

# Restructuring of Railways in France: "Salvage Operation"

François Batisse



EUROSTAR-First Class Catering at Seat

(SNCF-CAV/J. Waterman)

Historians say the French do not like successive, day-to-day reforms based on the need to adapt and improve institutions and structures. They say the French prefer to wait for the final intolerable limit before carrying out any real revolution in order to modify everything, unless a salvage is possible. This has happened in the political field, but may also happen with the railways since the problems are increasing and becoming more basic with respect to all aspects of activity of SNCF (French National Railways).

Even the high-speed train—a general object of pride for the French—is being reviewed since it has not solved the problems. It has incurred an insupportable debt that casts doubt on all planned investments to make the railways more competitive. It has not been possible to renew the "Plan Contract" regulating relations between the State and SNCF for 25 years. The latest governmental proposals were rejected by railway unions during a 3-week strike which aggravated difficulties. The return to a budgetary balance in one way or another no longer suffices. Problems concerning debt, the chronic and increasing deficit, loss of market share, the role of railways in the entire

transportation system, must all be re-solved.

A complete re-evaluation is required for all areas, which will inevitably lead to a "revolution" rather than a simple reform or restructuring. This will definitely require some time, but difficulties will increase in proportion to delays in this "salvage".

## Undeniable Success of High-Speed Train in France

It is clear that the high-speed railway has had favorable repercussions, not only with respect to services offered in the major passenger transport lines, but also for the reputation of the French railways in Europe and throughout the world. The world record for train speed is held by France, although Japanese trains were the first in this field, 17 years before the French.

The remarkable success of the Paris-South East TGV (high-speed train) has led SNCF to believe that the air and road transportation competition will be arrested and that investments for high-speed trains may develop in a satisfactory manner, especially on the major lines in France, and throughout Europe, to the benefit of TGV

technology.

The cost effectiveness of the Paris-South East TGV has reached 15%. Competition with airlines between Paris and Lyon has been effectively controlled and railway traffic has almost doubled in 10 years between these two cities. The TGV-Atlantic and TGV-Northern Europe connected to the new Channel tunnel have been built and a vast plan covering 4,500 km of high-speed lines was announced in 1991.

Meanwhile, the TGV has successfully penetrated the Swiss, United Kingdom and Belgian markets. The Spanish railways selected the TGV between Madrid and Seville, followed by Korea for the Seoul-Pusan line.

## The Fastest Trains in World

For several years, the World Speed Review published by Railway Gazette International carried the following title: "France and Japan still unchallenged in the speed league". However, the article regularly repeated that, "France remains the unquestioned league leader". The author continues: "The world's fastest train streaks start-to-stop from Roissy-Airport to Lille-Europe at a staggering average of 250 km/h, putting France well ahead in the survey of train speeds. Japan, Spain and Germany take the runner-up prizes, with Britain, Sweden and Italy jostling among the also-rans" <sup>(1)</sup>. The article appropriately mentions the shinkansen in the following terms: "Japan's greatest achievement is arguably the intensive service of 270 km/h trains on the 30-year old Tokaido Shinkansen". The French however are very proud of the world speed record of 513 km/h, as well as the contracts signed with Korea, and more recently with the United States in Florida and for French-Canadian equipment for the North East Corridor.

## Master Plan for 4,500 km of TGV

The success of the TGV-Paris-South East

has led the French government to approve a construction plan for 4,500 km of high-speed lines to be built from now until 2010 or 2015, with completion of the TGV-Atlantic, then construction of the TGV-North-Europe, and the junction around Paris, followed by its continuation beyond Lyon to Valence. This already represents 1,210 km of high-speed lines only in France which is half of all the European high-speed lines. Japan already has double the number of kilometers of the TGV system. Meanwhile, the German, Italian and Swedish railways have developed their own high-speed systems without joining the French formula as the Spanish did. The announcement of the contract in Korea was made after failures in Florida and Texas.

Under these conditions, the French may believe that they certainly have the fastest and best railways in the world. The second World Congress on high-speed railways, EURAILSPEED '95, was held in Lille in October 1995, at the crossroads of the North-West Europe high-speed lines. The TGV Duplex and Eurostar were exhibited along with the German ICE, Spanish AVE, Italian ETR 460 and 500, and Swedish 2000 equipment, showing visitors that the TGV is not the only high-speed railway system.

Unforeseen events in the form of a strike in the following month opened the eyes of the French to the serious railway problems, revealing an increasingly serious crisis in spite of the flattering appearance of the TGV.

