

Road Transport in the People's Republic of China



Road Transport in the People's Republic of China

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Geneva

_ Road Transport in China _

IRU _____



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Preface

The International Road Transport Union (IRU) has produced several publications on the road transport industry in China over the last few years. This IRU report presents the importance of the industry for the Chinese economy, the development of road passenger and freight transport capacities, the state of road infrastructure, the legal system governing access to the profession and the market, including regulations on vehicle standards, road worthiness, fiscal matters, traffic safety and social matters.

A full chapter is devoted to conditions and achievements in the field of international road transport regulated by China's various bilateral and multilateral contractual obligations. Four thematic chapters explain progress in road safety, sustainable development, latest challenges for road transport operators and the logistics industry.

The IRU report, containing 68 tables and graphs, is rich in statistical and other factual information on the development and achievements of the road transport industry in China.

The purpose of this IRU publication is self-explanatory. All the efforts made over several years by international traders, road transport operators, logisticians and forwarders, under the guidance of national IRU road transport Associations and the IRU, can only bear fruits if they are based on the right vision and facts.

This report will help all concerned to learn more about road transport conditions in the People's Republic of China at the far-eastern gateway of the re-opened Silk Road. Such an insight is vital for the further enhancement of transport operations across the Eurasian landmass, notably within the framework of the IRU's New Eurasian Land Transport Initiative (NELTI).

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Chapter One

General Introduction

The development of the Chinese road transport industry is breathtaking, vigorous and influential. Since the 1990s, the Chinese road industry has grown into the greatest and fastest developing era in history. The scale of road infrastructure is continuing to expand; the completed transport volume has been increasing steadily. Meanwhile, the transport capacity and service quality are improving a great deal, thus forming a good market order to pave the way for the sustainable, coordinated and healthy development of the national economy.

China's Opening-Up Policy not only boosted economy, but also brought about great demand for transport. The Chinese Government has made strategic policies to meet these urgent demands. So far, an historical breakthrough has been made since a series of measures were taken. Such feats have also in return contributed to economical growth and China's opening-up.



In 2008, although the Chinese road transport industry felt the pain and the hardship from the global economic downturn, it contributed greatly to the development of the economy and society with a high level of service and low cost. Up until now, China has built a large-scale highway system. The total amount of roads has reached 3.7 million kilometres containing 60.3 thousand kilometres of expressways. The number of motor vehicles has reached more



than 168 million (176 million in June 2009!), including 127.68 million privately-owned vehicles.

There were 9.3 million commercial vehicles, among which commercial coaches/buses amount to nearly 1.7 million and to 7.6 million commercial trucks. In 2008, the amount of passengers transported by highway reached about 26.8 billion persons and the road passenger transport sector performed about 1,247.6 billion passenger-kilometres, increasing 30.8% and 8.4% respectively compared to 2007. The volume of road freight transport reached 19.2 billion tonnes and a corresponding amount of about 3,286.8 billion tonne-kilometres, which respectively increased by 17.0% and 189.5% compared to the previous year¹.

¹ The statistical data for 2008 are from the Special Investigation on National Road and Waterway Transport, which was carried out by the Ministry of Transport (MOT). As compared with the 2007 statistics, statistical standards were greatly adjusted.

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There are minute differences between the statistics published by the National Bureau of Statistics (NBS) and those issued by the MOT. The statistics of the MOT are accepted in this report.

1.1 Comprehensive Transport System

In recent years, the volumes of road passenger and freight transport steadily increased over previous years, with its high figures ensuring first place in the comprehensive transport system (Table 1).

li	tem	2001	2002	2003	2004	2005	2006	2007	2008
	Highway	91.4	91.7	92.2	91.9	91.9	91.9	92.1	93.5
Passenger	Waterway	1.2	1.2	1.1	1.1	1.1	1.1	1.0	0.7
volume	Railway	6.9	6.6	6.1	6.3	6.3	6.2	6.1	5.1
	Civil aviation	0.5	0.5	0.6	0.7	0.7	0.8	0.8	0.7
	Highway	54.8	55.3	55.7	53.6	53.2	52.8	53.3	53.8
Passenger	Waterway	0.7	0.6	0.5	0.4	0.4	0.4	0.4	0.3
turnover	Railway	36.2	35.2	34.7	35.0	34.7	34.5	33.4	33.6
	Civil aviation	8.3	9.0	9.1	10.9	11.7	12.4	12.9	12.4
	Highway	75.4	75.3	74.3	73.0	72.1	72.0	72.0	74.1
Freight	Waterway	9.5	9.6	10.1	11.0	11.8	12.2	12.4	11.4
volumo	Railway	13.7	13.8	14.2	14.6	14.5	14.1	13.8	12.7
volume	Civil aviation	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02
	Pipeline	1.4	1.4	1.4	1.4	1.7	1.7	1.8	1.7
	Highway	13.3	13.4	13.2	11.3	10.8	11.0	11.2	29.8
Freight	Waterway	54.6	54.4	53.3	59.7	61.9	62.4	63.3	45.6
Freight	Railway	30.6	30.7	32.0	27.8	25.8	24.7	23.4	22.5
unover	Civil aviation	0.09	0.10	0.11	0.10	0.10	0.10	0.10	0.11
	Pipeline	1.3	1.4	1.4	1.2	1.4	1.9	1.9	1.9

Table 1: Proportion of diversified means of transport in volume and turnover from 2001 to 2008 (%)²

In 2008, the road transport share of the number of passengers and passenger-kilometres respectively covered 93.5% and 53.8% of the total amount in the comprehensive transport system.³

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² Sources: the figures for the highway and waterway are from <u>www.mot.gov.cn</u>; the figures for the railway from <u>www.china-mor.gov.cn</u>; the figures for civil aviation from <u>www.caac.gov.cn</u>; the figures for the pipeline from <u>www.stats.gov.cn</u>.

³ Source: Special Investigation on National Road and Waterway Transport.



In the year 2008, Chinese road transport shares of freight volume and tonne-km respectively accounted for 74.1% and 29.8% of the total amount in the Chinese comprehensive transport system.⁴



In 2008, China carried on a tenacious fight against the impact of natural disasters and the international financial crisis and the overall national economy realised the developing momentum of faster growth. According to a preliminary estimation, the Gross Domestic Product (GDP) for the year of 2008 was 30,067.0 billion RMB, up by 9.0 percent. In terms of growth by sectors, the value added by the tertiary industry was 12,048.7 billion RMB, up by 9.5 percent. Playing an important role in the tertiary industry, the volumes of the Chinese road passenger and freight transport that respectively increased 30.8% and 17.0% as compared with 2007, were in balance with economic growth, and contributed greatly to the national economy, especially in such a difficult international environment (Figure 5).⁵

⁵ Sources: MOT and NBS.

In 2003, affected by SARS, the road passenger transport volume decreased. As compared with the 2007 statistics, statistical standards of 2008 were greatly adjusted.

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⁴ Source: Special Investigation on National Road and Waterway Transport.



Figure 5: Comparison of the growth rate of GDP, road passengers and freight

1.2 Highway Infrastructure



By the end of 2008, the Chinese road transport network comprised of 3.73 million kilometres of public roads (of which 60,300 kilometres were expressways). In 2008, the additional highway mileage reached 146,500 km, 4.1% more than that of the previous year (Figure 6).⁶

⁶ Source: China Road Transport.

Since 2006, village roads have been included in the total highway mileage.



In China, roads are classified by administrative responsibility: national, provincial, county, township and special highway as well as village roads. In 2008, out of the 3.73 million kilometres of highway mileage, there are 155,300 kilometres of national roads, 263,200 kilometres of provincial roads, 512,300 kilometres of county roads, 1,011,100 kilometres of township roads, 67,200 kilometres of special highways and 1,721,000 kilometres of village roads, which respectively took up 4.2%, 7.1%, 13.7%, 27.1%, 1.8% and 46.1% of the total highway mileage (Figure 7).⁷

In accordance with technical classification, roads are classified by expressways, class I, class II, class III, class IV and unclassified roads. In 2008, out of the total highway mileage, there are 60,300 kilometres of expressways, 54,200 kilometres of class I roads, 285,200 kilometres of class II roads, 374,200 kilometres of class III roads, 2,004,600 kilometres of class IV and 951,600 kilometres of unclassified roads, which respectively took up 1.6%, 1.5%, 7.6%, 10.0%, 53.7% and 25.5% of the whole 3.73 million kilometres of highway mileage (Figure 8). ⁸



Figure 7: Highway administrative classification composition in 2008

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⁷ Source: Special Investigation on National Road and Waterway Transport 2008.

⁸ Source: 2008 Road and Waterway Transportation Industry Statistics Bulletin.



Figure 8: Highway technical classification composition in 2008

In 2008, the density of the Chinese highway reached 38.9 km/hundred square km, 1.5% more than that of the previous year (Table 2).⁹

Table 2. Highway	/ density from	2001 t	o 2008
Table 2. Highway	uensity nom	20011	0 2000

Year	2001	2002	2003	2004	2005	2006	2007	2008
Highway density	17 7	19.4	19.0	10.5	20.1	36.0	27.2	28.0
(km/hundred sq. km)	17.7	10.4	10.9	19.5	20.1	30.0	57.5	30.9

At the present time, development of the different areas is still unbalanced, the highway mileage in the Central area and West area are continuing to grow, and the technical state of highways in the Central and West further improves. In 2008, the length of highways in the East area reached 1.1 million kilometres and it increased by 28.8 thousand kilometres compared with 2007; the highway mileage of the Central area reached 1.3 million kilometres and it increased by 36.0 thousand kilometres; it reached 1.4 million kilometres in the West, representing 81.7 thousand kilometres more than in 2007 (Figure 9).¹⁰



different areas (thousand km)

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⁹ Sources: 2008 Road and Waterway Transportation Industry Statistics Bulletin and Report on China Road Transport Development in 2007.

¹⁰ Source: 2008 Road and Waterway Transportation Industry Statistics Bulletin.

1.3 Transport Capacity Development

In recent years, the rate of employees carrying certificates has increased steadily. By the end of 2008, there were more than 21.2 million persons directly employed in the Chinese road transport industry, including an increase of 1.5 million as compared to 2007. Altogether, 18.0 million employees held relevant certificates of professional competence, including 14.0 million professional drivers working for the road passenger and freight transport industry, 0.7 million in the dangerous goods transport industry, 1.5 million in the motor vehicle maintenance industry and 0.4 million involved in driver training (Figure 10).¹¹

As for the whole sector, road transport provides a numerous employment opportunities for society (Figure 11).¹² By the end of 2007, there was 19.7 million staff, as mentioned in the previous paragraph, including 3.7 million staff in road passenger transport, 12.3 million in road freight transport, 0.4 million in transport yards and terminals, 2.4 million in motor vehicle maintenance, 0.4 million in driver training and 0.4 million in other transport-related service operations (Figure 12).¹³ In recent years, new changes have taken place in the market operation range of the road transport industry. The traditional loading and unloading business reduced tremendously in contrast to the rapid increase of transport yard and terminal operation and motor vehicle maintenance business, forming the various and more intensive trends of development.



Figure 10: Certified road transport staff in 2008

¹¹ Source: The Speech for the National Road Transport Forum on Work in Vocational Qualifications, by Feng Zhenglin, Vice-Minister of the Ministry of Transport.

The number of employees in the urban public transport and urban truck traffic are not included. ¹² Source: Special Investigation on National Road and Waterway Transport 2008, and <u>www.moc.gov.cn</u>.

¹³ Source: Report on China Road Transport Development in 2007.





Figure 12: Road Transport staff composition in 2007

Similar to the increase of road transport staff from 2001 to 2008, the number of road transport enterprises increased steadily; however, by contrast with the increase in the total road transport enterprises, the number of road passenger enterprises has been showing a downward trend since 2001. In 2008, the number of road transport business enterprises was 6.1 million, representing an increase of 0.7 million. Meanwhile, the number of road passenger transport business enterprises shrunk by more than 50% from 2001 (Figure 13).¹⁴

¹⁴ Sources: <u>http://www.mot.gov.cn</u> and the speech of Feng Zhenglin, Vice-Minister of the MOT, on 19 August 2009.

The figures for freight transport enterprises and passenger transport enterprises in 2008 is not yet available. IRU



Figure 13: The number of road transport enterprises from 2001 to 2008 (thousand)

Up until 2008, there were 9,306.1 thousand commercial vehicles nationwide, of which there were 1,696.4 thousand road passenger vehicles (buses and coaches), 50.4 thousand more than in 2007; 7,609.7 thousand road freight vehicles, 771.7 thousand more than in 2007 (Figure 14 and Figure 15).¹⁵



Figure 14: The trend of road passenger enterprises and passenger vehicle changes from 2001 to 2008 (thousand)

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Figure 15: The trend of road freight enterprises and passenger vehicle changes from 2001 to 2008 (thousand)

¹⁵ Source: 2008 Road and Waterway Transportation Industry Statistics Bulletin.



Figure 16: The trend of road passenger vehicle and seat changes from 2001 to 2008

The 1,696.4 thousand road passenger vehicles represented 25,603.6 thousand seats, on average 15.1 seats per vehicle, 4.5 seats more than in 2001. The 7,609.7 thousand road freight vehicles represented a total tonnage of 36862.0 thousand tonnes, on average 4.8 tonnes per vehicle (Figure 16 and Figure 17).¹⁶ From the figures, we can see that the seats increased faster than the number of road passenger vehicles, the tonnage also increased faster than the number of road freight vehicles. These trends show that large-scale coaches and heavy-duty trucks have been given priority in China.¹⁷



Figure 17: The trend of road freight vehicle and tonnage changes from 2001 to 2008

From 2001 to 2008, with the rapid increase of road passenger and freight transport operations nationwide, there have been altogether more than 160 thousand passenger and freight transport terminals. According to technical classification, road passenger transport yards and terminals are classified by first class, second class, third class, fourth class, fifth class and convenient terminals, while road freight transport terminals are classified by class I, class II and class IV. Except for a few specific years, all the graded and unclassified terminals developed steadily.

