

**ECMT/UNECE SEMINAR ON INTERMODAL TRANSPORT  
BETWEEN EUROPE AND ASIA: OPPORTUNITIES AND CHALLENGES  
HOSTED BY THE MINISTRY OF TRANSPORT OF UKRAINE**

**OPENING SPEECH**

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*The views expressed in this paper are those of the author and do not necessarily represent the views of ECMT or those of its Member Countries*

Minister, Ladies and Gentlemen,

I would like to begin by thanking the Ukrainian Government and in particular the Transport Ministry for hosting this Seminar. It is the first formal ECMT event in Ukraine and we are delighted to be here with our partners for this event. Personally, it is a pleasure to be back in Ukraine and in particular in the beautiful city of Kiev.

We would like to thank our partners and especially the United Nations Economic Commission for Europe in helping to prepare this event. We have brought the Working Groups on Combined Transport in the two organizations together and given them a broader scope in renaming them the Working Groups on Intermodal Transport and Logistics. We hope this is a good sign of the co-operation between us as well as a forward looking approach that it is going to bring benefits for all the countries involved.

It is especially encouraging that Ukraine is hosting an event on intermodal transport and that the Country is taking a keen strategic interest in the development of international intermodal and combined transport. The details of how you are doing this will be presented in more concrete presentations later and we are all looking forward to learning of your experiences.

At the outset we need to be clear on what we are talking about. Combined transport encompasses several different concepts. There are rather narrow and specific forms like the rolling road system where full lorries are carried on rail; there are the systems using specialized intermodal units like swap bodies where lorry chassis are carried on trains and of course there are containers. In a broad sense, we are speaking about traffic that could go by road that is taken at least for part of its journey by rail or water. And it is in this broad sense that I treat the issue.

We know that road transport is increasing rapidly in all parts of Europe and in particular in the CEE region. And that rail transport has declined dramatically. Most Central and Eastern European Countries have seen declines of up to 60% in traffic carried by rail. Bringing these facts together, we see that since 1980 the market share of road transport in Central and Eastern Europe has increased from a quarter to almost 60%. In CIS Countries, including Ukraine, the position is still different and rail market share remains extremely high at around 85%. But this may be partly a reflection of under recording of road transport since the data are not as good as for rail. In any case, it is certain that road transport is growing fast here too

The increase in road transport in transition countries is occurring for all the reasons that it happened in the West - the change in industrial activities away from heavy primary products, much more dispersed sourcing of inputs, more demanding logistics based on smaller loads and reduced inventory. In addition, service quality, especially reliability was much weaker in the railways than road transport.

But there is an additional reason to the decline of rail in CEE and this is the artificial industrial production and distribution system that existed in planned economies. Industry location and markets were deliberately sited for geopolitical reasons and often aimed to maximize transport. Indeed transport was regarded as a productive sector in its own right and not seen as an intermediate good as in the West. As a consequence, CEE economies were very transport intensive, that is, there was a lot more transport than you might expect at their level of economic development. In this region, the economic restructuring changes are profound and in the transport sector are most dramatic for the railways. But the factors underlying these changes are deep rooted and it is most unlikely that there are affordable or acceptable combinations of policies that will halt them. The challenge then is, not how to resist these changes, but to find ways to manage them. This is complex and needs a consistent policy framework as well as very specific initiatives in many areas.

One of these areas is in trying to combine the strengths of the different modes, in other words in developing intermodal transport. On a strategic level, maintaining and strengthening alternatives to road transport is a forward looking and wise policy. For one thing, allowing trade to become totally dependent on road transport will leave the Country vulnerable to physical disruptions or sharp price changes in road transport. Another reason is that this country already has a good railway system and it should be used. So a strategy to develop alternatives is required, not only for environmental reasons, but for political and strategic reasons. The examples of new services, either containers or what you are calling contrailer to the North to Kleipeda port, South to the Black Sea, Westwards to Poland and Germany and Eastwards to Moscow and beyond show that Ukraine is trying to respond to this strategic challenge and we will be very interested to hear about these services. There are great opportunities. Container traffic to the Black Sea region has increased by 50% and there are forecasts that expect it to increase by a factor of 9 by 2010.

But Ukraine and the other countries in the region cannot afford blank cheques to develop alternatives. The services need to be good business ideas or they will not work. There are many obstacles to be overcome and the lessons and difficulties will be of great interest in the region.

The obstacles that are faced here to the development of intermodal transport will in many ways be similar to those in Western Europe. I mention four:

*First, infrastructure deficiencies.* A recent study by the UIC and GTC, and which will be presented here shows that there are going to be significant infrastructural obstacles to the full development of combined transport in many Western European axes over the next 15 years. This was true over the past also where there were tunnel gauge problems, inadequate terminals and a lack of equipment. The same is true in Central and Eastern Europe where the terminals and special equipment do not yet exist. The real problem here is financing and few Countries have invested in the way necessary. This will have to be solved. It is unlikely that private business will undertake the necessary investments alone and there needs to be forms of partnerships to develop them. This is a crucial challenge.

