1. Basic Information

1.1 Désirée number: CZ01-03-01
   Twinning number: CZ01/IB/OT/01

1.2 Title: Preparation of conditions for the application of the EU Directives in the transformation of Czech Railways (CD)

1.3 Sector: Transport

1.4 Location: Ministry of Transport and Communications (MoTC)
Czech Railways

2. Objectives

2.1 Overall objective(s)
   - Existence of a functioning market economy in the Czech Republic as well as the capacity to cope with competitive pressures and market forces within the EU in the transport sector.

2.2 Project purpose
   - To ensure the application of the EU Railway Directives (91/440/EC, 95/18/EC, 95/19/EC, including the forthcoming new EU legislative package on the revitalisation of the EU railways) and the European experience in the area of railway sector transformation in the Czech Republic and in the Czech Railways transformation.

2.3 Accession Partnership / NPAA priority

Accession Partnership (1999) highlights the following priorities:
   - Medium-term priority the need to align legislation on rail transport which is one of issues of the 1999 Accession Partnership.

The 2000 National Programme - NPAA 2000
Based on the analysis of the Commissions Regular Reports on the progress made by the Czech Republic towards membership and on the 1999 Accession Partnership, the 2000 National Programme for the Adoption of the Acquis (as well as the current project) is addressing the following railway transport priority issues:
   - restructuring of railways,
   - approximation of Czech railway legislation with the railway acquis communautaire creating thus a legislative framework for:
     ⇒ a new system of railway infrastructure financing,
     ⇒ a new system of public passenger transport financing,
     ⇒ the improvement of conditions for access into the market.

NPAA 2000 - Short-term priorities - railways transport:
   - to re-submit to the Government, after negotiations with social partners, the Draft Act on the Transformation of Czech Railways, (this priority has already been fulfilled – the Draft Act on the Transformation of Czech Railways went through amendments proceedings of the competent ministries, other institutions, it has been evaluated by the Parliament Committee for European Integration and presented to Government with the assumption to be approved in the Parliament of the Czech Republic during the first half of 2001.),
   - to complete the Comprehensive Project of the Accompanying Social Scheme for the expected attention on the railways.
3. Description

3.1 Backgrounds and justification

The project "Preparation of conditions for the application of the European Union Directives in the transformation of Czech Railways" is in full compliance with the transport policy framework and with the pre-accession strategy of the Czech Republic in its preparations for future membership in the European Union. In order to comply with the EU legislation and the European Commission’s conclusions on the railway issues, it is necessary to develop sufficient effort for the restructuring of the railway sector and thus to contribute to the achievement of a balanced competition on the transport market of the Czech Republic.

The main objective of the reform of the railway transport in the Czech Republic is the preparation and a gradual trouble-free integration into the internal market of the EU. Any changes in the Czech Republic’s railway sector are subject thereto.

The Czech Republic’s railway sector reform was in its essence initiated already in the year 1994 by approving the Railways Act no. 266/1994 Coll. In the year 1994, the Act newly specified, inter alia:

- liberalisation of the railway sector - licences to doing business in the field of the railway transport and to operate the railway infrastructure,
- creation of a competitive environment on the railway infrastructure - by enabling the railway companies to get access to the railway infrastructure for a specified consideration.

The above mentioned Act has been amended in the year 2000 (by the Act no. 23/2000 Coll.), namely by the modification of:

- conditions of access to doing business in the railway sector, in accordance with the European legislation,
- new legislation basis for the financing of public passenger transport (public service obligations).

For further development in the railway sector in the Czech Republic it is necessary to carry out the transformation of the state organisation “Czech Railways” into an entity which will be in full compliance with the conditions of the railway acquis communautaire. The transformation process will be based on the legislation basis of:

- The Railways Act no. 266/1994 Coll., as amended by the Act no. 23/2000 Coll.,
- The Act on the Transformation of Czech Railways (including a change in the existing Czech Railways Act).

So far (end of 2000), the Draft Act on the Transformation of Czech Railways went through amendments proceedings of the competent ministries, other institutions, it has been evaluated by the Parliament Committee for European Integration and presented to the Government. The approval of the Act in the Parliament of the Czech Republic (Chamber of Deputies and Senate) is expected in the first half of 2001. The actual implementation of the transformation process is expected at the turn of the years 2001/2002.

The integral part of the reform is the issue of the mitigation of social impacts generated by the reduction of employment on the railways. In the year 1998, the Czech Republic’s Government adopted the Comprehensive Project of the Accompanying Social Scheme. The implementation of the Scheme has been extended till the end of the year 2000. Recently (end of the year 2000), the Government of the Czech Republic is considering the extension of the implementation of the Social Programme over the period 2001 - 2005.

