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“Evaluation of network industries providing services of general economic interest”

2006 Report

Distributive aspects, access and quality

Roderick Meiklejohn

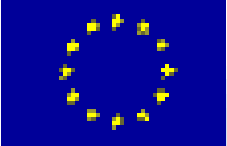
European Commission

DG Economic and Financial Affairs



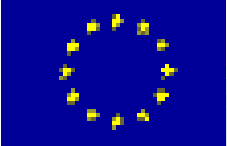
STRUCTURE OF THE PRESENTATION

- 1. Distributive aspects**
- 2. Geographic accessibility**
- 3. Public service obligations:**
 - **social accessibility**
 - **affordability**
 - **quality of service**



DISTRIBUTIVE ASPECTS

- **Price changes lead to changes in consumption levels.**
- **However, other factors also influence consumption: e.g. quality and variety of services, network effects, social changes, availability of energy-saving technology.**



DISTRIBUTIVE ASPECTS

- **Network services normally account for a larger proportion of the expenditure of low-income households than of more prosperous households.**
- **Low-income households are therefore more strongly affected by changes in network industry prices.**



DISTRIBUTIVE ASPECTS

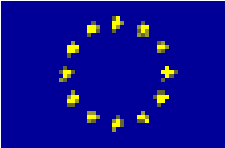
- **How have price changes affected the proportion of expenditure on network services by different income groups?**
- **Five household income groups (quintiles). Q1 has the lowest incomes, Q5 the highest.**
- **Period studied 1994-2004.**
- **EU15 only.**



DISTRIBUTIVE ASPECTS

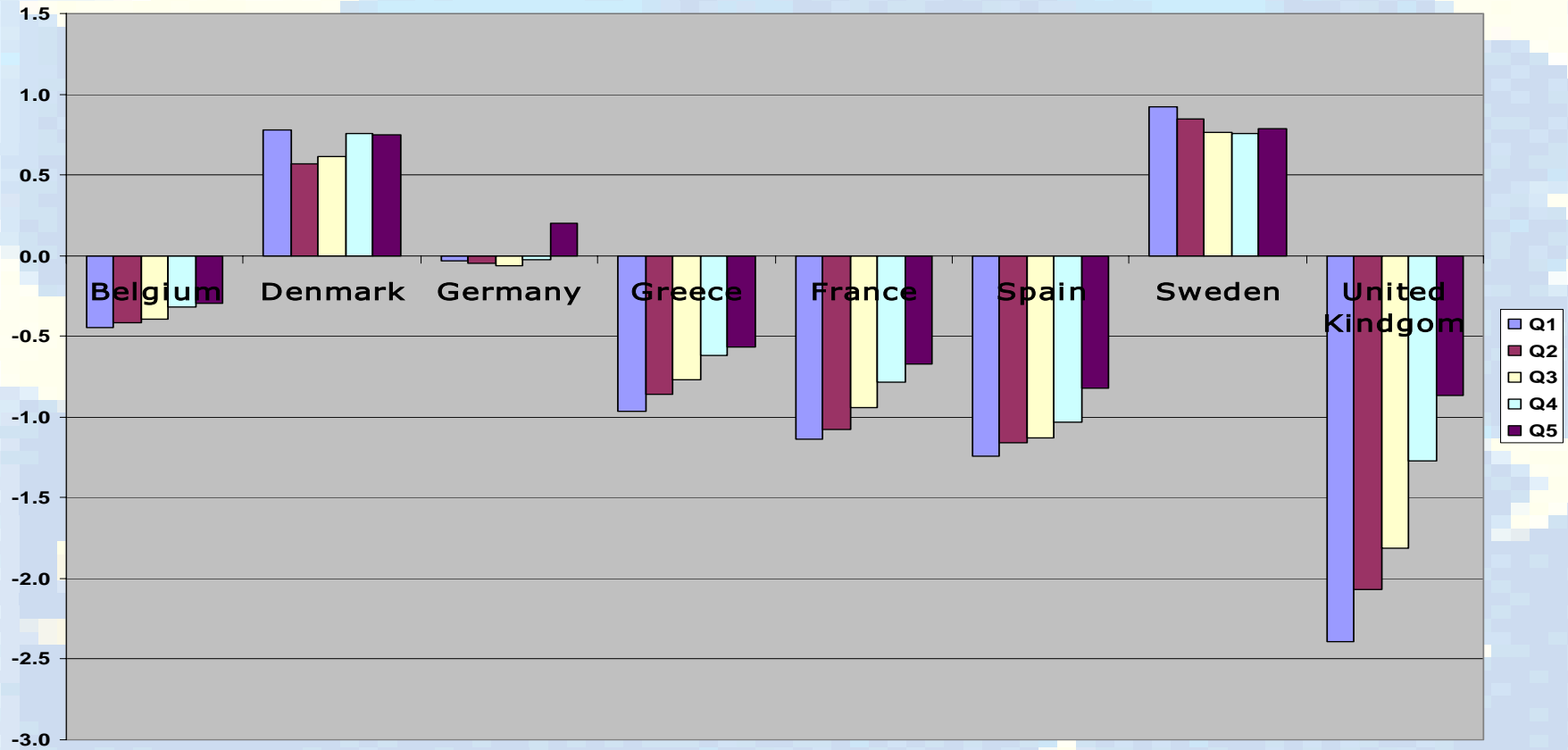
“Direct effect”