*A second obstacle has been in the attitude of railway companies.* They have feared that combined traffic is, in fact, just traditional rail traffic being moved at a cheaper price. As a result they have not committed themselves to developing combined systems and have, often in subtle ways, placed barriers to its development. This may also be a problem here and now is the time to deal with it. It is the future for railways and they need to see this. Intermodality means combining the benefits of different modes; in an institutional sense it means the same. There must be business approaches that are supported by the different modes.

*A third obstacle, which is linked, has been quality of service compared to road transport.* Though there have been improvements, there are many studies which show the poor reliability of delivery times. Total journey time for freight is often far too slow, with average speeds of 20 km/hour. Combined transport does better than this but it nevertheless has reliability problems. These are due in large measure to the lower priority given to freight, compared to passengers in European railways.

*Finally, there is price.* As a result, Road transport is an intensely competitive industry and has increased its productivity enormously. The combined transport operators in Western Europe are basically price takers and cannot charge more than road transport. On the other side, in the West there have been serious problems in enforcing rules and this too has allowed prices to remain lower. The very rapid privatisation of road transport in the CEE countries is likely to be associated with similar problems. In many Countries rail productivity has increased, but not as quickly as needed and it is very difficult to remain competitive. Our studies show, for example in Hungary, that without physical constraints on road transport or without road charging it is almost impossible for combined transport to compete with road.

All these obstacles exist here: the infrastructure difficulties, rail attitudes, service quality and road cost structures. And work and effort will need to be made on them all if there is to be a take off of combined transport. There is especially a difficulty to find resources to fund the terminal works. In relation to service quality, institutional and business logistic structures will need to be developed so that customers get a door to door service from all the mode. But the positive features can be exploited. These include the strong rail tradition and the fact that there is plenty of capacity. Also the distances are longer between the main centers and therefore the economics are often better than in the West.

Intermodal transport cannot succeed because politicians want it to. It must succeed in the market and must gain the support of the market players. It will therefore be very important that the business community, including shippers and operators, are closely involved in its development. Their problems and difficulties must be listened to. The governments must help put in place a framework for success, including some of the measures like exemption from some weight limits or bans, liberalization of terminal hauls or incentives to operate. But, in the end, success will have to come from the business being a commercial proposition.

A success will be built also on international co-operation. In some areas, the support of the UN, ECMT and the European Union will be needed. For UN and ECMT the conventions and rules and resolutions and recommendations provide a legal and policy framework that can be helpful. The European Union however has the means to help in a more direct way. There is especially a strong strategic argument for the Union to support financially the development of intermodal transport. Traffic through Ukraine will grow and it is in the Union's interest to foster road alternatives. But this needs to provide good value for European tax payers and therefore needs to be good business. If ECMT can help in any way here we will be pleased to do so.

But in addition to this broad framework provided by the inter Governmental bodies, there needs also to be a practical approach by the Countries in this region. In the West we have seen that different policies between neighbours can be a barrier to the development of combined transport services. Ukraine is in an important strategic position with its own trade and also on East West and North South trading routes. No ECMT or UN country has more than your seven neighbours. Thus, I think it is very important to work directly with these neighbours to develop a common philosophy and devise practical solutions. The progress with the new lines to Poland, through Belarus to Kleipeda, to Moscow and beyond show the possibilities.

And I believe this is urgent, as road transport, the main competitor, never sleeps. Ukraine has a very important strategic position and has many neighbours. An Intermodal transport commission for the Countries in this region might be one way to push forward your ideas. Such a body could have the very practical task to monitor the initiatives underway and deal with the concrete problems that are arising.

Intermodal transport needs to be seamless from the user's viewpoint. Users want clear pricing structures, few intermediaries and good information on where their goods are. This will require new organizational and institutional models, that to be frank, have not yet satisfactorily emerged in the West. The different modes and the port authorities will need to work together to put such structures in place. The nature of the companies whether State owned, joint stock or private needs to be looked at. But care needs to be taken to avoid the creation of inefficient monopolies.

We are all looking forward to hearing about the plans and to discussing how the difficulties can be overcome. But it is important to monitor openly the progress, the successes, the difficulties. There need to be frequent updates on the performance of the services on the different routes including published information on border crossing times. The business community needs to be centrally involved and the results made publicly available.

The development of alternatives to road transport is a strategic necessity and has the strong support of policy makers and politicians. But this support needs to be harnessed and used, not on the basis of emotion but sound business. It is possible but it is urgent to move now. Markets lost will not be regained.

In conclusion, we are very pleased to be associated with this event. It is a unique opportunity to assess the steps that are being taken, to share information and advice on the lessons and advice and finally to agree on the lines to follow in future so that intermodal transport can really respond to the needs of business and society.