

# Urban Mobility Systems: Regulation Across Modes - the View of an Operator

1st European Intermodal Transport Regulation Forum

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Deutsche Bahn AG

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Florence, 07 December 2012

## Key Hypotheses

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- Public transport regulation is characterized by **mode-specific approaches** - market regimes differ according to economic and political conditions
  - Among **benchmarks** with positive track records are “open access” in long-distance passenger rail transport and “competition for the market” in regional/ urban passenger rail transport
  - Transport operators are fit to provide embracing **mobility solutions across modes** - public authorities should set reliable frameworks for entrepreneurial and customer-oriented behavior, rather than hamper or fulfill entrepreneurial activities themselves
  - Finance levels and instruments for **infrastructure investment** are key success factors for public transport, demand-driven prioritization and investment incentives should be safeguarded
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**DB at a glance**

**Intramodal finance and regulation**

**Entrepreneurial solutions across modes**

# DB comprises three divisions and nine business units

## **DB** BAHN



**Passenger transport:**  
Domestic and European-wide mobility services

**DB Bahn Long Distance**  
Long-distance rail passenger transport<sup>1</sup>

**DB Bahn Regional**  
Regional/urban passenger transport (Germany)

**DB Arriva**  
Regional/urban passenger transport (Europe)<sup>2</sup>

## **DB** NETZE



**Infrastructure:**  
Efficient and future-oriented rail infrastructure in Germany

**DB Netze Track**  
Rail network

**DB Netze Stations**  
Traffic stations

**DB Netze Energy**  
Traction current

## **DB** SCHENKER



**Transport and logistics:**  
Intelligent logistics services via land, air and the sea

**DB Schenker Rail**  
European rail freight transport

**DB Schenker Logistics**  
Global logistics services

**DB Services<sup>3</sup>**  
Integrated range of services

1 Within Germany as well as cross border traffic; 2 In UK with Arriva-affiliate 'CrossCountry' also long-distance passenger transport; 3 Business unit is assigned to the Rail Technology and Services division

# DB has about 295,000 employees around the world, of which more than 190,000 are based in Germany

## Employees by business unit

100% ~ 284,319 full time equivalent

Other activities

DB Services

**DB NETZE**

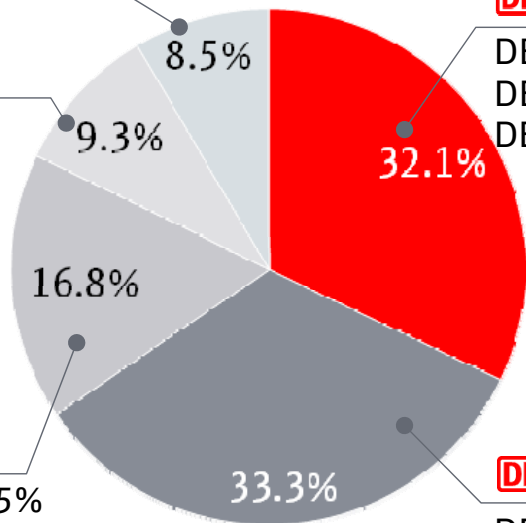
DB Netze Track: 14.5%  
DB Netze Stations: 1.7%  
DB Netze Energy: 0.6%

**DB BAHN**

DB Bahn Long Distance: 5.6%  
DB Bahn Regional: 13.1%  
DB Arriva: 13.4%

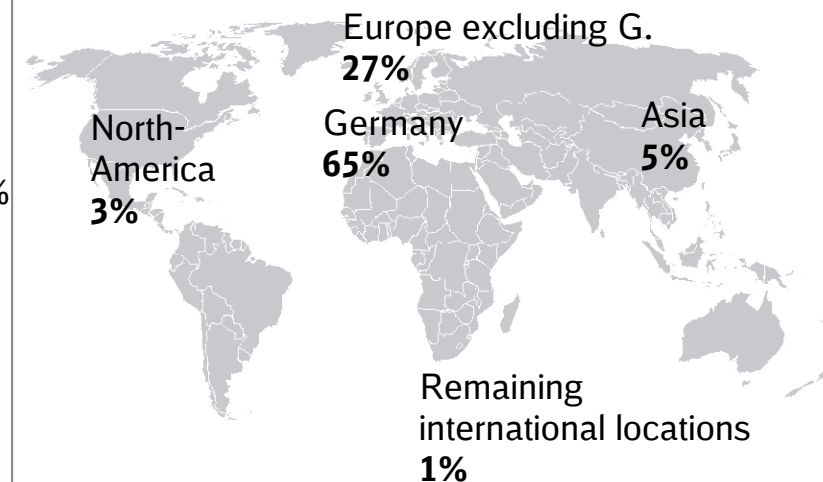
**DB SCHENKER**

DB Schenker Rail: 11.4%  
DB Schenker Logistics: 21.9%



## Employees by region

100% ~ 284,319 full time equivalent



# DB is the second biggest provider in the European passenger transport market

- **2.7** billion passengers per year in trains and buses
- **26,000** passenger trains per day
- **Once** around the world - the distance traveled by every ICE train per month
- **9** neighboring countries can be reached directly via DB

## **BAHN**

### DB Bahn Long Distance



### DB Bahn Regional



### DB Arriva



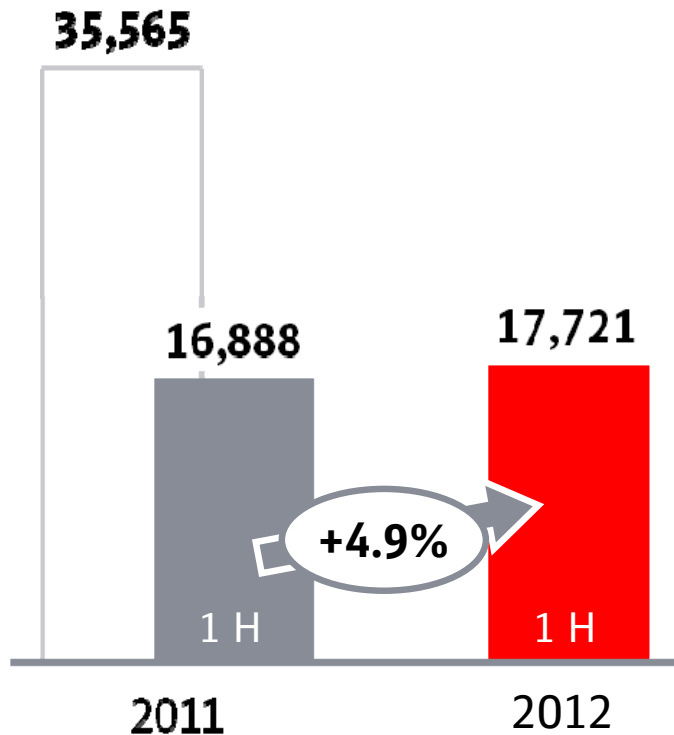
### DB Bahn Sales<sup>1</sup>



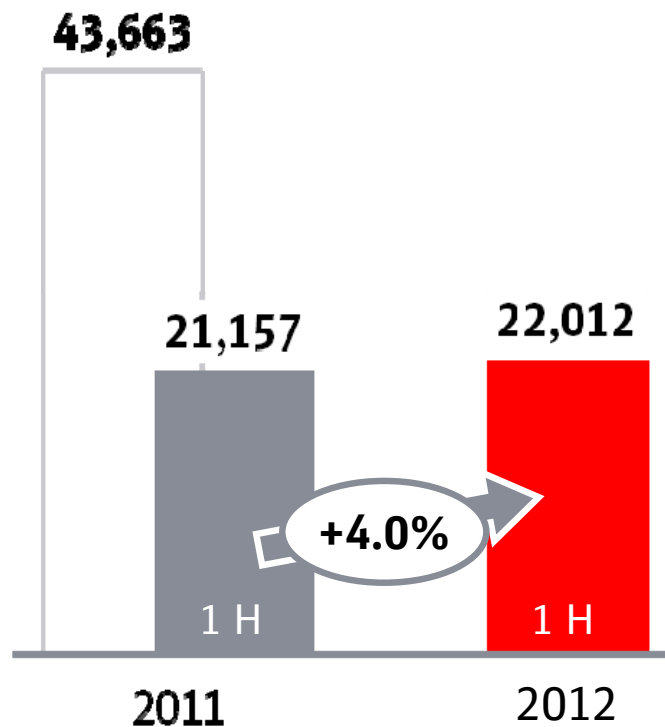
As of December 31, 2011; Figures on the left side are rounded and exclude Arriva; 1 DB Bahn Sales is a service center within the passenger transport division