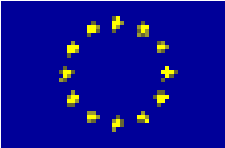
- **With unchanged consumption volumes, the share of expenditure would have fallen in 9 out of 15 Member States.**
- **This holds for all income groups and particularly for the poorest households.**
- **In Austria and Germany, there was little change.**
- **In the Nordic countries and the Netherlands, all income groups experienced an increase.**



DISTRIBUTIVE ASPECTS

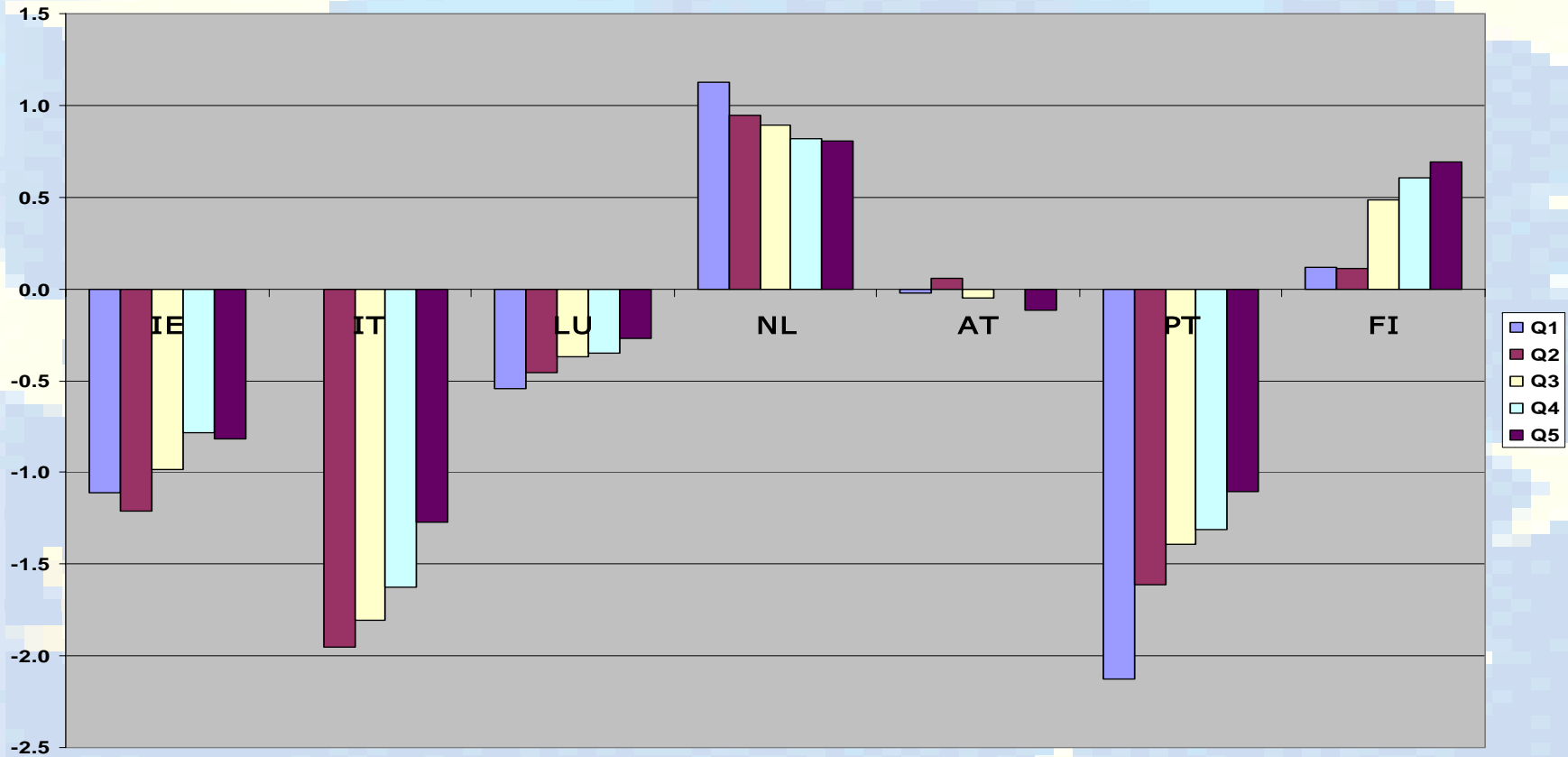
Direct effect of network industry price changes by income quintiles, 1994-2004 in %