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¹⁶ Source: Road and Waterway Transportation Industry Statistics Bulletins, from 2001 to 2008.

¹⁷ Source: Special Investigation on National Road and Waterway Transport in 2008.

Up to 2007, there were altogether 156,294 road passenger transport terminals, including 521 first class, 2,133 second class, 1,960 third class, 3,892 fourth class, 5,339 fifth class and 142,449 convenient terminals and signposted stops, while there were altogether 2,585 freight transport stations, including 224 first class, 271 second class, 894 third class and 1,196 fourth class freight transport terminals (Table 3).¹⁸

Voor		Passenger	r Terminals		Freight Terminals				
Tear	First class	Second class	Third class	Fourth class	First class	Second class	Third class	Fourth class	
2001	357	2,008	2,303	2,387	94	251	404	639	
2002	383	2,064	1,931	2,087	173	252	483	654	
2003	361	2,111	1,922	1,996	98	264	524	768	
2004	395	2,135	1,889	2,179	102	285	509	906	
2005	447	2,123	1,940	2,314	137	332	478	893	
2006	497	2,177	1,900	3,145	186	343	552	1,051	
2007	521	2,133	1,960	3,892	224	271	894	1,196	

Table 3: Development of graded road passenger and freight stations in China from 2001 to 2007

¹⁸ Source: Report on China Road Transport Development in 2007.

Chapter Two

Road Transport Activities

In order to make statistics scientifically more accurate, an investigation named Special Investigation on National Road and Waterway Transport by the Ministry of Transport (MOT) was commissioned. In this report, the numbers used for the year 2008 are from the 2008 Road and Waterway Transportation Industry Statistics Bulletin, in which the statistics standard was greatly adjusted.

As mentioned in Chapter 1, although the Chinese road transport industry is suffering from the impact of the global recession and the negative effect of high oil prices combined with the fierce competition with other transport modes, it continued to develop greatly in 2008 and played a major role in the comprehensive transport system, contributing to the whole national economy. In 2008, the Chinese road transport industry carried 26.8 billion persons, performing 1,247.6 billion passenger-kilometres and 19.2 billion tonnes, undertaking 3,286.8 billion tonne-kilometres.

The road passenger transport average distance was 46.5 kilometres, while the road freight transport average distance was 171.5 kilometres.

To cope with present challenges, the Chinese road transport industry is changing the mode of development. adjusting the development structure. introducing technical innovation and sustainable development and striving to advance public service capacity. Through tireless industry-wide efforts, the year of 2008 saw a steady increase of both road transport efficiency and service quality.



2.1 Road Passenger Transport



In 2008, road passenger transport grew continuously. Various modes of passenger transport contributed to this development (Figure 18).¹



Figure 18: Road passenger transport volume and turnover from 2001 to 2008 (billion)

The passenger transport volume can be broken down to that completed by scheduled passenger transport lines (52.5%), taxi (11.3%), urban public transport vehicles (buses) (32.3%) and other commercial passenger transport (3.9%). The corresponding numbers of road passenger turnover were 74.8%, 5.7%, 8.4% and 11.1% respectively (Figure 19).²

Broken down by transport distance, the passenger volume carried within 100 kilometres amounted to 90.2%, 5.5% within 100-200 kilometres, 2.7% within 200-400 kilometres, 1.1% within 400-800 kilometres and 0.5% more than 800 kilometres. The corresponding numbers of road passengers turnover were 43.2%, 14.2%, 14.9%, 13.1% and 14.6% respectively (Figure 20).³

¹ Source: <China Road Transport> magazine.

² Source: Special Investigation on National Road and Waterway Transport in 2008.

³ Source: Special Investigation on National Road and Waterway Transport in 2008.



Figure 19: Activities by various modes of passenger transport in 2008



Figure 20: Activities completed within different transport distances in 2008

By the end of 2007, there were about 230 thousand operators engaged in the road passenger transport business, reduced by about 27 thousand operators as compared to 2006. Among the total number of operators, there were about 21 thousand enterprises and about 209 thousand individual operators. (Table 4).

Tab	e 4: Composition of Chinese	road passenger	r transport operators in 2007 ⁴	

Туре	Total	Enterprise	Individual operator
Coach line	71,251	9,020	62,231
Тахі	126,131	6,498	119,633
Tourism	2,175	1,956	219
Other			

⁴ Source: Report on China Road Transport Development in 2007.

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The declining trend of bus line passenger transport enterprises and individual operators, as well as taxi operators, shows that the traditional road passenger transport development structure has been adjusting steadily. The growth trend of tourist passenger transport individual operators shows that tourism is becoming a new economic and profit growth point for the Chinese road passenger transport industry, accompanied by the support of national and industrial policies. Up to now, this trend in tourism has become more evident and the competition has become more intense than ever.

In total, most road passenger transport enterprises own a fleet of around 10-49 passenger vehicles. Among bus line transport enterprises, there were 1,592 enterprises with over 100 passenger vehicles, accounting for 17.6% of the total, 1,985 enterprises with 50-99 passenger vehicles accounting for 22.0%, 3,138 enterprises with 10-49 passenger vehicles accounting for 25.6%. Among taxi passenger transport enterprises, there were 2,063 enterprises with over 100 taxis accounting for 31.7%, 1,687 enterprises with 50-99 taxis accounting for 26.0%, 2,144 enterprises with 10-49 taxis accounting for 33.0%, 604 enterprises with less than 10 taxis accounting for 9.3%. Among tourist passenger transport enterprises the numbers were respectively 182 enterprises with over 100 vehicles for 11.4%, 166 enterprises with 50-99 vehicles for 10.4%, 985 enterprises with 10-49 vehicles for 61.7%, and 623 enterprises with less than 10 vehicles for 16.5% (Figure 21).⁵



Figure 21: Composition of road transport enterprises as per number of vehicles in 2007

⁵ Source: China Communications Yearbook of 2008.

2.2 Road Freight Transport



In recent years, although the oil price continued to rise, the road freight transport industry in China continued to develop. In 2008, the total road freight volume reached 19.2 billion tonnes, while freight turnover reached 3,286.8 billion tonne-kilometres (Figure 22).⁶



Figure 22: Road freight transport volume and turnover from 2001 to 2008 (billion)

Divided according to vehicle type, the freight transport volume, completed by general freight vehicles, special freight vehicles, dangerous goods vehicles, farm vehicles, tractors and other freight vehicles, amounted to 63.2%, 17.0%, 2.8%, 9.4%, 5.1% and 2.4% respectively. The corresponding figures for road freight turnover were 63.8%, 26.7%, 3.5%, 3.2%, 1.0% and 1.6% respectively (Figure 23).⁷

Divided according to transport distance, the freight transport volume completed within 100 kilometres, 100-400 kilometres, 400-800 kilometres, 800-1,200 kilometres and over 1,200 kilometres, amounted to 62.6%, 25.5%, 6.6%, 2.3% and 3.0% respectively. The corresponding numbers of road freight turnover were 12.0%, 27.2%, 19.8%, 11.9% and 29.1% respectively (Figure 24).⁸

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⁶ Source: Special Investigation on National Road and Waterway Transport in 2008.

⁷ Source: Special Investigation on National Road and Waterway Transport in 2008.

⁸ Source: Special Investigation on National Road and Waterway Transport in 2008.



By the end of 2007, there were about 4,959 thousand operators engaged in the road freight transport business, increased by about 275 thousand operators as compared to 2006, showing a more and more decentralised trend in the Chinese freight business. Among the total number of operators, there were about 568 thousand enterprises and about 4,391 thousand individual operators.

Operator type	Total	Enterprise	Individual operator	%
General freight transport	4,354231	549,927	3,804,304	87.4%
Special freight transport	31,039	14,295	16,744	53.9%
Container transport	7,313	5,823	1490	20.4%
Heavy duty goods transport	1,814	1,075	739	40.7%
Dangerous goods transport	7,885	7,675	210	2.7%
other				

Table 5: Composition of Chinese road freight transport business operators in 2007 9

In the Chinese road freight transport market, most enterprises own less than 50 vehicles. Due to high capital and technical requirements, the numbers of heavy duty goods transport and dangerous goods transport individual operators declined compared to those of 2006. Except for these, the number of both enterprises and individual operators increased further (Table 5).

Among the special freight transport enterprises, there were 1,217 enterprises with over 100 vehicles, accounting for 8.5% of the total, enterprises with 50-99 vehicles, enterprises with

⁹ Source: Report on China Road Transport Development in 2007.

10-49 vehicles and enterprises with less than 10 vehicles can be seen as follows. The composition of container, heavy duty freight and dangerous goods transport enterprises are also as follows (Figure 25).¹⁰



Figure 25: Composition of road transport enterprises by number of vehicles in 2007

2.3 Average Transport Distance

In 2008, the road freight average transport distance was 171.5 kilometres. This number was identified by a new statistics standard which was different from the one used in 2007 and the years before. However, without taking into consideration the 2008 figures, the road freight and passenger average distances were increasing slightly (Figure 26).¹¹

¹¹ Source: <u>www.moc.gov.cn</u>.



¹⁰ Source: Report on China Road Transport Development in 2007.



Figure 26: Change of road passenger and freight average transport distances

2.4 Fuel Consumption

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Since January 1, 2009, China started to implement the fuel tax reform program. This program introduced the abolition of the road maintenance fee, transport management fee, passenger and freight transport surcharge. All fuel users must pay 0.8 RMB per litre instead of paying the fixed fees. As the result of the fuel tax reform, the costs for road transport enterprises increased significantly. More and more road transport enterprises began to seek ways of energy-saving and emission reduction to reduce additional costs. The technical condition of commercial vehicles gradually improved.

According to a special investigation carried out by the Ministry of Transport (MOT) in 2008, the road passenger transport petrol vehicles with less than 7 seats, 7-15 seats and more than 15 seats, respectively consumed 8.6 litres, 11.3 litres and 21.9 litres of gasoline over 100 kilometres, the road passenger transport diesel vehicles with less than 7 seats, 7-15 seats, 15-30 seats and more than 30 seats, respectively consumed 8.1 litres, 14.4 litres, 18.4 litres and 25.5 litres, and the road passenger transport natural gas vehicles consumed 0.0239 m³, and the corresponding number of liquefied petroleum gas vehicles was 0.0225 m³.¹²

According to the investigation, in 2008 the road freight transport petrol vehicles with less than 2 tonnes and more than 2 tonnes respectively consumed 13.0 litres and 25.1 litres, while the road freight transport diesel vehicles with less than 2 tonnes, 2-4 tonnes, 4-8 tonnes, 8-20 tonnes and more than 20 tonnes respectively consumed 15.1 litres, 20.2 litres, 25.1 litres, 30.7 litres and 35.0 litres (Table 6).¹³

¹² Source: Special Investigation on National Road and Waterway Transport for the Year of 2008.

¹³ Source: Special Investigation on National Road and Waterway Transport for the Year of 2008.

	Less than 7	seats	7-15 seats				More than 15 seats			
Passenger gasoline vehicle	8.6 L		11.3		11.3 L		11.3 L		21.9 L	
Dessenger dissel vehicle	Less than 7 sea	ts 7	-15 se	ats	15-:	30 seat	ts M	ore than 30 seats		
Passenger dieser venicie	8.1 L	14.4 L		L	18.4 L			25.5 L		
Natural gas vehicle				0.023	39 m ³					
Liquefied petroleum gas				0.02	$25 m^3$					
vehicle				0.022	25 111					
Eroight gasoling vehicle	Less than 2 t				More than 2 t					
	13.0 L						25.1 L			
	Less than 2 t	2-4 t		4-	8 t	8	3-20 t	More than 20 t		
	15.1 L	20.2 L	-	25.	1 L	3	30.7 L	35.0 L		

Table 6: Fuel consumption of various types of commercial vehicles (per 100 kilometres)

2.5 Road Transport's Contribution to the GDP

As the main component of an integrated transport system, road transport is the foundation of the national economy. Road transport can and should adapt to the level and pace of development of the national economy. Therefore, road transport is highlighted in the strategy of "building a harmonious society", which is being promoted to the whole society at the present time.

At the end of 2007, the contribution of road transport to the national economy developed steadily and achieved a significant improvement within the integrated transport system. By the end of 2006, its contribution to the GDP reached 2.10% (Table 7 and Table 8).¹⁴

Table 7. Contribution of Gimese Todu transport to the GDP									
	Road Transport								
Year	Added Value	Growth rate	Proportion in GDP	Growth rate	Staff	Growth rate			
	(billion RMB)	(%)	(%)	(%)	(million)	(%)			
2001	185.87		1.70		14.16				
2002	217.16	16.83	1.80	5.88	14.80	4.55			
2003	240.39	10.70	1.77	-1.67	15.35	3.74			
2004	307.85	28.06	1.93	9.04	16.51	7.51			
2005	367.34	19.33	2.01	4.15	17.89	8.95			
2006 ¹⁶	436.37	18.79	2.10	4.48	18.58	3.86			
	Forecast added value	(billion RMB)	Proportion in (GDP (%)	Forecas	st staff (%)			

Table 7: Contribution of Chinese read transport to the CDP¹⁵

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 ¹⁴ Source: <u>http://www.yzjd.sztb.gov.cn/ShowSubject.asp?Newsid=1609</u>.
¹⁵ Source: "Development of Modern Communications and Transportation", China Communications Press, 2008.

¹⁶ Source: Feng Zhenglin's speech on the National Road Transport Conference in 2007.

2010	669.74	2.46	24.54
2012	792.15	2.66	27.49
2020	1281.76	3.56	41.41

		•	
Voor	Staff in the Chinese road	Population of China	Freight volume per 100 million RMB of
Year	transport industry (million)	(million)	GDP (tonne)
2001	14.16	1,276.27	108,546
2002	14.80	1,284.53	106,529
2003	15.35	1,292.27	99,402
2004	16.51	1,299.88	90,958
2005	17.89	1,307.56	73,594
2006	18.58	1,314.48	69,192
2007	19.67	1,321.29	63,715
2008	24.00 ¹⁸	1,328.02	63,750

Table 8: Status and influence of road transport in China¹⁷

The development situation in different areas of China varies because of the different economic and social conditions. In order to analyse the contribution of road transport in different areas to the GDP, Jilin Province which is located in the east, Henan Province which is located in the central area and Gansu Province which is located in the west have been selected.

