

December 2005

UNICE COMMENTS ON THE EUROPEAN COMMISSION'S REVIEW OF THE 2001 TRANSPORT WHITE PAPER

1. INTRODUCTION: SOME KEY ISSUES FOR THE REVIEW

The September 2001 European Commission White Paper (European Transport Policy 2010: Time to Decide) on the future of the common transport policy stated that there should be a "mid-term review in 2005 to check whether the precise targets (for example, on modal shift or road safety) are being attained or whether adjustments need making"¹.

UNICE's response to the 2001 White Paper was straight forward and to the point. While fully supporting the objective of *developing a strategy for sustainable mobility* UNICE differed from the Commission regarding several aspects of the general strategic approach outlined. In particular we disagreed with the main objective of **decoupling transport growth from economic growth**². Adopting this as the primary policy goal, we pointed out, **will not address the negative impacts, especially on the environment, associated with transport** in Europe; it will hamper economic growth without contributing to a better environment and sustainability. Transport growth is a feature of today's Europe whether one likes it or not. Attempting to decouple the two ignores this fact. Likewise it is not possible for Europe to say yes to integration (as it did with the May 2004 enlargement) and no to transport growth. Linking the new Member States with the old is a key priority and transport growth is an inevitable consequence.

What we believe would be more effective is both **accommodating the growth and promoting the (economic and environmental) efficiency of transport through, for instance, more investment in infrastructure, and decoupling the negative effects of transport from transport growth**. This, in our opinion, would prove to be a much more successful policy for transport in the long term, from a sustainable development point of view.

The challenge facing European policy makers now is not how to restrict transport growth. Rather it is to put policies in place that facilitate the movement of people and goods in a way that is sustainable whilst improving **European global competitiveness**. This, in our opinion, is achievable through a holistic approach focusing energy and effort on optimising the contribution of all modes of transport to society in general and by enabling them to respond to demand in the market whilst improving the environmental performance of all.

2. WHERE IS THE LISBON AGENDA IN TRANSPORT POLICY THINKING?

Current European policies on competitiveness and transport appear contradictory. On the one hand, we have the revised Lisbon agenda which is intended to turn Europe into the most competitive and dynamic knowledge-based economy in the world by clearly focusing EU policies on growth and jobs in Europe in which 'modern transport... infrastructures

¹ European transport policy for 2010: time to decide – COM (2001) 370, European Commission 12th September 2001.

² Decoupling here is understood as reducing the ratio transport growth rate/economic growth rate.

throughout the European Union territory are a prerequisite for reaping the benefits of a re-invigorated Lisbon strategy³. On the other hand, we have transport policies which do not appear to have a ‘competitiveness’ agenda guiding them. If companies cannot get their goods in, around and out of the EU in ways that suit them the most, why would they choose to base their operations in Europe in the first place_(with all the knock on implications that this would have for competitiveness, growth and jobs!)?

Policy-makers seem to hesitate to draw the obvious conclusions about what requires to be changed. **There is a universal acknowledgement of the need to focus our energies on making Europe much more competitive.** However, transport policy does not, at the present time, match this objective. Instead, it seeks to force change by legislative means, taxes and subsidies and by policies that interfere with market developments that reflect the needs of users and opportunities for efficient transport. This policy is detrimental to transport efficiency and therefore to the competitiveness of Europe's economy and is at the same time inadequate in achieving environmental improvements.

The EU should **facilitate sensible transport growth** and help make transport **more efficient**, by promoting the **clean** development of all modes of transport equally (and therefore benefiting all of the options available). The **completion of the single market for transport** remains a key driver of European industrial competitiveness. Current policies will not improve Europe's performance in this regard nor do they contribute to a better environment in the most efficient way. Improving Europe's economic growth and thus its competitiveness is the basis for pursuing a sustainable development agenda in the long run and Europe's transport policies need to support and reflect this.

The high cost of transport

The cost of transport in Europe is unacceptably high. This is impeding the development of a more competitive transport sector. It is becoming more and more difficult for commercial operations to function viably. EU transport policies need to focus more clearly on helping make transport more efficient (and thus reducing costs). Three factors in particular contribute to the high cost: high fuel prices, incoherent charging for the use of infrastructure and congestion.

