

 Trafikministeriet

Presentation by Mr Jakob Franck, representing the Danish Ministry of Transport at the Conference on The Role of Transit Transport in Emerging Markets, from 10 to 13 September 1997 at Tallinn, Estonia.

Freight Transport Infrastructure for the Baltic Trades.

Ladies and gentlemen. Allow me to start by thanking you for the invitation to make this presentation.

I represent the Danish Ministry of Transport where, since 1989, I have been in charge of the efforts to provide technical assistance for the Baltic countries and Russia. The most recent project to be completed in Estonia concerned the development of Distribution Centre Estonia, a project which is now being realised by a number of Estonian companies.

What is taking place in the transport area in these years?

Hardly anybody would disagree that the greatest potential market close to the EU consists of the former East Block countries, such as Russia, the Baltic countries, Ukraine, Poland, among others.

There can be no doubt that a prerequisite for this market development is economic growth and transport in a broad sense. The more efficient and unproblematic transport is, the greater the speed and facility with which the markets may be developed. The conditions for distribution, transport and customs clearance have therefore become the object of great and focused attention.

Today, the share of haulage by lorry is rising steadily, despite the fact that overland transport through central Europe has not been sufficiently developed to handle the considerable volumes of goods that we are talking about. If road transport continues to grow at its present rate, very large and exceedingly costly infrastructure investments in road construction will be necessary. It is therefore of paramount importance that we ensure that the development of transport takes place in an environmentally responsible way.

Lack of efficient and secure systems - and here I refer not least to combined transport by sea and railway - has had, and continues to have, a negative impact on the cost level for Danish and foreign companies, and this does not only affect the transport side of business. The financial costs have increased due to unnecessarily large safety stocks and inventories, delays and special charges, etc. On top of this are the problems with the customs side, which have

caused further costs and delays.

The result is that again we see an increasing number of foreign companies, including transport companies, who are becoming more and more reluctant to undertake commitments in the Baltic countries and Russia, something which puts a brake on trade. At the same time, more and more exporters decide to use modes of transport which are less dependent on these conditions. I am here referring especially to road haulage.

This development is highly undesirable. It is not beneficial to trade nor to transporters, and it is most certainly not beneficial for the environment.

What, then, is it that we have experienced?

A great deal of focused attention has been lavished on the problems with customs clearance; especially the Russian customs authorities have been made a target of criticism, but the customs authorities of the Baltic countries clearly have not been spared, either.

I am certain that not only Danish newspapers have reported fresh occurrences of problems with the Russian customs authorities. Slow processing of documents, low speed of cargo inspections, etc. Even reports of fraud and dishonesty. But is all this really true?

It has turned out that the blame placed upon customs authorities was somewhat exaggerated. It is obviously convenient for forwarding agents to maintain that the customs clearance is slow even though, perhaps especially if, the forwarding agent has caused the delay of the transport, and has failed to do his work well enough.

It is also facile to complain about over-meticulous scrutiny of documents. Many problems would have been avoided if the haulier or forwarding agent had filled in the documents correctly.

There are countless examples of falsely low invoice amounts, through which the exporter has hoped that this variant of falsification of documents would pass unnoticed, and thereby he could gain a quick and easy boost of profits. But most often this type of fraud is discovered, perhaps not today, perhaps not tomorrow, but in a year or two. And then there will be a responsibility to face.

On the other hand, there have been problems which have been caused by the customs authorities. One example is the frequent changes to the customs regulations.

However, it is important to emphasise that customs clearance and inspection are necessary links in the chain of international transport, and that improving the clearance routines and procedures is all it takes to ensure correct customs assessment with only the shortest possible delays, and without nuisance to the transport agents.

Improving the efficiency of the transport chain is, as I have mentioned earlier, necessary to support the import and export trades

and the co-operation within the transport sector. It is therefore of the utmost importance that the causes of the many problems and delays which are involved and both transport and border crossing are identified - and eliminated.

