



Brussels, 30/09/2009

**ESC Response to the
COMMUNICATION FROM THE COMMISSION (COM(2009) 279/4)
A sustainable future for transport: Towards an integrated, technology-led and user-friendly
system**

INTRODUCTION

The European Shippers' Council (ESC) represents the interests of European industry as users of freight transport services in all modes of freight transport (deep sea shipping, short sea shipping, air transport, road transport, rail, inland waterways both within Europe and overseas). Shippers are primarily producers of goods and services which they market, sell and distribute to their customers. Through the network of European national shippers' councils, ESC represents the interests of some 100,000 companies involved in international trade, within, to and from the EU.

OVERVIEW

The European Shippers' Council welcomes the Commission consultation on future policy developments, preparing for the development of the next ten year EU transport policy white paper. ESC welcomes a long term vision to 2050 but recognizes that developments happen in stages and that the next 10 years are critical in meeting both the short and the longer term challenges which lie ahead of us.

EU transport policy is being driven by the need for a competitive economy and increasingly by the need to address climate change. Industry objectives are being driven constantly by the need to reduce costs and improve efficiency; the two sets of objectives may be driven by different principles but equate to the same thing: optimising freight transport, more efficient freight transport and lower emissions. To achieve these objects requires vision and innovation, and a shift away from the modal approach to transport policy seen in the previous ten year white paper.

ESC has participated in consultations which have helped establish the proposed policy framework outlined in the Commission's Communication. There are a number of areas within the communication that ESC welcomes and endorses; specifically the recognition that:

- 1) policies should seek to optimise the use of existing infrastructure and transport assets
- 2) different transport modes and infrastructure need to be more closely integrated and interoperable
- 3) land-use planning should become a central part of transport planning
- 4) a renewed focus on market-opening is required to increase competition in the market
- 5) keeping users needs and rights at the centre of transport policy

Nevertheless there are certain aspects of the Communication which ESC does take issue with, namely:

- 1) the assumption that there are insufficient price signals that provide incentives to more sustainable transport choices and uses
- 2) the continued support of the Polluter Pays policy in respect of external costs of transport

ESC elaborates further on these issues in this submission; it is hoped these will help prepare the ground for a more detailed White Paper in the course of 2010.

GENERAL COMMENTS

The Communication suggests (Section 2) “the ETP [European Transport Policy] has largely achieved the objectives set out in [the above mentioned] strategic documents, by substantially contributing to the development of the European economy and its competitiveness, by facilitating market opening and integration, by establishing high quality standards for safety, security and passenger rights and by improving working conditions.” But with respect to the EU’s Sustainable Development Strategy “the European transport system is still not on a sustainable path on several aspects.”

To summarise the ESC’s position, shippers choose the optimum logistics solution for their companies, balancing costs with reliability, frequency, agility, quality and sustainability. Suggesting one mode of transport is more or less efficient or environmentally sustainable than another is erroneous; it will depend on the nature and value of the goods, the market, the trade lanes and their physical characteristics, individual business, logistics, risk management and supply chain strategies.

The path to increased sustainable freight transport rests largely with the ability of industry to optimise its transport and logistics requirements in line with the wider supply chain needs. In doing so, legal, technical and operational barriers need to be removed and incentives for speedier development, investment and implementation of more sustainable technology and measures may sometimes be required. This is what EC transport policy would do best to focus on.

Policies should be devised that provide incentives and assistance to industry to implement the most effective, efficient and sustainable supply chain and logistics options given their individual characters and needs.

ENVIRONMENTAL INFLUENCES

Transport policy for the next decade will clearly be influenced by the environment and, more specifically, climate change agenda. Sustainable transport will therefore require the reduction of Green House Gas (GHG) emissions from transport. As the communication suggests, “GHG emissions can be seen as the product of three components: the amount of the activity that generates the emissions; the energy intensity of that activity; and the GHG intensity of the energy that is being used.”

