

FEEDBACK FORM

Name of undertaking: Deutsche Bahn AG

Merchant: (mobility provider, travel agent, railways)

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Participated in the questionnaire:

- X Yes
- No

Specific questions from Executive Summary:

A. Financial analysis of the industry

1. Are high merchant fees a competitiveness issue for the EU economy?

Yes

2. Are there compelling justifications for the comparatively high level of merchant fees observed in some parts of the EU25?

No

3. In view of the apparent profitability of card issuing, is there a generally applicable justification for substantial revenue transfers through interchange fees in card payment systems?

No

4. Are the high profits observed due to innovation or do they arise from some kind of market power in a two-sided industry?

Market power

5. What pricing practices, rules and legal provisions distort price signals to consumers and the choice of the most efficient payment instrument?

The (de facto) ban on charging different prices according to the method of payment (no-surcharging-rule), and blending.

6. Would cost-based pricing promote the use of efficient payment instruments and how could such pricing be implemented?

a) Yes; b) Prohibition of blending. Propagation of surcharging will remain difficult because card issuer gather the market power of many consumers.

7. Do currently existing pricing practices have a substantial negative effect on cross-border card usage by consumers?

Yes, for instance high interchange fees in some countries due to the lack of competition in acquiring services effectuate that cards are less accepted and common in some countries. Consumers are uncertain as to which payment method is most useful abroad.

B. Market structures, governance and behaviour

8. What market structures work well in payment cards?

Whenever market power is distributed equally between supply side and demand side.

9. What market structures do not appear to work well / deliver efficient outcomes?

Fierce competition downstream together with only weak competition on the payment card market.

10. What governance arrangements can facilitate competition within and between card payment systems?

In particular the introduction of transparency about the rules and regulations in international payment schemes. To date, only members of the networks, i.e. financial institutions, have full information e.g. on the level of the fees for different merchant categories.

11. What governance arrangements can incentivise card payment schemes to respond to the needs and demands of users (consumers and merchants)?

- Transparency
 - Prohibition of blending
 - Ban on shifting costs from cardholders to merchants
-

12. What governance arrangements can allow minority participants or minority members to receive appropriate information and participate appropriately in decision-making?

[not concerned]

13. What access conditions and fees are indispensable?

Fees should be cost-based. Access should be facilitated e.g. by lowering the entrance payments, and by opening access also to non-financial institutions.

14. To what extent is separation between scheme, infrastructures and financial activities desirable to facilitate competition and efficiency?

Separation is not necessary. Important is that competition between payment methods and transparency is enhanced.

C. Future market developments

15. Are significant structural changes to be anticipated in the payment cards industry?

In particular changes that come along with the introduction of a SEPA scheme. The design of that scheme will determine what effects are to be anticipated.

16. What are the anticipated impacts on the industry of innovation and technological change?

Introduction and rollout of EMV-chipcards accompanied by the use of the PIN for any POS-transaction should lead to remarkable shrinkage of fraud.

D. Potential solutions to market barriers

17. How can structural barriers to competition, which may arise for instance from the integration of different functions within a payment system or from acquiring joint ventures, be tackled?

Development and implementation of open standards in payment schemes. Acquiring JV should be tackled by advocacy.

18. Are there compelling justifications for the identified possible behavioural barriers to competition?

No

19. How much need and scope is there for harmonising technical standards in the payment cards industry? How large are the potential benefits and costs of harmonisation?

The need and scope depends on the relation between costs and benefits, which we do not dare to estimate.

E. Lessons for SEPA

20. What lessons (best practice) for the design of SEPA schemes can be learnt from existing national and international payment systems?

Open standards, transparency about rules®s, harmonisation of procedures, no boundaries for market entries.

21. How could competition between schemes in SEPA be strengthened?

Payment schemes should work interoperable.

22. Which structural and behavioural barriers to effective competition between banks and payment service providers should be removed to achieve SEPA?

Unjustified entry-fees should be banned or at least monitored. Tackling of acquiring JV through advocacy.

23. What governance requirements should SEPA schemes meet?

Transparency about rules®s, implementation of co-determinating customer and merchant-boards in payment organizations.

24. By what means can interoperable communication protocols, security and other technical standards be achieved and certification procedures be limited to the minimum necessary?

25. Do the removal of barriers to competition, the observance of pro-competitive governance and the creation of interoperable standards require (further) regulation?

Someone has to monitor whether the removal of barriers (de jure) are followed (de facto) by powerful market participants.

General comments:

Whenever domestic merchant/ interchange fees are higher than the corresponding international fees, this should be viewed as a clear evidence of prices not being cost-related, and thus of the abuse of market power.

General questions:

1. Did you find the content of the report easily accessible and understandable?

x yes, fully;

- the report was too general;

- the report was too technical.
2. Did you find that the level of detail in the report was:
 - x about right;
 - not sufficiently detailed;
 - too detailed.
 3. Did the information contained in the report was:
 - generally new to you/the payment cards industry;
 - x mostly known to you/the payment cards industry.
 4. Did the market analysis in the report:
 - confirm your views on the operation of payment cards market;
 - challenge your/industry's views on the operation of payment cards market;
 - x represent a mix of both aspects.
 5. Did the report raised the right policy issues;
 - x yes, covered most of the key issues;
 - no, there were some significant issues left out.

Thank you for your contribution!