

The Fret SNCF Works Committee & Émergences present

FREIGHT TRANSPORT LET'S CALL IN A NEW ERA!



A REPORT CO-WRITTEN
BY THE FRET WORKS COMMITTEE
AND ÉMERGENCES



15 years of action by France's railway employees to save the freight industry

2001 | While government authorities and SNCF management continue to voice their ambitions for doubling rail freight traffic in France by 2010, the SNCF Central Works Committee establishes and proposes its *New ways to succeed in the redevelopment of rail freight*

2004 | The Central Works Committee organises a first national conference on the benches of France's Economic and Social Council

2006 | The Central Works Committee organises an exhibition on freight to suggest alternative and sustainable solutions to the Véron plan

2010 | The Central Works Committee and the Freight Works Committee organise a second conference in Paris and a national poster campaign: *"Tous les jours on tue le fret ferroviaire"* (Every day they're killing off rail freight)

2013 | The Central Works Committee draws up *"20 recommendations to get Fret SNCF out of the deadlock"*

2013 | The Freight Works Committee organises a travelling exhibition dubbed *"Pour une politique nationale des transports cohérente"* (For a coherent national transport policy)

2015 | The Freight Works Committee organises a third Freight conference in which SNCF management doesn't deign to participate, at Villeneuve-Saint-Georges, near to Paris

2016 | With *Freight transport: Let's call in a new era!* the Fret SNCF Works Committee and Émergences have co-produced a documentary featuring Gilles Balbastre and co-written the present report to alert government authorities and public opinion once more

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Preamble

This report has been co-written by the SNCF Fret Works Committee and Émergences.

It accompanies the documentary, which bears the same title, produced by Gilles Balbastre with the collaboration of the railway employees.

Both productions respond to one and the same objective: **instigating a public debate on the future of France's rail freight activity.**

Indeed, freight transport by rail is in the process of dying.

Three decades of competition with road freight have left it considerably weakened.

Whereas the road network costs relatively little to road hauliers, the railway network costs a lot to SNCF. And with rail freight already on the decline, European and French neo-liberal policies have found nothing better than to open it up to the competition, as if to kill it off altogether.

Nevertheless, road freight pollutes the most and costs the most to the community.

Rail freight is not only a matter of strategic interest to the country, it is also environmentally sound. How many of today's industrial activities can claim as much?

Our aim is for the documentary to be viewed, for this text to be read, and for the overall issue to be discussed.

***You will find this report along with the documentary on www.fret21.org
Please contact us if you wish to distribute it***

Clichy-la-Garenne / Montreuil, France, 13/01/2017

LET'S CALL IN A NEW ERA!



Our findings

They are threefold:

1. The upshot of road transport in terms of pollution, accidents and costs is inherently negative.
2. Rail freight is a widely recognised alternative that is both ecological and relevant to the development of the regional and national economy.
3. And yet, rail freight is in decline: its share in the overall transportation of goods has progressively fallen back in the past 30 years (to the benefit of transportation by road), and the rail network itself has deteriorated.

How many alerts must we raise before public policy takes a different approach?

1. The upshot of road transport is negative

Pollution

Against a backdrop of continuously increasing road traffic (+39% between 1990 and 2015 in billions of vehicle kilometres), and despite certain technological advances, road transport is today's biggest source of pollution¹.

Current scientific consensus estimates that greenhouse gas (GHG) emissions are the main cause of global warming.

In France, transport represents the biggest source of GHG emissions: 29% of GHG emissions in 2015, and 39% of CO₂ emissions, i.e. one of the main greenhouse gases. The share of transport in GHG emissions has increased from 21.7% in 1990 to 33% at present.

Among the various transport modes, road transport represents 92.8% of GHG emissions and 95.7% of CO₂ emissions. Cars owned by private individuals emit more than half of CO₂ emissions from road transport (53.3% in 2014, for 75.6% of overall road traffic). Next come heavy goods vehicles (lorries, buses and coaches), accounting for 21.4% of emissions (but representing a mere 5.3% of overall traffic), followed by light-duty vehicles which account for 19.3% of emissions (and which represent 16.7% of overall traffic).

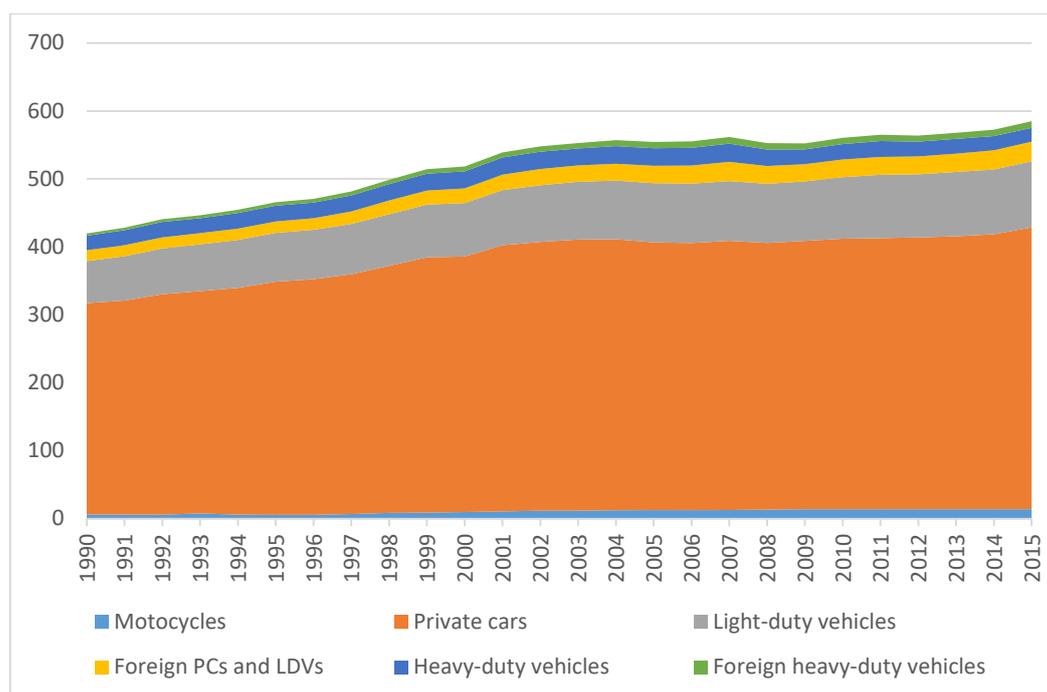
Road transport is the most polluting mode since it represents between 75 and 100% of the share of transport pollution, depending on the pollutant.

In all sectors of activity, road transport accounts for the biggest share of nitrogen oxides, copper and zinc (between 55 and 68%). Road transport also accounts for between 15 and 25% of emissions of carbon monoxide (CO), polycyclic aromatic hydrocarbons (PAH), dioxins and furans (PCDDs and PCDFs), cadmium (Cd) and arsenic (As), and 45% of emissions of lead (Pb).

¹ All the figures in this section are taken from part D "Transports et développement durable" (Transport and sustainable development) of the "Comptes des transports en 2015" (2015 transport accounts), 53rd report by the national transport accounts committee, 2016.

Roads that are increasingly congested

Traffic in France by type of vehicle (in billions of vehicle kilometres)



Source: SOeS-Assessment of traffic according to SOeS, CCFA, Setra, Asfa, Kantar-Worldpanel, TNS-Sofres, CPDP

Since the early 1990s, diesel vehicles have enjoyed lower fuel prices, firstly to open up opportunities for petroleum refineries, and secondly to satisfy the interests of car manufacturers and road hauliers. Supported by the State, these vehicles now represent 68% of France's vehicle population (versus 8% in 1980): 62% of private vehicles, 95% of utility vehicles and virtually 100% of the 643,000 heavy goods vehicles registered in France. Above all, they represent 80% of the air pollutant emissions from road transport. They are notably responsible for more than 90% of nitrogen oxide emissions and particles less than 10 µm in diameter (PM₁₀ and PM_{2.5}), whose effects on public health have been recognised for many years (mainly respiratory irritation for NO₂ and various cancers and respiratory diseases for fine particles).

Road transport is also primarily responsible for the depletion of oil resources, since it consumes 81.5% of petroleum fuels.

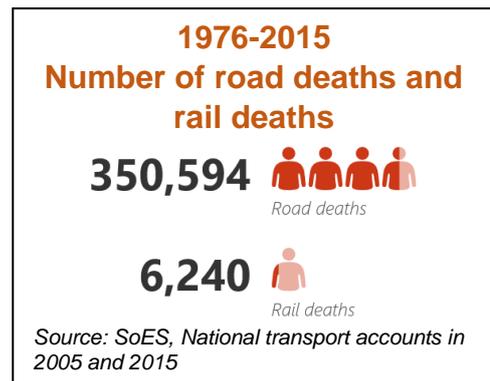
Lastly, road transport has adverse environmental effects given its encroachment on the natural environment. 2.8% of metropolitan France (1,550,000 ha) is dedicated to transport, 79% of which as roads or motorways. Surface areas allocated to transport are increasing (up 10.3% between 2006 and 2012), especially for roadways and motorways (which account for 80% of new surfaces).

All transport surfaces have an impact on the environment, in particular the fragmentation and compartmentalisation of natural spaces, and the loss of ecological links. Due to run-off, road surfaces in particular disrupt the water cycle, both qualitatively and quantitatively.

Human losses

Numerous reports in many countries have pinpointed the dangers of air pollution resulting from combustion engines in general, and diesel engines in particular. The highest world authorities, chief among them the World Health Organization (WHO), have raised alerts in this respect. The OECD believes that ambient air pollution kills more than 3 million people in the world each year, and is the cause of various medical problems (asthma, cardiovascular diseases, etc.) suffered by an even greater number². Published in 2005 as part of a

European programme, the “Pure air for Europe” study estimates the number of premature deaths to represent 42,090 in 2000, and 13,360 hospitalisations for respiratory and heart-related causes due to PM₁₀ and PM_{2.5} particles³.



The health impacts of road transport also concern road accidents. The number of people killed on roads in France dropped from 14,738 in 1976 to 3,461 in 2015. This is a success for road accident prevention, especially considering that road travel is constantly increasing. A similar trend can be observed for trains (albeit less linear), since the number of people killed in train accidents has gradually decreased, having frequently exceeded 200 deaths a year between 1976 and 1992, to less than 150 deaths a year since 1994, and less than 100 deaths a year since 2004 (54 deaths in 2015)⁴. Despite this progress, road accidents far outnumber rail accidents. In almost 30 years, the number of deaths from road accidents is 56 times higher than the number of deaths from rail accidents⁵. 2015 was a particularly bad year for roads: the number of deaths caused by road accidents was 64 times higher than that by rail accidents.

The number of people injured on the road is also much higher than for trains. From 2005⁶ to 2015, 559 people sustained serious injuries as a result of train accidents, compared with 353,786 for road accidents, i.e. an annual average of 51 people injured for trains, and 32,162 people injured for the road.

Even if heavy goods vehicles only represent 4.8% of road accidents in 2015, they account for 13.7% of deaths that year. The weight of the vehicle is an aggravating factor. Thus the probability of being killed is almost 3 times higher with a heavy goods vehicle: there are 17.4 deaths per 100 accidents involving a heavy goods vehicle, versus 6.1 deaths per 100 accidents out of all accidents.

² OECD, *Cost of air pollution: health impacts of road transport*, OECD Publishing, 2014.

³ AEA Technology, *CAFE Cost-Benefit-Analysis: Baseline Analysis 2000 to 2020*, 2005, and French Senate committee report on the economic and financial cost of air pollution, “*Pollution de l’air : le coût de l’inaction*” (Air pollution: the cost of inaction), report no. 610, 2015, p. 125.

⁴ Rail data is taken from the National transport accounts in 2005 and 2015 (for long series). Road data is taken from the French Road Safety Observatory (ONISR), *La sécurité routière en France, bilan de l’accidentalité pour l’année 2015*, Legal and administrative information department, 2016.

⁵ In both cases, the figures concern people who died within 30 days of the accident.

⁶ As of 2005, the definition of people who are “seriously injured” is the same for road safety and for railway safety, i.e. persons who are hospitalised for more than 24 hours.

Cost

The fallout from road transport on public health comes at a cost to the community. The estimated cost varies depending on the methods of calculation⁷.

Here, we shall limit ourselves to two types of data, by order of magnitude.

According to the French Road Safety Observatory (ONISR), whose methodology factors in production losses (the future potential work of the deceased), emotional loss for close ones, and the *pretium vivendi* (or price of human life) for the person whose life is threatened, the cost of road accidents represents €22.7 billion for 2015, and a further €10.1 billion in material damage⁸.

According to the “Pure air for Europe” study mentioned previously, based on a method that also factors in production losses and the *pretium vivendi*, the cost of air pollution in France (ozone, and PM₁₀ and PM_{2,5} particles) in 2005 was between €68 and €97 billion, and a further €3 billion for social security⁹.

