



TRANSPORT AND COMMUNICATIONS

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CCO BRIEF
ON
TRANSPORT AND
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BRIEF ON TRANSPORT AND COMMUNICATIONS COOPERATION

Mobility is one of the most fundamental and important characteristics of economic activity as it satisfies the basic need of going from one location to the other, a need shared by passengers, freight and information. All economies and regions do not share the same level of mobility. Economies that possess greater mobility are often those with better opportunities to develop than those with scarce mobility. Providing mobility is an industry that offers services to its customers by employing people and paying wages, investing capital and generating income.

All the different modes of transportation are supplementary and complementary to each other in providing mobility. Thus, no single transport mode has been solely responsible for providing mobility. On the other hand, there are big differences among the modes of transportation in terms of cost efficiency and speed. By benefiting from the advantages of all modes of transportation, multimodal transport has brought a new breath to traditional modes of transportation. Multimodal Freight Transport (MFT) is basically applied for any chain of transport of commodities involving at least two modes of transport.

Being one of the most important types of MFT equipment, the container has changed the world. It has facilitated to move goods between continents, raised the efficiency of logistics, stimulated the growth of world trade and enabled developing countries to enter into global supply chains without massive investments. In this context Multimodal Freight Transport (MFT) increasingly plays a fundamental role in world trade. It enables to cut transit times, minimize congestion, ensures the safe movement of goods and reduces logistics costs.

The Studies in the field of MFT have provided evidences for the outstanding role of containerization and MFT services for the integration of countries into global supply chains and enhancing their external trade. Based on the results of most recent research the effects of containerized trade and rail hinterland services could be shown for 157 countries. The external trade of a sub-sample of 22 industrialized countries grew by 292% within the first 20 years of containerization of ports but soared by 790% when both ports and hinterland rail system were containerized. The impacts of containerization in 135 developing countries were smaller in size but took the same trend. Trade increased by 121% within the first 20 years of containerization of ports but by 357% when both ports and hinterland rail system were containerized. These findings clearly display the pivotal function of intermodal freight transport for reinforcing the positive impacts of containerization.¹

The market share of developing countries of the world container traffic has been increasing over the past decade and reached about 40% in 2011. This development went in tandem with an increasing importance of container ports in developing countries as transshipment hubs for global liner networks. At the same time the dominance of the trade lanes from/to America and Europe has been declining.

¹ COMCEC Coordination Office, Global Trends and Policies in Multimodal Freight Transport, (www.comcec.org)

Consequently, well-functioning, effective, and sustainable transport systems have a direct impact on the development of countries. For the purposes of this brief note, specific emphasis is given to air transportation.

I. Global Trends in Air Transport

During the last decade, there has been an unprecedented development in all modes of transportation especially in air transport industry. Although air transport is the most expensive one among the other modes of transportation, its role of providing rapid and intercontinental connections has made it an essential economic and social issue throughout the world. Air transport is by its nature a global industry. It has seen unprecedented growth during the last 30 years. This growth has been fuelled by major factors such as growth of the global economy which relies heavily on air transport, growth of the tourism industry which is shifting mostly to air transport, and the advancement of technology which makes aircraft and flying substantially safer and more cost efficient.

According to the International Civil Aviation Organization and International Air Transport Association (IATA), in 2013, the air transport industry transported approximately 3.1 billion passengers, roughly 40 percent of the world's population when counted on a round-trip basis. More than 50 percent of international tourists and over 49.8 million tonnes of freight with 35% of interregional exports of goods by value are transported by air. In addition to its unique role in transportation, the air transport industry generates roughly 8.7 million direct jobs world-wide. Aviation's total impact on the global economy is \$2.4 trillion including direct, indirect and the catalytic effects of tourism.

Air transportation has never played before such a crucial role for the global economic development. Liberalization of aviation markets, the emergence of low-cost carriers (LCCs) and the bilateral air service agreements have been fundamental factors in that much development of the aviation sector via enhancing air connectivity among/within the countries.

