FOURTH ANNUAL RAIL MARKET REPORT
Executive summary

This fourth annual rail market report is the first publication of the French regulatory body of transports (ART) to cover both passenger and freight markets. In addition, the whole RER[1] service which runs on the National rail network (RFN[2]) as well as the Parisian urban network (RATP[3]) is considered. The report establishes a detailed and independent overview of the French railway market and its dynamic from 2015 to 2019.

New indicators and focus topics have been included:

- **Characteristics and usage of the least used rail lines ("petites lignes")[4]**
- **Notification of new rail services towards the market opening**
- **Complementarity between domestic rail and air lines**
- **Infrastructure managers' costs and investments**
- **Freight transport via rolling motorways**

The track's average age, around 29.2 years old in 2019, remained mostly unchanged although 1,000 km of rail lines of groups 7 to 9 (referred to as "petites lignes") have been closed since 2015. At the end of 2019, the RFN consists of 28,100 route km (49,500 track km), which has been relatively stable since 2015. Despite this apparent overall stability, we observe an extension of the network in 2017 with 600 route km (1,350 track km) of new lines and the shutdown of nearly 1,050 track km over four years. The network usage remained highly concentrated since 80% of the traffic was operated on only 38% of lines over which 90 trains ran each day on average. On the contrary, on the 20% least used lines of the network, only 1% of the train-km was carried out, which represents less than 10 trains per day on average. SNCF Réseau's maintenance operations mainly explain the relative stability of the network's age from 2018 to 2019.

Almost all stations were connected to a TER or Transilien service[5] in 2019 while 393 stations were connected to Intercité[6] and high-speed services. 62% of the stations, also referred to as *stations of local interest*, were only serviced by 22% of trains and accounted for 2% of the ridership only.

Lines of groups 7 to 9 had a total length of 14,300 track km among which 11,600 km were open to passenger services. They represent 29% of the RFN and 32% of the conventional lines which include a large share of the cross-provincial network[7]. While multiple aspects differentiate these lines from those belonging to other groups (age, equipment, speed, traffic), important differences stand between them too. For example, group 7 tracks are quite similar to those of group 6 but largely different from group 9 ones. This is true when we compare their characteristics (track number, obsolescence, average speed, equipment) as well as their usage intensity since the number of trains per day is three times lower in group 9 compared to group 7. Stations located on group 7 to 9's tracks are serviced almost exclusively by TER and Intercité trains. They only account for 2% of the total passenger traffic, 9% of TER and Intercité passengers and a tiny fraction of other services' passengers.

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[1] Paris region's suburban PSO service
[2] RFN for "réseau ferré national"
[3] RATP for "Régie autonome des transports parisiens" – Parisian urban network
[4] Conventional tracks are categorized into 9 groups according to their usage intensity (from 1 for the most used to 9 for the least used ones)
[5] Regional PSO services: TER (in all regions except Paris region), Transilien (Paris region)
[6] Long-distance PSO services
[7] As opposed to radial railways connecting Paris to and from main French cities

In 2019, infrastructure managers received €5.9 billion of access charges, including €130 million from freight transport. The charges from passenger transport reached €5.7 billion in 2019, increasing by 3.8% since 2015. 64.8% of this amount was paid by railway undertakings and the remaining 35.2% by the State (for TER and Intercité) and the public transport organising authority in Paris region (for Transilien) as public compensations.

In 2019, SNCF Réseau's operating costs were equal to €4.6 billion, 59% of which was related to network maintenance. Operational traffic management is another main category of expenditure which represented 22% of the operating costs. The annual maintenance expenditures ranged from €13,000 per track km for the least used tracks (groups 7 to 9 without passengers) to nearly €60,000 for the busiest tracks of groups 2 to 4.

The investments carried out by SNCF Réseau amounted to €5.4 billion in 2019, i.e. €600 million higher than in 2018, which was mostly spent on the busiest parts of the RFN. The biggest expense of €2.7 billion for "Renewal and performance" concerned the enhancement and renewal of the existing infrastructure components. Two other main expenditure items were "Regional development projects" (€1.1 billion for the planning contracts between the State and Regions) and the "Grand development projects".

The domestic passenger rail and air transports shown large increases from 2015 to 2019, with an annual growth rate of 1.7% and 2.8% respectively. The overall domestic passenger traffic was almost stable in 2019 (up 0.2% from 2018). The rail transport thus experienced the largest ridership increase (up 4.7%), followed by the air transport (up 2%). In 2019, the modal share of rail services in France is 10%, which is higher by 2 percentage points (pp.) than the European average.

On domestic links shorter than 4 hours operated by both rail and air services, rail transport is dominant in terms of ridership. In particular, it gathered nearly 90% of the number of passengers on domestic links shorter than 2h30 and close to 85% for links shorter than 4 hours in 2019.