In Jilin Province, from 2001 to 2005, the road transport industry of accounted for 1.16 billion passenger and 48 billion passenger-kilometres, 1.4 billion tonnes and 51.55 billion tonne-km in freight; in the international road transport sub-industry, 1,769 thousand passengers were transported and the corresponding turnover was 97,359 thousand passenger-km, 4,553 thousand tonnes goods were transport and the corresponding turnover was 170 million tonne-km. As for the whole road transport industry, the volumes of passenger and freight share 83.7% and 75.8% of total transport respectively. Road transport added value reached 12.8 billion RMB, a direct contribution to the GDP rate of 2.5%.¹⁹

In 2006, the road transport industry of Henan Province operated 593.7 thousand commercial road vehicles, increasing by 143% compared to the year 2000. The road passenger and freight transport volumes, as well as the road passenger and road freight transport turnover increased by 8.12%, 10.73%, 7.8% and 10.66% respectively on average from 2000 to 2006. Road transport added value reached 4.84 billion RMB in 2006 and its contribution to the GDP of Henan Province accounted for 2.63%.²⁰

In Gansu Province, in 2007, the province's road transport industry's added value accounted for 5.3% of the total value of the province's GDP, for 13.4% of the tertiary industry and for 71.2% of the value added of the whole transport industry.²¹

¹⁷ Source: P186, Supplement of <China Road Transport> in 2009.

¹⁸ Source: Interview with Li Gang, the General Director of the Road Transport Department of the Ministry of Transport: <u>http://www.moc.gov.cn/zhuzhan/zaixianfangtan/jiaotongxunli/daoluyunshusixunli/</u>.

¹⁹ http://www.iicc.ac.cn/jtzt/jtfz/cjzs/gl/200808/24747.html.

²⁰ http://www.sxyzw.com/news_zw.asp?ID=2385&cid=4.

²¹ <u>http://sei.gov.cn/ShowArticle.asp?ArticleID=157230</u>.

Chapter Three

The Legal System

3.1 General Introduction

Together with the Highway Law and the Road Traffic Safety Law, the Road Transport Ordinance (RTO) is the key piece of legislation on the Chinese road transport industry. It came into force in July 2004. Its stated aims are to establish order in the transport markets, safeguard public safety and people's rights, while promoting the development of a healthy market for road transport services. In the framework of the RTO, according to the various levels, Chinese legislation in the road transport industry can be divided as follows:

The first level is the Road Transport Ordinance of the People's Republic of China, the second level includes ten pieces of legislation (before 1 September 2009), which are key pieces of legislation governing the Chinese road transport industry (Table 9).¹

Name	Date of implementation
Provisions on the Administration of Road Passenger Transport and Passenger Terminals	April 20, 2009
Provisions on the Administration of Road Freight Transport and Terminals	April 20, 2009
Provisions on the Administration of the Road Transport of Dangerous Goods	August 1, 2005
Provisions on the Administration of Motor Vehicle Maintenance	August 1, 2005
Provisions on the Management of Motor Vehicle Driver Training	April 1, 2006
Provisions on the Administration of Road Transport Personnel	March 1, 2007
Provisions on the Administration of International Road Transport	June 1, 2005
Provisions on the Administration of Foreign Investment in Road Transport	November 20, 2001
Supplementary Provisions for the "Provisions on Foreign Investment"	January 1, 2004
Provisions on the Administration of Road Transport Prices	September 1, 2009

Table 9: Key legislation in the road transport industry

Following on from the above two levels, the third level includes "criterion documents" concerning road transport, which are also important to the Chinese road transport industry and are still implemented at present (Table 10).²

Table 10: Criterion documents in the road transport industr

Name	
Credit Examination Regulations on Road Transport Enterprises (trial)	
Credit Examination Regulations on Motor Vehicle Maintenance Enterprises (trial)	
Classification Regulations on Road Transport Coaches	

¹ Source: <u>http://www.moc.gov.cn/zizhan/siju/daoluyunshusi/zhengceguiding</u>.



² Source: <u>http://www.crta.org.cn</u>.

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Besides the regulations and criterion documents issued by government departments, there are some industrial standards used in the road transport industry. Although they are not mandatory, some of them evolved from the relevant regulations, while some of them were issued by the related industrial association for the purpose of industry self-regulation. As an important reference, the various levels of government take into account the enterprises' compliance with these standards when the enterprises apply for increasing new business. Among these standards is the "Classification of Road Transport Enterprises" which holds an important position (Table 11).

Table 11: Industrial standards in the road transport industry

Name
Classification of Road Passenger and Goods Transport Enterprises

3.2 Road Transport Ordinance (RTO)

The RTO enshrines the principle of fair competition between service providers and prohibits restricted or monopolised road transport markets. The MOT, representing the State Council, is the authority for the overall administration of road transport, while the transport departments of local governments are responsible for transport affairs in their respective provinces. At the province level there is a road transport management bureau under the leadership of the transport department, which is responsible for the provincial road transport industry management. The transport departments and road transport management bureaus at county level are respectively under the leadership of the authorities at province level.

The RTO sets out the provisions for the road passenger and freight transport enterprises. The road passenger transport enterprises must meet the requirements and conditions for the vehicles, professional drivers (Table 12) and other necessary matters when they apply for carrying out the related business. For both passenger and freight transport, it sets limits to drivers' working hours; requires the operators to have procedures for dealing with accidents, natural disasters or emergencies; limits the numbers of passengers, freight loads and lengths, widths and heights of vehicles to authorised maxima; requires operators to carry liability insurance; and specifies that infringements will be punished according to the Road Traffic Safety Law by the traffic authorities of public security agencies. In order to ensure the regulation of the road transport industry, the RTO specifies arrangements for the supervision and enforcement of regulations governing road transport administration and sets out fines and penalties for infringement.

Table 12: Conditions of professional drivers involved in the road transport business

Road passenger transport drivers
Obtain the corresponding motor vehicle driving license
Under 60 years old
Without major traffic accident records within three years
Pass the examination of related laws and regulations, including vehicle maintenance and basic knowledge of first aid
for passengers
Road freight transport drivers
IRU Road Transport in China



The RTO also sets out the conditions for the management and operation of road transport (passenger and freight) terminals, motor vehicle repair services, training services for motor vehicle drivers and international (cross-border) transport operations. Among other supplementary matters, it permits foreign investment in road transport and related road transport business and authorises road transport authorities to recover the costs of issuing permits.

3.3 Key Regulations under RTO

"Provisions on the Administration of Road Passenger Transport and Passenger Stations" aims mainly at reinforcing road passenger transport management, regulating market operations so as to maintain market order and guarantee legal rights protection for passengers and enterprises. It sets out the conditions of applying for carrying out road passenger transport business, the conditions of operating enterprises and passenger terminals, and specifies arrangements for supervision and enforcement of the regulation governing road passenger transport administration, the fines and penalties for infringement. It defines the number of vehicles required by various types of operators (Table 13).

Type of operators	Number of vehicles required
	100 vehicles with 3,000 seats at least, in which 30 high class
Operators which operate class I ⁴ routes	vehicles with 900 seats at least; or 40 high class vehicles with
	1,200 seats
	50 vehicles with 1,500 seats at least, in which 15 high class
Operators which operate class II routes	vehicles with 450 seats at least; or 20 high class vehicles with
	600 seats
Operators which operate class III routes	10 vehicles with 200 seats at least
Operators which operate class IV routes	1 vehicle at least

Table 15. Number of Venicies required in road passenger transport

The most important regulation in the road freight transport sector is "Provisions on the Administration of Road Freight Transport and Stations". Meanwhile, China stipulated other related administrative regulations, rules and standards, such as "Provisions on the Administration of the Road Transport of Dangerous Goods", "Mark for Road Transport Vehicles Carrying Dangerous Goods" (GB13392-2005), "Safety Monitoring of Vehicle Terminals for Dangerous Chemicals" (AQ 3004-2005) and so on to establish a relatively

³ Source: Provisions on the Administration of Road Passenger Transport and Passenger Stations.

⁴ Note: Class I routes mean inter-provinces or the distance more than 800 kilometres, within a province for class II routes, inter-counties for class III routes and class IV routes are the ones which are between neighbouring counties or within a county.

Source: "Provisions on the Administration of Road Passenger Transport and Passenger Stations".

complete legal system governing road freight transport. These regulations provide a firm legal ground for promoting the supervision on road freight transport and protecting legitimate interests and rights of cargo owners and road freight operators. They set out the conditions of applying for carrying out road freight transport business, the conditions of operating enterprises, and freight terminals, as well as specify arrangements for the supervision and enforcement of the regulation governing road freight transport administration, fines and penalties for infringement.

The "Provisions on the Administration of Road Transport Personnel" were put into effect for the purpose of improving the comprehensive quality of road transport staff, meanwhile the MOT abolished the "Regulations of Vocational Training for Service Road Transport Drivers" issued on 6 September 2001. It is composed of general principles, service qualification management, service qualification license management, service performance stipulations, legal liabilities and supplementary articles, altogether six chapters and fifty three articles. In contrast to the old regulations, the new ones further clarify the working responsibilities and obligations of transport authorities at all levels, as well as road transport management institutions. Meanwhile, the working responsibilities and obligations for road transport staff are clearly stipulated.

It classifies road transport staff as road service passenger and freight drivers, dangerous goods transport staff, motor maintenance technicians, motor vehicle driving trainers, road transport administrators and other road transport staff, and performs the whole process of inspection and supervision on the basis of trade admittance, employment behaviour and exit for road transport staff. Furthermore, it stipulates credit and credit score examination, as well as their cycle periods. Road transport staff should be tested by both credit and score examinations once every twelve months, the date of examination counted from the day when the employment license is required. The grading of credit examination is classified by excellent, very good, good, fair, pass and fail, which are denoted by level AAA, AA, A, and B respectively. Professional road passenger and freight drivers and dangerous goods transport staff who work outside the place of license issuance and whose time of employment is over three months, should inform the local service administration department; administrators and other staff who engage in the transport of dangerous goods by road or in related loading and unloading should have qualifications above a secondary school diploma.

The "Provisions on the Management of Motor Vehicle Drivers Training" comprise of seven chapters and sixty articles, including general principles, business admittance, trainers' management, business management, supervision and inspection, legal obligations and so on.

The regulation stipulates stricter conditions of access to the business, higher standards of management of driving schools, as compared to the old regulations. It is the first time that the regulation stipulates the classification of vehicle drivers training business in accordance with training capacity and training contents. The business operation of vehicle drivers training falls into three categories: common vehicle drivers training, road transport driver's operation qualification training and vehicle drivers training facilities. The common vehicle drivers

training is classified in three grades with which the enterprises carry out the corresponding business. In addition, licenses for vehicle drivers training are classified in four-year and six-year validity time periods. Licenses should be renewed 30 days before the expiration date. It requires that trainers for vehicle drivers training should pass the national unified examination and obtain the "Trainer Certification of the People's Republic of China". The basic institutional conditions of carrying out vehicle drivers training are as follows (Table 14).

Application materials submitted by operators
Traffic administrative license application
ID license of applicants and a copy
Certificate of property rights of establishment and a copy
Certificate of property rights of training place and a copy
Description of technical conditions of training place
Evidence of technical condition, models and quantity of training vehicles
Training vehicle purchase proof
List of various facilities and equipment
List of the names of the personnel who are about to recruited and the corresponding certificates of qualification and
working title
Other relevant material

Table 14: The basic institutional conditions of carrying out vehicle driver training⁵

The "Provisions on the Administration of International Road Transport" were implemented on 1 June 2005. It is composed of general principles, service qualification management, service qualification license management and service performance stipulations, international transport permits management, legal liabilities and supplementary articles, altogether seven chapters and forty-seven articles. In contrast to the old regulations, the updated one further clarifies that the international road transport industry does not simply carry out cross-border transport of passengers and goods, but the multilateral and extended international transport in the framework of regional transport agreements and international conventions (Table 15).⁶

Table 15: Conditions of carrying out international road transport business⁷

Application material submitted by operators
Corporation with the business license of domestic road transport
Engaging in domestic road transport business in at least three years, and without a major road traffic accident caused
by negligence in the last three years or more ("road traffic accident" means that the driver bears equal or higher
responsibility for traffic accidents)
Drivers should comply with the following conditions:
Obtain the corresponding motor vehicle driving license
Under the age of sixty
Pass the examination of related international road transport laws and regulations, foreign affairs provisions,

⁵ Source: "Provisions on the Management of Motor Vehicle Drivers Training".

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⁶ Note: In order to raise the level of access to the international road transport market, some local transport authorities have developed specific implementation methods of this regulation.

⁷ Source: "Provisions on the Administration of International Road Transport".


The "Provisions on the Administration of Foreign Investment in Road Transport" were implemented on 20 November 2001. It sets out that foreign investors can establish wholly owned or joint ventures in the Chinese road freight transport, freight loading and unloading, warehousing, and road transport services and vehicle maintenance sectors. Foreign investors have the right to establish joint ventures with Chinese companies in road passenger transport, however, the following conditions must be met: at least one of the investors must have more than five years experience in the Chinese road transport business, the percentage of foreign investment must be less than 50% (49% at most), half of the investment must be used to build related infrastructure and the coaches should be of middle class or higher. The joint venture operating period in the road passenger transport sector should not be longer than 12 years, however, if more than 50% of the investment has been used to build infrastructure, the operating period could be extended to 20 years.

According to the commitments China made to the WTO, the level of access to China's road transport industry significantly increased. Measures have also been taken to protect foreign companies' legal rights and to strengthen contracts. First, access to markets was boosted while many service barriers, regional protectionism and disciplines for unfair play were abolished. All legal foreign enterprises run by foreign investors are treated equally. Secondly, policies were made to encourage foreign investors to invest in China's road transport industry by means of single ownership, joint venture and cooperation to reconstruct parts of the road industry. Thirdly, domestic enterprises are also supported when cooperating with neighbouring Eurasian countries, while foreign investments are allowed to be invested in infrastructure, especially those in rural areas, with the aim of boosting rural passenger transport networks and freight transport developments.

