Summary of key points made at the ITF Consultation Day

15 December 2016, OECD Conference Centre, Paris

The annual Consultation Day is an important opportunity for the ITF and its international organisation partners to engage in a dialogue around the main themes of the ITF Summit.

The objective of the 15 December meeting was to discuss and hear from the ITF's partners on priority issues of the Summit on **Governance of Transport (2017)** and on **Transport Safety and Security (2018)**.

This paper summarises the key points made during the ITF Consultation Day.

I. Summit 2017 on Governance of Transport

1. Investment in transport infrastructure

High-quality, reliable transport services strongly contribute to economic productivity and individual well-being by extending access to health and education, jobs and leisure activities for individuals, and access to markets for businesses. These services require adequate infrastructure and reasonable usage conditions. Yet, much transport infrastructure is capital intensive, with risk and uncertainty difficult to measure and manage. The decision-makers struggle to make the most efficient use of limited resources and to provide adequate policies and consistent regulatory tools to build new infrastructure and meet the increasing demand in the future. This includes the need to identify and enhance opportunities for private investment, look for sustainable and empirically defensible private investment models. The Value for Money related to private investment remains a theoretical proposition.

Key points made in the discussion:

- The Summit can address different models of **procurement and operation of infrastructure**. A common theme across the issues is the need for evidence-based policy making in the context of Value for Money.
- Whatever the model of investing in infrastructure in place, the sustainability of a transport system should be measured in terms of capacity available to meet present and future demand, quality of the service and connectivity. Countries often "borrow" from the infrastructure by deferring maintenance, which eventually impacts its function. A lack of **transparency** and **accountability** are two enabling factors of such a process. Information about how the condition and the value of existing infrastructure are developing over time would significantly contribute towards a greater transparency and allow more prudent policy making.
- Another key issue involves national and **supranational coordination** role in terms of setting strategic plans to generate growth for business, foster innovation and let passengers profit from safer, cleaner and cheaper transportation while offering more connections. Lessons from the EU, India and other regions can be highlighted.
- The recent financial and budgetary crisis has now subsided in many countries. Banks have recovered and additional channels of financing are emerging. Opportunities to involve more private investment in infrastructure are being sought. But this does not always appear to be happening or, if it does, the process is very slow. What is the reason for this situation? What can be done to mobilise private investment in transport infrastructure without undermining its underlying purpose (i.e. efficiency gains)?

2. Global transport connectivity

Interconnected, reliable and safe transport networks foster and facilitate trade flows and individual mobility across regions. They enable the opening of new markets and enhance access to employment, education and other public services, thereby raising productivity and promoting economic and social development.

Yet, the structure and dynamics of transport networks often involve complex modal transfers, multiple ownership schemes, international border crossings and security considerations. The inherent friction within transport networks remains a constant challenge for governance.

Key points made in the discussion:

- **Market liberalisation** helps improve connectivity by fostering competition and enhancing a "network-logic" approach to connectivity as opposed to a "silo" approach. One of the positive outcomes of liberalisation is reduced cost of transport for the users. Liberalisation can help address the lack of supply of transport, in particular in geographical areas where there is not enough differentiation and penetration of supply. However, there can be downsides to liberalisation, one example being "labour shopping" in areas where labour regulation may be less stringent to find cheaper labour.

- In order to promote the advantages of connectivity there is a need for strong **evidence-based policy making**. Nowadays, as more and more data is becoming available, policymakers face a challenge to assess and process data in order to improve connectivity.
- Looking at connectivity through a regional lens, it is important to ensure that regions are **well-connected** internally and to other regions. In some cases, standardisation and harmonisation are not feasible in the short-term. In this context, it is important that interfaces between the different transport modes or different ways of operating are seamless. The interface itself should be as efficient and effective as is possible.
- **Transport corridors** are multi-modal connectivity networks. They should be considered as cross-industry, not just as cross-modal. How many corridors are needed? Where should they be focused? A common policy strategy is key to facing these questions in a coherent perspective.

3. The right regulation for innovation

New technologies and business models provide enormous opportunities for the transport sector to reduce environmental impact and congestion, optimise resources and make transport more user-friendly.

But innovative solutions also create challenges to existing regulatory frameworks. These will likely need to be adjusted to accommodate the dynamics created by innovation and, at the same time, protect consumers' health, ensure their safety and limit environmental impact.

