



# **Charging Methodology II**

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## Preamble

In accordance with the Act CLXXXIII of 2005 on Railway Transport (hereinafter Railway Act) and the Joint Decree of the Minister of Economy and Transport and the Minister of Finance No. 83/2007 (X.6.) GKM-PM on determination of network access charges and on charging principles (hereinafter charging decree), the rail capacity allocation body -as charging body - is assigned to settle network access charges to be applied by non-independent infrastructure managers on the open access railway network. In this document, rail capacity allocation body indicates VPE-Rail Capacity Allocation Office (hereinafter VPE).

According to the 13th Paragraph of the Charging Decree, to prepare a document on the methodology of assessing charges in every five years is the task of VPE. The document is called Charging Methodology (hereinafter CM).

The actual access charges concerning the given timetable year are set out by VPE on the basis of CM, the factual data of the Infrastructure Manager's previous fiscal year, other data sources stated in CM, and the volume of expected central budgetary subsidy (hereinafter state contribution). All data and detailed calculations used in setting out access charges are set in the Charging Document (hereinafter CD).



## **1 General instructions**

### **1.1 Validity of Charging Methodology**

#### ***1.1.1 Temporal force of CM***

VPE prepares this document for 5 timetable years. Principles set out in the current CM shall be used for the first time to the preparation of the CD determining network access charges to the timetable period that begins from 00:00h of 13 December 2015. Principles also have to be followed when supplying data and information - necessary to prepare CD - by non-independent infrastructure managers. Regulations set out by this CM have to be applied for the last time to the preparation of CD determining access charges to the timetable period that begins from 00:00h of 15 December 2019.

Modification of CM is necessary since the service portfolio provided by infrastructure managers could be different in every timetable period; the data and the information related to charging have to be made up-to-date every year and also changes can be introduced in the regulations taken into account when preparing the CM. As a result different versions of CM could be prepared. However, both validity and effectiveness of each CM are stated on its front page and only one of the versions at a time can be effective for a given period of time.

#### ***1.1.2 Territorial scope and objects covered by CM***

Regulations written in this CM have to be used during setting the charges for the use of national open access rail networks operated by non-independent infrastructure managers.

### **1.2 Legal framework**

The legal framework for the establishment of the infrastructure access charging system is made up of domestic laws and regulations which are harmonised with the rules of the European Union, particularly with the 2001/14/EC Directive (hereinafter called Directive).

These rules are as follows:

- Rules of the EU
  - Council Directive 91/440/EEC of 29 July 1991 on the development of the Community's railways
  - Directive 2001/12/EEC of the European Parliament and of the Council of 26 February 2001 amending Council Directive 91/440/EEC Directive on the development of the Community's railways

- Directive 2001/14/EC of the European Parliament and of the Council of 26 February 2001 on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure
- National legal rules
  - Act CLXXXIII 2005 on railway transportation
  - Joint Decree No 50/2007. (IV. 26.) GKM-PM on the separation of accounts of railway business segments within the railway company
  - Joint Decree No 83/2007. (X. 6.) GKM-PM on frameworks of the network access charging system, and basic regulations of determination and implementation of network access charges
  - Decree No 101/2007 (XII. 22.) GKM on detailed rules of open access to railway network
  - Government Decree No 268/2009 (XII.1.) on the legal relationship between the Rail Capacity Allocation Office and the non-independent infrastructure manager.

While this CM is in force, it is necessary to have a continuous and overall harmony between CM and the Network Statement (hereinafter NS) issued by VPE.

### **1.3 Review and modification of the Charging System**

#### ***1.3.1 General rules of the modification of the Charging System***

VPE is entitled to modify the Charging System and CM as its part. As part of this activity, VPE follows the operation of the charging system which is based on the Charging Methodology and gathers experience on its working. At the request of VPE, facts and figures are sent to VPE by IMs in accordance with Paragraph 14 of the Charging Decree.

As long as the networks access charges have to be recalculated, they may only be introduced if they correspond to provisions of Paragraph 55 of Railway Act. Correspondence to law shall be judged by VPE. During this judgement, also statements of authorised applicants and infrastructure managers relating to the subject can be taken into consideration.

#### ***1.3.2 The compulsory modification of the Charging System***

VPE shall modify the Charging System if the System does not compile with Paragraph 12 of the Charging Decree. In Accordance with Paragraph 12 (1), the considerable extent is determined by VPE as follows:

- 10%, regarding the change in the revenue of the IM from invoiced network access charges paid by authorised applicants,
- 10%, regarding the change in the amount of state contribution granted to the IM,

- 5%, regarding the change in the size of the open access railway network operated by the IM.

As for the amount of state subsidies, if the amount of the state subsidy changes from HUF 0 to any amount, the amount is classified as considerable amount.

Besides the changes mentioned above, VPE is obliged to carry out the modification of the charging system if discounts (in accordance with Chapter 6.4, Paragraphs 9 and 10 of the Charging Decree) or mark-ups (in accordance with Sections (8)-(11), Chapter 6.5 Paragraph 55 of the Railway Act) are introduced.

In compliance with Paragraph 3 of Governmental Decree No 268/2009, infrastructure manager shall make, without delay, changes to those data which are involved in charging, to VPE available.

In accordance with Paragraph 12(2) of Charging Decree, regulatory body may require the modification of charging scheme if costs and expenses included in determination of network access charges differ at least by 5% from justified costs and expenses.

### ***1.3.3 Revision of charges in running year affecting full scale of services***

Basis for revision of charges is cost and performance data included in the business plan of infrastructure managers that was approved for the charging year prior to the year of revision.