3.4 Criterion Documents

As shown in Table 10, under the regulations, the MOT promulgated some criterion documents, which are implemented in daily road transport management. Of the criterion documents, "Credit Examination Regulations on Road Transport Enterprises (trial)" as well as "Credit Examination Regulations on Motor Vehicle Maintenance Enterprises (trial)", are the most important, especially for road passenger transport business. The purpose of these documents is to accelerate the credit system construction, establish and improve the market competition and exit mechanism characteristic of "survival of the fittest", as well as to encourage the road transport and motor vehicle enterprises to do lawful business, keep promises and work in good faith, play fair and offer high quality services. The execution of the above mentioned two regulations brought about a complete set of beneficial regularised national examination standards for the road transport industry, through the market

mechanism of "survival of the fittest", inspiring entrepreneurial brand establishment, realising regulated business operations, effectively raising transport service quality and sustainable development so that the transport market can be brought, step by step, into a healthy state of development.

Province level road transport authorities are solely responsible for launching the credit examination of road transport enterprises, with the transport department at city and county level taking responsibility for any related work. The grades of road transport enterprises' credit are characterised by the levels excellent, qualified, just qualified and unqualified, defined as: AAA, AA, A, and B respectively. The reason why the credit examination is so important for the Chinese road passenger transport enterprises is that if two or more enterprises are qualified for the admittance applying for an operation licence for the same new passenger route at the same time, the operation licence should be given to the enterprise which has acquired the higher quality transport and credit grade issued during the previous year by the Admission Department Agency. If the grade was similar to the grade issued in the previous year, it should be compared year by year until the better enterprise is chosen. The transport quality and credit grade of enterprises should be taken into consideration as a crucial evaluation when authorities issue the operation permit of new road passenger transport routes by means of tendering and bidding for service quality.

The enterprises whose quality and credit grades are no less than "AA" grade and have at least reached "AAA" grade for two years during their previous operation term should be permitted by the Admission Department, if their term expires and needs extension. The relevant procedures should be applied once again, in line with the regulations of "Provisions on the Administration of Road Passenger Transport and Passenger Stations". 10% of the expired operation license should be revoked by the Admission Department if the company grades did not reach the "AA" level during their previous term. 30% or above of the expired operation rights should be revoked if there were "B" grades in the previous two years or "A" grades for three years during the term.

If the revoked license is less than one route, one route should be removed. The operation licenses should be removed if there were any serious traffic accidents, if poor service quality was provided, or any long-term irregular operations were conducted. The road transport enterprises whose grades were "B" in the previous year or "A" in two successive years, should be encouraged to rectify any problems. After acceptance by the road transport authorities, if there are still hidden safety risks and unqualified rectification, those enterprises will have their road transport operation license revoked by the issuing department in accordance with the related regulations.

Similar to the situation of road passenger transport, the procedures on the examination and evaluation of the credit situation of road freight transport enterprises are also vigorously conducted all over the country. From the date of implementation of the "Credit Examination Regulations on Road Transport Enterprises (trial)" to the current day, the examination and supervision of the road freight transport market have been intensified. The close investigation and severe punishment of illegal activities applied, as well as the maintenance

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of a standard market order have exerted a positive effect on the development of modern logistics, which have met the diversified freight demand at all levels.

The "Credit Examination Regulations on Motor Vehicle Maintenance Enterprises (trial)" comprise of five chapters and twenty-six articles, including general principles, quality credit classification, quality credit check, quality credit management and by-laws. In this regulation, the so-called "quality credit check" means the comprehensive evaluation of the skills of operators engaged in the motor vehicle maintenance enterprise, safety, maintenance quality, service quality, environmental protection, abidance by rules and regulations, enterprise management and so on. The verification of vehicle maintenance enterprise credit is carried out every year, establishing the quality credit files of maintenance enterprises and recording the corresponding contents and materials in a timely fashion. The quality assurance grades of vehicle maintenance enterprises are characterised by the levels of excellent, qualified, just qualified and unqualified, defined as "AAA", "AA", "A" and "B" respectively.

Road transport authorities provide incentive measures to enterprises, such as recommendation to government's tenders, vehicle maintenance after a severe accident or admittance to the national motor vehicles maintenance network, all according to the motor vehicle maintenance enterprise's grades. Grade B maintenance enterprises will be charged to rectify any problems and will be subject to vigorous supervision. If there are still hidden safety issues and unqualified rectification or over three deaths in any traffic accident at any one time because of maintenance problems, those enterprises will be notified to the road transport authority which took the original approval decision.

The "Classification Regulations on Road Transport Coaches" mainly set out the technical conditions of bus in the scheduled lines business. In accordance with the practical demands and the real situation of the Chinese road passenger road transport sector, China is pursuing the classification of commercial buses and coaches for passenger transport. Vehicles are classified by various types and grades. The large type of coach indicates those that are more than 9 metres in length, while the middle type and small type respectively 6-9 metres and less than 6 metres in length. In each type, coaches are classified into class I, class II, class I, middle and ordinary. The MOT regularly publishes the corresponding coach models in line with the provisions of this regulation. The required conditions of various grades in each type of class include engine size, the smoothness and steadiness of the vehicle, the brakes, airtight sealing, onboard noise, air-conditioning, the comfort level of the seats and the service equipment, as well as the decoration and design (Table 16).

Index		Class 3	Class 2	Class 1
Driving	Designed speed	≥125 km/h	≥120	≥110
force	Efficiency	≥14.5 kW/t	≥11.0	≥10.0
Body support form		Independent front support Springs envelope support	Springs envelope support	Spring

Table 16: Conditions	of large-type coa	aches®
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⁸ Source: "Classification Regulations on Road Transport Coaches".

Brake		ABS	ABS	ABS
Airtight		GB12481, GB12479	GB12481, GB12479	GB12481/GB12479
Noise		≤70 dB (A)	≤75 dB (A)	
		1880 kJ/h per person	1880 kJ/h per person	1880 kJ/h per
Air	r conditioning	≥25m3/h air changing volume	≥25m3/h air changing volume	≥25m3/h volume
	J. J	Alarm for harmful gas	Alarm for harmful gas	Alarm for harmful
				gas
	Width	≥440 mm	≥440 mm	≥420 mm
	Length	≥440 mm	≥440 mm	≥420 mm
Seat	Height	≥720 mm	≥720 mm	≥650 mm
Sear	Space in a direction	≥770 mm	≥720 mm	≥700 mm
	Adjustable angle for seat back	≥25⁰	≥20⁰	
Service equipments		Toilet, hot/cold drink, TV, reading light, curtain, acoustics	Toilet, hot/cold drink, TV, reading light, curtain, acoustics	Acoustics
Width of gangway		≥350 mm	≥350 mm	≥300 mm
Location of the engine		Middle or rear	Middle or rear	
Space	e of the luggage	≥10 m3	≥8 m3	≥3 m3
		Against fire	Against fire	Against fire
		GB 8410	GB 8410 GB 8410	

3.5 Industrial Standards

The "Classification on road passenger transport enterprises" sets out the conditions for classified enterprises.⁹

The conditions for class I enterprises: Passenger transport volume reached 7.5 million persons in the previous year, or 750 million passenger-kilometres; the net asset of the company is more than 400 million RMB including more than 300 million RMB assets in road passenger transport (coaches, passenger transport terminals and so on); at least 500 commercial coaches, of which at least 150 high grade commercial coaches have 4,500 seats; gross annual income reaches more than 300 million RMB, among which at least 200 million RMB are made by the road passenger transport business; road traffic accident rate in the previous year is not higher than 0.1 times per coach, the death rate in road traffic accidents should be no higher than 0.02 persons per coach, the injury rate no higher than 0.05 persons per coach; the class I road passenger enterprise should have a top-level management system across all the major fields of marketing, accountancy, statistics, safety, technology, staff management, etc.

The conditions for class II enterprises: Passenger transport volume reached 1.5 million persons in the previous year, or 150 million passenger-kilometres; the net asset of the

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⁹ Note: this industrial document was a compulsory regulation before 2006. At present, the grades of road transport enterprises are referenced when the enterprises apply for carrying out related business.

company is more than 40 million RMB including more than 30 million RMB assets in road passenger transport (coaches, passenger transport terminals and so on); at least 100 commercial coaches, of which at least 30 high grade commercial coaches have 900 seats; gross annual income reaches more than 40 million RMB, among which at least 30 million RMB are made by the road passenger transport business; road traffic accident rate in the previous year is not higher than 0.1 times per coach, the death rate in road traffic accidents should be no higher than 0.02 persons per coach, the injury rate no higher than 0.05 persons per coach; the class II road passenger enterprise should have a high-level management system across all the major fields of marketing, accountancy, statistics, safety, technology, staff management, etc.

The conditions for class III enterprises: Passenger transport volume reached 0.9 million persons in the previous year, or 80 million passenger-kilometres; the net asset of the company is more than 15 million RMB including more than 10 million RMB assets in road passenger transport (coaches, passenger transport terminals and so on); at least 50 commercial coaches, of which at least 15 high grade commercial coaches have 450 seats; gross annual income reaches more than 15 million RMB, among which at least 10 million RMB are made by the road passenger transport business; road traffic accident rate in the previous year is not higher than 0.12 times per coach, the death rate in road traffic accidents should be no higher than 0.03 persons per coach, the injury rate no higher than 0.08 persons per coach; the class III road passenger enterprise should have a relevant management system across all the major fields of marketing, accountancy, statistics, safety, technology, staff management, etc.

The conditions for class IV enterprises: Passenger transport volume reached 200 thousand persons in the previous year, or 12 million passenger-kilometres; the net asset of the company is more than 3 million RMB including more than 2 million RMB assets in road passenger transport (coaches, passenger transport terminals and so on); at least 10 commercial coaches with 200 seats; gross annual income reaches more than 15 million RMB, among which at least 10 million RMB are made by the road passenger transport business; road traffic accident rate in the previous year is not higher than 0.15 times per coach, the death rate in road traffic accidents should be no higher than 0.1 persons per coach, the injury rate no higher than 0.12 persons per coach; the class IV road passenger enterprise should have a relevant management system.

The class V enterprises are the ones that do not achieve the conditions of class IV enterprises.

The "Classification on road freight transport enterprises" sets out the conditions for classified enterprises.

The conditions for class I enterprises: The net asset of the company is more than 400 million RMB including more than 300 million RMB assets in road freight transport (trucks, freight transport terminals and so on); the tonnage of trucks should reach more than 7,000 tonnes, of which the tonnage of 8-tonne (or more than 8-tonne) trucks reach more than 5,000 tonnes

or take up 50% of the total tonnage; Gross annual income reaches more than 300 million RMB, of which at least 200 million RMB are made by the road freight transport business; road traffic accident rate in the previous year is not higher than 0.1 times per truck, the death rate in road traffic accidents should be no higher than 0.02 persons per truck, the injury rate no higher than 0.05 persons per truck; to have one class I freight transport terminal or two class II terminals; the class I road freight enterprise should have a top-level management system across all the major fields of marketing, accountancy, statistics, safety, technology, staff management, etc.

The conditions for class II enterprises: the net asset of the company is more than 100 million RMB including more than 60 million RMB assets in road freight transport (trucks, freight transport terminals and so on); the tonnage of trucks should reach more than 1,400 tonnes, of which the tonnage of 8-tonne (or more than 8-tonne) trucks reach more than 1,000 tonnes or take up 50% of the total tonnage; gross annual income reaches more than 60 million RMB, of which at least 40 million RMB are made by the road freight transport business; road traffic accident rate in the previous year is not higher than 0.1 times per truck, the death rate in road traffic accidents should be no higher than 0.02 persons per truck, the injury rate no higher than 0.05 persons per truck; to have two class II terminals; and the class II road freight enterprise should have a high-level management system across all the major fields of marketing, accountancy, statistics, safety, technology, staff management, etc.

The conditions for class III enterprises: the net asset of the company is more than 20 million RMB including more than 12 million RMB assets in road freight transport (trucks, freight transport terminals and so on); the tonnage of trucks should reach more than 650 tonnes, of which the tonnage of 8-tonne (or more than 8-tonne) trucks reach more than 400 tonnes or take up 50% of the total tonnage; gross annual income reaches more than 12 million RMB, of which at least 10 million RMB are made by the road freight transport business; road traffic accident rate in the previous year is not higher than 0.12 times per truck, the death rate in road traffic accidents should be no higher than 0.03 persons per truck, the injury rate no higher than 0.08 persons per truck; to have two class III terminals; the class III road freight enterprise should have a relevant management system across all the major fields of marketing, accountancy, statistics, safety, technology, staff management, etc.

The conditions for class IV enterprises: the net asset of the company is more than 4 million RMB including more than 2,400 thousand RMB assets in road freight transport (trucks, freight transport terminals and so on); the tonnage of trucks should reach more than 300 tonnes, of which the tonnage of 8-tonne (or more than 8-tonne) trucks reach more than 150 tonnes or take up 50% of the total tonnage; gross annual income reaches more than 4 million RMB, of which at least 2,400 thousand RMB are made by the road freight transport business; road traffic accident rate in the previous year is not higher than 0.15 times per truck, the death rate in road traffic accidents should be no higher than 0.1 persons per truck, the injury rate no higher than 0.12 persons per truck; to have two class III terminals; the class IV road freight enterprise should have a relevant management system.

The class V enterprises are the ones that do not achieve the conditions of class IV enterprises.

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3.6 Vehicle Technical Regulations

To strengthen the management of road transport vehicles and energy consumption, according to "The People's Republic of China Energy Conservation Law" and "Road Transport Ordinance (RTO)", the Ministry of Transport published "Road Transport Vehicle Fuel Consumption Monitoring and Supervision Management Methods". It comprises of five chapters and thirty-three articles, including general principles, test management, type of vehicle management, supervision management and by-laws. This regulation was enforced on 1 November 2009.

