THE WORLD BANK, TRANSPORT AND LABOUR RESTRUCTURING

Neo-liberal transport restructuring and trade union alternatives

A paper by Brendan Martin as part of the ITF/FES project on Neo-liberal transport restructuring and trade union alternatives

December 2006

The World Bank's projects and other activities have long had significant impacts on transport workers. As workers and citizens, transport workers were greatly affected by the structural adjustment programmes of the Bank and the International Monetary Fund (IMF) in the 1980s and 1990s, when government budgets were cut and public services, including transport services, were starved of investment and operational finance. Transport workers have been more particularly affected, both positively and negatively, by World Bank loans for the development or restructuring of transport infrastructure and services; transport is, in fact, the single largest industrial sector recipient of World Bank project loans.[1]

The Bank's projects, and particularly those that have involved or led to privatisation or other forms of restructuring of transport services, have often led to very large scale retrenchments and other labour "adjustments". More recently, the Bank has also developed a range of interventions, including particular project loans, specifically to engineer restructuring of transport service labour forces; these projects have in several cases included mass retrenchments. More recently still, the Bank has developed projects to provide technical assistance to governments and state-owned enterprises to equip them with consultants and build their own capacity to carry out labour restructuring programmes, including retrenchments. In particular, the Bank has produced a toolkit on Labor Issues in Infrastructure Reform, published jointly with the Public-Private Infrastructure Advisory Facility (PPIAF), a multi-donor technical assistance facility.

It should be noted that, while many Bank projects have involved or led to loss of transport workers' jobs, there have also been jobs created by projects financed by the World Bank Group. This is because both the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), the Bank Group agencies that lend to governments of middle income and low income countries respectively, have in some cases led to major improvements in transport infrastructure. Successful ports in Mexico, for example, have expanded and increased their employment. In addition, the World Bank has loaned for investment in "greenfield" transport infrastructure, such as new ports. The International Finance Corporation (IFC), the Bank agency that lends to the private sector, has also done so, as well as providing investment capital to existing private sector transport operators.

This does not mean, however, that those jobs that have been created by World Bank projects have been either secure or of high quality, although some have been. Undoubtedly, the employment relationship, and the terms and conditions, of many workers have become more precarious as a result of Bank projects. The impact on terms and conditions has been mixed, but often it has been negative, and many Bank projects have led to outsourcing.

This paper briefly traces the development of Bank's focus on labour restructuring in the context of its long-term activities to restructure transport infrastructure and services.

[1]For an introduction to the World Bank Group and the agencies of which it is comprised, see this project's *Briefing 2: The World Bank, its project cycle and key entry points for unions.* For an introduction to privatisation, see this project's *Briefing 1: What is Privatisation?* For an introduction to the Bank's transport policies, see this project's *Briefing 3: The World Bank and transport privatisation.*

The origins of the World Bank's focus on transport workers

The route by which the World Bank has become increasingly explicit in its attention to labour issues was captured and foreshadowed as long ago as 1989, in a paper called Labor Redundancy in the Transport Sector, by Alice Galenson. In one of a series of what, in retrospect, appear to have been highly significant Bank policy papers produced by the Transport Division of its Infrastructure and Urban Development Department,[2] Galenson commented:

"The (Bank's) projects often have indirect implications for employment, but direct Bank intervention in issues of public sector wage and employment policy is fairly recent. Interest in this area has grown as more and more countries face the need to reduce public expenditures and deficits, with wages often a major element. (In Brazil, for example, the public payroll consumes three-quarters of government revenues.) There is also a growing realization that pay and employment conditions can seriously affect public sector performance.

"A recent survey of Bank experience points out that lending in connection with the reform of central government pay and employment policies was rare until 1981, but that between that year and 1987, it was an important element in forty-five lending operations in twenty-four countries." (Galenson 1989, p.65.)

Galenson went on: "A number of arguments can be advanced for active Bank involvement in labor reduction programs in the transport sector. As a significant input to many productive activities, as well as an important product in its own right, transportation has a major impact on the economy as a whole, and reductions in cost can have important ramifications. Transport entities are among the largest public enterprises and a good place to initiate reform, both because of the immediate impact on the public budget and because of the model they can provide for public sector bargaining. Within the public sector, transport provides an output which is relatively easy to measure and therefore to analyze in terms of the required inputs."

It appears, therefore, that by the end of the 1980s, if not earlier, the Bank was focusing on reduction of transport costs as a key to engineering the economic changes it was seeking to bring about, as well as for their contribution to reducing public spending. This led it towards focusing on cutting labour costs and driving up labour productivity in transport. Rather than being a by-product of transport privatisation and restructuring, therefore, labour restructuring could be seen as having been a central goal of those policies. As well as being implied by Galenson's account (and others), it is strongly suggested by another in the same series of transport papers published around that time. A paper called Restrictive Labor Practices in Seaports began:

"Restrictive practices may prevent developing country seaports from benefiting from investments in containerization and bulk handling. Port loan appraisals should assess the changes needed in labor arrangements and organization and estimate compensation payments needed for displaced workers." (Harding 1990, p.i) It went on to list limits on entry to port work, job demarcation and other practices through which dockworkers had used organisation and collective bargaining to regulate their terms and conditions against an historical background of casual and highly exploited employment.

The paper also estimated the financial costs of these practices, and concluded (p.21): "Given the worldwide spread of containerized and bulk transport, no country can afford the luxury of continuing with traditional port labor arrangements and their associated restrictive practices. The cost of their abolition is a major reorganization of the port industry of the country, the payment of substantial sums in compensation and the risk of industrial stoppages, but this cost must be faced if the development of exports and imports is not to be constrained by port inefficiency." It added:

"Changes in restrictive practices have to be made in step with changes in the organization of work. A piecemeal or gradualist approach is unlikely to be able to respond sufficiently quickly to the needs of a changing technology. Typically successful change has come from industry-wide changes affecting all aspects of work, and a reconsideration of the role of public and

[2]The World Bank has long used the term 'infrastructure' to embrace telecommunications, energy and water and sanitation services, and transport. Until this year, when Paul Wolfowitz engineered a restructuring of the institution of which he became president in 2004, its main transport activities were carried out through its Transport Division within the Infrastructure and Urban Development Department (in conjunction with country offices and country offices), although other departments (such as Private Sector Development, and Human Development) were also involved in various ways. As a result of this year's restructuring at the Bank, the Infrastructure and Urban Development Department no longer exists. Many of the Bank's transport activities will now be carried out through the new Sustainable Development Department, headed by vice-president Katherine Sierra, formerly head of Infrastructure and Urban Development Department.

private sectors. Privatization usually implies some transfer of responsibility from one union or working group to another and in this process offers the possibility of reform of working practices."

And further: "Government participation in the financing of the changes has been necessary in most cases. In addition the achievement of such major changes in the port sector has required the firm determination of government in the face of opposition from entrenched labor and other local interests. The investment in compensation payments has proved to be very cost effective and this will normally be the case provided the changes are irreversible. This need, to ensure irreversibility, is one important reason why institutional changes have to go in step with labor changes."

The paper therefore recommended a step change by the World Bank: "Labor organization is a difficult area which for good reasons the Bank has traditionally been reluctant to enter. This hands-off attitude is no longer possible if effective use is to be made of Bank-funded investments in port modernization. The appraisal of any prospective loan including infrastructure or equipment elements for bulk and container handling needs a careful analysis of the extent to which present labor practices may impede the achievement of benefits. Such an analysis should include an assessment of the changes required in labor organization and labor arrangements, of legal implications and of the impact on the work force of the proposed investment. The cost of compensation payments should be included in the economic and financial evaluation of the project, together with the project's impact on the total wage bill." (Harding 1990, p.22).

Thus was the link established between Bank loans for capital and equipment investments, and conditionalities regarding changes to work organisation and terms and conditions of employment. Ports privatisation was presented as a way of uniting the agendas, by forcing through changes to labour practices, with governments paying for the compensation involved.

