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Report of the Transportation Working Group to the Transportation Ministers

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5th APEC TRANSPORTATION MINISTERIAL MEETING
Adelaide, Australia

REPORT FROM THE APEC TRANSPORTATION WORKING GROUP
March 2007

INTRODUCTION

1. Since the 4TH APEC Transportation Ministerial Meeting in Bali, Indonesia in July 2004, meetings of the Transportation Working Group (TPT-WG) have taken place twice yearly and have been well attended by a majority of economies. Meetings have been hosted in Bangkok, Thailand; Washington, USA; Vladivostok, Russia; Hanoi, Vietnam; and most recently in Vancouver, Canada. The Working Group expresses its thanks to the host economies and to the officials who went to great effort to deliver successful meetings.

2. The Lead Shepherd, Mr Kevin Sample (USA) and Deputy Lead Shepherd Mr Han Jun (China) led the work of the group over much of this time. From July 2006 responsibility for the Lead Shepherd position was passed to Mr John Doherty (Australia) and the Deputy Lead Shepherd role to Ms Maria Elena Bautista (the Philippines).

3. During 2005 the Working Group also saw a change in Secretariat support, with the role of Programme Director being handed from Mr Sergey Shipilov to Mr Alexander Sukhov. The Working Group expresses grateful acknowledgement to Russia for the funding for this position.

CURRENT FOCUS AND FUTURE DIRECTION

4. The principal aims of the Working Group relate to trade liberalisation and facilitation, economic and technical assistance, and capacity building. The Working Group is committed to continuing progress towards free and open trade and investment; ensuring the safe and secure movement of people and goods throughout the region; and assisting with capacity building in developing economies to contribute to efficient, safe, secure and sustainable transport in the APEC region.

5. Human security issues have also taken an important role in the Working Group's programme, with continued focus on transport security issues across the transport modes.

6. The Working Group provides a valued forum for information exchange among transport officials, and has achieved successful outcomes on a number of fronts through many important initiatives as outlined Annex 1.

7. In relation to the future work of the Working Group, a number of areas have been identified for increased attention:

7.1. Greater engagement with industry: While a key objective generally for APEC, maintaining industry engagement presents a challenge given the absence of short term commercial outcomes for industry participants. Industry's participation is seen as critical in understanding trends and issues in the transport sector and identifying areas for cooperative effort

7.2. Greater visibility to APEC Leaders; While the Working Group and its modal sub-groups provide valuable forums for exchange of views on transport issues, there is scope for the Working Group's activities to be more closely connected to the broader economic and policy issues addressed in APEC Leaders' meetings. Given the importance of the transport sector to efficient trade and movement between economies, there is scope for the work of the Working Group to have a greater role and recognition in the Leaders' meeting agenda. A recent restructure of the Working Group offers opportunity for more guidance and high level policy direction from Heads of Delegations.

7.3. Roadmap of progress towards the Bogor Goals: As one of the outcomes of the Transportation Ministers' meeting in Bali, the Working Group with assistance from a Taskforce comprising Singapore, Brunei Darussalam and Australia, and in consultation with ABAC and relevant economies, undertook an analysis of the extent of progress in transport toward the Bogor Goals, and identified areas requiring continued work. The Roadmap report comprises an Industry Report; Report from Economies; and a List of Recommendations. The recommendations have not been finalised and will be the subject of further consideration in the Working Group. All papers are provided as Annexes to this report as a basis for Ministers to provide direction and comment.

Annex 1

REPORT AGAINST MINISTERIAL DIRECTIVES

1. The Working Group is the vehicle by which APEC Leaders' and Ministers' goals in the transport sector are implemented. At the 4th APEC Transportation Ministerial Meeting in Bali, Indonesia in July 2004, Ministers committed to continuing progress towards achieving the Bogor Goals striving for highest possible standards of efficiency, safety, security and environment sustainability for our transport systems.

2. The TPT-WG has undertaken a series of initiatives in response to the Bali Ministerial directives and priorities.

Ministerial Directive: Develop a roadmap consistent with APEC principles, to be reported to Ministers six months before our next meeting, describing the remaining work required for reaching the Bogor Goals of trade liberalization and facilitation as well as economic and technical assistance in all modes of transportation.

3. The TPT-WG continues to assist member economies in their work to remove barriers to market access and other constraints on the growth of increasingly competitive transport services. The Group has undertaken a Roadmap analysis to identify the remaining work required for achieving the Bogor Goals of trade and investment liberalisation and facilitation as well as economic and technical cooperation in all modes of transport.

4. Roadmap Phase One (Industry Report) and Phase Two (Economies Report) have identified progress to date and the remaining barriers to the Bogor Goals; emerging trends in the transport sector; and suggested initiatives that might further progress work towards trade liberalisation and facilitation. Based on outcomes of Phase One and Phase Two, a draft Set of Recommendations (Phase Three and Final) reflects suggested directions identified by business and economies. These documents are Annexed to this Report.

5. In line with this Ministerial direction the TPT-WG also commissioned a study on the progress of Liberalisation of Air Services in the APEC Region 1995-2005 undertaken by the Centre for Asia Pacific Aviation (November 2006). While the draft report has only recently been finalised and is yet to be considered in detail by the TPT-WG, it offers some important observations that may be considered. While there is strong evidence of reasonable levels of market growth in largely adverse circumstances, particularly over the last five years, this growth has taken place with different degrees of liberalisation.

6. The study was somewhat constrained by the limited available data. However, based on the data available, the study found that in general APEC economies are moving toward more liberal provisions in the 310 air service agreements they have with each other, but with different speeds and priorities.

7. The draft report could facilitate APEC economies to consider practical ways to monitor progress and keep moving forward liberalisation of air services, taking into account their own priorities and level of development, building on the important work done in the Eight Options as steps towards the liberalisation of air services and the recently developed Aviation Action Plan.

Ministerial Directive: Implement a road safety technical assistance initiative to establish a model traffic safety data collection and evaluation system to better target road safety policies and strategies and combat road safety hazards.

8. Considerable progress has been made on the USA initiative on data collection of road accident and evaluation capabilities in developing economies, producing outcomes to support funding justification for road safety improvement programs. The initiative was piloted in Thailand with subsequent application in Indonesia, the Philippines, Republic of Korea, Malaysia and Peru.

Ministerial Directive: Support the continuing implementation of maritime and aviation security measures, with emphasis on

- *the implementation of the IMO International Ship and Port Facility Security Code (ISPS Code, effective from July 2004);*
- *working to support international efforts, including those by multilateral agencies, to control access to MANPADS and other potential threats to civil aviation.*

9. A series of workshops have been held under the ISPS Code[1] Implementation Assistance Program involving port security plans, access controls and Code compliance, in the Philippines, Thailand, Indonesia, Vietnam, Peru, Papua New Guinea and Malaysia. Phase Two workshops involving drills and exercises, audits and 'train-the-trainers' initiatives will be conducted in the above economies in the coming year. Relevant standards and procedures for practical implementation have also been established including Guidelines and a Procedures Manual for the ICIAP; a Catalogue of available Maritime Security Training, Capacity Building and Technical Outreach initiatives was developed; and a Maritime Security Point of Contact Network established to identify subject matter experts for capacity building needs.

10. The Aviation Security sub group continues to share expertise and experience in the application of screening passengers, baggage and cargo to mitigate security risk and it completed the development of a training capacity data base to enhance security personnel training. The TPT-WG monitored progress in relation to MANPADS, a new threat to aviation, noting the strategies set by the APEC Counter-Terrorism Task Force in dealing with the proliferation and transfer of the weapons and the ICAO guidelines on vulnerabilities assessment and the risk assessment service to be provided by the United States.

[1] The IMO ISPS Code outlines a series of measures agreed following the 11 September 2001 attacks in the USA The Code introduces a standardized framework for the evaluation of risk to ships and ports to maximize maritime security.

11. In addition, a series of successful workshops was conducted on ICAO 100% passenger aircraft hold-baggage screening requirements in Hong Kong, China and Bangkok, Thailand. The workshops were designed to enable APEC economies to comply with the requirements from 1 January 2006.

Ministerial Directive: Implement an intermodal supply chain security initiative over the next two years.

In addition to the successful ISPS Code Implementation Program, Working Group members participated in the Total Supply Chain Security Symposium hosted by Singapore in July 2006.

Ministerial Directive: Establish a web-based learning and technical information exchange system; and establish a professional exchange program to assist training and education and the mobility of transport professionals.

12. The TPT-WG web site http://www.apec-tptwg.org.cn/ has been used as a web based information exchange system. Administered by China and recently restructured, the site is the main vehicle for communications and documentation in relation to TPT-WG matters. Dedicated web pages have been established for information sharing including a Page for 'Completed Projects and Outcomes' which provides a snapshot of all project outcomes and recommendations for future reference.

13. In May 2006, a website (www.apecgit.org) was established for the Global Navigation Satellite System Implementation initiative. The TPT-WG is also working closely with the APEC Secretariat on the proposed APEC Information Management Portal which will enable economies to share project work with other Working Groups.

14. A project was undertaken to improve information exchange within two APEC port communities. A web-based pilot intra port discussion group involving the Port of Saigon and the Callao port of Peru was established involving key port stakeholders such as port authorities, stevedores, container terminal operators, freight forwarders and customs agencies. The project provided a generic website tailored to suit each of the two selected port communities to enable the interactive exchange and dissemination of information to improve efficiency in an end-to-end supply chain context. The Port Administration of Peru has drawn on the model for its recent reorganisation of port activities.

Ministerial Directive: Implement a Global Navigation Satellite System test bed in all areas of the APEC region.

15. Since October 2004, the TPT-WG's Experts Group on Global Navigation Satellite Systems (GNSS) Implementation has held a series of meetings for promoting the implementation of GNSS for all transport modes in the APEC region, with emphasis on the implementation of satellite-based augmentation system and ground-based augmentation including the regional augmentation systems.

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16. In 2005, a US-funded Regional APEC GNSS test bed project[2] was initially conducted in Thailand, followed by Indonesia, Malaysia, the Philippines, and Viet Nam. Australia and Chinese Taipei later participated in the test. A final report for the test bed analysis, including recommendations, will be available on the website for the Experts' Group on GNSS Implementation at: www.apecgit.org for participating economies to note the test outcomes.

Ministerial Directive: Implement arrangements for the structured exchange of information among member economies on safety and security best practices and measures.

