

## Executive Summary

Transport policies can have a significant impact on the economic development of the country and therefore on the quality of life of the Mexican people. Transportation is critical to economic activities (transporting goods and merchandise, commuting to work, transportation for tourists, shopping, among others), and so efficient transport systems could drive the economic and social development of Mexico. Likewise, if they are efficient, they reduce the externalities or negative costs imposed on society by the use of the automobile, such as: economic losses due to traffic congestion, costs related to health, accidents and environmental damage, among others.

At present, in the case of Mexican cities, transportation within the cities may be considered inefficient due to the excessive use of the automobile, so much so that its negative effects are cancelling out the economic and social benefits of living in a city. To a large extent this is due to the fact that car users only cover their own private costs related to the use of their cars, but not the social costs being generated as a result of it. This condition is unfair for society as a whole because the costs of the infrastructure required by motorists are covered by the nation as a whole. This problem is further aggravated by the poor quality of urban public transport services in the country, as well as by the haphazard urban development experienced over the last few decades.

Recent estimates point to an alarming trend in increased car use in the last two decades, as the kilometres travelled by vehicles in the country (VKT – Vehicle-Kilometre Travelled) have practically tripled, moving from 106 million VKT in 1990, to 339 million VKT in 2010 (Medina, 2012).

This growth, given the conditions of public transportation and urban development, means that urban mobility becomes so inefficient that not only does it not contribute to the country's economic development, but it affects the quality of life of its inhabitants, due to the serious costs it generates and that are not covered by those generating them.

The intense use of the automobile has made gasoline the principal imported product in the country (147 billion Pesos in 2010) which represents 47% of the fuel consumed internally. These imports have a negative impact on the oil trade balance, which lessens the benefits the nation might otherwise obtain from the production and exporting of oil, which generate 30% of the federal income (CEFP, 2012). Due to the policy on gasoline price stabilisation that impedes adjusting to international prices, a subsidy is generated of such magnitude (76.6 billion Pesos in 2010<sup>1</sup> and estimated to be 169.5 billion in 2011<sup>2</sup>) that it surpasses the amounts spent on poverty alleviation programmes. This policy is

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<sup>1</sup> Amount of gross transfer from Art. 2-A, fr. I of the Special Tax on Production and Services (IEPS), which includes diesel (Reyes, 2011)

<sup>2</sup> According to information as of the fourth quarter of 2011 from the Ministry of Finance and Public Credit

regressive in nature, as 70% of this subsidy is concentrated on the richest third of the population (Scott, 2010 and 2011). As a result, it becomes a factor contributing to the external fragility of the economy, puts pressure on public finances and creates social inequality.

Commensurate with this, the local pollution generated by gasoline combustion is estimated to be linked to the almost 14 thousand deaths in 2008 due to poor air quality, according to the World Health Organization (WHO, 2012). To this, 24,000 deaths a year and 40,000 wounded due to road accidents should be added, which generate costs of 126 billion Pesos a year, approximately equivalent to 1.3% of GDP (Ministry of Health, 2008 and Cervantes, 2009).

Likewise, private cars are responsible for generating 18% of carbon emissions in the country. These emissions contribute massively to the phenomenon of climate change and this could cost the country up to 6% of GDP if appropriate preventive measures are not taken (Galindo, 2009).

The losses from negative externalities alone generated by the excessive use of the automobile represent 5,379 Pesos per inhabitant or the equivalent of 4% of the total GDP in 5 large metropolitan areas in the country that concentrate 40% of the national urban population (Medina, 2012). The future perspective for our country is that this situation will be further aggravated by the continuous growth of the vehicle fleet, which is estimated to amount to 70 million vehicles by the year 2030 (CTS-INE, 2010).

This increase in car use in recent years is the result of implicit federal public policies that encourage it, such as the gasoline subsidy, the recent elimination of the car ownership tax, the lack of national policies on mandatory insurance, the open trade policies and the financial policies (indirectly), as well as the priority given to public expenditure on road infrastructure. The latter requires special attention, as by focusing on creating infrastructure for cars, the ordering, improving and expanding of the public and non-motorised transport offering is set aside. The nature of this public policy is thus regressive and inequitable.

This inadequate focus of our public policies is to a great extent the cause of the institutional structure of the country lacking the necessary elements with which to confront the problem: the lack of a national urban mobility policy, of specific areas and institutions to address the problem, the short periods of government of the municipalities, the lack of coordination of the three levels of government, the lack of transparency in public expenditures, the abandonment of urban planning and the lack of information on car use, among others.

The severe consequences of an abusive use of the automobile in the country lead to the necessity of positioning as an important domestic public policy objective the diminution in the intensity of its use, measured by the Vehicle-Kilometre Travelled (VKT) indicator at the

national level, per capita and average per vehicle at the urban level.

To this end a shift is required in the federal public policy paradigm in matters of transportation and urban mobility, leaving behind the current one which is focused on maintaining and increasing the flow of vehicles and strongly centred on the use of the automobile, to a new paradigm oriented to the accessibility of people to goods and services.

This change in the mobility model in the cities will allow for advancements in the reduction of the reliance on the car along three lines:

- **Avoid** unnecessary motor vehicle trips and **reduce** the average distance of those made.
- **Shift** to more efficient transport modes such as non-motorised transport (walking or cycling) and public transit; and
- **Improve** the performance and energy efficiency of motorised transport such as private cars, for the purpose of reducing its negative externalities.

In this regard the following is suggested:

- A. The creation of a federal institutional, regulatory and financial platform that allows for implementing a long term public policy for moving towards compact cities with sustainable urban transport and reduced car use. For this to occur, an area will have to be created at the federal level specializing in this topic, which must include the creation of a corresponding supporting legal and planning structural framework; financing for urban transportation and mechanisms for the technical assessment of the projects to finance will have to be generated; and there must be a system of information on mobility in Mexico's cities.
- B. Immediate implementation of federal and local fiscal policy actions oriented to a more rational use of the automobile and that allow for the generation of the necessary resources for the financing of public and non-motorised transport. Measures such as the elimination of the gasoline subsidy or the establishment of environmental fees for the automobile directed to reducing its externalities.
- C. Auxiliary measures to be implemented in the medium term that allow for consolidating the previous policies, such as fostering research and development on the topic of urban transport.
- D. Strategies for states and municipalities focused on reduced car use and improved public transport and accessibility of goods and services.