support.

The GCC Railway is a visionary undertaking, but it will come at a significant cost. The Luxembourg Rail Protocol can play an important part in supporting this project as well as other domestic urban and inter-urban rail in GCC states. It will

1. provide **alternative asset based limited recourse finance** for GCC operators at attractive rates, either now or in the future after the rolling stock has been acquired by the operator
2. underwrite operating leasing, giving operators **operational flexibility**
 - a. to commit and to pay to use rolling stock only when they need it
 - b. to replace rolling stock with more modern and efficient equipment when available and to pass financial and obsolescence risk to the private sector lessor
 - c. and scope to lease out and monetize excess rolling stock in a secure way
3. **protect** owners, lessors and creditors from challenges to their ownership interests and from fraud when rolling stock moves, temporarily or permanently, across a jurisdictional border
4. open the way for **collective rolling stock procurement programmes** through a jointly held company which then leases rolling stock to operators as needed, strengthening the purchaser's negotiating position with manufacturers or suppliers because of the higher order volume as well as realising manufacturing economies of scale and helping to establish common GCC equipment standards

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5. potentially **reduce operator cost of funds** when Export Credit Agencies apply the “Cape Town Discount” of 10% on their risk premiums as they underwrite financings of exported rolling stock – as they already do for aircraft when the aircraft protocol to the Cape Town Convention applies
6. by introducing a new global unique numbering system for rolling stock, give to lenders, lessors, manufacturers, operators, insurers, and maintainers **a new tool to track in real time** the location, utilisation and status of rail equipment.

The Luxembourg Rail Protocol provides for the recognition and prioritisation of security interests held by creditors lending on, or leasing, all types of railway rolling stock. This security will be registered and publicly searchable in a new [international registry](#), accessible 24/7 through the internet. An intergovernmental Supervisory Authority oversees the registry; all contracting states are represented on the Authority.

The Protocol introduces, for the first time, a new global common unique permanent identification system (URVIS) for all rolling stock regardless of type or whether it is new or used. The United Nations has separately introduced the [UN Model Rules on Permanent Identification of Railway Rolling Stock](#), setting a minimum standard for the permanent marking of the URVIS number onto railway rolling stock.

The Protocol entered into force in contracting states on **8th March 2024**. It is currently ratified by six states: Spain, Sweden, South Africa, Luxembourg, Paraguay, Gabon, and the European Union in respect of its competences. France, Germany, Italy, Mozambique, the UK, and Switzerland have all signed but not yet ratified.

The Cape Town Convention and the aircraft protocol thereto are in force already in 84 states and are a proven success. **All GCC states have already adopted both instruments** so the incremental work needed to adopt the Luxembourg Rail Protocol will be limited.

There is no cost to government of adopting the Luxembourg Rail Protocol.

The Rail Working Group is ready to provide support to governments on the practicalities of ratification and to guide the GCC stakeholder community on the positive ramifications of the Protocol for them.

For more on the Luxembourg Rail Protocol, visit www.railworkinggroup.org, as well as the UNIDROIT website www.unidroit.org or write to us at info@railworkinggroup.org. Keep up to date with all the latest developments via the Rail Working Group's [LinkedIn group page](#).