

2nd European Rail Transport Regulation Forum

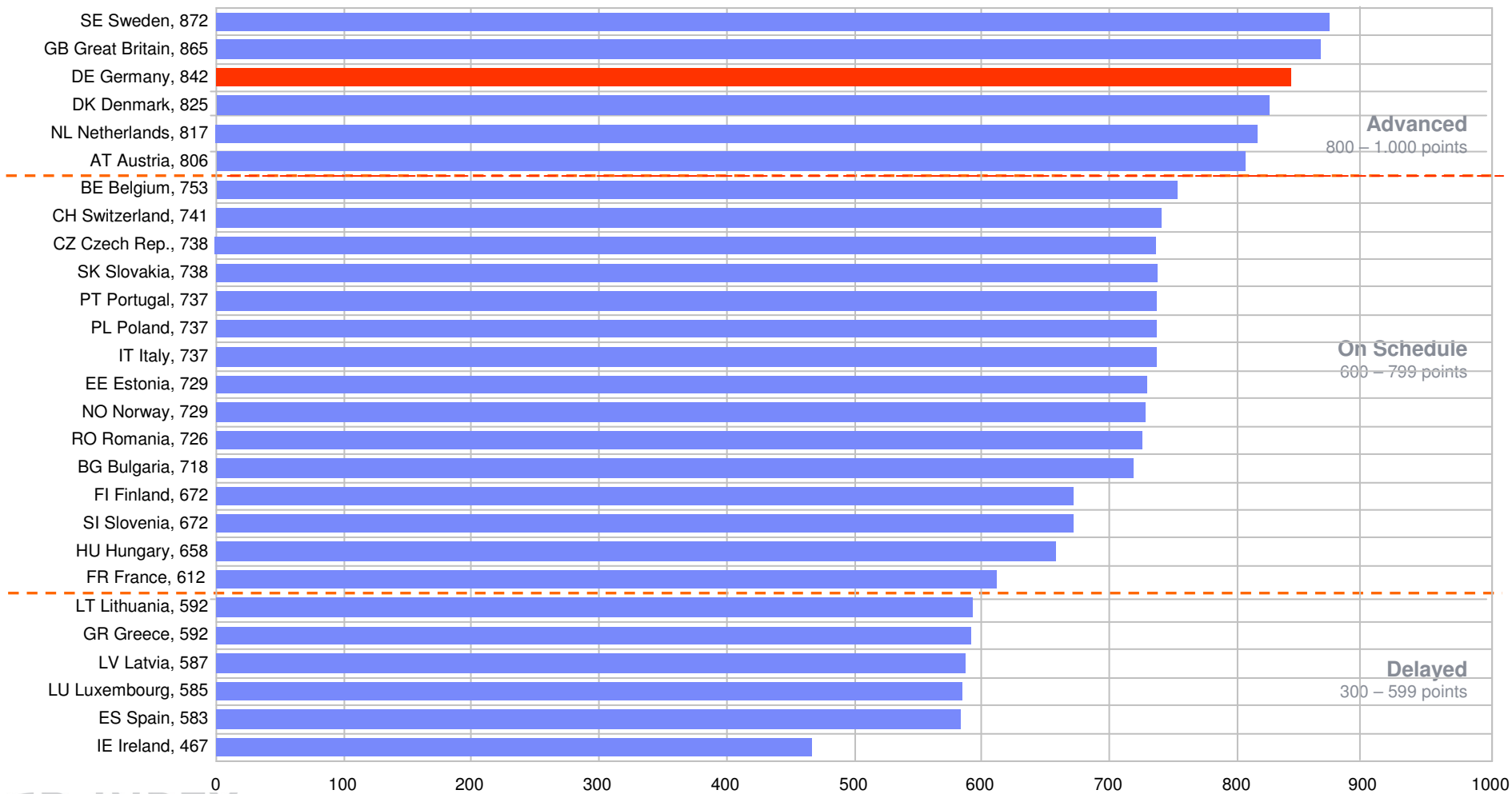
Performance and Governance in Railway Markets