The transformation process is aimed at the reform of the Czech Republic’s railway sector into a form harmonised with the European railway sector. The essential legislative principles of the transformation process are laid down in the following European legal standards:


all of the above listed standards being as amended by their latest amendments. At the same time the transformation process is oriented on the preparation of the application of future amendments to these legal standards, as well as other EU directives concerning the railway sector.

3.2 Linked activities

- Phare Multi-Country Transport Program (1992 - 2000) - projects with the Czech Republic participation - they will be used as background materials,
3.3 Results

Results of the Project will be focused on:

- Application of EU directives (91/440/EC, 95/18/EC, 95/19/EC) in the railway sector transformation,
- Compliance with the EC condition for application of ISPA fund for railway infrastructure projects.

6 key components will be established:

1. Harmonisation of the charging for the use of the infrastructure for transport operation
2. Amendments of interface and relations between the railway undertaking and the infrastructure manager
3. Financial revitalisation of railways
4. Implementation of the process of transformation in field of human resources
5. Organisational and managerial changes
6. Proposal of public relations strategy

1. Harmonisation of the charging for the use of the infrastructure for transport operation:

   - Creation of equal conditions for access to the infrastructure.
   
   This component includes evaluation of the charging system for using the railway infrastructure within the Czech Republic. The basic result will be a draft of charging methodology for using the state owned railway infrastructure. This solution will further allow to harmonise the structure, character and features of the transport market in the Czech Republic with the EU transport market and to develop the transport market in the Czech Republic.

2. Amendments of interface and relations between the railway undertaking and the infrastructure manager:

   - Establishment of functioning relations and connections between the railway undertaking and the infrastructure manager.
   
   This component includes an analysis of the current relations and a proposal of suitable amendments of relations for optimum functioning of the railway transport services operation regime and the railway infrastructure managing regime. The decision making factor will be using experience from the current models operating within the EU member states and ensuring non-discriminatory access to the railway market. The principal result will be a draft system satisfying the condition of equal environment in the railway market.

3. Financial revitalisation of railways:

   - Solution to the existing debt burden of the railway undertaking,
   - Amendments of financial mechanisms making a sound development of the railway sector possible,
   - Solution to the funding of infrastructure,
   - Solution to the funding of passenger transport.

   This Project component includes a draft of the financial revitalisation of the railway sector in the Czech Republic and further setting of the environment which will enable sound development of the entities operating in the railway sector. Intention is the financial revitalisation of the entities (infrastructure manager, railway undertaking), strengthening of their stability and sound development.

4. Implementation of the process of transformation in field of human resources:

   - Optimising of the railway sector reform impact on the field of human resources,
   - Development of human resources,
• Strengthening of business behaviour of railway employees.

This Project component includes on one side solution of the Czech Railways transformation impact on the field of the human resources, on the other side it concentrates on creating the suitable system model of managing and development of the human resources using the experience of the European railways. The intention is to create the system of choice, training and education of the employees.

5. Organisational and managerial changes:
• Summary of organisational and managerial impacts on successor organisations of the Czech Railways transformation and territorial adapting to higher local government administration units,
• Modification of the most important software applications in the new organisational structure,
• Draft principles of data sharing between the successor organisations,
• Modification of hardware in the new organisational structure.

This Project component includes the composition and evaluation of the draft of the organisational and managerial changes in concord with the current EU legislation. The intention is to modify the information systems according to new conditions resulting from railway sector restructuring and public administration reform in the Czech Republic. The results will in the final phase ensure functioning organisational and managerial structure, fully respecting the newly occurred undertaking needs and further ownership, organisational and territorial functioning of the undertaking information system.

6. Proposal of public relations strategy:
• Ensuring of the information for public and railway employees about the matters of costs of infrastructure, railway sector reform, debt burden of the railway, development in the field of human resources (summary for components 1 - 5).

This Project component includes ensuring of the public support of the railway restructuring. Ensuring of the presentation and informing will concentrate on the wide public and also on the railway employees.

3.4 Activities

The Project will be implemented by using TWINNING (TW) and TECHNICAL ASSISTANCE (TA):
• TWINNING – PAA, MT and ST experts, seminars, training, consultations, handing over of documents, exchange stays - in Parts 1, 2 and 4,
• TECHNICAL ASSISTANCE in Parts 3, 5 and 6.

Six key components will be implemented by using TWINNING (TW) and TECHNICAL ASSISTANCE (TA) in the following structure:

1. Harmonisation of the charging for the use of the infrastructure for transport operation – (TW):
• Summary of the existing systems of charging of infrastructure fees for railway undertakings in EU member states - one EU medium-term expert (2 months),
• Proposal of an appropriate system of charging of infrastructure fees for railway undertakings, harmonised between transport sectors - one EU medium-term expert (2 months), and training, seminars and study stays for CD experts.