Recent record breaking fuel prices are contributing to increasing costs and are a threat to growth in the Internal Market. There is little enough that can be done if Member State Government's will not reduce fuel duties. Fuel taxes in Europe are adding to the un-competitiveness of the European transport sector vis-à-vis its global competitors.

Traffic congestion is increasing across the EU because of a lack of capacity of infrastructure, the development of which does not match the increasing numbers of vehicles and the growth of both transport and trade. In short, transport suffers from a lack of realistic planning in dealing with demand. Most traffic is local in and around urban regions, not international and capacity shortages are most apparent and detrimental to the economy around large urban areas. Therefore while the EU should remain focused on the critical point of border crossings, solving the congestion problems in urban areas need to figure more in member states transport planning and European thinking.

³ Working together for growth and jobs, European Commission, Brussels, 2 February 2005, page 21.

Road pricing targeted at heavy goods vehicles (HGVs) alone is also misguided as reducing the number of HGVs will only increase the number of smaller alternative vehicles which will, in turn, increase congestion. Charging for the use of infrastructure cannot contribute if it is not encompassing all vehicles and modes.

Role of the differing modes of transport

We believe that **each mode of transport has its own role to play** in solving the transport problems that currently exist. **Modal shift policy is the wrong approach** because in general it is not an effective instrument to mitigate environmental impact of transport and threatens economic efficiency. EU policy needs to focus on identifying the roles that the various modes have to play along with the opportunities for improvement that exist and, once identified, rapidly doing what can be done to foster, encourage and promote practical solutions. From an overarching point of view, focusing on efficient logistical systems in and between modes has untapped potential. Intermodality rather than modal shift is the more practical way of pursuing sustainable development and mobility goals than current policy.⁴ Better use needs to be also made of existing networks. Increasing investment and efficiency also means that improvement is required within networks to ensure that barriers to quick and efficient cross border transport are reduced.

3. WHERE DO WE ACTUALLY STAND FOUR YEARS LATER?

When reflecting on European transport policy in the wake of the 2001 White Paper it would not be fair to say that it has been a litany of failures. It has not. Progress has been made in all modes of transport. Rail transport has for example seen the 2nd and 3rd railway packages. Road has seen a remarkable reduction in hazardous emissions by the introduction of new emission standards and the “eurovignette” proposals are on the table. Shipping has proved to be very competitive in, for example, container shipping, through responding to needs in the market and it has seen renewed focus on the potential of inland navigation, short sea shipping and motorways of the sea. Aviation has seen the Single Sky proposal. Improving services has seen renewed efforts to enhance those on offer in ports. And we have seen the Trans-European Transport Networks proposals develop.⁵

Nevertheless, what we now need to reflect on is whether the objectives and the transport policy as laid down in the White Paper (i.e. “shifting the balance between modes”⁶) have contributed towards what in our view should be the overall objective of transport policy, i.e. contributing to the sustainable development and growth of Europe.

While it is difficult to make a precise evaluation after only four years an impartial assessment⁷ indicates that to date the simple answer is that it probably has not. Indeed half way to 2010 it is possible to say that that the goals outlined in the white paper have not seriously contributed to sustainable growth. However, if the European economy is to be sustained, it is imperative that its entire transport system, across all modes, be enabled to work more efficiently from every perspective, including that of the environment.

⁴ For more specific comments please see point 4 and 5

⁵ While none of these are anywhere close to been satisfactorily realised, progress has been made and it is our hope that in the long run through close and full cooperation with all stakeholders these efforts will prove successful.

⁶ European transport policy for 2010: time to decide – COM (2001) 370, European Commission 12th September 2001, page 10.

⁷ For example the analysis of the Dutch Institute CE, "To shift or not to shift", Delft 2003.

We are of the opinion that the Commission should make a serious **reassessment of current transport policy** now and that this needs to **provide feasible ways of achieving realistic goals** that will benefit society, whilst at the same time not putting Europe at a competitive disadvantage. We firmly believe that European transport policy needs to be refocused to promote **all** modes equally and to develop efficient logistical systems across Europe. **No one single mode of transport can provide all of the answers to current difficulties.** All modes of transport working together can, and this is an objective that will be wholeheartedly supported by business interests throughout Europe.

