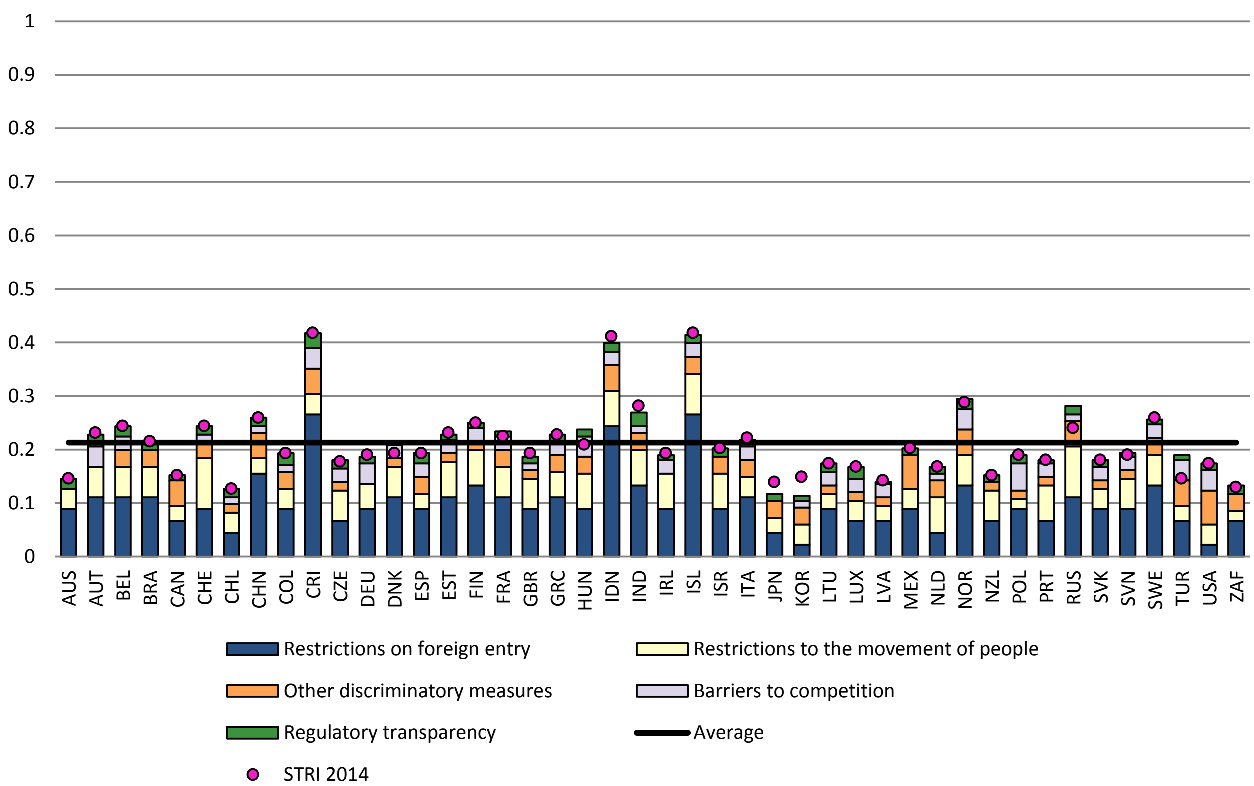
STRI Sector Brief: Road freight transport services

This note presents the Services Trade Restrictiveness Indices (STRIs) for the 35 OECD countries and Brazil, the People's Republic of China, Colombia, Costa Rica, India, Indonesia, Lithuania, the Russian Federation and South Africa for road freight transport in 2016.

The STRI takes values between zero and one, one being the most restrictive. They are calculated on the basis of a regulatory database that contains comparable, standardised information on trade and investment relevant policies in force in each country. With the exception of aviation, the database records restrictions that apply on a most-favoured-nation (MFN) basis and does not consider preferential regulation.

The STRI for this sector covers commercial establishment in road freight transport. Cross-border trade in these services remains heavily restricted in several countries, where the sector is governed by a system of bilateral and plurilateral agreements. Such agreements typically provide for permits, quotas and other impediments. Restrictiveness in this mode of supply for road freight transport will be subject to future investigation.

STRI for commercial establishment in road freight transport services by policy area (2016)



Note: The STRI indices take values between zero and one, one being the most restrictive. They are calculated on the basis of the STRI regulatory database which records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account.

The figure above introduces the indices for commercial establishment in road freight transport, broken down by policy categories. The overall level of restrictiveness is relatively low, with a sample average of 0.21. The STRI values range from 0.11 to 0.42. The distribution according to restrictiveness is slightly skewed towards the low end, as there are 26 countries below and 18 countries above the average.

The measures in the STRI database are organised under five policy areas. The index goes beyond discriminatory measures and includes domestic regulations that are important for effective market access and the creation of competitive markets. These include impediments to competition and technical standards, as well as a range of measures related to regulatory transparency and administrative requirements.

Restrictions on foreign entry and *Restrictions to movement of people* contribute the most to the STRI for these services. The results support the view that, although heavily regulated in the past, the domestic road freight transport regime has been significantly liberalised over the years, and currently commercial establishment in the sector is largely affected by horizontal measures.

Important restrictions on foreign entry include foreign equity limits in two countries, restrictions to the legal form of foreign-owned companies in five countries, residency requirements for board members in eleven countries and residency requirements for managers in more than 27 countries. Only in one country a licence to operate is subject to an economic needs test.

Other relevant sector-specific restrictions involve exemptions of road freight carriers' agreements from competition law in 22 countries and pricing guidelines or price regulation for road hauliers in five countries. Moreover, state-owned enterprises still play an important role in the sector in five countries.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 22 countries, 13 have a lower (less restrictive) score, and 9 record a higher value of the STRI index (more restrictive) in 2016. The country that reduced the STRI index the most was Korea where the index went down by about three basis points, while Turkey was the country that raised the index the most, adding four basis points.

However, most of the changes in the STRI score between 2014 and 2016 result from policy changes that affect horizontal measures. Improvements in administrative procedures under the regulatory transparency area explain the improvement in the STRI index in eight countries. India and Indonesia have eliminated minimum capital requirements; Japan has lifted the requirement that at least one board member in a corporation must be resident. Hungary has introduced quotas for temporary services suppliers.

Only two recent policy changes are recorded in the road freight transport sector. Korea lifted minimum capital requirement for establishments in the road transport sector. France introduced a discriminatory obligation to provide notification on foreign drivers for foreign operators that provide cross-border services.

Road freight transport has been a particularly dynamic sector in recent years. The service is not only extensively traded but it is also an intermediate service at the core of recent developments in networked production, global value chains and just-in-time supply management, with the related demand for door-to-door services. The sector plays an important role in market integration and is an intermediate input for other kinds of trade, particularly trade in goods but also in other services (e.g. distribution services and logistics).

Road freight represents over one third of total inland freight transport (measured in volume), slightly less than rail transport, though the share differs significantly across countries and regions. Reducing unnecessary restrictions and improving productivity in the various sub-sectors can be expected to have significant benefits in downstream industries as well as in the sub-sectors themselves.

More information

» Access all of the country notes, sector notes and interactive STRI tools on the OECD website at http://oe.cd/stri
» Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org

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