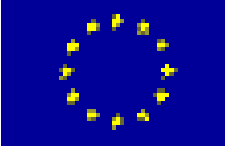




DISTRIBUTIVE ASPECTS

Direct effect of network industry price changes by income quintiles, 1994-2004 in %





DISTRIBUTIVE ASPECTS

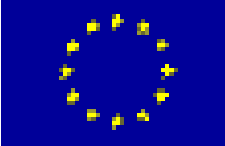
Geographic dimension

- **Data availability very patchy.**
- **Comparison of electricity prices in different cities/regions of Germany and the U.K. over the period 1995-2003.**
- **Analysis of regional differences in rail passenger fares in the U.K. between 1995 and 2005.**



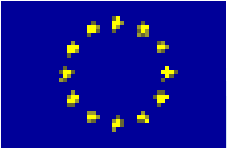
GEOGRAPHIC ACCESSIBILITY

- **The number of cross-border non-stop city-to-city air routes has doubled since 1992, mainly because of the emergence of low-cost carriers.**
- **The density of the railway network has remained stable.**
- **The number of postal outlets fell by 1.9% between 2000 and 2004. Member States normally impose a minimum of 5 weekly mail deliveries. Only seven allow some exceptions in very remote areas.**



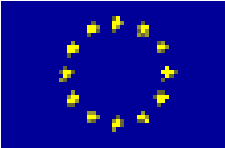
AFFORDABILITY

- **Affordability indicators give an idea of the proportion of income that households have to pay for network services.**
- **A decline in the index = an improvement in affordability.**
- **Availability of reliable data is very poor.**
- **The analysis is limited to affordability levels for low income households in the two energy sectors, due to data constraints.**

