International Transport Forum

20 09 Forum Highlights

Transport for a Global Economy

Challenges & Opportunities in the Downturn

OECD

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Table of Contents

INTRODUCTION

CHALLENGES & OPPORTUNITIES IN THE DOWNTURN

POLICY PANELS

WORKSHOPS

MODAL WORKSHOPS

A FOCAL POINT OF EXCHANGE

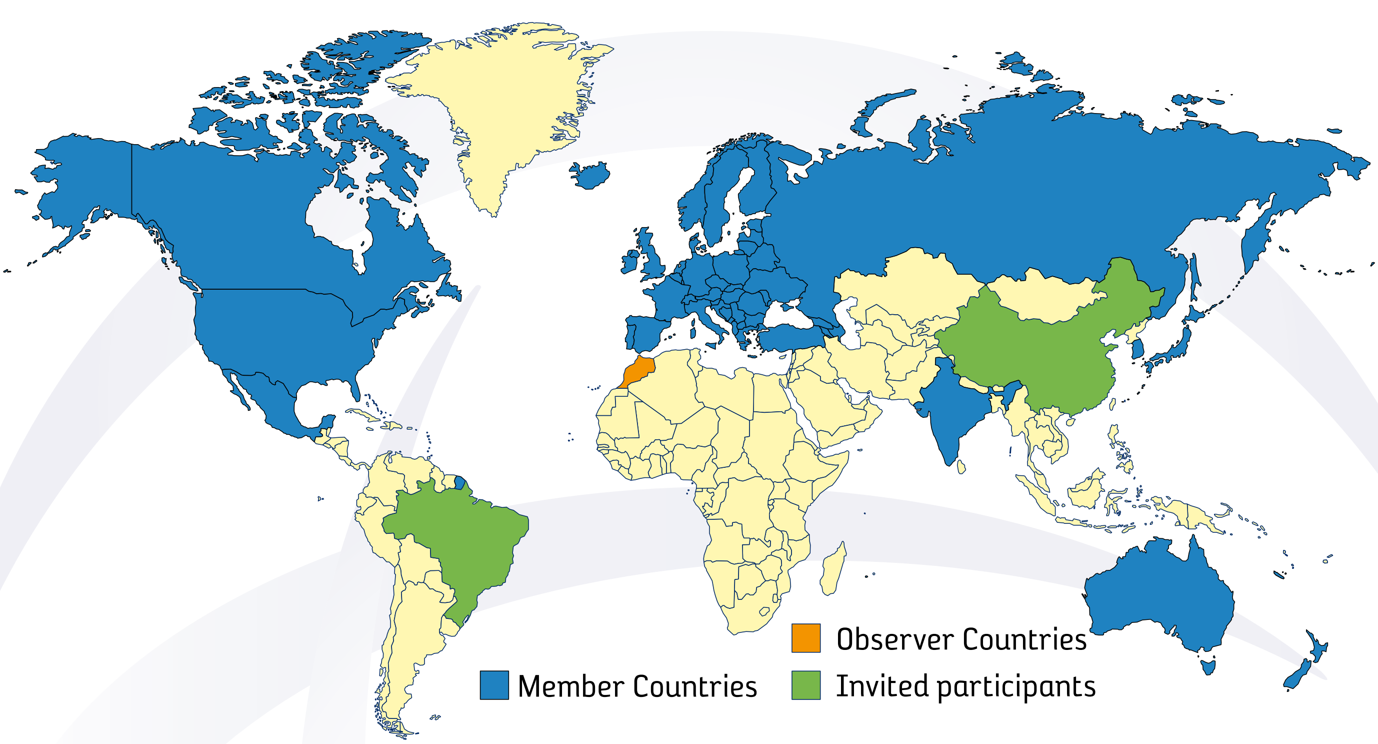
The International Transport Forum

A Worldwide Platform for Transport Ministers, Industry and Civil Society

A Global Response to the Challenges of Transport

The International Transport Forum is the leading global platform and meeting place for transport, logistics and mobility, where the Transport Ministers of 52 member countries discuss the strategic and policy challenges of the sector with key figures from industry, research and civil society. The engagement and involvement of such a broad range of actors makes the International Transport Forum truly unique.

Transformed from the European Conference of Ministers of Transport (ECMT), the International Transport Forum is an inter-governmental organisation within the OECD family. Its members include all OECD countries, as well as many countries in Central and Eastern Europe, and India. In addition, China and Brazil are being invited to participate. The involvement of more than 50 Ministers of Transport ensures direct links and strong relevance to policy making at both national and international levels. The creation of the Forum is a reflection of the need to serve not only Ministries, but also society in general in a more relevant and dynamic way. As a high level think tank for Ministers, industry, research and civil society, the Forum has the aspiration of filling a crucial missing link in transport discussions in our society today.



The highlight of the International Transport Forum's activities is its annual meeting held in Leipzig, where key figures from politics, industry, research and civil society are invited to debate with Transport Ministers on a topic of strategic importance. The conclusions of the annual Forum meetings are expected to act as important signals to the transport sector and society at large.

The Organisation for Economic Co-operation and Development (OECD) is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practices and work to co-ordinate domestic and international policies.

The OECD and the International Transport Forum established a Joint Transport Research Centre in 2004. The Centre conducts co-operative research programmes addressing all modes of transport to support policy making in Member countries and contribute to the sessions of the International Transport Forum.

Jack Short

A Look Back at the Forum

Jack Short, Secretary General of the International Transport Forum (ITF), Director of the Joint OECD/ITF Transport Research Center (JTRC)

When we chose the theme of this year's Forum – *Transport for a Global Economy* – our key concerns included bottlenecks and capacity limitations due to rapid economic growth. Barely a year later, the Forum took place at a very difficult time, in which finance had dried up, companies were failing, supply chains were weakened, and protectionism was increasing. Now, there are real fears that the transport sector will be seriously damaged by this sudden and profound downturn, with important implications for economies and societies.

The depth and suddenness of the crisis underlined the relevance of our theme. We live in a time of unprecedented global interdependence, which is likely to increase further – not decrease – as a result of the financial and economic crisis. Globalisation has its critics and, certainly, actions are needed to minimise any social or environmental harm due to it; however, the evidence is overwhelming on the economic benefits of exchange and trade in reducing poverty and inequalities. This reinforces the need for improved international co-operation, where the transport sector, as a key facilitator, is a central player.

The discussions this year were thus highly topical and came at a point when all governments and industry were struggling with how best to respond to the crisis in both the short and longer terms.

One certainty is that transport is more important than it has ever been – in business, in the lives of citizens and in the world economy. The figures alone – 8% of jobs, 15% of household spending, 6% of value added – tell only part of the story. The transport sector is at the heart of globalisation. Logistics and passenger services strongly support trade and economic growth. Beyond that, there is hardly a global threat or challenge that does not have a significant transport component, whether it is mass migrations, geopolitical conflicts, natural disasters, health threats or piracy.

It is obvious that transport systems need to be reliable and sustainable to support economic recovery. In this regard, many existing policies remain central in order to invest where needed, improve efficiency, reduce environmental harm and increase safety. Transport has a strong case in competing for stimulus funding and indeed has been a major beneficiary in some countries. It remains to be seen, however, whether the aims to innovate, to redesign the system and to move to a low-carbon economy will be achieved by these stimulus packages.

A strong message throughout the Forum was the need to avoid protectionism. The discussions and background papers underlined the benefits that the opening of markets has provided in the past, and the risks of trade restrictions in hampering recovery and growth. There are still many areas in transport where considerable new gains could be made by the further opening of markets. The challenge now for most Countries is to maintain these sound principles under domestic political pressure.

Closely linked to this is the need for secure and reliable international supply chains to facilitate future growth. Too often borders and entry points are impediments to trade or even instruments for protectionism. Significant scope for improvements remains in many areas of the world and both security and efficiency benefits can be obtained through, for example, greater use of risk-based procedures.

The crisis does not alter fundamental challenges, particularly for transport to be more sustainable. The need for transport to reduce its greenhouse gas emissions – and how this might happen – was the subject of the 2008 Forum, and was central to discussions at the 2009 Forum. All modes will need to make progress, though there is still sharp debate on the most effective methods within and between modes. Undoubtedly transport needs to show more concrete results in the lead up to and after the December 2009 UN Climate Change Conference in Copenhagen.

The transport sector can assist the global economic recovery by increasing its efficiency and here there is much work to be done to help the sector itself overcome the results of the downturn, as well as to optimise its contributions to economies and societies. Given the degree of mutual reliance at the global level, improved international co-operation will be essential.

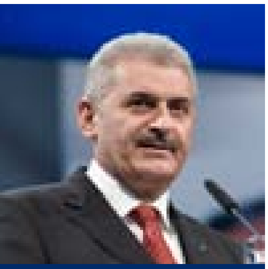
The International Transport Forum, in this second year, has taken important strides in its aim to become the global strategic meeting place for the transport sector. As well as the many Ministers and high level delegates from the more than 50 Members, India became a full member of the Forum and there was a strong Chinese presence in Leipzig. The Forum once again attracted over 900 participants, including many leading decision-makers and thinkers from the transport sector and beyond. The outputs from the Forum are included or summarised here. They include the Ministerial political statement, some reflections from the Secretariat, the conclusions of the various panels and workshops, as well as the scientific studies and background papers for the event. The web site contains all this material which provides a rich collection of information on the topic.

Many participants in 2009 argued that the solutions to the major challenges of the transport sector – including climate change, efficiency, safety, security and accessibility – will require seeking out new ways of providing services and infrastructure. That is why the theme of next year's Forum – *Transport and Innovation* – is so exciting and important.

Turkey has held the presidency of the Forum this year and sincere thanks go to Binali Yıldırım, Minister of Transport of the Republic of Turkey, and his staff, for their tireless efforts over the year. The dynamic support of Germany, especially the active involvement of Minister Tiefensee, but also the city of Leipzig and Lord Mayor Burkhard Jung have been enormously helpful in driving the Forum forward. Sincere thanks as well go to the Member Countries and their Ministers for their continuing support and involvement in the preparations and running of the Forum.

Binali Yıldırım

A Key Element of Economic Growth



Binali Yıldırım, Minister of Transport of Turkey, President of the 2009 International Transport Forum

Globalisation of production and trade is among the defining characteristics of our era. The scale of economic activity is just as impressive as the speed of technological development, and lower production costs and higher productivity have contributed to the creation of greater wealth today than ever before.

Without a doubt, transport is an indispensable part of this process. It provides vital distribution for production, as well as essential personal mobility, directly interconnecting businesses to worldwide markets. Transport is a key element of economic growth and competitiveness.

Thus, the 2009 International Transport Forum, focusing on "Transport for a Global Economy – Challenges and Opportunities in the Downturn", was held at a crucial moment in history, characterised by great challenges. Transport itself has been heavily affected by the global financial crisis. A contracting global economy, frozen credit and increased operating costs have led to economic difficulties and job losses across the sector. Companies are struggling to survive with limited financial resources in an environment where global trade is shrinking.

We, the Members of the International Transport Forum, should learn from the current crisis, and provide guidance to our sector in designing and implementing necessary measures to overcome the current difficulties and emerge stronger.

Domestic demand must be sustained to ensure the crisis does not deepen. Investment

in infrastructure to stimulate the economy and create jobs has a vital role in responding to the downturn. Many countries, including the developing ones, have put in place stimulus packages to support infrastructure projects.

We should also look beyond short-term measures. Long-term goals are vital, precisely because of the recession. For example, it is crucial that the public and private sectors work together to ensure the existence of a modern, sustainable and efficient transport sector to take advantage of the upturn when it comes.

The crisis should also underscore the importance of greater international co-operation. I truly believe all of us are ready to make a combined effort to restore confidence and make our sector less vulnerable. International planning should focus on global transport accessibility and connections. At the top of the agenda should be the simplification and harmonisation of processes at border crossings.

We must all share responsibility for preventing the deepening of the recession. This Forum – and indeed the 2009 meeting – has already played a key role.

The International Transport Forum is a unique international platform for addressing the major issues related to transport. In its capacity as President of the second International Transport Forum, Turkey is confident that the 2009 Forum has provided strong outcomes with regard to maintaining international transport activities and ensuring that the sector continues to fuel the dynamism of the global economy.

Wolfgang Tiefensee

A Great Opportunity to Choose the Future Direction

Wolfgang Tiefensee, Federal Minister of Transport, Building and Urban Affairs, Germany

The second ITF took place against the backdrop of the global financial and economic crisis. "Globalisation" had been selected as a subject to be discussed at this year's ITF long before the first signs of the credit crunch in the US became visible, but due to economic developments in the world this subject acquired a new urgency.

In the past decades globalisation was mainly seen as a factor for economic growth. However, during the crisis, another side of the development became more apparent: Due to the mutual dependence of the markets, the crisis hit national economies everywhere and led to declining economic performance and a considerable reduction of growth.

At the ITF in Leipzig, more than 900 participants from around 50 states discussed this situation and its relevance for the transport sector but they also discussed chances and opportunities arising from the crisis. It was particularly important to highlight the contribution that transport can make to a globalised world economy.

The global economic crisis must not be used as a pretext for protectionism with the aim of closing off markets. Economic recovery is only possible with free trade and fair competition. Protectionist measures always rebound on business and the workforce at home. Thus, the discussions at the ITF made it very clear that economic integration can only be supported by co-operative behaviour of all stakeholders. The ITF is headed in the right direction, establishing itself as an important international Forum for discussing solutions to problems of global relevance.

In the fora and panels and also during the numerous bilateral discussions on the sidelines, many nations, including Germany, confirmed that the economic recovery packages were the right solution for safeguarding as many jobs as possible and paving the way for long-term economic growth. The green shoots of economic recovery confirm this. The considerable financial efforts are at the same time a great opportunity to choose the future direction of the economy and the transport sector.

But at the same time, investment in infrastructure must not just be a flash in the pan. We must continue our investment even after the crisis has ended. Because an efficient global infrastructure, and a modern transport system are a crucial precondition for a lasting economic recovery.

And consumers have shown that energy-efficient, green cars have good market opportunities, even in times of economic recession. Those who are involved in the development and commercialisation, will also prevail in global competition.

Businesses are thus called-upon to continue investing in sophisticated environmental technologies and in the skills of their employees, even in times of economic difficulty. A competition for innovation and environmentally and climate-friendly products is needed. This requires specific, targeted investment in new technologies like electric mobility, supported by a clear-cut strategy for the mobility of the future. Public and private sectors alike are called-upon to ensure that industry and transport can emerge from this presently difficult phase stronger than before.

Against this background, the entire spectrum of “Transport and Innovation” will be the subject of intensive discussions at the third ITF, which will take place from 25-28 May 2010.

I am very glad that in 2010 transport ministers will come to Leipzig again to successfully support the ITF as the world’s most important platform for discussions in the transport sector. After India joined the set of ITF member states this year, we eagerly await other interested states like Brazil and China to join us in the future.

Ministers of Transport, government representatives from 52 states and industry, scientific and research luminaries will meet in Leipzig and from there they will continue to jointly shape the future a little more.

Transport for a Global Economy

Challenges & Opportunities in the Downturn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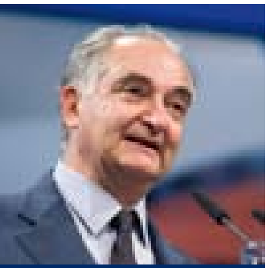
Highlights of the Keynote by Jacques Attali

Lessons Learnt from the Crisis



Jacques Attali, Economist and Writer

Transportation is one of the aspects where economic progress has made itself most palpable. Transport is a growth factor but it also has a curbing impact, it strongly affects the environment. Currently, transportation is a key to understand the economic and financial crisis. I tend to be rather pessimistic when being asked about the crisis and its prospective duration. I believe it is just beginning. It certainly shows various mechanisms taking place on three different levels.

First, let us consider the United States and the many intricate links between the loan, banking, real estate and automobile and other consumer industries. The excessive growth of lending capital and taking bad loans on real estate, for example, was the first mechanism. This, in turn, resulted in the development of a second mechanism, the creation of loan pools by banks with extreme profits – but clearly understated risks. The third mechanism was the fact that – on a local level – there was no real regulation or control of these developments. Europe, by contrast, has created a common market with regulations in the past 30 years. This is what the world needs today: a single market with one set of regulations. We do not only need the legal stipulations, but we also need to enforce their compliance.

We may very well not be witnessing the end of the current crisis. We see mixed signals - some major downturns, but economic growth in some other sectors. Financial markets are undergoing a restructuring process, with exchange prices rising and some countries even seeing growth rates again. We have seen a major downturn: minus 60 to 70% in economic growth in some sectors. However, the financial sectors have undergone restructuring, exchange prices are rising, some countries, like China, are starting to see growth rates again. Billions and billions have been spent, banks can return to offering liquidity and take out loans. There is a certain economic dynamism that is showing itself again and I would really hope that this recovery was here to stay.

But what about the cash flow of banks. Is it sustainable? What about the budgets of the major countries and the liquidities and cash flow if it is not? The current recovery may well not be sustainable. And what about trust in currencies and budgets? The global deficit is currently exploding; there are excessive debts everywhere, but we know that the crisis can only be overcome if we call back our debts.

Bearing these questions in mind, it is not entirely clear whether we will be able to extricate ourselves from this crisis or whether – due to its magnitude – we will resolve it at all.

There are three scenarios worth looking at. First of all: we may assume that there is a deepening of the crisis; that we will be plunged even deeper into a recession; that the global economy will continue to create zero or even negative growth rates. In a second scenario, the heavy borrowing simply continues, as will debts – with all the negative long-term repercussions. Thirdly, we may see another growth period with high saving rates, high degree of savings deposits, always assuming that we have high growth rates again – despite occasional volatility.

As Europeans, we have learned our lessons from history. We understand that we need to balance our budgets, set rules and regulations to overcome deficits. We understand that we do need taxes and regulations – not more but better ones. After all, we have got regulation in place; we have the Basel capital accord. But Basel is not applied accordingly. Banks solvency, for example, was regulated in the Basel accord. Basel said that the debt ratio must not exceed the factor of 12 of the deposit in your bank. But these rules where not complied with. So we certainly need to improve compliance and to enforce accountability.

If there is a lesson to be learnt from the financial crisis for our future it is the fact that unregulated markets will pose a real problem once we face challenges on an even larger scale – climate change, for example.

Therefore I believe history is going to repeat itself unless we learn the lessons. For transportation in the crisis this means that we need common rules on a global scale, and also need new transport proposals that are compatible with tomorrow's challenges.

Highlights of the Keynote by Ray LaHood

A Co-operative Approach

Ray LaHood, U.S. Secretary of Transportation

As we all know, we are facing a number of serious challenges around the world. For instance, the global credit crunch makes it difficult for all of us to sustain our investments in the transport infrastructure that we depend on to move people and goods around the world.

