

## EUROPEAN TRANSPORT POLICY 2010: DECISION TIME

### WHITE PAPER COM (2001) 370

### UNICE OPINION

## 1. INTRODUCTION

UNICE has carefully examined the white paper "European transport policy for 2010: decision time". UNICE fully supports the objective of developing a strategy for sustainable mobility, and welcomes a series of specific proposals made by the Commission to that end (see part 3).

Nevertheless, UNICE differs from the Commission regarding several aspects of the general strategic approach to be followed. In addition, UNICE considers that the conditions and limits for the use of certain instruments proposed by the Commission and Council (pricing, etc.) need to be clarified. These two aspects are examined respectively in points 2 and 4 below.

## 2. GENERAL COMMENTS ON THE MAIN LINES OF THE STRATEGY

### 2.1 Objective of decoupling transport growth from economic growth

UNICE understands that, on the occasion of the debate at the Gothenburg summit largely devoted to sustainable development, Heads of State wanted to give a political signal regarding the need, in the very long term, to achieve significant decoupling between transport growth (freight and passenger) and GDP growth.<sup>1</sup>

UNICE urges the Commission to examine implementation of the Gothenburg conclusions in full awareness of the very long timescales needed to achieve a certain level of decoupling.

Among other things, such decoupling involves a rethink by individuals of some choices in the areas of transport, values and lifestyles, which can only be expected in the long term.

This situation in passenger transport should not prompt the European legislator to seek to force adjustments in company operations, for instance by developing restrictive and

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<sup>1</sup> Decoupling here is understood as reducing the transport growth rate/economic growth rate ratio, which is usually greater than 1.

penalising policies designed to compel significant decoupling between corporate transport growth and GDP growth.

In this regard, it is important to remember that both enlargement of the EU and the introduction of the Euro will increase internal and external Community trade, and hence transport demand. An increase in transport flows was accepted at political level when major decisions were taken to deepen the internal market and to enlarge the Union, based on higher considerations regarding Europe's future.

It should also be remembered that companies are already constantly concerned to control transport costs and to avoid unnecessary movements. Companies are developing and making increasingly wide use of tools to optimise transport volumes and to limit the negative impacts of transport. The public authorities can play a significant role to support these developments.

For all these reasons, and in view of the potential offered by new environmental technologies, UNICE calls on the Commission to focus, in the foreseeable future, on decoupling the negative effects of transport from transport growth.

## **2.2 Long-term modal split objective proposed by the Commission**

A central policy objective in the white paper is to stabilise (at 1998 levels) the market shares of the different freight transport modes: based on a growth expectation of 38% in freight transport demand, the share of, for example, railway transport should remain the same (8%) by 2010. In other words, railway transport should capture and manage an approximate 38% growth in freight transport volume.

Given, among other things, the constant decline in the share of rail in freight transport since 1970, the central objective of a modal *split* proposed by the Commission represents, to a large degree, a modal *shift* objective. This modal shift objective is largely defined with a view to reducing:

1. CO<sub>2</sub> emissions
2. congestion
3. traffic casualties
4. air pollution.

In UNICE's view, setting quantitative modal objectives is not an effective approach for tackling these four problems and, more generally, for progressing towards sustainable mobility in a way that ensures the necessary balance between the three components (economic, social and environmental) of sustainable development.

UNICE believes that the best way to make progress on the four areas listed above is to define targeted objectives expressed in terms of the nuisance/impact to be reduced.

Such objectives are much more rational and much more convenient for developing and implementing appropriate measures and initiatives at all levels of responsibility:

- public authorities (local, regional, national, European)
- transport companies
- transport users (companies and private individuals)
- equipment manufacturers.