These figures do not include the impacts of congestion, resulting in lost time, fuel consumption and vehicle wear. An American traffic news company estimated this cost at €17 billion in France in 2013¹⁰.

⁷ In fact, the cost depends on a number of methodological choices, in particular concerning how to calculate the share of healthcare relating to air pollution, the recognition (or not) of the loss to society when one of its members dies or becomes disabled and how this loss is calculated, and the recognition (or not) of expense for prevention, research, air quality monitoring, road traffic monitoring, etc.

⁸ ONISR, *op. cit.*, p. 34.

⁹ See AEA Technology, *op.cit.*, and the aforementioned Senate committee report on the economic and financial cost of air pollution: “*Pollution de l'air : le coût de l'inaction*” (“Air pollution: the cost of inaction”), p. 125 and 147.

¹⁰ CEBR & INRIX, *Economic & Environmental Impact of Traffic Congestion in Europe & the US*, 2014.

2. Rail freight is the alternative

The environment

Transporting goods by rail effectively limits transport's footprint on the environment and reduces congestion on the roads. A single freight train comprising 35 wagons can carry the equivalent load of 55 heavy goods vehicles each weighing 32 tonnes.

1. Rail freight pollutes the least.

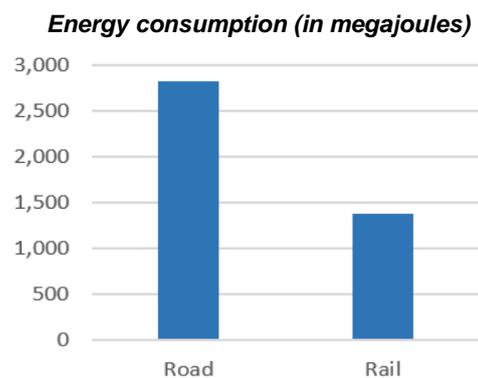
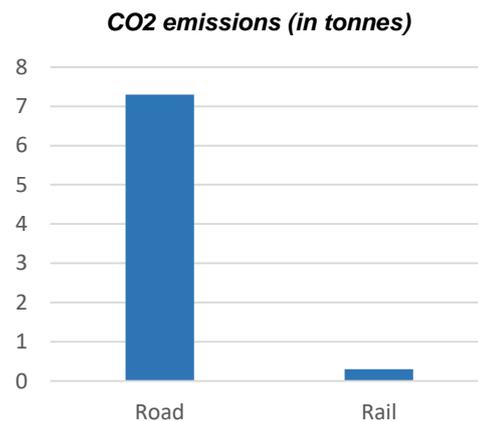
According to the European Environment Agency, rail transport emits 3.5 times less CO₂ than road transport per tonne-kilometre¹¹. Since 1990, road transport has contributed to the emission of greenhouse gases 179 times more than rail transport (all uses combined). The figures can be multiplied almost infinitely: road transport has emitted 63 times more SO₂ than rail transport, 61 times more NO_x, 650 times more CO, 16,000 times more lead, 24 times more PM₁₀, 54 times more PM_{2.5}, 1,100 times more PM₁, etc.

2. Rail freight is energy-efficient.

According to Vincent Doumayrou, author of the work entitled "*La fracture ferroviaire, pourquoi le TGV ne sauvera pas le chemin de fer*"¹² (The rail divide, why the TGV will not save the railway), rail transport (whose traction energy is 80% electrical) accounted for 10% of traffic (goods and passengers), consumed 2% of energy and emitted 0.8% of CO₂ associated with transport in France in 2014.

100 tonnes of goods from Lille to Marseilles: rail transport pollutes the least

According to the EcoTransIT online calculator (financed by European logisticians including SNCF), and by factoring in energy expense and CO₂ emissions resulting from the production and distribution of the energy used:



¹¹ European Court of Auditors, *Rail freight transport in the EU: still not on the right track*, Special Report no. 8, 2016, p. 11.

¹² Les Éditions de l'Atelier, 2007.

3. Rail freight is the best suited to transporting dangerous materials and goods. In the event of an accident, this type of transport involves high-risk stakes for the environment and for populations.

According to the French Ministry for the Environment, rail freight is the safest: there have been zero deaths in France involving the rail transport of dangerous materials in more than 40 years¹³, compared with almost 2 deaths per year when transported by road in recent years¹⁴. The European Union Agency for Railways estimates that the transport of dangerous goods is 20 times safer by rail than by road¹⁵.

Transferring the transport of dangerous goods from road to rail should be one of the objectives of public policies: today, these goods are mostly transported by road.

Transport of dangerous goods: the road is the dominant means

2014 transportation flows of dangerous goods over land in France

	Tonne-kilometres (tkm thousands)	%	Of which liquid hydrocarbons	%	Other products	%
Road transport	8,433	58	6,767	60	1,676	50
Rail transport	4,994	34	3,969	35	1,025	31
Inland waterway transport	1,195	8	567	5	627	19
Total	14,622	100	11,303	100	3,328	100

Source: CGDD/SoeS, SNCF, VNF

The economy and regions

Rail freight is also useful to the country's economy and to regional development.

1. It contributes to the operation of whole swathes of national industry. 34.3 billion tonne-kilometres of goods were transported by rail across French soil in 2015 (equivalent to the load of nearly 3 million 32-tonne lorries). 28% of these goods were transported for international trade (in tonne-kilometres), 10% for transit transport, and almost two thirds for national trade.

The goods transported are mainly associated with the national economy's primary sector, i.e. the exploitation of natural resources (agriculture, logging, mining, etc.), and with the secondary sector (activities for transforming raw materials including metallurgy, refining, public works & civil engineering, the chemical industry, wood industries, etc.).

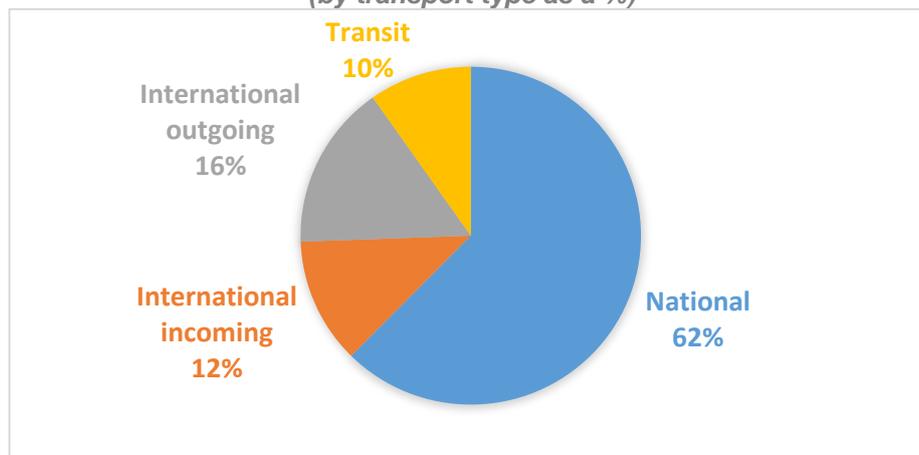
¹³ Philippe Follenfant, Thierry Galibert, Patricia Soilly, "Organisation du contrôle des transports de marchandises dangereuses", French Ministry of the Environment, Energy and the Sea, 2016, p. 19.

¹⁴ Éric Rebeyrotte, Gérard Lehoux, Marc Sandrin, "Le triage des wagons de marchandises dangereuses : état des lieux des infrastructures et des modes d'exploitation", General Council for the Environment and Sustainable Development", 2014, p. 10.

¹⁵ www.era.europa.eu/Communication/Events/Pages/Workshop-on-Risk-Evaluation-and-Assessment-Dangerous-Goods.aspx

34.3 billion tonne-kilometres of goods were transported by rail in 2015...

(by transport type as a %)



... mainly for industrial activities in the primary and secondary sectors

	<i>in billions of tonne-kilometres</i>	<i>as a %</i>
Agricultural products, hunting, forest and fishing products	3.5	10.2
Mineral coal and lignite; crude oil and natural gas	0.7	2.0
Mineral ores, peat and other quarrying products	2.1	6.1
Food products, beverages and tobacco	2.1	6.1
Wood, wood pulp, paper and publishing products	0.3	0.9
Code and refined petroleum products	2.4	7.0
Chemical products, rubber, plastic and nuclear fuel	2.7	7.9
Other non-metallic mineral products	1.8	5.2
Basic metals, metal products	4.4	12.8
Transportation equipment	1.4	4.1
Furniture, other manufactured goods n.e.c.	0.1	0.3
Secondary raw materials, waste	0.4	1.2
Equipment for the transport of freight	0.1	0.3
Grouped goods	4.1	12.0
Unidentifiable goods	8	23.3
TOTAL	34.3	100.0

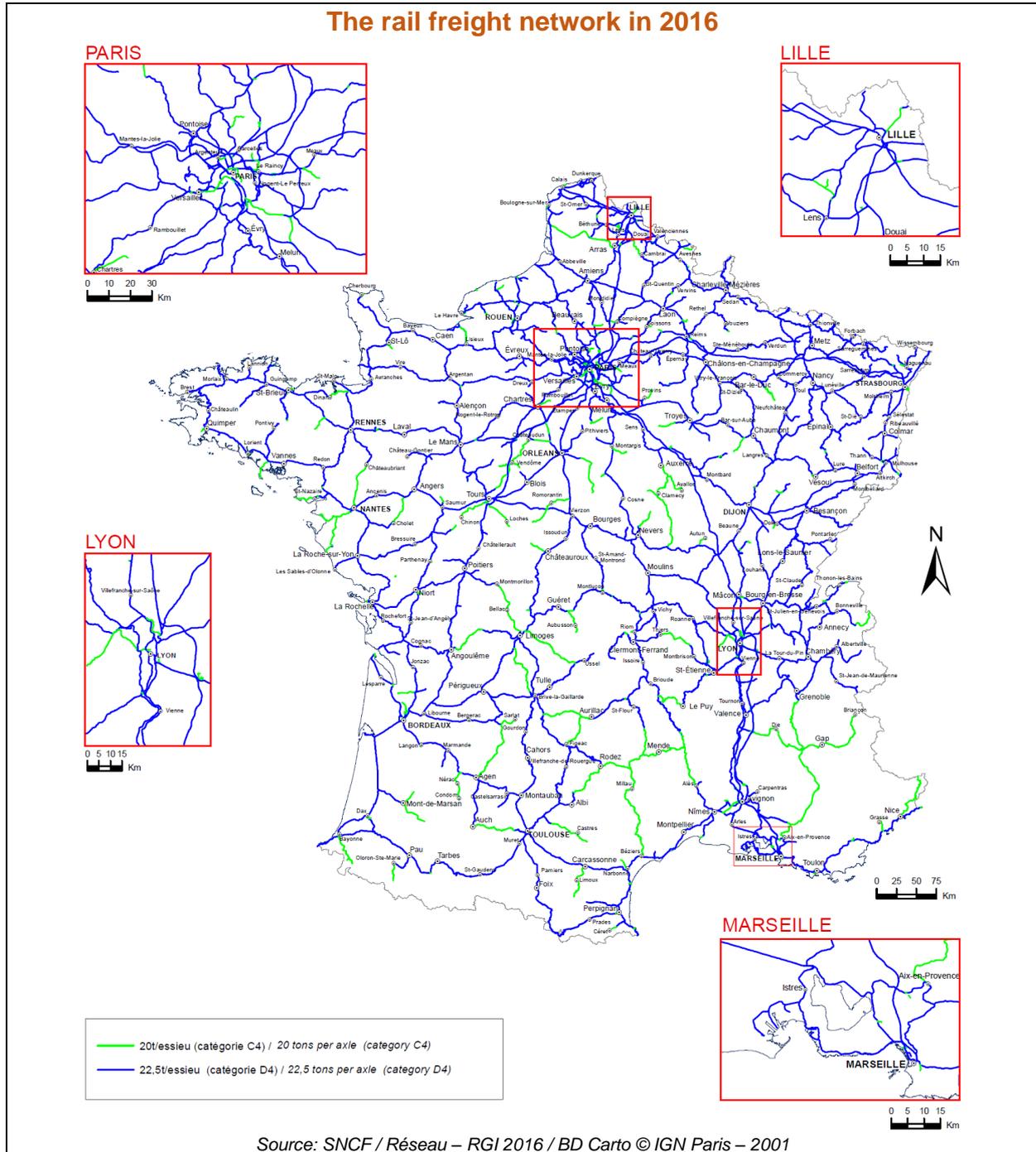
Source: SOeS, survey with railway operators

2. Rail freight is also a tool for territorial development. The rail freight network covers all of metropolitan France and serves a great many towns and industrial sites, from very large cities to medium-sized towns of 30,000 inhabitants (and sometimes less). This mesh means businesses can not only evaluate space as a cost, i.e. that of a distance to cover to ship a product, but also as an opportunity, i.e. allowing territories with complementary resources and potential to operate in synergy.

