Standard Summary Project Fiche for the Transition Facility

1. Basic Information
   1.1 CRIS Number: 2004-016-689.05.02
   Twinning I: Infrastructure operation
   Twinning II: Rolling stock maintenance
   1.2 Title: Improvement of efficiency of infrastructure railway operation and rolling stock maintenance
   1.3 Sector: Rail transport
   1.4 Location: Hungary

2. Objectives
   2.1 Overall Objective(s):
   To improve the efficiency of MÁV Co. in line with the restructuring programme.
   2.2 Project purpose:
   As part of the restructuring programme, efficiency improvement and rationalization of main activities were determined as high priority tasks, including:
   o efficiency improvement of infrastructure operation (twinning 1.),
   o efficiency improvement of rolling stock maintenance (twinning 2.).

2.3 Justification

   “Transposition of the rail transport acquis is taking place according to schedule. The process remains to be completed with regards to the revised railway acquis of February 2001 and the interoperability directives. ... In the frame of the ongoing reorganisation process, the capacity of the railway administration needs to be further strengthened. ... The restructuring process of the state railway company MÁV should continue to be pursued in accordance with the established strategy. Hungary received a transitional period until 31 December 2006 as regards the full implementation of the Trans-European Freight Network access.”
   (Comprehensive Monitoring Report, Chapter 9. Transport Policy.)

3. Description
   3.1 Background and justification

   MÁV Co. worked out the EU conform restructuring programme of the railway company in December 2002. The reform programme of the railways is in line with relevant EC legislation. As a first step, in the frame of a holding structure, five separate business units were established, such as infrastructure, traction, passenger transport, freight transport and real estate management business units. Each unit has its autonomous business objectives, and keeps individual accounts. Separate capacity allocation body was established according to the EU requirement. The detailed description is attached.
The reform programme defines particular measures to be taken in the fields of business development, system development and efficiency improvement.

During this programme in 2003 the screening of the activities and development of the strategy were conducted. As a result of this work, efficiency improvement was chosen to be implemented, and we wish to achieve it through involvement of international experts knowing the best practices in these fields.

Actions ensuring the implementation of the strategy are the following

**Business development tasks**

Ú1. Development of suburban traffic of Budapest
Ú2. Development of long distance traffic
Ú3. Development of freight transport service
Ú4. Real estate utilization
Ú5. Cleaning of portfolio of MÁV subsidiaries
Ú6. Reform of regional communication system

**System development tasks**

R1. Working out of information technological strategy of MÁV Rt.
R2. Development of system of means of financing of operation and development
R3. Development of administration system
R4. Reorganization of the operational model and organization of MÁV Rt.
R5. Development of human IT system
R6. Development of human systems
R6.a. Development of human strategy
R6.b. Development of performance management and interest system
R6.d. Development of career management system
R6.e. Development of training system
R7. Managing of freed workforce (Outplacement)
R8. Development of EBK systems
R9. Change management (Internal communication, education, quality changes)

**Efficiency improvement tasks**

H1. Improvement of efficiency of passenger transport
H2. Improvement of efficiency of freight transport
H3. Development and rationalization of maintenance activity
H4. Development and rationalization of track operational business activities
H5. Rationalization connected to track operation
H6. Rationalization of track operation, to be made by outsourcing
H7. Improvement of efficiency of procurement
H8. Cost efficient reform of human services
H9. Decrease of cost level of central administration and services in 2004
H10. Rationalization, cost efficient reform of financial and accounting services
H11. Development of real estate management, improvement of efficiency
H11.a. Rationalization of real estate operation
H11.b. Increase of incomes from leasing of real estates

From the listed efficiency improvement actions the following were selected:

Efficiency improvement of infrastructure operation, for optimization and rationalization the main factors of potentials are the following:

- The transport demands have been decreasing for the past ten years resulting in an overcapacity in infrastructure operation.
- The technological processes of the traffic organization are out-dated, cost reductions were restricted to simple cost cutting.
- Instead of sporadic developments a system-wide rethinking of technological processes is needed.
- The performance indicators lag behind those of benchmark infrastructure operators Staff efficiency million (pkm+km) / staff no) was 0,3388 in case of MÁV in 2002. This indicator is 0,7214 in case of DB, 0,5274 in case of ÖBB, 0,6654 in case of SNCF.
- EU accession will require MÁV to open its track for competition. The organization competences should be enhanced to accommodate a multicultural demand.