17. In September 2005, the Aviation Safety Experts' Group conducted a workshop in Singapore to discuss new aviation safety technologies relating to APEC performance based navigation; implementation of Area Navigation in APEC; Automatic Dependent Surveillance – Broadcast; and Extended Twin Engine Operations. The workshop was attended by 17 economies and the next workshop on emerging aviation technologies is planned for mid 2007. Economies continue to share experiences and guidance material on developing safety management systems in response to ICAO's requirements for: audits and safety oversight; Foreign Air Operator Licensing/Validation; English language proficiency for air traffic controllers and air operators; and to identify flight training resources to alleviate pilot, flight engineer and dispatcher shortages.

18. The Intermodal and ITS Experts' Group is undertaking an evaluation which will provide information on the costs and benefits of using ITS and eCommerce technologies for securing trade and increasing efficiency in the region.

19. The Maritime Security Experts Group is currently working on enhancing collaborative and cooperative working relations with international and regional organisations, such as the IMO and OAS, to coordinate efforts on maritime security capacity building in the APEC region.

[2] The test bed project provided an operational demonstration of GNSS to the participating economies and to analyse empirical GNSS data that influences GNSS air navigation performance in the APEC region.

Ministerial Directive: Develop a proposal to support the secure transport of dangerous goods that would include an inventory of economies' regimes pertaining to transportation of dangerous goods and other appropriate actions.

20. A five-economy taskforce developed an inventory of economy arrangements on the secure transport of dangerous goods which identifies the international codes and agreements pertaining to Dangerous Goods, and current arrangements in each APEC economy relating to these requirements. Economies are collaborating through relevant Experts' Groups to share information on the transport of dangerous goods; to implement transport security plans across modes; and to address any gaps in the regulatory systems between modes.

Ministerial Directive: Develop concrete and specific action plans to carry forward economic and technical cooperation between APEC developed economies and developing economies to assist in establishing an efficient, safe, secure and environmentally sustainable transportation system.

21. Air Transport: A list of actions has been developed to supplement the Eight Options previously established as steps towards the liberalisation of air services. Training workshops relating to air services negotiations and aviation law were provided to a number of developing economies. The Aviation Experts' Group is finalising an Action Plan for the pathway to liberalisation of air services in the region and options for further progress towards the Bogor Goals. Aviation security and safety-related training will be conducted in 2007, in collaboration with ICAO and other international bodies. Economies continue to share information and expertise regarding suitable screening equipment for passengers, baggage and cargo.

22. Maritime Transport: APEC Common Principles for Shipping Policy, including nine policy elements was adopted at TPT -WG24 in Bangkok, August 2004, with the aim to identify maritime policy alternatives to promote the development of efficient international shipping. Member economies have been collaborating to adopt those elements to fully implement the Bogor Goals and have progressed their commitment to liberalisation by removing non-tariff barriers and by sharing and exchanging views and information on WTO negotiations on Maritime Transport Services. Economies have shared achievements through projects to improve efficiency of ports and related activities including: 'Electronic Port Manifests'; 'Port and Inter-Modal Interface'; 'Port Investment'; 'Technical Standards of Ports in the APEC Region'; and 'Study on Container Throughput Forecasting for Shipping and Port Development Strategies in the APEC Region'.

23. Land Transport: In addition to considerable progress on road safety information sharing, developing economies are encouraged to develop action plans to incorporate UNECE Regulations and global technical regulations for motor vehicles into their domestic legislation. The Land Transport Experts' Group is taking steps to assist in capacity building to support efforts of economies in harmonising regulations and developing certification and regulatory systems. Action Plans on road safety are also a key focus of the 5th Transportation Ministerial meeting.

24. Intermodalism: The Intermodal and ITS Experts' Group have amalgamated and developed an action plan integrating the work of both areas. The Experts' Group continues to promote and facilitate Electronic Commerce and Intelligent Transport Systems (ITS) and has successfully implemented the GNSS Test Bed. Major progress has been made on the establishment of international ITS standards and the Group is developing a World ITS Standards Report to identify and address the gaps. The Group has initiated the evaluation phase of the Secure Trade Evaluation project, which will provide information on the costs and benefits of utilising ITS and eCommerce technologies for securing trade and increasing efficiency in the APEC region.

25. The Group has also successfully completed the Mutual Recognition of Transport Professionals project and the work related to Intermodal Skills Development. Highly successful workshops on the improvement of intermodal management skills have been conducted in Indonesia and the Philippines with further plans for the model to be used in other developing economies. The Group is also pursuing Short Sea Shipping and Inland and Coastal Waterways projects to help integrate under utilised ports in the APEC region.

Ministerial Directive: Enhance cooperation with the World Bank and the Asian Development Bank, through appropriate APEC channels, to improve member economies' transport infrastructure and the capabilities of their transport professionals, including in the area of international security commitments. We note the existence of the APEC-Asian Development Bank (ADB) Regional Trade and Financial Security Initiative in this regard.

26. A draft Memorandum of Cooperation with the Asian Development Bank has been passed to the APEC Secretariat and is now under consideration within the framework of establishing/strengthening overall cooperation with International Financial Institutions.

Ministerial Directive: Implement our Leaders' directives with regard to sustainable development.

27. Considerable work on capacity building measures in all modes of transport has been put in place to empower developing economies to work towards the safe, secure and efficient sustainable transport systems. Measures include training and information sharing to integrate security and safety in the work on transport facilitation and efficient supply chains. Much progress has been achieved in road safety initiatives in a number of developing economies and work continues to remove non-technical barriers to trade among APEC economies through acceptance of common vehicle technical standards and mutual recognition of vehicle certification approval through the multilateral arrangements provided by the *1958 Agreement on Wheeled Vehicles* (The 1958 Agreement) and *The 1998 Agreement on Global Technical Regulations* (The 1998 Agreement).

Ministerial Directive: within the next 12 months, to take stock of the organization, activities and business practices of the Working Group to identify approaches and actions *that will further support its ability to provide concrete and productive advice to Ministers in support of the Leaders' Declarations.*

28. The TPT-WG has undergone a process of reform and restructure to enhance the efficiency of the Group. The arrangement sees greater guidance and direction being provided by Heads of Delegation to ensure the efforts of the Modal Expert Groups are clearly focused on Leaders' and Ministers' directives and concrete outcomes.

29. Experts Groups have been established along modal lines to streamline the focus of the work and cover Aviation; Land; Maritime; and Intermodal and Intelligent Transport Systems. The Terms of Reference developed by each of the Modal Expert Groups have been endorsed by Heads of Delegations and human resource development responsibilities have been incorporated into each group with activities being monitored by the Deputy Lead Shepherd. The existence of sub groups has been rationalised.

ANNEX 2

This annex is a report prepared by three economies (Australia, Brunei Darussalam and Singapore). It was presented to the TPT-WG in May 2006 meeting in Ha Noi, Viet Nam.

Roadmap Phase I – Industry Report

APEC – Industry Status Report for Transport

Acknowledgements

The APEC Transportation Working Group Roadmap Taskforce, consisting of Australia, Brunei Darussalam and Singapore, wishes to acknowledge the generous support provided by various businesses throughout the APEC region in submitting written responses to our survey questions (see attachment A). We especially wish to thank ABAC in Australia; Canada; Hong Kong, China; Japan; Malaysia; New Zealand and Peru for soliciting responses on our behalf.

The Industry Status Report for the APEC region forms part of a Roadmap for the transport sector setting out to describe the remaining work required for reaching the Bogor Goals of trade liberalisation and facilitation, as well as economic and technical assistance in all modes of transportation. The other parts of the Roadmap consists of a similar report for the APEC region considering progress towards the Bogor Goals from the government perspective and a set of recommendations to be presented for discussion by APEC ministers for transport when they meet in Adelaide in March 2007.

The reader will find that the report is not narrowly confined to transport issues but strays into other areas related to the transport of goods and passengers. The expansiveness is due to the sheer enthusiasm for the topic displayed by the respondents. On this basis, the compilers of the report took an inclusive view of the diversity of opinion on transport and associated areas by bringing all observations.

Executive Summary

Industry representatives were asked to identify progress and remaining barriers to the Bogor Goals, emerging trends in the transport sector and suggest initiatives that might further progress work towards trade liberalisation and facilitation.

There was wide recognition by industry respondents that microeconomic reforms pursued by may APEC economies had played a significant role in trade liberalisation and facilitation. Deregulation of the aviation market, introduction of competition regimes and privatisation/corporatisation of transport infrastructure, especially sea- and airports were mentioned as important components of this development. Technological advances were also identified as greatly contributing to the facilitation of trade, primarily by making transport modes more fuel efficient and faster. Speed was also acknowledged as one of the advantages with the introduction of Information and Communication Technologies (ICT) along with efficiencies and safety benefits.

Identified as a barrier was the need for suitable investment in infrastructure in order to meet the increased pressure on transport services that has occurred as a result of the growth in trade. Lack of transparency in regulations and their application was another area distinguished as a barrier to trade facilitation. Other hindrances mentioned included different restrictions to free competition such as cargo reservation schemes and conferences in liner shipping. Respondents also named increasing security requirements as alternative forms of trade protection.

There was general consensus about emerging trends in the transport sector. Most respondents named ‘up-sizing’, mergers of service providers, ICT reliance and increasing security requirements as definite developments. While these factors all have great potential to provide efficiency gains to private enterprise their implementation also pose difficulties, such as infrastructure investments to cope with larger vessels and airplanes and market power pressures brought about through globalisation of service providers. Skills shortage is another emerging trend across all transport sectors and of serious concern to the maritime industry. It will require a concerted effort by governments and industry to find sustainable solutions to this challenge.

Most respondents saw harmonisation of government regulations as the single most important way to improve the facilitation of trade. Other suggestions included ensuring competition regimes are in place as well as full market access for foreign investors for carriers and logistics companies.

Introduction

At the 4th APEC Transportation Ministerial Meeting held in 2004, the APEC Transportation Working Group (TPT-WG) was tasked with developing a Roadmap describing the remaining work required for reaching the Bogor Goals of trade liberalisation and facilitation in all modes of transport. These goals were agreed to by leaders meeting in Bogor, Indonesia in 1994.

