Cour des comptes

PUBLIC ENTITIES AND POLICIES
THE FRENCH RAIL NETWORK: SIGNIFICANT CHANGES MADE BUT SOME UNAVOIDABLE DECISIONS TO COME

STRUCTURAL ISSUES
FOR FRANCE
NOVEMBER 2021

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NOTICE

This document forms part of a body of work intended to present the main challenges that public decision-makers will face in the coming years in relation to several major public policies, and the tools that could be used to tackle them. This series of publications, which runs from October to December 2021, follows on from the report submitted in June 2021 to the President of France, entitled “A public finance strategy for exiting the crisis”. This summary work aims to develop, in relation to a few essential structural issues, the diagnostic information from previous work by the Court and avenues for action able to consolidate long-term growth while strengthening the effectiveness and efficiency of public policies.

The Court, in accordance with its constitutional role of informing citizens, intends to develop a new approach, one that is different from its usual work, and thus contribute to the public debate through this series of deliberately concise and targeted documents, while taking care to leave open various possible avenues for reform.

This document was deliberated by the 2nd chamber and approved by the publication and planning committee of the Court of Accounts.

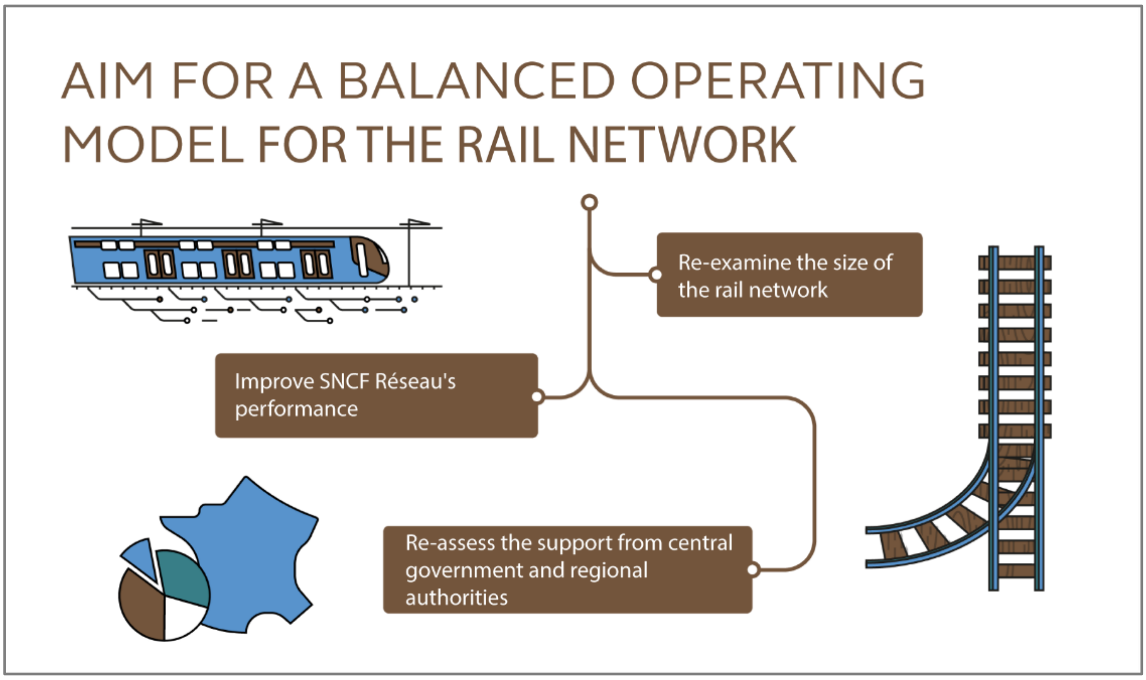
The Court of Accounts’ publications are available online on the website of the Court and the regional and territorial chambers of accounts at www.ccomptes.fr:

EXECUTIVE SUMMARY

Rail reforms have incrementally brought about substantial improvements to the French rail network. However, they have failed to overcome a number of structural weaknesses, which the health crisis has greatly aggravated. The national rail network is struggling to recover after years of being run down. Funding for management and renovation is still not guaranteed. Decisions still need to be made to safeguard a network for which strong environmental and social objectives have been set.