2. Amendments of interface and relations between the railway undertaking and the infrastructure manager – (TW):
• Summary and evaluation of models of relations between railway undertakings and infrastructure managers in EU member states - one EU medium-term expert (1 month),
• Analyses and amendments of the created relations between the railway undertakings and the infrastructure manager in the Czech Republic - two EU medium-term experts (5 months, 5 months), and training, seminars and study stays for CD experts.

3. Financial revitalisation of railways – (TA - 6 months):
• Description of the existing debt structure
• Draft solution to the issues of internal debts in the railway sector
• Draft solution to the future financial relations leading to removal of causes of the existing debts and training, seminars and study stays for CD experts.
4. Implementation of the process of transformation in field of human resources – (TW):
• Summary of solutions of the railways transformation impacts on the field of human resources in the EU Member States - one foreign EU medium-term expert (1 month),
• Draft solution to the railways reform in the field of human resources – one EU medium-term expert (3 months),
• Ensuring of human resource development at the re-structured railways – two EU medium-term experts (4 months, 3 months),
• Strengthening of business behaviour of railway employees - four EU medium-term experts (3 months, 3 months, 1 month) and training, seminars and study stays for CD experts.

5. Organisational and managerial changes – (TA - 8 months):
• Summary of organisational and managerial impacts of the Czech Railways transformation and territorial adapting to the higher local government administration units from the viewpoint of successor organisations,
• Modification of software applications in the new organisational structure,
• Draft principles for sharing data between successor organisations.

6. Proposal of public relations strategy – (TA - 10 months):
• Draft proposal of public relations strategy for Czech Railways restructuring, with a focus on the employees and public.

Within the framework of the components 1 - 6 the conclusions of Phare MCTP, U.S. TDA Study and research activities of the Ministry of Transport of the Czech Republic will be applied.

4. Institutional Framework

Main partner and co-ordinating institution: Ministry of Transport and Communications of the Czech Republic (MoTC)

The MoTC is the central authority of state administration responsible for the transport, telecommunication and postal sector in the Czech Republic. In the railway sector the MoTC is responsible especially for the railway legislation and its accordance with railway acquis, for the principles and scope of the railway sector regulation and for establishing the conditions for undertaking in the railway sector. Relationship of MoTC to Czech Railways, state organisation, is legally specified.

Project implementing organisation: Czech Railways, state organisation (CD)

Project implementing organisation will be Czech Railways (CD), state organisation. In agreement with the legal framework of the CD transformation the Project implementation will be transferred to eventual successors entities of current state organisation.

The CD, state organisation, is an entity operating in the railway market in the Czech Republic, in a position of the operator of the railway state-owned infrastructure and national railway carrier.

Other institutions taking part in the specified part of the project:

Ministry of Finance of the Czech Republic (MoF) is the central authority of the state administration which is in relations with the railway sector responsible for price regulation of charges for using the state-owned railway infrastructure and price regulation of tariffs for national personal public transport.

Ministry of Labour and Social Affairs of the Czech Republic (MoLSA) is the central authority of the state administration which is involved among others in the employment in the transport sector.

Main beneficiaries of the project results are:
• Czech Republic within the meaning of further compliance with the preconditions of the Czech Republic accession into the European Union,
• Ministry of Transport and Communications of the Czech Republic in a position of the entity forming the transport policy in the Czech Republic
• Railway Authority in the position of special authority realising the state administration in the railway sector (in compliance with Railways Act No. 266/1994 Coll. as amended by act No. 23/2000 Coll.) - licenses undertaking in the railway sector, driving of railway vehicles, controls non-discriminatory access of
the carriers to railway infrastructure in the Czech Republic, it is a special building authority for railway constructions, etc.

- Ministry of Finance of the Czech Republic in the position of an authority carrying out price regulation of the charges in the railway transport and of the tariffs for national personal public transport,
- Ministry of Labour and Social Affairs of the Czech Republic in the position of an authority concerned in the impact of the Czech Railway transforming in the field of employment,
- Czech Railways, state organisation, including successors entities, in the position of the operator of the railway state-owned infrastructure and national railway carrier,
- further railway undertakings (in the position of the railway transport operators) and further operators of the railway infrastructure in the Czech Republic within the meaning of the approximation to the creation of harmonised conditions for doing business on the transport market in the Czech Republic between individual carriers,
- public services purchasers within the meaning of incorporation of the price paid for the use of the railway state-owned infrastructure into the calculation of provable loss from operating services in the public interest,
- traffic service users within the meaning of approximating to the creation of harmonised conditions on the transport market in a form of "right" prices for the use of the transport infrastructure, incorporated into transport prices,
- all consumers within the meaning of incorporation of updated prices of transport services into the prices of goods.