On this basis MÁV Co. worked out the efficiency improvement project plan of infrastructure operation and traffic organization. (Project H4 in the attached reform program of MÁV 2004-2008). During the implementation of this project as part of the twinning program MÁV would like to use the support of international consultants knowing the best practice.

Efficiency improvement rolling stock maintenance, the possible potential is the optimization, rationalization of rolling-stock maintenance operation:

- instead of a scheduled maintenance system, the current maintenance operation is based on a short term demand, which causes higher maintenance costs,
- maintenance capacities of MAV Co. are dispersed over the country, in addition they are highly specialized, leaving little room to economies of scale. In fact capacity utilization stands at a miserable 20-40%,
- since capacities are spread over MÁV Co. and its affiliates there is little incentive to coordinate activities resulting in local optimums,
- processes of rolling stock maintenance activities are technology-oriented, instead of being customer-oriented, overall causing higher costs for the company.

On this basis MÁV Co. worked out the efficiency improvement project plan of rolling-stock maintenance. (Project H3 in the attached reform programme of MÁV 2004-2008). Because of the strict schedule of the implementation of this project, as part of the twinning programme, MÁV Co. would like to use the support of international consultants knowing the best practice of rolling stock maintenance processes.

3.2 Linked activities:

In order to fulfill EU requirements of efficiency improvement, MÁV Co. began a restructuring programme in 2002. As part of the EU conform restructuring of MÁV Co., in the framework of strategy development the evaluation of company abilities took place. A study was prepared about
the main weaknesses of MÁV Co., which pointed out infrastructure operation as one of the main activities to improve (MÁV Status Quo).

3.3 Results:

**In case of infrastructure operation**
- the cost level of infrastructure operation becomes continuously lower, the organization of traffic operation improves,
- the ratio of passenger trains delaying more than 5 minutes decreases,
- the ratio of freight trains delaying more than 30 minutes decreases,
- the infrastructure operation costs decrease with about 15% until 2006,
- staff efficiency improves with about 10% (3000 employee) until 2006
- capacity allocation process fully performed by the capacity allocation body - V.P.I. in an independent manner by 2005

**In case of rolling stock maintenance**
- the maintenance operation costs decrease by 10% until 2006,
- efficiency of maintenance capacities improves (capacity utilization rises), procurement of 50-80 new passenger coaches will be unnecessary,
- staff-efficiency increases by 20% (2000 employees) until 2006

3.4 Activities:

This twinning programme consists of two programmes, twinning 1, efficiency improvement of infrastructure operation and twinning 2, efficiency improvement of rolling stock maintenance. Each of the twinning programmes consist of long-term and short-term internships and training programmes.

3.4.1. **Twinning programme 1 - Infrastructure operation**

The infrastructure operation efficiency improvement actions worked out by MÁV contain the items as follows (results of improvements in staff decrease)
<table>
<thead>
<tr>
<th></th>
<th>Toal (Without investment)</th>
<th>Total (With investment)</th>
<th>Total outsourcing</th>
<th>Total staff reduction</th>
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</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td>Efficiency improvements without investments</td>
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<tr>
<td>Simplified technology and back-qualification of stations: it means the revealing of the reserves in railways technologies. Freight traffic primarily on the branch lines has decreased significantly, even stopped in some cases. By downgrading stations and simplifying activities we can decrease the necessary man-hours.</td>
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<tr>
<td>Rationalization of activities without investments</td>
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<tr>
<td>Rationalization of station, track operation and signalling means the optimization of inner activities, organisational structure, and distribution of tasks. As a result of the above-mentioned actions, the number of staff to be eliminated is about 1400.</td>
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<tr>
<td>Efficiency improvements with investments</td>
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<tr>
<td>Technology improvements</td>
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<tr>
<td>One of the main tasks is installing simplified traffic control systems on the secondary lines. Beside this automatization of the mechanical barriers, further development the traffic control system of KÖFI (Central traffic control) lines, modernization of electric sub-stations (with the possibility of remote control) and acquisition of small machines are also very important tasks. Modern signalling equipment, materials and technologies with low maintenance requirements are to be installed. Saving in the staff number through investments is about 1600.</td>
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</table>
Efficiency improvements by outsourcing of activities

In case of infrastructure operation three main activities (operation of catenary and telecommunication, and track maintenance) were determined to be outsourced. A lot of experience was available for us from foreign railway companies. By the end of 2006 the staff number shall decrease about 3200 by outsourcing.

