EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT
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Council of Ministers

TRANSPORT POLICY: SUCCESSES, FAILURES AND NEW CHALLENGES

This document will be examined under item 4 "Sustainable Transport Policy" of the Draft Agenda of the Brussels session of the Council of Ministers.

Ministers are asked if they can share the analysis on the successes and weaknesses of transport policy making that are set out in this document.

Ministers are also asked how they see the challenges for the future and to say how ECMT can contribute to meeting them.

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SUMMARY AND ACTIONS BY MINISTERS

This note summarises some of the successes and failures in transport policy over the last few decades. Considerable progress has been made and the transport systems of today are faster, cleaner and safer than they have ever been. International cooperation has been strengthened considerably and significant steps have been taken to improve understanding and to streamline and harmonise policies. But there have been failures and weaknesses too, including in policy implementation, in using too limited a range of policy instruments, in over-fragmented institutional structures and in communication with the public. Based on this analysis the challenges facing transport policy in the future are then set out. Implementing fully the policy decisions already taken would make a significant difference. But in addition, transport faces emerging challenges and the note suggests new strategic directions for transport policy making and for Transport Ministers and Ministries. These include taking a broader and more holistic view of transport, taking a more proactive approach to dealing with traffic growth, strengthening institutions to support these aims and improving communication to help implementation.

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INTRODUCTION

This note is intended to stimulate discussion among Ministers and to lead to broad agreement on the priority issues for Transport Policy in the future. It builds on some of the main points and ideas in the background reports from the seven invited experts and also draws on current and past work in ECMT and elsewhere.

TRANSPORT POLICY SUCCESSES AND FAILURES

It is not straightforward to measure successes and failures as transport policy is required to meet multiple objectives, whose relative importance differ over time and place. The following summary is therefore somewhat oversimplified but is intended to facilitate discussion.

Considerable progress

In a general sense, viewed over a long period, the developments in transport have been impressive. The enormous changes in the world economy, including the dramatic increase in international flows of goods and capital, i.e. globalisation, depend critically on reductions in communication costs. Indeed, recent empirical evidence shows that the productivity increases in the transport sector are the most important determinant of the structural changes in the world economy. These productivity increases have been facilitated by reductions in trade barriers, opening of borders, significant investment in facilities and equipment, a substantial body of law and practice at national and international levels and increasingly trained and skilled professionals in the sector. New techniques and technologies (high-speed trains, containers) have also contributed to improved productivity. Increased demand, structural economic change towards higher value goods and new global industrial logistics patterns have placed great pressure on the transport system and, as a consequence, the infrastructure, especially roads and airports, has catered for massive traffic increases. In general, accessibility and mobility opportunities have increased phenomenally and transport is faster, safer, cleaner and cheaper than it has ever been.

At international level there has been over recent decades a great improvement in understanding, in information exchange and in developing agreed approaches and policies. Many of these agreements are now enshrined in legislation in the acquis of the European Union or in conventions or agreements in UNECE and elsewhere. In the ECMT, the reports, recommendations and resolutions have contributed to this process and represent a large body of experience and knowledge available to policy makers, experts and the public. The recommendations and resolutions adopted by Ministers provide agreed frameworks for general policy as well as concrete and forward looking recommendations on many specific areas of policy. Examples include over thirty recommendations on Road Safety and innovative Resolutions on Environment, on Accessibility for older and disabled people, on economic instruments, on
Crime and Terrorism in transport and on pan-European integration. A concrete example is provided by the ECMT Multilateral Quota where some of the principles agreed are actually applied in practice. These and other examples demonstrate the willingness of Countries to look forward and to tackle common problems together. Regular reviews show that there has been significant progress in implementation of the agreed decisions in very many Countries and that as a result there have been significant advances and improvements to policy at national and international level.

