



## **Recent changes in the global rail industry: evaluating the new regulatory instruments**

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### **Abstract**

The changes faced by the global rail industry in recent years have brought a redefinition of some of the traditional regulatory instruments available in this sector. This paper, focusing on price and quality regulation, discusses how these instruments have been applied in several countries where private sector participation in railways has been introduced mainly through concession contracts, and where some form of vertical and/or horizontal unbundling has been implemented.

*Keywords:* Railways; Price regulation; Quality regulation.

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### **1. Introduction**

After enjoying an unchallenged position for more than 100 years as the dominant means of transport, the rail industry has globally faced a dramatic change both in terms of economic relevance and organizational structure during the last decades. The decline of the railways has been partially explained by the government involvement in its management and the pervasive effects of an obsolete regulatory framework, which impeded, or at least slowed, the necessary adaptation to a changing environment dominated by more flexible transport alternatives.

Narrowly classified as natural monopolies since the XIX century, railways' management around the world widely relied on an undisputed model based on a vertically integrated firm, heavily protected from competition which acted as a national provider of a public service and received generous support from the Government. With very few exceptions, this was the paradigm until the 1980s, when a series of reforms, in the UK, Chile, New Zealand or Japan proved that competition could be introduced in this model through horizontal and/or vertical unbundling, and the subsequent increase in

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