Taking into consideration the above, VPE shall determine network access charges on the following principles:

- Performances implicated in revision of charges, correspond with all service performances provided by the infrastructure manager in the period following the date of entry into force of the recalculated charges.
- Based on recalculated network access charges, fact revenues of the published network access charges and performances related to train run until recalculated network access charges are published as well as revenues calculated in such a way that performances for the affected period were taken into account, must cover costs indicated in data supply for the affected timetable period also taking into consideration the state contribution.
- Should recalculated network access charges grow in comparison to charges published, recalculated network access charges will apply to each service of the infrastructure manager from the date when recalculated network access charges enter into force. (To services requested in the period between the announcement of recalculated network access charges and their entry into force, and if request relates to the period following the entry into force of recalculated network access charges, recalculated network access charges shall apply.) Use of recalculated network access charges does not rate as train path modifications.





- Should recalculated network access charges drop in comparison to charges published, recalculated network access charges shall apply as of their entry into force for all services provided by the infrastructure manager inclusive of train paths allocated earlier that year. Use of recalculated network access charges does not rate as train path modification.
- In a case of train paths affecting more than one day, invoicing of network access services shall happen on the basis of network access charges in force on the very day of allocation.

#### ***1.3.4 Revision of charges affecting only some parts of services***

Should the revision of charges be carried out because of introduction of new service(s), charges already published must not be affected by the revision.

### **1.4 Data supply and liability of data supply**

In accordance with paragraph 14(1) of Charging Decree, infrastructure managers involved in CM are bound to deliver to VPE all data and information necessary to prepare CM and CD with the required content and in the required form. Information needed for preparing CD shall be required by VPE from infrastructure managers in advance.

Each IM and authorised applicant obliged to provide data for VPE inspections is fully responsible for the accuracy and appropriateness of the content of the provided information. VPE is entitled to review the information provided and to ask for completion or modification of data. Furthermore VPE is entitled to ask for justification in case of basic costs and costs of an access part of service connected to supplementary and complex-supplementary services as long as the variable cost component of these costs exceeds 35% of the total cost that can be taken into account at a particular service. In case of some basic and supplementary services, the performances divided into train categories are needed to be determined in order to carry out the analysis and calculations connected to the segment analysis mentioned in point 5.10. Therefore, the IMs in their data supply submit the performances broken down to train categories in case of access part of services, basic services and complex -supplementary services.

VPE is not responsible for damages due to incorrect information supplied by IMs and authorised applicants. Data arriving at VPE after the deadline assigned for data supply cannot be taken into consideration in the calculation process.

VPE is responsible for the calculation of charges on the basis of information provided by IMs and keeping methodology set out in CM in compliance with regulations in force.



### **1.5 Determination of justified costs while preparing CD containing concrete network access charges**

In compliance with Paragraph 13(6) of the Charging Decree, VPE shall prepare the Charging Document containing the concrete values of network access charges on the basis of CM and factual data received from the infrastructure manager for the last closed fiscal year.

For the preparation of CD, when determining justified costs, VPE shall take into consideration the followings:

- coherency between fact data of the last closed fiscal year and fact data of the previous terms, and trends resulting from this coherency,
- data of approved business plan provided by the infrastructure manager,
- comparative market prices of products and services that are also available on the market,
- differences between infrastructure managers concerned by the Charging Methodology,
- other domestic and international benchmark data, information.

In order to make the charging process transparent, those charges must also be indicated in the Charging Document which are calculated without state contribution from the budget (value of refunding of costs is 0).



## 2 Definitions used in the Charging Methodology

All definitions of legal rules listed in point 1.2 and definitions used in the Network Statement are in full range valid throughout the Charging Methodology.

Beyond the above, for the purpose of CM, the following definitions apply:

**Traffic control staff at stations:**

Staff performing traffic control at stations (station inspector, pointsman).

**Station staff:**

Collective term for employees performing traffic activities at stations.

**Freight terminal:**

Places of service where solely handling of goods happens.

**Basis period:**

The last expired fiscal year at the time of preparing the C D.

**Gross ton kilometre:**

Total mass of traction units, hauled wagons and load of a running train multiplied by the distance travelled in kilometres.

**Charge year:**

The period to which the determined rates are valid.

**Wagon shunting equipment:**

Equipment in marshalling yards (such as rail brakes, elin-elements, humps), with which wagons arriving at the station will be moved to a track corresponding to their destinations.

**Traffic staff:**

Staff performing traffic activities.

**Traffic service:**

Collective term for all the activities in connection with train traffic arrangements and scheduled, economical and safe running of trains.

Traffic activities are as follows:

- Organising, controlling, performing and supervising traffic service,
- Timetable arrangements
- Supply of wagons for passenger and freight transport,
- Formation and running of trains,
- Traffic regulation and running of traffic,
- Prevention and elimination of traffic disturbances.



**Traffic activity:**

Performing duties of Traffic service.

**Running track:**

Tracks used for rail traffic and shunting

**Traffic controller of line sections:**

Employee whose task is to design, organise and control tasks in connection with train traffic. Station, train and track staff taking part in traffic activities has superiority over traffic controller of line section in management of train traffic.

**Main track:**

All the tracks of a service place designated for receiving of trains.

**Detaching/inserting wagons:**

Wagons, trailed vehicles being detached from or inserted into a train, or detached from one and inserted into another train at most of stations of an effectively used train path.

**Central traffic control (KÖFE):**

Mechanical supervision of big traffic zones and long line sections from a centre.

**Central traffic management (KÖFI):**

Remote control of big traffic zones and long line sections directly from one centre.

**Stop:**

Service place generally on the open line with installations for passenger and possible for freight traffic where no other tracks than that of the open line exist.

**Stopping-loading place:**

Service place on the open line with installations generally for passenger and freight traffic where in addition to main line(s) there are one or more sidings as well.

**Sidings:**

Track of service places other than tracks designated for receiving of trains. Their accurate names depend on their functions (warehouse, washing, storing and repair tracks, etc.).

**Track staff:** Collective term for employee whose duty is to receive trains on open lines.

**Project-like costs of development:**

In accordance with Paragraph 2(f) of Charging Decree, investment costs of justified costs that are inevitably necessary for the maintenance of the given technological level on the railway network managed by the infrastructure manager.



**Loading place:**

A service place on the open line equipped for freight traffic, where besides the track of the open line there is one or more than one siding.

**Loading track:**

Track or a section of track designated for the purpose of loading.