The Communication recognises that transport cannot be seen in isolation from wider economic growth and developments, along with other sectors and producers of GHGs: “The strong increase in global trade and the deepening integration of the enlarged EU prevented the decoupling of freight transport from GDP in the last decade. The growth of freight transport is also linked to economic practices – concentration of production in fewer sites to reap economies of scale, de-localisation, just-in-time deliveries, wide-spread recycling of glass, paper, metals – that allowed reduction of costs and, possibly, of emissions in other sectors at the expense of higher emissions from transport.”

This is an important acknowledgement to make; it is why ESC refutes suggestions that policies should force industry to use rail or maritime alternatives to road freight transport, for example. The Communication admits “There has [also] been limited progress in shifting transport to more efficient modes”. To assume that one mode of transport is more efficient (environmentally) than another is dangerous. There are many instances where shifting to rail or maritime (short-sea, coastal or inland waterways) for example, may not suit the cargo or the supply chain and incur greater costs, and greater GHG emissions. The nature of the supply chain and cargo, along with the many other factors referred to previously, need to be taken into consideration: what might appear more efficient to one business, may be less efficient to another.

Nevertheless, ESC welcomes targets set which aim to accelerate the uptake of renewable energy sources and the development of cleaner fuels. In particular, ESC would support this in relation to the policy of identifying ‘green corridors’ where the infrastructure that may be required to support the use of such fuels can become embedded. This might facilitate wider and more rapid uptake of these alternatives.

Introduction of new or cleaner fuels should not, however, be forced ahead of industry’s capacity to supply it and for users to invest in technology or assets which may be required to use it. ESC is, for

example, very concerned about newly introduced requirements on the use of low sulphur fuel for the maritime sector: it is understood that refining capacity will not be adequate to meet the demand from shipping by the implementation dates and will put strains on the supplies for road and rail freight sectors also. Industry expects increased costs and a shortage of available maritime services which might force them to find alternative transport options. The policy intentions were good, but the implementation appears hasty, ill-thought through and inconsistent with the principles of the European Single Market in that it is not universally applicable across the EU: the policy unfairly discriminates against member states bordering the North Sea, Baltic Sea and English Channel whilst favouring other coastal states; this could create a distortion of trade and unfair competition, and as such should not be implemented as currently presented.

INTEGRATION OF MODES AND OPTIMISATION OF CAPACITY

ESC agreed with the Communication statement that “The most immediate priorities appear to be the better integration of the different modes of transport as a way to improve the overall efficiency of the system and the acceleration of the development and deployment of innovative technologies. This within an approach that always keeps the transport users and workers, with their needs and rights, at the centre of policy making.” [ESC emphasis].

In order to meet the needs and rights of transport users, policy must ensure open access to third-party operated facilities, competitive prices, and infrastructure which ensures interoperability between service providers, different modes and across borders of the EU and neighbouring third countries.

By providing these conditions, “A better exploitation of the network’s capacity and of the relative strengths of each mode could contribute significantly to reducing congestion, emissions, pollution and accidents.” As the Commission’s Communication accepts, “This however requires the optimisation and operation of the network as a single entity, whereas currently modal networks are largely separated and even within modes there is a lack of integration between countries.”

There are other ways to optimise the use of infrastructure. The European Modular System, for example has demonstrated its impact on efficiency and improved utilisation of the trunk-road network and the traction unit (engine). Yet their sphere of operation is being greatly restricted by some Member States, and prevented in cross-border transport, for fear it will compete against rail freight alternatives. The EMS is a truck of maximum 25.25 metre length and a maximum gross vehicle weight of 60 tons (although some countries permit greater than this). The essential characteristic of this system is not necessarily its size but the ability to split the trailers at the end of a trunk-haul move on specifically designated highways, into smaller units for local distribution.