Activities:
- Optimization of infrastructure operation, maintenance and traffic organization according to the best practices,
- Modification of railway operation technology, decrease of operational times,
- Rationalization of station operation,
- Rationalization of infrastructure operation,
- Development of traffic control systems,
- Rationalization of staff,
- Improvement of MÁV’s inner abilities
- Organization of workshops and internship programs in connection with the above mentioned topics together with the experts of foreign railway companies (ÖBB, SBB, SNCF, FS, DB, etc.) and organization of study tours at these railways. Workshops organized in Hungary as well.

Tasks of short-term experts:

1. Revision of MÁV Infrastructure maintenance norm system (track, structure, signalling, telecommunication, electric overhead). (2 persons)
2. Optimization and coordination of maintenance processes. (1 person)
3. Rationalization of maintenance activity. (1 person)
4. Development of maintenance activity, proposal for the invention of new maintenance technologies. (1 person)
5. Revision of the maintenance system applied at MÁV. Proposal for new ones and proposal for the establishment of necessary database. (1 person)
6. Organization of workshops in connection with the above mentioned topics together with the experts of foreign railway companies (ÖBB, SBB, SNCF, FS, DB, etc.) and organization of study tours at these railways. Workshops organized in Hungary as well.

Task of the PAA:
- support the project implementation team and MÁV management in building the concept of a higher level system of infrastructure management
- validate the results reached and give the best international experiences, support the project team work and increase the efficiency of the project

During the realization of these targets we intend to gain the best experience from the consultants having international experience in rethinking and reorganizing of infrastructure operation processes and traffic organization. Task of the PAA is to support the project implementation team and MÁV management in building the concept of a higher level system of infrastructure management. The PAA should know the best professional experiences of the infrastructure operation and traffic organization, the business processes, having experiences related the restructuring of the activity and process. The project will be prepared and initiated by MÁV. The contribution of the PAA will be the validation of the reached results and giving the best
international experiences, support the project team work and increase the efficiency of the project. The preparation of the project began in January 2004. For the support of the realization of the project MÁV intends to apply one PAA and short-term experts with relevant international experience for a 12 months period from September 2004.

**Guaranteed results of twinning 1:**

The PAA shall
  - prepare monthly reports on achievement of twinning purposes,
  - review maintenance norms, compare them with EC requirements, and make proposals for updating accordingly,
  - review relevant maintenance rules and standards in comparison with EC standards, make proposals for updating,
  - organize internship programmes and workshops.

**Profile of the PAA:**

- Economist or technical degree,
- Relevant experience in the field of operation of railway infrastructure,
- Relevant experience in state administration,
- Minimum 5 years experience in EEC,
- Excellent communication skill, both written and oral,
- Computer literacy,
- Excellent knowledge of English language (written and oral),
- Presentation of hardware, software serving performance, network systems.

Profile of the short-term experts:

- Economist or technical degree,
- Relevant experience in the field of operation of railway infrastructure,
- Relevant experience in state administration,
- Minimum 5 years experience in EEC,
- Excellent communication skill, both written and oral,
- Computer literacy,
- Excellent knowledge of English language (written and oral),
- Presentation of hardware, software serving performance, network systems.
3.4.2. Twinning programme 2 - Rolling stock maintenance

The content and timing of the project Improvement of the Efficiency of Rolling Stock Maintenance Operation at MÁV Co.