### Railway "Sickness" Similar to JNR in 1987

All these symptoms of sickness in the railway system in France for several years correspond to those preceding the division and restructuring of JNR in 1987. Simultaneous pressures of competition, debt and rigidity led JNR to ruin despite the shinkansen inaugurated 26 years before.

SNCF Railroad Network in 1995



The same trends are developing in SNCF. In 1987, Mr Jean Bouley, Secretary General of UIC, wrote an article entitled Alarm Signal regarding lessons to be learned from Japan. What he said about Japan applies to the present situation of SNCF, as follows: "The intoxication of technical progress has affected the entire Japanese railways. They consider...themselves insurmountable in the immense technical and economic success of the first new line.... Railway personnel who know the meaning of a signal should meditate on the lesson from the land of the rising sun. They are up to their necks in competition. It is only through a private or public enterprise approach that they will avoid drowning. They carried this out well in the United States" (2).

The SNCF situation in 1996 reminds us of certain aspects of the JNR situation in 1987. In Japan, indebtedness mainly due to the new lines was 10 times the turnover. It represents four times the SNCF turnover, and hardly one quarter of the

4,500-km TGV program has been carried out. On the other hand, the JNR passenger market share in 1986 was 23% since high-speed trains strongly contributed to maintaining the modal share, while in France, the TGV has not prevented the railway market share from dropping to 7%. Freight and the traditional passenger network have suffered due to a lack of investment in SNCF, as in JNR. There is talk of abandoning individual wagons as in Japan. No prospect of improving the situation can be envisaged by SNCF without new investments, as occurred at JNR in 1987. Investment conditions in the two cases led to an infernal spiral of investment-indebtedness with bankruptcy just below the surface in the long term (3).

### Alarming Evidence in All Fields

The clearest evidence consists of the debt reaching more than FF200 billion in 1995, with the possibility of FF400 billion or more if the entire TGV plan is completed. In 2010, with the continued re-

## SNCF: Some Key Figures

### Network

- 32,275 km, of which 29,676 km are in actual operation
  - 13,572 km of electrified lines
  - 2,018 km of tracks equipped for speeds equal to or higher than 220 km/h
- 5,356 stations and stopping points
  - 18,663 level crossings of which 2,466 are guarded and 11,328 are automatic
  - 38,428 bridges and footbridges
- 114,080 hectares of land

### Personnel

Total staff	185,946	including 23,389 women
managerial staff	17,004	2,106
top managers	1,371	42
drivers	17,434	16
administrative	12,980	

### Rolling stock motor equipment

	number	average daily distance covered per vehicle
TGV trainsets	277	980
Electric locomotives	2144	403
Diesel locomotives	1712	132
Electric railcars	844	267
Railcars and turbo trains	742	253
Light rail motor tractors	1200	—

### Passenger cars

Trunk lines	5451
Regional services	1700 cars (of which 310 two levels)
	579 electric railcars and trailers
	1434 railcars and trailers
Ile-de-France	1182 cars (with 589 at two levels)
	2390 electric railcars and trailers

### Freight cars

	66,382 SNCF wagons
	68,742 private wagons

duction in or even stagnant turnover, the long-term debt will be ten times more than turnover. In 1987, this led to liquidation of JNR.

The second particularly alarming signal is the aggravation of the annual deficit: FFr3 billion in 1992, FFr7.7 billion in 1993, FFr8.2 billion in 1994 and FFr16.7 billion in 1995. Financial charges represent a huge part of these deficits. However, these deficits have not stopped increasing following the increase of investments and operational losses.

The third observation is more-and-more alarming. The high-speed train has not eliminated airline competition even on the Paris-Lyon line, the most favorable TGV line. It is true that airlines lost the majority of their customers between Paris and Lyon after the TGV reduced journey time

to only 2 hours. However, Lyon Airport is developing all its connections with other cities in France and Europe and passengers exceed 4 million a year. On the Paris-Bordeaux and Paris-Marseille lines, the current or future railway journey time of 3 hours is not as competitive as the 2 hours for Paris-Lyon. Airline prices are continually falling and the frequency of flights is increasing.

Domestic air traffic, which had 8 million passengers annually when the first TGV started, now exceeds 20 million and is increasing by 4% to 6% per year. Road traffic is increasing from 3% to 4% per year.

