The coming new organization of the public railway holding in France: what is at stake?

Emmanuel BOUGNA\textsuperscript{a}, Yves CROZET\textsuperscript{b}

\textsuperscript{a}Laboratory of Transport Economics, University of Lyon (Phd student)
\textsuperscript{b}Laboratory of Transport Economics, University of Lyon (Professor)

Sixteen years have passed since the creation of the infrastructure manager RFF and the equilibrium of the current system is less than perfect. From an organizational point of view, the main limitation of the current system is the implementation of a mechanism of delegated management between RFF and SNCF, which establishes a specific kind of customer-supplier relationship since RFF is obliged to use the services of SNCF. There is thus an artificial separation between SNCF (the railway operator) and RFF (the infrastructure manager). From an economic point of view, the current system’s debt is estimated at about 40 billion Euros (32 billion of which is owed by RFF and 8 by SNCF). This is the justification for the new reform of French railways that was initiated in November 2011 at the head offices of the rail companies. France currently faces an important issue, namely the reform of its railway system. This debate is linked to the Railway Summit (Assises du Ferroviaire), held in September 2011, which aimed to discuss the future model of governance to be introduced in the coming years. The central question under debate was whether or not to separate infrastructure management and the railway company. Indeed, the question that arises is whether it is necessary to reform the rail system in France? The point of this paper is thus to demonstrate, on the basis of comparative and qualitative analysis, that in France, the focus should be placed on increasing productivity gains instead of continuing to reduce transaction costs.

Methodology

In this article, we use qualitative and quantitative studies to show that in France, rail regulation is not the solution to the problem of the deficit of the rail system. Our analysis involves three steps.

Firstly, by the use of literature review on the impact of regulation on transaction cost and total cost, we found that this literature review remain inconclusive concerning the impact of regulation on total cost and transaction cost, because opinion are widely divided.

Secondly, will list that the barriers the French reform will have to overcome. The railway reform project as announced by the French Minister of transport provide for the construction of a public group that will consists of a leader public institution, the "parent-EPIC" (SNCF), and two other public institutions, the infrastructure manager (SNCF Network) and the railway operator (SNCF Mobility). This new structure raises a problem of compatibility with existing and future European directives (the 4th railway package). If this new organization proposed by the French minister of transport is in agreement with the recommendations of the European commission, the question, which arises, is how to ensure the independence of the
infrastructure manager? In other word how to define the China’s walls in the French case? However, in spite of this virtual independence, the question remains of whether this system will ensure that the French railway system is transparent and efficient. Maybe this structure provides a new opportunity for rebuilding a monopoly around SNCF? The second barrier of railway reform in France is the debt of this system. The question is how to reduce it? The third barrier to the implementation of the French railway system is the status of railway workers whose number constitutes an asset for this group? The second step of our approach is thus to analyze the strengths and weaknesses of the reform announced by the Minister of Transport

The third step of our analysis is to present a comparative analysis of the performance of the French and German railway systems. We distinguished financial indicators (Revenue per ton-km, Revenue per passenger-km, ratio revenue passenger-km on revenue ton-km, Financial operating ratio, share of labor cost, total cost per train-km and ratio of revenue to total cost) and indicators of productivity (locomotive productivity, freight car productivity, coach Productivity, employee productivity, ratio passenger-km on train-km).

Result

This analysis highlights two key findings

- The literature review leads us to conclude that opinions are widely divided regarding the impact of separation between rail operator and infrastructure manager on total cost and transaction cost.
- Our comparative analysis of the performance of the French and German railway systems shows the financial indicators in the two countries to be almost identical, except that Germany has higher productivity indicators than France. This result shows that France, instead of focusing on reducing transaction costs - which only represent 2% of the total costs, should give priority to productivity gains. It is imperative to implement a programme in France that aims to revive productivity in the railway sector, for example by reducing the workforce.

REFERENCES

Drew, J. 2006. The Costs and Benefits of different Railway structures. MSc Dissertation in Dept. of Economics, City University, London


RUSSIAN UNION of INDUSTRIALISTS and ENTERPRENEURS: Evaluation of most feasible infrastructure and transport operations inter integration model in the frame of destination freight transportation services market model implementation until 2015, Moscow 2013


Yves Crozet, 2013. La reforme ferroviaire à l'épreuve de la stratégie de la SNCF (ou le contraire?).