5. Detailed Budget (M€)

<table>
<thead>
<tr>
<th>Project Component</th>
<th>Investment Support</th>
<th>Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>National Co-financing</th>
<th>IFI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning Covenant</td>
<td>-</td>
<td>1,150</td>
<td>1,150</td>
<td>-</td>
<td>-</td>
<td>1,150</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>-</td>
<td>0,850</td>
<td>0,850</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>2,000</td>
<td>2,000</td>
<td>-</td>
<td>-</td>
<td>2,000</td>
</tr>
</tbody>
</table>

6. Implementation Arrangements

6.1 Implementing Agency
The CFCU is the Implementing Agency responsible for tendering, contracting and accounting. Responsibility for technical aspects related to preparation, implementation and control will rest with the beneficiary institutions – the Ministry of Transport and Communications and the Czech Railways.

The Contact Person for this Project is Mr. Zdenek ZOUHAR, Department Director, Czech Railways, state organisation, General Management, Strategy Department, nábreží Ludvíka Svobody 1222/12, 110 15 Praha 1, Czech Republic, phone 00420 / 2 / 514 32 064, fax 00420 / 2 / 514 32 534, e-mail Zouhar@gr.pha.cdrail.cz.

6.2 Twinning
The Contact Person for TWINNING is Mr. Martin MALÝ, Head of the Section of Strategy, Czech Railways, state organisation, General Management, Strategy Department, nábřeží Ludvíka Svobody 1222/12, 110 15 Praha 1, Czech Republic, phone 00420 / 2 / 514 32 657, fax 00420 / 2 / 514 32 534, e-mail MalyM@gr.pha.cdrail.cz.

6.3 Non-standard aspects

The "Practical Guide to Phare, Ispa & Sapard contract procedures" shall be followed.

6.4 Contracts
Two Phare Contracts are expected:
- Twinning Covenant 1,150 M€
- Technical Assistance 0,850 M€
7. Implementation Schedule

- Start of TWINNING preparation: 2Q - 2001
- Start of TWINNING Activity: 1Q - 2002
- Project Completion: 4Q - 2002

- Start of tendering / call for proposal: 2Q - 2001
- Start of Project activity: 1Q - 2002
- Project Completion: 4Q - 2002

8. Equal Opportunity

Equal opportunity principles and practices in ensuring equitable gender participation in the Project will be guaranteed.

9. Environment

N/A

10. Rates of return

N/A

11. Investment Criteria

N/A

12. Conditionality and Sequencing

Preconditions for Project initiation:

- Clarification of the method of Czech Railways transformation - The Draft Act on the Transformation of Czech Railways,
- Amendment of current and approval of new implementing regulations to the Railways Act (No. 266/1994 Coll. as amended by act No. 23/2000 Coll.),
- Organisational, technical, personnel and material preparation of CD for the beginning of the Project,
- Creation of a proposal for the use of the conclusions of Phare MCTP, U.S. TDA Study (in the case of commencement of this Project) and research activities of the Ministry of Transport of the Czech Republic.

Assumptions for reaching the Project results:

- The principles of CD transformation as an important precondition for the financing of the projects from the ISPA fund are accepted by the EC,
- Definition of the change of Czech Railways, s. o., into successor entities - a business company and a state organisation,
- Establishment of the function of the infrastructure manager in accordance with the acquis communautaire,
- Construction of a charge for the use of infrastructure according to EU principles, ensured by the Ministry of Finance of the Czech Republic,
- Co-financing of possible capital costs of the Project by Czech Railways is available,
- Completion of the CD’s and MoTC preparation for the implementation of the project,
- Effective co-operation between the CD and the MoTC,
- The implementation of the research tasks financed from the state budget / budget of the MoTC will commence.

Assumptions for reaching the Project purpose:

- Adoption of the "Railway Package" (amendments to Directives 91/440/EC, 95/18/EC, 95/19/EC) expected by the end of the year 2000,
- Political commitment of the Government to railway transformation process,
- Political stability at governmental, parliamentary and ministerial levels,
- Adoption of the Act on Transformation of Czech Railways,
- Extension of powers of the Railway Authority, in accordance with the Czech Railways Transformation Act,
- Financial coverage of obligations of public service from the public budgets,
- Completion of the public administration reform.
Assumptions for reaching the Project overall objective:

- Continuation of the Association Process between the Czech Republic and the European Union and development of the existing principles of the European policy of the common market.