Longer vehicle combinations more generally, improve fuel efficiency and reduce CO₂ per unit of cargo carried. For that reason, the EMS is an innovative tool that would help the EU and its member states to reach the targets set by the Kyoto Protocol and by the ambitious programmes set in the 20-20-20 declaration. A widespread use of EMS may contribute to absorbing the growth of demand by containing the overall number of commercial vehicles on the road. Such reduction can amount to savings in emissions (including NO_x and Particulates) of up to 30% per unit payload. There is no increase in traffic accidents nor is there any increase to road wear and tare.

ESC is therefore a strong advocate of opening the international movement of freight to the EMS. EMS would also reduce congestion on the European road network.

Restrictions on cabotage also reduce the utilisation of the existing transport network and assets. Cabotage means that a national transport operation is executed by a transporter from another EU member state. The EU recently limited the execution of these cabotage operations to 3 operations within 7 days. The ESC opposes these protectionist measures. They run counter to the principles behind the Single European Market, freedom of movement of goods and people – policies which have brought considerable prosperity to business and the economies of member states. Optimal freight solutions have been prevented from being used because of cabotage restrictions. This prevents industry again from increasing efficiencies, increasing optimum utilization of infrastructure and assets (e.g. decreasing empty hauls), and decreasing emission levels. Restrictions on cabotage must end.

ESC welcomes the support given in the Commission's Communication to freight corridors: "Where justified by traffic volumes, the possibility to provide dedicated infrastructures for passenger and freight should be considered, either in the form of dedicated freight corridors or by setting 'smart' priority rules." The Commission should also give consideration to other methods of reducing the conflicts between passenger usage and freight transport: such methods could include priority road freight lanes, restrictions on private car usage during peak periods of freight activity; but these are just two examples and others should be identified. It is important to recognise that freight has different characteristics from those of passengers: examples include moving at different times, requiring different speeds (not always slow), moving between distribution points or consolidation centres, transferring (e.g. cross-docking) to other vehicles for local or 'last mile' distribution, etc. These differences could be used to our advantage when seeking to optimise the utilisation of infrastructure and keep passengers and freight apart where otherwise they might clash.

Additionally ESC agrees that "The possible creation of transnational infrastructure managers would be a welcome development that may reduce frictions which currently still exist."

The Communication places great importance to the development of interchanges between the modes. This is supported by ESC, but in addition to the emphasis given to the link with ports seemingly over other modes, the potential for other interchanges such as road with rail should also be recognised. A study by MDS Transmodal revealed (*Rail Connected Distribution Parks: a win-win opportunity*; Mike Garratt, 2008) huge potential for shifting freight from road to rail with a policy of facilitating within land-use planning the development of road/rail interchanges. One example of a traffic moved in excess of 200km to a port in the UK demonstrated that 50% of the freight costs were road freight costs; a rail alternative, where an interchange were available at both ends would provide a significant cost saving.

The need for inclusion of transport policy within land-use planning has also been recognised by the Commission communication and welcomed by ESC: "When taking land-use planning or location decisions, public authorities and companies should take into account the consequences of their choices in terms of travel needs of clients and employees in addition to the transport of goods. Sound planning should also facilitate the seamless integration of the different transport modes."

"...infrastructure needs to be carefully planned and prioritised with a view to optimising transport chains and the overall transport network."

Infrastructure, urban, economic and social planning must separate incompatible land uses (e.g. residential from airports) where possible and create an equitable balance between all needs.

Member States need to be encouraged to release their traditionally strongly guarded hold on national infrastructure which is part of the strategic international network; included in this should be air space over national territory. A single European air space (or Single European Skies) would result in more efficient utilisation of air space, more direct routes, notably lower emissions, fewer delays and more capacity, less congestion and greater reliability of air freight services.

ESC also endorses the use of ITS (ERTMS, SESAR etc) to improve the safety and utilisation of existing infrastructure capacity. Whether it is used for traffic management or logistics and supply chain management, open-source technology (applying common standards and protocols) enabling interoperability and choice among different solutions would be considered more beneficial than bespoke solutions that might require separate equipment or IT infrastructure in different sectors and regions of the EU.

