



BULLETIN

FAL

FACILITATION OF TRANSPORT AND TRADE IN LATIN AMERICA AND THE CARIBBEAN

Institutional framework, co-modality and sustainable transport services

Background

Transport services are a key element of economic development and competitiveness at the country level and, as such, are a major investment budget item. They also generate externalities for the population. Among these are environmental impacts, particularly if the main energy matrix is based on non-renewable fossil fuels. It is therefore crucial to have effective, high-quality transport policies which take proper account of this core issue and the complexities involved.

In practice, transport policy design and implementation in Latin America is far from achieving this. There are major obstacles which must be identified and analysed so that strategies can be designed to overcome them. The first is linked to the *nature* and *quality* of public policies designed to address the challenges of development. The second obstacle, which is closely linked to the first, is the *public institutional framework* and arrangements which countries establish to implement their policies. The third obstacle is the *social and political feasibility* of policies to be implemented in terms of how they affect different stakeholders. These three obstacles determine the level of success these policies will achieve. The objective of this study is to look at the issues relating to institutions and the challenge of designing and implementing systemic, integrated, sustainable transport policies in the current institutional framework in the countries of Latin America.

I. Public policy quality

Generally speaking, public policy is action taken by the State to address specific territorial or social issues by changing a situation which is considered a problem or by dealing with a challenge for the development of a region, community or country in order to achieve socially desirable or valued goals. Policy action seeks to alter, to a certain extent, the so-called *causal chain* behind the problem or challenge, by breaking down barriers or strengthening factors which help to solve the problem or making the

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most of opportunities opened by the challenge. It could therefore be said that a policy has the necessary *quality* if it correctly interprets (or explains) the situation; this depends on how close it comes to capturing the essence and systemic complexity of the causal chain behind the problem in need of intervention. If the interpretation is correct, intervention will target the areas which have the greatest impact on the situation and the policy will have a better chance of achieving its objectives.

Transport policymaking in Latin America is quite often fact-based rather than a systematic, consistent approach grounded in an understanding of the role that these services play in development. It therefore comes as no surprise that the expansion of infrastructure has been somewhat haphazard and strongly unimodal. Policies generally lack an integrated approach and tend to be implemented by a host of government agencies without even basic coordination among them.

Over the past few decades, the need to expand transport infrastructure and services at a pace that matches or even anticipates the needs of economic growth has, in the search for solutions, gradually pushed public policies away from a unimodal approach towards one that advocates multimodality and intermodality, particularly for the transport of goods or cargo. Both approaches are based on the idea of complementarity between modes of transport in order to reduce costs and the travel time between two points, thereby increasing competitiveness.

However, because the policies followed are still too heavily slanted towards a unimodal approach, public investment policies often contradict each other. For example, in some countries there are policies which promote the modernization of public transport while devoting vast government resources to subsidize urban motorways and thus, incongruously, encourage greater use of private cars. Other policies stimulate investment in rail transport and at the same time encourage road infrastructure expansion directly by the State or through concessions awarded to private investors, disregarding the fierce competition between these modes of transport, particularly in certain areas of a country or for certain types of cargo.¹ In short, investments which do not achieve the social optimum.

Privatization of State-owned companies and services in the region started in the 1980s, as did the granting of concessions to private investors for the construction of transport infrastructure. Perhaps this marked the beginning of a shift towards a transport infrastructure market paradigm, particularly for infrastructure concessions, as

¹ There are several examples in the region. In Santiago, a costly public transport modernization programme was launched in the 2000s while at the same time the construction of urban highways was being subsidized. In Caracas, considerable investments are being made in the metro system while a substantial fuel subsidy benefits motorists above all.

private investments could be recouped through fares reflecting, to a certain extent, their real price.² As a result, prices may internalize the externalities of infrastructure investment, including environmental impacts, making transport services sustainable.

II. Co-modality and its implications

Since the European Union coined the term “co-modality”³ to describe the integrated design of public policies on transport in Europe, this new concept has been promoted in Latin America, particularly by ECLAC, as a way of fostering a new paradigm in the design of public policies on transport services, making them more sustainable and efficient and helping to make the countries of the region more competitive.