I am certain that Denmark is not alone in emphasising the desirability of improved market access, both as regards time and costs. In my estimate, it is possible, through streamlining systems and procedures, to reduce the logistical costs, including financing costs, by up to one third.

Such an effort would also cause the environmentally superior transport modes, such as sea, inland waterways and railways, to gain renewed interest from transport customers.

It is therefore important to endeavour to make the environmentally friendly transport modes more competitive. The first step would be to reduce the transport time by making procedures and processing of documents more flexible and introducing sample inspection of consignments of goods at the customs clearance. As things are today, the Russian customs authorities require the most shipments to be inspected, which causes shipments of goods to pile up pending inspection, and the transport delays assume excessive proportions. At the same time, the problems of stock theft escalates.

Of course these problems grow at a rate proportional to the size of the consignments, and are influenced by the spread of liberalisation and privatisation, which means that customs clearance must very often be carried out in locations which were not designed for this purpose, which are unsecured and insufficient in size. Improvements would at the same time mean better utilisation of the rolling stock, which would not be idle for long periods of time.

If we fail to secure improvements it can be predicted that the environmentally most beneficial transport modes will continue to lose market share. It can also be predicted that there will be considerable investments in infrastructure facilities which are unnecessary.

What does it take?

Where earlier grand and costly development projects, in the shape of construction of new infrastructure, such as harbours, roads, etc. were the preferred choice, we have finally recognised that the accumulation of piles of cargo, bottlenecks, etc. seen today is not so much caused by deficient infrastructure facilities as by flawed and faulty systems, agreements and procedures.

This situation is the main cause of the accelerating environmental impact caused by the growing use of lorry transport.

To ensure an environmentally viable development of the transport area there must be made a great effort to simplify trade formalities and procedures.

Another decisive element is focusing on the specific abilities of the transport industry. There must be an effort to develop combined transport and to maintain or increase the market share of the environmentally desirable transport modes. Obsolete procedures and many non-standard documents mean increased costs and unnecessary delays of consignments of goods.

The lack of co-ordination between the many parties involved in a trade and transport transaction, as well as the absence of relevant forums of transparent discussions between the public sector authorities and the private sector concerning simplification of procedures, documents, regulations etc. all conspire to have a negative effect on trade relations, while at the same time raising the costs for importers, and, ultimately, the consumer.

Combined-mode transport means that transport by different transport modes may be carried out by use of one transport document only, something which constitutes a signal simplification and will promote development of railway transport.

We must therefore ensure that it becomes possible to transport goods in such a way that it promotes trade and secures economic growth.

A trading opportunity arises when you have the right product in the right place, at the right time and to a competitive, price.

The creation of a trading opportunity requires the convergence of four basic functions, which must be adequately performed. These four are:

- provision of, or access to, the goods (production, through manufacturing or trading),
- storage of goods,
- transport, or conveyance, of the goods, and
- marketing of the goods.

Manufacturing creates and trading locates goods which are planned to meet the customers' needs and demands (the right product); storage holds the goods until the time when they are to be used (the right time); transport forwards the goods where they are to be sold or used (the right place); and marketing transfers the ownership of the goods, at a determined price, to the person to whom they are needful or desirable (competitive price).

What is required?

The specific measures which facilitate trade may be identified as follows:

1. Regulatory measures to harmonise transport liability regimes and insurance practices and to provide an appropriate legal framework for the establishment and development of combined-mode operators.
2. Trade and transport facilitation measures, that is, customs regulations, trade and transport documents, electronic data

interchange technology, and their acceptance by the trading community, transport operators, executive government agencies, banks and insurance companies.

3. Development of policy measures to secure the smooth development of transport services and to avoid misallocation of resources, especially for spending on unnecessary improvement of physical infrastructure and transport equipment.
4. Sub-regional co-ordination measures to secure appropriate harmonisation and integration of the various different actions, relating to trade, transport and the environment, taken at the national level.

In connection with the introduction of feasible trade facilitation procedures, a liberalisation of international transactions must be effected.

