

Will competition save european railways?

by

■ **Pierre Messulam** ■

Deputy director-general, Transilien SNCF (suburban railway network in the greater Paris region)

Overview

European railways in general, and the French railway network in particular, are not doing well. Is this because of competition, the trade unions, or the European Commission? Pierre Messulam thinks all of these have contributed to the problem, but that there are other factors. The troubles which have been highlighted by recent changes run deeper, and are intrinsically linked to the nature of this kind of transport which the State initially intended to be both a vector for industrial development, and a way of encouraging national unity. However, today this system is out of date and not only does it no longer meet the current economic and social needs of the country, but there are no ways of fixing it. Some rail transport sectors are faring better than others in the face of competition, but it is now necessary to rethink the role of the railway network and redefine the links which bind it to the nation.

Report by Pascal Lefebvre • Translation by Rachel Marlin

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Involvement of governments

The SNCF, France's national state-owned railway company, recently saw its assets depreciate by 12.5 billion Euros. The assets of the Deutsche Bahn, Germany's state-owned railway company, also depreciated by 2 billion Euros in December 2015. Obviously, the two largest railway operators in Europe are not doing well. Is this due to too much or too little competition? In Brussels, these opposing points of view are held by people who, on the one hand, underline the lack of dynamism in a sector which is too protected, and, on the other, by traditional operators who claim that competition will destroy them. My personal theory is that both these opinions are flawed.

Historically, the European railway sector has never been influenced exclusively by market forces, a fact which economists largely ignore. In the 19th century, railways were also designed to be used in war time: the European military commanders learned this from what happened in the American Civil War. The German rail network was created in order to transfer thirty divisions from the eastern front to the western front in less than four days. It was carefully designed by the Prussian military which influenced all the German rail companies. It has left its mark. Nowadays the German rail network still follows the grid system of parallel lines which run from east to west approximately every eighty kilometres.

Transport has also had a significant impact on the economic life of various regions, and because the rail companies could not satisfy all the market demands, governments traditionally intervened to find a solution by heavily subsidizing and nationalising partially the rail network.

In the 19th century, railway companies were already experiencing problems because of three major factors.

Firstly, because the most profitable parts were built first, any extension to the network meant that the profit rate experienced a downward trend.

Secondly, the railway system is incapable of anticipating correctly the replacement of its assets. In the majority of cases, the original installation was entirely subsidised by the government, and so, after thirty years, the concessionary, who had not made sufficient profit, was unable to renew his railway infrastructure and equipment on his own. This is why public authorities have always intervened, more or less willingly, in order to build railways or to secure the solvency of rail operators. In the 1880s, the Third Republic in France introduced a dividend system whereby the government guaranteed minimum profitability to shareholders of companies whose profitability was shrinking. Why go to such lengths to increase profit if eventually it is always the government which pays? Public money has always been involved in the economics of this sector.

Thirdly, even before the First World War, competition from other means of transport progressively reduced the dominance and competitive advantage which the railways had until then.

Public money

These three factors are still relevant, but curiously they are not taken into account. It is important to analyse the market and potential competitors.

Analysis of the sources of the financing of railway systems, in other words the infrastructure and all the operators, shows that sales revenues in France and in Germany only account for 50% of resources, and that in the best scenario in Europe, in Switzerland, they only account for 70%. This means that the remainder comes from public money.

Competition is undoubtedly possible, but today it is clear that the functioning of railway systems is largely due to the injection of public money which considerably moderates market forces. In addition, governments are both sources of funding and owners of the infrastructure management (the RFF, the *Réseau ferré de France*)

and of the historical operators (the SNCF). Consequently, governments are 'helping' competitors of the operators which they be own! This is clearly desirable but it supposes nonetheless that the operators, whether they are new or well established, should have a chance to find an economic balance.

One must not forget something which is unique to the French market. Whereas in most European countries funding is largely guaranteed by public revenues and public money alone, in France it is also guaranteed by an increase in debt. As the government can no longer buy or renew the rail infrastructure, the RFF runs into debt by taking out loans. One might imagine that it does this in order to develop commercially, as long as this development is profitable.