Moreover, fixing the proposed overarching modal split objective raises the following objections:

- a) This objective is derived from a very positive evaluation of the environmental performance of rail transport. UNICE would like to point out that the environmental performance of rail transport is not as good as commonly assumed. Various studies show that diesel-driven block trains can cause as much as or even more CO<sub>2</sub> emissions than trucks. An indiscriminate modal shift policy does not take this reality, or future technological developments, into account.
- b) Setting quantitative objectives for adapting the modal structure of industrial and commercial transport but not for passenger traffic is unbalanced and ineffective, since only a section of transport activity is considered. EUROSTAT statistics show that, in 1999, 173 million private cars were registered in the EU against 20 million light and heavy goods vehicles.
- c) Further market integration, enlargement of the EU and the introduction of the Euro will all increase internal and external Community trade, and hence transport demand. Quantitative goals for modal split and the specific measures designed to accomplish these targets, in those circumstances where there are no viable alternatives to road transport<sup>(a)</sup>, may negatively affect the internal market and limit the flow of goods and economic growth.
- d) The modal split objective comprises the risk of interventionist and rigid approaches thwarting implementation of the logistics solutions developed by companies to respond to the need for competitiveness.

## 2.3 Conclusion

If the fixing of quantitative targets is to be further explored at EU level, UNICE insists that the Commission should at least submit to the EU institutions and other interested parties a detailed package combining:

- clear *objectives* which efficiently address well defined economic and environmental goals
- the specific *measures* proposed to help reach these objectives.

This would seem to be the only way to allow a meaningful discussion of quantitative objectives. The white paper shows insufficiently how the proposed measures should lead to the envisaged economic and environmental objectives, which are only stated in very broad terms.

## 3. SPECIFIC COMMENTS: THE WAY FORWARD

UNICE's reservations about the general approach outlined in the white paper should not distract attention from the fact that many of the specific measures announced by the Commission can count on UNICE's full support. Below we will discuss these and other measures that can pave the way forward.

### 3.1 Railway liberalisation

UNICE fully supports the Commission's recent proposals to liberalise domestic freight transport. Cabotage in rail freight transport is not only needed to stimulate (badly needed)

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<sup>(a)</sup> Most road transport is over short distances, where there is no alternative to be found in railway or inland waterway

competition in domestic markets, it is also vital to optimise international (especially return) trips, allowing better use of capacity and more competitive prices. Without cabotage, railway transport does not have a fair chance against road transport. Another important measure is introduction of the so-called “authorised applicant”, meaning that shippers can apply for capacity as well. This will reinforce the position of railway customers, providing incentives for railway companies to improve their service quality. UNICE regrets that the Commission has not yet made concrete proposals to this end.

UNICE stresses that a swift approval of the recent rail liberalisation proposals is crucial for allowing the development of private and public strategies aimed at sustainable development.

### **3.2 Interoperability between networks**

Likewise, UNICE welcomes the Commission’s ongoing work to improve interoperability of networks, the absence of which is one of the most important obstacles preventing rail from increasing its market share in international transport.

### **3.3 More priority for freight trains**

By proposing to facilitate and promote dedicated routes for freight transport, the Commission acknowledges the priority problem for freight trains in slot allocation. Freight transport needs to be able to count on reliable slot allocation, without automatic priority for passenger trains.

### **3.4 Quality of road transport**

UNICE agrees with the Commission about improving the quality of road transport. Mergers and diversification should indeed be encouraged, as well as support for micro-businesses to “group together in structures better able to provide high-quality services”.

UNICE also supports the Commission’s plans to harmonise and tighten up controls and penalties. This is the way to deal with non-compliance with social and safety regulations in road transport. On the other hand, harmonising minimum contract conditions to allow for revision of tariffs in the event of sharp rises in fuel prices is not, in UNICE’s view, an adequate approach for dealing with social and safety issues. UNICE is of the opinion that fuel price fluctuations form part of entrepreneurial risk, and that compensation clauses, if they are applied, should be left to the contracting parties (and logically work both ways).

