

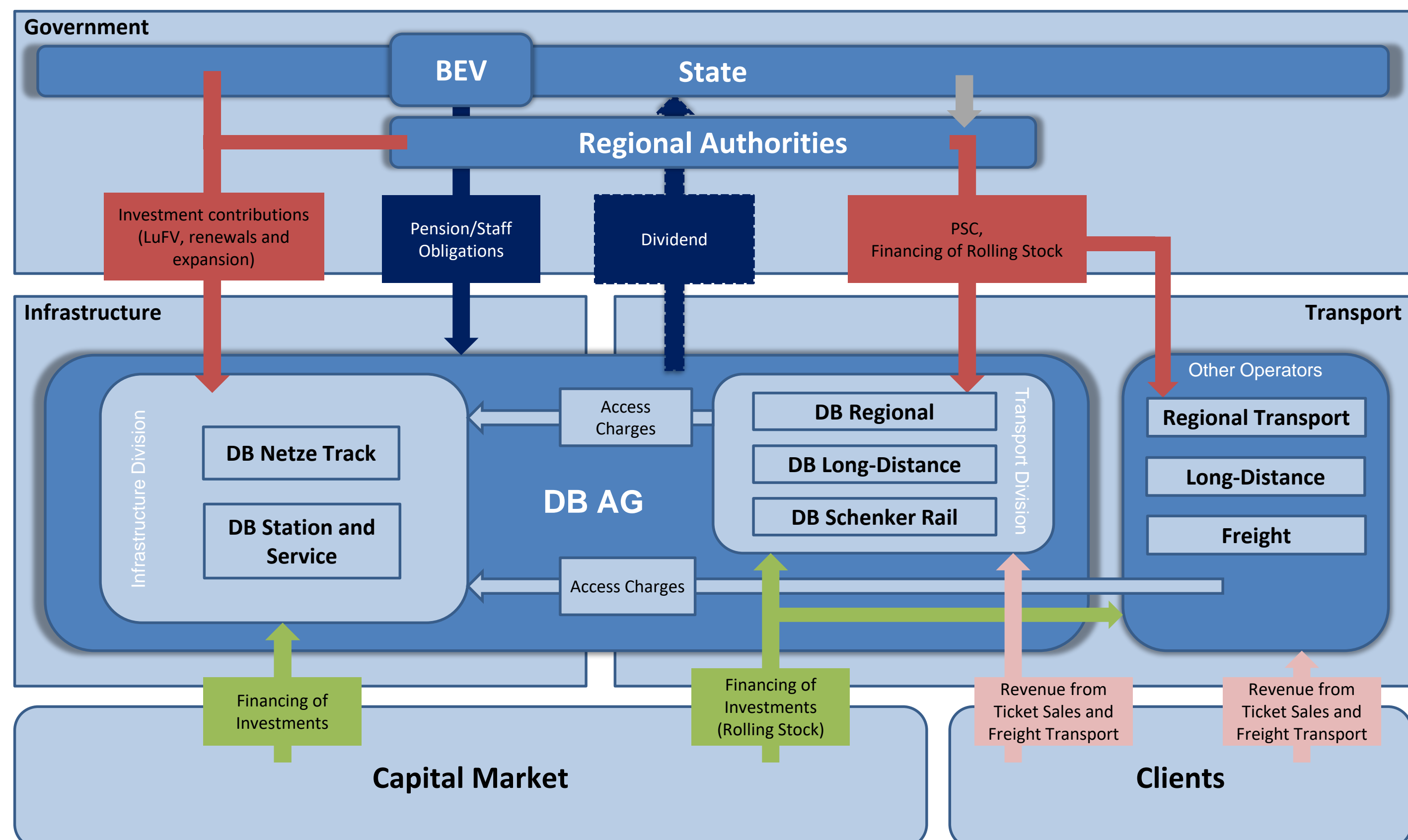
Public Budget Contributions to the German Rail Sector

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Organizational Structure

Main Operators

Deutsche Bahn AG (DB) is the main player on the German railway market. The private joint-stock company is fully owned by the State. Beside the Deutsche Bahn subsidiaries (DB Regional, DB Long-Distance, DB Schenker Rail) several private companies offer regional, long-distance and freight services. DB Netze Track, a subsidiary of Deutsche Bahn AG, owns and operates the infrastructure.