# Current trends: Long-distance passenger and regional rail transport post gains – bus transport declines due to structural reasons

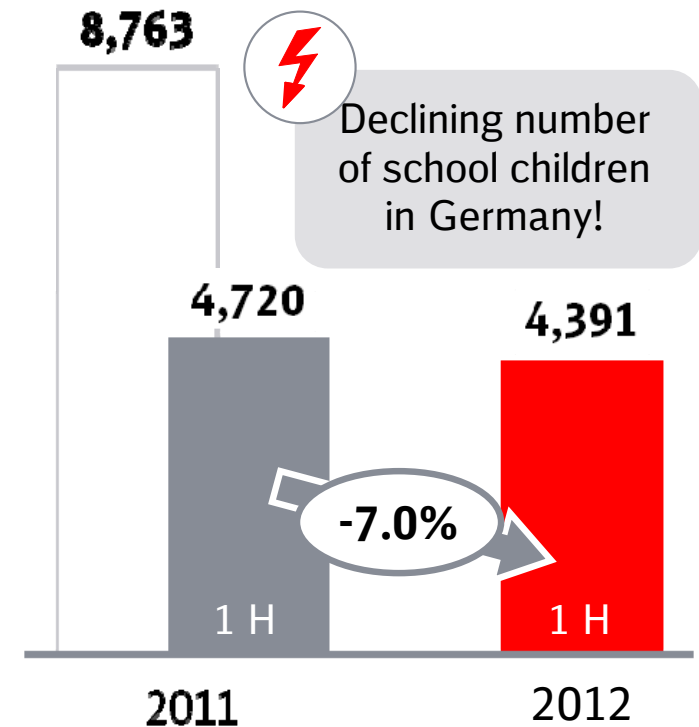
**Long-distance rail transport**  
in millions of pkm



**Regional/ urban rail transport**  
in millions of pkm<sup>1</sup>



**Bus transport**  
in millions of pkm<sup>1,2</sup>



1 Figures excluding Arriva

2 Excluding Pan Bus for 2011 due to merger with Arriva

DB at a glance

**Intramodal finance and regulation**

Entrepreneurial solutions across modes



# Public institutions fulfill several distinct roles in the transport market






## Role of public institutions

### Examples in railways

<b>Legislator</b>	<ul style="list-style-type: none"> <li>■ Establishment of access regime, regulatory bodies, definition of their functions and competencies (EU, Federal Gov'nt)</li> <li>■ Unbundling-requirements (EU, Federal Gov'nt)</li> <li>■ Definition of passenger rights (EU, Federal Gov'nt)</li> <li>■ Definition of fiscal framework (Federal and Länder Gov'nt)</li> </ul>
<b>Financier</b>	<ul style="list-style-type: none"> <li>■ Financing of railway infrastructure investment (Federal gov'nt)</li> <li>■ Financing of transport contract payments (Federal and Länder Gov'nt)</li> </ul>
<b>PP contract partner</b>	<ul style="list-style-type: none"> <li>■ Ordering of public transport (Regional transport authorities)</li> <li>■ Determination of infrastructure investment (Federal and Länder Gov'nt)</li> </ul>
<b>Regulator</b>	<ul style="list-style-type: none"> <li>■ Check of access conditions and charges (BNetzA)</li> <li>■ Technical regulation and licencing (EBA/ ERA)</li> </ul>
<b>Owner</b>	<ul style="list-style-type: none"> <li>■ Owner of transport operators (Federal state, municipalities)</li> </ul>

# Market regimes and regulation and differ across modes

## Market regimes in Germany: Overview

	Business segment	Financing	Governance and regulation
	<b>Rail infrastructure</b>	Operations and maintenance purely commercial, public-private co-finance of investment	Access- and price-regulation
	<b>Long distance passenger rail transport</b>	Purely commercial	Competition in the market (open access)
	<b>Regional and urban passenger rail transport</b>	Commercial revenues and public franchise fees	Competition for the market (service contracts)
	<b>Regional and urban bus/metro/ light rail</b>	Commercial revenues and several public finance flows	Various regimes, dominant feature in urban transport: Inhouse operator of municipality
	<b>Long distance bus</b>	Purely commercial	Competition in the market (open access, as of 2013)

## **Intramodal finance and regulation**

**Focus: Rail infrastructure**

Focus: Regional/ urban passenger rail

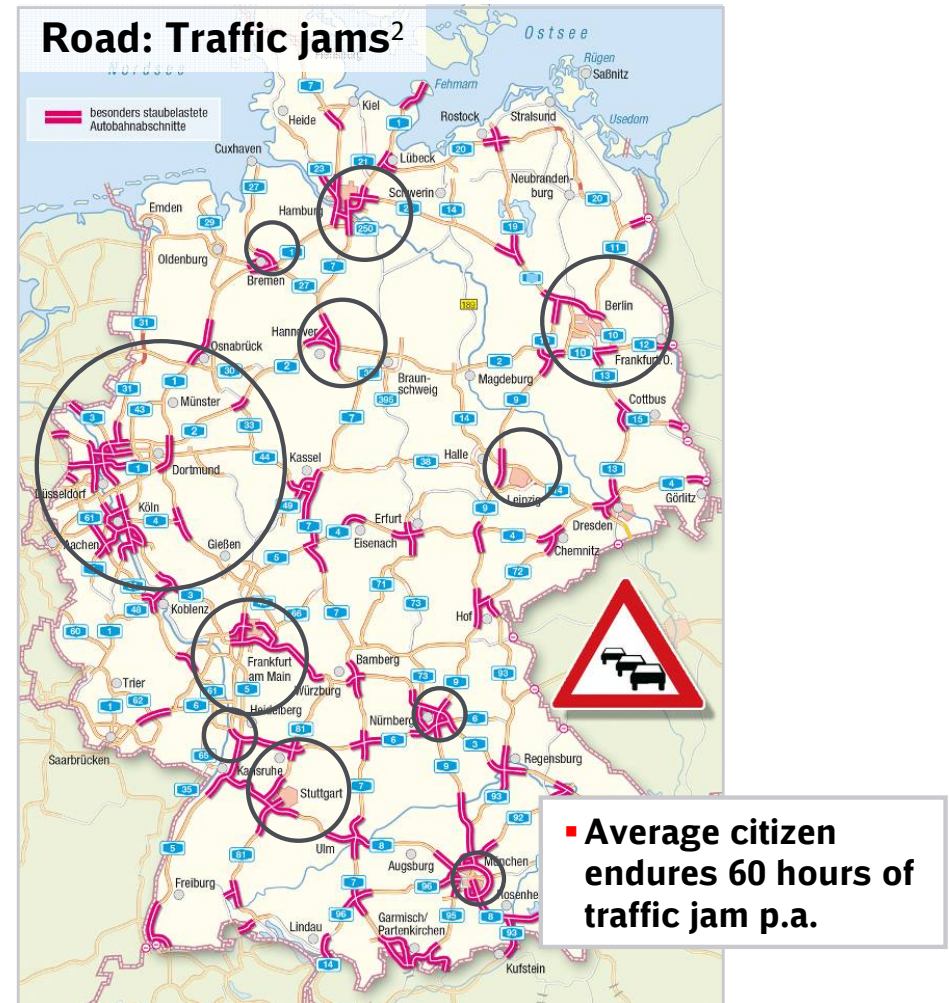
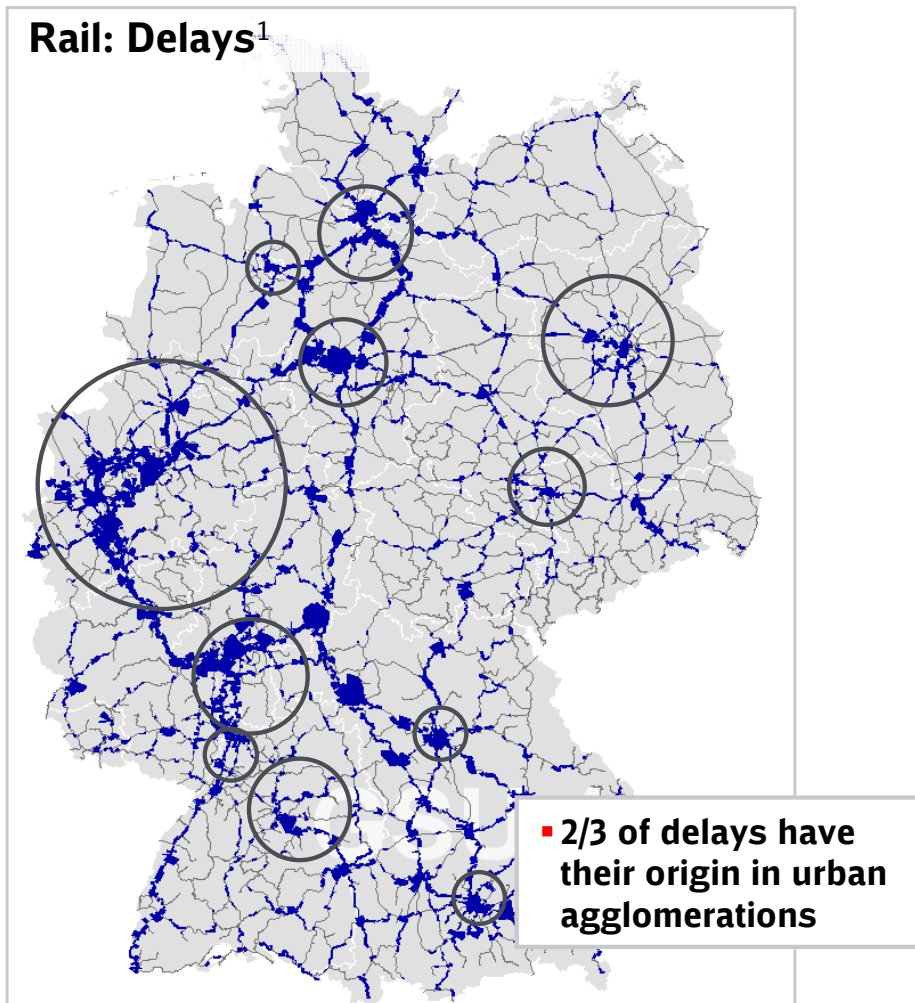
Focus: Urban bus/ metro/ light rail