We are faced with a system which is very dependent on public financing and which, until now, never made provision for its assets correctly, and went ahead with the notion that since it weighed so heavily on public finances and on the life of the country, that at some moment, the state would have to pay. This has been the case for the past 150 years. Therefore, despite Brussels wanting it to stop, there is no reason to think that it can.

Involvement of the European Commission

In France in the 1980s there was a stagnation of productivity per unit produced compared to the workforce. There are a number of explanations for this including the fact that competition from other means of transport lowered the rate of occupancy of passenger trains. In France, the oil crisis and the development of the nuclear industry contributed to the collapse of the transport of coal, in stark contrast to 1974 when coal was the commodity most transported by the SNCF. When one is in a system of growing returns and volumes start falling, stagnation in productivity has a disastrous effect.

The European Commission saw that Europe needed an efficient railway system, able to relieve traffic congestion while lowering pollution, and which was also a form of sustainable mobility. Since both national economic and social reforms appeared to have failed, it concluded that it should be open to competition.

In national monopolies which are regulated, management is caught between governments and trade unions, and finds it impossible to reform both the social framework and regional policy. The closure of certain lines, which are huge financial burdens, is inevitable and everyone knows it. Nonetheless, trade unions make threats that closures result in local unemployment, and governments invoke the continuity of public services in rural areas, leaving management to handle the contradictions and to find the necessary resources on its own. Railway operators are then encouraged to cross-subsidise allowing profitable sectors to offset deficits in others, which in hindsight merely justifies the decisions to maintain the aforementioned lines.

Over the past ten years, a new factor has emerged in the debate, namely the technical durability of assets over time. When a bridge in an area where there is little traffic threatens to collapse, should one close down the line or spend the equivalent of twenty years of revenues in order to rebuild the bridge? There are mixed opinions to this throughout Europe, and so the situation is getting worse. In the 1980s, the European Commission decided to get round the problems in this sector when monopolies were unable to solve the situation. However, it did not fully appreciate the nature of competition from other means of transport. As far as the Commission was concerned, there was only one railway market. This was a mistake because there are several. In some European markets, the railway sector is able to survive economically and has a market power which is considerable, whereas in other markets, the sector has taken a pounding from competition – other means of transport – which is much more efficient. This is not the result of actions by trade unions or by governments, but endogenous factors. Because the Commission did not realise that the problem lay with endogenous factors, it decided to put forward a simple solution, namely to open the sector to competition in order to shake up the system.

According to the Commission, for competition to exist, the original operator can no longer remain owner of the infrastructure as this will create barriers preventing rivals from entering the market. Therefore, the infrastructure must be for the good of the public, open to all potential competitors. This is the way we started, leaving our American colleagues, who had experienced a deregulated rail network in the 1880s, confused. The US core market is transcontinental freight transport. Public authorities play the role of regulator, and determine the rights of way

in the face of integrated operators. The Commission did not realise that the US economic model inevitably results in a concentration of operators. If one puts the United States, part of Mexico and Canada together in this one group, there are only three or four operators in this extremely profitable market, which is strongly regulated forcing operators to let competitors use some part of their own network. Therefore this economic model was inappropriately transposed to Europe: infrastructure is a state owned company publically financed. Its fundamental aim is to break even, but sustainable rail access charges by railway companies are not high enough to cover its total costs so that it depends on public subsidies and is more likely to get into heavy debt.

If this reasoning were to be taken further, one might ask whether the management of train stations (which are key points of competition in the passenger sector) should be independent or attached to the existing infrastructure. In the case of a single operator, it made sense that the operator should look after the stations but a regulated system (with the presence of both the RFF and the SNCF), which is extremely complex with separate accounting and specific rules, was still established, just in case!

The expectation was that this would work, but figures recently released by both the Deutsche Bahn and the SNCF show that this is far from the case.

