



18th OSCE ECONOMIC AND ENVIRONMENTAL FORUM

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**SESSION 1: THE NEED TO INCREASE EFFICIENCY OF INTERNATIONAL ROAD TRANSPORT IN THE
CONTEXT OF THE GLOBAL ECONOMIC DOWNTURN**

Presentation by
JACK SHORT
SECRETARY GENERAL
INTERNATIONAL TRANSPORT FORUM

Ambassadors, Secretary General, Ladies and Gentlemen,

The International Transport Forum was set up by Transport Ministers to provide a global body to discuss key strategic transport challenges. One of our aims is to extend knowledge and understanding of transport issues beyond the experts in the sector. Transport is crucial for economic development and for social contacts. It is often taken for granted and yet it faces many challenges which cannot be solved by the sector. For these reasons, I am delighted to have the opportunity to speak with and continue our dialogue with the OSCE, as it is one of these communities who depends on transport and can help make it more efficient.

My intervention is in four parts:

- The importance of road transport in our economies and the policy challenge it faces;
- How to make Road Transport more efficient;
- Innovation in the sector;
- The potential role of OSCE.

Road Transport; its Role and Policy

Road Transport is essential to our economies. All goods, at some point, use the roads. The volumes of traffic carried by road and the share of the freight market taken by road have increased relentlessly. This is partly due to its qualities of providing door to door services cheaply and efficiently, to its competitors inability to do likewise, but also to structural changes in our economies – including the nature of the goods moved, the more dispersed origins and destinations and more demanding industrial practices.

Policy towards road transport, in the broadest sense, has concentrated on achieving a balance between the economic, environmental and social dimensions. The stated policy aim is to increase economic efficiency, reduce environmental harm and improve the sector's 'social' performance. Behind each of these issues and the relationships between them, there has been a lengthy, highly political discussion that is by no means over. In general, in very recent years, market liberalisation has slowed and protectionism is on the increase, often in the guise of environmental or social considerations. Enormous progress has been made to make trucks cleaner and pollution from the best trucks now is very low.

The recession has hit road transport hard. Activity in late 2008 and through 2009 fell significantly, up to 30% on many markets. Numerous firms faced bankruptcy and margins in the sector, never high, fell to very low levels. Drivers and workers lost jobs in a sector which had generally been one where employment was increasing. Truck sales

collapsed completely and this industry has had to survive without the incentives and aid that went to the car industry.

The policy challenge for road transport is to advance on all fronts simultaneously – economic, environmental and social, but this however, is an issue that many Countries have not always sufficiently engaged with. At the present time, it is vital also to strengthen the economic performance of this sector.

Making Road Transport More Efficient

There are many aspects here but I want to focus on two of them.

The first concerns access to international markets and the second border crossings.

Access to international transport markets remains (outside the EU) complex and difficult. International Road Transport is still dominated by systems of permits – almost entirely bilateral permits – which allow access to roads and markets in other countries. These bilateral systems are quantitative in many cases, often discriminatory and non-transparent. They involve trying to second guess markets and often include implicit aims to protect national haulier market shares. There are very few multilateral instruments and those that exist – like our multilateral quota system – are often blocked by technical wrangles and protectionist approaches.

The only sensible longer term way forward is to move to open markets with high quality trucks, companies and enforcement of rules. Progress to this aim is painfully slow and imposes unnecessary economic costs on our economies and companies.

The second issue is **border crossings**. Despite years of discussion and countless reports, recommendations and resolutions, crossing border by road remains a serious problem. The fact is that a truck travelling between Countries represented in this room can spend 1/3 of its total journey time stopped at borders.

Last year, the ITF together with the UNECE and the World Bank, organised an event on this topic. Almost all the concerned international bodies attended, including the OSCE. The conclusions are available on the web site:

<http://www.internationaltransportforum.org/Proceedings/Border2009/index.html>).

I would like to highlight a few of the ideas.

The main conclusion is that we need a new vision for border crossings. This is one based, not on competing and adversarial relations between agencies but one where services are fully integrated and where economic needs, security and control requirements are looked at together. It requires a culture shift but there are examples –

like in Australia - where it has been largely achieved. In implementation of this vision, some principles need to be followed. I would highlight three:

- The need for interagency cooperation. This is obvious but often founders on ‘who is in the lead’. What is needed is an authority at borders able to make decisions quickly and efficiently.
- The need to monitor performance. Business – for example the IRU – should continue to publish border crossing time data and should publicise it. Other agencies, too, should monitor performance and use the data in bilateral and multilateral contacts. The Finnish webcam at the Vaalima border is an interesting example which allows queues at the border to be seen in real time. Without performance monitoring, it will be impossible to assess progress.

Innovation in the Sector

Another ITF event occurred in October last year in Lisbon, as a preparation for our major annual Forum on the theme of Innovation in Transport on 26-28 May 2010 in Leipzig (<http://www.internationaltransportforum.org/Proceedings/Lisbon2009/index.html>).

From a rich event, a number of innovation highlights can be mentioned:

- **Information Technology**; this is already improving rapidly but much more is possible, for example; in fleet logistics, in vehicle performance monitoring, in real time traffic and loading information and in vehicle tracking. Especially the latter allows the real possibility for fully enforcing rules in the sector – traditionally one of sector’s most serious weaknesses.
- **Vehicle Development**; though politically controversial, there is growing evidence that a new generation of trucks can, in specific circumstances, make efficiency, safety and environmental improvements all at once.
- **Urban Electric Delivery Vehicles** may allow significant reduction in CO2 emission – the greatest challenge facing the sector.
- **Alternative Fuels**; while the sector is and will remain heavily dependent on oil, biofuels (produced sustainably) can provide a share of the fuels needed for the sector.
- Finally, **Innovation in the Sector faces Barriers**. One is the structure of the industry with many small operators, working on very small margins. Incentives and regulation will be needed to upgrade the fleet and improve the services provided.

Role of OSCE

Could I suggest two broad areas where OSCE could contribute to improving efficiency in the sector.

The first, is by contributing to a 'whole of Government' approach and supporting efforts to open markets and reduce barriers. Sometimes transport authorities do not have the broader economic view or are too close to specific interest groups. Additional voices and influences calling for high quality open markets can help bring about the changes needed.

Second, the Countries around this table are all trying to improve their situations. Many are introducing new measures or are taking additional steps to improve flows, especially at borders. These experiences can be shared and, where they provide inspiring examples, can be highlighted. We too would like to hear about them and can give them publicity and distribution via our website.

In conclusion, the road freight industry is essential to the modern economy. However, policy towards the sector is often ambiguous and is rarely comprehensive. There is a real need for consistent policies that orient the sector towards a high quality and open industry. There are significant opportunities to make the sector more efficient and I hope I have set out some ideas here for your reflection and further work.