DEVELOPING TRADE UNION POLICY AND ALTERNATIVES TO NEOLIBERAL TRANSPORT RESTRUCTURING

International Institutions and Transport Liberalisation and Privatisation

A three year ITF education and research project, with the support of Friedrich Ebert Stiftung (FES)

Year 1 Research Paper and Activities Report

The project's premises

This project is addressing the following questions:

- What are the roles, objectives and methods of international financial and trade institutions in driving transport restructuring, and particularly privatisation and liberalisation?
- How are these policies affecting transport workers, and employment and social justice more generally?
- What alternative policies can ITF and transport unions develop, and what alliances can be forged in support of them?
- How can unions intervene in the process of restructuring and privatisation to protect jobs, employment rights and services?

The working hypothesis is that international institutions are engineering transport restructuring in ways best suited to export-oriented production and rapidly growing international trade, and that smaller scale freight services for local markets, as well as passenger services that cannot be operated profitably, may be undermined as a result.

Although these trends can and do bring some economic and employment benefits, they may be having negative impacts on jobs and terms and conditions of employment not only for many transport workers, but also for workers in other parts of the economy. The direct impact can be extremely serious, as the investment priorities associated with the way in which transport infrastructure and services are changing in all sectors often also represent a shift away from labour-intensive activities. In addition, concentration of ownership and trends towards intermodal ownership of transport companies could have long-term implications for social justice and labour relations, as well as bringing short term problems, including job losses, resulting from economies of scale.

In addition, restructuring is typically accompanied by cuts in labour costs and increases in labour flexibility and productivity. While some workers benefit from training within increasingly hi-tech areas, and/or command good conditions and high rewards in areas where their skills are for the time being scarce, transport sector restructuring is bringing job losses, speed-up and casualisation for many.

The project's strategic purpose

The project forms part of ITF's overall strategy to support the rights of transport workers in the context of transport restructuring while promoting the interests of workers in the long-term by developing and promoting alternatives to neo-liberal models of economic and social development. Whilst the ITF coordinates campaigns and international solidarity in support of transport workers' immediate struggles, it also engages critically with the key corporations, international institutions and other bodies driving transport restructuring, in an effort to influence long-term change. This project is contributing to the ITF and its affiliates having a more coherent set of policy proposals to put forward in different contexts at global, regional and national levels, as well as contributing to the development of campaign strategies within the ITF and beyond. It is also enabling the ITF to provide direct assistance to industrial sections, regions and affiliates in trying to maximise and benefits and minimise the costs of restructuring that is taking place.

The project also forms part of the overall ITF education strategy, which is focused on building the capacity of transport unions to respond to globalisation and transport restructuring. The project interconnects with other ITF projects and with Summer School and the development of education materials on privatisation. A more analytical and in-depth perspective on the interests driving transport restructuring, the policies of the international institutions and trade union responses (including the development of alternatives) is greatly enriching these activities and enhancing the outcomes. The policy and research papers produced in this project are being developed into education materials for accessible use in the education activities of the ITF and affiliates.

The research is also being used to articulate and publicise ITF's perspective in the media, transport-related journals and publications of affiliates, global union federations (GUFs) and civil society organisations. The ITF Secretariat is using the research to promote an alternative policy approach through international forums and organisations, including UN sectoral bodies, the World Economic Forum, annual GUF-World Bank meetings, WTO Secretariat, OECD committees and EU institutions. It is also enriching ITF's contribution to alternative debates on responses to neo-liberal globalisation, making use of platforms such as the World Social Forum and its regional counterparts.

In addition, it is expected that affiliates will be able to use the research materials to promote an alternative policy response with governments, transnational companies and international financial institutions at a national level. Through participation in seminars and other activities, it is intended to build capacity among leaderships of ITF affiliates who are in a position to influence policy and engage critically with governmental and international institutions.

Introduction to this paper

The design of the project envisaged that at the end of each year, a paper would be prepared that would draw together the products of that year's research and activities. The broad themes to be addressed each year were to be:

- Year 1:

  - Trends in restructuring of transport internationally, with particular reference to intermodal developments and the role of rail and ports privatisation.
  - Identification of key corporate players involved in these trends.
  - Policies of World Bank, WTO and other international institutions in promoting and facilitating these trends.

- Year 2:

  - Impact of these trends on national and local economic and social development.
  - Impact on transport and other workers directly affected.
  - Wider employment and social impact.

- Year 3:

  - Policy proposals for reconciling restructuring consistent with serving international trade, on the one hand, with restructuring for national and local employment and social development, on the other.
  - How international institutional policies should change in the light of the research and analysis.
  - Developing a strategic response to combine effective responses to actual restructuring with building alliances for alternative approaches.

It was also recognised that the boundaries between the themes are not rigid, and that some flexibility in the focus of the project would be required to respnd effectively to developments and to the expressed needs of ITF's sections and affiliates. Consequently, the project has this year focused to some extent on the intended themes of Years 2 and 3, with particular attention to the employment impacts of transport restructuring and developing strategic responses to World Bank projects. This is reflected in the section of this paper outlining the project's activities and in the attached examples of research and education materials, both completed and in progress.

Nevertheless, as planned, the main focus of Year 1 has been on gathering basic data on the policies and activities of international institutions and the nature of transport restructuring that has taken place under the influence of those institutions. We have concentrated on the WTO and especially the World Bank, both because they were anticipated as being the main institutions whose roles were to be investigated in the project, but also because that focus has proved during Year 1 to be well suited to ITF affiliates' current needs. We concentrate on the World Bank in particular not only because of its especially significant hands-on role in transport restructuring, but also because it became clear during the course of year that there was strong latent demand from the industrial sections and many affiliates for support in understanding its role and devising appropriate responses. That is reflected not only in the content of this paper, but also in the activities undertaken in the context of the project during the year.

Interaction with the sections and ITF regions during the year also confirmed another of the key premises of the projects: that privatisation in various forms is an especially significant challenge. Therefore, we have sought to assist through this project in developing understanding of its forms and implications. In addition, it became increasingly clear as both the research and the activities of the project developed that linkages between the policies and activities of different institutions and their impact on transport restructuring. Those linkages can be most clearly seen in national context, and this is demonstrated in the presentations that were developed for a series of seminars, examples of which are attached.

The project's activities in 2005

Over the first year of the project, the following has been done:

Preparations for presentations and other work in a series of educational activities have been undertaken.

