

PRIME 10

12 June 2017

Sopron, Hungary

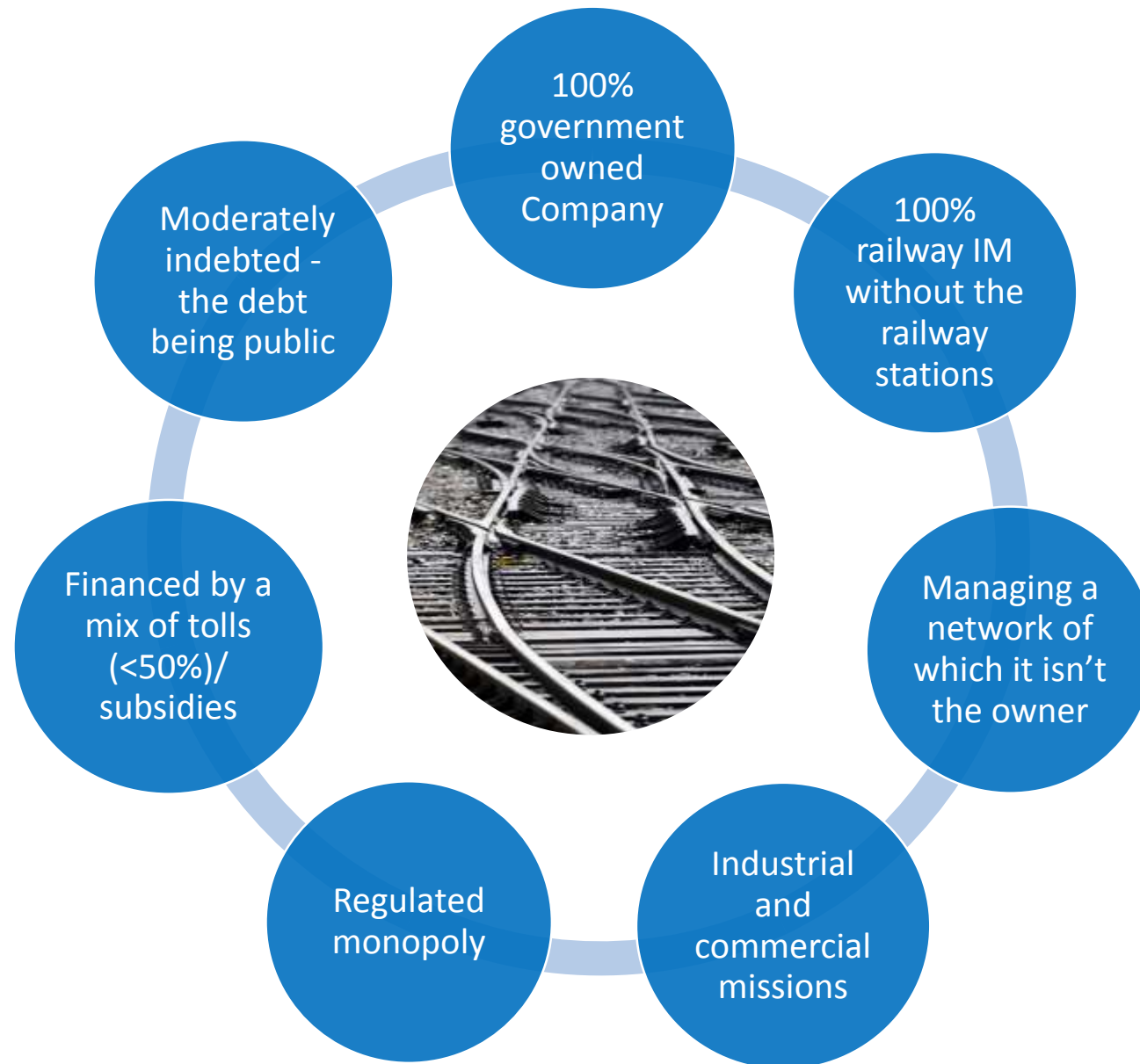
Trends in the IM industry

- Alain Quinet -

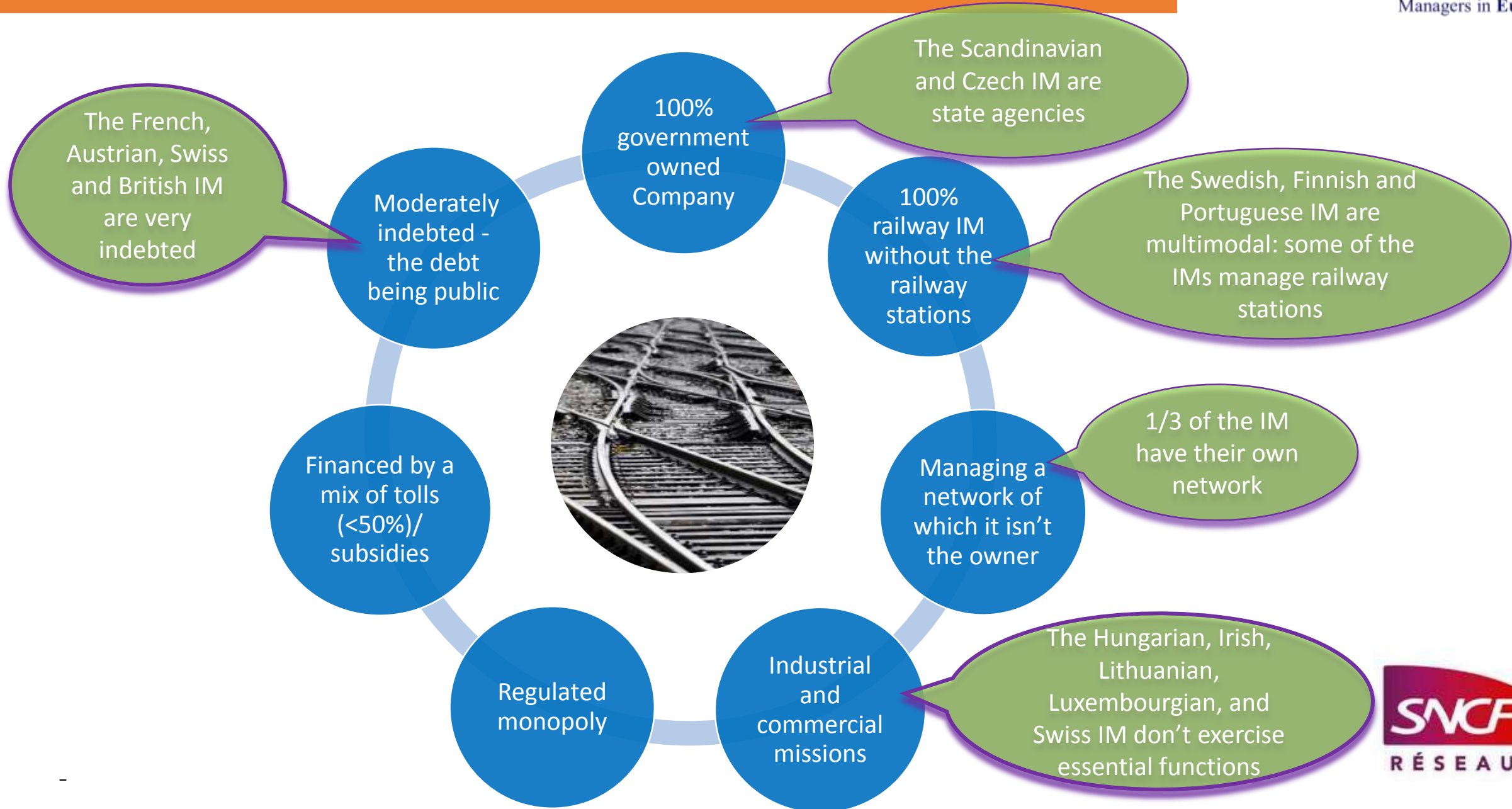
