

COMMUNICATION FROM SWITZERLAND

GATS 2000: Services Auxiliary to All Modes of Transport

The following document has been received from the delegation of Switzerland with the request that it be circulated to members of the Council for Trade in Services.

I. IMPORTANCE OF THE SECTOR

1. According to the definition contained in the main reference list used by Member countries (MTN.GNS/W/120, subsector H), services auxiliary to all modes of transport include the following: cargo handling services, storage and warehouse services, freight transport agency services including other auxiliary transport services, and other supporting and auxiliary transport services (see Annex).
2. With the growth in the global flow of goods, services auxiliary to all modes of transport are acquiring increasing importance. Competition between suppliers of goods means that the goods are often transported through several countries (by road, rail, air or water) as quickly as possible in order to respond "just in time" to customer demand. This involves not only the physical transport of goods from one point to another on a basis of an optimum combination of different available modes of transport, but also the efficient handling of all administrative, customs and insurance matters.
3. Faced with globalization and increasingly fierce competition, many companies have chosen to sub-contract activities relating to the supply or distribution of final products to companies offering integrated services ("one-stop logistics") covering all aspects of transport. According to certain sources, this integrated services market should be booming in the coming years. Europe and the United States should see an annual turnover increase of 10 to 15 per cent in logistics services.
4. Recent studies show that supply chain and logistics management will play a key role in international trade, since the share of transport costs in the final price of the product is steadily increasing. New supply chain management strategies, such as prompt reaction to the needs of consumers, have redefined demand for transport services by imposing shorter stock replenishment and reduction cycles. This means a reduction in the quantities ordered and an increase in the frequency of orders, and consequently a significant increase in the number of deliveries to the end-user. According to some studies, transport (measured in tonne-kilometres) increased by more than 200 per cent in the European area between 1970 and 1997. Hence, the added need for specialized enterprises to organize transport on an integrated and efficient basis.
5. Moreover, the "just-in-time" principle has led to a high number of empty runs. The development of freight exchanges is one way of reversing this trend. However, access to these

exchanges must be open, without discrimination, to all carriers and not only to a few big companies as a means of boosting their competitiveness.

6. Services auxiliary to all modes of transport are important firstly to the exporting countries, since they are one of the keys to reaching the customers, sometimes located thousands of kilometres away, in the most efficient manner possible; and secondly to the importing countries, since they ensure access, in the best possible conditions, to high quality goods available on the world market, regardless of their distance from the exporters.

II. CLASSIFICATION ISSUES

7. Subsector H of the list in document MTN.GNS/W/120 covers services auxiliary to *all* modes of transport, on the basis of the UN Central Product Classification. Accordingly, this proposal covers the following activities (see Annex for precise definitions):

- Cargo handling services (CPC 741);
- storage and warehousing services (CPC 742);
- freight transport agency services including other auxiliary transport services (CPC 748);
- other supporting and auxiliary transport services (CPC 749).

III. PROPOSAL ON SPECIFIC COMMITMENTS

(i) *Existing commitments*

8. A rapid examination of the commitments of some 40 Member countries¹ shows firstly that while subsector H (Services auxiliary to all modes of transport) is already very heterogeneous in itself, the few commitments made are even more heterogeneous. Generally speaking, there are few commitments from countries in this subsector. Some two thirds of the Members considered have made no commitments at all. Half of the countries that did make commitments (especially the industrialized countries and the countries in transition) did so in only half or less of the CPC categories making up the subsector. Thus, more often than not, the existing commitments are only partial. In some cases, they are also subject to certain exceptions, for example, in the maritime area. For companies working on a transnational basis, this absence or heterogeneity of commitments is a real problem.

(ii) *Barriers to liberalization*

9. Services auxiliary to all modes of transport act as a stimulant to the sometimes cumbersome process of transporting goods from the place of production to the customer. The few commitments made by Member countries in this subsector thus far reflect the difficulties facing suppliers of this type of services in many countries. It is not enough to eliminate the barriers to services in respect of the different modes of transport in isolation. Transport is organized increasingly on an integrated and comprehensive basis, a development which makes things easier for producers and consumers. Faster and more efficient transport services are one of the keys to growth in international trade. The

¹ South Africa, Argentina, Australia, Bolivia, Brazil, Bulgaria, Canada, Chile, Korea, Egypt, United States, Guatemala, Hong Kong-China, Hungary, India, Indonesia, Israel, Japan, Malaysia, Morocco, Mexico, New Zealand, Pakistan, Peru, Philippines, Poland, Slovak Republic, Czech Republic, Romania, Senegal, Singapore, Slovenia, Switzerland, Thailand, Tunisia, Turkey, European Union, Uruguay.

elimination of barriers to services auxiliary to all modes of transport will have a positive impact on world trade as a whole.

