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## Designing Regional Mobility: A Model for the Public Transport of Tomorrow



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### Increased Commitment to the Rail Sector

KfW IPEX-Bank has been steadily expanding its financing in the rail sector over several years. There are many reasons for this. However, a major driver is the bank's desire to make a significant contribution to the mobility transition and climate change mitigation. Around 20% of

global CO2 emissions originate from the transport sector. A significant proportion of these emissions is accounted for by individual passenger transport and freight transport by road. Helping to shift these shipments to rail is therefore a key objective for KfW IPEX-Bank. Furthermore, the current crisis has shown the stability of freight transport by rail, which accordingly poses a comparatively low risk for the bank.

## High Demand for Rail Financing – Trend to Leasing

Banks' increasing interest in the rail sector also coincides with higher demand for financing. Railway companies are continuing to replace rail vehicles they own with leased locomotives and rail cars from leasing companies. The leasing rate in the European rail sector is still comparatively low – at 30% of the total fleet, compared to a leasing rate of 50% for aircraft or container ships. Due to the high efficiency gains through leasing, we predict that this trend will also continue in the rail sector.

## Liberalisation of Local Public Transport

In contrast, rail vehicles for local public transport, or public transport vehicles in general are almost entirely owned by public or private transport operators. With the liberalisation of local rail passenger transport, we are seeing the first examples of rail vehicles being leased or rented by the transport company from the vehicle owner, for example in the UK. For local public transport (e.g. busses and trams), however, this is still the great exception in Europe as well as internationally. Yet this area also stands to benefit a great deal from separating operation from ownership.

## Local Public Transport Benefits from Separating Operation from Ownership

The two functions, operation and ownership, require different

skillsets, contracts and approaches. In fact, combining both functions in one company seems almost detrimental. Ownership of the vehicles has very little to do with an operator performing operational tasks in their transport company. But if the vehicles are owned by a separate company, ownership is independent from vehicle operation. This also results in entirely new organisational opportunities for local public transport.

## Organisational Model for the Local Public Transport of Tomorrow

For local public transport, KfW IPEX-Bank has developed a model that enables a municipality or district to transfer ownership of the vehicles to its own vehicle company. The vehicles are then made available to the operator of the local public transport system through leasing, renting, transferring or similar means. This model has various advantages for the municipalities:

- The municipality has control over its vehicle fleet and thus more extensive possibilities for shaping its mobility
- Since the bank no longer assumes the risk for operation, the financing conditions are more favourable
- The companies that own the vehicles could co-operate in procurement and thus achieve economies of scale

KfW IPEX-Bank finances examples of this model in Germany in central Saxony and Baden-Württemberg, and internationally in Norway, India and Chile.

## About KfW IPEX-Bank

Within KfW Group, KfW IPEX-Bank is responsible for project and export finance. It supports German and European companies operating in key industrial sectors in global markets by structuring medium and long-term financing for their exports, funding infrastructure investments, securing a raw materials supply and by financing environmental and climate protection projects worldwide. As a specialist bank, KfW IPEX-Bank has extensive industry, structuring and country expertise, it takes on leading roles in financing consortia and actively involves other banks, institutional investors and insurance firms. KfW IPEX-Bank operates as a legally independent group subsidiary and is represented in the most important economic and financial centres across the globe.

In the rail sector, KfW IPEX-Bank finances leasing companies and vehicle lessors, but is also active with operators, infrastructure companies and public authorities. After decades of investment backlogs, many countries around the world are once again investing in rail infrastructure. KfW IPEX-Bank has committed a total of 2.16 billion euros in financing to the rail sector in 2020. This corresponds to 9.8% of the bank's total commitments of 16.6 billion euros in 2020.





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## Examples of KfW IPEX-Bank's Rail Financing

- At the end of December 2020, KfW IPEX-Bank financed 570 freight cars from Greenbrier for the Swiss freight car lessor Wascosa, worth 47.7 million GBP (55.2 million euros), for lease to Network Rail
- The Bank contributed 80 million euros to the financing of new electric railcars for the Austrian Federal Railways (ÖBB) passenger transport company in November 2020
- KfW IPEX-Bank is financing the establishment of a freight car fleet for intermodal transport at the newly founded Swiss rail car lessor MFD Rail with 105 million euros and the option for another 100 million euros
- The bank contributed a significant volume (540 million euros) to the refinancing of VTG AG in May 2020. VTG AG has concluded new financing agreements for around 2.9 billion euros with an international banking syndicate led by KfW IPEX-Bank, which is also the largest lender in the financing arrangement
- The bank is financing 20 new battery-powered electric multiple-units for the Ortenau network with 77 million euros. The borrower is Nahverkehrsgesellschaft Baden-Württemberg
- In January 2021, KfW IPEX-Bank participated with a total of 37.5 million euros in the 150 million euro financing of the locomotive leasing company Railpool for the procurement of new rail vehicles
- Aves One AG, owner of freight cars leased via Wascosa, has received a 75 million euro financing line from KfW IPEX-Bank for further investments

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