



Letter to groupe Eurotunnel SA  
Shareholders

Special Edition

Dear shareholder,

**€500m of value was wiped off** in two days following the publication last Thursday of an announcement by the European Commission relating to the Channel Tunnel access charges, amongst other things, and press articles released before ahead of the publication of the announcement. As our Group is listed in Paris and London, **I have decided to refer the matter to the market authorities** to check that the publication of privileged information in the press and social media ahead of the release of the European Commission announcement, and ahead of the company being made aware, did not give rise to any market abuse.

What is truly incredible is that no representative from the Commission thought it fit to ask us for any information. As I write, other than the Eurostar complaint which I have informed you of before, I have **no details** of the alleged complaints by freight operators (I was unaware that they were jostling with each other to try and get in), **no documents supporting the grievances** the Commission says it has identified.

What I do see however is that Mr. Kallas' statement, apart from its dogmatic nature, seems from where I stand to show a **serious lack of understanding** of who we are. You will find overleaf a summary of what the railway usage contract is (known as the RUC), the role of the IGC and of the European Commission.

Above all, I would like to stress that Eurotunnel is protected by the Treaty of Canterbury, the Concession Agreement and the RUC and that any unilateral amendment to these documents would immediately trigger a right to be indemnified, until 2086, which would represent vast sums of money; a sure way to dampen reformers' enthusiasm.

You may have noted that **the two States**, who must have been as surprised as we were, immediately published their **total and utter rejection** of the Commission's analysis.

On the substance of the matter, I would just like to remind all of some simple truths:

**1) The Tunnel has available capacity:** yes but that is not related to the access charges, it is because the initial plan was based on unrealistic SNCF forecasts. (In return, this constitutes a development opportunity for the future with no additional major investment being required.)

**2) For more passengers:** that is precisely why we have battled for several years to enable new operators to be **at long last authorised** to transit. I had very much **predicted that the arrival of Deutsche Bahn would make waves.**

We are not responsible for Eurostar's commercial policy but it is easy to see how to attract additional passengers: provide services to and from Germany and the Netherlands, or to Roissy-Charles-de-Gaulle where a high-speed rail station awaits; not remove intermediate stops (Fréthun) or even trains; simplify border controls in Brussels... in short many things which could have been done for a long time by those whose job it is and which are not dependent on the Tunnel or the level of its access charges.

**3) Marginal cost makes no sense** where an exceptional infrastructure such as the Tunnel is concerned where the costs of constructions were c.€15bn, with still c. €4bn of debt and which is no way comparable to a railway line built in the middle of nowhere using public funds. The Commission itself acknow-

ledges in its rules for certain types of investments it is **long-term costs** that apply. Clearly, that is our case.

Moreover, we have demonstrated many times over that the Tunnel access charges are more competitive than that of nearby public infrastructures: as a reminder the toll share/investment cost ratio for the Tunnel is 0.77 against 0.92 for HS1 and 1.89 for the northern France high-speed line: it is for SNCF and RFF – soon to be merged – to lead the way! And in the road v. rail freight competition, let us mention numbers for tonnage: a toll of €0.16 per kilometre for the Tunnel, €0.84 per km for the Millau Viaduct (in southern France): 5.25 times more!

This old and recurring controversy surrounding the Tunnel access charge is therefore totally extraneous and, if savings are to be made, the Commission needs to look elsewhere, particularly where some serious productivity improvements could be made.

**4) Rail freight must be developed further:** as it is not the access charge which is preventing this, let us mention a few **hurdles which are matters for the Authorities:** the British gauge, which is too small and does not allow trains using the European gauge to travel (and HS1, the only line with the right gauge, is almost forbidden to rail freight!), the absence of a decision with regards to a European corridor via the Tunnel, the bad quality of timeslots in France, DB Schenker's hold on Dollands Moor, the additional safety charges by RFF at Fréthun... Conversely, Eurotunnel has, amongst other things, implemented open access in 2007, bought Class 92 locomotives from Eurostar and SNCF who did not use them, put in place a mechanism to support new entrants with its ETICA programme. In this area, we do not need to take lessons from those who do nothing to facilitate this method of transport.

**5) The IGC is not independent:** it is for the IGC to demonstrate quickly its independence by rejecting Eurostar's claim as it is without basis and totally artificial.

**In substance,** the States have all the arguments to respond to the European Commission. We are of course more than happy to assist them should they so wish, even if all the elements set out above are well-known to them. Mr. Kallas' statement gives the impression that judgment has been passed in this matter and that the access charges will be lowered tomorrow so that you, as private shareholders, end up subsidising the public sector. That is clearly not the case and I strongly hope that a middle course can be steered. The vast majority of analysts made no mistake and did not change their recommendations; nor did Standard & Poor's or Moody's.