As such, the passenger market share for SNCF is decreasing for overall traffic. Ten years ago, it exceeded 10%, and was 7% in 1995. The number of SNCF passen-

gers barely increased by 3% in 10 years. Traffic volume was reduced to 55 billion passengers-km in 1995, since the major portion of new passengers is drawn from short-distance routes, meaning daily commuters. Therefore, the TGV has maintained traffic on trunk lines provided with high-speed trains. However, the decline of passenger traffic on other trunk lines is continuing.

Goods traffic has evolved in France as in Japan. Road transport cut the railway market share from close to 40% 10 years ago, to 25% in 1995. The last strike showed that only a few heavy industries suffered marginally from the absence of railway traffic for 3 weeks. The volume of the SNCF freight which was close to 50 billion tons-km in 1994, has fallen to 47.4 billion in 1995, 15% less than 10 years ago.

Finally, one of the most surprising developments is the continued reduction of the rate of return of TGV investments. From a 15% rate of return for the TGV Paris-Lyon line, built at a relatively low price—however, ballast must be relayed after only 15 years of use—the rate has dropped to less than 7% for the future Mediterranean TGV. The rate for the future TGV-East is evaluated at only 4%. Furthermore, the attainment of objectives has been way below expectations. At Roissy Airport, there were only 500,000 air-railway passengers as opposed to the 1,500,000 expected. Only half the expected passengers have taken Eurostar trains through the Channel Tunnel.

### Questions Multiplying on All Sides

A working group presided over by an expert from the Ministry of Transportation was recently assigned to prepare a national meeting on the future of railway transportation. A list of 20 essential questions were published with appropriate documentation to allow participants to answer the principal questions of the French regarding the railway system<sup>(4)</sup>.

## Simplified Presentation of SNCF Income Statement

EXPENSES		1994	1995	REVENUES		1994	1995	Balance		1994	1995
				Commercial income		41,079	39,479				
				Tariff compensations		7,124	6,801				
				Total income from traffic		48,203	46,280	Turnover		54,052	51,935
				Other income		5,849	5,655	Added value		35,438	32,277
Intermediate consumption		24,634	26,240	Self-constructed fixed assets and inventory		6,020	6,582				
Personnel costs		43,887	43,847	Payments by State and public authorities		18,202	20,165	Gross operating surplus		7,000	5,399
Taxes		2,753	3,218	Recovery of allocations for amortizations and provisions		1,689	1,284	Operating profit or loss		-1,082	-5,403
Allocations for amortizations and provisions		9,771	12,064	Financial income		4,299	3,698	Profit or loss		-8,466	-11,274
Financial expenses		12,765	14,972	Extraordinary income		5,745	3,650	Extraordinary profit or loss		1,364	94
Extraordinary expenses		4,381	3,556	TOTAL REVENUE		90,607	87,314	NET PROFIT or LOSS		-8,184	-16,583
TOTAL EXPENSES		98,191	103,897								
(Current FFr million)											
				Debt		154,972	177,741				
				Debt for Servicing Loans		32,999	30,744				
				Total indebtedness as of 31 December		187,971	208,485				

Should SNCF benefit from a cancellation of its debts in one way or another? The German example shows at what price this would be possible: regionalization, division into separate activities, future privatization.

Wouldn't it be better to consider other uses of public funds: transportation for daily commuters, social contribution rates, investments in freight services?

Should we continue to invest in new lines that are becoming more-and-more expensive and less-and-less cost effective? Will it be possible to delay modernization of existing lines? Will tilting equipment allow a speed of 200 km/h on improved lines in addition to new lines already built? Will investments reduced from FFr24 billion in 1992 to FFr16 billion in 1994 and 1995 not be excessive at a time of State budget restrictions and deterioration of SNCF finances?

### Serious Problems Related to Financial Situation

The multiplication of long-term debts has touched public opinion because SNCF is the most indebted enterprise in France. Only the State itself has an obviously larger debt.

Until 1982, the debt was relatively small—less than FFr40 billion. Immediately after the first portion of the Paris-Lyon TGV came into service, the debt exceeded FFr50 billion. When the second TGV was built in 1990, the debt reached FFr100 billion. The government tried to reduce the financial charges weighing down SNCF by setting FFr40 billion aside.

Construction of the third TGV raised the debt above FFr150 billion in 1993. The TGV-connection and the extension of the Paris-Lyon TGV to Valence raised the debt beyond FFr200 billion in 1995.

With supplementary debt increasing at around FFr50 billion every 2 years, SNCF is taking the same path as JNR 10 or 15 years ago.

