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PRESS RELEASE

GERMANY missing big opportunity to open long distance rail market - passengers, taxpayers & environment will suffer

BRUSSELS & BERLIN, 23rd July 2020: Earlier this month, it was announced that the German state-owned rail operator Deutsche Bahn ("DB") - which already has 99% share of the long distance market - will 'acquire' 30 new ICE high speed trains for 1 billion euros[1].

In a truly competitive market, new trains would be a good development. However, these ones are being financed under questionable circumstances and will further strengthen DB's dominant market position thus effectively closing the market for another generation. As a consequence, passengers, taxpayers & the environment will suffer.

There is a distinct pattern emerging: in 2019, under the guise of tackling climate change, the German government announced it will be pumping €11 billion of equity into DB until 2030[2]. This year, DB will receive an additional equity increase of at least €5 billion euros in order to help it cope with the COVID-19 pandemic[3]. With €16 billion in directly awarded financial support, it is easy to afford €1 billion for new trains.

"How can new privately funded long distance competitors - which have to finance their trains themselves - compete against DB if it is gifted new ICE trains by the government?" asks ALLRAIL Secretary General Nick Brooks: *"This is a major disincentive to all future private investment - it is impossible to compete against the scale & volume of such public funding."*

With this will come all the disadvantages that are the hallmark of one dominant operator: (1) inefficiency leading to increased taxpayer subsidy, (2) higher fares for passengers & (3) modal shift *away* from passenger rail to less sustainable modes.

Italy has demonstrated that the opposite approach can stimulate significant benefits. Since the privately owned operator NTV-Italo entered the high speed market in 2012, average fares have fallen by 40% while frequencies and quality have improved - leading to positive modal shift to rail with a doubling of passenger numbers. Furthermore, COVID-19 state aid has been fairly applied between both publicly & privately owned operators.

Germany is missing a big opportunity to open up the long distance rail market. If climate change funds & COVID-19 state aid were to be spent in a non-discriminatory manner, then other operators would probably be able to procure new high speed trains as well.

Mofair President Christian Schreyer comments: *"Then Germany would experience the same modal shift as has happened in Italy. Market opening in long distance rail is needed more than ever - not only is it the most effective solution in order to help the environment and the EU Green Deal but it is also necessary for future generations."*

[1] https://www.railjournal.com/fleet/db-expands-ice-fleet-with-30-additional-siemens-velaro-trains/
[2] https://mofair.de/wp-content/uploads/2019/09/190924-Klimaschutzprogramm-2030_EN.pdf
[3] https://www.dw.com/en/german-transport-minister-proposes-massive-infrastructure-package-report/a-53627878

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