Deutsche Bahn AG

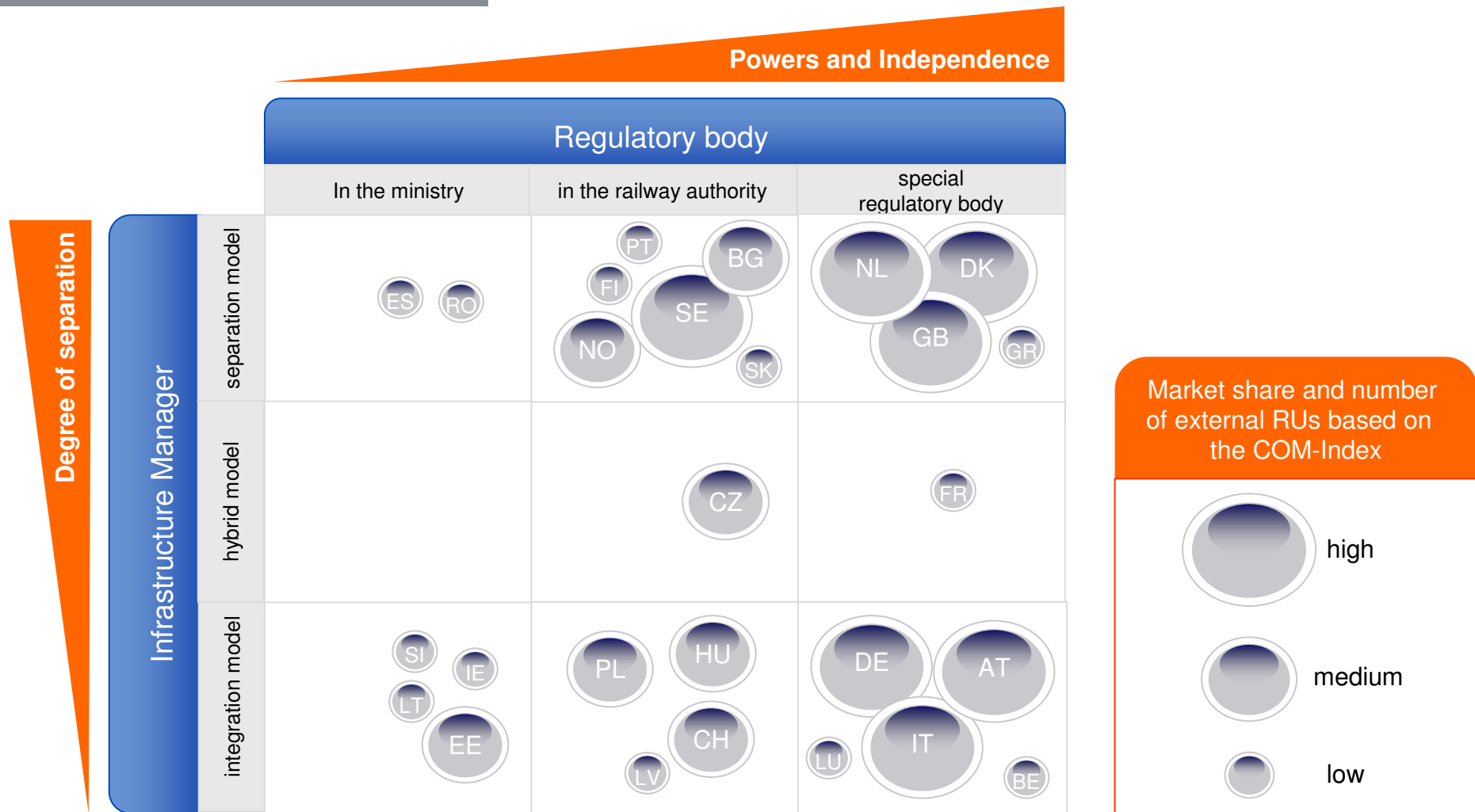
Frank Miram,
Director Regulation Management

Florence, 23rd May 2011

The IBM Rail Liberalisation Index 2011 compares the degree of market opening in European railway markets



The development of competition is independent of the degree of separation between infrastructure and operations

