

# Asia-Europe Transport Development Forum

## **Outcome paper Vilnius, 19 October 2009**

Presented to the ASEM Ministers of Transport on 20 October 2009 by  
the Forum co-moderators:

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Representatives from the Asian and European transport and logistics business community have met in Vilnius at the Asia-Europe Transport Development Forum on 19 October 2009.

### Attendance:

- Over 250 participants
- With a wide geographic coverage; i.e. from Europe and Asia
- With a 360° representation from businesses, academia and officials from governments and international organizations covering all modes of transport
- Active and intensive information sharing and debate on key issues

The Forum has:

WELCOMED the first ASEM Transport Ministers' Meeting, taking place in Vilnius, on 19-20 October 2009, believing that a continuous dialogue on transport policy development and implementation under the ASEM framework will form a sound basis for a stronger competitiveness of Euro-Asian transport and logistics business and contribute to the intensifying relations between the continents;

DISCUSSED the topics of highest importance to the Euro-Asian transport and logistics business;

OUTLINED the key recommendations to be presented to the ASEM Ministers of Transport, in order to enhance the conditions for Asian and European transportation business.

### Main topics:

#### ***Global economy and its impact on transport and logistics – the big picture***

- Is the economic crisis over?

Participants have been of different opinion. Some participants were optimistic and were of the opinion that the economic crisis is close to be over. The traffic figures by e.g. Maersk already showed a modest increase compared to previous year's decline. There

was also a concern for the recession to be prolonged or to return with full forces or perhaps to embark on a W curve recovery once the impact of the stimulus packages is gone and there is no replenishment. The questions if subsidies were granted to the right economic players, about the real effects of “bail-outs”, the painful, but useful benefits of the crisis to strengthen the survivals etc. were touched upon, without in depth discussions.

- Growing awareness of changes in transport to support sustainable development and to address climate change

During the discussions business representative joined forces with the other participants in underlining the importance that the transport sector must contribute to sustainable development and as such must act in a responsible way, particularly when it comes to climate change. Three forthcoming events have been considered as important in the process a/ to show that the transport sector has already made significant progress to “green” the sector first of all in the area of local pollutants; b/ to promote further measures towards sustainability. These are: COP’15, the United Nations Climate Change Conference in Copenhagen 7-18 December<sup>1</sup>; the Fourth Regional Implementation Meeting for Sustainable Development (RIM-4)<sup>2</sup> - providing input from the UNECE region to the 18th session of the Commission on Sustainable Development - will be held on 1-2 December 2009 in Geneva, and the review and policy session of the UN Commission on Sustainable Development in 2010-2011<sup>3</sup>, where transport will be one of the main topics.

- Growing concern for security

Security requirements have become stricter and broad ranged, particularly in maritime transport and aviation. While inland transport is – for the time being less affected – it also has to comply with provisions on container security. These developments have already contributed to cost increases in transport and logistics.

- Expected changes:
  - More balanced trade between Asia and Europe
  - Higher transport costs
  - New economic geography

### ***Transport Infrastructure***

- Huge need to maintain and develop transport infrastructure

Participants would like to see that existing transport networks are not let dilapidate in the first place.

At the same time economic growth needs transport expansion, particularly to improve connections between Europe and Asia.

It is to be born in mind that between 2003 and 2007, the UNECE and UNESCAP worked closely with Euro-Asian countries to develop and promote the Euro-Asian Transport Links (EATL). Since September 2008, the Euro-Asian Transport Links Phase II has

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<sup>1</sup> <http://en.cop15.dk/>

<sup>2</sup> [http://www.unece.org/env/SustainableDevelopment/4Session/RIM\\_4.Dec2009.htm](http://www.unece.org/env/SustainableDevelopment/4Session/RIM_4.Dec2009.htm)

<sup>3</sup> [http://www.un.org/esa/dsd/csd/csd\\_csd18.shtml#](http://www.un.org/esa/dsd/csd/csd_csd18.shtml#)

continued to assist EATL countries in developing efficient, safe and secure Euro-Asian land and land-cum-sea transport links.

A short discussion took place about the need to pay more attention to network development versus corridor approach. In this regard in addition to the EATL, the Trans-European Motorways, the Trans-European Railways, as well as the TEN-T projects set an example.

Several infrastructure projects have been presented. Among them e.g. the Rail Baltica that was seen not just as an infrastructure development issue, but also as a vital program to integrate the Baltic States to the common rail network and market of the European Union.

- Challenge how to finance infrastructure projects

Several presentations and the following debate highlighted that funding of infrastructure projects continues to be an issue. Public funds are likely to be limited also in the future. The interest of the private sector to finance large projects will likely be more limited after the crises than it was before. Therefore governments may need to review and even change the risk sharing to make projects more attractive for PPPs. In addition, governments will need to “un-lock” capital markets for transport projects and this way to lean more on funding by pension funds etc. A word of caution has been repeatedly given however, that such arrangements would still be part of the contingent liabilities for governments, therefore prudent approach is warranted.

Thanks to the several participants from China, the securitization of their roads as an alternative way to raise funding was indicated, but not discussed in details due to time constraints.

A somewhat heated discussion – without conclusions - took place about the idea to use road user charge revenues to fund railway development.