In relation to the greater use of coastal and short-sea shipping ESC would endorse the sentiment of the Commission's Communication on the matter... "Information systems are essential in overseeing complex transport chains involving several actors, as well as in informing transport users of available and alternative options and of possible disruptions. Transport documents and tickets should be made electronic and multi-modal, while preserving privacy of personal data." In particular ESC welcomes the recognition given by the Commission that "Questions of liability, dispute settlement and complaints handling across the whole transport chain should be clarified and streamlined."

THE PRICE OF TRANSPORT

The Commission's communication indicates that "The undesired environmental consequences of transport activity will require further action in particular on noise, air pollutant emissions and greenhouse gas emissions." The ESC recognises this issue will remain on the political agenda. We do not, however, accept that the proposals currently on the table in respect of 'internalising external costs' for road freight will achieve the desired aims and objectives. It is ESC's contention that the proposal will significantly raise the cost of transport for industry, result in only marginal modal shift and have very limited environmental impact. The EU policy of ensuring the 'polluter pays' does not deliver the most efficient and productive response to addressing the cause of pollution: it merely punishes the polluter after the act of polluting.

ESC, along with a growing number of European industry organisations supports the principal of the Cheapest Cost Avoider Principle (CCAP), conceived by Nobel laureate Ronald Coase. This principle says that the player that must take action is the one that can avoid external damage at the lowest possible cost. This can be both the polluter as well as another player like the government. In this scenario, the polluter must pay the costs to the party that took action. In this way, more external costs can be avoided in a more cost effective way. In addition, this method encourages innovations by companies. ESC therefore prefers this option to the one proposed by the EU.

Industry already pays the price of congestion, high energy consumption and inefficiencies in their logistics operations. They are well motivated to avoid congestion, reduce their energy consumption and improve the inefficiency in their operations to achieve the optimum for their supply chain. What some require, however, is assistance or additional facilitation to help them make the necessary investments in equipment, or management practices and supply chain engineering to realise such improvements.

Therefore, ESC does not agree with the statement made in the communication that, "It is rare to have price differentiation for the use of the road in peak versus off-peak hours. Similarly, there is no economic incentive to use more silent vehicles, safer modes of transport or more environmentally friendly means."

The Communication states, "Transport operators and citizens are not always in a position to identify among several transport alternatives what is best for the economy and the environment, but with correct pricing of externalities for all modes and means of transport they would make the right choice just by opting for the cheaper solution." ESC believes this also is inherently inaccurate, as the following example seeks to demonstrate.

Currently, there are many rail services under threat: the majority of shippers using rail freight services use so called – single wagon load services. When volumes fall, these may become less profitable for the operators to run and too expensive for shippers to support. Additionally, much of the costs associated with rail are incurred in the so-called 'last mile' movement, from rail terminal to end customer, unless factories or warehouses are rail linked. The cost of providing rail facilities deters many shippers from choosing rail over road freight, for example. This represents a classic example of an area where EU transport policy might seek to legitimately assist business in ways that would enable them to use single-wagon load services and connect to the rail network for the last mile journey. This would need to be in a way that was compatible with competition and state-aid guidelines, but could deliver sustainable freight transport alternatives. Paying more for road freight to cover costs of externalities would seldom be sufficient for the majority of shippers to motivate them to invest in rail wagons, rail connections and handling facilities.

As previously stated in this response to the Commissions communication, shippers choose the optimum logistics solution for their companies, balancing costs with reliability, frequency, agility, quality and sustainability. The price of transport is but one factor: its influence determined by the nature and value of the goods, the market, the trade lanes and their physical characteristics, individual business, logistics, risk management and supply chain strategies. Raising the price of freight transport may have only limited impact, and far less than some might have hoped for.

REGULATION

ESC applauds the Commission's intention to revitalise its policies toward market opening, especially in relation to the rail sector: "New rules for opening up the markets coupled with effective enforcement of existing legislation will be particularly important in the rail sector."