The Transportation Working Group continues to work towards removing barriers to market access and other constraints upon the natural growth of more competitive transport services. Through the Roadmap, the Taskforce will provide a wide-ranging analysis for the future direction of the transportation area in APEC. Guiding the work is the Bogor Goals, recognising the different needs and time frames for developing and developed economies. The Transportation Working Group has agreed that the analysis should consist of a three stage process:

I. Industry Status Report;

II. Economies' Report;

III. Set of recommendations for future directions.

The purpose of Stage I is to learn which transport issues, from the trade liberalisation perspective, industry finds most pressing in the APEC region. Through this consultation process we have identified progress and remaining barrier to the Bogor Goals, emerging trends in the transport sector and a number of initiatives suggested by industry respondents that might further progress work towards trade liberalisation and facilitation.

First Decade since Bogor: A business assessment of progress and barriers to trade liberalisation and facilitation in the transportation sector

From a business perspective optimising transport systems and regulatory regimes that best facilitate trade have many facets. Regulatory reforms that create a fair market place and ensure that reforms support business is but one aspect. Other important regulatory issues include transparency and harmonisation, measured competition and sufficient infrastructure.

Many initiatives identified as progressing the facilitation of trade relate to new or improved technology, that make the transport of goods and passengers faster and more efficient. The improved reliability of information and communication technologies (ICT), such as e-commerce, Electronic Data Exchange (EDI) and track-and-trace has been identified as important aspects of this progress.

The logistics industry, though a relatively new development within the transport sector, was recognised as having radically changed business practices. It acts as an enabler for trade and has proved vital for international business and supply chains, through offering logistics supply management, in addition to value-added services including labeling, packaging, sorting, invoicing and customs clearance.

Regulation

The regulatory regime and environment for transport markets and transport infrastructure is of significant importance for both the transport industry itself and industry more widely which is dependent on transport for the carriage of goods. There has been a general trend amongst most APEC economies towards deregulating transport markets, privatising or corporatising transport infrastructure and bringing private enterprise into partnerships with governments in the investment in infrastructure. Such changes have all been acknowledged as progress towards the Bogor Goals. Respondents have also identified remaining barriers such as stringent requirements relating to security and quarantine matters.

Deregulation – The greater liberalisation of air services adopted by many APEC economies has been identified by a number of respondents as a major improvement to the facilitation of trade. These respondents argued that more open aviation markets have led to new and better services, lower prices, more choice for consumers and higher productivity.

Economies introducing less regulated air services regulations typically distinguish between their domestic and international markets. International aviation liberalisation is often called ‘open skies’. These agreements take various forms but usually such policies refer to removing statutory and regulatory constraints and modifying related economic policies that unnecessarily limit the operation of air services, as well as reducing protection for airlines where such protection cannot be defended in the public interest.

A number of economies within APEC have agreed to ‘open skies’ agreements multilaterally or bi-laterally. The Multilateral Agreement on the Liberalization of International Air Transportation (MALIAT) was cited as an example of progress towards the Bogor Goals. The multilateral agreement was signed in 2001 by Brunei Darussalam, Chile, New Zealand, Singapore and the United States. It focuses on open route schedule; open traffic rights including seventh freedom cargo services; open capacity; airline investment provisions which focus on effective control and principal place of business, but protection against flag of convenience carriers; multiple airline designation; third economy code-sharing; and a minimal tariff filing regime. Nevertheless, it still maintains some of the more restrictive elements of the bilateral system. Another multilateral agreement cited as an example of trade liberalisation is the Andean Open Skies Pact to which Chile and Peru are parties.

Bi-lateral ‘open skies’ agreements were also given as examples of more liberalised trade. The recent ‘open skies’ agreement signed by Canada and the United States in 2005 was cited as particularly beneficial to the cruise industry by opening more Canadian and

United States destinations. Malaysia has signed bi-lateral ‘open skies’ agreements with a number of APEC economies, including New Zealand, Thailand and the United States (as well as with non APEC economies).

The aviation market between Australia and New Zealand was suggested as a good example of a very open and liberalised market for both passenger and freight services which has facilitated growth in the number and range of services offered in that market. Liberalisation of air services between Australia and New Zealand has progressed over time from a market shared between the national carriers, Qantas and Air New Zealand, in the early 1990s to the ‘open skies’ arrangements agreed in 2002. These arrangements allowed airlines to develop routes and capacity based on commercial judgment.

Liberalised access resulted in growth in the Australia-New Zealand market between 1994 and 2005 of 120 per cent compared to 88 per cent for total traffic to and from Australia. Eight airlines operated scheduled international uplift/discharge services between Australia and New Zealand in 1994 compared to eleven in 2005.

Both Qantas and Air New Zealand currently have low cost carrier subsidiaries operating on the route. Both carriers have lost market share in their own right including when their low cost subsidiaries are taken into account. However, an additional low cost carrier and increased access for third country carriers provides increased competition and better service in the Australia-New Zealand market.

A direct result of deregulation identified as a major development in facilitation of trade has been the introduction of low cost carriers. Budget air lines have radically changed travel patterns on short-haul flights and made air travel much more affordable to the average consumer. In recent years the APEC region has seen the launch of numerous budget air carriers including airlines based in Indonesia, Malaysia, Singapore and Thailand which has resulted in significant growth in passenger numbers and spurred the growth of many regions and their industries. The launch of Air Asia, the first successful budget carrier for passenger and cargo in the ASEAN region, was recognised by a respondent as providing an alternative to national carriers.

Other areas of transportation where relaxation of government regulation has had a positive impact on trade in the APEC region include services in land transport. One example given relates to the lifting of the restriction in 1999 on the number of haulage companies allowed in Malaysia – the number of companies has since grown from five to 92. The easing of this restriction was cited as having a positive effect on trade in the area because land transport options had increased as a result. However, continued barriers in the land transport sector were also identified. Bottlenecks related to land route cross-borders were given as examples, particularly between Malaysia and Thailand and Singapore and Malaysia. Difficulties include inconsistent and bureaucratic customs procedures and application of tariffs at land route crossings as well as congestion. It was suggested that simplification and standardisation of land route customs clearance procedures and mutual recognition of commercial vehicle inspection standards be introduced to assist in the facilitation of transport of goods across borders.

Logistics and maritime services negotiations were also identified as potential progress towards the Bogor Goals, at least for some economies. In the current round of negotiations for the WTO/GATS a number of economies, lead by Hong Kong, China in conjunction with Australia and Switzerland, are proposing liberalisation in logistics and related services. Other APEC economies supporting the request include Canada, Chile, Japan, Korea, New Zealand, Peru, Singapore, Chinese Taipei and the United States. Key issues include substantial and meaningful market access and national treatment commitments with right of establishment. Further, the proposing economies argue that effective liberalisation of logistics services also requires the ability of logistics operators to access such services on competitive terms for the sake of their integrated operations. In addition to effective market access, commitments also need to address regulatory issues such as licensing requirements/procedures, technical standards, and anti-competitive practices, as does various procedures and formalities, including documentary requirements, customs clearance, customs inspection, and electronic processing, to ensure that they do not become unnecessarily burdensome. Another specific commitment relates to the acceptance of electronic trade administration documents. It is argued that liberalisation of the range of services involved in freight logistics operations on a global basis will benefit all WTO/GATS members by enhancing the efficiency and competitiveness of all economies and contributing to economic development of users of freight logistics services.

Maritime services negotiations in WTO/GATS were also raised as an important step forward. The offer focuses on eliminating market access barriers, such as restrictions on commercial presence, eliminating restrictions on access to international maritime services, eliminating restrictions on burdensome non-tariff measures and anti-competitive business practices, such as onerous vessel and cargo examination procedures and lengthy and cumbersome ports access and clearance procedures.

Foreign ownership **–** Despite deregulation of a range of constraints in international air services, a number of respondents identified ownership rules as a remaining barrier. Even if some progress has been made in liberalising ownership and control requirements, airlines are still restricted in their ability to consolidate across borders and in their access to the international equity market.

Market access for other sectors was also mentioned, including restrictions on shipping and forwarding services in many economies. A respondent acknowledged that some economies might need some time to liberalise trade and investment.

Regulation used as Non-Tariff Barriers – In spite of a concerted effort by many economies to deregulate their transport markets some remaining regulations are seen as barriers to trade as are some new regulations - examples given include the new security regimes introduced by many economies and sanitary and phytosanitary measures. Certain informal government practices, such as the expectation of ‘facilitation payments’ have also been cited as barriers to trade.

Security initiatives in particular have been quoted by a number of respondents as restrictive to trade and are, in some instances, viewed as an alternative form of trade protection. The necessity of some anti terrorism security measures has been questioned by members of the transport industry due to the high compliance costs and the minimal perceived risks in some areas. The 24 hour rule demanded by the United States and Canada has been singled out as an unnecessary complication to trade with those economies due to higher costs of demurrage caused by longer storage time at ports and increased inventory lead time required. As a possible solution it was suggested that the freight of Customs-Trade Partnership Against Terrorism (C-TPAT) authorised enterprises should be exempted, or that due time for manifest submission should be changed to 24 hours prior to the arrival of the vessel rather than 24 hours prior to the loading of the container at the port of origin. In order to overcome these perceived obstacles to trade business and government in the APEC region need to work together to achieve positive outcomes for all parties.

The potential for economies with strict quarantine measures in place to use their application as disguised trade barriers has also been raised. Sanitary and phytosanitary measures are put in place to ensure that food is safe for consumers and prevent the spread of pests and disease among plants and animals. WTO members agree to general rules on how governments can apply food safety and animal and plant health measures. These rules allow economies to set their own standards, though they must be based on science.

Another problem encountered by business is the lack of transparency by customs authorities, including the demand of money to progress paperwork. APEC Leaders have adopted official commitments to fight corruption and ensure transparency to address this issue. Recognising that a comprehensive approach is required, initiatives apply to public and private sectors and to all manner of corrupt practices, including problems with public officials having too much discretion in their responsibilities.

Competition – An essential part of the microeconomic reforms adopted by many APEC economies include rules enforcing competition in transport markets. This impacts on privatised seaports operating as commercial enterprises and assist them in recruiting staff at competitive salaries and working conditions as well as giving management impetus for greater efficiency. Respondents noted that the implementation of workplace reforms and new technologies in the past ten years has resulted in quicker port handling services. These have led to significant productivity gains which have played an important role in the surge in trade in the APEC region. Some of the economies that have liberalised terminal operations include Australia; Hong Kong, China; Korea; Malaysia and New Zealand.

