

EDITORIAL

The Forum's calls for greater international cooperation in the face of global recession have been given a particular resonance this year with the presence of India and China. Fifty three Ministers and heads of delegation have approved a message to maintain the drive towards international trade and place the transport system on a more sustainable footing.

Over the course of a Forum characterized by many excellent speaker interventions from industry and research, a picture has emerged that the current downturn may not be transitory and could have structural implications for many transport modes. This suggests that ever closer dialogue and integration between the public and private sector is needed.

In response, we need to rethink policies and reassess priorities. Governments have confirmed funds are available for transport and they should be channelled to innovative programmes. In the run up to our next annual Forum, we will focus discussions on innovation in transport, how it can be supported and barriers overcome.

Jack Short
Secretary General



FORUM 2009 SPECIAL TRANSPORT & THE DOWNTURN

Rethinking policies, reassessing priorities

In the face of the global economic downturn, consultation, cooperation and coordination will become even more essential for transport to fulfill its strategic role in restoring confidence in the world's economic future. This was one of the main outcomes of the second International Transport Forum held on 26-29 May in Leipzig.

In his opening keynote address, leading thinker and economist **Jacques Attali** recalled the different economic mechanisms that had combined to trigger the present downturn. A financial services bubble brought on by stagnating revenues in the middle class weakened the international banking sector and made it considerably more vulnerable to insolvency.

Placing the crisis in an historic context, Mr. Attali pointed to a "fatigue" in the Western economic and civilization model which had previously acted as a magnet for population, capital and technological progress. He noted that the brain drain is working the other way now and foresaw the continued rise of Asian economies.

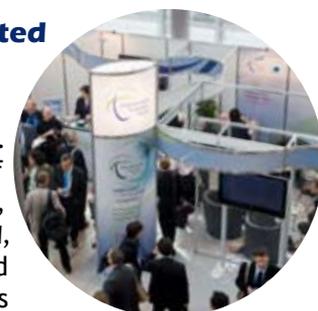
In speculating on the long term outlook, Mr. Attali noted the persistence of toxic assets in the banking sector and budget deficits as two major factors of concern. The phenomenon of globalisation will come under threat, he concluded, unless international cooperation and better regulatory supervision are implemented.

According to Jacques Attali, "transport has to go towards innovation in order to adapt to the new economy".

A coordinated transport response

The new U.S. Secretary of Transportation, **Ray LaHood**, underlined his country's commitment to free trade, international cooperation and renewed political initiative at a time of crisis. The American Recovery and Reinvestment Act has allocated USD 48 billion for new investments in critical transport infrastructure, out of which USD 13 billion have already been invested, an effort Mr. LaHood qualified as "remarkable and historic". The US, he added, must also do more to develop an environmentally sustainable, multi-modal transport network and pointed to Europe's remarkable success with high-speed passenger railways as an excellent model to consider.

European Commission Vice-President in Charge of Transport **Antonio Tajani** praised the ambitious nature of the US recovery plan and transport's central role within it. Infrastructure programmes, he noted, offer a tangible means of response by concentrating support on the labour intensive construction sector with multiplier effects across the rest of the economy. Almost EUR 1 billion of community funding are being expended in 2009 on shovel-ready programmes of a strategic nature. He concluded that investing in transport is not merely a matter of reactive policy but a true vector of global economic recovery.



KEY MINISTERIAL MESSAGES

Key Messages emerging from the International Transport Forum's Ministerial discussion emphasized the importance of critical levers of growth and international trade facilitation:

► **An efficient global transport system**

Ministers underlined how transport is a crucial prerequisite for a successful economy and social well-being. Transport investment can form an important part of well-designed stimulus packages provided it is properly prioritized on the basis of a rigorous evaluation.

► **Trade and open markets: keys to global recovery**

The current economic downturn will not reverse the underlying trend to increased globalisation and international division of labour.

The process of market opening and competition needs to be continued, while addressing equity and improving quality, safety and environmental standards.