The way forward is through cooperative agreements on research and technology, mutually enforced standards to enhance security and environmental practices in the global supply chain, effective guidance and training to help the maritime industry combat piracy and a continuing commitment to opening our borders to free trade. This is only the beginning. Achieving these goals will not be easy. And we will not agree on everything. But we are inter-dependent – now more than ever. Our economic ups and downs ripple across the continents.

Our decisions on energy policy and fuel efficiency affect market prices for oil – and the rate of climate change. As President Obama said recently: "The history of a nation is not about things coming easy. It's about rising to the moment when the moment is hard, converting crisis into opportunity, and seeing to it that we emerge from whatever trials we face stronger than we were before."

I believe all of us here today share this commitment. This forum is an excellent place to carry on this work.

In the United States, we are responding to our challenges with short- and long-term strategies to ensure that our transport systems continue to play a vital role in our economic development at home, and our participation in international trade abroad. The American Recovery and Reinvestment Act, which President Obama signed into law three months ago, is a ground-breaking, 787-billion-dollar effort to stimulate the U.S. economy through targeted short-term investments in infrastructure, energy, tax relief, and other vital areas. The Recovery Act awarded 48 billion dollars to the U.S. Department of Transportation for new investments in roads, bridges, transit systems, seaports, airports, and other critical infrastructure. This is a remarkable and historic effort, and we're managing it with great efficiency.

As a result of our efforts, the Recovery Act has so far succeeded in pumping nearly 13 billion dollars in transportation funding directly into our economy, with billions more to follow. These federal funds allow all 50 states to make much-needed repairs and upgrades to roads, bridges, transit systems, port facilities, airport runways and more. A portion of the funds support cleaner, greener transit vehicles that reduce greenhouse gas emissions.

These are investments that most states simply cannot afford to make on their own due to budget cuts. So the federal government is truly stimulating local economies – and saving or creating thousands of good paying jobs. Many of those jobs are "green" jobs.

The Recovery Act also breaks new ground for America, in the area of high-speed and passenger rail. President Obama has committed more than eight billion dollars to new and revitalised passenger rail corridors across the country. This is by far the largest single federal investment in passenger rail in our nation's history.

Looking ahead, we recognise that the U.S. must do even more to develop a diverse, environmentally sustainable, multi-modal transportation network to keep our economy moving and make our communities more liveable.

The President recently announced plans to substantially reduce greenhouse gas emissions and raise fuel economy standards for passenger cars and light duty trucks, beginning in model year 2012. This is a serious push to make transportation much cleaner and greener in the United States.

In the freight rail industry, we are in the process of developing new national freight transportation corridors that will help us make better use of trucks, barges, and rails across North America.

We're also expediting critical port development projects to help freight flow more easily. And we are investing a hundred million dollars to enhance small shipyards under the Recovery Act.

In aviation, our top priority is our NextGen program, which will modernise and transform our air traffic control system for the 21st century. NextGen is needed to make aviation safer, more efficient – and environmentally sustainable. Ambitious energy goals to reduce emissions and noise pollution are a major part of this effort. But as we know, our environmental issues do not stop at our borders. That is why it's good to see that the European Community has made progress on SESAR – the counterpart to NextGen.

The United States, Europe, and Asia must set an example by fighting climate change effectively, and setting the pace for leadership and innovation in all modes of transportation. Let us work together to enhance those connections, and use transportation to unite our nations in peace and prosperity.

The European Response to the Crisis

Antonio Tajani,
Vice-President,
European Commission

No one can deny the direct connection between the financial crisis and transport. All operators are facing the same issues; the crisis has had its impact on every sector. The demand for transport, especially in the freight sector, has declined dramatically; prices are falling while the cost of infrastructure use is increasing.

However, the ability to transport our goods quickly and efficiently is a prerequisite for growth. Ever since the beginning of the crisis, I have said that we need to respond by investing in transport and infrastructure, an area that represents 10% of jobs in Europe. But of course, this is not enough. We must also anticipate future capacities and increase European competitiveness in the sector.

All of us here share the belief that transport is a key sector of the economy. That is why investment in transport infrastructure ranks so high in the economic stimulus packages that European countries intend to implement. We need to focus and we need to make those infrastructure investments, both for projects that are already in the pipeline or under construction, and for future ones.

Nevertheless, I also strongly believe that this crisis is also an opportunity – if we follow a co-ordinated strategy at operational, financial and political level. As this is a global crisis, we should not act in a protectionist manner; we shouldn't create a fortress around us. Coordinated strategies can't simply stop at the borders of the European Union. We should look beyond that and also cover the Mediterranean countries beyond the EU, the countries on our eastern borders of the EU and also Africa.

48 billion dollars are expended for infrastructure in the US, a spectacular amount; much more than we spend here. But let's evaluate what we have been able to mobilise in our European budget, whether by the communitarian budget or the European Investment Bank, and also look at the considerable investments on the member state level. We have the European Union's Stability and Growth pact, to address the immediate crisis. We are trying to be a catalyst for investment, helping the financial market and companies. This is why we increased the capital of the European Investment Bank and initiated the Marguerite 2020 European fund for energy, climate change and infrastructure, which will invest in member states' environmental, energy and transport infrastructures. Of course, we also encourage the private sector to get involved, for example through PPPs.

In the year 2009 we have been able to allocate 500 million Euros for shovel-ready projects on the Trans-European transport network (TEN-T), whose leverage on public finances is estimated at 5 billion euros. In addition, the annual and multi-annual budget for TEN-T foresees 500 million Euros for 2009.

In this context, the Commission this year has committed to a revision of the TEN-T policy. For this, we proposed a Communitywide approach, based on a truly European and multimodal plan. This will allow for an intelligent management of transport flows, for example through the widespread use of intelligent traffic management systems and ERTMS.

That said, for the revision of the TEN-T policy to succeed, it will be necessary to mobilise more resources, on the national and European level, from public as well as private sources. We are co-operating closely with the European Investment Bank on this.

I am convinced that this crisis represents an opportunity for the sector. I think we can no longer afford to procrastinate. It must be recognised once for all that investment in transport is an important means to foster economic growth. Finally, in the long term, transport has to be assigned its rightful place in the State budget and states should continue to coordinate their resources.

The crisis calls for a global response. The European Community stands ready to assume its role.

Key Messages from the Ministerial Session

Transport Ministers met with industry stakeholders, research and civil society representatives at the 2009 International Transport Forum: **Transport for a Global Economy – Challenges and Opportunities in the Downturn**. Key Messages emerging from the Ministerial discussion emphasised the importance of:

- efficient transport systems and sound investments;
- maintaining progress towards open markets;
- addressing unintended environmental and social consequences of globalisation;
- finding adequate funds for transport and prioritising scarce resources;
- reliable and secure supply chains.

An efficient global transport system will play a significant role in the economic recovery. Ministers expressed concern about how severely the transport sector has been affected by the downturn in the global economy. They 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 prioritised on the basis of a rigorous evaluation, capable of being quickly implemented and contributes to sustainability objectives.

Trade and open markets are keys to global recovery. Protectionist measures are not a sustainable solution. Where markets have been opened, there have been substantial benefits to economies and citizens. 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.

Economic recovery in the transport sector should be environmentally sustainable. Agreement at the UN Climate Change Conference (COP15) in Copenhagen and in other organisations such as IMO and ICAO, should enhance international actions for the mitigation of transport emissions, and build on the conclusions of the 2008 International Transport Forum. 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.

It is necessary to secure a high level of long-term investment in transport. Whilst acknowledging governments' responsibility in planning and financing transport infrastructure, the importance of private investment and public private-partnership was endorsed. Sound analysis should underpin investments in the global transport system, with a solid evidence base to support decision-making.

International supply chains need to be secure and reliable. 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. Ministers are determined to continue to work together internationally. The ITF will provide an important forum for this engagement. These challenging times present a window of opportunity to rethink, to review and to reform policies, systems and technologies to stimulate development towards a sustainable and more effective global transport system. Innovation will be a key to success, and Ministers agreed that it should be the central topic for the 2010 Forum.

Background reports from experts and the Secretariat are available from the ITF website http://www.internationaltransportforum.org

Policy Panels


International
Transport
Forum

Anthony Albanese

Minister for Infrastructure, Transport, Regional Development and Local Government, Australia

Camiel Eurlings

Minister of Transport, Public Works and Water Management, Netherlands

Rüdiger Grube

CEO, Deutsche Bahn AG

Joachim Hunold

CEO, Air Berlin

Candan Karlıtekin

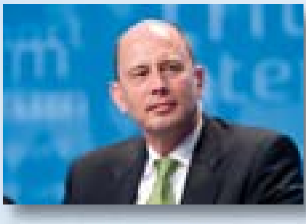
CEO, Turkish Airlines

Leif Östling

CEO, Scania

John Rice

Vice Chairman, General Electric

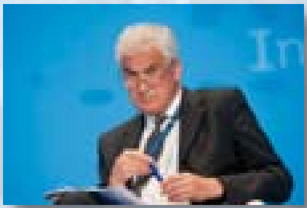


Wolfgang Tiefensee

Federal Minister of Transport, Building and Urban Affairs, Germany

Ronald Widdows

CEO, Neptune Orient Lines



Rapporteur:

Anthony Venables

Professor of Economics, Centre for Analysis of Resource Rich Economies, Oxford University, UK

Policy Panel 1, Session 1:

Transport and the Downturn Economic Impacts

Policy Panel 1, Session 1:

Transport and the Downturn Economic Impacts

"Reverting to protectionism would be totally, totally wrong."
Rüdiger Grube, Deutsche Bahn

The global economic crisis has reduced the flow of passengers and goods worldwide, thereby placing severe constraints on many manufacturers, transport operators and facilities. In turn, this has had consequences for the many millions who work in, and depend on, the transport sector.

In the panel's first session, on "Economic Impacts", Ministers, CEOs and high-level experts discussed how plummeting demand, fluctuating fuel prices and liquidity issues are affecting global business. In this session, panellists also considered what national governments and international organisations can and should do to help mitigate the impacts of the crisis on the sector and stimulate economic recovery.

A second session then shifted focus to the "Social and Environmental Impacts" of the downturn, considering the measures needed to deal with the social consequences of the economic downturn and how environmental goals can be met even in time of economic constraints.

"Integrating the different modes of transport more efficiently will make it possible to be economically efficient and environmentally friendly."
Wolfgang Tiefensee, German Minister of Transport

ECONOMIC IMPACTS

The transport sector has suffered heavily as a result of the global economic crisis. With ailing global financial markets, several panellists noted that credit is lacking for maintenance and for the development of new infrastructure and equipment in all modes of transport. A newly emerged "nationalism" in banking has restricted availability of financing for transport in a number of countries. Lack of liquidity remains a problem for financing transport system improvements.

The session concluded that international co-operation would pave the way for recovery, with greater accessibility and improved connections between markets and across transport modes forming the vision for success in the future.

Globalisation and investment in research and development remain the way forward

Globalisation should not be reversed in response to the crisis, said **Rüdiger Grube**, CEO of Deutsche Bahn. The crisis should be viewed as an opportunity to invest in research and development. In this respect, he conceded, the automotive industry is significantly ahead of the rail industry.

Developments have to take account of the importance of the environment, Mr Grube said, with efficient and fair conditions for investment for rail as well as the automotive industry. **Wolfgang Tiefensee**, the German Minister of Transport, supported this view, stating that we need to improve the modal share, putting more goods onto rail and waterways.

Maritime shipping weathers changes in trade flows; a different 'world order' to follow the crisis

The shipping industry is implicitly linked to the economy, and tends to experience the impacts of economic fluctuations before other areas of the sector, said **Ron Widdows**, CEO of Neptune Orient Lines. Several factors were already contributing to a sectoral downturn when the crisis hit, including a maturing in off-shore manufacturing with a corresponding gradual decline in direct foreign investment.

Moderator:
Melinda Crane,
Moderator,
International
Broadcaster and
Journalist

Mr Widdows noted that there had been signs of a cyclical downturn in container shipping prior to the crisis, and that the precipitous drops in demand and tightening of liquidity in the financial markets during the crisis had exacerbated this. In addition, for some time, there had been "irresponsible investment" – excessive ordering of new ships – which has led to excess capacity. The current lack of liquidity in markets will thus not necessarily be detrimental to the shipping sector, because new investments are not presently needed in the sector.

Job creation and investment in infrastructure are now likely to take place in a robust way, opening access to lower labour costs in, for example, China. When there is economic recovery, the world will not return to the way it was, Mr Widdows predicted. Growth rates in maturing countries will be less than previously seen, and there will be much more domestic growth in India and China. In turn, this will have a significant impact on trade flows.

Airlines – adapting the business model

Airlines are restructuring and revising their business models to adjust to the effects of the economic crisis and the excess capacity that has emerged in the sector over many years of relatively easy credit and proliferation of market players. This means, for instance, reconfiguring available products to better correspond to the price the passenger is willing to pay. It also means concentrating on core business activities (e.g., less on-board duty-free sales) with fewer cross-subsidies, according to **Candan Karlıtekin**, CEO, Turkish Airlines.

Joachim Hunold, CEO of Air Berlin, concurred that, in times of crisis, markets tend to consolidate, with capacity having to be adapted. These are circumstances that the airlines have managed well in the past, he noted, provided the appropriate market conditions and frameworks have been in place.

Panellists called for a new set of global market conditions in order to facilitate efficient functioning of the sector. There was general agreement among panel members that global policy responses are required for global problems – emissions trading in aviation was cited as one example of this.

A single international sky in terms of regulation and air traffic management is essential for the airline industry, asserted Minister Tiefensee. **Anthony Albanese**, Australia's Minister for Infrastructure, Transport, Regional Development and Local Government, echoed this point, highlighting the need for a global single sky, without which distortions would emerge and put the

"The big danger is protectionism."
John Rice, General Electric

"We need to break the nexus between the political cycle and the investment cycle."
Anthony Albanese, Minister for Infrastructure, Transport, Regional Development and Local Government

Southern Hemisphere at a disadvantage, particularly if emissions trading were to target the first point of landing.

Joachim Hunold also supported the need for a single sky, noting that 47 different control centres exist in Europe, whereas in the United States there is only one. This means, he explained, flights do not always take direct routes in Europe, therefore contributing to higher costs and carbon emissions.

Decline in demand in the automotive industry

Reflecting on the impact of the crisis in road transport, Leif Östling, CEO of Scania, confirmed that business in the first quarter had declined by 90% compared with the first quarter of 2008. For equipment manufacturers, the economic crisis has dealt a heavy blow, he said.

As a result of the credit crunch, small and medium-sized enterprises in road transport are struggling in particular to finance maintenance of working capital. In addition, the average age of vehicle fleets is increasing by 2 – 2.5 years, producing higher emissions and greater safety risk. Moreover, product development costs are rising as a proportion of sales, with drastically reduced demand and lower sales volumes.

A role for government – stimulus packages need to preserve open markets, consider longer term objectives

Stimulus packages are designed to preserve the job market, emphasised **John Rice**, Vice Chairman of General Electric. Although there are signs emerging of the effectiveness of stimulus programmes in meeting this objective, the danger is that these programmes can go beyond their economic stimulus objective and become protectionist in nature, as language regarding the allocation of stimulus funds would suggest in some cases.

Camiel Eurlings, Minister of Transport, Public Works and Water Management for The Netherlands, echoed this concern, calling for stimulus packages that were "timely, temporary and targeted", and noting the need to remain vigilant with regard to growing public deficits.

Maintaining balance in the stimulus package

Minister Albanese outlined the Australian response to the crisis, with stimulus funding focusing on road and rail infrastructure. Although it is easy to bring forward road, as opposed to rail projects, he said, policy-makers should not repeat mistakes that have led to a market distortion through failure to invest in productivity.

Minister Albanese highlighted the tension in investment decision-making between short-term (3- to 4-year) political decisions taken in response to popular pressure, and longer-term infrastructure investment cycles of 10 years or more.

By definition, investments in infrastructure will yield benefits in the longer term. Therefore, investment decisions that deal with the immediate need to create jobs should also consider longer-term objectives, such as the mitigation of climate change.

Minister Eurlings highlighted the need to ensure increased efficiency in transport operations by reducing bureaucracy in investment decision-making and administrative procedures at border crossings.

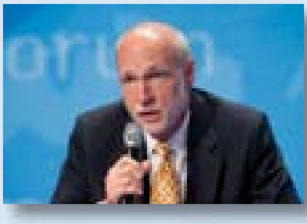
Need for co-ordinated action

Panellists agreed that working together across national boundaries – especially on innovation (e.g., electric vehicles) and climate change mitigation – is essential. In particular, international solutions are needed in aviation emissions trading, as are fiscal incentives to support innovation.

Governments need to work together for equitable market conditions among modes, panellists agreed. And perhaps most importantly, countries must ensure that markets remain open – especially in this time of economic hardship. Market entry barriers need to come down in road transport, as well as in both passenger and freight rail markets.

"Stimulus packages for the short-term have to be timely, temporary and targeted."
Camiel Eurlings, Minister of Transport, Netherlands

Peter Bakker
CEO, TNT



George Dragnich
Executive Director for Social Dialogue,
International Labour Organization

Christian Felber
Speaker, Attac Austria

Stelios Haji-Ioannou
President, easyGroup PLC

Geoff Hoon

Secretary of State for Transport, UK

Moritz Leuenberger

Federal Councillor, Head of the Federal Department of Environment, Transport, Energy and Communications, Switzerland

Graham Smith

Senior Vice President, Toyota Motor Europe

Rapporteur:

Anthony Venables

Professor of Economics, Centre for Analysis of Resource Rich Economies, Oxford University, UK

Policy Panel 1, Session 2:

Transport and the Downturn Social and Environmental Impacts

Policy Panel 1, Session 2:

Transport and the Downturn Social and Environmental Impacts

The global economic crisis has reduced the flow of passengers and goods worldwide, thereby placing severe constraints on many manufacturers, transport operators and facilities. In turn, this has had consequences for the many millions who work in, and depend on. the transport sector.

In the panel's first session, on "Economic Impacts", Ministers, CEOs and high-level experts discussed how plummeting demand, fluctuating fuel prices and liquidity issues are affecting global business. Panellists also considered what national governments and international organisations can and should do to help mitigate the impacts of the crisis on the sector and stimulate economic recovery.

In this second session, the panellists shifted focus to the "Social and Environmental Impacts" of the downturn, considering the measures needed to deal with the social consequences of the economic downturn and how environmental goals can be met even in time of economic constraint.

