Transport Policy 38 (2015) 73–85

Contents lists available at ScienceDirect

Transport Policy

journal homepage: www.elsevier.com/locate/tranpol

From low-cost airlines to low-cost high-speed rail? The French case

Marie Delaplace [a], Frédéric Dobruszkes [b,*]

[a] Université de Paris-Est Marne-la-Vallée, IFU, Lab'Urba Bâtiment Bienvenüe, UPEM 5 bd Descartes, 77420 Champs sur Marne, France
[b] Brussels Free University (ULB) Faculty of Sciences, IGEAT Avenue F. D. Roosevelt, 50, CP 130/03, 1050 Brussels, Belgium

ARTICLE INFO

Article history:
Received 21 July 2014
Received in revised form
22 December 2014
Accepted 31 December 2014
Available online 7 January 2015

Keywords:
Low-cost airlines
High-speed rail
Low-cost high-speed rail
Intermodal competition
France

ABSTRACT

This paper explores OUIGO (pronounced 'we go'), the low-cost high-speed rail (HSR) service launched by the French state-owned railways in April 2013. In this exploration, we (1) compare OUIGO with the traditional French HSR and the low-cost airlines (LCAs), and (2) analyse fares proposed by OUIGO and its competitors. We thus analyse the new service in terms of production conditions, communication, marketing, booking, network geography, at-terminal and on-board experience and fares. We find that the railway industry's constraints (including market regulations, technical rigidities and incumbent employment relations) affect the OUIGO business model, which appears as a hybrid between LCAs and traditional French HSR carriers, although fares can be very attractive indeed.

1. Introduction

"You'd think you were with Easyjet." (« On se croirait chez Easyjet ici »). A OUIGO passenger boarding at Marne-la-Vallée Chessy station, January 15, 2014.

The low-cost wave has changed sectors as diverse as furniture, banking, supermarkets, clothes and transport (Valls Giménez, 2013). In the transport sector, air and coach services have been principally affected by this wave. Rail transport has mostly been excluded from this trend, notwithstanding the fact that in many countries travelling by train remains cheap thanks to state grants in the name of public services. However, high-speed rail (HSR) services tend to be expensive, especially if one compares fares with incomes. In France, for example, a HSR Paris-Marseille return ticket can cost between EUR134-226 for late bookings, a sum that accounts for 10–18% of the 2013 per capita median net salary (EUR1290 per month).[1] As a result, upper social and occupational groups are over-represented in high-speed trains (HSTs) (see, e.g., Klein and Claisse, 1997; Delaplace, 2012; RFF and SNCF, 2007; Minn, 2012; Pagliara et al., 2012).

Of course, HSR operators offer some deals following yield-management principles, including advance booking, off-peak travel, no flexibility, etc. For example, French National Railways schedule some HSR services at discount fares for all seats (so-called *TGV 100% Prem's*). But all these deals are rather on the fringe and involve less choice, more constraints and less flexibility. In addition, attempts to supply lower-cost HSR services (see Sauter-Servaes and Nash, 2007) either failed (e.g., the Trenitalia's TrenOK product in Italy, using old tilting trains between Rome and Milan) or are cheaper than traditional HSRs but not necessarily cheap (e.g., SNCF's so-called iDTGV services). This has induced recurrent criticisms of HSR services, which are often supported by the elites but are not accessible to everyone. In a context in which regional services are often perceived as neglected, this goes against the former SNCF slogan, "Progress is worth nothing unless it shared".[2]

In addition, HSR operators, usually incumbent, state-owned rail companies, have become increasingly concerned with competition. The first wave of competition came from European aviation liberalisation between 1987 and 1997 (O'Reilly and Sweet,1998). This especially led to the dramatic development of low-cost airline (LCA) networks (Dobruszkes, 2013). Whether LCAs have induced inter-modal competition with HSR is subject to debate, the results depending on authors' hypotheses and/or on the markets considered. For example, Friederiszick et al. (2009) and Friebel and Niffka (2009) found a low-cost effect on air/HSR competition, while Dobruszkes et al. (2014) found a very small effect and Behrens and Pels (2009) did not find any effect. Anyway, LCAs are

* Corresponding author.
E-mail addresses: Marie.Delaplace@u-pem.fr (M. Delaplace), frederic.dobruszkes@ulb.ac.be (F. Dobruszkes).