Railway workers say the State should take charge of these debts, since it allowed SNCF to go into debt to create the TGV network. However, only half the debt was incurred by the TGV. The other half came from other investments and accumulation of annual deficits.

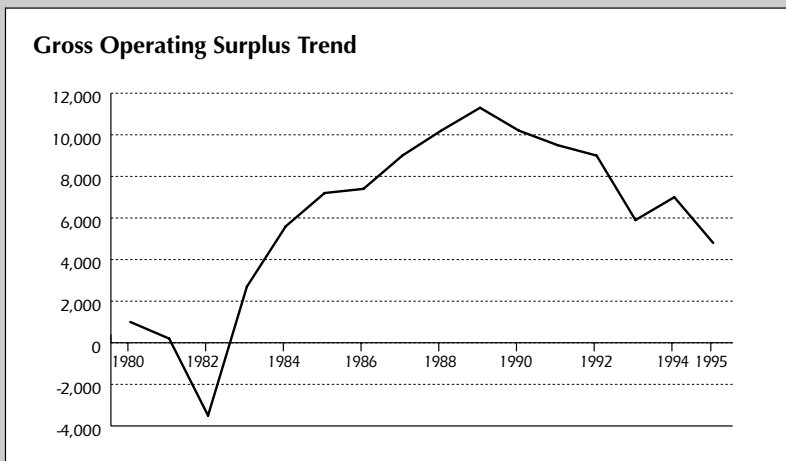
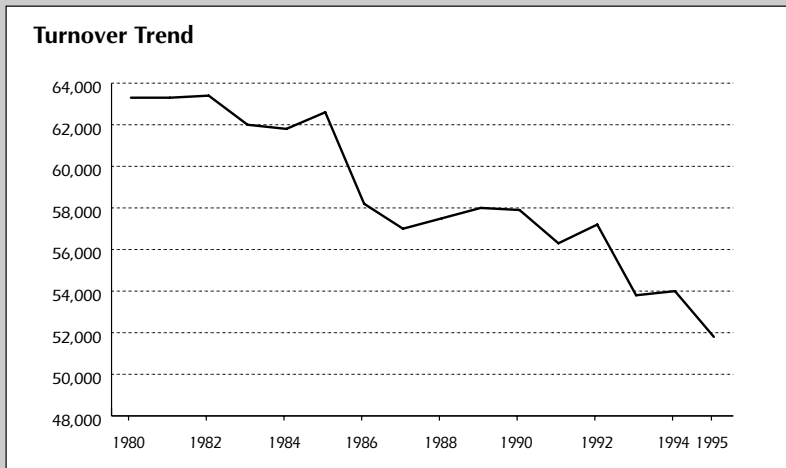
In fact, the second major problem, the chronic SNCF deficit which had been absorbed in the 1980s, was avoided for the last time in the 1991 by sales of assets. The following year, losses reached nearly

FFr3 billion, followed by FFr8 billion in 1993 and 1994 and close to FFr17 billion in 1995, of which FFr3 billion was due to the strike.

The government proposed reducing the SNCF debt by progressive productivity which could reduce the annual deficit. However, this was rejected by the unions in November 1995. In fact, this was the solution taken by Germany to justify total cancellation of the DBAG debt. In 1991, the government agreed again to set aside FFr40 billion of debt connected to the TGV, which left the SNCF the responsibility of absorbing, in the more-or-less long term, the heaviest half of its debt corresponding to other investments and accumulation of deficits<sup>(5)</sup>. Finally, in June 1996, the French government announced that it will take responsibility for two-thirds of the SNCF debt, amounting to FFr125 billion<sup>(5)</sup>.

### Investment - Preoccupying Question

No one denies that investments constitute the source of the major part of the intolerable debt. However, opinions differ on the nature of investments to be carried out,



Source: SNCF (Constant FF million in 1994)

the allocation of corresponding charges, and designation of the authority in charge of railway infrastructures which require essential expenses for modernization.

In Germany, the State shouldered these charges, but infrastructure will be separated from the management of the railways. In Sweden, the separation was decided in 1988 and is operating correctly with much heavier investments in infrastructure compared to when the railways were in charge. This fact seems ignored in France.

