

French transportation regulator, ART, approves national French railway's regulated maintenance tariffs

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The French Transportation Regulator (ART) nodded favourably to the 2020-2021 tariffs for regulated services rendered by the French railway company, SNCF. These services concern the rolling stock for SNCF Voyageurs (Travelers) and SNCF Fret (Freight) (link to Notification [here](#)).

This approval signals the end of the formal legal notification procedure and precautionary measures regarding the SNCF Voyageurs and SNCF Fret and unsatisfactory tariff levels. The positive outcome crowns a year of advisory services provided by TERA to SNCF Voyageurs and SNCF Fret to model the tariffs recently approved by the ART. TERA put forth a new methodology to draft a tariff catalogue guaranteeing that the principles of regulated tariffs were upheld: respect causality, are comprehensive and non-discriminatory.

TERA Consultants worked on four main subjects to:

- ▶ **Define the granularity of regulated services:** advised by TERA, SNCF Voyageurs and SNCF Fret opted for a granularity guaranteeing that the tariffs could be applied to third party railway companies. Service fees are calculated so that revenue covers costs linked to services. A *sine qua non* condition for ART to validate the tariffs.
- ▶ **Review the capacity utilisation of the maintenance infrastructure:** due to lack of sufficient proof, ART began by requesting, as a precautionary measure, to include a capacity utilisation rate of 100%, meaning costs were not covered. TERA modelled the capacity utilisation rate by combining operational data and theoretical engineering data, thereby justifying a rate well below 100%, which was validated by ART.
- ▶ **Justify overhead expenses:** previously, the causal link between overhead and regulated services was not sufficiently established, and was consequently not included in the scope of cost of services. TERA Consultants carried out a very thorough analysis of the different costs and allocated a percentage of these costs to each regulated service.
- ▶ **Redefine the relevant geographic network:** cost differences among the various maintenance centres of the rolling stock were assumed as a given, due to funding received regionally. With TERA's help, SNCF Voyageurs designed a tariff scheme per technicentre (an entity including several maintenance centers). Deeming this focus as relevant, ART approved this geographic dimension.

To conclude, TERA Consultants drew on its expertise, conciliating bottom-up and top-down methods as well as robust modelling techniques and its in-depth knowledge of sector-based regulatory practices. These specific skillsets were behind the regulated service offering, guaranteeing that tariffs be in line with the just costs of the rendered services.

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