But behind this positive picture, there are many problems and areas where improvements have been slower than hoped for. These include:

**The system is still not sufficiently safe, clean or accessible**

- The number of people killed in road crashes in ECMT since it was set up is probably of the order of 3 million. Annually about 100,000 people are killed and 2 million injured in the ECMT area. Associate Countries account for an additional 80,000 deaths. The causes are fairly well known and effective policies and measures have been identified including in over 30 ECMT recommendations. But the implementation of these differs enormously between countries. Moreover, there are totally different standards of safety in the different modes with risk rates in road transport being twenty times or more higher than in other modes.

- Environmental concern began in the 70s and grew through the 1980s and 1990s. In this period, rapid progress has been made in introducing and tightening pollution norms for cars and trucks and in improving the appraisal methods for infrastructure planning. But continuously growing traffic volumes have limited the benefits of these initiatives and created new problems, such as ever-growing congestion, particularly in and around urban areas. Moreover, little progress has been made in reducing transport's contribution to global warming and its virtually total dependence on oil.

- Though a lot has been achieved for older and disabled people, much of the transport system is still inaccessible or very difficult to use. More generally, for those without access to a car, participation in many societal activities is becoming more difficult. These problems will get more serious as populations age.

**Transport is not efficient enough**

- Deregulation and liberalisation have been gradually introduced over the past two decades but unevenly between modes and countries. Most studies show significant benefits to consumers from deregulation. Railways and waterways have been slower to profit from the productivity and efficiency gains that deregulation has brought to other modes.

- Enormous subsidies have been, and are still being paid, especially for railways and public transport services. These subsidies have not always provided good value for money and have not given incentives to companies to be more efficient.
The systems' efficiency has also been limited by congestion, which is a serious and growing problem in and around many cities and also on some interurban links including those with difficult topographical conditions.

Reliability is too low and disruptions due to strikes and technical or organisational failures are too common.

Charging instruments have been poorly targeted, resulting in inefficient use, especially of roads. Taxes and charges are often inconsistent in their objectives. Investment has averaged close to 1% of GDP in the ECMT area over the last thirty years but there has been wide variation between Countries and recent evidence points to a decline in this share. There are serious expenditure backlogs in many Countries, especially in the transition Countries, in several of which even routine maintenance has been seriously neglected. The links between pricing and investment are not well understood.

The different modes do not yet form a complete, efficient transport chain. Interchanges and interoperability between modes, both for people and goods are still slow and inefficient. There is a lack of compatibility and continuity for infrastructure and services on a pan-European level. Inconsistencies or different rules between modes are sources of competitive distortions (different pricing or taxation regimes) or inefficiencies (different documentary requirements). Planning remains mode- or area-specific even though there are strong interconnections between modes and administrative levels. For example, building roads will affect rail or public transport use or increasing airport capacity affects surface transport. The new concern about terrorism has seen much tightened security in aviation but there is not yet a consistent approach across the modes.

In many areas, and at both national and international level, stated policy aims have either not been met or only attained to a limited extent. There are many reasons for this, including pressure from lobby groups, difficulties in dealing with the social consequences of change and communication failures. The most striking examples are in rail transport and road pricing. The former has almost never been able to meet the hopes for increasing modal share or taking traffic off the roads; the latter has been discussed now for almost 40 years with only limited success at implementation.

An important factor behind disappointing outcomes has undoubtedly been that there has been too much hope placed on supply side instruments and on alternatives to the car. The main response to problems of congestion and pollution has been to support rail or public transport. It is now known that these measures are not effective by themselves and other instruments are needed at the same time to solve problems on the roads. The factors leading to increased use of cars and trucks have not been the subject of policy intervention or at least have been outside the possibilities of transport Ministries (land use and urban sprawl, logistics developments, fiscal benefits for car drivers). Measures that would influence these variables (for example pricing or restrictions) are politically unpopular and there has been a reluctance to use them.
Enforcement of rules, especially in road transport has been inadequate in many countries. This may have affected safety and given road a competitive advantage over rail in these countries.

