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Item 8 of the provisional agenda

Transport and Competitiveness

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Note by the secretariat¹

1. At its 73rd session in February 2011, The Inland Transport Committee considered Informal document No. 1 – “Supply Chain Challenges for National Competitiveness through Transport” prepared by the secretariat. The document provided a review of the existing practices used for benchmarking and measuring performance of the transport sector and its services. It identified several gaps in the existing literature and practice and showed that there is a need for development of a common methodology that will be able to measure contribution of transport services to national competitiveness and assist policymakers in assessing performance of their transport systems.

2. On the basis of this document and the ensuing discussion, the Committee approved the establishment of a Task Force under Working Party on Transport Trends and Economics (WP.5) to advance the work on the project and invited other relevant Working Parties to participate. Following up on the relevant decisions by the Committee and the Working Party, the secretariat invited member countries soliciting experts for the Task Force. **The first meeting of the Task Force** was held in May 2011 with the participation of experts from France, Sweden, Switzerland, Germany and Turkey. Several other countries were interested to join but were not able to attend this meeting.

3. The meeting considered the objective, scope of the project and its timeline. The Task Force also discussed the role of transport in modern supply chains. It concluded that the necessary first step in further analysis would be more detailed assessment of the new role of transport, because it would contribute to better understanding of the complex relationship between transport and the overall economic competitiveness of a country. To this end, the

¹ The present document reproduces Informal document No. 8 presented at the seventy-fourth session of the Inland Transport Committee that took place from 28 February to 1 March 2012.

Task Force asked the secretariat to prepare a theoretical paper to be discussed among the Task Force members. This document was considered to be the foundation for the development of a new methodology. The analytical work would be carried out by the secretariat with national inputs. The Task Force members agreed to provide feedback to the document at the next meeting in September 2011, so that the theoretical foundation can be finalized in November 2011.

4. Furthermore, the Task Force considered the review of existing methods available in academic literature and in practice of international organizations and professional associations also prepared by the secretariat. It concluded that none of the existing methodologies which assess the role of transport and its contribution to competitiveness is capable of providing the realistic result due to their various shortcomings. The Task Force therefore reiterated once again that development of the new methodology, which should be based on evidence and complemented by substantive inputs from member countries, is very much needed for Governments wishing to assess the real contribution of the transport sector to the overall competitiveness of their economies, and to implement adequate policy interventions to improve performance and address shortcomings identified in particular areas.

5. Following the request by the Task Force, the secretariat prepared the paper which outlines theoretical foundation of the part of the project that aims at developing a methodology for assessing the performance of a national transport system. This work was considered to be a building block in development of a methodology since it underpins the belief that transport plays an important role for national competitiveness. Both in academic and professional literature a consensus is lacking on how to measure the performance of transport system. Moreover, there is a tendency to measure transport performance by using its traditional indicators which may not be sufficient to account for its role in modern supply chains.

6. The secretariat's paper "Understanding the modern role of transport" reviewed the relevant literature and provided more insights contributing to a better understanding of the modern role of transport. The paper reviews the literature on the modern role of transport, analyzes and evaluates the role and characteristics of each transport mode and presents a number of findings outlining a systematic overview of the role of transport. The paper was circulated to the members of the Task Force and presented at the 24th session of the WP.5 in September 2011. The **Task Force held its second meeting** in September 2011, back-to-back with the session of the WP.5.

7. Members of the Task Force expressed appreciation for the document and in the ensuing discussion made a number of valuable comments aimed at improving the content or clarifying some conclusions and findings. Recognizing its informative value, it was agreed that, once all the comments are consolidated, the document should be published. The Task Force agreed that a simple methodological approach should be taken and that it should be similar in structure to the Human Development Index. The indicators to be used for assessment and the methodology should accommodate situation which varies from one country to another. The weights given to indicators should also be flexible enough to allow that specificities of the situation in transport sector in different countries could be adequately reflected. The transport performance model and the resulting single "transport performance indicator" should thus give to transport authority in a country a simple, yet evidence-based, indication of the contribution of a transport sector to competitiveness of a national economy. Systematic and chronological monitoring of such an indicator obtained through aggregation of individual indicators based on performance of each individual transport mode would allow national authorities to quickly identify problematic areas and undertake the required remedial measures.

8. The secretariat informed the Task Force that for the next step in the project – development of a methodology, a consultant would need to be engaged as this task requires specific knowledge and expertise which secretariat does not possess. However, due to financial constraints, such an engagement would not be possible before the beginning of 2012. Secretariat, therefore, asked members of the Task Force to consider the possibilities of providing financial support to the project which would allow that the agreed timeline is respected and that the project is not delayed due to financial constraints, especially bearing in mind the fact that previous phases of the project have been accomplished entirely in-house although it was originally planned that they would also be carried out by a consultant.

9. The next meeting of the Task Force will be held pending the completion of the draft methodology (possibly in the spring 2012).

10. Since the project is now at the critical juncture, **the Committee is therefore asked to consider the possibilities for providing extra-budgetary resources** which would allow the secretariat to engage a qualified consultant and complete the project according to its timeline.