

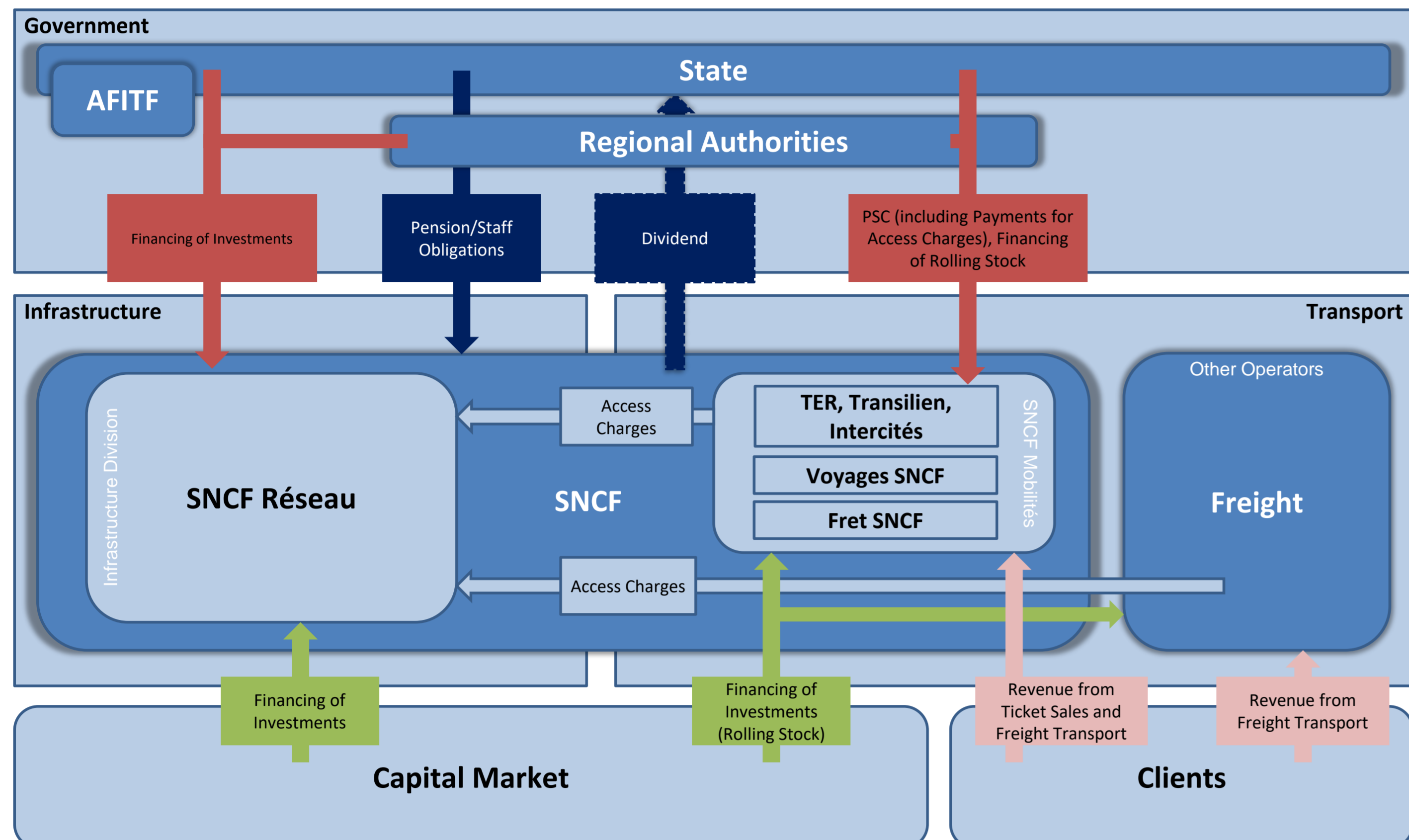
Public Budget Contributions to the French Rail Sector

Jan Thomas Schäfer
Justus-Liebig-University Giessen

Organizational Structure

Main Operators

The Société Nationale des Chemins de fer Français (SNCF) is the main operator of infrastructure and transport services. The subsidiary SNCF Mobilités is responsible for regional (TER, Transilien), inter-regional (Intercités), long-distance/high-speed (Voyages SNCF) and freight (Fret) services. In 2015 the independent infrastructure manager RFF has been incorporated into the SNCF Group and was renamed to SNCF Réseau. Before the restructuring, RFF already had contracted operation and maintenance to the SNCF division SNCF Infra. SNCF Mobilités has a quasi monopoly on the provision of passenger services. The freight segment tends to be more competitive, with several private operators supplying services to the market.