Focus: Long distance bus

# Infrastructure capacity is a key factor for quality and growth - major investment requirements in and between urban agglomerations

 Metropolitan area

## Examples: Delays and congestion on the infrastructure



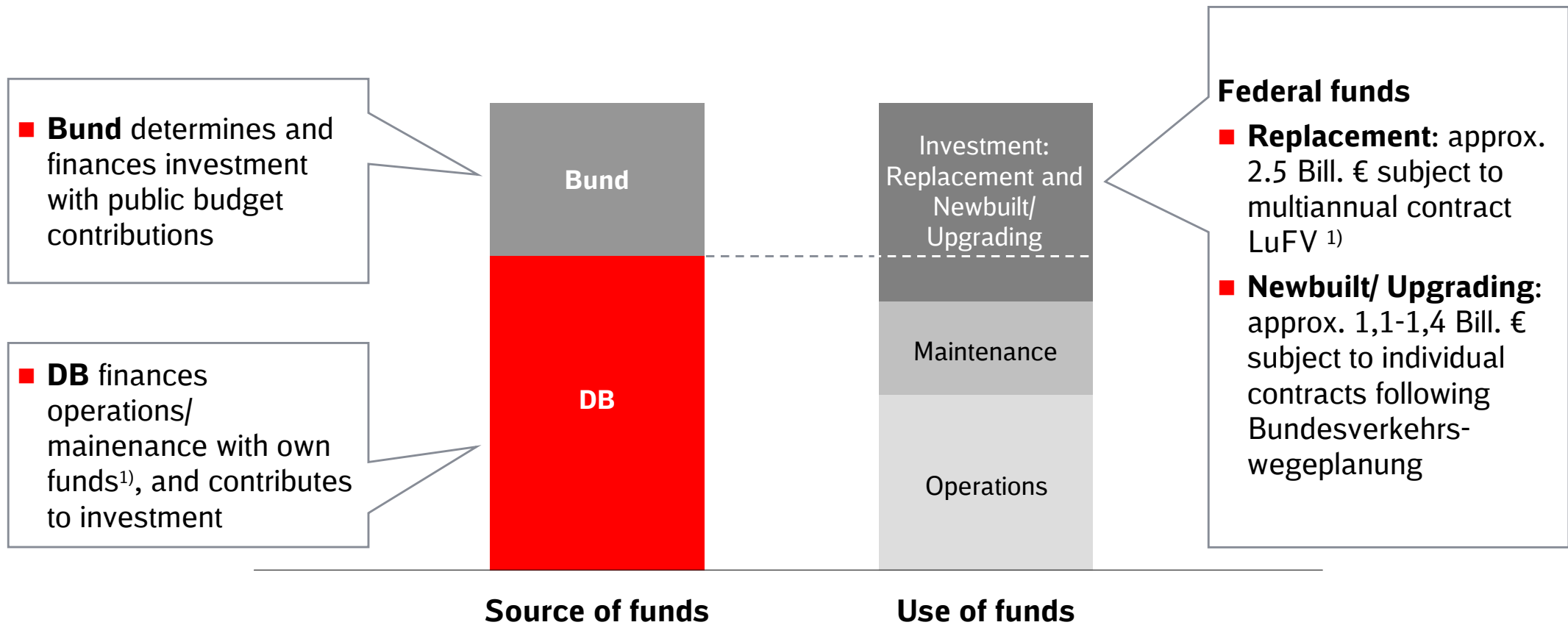
<sup>1</sup> Delays caused by „Zugfolge“ in passenger and freight transport (LeiDis 2007)

<sup>2</sup> Forecast for 10.-12.08.08, source: ADAC

# Infrastructure financing rests on public and private contributions

## Rail infrastructure financing in Germany

Schematic diagramm



1) Based on user charges

2) „Leistungs- und Finanzierungsvereinbarung“

# Next to other tasks, the regulatory framework in network industries needs to facilitate investment

## Regulatory tasks

**Safeguard non-discriminatory access**



**Avoid monopolistic pricing and excessive rents**



**Incentivize cost efficiency and investment**



Stronger focus  
recommended

## **Intramodal finance and regulation**

**Focus: Rail infrastructure**

**Focus: Regional/ urban passenger rail**

**Focus: Urban bus/ metro/ light rail**

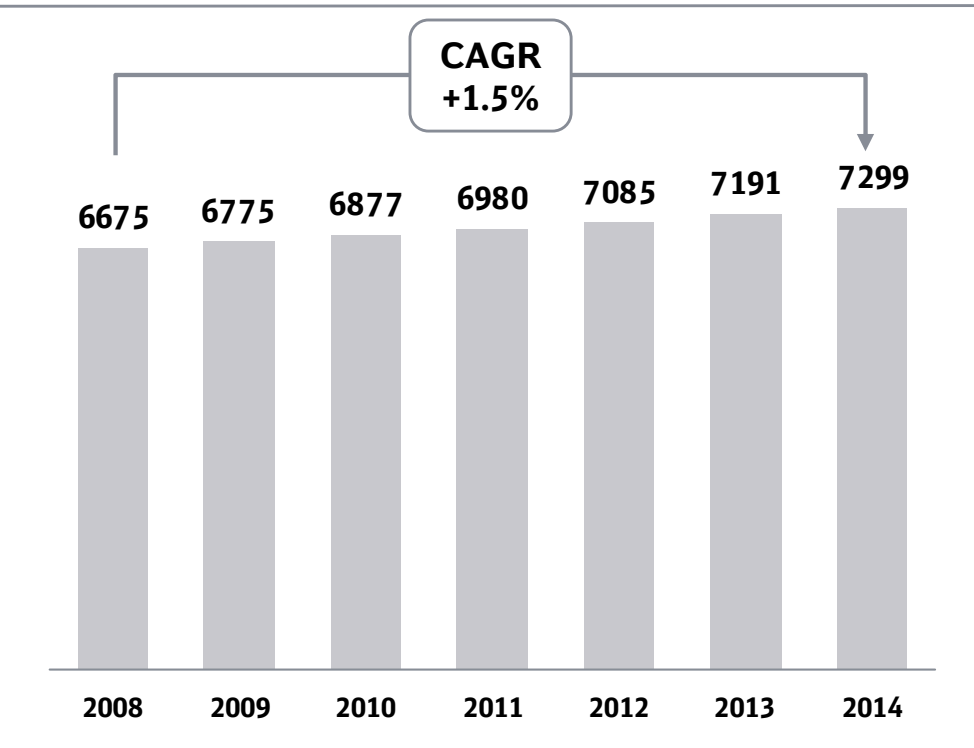
**Focus: Long distance bus**

# Regional passenger rail transport is subject to competition for service contracts and concession fees

Regional passenger rail revenues



Regionalization funds<sup>1)</sup> (bill. €)



