

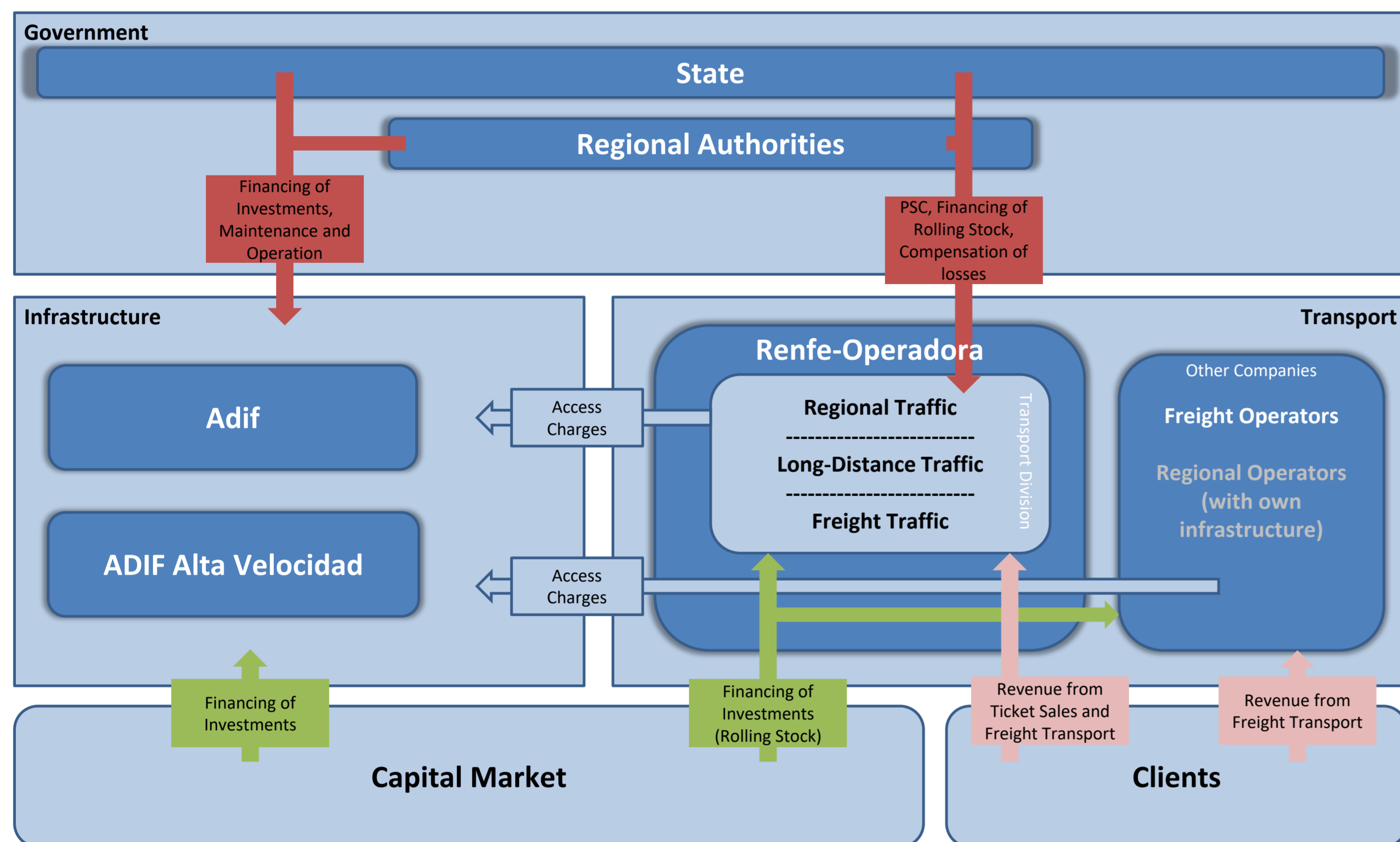
Public Budget Contributions to the Spanish Rail Sector

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Organizational Structure

Main Operators

Beside the state owned Renfe-Operadora several small, mostly public owned companies with own infrastructure are involved in the provision of transport services. Freight transport is undertaken by several private operators and the freight division of Renfe-Operadora. The infrastructure is owned and maintained by ADIF, a public company, which is owned by the Spanish State. ADIF Alta Velocidad is responsible for the operation and development of the high-speed network.



Infrastructure

Adif as well as Adif AV receive payments for maintenance, operation and the management of the infrastructure. Furthermore, large investments into expansion and new construction are undertaken with public support from various investment plans like the contract program and contributions from European funds.