An internal working document produced by the Natural Resources and Infrastructure Division of ECLAC defines co-modality as: The use of one mode or an intermodal combination for a journey or a series of journeys of persons or merchandise, maximizing the efficiency of the overall journey. Co-modality therefore seeks to achieve integration and modal complementarity using efficient, competitive and sustainable standards and focusing on user needs rather than on the mode of transport used. As a result, co-modality is a central and indispensable part of a modal shift strategy within an integrated and sustainable logistics and mobility policy.

Co-modality therefore looks for a combined or integrated way to use different modes in a transport system, fostering optimal utilization of each mode or each combination of modes so that an overall journey is efficient and sustainable. It advocates a policy approach that is not only more integrated but also more proactive, so that stakeholders can act and make decisions in a particular way. This means that policy will have to do more than establish the regulatory framework which will guide decision-making by system stakeholders. What is more important, it will have to identify, define and try to align incentives that encourage transport stakeholders and users to choose the best possible combination of modes (obviously, when a combination of modes is available for the route in question).

² Although there are sometimes tolls or service charges for using State infrastructure, they do not necessarily reflect the effective value of these investments. As a result, there is a certain level of implicit State subsidies for private transport operating on these roads, which are rarely factored in. The current infrastructure concession system also entails a State subsidy, but in this case it is explicit and part of the concession business model and linked to the level of real demand for these roads (in some models, the subsidy is triggered only if actual demand is lower than the estimated or reference demand in a given period). This means that the price or fare is stated in more real and explicit terms. Otherwise, the concession tendering process could fail or subsequently contribute to the judicialization of relations between the State and concession holders.

³ European Union (2006), *Keep Europe moving: Sustainable mobility for our continent*, Brussels, June.

A. Towards the essence of co-modality: decision models for transport users

According to the co-modality approach, efficiency in the use of transport modes has a lot to do with their environmental sustainability. This means that transporting goods and passengers not only has a monetary cost, but also an environmental cost. The monetary cost comes under the economic rationale of decisions made in a competitive (market) environment. By contrast, the environmental cost falls within a global rationale (sustainability) and therefore is an externality of transport which is not necessarily taken into account by those who trigger it when making decisions relating to the way in which they travel or transport goods.

Inescapably, the two spheres must be linked by internalizing the environmental cost within the economic rationale governing transport choices, which falls within the requirements of competition. To put it another way, sustainability should be seen as an effective cost that, if not taken into account, affects product competitiveness (markets which have environmental footprint requirements are one example). Competitors should therefore add this cost to the others in their decision model.

As the 2011 review of the European Union's White Paper states, each mode of transport must bear the full cost of operation. This means not only the direct cost of using the mode (such as fuel, maintenance and replacements) but also the externalities of transport use, particularly environmental externalities. In the European Union, this has resulted in policy instruments such as revising taxes on transport services in order to replace annual road and registration taxes with variable ones on fuels (particularly fossil fuels) or implementing a general payment scheme for infrastructure use based on a complex formula for internalizing external costs.

Co-modality achieves efficiency when the users of a transport mode choose, for each journey, a balance between the economic rationale —production and transport service costs— and sustainability requirements for modes used to transport goods, which are also internalized as costs.

B. Co-modality in goods and passenger transport

The concept of co-modality focuses on the fact that combining modes of transport leads to the efficient and optimal movement of goods and passengers. Both terms assume that a rational decision on the part of the user is behind the choice of one mode of transport or another or a combination of modes. However, it can be argued that there are different decision paradigms for the transport of goods and the transport of passengers.

In the case of goods, the rationale centres on the simple and direct economic or monetary cost and how it affects the competitiveness of the item to be transported (plus, perhaps, the opportunity cost of being, or not being, in a market at the right time, as is the case of prime cargo). This rationale is external to what is being carried (physical goods, which do not have feelings and cannot complain).

Cost is also a key element in passenger mobility. However, in this case, it is not just the cost of the fare, but rather a combination of variables which come together and interact in many ways, such as distance/time and quality (comfort and safety), which vary depending on the social group (economic, age, gender) or the activity carried out by the passengers. This also involves a rationale that is internal to what is being carried (passengers who have feelings, views and can complain, because it is a public service in which the State has significant responsibility).

