

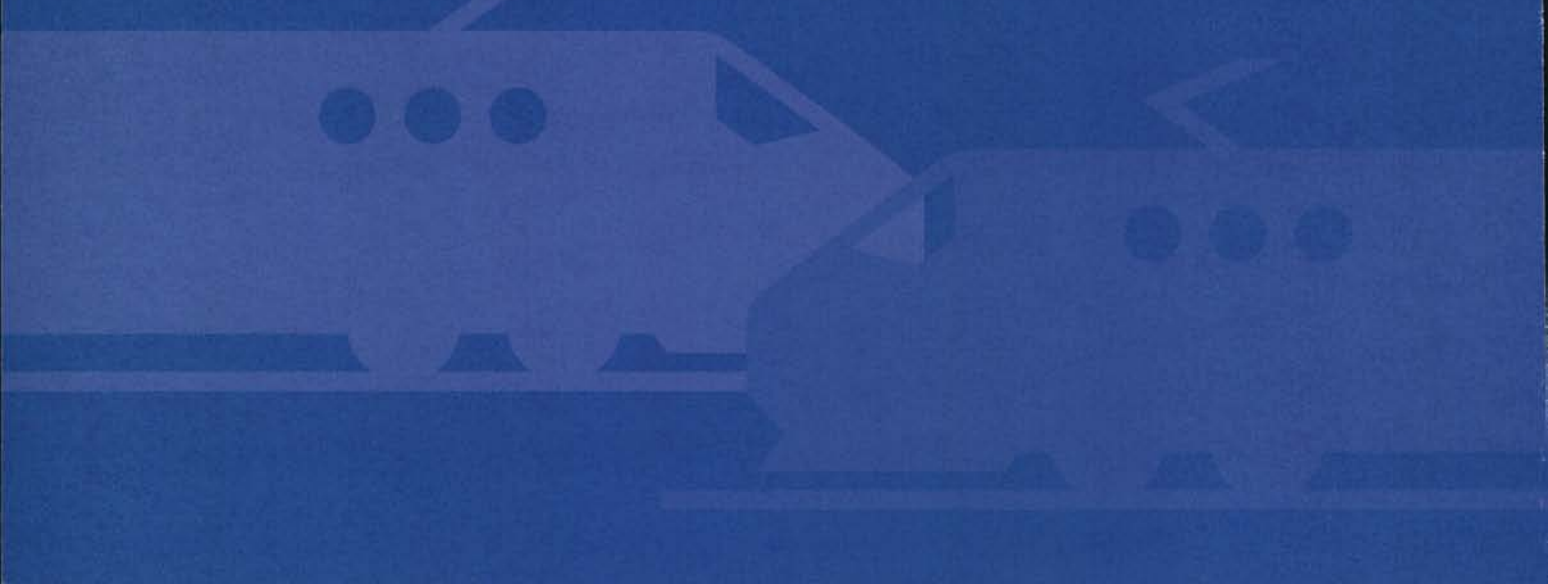


Annual Report 2006



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A new era

In many ways, 2006 was the beginning of a new era for Norwegian railways. For the first time ever, Parliament approved a rail budget in line with the National Transport Plan.



*Steinar Killi, Director General
Photo: Sindre Ånonsen*

With one billion kroner extra for capital expenditure in 2007 and a Government that is promising to maintain funding at this level, Jernbaneverket has been given the starting point we need to fulfil our side of the deal: delivering a competitive railway that pays dividends for society in the form of greater mobility and a better environment. We are already making good progress. In the Oslo area, construction of the new station at Lysaker continues, and in the Sandnes/Stavanger area a new freight terminal and double-track line are taking shape. These are all key projects in the process of strengthening rail's competitive position at regional and national level. Meanwhile, we are working on new detailed plans that can quickly be brought to fruition when the funding arrives.

Passenger and freight traffic on Norwegian railways continued to grow in 2006. We take heart from the good performance of the train operating companies and hope this positive trend will continue. At the same time, we are aware that our day-to-day activities are of critical importance. As well as providing a safe rail network, we have to pay close attention to any failures that may affect punctuality and reliability – day in, day out, throughout the year. Punctuality declined in 2006, reminding us not to count our chickens before they are hatched. The reasons for the decline are complex, but Jernbaneverket must play its part in returning the railway to 2005 punctuality levels – and preferably doing even better.

An important factor in this connection is our new operations and maintenance structure, which is able to show effective use of resources and quantifiable results in the shape of the product we deliver. However, we are dependent on sufficiently large maintenance budgets to enable us to run a hard-pressed rail network.

Recruitment is another key word. Railway expertise takes many years to acquire, and where traditional railway engineering and operating skills are concerned, only Jernbaneverket and the Norwegian Railway School are in a position to develop and build on the skills that we require, through course programs and traineeships. Jernbaneverket is to take on 50 trainees in 2007, and 175 over the years up to 2009. If this program is to be a success, we must raise our profile among young people at the age when they are making important career choices.

In short, this means that Jernbaneverket must promote itself as an exciting, technologically interesting workplace in schools, at career fairs and through other marketing initiatives. We intend to devote a great deal more resources to this area in the years ahead.

Over the past two years, we have suffered a number of major landslides resulting in bad derailments. Jernbaneverket takes a very serious view of this problem. All the signs point towards climate change, and extreme weather conditions in future will present a challenge for the entire transport sector. Like our roads, Norway's railways traverse mountainous terrain exposed to severe weather. It is therefore essential for us to take steps to reduce the risk of serious landslides and resulting accidents. To do so, we need to be better informed.

Jernbaneverket has therefore expanded the scope of its working relationship with the Norwegian Meteorological Institute, so that we can be properly prepared thanks to accurate, up-to-the-minute weather forecasts. Meanwhile, we are conducting an extensive inventory of our network, in order to identify other areas prone to landslides in addition to those we are currently aware of. We also enjoy good working relationships with the Norwegian Geotechnical Institute and the Norwegian Water Resources and Energy Directorate. Jernbaneverket has set up a dedicated committee on landslides.

Jernbaneverket is constantly improving its general safety procedures, closing loopholes and improving working practices. I should also like to highlight our positive working relationship with the Norwegian Railway Inspectorate in the ongoing process of making the railway even safer. We intend to build on this good relationship. In safety matters, as in other areas of our work, new knowledge and improved systems enable us to make the necessary progress.

In 2006 we began an extensive program to assess all aspects of station platforms. This important initiative in terms of accessibility and safety will continue in the years ahead, and we plan to take action where we find the conditions fall short of passenger expectations. Jernbaneverket's goal is universal accessibility, and although we still have some way to go, users of station platforms need to know that we have the task in hand. Incidentally, it will be useful to have the issue of the future ownership of stations and freight terminals resolved. The working group set up by the Ministry of Transport and Communications in autumn



Photo: Bjørn Skauge



Photo: Øystein Grue



The Bergen line.
Photo: Øystein Grue

2005 delivered its report in October 2006. The deadline for responses was 15 February 2007, and Jernbaneverket is eagerly awaiting the outcome of the political decision-making process. In any event, Jernbaneverket – as a member of the working group – has a clear idea of the best solution for the railways. This would be to transfer stations and terminals, which are largely owned by the train operating company NSB, back to the impartial ownership of the State.

High-speed lines were the subject of much discussion in 2006. A German consulting group, VWI, was commissioned by the Ministry of Transport and Communications and Jernbaneverket to conduct a study of possible options for high-speed lines. The first part of the report, presented in late autumn 2006, sets out the opportunities and challenges inherent in building a high-speed network in Norway. VWI's remit has now been widened to ensure that all relevant options are thoroughly examined before the final report is presented in autumn 2007. Jernbaneverket welcomes the decision to carry out an in-depth, independent assessment of all the options and looks forward to publication of the report. Meanwhile, it is important to emphasize that a prerequisite for future high-speed lines is to develop the rail network in the most heavily trafficked parts of Norway in line with the National Transport Plan.

Regardless of whether we eventually see a high-speed network, I am confident of one thing:

The future belongs to rail.

Oslo, March 2007

Steinar Killi
Director General

About Jernbaneverket

Who are we?

Jernbaneverket, the Norwegian National Rail Administration, is a central government agency reporting to the Ministry of Transport and Communications. The Ministry manages and monitors Jernbaneverket's activities under a combined target and performance regime. The Norwegian Parliament sets the long-term parameters for railway development in the National Transport Plan and determines Jernbaneverket's annual budget allocation.

Jernbaneverket comprises a central Directorate reporting to the Director General and two divisions, Infrastructure Management and Traffic Management, each of which has regional units.

What do we do?

Jernbaneverket's mission is to help the country achieve its transport policy objectives and to promote rail as a safe, competitive mode of transport, forming part of an integrated network.

Jernbaneverket owns and operates a complete railway system comprising infrastructure, traffic management and public information. This railway system is made available to train operating companies and their customers.

Jernbaneverket is responsible for:

- Developing, operating and maintaining Norway's national rail network so that it meets social and market requirements in terms of safety and quality (punctuality, train frequency, public information, etc.)
- Railway stations and terminals, including public spaces, information facilities, access, car parks and other public facilities necessary for users of rail services

- Entering into track access agreements with train operators running services on the national rail network
- Allocation of infrastructure capacity (train paths) to train operating companies
- Traffic management on the national rail network
- Studies and planning in the rail sector
- Training railway staff, including locomotive drivers

Jernbaneverket's product is described in detail in the Network Statement, available on Jernbaneverket's website:

www.jernbaneverket.no

The table below summarizes the scope of the infrastructure.

Key figures 31 December 2006

Infrastructure

Track gauge	1 435 mm
Route kilometres	4 043 km
Electrified lines	2 509 km
Continuous welded rail	90 %
Single track	3 829 km
Double track	214 km
Tunnels	730
Bridges	2 638
Level crossings	3 254
on public roads	272
on private roads	2 982



Process model as at 15 March 2007

How do we operate?

The above process model shows Jernbaneverket's core processes and how management and support processes should interact to ensure we deliver a comprehensive transport system.

The main requirements and expectations of our owner, the Ministry of Transport and Communications, and our customers, the train operating companies, were laid down in 2005 when Jernbaneverket focused its principal objectives and strategies on four core areas (see diagram on page 8).

Core areas and interim targets are designed to provide a basis for all Jernbaneverket's business planning. Within the core areas, the management

has to set specific targets and ambitions each year. Benchmarks have been formulated for each principal objective, enabling Jernbaneverket to monitor and quantify its efforts and results. Reporting and monitoring is to be in accordance with set targets and benchmarks.

Jernbaneverket's business plan for 2006 incorporated a new performance and target regime for the relationship between Jernbaneverket and the Ministry. Specific targets have been set for improvements in safety, punctuality (uptime) and customer satisfaction, based on the financial framework agreed by the Norwegian Parliament in respect of the National Transport Plan 2006–15. Jernbaneverket has also assessed the scope for improved productivity in the shape of reduced unit costs.

Core areas

Competitiveness and Socioeconomic Benefit

emphasizes the owner's and the customers' requirements and expectations of Jernbaneverket – and the outcomes designed to add value for customers and society.

Safety, punctuality and customer satisfaction

emphasizes the three principal features of the product delivered by Jernbaneverket to its customers.

Productivity and Process Quality

emphasizes the correct use of resources and quality management in internal processes.

Human Resources and Organizational Development

emphasizes the input factors – people, skills, organizational structure and systems – necessary for Jernbaneverket

This Annual Report 2006 is structured around the four core areas and associated interim targets.

Organizational structure

On 31 December 2006, Jernbaneverket had 2 930 permanent employees, on a par with the previous year-end figure (2 931).

The Director General

is the chief executive of Jernbaneverket.

Director General's Staff

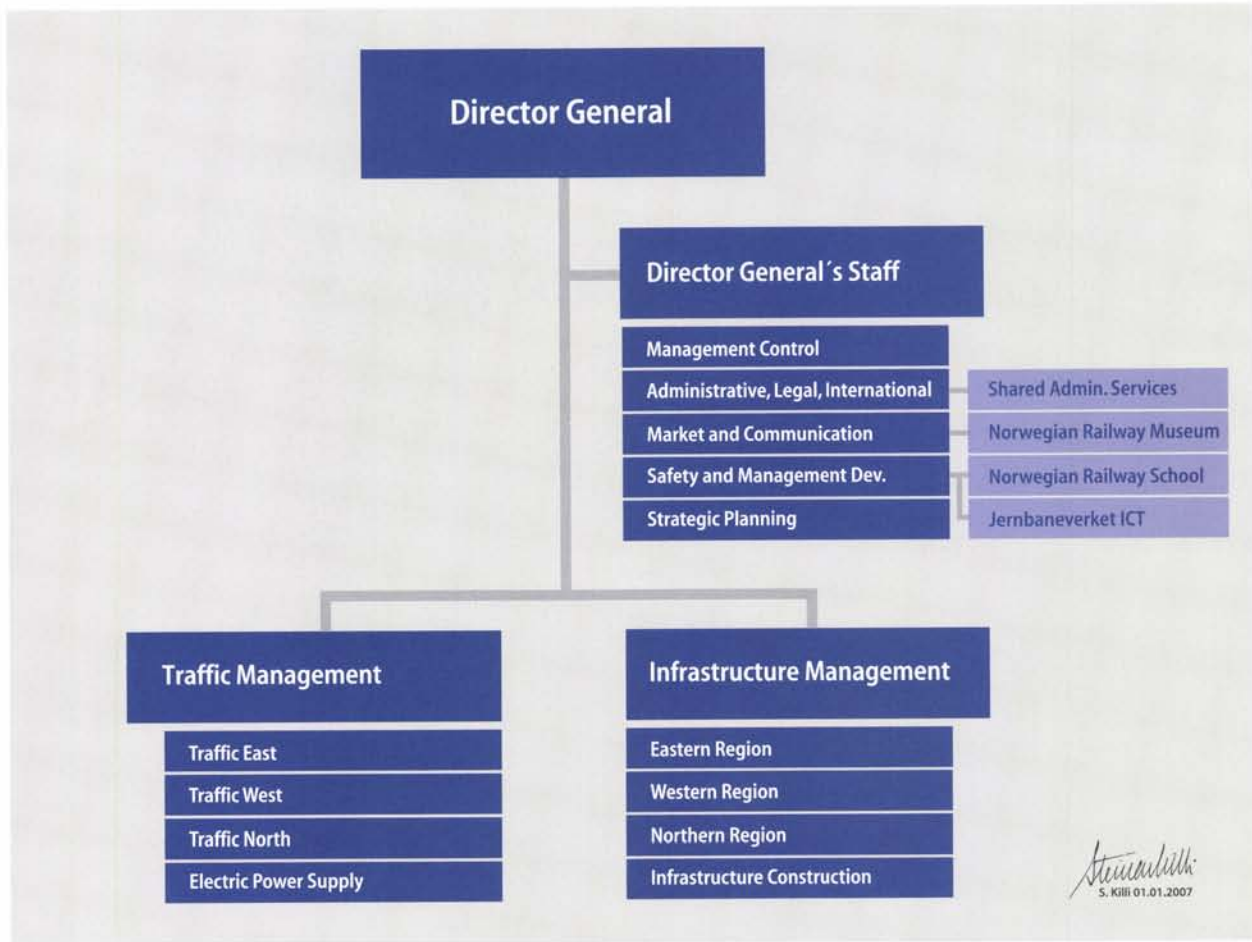
with 125 permanent employees (122 full-time equivalent employees) comprises the following departments:

- Market and Communication, including allocation of infrastructure capacity to train operating companies
- Safety and Management Development, including HR, QA and audit
- Strategic Planning, including studies relating to new infrastructure

- Management Control, responsible for budgeting, business planning, financial control and accounting
- Administrative, Legal and International Affairs

Infrastructure Management

with 1912 permanent employees (1876 full-time equivalent employees) is responsible for constructing, operating and maintaining all rail infrastructure, and for managing real estate, stations and terminals. The division comprises three regional units, each with overall responsibility within its respective region. A separate unit is in charge of constructing new infrastructure.



Traffic Management

with 759 permanent employees (749 full-time equivalent employees) responsible for operational traffic management and passenger information services. The division comprises three traffic regions, which are subdivided into a total of eight train control areas. BaneEnergi operates the transformer stations, selling on electrical power to the train operating companies.

Shared Administrative Services

with 116 permanent employees (116 full-time equivalent employees) based in Hamar is providing Jernbaneverket's administrative support functions. The unit reports to the Administrative, Legal and International Affairs department.

The Norwegian Railway School

with 10 permanent employees (10 full-time equivalent employees) based at Grorud, Oslo, is a training centre for the rail sector responsible for training locomotive drivers and rail safety training. The school reports to the Executive Director, Safety and Management Development.

The Norwegian Railway Museum

with 18 permanent employees (16 full-time equivalent employees) based in Hamar is responsible for documenting and presenting Norwegian railway history, reporting to the Executive Director, Market and Communication.

Jernbaneverket ICT

with 32 permanent employees (32 full-time equivalent employees) is based in Oslo, Drammen, Bergen and Trondheim. The department's job is to ensure that Jernbaneverket's ICT-based administrative systems function in accordance with user requirements. Jernbaneverket ICT reports to the Executive Director, Safety and Management Development.

