

# Unleashing the potential

**STRATEGY** More than 50 transport ministers and other stakeholders are gathering for the International Transport Forum in Leipzig on May 26-28, which is focusing on innovation in the transport sector. ITF Secretary-General Jack Short discusses the core issues with Chris Jackson.

**How does the International Transport Forum differ from the European Council of Ministers of Transport, and to what extent has this changed the focus of your activities?**

The ECMT had quite a limited membership. But the ministers realised that transport is a global issue, and now we have 52 members globally. India has just joined, and we are negotiating with Brazil and China, so we have representatives from most of the world's major economies.

We used to deal mainly with surface modes, but we brought in air and

maritime, and now we can take a strategic overview of the whole sector. It is a complex area with lots of actors, so we have moved to a bigger forum that brings together all the key stakeholders — politicians, companies and the research community.

**The theme of this year's ITF is 'unleashing the potential' for innovation. Do you expect this to focus on the evolution of existing technologies, or is there scope for radical change?**

There is clearly scope for both, but we are not just talking about

technology. We will also be looking at policies and processes, which are important. We need to get ministers to discuss the barriers to innovation — both political and practical. The big challenge is how to create an environment that will foster innovation.

Evolutionary improvements can make a big difference. Take fuel efficiency, for example. There is still a lot of scope to make the internal combustion engine up to 50% more efficient, which will help to reduce our dependency on oil. But there is also potential for radical breakthroughs — such as moving from oil to hydrogen

Short argues that there is scope to make the internal combustion engine up to 50% more efficient.



Photo: DB AG

or electric. I believe it is important to take a balanced approach. How much money and resources do we put into refining existing technologies, and how much to innovation?

**Transport has long been regarded as a driver of economic development, but it is arguable that current economic structures are based on an under-pricing of external costs. What scope is there for changing the balance to support a more sustainable global economic model?**

That's a huge question. It has been part of our work for a long time to try and understand the costs and benefits of transport; we have long argued that getting the policy right is essential. Internalisation of external costs is crucial, but getting it done is hard.

I do not think changing the cost structure offers a miracle solution for the rail sector — it won't double or triple traffic on rail. Getting the prices right will not shift traffic to rail of itself, but without charges for marginal external costs any attempt at promoting modal shift will be undermined and investment wasted.

The biggest benefits come in the urban sector, with congestion policy, which could benefit metros and light rail. Congestion charging has been successful where it has been introduced — look at London, Stockholm or Singapore. But the battle is not won yet. Holding referenda on introducing urban road pricing may not be the best way forward. They are very difficult to win — there are lots of reasons for voting No, which often reflect local circumstances.

In the inter-urban sector, fuel is already highly taxed, so I don't see the prospect of huge change. Look at the Swiss experience of road pricing — it has forced the road sector to improve its own efficiency, but it hasn't generated a real shift in modal split.

We do believe in tightening environmental standards, and maybe emissions trading. Changing the cost structure is about sending the right signals to the market, but it is not necessarily a modal shift policy.

**What can we do to reduce transport's dependence on fossil fuels — particularly oil? Is this dependent upon innovation, or changing the balance between modes?**

In our current work we have been putting the accent on fuel economy



Photo: OECD

**Jack Short** is Secretary General of the International Transport Forum and Director of the Joint OECD/ITF Transport Research Centre established in 2004. Having previously worked for the ministries of Transport and Finance in Ireland, as well as in transport research, he joined ECMT in 1984, becoming Secretary General in 2001.

and efficiency standards, but there is still a lot to be done. Improving fuel efficiency is the most effective short-term action, but it's only step one.

After the 1970s crisis, other sectors diversified away from oil, and we didn't. Allowing transport to remain dependent on oil would be a serious strategic mistake. Now we need to look at alternatives, and this year's ITF will have a session on going electric. Research and development is essential, but how much money will governments put in?

Some governments have set their targets very high for environmental reasons; they may be too ambitious and or too costly to meet. The technology is not ready, not reliable or too expensive. Subsidies can pave the way, but we need to be careful that we don't lock ourselves into a model that is dependent on subsidy forever.

But there is a lot of potential in niche markets — like rediscovering electric delivery trucks in the city. And there is scope for more railway electrification — in the UK for example.

