

## Research on Prospects for Modernization of Governance System of Transport Service Industry

Zhenjun Wang<sup>1, a</sup>, Jiayuan He<sup>2, b</sup>, Chunyi Yuan<sup>2, c</sup>, Yonghong Zhang<sup>3, d</sup>

<sup>1</sup>School of Automobile, Chang'an University Xi'an, China

<sup>2</sup>Transport Planning and Research Institute, Ministry of Transport Beijing, China

<sup>3</sup>CCCC Infrastructure Maintenance Group CO., LTD, Beijing, China

<sup>a</sup>wzj@ccpress.com.cn, <sup>b</sup>925511901@qq.com, <sup>c</sup>13295775@qq.com, <sup>d</sup>43968490@qq.com

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**Abstract:** As the starting point and ultimate goal of the reform and development of the industry, transport service is an effective way to heighten people's sense of fulfillment and make economic development more dynamic. However, there are still many problems to be improved in the current industry governance system. This paper aims to study the governance system of transport service industry, find out and solve existing problems, make relevant suggestions, and raise prospects, in a bid to provide basis and reference for the comprehensive modernization of the governance system of transport service industry.

### 1. Introduction

Transport is one of the most fundamental needs of human beings. According to the report of the 19th CPC National Congress, we need to build China's strength in transportation. This is an objective requirement of meeting the people's increasing needs for a better life. The report also stresses that it is necessary to deepen reform in an all-around way, and continuously modernize China's system and capacity for governance. As the starting point and ultimate goal of the reform and development for the industry, transport service is the intrinsic requirement of adapting to the new normal of China's economy and accelerating the development of modern service industries, as an effective way to heighten people's sense of fulfillment and make economic development more dynamic. As such, this paper aims to study the governance system of transport service industry, find out and solve existing problems, make relevant suggestions, and raise prospects, so as to provide basis and reference for the comprehensive modernization of the governance system of transport service industry.

### 2. Study on the governance system of transport service industry

The governance system for the transport service industry can be defined as the multi-subject governance system, consisting of administrative departments for road transport, intermediary organizations (industry associations), and the public. By utilizing the rule of law, we can constantly improve the legal and managerial system for the industry. The three governance subjects don't have the differentiation between priority and others, and perform their respective functions in the process of governance. The governance system is made up of value, rules, implementation, objects, and performance evaluation<sup>1</sup>. Specifically, value refers to the basic administrative values in industry regulation and governance; rules refer to the various system of laws and regulations in the regulation and governance; implementation refers to the implementation system of industry regulation and governance under the provisions and guidance of the rules; objects refer to those regulation and governance ones in the system of rules and implementation; performance evaluation refers to the evaluation on the final effect of regulation and governance, and, accordingly, we improve the administrative values, rules, implementation, objects, etc. (see Fig. 1).

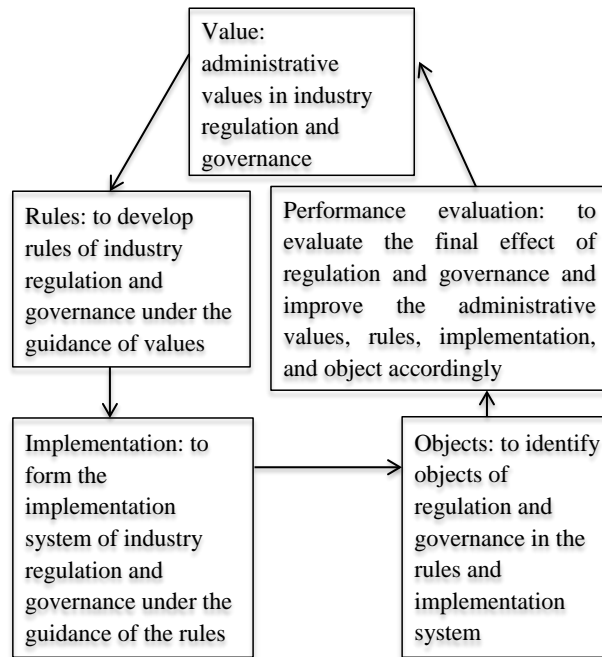


Fig. 1 Relations Diagram for the Governance System of the Transport service Industry