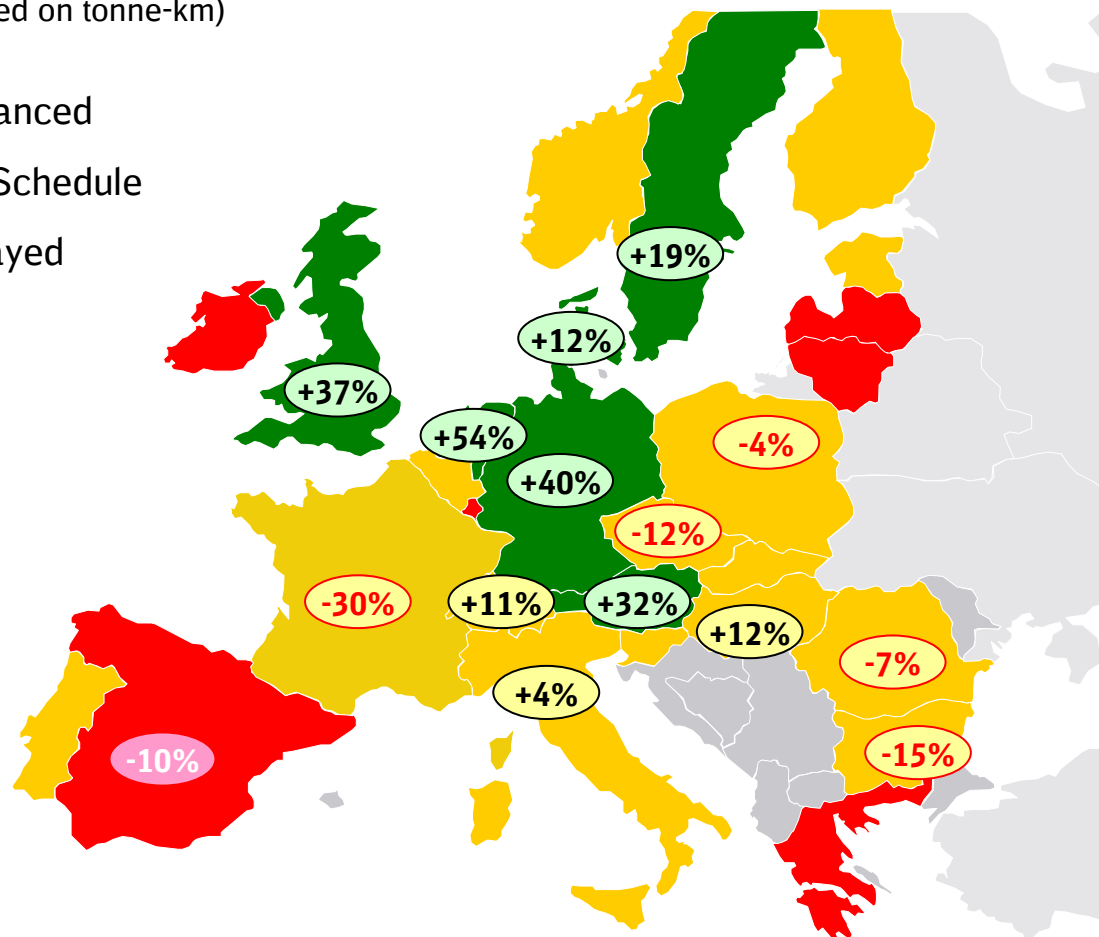


Positive traffic performance in the European freight market due to early liberalisation

Traffic performance in the rail freight market 2000-2008

(in %, based on tonne-km)

- Advanced
- On Schedule
- Delayed



- Most major freight railways in Europe managed to increase their freight traffic between 2009 and 2010*:
- DB SR (105.8 billion tonne-km; +12,6%)
- PKP Cargo (34.3 billion tonne-km; +14,6%)
- SNCF (25 billion tonne-km; -5,5%)**
- RZD Cargo (13.4 billion tonne-km, +7,5%)
- SBB Cargo (13.1 billion tonne-km; +12,3%)
- Trenitalia (11.2 billion tonne-km; -11,8% only national traffic)**