**Loading area:**

Area ensured for loading next to a loading track which is flat, free of any hindrances, with pavement or without pavement, generally equipped with lighting.

**Marshalling:**

Splitting up and formation of trains, detaching of wagons from trains and inserting of wagons into trains or from one train into another train at stations (marshalling yards, at marshalling facilities of stations) with the provision of traction vehicle, locomotive and shunting staff.

**Marshalling yard:**

Service place equipped with tracks of special layout and with technical facilities, where formation and splitting up of freight trains take place.

**Services:**

In the current CM, the term “services” cover all services defined in Annex 3 of the Railway Act and provided by the infrastructure managers (MÁV Zrt and GYSEV Zrt) to the authorised applicants.

**Applicant for services:**

In accordance with Railway Act, authorised applicants and enterprises of applicants authorised to reserve capacity.

**Shunting staff:**

Collective term of employees performing shunting (foreman of shunting, wagon shunting employee, points-switching employee, etc.).

**Operation management (Line management):**

Managing activity in connection with planning, running and controlling train traffic.

**Track route:**

Part of the track where:

- the arriving train runs from the first entry switch up to the place of stopping,
- the passing through train runs in the whole length of passage (from the first entry switch up to the last outlet switch),
- the starting train runs from the place of departure up to the place where the train leaves the last outlet switch.

During shunting, track route is the section of the track where the train passes through without switching of points or safety installations.



**Number of track route use:**

Number of routes switched for and used by trains relating to given basic and certain supplementary services in case of using a station access service.

**Railway vehicle:**

Traction vehicles, trailed vehicles or self-propelled vehicles - rolling on the rails on own wheels - that run on the railway network which consists of one or more sub-systems or one or more parts of these sub-systems in the Trans-European conventional or high speed railway system in accordance with TSIs.

**Projection equivalent:**

A projection indicator which standardizes certain services and is used for the distribution of revenues, costs and expenses ( direct costs to be distributed) assigned to certain services in the ratio of adequately selected, measured or calculated in-kind performances\*. The projection indicator occurs similarly in the various station/network services that can be measured in natural measurable units, and is proportional to the amount of expenses demonstrated by the IM in connection with the described service. In present CM, in case of access services, track route use number indicators defined separate to each service are applied as projection equivalent.

*(\*Remark of the translator: "In-kind performance" is a collective term. It means common measurement units which enable that costs to be distributed among services having different measuring units could be divided in such a rate reflecting the rate of costs emerging actually for the sake of providing the service. Since cost group to be distributed contains several cost elements being connected to different services, different types of in-kind performances will be applied to different cost elements; we call them track route use.)*

**Line kilometre:** Total length of track network to be used by authorised applicants.

**Train kilometre:** The distance covered by the train in kilometre.



### 3 Logical steps of formation of the Charging System

Formation of the Charging System was built up on the following logical steps as from the 2015/2016 timetable period:

- The basis of the Charging System is the clear definition of basic, supplementary, additional and ancillary services provided by infrastructure managers. Definitions of the services comply with the regulations of the Paragraph 54 and Appendix 3 of the Railway Act.
- The structure of the Charging System is defined in accordance with the technical content and the utilization characteristics of the services provided by infrastructure managers. In other words, after the use of certain services which charges are to be paid.
- The next step of the formation of the Charging System was to define the range of justified costs and investments (and incomes as declining items) of services provided by infrastructure managers; and the presentation of concerning data sources.  
In order to comply with the law (especially with the Article 5 of Paragraph 55 of the Railway Act) justified costs and investment items that cannot be taken into consideration in the process of formation of the Charging System, and items that are present in the Charging System shall be separated. (a more detailed methodological description is in chapter 6).
- Determination of the calculation methodology of concrete charge items is based on the charge structure, the range of costs to be taken into account in the charges of some services, and the efficiency of some possibly used services.

For unification of the domestic system of network access charges:

- the content of services provided by the infrastructure manager,
- the structure of network access charges,
- basic range of costs to be considered for the charging of certain services,
- the logic of distribution of costs to be distributed among several services,
- methodology for determining concrete network access charges,
- methodology for determining discounts and mark-ups

are defined in one common document for all the infrastructure managers concerned by present Charging Methodology.

Differences between the IMs which may come, as for instance, from their various recording systems, are handled by detailed specifying rules laid down in Annexes.



When establishing the CM, within possibilities ensured by legal rules defining the framework system, also practices used by states participants of the Agreement on the European Economic Area were considered (logic of charging, type of mark-ups to be used, etc.).

Main features of charging practices of European countries can be seen in Annex 1.





## **4 Services that infrastructure managers can provide**

IMs in compliance with the provisions of Paragraph 54 and Annex 3 of the Railway Act can provide services as follows.

Services provided in certain timetable periods are determined for each timetable period, which are listed in Annex 8.

### **4.1 Basic services**

Services defined in Paragraph I. of Annex 3 of the Railway Act.

#### ***4.1.1 Ensuring of train path***

The service comprises:

- reception of the customer's request (including supplementary, additional and ancillary services belonging to the request) in electronic form,
- examination of the feasibility of the request,
- construction of the necessary timetable,
- examination of the achievability of the service belonging to the request,
- information to the applicant about accepting and fulfilling of the request,
- arrangement for the execution.

#### ***4.1.2 Running of trains***

The service includes:

- making the open access railway network available to authorised applicant for freight traffic, passenger traffic or for traction,,
- ensuring the use of the open access railway lines, traffic through main lines, turnouts in through main lines, track connections engineering structures, signalling and safety devices,
- running of train traffic by providing staff, equipment and information system of traffic operation,
- handling and forwarding data needed for running of trains (if necessary, issuing of permit required to forwarding exceptional consignments, registering of the consignment, making an offer in writing to the authorised applicant),
- activity of the infrastructure manager for handling of train run document and its annexes.

## 4.2 Supplementary services

Services included in Point II of Annex 3 of Railway Act.

