



**Standing Committee
for Economic and Commercial Cooperation
of the Organization of Islamic Cooperation (COMCEC)**

Global Trends and Policies In Multimodal Freight Transport (MFT)



**COMCEC COORDINATION OFFICE
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DEVELOPING MULTIMODAL FREIGHT TRANSPORT AMONG THE OIC MEMBER COUNTRIES

The analytical study entitled “*Developing Multimodal Freight Transport Among The OIC Member Countries*” has been commissioned by the COMCEC Coordination Office specifically for the 2nd Meeting of the COMCEC Transport Working Group, to be held on October 8th, 2013 in Ankara, with a view to enriching the discussions during the aforementioned Meeting.

(1) 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. The container has become the icon of globalism. 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.

(2) The Standing Committee for Economic and Commercial Cooperation (COMCEC) of the Organisation of Islamic Cooperation (OIC) has clearly recognized the fundamental role of efficient logistics and freight transport systems for the economic development of the OIC Member Countries, their increasing participation in the world trade and the integration into global supply chains as well as for the standard of living of their population. Transport and communications have been defined as one of the cooperation areas of the COMCEC by the COMCEC Strategy. Against this background COMCEC has commissioned the present study. In the first stage, the study was designed to describe the basic concept of MFT, the opportunities of and the prerequisites for implementing MFT services and highlight key success factors and good practices in leading countries of the intermodal world. Further it examines and evaluates recent trends in supply chain logistics, MFT and policy.

(3) In the first part of the study the basic concept of MFT has been highlighted. The work advanced from a clear **definition** of the word Multimodal Freight Transport (MFT) used with different meanings. In the study MFT is used in the sense of combined or intermodal transport as applied in Europe, America or Asia and means the transport of goods in a chain of transport of

at least two modes of transport where the goods themselves are not discharged and re-loaded at the transshipment point but remain in a loading unit built according to international standards.

(4) One of the key sections of the study is the analysis of **key success factors** and framework conditions that enable efficient and road-competitive intermodal rail/road services. In order to show the whole range of opportunities two opposite examples of MFT have been investigated: North America characterized by a fully private railway industry and free market conditions, and Western Europe featuring a state-owned rail infrastructure and an open access to rail freight and intermodal services. The key objective of this exercise was to recognize good practice and lessons that might be helpful for the implementation and the enhancement of MFT services in the OIC Member States. The success factors have been classified according to the following areas: Business model; Service level and operations; Rolling stock; Intermodal terminals; Partnerships; Policy.

(5) Then the study provides qualitative and quantitative evidence 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% if both ports and hinterland rail system were containerized. The impacts of containerization in 135 developing countries were smaller in size but had the same direction. Trade increased by 121% within first 20 years of containerization of ports but by 357% if 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.

(6) In the **second part of the study** recent trends in seaborne container traffic, developing countries, container hinterland and continental MFT services, and policies on MFT were examined and evaluated.

(7) The section on trends of global supply chains and **seaborne container traffic** highlights two main issues:

- According to UNCTAD research the ratio of the growth of world container transport and world trade, which amounted to an average of 2:1 over a long time, has been declining recently. Against this background the present study has discussed the pros and cons if seaborne container traffic is going to lose momentum and will only grow in tandem with world trade.
- Since the downturn of global economy in 2008 container shipping lines have caught between increasing overcapacities and a sluggish economy. The study has examined the benefits and potential drawbacks of a range of counter measures seized by steam ship lines, as follows: aggressive pricing to catch market shares; set-up of alliances; cost management, especially slow steaming; the deployment of bigger ships so-called Ultra-Large Container Vessels (ULCV).

(8) The section on **developing countries** takes the following trends into focus:

- The market share of developing countries of 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.

(9) The section on trends in **container hinterland and continental MFT services** highlights the following developments:

- It is emphasized that the efficiency of hinterland transport systems increasingly is key not only to the competitiveness of shippers and supply chains but also of ports and entire countries or regions.
- Against the background of certain development in seaborne container traffic such as slow steaming and extremely volatile rates more and more shippers of high value or just-in-time goods have become interested in rail-based container transports between Europe and China or Korea. The pros and cons of such services are discussed.
- The interest in continental intermodal services in industrialized countries is increasingly stimulated by the need of shippers and logistics service providers to implement sustainable logistics.

(10) Finally, a **key development of policies on MFT** was examined. It is remarkable that Public-Private-Partnership models have become more popular for investments into rail network and intermodal terminals in Asia, Africa, Europe and also in the US. These moves are motivated by economic aspects as well as the objectives of enhancing traffic safety and environment.

(11) In the concluding section, together with the summary of the first stage of the study, what will be done at the second stage of the study is explained.

The Study entitled *“Developing Multimodal Freight Transport Among The OIC Member Countries”* is available on the COMCEC Website: www.comcec.org

