

To the Comité des Représentants Permanents

7 September 2001

Dear Ambassador,

**re: *Informal Joint Transport and Environment Council (14-16 September 2001)***

UNICE has examined the introductory document prepared by the Belgian Presidency in view of the above-mentioned Council which poses two basic questions regarding freight transport:

1. Is the objective of maintaining modal split levels at 1998 by 2010 the most appropriate target to achieve required environmental and transport objectives?
2. Can fair and efficient pricing measures help correct imbalances between modes and how can they promote a modal shift?

UNICE would like to set out for you some fundamental ideas on these two questions in the hope that they might provide useful input for the Council's work.

Regarding the first question, UNICE notes that, according to the Presidency's introductory document, the target of maintaining the modal split of 1998 in 2010 means that the volume of freight transported by rail must increase by 38% between 1998 and 2010.

At a first glance, this seems an extremely ambitious target, but UNICE considers it is too premature to comment on its feasibility, since the white paper, and the full range of 60 measures that are supposed to materialise this objective are not made known yet by the Commission.

UNICE stresses that any commitment by Member States to modal split targets can only be meaningful if it is accompanied by a parallel political commitment to, among other things, accelerated implementation of a regulatory reform package in the transport sector, including railway liberalisation.

UNICE may wish to comment in greater detail on the modal split policy and target-setting envisaged in the Community plan when the white paper on the future transport policy is published.

Regarding the second question, UNICE would like to express the following views and concerns, which relate to three major points:

- a) *the preponderant role that the Community transport policy seeks to give to intervention in transport pricing*

UNICE has very serious reservations about the growing tendency to regard the current pricing structures as the main cause underlying many of the problems observed in

transport. Thus, there is a tendency to view the current pricing structures as the cause of an “unbalanced pattern of transport activity”<sup>1</sup>.

In UNICE’s view, a disproportionate influence is attributed to the price factor. Price is far from being the only factor that transport users take into consideration when they choose a mode of transport. The aspects of punctuality and quality of service also play an extremely important role in these choices and therefore in the use of the various infrastructures available.

The fact that the utilisation rate of some infrastructures (rail, for instance) is not optimal may also result from insufficiently sophisticated management of these infrastructures. Work involving rail operators and users in the Netherlands has shown that a more creative dialogue between the two parties, together with the use of innovative scheduling models, could increase utilisation of the rail infrastructure by 30 to 40% (with the current state of the art).

*b) the greatly overstated environmental effectiveness of pricing mechanisms*

UNICE considers that the concept of “getting the price right” through internalisation of external costs can be defended on a purely theoretical level, but has very serious concerns about its environmental effectiveness. The academic approach aimed at reflecting external costs in transport prices via taxation scores very poorly in terms of environmental effectiveness and economic efficiency. It is much more effective to develop more targeted measures, for instance:

- drafting more stringent emission standards, in liaison with industry, and encouraging industry’s efforts to innovate and invest to meet these standards;
- encouraging technological progress in other relevant areas (telematics, materials technologies, etc.);
- reactivating investment in infrastructures, elimination of bottlenecks;
- promoting standardisation of transport units and interoperability of networks;
- stimulating intermodal transport, short-sea shipping and inland waterway navigation, a.o. by promoting the use of service performance indicators;
- injecting greater managerial and commercial dynamism into rail by further opening this sector to competition<sup>2</sup>;
- *promoting a better awareness of logistics among companies, contributing to more efficient transport.*

*c) the practical and economic problems linked to implementation of new pricing structures*

It is important to mention here uncertainties about the real level of external costs and concerns in the light of a competitive international environment. Any concrete measure must be adapted not only to the theoretical framework but also to cut-throat global competition and industrial structural change.

If the introduction of additional taxes or differentiated rates results in an overall increase in the cost of road transport, there is every reason to fear a general increase in the prices of non-road transport, bearing in mind the monopolistic or oligopolistic structures of the sectors concerned. That would mean a move in the direction of a general increase in the logistics costs of European companies and a further deterioration in their competitive position. It is important to recall that the share of logistics costs in the final cost of products can vary from less than 0.5% to more than 35/40% depending on the

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<sup>1</sup> Consultation paper SEC (2001) 517 on the EU strategy for sustainable development

<sup>2</sup> See in particular “UNICE opinion on the green paper in preparation at the Commission on internalisation of the external costs of transport” (15 November 1995) and UNICE Manifesto “Breakthrough in goods transport by rail in Europe is essential” (July 2000)

level of added value, and that the logistics costs in the EU are already 20% higher than in the United States.

These problems were clearly identified by the European Parliament which stated in its January 2001 resolution (Costa report) that:

- *“a new charging methodology should be based upon a more efficient structuring of prices and not upon an overall increase in transport prices;”*

and that:

- *(any) “new transport infrastructure charging system must be designed to avoid a net increase in taxation in the economy as a whole ...”.*

UNICE urges that discussions in the forthcoming informal Council take due account of these recommendations from the Costa resolution.

I would be very grateful if you could arrange for these UNICE comments to be forwarded to your authorities and to the transport and environment experts concerned in view of the forthcoming informal Council and subsequent work.

Yours sincerely,

*(Signed by Daniel Cloquet for)*

Daniela Israelachwili  
Acting Secretary General