

Foreword

Governments create and issue regulation to reach a public policy objective, such as protecting lives, minimising the impact of economic activity in the environment, or informing consumers. Well-designed, high-quality regulations can not only help achieve these goals, but generate more benefits than costs for society.

In any jurisdiction, the transport sector is subject to a myriad of rules and regulations with different policy objectives, such as: road safety, tax collection, promoting industries, and restricting the market power of firms. Mexico is no exception. Furthermore, the horizontal nature of the transport industry makes it a sector whose performance has a direct impact on other industries, affecting the availability, quality and price of products and services in these sectors. Ultimately, a badly regulated transport sector can have a ripple effect across the economy, hampering growth and economic development.

The *2012 Recommendation of the Council on Regulatory Policy and Governance* recognising the need to have regulations that are “fit-for-purpose” invites OECD countries to “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 deliver the intended policy objectives”.

This report *Review of the Regulation of Freight Transport in Mexico* is a response to this recommendation. Mexico’s Ministry of Economy and Federal Commission for Better Regulation (COFEMER) asked the OECD to carry out a review to identify regulatory barriers, obstacles, implementation flaws or inefficiencies affecting the freight transport sector in Mexico. The objective of this review, therefore, is to generate recommendations for improvement using as basis good international practices. These recommendations will be used to prepare a set of legal reforms for the road transport, rail, civil aviation, ports and border management sectors. The goal is to promote economic efficiency, productivity and growth. This study is carried out as part of a broader programme of co-operation among the Ministry of Economy, COFEMER and the OECD to strengthen competitiveness in Mexico through regulatory improvement.

The *Review* finds several regulatory challenges across the different means on transport. For instance, on road transport the modification of regulation on limits on weigh and dimensions should be based on empirical evidence and on a clear indication that the benefits of any regulatory restriction outweighs the potential costs. In rail transport, the *Review* suggests that authorities should develop the capacity to collect and analyse data needed to form judgements on competition issues. Similarly, on issues on ports, the *Review* finds that the lack of infrastructure coupled with legal controls and administrative procedures create unnecessary bottlenecks in the release of cargo, hence affecting efficiency of transport and increasing costs for businesses.

The link between regulation that inhibits economic activity, either by creating barriers to entrepreneurship or by restricting competition in the marketplace, and lower productivity has been studied by the OECD using an indicator on product market regulation and related research (see <https://www.oecd.org/eco/growth/indicatorsofproductmarketregulationhomepage.htm>). Therefore, this review can contribute to Mexico's efforts to bolster economic growth.

Most of the main regulatory issues in this review were identified through a series of meetings with public officials and regulators of the transport sector, as well as business and private associations and chambers of industry in the transport sector. Meetings were held between officials of the Regulatory Policy Division of the OECD, the International Transport Forum (ITF) at the OECD, the Ministry of Economy, COFEMER, and several departments of the Ministry of Transport and Communications of Mexico, including the General Directorate for Road Transport, the General Directorate for the Merchant Marine, the General Directorate for Civil Aviation, and General Directorate for Rail and Multimodal Transport; as well as industry and academia representatives.

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