



## Jérôme Nanty: Always More / Always Less

I will try to illustrate what I am saying with three examples from the transportation industry:

- Transportation on demand,
- Long-range buses,
- Rail transport.

However, beforehand, I would like to share a few context elements. The main consequence of the changes we are currently facing, namely slow growth and zero inflation, is that we have less room for manoeuvre. Internal and external shocks as well as the bad decisions we may make can no longer be absorbed by future growth or inflation. This is combined with the impact of the drastic cut in public resources. Because of all these elements, we are in a context where traditional, natural insurance systems are gone – both in the short and in the long run. This is why we need a new approach regarding the risks we might have to take in order to develop new activities.

I would also like to point to the fact that public transportation is a people business where the evolution of prices is a direct consequence of the evolution of the payroll. This is even more true today as European authorities have less resources, fewer annuities and that price is once again becoming consumers' first choice. Therefore, we have to constantly lower our prices even though our security margins are getting thinner. Regarding what was mentioned in terms of non-cost competitiveness, I confirm that we constantly need to improve it. Nevertheless, the issue is not the same in different sectors as some activities can be free of the price constraint by improving quality in order to remain competitive when others cannot. Such is the case for commodity activities, including public transportation. The question we have to ask is the following: how can I make a difference over my competitors, other than the price, knowing that the product is the same? Therefore, to sum up, there can be different environments and consequences depending on the sector.

### 1. Transportation on demand

For example, Uber isn't really a transportation operator but it provides drivers with dispatching services and makes money by retaining a percentage of the fare. Therefore, it doesn't create salaried employment as it only uses independent drivers. Consequently, we cannot compare ourselves with such companies, even though they are our competitors. A few years ago, Transdev imported, in France, a shared shuttle service between the place of residence and the airport, called super shuttle, at a lower price than a cab fare, with salaried drivers. Yet the competition, which used to be composed of taxis, changed and included newcomers such as Uber, and we started losing market shares and money, which led us to change to a system where the drivers are no longer on the payroll.

### 2. Long-distance bus transportation

Recently, Transdev launched its long-distance bus transportation activity – a type of activity so far forbidden, to protect the SNCF. This service is in keeping with the times and is aimed at people who have time but little money, for instance young or elderly people. In this case, competition will be based on price as the people who wish to use such services will seek the lowest. Indeed, this service is competing with the SNCF but our direct competitors are foreign operators in Europe with more flexible social regulations who are already ready to enter the French market, as well as Blablacar, which offers shared transportation services. Thus, the stake is to adapt the former system to compete with the new economy. For instance, in the summer, we will offer a journey from Paris to Bordeaux for 5€. Union organisations do not like this of course, as competition is purely based on wage costs, which means that, within the same group, we will either hire external drivers or ask internal drivers to give their seniority a miss. However, this activity should create about 1,000 jobs in the Group. This new period we are entering is forcing us to change social rules.

### 3. Rail transport



The railway reform that went on in France last year was only for show; the real reform is yet to come, with negotiations for the railway collective agreement. Indeed, opening regional rails to competition cannot be avoided. This reform already took place in Germany, and attendance is clearly increasing while the Länder's financial participation is decreasing. The aim is to do the same in France. To that end, we either need to negotiate a collective agreement that is similar to the SNCF's deal (preventing newcomers from entering) or to negotiate a new one. If it doesn't change, the rail business will go down as it will no longer be able to face up to the new forms of transportation.

I wanted to give you these 3 examples to show that the new economic paradigm can also affect traditional trades.

## **DEBATE**

**Claude MATHIEU:** How come the cost differential is bigger for the client than at the level of social adjustment?

**Jérôme NANTY:** Three elements are at play in social costs, namely wages, working time and the organisation of work – in other words, agents' adaptability. Yet, one of the SNCF's great weakness is that its agents are not very flexible.

**Claude MATHIEU:** This is interesting because we usually caricature low-cost businesses in the social area whereas most gains come from the organisation of work.

**Jérôme NANTY:** Here is another example – Corsica Ferries, a low-cost competitor of the SNCM. At Corsica Ferries, all employees are adaptable, they have several tasks. And this, in an old company like SNCM, is unthinkable.