In other words, decision trees could be useful for the co-modal transport of cargo because market competition affects all competitors in more or less the same way and the cost or price is similar for everyone (including the cost of time, except for prime goods).

However, in the case of passenger transport, there are different perceptions of cost that come under more than one decision rationale, where variable combinations of factors determine how and in what people decide to go from one point to another (for example, comfort, safety, travel time and predictability, and the cost of the fare are of key importance). In such cases, co-modality seems more like a problem and choosing it will almost certainly be in response to encouragement from the State rather than an individual decision.

Transport of goods and freight takes place mainly in inter-urban areas (only part of the journey is in urban areas), while transport of passengers is generally in urban areas and only part of it is in inter-urban areas. In each area there are certain factors which must be considered because the combination or integration of modes varies and users tend to base their decisions on different rationales.

A key element to these factors is competition. There are two types of competition between modes for inter-urban cargo transport. On the one hand, there is competition over how the goods or freight are shared out between the different modes, which is normally in line with the private economy rationale of price or fare, which determines the effectiveness of one mode or another and the possible combinations thereof. On the other hand, there is competition between lorries, buses and cars over inter-urban roads because as economic activity in a country rises and businesses and people become wealthier, the stock of

vehicles using the space also increases, as do congestion costs. This in turn affects travel time and, therefore, costs, and it has an environmental impact as well (because more fuel is used and more particles are generated due to frequent braking).

III. The sustainable transport policy we need

Co-modality, because of what it involves, puts considerable pressure on Latin America's traditional way of formulating transport policies, as well as on the structure and workings of the State apparatus in this area. A new paradigm for policymaking, like the one that co-modality entails, calls for profound changes in structures, management models and the way the State operates, not only at the sector level but at a more general one as well.

A. Constraints for integrated public policy posed by the structure of the State in Latin America

In Latin America there tends to be a wide range of policies and sectoral regulations which regulate and foster the use of different modes of transport. However, they do not share a system-wide and integrated approach which would make them consistent and allow for real regulation and enforcement. This has resulted in modal policies designed, above all, to resolve a particular problem which is associated with a mode of transport. However, attempting to maximize the gains of each transport mode individually is as impossible as it is absurd.⁴

This issue is, of course, related to the traditional structure of the State apparatus in Latin America, which grew and developed due to aggregation of functions and the requisite structures as the challenges of development became more complex and specialized. During the early stages of building the nation-State in these countries, there was virtually no need for transport infrastructure development policies. Although the world and the role of the State have changed considerably, until recently this paradigm had not.

Nor have most of the States of the region undergone sweeping reforms to adapt the government apparatus to the new role which development requires. State modernization has taken place in some countries, but only to a certain extent, and in many cases it has involved changing processes rather than frameworks. At the same time, there have not been many incentives designed to curb or bring order to the proliferation of structures where functions often overlap or are subdivided illogically. Doing so would improve the distribution and balance of political

power, particularly when governments are formed through complex and often unstable political alliances.

In short, governments come up against political problems when carrying out major public administration reforms, facing the well-known dilemma of government: should I make inward instead of outward reforms, to the best of my ability and as promised, during my four, five or six years in office? Or should I stick to the agenda and do what I can to make outward reforms using the instruments available? The second option is the natural choice, particularly for governments with shorter presidential terms.

B. Institutional challenges for developing systemic, integrated transport policies

Designing integrated, systemic transport policies in keeping with the co-modality approach might not necessarily involve sweeping institutional reforms but could entail some changes in the way public institutions design their policies and manage implementation. While this might seem straightforward (and, strictly speaking, it is), there are challenges that virtually none of the countries of the region have overcome. At least eight of these challenges are decisive.

- One challenge is that transport policy tends more towards the factual than the explicitly designed. In other words, transport policy papers drafted and structured as such are few and far between in Latin America.⁵ In some cases, presidential candidates put out platforms that include, at best, a section on "transport issues" with a list of things (usually, construction projects) that the candidate promises to do if elected. But these clearly are not policy papers per se. Besides, it is not unusual for these promises to be inconsistent with what the country has been doing or with other objectives in the same political platform.
- A second, widely-acknowledged challenge is the over-sectorialized and over-compartmentalized way in which public transport policy tends to be conceived and designed within each area ministry. As ECLAC has noted, in more than a few cases in Latin America, the ministry of infrastructure or public works responsible for infrastructure planning is completely separate from the transport ministry. There may also be a planning ministry responsible for studying territorial development and an agency fostering private investment. It is clear that when the bureaucracy is so complicated, the overall consistency of the policy area suffers and,