A linked reason is that there has been too strong a tendency to support producers of transport services rather than consumers. Ministries have spent a great deal of their effort in dealing with the publicly owned airlines, rail companies and public transport operators under their responsibility. This can be understood as a form of capture of Transport Ministries by service producers. At international level, this has led to a tendency to protect national companies from what is seen as unfair competition from other Countries. Many of the bilateral systems in aviation or road transport have had such objectives and Ministries have been slow to realise that economies and consumers will be better served by having more efficient transport operators, independent of their nationality.

Transport institutions have been too fragmented

- Fragmentation of planning and implementation between modes

Regulation, taxation and investment policies for the different modes are often departmentalised, leading to distortions between modes and inconsistencies in planning and operation. Ministries, regions and cities have road and rail or public transport departments that often have little contact. Safety standards in the different modes are totally different.

- Fragmentation between jurisdictions

Jurisdictions often compete for development and the transport consequences are not taken into account. In the absence of national land use frameworks, the result can be uncontrolled increases in traffic, increased urban sprawl and growing car dependence.

- Tensions between planning and political processes

Transport planning requires a long time horizon compared to the political process. Consequences of this include revisions of plans during the implementation process, an overemphasis on new investments relative to maintenance and a general difficulty to deal with long-run trends.
CHALLENGES FOR THE FUTURE

Implementing existing agreements

The instruments and measures needed to achieve a more sustainable transport policy are very often known. In areas such as road safety, accessibility and transport and environment there are many individual and consolidated recommendations and resolutions agreed formally by Ministers over several decades that provide clear and comprehensive prescriptions for improvements. Effective implementation of these decisions remains important and should provide significant benefits in many countries.

Measures that work together

Valuable as these recommendations and decisions are, there are a number of problems. We mention three. First, most countries, but especially transition countries, have difficulties in selecting priorities and assigning due weight to the many different instruments and measures that are required. Second, there are problems in constructing packages of measures, where the different measures reinforce rather than contradict each other and, third there are many practical and political problems of implementation.

...beyond short term political horizons

Additional factors that sometimes increase complexity are that public expectations for transport performance are increasing and are often contradictory. Finally, reconciling good long-term transport planning with short-term political horizons is a permanent difficulty.

Significant differences across ECMT

In assessing the challenges facing transport policy making, it has to be kept in mind that there are substantial economic differences across the ECMT membership. This necessitates flexibility in implementation of policy to respect differing priorities but without, at the same time, creating a multispeed Europe.

The following, rather general, list of challenges suggests a framework within which policy formulation and the specific needs to improve accessibility, safety, efficiency and environmental performance can all be improved.

A turning point for Transport Policy?

Many experts believe that transport policy may be at a significant turning point. The foreseen growth in traffic cannot be managed in the traditional way by expanding infrastructure capacity. New incentives and instruments for pricing, investment and demand management are needed. The challenge is to introduce these instruments so that they achieve their aims in a way that is understood and accepted by the public. To do this the following are required.

Transport needs to be looked at in a more integrated and strategic way.

- Transport is essential to the economy and the smooth functioning of society. Across the world, transport will play an important role in meeting Millennium Development aims as agreed in the UN. All sectors depend on it and it has impacts and relationships with policy areas like trade, industry, energy, environment and land use as well as significant fiscal and economic impacts. The different Ministers and Ministries need to work together more to develop shared visions of the role and aims in transport policy. A broadly agreed transport policy across government departments and in parliament can ease many of the implementation problems that arise.