Trends in the IM industry

Part I: Governance Trends

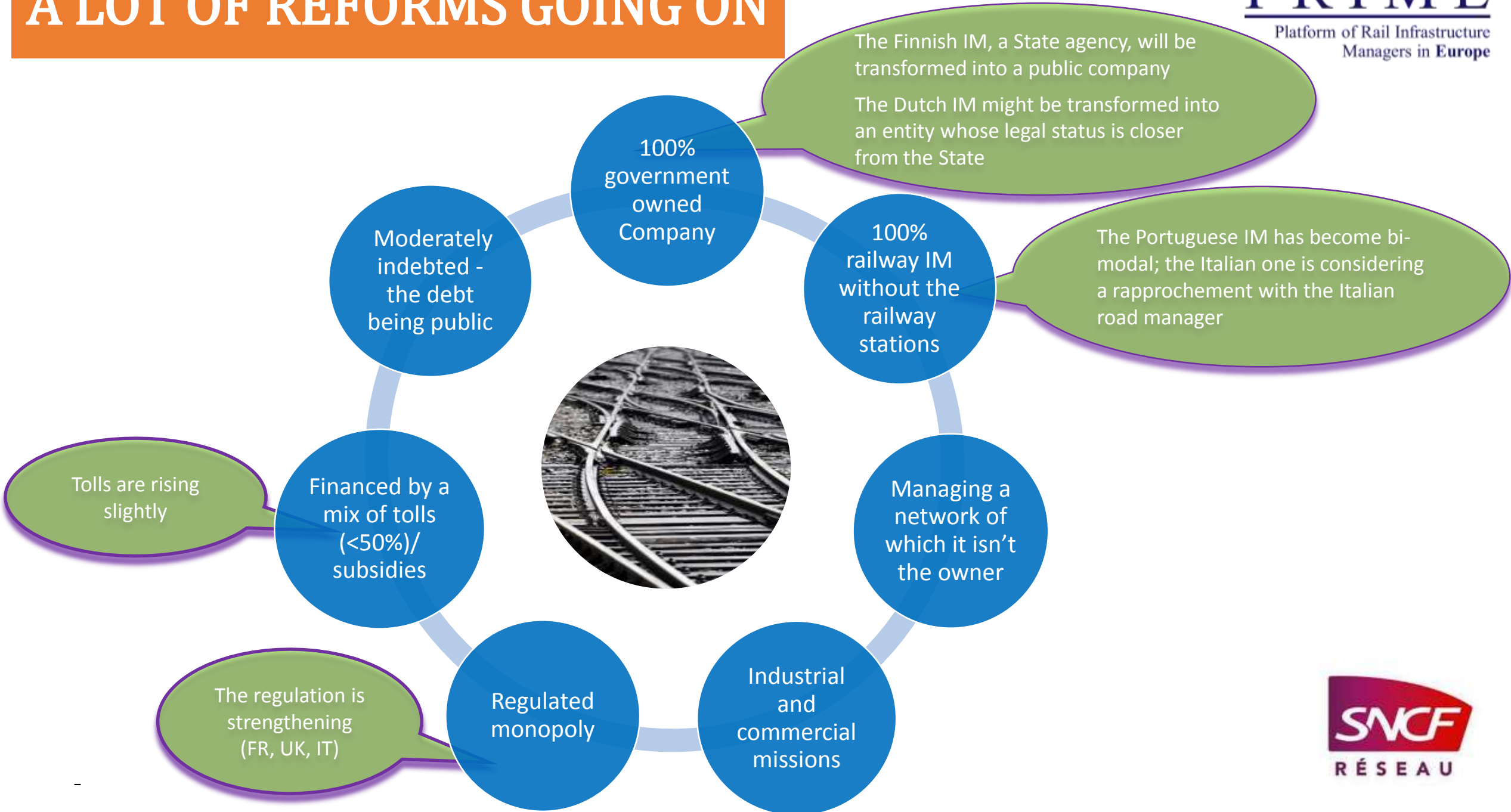
THE EUROPEAN IM: PHOTOFIT PICTURE



A GREAT DISPARITY OF SITUATIONS



A LOT OF REFORMS GOING ON



TREND 1: REINFORCEMENT OF NATIONAL REGULATIONS

The rise of the regulators results in some spectacular decisions...

