OUTLOOK AND CHALLENGES FOR THE FRENCH RAIL FREIGHT MARKET

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1) A PESSIMISTIC OUTLOOK

- THE RAIL FREIGHT MARKET IN FRANCE HAS BEEN DECLINING FOR THE LAST 40 YEARS

- THE MARKET OPENING DID NOT HAVE ANY EFFECT ON THIS TREND

- LAST FIVE YEARS HAVE BEEN ESPECIALLY CRITICAL FOR ALL THE OPERATORS
RAIL FREIGHT TRAFFIC HAS BEEN DECLINING IN FRANCE FOR 40 YEARS

In France road freight traffic tripled since 1984... while rail freight traffic lost 40%

Most european countries have seen an increase in rail freight traffic over the past ten years... not France
18 railway undertakings are operating in France

New operators have taken one third of the market.

**SNCF fret & VFLI**
Part of SNCF Logistics

**EuroCargoRail**
subsidiary of DB Cargo

**Europorte**
subsidiary of Eurotunnel, acquired by Veolia Cargo in Nov. 2009 and GB Railfreight in May 2010

**Colas Rail**
subsidiary of Bouygues Group
2013 Sales: 31 Mio.€
THE FRENCH RAIL FREIGHT MARKET IS NOT PROFITABLE

BOTH SNCF AND THE NEW OPERATORS HAVE SUFFERED LOSSES IN RECENT YEARS

Cumulated ECR and Europorte losses reached 145M€ on the 2009-2014 period

Fret SNCF losses has been decreasing consistently, thanks to a huge restructuring and downsizing effort

All main European rail freight companies have been losing money since 2009, due to a tough economic environment
2) SOME EXPLANATIONS

-> ON THE LONG TERM, FRENCH IDIOSYNCRASIES

-> ON THE SHORT TERM, MORE FRENCH IDIOSYNCRASIES

-> A COMMON ISSUE IN EUROPE : UNFAIR COMPETITION WITH THE ROAD
WHY THE FRENCH RAIL FREIGHT MARKET IS NOT PROFITABLE?

LONG TERM REASONS: FRENCH IDIOSYNCRACIES

- A steep decline in industrial production since the 80’s
- French ports are not competitive with those of the North Sea (Hamburg is twice as big as Le Havre, and Rotterdam is thrice as big as Hamburg)
- Average haul (domestic) is 100km (90 km for road, 350 km for rail)
- The burden of history: Fret SNCF has been the “armed wing” of the French government for transport policy, offering non profitable services on a large scale

- Downsizing was inevitable and necessary
WHY THE FRENCH RAIL FREIGHT MARKET IS NOT PROFITABLE?

SHORT TERM REASONS : MORE FRENCH IDIOSYNCRACIES?

1) *Disruptive maintenance and unreliable train paths*

The whole network is suffering from an important backlog in renewal investments; it is in very bad condition (average age of the track is twice as it is for the German network); SNCF Réseau is undergoing a huge effort to catch up; work possessions are numerous and affect the quality of train paths, and especially those of freight trains.

2) *Inefficient short lines operations*

20-25% of the rail freight traffic come from local short-lines (10% of the network, 3200km); SNCF has never been able to operate those lines efficiently (mainly because of union regulation); French government failed to help the development of specific short-lines operators (the tracks are in very bad condition, public money is lacking…).
THE COMPETITION WITH THE ROAD IS UNFAIR

- Differences in social rules are emphasised by legal loopholes (e.g. bogus self-employment, letterbox companies)

- Differences in wages and social welfare are emphasised by generalisation of cabotage

- A very road-freight-friendly policy approach that exists in many EU countries constrains a level playing field:
  - deregulations increased the authorised total load (40 then 44 tons and yet more in Northern Europe), and vehicles length (megatrucks being 25,25 meters long)
  - Project of eco-tax was abandoned (should have been 12c€/veh.km)
  - Rail tolls have been rising faster than road tolls since 2009

- Low oil price makes it almost impossible to keep up with road freight
ROAD DOES NOT PAY FOR ITS SOCIAL COST

Compared marginal social costs of transport (data: French Ministry of Transport)

- Costs
- Incomes
- Net Costs

Security
Noise
Local pollution
CO2
Congestion
Infrastructure

road cost = rail cost x 4
3) WHICH WAY FORWARD?