- The federal government provides Regionalization funds in the general interest, it's the Laender's responsibility to spend them on regional transport services
- The Laender pay fees subject to service contracts concluded with a railway company
- The railways compete "for the contract"

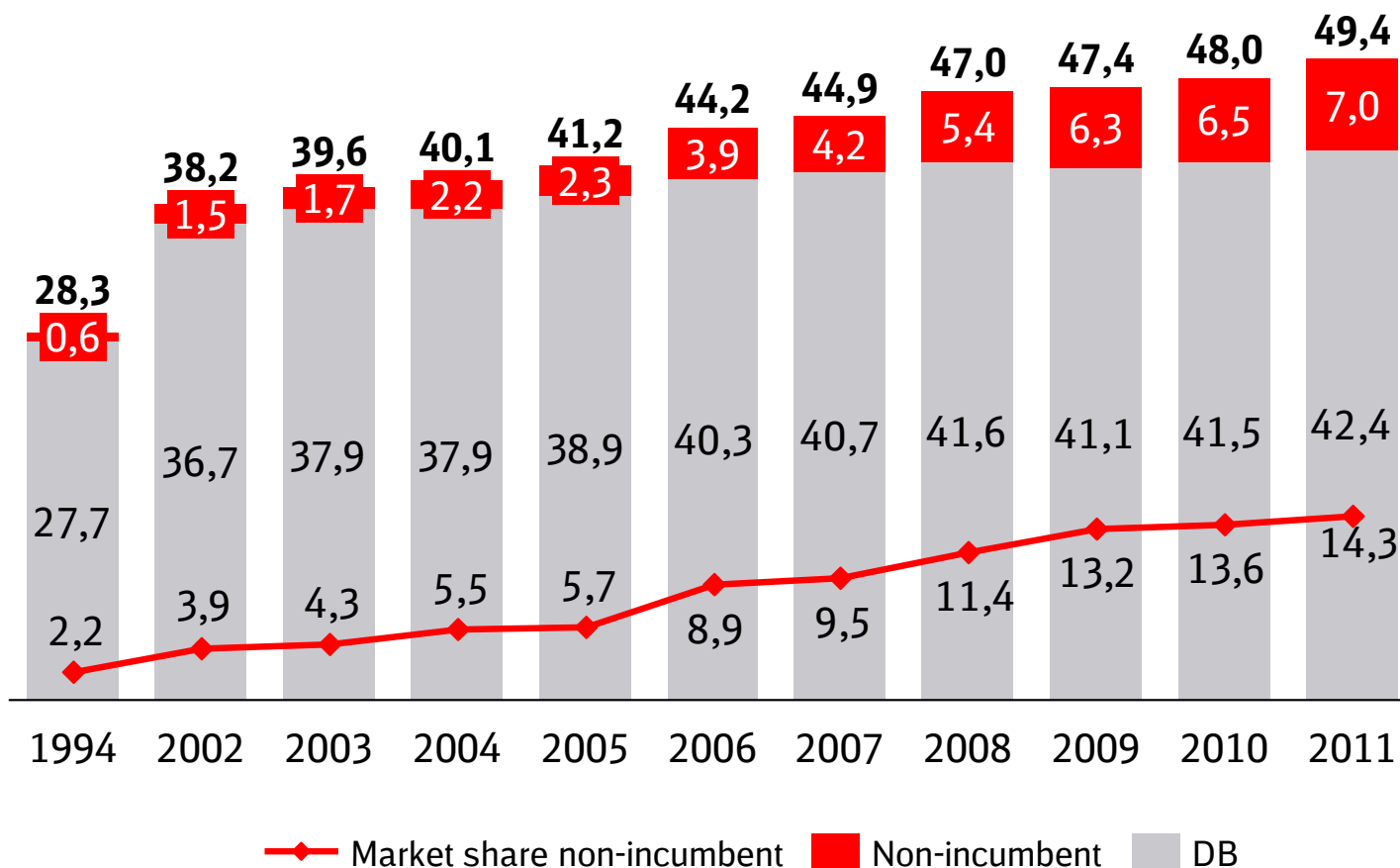
1) Source: Regionalization Act of December 2007 - subject to annual federal budget legislation



# Transport volume in regional passenger rail has increased considerably since rail reform of 1994

## Transport volume: Regional passenger rail

(in bill, pkm)

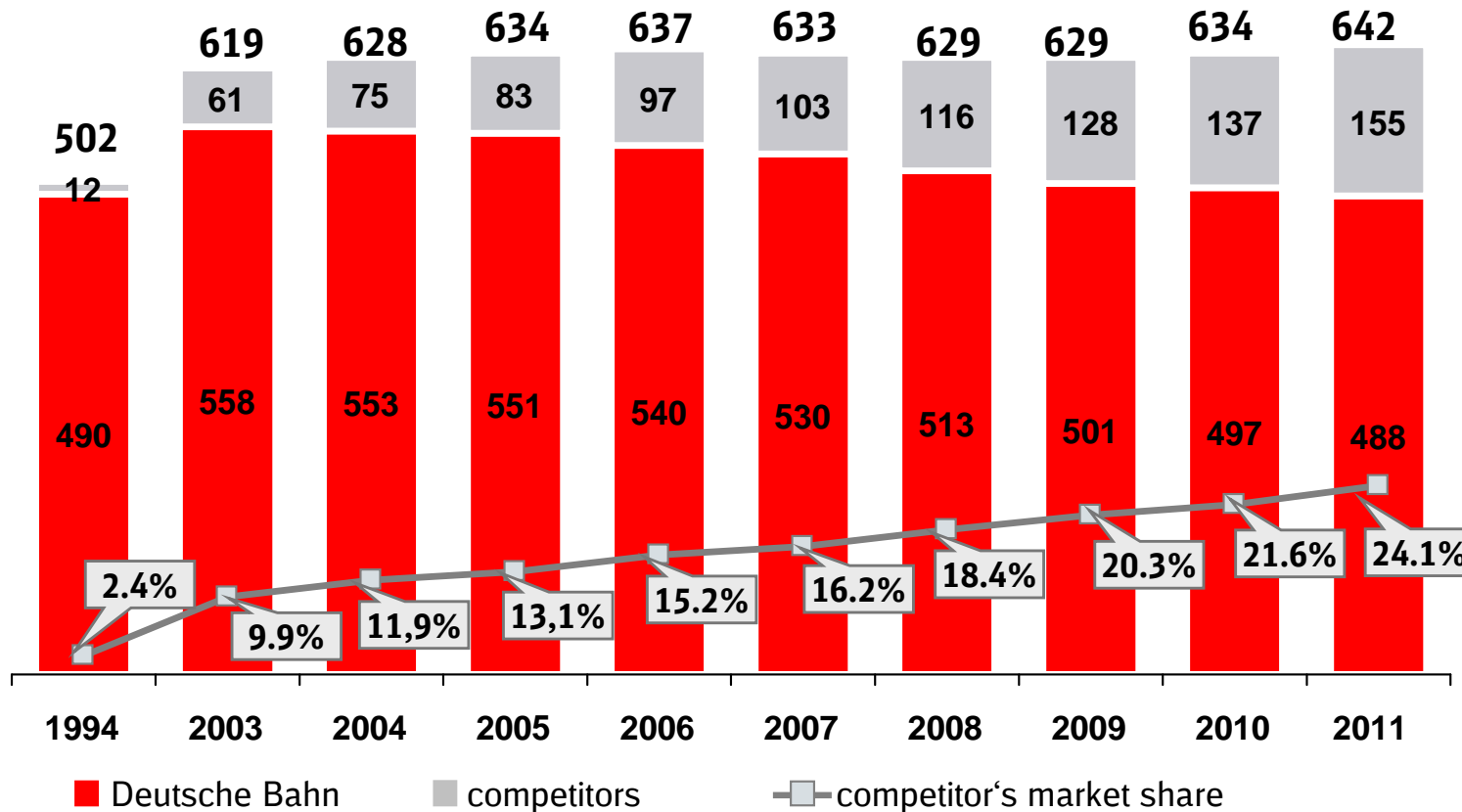


- Steady growth of transport volume since 1994
- Ongoing increase of non-incumbent market share
- DB keeping transport volume above historical/pre-liberalisation levels