Air transport increases a country's connectivity which can help raise productivity, by encouraging investment and innovation; improving business operations and efficiency; and allowing companies to attract high-quality employees. Developing air linkages opens up new markets for a country and sparks more export activity. At the same time, greater connectivity increases competition and choice in the domestic market. This encourages the domestic companies to adopt best international practice in production and management and to specialize in areas where they possess a comparative advantage. Additionally, greater connectivity also makes it easier for them to attract outside investment. Given the increase in global connectivity due to air transport over the last couple of decades, Oxford Economics estimates this impact to be worth over \$200 billion to global GDP².

² Aviation/Benefits Beyond Borders/ ATAG, March 2012, p:2

As a result, the advance in air transport industry unusual during the last few decades and therefore they had an unbelievable impact on the economic development and the well being of countries. However, an entire sustainable transportation system will be possible only with ensuring sustainability in all other modes of transportation beside air transportation. Hence, transport infrastructure is quite important for a better transportation system.

Although transportation infrastructure has developed dramatically in parallel with advancements in air transportation during the last decades, there is still a wide diversity among countries in terms of the quality of transport infrastructure and cost of transport services. It is quite obvious that the countries possessing a well-established transport infrastructure system gain more benefits of the global economy. That means that, integrating to today's global market place and developing successfully become nearly impossible without advanced transportation infrastructure and air transport industry.

- **Air Transport in the OIC Member Countries**

Aviation sector is key to economic growth and development in developing countries including OIC member countries. Aviation's print on the OIC Member Countries can be apparently seen by the amount of commercial airports, the number of airlines and most importantly the number of passengers in each member state. Although there are, undoubtedly, more airports which fall under general aviation or they currently lack scheduled commercial services, it is estimated that the OIC member countries have over 520 commercial airports which are currently in use by scheduled carriers. The vast majority of these airports exist in countries where aviation is actively encouraged with the top four states (Indonesia, Turkey, Iran and Malaysia) having 40% of the 520 airports.³

On the other hand, the OIC member countries have some of the fastest growing airlines world-wide, which are significant traffic drivers such as Turkish Airlines, Emirates, Etihad and Lion Air. While only 38 OIC member states report their annual passenger figures, the combined total is momentous, amounting to 602.6m passengers. Turkey generates the most aviation traffic with 22% of the OIC total, followed by UAE with 15% and Indonesia and Malaysia both contributing by 13.5%. Again Turkey is the significant market leader in terms of aviation with 20% of total air traffic movements while Indonesia is second with 14%.⁴

There is a large variation in the air traffic figures among the OIC member states. On the one hand, several OIC countries achieve some of the globally highest air traffic. For example, Soekarno-Hatta International Airport of Indonesia, Dubai International Airport of United Arab Emirates, Atatürk International Airport of Turkey and Kuala Lumpur International Airport of Malaysia are ranked among the top 30 busiest airports in terms of movement of passengers. Moreover, Dubai International Airport of United Arab Emirates, Doha International Airport, and Kuala Lumpur International Airport of Malaysia are ranked among

³ ICF SH&E estimate of Official Airline Guide schedules

⁴ COMCEC Coordination Office, Developing Air Linkages to Sustain Tourism among the OIC Member States, (www.comcec.org)

the top 30 busiest airports in terms of movement of air cargo. On the other hand, several OIC member countries lack an operating airport and accordingly fail to experience any air traffic movement.⁵ Table below demonstrates the air passenger traffic of the OIC member states for 2013.