We will not allow ourselves be distracted from our goals: improve performance, invest to welcome an ever-increasing volume of traffic, in short create value not destroy it.

Yours faithfully,



Jacques Gounon,  
Chairman and Chief Executive Officer

## Further information...

### What is the RUC?

The Railway Usage Contract (RUC) was entered into on 29 July 1987 between Eurotunnel – the Channel Tunnel concessionaire – and the national railway networks: the British Railway Board and SNCF. It sets out the basis on which national operators undertake and are authorised to use the Fixed Link financed and constructed by Eurotunnel. The Railway Usage Contract specifies the conditions under which the Concessionaire allows trains to use the Fixed Link from the date the Railway Usage Contract came into force until 2052, and the conditions under which the national networks undertake to supply certain railway infrastructure to the concessionaire, and develop certain services. This agreement, which was sought by the States, enabled the initial financing to be raised without which the Tunnel, let alone Eurostar, would not exist today; it also enabled the 2007 debt restructuring.

The Railway Usage Contract also sets out the obligations of the national railway networks, with respect to the railway infrastructure and the rolling stock utilised to ensure a sufficient level and quality of traffic in the Tunnel. Likewise, Eurotunnel subscribes to a number of commitments relating to the maintenance of the Fixed Link. Pursuant to the Railway Usage Contract, trains using the Fixed Link rail network are authorised to use up to 50% of the capacity of the Fixed Link per hour and in each direction, up until 2052. The Railway Usage Contract is governed by French law. This pricing framework is perfectly compatible with European law.

In the context of the privatisation of the British railways, BRB entered into back-to-back contracts with certain entities, including Network Rail, DB Schenker Rail UK (formerly EWS) and Eurostar International Ltd (formerly Eurostar UK Ltd), under the terms of which BRB delegated to them operational delivery of some of its obligations to Eurotunnel. Nonetheless, the British party to the agreement remains BRB (in other words the Ministry for Transport).

In accordance with EU directives governing the liberalisation of the international rail transport market, Eurotunnel publishes its network statement annually offering equivalent conditions of access to its rail network as those set out by the Railway Usage Contract for other railway companies without discrimination.

### The Inter-Governmental Commission (IGC)

The IGC, established by the Treaty of Canterbury, was created to monitor, on behalf and with the authority of the States, all issues relating to the construction and operation of the Channel Tunnel. The IGC is made up of representatives of each of the States on an equal basis.

The IGC acts as concession authority and its duties in this regard are:

- to take decisions on behalf of the States in relation to the performance of the Concession Agreement, including the right to impose penalties on the concessionaire in the event of a breach of its obligations under the Concession Agreement;
- to approve the proposals of the Safety Authority;
- to prepare or participate in the preparation of all regulations applicable to the Channel Tunnel and monitor their application, including those in relation to maritime and environmental matters; and
- to issue advice and recommendations concerning the States and the concessionaire.

The IGC acts as regulator in relation to the Channel Tunnel infrastructure pursuant to European rail directives. In this capacity it may hear complaints from rail operators in relation to access and use of the Tunnel.

In 2012, as in every year, the Group paid €5 million to the States as a contribution to the costs of running the IGC.

### The European procedure

Each Member State is responsible for the implementation of EU law within its own legal system. The European Commission is responsible for ensuring that EU law is correctly applied. The Commission may use the non-compliance procedure where a Member State fails to comply with EU law and to bring any infringement to an end. It may, where necessary, refer the case to the European Court of Justice in Luxembourg.

In this context, Member State means the central, regional or local authorities of the State and in this instance, the Inter-Governmental Commission of the Channel Tunnel. The IGC carried out the implementation of European law by way of binational regulations.

The procedure involves first of all an administrative phase intended to secure voluntary compliance by the Member State. The reasoned opinion sets out the position of the European Commission on the infringement and determines the subject-matter of any infringement proceedings, requesting the Member State to comply within a given time-limit (2 months in this case).

The litigation phase opens when the matter is referred to the Court of Justice. The European Commission enjoys a discretionary power in deciding whether or not to commence infringement proceedings and to refer a case to the Court.

Member States can make use of the European justice system. In railway matters, Germany recently won against an injunction relating to the organisation of the Deutsche Bahn group.

### Change of address?

If you hold your shares in registered form with BNP Paribas Securities Services or in the form of CDIs via Computershare Investor Services PLC, don't forget to notify any change in your personal information, in particular any change of postal or email address. Information on how to contact them is available on our website [www.eurotunnelgroup.com](http://www.eurotunnelgroup.com).