Meanwhile, the MOT published two criterion documents named "Limits and Measurement Methods of Fuel Consumption for Goods Transport Commercial Vehicles" (JT 719-2008) and "Limits and Measurement Methods of Fuel Consumption for Passenger Transport Commercial Vehicles" (JT 711-2008). They were both printed in 2008 and were enforced on 1 September 2008. The standards will be stricter in the second phase of enforcement, which will start 19 months after 1 September 2008. As for JT 711-2008, from the date of enforcement, the commercial road passenger transport vehicles which exceed 3,500 kg should consume fuel under the following limits (Table 17).

	Length (m)	The first phase		The second phase	
туре	Length (m)	High class	Middle/ordinary	High class	Middle/ordinary
Oversize	L>12	28.5	28.0	28.0	27.0
	11 < L≤ 12	27.1	22.8	24.4	20.5
Large	10 < L≤ 11	26.5	21.7	23.9	19.5
	9 < L≤ 10	25.0	19.4	22.5	17.5
	8 < L≤ 9	21.5	17.3	19.4	15.6
Middle	7 < L≤ 8	20.0	16.7	18.0	15.0
	6 < L≤ 7	17.1	14.3	15.4	12.9
Small	L≤ 6	14.4	12.0	13.0	10.8

Table 17: Diesel passenger vehicle fuel consumption limits (litre/100 km)¹¹

As for JT 719-2008, from the date of enforcement, the commercial road goods transport vehicles which include diesel ordinary trucks, diesel semi-trailers and diesel tipper trucks should consume fuel under the following limits (Table 18, Table 19 and Table 20).

Table To: Diesel ordinary truck ruei consumption limits (litte/100 km)					
Gross weight T (kg)	The first phase	The second phase			
3500 < T≤ 5000	12.6	11.3			
5000 < T≤ 7000	16.3	14.7			
7000 < T≤ 9000	18.8	16.9			
9000 < T≤ 11000	21.5	19.4			

Table 18: Diesel ordinary truck fuel consumption limits (litre/100 km) ¹²

¹⁰ Note: the fuel consumption limits of passenger gasoline vehicles are 1.15 times the ones of diesel passenger vehicles respectively.

¹¹ Source: http://www.chinabuses.com/policy/2008/0905/article_410_2.html.

¹² Source: http://www.chinajbh.cn/admin/eWebEditor/UploadFile/2009310101615133.pdf.

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1100 < T≤ 13000	23.8	21.4
13000 < T≤ 15000	25.7	23.1
15000 < T≤ 17000	27.4	24.7
17000 < T≤ 19000	28.9	26.0
19000 < T≤ 21000	30.2	27.2
21000 < T≤ 23000	31.4	28.3
23000 < T≤ 25000	32.5	29.3
25000 < T≤ 27000	33.5	30.2
27000 < T≤ 29000	34.5	31.1
29000 < T≤ 31000	35.5	32.2

Table 19: Diesel semi-trailer fuel consumption limits (litre/100 km)¹³

Gross weight T (kg)	The first phase	The second phase
T≤ 27000	39.0	35.1
27000 < T≤ 35000	39.9	35.9
35000 < T≤ 43000	42.0	38.0
43000 < T≤ 49000	43.0	39.0

Table 20: Diesel tipper truck fuel consumption limits (litre/100 km)¹⁴

Gross weight T (kg)	The first phase	The second phase
3500 < T≤ 5000	12.4	11.2
5000 < T≤ 7000	15.4	13.9
7000 < T≤ 9000	18.3	16.5
9000 < T≤ 11000	20.7	18.6
1100 < T≤ 13000	22.7	20.4
13000 < T≤ 15000	24.2	21.8
15000 < T≤ 17000	25.4	22.9
17000 < T≤ 19000	26.1	23.5
19000 < T≤ 21000	26.6	23.9
21000 < T≤ 23000	26.9	24.2
23000 < T≤ 25000	27.2	24.5
25000 < T≤ 27000	27.9	25.1
27000 < T≤ 29000	29.0	26.1
29000 < T≤ 31000	31.1	28.0

In order to encourage road transport enterprises adjusting the transport capacity, using the advanced vehicle models, the Ministry of Transport printed and published "Working rule of

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 ¹³ Source: http://www.chinajbh.cn/admin/eWebEditor/UploadFile/2009310101615133.pdf.
 ¹⁴ Source: http://www.chinajbh.cn/admin/eWebEditor/UploadFile/2009310101615133.pdf.

recommended models for freight vehicles", illustrating the basic requirements for vans and container vehicles (Table 21 and Table 22).

Item	Van type truck				
Tractor part					
Drive type		4×2			
Engine rated power (kw)	≥150	≥205	≥250		
Engine Emission	In line w	ith national s	tandards		
Minimum Engine Fuel Consumption (g/kw-h)		≤200			
ABS system		Yes			
Rear air suspension		Yes			
Туге	Single radial tyre load≤3.5t				
Tachograph	Yes				
Vehicle noise when increasing speed (dB(A))	≤84				
Semi-trailer part					
Gross weight (t)	≤18	≤28	≤35		
Overall width (mm)		≤2550			
Length of van (m)	8.6	10	12.5		
Effective volume A (m3)	42≤A<51 51≤A<61 61≤A≤76		61≤A≤76		
ABS system	Yes				
Air suspension	Yes				
Axle quantity	10t /1	10t /2	10t /3		
Туге	Single	e radial tyre lo	oad≤3t		

				15
Table 21:	Basic	requirements	for	vans'

Table 22: Basic requirements for container vehicles¹⁶

Item	40-foot container	20-foot container		
Tractor p	part			
Drive type	6×4/4×2	4×2		
Engine rated power (kw)	≥270/250	≥205		
Engine emission	In line with national standards			
Minimum Engine Fuel Consumption (g/kW-h)	≤200			
ABS system	Yes			
Rear air suspension	Yes			
Туге	Single radial tyre load≤3.5t			
Tachograph	Yes	3		
Vehicle noise when speeding up(dB(A))	84			
Semi-trailer part				
Gross weight (t)	≤37	≤28		

¹⁵ Source: <u>http://www.moc.gov.cn/zizhan/siju/daoluyunshusi/cheliangguanli/guanliwenjian/200908</u>.
 ¹⁶ Source: <u>http://www.moc.gov.cn/zizhan/siju/daoluyunshusi/cheliangguanli/guanliwenjian/200908</u>.

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Table 22: Basic requirements for container vehicles¹⁶

Item	40-foot container	20-foot container
ABS system	Yes	
Air suspension	Yes	
Axle quantity	10t /3	10t /2
Vehicle frame	Skeleton type, does not allow shipment of two 20-foot containers	Skeleton
Туге	Single radial tyre load≤3t	

On 1 October, the General Administration of Quality Supervision, Inspection and Quarantine, as well as Standardisation Administration, published "Profile dimensions, axle-load and quality limits for road vehicles". As a national mandatory criterion, it was enforced on 1 April 2005. According to this criterion, the maximum limits of length, width and height of vehicles are 16.5m, 2.5m and 4.0m respectively (Table 23).¹⁷

Table 23. Axie limit for venicles and trailers (kg)					
1	Axle limit				
Truck with two cyloc, troiler	Single tyre each side	6,000			
Truck with two axies, trailer	Double-tyre each side	10,000			
Truck with three cyles, eached and tractors for	Single tyre each side	7,000			
semi-trailers	Single tyre each side	Axle	10,000		
	Single tyre each side	11,500			

Table 23: Axle limit for vehicles and trailers (kg)¹⁸

3.7 Effect of Market Management under the Regulations

With the issue and implementation of the RTO and its complimentary regulations, the admittance administration of the road transport market is becoming normalised. For example, the issue and implementation of "Provisions on the administration of Road Transport Personnel" further regularises the administration on road transport personnel. Passenger transport and freight transport drivers, dangerous goods handling staff and loading and unloading superintendents are obliged to hold a work license. By the end of 2008 there were more than 18 million road transport staff holding work licenses. The mechanism of "survival of the fittest" on the road transport market has come into being as some road transport operators and staff exited the market one after another, or as companies were merged or restructured and staff was distributed. In 2008, the number of road passenger transport enterprises reached 230,000, reduced by 28,000 than that of 2007.¹⁹

In the Chinese road transport market, with the implementation of the "Credit Examination Regulations on Road Transport Enterprises (trial)", a complete set of beneficial national examination standards for the road transport industry was established, through the market mechanism of "survival of the fittest", to inspire entrepreneurial brand establishment, realise



¹⁷ Note: the profile dimensions, axle-load and quality limits for the foreign road vehicles which have permits to enter into Chinese territory are not subject to this criterion.

¹⁸ Source: <u>http://www.sxsfgl.gov.cn/jzsf/view.asp?id=63</u>.

¹⁹ Source: Road and Waterway Transportation Industry Statistics Bulletins, 2008.

regularised business operations, systematically raise transport service quality and sustainable development so that the market can be brought, step by step, into improved, rapid development.

In accordance with the RTO and the "Provisions on the Administration of Road Freight Transport and Terminals", the road transport authorities, together with public security departments, have strengthened the monitoring network against overloaded vehicles. In order to reinforce vehicle monitoring and supervision and set up the corresponding law and regulation system, a weighing and penalty mechanism has been established. By the end of 2008, the number of overloaded vehicles continued to decline. The share of overloaded vehicles on the roads declined from 9.9% to 6.7% as compared with 2007. The road freight traffic related accident rate also declined in 2008. The number of accidents, fatalities and direct economic loss decreased 21%, 12% and 13% respectively compared with 2007. The use of the highway networks, road transport efficiency and the income of enterprises have increased as a result of the implementation of these regulations.²⁰

3.8 Fiscal Regulations

In the Chinese road transport industry, enterprises should pay various taxes and tolls.

The business tax rate for road transport enterprises is 3% of the total amount of business. The profit tax rate for road transport enterprises, which include domestic and foreign businesses, is 25%. When enterprises purchase new commercial vehicles they must pay the vehicle purchase tax. The vehicle purchase tax rate is 10% of the net vehicle price on average.

As mentioned in Chapter One, the highways in China are classified into Expressways, Class I highways, Class II, Class III, Class IV and Unclassified roads by technical classification. From early 2009, the roads of Class II or lower are free for the users, which mean the road transport enterprises should only pay the expressway and Class 1 highway tolls in the future, even if most of the Class II roads were built using loans.

3.9 Road Safety Regulations

The Road Traffic Safety Law came into enforcement on 1 May 2004. It comprises of eight chapters and one hundred and twenty-four articles, including general principles, vehicle and driver, traffic provisions, procedures for dealing with traffic accidents, supervision, enforcement and by-laws.

The second chapter illustrates the detailed requirements for motor vehicles and non-motor vehicles, for example, the State implements a compulsory motor vehicle third party liability insurance system and social relief fund for road traffic accidents. Article 76, which caused much heated debate in Chinese society, is so important that drivers pay a great deal of attention to it. It stipulates that insurance companies should compensate for motor vehicle

²⁰ Source: <u>http://www.moc.gov.cn</u>.

traffic accidents causing loss of life, injury and property damage, however, the compensation which is more than the limit of liability of the compulsory third party liability insurance should be in accordance with the following. If the accident occurs between motor vehicles, the party at fault will compensate. If both sides are at fault, they should share responsibility in accordance with their respective percentage of fault. If the accident occurs between motor vehicle and non-motor vehicle or pedestrian, the motor vehicle party compensates, however, the liability of motor vehicle party is reduced correspondingly if there is evidence that the non-motor vehicle driver or the pedestrian violated the Road Traffic Law and related regulations.

Article 91 stipulates that the driving license will be withheld from one month to three months if the driver drove the vehicle after drinking and he/she will be imposed a fine of 200-500 RMB. The driver will be monitored by the public security authority for maximum 15 days and his driving license will be withheld from three months to six months, in addition to a penalty of 500-2,000 RMB.²¹

The "Regulations on Implementation of Road Traffic Safety Law", published by the State Council in 2004, is under the Road Traffic Safety Law. It stipulates the detailed provisions for implementing the law. Within the same structure as the law, it highlights aspects of the motor vehicle, the driver and the procedure of dealing with traffic accidents. In order to ensure that the motor vehicle is in good technical condition, Article 16 of this regulation stipulates that all motor vehicles should receive timely technical inspections for road traffic safety (Table 24).

Type of vehicle	Period of inspection
	Once in the first five years
Commercial passenger coaches	After the first five years, once per 6 months
Freight vehicles and non-commercial passenger coaches of	Once in the first ten years
large and middle scale	After the first ten years, once per 6 months
Non-commercial passenger vehicle of small scale and	Twice per 2 years in the first six years
mini-care	After the first ten years, once per 1 year
	After 15 years, once per six months

 Table 24: Technical inspection of motor vehicles for road traffic safety²²

In order to reduce road traffic accidents, the Article 78 stipulates: the maximum speed of motor vehicles on the expressways is limited to 120km per hour and the minimum speed is 60km per hour.²³

3.10 Staff Social Provisions

As per the regulations under the RTO, the drivers, managers and related persons involved in the road transport industry should comply with the social provisions. In general, working time for drivers, managers and workers should be limited to 8 hours per day and the complete



²¹ Source: <u>http://www.gov.cn/banshi/2005-08/23/content_25575.htm</u>.

²² Source: <u>http://www.gov.cn/banshi/2005-08/23/content_25579.htm</u>.

²³ Source: "Regulations on Implementation of Road Traffic Safety Law".

working time in a week should be less than 44 hours. Generally, staff has at least one day off per week (normally two days: Saturday and Sunday), but in the road passenger transport sector, staff that are directly involved in transport activities should work during weekends and other public holidays in order to ensure smooth transport operations at all times. Of course, they are compensated for this (Table 25 and Table 26).