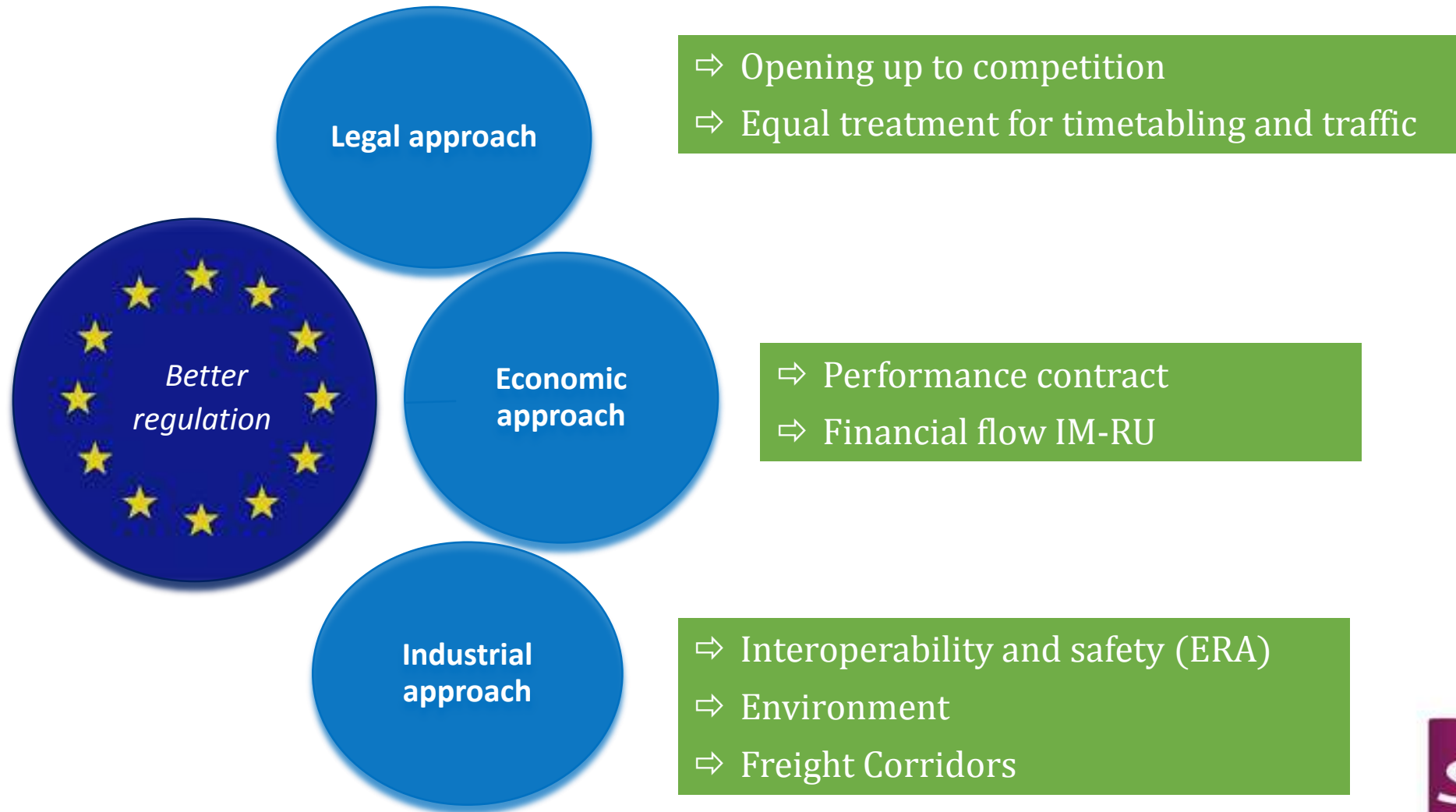
- ⇒ Strong decrease in tariffs of the high-speed railway line in Italy compensated by a strong increase in the conventional network (for international services)
- ⇒ Fines pronounced on NR by the ORR
- ⇒ Intervention of the regulator in the choice of SNCF Réseau's CEO

... even if the influence of regulators remains heterogeneous ...