Infrastructure

For the provision of infrastructure services, RFF/SNCF Réseau receive contributions for operation, maintenance and investment. For the financing of large investment projects, in particular for high speed lines, the French State has set up the special purpose entity called AFITF in 2004. AFITF is independent from the public budget and is funded from motorway tolls, contributions from PPPs, funds from local governments and the EU.

Transport

Passenger transport operators receive support from several authorities, namely the State, i.e. the Ministry of Transport (Ministry of Ecology, Sustainable Development and Energy), the French Regions and the Transport Organization Authority of Paris (STIF). Support is mainly granted for the provision of regional transport services. However, in 2011 the French government started to support the provision of intercity trains to ensure the supply of non-high-speed trains between regions. High-speed trains and freight transport services are run without additional government support. Beside the public service compensation SNCF receives investment grants from the organizing regional authorities, primarily to finance regional rail (TER) rolling stock.

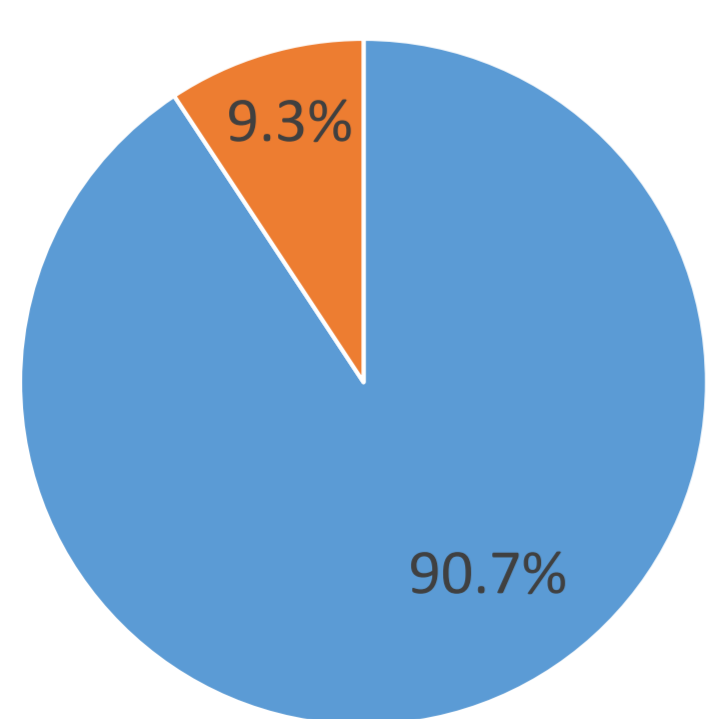
Other

SNCF is required to pay a dividend to the French State since 2008. Since that pension obligations are paid to an independent rail pension fund rather than to SNCF directly.

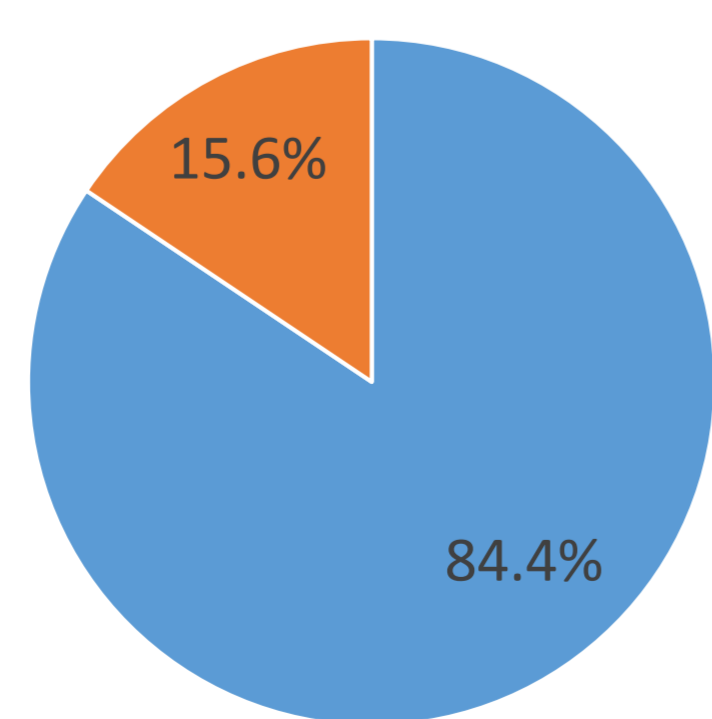
Industry Characteristics (2015)