The modal share of rail freight transport declined by 0.3 pp. compared to 2018 despite a global growth of freight transport of 2.6% during the same period. Road transport remained the most used mode of freight transport in France with a modal share up to 89%.

On the supply side, the rail passenger traffic grew by 1.6% in terms of seat-km and remained stable in terms of train-km. The total train-km amounted to 383 million in 2019, which is lower than the 2017 level. This global traffic growth came from TER services, which still benefited from the transfer of some Intercité lines, Transilien/RER activity as well as international commercial services (up 2.3%). Meanwhile, the domestic high-speed (HS) services declined over the last two years (down 2% in 2019). Like the second quarter of 2018, the fourth quarter of 2019 was severely impacted by strikes in the rail sector.

In 2019, 1.88 billion passengers and 99 billion passenger-km were transported. The traffic thus increased by 1.6% in terms of passengers and 4.7% in passenger-km compared to 2018. **The traffic growth was particularly strong for TER (up 10.6% in passenger-km) and domestic commercial services (up 5.7% in passenger-km despite the decrease in train-km).** Only Intercité services suffered a decrease in traffic following the transfer to regions**.**

The average occupancy rate increased sharply for all services in 2019. It reached 46.7%, increasing then by 1.4 pp. compared to 2018. **The largest increase was recorded for domestic**

high-speed services (up 3.2 pp.). The occupancy rate was 71% for inOui[8] trains, with a rise reported for all axes, and 78% for Ouigo.

The share of Ouigo services in domestic HS offer has continuously risen over the last 3 years to represent, in 2019, almost 11% of train-km, 17% of seat-km and 19% of passenger-km. In 2019, the SNCF group predicted an increase of 25% of Ouigo's share in HS traffic and a total number of 26 million passengers for 2020 (compared to 17.4 million in 2019).

The number of domestic direct railway links decreased by 2.6% in 2019 compared to 2018. In particular, Transilien experienced the largest decline. Among all the stations in service, only 13% was served by a long-distance service (HS or Intercité). **The remaining 87% of the stations was exclusively served by regional services (TER or Transilien)**, including 73% that were only served by regional PSO services managed by the region in which the station is located.

Among stations exclusively served by one regional service (TER or Transilien), Transilien stations are substantially different from TER ones. While 75% of Transilien stations saw at least 50 trains and 1,000 passengers per day, a large number of TER stations had only a low level of traffic. Indeed, **in over 500 TER stations (25% of the total number), there were less than 7 trains and 15 passengers per day in 2019.**

Compared to 2017, the impact of the strikes on the level of rail services was almost as strong in 2019 as it had been in 2018 with a contraction of 25% of the train-km during the fourth quarter of 2019. However, the impact on the number of passenger-km was limited, representing a decrease of "only" 15% over this period. The passenger service delivery rate[9] in 2019 is lower than in 2017 due to the strikes in the last quarter. Compared to 2018, this rate is higher in 2019 for TER and Intercité but lower for domestic HS, Transilien and international trains. **Punctuality at 5 minutes 0 second was improved for all services and regions.** The gain is 2 points for TER, 1 point for Transilien and 4 points for Intercité, international and domestic HS trains. One should note that punctuality varies according to the chosen threshold. Indeed, 9% of domestic HS trains, 12% of Intercité and less than 5% of TER reached their last stop with a delay of at least 15 minutes.

Railway undertakings' revenues (from fares and public compensations) have reached a record level over the last 5 years. They amounted to €14.3 billion in 2019, which represented a year-on-year increase of 5.4%. HS and TER services reported the strongest increase. **Thanks to a growing traffic and a higher revenue per passenger-km (up 1.2%) and per train-km (up 9.3%), the revenues of HS trains rose by 7.1% between 2018 and 2019.** Transilien revenues also grew in 2019 to return to their 2017 level.

Compensation received by railway undertakings for PSO services amounted to €5.53 billion, of which €3.34 billion went to TER (which represents 74% of TER total revenues) and €1.87 billion to Transilien (67% of Transilien total revenues). Revenues from fares (ticket sales and subscriptions) totalled around €8.75 billion in 2019**. The PSO services' share increased by 3 pp. since 2015, which is mainly due to the increase in the ridership**. Total revenues per passenger-km were relatively stable for all services in 2019. This is also the case for revenues from fares, which is €9.4 cents per passenger-km, up 0.2% from 2018. Over the last five years, we observe a high stability of revenues from fares as well as public compensations, in particular for TER and HS services. The market share of digital sales rose in 2019, to the detriment of sales over the counter and those on ticket terminals.