These include:

- The ITF-PSI seminar on privatisation and the World Bank in transport and utilities in Amman, Jordan, in May.
- ITF Summer School, Sweden, in August.
- A seminar for Macedonian rail unions in Skopje in October.
- A seminar for Egyptian transport unions in Cairo in December.

Briefings for ITF sections have been prepared, specifically:

- Briefing on World Bank projects for ports in Africa
- Briefing on World Bank projects for aviation in Asia

Preparation and assistance in meetings with World Bank officials:

- Meeting with World Bank rail specialists in Washington, D.C., in July.
- Meeting with World Bank transport advisor in Washington, D.C., in November.
- Preparation of ITF positions and interventions in relation to the WTO ministerial meeting, in Hong Kong, in December.

Presentation to ITF Executive Board in October.

Articles for Transport International on:

- World Bank policy and activities on transport
- The WTO and the Hong Kong ministerial

Preparation of a database, to be further developed in Years 2 and 3, covering:

- Private participation in transport infrastructure and services
- World Bank projects on transport, 1990 - present
- International Finance Corporation projects on transport
- Leading companies involved in privatised transport
- Impact on employment and workers

Examples of presentations, as well as material currently in development into the database, are attached as annexes to this report on CD-rom.

What does 'privatisation' mean?

There is no universally accepted definition of 'privatisation', and the term is used in different ways in different contexts. The reasons for variable usage of the term can be political or technical, or, more usually, both.

Political reasons often relate to the connotations of 'privatisation' in particular contexts. For example, Sri Lanka described its privatisation programme as 'peoplisation', to give the impression that the effect of selling shares in state-owned enterprises was to transfer them not from but to the public. Such terminology derives from a political calculation that citizens, sceptical about the extent to which the state represents the public interest rather than privileged elites, will support reforms that distribute economic power away from such elite control. In just such a context, however, as well as in contexts in which there is greater confidence in the state representing the public interest, 'privatisation' can stimulate fears that the national elite or foreign interests are grabbing assets and power that should be distributed more widely.

Conversely, opponents of privatisation sometimes insist on using the term 'privatisation' precisely because of its often negative impact on public opinion, and reject other terms as euphemisms. For example, the World Bank tends to limit the term 'privatisation' to the context of ownership change, using 'private participation' or 'public-private partnerships' to describe arrangements whereby the private sector takes a role in the operation, management or financing of public services. Unions tend to regard the latter as forms of privatisation, and suspect that the Bank's reluctance to use the term in such contexts results from the unpopularity of privatisation because of the negative results of its various forms for many workers and service users.

Some go further and apply 'privatisation' also to corporatization or commercialization of public services, in which neither ownership nor operational responsibility is transferred to the private sector, but a state-owned enterprise or public service organisation is required to behave more like a private company. Such broad use of the term 'privatisation' can be justified on the grounds that changes to the legal status, governance arrangements or management approach of a state institution or public service organisation can weaken its role in serving the public interest and pave the way for later transfers of ownership or operational control.

However, a difficulty with using the term 'privatisation' too generally is that it can conceal differences between forms of privatisation, and between them and other kinds of public service reform, that can be quite significant in terms of the strategic responses required. Therefore, while political appreciation of the way in which terminology is used is important, it should not prevent unions from distinguishing between different forms of privatisation and reform.

What forms does privatisation take?

As with the meaning of the term 'privatisation', there is no standard format of categorisation of its various forms. A further complication is that any particular case of privatisation is typically a hybrid of more than one form. This needs to be borne in mind in the typology that follows. The 'landlord model' in ports, for example, can combine a concession with service contracting in various ways. While the following eight categories cover all forms of privatisation commonly found in transport services, in practice, particular privatisation projects are likely to combine more than one form. Nevertheless, it is important to be aware of the differences, as analysis of likely impacts and implications can depend on identifying the particular effects of particular aspects of privatisation projects.

Service contracting

This is an arrangement whereby discrete functions, sometimes identified as 'non-core' activities, are contracted out, or 'outsourced'. The contractors are sometimes specialist firms, although there are now transnational contractors providing a wide range of such services, and marketing themselves increasingly as being able to provide synergies between them. Service contracts are normally relatively short term, anything from a less than a year to three years, and subject to competitive tendering. Payment can be on a fixed fee basis, as a lump sum, or based on time or particularly outputs, or a combination of these to provide a basic fee supplemented by incentive payments or reduced by penalties for performance deficiencies. Known in francophone countries as prestation partielle.

Management contracting

Unlike service contracting, management contracting covers all the activities of a service, core and non-core, although management contractors might further sub-contract specific activities. Management contracting (gérance) transfers responsibility for operation and maintenance under specified terms, but ownership of the assets remains with the state, and a public body rather than the contractor receives revenue from consumers. Payment to the contractor is typically based on a 'fee per unit' (such as per number of passengers carried), although performance incentives can be built in, for example by linking payment in part to turnover or other indicators. (Such a contract is known in francophone countries as régie intéressée.) Management contracts normally run for three to five years.

Lease contracting

Lease arrangements (affermage) are like management contracts, in that core operation and maintenance arrangements are transferred to the contractor, but in addition the contractor takes on legal responsibility for the service. This means that the leaseholder has a direct relationship with the service's consumers and normally derives its revenue wholly or partly from their fees for service. In return, the company might pay a fee to the public body by which it is granted the lease. However, if the service cannot be operated profitably under contract terms covering service access, tariff limits or quality standards, the company might receive a subsidy as well as customer revenue. Typically a lease contract is awarded competitively to a bidder offering the highest fee or lowest subsidy, although some are evaluated instead, or additionally, in terms of promised tariff levels, asset rehabilitation targets or other indicators. Lease contracts also usually stipulate arrangements for tariff revisions linked to productivity improvements. Contract periods vary widely, but are typically within the 10-20 years range.

Greenfield projects

Expansion of public utility and transport infrastructure is now commonly accomplished by granting licenses to private companies to invest in new facilities against guarantees from a public body to purchase the output, usually known colloquially as 'take or pay deals'. That arrangement places the risk with the public 'partner'. Alternatively, the financing arrangement between the public and private 'partners' might share the risk through combining a capacity and consumption charge. There are various mechanisms through which investment is financed, of which the main form is Build-Operate-Transfer (BOT), whereby the private company finances and carries out development of new infrastructure and operates it for a specified period before ownership is transferred to the state. There is a number of variations on this model, which can attach various rights and responsibilities to the deals, which typically last for 20-30 years.