Regarding supplementary services, three types of other services can be differentiated within this group, namely:

- the access part of supplementary services (providing access to infrastructures and facilities),
- supply part of supplementary services (providing services connected to infrastructures and facilities) and
- complex services (ensuring both services mentioned before).

Supply part of service within the group of complex services can be provided only at places that have the necessary infrastructure and/or facilities to provide a particular service.

### 4.2.1 Use of stations for stopping by passenger trains - complex service

#### The access part of service includes:

- ensuring access to and use of track network and other facilities of passenger stations, halts and stops used for passenger transport and not included in basic services,
- ensuring access to and use of passenger service buildings, facilities, passenger areas, platforms, underpasses and footbridges.
- ensuring the use of traffic operation activity related to stopping of trains at stations and necessary for dispatching and receiving of trains.

#### The supply part of service includes:

- providing information to passengers at stations and ensuring of services to passengers
- ensuring the surveillance of stations with security and patrol service not containing the security service related to railway vehicles
- ensuring the use of the waiting hall, other passenger areas and buildings as well as services connected to them.

#### ***4.2.2 Use of origin/destination stations by passenger trains - complex service***

*The access part of service comprises:*

- ensuring access to track network necessary for formation, shunting and splitting-up of passenger trains, as well as access to track related technical devices containing signalling and safety equipment,
- ensuring the use of traffic operation activity related to shunting,
- ensuring access to and use of installed equipment necessary for preheating, pre-cooling, water supply, emptying waste water from closed system toilets, wagon cleaning of passenger trains as well as access to facilities related to rail rolling stock maintenance facilities,

*The supply part of service includes:*

- 
- ensuring access to and the use of installed equipment necessary for pre-heating, pre-cooling and water supply and providing services related to them (without providing energy).

#### ***4.2.3 Use of stations by freight trains - complex service***

*The access part of service comprises:*

- access to railway tracks, train reception tracks and facilities belonging to stations but not included in basic services (tracks and related technical and engineering equipment used by the trains and detached/inserted wagons) for the purpose of freight transport,
- use of traffic operation activity at stations related to dispatch and reception of trains but not included in basic services (traffic control, recording of data of train run),
- access to marshalling yards and wagon shunting equipment, as well as access to station sidings ensuring track access there,
- provision of traffic operation activity needed for marshalling, with the **exception** of provision of traffic activity related to the use of the following services: Ensuring access to wagon weigh bridges, Ensuring access to refuelling facilities and Storage of vehicles.
- access to open access privately-owned networks, loading places, transshipment sidings designated for loading, as well as ensuring access to facilities enabling transshipment between different gauges, to rail rolling stock maintenance facilities and to tracks enabling access to freight terminals.



*The supply part of service comprises*

- ensuring the surveillance of stations with security and patrol service not containing the security service related to railway vehicles
- ensuring the use of buildings necessary for freight transport and providing related services

**4.2.4 Use of wagon weigh bridges (scales) - complex service**

*The access part of service comprises:*

- use of sidings ensuring track access to the scale house, and
- provision of relating traffic operation activity.

*The supply part of service includes:*

- ensuring scales in good working order
- ensuring the weighing employee's (trustee) access to the scale house
- supervising the weighing of wagons carried out by the applicant

**4.2.5 Use of refuelling facilities - complex service**

The access part of service comprises:

- use of sidings enabling track access to refuelling facilities, and
- provision of relating traffic operation activity.

*The supply part of service includes:*

- ensuring the use of buildings and devices necessary for refuelling and providing related services (without providing fuel).

**4.2.6 Storage of vehicles (A,B,C,D,E) - access part of service**

The service comprises:

- storage of vehicles beyond 24 hours,
- use of sidings enabling track access to storage sidings
- provision of relating traffic operation activity.

**4.2.7 Use of overhead contact wire (catenary) systems - access part of service**

The service includes the access to and use of catenary and power supply systems.



#### ***4.2.8 Suspension of service interruption - supply part of service***

The service includes the availability of the traffic operation staff in places and in time period affected by service interruption.

#### ***4.2.9 Suspension of service stoppage - supply part of service***

The service contains the availability of traffic operation staff in places and in time period affected by service stoppage.

### **4.3 Additional services**

Services defined in paragraph III. of Annex 3 of the Railway Act.

#### ***4.3.1 Outdoor train acceptance***

The service includes in case of departing trains the registration of data required for preparing the total weight report (VTK), communication of these data in order to enter them into the IT system of the Infrastructure Manager, carrying out braked weight calculation and handling of rear light.

#### ***4.3.2 Train preparation***

The service includes in case of departing trains the registration of data required for preparing the total weight report (VTK), communication of these data in order to enter them into the IT system of the Infrastructure Manager, carrying out braked weight calculation and handling of rear light. On demand the service also includes the labelling of railway wagons and the checking of the existence of wagon lock, in case of lack or damage, replacement of wagon lock.

#### ***4.3.3 Ensuring of shunting staff***

The service includes the provision of shunting staff for shunting.

#### ***4.3.4 Ensuring of traction unit***

The service includes ensuring of traction unit for shunting and ensuring of driving crew operating the traction unit.

#### ***4.3.5 Staff available for shunting***

The service includes the staff available for shunting.



#### **4.3.6 Traction unit available for shunting**

The service includes the available traction unit for shunting and also includes ensuring of driving crew operating the traction unit.

#### **4.3.7 Ensuring of staff for weighing**

The service includes the carrying out of weighing of wagons.

#### **4.3.8 Ensuring of fuel for traction**

The service includes the provision of fuel for traction.

#### **4.3.9 Ensuring of traction current**

The service includes the transmission of traction current through private wire.

#### **4.3.10 Ensuring of fuel for other than traction purposes (for preheating, precooling).**

The service includes the ensuring of fuel for other than traction purposes (for preheating, precooling).

#### **4.3.11 Ensuring of electric energy for other than traction purposes (for preheating, precooling)**

The services includes the transmission of electric energy through private wire for other than traction purposes (preheating, precooling).