Infrastructure

DB Netze Track receives payments for infrastructure investments and renewals. Support for replacement investments is specified in a multiannual contract (LuFV) since 2009. In contrast, maintenance and operation is entirely financed from track access charges.

The majority of support is paid by the State, smaller funds are provided by regional authorities or EU programs or passed through by the Federated States. Beside DB Netze Track several small railways use their own infrastructure and receive little support for investments which can take the form of direct cash transfers or State loans. Since 2011 Deutsche Bahn AG pays a dividend to the State.

Transport

Regional traffic is organized and paid for by the transport authorities of the Federated States, however, a large part of funds comes from the State budget (Regionalization Funds, GVFG Funds). Contracts may include support for the purchase of rolling stock. In some cases the organizing authority finances rolling stock via special purpose entities which lease out vehicles to operating companies.

Long-distance as well as freight traffic operators run their services without any direct state support and services are provided on a purely commercial basis.

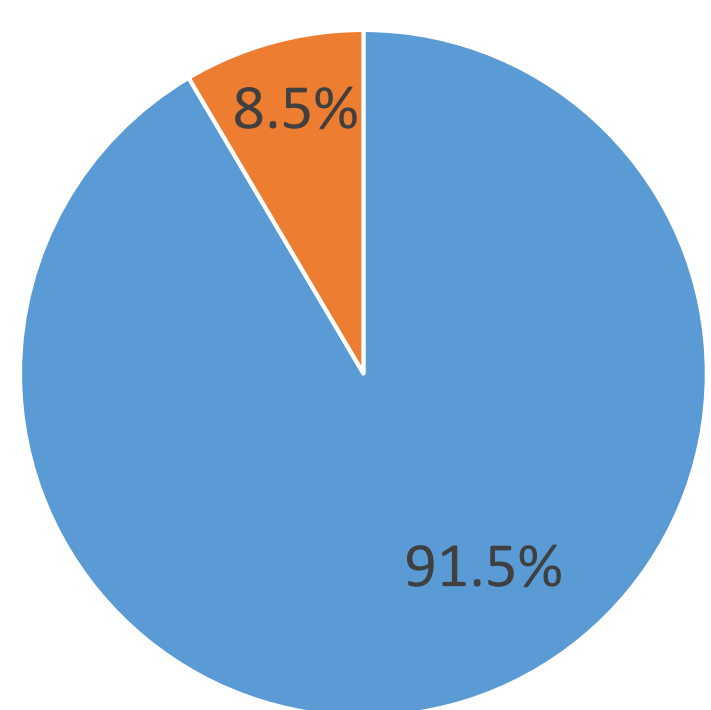
Other

For the restructuring of the German railway sector the Federal Railway Fund (Bundeseisenbahnvermögen) was created in 1994. The BEV is in charge of the payment of excessive cost of the employment of civil servants, the management of assets and was responsible for the historic debt of the former railway companies of East and West Germany. It receives an annual payment to cover administrative expenses.

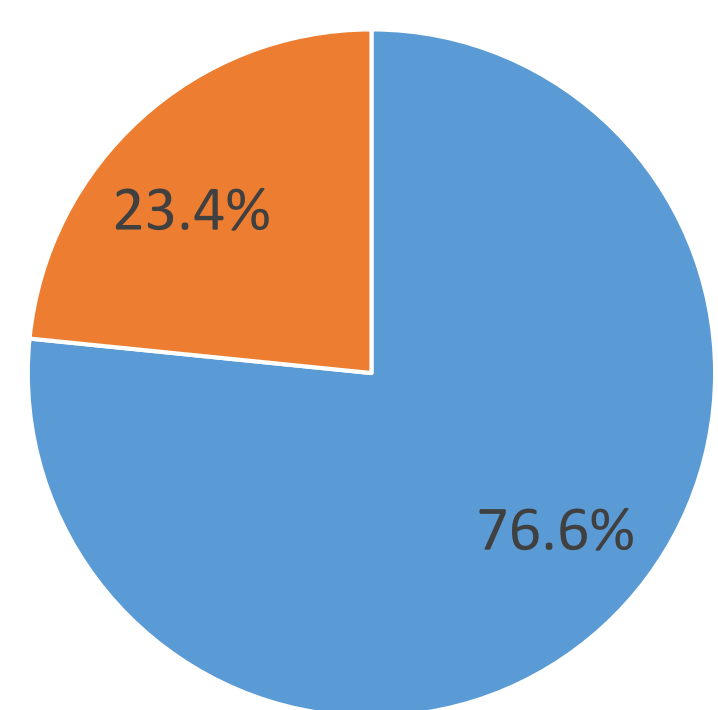
Industry Characteristics (2015)

