



**18th International Symposium on
Transport Economics and Policy**

**The Future for Interurban Passenger Transport
*Bringing Citizens Closer Together***

Madrid, 16-18 November 2009

REMARKS TO THE OPENING SESSION

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INTERNATIONAL TRANSPORT FORUM**

Minister, Ladies and Gentlemen,

On behalf of the International Transport Forum Secretariat, I would like to welcome all participants to our 18th Symposium. A sincere thanks to our Spanish hosts for the excellent facilities and the warm welcome we have all received.

Spain has always played an active and supportive role in the work of the International Transport Forum and its predecessor the ECMT. Spain is now one of our Vice Presidents and will take on the Presidency of the ITF after Canada's term ends in June next year.

Our tri-annual Symposia have been an important part of our activities since they started more than 40 years ago, in fact in 1964. When they set up our Research Centre and introduced these Symposia, Ministers asked that Symposia should "make clear the progress which was needed to make use of transport economics and to support better collaboration between theory and practice". I think you can say that this was quite a wise and forward looking demand and, as you know, bridging the gap between research and policy is a continuing challenge.

For many years the ECMT Symposia were the only place where academics, practitioners and policy makers came together to assess the advances or findings of research and discuss their practical relevance. And now, even though there are numerous opportunities to meet, this opportunity to step back and review the advances and ideas from research with policy makers is a valuable one

Our Symposia are changing in focus, because we have changed. We have changed from a European to a global organisation, from a fairly closed one to a much more open one and from one dealing only with surface modes in Europe to one charged with taking a broader view on the sector as a whole and doing so globally. As you may know, India has joined the Forum, and we are inviting China and Brazil to join also. Our symposia now try to reflect our more global focus, but they also aim to make a contribution to the strategic reflections at our annual Forum event. This was the case for our previous Symposium, held in Berlin on the topic of globalisation, which became the theme for the Forum in 2009. Our next Forum in May 2010 will treat the subject of innovation and we are hoping that the discussions here will provide some insights on that topic, on interurban travel.

Symposia have always dealt with the full range of topics in transport economics: pricing, investment, regulatory reform, competition, and so on. They have adapted to developments in economics generally and have expanded to bring in trade economics and now, as you will see this time, the new economic geography.

We have always provided a home and outlet for research. Despite its ownership by Governments, our research is independent and much of it is peer reviewed. It is not interfered with by the Ministers or civil servants and is therefore, for them, a valuable reality check. Many critical remarks have been made of transport policy in our research and I am sure this event will also challenge some of the policy assumptions and actions in the Member Countries.

Looking in the longer run, there is no doubt that policies have changed because of the insights of research. This is most evident on opening markets and on competition, where the findings of research on the economic benefits have led to significant policy reform in most Countries. Of course, there are still opportunities in this area but nevertheless a lot has changed. And in other areas, like road safety, exemplary research has led to major policy changes and concrete results, albeit with some delay.

An area where researchers have been remarkably consistent is on the potential for much greater use of economic instruments and in particular pricing. We have papers going back to the 1960s, for example, from RJ Smeed and Alan Walters (just to mention two UK economists, without provoking our French attendees, whose tradition on this topic goes back to Dupuit in the 19th Century) that remain relevant today. On this topic, policy change is much more uneven, though there is a growing understanding that economic instruments work, as well as an expanding set of practical examples. However, in applying economic principles of pricing, we still see muddled motives and the temptation to use pricing as a revenue raising tool has not always been resisted.

This is the third symposium hosted by Spain. The first, in 1975, was held in somewhat similar circumstances to this one, in a recession following a crisis, though the origins of the crisis then were energy prices, which multiplied by four in that period. Some of the conclusions drawn then seem rather at odds with how we see the sector now. For example, it was said: *"The transport sector is in a rather privileged position as regards costs and availabilities of fuels"*. This was for two reasons – the relatively high taxes, therefore shielding the sector from price increases more than other sectors and the relatively low share of gasoline in European oil consumption, less than 20%. Perhaps this attitude explains the aftermath of the first energy crisis when transport was the only sector to continue to increase its dependence on oil.

Perhaps more surprising, a report by Brian Bayliss recommended the introduction of speed limits, for energy saving reasons. This emphasises the low priority that road safety had at the time. Incidentally, Brian also recommended reductions in the sizes of cars, something that we are still recommending, although with little success until very recently.

Bayliss' conclusions: *"Very substantial savings in energy can be achieved without placing any additional burdens on industry and by placing only a limited constraint on commuter or leisure motoring."....."It has been estimated that new car technology could cut fuel consumption by a half",* are actually quite close to the conclusions we are drawing today in the context of climate change policies, even though the topic was not even mentioned back then.

In 1982, the symposium was also held in Spain and was entitled *"Transport is for People"*. The seemingly banal title was nevertheless a way to examine some of the demand side and social aspects of transport including working conditions; a topic rarely treated. It is a nice coincidence that the theme Spain chose 25 years ago will be a theme of the Spanish Presidency of the International Transport Forum in 2011 under the title Transport and Society

Of course some things said in 1982 didn't quite turn out as hoped. One author said: *"The Channel Tunnel is a vital necessity....which will be a great benefit to the finances of all European railways and to the economies of Europe"*.

