



# *On Track Toward Railways Restructuring: Recent Achievements and Experience*

## **What Are The Trends?**

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## *Why Restructuring or Concessioning (?)*

- ◆ **Reduced budget outlays**
- ◆ **Higher operational efficiency**
- ◆ **Better resource allocation**
- ◆ **Better market development**
- ◆ **Enhanced social equity**
- ◆ **Effective environmental protection**
- ◆ **Returns to the budget**





# *The Models Available*

**Public supply and operation**

**Outsourcing**

**Management contracts**

**Leasing/Franchise/Concession** → “Concessions”

**Partial divestiture**

**Divestiture in total (BR, NZ, CR, CN)**

**Functional (infrastructure) Separation**

**Private supply and Operation**

**Mix and Match are Possible**





# *Concessioning in Railways*

- ◆ Government defines and grants specific rights to a company (usually private)
- ◆ A concession agreement details the objectives and **allocation of risks**
- ◆ Government retains ownership of infrastructure
- ◆ Concessionaire provides services and perhaps facilities, and carries at least **some** commercial risk
- ◆ Concession has a defined term (5 to 50 years)





## *Dimensions of Concessions*

- ◆ **Package Size**
- ◆ **Term**
- ◆ **Ownership**
- ◆ **Service Specification**
- ◆ **Tariff Authority**
- ◆ **Payments**
- ◆ **Award criteria**
- ◆ **Renegotiation conditions**





# *Critical Concessioning Issues*

- ◆ **Duration vs. Investment**
- ◆ **Speed vs. transitional damage**
- ◆ **Surplus employees (retirement & redundancy)**
- ◆ **Who bears what risk (revenues)**
- ◆ **Regulation**
  - » **Safety**
  - » **Economic -- contract versus Commission**
  - » **Anti-monopoly**





# *Privatization of Railways: Back to the Future*

- ◆ **Integral Privatization (some multiple use)**
  - » **New Zealand, Canada, Japan, US,  
TAZRAIL**
- ◆ **Infrastructure Separation (with sale or franchising of operations)**
  - » **UK, Romania, Chile, EU railways, Estonia,  
Poland (?), Australia (many models)**
- ◆ **Mixtures are possible (and often best)**





## *Awarding Options*

- ◆ **Negotiations, auction, sealed bid**
- ◆ **Prequalification**
- ◆ **Flexibility vs comparability**
- ◆ **“Points formula” vs. best price**







## *Critical Privatization Issues*

- ◆ **How infrastructure is separated:**
  - » **Who owns and controls (esp. dispatch.)**
  - » **Neutral access and acceptable charges**
- ◆ **Concession (exclusive or non-exc.), sell going concern(s), sell assets?**
- ◆ **Term (if any) of operating franchises (number and type of pieces), and availability of rolling stock**





## *Lessons*

- ◆ Confusion is inevitable but **action** is vital:”we can fix mistakes, but inaction is deadly”
- ◆ Make sure you have the money
- ◆ Labor is the key, but other social issues are also important
- ◆ Do your homework, especially on role of the railway and the structure of the transactions
- ◆ Keep risk in the right place
- ◆ Don't forget regulation
- ◆ Pay for social functions: avoid cross subsidies