Length of Line in use:	38,836 Kilometer (2014)
Passenger-Kilometer:	89.657 billion
Ton-Kilometer:	114.341 billion
Passenger-Ton-Kilometer:	203.998 billion
Modal Split Freight Transport:	23.4 % (2014)
Modal Split Passenger Transport:	8.5 % (2014)

Modal Split Passenger Transport



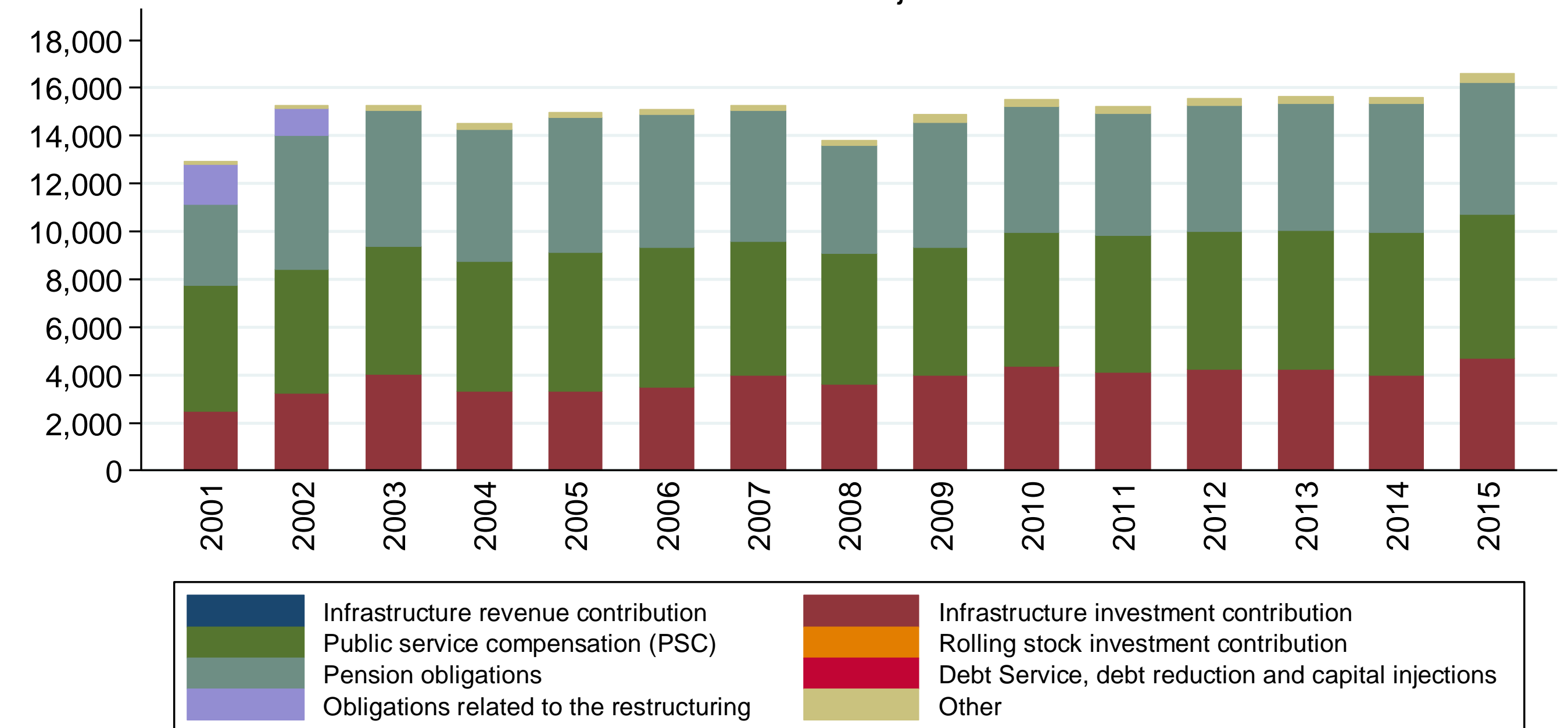
Modal Split Freight Transport



Source: European Commission - Transport in Figures, Eurostat

Financing

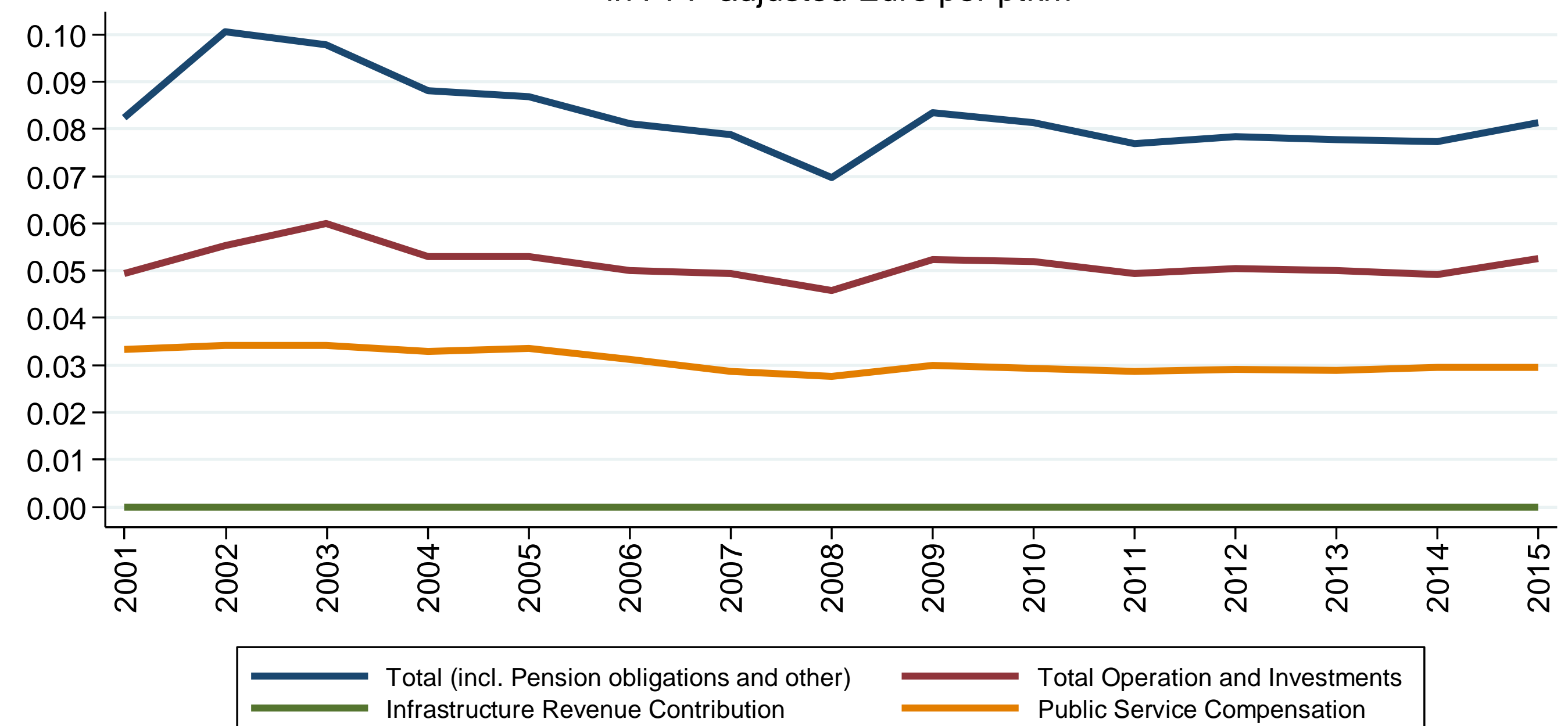
Public budget contributions to the German railway sector
in million PPP adjusted Euro



Development of Public Budget Contributions

Public budget contributions to the German railway sector amounted to 15-16 billion Euro annually. However, almost one third of payments are not directly related to the provision of infrastructure and services (i.e. pension obligations). In 2015 around 4.9 billion Euro have been granted for infrastructure investments and renewals as well as approximately 6.2 billion Euro for public services. On average, each passenger-ton-kilometer is subsidized with 5 cents of which 2 cents are related to infrastructure investments and renewals and 3 cents to the provision of public services.

