



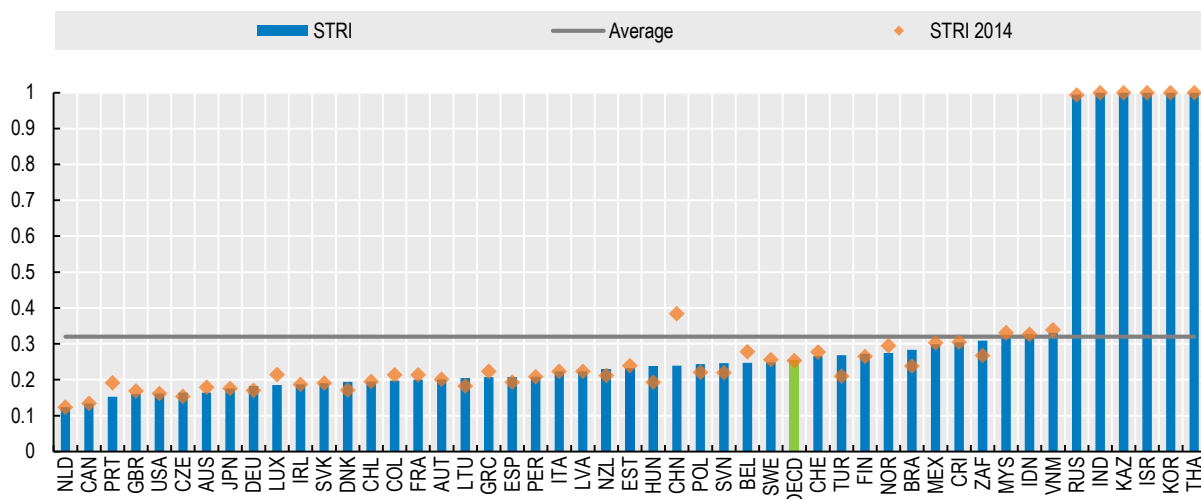
Rail Freight Transport Services 2021

Key findings

- The average 2021 STRI in the rail freight transport sector is 0.32 out of a maximum of 1 (most trade restricted) indicating a relatively high overall level of restrictiveness. However, individual country scores diverge considerably, ranging between 0.12 and 1.
- The best performing countries in the sector are the Netherlands, Canada and Portugal. Most reforms in 2021 were recorded in the Czech Republic, the United Kingdom and Denmark.
- Restrictions on foreign entry are the main drivers of trade restrictiveness in the sector, with contributions to the total index values of 36% in OECD economies and 46% in non-OECD economies.
- OECD estimates suggest that halving the distance to best practice in this sector is associated with a reduction in the costs of cross-border trade in rail freight services between 4% and 11% for the average country included in the STRI database.

Rail freight transport services includes rail infrastructure management and operation of freight services (ISIC Rev 4, code 4912).

Figure 1. STRI in rail freight transport services, 2021



Note: The STRI indices take values between zero and one, one being the most restrictive. The indices are based on laws and regulations in force on 31 October 2021. Rail freight transport services includes rail infrastructure management and operation of freight services (ISIC Rev 4, code 4912). The STRI regulatory database covers the 38 OECD countries, Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russian Federation, South Africa, Thailand, and Viet Nam. Singapore and Iceland are not included in the country sample as they do not operate rail freight.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD STRI database (2021).

The 2021 STRIs in the rail freight transport sector range between 0.12 and 1, with a sample average of 0.32 (Figure 1). There are 40 countries below and 8 countries above the average. The best performing countries in the sector are the Netherlands, Canada and Portugal. Korea, Thailand, India, Israel and Kazakhstan are fully closed to foreign firms, with their STRI index being at 1.

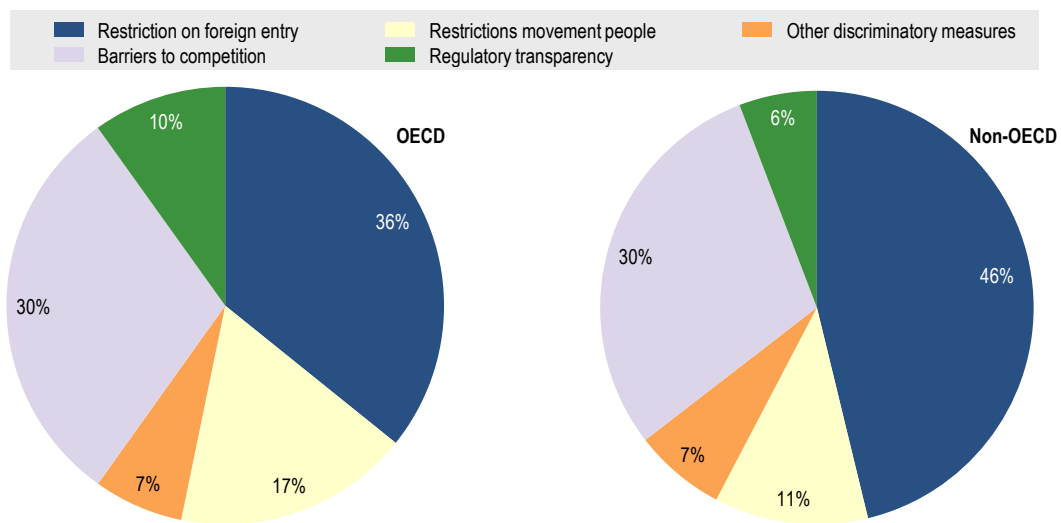
Several countries introduced regulatory changes affecting the STRIs in 2021 and more so since 2014 (Figure 2). In 2021, the STRIs in this sector saw the biggest changes in the Czech Republic (10%), Denmark (8%), Brazil (6%), New Zealand (-5%), Australia (-7%), and the United Kingdom (-9%). Since 2014, on the one hand, we have observed countries that have had the strongest restrictive trends such as Turkey (28%), Hungary (23%) and Brazil (19%). On the other hand, there are strong liberalising trends in Luxembourg (-14%), Portugal (-20%), and China (-38%).