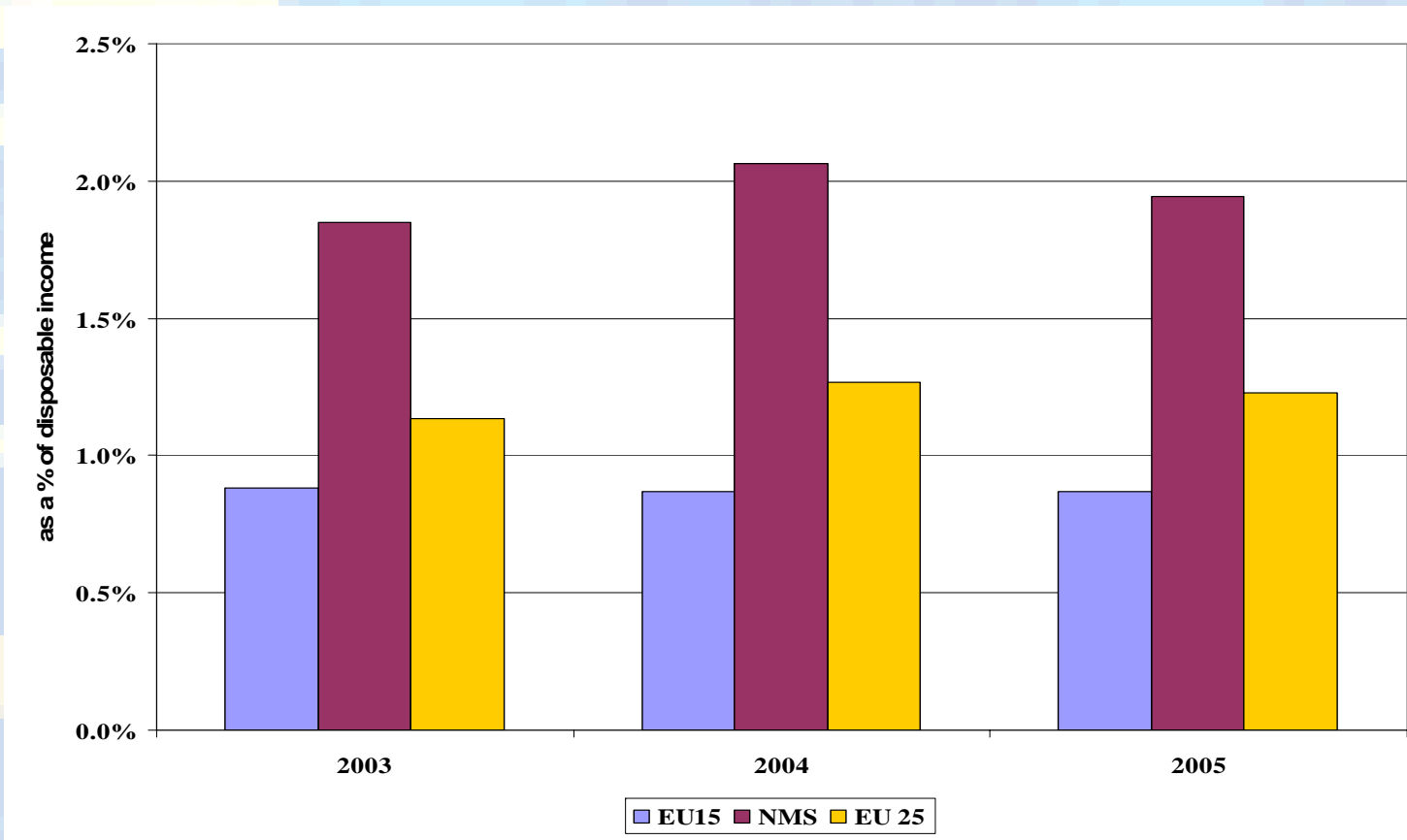


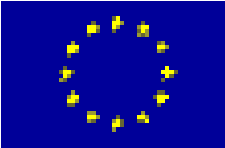
Results

- **Electricity and gas services are generally much more affordable in the old EU15 Member States than in EU 10.**
- **However, affordability of services in the new Member States continues to improve more strongly than in the old EU15.**

