

8th Florence Rail Forum

28th April 2014

**Rolling stock: how does regulation influence
asset renewal and investment in rolling
stock?**

Giulia Mauri

**Partner, Verhaegen Walravens, Brussels, Belgium
Brussels Representative, Rail Working Group**



Introduction

The Regulatory Framework

- **Post WWII most railways in Europe publicly owned**
- **Regulation historically national and between the state railways (UIC and the RIV and RIC rules for operation of freight and passenger rolling stock**
- **Rail seen by EU as a key European strategic area resulting in the landmark Directive 440/91, four “railway packages” and detailed EU wide rules on interoperability**



Introduction

The Regulatory Framework

- **Little focus in the past on finance**
- **Eurofima established in 1956 as multinational funding agency for state railways, by private contract, which otherwise were funded by cash flow, state loans or grants**
- **Pre 1996 little private finance for rolling stock in Europe (mainly for freight wagons)**





Introduction

The Regulatory Framework

- **UK rail privatisation in 1996 leading to establishment of leasing models for passenger rolling stock**
- **Gradually as other franchise and private operator models emerge, attention needs to be paid to international legal and regulatory framework for finance of rolling stock – but essentially there is none... until now**



The Luxembourg Protocol

What is it?

- **Protocol to the 2001 Cape Town Convention on international interests in mobile equipment**
- **Specific to railway rolling stock**
- **Signed in Luxembourg in 2007**
- **Not yet in force but EU and some EU member state ratifications pending**



The Luxembourg Protocol

What does it do?

- Provides a global system for recognition and registration of security interests in rolling stock, thereby:
 - Reducing risks and costs of financing rolling stock
 - Resolving cross border security and conflict of laws issues
 - Facilitating operating and finance leasing and other private sector finance



The Luxembourg Protocol

How it works

- **Protecting creditor (and debtor/lessee) rights**
- **Application of the Protocol**
 - All rolling stock
 - Applies to security under leases, loans and conditional sales
 - By reference to debtor/lessee location



The Luxembourg Protocol

Special considerations

- **Unique identification of rolling stock – for the first time**
- **Insolvency – balancing the interests of the creditors and debtors**
- **Public Service Issues**



The Luxembourg Protocol

Conclusions

- **The Protocol provides a new pragmatic global regulatory framework which will facilitate more and cheaper private sector investment in the railways**
- **It will lower barriers to entry to private operators**
- **In turn stimulating a more competitive and dynamic industry**



8th Florence Rail Forum

28th April 2014

**Rolling stock: how does regulation influence
asset renewal and investment in rolling
stock?**

Giulia Mauri

**Partner, Verhaegen Walravens, Brussels, Belgium
Brussels Representative, Rail Working Group**