Table 25: Wages outside of working hours²⁴

Туре	Wages
Working overtime	Additional 150% of normal remuneration
Working on weekends	Additional 200% of normal remuneration
Working on public holidays	Additional 300% of normal remuneration

Table 26: Public holidays in China²⁵

Name	Period
New Year Holiday	1 day
Chinese New Year Holiday	3 days
Tomb-sweep Festival Holiday	1 day
May Day Holiday	1 day
Dragon-boat Festival Holiday	1 day
Mid-autumn Festival Holiday	1 day
National Day Holiday	3 days

Whenever the road transport distance is more than 400 km (600 km on an expressway), at least two drivers are required to drive the vehicle in turn. The road transport drivers can drive, at most, four hours at a stretch and the accumulated driving time in a 24 hour period must be a maximum of 8 hours. Road passenger transport drivers are required to fill in a logbook to record the drivers' working information, such as driving time, speed etc.

²⁴ Source: Labor Law.

²⁵ Source: <u>www.people.com.cn</u>.

Chapter Four

International Road Transport

Benefiting from the Opening-Up Policy and the continued growth of the export and import trade (Table 27 and Figure 27)¹, Chinese international road transport started to develop in the early 1990s. With the good-neighbourly and friendly relations with neighbouring countries and the improvement of infrastructure in international road transport, regional economic cooperation continued to deepen and the Chinese international road transport enterprises rapidly developed, significantly contributing to the progress of the national economy.

Countries and regions	Export	Growth rate (%)	Import	Growth rate (%)
EU	292.9	19.5	132.7	19.6
USA	252.3	8.4	81.4	17.4
Hong Kong	190.7	3.4	12.9	0.9
Japan	116.1	13.8	150.7	12.5
Asean	114.1	20.7	117.0	7.9
Korea	74.0	31.0	112.2	8.1
Russia	33.0	15.9	23.8	21.0
India	31.5	31.2	20.3	38.7
Taiwan	25.9	10.3	103.3	2.3

Table 27: Import and export volume of goods to/from major countries and regions in 2008 (billion USD)



Figure 27: Export & import volume and growth rate from 2004 to 2008

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¹ Source: http://www.stats.gov.cn/tjgb/ndtjgb/qgndtjgb/t20090226_402540710.htm.

China borders with fifteen neighbouring countries including Russia, Mongolia, Democratic People's Republic of Korea (DPRK), Kazakhstan, Tajikistan, Kyrgyzstan, Pakistan, Laos and Vietnam, along 22,000 kilometres of land borders. In recent years China has signed eleven bilateral agreements and three multilateral agreements on international road transport with neighbouring countries, and it developed international road transport to meet the needs of international economic and trade cooperation, as well as make it more convenient for the movement of people and freight between China and other countries. From 2001, thanks to efforts by China and related countries, the gross international passenger and freight transport volume has amounted to more than 7 million persons and 10 million tonnes per year respectively.



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4.1 International Road Transport Volume

In 2007, the international road passenger transport volume achieved by China and its neighbouring countries reached 7,687.0 thousand persons, 9.3% more than the previous year. Among the total passenger volume, China's share was 3,835.4 thousand persons accounting for 49.9% of the total.

The international road freight transport volume achieved by China and its neighbouring countries reached 13.4 million tonnes, 30.1% more than 2006. Among the total transport volume, China achieved 6,583.7 tonnes accounting for 49.2% of the total. As for international road transport turnover, in 2007, the passenger and freight turnover by China totalled 392 million passenger-kilometres and 1,002 million tonne-kilometres, increasing by 45.2% and 41.1% respectively compared with the previous year (Figure 28 and Figure 29).²







Figure 29: International road freight volume from 2003 to 2007

As an important indicator of international road transport development, the number of international road transport permits reflects the development of the sector. The number of applications for class A permits was 2,191, while for class B, 67 thousand and class C, 299

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² The statistics do not include the volumes between the Mainland to Hong Kong and Macao. Source: Year Book of China Communications in 2007.



Figure 30: Use of international road transport permits in China from 2001 to 2007

4.2 International Road Transport Enterprises

At the end of 2007, the total number of enterprises engaged in international road passenger and freight transport reached 220, reduced by 49.5% compared to 2006. Of these enterprises, in 2007, 98 enterprises owned less than 10 transport vehicles, decreased 64.6% compared with 2006, while 12 enterprises owned more than 100 transport vehicles (Figure 31).⁴



Figure 31: Composition of international road transport enterprises in 2006 and 2007

According to these data we can see that the number of enterprises engaged in international road transport is still relatively small, but the number of leading enterprises was higher than

Source: Statistics of Road Transport in 2007. ⁴ Source: Statistics of Road Transport in 2007.

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³ Note: Class A permits are used for passenger coaches which do the scheduled coach line business and it is valid for one year from the issuing date; Class B permits are used for passenger coaches which do occasional coach line business, and it is valid only for a round trip; Class C permits are used for freight vehicles and are valid only for a round trip.

the previous year. Medium-scale enterprises increased rapidly while there was an obvious decline in the number of small companies. The speed at which small companies were disappearing was faster than the rate of decrease of all enterprises. The reduction of the number of all enterprises and the increase of the performance of companies remaining on the market showed that the sector went through a period of concentration.

At the end of 2007, the total number of enterprises engaged in international road passenger transport reached 67, reduced by 33.7% compared to 2006, of which 4 enterprises owned more than 100 vehicles, taking up 6.0% of the total; 3 enterprises owned 50-99 vehicles, taking up 4.5%; 17 enterprises with 10-49 vehicles taking up 25.4% and 43 enterprises with less than 10 vehicles taking up 64.2% (Figure 32).⁵



Figure 32: Composition of international passenger road transport enterprises in 2006 and 2007

At the end of year 2007, the total number of enterprises engaged in international road freight transport reached 164, reduced by 44.0% compared to 2006, of which 8 enterprises owned more than 100 vehicles, taking up 4.9% of the total; 16 enterprises owned 50-99 vehicles, taking up 9.8%; 79 enterprises with 10-49 vehicles taking up 48.1%, and 61 enterprises with less than 10 vehicles taking up 37.2% (Figure 33).⁶



Figure 33: Composition of international freight road transport enterprises in 2006 and 2007



⁵ Source: Statistics of Road Transport in 2007.

⁶ Source: Statistics of Road Transport in 2007.

4.3 International Road Transport Vehicles

In 2007, there were altogether 8,647 international road transport vehicles in China, including 845 passenger coaches and 7,802 trucks. Regarding passenger transport and freight transport vehicles, the overall numbers, when compared with the previous year, suffered a huge decline.

The composition of the international road transport coach fleet changed from a high number of small scale and ordinary vehicles to large scale and high-class vehicles taking up a large proportion of the total fleet. The comfort, safety and transport efficiency significantly improved, indicating that international road transport enterprises are being phased out due to objective reasons i.e. almost all the small, simple passenger vehicles were eliminated. The composition of international truck fleets also radically changed. The number of large scale trucks declined from 19,560 to 6,381 by the end of 2007. The proportion of containers has been increasing (Figure 34).⁷

The change of international transport vehicle fleets shows that the Chinese international road transport enterprises are adapting to the present international road transport market and adjusting their services to meet the various demands of the market.





Figure 34: Changes in the international road transport vehicle fleet

⁷ Source: Statistics of Road Transport in 2007.

4.4 International Vehicle Transport Agreements

International road transport is of great importance to the interaction of nations and the economic and trade cooperation between China and its neighbouring countries, while promoting economic development in border provinces. Bilateral and multilateral transport agreements have been signed in recent years as measures of major importance. China is using these agreements to push for the simplification and facilitation of international road transport with neighbouring countries and the promotion of international trade. By 2008, 11 bilateral road transport agreements and 3 multilateral transport agreements with 11 neighbouring countries were signed, while other neighbouring countries which have not signed bilateral transport agreements with China still include Myanmar, India, Bhutan and Afghanistan (Table 28).

Agreement	Area	Countries	Date
		China, Kazakhstan	1992
	Control Agia Area	China, Uzbekistan	1993
	Central Asia Area	China, Kyrgyzstan	1994
		China, Tajikistan	2008
Bilateral Road		China, Mongolia	1991
Transport	Northeast Asia Area	China, Russia	1992
Agreements		China, DPRK	2008
		China, Pakistan	1993
	Southoost and South Asia	China, Nepal	1994
		China, Vietnam	1994
		China, Laos	1993
Multilatoral	Control Asia Area	China, Pakistan, Kazakhstan, Kyrgyzstan	1995
Transport Agreements	Central Asia Area	China, Kyrgyzstan, Uzbekistan	1998
	Southeast Asia Area	GMS six countries: Cambodia, China, Laos, Myanmar, Thailand and Vietnam	2002

Table 28: Bilateral & multilateral road transport agreements between China and its neighbouring countries⁸

4.5 Important Areas of International Road Transport

In terms of international road transport volume, international road transport to/from China falls into three main regions, namely, Northeast Asia Area including Russia, Mongolia and DPRK, Central Asia Area including Kazakhstan, Kyrgyzstan and Tajikistan, and Southeast and South Asia Area including Vietnam, Pakistan, Laos, Myanmar and Nepal (Table 29).

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⁸ Source: the Ministry of Transport.

Region	Passe (10 thou	Passenger volume (10 thousand persons)		Passenger turnover (10 thousand passenger-km)		ght volume usand tonnes)	Freigh (10 thousa	t turnover ind tonne-km)
	Amount	Proportion %	Amount	Proportion %	Amount	Proportion %	Amount	Proportion %
Northeast	384.5	50.0	12,955.7	33.1	657.5	49.1	31,790.0	31.7
Central	94.4	12.3	16,359.3	41.7	243.1	18.2	52,618.2	52.5
Southeast South	289.3	37.3	9,881.8	25.2	438.9	32.8	15,750.1	15.7
Total	768.7	100.0	39,196.8	100.0	1,339.5	100.0	100,158.3	100.0

Table 29: Distribution of international road passenger and freight transport volume and turnover in 2007⁹

4.6 Measures adopted in International Road Transport

International road transport offers convenience, high efficiency and low cost for the trans-border mobility of passengers and freight. Strengthening international economic and trade cooperation leads to higher demands on international road transport. In the new situation, the Chinese international road transport industry faces both developing opportunities and challenges: the contents of some road transport agreements and conventions signed by China still need to be enhanced; existing non-physical obstacles increasing transport costs and lowering the service quality should be diminished as they hinder the progress of international road transport; the incomplete infrastructure of border posts should be improved as they cannot adapt to the demands of the rapid development of import and export transport due to outmoded facilities and inadequate control technology.

To solve these problems, the Chinese Government is increasing the construction of infrastructure, focusing on connections to the Asian Highway network and the neighbouring countries and pushing forward the facilitation of international road transport to the benefit of all. It enhances the cooperation of international road transport companies and emphasises environmental protection and sustainable resource utilisation to enhance transport safety and environmental protection as part of sustainable development.

4.7 Conventions and Multilateral Agreements Covering International Road Transport

Nowadays, China pays a great deal of attention to the facilitation of international road transport by promoting international conventions and joining the regional and sub-regional transport agreements.

From 2005, China started to make relevant studies on international conventions, especially the International Transport of Goods under Cover of TIR Carnets (TIR Convention, 1975). It is recalled that in November 1975, under the auspices of the United Nations Economic Commission for Europe (UNECE), the TIR Convention of 1975 was adopted, entering into force in 1978. Since that time the TIR Convention has proved that it is one of the most successful international transport conventions and is, in fact, so far the only universal

⁹ Source: Report on China Road Transport Development in 2007.

Customs transit system in existence.

The TIR Convention has 64 Contracting Parties, including the European Community. It covers the whole of Europe and reaches to North Africa and the Near East and Middle East. Today, even the United States of America and Canada are Contracting Parties as well as Chile and Uruguay in South America. Countries in Asia, including China, have been informed about the facilities of this global Customs transit system and they may well join the TIR Convention in the not too distant future.

Up to now, the Chinese Customs, the Ministry of Transport and other authorities have respectively finished their own research on China's accession to the TIR Convention. The potential issuing/guaranteeing organisation has made the necessary preparation for running the TIR guarantee system. The TIR Convention may be acceded to by China in near future. At present, China is reforming the structure of its governmental departments. After this, Customs, the Ministry of Transport and other Ministries will jointly apply for the approval by the State Council. The date of implementing TIR Convention in China will be known in the near future.

Besides considering joining the TIR Convention, China is also considering joining other international conventions recommended by the UN. The conventions are as follows:

"Convention on the Contract for the International Carriage of Goods by Road, 1956" (CMR). The main purpose of the Convention is to regulate, uniform contract documents in order to reduce disputes, facilitate management and improve the efficiency of international road transport of goods. The Convention covers the carrier's responsibility, the carrier's liability, contract signing and implementation, claims and litigation, etc. At present, its Parties are mostly European countries.

"Customs Convention on Temporary Importation of Commercial Road Vehicles, 1956". The main purpose of the Convention is to facilitate the temporary access of commercial vehicles to the territory of the Contracting Parties. The core content of the Convention: guarantee certificates or deposit of import duties and taxes, exemption of the Parties' commercial road transport vehicles from import duties for short-term temporary stays.

"Convention on Road Signs and Signals, 1968". The main purpose of the Convention is the unification of international road signs, signals, markings, signs and road signs, in order to promote the development of international road transport and improve road safety. The Convention deals with general principles, road signs, traffic control light signals, road markings, other provisions and final clauses of the road signs marking, lighting and signals, etc.

"Convention on Road Traffic, 1968". The main purpose of the Convention is to regulate vehicle standards and traffic rules. The Convention defines general principles, road traffic rules, technical conditions of motor vehicles and trailers and requirements for motor vehicle drivers. In addition, the Convention also includes appendices, on the admission of motor



vehicles and trailers into international traffic, the registration numbers, the vehicle and trailer identification marks, vehicle and trailer signs, the technical status of motor vehicles and trailers, national and international driver permit and other detailed provisions.

"International Convention on the Harmonization of Frontier Controls of Goods, 1982". The main purpose of the Convention is to reduce the non-physical barriers to the international carriage of goods. Text and annexes of the Convention stipulate simplified customs procedures, their harmonisation, including health inspection, animal and plant inspection, vehicle technical checks, visas for professional drivers, information exchange, etc.