⁵ In Latin America there are no policy papers such as the white papers on transport produced by the European Commission, the United Kingdom and a number of European countries, which are systematically drafted on the basis of sound evaluations, are often harshly self-critical and contain well-grounded projections used to identify objectives and map out action plans and instruments with clear targets that are then implemented by means of regulatory and institutional mechanisms and, subsequently, evaluated.

⁴ See Cipoletta Tomassian, Georgina, Gabriel Pérez Salas and Ricardo J. Sánchez (2010), page 14.

above all, development issues may be pushed into the background and lost in the policy shuffle (Pérez Salas, 2008 and NRID/ECLAC/UNASUR, 2012).

- A third challenge is the endemic discontinuity of public policy in the region. Policy objectives and priorities don't change only when the administration does (even if the incoming one has the same political leanings as its predecessor) but also when there is a change in sectoral minister within the same administration. This makes ministry policy more of a personalized matter, lacking an overarching rationale based on a sound technical assessment of the issue to be addressed.
- A fourth challenge lies in the generally long lead time for infrastructure project implementation, while administrations tend to focus on obtaining short-term results during a presidential term in order to "have something to show" and ensure continued citizen political support for the rulers. This can lead to shying away from long-term policy challenges or to addressing an issue in the hopes that the administration taking the initiative can claim the achievement as its own, sometimes forcing the process to the point of creating disastrous situations that even run counter to policy.
- A fifth challenge (which also has to do with infrastructure projects often outlasting an administration's term of office) is that much of an incoming administration's ministerial project agenda is tied to budget commitments for ongoing projects launched by the outgoing administration. It is therefore common for a new administration to find that it cannot start on projects identified as priorities in its platform and programmes until its second year in office, at best. As a result, administrations often cannot complete landmark projects (which tend to be major ones) called for in their policies. This tends to put a damper on the political will needed to undertake sweeping transport policy measures.
- A sixth challenge is that it is very hard to put intersectoral priorities (like the need for systemic, integrated transport policy) above sectoral agenda priorities. Sector-oriented agendas usually win out because ministry authorities are politically accountable for how they advance a sectoral agenda but are not recognized for what they contribute to comprehensive, macro solutions for issues involving other institutions that would share the limelight.
- The seventh challenge is that transport issues tend to be the "poor relative" of infrastructure and public works and are often dealt with separately from them. Public works are traditionally viewed as more valuable than sound transport policy or regulations because their

higher profile enables them to move more resources. This seems to have to do with the way that nation-States were shaped in Latin America: the process was closely tied to transport infrastructure development (above all, roads and ports) and a longstanding neglect of territorial planning and development and of connectivity and mobility issues. Population growth and increasing and more complex land occupation, growing and more complicated needs and rapid environmental degradation have made it necessary to take a more careful look at, among other things, how we are using resources, how we are impacting them in order to maintain a certain lifestyle, and how we are to ensure that more human beings have equitable access to the fruits of development.

- Challenge number eight is the fact that behind each transport mode is a lobby that exerts strong influence over decision-making or can help block change. In Latin America, it is common for private operators to bring cargo or passenger transport to a standstill when a government tries to make major changes to the status quo. What is more, there has historically tended to be a political-client relationship between these stakeholders and politicians that can turn election-period promises into situations that public policy aimed at substantial modernization can be hard put to change.

Taking into account the components that make up the situation in the region, the major shortcomings in the area of transport policy come as no surprise. The above-mentioned challenges call for a new look at the State and at the quality of governance and even of policy. There is a need to advocate a new paradigm that changes the way public transport policy is made in the region.

IV. Co-modality, integrated and sustainable transport policies, and institutional framework

The proposed co-modal approach has major implications in two essential respects: one as a new conceptual paradigm for the development of public policy on transport, and another that has to do with the institutional framework needed to overcome the limitations and inertia of existing institutions in order to put policy measures into practice.

