

VTG AG POLICY BRIEF

November 2017

RAIL FREIGHT MASTER PLAN: RAPID IMPLEMENTATION OF PLANNED MEASURES IN THE MONTHS AHEAD

Dear Sir or Madam,

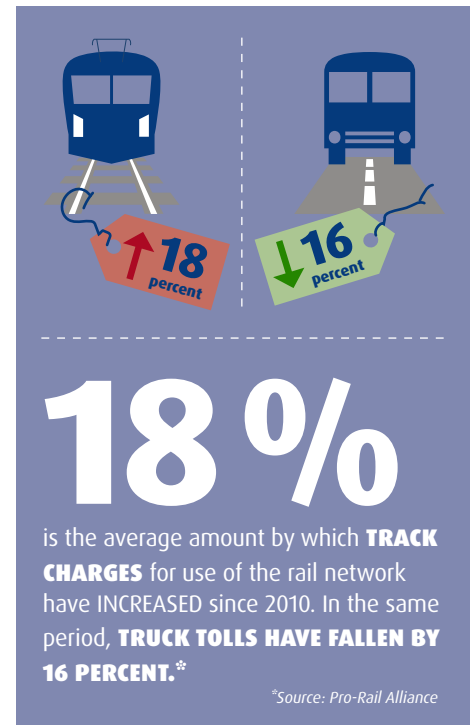
Although the trains are now running again, what has become known in Germany as the “Rastatt incident” has once again highlighted the urgent **NEED FOR ACTION** on Germany’s railways. For nearly two months, the country’s most important north-south rail axis ground to a complete standstill because rails subsided during construction work. The result? Losses in the hundreds of millions for the industry – not to mention immeasurable damage to trust in this medium of transport. And this is merely one example whose message is clear: Something has to happen to safeguard the future of rail. **URGENT INVESTMENT** in the infrastructure in general and in more electrification in particular is one aspect. Others include tearing down bureaucratic obstacles and reducing charges and levies. In its **RAIL FREIGHT MASTER PLAN**, the Federal Ministry



of Transport has resolved many good and crucial measures to do so. This policy brief outlines what those measures are and why the industry is so desperate for them to be implemented.

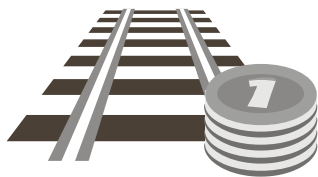
I wish you an informative and thought-provoking read!

Dr. Heiko Fischer
Chief Executive Officer



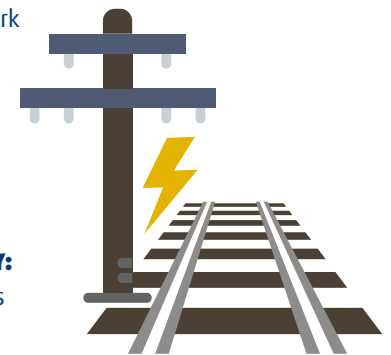
HEAVY BURDENS ON RAIL FREIGHT: TRACK CHARGES AND THE EEG LEVY

Logistics is a business with fine margins and tight calculations. Often, price is the sole issue that determines whether goods are carried by road or rail. Two factors have a serious impact on the cost of rail freight transportation: track charges and the Renewable Energy Act (or “EEG”) levy. The new government must quickly address both issues, thereby promoting e mobility not only on Germany’s roads.



Railway companies have to pay a fee to use the railway network in Germany. This **“RAILWAY TOLL”** is paid to Deutsche Bahn’s rail infrastructure company DB Netz AG, which operates the majority (33,300 kilometers) of the country’s 38,000-kilometer rail network. Track charges are the costs incurred for the right to travel a certain route with a pre-registered train at a fixed point in time. These charges range from **EUR 1.67 TO EUR 5.46 PER KILOMETER**. By comparison, the truck toll has been from **EUR 0.13 TO EUR 0.21 PER KILOMETER** since 2015.

Large swathes of the rail network are electrified, meaning that transportation via this medium is powered by **ECOFRIENDLY ELECTRICITY**. Yet while electric drive systems are subsidized extensively on the road, rail is **PENALIZED WITH THE EEG LEVY**: Every goods train incurs charges that go toward financing the energy transition – even though rail is by far the most climate-friendly mode of transport. Per ton and kilometer, **RAIL FREIGHT TRANSPORTATION CUTS CO2 EMISSIONS BY 80 PERCENT** relative to road haulage.



COMPLICATIONS: BUREAUCRACY AND UNCONTROLLED REGULATORY DEVELOPMENT ARE HARMING THE ECONOMY AND THE ENVIRONMENT

Rail freight is bound by a series of regulatory conditions. However, the fact that these are not harmonized across Europe makes cross-border transportation so much more difficult. Trade and the environment are the biggest losers. A truck driver can board his vehicle in Portugal and drive it to Poland. Not so on the environmentally friendly rail network, where different and sometimes paradoxical rules make transportation unnecessarily complicated. Three examples:



Unlike in aviation, where English has been the *lingua franca* for decades, **ENGINE DRIVERS ARE RE-**

QUIRED TO MASTER THE LOCAL LANGUAGE.

In the Rastatt incident, that created its own problems because engine drivers who didn't speak French were not allowed to take a (sensible) detour via the neighboring country.



Engine drivers are only allowed to travel **LINES WITH WHICH THEY ARE FAMILIAR.** You can only drive a train alone after you have already been

accompanied several times along the same stretch of line (on both daytime and night-time journeys!).



SAFETY REGULATIONS vary from country to country. **A RED SIGNAL HAS DIFFERENT MEANINGS IN GERMANY**

AND FRANCE. Moreover, the requisite documentation is very laborious and, in most cases, still produced by hand.

These regulatory conditions need to be streamlined and harmonized across Europe. That alone would make rail much simpler and much more attractive.

OUR APPEAL TO THE NEW GERMAN GOVERNMENT: IMPLEMENT THE RAIL FREIGHT MASTER PLAN WITHOUT DELAY!

CUT COSTS

Sharply reduce track and infrastructure prices, as well as the burden of levies and taxes. Specifically, lower track prices and exempt railway companies from the Renewable Energy Act levy – to create a level playing field in competition with road haulage.

ADVANCE DIGITIZATION

Promote digital technologies in rail transportation to optimize track capacity utilization and simplify business processes, to improve the monitoring of infrastructure, traction units and railcars, and to make rail more attractive by reducing maintenance costs.

IMPROVE THE INFRASTRUCTURE

Continually expand and renew the rail network. Especially with a view to the economically and ecologically sensible "740-meter train", there is an urgent need for passing loops and freight traffic corridors.

AUTOMATE OPERATIONS

Encourage and support the development of new technologies such as automatic couplings to raise the efficiency of rail transportation in general. The fact that trains still have to be assembled manually is quite simply intolerable.

CONTACT VTG

We would welcome the chance to engage in dialogue with you. Please feel free to talk to us about any issues relating to rail freight transportation. We would be happy to assist you with facts, figures and expert opinions.

WHO TO CONTACT

GUNILLA PENDT
Head of Corporate Communications

+49 40 2354-1341

publicaffairs@vtg.com

VTG Aktiengesellschaft
Nagelsweg 34
D-20097 Hamburg

www.vtg.com