Transport

Renfe-Operadora receives payments for regional as well as for medium distance train connections. The height of the Public Service Compensation as well as payments for staff/pensions and a yearly equity contribution to finance rolling stock and other investments were specified in the contract program (Contrato-Programa). Regional contributions are rather small compared to the large amount of state support. Freight services run without any additional state support.

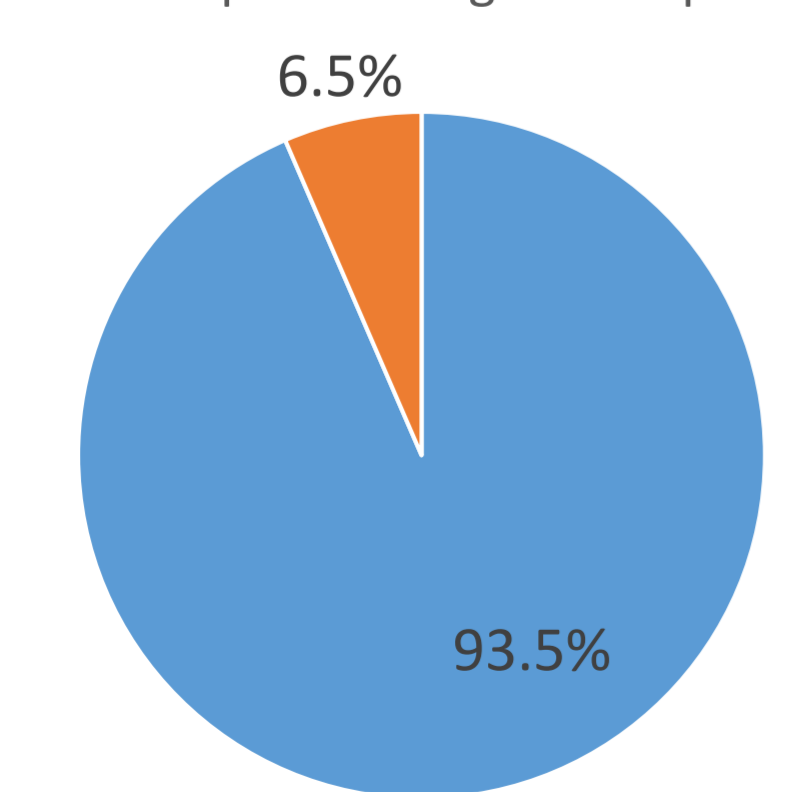
Other

The Spanish Railway Sector has been restructured in the beginning of 2005, dividing the former integrated group RENFE into separated transport (Renfe-Operadora) and infrastructure (Adif) companies. At the same time the former infrastructure administrator of the new constructed high-speed network named GIF (Gestor de Infraestructuras Ferroviarias, a public company, 100% owned by the State) was included into Adif. In the course of the restructuring, a large amount of debt has been transferred to public accounts. Later on, the Spanish Government approved the splitting of Adif into two separate bodies (Adif and Adif AV) in order to avoid the infrastructure manager's debt from being included in the national debt. The reform took place with effect of January 2013.

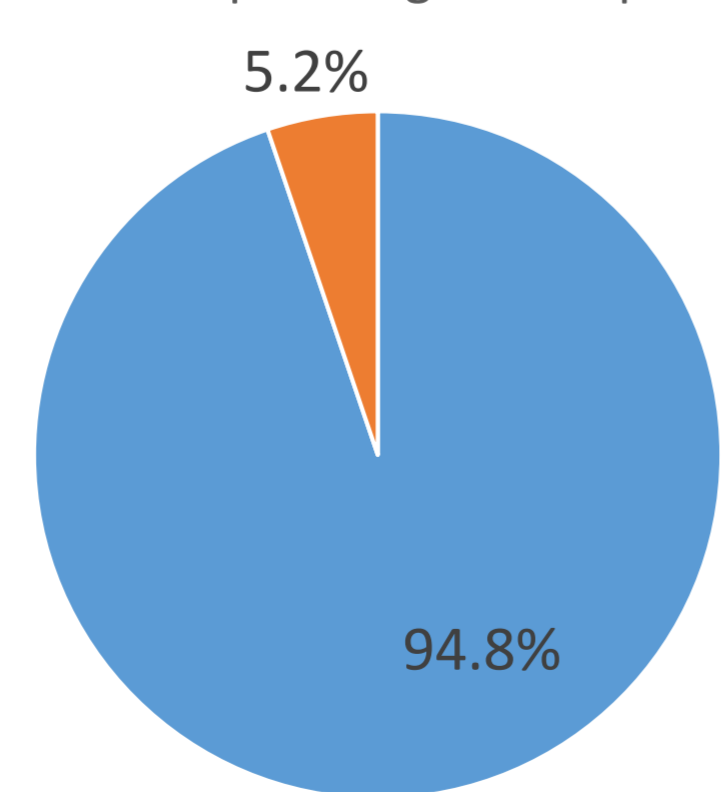
Industry Characteristics (2015)

