RAIL BALTICA INFRASTRUCTURE MANAGEMENT MODEL IMPLEMENTATION

Annual Progress Report No. 2

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CONTENTS

INTRODUCTION

Baltic States have taken the decisions, in the manner and form as determined by each State, to appoint entities responsible for *Rail Baltica* infrastructure management (AB "LTG Infra" in Lithuania, SIA "Eiropas dzelzceļa līnijas" in Latvia, OÜ "Rail Baltic Estonia" in Estonia) which were tasked with the development and implementation of *Rail Baltica* infrastructure management model, together with the objective of providing equal, non-discriminatory and easy access to the *Rail Baltica* railway infrastructure and facilities to railway undertakings.

To fulfill this task, a dedicated cooperation format – Expert Working Group (hereinafter – EWG) – was created, which structured the development of *Rail Baltica* infrastructure management model into 12 main topics, with each topic contributing towards one of the core pillars – access, safety & performance, operations.

Detailed overview of the progress achieved in *Rail Baltica* infrastructure management model development during 2021 is summarized in the 1st iteration of Annual Progress Report.

In 2022, the dedicated EWG, supported with advice from professional external expertise, has built on the initial conclusions and continued the development of *Rail Baltica* infrastructure management model.

Various analysis, stakeholder consultations and findings of best practice that were dedicated to the identified main topics provided further inputs and required next steps for model's implementation phase, with the model set to be completed and access to *Rail Baltica* railway infrastructure to be offered no less than 16 months before the calendar year in which the *Rail Baltica* railway line is put into operation.

This 2nd iteration of Annual Progress Report reviews the main progress achieved under each of the identified 12 main topics during 2022.

Furthermore, the EWG has not only led the development of the *Rail Baltica* infrastructure management model, but also proactively engaged in various other activities related to the transformation of Rail Baltica into an economic corridor, including various reference groups dealing with different topics of *Rail Baltica* project, bringing there the particular accent on infrastructure management and operational issues, and elaboration of comprehensive operational readiness plan.

While the primary interest of the EWG is to achieve equal, non-discriminatory and easy access to a well-maintained, safe and reliable infrastructure and facilities, it also seeks to contribute to high-quality services to be offered to the businesses and people, as well as maximize the socio-economic return on the European and national investment.

In that respect, EWG has started cooperation with international formats dedicated to the improvements of EU railway sector, participated in the analysis of rail services, their trends and future demand, provided inputs for State level policy-making considerations.

PROGRESS OVERVIEW

EWG, through series of dedicated meetings, stakeholder consultations, case studies, best practice benchmarking and other types of assessment, has continued to address 12 main topics which form the *Rail Baltica* infrastructure management model and the objectives pertaining to it.

Main results and conclusions achieved during 2022 are summarized and overviewed below for each of the topics:

1	**Unified performance framework**
	The first set of key performance indicators that may be used to measure the performance of the *Rail Baltica* railway line were developed in 2021 and remain valid, as no new dimensions or measurable parameters that could be associated with *Rail Baltica* were identified. It is worth noting that in 2022 Shadow Operator (hereinafter – SO) joined the Rail Baltica project. SO is the key consultant who will bring valuable experience in field of operative infrastructure management, focusing on railway operations, maintenance, cost efficiency, high performance and railway safety. In part of the input from SO, unified performance framework will be updated in 2023 (see item No. 12 "*Horizontal Measures*" for more information on Shadow Operator).

2	**Uniform interface with railway undertakings**
	Rail users survey In 2022, a primary survey was conducted to collect feedback from potential future users of Rail Baltica infrastructure. The survey was targeted to freight forwarders, freight owners, terminal operators and railway undertakings. Key takeaways from the survey are the following: • full-service is expected from *Rail Baltica*, which includes both the actual delivery by trains as operator, and the provision of services at terminals along the entire *Rail Baltica* line; • *Rail Baltica* railway line will be included in delivery methods only if there will be real benefits against existing options that creates value for customers; • *Road to rail* concept has an enormous potential due to constant shortage of truck drivers, more and more companies are asking for environmentally friendly deliveries; • Poland, Germany, Netherlands are main countries of interest; • positive feedback for high-speed freight train services if total time of delivery will be faster than existing services by trucks; • On-line data exchange is a must to be able to track and trace movements of goods.

As we value such a kind of feedback most, we will continue these kinds of surveys to get better understanding of our future clients and partners, as well as to reflect their expectations in the infrastructure management model.

