

## Audit report on the measures taken by the Renfe Group in response to the travel restrictions introduced in 2020

Performance

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**FULL REPORT (ES)** 

### What we assessed and why

The 2020 travel restrictions severely affected the Renfe Group's activity. We therefore assessed the impact of these restrictions on Renfe's activity and results. We also examined the measures implemented by Renfe and its subsidiaries relating to business, health and human resources in response to the restrictions. Furthermore, we analysed the impact of COVID-19 on the environment and on work absenteeism, and Renfe's financial management of its cashflows and debts in 2020.

### What we found

The consolidated results of the Renfe Group decreased significantly in 2020 compared to 2019, dropping from €101 million in profits to €473 million in losses, primarily as a result of reduced demand for passenger transport services. Commercial services (i.e. high-speed, long-distance, and tourist trains) were particularly affected, resulting in €414 million in losses in 2020 (compared to €104 million in profits in 2019). The decrease in freight was also significant, with €43 million in losses compared to €4 million in profits in 2019.

Absenteeism in the Renfe Group rose from 6.96 % in 2019 to 8.39 % in 2020.

Renfe, including some of its subsidiaries, ruled out applying a temporary lay-off scheme (ERTE). The main reason was that, although implementing the scheme would have improved the company's performance, it would have meant transferring responsibility for part of the salaries' payments to the state.

Renfe's supply of masks may have exceeded staff needs. Between March and May 2020, Renfe purchased 3.3 million FFP2 masks (218 masks per employee), costing €8.5 million. Almost all of them (99 %) were purchased centrally by the Spanish Ministry of Transport, Mobility and Urban Agenda. The number of purchased masks clearly exceeded demand since, given the amount, staff would have had enough to last until June 2021.

Passenger transport services (Renfe Viajeros) experienced a 66 % decrease in the number of people taking short-distance trains compared to 2019, and the number of train journeys and seats available fell by nearly 50 %. Consequently, the revenue from ticket sales fell by 65 %. The drop in expenditure was much smaller than the drop in revenue, which led to losses.





The number of users of PSO services (commuter, medium-distance, AVANT, and metre-gauge rail) decreased by 47 % compared to 2019. The drop in the number of travellers was higher in medium-distance and AVANT services than in commuter services. Revenue from the sale of tickets for PSO services therefore fell by nearly 50 %, from €798 million in 2019 to €402 million in 2020. In contrast, state compensation for the provision of these services rose by 22.5 %, from €1.17 billion to over €1.43 billion in 2020.

The national government is responsible for PSO-service compensation. This payment was initially a little over €1.1 billion, which exceeded the maximum amount stipulated in the contract signed on 18 December 2018 by €176.6 million. An addendum to the contract was signed on 21 December 2021 to modify the figure for 2020. More flexible tickets were introduced, facilitating free ticket changes and cancellations for commercial services. In particular, tickets with special rates could either be exchanged for vouchers for subsequent ticket purchases or reimbursed through a simplified procedure. After the vouchers expired on 31 December 2021, only 42 000 of the 136 000 issued vouchers remained unused. The validity period of PSO passes for multiple trips was extended. During the first state of emergency, 36 000 tickets remained unused, out of 227 000 tickets purchased.

New rebates on station rental were introduced to avoid commuter stations closing and passengers losing their services. 284 rental contracts benefited from the rebates, with an impact on revenue of €2.1 million.

In 2020, environmental expenditure and investment decreased by 62 %, and the ratios of “traction energy intensity” (kilowatt-hour per unit transported) and “traction carbon intensity” (grammes of CO<sub>2</sub> per unit transported) worsened, as there were fewer passengers transported per kilometre.

Throughout the 2020 financial year, Renfe maintained large cash balances (an average balance of €255 million) and had unused credit lines.

## What we concluded

Our main conclusions were that the decentralised management and the lack of a written procedure for applying the new rebates implied an uneven use and application of these rebates. Renfe had cash balances which were higher than those necessary for the sound economic management of its financial resources. It also had unused credit lines which, had they been used, would have been cheaper than its existing loans.

We recommended that Renfe take measures against absenteeism and modify its cash management policy to reduce financial costs.