Key events in 2006



20 January
Extreme snowfall – over 1 metre in 24 hours – causes a train on the Sørland line to become stuck. Jernbaneverket improves its snow readiness procedures to avoid similar incidents in future.

Photo: Arne Danielsen

31 January

Jernbaneverket signs an agreement with NSB on the supply of rescue and recovery services. The aim is to protect assets and clear the line quickly and efficiently in the event of accidents or incidents anywhere on Norway's rail network.

March
Rail increases market share

The growth in rail freight traffic outstrips overall traffic growth in Norway, which means rail is increasing its market share at the expense of other transport modes.



11 June

NSB Anbud AS takes over operation of passenger services on the Gjøvik line. Rolling stock and stations are freshened up for the handover.

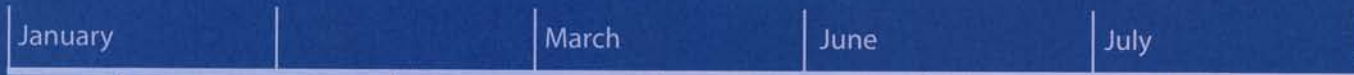
Photo: Njål Svingheim



26 July

A freight train derails 3 km south of Dombås, causing major track damage. Mountainous terrain complicates the recovery operation. The Dovre line reopens 3 August.

Photo: Vidar Heitkøtter



24 January

Train operating companies in Norway form an association, Norsk Togoperatørforening (NTF), to represent their common interests.



23 February

CargoNet runs its first timber train as part of a new service pattern in eastern Norway. A number of loading terminals are reinstated. Each timber train removes almost 20 transport trucks from the roads.

Photo: Øystein Grue



10 May

Contract signed with PEAB AS as main contractor for the groundworks on the site of the new Lysaker station. The station will incorporate four tracks with platforms and a new public transport interchange.

Photo: Øystein Grue

June

Jernbaneverket has been notified of an increased demand for timber trains to Sweden. During the summer and autumn, steps are taken to increase axle load to 25 tons for timber trains on the Røros, Solør and Kongsvinger lines.



July

It becomes clear that energy efficiency measures such as thermostats on track switches have helped reduce Jernbaneverket's electricity bill by NOK 16m since 2002, even with higher energy prices.

Photo: Njål Svingheim



August
60% of freight traffic between Oslo and Bergen is now carried by rail, equivalent to 64 000 fewer transport trucks on the roads.
Photo: Njål Svingheim



23 October
Liv Signe Navarsete, Minister of Transport, cuts the first sod by excavator on the Sandnes–Stavanger double-track project.
Photo: Øystein Grue



20 December
A new agreement is signed on weather data services and the construction of 15 new weather stations around the rail network. The picture shows Steinar Killi, Jernbaneverket's Director General, with meteorologist Siri Wiberg. Anton Eliassen, director of the Norwegian Meteorological Institute, looks on.
Photo: Øystein Grue

23 November
The first part of a study concerning possible high-speed lines in Norway is presented at a seminar in Oslo. Jernbaneverket considers expanding the second stage of the study.

August

September

October

November

December



September
Record passenger numbers on the Flåm line. In September, trains on the line carry half a million people.
Photo: Njål Svingheim



6 October
The financial framework set out in the National Transport Plan approved by Parliament is reflected in the National Budget for the first time. A 20% growth in grant allocations gives Jernbaneverket a total budget of NOK 5.5bn for 2007. Prime Minister Jens Stoltenberg and transport minister Liv Signe Navarsete are pictured at Oslo central station.
Photo: Lasse Storheil



6 November
The overnight train from Oslo to Bergen hits a landslide at Flå in Buskerud county. There are no serious injuries. In this photo from the recovery operation, two 200-ton mobile cranes are seen lifting the locomotive back onto the rails.
Photo: Øystein Grue

1 December
Jernbaneverket celebrates 10 years as a dedicated infrastructure manager following its split from NSB in 1996. Jernbaneverket was formally established by Parliament on 1 December 1996 as a result of EU Directive 91/440.



Competitiveness and Socioeconomic Benefit

emphasizes the owner's and the customers' requirements and expectations of Jernbaneverket – and the outcomes designed to add value for customers and society.

Competitiveness and Socioeconomic Benefit

Jernbaneverket has the following objectives in this core area:

- To create the conditions for more rail freight traffic
- To help local and regional passenger services win increased market share
- To ensure capacity is efficiently utilized
- To be an impartial and efficient infrastructure manager and capacity allocator
- To improve Jernbaneverket's image

The first four of these objectives relate directly to Jernbaneverket's core product: delivering a complete railway system for train companies and their customers.

Increasing rail freight traffic and the market share of local and regional passenger services is conditional on Jernbaneverket having spare capacity, or capacity being increased where insufficient, or existing capacity being utilized more efficiently.

A number of companies considering starting up rail operations were in contact with Jernbaneverket during the year. Jernbaneverket also provided advice to freight shippers and forwarders.

Capacity and utilization of the national rail network

All Jernbaneverket's activities relating to infrastructure operations, maintenance and investment are undertaken with a view to maintaining quality or enhancing track capacity. The track capacity of a line section is an expression of the number of trains that can pass through in each direction over a period of one hour or 24 hours.

Along with high infrastructure availability (high uptime on the technical systems), track capacity is crucial to rail's ability to compete in the transport market.

The International Union of Railways (UIC) issues recommendations on how capacity should be calculated, and how much capacity should be utilized. Excessive utilization may have adverse effects on punctuality and running speeds. However, on some parts of the Norwegian rail network, demand for capacity is so high that utilization is far in excess of UIC recommendations.

Freight traffic

The number of train companies increased in the course of the year. Freight operating companies expanded their activities in 2006, and there was unexpected traffic growth, underlining the need for more and longer passing loops and more efficient terminals.

Jernbaneverket is finding that competition in rail freight is making train operating companies more innovative, and allocated track capacity is being better utilized. Jernbaneverket regularly receives proposals for new measures – often with extensive socioeconomic benefits – designed to increase track capacity, and hence the profitability of train companies and rail’s ability to compete. A number of such measures were implemented in 2006.

Passenger services

Within Norway, NSB AS, NSB Anbud AS and Flytoget AS have a monopoly on their respective passenger services, which are not open to competition.

An example of growth

– and how high capacity utilization can affect running speeds

The Oslo–Drammen line is the Norwegian railway that has seen the most growth. It opened in 1872 as a steam-operated, narrow-gauge, single-track line with five trains a day in each direction. Today, the Drammen line is an electrified, centrally controlled, standard-gauge line with a mixture of two and four tracks, 11 kilometres shorter than when it opened. The number of trains running on the line 134 years after its opening has increased by a factor of 80. In 2006, 390 scheduled trains operated over the line each day, not counting special trains, track maintenance trains and empty stock. The diagram below shows an increase in running times coinciding with the doubling of the number of trains on the line between 1979 and 1998.

Can the national rail network accommodate more traffic?

The two maps on pages 16 and 17 both show how many trains there is capacity for on various parts of the national rail network in each 24-hour period.

The first map shows how much of this capacity is actually utilized in the course of a day. The map identifies three line sections as overloaded:

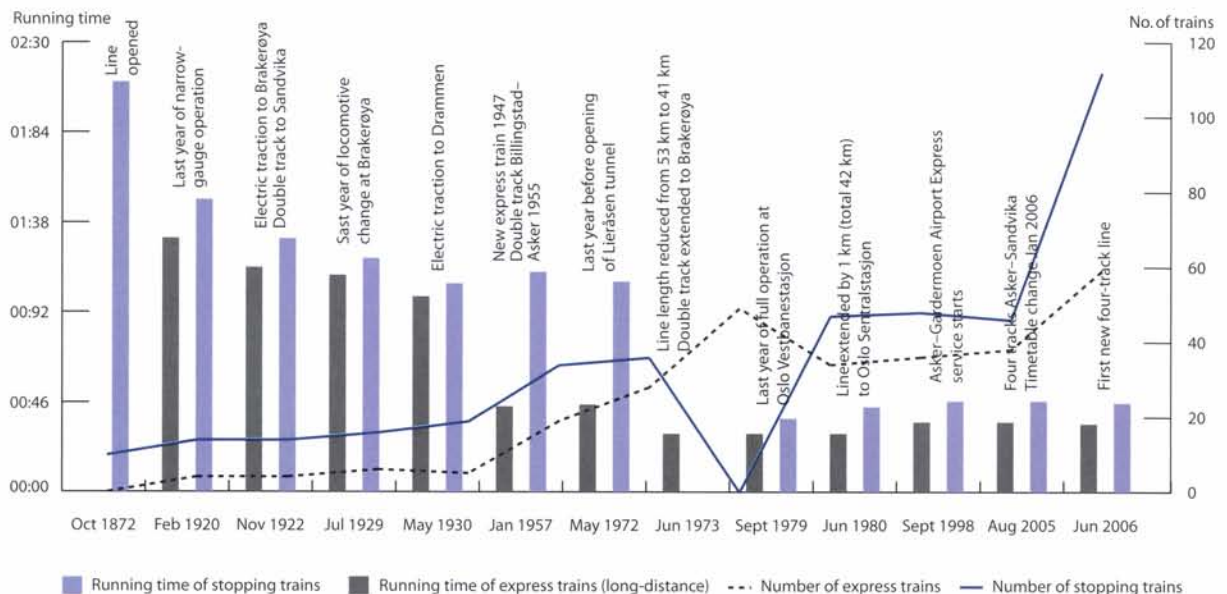
– Drammen line, Asker–Lysaker

Jernbaneverket is increasing capacity by expanding the Asker–Lysaker section from two to four tracks. The Asker–Sandvika part opened in 2005.

– Bergen line, Bergen–Arna

Jernbaneverket plans to increase capacity by constructing a double-track line in tunnel under Mount Ulriken.

Drammenbanen (Oslo–Drammen)



Express trains = Passenger trains serving the two stations at each end of the line but calling at none or few of the intermediate stations.
 Stopping trains = Passenger trains serving the two stations at each end of the line and calling at intermediate stations.

– Sørland line, Stavanger–Nærbø
 Jernbaneverket plans to increase capacity by constructing a double-track line on the Sandnes–Stavanger section. A freight terminal is being built south of Ganddal. When this is complete, freight trains will no longer run over the (Orstad–) Ganddal–Stavanger section, relieving this pressure point.

Fluctuating capacity utilization throughout the day

The railway's traffic load is unevenly distributed throughout the day. In simplified terms, there is a peak during the morning and evening rush hours, similar to the situation on the roads. At night there are few passenger trains but more freight trains. However, on current trends, the number of daytime freight trains is increasing.

The map on page 17 shows capacity utilization at peak times, i.e. the times of day when the most trains operate. The difference between the two maps is evident, with the three overloaded sections being joined by:

- Nordland line, Bodø–Dunderland and Hell–Trondheim
- Røros line, Røros–Hamar
- Gjøvik line, Hakadal–Roa
- Østfold line, Oslo S–Ski
- Drammen line, Skøyen–Lysaker

Of the sections listed above, extensive planning work has taken place on the Østfold line, which it is proposed to expand from two to four tracks between

Oslo S and Ski. On the other sections, smaller-scale capacity enhancements are proposed, including a number of new or extended passing loops.

The two maps show free capacity on most of the rail network – if trains can be run outside peak times. Capacity does not take account of variations in the length of passing loops.

Overloaded infrastructure

If it proves impossible to adequately accommodate all applications for track capacity, the infrastructure manager must immediately designate the section of line in question as overloaded. The same applies to lines where a capacity shortage can be expected in the near future. Under section 7-9 of the track allocation regulations, the infrastructure manager must conduct a capacity analysis on any lines designated as overloaded.

Accordingly, Jernbaneverket has designated the following sections as overloaded:

- Oslo S–Ski, weekdays 0630–0900 and 1500–1730
- Oslo central station and the Oslo city tunnel, weekdays 0630–0900 and 1500–1730
- Skøyen–Sandvika, weekdays 0630–0900 and 1500–1730
- Bergen–Arna, weekdays 0630–0030
- Stavanger–Nærbø, weekdays 0615–0815 and 1600–1800
- Hamar–Lillehammer, weekdays 1200–1430

Train operating companies on the national rail network

In 2006, the following train companies had track access agreements with Jernbaneverket:

F = freight

P = passenger services

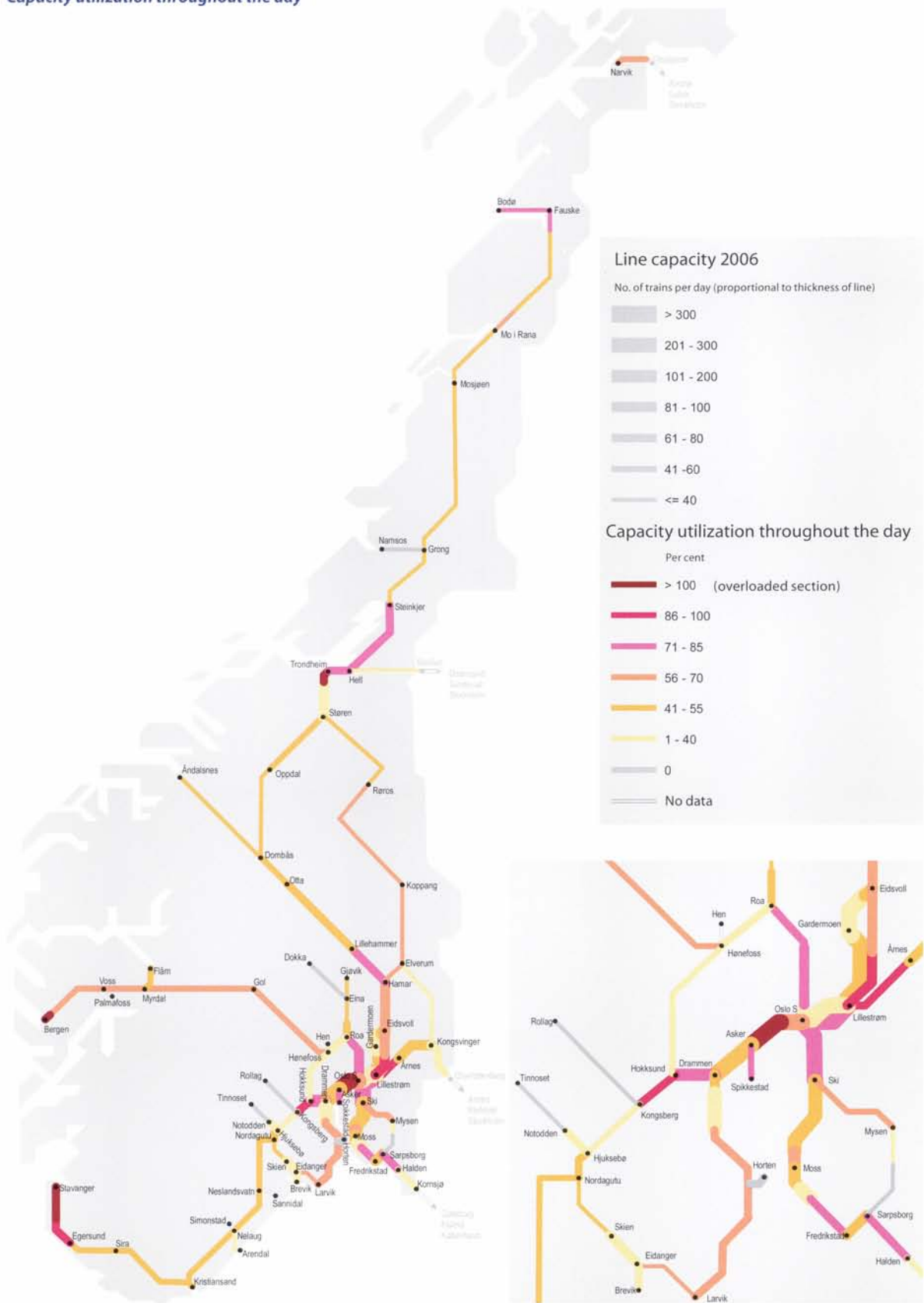
M = museums and preservation societies (passenger)

- CargoNet AS F
- Flytoget AS P
- GM-gruppen M
- GreenCargo AB F
- Hector Rail AB F
- Malmtrafikk AS F
- NSB AS P
- NSB Anbud AS P
- Nya Inlandsgods AB F
- Ofotbanen AS F/P
- Tågakeriet i Bergslagen F
- Valdresbanen AS M
- Veolia Transport Norge AS P
(formerly Connex Tog AS)