Those present in the rail sector

Infrastructure managers are asset management bodies whose assets have a lifespan of from forty to one hundred years, and therefore do not easily fit into an annual budget. Their strategy largely depends on public money (and therefore on the relevant finance laws), and the sale of rights of access to the network – train paths – constitutes their main revenue. They pay for maintenance and operation, in other words the regulation of traffic. This only accounts for 20% of their expenses, but maintenance is very expensive, especially when the assets are reaching the end of their lifespan. The rest of the expenses cover replacing assets or creating new lines, and are largely financed by debt which is a voluntary practice peculiar to France and Spain.

In order to produce positive financial returns, the infrastructure manager may try to maximise the revenues by raising the cost of access to the network, but the variation of prices limits room for manoeuvre, and if it is over what a client will pay, he will resort to other transportation options, such as barges or lorries. When a freight client chooses a form of transport other than rail, he will alter his loading and unloading facilities, and therefore this loss of volume for the rail sector is crucial and very often irreversible. This is a very important point. At the present time in France, the cereal industry, which exports by sea, depends on land transportation (road or rail) for the most part (up to 95%) because the national waterway network does not offer a satisfactory alternative for geographical reasons. In view of the thousands of tonnes to be transported, it would be better to use the train network rather than a long line of lorries. Nevertheless, co-operatives regularly complain about being held to ransom by the rail system because grain silos are mostly linked to the RFF network by branch lines whose maintenance is expensive. So how then is it possible to maintain this activity which generates a large profit margin? Some co-operatives are ready to pay for the maintenance of their links to the train network, while others are not. With these threshold effects, the infrastructure manager's pricing policy allows little leeway. It cannot ignore either the structure of the markets or the irreversible consequences of the decisions it makes.

A second way of lowering expenses consists of eliminating unnecessary infrastructure. Disassembling railway lines which, for example, served mines and steel industry sites in the Lorraine region would cost so much, and would be such an unprofitable investment that it is better to keep the status quo. The result of all this is that one is left with installations which were designed at the time when large numbers of heavily-loaded trains ran every day, but nowadays there is virtually no demand, and these installations are very expensive to maintain. The only option left to the manager is either not to build the desired infrastructures, or to close the lines which are clearly no longer relevant to the market.

For a number of institutional reasons which exist in France and other European countries, neither of these options has been used. The infrastructure manager is considered to be a 'sacred cow', albeit a rather fragile one, and it is preferable to attempt to prolong the system by using a number of devices. In rich countries, such as Germany,

the federal government pays the deficit, whereas in Spain one creates high-speed train lines without worrying about their profitability, and using debt to finance them. In France, if one closes a train line, it is seen as a scandal: more people would gather at the station to voice their opposition to the closure than the number of passengers using the train line itself! In this economic and political situation, creating a strategy is not an easy task for infrastructure managers.

The same is true of *station managers*. Trains which stop at stations pay stations a fee for using the station. This revenue enables the manager to maintain the station and manage its information systems. There are also benefits from the promotion of sales outlets. However, the main factor is the station property itself. There are a certain number of stations which have been located in town centres for 150 years. These stations have a large commercial value due to their location, and it is the job of the station manager to make as much money as he can out of this. To achieve this, he needs to sign agreements with the town council to make the forecourts more attractive, to improve access to the station and the surrounding area, and because of increased passenger flows he can create commercial space. Understandably, Paris' Gare de Lyon station's real estate value, for example, cannot be compared with that of a small train station in rural France. The station owner therefore needs to make up for this discrepancy using cross-subsidies. Such is the case for 90% of stations which do not make any income from rent, but because they are between 50 and 100 years old, they have significant maintenance expenses. If additionally one of them is classified as a national heritage site, it is protected by the association of the 'Monuments de France' and no architectural changes can be made to it. Ironically, rail passengers regard the services available in such stations to be lacking because they do not satisfy their needs, whereas passengers fail to realise that these services are very costly.