"Customs Convention on Containers, 1972". The main purpose of this Convention is the development of container transport operations and harmonisation of the related customs supervision. China has acceded to the Convention (Table 30).¹⁰

Table 30: Geographical coverage of major international conventions			
Name of Convention	Number of Contracting parties		
Convention on Contract for the International Carriage of Goods	52		
by Road, 1956	55		
Customs Convention on Temporary Importation of Commercial	44		
Road Vehicles, 1956	41		
Convention on Road Signs and Signals, 1968	56		
Convention on Road Traffic, 1968	67		
International Convention on the Harmonization Frontier	50		
Controls of Goods, 1982	50		
Customs Convention on Containers, 1972	36 (incl. China)		
Customs Convention on the International Transport of Goods			
under Cover of TIR Carnets, 1975	08		

China is also accelerating the steps towards joining the regional and sub-regional transport agreements. China, Russian, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan have signed the "Memorandum of Understanding on accelerating the implementation of an inter-governmental agreement of the Shanghai Cooperation Organization Member States on the facilitation of international road transport (draft)". By the end of 2008, the countries mentioned above reached a consensus on continuing negotiations on the MOU and the framework of the inter-governmental agreement.

At present, China is also implementing the GMS Cross-border Transport Agreement (CBTA). A practical plan of measures has been prepared for carrying out international road transport on pilot routes within the six GMS countries (Table 31).

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¹⁰ Research of International Conventions, carried out by the Ministry of Transport in 2007.

	SCO Agreement	GMS Cross-border Transport Agreement
Routes and border crossings	Protocol	Protocol
Transit rights	Grant right of transit for vehicles, goods, passengers; Allow the carrying of goods and passengers between two countries or in transit subject to permits.	Grant freedom of transit
Customs duties/ taxes for transit	Exempt	Exempt
Charges permitted	Charges for specific services and use of infrastructure	Protocol; Cost related.
Transport permits	Protocol	Exchange every year; Determined in protocol.
Traffic rules	Conform in substance to the provisions of the Convention on Road Traffic and the Convention on Road Signs and Signals, 1968; Take necessary steps to accede to Conventions.	Annex
Environment	Ensure protection of environment	Not specified
Special goods	Carriage of dangerous goods listed in Protocol prohibited unless special permission; Special permit for perishable goods.	Not applicable to dangerous goods; Grant priority to perishable goods; Annex.
Temporary admission of vehicles	Exempt from Customs duties, charges and taxes for fuel and lubricants, spare parts and tools for repair; Unused and replaced spare parts are subject to re-export.	Exempt from duties, taxes, deposit for vehicles, fuel in tank, lubricants, maintenance supplies, spare parts in reasonable quantities; Subject to re-exportation; Identification marks, certificate, license plate with country sign.
Temporary admission of containers	Recommend Customs Convention on Containers 1972	Annex
Technical requirements of vehicles	Protocol	Satisfy equipment safety and emission standards of home country; Weights, axle loads and dimensions follow host country
Insurance	Establish international compulsory motor vehicle 3rd party liability insurance scheme	Compulsory 3rd party motor vehicle liability insurance required by host country
Facilitation measures	Recommend International Convention on the Harmonization of Frontier Controls on Goods 1982; Recommend Kyoto Convention.	Single window inspection; Single stop inspection; Coordination of hours; Advance exchange of information/clearance; Exemption from physical Customs inspection, bond deposit and escort.
Customs control	Apply TIR Convention; Consider possibility of acceding to this Convention; Simplify Customs control as per Annex.	Advance exchange of information/clearance; Exemption from physical Customs inspection, bond deposit and escort
Relationship with other international instruments	Not to prevent mandatory provisions of international conventions	Not to affect the rights and obligations under existing agreements/international conventions
Dispute settlement	 Bilateral consultation, negotiation; Multilateral consultation in SCO. 	 Bilateral consultation, negotiation; Multilateral consultation in Joint Committee
Observance of domestic	Domestic legislation applies to areas not laid down	Comply to laws and regulations in host

Table 31: Comparison of the SCO Agreement and the GMS Cross-border Transport Agreement¹¹

¹¹ Source: reference material for the first meeting of the National Transport Facilitation Committee. ĨRU ____ _____ Road Transport in China _____ 52 ____

Table 31: Comparison of the SCO Agreement and the GMS Cross-border Transport Agreement¹¹

legislation	in the agreement	country; Sole competence of host country; May deny access to a person, a driver, an operator or a vehicle.
Contracting parties	SCO members; Non-member with consent of SCO members	Not specified (trilateral agreement originally)
Depository	SCO secretariat	Not specified (Contracting Parties)
Validity period	Not specified	Not specified
Languages	Chinese, English, Russian	English



"GMS Cross-border Transport Agreement". This agreement sets out that each Contracting Party shall authorise a national organisation to issue the Transit and Inland Customs Clearance Document and guarantee the Customs Authority of the Host Country the payment of export and import duties and taxes (including interest) in the case that documents were not duly or timely discharged or in the case of any other irregularity. The Contracting Parties shall mutually recognise the authorised issuing/guaranteeing organisations. For the purpose of payment of sums claimed by its Customs Authorities, the Host Country shall provide the authorised issuing/guaranteeing organisation with facilities for the transfer of currency.

The authorised issuing/guaranteeing organisation shall be jointly and severally liable with the transport operator (for the duties, taxes and interests of the goods), the vehicle operator (for the duties, taxes and interests of the vehicle) and the container operator (for the duties, taxes and interests of the container), from whom the sums are directly due to pay the import and export duties, taxes, and interest, under the customs laws and regulations in the Host Country in respect of the irregularity (e.g., breach of customs laws and regulations, lack of response, lack of timely discharge of the Transit and Inland Customs Clearance Document) in connection with a cross-border transport operation under the regime.

The liability of the authorised issuing/guaranteeing organisation shall cover not only the goods that are listed in the Transit and Inland Customs Clearance Document, but also any goods that, although not listed therein, may be contained in the sealed section of the road vehicle cargo compartment or be found on the load platform or among the enumerated goods in case of non-sealed heavy of bulky cargoes. At their discretion, the Host Country Customs Authority may also claim the duties, taxes, fines, and interest from the transport operator who is directly liable for them.

After the Customs Authority of the Host Country establishes an irregularity, the authorised Home Country issuing/guaranteeing organisation is to deposit with or pay the duties, taxes, and interest due to the Customs Authority of the Host Country not later than 30 calendar days commencing from the date of notification; vice versa, according to the principal of rights on equal terms with liabilities, the Host Country Customs Authority shall refund to the

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authorised issuing/guaranteeing organisation the amount received upon the established absence of any irregularity, not later than 30 calendar days commencing from the authorised issuing/guaranteeing organisation claim such refund. The authorised Home Country issuing/guaranteeing organisation is entitled to take recourse and claim reimbursement of the customs duties, taxes and interest that were paid as a guarantor to the Host Country Customs Authority, from the operator from whom the sums are due. The liability of the authorised issuing/guaranteeing organisation shall be limited to SDR 35,000 per Transit and Inland Customs Clearance Document issued for the goods; the liability of the authorised issuing/guaranteeing organisation shall be limited to SDR 20,000 per Temporary Admission Document issued for the vehicle; the liability of the authorised issuing/guaranteeing organisation shall be limited to SDR 300 per Temporary Admission Document issued for the vehicle; the liability of the authorised issuing/guaranteeing organisation shall be limited to SDR 300 per Temporary Admission Document issued for the vehicle; the liability of the authorised issuing/guaranteeing organisation shall be limited to SDR 300 per Temporary Admission Document issued for the container.¹

In order to meet its guarantee obligation to the Host Country Customs Authority, the authorised issuing/guaranteeing organisation shall provide the Host Country Customs Authorities with the security of the modality and monetary amount indicated as follows: "make a cash deposit, or deposit a collective and continuous bond with the Host Country Customs Authority by arranging for a bank guarantee issued by a bank or financial institution established in the Host Country". Therefore, the amount of security to be provided according to this article shall be a maximum of SDR 70,000 (guarantee for the goods), SDR 40,000 (guarantee for the vehicle), and SDR 600 (guarantee for the container). If the amount of security provided is partly or wholly consumed by an outstanding liability, it must be replenished up to the amount of SDR 70,000.²

4.8 Major Road Border Crossing Points

In recent years, in parallel with growing cooperation with many countries, China has made remarkable progress in international road transport. As mentioned above, by the end of 2008 China signed 11 bilateral road transport agreements and 3 multilateral intergovernmental treaties and set up 60 international "road ports", more than 100 international passenger routes and more than 100 international freight routes. International road transport is now an important way to trade with neighbouring countries, which greatly contributes to regional growth and prosperity.

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¹ Source: GMS Cross-border Transport Agreement.

² Source: <u>GMS</u> Cross-border Transport Agreement.



Information on the road border crossing procedures at China's borders and the major road border crossing points is useful for foreign enterprises and authorities. Here below is a short description:



Border crossing procedures can be divided into four parts. Using the example of a Chinese road transport enterprise transporting clothes into a neighbouring country, firstly, the responsible person from the Quality Supervision, Inspection and Quarantine Department should inspect the goods and issue the necessary certificates. Secondly, Customs should check the

goods and put them into a specific zone to wait for departure. Thirdly, the Transport Administration should check the vehicle and stamp the transport permits. Finally, the Exit & Entry Administration should check the passport. This procedure should be followed in reverse order for foreign vehicles with goods which are to be transported into Chinese territory. However, the detailed procedure requires more documents than mentioned in the above description; specific documents should be handed over, such as driving licenses, forwarding notes, etc.

At present, the major road border crossing points are as follows (Table 32):

Border Crossing Point	Region	Province	Traffic directions		
Suifenhe, Dongning		Heilongjiang	Russia		
Juanhe, Hunchun	Northcost	Jilin	Russia, North Korea		
Dandong	Nonneast	Liaoning	North Korea		
Manzhouli, Erlianhot		Inner Mongolia	Russia, Mongolia		
Horgos, Alataw Shankou	Northwest	Xinjiang	Russia, Kazakhstan, Kyrgyzstan, Tajikistan		
Mohan, Ruili, Hekou	Couthwast	Yunnan	Lao PDR, Myanmar, Vietnam		
Dongxing, Youyiguan	Southwest	Guangxi	Vietnam		

Table 32: Major road border-crossing points³



³ Source: <u>http://www.caop.org.cn/map_site/r.htm</u>.

Chapter Five

Thematic Section One: Road Safety- International Comparison

In recent years, the number of road traffic accidents in China has fluctuated. Since the implementation of the Reform and Opening-Up Policy, the incidence of road traffic accidents has initially grown and then declined. Road traffic accidents in 2002 reached an all-time high of 109,381 accidents, with a total of 562,074 persons injured.

This worrying road safety situation has received much attention from the Government. The State Council approved the establishment of a joint supervisory system after 2002. This system ensured that various departments made concerted efforts to improve road safety. Thus, the issue of road safety has entered a new phase in China.



5.1 Road Safety in 2008

The Chinese Government's basic function is to establish correct policies and exercise supervision.

In 2008, China's road traffic accident figures remained stable. 265,204 road traffic accidents occurred throughout the country, causing 73,484 fatalities and injuries of 304,919 persons, as well as direct property losses of 101 million RMB. As compared with 2007, the number of accidents decreased by 62,005, a drop of 19%; the death toll also decreased by 8,165, a drop of over 10%; the number of personal injuries decreased by 75,523, a drop of almost 25%. Direct property losses decreased by 19 million RMB, a drop of almost 20%. Among all road traffic accidents, there were 29 serious ones accounting for the death of at least ten persons each.

An Olympic Road Safety Campaign was carried out from 1 April to 20 September 2008. During this period 125,378 road traffic accidents occurred throughout the country, causing 32,670 fatalities. Compared with 2007, the amount of accidents decreased by 19.3% and the death toll by 11.8%. Thereafter, a Road Accident Prevention Campaign of Hundred Days was carried out from 21 September to 25 December. During this period, 68,228 road traffic accidents occurred throughout the country, causing 22,472 fatalities. Compared with the same period of 2007, the amount of accidents decreased by 19.5% and the death toll by 6.5%.

In 2008, the frequency rate of causes of fatalities, i.e. speeding, fatigue and other traffic law violations dropped 13.6 percent year-on-year. The number of accidents on national and provincial roads also dropped by 14.2% year-on-year. The national road traffic accident death rate dropped by 9.8 percent year-on-year during New Year's Day, the Spring Festival, the Tomb Sweeping Festival, May Day, the Dragon Boat Festival, the Mid-autumn Festival, the National Day Golden Week and other major holidays.

Accidents involving commercial vehicles have declined steadily. In 2008, the accident fatality rate involving commercial vehicles dropped by 12.4% year by year, i.e. at a higher pace than the national average by 2.4 percentage points.¹

Severe traffic accidents have been frequent in recent years. They are responsible for many casualties. The Department of Traffic Management has placed much emphasis on putting measures in place across China to reduce the number of such accidents. As a result the number of severe accidents (more than 10 fatalities) fluctuated, with an average death toll of 15 persons (Table 33).

Table 33: Severe traffic accidents causing more than 10 fatalities at one time²

Year	Total accidents	Death	Injured	Average death
2001	39	639	667	16

¹ Source: The Blue Book of Road Safety in China.



² Source: The Blue Book of Road Safety in China.

2002	41	585	637	14
2003	41	645	567	16
2004	55	852	877	15
2005	47	807	705	17
2006	38	558	463	15
2007	26	389	448	15
2008	29	461	417	16

5.2 Main Characteristics of Road Safety

In recent years, road traffic accidents in China show a fast downward trend, but the number of traffic accidents is still high. With the cooperation of society as a whole, the problem has steadily been attenuated in recent years, but still China is a country facing severe challenges. Although both the total number and specific indicators of road traffic accidents have been steadily declining compared with more developed countries, China still has a long way to go (Figure 35).³



Figure 35: Comparison of fatality rates: USA, Japan and UK, 2007

According to an analysis of road traffic accidents of recent years, motorists' traffic offences have been the main cause of road traffic accidents. From 1998 to 2007, such offences accounted for an average of 87.1% of the total number of accidents, 80.3% of the total number of fatalities and 86.2% of the total number of injuries. These proportions show a growing trend. Therefore, a reduction in motoring offences would significantly reduce the number of traffic accidents, fatalities and injuries.