- ⇒ The least "advanced" regulators are focusing on the non-discriminatory access to the network
- ⇒ The most advanced regulators are focusing on the economic efficiency (e.g. productivity) and pricing

... in the context of the reinforcement of the European regulation and networking of the national regulators

TREND 2: EXTENSION OF THE EUROPEAN REGULATION



TREND 3

STRENGTHENING OF THE STATE'S SUPERVISION

Despite the reinforcement of independent regulatory bodies, the administrative and budgetary supervision of the State tends to increase

1 - Several Member States have recently reinstated the IM in the field of the public administrations

- ⇒ Classification of Network Rail as a public sector body in 2014
- ⇒ Netherlands is considering the transformation of ProRail into an entity whose legal status is closer from the State

2 - Even when the IM is a public company (independent or in an integrated group), the influence of the State

- ⇒ remains strong on the enhancement strategy
- ⇒ has increased on the renewal strategy

ISSUES FOR DISCUSSION

1. Will there be a rebalancing of responsibilities between Regulatory bodies and Governments ?

⇒ for example through the Multi Annual Contract

2. Will European rail IMs remain under the strict budgetary control of the States or can they opt for a path that would lead to more managerial autonomy?

⇒ Like for road or airport IMs

Trends in the IM industry

Part II: Business trends

Six issues for discussion

Challenges

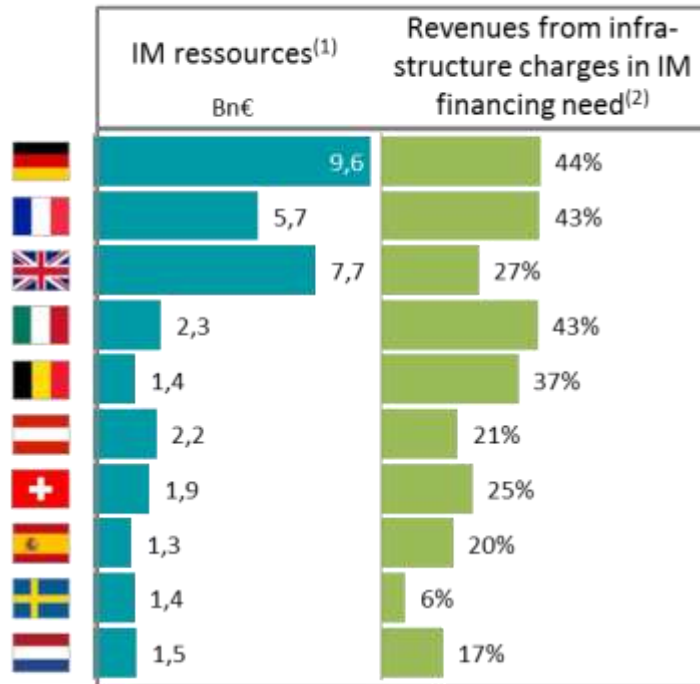
- ⇒ Finance
- ⇒ Security

Ambitions

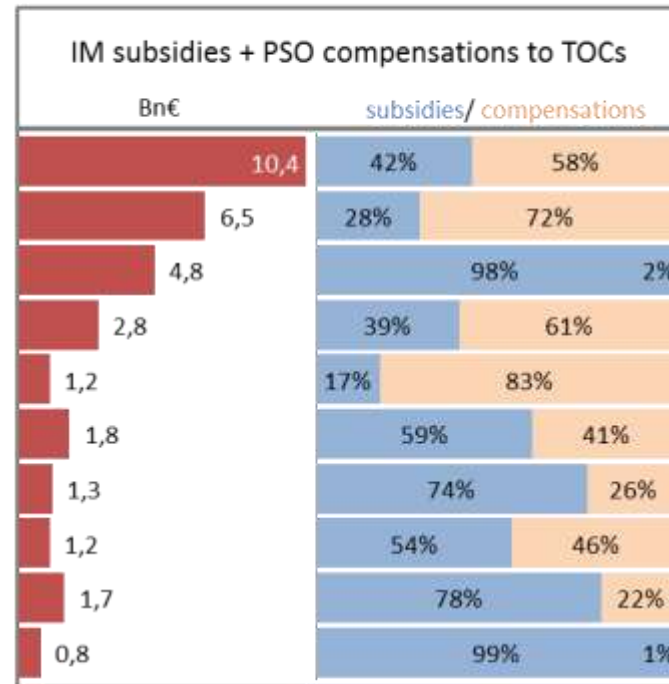
- ⇒ Asset management
- ⇒ Digitalisation
- ⇒ Passenger competition
- ⇒ Multimodality

Challenge 1: Finance : will commercial revenues be the main source of revenues?

IM Financing (2012)



Public funding⁽³⁾ (2012)



Reading: Total resources of the German IM are 9,6 Bn€, including revenues from infrastructure charges (representing 44 % of its financing need). The German rail system receives 10,4 Bn€ of public funding – 42 % are subsidies to IM and 58 % compensations to train operating companies for public service obligations.

Switzerland: CFF only. (1) Ressources : revenues from infrastructure charges + public funding + other ressources.

(2) Financing need: revenues from infrastructure charges + public funding + other ressources + debt flow (negative cash flow).

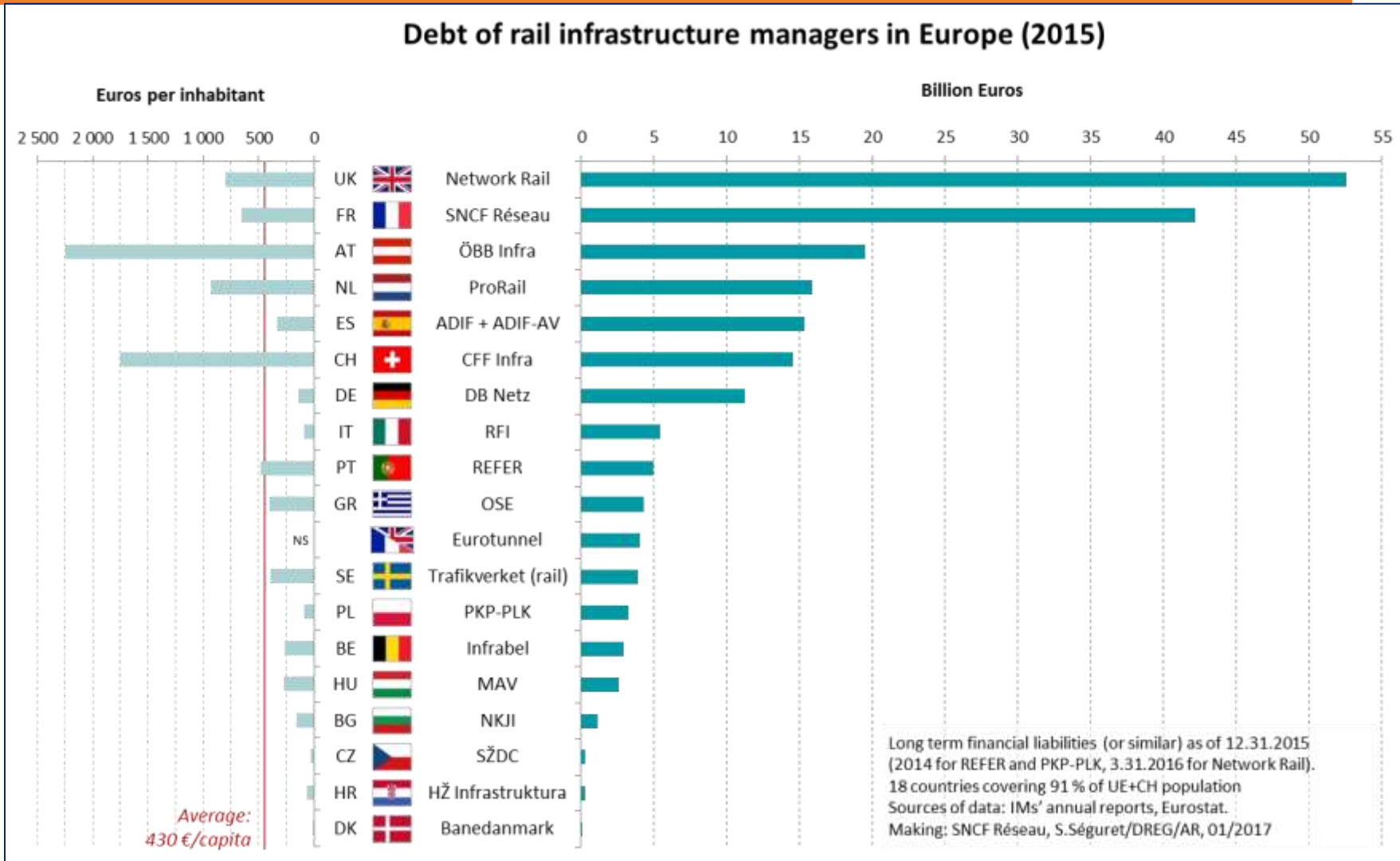
(3) Minor public funding may exist (subsidies for freight, investment subsidies to local IMs, etc.).