Length of Line in use:	15,901 Kilometer (2014)
Passenger-Kilometer:	26.247 billion
Ton-Kilometer:	11.131 billion
Passenger-Ton-Kilometer:	37.378 billion
Modal Split Freight Transport:	5.2 % (2014)
Modal Split Passenger Transport:	6.5 % (2014)

Modal Split Passenger Transport



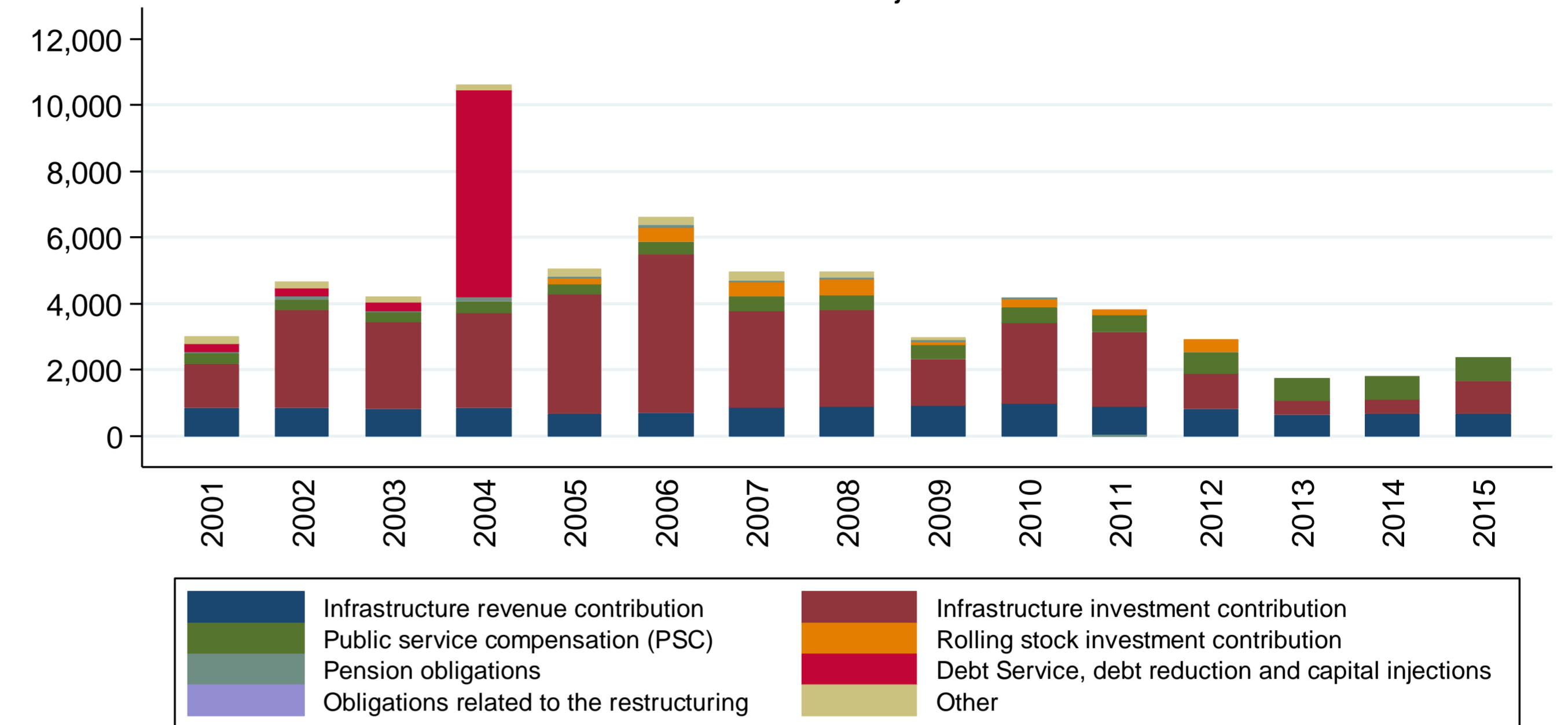
Modal Split Freight Transport



Source: European Commission - Transport in Figures, Eurostat

Financing

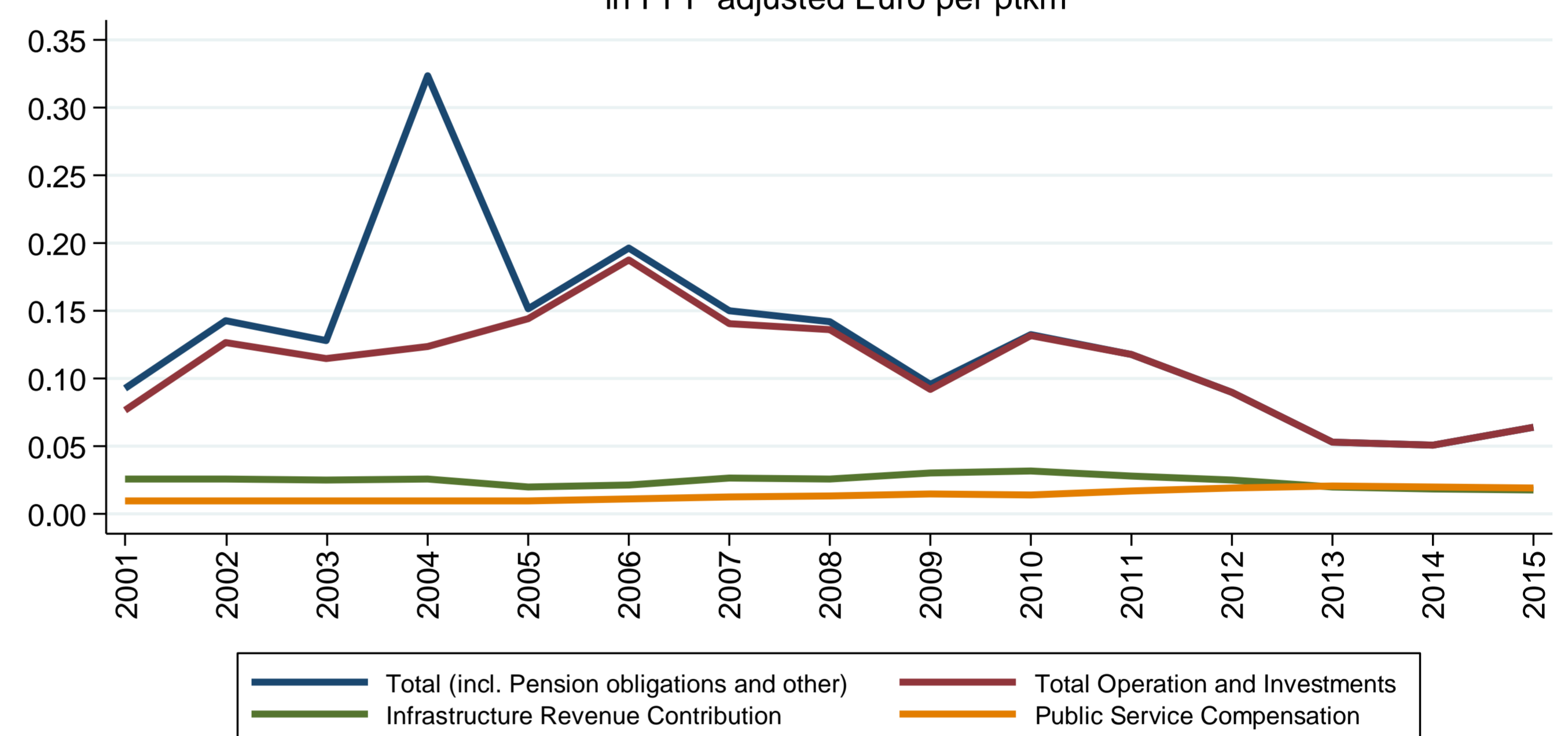
Public budget contributions to the Spanish railway sector
in million PPP adjusted Euro



Development of Public Budget Contributions

The structure of public contributions to the Spanish railway sector has changed significantly over the observation period. In 2006 contributions reached their peak, amounting to 6.6 billion Euro. In the following years, also influenced by the financial crisis, the Spanish government had to lower contributions to the sector. With the restructuring of the sector in 2013, contributions dropped again, at the same time debt increased (see below). In 2015 each passenger-ton-kilometer was subsidized with 6.4 cents of which 2.0 cents were related to the provision of public services, 1.8 cents were spend for the operation of the network and 2.6 cents have been used for infrastructure investment.