Key figures

- French rail network: **28,100 km**, a third of which are local lines
- Average age of the network: **29 years old, 37 years old** on the local network
- Annual renewal investment objective: **€3 billion**, against a requirement estimated at **€3.5bn** and an actual figure of **€2.7bn** in 2019
- Rail debt taken over by central government in 2020 and 2022 : **€35 bn**



INTRODUCTION

Rail transport meets an important demand from society at large, namely the demand for an efficient mode of transport at an affordable price, and it is currently being given a major role in the French strategy of carbon-free transport, a strategy reaffirmed by the framework legislation on ‘mobilities’ of 24 December 2019.

Its main characteristics were, however, decided in the middle of the 19th century, based around three main activities: carrying long-distance passengers between towns, carrying short and medium-distance passengers to serve dense urban areas and regions, and transporting goods over long distances. Passenger transport, in decline in the post-war period, has experienced a notable revival over the past thirty years thanks to the development of the high-speed network and, since the beginning of the 2000s, the revitalisation of the regional express network. Freight transport, on the other hand, open to competition since 2006, remains uncompetitive in France, hampered by the geography of a network which gives priority to passenger transport in the large railway hubs, and relegates freight to travelling by night, which is itself disrupted by network renovation projects.

The proper functioning of rail transport at the best cost assumes the network used is both safe and efficient, and able to provide these three types of traffic combined on terms financially acceptable to the community. Rail transport’s business model is in fact characterised by high costs owing, in particular, to the scale of the investment needed to develop, maintain and operate the network, higher than that required by road, air or sea transport. It is also hampered, in particular vis-à-vis the road network, by the structural rigidity of rail traffic, requiring a finely-tuned distribution of routes between the various users.

The question of funding this network, and the choices to be made in this regard, runs through the entire history of railways and arises repeatedly. The creation of SNCF (French national rail company) in 1938 was the consequence of a funding crisis which had led to the merger, under the responsibility of a single managing organisation, of the private and public networks which had coexisted until that point.

The funding question thus constitutes the background to the major reforms that have followed one after another for almost a quarter of a century: the creation of Réseau Ferré de France (RFF) in 1997, a public agency which, by becoming owner of the physical rail network, freed SNCF from infrastructure debt; the creation in 2014 of a single infrastructure management company, SNCF Réseau; the 2018 reform creating, from 1 January 2020, a new railway group made up of public limited companies (including the infrastructure manager SNCF Réseau and its subsidiary Gares & Connexions) with parent company SNCF at its core, and with new recruits no longer having the special “rail worker” status existing employees enjoy; reorganisation of the new group’s financial structure thanks to central government’s takeover of €35bn of rail debt, with €25bn in 2020 and 10bn in 2022.

These reforms have incrementally brought about substantial improvements to the French rail network’s business model. However, they have failed to overcome the structural weaknesses which the covid crisis has greatly aggravated:

- the question of renovating the network remains open: the national rail network, still insufficiently maintained and modernised, is struggling to recover after years of being run down; this weakness undermines quality of service in French rail transport, and even exposes it to a risk of serious accidents;

- the funding for management and renovation is still not guaranteed: there are still some productivity gains to be achieved but any hope the system would become self-funding, driving all the reforms since 1997, was already fading before the Covid-19 crisis and is now unlikely;

- this observation calls for the choices necessary to secure the essential investments to renew and upgrade this network, commensurate with the environmental and social objectives that it now bears, but also the existence of the resources available.

1 - GREATER NETWORK RENOVATION EFFORT NEEDED

The French rail system suffers from shortcomings in the quality of transport services, usually a result of the infrastructure's poor condition.

1.1. Infrastructure remains weakened for lack of sufficient spending on renewal

Under-investment in maintenance of the national rail network has been seen regularly since an international audit revealed it in 2005. This observation has led central government to increase its efforts in replacing tracks and track equipment. Wear and tear on the network has become relatively stabilised, but in proportions that hitherto have not made it possible to make up for the shortfall accumulated over decades. In its 2018 report, the Court of Accounts noted that the infrastructure replacement and upgrading effort was far from having come to an end. While safety has become an absolute priority for the publicly-owned rail group after the Brétigny-sur-Orge and Denguin accidents, incidents related to infrastructure failures remain at a very high level. The latest available data confirm this finding.