### 2.1 At the level of values: macro and contemporary relevance

In the past, the reform proposals on the management model of the transport service industry were often presented from the perspective of government reform. The governance system of the transport service industry was the system that covered the system building, operation mechanism and rule of law across the industry. Regarding the modernization of the governance system of the transport service industry, it is necessary to carry out a systematic reform at a macro level to transform the industry in all directions. Contemporary relevance means that, in terms of the modernized governance of the transport service industry, it is necessary to give full consideration to the development background of the era and learn the experience of good governance from our overseas counterparts, so as to achieve the modernized model for industry governance. Meanwhile, the modernized governance of the transport service industry must be closely integrated with democracy and autonomy, human-oriented spirit, the rule of law, and scientific governance, as a way to achieve the modernization of style and philosophy of governance.

### 2.2 At the level of rules: full-fledged system

System lays a solid foundation for standardizing road transport. It provides the reference for multi-subject governance and represents the basic element of establishing the rule of law. A full-fledged system is conducive to reconciling competing interests of all parties, forming the interaction pattern featured by a virtuous circle.

### 2.3 At the level of implementation: multiple subjects and modernized style of governance

Subjects of governance for the transport service industry include various social organizations and the public. In the process of governance, all subjects of governance perform differentiated duties because of their different roles and functions. The joint participation of multiple subjects means that the government is no longer the subject of governance, but the object of governance; social organizations and the public are not only the object of governance, but also the subject of governance. The diversity of style of governance is reflected in the standardization based on the legal system; it is embodied in the modernization based on new governance ideas, modern science and technology, and the development of IT application. As an external manifestation, the style of governance results from the comprehensive effect of internal factors and external objective environment. Therefore, in order to modernize the style of governance, first of all, it is urgent to firstly modernize the ideas for

governance, then strengthen the rule of law and finally apply more scientific methods to the governance externally.

### 2.4 At the level of objects and performance evaluation of governance: rationality and consistency

It is necessary to select regulatory objects in an accurate and reasonable manner and adopt a scientific mechanism for performance evaluation on the basis of fundamental requirements at the level of values. Take a people-centered approach to ensure accurate governance by relevant laws and regulations. In the process of performance evaluation, high priority needs to be given to the measurement of governance input and output and make scientific evaluation on the governance system. In the meantime, ensure the selection of regulatory objects is consistent with the performance evaluation of governance, so as to effectively regulate the governance process and guarantee the effectiveness of governance.

### 3. Analysis of problems of governance system for transport industry

Based on five elements of the governance and regulation system, it is beneficial to analyze the problems existing in the regulation system of China's transport service industry in a systemic manner (see Fig. 2). In recent years, although the regulation system for the transport service industry has been continuously improved in terms of administrative values, there have been apparent deficiencies in publicity and implementation. At the level of rules, the superior law has been absent. At the level of the implementation system, many difficulties still need to be solved. Regulation objects have been covered, but the accuracy of regulation needs to be improved. The performance evaluation system has not been standardized.