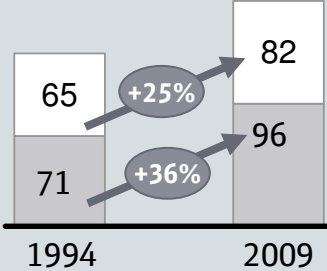
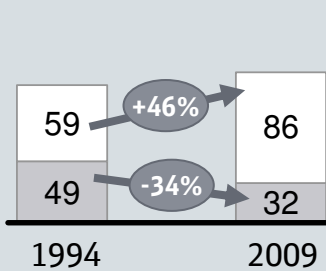
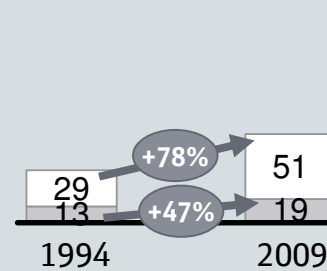
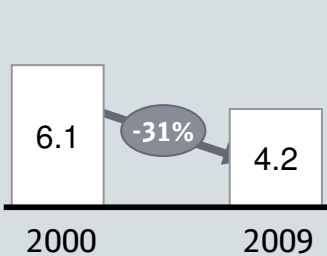
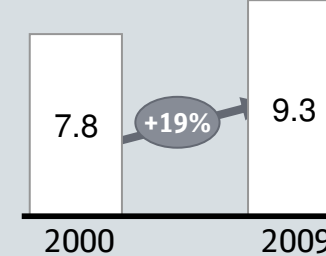
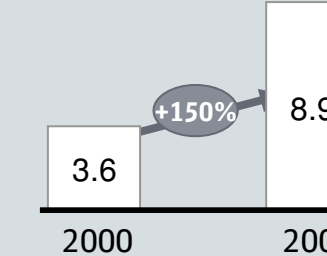
Source: EU Energy and Transport in Figures - Statistical Pocketbook 2010, IBM Rail Liberalisation Index 2011

* Based on UIC, DB, SBB, Press releases up to 08.04.2011

** Only national traffic, January to November 2010.

SNCF's performance outside France, especially Captrain, was strong.

When comparing the performance of railway markets, the effect on public expenditure must also be considered

	 Germany	 France	 Great Britain
Rail transport volume □ Passenger transport (in bn. pkm) ■ Freight transport (in bn. tkm)			
Annual public expenditures¹⁾ (in €-Cent per passenger ton kilometer; prices as of 2000)			
	<ul style="list-style-type: none"> ■ DB is an integrated company ■ Fully liberalised railway markets ■ Powerful regulatory body 	<ul style="list-style-type: none"> ■ Formal separation, operation of infrastructure by SNCF ■ Compliance with minimum requirements of liberalization ■ No independent regulatory body until 2010 	<ul style="list-style-type: none"> ■ Full separation between transport and infrastructure ■ Fully liberalised railway markets ■ Powerful regulatory body

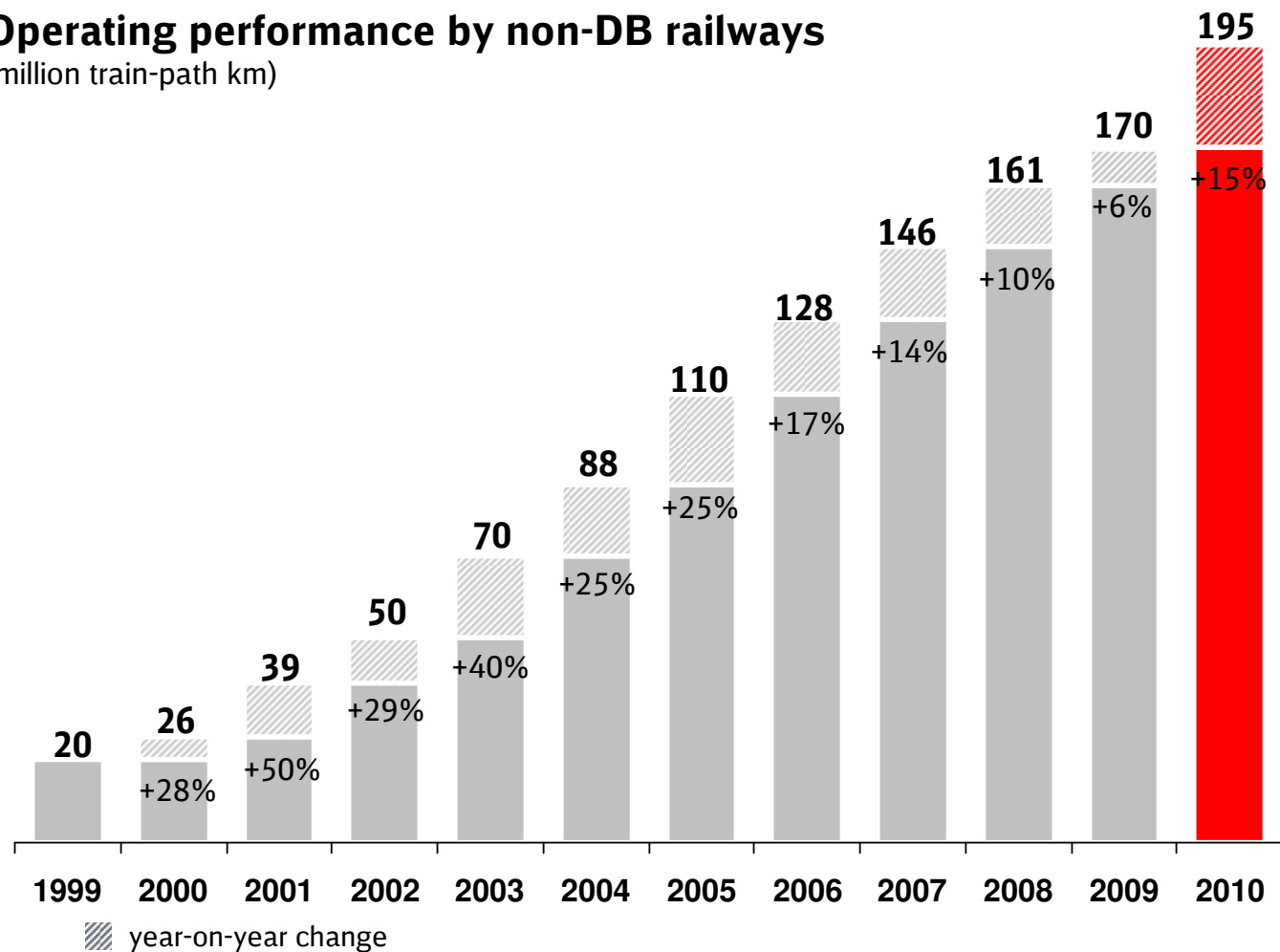
1) Public expenditures include payments to purchasing organizations, railway companies and rail infrastructure companies