Concessions

Concessions (contrats de concession) are like leases in that they transfer operational and maintenance responsibilities, and the customer relationship, to the concession company, while ownership remains with the public body. But they go further in also including responsibility for financing and carrying out capital investments (beyond the maintenance and rehabilitation usually associated with leases). Those investments are carried out typically through BOT deals to extend infrastructure then deployed by the private operator through the concession. They might also include a variation of the BOT method called Rehabilate-Operate-Transfer (ROT), in which existing infrastructure is redeveloped on BOT-type terms. Typical contract duration is 20-35 years.

Build-Operate-Own contracts

This arrangement is similar to the BOT, with the important difference that the facility is not transferred to the public body at the end of a specified contract. A private company is granted the right to develop, finance, design, build, own, operate, and maintain utility or transport facilities. The private sector partner owns the project in perpetuity, but the level of revenue risk varies depending on the contract guarantee provided by the state. While this approach is more common in the power and telecommunications, it has also been used to develop transportation infrastructure.

Divestiture

This is privatisation in its purest form, because it transfers not only operational and maintenance responsibilities but also asset ownership to the private sector. Operational contracts can still be involved, insofar as the privatised operation is granted as part of the deal a license for a specified period, typically subject to regulation by a state body. The ownership transfer can be accomplished through a variety of mechanisms, or combinations of them, such as trade sales to a particular buyer, share flotations, or buy-outs by managers and/or employees.

Liberalisation

This does not include ownership transfer, although it is often combined with it, but is in some respects a more purely market arrangement in that it enables private sector companies to enter a market previously monopolised or restricted by the state. It involves deregulation, in the sense that there legal barriers to entry are removed. Operators derive revenue directly from consumers and have no obligations to provide unprofitable services. In some cases, however, a generally liberalised environment is combined with state subsidies to induce private operators to provode services that could not otherwise be viable. Moreover, a liberalised market is not necessarily entirely deregulated, as operators might be required to meet certain standards regarding such issues as health and safety.

Introduction

All the processes associated with 'globalisation' have for many years been making an impact on the way in which transport infrastructure and services are liberalised. As the volume of international trade increases, and national economies become increasingly dependent upon it, and as producers rely increasingly on logistical links not only with external customers and suppliers but also internally, the premium on ever faster, more reliable, cheaper and intermodal transport links also increases. The productivity of ports, railways and other transport modes is an increasing concern of governments as they seek to compete for foreign direct investment. The trend towards intermodal concentration of ownership of transport companies reflects the same concerns as shippers seek competitive advantage and new markets.

These related trends have provided the pressures for restructuring of facilities for freight transport, as, for example, a recent book on trends in Indian ports has discussed: 'The last 10 years of globalization and economic reforms opened different ways to different sectors and the port sector has diversified accordingly and has made significant improvement. One of the reasons for diversification of this sector was to increase the export and import relations with other countries and decrease the public monopoly to make this sector more efficient by allowing the private companies to invest in this sector. This created the urgency of standard cargo handling equipments, modernization of the port systems and transforming this sector from labour- intensive to autonomous systems in order to decrease the turnaround period and thus increase the efficiency of ports. (India Port Report: 10 Years of Reforms and Challenges Ahead, Deepak Kumar, ICFAI University Press, 2005).

Particularly in the context of India's fierce and growing competition with China, comparative performance of the countries' ports and internal transport services can become a, even the, critical factor. Just-in-time production and delivery systems can mean that missing dispatch by just a day can result in large volume orders of Indian garments failing to reach their pre-planned slot for appearance on US shelves, which can mean they fail to appear in those shops at all. Therefore, there is intense pressure from business for transport restructuring higher speeds, greater reliability and lower costs. This is reflected in turn in changing government and international institutional policies, and in the corresponding activities of shippers and other transport companies.

Those points can again be illustrated with reference to India by referring to a Reuters report of the takeover of P&O by Dubai Ports World, establishing it as the world's third largest ports operator after Hutchison Whampoa and Temasek Holdings. The report (November 29, 2005) stated that 'Dubai Ports World has set its sights on India after agreeing to buy UK ports group P&O for £3.3 billion ($5.7 billion),' and it added: ' After announcing the deal in London, Dubai Ports Chairman Sultan Ahmed bin Sulayem told reporters that his company hoped to double its container handling capacity from 20 million 20-foot equivalent units (TEUs) to 42 million over 5 years. "We have strong growth potential," he told reporters on a conference call. "Asia, in particular India, is an opportunity ... as well as Europe." Dubai Ports has been expanding rapidly in Asia but its efforts have focused mainly on China. Earlier this month it announced plans to set up a $500 million container terminal at Qingdao in China.'

In a Trade Policy Review of India (2002), the World Trade Organisation (WTO) set out clearly the links between the trends outlined above and transport restructuring. 'Inefficient transportation, notably roads, maritime services, and ports, constrain trade and add to the overall costs of doing business,' it stated. It went on to explain that, although reform of some infrastructure services had been underway since the early 1990s in India, 'reform in other key infrastructure sectors, including civil aviation, maritime services, and ports has been slower, although steps have been taken to allow private sector investment in ports in recent years to develop capacity and improve efficiency'. It added: 'The overall efficiency of these sectors remains low, however, and inadequate for India's infrastructure needs. Moreover, as public sector investment in infrastructure becomes increasingly constrained due to budgetary considerations, the need to create a competitive and regulatory environment in which private sector investment can take place becomes increasingly urgent.'

The role of the World Trade Organisation (WTO)

Evidently, therefore, the WTO takes a keen interest in transport restructuring, which it sees as critical to the increasingly liberalised trading environment which it exists to engineer. Yet, so far, the WTO's impact on transport restructuring has been more significant indirectly than directly.

The WTO came into being in 1995, taking over from the General Agreement on Tariffs and Trade, which was founded half a century earlier. It has 148 members and engineers increasing liberalisation of trade in both goods and services. It also makes and enforces trade rules. Since 2001, the WTO has been attempting to conclude the so-called Doha Round of negotiations, also known as the 'development round' because it is supposed to promote economic and social development through trade.

There is a range of issues on the agenda, and they are discussed through a complex set of councils, meetings and other bodies between ministerial meetings, which take place every two years. The WTO's hopes for the 6th Ministerial Meeting in Hong Kong in December 2005 are to make sufficient progress with tariff reductions in both agricultural and non-agricultural goods, and with liberalisation of services, to enable the Doha Round to be completed by the end of the year. However, the round was originally supposed to be concluded at the 5th ministerial conference in Cancun, Mexico, in 2003, which broke up without agreement. At the time of writing, there was every sign that the same could happen in Hong Kong, an outcome that would throw the global multilateral trade regime into some crisis.