#### **4.3.12 Ensuring water for water supply**

The service includes the provision of water for filling and for water supply.

#### **4.3.13 Exchange of axles**

The service includes changing of bogies of different gauges of vehicles and the technical inspection of vehicles after exchange of axles.

#### **4.3.14 Use of bogies**

The service includes the use of bogies.



## **4.4 Ancillary services**

### ***4.4.1 Technical inspection of railway vehicles***

The service includes the performing of technical inspection of railway vehicles.

## 5 Charge items of services of the infrastructure managers that can be involved in charging

### 5.1 Separation of revenues, costs and expenditures

In order to determine network access charges set out by this Charging Methodology, revenues, costs and expenditures related to open and not open access railway networks must be unambiguously separated.

This separation must be done by non-independent railway infrastructure managers affected by this Charging Methodology:

- as appropriate, regarding items which may unambiguously be connected to open and not open access railway networks,
- and, regarding items which may not unambiguously be connected to open and not open access railway networks, on an 'in-kind basis', arising from unambiguous and verifiable data sources.

### 5.2 Classification of items involved in charging

Revenues, costs and expenditures (hereinafter items) that can be included in the charging of the basic services, access part of supplementary services and access part of complex-supplementary services shall be determined based on the following groupings:

Cost content of services		Variable cost component	Fixed cost component
Direct costs	Connected to one service	C1	C3
	Connected to more services	C2	C4
Indirect costs	Operational costs	-	C5

1. variable cost component of direct costs (C1): items to be clearly and directly assigned to certain services directly arising from the operation of trains and the use of services,





2. fixed cost component of direct costs (C3): items to be clearly and directly assigned to certain services that do not directly arise from the operation of trains and the use of services,
3. variable cost component of direct costs to be distributed (C2): items directly relatable to the provision of railway infrastructure services but arising in order to facilitate several of these services concurrently and thus to be distributed among these services on an in-kind basis, and which are directly attributable to the operation of trains and the use of services,
4. fixed cost component of direct costs to be distributed (C4): items directly relatable to the provision of railway infrastructure services but arising in order to facilitate several of these services concurrently and thus to be distributed among these services on an in-kind basis, and which are not directly attributable to the operation of trains and the use of services,
5. indirect costs (C5): indirect cost items to be distributed among all services arising with non-independent infrastructure managers or, in the case of integrated railway companies with railway infrastructure organisation or the integrated railway company.

Revenues, costs and expenditures that can be included in the charging of the supply part of supplementary and complex-supplementary services as well as additional and ancillary services shall be determined based on the following groupings:

1. direct costs - items to be clearly and directly assigned to certain services
2. direct costs to be distributed - items directly relatable to the provision of railway infrastructure services but arising in order to facilitate these services concurrently and thus to be distributed among these services on an in-kind basis.
3. indirect costs - indirect cost items to be distributed among all services arising with non-independent infrastructure managers or, in the case of integrated railway companies with railway infrastructure organisation or the integrated railway company.

Because of the diversity of the range of provided services, the deviating organisational structures and the various registration systems, detailed rules for gathering the costs of infrastructure managers shall be obviously determined individually. Items belonging to certain services and the methodology applied when preparing CD (to ensure the monitoring process) can be seen in Annex 2 (MÁV Zrt) and Annex 3 (GYSEV Zrt). If the registering system of the infrastructure managers is developed or modified, Annexes 2 and 3 shall be revised, and if necessary, shall be modified by taking into consideration rules of Chapter 1.3 and Section 1.1.1.

As a consequence of existing differences between organisations of infrastructure managers, it may also occur that regarding one infrastructure manager certain items can directly be linked to the services provided by this infrastructure manager, whilst regarding the other infrastructure manager these items must be distributed on an in-kind basis to several services.

### **5.3 Items that may not be taken into account when charging**

When charging the following items may not be taken into account:

- Items which occur in relation to services, but may not be embodied in charges
- Items related to services, but may not be included in charging,
- Items related to activities other than services listed in points I-IV of Annex 3 of the Railway Act

### **5.4 Respecting time between the basis period and the year of charge when determining the costs**

In accordance with § 4 of Charging Degree, identification of revenues, costs and expenditures which may be taken into account during the calculation of charges, will be carried out on the basis of the last closed fiscal year (that is to say on the basis of data of the basis period). In line with rules relating to the publication of charges, between the basis period and the year of charge, some three years will pass<sup>1</sup>.

In accordance with the above, fact data of the basis period will be considered as basis for determination of items that can be involved in charging related to individual services, but price level changing (be partly fact data, partly plan data) in the period between the basis period and the year of charge, will be taken into consideration as follows.

Relating to individual services, as governing rule, the rate of price level changing that may be taken into account is

- the consumer price index given by KSH (Central Statistics Office) for the period from the basis period up to the end of the quarter<sup>2</sup> prior to the month of determination of charges
- is the consumer price index forecasted by MNB (Hungarian National Bank) for the period from the end of the quarter prior to the month of determination of charges until the end of the year of charge.

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<sup>1</sup> Charges valid for the given 'T' timetable year must be published at the end of the T-2 timetable year, therefore the year T-3 can be considered as the last closed business year.

<sup>2</sup> If charges are calculated in December, until the end of the third quarter.

The rate of price level changing that may be taken into consideration to personal-like expenditures:

- for the year following the basis period (year of charge calculation) is the degree of wage-increase set out in the collective agreement or, in absence of this, degree of wage-increase approved by OÉT.
- for the period from the year after the basis period (year of charge calculation) to the charge-year, is the degree of national economic gross income-increase forecast by MNB.

No price level changing may be taken into consideration

- to the costs of depreciation and loss in value,
- to the revenues and expenditure of financial transactions,
- to provisions for liabilities and charges, as well as
- to extraordinary revenues and expenditures.

Beyond the above, in the case of determination of network access charges the following modifications influencing the fact data of the basis period may be taken into account.

