

Executive summary

The *2012 OECD Recommendation of the Council on Regulatory Policy and Governance* states that OECD members should “Conduct systematic programme reviews of the stock of significant regulation against clearly defined policy goals, including consideration of costs and benefits, to ensure that regulations remain up to date, cost-justified, cost-effective and consistent and delivers the intended policy objectives”. This report contributes to this objective by assessing regulation of freight transport in Mexico, and whether they represent obstacles in the pursuit of their underlying policy objectives. Therefore, other elements of governance, such as institutional design or integrity issues, are not part of the scope of this report.

Regulation of road transport in Mexico

Transport by road is the most important mode of transport in Mexico in terms of production, volume and employment. More than half of Mexico’s international trade by value is carried by road, most of it across the border with the United States.

The most important regulatory instruments for road transport concern safety, weight and size dimensions, the import of used vehicles and emissions.

Fatigue is a factor in a significant proportion of road crashes. Almost all OECD countries regulate driving hours and rest times for commercial drivers, but there are no legal national limits on continuous driving times in Mexico.

Much of the sales of heavy vehicles in Mexico are in the form of used imported vehicles, particularly from the United States, that are often old and likely to be equipped to lower standards in terms of safety and emissions control technology.

Mexico has one of the poorest road safety records in OECD countries in terms of people killed and seriously injured per capita and per vehicle. Lack of resources for enforcement and inadequate co-ordination amongst agencies are a common feature in Mexico.

The regulation on weight and dimensions in Mexico was recently revised and updated. Changes to truck weight and dimension limits tend to be controversial across OECD countries, as there are strong views from stakeholder wielding opposite views.

Recommendations:

- increase the resources available for enforcement
- complete and adopt, as a matter of priority, regulation on hours of service
- introduce emissions standards in the regulation for imported second-hand vehicles
- base any change on the limits of weigh and dimension on empirical evidence that should allow for a cost-benefit analysis of the proposed changes.

Regulation of rail transport in Mexico

Demand for Mexico's railways has grown substantially since their privatisation in 1995, and productivity in the sector has also shown a marked increase. Rail services represent the main transportation mode for a number of sectors in Mexico; the automotive industry, in particular, is dependent on it for integrated production on either side of the US-Mexico border.

The current regulatory framework grants exclusive rights in the provision of rail freight transport services through concessions. Concessionaires need to negotiate compensation for interconnection services and access rights, but if they do not reach agreement after 90 days of negotiations, the Mexico's Ministry of Communications and Transport (SCT) can establish compensation and conditions of such services and trackage rights, but the basis on which terms should be established is unclear.

Prices for freight, passenger and auxiliary services are set freely, and the rail network was privatised to promote competition. However, a number of shippers have claimed that railway rates are too high. The government does not presently collect the data or conduct the analysis required to determine access conditions and tariffs, or where trackage rights are disputed.

Recommendations

- develop capacity to collect and analyse the data needed to form judgements on competition issues
- establish timelines for the development of analytical capacity for determining conditions for the use of trackage rights in cases where agreement is not reached voluntarily
- enhance efforts to gather and report available information in accessible formats to assess rail performance and evaluate possible public policy changes.

Regulation of air freight transport in Mexico

Demand for air freight is largely driven by the economic climate, and as a result, air freight transport in Mexico has grown broadly in line with both GDP and the number of passengers carried by airlines.

The Mexican air freight market is open to entry from national and foreign companies. Regulatory challenges facing by the air freight sector concern:

- Landing and take-off slot allocation at congested airports: In Mexico, auctioning, rather than rationing, is used to distribute slots. This approach is a major departure from the internationally recognised guidelines
- Transposition of international regulations into national one: in fields such as aviation the resources required to establish standards are so large that often these standards can only be developed by international co-operation Furthermore, some of the international standards for aviation stipulate an official language to be used
- Limits to market development imposed by restrictive air service agreements: Open skies agreements relax the controls on routes, frequencies of service and

size of aircraft operating services, which can produce strong economic benefits for tourism and trade, as well as reduced air fares.

Recommendations

- facilitate the implementation of auctions for primary slot allocation or replace the auction mechanism with international standards on airport slot allocation
- publish aviation standards immediately in their original language in the Official Gazette, with acknowledgement that they are legally binding until replaced by official translations
- consider the adoption of a policy that seeks open skies agreements with other nations, in order to accrue benefits in trade and tourism of expanded air service, and enable Mexican air carriers to enter into alliances with antitrust immunity.

Regulation of ports in Mexico

Mexico has 117 ports and terminals that handled 288 million tonnes of goods in 2013. Four ports are considered to be national hubs: Manzanillo, Lazaro Cardenas, Altamira and Veracruz.

The SCT has the legal authority to grant concessions, permits and authorisations for building, establishing, administrating, operating and exploiting works and goods in ports, maritime terminals and port installations.

Mexico suffers of lack of capacity of hinterland connections with ports; and road connections appear more developed than rail. Main bottlenecks in ports are linked to the release of cargo due to various controls and administrative procedures, which increase burdens for companies and restrict transport activity.

Recommendations

- develop an integrated logistics strategy for the main four Mexican ports to increase the volume of containers that could be carried on railroads
- increase port efficiency by: establish a dedicated area free of border controls for coastal shipping; introduce a specific regime to facilitate transshipment; expand opening hours of customs and other inspection agencies; simplify port gate operations.



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