Length of Line in use:	30,905 Kilometer (2014)
Passenger-Kilometer:	91.653 billion
Ton-Kilometer:	34.252 billion
Passenger-Ton-Kilometer:	125.875 billion
Modal Split Freight Transport:	15.6 % (2014)
Modal Split Passenger Transport:	9.3 % (2014)

Modal Split Passenger Transport



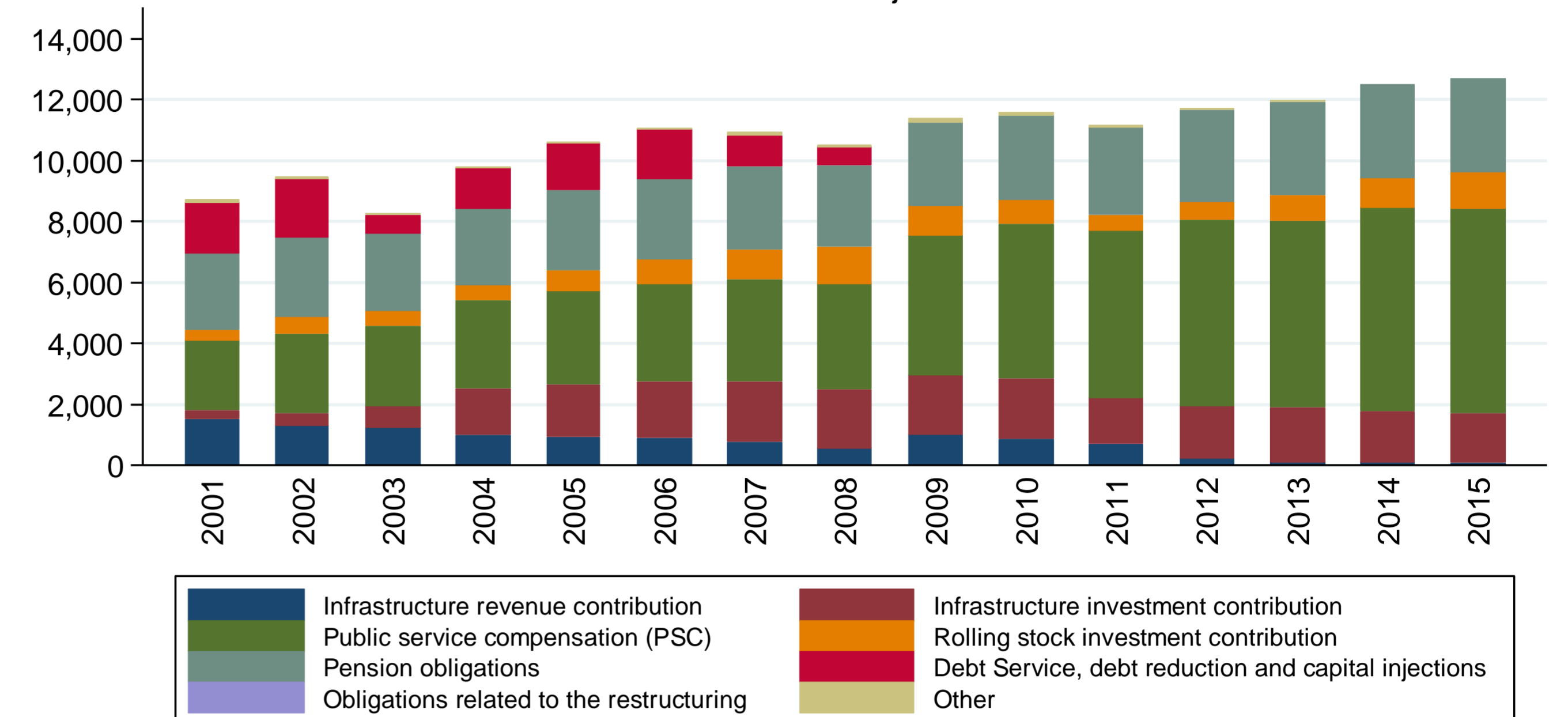
Modal Split Freight Transport



Source: European Commission - Transport in Figures, Eurostat

Financing

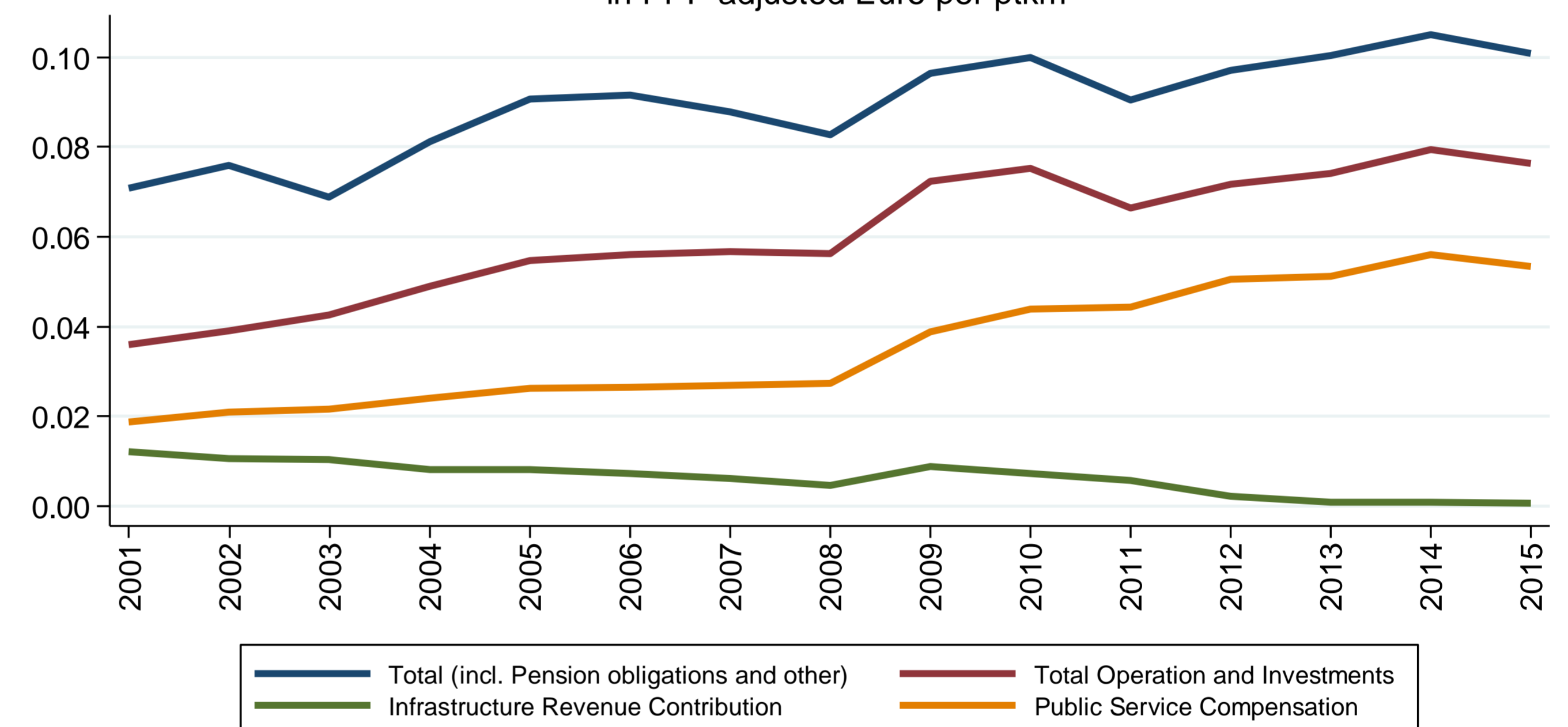
Public budget contributions to the French railway sector
in million PPP adjusted Euro



Development of Public Budget Contributions

Public budget contributions to the French railway sector have been increasing between 2001 and 2015. The majority of funds was spend for the procurement of public services (6.7 billion Euro in 2015). Pension obligations are the second largest item. In 2015, 1.6 billion Euro have been granted for infrastructure investments, 1.2 billion for rolling stock purchases, while the infrastructure revenue amounted only up to 70 million Euro. On average, each passenger-ton-kilometer was subsidized with 7.65 cents in 2015 of which 2.26 cents were related to investments, 5.33 to public services and 0.06 cents to the operation of the infrastructure.