Sources of data: RMMS, BCG, european IMs ; collected by M. Finger (EPFL, 2015), reshaped by SNCF Réseau, S. Séguret/DREG/AR, 2017.

Two main flows of rail public funding

- ⇒ **subsidies to IMs:** investment grants, charges paid by the State, etc.
 - UK, Switzerland, Sweden, Netherlands
- ⇒ **compensations to RUs for public service obligations**
 - Germany, France, Italy, Belgium

Challenge 1: Finance: is IM's debt sustainable



Challenge 2: Could Security jeopardise our business model?



Terrorism



Metal theft and
malicious intrusions

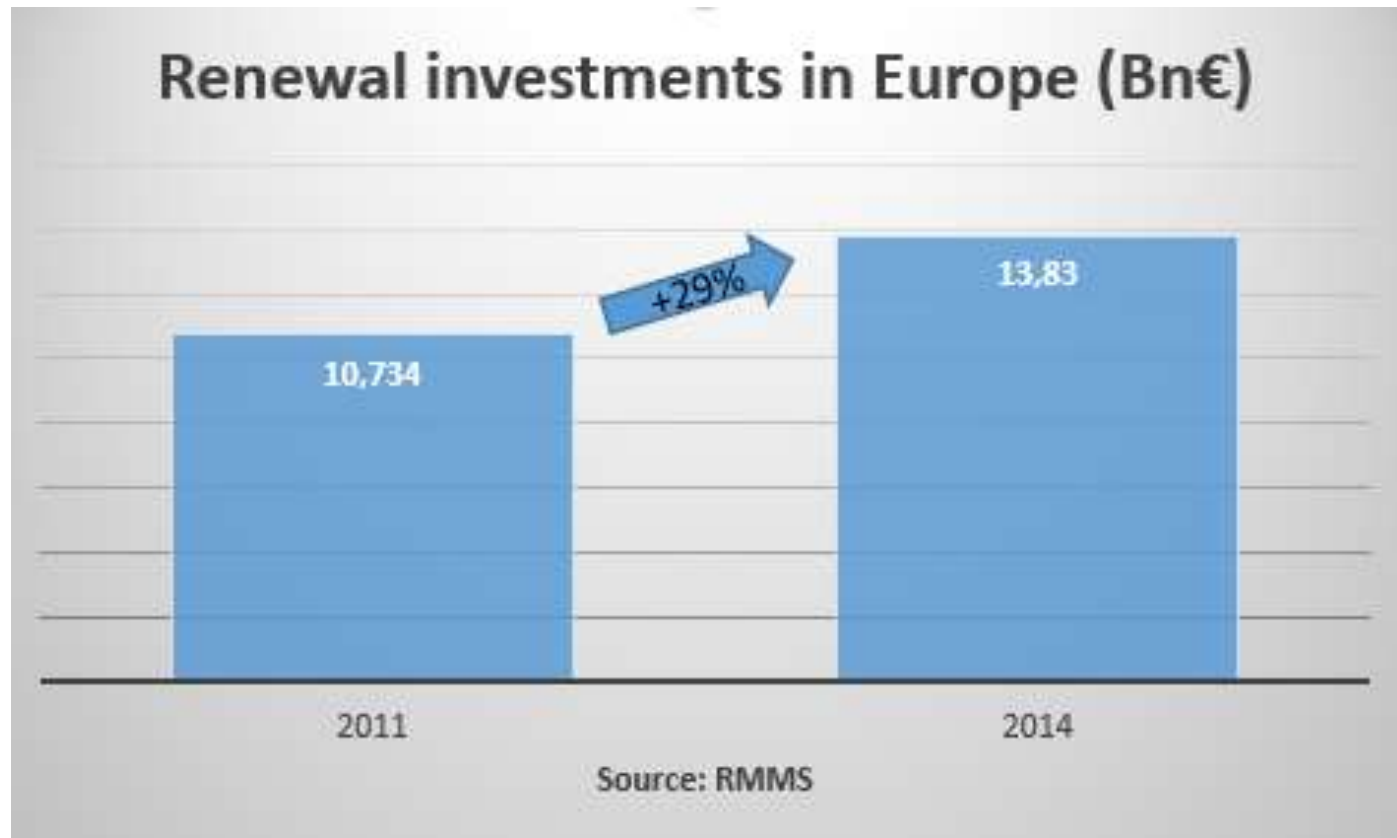


Cyberattacks

- ⇒ **Intelligence**, cooperation with police authorities and other external parties
- ⇒ **Protections and technologies** doors, closures, fences, cameras, badge readers, intrusion detectors, fibre optics instead of copper
- ⇒ **Organisational protection:** procedures, human factors

Ambition 1: Asset Management

Massive renewals are a requirement for each IM
Will it be an opportunity for better dialogue with clients?



IMs catch up decades of under investments

- ⇒ Renewals volume will continue to increase at least until 2020
- ⇒ IMs must discuss with RUs on renewals priorities and modalities

Ambition 2: Digitalisation

*Digitalisation is an opportunity for each IM
Can it become a driver for the Single European Rail Area?*

Digitalisation is not a project anymore: it is a reality

- ⇒ Predictive maintenance
- ⇒ New signalling architecture (ERTMS & centralised signal centres)
- ⇒ More automated timetabling construction
- ⇒ Building Information Modelling
- ⇒ Open data and innovation

Progress have to be coordinated among European IM's to avoid building unintended barriers

Ambition 3

Opening up to competition of the passenger market

*Competition will bring new international clients to IMs
Will they adopt a more international orientation?*

1 - Technical challenges: interoperability of National European networks

2 - Financial challenges

- ⇒ An opportunity for IMs: more clients means more revenues
- ⇒ But Regulators may challenge tariff sustainability (in particular for HSLs)

3 - Cultural challenge: an opportunity for a more international orientation and a more business-friendly approach.

Ambition 4: Multimodality

Is multimodality the next trend for IMs?

IMs are increasingly multimodal but multimodality takes different forms

1. Construction/Management of train stations or multimodal urban sites
2. Construction/Management of combined transport terminals
3. Some IMs belong to a multimodal group
4. Fully multimodal IMs