Dispute Resolution

EWG has developed proposals for dispute resolution mechanism between the infrastructure manager and applicant (Railway Undertaking), covering the applicable procedure, dispute classification and involved formats. Seeking for improvement of the current practice, the considered measures include availability of mediation as part of the dispute resolution process for addressing the disputes that may not necessarily be susceptible to legal determination, as well as enhanced cross-border coordination and information exchange for shorter and more efficient administrative procedures.

At the same time, noting that EU legal framework assigns the dispute resolution in the railway sector mainly to the responsibility of an independent State authority – the Regulatory Body – EWG intends to present its considerations and consult with the Regulatory Bodies of each Baltic State to determine the complete dispute resolution strategy for *Rail Baltica*.

3 Common charging principles

EWG has started the work on target model (i.e. proposal for an optimal model from the perspective of expert level) of *Rail Baltica* track access charging system, building on the scope and key principles that were defined during 2021.

Development of the target model covers main elements of the railway infrastructure charging framework, such as calculation of infrastructure manager's operating costs, market segmentation, potential use of mark-ups and discounts. As part of this work, the EWG also analysed and benchmarked the charging schemes and practices used in other EU countries, as well as considered the recommendations provided in the wider *Rail Baltica* Infrastructure Access Policies Development Study, which was prepared by the consulting company Atkins Limited.

Additionally, representatives of the EWG presented the progress on *Rail Baltica* infrastructure management model, and in particular the development of *Rail Baltica* track access charging system, at the Track Access Charges Summit, an international event for railway sector professionals. It was highlighted that *Rail Baltica* is a unique example where the charging system is being developed for cross-border railway infrastructure.

The main challenge for Rail Baltica charging model will be that there is no historic data for direct cost calculations, therefore its utmost important to keep up with current infrastructure manager's practices through PRIME collaboration and (or) existing charging bodies in the Baltics. It is planned that in 2023 the target model of *Rail Baltica* track access charging system will be completed and put forward for implementation.

4

Common capacity allocation

Building on the common elements of the Rail Baltica capacity allocation framework which were identified in 2021, significant progress was achieved in defining the target model (i.e. proposal for an optimal model from the perspective of expert level) of *Rail Baltica* capacity allocation:

(1) Procedures and deadlines – after evaluation of existing practise for capacity allocation procedures in Latvia, Lithuania and Estonia, the conclusion was reached that capacity allocation for Rail Baltica shall follow the well-established RailNetEurope practice, as it implements the European Union legislative requirements and is universally applied for capacity allocation on more than one network;

(2) *Priorities in case of congested infrastructure* – the consideration was made that the main principles for priorities in case of congested infrastructure shall be determined on State (inter-State) level and could reflect the following order of priority for different service categories:

i. pre-arranged international freight corridor paths based on the freight corridor implementation plan and, where relevant, pre-arranged international train paths established within other co-operation agreement framework
ii. passenger trains, operated under PSO contract
iii. other passenger trains
iv. freight trains
v. other trains

Based on these principles, the specific priorities towards the train services within the defined service categories could be further distinguished and decided by the Rail Baltica infrastructure managers. For example:

Passenger trains, operated under PSO contract	• Long distance trains • Regional trains
Other passenger trains	• Long distance trains • Regional trains • Night trains • Postal trains
Freight trains	• Multi-modal trains • Bulk trains • Other freight trains

Additionally, other specific aspects of the capacity allocation framework were considered:

- priority for military mobility in case of ad hoc request;
- priorities for preparation of annual draft timetable;

- operational priorities in case of emergency or other relevant reasons causing necessity to restore traffic

Noting that some elements of the capacity allocation framework are related to existing national legislations and policy-making decisions, the abovementioned considerations will be presented and continue to be aligned with the national transport ministries and the regulatory bodies.

Determination of the consultation procedure with the European Commission (Article 40(2) of Directive 2012/34/EU)

In accordance with the consultation procedure with the European Commission (hereinafter - EC) which is prescribed in the EU legal framework, a letter of intent was prepared for the EC regarding invitation to the EWG format where the capacity allocation and track access charging systems for *Rail Baltica* are being developed.

Noting that during 2021 the core principles and existing regulatory framework of each Baltic State regarding capacity allocation and track access charging were still under consideration and in-depth assessment phase, it was decided that the abovementioned consultation procedure will be initiated and the letter of intent will be extended at a later stage (most likely in 2023).

EWG considers that the primary aim of these consultations is to assure that target model for *Rail Baltica* capacity allocation and track access charging meets the requirements and principles mandated by EU law and the single European railway area, as well as reflects (or goes beyond) the current best practice.