- Changes to the tax and contributions system fixed by legislation, until the month prior to the calculation of charges
- Activated investments, sorting outs, derecognising up to the end of the quarter prior to the month of calculation of charges in the course of determination of cost depreciations and losses in value
- Regarding state contribution, instead of fact data the value planned for the year of charge shall be based on a contract concluded between the state and the infrastructure manager, and in the absence of that, based on the statement of the minister responsible for transport.

VPE may also apply correction other than shown above by presenting the Business Plan of the infrastructure manager.

Should the contract for operating the railway network contain the business plan of the Infrastructure Manager for the year of charge, this business plan will be the basis of charging.

If the contract for operating the railways network does not contain the business plan for the year of charge, or, if the business plan laid down in the contract for operating the railway network has been revised and approved, the basis of charging shall be the approved business plan of the infrastructure manager.

If the basis of charging is the business plan, item and performance data may not be modified further on through corrections by the infrastructure manager.

Person who is authorised to sign for the infrastructure manager and is responsible for data supply shall verify with signature that the business plan is approved.

## **5.5 General rules applied to the distribution of items involved in charging**

### ***5.5.3 Distribution of direct items related to more services***

Distribution of direct items assigned to several services shall be carried out on the basis of common principles regarding infrastructure managers subject to this CM.

Consequently, distribution of direct items to be assigned to several services shall be carried out on the basis of the degree of fact “in-kind performances” which possibly form the basis of invoicing, are registered and planned for the year of charge and are derived from unambiguous and controllable resources. Planning must be performed on the basis of fact data of the basis period, information gathered from the authorised applicants and trends to be expected.

If items must be distributed among services which can be characterised by diverging “in-kind performances”, a so called projecting equivalent must be defined as a projecting basis of the distribution, and parameters of exchanging of measured “in-kind performances” to this equivalent shall be determined based on the experimental characteristics of technology in the periods passed.

Detailed rules for the distribution of direct items to be distributed shall be laid down separate for each company affected by CM because of differences in their service portfolio, costs structure, register systems. These detailed methodological rules - to be used when preparing CD - (inclusive of determination of exchanging ratios between certain „in-kind performances” (and projecting equivalents) can be seen in Annexes 2 and 3.

Items in connection with the operative control shall be distributed among activities guided by operative control in proportion of man hours linked to the individual activity codes.

### ***5.5.2 Distribution of indirect items involved in charging***

In absence of ‘in-kind performances’ which could be used as an adequate projecting basis, distribution of indirect costs occurred at the infrastructure manager to the services provided by the infrastructure manager - but regarding charges of running of trains, and within this charge, distribution of indirect costs to part of charges proportional to gross ton kilometres on one hand and to part of charges proportional to train kilometres on the other hand - shall take place proportionately to the sum of direct items and direct items to be distributed.

Should the infrastructure manager provide other services beyond services subject to this CM (operates other activities), indirect items listed in Annex 4 shall be first distributed among these services and activities and among services listed in CM in proportion to direct costs, and then in the second phase, the part falling on services listed in CM shall be broken down further to individual services.



### ***5.5.3 Break down of items involved in charging to line sections***

In order to correspond to provisions of § 13 point (4) b) of Charging Decree, items related to basic services and to access to electric power system can also be broken down to line sections.

In order to establish an unambiguous break down, direct items belonging to these services - where applicable - shall be registered in linkage to (statistical) track sections.

### ***5.5.4 Special rules related to newly provided or ceased services in the year of charge compared to the basis period***

The planned value of items occurred in connection with the provision of the given service may be taken into consideration for calculating the items of services mentioned by this Charging Methodology (CM), not provided in the basis period (no cost effect), but to be published in the year of charge.

Items that may directly be connected to the service mentioned by this Charging Methodology (CM), provided in the basis period, but not to be published in the year of charge and also the planned volume of use of the service must not be used for the calculation.

## **5.6 Distribution - among services - of indirect items burdening all the services, and distribution - among services - also of these items**

### ***5.6.1 Grouping of indirect costs***

Indirect items to be distributed among all the services can be divided into three groups:

- central (general) and governance items of the infrastructure manager;
- in case of integrated railway companies, it is possible to determine separately the internal items of services provided by other organisations of the integrated railway company (exclusive of costs of other services that were used for the sake of a given service which must be accounted among the items of the concrete service).
- part of central and governance items in connection with the administration of the integrated railway company, distributed to the infrastructure-operating activity.

These items are presented in Annex 4.

### **5.6.2 Indirect items involved in services**

In accordance with § 4 (3) of the Charging Decree, although indirect items of basic services, access part of supplementary services and access part of complex-supplementary services according to the above are present in the items when determining the charges, they may be taken into consideration as general mark-ups.

Out of the services provided by the infrastructure manager no indirect item can be distributed to the charge elements of the service “Supply of traction current”, “Supply of transmitted electric energy for other than traction purposes (for preheating, precooling)”, “Supply of fuel for traction”, “Supply of fuel for other than traction purposes (for preheating, precooling)” and “Ensuring water for water supply”.

### **5.7 Distribution of state contribution to services**

Contract for operating the railway infrastructure concluded between the State and the infrastructure manager may contain the volume of state contribution (central budgetary subsidy), the sum of reimbursement of expenses provided by the state that may be considered when calculating network access charges and also the rules of its distribution among services. Should the contract for the operation of the railway infrastructure not stipulate the volume of state contribution and the rule of its distribution among services, it shall be determined by the minister responsible for transport.

Failing an infrastructure management contract or the ministerial regulation, State contribution shall be distributed as follows:

1. In a case of a state contribution defined as a certain amount of money, distribution of the State contribution between the infrastructure managers shall happen in proportion to the amount of all items involved in charging and relating to the given timetable year.
2. Should the re-distribution of state contribution become necessary because of changes in the volume of state contribution defined as a certain amount of money, proportions defined in the above point 1) may not change.
3. Should the re-distribution of state contribution become necessary not because of changes in the volume of state contribution defined as a certain amount of money, only the volume of state contribution assigned to services shall be re-distributed.
4. If the segment analysis comes up with a result showing that regarding the segments the authorised applicants are able to pay most of the costs represented as general mark-ups in the network access charges, the amount of charges of basic and supplementary services has to be reduced with the amount of state contribution. It shall be carried out in a way that the same

amount of services should be available at the same price in real terms compared to the previous timetable year. If the segment analysis comes up with a result showing that regarding a segment or more segments the authorised applicants are not able to pay (all) the costs represented as general mark-ups in the network access charges, the amount of these charges regarding basic services, access part of supplementary services related to the particular segment and access part of complex-supplementary services has to be reduced with an amount that the segment(s) can bear according to the segment analysis.