 ➔ POSITIVE SIGNS

 ➔ SHOULD/WILL RAIL PLAY A PROMINENT ROLE IN CLIMATE CHANGE MITIGATION?

 ➔ IMPROVING QUALITY OF SERVICE AND REDUCING COSTS

 ➔ WHAT WE NEED: INNOVATIONS AND CONSISTENT TRANSPORT POLICIES
POSITIVE SIGNS

After years of decline, rail freight traffic was on the rise again from 2013 to 2014 (+0.6%), thanks to international traffic (+7.2%)

Combined rail/road transport grew for the fourth consecutive year

Single wagonloads traffic, which has decreased by more than half from 2008 to 2010, has begin to level off, especially with Fret SNCF’s innovative “Multi-Load/Multi-Customer” product (MLMC)

Relevant markets are growing : +2-3%/year for the European railway freight ; +5-6%/year for the European automotive logistics market
CLIMATE CHANGE MITIGATION

SHOULD RAIL PLAY A PROMINENT ROLE?

To meet the European target for climate change mitigation, a 60% decrease in transport CO2 emissions is needed (2012-2050)

According to the French ministry of Transport, freight transport demand in France will rise by 50% between 2012 and 2050

Given the improvement of vehicles, CO2 emissions will increase by only 20%, but still far from the target!

Rail is far more energy-efficient than road and should play a prominent role in climate change mitigation for transports
EC Transport White Paper goals related to rail:

- More than 50% of road freight over 300km should shift to rail or waterborne transport by 2050;
- +87% in rail freight (+360 billion ton-km) compared to 2005

To reach these goals rail freight transport should improve its competitiveness:

- Improved reliability and punctuality
- Reduced costs per output-unit
IMPROVING QUALITY OF SERVICE AND REDUCING COSTS

- Focusing on the core business: long-distance, bulk products, aggregated volumes, automotive logistics…

- Better cooperation between all the actors of the rail transport chain: ports, short-lines operators, long-distance Rus, infrastructure managers…

- Digital solutions to improve the production process and the customer relationship (real time information, predictive maintenance of rolling stock, …)

- Fostering the development of innovative solutions:
  - rail motorways (Ro-Ro trains): 3rd rail motorway line (Calais – Le Boulou) to open in 2016 (55 000 semi-trailers/year);
  - longer trains (“Marathon project”)
INNOVATIVE RAILROADS FOR THE FUTURE?

- New generation of rolling stock for heavier and longer trains, dual/hybrid propulsion systems, « By Wire » communication and Electro-pneumatic braking system, electric power supply on freight wagons with train integrity function and control, automatic couplers, automated train formation, low noise and low vibration...

- Improved reliability of infrastructure (better maintenance strategies with remote infrastructure condition monitoring)...

- Advanced traffic management systems (automated, interoperable and inter-connected) allowing for predictive and dynamic traffic management, integrating real time data from the network and from the train: enhanced ERTMS with packet switching/IP technologies (GPRS, EDGE, LTE…) and GNSS…

- Automatic train operation (at least GoA2 : semi-automated)

- Increased network capacities with Moving Block signalling systems and virtual coupling/uncoupling
INNOVATIVE ROAD SOLUTIONS

 усиленных транспортных политик, доля дорог в общем объеме грузового транспорта может оставаться неизменной, а грузовое движение на дорогах увеличится на 50%.

Несмотря на это, новые технологии для грузового транспорта на дорогах могли бы позволить сократить выбросы в 2050 году на 35% (по прогнозам министерства транспорта Франции).

Например, электромобили и автомагистрали с переключением напряжения.
CONSISTENT TRANSPORT POLICIES

Climate change mitigation will be costly: the value for money raised by public funds will be a key issue.

Is the business model of “electric motorways” more viable than the “competitive rail” one, from the taxpayer point of view?

Be that as it may, we need a long term strategy and consistent transport policies:

- Stable and reliable train paths with a network in good condition (meaning investments and public money...)

- Level playing field with road freight transport: no social dumping, full coverage of marginal social costs for both road and rail

- Sustained effort of innovation (Shift2Rail...)
THANK YOU FOR YOUR ATTENTION