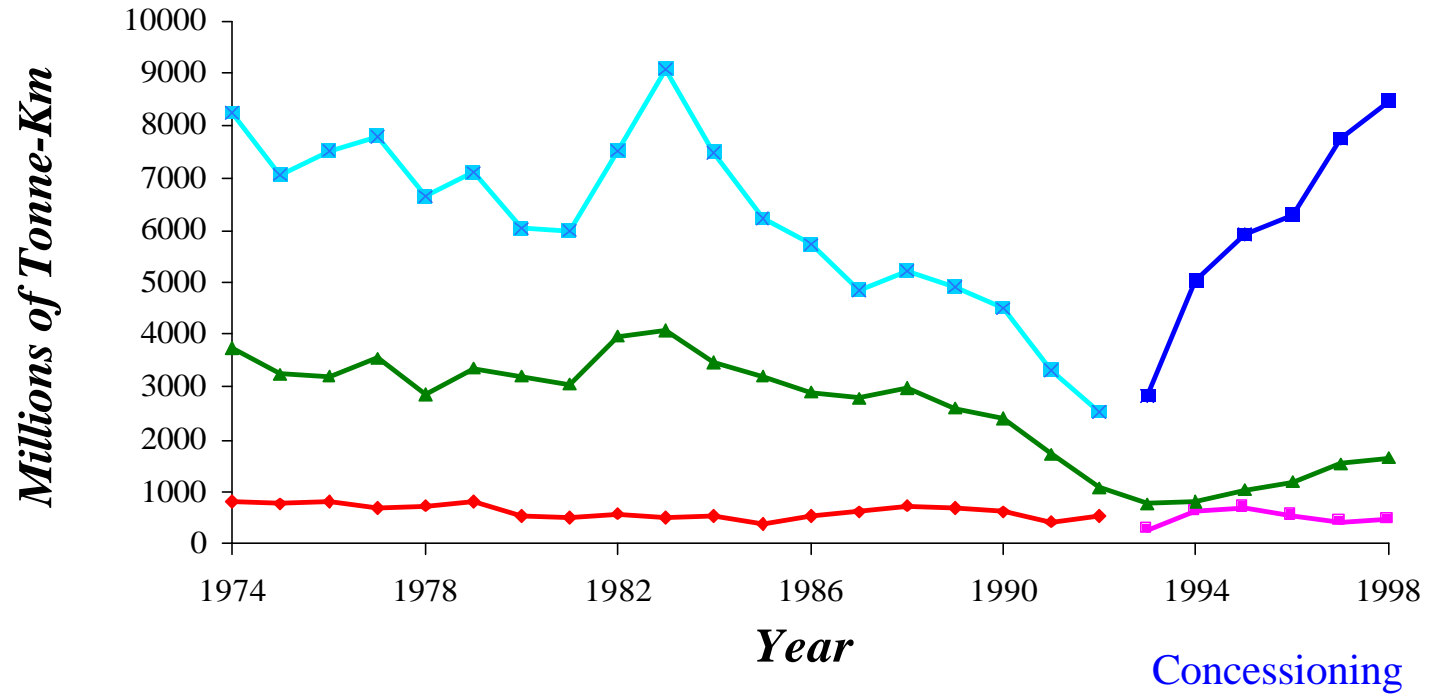
# *World Bank Roles*

- ◆ **Finance New Construction**
- ◆ **Repair/Rehab to assist transaction**
- ◆ **Environmental cleanup**
- ◆ **Human transitions:**
  - » **Redundancy/Retirement**
  - » **Retraining**
  - » **Relocation/Resettlement**
- ◆ **Partial risk guarantees**
- ◆ **IFC investment in operators**
- ◆ **Technical assistance**
  - » **Packaging and preparing studies**
  - » **Marketing**
  - » **Advice (economic, financial/legal)**