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<thead>
<tr>
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<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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In details see below:

1. **Optimization of maintenance processes by the concentration of maintenance activities** (night shifts, maintenance activities out of rush hours).
   MAV Co. Traction & Maintenance Business Unit applies the conventional method in daily and preventive maintenance activities. That means that most part of the work is carried out in daytime. Certain amount of rolling stock is out of order every day, because of the scheduled maintenance operation. The general introduction of night shifts and out of rush hour maintenance will increase significantly the availability of MÁV rolling stock. The result: procurement of 50 – 80 new passenger coaches will be unnecessary.

2. **Optimization of the number of loco sheds and carriage and wagon shops**
   The utilization of the remaining loco sheds and carriage and wagon shops will be much better including the utilization of instruments and the maintenance staff. The modernization will be concentrated at some places. The result: lower maintenance costs and better availability, smaller amount of spare parts.

3. **Reduction of the number of workshops** (selling and closing).
   The utilization of the remaining workshops will be much better. The result: lower maintenance costs, smaller amount of spare parts and in case of modernisation shorter maintenance times, which means better availability.

4. **Preparation and introduction of new maintenance norm system based on computers.**
   The utilization of the loco sheds, carriage and wagon shops and the maintenance staff will be much better. The result: lower and clearer up-to-date maintenance costs.

5. **Optimization of maintenance staff.**
   The utilization of the loco sheds, carriage and wagon shops and the maintenance staff will be much better. The result: lower maintenance costs.

6. **Procurement of new instruments to improve safety of transportation and to modernise chemical prevention abilities.**

In connection with the responsibilities see point 4.
Activities:
- optimization of vehicle maintenance processes using the best practice and concentrating on vehicle maintenance capacity,
- decreasing the number of vehicle maintenance stations in order to decrease maintenance cost by process reorganizing,
- optimization of vehicle repair and maintenance stations,
- developing and installation of maintenance norm system for proper planning and reaching lower stock costs,
- rationalizing capacities,
- upgrading accident and chemical prevention by scheduled maintenance

Tasks of short-term experts (6 persons):
1. Revision of MÁV Rolling Stock maintenance norm system. Proposal for the application of a new computer based norm system, conversion and integration of the existing system into the new one. (2 persons)
2. Optimization and coordination of maintenance processes. (1 person)
3. Rationalization of workshops, loco sheds wagon shops. (1 person)
4. Development of maintenance activity, proposal for the invention of new maintenance technologies instruments and for new places of inspection and new maintenance bases. (1 person)
5. Revision of the maintenance system applied at MÁV. Proposal for new ones and proposal for the establishment of necessary database. (1 person)
6. Organization of workshops in connection with the above mentioned topics together with the experts of foreign railway companies (ÖBB, SBB, SNCF, FS, DB, etc.) and organization of study tours at these railways. Workshops organized in Hungary as well.

Task of the PAA:
- support the project implementation team and MÁV Co. management. The consultant should know the best professional experience of rolling stock maintenance operation and the business processes, have experience related to restructuring of the activity and process
- validate the results reached and give the best international experience, support the project team work and increase the efficiency of the project.

During the realization of these reform targets MÁV Co. intends to gain the best experience from the consultants having international experience. Task of the PAA is to support the project implementation team and MÁV Co. management. The PAA should know the best professional experience of the rolling stock maintenance operation and the business processes, having experience related to restructuring of the activity and process. The process will be prepared and initiated by MÁV Co.. The contribution of the consultant will be validation of results reached and giving the best international experiences, supporting the project team work and increasing the efficiency of the project. The preparation of the project began in January 2004. For the support of the realization of the project MÁV Co. intends to apply one PAA with relevant international experience for a 12 months period from September 2004 and some short term experts for special targets. The project has a training programme as well.
Guaranteed results of twinning 2.:

The PAA shall

• prepare monthly reports on achievement of twinning purposes,
• review maintenance norms, compare them with EC requirements, and make proposals for updating accordingly,
• review relevant maintenance rules and standards in comparison with EC standards, make proposals for updating,
• organization of workshops in connection with the above mentioned topics together with the experts of foreign railway companies (ÖBB, SBB, SNCF, FS, DB, etc.) and organization of study tours at these railways. Workshops organized in Hungary as well.