Annexes

1. Logical framework matrix
2. Detailed Implementation chart
3. Contracting and disbursement schedule
4. List of relevant Laws and Regulations
<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR</th>
<th>Programme name and number: ANNEX 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project: Preparation of conditions for the application of the EU Directives in the transformation of Czech Railways (CD)</td>
<td>Contracting period expires: 31/10/2003</td>
</tr>
<tr>
<td>Disbursement period expires: 31/10/2004</td>
<td>Total budget: Phare budget: 2.0 M€</td>
</tr>
</tbody>
</table>

**Overall objective**
- Existence of a functioning market economy in the Czech Republic as well as the capacity to cope with competitive pressures and market forces within the EU
- Ability to take on the obligations of membership of the European Union including adherence to the aims of the political, economic and monetary union, and the acquis communautaire

**Objectively verifiable indicators**
- Acknowledgement by the European Commission

**Sources of verification**
- EC Regular Report

**Project purpose**
- To ensure the application of the EU Railway Directives (91/440/EC, 95/18/EC, 95/19/EC, including the forthcoming new EU legislative package on the revitalisation of the EU railways) and the European experience in the area of railway sector transformation in the Czech Republic and in the Czech Railways transformation

**Objectively verifiable indicators**
- Czech Railways (CD) restructured not later than by the effective date of the accession of the Czech Republic into the EU
- Full compatibility of the CD transformation with the acquis communautaire
- Elimination of non-contractual governmental aids for CD, joint-stock company
- Existence of other entities doing business in the railway transport sector
- Ensuring access rights for foreign operators to the national railway network not later than by the effective date of the accession of the Czech Republic into the EU
- Elimination of all railway company debt by 2010

**Sources of verification**
- Register of entities doing business in the railway transport sector (Commercial Register)
- Position of the Czech Republic Government’s Department of Compatibility with EU
- Statistic Yearbook, Transport Yearbook

**Assumptions**
- Relevant Institutional capacity is developed and maintained.

**Results**
- Application of EU directives (91/440/EC, 95/18/EC, 95/19/EC) in the railway sector transformation
- Compliance with the EC condition for application of ISPA fund for railway infrastructure projects

6 key components will be established:

**Component 1:**
- Creation of equal conditions for access to the infrastructure

**Objectively verifiable indicators**
- Compliance of the Transformation Act, including implementation regulations, with the acquis communautaire
- Use of sources from the European Funds (e.g. ISPA) within the framework of the railway infrastructure projects

**Sources of verification**
- Ministry of Transport and Ministry of Finance of the Czech Republic, State Fund for Transport Infrastructure, Czech Statistical Authority, railway organisations
- Budgets of other public authorities with expenditures to the railway sector – District and

**Assumptions**
- Adoption of the “Railway Package” (amendments to Directives 91/440/EC, 95/18/EC, 95/19/EC) expected by the end of the year 2000
- Political commitment of the Government to railway transformation process
- Adoption of the Act on
SPECIFY MORE

2. Amendments of interface and relations between the railway undertaking and the infrastructure manager:
   Establishment of functioning relations and connections between the railway undertaking and the infrastructure manager SPECIFY MORE

3. Financial revitalisation of railways:
   • Solution to the existing debt burden of the railway undertaking
   • Amendments of financial mechanisms making a sound development of the railway sector possible
   • Solution to the funding of infrastructure
   • Solution to the funding of passenger transport

4. Implementation of the process of transformation in field of human resources:
   • Optimising of the railway sector reform impact on the field of human resources
   • Development of human resources
   • Strengthening of business behaviour of railway employees

5. Organisational and managerial changes:
   • Summary of organisational and managerial impacts on successor organisations of the Czech Railways transformation and territorial adapting to higher local government administration units
   • Modification of the most important software applications in the new organisational structure to allow easy access of transformation of CD, s. o., to two successor entities
     • At least 9% of volumes of freight transport [t] carried out by external operators by 2005

Component 2:
   • Existence of contracts between successors’ entities, concerning the operation and development of infrastructure and a minimum number of disputes among them

Component 3:
   • Reduction of debt burden of the business organisation "Czech Railways", approximately to 1/3 (especially operations credits and credits for rolling stock), by way of transformation of the existing state organisation "Czech Railways", in comparison with the condition before transformation
   • 100% payment of provable loss resulting from the obligations of public service from public sources, to the year 2005
   • Czech Railways, share joint-stock company, will utilize 100% of the sources obtained for financing of infrastructure according to an agreement with the successor state organisation

Component 4:
   • Co-financing of optimisation the impact of the railway reform on the field of human resources from state budget
   • Staff reduction at least by 8% by the year 2005 in comparison with the year 2001. CAN WE SAY THIS SO BLUNTLY IN THE LFM?
   • Annual realisation of re-qualification training for 1200 workers on average.
   • Improved productivity per employee

Component 5:
   • Modification of the organisational structure of CD in accordance with transformation of CD and with the public administration reform in the Czech Republic

Regional Authorities, Communities
• Collection of Acts of the Czech Republic (Acts, implementing regulations, Czech Republic Government Regulations)
• Czech Republic Government Resolutions
• Price Journal of the Ministry of Finance of the Czech Republic
• Czech Republic State Budget, budget of the State Fund for Transport Infrastructure
• Statistic Yearbook, Transport Yearbook
• Financial statements, annual reports, annual accounts of railway organisations, Audits
• Reports and Communications of the Railway Authority, The Supreme Inspection Authority and Ministry of Transport of the Czech Republic
• Reports EU funds (e.g. ISPA)
• Project reports
• Internal IT reports, internal HR reports

