Public Accounting and Asset Quality Data:
Reporting and Data Requirements for Effective Management and Regulation of Rail Infrastructure

IMPRINT-NET Discussion

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Information the Commission Has (*Effectively*) Told Railways To Develop

- Accounting separation of infrastructure from operations (P&L and Balance Sheets)
- Provide information to show:
  - Infrastructure is financially stable
  - Access charges cover at least marginal cost
  - Access charge mark-ups are efficient and non-discriminatory
  - Condition of and access rules to infrastructure
  - *Infrastructure is efficiently and effectively provided*
- Separate operating accounts between passenger and freight (*social versus commercial also desirable to ensure that subsidies are limited to accepted purposes*)
- *Present information in comprehensible and internationally comparable (IAS) format*
- *Make the reports publicly available.*

Organizational Implications of EU Directives

- Only accounting separation of infrastructure mandated, but institutional separation is more effective to meet requirements. Control of access charges and priorities must be separated.
- LOB separation effectively required for freight versus passenger (better for sub-types of passenger as well)
- Holding companies permitted, given full accounting separation
- Social (supported) services must be provided under explicit contract
- EU law silent on ownership

The Commission's Objectives

- Increase the efficiency of rail in order to strengthen the rail role in transport
- Promote competition in and/or for the transport markets
- Clarify government financial role (ensure adequate funding goes only to permitted purposes)
- Ensure financial stability of infrastructure provider
- Enhance the business focus of rail infrastructure and operators

But

- The data do not exist, or are not made public, to support either management or regulation of the required railway structure
- What is needed to implement:
  - Basic agreement on models of structure
  - Agreement on data to be developed and published

The Emerging EU Model for Railways

Type of Market	Commercial or Social	Type of Competition (if any)	Public and Private Roles	Access Charge Regime
Infrastructure	Utility or Commercial	None/FOR	Mostly public. Financial objectives differ	Level driven by financial objective, structure by type of market
Freight Services	Commercial	IN	Mostly public, moving toward private	Simple (preferably MC), particularly for international
Passenger Services				
High Speed Rail	Commercial	FOR	Public, could be private	2 part (or integrated franchise)
Conventional Intercity	Commercial (social?)	IN	Public, could be private or franchised	Simple for competition IN the market
Rural/regional	Social	FOR	Public, could be franchised	Simple (marginal user)
Suburban	Social	FOR	Public, could be franchised	2 part
Metros	Social	FOR	Public, could be franchised	Integrated franchise (or 2-part, or full cost contract)

Who Uses Data and Why?

	Reporting Data Types and Users				
User Type	**Government or Public Accounting**	**Financial Accounting**	**Operational and Physical Data (including revenues and safety)**	**Benchmarking**	**Detailed Infrastructure Analysis**
Infrastructure Manager	Use of public funds	Ensure financial viability	Network utilization analysis	For performance comparisons	Ensure appropriate condition, measure marginal costs, calculate mark-ups
Freight Operator		Financial reporting	Only for freight		
Commercial Passenger Operator		Financial reporting	Only for passenger services		
Social Passenger Operator	Use of Public Funds	For Operator and supporting government	Permit justification of costs and charges		
National and Local Governments	Reconciliation with public funding	Ensure adequate payments for limited purposes	Analysis of potential efficiency and capacity challenges	Comparisons of national railways with others	Analysis of capacity and investment issues
Regulators		Analysis of economic viability and potential monopolistic behavior	Analysis of traffic trends and pricing decisions	Performance comparisons for infrastructure	Analysis of infrastructure access and access charge proposals
Investors		Potential investment decisions in operators	For investment analysis		
Academic Community	Analysis of public finances	Analysis of performance of all services	Economic analysis of system performance and pricing behavior	Analysis of international performance	Economic analysis of marginal costs and of the impact of mark-ups and access charge structures

Existing Data Examples

Reporting Type	Example Source	Remarks
Government or Public Accounting	Government agency budget publications	No common format
Financial Accounting	SEC 10K statements (US), Amtrak Annual Report (US), UIC International Railway Statistics, Tables 71 -74, STB "Statistics of Class I Railroads" (US), Annual Reports posted on various websites (see data summary)	UIC Tables 71,72 and 74 have no LOB data. Table 73 provides only summary data on revenues and expenses by LOB (only 5 EU member railways complied in 2003). Annual Reports are consolidated and do not show individual LOB results.
Operational and Physical Data (including revenues and safety)	UIC International Railway Statistics, STB "Statistics of Class I Railroads"	STB data more detailed than UIC data
Benchmarking	UIC "Lasting Infrastructure Cost Benchmarking"	Utility limited: results and railway identities not public information. Focus is on time series and cross-section comparisons, not detailed relationships between users and costs.
Detailed Infrastructure Analysis	Network Statements.	Focus on network characteristics and capacity or investment plans, not on detailed data needed for MC analysis

Next Steps for Better Information

- Member railways prepare, publish and post complete data in several languages
- All should adopt IAS-based, LOB reporting
- Expand Network Statements to permit MC analysis and condition reporting (Figure 4)
- Commission new study of agreed methods of MC calculation. Iterative process.
- Without these steps, progress will be slowed