Barriers to free competition, however, still exist. The most important policy-imposed barriers applied to international maritime transport have been identified as the various cargo reservation schemes. These require that part of the cargo carried in trade with other states must be transported only by flagships (ships carrying a national flag) or ships considered as national by other criteria. Cargo reservation takes various forms. It can be imposed unilaterally if ships flying national flags are given the exclusive right to transport a specified share of the cargo passing through an economy’s ports. An alternative form involves cargo sharing with trading partners on the basis of bilateral or international agreements. As pointed out by one respondent, significant progress has ensued as more and more economies have phased out cargo reservation schemes. Further diluting the importance of cargo sharing is the increased transfer of ships to open registries to enable the ship owners to benefit from more efficient cost conditions.

Exemption from competition – With the introduction of anti-trust regulations by many economies shipping conferences, a long established practice in the maritime industry, are being questioned. Liner shipping conferences are agreements on specific routes between carriers to charge common freight-rates, pool revenue, costs and profits, and engage in capacity management. Conferences also set out the schedule of sailing, ports of call and other minimum service levels. Generally the shipping industry supports status quo and a majority of APEC member economies exempt the conferences from the provisions of their competition policy regimes. The argument for continued exemption is based on an acceptance that shipping lines need to coordinate their operations, agree on freight rates to be charged as well as on the terms of carriage in order to offer shippers regular, reliable services at reasonable and predictable rates. It is also argued that the current regime facilitate freer maritime trade.

The claim against exemption is that collusion in liner shipping detracts from greater efficiency in the liner industry. Opening liner trades to greater competition, it is argued, would force lines not only to offer services of a quantity and quality acceptable to the market but offer them at efficient prices.

Transport Infrastructure

Privatisation/corporatisation – An important component of the liberalisation reforms adopted by a number of APEC economies is the privatisation of transport infrastructure - seaports and airports in particular have been the subject of such reforms. The fashioning of the actual reforms has, however, taken many shapes. A great number of seaports in Canada, Australia and New Zealand have been corporatised which means that they are operated by Port Authorities on commercial conditions though ownership is retained by governments. Malaysia's port privatisation strategy also includes terminal operations and the opportunity for foreign investment, whereas Korea and China have adopted a model of state-owned enterprises.

Peru has implemented a leasing model for its sea- and airports. The second most important port, Matarani, was privatised in 1999 and the most important port in Peru, Callao Muelle Sur, is currently in the process of being leased (given into concession). Lima International Airport was privatised in 2000, and a further four regional airports will be privatised. Furthermore, two main highways connecting Lima to the North and South are the first two of nine major highway construction concessions coming up for bids. The privatisation of transport infrastructure in Peru has been identified as contributing to free and open trade and investment through the development of infrastructure, introduction of competition and efficiency gains.

It has been argued that the gradual commercialisation of port administrations has in general led to a much tighter relationship between port costs and the charges that are levied on port users, as well as reduced the arbitrariness of port charge impositions.

Nevertheless, respondents also noted that a number of ports have failed to modernise and that too many regional ports are still encumbered by old style bureaucratic procedures. It was suggestions that some ports might lose out in the increasingly intense competition due to high fixed shipping rates, eg bunker charges, terminal handling charges, currency adjustment factors etc. A certain level of concern was expressed in relation to Japanese ports and their future competitiveness in that lead time is considerably longer than in most comparable ports and furthermore where most comparable ports operate 24 hours a day this is not possible in Japan due to regulations on the hours when ships are allowed to enter a port or harbour, and restrictions on the hours of port loading and unloading.

International air transport (airports and air lines) was in the past dominated by publicly owned national flag carriers transporting cargo and passengers to and from publicly owned airports. The last couple of decades have seen a strong trend towards corporatisation and/or privatisation of both. Some economies have privately owned airports, such as New Zealand, where the private sector owns, invests, manages and operates the airports. While other economies have adopted a leasing agreement where the airport is commercially operated by private-sector companies, through a public tender concessioning process, as in Australia and Chile for example. Privatisation of airlines started in the 1980s, thus Japan Air Lines was privatised in 1982, Singapore and Malaysia privatised their airlines in 1985, Canada and Australia privatised their airlines Air Canada and Qantas in 1989 and 1992 respectively.

Infrastructure investment - With advancement in technology and large increase in trade volume infrastructure has come under pressure to keep pace with developments. A number of respondents have emphasised the importance of infrastructure investment as a potential and often real barrier to efficient and effective trade facilitation. Investment in transport infrastructure requires large capital and long-term planning, but despite a number of ports competing for business by updating and enlarging their facilities, such as Singapore; Shanghai in China; Hong Kong, China and Incheon in Korea, the capacity of many ports is overstretched. A respondent also suggested that some ports are finding it difficult to raise capital for investment due to their corporate model. Port Authorities in Canada, for example, are required to operate on a 'quasi-commercial basis', yet they are obliged to operate as 'not-for-profit' organisations. This may limit their ability to attract sufficient funds to maintain investment in infrastructure.

Some developing economies are also finding it difficult to update facilities now expected by modern business, this includes up-to-date logistics infrastructure that support supply-chain-management business practices. It has been suggested that developed economies offer official assistance to developing economies to update outdated logistics infrastructure and facilities, as the ability of developing economies to compete might be disadvantaged if they are not able to raise the capital to improve cargo handling facilities.

China's increased role in world trade has been cited as putting pressure on the ability of transport infrastructure to handle the dramatic increase in import and export trade. This includes not only volume of trade but also the ability of ports and land side infrastructure to deal with the increasing size of ships.

Technological Advances

As identified by a large number of respondents, the design and technological advances of transport means in all modes have contributed greatly to the facilitation of trade, mainly by making transport means more fuel efficient and faster.

Intelligent Transport Systems (ITS) -Many of the innovative technologies used in the transport sector incorporate an ITS component. ITS is the application of computing, information and communications technologies to transport vehicles and networks. The area is one of the fastest growing in the transport sector and is widely used to enhance different transport features, such as safety and security; efficiency and productivity, in addition to being more environmentally friendly. Many of these advancements have led to lower costs to the transport industry through which savings have been passed on to exporting and importing businesses.

Intermodalism - Intermodalism is the use of more than one form of transportation – most commonly used about the seamless movement of containerised goods using different modes of transport like ships and trucks. In a relatively short time span (last 15-20 years) intermodalism has had a tremendous impact on the movement of goods. In earlier eras, the movement of cargo was a slow, often delayed process. Today, the world's vast intermodal network supports an environment in which shipments are in almost perpetual motion. The result has been a significant increase in the volume of shipments moving through this efficient system and a worldwide rise in commercial activity. The maritime sector has been cited as instrumental in the promotion of intermodalism, where the uptake has dramatically increased the speed in the movement of cargo, thereby reducing inventory carrying costs to business. Land bridges (rail-road links) and air-sea links were identified as further advancing intermodalism. This development has been cited as an example of more seamless transfer of goods between the modes in Malaysia, which has facilitated trade.

Information and Communication Technology (ICT) - Embraced enthusiastically by both government and industry Information and Communication Technology (ICT) offers a range of areas that facilitate trade, such as standardisation of forms, speed, easy and cheap communication and closer integration of disparate organisations. The introduction of Customs Electronic Data Interchange (EDI) systems in a number of economies has been identified as a significant step forward in facilitating trade in the APEC region. Apart from the speed with which products can be ordered and information can be processed, it also avoids the re-keying of information and hence the incidence of mistakes. The exchange of data in this manner has certainly streamlined the documentation process and in so doing has facilitated trade. The drawback is that such electronic systems require investment in advanced computer systems and changed bureaucratic practices. Barriers identified in this area include the lack of such services in some economies, and further that although some economies have in fact introduced EDI customs clearance forms, they have yet to enjoy full advantage of the system because they have continued their manual procedures for customs declarations and clearance.

E-commerce is another equally important aspect of the IT trend. The degree of electronically processed information (orders, shipping documents, customs and quarantine clearances) is ever growing, replacing the paper/hard copy based system. The use of the internet in business transactions and customer services has been identified as greatly improving the ease of doing business and increased efficiency, in some instances reducing operating costs all round.

The application of e-technology in the post 9/11 regime is another factor identified as improving the speed of cargo movement. However, new technologies for security screening have also increased the costs in the initial implementation. Further, the manifesting requirements between governments have been identified as in need of standardisation as current arrangements are seen as barriers to trade. A solution suggested to overcoming this problem was that governments introduce direct electronic linkages for declarations between shippers and consignees and between governments because such systems would enhance and simplify the security of international transportation. Also, it was suggested that port authorities communicate directly on declarations of dangerous cargo issued by the shipper/consignee because this would eliminate the need for the ocean carrier to duplicate the paperwork.

Piracy

While terrorist attacks have so far been mostly a theoretical possibility, piracy is a real threat that the shipping industry face every day, and despite efforts to curb the problem it remains a concern for the maritime industry. Beyond the physical danger to seamen and the loss of property, the rising costs associated with piracy and imposed on shippers, carriers and insurers is of grave concern. To recoup their losses from piracy, insurers raise rates for carriers that cross the more dangerous waters and some carriers feel compelled to employ armed guards. Both activities raise the cost of shipping. It is perhaps worth noting that incidents of piracy are far fewer in ports and waters that have fully trained and reasonably well-paid maritime security forces and where the rule of law is well established.

Emerging trends and associated challenges

Domestic and international transport markets are experiencing major developments in a number of areas brought about by technological advances, increasing demand and skills shortage. Appropriate responses to these challenges will be required to ensure efficient and responsive transport services that facilitate economic growth and prosperity.

Skills shortage

As recognised by a number of respondents, a developing issue worldwide is the ageing personnel of the maritime fleet personnel. The maritime industry is also finding it difficult to attract sufficient numbers to meet increasing demands and is forecast to face a shortage of qualified seafarers within the next five to ten years. It is necessary for governments and industry to work together to find solutions to make the transport sector a more attractive career option.

Up-sizing

Up-sizing is a common feature experienced in the maritime, aviation and surface transport industries. In the maritime industry, for example, a trend of building larger container ships has emerged in the past few decades. The first and second generation of container ships had a capacity around 1000 to 1500 TEU whereas vessels with a capacity of 10,000 TEU are now in production and vessels with a capacity of 12,000 TEU and beyond are being developed.