# Competitors operating regional and urban passenger trains increase market share up to 24 percent

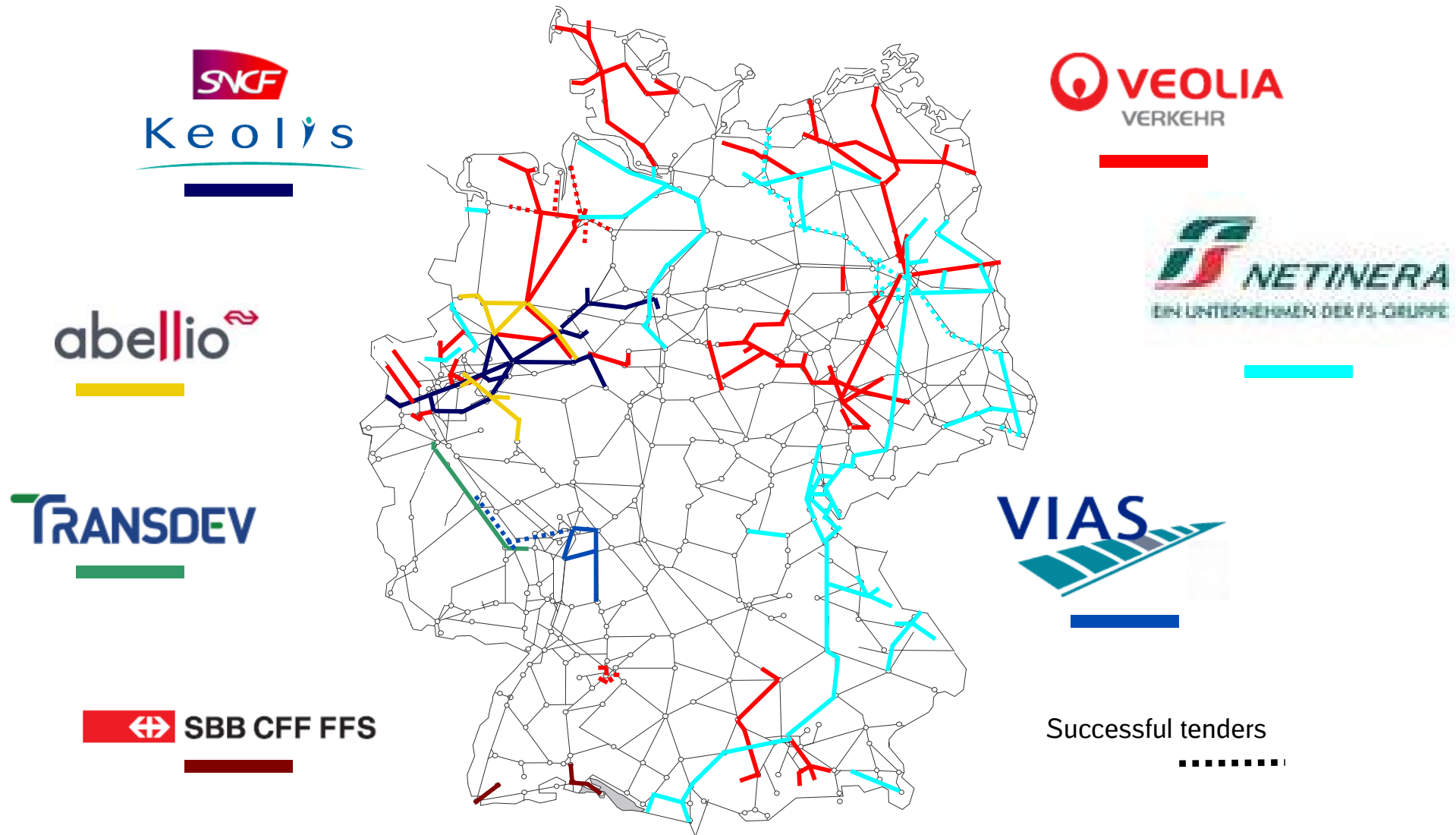
## Ordered local passenger rail services

(Mio. train kilometers)



- Market share of DB's competitors measured in train kilometers grew by 12% in 2011
- Market share of the competitors operating regional passenger trains increases up to 24%
- Total market volume increased since 1994 around 28% above 640 million train kilometers

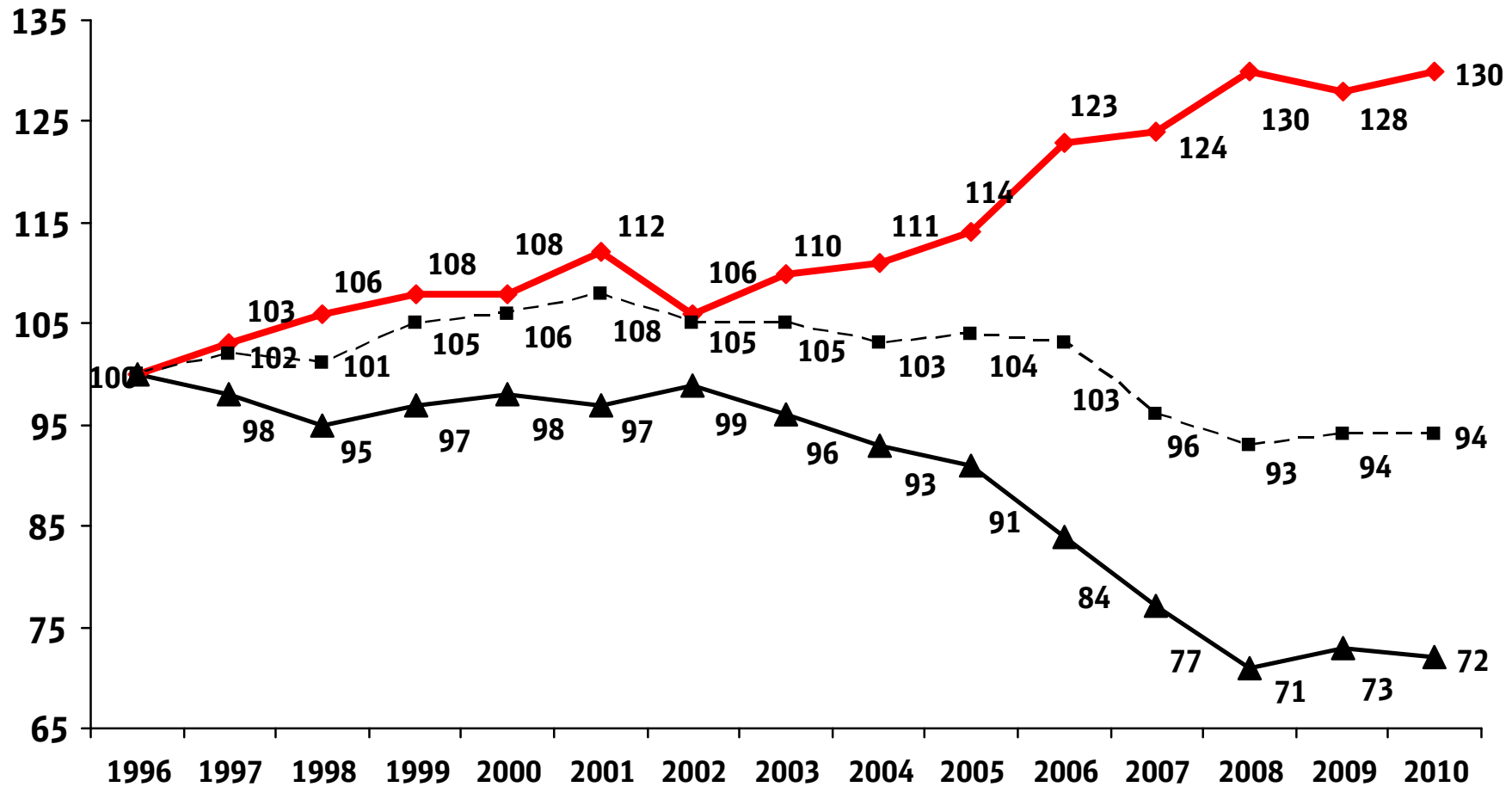
# Foreign transport undertakings have a strong presence in the German rail passenger market (as at: 2010 timetable)