Transport Ministers’ aims need support of parliament and society
| More integrated services | • Transport users increasingly require services that are more integrated among modes and more global in their coverage. Exchanges take place not just on an international level but across continents. Convergence and simplification of rules and practices need to be increasingly global to respond to this. |
| and institutions | • As said above institutions have been set up or developed in ways which have not facilitated a system wide view and which have led to fragmentation in planning, in investment and operation. There is a need to re-examine the roles and aims of transport structures and systems to promote a more integrated approach to policy. |
| Supply and demand side instruments | • It was argued above that too much reliance had been placed on supply side instruments. From now it is essential to use demand-side tools with supply side instruments and combine these with communication and information tools in more appropriate institutional frameworks. This can allow the formulation of policy packages in which all the instruments and measures work together, rather than against each other, to achieve objectives. |
| More consultation | • Transport differs from most other policy domains in that the public has a daily experience on the implementation of policy. This fact that almost everyone interfaces regularly with the transport system necessitates more openness, consultation and communication with the public and civil society on the aims of policy and the means to implement them. |

**Transport growth must be managed and Ministers of Transport need to be more proactive**

| Balance between managing demand reduction and enhancing mobility | • Traffic volumes have multiplied by 4 or 5 in the ECMT area over the last fifty years and the forecasts indicate that there is still substantial growth ahead. Moreover, international traffic is growing faster than national traffic. Dealing with this growth will require more diversified strategies than in the past. There will be a difficult balance to strike between demand-reduction strategies and mobility enhancing ones. In cities it has long been accepted that cars are inefficient users of urban space and that a range of measures is needed to reduce their adverse impacts. In interurban traffic, administrative restrictions are not very effective and economic instruments that aim to increase efficiency are more appropriate. Combinations of measures are needed to reduce pressures. |
| Bring charges closer to the point of use | • Among the measures that are required, charging for the use of infrastructure close to the point of use promises to improve the efficiency of the road system and to improve economic performance and should be seen as part of the approach for the future. Road user charging for trucks has been introduced in Switzerland and is to start in Germany in August 2003 and in other countries after that. Such charges are needed also for cars which, in fact, cause most congestion. London implemented a cordon-pricing scheme in February 2003 designed to curb traffic in the city centre. |
Deal with generators of demand

Transport Ministries have generally responded to increasing demand by building infrastructure. While new or enhanced infrastructure will always be needed, capacity expansion cannot continue indefinitely. Ministers and Ministries need to be more proactive in dealing with the generators of transport demand, that is, where people choose to live, where companies locate and how trade flows are organised. They need to spend more effort on existing infrastructure to maintain it properly, to upgrade and rehabilitate it and to use it more efficiently. If demand is not managed, the benefits of new investment are eroded, and sometimes even rendered a waste of money.

Maintain infrastructure to high standards

Travel behaviour has often been taken as a given and not amenable to influence by policy. Evidence shows that travel behaviour varies very much more than is often thought, but the effects of policy change take several years to work through. If inconsistent or partial policies are implemented, the effects on behaviour may be opposite to what is intended, so it is vital to have a coherent combination of policy instruments, both ‘sticks’ and ‘carrots’ which are pulling in the same direction. Influencing travel behaviour is often not a policy objective in its own right, but is can be a necessary condition of success in meeting other objectives of safety, efficiency and environmental improvement.

Influence travel behaviour

Similarly, new technology offers many possibilities to improve efficiency, safety and sustainability of the system. But so far, the applications have not met these aims (especially as regards safety). The possibilities now becoming available, for example use of satellite tracking systems for electronic kilometre charges and automatic number plate recognition systems, or for enforcing speed limits will improve opportunities for meeting the policy objectives above. Ministries need to be more proactive in defining the conditions and in facilitating the introduction of such new technology.

Use new technology proactively

Transport is increasingly international

This demands...

Intervene effectively and at the right level

Formulation and implementation of Transport Policy remains strongly national in character but increasingly, competition and regulatory law, as well as technical and other standards are being set at the level of the European Union or globally. While infrastructure investment, traffic management policies and the fiscal and subsidy regimes are generally national responsibilities, in these areas too, there is a trend towards European intervention. Just as optimal individual decisions are not necessarily best for society, optimal national decisions do not necessarily give best international solutions. It is not necessary to harmonise everything but there is a need to be clearer on where international laws, framework policies or incentives are needed.