Similarly, in relation to railways and aviation, Galenson noted that "employment targets were often implicit in operating or efficiency targets or in the technological advances or privatization goals embodied in the (World Bank) projects". Citing examples such as railway line closures in Brazil, Uruguay and Sierra Leone, and airline closures in Mali and Niger, she added that only recently had "explicit staffing conditions in individual transport enterprises" begun to appear in project documents. Mentioning a Railways Emergency Recovery Project in Sudan and a Transport Rehabilitation Project in Zaire (now the Democratic Republic of Congo) as examples, she added that such conditionalities were "appearing with increasing frequency in structural adjustment loans, public enterprise loans, transport sector loans and traditional transport projects." In a further step along this path, "only very recently has the Bank become involved in the details of how to reduce staff or what to do with the surplus".

Galenson also foreshadowed what has since become a recurring theme in Bank documents about transport by citing comparative labour productivity statistics based on the orthodox formula of dividing a measure of output by the number of employees in the enterprise producing it. In the railway case, for example, the formula used is "total traffic units" (TTU) divided by number of employees, where TTU is the aggregate of freight traffic units (freight service kilometres) and passenger traffic units (passenger service kilometres.) Galenson wrote (p.28): "In Pakistan, for example, the publicly run buses, which suffer huge losses, employ 11 staff per bus, compared to an average of four in the private sector for similarly sized buses."

Other comparisons with reported private sector employment and management practice are also cited. For example: "In Calcutta, the public bus company suffers from inadequate repair and maintenance, a ratio of staff to operational buses of over 20 to 1, and substantial fare evasion, and requires a subsidy of around $1 million each month. Private buses of similar size and with the same fares are able to survive without subsidies as a result of high fleet availability, low staffing ratios, and incentives to drivers to minimize fare evasion. The private buses also provide more reliable and frequent service during peak periods."

The Bank has continued to evaluate labour productivity in transport by that method, despite obvious problems with the ways in which it oversimplifies productivity factors and equates contexts between which there may be highly significant differences. Indeed, the Bank has itself acknowledged that its methodology in this respect is problematic. In a 2005 paper (which, like those from nearly two decades ago already cited, is one of a series of "Transport Papers" that appear to be important for understanding the Bank's current approach and foreshadowing its intentions), it is claimed that railway privatisations in Latin America have improved "productive efficiency" and that the TTU/employees formula proves this.

However, it also acknowledges that outsourcing, which often follows privatisation, would distort the ratio:

"This review takes note of the observation that labor productivity statistics may overstate efficiency gains to the extent that concessionaires shed non-core activities and then purchase required services from external suppliers. Such outsourcing has the effect of substituting non-labor inputs for labor inputs and, in theory, outsourcing could produce a large apparent gain in labor productivity while total factor productivity actually decreased. While available data do not permit an exhaustive investigation of this point, however, evidence suggests that overstatement of labor productivity gains is likely relatively minor." (Sharp 2005, p.9)

Clearly there is a need for further research in this area, but even if Sharp is right, and the labour productivity numbers are not fundamentally distorted by outsourcing, the way in which the Bank tends to use the bare productivity formula and its resulting data is problematic. In the Transport Paper on railway privatisation in Africa, for example, no such caveat is entered, although it is equally valid, and yet the author proclaims: "Productive efficiency has clearly improved. Labor productivity has increased steadily in all the concessions which have operated for over five years and similar figures are likely to come from most of the other recent concessions." (Bullock 2995, p.ix).

Another significant Bank paper on railways privatisation goes even further by not only excluding the caveat but declaring: "The most dramatic results of the involvement of the private sector in the concessions (or privatizations) are undoubtedly the significant improvements in labor productivity." (Thompson, Budin, Estache 2001, p.10, my emphasis.) It adds that in all but one case covered in the study, labour productivity "at least doubled and more often tripled or quadrupled. To some extent this was a result of traffic growth, but the greater share of the improvement must be attached to the programs which reduced the redundancy in the labor forces of the railways."

Those points having been made, it does indeed appear that transport workers have been producing much more shareholder value as a result of World

Bank projects. (Whether or not they have also produced more "public value" is another matter, and an issue to be explored during the third year of this project.) Indeed, if the accounts cited above are to be believed -- and in terms of their data, if not their methodology, there is no reason to doubt them -- the reductions and restructuring in transport workforces that was proposed by those transport papers nearly 20 years ago appear to have succeeded as planned.[3]

[3]For some examples of World Bank data on labour productivity in privatised railways, as compiled and tabulated by this project, see Annex 1.

World Bank transport projects and labour restructuring

The example set out in Box 1 below illustrates the way in which, in more recent years, the Bank has set about linking the various objectives for transport and labour restructuring in loan projects.

Project development objective: To substantially increase the operating efficiency of the three major port rail systems (run by a state agency called CFM) in Mozambique and enable them to increase their share of the available freight traffic, mostly the export/import traffic from the neighbouring countries. This would "enable financial self-sustainability through increased revenues and reduces costs".

The project's five components were:

- *Concessioning of main sea ports, airports, and railways:* "This component would focus on provision of consultant services to advise the Government on a strategy to attract private participation in sea ports and railways and on structuring concessioning arrangements for the main port-railway systems and airports."
- *Staff Rationalization:* "Various studies show that CFM, with a total employment of nearly 22,000, is grossly overstaffed. Average labor productivity indicators in both the rail and port sectors are well below those in neighboring countries and elsewhere. Based on a detailed staff inventory and functional analyses for each system, the estimated staff requirements are about 8,200, leaving a surplus of close to 14,000. CFM has already identified individual redundant staff while recognizing that final redundancy levels will be determined by the concessionaires who will select staff from the existing CFM pool according to need. Concerned about the large numbers of surplus workers involved, the Government of Mozambique and CFM have developed a staff rationalization program to minimize the social effects of restructuring and privatization in consultation with workers and the union. The staff rationalization program consists of three main components: (i) financing of severance payments to staff being retrenched or retired early; (ii) creation of a pension fund for the rail and port staff employed by CFM or concessionaires; and (iii) provision of redeployment support to help workers find alternative jobs or become self-employed.
- *Corporate Restructuring:* "This component would focus on provision of consultant studies for the spin-off of the commercial activities of CFM under a new holding company, and the provision of consultant services, equipment, and of learning and dissemination activities to enable the implementation of the recommendations of the study thereof."
- *Institutional Reform:* This component has two sub-components: (i) organizational assessment of the Ministry of Transport and Communications (MTC); and (ii) regulatory reform.
- *Tertiary Ports:* This component would include rehabilitation works for the small ports of Angoche, Macuse, Mocimboa da Praia, and Pebane.

Source: World Bank project information document

To refer to any particular World Bank project as typical would be to risk oversimplification, since they do vary considerably. However, the Mozambique case is cited because it contains elements that frequently recur, and links Bank finance for rehabilitation with restructuring and institutional reforms. (It is atypical, however, in referring to consultation with trade unions in the design and implementation of labour restructuring packages, although that is a principle supported by more recent World Bank advice, if not necessarily expressed consistently in operational practice.)

The approach is based on the idea that economic growth is the route out of poverty, and that improving a country's capacity to export its way to growth is therefore the most effective contribution to be made to transport development. On that basis, it promotes private sector participation and commercialisation, and changes in institutional and regulatory arrangements, to enable market forces to allocate resources in transport infrastructure and services. Reshaping workforces in line with that strategic approach is, therefore, essential, and normally involves large scale retrenchments and changes in employment relationships.

A more recent World Bank paper provides a further example of these linkages, and indicates that they continue to explain the Bank's approach. In a Framework for the Development of the Transport System in South East Europe, the Bank notes that privatisation does not necessarily bring workforces into line with market rationality. It notes: "A significant number of the former public sector companies that now operate in the sector as joint stock companies suffer from over-employment. In some cases the over employment can amount to 30% of the total work force, with significant over-manning found in the repair and maintenance departments. In the SEE region, the majority of companies continue to undertake their own repair and maintenance, often employing a large staff of mechanics. In some cases, this can amount to two mechanics per truck and there are indications that there is a lot of hidden employment. The contrast with EU operators is stark, where the evolution of vehicle technology and the increasing environmental demands of national governments and the EU have forced many EU based road transport companies to contract out their repair and maintenance to specialized dealers." (World Bank 2004, p. xii)

In railways in particular, the Bank sees south east Europe as lagging behind in making the range of changes required to integrate economically with the European Union, as another recent Bank report points out in the context of its exploration of reform progress in the Bank's Eastern Europe and Central Asia (ECA): "Transition involves greater reliance on markets. Reform should therefore most persuasively be seen as a process of adaptation to markets. It follows that different kinds of transport markets (traffic types, mix, distance, competition, etc.) will legitimately yield different forms of railway organization. It is therefore important to assess reform against general principles rather than specific structural models. In this paper the degree of structural reform in the ECA countries is judged against seven main criteria, which include elements of both reform 'process' and reform 'features':

- New railway laws
- Organization forms
- Management structures
- Competition and private participation
- Funding of passenger services
- Labor restructuring
- Commercial business processes." (Amos 2005, p.3)

Those seven points reveal the broad scope of interventions covered by World Bank transport projects, not only in south east Europe railways but in all sectors globally, and the context in which its attention to labour issues must be understood. Depending on national circumstances, they cover everything from legislative, institutional and financing reforms to detailed changes in the size, composition and terms and conditions of workforces. Crucially, they attempt increasingly to link those elements.