Source: Federal Office for Freight Traffic - regional rail traffic, cartographic presentation: regional rail passenger market SPNV in Germany, 5.5.2010

# Regional passenger rail transport offers more value for money today

Transport volumes and effective public spending, nominal/ real and per pkm



- ◆ Index regional passenger rail in pkm
- Index effective public funds/pkm (nominal)
- ▲— Index effective public funds/pkm (prices at 1996)

# Public transport authorities draw a positive resumee after 15 years of regionalisaion

## Positive aspects and results

- +28% trainkm (635 Mio.)
- +45% passengers
- > 300 new stations
- > 500 km new lines
- -20% à -30% cost savings
- Renewal of rolling stock
- Improved timetables
- Integrated tarriffs and ticketing
- Strengthened passenger rights
- Innovation
- Enhanced quality performance
- New TOCs



## Negative aspects and challenges

- > 200 conrcts to be managed
- Complex tendering and award procedures
- Divesity of approaches of public transport authorities increase complexity

Source: Presentation of B. Wewers, Paris, 7.7.2010

## **Intramodal finance and regulation**

**Focus: Rail infrastructure**

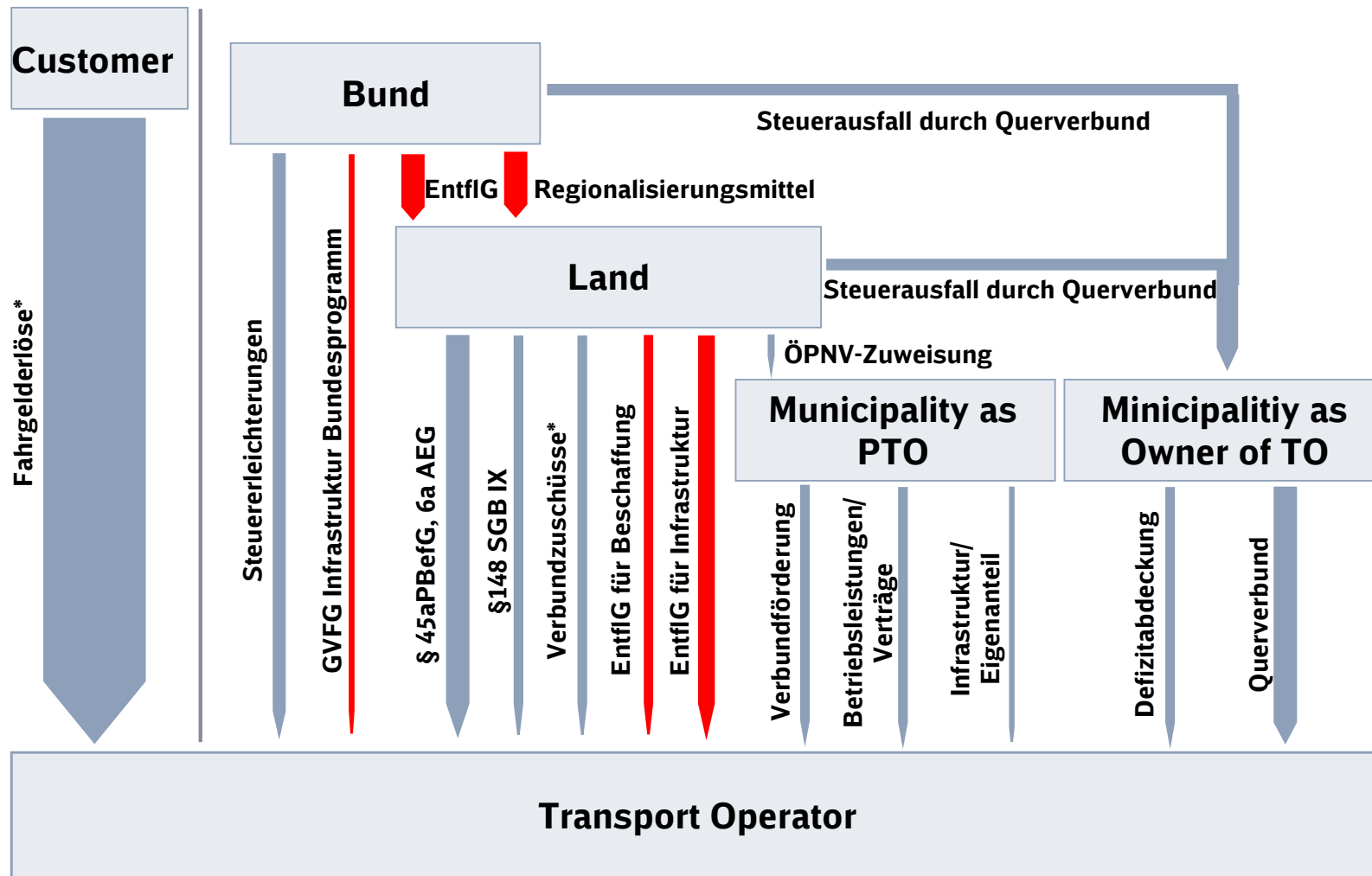
**Focus: Regional/ urban passenger rail**

