

Paris, 24 January 2017

Arafer asks SNCF Mobilités to review its accounting separation rules

In order to prevent the risks of market access discrimination, cross-subsidies and distortion of competition, the law imposes a financial compartmentalisation of its activities under monopoly and in competition on the passenger and freight transportation provider, SNCF Mobilités, by implementing accounting separation rules.

After examining the draft submitted to it and obtaining the opinion of the French competition authority, the rail and road regulatory body, French rail & road regulatory body (Arafer), decided not to approve the accounting separation rules for SNCF Mobilités. Arafer found non-conformities and was unable to analyse certain points due to the lack of information provided by the French railway operator. It asked to be quickly provided with a new draft accounting separation reference document.

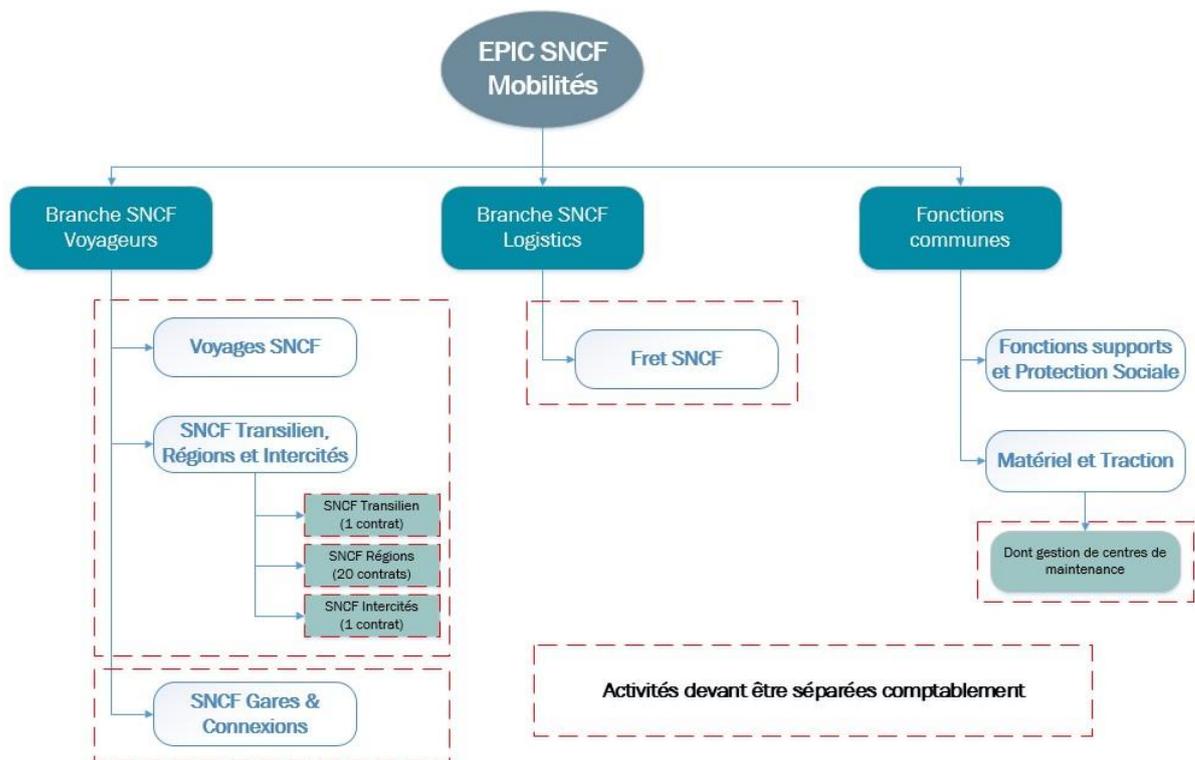
Following the refusal by Arafer to approve the accounting separation rules for freight transportation provider, Fret SNCF, in May 2015, and the setting up of the public railway group on 1 July 2015, SNCF Mobilités had provided Arafer with new accounting separation rules for its various activities at the end of 2015.

WHICH ACCOUNTS SHOULD BE SEPARATELY MAINTAINED?

In accordance with the transport code, the incumbent operator must submit separate accounts for its passenger rail transport activities (including the Transilien, Intercités and TER contracts for each of the contracts), rail freight transport, passenger station management and other service facilities (maintenance centres and fuel stations).

The objective of the accounting separations is to be able to reconstitute the accounts of each activity as if they were autonomous activities. Accounting separation is intended to promote conditions for equal access to the market, while an incumbent operator, which continues to carry out several monopolistic and competitive activities, dominates and ensures that no public funds are transferred from one to the other.

THE ACTIVITIES OF SNCF MOBILITÉS TO BE SEPARATED



ARAFER IS RESPONSIBLE FOR APPROVING THE ACCOUNTING SEPARATION RULES FOR SNCF MOBILITÉS

As Arafer pointed out in its guidelines published in October 2015, accounting separation must be carried out in compliance with the articles of the transport code, in particular for the different areas of activities to be separated.

The accounting separation rules must also be present the allocations under EPIC and chargeback between separate activities in a clear and detailed manner, offering an overall view of financial flows between all SNCF Mobilités activities.

ANALYSIS AND FINDINGS

As SNCF Mobilités has not yet provided all the information required for the analysis, Arafer cannot be satisfied as to the absence of cross-subsidies between SNCF Mobilités agreements and activities, distortion of competition and discrimination.

It is therefore not in a position to approve the accounting separation rules for SNCF Mobilités, particularly since :

- The accounting separation areas do not comply with the requirements of the transport code, in particular as regards the separation between transport and management of service facilities (such as maintenance centres or passenger stations).
- The financial structure of some of the separately accountable activities (particularly in terms of capitalisation) only partially reflects the situation of self-sustaining activities, which may affect their financial independence.
- Certain allocation rules present a risk of discrimination, cross-subsidisation or distortion of competition, in particular as regards financial expenses, corporate tax and structural expenses of SNCF Mobilités allocated to activities.

Arafer therefore asks SNCF Mobilités to draw up new rules as soon as possible in accordance with the provisions of the transport code.

It reiterates that the accounting separation of SNCF Mobilités is a major regulatory issue for tariffs, monitoring compliance with competition rules and transparency for all market players in the context of the forthcoming opening-up of competition of rail passenger transport

- [Read the decision published on 24 January 2017 \(in French\)](#)

About Arafer

Since 2010, the French railway sector has had an independent regulatory body which accompanies its gradual opening to competition. The “Macron” Act of 6 August 2015 extends the powers of the regulator to road activities: coach transport and motorways.

On 15 October 2015, the rail regulatory body became the rail and road regulatory body (Arafer). Its mission is to contribute to the efficient operation of the public service and competitive activities for the benefit of rail and road transport customers. Its public opinions and decisions are adopted by a group composed of seven independent members chosen due to their expertise in railway, road, legal or economic matters or because of their expertise in competition matters and has been chaired since August 2016 by Bernard Roman.