Transformation of Czech Railways
• Extension of powers of the Railway Authority, in accordance with the Czech Railways Transformation Act
• Financial coverage of obligations of public service from the public budgets
• Completion of the public administration reform
• Modification of hardware in the new organisational structure

Transformation of CD, s. o., to two successor entities

Regional Authorities, Communities
• Collection of Acts of the Czech Republic (Acts, implementing regulations, Czech Republic Government Regulations)
• Czech Republic Government Resolutions
• Price Journal of the Ministry of Finance of the Czech Republic
• Czech Republic State Budget, budget of the State Fund for Transport Infrastructure
• Statistic Yearbook, Transport Yearbook
• Financial statements, annual reports, annual accounts of railway organisations, Audits
• Reports and Communications of the Railway Authority, The Supreme Inspection Authority and Ministry of Transport of the Czech Republic
• Reports EU funds (e.g. ISPA)
• Project reports
• Internal IT reports, internal HR reports
infrastructure manager to CR.a.s. databases.
- Draft principles of data sharing between the successor organisations

### 6. Proposal of public relations strategy:
- Ensuring of the information for public and railway employees about the matters of costs of infrastructure, railway sector reform, debt burden of the railway, development in the field of human resources (summary for components 1 - 5)

<table>
<thead>
<tr>
<th>Component 6: Draft proposal of the public relations strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Full functionality of decisive SW applications in the new organisational structure within 2 years from the establishment of successor entities</td>
</tr>
<tr>
<td>- Existence of the draft proposal of the principles of the sharing of data between the successor entities</td>
</tr>
<tr>
<td>- Satisfactory HW equipment in both the successor entities within 1 year from their establishment</td>
</tr>
</tbody>
</table>

### Activities

#### Component 1: (TW)
- Summary of the existing systems of charging of infrastructure fees for railway undertakings in EU member states - one EU medium-term expert (2 months)
- Proposal of an appropriate system of charging of infrastructure fees for railway undertakings, harmonised between transport sectors - one EU medium-term expert (2 months) and training, seminars and study stays for CD experts

#### Component 2: (TW)
- Summary and evaluation of models of relations between railway undertakings and infrastructure managers in EU member states – one EU medium-term expert (1 month)
- Analyses and amendments of the created relations between the railway undertakings and the infrastructure manager in the Czech Republic - two EU medium-term experts (5 months, 5 months) and training, seminars and study stays for CD experts

#### Component 3: (TA - 6 months)
- Description of the existing debt structure
- Draft solution to the issues of internal debts in the railway sector
- Draft solution to the future financial relations leading to removal of causes of the existing debts and training, seminars and study stays for CD experts

#### Component 4: (TW and TA)
- Six key components will be implemented by using TWINNING (TW) and TECHNICAL ASSISTANCE (TA) in the following structure:
  - TWINNING - medium-term stays of experts, seminars, training, consultations, handing over of documents, exchange stays - in Parts 1, 2 and 4
  - TECHNICAL ASSISTANCE in Parts 3, 5 and 6

#### TWINNING (TW) 300,000 €
- One PAA from a Ministry of Transport of an EU Member State for technical management of the Project for a period of 18 months with requirements on: THE TIMEFRAME SHOULD BE DISCUSSED WITH CD AGAIN: THE PROJECT IS VERY AMBITIOUS AND IT REMAINS DOUBTFUL WHETHER IT CAN BE IMPLEMENTED IN 12 MONTHS
  - Broad orientation in the area of the transformation of railways in the EU Member States and other relevant countries
  - Practical experience in the field of management of a railway organisation, at least 3 years
  - Knowledge of the EU legislation in the field of railways and their application in the EU Member States
  - Knowledge of the railway problems
  - Appropriate language skills
  - Component part of the Project will be one project leader from EU Member State (1 MM) for control of

### Means

- The principles of CD transformation as an important precondition for the financing of the projects from the ISPA fund are accepted by the EC
- Definition of the change of Czech Railways, s. o., into two successor entities - a business company and a state organisation
- Establishment of the function of the infrastructure manager in accordance with the acquis communautaire
- Construction of a charge for the use of infrastructure according to EU principles, ensured by the Ministry of Finance of the Czech Republic
- Co-financing of possible capital costs of the Project by Czech Railways is available
- Completion of the CD’s and MoTC’s preparation for the implementation of the
<table>
<thead>
<tr>
<th>Component 4a</th>
<th>Twinning 4a</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Summary of solutions of the railways transformation impacts on the field of human resources in the EU Member States - one foreign EU medium-term expert (1 month) IS 1 MONTH SUFFICIENT FOR THIS?</td>
<td>• Draft solution to the railways reform in the field of human resources – one EU medium-term expert (3 months)</td>
</tr>
<tr>
<td>• Technical assistance 4b</td>
<td>• Ensuring of human resource development at the re-structured railways – two EU medium-term experts (4 months, 3 months)</td>
</tr>
<tr>
<td>• Strengthening of business behaviour of railway employees - four EU medium-term experts (3 months, 3 months, 3 months, 1 month) and training, seminars and study stays for CD experts</td>
<td>• Draft solution to the railways reform in the field of human resources – one EU medium-term expert (3 months)</td>
</tr>
</tbody>
</table>