A. A new paradigm for developing integrated transport policies

Co-modality entails a new paradigm for designing transport policy with implications for the sector itself and for matters closely tied to transport and transport services in market economies.



1. The transport policy approach

From an area perspective, transport policy is systemic and comprehensive when it takes into account the logistics chain of which transport services and infrastructure are a part.

It has been suggested that transport, infrastructure and logistics form a systemic trilogy requiring improving infrastructure investment planning and decision-making and the way that transport service operations are regulated, in order to ensure effective resolution of complex issues affecting these sectors—which usually call for integrated, multisector solutions.⁶

The concept of co-modality is grounded in the need for efficient and optimal use of mobility resources in terms of combination, integration, and modal complementarity, as seen in “efficient, competitive and sustainable standards” across the logistics chain. It is understood that optimal use consists of carrying cargo from point to point, seeking the most sustainable modal combinations, the lowest cost and the shortest time, with the highest possible level of cargo security, traceability and delivery predictability.

2. Univocal design at the core of systemic transport policy

Consistent, effective and sustainable policy (for transport or any other sphere) must start with an integrated, systemic concept (theory). This requires an integrated, systemic approach to the issue or situation in need of intervention, identifying its component parts, relative causal relevance and interlinkages. The policy focus then becomes the set of components that seems to have the greatest causal impact on the current situation. This approach must go beyond any single sector: it must be univocal and encompass management of all of the sectors involved, leading to implementation of the entire range of transport policy components.

Integrated, systemic policy must be made by an integrated, multisector team even if it might be in the hands of different agencies after implementation. This involves rethinking the current institutional approach to planning (where each ministry has its own planning office). Instead, there should be a supra-sectoral planning body or unit that, while above the sectoral ministries involved, draws

⁶ In Cipoletta Tomassian, Georgina, Gabriel Pérez Salas and Ricardo J. Sánchez (2010), page 16.

on technical teams from all of them or at least brings in specialists in each area. There must also be generalists who contribute a systemic, overarching take on the issue that ensures progress by combining different viewpoints and overcoming silos and turf wars among institutions at the sectoral level.

3. Conceptual implications of co-modality for policy instruments under a systemic policy design approach

The idea of co-modality brings in an element that is different from the older concepts of multimodality and intermodality. It is the idea of “optimal complementarity”, which advocates the use of different modes of transport to move goods or passengers from one point to another in an efficient and sustainable way. This means that a certain combination of modes will best serve the interests of users while meeting the requirements of efficiency, spurring growth that is more competitive and less harmful to the environment. Co-modality centres on the mode or combination of modes to maximize trip efficiency, understanding that the optimum route is the one that strikes a balance, not only with regard to the rate/time/distance equation but also in relation to the requirements of environmental sustainability.

The challenge lies in how to define “optimal complementarity” and what the underlying “virtuous equation” is, how to achieve that equation and who makes this possible, maximizing efficiency and sustainability. These issues are shaped by the institutional framework, that is, the regulatory and organizational architecture that makes it possible to put any given public policy into practice.

Previously, it was argued that, since the dominant model of development in Latin America is the market economy model, the way to advance co-modality might not be so much through rigorous planning at the State level (although the State must obviously play an active role in designing systemic and integrated transport policy, developing the requisite policy instruments and using its enforcement authority to ensure compliance with the regulatory framework behind the policy). Rather, the path would be through a decision model that integrates economic considerations relating to direct costs of the activity while factoring in its cost externalities, including the most important one: the environment.

If the transport policy based on co-modality that also guides decision-making by transport system stakeholders is to move forward in the framework of market economies, it is obvious that this must take place through effective market mechanisms. In other words, it will be through incentives and disincentives that become part of the set

of elements that stakeholders take into account when making decisions—the decision model—and through key decision-making instruments such as information.

Since modes of transport are run by private operators whose decisions are market-oriented, someone must equitably provide the information that will enable cargo owners and forwarders to ensure the most efficient and competitive combination of modes possible for transporting that cargo, as well as other components that enable and strengthen co-modality. What is needed is a source of reliable and timely information for cargo operators to design the best possible routes and combinations of modes.