Key points made in the discussion:

- **Flexibility** allows innovation to flourish, but it is hard to monitor outcomes, whereas certainty makes monitoring easier, but may stifle innovation. This is most challenging when government funding is involved. When there is less government funding, innovation is easier, as the public sector does not need to demonstrate value for money and the private sector can solve that issue for itself. Innovation can blur regulatory boundaries and raise requirement for regular review to ensure it continues to provide relevant safeguards without unintentionally restricting innovation.

- The Summit debate could explore the need for more **objective-focused regulation**, rather than regulation based on strict, technical prescription. The primary role of a regulator and its oversight function is to monitor and ensure there is no significant abuse of market power. The application of competition laws, robust measures of competition and market-power tests on the pricing of services must be data-driven. Strict forms of price regulation may result in allocative inefficiencies which affect economic incentives adversely. This may result in inefficient and/or insufficient infrastructure development.
- New and old business models often have the same objectives but different rules, with opportunities in new models to avail of monitoring that may not exist in older, traditionally-structured models that benefit from protectionary measures. New business models in transport often require regulatory framework that would allow for trials.
- Lessons learnt from **other sectors** regarding regulation for innovative solutions and business models could be also explored.

4. Urban access and mobility

- Every day, people undertake more than 10.5 billion trips in urban areas around the globe and this number is growing as urban populations increase. Managing demand for travel remains a fundamental challenge for both cities and their inhabitants, especially as space devoted to everyday mobility is limited and networks are often saturated. Using the provision of access, rather than mobility, as a basis for urban planning is showing promise as an approach to leading cities out of perpetual congestion.
- Urban transport and mobility networks are becoming increasingly complex to manage; they are often overseen and served by diverse agencies reporting to different levels of authority responsible for different aspects of transport provision.
- Good governance of urban access and mobility is crucial in order to address these challenges and, ultimately, to improve the well-being of citizens.

Key points made in the discussion:

- Transport for London, Copenhagen and Barcelona were mentioned as having effective governance frameworks to foster **access and mobility**. These are well-known examples, and the Summit sessions could explore examples of cities/regions that are in the process of developing new governance frameworks (e.g. Manchester, West Midlands, Thessaloniki, Budapest, Ljubljana…).
- How can national authorities establish a **supportive framework** for funding urban travel planning and policy? An example from Norway: the central government has supported the framework for funding urban travel policy together with local government. Sweden is also experimenting along the same lines.
- An example from the European Union: Sustainability Mobility Plans offer centrally organised frameworks for national ministries and city governments which are expected to plan for sustainable transport development locally and create a local eligibility framework for central funding. For example, the EU's SUM Project aims to promote local/regional policies for sustainable urban mobility.
- Transport governance should be more effectively integrated with **spatial planning and regional development** policies. In this respect, data collecting on actual transport-users' behaviour for evidence-based reform and improvement of public transport has proved to be useful.
- Cities are already testing frameworks for **automation and innovative business** models. While national governments should learn from cities in this respect, they also need to impose standards on eVehicles and eBuses, as often each procurement authority on the local level has different specifications.

II. Decarbonising transport

The ITF's Decarbonising Transport project was officially launched at the 2016 Summit and counts today more than 50 partners from Corporate Partnership Board members, multi-lateral development banks, multi-lateral organisations, professional organisations, non-governmental organisations, philanthropic organisations, and research centres.

Since the launch, the ITF modelling team has established the project work plan which has been circulated to knowledge partners and to the Transport Management Board. Adjustments and improvements to the various modules will be made throughout the project, as a consequence of the interaction with the knowledge partners and of the regular monitoring of the performance of the models against observed trends. First results from the modelling work will be presented to partners at the 2017 Summit.

The project directly responds to the needs of all actors to identify effective policies for CO2 reduction and evaluate the impact of NDCs on CO2 emissions, the United Nations Sustainable Development Goals and other measures, focusing on the transport sector. It includes two components, one quantitative and one focusing on the creation of an inclusive policy dialogue. The quantitative outputs generated from a suite of transport models developed by the ITF will produce policy insights that can be integrated into national climate mitigation strategies and used for developing new NDCs.

The project is a dialogue process supported by quantitative evidence on the effectiveness of different policies, measures and actions to reduce CO2 emissions with the key objectives of:

- Developing a methodology and a suite of models that provide a global "common assessment framework" for the evolution of the multiple components of transport systems in terms of their greenhouse gas emissions, as well as in terms of the impacts related to the implementation of the other transport-related SDGs.
- Building an inclusive and non-prescriptive dialogue with the many public and private entities whose decisions on policy, investment, operating rules, business models, etc. have a strong influence on the performance of transport systems.
- Strengthening the institutional capacity of international and national entities in transport modelling, emission forecasting and policy impact assessment through knowledge transfer, with a focus on the translation of NDCs into specific actions and the identification of new NDCs and other measures.