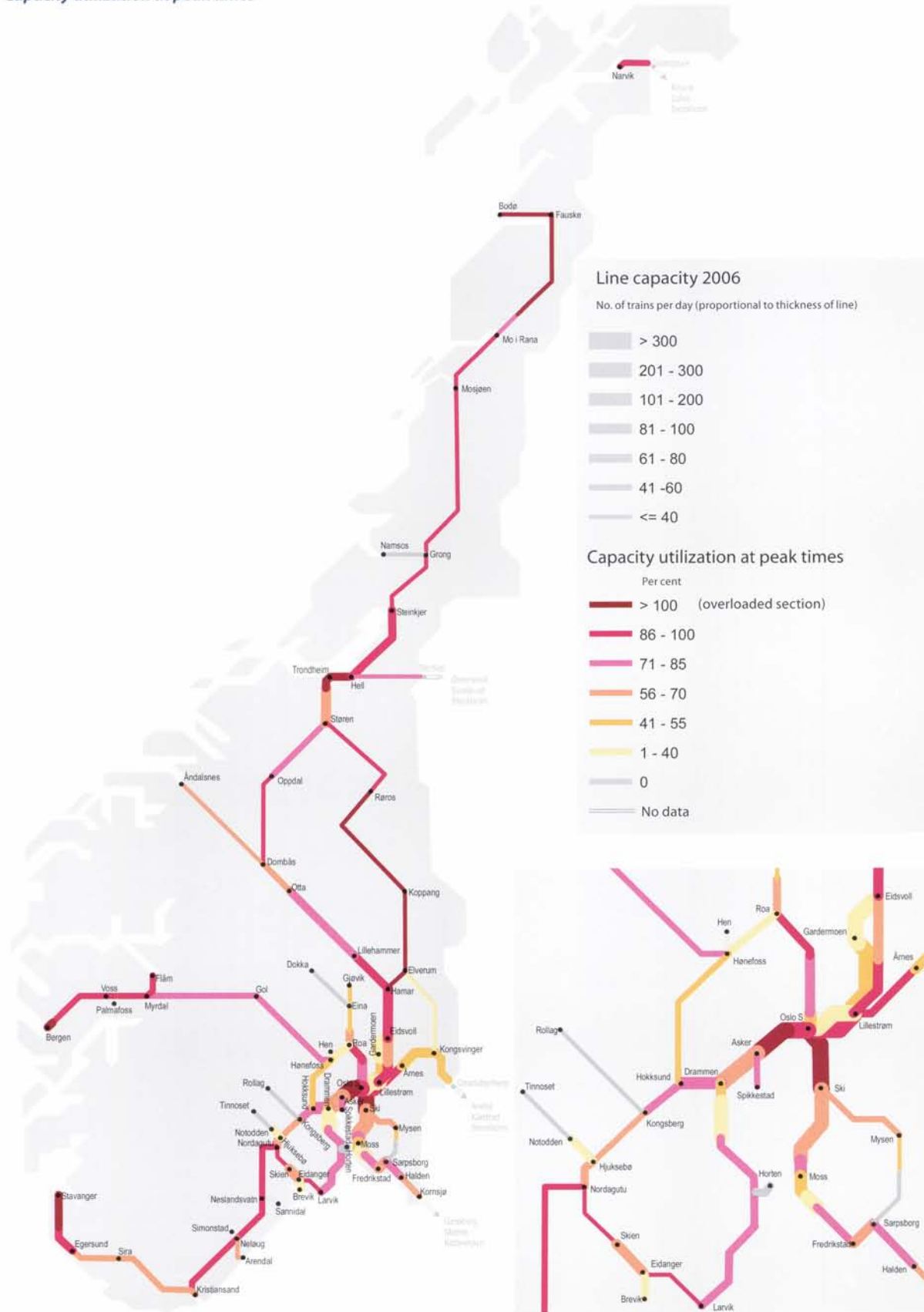
Some of these train companies are licensed to operate only on specific parts of the network. For a summary, please see the website of the Norwegian Railway Inspectorate:

www.sjt.no

Capacity utilization throughout the day



Capacity utilization at peak times



Passing loop intervals and length – the principal capacity parameter

The Norwegian rail network consists mainly of single-track lines where the same track is used by trains in both directions. On a single-track rail network, running time between passing loops determines how many trains there is capacity for. However, capacity calculations do not take account of the length of the passing loops, which is the key parameter determining the length of trains that can be operated. This matters to rail freight operating companies, who generally wish to run trains of the maximum length their locomotives are capable of hauling. Free capacity for operating long freight trains is currently limited.

Terminal capacity

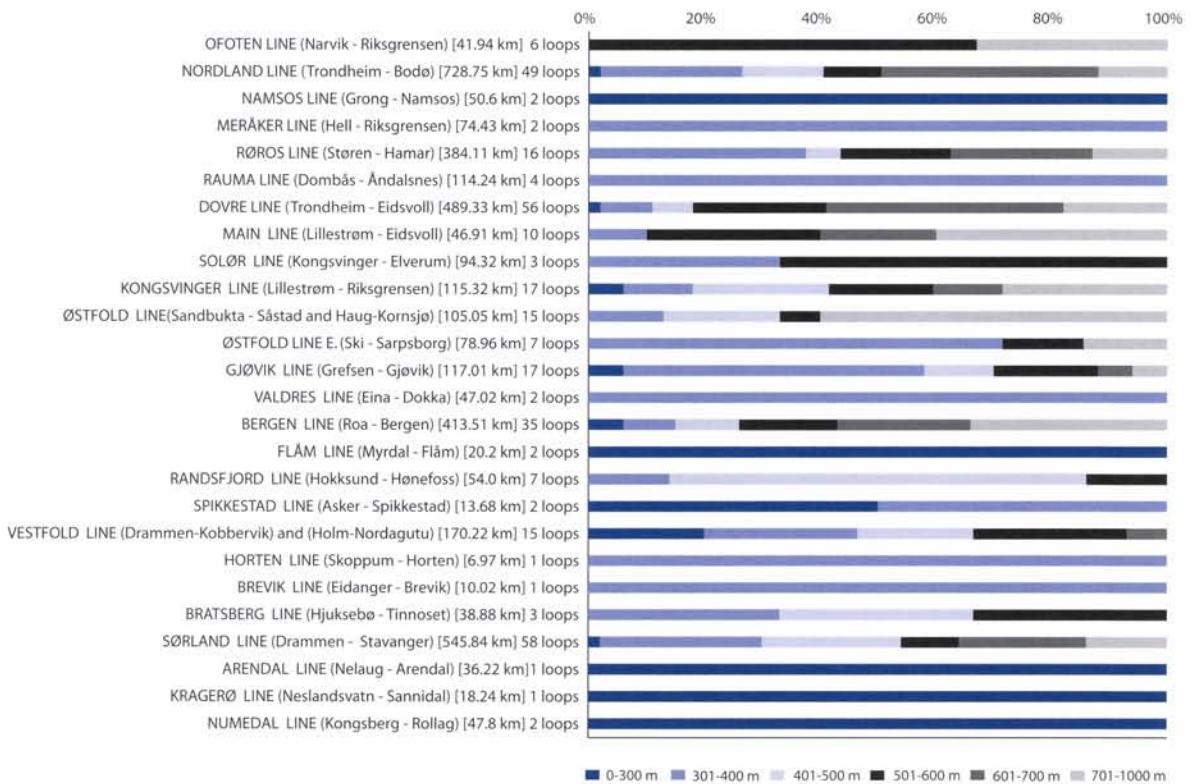
Trains need not only to run but also to be

loaded and unloaded. In railway terminology, passenger terminals are known as stations and halts. Freight trains are loaded and unloaded at freight terminals of various kinds.

Like the national rail network, terminals have a quantifiable capacity, which – like network capacity – can be stretched. This creates space for more trains but makes the terminal operate less efficiently.

For freight traffic, lack of terminal capacity is a greater obstacle to growth than lack of network capacity. For this reason, Jernbaneverket is planning capacity enhancements at a number of freight terminals, including Alnabru (Oslo). A new terminal under construction at Ganddal (near Sandnes) is scheduled to open November 2007.

Length of passing loops by line (single-track lines only)





Ganddal freight terminal is under construction. Photo: Kjell Bakken



Operating parameters of the rail sector

A distinctive feature of the rail sector is the far greater number of technical interfaces than in other transport modes. Historically, development of the railways was controlled by national governments, and consequently each country ended up with its own national standards. This is different from the aviation sector, for example, which has been governed by international arrangements from the outset.

This absence of international control has resulted in the railways possessing an innumerable variety of solutions, which individually and in combination undermine rail's ability to compete. Since 1991, the European Union (EU) has been driving a long and costly process intended to achieve interoperability within the rail sector in Europe. The first international legal requirements were implemented in the early 1990s. The first international technical requirement with implications for Norway is the GSM-R communications system, currently being installed on the national rail network.

Changing rail's technical parameters is often costly and time-consuming, especially since the nature of rail systems is such that gradual modifications may be difficult or impossible. Over time, new, internationally harmonized

operating parameters will result in a less cost-intensive rail sector. The removal of specific national requirements will, in time, lead to a more globalized market for suppliers, with more series production and larger production runs of everything from individual components to locomotives and rolling stock. In relative terms, a small railway nation like Norway stands to gain more from being able to purchase "off-the-shelf" solutions rather than continuing with costly "tailor-made" production of small batches.

Economic parameters

The ownership of freight terminals, passenger stations and downtown sites used for rail operations may have implications for rail's ability to compete.

New operating companies are now demanding terminal capacity and access to facilities directly or indirectly owned or managed by NSB AS and its subsidiaries. In spring 2005 the Ministry of Transport and Communications set up a working group to look into these issues, comprising representatives from the Ministry of Finance, the Ministry of Transport and Communications, NSB AS and Jernbaneverket. The final report of the working group was sent out for consultation in autumn 2006.

In the case of passenger stations, the working group's majority recommendation was to maintain the current model

of station ownership and management. In the case of freight terminals (especially intermodal terminals), the majority opinion was likewise against changing the ownership and organizational model of existing terminals.

Jernbaneverket's representative on the working group opted to set out his/her views in two separate commentaries appended to the final report, which ran counter to the assessments and recommendations of the majority. Jernbaneverket provided further justification for its views in its consultation response, stating that its overall assessment of the situation is that Jernbaneverket should take ownership of stations and terminals. This would ensure uniform ownership and management of all such facilities, regardless of whether they were built before or after the 1996 split between infrastructure and train operations. Other benefits would include clearer lines of responsibility, management and development based on socioeconomic and transport policy factors, and full competitive neutrality. It is vitally important that the chosen solution regarding ownership and management of stations and freight terminals proves sustainable in the longer term.

Urban redevelopment presents a further challenge to rail's future competitive position, since the desire to acquire rail

sites in prime locations often conflicts with the needs of the rail industry.

Legal parameters

Norwegian rail legislation currently comprises an ever increasing number of regulations laid down by the EU with a view to enhancing rail's competitiveness, coupled with specific national requirements. At national level, Jernbaneverket seeks to promote improvements in rail's competitive position when responding to consultation exercises on new legislation.

Loading gauge

The loading gauge for each line indicates the maximum permissible height and width of loaded or unloaded rolling stock on that line.

Jernbaneverket regularly receives requests to operate vehicles or loads that exceed the standard loading gauge. Often, only minor and relatively inexpensive measures are needed to clear long sections for larger vehicles and loads, so loading gauge expansion is the cheapest and fastest way of increasing rail's transport capacity.

Axle load

The standard axle load on Norwegian railways is 22.5 metric tons, with the exception of the Ofoten line, which has been upgraded for axle loads up to 30 tons. Work to increase line speed and raise axle load to 22.5 tons on the Meråker line (linking Trondheim with Sweden) began in 2006 and will be completed during 2007. Work is also under way to upgrade the Solør, Kongsvinger, Røros and Østfold lines to allow 25-ton axle loads for timber trains, with trial operation scheduled to start in 2007.

Network Statement

– Jernbaneverket's product description

Jernbaneverket's Network Statement contains information on the type of infrastructure available to companies wishing to run train services on the national network, the terms and conditions of access, charging principles and rates,

planned changes to track charges, and the principles and criteria for capacity allocation.

The Network Statement is available online at www.jernbaneverket.no

All European rail administrations publish their own Network Statement annually. The period of validity is the same across national borders, as is the structure of the product description.

Railways and the environment

Compared with other modes of transport, rail is environmentally friendly. As well as helping to improve the environment by increasing rail's market share, Jernbaneverket is working systematically to improve its own environmental profile.

Energy efficiency

For a number of years Jernbaneverket's in-house electricity supplier, Bane Energi, has been working on a pan-Scandinavian system for measuring the electrical energy consumption of trains. The system, which entered service in 2006, comprises on-board energy meters and a central unit that collects the data and allocates the recorded energy consumption to individual trains in Norway, Sweden and Denmark. Train operating companies can see how much energy each train is using, which will enable them to cut their total energy bill by around 10%. The system operates across national borders, and Bane Energi in Oslo is in charge of measuring and calculating the energy consumption of trains throughout Norway, Sweden and Denmark. There is widespread interest across Europe in this system, the capital costs of which were NOK 108m (shared by the infrastructure owners and train operating companies). If train companies in all three countries reduce their energy consumption by 10% (which is a conservative estimate), the total annual cost saving will be NOK 69m, giving the system a positive net present value of NOK 890m.



Timber train on the Solor line.
Photo: Øystein Grue



Clearing vegetation at Bleiken station on the Gjøvik line. Photo: Njål Svingheim



Knut Bøe, senior logistics adviser at Jernbaneverket, deals with terminal capacity issues.
Photo: Arne Danielsen

Jernbaneverket has pursued an energy efficiency program since 2003, achieving annual cost savings of NOK 16.5m. Phase 2 of the project commenced in 2006, with the objective of cutting overall electricity consumption by 24.6 GWh.

Biodiesel

Achieving a sustainable transport system requires a reduction in fossil fuel consumption. Rail is the least energy-intensive mode of transport. Most Norwegian trains are electrically powered, but some passenger units and freight locomotives and most track maintenance machines have diesel engines.

As part of the Norwegian Government's drive to promote the use of biofuels, Jernbaneverket joined forces with the train operating companies, the Mantena train maintenance company, the rolling-stock management companies and Esso to examine the potential for using biodiesel in train operations. The report submitted to the Ministry of Transport and Communications in April 2006 concluded that there would be no technical problems with using 5% biodiesel mixed with regular diesel in any of the diesel engines used on Norwegian railways. However, Jernbaneverket's cost-benefit analysis indicates that using biodiesel in train operations would not be profitable.

NO_x tax

Proposals to introduce a tax on NO_x emissions were studied during the

year. It was concluded that, for railway locomotives, the tax payable should be calculated using a factor of 47 kg NO_x per metric ton of diesel consumed. The rate is NOK 15 per kilogram of NO_x. The tax is payable on all locomotives with a total engine output exceeding 750 kW used for freight transport and infrastructure maintenance. The tax may be invested in a fund from which companies may be refunded a large portion of the amount paid if they succeed in reducing NO_x emissions. At present, unfortunately, there is no workable technology for cutting NO_x emissions from existing locomotives of this size. Jernbaneverket intends to contribute to developing methods for reducing NO_x emissions from diesel engines on the railway. The NO_x tax came into effect 1 January 2007.

Vegetation control and animal collisions

The number of animals hit by trains in 2006 was 1 484, over 200 more than in 2005, but still lower than the figure each year in 2001–04. To meet the target of a 25% reduction on the peak year of 2003, it is important to continue taking preventive measures such as clearing lineside vegetation.

In 2005, Jernbaneverket began an experiment using cashmere goats to graze on lineside vegetation. The results after the first two years are interesting, but this method is not suitable for use in all trackside locations.

Noise

The Norwegian Government and Parliament set a national target for noise levels in 1999, with the aim of reducing noise pollution by 25% from 1999 levels by 2010. Figures from Statistics Norway show that the railway has dramatically reduced its share of noise pollution, but overall noise pollution has increased, largely because of growth in road traffic. Consequently, it seems unlikely that the target set in 1999 will be met. During 2006, Jernbaneverket took part in an inter-agency working group led by the Norwegian Pollution Control Authority (SFT) studying the possibility of a revised target and the action necessary to meet it. For the railway, the principal measures proposed are increased rail grinding and the replacement and upgrading of rolling stock. A new national target has yet to be approved by Parliament.

A requirement was also laid down in 1999 that no homes should be exposed to indoor noise levels higher than 42 dBA. Jernbaneverket has complied with this requirement, and since 2005 no residential properties have experienced railway noise in excess of the limit.

Details of Jernbaneverket's environmental policies and the status of environmental programs can be found in the Environmental Report for 2006, available online (in Norwegian) at www.jernbaneverket.no under "Miljørapport 2006".

International activities

A key objective of Jernbaneverket's international activities is to influence the EU's harmonization process in a direction that benefits the rail sector. Although harmonization is primarily motivated by international traffic, it will also have benefits for domestic traffic, since both share the same tracks. Jernbaneverket is working with fellow infrastructure managers to simplify and streamline cross-border traffic. In the Nordic countries, a joint project is under way to develop a single

Nordic supplier market for infrastructure operation and maintenance.

Jernbaneverket's international activities take place on various fronts, through a number of organizations:

Rail Net Europe (RNE)

is based in Vienna, Austria, and is a forum for practical cooperation between all European rail capacity managers. RNE is now in charge of allocating infrastructure capacity for all international passenger and freight services. RNE is represented in all European countries with a rail network through a "One Stop Shop" (OSS) associated with each country's capacity manager.

Train operating companies wishing to run cross-border services can now approach a single OSS to request capacity for the entire route. The OSS will assist the train operating companies in drawing up a complete schedule for the whole route. Jernbaneverket's OSS can be reached at oss@jbnv.no.