► **Environmentally sustainable economic recovery**

Governments working together can promote cost-effective low carbon sustainable transport that meets the challenges of the future and the needs of citizens, business and the global community.

► **Securing a high level of long-term investment in transport**

Sound analysis should underpin investments in the global transport system, with a solid evidence base to support decision-making.



► **Secure and reliable international supply chains**

Co-ordinated and risk-based regulation is vital to ensure that economic and security benefits are achieved in a cost effective and equitable way. Improving border crossing has significant potential to improve efficiency and facilitate trade.

The full set of key messages are available on the Forum web site.

Highlights of the Forum



Three Minister-Industry panels were organized on Day 3 of the Forum with the objective of identifying main issues and prospects posed by the current crisis.



Opening of the Exhibition with Jack Short, ITF Secretary General, Uwe Albrecht, Vice Mayor of the city of Leipzig and Mr. Marzin at the ITF stand.

In 2009, the Forum inaugurated a cycle of four modal workshops organised with partner organisations: Fraport / Lufthansa (picture), CER, IRU and IMO / ICS.



Field visits organized with BMW, DHL and Quelle gave delegates insight into the fine tuned logistics activities of these companies.



The Forum's Young Researcher Prize and Prize for Innovation in Transport and Logistics along the Global Supply Chain were awarded during the gala dinner.





WORKSHOP FINDINGS

The discussions of the 2009 Forum focused on the economic downturn and stimulus packages, the risks of protectionism and the challenges of sustainability as well as the financing of transport and the reliability and security of international supply chains. A brief outline of the workshop findings is presented below.

► **Intermodal transport and supply chains:** workshop participants noted that the current economic downturn has severely impacted trade volumes and profit margins have collapsed. The current crisis will reinforce the trend towards new global “mega players” with many agents along the supply chain now engaged in horizontal and vertical integration of activities.

The future development of supply chains will depend less on the price of energy and more on the capacity of logistic companies to provide reliable end-to-end services. Legislative and regulatory differences are serious obstacles for smooth operations and there is a need for international cooperation in harmonising legislation and procedures.

► **Ensuring a secure global transport system:** policies often are inflexible and static, whereas the sources of insecurity are flexible and dynamic. Moreover, regulation often focuses on the process and not on outcomes, further limiting flexibility of the security providers to respond to changing threats.

The key idea is to move towards risk-based security policies. This implies relying on risk-assessment to focus efforts where they are most needed. Mutual recognition or a more comprehensive multilateral approach could reduce compliance cost, however, the ideal of a global “one stop security” system is not within mid-term reach.

Supply chain operators are interested in clear regulations, as they help them decide on how to invest and work towards effective security provision. A clear and common regulatory requirement also avoids competition on security issues and facilitates the operation of alliances.

► **Social impacts of international transport:** transport improvements open opportunities in all basic domains of life in developing economies. At the same time, changes brought by increased competition have a cost when, for example, jobs are lost in more developed economies.

The duality of these changes implies a strong role for governments. For globalisation to yield its full benefits, markets have to be organised in certain respects and the present economic crisis offers opportunities for governments to shape these developments.

► **Strategic transport infrastructure planning and financing:** transport demand and congestion levels are now more difficult to predict, particularly for freight which is more sensitive to changes in economic growth rates than passenger transport.

Top quality economic appraisal is more important than ever. The shortage of finance implies that the hurdle rate of return for selecting projects under appraisal needs to rise.

The crisis makes private capital more expensive and this increases the importance of getting the design of public private partnerships right. Above all governments must ensure that there are powerful incentives for efficiency in PPPs through the way that risks are assigned. Privatisation is another route to bringing private equity to transport infrastructure investment.



► **Environmental impacts of international transport:** the workshop examined GHG emission reduction potentials for aviation and maritime transport and explored how best these potentials might be met. Both sectors have achieved considerable improvements in energy efficiency and have passed on benefits to consumers leading to reduced real transport costs.