Cooperation that is extended beyond the railway infrastructure managers

5

Action Plan to boost long-distance and cross-border passenger rail services

EC has published the Action Plan to boost long-distance and cross-border passenger rail services with an aim to give new impetus for international rail services.

Upon assessment of the wide-reaching actions and upcoming initiatives dedicated to the various areas of the rail sector in Europe, direct relevance and opportunities for the *Rail Baltica* infrastructure management model were identified (including, but not limited to, the new guidelines for setting track access charges, improvements in capacity planning process, etc.). EWG has determined to be an active participant and engage with the relevant rail sector stakeholders during the Action Plan's implementation.

Operational Readiness

EWG took part in a new workstream with the *Rail Baltica* joint venture RB Rail AS – the Operational Readiness activity which is dedicated to identification and structurization of all the activities which need to be completed to start operations on the *Rail Baltica* railway, including on the level of railway undertakings, national authorities, etc.

	Operational Readiness activity will provide the entire spectrum of required preparatory works for the *Rail Baltica* railway line to be fully in business, not limiting it to the functionalities and responsibilities of the railway infrastructure manager which are being addressed by the EWG. This approach corresponds to the best practice used in other major greenfield infrastructure projects and aims to assure not only the availability of infrastructure, but also the fitting legal and business environment, synergies with other industries. Working format between RB Rail AS and entities responsible for Rail Baltica infrastructure management was activated to exchange information and coordinate activities necessary for commercialization topics. In addition, reformed Reference Group for Rail Baltica Strategy and Economics will start its work as the coordination, consultation and alignment body for the strategic global project economic and business development activities leading to efficient management and high-performance services on *Rail Baltica*.

6	**Common safety management** Safety Management System is the heart of the railway infrastructure manager and part of the everyday operations. Even during the development and construction of the railway system, safety needs to be treated properly. Safety starts in culture, and in railways safety culture is one of the hot topics recent years, initiated mainly by sector itself and European Railway Agency. Therefore, safety culture was identified as one of the areas that our organisations need to handle in practical level. First safety model for Rail Baltica future infrastructure managers was developed and will be taken as a basis in further steps of undertaking this role. For the identification of Safety Management System requirements pursuant Regulation 2018/762 and means of their fulfilment a checklist was created, however further analysis and creation of the roadmap is pending due to late start of the Shadow Operator activities, from which deliveries for fulfillment of essential part of the requirements is expected.

7	**Common external strategy** *Rail Baltica* infrastructure management model is an integral and interlinked part of the overall *Rail Baltica* Global Project, as well as a joint effort of the three Baltic States and their designated entities. Thus, common communication principles were introduced to ensure consistency and uniformity in external communication and stakeholder engagement. Stakeholder mapping took place for the identification of key stakeholder groups which shall be managed, consulted, informed, monitored or otherwise proactively considered based on the analysis of their needs, interests and potential impact in this process. A detailed stakeholder management plan will follow with an aim to ensure that

	stakeholders are given sufficient opportunity to voice their expectations, opinions and concerns, as it would provide important input for the overall development of the model, as well as defining the access conditions and the offer to market that are most fit for purpose.

8	**Extended cooperation beyond the Baltic States** AB "LTG Infra", SIA "Eiropas dzelzceļa līnijas" and OÜ "Rail Baltic Estonia" have joined EuroLink – a platform of network planning experts which is conducting capacity/network designs and facilitating alignment of national networks by improving international connections through high frequency slots, shorter travel times, direct links and optimised transfers. EuroLink develops concepts for capacity usage and timetabling 5-10-20 years ahead, thus giving the opportunity to plan and see how *Rail Baltic*a can be fitted into the European railway network and connected with other major transport hubs or passenger destinations. This will provide good connection opportunities for passengers as well as due to attractive and well-coordinated international paths railway undertakings may be encouraged to extend their planned routes to *Rail Baltica* line. The consulting company Atkins Limited, on behalf of the joint venture of *Rail Baltica* RB Rail AS, delivered the *Rail Baltica* Infrastructure Access Policies Development Study. Assessment of options and guidelines for rolling stock acquisition across various contractual types and review of different service contracting models to ensure the deployment of passenger and freight services for *Rail Baltica* across the various segments were provided. Further work and detailed scenario analysis is required in order to determine the likely passenger service contracting schemes. The long timescales required for acquiring rolling stock, and bringing it into service on a new line, mean that it is essential to make policy decisions on passenger service models and rolling stock acquisition schemes without further delay.