The *manager of port installations* trusts that his installations are linked to an efficient network. His priority is a good infrastructure and train paths which can ensure efficient access to the hinterland. In just one year, the German federal government invested more in the port of Hamburg than the French government has invested over fifteen years in the port of Le Havre. Hamburg now has the most modern freight yard system in Europe with four exit rail lanes reserved for freight, and less than half-a-day after their arrival, containers are evacuated by trains. As a result, Hamburg has become the leading port for Polish imports and for coffee imports in Europe. In France, Port 2000, the port construction site which is intended to increase the capacity for containers arriving at Le Havre, intends to install a link to a single track which would enable freight trains to bypass Rouen and reach the Paris region via Gisors and Pontoise. We are not surprised that boats prefer to use Hamburg, but obviously the port manager is dependent on the network manager.

The *transport operator* sells seats for passengers and places for containers on his trains. He owns (or rents) rail wagons and tows them. His main challenge is to avoid travelling with empty wagons. This is the worst-case scenario for all transport operators. The ideal situation is to have balanced flows. If the flows are not balanced, the transport operator is forced to include in his costs a full train in one direction and an empty, returning train in the other. In systems with increasing returns, trains must be full, even if this means that there are fewer trains. Clearly such a situation runs the risk of not satisfying the client's request. The transport operator spends his time adjusting his offer according to the capacity of the trains. Since railway timetables are traditionally fixed and planned a long time in advance, the infrastructure manager, under political pressure from the government and Europe to have increased freight traffic, reserves train paths for freight in advance without any certainty that they will be used. This reduces his capacity because freight trains are slow and take the place of passenger trains which are faster and more profitable. This practice is a costly one, with no guarantee that there will be a satisfactory result in the end. With regard to all kinds of train traffic, it is easy to conclude that the less freight traffic, the better!

The market for railway freight is divided into three categories. It is either for heavy goods (such as coal, sheet metal, cereals and stones), dangerous goods (such as petroleum or chemical products), or products for specific, high value-added industries which are in great demand (such as the car industry). In France, mines no longer exist. The steel industry is now located in ports where the ores arrive. Is it better to transport coils¹ from Dunkerque (where

1. Coil: reel of sheet metal produced by hot rolling.

the sheet metal is produced) to Valenciennes (where the Renault factory is located), a distance of 180 kilometres, using trains or lorries? This is a serious question. Transport costs are crucial expenses in the heavy goods and cereal industries.

The transport operator's economic model can be summarised as an alternative : either he transports large masses of low value goods per volume (such as grains, stones and bricks), and this is profitable because of large flows covering fixed costs, or he transports goods with greater value per volume (in containers) and meets strong competition from other forms of transport.

At the present time in France, one-tenth of our jobs are industrial, whereas in Germany they account for one-quarter. Surprisingly our neighbours continue to use railway freight with massive flows but we do not use it any more. The reason is simple: the Germans have factories and we no longer have them. They continue to transport coal because they still have thermal power stations and this will remain the case as they phase out nuclear power. However, in discussions about freight, no-one ever talks about this.

The question of open access

The demand for rail transport is very varied and does not correspond to only one of several economic models each of which poses the question of 'open access'. Open access is a competitive principle in which the infrastructure manager reserves the capacity to schedule trains and makes them available to whoever is interested while respecting a model of equal access.

In the freight sector, the entrance barrier is not very high because the assets are not very costly. A locomotive costs 3 million Euros and a wagon, 100,000 Euros compared to 30 million Euros for a high-speed train (TGV). On top of this, the wagon has a fundamental characteristic: it is the only rail asset which is easily changeable and which, according to market variations, will function just as well in France as in the most remote part of Europe (apart from in Spain & Portugal where the gauges are different). Consequently, the market for freight wagons is the only part of the rail sector where private investors have been operating successfully for more than a century because wagons are easy to sell liquid assets. The investment for a new wagon, with financial support from tax incentives, can be paid off in ten years, and because its lifespan is forty years, this amounts to at least a twenty-year tax niche.

Because freight transport only represents a small number of trains and very few clients, it does not require a very large platform to handle technical matters. The financial entrance barriers and the barriers to knowledge are not very high, and so the European Commission policy was able thanks to these low barriers.

New operators have focussed on the most profitable flows, and have managed to lower their break-even point by allowing historical operators, under political pressure, to take care of the rest. This open access model works as long as the size of the market allows it to work. At present in France, as a result of industrial collapse, the only markets which are solvent in the rail sector are the markets for cereal and stones.