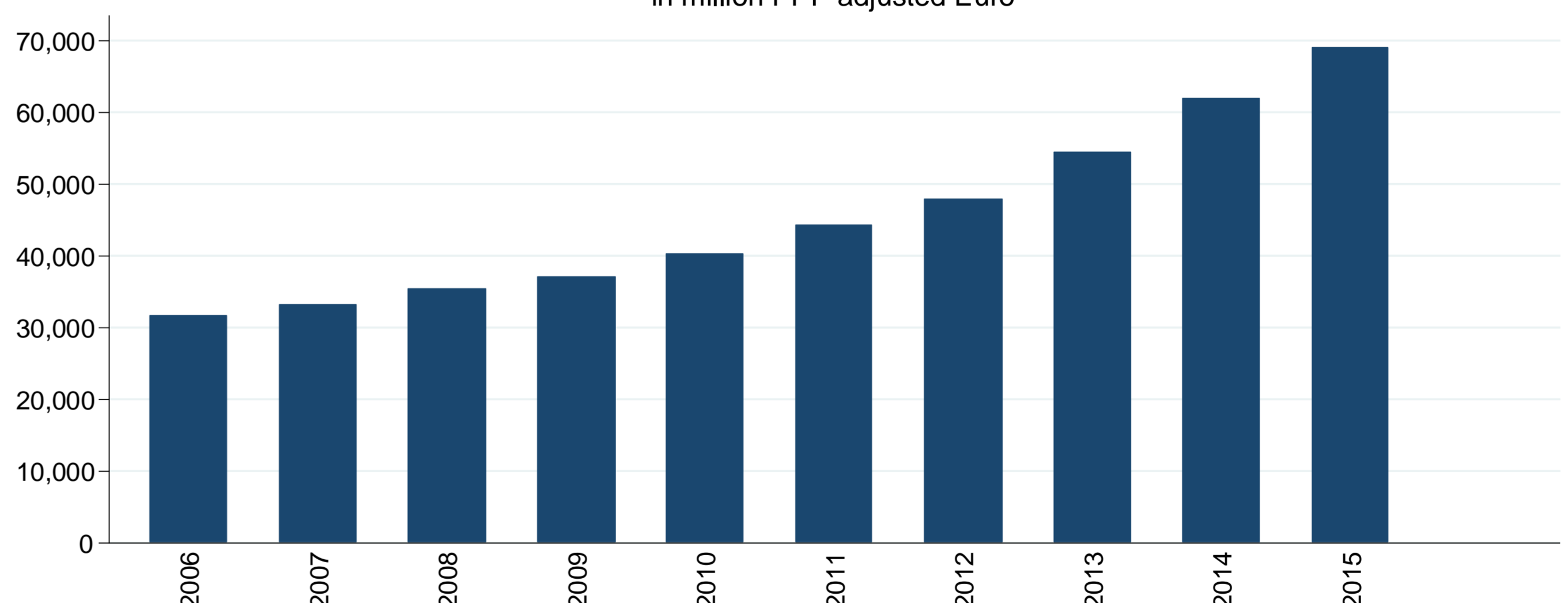
Public budget contributions to the French railway sector
in PPP adjusted Euro per ptkm



Financing Structure

France uses a financing structure that is close to the one applied to the German sector, i.e. the focus of funding is on public services while infrastructure operation is almost entirely financed from access charges. However, this approach is only applied since a few years. Since a change of the pricing scheme in 2010, payments for the operation of the infrastructure have been decreasing and are now close to zero. At the same time, payments for public services have been increasing in recent years.

Liabilities Réseau ferré de France/SNCF Réseau
in million PPP adjusted Euro



Financing of Investments and Sustainability

Infrastructure investments are financed from government contributions and through debt issued by RFF/SNCF Réseau. The additional financial burden of debt financing is covered from revenue and government revenue contributions. However, between 2001 and 2007 RFF has made large losses which had an influence on the financial sustainability of the company. The debt of RFF/SNCF Réseau has reached a critical level and is among the highest of European infrastructure managers. In contrast to reforms in other countries, the infrastructure manager RFF was not freed from debt when being incorporated into SNCF.