There must be free market access, which means that foreign providers and consumers are free to choose among any of the four modes of supply (I) foreign direct investment or some other form of commercial presence, (II) movement of labour, (III) cross border trade and (IV) movement of consumers to service a foreign market.

It must also be secured that foreign providers of goods and services, once they have entered a market, are treated in a way which is not less favourable than the treatment accorded to similar domestic service providers, traders and manufacturers.

The challenge lies in:

- developing new production patterns
- developing a new approach to the division of labour
- securing efficient utilisation of existing capacity
- securing improvement of the balance between the transport modes, with a focus on promoting environmentally friendly transport modes
- developing management skills and competence
- establishing quality control
- promoting transport facilitation, and
- introduction of environmentally friendly transport systems.

The need for transport facilitation may be summarised thus:

- speeding up information flows,
- eliminating errors,
- relating producers more closely to trade and transport requirements,
- limiting information requirements to essential data,
- minimising, as far as possible, the delays caused by unavoidable official inspection and control measures and other interventions, and
- securing support and priority for environmentally friendly transport modes in order to secure sustainable development.

There must be special focus on refining systems and procedures relating to import, export and transit, and a combined pre-clearance system must be introduced.

Implementation of efficient electronic data interchange is a vital prerequisite for the introduction of a proper combined-mode transport system. The objective is, of course, to create a seamless international network for transport of goods along various paths and by various modes with the use of only one transport document.

This transport concept ensures that companies can have their goods carried in the most appropriate manner by one or more modes of transport, while simultaneously making sure that the goods are covered by insurance. It also secures payment of fees and charges to customs authorities and various forwarding agents.

In summary, the concept organises transport of goods in a way which secures payment to each different carrier and payment of dues and charges to authorities. Throughout transit from consignor (manufacturer or exporter) to the recipient (purchaser), there is also unambiguous allocation of liability for the goods, and security of insurance of the goods.

Manufacturers are going to derive great benefit from the combined-mode concept. But in order to make this possible, the transport documents must be standardised and the authorities involved in each of the transit countries must be prepared to simplify and streamline the procedures and to introduce adequate systems of electronic data interchange.

What exactly is the contribution of the Danish Ministry of Transport?

With the specific view in mind to support the development of trade facilitation and the combined-mode concept, the Danish Ministry of Transport will provide technical assistance to Estonia in 1998 within these very areas. In this connection we shall endeavour to establish co-operation in which there is equal attention on transport, trade and the environment.

Similar assistance will also be provided for Russia in the Saint Petersburg area in 1998.

Beyond this it is the intention to make Latvia and Lithuania new partners in 1999. This, is to be discussed in the coming year.

The intention behind the new technical assistance within trade facilitation and multimodal transport is to ensure sustainable and viable transport which combines efficiency, competitiveness and environmental responsibility.

It may sound as though environmental concerns receive disproportionate attention, but in actual fact these are initiatives which will improve competitiveness and the utilisation of resources, while at the same time they produce compliance with regulations and

especially the targets laid down by the EU for creating a regional environment of which we may be truly proud.

For trade in the Baltic region, infrastructure is not only a question of transport. It is equally a question of creating viable solutions. It is my hope that through this conference we shall add positively to the initiatives already made, and that we shall focus on establishing good co-operating relations between all parties involved.

I am assured that we shall succeed in developing transport concepts which will secure both the competitiveness and efficiency of transport, and which at the same time heralds a new era in which transport is developed in an environmentally responsible manner.

I very much look forward to a fruitful conference with goods discussions. We, the Danish representatives, shall endeavour to push development ahead.

Thank you, ladies and gentlemen.

©Trafikministeriet - Udgivet af Trafikministeriet - <http://www.trm.dk>
Frederiksholms Kanal 27 - 1220 København K
Tlf.: 33 92 33 55 - [E-mail:trm@trm.dk](mailto:trm@trm.dk) - Fax: 33 12 38 93