"We cannot use the downturn as an excuse for avoiding the adjustment to an economy that will have a fundamentally different basis: that is the challenge of climate change."
Geoff Hoon, UK Minister of Transport

SOCIAL AND ENVIRONMENTAL IMPACTS

Transport energy use and carbon emissions are projected to be about 80% higher than current levels by 2030. As **Rajendra Pachauri**, Nobel-Prize-winning Chairman of the International Panel on Climate Change, pointed out in his keynote address at the 2008 International Transport Forum, continued GHG emissions at or above current levels would cause further warming and induce many changes in the global climate system during the 21st century that would very likely be more extensive than those observed during the 20th century, with implications for people around the world.

Complicating efforts to mitigate CO_2 emissions within the transport sector is the current economic and financial crisis, which has taken a major toll on transport sector activity: the road sector in the European Union alone, for example, has seen 140 000 jobs lost due to the crisis.

The environmental challenge

Policy-makers currently face particularly difficult choices as they try to balance

Moderator:
Melinda Crane,
Moderator,
International
Broadcaster and
Journalist

short-term crisis management with long-term sustainability goals. This second session of the Minister-Industry panel offered an opportunity to discuss options for the transport sector to seek economic recovery, and at the same time pursue longer-term social and environmental goals. Can the sector continue to pursue cleaner and greener transport while at the same time preserving jobs?

Facing the threat of climate change

While all panellists agreed on the urgent need to find solutions to the climate change problem, their views differed as to how to approach this challenge.

Green technology

Some, like Minister **Geoff Hoon**, expressed the hope that carbon emissions reduction targets could be satisfied mainly with the help of innovative technology, such as new materials for aircraft and engines, and by seeking more efficient ways of moving goods and passengers around the world.

Major players in the sector are already pursuing efficiency gains in their operations by deploying innovative technology. According to **Peter Bakker**, CEO of TNT, for example, all urban deliveries should go 100% electric within the next five years, while biodiesel should be used exclusively for long-haul road transport. He expressed his wish for TNT to become the first company to reach these goals and called for stronger regulatory incentives to do so.

But Mr Bakker warned of investing too much hope in new technology. He also called for a more fundamental change: whole business models have to be rethought and global supply chains need to be redesigned, he said. To underline the importance of this point, he explained that TNT's two Boeing 747 aircraft – that make nine rotations per week between Europe and China, often flying nearly empty to China and coming back fully loaded – produce more CO_2 emissions than the company's entire fleet of road vehicles, which consists of about 30 000 vans and trucks.

All panellists highlighted the need for a rigorous, effective policy framework to address climate change. Minister Hoon stressed that the transport sector and its policy-makers – especially the Transport Ministers need to set their own CO_2 reduction objectives. This is the only way to prevent others from setting these targets for them, which could lead to unrealistic demands on the sector.

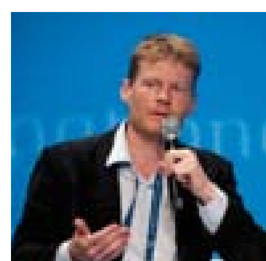
A dissenting stand on the crisis and globalisation

Christian Felber, a representative of the anti-globalisation movement Attac, presented his view of the current crisis and what needs to be done about it.

Mr Felber refuted the notion that globalisation carries with it economic and societal benefits and argued that more trade requires more transport, which leads to an ever-higher consumption of natural resources.

Mr Felber highlighted that only about 3% of the world's population has ever set foot in

"If we don't change the system – don't change everything – then we are not going to make it."
Peter Bakker, TNT



"In my view, we should not be talking about how to lower the cost of transport, but how to increase it."
Christian Felber, Attac

"A tax paid by those countries that are responsible for high CO_2-emissions can be used to compensate the countries that are most impacted."
Moritz Leuenberger, Minister of Transport, Switzerland

an aircraft; he warned that if the other 97% were to take up air travel, climate change would be accelerated by a factor of 4 or 5. He suggested that all the economic and social damage that transport causes should be factored into the cost of transport, thus making transport much more expensive than it is today. This, in turn, would strengthen the role of sustainable regional and local markets. "First establish human rights, labour, social, environmental, health and tax standards, then trade", Mr Felber said.

Social impacts and the benefits of globalisation

In response to Mr Felber's remarks, the other panellists evoked the benefits of globalisation, not only for industrialised economies, but around the world. Several panellists called attention to the benefits of a globalised economy for poverty reduction.

Citing development in China, **George Dragnich**, Executive Director of the International Labour Organisation (ILO), warned that without global trade, there would be a dramatic drop in employment all over the world. Echoing this perspective, UK Minister Hoon noted that the regular flights carrying fresh produce from Africa to Europe facilitate an important source of employment and income for many Africans. According to **Anthony Venables**, Oxford University Professor of Economics and Rapporteur of the session, Africa has still to see the kind of transformation that the pre-crisis wave of globalisation has induced in countries such as China and India. Commenting on the general problem of social imbalance between industrialised and developing countries, Mr Dragnich observed that large multinational companies are increasingly willing to respect the tenets of Corporate Social Responsibility. This implies, according to a commonly cited definition by the World Business Council for Sustainable Development, a continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large. Mr Dragnich pointed out that international labour standards as set by the ILO are helping to prevent certain countries from gaining unfair trade advantages by undercutting standards. At the same time, universally acknowledged labour standards cannot be used as trade barriers.

Addressing Mr Felber's critical view of passenger air travel, Mr Dragnich argued that, even though it may be that only 3% of the world's population fly, the remaining 97% could nevertheless benefit from air travel. He cited tourism – a labour-intensive industry, which is often the largest single employer in developing countries. **Stelios Haji-Ioannou**, Chairman of easyGroup, echoed the benefits of travel, citing the links it creates between peoples and nations and the enhanced understanding it promotes.

Peter Bakker of TNT called for an effective policy framework to address climate change. "The real stress test for Copenhagen will be if we can come up with a price for carbon and an accounting system behind this which will incentivise the leaders in the business community to really clean up their act."

Swiss Minister of Transport **Moritz Leuenberger** emphasised the importance of the "polluter-pays principle", including the use of revenues generated to mitigate and compensate for resulting damages, as well as providing an incentive to reduce CO_2 emissions. Professor Venables remarked that, whilst a global programme to mitigate climate change would be best, a start has to be made somewhere. Citing Voltaire, he warned that the best should not become the enemy of the good. He reminded transport policy-makers and other sector stakeholders in attendance of their responsibility to get the ball rolling and called on them to tackle the climate change problem by showing genuine leadership and setting their own standards.

The Power of the Consumer

Graham Smith, Senior Vice President, Toyota Europe, reported that whilst Toyota is very pleased to see that policy-makers are encouraging an increase in use of greener technologies in the automotive sector, additional regulatory incentives could help to move environmental concerns up the list of consumer priorities. As for the social imperatives in this context, he emphasised that use of new technologies and the downsizing of cars should not result in reduced levels of employment. "Sustainability for us includes sustainability of labour", he noted.

"Mitigating climate change is not just the responsibility of politicians or of global commercial organisations. We have to bring the civil society with us on this journey."
Graham Smith, Toyota Europe

Cumhur Atılgan

General Manager, RODER, Turkey

Ján Kubiš

Executive Secretary,
UN Economic Commission for Europe

Janusz Lacny

President of JMJ–TRANS and President of the International Road Transport Union

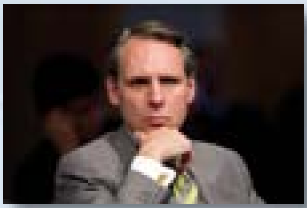
Igor Levitin

Minister of Transport, Russian Federation

Kunio Mikuriya

Secretary General,
World Customs Organisation (WCO)

Karl Mohnsen
CEO, TX Logistik



Scott Price
CEO, DHL Express Europe

Etienne Schouppe
Secretary of State for Mobility, Belgium

Rapporteur:
Mary Brooks
William A. Black Chair of Commerce,
Dalhousie University, Canada

Policy Panel 2:

Supply Chains and Gateways in Volatile Markets

Policy Panel 2:

Supply Chains and Gateways in Volatile Markets

"Growth will come back as one economic crisis is not the end of the global economy."
Scott Price, DHL Express Europe

"The crisis provides the opportunity to be less parochial and more global in thinking."
Mary Brooks, Dalhousie University

The situation with the global supply chain has changed dramatically over the last year. Then, growth outstripping capacity was the main challenge. Today, the challenge is adapting to new market conditions, alleviating the effects of the downturn for logistics companies and preparing tomorrow's supply chains, noted moderator **Robert Wright** in his opening comments.

Is the downturn changing the structure of supply chains?

Logistics actors everywhere have seen a steep decline in volumes traded in the first quarter of 2009. **Scott Price**, CEO of DHL Express Europe, confirmed, citing a reduction in business of between 10 – 12% in the first quarter of the year, although business has begun to stabilise.

Panellists came to the agreement that globalisation would continue but there was not necessarily agreement that supply chains would remain the same. Smaller players are being pushed out of the market and the global supply chain sector is likely to emerge consolidated. Freight forwarders are re-evaluating possible trade-offs between lower manufacturing costs and higher transport costs which could translate into less demand for intercontinental trade. Energy prices, which peaked at over 140 US-dollars a barrel, and environmental factors are also emerging as key drivers in the supply chain reconfiguration with increased demand for land-based, short sea shipping and intermodal transport. In this sense, the current downturn is also an opportunity for any well-organised and managed company to exploit.

Where are the weak links in the global supply chain ?

Within each mode, bottlenecks of a technical or administrative nature were frequently cited as an important hindrance to the smooth flow of international freight. **Kunio Mikuriya**, Secretary General of the World Customs Organisation, confirmed that, to improve the supply chain within the remit of transportation and customs, early access to information facilitates risk management and helps enforce security in its broadest sense. Risk management therefore needs to be consistent, with information shared to create a network for the seamless transfer of goods.

There was general consensus that removing existing regulatory barriers, introducing electronic document workflows and adopting common risk management approaches offered least-cost pathways to a truly integrated global supply chain. Replacing existing cabotage laws – reported to account for 30% of Europe's empty runs – was perceived by several panellists as the single measure with the highest impact on freight efficiency.

Seamless transport services are essential to supply chain actors. Yet, rail operations in Europe remain constrained by historical factors, ranging from technical issues, such as signalling and electrification, to safety systems, which delay cross-border operations, according to **Karl Mohnsen**, CEO of TX Logistik.

A discussion arose on ways to step up the convergence of logistics services into a truly

Moderator:
Robert Wright,
Journalist,
Financial Times

global transport market. Customer-driven intermodal solutions can offer an energy-efficient transport service with potentially large economies of scale but, in many cases, they require start-up investments allowing the fleet and infrastructure to adapt to new technical requirements. Public support needs to favour intermodal developments where there is the greatest carbon emissions and largest potential for modal shift. **Cumhur Atılgan**, General Manager of Roder, pointed to the high emissions savings achieved by Turkey's increased reliance on intermodal transport.

Highlighting the vital role of transport in economic development worldwide, **Janusz Lacny**, President of JMJ-TRANS, also advocated the need for partnership across transport modes but insisted these require harmonisation of technical and procedural factors.

How does infrastructure need to be adapted ?

Infrastructure increasingly needs to be devised with the global market in mind. The improvement of transport links and corridors cannot be achieved by individual countries, but needs broader co-operation from intergovernmental bodies, according to **Ján Kubiš**, Executive Secretary of UNECE. A good example of bilateral co-operation was provided by Russian Minister **Igor Levitin**, who pointed to the excellent historic and ongoing working relationship with Finland as a gateway from Russia for the supply of goods from Russia to the rest of Europe.

Freight corridors and gateways serving several markets at once do suggest where coordinated investment strategies are needed. Seaports in particular need to be designed keeping in mind the hinterland connections and the requirements of different users of the service. Industries will only use gateways that effectively reduce their overall costs to market.

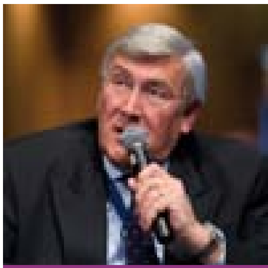
Ultimately, many of the supply chain choices are driven by the customers themselves as they seek lower shelf prices. However, it is government that effectively sets the rules of engagement. The regulatory climate needed is one that is less parochial, more global in its thinking and adjustable to future cyclical crises.

What can governments do ?

The panel discussions produced general agreement on the following ways government can ensure efficient global supply chains in the current economic context:

- Avoid protectionism: When multiple economies slide into recession simultaneously, the prospects for an export-led recovery are dimmed. This makes short-term protectionist measures very attractive.
- Harmonise standards and reduce administrative burden.
- Provide start-up support for intermodal programmes.
- Coordinate infrastructure investment programmes where international markets are impacted.
- Work with all the stakeholders especially when devising large freight gateways and corridor.

"It is time to redefine transport corridors"
Ján Kubiš, UNECE



"Every mode could give examples of discrepancies versus another mode. The crisis is an opportunity to intervene and correct."
Etienne Schouppe, Belgian Secretary of State for Transport

Dominique Bussereau

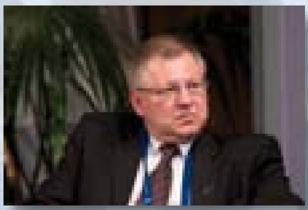
Secretary of State for Transport, France

Roberto Castelli

Vice Minister for Infrastructure and Transport, Italy

Enrique Díaz-Rato

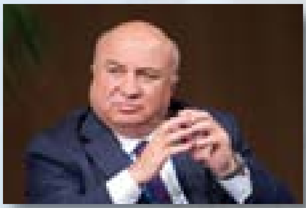
CEO, Cintra



Maciej Jankowski

Undersecretary of State, Ministry of Infrastructure, Poland

Bert Klerk
Chairman, ProRail, Netherlands



Mustafa Sani Şener
CEO, TAV Airports Holding

Yves-Thibault de Silguy
CEO, Vinci S.A.

Rapporteur:
Lord Macdonald of Tradeston
Chairman, Macquarie Capital Europe

Policy Panel 3:

Infrastructure: Public and Private Roles after the Credit Crunch

Policy Panel 3:

Infrastructure: Public and Private Roles after the Credit Crunch

"Risk is back, austerity is back, and the state is back."
Lord Macdonald of Tradeston, Macquarie Capital Europe

"The ultimate justification for the participation of the private sector is efficiency: we perform better, cheaper and sooner than the public sector; not because we are smarter, but because we have the right incentives."
Enrique Díaz-Rato, Cintra

Governments everywhere are facing a need to upgrade transport systems. Much essential infrastructure needs to be built, replaced or adapted to serve increased traffic and changing travel and trade patterns.

But the gap between the global need for more infrastructure investment and the public funds available to build it is growing and could become even wider in the current economic climate. Experience shows that when public finances are under pressure, infrastructure investment is often cut back.

There has been an increasing trend toward engaging the private sector in infrastructure development.

Private engagement in transport infrastructure can take a number of forms, including concessions and public-private partnerships (PPPs). The appropriate model will depend on the nature of the asset. Many mature assets could be concessioned or privatised, which would likely involve less risk and more limited, but steadier returns than some PPPs. Privatisation could also generate additional funds to support infrastructure investment.

Private financing should not be considered a "necessary evil" – the primary reason for engaging private capital in infrastructure funding is not to fill gaps where government funding is not available, but rather to make use of the expertise and the competence of the private sector, as well as of its power to innovate.

Talking of his experience in the rail sector in the Netherlands, **Bert Klerk**, Chairman, ProRail and President, European Rail Infrastructure Managers, reported that the involvement of private partners is often greeted with suspicion in the public eye: "People think rail is – and should stay – state business." This shows the importance of drawing public attention to the benefits of private involvement in infrastructure projects, in order to achieve greater public buy-in where PPPs are concerned.

What is the impact of the current crisis on existing PPPs, and on the PPP market in general?

The current global economic and financial crisis has had a profound impact on private investment in infrastructure. Many banks have ceased to lend, while others are lending less and focusing their activities on lower-risk projects. The crisis has also tested the assumptions on which many existing projects are based, and the long-term implications are yet to be seen. At a general level, the result is that, wherever available, financing for private investment in infrastructure has become more costly.

Private involvement in infrastructure funding is highly reliant on the availability of credit, as these arrangements typically involve enormous up-front expenditures. Thus, the current crisis is having a major impact, reducing credit availability for investment in infrastructure while increasing the cost of borrowing (and thus of private investment) due to increased risk. It is also reducing the revenues from

Moderator:
Nik Gowing,
International
Broadcaster and
Journalist

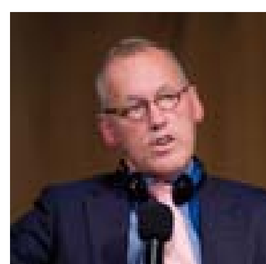
existing infrastructure, due to lower use. Furthermore, the availability of monoline insurance has dropped considerably.

Recently, major projects have needed to be postponed or restructured due to the lack of credit. **Maciej Jankowski**, Undersecretary of State of the Polish Ministry of Infrastructure, provided an example of the increasing difficulties experienced by many countries in implementing PPP projects. Poland has planned to build about 480 kms of motorways under PPP schemes by 2012. Negotiations on the 100 km-long section of the A2 Motorway, part of the pan-European Berlin-Warsaw-Moscow corridor, recently had to be abandoned because potential investors demanded that the major burden of risk be shifted to the state.

Many rail infrastructure projects, which typically demand a particularly high level of investment, have had to be interrupted due to lack of funds. **Roberto Castelli**, Under-Secretary for Infrastructure and Transport, voiced his concern about the fact that rail projects are often less attractive for private investors than road projects: "We must find a financing system for rail transport that makes it profitable and competitive. For the time being, this is not the case."

Still, all is not doom and gloom in the field of private infrastructure investment. As **Mustafa Sani Şener** CEO, TAV Airports Holding, pointed out: "The money in the world has not evaporated, it is still there. The conditions are hard, but if the structure of a PPP is sound and clearly defined,

"Right now, we need PPPs more than ever before."
Dominique Bussereau, Secretary of State for Transport, France



"Is the Public-Private Partnership system in danger at this moment? The answer is yes!"
Bert Klerk, European Rail Infrastructure Managers

there is no difficulty in raising finance in our business." The crisis could even have a positive impact as well, in the form of a fall in the cost of construction.

What do governments need to do in the short term to mitigate the impact of the crisis on PPPs?

It is important to note that PPPs are suffering as a result of a crisis in other areas of the economy – especially the financial sector – and this does not bring into question the validity or sustainability of private investment in infrastructure per se.

In many instances, the lack of credit available to private firms investing in infrastructure will require some kind of public intervention in the short term. Countries are taking different approaches to this issue. Some governments – such as the United Kingdom, which is undertaking a lending role, and France, where the government is providing loan guarantees – are taking active steps to support PPPs. International financing institutions, such as the European Investment Bank, are doing the same, for example by taking equity positions where financing is not otherwise available.