Sources: Statistiques équipement gouvernement français, Department for Transport, Office of Rail Regulation, Eurostat and own

Steady growth for competitor railways shows that non-discriminatory access to infrastructure works in Germany

Operating performance by non-DB railways

(million train-path km)



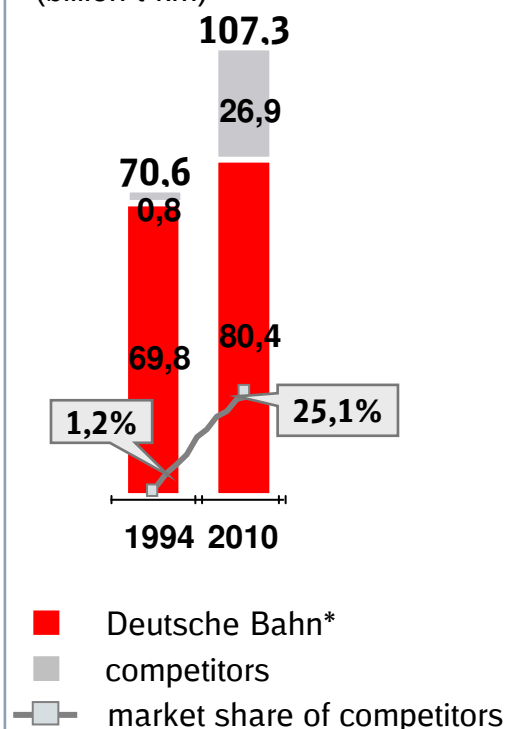
- Operating performance by non-DB railways increased by 15 per cent to 195 million train-path kilometres in 2010.
- Competitors account for a share of approx. 18.9 per cent of total operating performance of DB Netz AG (2009: 17%)

Source: DB data.

Freight transport: Competitors account for more than a quarter of the total traffic performance

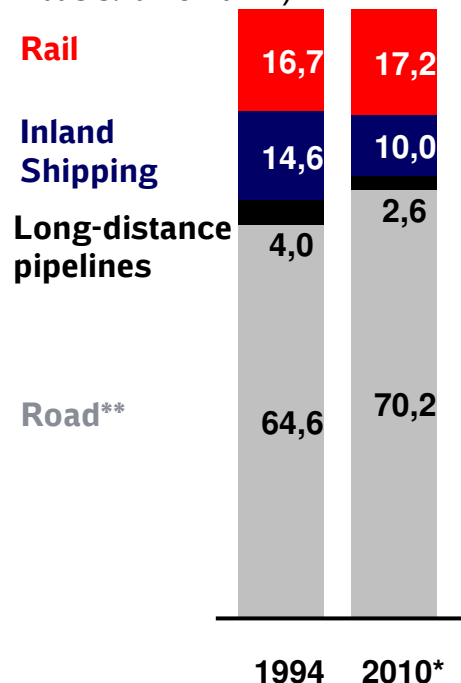
Rail freight traffic performance

(billion t-km)