**Focus: Urban bus/ metro/ light rail**

**Focus: Long distance bus**

# Finance structure in urban bus/ metro/ light rail reflects variety of historically grown instruments

## Finance structure in regional/ urban public transport (other than rail)



## **Intramodal finance and regulation**

**Focus: Rail infrastructure**

**Focus: Regional/ urban passenger rail**

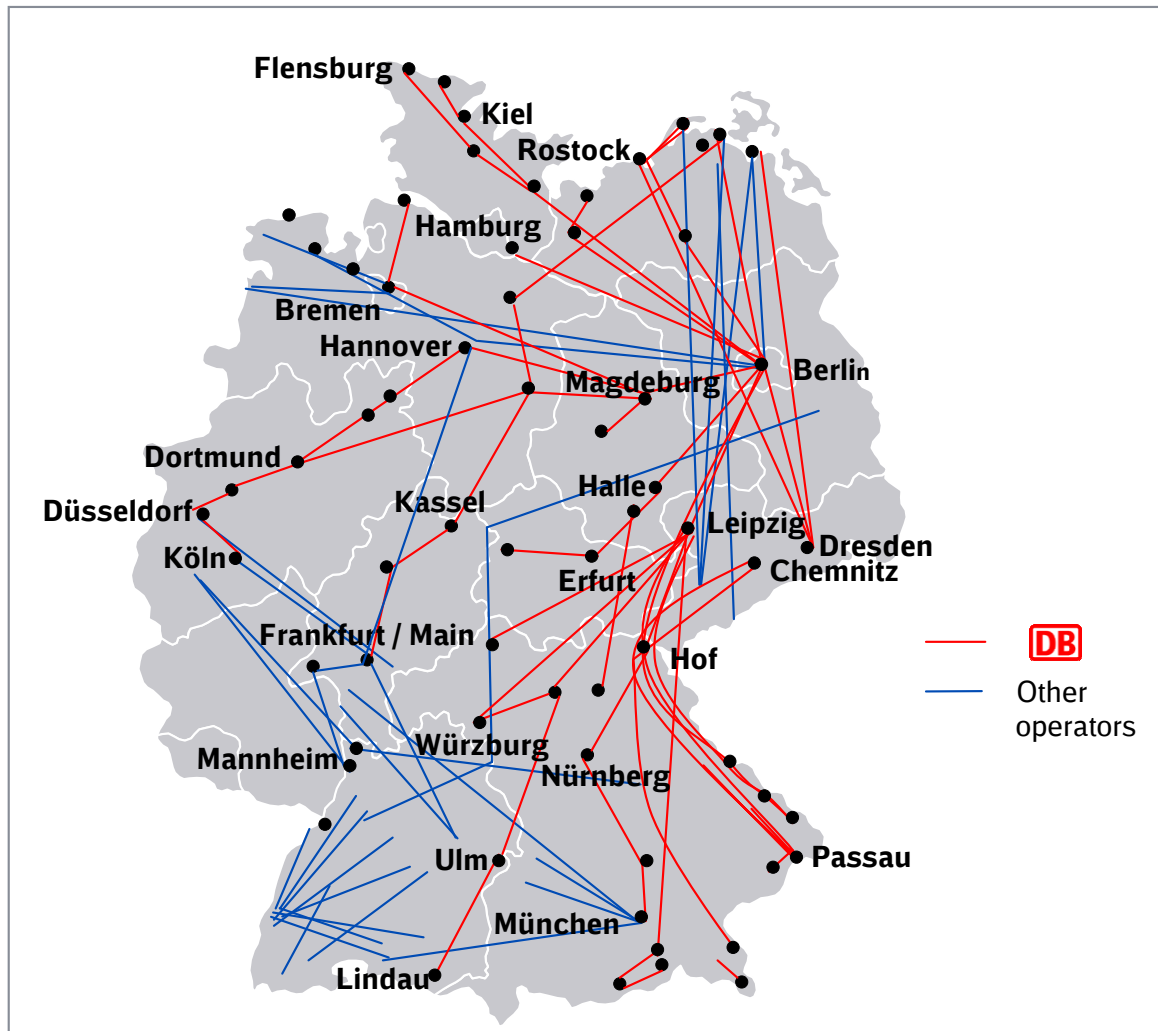
**Focus: Urban bus/ metro/ light rail**

**Focus: Long distance bus**



# Long distance bus market up to now characterised by restrictive licencing and Berlin-services

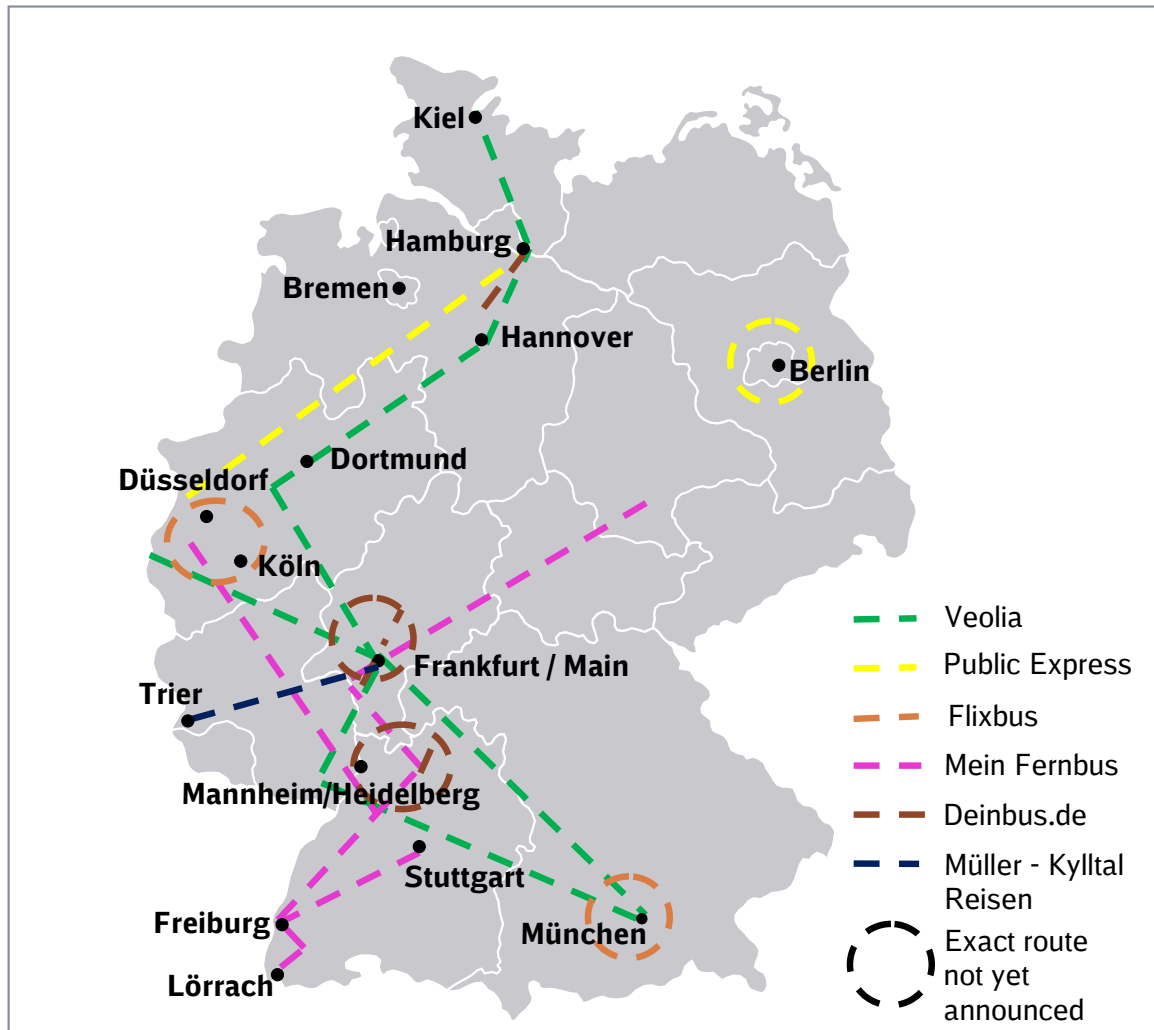
## Status Quo: Long-distance bus services (as at Dec. 2012)



- Market for scheduled long-distance bus services regulated by licencing process
- „Prohibition of parallel services“, requirement to consult incumbent operators
- Therefore, restricted scope for access
- Special status of Berlin-services due to historical ban of rail services between Berlin and West Germany
- Strong focus of current line-network on Berlin and DB subsidiaries

# From January 2013 on, a new legislation applies for licencing of long-distance bus lines

## Long-distance bus market: Perspectives for 2013



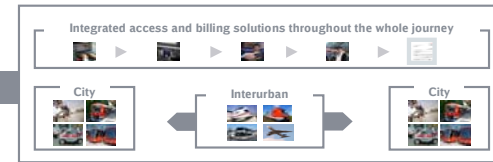
- Starting January 01, 2013 a new legal framework applies
- No more „prohibition of parallel services“, licencing of lines will in general be granted
- Focus on long distance, i.e. minimum distance between stops 50 km
- Various private operators have already notified new lines, especially in western parts of Germany
- Extend of entry and effects on other modes remain to be seen

DB at a glance

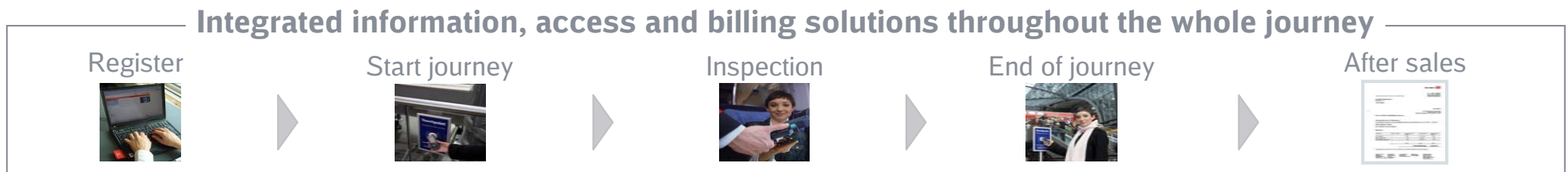
Intramodal finance and regulation

**Entrepreneurial solutions across modes**

# Current market trends demand for integrated mobility solutions



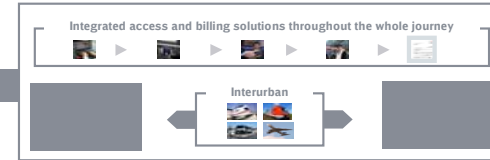
## Demand for integrated mobility solutions



### Market trends

- Urbanisation tendency and demographic change
- Growing ecological awareness
- Development of new communication technologies
- Stronger need for information and transparency
- Decreasing demand for cars within young population
- Cross-integrated networks