Governments and/or international financial institutions could also seek out short-term mechanisms to ensure that the role played by monoline insurers continues to be played, at least until monoline markets recover. **Lord Macdonald** elaborated: "It would be good if governments would think about setting up an institution to replicate the monoline function in the short to medium term, perhaps to privatise it later."

"We have to coordinate the financial actors of all kinds and categories, to get them interested in major projects. Europe could do more in this field."
Yves-Thibault de Silguy, CEO, Vinci S.A.

What can be done to secure a stable, long-term role for private capital and expertise in transport infrastructure?

One thing is to stabilise private funding arrangements in the short term. However, this is temporary, and the real objective should be to establish stable funding arrangements in the longer term, especially if we accept that private funding will be required to meet future transport infrastructure needs.

Governments should be ready to meet a rapidly rising demand for transport

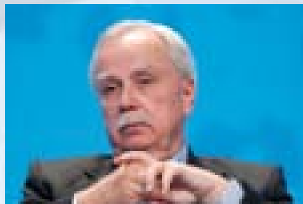
infrastructure, which can be expected as economies begin to recover. Although it will not resolve all funding needs, private financing can be an important source of this funding.

Insurance and pension funds, in particular, represent an important potential source of infrastructure funding that is largely untapped in many countries. According to a recent OECD project "Infrastructure to 2030", there are about USD 18 trillion in pension funds available for investment in OECD countries alone. Because pension fund money is ultimately essential to longer-term social and economic stability, its investment in infrastructure can result in greater public interest in ensuring the stability of those investments. Sovereign-wealth funds also offer new potential.

There are a number of steps that governments can take to further attract private capital to transport infrastructure:

- Focus on "high quality" PPPs – meaning projects that will be stable and provide important benefits to society. Rigorous economic appraisal remains the best tool for ensuring that onlywell conceived and designed projects, which add value, go forward. Governments should avoid projects that are developed principally on the basis of political expediency.
- Make sure that projects are clearly defined, and that the legislative and regulatory frameworks that govern PPPs and procurement processes are well defined and strictly enforced so that private partners have a strong sense of stability. This applies particularly to developing and emerging economies.
- Provide appropriate pricing schemes for infrastructure use.
- Review accounting standards to ensure that they do not unfairly penalise PPPs in comparison to public procurement.
- Improve risk allocation, and not seek to transfer risks that clearly cannot be managed by private partners (e.g. political risk, macroeconomic risk, much demand risk, etc.).

Carlos Grau Tanner
Director, Government and Industry Affairs, International Air Transport Association



Johannes Ludewig
Executive Director, Community of European Railway and Infrastructure Companies

Martin Marmy
Secretary General, International Road Transport Union

Spyros Polemis
Chairman, International Chamber of Shipping

Scott Price
CEO, DHL Express Europe

Hans Rat

Secretary General, International Association of Public Transport

Matthias Ruete

Director General of Energy and Transport, Transport and Energy, European Commission

Jamal Saghir

Director of Energy, Transport and Water, World Bank

Ronald Widdows

CEO, Neptune Orient Lines

Binali Yıldırım

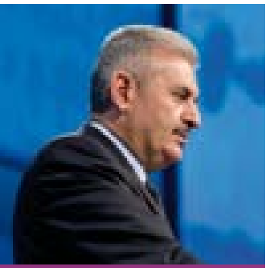
Minister of Transport of Turkey, President of the 2009 International Transport Forum

Policy Panel 4:

International Leaders' Roundtable Moving the Agenda Forward

Policy Panel 4:

International Leaders' Roundtable Moving the Agenda Forward



"We need to look beyond the crisis and prepare the sector for the future."
Binali Yıldırım
Minister of Transport, Turkey

"12 months ago, the talks around this Forum were all about the massive oil prices and how the industry could survive. The assumption was that environmental innovations would pay for themselves out of energy reduction and climate change policy."
Patrick Dixon

The International Leaders' Roundtable was a welcome opportunity to carry forward the agenda by discussing how ministers, the private sector and international organisations can work together on a forward-looking, longer-term vision for the transport sector. **Patrick Dixon**, an expert on global trends who has been described as "Europe's leading futurist" and ranked as one of the 20 most influential business thinkers today, was invited to moderate the session.

In his opening words, Patrick Dixon appealed to the audience to look beyond the current crisis and focus attention in particular on innovation, the topic of next year's International Transport Forum.

An informal polling of the audience revealed a near-unanimous belief that the world should be heading for an economic recovery within the next 36 - 48 months.

Stimulus packages will take time to generate results

But Patrick Dixon warned that the majority of economic stimulus measures would only start taking effect with a certain time-lag, and begin showing their true impact well into the recovery phase on account of the project timeframes of infrastructure investments in areas such as high-speed rail, harbours and airports.

Dixon also criticised what he called the "last-century mentality", i.e., thinking of the energy and the transport industries as two separate constructs. The realisation that the future of transport is directly linked to the future of energy is only the first step, he argued. "Many of the innovations we are dreaming of will depend on alternative energy production in the future."

Patrick Dixon went on to describe the fundamental challenge of the world's changing demography: "There are one billion children alive today, all of whom will be adults and want to be mobile within 15 to 20 years. That alone is a significant driver of urbanisation."

The resulting surge of urbanisation and demand for mobility bears dangers and opportunities for the sector. "If we manage to deal with it, we should be heading for a very exciting future".

Innovation and cooperation help to overcome the crisis

In his address, **Binali Yıldırım**, Minister of Transport of Turkey and President of the 2009 International Transport Forum, acknowledged that the transport sector had been badly hit. The swift downturn has translated into a drop in the demand for transport services and resulted in job losses, he noted. However, transport policy can play a role in overcoming the crisis and preparing for the challenges of the future. "The importance of transport has not been diminished by this crisis; if anything it has increased." Minister Yıldırım stated.

International eration and co-ordination need to be strengthened at this time, noted Minister Yıldırım, emphasizing the role of the International Transport Forum as the platform where global transport policy is being formulated.

Moderator:
Patrick Dixon,
Chairman of Global
Change Ltd., UK

In the knowledge that trade and transport have to work together and rely on each other internationally, he concluded by calling on his colleagues to concentrate on infrastructure improvement as a lever for job creation and improved competitiveness.

The Canadian Minister of State for Transport, **Rob Merrifield**, who is presiding over the 2010 International Transport Forum, took the opportunity to call to mind the importance of international co-operation: “If there's one thing that last year should have taught us, it is that we are so connected as a world we absolutely must work together to move forward.” Taking up a recurrent concern stated throuhghout the Forum, Minister Merrifield warned of the dangers of protectionism: “If there is one thing we need to do, it's protect ourselves from protectionism,” he declared.

Minister Merrifield expressed his conviction that innovation will help drive the industry through the recession and allow it to succeed.

Connected thinking in transport

Despite the current economic challenges, business is moving forward. DHL Express, for example, opened its new European hub in May 2008 in Halle/Leipzig airport, where the entire European operations are now handled. CEO **Scott Price** reported on the company's rationale for moving to Leipzig: “We see a huge growth in volume coming out of Eastern Europe and a lot of capital investment, and of capacity for Western Europe consumption coming back into Central Europe on account of the long-term risk on energy prices.”

When projecting the future of transport, experts are looking at a time frame of 20 to 40 years. According to **Matthias Ruete**, Director General of Transport and the Environment at the European Commission, a zero-emission urban environment may become reality in this period through zero-emission housing, urban transport, and energy production and distribution grids. Mr Ruete also recalled the importance of a rigorous and effective regulatory framework to aid infrastructure development.

Scott Price drew attention to the fact that the transport sector, as an inherently international industry, needs a predictable regulatory environment in order to have some planning dependability. To be effective, he claimed, the efforts of the industry must go hand-in-hand with government regulations. To illustrate the importance of this statement, he gave an example of how industry initiatives to improve the climate footprint are undermined by flawed regulation: DHL began an initiative during the downturn to upgrade its fleet to more fuel-efficient models and improve utilisation rates; at the same time, however, 30% of all trucks run empty in Europe due to cabotage regulations.

Matthias Ruete agreed that optimised tools and integrated operations could have a significant impact, pointing to the implementation of the European Rail Traffic Management System, which will make more efficient use of the existing rail infrastructure in Europe.

Promising examples of truly integrated logistics systems also exist, noted

“I am a great believer in free markets that are properly regulated – and it's the responsibility of governments to properly regulate.”
Scott Price,
DHL Express Europe

"We have seen the need for connected thinking in terms of transport."
Matthias Ruete, European Commission

Ron Widdows, CEO of Neptune Orient Lines. The Alameda Corridor, a 20-mile-long high capacity freight expressway linking the port cluster of Long Beach and Los Angeles to the transcontinental rail terminals near downtown Los Angeles, has improved efficiency, congestion and transit times and has had a huge positive impact on the environment.

Innovation is one of the main drivers of development. **Jamal Saghir**, Director of Energy, Transport and Water at the World Bank, appealed to the transport sector to increase investment in research and development. Thriving cities, mobile people and vigorous trade have been the catalysts of progress and welfare in the last two centuries. These components will remain constant for the future, he noted. Urban areas are becoming more and more important to economic growth – the greater Cairo area, for example, contributes 40% of Egypt's GDP – the question of how to separate the movement of goods from the movement of people in a way that makes continued access to those urban areas efficient, is becoming extremely important.

Addressing the question of how to finance such expensive projects, Mr Saghir pointed out that the private capital flow in infrastructure finance would decline by around USD 700 billion. This is extremely serious, as it changes the rules of the game completely. Institutional banks are also very concerned about the issue of maintenance in transport. Neither developing countries nor emerging markets are allotting adequate funds for the maintenance of their road and rail infrastructure.

"If the transport sector doesn't drive the climate change agenda, it's going to be the energy agenda that drives the transport and climate change agenda."
Jamal Saghir, World Bank

The challenges of fleet renewal and environmental protection

In addition, the transport sector will not only be challenged by maintenance but also by necessary modernisation cycles. In the shipping industry, for example, the next wave of renewal is coming soon. The industry will have 50–60% of tonnage of the world fleet delivered within the next three years. These modern ships will be far more fuel-efficient. Still, even this new fleet of ships will not meet future environmental standards. In other words, the entire fleet will have to be changed again within the next couple of decades. In view of this situation, Ron Widdows outlined his position: "Before our industry invests the next trillion dollars – and that's what we are talking about – you do need to have some clarity of where regulatory and standard setting is heading".

Spyros Polemis, Chairman of the International Shipping Council, pointed out that the shipping industry relies heavily on innovation in shipping construction. Whereas in the last ten years ship engines have improved their fuel efficiency by 20-25%, the optimisation of cargo-carrying capacity has reversed this development in certain areas. Regarding the next ten years, similar efficiency gains will be reached through a combination of design and engines.

Johannes Ludewig, Executive Director of the Community of European Railways and Infrastructure Companies (CER), noted that future design decisions are largely

conditioned by pricing dynamics. If the price incentive is right, then more energy-efficient design will follow.

In the trucking industry, **Martin Marmy**, Secretary General, International Road Transport Union (IRU), reported that silicone would be a key pillar of innovation, both inside computer chips to improve vehicle management, and in ceramic engines and gearboxes, making them resistant to higher temperatures.

As in the shipping industry, the sources of pollution in aviation are highly mobile. Consequently, the sector is encouraging a global set of policies, because regional regulatory frameworks have begun to emerge. This is extremely complex and expensive to handle for the industry.

Carlos Grau Tanner, Head of Government Affairs at the International Air Transport Association (IATA), pointed out: "There is no stronger incentive than last year's oil prices for the airline industry to become extremely fuel efficient." The installation of new upward wing tips and optimisation of traffic control have already greatly improved the climate footprint. Nevertheless, a single European air space and other short-term actions and political decisions will be necessary in the future. Regulations that quite often are based on governmental agreements and treaties from the 1940's will have to be changed.

Driven by new mobile electronic devices and services, patterns of urban transportation behaviour are changing, **Hans Rat**, Secretary General of the International Association of Public Transport (UITP), observed. All over the world, public transport companies are observing an increasing number of users. This process started before the crisis and it continues to grow, creating huge new job opportunities in the sector.

Johannes Ludewig reported of efforts the rail industry is undertaking to maintain the sector's sustainability advantage in the future. For 2020, railways are targeting a reduction of specific energy consumption by around 30%, which is more than the objectives set by the European Union. However, a problem for rail is how quality and structural infrastructure needs can be financed reliably into the future, especially given that parts of the system are underfinanced today.

Panellists agreed, there are tremendous opportunities in optimising transport by innovation without having to invest trillions of dollars. But those gigantic improvements in the efficiency of supply chains will require some regulatory and legislative statements and an open dialogue between the governments and the industry.

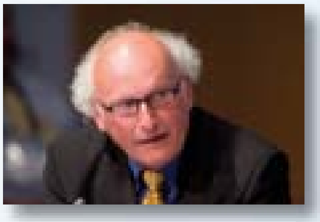
"Innovation is changing mobility patterns."
Hans Rat, UITP

"The transport system is a service system, and we have to ask ourselves how we can service the objectives which are there."
Johannes Ludewig, CER

Workshops

Mary Brooks
William A. Black Chair of Commerce, Dalhousie University, Canada

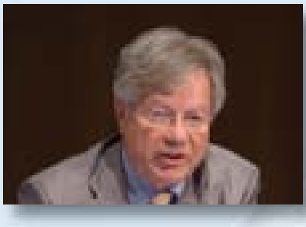
Weijun Fei
Deputy Director, Waterborne Transportation Institute



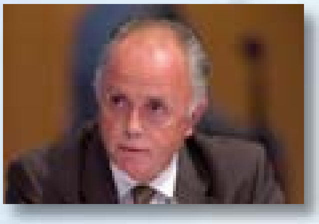
Hans Jeekel
Ministry of Transport, Netherlands

Boris Lapidus
Vice President, Russian Railways, Russia

Lauri Ojala
Professor and Chair of Logistics, Turku School of Economics, Finland



Jean-Claude Raoul
Chair of the Mobility and Transport Commission, Académie des Technologies, France



Lars-Göran Rosengren
Vice President of Innovation Strategy & Policy, AB Volvo

Wolfgang Stölzle
Managing Director, Chair of Logistics Management, University of St Gallen, Switzerland

Hans-Georg Werner
Board Member, DB Schenker Rail Deutschland AG, Germany

Workshop 1:

Intermodal Transport and Supply Chains – Moving the Global Economy

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Intermodal Transport and Supply Chains – Moving the Global Economy

"The crisis and downturn is every-where. The crisis will interrupt but does not stop globalisation... There will be increased demand in transport and logistics. This is a growing industry."
Hans-Georg Werner, DB Schenker Rail Deutschland AG

"We need more innovative road/ sea/rail transfer solutions both for goods and documents i.e. 'paperless transport'.... Infrastructure bottlenecks exist and lead to unreliability and reduced speed."
Lars-Göran Rosengren, AB Volvo

The Workshop on Intermodal Transport and Supply Chains - Moving the Global Economy examined the forces driving the development of the sector and discussed the potential ramifications of the current severe downturn. The impact of volatile energy prices and the longer-term profile of supply chains were debated. The workshop also discussed the integration of transport and logistics firms, the growing significance of reliability and consumer values in logistics services, and the potential and desirability for growth in intermodal, rail, barge, and short sea shipping services.

The transport sector faces urgent problems in the short-term, but must also focus on actions to support long-term strategies

Workshop participants noted that the global economic downturn has been severe, affecting many industries simultaneously and creating uncertainty. However, the general view of participants was that growth will return, and the crisis will not have a significant impact on continuing globalisation.

With this in mind, the quality of infrastructure and existing bottlenecks will remain a challenge. ITS systems are likely to have a bigger impact, and effective functioning of these systems is of importance.

The future development of supply chains will depend less on the price of energy and more on the capacity of logistics companies to provide reliable end-to-end services

The impact of volatile energy prices and a potential return to high oil prices in the long-term was considered not of immediate concern and probably not overly significant in overall terms. Logistics costs represent around 10-15% of total turnover in manufacturing industries and transport-related costs account for one third of this. Often, inventory and management costs are greater than direct transport costs.

The reliability of logistics chains was considered an important service factor. Unreliability tends to arise at interfaces – between countries, between ports and hinterland connections, at modal interchanges and between warehouse and carrier.

Despite its importance, network and service reliability is not yet systematically incorporated in the transport planning process and is rarely included as part of the cost-benefit analysis. In addition to reliability, the consumer has an important role in determining logistics patterns should not be underestimated.

The current crisis will reinforce the trend towards new global 'mega players'

The current economic downturn has severely impacted trade volumes and profit margins. Some transport and logistics companies will not be able to survive the downturn and are likely to exit from the sector. In order to manage interface many agents along the supply chain have become engaged in horizontal and vertical integration of activities. This has increased efficiency and promoted the emergence of some very large companies,

Moderator:
Zoltan Kazatsay,
Deputy Director-General for Transport Activities, European Commission

including logistics businesses and maritime shipping companies controlling large assets and operating globally.

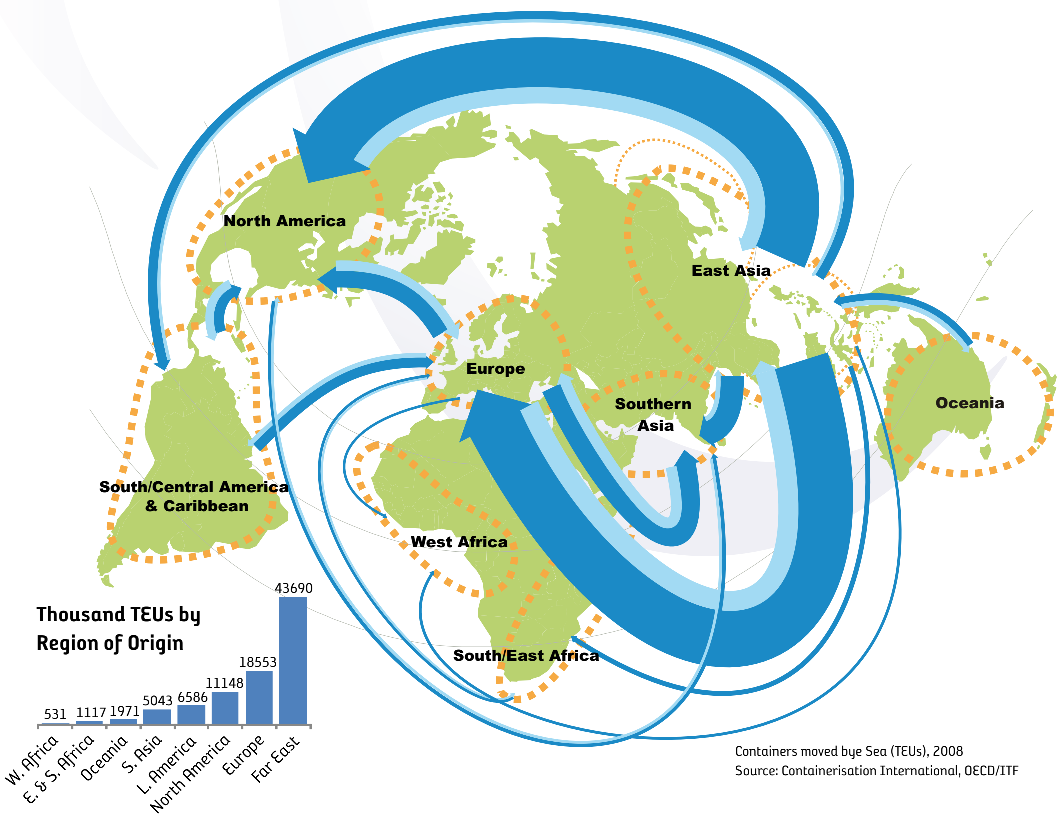
Clients require a smooth transportation system that calls for cooperation between modes to enhance intermodalism in the supply chain

Cooperation between businesses to improve intermodal transport will be important to surviving the current crisis. Legislative and regulatory differences are serious obstacles for smooth operations, and there is a need for international cooperation in harmonising legislation and procedures.