Profile of the PAA:

In particular, the project leader is expected to possess

• Economist or technical degree,
• Relevant experience in the field of rolling stock maintenance,
• Relevant experience in state administration,
• Minimum 5 years experience in EEC,
• Excellent communication skill, both written and oral,
• Computer literacy,
• Excellent knowledge of English language (written and oral),
• Presentation of hardware, software serving performance, network systems.

Profile of the short-term experts:

• Economist or technical degree,
• Relevant experience in the field of rolling stock maintenance,
• Relevant experience in state administration,
• Minimum 5 years experience in EEC,
• Excellent communication skill, both written and oral,
• Computer literacy,
• Excellent knowledge of English language (written and oral),
• Presentation of hardware, software serving performance, network systems.

3.5 Lessons learned:

The MÁV Co. has gained good experience in the field of IFI co-operation and project management financed from EU sources, including practice in tendering and contracting procedures and project implementation. We have become familiarized with the best practices in this field through international consultancy to our work.

During efficiency improvement of infrastructure operation and rolling stock maintenance, we intend to utilize the best practices of EU railways and institutions, to get valuable consultant support and training for our staff.

In the frame of ISPA projects No. 2000/HU/16/P/PT/001, 2000/HU/16/P/PT/002, 2000/HU/16/P/PT/003 MÁV Co. executes infrastructure construction, reconstruction and
rehabilitation according to the technical requirements or the condition of the infrastructure. In the frame of ISPA project No. 2000/HU/16/P/PA/006 MÁV Co. works together a German exports company, which support the preparation and implementation of the ISPA supported projects, handing over the knowledge and experiences.

4. Institutional Framework

The overall technical responsibility is with MÁV Co., who will ensure the full coordination. The responsibility for “Twinning programme 1 - Infrastructure operation” is with MÁV Co. Infrastructure Business Unit, which is responsible for the operation and maintenance of MÁV Co. infrastructure. The MÁV Co. Infrastructure Business Unit ensures the full coordination of Twinning Programme 1. The responsibility for “Twinning programme 2 - Rolling stock maintenance” is with MÁV Co. Business Traction & Maintenance, which is responsible for the maintenance of MÁV Co. rolling stock. The MÁV Co. Business Traction & Maintenance ensure the full coordination of Twinning programme 2.

5. Detailed Budget

<table>
<thead>
<tr>
<th>Transition Facility</th>
<th>Support</th>
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<tbody>
<tr>
<td></td>
<td>Institution Building</td>
</tr>
<tr>
<td>Twinning 1</td>
<td>-</td>
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<tr>
<td>Twinning 2</td>
<td>-</td>
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<tr>
<td>Total</td>
<td>-</td>
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* In cases of co-financing only
All the amounts in the table above are indicated net of VAT.

6. Implementation Arrangements

6.1 Implementing Agency

The Implementing Agency of the project will be the Central Finance and Contracting Unit (CFCU). CFCU will be the Contracting Authority and in that capacity will issue and evaluate tenders, conclude contracts and authorise the Treasury to make contractually related payments. The Director General of the CFCU will act as PAO of the project. His contacts are:

PAO: Mr. Gábor Rónaszéki, Director of CFCU
1052 Budapest, Deák Ferenc u. 5.
Tel: +36-1-327-3551 Fax: +36-1-3273572
E-mail: gabor.ronaszeki@ahh.gov.hu

The Ministry of Economy and Transport will be responsible for the technical part of the project
in terms of design, evaluation, follow-up and monitoring. The contacts of the Senior Programme Officer within the Ministry are:

SPO: Mr. Győző Kenéz, Director General
Ministry of Economy and Transport,
Grant Co-ordination and Finance Department
Budapest, Kálmán Imre u. 2.
Tel: +36-1-4728770 Fax: +36-1-4728780
E-mail: kenez@gkm.hu

6.2 Twinning

The beneficiary institution will be the MÁV Co.. Contact person is:
Name: János Mangel, Director
Institution: Hungarian State Railway Company
EU Program Directorate
Address: 1062 Budapest, Andrássy út 73-75
Phone: + 36 1 351 5194 Fax: +36 1 351 9475
Email: mangelj@mav.hu

The Contracting Authority of the twinning will be the CFCU, headed by Mr. Gábor Rónaszéki (for details see above).