Table 1: indicators on the state of the network

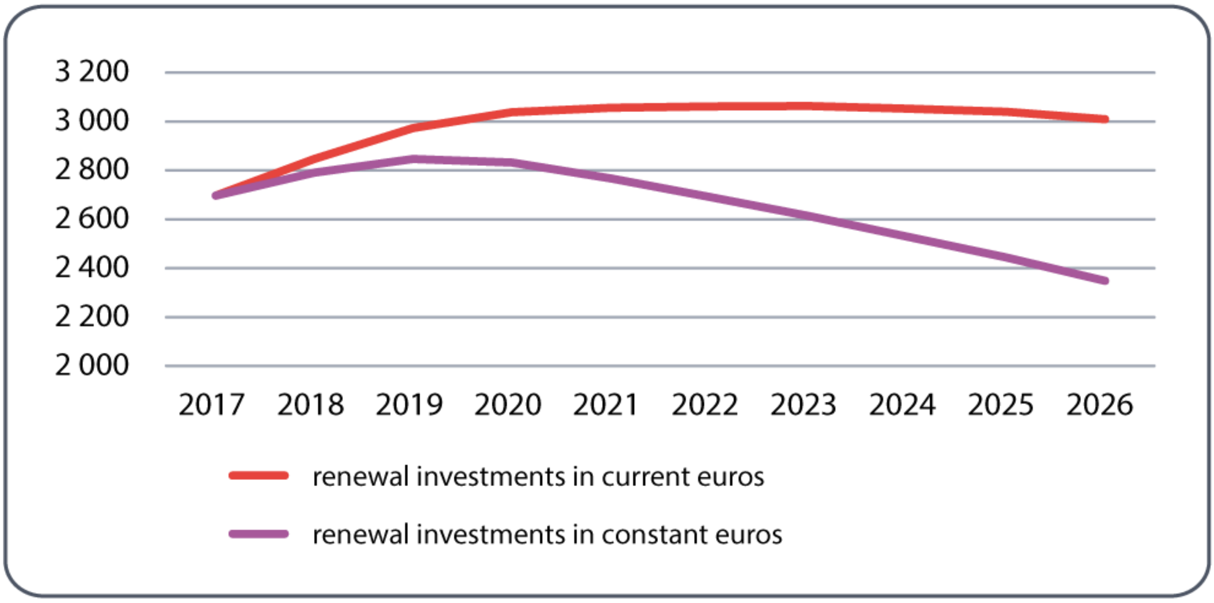
Age of the rail network	29.2 years old on average, 36.7 years old on the local network
Proportion overdue for replacement	23% of the national rail network excluding high-speed lines at the end of 2019
Slowdown owing to track condition	4,500 km of track (out of 49,500 km of tracks) are subject to slowdowns or carry no traffic at all because of its poor condition. 22% of the "minor lines" network is affected by these restrictions

Source: 2019 ART rail report

Beyond the renovation of the network, SNCF Réseau has not yet succeeded in making its management more efficient. This applies particularly to traffic management, essential so as to make rail transport competitive relative to road transport, with the delay in the projects to centralise network control to deliver remote control of points, and upgrade IT systems, projects that are essential to obtain significant results in terms of quality of service. At the end of 2019, SNCF Réseau had just eight operations centres of the sixteen planned by then, and it was only starting operational testing of the new IT system in Bourgogne-Franche-Comté. France's delay in points automation contrasts with the lead taken by its European neighbours, which had for the most part initiated such programmes, which are both costly in terms of investment and complex in terms of labour force acceptability, much earlier. Hence Germany had already deployed more than 90% of its centralised points control system by 2015.

The relaunch of investments was announced by France's law of 4 August 2014 on railway reform through the signing of an operation management services contract between central government and SNCF Réseau making it possible in particular to set a ten-year funding path. This contract, which was only signed on 20 April 2017, sets an annual target of €3 billion in network renewal investments from 2020. However, being set in current euros, this objective led in practice to a reduction in resources in constant euros, as the annual investment requirement had been estimated at €3.5 billion in constant euros by the last international audit conducted in 2018.