[1] Estimation based on the 2013 median gross salary (EUR1675). Sources: INSEE and http://www.salairemoyen.com.

[2] "Le progrès ne vaut que s'il est partagé par tous".

http://dx.doi.org/10.1016/j.tranpol.2014.12.006
0967-070X/

Table 1
Comparing production conditions.

	Low-cost airlines	OUIGO	Trad. French HSR
Company origin	***Launched from scratch; trad. airline's subsidiary; regional or charter airline converting itself***	Incumbent national, state-owned railway company (SNCF)	Incumbent national, state-owned railway company (SNCF)
Company's legal form (including carrier licence)	***Independent airline or traditional/charter; airline's subsidiary***	Business unit within the French National Railways (SNCF) Trains operated under the SNCF's operator licence	Business unit within the French National Railways (SNCF) Trains operated under the SNCF's operator licence
Workforce origin	*Hired by the LCA*	*SNCF workers moved to OUIGO on a voluntary basis* *Younger on-board workers except the drivers*	*Ticket inspectors: older because they work in HSTs after promotion*
Workforce use	*Intensive and flexible*	*Same weekly working hours but more variable per day and more frequently up to 10.5 h* *Dedicated on-board workers except the drivers; also affected by trad. HSTs (around 30% of their working time)*	*Rather constant working hours*
Wages	***Lower***	SNCF's salary scale but younger workers mean lower fixed salary costs Higher variable bonus related to on-board working time	*SNCF's salary scale*
Working conditions	***Hard***	Simpler ticket inspection given basic fare table Cooler, less demanding travellers Main task on-board is care instead of ticket inspections Alleged care for workers' environment (e.g., lighter satchel) Controversial on-board resting room	*Good*
Workforce's tasks	Multitasking	Multitasking: same workers welcome and inspect tickets at the station then possibly go with the train	***Single task***
On-board crew (without pilots/drivers)	***Limited***	Basically 6 per single train; may vary along the route depending on needs No apparent hierarchical distinction between on-board staff members	***Double-deck single train: 2***
Relationship with unions	***Banned as much as possible***	No clash but most unions did not support OUIGO at the launch	Regular, institutional relationship
Night spent	*At home*	Depends on timetables and working hours Same SNCF regulation but up to three days without sleeping at home (according to the unions)	*Depends on timetables and working hours* *Up to two days without sleeping at home (according to the unions)*
Outsourcing	***Intensive***	Cleaning only	Cleaning only
State aids and incentives (operations)	***For specific airlines including Ryanair***	None	***Local or regional authorities may contribute to operational costs***
Load factor	Higher than for traditional airlines	Around 60% in 2013 then 80% early 2014 Significant no shows (around 12%) because of people buying several EUR10 tickets, then deciding later which service to be used	***Around 70%***
Infrastructure charges	Often lower (secondary airports or dedicated terminals)	Lower because services not starting or terminating at one Paris central station	***Higher***
Planes/trains use	Intensive	More intensive	***Not intensive***
Planes/trains[a]	Single aircraft type Single class but extra fee for best seats	Updated double-deck rolling stock: Single class layout, no buffet car 634 Seats (8 carriages)	***Traditional double-deck rolling stock:*** ***Two classes and buffet car*** ***510 Seats (8 carriages)***
Seat density	*High* *Less space for legs*	More seats per train (single class, no bar) and per carriage (no luggage rack). Nevertheless, more space between seats	***Average***
Schedules	Long operational times	Long operational times	*Subject to routes*

[a] For HSTs, foldaway seats have not been counted.