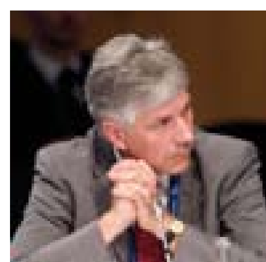
There is also a need for more international cooperation in reconciling national with regional interests in questions such as cabotage. Maritime cabotage is a serious long-term issue for the sector. Whilst international shipping is a relatively open market, regional shipping continues to be limited by cabotage constraints. Yet, despite predictions of increased congestion, the regulatory environment still favours highways.

Growth in intermodality will not only help to improve the passage of goods across continents, but will help to address challenges of volatile energy prices and environmental concerns.

"We are faced with a new business model. Transport must be incorporated in manufacturing and distribution and controlled by same players."
Jean-Claude Raoul, Académie des Technologies



Containers moved bye Sea (TEUs), 2008
Source: Containerisation International, OECD/ITF



"In Europe, capacities in the hinterland are the most important bottleneck....The role of Transport policy needs to create conducive conditions for all market participants."
Wolfgang Stölzle, University of St Gallen, Switzerland

Dan Ikenson

Associate Director, Centre for Trade Policy Studies, CATO Institute, Washington

Andrea Kocsis

Ver.di Trade Union, Germany

Marios Meletiou

Ports and Transport Sector Specialist, International Labour Organization, Geneva

Arpita Mukherjee

Professor, Indian Council for Research on International Economic Affairs (ICRIER), New Delhi

Maryvonne Plessis-Fraissard

Consultant, World Bank

K. L. Thapar

Founder and Chairman, Asian Institute of Transport Development

Workshop 2: Social Impacts of International Transportation

Workshop 2:

Social Impacts of International Transportation

"But the positives have far outweighed the negatives in the case of India."
Arpita Mukherjee, Indian Council on International Economic Relations

"If you are small, sparsely populated and isolated you start at a disadvantage."
Maryvonne Plessis-Fraissard, World Bank

Chaired by **Maurice Bernadet** this workshop, exploring the social aspects of global transport, commenced with a presentation of the study "The Social Impact of Globalisation" by **Arpita Mukherjee** of the Indian Council on International Economic Relations.

Globalisation has facilitated growth in developing countries in recent years. Despite the economic downturn the rate of growth of the Indian economy is estimated to be around 7-8%, or 5% based on conservative estimates. Nonetheless, the Indian Government will release a stimulus package in order to maintain the current growth levels.

Still enormous potential for growth in the transport sector

Transport is at the heart of economic growth and trade in developing countries, facilitating connections to international trade hubs, increasing liberalisation and competition, and attracting foreign direct investment (FDI); in India 30% of FDI is facilitated by the transport sector.

The development of transportation systems is a directly linked enabler of national industry and therefore intrinsically linked to employment. Various studies have indicated that the Indian transport sector still needs to grow more rapidly to meet the requirements of the Indian economy.

Opening and developing the market, and the supply chain optimises connectivity as well as enhancing distribution, productivity, and efficiency. In addition, it improves social access to fundamental requirements such as education, and medical services. At the same time, changes may result in increased inequalities among and within countries, as well as generating negative side effects such as accelerating the spread of diseases and epidemics.

A role model for other developing or emerging countries?

Dan Ikenson perceived ample opportunities for other countries to adopt reforms akin to those implemented by India, but at their own pace.

Maryvonne Plessis-Fraissard spoke of the role of transport infrastructure in diminishing inequality in a country at a local level. Referring to several studies she also remarked that at a national level, there tends to be a transition period during which time inequalities worsen before improving. On an international level there needs to be recognition that not all countries are favoured to enter the world market. Countries with geographical access and which are in the process of economic change – such as Chile and China – are better placed than isolated and landlocked countries.

Transport: A driver of social development

K.L.Thapar highlighted the important role of accessibility in improving conditions.

A study of a population living within the vicinity of a highway creating links to urban centres revealed that poverty decreased by 12%. In addition, well being improved by 32% and there was significantly more student enrolment in education – particularly amongst females.

Moderator:
Maurice Bernadet, Professeur, Laboratoire d'Economie des Transports, University of Lyon, France

"Any downturn, whether global, regional, or local, has an exaggerated negative social effect on the transport sector because incomes in this case tend to fall more drastically. They also fall more quickly, as well as more suddenly, and when most of the labour employed in the sector is unskilled or semi-skilled, as is generally the case within the developing countries, the social consequences tend to be worse.", K. L. Thapar said.

In order to achieve a balance between public and private participation in the development of transport infrastucture, there needs to be differentiation between fixed and mobile assets. The latter are more readily supported by the private sector. Conversely, the state has a major role to play in supporting infrastructure investment.

Maryvonne Plessis-Fraissard advocated that in preparation for an end to the current economic crisis three issues need to be addressed: first, policies for social support such as education, health, and water supplies; second, smart infrastructure investment in order to achieve multisectoral and multimodal goals; and thirdly, corrective intervention where it is needed.

As there is potential for inequalities, governmental regulations are required in order to overcome the negative consequences of growth addressing labour and human rights issues.

Towards a better world

Andrea Kocsis reminded the panel that the unions should not be considered as part of the problem but of the solution. She called for the establishment of a globally harmonised human rights framework to prevent the risk of countries entering into a race to the bottom in order to attract and maintain activities.

In order to counter inequality in the labour market, **Marlos Meletlou** requested that the global community should agree on minimum labour standards as well as taking a different perspective regarding worldwide manufacturing costs. Mr Meletlou highlighted that fair globalisation creates opportunities for everyone. One of the risks of the downturn is that it tends to impact disadvantaged groups first, such as young employees, migrants, unqualified workers, and women. As has been the case in Singapore, governments need to maintain training during times of unemployment, thereby securing skilled workers for the times of recovery.

"Wherever there is better access there is less poverty."
K. L. Thapar, Asian Institute of Transport Development

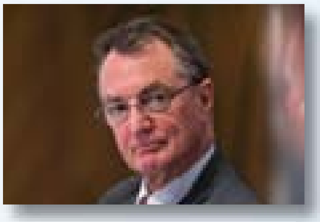
"Young people should be in employment, or receiving training or education. If they are not in one of these positions we face a very bad future."
Marios Meletiou, International Labour Organisation (ILO)

Matthew Arndt

Head of Rail and Road Division, European Investment Bank

Alain Bonnafous

Professor of Economics, Laboratoire d'Economie des Transports, University of Lyon, France



Robert Cochrane

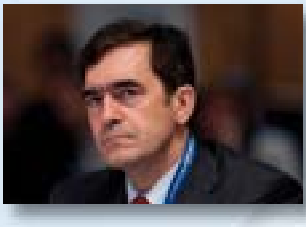
Independent Transport Consultant, London

Stefan Garber

Board Member, Deutsche Bahn AG, Germany

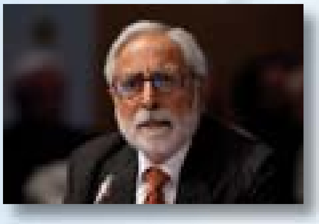
Peter Mackie

Professor of Transport Studies, Institute for Transport Studies, University of Leeds



Nicolas Rubio

Director, Business Development and Technical Department, Cintra



K.L. Thapar

Founder and Chairman, Asian Institute of Transport Development

Caroline Visser

Specialist on Road Finance and Public-Private Partnerships, International Road Federation (IRF)

Waleed Youssef

Chief Strategy Officer, TAV Airports Holding Inc, Turkey

Workshop 3:

Strategic Transport Infrastructure Planning & Financing

Workshop 3:

Strategic Transport Infrastructure Planning & Financing

"The general view is that we are now looking at a bathtub curve".
Robert Cochrane, Imperial College London

Investment in transport infrastructure has contributed to reducing the cost of trade and has stimulated globalisation. Further investment across the globe will be needed if trade is to continue to grow and benefit a broader range of countries. Transport policy must also adjust to the economic and structural changes that globalisation brings to domestic economies as this has a powerful impact on the pattern of demand for transport services.

The financial and economic crisis modifies the outlook for international transport and has sharply reduced the availability of finance for transport infrastructure investment. This has important implications for project appraisal and project financing. At the same time, policies to mitigate the current economic downturn include an emphasis on transport infrastructure spending, but how should this best be directed to assist and prepare for economic recovery?

"Affordability is going to be become a much more critical element in appraisal, and therefore the balance between public funding, user charges, social benefits and value for money is likely to become more important."
Prof. Peter Mackie, University of Leeds

The workshop, chaired by **Lord Gus Macdonald**, examined these issues and the infrastructure planning and investment policies needed to ensure adequate performance and reliability of the transport network to support growth in a global economy.

The economic crisis has reduced economic growth this year substantially below what would have been expected on recent trends (7 percentage points below in the UK for example). The economy will eventually bounce back but the debt overhang underlying the collapse of activity will take years to rebalance, and the current correction is likely to be followed by a period of sluggish recovery before growth takes off again. As **Robert Cochrane** put it: "The general view is that we are now looking at a bathtub curve."

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. Freight volumes have fallen more sharply than economic activity as a whole for a number of reasons. Conversely, when recovery comes, new growth in freight volumes is

Moderator:
Lord Macdonald of Tradeston, Chairman, Maquarie Capital Europe

likely to outstrip forecasts, as has been the case in previous growth cycles.

Governments need to be prepared for this recovery as well as responding to the crisis in the short term. "In a squeezed investment

budget, have we fully factored in the costs of maintaining what we have got at suitable quality levels and in what may be a stormy environment?" **Peter Mackie** asked.

The funding gap and bottlenecks

We entered the crisis with a large funding gap for transport infrastructure projects assessed to be positive for increasing economic welfare. There is a particular backlog of maintenance projects that are particularly suited to contributing to government spending to stimulate the economy as they can be delivered relatively quickly.

Bottlenecks are another focus for investment, and their modest scale also makes them a better fit in stimulus packages than mega projects. Moreover, any risk of overinvestment in capacity because of the economic crisis is minimised by a focus on bottlenecks. Recession may have eased congestion on some bottlenecks, but recovery when it comes is likely to put the same links under strain. Mega projects are much more likely to run demand risks.

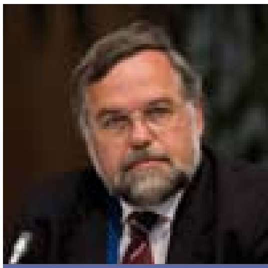
Top quality economic appraisal is more important than ever. The shortage of finance implies that the hurdle rate of return for selecting projects under appraisal needs to rise.

The long-term outlook: Capital intensive and politically influenced

Going forward, the crisis will exacerbate the existing funding gap. The coming fiscal squeeze will make it harder for government to fund infrastructure investment. The financial crisis reduces the private funding available in the short term but governments can act to make better use of private investment.

The lack of capital and investment is also a major issue for developing countries, as

"We strongly feel that governments in this time should see the moment to rethink their financing of infrastructure and try to come up with long term funding solutions."
Caroline Visser, IRF



"It doesn't matter what the problem is today because infrastructure decisions, financing decisions or construction decisions we make for any major new project will go into production earliest in ten years."
Stefan Garber, Deutsche Bahn AG

"The governmental side has to close the gap between capacity and demand by encouraging additional investments in the sector."
Walleed Youssef, TAV Airports Holding

"But if we have learned one thing in the last two years, it's probably that there is a need for a lot of tools and a lot of flexibility to be able to face unexpected situations."
Matthew Arndt, EIB

K.L. Thapar pointed out, since this access depends, especially in times of crisis, on the developing countries' domestic savings.

The question of how investment decisions today could stimulate the economy is seen as essential, according to **Caroline Visser** of the International Road Federation. Visser stressed that governments should not forget about mid- and long-term planning, which require a huge strategic input in order to attract infrastructural support and long-term sustainable growth.

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. The worst failures of PPPs have occurred where finance consortia were undercapitalised, were not required to produce parent company guarantees, and were allowed to subcontract construction work in-house rather than through competition. No purely private investment would accept these flaws. When equity is risked it brings rationality and efficiency to PPPs.

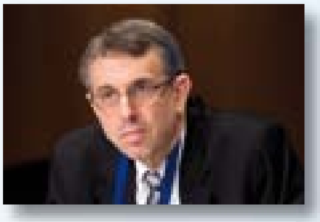
At the same time, governments may be in a better position to take demand side risk, if forecasts of GDP underpinning projects prove inaccurate, than private partners.

The crisis has resulted in a scarcity of equity as well as debt. Capital markets are currently not available for funding infrastructure and the only source of funds are banks. A much smaller number of banks than usual answer calls to syndicate finance for PPPs this year (typically 10 rather than a more usual 30). The British government has stepped in to facilitate syndication in key projects through the Treasury's Infrastructure Finance Unit, acting in effect as a bank. One of the key features of this intervention is its exit strategy, so that the state will not be competing with the banks when the crisis eases. Some other governments have responded to the crisis by imposing a regulatory limit

on the exposure of banks to lending to individual project developers regardless of the quality of investments. A more targeted approach might manage risk and avoid exacerbating the credit crunch. The European Investment Bank is responding to the crisis by increasing the volume of senior loans and participations for infrastructure investment, and has created with the European Commission a loan guarantee system covering traffic related risk for selected strategic international projects.

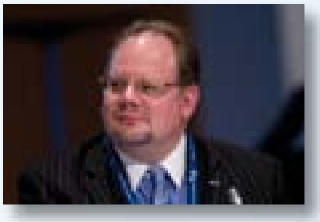
Privatisation is another route to bringing private equity to transport infrastructure investment. Around a trillion dollars of transport sector assets have been privatised over recent decades. There is a potential for many more privatisations, of airports for example.

Liberalisation more generally has generated economic growth. Protectionism in response to the economic crisis would suppress recovery with a severe effect on transport activity. Conversely, further liberalisation (more open skies agreements, freeing of road and maritime cabotage, etc.) would provide a durable stimulus to the economy.



Earl Agron

Vice President, Security & Environment, APL Limited

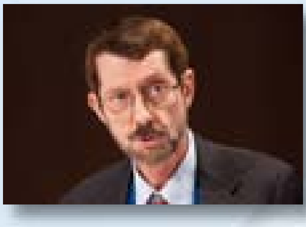


Mark Miller

Director of Supply Chain Security Europe, Middle East and Africa, COTECNA Inspection SA

Vlad Olteanu

Policy Manager, ACI Europe



Robert Poole

Director of Transportation Policy, Reason Foundation, Los Angeles

David Widdowson

CEO, Centre for Customs & Excise Studies, University of Canberra, Australia

Sabine Wiedemann

Vice President of Corporate Security, Deutsche Post DHL

Workshop 4:

Ensuring a Secure Global Transport System

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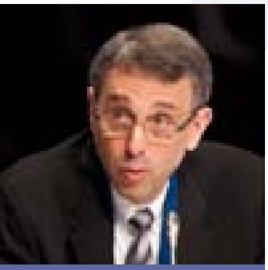
Ensuring a Secure Global Transport System

"It is a challenge for regulators to be more inventive than terrorists."
Axel Goehr, Federal Ministry of Transport, Building and Urban Affairs, Germany



"We want to make sure to get the most out of every dollar we spend on security."
Earl Agron, APL Limited

The global economy relies heavily on trade and international passenger transport. Attaining the highest standards of security in transport systems is essential for their operation. Governments and stakeholders, such as the industry and travellers, have a shared interest in the establishment of effective policies to ensure transport takes place under secure conditions. Measures should be viable, widely accepted, and they should make good use of scarce resources.

Towards risk-based security policy

Not all existing security policies are effective. While the sources of insecurity are flexible and dynamic, measures are often inflexible and static. Policies today largely revolve around the concept of target hardening. As **Robert Poole** pointed out, elected officials tend to show a preference for dramatic and visible, yet static measures. Current responses grew out of a need to be seen to act and convince the public that security is ensured. Particularly in the wake of 9/11, this has led to drastic measures such as the no-liquids policy for carry-on luggage in passenger air travel. Focusing on regulating the process rather than the outcomes, the target-hardening approach limits the flexibility of security providers to respond to changing threats or new intelligence. Since we live in open, target-rich societies, this is not ideal. It is time to thoroughly rethink the key principles of security policy.

The idea is to move from target-hardening towards risk-based security policies. This implies a shift of focus from trying to protect vulnerable objects towards identifying

dangerous persons or cargo, and thoroughly assessing risks to focus efforts where they are needed most.

The importance of public acceptance

Security measures should contribute to a positive perception of security. Passengers are more willing to cooperate if security measures are not perceived as irrational,

Moderator:
Axel Goehr, Director
Air Transport Policy,
German Ministry of
Transport, Building
and Urban Affairs

wasteful or pointless, but deemed necessary and effective. “Whilst the public recognise that these things have to be done, and are willing to comply, they also need to understand that there is some logic behind the initiatives that have been introduced”, **David Widdowson** noted.

Airport authorities, for example, need to reconcile security measures and passenger facilitation requiring them to design measures with public acceptance in mind. In this context it is hard to explain why airport security confiscates all kinds of pointy objects while allowing passengers to take large glass bottles from duty-free stores into the cabin, the shards of which would make dangerous weapons.

The full-body scanner, on the other hand, is an example of a good innovation. It is much more effective than pat-down inspections of which, the effectiveness depends strongly on personnel, and to conventional metal detectors that fail to detect non-metallic weapons such as plastic and liquid explosives. Unfortunately, the public acceptance for these scanners is quite low, perhaps partly because of media emphasis on their downsides instead of their potential to provide smoother security services.