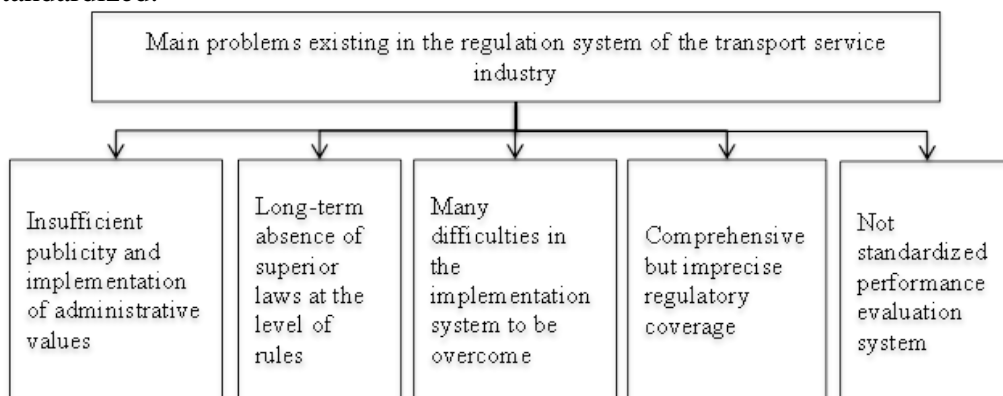


Fig. 2 Main Problems Existing in the Regulation System of the Transport service Industry

#### 3.1 Improving administrative values and insufficient publicity and implementation

The significant development of China's transport service industry can't be separated from the guidance of right values. Since the 19<sup>th</sup> CPC National Congress, Chinese transport authorities have had more systemic and scientific administrative values, by implementing the spirit of General Secretary Xi Jinping's important speeches, new ideas and strategies for governing the country, characterized by a new vision of development, and adhering to serve the people with excellent transport service. The credit information system is completed, with sound credit assessment standards defined. The "credit" essential for the development of the industry regulation system is an important breakthrough for the transport department in the field of administrative values.

However, there are still many shortcomings in the implementation of administrative values. For instance, the transport department takes the "credit" as a fulcrum for the actual implementation and explores the way the market plays the decisive role in resource allocation. Therefore, efforts on the implementation still need to be doubled. Regarding how the government plays its role better, more constraints occur in the requirements of "streamlining government functions and administration,

delegating powers while improving regulation, and upgrading services”, without more systemic and comprehensive analysis and reform in light of the actual demand of industry regulation.

Also, grassroots transport departments do not have an in-depth, comprehensive understanding of administrative values, cannot apply the administrative values to the guidance of relevant operations systematically. To some extent, this also shows that there is still a gap for the administrative values of the current regulation system of the transport service industry. It is necessary to increase publicity to reduce difficulties of grassroots administrative personnel in the implementation.

### **3.2 Absence of superior laws in regulation, imperfect system of laws and regulations**

Although there are eight laws in the field of transportation, no laws are enacted on the regulation of road transport. In the field of highway and road transport law, for example, the Highway law of the People's Republic of China and the Road Traffic Safety Law of the People's Republic of China focus on construction and maintenance of highways, and administration of road traffic safety, respectively. However, they have few provisions covering specific administrative measures for transport service<sup>2</sup>. Other modes of transport, such as water transport, railway, and civil aviation, have similar laws for industry regulation.

At the level of administrative regulations, with the Regulation of the People's Republic of China on Road Transport as the core, the Ministry of Transport issued the Provisions on the Administration of Road Passenger Transport and Passenger Stations, the Provisions on the Administration of Road Freight Transport and Stations (Sites), and the Provisions on the Administration of Taxi Business Operations and Services, laying a solid foundation for the governance of road transport in accordance with relevant laws. However, in recent years, the taxi industry has undergone an acute transformation, new forms of industry such as shared car have emerged, and the demand for the development of laws and regulations system in the road transport industry has been accelerated significantly. As such, the revision of the Regulation of the People's Republic of China on Road Transport also needs to be put high on the agenda. Moreover, the Regulation of the People's Republic of China on Road Transport is just the general administrative regulations for road transport promulgated by the State Council. It is necessary to expedite the introduction of leading law<sup>3</sup>.