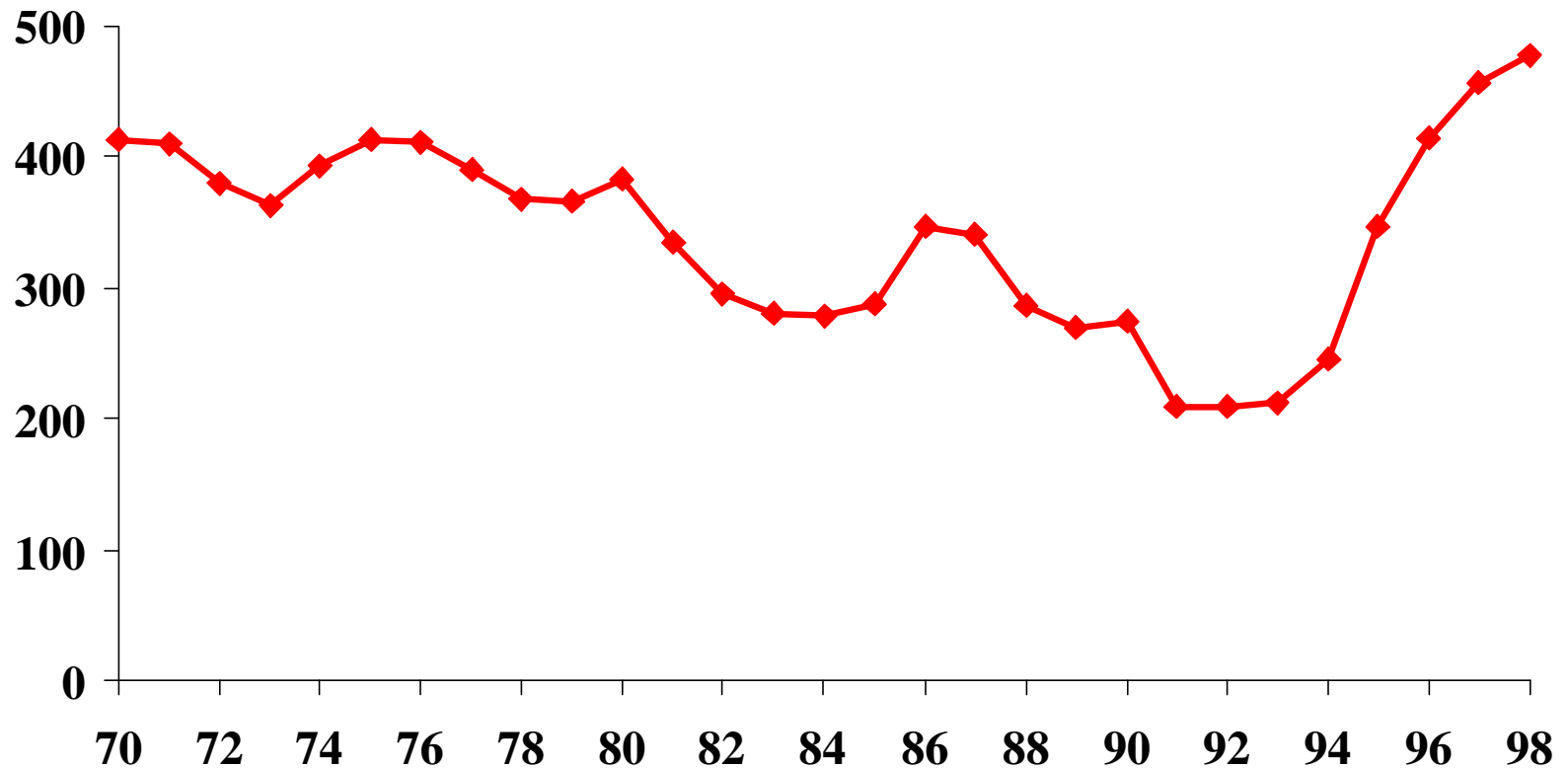


# Argentine Rail Freight



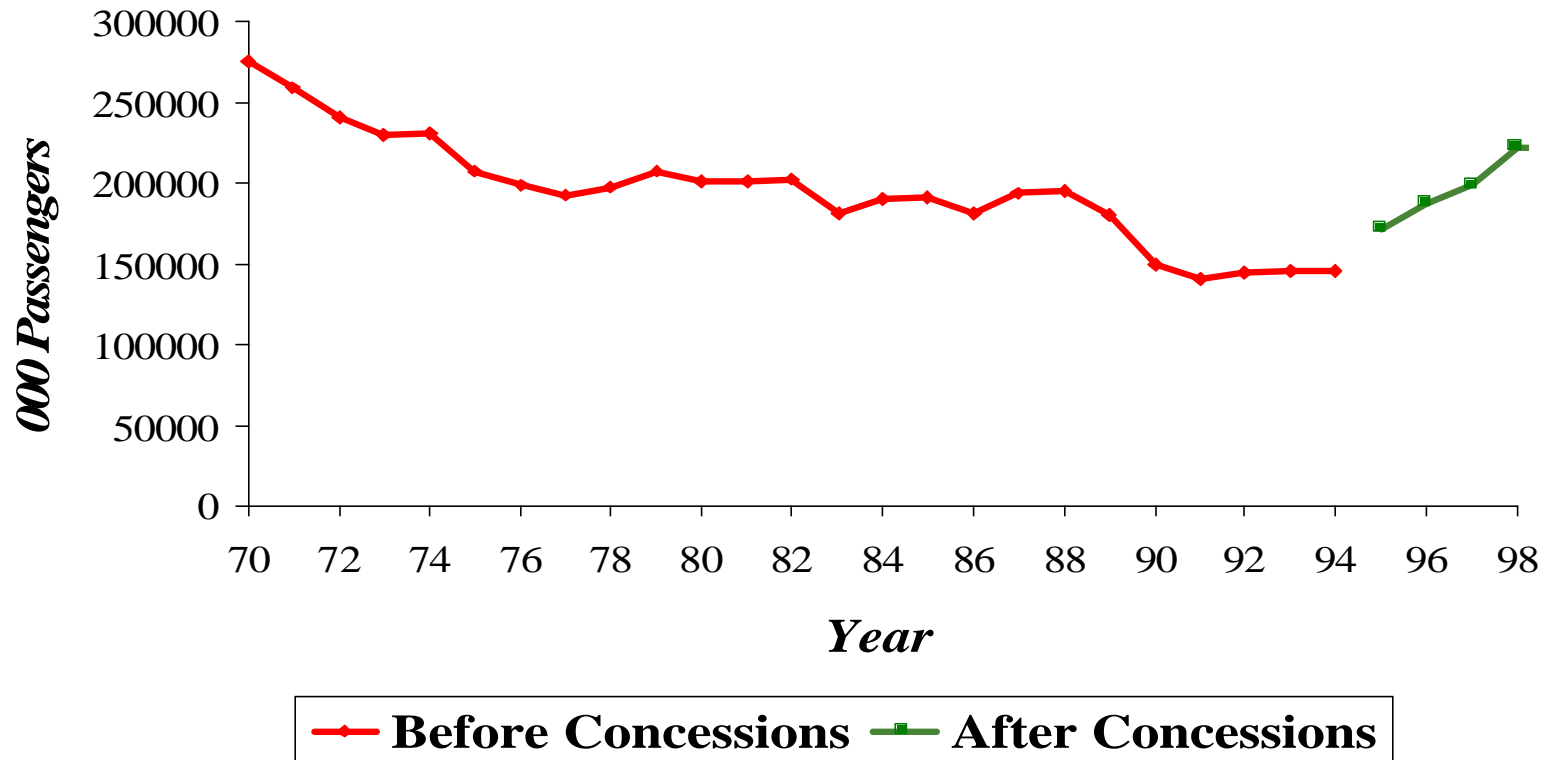


## *Suburban Rail Passenger Traffic in Buenos