

The European Voice of Freight Logistics and Customs Representatives

THE FUTURE OF TRANSPORT March 9th and 10th 2009

Brussels, March 31st 2009

Clecat is the reference organisation at EU level that represents the interests of logistics at large, freight forwarding, transport and Customs related services. Those who have an interest in becoming familiar with our policy concerns and suggestions should read the document published by CLECAT on the occasion of VP Barrot at the Freight Forwarders' Conference, available at the following address: (<http://www.clecat.org/dmdocuments/PP017OSECR061130StatLogistics.pdf>).

We were actively involved in the work that led to the publication of the Focus Group's report on the future of transport and were pleased with the request to report on the freight section. Whilst many of the findings and conclusions were shared by Clecat Members, Clecat did not have the opportunity to provide its view at the meeting for evident reasons. Therefore we wish to provide some additional comments that may be useful for the Commission's future work. Our comments will naturally be focussed on freight transport.

We must start first of all by congratulating the Commission on this high level initiative and on the interesting material that was assembled within the exercise. Section two contains facts and figures and we believe it is a useful summary of a large number of statistics, comparisons and guiding material that has the beauty of being concise, easy to grasp and comprehensible even for the layman.

The first element that must strike the attention of the reader is that transport is one of the most important aspects of our modern lifestyle and that it is a powerful economic activity; it is also a powerful driver for innovation, progress and, above all, employment and prosperity. The second element that comes to the fore is that logistics has become one of the main industries in the world and that it is one of the points of excellence for the EU in the global arena.

This is not a trivial observation, because until recently, freight transport and logistics have had a hard time being fully appreciated by policy makers (and to some extent of the business community) for their strength and for the pivotal role they play in modern society.

If we read the figures from the perspective of the assumptions made in the previous similar exercise, which led to the publication of the WP 2010, we find another striking element that rises out of the report, This is that transport and logistics are closely connected with our economic growth and show remarkable resistance to external containing measures, be it in the form of charging policies or other instruments aimed at controlling the mobility demand. Freight transport and logistics have only one master: the customer. The growth in transport has been directly related

CLECAT, aisbl (n° 0408301209)

Rue du Commerce, 77
1040 Bruxelles - BELGIUM
Tel: +32 (2) 503 47 05
Fax: +32(2) 503 47 52
E-mail: info@clecat.org

to the level of service and the spare capacity of the means of transport and all attempts made to divert or shift this natural trend have not been successful. In some cases the result was reached at the price of a decline in the areas where mobility has become difficult.

If we want to look at this idea from another point of view, transport policy is as much a horizontal policy element as it is a vertical one, in the same vein as finance, employment or welfare. We believe it is very important that EU institutions and policymakers absorb this concept in order to achieve better results: the policy actions that will deliver in future will be those aimed at creating the conditions for better services, such as increased capacity, full and fair competition in all modes of transport and the full implementation of the common market without barriers. What EU transport policy needs is the full implementation of the common market, with the ensuing benefits in terms of prosperity, rather than measures to contain its growth. The savings that a continental freight market without barriers can deliver are both economic and environmental. This is a central element which can tell right from wrong in the future political choices.

After these initial points we will move on to a more detailed analysis of a few aspects of the report of the Focus Group that were debated during the recent conference. At the expense of a more systematic approach of our comments we shall follow the order of the items listed in the report, because we believe this may be easier for the reader.

On economic aspects:

Point 20: we do not believe that stating “congestion is a predominantly urban phenomenon” gives the fullest view on congestion. Of course congestion is more evident in large conurbations, especially because the population pressure on the infrastructure is greater. However congestion on motorways is equally great in many areas of the continent and it comes at a high cost for both passengers’ and freight road transport. We are also under the impression that congestion is more costly than 1% if all direct and indirect costs are factored in.

Another interesting analysis comes from the content of point 21 in conjunction with point 25: the interest to find alternatives to petroleum is vital. Gradually converting car propulsion to electricity by means of a forward looking continental business plan¹ would amount to proportionate savings in transport demand, even abating the EU energy deficiency and the overall emissions, while at the same time bringing additional benefits for our commercial trade balance. Furthermore the existing distribution channels could be gradually upgraded to a more diversified energy offer without great business or employment downsides. This is certainly an area where much work should be done in future, if we want to really change our footprint for the better.

Point 22: The “predominance of electric traction” in rail is far from achieved. It is certainly true that the main passenger lines are electrified, but this is not true for vast areas of the eastern parts of Europe. In freight operations, diesel engines are still a very high percentage of engines overall for different reasons, both technical and infrastructural. DB Schenker gave a different percentage (just above half) from the one shown at point 47 in their presentation on Jan 30th in Barcelona (Optimising Fuel Management in Land Transport). This does not mean that rail transport is bad, it means we still have a lot to do to make it better than it is now.

¹ See <http://www.betterplace.com/>
CLECAT, aisbl (n° 0408301209)

On the fact that road transport has improved its energy efficiency by 20%, mainly as a result of technological developments for passenger vehicles, is good, but still not enough. If we connect this point with point 25, where it is clear that petroleum is not only the main source of energy but also a very dramatic driver for transport demand, imbalance in trade and the main contributor to emissions, it is easy to understand that the sooner these percentages get lower, the better our economy will be with considerable environmental advantages.