The global union movement, including ITF, lobbied hard in the run-up to the December conference for a set of demands to fight poverty, protect public services and promote labour standards, and for more transparency and democracy in WTO decision making. Yet, while transport continues to undergo a relentless process of liberalisation, the WTO has not been the primary means through which this is being achieved. The impact of the WTO on transport restructuring is felt most strongly in an indirect way, in that the WTO's role in engineering the rapid growth of world trade, and the increasingly competitive environment in which it is developing, apply strong pressures on transport infrastructure and services.

The direct impact of the WTO on transport is expressed through the General Agreement on Trade in Services (GATS), but GATS has yet to have impacts on transport restructuring that are as significant as those arising from liberalised trade in goods. The GATS is aimed at internationalising and liberalising markets for services of all types and came into being in 1995, when the WTO was established. All WTO members are signatories and have to assume the resulting obligations, including commitment to further rounds of services negotiations. It is the first multilateral trade agreement to cover trade in services, and the need for it has been widely question, as the WTO itself has acknowledged. In its publication 'GATS: facts and fiction' (2002), it notes that 'some sectors, such as rail and telecommunications, have been viewed as classical domains of government ownership and control, given their infrastructural importance and the perceived existence, in some cases, of natural monopoly situations.' However, it adds: 'Nevertheless, some services sectors, in particular international finance and maritime transport, have been largely open for centuries — as the natural complements to merchandise trade. Other large sectors have undergone fundamental technical and regulatory changes in recent decades, opening them to private commercial participation and reducing, even eliminating, existing barriers to entry.'

The GATS categorises trade in services into four modes:

- from the territory of one Member into the territory of any other Member
  (Mode 1 — Cross border trade);
- in the territory of one Member to the service consumer of any other Member
  (Mode 2 — Consumption abroad);
- by a service supplier of one Member, through commercial presence, in the territory of any other Member
  (Mode 3 — Commercial presence); and
- by a service supplier of one Member, through the presence of natural persons of a Member in the territory of any other Member
  (Mode 4 — Presence of natural persons).

Although the GATS applies automatically to all WTO members, its scope is the subject of ongoing negotiations, seeking to extend and deepen the liberalisation of services, and conducted through governments making 'commitments' to open up particular services. For purposes of structuring their commitments, the WTO has categorised services into 12 core service sectors, of which transport is one, each of which is further sub-divided.

There is only one sector-specific exception to the otherwise comprehensive coverage of the GATS. Under the GATS Annex on Air Transport Services, only measures affecting aircraft repair and maintenance services, the selling and marketing of air transport services, and computer reservation system services are included, with anything directly related to air traffic rights excluded from the GATS, subject to 'periodic review'.

Another blanket exemption applies to 'services supplied in the exercise of governmental authority', which the WTO defines as services 'supplied neither on a commercial basis, nor in competition with one or more service suppliers'. When promoting the GATS, the WTO states that public services are thus excluded, but the examples it offers of services supplied on 'governmental authority' -- police, fire protection, monetary policy operations, mandatory social security, and tax and customs administration -- reveals a much narrower scope of exclusion. That narrow definition means that any public services in any sector in which there are also private interests (such as education and health care) or in which revenue is derived from consumers (such as water and electricity supply) fall under the GATS. Therefore, services such as transport systems in which both public and private operators have roles, and in which users pay providers directly, are seen as within the scope of GATS, except for those in civil aviation whose exemption was mentioned above.

The direct impact of the WTO and GATS on transport

International shipping has long operated in an environment of global deregulation, with few restrictions on ships carrying cargo from one country to another, and has produced its own extreme form of deregulation in the 'flags of convenience' system (although most genuine flag states insist, in line with UN rules, that there must be a genuine link between the shipowner and the flag).

Barriers remain, however, in many domestic shipping services, with continuing restrictions on foreign ownership and application of national laws, including labour regulations, on board. Some countries also bar foreign ships from coastal trade (cabotage). Notable among them is the USA, whose resolve on this has intensified since September 11, 2001. This has created an obstacle to negotiations on maritime services in the WTO, which proceeded briefly after the WTO was established but collapsed in 1996 and have yet to resume.

There is pressure for resumption, notably from Hong Kong, whose shipping and ports management company Hutchison is frustrated to an extent in its ambitions for global growth by continuing restrictions. (Port services are caught up in the same freeze in the same negotiating group as shipping.) Recently, for example, Hutchison was excluded from bidding for ports concessions in India because of its Chinese links, which would not be possible if maritime services were fully integrated into WTO rules. In particular, the 'national treatment' rule, which prevents countries from maintaining favouritism for national companies over foreign ones, and the 'most favoured nation' principle, which holds that once a government has committed a sector to WTO rules it may not discriminate between other member states, would apply.

Logistics companies are particularly enthusiastic about renewing WTO talks on maritime services, with Hong Kong highlighting the need to adapt the regime to the increasing demand for door-to-door services, and therefore eliminate sectoral barriers to them.

For the time being, within the existing WTO agreements, the main thrust of requests being made of governments through GATS are largely focussed on gaining agreements to allow international shipping to engage in more feeder traffic of cargoes in transit. The driving force behind attempts to more fundamentally liberalise port services in Europe is coming from the European Commission's so far unsuccessful attempts at a new ports directive.

This hiatus has prompted many countries to unilaterally liberalise their domestic shipping services or, in some cases, to conclude bilateral shipping agreements (e.g. EU/China, US/China, US/Brazil, with the EU negotiating with India). Increasingly generous offers of maritime liberalisation by other countries have not embarrassed the US into changing its position. Governments in the 'Friends of Maritime Services' chaired by Japan who are trying to press for the revival of talks have recently been joined by China.

In addition, several governments, including Australia, Hong Kong, China, Nicaragua, Taiwan and Switzerland, have collectively pushed for a list of activities defined as core logistics activities to come under a new negotiating group at the WTO. The 'Friends of Logistics' lobbying group is the only one concerned with transport which involves all four of the key players (US, EU, Japan and China). The group is encouraging governments to make liberalisation offers in these specific activities.

A further obstacle in this respect, however, is that, while some countries are ready to liberalise their postal services, there are not enough of them to achieve multilateral liberalisation under the WTO. US government statements favouring liberalisation are widely held to conceal a strong determination to maintain the US postal services monopoly. Despite initial support from the US for a separate Express Delivery services negotiating group, these are still caught in with the Postal and Courier Services group.