Aires* (millions of passengers)



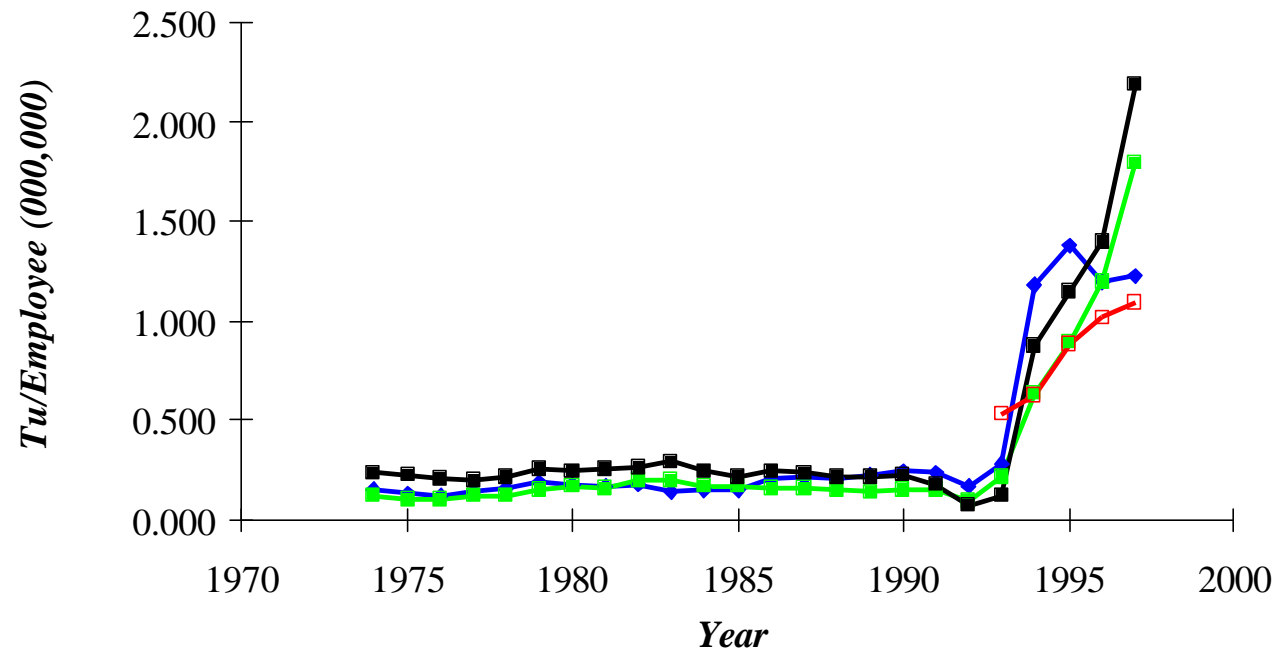


## *Passengers on Buenos Aires Metro: 1970 to 1998*



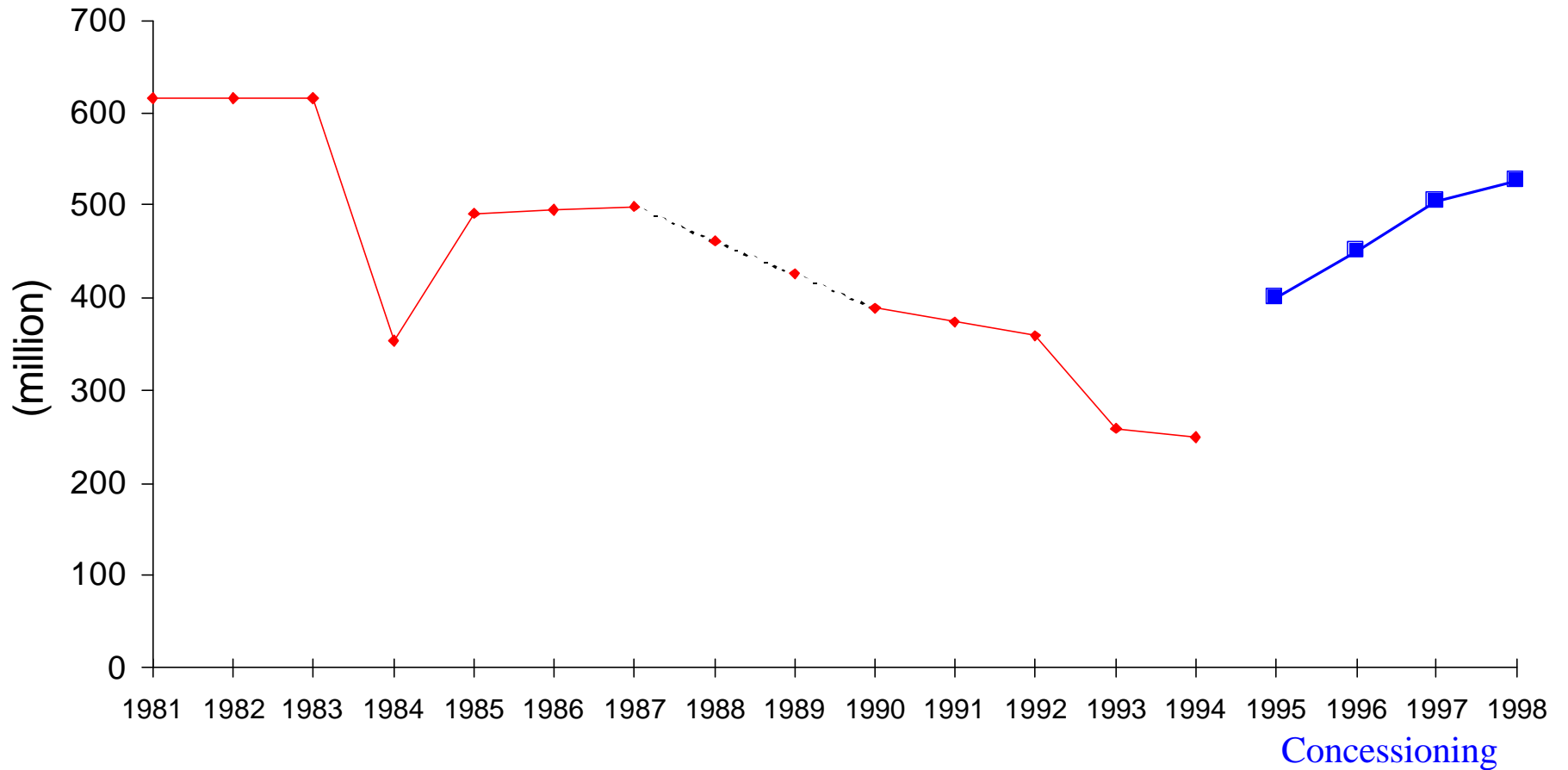