Modal split trend for freight transport in Germany

(market share in per cent, basis: billion t-km)



- Compared to 1994 total rail performance is 52 per cent higher in 2010.
- Compared to 2009 DB increased its performance 2010 by 11.2 per cent - competitors even more: up to 14.3 per cent.
- Competitors now account for a market share of 25.1 per cent - 24 percentage points more than in the year 1994
- Rail today has a higher market share than in the year 1994

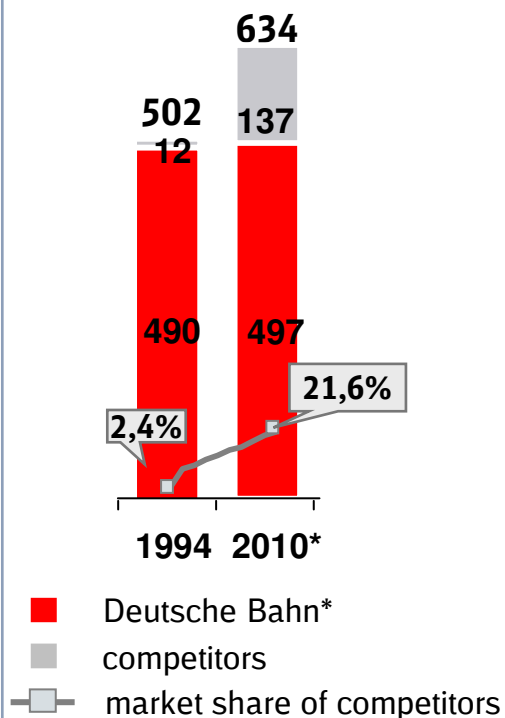
Sources: Federal Statistical Office, DB data

* 2010: Estimate

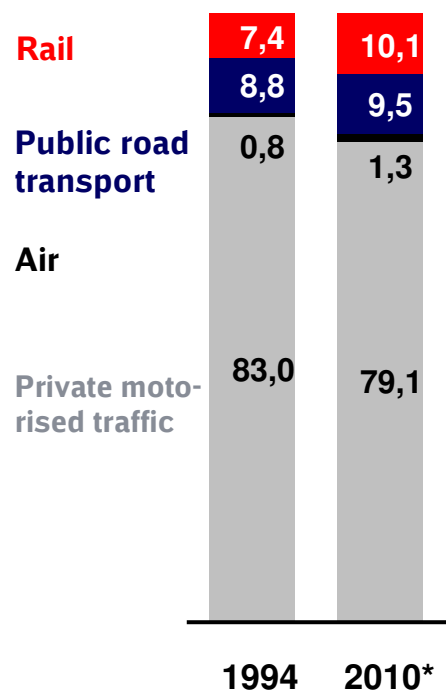
** German and foreign trucks (incl. Cabotage in Germany)

Passenger transport: Competitors increased their share of ordered train services to 21.6 per cent

Ordered train services in the regional market (million train-km)



Modal split trend for passenger transport in Germany (market share in per cent, basis: billion p-km)



- Compared to 1994 the total order volume of the market increased by 26 per cent.
- In 2010 DB's performance decreased by 1 per cent compared to 2009 – competitors increased their performance by 7 per cent.
- Competitors now reach a market share of 21.6 per cent in terms of ordered train-kilometres – about a ten-fold increase compared to 1994.
- Rail's market share is 2.7 percentage points higher than the share of the year 1994.

Source: DB AG
* 2010: Estimate

Conclusions

Findings

- Member States are progressing at different speeds with respect to market liberalisation and performance – especially regarding national rail passenger transport markets, which generally remain closed for competition.
- There is no correlation between a given structural model and the development of competition or performance.
- There is a positive relation between liberalisation and traffic performance.
- Both the results of the Liberalisation Index 2011 and the German example show that vertical integration, competition and positive growth in traffic performance can go hand-in-hand.



Implications
for regulatory
policy

Implications for regulatory policy

1. Legislative steps for further liberalisation of national rail passenger transport markets are required.
2. No further rules required regarding the unbundling of networks and traffic operations („competition of different models“).
3. Independence and competence of regulatory authorities should be increased.