Similar pressures are being applied to civil aviation for broadly the same reasons, but the sector also continues to evade the WTO in many respects. International air services are exempt from GATS (except for three specific areas: aircraft repair and maintenance, selling and marketing of air transport services and computer reservations systems). This exemption is reviewed every five years. Major areas of ground handling and airport services, however, are no longer seen as being covered by this exemption, and the European Union has included ground handling liberalisation in the majority of its GATS requests to other countries.

The United States government has made it clear it favours continuation of the current system under the governance of the United Nations specialised agency, the International Civil Aviation Organisation (ICAO) system, which provides a framework for more than 3,000 negotiated bilateral agreements and provides for safety, security and economic and environmental regulation. This allows the US to pursue the liberalisation of international routes while maintaining the protection of its domestic routes. This would not be possible if GATS rules applied.

Nevertheless, there are continuing moves to bring air cargo under WTO rather than ICAO rules, and there has been considerable pressure from the WTO for this and other ways of bringing civil aviation increasingly within its remit. In the meantime, the WTO continues to seek ways around the obstacle, and this in part explains ICAO's own tendency to drive the liberalisation agenda on its own account. In addition, there are intermittent negotiations over a transatlantic Open Aviation Area, which would be a major step towards complete liberalisation on a global scale.

Despite the three sets of activities exempted from the GATS exclusion of civil aviation services, few commitments have actually been made in those areas. The pressure continues, however, and, as in maritime services, the EU is particularly aggressive in attempting to engineer other aviation services into the WTO system. For example, it has taken steps to switch airline catering and crew training out of the civil aviation sector into others which are already covered by GATS, and aims to do the same with ground services.

There has also been a change in the way that the WTO gets its business done. GATS negotiations were previously organic. Liberalisation offers used to be made or changed in response to other offers received. The process is now driven by deadlines. It is widely recognised that there are no genuine sectoral negotiations. The problem for the WTO, however, is that this deadline driven system is not conducive to gaining real commitments by governments. To overcome this problem, the EU proposed in advance of the Hong Kong ministerial that there should be a minimum 'benchmark' for services liberalisation that all countries would have to meet. At present there is no formal minimum level of services liberalisation. (There are parallel developments at regional level, such as the planned EU Services Directive, as well as new rules governing particular transport sectors.)

This thrust appears to have been advanced by a text issued a few weeks in advance of Hong Kong by the GATS council chair that seeks to open up new approaches. These include, in effect, the EU idea of requiring countries to meet certain minimum commitments, as well as encouraging groups of countries to adopt a 'plutilateral' approach of making group commitments that could later be treated as a WTO benchmark. This would be a major change in how the WTO makes agreements, because it would be a shift from the existing principle that all governments must specifically agree to any new requirement on them.

Road and rail services are not yet on the WTO radar screen, partly because liberalisation is being driven by regional economic blocs, as has been the trend in the European Union and among its candidate countries. However, there are two other areas in which the WTO's influence is potentially significant: these are trade facilitation and international migration.

Discussions about trade facilitation are currently focussed on getting governments to agree to measures cutting customs bureaucracy and favouring new technology to speed the movement of goods across borders. Developing countries are worried that failure to meet those standards might lead to trade sanctions. Transport unions are concerned to ensure that trade facilitation does not drive further liberalisation of port services, leading to such changes as allowing cargoes to be handled by seafarers. Some elements of trade facilitation in the aviation and maritime industries are already under the jurisdiction of the UN agencies ICAO and the International Migration Organisation (IMO), and ITF is concerned to ensure that increasing WTO involvement does not lead to weakening of social and environmental standards.

Migration is covered by Mode 4 of the GATS, which sets rules for 'temporary' movement of workers, which can include everything but permanent migration. It can cover movement of workers within companies, the use of contract companies in other countries and even self-employment. This means that it opens the door to exploitation of 'visiting' workers, who are excluded from the rights of citizens in the countries they 'visit', and to undermining labour standards in the recipient country. Such fears are increased by the way in which some governments are pushing the agenda. For example, the Indian government wants concessions to allow non-national members of ship's crews to be paid less than nationals, while Sri Lanka wants to be able to export dockers to Singapore.

Introduction

The liberalisation associated with international trade agreements and developments at regional level are strongly complemented and facilitated by the privatisation and commercialisation policies of the World Bank, regional development banks and some national aid agencies. These organisations have considerable leverage in transport restructuring because governments that are facing severe and growing budgetary constraints are unable to make sufficient public investments in their rail, ports and roads infrastructures. Both international competitiveness and regional and local economic development are hampered by deficiencies in transport infrastructure and services, as noted earlier.

The World Bank and regional and national agencies that are its 'development partners' tend to see privatisation and commercialisation as the answer to these problems, and to condition their loans and technical assistance accordingly. The practice of 'conditionality' has come under growing criticism because of the power it transfers to international institutions and the contentious nature of conditions, particularly privatisation, which have often failed to deliver the promised benefits despite serious employment and social losses. In various forms, however, not necessarily direct, it continues.

For example, to return to the Indian example, the Asian Development Bank (ADB) has begun a project with the Indian government that will involve some elements of privatisation in Indian railways, while the World Bank has proposed a project (currently in the planning stages) to support Indian Railways in improving safety, but for which one of the loan criteria is that the ADB project proceeds as planned. Moreover, the instrument the World Bank is using for its project is a relatively new one called an Adaptable Program Loan, which is specifically designed to open an indefinite period of policy dialogue with the recipient government, and thus to enable future restructuring projects to be planned in that context.

The World Bank defends its approach as being consistent with its anti-poverty mission. It argues that, by making transport services more market-oriented and profit-driven, the state is relieved of subsidy burdens, creating 'fiscal space' for social spending, while a more favourable enabling environment for export-oriented growth is created.

World Bank basics

The World Bank was founded in 1944, along with its sister organisation the International Monetary Fund (IMF), at an international conference held at Bretton Woods in the United States. The stated purpose of the new institutions, following years of depression and war, was to promote global economic growth and financial stability. The Bank's particular role was to be promotion of long term economic development and poverty reduction, in war-ravaged Europe at that time and globally since then, through loans issued to middle and low income countries by an institution dominated by high income countries.

Between them, the five largest shareholders in the World Bank -- the United States of America (USA), Japan, German, the United Kingdom of Great Britain and Northern Ireland (UK) and France -- hold nearly 50 per cent of the shares. The USA is the largest single shareholder, with around one in six of all the shares. In addition, the Bank, like the IMF, is headquartered in Washington, D.C., and, under an informal but apparently unbreakable convention, the USA appoints its President. Thus did Paul Wolfowitz take over from James Wolfensohn in June of this year.