# DB provides innovative mobility solutions for urban transport – Touch&Travel integrates urban and interurban transport



## DB Bahn mobility solutions for urban transport

### City

### Interurban

#### Bus service



#### S-Bahn service



#### Flinkster



- 2,000 vehicles at 800 stations in Germany (e.g. 120 vehicles in Cologne)
- Large fleet of electric vehicles (e-Flinkster)

#### Call-a-Bike



- 110,000 Call-a-Bike users in Germany (e.g. 850 Callbikes in Cologne)
- Spontaneously useable (after a one-off registration)

#### Touch&Travel



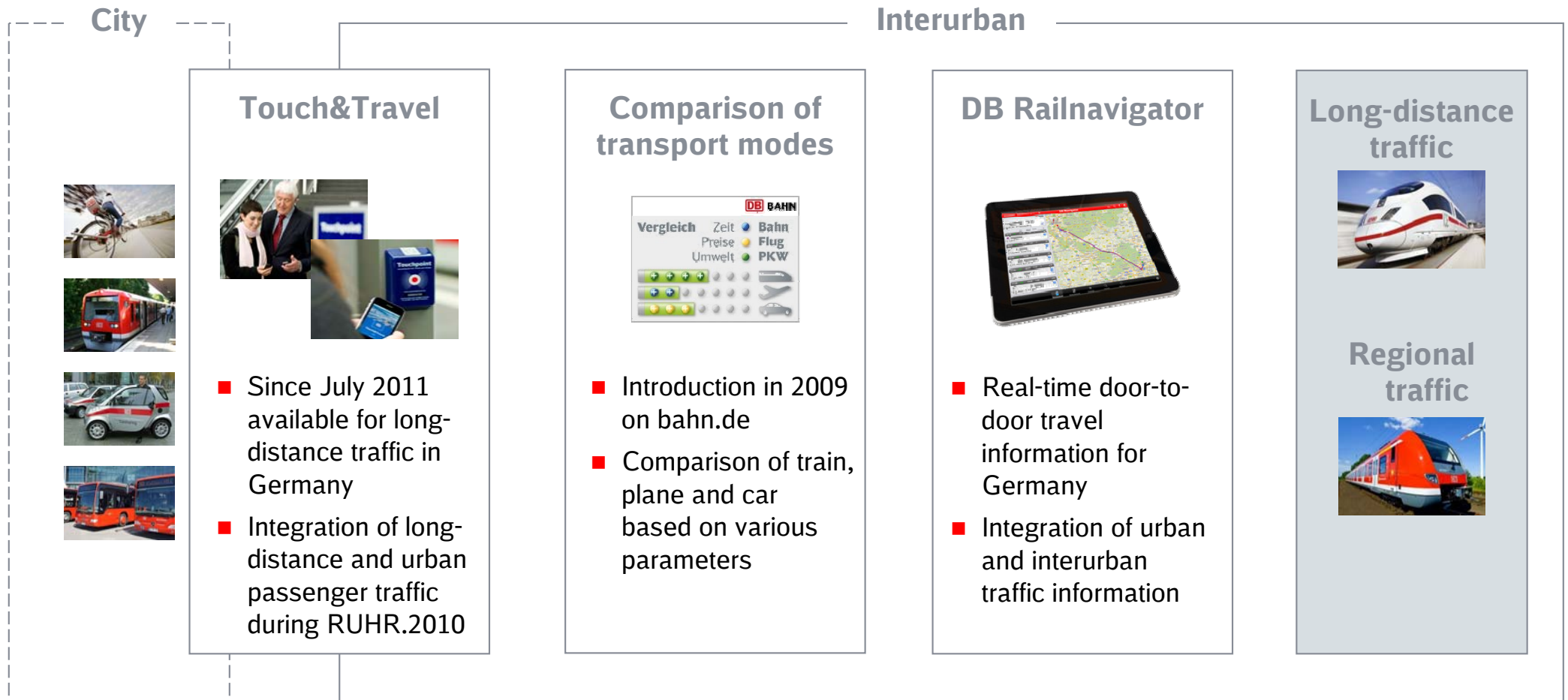
- Touch&Travel for public transportation in Berlin since July 2011
- Complete rollout for Hessa planned until 2013



# DB constantly invests into innovative, intermodal information and access systems throughout the whole journey

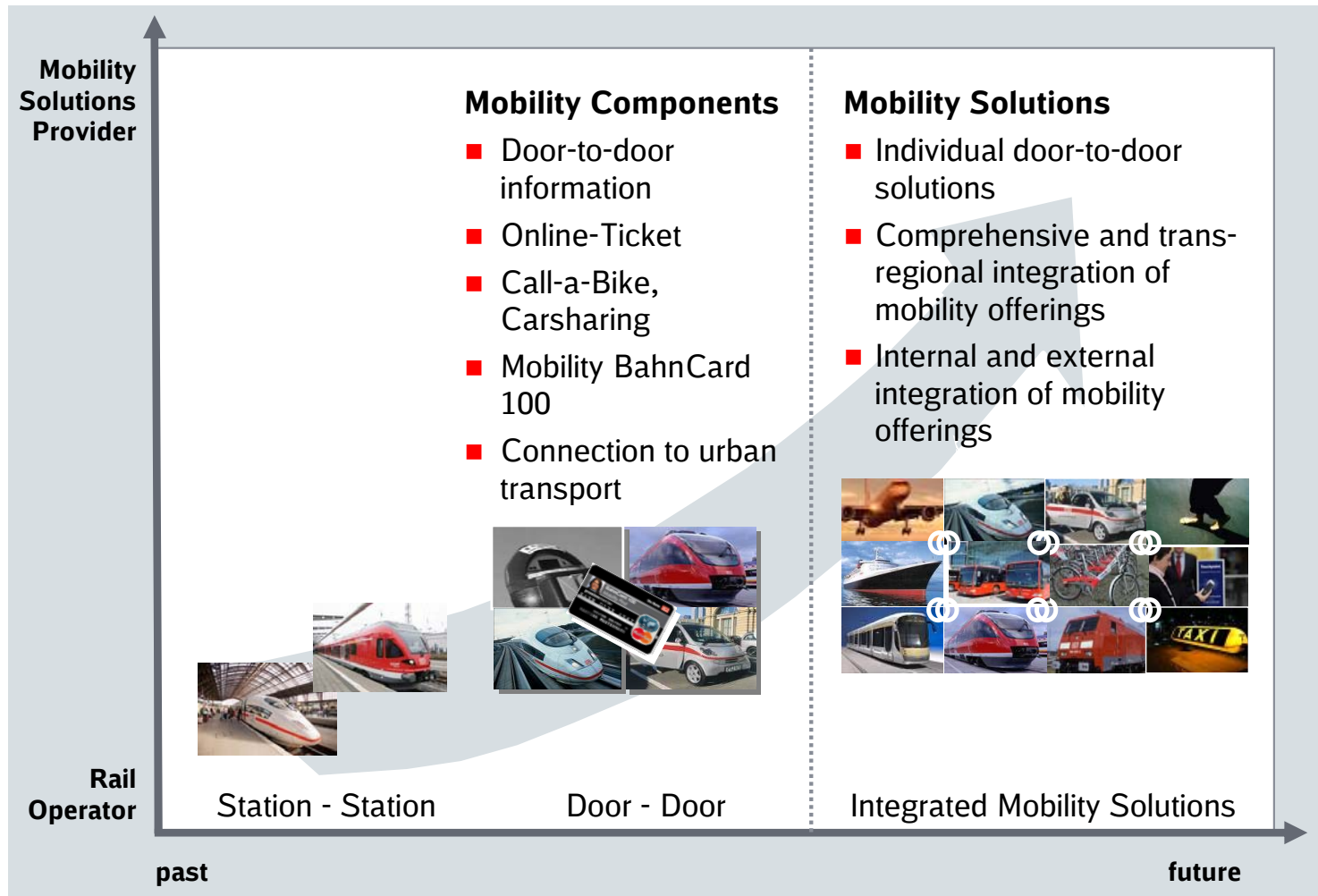


## DB Bahn mobility solutions for integrated interurban transport



# DB Bahn is developing into an integrated mobility solutions provider

## DB Bahn on its way to a mobility solutions provider



### Specific action:

- Improve offers and products
- Accompany customers during every phase of the travel

### Mobility aims:

- Retain existing customers
- Acquire new customers for public transport





**Thank you for your attention!**

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Head of Associations and Länder Policy

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Florence, 07 December 2012