The case of Britain is interesting because it is unique. When Margaret Thatcher broke up the British railway network by separating the operators and opening up the network to competition, she also put an end to coal-mining. Historically, thermal power stations had been built at the pitheads of these mines, but they were left to operate whereas the mines closed. Now several thousands of tonnes of coal which arrive from South Africa or Poland by sea are freighted every day by rail over small distances from the ports to the thermal power stations. Coal is now the main commodity transported by the British railway network. For a transporter, transport to mines by shuttle is ideal: the same train driver can make several return trips per day, organisation is basic, and the maintenance installation is located on the same site. Market needs are clear, and the operator has almost complete control over the market because the Central Electricity Board has to use coal. The success from opening up the market to competition in Britain is essentially due to the fact that by closing the mines, a solvent market for two operators was created.

For long-distance passengers, it is thought that there should be competition as there is for coaches and aeroplanes, and therefore open access. However, in this case, the entrance barriers are high because equipment is expensive and particularly because it cannot be changed. In France, trains run on the left, but in Germany they run on the right. Also the platforms are not at the same height, and the wagon sizes are different. When one buys equipment for one's normal use, it is then difficult to apply it to other countries. If one wants to sell it, the only potential buyer is a competitor because this asset is not easy to set up elsewhere, and every transporter's nightmare is overcapacity. So, if one has a project to compete with the SNCF on the Paris-Lyon route, one needs at least fifteen high-speed train wagons, each one costing 30 million Euros, and a maintenance workshop costing 150 million Euros. The price of the infrastructure is not known two years in advance and one has no idea whether the financial regulatory laws will make a small profit possible. It is not surprising that under such conditions, no banker will finance this sort of project.

As a result, no operator successfully manages long distance journeys in Europe. In Italy, the NTV (*Nuovo Trasporto Viaggiatori*), created by Luca Cordero di Montezemolo (former CEO of Fiat and currently CEO of Alitalia) had to be recapitalised twice to compete with the FS (*Ferrovie dello Stato Italiane*) and its subsidiary Trenitalia when the high-speed network was created. At least this competition served to energise the state-owned company and to improve greatly the quality of its service. In Germany, the operators who attempted to get into this segment all left the market. It is important to know if the size of the market allows for head-on competition with others in view of the high cost of the assets. Surprisingly, the European Commission has never asked this question.

A third model is a regional model regarding the granting of franchises. In this case most of the time, a region gives subsidies to the franchise buyer in exchange for a local monopoly. When buying a franchise, the entrance barrier varies depending on whether or not one has to buy trains. In the first case, because trains have a lifespan of between thirty and forty years, one can only really sell them to the company which will win the next tender. Since it takes five years between ordering trains and commissioning them, it is only possible to envisage long contracts. As a result, it is not uncommon to have competition models which have calls for tender every ten or fifteen years, which is nothing less than an oligopoly. This is not really the vision of competition which the European Commission had in mind.

Either one buys trains, rents them (using a third party to finance them), or the trains are provided by regions as is the case in France for example. However, in French public accountancy, paying off assets does not exist. The key question regarding this economic model is the future of the assets when they come to the end of their life. In Britain, the government has employed a system of renting wagons. The old British Rail trains, which were paid off a long time ago, were sold at a very discounted price to lessors who lent them not according to their net book value but according to the value of their use. Initially, this made them a fortune. However, things turned sour when the trains were no longer usable and were sent to the scrap heap, and new trains had to be bought. The necessary funds for the purchase of new wagons were found by increasing the rent value, but the banks subsequently withdrew their financing.

Lastly, the mass transit sector, involving suburban transport, is a very different situation. These local monopolies cannot be substituted: it is simply not possible to do without the commuter rail service around Paris, the RER, for example. The Paris Region is resigned to have to pay for it, and it unilaterally defines the pricing system without consulting the operator, and negotiates compensation in a five-year contract. This is an example of a franchise model where it is necessary to assess the purpose of competition in this sector and the frequency with which competition should be organised (every five years, fifteen years, or never, for example).