### **3.3 Well-defined regulatory functions and more difficulties in the implementation**

With the advancement of the reform for giant department and the classification of integrated law enforcement of transport service, the regulatory functions and organizational system of transport authorities have changed. Although the regulatory functions are well-defined, there are many difficulties at the level of implementation. For example, a newly-added construction department carries out the functions of managing urban passenger transport, with a clear regulatory function. However, in the division of duties among relevant provincial-level competent departments and managerial agencies for transport service, they still follow the previous functional positioning. Many new functions have not been assigned to executive subjects. Managerial agencies and personnel have not been designated to assume specific management responsibilities. For another example, some people believe that the integrated law enforcement for traffic offenses would separate administrative functions of law enforcement under the Regulation of the People's Republic of China on Road Transport from administrative departments for road transport and hand them over to integrated law enforcement agencies for transport, leading to the dislocation of subjects of law enforcement and review in the road transport and affecting the effective functioning of administrative departments taking charge of road transport. There are many difficulties in the implementation at the specific level<sup>4</sup>.

### **3.4 Complete regulatory coverage and well-targeted regulation facing challenges**

For a long time, much attention has been paid to the construction of infrastructure because the inadequate infrastructure cannot meet the requirement of socio-economic development. On the contrary, it is easy to ignore the necessity to take into full play the efficiency of existing facilities and improve the level of service. We are overlooking the improvement of service level but giving top

priority to the growth. At present, it is essential to achieve the development oriented towards production growth, focus on the development designed for services and quality, and objectively promote the transformation of economic growth. However, there is still a gap between China's administration for road transport and the requirements for service-oriented government. First, the government acts beyond its authority by intervening in the management of an enterprise, but the market regulation is not put in place. Second, it is hard to provide the public with quality and efficient services, due to the absence of the functions of social management and public services, and the insufficient development of crisis management, intermediary organizations, safety management of road transport, and establishment and services of information platform.

In recent years, the Ministry of Transport has resolutely carried out the reform of "streamlining government functions and administration, delegating powers while improving regulation, and upgrading services" launched by the CPC Central Committee and the State Council. It has taken a well-targeted approach to work to slash administrative approval items, cut off professional qualification approvals and accreditations comprehensively, and strengthen compliance oversight. The Ministry of Transport has intensified efforts to optimize and improve the level of administration and services, so as to play an important role in deepening the supply-side reform of the transport industry, fostering new driving forces for development, and promoting the transformation of the industry. 36 items of administrative approval were slashed or delegated, accounting for 55% of the total. Seven items of intermediary services were canceled, and 14 items of professional qualification approvals and accreditations were reduced. Nine items of administrative approval designated by the central government for local government approvals and accreditations were annulled. 16 pre-approval items for the industrial and commercial registration were turned into ex-post approval ones. The reform of the commercial system is conducive to market access and encouraging market participants to invest in starting their businesses. To clear up the pre-approval items for the industrial and commercial registration, in principle, is to cancel the pre-approval procedure and change the pre-approval items to ex-post approval ones.

In order to make the access to the transport market easier, the Guidance of the Ministry of Transport on Deepening Reform and Accelerating the Upgrading of Road Passenger Transport (Ministry of Transportation and Communications (No. 240 [2016] of the Ministry of Transport) was issued to reduce the items of operation and permit for road passenger transport, steadily expand the managerial autonomy of enterprises for road passenger transport, and unleash the vitality of the road transport market. The reform of the taxi industry has been deepened, and the managerial measures for online car-hailing services have been formulated, and the credit management system for the taxi industry has been perfected. All these efforts have facilitated the formation of the market pattern that covers traditional taxis and online car-hailing. The abolition of qualification certification for coaches engaging in the training of motor vehicle driving has promoted the reform of the service model for driver training. In the later period, the "subtraction" method still needs to be adopted to improve the accuracy of industry regulation.

### **3.5 Performance evaluation lagging behind and the evaluation system to be improved**

In the earlier period, the performance appraisal of transport administrative regulatory agencies focused on traffic law enforcement and industry safety development, and less consideration was given to the overall regulation of the transport service industry. China has no unified assessment and evaluation standards, indicator system and methods for administrative departments for road transport. Even for provincial managerial agencies for transport service, there is still no unified, standardized method for the performance appraisal across the country<sup>5</sup>. As provincial-level managerial agencies for transport service serve as the leader of all managerial agencies in a province, the lack of unified and standardized assessment and evaluation could impact the sustainable development of organizations and the standardization of China's managerial agencies for road transport at all levels.