### **3.5 Stimulation of short-sea, inland-navigation and intermodal transport**

UNICE welcomes the promotion of short-sea, inland-waterway and intermodal transport. In particular, the Marco Polo programme, opening-up of access to port services, and standardisation of containers and swap bodies may contribute to that. Furthermore, shipping links should indeed, as the Commission foresees, become part of the trans-European network, and be encouraged. UNICE welcomes concrete proposals to this effect. Concerning inland-waterway shipping, UNICE fears that the scope for using inland navigation may remain limited due to a situation of under-capacity, combined with the old for new arrangement, which, in UNICE’s view, should be abolished immediately, especially for small vessels. To take account of these capacity problems the demand side of the market is confronted with, own-account and user organisations should be represented in the expert committee on inland waterway shipping. UNICE would also applaud the promotion of performance indicators, in relation to both services and infrastructure, especially for railway transport (see annex, box 1).

### **3.6 Infrastructure**

UNICE is critical of the heavy emphasis in the white paper on removing bottlenecks in railway infrastructure. Bottlenecks in short-sea, inland-waterway but also road transport, should not be forgotten, the whole transport system needs to be optimised. This requires a

multi-modal approach, focused on integrating all of them. The only inland-waterway passage that is mentioned with regard to infrastructure projects, is Straubing-Vilshoven, while many other bottlenecks exist in the inland-waterway network, particularly with regard to maintenance, lock capacity and low-clearance bridges. Furthermore, more priority should be given to removing bottlenecks from and making better use of the road network, especially in urban areas. Otherwise, it is difficult to see how the road transport system can absorb the projected increase of 38% in road transport volume. Likewise, when substantial financial means become available for connecting the candidate countries to the trans-European networks, they should not just be spent on railway infrastructure. Roads are vital to connect their economies to the EU countries, and to make a success of enlargement. UNICE appreciates the attention to integration of the infrastructure of candidate Member States when the trans-European networks are being reviewed, and stimulation of public-private cooperation for construction of infrastructure.

### **3.7 Improved quality of port services**

UNICE has supported the draft directive on access to port services from the start, and welcomes the European Parliament's decision to maintain cargo-handling within the scope of the directive. Adoption of the directive will pave the way for improving quality and efficiency of port services, increasing the efficiency of supply chains and supporting a more prominent role for maritime transport and short-sea shipping.

### **3.8 Creation of a single European airspace**

UNICE strongly supports the proposals of the European Commission aimed at the establishment of a single European sky. It calls upon the European Council and the European Parliament to recognise the urgency of establishing adequate EU legislation. The single European sky is a crucial step towards a solution to the problem of flight delays in Europe, together with, amongst other things, extension of the capacity of airports.

### **3.9 Demand side of the market**

Logistics concepts are determinant for the choice of transport by the demand side of the market, and incorporating logistics developments in policy makes it easier to see why the different modes play their role and what the possibilities are for a modal shift. Logistics play a key role in delivering the e-economy, and in terms of sustainable development, efficient logistics may substantially reduce environmental and energy impact of developing e-business trade (reducing empty capacity, through grouping and capacity brokerage systems, etc.). UNICE would therefore welcome active promotion (by the Commission and the Member States) of a wider application of logistics concepts, serving both economic and environmental objectives. Logistics can and should play a key role in a sustainable transport policy.

### **3.10 Promotion of good practices**

As an illustration of the economic and environmental impact of more efficient logistics, we refer to a project that is being carried out in the Netherlands, called Transaction Modal Shift. Building on the results of 174 projects (shippers and transport suppliers) between 1995 and 2000 this will result in a *saving of 850 million vehicle kilometres by 2010* (see annex, box 2).

Also encouraging are various Danish projects for measuring emissions in connection with freight transportation, making it possible to compare alternatives in a transport chain to show if an element of short-sea shipping or rail carriage actually reduces harmful emissions for the total transport operation in question (see annex, box 3).

UNICE calls for these and other good practices to be promoted at European level. Furthermore, industry voluntary agreements to develop and strengthen emission standards,

as well as the innovation efforts and investments to meet these standards, should be encouraged by public authorities.