Future and past investments are now being transferred to the State, but it has al-

ready led to an almost total review of the 1991 high-speed train master plan. The Mediterranean-TGV, which started construction at the end of 1995, will probably be the last TGV financed by SNCF through loans and contributions from regions and the State. This is because the self-financing capacity of the company itself is highly insufficient, especially since the rate of return is constantly decreasing. The works are becoming more-and-more expensive. Protection of the environment and progress into areas that are more-and-more difficult to cross has already tripled the cost of the TGV per kilometer with

respect to the Paris-Lyon TGV, which did not require any tunnels and few bridges. Financing of the East TGV is compromised by the deterioration of the SNCF financial situation. Furthermore, the obstacle presented by the Vosges mountains is not included in the present project. Crossing the Vosges is imperative but at a considerable increase in costs.

Recently, the Minister of Transportation himself posed the question of the possible combination of new TGV lines and improved regular lines to allow circulation of tilting trains at 200 km/h. This possibility was rejected by the SNCF which only relied on the TGV. In fact, more-or-less all European systems are using the tilting system. Furthermore, the TGV was only accepted in the North-East Corridor of the United States using a locally-assembled tilting system with just one-third of the traction equipment manufactured in France.

Lack of investment in the standard system has become evident. Large track maintenance operations have been delayed for several years and freight transport has become a "poor relative", a situation that cannot continue. The development of combined transport will require huge investments which are always delayed, although this means of transportation is recommended to protect the environment by transfer of traffic from road to rail. The "Commutor" project and the TGV-freight project have not made progress.

### Infrastructure Problems and Free Third-Party Access

The European Directive establishing possibilities of access by third parties to railway tracks was incorporated into French law only 4 years after its announcement in Brussels. There have been no cases in France yet, but there have already been 25 cases in Germany in 1995. SNCF is opposed to any separation of infrastruc-

ture and management along the lines of the model adopted in Sweden and accepted for the future by Germany and the Netherlands.

The entire deficit of SNCF was ascribed to the infrastructure account up to 1994 as a result of separating the accounts between "transporter" and "infrastructure manager", with a small profit in the transporter account. However, in 1995, one third of the deficit had to be ascribed to the transporter account. The annual contribution of the State to infrastructure costs represents more than FF12 billion per year, or more than the contributions collected from the commercial income of

SNCF as normal charges for use of this infrastructure belonging to the State.

In fact, SNCF receives an annual subsidy for infrastructure which exceeds the expenses of servicing loans. Even if a new body in charge of infrastructure was created, it would result in increased confusion to the detriment of existing infrastructure which lacks maintenance and rehabilitation. Clarification is required in this area in accordance with the principle: "Whoever is responsible, shall decide and pay". Consequently, this is incompatible with the doctrine of a single railway enterprise.

Furthermore, free access of third parties

to infrastructure is stipulated at the European level; free access will start with combined transport before possible future extension to the entire freight system.

A particular case concerns train stations, a major area of exchange between means of transportation and public space. Their development should no longer rely solely on the decision of SNCF.

In general, the only means of obtaining private capital, which is indispensable to finance modernization, is to create a real public-private partnership at all stages of the building and operation of the network. Since the company cannot self-finance modernization alone, and since the State can only contribute in decreasing proportion, the private sector must be encouraged to invest by giving it access rights.

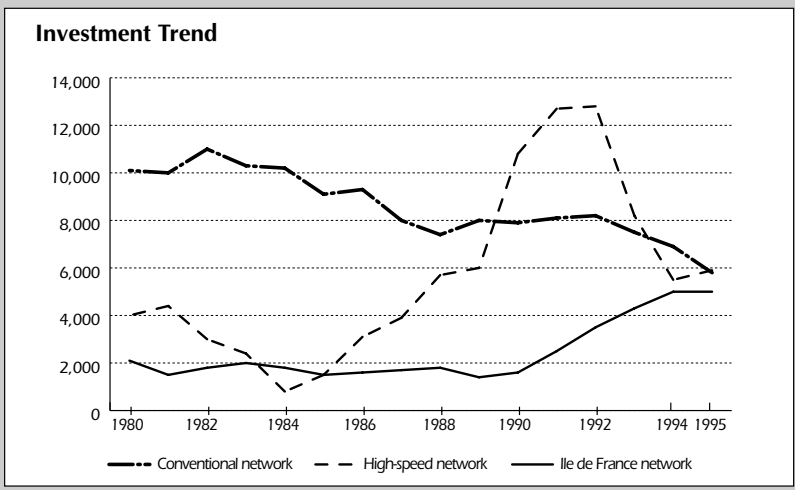
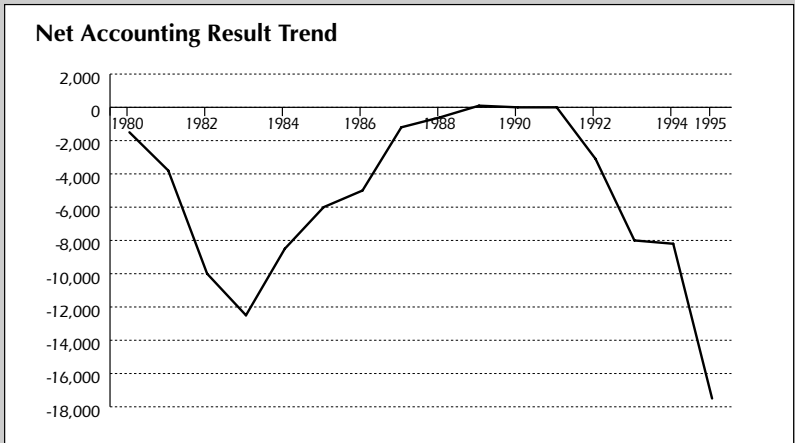
### Loss of Competitiveness Requires Major Reforms