Key points made in the discussion:

- The overall goal of decarbonising transport requires a **holistic approach** to address the multiplicity of actions and stakeholders.
- The emergence of massive urbanisation requires **re-defining or setting new standards** and better cooperation of all stakeholders in terms of urban travel and mitigating climate change. The role of cities in achieving this goal is becoming more prominent, while national governments are less implicated. In the absence of coherent national policy frameworks, there is an emergence of multiple approaches among different urban areas.

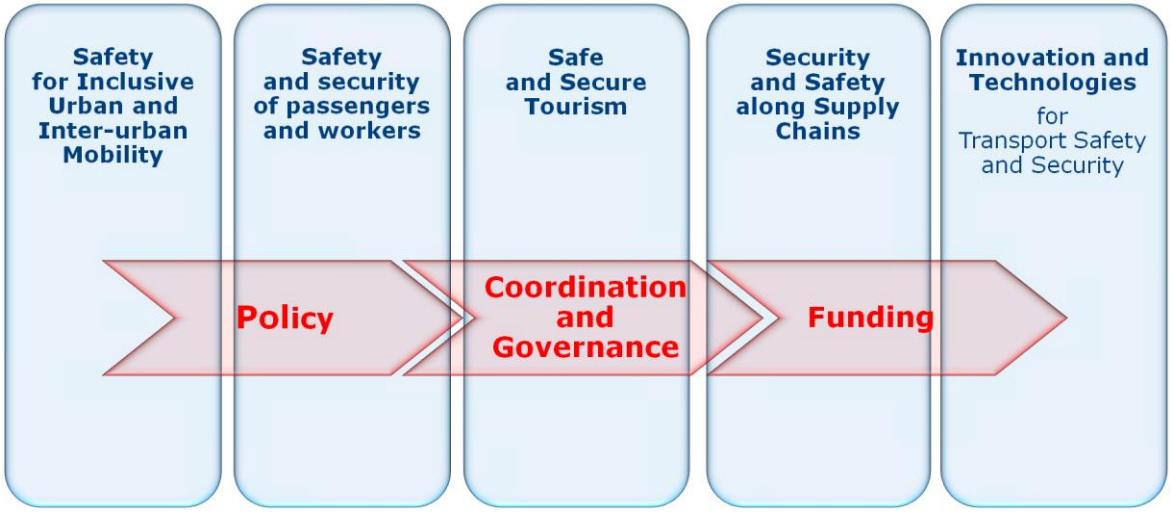
  Putting in place a coherent, economically viable approach over a period of time is a challenge for the industry. A more **cohesive approach on the national level**, and across countries, is needed in some circumstances (e.g. charging system and new standards electric buses; car sharing schemes …). While devolution of responsibilities is necessary, a cohesive national framework is essential.
- Policies need to be designed in a more holistic and coherent way, putting in place a set of measures to tackle not only CO2 emissions, but also to address challenges related to air quality, safety, accessibility… .

III. Summit 2018 on Safety and Security of Transport

Safety and security are primary concerns for any transport system, affecting all transport users and providers. They are the basis for an individual's right to travel without fear, and critical for the reliable and efficient transport of goods.

Thematic focuses for the 2018 ITF Summit are presented in Figure 1.

Figure 1: Thematic focuses – Summit 2018



Key points made in the discussion:

- There are **18 UN transport conventions on transport safety** which should be recognised in the context of the Summit programme.
- **Road safety in urban transport**, but also more broadly in **inter-urban areas** is one of key issues.
- **Perception of safety** is an important issue as people may not feel safe even though regulation is in place (e.g. women in transport, cyclists, pedestrians…).
- There is a significant difference with respect to **knowledge sharing on safety and security**. For example, data on road safety is widely shared (i.e. statistics, different international fora), but more can be done to share knowledge on transport security.
- The UNECE Inland Transport Security Forum, for example, could provide more insight regarding security, with respect to more traditional security issues, such as terrorism, but also to cyber security and related aspects.
- **Security and safety along supply chains** should be explored across the sector. An important aspect is safety of workers, for example, as referred to in different international instruments, such as the IMO/ILO/UNECE Code of Practice for Packing of Cargo Transport Units.
- Safety and security are central for **aviation**, both related to passengers, and within supply chains. Most pertinent are cyber-security related challenges.
- The Summit could contribute significantly to some of the current debates on security and tourism related to: (1) ensuring transport security and the link to advancing the **tourist transit at the borders** and (2) preparing for the possible spread of **new communicable diseases**.
- **Cyber-security** across all transport modes should be prominent at the Summit, in particular, the access to data and its impact on safety and security.