Due to the inconsistency in the institutional nature, settings, functions, and system, all provincial departments for road transport have carried out the assessment on their own. China's provinces have no scientific and standardized indicator systems and scoring standards for the assessment of

province-level departments for road transport. The generally-adopted method is that all provincial-level transport departments set annual targets for their provincial-level managerial agencies and such targets are the primary basis for evaluating the annual work of provincial-level managerial agencies.

Under the current circumstances, relatively simple goals have been set. China's assessment mechanism for provincial departments for road transport lacks rules and processes, and most assessment and evaluation are spontaneous, without corresponding institutional guarantee. The standards, principles, and processes of evaluation are not standardized and supported by relevant laws and regulations. The evaluation amounts to formalism, without any substantive effect. The implementation of unified and standardized assessment by provincial-level regulatory agencies for transport service can define their work objectives, directions, procedures, responsibilities, and resource allocation in a clearer way, avoid subjective decision-making, and promote the standardization and legalization of managerial practices for road transport.

#### **4. Suggestions on modernization of governance system of transport industry**

##### **4.1 Foster modern administrative values by serving as a responsible government**

Regarding the fundamental concept of “a responsible government” preceding “a government with outstanding achievements”, the responsible government must assume its functions rather than fulfill no duties or act arbitrarily and must be responsible for its actions. On this basis, it is essential to build modern administrative values of fairness, efficiency, democracy, people's livelihood, service, responsibility, and the rule of law and continue to spread them among grassroots departments

##### **4.2 Establish a sound industry regulation system based on law**

The rule of law is the essential guarantee for the modernization of national governance capabilities. At present, the shortcomings of transport service, to a certain extent, are related to the insufficient say of transport administrative departments, imperfections of laws and regulations system, and weak binding force of supportive policies. First of all, as China's transport service industry still lacks a “leading law” of real sense, we need to promote the top legislative body to develop the “leading law” of higher legal effect as soon as possible. Then, we need to accelerate the coordination mechanism for some laws and regulations and have a right understanding of the role and convergence of local laws and regulations. Finally, there is a need to improve the complementary role of the standard system at a fast pace to support the industry development.

##### **4.3 Establish a sound industry regulation execution system where the market plays a decisive role in the allocation of resources**

Multi-subject governance is the result of the embedding of democratic ideas and mechanisms. Against the backdrop of deepening the reform of government functions, power is delegated to market and social organizations to provide new development potentials for industry autonomy. In the general environment of national policies, the three parties have reasonable division of functions and effective convergence, which adds helpful ideas to the governance model of the road transport industry. It is necessary to divide the interface between the government clearly, intermediary organizations and the public, define regulatory functions and powers, standardize intermediary organizations, strengthen the IT application, and improve the industry regulation and implementation system.

##### **4.4 Improve the accuracy of regulatory objects by relying on industry restructuring**

Promoting the transformation and development of the transport industry is the fundamental way to improve the quality and capacity of service and the central task of transport development under the new normal. It is essential to transform the traditional freight industry towards modernization and standardization, promote the transformation of passenger transport in a more refined and accurate manner, and increase the number of professional chain stores for vehicle maintenance. It is a must to focus on solving problems and work priorities, aim at development goals, and promote the

transformation of the industry. Through the industry transformation, it is necessary to re-select standardized regulatory objects, so as to improve the accuracy of regulatory objects.

#### **4.5 Aim to improve efficiency of regulation and build the performance evaluation system for regulation**

There is a need to build an evaluation indicator system aiming at efficiency. From the perspective of the economic development, management costs, technology innovation, safety development, ecological environment, and people's satisfaction throughout the industry, it is necessary to uphold advanced administrative values as a guide. Rely on the nature of public affairs to meet the public demand and adapt to the social development. It is essential to regard specific time conditions as constraints to continuously optimize evaluation of government performance and make a scientific assessment of the governance system.

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