The significance of legal and institutional changes in creating conditions for labour restructuring was highlighted in 1997 World Bank publication that set out the rationale for and, in detail, the strategic means to promoting privatization. It noted that, in Brazil, ports were governed by 1937 legislation that caused costs to be "among the highest in the world". (Guislain 1997, p.74 footnote). The legislation permitted the port unions to determine how many and which dockers loaded or unloaded a vessel, partly through a dock labour registration scheme of a type introduced in many countries during the 20th century to regulate the use and limit the exploitation of casual labour. This was the sort of thing, the book argued, that had to change if transport infrastructure and services were to be oriented more to market forces and privatized.

An example of a project linking legal changes with labour restructuring is set out in Box 2.

Mexico Rail – changing the legal framework

The World Bank's *Labor Issues in Infrastructure Reform* toolkit reported that Mexico's railway privatization required legal changes that ranged from constitutional amendments to revision of particular regulations. The first step was a presidential proposal, approved by Congress, to modify the constitutional mandate that declared a state monopoly in railroad transportation. The next was to create by presidential decree a *Comisión Intersecretarial de Desincorporation* to be responsible for the privatization project. Then came a Regulatory Law of the Railroad Service establishing the basic regulatory framework. It included a commitment to training the workers who remained in the company and was followed by the establishment of a restructuring committee to oversee the railway privatization.

All those changes having been made during 1995, at the end of that year the government issued guidelines that acknowledged the important historical role of the railway workers' union and committed the government to respect its members' rights. The guidelines set out the general approach to dealing with personnel issues, but its only firm requirement binding on the concessionaires indefinitely concerned the licensing of locomotive drivers (laying down the qualifications required of drivers, their training, and examinations to which they would be subject). In addition there was a major renegotiation of the labor contract which was streamlined from 3,045 clauses to just 211. More than 1,800 clauses were eliminated.

Source: "Labor Issues in Infrastructure Reform – a toolkit", World Bank 2004, p.64.

Such a systematic approach has been applied not only in the railway sector, but also in the other transport sectors. For example, the Bank introduces its Port Sector Reform toolkit (published in 2001, and due to be replaced by revised version in 2006), as cited in Box 3.

World Bank approach to port sector reform and labour restructuring

"The complex reform process through which the Toolkit navigates policy makers is a worthwhile journey. While the reasons for engaging in port reform are many and varied, the benefits can be quantified as they accrue to exporters, consumers, shippers and entrepreneurs. A successful privatization program may free governments of unnecessary expenditures, releasing funds for more socially needy government programs, release bottlenecks to trade and economic development and motivate the adoption of new regulations that protect the environment and improve workman and navigational safety.

"More broadly, benefits expectations can be summarized as follows for the main stakeholders:

- *Governments:* at the macroeconomic level, to improve external trade competitiveness by reducing transport costs, and in particular the cost of port services, and improving port efficiency at the sea/land interface; at the microeconomic level, to alleviate financial burden on national budgets by transferring part of port investments and operating costs on the private sector, and incidentally, raise revenues from assets divestitures;

- *Transport and Terminals Operators:* more cost-effective port operations and services, allowing for more efficient use of transport assets and better competitive positions on transport markets, and more business opportunities in growing sectors (For example, container operations);
- *Shippers, Exporters/Importers:* reduced port costs, and as a consequence of more efficient port operations, lower maritime freight rates, allowing lower cost of imported inputs and better competitiveness of exports on external markets; and

- *Consumers:* lower prices on consumer goods, and better access to a wider range of products through increased competition between suppliers.

"In Colombia, for instance, the liberalization of labor practices along with the transfer of most port services to the private sector has resulted in large and rapid improvements in productivity, lowers fees for port users, and very attractive returns for the concessionaires. Similarly, in Argentina, the improvements following the concessioning of terminal operations in Buenos Aires have been dramatic: port charges and shipping tariffs have declines sharply, and labor productivity has nearly quadrupled, with cargo volumes up by more than 50%.

"The purpose of the Port Reform Toolkit is to provide policy makers with effective decision support in undertaking sustainable and well considered reforms to public institutions which provide, direct and regulate port services in developing countries."

Source:" World Bank Port Reform Toolkit", World Bank, Washington DC, 200, "Overview"

In accordance with that approach, port sector projects by the Bank's two main agencies, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), cover a similarly wide range of interventions as we have seen in relation to the railway sector: everything from legal and institutional reforms to detailed design and implementation of labour retrenchment programmes, depending on country circumstances.

In addition -- and again the pattern is similar in the railway sector -- the involvement of another World Bank agency, the International Finance Corporation (IFC), which lends direct to the private sector, is also significant. Both in the post-privatisation context and in order to establish private "greenfield" facilities in competition with established public or privatised operations, the IFC has financed many of the investments made in transport sectors. It has financed the expansion of low cost airlines, for example, as in its $30m investment in 2003 "to strengthen the long-term working capital position of LanChile". This enabled the Chilean carrier (privatised some years earlier) to become Latin America's leading low cost carrier of cargo and passengers. Certainly, jobs have been created as a result, but not only is LanChile proving to be an aggressive employer (the unions concerned have accused it publicly of "social dumping"), but, as with low cost carriers elsewhere, it is contributing to wider deterioration in the working environment in its sector, a process begun globally through liberalisation and privatisation from the late 1970s onwards.

In the context of the above mentioned role of the IFC in promoting low cost carriers in aviation, a small but significant step forward has come with the IFC's agreement, following protracted discussions led by the Washington office of the International Confederation of Free Trade Unions (ICFTU) (now merged into the International Trade Union Confederation), to build basic labour standards into the conditionalities for its projects. The decision means that all companies that borrow from the IFC are now required to abide by the International Labour Organisation's core labour standards, which prohibit the use of forced labour, child labour and discriminatory practices, and require recognition of freedom of association and the right to collective bargaining. The IFC standards also provide for certain protections in areas such as health and safety and the way in which workforce reductions are managed, and, in limited circumstances, extend to contract workers. The IFC states that the objectives of the new performance standards are:

- To establish, maintain and improve the worker-management relationship;
- To promote the fair treatment, non-discrimination and equal opportunity of workers and complicance with national labor and employment laws;
- To protect the workforce by addressing child labor and forced labor;
- To promote safe and health working conditions, and to protect and promote the health of workers.

As well as working to ensure application of the standards, the global unions are aiming to build on and extend them throughout the World Bank Group and to the International Monetary Fund (IMF). However, the fact that this quest will face obstacles was emphasised by the Bank's 2007 Doing Business Report, which praises countries with low levels of labour protection, and by the IMF's World Economic Outlook (WEO), which urges labour market deregulation. The implications of the approaches outlined in those documents was highlighted by a 2006 Bank economic memorandum to Colombia urging the country's government to make hiring and firing decisions more flexible in order to improve its Doing Business ranking.

Guy Ryder, ITUC general secretary, commented that "the World Bank and the IMF need to work more closely with trade unions, civil society organisations, and UN bodies such as the ILO to develop policies that support the decent work agenda".