7. Implementation Schedule

<table>
<thead>
<tr>
<th>Component</th>
<th>Start of Tendering</th>
<th>Start of Project Activity</th>
<th>Project Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning 1</td>
<td>06. 2004</td>
<td>09.2004</td>
<td>08.2005</td>
</tr>
<tr>
<td>Twinning 2</td>
<td>06.2004</td>
<td>09.204</td>
<td>08.2005</td>
</tr>
</tbody>
</table>

8. Sustainability

All supported investment are sustainable in the long term beyond the date of Accession. They will comply with the EU norm and standards (accredited), and will be coherent with the sector policies of the EU

9. Conditionality and sequencing

For coordinating the restructuring program for strategy realization the Project Directorate will assure the management and carry out the project.

All draft tender documentations will be ready by 31 may 2004.
Annexes to project Fiche

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
4. List of relevant Laws and Regulations
5. Indicative allocations
6. Reform programme of MÁV
7. Path allocation
8. Detailed budget
## Transition Facility log frame

### LOGFRAME PLANNING MATRIX FOR Improvement of efficiency of infrastructure railway operation and rolling stock maintenance

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To improve the efficiency of MAV Co. in line with the restructuring programme.</td>
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</table>

### Project purpose

- efficiency improvement of infrastructure operation,
- efficiency improvement of rolling stock maintenance.

<table>
<thead>
<tr>
<th>Sources of Verification</th>
<th>Assumptions</th>
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</thead>
<tbody>
<tr>
<td>Implementation Status Report from the NAC</td>
<td></td>
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<tr>
<td>Summary Monitoring Report from the relevant SMSC</td>
<td></td>
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</tbody>
</table>

### Results

#### In case of infrastructure operation

- the cost level of infrastructure operation becomes continuously lower, the organization of traffic operation improves.
- the ratio of passenger trains delaying more than 5 minutes decreases
- the ratio of freight trains delaying more than 30 minutes decreases
- the infrastructure operation costs decrease with about 15 % until 2006
- staff efficiency improves with about 10% (3000 employees) until 2006

<table>
<thead>
<tr>
<th>Sources of Verification</th>
<th>Assumptions</th>
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</thead>
<tbody>
<tr>
<td>Monitoring Report from the Implementing Agency</td>
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</tbody>
</table>

#### In case of rolling stock maintenance

- the maintenance operation costs decrease by 10 %, until 2006
- efficiency of maintenance capacities improves (capacity utilization rises)
- staff-efficiency increases by 20% (2000 employees) until 2006

### Activities

- Task of the consultant is to support the project implementation team and MAV management. The consultant should know the best professional experiences of the infrastructure operation and traffic organization, the business processes, having experience related to restructuring of the activity and process. The process will be prepared and initiated by MAV. The contribution of the consultant will be the validation of the results reached and giving the best international experiences, supporting the project team work and increasing the efficiency of the project. One long-term expert is required for both projects, together with groups of short-term experts for special tasks. Training programme of MAV staff is part of the programme also.

<table>
<thead>
<tr>
<th>Means</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td>2 Twinning arrangements</td>
<td></td>
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<tr>
<td>Preconditions</td>
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<td>---------------</td>
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<tr>
<td>For coordinating the restructuring program for strategy realization, the Project Directorate will assure the management and carry out the project. All draft tender documentations will be ready by 31 May 2004.</td>
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## DETAILED IMPLEMENTATION CHART

<table>
<thead>
<tr>
<th>Component</th>
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<th>2005</th>
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<td>F</td>
<td>M</td>
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<tr>
<td>Twinning 1</td>
<td>D</td>
<td>D</td>
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<tr>
<td>Twinning 2</td>
<td>D</td>
<td>D</td>
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**Legend:**

- **D**: Design (15%)
- **T**: Tendering and contracting (30%)
- **I**: Implementation (50%)
## Cumulative Contracting and disbursement schedule (MEUR)