5. If the amount of state subsidy is not enough to cover the costs represented as general mark-ups in the network access charges of basic and supplementary services to the full extent or at least to an extent which is bearable to the authorised applicants in the segments, the highest charge in these cases (in case of services that the state contribution cannot totally cover) can be the amount that the authorised applicants are able to pay but at least covers the direct variable costs and the variable cost component of direct costs to be distributed. In this case we have to examine how these costs, which are covered neither by the network access charges nor by the general mark-ups, will be reimbursed taking into account the rules of procedure agreed by the state and the Infrastructure Managers and the rules laid down in chapter 5.8 and Paragraph 28 (1) of the Railway Act related to the ensuring of a full cover when providing services.
6. If there is any amount to be distributed remaining from state subsidy after covering the costs represented as general mark-ups, that amount will be distributed between the basic and supplementary services based on the suggestions of the Infrastructure Managers and the examination of train profiles carried out by VPE. This distribution shall be carried out in a way that the same amount of services should be available at the same price in real terms compared to the previous timetable year.

## **5.8 Pay-off of costs**

If, based on the pre-calculated network access charges of basic and supplementary services - it can be stated that the charge in question will not be competitive in the given timetable year, it is possible to re-group the costs to services but only in those cases if charges of additional or ancillary services may be increased above the level of costs up to the price level of other supplier on the market, and the difference between the factual cost level and the increased cost level will adequately cover the reduced cost level of pre-calculated, not competitive charges.

VPE calls on the infrastructure manager to recommend the re-grouping of costs.



## **5.9 Ensuring recovery of projects for improving efficiency and for enhancing volumes**

Based on the decision of the infrastructure manager, results of projects for improving efficiency and enhancing volumes shall not be taken into consideration in item and performance data that can be involved into charging as follows with the aim that projects have their effects in reality:

- costs savings of efficiency-improving investments from the beginning of the year following the year when the project has been completed to 10 subsequent years;
- performances related to volume-enhancing investments from the beginning of the year following the year when the project has been completed to 5 subsequent years.

Charging Document (CD) shall show cost-savings and surplus performances that have not been taken into consideration when charging. Infrastructure manager shall enclose to its data supply project documentation equipped with an executive summary that demonstrates the project, and the calculations regarding surplus performances and costs not involved in charging..

This possibility will cease if no unambiguously identified cost savings and/or performance-increase of projects can be demonstrated in the first half period of the determined period in case of efficiency improving investments and volume-enhancing investments (i.e. for 10 years until the end of the fifth year, for 5 years until the end of the third year).

Infrastructure manager shall display these cost savings and surplus performances separately in its data supply for charging.

## **5.10 Other examinations related to the determination of network access charges**

In accordance with Paragraph 6 (2) of the Decree on Charging, the degree of network access charges increased with mark-up cannot reach that level that some market segments are not able to use the services and not able to pay the costs related to the use of a service or pay the reimbursement rate determined by market analysis.

Based on Paragraph 6 (3) of the Decree on Charging, before calculating the mark-ups we have to examine if there is a market segment that is not able to pay the network access charge increased with mark-up to be paid for the basic service or the service of 'access to infrastructures and facilities'.

Both primary and processed data serve as a base for the analysis to be carried out by VPE. To participate in the examination is voluntary for each authorised applicant. If an authorised applicant decides to participate in the examination and provides





data, VPE will use these data without modifying them and examining the accuracy and validity of these items.

#### The Railway Act

According to Paragraph 55 (3) of the Railway Act, the charging system has to take into consideration the charges applied to open access railway networks in other countries therefore the network access charges applied in Hungary are compared to charges applied in other countries, considering the services behind the charges as well.

The examination is carried out in the period of determining network access charges based on the effective National Statements available electronically.

The conclusions drawn from the examinations - as long as they have been used - have to be published in the Charging Document effective in the given period.

## **6 Determination of charges, mark-ups and discounts related to individual services**

### **6.1 Logic of determination of charges and general mark-ups**

Charges and general mark-ups shall be determined in the logic as follows: (Further details about the general mark-ups in chapter 6.5.1)

- In the first step items related to individual services that can be involved in charging shall be determined in accordance with rules laid down in point 5 and relevant annexes.
- In the next step items related to individual services shall be broken down / summed up to charges, general mark-ups and charge categories in accordance with data provided by Annexes 2 and 3.
- Relating to services and service categories, expectable rate of use of individual services in the next charging year shall be determined by infrastructure managers on the basis of performance fact data of the basis period, information gathered from authorised applicants and trends to be expected (planned performance data).
- On the basis of items related to individual services and service categories, and rate of use to be expected certain charges and general mark-ups shall be determined.

If certain additional and ancillary services are provided by more than one supplier on the given railway network, VPE shall determine the respective charges by taking into account charges applied by other suppliers (formula to be found in Annex 8 relating to charges of additional and ancillary services may exclusively apply only in cases, if certain services are offered on the given railway network only by one supplier).

### **6.2 Determination of charges and general mark-ups**

Charges related to individual services and general mark-ups are defined in Annex 8.

### **6.3 Optional Deviation from Basis charges in case of train kilometre proportionate part of charge for running of trains**

Infrastructure manager may deviate from any charges assigned to any line categories as follows:

#### Per-unit costs per train km

Direct costs of track section of category III/ train km of category III = per-unit cost per train km of category III



Direct costs of track section of category II / train km of category II = per-unit cost per train km of category II

Direct costs of track section of category I / train km of category I = per-unit cost per train km of category I

Calculations need the total of per-unit costs per train km.