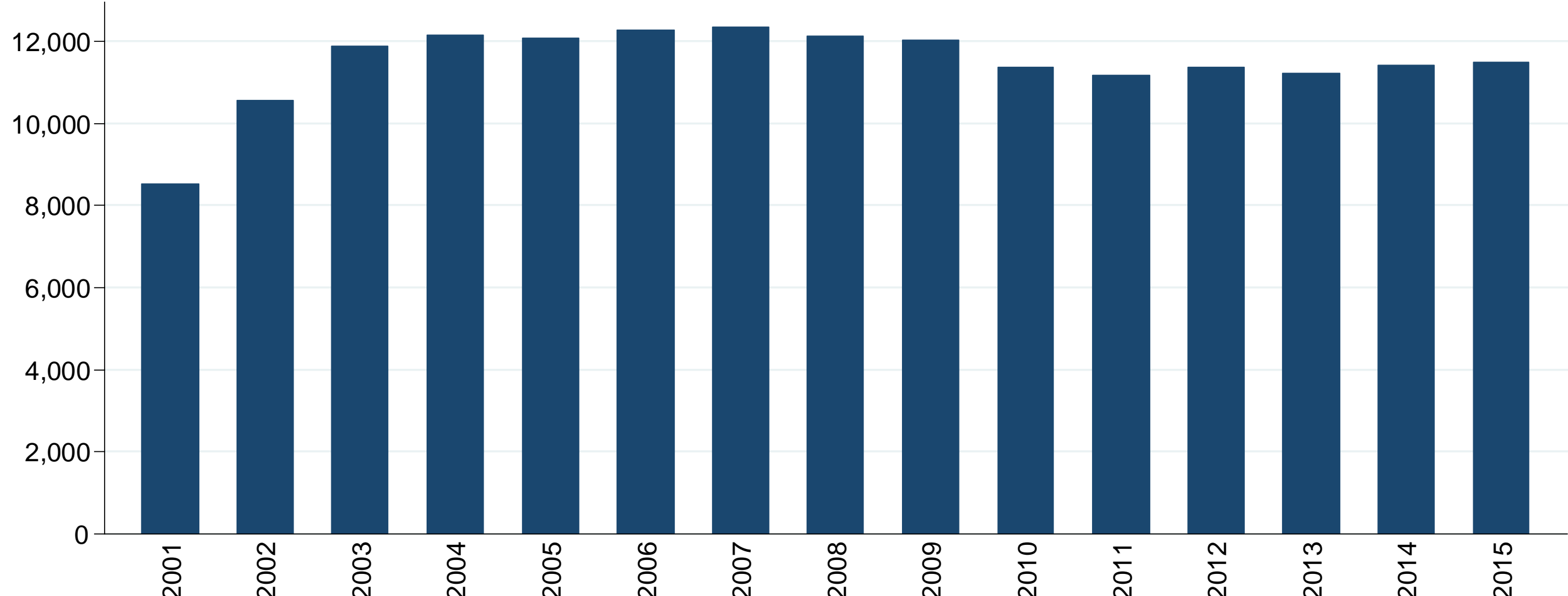
Public budget contributions to the German railway sector
in PPP adjusted Euro per ptkm



Financing Structure

Germany uses a financing structure where infrastructure operation is entirely financed from access charges which in return implies higher necessary contributions for the provision of public transport services. In our dataset Germany is the solely country that doesn't provide a revenue contribution to its national infrastructure manager, while all other countries at least support the operation of the infrastructure to some extent. Contributions for public transport services made up almost 60 percent of total contributions, while around 40 percent have been granted for infrastructure investments. The breakdown of PSC and investment contributions remained nearly stable over the past 15 years.

Liabilities DB Netze Track Germany
in million PPP adjusted Euro



Financing of Investments and Sustainability

DB Track (Netze), the Infrastructure subsidiary of Deutsche Bahn AG, finances about 10 percent of investment expenditures from own resources. However, the main funding source for investments in the German infrastructure remains the government budget. In contrast to other European infrastructure managers like French SNCF or British Networkrail, liabilities of DB Track have been not increasing in recent years. However, the sector would have to invest a lot more, especially for renewals – but financing is not secured in the long run. One problem might be, that government-financed investment projects are not capitalized.