# *Labor Productivity on Argentine Railways*





## *Rail Freight Traffic Growth in Cote d'Ivoire/Burkina Faso*



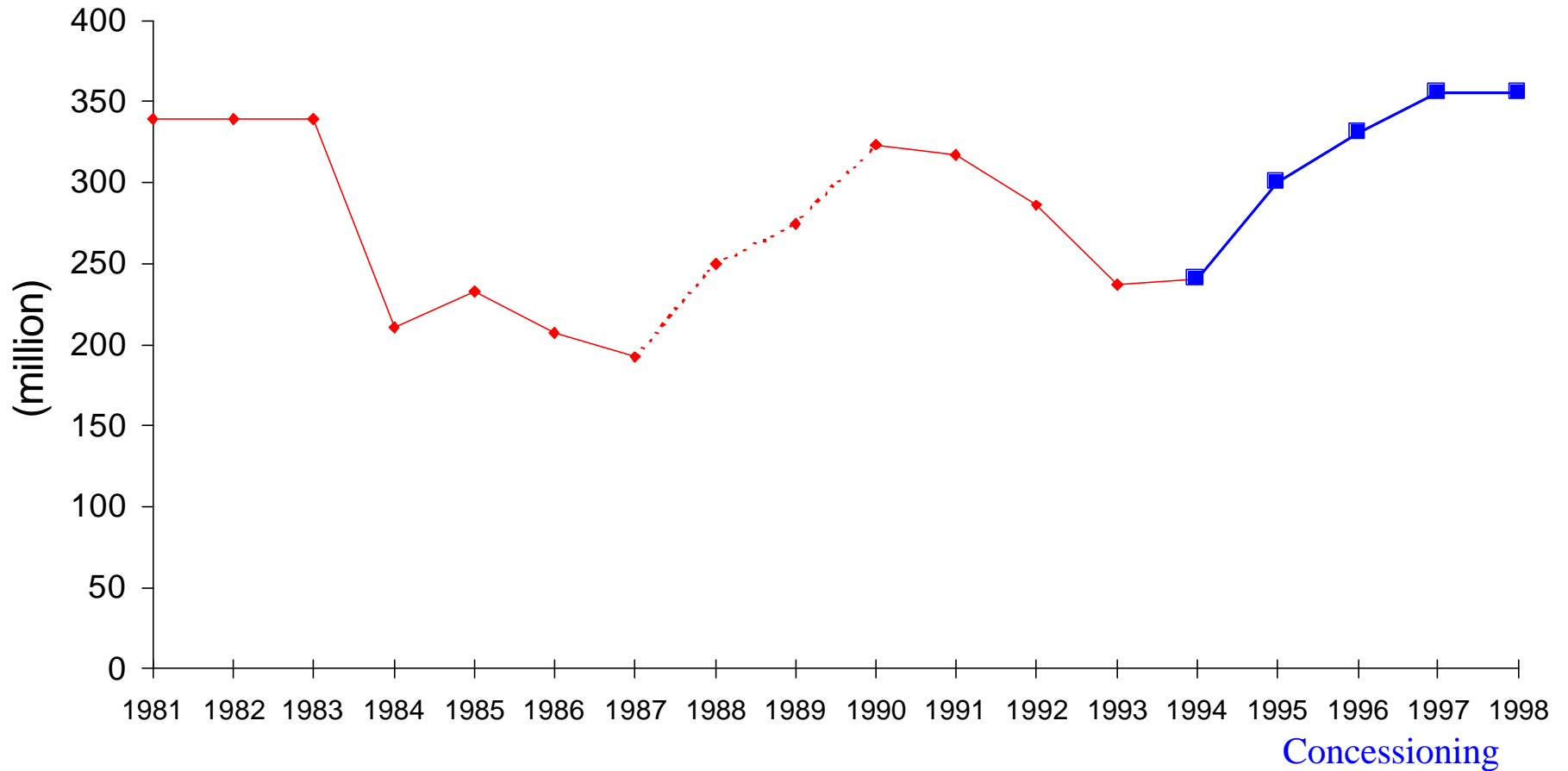
No data is available for 1988 and 1989

The concessionaire took over in October 1995 and a full year has been extrapolated from the first nine months.