Table: Air passenger carried at the OIC Member States in 2013 (million passengers)

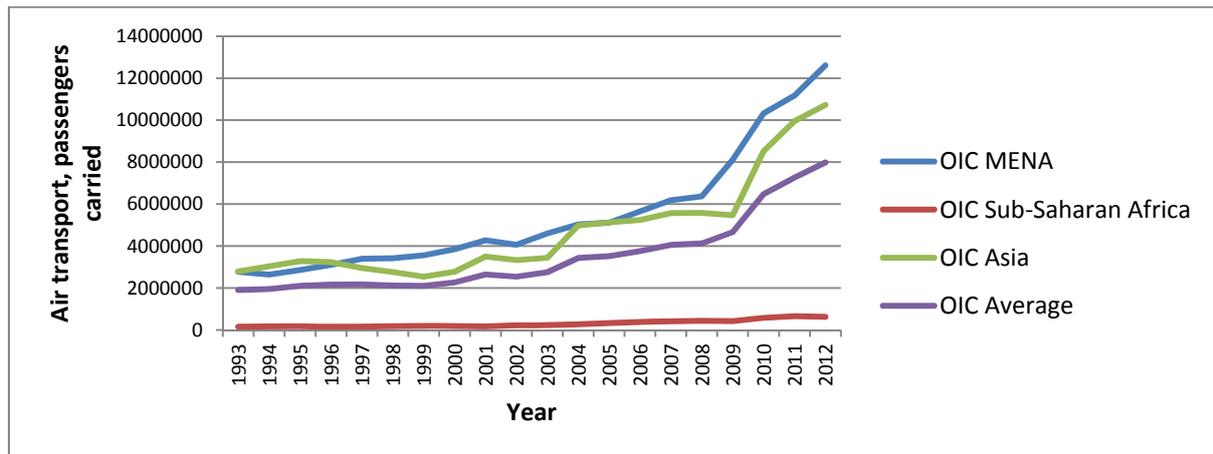
MENA		Sub-Saharan Africa		Asia	
Turkey	74,3	Nigeria	3,7	Indonesia	85,1
United Arab Emirates	69,1	Togo	0,840	Malaysia	46,3
Saudi Arabia	28,2	Mozambique	0,630	Pakistan	7,7
Iran, Islamic Rep.	18,8	Sudan	0,556	Kazakhstan	4,8
Qatar	18,7	Senegal	0,495	Uzbekistan	2,5
Egypt, Arab Rep.	9,9	Cote d'Ivoire	0,433	Bangladesh	2,0
Morocco	6,7	Mauritania	0,309	Azerbaijan	1,6
Oman	4,9	Cameroon	0,287	Afghanistan	1,2
Algeria	4,5	Somalia	0,258	Brunei Darussalam	1,2
Bahrain	4,4	Uganda	181	Tajikistan	0,628
Tunisia	4,1	Gambia	146	Kyrgyz Republic	0,525
Jordan	3,4	Benin	137	Suriname	0,259
Kuwait	3,1	Burkina Faso	106	Guyana	0,191
Libya	2,5	Niger	0,087	Turkmenistan	0,146
Lebanon	1,9	Gabon	0,034		
Yemen	1,2	Chad	0,033		
Albania	0,865	Mali	0,033		
Iraq	0,512				

Source: The World Bank World Development Indicators

In general, more populous countries tend to have higher air passenger traffic. In addition, the income level, geographical position and the availability of alternative transport modes affect the level of air passenger traffic in that country. For example, higher per capita income countries are more likely to have higher per capita air passenger traffic. Similarly, it is possible to observe that island countries where surface transport linkages are quite limited have higher per capita air passenger traffic figures.

The outlook of the OIC member countries' air industry for the upcoming period is positive, as solid growth in all regions is forecasted. That growth is expected to be particularly strong as increasing purchasing power, the emergence of Low Cost Carriers (LCCs), and the liberalization of the sector converge to support the expansion of air services. The figure below indicates the changes of air passengers carried between 1993 and 2012 in the OIC. It is apparently seen that OIC Asia outperformed other OIC regions in the 1990-1996 period and OIC MENA took the lead in the 1997-2012 period. Both OIC regions had higher air passenger traffic than the OIC average while, OIC Sub-Saharan Africa felt below that average throughout the 1993-2012 period.

⁵ COMCEC Transport Outlook 2014-Revised Edition.

