

## **APPENDIX 7.8**

# **CHARGING PRINCIPLES FOR SERVICE FACILITIES**

The information published in this Appendix relating to Chapter 7 of the National Rail Network Statement and to Appendix 7.9 thereto (scale of charges), is aimed at key players in the sector.

It is intended to meet the pricing transparency requirements derived from the regulations in force by explaining the process and rules for establishing price scales for the service facilities, as defined in Appendix II of the Directive 2012/34/EU<sup>1</sup>.

## **1. LEGAL FRAMEWORK**

### **1.1. Charging principles**

Article 3 of Decree No. 2012-70, in its version amended by Decree No. 2016-1468 stipulates that "*the provision of each of the regulated services shall give rise to the levy of charges, the amount of which shall not exceed the cost of their provision with a reasonable profit mark-up*". These principles apply to the services provided on the service facilities, i.e. the basic services and additional and ancillary services on the facilities when such services are regulated<sup>2</sup>. Appendix II of Directive 2012/34/EU defines, for each type of facility, the basic services as well as the additional and ancillary services that may be provided by the service facility operators.

*Finally, Article L.2133-5 II of the Transport Code stipulates that the Transport Authority (ARAFER) shall issue approval regarding the setting of charges for access to the passenger stations and other service facilities, as well as for regulated services provided at said stations, with regard to the charging principles and rules applicable to said facilities."*

The aforementioned Decree No. 2012-70 stipulates that the ART shall issue its assent regarding the draft charging documents within three months of receipt of the file.

### **1.2. Accounting segmentation**

SNCF Réseau has established segmented accounts per category of service facility.

The stakes for SNCF Réseau involve improving the management of its assets and where relevant asset streamlining. With regard to charging oriented towards the full cost of the services provided, our aim is to acquire precise knowledge of the costs to improve the acceptability by the customers and meet the accuracy and auditability requirements for the information requested by the regulator.

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<sup>1</sup> The pricing principles applicable to passenger stations are described in the Stations Statement (DRG).

<sup>2</sup> The services are qualified as regulated when they are only offered by a single service provider.

## **2. INDUSTRIAL AND COMMERCIAL STRATEGY FOR SIDINGS**

The sidings assets of SNCF Réseau, around 10,000 km in length, are in a globally unequal condition. These assets are excessively large, particularly because of the continuous decline in rail freight over the last fifty years or so. This situation is also a factor of dispersion, preventing the better concentration of investments where they are most needed.

This condition is the result of a number of historical factors and is reflected in an unbalanced economic model for SNCF Réseau, which absorbs the loss generated by a very poor level of revenue.

Given these observations, SNCF Réseau wishes to continue to introduce strong measures to respond to the requirements of competitiveness and security, by resizing its infrastructure to current and future needs. This resizing and the implementation of a consistent commercial dynamic must be reflected in an improved industrial policy for the modernisation of these assets, through targeted and more appropriate investments and an overhaul of prices with charges that are more linked to the market and offer greater incentives.

All these measures constitute a prerequisite for turning around the economic records of the sidings, the objective of which is to improve the quality of the infrastructure manager's response to the needs of all the stakeholders, while ensuring better quality of the service delivered to customers.

This long-term industrial and commercial strategy is reflected in concrete terms in the various works already undertaken by SNCF Réseau, in conjunction with all the stakeholders concerned:

- The survey of the sidings and their use between 2017 and 2019: the objectives of these works, shared and discussed within the COOPERE working group, are to maintain operating performance at the sites with most commercial potential, to take account of prospects connected with opening up the passenger market and to allocate financial resources to the most used sidings.

The result of these works has enabled the drawing up of a list of sites containing marketable sidings as well as a list of sites unused for more than two years and with no identified commercial potential (appendix 7.7).

- The implementation of an investment budget of €100 M for SNCF Réseau equity and over 5 years (2019-2023), dedicated to sidings. These investments are targeted at the major, most used sites (33 sites benefiting from €42 M in 2019 and 2020).

- Simplification of the processing of requests through the generalised contractualisation of recurrent uses of the sidings for the 2021 timetable and a new procedure for allocating the capacity of sidings to come into force during 2020 for capacities pertaining to the 2021 timetable sidings.

- The implementation of accounting segmentation and the overhaul of prices for the sidings.

## **3. CHARGES FOR USE OF THE SERVICE FACILITIES OF SNCF RÉSEAU**

The pricing of service facilities for the 2022 Timetable is defined based on the regulated accounts established on the basis of the 2019 actual and 2022 forecasts according to the latest hypotheses regarding changes in SNCF Réseau costs, and hypothetical traffic known to date.

### **3.1. Sidings (VS)**

To satisfy ART's requests to modify the pricing guidelines for the sidings, SNCF Réseau is implementing, from the 2021 timetable, a two-part usage fee with:

- component A covering the charges for monitoring the service and managing traffic at the site, invoiced to the train accessing the site;
- component B covering the maintenance and capital charges, invoiced per km and per day.

