

**TRANSPORT**  
FOR A **GLOBAL ECONOMY**

*Challenges and Opportunities  
in the Downturn*

**SUMMARY CONCLUSIONS OF POLICY PANEL 4**

***International Leaders' Roundtable  
Moving the Agenda Forward***

***Friday 29<sup>th</sup> May 2009***

**Participants:**

- Carlos Grau Tanner, Director, GOVERNMENT and Industry Affairs, International Air Transport Association
- Johannes Ludewig, Executive Director, Community of European Railway and Infrastructure Companies
- Martin Marmy, Secretary General, International Road Transport Union
- Spyros Polemis, Chairman, International Chamber of Shipping
- Scott Price, CEO, DHL Express Europe
- Hans Rat, Secretary General, International Association of Public Transport
- Matthias Ruete, Director General, Transport and Energy, European Commission
- Jamal Saghir, Director, Energy, Transport and Water, World Bank
- Ronald Widdows, CEO, Neptune Orient Lines

*"Where does it go next?" Patrick Dixon*

The International Leaders' Roundtable was a welcome opportunity to carry forward the agenda by discussing how Ministers, the private sector and international organisations can work together on a forward-looking, longer-term vision for the transport sector. Patrick Dixon, an expert on global trends who has been described as "Europe's leading futurist" and ranked as one of the 20 most influential business thinkers today, was invited to moderate the session.

In his opening words, Patrick Dixon appealed to the auditorium to look beyond the current crisis and focus their attention in particular on innovation, the topic of next year's International Transport Forum.

An informal polling of the audience revealed a near-unanimous belief that the world should be heading for an economic recovery within the next 36 - 48 months.

*“12 months ago, the talks around this Forum were all about the massive oil prices and how the industry could survive. The assumption was that environmental innovations would pay for themselves out of energy reduction and climate change policy.” Patrick Dixon*

### **Stimulus packages will take time to facilitate results**

But Patrick Dixon warned that the majority of economic stimulus measures would only start taking effect with a certain time-lag, and begin showing their true impact well into the recovery phase on account of the project timeframes of infrastructure investments in areas such as high-speed rail, harbours and airports.

Dixon also criticised what he called the “last century mentality” of thinking of the energy and the transport industries as two separate constructs. The realisation that the future of transport is directly linked to the future of energy is only the first step, he argued. “Many of the innovations we are dreaming of will depend on alternative energy production in the future.”

Patrick Dixon went on to describe the fundamental challenge of the world's changing demography: “There are one billion children alive today, all of whom will be adults and want to be mobile within 15 to 20 years. That alone is a significant driver of urbanisation.”

The resulting surge of urbanisation and demand for mobility bears dangers and opportunities for the sector. “If we manage to deal with it, we should be heading for a very exciting future.”

*“We need to look beyond the crisis and prepare the sector for the future.” Binali Yildirim, Minister of Transport, Turkey*

### **Innovation and cooperation help to overcome the crisis**

In his address, Binali Yıldırım, Minister of Transport of Turkey and President of the 2009 International Transport Forum, acknowledged that the transport sector had

been badly hit. The swift downturn has translated into a drop in the demand for transport services and resulted in job losses, he noted. However, transport policy can play a role in overcoming the crisis and preparing for the challenges of the future.

*“The importance of transport has not been diminished by this crisis; if anything it has increased.” Minister Binali Yıldırım*

International co-operation and co-ordination need to be strengthened at this time, noted Minister Yıldırım, emphasizing the role of the International Transport Forum as the platform where global transport policy is being formulated.

In the knowledge that trade and transport have to work together and rely on each other internationally, he concluded by calling on his colleagues to concentrate on infrastructure improvement as a lever for job creation and improved competitiveness.

The Canadian Minister of State for Transport, Rob Merrifield, who is presiding over the 2010 International Transport Forum, took the opportunity to call to mind the importance of international co-operation: “If there’s one thing that last year should have taught us is, [it is] that we are so connected as a world we absolutely must work together to move forward.” Taking up a recurrent concern stated throughout the Forum, Minister Merrifield warned of the dangers of protectionism: “If there is one thing we need to do, it’s protect ourselves from protectionism,” he declared.

Minister Merrifield expressed his conviction that innovation will help drive the industry through the recession and allow it to succeed.

### **Connected thinking in transport**

Despite the current economic challenges, business is moving forward. DHL Express, for example, opened its new European hub in May 2008 in Halle/Leipzig airport, where the entire European operations are now handled. CEO Scott Price reported on the company’s rationale for moving to Leipzig: “We see a huge growth in volume coming out of Eastern Europe and a lot of capital investment, and of capacity for Western Europe consumption coming back into Central Europe on account of the long-term risk on energy prices.”

When projecting the future of transport, experts are looking at a time-frame of 20

to 40 years. According to Matthias Ruete, Director General of Transport and the Environment at the European Commission, a zero emission urban environment may become reality in this period through zero emission housing, urban transport, and energy production and distribution grids. Mr. Ruete also recalled the importance of a rigorous and effective regulatory framework to aid infrastructure development.

Scott Price drew attention to the fact the transport sector, as an inherently international industry, needs a predictable regulatory environment in order to have some planning dependability. To be effective, he claimed, the efforts of the industry must go hand-in-hand with government regulations. To illustrate the importance of this statement, he gave an example of how industry initiatives to improve the climate footprint are undermined by flawed regulation: DHL began an initiative during the downturn to upgrade its fleet to more fuel-efficient models and improve utilisation rates; however, at the same time, 30% of all trucks run empty in Europe due to cabotage regulations.