Website: www.railneteuropa.com

European Rail Infrastructure Managers (EIM)

EIM's principal tasks fall into two main areas:

- Lobbying of the EU's legislative bodies. To promote its members' views on developments in European transport policy, EIM issues position papers and press statements. The organization works to influence the European Commission and the Transport Committee of the European Parliament. The main issues in 2006 included the Third Railway Package, the planned revision of the EU's White Paper on transport policy, and the identification of priority routes for freight traffic. The work of EIM is especially important because Jernbaneverket thereby has the opportunity to play a part in influencing EU legislation at an early stage. Not



Frya
Photo: Jernbanefoto.no

being a member of the EU, Norway has few channels of influence, but EIM is an organization where Jernbaneverket has voting rights on the same terms as other members and hence a real possibility of influence.

- Participation in EU efforts to harmonize technical standards. EIM is one of the organizations that has been granted the right to nominate experts to the European Railway Agency (ERA). Experts from Jernbaneverket are heavily involved in preparatory work through EIM's "shadow" working groups, and a number of them have also been chosen to serve on ERA's working groups.

Website: www.eimrail.org

The International Union of Railways (UIC)

has its headquarters in Paris, France. In recent years, the focus of the organization's work has been on technical and research-related issues. Experts from Jernbaneverket are involved in various expert and project working groups. UIC underwent major restructuring in 2006, dividing its activities into global and regional levels, which will increase the organization's focus on global rather than purely European issues.

Website: www.uic.asso.fr

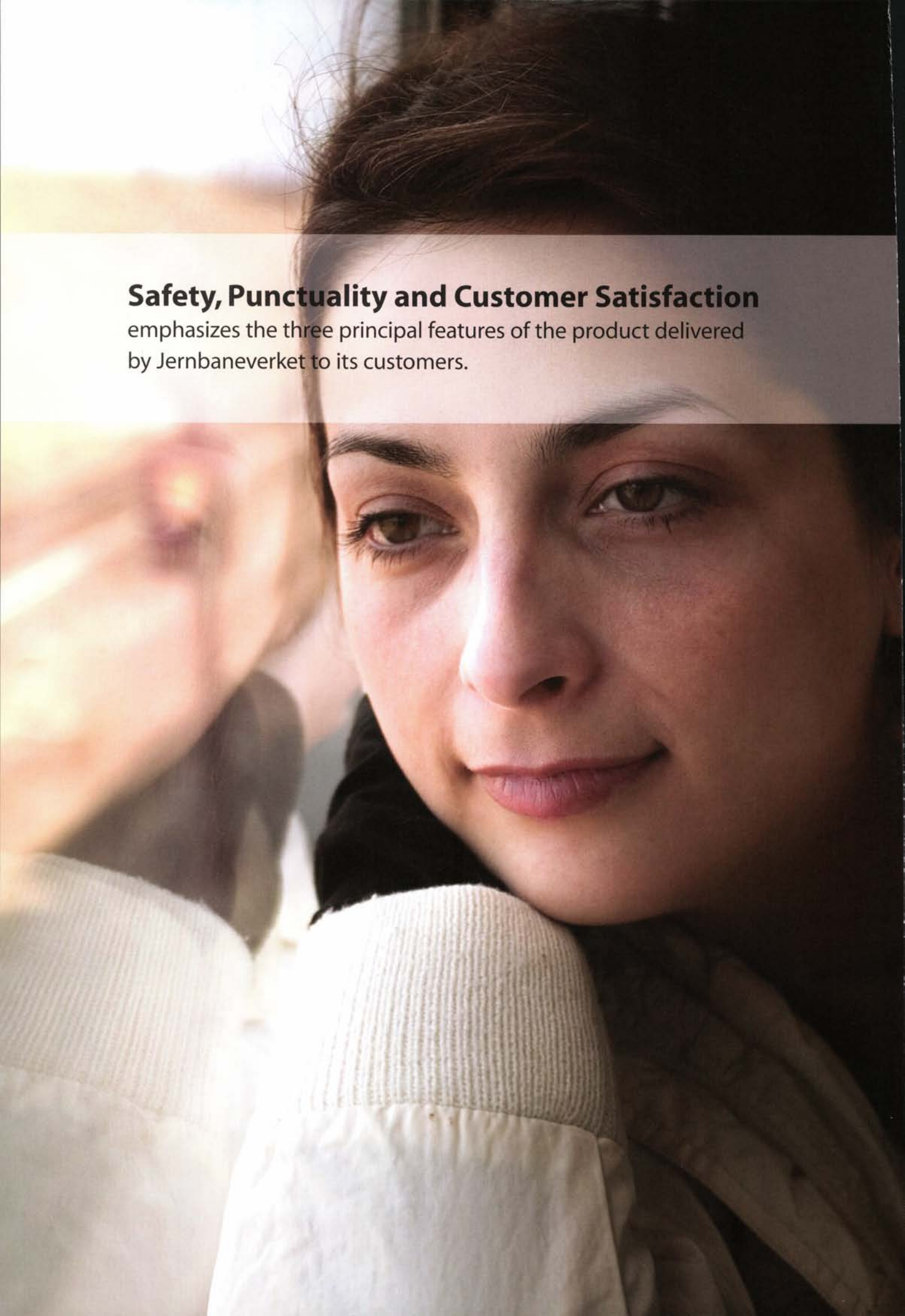
Nordic Infrastructure Managers (NIM)

comprises the national rail infrastructure managers of Norway, Sweden and Finland. On the technical side, the Nordic infrastructure managers have a very active working relationship, and a number of working groups and projects are under way.

Together with the other members of NIM and the national roads administrations of the Nordic countries, Jernbaneverket is involved in the Single Nordic Infrastructure Market project set up by the Nordic Council of Ministers. This project is now in its final stages.

Jernbaneverket's image

In 2006, Jernbaneverket implemented an image-building strategy, designed to be central to the organization's way of thinking and maintaining its image. MMI's annual corporate image survey provides part of the basis for our image-building activities.



Safety, Punctuality and Customer Satisfaction

emphasizes the three principal features of the product delivered by Jernbaneverket to its customers.

Safety, Punctuality and Customer Satisfaction

Jernbaneverket has the following objectives in this core area:

- To maintain existing safety standards for rail transport and ensure that any changes represent an improvement
- To ensure that all trains are able to keep to the timetable
- To ensure that traffic information is readily available and correct

Safety

2006 was one of the best years ever for Norwegian railways in terms of safety. Nevertheless, safety is not something we can take for granted. Safety is something we have to create – and recreate every single day.

Transport contributes to society's wealth creation. The value of rail transport is created in a value chain consisting of infrastructure, traffic management and train operating companies. The risk of harm to people, the environment and rolling stock is the sum of the risk factors from each of these three components and the interaction between them and between transport modes. It is important to control this sum of the risk factors in the rail system if we are to create and maintain a railway with acceptable levels of safety. By virtue of its responsibility for capacity allocation on the network, Jernbaneverket is in a position to monitor the overall risk on an ongoing basis.

Jernbaneverket sets out the risk profile for the national rail network by conducting line-by-line risk surveys, supplemented by specific risk analysis of any modifications that may affect network safety.

Small and large-scale risk assessments of technical systems, human-machine interfaces and organizational changes, coupled with the line-by-line surveys, provide control and an overview of the risk profile.

In the light of analysis findings and past events, Jernbaneverket is focusing particularly on preventing major accidents and on reducing the scope for collisions at level crossings and along the line.

From manual to automated traffic control

Jernbaneverket works on the single-failure principle, which means that no one failure on its own should be enough to cause an accident. Interlockings and technical barriers such as automatic train control (ATC) comply with this principle and help increase the safety of the rail network. ATC is a technological system for transmitting signalling instructions from the signal to the train. If the train accidentally passes a stop signal, the brakes are automatically applied. ATC provides an additional safety barrier and makes train operations less dependent on human factors.

Planning and installation of new interlockings and CTC on the Nordland line continued throughout 2006. CTC came into operation on the Grong-Mosjøen section at the beginning of 2007 and is scheduled to be operational all the way to Bodø in 2008.

GSM-R – communications system for rail

GSM for Rail (GSM-R) is a Europe-wide standard for railway communications, and 11 European countries are in the process of installing the system. On 2 January 2007, Jernbaneverket introduced GSM-R as an emergency communication system on 100% of the Norwegian rail network, with restricted functionality on those lines currently equipped with the Scanet train radio system. Where fitted to rolling stock, Scanet remains the primary emergency communication system. The introduction of GSM-R as a train radio system in place of Scanet is scheduled for completion in 2007.

GSM-R is based on the GSM standard for mobile telephony, but additionally meets a range of requirements on safety and accessibility that are specific to rail operations. GSM-R features include emergency calling, call prioritization, fast connection and group calling. GSM-R provides full radio coverage along railway lines and in all rail tunnels.

The principal function of GSM-R is secure communication between train driver and traffic controller. Traffic controllers can quickly contact the correct train at all times. GSM-R also brings efficiency savings

to rail operations in Norway, replacing both the old analogue radio systems and standard GSM phones among railway staff.

Tunnel safety

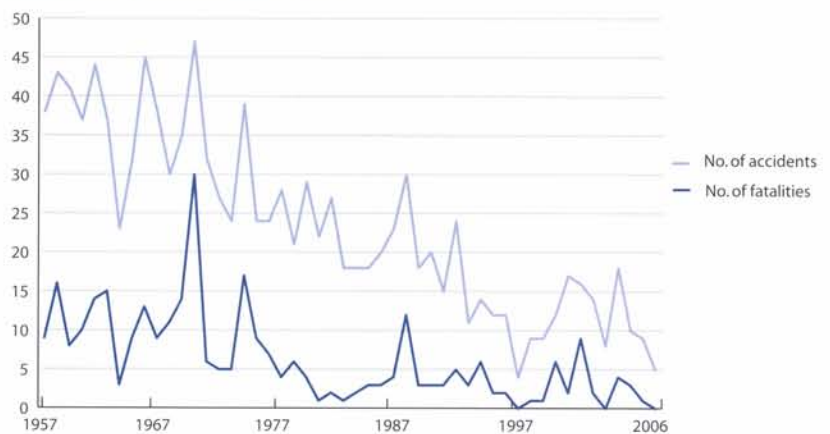
The Norwegian rail network has more than 700 tunnels, 50 of which are over 1 000 metres in length. In the 150-year history of the railways, there have been no major tunnel accidents in Norway. Jernbaneverket is improving tunnel safety through a variety of measures in the longest tunnels, the aim being to provide better chances of escape and rescue. In 2006, Jernbaneverket began using new products to make tunnels watertight in place of flammable PE foam.

Level crossings

Level crossings have traditionally presented one of the largest risk factors associated with the rail network in Norway, so this has long been a priority area. In addition to general operational and maintenance work, Jernbaneverket made 323 major and minor safety improvements at level crossings in 2006.

As well as eliminating crossings with the highest accident risk, Jernbaneverket is committed to devising and implementing a range of measures to improve safety at level crossings, including:

Level crossing accidents 1957–2006



- Improving visibility and road geometry
- Working with the Directorate of Public Roads to improve road signage
- Fencing, locking and temporary closure
- Telephone arrangements for lightly trafficked crossings (trial scheme)
- Installing simple warning lights and related signs at farm crossings
- Measures to reduce high-risk traffic over level crossings, for instance by downgrading the crossing to pedestrian-only use
- Producing an information film about level crossings for use in road-safety education

Statutory safety certification of Jernbaneverket

Under the terms of the Licensing Regulations dated 16 December 2005, Jernbaneverket is required to obtain safety certification from the Norwegian Railway Inspectorate. The requirements for certification are set out in the Safety Regulations dated 19 December 2005. The deadline for Jernbaneverket to obtain safety certification was originally 1 January 2007, but in a letter from the Ministry of Transport and Communications dated 22 December 2006, this was extended to 1 January 2008.

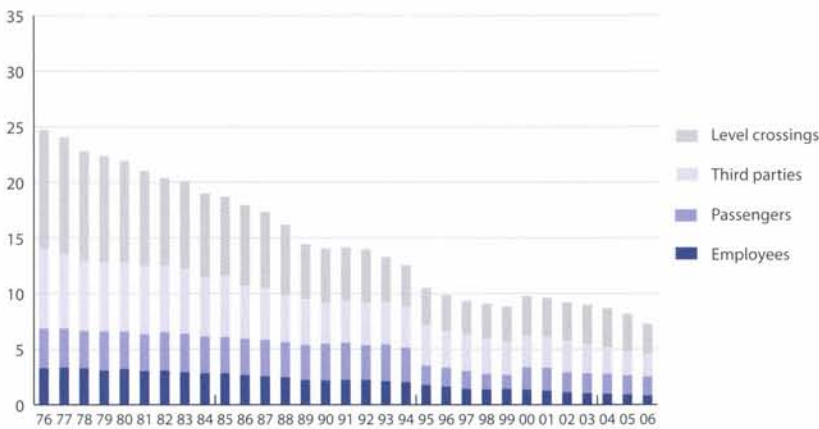
Jernbaneverket has formulated an action plan detailing the remaining steps it needs to take before safety certification is granted, which was sent to the Ministry on 21 December 2006. This plan was drawn up by Jernbaneverket under the guidance of the Norwegian Railway Inspectorate and is based on the assumption that Jernbaneverket has sufficient specialist resources to fulfil its safety certification obligations in addition to its day-to-day operating commitments.

Rail safety

Rail ranks among the safest forms of transport, and the safety trend over the past 20 years has been positive. In 2006, accidents on the Norwegian rail network killed one person, who fell on the track at a station as a train was pulling in.

No passengers were killed in 2006.

Annual number of fatalities – sliding average for past 20 years



**Safety systems on the rail network
as at 31 December 2006**

- Lines with CTC* and ATC**
- Lines without CTC and ATC



* CTC (centralized traffic control) means that station interlockings communicate with and are controlled remotely from a control centre.

** ATC (automatic train control) is a collective terms for the systems known in Norway as DATC (partial ATC) and FATC (full ATC). Partial ATC is a system that applies the brakes if a train accidentally passes a stop signal. It also monitors train speed on entering and leaving stations. Full ATC incorporates speed monitoring between stations as well.

- Lines with GSM-R
- Lines with GSM-R and Scanet train radio
- Other lines

GSM-R = Global System for Mobile Communication for Rail



Operating accidents in 2006 using the UIC Safety Database definition where the incident entails costs > EUR 150 000, death or serious injury

Type of accident	Incidents	Fatalities	Serious injuries ⁽¹⁾
Collisions	4	0	0
• Train operations (train/train)	1	0	0
• Train operations (train/object)	3	0	0
• Shunting	0	0	0
Derailments	5	0	0
• Train operations	5	0	0
• Shunting	0	0	0
Level crossing accidents⁽²⁾	1	0	1
• Crossings with barriers, lights and claxons	1	0	0
• Crossings with gates	0	0	1
Other level crossing accidents	0	0	0
Rolling-stock fires	1	0	0
Other accidents⁽³⁾	2	1	1
Total	13	1	2

⁽¹⁾ Serious injuries are defined as people deemed unfit to work for more than 14 days after the accident.

⁽²⁾ Collisions between road vehicles and railway rolling stock.

⁽³⁾ Other accidents resulting in death or serious injury.

Punctuality

After two years of good punctuality, timekeeping deteriorated in 2006.

The year began with heavy snowfall in southern Norway, which led to major operational problems. Extreme weather conditions – heavy downpours and strong winds – were a recurring feature throughout the year.

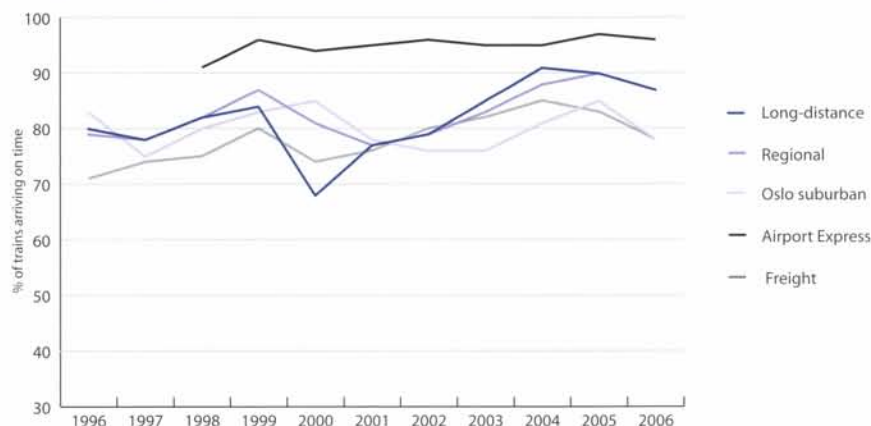
Jernbaneverket's overall punctuality target is that at least 90% of trains must arrive at their destination on time.

Passenger services

Most routes and service types saw a decline in punctuality in 2006.

The only services to meet the punctuality target were regional and local services on the Gjøvik line, local services between Arna and Bergen, and local services in the Trondheim and Salten (Bodø) areas. Elsewhere, timekeeping was generally poorer than in 2005. The worst deterioration was on Oslo suburban services and regional services on the Østfold line.