There was a consensus in the workshop that some form of global market mechanism will be necessary in order for aviation and shipping to reduce or offset their CO₂ emissions. Both fuel levies and trading are being considered in international fora. The advantage of the former is that the price of carbon reduction may be known in advance. Trading systems can deliver strong emission reductions if the cap is ambitious but may not lead to emission reductions solely within aviation and maritime transport.

The use of resulting revenue has a fundamental impact on the acceptability of the scheme. Getting finance ministries to agree to hypothecated funds will be challenging but may be facilitated if allocation of these revenues to an international adaptation and mitigation fund is agreed by the UNFCCC.

@ Available online

Session summaries, speaker biographies, photographs of the main events and audiovisual recordings of the sessions are now available from the Forum web site.



“From our Inbox” is a selection of transport developments related to the annual Forum theme reported in the media. Although great care has been taken to ensure the integrity of the information presented, the International Transport Forum makes no claim as to its accuracy.

No improvement yet, says IATA

The International Air Transport Association (IATA) released international traffic data for April showing a 3.1% decline in passenger demand and a 21.7% fall in cargo demand compared to April 2008.

IATA noted that the decline in passenger demand still outstripped the 2.5% cutback in capacity. “The worst may be over. However, we have not yet seen any signs that recovery is imminent,” the Association stated.

EC presents Transport Communication

The European Commission has presented an evaluation of long term transport policy orientations as a first step towards the adoption of a new White Paper on Transport Policy expected in 2010.

The Communication does not include a detailed programme of policy measures but identifies the trends and challenges that transport policy will have to deal with in the coming years, chief among which are ageing population, environmental challenges, immigration, the depletion of fossil fuels and growing urbanisation.

New US emission standards

The Obama administration has announced tougher fuel economy standards for cars and light trucks sold inside the US. Under the new standards, which replaces an assortment of existing federal and state rules, car manufacturers must achieve an average fuel economy across its fleet of 35.5 miles per gallon by 2016. Some studies suggest pollution will be cut by the equivalent of taking 177m cars off the road or shutting 194 coal-fired power plants.

Ecotax boosts Japanese car sales

A tax break on lower emission vehicles introduced on 1 April on Japan has resulted in a 20-30% increase in the sales of fuel-efficient vehicles. Taxes on car purchases tied to the value and weight of the vehicle are being cut by up to 75% on fuel-efficient petrol cars and waived entirely for hybrids.

EIB to support cleaner vehicles

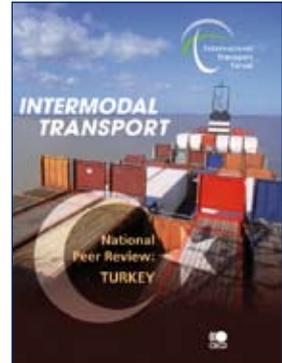
The European Investment Bank has approved loans to European-based automotive companies worth a total of EUR 750m to help design and build cleaner vehicles with lower emissions.

In total, the EIB has approved EUR 5.2 billion in loans since December 2008 for European car and truck makers as part of a wider the European Economic Recovery Package.

JUST OUT

Available from OECD Bookshop
www.oecd.org/bookshop
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- **Intermodal Transport – National Peer Review: Turkey** (April 2009)



- **Round Table 144: Terrorism and International Transport: Towards Risk-Based Security Policy** (May 2009)

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FORTHCOMING ITF/JTRC EVENTS

- ▶ **14-15 October 2009, Montreal**
Meeting of the Task Force 2010 and Transport Management Board
- ▶ **16-18 November 2009, Madrid**
18th International Symposium on **The Future for Inter-Urban Passenger Transport**
- ▶ **19-20 November 2009, Madrid**
12th Joint OECD/ITF Transport Research Committee
- ▶ **SAVE THE DATE - 25-28 May 2010, Leipzig**
3rd International Transport Forum - Transport & Innovation