A freight railway line in operation brings with it direct jobs (loading, unloading, driving, etc.), indirect jobs (support functions) and induced jobs (food, clothing, public

services, etc.)¹⁶. In other words, a freight railway line in operation is a tool that serves to maintain regional employment, especially in rural regions.

Rail freight is also useful to territories because it participates in the financing of the rail network: a freight train in operation finances the line used by travellers.



¹⁶ This aspect is covered in the study commissioned by the Burgundy regional environment directorate (DREAL Bourgogne), which assesses the railway service's contribution to the territory based on scenarios for closed or maintained freight railway lines. DREAL Bourgogne, "Mise au point d'indicateurs sur l'apport d'une interface ferroviaire fret liée aux activités agricoles et forestières", September 2010.

3. And yet, rail is in decline

The collapse in French rail freight

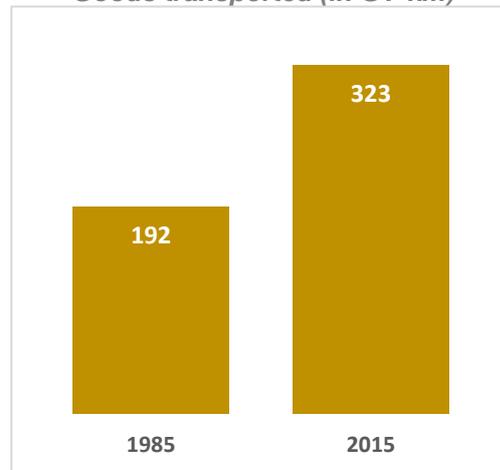
In France, the road dominates the transport of goods over land: in 2015, road transportation accounted for almost 87% of the 323 Gt-km (not including pipelines) of products transported across French soil, compared to 10.6% for rail transportation. This has not always been the case. In 1985, rail's modal share represented 29%. The share of rail has reduced threefold in 30 years. In 1950, it exceeded 65%!

Even if more and more goods are transported today than in the past (a 68% increase between 1985 and 2015), less and less are transported by rail: 56 billion tonne-kilometres in 1984, versus 34 billion in 2015.

In Europe, the situation is contrasted. The map below illustrates how the railway mesh reflects national histories and policies. Certain countries rely heavily on rail freight, such as Latvia (58.7% modal share in 2014), Switzerland (48.5%) and Austria (43.6%), while others use road transport almost exclusively, such as Ireland (99%), Greece (98.4%), Spain (94.8%) or Portugal (93.5%)¹⁷. The cases with Switzerland and Austria are interesting insofar as these countries use rail freight extensively, whereas they are mountainous countries where it is

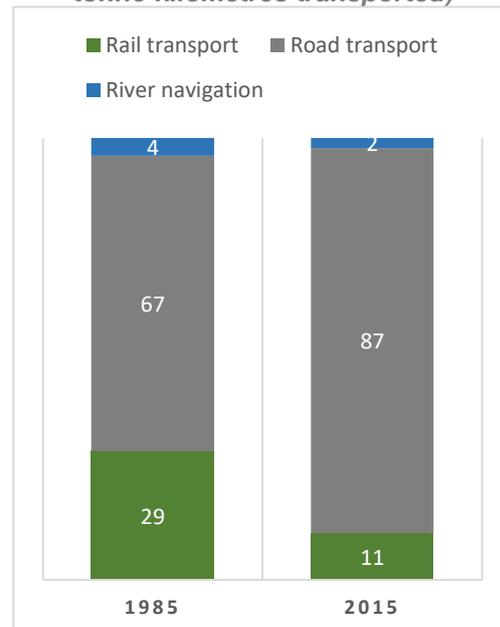
The volume of goods transported in France has almost doubled in 30 years

Goods transported (in GT-km)



However, three times less products transit by rail

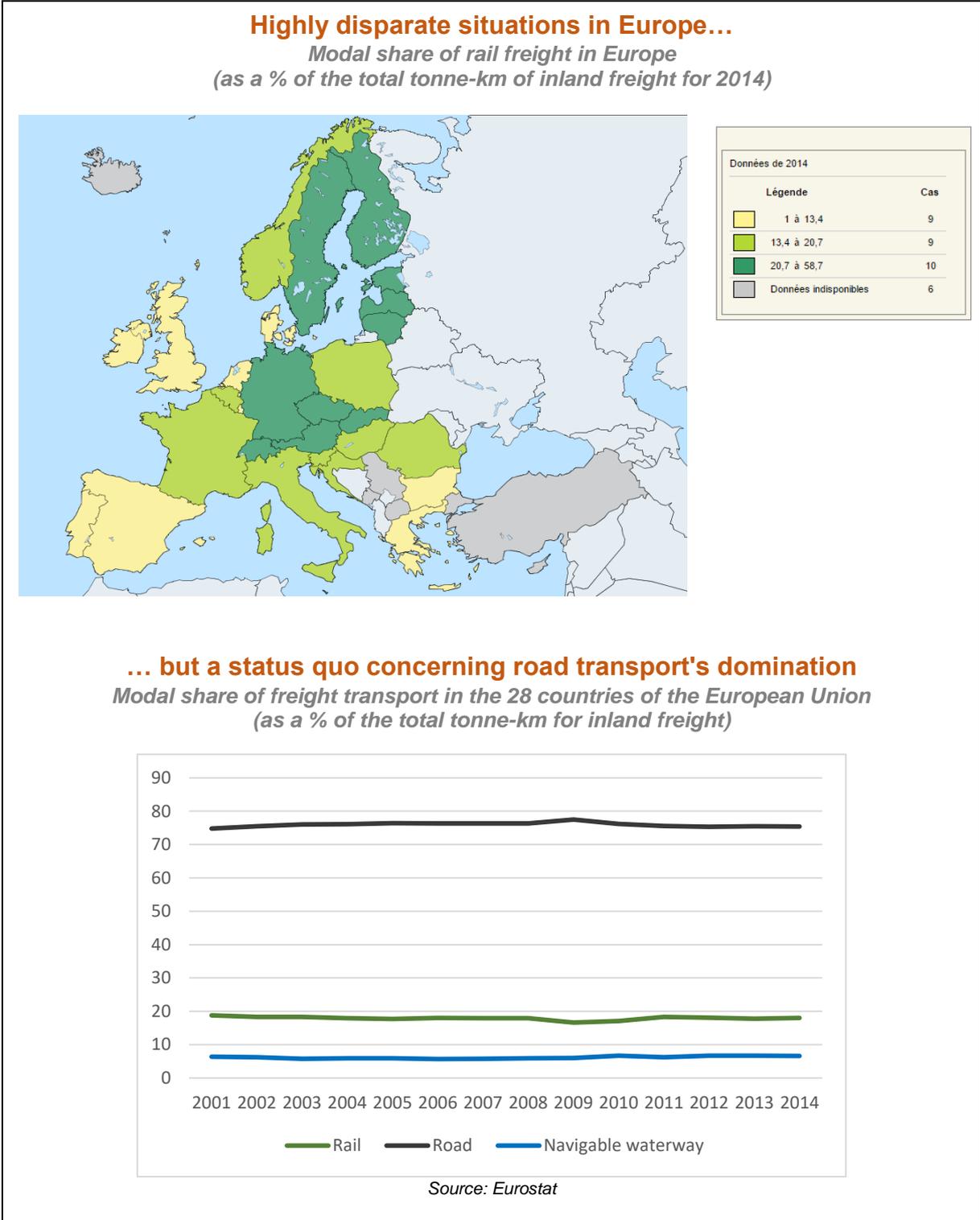
Share of goods transport modes (as a % of the tonne-kilometres transported)



Sources: SoeS, CCTN 2015, excluding pipelines, including transit

¹⁷ All figures are provided by Eurostat.

much more costly to build railway infrastructures than in comparatively flat countries. Some countries only make scant use of rail because they use inland waterways: this is the case with the Netherlands (39% modal share of inland waterways) and, to a lesser extent, Romania and Belgium (approx. 20%).



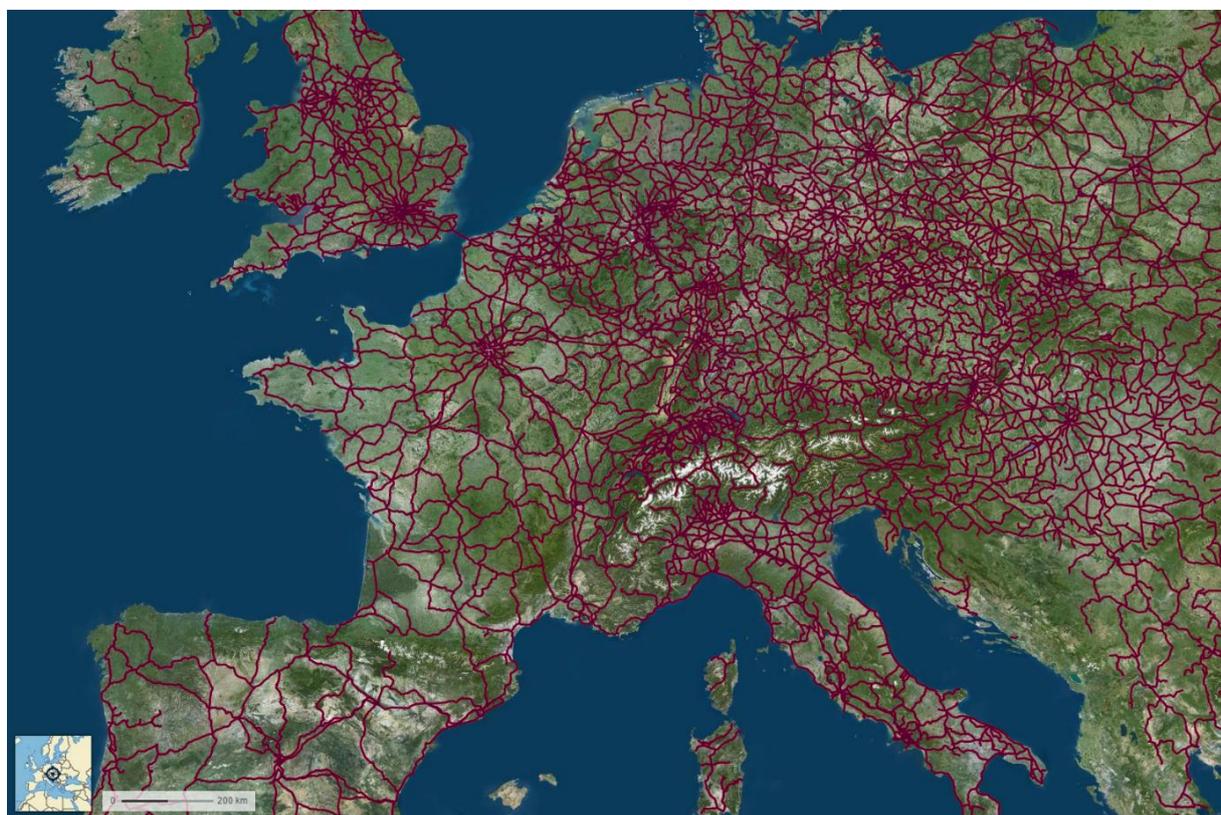
On the European scale, the road represents more than 75% of the modal share of freight, rail 18% and waterways a little less than 7% in 2014.

France is therefore behind in terms of the modal shift to rail, since Eurostat data cites 80.1% for the road¹⁸, 15.6% for rail and a little more than 4.3% for inland waterways.

France is not the only European country to have seen its modal share of rail freight reduced: 13 other countries are in the same situation. However, it is the only country in which substantial volumes of goods are transported by rail to have experienced a decline on this scale. Whereas in 2000, France was Europe's second leading country for railway freight in volume, it has since slipped back to third place (with 32,217 million tonne-kilometres), behind Poland and Germany.

Between 2000 and 2014, whereas rail freight dropped by 41.7% in France (in millions of tonne-kilometres), it increased by 1.8% in the EU 28, thanks to the development by the two main countries that make extensive use of rail freight in volume, namely Germany (142,582 million tonne-kilometres in 2014, up 36.2% over this period), and Poland (50,073 million tonne-kilometres), where rail freight has contracted much more moderately than in France (-7.3%).

The French railway network within the overall European network



Source: © GEOPORTAIL, Planet Observer

¹⁸ Note: according to Eurostat data, France has a slightly higher modal share of rail freight than that provided by the French Ministry of Transport in the framework of the *transport accounts*.