All the experts believe that the future of SNCF mainly depends on rapid and thorough improvement of company performance. Only such improvement can stem the loss of market share because fierce competition still continues.

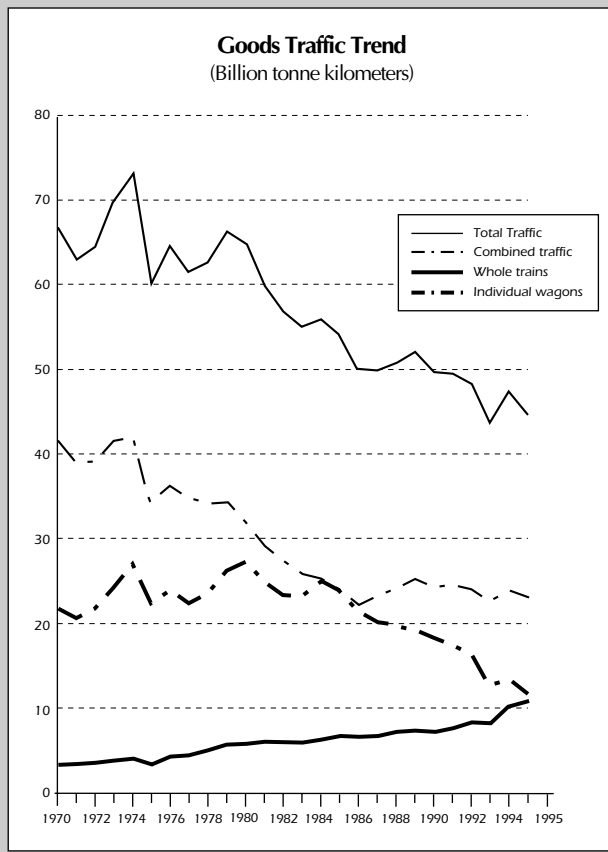
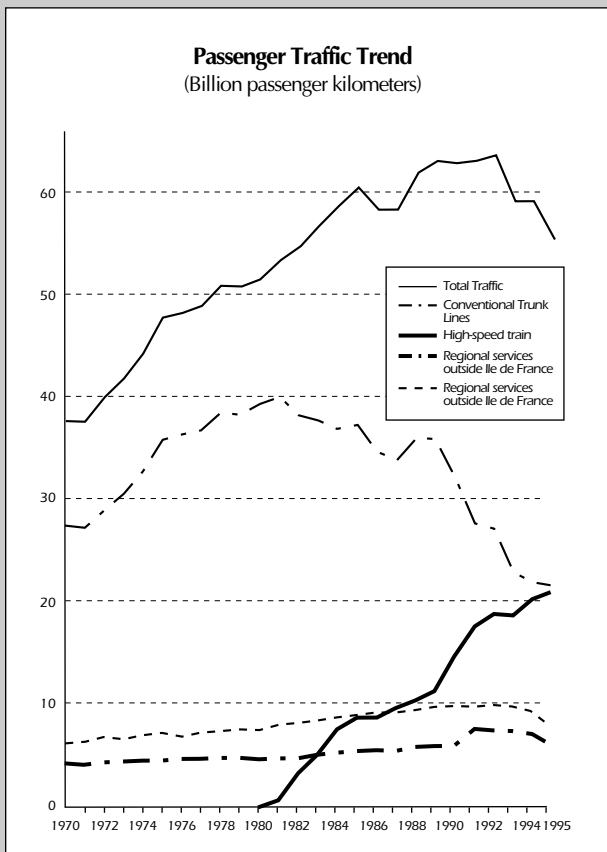
The former president of SNCF noted in 1994 that despite FF150 billion of investment in the principal network, passenger traffic dropped by 7% between 1984 and 1993. Freight transport dropped by 20%. A slight recovery occurred in 1994, but the 1995 strike dragged the company back to the 1993 level.