### 3.11 Peripheric countries

The White Paper does not properly address the specific situation and problems of peripheric countries. Many of the measures and action programmes are envisaged to solve problems in Central European countries, which are not necessarily adequate for application in peripheric countries, where the problems (for example congestion) are completely different from the Central European situation. UNICE calls on the Commission to take the specific situation and problems of peripheric countries into account when drafting the white paper's follow-up proposals.

## 4. USE OF PRICING INSTRUMENTS

### 4.1 Infrastructure charging for freight transport

UNICE is open to discuss well designed economic and fiscal instruments which can contribute to reducing impacts and recovering infrastructure costs. As explained in other UNICE positions, these instruments must satisfy a number of criteria, particularly:

#### 1. Effectiveness / efficiency criteria

- a) Existence of sound and transparent environmental or infrastructure cost-recovery objectives
- b) Environmental effectiveness
- c) Economic efficiency

#### 2. Policy coherence criteria

- a) Compatibility with the principles of sustainable development
- b) Value to be added by Community initiatives

#### 3. Impact criteria

- a) Practicability and minimisation of administration costs
- b) Preservation of the international competitiveness of European business and industry

Economic and fiscal instruments should be incorporated in a diversified and coherent policy mix reflecting the three dimensions (economic, social and environmental) characterising the challenges and channels of actions in the area of sustainable development. Market signals given by economic and fiscal instruments must result from a holistic approach for solution to environmental problems and go beyond a simple attempt to match external environmental costs with the financial costs imposed on players.

Economic and fiscal instruments should be used very rigorously to reach goals linked to reducing impacts and recovering infrastructure costs. Within the context of transport policy, UNICE would have very strong objections vis-à-vis any environmental or infrastructural taxes and charges if they are instruments for reaching quantitative targets for modal split. The idea behind infrastructure pricing with equal treatment of transport modes is to provide incentives geared at a more environmentally conscious use of transport (infrastructure), and stimulating the use of cleaner vehicles and fuels. Once such a system is introduced, market forces should be left to do what they are best at, optimising the rational use of vehicles and infrastructure. Nobody can predict the exact consequences of this for modal split, and it is therefore contradictory and unrealistic to fix quantitative modal split targets in advance.

Additionally, the proposed combination of charging instruments and modal split targets could lead to a significant cost increase in transport, while the total logistics costs in the EU are already 13% higher than in the United States<sup>2</sup>. 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. Where and as long as quality alternatives to road transport are not available, price incentives will only increase transport costs. Furthermore, it is to be noted that internalisation of external costs does not necessarily change the picture in favour of non-road transport modes (see annex, box 4).

In UNICE's view, any proposal regarding charges for infrastructure and external costs (excluding congestion charges) should address the above-mentioned concerns and meet the following criteria:

1. Overall transport costs should not increase. More and more, global competition is between supply chains, and increased logistics costs can seriously damage European competitiveness.
2. Infrastructure charging should be introduced for all modes equally and at the same time. Competition within and between transport modes is the best way to improve service quality and optimise the transport system. A modal shift will only be feasible if the service levels of non-road modes live up to the quality expectations of the users.
3. As a general rule, the income generated by charging should be spent on the infrastructure of the mode where it was raised and on reducing the negative impact linked to the use of that mode, e.g. by providing fiscal incentives to make use of cleaner fuels and vehicles.
4. Exceptions to this rule (condition 3) should only be allowed for a limited number of situations. As an example we refer to the case of sensitive (e.g. Alpine) regions, where space for further infrastructure is very scarce and infrastructure is very expensive. These situations where cross-financing would be allowed need to be defined very clearly and restrictively.
5. Any legislative proposal should satisfy the test of sustainable impact assessment (taking into account the economic, social and environmental dimensions), as announced by the Commission in its Gothenburg communication (COM 2001 (264)).

## 4.2 Harmonisation of fuel taxes

In addition to the plans for internalising external costs through infrastructure charging, the Commission proposes introducing a harmonised Community diesel excise duty for commercial road transport, which would be higher than the current average tax on diesel. This would help the modal rebalance and increase internalisation of external costs, according to the Commission.