It is important to inform the public that 100% security will never be reached by any means. This requires open communication, showing that risk-based approaches are effective yet admitting they fall short of eliminating security risks entirely. The gap between security and perceived security needs to narrow.

One of the most prominent risk-based measures in passenger aviation, the so-called ‘registered traveller’, has not been implemented anywhere so far. The concept is that volunteers provide information to allow security authorities to run background checks. Registered travellers benefit by being subjected to minimised security procedures. This frees resources for tighter

“It all comes down to: is there a positive perception of security? Is there a positive deterrence, as well, for a terrorist to effect an act?”
Mark Miller, COTECNA

"Security is like an insurance: when you need the insurance, it's too late to sign the contract."
Vlad Olteanu, ACI Europe

security where risks are higher. The policy would also facilitate the introduction of full-body scanners, as not all passengers will be subject to them.

Risk-based approaches such as random and intelligence-based screening, as well as so-called 'known shipper' policies are emerging in the field of cargo transport and in maritime and surface transport. The Authorised Economic Operator (AEO) program within the World Customs Organisation (WCO) for example, allows businesses to signal their low risk profile. Although the AEO-status will not generally lead to exemption from all other security programs, as different layers in the security system address different dimensions of risk, layered and risk-based systems such as these deserve encouragement. In any case they are very good substitutes for extreme policies such as 100% scanning of containers, which, even if it proves feasible, might actually reduce overall security because it diverts resources from areas where risks are higher.

Towards a multilateral approach

Security is a global issue that calls for global measures. In fact, businesses and countries have no choice but to comply with a large number of poorly coordinated parallel security initiatives usually at a high cost to them and their customers, and citizens.

Mutual recognition or a more comprehensive multilateral approach could reduce compliance costs and the cost of providing security overall. Initiatives such as those in the WCO or the Transport Security Coordination Group of the EU and the US are steps towards multilateralism. However, the ideal of a global 'one-stop security' system is not within mid-term reach. Countries have different interpretations of WCO guidelines concerning issues that are difficult to resolve in an area as sensitive as security.

"If we want to choose the approach of target-hardening, then we basically have to harden everything."
Robert Poole, Reason Foundation

Who pays and who should pay?

Financing mechanisms for aviation security are diverse with more emphasis placed on general revenue funding in the US and on user charges in the EU. The financing of supply chain security is not very transparent, but compliance costs tend to be borne by supply chain operators and their customers as well as by government.

Given that the benefits of security accrue to the general public as well as to travellers or end-users of supply chain operations, a mixed approach is defensible. However, a user-pays oriented approach holds more potential for incentives to save costs, and spend revenues effectively.

Compliance with security requirements can involve large fixed costs, which are harder to bear for smaller firms or countries, and may worsen their competitive position.

Incentives for supplying security

Supply chains are complex and evolve quickly. Security needs to be embedded in the operation of the chain, and should be seen as an added value. Procedures should be resilient and flexible, implying that regulation cannot be strongly prescriptive.

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. As **Mark Miller** noted: "The challenge is to try to reduce the complexity, while at the same time addressing the security issues. That is the important task of the governmental side talking to the private sector."

Harald Díaz-Bone

Senior International Civil Servant, United Nations Framework Convention on Climate Change

Jos Dings

Director, European Federation for Transport and Environment

Christian Dumas

Vice President of Sustainable Development and Eco-Efficiency, Airbus

Jasper Faber

CE Delft, Netherlands

Yoshitsu Hayashi

Director, International Research Centre for Sustainable Transport and CIties, Nagoya University, Japan

Raphael von Heereman

Head of Aeropolitical Affairs, Hapag-Lloyd Flug GmbH, Hannover

Per Kågeson

Director, Nature Associates, Sweden

Andy Kershaw

Manager of Environmental Policy, British Airways, UK

Per Magne Einang

Marintek –SINTEF

Callum Thomas

Professor of Sustainable Aviation, Manchester Metropolitan University

Workshop 5:

Environmental Impacts of International Transport

Workshop 5:

Environmental Impacts of International Transport

Globalisation has accelerated economic growth and changed patterns of transport, resulting in increased movement of both passengers and freight over long distances. The downside of this growth is the significant increase in emissions of air pollutants, greenhouse gases, and other environmental impacts. Conversely, the wealth generated makes it possible to reduce these impacts considerably with tools for cleaner technologies and better management of resources. The instruments chosen to implement environmental protection should be designed to maximise welfare and reduce pollution as cost-effectively as possible.

This highly solution-oriented workshop examined opportunities for reducing emissions in aviation and maritime transport, and explored how best these potentials might be met.

Both maritime and aviation sectors have achieved considerable improvements in energy efficiency, leading to reduced real transport costs, in turn increasing demand

Aviation and shipping have a natural imperative to reduce fuel burn for both cost and logistical reasons. This is even more crucial for the aviation sector due to the inherent and essential energy requirements associated with carrying fuel aloft i.e. the lack of en route fuelling stations. This has created a strong focus on technologies that contribute to this aim. Both sectors have achieved considerable energy efficiency gains, with competition energizing the drive for improvements.

"For this deal to succeed, it is essential to have the finance ministries on board."
Jasper Faber, CE Delft

CO_2 emission trends in both sectors are out of phase with CO_2 reduction policies agreed internationally

Limiting global warming to 2 degrees Celsius (approximately 450 ppm CO_2) by the end of the century implies steeply declining emission trajectories for developed economies. It is unlikely that the targets associated with these trajectories (e.g.~80% reduction by 2050) can be met without the strong implication of the aviation and maritime sectors.

There is a clear technical potential to further reduce CO_2 emissions from air and maritime transport

Fuel consumption improvements of 15-20% per aircraft generation can be expected and are a commercial necessity in the current market – though aircraft product cycles can span two decades.

Similarly new maritime vessel fuel efficiency improvements are potentially around 10-50% but average vessel life is close to three decades, and so it will take time for these improvements to cycle through the fleet. Alternative fuels such as Liquid Nitrogen Gas (LNG) for shipping, and biofuels for aviation could represent important potential lower-carbon fuel sources for vessels and aircraft.

Emissions trading can in principal deliver cost-effective emission reductions

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 CO_2 emissions. Both fuel levies and

Moderator:
Anthony Venables,
Professor of
Economics, Oxford
University, UK

emissions trading are being considered in international forums.

Experience within the European Trading System has shown that trading systems are only as strong as their weakest link – protection of the latter in order to avoid carbon leakage erodes the effectiveness of the system. Partially ring-fenced trading may be one approach to address this, though in principal this should only be a transitory measure.

With regard to global versus regional trading, the workshop broadly concurred that international aviation and maritime transport should be treated on a consistent global basis; schemes might result in reduced regional commerce but should soon be rolled out internationally.

The Aviation Global Deal proposes an international system with differentiated participation rules according to trip origin and destination. Regional approaches have already been agreed (e.g. aviation included in the European Trading System from 2012). Incentives for non-participating countries to join trading systems could be provided by, for example, making new poor and emerging economy entrants eligible for adaptation and mitigation funds generated by trading.

A trading system would generate considerable revenues, which may or may not be spent on transport. Allocation of these revenues to an international adaptation and mitigation fund (if agreed by the UNFCCC) would be one way to get finance ministries to agree to a partial hypothecation of the funds that industry would like to see.

"Aviation must play its fair share in dealing with emissions and in contributing to global emissions reductions."
Andy Kershaw, British Airways and Aviation Global Deal, UK

"Although it would be ideal to start with a global scheme covering emissions in all parts of the world it might be necessary to start with a regional scheme that is gradually expanded into international coverage."
Per Kågeson, Nature Associates

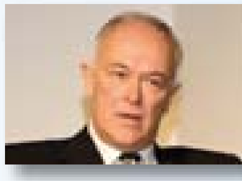
Modal Workshops

These summaries are published on the responsibility of each partner organisation. The opinions expressed and arguments employed do not necessarily reflect the views of the International Transport Forum or of its member countries.

Normand Boivin
Vice President of Airport Operations, Montréal Pierre-Elliott Trudeau International Airport

Candan Karlıtekin
CEO, Turkish Airlines

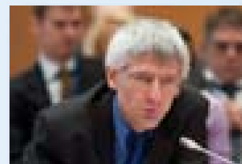
Tim Clark
President, Emirates Airline



Catherine Lang
Acting Associate Administrator for Airports, Federal Aviation Authority, USA

Nick Fincham
Director of Economic Regulation and Competition Policy, Civil Aviation Authority, United Kingdom

Hans-Martin Niemeier
Professor of Economics, Bremen University of Applied Sciences



David Hamm
Director of Corporate Real Estate, Delta Air Lines, Atlanta

Jos Nijhuis
Amsterdam Airport Schiphol

Karl-Rudolf Rupprecht
Head of Hub Management,
Lufthansa, Frankfurt

Ulrich Stockmann
MEP

Stefan Schulte
Vice-Chairman of the
Executive Board,
Fraport AG

Rapporteur:
David Thompson
Independent Expert

Dominic Schuster
Formerly Manager of Aviation Pricing and Economics,
Sydney Airports
Corportion Limited

Hartmut Spickermann
Deputy Director-General
for Civil Aviation and
Aerospace, Federal Ministry
of Transport, Germany

organised with: Lufthansa Fraport

Modal Workshop 1:

Gateway Airport Investment and Development of Airline Services for a Global Economy

Modal Workshop 1:

Gateway Airport Investment and Development of Airline Services

The workshop, chaired by **Jeff Shane**, examined the development of gateway infrastructure for aviation. It focussed on financing airport infrastructure through airport charges in light of the competitive interaction between airports and airlines. Participants discussed the circumstances in which pricing and investment should be regulated, and how this might be successfully done.

The workshop brought together airlines, airports, and regulators to explore ways to improve the functioning of the aviation industry to ensure adequate airport infrastructure. The exchange focussed on ensuring that in the future airport charges foster airport and airline development that best serves the interests of both air passengers and the wider community.

Until recently, most airports were owned and managed by public authorities. Since the mid-1980s, however, a growing number of airports have been fully or partially privatised. This development has driven airports – even publicly owned ones – to become more commercialised and hence more profit oriented.

"A sound and reliable regulatory environment is one of the key elements for a safe, secure and economically successful aviation market."
Hartmut Spickermann, Federal Ministry of Transport, Germany

Transport infrastructure is essential for economic growth. Adequate airport capacity, where it is needed most, is crucial to allowing the global economy to grow. Present regulatory arrangements are not efficient because the airline and airport markets have changed enormously over recent years. There is room for improvement. The challenge is to create conditions for efficient infrastructure development in a sector where in certain circumstances airports have market power and might abuse this position.

Market power and regulation

Though market power may exist in some circumstances it is not inherent to any particular category of airport and probably not present in most airports. Diagnosing where there is the potential for market

Moderator:
Jeff Shane,
Partner, Hogan
and Hartson LLP

power abuse requires an evidence-based, case-by-case examination of the scope of, and scope for, competition in the current circumstances, airport by airport. It is important that regulatory intervention only occurs where it is actually needed as it is costly in terms of administrative effort and altering the market.

Aviation requires economic regulation, and to be fully effective this requires a regulator that is independent and accountable, operating under a transparent set of rules and objectives. The regulator should have the flexibility to apply regulation where necessary, and only where necessary, reflecting variations in market power across markets and over time. The purpose of economic regulation is to protect consumers from abuse of market power, where dominance cannot be dealt with through general competition law. This should be its only objective.

“We have a very sophisticated and effective means of regulating anticompetitive behaviour across all sectors of the European economy. It makes no sense to add additional regulation over and above that, unless there is a market power problem that is much more than the problem that legislation is designed to deal with.” **Nick Fincham**, Director of Economic Regulation and Competition Policy, Civil Aviation Authority, United Kingdom

Competition is the preferred means to control market power. Yet, it is currently not strong enough to make regulation redundant. Increasing competition through more open skies agreements and a gradual extension of the use of market-based approaches to allocating landing rights could reduce the number of airports that require regulation.

Purely administrative allocation of slots carries the risk of creating disincentives for investment in airport capacity and robs the market of information on the value of capacity at busy airports where slots are scarce.

“We at Schipol Airport really love our regulators, but sometimes a little voice in my head says: ‘Why so many?’”
Jos Nijhuis, Schiphol Group

“Cost-based regulation is a major cause for the poor performance of airports.”
Hans-Martin Niemeier, University of Applied Sciences, Bremen

"I think there will be a move to examine exactly what alliances do and how they operate to ensure that the consumer is not compromised in any other way."
Tim Clark, Emirates

"It's fine to say we don't need any regulation, but then we need the right of ownership of the slots, we have to have the right to charge the end customer directly or to charge peak prices. If there is no acceptance on this, then we need some kind of cost plus, WACC-based regulation, otherwise we have no incentive to set up additional infrastructure." **Dr. Stefan Schulte**, Chairman of the executive board, Fraport AG

All regulatory controls on the pricing of aviation services carry the risk of getting investment incentives wrong. This is particularly true of cost plus regulation, where airports are allowed to charge rates that cover their costs, plus a 'fair rate-of-return'. This type of regulation, which goes back to the Chicago Convention of 1944, provides them with little incentive not to be wasteful. Even if they spend more than necessary, they still earn the same profit. This creates an incentive for gold plating or making unwise, but capital-intensive investments.

Price caps have the advantage of leaving pricing structures to the airport but are less transparent. In either case, regulation should be based on forward costs, not historical costs, in order to provide for investment incentives. A number of regulators are beginning to experiment with this key reform. It follows that the prices for aviation services should be able to rise above current costs in periods of scarcity of capacity when capital needs to be raised for investment. They can also be expected to fall below costs when there is excess capacity, although for long-term agreements with airlines average costs remain relevant.

Cooperation between airlines and airports

Close cooperation between airlines and airports is essential to meeting demand and providing good quality services. Agreements between airlines and airports on pricing, investment, and levels of service are frequently employed to manage business risks. Such agreements can carry risks of discrimination in the access to airport facilities given to other airlines, although instances of this are unusual. The agreements need to be transparent and subject to monitoring by regulators.

Alliances between airlines, with some of the members holding such agreements with airports, account for an increasing share of the world passenger market and merit increased monitoring by regulators. National competition authorities hold sufficient powers to address international alliances but regulators need to pay attention to the impact of alliances in international as well as national markets, on a case-by-case basis.

Liberalisation of aviation markets has contributed to accelerating globalisation. This combined with privatisation of most airlines and now many airports has changed aviation markets rapidly and profoundly. Regulatory models have tended to evolve more slowly and need reform if they are not to become a drag on global growth.

Much remains to be learned for improved regulation and there is much to be gained from exchanging experience between regulators, airports, and airlines around the world.

Janusz Lacny

President of JMJ-TRANS and President of the International Road Transport Union

Pierre Latrille

Counsellor, Trade in Services Division, World Trade Organisation (WTO)

Kunio Mikuriya

Secretary General, World Customs Organisation (WCO)

Eva Molnar

Director of Transport Division, United Nations Economic Commission for Europe (UNECE)

Graham Smith

President, Passenger Transport Sector, IRU

organised by: IRU

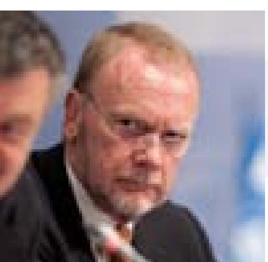
Modal Workshop 2:

Road Transport: Promoting Global Trade, Travel and Development

Modal Workshop 2:

Road Transport: Promoting Global Trade, Travel and Development

“No country is land-locked for road transport.”
Janusz Lacny, IRU President



“We still have a long way to go before we – public and private partners – can claim that we have placed buses, coaches and taxis at the heart of the policy attention and care.”
Graham Smith, IRU

The joint ITF-IRU Workshop brought together ministerial, business, and academic representatives, as well as high-level speakers from the WTO, WCO, and UNECE. The discussion revolved around two central questions:

- How can promoting and facilitating road transport drive trade, tourism, progress, and prosperity?
- How can international regulatory tools be used to benefit trade, travel, and road transport?

Road transport and the downturn

Government and industry data draw a bleak picture, pointing to a decrease in road freight transport activity of up to 50%, a doubling of bankruptcies, a dramatic increase in unemployment (permanent or temporary layoffs), which already amounts to 140 000 jobs in the EU, 120 000 jobs in the CIS and 200 000 jobs in North America. IRU President, **Janusz Lacny**, stated: “Road transport, in this time of economic crisis, can help drive economic recovery. But it needs to be promoted and further facilitated by appropriate governmental measures to be taken urgently – as for the banks – at the national and international level in order not to repeat the historical errors of the Great Depression of the 1930s, where the economic crisis was exacerbated by the halt in transport and trade.”

Measures to support the road transport industry

Mr Lacny identified a series of regulatory and fiscal measures to be implemented by governments at national and international levels to support the road transport industry. These measures include:

- Introducing real business incentives for safer and cleaner vehicles;
- Modifying insolvency legislation to allow road transport companies in economic distress to reduce transport capacity and pursue profitable business operations only;
- Inducing financial institutions to provide adequate credit lines to transport operators;
- Reassessing and reducing current taxes;
- Ensuring open markets and striving for the completion of the WTO Doha round;

Moderator:
Umberto de Pretto,
Deputy Secretary
General, IRU

- Intensifying efforts to eliminate neo-protectionist barriers to international road transport.

The passenger road transport sector also suffers from shrinking tourist demand. **Graham Smith**, IRU Vice President, appealed to policy decision makers at local, national or international level to fully support the industry by doing away with artificial barriers, such as unjustified bans on entering touristic cities or unfounded driving and rest time restrictions.

Eva Molnar pointed out that countries could help their enterprises become more competitive by offering low transaction costs and time, and high levels of predictability and reliability. This particularly applies to the two main areas of shippers' concerns, border crossing, and transit conditions.

Multilateral approaches

On the multilateral field, **Pierre Latrille** drew attention to two World Trade Organisation (WTO) tools, which may facilitate road transport: GATT and GATS. Within the framework of GATT, a newly planned WTO Agreement on trade facilitation will increase trading opportunities significantly, reduce transaction costs, speed up border crossing procedures, and create a more transparent, predictable and efficient environment that reduces discrimination. GATS commitments guarantee the conditions of operation of foreign services suppliers at a certain negotiated level of market access and national treatment, ensuring that this level cannot be deteriorated and making this level available as a minimum to all WTO Members.

The World Customs Organisation (WCO) shares with IRU the common objective of reducing the time needed for completing the border procedures. "I would like to cooperate further with the IRU to create synergies that will assist to identify bottlenecks and potential solutions by utilizing tools of both organisations" **Kunio Mikuriya**, WCO Secretary General, elaborated.

The New Eurasian Land Transport Initiative (NELTI)

Announced as a 'reality check' on where we stand in the field of road transport facilitation, **Igor Rounov**, General Delegate to the CIS Region (IRU) presented a short video clip on the New Eurasian Land Transport Initiative (NELTI). He reported that Euro-Asian road infrastructure does not present a major impediment to commercial haulage, and encouraged governments to remove existing bottlenecks and create a 'green light' for the movement of trucks between Europe and Asia.

