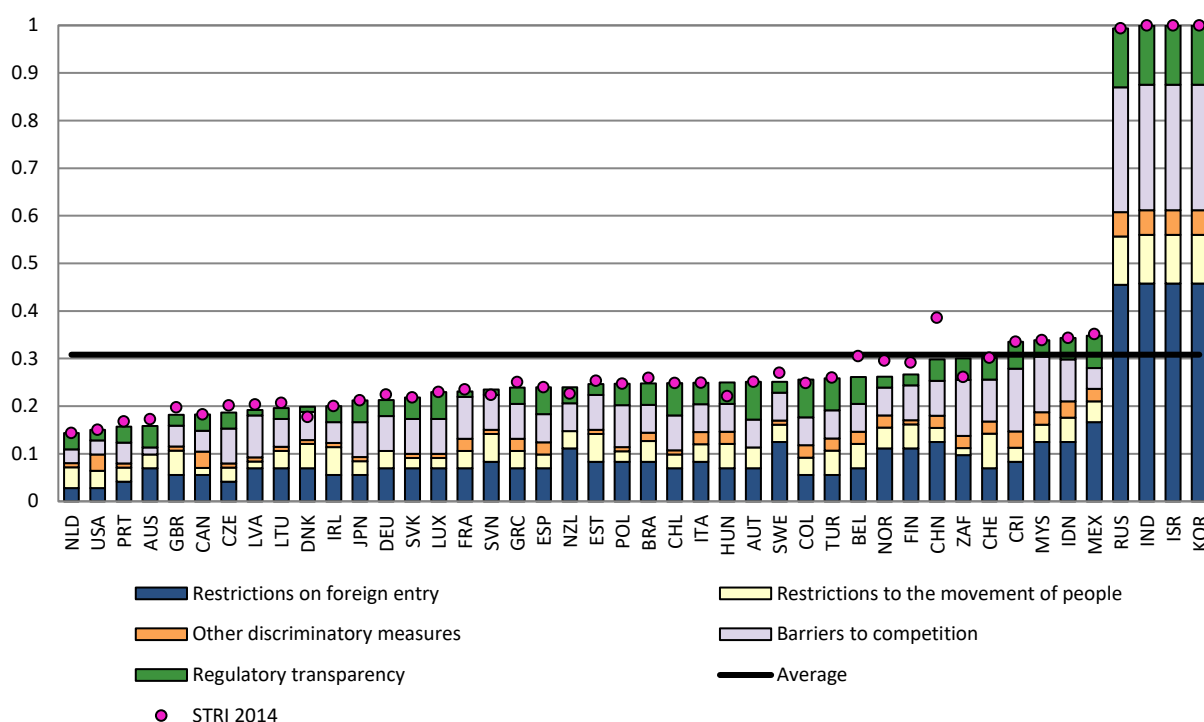


STRI Sector Brief: Rail freight transport services

This note presents the Services Trade Restrictiveness Indices (STRI) for 36 OECD countries and Brazil, the People’s Republic of China, Colombia, Costa Rica, India, Indonesia, Malaysia, the Russian Federation and South Africa for rail freight transport services in 2018.

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.

STRI by policy area: Rail freight transport services (2018)



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. Iceland is not included in the country sample as it does not have a railway network.

The sector covers freight rail transport, excluding passenger rail transport. The 2018 scores in the rail freight transport sector range between 0.14 and 1 with an average of 0.31. There are 34 countries below and ten countries above the average.

India, Israel and Korea are completely closed to trade and investment in rail freight transport services, while in the Russian Federation only some forms of cross-border trade are possible. The former two countries have state-owned vertically integrated monopolies, while in Korea, only the state-owned company *Korail* has been licensed to operate rail freight transport services. These features alone, coupled with international transit and access rights that are either prohibited or inexistent, essentially close the sector in these countries. The score in the Russian Federation is not exactly one as international transit is still possible; however, the government owned *Russian Railways* is the only company managing the railway infrastructure and providing locomotive traction services and, while other rail operators may use their own freight cars and locomotives, *Russian Railways* controls the provision of the service.

Restrictions on foreign entry also contribute to the STRI scores in this sector. Measures included under this category are mainly related to general regulations on board members, cross border data flows, local presence requirements, limitations to acquisition and use of land by foreigners, and, in some cases, restrictions on access rights to the internal market. In addition to the countries mentioned above, only one country limits foreign participation to 49% of equity shares in railway companies and three countries subject foreign investment in the sector to screening and approve it if it brings net economic benefits to the country.

Government ownership is recorded under *Barriers to competition* and is widespread in the rail sector. All major railway companies are privately owned in only seven countries. In 15 countries, where one of the main rail transport companies is state owned, the government can overrule the decisions of the rail regulator. Another commonly found restriction under this policy area, in the vertical separated market structures, is the restriction or outright prohibition to transfer and/or trade infrastructure capacity. Secondary capacity trading is likely to mitigate problems with efficient capacity allocation in the rail sector. Finally, in several countries, different types of rail agreements are exempt from national competition law.

Compared to 2014, represented by the pink dots in the chart, the STRI scores in 2018 have become lower (less restrictive) in 18 countries and higher (more restrictive) in seven countries. The most significant reduction in services trade restrictions is found in China. In 2015, China introduced a new Catalogue for the Guidance of Foreign Investment Industries that lifted foreign equity limits in the rail freight transport sector; in 2017, China introduced a new Cybersecurity Law, establishing new rules on privacy and security regulation for cyberspace, including setting conditions on data processing and localisation. Other policy reforms in the rail sector observed between 2014 and 2017 include: the establishment of an independent rail regulatory agency in Mexico in 2015; the adoption of pro-competitive regulation on access to the rail infrastructure and capacity allocation in Turkey in 2015; and, the privatisation of part of one of the main Belgian rail freight operators (*B Logistics*) in 2016. Lastly, in 2017, Norway and Czech Republic also introduced pro-competitive regulations overseen by an independent regulator.

Furthermore, improvements in administrative procedures under the regulatory transparency area explain a large part of the improvement in the STRI index for several countries with a lower score. Furthermore, Indonesia and India eliminated minimum capital requirements; Korea lifted conditions on capital flows; and a small number of countries eased barriers to movement of people. Contributing to the tightening of the score is the introduction of new restrictions on cross-border data flows in a small set of countries; toughening of regulation on the movement of people in many other economies.

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.

More information

- » Access all of the country notes, sector notes and interactive STRI tools on the OECD website at <http://oe.cd/stri>
- » Read more about services trade policies and their impacts in this publication: [Services Trade Policies and the Global Economy](#)
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org.

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