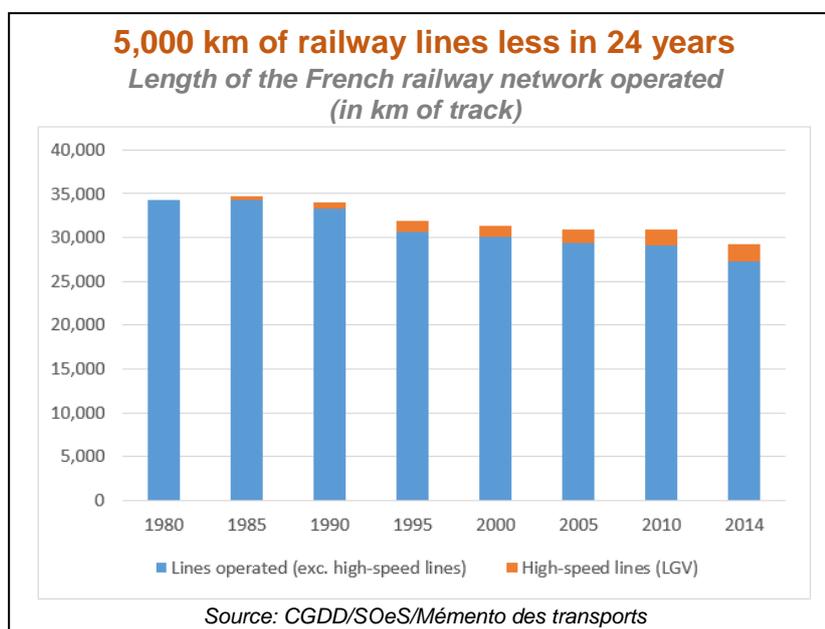
The decline of the network

Meanwhile, the share of rail in freight transport has collapsed, the network has deteriorated and has lost a great deal of its freight-related functionality.

1. The length of the network has shrunk.

Between 1980 and 2015, more than 5,000 km of railway lines ceased to be operated, i.e. a drop of 15%.

Investments in high-speed lines (approximately 2,000 km in 2014 for a network of 29,273 km) partly explain this drop insofar as they have weakened investments in other lines. 43% of the network, which totals 51,217 km of main track, is presently unused.



2. The network has deteriorated as a result of more than 30 years of insufficient investment in maintenance. Whereas, up until the early 1980s, SNCF used to renew more than 1,000 km of track each year, from then on this figure declined, falling down to 500 km in 2005. The effort to renew track and ballast subsequently increased, in particular in the wake of two alarming audits conducted by the École polytechnique de Lausanne¹⁹, and later the accident at Brétigny-sur-Orge on 12 July 2013.

However, it is simply not possible to make up for decades of neglect in a few short years. The network's deteriorated condition has reached its limit in terms of railway safety, to the point that freight and passenger trains must now reduce speed in many places across the territory²⁰. Moreover, works under way are disrupting production and impairing the attractiveness of rail freight, since they limit operating authorities ("paths") on the network, and generate delays²¹.

¹⁹ Robert Rivier, Yves Putallaz, *Audit sur l'état du réseau ferré national français*, École polytechnique fédérale de Lausanne – LITEP, 2005, then Yves Putallaz, Panos Tzieropoulos, *Audit sur l'état du réseau (audit Rivier)*, 2012.

²⁰ On this subject, see the documentary by Gilles Balbastre co-produced by the Nord-Pas-de-Calais regional SNCF works committee and Émergences, *"Vérités et mensonges sur la SNCF"*, (*Truths and lies on the SNCF*), 2015.

²¹ Thus, based on our calculations and on the data in the notice of 10 February 2016 by the ARAFER (French road and rail regulatory body) relative to the national rail network's 2017 service schedule reference document, only 73% of path-day requests received a firm, favourable response between 2012 and 2015 for freight paths (versus 91.7% for passenger paths).

**Marshalling yard at Somain (59) on 15 October 2015:
A derailed freight train on an obsolete track**



Source: Fret works committee

3. The number of marshalling yards has been drastically reduced with the announced elimination of 262 yards in 2007. These yards are essential for single wagon freight traffic; without them, only entire freight trains can depart, and are therefore only of any interest to major industries. The latest closure announced by SNCF in February 2016 is that of the yard at Somain. For the time being, it owes its reprieve to a moratorium for which Secretary of state for transport Alain Vidalies issued a request to SNCF management. This moratorium itself followed a collective action on behalf of the railway workers and local elected representatives²².

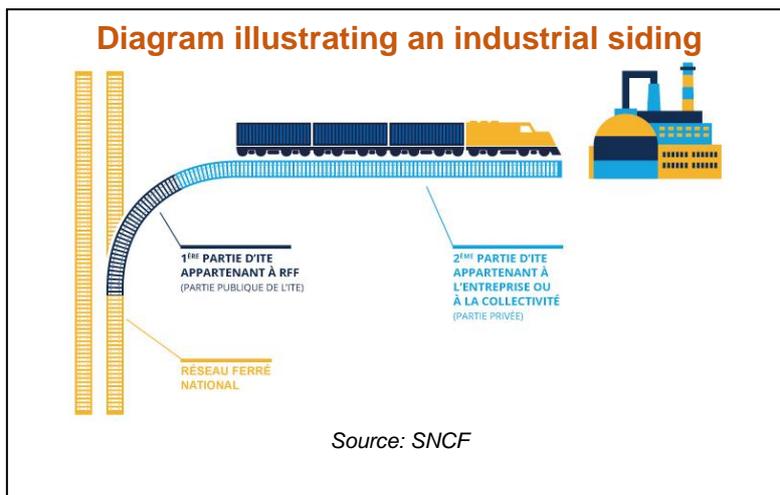
4. The capillary network is threatened. This network, which often consists of single-track lines and dead-end tracks, serves specific sites. It is essential for the development of rail freight since it serves to cover the “last mile” and to limit transfers from one means of locomotion to another, which otherwise prove costly in logistical terms. This network represents some 3,200 km of track, and 20% of national traffic (mainly comprising the transport of agricultural and quarrying products)²³. SNCF is about to close almost half of these tracks (1,250 km), on the grounds that they are no longer operated, and at the risk of preventing any return of rail freight in the areas served. The other half is also under threat: 450 km of track in the very short term, and a further 800 km within the next 2 to 4 years, following years of neglect and inadequate maintenance, which will now make rehabilitation costly²⁴. A rescue plan was launched at the end of 2014 for 518 km of track only, i.e. 15% of the total.

²² See pages 35-36 of this report.

²³ “Journée Objectif OFP”, *L'Officiel des Transporteurs*, no. 2811, 11/12/2015.

²⁴ Vincent Duguay (SNCF Réseau), “La situation et l'évolution des voies capillaires et de service” (The situation and development of capillary and auxiliary tracks), slideshow presented on the occasion of the *Fourth day of meetings and exchange on short-haul rail operators*, 2014.

5. The number of connections from the national rail network to private or privately used tracks (via industrial sidings) has been very substantially reduced. These connections have dropped from 10,000 in 1974, to 8,000 in 1990, 4,800 in 2002²⁵ and now stand at 1,400²⁶. This reduction is extremely damaging given that the origin or destination of most traffic is a siding. Again, the drop in the length of the network, the deterioration of the capillary network, the closure of marshalling yards and the reduced number of industrial sidings results in a weakened regional mesh for rail freight and, consequently, a drop in potential traffic.



Rail freight is socially useful, and yet it is dying.

How did it come to this?

²⁵ Hubert Haenel, François Gerbaud, *Fret ferroviaire français: la nouvelle bataille du rail*, La Documentation française, Collection of official reports, March 2003, p. 25.

²⁶ According to the SNCF Réseau website.

LET'S CALL IN A NEW ERA!



Our explanations

Three main reasons explain the decline of French rail freight and the domination of the road for the transport of goods over land:

1. Neo-liberal globalisation seeks to deregulate the transport sector. Its goal is to transport goods at least cost in order to orchestrate competition among countries, individuals and regions, and then reap the wealth produced for the benefit of a minority of individuals.
2. European and French authorities support this logic. Their credo is “free, undistorted competition”, i.e. the new Eldorado for empowering people. Their policies consist of support for road hauliers, suffocation of public transport operators, social dumping among European workers and a laissez-faire approach to environmental protection.
3. SNCF leaders seek to transform the publicly-owned company into a global logistics group. Placed firmly on a neo-liberal orbit and justifying their dreams of power to adapt to today’s competitive world, they prefer road transport over rail transport, and private trains over public trains, even if it means watching rail’s modal share in the transport of freight deteriorate a little more each day.

1. Neo-liberalism seeks to deregulate transport

Freight, a lever for introducing global competition

Under the impetus of neo-liberal policies, globalisation has led to widespread delocalisations, a proliferation of tax havens, mass unemployment, the dismantling of social policies, the privatisation of public services, increased precariousness and an unprecedented explosion in social inequalities.

At the core of neo-liberal globalisation, multinationals alone account for nearly two thirds of trade, in the form of exports and trading between parent companies and their subsidiaries. Their production model is based on establishing production sites across the globe with a view to organising competition between regions, and encouraging social, fiscal and environmental dumping.

The direct consequence of scattering production sites across the globe is the increased movement of goods. Freight transport “is one of the pillars on which the productivity gains achieved in recent decades in industry and mass retail are based. Modern methods of management (“zero stock”, “tight flow”, “just in time”) multiply the necessary transportation, which follows the production and marketing of goods as closely as possible. The circulation of this continuous flow engenders savings in terms of inventory management”²⁷. Virtually no sector is immune to this process: agri-food, IT, textiles, etc.

Products that disrupt global trade | Les Échos, 16/01/2013 (translated from French)

“Take some cocoa pods from Ivory Coast, Ghana and Nigeria, some hazelnuts from Turkey and Piedmont; grind them all up and add some palm oil from Malaysia or Papua New Guinea; now add some French sugar, some Belgium and French milk, a touch of soya lecithin and a handful of flavours, and lo and behold you’ve got some Nutella chocolate spread, one third of which is produced at the Villers-Ecalles site in Normandy. Take a fuselage made partly in Italy, partly in Japan and partly in the United States; stick on some wings made in Japan, Korea and Australia, some wheels and engines made in Great Britain; attach some French passenger doors and some Swedish baggage compartment doors, and you’ve nearly got a Boeing 787 Dreamliner. In all, Boeing uses over 28,000 suppliers that employ more than 1.2 million people. Now, take a touchscreen made in Japan along with some flash memory, transistors and a battery, add a Korean DRAM memory cell, German baseband processors and transceivers, a software solution designed in Great Britain, assemble it all in China, and hey presto, you’ve got an iPhone.”

²⁷ ATTAC, “Transport, énergie et effet de serre : l’impasse néo-libérale” (Transport, energy and the greenhouse effect: the neo-liberal impasse), January 2008.

Privatisation of profits, socialisation of losses

This production model is made possible by the paltry cost of maritime transport. It is no accident that this is the method of transport used for the majority of goods. As the French employer association proudly asserts: “the average cost of routing 20 tonnes of goods from Asia to Europe in a 20-foot container is virtually the same as an economy class plane ticket – for a single passenger – on the same journey”²⁸. These costs mainly rest on two pillars: tax havens, which provide bogus companies with an address, and “economical” flag states for ship registrations, which serve to hire underpaid staff with third-rate social rights.

The paltry cost percentage of maritime transport in the final price of the product

- 1.4% for a TV
- 0.75% for a DVD player
- 0.6% for a vacuum cleaner
- 1% for coffee
- 1.6% for biscuits
- 1% for beer

The same logic based on organising competition among regions and on the lowest social and environmental bidder also applies to road transport, whose drivers have become modern-day slaves to globalisation. Meanwhile, the same trends are at work in the transport of passengers, with policies for privatising national airlines, the forced opening of public rail networks to competition and the introduction of low-cost travel across the board.

This system is ecologically and socially destructive. Socially, because it consists in systematically levelling down social rights. Ecologically, because it relies on a complete lack of interest – on behalf of shippers and transporters – regarding the implications of transport on the environment and on populations.

Thus, while transporters are free to pollute and reap the ensuing wealth on the one hand, the community has to foot the bill for the consequences of such unscrupulousness on the other.

²⁸ Armateurs de France (French shipowners' association), communication document “90 % des marchandises transportées dans le monde empruntent le mode maritime” (90% of goods transported throughout the world use maritime).

2. Public policies are neo-liberal

The global organisation of competition is not merely a consequence of corporate strategies; it is also the result of public policies that make it possible in the first place.

It's all good for road haulier entrepreneurs

Public policies in terms of land freight transport systematically work in favour of road transportation.

1. While road hauliers pay virtually nothing for infrastructure construction, rail transportation must pay for nearly all of it. Roads are mainly built and maintained using public funds, in other words, paid for by the taxpayer. Conversely, for railways, the cost of infrastructure construction and maintenance falls on the carrier, i.e. SNCF for the most part.

2. Road transportation only pays for a part of the infrastructure usage cost, since tolls only apply to motorways, not to national roads. By comparison, rail must pay tolls that contribute to almost 50% of the financing of SNCF Réseau, the SNCF entity in charge of the infrastructure. French railway tolls have literally exploded in recent years: +11% in 2010, +11.7 in 2011, +6.3% in 2016. This expense represented around 9% of Fret SNCF's revenue in 2015.

