The Performance Regime (PR) of DB Netz AG
The importance of punctuality will continue to increase, while the general conditions for punctuality will become tougher.

### Megatrends

<table>
<thead>
<tr>
<th>Megatrend</th>
<th>Forecasts of relevant developments in Germany</th>
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<tbody>
<tr>
<td><strong>Globalization</strong></td>
<td>- Growth of approx. 20% in freight transport, partic. intermodal, by 2020</td>
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<td></td>
<td>- Increasing bottlenecks in network (e.g. seaport hinterland services, nodes)</td>
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<td></td>
<td>- Increasing demand for punctuality due to just-in-time production processes</td>
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<td></td>
<td>- Growing demand for flexibility</td>
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<td><strong>Climate Change</strong></td>
<td>- Increase in disruptions due to extreme weather conditions (Kyrill)</td>
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<td>- Increased demand for rail services due to rising energy prices possible</td>
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<tr>
<td><strong>Deregulation</strong></td>
<td>Opening up of market:</td>
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<td></td>
<td>- More transport operators means more competition</td>
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<td></td>
<td>- Growth of international, cross-border services</td>
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<td>- Rail regulation, partic. with respect to non-discriminatory network access</td>
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<tr>
<td><strong>Demography</strong></td>
<td>- Extended dwell times at stations due to increase in older passengers</td>
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<td>- Complex travel chains and greater importance of time due to changes in work patterns and leisure time activities</td>
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<td></td>
<td>- Increase in ridership between urban centers, severe decline in shrinking regions, general decline in passenger services (approx. - 5%)</td>
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The challenge: rail transport is increasing on main corridors

**Predicted Transport Performance 2004-2015**

**Long-distance passenger services:**
38 bn. pkm p.a. (+ 17%)

**Freight services:**
127 bn. tkm p.a. (+ 38%)*

* New estimate >150 bn. tkm p.a.

**Infrastructure:**
1 bn. train-path km p.a. (+ 6%)

- Disproportionately high increase in train-path kilometers due to increase in transport operators’ capacity utilization
- Rise in network use on North-South corridors and on the hinterland network of the northern and western ports

<table>
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<tr>
<th>Routes with very high capacity utilization</th>
<th>Predicted</th>
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<tbody>
<tr>
<td>Hamburg - Hanover</td>
<td>+26%</td>
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<tr>
<td>Bebra - Fulda - Frankfurt</td>
<td>+22%</td>
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<tr>
<td>Frankfurt - Mannheim</td>
<td>+20%</td>
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<tr>
<td>Karlsruhe - Basel</td>
<td>+20%</td>
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</tbody>
</table>
Starting point for setting up a PR in Germany – brief description

Strategy: growth of rail transport market by upgrading infrastructure and guaranteeing maintenance sustainability

**Rail Travel / Transport Market**
- 9 borders to foreign countries
- 55 border crossings
- 338 RUs
- Implementation of EU railway packages at an advanced stage
- High liberalization index
- Growing market

**Regulated Market**
- Federal Network Agency - authority for monitoring non-discriminatory network access
- Federal Railway Authority - authority for monitoring railway safety

**Infrastructure Managers**
- Investment goals dependent on state funding
- Infrastructure quality determined by amount and timing of state subsidies
- Return on investment goals not currently attainable

**ProNetz Program**
- Quantity – to increase train-path sales
- Quality – to stabilize punctuality at a high level
The benefit of the PR is the opportunity to measure and analyse operational faults and to improve processes and capacity.

For IMs and RUs, PR creates the basis for creating a fault avoidance strategy for operational processes.