In order to address the oil scarcity and the above downers, the EU should actively pursue innovation in the following areas:

- Short to medium term:
 - Need of an intelligent approach to biofuels, even if this should not be considered as the optimal solution
 - Promote public transport in passengers and consolidation of freight, together with appropriate savings strategies
 - Electricity is not so innovative, since it is already present in reality in many vehicles (train, trolleybuses), but its penetration can be further enhanced
 - Abandon old fashioned prejudice against systems that allow considerable savings, such as the EMS².
- In a medium to long term:
 - Electricity (especially produced by renewable sources) is seen as THE solution, but there are several technological problems to be resolved, not least a way to stabilise the grid (millions of batteries all over the union ready to be used?)
 - Hydrogen cells are interesting experiments, but will they ever be economically viable?
 - Electricity must be produced CO₂ free, otherwise it cannot be considered a green energy
 - Much work has to be done to achieve a different paradigm in the distribution of energy (be it electric, fuel or gas) by giving incentives to abandon the status quo. This is a sector that has not shown any substantial innovation at least for the last three decades.

CLECAT would also like to say that a “well-to-wheel” approach delivers more precise values for CO₂ emissions, taking into account the emissions produced during the whole *production* process of energy. This should be a general rule in the evaluation of all processes.

The wise policymaker must distinguish between real factual information and propaganda.

On environmental aspects:

Point 45. We read that the transport community has failed to offset its growth by improving its efficiency. This is both right and wrong at the same time. The transport sector has substantially managed to improve its energy efficiency (20%, point 22), and especially to contain its emissions, through a combination of many different elements; it is however true that transport demand has grown exponentially in the last fifty years and, despite all the efforts, the savings did not manage to absorb this growth in full. However, one important lesson must be learned from this observation: by its nature transport is a very energy intensive activity: it must overcome gravity

² We are talking of savings in excess of 25% (also in emissions), there is no time to waste. Detractors say that it may adversely affect the rail: this is not true, but let us assume that it is true: so what? Can the rail provide at least 25% savings with a small act of costless liberalisation? If it can we can accept both and we shall double the savings.

CLECAT, aisbl (n° 0408301209)

and inertia. One cannot say the same for other activities, e.g. construction, where there is nothing to move and serious investments in existing new technology would come to savings that can comfortably offset the energy consumption in transport. It is difficult to imagine a more wasteful environment than many of our houses, offices and public buildings (e.g. the winter temperature in the offices of all public institutions is normally 3-4 degrees more than necessary, sometimes it is intolerably hot).

If transport continues to depend on petroleum, bigger improvements must be sought elsewhere. Bashing the transport industry will deliver nothing else but decline.

Point 47: see comment to point 22.

Point 50: As we have seen at point 22, capacity is a crucial factor in savings, especially in emissions. Therefore it is impossible to understand why we run short trains (sometimes shorter than 300 or 500 metres!) and short trucks (instead of modular vehicles that could also improve the cost benefit of intermodal systems) and we treat light freight vehicles like passenger cars. In this latter case **EU legislation is in the pipeline that will set limits to light freight vehicles' emissions** without taking account of their carrying capacity: this means more vehicles for the same amount of goods, which will increase emissions in spite of any possible technical progress in vehicle manufacturing. This looks particularly short-sighted in an overall strategy to contain emissions.

On globalisation.

Point 78: This statement is merely anecdotal. The idea that higher transport cost will curb transport demand and steer demand to shorter lines of sourcing is far from well grounded. Firstly the EU is certainly a big trade power and so are the US, but world trade is no longer their monopoly, neither technologically nor in figures. It is easier to imagine a world where everyone will buy and sell everywhere than a world where Chinese will buy Chinese, Europeans European and so forth. It is wise to brace ourselves for more globalisation, more freight transport demand and more mobility. We must do it with innovative thinking, clear business plans and a bit of courage.

On intra-urban and interurban transport:

Point 105: CLECAT shares the concern that “transport would more and more suffer from the ‘last mile’ problem”. On that matter, in order to promote the use of rail in freight a commercial approach to sidings is indispensable, in particular for Single Wagon Load (SWL) transportation. More broadly, a future freight oriented network is likely to be impossible to achieve without access of sidings to/from the main lines. Intermodal transport is not the answer to all rail freight and traditional rail freight has a bright future if it is run as a business. For these reasons, track access to rail services like marshalling yards and public sidings must not be discriminatory and should be open to all operators and authorised applicants.

On point 113, please refer to comments made to point 50. Improvements in technology are certainly welcome, but we should also be careful not to design legislation in a way that it would boost the number of vehicles and push down their efficiency such as the upcoming emission scheme for light commercial vehicles. If we read this in conjunction with the last paragraph of point 116, we have the impression we are paving our way to hell with a series of good intentions.

It is true that logistics chains will be more complex, but the best we could do is to avoid making them less efficient by obliging operators to use vehicles with smaller carrying capacity.