Despite constant staff reductions, personnel expenses for 1995 of FF44 billion are equal to commercial income, (FF40 billion). Only public contributions of FF52 billion allowed SNCF to cover most of its total expenses.

Personnel productivity expressed in traffic units (passenger kilometers + tonne kilometers per employee) only increased by 20% in 10 years compared to 70% in Spain and more than 100% in Italy and Germany. At present, French railway



Source: SNCF (Constant FF million in 1994)



workers have an average production of around 600,000 units, and the Italian and Spanish have almost caught up with them. The most productive railway workers in Europe are those in Sweden with almost 1,200,000 units, including railway workers transferred to the separate infrastructure division. In Japan, productivity exceeds the European record. In the United States, railway workers in major freight networks are close to 10 million traffic units and sometimes exceed this. Therefore, the French have a much lower staff productivity. The new president appointed after the 1995 strike noted that operating personnel in contact with the public have been reduced by 2.5% per year in 20 years while supervisors were only reduced by 1% per year. On the other

hand, managers increased by 1.6% per year. Among the 13,000 service employees in the Paris division, the new president is targeting staff reductions of around 3,000 people, as well as significant transfers of people to customer services. Head Offices and other offices will be sold. Personnel from head offices will be transferred to less prestigious buildings. The number of engine drivers is decreasing by about 1% annually. Personnel expenses in constant FFr could only be reduced by 1.6% per year on average between 1984 and 1995. However, staffing was reduced by around 3% per year, which was not the case during the 10 preceding years. In other words, despite increased efforts to reduce staff, personnel expenses continue to increase by

1.4% per year when traffic and revenue are decreasing; this cannot last indefinitely.

### Decentralization of Transport

As in Germany, daily commuter transportation must be completely re-examined, even if to a lesser degree. With the exception of rural zones, transport demand between homes, school and work is continually rising even if the growth rate is decreasing.

The short distances and concentration of traffic during peak hours do not favour profitability in comparison with medium- and long-distance transportation. Investments to modernize lines and services



Three-Door Double-Decker Suburban Coach

(SNCF-CAV/Olivain)

have been much lower in the provinces than in the Paris region, and they only represent a fraction of the high-speed train investments. Consequently, there is an under investment that must be recovered in order to prevent SNCF being a network running at two speeds as noted by many French people not benefiting from the TGV.

The Paris suburbs are a special case. Traffic income only covers half the expenses, but the State provides compensation equal to traffic income. This is not the same in the provinces because lack of accurate accounting of regional and local services has always prevented the State from paying sufficient compensation.

At present, transfer of responsibility to the regions for organization of services is being studied. Experiments on truly regional responsibility instead of simple agreements between SNCF and the regions have started. Furthermore, State contributions will be given to regions and not to SNCF. The regions will decide on the choice of transportation: to maintain, increase or reduce trains; to transfer services

to roads; to provide transport by taxi or van, if requested. Free selection of the operator by the regions and sub-contracting formulas are not excluded.

In fact, the regions are asking the State to increase the subsidies paid to SNCF for regional services by 50%. These subsidies will rise from FFr4 billion to FFr6 billion before the regions will agree to assume the operating costs for these services, since the replacement of equipment, as well as the purchase of new equipment to expand certain services, is needed as soon as possible.

Another problem is regional express trains; these are trains on trunk lines generally passing from one region to another, and which are in deficit. For example, the 630-km Lyon-Nantes connection had a deficit of more than FFr100 million in 1993. Around 12 similar connections represent a total of between FFr1 billion to FFr2 billion in annual losses that SNCF wishes to transfer to the regions if they want to keep these inter-regional trains. However, the SNCF no longer wishes to absorb the deficit of these trains using prof-

its from other lines. Each region will only be responsible for purely regional services provided within its limits.

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### Question of Public Transport

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The expert group preparing for the national discussion, explicitly questioned the position of railways in French transportation overall. This will not only clarify the SNCF role, but will also define the limits of public service in the transportation system.