It would seem that the most natural alternative would be a public entity, because it would have to ensure the neutrality of the modal combinations that cargo owners or operators put together or design as most appropriate for them. This requires an efficient system that would be useful in choosing the most efficient and sustainable combinations of modes, taking into account (i) the volume and variability of the demand for information; (ii) timing and location in a given country; and (iii) the responsiveness required by the pace of competition in an internetted world. In other words, what is involved is a vast information system with the technological capacity to handle large volumes of data that must be constantly updated. The provider of this information should therefore be a public entity, albeit possibly separate from the relevant planning and regulatory authority.

In addition to the advantage of neutrality when a public service manages the information, it is to be expected that no private stakeholder would gain a competitive advantage because the information would be managed online and each stakeholder would have direct access to the database and be able to tailor its own best and most efficient routes. This would also involve a previously unheard-of degree of information transparency regarding transport service providers, with disclosure of rates and other data. However, this would not bar direct negotiations between the cargo owner or forwarder and the transport service supplier.

Some might propose that the information service could be in the hands of private providers. This is indeed a valid option, although it would add to the cost of transport services. But in this case the regulator would need to ensure a regulatory and enforcement structure in order to safeguard transparent competition by making sure that private providers of the co-modal information service could not come under pressure from interest groups.

B. The institutional framework for integrated and sustainable transport policies: proposed corrective actions

Optimum, efficient use of transport modes requires appropriate policies as well as institutional arrangements to ensure that transport service users and operators alike think and act in the right direction.

It is very hard for a disaggregated and operationally compartmentalized institutional framework like the one in place in most of the countries of the region to give way to a transport policy that encompasses, in a systemic and comprehensive fashion, the set of factors that shape the issue of transport and development in a given country, that is to say, that addresses all of the issues and challenges of development in specific territories and human groups.

In order to “put back together” what State sectorialization has split up, the region has tried a variety of mechanisms that are usually entrusted to need-based inter-institutional coordinating offices beyond the silos and overlapping jurisdictions that are usually the case. These solutions range from creating “supra-ministries” of infrastructure to merging related ministries, passing through intermediate institutional solutions such as executive secretariats, commissions, inter-ministerial committees and the like, all the way down to simple meetings conducted with some regularity between authorities from different sectors, often called to defuse potential conflicts. But these efforts are not producing encouraging results. For example, the mere creation of a supra-ministry does not solve the problem if it is not part of a real plan for integrating both sectors by rethinking regulations and the very way that the State is structured and organized. The experience of the countries of Latin America has shown that, instead of improving sectoral coordination, the traditional model is quickly replicated and operates as two separate entities even if they are under the roof of the same ministry.⁷

The other arrangements that have been tried, such as inter-ministerial committees or executive secretariats, tend to be short-lived. While they are not usually a formal component of the institutional make-up of the State (that is, created under organic laws that govern ministries and secretariats), their operations and survival depend on the will of those who are in charge of these institutions. Such bodies usually arise in response to the imperative need to take concerted action while conducting projects in overlapping territories or areas, and they last until the issue is resolved or the project requiring coordination is completed. Beyond that point, key figures (ministers, deputy ministers) of these committees are gradually

⁷ See Cipoletta Tomassian, Georgina, Gabriel Pérez Salas and Ricardo J. Sánchez (2010), pages 13-14.

replaced by staff members with less decision-making authority, until meetings are no longer held and the bodies themselves fade away.

Efforts to coordinate levels of government, trying to merge (after the fact) parts of a blanket policy that were initially designed separately, do not necessarily yield an integrated or (especially) consistent policy. As noted, the issue then has to do with the underlying disjointed approach of what was meant to become public policy.

But when public policy is designed from the outset in keeping with an integrated, systemic approach by supra-sectoral teams that nonetheless span sectoral viewpoints as proposed above, the resulting coordination will not reconstruct a conceptual unity that never existed. Rather, it will be a planned integration of the various policy components, guided by the overarching vision of the original integrated concept.

To maintain policy consistency throughout implementation and across areas, there will also have to be an effective follow-up and oversight mechanism. This mechanism will have to ensure, as usual, proper budget execution. But above all it will have to ensure appropriate management of each substantive portion of the policy at every stage of implementation, with regular evaluations to keep the approach in step with policy goals. In this case, the same supra-sectoral planning body or unit will be tasked with follow-up and evaluation, recommending corrections to the ongoing implementation process on the basis of evaluation outcomes. This body will report to a committee of ministers made up of the heads of the area ministries involved, which should include, at least, transport, public works, urbanism and planning (if any).