Is competition enough?

Therefore, the economic model gives a great deal of structure and one may well ask whether the mechanisms of competition are sufficient leverage to improve the efficiency of railways and their competitiveness. The answer is not that simple and depends on different markets.

Despite public money, the rail sector is losing money. It requires considerable investment in order to renew the infrastructure, but unfortunately lacks sources of funding. What is required for competition to play its role is a regulator which provides a framework for charges on the infrastructure over a time period which is sufficiently long so that it is possible to calculate a return on investment.

Because the use of equipment is crucial in the transport sector, any reasonably-sized newcomer to the market can only be used on profitable routes because he cannot operate on a national level like national operators who can operate cross-subsidies. However, there are not many profitable routes. The European Commission never really took this aspect into account.

Competition will only be possible under two conditions: a market size which enables several operators to be involved (which is generally not the case); and the turnover of equipment which is sufficiently frequent so that depreciation costs are covered by revenues. In this case, competition will lead to the collapse of profit margins. This means that the leading operator involved not only on the competitive route but also on others, will automatically lose his power of cross-subsidies. This is what recent events have demonstrated everywhere.

Discussion



Question: *Is the power that railway workers wield with regard to their manager not a major problem?*

Pierre Messulam: It has been shown that because the social fabric of the SNCF was historically very powerful, the distribution of the added value among the clients, shareholders and employees was biased in favour of employees. This has been the case for a long time, mainly because the government was not willing to avoid social crises, and also because since 1950 no-one in SNCF management was fool enough to brave political fury in an attempt to rationalise the network.

In the 1950s and 1960s, it was difficult for France to do without trains. A rail strike created chaos in the steel industry, cement works and coal-fired power plants, and stopping the ovens due to lack of supplies was a disaster. Employees knew that they had a very powerful hand. In the 1980s, people realised that France could do without railways; its industry had declined, its logistic chain had greatly changed due to a huge improvement in road transport, and an increase in private competitors offering alternatives to the monopoly that the SNCF had on freight. This proved to be the case everywhere apart from Paris where, during the SNCF and RATP (Paris public transport operator) strike of 1995, the government was driven into submission.

Apart from the area around Paris, social power in the form of trade unions has declined. This means that the rail market segment which is in a relatively good health today, is now confined to suburban transport, a few high-speed trains and freight routes, and a few regional express trains around regional cities where there is a need for mass transit. Therefore, more or less willingly, decisions have to be taken.

Q.: *I can identify three approaches in your talk which do not appear compatible. Firstly, the Darwinist market approach; secondly, the rational approach where everything is calculated; and lastly, the approach from people who do not question the profitability of their projects. In this large number of people and organisations, local points of view are important, but no-one is looking at the big picture. Is this why you are outraged?*

P. M.: Having spent so much of my career in this institution, I am far from happy to see that today it seems to be 'drowning' economically. Historically, the construction of the railway sector went hand-in-hand with the creation of nation states, and their sociological and political dimension is essential, even though it is never mentioned.

For a long time and for many people, the nation state was personified in schools, town halls, post offices and stations. Railways were a technical means for the state to establish its authority and to assert its presence. From the beginning, the train personified the spatial and temporal continuity of the state and the unity of the Republic: the letters 'RF' (*République Française*) are inscribed on the outer walls of train stations in France. It is understandable why people are so opposed to the closure of stations and railway lines which would relegate them to the rank of second-class citizens. Symbolically, it is extremely strong. As long as people fail to appreciate adequately what trains represented in the past in the collective imagination, and the role to which they have been reduced to today, these approaches will remain muddled and irreconcilable.

It is difficult to recognise that a great deal of energy has been spent in order to develop successful technical projects and achieve significant social progress so that the institution can find an economic balance guaranteeing its future, and to come to the conclusion that it is dependent on factors which are beyond its control. In the light of the obsolescence of the assets and the 'cliff effect' of investments, the future of the company is undoubtedly at stake: one must come to terms with the fact that it is not possible to continue with the current size and in the actual configuration which is the same since the post-war period. This will probably be at the expense of a considerable waste of the nation's assets.

