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Where is the trend leading?

Lease financing is one of the main sources of funding for non-federally owned railway undertakings (RUs) and the German economy. According to the Bundesverband Deutscher Leasing-Unternehmen e. V (Federal Association of German Leasing Companies), rail vehicles, cars and other movable assets amounting to € 41.05 bn. were financed by way of leasing in 2011.

The leasing industry has made an important contribution to the development of competition in the regional passenger rail transport market in this way, improving and extending timetables and the quality of regional passenger rail transport. In particular, it has allowed mid-sized RUs and new market participants to bid in regional railway tenders for new vehicles. Specialised leasing companies such as Alpha Trains, CB Rail, Deutsche Leasing and Hannover Mobilien Leasing have been and continue to be important actors in the financing of rolling stock. The possibility of the lessor pre-funding the high acquisition costs, the transport contract-related contractual term and the balance sheet neutrality of operating leases represent clear advantages from the perspective of many RUs. Nevertheless, a tendency can be observed whereby at current tender procedures bidders are offered the possibility of a sale and of the assignation of part of the subsidy receivable from the transport contract – with and without a waiver of objections – (so-called forfeiting) as optional support measures for the financing of rail cars. Refinancing will therefore no longer be based on the financed asset „rail vehicle“, but on the credit-worthiness of the sovereign commissioning authority and its guarantor. This makes it possible to obtain similar financing conditions to communal credits in particular cases. The aim of the commissioning agency is to raise the current reduced average of only 2.4 bidders per tender, thus again increasing competition in regional passenger rail transport. These kinds of forfeiting models were offered recently in the tenders for the Cologne Diesel Network and the South-Western Diesel Network. There are several reasons for these support measures: in addition to the general structural deficit in the regional passenger rail transport market (see PRIMA 04/2011, page 49) and the high costs of participating in a tender, there is a specific lack of confidence on the part of the market participants – lessors, banks and manufacturers – in a permanent, functioning secondary market for vehicle fleets after the expiry of the first transport contract. Whether this will turn into a permanent trend, cannot be assessed presently. Looking to the future, however, the commissioning authorities will have to ensure that a functioning used vehicle market is set up. Used rail cars in good condition available on the open market can reduce the prices of vehicle financing and therefore the costs of regional passenger rail transport in the long term. Forfeiting models and other optional support measures on the part of the commissioning authorities should therefore only be offered to stimulate competition or in the case of large-volume tenders (S-Bahn projects or special vehicles). The preservation of the plurality of funding possibilities is and will remain an important factor in the future development of regional passenger rail transport.

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Dr. Frank Thomas
Lawyer and partner at the law firm
K&L Gates LLP in Frankfurt (Main).