Figure 2. Change since 2014 and change in the last year, by country



Note: Selection criteria for Panel A was based on largest absolute changes since 2020. Panel B selection is the three largest increases, and the three largest decreases in the STRI since 2014.

Source: OECD STRI database (2021).

Figure 3. STRI for rail freight transport with policies areas by geographical region, 2021

Source: OECD STRI database (2021).

The measures in the STRI database are organised under five policy areas (Figure 3). Restrictions on foreign entry include barriers related to establishing and operating companies such as foreign equity limits or requirements on board of directors and cross-border data flows. Restrictions on the movement of people cover barriers that affect the temporary entry of foreign services providers through quotas, labour market tests and short durations of stay. Other discriminatory measures include discrimination of foreign services suppliers as far as taxes, subsidies and public procurement are concerned. Barriers to competition include information on anti-trust policy, government ownership of major firms and the extent to which government-owned enterprises are exempt from competition laws. Regulatory transparency includes information on consultations and dissemination prior to laws and regulations entering into force. It also records information on obtaining a license or a visa. In this sector, barriers related to restrictions on foreign entry are most prominent and amount to 36% in OECD economies and 46% in non-OECD economies.

Rail transport is provided over a dedicated network where the market structure may take different forms, the two most common ones being: i) vertically integrated rail services firms owning and managing both the infrastructure and the operation of freight services; and ii) vertically separation between the infrastructure management and the operations. No matter the market structure, there are well-established best practice regulations that also take into account competition from other modes of transport, particularly road transport. Transport and courier services are not only extensively traded, they are also intermediate services at the core of recent developments in global value chains and just-in-time inventory management, with the related demand for door-to-door services. 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.

Table 1 lists the most common restrictions identified in each policy area. Under restrictions on foreign entry, common impediments relate to limitations on foreign equity ownership, screening requirements, and statutory monopolies or licenses granted on an exclusive basis. Other horizontal measures such as limitations to cross-border data flows and restrictions to acquisition and use of land and real estate also impact the capacity of foreign firms to do business in this sector.

Restrictions to the movement of people are relatively common across the board and include mostly license or authorization requirements to enter the market (for any profession related to rail services such as train drivers), short permitted durations of initial stay and labour market tests. Under other

discriminatory measures, barriers related to accessing public procurement markets for foreign tenderers remain the most common challenge.

Regarding barriers to competition, understanding the applicable market structure is necessary to evaluate existing barriers to competition. Measures such as the existence of a dominant rail freight provider, whether this provider is controlled by a national, state or provincial government and whether public providers are exempted from the application of competition law, are important measures to grasp the complexity of barriers to competition in this sector.

Finally, under barriers related to regulatory transparency, cumbersome visa conditions for train drivers and procedural hurdles related to business visas are the most common challenges in this sector.

Table 1. Top 5 most relevant measures by policy area, 2021

Policy area	Measure	Countries having a restriction ¹
Restrictions on foreign entry	Memo: Licence/authorisation is required to enter the market	44
	Acquisition and use of land and real estate by foreigners is restricted	32
	Screening exists without exclusion of economic interests	31
	There are limits to the proportion of shares that can be acquired by foreign investors in publicly-controlled firms	25
	Access rights for rail transport	20
Restrictions to movement of people	Memo: Licence or authorisation is required to practice	44
	Limitation on duration of stay for contractual services suppliers (months)	36
	Labour market tests for intra-corporate transferees	35
	Labour market tests: contractual services suppliers	34
	Laws or regulations establish a process for recognising qualifications gained abroad	28
Other discriminatory measures	Public procurement: Procurement regulation explicitly prohibits discrimination of foreign suppliers	41
	Public procurement: The procurement process affects the conditions of competition in favour of local firms	23
	Public procurement: Explicit preferences for local suppliers	23
	Memo: The procurement process below the value thresholds affects the conditions of competition in favour of local firms	20
	Foreign suppliers are treated less favourably regarding taxes and eligibility to subsidies	9
Barriers to competition	National, state or provincial government control at least one major firm in the sector	38
	Minimum capital requirements	33
	Railway agreements are exempted from national competition laws	31
	Access to bottleneck services is mandated	20
	Prices for rail services are regulated	17
Regulatory transparency	Range of visa processing time (days)	28
	Number of documents needed to obtain a business visa	27
	There is an adequate public comment procedure open to interested persons, including foreign suppliers	11
	Cost to obtain a business visa (USD)	9

There is a legal obligation to communicate regulations to the public within a reasonable time prior to entry into force	8
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Notes:

1. The count for “memo” type of measures, which are not scored in the STRI, indicate the number of positive answers recorded for that measure across the 50 countries covered.

Top most relevant measures are selected on the basis of the following criteria: (1) most restricted horizontal measures (i.e. same answer across sectors), (2) most restricted sector-specific measures, (3) key measures, or (4) memos affecting the score of other measures through hierarchy rules.

Source: OECD STRI database (2021).

More information

- » Access all country notes, sector notes, and interactive STRI tools at <http://oe.cd/stri>
- » Read more about services trade policies and their impacts in [Services Trade Policies and the Global Economy](#)
- » Benz, S. and A. Jaax (2020), "The costs of regulatory barriers to trade in services: New estimates of *ad valorem* tariff equivalents", *OECD Trade Policy Papers*, No. 238, OECD Publishing, Paris, <https://doi.org/10.1787/bae97f98-en>.
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org