Q.: *Do you condemn the competition myth supported by the European Commission?*

P. M.: I do not mind there being a founding myth in order to undertake an important political project. What I find harmful is that this myth was developed in closed circles and was disseminated without an opportunity for national political decision-makers and more importantly people to discuss it. What is good enough for the railways is also good enough for other sectors, and even if France can survive without the SNCF, it certainly cannot survive without a healthy EdF (French electric utility company).

Historically, the European Commission's position on competition in the rail sector is not at all absurd compared to the inability of governments to solve social problems and take decisions to structure the networks in the medium term. The logic appears to be sound but it is purely ideological. It ignores the way in which things take place in the field, and casts aside everything which is bothersome, and as a result the effects are undesirable. Other points of view were highlighted, but were quickly dismissed because they originated in historical monopolies suspected of short-sighted corporatism and were never taken into account.

As a citizen, what I find worrying is that in the current economic situation, the priority should be to know where we should invest both money and energy in order to have railways in the places where we shall need them now and for the next thirty years. However, in our institutions, trade unions or in public discussion, we do not have these choices. Without a choice, events will be imposed on us, sometimes compulsorily.

Q.: *Where are the solutions?*

P. M.: The solutions stem from the observation that railways are an efficient method of transport which is well-suited to some sorts of traffic but not to others. In our society, good management means avoiding wasting our resources. With the mass transit system in the Paris region or in other regional cities, it is necessary to maintain an efficient network with high-capacity trains, an efficient information system, welcoming stations and easy interchanges because this corresponds to the needs of the majority of the population. In France, the high-speed TGV train serves its purpose quite well. As far as freight is concerned, the key challenge for the future of our country is that our ports remain competitive: if they are not, our industries will be even less competitive and our GDP will suffer. Regarding other aspects of this sector, one must undoubtedly admit that there are other methods of transport and other more efficient social organisations, and that the railway, a 19th century invention, is not really adapted to our era.

As far as the TER regional express train system is concerned, the situation varies depending on the region. On the Alsace plain, it must be kept because the trains are part of a mass transit system, heavily used by the general public because the roads are congested, and the agglomerations have developed an intelligent strategy with an intermodal public transport system (one that combines several means of transport). It is not a huge problem if it loses some money because in this case the money from taxes contributes to an efficient transport system which supplements the wealth of the region.

However, if those who are supposed to be in charge do not answer these sorts of questions, the situation will become very worrying. Regions which are already in a precarious economic situation and whose future is uncertain will get to hear that, on top of everything else, they are going to be deprived of their railway links. This could potentially divide the country, as is already proving to be the case by the increase in votes for extreme political parties which is threatening the stability of our republican model.

An advantage of the emergence of competition from this point of view has been to reveal discrepancies, and to demonstrate the need to make economic and political choices. We still need to make these choices; if we do not, they will be forced on us at the expense of the interests of the country. The questions we are raising with regard to the railway system is just an epiphenomenon, albeit very instructive, compared to what is happening in the sectors of energy and education.

Q.: *Are our leaders really incapable of understanding these analyses?*

P. M.: La Rochefoucauld wrote 'death is like the sun; it cannot be looked at directly.' They are perfectly capable, but the current situation throws them into such a fit of fear that it makes them want to run in the opposite direction as fast as possible.

■ Presentation of the speaker ■

Pierre Messulam: graduate of the Ecole Normale Supérieure, engineering graduate of the Ecole des Mines, deputy director-general of Transilien SNCF since February 2014, having previously been head of strategy, innovation, research and regulation at the SNCF. He began working for the SNCF in 1989 having started his career in the nuclear safety sector. He was in charge of the SNCF Paris South-East region from January 1998 to October 2001 (Gare de Lyon and Villeneuve Saint Georges, the TGV South-East route), then managed the railcar activity for Groupe Ermew, and from 2004 to 2010, he was in charge of the TGV Rhin-Rhône project.

Translation by Rachel Marlin (rjmarlin@gmail.com)