The following set out some such areas.

- Co-ordinate transport and infrastructure planning at international level

The views of central and peripheral countries in Europe are not necessarily the same. Many peripheral countries rely mainly on road transport but the cumulative flows of their goods to the centre cause acceptance and environmental problems in the countries there. To resolve this tension, it
seems necessary, among other actions, to attract trade flows to rail and water corridors through co-ordinated international interventions. Infrastructure planning and development on a Pan-European level is needed so that optimal decisions on a wide geographic scale are fostered. Planning, which has been largely national, needs to become more international. The different international planning concepts, like the Pan-European Corridors, TENS, TINA need to be streamlined and made more consistent. Even though road investments often have higher rates of return there is a strong case for public funds (from the Union) to be strongly oriented for these rail and water links, whilst being tied to the needed policy reforms in these modes.

- Open international markets on the basis of quality

The benefits to consumers and economies from opening markets can outweigh the disadvantages if the regulations are properly designed. The principle underlying market access on an international level should be quality. For road transport this should be reflected in the highest standards of environmental protection, safety and personnel. Road transport is still dominated by bilateral arrangements, which are non-transparent and sometimes discriminatory. Moving from these to a more open multilateral system based on quality is needed. Rail absolutely needs the dramatic increases in productivity that deregulation can bring. Independent regulators at international level may be required to ensure implementation.

- Review and benchmark shared international targets or policy objectives

Policies or objectives without legal underpinning are common. Implementation, which has generally been slow, can be supported with reviews and benchmarking based on peer pressure to incite countries to improve performance in certain areas. Urban transport, safety, access and environmental policies fit into this category.

- Concentrate more on implementation issues

What to do is more or less known but doing it is often very difficult. Proper sequencing of measures, communication strategies and dealing with those adversely affected are among the crucial areas where experience and lessons can be shared.

- Devolve powers but within a clear framework

On the other side, regional and local authorities increasingly have powers and responsibilities devolved to them. Here it is important that the decentralisation of powers is consistent with the devolution of resources and that consistent policies are followed at local and regional level. Unilateral action at local level -- for example to ban traffic -- should be avoided. This is why national or international frameworks or guidelines including mechanisms for concertation between levels are essential. For example, in relation to Urban transport, Ministers agreed in Lisbon 2001 on such a framework.
...continue regulatory reform.

The question is not whether markets work or not. It is about the appropriate regulatory framework for them. Some economic characteristics in transport (economies of scale and scope, high fixed and low marginal costs, externalities) and the fact that markets are not concerned with distributional consequences imply that leaving transport entirely to the market does not necessarily serve the best interests of the society. The task of regulatory policy is to reduce distortions, take care of externalities and manage distributional effects. Dialogue with competition authorities is required on the most appropriate solutions. Public service obligations, common in transport, need careful definition and management to avoid waste. (In the new context of separation of infrastructure and operations, the balance between assistance to operators and infrastructure suppliers may need to be moved closer to the infrastructure providers. Finally, there is no point in introducing rules that cannot be enforced.

...Institutions that meet aims

- Reassess regulatory reform

- Develop structures and institutions that support the aims of policy

Fragmentation of institutional arrangements can lead to wasteful competition for resources or to different approaches for different modes. Institutions are needed that look at the system in a sufficiently broad way to avoid inconsistencies or fragmentation. In some cases, independent regulators are needed to implement policy in a transparent way.

Infrastructure investment remains essential but needs to be better assessed and users will have to pay more directly

Investment remains a major responsibility of Transport Ministers. There are and will always be large spending needs in transport and not only in poorer or transitional countries. Even if the quantity of infrastructure does not expand there is a great need to improve its quality.