The larger container vessels are being employed because they offer ship owners greater efficiency through economies of scale and therefore the possibility of more competitive freight costs. A number of respondents have raised the introduction of the larger vessels as a challenge for infrastructure and land transport in that they have the potential to marginalise some ports as the larger vessels outgrow the existing infrastructure. A major problem is that larger vessels have larger draughts and may therefore require ports to increase channel and berth depths and wharves may need modernisation and enlargement to accommodate them. One respondent noted that the larger capacity of these vessels may also lead to longer loading and unloading times and may result in bottlenecks on land transport links to the port in loading and unloading the extra capacity.

However, making the necessary investments in infrastructure may be beyond the financial capacity for some ports and economies in the APEC region and consequently, it was argued, some ports could experience detrimental effects if unable to cater for these much larger vessels. Nevertheless, improvements to infrastructure such as seaports, airports and roads have been stressed as becoming increasingly important to cater for greater traffic flows and larger modes of transport.

The aviation industry has experienced similar up-sizing trends. Respondents acknowledged that the introduction of wide-bodied aircraft capable of carrying containerised cargo and having increased range and speed has made airlines competitors in the movement of high value, medium weight cargo. The benefits of wide-bodied aircraft include lower operating costs per passenger for airlines and alleviation of problems with slot restrictions at some airports. The introduction of these new larger planes has however, also required airports to spend heavily on upgrading airport infrastructure such as runways, taxiways, aprons, terminals and aerobridges in order to accommodate the larger dimensions.

Hubs and spokes - In the last two decades, the hub and spoke system in liner service has been introduced as larger containerships have been adopted in major sea transport routes such as Europe-Far East-American West coast. The emergence of this new system has allowed load centres along the East-West shipping lanes. This hub-feeder system allows shipping lines to provide a global grid of east/west, north/south and regional services. The large ships on the east/west routes will call mainly at transshipment hubs were containers will be shifted to multi-layered feeder subsystems serving north/south, diagonal and regional routes. The rapid growth of Asian economies and their trade with the rest of the world was cited as placing greater emphasis on the dominant east-west traffic which could constrain south-north trades. Another challenge raised by a respondent is posed by the increase of sea cargo from China to North America and Europe, suggesting that shipping lines might not include Japan in their services as frequently as before due to capacity restraints.

Airlines also use a hub and spoke system, in fact, places such as Hong Kong, China and Singapore which do not have a domestic base, survive on the basis of being hubs for traffic from Europe and the South Pacific. Two, perhaps competing, views exist as to what the landscape of air traffic will look like in the medium term. One is the view that demand will be accommodated by a few very large international hubs, which will be serviced by a number of smaller ports (spokes). If this view prevails, then the smaller ports, which would be predominantly lower income developing economies, would look to gaining access to the hubs in order to export their goods and services. Another view is that while the hub and spoke system will not disappear, increased demand will be accommodated through point-to-point service. According to this view, the traffic volumes between hubs will be substituted by traffic volume that “closes the spokes”.

Business practices

Business practices have changed drastically in recent times, responding to possibilities offered by technological advances, increases in trade and more efficient ways of transporting goods and passengers.

Recent technological advances that have made integrated transport an important part of modern business practice was cited as a major trend by a number of respondents. Customers are demanding integrated transport and logistics services rather than source single services such as road, rail or warehousing individually. The development of integrated transport is driven by the customer (manufacturer and/or retailer) who expects to deal with one logistics service provider who can put together the consignments, ensure that goods are delivered just-in-time and deal with the required (import/export/shipping/forwarding) paperwork both in the economy where the products are sourced and where they are to be delivered. Integrated logistics has also resulted in service providers offering services across the modes, thus enhancing the need for efficient intermodal facilities including terminals. As mentioned previously it is therefore becoming increasingly important that improvements to infrastructure such as seaports, airports and roads are keeping pace with technological advances. Some economies have in fact been very active in promoting themselves as offering excellent logistics centre services in order to attract foreign investment and create new employment, with Malaysia and Singapore cited as examples of this trend.

Mergers - A worldwide trend occurring in all transport related sectors is the consolidation of service providers. Focusing on cost cutting and rationalisation, economies of scale are being pursued by many companies, eg Maersk’s takeover of P&O Shipping has created the largest container operator in the world. Indeed a number of respondents mentioned that major shipping lines and shipping alliances have taken advantage of their growing power in negotiating concessions for dedicated terminals and/or in deciding ports of call, thereby increasing competition among ports and increasing the risks for port authorities. North American ports are also facing some pressure from the increased market power of North American railway companies, occurred through mergers between railway companies since 1980. Both ports and container terminal operators are under strong pressure from their clients, which means they are forced to take part in the competition among ports by actively enhancing productivity and investing a great amount of money in order to stay in the game. Other implications listed by respondents include the possibility that the restructuring in the shipping industry might worsen the level of their services by decreasing the number of sea line services and worsen the level of services offered to customers. The combination of merging shipping lines and larger container vessels has been identified as a potential risk to smaller ports that might find themselves bypassed with these new business arrangements. There could potentially be a knock-on effect of additional costs for industries located near smaller ports, causing particular difficulties for small developing economies.

Regulation

An emerging trend identified, as a consequence of privatisation of airports and ports, was the possibility of improving private sector involvement in those industries and allow them to negotiate on commercial terms without strong prescriptions from governments. Though one respondent commented that governments have increased their intervention on how the maritime industry should conduct its business, with conference restriction and terminal handling charges given as examples.

A trend identified by most respondents relate to the increase in security requirements imposed on the transport industry within the last five years. While the application of new technologies in security screening was cited as improving the speed of cargo movement it was also mentioned that such measures increase capital costs in the initial implementation and may in fact prove beyond the financial and administrative capacity of some economies with potentially detrimental effects on their possibilities for participating in international trade. Increasing maritime security measures such as Container Security

Initiatives (CSI) and International Ship and Port Facilities Security Code (ISPS) were singled out as increasing the cost of doing business. Imposing worldwide standardisation of security measures was suggested by a respondent as a way to lower compliance costs associated with security initiatives.

Another area of increased regulation identified as an emerging trend relate to environmental laws. Ports, by definition, have to be at the sea-land interface and the coastal zone tends to be an area where environmental sensitivities are high. It is, of course, important that there is legislation in place to provide adequate safeguards to protect the environment. However, the plethora of environmental legislation faced by the maritime industry make the procedure for obtaining consent more complex and time consuming. The restrictions have been identified as limiting the supply of services in new port-terminal developments. The higher compliance costs associated with requirements regarding ballast water management, oil and hazardous substance spills, emissions and dredging were given as examples that might inhibit trade.

The abundance of free trade blocks within the APEC region was identified as another emerging trend. The idea behind APEC was to voluntarily move towards liberalisation and the concept of concurrent unilateral (and non-preferential) liberalisation was therefore developed. However, implementation of reforms to achieve the Bogor Goals are seen by some respondents to have stalled somewhat. Less ambition for trade liberalisation has seen the proliferation of Regional Free Trade Agreements, such as AFTA (ASEAN Free Trade Agreement) and NAFTA (North American Free Trade Agreement), not to mention a host of bilateral Free Trade Agreements (FTAs). At least thirteen (13) FTAs have been concluded in the APEC region since APEC announced the Bogor Goals in 1994. An additional seventeen (17) agreements are currently being negotiated. A number of these agreements address international transport industry issues recognised by a respondent as having a combined potential of facilitating trade.

Initiatives that could assist in advancing trade liberalisation in transport services throughout the APEC region

Most suggestions for further initiatives that might assist in advancing trade liberalisation in transport services throughout the APEC region refer to different aspects of harmonisation and standardisation of rules, regulations and procedures. It was also one of the recommendations proposed by ABAC in their report to APEC Economic Leaders in 2005 in which it was argued that uniformity of standards regulations is fundamental to simplification of the conduct of business in the APEC region. More specifically related to the transport sector, one respondent suggested harmonisation of regulations relating to transport between APEC economies. Harmonisation of security requirements/regulations between APEC member economies was another suggestion, while the standardisation (and transparency) of customs procedures was put forward by a couple of respondents. It was further remarked that whereas Free Trade Agreements help reduce tariffs they do not always tackle the more difficult issues of different procedures which often remain impediments to free and open trade.

Most respondents also suggest avenues to achieve further harmonisation and standardisation of rules and regulations. One example relate to including uniform expectations of parties negotiating preferential trade agreements in relation to transport.

Other ways suggested for reaching more common rules include a region-wide agreement on air services with common attributes, more multimodal accords to simplify handling procedures and increased coordination among member economies on major transport initiatives to see if there are lessons to be learned.

Even if most economies are in favour of retaining the possibility for shipping lines to have conferences, one respondent suggested that anti-trust law be implemented across the board to protect shippers' interest. This is in line with moves in Europe where an impact assessment, commissioned by the European Commission, supports a regulatory proposal to repeal the competition block exemption for liner shipping conferences. The report concludes that the abolition of the block exemption for liner conferences will have no significant impact on capacity or market structure. Whilst smaller or inefficient operators may suffer, there will be a net overall benefit with no significant impacts on competition, market concentration or capacity within the largest trades.

Ensuring sufficient competition in landside infrastructure is also called for by some respondents. Recently, global terminal operators have penetrated the global container stevedoring market more aggressively in order to increase their competitiveness through the establishment of global networks. Active horizontal integration of terminal operators has appeared due to mergers and acquisitions, investments in container terminal development in other economies through joint ventures with local companies, and/or other global terminal operators or shipping lines. The market power of these global terminal operators is putting pressure on port authorities in the process and a mechanism to ensure that their market power is checked has been suggested.

A range of further liberalisation measures were also suggested. These include Double Taxation Agreements for all economies and/or areas, because – it was argued - individual government negotiations create unfair competition among carriers. Double Taxation Agreements usually provides for a person or company to only pay tax in the economy where they reside (rather than in both economies). Such agreements might however pose difficulties for economies with different tax structures.

Another suggestion related to liberalisation includes full market access for foreign investors for carriers and logistics companies. The current negotiations in the WTO/GATS are moving towards such conditions. Another aspect of such measures relate to the deregulation of logistics infrastructure investments. Deregulation has been very successful in opening up new investment opportunities for intermodalism and bringing in the private sector. This has been particularly apparent in the United States and Latin America.

