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The Luxembourg Rail Protocol - helping to build the rail infrastructure of the future

[The Luxembourg Rail Protocol](#) to [the Cape Town Convention](#) is a new international treaty that introduces a global legal framework to make it more secure, and therefore 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.

So how does the Protocol support the building of rail infrastructure? In six key ways:

1. Rolling stock is an essential element of any project to build new, or rehabilitate old, railway lines. **There's no point building railway tracks if there's no rolling stock to run on them.**
2. By allowing the private sector to finance the rolling stock in a financially sustainable way, **the Protocol lets governments and investors focus limited resources on building infrastructure.**
3. If rolling stock is built into PPP models, the Protocol allows for **separate, and cheaper, limited-recourse financing of the equipment, leveraging a range of leasing models and export credit support** – hopefully with the Cape Town Discount of at least 10% when the debtor is in a contracting state. Operating leasing of rolling stock gives operators more flexibility, allowing them to maximise returns on investment while passing on financial and obsolescence risks to private sector lessors.
4. The Protocol applies to all railway rolling stock, i.e. to any vehicle that runs on tracks. This means that tunnel boring and rail grinding machines, railway cranes, track laying, tie placing and track tamping units, and other **costly construction equipment running on rails can be financed at better rates with the benefit of the Protocol when it applies.** In particular, it allows builders to lease such equipment when they need it - and hand it back to the lessor afterwards for use elsewhere.

The Rail Working Group is a not-for-profit association constituted under Swiss law representing a broad cross section of the global railway community.

For a complete list of our members and more about us, please visit our website at www.railworkinggroup.org

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5. **New technology installed in rolling stock will facilitate more efficient building and operation of infrastructure**, from hydrogen/fuel cell locomotives removing the need for expensive catenary and supports, to digital automated coupling, to moving signalling into the driver's cab. Variable gauge rolling stock has the potential to be a game-changer, reducing the need to build compatible rail gauge networks, and for dry ports/transshipment facilities and passenger interchanges. Artificial intelligence will enable more rolling stock to run on less infrastructure, which reduces building costs (for example replacing double-track lines with single tracks and passing points – especially beneficial when building bridges and tunnels), and also significantly improves the economic model of the project through more efficient use of new or rebuilt infrastructure. But to work, this needs more rolling stock financed at attractive rates.
6. If the Protocol applies in a region, it will **support the seamless cross-border operation of passenger and freight services without restrictions from financiers**.

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.

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 on railway rolling stock.

The Luxembourg Rail Protocol entered into force in contracting states on **8th March 2024**. It is currently ratified by four states: Spain, Luxembourg, Sweden and Gabon, plus the EU in respect of its competences. South Africa and Paraguay are in the process of ratifying, and France, Germany, Italy, Mozambique, the UK, and Switzerland have all signed but not yet ratified. Many other states are actively working on adopting the Protocol.

The Cape Town Convention and the aircraft protocol thereto are in force already in 83 states and are a proven success. **In many countries the incremental work needed to adopt the Luxembourg Rail Protocol to the Cape Town Convention will be limited.**

There is no cost to government of adopting the Luxembourg Rail Protocol. Whether governments commission new rail infrastructure, or the rehabilitation of existing lines, the Protocol can only assist, encouraging the private sector to provide much-needed, cost-effective, financial support to the rail industry. Development of the rail sector will be critical in fighting climate change and achieving many of the UN Sustainable Development Goals. **Governments should ratify the Protocol at the earliest opportunity.**

The Rail Working Group is ready to provide support to governments on the practicalities of ratification and to help the stakeholder community make the most of the positive ramifications of the Protocol.

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](#).