But there were themes with very strong resonances in the present. In a keynote paper, Peter Cerwenka quoted the theologian Romano Gardini, who said *"Most people don't know where they want to go, but they want to get there as quickly as possible"*.

Whatever about the first part of the quote, the second part on increasing speed, remains a central topic in our discussions and features heavily in the papers for this event, especially that of Jacques Thisse, Yves Crozet, and Katsuhiko Yamaguchi. The seemingly unending search for higher speeds is something that needs careful appraisal.

One thing I can say is that the papers for this Symposium are of a very high level, with a far deeper and broader scope than those in 1982 or 1975.

Of course, many of the themes are not new, but there are always new elements and the remark of Jacques Tisse in his challenging paper: *"How to design optimal transport policies remains the most difficult issue"* shows that the question put by Ministers all those years ago is perfectly valid and one whose answer still eludes us.

It is clear that the so called "new economic geography" gives us much to think about, even to the extent that we have been even understating the importance of transport to prosperity and growth. This undoubtedly is a rich theme for discussion when we contrast it with the often stated need to reduce mobility for environmental reasons. This dilemma has always been with us but it seems to be even starker now with opposing positions firmly drawn.

We have excellent overview papers on high speed rail, including our first Symposium paper from Japan on Maglev. Chris Nash, a world authority on this subject, has harsh words for some projects when he says: *"Having built it, it would have been better to have left it unused"*. As he points out, such strong conclusions apply in a limited number of cases only, but they highlight the need for careful evaluation before going ahead with massive investments.

Didier Van de Velde provides a wide ranging and much needed update on the often forgotten sector of coach and bus services, including the question of why such services are not allowed in some Countries order to protect the railways.

"The past is not a good guide to the future" is a statement from the 1982 event and is reflected in papers for this event too, in particular in David Gillen's overview on international aviation. Here the issue is whether global trade growth trends will resume as before the crisis or whether there will be some forms of structural adjustment to it. The same idea of a break in historic trends is raised in the papers which discuss whether car traffic is actually peaking in the developed Countries.

These are important questions, sharpened by the climate discussion, where the forecasts for our sector usually show a doubling or tripling of transport volumes globally over the next thirty or forty years.

Dealing with environmental impacts has gradually moved to the forefront of transport policy challenges. The reports in 1982 included a strong environmental component. Interestingly, the pleas then were for limits to growth (in this case, lorry tkms) through restrictions on the issuing of licences for international trucking. This argument was lost in practice, since lorry tkms in Europe now are three times higher than then, but there are still adherents to this administrative solution, including several governments. And this is one of the risks that protectionism is dressed up as environmental policy. It will be helpful to disentangle the threads of this argument as many governments do not see through it clearly. Perhaps Per Kageson will do this as he has always tried to combine a strong environmental viewpoint with proper use of economics. It still seems clear that the potential of economic instruments in this area is underexploited.

One of the cross cutting issues we are very interested in is that of innovation. As I said, this is the theme of our major Forum event next May in Leipzig and I hope we pick up some insights and points for political discussion at our Forum. For example, I will be interested to see whether views are shared on Yves Crozet's remark on the "slow percolation of technological progress" in transport. And will you agree with Clifford Winston's more blunt assessment that an explanation lies in the fact that one of the greatest barriers to innovation in the sector is the "*failure to deregulate and privatise*"? Your conclusions are awaited with interest.

For certain, one conclusion will be that we need more research – we always do, and it will not be surprising that researchers will take this as a given. What will be helpful will be to be specific on the gaps that there are. I believe we need more research on implementation as there are many findings, known to be effective, that are either very slow or very difficult politically to implement. What causes the "slow percolation of research insights into policy?"

Another area for improvement, and this too has been said many times in the past, is the quality of transport data. We see this when we compare our data to other sectors and we see it very clearly now in the intense discussion on CO₂ reduction strategies. There is still very little analysis or data on measures or their effects and their costs. Here, policy making takes place in too much of a data vacuum, leading inevitably to wasteful actions.

I'm sure you will want to say something on markets and competition. You may agree with the remark "*Trade is not the cause of the present crisis but it may be a casualty*" of David Gillen. Indeed, we see Countries trying to close markets, restrict or repudiate bilateral deals, and even see them going back to market share arguments for transport that we had thought finished. Perhaps you will see fit to repeat what you have often done on the benefits of open markets and competition.

And now, just a few weeks from COP15 in Copenhagen and the hope of a global deal on CO₂, you will no doubt want to contribute to saying how can transport find the right path to make a contribution to global efforts to innovate away from our over dependence on oil and yet maintain the economic benefits that access and mobility provides.

And I'm sure you will have many more ideas. I wish you all stimulating discussions. Here ideas are free and national political views or lobby group positions are subject to the same critical assessment as every other statement. Unlike some of our political meetings, we are not looking for consensus. Consensus has no place in science, just the truth!