



Road transport services reform – a powerful growth enabler

A guide for policy makers

Road Freight Transport Services Reform, Guiding Principles for Practitioners and Policy Makers is a comprehensive guide for governments, policy makers and transport regulators to unlock the potential of the road transport industry to generate sustainable economic development.

Evaluation, action and change

In most of the developing world, mobility of cargo and people is almost entirely dependent on the road transport sector. With strategic and focused reform, governments can effect far-reaching advances in logistics performance, encouraging trade, improving road safety and boosting economies – often with minimal financial investment.

Efficient transport is a growth enabler

The challenge for governments is to create an enabling environment for transport that is competitive, while encouraging trade and ensuring that businesses and communities have access to safe, clean and affordable road transport services.

Why reform?

Tackling current inefficiencies in road transport services can yield significant development benefits. The road transport sector requires frameworks to improve productivity, safety, competition, sustainability, transparency and overall professionalisation.

Facts and figures

- The cost of training drivers and promoting eco-driving techniques can be recouped by fewer crashes and fines, lower fuel consumption and less vehicle maintenance.
- With 85-90 percent of accidents involving commercial vehicles due to human error, there is an even stronger case for driver training for improved safety through internationally recognised standards.
- In addition to direct employment, the sector generates a significant number of indirect jobs and employment – all of which can be professionalised.
- A recent study in East Africa found that there were 1.2 jobs for each truck on the road and studies also show that transport and transport-related jobs can reach up to 5 percent of total employment.
- In the last 40 years, new trucks' average consumption of fuel decreased by 40%, from 50 litres/100km in the 1970s to 30 litres/100km in 2008 – demonstrating the case for fleet renewal and improved technical inspections.



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“The billions invested in road infrastructure will only yield their full potential for economic growth and job creation if logistics services are operating efficiently along these roads. This guide provides a set of principles to help policymakers and practitioners assess the different challenges in road transport, and select a reform path most suited to a country’s stage of economic development and its institutional capacity.”

Jose Luis Irigoyen, Senior Director, Transport and ICT Global Practice, World Bank

Five pillars of reform

The guide outlines five focus areas for reform.

- **Improve the market structure**, which ranges from complete lack of regulation to quantitative restrictions through to (more productively) qualitative criteria – where the sector is regulated in terms of safety, security and quality of service.
- **Discourage informal road transport operators** acting outside of a commercial legal status – while balancing the potential negative social effects and ensuring that there is continued support for small, “one man/one truck” models within the legal framework.
- **Driver training** through international schemes offered by, for example, IRU Academy, establishes minimum levels of knowledge, special competences and qualifications. Issuing certificates of professional competence provides a framework for raising the professional bar.
- Alongside the driver, **the vehicle** is essential to determining performance. Reforms include fleet renewal mechanisms, restrictions on used-vehicle imports, setting technical standards and establishing economic and fiscal instruments to encourage vehicle purchase.
- The full cost of transport includes internal costs (associated with operating and maintaining vehicles and facilities) as well as external costs (environmental impacts, accidents and congestion). To minimise **externalities**, incentives to increase efficiencies could be introduced.

Case study: trucking sector reform in Mexico

Started in 1989, the reforms yielded the following results:

Higher output

From 1989 to 1995, the traffic volume on domestic public roads increased by 52 percent, rising from 107,200 to 162,827 million tonne-kilometres. The average distance increased by almost 30 percent, from 346 km to 444 km.

Better growth rate of trucking firms

Among firms expanding their fleets, the average growth rate was 64 percent. The growth rate for large firms was 75 percent.

Lower prices

Prices are falling overall, but falling faster in low-end service segments. Evidence suggests a reduction in truck tariffs of 25 percent in real terms since 1989.

Labour reallocation in favour of larger firms

National road freight statistics indicate an increase in employment in the industry between 1989 and 1995 of 5.2 percent, from 509,000 to 536,000 annual remunerated employees.

“Offering practical guidance to policy makers to facilitate the kind of reform that will transcend the specific challenges of national transport services, to address broader issues of development, sustainability and economic growth.”

Martin Rojas, Senior Adviser for the Americas IRU