## *Rail Labor Productivity in Cote d'Ivoire/Burkina Faso*



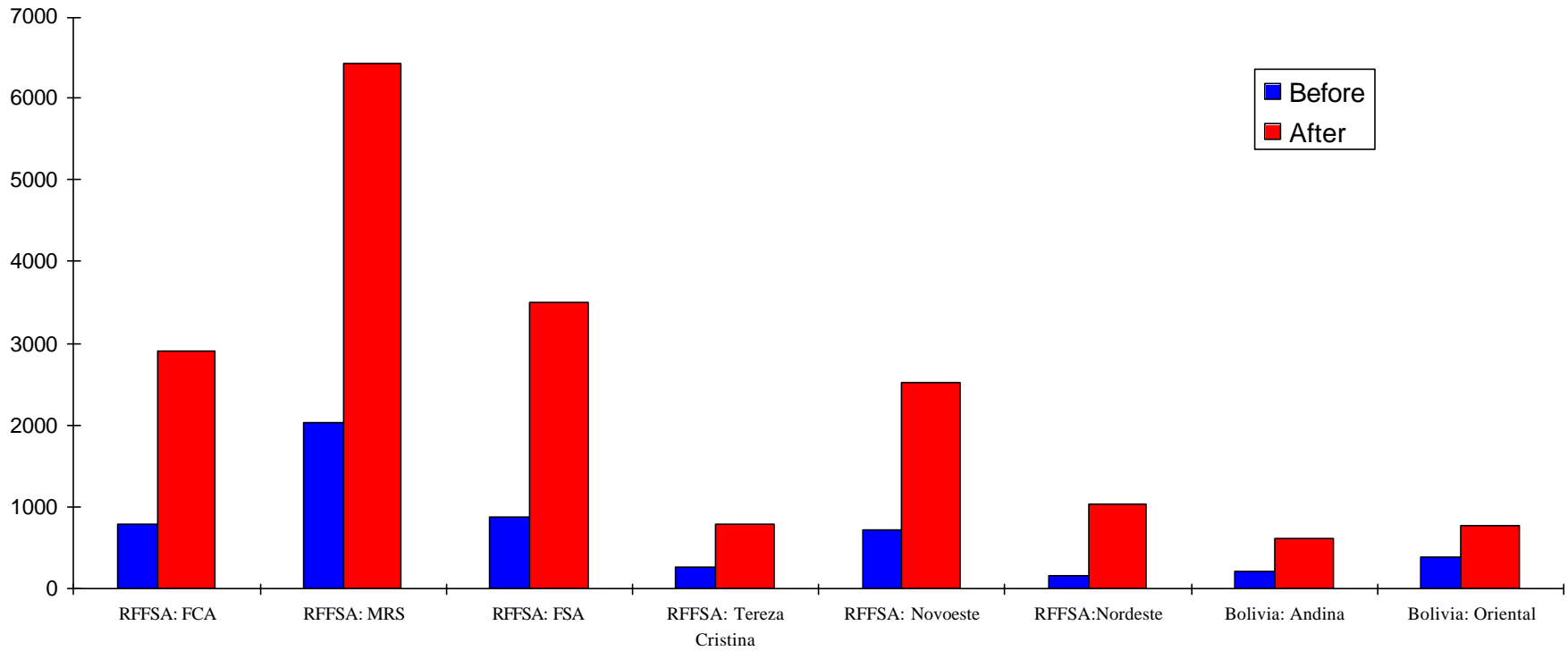
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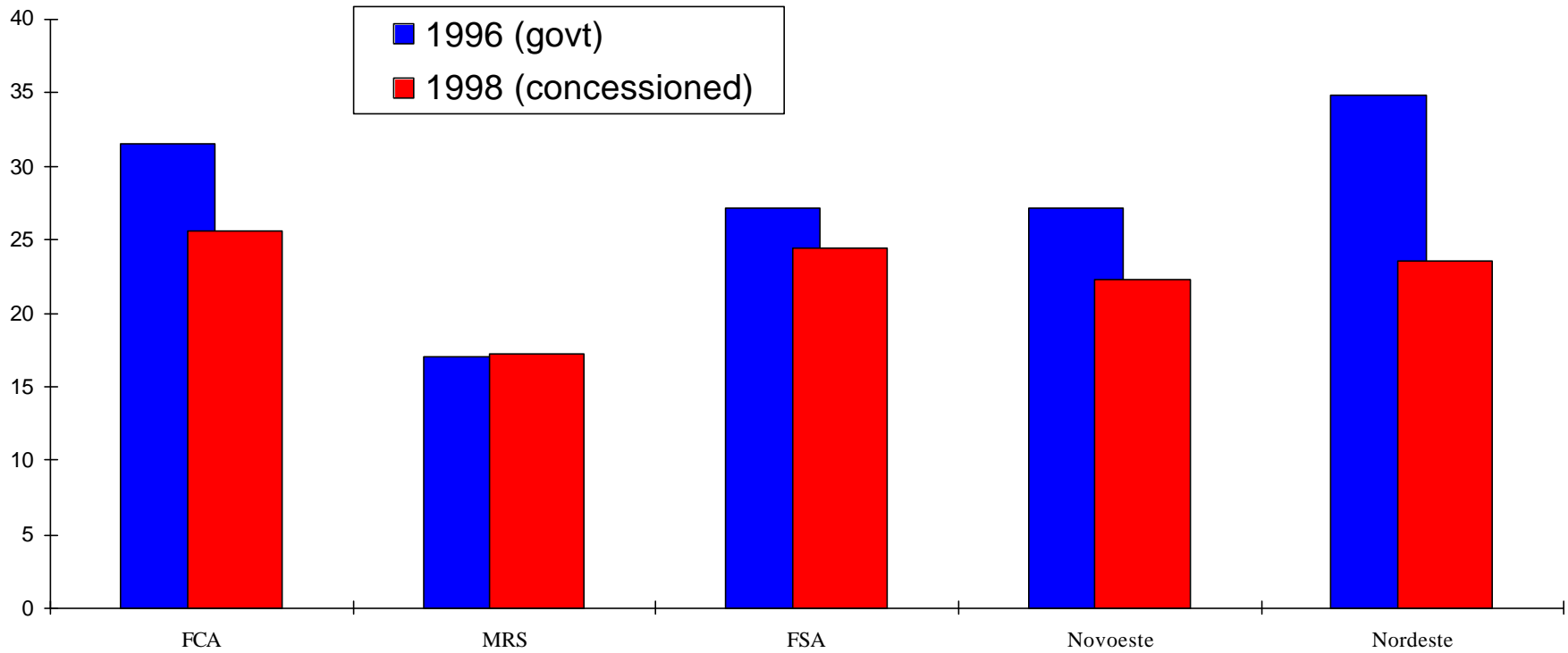