One respondent suggested that smaller sea- and airports, currently not commercially sustainable, receive sufficient investment from the government to enable them to become profitable and subsequently privatised.

One respondent recommended that Peru, which is in an advantageous geographical position, relax its cargo transit restrictions to encourage ports to develop as hubs. The same respondent also suggested that the integration of tax and customs authorities in Peru had not been a success and that reversing the decision would be very beneficial to trade.

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Survey – Industry Report Card

1. Nominate up to five improvements to transport services that contributed to free and open trade and investment since the Bogor Goals were agreed to in 1994

2. Name up to three emerging international transport trends and their potential implications for your industry sector

3. Identify up to three key transport restraints to free and open international trade and investment in your industry, eg regulation, non-tariff barriers or infrastructure restraints and suggest possible solutions

4. Name up to three initiatives that could assist in advancing trade liberalisation in transport services throughout the APEC region

ANNEX 3

This annex is a report prepared by three economies (Australia, Brunei Darussalam and Singapore). It was presented to the TPT-WG in September 2006 meeting in Vancouver, Canada. It includes subsequent comments from economies.

Roadmap Phase II – Economy Report

Acknowledgements

The APEC Transportation Working Group Roadmap Taskforce, comprising Australia, Brunei Darussalam and Singapore, would like to extend our gratitude for the generous support provided by various APEC economies in submitting their responses to our survey questions. We would especially like to thank Australia, Brunei, Canada, Chinese Taipei, Japan, Mexico, New Zealand, Singapore and Vietnam for their contribution. Their responses have greatly assisted us in the identification of the current progress towards the Bogor Goals as well as the remaining barriers to trade and other emerging trends in the transport sector that might affect trade liberalisation.

The Economy Status Report for the APEC region forms the second phase of the Roadmap for the transport sector setting out to describe the necessary work to achieve the Bogor Goals of trade liberalisation. The first phase, the Industry Status Report, was completed and submitted to the TPT-WG 27 in May 2006.

Background

At the 4th APEC Transportation Ministerial meeting held in Bali 2004, Ministers tasked the APEC Transportation Working Group (TPT-WG) with developing a roadmap consistent with APEC principles, to be reported to Ministers six months before (our) next meeting, describing the remaining work required for reaching the Bogor Goals of trade liberalization and facilitation as well as economic and technical assistance in all modes of transportation.

A Taskforce comprising Australia, Singapore and Brunei Darussalam was established to develop the Roadmap on behalf of TPT-WG. The Transportation Working Group agreed that the analysis should consist of a three stage process:

I. Industry Report;

II. Economies' Report;

III. Set of recommendations for future directions.

This report is the product of Stage II of this process, which was meant to identify progress towards and remaining barriers to the Bogor Goals from economies' perspective. The report is based on economies' responses to surveys circulated to the twenty-one APEC economies. (The survey is attached in Annex A.)

Executive Summary

In the economy survey, economies were asked to identify the progress towards the Bogor Goals and the remaining barriers to trade and other emerging trends that might either help or hinder work towards trade liberalisation.

The responses received indicated that that there has been gradual liberalisation of the transport sectors in and among APEC member economies. Common liberalisation measures adopted by member economies include liberalisation of air services, relaxation of regulatory regimes, corporatisation/privatisation of previously state-owned infrastructure like ports and container terminals, and relaxation of ownership rules on transport-related companies and infrastructure. There has also been progress in the harmonisation of standards and the development of safety and security regulations among economies.

Key trends in transportation identified by economies include the rapid growth in international traffic, upsizing of vessels for maritime and air transport, and increased use of technology to facilitate efficient, safe and secure transport. The September 11 attack and subsequent terrorist attacks which have targeted public transportations have also given rise to a greater focus on transportation security. Other key trends identified include increasing concerns on environmental sustainability and the consolidation of service providers. These trends will provide opportunity for further growth and development while also requiring ingenuity and close cooperation between governments and industry in meeting the challenges and ensuring a balance between regulation and trade facilitation. Another key emerging trend is the shortage of skilled labour. This trend is seen across all transport sectors, and is particularly apparent in the maritime sector. With the expansion of aviation and maritime fleet size, the effect of this shortage of skilled manpower will be exacerbated in the future

Progress of liberalisation measures in transport sector

Maritime Sector

In the maritime sector, some progress has been made towards the Bogor goals. Several economies have privatised their national shipping lines and other maritime infrastructure and services. In Australia, the national shipping line, Australian National Line, has been privatised, and some ports in other APEC economies have also been corporatised or privatised.[3] In Brunei Darussalam, a more liberal maritime policy has increased the number of new shipping services operating to Muara port, and the privatisation of the Muara Container Terminal has increased productivity and efficiency in container handling. Canada’s ports are also largely controlled by private entities and do not discriminate in allowing access to international cargoes or port facilities or in access to investment or business opportunities in maritime auxiliary and intermodal services. In Singapore, port services such as tug services, bunkering and ship chandlering have also been further liberalised.

[3] http://www.blis.canberra.edu.au/chinacentre/news/documents/PrivatizationNanjing.pdf

Economies have taken steps to relax their regulatory regimes and eliminate restrictions in the maritime services. Chinese Taipei, for example, has allowed foreign shipping operators to establish branches in Chinese Taipei, and has relaxed foreign capital requirements for shipping agencies and ocean freight forwarders. In Japan, rules on nationality requirements with regards to Japanese flag ships have been relaxed. Furthermore, Japan has abolished its supply-demand adjustments restrictions on the port transportation business with the corresponding licensing system changed to a permission system. In Singapore, which already has no restrictions on foreign participation for the provision of port services, has also committed to removing limitations on foreign access and participation in international freight transportation, maritime/shipping agency services and shipping brokerage services under the World Trade Organization (WTO) General Agreement on Trade in Services (GATS). Canada too, has implemented changes to its Shipping Conferences Exemption Act 1987 to encourage competition by enhancing the freedom of individual conference lines and shippers to enter into confidential service contracts.

Aviation Sector

In the aviation sector, progress has been made in the liberalisation of air services with the establishment of the Multilateral Agreement on the Liberalization of International Air Transport (MALIAT), whose members includes APEC member economies Singapore, Brunei Darussalam, the United States of America, New Zealand and Chile.[4] Economies such as New Zealand, Singapore and Brunei have continued to adopt a liberal aviation policy. Bilateral air agreements between APEC economies are contributing to a gradual improvement in air links and increased air traffic within the region. Australia highlighted that the open skies agreement with New Zealand has sparked strong growth in air traffic between the two economies, while Canada has also concluded bilateral air services arrangements with several APEC economies, like Australia, China, Singapore and the United States. Progress has also been made in the de-regulation of domestic aviation industry. Australia reported the removal of restrictions of entry to domestic trunk routes by domestic airlines (though cabotage rules remained in place), while Japan has abolished its supply-demand adjustment restrictions in the domestic aviation sector. New Zealand removed quantitative economic licensing of domestic aviation services in 1984 and in 1990 removed all economic licensing. It also adopted a policy allowing 100 per cent foreign ownership of domestic airlines in 1998.

Land Transport Sector

Progress in the liberalisation in the land transportation sector has been observed in the areas of road transport and rail services. Privatisation of domestic land transportation concerns is continuing. In Australia, the rail industry has shifted from being almost exclusively operated by government-owned organisations to one which consists mostly of privately owned companies.

De-regulation of the domestic land transportation sector is also continuing apace. Japan has abolished the supply-demand adjustment restrictions to promote competitive market in the passenger bus and taxi sectors. In the rail sector of Japan, supply-demand

[4] MALIAT Official website, http://www.maliat.govt.nz/

adjustments restrictions have also been changed from a license system to a permission system. In addition, APEC economies have gradually begun to allow foreign competition into their domestic land transport industry. For instance, Australia has permitted entry of foreign suppliers to the interstate road freight, bus, coach and car rental services sectors. Chinese Taipei also opened its passenger car rental and trucking services sectors to foreign investments. In Singapore, the vehicle inspection industry has been opened to foreign operations. Singapore's taxi services sector has also been liberalised with the introduction of a new Taxi Operator License framework.

Progress of Harmonisation of Standards in Transport Sector

The lack of harmonised standards being a key impediment to trade in vehicles/transportation of goods across land borders, progress towards harmonising vehicle standards can be considered as one of the measures of progress towards the liberalisation of trade among APEC economies. In this respect, Mexico reported strong linkages between its various FTAs to land transport, such as the implementation of the Land Transportation Standards Subcommittee under NAFTA, as well as the exchange of information on land transportation issues under the FTA between Mexico, Venezuela and Colombia. Australia reported its efforts to harmonise and standardise its vehicle standards domestically, as well as contribute to international regimes such as the UN/ECE 1958 Agreement to develop common technical standards for vehicles and mutual recognition of certification approvals. Singapore reported her measures to facilitate greater trade via land transport between neighbours by simplifying requirements for the issuance of permits to foreign-registered vehicles. Malaysia has also introduced a standard on the transportation of dangerous goods based on the UN recommendations in 2000. Japan has also actively promoted international harmonisation of vehicle regulations, with applying more than 30 UN/ECE Regulations and endeavouring to invite more economies to join the activity of WP29. Canada also actively participates in the coordination and harmonisation of international maritime law and policy at bodies such as the International Maritime Organization and the UN Commission on International Trade Law. Currently, the APEC Vehicle Standards Harmonization Group is working towards the 1958 Agreement where economies use the ECE regulations as a starting point for vehicle safety standards. For vehicle-manufacturing economies, there was a push to recognise a set of core safety standards for motorcycles.

Emerging Trends and Potential Implications

Up-sizing

'Up-sizing' was identified by several economies as one of the common trends in the transportation industry. In both the maritime and aviation industries, the size of vessels in service/airplanes has grown considerably. With larger vessels, economies of scale for ship owners will arise leading to more competitive freight costs; and larger planes are expected to provide lower operating costs and alleviate slot restrictions at certain airports. However, these trends constitute challenges for infrastructure to accommodate increasing capacity and maintenance to ports/airports. Singapore states that the growth in size of container ships could result in the change in shipping routes and/or additional requirements for port capacity. Canada expressed similar concerns.

In Canada, the trend towards larger container ships means fewer ports will attract direct international services and feeder services to smaller ports will become the norm. This can be expected to result in pressure to liberalise domestic transportation regimes. Some APEC economies are facing the challenge of trying to build the necessary infrastructure in time - China reported that the insufficient infrastructure, such as land and space at airport, could not satisfy market demand and poses a challenge for the government in allocating resources.