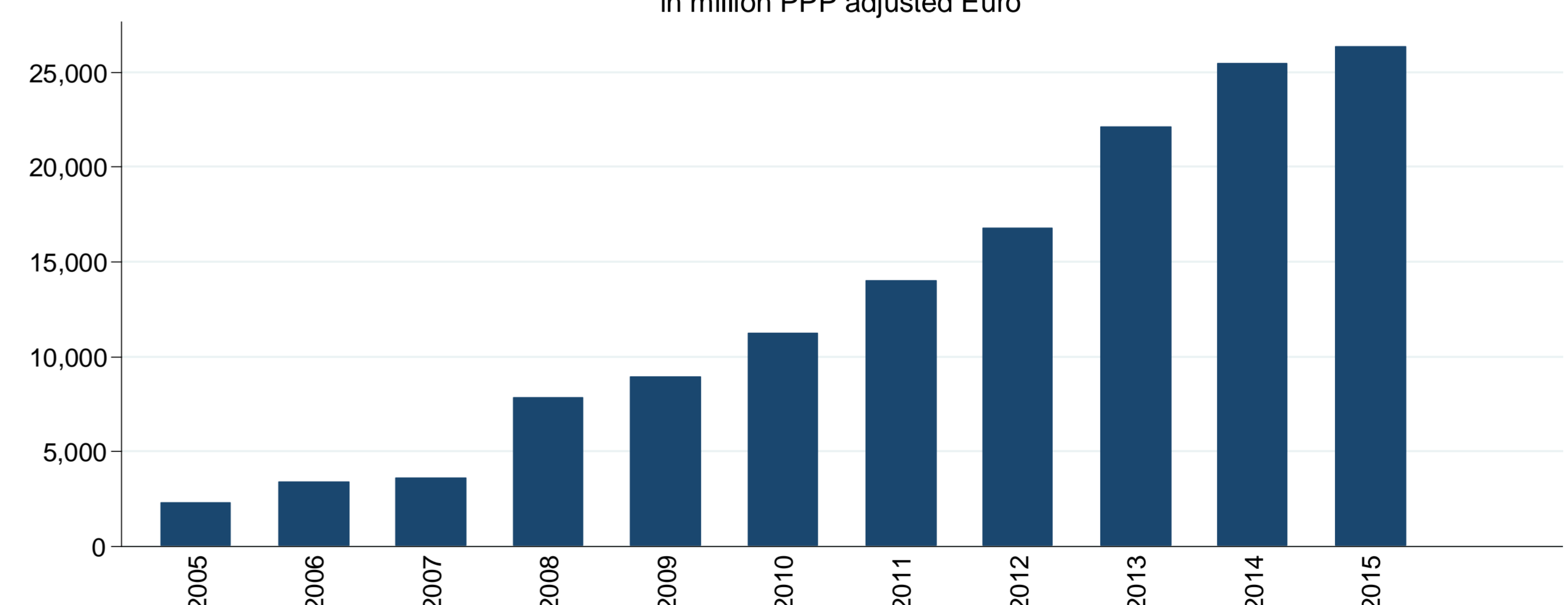
Public budget contributions to the Spanish railway sector
in PPP adjusted Euro per ptkm



Financing Structure

Public Services as well as the infrastructure managers receive an almost equal share of total support for operation. However, Renfe Operadora hasn't been able to cover operating expenses (mostly because of unprofitable freight division). This is why the company received payments to compensate for losses. Between 2005 and 2012 Adif was able to cover between 35 and 45 percent of expenses from access charges. Adif Operadora reached a cost coverage from market based revenue of public services that ranged between 60 and 70 percent.

Liabilities Administrador de Infraestructuras Ferroviarias (ADIF)
in million PPP adjusted Euro



Financing of Investments and Sustainability

Investments in the Spanish railway infrastructure are financed using a combination of debt issued by Adif/Adif AV and government contributions. In particular the French and the Spanish rail infrastructure managers have repeatedly received additional government funds to finance their indebtedness. The Spanish railway group Renfe has been freed from a large part of its debt before the infrastructure was separated and taken over by ADIF in the end of 2004. Since 2005, liabilities of the infrastructure managers have been steadily increasing. In order to avoid the infrastructure manager's debt from being included in the national debt, the government decided to restructure the sector, without undertaking a debt relief.