Train punctuality 1996–2006



Note: Figures for Oslo suburban services are rush-hour figures.

Airport Express services arriving at Oslo Gardermoen Airport achieved a punctuality rate of 96% in 2006.

Freight

Freight traffic likewise saw a decline in punctuality on all routes and service types in 2006. The target of 90% of trains arriving on time was not met on any route. The worst deterioration was on the Dovre line, where the punctuality rate was 75%, down from 84% in 2005.

Causes of late running

Timekeeping is poorest on Oslo suburban services, owing to the fact that some sections are overloaded, especially at peak times, causing knock-on delays. What is more, major engineering works have been under way for a long time on the Drammen line, which carries trains to and from destinations throughout the east of Norway, as well as the south and west. The Drammen line is therefore the key to better punctuality on Norwegian railways. On the Østfold line too, road construction work in the Bjørsvika/Løenga area led to track realignments and poor timekeeping.

Large-scale engineering works were carried out by closing the sections in question to all traffic over some weekends, with passengers being transported by bus over all or part of the route.

Heavy snowfall in eastern Norway caused major operational problems in the early part of the year.

The large growth in freight traffic has led to capacity problems, especially at the Alnabru terminal in Oslo, delaying the departure of freight trains.

Technical systems (especially interlockings) on some sections suffered from a large number of faults, particularly in the Oslo area. Faults of this kind adversely affect punctuality, as do rolling-stock faults, which were also prevalent at times.

In the course of the year, bad weather caused a number of operating problems, including overhead line damage and power outages, flooding, landslides and avalanches (causing derailments). The Bergen line was particularly badly affected.

Punctuality Report 2006

Jernbaneverket's Punctuality Report for 2006 is available online at

www.jernbaneverket.no.

Customer Satisfaction

Jernbaneverket has set out its responsibility for providing public information in its service guarantee.

The aim of the service guarantee is to highlight Jernbaneverket's services to the consumer while encouraging continuous improvement of products and services.

This is achieved by inviting consumers to send complaints and feedback to Jernbaneverket's handling centre. The issues raised are then passed to investigators, who produce summaries of the various categories of complaint, trends, etc. These reports are used as a basis for prioritizing action. Consumers are entitled to receive a response from Jernbaneverket if they so wish.

The total number of complaints was higher than in 2005. This may be because, from 1 November 2005, consumers were able to send feedback direct to Jernbaneverket's handling centre by SMS text message or email.

Jernbaneverket plans to develop additional methods of measuring customer satisfaction.

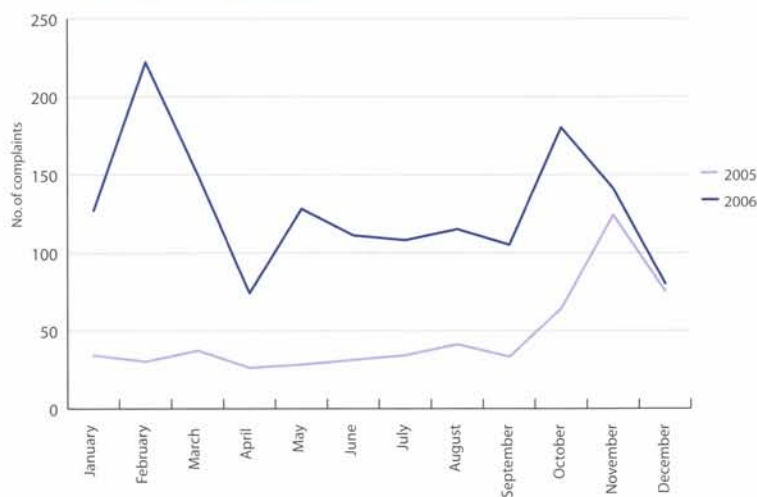
Breakdown of the 1 536 complaints recorded in 2006:

Code	Subject of complaint	2006	2005
1	Lack of up-to-date timetable information	99	44
2	Lack of information on platform/track changes	61	40
3	Lack of information on passing trains	41	9
4	Lack of information on delays	547	290
Subtotal		748	492
5	Station cleanliness and tidiness	365	42
6	Adequate lighting	62	23
7	Miscellaneous	361	109
Total		1536	557

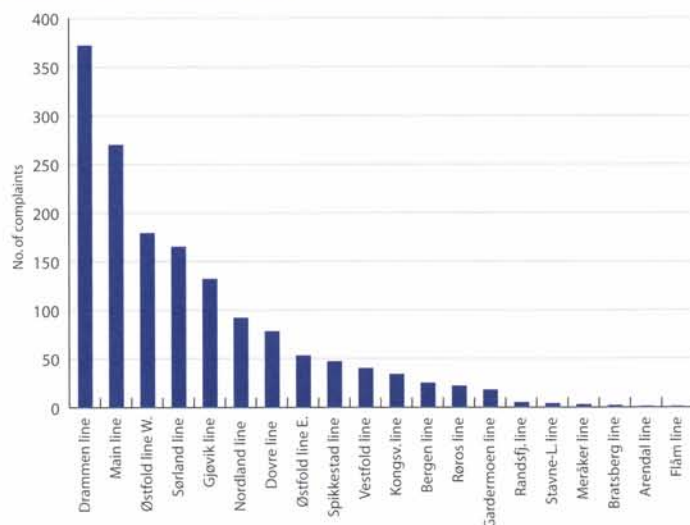
The recording procedures for "station cleanliness and tidiness" were effective 1 November 2005. "Miscellaneous" includes complaints and requests regarding signage, public address systems, information screens, public waiting rooms,

station accessibility, parking facilities, etc. This heading also covers complaints from visually or aurally impaired consumers who found the information inadequate for their needs.

Number of complaints per month



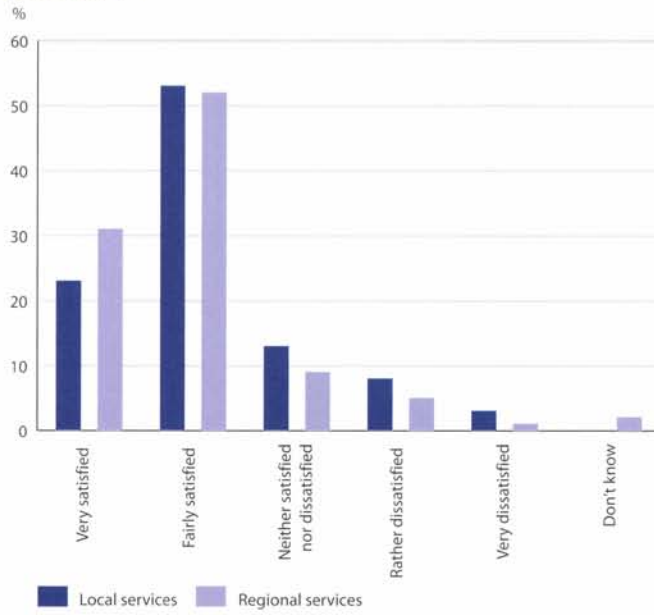
Number of complaints by line



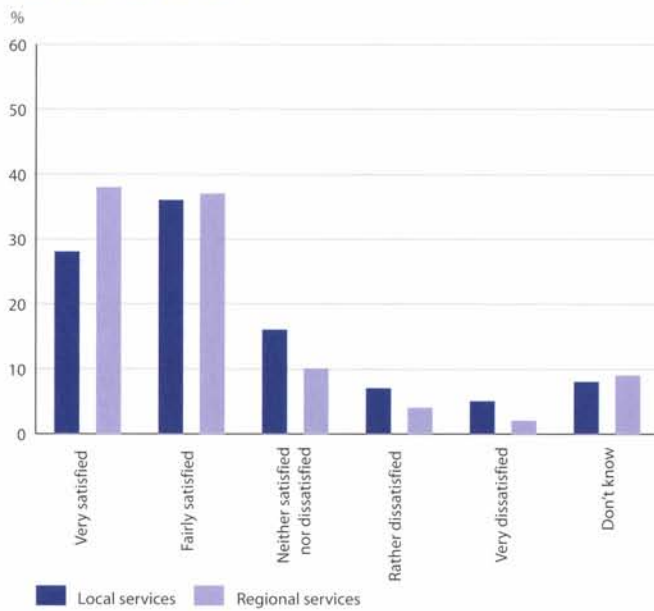
Customer satisfaction with three of the elements for which Jernbaneverket is responsible is covered by NSB's market

survey. Based on the survey figures for autumn 2006, customer satisfaction was as shown below.

Station area



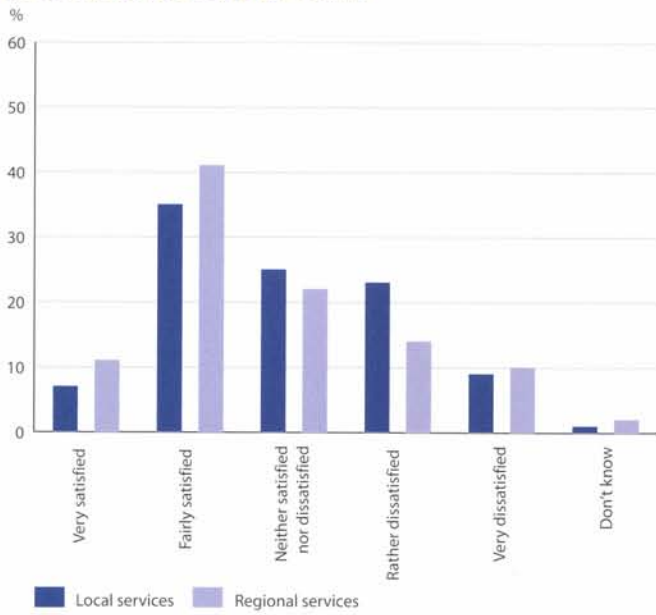
Information at stations





Oslo Central station
 Photo: Øystein Grue

Information in the event of problems





Productivity and Process Quality

emphasizes the correct use of resources and quality management in internal processes.

Productivity and Process Quality

Jernbaneverket's task is, within agreed financial parameters, to provide a rail system that meets social and market requirements in terms of capacity, safety, availability, speed, axle load, loading gauge, passenger comfort and travelling experience, environmental standards, and public information.

The financial deviation from the government grant paid to Jernbaneverket (National Budget section 1350) in 2006 was 0.02 parts per million, equivalent to 11 minutes of spending at the average rate.

Jernbaneverket's accounts

The Norwegian Parliament makes a budget allocation to Jernbaneverket on the cash accounting principle. The accounts show income and expenditure allocated according to purpose, and therefore show cash use rather than resource use as a regular set of accounts would.

Parliament has also decided to conduct a trial application of the accrual principle in public-sector accounting. Jernbaneverket has been chosen as one of the pilot organizations. For this reason, Jernbaneverket has adopted accrual accounting for internal purposes. The government grant is translated into internal result targets for each department. Formal reporting to the Ministry of Transport and Communications is still on a cash basis, but we are in the process of adopting accrual-based data for management purposes.

Cash accounts

Summary

Jernbaneverket's accounts in the National Budget comprise section 1350 Expenditure and section 4350 Income offset against annual grant allocation.

Cash accounts 2006 (NOK million)

	Allocation	Actual	Deviation
Section 1350 Expenditure			
Item 22 Restructuring costs	58.4	40.4	18.0
Item 23 Operations and maintenance	3 102.5	3 206.3	-103.8
Item 25 Operations and maintenance, airport line	96.4	80.4	16.0
Item 30 Capital expenditure	1 514.6	1 444.7	69.9
Total section 1350	4 771.9	4771.8	0.1
Section 4350 Income			
Item 01 Track charges	20.0	23.0	3.0
Item 02 Sale of equipment and services	100.0	178.9	78.9
Item 06 Resale of electricity for train operations	179.1	247.4	68.3
Item 07 Payment for use of airport line	78.6	83.1	4.5
Item 15–18.12 Reimbursements	0.0	39.3	39.3
Total section 4350	377.7	571.7	194.0

Lysaker station, spring 2006.
A 300-metre-long steel wall is designed to protect traffic on the Drammen line during construction work. Photo: Øystein Grue

The grant allocation for the year is based on:

- Letter dated 23 December 2005 from the Ministry of Transport and Communications concerning Jernbaneverket's budget allocation for 2006
- Letter dated 23 March 2006 from the Ministry of Transport and Communications concerning the carryforward of unspent funding
- Letter dated 30 June 2006 from the Ministry of Transport and Communications concerning additional grant allocations to Jernbaneverket and changes in priorities, spring 2006

The excess expenditure under item 23 Operations and maintenance was largely due to an increase in the purchase cost of electricity for train operations. See also excess income under item 06 Resale of electricity for train operations.

Capital expenditure

The table below shows the financial status of National Budget section 1350, item 30 Capital expenditure.

Capital expenditure for the year to 31 December 2006 totalled NOK 1444.7m. The outturn cost of projects in 2006 was NOK 1 710m.

The outturn cost of the GSM-R project was lower than the budgeted cost. The Western Corridor, Sandnes–Stavanger, Alnabru freight terminal and Mosjøen–Bodø CTC projects were subject to delays, as was Jernbaneverket's contribution to the Trondheim northern relief road (Brattøra). In the focus areas, there were only minor deviations from the program, including a delay to the Nationaltheatret station project.

The underspend on GSM-R did not affect our objective of putting the emergency

Capital expenditure 2006 – cash accounts (NOK million)

	2006 status			Project total		
	Allocation	Actual	Deviation	Budgeted	Expected	Deviation
Sandvika–Asker	72.0	31.2	40.8	3 781.0	3 710.0	71.0
Lysaker station	165.0	242.3	-77.3	1 068.0	1 068.0	0
Kolbotn–Ski & Ski stn	35.0	5.4	29.6	2 736.0	2 736.0	0
GSM-R	510.0	504.3	5.7	1 783.9	1 797.0	-13.1
Sandnes–Stavanger	150.0	71.5	78.5	1 143.5	1 565.0	-421.5
Ganddal freight terminal	129.0	169.7	-40.7	445.7	445.7	0
Grong–Mosjøen CTC	28.5	54.4	-25.9	176.6	191.6	-15.0
Mosjøen–Bodø CTC	88.0	36.8	51.2	384.3	384.3	0
Trondheim relief rd (Brattøra)	40.0	22.0	18.0	77.8	77.8	0
New infrastructure	1 217.5	1 137.7	79.8	11 596.8	11 975.4	-378.6
Lysaker–Sandvika	103.5	129.5	-26.0	2 730.0	2 730.0	0
Alnabru freight terminal	23.0	12.4	10.6	204.0	215.0	-11.0
Bergen–Fløen	5.0	5.4	-0.4	112.3	112.3	0
Detailed planning/land acquisition	131.5	147.4	-15.9	3 046.3	3 057.3	-11.0
Safety	60.5	53.5	7.0			
Capacity enhancements	36.0	31.8	4.2			
Environmental protection	0	0.3	-0.3			
Stations and interchanges	43.0	72.8	-29.8			
Customer information	0	0.3	-0.3			
Miscellaneous/carryforwards	26.1	0.9	25.2			
Focus areas	165.6	159.6	6.0			
Total capital expenditure	1 514.6	1 444.7	69.9			

network into operation on 1 January 2007. The lower outturn cost is largely explained by the fact that the scope of outstanding work, defect rectification and miscellaneous documentation was less than budgeted for.

Jernbaneverket continues to work on finding solutions that will allow the Nordland line CTC project (Mosjøen–Bodø) to be completed in 2009. The largest risk factor is a shortage of signalling expertise.

The Sandnes–Stavanger project is behind schedule following a late start to construction and delays in completing land acquisitions, owing to recruitment problems and the general shortage of signalling expertise.

The Alnabru container terminal project has been delayed by the need to clarify certain aspects of the plans, partly owing

to inadequate documentation of the existing facilities. A revised project timeline is now being drawn up.

The other deviations from the program were temporary in nature. A number of projects in the focus areas were late in starting and therefore ended the year below budget.

Because of market conditions, a great deal of uncertainty surrounds the estimated project costs for Kolbotn–Ski, Ski station, Alnabru freight terminal and Sandnes–Stavanger.

Accrued accounts

Jernbaneverket has now completed two years of accrual-based accounting according to Norwegian State Accounting Standards (SRS). For complete financial statements and notes, please see pages 46–64. The presentation here differs from SRS in that transactions against liabilities

Income Statement

	<i>NOK million</i>	
	<i>2005</i>	<i>2006</i>
Operating income		
Track charges	109	99
Operating grants	2 636	2 932
Other operating income	442	491
Total operating income	3 186	3 522
Operating costs		
Cost of goods	351	401
Employment costs	1 645	1 740
Other operating costs	714	688
Total operating costs	2 709	2 829
EBITDA ¹⁾	478	693
Depreciation and amortization	526	601
Net interest	-2	1
Extraordinary costs	-	118
Result for the year	-46	-27
Allocation of result		
Increase in state equity (liability)	483	573
Reduction in state equity (liability)	-526	-601
Offset against payable to State Treasury	-4	1
Total allocated	-46	-27

¹⁾ Earnings before interest, tax, depreciation and amortization

relating to fixed assets are treated as an allocation of the result and not included in the operating subsidy.