- Increased attention to ports and their hinterlands

A big number of ships are in the order books and they will be delivered soon. In addition many new ships will be of the giga-size. Thus they considerably increase the supply capacity in maritime transport. More importantly, they will pose technical challenges for ports (dredging included).

It was also a generally shared view that despite this challenge the real problem is not the ports, but their hinterland.

### ***Transport Services***

- Can rail freight services compete with maritime transport on the Europe and Asia routes?

Since the Asia-Europe trade takes place first of all through maritime transport and ports considerable amount of discussion was devoted to the polemic if the Euro-Asia land transport can compete with maritime transport, or does it offer at least an alternative or land transport - in this regard we talked about railways in the first place – offers a complement only. It was highlighted that before the current economic crisis it seemed to be likely that the Euro-Asian land bridge may become competitive if – among others – the journey time is improved. The Russian Railways program to reduce travel time to 7

days was welcomed. At the same time, it was clear that the increased competition for survival among the shipping lines reduced sea fares to the extent that today it is not easy for the railways to attract cargo. On the long run, however the railways is likely to further improve its share of the traffic provided both infrastructure development and border crossing facilitation measures are embarked on.

- Border crossing facilitation: it is not enough to take action, the impact needs to be measured as well

Several best practice examples have been mentioned, like the Lithuanian-Belarus rail border crossing time, Singapore' TradeNet etc. Participants learnt about the OSCE-UNECE initiative to develop a model to measure the performance of border agencies. They were also invited to consider piloting it out so that the final model could be easily introduced by any government that is serious about trade and transport facilitation. At a more advanced stage governments will hopefully decide not only to use it, but also to publish their results. That way they will be able to benchmark the performance of their border agencies.

Further more, it was underlined that as a first step governments must join and then implement relevant multilateral conventions (e.g. Convention on the Harmonization of Frontier Controls of Goods, CMR and the new protocol on e-CMR etc.

- Stability in doing business conditions

Many called for more stable and predictable doing business environment for transport operators, particularly with regard to railway tariffs. Businesses need to be able to plan and for that they would prefer to have tariffs kept stable at least for a year. In this respect it was also considered as a handicap for the Euro-Asia land bridge that there are several different legal regimes governing transport.

- Rail freight operators are "lamed" to compete by excessively high Track Access Charges in the new EU Member States

The information by the Community of the European Railways about the levels of rail track access charges (TACs) repeatedly highlighted that rail freight operators in the new EU Member States and particularly in the Baltic countries have to pay more than their Western competitors. Should there be no other competition handicaps for them, the TACs alone can undermine their market position.

- High time to embark on reforms that increase competitiveness

While participants were of the view that governments should be more consistent and faster with the reforms to be made, they also stressed that railway enterprises must do their homework, too.

- Potential of combined transport

Another important issue raised by the shipping industry was the need for a strategic partnership among the participants in all modes in order to achieve added value throughout the whole transportation and logistics chain. It was highlighted by COSCO that due to higher efficiency and lower logistics cost, land bridge is becoming another potential transport mode following the traditional shipping industry. This has some serious implication on shipping companies, which will improve their services, mainly by

extending shipping industry chain to land transportation services on both sides: they will create integrated logistics system including shipping, terminal operation, logistics supporting facilities, value added services, and eventually transfer from traditional shipping carriers to global logistics suppliers.

Recommendations:

- Create an institutionalized structure for the ASEM transport initiative, with the task to successfully implement the dialogue on transport under the ASEM format and to ensure its continuity;
- Support the formation of efficient, safe, secure and reliable international supply chains, which enable coordinated development of transport infrastructure and closer cooperation on the provision of transport services and thus create the basis of successful international competitiveness;
- Cooperate closely in order to facilitate the development of intermodal transport and co-modality and thus contribute to the creation of more efficient, effective and sustainable transport systems;
- Support the development of alternative transportation routes between Europe and Asia and make efforts to closer integrate inland and maritime transportation into effective international multimodal transport and logistics chains;
- Strengthen the cooperation to develop transport infrastructure of regional and international importance, thus creating the ground for better competitiveness in the long term;
- Work together in order to provide the Euro-Asian transport and logistics sector with a fully integrated multimodal transport infrastructure to enable faster and more reliable transportation at lower price and smaller costs to society;
- Take necessary measures in order to avoid actions which protect national interests and hinder smooth international transportation of goods and mobility of passengers;
- Harmonize national transport regulation rules, especially through the facilitation of border crossing procedures, and thus provide a smooth operating environment for international transport and logistics business;
- Build on the existing successful examples of the formation of international transportation corridors in rail sector and to extend this experience for cooperation in other transport modes as well as intermodal transport;
- Encourage private sector participation in the development of transport infrastructure through the provision of a fair legal base, which sets clear and harmonious rules on the usage of private capital in the implementation of various infrastructure projects;

- Address the potential of Public-Private Partnerships. Lessons from implementation of large scale PPP projects have to be facilitated as a best practice between Asian and European countries.
- Accelerate harmonization both in technical and regulatory fields and with regard to investment planning;
- Sign, ratify and implement international transport conventions;
- Increase stability for doing business conditions for transport carriers and freight forwarders;
- Governments should not stall long needed reforms any more! However, railways must do their homework as well;