Traffic accidents involving pedestrians and cyclists have severe consequences. China is still in the early stages of motorisation and most people who travel do so by either walking or bicycling. In recent times, pedestrians and cyclists have been the main victims of traffic accidents, with a fatality rate of about 40% and an injury rate of about 25%. It is worth noting

³ Source: The Blue Book of Road Safety in China.



that the related trend has declined in recent years (Figure 35).⁴

Figure 35: Proportion of injured pedestrians and cyclists in traffic accidents

5.3 Measures Adopted to improve Road Safety

In the Chinese road transport industry measures have been adopted to improve road safety. The authorities have approved "Provisions on the management of motor vehicle drivers training", which attach great importance to developing driver training agency systems, intensifying quality training supervision and putting quality-oriented driver training into effect. Meanwhile, the authorities also provide a "Manual for Safe Driving", free of charge to transport enterprises, before Golden Week and the Spring Festival.

China is accelerating the establishment of a dynamic driver monitoring procedure, intensifying the promotion and implementation of the "Provisions on the Administration of Road Transport Personnel". Meanwhile, the Chinese Government focuses on developing incentives to improve road safety, accompanied by assessment systems of road transport enterprises. Evaluation results are combined with the authorisation and tender procedure applicable in respect of passenger transport routes, as well as enterprise quality certification.

Road transport authorities actively promote road safety, also regarding road freight transport and rural passenger vehicles, recommending the use of safe and more economical vehicles, coupled with appropriate transport technology.



⁴ Source: The Blue Book of Road Safety in China.

Chapter Six

Thematic Section Two: Sustainable Development

Generally, sustainable development of road transport means that road transport should meet the strategic demands of social development.

With the rapid development of the Chinese economy, road transport has been progressing at an unprecedented rate. However, owing to the severe imbalance in regional economical development, the booming Chinese population and the severe historical lags etc, it appears that road transport should make immense efforts to meet the requirements of national economic development. The present road transport supply does not satisfy demand, leading to bottlenecks in the integrated transport system. In order to solve this problem, the Chinese Government has put forward measures to be applied by local communities and society as a whole, in the short and long-term, in respect of both international and domestic transport systems.

The road transport market, after the enforcement of the Reform and Opening-Up Policy, has, to a large extent, experienced free development, which has brought about a certain level of maturation of the road transport market thus contributing to the development of the national economy, while, to a certain extent, energy conservation and environmental protection issues have been neglected.

Society had to face the problem of the mid-1990s where road transport inhibited not only sustainable social progress, but protection of the environment. Lack of any scientific decision-making in the management of road transport resulted in short-sighted decisions taken by the Chinese road transport industry. Scientific forecasting, advance planning and reasonable decision-making are the fundamental ways to solve the sustainability problems of road transport.

Indeed, in recent years, the Chinese Government has started to pay much more attention to the sustainable development of road transport. The State Council has clearly pointed out that with the execution of the basic state policy of natural resources and environmental protection; industries should contribute all to sustainable development, enhanced environmental-friendliness and saving scarce resources. The features of sustainability are high output, low investment, low energy consumption, little waste and energy recycling. In order to implement the policies of the State Council, the Ministry of Transport has issued an official document named "Opinion on Reinforcing Energy Conservation and the Reduction of Emissions in the Transport industry". The main contents of this document are as follows (Table 34):

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Measures	Key contents		
Strong industrial administration	Stricter industrial policies and legislations, establishing incentive mechanisms. Scientifically-proven strategic development and strengthening transport statistics and evaluation systems.		
Innovation	Energy conservation and environmental protection evaluation system, using foreign experience for reference. Promotion of economic development and acceleration of research and application of leading technologies.		
Road infrastructure improvement	Scientific planning of the locations of road terminals, logistics centres, container yards and ensuring a smooth transfer between different transport modes. Strengthening planning guidance and optimising road network structure.		
Industry restructuring	Encouraging passenger transport development in the countryside, improving the technical level of commercial vehicles and regular staff training.		
Rely on results of research and development	Intensified research and technological development; promotion of information technology.		

Table 34: Main contents of energy conservation and the reduction of emissions¹

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Source: Report on China Road Transport Development in 2007 "Significant Achievement and Precious Experience", by Li Shenglin, Minister of the Ministry of Transport, published on the website of www.moc.gov.cn. 1

Chapter Seven

Thematic Section Three: A Tough Year ahead for China's Road Transport

The road freight transport sector in China finally feels the pain from the global economic downturn, and like many other sectors, is suffering.

However, in January 2009 the situation appeared to be improving. The Chinese road freight transport market is made up of many thousands of small operators, mostly owning between one and five trucks. In terms of ownership, there are hardly any large companies that occupy a significant market share. Due to the vast size of the country, as well as to local differences, many road transport companies are subject to geographical limits, resulting in only a few companies operating at inter-provincial level. This extremely fragmented market structure from both the supply and demand sides, together with the flexible attitude often seen among small companies, soundly absorbed the shockwave from the economic crisis and distributed it evenly among market players. As an industry professional cited from the transport companies - if we do not transport clothes today, we do coal, or grain...!

But the reality reveals a different picture. Between September and December 2008, the freight transport demand shrank, largely due to the impact of the economic downturn on the manufacturing sector in China. In some mining provinces closely connected to the steel industry e.g. Yunnan, and some export-oriented provinces e.g. Shan Dong, road transport demand decreased by as much as 40%. Some transport companies stopped part or the majority of their services. The weak demand also stirred up the trend of strong price competition. The largest price drop, as recorded by some road transport associations, was 30% in general cargo.¹

A similar situation developed in the passenger transport market. During the same period of 2008 (Sep.-Dec.), passenger volume dropped by nearly 20% in some provinces. Cancellations occurred on some shuttle services in the provinces that are tied closely with the problematic export related businesses (oil, metal, etc.). Revenue dropped by an average 5%, with the largest up to 40%. Even the Chinese Spring Year did not bring a 5% higher growth as expected in other years, but merely a 4.6% growth.²

The latest statistics may cause anxiety for some. According to the China National Statistics Bureau, the February CPI in China dropped dramatically into the negative zone for the first time ever in China's modern history. This has sent a warning signal to the whole country regarding the national economy, as well as to consumer's confidence. In the forefront of foreign trade, following a record low of exports seen in November, the Chinese export

¹ Source: Specific investigation made by the China Road Transport Association.

² Source: Specific investigation made by the China Road Transport Association.

volumes were down 17.5% in January. The latest figures from Chinese ports paint a continuing negative picture, with Shanghai container volumes falling 19% year-on-year and ports in the Pearl River Delta reporting acceleration in the rate of decline for the early part of this year.³

What does the Chinese Government do?

Facing the sharply declining export economy, the Chinese Government took the decision to encourage the consumption of Chinese goods within its own market. To stimulate the domestic demand, in early December 2008 the Chinese Government first launched its 40 trillion RMB economic stimulus package. In December, just weeks before the closure of the fiscal year of 2008, ministries and local governments witnessed the most hectic month in recent times, in order to give final approval to those projects that were ready and had been waiting in the queue. In February 2009, the so-called "Ten Guidelines" to channel the 40 trillion RMB were enforced by the State Council. According to the "Ten Guidelines", industries that would benefit from this economic stimulus package were: automobile, steel, textile, equipment, shipbuilding, electronic industry, light industry, Petroleum & Chemical, non-ferrous and logistics. In line with the guidelines, supporting policies were introduced in parallel.

What does this 40 trillion RMB stimulus package mean to the logistics sector? The first and most obvious benefit is the reduction of the corporate income tax from a high level to 3% in all logistics companies. Though transport companies have been enjoying the lowered 3% income tax for years, this had not been the case for logistics companies. This is also in line with the Chinese Government's decision to improve the efficiency of the logistics sector. The logistics sector in China contributes to about 6.5% of the nation's GDP and 16.6% of the output from the entire service industry, which incurs 3 trillion RMB higher costs per year compared to its peers in Europe and America.⁴

In addition, the Chinese Government also encouraged the manufacturing sector to outsource its logistics services to third party logistics service providers (3PLs), to boost the development and growth of specialised 3PLs in China. In the coming years it is expected that a professionally oriented logistics sector will start to take-off in China.

Introduction of the new fuel tax policy

Another action from which many logistics companies, especially road transport companies, are taking comfort from is the introduction of the new fuel tax policy in China. Effective since 1 January 2009, the Chinese Government lifted various duties and fees levied on transport companies. Instead, they increased fuel tax from RMB 0.2 to 1 per litre for gasoline and from RMB 0.1 to 0.8 for diesel. In other words, some duties and fees are collected via the fuel price following the new policy. As on 13 March, the market prices of gasoline in China are RMB 5.1/litre and 5.33/litre, and RMB 5.73/litre for diesel. This market price includes the fuel



³ Source: Specific investigation made by the China Road Transport Association.

⁴ Source: <u>www.chinadaily.com</u>.
cost as well as the new fuel tax.5

In theory, the replacement of duties and fees with fuel tax imposed via the fuel price will not add an economic burden onto transport companies. The increased amount of fuel tax is calculated on the basis of the fees and duties that are otherwise charged to companies. But in reality it is not always the case. The fees that were replaced by the tax, as far as road transport is concerned, are road transport management fees, road transport terminal surcharges and road maintenance fees. Take the example of Beijing. Road maintenance fees were charged on any vehicle at RMB 220/tonne/month. But like others, often the Beijing local transport authority granted benefits to a certain group of vehicle owners and the actual charge was often less than the defined RMB 220. The same applies to the road transport management fee. As for the road transport surcharge, many local authorities did not charge it at all since the freight or passenger terminals were privatised.

As a result, the introduction of the new fuel tax policy actually imposes fees on transport companies from which they were actually exempt. In addition, the new tax via fuel prices prevents companies from circumventing or evading the taxation. Though it is beneficial for fair competition and the improvement of services in the entire road transport sector in the long-term, in the short-term the new tax rules exacerbate the tough economic situation many small road transport operators are facing.

What is 2009 looking like for China's road transport companies?

During the first months of this year, road transport companies in China have faced the toughest challenges for decades. The related drop of passenger volumes in passenger transport in late 2008 forced some companies to cancel their shuttle services on various routes and many buses and coaches lay idle, but few of them went bankrupt thanks to their large size and scale and their unique connection to the government. The majority of the public transport companies in China are subsidised and indirectly owned by local governments. In the freight transport sector, however, private companies did not have the support from the government. In cases of small, family business size companies, trucks laid idle. Those who own up to 10 trucks, which are therefore often categorised to the 4th or 5th level of transport company, have been trapped in the most dangerous zone and some have been forced to be taken over by higher level companies. As in other industries, the depth of their pockets determines how long they would survive in the tough economic situation.

With the RMB 40 trillion economic stimulus package, many remain positive that the economy will pick up during the second half of the year. With cash injected into industries like steel, non-ferrous, textile and so on, the recovery of such industries will boost transport demand again and thus bring the road transport sector out of this difficult period. As Chinese Premier Wen Jiabao said in the closing speech on the People's Congress on 13 March 2009, the Chinese Government is willing to inject more money into the market when it is needed.

⁵ Source: <u>www.chinadaily.com</u>.

While the future is bright, it would be fair to say that the darkest days are finally passing for many Chinese road transport companies. While the "survival of the fittest" may improve market efficiency in the end, it has never been an easy road for the more than 300,000 road transport companies in China.

Chapter Eight

Thematic Section Four: A Short Description of the Logistics Industry

The logistics service industry is rapidly developing in China, while more and more road freight transport enterprises are changing their traditional transport business to modern logistics services and becoming involved in multimodal transport and multifunctional services, establishing a logistics network, helping manufacturing companies and commercial firms to develop their core capabilities within the supply chain. In a sense, the road freight industry is the most important part of logistics. The change from road traction to modern logistics is the future trend.

Third-party logistics (3PL) is a practical logistical model for Chinese road freight transport enterprises, combining logistics theories and practices and specialising in logistics services. With the swift development of economic globalisation and the formation of new markets, the 3PL market in China has great potential.

The competitive environment, the fast evolution of modern information technology and fierce competition in the logistics market are the main characteristics of the working environment in China. The Chinese Government is helping enterprises to promote their competitive ability, decrease their costs, promote service quality and spread operational risks and increase performance. While Chinese logistics enterprises obtain government support and make the best of available advantages, the weakness of the Chinese logistics industry is obvious due to obstacles in the legal system, the high transaction costs, the small size of the logistics enterprises, the slow growth rate of logistical facilities and the scarcity of professional staff.

The future of Chinese logistics enterprises can still be seen in a positive light, based on economic growth, the enthusiasm of enterprises, the development of e-commerce, the implementation of western technologies and the opportunities brought about by the entry into the WTO and the high level of attention paid to the transport industry by the Chinese Government. As a good example, the Ministry of Transport has established a specific division in the Road Transport Department, governing the development of logistics nationwide. The Government will create a high-quality macro-environment, including a harmonious, strategic and feasible national plan, to keep the Chinese logistics industry moving ahead into the future.

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Chapter Nine

Perspectives in Brief

The continuous growth of China's domestic economy represents a solid basis for road transport as the main transport mode able to meet new challenges in a flexible and quantitatively, as well as qualitatively appropriate manner.

Within the context of economic globalisation, the economic, trade and personal exchanges between China and foreign countries have been steadily increasing. Road transport, as one of the major transport modes has played a significant role in promoting economic development, trade, tourism, people's mobility and social progress in general all over the world. Active participation in multilateral and regional economic cooperation is a major task enshrined in China's Opening-Up Policy. In the future, China will be better prepared to encourage domestic development, while at the same time, become more transparent to the outside world, as required by comprehensive, harmonious and sustainable economic and social development.

Currently, cooperation between China and foreign countries all over the world is entering a new stage. China is making positive efforts to advance friendly cooperation and dialogue in the field of road transport through a more active and pragmatic problem resolution process. It is believed that with mutual effort, tomorrow's road transport industry will become a major player in and contributor to new achievements in China.

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