These inconsistencies in World Bank labour policies are of obvious significance in the context of its more constant transport restructuring activities, since, as we have seen, such wide-ranging reforms as it enables and promotes inevitably require (and, indeed, are fundamentally aimed at) changes in work organisation and labour practices. The linkages are evident in the World Bank report about railway reforms in its ECA region, cited earlier, which ranks each of the countries in terms of the extent to which it has taken the recommended action in each of seven categories. Their scores are expressed in Table 1, attached in Annex 2, and show that only one of the countries, Estonia, scores top marks in each of the Bank's seven categories of railway reform. It is not a coincidence that Estonia outperforms the others even more dramatically when labour productivity is compared (see Table 2, in Annex 2). Estonia achieved its dramatic increases in labour productivity in part through job losses of some 70 per cent during the 1990s.

In addition to the IFC standards, the World Bank Group now refers approvingly to social dialogue in much of its literature on labour issues, although it rarely uses that term and it would be going too far to suggest that it actually promotes it. The Labor Issues in Infrastructure Reform toolkit cites examples in which the restructuring process has gone more smoothly as a result of engaging with unions, as well as examples in which lack of communication, consultation or negotiation appears to have undermined the process. The Bank's Port Reform Toolkit also refers sympathetically to the ITF view that "that policy makers should involve labor at all stages of port reform". However, its main focus is on pursuing reform "in a way that maximizes efficiency and minimizes labor dislocation and risks to potential port investors and operators". Where there is perceived to be any clash between workers' rights and those of employers, it is clear that the Bank sees the former as of secondary priority, even if it implies a preference for negotiated rather than unilateral imposition of changes.

What is more significant, however, is that few Bank projects explicitly promote social dialogue, and there is often a wide gap between operational practice and what is presented in policy documents as best practice. A test of the Bank Group's commitment will come in the design of future projects, and the extent to which the IFC standards are adopted by other Bank Group agencies. Nevertheless, preogress should be acknowledged where it has occurred. Back in 1989, Galenson noted: "Dismissal of workers, with or without compensation, is the most efficient method of staff reduction as far as the enterprise is concerned, for it can target exactly which workers and how many to discharge, but it is often the most costly in terms of social impact and labor relations. In some countries it is prohibited, whether by law, by social custom, or by political realities. It is easiest in countries with strong governments and/or weak labor movements." Citing the example of the destruction of unions in Chile (without mentioning the context of military dictatorship and the wider crushing of civil liberties there at the time), and referring to the fact that this enabled 20,000 railway jobs to be cut and dock work to be privatised, Galenson added: "Pakistan International Airlines cut 4,000 people out of 23,000 after banning its labor unions. Some form of compensation is usually offered, even in the most extreme cases." Despite the Bank Group facing both ways in practice on social dialogue and workers' rights, it is unlikely that a Bank publication could refer so uncritically to such a repressive approach today.

The LanChile experience mentioned earlier illustrates that many of the jobs that have been created as a result of World Bank projects have been of low quality, and suggests that employment supported by Bank projects falls short of the new IFC standards, modest though they are. For example, the monthly earnings of LanChile cabin crew are composed of elements of which basic salary is low, while performance-related bonuses are required to make it up to a reasonable level. One pay slip seen in the course of research for this project revealed that a flight attendant was paid 50 per cent more for onboard sales commission than for basic salary, with other performance-related elements reducing the basic to less than 25 per cent of total earnings.

As the report of an ILO tripartite meeting on civil aviation has noted, drawing upon a survey of aviation unions: "With regard to the impact of restructuring on their members' substantive terms and conditions of employment, more than three-quarters of all respondents noted the negative impact of restructuring on work intensity. Other dimensions of employment were also seen to have deteriorated, most notably levels of job security, job satisfaction and the quality of union-management relations." (ILO 2003, p.4) The report stated that "the drive of airlines is to cut costs, including labour costs", and the use made of outsourcing to do so. This was leading to "a two-tier workforce, typically with inferior terms and conditions of employment". Unions are concerned that a race to the bottom is underway as the employment practices of low cost carriers, fuelled by other pressures on established employers, become more widespread.

Similar trends are evident in other transport sectors. For example, one study found that "the process of technological change, deregulation, liberalization and privatization have led to a relatively higher risk of employment loss", and that unionized workers have been negatively affected "in a larger proportion than the workforce as a whole". (German government, 2003, p.47.) This, it concluded, had weakened transport unions, while increasing their hours of work and employment flexibility. "This has affected employment contracts (e.g. short-term and 'on-call' contracts), remuneration packages and, in some cases, health and safety". It added: "Restructuring in itself does not necessarily lead to significant cuts in sectoral employment, but it tends to shift it across companies and sub-sectors in ways that can adversely affect many workers". It adds that "certain forms of deregulation" lead to "harsh competition which exerts downward pressure on overall wage levels, even though the total remuneration for specific employees is not always seen to fall". This is because of "either more hours and/or performance-based bonuses".

Moreover: "Deregulation and liberalization often lead to the neglect of international standards and non-compliance with national laws concerning basic worker rights, hours of work, driving or flying time, rest periods, and health and safety. The increase in road and rail traffic across borders in economically integrated regions brings about a new set of difficult issues concerning licensing, cabotage, legal and social protection of workers abroad, standards on working conditions and health and safety, and efforts to harmonize national laws and practices related to these issues." As we have seen earlier in this paper, while driven also by changes in international markets and technological change, those trends have also been deliberately engineered by international institutions such as the World Bank, through systematic reforms of everything from national legislation to work organisation.

Therefore, while new jobs have been created and pay has improved in some cases, for example in greenfield projects and in circumstances where an existing facility has been successfully transformed to compete more successfully, those results must be seen in the context of the overall sectoral effects of restructuring. Moreover, the scale of job losses associated with restructuring has impacted negatively on very large numbers of workers. In railways, for examples:

- In Argentina, the railway workforce was reduced by some 85 per cent, from 95,000, in the course of privatisation, while in Brazil the reduction was around 75 per cent, and in other Latin American countries 50 per cent or more.
- In Eastern Europe and Central Asia, World Bank numbers show that 1.4 million railway workers lost their jobs between 1990 and 2002, a reduction of 37 per cent, with some countries, such as Poland (from 336,000 to 143,000) and Estonia (9,600 to 2,670), cutting the workforce by as much as 60 per cent.
- In Africa, the reductions have ranged from around 20 per cent (Cameroon) to 60 per cent, although the volume of workers involved is lower than in the other regions mentioned.

Retrenchments have tended to be particularly high in railways, but have also been significant in other transport sectors. On April 24 this year, for example, the Nigerian newspaper This Day reported that "no fewer than 9,000 of the 10,000 workers of the Nigerian Ports Authority (NPA), may be laid off, after the handover of ports to private operators". Aviation has also experienced large scale job losses, often linked to increased outsourcing in the context of privatization. Aeroperu's workforce was cut by half (to 980), for example, while a recent ITF study reported that "there are categories of workers such as cargo handlers in the airline sector who are now experiencing informal working conditions". (Bonner 2006, p.30).

The World Bank itself has studied the available literature on overall impact on labour of the restructuring approaches it has promoted, and concluded (Labor Issues in Infrastructure Reform: a toolkit, pp.18-20) that the key factors affecting the outcome for workers are:

- The market conditions of the sector concerned, and especially whether or not it is (or parts of it) are expanding (e.g. aviation in general, and low cost carriers in particular) or contracting (e.g. railways in general, and, in particular, some freight types in which roads have increased market share);
- The extent to which there have also been changes in technology (such as containerisation) that significantly affect the sector's labour intensity;
- The existing level of labor redundancy and productivity in terms of relevant international and national benchmarks;
- National and local labor market conditions and social protection provisions;
- The relative costs of labor and capital in the economy concerned;
- The nature of the legal framework governing labor issues, and whether (and how) that is changing;
- The content of existing formal agreements (for example, labour contracts and collective bargaining agreements);
- Government policy regarding employment protection and creation;
- The balance of influence between interest groups in the labour relations environment;
- The nature of the political relationship between the government and the relevant labour unions;
- The attitudes, capacities and strategies of government, employers, and union leaders.

Although those factors influence impacts in particular cases, however, there are general trends. In relation to pay and conditions, for example, the following tendencies are evident:

- Monetization of pay and benefits packages, with nonwage benefits bought out, reduced, or eliminated, and pensions in particular adversely affected.
- Increases in pay differentials, in response to labor market conditions and the different places in it of different groups of workers.
- Erosion of national level collective bargaining, with a shift to enterprise-level bargaining or individual pay determination, a trend intensified by the increased use of subcontractors and casualisation.
- Reform of pay systems to tie earnings more directly to productivity performance as defined by the employer.

