

# Signal

the European Rail Traffic Management System

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## How the European Investment Bank supports ERTMS investment

The European Investment Bank (EIB), the European Union's long-term lending institution, is a leading source of finance for high-quality transport investments in Europe. In 2008, the EIB lent €9.8 billion for transport projects linked to the trans-European network of which €3.2 billion went to priority projects. It is clear that the rail sector forms a core part of the EIB's lending activity; in 2008, the EIB signed €6.1 billion in loans to the sector.

Looking specifically at the issue of ERTMS – within the broader context of EIB support to the rail sector – it becomes clear that the standard EIB offer is for large loans with long maturities bearing fixed and variable interest rates. In recent years, however, the EIB has developed a complementary series of risk-sharing financial products. The first is the Structured Finance Facility (SFF), which offers a series of tailored products to projects and promoters that previously might not have qualified for EIB financing. The second is a guarantee scheme – the Loan Guarantee Instrument for Trans-European Transport Networks (LGTT) which the EIB has set up together with the European Commission. The LGTT covers revenue risks relating to traffic volumes during the critical early project operation phase.

### Instruments in action

These instruments have been put to use by the EIB to support ERTMS investments, usually as one component of a larger infrastructure or rolling stock project.

Winter is gearing up and so is *Signal*. This issue welcomes aboard EPTTOLA, the recently launched association representing train lessors, with its ideas about how to implement ERTMS effectively across Europe. We also take a look at the role of the European Investment Bank in funding ERTMS projects.

*The Signal team*



Recent projects involving ERTMS approved or signed by the EIB include:

- **Construction of new high-speed lines:**
  - LGV Sud Europe Atlantique: a 300-km link between Tours and Bordeaux, in which the EIB has approved a loan of up to €600 million for senior debt and up to €200 million for LGTT.
  - AVE Madrid Valencia: a 365-km link between Madrid and Valencia, for which the EIB has approved a loan of up to €1.3 billion.
- **Upgrading/rehabilitation of conventional lines:**
  - Warsaw-Gdynia Rail Rehabilitation: a €400 million loan to rehabilitate and modernise sections – including signalling – along 340 km of the existing E65.
  - Czech Framework Facility: a €530 million loan to co-finance transport projects under the Czech structural funds programme, notably railway projects along Corridors III and IV.
- **Rolling stock – acquisition, retrofitting and leasing:**
  - Intercity Express Programme: the EIB approved a loan of up to £500 million (c. €554 million) to support this contract for up to 1 500 new vehicles to operate along UK intercity routes.
  - Renfe Operadora: a €340 million loan to acquire new rolling stock and retrofit ERTMS on 413 units operating in suburban networks.

- Mitsui Locomotive Leasing: a €200 million loan to assist in establishing a leasing pool of approximately 200 locomotives, including retrofitting ERTMS level 2 for usage on EU freight corridors.

### The steps forward

One area of potential further development concerns sale-and-lease-back schemes, as recently advocated by the European Coordinator for ERTMS, Mr Karel Vinck. Under such a scheme, rail undertakings would sell their existing national rolling stock to a leasing company, which, in turn, would retrofit them with ERTMS and then lease the interoperable assets back to the rail undertaking (or the market more widely). This may prove to be an appealing option for all actors: the leasing companies could prefer the larger market potential offered by creating interoperable assets, while the rail undertaking may value the balance sheet implications of divesting. The EIB would be interested in exploring such schemes with clients.

Challenges undoubtedly remain for funding ERTMS investment (both on-board and track side) at the scale and speed required under current deployment plans. However, the EIB is committed to using its range of financial instruments to continue offering maximum support to the sector.







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## Representing train operating lessors – enter EPTTOLA

The European Passenger Train and Traction Operating Lessors Association (EPTTOLA) has been formed with four initial members – Angel Trains (UK) Ltd, Angel Trains International Ltd, HSBC Rail (UK) Ltd and Porterbrook Leasing Company Ltd. All these leasing companies own passenger and freight vehicles which are leased out to train operators. The current members have approximately 13 000 passenger vehicles and traction units and are actively seeking additional members from within the EU that meet the requirements of the constitution as agreed by the Association. EPTTOLA is pleased to report that the Railway Interoperability and Safety Committee (RISC) recognised the Association as a European Stakeholder Group on 6 October 2009.

