ON INFRASTRUCTURE POLICY:
a brief introduction

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May 2025

General considerations: the role of the public and private sectors

- Collaboration between the public and private sectors is essential for the good design and functioning of transport infrastructure.
- Government intervention is necessary in matters of territorial planning and network design, evaluation and regulation

  (e.g. to avoid duplicities but guarantee minimum accessibility, public service obligations, defense of competition…)
- … but considerable efficiency gains can often be achieved by involving the private sector in the design, construction, maintenance and management of infrastructure projects such as highways.
- Three essential aspects to consider in order to get best social value for money:

  -rigorous evaluation and planning from a global perspective (not mode by mode…), thinking of social needs, costs and benefits, not political returns

  - design of concession contracts

  - financing and pricing
- This has not always been done well in Spain, leaving us with an unbalanced infrastructure system. We have probably invested too much in some things (e.g. high speed trains that duplicate existing plane routes and high-capacity highways) and not enough on others (road maintenance, commuter trains and hydraulic infrastructures)

The design of concession contracts

•Having passed a previous feasibility filter administered by an independent agency

•the key question is the *correct allocation of risks* according to the comparative advantage of the different parties to bear and manage them.

-Large exogenous risks (e.g. natural catastrophes, the Covid pandemic….) should be assigned to the public sector as it is in the best position to bear them

-Standard construction and operation risks should be borne by the private contractor, whose expertise and experience in the sector should allow him to minimize them

-Demand risks: to customers/consumers for whom tolls are generally a minor expense. Variable duration concessions may be useful in this respect.

How to pay for infrastructures?

- Tolls are often the best choice, for a variety of equity and efficiency reasons.
- With tolls, costs are borne by the beneficiaries of the infrastructure in a way that can be tailored to the intensity of the service received. This is generally fairer than charging them to taxpayers who may not even be users.
- It is also better from the point of view of efficiency. As users are faced with real costs, they may moderate their demand. Tolling avoids the perception that the service is free, which increases demand, wear and tear and congestion costs and in the long run may lead to oversupply.
- Tolls can be designed and adapted (across time, locations and users) to reflect social costs and internalize (positive and negative) externalities, e.g.

-maintenance tolls can depend on the type of vehicle in ways that reflect the damage done to the infrastructure (e.g. in proportion to weight by axle)

-tolls can be modulated by time of the day and geographic area to reduce congestion and ration access to the service to those who value if most

- can be used to internalize pollution emissions or safety risks

- Tolls can free up funds in government budgets at a time of rising pressure on them, while ensuring the availability of funding for necessary investments that tend to be postponed too easily.
- *Note:* Although less versatile, taxes on fuel have traditionally been a good substitute for tolling. This is changing with growing electrification and improvements in digital technologies.