



## **Recent changes in the global rail industry: facing the challenge of increased flexibility**

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### **Abstract**

This paper discusses how the current trend towards increased private participation in the rail industry is reshaping the way in which Governments should address the main regulatory challenges arising from the particular economic and technical characteristics of this industry. We review the role of railroads in the last two decades and examine the characteristics of the most relevant processes of private participation around the world. The lessons learned from these changes suggest that many of the traditional regulatory paradigms in this industry are being replaced by more flexible schemes of public intervention. Although this change does not fully preclude direct participation by the Government, it seems that the traditional monopolistic rail company is dead as the dominant model around the world, and new forms, such as franchises or concessions competing on the tracks are progressively gaining relevance.

*Keywords:* Railways; Restructuring; Regulation; Privatization.

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### **1. What makes rail regulation different?**

The rail industry poses a number of specific problems for transport economists and regulators that are only partially shared with other transport modes. These elements are the multi-product nature of the activity, the particular cost structure of railroad companies, the role of infrastructure and networks, the existence of indivisibilities in inputs and outputs, the organization of rail transport as a public service, and the existence of externalities in the transport system as a whole. These characteristics define a descriptive framework for this sector, and jointly determine the main factors that should be considered when studying in detail the appropriate economic regulation for the rail industry.

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