C. Additional components of an integrated and sustainable transport policy

With a view to achieving integrated and sustainable policy, the regulator might need to establish at least the following types of components:

(a) A regulatory framework and incentives and disincentives —possibly in the form of taxes, fees, exemptions and so on— to ensure or promote the best possible alignment of these elements (direct costs and externalities) for the sake of co-modality, that is, to encourage stakeholders and users to map economically and environmentally virtuous combinations of modes resulting in effective and sustainable transport. The regulator must ensure that the mechanisms for competition between operators of different modes are fair, transparent and as close as possible to a “perfect market”, without hidden

subsidies or cross-subsidies (between rail transport, which is generally State-owned, and road transport, which is wholly private) and that the “price” (in form of taxes, rates, or other items charged to environmental externalities) is fair and balanced and is not a drag on competitiveness.

- (b) An intraregional regulatory framework is needed to ensure that competition between cargo transport operators is also transparent and fair, with no hidden or indirect subsidies from the countries involved. Such bodies should be responsive in reaching agreements and at the operational level as well, and they should provide the means to guarantee enforcement of and compliance with regulations for transparency and fair competition. Such agreements should also include commitments to eradicate the corruption that in some of the countries of the region so often surrounds road transport in particular and adds illegal, illegitimate costs to cargo transport.
- (c) Infrastructure that is planned for co-modality, recognizing that the optimal mix of modes requires appropriate infrastructure such as cargo transfer points and holding points and space for equipment to transfer cargo from one mode to another. This requires a certain level of regulatory intervention through spatial planning and urban development planning.
- (d) Modernization of sector operators. In Latin America, while there are many cargo transport companies, especially for road freight, the predominant model is still one in which the production unit is the owner and driver of one or two trucks. This atomization of the industry tends to increase costs unnecessarily because it is very difficult to take advantage of economies of scale and it is more costly or almost impossible to access credit to ensure timely renewal of vehicle fleets that grow increasingly expensive to maintain and more polluting as they age. Transport policy should provide mechanisms that encourage partnerships and make it easier for smaller operators to form companies (especially for road shipping), at least for production and service delivery. This is even more critical for co-modality, where the best combinations are those with greater cargo delivery predictability. This also has to do with the condition of all the components of the logistics chain, including road infrastructure and the fleet of vehicles providing the service.

Beyond these vital components of a policy encouraging co-modality, there must be effective public institutions enabling efficient and sustainable co-modality by means of the criteria and modalities proposed above.

V. Conclusions

Looking at public policy on transport and institutional support in Latin America in light of the need for a new paradigm calling for a systemic and integrated policy that promotes the co-modal use of sustainable transport services, the following conclusions emerge:

1. The picture in Latin America is not very auspicious. Explicit transport policies are either lacking or skewed towards a unimodal, disjointed system. On top of that, institutions have separate functions and competencies and face different constraints and challenges.
2. Globalization and the integration of national economies and institutions have meant that the State in Latin America has undergone significant functional changes. This, however, has not translated into far-reaching structural reform but rather, at best, into attempts to modernize processes while preserving obsolete structures that are highly sectorialized and compartmentalized. This makes it harder to develop and implement systemic, integrated and sustainable transport policies as required for making these countries more competitive.
3. One potential paradigm for developing and implementing sustainable transport policy is co-modality, which encourages the combined, most complementary use of different transport modes. To enhance the decision model for stakeholders and users of transport services all along the logistics chain, there should be an information technology system enabling cargo owners and forwarders to map their own routes with the most efficient, sustainable and cost-effective combination of transport modes.
4. An integrated and sustainable transport policy based on co-modality requires, up front, a shift away from today's fragmented model for developing public transport policy. Absent a reform of the structure of the State in this area, there should at least be a supra-sectorial authority charged with planning and with developing

integrated, sustainable policies while promoting an integrated management model, regardless of whether the components are implemented by different sector authorities. The same supra-sectorial unit or authority should systematically monitor and assess progress in implementing the different components in order to ensure that they continue to mesh and are substantially consistent with the integrated policy approach.

VI. Bibliography

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