**Capacity management**
- PR will not drive upgrading of IM's infrastructure
- PR will not drive upgrading of RU's resources (locomotives and personnel)

**Outside the scope of the national PR**

**Focus of national PR - value-added sector**

**Fault analysis**
- Planning and dispatching processes at IMs and RUs
- Technical availability
- Operational processes at IMs and RUs

**Increasing reliability**
- IM network management: guaranteeing technical availability and optimizing dispatching
- RU resource management: guaranteeing technical availability and optimizing operational processes
Premises for implementation – minimum effect on rail train-path costs by PR

DB Netz AG in favor of existing technical systems, simple processes and calculable incentive payments

<table>
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<th>PR system parameters</th>
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<tr>
<td>- Measurement of additional delay minutes for each train path</td>
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<td>- Indication of cause of delays of more than 2 minutes</td>
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<tr>
<td>- Attribution of cause based on area of responsibility - IM, RU, external reasons and secondary delays</td>
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<tr>
<td>- Monthly offsetting of additional delay minutes caused by IM and RU</td>
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<td>- Balance is multiplied by € 0.10 incentive payment and invoice sent to the one who is to blame</td>
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<th>Calculation of payments</th>
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<tr>
<td>- Incentive payment:</td>
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<tr>
<td>€ 0.10 per delay minute</td>
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<tr>
<td>- Example:</td>
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<tr>
<td>IM</td>
</tr>
<tr>
<td>1000 min</td>
</tr>
<tr>
<td>Payment IM:</td>
</tr>
<tr>
<td>700 min * € 0.10 = € 70</td>
</tr>
<tr>
<td>IM</td>
</tr>
<tr>
<td>500 min</td>
</tr>
<tr>
<td>Payment RU:</td>
</tr>
<tr>
<td>300 min * € 0.10 = € 30</td>
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In Germany, in addition to railway law, the provisions of civil law relating to the PR must also be complied with.

German courts forbid the application of the PR - the PR is interpreted by German courts as a so-called private penalty.

1. The PR of DB Netz AG was suspended by the decision of a regional court. A final court decision is expected following appeal proceedings in the middle of the year.

2. The court decided on the basis of the greatest possible protection for the consumer. In view of the infrastructure manager’s special position, this would appear to be inappropriate discrimination of the RU.

3. The infrastructure manager is in a position of advantage with respect to the RU for the following reasons:

   - Assignment of the cause of delay is made by the infrastructure manager’s own personnel.
   - The causality of a delay cannot be determined without doubt in every case.
   - RUs are normally unable to provide mitigating evidence themselves.
   - The actions taken by the infrastructure manager are not obvious – the required transparency is not provided.
DB Netz AG is advancing the system based on dialog with customers

Aim: to comply with court decisions, the later experiences gained to date

**Short-term* - modifications based on key market requirements**

**Stage 1 – improve basis – modify current incentive system**

1. To improve transparency when attributing the cause of delays
2. To increase process quality when attributing the cause of delays
3. Consistent attribution of cause of the delays to areas of responsibility (IM/RU) – troubleshooter principle

**Mid-term* - bring in line with pricing system**

**Stage 2 – quality focus – further development**

1. Punctuality as the benchmark
2. Introducing ways of making differentiate distinctions
3. Extending assessment criteria

**Examination:**

- System parameters
- Measuring system
- Assessment standards

* Completion date: from 2010 likely

* Completion date: from 2011 at the earliest

DB Netz AG, LNVK 3, 11.04.2008
PR will be brought in line with European standards and transparency increased for RUs

First step: to improve the basis for PR‘s attribution of cause of delays

1. Increase transparency
   - Increase transparency when attributing cause of delays
   - Greater detail with respect to cause of delay
   - Codification rules and by examples
   - Internationally applicable
   - Harmonization with EPR
     Introduction of UIC Leaflet 450-2 into national PR system

2. Introduce quality system
   - Examine use of coding rules and make processes possible
   - Defined system must be certifiable and auditable
   - Regular audits guarantee quality assurance

3. Introduce new attribution principle
   - Make assessment of secondary causes possible in the PR
   - Attribution on the principle of “Who is in the best position to reduce the number of delay minutes?”
   - Principle is not based on the question of who is to blame, but on the possibility of being able to influence an event in one’s own area of responsibility

1. Results by 30.06.2008
2. From 13.12.2009 likely
3. From 13.12.2009 likely
Backup
Future growth and expected concentration on the main corridors presents DB Netz AG with tougher management challenges.