The evidence on differential gender impacts is scarce, partly because the make-up of workforces in some sectors tends to be mainly men (ports and railways), whereas in others there are more women in the workforce, and partly because it is under-researched.

In this paper, we have tried to show the relationships between the World Bank's overall policies and activities and its involvement in labour restructuring in transport sectors. The institution has focused on labour restructuring both as part of its efforts to effect a general transport restructuring strategy and to deal with its impacts on workers. Changes to work organisation have been seen as an essential and integral element of transport restructuring, and have required changes to the size, employment relationships and terms and conditions of transport workers. Increasingly, the Bank has focused its attention on engineering those changes. Most recently, this has extended to financing retrenchments and to technical assistance to governments to deal with their effects. One example of its efforts is set out in Box 4 below.

Study of Brazilian railway workers

In order to "minimize the social cost of layoffs", the World Bank supported a detailed study of the characteristics of each regional labor market and the outplacement opportunities for each worker likely to be retrenched. The analysis covered the employee's age, experience, and education level, compared with similar characteristics in the regional labor market where the redundant employees would have to compete for a new job. It revealed that the two main characteristics of Brazil's labor market are (a) the modest qualifications of its labor force and (b) its capacity to generate jobs of poor quality. The poor qualifications of the country's labor force reflected the low level of formal schooling and the low quality of basic education. Professional training tended to be ineffective, even for the most educated workers, and was in any case not available to workers caught up in the increasing trend of switching from the status of employee to self-employment.

In spite of some similarities, such as the low level of education, the profile of the railway workers studied differed in some respects from the rest of labor market. The average rail worker was about 41 years old, had about 18 years of service with the same company and had few or highly specialized skills. The average worker in the general labor market was around six years younger and was paid between 10 and 30 percent less than the average railway worker's wage.

The emerging concern was that without some assistance, many of the rail workers declared redundant were likely to find it difficult to compete in the labor market in the short run. Even if these workers did manage to re-enter employment, they were likely to be paid less. The view at that time was that what was needed was enough training to reduce the cost imposed by specialized job experience and the lack of formal education. A team of advisers from various training institutions was convened to prepare a menu of options from which affected employees could choose, and to design training packages that would meet the employees' needs.

In practice, however, an evaluation of the experiment revealed that, while the project did put more money in retrenched workers' pockets, it did little to enable them to find new jobs. "All things considered, this staff reduction program has been reasonably successful," the evaluation concluded. "For now, the main points are probably that the improvements in productivity that were aimed for have been achieved without major problems, through a combination of early retirement and voluntary retrenchment stimulated and sponsored by the government and a willingness by the concessionaire to make quick decisions on the number of involuntary retrenchments that they wanted to implement. The main advantage of the quick decision by the concessionaire was that it benefited from the momentum created by the prompt government implementation of its own decisions and the fair treatment of workers. The companies could have indeed waited until the contractual twelve month obligation to pay the same package as the government for involuntary retrenchment was over, which would have allowed them to only pay the legal obligations.

"The main problems have come from the underestimation of the time it was going to take to agree on the strategy to implement the training and the outplacement programs. In addition, the strategy adopted provided a good incentive to sign up for the courses (one month’s salary) but it did not provide much incentive to workers to show up, since they were paid up front. The informal evidence also suggests that most workers found new jobs before many of the training programs were available."

Source: Estache, Schmitt de Azevedo, and Sydenstricker 2000.

The Bank's most comprehensive treatment of labour restructuring in the transport sector is contained in its 2004 Labor Issues in Infrastructure Reform toolkit, which describes itself (p.2) as a "practical guide to assist practitioners in designing, implementing and monitoring labor programs in PPI (private participation in infrastructure) reforms, thus also helping build capacity in this challenging area".

The toolkit's existence can be seen as evidence of the success unions have had in some sectors in some countries in resisting restructuring,in order to protect jobs, terms and conditions, and their own strength and bargaining position. The toolkit responds by recommending consultation and negotiated solutions where necessary or possible, in order both to overcome opposition and to produce outcomes that are seen as fair. Experience shows, it states, that "the interests of all parties need to be carefully balanced to ensure both good processes and good outcomes", which means that "efforts to provide fair and equitable treatment for workers must be economically and financially feasible for the government and must give private operators the needed flexibility in making employment decisions".

Clearly, fundamental differences in interests cannot be overcome by such mollifying language, nor by the toolkit's recommended approach of "engagement with stakeholders". Moreover, the toolkit is firmly premised on the goal of improving the performance of governments in driving through the restructuring agenda that has evolved over the last two decades rather than on modifying it. Indeed, some aspects of what are presented as ways of socially mitigating the effects of retrenchment clearly have the effect of reinforcing efforts to replace organised formally employed workforces with fragmented, precarious and informal employment relationships. For example, in a section on "redeployment support" for retrenched workers, it is recommended that, in addition to pre-layoff advice, job search assistance and training, support should be given to "employee enterprise, through which the resources and facilities of the (privatised) enterprise are used to create jobs for displaced workers by contracting out services needed by the enterprise to newly separated workers". (p.121-2.)

The effects of such an approach have been reported by the ILO in one example: "Employment programmes for workers leaving the public sector did exist in Argentina but they were not always applied promptly. It was also true that there were some very imaginative solutions, particularly in rail transport where groups of workers were given repair workshops to repair machines. It was a way of outsourcing which started the autonomous workers off in a productive project.' (ILO 2000, pp.20-21.) In practice, according to a leading official of the ITF affiliate Syndicato La Fraternidad: "The great majority first set themselves up in mini-undertakings which were unsuccessful because they were geared closely to the railways. This great majority is now unemployed. The state has never set up training programmes for workers who had been employed in the industry for 15 or 20 years. It is also true to say that what used to be a secure job is no longer secure, and that this has destroyed an identity in the case of our speciality, in which 70% of use were sons and grandsons of engine drivers." (Personal interview)

The World Bank toolkit is also aimed in part as avoidance of governments spending too much on compensation for retrenchment, especially because this has led in many cases to what it calls "adverse selection". Many transport enterprises have lost some of their most skilled and experienced workers, which has had a negative impact on privatised operations, sometimes leading to retrenched workers being taken back on. In some atypical cases, such as the Zambian railway case outlined in Box 5 below, this has led to the retrenchment of entire workforces, so that all employees are equally entitled to severance packages and the privatised operator then re-employs those it wants. However, that is not recommended World Bank practice, and the Bank tends to advocate bars to re-employment of retrenched workers.

Zambia – Redundancy for All Rail Workers

"When the Zambia Privatization Agency (ZPA) and the Zambia Railways Corporation (ZRC) considered strategies for labor adjustment as part of a plan to privatize the operations of the railway, a combination of factors indicated that all 1,650 of its workers would receive redundancy payments – even those who kept their jobs.

"Those factors were:

"An exceptionally generous retrenchment package, negotiated previously with the Railway Workers Union of Zambia, which included a severance package of 3.2 months of salary per year of service plus resettlement and a freehold title on a farming plot (typically 5 hectares) for resettlement on land allocated for farming by a previous government.

"Labor laws that gave every worker in an enterprise transferred to a new employer the right to request that all terminal benefits be paid (including pensions and negotiated severance) and then to leave the enterprise. These laws also provided that any workers who transferred should receive terms and benefits no less generous than their current employment contract.

"Worker suspicion of the employment security offered by both private operators and government, given well-publicized bankruptcies of privatized firms. This meant that the trend in Zambia was for workers to readily accept voluntary or compulsory redundancy (especially when the packages were generous).

"ZRC's financial circumstances. ZRC was in arrears in paying both employees' and employers' contributions to the workers' pension fund.

"Those circumstances meant that almost all workers were likely to leave the company rather than join the new operator, who would start with no experienced staff. Government decided to consider offering redundancy to all workers, but there was a financing problem with that idea: government could not afford the costs of retrenching 1,650 workers, although it could finance the retrenchment of the 650 or so workers estimated to be in immediate surplus (that is, the new operator was likely to require only about 1,000 workers). ZRC and ZPA commissioned a consultancy to meet with trade unions and help develop the options. This consultation process led to a revised plan that all workers be offered retrenchment as follows:

"650 or so workers to receive a full and immediate package of retrenchment benefits, and lose the right to return to work in the enterprise.