The institution has grown in the 60 years since its birth and the World Bank Group now comprises five institutions:

- The International Bank for Reconstruction and Development (IBRD), which lends to governments of middle income and 'creditworthy' low income countries.
- The International Development Association (IDA), which provides interest-free credits to governments of the poorest countries.
- The International Finance Corporation (IFC), which lends directly to the private sector in developing countries.
- The Multilateral Investment Guarantee Agency (MIGA), which provides guarantees to investors in developing countries against losses arising from non-commercial (e.g. political) risks.
- The International Centre for Settlement of Investment Disputes (ICSID), which provides conciliation and arbitration services in investment disputes.

The IBRD, the original institution of the group, is still normally what people mean when they refer to the 'World Bank', and is our main focus in this paper. It provides 'technical assistance' and advice which typically recommends privatisation of utilities and transport services, and its loans can be conditional on that advice being taken. At sectoral level, the vice-presidency responsible for transport is the Infrastructure Vice-Presidency, currently led by vice-president Katherine Sierra. Below her are several directors, including Director of Transport and Urban Development, Maryvonne Plessis-Fraissard. However, Peter Roberts, a senior transport specialist at the Bank, has been nominated the ITF's primary interlocutor in the institution.

The Bank's Articles of Agreement provide that each member country appoints a governor (and an alternate), who are normally finance ministers. However, the Board of Governors meets only once a year and authority is vested between those meetings in the Bank's Board of Directors, which is responsible, among other things, for approving loans and the projects for which those loans are made. The Board of Directors is composed of 24 Executive Directors who are based full-time at the Bank's headquarters. Five of the 24 represent the five largest shareholder countries, while the others are elected by the other 179 (as at November 2005) member countries. This means that those 19 Executive Directors have very large constituencies composed of countries that do not necessarily wholly share the same interests. For example, 44 sub-Saharan African countries are represented by two Executive Directors.

Although authority is vested on a day-to-day basis with the Board of Directors, that body is advised by the bureaucracy of the Bank which is composed, below the President, of 26 vice-presidencies, each of which has responsibility for a particular geographical region, theme or sector. The six regional vice-presidencies cover sub-Saharan Africa, the Middle East and North Africa, South Asia, East Asia and the Pacific, Latin America and the Caribbean, and Central Asia. Each of these regions is in turn composed of country departments.

The World Bank's project cycle

Country Assistance Strategy

For each of its client countries, the Bank Group develops a Country Assistance Strategy (CAS) as the basis for loans from the IBRD and IDA. The CAS normally covers a three-year period, but it can be reviewed as frequently as annually or as infrequently as every five years. It includes an assessment of a country's priorities and is discussed with the government concerned, and in many cases also representatives of civil society. Trade union centres are unlikely to be invited to participate, but should not be refused.

The CAS may also draw upon analytical work conducted by various departments and units of the Bank, including sectoral specialists in cases in which projects in that sector are anticipated. As the Bank itself puts it, the CAS 'is not a negotiated document' because its main purpose is to allow for accountability to World Bank shareholders. Insofar as there is an unresolved difference of view between the Bank and the client government concerned about economic and social policy and priorities, the CAS is supposed to note this. That is an important point, because it implies that unless there is such a note the CAS has the government's support. Clearly, in terms of securing Bank loans, governments have incentives not to highlight differences of policy.

In low income countries, the CAS is closely linked to a Poverty Reduction Strategy Paper (PRSP), which governments are supposed to draw up through a participatory process in which unions, along with other civil society interests, are supposed to be involved. The PRSP is used as a reference document by both the World Bank and the IMF.

Once the Bank's Board has reviewed a CAS, the Bank issues a CAS Public Information Notice. In some cases, at government request, the full text of the CAS is disclosed, but not necessarily.

The goals outlined in the CAS are an important pointer to upcoming projects. Indeed, they probably are a sign that project development is already underway, although the first formal step in planning a project is the production of a Project Concept Note (PCN), which is not published. Another important indicator of likely World Bank projects can be references to particular sectors in International Monetary

Fund (IMF) 'letters of intent', which are issued by borrowing country governments as the basis for their relationship with the IMF. Although, unlike the Bank, the IMF does not run particular development projects, its role in conditioning support for countries in need of its loans and other assistance on a reform agenda as set out in a 'letter of intent' can and frequently does provide the basis on which specific World Bank projects are undertaken.

The rest of the project cycle outlined below is specific to IBRD, which is the main institution concerned with transport restructuring.

Project Identification

Following an internal review of the PCN, a Project Information Document (PID) is drawn up, and is publicly available on the World Bank website or through its Infoshop in Washington. (It might also be available through Bank regional and national offices, or through governments.) It is usually about four to six pages in length, and sets out the project objectives, likely risks, alternative scenarios and a timetable. It also identifies the World Bank Task Manager, who will be a key point of contact for unions seeking to influence the design and implementation of projects.

The second public document to be released, soon after the first formal review of the planned project, is called an Integrated Safeguards Data Sheet (ISDS). The ISDS identifies key issues under the Bank's safeguard policies for environmental and social issues, and provides information about how they will be addressed during project preparation.

Therefore, if a project is likely to have an impact on jobs, employee welfare or wider social justice concerns, it should be mentioned in the ISDS, the PID, or both. Unions should try to ensure that the likely impacts are properly and fully researched and evaluated, preferably through processes in which they are involved. This means they should be trying to evaluate likely impacts themselves, drawing upon information available from global union federations about similar projects elsewhere.

Unions are often not involved at all at the project identification stage, usually because they do not have the necessary information. Therefore, keeping track of PIDs can be very important.

Project Preparation

Although it is vastly preferable for unions to have been involved before the project preparation stage, which lasts for anything from a few months to three years, this can be the critical phase for detailed union intervention. Probably with Bank technical assistance, the government has to identify all the technical, institutional, economic, environmental and financial conditions necessary for the project to succeed. In the case of privatisation of utilities and transport services, therefore, they will be looking at potential job losses and the costs of these and other changes to employment. They will also be examining a range of issues of concern to potential union allies concerned about the economic and social impact of the project on their interests and rights. Therefore, unions should seek to identify issues that would enable broader alliances to be constructed.

The reports emerging from project preparation are supposed to include alternative ways of achieving the project's objectives. However, left to the Bank and governments, the form taken by identification of these alternatives is likely to be explanation of why they are not viable alternatives. Therefore, the quality of union research, both on the impact of a planned project and of alternatives, can be a key factor at this stage. The quality of research, both in terms of capacity for carrying it out and information going into it, might be strongly affected by the extent to which unions are able to ally with other civil society organisations. Links with unions elsewhere, especially through GUFs, can also provide vital information and experience.