The European railway network is still dominated by a few state-owned enterprises that hold a monopoly on their national railway network. Competition, that might otherwise stimulate new competitive services, is therefore limited. ESC would like to see greater political support given to the further and speedier liberalization of all parts of the European railways industry.

Furthermore, ESC welcomes the point made that "public authorities must ensure that third-party access to infrastructure is not precluded". There are a number of examples of incumbent operators which own or are inextricably linked to the infrastructure managers and owners, including terminals and shunting yards: accusations of restrictions of access to competing service providers have been frequently made over recent years. It is imperative for competition to exist, that all facilities and open-access infrastructure is made available equitably to those that require it.

Overseas and pan-European expansion of some rail freight services and logistics services by companies with state funded heritage has also given rise to accusations of unfair competition. The EC communication rightly points out that "Partially open markets [, however,] carry the risk that operators acting in protected environments subsidise their operations in liberalised markets." This issue needs to be addressed with appropriate legislation or proper enforcement of existing legislation on competition and state aid.

We do not need more legislation that increases costs, especially those targeted at the road freight sector: this is a failed policy that has simply resulted in more pollution and higher costs. We need better policies, better legislation.

OTHER ISSUES

Awareness and education

Aside from what ESC has stated with regard to every company and shipper looking to optimise their supply chain, increase efficiencies, productivity, and sustainability, there is a need to educate and inform.

The Commission's communication states rightly that "Education, information and awareness raising campaigns will play an important role in influencing future consumer behaviour and facilitating sustainable mobility choices."

The ESC plays a role in this also, as do all freight industry associations and representative organisations. Nevertheless, ESC believes there is more that the European Commission could do in order to facilitate the development and promotion of best practice and dissemination or promotion of these among the many thousands of shippers and other transport users in Europe.

Security

Security has entered transport policy in recent years and placed a number of burdens and additional costs on European business engaged in legitimate trade and freight transport activities. ESC recognises that this has become a necessary, albeit regrettable, reality of business in the modern world. Nevertheless, EC transport policy should seek to make security as un-intrusive on normal business practice as possible, seek compatibility of different security regimes to reduce unnecessary duplication of responsibilities and measures, and protect the privacy and security of data collected for security purposes.

Facts

All policies in future need to be based on facts. Too much policy and decisions as to where freight corridors or TEN-T developments should be prioritised, what freight should be paying, and when and where bottlenecks arise is based on speculation and anecdotal evidence.

Transport Policies for the next decade should aim to improve performance, and thereby derive environmental and economic benefits. Measuring performance is critical to such policy developments and prioritising where to focus policies and investment. Identifying freight volume demand is equally important: the nature of the freight, characteristics of the trade, origins and destination of the freight, value of the freight itself and to the economy.

The European Commission should look to facilitate the collection and dissemination of such data, encouraging private enterprise to capture and analyse data, but ensuring data collection does not put any undue or additional compliance burden on industry to supply it.

CONCLUSION

ESC welcomes much that is in the Commission's Communication with a few exceptions relating to the price of freight and an assumption that industry should pay more for the external costs of its transport activities. Paying more will not deliver the sustainable freight transport objectives the European Commission wants. It will harm the European economy, an economy that may take the best part of the next decade to fully recover from the costs of the recent financial crisis and economic recession.

It is ESC's belief that there are ways to produce sustainable freight transport without raising the costs, but they require an amalgam of initiatives to work in combination with each other:

- optimising the utilisation of existing infrastructure and transport assets;
- integrating modes, networks and systems; developing and implementing new ITS and ICT solutions and cleaner or alternative fuels;
- managing carefully the implementation of such developments with the ability of industry to adopt them, and facilitating this where possible;
- ensuring transport considerations and policy is integrated into land-use planning;
- creating a fair and open market where competition may thrive and barriers to competition are removed.

Above all, users' interests and needs should be kept at the heart of freight transport policy.