Figure: Air passengers carried in the OIC regions in the 1993-2012 period

Source: The World Bank World Development Indicators

The strong growth in emerging and developing markets in the field of aviation sector will require new investments in airport and air traffic control infrastructure. In countries with large passenger volume, airport improvement on enlargement projects can mostly be financed by the private sector. In countries with smaller traffic volume, required infrastructure investments often need to be funded by the public sector. Furthermore, strong growth of traffic also calls for improved regulatory oversight to ensure safety, security, and sustainability in terms of fair and open competition. Especially given the current economic environment, governments should give priority to connectivity rather than overregulating the air transport process by heavy taxes, burdensome regulations, and tiresome bottlenecks in infrastructure development.

II. Transport Cooperation under the COMCEC

Given the importance of an efficient transportation system for ensuring sustainable development in the member states, substantial efforts have been made under COMCEC.

2.1 COMCEC Strategy on Transport and Communications

Transport and Communications is one of the six cooperation areas of COMCEC Strategy. The strategic objective of cooperation in transport and communications is defined as *“Improving the functioning, effectiveness and sustainability of transport and communications in the Member States”*.

Regulatory Framework, Institutional and Human Capacity, Transport Infrastructure Policies and Information and Communication Technologies have been identified as the output areas in the field of transport and communications by the Strategy.

2.2 Transport and Communications Working Group Meetings

- The Third Meeting of the Transport and Communications Working Group

The Third Meeting of the COMCEC Transport Working Group was held on March 13th, 2014 in Ankara, Turkey with the theme of “*Developing Multimodal Freight Transport (MFT) Among the OIC Member Countries: Current Implementations and Policy Recommendations*”.

During the meeting, the representatives discussed the current state of multimodal freight transport of their respective countries within the perspective of regulatory framework, operational practices, implementation challenges and institutional and geographical capacity. The discussions were also enriched by presentations of some delegates of member states and representatives of the private sector. The representatives also exchanged their views, achievements and experiences on the incentives mechanisms in the field of MFT in their respective countries.

At the end of the meeting, it came out that some policies at the governmental level should be implemented in order to have better MFT services in the OIC member states. These policies are basically: creating equal or fair terms of competition for all modes of transport, producing dedicated regulatory framework, financing the construction of intermodal terminals where needed and creating a dedicated department in the Ministry of Transport specifically in the field of logistics and the intermodal industry.

The Proceedings of the Meeting as well as the Analytical Study entitled “Developing Multimodal Freight Transport (MFT) among the OIC Member Countries: Status of the Implementations of MFT among the OIC Member Countries”, and “COMCEC Transport Outlook 2014” are available on COMCEC website (www.comcec.org).

- The Fourth Meeting of the Transport and Communications Working Group

The Fourth Meeting of COMCEC Transport and Communications Working Group was held on September 11th, 2014 in Ankara, Turkey with the theme of “*Developing Air Linkages to Sustain Tourism among the OIC Member States*”.

During the meeting, the representatives discussed the conceptual framework of developing air linkages and the economic impact of air transportation, global trends affecting linkages between air transportation and tourism, overview of the situation in the member states and current incentives and barriers in this regard. The discussions were also enriched by presentations of some delegates of member states and representatives of the private sector. The attendants also exchanged their views, achievements and experiences on the operational mechanisms in the field of air linkages in their respective countries and institutions.

The need for strong cooperation among the member states to establish more air linkages and make better use of their implications came into focus during the deliberations. The strong

relationship between developing air linkages and the amount of tourism revenue was emphasized during the Meeting.

After considering these issues, the Working Group came up with some policy recommendations in order to gain more from the air transportation industry. These policy recommendations were: increasing of air transport liberalization in the OIC member states, making better use of PPPs in airport infrastructure and opening domestic markets to low-cost carriers (LCCs).

The Proceedings of the Meeting as well as the Analytical Study entitled “Developing Air Linkages to Sustain Tourism among the OIC Member States” and “COMCEC Transport Outlook 2014-Revised Edition” are available on COMCEC website (www.comcec.org).

The second Project Call under COMCEC Project Funding was made in September 2014. Within the framework of the second project call, three project proposals of Member Countries of Transport and Communications Working Group and one project proposal of related OIC Institutions have been announced as short-listed.