The reduced income from track charges in 2006 was due to the decision of the Norwegian Parliament to abolish charges for all freight traffic below 22.5 tons axle load. In accordance with SRS, operating grants include employer contributions to the State Pension Fund, which totalled NOK 118m in 2006. The contra item is included under employment costs. The increase in other income is attributable partly to higher electricity prices.

Depreciation costs increased by 14.4%, largely as a result of the first full year of depreciation on the new Sandvika-Asker double track. Depreciation for accounting purposes exceeds the rate of renewal, indicating that the infrastructure is run on a wear-and-tear basis.

Extraordinary costs consist chiefly of compensation paid to NSB AS for creosote pollution at Lillestrøm. The result for the year was a deficit of NOK 27m, an improvement of NOK 19m on the 2005 figure.

Balance Sheet

	<i>NOK million</i>	
	<i>31 Dec 2005</i>	<i>31 Dec 2006</i>
Assets		
Fixed assets		
Intangible assets	35	17
Property, plant and equipment	18 540	18 235
Investments	0	0
Facilities under construction	2 365	4 358
Total fixed assets	20 940	22 610
Current assets		
Inventories	192	197
Receivables	85	78
Prepaid expenses etc.	40	26
Cash and bank	19	13
Total current assets	335	314
Total assets	21 275	22 924
Equity and liabilities		
State equity		
Provision for long-term liabilities	20 795	22 470
Reconciliation to State Treasury excluding result for the year	-46	-334
Result for the year	-4	1
Total state equity	20 744	22 137
Long-term liabilities		
Pension liabilities	-	-
Other long-term liabilities	475	457
Total long-term liabilities	475	457
Short-term liabilities		
Accounts payable	110	139
Other short-term liabilities	-54	191
Total short-term liabilities	56	330
Total equity and liabilities	21 275	22 924

In the balance sheet summary on page 38, all liabilities to central government are included in "state equity" in order to show the total capital invested in Jernbaneverket. Other long-term liabilities include a construction grant for upgrading the Ofoten line and a "contra item" to the Airport Express operating rights.

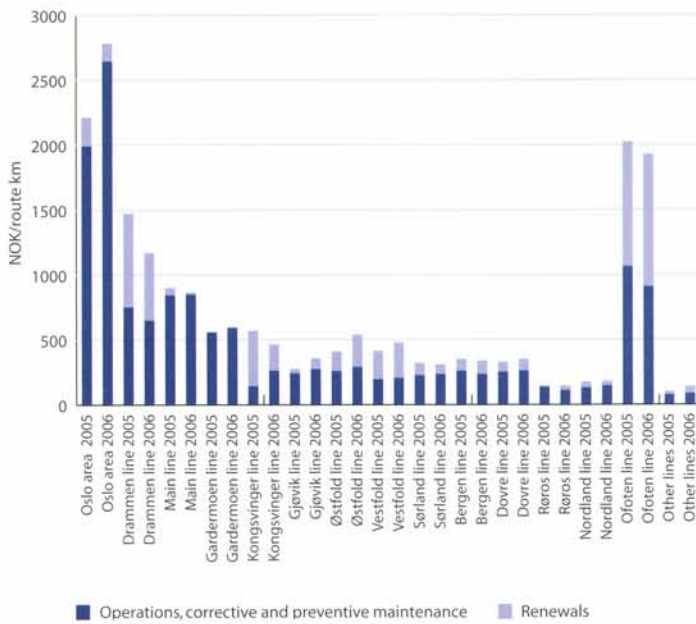
Efficiency targets – measuring productivity

The diagram below allocates accrued infrastructure operation and maintenance costs to each line. The diagram excludes

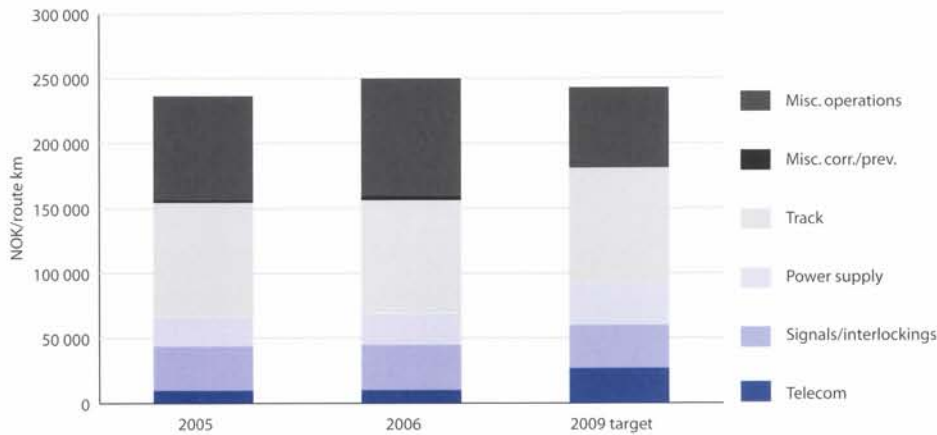
central and regional administrative costs and depreciation. In part, the figures are allocated on a notional basis. Please note that the diagram shows the 2005 and 2006 figures side by side.

The diagram at the foot of the page shows a breakdown of production costs by field. The figures have been adjusted in line with the change in the consumer price index from July 2005 to July 2006. Depreciation and inventory changes are excluded.

Key product figure – kroner per route kilometre. Operations, corrective and preventive maintenance and renewals by line in 2005 and 2006, excluding depreciation



Breakdown of production cost at 2006 prices



A worker in a high-visibility vest is grinding metal, creating a large spray of sparks. The worker is wearing a bright yellow-green high-visibility vest over a dark long-sleeved shirt and dark pants. They are using a grinding tool on a metal surface, which is producing a dense cloud of bright orange and yellow sparks. The background shows a construction site with a chain-link fence and some structural elements.

Human Resources and Organizational Development

emphasizes the input factors – people, skills, organizational structure and systems – necessary for Jernbaneanverket to perform its tasks.

Human Resources and Organizational Development

Jernbaneverket's objective is to be an attractive workplace – which means a good working environment, good opportunities for career development, meaningful duties, and responsible and inspirational colleagues and managers.

Jernbaneverket has the following objectives in the core area of Human Resources and Organizational Development:

- To ensure sound and adequate expertise exists within the rail sector
- To improve leadership at all levels
- To consider human factors during restructuring
- To improve and simplify management and monitoring systems

Skills development in the rail sector

The Norwegian Railway School helps to foster a shared understanding, shared concepts and improved interdisciplinary knowledge of the many specialized roles within the rail system. The school's task is to ensure that specialized railway expertise is maintained and developed.

The school was officially opened in January 2005, and its vocational training program for locomotive drivers was set up in 2004 under a mandate from the Ministry of Transport and Communications.

The first intake of student drivers took their final examinations in January 2006. The school also offers basic training for traffic controllers, traffic safety training, professional courses for the entire rail sector (Jernbaneverket, train operating companies and external contractors) and programs for trainees, tutors and

instructors in a variety of rail-related disciplines. The diagram on the next page gives a breakdown of course types and durations at the Norwegian Railway School in 2006.

As a result partly of workforce reductions in 2005 and the organization's age profile, a major challenge for Jernbaneverket is to maintain and renew key rail operating skills. This applies in almost all fields, but in rail-specific occupations in particular there is a shortage of qualified personnel.

In the Traffic Management division, the average age of traffic control staff is 47. Over the next few years, many employees are due to retire, so there is a need to recruit trainee traffic controllers and train dispatchers. Nineteen trainees began training at the Norwegian Railway School in autumn 2005 and took their final examinations in spring 2006. A further intake of trainees started the program in autumn 2006 and will take their exams in spring 2007.

The Traffic Management division devoted a great deal of time and resources to skills development in the course of the year. A two-day staff conference was held for all employees, focusing on the management of traffic, power supply and public information. The conference was run with the help of external

instructors and with extensive management participation. Gatherings of this kind are crucial to fostering a shared understanding of customer requirements and the role of Traffic Management in interaction with other players.

Management development

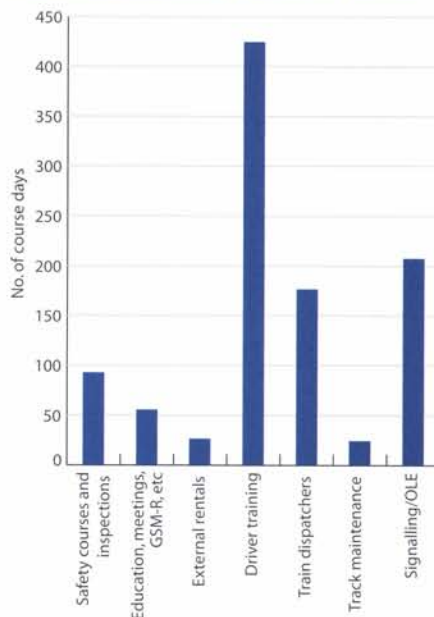
One of Jernbaneverket's priorities is to offer programs for its managers that encourage personal and professional development in line with current organizational challenges. The departure of many managers on the production side as part of workforce reductions presented the main challenge in 2005. The focus of management development efforts

in 2006 was therefore on giving newly promoted managers a firm grounding in their new role. Two tailor-made management development programs were run, aimed at operational managers in production and administration.

A management development program for potential managers came to an end in 2006. This was the third time we had undertaken such a program.

Jernbaneverket held a management conference for 120 managers in May 2006. The subject was the organization's public image and image-building activities. The business plans of individual

Activities at the Norwegian Railway School





Ida Bøe and Bjørn Kristian Bakka are looking forward to a career in Traffic Management. Photo: Sindre Ånonsen



Nina Løvdal at work in the new Trondheim traffic control centre, opened 22 May 2006. Photo: Arvid Bårdstu



Track maintenance technician Arild Kvaal works on a track switch, while Vegard Lade acts as lookout. Photo: Øystein Grue

departments for 2007 include activities designed to bolster the organization's image.

HR management and monitoring systems

Jernbaneverket has a process-based management system. Consequently, all paper manuals are gradually being converted into electronic process charts detailing activities, lines of responsibility and associated procedures. The skills development process went online in 2006, while the HR process is under development and will go online in 2007.

Personnel and working environment

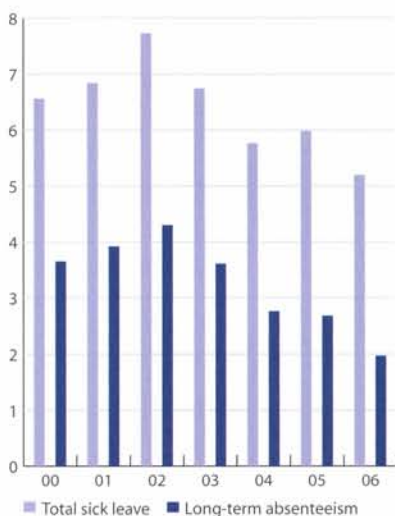
Workforce

On 31 December 2006, Jernbaneverket had 2 930 permanent employees, or 2 874 full-time equivalents (FTE), compared with 2 853 FTE at the end of 2005.

Sick leave

The diagram below shows that the proportion of working days lost through illness has varied somewhat over the years 2000–06, peaking at 7.74% in 2002. The rate of absenteeism in 2006 was 5.20%, which ranks alongside the 1997 figure (also 5.20%) as Jernbaneverket's best-ever performance.

Sick leave and long-term absenteeism 2000–2006



Through our “inclusive workplace” scheme, we have helped to reduce long-term absenteeism from 4.31% in 2002 to 1.98% in 2006 – a noteworthy achievement that indicates a very successful approach.

Workplace injuries

2006 was the first year in which Jernbaneverket collected data on workplace injuries among its own staff, external contractors and employees of train operating companies. The table below shows that a total of 122 injuries were reported, including 70 among Jernbaneverket employees.

The largest number of injuries, and the most serious, occurred on the operations side of the business. The trend from 2002

to 2005 was positive, but the figures for 2006 show a slight negative tendency.

Overtime

A total of 294 167 hours of overtime were recorded within Jernbaneverket in 2006, an increase of 17.5% on 2005. Night work (between 8 pm and 6 am) accounted for over a third of these hours, and this seems to be a recurring pattern. A small group of employees reported large amounts of overtime in both 2005 and 2006. Repeated cases are being monitored to avoid an unnecessarily heavy overtime burden on certain groups and individuals.

Workplace injuries to Jernbaneverket and external employees in 2006, categorized by degree of injury, in absolute figures

	<i>Serious injuries</i>	<i>Moderate injuries</i>	<i>Minor injuries causing absence</i>	<i>First aid but no sick leave</i>	<i>Total</i>
Operations	1	4	21	18	47
Other parts of JBV	0	0	8	15	23
Total for JBV	1	4	29	33	70
External contractors	0	2	8	20	30
Train staff					22
Total					122



Vegard Svendsen, a qualified train driver, is one of three people licensed to drive Jernbaneverket's heaviest yellow track-maintenance machines. Photo: Øystein Grue



Civil engineer Vera Jensen at work on a new master plan for a tunnel between Bergen and Arna. Photo: Øystein Grue



Bjørn Jensen acts as lookout while Per Erik Lindsetmo drives the machine clearing lineside vegetation. Photo: Øystein Grue

Staff surveys –

Human Capital Index (HCI)

Since 2004, Jernbaneverket has conducted annual staff surveys designed to measure job satisfaction. The idea behind HCI is that, by following up the survey findings, we can improve employees' job satisfaction and hence their performance and wellbeing. We have enjoyed a high response rate in excess of 80% to all these surveys, and the HCI showed a positive trend in 2006. Jernbaneverket's operations and maintenance business is not included in the HCI surveys because these are conducted online and large parts of the operations business do not use PCs.

Equal opportunities

We have now obtained a better overview of pay increases relative to gender within Jernbaneverket. We intend to look for solutions to counter the under-representation of one or other gender in certain roles and specialist fields. There was no significant increase in the number of female managers during the year, and the proportion of management roles filled by women remained at 13.2% as in 2005. Our objective remains to raise the proportion of female managers to 20% throughout the organization.

To bring us closer our goal of equal opportunities, women and men alike are being encouraged to apply for roles where their gender is currently under-represented. Meanwhile, we are focusing on training and developing potential female managers.

Accounting Policies

Since Jernbaneverket is a central government agency, its financial statements form an integral part of the State Accounts. As such, Jernbaneverket has no board of directors to propose allocation of the result.

The financial statements have been prepared in accordance with Norwegian State Accounting Standards (SRS) and guidance notes issued by the Ministry of Finance in connection with its trial of accrual accounting in selected government agencies. However, the presentation here differs in some respects.

Unless otherwise specified, all figures are in thousand kroner (NOK 1000).

Property, plant and equipment

Property, plant and equipment are capitalized and depreciated over the expected life of the asset. Revenue equal to the depreciation amount is recognized and offset against the capital grant liability.

Direct maintenance of property, plant and equipment is expensed on an ongoing basis under operating costs, while renewals/upgrading are added to the asset's cost price and depreciated in line with the asset.

Intangible assets

Jernbaneverket has capitalized two IT systems under this heading. One is a specially developed system for operating and maintaining track-mounted and trackside technical equipment. Only the value of goods and services from external suppliers is included in the capitalized value. The other system is an IT system for inventory management. Here, the depreciation method used is amortization of the licence cost over three years. User rights to other IT systems are covered by annual licence costs.

Fixed assets

The balance sheet value of intangible assets and property, plant and equipment has a contra item, liabilities relating to fixed assets, which represents the financing of these fixed assets. When intangible assets and property, plant and equipment are acquired, the acquisition cost is capitalized.

Depreciation of fixed assets is expensed. Revenue is recognized in line with depreciation charged, resulting in gradual reduction of liabilities relating to fixed assets. As a consequence, the sum of intangible assets and property, plant and equipment will always be fully financed by liabilities relating to fixed assets.

On realization/disposal of operating assets, the accounting gain/loss is recognized in the income statement. Gains/losses are calculated as the difference between the sale proceeds and the balance sheet value at the date of realization. The remaining book value of the liability relating to the fixed asset at the date of realization is shown as reversed deferred revenue on fixed asset disposals in the financial statements.

Inventories

Inventories of purchased goods are valued at acquisition cost or fair market value, whichever is the lower. Depending on location, two different valuation methods are used. The main warehouse is valued at purchase cost including freight and insurance (CIF). Regional warehouses are valued on the basis of average cost of goods per article per warehouse. Freight between the main warehouse and regional warehouses is expensed. A uniform valuation policy was introduced in 2006. Since 1 January 2006, all the activities of Jernbaneverket have been VAT deductible. The value of inventories in the opening balance sheet

on 1 January 2006 therefore did not include VAT. No assessment of obsolescence has been made.

Receivables

Trade receivables and other receivables are reported on the balance sheet at face value.