*“I am a great believer in free markets that are properly regulated - and it’s the responsibility of governments to properly regulate.” Scott Price, CEO, DHL Express*

Matthias Ruete agreed that optimised tools and integrated operations could have a significant impact, pointing to the implementation of the European Rail Traffic Management System, which will make more efficient use of the existing rail infrastructure in Europe.

Promising examples of truly integrated logistics systems also exist, Ron Widdows, CEO of Neptune Orient Lines, noted. The Alameda Corridor, a 20-mile-long high capacity freight expressway linking the port cluster of Long Beach and Los Angeles to the transcontinental rail terminals near downtown Los Angeles, has improved efficiency, congestion and transit times and made a huge positive impact on the environment.

*“We have seen the need for connected thinking in terms of transport”. Matthias Ruete, Director General of Transport and the Environment, European Commission*

Innovation is one of the main drivers of development. Jamil Saghir, Director of Energy, Transport and Water at the World Bank, appealed to the transport sector to increase investment in research and development. Thriving cities, mobile people and vigorous trade have been the catalysts of progress and welfare in the last two centuries. These components will remain constant for the future, he noted. Urban areas are becoming more and more important to economic growth -

the greater Cairo area, for example, is contributing 40% of Egypt's GDP - the question of how to get goods movement separated from the movement of people in a way that makes continued access to those urban areas efficient, is getting tremendously important.

*“If the transport sector doesn't drive the climate change agenda, it's going to be the energy agenda that drives the transport and climate change agenda.” Jamal Saghir, Director, Energy, Transport and Water, World Bank*

Addressing the question of how to finance such expensive projects, Mr. Saghir pointed out that the private capital flow in infrastructure finance would decline by around USD 700 billion. This is extremely serious, as it changes the rules of the game completely. Institutional banks are also very concerned about the issue of maintenance in transport. Neither developing countries nor emerging markets are allotting adequate funds for the maintenance of their road and rail infrastructure.

### **The challenges of fleet renewal and environmental protection**

In addition, the transport sector will not only be challenged by maintenance but also by necessary modernisation cycles. In the shipping industry, for example, the next wave of renewal is coming soon. The industry will have 50-60% of tonnage of the world fleet delivered within the next three years. These modern ships will be significantly more fuel-efficient. Still, even this new fleet of ships will not meet future environmental standards. In other words, the entire fleet will have to be changed again within the next couple of decades. In view of this situation, Ron Widdows outlined his position: “Before our industry invests the next trillion dollars - and that's what we are talking about - you do need to have some clarity of where regulatory and standard setting is heading”.

Spyros Polemis, Chairman of the International Shipping Council, pointed out that the shipping industry relies heavily on innovation in shipping construction. Whereas in the last ten years ship engines have improved their fuel efficiency by 20-25%, the optimisation of cargo-carrying capacity has reversed this development in certain areas. Regarding the next ten years, similar efficiency gains will be reached through a combination of design and engines.

Johannes Ludewig, Executive Director of the Community of European Railways and Infrastructure Companies (CER), noted that future design decisions are largely conditioned by pricing dynamics. If the price incentive is right, then more energy-efficient design will follow.

In the trucking industry, Martin Marmy, Secretary General, International Road Transport Union (IRU), reported that silicone would be a key pillar of innovation, both inside computer chips to improve vehicle management, and in ceramic engines and gearboxes, making them resistant to higher temperatures.

As in the shipping industry, the sources of pollution in aviation are highly mobile. Consequently, the sector is encouraging a global set of policies, because regional regulatory frameworks have begun to emerge. This is extremely complex and expensive to handle for the industry.

Carlos Grau Tanner, Head of Government Affairs at the International Air Transport Association (IATA), pointed out: “There is no stronger incentive than last year’s oil prices for the airline industry to become extremely fuel efficient.” While installing new upward wing tips and an optimisation of traffic control have already greatly improved the climate footprint, a single European air space and other short-term actions and political decisions will be necessary in the future. Regulations that quite often are based on governmental agreements and treaties from the 1940’s will have to be changed.

*“The transport system is a service system, and we have to ask ourselves how we can service the objectives which are there.” Johannes Ludewig, Executive Director, CER*

Driven by new mobile electronic devices and services, patterns of urban transportation behaviour are changing, Hans Rat, Secretary General of the International Association of Public Transport (UITP), observed. All over the world, public transport companies are observing an increasing number of users. This process started before the crisis, and continues to grow, creating huge new job opportunities in the sector.

*“Innovation is changing mobility patterns.” Hans Rat, Secretary General, UITP*

Johannes Ludewig reported of efforts the rail industry is undertaking to maintain the sector’s sustainability advantage in the future. For 2020, railways are targeting a reduction of specific energy consumption by around 30%, higher than the objectives set by the European Union. However, a problem for rail is how quality and structural infrastructure needs can be financed reliably into the future, especially given that parts of the system are underfinanced today.

Panellists agreed there are tremendous opportunities in optimising transport by innovation, without spending trillions of dollars in investments. But those gigantic improvements in the efficiency of supply chains will require some regulatory and legislative statements, and an open dialogue between the governments and the industry.