Monopolkommission

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Press release

Monopolies Commission presents 9th Sector Report on German railway markets „Time to GO: Finally quality effective in competition!“

- The planned restructuring of the Deutsche Bahn (DB) Group offers opportunities for competition in the railway sector. To this end, the new infrastructure unit InfraGo should be economically and organizationally independent.
- A prerequisite for stimulating competition and increasing the attractiveness of rail is higher infrastructure quality. The Monopolies Commission, therefore, recommends a new quality-oriented regulatory framework for charges.
- Innovative sales service providers of digital tickets can also contribute to quality, provided they are given access to all real-time and forecast infrastructure data relevant to competition. InfraGo would have to make this data equally available to all competitors

In its 9th Sector Report on the railway sector, “**Time to GO: Finally quality effective in competition!**”, the Monopolies Commission makes recommendations to strengthen competition in the railway market. "It is high time for ambitious reforms," said the Chairman of the Monopolies Commission, Prof. Dr. Jürgen Kühling. This is shown in particular by the severe quality deficiencies of the entire infrastructure and the high number of delays and train cancellations. The planned establishment of an infrastructure company for the common good can be a useful component of a broad reform package.

Take a competitive approach to restructuring the DB Group. The German government is currently seeking to restructure the DB Group. The infrastructure units DB Netz and DB Station & Service are to be merged to form a new infrastructure unit for the common good (InfraGo). However, the merger must not be the end of the story. Instead, it is important to ensure that InfraGo is structured in a competitive manner. The Monopolies Commission recommends extensive economic and organizational independence from the other companies of the DB Group. To this end, the Board of Management and the Supervisory Board of the new company should be independent of the transport companies of the DB Group. In addition, the after-tax results of the DB Group companies should be reported more transparently in the annual reports to counteract anti-competitive cross-subsidization. "An infrastructure company for the common good must feel equally committed to all users of the infrastructure," said the Chairman of the Monopolies Commission.

Realign quality regulation. The German rail infrastructure is in a poor state of quality. This is evident, among other things, from the high number of outdated tracks and switches or the many rail bridges that are in need of refurbishment. This entails an abundance of delays and train cancellations at the expense of passengers and carriers. Since the current regulation does not provide any improvement, a realignment of railroad regulation is urgently needed. "Regulation must provide stronger incentives for the infrastructure operator to invest sustainably in the quality of the infrastructure," said the Chairman of the Monopolies Commission. The Monopolies Commission recommends that quality control should in the future be incorporated into the regulatory framework for charges. The track access charges that the infrastructure manager can demand from the railroad companies should be linked to achieving certain quality objectives, such as punctuality or network size. This creates real incentives for the infrastructure manager to ensure better quality in the rail sector.

Furthermore, the quality orientation of all other control mechanisms must be reviewed. In this respect, the Monopolies Commission welcomes that the funds of the Service and Financing Agreement *(Leistungs- und Finanzierungsvereinbarung)*, which have so far only subsidized new investments, are finally also to be used to finance existing infrastructures. The Monopolies Commission has been calling for this extension for a couple of years. It will ensure that the rail infrastructure is no longer driven "on wear and tear". In addition, it is urgently recommended that the quality targets set in this context for regulatory purposes be linked back to the bonus payments of DB Management. For this, a structural cultural change in the management of the DB Group is imperative. The Management must feel a much stronger commitment to all customers of the infrastructure than it has in the past.

Enable competition in sales. Another prerequisite for competition on the railway market is competition in sales. Only if this is the case competitors of the DB Group can also be better perceived and booked by passengers. Passengers can benefit directly from this through lower ticket prices. Experience in other countries, such as Spain, shows this. In the German market, on the other hand, independent sales service providers are finding it difficult to gain a market foothold. This is mainly because the DB Group withholds infrastructure data from competing sales companies, especially on expected arrival and departure times, in favor of its own sales. "When seriously focusing on the common good, such obstructive practices towards competitors should be stopped in the future," says the Chairman of the Monopolies Commission.

The complete Sector Report is accessible on the Monopolies Commission’s website as of now.

The Monopolies Commission is a permanent, independent expert committee which advises the German government and legislature in the areas of competition policy-making, competition law and regulation. One of its statutory mandates is the drafting of a Special Report on the development of competition on the German railway markets. The Monopolies Commission has five Members appointed by the Federal President based on a proposal of the German government. Prof. Dr. Jürgen Kühling, LL.M., is the Chairman of the Monopolies Commission.