Increased use of Technology

The increased use of technology in transportation is perhaps one of the key trends in the transportation industry today. In particular, electronically processed information is starting to replace paper-based information management systems.

The effect of applying new technology to facilitating trade is probably most obvious in the air transport sector. The internet has made the pricing of air tickets more transparent, allowing consumers to easily compare price quotes, and thus ensuring that prices remain a key strategic competition tool for airlines. The travelling public can now readily identify with booking air tickets on the internet or checking the delivery date of the package that they are expected to send or receive. This technology has also allowed airlines, most notably low cost carriers (LCCs) to gain a competitive advantage by using direct customer contact to sell their services. The availability of secure purchasing on the internet has provided a number of novel ways by which potential customers can examine their travel options. By cutting out travel agents, LCCs do not have to pay commission and in many cases, an electronic ticket is issued, which means the airline can save on administration charges. The use of the internet to book airline tickets is not confined to LCCs. Legacy carriers and now also some travel agents are making extensive use of the internet.

Technology has already changed the processes which governments use to administer their transportation policies. For instance, in the area of land transport, Mexico's Motor Carrier Safety Data exchange enables the electronic exchange of information and searches for information on commercial motor vehicles, commercial motor vehicle drivers, motor carrier operations and authorisations. China, meanwhile, has built a maritime portal to provide economy-wide port related services to all carriers and its agencies. Users can access different port applications via a single window and execute on-line payment, and as a result, reduced significant amount of paperwork for port authorities and carriers. Separately, Japan is moving towards the 'e-Airport' initiative which includes 'e-Check-in' which is an expedited identification process with the use of biometric technology.

Technology will also have a significant impact on how safe transportation will be in the future. Japan is developing and promoting ASV (Advanced Safety Vehicle) that features highly intelligent electronic functions to enhance safety levels, as well as working on the implementation of next-generation air navigation systems using new technologies such as aeronautical satellite systems and data link systems.

Technology is also feeding into the drive to enhance the security of trade. Work being done on intelligent transport systems (ITS) and security devices such as Radio Frequency Identification Devices (RFID) tags will allow commercial users of these services to realise productivity gains, even while meeting the security and safety requirements of various governments.

With technological advances, integrated transport is now an important part of modern business practice and has also resulted in service providers offering services across the modes.

Increasing Focus on Security

Aviation security has been a major focus of transportation security policy following the terrorist attacks of September 11, 2001. In the aftermath of these attacks, several economies have tightened the security of their aviation sector. The United States, for example, passed the Aviation and Transportation Security Act and created the Transportation Security Administration (TSA), mandating a federalised workforce of security screeners to inspect airline passengers and their baggage.[5] Canada has also implemented new initiatives in 2001 to purchase advanced explosives detection systems and related electronic security capabilities, and has deployed airport security inspectors across Canada to strengthen regulatory capacity for responding to security threats.[6]

The July 2005 bombing of trains in London and the bombings of commuter trains and subway trains in Madrid and Moscow in 2004 highlighted the vulnerability of passenger rail systems to terrorist attacks. The passenger volume and number of access points make it impractical to subject all rail passengers to the type of screening airline passengers undergo. Nevertheless, steps such as vulnerability assessments and emergency planning have to be taken to reduce the risks and consequences of an attack.

The amended SOLAS Convention came into force to strengthen security measures for international ships and port facilities on the 1st July 2004. In Japan, to become complaint with the amended SOLAS Convention, new legislation was enacted in April 2004. By July 2004, port facility security plans of approximately 1,900 port facilities were developed and security equipment such as fence and surveillance cameras were installed following this legislation. After July 2004, port facility administrators keep on implementing security measures.

Japan also held the Ministerial Conference on International Transport Security in 2006, covering the following main themes i) overcoming vulnerability in international transportation, ii) balancing security with facilitation and efficient transportation, iii) coping with gaps in counter terrorism capacity among economies and regions and issued with Ministerial Statement on maritime, aviation and land transport security.

With terrorists constantly targeting transportation systems (Madrid, London, and now Mumbai), other modes of transport like land (trucks, cars) and sea (ships, sea ports)

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[5] Transportation Security: Issues for the 109th Congress, http://fpc.state.gov/documents/organization/68824.pdf
[6] Transport Canada Press Release October 11 2001, http://www.tc.gc.ca/mediaroom/releases/nat/2001/01_H126e.htm

transport are also not spared from the risk of being targeted. Brunei, for example, has reported attacks on truck drivers engaged in border crossing. As such, APEC economies are increasingly conscious that trade will only be safeguarded if we manage to secure our transportation environment. Many APEC economies have put in place security measures at entry points such as airports, sea ports and border crossings. However, economies voiced concern about balancing security with the importance of maintaining the flow of trade.

Industry Consolidation

A worldwide trend occurring in the shipping and aviation sectors is the consolidation of service providers. Australia observed that given companies' focus on cost cutting and rationalisation to increase profits; economies of scale were being increasingly sought by many companies. This trend is likely to give rise to the policy challenge of trying to promote effective competition in an environment of increasing consolidation. In the maritime industry, for instance, the consolidation of shipping lines is continuing apace. In Australia, the acquisition of Patrick Corporation by rival transport company Toll Holdings has created a dominating freight and logistics company and Maersk's takeover of P&O Shipping has formed the largest container operator in the world. In 2002, Air China consolidated with China National Aviation Corporation and China Southwest Airlines and subsequently in 2004 absorbed Zhejiang Airline, Japan Airlines consolidated with Japan Air System in 2004 as well. Brunei noted that in the maritime industry, these consolidated entities were likely to make further demands for port services and charges to be more competitive.

Increasing Fuel Prices

In the aviation sector, a key trend identified was the continuing rise in fuel prices. Chinese Taipei mentioned that due to the continuing rise in fuel prices, air carriers might have their operations focused on their main market and suspend flights on lower payload routes. Down the line, there is a high probability that the design of new aircrafts may emphasise fuel-saving functions. Another important trend economies identified within the aviation sector was the emergence of low cost carriers. Australia and Brunei observed that this could increase and spread the benefits of tourism flows; whilst introducing considerable competition to the existing legacy carriers.

Increasing Environmental Concerns

Economies noted the increasing global concerns about the impact of transportation processes on the environment. Australia highlighted that in the maritime sector, there were increasingly stringent environmental requirements, relating to ballast water management, oil and hazardous substance spills, emissions and dredging. Similarly, in land transportation, Brunei raised the concern about carbon monoxide and other emissions from motor vehicles. These environmental concerns give rise to the policy challenge of having to come up with not just safe and efficient, but environmentally sustainable transportation infrastructure and processes.

Human Resource Shortage

One trend that is common to all transport sectors is the forecast of skills shortages. The problem, however, is especially pressing for the maritime sector. Many economies are facing difficulties recruiting suitable personnel with seagoing qualifications and experience at a senior level in the future into operational and policy positions. The availability of suitably qualified and experienced seagoing personnel has also declined. One of the main problems is the increased age profile of the existing maritime workforce, which indicates that a large proportion is due to retire in the next 5-10 years. At this rate, if the size of the world trading fleet increases significantly over the next few years, the industry could be confronted with an increasingly serious manpower problem.[7]

The aviation sector is also facing shortage of skilled manpower. The Centre for Asia Pacific Aviation (CAPA) reported that shortage of skilled workers, in particular pilots and maintenance engineers, is beginning to bite with some Asia Pacific airlines scaling back their expansion plans and things are likely to worsen in the future.[8]

The looming training crisis is also increasing the pressure on governments to change the regulatory environment to make it easier to train and retain personnel. It is therefore necessary for governments and industry to work together to find solutions to make careers in the aviation and maritime transport sector a more attractive option.

Proposals for advancing trade liberalisation in transport services

Further Liberalisation
In order to achieve the Bogor Goals, economies should continue their efforts to liberalise their transportation sectors. Further liberalisation in APEC could be encouraged by confidence building through development of supporting structure for a more liberalised global industry such as competition guidelines and safety oversight. Canada suggested that further liberalisation would be helped by encouraging public and private partnerships in the provision of transportation infrastructure. Through public and private partnerships, the skills and assets of each sector are shared in developing new services or facility. The public sector benefits from the reduction in manpower requirements as well as the ingenuity provided by the private sector. Meanwhile, the private sector gets decision rights to the implementation of the project and sometimes even subsidies. Overall, greater cost-effectiveness and efficiency in transportation services and facility can be expected from the partnership.[9]

Harmonisation of standards and Mutual Recognition
Working towards the adoption of international regulations worldwide and the establishment of mutual recognition capabilities should be a priority for APEC economies. Most economies identify the harmonisation of standards as one of the major initiatives that could significantly advance trade liberalisation. The lack of harmonisation

[7] Australian Maritime Safety Authority
http://www.amsa.gov.au/Publications/Shipping/Maritime_skills_availability_study.pdf
[8] http://www.newkerala.com/news3.php?action=fullnews&id=18447
[9] Federal Highway Association, http://www.fhwa.dot.gov/ppp/061705wkshp.htm

of standards and inadequate sharing of information between economies has been identified by economies as a barrier to trade.

There has already been some progress in this respect. In the vehicle sector the most important strategy for standardisation is found in the multilateral process under the UN/ECE 1958 Agreement. This is a long term approach and the benefits will be realised as more economies accede to that agreement or adopt other approaches that utilise the agreement's provisions relating to development of common technical standards for vehicles and mutual recognition of certification approvals. APEC economies that have acceded to the agreement include Australia, Japan, Korea, Malaysia, New Zealand, Russia and Thailand. However, differing technical standards for vehicles and a lack of mutual recognition arrangements for vehicle certification continue to hamper optimal trade arrangements, despite efforts conducted through the working group under the UN/ECE. Other regional groupings have been working on this issue as well. In 1998, ASEAN agreed to mutually recognise commercial vehicle inspection standards for vehicles carrying goods or in the public service. Going forward, other areas that would benefit from harmonisation may include technical and safety standards, hazardous material handling standards, environmental quality standards, freight security standards, etc. Mexico suggested harmonisation of vehicle weights and dimensions. Such harmonisation of standards would address technical trade barriers and lower compliance costs. It will also make the international business environment more transparent and less complicated to navigate.

