

PRESS RELEASE

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Transport Outlook 2011 launched

International Transport Forum at the OECD presents 2011 edition of "Transport Outlook" • Focus on meeting the mobility needs of 9 billion people

The International Transport Forum at the OECD, an intergovernmental organisation for the transport sector with 52 member countries, today presented its 2011 Transport Outlook at its annual summit of Transport Ministers, held from 25-27 May in Leipzig, Germany.

"Transport Outlook 2011 focuses on what is probably the biggest single challenge transport faces: How to meet the needs of a rapidly growing world population that will soon reach 9 billion people, and in a way that is sustainable?", said Jack Short, Secretary General of the International Transport Forum, at a press conference in Leipzig for the launch of the annual publication.

Some key findings include:

The long term evolution of global transport demand

► **Mobility to triple globally** The world's population reached 6 billion in 2000 and will be around 9 billion in 2050. Coupled with rising incomes this will lead global mobility to expand strongly through 2050. If infrastructure and energy prices allow, there will be around 3 to 4 times as much global passenger mobility (passenger-kilometres travelled) as in 2000 and 2.5 to 3.5 as much freight activity, measured in ton-kilometres.

► **Rapid increase outside the OECD region** Growth will be much stronger outside the OECD region than within it. OECD passenger-kms are expected to grow around 30 to 40% between 2000 and 2050 and ton-km by 60 to 90%. Outside the OECD region, passenger-kms could increase by a factor of 5 to 6.5, and ton-kms by a factor of 4 to 5.

Consequently, like economic mass, the centre of gravity for mobility will shift to non-OECD economies. In 2000, half of all passenger-kms were driven in OECD countries. According to our scenarios this declines to around a fifth in 2050. For ton-kms, the OECD share declines from a half to around a third.

► **Car ownership levels critical** Projections this far ahead are fraught with uncertainty. For example, it is unclear to what levels car ownership per capita will rise in emerging economies. Very high levels, characteristic of the USA are unlikely; somewhere between European and Japanese levels is conceivable. The range between these reference points is large but in either case the share of car-trips in total passenger mobility seems set to increase strongly, e.g. from less than 10% at present in China to more than 50% in 2050.

Peak car travel in advanced economies?

- ▶ Peaking car travel is a risky assumption
Travel by passenger vehicles has not grown much recently in a number of the highest income economies, or has even declined. The peak car travel hypothesis holds that this is because of a saturation effect, where more income no longer translates into more car travel when incomes are very high.

But peak car travel is just one among several potential explanations for the observed levelling off of car travel, so projections of future car travel demand should not take peaking for granted.

Other potential explanations include increases of (expected) fuel prices and uncertainty over future disposable income. Moreover, rising inequality in the distribution of incomes means that large parts of the population benefitted little from average growth in income, and this may explain a large part of the stagnation in travel by car in some countries. For the future, demographics (population size and age structure) as a driver for car travel demand will be increasingly important.

CO₂ Emissions

- ▶ Doubling fuel economy to stabilise emissions
CO₂ emissions will rise less strongly than mobility because of improving fuel economy. By 2050 global emissions from vehicle use might be 2.5 to 3 times as large as they were in 2000.

For emissions from cars and light trucks to remain at the 2010 level, fuel intensity would need to decline quickly and strongly, reaching 5 l/100km in 2030 declining to less than 4 l/100km in 2050.

Fuel economy and fuel tax revenues

- ▶ Falling fuel tax revenues
Expected improvements in fuel economy will lead to reduced consumption of gasoline in, for example, the USA and OECD Europe (Diesel consumption would first increase and then decline in OECD Europe). If fuel tax levels do not change, this means a strong reduction in revenues from the taxation of transport fuels. This prompts a need for revising transport tax structures, perhaps in the direction of distance-based charges.

To illustrate the point, a fuel economy improvement that reduces the CO₂ emissions of an average diesel car in France from 160g/km to 130g/km generates enough savings on fuel expenditures for most drivers to make the extra outlay on the car worthwhile. But the loss of tax revenue very likely turns a good deal for the driver into a bad deal for society, despite the benefits of lower CO₂ emissions.

- ▶ More km-based charges
One way to avoid this tax cost is to turn to kilometre-based taxes. These can be designed so that both drivers and taxpayers benefit from improvement in fuel economy, at least if the kilometre-charging system is not too expensive to run.

Subsidies for electric vehicles

► Limits to subsidies. To decarbonise transport radically a large proportion of the road vehicle fleet would have to use alternative energy carriers including electricity, probably with an accompanying change in models of vehicle ownership and patterns of vehicle use. Part of the strategy for opening up the possibilities for change is to subsidise the purchase of general purpose passenger cars by the public. Vehicle manufacturers need to count on such subsidy programmes being in place long enough to support investment in electric technologies.

In the longer term, however, vehicles will have to become competitive without subsidy, as the cost to public budgets would be excessive if subsidised electric vehicles were to become a large part of overall car sales.

At the same time, prices for some of the electric vehicles now on the market suggest that they are financially advantageous in some high mileage markets, such as delivery vans and taxis, even without subsidies. Policies to promote uptake through non-financial incentives and partnerships might make more sense than subsidies in these markets.

The global economy, trade, and freight transport by sea and air

► Recovery characterised by downside risks The 2008 crisis led to a major disruption of global trade flows. But global trade has now surpassed pre-crisis volumes and is expected, by the WTO for example, to return quickly to growth at the pre-crisis rhythm.

The International Transport Forum accepts this as a reasonable expectation but points to downside risks that are far bigger than upside risks:

- The emerging economies are the driver of global economic expansion post-crisis. But their growth model, notably in China, relies heavily on exports and on domestic investment. Given weakening of export demand and reduced availability of near-term investment opportunities, the Chinese economy may increasingly need to turn to other sources of growth, e.g. domestic household demand.
- The upward pressure on energy prices and uncertainties related to geo-political events could put a brake on growth.

► Trade figures underline the risks Data on external trade volumes for the EU and the USA reflect the shift in global economic mass to emerging economies through the composition of trade flows. The data reveal a reduction of trade deficits between the USA and China, between the USA and the EU and between Europe and China. But these reductions seem to be more a simple result of the 2008 shock than a fundamental change or a tendency to “rebalancing” trade. In that sense the trade figures contribute to our view that the current recovery is characterised mainly by downside risk.

To download a full copy of the Transport Outlook 2011, please go to <http://www.internationaltransportforum.org/2011/downloads.html>.

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