



## Press release

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### Decision by Araf on the dispute between Stif and Gares & Connexions

Paris 3<sup>rd</sup> February 2015

On 22nd July 2014, Stif - Greater Paris public transport authority - filed a claim with ARAF, the French Railway Regulatory Body, to solve a dispute between it and Gares & Connexions, a Division of the French Railways.

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Gares & Connexions is the Division of SNCF Mobilités in charge of managing passenger train stations (approximately 400 in the Greater Paris area). Pursuant to the legislation, this is to be done in full transparency and on a non-discriminatory basis.

Among the main complaints in the claim filed with Araf, Stif reproaches Gares & Connexions for its general lack of transparency that prevents from fully understanding what charges are invoiced, the rules applied for the allocation of charges between activities, the level of weighted average cost of capital (WACC) (WACC), and its cash flow use.

After the public hearing on 6th January 2015, during which both parties submitted their observations, the Araf Board ruled Stif's request receivable. On 3 February, the Board issued a Decision summarised as follows:

- **Transparency of the Gares & Connexions accounts:** Araf ruled that the information supplied by Gares & Connexions did not provide all the evidence required under the Rail Order of 20th January 2012 (Order on passenger train stations and other rail network service infrastructures).

Araf therefore would request that Gares & Connexions remedy the situation by sending a file every year, containing the cost accounting records for each accounting operational management perimeter of the Greater Paris train stations. Araf also would request that Stif would communicate the surface plans of all Greater Paris rail stations of national relevance (more than 250,000 passengers per year), since there is no valid reason for not doing it and since surface area is one of the keys used to allocate charges between activities.

- **Weighted average cost of capital (WACC):** pursuant to the Rail Order, charges must "cover all forecasted expenditures corresponding to the services rendered", including "the cost of capital employed".

The dispute between the two parties lies with the return on capital invested in train stations by SNCF Mobilités. Whilst rejecting the Stif's position that neither the risk

premium, nor the company tax is to be taken into account, Araf feels that the comparison by Gares & Connexions with the airport industry to justify its calculations is not relevant. The regulator takes a relative view on the scope of any risk to the shareholder, since Gares & Connexions' reliance on French economic activities is limited.

Hence, Araf would urge SNCF Mobilités to set the WACC rate somewhere between 5.5% and 6.9% before tax for regulated services, i.e. passenger information areas, versus 9.2% as is the case at present.

- **Allocation of the cash flow obtained from operating the Greater Paris train stations:** Stif challenged the equalization policy implemented by Gares & Connexions in its allocation of cash flow as it would appear to financially support train stations in other regions. Without ruling on whether the claim was legitimate, Araf considered there was no legal obligation that could force Gares & Connexions into a specific use of the cash flow produced in a given geographic perimeter. The regulatory body therefore rejected Stif's request.

**Concerning the other complaints** - Araf requested the following of SNCF Mobilités:

- Starting with the 2015 working timetable:
  - to class Paris Austerlitz, Paris gare du Nord and Paris gare de Lyon underground train stations as category B stations (regional stations),
  - to publish multi-annual performance and productivity objectives for all Greater Paris stations in the Station Reference Statement.
- Starting with the 2016 working timetable: to set up a measurement system measuring how often the service providing assistance to persons with reduced mobility riding the Transilien (i.e. Greater Paris) train network is used; and to communicate these results to Stif;
- At the latest starting with the 2017 working timetable:
  - to implement a new system differentiating charges in order to reflect more efficiently the use of each service by each Undertaking,
  - to define performance indicators and financial incentive mechanisms in discussion with Railway Undertakings and Authorities organising transport activities.

This decision is in line and can be appealed by filing with the Paris Court of Appeal within one month.