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<tbody>
<tr>
<td><strong>Twinning 1</strong></td>
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<tr>
<td>Commitment</td>
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<tr>
<td>Disbursement</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Twinning 2</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Commitment</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Disbursement</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Twinning Total</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total Commitm.</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Total Disbursem</td>
<td>0.4</td>
<td>0.6</td>
<td>0.8</td>
<td>1.0</td>
</tr>
</tbody>
</table>

- Amounts in MEUR
- Only for the Transition Facility contribution
ANNEX 4

List of relevant laws and regulations

1. Act No. XCV of 1993 on the railway
2. National Railway Rule (OVSZ)
3. UIC Leaflets
4. International and national standards
5. MAV Regulations
   - No. D.2 on the traffic of machines and work trains
   - No. D.5 Instruction for Track Control
   - No. F.1 Signal regulations
   - No. F.2 Train loading and running regulations
   - IX. Chapter of No. H.1 Bridge rule
   - No. H.4 on the determination of the loading capacity and durability of the existing steel bridges
   - No. H.6 on the forwarding of dangerous materials
   - No. TB1 Instruction for the maintenance of signalling equipment
6. MÁV Special Instructions
### Indicative allocations

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TF</td>
<td>National</td>
<td>TF</td>
</tr>
<tr>
<td>Twinning 1</td>
<td>0.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Twinning 2</td>
<td>0.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1.0</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Path allocation practices in Hungarian railways

Legal framework

The department for the allocation of capacity does the allocation of capacity – without any discrimination.

The capacity allocating body of MÁV Rt. returns its verdicts on the allocation of capacity based on the Directive 2001/14/EC, the Act on Railways, the Decree No.67/2003 of the Minister of Economy and Transport on the allocation of railway infrastructure capacity.

Access to the Network

The Hungarian Railway Infrastructure can be used before the accession (1st of May 2004) to the EU: by domestic Railway Undertaking or international groupings established by the Railway Undertaking, on the principle of reciprocity or on the basis of international contract by Railway Undertaking resident abroad.

The Hungarian Railway Infrastructure can be used after accession (1st of May 2004) in addition to the above mentioned: by any foreign railway resident in any member state of the EU, for the purpose of international combined transport, by any international grouping established by a railway undertaking registered in any member state of the EU,

• by any foreign railway undertaking resident in any member state of the EU, for international freight traffic on the Trans European Rail Freight Network and on feeder lines to and from this in a length of at most 50 km.

Derogation

Until 31st December 2006 the use of the railway infrastructure for railway undertakings resident in any member state of the EU may be limited to 20% of the train capacity calculated by taking into consideration the practical exploitation of track.

Description of Process

• Detailed description

Before the deadline of rendering demands the capacity allocating body (VPI, from 2004 may advise to Railway Undertakings in order to help them to formulate their needs so that train path conflicts become avoidable.

After the expiration of deadline relative to the yearly time tabling period the capacity-management forward the requests come in for train paths to the train path management that will execute capacity allocation and compile the timetable. In the course of the timetabling process the train paths are placed into the route setting circuit diagrams of each line according to the priority order described in the Train Loading and Running Regulations of MÁV Rt.

Two other „spare” deadlines are set out for submitting train path requests for the annual timetabling period. The capacity allocation process is intermittent, between two deadlines only those requests are satisfied which arrived for the first deadline (out of the above mentioned two deadlines). Those requests which arrive later (for the „spare” deadline) cannot lower the quality of those which arrived for the earlier deadline.
If a train path request, which refers to the annual timetable, arrives later than 13th, October it will be considered as ad hoc request.

- Relevant bodies

Train path requests must be sent to One-Stop-Shop (Customer service office), Capacity allocating body¹, Hungarian State Railways’ Incorporation (MÁV Rt.) in 2003 (to VPI in 2004). The independent capacity allocating body (VPI) will be created by Minister of Transport and Economic this year.

**Deadlines for Path applications and Capacity Allocation Process**

The deadlines and process of train path requests and capacity allocation can be found in the following figures.

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¹ *Budapest, Andrássy út 73-75, H-1940, phone: +36-1-432-3245, fax: +36-1-432-4709*
Schedule for working timetable (2004/2005)

The timetable period starts on 12th, December 2004 and finishes on 11th, December 2005.