9	**Traffic management** Relevant experts engaged with the *Rail Baltica* project coordinator RB Rail AS in the preparations for *Rail Baltica* control-command and signalling (hereinafter - CCS) subsystem procurement and deployment to assure that the approach which has been defined for the development of *Rail Baltica* traffic management functionality is compatible with the technical scope and operational solutions of the *Rail Baltica* CCS subsystem. A dedicated *Rail Baltica* CCS subsystem deployment technical working group was created where the specific questions will continue to be analysed and aligned on demand basis. Implementation works of the *Rail Baltica* CCS subsystem are expected to start in 2024.

	In addition, with *Rail Baltica* being a unique project, which crosses more than one State and its transport network, EWG has initiated the procedure for development, modification and approval of *Rail Baltica* railway track operational layout, which is the backbone for future operations and timetabling activities of the entire *Rail Baltica* railway line across all three Baltic States. The aim of this exercise is to expand the current approach which is shaped by engineering and technical considerations, and instead create integrated operational and infrastructure planning. Such approach shall ensure sufficient capacity and capability to handle the future transport and market demand, as well as cost-benefit based investments into infrastructure.

	Service facilities
10	Main principles for the management of service facilities were defined in 2021. No other important activities that may have impact to the overall *Rail Baltica* infrastructure management model are identified at the current stage. An international consortium led by *Ramboll*, global architecture, engineering and consultancy company, on behalf of the joint venture of *Rail Baltica* RB Rail AS, finalised two studies and provided recommendations on how to maximize socio-economic benefits from development and operation of the *Rail Baltica* international passenger stations as well as regional railway services. Where relevant and applicable the outcome of these studies can be integrated in further station planning and development, including stakeholder management, to help boosting regional and *Rail Baltica* economic corridor development.

	Infrastructure maintenance strategy
11	Ongoing preparation of the infrastructure maintenance concept by the Shadow Operator consultant (see item No. 12 "*Horizontal Measures*" for more information on Shadow Operator), covering such aspects as maintenance principles, necessary equipment and maintenance rolling stock, infrastructure condition monitoring, scheduling of maintenance plans and others. Infrastructure maintenance concept will provide the details for taking the required business decisions on the intended *Rail Baltica* infrastructure maintenance strategy (corrective / preventive / predictive) and model (inhouse / outsource / hybrid). Thereafter, the required workforce, equipment and machinery can be put into plans and, where relevant, tendered out, providing new opportunities to local and regional market. It is in the interest of *Rail Baltica* to contribute to the supplier market development and growth in the Baltic railway sector not only during the implementation phase, but also beyond.

12	**Horizontal measures**
	Continuation of a dedicated working environment and platform for the *Rail Baltica* infrastructure management model, including delegation of the relevant experts, preparation and reporting on annual tasks for 2022, update of long-term plans and the identification of the target date when the *Rail Baltica* infrastructure management model must be put in place. Initiation of memorandum of understanding between AB "LTG Infra", SIA "Eiropas dzelzceļa līnijas", OÜ "Rail Baltic Estonia" dedicated to the overall cooperation framework and principles in the development and implementation of *Rail Baltica* infrastructure management model. Contract signed with Shadow Operator consultant which will provide independent professional assessment, experience and expertise in various fields related to the operations and maintenance of the *Rail Baltica* railway. The deliverables of these consultations will include documentation plan, maintenance concept, operational concept, safety requirements, standard operational procedures and others, all of which will be used as inputs in the development and implementation of related railway infrastructure manager's functions.

CONCLUSION AND OUTLOOK

During 2022 the EWG has successfully continued to assess various elements related to railway infrastructure management and looking for solutions tailored specifically for *Rail Baltica* case and the objectives it has to achieve.

Further progress will build on independent expert advice and recommendations, making sure that *Rail Baltic*a infrastructure management model reflects (and goes beyond) the best industry practice.

It is planned that in 2023 the core conclusions and proposals for further action will be reached under each of the identified main topics, allowing the *Rail Baltica* infrastructure management model to enter into the implementation phase.For this purpose, the EWG plans to start State level and interinstitutional consultations, to make sure that the considerations and proposals developed by the EWG can be transposed and incorporated into the relevant national policies and legal environment.

Finally, to formalize cooperation framework among the entities responsible for Rail Baltica infrastructure management it was agreed to conclude Memorandum of Understanding for the development and implementation of Rail Baltica infrastructure management model. Memorandum to be signed in the first quarter of 2023. In addition, in 2023 it's foreseen to conclude detailed cooperation agreement to further enhance cooperation and to define actions for the successful implementation of the infrastructure management model.

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