3. Unlike the road, rail must bear the charges of the system's debt, even though the criteria of this debt correspond to

Abandonment of the eco-tax scheme: a lesson in political courage?

On the occasion of France's *Grenelle de l'environnement* forum in 2007, the stakeholders all agreed on the need to restore a degree of competitiveness to rail transportation by introducing a kilometre-based eco-charge for heavy goods vehicles on the publicly managed road network. This tax has been in force in Germany since 2005 (LKW-Maut), where it brings more than €4 billion to the State's coffers on average each year. The yield from France's proposed eco-tax was much more modest, with the most optimistic estimates pointing to a potential income of €1.2 billion. Clearly, this amount was insufficient to bring about any significant reduction in the gap between road and rail. However, it would have served to finance the budget of the French Transport Infrastructure Financing Agency (AFITF) and to contribute to the rehabilitation of France's railway network. The ensuing campaign of dissent undertaken by road transportation lobbies and the so-called "bonnets rouges" movement promptly led the government to drop its project like a hot potato in 2014. If we factor in the compensation package subsequently paid to Ecomouv' (the private company appointed by the State to collect this tax), the government's renunciation ultimately cost a whopping €968 million in public money¹... To say nothing of the tax giveaways consented to road hauliers back in 2009 (reduced wheel axle tax, bigger tax reduction on diesel, authorisation of 44 tonne lorries, etc.) in anticipation of its implementation.

that of public debt²⁹... which means it must be borne by the State. Following German reunification, the German State took charge of all the debt amassed by the *Deutsche Bahn*. In France, the interest on debt alone amounts to €1.5 billion each year. These missing billions mean less investment, particularly in the railway network's rehabilitation. It must be recalled that, if the State had financed its high-speed lines, SNCF's budget would now be balanced.

4. Since 2013, the French State has authorised 44-tonne 5-axle vehicles on French roads. This decision exacerbates the competitiveness gap between rail and road insofar as freight's advantage mainly hinges on the volume of goods to be transported. Once again, it is the taxpayer who ultimately foots the bill, since a "44 tonne heavy goods vehicle produces wear/aging equivalent to two 40 tonne vehicles for a road with dense traffic (2% additional maintenance cost), and has an even greater impact on roads with little traffic (+4%)", where the cost for the community is estimated at between €414 and €507 million³⁰.



Photo credit: Fret SNCF works committee

5. Road hauliers benefit from a tax giveaway as a result of the tax differential between petrol and diesel. According to the French customs authority, in 2011, the loss of tax income, all users included, stood at €6.9 billion³¹. If we consider that, in 2015, road transport accounts for 45% of diesel consumption (51% for private individual transport and 0.4% for rail transport), this means that 45% of the tax giveaway associated with the tax differential between petrol and diesel ends up in the pockets of road hauliers. Added to this are the TICPE tax exemptions from which, incidentally, these same hauliers benefit!

6. For the benefit of major road haulage groups, European regulations have organised social dumping among European workers, under the pretext of free, undistorted competition. One of the levers for this is cabotage: a foreign haulier is entitled to perform up to three cabotage operations in France within seven days starting the day after the unloading of the international transport, under the price conditions of its point of departure. Consequently, after unloading in France, a lorry from Romania can provide up to three services on French soil, but at Romanian price conditions. Electronic freight exchange platforms (such as Teleroute, B2Pweb,

²⁹ As underscored by the French Court of Auditors in its report entitled "*Le réseau ferroviaire : une réforme inachevée, une stratégie incertaine*" (The rail network: an unfinished reform, an uncertain strategy), 2008.

³⁰ DGITM (Directorate General for Infrastructure, Transport and the Sea), *Report to Parliament on the issues and impacts relating to the widespread implementation of the authorisation for 44 tonne heavy goods vehicles to use the roads*, 2011, p. 6.

³¹ See Cour des comptes (Court of Auditors), "*Référé sur les dépenses fiscales rattachées à la mission écologie, aménagement et développement durables relatives à l'énergie*" (Tax expenditure associated with the mission for ecology, sustainable planning and development in terms of energy), 2012.

Wtransnet, TimoCom, etc.) have since sprouted up to cash in on this market. These platforms are very worthwhile for major road haulage groups, considering that a French driver costs €46,000 a year, compared to €26,000 for a Spanish driver working for a low-cost subsidiary, and €20,000 for a Polish driver. Worse, these authorisations have been both over-used and ill-applied, as was the case with the Norbert Dentressangle group, which created two entities in Poland and Romania (some 1,400 employees on both sites) to fully exploit cost differences within the European Union³².

French rail freight is unable to fight in these conditions. The same goes for French road freight for that matter, as illustrated by its present decline: having enjoyed a European market share of 50% in 1999, ten years later this figure stood at 10%, with the loss of 21,000 jobs in the interim³³.

Faced with this blatantly urgent situation, as of 1 July 2016, the French government (like the German government before it) ordered international road hauliers to apply France's SMIC minimum wage for posted workers as soon as they enter the territory. Nevertheless, the social contributions paid continue to be those of the country of origin, which in turn continues to encourage social dumping.

In fact, it seems unlikely that this obligation will be fully observed given the State's diminishing powers of control in the face of hundreds of thousands of lorries on French roads, and their wide scale infringement of applicable regulations. A recent control operation on the night of 16 October 2016 in the Paris region gives some insight into the scale of the fraud: out of 27 vehicles intercepted, 26 of which were registered outside France, the State services registered no less than 18 offences, 10 of which concerned "unfair competition" (failure to observe regulatory rest periods, dubious cabotage operations, and non-compliant or missing secondment certificates)³⁴.

Worst of all, the European Commission considers France's minimum road transport wage (SMIC) to be excessive and, in June 2016, decided to take initiate legal proceedings against France on the grounds that this wage "restricts in a disproportionate manner the freedom to provide services and the free movement of goods"³⁵.

Competition: the bright future of the railway

Unfortunately, deregulation policies are not limited merely to road transportation. Air transport was the first to be deregulated in the early 1980s in the US, and a decade later in Europe. The rest of the story is familiar: mass destruction of employment in large national companies; creation of low cost airlines that promptly cut back on the

³² Information report by French Senator Éric Bocquet, *Le droit en soute ? Le dumping social dans les transports européens* (Law in the baggage hold? Social dumping in European transport), 2014, p. 15, 22.

³³ *Le droit en soute* (Law in the baggage hold), p. 22.

³⁴ "Opération de contrôles coordonnés en faveur d'une concurrence loyale dans le transport routier de marchandises, 10 infractions sanctionnées en 4 heures" (Coordinated control operation in favour of fair competition for road transport, 10 offences in 4 hours), Press release by the Préfecture de Paris et d'Ile-de-France, 21 October 2016.

³⁵ "Transports: Commission takes legal action against the systematic application of the French and German minimum wage legislation to the transport sector", http://europa.eu/rapid/press-release_IP-16-2101_en.htm

quality of service delivered to passengers, while worsening the working conditions of staff.

And so, quite naturally, our European leaders have decided to do likewise with rail travel. Directive 91/440 of 1991 required that organisations operating the infrastructure and those operating the trains be separate and run on a commercial basis to prepare for subsequent open competition (which led to the disastrous birth of Réseau ferré de France – RFF, a decision which the legislator later reversed in 2014). The European Commission continued with its open competition objective via three packages: the 2001 directive for open access to international freight traffic as of 2003; the 2004 directive for open access to all freight traffic as of 2007; the 2007 directive for open access to international passenger railway traffic as of 2010, with the possibility of cabotage. The present calendar plans to open up the competition in 2020 for high-speed trains, and in 2024 for trains working under contract (TER and TET).

Freight was the first to be introduced to the competition, on 31 March 2006, because, unlike passengers, it doesn't vote.

During parliamentary debates on the liberalisation of freight, the majority of that time presented it as a means for revitalising both the sector and SNCF.

Ten years later, the results are plain to see, and they are far from positive.

It's great to be liberal...

Excerpts from parliamentary debates on the liberalisation of freight (translated from French)

"The liberalisation of freight must be seen as a development opportunity for SNCF" (Robert Lamy, deputy).

"By proceeding in this way, we can save rail freight. [...] There will be no modal shift to rail if we stay in a monopoly situation. Practice has clearly shown this. Asking to keep the status quo means asking to lose market share in freight year after year. This runs counter to general interest and to that of SNCF. [...] Competition will serve to improve quality of service while reducing costs for shippers. This will make the entire transport chain more competitive" (Christian Philip, deputy).

"This transition is part of the Government's considered orientation towards a dynamic, modernised policy of investment for the benefit of employment and growth" (Dominique Perben, minister).

"Via the measures that we are putting in place, [we will thus be able to] kick-start rail and inland waterway freight, and thus alleviate road traffic" (Charles Revet, senator).

"Today, it has been shown that, wherever there is competition, things work better. And, wherever there is lack of competition, things work less well! It's a proven fact [...]" (Bruno Sido, senator).

1. The introduction of competition has not increased rail freight's modal share.

It has not reduced road freight transport. Sylvie Charles, director of SNCF Logistics' TFMM division pointed this out in 2014: "Opening up the sector to the competition has allowed newcomers to gain a 35% share of the market. However, more than 95% of the traffic was already operated by rail. The introduction of competition has not brought about any noticeable modal shift to rail"³⁶. Indeed, its main effect has been to compete with SNCF on connections that were already in service, mainly the most profitable among them, which in turn now prevents any equalisation between lucrative traffic on the one hand and less lucrative traffic on the other.

³⁶ "SNCF est bien sur la voie du redressement" (Fret SNCF is well on the way to recovery), *L'Officiel des Transporteurs*, no. 2722 of 24/01/2014.

2. The introduction of competition has not proved to be profitable. As pointed out by the AFRA, the sector's employer association³⁷, in April 2015, rail freight companies are in a "relatively delicate situation".

There are now 20 such companies (including SNCF) fighting for an ailing national market. Added to that are a dozen local railway operators, the emergence of which reflects SNCF's withdrawal from the short-distance market.

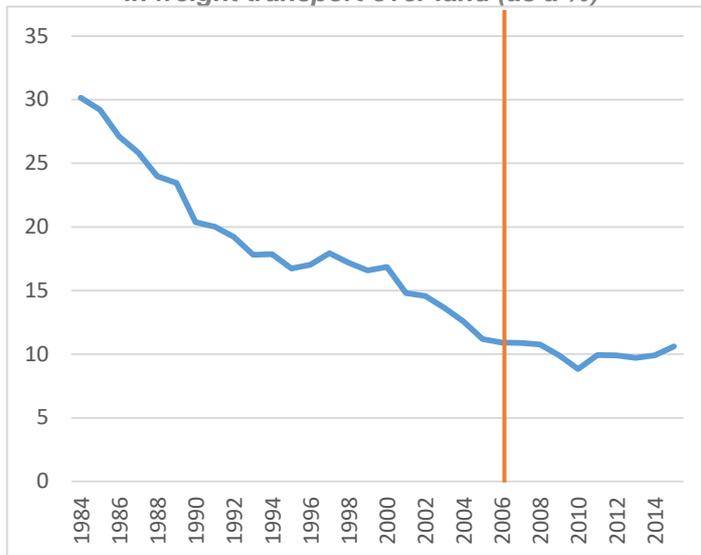
3 operators belong to SNCF: Fret SNCF, VFLI, and Captrain Italian SRL.

The others are subsidiaries of major European companies (DB, SCNB, etc.) and maintenance companies that offer a freight service (Vinci, Bouygues, etc.).

After ten years of open competition, the newcomers have taken 39% of the overall traffic from SNCF³⁸, however only one company appears to genuinely benefit: VFLI as it so happens, the private subsidiary of SNCF. In comparison with the other private operators, VFLI benefits from easier market access thanks to the SNCF group's clout. In comparison with SNCF's public operator, namely Fret SNCF, VFLI can turn to advantage the employment conditions of its employees, less favourable than those of SNCF since they fall under private law.

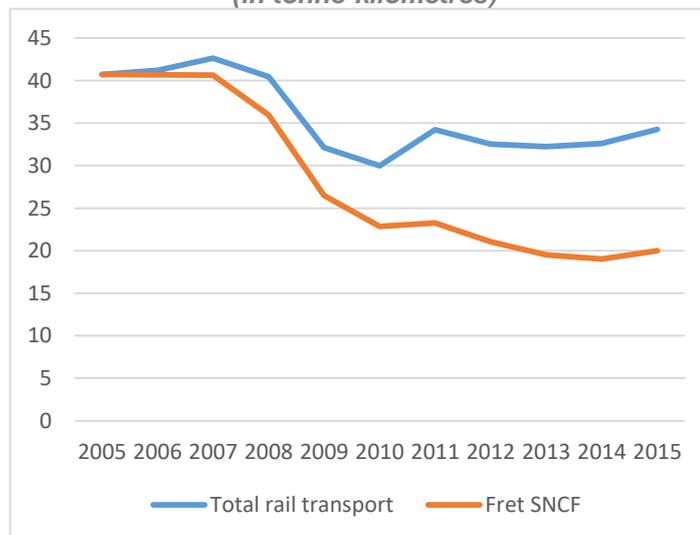
The liberalisation of 2006 has not curbed the train's long-term decline...