"The remaining 1,000 workers to receive the full retrenchment package paid over three years from a portion of the concession fees that the PPI investor placed in a trust fund specifically for that purpose, with benefits protected from erosion as a result of inflation.

Source: Zambia Privatization Agency, Zambia Railways Corporation, cited in "Labor Issues in Infrastructure Reform", p49.

The World Bank is continuing to attempt to learn from such experiences, and its current approach to bringing together its investment, restructuring and labour restructuring strategies at project level is exemplified by an on-going project in Turkish railways, outlined in Box 6.

Railways Restructuring Project, Turkey, approved 2005

Component A: Railway infrastructure modernization: This includes investments aimed at increasing freight transport capacity and safety of train movements on specific tracks, and installation of a radio-based Direct Train Control system, on a pilot basis, on one of them.

Component B: Staff adjustment and social plan: This includes support for restructuring of the railway "with a reduced number of employees". It provides "adequate financial resources" to allow the railway "to implement its social mitigation program which consists in a broad number of incentives and services geared to the varying circumstances of employees". It is designed "to avoid social unrest" and its "various incentives and services" are typical of those that "have been applied successfully in many other employment restructuring projects", and include "compensation incentives", "retraining and redeployment" and "support services".

Component C: Advisory services: To provide for "technical assistance and consultancy services" to the Ministry of Transport and Communications and the railway, "to complete the new institutional framework and implement restructuring".

Component D: Staff Training and Re-training: To support the implementation of part of the 2005-2008 training program in railway procedures review and design, operational performance monitoring, improved communication and negotiation skills, labor regulation on safety and health, and "other areas".

Component E: Public Communication and Periodic Surveys: To provide technical assistance to improve "the poor image Turkish railways suffers from among the public".

Source: World Bank project information document

This paper has set out to trace the historical and thematic evolution of the World Bank Group's approach to restructuring of transport infrastructure and services and its relationship with its approach to labour restructuring in particular. It has shown that the Bank's focus on labour restructuring has been in part a response to the impact on workers and on social cohesion of its transport restructuring projects, but that more fundamentally it has been a central element of transport restructuring itself.

This is important because, while the Bank has undoubtedly become more sensitive to the need for mitigation of the impact of its transport restructuring on transport workers, its basic objectives have remained constant. This has meant that its social mitigation efforts have been subordinated to its transport restructuring priorities, based on its development model of export-oriented growth. This in turn has led to its social mitigation activities being geared as much as possible to aiding transport restructuring, not only to overcome union resistance and avoid social unrest, but also to engineer changes in employment relationships through such devices as outsourcing. As a result, its social mitigation impact has been modest, which is inevitable in the context of its overall priorities.

The next stage of this ITF project will attempt to build on this analysis by exploring the wider employment and social impacts of transport restructuring with a view to identifying ways in which the underlying model promoted by the Bank and other international institutions needs to change if the "decent work" agenda and social justice are to be promoted. It is intended that this will assist ITF and its affiliates in promoting alternative approaches to transport restructuring, alongside defending transport workers from the effects of actual restructuring projects by making timely and appropriate interventions in them. As part of this approach, it is intended to explore the issue of how labour productivity is evaluated in transport, with a view to relating it to the "public value" created by transport infrastructure and services, as well as the shareholder value which is the limit of the World Bank's methodology.

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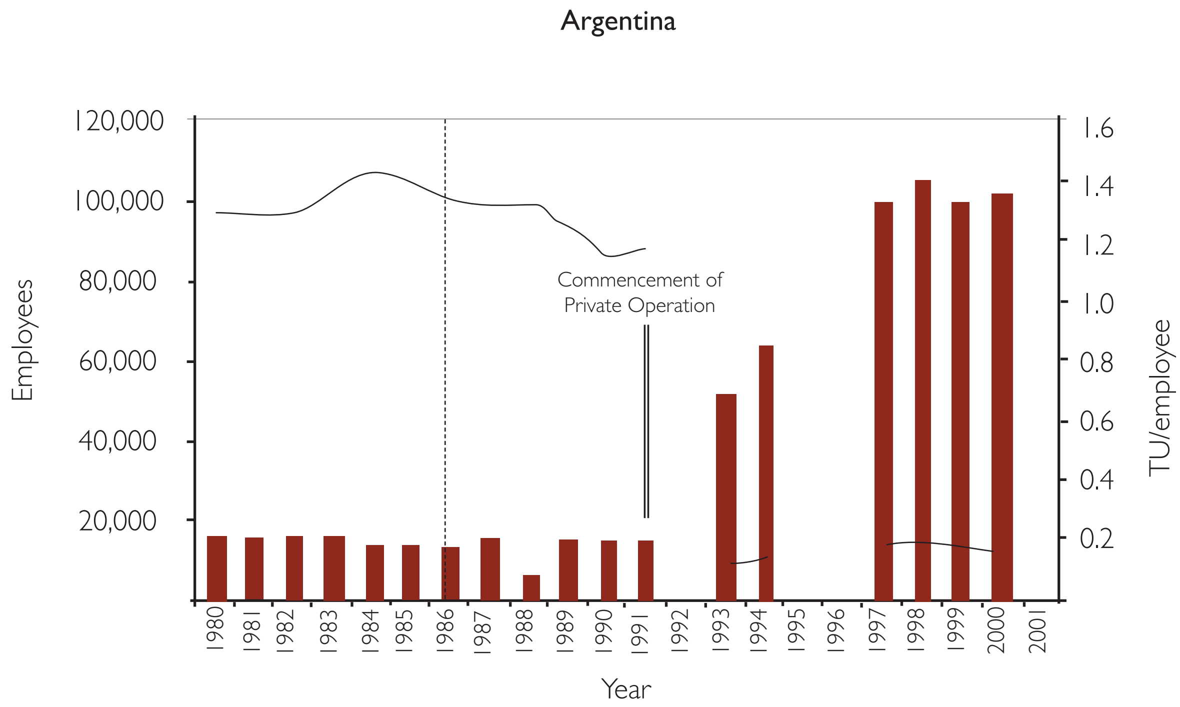
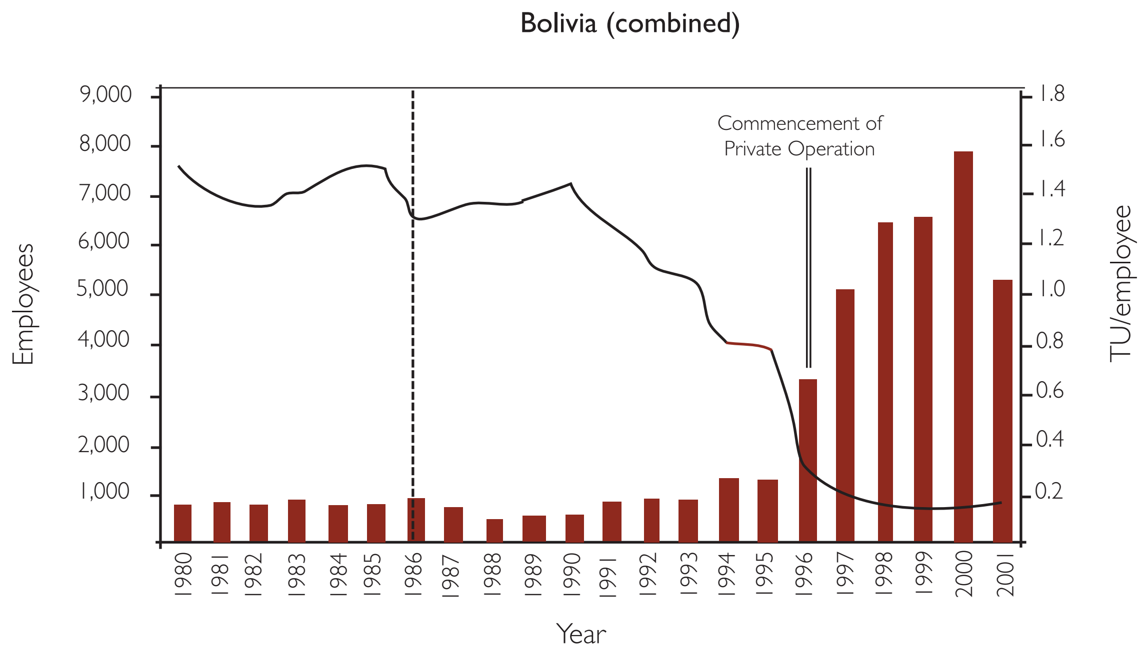
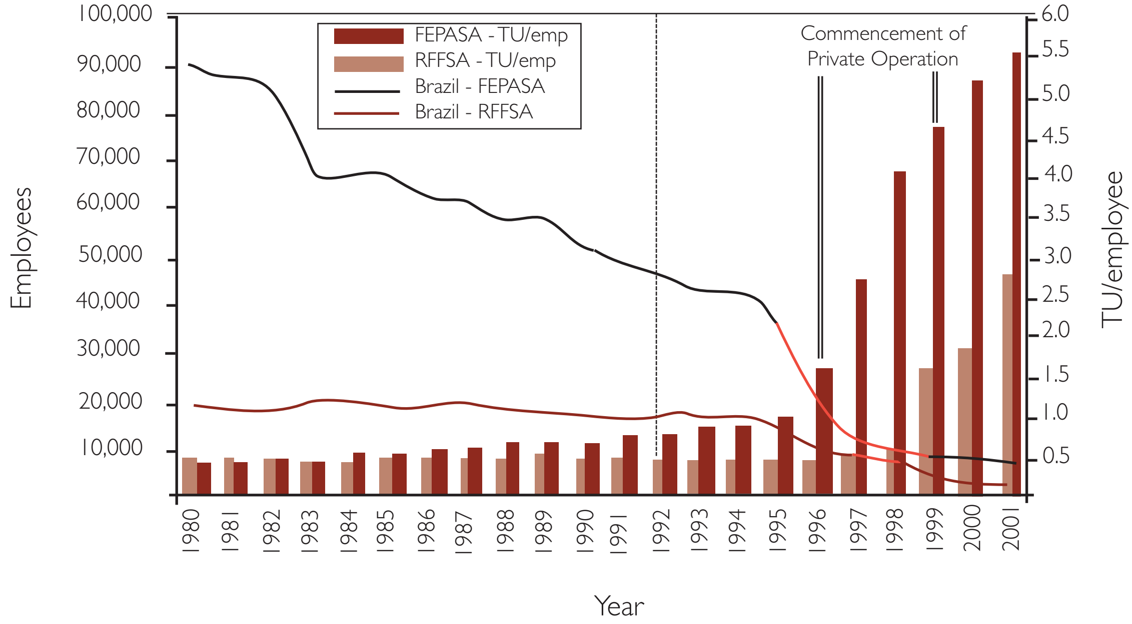
The following charts show changes in the size of railway workforces (the line) and corresponding changes in labour productivity, as measured by the World Bank's method of dividing Total Traffic Units (freight service kilometres plus passenger service kilometres) by number of employees (the bars).