Project Appraisal

Once the preparation phase is completed, the Bank is solely responsible for project appraisal, which is usually conducted by Bank staff through visits of three to four weeks. They prepare a Project Appraisal Document (PAD) and outline the terms and conditions of a Bank loan. The PID can also be updated at this stage.

Unless labour's concerns have been met at an earlier stage, and if unions are opposed to the project or aspects of it, this can be a key time for mobilisation to ensure that the government and the Bank is aware of the extent of civil society concerns. However, neither lobbying nor mobilisation should be left until this stage if at all possible, as projects can be much harder to stop or amend once they get this far in the cycle.

Although the PAD and PID are public documents, they are released only after approval of the project.

Project Negotiation and Approval

Following appraisal, the Bank and the borrowing government negotiate the final terms, which are submitted to the Bank board for approval. The country's legislature might also be asked to ratify the project at this stage, although members of legislatures might have taken initiatives to influence progress earlier. Parliamentarians can be important allies in some countries, and the earlier unions connect with potential allies in legislatures, the better.

Only once the Bank and the government have agreed and the Board has approved, and the loan is declared effective, subject to conditions, is their final agreement released publicly. This is when campaigns often get started, when it is already very late, although not necessarily too late if labour and other elements of civil society are able to mobilise mass movements.

Project Implementation

The country government is responsible for implementation, and the Bank for supervision. The government prepares specifications, and invites and evaluates bids for the procurement of goods and services associated with the project. This is, therefore, the time when the identities of private companies that wish to be involved in privatisation projects become clear, if they have not already done so.

It is also a crucial time for design and implementation of any employment reduction or labour restructuring programmes associated with privatisation projects, although these should have been generally foreshadowed at PID stage. Actual labour shedding and restructuring takes place before as well as after private companies are awarded contracts, and before or after they take over in practice. In some cases, most of it happens before privatisation goes ahead, and this is a critical time for consultations and negotiations about jobs, labour rights and employment conditions.

Research information about the behaviour and impact of the companies in previous projects elsewhere can be a significant weapon for unions throughout, but especially at this stage. Therefore, earlier identification of likely candidates is advantageous, so that unions can be already prepared with their material.

Once the Bank has reviewed this process and declared it satisfactory, the funds will be disbursed. At the end of the disbursement period (anything up to 10 years), a completion report is submitted to the Bank board. It is supposed to identify the project's achievements, problems and lessons learned. Therefore, it can be important for unions to attempt inputs at this stage in order to create more favourable conditions for their concerns to be taken more seriously in future projects.

Project Evaluation

Following the completion of a project, the Bank's Operations Evaluation Department OED) audits the project, measuring outcomes against objectives. The reports on which it bases evaluation are not made public, but from time to time the OED issues impact evaluations on the basis of its specific project reports. The Bank also has a Quality Assurance Group and an Inspection Panel, which are supposed to independently consider civil society concerns about harm done, or potentially to be done, as a result of a project. Again, union and wider civil society input into these processes can, by influencing the content of evaluation reports, provide ammunition that can be used in relation to current and future projects.

The World Bank and transport

Introduction

The World Bank has a website dedicated to privatisation of what it calls the 'infrastructure' sector (telecoms, energy, water and sanitation, and transport). The opening lines of its homepage read:

'From the early 1980s, privatisation became a worldwide trend. In the first wave, privatisation focused largely on industrial and financial firms, especially in competitive sectors.

'Infrastructure privatisation followed in a second wave from the late 1980s and peaked in the late 1990s. The slowdown in infrastructure privatisation, coupled with some high-profile project cancellations, has produced premature talk of the end of infrastructure privatisation.

'A third wave in social sectors and some formerly core government administrative services has yet to get worldwide traction.'

Despite not referring to its own role in promoting the 'worldwide trend', those words highlight the Bank's ideological and systematic approach over the last 25 years. Its policies and programmes have set about engineering the 'three waves' of privatisation, each reaching further into the core public sector than the one before.

In promoting the increased role of the private sector and market forces in this way, the Bank appeared to believe that, if privatisation worked in industrial sectors, it would work just as well in railways, and eventually too in health care. However, this steady progress has not gone according to plan, not least because there are, in fact, important differences between those sectors. The particular problems associated with privatisation of transport and utility sectors have become clear.

Rise and fall of privatisation in public utilities and transport

More than 150 countries carried out some form of privatisation in their utilities or transport sectors during the 1990s, but the trend peaked in 1997 and has been generally downwards since then. Between 2001 and 2003, private investment in infrastructure fell by nearly 50 per cent. This decline coincided with the 'high profile' project cancellations to which the Bank refers, as well as many lower profile crises and difficulties, and has led the Bank to rethink its approach.

The essential problem with privatisation in utilities and transport has been quite predictable: a mismatch between the interests of transnational corporate shareholders, on the one hand, and of many service users in these vital sectors, on the other. Companies that took over services through privatisation have often found themselves unable to reconcile these obligations without seeking to return risk to governments by renegotiating contracts. Their aims in renegotiating deals as early as two or three years into 30 year concessions have usually been to reduce their investment targets, increase the rate of tariff rises, or both. When governments have conceded too much, this has led to social uprisings in a growing number of cases. When governments have conceded less, companies have walked away in a growing number of cases.
Around half of all privatisation contracts in these sectors have been renegotiated. In other cases, the original deals had often left the risk with the government, as a key World Bank document has acknowledged:

'In a number of cases, governments pursued private infrastructure ventures to avoid extra fiscal burdens. A case in point are several independent power projects. At the time of reform, typically user fees to retail consumers were not at levels that were sufficient to cover all costs including the cost of capital of investors. Governments were often politically not willing or able to introduced cost-covering retail tariffs. Hence, private investors asked for government payment guarantees and, eventually, taxpayers had to pay anyway. Such schemes amounted to a large degree to expensive off-balance sheet borrowing by governments. The Asian crisis of 1997/98 revealed the underlying weakness of many projects.' [1]

[1] Private Sector Development Strategy – Directions for the World Bank Group, World Bank, Washington, D.C., 2004, p.42.