Modal share of rail freight in freight transport over land (as a %)



... However, it has promoted the decline of public operator Fret SNCF

Comparative trend of all rail traffic and of the share provided by Fret SNCF (in tonne-kilometres)



Sources: SOeS based on Eurostat, DGEC, VNF, not including pipelines, including transit; SNCF data

3. The work and employment conditions of the sector's employees have deteriorated, since the status of employees has gone from that of SNCF railway

³⁷ AFRA press release, <http://www.assorail.fr/actualites/fret-ferroviaire/les-operateurs-de-fret-ferroviaire-dans-une-situation-financiere-fragile>

³⁸ *Les comptes des transports en 2015, 2016 (2015, 2016 transport accounts)*, p.108.

workers to that of employees covered by the agreements of the private rail transport branch, which are considerably less favourable to employees, and geared towards work intensification³⁹. Moreover, the sector's employers seem to have jumped the gun when they proudly claim to have created almost 2,500 jobs in less than 10 years⁴⁰: they conveniently forget that more than 7,500 jobs with Fret SNCF have been axed in just 8 years (2009-2016).

Sustainable transport can just as well wait

1. For rail freight, the hopes aroused in 2007-2008 at the Grenelle de l'environnement have been dampened. And yet, matters got off to a good start with the presentation of a commitment to rail freight at the Council of Ministers on 16 September 2009. 7 years later, only 2 out of 8 commitments have been partially respected. The modernisation of path management by RFF (now SNCF Réseau) has been improved somewhat, but the results could be largely bettered. Local railway operators have experienced a certain degree of development, but none have proven their economic viability or played any role in the development of traffic. As for rolling motorways, nothing has really been accomplished; the massive aid promised to combined transport has not seen the light of day, the development of high-speed freight has languished, the prioritisation of freight and the elimination of bottlenecks have been mothballed, and so on.

The 8 areas of national commitment for rail freight from 2009 to the present day

1. Creating a veritable network of synchronised rolling motorways in France to put lorries on trains	Unfulfilled
2. Investing massively in the development of combined transport to put more containers on trains	Unfulfilled
3. Fostering the development of local railway operators: creating railway SMEs to serve regions and port areas with streamlined, suitable organisations	Yet to be proved
4. Developing high-speed rail freight between airports: using high-speed lines outside peak times to transport goods	Unfulfilled
5. Creating a "freight-oriented network" mainly dedicated to freight	Unfulfilled
6. Eliminating bottlenecks, notably in Greater Lyon and between Nimes and Montpellier, i.e. the national rail network's main congestion points	Unfulfilled
7. Improving the rail connections of France's main ports, a prerequisite to their development, as substantial sources of massified freight	Unfulfilled
8. Modernising the management of paths (improving journey times and adhering to freight train timetables) and dealing with freight as a priority	Could do better

³⁹ Marnix Dressen, "Ouverture du marché du fret ferroviaire. Du statut du cheminot à son refoulement ?" , in S. Hazouard (dir.), *Relations sociales dans les services d'intérêt général : une comparaison France-Allemagne*, Cergy-Pontoise, CIRAC, Coll. Travaux et documents du CIRAC (State Railways), 2011, p. 171-194.

⁴⁰ AFRA press release, already cited.

2. In no way does the French Energy Transition Law of 17 August 2015 represent an improvement for rail freight. It makes no mention of the modal shift to rail. It focuses primarily on individual vehicle energy efficiency, and on the development of buses and electric cars. For all that, the electric vehicle is not yet the panacea. Its manufacture still creates a great deal of pollution (especially for the battery), to the extent that it must then be used intensively in order for its ecological footprint to be less than that of a combustion engine vehicle⁴¹.

3. As for the 2015 climate conference of parties (COP21) held in Paris, to be sure, it produced an agreement signed by more than 170 countries with a view to fighting global warming. But, all said and done, the mountain has brought forth a mouse. On the one hand because the commitments carry no specific obligation. On the other hand because transport, especially air and maritime transport, have not been included in the objectives, even though they are the main greenhouse gas emitters. By steering clear of air and maritime transport, the underlying objective was to turn a blind eye to the production model adopted by multinational corporations, and thus global social dumping – on which neo-liberalism builds its wealth.

The programmed indebtedness of state-controlled rail freight

2013-2016 | No great pages written in the history of rail freight

In September 2013, the French government launched a series of conferences on rail freight. In February 2014, following the second conference, the government had yet to make any financial commitments, and out of 8 measures decided, no less than 5 consisted in merely creating bodies, think tanks, observatories and monitoring committees... Nor will the third and fourth conferences of December 2014 and September 2015 go down in the history of French transport: according to the Ministry, rail freight's future attractiveness will hinge mainly on improving quality of service, but certainly not on a policy for rebalancing the comparative cost of road and rail use. As for the fifth conference, held in October 2016, it marked the State's desire to disengage itself from state-controlled rail freight as quickly as possible, via the transfer of capillary freight lines to local authorities, and nothing less than an increase in tolls (+4.6% per year over and above railway industry inflation for ten years), the effect of which will be to further improve the comparative cost of road transport.

Given a lack of political will to make shippers and road hauliers pay for the fair cost of transport rather than the community, French rail freight is in the throes of collapse... The steady flow of stimulus plans (Véron plan in 2003, Marembaud plan in 2007, SNCF fret plan in 2009, national commitment to rail freight [ENFF] in 2009...), each one as ineffective as the other, has done little to stem the rot, since they either fail to get to the root of the problem or else are simply not implemented.

More than anything, these plans will have served to hammer home the idea that state-controlled rail freight is not sufficiently competitive, and that railway workers are unable to adapt to present-day realities. In short, that state-controlled rail freight is doomed. Proof of this death foretold lies with the amount of debt amassed by Fret SNCF. Between 2009 and 2015, it increased

from €2,121 million to €4,024 million. In 2015, it represents 52% of the debt of SNCF

⁴¹ ADEME, *Establishing, in accordance with life cycle assessment principles, assessments on the energy, greenhouse gas emissions and other environmental impacts inferred by all of the electric vehicle and combustion vehicle sectors*, Ginkgo21 and PE international, 2013 and *The electric vehicle's potential*, 2016.

Mobilités, the public institution to which Fret SNCF belongs. It is set to increase by a further €239 million in 2016. This debt now increases mainly due to its own financial cost, and threatens the sustainability of Fret SNCF, whose equity capital is structurally negative.

The fact that this debt is real does not necessarily mean that it is due to state-controlled rail freight's unsuitability to the modern world. "He who wants his dog killed has only to say he's mad" goes the proverb. And he who wants to kill off state-controlled rail freight has only to say it's indebted, and to draw a veil over the fact that its debt was largely inoculated!

In fact, this debt ties in with a series of political decisions. Two decisions in particular proved to be particularly destructive.

The first decision dates back to 5 March 2005, when the European Commission decided to authorise the French State to grant €1.5 billion⁴² in aid to Fret SNCF, threatened by competition from the road. The terms laid down by the Commission were drastic:

- Anticipated opening up of the French rail freight market on 31 March 2006 instead of 1 January 2007;
- Reduction of Fret SNCF activities to allow the establishment of competitors;
- Divestment of assets deemed non-strategic;
- Budget cuts in the production tool;
- Implementation of internal compensation mechanisms to ensure that Fret SNCF does not benefit from financing conditions associated with SNCF's public institution status, and ultimately pays high financial expenses;
- Prohibition of any new government aid to SNCF for ten years, as long as Fret SNCF has not received the status of limited company⁴³.

Fret SNCF must reduce its market share

Excerpts from the decision on "State Aid no. 386 / 2004 – France / Aid to restructure Fret SNCF" by the European Commission of 2 March 2005

Text in square brackets was not made public by the European Commission, under business confidentiality requirements.

2.11 Measures for reducing activity

93. The French authorities have undertaken to withdraw Fret SNCF for a value equivalent to [...] of its activity. As noted previously, the results of 2004 reflect this orientation.

94. For the duration of the plan, it is expected that all of the measures will lead to:

- a reduction of [...] in the number of train-kilometres (and, therefore, in the number of paths used by Fret SNCF, which will be made available to competitors by the infrastructure manager);
- a reduction of [...] locomotives (i.e. approximately [...] between 2004 – 2006;
- a reduction of [...] wagons used (i.e. approximately [...] between 2004 – 2006;
- a reduction of [...] in the volume of traffic, from 47.5 GTK to [...] GTK between 2004 – 2006.

95. In 2004, Fret SNCF reduced its workforce by 1,400 employees, i.e. almost 10% in one year, 850 of which through departures from SNCF, and 550 through reclassifications within SNCF.

96. The pace of employment adjustment shall be comparable in 2005 and 2006, which, for the overall plan, shall infer a reduction of Fret SNCF personnel of almost [...].

⁴² In the end, €1.4 billion in aid was granted (€700 million from the State, and €700 million from SNCF).

⁴³ According to paragraph 194 of the decision: "The Commission has previously indicated that, in the present situation, the 'one time, last time' principle shall apply to the company as a whole, as long as its freight and passenger transport activities have not been legally separated. In this respect, the French authorities have undertaken to ensure that this principle, which prohibits the payment of any new restructuring aid in the ten years following the end of the restructuring period, shall apply to the SNCF as a whole, as long as Fret SNCF is not legally separate from its other activities."

The second decision was that of the French government to accept this consideration.

Whereas Fret SNCF was already in difficulty, it was required to concede further market shares in order to allow competitors to enter the market. Against a backdrop of European road transport deregulation, this was tantamount to asking France's state-controlled rail freight activity to shoot itself in the foot, placing it firmly on the road to financial deadlock.

3. For SNCF, revenue is more important than public service

European neo-liberal policies in Europe have sought to kill off state-controlled rail freight, and SNCF management has promptly followed suit. For the past decade or more, it has been engaged in a race to cut costs (less equipment, less infrastructure, less money, etc.). Its goal has been to anticipate the decline in revenue resulting from European requirements to concede market shares to the competition. It has also arranged for Fret SNCF to face internal competition, both on the road via Geodis, and on rail via VFLI, a subsidiary operating under private law.

As predicted by the company's unions, this policy for the controlled decline of France's public rail freight industry has proved to be fatal, both for the public operator and for the development of France's rail freight industry. When there's nothing left to sell, it's hardly surprising that nobody wants to buy.

Public rail freight is now at a crossroads.

In March 2005, as mentioned above, the European Commission authorised the French State to grant a public aid package to Fret SNCF in return for its withdrawal from the market and the prohibition of any new aid for ten years, as long as the public operator was not transformed into a limited company. This time limit has since expired, and Fret SNCF still has a substantial amount of debt, as if to affirm to public opinion that it is doomed. There is now a considerable risk that it will be privatised.

Unless something is done immediately to save public freight, tomorrow only the most profitable lines will be ensured. Meanwhile, road traffic and pollution will continue to increase, and any policy for regional development based on railway transport will be condemned to failure.

Public freight will unlikely be saved by SNCF, whose management is now more keenly focused on the company's revenue than on its public service missions.

The dismantling of Fret SNCF

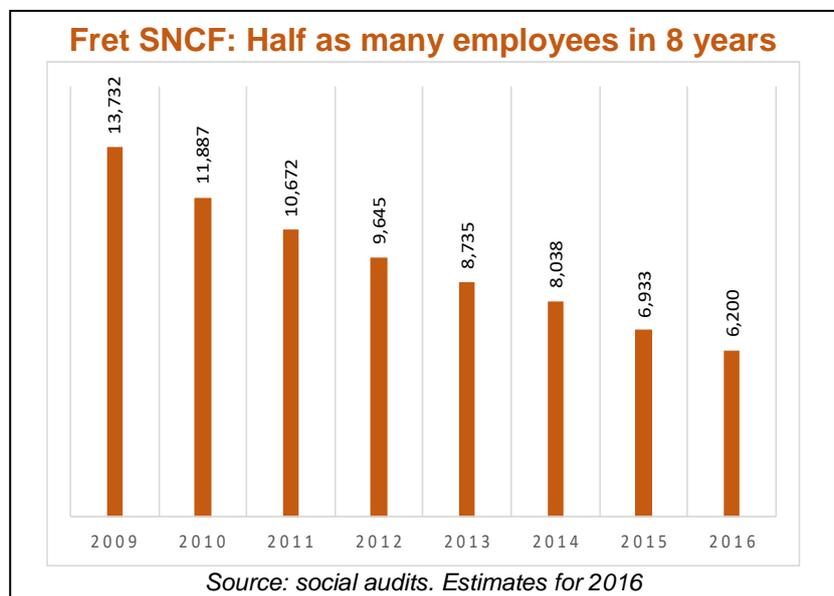
The list of actions that have led to public rail freight's demise is long. It now looms ominously over the operator's future:

- The halving of personnel from 2009 – 2016 has durably undermined production and now jeopardises the railway workers' professional skills.
- Hundreds of marshalling and freight yards have closed, bringing about the loss of thousands of clients.