Graph 1: infrastructure renewal spending



Source: Court of Accounts based on data from the operation management services contract 2017–2026

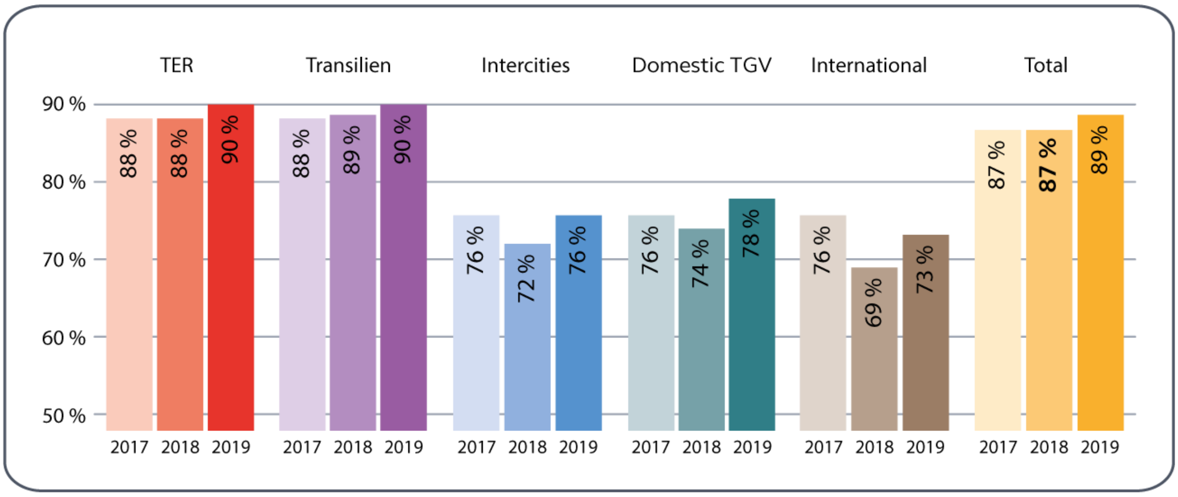
Thus, for the year 2019, SNCF Réseau reported that it had spent only €2.7 billion in renewal and operation management investments corresponding to 942 km of track, i.e. a slower rate than that of 2013-2015. An increase of €200 million per year in renewal and upgrade spending from 2022 was announced in May 2018, but this did not materialise given the health crisis. The 2020 recovery plan, earmarking €2.3 billion to offset SNCF Réseau's losses, targets an annual level of renewal investments of just €2.9 billion.

1.2. Quality of service still suffering from poor network performance

The poor state of the network remains the main cause of the poor quality of service of rail transport in France. The Court has insisted on this point throughout the successive inspections that it has carried out. Accordingly, in 2017, it noted the reduction in the modal share of French rail freight, a reduction which was subsequently confirmed as the share dropped from 17% in 2000 to 9% in 2019, a change that it attributed to the poor state of the network, the renovation of which has severely harmed the reliability of the train path allocated for the movement of freight and therefore quality of service, a factor deemed essential by freight users, who have, therefore, switched their traffic to other modes, in particular road transport.

With regard to passenger transport, the Court has also observed the impact of the state of the network on the punctuality of regional express trains (TER), attributable in 23% of cases to SNCF Réseau, as well as on that of Intercity trains. The latest available data shows a slight improvement, but also that this unreliability persists.

Graph 2: punctuality rate for rail passenger transport in 2019



Source: 2019 ART rail report

Thus, the poor condition of the network today leads to a vicious circle for rail transport: incidents or speed restrictions on the network lead to train cancellations or delays; but to remedy this situation, SNCF Réseau must undertake major works which may lead to service cancellations, a phenomenon which affects freight more particularly with engineering works undertaken at night. Under the circumstances, it is not surprising that road transport still enjoys a significant advantage over rail transport.

2 - A NETWORK THAT REMAINS MASSIVELY UNDERFUNDED

The poor state of rail infrastructure, and the delay in remedying it, is attributable to the combination of a number of factors which have so far made it impossible to ensure long-term funding of the substantial investment requirements.

2.1. Improving SNCF Réseau's performance: absolute top priority

While the infrastructure management arm finds itself unable to finance its huge investment needs, it is clear that the objectives which have been assigned to it for many years in terms of industrial performance and productivity gains, albeit not very ambitious targets, are not, so far, being met. In its 2018 report on SNCF Réseau, the Court highlighted the high cost of maintaining the network compared to some of its European neighbours: it noted that France had 1.73 network management employees per km of network while this ratio was only 0.99 in Germany.

