

Deutsche Bahn sale derailed

The sale of nationally owned assets, such as utilities and transportation infrastructure, has been popular within many leading economies. So called privatisation has often raised much needed revenues and financial capital, whilst also enabling significant reform of competition and regulation. However recently, opposition to privatisation has been growing within the growing socialist movement in Germany. The German government's plans for a partial privatisation of German rail operator Deutsche Bahn, a cornerstone of Angela Merkel's industrial policy, appear to have been scuppered after the Social Democrats imposed strict conditions on the sell-off of a stake in Germany's rail company.

Unlike other privatisation deals, where the government sells its entire stake, or becomes a minority shareholder, the proposed sale of Deutsche Bahn involved only selling 25.1% of the company to large investors such as fund management teams or private equity companies, leaving the German government with 75% of the company. The money raised by the sale would then be reinvested in Deutsche Bahn to improve rolling stock, stations and overall service level.

Delegates at the SPD congress in Hamburg agreed on the sale of a 25.1 per cent stake in DB but said it should be floated on the stock exchange rather than sold to large investors, hedge funds or private equity companies. The stake would consist of non-voting shares, so the government would retain control.

The congress vote highlights fears in the SPD and among the public that the partial privatisation would lead to deterioration in customer services and that DB would be controlled by private investors.

The chancellor warned on Sunday that the privatisation plans were in danger. "If the goals of the Bahn cannot be achieved . . . then the reform is at risk," she said. The government had hoped to launch the sale of a DB stake late next year but SPD politicians said the sale would now either be postponed or cancelled.

Experts questioned whether the stock exchange float consisting of non-voting shares – if it happened at all – would find sufficient buyers.

The SPD decision is a setback for Wolfgang Tiefensee, the party's transport minister, who had originally lobbied for a sale to private investors but, at the congress, had to defend the stock exchange option. In a further hurdle, the congress tied the hands of the party's negotiators with the CDU by insisting that a future SPD congress be consulted on any adjustments to the mandate agreed at the weekend.

Questions

1. How and why might the rail industry be recognised as a natural monopoly?
2. Should a natural monopoly be publicly or privately owned?
3. Can your answer to question 2 help explain the opposing views within the SPD?