Improving Cross-Border Transport

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International Transport Forum at the OECD

- An inter-governmental organisation with 54 member countries focussing on transport

- A think tank for global transport policy issues

- An annual summit of Ministers
Importance of supply chains

- The backbone of the global economy
  - Fuelling trade, consumption and economic growth

- The complexities of today’s economic environment

- Expanding global supply chains
  - require coordinated efforts to optimise network configurations
  - to synchronize global supply and demand

- Road transport crucial: It carries most of the goods in Europe, its modal share is increasing worldwide
Road related challenges

- Continued dependency on road freight
  - Options for shifting to other modes limited

- Infrastructure investments necessary but not sufficient

- Unmanaged road capacity no longer an option
  - Identify & target strategic bottlenecks
  - Regional planning key in port-hinterland networks
  - Focus on borders

- Significant impact on efficiency
Importance of supply chains

“International supply chains rely on collaboration with domestic as well as international partners – across borders” - The Honourable Denis Lebel, Minister of Transport, Infrastructure and Communities, Canada
Cross-border transport still facing multiple challenges

- **Border delays** are still very high in most parts of the world
- One day delay in transit reduces trade by 1%
- **Sources of delays:**
  - Waiting time
  - Lack of coordination between different authorities and countries
  - Limited use of electronic communication technologies
  - Incoherent procedures
  - Delays by other border agencies can be significantly more than customs
Coherent policy frameworks are the key to commitment to investment in cross-border infrastructure.

Corridor approach, aligning physical infrastructure and regulations across borders, can stimulate trade facilitation.

Trade facilitation does not always require investments in cross-border infrastructure.

- Softer measures for harmonised technical and market conditions are crucial (UN and TIR conventions).

Investing in agreements on common standards can reduce trade costs at least as effectively as investing in infrastructure.
Reliability carries a premium

“We like speed but spend most of our time making the supply chain predictable” – Jeff Langenfeld, VP, International Logistics, Walmart
(Un)reliability matters more than speed

- Costs of unreliability rival those of congestion (ITF/OECD 2009)
- Users often face delays at interfaces
  - Between borders
  - Ports and hinterland connections
  - Organizational interfaces
- Re-enforces the importance of focusing on cross-border transport
Policy framework for improving supply chain performance

- **Build:** Increase physical capacity either through supplying extra capacity or improving the quality of existing infrastructure
Build

- **Physical growth** through new, expanded or upgraded facilities (bottleneck removal, parking)

- **Higher network standards** can deliver higher reliability
  - E.g. long-life pavements reducing need for maintenance

- Providing additional capacity in infrastructure **has limited remaining scope in traditional corridors**
  - Time consuming, costly and politically difficult
Policy framework for improving supply chain performance

- **Build**: Increase physical capacity either through supplying extra capacity or improving the quality of existing infrastructure

- **Manage**: Better management of existing infrastructure
Managing existing infrastructure

“You can’t build useful roads if the issues impeding traffic from crossing borders aren’t addressed”

– Umberto de Pretto, Secretary General, IRU
Managing existing infrastructure

- Pro-active and active management

- Managing interfaces
  - Ports and hinterland connections
  - Borders
  - Between network providers
  - Organizational interfaces

- Governments have an important facilitation role
  - Providing necessary harmonisation and standardisation
  - Implementation of UN multilateral trade and road transport facilitation instruments
Policy framework for improving supply chain performance

- **Build:** Increase physical capacity either through supplying extra capacity or improving the quality of existing infrastructure

- **Manage:** Better management of existing infrastructure

- **Inform:** Informing users enabling them to mitigate the adverse effects of poor reliability
Information

- Diverge information is needed for different users

1. **Government** to design cost effective policies
2. **Network managers** to enhance service provision
3. **Users (carriers)** to adapt behaviour accordingly or to mitigate adverse effects of poor performance of supply chains (reliability)
4. **Logistics managers** handling the total trip not just part of the trip (e.g. TIR Electronic Pre-Declaration software)
Policy framework for improving supply chain performance

- **Build:** Increase physical capacity either through supplying extra capacity or improving the quality of existing infrastructure

- **Manage:** Better management of existing infrastructure

- **Inform:** Informing users enabling them to mitigate the adverse effects of poor reliability

- **Price:** Charging directly for reliability to achieve more efficient levels of reliability
Conclusions

- Global supply chains and transport networks form the backbone of the global economy
- To improve supply chain performance, focus on **interfaces** and better **management**
- Focusing on **reliability** can further improve performance of supply chains
- Provide **information** for all users to make freight arrival times more predictable
- Governments have a **facilitation role**
  - Enhanced interface (border) coordination and corridor management
  - Harmonisation and standardisation
Thank you

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