We must remember that while oil is highly taxed in Europe, this is not necessarily the case elsewhere. We can reduce dependence by raising taxes, which will provide funding for investment. Look at the USA where fuel taxes are low but there is a huge deficit in infrastructure investment; there is plenty of scope. Oil dependency is one of the biggest battles we face.

**Do you anticipate that the recent closures of European airspace as a result of the volcanic ash cloud will have a lasting impact on international transport patterns?**

It's early days yet, and we have not seen the full consequences. The ministers are meeting to review the whole incident, and ITF will be looking at the wider issues, comparing how different countries address similar problems. I am not sure about the long-term effect. Our dependence on mobility is taken for granted, and I don't know whether people will really think twice about their need to travel.

But I do believe that there is a need to tighten up our thinking about risk management, where it is clear that the transport sector is hopeless. There is asymmetry in the decision-making process — it was easy to impose a blanket closure on very general grounds, but the decision to

## 'I do not think changing the cost structure offers a miracle solution for the rail sector'

**Jack Short** Secretary General, International Transport Forum

reopen airspace required much more specific evidence. It was the same in the UK rail sector after Hatfield, where the instant reaction to shut the network proved excessive, and by the time the restrictions were lifted it had cost the train operators a huge amount.

The other area where lessons can be learned is the provision of passenger information. There was very little information available about alternative modes and routes, and we have very poor intermodal information systems. We are nowhere near providing what the customer needs, but the existing business models make it difficult for companies to justify the investment.



**Do you feel rail is able to play a bigger role in the global transport mix? What are the main political, economic and environmental drivers?**

There are big opportunities for rail in certain markets, such as China. There will be another 120 million people living in Chinese cities within the next five years. Or in India, where 70 cities will reach a million inhabitants by 2030. This offers huge potential for metro and urban rail development. It is coming faster in China because they are already making the investment, but India is starting to follow.

Outside China, I am more cautious about high speed rail, where we have already gone a long way in Europe. It is a status thing — every mayor wants his city to be on a high speed line, but you need flows of 7 or 8 million passengers a year to justify the investment. The key is to make sure that political pressure does not distort the real investment priorities.

In the freight business, there are major opportunities for rail to capture traffic, where business is starting to pick up after the recession — flows to ports, for instance, or high value merchandise through intermodal.

There is an interesting opportunity in freight distribution to urban areas. Most cities do not understand the importance of the distribution of goods in ensuring their viability. Mayors often have ambitious plans

for passenger movement, by metro or light rail, but freight is not on the radar. I have been involved with a project looking at making deliveries in Paris by rail and water, and I think there could be huge scope here for innovation.

**What do you see as the major challenges for the rail industry in the coming years?**

Top priority must be ensuring proper spending on maintenance, where there is a high risk of retrenchment on investment which will hit all modes. We need to fight to defend rail maintenance budgets from being robbed to fund more high-profile projects. It is essential to keep assets in good condition. We have seen in the UK, in France, in the USA, the risk of letting maintenance backlogs build up, and how this can impact on rail's competitiveness.

The pressure on improving productivity must continue. Railways have made a lot of progress, but we need to keep on. There is a real problem in France, where the strike culture is crippling the railways — the loss of business is extremely damaging in both the short and long term. We have seen several attempts at reforming the freight sector collapse, and the railway simply cannot deliver on service quality. What should have been a huge opportunity during the airspace closure was completely

lost to the railways because they were on strike.

Independent regulation of the rail sector is also vital, if the European model for a liberalised single market is to succeed. Rail is always going to be at risk of political interference, but we have seen that independent regulation works where it has been introduced. However, there are still a lot of gaps, including some notable major players like Germany.

One particularly ironic challenge is the whole question of fuel dependency and alternatives to oil and coal. Railways are heavy carriers of coal in particular, and what happens to freight volumes if we reduce our dependence on fossil fuels? It's a long-term issue, but maybe carbon sequestration might be part of the answer.

Opportunities for freight growth could lie in moving upstream, like DB, into multimodal logistics, including warehousing and road haulage. Will this help to reduce the gradual decline in modal share over the past decades? There are big cuts to wagonload traffic coming in France. Maybe railways need to abandon some traffic in order to make themselves stronger and more efficient overall.

This brings us back to intermodality and building partnerships between modes. Long-term transport strategy needs joined-up thinking, which is what ITF is all about. ◀



Short argues that rail must exploit niche segments, such as freight deliveries in urban areas.

Photo: DB AG