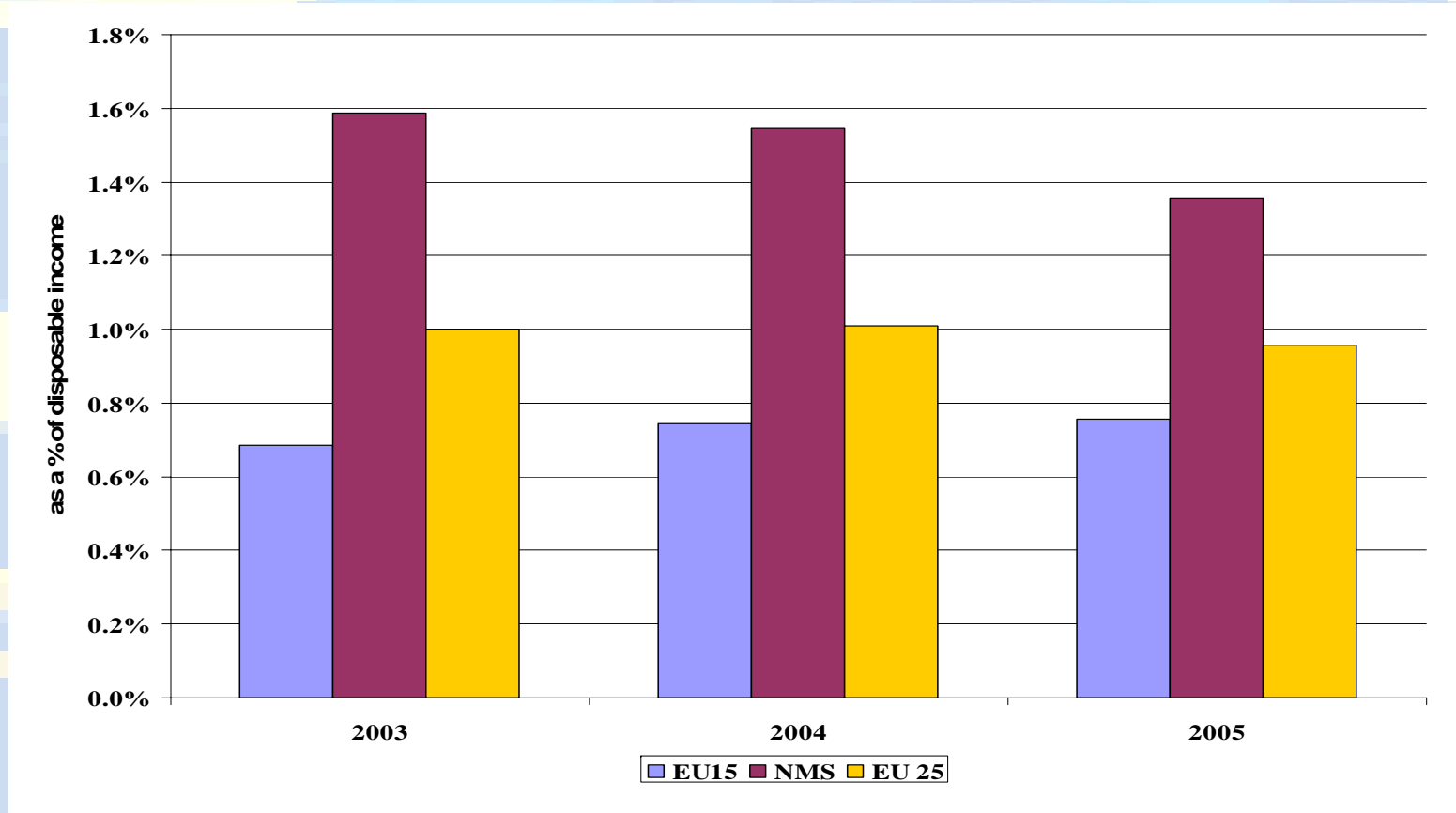


AFFORDABILITY INDEX - ELECTRICITY





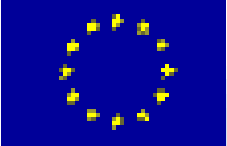
AFFORDABILITY INDEX - GAS





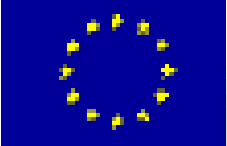
QUALITY – POST AND AIRLINES

- **Postal services: domestic and international mail performance (delivery time) has been improving in most Member States.**
- **Airlines: some improvement in punctuality but there are big gaps between the best performers and the worst.**



QUALITY - ELECTRICITY

- ***Interruptions of electricity supply:***
 - **Data available for 12 Member States, 1994-2004.**
 - **Most show no clear trend.**
- ***Share of renewable energy:***
 - **Disappointing performance at EU level: increase from 12.7% to 13.7% only (1995-2004).**
 - **Remarkable increase in Denmark: from 6% to 27%.**



GENERAL CONCLUSIONS

- **These aspects of the analysis need to be developed.**
- **Availability of reliable data is the main problem to be addressed.**