In the two recent multiyear operation management services contracts signed with central government over the 2008-2014 and then 2017-2026 periods, commitments in terms of productivity gains and cost control have admittedly been made. The 2017-2026 contract accordingly sets a savings target of €1.2 billion over the contract period, corresponding to annual average productivity growth of 1.4%. The Court underlined in 2018 that these objectives were not very ambitious and remained poorly documented. The government's initial proposal to increase the resources allocated to €1.6 billion, deemed difficult to achieve by SNCF Réseau, would have made it possible to plan a more demanding trajectory, emphasizing the urgent need to implement the traffic management upgrade and maintenance projects the company was developing too slowly.

The outcomes of these contracts seem disappointing at this stage, all the more so as the gains made have mainly been achieved through an ambitious procurement policy, undoubtedly allowing the company to buy at a lower cost, and not by any reduction in its own production costs. The Court thus underlined that between 2013 and 2016, maintenance and renewal expenditure increased sharply (up around 17%) while physical production appears stable, the company renewing around 1,000 km of track annually. Examination of the latest financial accounts shows that SNCF Réseau has still not improved its performance. Regarding the cost of maintenance, the company has not developed a productivity indicator, although one is required by the operation management services contract, which raises questions about the reality of the gains regularly advanced by SNCF Réseau. As for the average cost of renewing one kilometre of track in the “primary” network (a category that includes high-speed lines, the Ile-de-France network and inter-city lines), it increased by 20% between 2015 and 2020, against a target set at 6% (between 2015 and 2021).

Improving SNCF Réseau's performance and reducing its production cost are thus facing two hurdles:

- network and rail traffic management suffers from insufficient modernisation and poor roll-out of standardised processes. The most obvious case is the delay mentioned above, concerning the centralised network control and command project. Centralisation and automation of points operations should make it possible to significantly reduce the number of personnel assigned to managing rail traffic (around 13,000 employees). The delay in these projects is attributed to both labour force acceptability problems and the shortfall in the funding necessary to carry out this major industrial project;

- in addition, how work is organised brings about additional costs, a situation the Court found applied to all entities of the SNCF group. The rigidity of the organisation, the shortness of working hours for certain roles, and insufficient versatility of employees results in much lower productivity than that of the main companies in the public works sector. When payroll costs increased by inflationary pay scales are added into the equation, it is understandable why SNCF Réseau performs its role with particularly high costs.

In addition, rail reforms have only very recently provided the two infrastructure management outfits with the necessary framework to improve their performance. In fact, it was not until 2020 that these successive reforms gave SNCF Réseau and Gares & Connexions, which is now attached to it as a subsidiary, managerial autonomy and all the resources they need to perform their roles, and ended recruitment of employees with “rail worker” status, a reform which will however only really produce any beneficial effects in the long term.

Improving the performance of the infrastructure management company will be essential if the financial sustainability of the rail network is to be improved. The objective that central government initially envisaged of productivity spending of €1.6 billion over the period of the new operation management services contract would benefit from being reaffirmed in the future. From an operational point of view, this requires, as the Court previously stressed in 2018, firstly, an improvement in industrial performance by accelerating implementation of the “standardised timetable production system” and “centralized control of the network” programmes and, secondly, the working time agreement to be renegotiated so that the company can take into account the specific constraints of its industrial organisation.

2.2. The size of the rail network: on the back burner until now

The infrastructure manager's financial imbalance also highlights the difficulty in tackling the recurring subject of sizing the network. With 28,100 km of railway lines in operation, France has the second largest European rail network behind Germany, but 29% of the lines are made up of very little-used tracks, in “UIC 7 to 9” categories, sometimes referred to as “minor lines”. or “infrequent service lines” (with reference to the classification of the International Union of Railways – UIC –, SNCF distinguishes railway lines by the amount of traffic, UIC 1 lines being the busiest, and UIC 9 lines the least busy). Owing to their low traffic, the fees generated by these lines are far too insufficient to fund their maintenance. Consequently, in 2018, the Court emphasised that the level of use on the French network averaged only 15.7 thousand train-km per line-km (2014 figures) compared with 26.4 for Germany.