4. GENERAL RECOMMENDATIONS TO IMPROVE THE COMPETITIVENESS AND EFFICIENCY OF THE TRANSPORT SECTOR

To make the European transport sector competitive with optimum efficiency as a whole, European Member States and Institutions need to amongst other things:

- Focus on **encouraging transport logistical development, transport growth and promoting transport efficiency** rather than on promoting any one particular mode of transport over another. These three headings encompass equally all modes of transport and, if successfully developed, could do considerably more to address Europe's transport (and competitiveness) needs in a sustainable and responsible manner;
- An unsustainable imbalance exists between the EU's transport needs and the budget provided to meet the demand. Increasing financial means is crucial to the success or failure of transport policy. Responsible use of available resources are a pre-condition for success in dealing with transport issues at the national and European levels. We would strongly support the view expressed by the *European Conference of Ministers of Transport* that at least 1% of GDP should be spent annually on infrastructure development;
- Speed up the implementation and realisation of the TENs projects which encompass all modes of transport, with priority for those modes that contribute most to the competitiveness of the EU-economies. This will require adequate financial measures in order to see them finished on time. Without an efficient transport system and transport network the completion of the Internal Market and its effective, efficient functioning are threatened. If it is proving impossible to finalise the TENs then a step by step approach should be adopted. Priority should be given to a smaller set of projects (within the identified priority projects) with a view to their completion before focusing on the other projects. However, because of the disproportionate cost of transport incurred by outlying regions of Europe, they should not be overlooked in this process;
- Public Private Partnerships (PPPs) may be an effective alternative as a means of providing new infrastructure development. Careful attention needs to be given to the risk of double payments in connection with improving existing infrastructure through PPPs, i.e. firstly through taxation and secondly through user charging. The EU and the Member States need to redouble their efforts to attract private capital and promote PPPs in order to increase the catalyst effect of Community support and meet the financial shortfall that currently effects the TENs projects;

- ❑ As suggested by Commission President Barroso in his ‘drive for better regulation’ initiative, the proposal to scrap some existing legislation as a means of cutting down on red tape and bureaucracy should be followed up. From a transport point of view, this is especially true of the proposal aimed at restricting road freight transport at weekends. Rather than supporting such impractical restraints spreading freight movement as evenly as possible across seven as opposed to six or five days would go some way towards reducing the impact of freight transport on roads as well as improving services on rail and water;
- ❑ More focus is required on the practical issue of coordination between the different modes. In addition, member states need to do more to facilitate intermodal connections both within national boundaries and across borders;
- ❑ Create a pan-European fund to promote fresh thinking (through studies etc.) aimed at identifying and developing *practical* alternative freight transport solutions;
- ❑ Member States and the Commission need to maintain their political support for, and financial investment in, research and technological development and innovation in the transport sector (modes, technology, energy sources etc.), so as to meet stated objectives and promote technological progress on for example, emissions and noise;
- ❑ Improved education of the consumer/driver/user (such as training, driving techniques, choice of vehicles/modes etc.) could in the long run prove as valuable to reducing CO₂ emissions, improving safety and encouraging responsible thinking in use of the differing modes on offer as any other proposal. Education improves understanding and has a vital role in a driver/user’s acceptance and ultimately support for European efforts in the transport sphere;
- ❑ Over-emphasis on the use of economic instruments as a means of achieving desired results usually only has a negative impact. Before the use of economic instruments, all other alternatives should be explored and applied as a first option every time;
- ❑ Facilitate the exchange of qualified personnel between European Member States, as a means, for example, of increasing awareness of extended systems and of overcoming imbalances in the employment markets (provided that adequate professional and social standards are maintained).

5. RECOMMENDATIONS FOR THE INDIVIDUAL TRANSPORT MODES, WHICH SHOULD BE TREATED EQUALLY

In providing the following comments on the differing modes of transport, UNICE is looking at each separately. Too often the differing modes are identified as being in competition with each other, and there is a tendency to favour certain modes in the competition. As already stated, we believe that all modes should be treated equally and each has a role to play in creating the type of internal transport market that is vital to the promotion of EU and Member States competitiveness.