The World Bank's new approach

The World Bank's rethinking has brought unusually frank admissions that privatisation had been pursued dogmatically and ideologically. In a new Infrastructure Action Plan (IAP), the Bank Group committed itself to 'supporting infrastructure service delivery through a more balanced and pragmatic approach, with the overall objective of mobilizing funds from the entire spectrum of public and private financing sources'. [2]

However, the IAP, and a series of Operational Guidance Notes explaining how the new approach should be applied in each sector, show that the Bank remains committed to privatisation and market-based solutions. This can be seen in three of the IAP's major elements:

- Through a range of existing and new 'risk mitigation' instruments, the Bank hopes to woo the private sector back. For example, the Bank would compensate companies for the cost of government decisions such as refusal to allow a tariff increase. The cost of such guarantees could be passed on to governments via loan conditions, which would have the effect of disciplining government policy.

- Through a new method called 'output-based aid' (OBA), the Bank is aiming to provide subsidies direct to the private sector against certain performance measures. In theory this transfers performance risk to private companies – they are only paid for what they deliver – but in practice experience has shown that target-based performance management can undermine service quality. Over time, OBA could also undermine government's ability to regulate effectively, by building private sector market share while reducing public sector alternatives.
- Through making support to public utility and transport providers conditional on commercialising their operations, the Bank intends to make them behave more like profit-oriented private companies. This could be an alternative to privatisation, by putting state-owned companies on a more sound financial footing. But it could also have the same effect as privatisation on workforces and services. Moreover, it can pave the way to actual privatisation, and in some cases is explicitly designed to do so.

How the World Bank approach impacts on transport[3]

The Bank' operational guidance on transport notes:

'International experience in market economies indicates some common patterns. Broadly, private ownership of transport services has been much higher than for transport infrastructure; it has been more common for freight transport than for passenger transport; it has been predominant in road haulage and freight forwarding, but in most parts of the world remains exceptional for railway services. International experience is one important factor in determining the range of acceptable options. The Bank should also be ready to advocate more radical options where the enabling environment is supportive and clear benefits can be anticipated.'

With or without privatisation, the World Bank advocates organisational separation of infrastructure (such as ports) from service delivery (such as stevedoring). The operational guidance for transport states that 'creation of "arm's length" between the policy functions of government and the commercial functions of business management' is 'central to transport services reform'. It adds that 'privatisation is usually the most effective form of separation'. (In the cases of rail and mass transit, however, the Bank acknowledges that 'the situation is more complex' and that experience is showing that separation can be undesirable.)

The Bank continues to firmly favour privatisation of services, on the grounds that it increases efficiency and reduces political influence. The operational guidance states that for 'airlines, stevedores, shipping lines, barge companies, freight forwarding and logistics companies, etc.', the Bank would 'normally favor private operation within competitive (or periodically contestable) markets and, where competitive pressures are limited, within an appropriate regulatory structure'.

For the infrastructure, the operational guidance states that the arguments are 'less clear cut'. It sees infrastructure privatisation as preferable, provided certain conditions are met, but recognises that there are circumstances in which it can be too risky or politically unacceptable. In such circumstances, the Bank 'usually favors the corporatization and commercialization of government agencies responsible for transport infrastructure provision.' Driving up labour productivity to levels benchmarked against private operators is

[2] Infrastructure Action Plan Update, Report to World Bank Informal Board Meeting, April 8, 2004, p.2.
[3] This section is based on *Public and Private Sector Roles in the Supply of Transport Infrastructure and Services*, Operational Guidance for World Bank Staff, Paul Amos, World Bank, Washington, D.C., May 2004

among the conditions the Bank would attach to support for commercialised public operators.

The guidance goes into some detail about the conditions under which the Bank would support infrastructure privatisation. These include that:

- transport access and affordability for the poor are maintained or improved;

- environmental and other safeguards are met;

- there is a suitable 'institutional environment';
- 'value for money' improvements should be sustainable.

While acknowledging the importance of taking national circumstances into account, the guidance suggests:

Road transport:

- Construction, rehabilitation and maintenance: 'Expected to be financed by the public sector for the foreseeable future', but through 'competitively bid contracts'. Increasing opportunities for private sector participation.
- Road haulage: 'Best provided by the private sector', but 'there may be a case for enterprise development assistance' to build capacity.
- Road passenger services: 'Preferred model' is private bus companies with subsidies for public service operations, but support might be given for public providers with 'efficient and sustainable business models' leading towards privatisation.
- Informal services: To be encouraged through micro-finance if necessary; Bank may also advise on whether and how to regulate them.

Maritime and inland waterway transport:

- Navigation infrastructure: Public sector responsibility, but some scope for contracting-out and private supply of specific functions.
- Port infrastructure: The 'landlord model' for larger ports, which means public ownership but with privatised stevedores and contracting out of specific functions; however, the Bank also supports private port ownership subject to competition or regulation.
- Stevedoring services: Privatisation through leasing, concessions or private ownership, preferably with competition; support for public stevedoring conditional on commercialisation leading towards privatisation, except at 'very small common user ports' where public ownership might be appropriate, preferably with private management contracts.

- Shipping/barge services: Private ownership except in 'specific circumstances', such as road ferries that are essentially part of a public road network, which should be contracted out.

Air transport:

- Air navigation infrastructure: Continuing public ownership, but commercialised.
- Airport infrastructure: Various forms of privatisation preferred, including private ownership, landlord model, and concessions; otherwise, commercialisation.
- Airport services: Privatisation through ownership, concessions, leasing or management contracts, except for small regional airports, where private management contracts of integrated airports preferred.
- Airline and air freight services: Privatisation of ownership.

Railway transport:

- Railway infrastructure: Bank support for privatisation of vertically integrated, predominantly freight railways to continue, but public railways with 'important social and/or economic role' will also be supported subject to commercialisation; private 'greenfield' or separable projects.
- Train operations: Full separation of infrastructure from services has not proved efficient, so public enterprises supported, subject to commercialisation and private provision of specific services where possible.

Urban mass transit:

- Publicly owned vertically integrated operations supported if well managed, and concessions otherwise; for new systems, private provision preferred.

The World Bank and labour issues

The World Bank is increasingly offering technical and financial assistance to deal with labour redundancy and restructuring. Indeed, the first time a World Bank loan was used for such a purpose was to reduce employment in Argentine railways from 90,000 to 15,000, and the Bank has also financed retraining schemes in Brazil.

The Bank has recently published a detailed toolkit called 'Labor Issues in Infrastructure Reform', which sets out how to plan, implement and evaluate labour redundancy and restructuring programmes.[4]

The impact on employment, and the World Bank's approach to that, will be explored in more detail in Year 2 of the project.

[4] Labor Issues in Infrastructure Reform: a toolkit, World Bank, Washington, D.C., 2004.