

mofair e. V. and NEE e.V. • Reinhardtstraße 46 • 10117 Berlin

Madam
Federal Chancellor
Dr Angela Merkel
Federal Chancellery
Willy-Brandt-Straße 1
10557 Berlin

mofair e. V. and NEE e.V.
Reinhardtstraße 46
10117 Berlin
Fon +49 (0)30 53149147-0
Fax +49 (0)30 53149147-2
info@mofair.de
office@netzwerk-bahnen.de
www.mofair.de
www.netzwerk-bahnen.de

**The economic consequences of the coronavirus crisis for rail transport;
ensure non-discriminatory support for the sector**

Berlin, 6 November 2020

Dear Madam Chancellor,

The coronavirus pandemic is causing considerable economic damage to both passenger and freight rail transport, notably through lost earnings with comparatively high fixed costs. The Federal Government and the Bundestag indicated early on that they consider rail transport to be systemically relevant and are prepared to help. In particular, the decision to provide a EUR 2.5 billion rescue package for public regional transport quickly put this into concrete terms. We would like to say thank you for this on behalf of our two associations, which represent rail companies beyond Deutsche Bahn AG. In freight transport, these railways now have a market share of 55 to 60 percent; 40 percent for regional transport.

The reason for this letter is the persistent refusal of the Federal Government's relevant departments to discuss the competitive arrangement of aid for commercial freight and passenger rail transport.

While the general economic aid quickly provided by the Federal Government – assistance loans, economic stabilisation funds (*Wirtschaftsstabilisierungsfonds*), etc. – offers virtually no support to railway undertakings due to the specific conditions, the government has not provided any targeted support whatsoever to freight and long-distance passenger railway undertakings competing with DB's companies.

It compromises the partially already precarious diversity of services on the rail markets and, therefore, also the attainment of government and EU climate policy goals in the transport sector. The decision made by the cabinet and the Bundestag before the summer recess to inject five billion euros in capital into the state-owned Deutsche Bahn AG allows its transport companies to put further price pressure on competitors that are already in a difficult situation. DB's actions in many ways indicate that it already firmly expects the necessary but pending approval of the EU Commission.

This can be seen in various points: in freight transport, offers are being set below cost price, or expensive high-speed trains are still being purchased for long-distance passenger services, the financing of which would not be possible without the additional federal funds. Deutsche Bahn's long-distance transport division is now continuing its services unabated – even more than in spring. It is even offering saver fares (*Supersparpreise*), even though federal and state governments have practically prohibited tourist travel and there is no relevant demand for long-distance rail transport. DB Fernverkehr's competitors have consistently suspended operations and had to put their staff on short-time work to minimise their financial losses. Other state-owned companies, such as SNCF in France, are also behaving similarly. In contrast, it seems that economic considerations simply do not play a role for DB.

For several months now, our member companies and our two associations have been trying to achieve an arrangement for coronavirus support from the Federal Government and the EU Commission that is neutral in terms of competition. So far, the government has not explained why it thinks it can treat state and other parties differently, even though the EU's temporary financial assistance framework explicitly prohibits the creation of new distortions of competition through government coronavirus aid.

The fixation and limitation of federal policy regarding support for Deutsche Bahn AG, which is incomprehensible in terms of transport and competition policy, leaves much to be desired.

The question of whether and which transport services were provided during the first lockdown, explicitly or implicitly on behalf of the Federal Government, still remains unexplained to this day. The extent of loss of revenue at DB AG is also unknown and we cannot know if it is plausible, whereas competitors' loss of revenue is not even queried by the Federal Government.

As indicated, the scenario from the spring, which needs an explanation, appears to be repeating itself in commercial long-distance transport: DB Fernverkehr is continuing its transport services unaffected. According to the Federal Ministry of Transport and Digital

Infrastructure (BMVI), this is a business decision taken against any economic logic and presumably taken based on reliance on the state for reimbursing any lost revenue. The continuance of any unprofitable operations, which is rumoured to be due to political wishes, would have required a government tender as a commercial service. You can assume that DB Fernverkehr's competitors would also want to perform their systemically important role with government support during the crisis. However, without support they have to suspend their transport services for economic reasons and withdraw from the market, while DB's state railway monopoly status, which was actually wiped out with the railway reform, is reinstated.

Our associations already proposed competitively neutral alternatives in the spring, which were not picked up by the Federal Government. However, one of the proposals also discussed in other member states was adopted by the EU Council of Transport Ministers in September based on a proposal from the EU Commission, namely that EU member states may, for a limited time, reduce track access charges below the direct costs of train operation, even to zero. This would be a proven method of supporting existing transport services in and after the current lockdown and enable new services in passenger and freight transport. The Federal Transport Minister, in his capacity as Chairman of the Council of Transport Ministers, has praised this decision, which has also been confirmed by the EU Parliament, on EU websites as an important measure. There is however no reference to it on the website of the Federal Ministry for Transport and digital Infrastructure (BMVI), and the Minister remains silent when asked about it. This shows a problematic approach: acting differently in Brussels than in Berlin not only harms rail transport, it also harms the Idea of Europe as a whole.

There are obviously different opinions between the EU Commission and the Federal Government regarding the circumstances and conditions for the necessary notification of the planned capital injection for Deutsche Bahn AG. The fact that the Federal Minister is now openly urging the EU Commission to quickly approve the capital increase on the fringes of the informal meeting of transport ministers is an inadmissible interference into the procedure, which is conducted very conscientiously for good reason.

Furthermore, we consider this one-sided partisanship by the Federal Minister in favour of the state-owned company to be completely wrong. It counteracts the Federal Government's and European Union's basic decision on fair competition, which is not even under consideration during the pandemic because there is no reason for it.

We once again make our demand, which we have already made on several occasions, for the budgetary funds made available to be directed along the lines of the approach

adopted for public service transport, meaning rescue packages and aid that is neutral in terms of competition, for long-distance rail passenger transport, rail freight transport and also for infrastructure companies; i.e. aid is not restricted to any one company. In this way, notification through the EU Commission is easily possible, competition will not be distorted and any actual damage caused by the coronavirus pandemic will be specifically remedied, of course, also at Deutsche Bahn AG. To do this, an initiative to change the intended purpose of the funds made available in the 2020 federal budget, which emanate from the Federal Government, is required.

This letter will be sent for the attention of Commission President Dr von der Leyen, Vice President Vestager, Commissioner Valean and Federal Ministers Scheuer, Scholz and Dr Altmaier.

Kindest regards,



Christian Schreyer
President of mofair



Ludolf Kerkeeling
Chairman of NEE