## *Rail Labor productivity in Brazil and Bolivia and After Concessioning (000 TU/Employee)*





## *Rail Freight Tariffs in Brazil Before and After Concessioning* (R\$/000 T-Km)





# Comparison of Passenger Concessions

Comparison of Passenger Concessions								
Company	Lines	Line Km	Locs	Coaches	EMUs	Pass. (000,000)	Pass-km (000,000)	Employees
<b>Argentina--BsAs</b>								
Trenes de Buenos Aires	Mitre	188.8	15	26	160	80.6	1,434	1365
	Sarmiento	174.9	8	12	227	111.5	3,271	2000
Metrovias	Urquiza	28.2	1		128	25.0	433	390
	Subte*	38.7/53.5			515/532	219.2/221.9	660	2038
Trans. Metropolitanas	Roca	260	55	191	177	147.0	2,919	2078
	San Martin	57.8	41	152		46.6	1,153	634
	Belgr Sur	71	32	106		13.1	283	557
Ferrovias	Belgr Norte	54.3	20	102		32.3	604	617
<b>Brazil--Rio</b>								
Oportrans	Metro	34.96**			166	105.0	383	1573
Bolsa, et al	Supervia	200			80	60.0	1,560	2064
* Without/With Premetro								
** After opening Arco Verde and Pavuna								





# *EU ORDER 91-440 and Following*

	Freight	Intercity Passenger	Regional Passengers	Suburban Passengers
Infrastructure Ownership	Kept at national level, may be privatized		Can be devolved	
Infrastructure Improvement				
Infrastructure maintenance				
Control of Operations				
(Dispatching and Scheduling)				
Train Movement	Can be Privatized	Can be Privatized	Can be devolved	
Equipment				
Marketing				
Financial Accountability			PSO Support Permitted	





# *Deutsche Bahn Approach*

	Freight	Intercity Passenger	Regional Passengers	Suburban Passengers
Infrastructure Ownership	DB Infrastructure		Mostly DB Infrastructure, but some involvement by states and local government	
Infrastructure Improvement				
Infrastructure maintenance				
Control of Operations				
(Dispatching and Scheduling)				
Train Movement	DB Freight "to be privatized"	DB Passenger "to be privatized"	Mostly Operated by DB Passenger under contract with locals, but some are operated by locals	
Equipment				
Marketing				
Financial Accountability			State and Local PSO	





# British Rail Privatization

	Freight	Intercity Passenger	Regional Passengers	Suburban Passengers
Infrastructure Ownership	All Owned and Operated by RAIL TRACK			
Infrastructure Improvement				
Infrastructure maintenance				
Control of Operations				
(Dispatching and Scheduling)				
Train Movement	EW&S Rail	25 Franchises		
Equipment		3 Rolling Stock Leasing Companies ("ROSCOS" : Private)		
Marketing		25 Franchises (Private)		
Financial Accountability		Subsidies by local/national governments		