### A unique focus

EPTTOLA represents a distinct segment of the railway industry with a particular focus on the long-term health, viability and optimisation of railway operations. Providing a cost-effective solution for the development of European railways, operating leasing helps boost competition and facilitates the resultant improvements in service. In particular European train lessors provide rolling stock with cross-border capability; for this reason, the concern is that ETCS is implemented in a uniform pan-European way that avoids variation across countries.

EPTTOLA supports the European Commission's efforts to introduce an interoperability regime whose prime objective is to improve the competitive position of rail as a mode of transport. Only by working to improve its competitive position will the industry, and the companies involved, thrive. This fundamental principle must be borne in mind in regards to promoting and improving interoperability. This is a key reason for the formation of EPTTOLA as the members feel that in some cases and in some ways where interoperability is being implemented, this principle has been lost. ERTMS is a good case in point.

### Ensuring effective implementation

Multiple non-compatible ERTMS installations cannot be cost-effective, optimal or sensible, or improve the competitiveness of the rail industry. Such a situation results in additional costs and does not improve the trains' interoperability. Before trainborne installation is economically viable, there needs to be a stable and standard system that can be type-approved once and permits operation on any ERTMS infrastructure. EPTTOLA understands that the European Railway Agency is leading the development of ERTMS and supports and applauds this action. However, implementation must be achieved with proper consideration of all costs to industry and completed on the basis of a clear committed timescale. Even when the implementation of ERTMS is achieved, the full costs of further development and upgrades must be carefully considered to ensure that the originator of improvements can fund the full costs for both the infrastructure and trains if they are to be optimised at the industry's costs.

EPTTOLA is a new organisation which hopes that, having a different perspective to other stakeholders, will enable it to make a contribution which will further the railways' competitive position in Europe. EPTTOLA's aim is to work with European authorities to examine those activities which impact its members and ensure that their interests are represented in those activities.



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## DG TREN welcomes a new partner – EPTTOLA

DG TREN welcomes the creation of EPTTOLA which represents an important and growing segment of the rail economy. With cross-border activities, leasing companies are 'natural' supporters of interoperability and this is why the EU pays particular attention to their opinion.

Technical solutions to tackle the issue of possible 'national ERTMS' incompatibilities were established in 2007 and anchored in European legislation by a Commission Decision, adopted on 23 April 2008. It may take up to 3 years until all existing applications are upgraded to this common standard.

### Implementation challenges

ERTMS, being a software tool, is by its nature an evolutionary system. The challenge is to ensure that successive releases are produced and implemented in

accordance with market needs. A Memorandum of Understanding signed in July 2008 sets out the time-frame for the development and testing of the new version. The European Deployment Plan adopted in July 2009 lays down clear requirements as regards the equipment of a number of corridors and key freight hubs, enabling actors to deploy ERTMS on the basis of clear business perspectives.

Together with DG TREN, the European Coordinator for ERTMS, Mr Karel Vinck, is working hard to pinpoint cost drivers for onboard equipment and to facilitate the free movement of ERTMS-equipped locomotives. Streamlining the process and bringing down costs will ensure that ERTMS makes business sense.

DG TREN looks forward to fruitful exchanges and collaboration with the members of EPTTOLA.



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### ERTMS diary

• 3-4 December 2009: Brussels  
Committee on the Interoperability and Safety  
of the European Railway System

• 14 December 2009: Brussels  
ERTMS MoU Steering Committee

*Please send us your dates!*

For further information on ERTMS, see: [http://ec.europa.eu/transport/rail/interoperability/ertms/ertms\\_en.htm](http://ec.europa.eu/transport/rail/interoperability/ertms/ertms_en.htm)

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