Annex 2

Further input to the consultation provided by IATA (written comments)

Investment in transport infrastructure

Under the framework provided by ICAO's policies on charges in Doc 9082 and by national legislation, airport operators engage with their customers into consultations to ensure that their services and infrastructure offer is in line with the business needs. Airports are further constantly engaging with oversight authorities to ensure the most effective implementation of aviation safety, security and environmental regulations. Airport operators' success will depend, inter alia, on building strong bonds with its customers, airlines, ground handlers, passengers etc.. ACI promote good practices that ensure a meaningful consultation with airlines on the setting of airport charges and adequate transparency in terms of information provided, time and level of engagement. Consultations with the airport users provide for detailed explanation on the level and structure of airport charges, whenever a change is contemplated.

The aim is to reach a consensus with users on airport charges whenever possible. However, there is no legal obligation to enter into agreement with airlines. Rather, the airport should always retain its autonomy to set charges. Its challenge is to strike a balance between the multiple and diversified request of its customers in line with its strategic, commercial and operational objectives to offer an adequate service to the passengers and airlines.

A coherent and consistent investment strategy is needed to ensure efficient airport development. Airlines often come and go, and adjust their operations frequently. Only the airport operator is in a position to find the right balance between meeting immediate (and possibly temporary) needs versus long-term infrastructural needs. This is particularly relevant in consideration of the significant passenger demand growth forecasted in the future. ACI forecast show that passenger traffic will double to over 14 billion by 2029, and that future growth by in air passenger traffic will originate in 2024 by 50% from emerging markets. This unprecedented growth will strongly benefit not only from a governance whereby the State acknowledges the strategic role of the air transport sector but also ensure that any regulatory system, whenever needed, is consistent in the long term and is proportionate to the market needs.

The right Regulation for innovation

The airport industry has evolved tremendously over the past three decades, from aeronautical facility suppliers to a service industry servicing not only airlines but also travellers-costumers as well as local businesses and economic communities.

Airport competition encompasses the whole spectrum of their activities.

- Market conditions dictate the level of charges for using airports, tailored by incentives and commercial agreements negotiated with airline customers.
- Airports further compete to attract passengers either as a departure/arrival facility, but also as a connecting facility. The commercial offer and the quality of service provided by airports in a competitive environment determines passengers' choice between the offers of airports they are able to use.
- Finally, airports compete to attract business development on their premises, from freight forwarders to economic activities in search of transportation networks and high connectivity (the 'airport city' concept).

Airport competition has now become an established reality in several important aviation markets, resulting in significant competitive pressure for the airport industry overall – any regulatory framework on airport charges should reflect this via a proportionate regulation and, if relevant, through a market power test.

It has been proven that more intrusive regulatory intervention has led to dramatic 'spikes' in charges at airports in Europe over the past decade. As well as increasing risk and costs, this further undermined airport-airline relations.

A proportionate and regulatory framework, whenever needed, should facilitate and incentivize commercial agreements between airports and airlines rather than strict rules and procedures. Commercial dynamics can limit or neutralize the regulatory risk, reducing financing costs and potentially limiting the level of borrowing required to finance the project. It is a false argument to think that a commercial agreement is by-default discriminatory versus the airlines which have not subscribed it, as long as this agreement is open to all potential customers according to the infrastructure available. These agreements are normally set in the interest of all parties with a multiannual horizon.

Innovative regulations should recognize bot the maturity of the airport industry and the maturity of commercial relations between airports and airlines:

- Commercial agreements between airports and airlines have allowed the optimal development of both airport activities and airlines traffic where they have been implemented.
- Targeted route, volume, frequency and growth incentives at airports are actively sought by airlines and support the healthy diversification and sustainable development of traffic for airports.
- The trend to shift from single to hybrid or dual till regimes recognizes the strong diversification of the airport business with commercial activities in terminal, real estate development, and external consulting, engineering and management activities and guarantees that airlines are simply charged for and consulted on the facilities they use and the service they receive.
- As public resources are becoming scarcer, the private sector now plays a major role in financing and supporting airport development and operations.

Consequently, any regulatory framework on airport charges should reflect this via proportionate regulation and, if relevant, through a market power test, recognizing that commercial dynamics makes intrusive regulatory intervention unnecessary.