UNICE has reservations about the cost-efficiency of this approach. Higher average excise duties are proposed here to "help the modal rebalance". Where road transport and other modes actually compete this may work, but only if the other modes offer quality alternatives, and only if the alternatives actually exist. This is true only in a limited number of cases, as 80% of road transport (expressed in tkm) takes place within a radius of 500 km or less, where other modes normally do not compete with road transport. Leaving aside the 20%

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<sup>2</sup> The total EU logistics market in 1996 amounted to 11.8% of GDP, Japan spent 11.4% and the USA only 10.5% - Transport and Logistics in Europe (European Commission and Price Waterhouse Coopers, 1999)

where there may be a viable alternative, this means that for 80% of the goods transported by road (in tkm), the costs will increase without any effect on modal split, and harming competitiveness.

Secondly, if Member States decide to apply a kilometre charge that internalises external costs, it should be possible for them to reduce or fully eliminate diesel excise duties (as well as other transport taxes). A harmonised level of excise duties, higher than the current average, would limit Member States' possibilities to go forward with these kilometre-charging systems.

Likewise, any taxation proposals on kerosene should be negotiated in the framework of the International Civil Aviation Organisation.

## **6. CONCLUSION**

UNICE fully supports the objective of developing a policy for sustainable mobility, which should be firmly embedded in a well designed sustainable development strategy. UNICE hopes that the present contribution can serve as a basis for a constructive dialogue between stakeholders, contributing to develop sustainable mobility solutions that balance economic, social and environmental objectives.



## ANNEX

### Box 1 - Service performance indicators

*The European Shippers' Council has developed so-called service performance indicators for air freight, and is working on doing the same for short-sea shipping. These indicators clarify the shippers' requirements (as well as obligations) for efficient and quality transport, and can contribute to making less well-performing modes like railway transport more competitive. Because it is the user that makes the final decision on what mode of transport to use, and this decision will be based in the first place on service quality and reliability.*

### Box 2 - Transaction modal shift/transport prevention

*As an example of the economic and environmental impact of more efficient logistics, we refer to a project that is being carried out in the Netherlands, called Transaction Modal Shift. The companies involved are logistically scanned, with a view to improving efficiency and, where possible, facilitating a shift to inland waterway or railway transport. Building on the results of 174 projects (shippers and transport suppliers) between 1995 and 2000 this will result in a **saving of 850 million vehicle kilometres** by 2010. A new programme, called 'transport saving', focuses on the production process. By changing the product, the need for transport is reduced, for example by minimising the amount of transported water per product: transporting cola powder and only adding water at the place of consumption.*

### Box 3 - Tools for emissions measurement

*In Denmark, promoted by the TRANSECO2 programme, shippers and transport operators are working together to improve the environmental performance of transport chains while maintaining and even strengthening competitiveness. They focus, amongst other things, on development of environmental management systems, information exchange between shipper and supplier, effects of clean technology, effects of driver training, etc. Additionally, the Danish OMIT project and the European Standardization Committee (CEN/TC 320) are working on development of an operational basis to generate environmental data from international transport chains (covering all modes).*

### Box 4 – Internalisation of external costs

*The Centre for Energy Saving and Clean Technology (CE – The Netherlands, October 1999), conducted a quantitative elaboration based on the premises in the Commission white paper "Fair payment for infrastructure use", for the situation in the Netherlands. It shows that, in the Netherlands, **internalisation of external costs would result in an initial substantial increase of all transport prices**. This rise would be much higher for rail freight (+/- 100%) than for inland shipping (50%) and cars and trucks (only 10-15%, but excluding a possible congestion charge). **Contrary to what is commonly assumed, internalisation of external costs, at least in the Netherlands, would therefore change the relative price structures to the disadvantage of rail transport and inland-waterway shipping, as compared with road transport.***