There are several important issues related to investment:

- Planning and assessment methods need further improvement

Ministries will be looking to improve the value for money in investments and to strengthen valuation methods for assessing infrastructure investment. There are still serious difficulties to compare proposals between modes. Traffic forecasts have very often been wrong for example in urban public transport systems the number of car drivers attracted has been overestimated and for tolled roads the number of users overestimated. There are not enough ex-post studies to evaluate anticipated and actual effects. Interactions between parts of the system are still poorly understood, as for example, between urban and interurban congestion. Strategic appraisal is only beginning.

...but assessment methods need improvement
• Time from planning to construction needs to be reduced

Implementation of agreed infrastructure has taken longer and longer as consultation procedures have become more complex and as opposition to projects in all modes has grown. More needs to be done to make procedures transparent so that when they are completed investment projects can be constructed.

• Financing; be realistic about private sector participation

Transport infrastructure financing remains essentially public. There have been some striking examples in attracting private funds (e.g. channel tunnel) but there have often been problems, with for example, cost overruns or revenue shortfalls and the private sector expectations do not correspond with public sector ideas on risk sharing. There are an increasing number of public private partnerships but these are complex and it seems unlikely that they will be able to provide more than a small share of needs. In such partnerships commercial risks should not be taken on by the public sector. Care should be taken in making long term contracts with the private sector to operate infrastructure as they can reduce Governments' flexibility for example to introduce appropriate pricing.

While it seems likely that most transport investment and much operation will remain under public responsibility there will be a search for more private participation. At present public sector institutions are not strong enough to deal with this.

• Make more use of direct charges for use of infrastructure

There is often opposition, for example from Finance Ministries to using fuel taxes as an earmarked source of public funding of transport. But there have been recent changes whereby new charges or tolls can be earmarked in some countries and cities. With the pressures on budgets and the need to limit public borrowing this possibility to finance needed investments through recourse to more use of direct user charges is surely a promising one for the future so long as the investments funded show good socio-economic returns. Principles for these charges need to be respected and Ministers have already agreed that they should be non-discriminatory, linked to costs including externalities, and that the receipts be used transparently to reduce the externalities and or improve the system. There is a strong case to move from systems of tax or charges based on vehicle ownership to ones where payment is linked to use and costs caused.

Monitor progress better and more openly, and strengthen research

• Transport data remain extremely weak at an international (also local) level. There needs to be a substantial effort to improve the quality and quantity of statistics to aid policymaking. For example, data on international traffic, on investment, on air quality are either non-existent or of poor quality.
Review successes and problems

Strengthen research

• Good policy depends on better data but also a more open approach by countries to learning from each other and to admitting that policies have not always succeeded as well as intended. Countries will benefit from more open review of the successes and failures in their policies.

• Research is an important component of policy review and formulation. Deficiencies in market and political processes are also reflected in research in transport economics and policy, resulting in an over partial view of problems and solutions. Research can help by providing a broader perspective on issues such as:
  - Pricing, taxation and financing;
  - Interaction between different modes;
  - Interregional and international consequences of regional and national policies;
  - Political processes in planning and implementation;
  - Addressing institutional change;
  - Secondary policy effects, taking a more long-term growth perspective, demonstration of costs of short-term orientation;
  - Forecast of quantitative effects by multisectoral, multimodal approaches.
  - Understanding consumer behaviour.

CONCLUSION

This note summarises some of the successes and failures in transport policy over the last few decades. Considerable progress has been made and the transport systems of today are faster, cleaner and safer than they have ever been. International cooperation has been strengthened considerably and significant steps have been taken to improve understanding and to streamline and harmonise policies. But there have been failures and weaknesses too, including in policy implementation, in using too limited a range of policy instruments, in over-fragmented institutional structures and in communication with the public. Based on this analysis the challenges facing transport policy in the future are then set out. Implementing fully the policy decisions already taken would make a significant difference. But in addition, transport faces emerging challenges and the note suggests new strategic directions for transport policy making and for Transport Ministers and Ministries. These include taking a broader and more holistic view of transport, taking a more proactive approach to dealing with traffic growth, strengthening institutions to support these aims and improving communication to help implementation.