- The attempt to modernise the company's locomotives has come too late, and is struggling to make amends.
- Successive restructuring measures have disrupted production, but without bringing any tangible improvements.
- Research and development have missed their target: projects that could have revolutionised combined rail-road transport have been left by the wayside; considerable delays in the deployment of information technologies and communication now hinder the construction of intermodal logistical chains within the SNCF group.
- Due to the company's "all-TGV" policy, the network has stagnated, then deteriorated, losing much of its freight-related functionality.
- Maintenance operations, when they exist, have had a considerable impact on freight paths, which now play second fiddle to passenger paths.
- There is now even a possibility that SNCF Réseau (which oversees the tracks and catenaries) will abandon the local capillary freight network, which would lead to a further decline in business of 20%.

By sacrificing the industrial tool, SNCF's management has de facto limited the company's rail freight offer in relation to heavy industries, and can now (at best) only accommodate sporadic shipments by entire trains to a limited number of destinations.

This was a grave mistake since these heavy industries have since declined.



It was also a grave mistake because new industries – focused on consumer goods and not necessarily located on the major routes – have had no choice but to turn to road transport for their frequent, small-scale shipment requests to multiple destinations.

Lastly, it was a grave mistake because, in all industry sectors, the "just in time" method is now the norm, along with the objective of reducing stocks, which has led to transport's "demassification".

As a result, today Fret SNCF mainly works for a handful of shippers on which its future is now almost entirely dependent. Consequently, a mere 20 clients accounted for 60% of its revenue in 2014. Small-scale shippers have been discouraged by the company's price increases, or simply confronted with the fact that the service has been stopped altogether. The so-called "single wagon" activity, used to carry small loads across the entire network (including internationally), has for the most part been abandoned, since it is considered unprofitable. In 1985, this activity accounted for

42% of the network's traffic. The “multi-batch multi-client” offer which replaced it now only serves a few major lines around 11 strategic sites (Dunkirk, Lille, Rouen/Le Havre, Metz/Nancy, Paris, Dijon, Lyon, Clermont-Ferrand, Bordeaux, Toulouse, Marseilles). Meanwhile, local sales teams have been dispensed with to the benefit of central teams focused on major accounts. This situation now prevents Fret SNCF from supporting the creation of new socio-economic dynamics in France's regions.

Somain: another portion of SNCF's industrial heritage in danger

In the past, the Somain site was a major national and international marshalling yard (given its exchanges with Belgium). It now mainly acts as a local platform for regional traffic from the Bourget yard, which operates nationally.

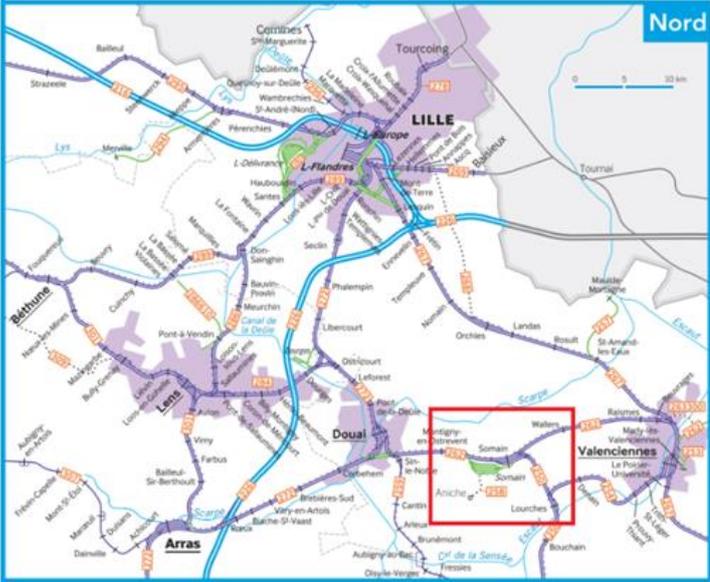
The site has suffered as a result of competition from the road, the abandonment of freight's single wagon activity, and SNCF management's ongoing cost-cutting policy. In 2006, 270,463 wagons were operated, versus a mere 22,470 in 2013 (and a staggering 950,000 in the 1960s). In 2007, the platform employed 400 employees. This figure will soon pass below the 100 barrier if nothing is done. In addition to operations associated with train traffic, the site offers a depot functionality (operations on motor vehicles, sand domes, light maintenance, etc.). However, the maintenance wagon workshops ceased to operate in 2013.

SNCF management has envisaged the site's closure since 2009. So far, it has been postponed thanks to actions by railway workers, SNCF unions and local elected representatives. And yet, France's marshalling yard activity benefits from an exceptional geostrategic situation at the heart of Europe. It lies at the centre of Europe's trading corridors (Benelux-Mediterranean Spain, Benelux-Atlantic Spain, UK-mainland Europe), close to Europe's biggest port area, along the North-East route that stretches from Dunkirk to Eastern France and Germany, at the centre of the Scheldt (or “Escaut” in French) waterway/Dunkirk-Valenciennes canal (for river navigation), and at the heart of the “Grand Hainaut”, a densely industrialised region with the potential for generating a considerable amount of rail traffic.

Thanks to these assets, this site is ideally suited to the development of transport and logistics services for rail-rail and rail-road connection strategies. An area covering 26 hectares right next to the site could accommodate the necessary logistical installations.

In June 2015, steps taken by the “communautés de communes” town conglomerates with the French State, the Région and SNCF yielded a roadmap shared by all.

Eight months later, SNCF management rejected this project, instead announcing plans to transfer employees from the Somain marshalling yard to Grande-Synthe, a site which faces difficulties of its own.



Thus far, local pressure has prompted the government to take action in relation to SNCF.

The site's future remains more uncertain than ever, since the personnel transfer is still in the pipeline.

Competition from the road remains a blocking point for the region's various major companies (Saint Gobain Glass France, car manufacturers, etc.).

The future of this site, like that of French rail freight in general, now all depends on national political will to support rail in the face of competition from the road, and on whether or not a stop is put to the cost-cutting policy implemented by SNCF management.

One thing is certain: the transfer of activity to the Grande-Synthe site will herald the end of shunting at Somain. Alone, SNCF employees and local elected representatives will be unable to oppose this decision, which will represent yet another failure for this region already affected by the economic crisis.

Chronology

- Sep. 2009** More than 500 people gather in front of the marshalling yard station following SNCF's decision to abandon almost 60% of the freight division's "single wagon" activity.
- Nov. 2009** A new demonstration gathers more than a thousand people.
- Feb. 2010** After SNCF management's announcement to close the gravity shunting yard by the end of 2010, a new demonstration gathers between 700 and 1,500 people, and an "escargot" slowdown operation is carried out on the A21 and A2 motorways.
- Jan. 2014** A diagnostic study is initiated by the Cœur d'Ostrevent "communautés de communes" town conglomerates (CCCO), with backing from the Région Nord-Pas-de-Calais, the Département du Nord, and the Syndicat Mixte du SCoT Grand Douaisis (territorial coherence scheme mixed association) for the creation of an international, multi-modal cooperation platform.
- Nov. 2014** The project to build an industrial logistical area next to the railway site is accepted by the stakeholders (State, Région, "communauté de communes", SNCF, etc.).
- June 2015** Via a steering committee with the project's various stakeholders (State, Région, SNCF, etc.), the CCCO outlines the four main strategic avenues retained (planning and development of the work area with, in particular, the creation of a rail terminal and the improvement of road links; safeguarding of the shunting activity with the backing of a local commissioner and handling of long, multiple train units; creation of a public railway platform to offer access to unconnected companies; installation of a cross-docking system). SNCF undertakes to participate in the proposed development plan.
- Feb. 2016** At a health & safety committee meeting, SNCF management reaffirms its intention to stop the Somain site's shunting activity by creating a single "Nord-Pas-de-Calais" platform in Grande-Synthe (next to Dunkirk) where most employees will be (re-)located.
- March 2016** SNCF employees and elected representatives, including the Mayor of Somain and a number of deputies, demonstrate to the oppose the yard's announced closure. A banner is hoisted onto the façade of the town hall. An online petition is organised. The CCCO's elected representatives unanimously vote a motion to maintain and develop the station. Summoned by elected officials, Secretary of State for Transport Alain Vidalies requests a moratorium with Guillaume Pepy, CEO of SNCF Mobilité, and Alain Picard, Director General of SNCF Logistics
- Feb. 2017** To date, SNCF's management team plans to axe the Somain site's health & safety committee and attach it to that of Grande-Synthe.

Geodis opts for the road

Just as French rail freight had taken a downturn, SNCF set about creating and developing subsidiaries specialised in logistics, messaging, road transport and an international transport committee now organised under Geodis, in which it holds a 98.40% stake.

Geodis has since become Europe's fourth biggest logistics provider. Its website boasts a fleet of 10,000 lorries, 39,500 employees, and a foothold in more than 120 countries.

Geodis owns 60 subsidiaries. Its activity is increasingly deployed overseas, notably through the acquisition of American player OHL and its 8,000 employees in the second half of 2015. In 2015, Geodis posted an annual revenue of approximately €7 billion, i.e. more than one fifth that of the SNCF group, and three quarters that of SNCF Logistics, the state-controlled logistics branch to which Fret SNCF (among others) also belongs⁴⁴. Within the SNCF group's strategy, Geodis activities now enjoy a much more central role than those of rail freight, which accounted for a little less than €2 billion out of the SNCF group's total €31.4 billion in 2015 revenue.

Thanks to Geodis, SNCF has become France's number one road haulier, and a top-notch player on the European and world scales. Geodis has developed with massive support from the SNCF group, but without ever seeking to create synergies with Fret SNCF. Its road activities in particular were developed through extensive use of subcontracting: 40% in France, and a "mixed-based logic" internationally, in the words of its Director, Marie-Christine Lombard, in an interview with the *Officiel des transporteurs* magazine in June 2014. A team of French journalists recently explained how Romanian drivers under Geodis employment work 9-week stretches without leaving their lorries for a gross monthly salary of €237 (excluding travel expenses)⁴⁵.

And there are no signs that the strategy presently adopted by SNCF management will lessen the share of road transport in the group's activities; in its Excellence 2020 plan, the management team explains how it will rely heavily on Geodis to widen the state-controlled company's international foothold.

Carrying more and more goods by road, is that the intent of a company that otherwise champions sustainable transport?

Competition on the railways with VFLI

Geodis is not the only player to compete with Fret SNCF within the SNCF group. VFLI (Voies Ferroviaires Locales et Industrielles) also represents a source of competition, not on the road... on the railway! The company was founded in 1998, initially to intervene in factories that used rail freight (train marshalling and

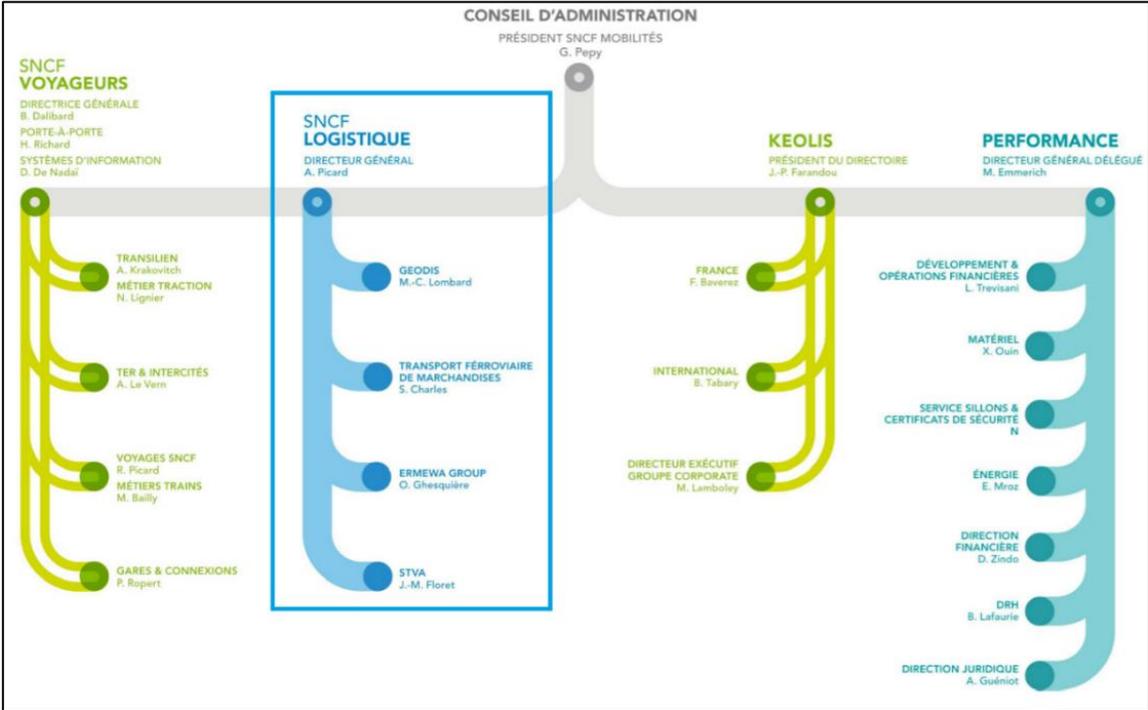
⁴⁴ "SNCF Logistics : l'amende infligée dans la messagerie plombe les comptes 2015" (SNCF Logistics: the imposed fine in messaging weighs down on 2015 accounts), *Logistique Magazine*, no. 308 of 01/04/2016.