State funding

The financing of fixed assets included in the opening balance sheet for the first time is classified as a long-term liability. This liability is reduced in line with the depreciation of the fixed assets covered by the financing. Certain developments are not wholly financed through central government grants to Jernbaneverket. Other government departments, counties, municipalities and companies contribute, for example, to the financing of new stations, level crossing projects and capacity enhancements. In cases where Jernbaneverket owns all of the completed project, the total acquisition cost is included in the balance sheet, but the financing is split between liabilities to central government and liabilities to others. These liabilities are reduced in line with the depreciation of the facility. Where others own part of the facility, only Jernbaneverket's portion is reflected.

In the case of current assets, short-term liabilities and other liabilities included in the opening balance sheet, fair market value is used as a basis of valuation. The net financing requirement that technically arises as a result of establishing the opening balance sheet is classified as an accrued payable to the State Treasury.

Long-term liabilities

The balance sheet of Flytoget AS (the Airport Express train operating

company) includes the right to operational priority on the airport line with a value of NOK 424m and a depreciation period of 30 years. Jernbaneverket has a corresponding obligation recorded in its balance sheet.

Other long-term liabilities are not included in the balance sheet, either because it is uncertain whether they will occur or because the value of the liability is impossible to calculate (see SRS 19, contingent liabilities and contingent assets).

Pensions

As a general rule, employees of government agencies are members of the Norwegian Public Service Pension Fund (SPK). The SPK scheme is a defined benefits scheme. The scheme is not funded, but SPK operates with a notional fund, calculated on the basis of set guidelines. The size of the fund corresponds in principle to the estimated pension liability as calculated by SPK.

Under the Accrual Accounting project, a simplified accounting approach for pensions has been adopted. Accordingly, no calculation or provision for any surplus or shortfall in the pension scheme (as defined in Norwegian Accounting Standard NRS 6) has been made. The pension cost for the year therefore represents the annual premium cost, calculated as 12% of pensionable income. Also see Note 2, page 58 for a more detailed description of the method used.

Sales income

Sales income is recognized in the period in which the associated costs are recorded.

Income from government grants

Subsidies for operations and maintenance are recognized in the period



In November 2006, Grønland level crossing in downtown Drammen was closed and replaced by an underpass.

in which the activity that the subsidy is intended to finance is performed, i.e. the period in which costs are incurred. Subsidies of this kind are intended to cover operations and maintenance in the budget year corresponding to the accounting period. Subsidies for operations and maintenance are, apart from the portion used for renewals/upgrading, credited to income in the accounting year. The remaining portion is accounted for in the same way as capital grants. These liabilities are reduced in line with depreciation of the facility.

Capital grants are recognized in the same period as the capital project is undertaken, increasing Jernbaneverket's liabilities to central government.

Self-insurance policy

Norwegian central government operates a self-insurance policy. Accordingly, there are no items in the balance sheet or income statement that seek to reflect alternative net insurance costs or liabilities.

State group account scheme

Central government agencies are covered by the state group account scheme. All bank deposits and payments are reconciled daily against Jernbaneverket's settlement accounts in Norges Bank (the Central Bank of Norway).

Jernbaneverket is not provided with cash in the course of the year, but has drawing rights on its group account equal to the net operating subsidy plus the capital grant. The difference between income from government grants and net drawings on the group account is shown under Reconciliation to State Treasury. At year-end, special rules apply to settlement/carryforward of payables. In the event of carryforward to a new accounting year, the balance of the individual settlement account in Norges Bank is reset to zero.

Income Statement

(NOK 1000)

	Note	2006	2005
Operating income			
Net income from government grants	1	-2 960 311	-2 678 113
Fees and licences	1	-1 991	-1 699
Grants and transfers from other public bodies	1	0	-7 000
Gains on the sale of property, plant and equipment	1	-2 064	-12 686
Sales and rental income	1	-746 565	-483 874
Other operating income	1	160 680	-45 195
Total operating income		-3 550 250	-3 228 567
Operating costs			
Employment costs	2	1 740 229	1 644 724
Cost of goods		400 795	350 648
Other operating costs	3	687 763	713 554
Depreciation	4,5	601 087	525 512
Writedowns	4,5	0	0
Total operating costs		3 429 873	3 234 439
Operating surplus/deficit		-120 377	5 872
Financial income and costs			
Financial income	6	-15 901	-3 986
Financial costs	6	16 978	2 077
Net financial income/costs		1 076	-1 909
Income from shareholdings etc.			
Dividends etc.	6	0	0
Total income from shareholdings etc.		0	0
Surplus/deficit on ordinary activities		-119 301	3 693
Extraordinary income and costs			
Extraordinary costs	7	118 000	0
Total extraordinary income and costs		118 000	0
Reconciling items			
Provision for liabilities (net budgeted)	15	0	0
Reconciliation to State Treasury (gross budgeted)	8	0	-3 963
Reversal of deferred revenue on fixed asset disposals	9,5	0	584
Total reconciling items		0	-3 379
Collection income			
Income from taxes and fees payable to State Treasury	10	0	0
Other income from collection activities	10	0	0
Transfer to State Treasury	10	0	0
Total collection income		0	0
Third-party grants			
Receipts from State Treasury payable as grants to third parties	11	0	0
Grants paid to third parties	11	0	0
Total third-party grants		0	0
Surplus/deficit for the year		-1 301	0
Allocations		0	0

Balance Sheet – assets

(NOK 1000)

	Note	31 Dec 06	01 Jan 06
ASSETS			
A. Fixed assets			
I Intangible assets			
Research and development	4		
Rights and similar intangible assets	4	17 312	34 684
Total intangible assets		17 312	34 684
II Property, plant and equipment*			
Infrastructure	5	16 210 205	16 483 474
Buildings, land and other real estate	5	1 686 917	1 716 789
Machinery, plant and vehicles	5	281 675	290 054
Office equipment, fixtures and fittings, tools, etc.	5	56 429	49 540
Facilities under construction	5	4 357 841	2 365 138
Emergency equipment	5	0	0
Total property, plant and equipment		22 593 067	20 904 995
III Investments			
Investments in subsidiaries	13	100	100
Investments in associated companies		0	0
Investments in shares and business interests		0	0
Long-term receivables	13	0	0
Total investments		100	100
Total fixed assets		22 610 479	20 939 779
B. Current assets			
I Inventories and prepaid expenses			
Inventories	14	196 558	191 849
Prepaid expenses	18	5 055	39 994
Total inventories and prepaid expenses		201 613	231 843
II Receivables			
Trade receivables	16	49 383	67 483
Other receivables	17	28 939	17 485
VAT		158 332	0
Earned income not yet invoiced	18	16 447	0
Other earned income		4 045	0
Total receivables		257 145	84 968
III Cash and bank			
Bank deposits	19	12 686	18 544
Other cash and cash equivalents	19	119	127
Total cash and bank		12 805	18 671
Total current assets		471 564	335 482
Total assets		23 082 043	21 275 260

* Some classifications amended between 2005 and 2006.

Balance Sheet – equity and liabilities

(NOK 1000)

	Note	31 Dec 06	01 Jan 06
EQUITY AND LIABILITIES			
C. Equity			
I Paid-up equity			
Paid-up equity	13		
Total paid-up equity			
II Retained earnings			
Share in profits of subsidiaries and associated companies			
Retained earnings	12		
Total retained earnings			
Total equity			
D. Liabilities			
I Provision for long-term liabilities			
Liabilities relating to fixed assets	4, 5	-22 469 668	-20 794 707
Liabilities relating to external financing of fixed assets	4, 5, 21	-140 711	-144 972
Obligation to Flytoget AS	21	-316 176	-329 923
Total provision for long-term liabilities		-22 926 556	-21 269 602
II Other long-term liabilities			
Other long-term liabilities	21	0	0
Total other long-term liabilities		0	0
III Short-term liabilities			
Accounts payable		-138 779	-109 716
Employee withholdings		-59 379	-52 353
Taxes and duties payable	20	-27 226	110 356
Provision for holiday pay		-130 013	-121 832
Due to employees	20	-2 195	0
Accrued liabilities	20	-121 523	126 110
Deferred revenue		-9 193	0
Other short-term liabilities		0	-8 655
Total short-term liabilities		-488 309	-56 090
IV Reconciliation to State Treasury/Provision for liabilities			
Reconciliation to State Treasury (gross budgeted)	8	334 122	50 432
Surplus/deficit for the year (account no. 1999)		-1 301	0
Total		332 821	50 432
Total liabilities		-23 082 043	-21 275 260
Total equity and liabilities		-23 082 043	-21 275 260

Cash Flow

Cash Flow Statement using the direct method

(NOK 1000)

	31.12.06	2005
Cash flow from operating activities		
Receipts		
Subsidies and grants (net budgeted)	0	0
Taxes, duties and fees to State Treasury	20 007	0
From State Treasury for grants to others	0	0
Sale of goods and services	-703 005	512 871
Duties, fees and licences	-91 208	0
Grants and transfers from other public bodies	-35	0
Dividends	0	0
Interest	-15 889	0
Refunds	-39 904	41 812
Granted duties	3 637	0
Other receipts (VAT, etc.)	-173 327	0
Total receipts	-999 725	554 683
Payments		
Employment costs	1 475 003	-1 426 430
Capital expenditure (item 23)	-572 764	483 384
Goods and services for onward sale	396 283	-1 811 414
Goods and services for own use (excl. item 30)	1 612 242	0
Interest	16 224	0
Holiday pay	0	0
Taxes and government duties (VAT refund)	0	397 322
Other payments	110 562	-118 713
Total payments	3 037 550	-2 475 851
Net cash flow from operating activities*	2 037 825	-1 921 168
Cash flow from investing activities		
Purchase of property, plant and equipment (item 30)	1 444 660	-1 545 547
Purchase of property, plant and equipment (item 23)	572 764	-483 384
Sale of shares and interests in other businesses	0	0
Purchase of shares and interests in other businesses	0	0
Purchase of other investments	0	0
Sale of other investments	0	0
Net cash flow from investing activities	2 017 423	-2 028 931
Cash flow from financing activities (net budgeted)		
Receipts of equity		
Repayments of equity		
Payment of dividends to State Treasury		
Net cash flow from financing activities	0	0
Effect of currency fluctuations on cash and cash equivalents	0	0
Net change in cash and cash equivalents	-4 055 248	-3 950 098
Cash balance at 1 January	12 805	0
Cash balance at 31 December	-4 042 443	-3 950 098

	31.12.06	2005
* Reconciliation		
Surplus/deficit for the year	-	
Book value of fixed asset disposals	311 261	
Depreciation	601 086 564	
Writedown of fixed assets		
Reconciling items	1 300 573	
Grant income (gross budgeted)	-4 508 682 159	
Employer contributions/group life assurance, section 5700/5309	173 327 370	
Provision for deferred revenue (fixed asset acquisitions)	-2 272 098 513	
Share in profits of subsidiaries	0	
Share in profits of associated companies	0	
Change in liabilities relating to fixed assets	1 653 169 938	
Change in inventories	-4 708 565	
Change in trade receivables	18 099 768	
Change in accounts payable	29 063 234	
Effect of currency fluctuations	0	
Pension funding (imputed)	-118 857 393	
Pension costs (imputed)	118 857 393	
Items classified as investing or financing activities	2 017 423 334	
Change in other accruals	253 882 191	
Net cash flow from operating activities	-2 037 825 005	
	-2 037 825 005	
Adjustment to change in other accruals	-200 563	0



Cash Flow

Cash Flow Statement using the direct method

(NOK 1000)

<i>* Reconciliation</i>	2 006
Surplus/deficit for the period	-1 300 573
Book value of fixed asset disposals	0
Depreciation on fixed asset disposals	0
Depreciation	-601 086 563
Writedown of fixed assets	0
Reconciling items	-20 006 940
Grant income, item 30	1 699 334 692
Grant income, item 23 (net of income appropriation)	2 612 436 179
Accounting adjustment of capital grant	572 763 821
Authorized grant income from other govt depts (Min. of Justice)	5 631 215
Employer contributions/group life assurance, section 5700/5309	-173 327 370
Provision for deferred revenue (fixed asset acquisitions), item 23	0
Provision for deferred revenue (fixed asset acquisitions), item 30	0
Unspecified fixed asset acquisitions	0
Change in liabilities under liability model (incl. disposals)	0
Change in liabilities following disposal of fixed assets	0
Share in profits of subsidiaries	0
Share in profits of associated companies	0
Change in cash and bank holdings	-5 865 635
Change in inventories	4 708 565
Change in trade receivables	-18 099 768
Change in accounts payable	5 325 003
Accrued costs and prepaid income	0
Effect of currency fluctuations	0
Pension funding (imputed)	118 857 393
Pension costs (imputed)	-118 857 393
Items classified as investing or financing activities	-2 017 423 334 380
Change in other accruals	-45 271 228
Net cash flow from operating activities	-2 013 388 092 981

State financial reporting for gross budgeted enterprises

<i>Receipts from State Treasury</i>			<i>(NOK)</i>
<i>31 December 2006</i>	<i>Account No.</i>	<i>Budget</i>	<i>Actual</i>
I Operating expenditure	135022	55 000 000.00	40 434 490.60
	135023	3 102 535 000.00	3 206 282 174.28
	135025	96 397 000.00	80 391 261.50
II Capital expenditure	135030	1 514 562 000.00	1 444 659 513.38
III Income	435001	-20 000 000.00	-23 538 862.56
	435002	-100 000 000.00	-178 996 261.93
	435006	-179 100 000.00	-247 460 803.42
	435007	-78 600 000.00	-83 107 406.99
IV Transfers	43501611		-39 341 113.27
	04717115		5 733 090.30
	570072		-173 327 360.51
	650013		3 637 116.86
	560583		-124 439.00
V Deposits, Norges Bank	60040101		2 844 299 773.03
VI Withdrawals, Norges Bank	60040102		-6 899 548 111.98
VII Change in payables			-20 006 939.71
Payables 31 Dec 2005	713210		-66 366 275.34
Change in payables			-20 006 939.71
Payables 31 Dec 06			-86 373 215.05



Notes

Note 1 Breakdown of operating income

	(NOK 1000)	
	2006	2005
Income from government grants		
Grant allocation carried forward from previous year (gross budgeted enterprises)	0	0
Annual grant allocation from Ministry of Transport and Communications ¹		
Operating subsidy, items 22, 23 and 25	-3 185 200	-2 896 493
Income appropriation, items 01–07	377 700	483 300
Restructuring fund, item 22	0	-105 000
Capital grant, item 30	0	-1 570 114
Annual grant used for capital expenditure, item 30	0	1 231 100
Adjustment of investment in fixed assets	0	170 661
Authorized annual grant allocation from other government departments	-5 631	-299
- gross amount used for capital expenditure/property, plant and equipment from annual grant/operating subsidy, items 23–25	572 764	483 384
+ deferred revenue from liabilities relating to fixed assets	-601 087	-525 512
+ pension funding	-118 857	-117 492
- grants payable to third parties	0	0
- accounting adjustment of capital grant (cf. item 30, note 1)	0	168 353
Total income from government grants	-2 960 311	-2 678 113
Fees and licences		
Commission on ticket sales	-1 701	-1 689
Other commission income	-284	-10
Fees/licences	-6	0
Total fees and licences	-1 991	-1 699
Grants and transfers from other public bodies	0	-7 000
Total grants and transfers from other public bodies	0	-7 000
Gains on sale of property, plant and equipment	-2 064	-12 686
Gains on sale of property, plant and equipment	-2 064	-12 686
Sales and rental income		
Consultancy/contracting services income	-201 461	-5 922
Sale of equipment, etc.	-62 263	-27 596
Energy and grid rental income	-335 511	-218 765
Track charges	-21 332	-34 240
Track charges, airport line	-78 066	-74 306
Rental of buildings, land, etc	-47 931	-123 045
Total sales and rental income	-746 565	-483 874

1) Sum of operating subsidy and restructuring fund – see Note 1B.

	(NOK 1000)	
	2006	2005
Other income		
Other income after elimination of internal sales	176 418	-9 615
Compensation payments	-1 991	-21 833
Writedown of liability to Flytoget AS	-13 747	-13 747
Total other income	160 680	-45 195
Total operating income	-3 550 250	-3 228 567

Note 1B Government grants

Mandate from central government					(NOK 1000)
	Original allocation ⁽¹⁾	Carried forward from 2005 ⁽²⁾	Revised National Budget ⁽³⁾	Revised balance	Adjusted allocation
Operating subsidy					
Item 23 Operations and maintenance	2 937 200	48 335	117 000		3 054 200
Item 25 Operations and maintenance, airport line	76 000	20 397	0		76 000
Total subsidy for operations and maintenance: A	3 013 200	68 732	117 000	-	3 130 200
Income appropriation					
Item 01 Track charges	33 500	0	-13 500		20 000
Item 02 Sale of equipment, services, etc.	100 000	0	0		100 000
Item 06 Resale of electricity for train operations	179 100	0	0		179 100
Item 07 Payment for use of airport line	78 600	0	0		78 600
Total income appropriation: B	391 200	0	-13 500	-	377 700
Grant allocation under mandate from central government: C = A - B	2 622 000	68 732	130 500	-	-
Other government grants					
Item 22 Restructuring fund	55 000	3 414	0		55 000
Item 30 Capital projects	1 477 000	26 062	11 500		1 514 562

(1) Letter dated 23 Dec 2005 from Ministry of Transport and Communications.

