

Avalikult Rail Balticust

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Ms Baiba Rubesa
RB Rail AS
K. Valdemāra iela 8,
Riga, Latvia, LV-1010

Re: Issues regarding Rail Baltica CBA

Your ref. 6.1/2017-457
Our: 07.09.2017

Dear Ms Rubesa,

thank you for your reply. We welcome your devotion to our claims of mistakes in CBA and hope our communication will be fruitful to reach the goal of solid and reliable CBA. We want to repeat our message of previous e-mail: we are happy to attend the meeting you have arranged, but it does not replace in any mean written reply we along with European Commission are expecting from you. Please be aware that our analytical answer to your verbal explanations given during the meeting will be published just in the written way.

You have several times expressed the importance of transparency and open communication as important factors of the Rail Baltica project. As you may know from our organization name we share these values. In the spirit of this, we will reserve right for video recording and publication of the meeting.

We accept your preferred date 18.09. and would like to start 11:00. We will send the list of participants next week. May we kindly ask you to arrange technical person of the meeting room to contact us regarding teleconferencing features as one of our team members will be abroad on time of the meeting.

For effective participation in the meeting we would also like to receive copies of following documents at your earliest convenience, but not later than September 11th .

- 1) All written communication you have had with EY regarding CBA issues we have disclosed.
- 2) Any written reply you have provided regarding these issues to European Commission or to relevant ministries of the Baltic states.

Following unpublicised documents referenced in CBA

- 3) National Study RB, 2016 (Ref 10)

- 4) Unspecified document EY, (Ref 12)
- 5) Study ordered by Finnish Transport Agency in 2014 (Ref in page 89)
- 6) Freight Flow Forecasting from Arctic Sea Route and Adriatic Route to Rail Baltica Railway Line. Jüri Sakkeus, Aado Keskaik, Erik Terk (Ref 99)
- 7) EY benchmarking study of existing freight carriers in Finland, Netherlands, Czech Republic, Germany and Poland (Ref 138)
- 8) Information provided by RBR (Ref 174 and 175)
- 9) Detailed CAPEX estimation (Ref in page 145)
- 10) Atkins "Cost Estimation, Renewal & Maintenance and Benchmarking" (2017) report

As the agenda of the meeting we would like to see that 13 topics listed below will be included in the agenda. We also like to draw your attention that some of the following questions you apparently want to discuss in the meeting require only one word (e.g. 6 or 8) or a few names (7). We would appreciate if you could provide short answers to these questions in advance, saving valuable meeting time to more important topics. If you would like to add some topics to the agenda, please ask our confirmation not later than September 11th.

1. What is the type of vehicle and considerations for assumption „Heavy Truck Fuel % OPEX: 25%“ (pg 147)?
2. On what considerations lower excise tax rate is used in assumptions than is valid today and why this rate is assumed not to grow together with the forecasted real growth of the GDP per capita as all transport external costs used in calculations?
3. What is the type of vehicle and considerations for assumption air pollution rate 0.10 €/vkm “Outside city” and 0.22 €/vkm “Within city” (pg 146)?
4. What proportion of “Outside city” and “Within city” is used in the calculation of total air pollution costs caused by trucks?
5. The CBA does not consider railway construction time environmental costs, permanent environmental costs, neither electricity production emissions that are required to run the electric locomotives. Please explain how this is in line with the EU CBA guidelines.
6. Have you submitted CBA to DG Move or DG Regio?
7. Please advise the names and titles of the experts who have approved the CBA as stipulated in your reply 8.07.2017.
8. Has CBA got approval from EY internal quality checking? If so please provide the copy of the certificates. The report is lacking the QA/QC information.
9. The largest issue concerns the truck air pollution rate in motorways (10 €/ct/km) that is used in the calculation of the socio-economic benefit. The total undiscounted value obtained from

this assumption is 3.3 billion euro, about 20 percent of the total socio-economic impact. According to the referenced source, such an air pollution rate corresponds to EURO I or EURO II trucks. During the time 2026-2055, it would be reasonable to expect EURO VI or better trucks to be used. The emission rate for these trucks is 25 times lower, as shown in the referenced source (0.4 €ct/km). This correction results in a 3 billion euro reduction of the socio-economic benefit.

10. The correction of the long-haul road transport vehicle type reduces the undiscounted socio-economic benefit by 220 million euros.
11. The correction of the predicted fuel excise growth decreases the undiscounted socio-economic benefit by 930 million euros in addition.
12. We notice that direct GHG emissions and other environmental impacts caused by the construction process and the new railway corridor have not been considered in the socio-economic impact calculations thus presenting the project more favourable than it actually is.
13. The cost savings of the rail freight on page 179 (table 77) and on page 75 (table 26) of the CBA shows example calculations of terminal to terminal rail freight costs, comparing them with door to door road freight costs. This fails to consider the costs it takes to ship freight from a customer's door to the railway terminal and from the destination railway terminal to the customer's door. Failure to account for door to terminal and terminal to door costs of rail transport overestimates the benefits i.e. cost savings of the rail freight and expected operator fees.

We are sure that issues under discussion should be equally relevant to all your stakeholders. As you probably aware we have sent information about these issues to responsible ministers of all Baltic states. Besides representatives of Estonia you already invited your Latvian and Lithuanian stakeholders should also be informed about the meeting date. We hope our mutual effort ensure that new quality rail connections between our capitals will be economically sound and viable.

With best regards

Priit Humal
member of the board

Karli Lambot

Illimar Paul

Raul Vibo

CC:

Ministry of Economic Affairs and Communications of Estonia

Ministry of Transport of Latvia

Ministry of Transport and Communications of Lithuania

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