#### Ratio of per-unit costs

Ratio of per-unit cost of track section of category III shall be considered as a unit (to be one).

Per-unit cost per train km of track section of category II / per-unit cost per train km of track section of category III = ratio of per-unit cost of track section of category II.

Per-unit cost per train km of track section of category I / per-unit cost per train km of track section of category III = ratio of per-unit cost of track section of category I.

#### Weighted performances

Ratio of per-unit cost of track section category III (=1) \* train km performance of track section of category III = weighted performance of track section of category III

Ratio of per-unit cost of track section category II \* train km performance of track section of category II = weighted performance of track section of category II

Ratio of per-unit cost of track section category I \* train km performance of track section of category I = weighted performance of track section of category I

Calculations need the total of weighted performances.

#### Unit price (charge to be paid) per category

Direct costs of all track sections / total of weighted performance of all track sections = unit price of track section of category III

Unit price of track section of category III \* ratio of per-unit costs of track section of category II = unit price of track section of category II

Unit price of track section of category III \* ratio of per-unit costs of track section of category I = unit price of track section of category I

Format of data supply also in this case coincides with data supply range in point B/1 related to direct cost based charging.

In the CD, both the calculated and the deviated charges have to be presented.

## 6.4 Discounts

Discount may relate directly to the charge of a service, consequently no discount is allowed in charging in such a way that it reduces in percetal magnitude the charge to be paid for a certain service portfolio.

When granting discounts, account must be taken of the fact that discount should not result in distortion of competition between authorised applicants. Consequently, both general discounts and individual discount may be granted only in compliance with certain criteria.

Calculation of discounts shall always be documented and shall base on the data supply of the infrastructure manager.

### 6.4.1 *General discounts*

Granting of a general discount is possible only if infrastructure manager, when providing services, achieves such savings in the administrative costs that were not taken into account when network access charges were calculated, or infrastructure manager could not consider them when charges were determined, or when infrastructure manager receives compensation in order to compensate environmental, accident and infrastructure costs caused by transportation functions of the infrastructure manager other than railway transportation functions and are demonstrably not recovered from any other sources.

Requirements for granting general discounts are as follows:

- discount may only be granted on a definitive section of an open access railway network that must unambiguously be defined; the entire open access network operated by one infrastructure manager cannot be considered as a defined section,
- similar discount shall apply for similar services,
- regarding compensations, authorised applicants must receive proportionate discounts in non-discriminatory manner,
- in case of ad hoc and short term train path request, no general discount may be granted.

As regards granting a general discount, a general coverage principle applies to cases when granting of discounts affects regional and suburban open access railway networks of national railway tracks or railway tracks owned by the state. In these cases it must be shown that network access charges to be paid by authorised applicants and to be invoiced to them plus state contribution equal to total justified items emerging as a result of operating the service by the infrastructure manager.

### **6.4.2 Individual discounts**

Granting of individual discounts is only possible upon request in writing of any authorised applicant or on initiative of VPE as a result of negotiations referred to in legal rules and supervised by the regulatory body.

Granting of individual discounts is possible exclusively in the following cases:

- on considerably underutilised railway sections in order to increase traffic, or
- to temporally encourage development and introduction of new services on certain section of railway lines in a maximum time span of two consecutive timetable years.

Written request of the authorised applicant or the proposal of VPE shall clearly demonstrate which discount-type or which line section it relates to. Magnitude of traffic-increase on the considerably underutilised line section must also be shown, if possible, by model calculations or by enclosing supportive documents.

Development of new services does not necessarily mean services provided by the infrastructure manager, but also services authorised applicants intend to introduce may be taken into account, provided that discount may not be limited to one single authorised applicant, discount must apply to the service.

As a result of the introduction of the new service, demonstrable traffic-increase shall have proceeded.

It can also be applied if existing traffic flows must have been shifted to this railway section from other transport modes or from other networks.

## **6.5 Mark-ups**

Mark-up may relate only directly to the charge of a service, consequently no payable surplus is allowed in charging in such a way that it adds up in percental magnitude to the charge to be paid for a certain service portfolio.

When levying charges it must bear in mind, that mark-up may not distort the competition between railway undertakings. Consequently, both general mark-ups and individual mark-ups may be levied only if certain criteria have been met. Calculation of mark-ups shall always be documented and shall base on the data supply of the infrastructure manager.

### **6.5.1 General mark-up**

If network access charges are not expected to cover all the justified items involved in charging of the infrastructure manager, charge of services may be increased by a general mark-up up to the magnitude at the most that covers all the expected justified items.

The degree of network access charges increased with mark-up cannot reach that level that some market segments are not able to use the services and not able to pay the direct costs related to the use of a service or pay the reimbursement rate determined by market analysis.

In terms of applying general mark-ups, in order to supervise that conditions stipulated in legal rules are met, VPE is obliged to examine whether segments are able to pay the network access charge of basic services, access part of supplementary and complex-supplementary services plus a general mark-up. VPE is also obliged to benchmark charges levied on similar services in the surrounding countries. If any of these examinations finds out that the meeting of conditions stipulated by legal rules cannot be ensured, no mark-up may be levied.

### **6.5.2 Individual mark-up**

On initiative of the infrastructure manager, individual mark-up may be levied in certain cases to handle the following events:

- on congested sections of the railway network that can unambiguously be identified, in order to facilitate the efficient use of the railway network (traffic-deflecting impact in time and space),
- in case of environmental impacts that can be connected to an unambiguously identifiable part of the railway network causing costs, a mark-up reflecting the cost-increase can be levied on the given section of the railway network if similar mark-up is applied to other transportation functions (environmental mark-up) as well,
- for development or renewal investments or establishment of new railway line sections if investments were not be recovered without levying mark-ups, or exclusively in that case if investment will result in a better use of the railway network, or gives rise to improvement in results of the infrastructure managers and/or railway undertakings.