The group noted that the railways only constitute a small part of transportation in France: 20% of the Paris region including the Metro; less than 8% of the entire national market for passengers, and 25% for goods. Freight and passenger high-speed train services are not treated as public services. These are governed by the market economy which regulates these two sectors by competition. The only true public services provided by railways are for daily travel, and inter-regional connections for national development, which considerably limit the public role of railways. Since only one quarter of SNCF activities now play a social role, they cannot be perceived as public services, unlike 100 years ago when they covered France as the sole provider of public transport.

Therefore, State assistance should be limited to the part of SNCF providing public service. The law of supply and demand in the transportation market must apply to the majority of SNCF activities that are not essential public services.

Such remarks are far from the concept of viewing all railways as public services. Nevertheless, SNCF remains a privileged organization among national and regional authorities providing public services through agreements and contracts (public service obligations, compensations, etc.) with the authorities.

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## Goods: A Special Case

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The decline of goods traffic on SNCF is due to structural changes in the economy that have led to a reduction in heavy-goods transport by rail, and the increasing use of roads for all distribution traffic. However, the loss of competitiveness of the railways is also due to the absence of significant investments in freight transport since the advent of the high-speed train which has siphoned off available resources for more than 20 years. A record of 74 billion tonne-km was reached in 1974 and since then, traffic has continued declining to 47.4 billion tonne-km in 1995. Only complete train loads continued running whereas individual wagon loads have only retained one third of their previous traffic. Progress in combined transportation masked a con-

tinuous deterioration in tonne-km revenues, which lost one third of the real value in 20 years. This is due to the fact that the tonne-km revenue of combined transportation produced half of the tonne-km revenue of a complete train load and one third of an individual wagon load. Only combined transportation volume is increasing, constituting one quarter of SNCF freight volume, but only producing 12% of income.

Therefore, perhaps we should ask whether freight service should be given more-or-less complete autonomy as in other railways. We can also question the justification of the existence of road transport subsidiaries within the SNCF group.

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## Moving to Tomorrow's Railways

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The last question of expert group is: How

can the railways of yesterday be converted to railways of the future, with the best conditions for users, taxpayers and railway employees?

This question summarizes all problems and difficulties to be solved. An answer was given by an American banker participating in a congress on financing railways held in Paris in November 1995. He mentioned the remarkable recovery of the American railways from a crisis more serious than that in France, saying: "Even if the European rail system undergoes only half the 10-year revolution in freight transport that the US has enjoyed, it will still be a revolution".

Let us hope that such a revolution will happen and the railways will be saved in France as well.

## Recent Discussions and Events

The railway transport system has never elicited as much interest in France as during the last 2 years based on the inquiries, reports, questionnaires, interviews with experts, discussions, press conferences, publication of studies and plans, which should result in a new contract between SNCF and the State.

Since an inquiry by parliament at the beginning of 1994, a series of other inquiries from members of the two assemblies led to publication of several reports by Deputies and Senators. One survey involved more than 50 SNCF managers, cited as witnesses under oath, which revealed previously unknown aspects of the railway reality.

Interviews with managers of German, Swedish, Dutch and Italian railways were conducted, in

addition to several interviews with SNCF Presidents.

Discussions took place on particular questions in the Senate and National Assembly. More comprehensive discussions followed publication of a report of experts presided over by Claude Martinand, first held in the Economic and Social Councils of Regions, then in the Economic and Social Council at the National Level.

For its part, SNCF consulted a huge number of its personnel to prepare a company plan in accordance with the 1995-1999 Plan Contract. This Plan Contract has not yet been concluded; the November 1995 strike delayed negotiations on this contract since the railway workers refused to accept any attack on their retirement system and refused to connect solving the SNCF debt

to improvement of results.

New talks with unions were resumed at the beginning of 1996. An extensive questionnaire allowed verification of customers' expectations.

SNCF commitments at the national, regional and local levels will be carried out in an industrial project defining the missions of SNCF, its identity and objectives. The draft contract-plan with the State has been abandoned.

On 11 June 1996, the French Government announced that it will takeover FFr 125 billion of the SNCF debts and future responsibility for infrastructure. The plan involves creating a new public company to oversee maintenance of rail track and to plan and fund new infrastructure.

## Notes

- (1) Railway Gazette International, October 1995, World Speed Review.
- (2) Transport No. 324, April-May 1987, Alarm Signal.
- (3) Transport No. 369, January-February 1995, Is there a "French Railroad Sickness?"
- (4) Railway Gazette, February 1996, Herculean tasks in store for SNCF President.
- (5) International Railway Journal, March 1996, Debt crisis threatens investment.



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