The Luxembourg Protocol to the Cape Town Convention on International Interests in Mobile Equipment is a new global instrument which, when in force, will make it easier and cheaper for the private sector to finance railway rolling stock.

The Luxembourg Protocol to the Cape Town Convention on International Interests in Mobile Equipment on matters relating to railway rolling stock (the Luxembourg (Rail) Protocol) is a multilateral Treaty that extends the benefits of the successful Cape Town Convention (already ratified by 82 States in all continents and in force now for the Aircraft sector) to the Rail industry. Its purpose is to increase certainty and reduce risks in asset-based financing for the acquisition and use of railway rolling stock, through a world-wide legal framework providing international recognition and enforcement of creditors’ rights.

All equipment running above, on, or under a permanent guideway, from high-speed to light rail trains, from freight locomotives and wagons to trams and subways, and from people movers at airports to gantries and cranes running on rails at ports, is covered by the Luxembourg Protocol.

The Protocol applies where the debtor is located in a contracting State - regardless of the location of the railway equipment or the creditor.
These interests will be registered in a new international registry, located in Luxembourg, which will be searchable by the public 24/7. This makes it possible, for the first time, for all interested parties to easily learn of a creditor’s security interest in an item of rolling stock, and for that creditor to be able to enforce its security in cases of debtor default or insolvency. The Protocol introduces also a new unique and permanent global identification numbering system for all railway rolling stock to be issued by the international registry.

Operation of the Luxembourg Protocol Registry will be overseen by the Supervisory Authority established under the protocol, comprising contracting states and, initially, representatives of three states nominated by UNIDROIT, and three by OTIF. It will be supported by OTIF, as the official secretariat, and will be advised by a commission of experts.

The Luxembourg Rail Protocol fosters economic growth by enhancing private sector financing in the rail industry - By reducing the risks for rail equipment financiers, the Protocol will attract more private sector lenders to the market, resulting in cheaper finance for non-state-guaranteed operators. The Protocol will encourage capital investment, which will in turn promote the expansion of rolling stock manufacturing facilities. Furthermore, the Protocol will also facilitate short-term operating leases, ensuring a more efficient use, of rolling stock. This is particularly important for developing or emerging economies, but also for all States in general, given the potential boosts for their industries as exporters or importers of railway rolling stock, interest in supporting investment, or in promoting the wider use of transportation by rail within their borders or within regions. For more information see the references provided in Doc. 2.

The Luxembourg Rail Protocol promotes sustainable growth and environmental protection strategies - The Protocol will be a powerful tool to promote sustainable growth and global environmental protection strategies particularly connected to mobility, working towards goals set by the UN as well as by regional organisations. Rail is widely accepted today as the basis for environmentally sustainable urban, domestic, and interregional transport, both for people and freight, and embodies a core element in the strategies to combat climate change, pursuant to the objectives of the Paris Agreement. For more information see the references provided in Doc. 2.

Sustainable growth will be specifically discussed in the Panel organised by the Rail Working Group and co-sponsored by OTIF and UNIDROIT, which will be held immediately after the Preparatory Commission meeting.