

COMPETITION IN THE PUBLIC TRANSPORT SERVICES IN THE UK AND SPAIN

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IV Workshop on Transport Economics:
Tendering Transport Services

Competition in long-distance passenger railway services in Spain

EU strategy: gradual liberalization of the market:

- 2006: International freight services
- 2007: National freight services
- 2010: International passenger services
- 2019: National passenger services?

Member States: different strategies:



France

monopoly

UK

competition
for the
market:
franchises

Italy

Full
competition
in the
market

Competition in long-distance passenger railway services in Spain

- **Infrastructure managers:** ADIF High Speed / ADIF conventional network
- **Service provider:** RENFE:
 - RENFE passengers/ RENFE freight/ RENFE construction & maintenance/ RENFE ROSCO



High speed network:

- National pride: modernity, export industry.
- 3.100 Km, n^o 1 in Europe, n^o 2 in the world
- Investment of more than €45,000M in infrastructure (ADIF).
- 20M passengers in 2013 (+16%).
 - 14.5M long distance.
 - 6M medium distance.

Competition in long-distance passenger railway services in Spain

Daily frequencies

Madrid-Barcelona	55
Milano-Roma	114
Paris-Lyon	260

European Commission, Impact assessment 4th Package, Annex 3, p. 39.

Traditional problem: low intensity of use.

- Particularly relevant with High Speed.
- Low number of frequencies/passengers.

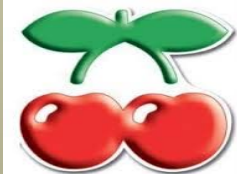
Cover rate of costs

Madrid-Barcelona HS	140.7%
Madrid-Sevilla HS	112.9%
Madrid-Valencia HS	104.7%
Barcelona-Sevilla HS	88%
Madrid-Bask Country	72.9%
Madrid-Galicia	50.4%

Parliamentary question to Government, 19 Feb 2014

High dependence of Madrid-Barcelona:

- Highest revenue (€341M, around 50% of total long-distance HS revenue).
- Most of profits in HS (€98M out of €106M HS).
- It subsidizes traditional long distance routes, with negative cover rate and no OSP compensation.



Competition in long-distance passenger railway services in Spain

- In Spain, new liberalization model: duopoly?
- Model inspired by experience in telecommunications:
 - UK 1984: duopoly BT/Mercury.
 - Spain 1995: duopoly Telefónica/Retevisión, Telefónica/Airtel.
- Gradual approach:
 - Competition introduced in the market before it is imposed by EU.
 - Competition not as aggressive as in full competition model.
 - Gives the opportunity for RENFE to adapt to competition.
 - Possibility to influence business model of competitor.
 - Possibility to create second industrial group.

Competition in long-distance passenger railway services in Spain

- License automatically granted to RENFE.
- Government has to define scheme for extra licenses (DT3 Act 39/2003):

Number	Content	Timing
<ul style="list-style-type: none">• RENFE + 1?• RENFE + 2?• RENFE + 1 + X?	<ul style="list-style-type: none">• High Speed as a block?• HS routes? (East, Barcelona, South, etc.)• HS + conventional Long-Distance?	<ul style="list-style-type: none">• Freedom?• Pre-defined schedule?• Different tenders as Government decides?

Competition in long-distance passenger railway services in Spain

- Ministry of Public Works will define tender conditions (Act 11/2013).
- Legal basis: tender for indirect management of public services (Act 1/2014).
- But it is not a public service: freedom over control:
 - The objective is to choose the best provider with right incentives, so it defines business model to compete with RENFE.
 - The objective is not to fully define service or impose business model.
 - Bus services probably not best model, as it is a franchise model.
- Risk to breach community law if new comer discriminated (Case Airtel).

Competition in long-distance passenger railway services in Spain

- Challenge: significant uncertainty:

- **Access charges** to infrastructure:

- Significant increase in charges over the last years.
 - Charges set every year: no certainty in evolution.

Year	Access charge
2010	€316M
2011	€360M
2012	€368M
2013	€492M
2014	€581M

- **RENFE's commercial policy**: already initiated reduction of retail prices: yield management, promotions, etc.

- **Rolling stock**:

- New rolling stock (time to market), vs.
 - RENFE's ROSCO, at regulated prices?

THANK YOU!