The panellists agreed that road transport has to be facilitated, notably through the ratification and global implementation of the UN Conventions (TIR, ADR, AETR CMR and Harmonization of Frontier Controls), as well as the use of the Web-based applications recently developed by the IRU to allow governments to meet their UN and EU obligations (TIR Electronic Pre-Declaration, IRU real-time SafeTIR and the IRU Border waiting Time Observatory).

"EU road freight transport liberalisation has been a success story. This is one of the best practices in the global kaleidoscope."
Eva Molnar, UNECE

"Road transport has no 'group of friends' in the GATTS. This may reflect a kind of cautiousness of your trade and transport ministry negotiators towards liberalisation in road transport because there is a tradition of bilateralism and – up to a certain extent– of protectionism."
Pierre Latrille, WTO

Hartmut Albers
CEO, Trans Eurasia Logistics

Juliusz Engelhardt
Undersecretary of State, Polish Ministry of Infrastructure

Ed Burkhardt
President of Rail World Inc. of Chicago, Illinois

Camiel Eurlings
Minister of Transport, Public Works and Water Management, Netherlands

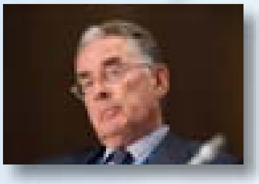
Michael Clausecker
Director-General, UNIFE

Francisco José Cardoso dos Reis
CEO, Portuguese Railways

Bert Klerk
Chairman, ProRail, Netherlands

Moritz Leuenberger
Federal Councillor, Head of the Federal Department of Environment, Transport, Energy and Communications, Switzerland

Eberhard von Koerber
Manager and Vice President, Club of Rome



Mauro Moretti
CEO, Ferrovie dello Stato

Klaus Kremper
CEO, DB Schenker

organised by: CER

Modal Workshop 3:
Railways in a Globalised World

Modal Workshop 3:

Railways in a Globalised World

This workshop addressed the subject of how railways can contribute to solving the dual challenges of the financial crisis and climate change. The competitiveness of rail also came under scrutiny, with indications on how the position might be improved, in particular on international freight corridors.

Panellists agreed on the major advantage of rail in reducing carbon emissions, as well as its long-term role in economic growth. However, it was felt that rail is hampered by disparities in infrastructural investment when compared to the road sector, as well as nationally derived technical and administrative differences. The latter frustrates cross-border services and consequently impedes international competitiveness. Investment should come from both the private and public sector and will help facilitate a 'level playing field' relative to the automotive sector.

Rail has an important role to play in tackling the European Union's objectives for emissions reductions. Furthermore, investment provides opportunities to alleviate unemployment, both supporting infrastructural development and in relation to maintenance of new rolling stock. Currently rail is constrained in its ability to compete with road, but development of both new high-speed lines and conventional freight routes would increase the attractiveness of rail. Investments can be directly linked to targets for emission reduction. **Francisco José Cardosco dos Reis** of Portuguese Railways (CP) cited targets of 35% reduction in passenger rolling stock emissions and 80% in freight from CP's current investment in new rolling stock.

Three inextricably linked challenges are presented by the financial crisis, energy supply, and climate change. Focusing specifically on climate change and the 'green recovery', **Mr von Koerber** of the Club of Rome was hopeful that the emotion generated by the current crisis could be

"Transport of 100 tonnes of goods from Basel, Switzerland to Rotterdam, Netherlands by train produces 87% less CO_2 emissions than the transport of the same amount by road."
Eberhard von Körber, Club of Rome

Moderator:
Eva Molnar, Director of Transport Division, United Nations Economic Commission for Europe (UNECE)

Moderator:
Dr. Friedrich Thelen, Thelen-Consult

used constructively. Over 4 trillion dollars of stimulus packages provide a unique opportunity. Yet the proportion of funding allocated to rail is not representative of its environmental contribution. At a European level only 1.8% of all 'green investment' is allocated to rail. In Germany this amounts to 1.3 billion euros (1.6%) of an €80 billion package, demonstrating public investment clearly favours roads. Since 1970, rail infrastructure has declined, whereas the road network has tripled in size. The implications are that either the railway industry is falling short in its lobbying approach, or that the environmental leverage of rail is underestimated. Yet, facts demonstrate the clear environmental argument in favour of rail.

Switzerland provides an excellent example of how political will can shift the paradigm in favour of rail, with a rail freight market share of 40%, as compared to 16.8% in rest of Europe. Furthermore, private investment needs to be coupled with public sector funding for the sector.

Representing the rail industry association UNIFE, **Michael Clausecker** pointed to evidence of investments in infrastructure having a direct correlation with economic growth and increased demand. Investment in the high-speed network in Spain has been accompanied by 2.5% economic growth. Both Paris to London and Brussels to London rail routes have a market share in excess of 70%. The Madrid to Barcelona high-speed line, opened a year ago and already has a market share of 53%; these investments also benefit the environment.

Policy makers can contribute not only by committing to investment, but also 'levelling the playing field', for example, removing VAT from rail fares.

Being a national entity is both a strength and a weakness for railways explained **Moritz Leuenberger**, Minister of Transport, Switzerland. In Switzerland, there is a great deal of national pride in railway punctuality and engineering. This is seen as a positive advantage in the sense that the public has shown its support for rail, voting in favour of infrastructural developments such as the Trans-Alpine rail projects. Railways are also seen as positively contributing to employment. On the downside, border crossings remain hampered by both administrative and technical discrepancies, and ETCS is not yet working at a Pan-European level. The question that remains is whether governments can legislate over the subject of mobility, an entrenched individual desire, which is currently shaped and dominated by the automotive industry in many states.

Representing independent railway infrastructure managers, **Bert Klerk** of ProRail fully endorsed investment in rail as a means to support economic recovery, and to help reduce the transport sector's CO_2 footprint. In the EU alone, transport is responsible for 27% of CO_2 emissions, of which over 70% are generated by road transport. Unlike other sectors, transport emissions continue to grow, as individual mobility cannot be controlled. Although rail is 'green' and has a substantial upper hand, performance can still be improved.

"Every single passenger that shifts mode from the plane to the train reduces their carbon footprint by 90%."
Michael Clausecker, UNIFE

"If we want to use the current crisis to have a sustainable, environmentally friendly political framework for railways, we need certain rules."
Moritz Leuenberger, Minister of Transport, Switzerland

"If this focus takes place, rail will emerge more competitive after the crisis."
Klaus Kremper, DB Schenker

"Rail should win on its own merits and become truly competitive in the international market."
Camiel Eurlings, Minister of Transport, Netherlands

Investment is taking place in many member states. Both France and Spain are investing in the expansion of high-speed rail while Germany is implementing ERTMS on freight corridors. In the UK, there are plans for new high-speed projects and electrification of the busiest lines, and the Netherlands has launched a 140 million euro acceleration package targeting the rail sector. However, whilst Europe is progressing with investment in this respect, China leads the way.

ProRail and the Club of Rome agree that technical compatibility continues to limit international interoperability and resolving issues can take a considerable period of time.

Discussions surrounding competition endorsed the involvement of the private sector to increase liberalisation, although Portuguese national operators (CP) pointed to their social duty to protect their workforce which automatically limits true competitiveness. Mr Leuenberger pointed out that shifting traffic to rail also alleviates road congestion. Mr Clausecker from UNIFE stated that prices influence market behaviour, highlighting the Swiss example of taxes on trucks that has resulted in a 30% reduction in empty trucks, and the congestion charge in London reducing cars on the roads by 25%.

If rail freight services are to compete on routes between Western Europe, Russia and Asia, there have to be regular, reliable services, **Hartmut Albers**, Managing Director Trans Eurasia Logistics confirmed, also pointing out the considerable potential to reduce journey times and therefore increase competitive advantage, through both political will and simplified cross-border processes.

Whilst political discussions are working towards the removal of both technical and administrative bottlenecks, national borders are still a constraint to the efficient passage of railfreight, with only 60% of goods arriving on time. The sector needs to be stronger to compete, not only by investing but also by ensuring better use of existing infrastructure, according to **Camiel Eurlings**, Minister of Transport for the Netherlands.

Mr Eurlings advocated the development of rail corridors across Europe, from North to South and East to West, pointing to the example of Rotterdam, Duisburg, Basel and Geneva, as a model for potential throughout Europe. **Klaus Kremper**, CEO DB Schenker, agreed that rail is a desirable form of transport for long distance, but requires interoperability. **Mauro Moretti**, CEO of Italian State Railways (FS) and CER Chairman, also spoke of the challenge of interoperability between national system, suggesting that to overcome these issues, investment at a European level would be required, transcending national investment.

If rail is to increase its share of the rail freight market, it needs to focus on the 3 main issues that impede rail's competitiveness, namely technical, administrative and commercial constraints.

The rail sector in Europe is guilty of not applying best practice in its use of technology, **Ed Burkardt**, president of Rail

World Inc., stated. Mr Burkardt pointed to examples of technologies used in North America such as increased axle loads and vehicle lengths, cast wheels, automatic couplers, and automated cross border documentation processes.

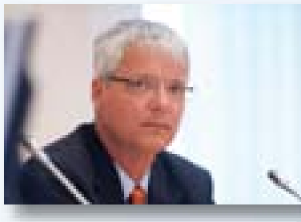
The development of inter-European rail travel is a long standing issue, yet problems persist with signalling and language systems for drivers as well as harmonisation of driver licences, **Mr Enkelhardt**, Undersecretary of State, Polish Ministry of Infrastructure, stated. Varying track width is another consideration that impacts the Trans-Siberian railway network, yet there is a lack of impetus to develop an automatic gauge changing system. Poland is a good base to facilitate transport between the east and west.

In the example of Germany, DB has worked hard to improve its competitiveness in anticipation of potential privatisation. With 300 competitors in Germany, DB has still managed to be successful. Nevertheless, DB has only 25% of the intermodal market in Europe, therefore most of the traffic is still road-based.

Rail should be more competitive, but currently it does not operate on a level playing field. Its marketing should be improved and technical improvements created, but fundamentally there is a need for improved European legislation in relation to internalising costs.

"Given the low environmental footprint, the best contribution the rail sector can make to the environment is to increase its share of the transport market. The climate is right for rail."
Bert Klerk, ProRail

Simon Bennett
Secretary, International Chamber of Shipping (ICS)



Till Braun
Senior Manager, Germanischer Lloyd AG

Mark Brownrigg
Director-General, UK Chamber of Shipping

Colin Cridland

Head of Market Analysis, Clarksons

Jörg Habicht

Director of Regulatory Affairs and Compliance, Hapag Lloyd AG

Miguel Palomares

Director of the Marine Environment Division, International Maritime Organization

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INTERNATIONAL CHAMBER OF SHIPPING

Modal Workshop 4:

International Shipping: Global Regulations for a Global Industry

Modal Workshop 4:

International Shipping: Global Regulations for a Global Industry

"The shipping industry must prepare for a very rough ride in 2009 and possibly in 2010."
Jörg Habicht, Hapag Lloyd

In recent years, the global shipping industry has enjoyed an exceedingly buoyant trading period, for many markets the best in living memory. This period, however, came to a sudden and dramatic end when the current economic crisis severely impacted the shipping industry. Despite the current crisis, the shipping industry needs to avoid resorting to protectionist measures. Equally, there is an ongoing imperative to reduce carbon emissions – an urgency all sectors have to address independent of volatile markets.

These areas of concern were addressed in the workshop's two sessions – the first focussing on the global role of shipping, and the second on energy efficiency. The workshop was chaired by **Tom Leander**, editor of Lloyd's List, and organised by the International Chamber of Shipping (ICS) and the International Maritime Organisation (IMO).

The global role of shipping

As shipping is inherently dependent on the economy, the drop in trade, following the beginning of the credit crunch in late 2008, has translated into a dramatic reduction in demand for shipping.

The first to be impacted was container shipping. By spring 2009, some 10% of the fleet was already redundant. This was followed by a downfall in dry bulk trade volumes and, by April 2009, aa sharp decrease in requirements for crude, product, and chemical tankers.

States may be inclined to respond to the crisis with protectionist measures, a major concern for the ICS national shipowners' associations, who urge governments to avoid such steps, as they would only serve to further damage world trade.

The shipping industry faces the additional challenge of being one of the very few industries not covered by a global multilateral trade agreement. And the prospect of a new agreement under the auspices of the World Trade Organisation (WTO) looks increasingly uncertain. The industry must therefore be vigilant in responding to any moves towards protectionism in maritime trading, including those using safety and security as a pretext.

The shipping industry is calling for a regulatory 'level playing field' to enable it

Moderator:
Tom Leander, Editor, Lloyds List

to operate competitively and efficiently. Furthermore, it calls for the reliability now provided by the tonnage tax regime applying to shipowners in many countries to be maintained throughout the crisis.

Facing both environmental and economic pressures, there is likely to be a considerable increase in the number of older vessels being dismantled and recycled. To this end, there is increasing pressure on governments to identify facilities acceptable for this purpose. However, financial pressures must not be allowed to reduce standards, which have seen considerable progress in the last 20 years with regard to safety and environmental performance.

Notwithstanding the current economic challenges, it was widely acknowledged that the long-term outlook for the shipping industry remains highly positive.

Energy Efficiency: A priority in a time of economic downturn

Irrespective of the economic downturn, the reduction of carbon emissions is one of the most pressing issues facing the world today.

The shipping industry notes that it is the most fuel-efficient and carbon-friendly form of commercial transport, and this should promote its increased market share. In terms of environmental aspects, the maritime industry is anticipating the next stage of climate change policies, to be considered at the UN Conference in Copenhagen (COP 15) in December 2009, under the banner of the UN Framework Convention on Climate Change (UNFCCC).

The industry hopes that the UNFCCC will agree that the development of detailed measures relating to carbon emissions for shipping should be developed and enacted by the IMO.

Industry points to already significant achievements in this regard: The amount of CO_2 emitted per tonne-mile of cargo carried by sea has been steadily reduced, and ships have increased their efficiency more than any other transport mode. To put the current level of carbon emissions from shipping into perspective, the Second IMO GHG Study 2009 estimated it to be approximately 870 million tonnes annually, which accounts for just 2.7% of the global total figure.

In preparation for the coming talks within the IMO and the UNFCCC, the industry anticipates additional encouragement for the sector in the form of a financial or market-based instrument to bridge the gap between practical reduction measures and political demands. This instrument could also be used for offsetting systems such as reforestation or be invested in eco-research for ship design and construction. Opinion as to whether this could be best achieved through a carbon trading market or some form of levy was evenly balanced.

The workshop concluded that reducing CO_2 in the global shipping industry could only be achieved through the introduction of a new non-discriminatory global maritime regime, developed under the auspices of IMO.

"Shipping's global importance can not be underestimated as it literally underpins world trade and the global economy."
Miguel Palomares, IMO

A Focal Point of Exchange


Transport for a Global Economy
KUNI
OECD

Prize-Winners 2009

The International Transport Forum awarded two prizes at this year's Forum in Leipzig: a Young Researcher Award and a Prize for Innovation in Transport and Logistics along the Global Supply Chain.

The **Young Researcher Award** 2009 was attributed to **Jérôme Verny**, of the Rouen Business School in France for his paper on "Container Shipping on the Northern Sea Route".

In his paper, Jérôme underlines the new economic geography engendered by the rapidly increasing mobility of people and goods across borders that has emerged since World War II. Jérôme notes that four decades of uninterrupted growth in container traffic have raised questions regarding the capacity of the traditional international trade network. He looks at issues surrounding the viability of the Northern Sea Route as a possible trade route for containerised goods between Europe and Asia given global warming considerations.

The Jury highlighted in particular the originality of the approach adopted by Jérôme Verny in his paper and the scientifically-rooted analysis he developed in his research.

The **Prize for Innovation in Transport and Logistics along the Global Supply Chain** was attributed to **Baxter International European Distribution Centre**, Belgium for the 'Transportation of healthcare products by inland navigation' initiative. The Belgian-based European distribution centre for Baxter International, a global healthcare company, launched this initiative to improve speed and reliability, lower transport costs

and emissions, and improve overall efficiency of the supply chain in the Benelux region.

Through this initiative, Baxter shifted all of its incoming containers from the deep-sea ports of Antwerp-Rotterdam and Zeebrugge off trucks and onto inland navigation barges. With this container traffic now entirely on inland waterways, Baxter has decreased its transport costs by 23%, while maintaining efficiency through increased reliability – a clear preference for consistently on-time deliveries over speed – virtually no congestion costs, and huge reductions in CO_2 emissions.

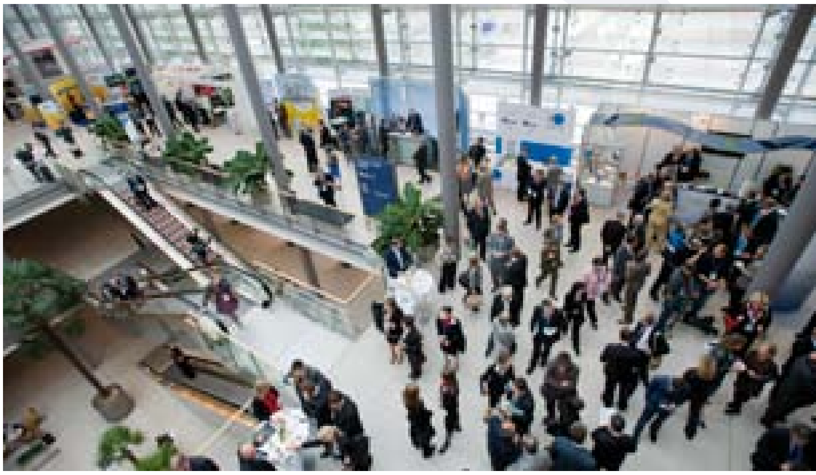
The jury also attributed a special Jury Mention to **APL Logistics**, Oakland, California, USA., in recognition of the special attention to timely and reliable services offered by the OceanGuaranteed initiative.

The OceanGuaranteed Service was designed to create an ocean-based alternative to air freight for shippers from Asia to North American of less-than-container-load (LCL) cargo. It offers a faster LCL service with day-definite delivery guarantee not offered before to shippers in this geographic zone.