The question of maintaining and renovating this local network, part of which is in poor condition and, which, because of gaps in its electrification, needs diesel-engined rolling stock, is a sensitive subject. It faces contradictory requirements: firstly, to ensure the overall financial sustainability of its network maintenance and management activities and, secondly, the need, line by line, to maintain a local public transport service for fear of neglecting isolated or poorly served areas.

The regions, anxious to maintain their development budget allocations, have so far made little attempt to be objective about the terms of the decision they face. In 2019 the Court nonetheless stressed the need to conduct economic, social and environmental assessments of their networks in order to determine the possible options, following a multimodal approach, those options being to develop the line, maintain it but manage it more economically, prioritise another mode of transport other than rail, or take this line out of service.

Central government, inclined to streamline the network, did not want to confront the regions but de facto decided, in the 2017-2026 operation management services contract, to withdraw from the financing of these lines. The priority given to renovating the primary network automatically meant responsibility for regional infrastructures was handed to the regions, with central government, working through SNCF Réseau and Gares & Connexions, taking charge of the primary network and the major stations, called "category A".

This decision has led regional authorities to increase their involvement. In 2019, the Court assessed their investments during the period 2012-2017 on the regional express network at around €1.6 billion, and on passenger stations at around €0.5 billion. This level of involvement made it possible to compensate for the gradual withdrawal of SNCF Réseau from renewal investments for the less busy lines, those at UIC levels 7 to 9.

Faced with criticism of this withdrawal, and the political sensitivity surrounding the infrequent service lines in the regions, against a backdrop of community demand to maintain local public services, central government is now trying to split 9,000 km of these lines into three categories: those which will be re-categorised into the primary network and paid for by SNCF Réseau, those which will be jointly funded by central government and the regions, and those which will remain entirely the responsibility of the regions. For the first group (around 1,500 km of track), the general France Relance stimulus plan includes financial support from SNCF Réseau. For the second group (around 6,500 km), the central-regional government plan contracts would be the funding tool. Finally, for the remaining 1,000 km, transferring the management of rail lines of local or regional interest with low traffic to the regions has become possible since the framework legislation on 'mobilities' in 2019.

This division of roles between central government and the regions is not comprehensive, however, and is restricted to financial considerations alone, however important they may be. Jurisdiction over transport matters must also be taken into account. Consequently, the regions, which have become "mobility organizing authorities", have control over various aspects of their policy (transport supply, pricing policy). This state of affairs led the Court to invite central government to consider transferring not only the management but also the ownership of the regional network for the benefit of the regions. This transfer would give the regions control over their investment priorities, whether or not to maintain existing lines, and over the choice of infrastructure manager, including use of competitive tendering for an operator. The same reasoning applies to regional and local stations, which would allow the regions to develop a policy of leveraging more value from these facilities. Central government meanwhile could retain ownership of the primary network and "multi-transporter" stations by making use of infrastructure management companies such as SNCF Réseau and Gares & Connexions.

The following division of jurisdictions could thus be considered:

Table 2: possible new distribution of ownership and financing of the railway network and stations

	Network		Stations	
	National	**Regional**	**National**	**Regional and local**
Owner	SNCF Réseau	Regions	Gares & Connexions	Regions
Funders	SNCF Réseau, Central government	Regions	Gares & Connexions, Central government	Regions

Source: Court of Accounts

2.3. The unrealistic hope of a self-financing system

French rail system funding is heavily dependent on the public purse, from central government or regional authorities. Excluding the financing needs of the railway workers' pension fund (€3.2 billion in 2019) brought about by demographic imbalance, SNCF Group receives more than €12 billion in public funding each year, primarily spent on transport activities, and much less so on infrastructure.

Contracted transport activities, where the organising regional authority undertakes to pay the carrier a balancing subsidy for operating the service, are subsidised to the tune of €7 billion by regional governments (operations and investments in rolling stock) and €1 billion by central government (as the organising authority for Intercity trains). Passenger transport activities thus prove to be heavily subsidised: while the "Travel" business (transport by TGV high-speed train), which is not contracted, is financed exclusively from fare revenue, contracted transport services (TER regional expresses, Transilien, Intercity trains) are mainly underpinned by public funds, especially since the regions have chosen, for social reasons, to offer attractive prices, in particular for season-ticket holders and young people. The Court drew attention to this high level of subsidy, up to 75% of the operating cost of the TER regional expresses, which has the effect of transferring the cost of rail transport from the user to the taxpayer. A greater contribution from users would be desirable, which would imply a precondition that the supply and the quality of service be improved.