Component 5: (TA - 8 months)

<table>
<thead>
<tr>
<th>Twinning 4a</th>
<th>Component 5:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Summary of organisational and managerial impacts of the Czech Railways transformation and territorial adapting to the higher local government administration units from the viewpoint of successor organisations</td>
<td></td>
</tr>
<tr>
<td>• Modification of software applications in the new organisational structure to allow data sharing with the new infrastructure manager</td>
<td></td>
</tr>
<tr>
<td>• Draft principles for sharing data between successor organisations</td>
<td>• Within the framework of the TWINNING participation of medium-term experts is assumed:</td>
</tr>
<tr>
<td></td>
<td>Component 1: 4 MM ENOUGH INPUT?</td>
</tr>
<tr>
<td></td>
<td>Component 2: 11 MM ENOUGH INPUT?</td>
</tr>
<tr>
<td></td>
<td>Component 4: 4 MM ENOUGH INPUT?</td>
</tr>
</tbody>
</table>

Component 6: (TA -10 months)

<table>
<thead>
<tr>
<th>Twinning 4a</th>
<th>Component 6:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Draft proposal of public relations strategy for Czech Railways restructuring, with a focus on the employees and public</td>
<td></td>
</tr>
<tr>
<td>• Within the framework of the components 1 - 6 the conclusions of Phare MCTP, U.S. TDA Study and research activities of the Ministry of Transport of the Czech Republic will be applied</td>
<td>• Within the framework of the TWINNING training and seminars is assumed:</td>
</tr>
<tr>
<td></td>
<td>Component 1, 2, 4: apx. 100 000,- EUR</td>
</tr>
<tr>
<td></td>
<td>Component 1, 2, 4: apx. 50 000,- EUR</td>
</tr>
</tbody>
</table>

TECHNICAL ASSISTANCE (TA) 1 025 000 €

<table>
<thead>
<tr>
<th>Twinning 4a</th>
<th>Component 6:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Within the framework of the TWINNING study stays is assumed:</td>
</tr>
<tr>
<td></td>
<td>Component 1, 2, 4: apx. 50 000,- EUR</td>
</tr>
</tbody>
</table>

Within the framework of the Project TECHNICAL ASSISTANCE will be focused on the following parts:

<table>
<thead>
<tr>
<th>Twinning 4a</th>
<th>Component 6:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Component 3: apx. 230 000,- EUR</td>
</tr>
<tr>
<td></td>
<td>Component 5: apx. 190 000 €,- EUR</td>
</tr>
<tr>
<td></td>
<td>Component 6: apx. 170 000,- EUR</td>
</tr>
</tbody>
</table>

Total Phare budget of Project is assumed:

<table>
<thead>
<tr>
<th>Twinning 4a</th>
<th>Component 6:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TWINNING: apx. 1 000 000,- EUR</td>
</tr>
<tr>
<td></td>
<td>TECHNICAL ASSISTANCE: apx. 1000 000,- EUR</td>
</tr>
</tbody>
</table>

The main beneficiary of the Project will be the Czech Railways (CD)

A steering committee will be set up for the Project
### Preconditions

- Clarification of the method of Czech Railways transformation - The Draft Act on the Transformation of Czech Railways IS ADOPTED BY GOVERNMENT AND PARLIAMENT by the middle of 2001
- Amendment of current and approval of new implementing regulations to the Railways Act (No. 266/1994 Coll. as amended by act No. 23/2000 Coll.)
- Organisational, technical, personnel and material preparation of CD for the beginning of the Project Facilities for consultants
- Creation of a proposal for the use of the conclusions of Phare MCTP, U.S. TDA Study (in the case of commencement of this Project) in producing a financing system for railway infrastructure and a transformation plan and research activities of the Ministry of Transport of the Czech Republic
- [NOT A PRECONDITION]
### Detailed Implementation Chart