- The capacity allocating body together with other capacity allocating bodies establishes provisional international train paths. These are published in train path catalogues.
- The deadline for handing in train path requests is 15th, April 2004.
- First „spare” deadline for handing in train path requests is 15th, June 2004.
- Second „spare” deadline for handing in train path requests is 13th, August 2004.
- Applicants and other parties concerned can make their observation concerning capacity allocation till 13th, September 2004.
- Train path conflicts arisen during capacity allocation must be resolved till 13th, October 2004. The applicants are informed about the decisions on those conflicts, which cannot be resolved through negotiations till 27th, October 2004.
- Finalisation of the working timetable till 13th, October 2004.

- Schedule for requests for train paths outside the timetabling process (including ad-hoc requests)

<table>
<thead>
<tr>
<th>Type of train paths</th>
<th>Time needed for allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-planned paths</td>
<td>1 working day</td>
</tr>
<tr>
<td>Modification of existing train paths</td>
<td>5 working days</td>
</tr>
<tr>
<td>Secondary line train paths</td>
<td>5 working days</td>
</tr>
<tr>
<td>New train paths</td>
<td>30 calendar days</td>
</tr>
</tbody>
</table>

All deadlines are meant as maximum.

Co-ordination-harmonisation process

The capacity allocating body takes measures for handling of all problems occurred.
If the capacity allocating body notices during the timetabling process that the requests coming from different applicants cannot be satisfied in the same time, it tries to co-ordinate and harmonise the requests taking into consideration the capacity available.

Dispute resolution process

In case of conflicts the capacity allocating body is entitled to offer capacity – within the pale of reason - which differs from the requested. The applicant is involved into the settlement of conflicts.
The conciliating procedures must be done between 16th June and 10th October 2004 and the final standpoint must be declared. The capacity allocating body intends to solve all conflicts through negotiations with the applicants. As part of the conciliating process the capacity allocating body can invite tenders for the train path concerned and the infrastructure charge to be paid. (Conditions are under elaboration.)

**Congested lines; definition, priority criteria and process**

**Congested line sections** is that part of the network whose utilization reaches the functional utilization calculated by the Decree No. 67/2003 of the Minister of Economics and Transport. According to the decree the functional utilization of lines and station equipment cannot exceed 60% per hour. In peak-traffic hours this number cannot be higher than 75% – maximum in three consecutive hours.

**Priority rules in 2003:**
- Those trains running in accordance with the contract signed by the Hungarian State enjoy priority over others.
- The suburban and regional passenger traffic enjoys priority over others from 5.30 to 8.30 a.m. and from 2.00 to 6.00 p.m.
- Those trains included in Basic Interval Timetable enjoy priority over those not included.
- Freight traffic enjoys priority over passenger trains from 10.00 p.m. to 5.30 a.m.
- International traffic has priority over national traffic.
- In the case of those requests which arrive after the deadline „first come first served” rule is applied.

These rules will be most likely changed in 2004 according to the following principles:

Applications submitted to deadline, in chronological order to applications received after the deadline have higher priority than applications received after the deadline. Trains running according to a contract with the state, to the Basic Interval Timetable have higher priority than other trains and trains not running according to the Basic Interval Timetable. Trains fixed in a framework agreement have higher priority than new applications. Applications for train path for more days have higher priority than applications for fewer days.

Information given by applicants is handled as trade secret.

- **The effects of the framework agreements**
The capacity allocating body can sign framework agreements with applicants. The framework agreement defines the parameters of capacity requested and granted for a period which is longer than a timetable period. Detailed train paths are not included in framework agreements. The framework agreement is valid for maximum 5 years without further justification.
## Detailed budget

### Twinning 1.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term expert (1 year)</td>
<td>EUR 200 000</td>
</tr>
<tr>
<td>Short term experts (6 experts for 50 days * EUR 165)</td>
<td>EUR 50 000</td>
</tr>
<tr>
<td>Travelling, reimbursable costs</td>
<td>EUR 100 000</td>
</tr>
<tr>
<td>Training, etc. contingency</td>
<td>EUR 150 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>EUR 500 000</strong></td>
</tr>
</tbody>
</table>

### Twinning 2.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term expert (1 year)</td>
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