⁴⁵ See "Salariés à prix cassés, le grand scandale", *Cash Investigation*, France 2, broadcast on 22 March 2016.

manoeuvre, loading and unloading, etc.). As of December 2010, VFLI operates across all of France, making it a direct competitor of Fret SNCF.

Like Geodis, VFLI belongs to SNCF Logistics and is a privately-owned company (owned entirely by SNCF). Within SNCF Logistics, VFLI belongs to the same executive group as Fret SNCF, namely the “Transport Ferroviaire de Marchandises et Multimodal” (TFMM) division. In other words, Fret SNCF and VFLI share the same Director, Sylvie Charles. Basically, while SNCF Logistics’ Director Alain Picard oversees the distribution of freight contracts among Geodis for the road and TFMM for the rail, TFMM’s Director oversees the distribution of rail contracts among Fret SNCF and VFLI (and the occasional subcontracting of Fret SNCF to VFLI)⁴⁶.

SNCF Logistics organisation chart



Source: SNCF / ARAFER

The losers in this system – which is geared towards internal competition – are Fret SNCF and its employees.

Shortly after rail freight was opened up to the competition, VFLI issued prices 15% lower than those of Fret SNCF⁴⁷. Indeed, unlike Fret SNCF, VFLI employees are not subject to SNCF labour regulations: they are employees of a privately-owned company and are covered by the agreements of the private rail freight branch. In fact, the competition is not merely social; it is also operational, insofar as the allocation of paths on the rail network is concerned.

⁴⁶ SNCF Logistics also comprises Ermewa Group, which manages and leases special wagons and tank containers to industrialists, and STVA, which provides freight services and the routing of cars and finished vehicles.

⁴⁷ “VFLI, Discounter de la SNCF”, *Bulletin des Transports et de la Logistique*, no. 3205 of 07/01/2008.

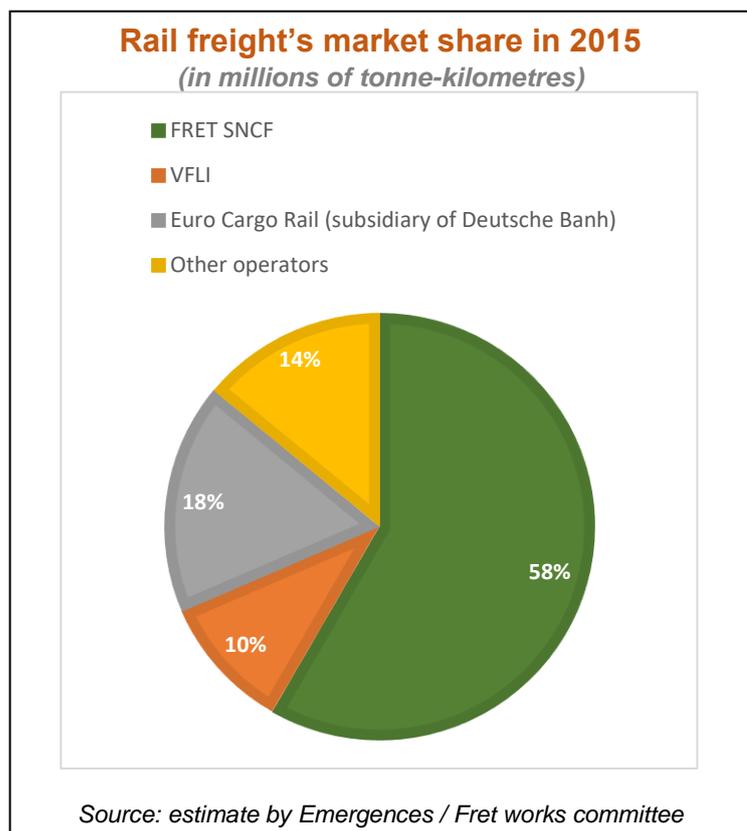
From now on, 40% of the SNCF group's rail freight activities are carried out independently of Fret SNCF⁴⁸. Between 2007–2015, VFLI's revenue grew by 137.5% (from €56 million to €133 million). The company presently represents approximately 10% of the market share in France (in tonne-kilometres), with a workforce of 900 employees.

VFLI is basically a tool for dismantling rail freight's public branch. And it is not alone. There are plenty of other such examples. In fact, Fret SNCF subcontracts work out to direct competitors, such as Europorte. Fret SNCF has also transferred its rolling stock to other subsidiaries (AKIEM and ERMEWA), from which it now

rents locomotives and wagons, at a higher cost than previously⁴⁹. Similarly, promises of synergies with the SNCF group have not been kept. And so, in 2014, Fret SNCF traffic with the SNCF group contracted sharply: Fret SNCF only managed to resist thanks to developments made with clients outside the group. In 2016, SNCF decided to entrust the transport and distribution of its internal mail to Geoparts, yet another subsidiary, which will go about this task... by road! Even more recently, SNCF decided that its Infrarail subsidiary (used for the supply of rail yards) will turn to a competitor of Fret SNCF, namely Régiorail, to tow ballast in France's Lot region.

The dream of SNCF's current business leaders is to instigate the railway company's mutation. Their goal is to transform the state-controlled operator into a global capitalist transport and logistics group thanks to public funds generated by state-subsidised trains (i.e. TER and TET trains).

If fulfilled, the public railway service would be little more than a touch of spiritual heritage highlighted by the company's communication gurus to please French users. Meanwhile, the operational and financial departments are unravelling the public service sector to extract the operating margin needed for their global adventure: fewer trains, higher fares, no more inspectors on TER trains, a sparser network, a freight offer reduced to its bare bones, etc.



⁴⁸ According to SNCF management. See "SNCF Logistics : l'amende infligée dans la messagerie plombe les comptes 2015" (SNCF Logistics: the imposed fine in messaging weighs down on 2015 accounts), *Logistique Magazine*, no. 308 of 01/04/2016.

⁴⁹ And so, whereas Fret SNCF's revenue dropped 20% between 2009 – 2012, the cost of rolling stock rentals increased 2%. See *Flash Eco Fret*, August 2013, no. 4, p. 2.

As shown on the SNCF website, the French publicly-owned company now employs a workforce of 260,000 in 120 countries, achieving 33.3% of its revenue overseas in 2015⁵⁰.

In mid-2016, it included 1,187 subsidiaries, 641 of which are located in France, 273 within the European Union, and as many again outside the Union.

Allowing the quality of service delivered to users in France to go downhill, and taking its chances on an international venture: is this the role of a publicly-owned company controlled by the State which, in case of any overseas difficulties, will necessarily benefit from a national public guarantee ?

⁵⁰ <http://www.sncf.com/en/meet-sncf/public-service-company>

LET'S CALL IN A NEW ERA!



Our proposals

1. Putting an end to road transport's ultra-liberalism

Rail freight will be unable to redevelop as long as road transport continues to receive preferential treatment. The facilities granted to road transportation (non-payment of the infrastructure's construction, minimal payment of its usage, beneficial tax rate on diesel fuel, etc.) lie at the core of rail's weakness.

Promoting the modal shift from road to rail necessarily means taking measures in terms of taxation and regulation, as has already been done in certain other European countries (Germany, Sweden and Switzerland in particular, and Belgium since April 2016).

Is it acceptable to allow road transportation lobbies to overturn the eco-tax, and then to leave the taxpayer to foot the bill? Is it tolerable that the European Commission is organising social dumping on Europe's roads, to the detriment of work conditions and job security?

The train is a public service. It cannot self-finance its entire operation; otherwise, it will inevitably go under.

In order to revitalise rail freight, it must be financed using resources from road transport (co-payment of a new eco-tax, levy on motorway tolls, etc.) allocated to modernising and adapting the infrastructure (branch lines, by-pass tracks, multi-modal points, etc.) and via technological innovation programmes (energy consumption, load capacity, noise, etc.).

The present TICPE (domestic consumption tax on energy products) also needs to be upgraded. For now, the biggest oil consumers, i.e. transporters, are the ones that reap the benefits of total exemptions (aviation) or partial exemptions (road hauliers, marine navigation and shipping, etc.).

The system boils down to imposing the bulk of the TICPE tax on households, which often have no other choice than to use their cars due to insufficient public transport facilities. Moreover, this tax, often presented as ecological, is in no way geared towards a low carbon economy. Only a tiny part goes to the French Transport Infrastructure Financing Agency (AFITF), which also finances road projects.

2. Challenging the dogma of railway competition

The ideology inherent in free, undistorted competition is showing its limits.

These limits can be seen at a European level, where the modal share of rail freight is stagnating overall, proof of the failure of the policy implemented by the member states via the European Commission.

These limits can also be seen at a national level, where the opening of the sector to competition has failed to improve the modal share of rail freight, and has in no way curbed the railway network's decline – quite the contrary! (marshalling yard closures, reduction of capillary tracks, disappearance of industrial sidings, etc.).

The main effect of the competition has been to further complicate a railway system that is already inherently complex. The reality is that trains can't be put on tracks just like lorries on roads; railways require centralised traffic control. The more trains there are, the more complex this task. The system's present rigidity is the result of the competition. And no one stands to benefit: neither the shippers, nor the transporters, nor the regions.

In fact, the stagnant situation in France calls into question inter-state cooperation within the European Union. When the German public railway company DB competes with the French public railway company SNCF, how does that serve the interests of Franco-German cooperation and those of rail freight transport in Europe?

The ideology inherent in competition is also showing its limits within SNCF. When Geodis competes with rail freight, the winner is necessarily Geodis, since the road costs less, while the loser is the railway network, since its contracts start to dwindle.

When VFLI, the private branch of state-controlled freight, competes with Fret SNCF, the public branch of state-controlled freight, the loser is necessarily Fret SNCF, owing to internal social dumping. State-controlled freight also loses out, since it can no longer fulfil its primary mission: satisfying public interest by allowing everyone throughout France to benefit from its services at a fair cost for the carrier, the shippers and the employees.

On both a national and a European scale, complementarities must be sought rather than unbridled competition, which merely destroys the common industrial tool that is the French railway network.

SNCF management constantly claims to be seeking the best balance between rail and road with a view to achieving sustainable economic development. And yet, internally, there is no such balance: the road gets its all, while the railway must make do with the scraps.

Revitalising rail freight:

- Revitalising rail freight means ensuring that Europe's large national railway companies work at improving inter-state links rather than striving to take market share from their neighbours;
- In France, it means ensuring rail freight's local development not through competing local rail operators on lines already operated by SNCF, but through a return of SNCF's commercial organisation in the regions in order to make the public operator the backbone of new multi-modal solutions;
- Within SNCF, it means fostering synergies between rail and road via a transport offer where trains are used for long distances, and lorries for the last few miles. It also means putting an end to policies for subsidiarising the rail transport offer (VFLI, STVA, Infrarail, etc.) whose sole purpose is to kill off the public operator.

3. Recognising rail freight as a public service

Putting an end to road transport's ultra-liberalism and challenging the dogma of railway competition means recognising rail freight as a public service, one that is devoted to sustainable development, operating outside a strictly competitive framework, financed in part by the community and, accordingly, subject to public service obligations (continuity, equality, adaptability).

That way:

- Freight trains will once again be able to serve the entire national territory, and rail will be able to regain its market share lost over the years;
- SNCF will be get back to being a driver of regional development, capable of bringing together economic players and building ecological transport solutions;
- Passenger trains will be saved. More freight trains means more finance for tracks. This in turn will consolidate the passenger transport public service rather than leaving it to the mercy of low cost coach and train companies, whose sole objective is to recover the most lucrative lines for themselves while abandoning the least profitable to local authorities, until the latter have no other choice than to shut them down.

*

Thanks

The following were involved in drafting this report:

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**FREIGHT TRANSPORT:
LET'S CALL IN A NEW ERA!**

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