(2) Letter dated 23 March 2006 from Ministry of Transport and Communications concerning amounts carried forward. In the case of items 22, 23 and 25, amounts carried forward are not included in the adjusted allocation, since these were, in principle, included in the reconciliation to State Treasury at the previous year end.

(3) Letter dated 30 June 2006 from Ministry of Transport and Communications concerning additional grant allocation in Revised National Budget 2006.

Grant allocations under Jernbaneverket's mandate from central government are recognized on a straight-line basis over the year, since Jernbaneverket's deliverable remains the same through out the year. Jernbaneverket has recognized the operations and maintenance subsidy, net of the income appropriation, as income. The net operating subsidy therefore appears as income in the accrued accounts. Otherwise, sales income and costs are set out in the accounts – see other notes.

Note 2 Employment costs

	(NOK 1000)	
	2006	2005
Wages and salaries	1 276 468	1 174 086
Holiday pay	126 997	127 666
Employer contributions	195 866	213 720
Pension costs*	118 857	117 492
Sick pay and other reimbursements	-39 588	-46 624
Other benefits	61 629	58 387
Total employment costs	1 740 229	1 644 724
Total employees (FTE)	2874	2853

* Jernbaneverket does not pay employer's pension contributions to the Norwegian Public Service Pension Fund (SPK), and accordingly its grant allocations do not cover premium costs. Premiums are covered in accordance with the central government scheme. In the accounts, a notional rate is used to calculate the pension cost. The premium rate applied in 2006 was 14.0%. (SPK calculated the rate at 13.48%).

Only salaries on scales A and B are included in the basis for calculating pension costs. Pensions are expensed on the basis of this rate multiplied by the accrued pension base in the organization. See also the policy note and Note 1 regarding the inclusion in the income statement of imputed income for pensions.

Note 3 Other operating costs

	(NOK 1000)	
	2006	2005
Lease, operation and maintenance of public premises	114 960	45 525
Electric power, grid rental	84 659	77 103
Lease and maintenance of premises	197 692	137 694
Rolling stock	226 005	137 574
Operation, repairs and maintenance of machinery	158 857	94 976
Contractors and other externally purchased services	1 579 811	1 116 596
Travel, subsistence and accommodation	92 911	38 464
Telecommunications	75 054	36 704
Administrative costs	480 513	25 481
Accrued provision for costs	28 447	646 143
Transferred to renewals/capitalization*	-2 213 977	-1 642 707
Total other operating costs	687 763	713 554

* Projects to be capitalized are charged to cost accounts on an ongoing basis and capitalized collectively at period end. This item also includes amounts expensed under employment costs.

Note 4 Intangible assets

(NOK 1000)

	IT Software	Total
Acquisition cost 01 Jan 06	52 416	52 416
Additions in 2006	400	400
Disposals at acquisition cost in 2006	0	0
Acquisition cost 31 Dec 06	52 816	52 816
Accumulated writedowns 01 Jan 06	0	0
Writedowns in 2006	0	0
Accumulated depreciation 01 Jan 06	-17 732	-17 732
Depreciation in 2006	-17 772	-17 772
Accumulated depreciation on disposals in 2006	0	0
Balance sheet value 31 Dec 06	17 312	17 312

Depreciation period (useful life)

3 years

Note 5 Property, plant and equipment

	Intangible assets	Land	Operating buildings	Buildings	Facilities under construction	Infrastructure assets	Emergency-equipment	Machinery and vehicles	Other fittings and equipment	Total
Acquisition cost 01 Jan 06	52 416 000	466 408 957	0	1 633 507 746	2 368 130 058	16 895 101 232	0	741 940 173	82 893 000	22240397166
Transfer to other infrastructure category		-45 237 000		45 297 500	0			-60 500	0	0
Transfer from other infrastructure category				0	0			-370 183	370 183	0
Transfer from other infrastructure category				0	0		0	811 015	-811 015	0
Additions in 2006, item 23	400 000	0	0	12 240 887	504 966 720	0	0	38 028 877	17 127 337	572 763 821
Additions in 2006, item 30	0	0	0	0	1 699 334 692	0	0	0	0	1 699 334 692
Additions in 2006, supplementary (net)	0	0	0	0	0	0	0	0	0	0
From facilities under construction to other category	0	0	0	10 795 117	-214 590 139	202 386 893	0	899 809	508 320	0
Disposals 2006, acquisition cost	0	0	0	0	0	0	0	-30 653 671	-337 795	-30 991 466
Acquisition cost 31 Dec 06	52 816 000	421 171 957	0	1 701 841 250	4 357 841 331	17 097 488 125	0	750 595 520	99 750 030	24481504213
Accumulated writedowns 01 Jan 06	17 732 001	0	0	383 128 739	0	411 627 486	0	451 886 465	36 343 773	1300718464
Transfer from other infrastructure category										
Writedowns in 2006	0	0	0	0	0	0	0	0	0	0
Ordinary depreciation in 2006	17 772 001	0	0	52 967 878	0	475 655 919	0	47 462 959	7 227 806	601 086 563
Accumulated depreciation on disposals in 2006	0	0	0	0	0	0	0	-30 429 205	-251 000	-30 680 205
Accumulated depreciation 31 Dec 06	35 504 002	0	0	436 096 617	0	887 283 405	0	468 920 219	43 320 579	1871 124822
Balance sheet value 31 Dec 06	17 311 998	421 171 957	0	1 265 744 633	4 357 841 331	16 210 204 720	0	281 675 301	56 429 451	22610379391

Depreciation period (useful life)

No depreciation

10-60 years straight line

20-60 years straight line

No depreciation

Business specific

Business specific

3-15 years straight line

3-15 years straight line

Note 6 Financial income and costs

(NOK 1000)

	2006	2005
Interest receivable, DnB Nordpool	-141	0
Other interest receivable	-413	0
Currency gains (agio)	-963	0
Other financial income	0	0
Internal interest receivable	-14 385	0
Total financial income	-15 901	-3 986
Interest payable, DnB Nordpool	127	0
Penalty interest	1 136	0
Internal interest payable	14 385	0
Other financial costs	307	0
Currency losses (disagio)	1 010	0
External interest payable	12	0
Total financial costs	16 978	2 077
Estimated interest payable on invested capital*		707 688

Basis for calculation of interest payable on invested capital:

	31 Dec 06	01 Jan 06	Average for year
Balance sheet value of intangible assets	17 312	34 684	25 998
Balance sheet value of property, plant and equipment	22 593 067	20 904 995	21 749 031
Total	22 610 379	20 939 679	21 775 029

Average tied-up capital in 2006

21 775 029

Fixed interest rate for 2006

3.25 %

* The estimated interest payable on invested capital is shown here in accordance with the draft guidance note regarding interest on capital.

Note 7 Extraordinary items

(NOK 1000)

	2006	2005
Extraordinary income	0	0
Total extraordinary income	0	0
Extraordinary costs	-118 000	0
Total extraordinary costs	-118 000	0

Pollution clean-up, especially creosote, as per Revised National Budget 2006 and letter of allocation.

Note 8 Net reconciliation to State Treasury for grant-financed enterprises (gross budgeted)

Timing differences

		31 Dec 06	01 Jan 06	Change
Current assets	Cash and bank	12 805	127	12 679
	Trade and other receivables	262 201	294 747	-32 546
	Investments	100	100	0
	Inventories	196 558	191 849	4 709
	Subtotal	A1	471 664	486 823
				-15 159
Short-term liabilities	Accounts payable	-138 779	-144 104	5 325
	Holiday pay provision	-130 013	-121 832	-8 180
	Other pay-related provisions	-61 574	-56 679	-4 895
	Taxes and duties payable	-130 716	121 781	-252 497
	Accrued liabilities	-27 226	-25 034	-2 192
	Other short-term liabilities	0	397 831	-397 831
	Subtotal	A2	-488 309	171 962
				-660 271
Long-term liabilities	Unallocated amount	86 373	-67	86 441
	Other liabilities	-316 176	-329 923	13 747
	Subtotal	A3	-229 803	-329 991
				100 188
Net timing differences		A	-246 448	328 794
				-575 242

Major reconciling items to State Treasury cash-based payables

Current assets	Cash account (own bank accounts, cash holdings)	119	127	-7
	VAT	151 480	143 236	8 244
	Other receivables	1 892	980	912
Short-term liabilities	Employee withholdings	-59 695	-53 012	-6 683
	Deposits	0	0	0
	Other liabilities	-7 423	-24 964	17 541
Reconciling items		B	86 373	66 366
				20 007
Balance per State Treasury		A + B	-160 075	395 160
				-555 235

Note 9 Reversal of deferred revenue on fixed asset disposals

	(NOK 1000)	
	2006	2005
Sale/writedown of property	0	0
Sale/writedown of machinery, equipment, etc.	0	0
Sale/writedown of other operating assets	0	584
Reversal of deferred revenue on fixed asset disposals	0	584

Note 13 Investments in shares and business interests

							(NOK 1000)			
Company	Registered office	Acquisition date	No. of shares	Stake	Voting interest	Result for year	Balance sheet equity	Balance sheet capital value	Balance sheet revenue value	
Baneservice										
Prosjekt AS ¹	Oslo	15 Feb 00	1 000	100.0%	100.0%	0	0	0	100	
Finse vann og										
avløp AS ²	Finse		2	1.5%	1.5%	-39	3 175	0	3 295	
Balance sheet value 31 Dec 06							-39	3 175	0	3 395

¹ This company is being wound up and its accounts are still incomplete.

² Taken over from NSB at no charge

Note 14 Inventories

	(NOK 1000)	
	31 Dec 06	01 Jan 06
Acquisition value		
Inventory acquired primarily for internal use	196 558	191 849
Inventory intended for onward sale	0	0
Total acquisition cost	196 558	191 849
Obsolescence		
Inventory valued at acquisition cost	0	0
Inventory valued at actual value (written-down value)	0	0
Total obsolescence	0	0
Total inventories	196 558	191 849

At 31 December 2006, no writedown had been made for obsolescence or discrepancies between the inventory management system and actual inventory.

Note 16 Trade receivables

	(NOK 1000)	
	31 Dec 06	01 Jan 06
Trade receivables at face value	73 817	72 463
Provision for bad debts*	-24 434	-4 686
Total trade receivables	49 383	67 777

Trade receivables were valued during 2006 and doubtful accounts identified. Receivables older than 90 days where two reminders have been sent are deemed bad debts. Cases referred to the Ministry of Transport and Communications for a decision are not included in bad debts.

* Includes NOK 16 625 000 for Baneservice Prosjekt AS.

Note 17 Other receivables

	(NOK 1000)	
	31 Dec 06	01 Jan 06
Prepaid wages and salaries	48	197
Travel advances	102	193
Loans to employees	795	743
Deposits	1	0
Refund claims	6 366	1 978
Deferred revenue	0	-7 293
Internal receivables	45 439	21 677
Provisions	16 447	0
Total	69 199	17 495

Note 18 Accrued receivables/Prepaid expenses

	(NOK 1000)	
	31 Dec 06	01 Jan 06
Prepaid or accrued costs	5 055	39 994
Prepaid expenses	0	0
Accrued receivables	0	0
Total	5 055	39 994
Earned income not yet invoiced	16 447	0

Note 19 Bank deposits, cash, etc.

	(NOK 1000)	
	31 Dec 06	01 Jan 06
Other bank accounts*	12 686	18 544
Petty cash and other cash holdings	119	127
Total bank deposits and cash	12 805	18 671

* Portfolio account for settlement with Nordpool, the pan-Nordic electricity market.

Note 20 Other short-term liabilities

(NOK 1000)

	31 Dec 06	01 Jan 06
Due to employees	96	119
Severance provision	2 099	4 207
Total due to employees	2 195	4 326
Accrued liabilities		
Directorate	-7 260	2 038
BaneEnergi	-43 685	24 648
Infrastructure Construction	-23 219	-212 484
Traffic Management	-162	422
Infrastructure Management	-47 198	59 266
Total accrued liabilities	-121 523	-126 110
Taxes and duties payable	27 226	57 767
VAT	-158 332	-80 215
Total	-7 387	-22 448

Taxes and duties payable

Since 01 Jan 05, Jernbaneverket has been VAT exempt.
Jernbaneverket normally has a VAT credit balance.

Note 21 Liabilities

(NOK 1000)

	31 Dec 06	01 Jan 06
External financing	140 711	144 972
Obligation to Flytoget AS*	316 176	329 923
Total	456 887	474 895

Breakdown of external financing of fixed assets**

			Contributor
Jærbanen	815	815	Municipality
Ofofbanen	145 286	145 286	LKAB
Lademoen	1 500	1 500	Municipality
Level crossings, Eastern Region	1 632	1 632	Various
Total change in liabilities, previous years	-4 261	-4 261	
Total change in liabilities, current year	-4 261		
Total long-term liabilities relating to external financing	140 711	144 972	

* Flytoget AS has a priority agreement with Jernbaneverket for train operations on the airport line. This right was established at the time the line was transferred from Flytoget AS to Jernbaneverket.

** Long-term liabilities relating to external financing are treated for accounting purposes in parallel with liabilities relating to fixed assets (see policy note). These liabilities are not payable, but Jernbaneverket has an obligation to the contributors to keep this part of the infrastructure in operation.

Other liabilities/contingent assets

In addition, Jernbaneverket has the following liabilities or contingent assets that are either uncertain or impossible to value:

- Rental of surplus capacity on the fibreoptic cable network
- Clean-up of contaminated land, particularly creosote pollution (cf. Note 7 and Revised National Budget 2006)
- Maintenance/protection of infrastructure that has historical value

These are not capitalized.



Steinar Killi, Director General of Jernbaneverket, embraces Liv Signe Navarsete, Minister of Transport and Communications, in delight at the increase in rail funding contained in the 2007 National Budget.

Contact details

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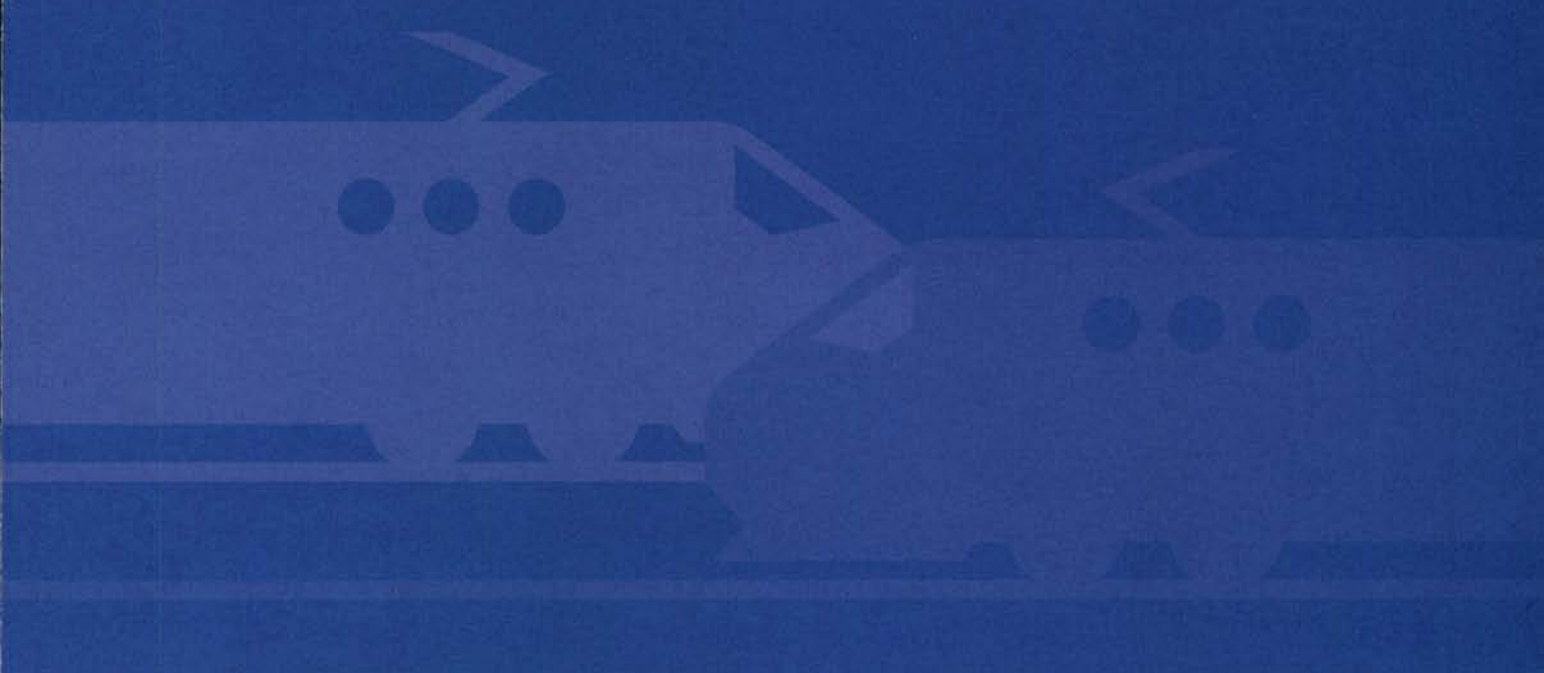
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