Several economies suggested that education and information-sharing on best practices and recent developments in APEC economies would be beneficial in moving forward the process of harmonising regulatory standards in vehicle inspection, safety and security. This could be done both through disseminating information about the relevant international conventions and progress made on implementing those, as well as having international training courses, symposium or conferences that will enable member Economies to understand the policies of others and other international transport trends.

Human Resource Development

Human resource development in the transportation industry is an area requiring urgent attention. The transport industry generally is facing a potentially serious skills shortage problem. This is exacerbated by the long time lag caused by the training period required to produce the requisite skilled worker in the aviation or maritime industry. Planning ahead to meet these human resource constraints is thus crucial.

There is a continuing demand for training to be conducted for current personnel to increase their awareness of safety and security issues. The training can be in terms of logistics and multimodal transports, supply management chain, ISPS Code, ICAO regulations and WTO regulations on transport service liberalisation.

Attachment A

Roadmap for the APEC Transportation Working Group to Reach the Bogor Goals – Stage II, Economy Survey

The APEC Transportation Working Group (TPT-WG) has been tasked with developing a roadmap describing the remaining work required for reaching the Bogor Goals of trade liberalisation and facilitation in all modes of transport.

We intend to provide a wide-ranging analysis for the future direction of the transportation area in APEC, focusing on how we reach the Bogor Goals, recognising the different needs and time frames for developing and developed economies. The Transportation Working Group has agreed that the analysis should consist of a three stage process:

I. Industry Report Card (surveys are being circulated with a response date of 30th November 2005)

II. Survey from Economies and Expert Groups

III. Set of recommendations for future directions.

The purpose of Stage II is to learn what transport issues from the trade liberalisation perspective, governments consider most pressing in the APEC region. Through this consultation process we hope to identify in which areas transport might act as a barrier or facilitator to trade, international needs and trends in the transport sector and areas of cooperation and/or capacity building that could address barriers to trade.

Please give as many examples as possible within each mode of transport, e.g. aviation, maritime and land, in addition to any examples touching intermodal transport issues. It is sufficient to give up to five examples for each question. It is not necessary to give up to five examples for each mode.

We are looking for concise answers to the questions, or possibly key words. Longer narrative answers are also welcome if required or appropriate. Please also feel free to make additional comments if considered relevant.

Please return the questionnaire to Linda Rasmussen, Australian Government Department of Transport and Regional Services, GPO Box 594, Canberra 2601 ACT, Australia or Linda.Rasmussen@dotars.gov.au by 10 December 2005.

Economy Survey

1. What liberalisation measures in the transport sector have increased or improved facilitation of trade since the Bogor Goals were agreed to in 1994? Please specify up to five examples across the aviation, maritime, land and intermodal transport modes.

2. What factors in the transport sector act as a barrier to trade, e.g. regulation, infrastructure, industry organisation, technology or policy? Please give up to five examples across the aviation, maritime, land and intermodal transport modes.

3. Identify emerging international transport trends and their potential implications for trade, including technological innovations. Please specify up to five examples across the aviation, maritime, land and intermodal transport modes.

4. Identify up to five areas of cooperation and/or capacity building that could address barriers to trade, as they relate to aviation, maritime, land and intermodal transport.

The Recommendations in Annex 4 are based on input to the other two reports of the Roadmap (Industry Report and Report of Economies). The Recommendations have yet to be formally considered by the TPT-WG.

Roadmap Phase III– Draft Set of Recommendations

At the 4th APEC Transportation Ministerial meeting held in Bali 2004, Ministers tasked the APEC Transportation Working Group (TPT-WG) with developing a Roadmap describing the remaining work required to reach the Bogor Goals of trade liberalisation and facilitation, as well as economic and technical assistance in all modes of transportation.

This Draft Set of Recommendations is the third phase of the Roadmap process. The recommendations are based on input from an Industry Survey completed by seven APEC economies and Economy Reports provided by eight APEC economies. The present version incorporates comments from economies and expert groups after the presentation at TPT-WG28 in Vancouver, Canada, in September 2006.

The first phase was the preparation of an Industry Report (presented at TPT-WG27 in Ha Noi in May 2006) followed by development of an Economy Report (presented at TPT-WG28 in Vancouver in September 2006).

The six key recommendations reflect the input from APEC industry organisations and economies. They outline broad categories encompassing the concerns voiced in responses to survey questions distributed to all economies and industry in the APEC region. Underneath each recommendation is a number of suggestions for initiatives that might progress the broad statements in the recommendations. These suggestions are NOT a catalogue of tasks that the TPT-WG commits to complete but rather a series of ideas for further discussion by the group.

It is also possible for the different expert groups to develop some of the ideas presented in this document for the Action Plans that they will be developing for discussion at TPT-WG29 in July 2007.

The Roadmap documents will be presented at the 5th APEC Transportation Ministers' Meeting as annexes to the TPT-WG report to Ministers.

RECOMMENDATIONS:

1. **Continue to make liberalisation of transport services and infrastructure key policy items in APEC economies**

Liberalisation of transport services and infrastructure continues to be an important aim for APEC economies. Considerable progress has been made in a number of areas, however barriers, particularly those behind the border, remain.

A number of suggestions for future policy focus within APEC economies (in no particular order of importance) include:

- confidence building through development of supporting structure such as competition guidelines and safety oversight according to best international practice for a more liberalised global industry
- where possible, make deregulation of transport infrastructure, transport services and service providers a priority. This can be achieved through initiatives that would assist with:
    - abolishing cargo reservation regimes
    - letting price and capacity be determined by market conditions and limiting government control on price and capacity while ensuring measures to counter anticompetitive behaviour
    - make safety, security and environmental standards the basis for issuing licenses
    - encouraging public – private partnerships in the provision of transport infrastructure
    - privatising/corporatising infrastructure and transport service providers
- assist efficiency gains through making supply chains more effective, focusing in particular on
    - airports
    - seaports
    - intermodal distribution centres
- introduce/enforce strong competition regulations
    - work towards more open competition in the transport sector
    - development of competition policies directed towards efficiency gains
    - open landside operations to competition
- improve market access for foreign transport service providers where it is deemed appropriate
- exchange views and information on WTO/GATS negotiations within the areas of aviation, maritime and logistics services

Continue facilitation of trade by improving the efficiency of transport services and infrastructure in the following areas:

2. Address capacity building issues

The transport industry is facing a serious skills shortage globally due to difficulties with attracting sufficient numbers of new recruits in many sectors. A priority area for the TPT-WG continues to be Human Resource Development and it is important that this issue is addressed in a concerted effort by both governments and industry. The efforts of the TPT-WG should concentrate on identifying areas of greatest need and highest priority and develop a strategy for targeting those areas with capacity building initiatives.

- measures to address skills shortages include:
    - retaining more members of the current workforce

    - trying to attract new types of recruits, such as women, people with alternative abilities, local recruits
    - working with industry to improve image of transport workers
    - improve working conditions for transport workers
- design targeted courses and training addressing specific needs particularly in the areas of:
    - building safety and security capabilities
    - reinforcing the capabilities for new technology
    - enhanced understanding of the importance of transparency and consistency in the application of regulations
    - building capabilities to increase efficiency measures
    - improving the educational standard of officials, especially regarding the rules the officials are administering
- continue information sharing and cooperation

3. Promote technological advances

The technological advances of the transport industry generally have contributed considerably to the facilitation of trade, mainly by making the transport industry more efficient, safe and secure. It is an area of great potential for continued efficiency gains and improved productivity. It is therefore important that government and industry work together to further enhance the possibilities for promoting technological advances potentially through:

- sharing information on new and proven technology
- assisting developing economies to acquire new technology
- ensuring technological assistance for developing economies is supported by training and ongoing maintenance strategies
- assisting with advice on investment opportunities/possibilities
- use of communication systems to undertake more effective risk assessment, which would help a larger number of goods to move across borders with minimal intervention
- develop electronic data transmission between exporting and importing administrations

4. Work towards harmonisation of regulatory practices and mutual recognition

Harmonisation and transparency of regulatory practices and mutual recognition are some of the areas most frequently identified by industry and economies as in need of government attention. Mutual recognition of product and process standards, where applicable, will assist with trade liberalisation while mutual recognition of professional and technical qualifications can assist with addressing the skills shortages facing many APEC economies.

The TPT-WG has already prepared the ground for progress within the vehicle standards area but a more concerted effort is essential. As part of the harmonisation process it is also important to promote transparency in regulations across the APEC economies. Areas where progress could be made include:

- relevant economies to progress their commitment to working within the framework of the UN/ECE 1958 Agreement and 1998 Agreement for vehicles

- economies agreeing to a set of core regulations for motorcycles
- information sharing on recent developments and best practices
- mutual recognition of certification, products and qualifications, where applicable
- introduction of electronic and standard document requirements. where appropriate
- making transparency in regulations a priority, including publication of all laws, regulations and administrative rulings
- ensuring that new regulations and standards do not inadvertently inhibit trade through a trade impact assessment
- greater uniformity in the application of laws, regulations, administrative guidelines and procedures

Further work could be done in relation to areas of greatest need for capacity building through initiatives that progress mutual recognition of professional and technical qualifications in the logistics area and seafarer manning area.

5. Promote effective safety and security measures

Effective safety and security measures are important for asset and human capital protection and to prevent unnecessary loss of life and serious injury as well as to maintain confidence in transport systems. Focusing on effective safety and security measures has the added benefit of making trade facilitation more efficient. Progress in these areas could be pursued through:

- data collection and monitoring to assist with investment decisions and improved infrastructure standards
- integrating safety and security standards in legislative requirements
- making safety and security requirements a focus in mass transit systems
- implementing road safety action plans
- implementing security action plans

6. Promote environmentally friendly and sustainable transport

Environmental sustainability has not been a major focus area for initiatives within the TPT-WG over recent years but remains a key objective. With the continued growth in the transport of people and freight task facing the APEC region, the Group must remain responsive to pressing environmental issues.

Fuel is a substantial issue for the transport industry from both the cost and security perspective. The TPT-WG has a role to play in APEC’s response to rising fuel prices and concerns about the environmental impact of the various transport modes. Working Group efforts could focus on:

- sharing information on successful developments and initiatives
- encouraging the uptake of new technology
- assisting with development of new technology
- exploring alternative sources of fuel
- making environmental and sustainability issues part of regulations.