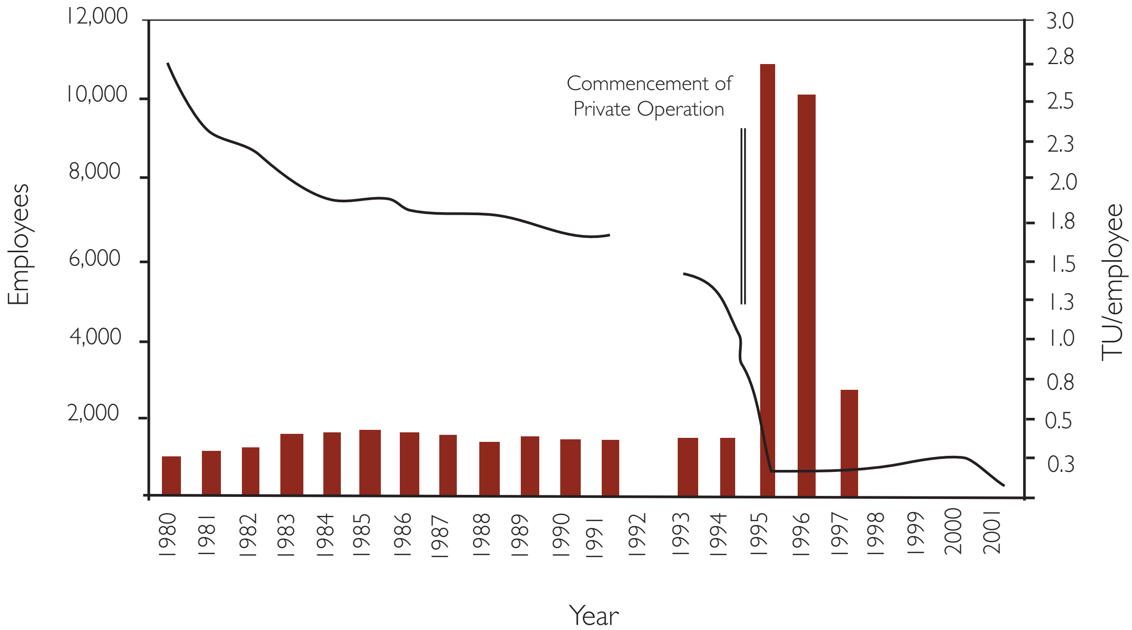




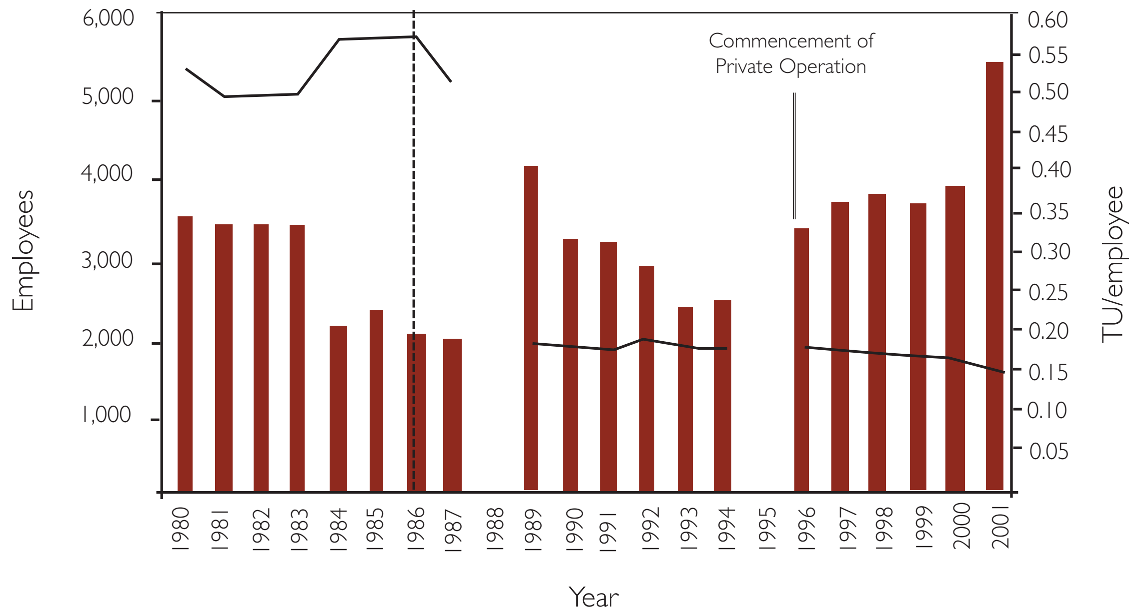
Brazil



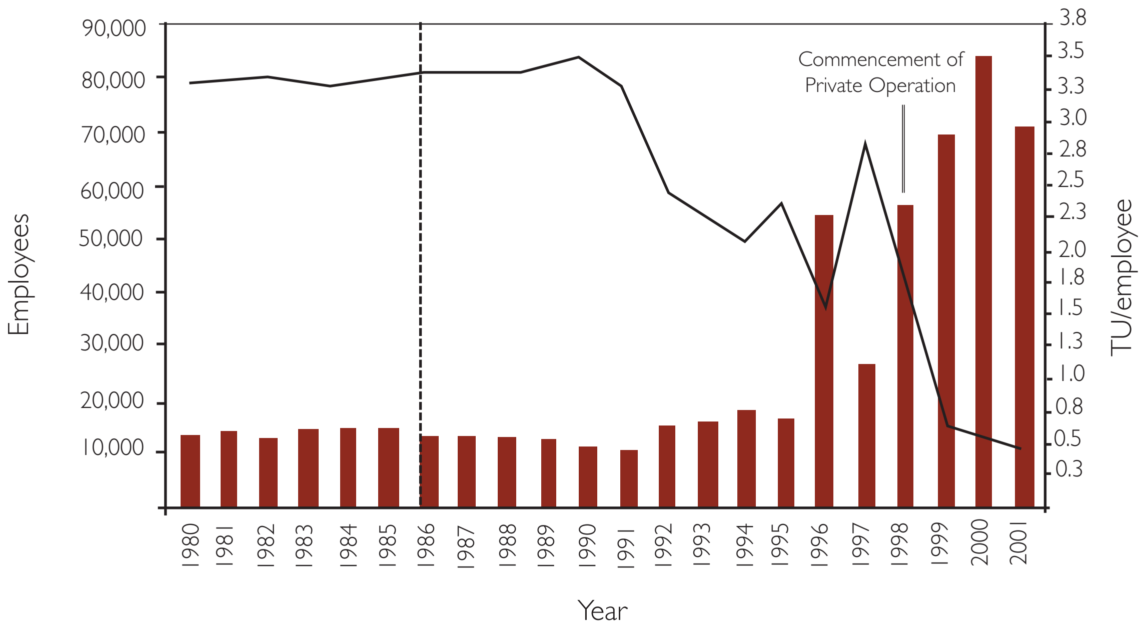
Chile



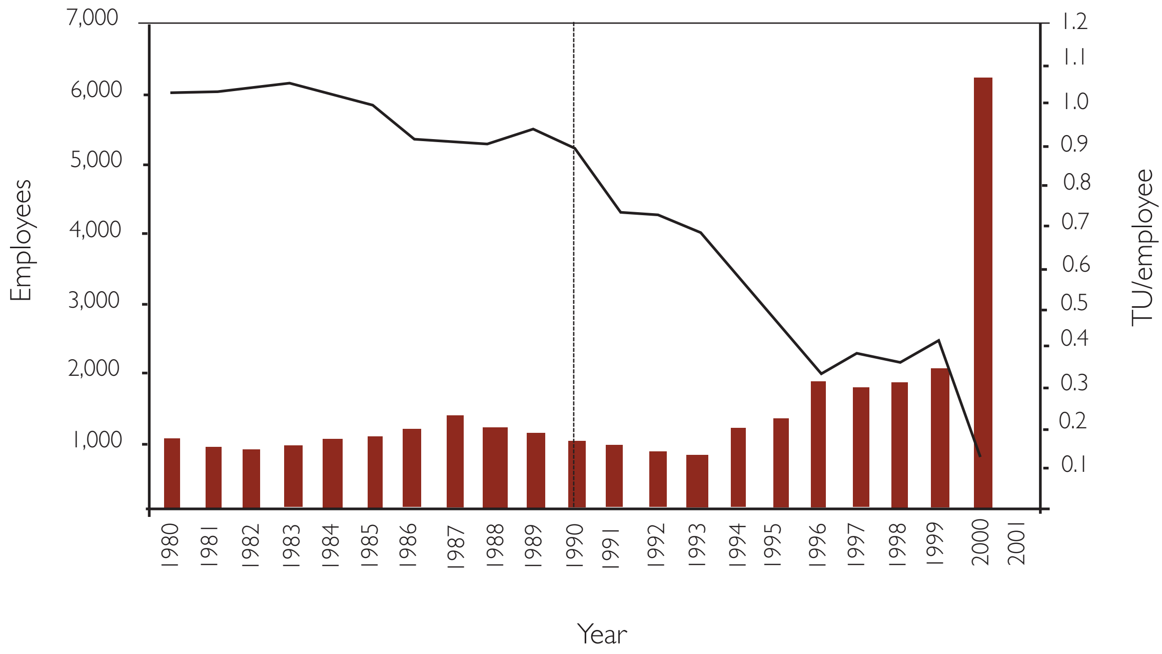
Cote d'Ivoire



Mexico



Peru



7,000
6,000
5,000
4,000
3,000
2,000
1,000
Employees
1.2
1.1
1.0
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
TU/employee
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
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1994
1995
1996
1997
1998
1999
2000
2001
Year

These tables are reproductions of tables in Amos 2005 referred to on page 11 of this paper. Table 1 shows the World Bank's ranking of the countries of its Eastern Europe and Central Asia region in terms of the extent to which they have progressed with the seven aspects of railway reform advocated by the Bank. Table 2 shows data on traffic volumes, employee numbers and labour productivity as measured by the World Bank's method of dividing Total Traffic Units (freight service kilometres plus passenger service kilometres) in the same 27 countries.

Table 1: World Bank appraisal of progress in railway reform in ECA countries

Country	New Laws	Org'n Form	Management Structure	Comp'n/ Private Access	Explicit Passenger Funding	Labor Adjustment	Comm. Process
Albania	3	3	3	3	3	2	3
Armenia	2	2	2	3	3	2	2
Azerbaijan	3	3	3	3	3	2	2
Belarus	3	3	3	3	3	3	3
Bosnia i H	2	2	2	2	3	2	2
Bulgaria	1	2	2	1	2	2	2
Croatia	2	3	2	3	3	2	3
Czech R.	2	2	3	2	2	2	2
Estonia	1	1	1	1	1	1	1
Georgia	2	2	3	2	3	2	2
Hungary	1	2	2	1	2	1	2
Kazakhstan	1	2	1	1	2	2	2
Kyrgyz R.	3	3	3	3	3	2	3
Latvia	2	2	2	1	2	1	2
Lithuania	2	2	3	2	2	2	2
Macedonia	3	3	3	3	2	2	3
Moldova	3	3	3	3	2	2	3