[8] SNCF's high-speed services include the standard (inOui) and low-cost (Ouigo) offering

[9] Number of effective departures over scheduled trains

In almost all regions, an increase in train-km and carrying capacity was noted for TER services. In 2019, the number of train-km provided by regional services was 170 million, rising by 3.7% compared to 2018. Over the same period, the number of passenger-km reached 15.2 billion, going up by 10.6%. The highest increase of train-km and seat-km was reported for Hauts-de-France, thanks to the taking-over of some Intercité lines. Large increases, higher than the average rise of 7.7% in seat-km, were also observed in Bretagne, Occitanie, Pays de la Loire and Bourgogne-Franche-Comté regions. As regards to Transilien and RER services, the strikes in the fourth quarter of 2019 had almost the same impact as the one observe during the second quarter of 2018 in terms of train-km. This resulted in a rise in train-km of 0.6% only for these services. On the demand side, passenger-km augmented by 1.2% compared to 2018 and reached 19.5 billion in 2019.

The occupancy rate increased for TER services in most regions (up 0.7 pp. on average) **but remained roughly stable for Transilien and RER in Paris region** (up 0.2 pp.)**.**

The punctuality was significantly improved for all services and regions. In 2019, the service delivery rate was higher than in 2018 in the majority of regions, except for Bourgogne-Franche-Comté and Paris region. Compared to 2017 however, this rate was still lower due to the strikes, like what was observed in 2018. The punctuality rate at 5 minutes 0 second of TER services was greater in 2019 in all regions but Normandie where it remained stable. Provence-Alpes-Côte d'Azur and Occitanie experienced a stronger increase in punctuality rate since respectively 2017 and 2018.

Revenues grew in most regions thanks to the increase of public compensations (of around 10%) and the bigger share of non-subscribers in the ridership and fares. In 2019, revenues of regional services increased by 7.2% and 8.9% compared to 2018 and 2015 respectively. Since 2015, the revenue growth has been driven mainly by the rise of public compensations (up 12%) and to a much lesser extent by that of revenues from fares (up 1.5%). The share of compensations in total revenues ranged from 62% in Centre-Val de Loire to 84% in Normandie and remained stable in all regions compared to 2018. Fare per passenger-km increased by 4.1% on average in 2019, due to the growing share of non-subscribers in the total number of PSO passengers. Indeed, fare per passenger-km of non-subscribers rose by 1.9% while remaining stable for subscribers.

Global and per train-km costs related to regional PSO services have increased for all TER contracts over the last four years. Even if this increase differs among regions, it does not appear to result only from an extension of the transport plan since global costs have risen less than costs per train-km (up 16.8%).

The freight transport declined slightly again in 2019, by 0.4% in train-km and 0.8% in tonne-km. The decrease was stronger for intermodal freight (down 4.1%). In the meantime, we observe an increase of 1.1% of freight revenues. 27 railway undertakings operated freight or works on the RFN and totalled 64 million train-km in 2019. However, the market remained highly concentrated since the top five railway undertakings represented up to 90% of the train-km and the top eleven ensured 99%. While the market share of the incumbent, Fret SNCF, has progressively decreased since 2017 (by 4 pp.), its holding group still ensured 75% of the freight transport volume. On the demand side, the traffic amounted to 32.5 billion tonne-km. The "conventional" freight represented 78% of the total transported tonne-km against 22% for intermodal freight.

Railway undertakings' revenues from commercial traffic reached €1.1 billion in 2019, increasing by 1.1% compared to 2018. It is still lower than the 2017 level by €73 million, with 2017 being the most recent year not impacted by significant strikes. The gap between 2019 and 2017 is in line with the revenue reduction reported by railway undertakings during the strikes of Decembre 2019 and January 2020, with a loss estimated to €100 million euros.

Rolling motorways have enjoyed a continuous growth since 2017. They are freight services proposed by two SNCF Group's subsidiaries (VIIA and Lorry Rail) with the train traction being operated by Fret SNCF. In 2019, ten active routes were based on three main rolling motorways: Bettembourg-Barcelona, Calais-Le Boulou and Calais-Orbassano. Almost 2 billion tonne-km were transported by rolling motorways in France in 2019, going up by 9.4% compared to 2018 and 15.1% compared to 2017. The three major axes respectively represented 74.4%, 17.5% and 8.1% of the tonne-km in 2019. The transport of semi-trailers dominated over that of containers, accounting for 70% of the tonne-km.

The punctuality of rolling motorway and intermodal freight trains was much lower than that of rail freight in general. Indeed, the rate of delay at last stop was up to 52.7% for rolling motorway trains and 46.1% for intermodal freight trains, while it was only 33.6% for the overall freight activity. However, one can notice a significant improvement of the rolling motorway punctuality between 2017 and 2019.