<table>
<thead>
<tr>
<th>Component of the Project</th>
<th>4Q 2001</th>
<th>1Q 2002</th>
<th>2Q 2002</th>
<th>3Q 2002</th>
<th>4Q 2002</th>
<th>1Q 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TWINNING</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1. Harmonisation of the charging for the use of the infrastructure for transport operation</td>
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<tr>
<td>2. Amendments of interface and relations between the railway undertaking and the infrastructure manager</td>
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<tr>
<td>4. Implementation of the process of transformation in field of human resources</td>
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<tr>
<td><strong>TECHNICAL ASSISTANCE</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>3. Financial revitalisation of railways</td>
<td></td>
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<td></td>
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<tr>
<td>5. Organisational and managerial changes</td>
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<td></td>
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<tr>
<td>6. Proposal of public relations strategy</td>
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<td></td>
</tr>
</tbody>
</table>
Cumulative Contracting and Disbursement Schedule for the Project (M€)

### Cumulative Quarterly Contracting Schedule (M€)

<table>
<thead>
<tr>
<th>Project</th>
<th>4Q/00</th>
<th>1Q/01</th>
<th>2Q/01</th>
<th>3Q/01</th>
<th>4Q/01</th>
<th>1Q/02</th>
<th>2Q/02</th>
<th>3Q/02</th>
<th>4Q/02</th>
<th>1Q/03</th>
<th>2Q/03</th>
<th>3Q/03</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepar. of conditions for the application of the EU Directives in the transformation of Czech Railways</td>
<td></td>
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</tbody>
</table>

### Cumulative Quarterly Disbursement Schedule (M€) **BB - the amounts have not been filled in**

<table>
<thead>
<tr>
<th>Project</th>
<th>4Q/00</th>
<th>1Q/01</th>
<th>2Q/01</th>
<th>3Q/01</th>
<th>4Q/01</th>
<th>1Q/02</th>
<th>2Q/02</th>
<th>3Q/02</th>
<th>4Q/02</th>
<th>1Q/03</th>
<th>2Q/03</th>
<th>3Q/03</th>
<th>4Q/03</th>
<th>1Q/04</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepar. of conditions for the application of the EU Directives in the transformation of Czech Railways</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
List of relevant Laws and Regulations

EU legislation:
- Council Regulation 2830/77/EEC of December 12, 1977 (measures necessary to achieve comparability between the accounting systems and annual accounts of railway undertakings)
- Council Regulation 2183/78/EEC of September 19, 1978 (specification of uniform principles for the monitoring of the costs of railway undertakings
- Green Paper of the Commission on the right and effective determination of prices in transport
- White Paper of the Commission on the strategy of recovery of the Community’s railways
- White Paper of the Commission on the right payment for the use of infrastructure

Czech Republic legislation:
- Act no. 266/1994 Coll., on railways, as amended by the Act no. 23/2000 Coll., including implementing decrees thereto
- Act no. 9/1993 Coll., on Czech Railways, as amended by the Act no. 212/1993 Coll.
- Act no. 526/1990 Coll., on prices, as amended by later decrees
- Ministry of Finance of the Czech Republic Ordinance no. 1/2000, issuing a list of goods with regulated prices and the Ordinances following-up for further periods
- Act no. 104/2000 Coll., on the State Fund of Transport Infrastructure
- Act no. 59/2000 Coll., on public aid
- Act no. 58/2000 Coll., on the Czech Republic State Budget for the year 2000, and the State Budget Acts following-up for further periods
- Act no. 219/2000 Coll., on the Czech Republic property and its conduct in legal relations
- Act no. 218/2000 Coll., budget regulations,
- Act no. 65/1965 Sb., Law Code, as amended by later decrees
- Czech Government Resolution no. 274 of March 15, 2000 on the draft system governing the relations between the pre-structural and structural funds, public budgets and possibly other sources
- Czech Government Resolution no. 275 of March 15, 2000 on co-ordination of the use of the means of aid provided by the European Community (PHARE, ISPA, SAPARD) in the Czech Republic
- Czech Government Resolution no. 164 of February 9, 2000 on the draft medium-term strategy of the transport, telecommunications and postal services sectors
- Czech Government Resolution no. 602 of June 6, 1999 on support of passenger transport up to 2005 as amended by the Czech Government Resolution no. 19 of January 5, 2000
- Czech Government Resolution no. 439 of May 3, 2000 on a change in the system of settlement of the state participation at the ensuring of traffic serviceability
- Czech Government Resolution no. 701 of July 12, 2000 on the status of the State Fund of Transport Infrastructure and on the appointment of the members of the Committee of the State Fund of Transport
Annex 5

Reference to relevant Government strategic plans and studies

- Draft Development of Transport Networks in the Czech Republic till 2010, Ministry of Transport and Communications of the Czech Republic, June 30, 1999
- Council Decision on principles, priorities, gradual targets and conditions contained in the Accession Partnership with the Czech Republic
- Czech Republic - Accession Partnership 1999
- Concept of the research activities in the transport and communication sector, Ministry of Transport and Communications of the Czech Republic, April, 2000