This pricing structure is carried over for the 2022 Timetable.

Moreover, this charge differs for freight and passenger activities in accordance with the provisions of Article 3 of Decree no. 2012-70, which makes it possible to adjust the usage charges for service facilities according to the type of transport service, to encourage optimal use of resources.

The amount of the usage charge is set in accordance with the costs of the regulated account established for the 2022 timetable.

#### Terms of changes for the sidings

The pricing of the sidings aims to improve the coverage rate of costs: the 2022 Timetable pricing aims for a change of +2.5% in the rate (on the basis of the estimated coverage rate for 2021 taken from the work units of the 2019 Timetable). The 2022 scale is in Appendix 7.9.

Should a better rate of coverage be detected, a price reduction will be applied from the next charging cycle.

#### Invoicing system

SNCF Réseau invoices component A of the sidings usage charge per train accessing a given sidings site.

For example,

- an accessing train, using 3 tracks, will only pay component A once;
- four accessing trains, using a total of 6 tracks, will pay component A 4 times;
- six accessing trains, using a total of 4 tracks, will pay component A 6 times.

As a transitional measure, for the 2022 Timetable, the number of accessing trains invoiced annually under the heading of component A cannot exceed the number of days invoiced annually under the framework of component B (tariff per kilometre of siding and per day). In this hypothesis, the customer may benefit from a lower, adjusted invoice after the conclusion of the timetable.

Therefore, for a given site, 6 trains accessing 4 tracks every day of the year will have component A capped at 4 tracks/day x 365 days x scale of charges of component A, instead of 6 accessing trains x 365 days x scale of charges of component A.

### **3.2. Freight yards**

For immediately accessible freight yards, a single-use charge is applied to all terminals per accessing train.

For the 2022 timetable, SNCF Réseau will update the 2021 prices in line with inflation (+i.e. 0.5%, source: Banque de France June 2020). The amount of the charge is set in accordance with the costs of the regulated account projected for the 2022 timetable.

For freight yards accessible after diagnostics and any necessary repair work, the charge is fixed on an estimate, based on the charge for using the immediately accessible freight yards, plus the amount of any repair work, if applicable.

### 3.3. Combined transport terminals (CTC)

A single charge is applied to all terminals for each accessing train.

For the 2022 timetable, SNCF Réseau has updated the 2022 prices in line with the ambition to cover costs within 10 years. Therefore, the change to the scale will be +3.3% for the 2022 Timetable.

### 3.4. Gravity marshalling yards

A single-use charge for using the gravity marshalling function is applied at all the 4 sites concerned per accessing train.

For the 2022 timetable, SNCF Réseau has applied charging in accordance with the provisional units and the updating of the projected costs and investments. Since there was a rise in provisional activities, with the Dunkirk site switching to flat marshalling, the price scales have been reduced.

### 3.5. Use of sidings by TEPE trains

The rate applied for the use of sidings by TEPE trains, which constitutes a basis service pursuant to the provisions of Article 6.I of Decree No. 2012-70, is that for the normal use of the sidings.

The rate applied for assistance with the running of trains TEPE on the sidings sites, which constitutes a regulated additional service in accordance with the provisions of the introductory article and Article 6.II b) of Decree no. 2012-70, is determined through an estimate in accordance with Article 3-I of the aforementioned Decree. This estimate is drawn up on the basis of charges connected with any particular work or development carried out.

### 3.6. Provision of industrial spaces

For the sidings part, the rate for the current use of sidings is applied, excluding maintenance costs, when they are borne by the railway undertaking.

For surfaces and equipment directly related to the activity in question; an estimate based on actual costs including property taxes, taxes and duties, depreciation, maintenance charges and access to sidings is proposed, according to the guidelines described in the table below.

Charging station	Principle
Property charges	Calculation based on the annual rating of property and land market values (Callon basis).  The land charges concerning the spaces under the lines are not taken into account when calculating the charge.
Taxes and duties	Amount determined from the average value of the land tax paid by SNCF Réseau on unbuilt land, in Euro per m <sup>2</sup> .
Depreciation	- Ongoing depreciation, duly identified and calculated according to the accounting standards in force at SNCF Réseau.  - Depreciation connected to the investments made by SNCF Réseau under the contract, calculated according to the accounting standards in force.  - Return on capital calculated according to the NBV x WACC formula  The WACC is set at 5% before corporation tax.

<b>Maintenance charges</b>	The routine maintenance of surfaces and equipment is the responsibility of the beneficiary.
<b>Use of sidings enabling access to sidings subject to the CMD</b>	The rate for the normal use of sidings enabling access to sidings covered by the agreement for the provision of sidings (CMD).

The methods for indexing the rates for the provision of sidings and additional areas are described in the general and special conditions of the provision agreements.