Conversely, the management and maintenance of the rail network are much less subsidised. The infrastructure management company receives around €2.5 billion in investment subsidies to which is added the €1.9 billion payment from central government in access charges for TERs. The objective, set by the railway reform legislation of 2014 and reiterated by the current operation management services contract between central government and SNCF Réseau, is to initiate a virtuous cycle allowing the infrastructure management company to cover the "full cost" of the rail network by 2026, under the combined effect of boosting its commercial revenues and increased efforts to reduce costs and increase productivity, and thus control the growth of its debt.

However, SNCF Réseau is yet to break even since its creation in 2014. The company collects fees from carriers, as well as the access charge for TERs that central government pays on behalf of the regions. The Court has moreover repeatedly stressed the need to transfer this sum to regional governments, on condition that they then remunerate the infrastructure management company according to the size of the network. However, the operating margin generated by the network operator through fees and investment subsidies received has so far never been sufficient to cover investment needs. These needs are the result of the scale of the major infrastructure projects of the 2000s, the accumulated delay in renovating the network, and inflation affecting the network operator's production costs. The financing costs of the rail system therefore stemmed from ever-growing and uncontrolled indebtedness, leading to an increase in financial charges.

Table 3: SNCF Réseau cash flow and net indebtedness in 2017 and 2019 (in € bn)

SNCF Réseau	**2017**	**2019**
Cash flow from operations	+1.8	+2.3
Interest payments	-1.2	-1.3
investments	-5.1	-5.6
Investment subsidies	+2.4	+2.6
Free cash flow (net indebtedness)	-2.1	-2.0

Source: Court of Accounts.

French transport policy has never really settled the debate on how to finance SNCF Réseau, which sees two positions regularly clash: a) the view that rail infrastructure, in the same way as airports, must be financed by its users; versus b) that the cost to users of using infrastructure should be held down to encourage a modal shift in favour of the train. The first position is upheld by France's Ministry of Finance which, faced with the considerable scale of public financial aid to the rail system, intends to prevent any further uncontrolled increases. The second is supported by France's transport regulator (ART) and based on the spirit of European provisions that request moderation in fees to encourage railway undertakings to run trains, in particular within the context of opening services up to competition. This policy is also championed by the ministry with responsibility for transport, in particular to promote rail freight.

Under the circumstances, the 2017-2026 operation management services contract between central government and SNCF Réseau has two main components: the protection, affirmed since the 2014 reform, of the infrastructure management company by a "golden rule", which prevented it from then on from contributing to development projects when the ratio of its net indebtedness to its operating margin exceeds a threshold set by government order; plus a financial trajectory aimed at self-financing of the management and maintenance of the network by 2026. This self-financing would be achieved in three ways: improving SNCF Réseau's productivity gains, sustained growth in rail fees paid by carriers, and a kind of conditional subsidy from central government, the latter committing to pay the network management arm the dividends that it receives from SNCF Voyageurs, i.e. received mainly thanks to the commercial success of high-speed rail transport.

Nevertheless, in the first years of the implementation of the operation management services contract, there was no clue pointing to the start of the establishment of this virtuous circle of financing, with fees governed by the decisions of the transport regulator, highly limited investment subsidies in accordance with the contract, and an infrastructure management company struggling to generate significant performance gains. In 2018, the Court consequently demonstrated that financial break-even could not be achieved in the years to come just through the company's self-financing capacity.

On the eve of the Covid-19 crisis, the situation had not shown any significant improvement, SNCF Réseau being doomed to incur more debt, with indebtedness already standing at €52 billion at year-end 2019. The takeover by central government of two-thirds of this debt (€25bn in 2020 and €10bn in 2022) has thus become essential in order to reduce SNCF Réseau's interest payments and to restructure the capital of the new public limited company (Société Anonyme) created by the 2018 reform. Taking on this debt is de facto equivalent to central government retrospectively granting the investment subsidies which should have been paid for 15 years.