Poland	1	2	1	1	2	1	2
Russian Fed	1	2	2	2	3	1	2
Slovak R	1	2	1	1	1	1	2
Tajikistan	3	3	3	3	3	3	3
Turkey	2	3	3	3	3	2	2
Turkmenistan	3	3	3	3	3	3	3
Ukraine	3	3	3	3	3	3	3
Uzbekistan	2	2	2	3	3	3	2
Serbia & M.	2	3	3	3	3	2	2

Source: **Reform, Commercialization and Private Sector Participation in Railways in Eastern Europe and Central Asia,** Paul Amos, World Bank, Washington, DC, 2005, p.7.

Table 2: World Bank data on railway traffic, staff & labour productivity (2002)

Country	Total traffic units (pass-km + tonne-km) (millions)	Traffic density (traffic units/route-km) (thousands)	Employees (thousands)	Traffic units per employee (thousands)	Traffic mix proportion passengers percent
Russian Fed.	1663100	19442	1222	1361	9
Ukraine	243685	11037	370	659	21
Kazakhstan	143357	10557	114	1263	7
Poland	63873	3158	143	446	27
Belarus	48518	11236	75	644	30
Romania	25699	2261	88	293	33
Czech R.	22369	2355	86	261	29
Uzbekistan	20446	4955	42	488	10
Hungary	18283	2366	56	328	58
Latvia	15764	6944	13	1176	5
Turkey	13352	1540	46	290	41
Slovak R.	13065	3573	43	304	21
Lithuania	10265	5856	13	802	5
Estonia	9874	8270	4	2741	2
Turkmenistan	8603	3410	16	540	13
Azerbaijan	7564	3565	29	258	8
Bulgaria	7225	1673	36	198	36
Georgia	5476	3584	16	333	7
Croatia	3401	1247	16	212	35
Serbia & M.	3286	863	29	114	31
Moldova	3030	2705	15	198	10
Tajikistan	1126	1824	6	187	4
Armenia	500	703	4	115	10
Kyrgyzstan	438	1050	5	88	10
Macedonia	432	618	4	112	23
Bosnia & H.	361	350	7	53	14
Albania	144	327	2	62	85

Source: **Reform, Commercialization and Private Sector Participation in Railways in Eastern Europe and Central Asia,** Paul Amos, World Bank, Washington, DC, 2005, p.2.