AVIATION

To make aviation competitive as a sector, European Member States and Institutions as well as transport undertakings need to:

- ❑ Continue to adhere to the principle of “applying alternative measures” (e.g. reduction of noise at source, land-use planning and management etc.) to air transport before implementing operational restrictions;

- ❑ Create a level playing field for European operators vis-à-vis third countries before proposing unilateral EU measures such as abolishing the tax exemption for kerosene on internal EU flights. Introducing tax on aviation fuel in addition to including aviation in the European emissions trading scheme (ETS) will both restrict the potential growth of the aviation sector in Europe and have a knock-on negative effect on job-creation in the outlying regions as well as in the sector itself;
- ❑ Encourage as a matter of priority increased research and development in the aviation sector. New technology can assist from the point of view of new and better fuels, redesigned engines and planes and more generally can lead to less wastage, more efficiency and less environment damage;
- ❑ Actively promote increased efficiency in Europe's air traffic control system and the elimination of bottlenecks in airport infrastructure;
- ❑ Lend practical support to the optimising of route management by operating new, more direct flight routes and realigning others in order to reduce fuel requirements.

MARITIME/IN-LAND WATERWAYS

To make maritime/in-land waterways competitive as a sector, European Member States and Institutions and transport undertakings need to:

- ❑ Place more emphasis on developing 'motorways of the sea' and short sea shipping as ways and means of moving freight from one part of Europe to another. Limiting the number of potential 'motorways of the sea' does not send out the right signal;
- ❑ Efforts to open port services to competition and to apply competition rules to maritime transport must continue. It is little use to transport in Europe if liberalisation and competitive market conditions exist in other modes but not in the maritime sector;
- ❑ The scope for using inland navigation remains limited due to a situation of under-capacity amongst other things. Fresh thinking is required to reinvigorate this important but underused sector;
- ❑ Include as a standard element in the development of existing (and new) logistical centres and industrial areas, the possibility of connecting them to the inland waterway network;
- ❑ Develop combined transport terminals with a view to enlarging the scope of inland waterway transport and to better integrate it in the combined transport chain;
- ❑ Take measures to raise the awareness of the public and the transport industry of the advantages of inland waterway transport as a safe and environmentally respectful mode of transport.

RAIL

To make railways competitive as a sector, European Member States and Institutions and transport undertakings need to:

- ❑ Make more effort to complete and speed up the rail reforms (liberalisation) process;

- ❑ Railway companies should be encouraged to become standard commercial companies by 2010. Railway companies should at the same time also be encouraged to improve efficiency and environmental performance by, for example, charging a fair price for the use of tracks which reward better environmental performance such as reduced noise;
- ❑ Speed up the implementation and approval of legislation (specifically the 2nd and 3rd railway packages);
- ❑ The Commission's proposal to liberalise international passenger traffic by 2010 should be extended to include national passenger traffic;
- ❑ Focus on cross-border rail connections in the context of the TENs projects with due consideration being given to connecting new and peripheral Member States properly to the Trans European Network;
- ❑ Stimulate operators to address functional problems which hamper the development of intermodal operations such as:
 - Inadequate scheduling;
 - Poor respect for timetables and slow running trains;
 - Modern shunting stations equipped with the appropriate warehouses at the nodes, with the "short lines" requiring to be developed as a priority;
 - No information to customers on the progress of shipments and no automatic tracking;
 - Rail terminals being, in general, closed at night;
 - Harmonised rules regarding the movement of international rail freight.
- ❑ Encourage innovative and realistic solutions to increase the competitiveness of the rail sector;
- ❑ The implementation of the European Rail Traffic Management System (ERTMS) needs to be prioritised. A time schedule needs to be put in place that will see its realisation as soon as possible.

ROAD

To improve economic efficiency and environmental performance of road transport, European Member States and Institutions and transport undertakings need to:

- ❑ Face up to providing road capacity to meet demand;
- ❑ Promote the wider use of longer vehicles (such as the Euro Module System as already employed in Scandinavia) as a means of reducing the number of trucks on the road. This will also have the benefit of accommodating the growth of transport volumes while not increasing fuel consumption, emissions, congestion, etc.;
- ❑ Realistic road pricing based on fair prices that reflect costs, without distorting the level playing field and competitiveness, rather than just targeting freight transport is required if issues such as congestion, environmental considerations etc. are to be tackled effectively;
- ❑ Optimise allowed vehicle gross weight and axle weight regulations in the different Member States.

* * * * *