10. Forwarders are often confronted with technical barriers to market access in foreign countries. Many countries require them to obtain a licence to operate in their territory. As these licences can be difficult or impossible to obtain, forwarders often have to resort to intermediaries or form partnerships. This greatly reduces their room for manoeuvre and undermines the efficiency of the process. Moreover, certain countries require foreign forwarders to deposit a security considerably higher than what is required of local forwarders. The resulting discrimination is particularly penalizing for small and medium enterprises.

11. The preferential pricing of certain types of auxiliary services can also create a barrier. More specifically, the owners of certain combined transport terminals, particularly when financed by the private sector, have high access charges for users that are not shareholders. Although on the whole it is impossible to determine whether these are discriminatory practices that go beyond the normal return of the capital invested, their actual effect is to limit market access.

(iii) Objectives

12. It should be stressed that while auxiliary services involving a single mode of transport are well developed nowadays, the same does not apply to the logistics of multimodal transport. Indeed, it is often difficult for a small road transport company to find a partner that is ready to carry its goods for the final leg of the road journey as unaccompanied combined transport. The introduction of framework conditions favouring the development of advisory and matching services for carriers in the transshipment terminals would further stimulate combined transport. This transport technique is an important tool in Switzerland's effort to shift freight traffic from the road to the railways.

13. All countries stand to gain from the elimination of the market access and national treatment barriers currently facing suppliers of services auxiliary to all modes of transport. Producers in the exporting countries would waste fewer resources on administrative matters, while consumers in the importing countries would have more rapid access to a greater number of products. The efficiency of the entire transport system would be improved. Switzerland proposes a substantial improvement in market access and national treatment commitments for the services auxiliary to all modes of transport subsector, in respect of all modes of supply.

ANNEX

Definition of services auxiliary to all modes of transport according to the WTO list MTN.GNS/W/120, based on the United Nations Central Classification of Products (CPC):

11. TRANSPORT SERVICES

H. Supporting services and services auxiliary to all modes of transport

a. Cargo handling services (CPC 741)

741 Cargo handling services

7411 Container handling services

Cargo handling services provided for freight in special containers. This subclass includes services of container freight terminal facilities, provided on a fee or contract basis, for all modes of transport, including stevedoring services (i.e., the loading, unloading and discharging of vessels' containerized freight, at ports).

7419 Other cargo handling services

Cargo handling services provided for non-containerized freight or for passenger baggage. This subclass includes services of freight terminal facilities, provided on a fee or contract basis, for all modes of transport, including stevedoring services (i.e., the loading, unloading and discharging of vessels' non-containerized freight, at ports), and cargo handling services incidental to freight transport not elsewhere classified. Also included in this subclass are baggage handling services at airports and at bus, rail or highway vehicle terminals.

Not included: Other support and auxiliary transport services specifically relating to a given mode of transport are included in subcategories 74300 (rail transport), 74490 (road transport), 74590 (water transport) and 74690 (air transport).

b. Storage and warehousing services (CPC 742)

742 Storage services

7421 Refrigerated storage services

Storage and warehousing services for frozen or refrigerated goods, including perishable food products.

7422 Bulk liquid or gas storage services

Bulk liquid or gas storage services

7429 Other storage services

Storage services for other goods, including cotton, grains, wool, tobacco and other agricultural products as well as other household goods.

- c. Freight transport agency services (CPC 748)
- 748 Freight transport agency services
Freight brokerage services, freight forwarding services (primarily transport organization or arrangement services on behalf of the shipper or consignee), aircraft space brokerage services, and freight consolidation and break-bulk services
- d. Other services
- 749 Other supporting and auxiliary transport services
Freight brokerage services; bill auditing and freight rate information services; transportation document preparation services; packing and unpacking services; freight inspection, weighing and sampling services; and freight receiving and acceptance services (including local pick-up and delivery).
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