The pandemic crisis that has arisen since 2020 has acted on this model to reveal or amplify its weaknesses. It adversely affected SNCF Group's transport activities, cutting its operating surplus by a substantial €5 billion in 2020. The most significant losses were in the SNCF Voyageurs passenger arm, corresponding to a drop in business which, beyond the initial hit from lockdown measures, is leading to fears of a lasting change in users' travel habits, particularly by "business" passengers.

Such a change could reduce the resources that SNCF Réseau should get from fees over the longer term, eliminating the prospect of dividends from SNCF Voyageurs' business for a long time to come, and jeopardising any hope of self-financing the system. A €4 billion recapitalization of SNCF Group, funded by a withdrawal from the company's equity, was announced but was not yet effective at the end of 2020. It should make it possible to compensate for the losses in dividends from SNCF Voyageurs and the new expenditure, not previously financed, imposed by central government on SNCF Réseau (end of glyphosate, improved safety at level crossings, making stations accessible), but it will not strengthen the infrastructure management company's investment capacity.

The framework for managing the French rail network has seen significant progress since 2014, gradually creating two genuine infrastructure management organisations, SNCF Réseau and Gares & Connexions, and recognising that funding network renovation has to be the priority. But it remains in a poor condition, out of step with the role, regularly reiterated, that rail transport must play in terms of environmental transition, while the terms of its financing still seem uncertain.

So far, central government has not chosen a solid funding model and a clear division of responsibilities. The confusion which has ensued to date has not made it possible to repair and upgrade the national rail network and has resulted in the infrastructure management company's structural indebtedness. While central government has agreed to take over, to the tune of a huge €35 billion, part of the infrastructure debt that SNCF Réseau had accumulated, it must avoid, being faced with the same financial impasse, being forced to then undertake another transaction of the same type in future.

Whatever levers are used – improvement of SNCF Réseau's performance, a re-examination of the relevance of the current composition of the rail network, reform of the division of responsibilities between central government and regional authorities – central government cannot avoid the need to build a balanced operating model. This balance can be sought in two ways, which are not mutually exclusive:

- the first is to place a greater share of the cost of infrastructure on network users. This is the full cost coverage model applied by airports, which has the advantage of limiting the use of public funding. But this option has its limitations, as the cost of rail infrastructure, which is higher than for an airport, can lead to very high fees, a level of costs that could dissuade rail companies from using it. In the case of TGVs (high-speed trains), it has been observed that line fees account for a third of operating costs, forcing the price of tickets to be set at a relatively high level. For daily transport, an increase in the price of season tickets would be difficult to accept because quality of service is too low, and it could encourage the use of cars. In the case of freight transport, this full cost coverage model applied to carriers could only lead to rail freight expansion targets being dropped, as the level of fees would make it impossible to offer competitive prices compared to road haulage;

- the second way is for central government to bear, with regional governments if regional lines are transferred, the cost of renewing and upgrading the infrastructure as the sole owner and shareholder (via the SNCF holding company) of the infrastructure management company. It is the most widespread model in Europe: the railway companies fund operation of the network and central government funds investment. This model favours a limited level of track fees set at marginal cost, a principle upheld by the European Union, in order to encourage railway undertakings to use the network and achieve profitability, including for the freight sector. Greater use of the network increases the revenue from fees and therefore the infrastructure management company's income. This virtuous circle for the attractiveness of rail transport nevertheless has the drawback of a drawing long-term on the financial resources of central government and the regions, and therefore ultimately from the taxpayer.

To limit this burden on public finances, the assumption is that the regions' contribution will be calibrated as accurately as possible. This means that the questions of the performance of the infrastructure management company, the maintenance of an oversized national rail network, and the financing terms for new rail lines currently envisaged must be addressed and discussed.

REFERENCES TO THE WORK OF THE COURT OF ACCOUNTS

The Court drew on several of its own reports produced in recent years:

- *Passenger railway stations,* thematic public report, April 2021;
- *SNCF's response to the health crisis: successful provision but a weakened business model,* section in the 2020 annual public report, March 2021;
- *Human resources management of the publicly-owned SNCF Group,* final findings, November 2019;
- *Regional express transport (TER) in the age of opening up to competition,* thematic public report, October 2019;
- *Intercity trains,* section of the 2018 annual public report, February 2019;
- *SNCF Réseau, in-depth reforms required,* thematic public report, December 2018*;*
- *The situation with SNCF Mobilités Group's freight transport services,* observations to the government, September 2017.

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