Forum Exhibition

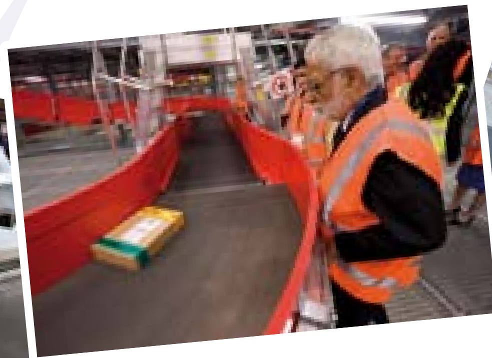
List of Exhibitors:

- AustriaTech - Gesellschaft des Bundes für technologiepolitische Maßnahmen GmbH
- APL Logistics
- Bundesministerium für Verkehr, Bau und Stadtentwicklung
- Deutsche Bahn AG
- Deutsche Lufthansa AG
- Deutsche Post DHL
- Elsevier
- EC – European Commission
- Fraport AG
- Customs and Tourism Enterprises (GTI)
- GVZ Entwicklungsgesellschaft mbH
- International Road Federation (IRF)
- International Road Transport Union (IRU)
- International Transport Forum
- Japan International Transport Institute (JITI)
- Jérome Verny (Young Researcher Award)
- Metropolregion Sachsendreieck
- OECD
- ROBOT Visual Systems GmbH
- 16th ITS World Congress
- ThyssenKrupp GfT Bautechnik GmbH
- Transport Canada
- UNECE Transport Division
- Union Internationale des Chemins de Fer (UIC)
- UNIFE



Field Visits and Social Programme

Interested participants of the ITF 2009 were offered several interesting fieldtrips to nearby places of interest.


Deutsche Post DHL welcomed visitors in its state-of-the art air hub in Leipzig/Halle. The new hub sets industry standards with the largest sorting system in Germany and a hangar with a floor space of 27 500 square metres. It already provides more than 2 000 new jobs. Leipzig/Halle is one of the most important hubs in DHL´s global network. In any working day about 50 freight airplanes use the new airport and handle more than 1 000 tonnes of freight.

BMW
Werk Leipzig

BMW's manufacturing plant is one of the most modern automobile manufacturing plants worldwide. Since 2005 the plant manufactures vehicles for customers throughout the world. The production includes the BMW 1 and 3 class – vehicles.

Leipzig Mail Order Centre

The Leipzig mail order centre is one of the most up to date and largest service providers in the world. Built on the grounds of the former Leipzig-Mockau airport, the plant is considered an important reference point for modern logistics solutions.


A CLIMATE NEUTRAL EVENT

The emissions resulting from the organisation of the annual International Transport Forum are being offset through a renewable energy programme in eastern China. A wind farm that has been constructed and put into operation in the Fujian Province produces approximately 95,600 MWh of clean electricity per year.

Children's University

A popular concept throughout Germany, the Children's University aims to engage children and adults in a meaningful discussion on societal issues.

This year again, Leipzig schoolchildren were bursting with creative ideas, proposing among others:

- introducing a range of carbon-neutral cars powered by the effervescence of soda water
- flooding city streets to make way for amphibian hydroelectric vehicles

A two-way dialogue with Ministers Tiefensee and Leuenberger also saw the children polled on the introduction mandatory helmets for cyclists in Switzerland.

The receptions organised by the Leipzig-Halle Airport and the Turkish presidency, as well as a gala dinner on the last evening, allowed the participants to conclude the conference days in a relaxed atmosphere.

2010 International Transport Forum

Transport and Innovation

The International Transport Forum 2010

Transport and Innovation

Unleashing the Potential

26-28 May 2010 in Leipzig, Germany

Transport needs innovation.

Transport is coming out of a deep recession. The sector has been hit hard, with company closures, job losses and damages to the supply chains.
How can it respond? Is innovation in policy and productivity the key for the sector emerging stronger from the downturn?

The 2010 Forum promises to be exciting, as we focus on the role of innovation in building the transport sector of tomorrow:

- What makes innovation a driver of sustainable economic growth?
- Why does the transport sector need to be innovative now?
- Which factors influence innovation in transport?
- How can transport innovate to respond to climate change?
- Which technological innovations can we expect in the future?
- What policy innovations are being considered and implemented?
- What are the barriers to innovation and how do we overcome them?

The 2010 Forum will provide a unique opportunity both to explore these topics and to build upon the outcomes of the 2008 and 2009 Forums, making linkages between climate change, the global downturn and innovation.

Join us to be part of the debate of our transport future!

For further information on the 2010 Forum:
www.internationaltransportforum.org

Alphabetic List of Speakers

- **Agron, Earl** – Vice President, Security & Environment, APL Limited (p. 68-70)
- **Albanese, Anthony** – Minister for Infrastructure, Transport, Regional Development and Local Government, Australia (p. 27-28)
- **Albers, Hartmut** – CEO, Trans Eurasia Logistics (p. 90-94)
- **Arndt, Matthew** – Head of Rail and Road Division, European Investment Bank (p. 62-66)
- **Attali, Jacques** – Economist, Writer (President and Founder, PlaNet Finance) (p. 14)
- **Atılgan, Cumhur** – General Manager, RODER, Turkey (p. 36-39)
- **Bakker, Peter** – CEO, TNT (p. 30-34)
- **Bennett, Simon** – Secretary, International Chamber of Shipping (ICS) (p. 96)
- **Bernadet, Maurice** – Professeur, Laboratoire d'Economie des Transports, University of Lyon, France (p. 60-61)
- **Boivin, Normand** – Vice President of Airport Operations, Montréal Pierre-Elliott Trudeau International Airport (p. 80)
- **Bonnafous, Alain** – Professor of Economics, Laboratoire d'Economie des Transports, University of Lyon, France (p. 62)
- **Braun, Till** – Senior Manager, Germanischer Lloyd AG (p. 96)
- **Brooks, Mary** – William A. Black Chair of Commerce, Dalhousie University, Canada (p. 37-38, 54)
- **Brownrigg, Mark** – Director-General, UK Chamber of Shipping (p. 96)
- **Burkhardt, Ed** – President of Rail World Inc. of Chicago, Illinois (p. 90)
- **Bussereau, Dominique** – Secretary of State for Transport, France (p. 40-43)
- **Cardoso dos Reis, Francisco José** – CEO, Portuguese Railways (p. 90)
- **Castelli, Roberto** – Vice Minister for Infrastructure and Transport, Italy (p. 40-43)
- **Clark, Tim** – President, Emirates Airline (p. 80-84)
- **Clausecker, Michael** – Director–General, UNIFE (p. 90-93)
- **Cochrane, Robert** – Independent Transport Consultant, London (p. 60-64)
- **Crane, Melinda** – International Broadcaster and Journalist (p. 27, 33)
- **Cridland, Colin** – Head of Market Analysis, Clarksons (p. 97)
- **Díaz-Bone, Harald** – Senior International Civil Servant, United Nations Framework Convention on Climate Change (p. 74)
- **Díaz-Rato, Enrique** – CEO, Cintra (p. 40-42)
- **Dings, Jos** – Director, European Federation for Transport and Environment (p. 74)
- **Dixon, Patrick** – Chairman of Global Change Ltd., UK (p. 48-49)
- **Dragnich, George** – Executive Director for Social Dialogue, International Labour Organization (p. 30-34)
- **Dumas, Christian** – Vice President of Sustainable Development and Eco-Efficiency, Airbus (p. 74)
- **Einang, Per Magne** – Research Director, Marintek, SINTEF (p. 75)
- **Engelhardt, Juliusz** – Undersecretary of State,Polish Ministry of Infrastructure (p. 90)
- **Eurlings, Camiel** – Minister of Transport, Public Works and Water Management, Netherlands (p. 24-29, 90-94)
- **Faber, Jasper** – CE Delft, Netherlands (p. 74-76)
- **Fei, Weijun** – Deputy Director, Waterborne Transportation Institute (p. 54)
- **Felber, Christian** – Speaker, Attac Austria (p. 30-34)
- **Fincham, Nick** – Director of Economic Regulation and Competition Policy, Civil Aviation Authority, United Kingdom (p. 80-83)
- **Garber, Stefan** – Board Member, Deutsche Bahn AG, Germany (p. 62-65)
- **Goehr, Axel** – Director Air Transport Policy, Federal Ministry of Transport, Building and Urban Affairs, Germany (p. 70-71)
- **Gowing, Nik** – International Broadcaster and Journalist (p. 43)
- **Grau Tanner, Carlos** – Director, Government and Industry Affairs, International Air Transport Association (p. 46-51)
- **Grube, Rüdiger** – CEO, Deutsche Bahn AG (p. 24-26)
- **Habicht, Jörg** – Director of Regulatory Affairs and Compliance, Hapag Lloyd AG (p. 97-98)
- **Haji-Ioannou, Stelios** – President, easyGroup PLC (p. 30-34)
- **Hamm, David** – Director of Corporate Real Estate, Delta Air Lines, Atlanta (p. 80)
- **Hayashi, Yoshitsugu** – Director, International Research Centre for Sustainable Transport and CIties, Nagoya University, Japan (p. 74)
- **von Heereman, Raphael** – Head of Aeropolitical Affairs, Hapag-Lloyd Flug GmbH, Hannover (p. 75)
- **Hoon, Geoff** – Secretary of State for Transport, UK (p. 31-34)
- **Hunold, Joachim** – CEO, Air Berlin (p. 24-28)
- **Ikenson, Dan** – Associate Director, Centre for Trade Policy Studies, CATO Institute, Washington (p. 58-60)
- **Jankowski, Maciej** – Undersecretary of State, Ministry of Infrastructure, Poland (p. 40-43)
- **Jeekel, Hans** – Ministry of Transport, Netherlands (p. 54)
- **Kågeson, Per** – Director, Nature Associates, Sweden (p. 75-77)
- **Karlıtekin, Candan** – CEO, Turkish Airlines (p. 24-27, 80)
- **Kazatsay, Zoltán** – Deputy Director-General for Transport Activities, European Commission (p. 57)
- **Kershaw, Andy** – Manager of Environmental Policy, British Airways, UK (p. 75-77)
- **Klerk, Bert** – Chairman, ProRail, Netherlands (p. 41-43, 91-95)
- **Kocsis, Andrea** – Ver.di Trade Union, Germany (p. 58-61)
- **von Körber, Eberhard** – Manager and Vice President, Club of Rome (p. 91-92)
- **Kremper, Klaus** – CEO, DB Schenker (p. 91-94)
- **Kubiš, Ján** – Executive Secretary, UN Economic Commission for Europe (p. 36-39)
- **Lacny, Janusz** – President of JMJ–TRANS and President of the International Road Transport Union (p. 36-39, 86-88)
- **LaHood, Ray** – U.S. Secretary of Transportation (p. 16)
- **Lang, Catherine** – Acting Associate Administrator for Airports, Federal Aviation Authority, USA (p. 80-82)
- **Lapidus, Boris** – Vice President, Russian Railways, Russia (p. 54)
- **Latrille, Pierre** – Counsellor, Trade in Services Division, World Trade Organisation (WTO) (p. 86-89)

- **Leander, Tom** – Editor, Lloyds List (p. 98-99)
- **Leuenberger, Moritz** – Federal Councillor, Head of the Federal Department of Environment, Transport, Energy and Communications, Switzerland (p. 31-35, 91-94, 105)
- **Levitin, Igor** – Minister of Transport, Russian Federation (p. 36-39)
- **Ludewig, Johannes** – Executive Director, Community of European Railway and Infrastructure Companies (p. 46-51)
- **Macdonald of Tradeston, Lord Gus** – Chairman, Macquarie Capital Europe (p. 41-44, 64-65)
- **Mackie, Peter** – Professor of Transport Studies, Institute for Transport Studies, University of Leeds (p. 62-65)
- **Marmy, Martin** – Secretary General, International Road Transport Union (p. 46-51)
- **Meletiou, Marios** – Ports and Transport Sector Specialist, International Labour Organization, Geneva (p. 58-61)
- **Mikuriya, Kunio** – Secretary General, World Customs Organisation (WCO) (p. 36-38, 86-89)
- **Miller, Mark** – Director of Supply Chain Security Europe, Middle East and Africa, COTECNA Inspection SA (p. 68-73)
- **Mohnsen, Karl** – CEO, TX Logistik (p. 37-38)
- **Molnar, Eva** – Director of Transport Division, United Nations Economic Commission for Europe (UNECE) (p. 87-89, 93)
- **Moretti, Mauro** – CEO, Ferrovie dello Stato (p. 91-94)
- **Mukherjee, Arpita** – Professor, Indian Council for Research on International Economic Affairs (ICRIER), New Delhi (p. 59-60)
- **Niemeier, Hans-Martin** – Professor of Economics, Bremen University of Applied Sciences (p. 80-83)
- **Nijhuis, Jos** – President and CEO, Schiphol Group, Amsterdam (p. 80-83)
- **Ojala, Lauri** – Professor and Chair of Logistics, Turku School of Economics, Finland (p. 54)
- **Olteanu, Vlad** – Policy Manager, ACI Europe (p. 68-72)
- **Östling, Leif** – CEO, Scania (p. 25-28)
- **Palomares, Miguel** – Director of the Marine Environment Division, International Maritime Organization (p. 97-99)
- **Plessis-Fraissard, Maryvonne** – Consultant, World Bank (p. 59-61)
- **Polemis, Spyros** – Chairman, International Chamber of Shipping (p. 46-50)
- **Poole, Robert** – Director of Transportation Policy, Reason Foundation, Los Angeles (p. 69-72)
- **de Pretto, Umberto** –Deputy Secretary General, IRU (p. 89)
- **Price, Scott** – CEO, DHL Express Europe (p. 37-39, 46-49)
- **Raoul, Jean-Claude** – Chair of the Mobility and Transport Commission, Académie des Technologies, France (p. 55-57)
- **Rat, Hans** – Secretary General, International Association of Public Transport (p. 47-51)
- **Rice, John** – Vice Chairman, General Electric (p. 25-28)
- **Rosengren, Lars-Göran** – Vice President of Innovation Strategy & Policy, AB Volvo (p. 55-56)
- **Rubio, Nicolas** – Director, Business Development and Technical Department, Cintra (p. 63)
- **Ruete, Matthias** – Director General for Energy and Transport, Transport and Energy, European Commission (p. 47-50)
- **Rupprecht, Karl-Rudolf** – Head of Hub Management, Lufthansa, Frankfurt (p. 81)
- **Saghir, Jamal** – Director of Energy, Transport and Water, World Bank (p. 47-50)
- **Schouppe, Etienne** – Secretary of State for Mobility, Belgium (p. 37-39)
- **Schulte, Stefan** – Vice-Chairman of the Executive Board, Fraport AG (p. 81-84)
- **Schuster, Dominic** – Formerly Manager of Aviation Pricing and Economics, Sydney Airports Corporation Limited (p. 81)
- **Shane, Jeff** – Partner, Hogan and Hartson LLP (p. 82-83)
- **Şener, Mustafa Sani** – CEO, TAV Airports Holding (p. 41-43)
- **de Silguy, Yves-Thibault** – CEO Vinci S.A. (p. 41-44)
- **Smith, Graham** – President, Passenger Transport Sector, IRU (p. 87-89)
- **Smith, Graham** – Senior Vice President, Toyota Motor Europe (p. 31-35)
- **Spickermann, Hartmut** – Deputy Director-General for Civil Aviation and Aerospace, Federal Ministry of Transport, Germany (p. 81-82)
- **Stockmann, Ulrich** – MEP (p. 81)
- **Stölzle, Wolfgang** – Managing Director, Chair of Logistics Management, University of St Gallen, Switzerland (p. 55-57)
- **Tajani, Antonio** – Vice President for Transport Policy, European Commission (p. 18)
- **Thapar, K. L.** – Founder and Chairman, Asian Institute of Transport Development (p. 59-66)
- **Thelen, Friedrich** – Moderator (p. 93)
- **Thomas, Callum** – Professor of Sustainable Aviation, Manchester Metropolitan University (p. 75)
- **Thompson, David** – Independent Expert (p. 81)
- **Tiefensee, Wolfgang** – Federal Minister of Transport, Building and Urban Affairs, Germany (p. 7, 10, 25-27, 105)
- **Venables, Anthony** – Professor of Economics, Centre for Analysis of Resource Rich Economies, Oxford University, UK (p. 25, 31-35, 77)
- **Visser, Caroline** – Specialist on Road Finance and Public-Private Partnerships, International Road Federation (IRF) (p. 63-66)
- **Werner, Hans-Georg** – Board Member, DB Schenker Rail Deutschland AG, Germany (p. 55-56)
- **Widdows, Ronald** – CEO, Neptune Orient Lines (p. 25-27, 47-50)
- **Widdowson, David** – CEO, Centre for Customs & Excise Studies, University of Canberra, Australia (p. 69-71)
- **Wiedemann, Sabine** – Vice President of Corporate Security, Deutsche Post DHL (p. 69)
- **Wright, Robert** – Journalist, Financial Times (p. 38-39)
- **Yıldırım, Binali** – Minister of Transport of Turkey, President of the 2009 International Transport Forum (p. 7, 8, 47-48)
- **Youssef, Waleed** – Chief Strategy Officer, TAV Airports Holding Inc, Turkey (p. 63-66)

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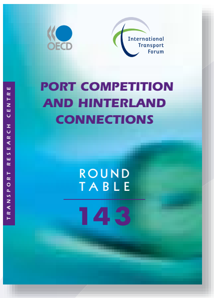

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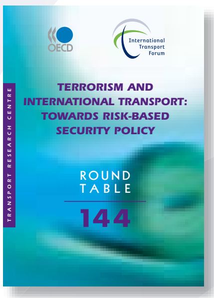

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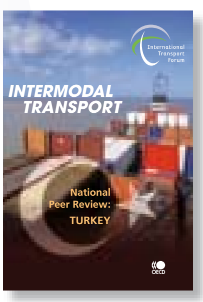

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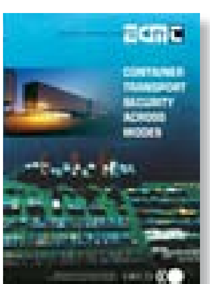

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Discussion Paper No. 8
Integration and Competition between Transport and Logistics Businesses

The International Transport Forum 2009 on the "Challenges and Opportunities in the Downturn" took place at a very difficult time, with finances drying up, companies failing, supply chains weakened, and protectionism on the increase.

There are real fears that the transport sector will be seriously damaged by this sudden and profound downturn, with important implications for economies and societies. One certainty is that transport is more important than it has ever been – in business, in the lives of citizens and in the world economy.

The transport sector is at the heart of globalisation. At the same time it is clear that the crisis does not alter fundamental challenges, particularly for transport to be more sustainable and show more concrete results in the lead up to and after the December 2009 UN Climate Change Conference in Copenhagen.

This publication condenses the main findings of workshops and round tables bringing together leading figure from politics, industry, research and civil society on key questions linking transport, economic recovery, global trade flows and sustainable development.

International Transport Forum

Offices: 2-4 rue Louis David, 75016 Paris, France

Postal address: OECD/ITF, 2 rue André Pascal, F-75775 Paris, Cedex 16

www.internationaltransportforum.org

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