Point 114: This item contains the element that could change the landscape of our freight transport industry in the next ten to twenty years: further market opening and completing of the Single Market. Insufficient liberalisation in the rail and insufficient harmonisation in road transport are the identified main elements of inefficiency in their respective markets. **Neither rail nor road benefit in full from the Single Market, a series of fetters are still impeding the fruition of both systems full potential.** Such inefficiencies are well known and have been recently listed in the inventory of the bottlenecks-focal points initiative. The ability of the EU institutions to overcome the protectionist attitudes that remain within the sectors and in the single MS's will dictate the pace at which these markets can develop in their efficiency with the consequent savings in energy and emissions.

Point 117: The “silk” routes may become supplement to the main stream of traffic, not an alternative: the proportions in capacity are strikingly different (thousands against millions of TEU's).

Point 120: Whilst rail freight corridors will certainly be a tool to overcome physical and psychological borders we do not share the view that rail should necessarily be organised in a hub and spoke system. The rail network is a grid with a more complex interlinking than hub-spoke, therefore much innovation in ITS would be beneficial in organising the rail network as a grid where “packs of units” will travel according to a (possibly) sensible set of priority rules.

Point 126: This is a very important point. We need clear rules about sharing infrastructure, where all, and not only some, find a place and can make predictions on the type of service they will get. This point must be read in conjunction with point 155. In this light it is clear that we need more infrastructure because we have underinvested for over a generation, **investment in infrastructure is now less than 1% of GDP, i.e. less than the cost of congestion, which is over 1%**; we also need clear rules on how to share it.

Point 128: we believe the life span of air equipment is long, but shorter than 50-60 years. 60 and even 50 years ago most aircraft were still not fitted with jet engines.

POLICY ITEMS

Point 139 (and section 7.6): with all due respect for RTD programmes, we believe that funding for infrastructure, welfare and education should take the lead over RTD programmes. These programmes are helpful, but they should be used with an anti-cyclical function: promote innovation and research where it is more difficult to do it. We well know that this is not always the case and we also know full well how such programmes can at times foster illusions rather than real innovation (e.g. freight modal shift)

Common to all points under section 7.1 – the question of balance between frequency of service and congestion is crucial. Concentration brings frequency, thus better transport services, but may entail congestion very quickly, if the infrastructure is not kept up to date.

Point 144: the meaning of these statements is unclear. Logistics deals with transport of goods and not passengers, however there is a logistic of passenger transport as well. Some additional elaboration would be beneficial.

CLECAT, aisbl (n° 0408301209)

Rue du Commerce, 77
1040 Bruxelles - BELGIUM
Tel: +32 (2) 503 47 05
Fax: +32(2) 503 47 52
E-mail: info@clecat.org

On infrastructure policy:

As a general comment, CLECAT would like to stress that the construction of infrastructure should be paid by both the general public budget and the user. The unforgivable underinvestment that prevailed in the last thirty years has brought some EU countries (e.g. UK, Italy, etc.) to a near standstill. Indeed, a substantial part of externalities (or at least of their volumes) stems from the lack of, or insufficiently maintained/developed, infrastructure. This situation has been going on for decades with direct effects on EU competitiveness (the most competitive countries are also countries where investments in transport infrastructure have continued in a larger proportion than elsewhere). Yet European governments do not seem to take notice that large investments are necessary whereas our competitors in Asia and in other continents are heavily investing.

Point 153: the electrification of the rail freight corridors is a pre-condition for their proper functioning, not only for emissions savings.

Point 155: please see above point 126

On pricing schemes:

While CLECAT acknowledges the necessity to internalise the external costs of transport and traffic, we insist on the necessity to target not only freight transport, but all transport users, i.e. also individual passenger transport. Without this inclusion the whole exercise is futile and will appear to the freight community and its customers as a mere money grab. The Commission report highlights (point 158) that money from pricing schemes should be reintroduced into the economy as soon as possible (sic!), what else could be done? Wasting these resources is certainly not a good idea... It is however absolutely necessary to earmark the revenues to improve infrastructure and abate externalities, i.e. that money deriving from the transport sector is used to mitigate the downside of transport on congestion, pollution and accidents.

Point 157: the internalisation of external cost is not only crucial in the sense of being important, it is also crucial in the sense that it could be a decisive factor of distortion, if the appraisal of the existing costs is not well done. The last example we have had of the way not to do it is the proposal for the revision of the Eurovignette: it ignores the existing internalisation elements and builds additional rules that seem to satisfy fast-cash requirements and ill-conceived environmental purposes only. It should have been proposed after benchmarking all costs imposed on different modes of transport and assessing their viability, but this was not done.

Points 160 to 163: Not a word is mentioned on incentives. This is a proven method to achieve behavioural change and in certain circumstances it works better than charging or taxation. For example, making public transport tax deductible (maybe only for longer periods such as monthly or yearly tickets) would certainly be a very powerful incentive. This simple move might induce even car owners to use public transport more often than they do at present.

In conclusion, we believe the EU needs a lot more infrastructure, more technology in the infrastructure and in the vehicles, but above all it needs policy choices that encourage a “virtuous” behaviour rather than placing a discouraging price-tag on everything that we do.