

22 September 2006

**** *Check against delivery* ****

TRANSPORT, LOGISTICS and COMPETITIVENESS Seminar 22 September 2006

**Address by Tom Noonan,
Chairman of UNICE Transport Working Group**

Industry's opinions and expectations

I. Introduction

Madam Minister, Dr. Jarzembowski, Director, ladies and gentlemen, allow me for a few moments before I focus on the issue at hand, to offer some words of thanks to our hosts today – the Confederation of Finnish Industries – for the effort that they have made organising and hosting this seminar. On behalf of UNICE and your fellow member federations I would like to congratulate you on what has so far been a successful event and as they say '*a job well done*'. I am sure that everyone present will agree with these sentiments?

Turning to the issue at hand let me come straight to the point when I say that we the representatives of business and industry rank **transport** as one of the more important challenges facing Europe today. Events such as this I hope express our determination to face the transport challenges that exist. It also expresses our view that this is not a challenge that can be met just at the European level in Brussels. It is a challenge that has to be also faced and responded to at the national, regional and local levels in all European Union Member States. Hence the organising of this seminar here in Helsinki in a gesture, we hope, that demonstrates our support for the Government of Finland and its resolve to highlight and focus on logistics during its Council Presidency.

II. The current situation

If I might be allowed to selectively quote from a pamphlet which Finland's Ministry of Transport and Communications published in late 2004. In it, the Finnish Government identified the changing global and European economic setting which shapes the environment in which we function today: (1) enlargement of the EU to 25 (and soon more) Member States, (2) economic growth in neighbouring non-EU countries, and the (3) challenge from other regions of the world. These changes are reflected in the European transport sector: the (1) *new Member States need to be successfully integrated*, (2) *mobility constraints need to be removed and operations effectively organised*, (3) and *proper transport connections to neighbouring countries and other regions of the world need to be developed*.

The difficulty as we see it is how to address these correctly identified challenges at a time of rising energy and fuel costs, low economic growth in the Union and an increasingly competitive global environment when we have an infrastructure deficit characterised by congested roads and ports, declining rail freight capacity and chronic under investment.

The Government of Finland believes that more efficient European logistics is one such way of addressing these challenges. We in business and industry would tend to agree. Efficient transport, as we see it, is an essential element in maintaining and enhancing European competitiveness. Managing the complexity of transport flows in a modern society requires highly efficient modes and seamless cooperation between them. Advanced and integrated logistics solutions can help optimise freight transport operations and in so doing encourages growth, making Europe more competitive at the global level.

However, this is only one component, which can only be addressed successfully in conjunction with other vital transport elements, many of which but, not all, require significant funding. Some of the shortcomings in our transport system are not “big ticket” items. Many problems could be eased by a healthy mixture of common sense and practical co-operation. As we enter autumn, it is appropriate, perhaps, to identify such opportunities as the “low hanging fruit”. All we need is some determined efforts to rapidly harvest this crop of inefficiencies such as:

- Do we need a rule which prevents road freight movement in some Member States on certain days of the week?
- Why should only commercial concerns be subjected to infrastructure charging?
- Do we really need a rule for rail freight drivers which limits the number of nights they can stay away from home?
- Do we need to use economic instruments / operational restrictions all of the time to achieve desired results? Should we not explore the alternatives as the first option every time??

Why develop infrastructure plans if they are not going to be adequately resourced?

III. Industry’s opinion of the Commission’s latest initiative

The Finnish Government’s taking the lead and the European Commission communication in June on freight logistics are steps in the right direction. The Commission communication correctly identifies a number of trends which we agree with and illustrates how logistical efficiency can be a positive tool... if developed correctly.

In particular we fully agree with the Commission’s assertion that “*logistics measures are indispensable for maintaining and increasing European competitiveness and prosperity in line with the renewed Lisbon agenda on growth and jobs*” (page 2). This is important recognition of the role that transport has to play in a creating a competitive Europe. It is good to see that the Commission has recognised this fact... because it has not always done so in our view.

By this I mean that on the one hand, we have had the revised Lisbon agenda, intended to turn Europe into the most competitive and dynamic knowledge-based economy in the world. It intended to do this by clearly focusing EU policies on growth and jobs in Europe. I might add that it also pointed out that *“modern transport... infrastructures throughout the European Union territory are a prerequisite for reaping the benefits of a reinvigorated Lisbon strategy”* (Lisbon strategy). However, and on the other hand, we have had transport policies which to be frank, have not had a ‘competitiveness’ agenda guiding them. In particular I am referring to the overall policy outlined in the 2001 Transport White Paper which ran in our view contrary to the avowed Lisbon strategy. Its focus was not on improving European competitiveness and as such was misguided.

The main theme in the UNICE submission to the Transport White Paper Mid-term Review was: *“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!)?”* The 2001 Transport White Paper policy seemed to completely overlook this practical reality. We are very pleased to note that the result of the recent mid-term review goes quite a long way towards redressing this.

With its June communication (*Freight Logistic in Europe*) and its mid-term review on the 2001 Transport White Paper (*Keep Europe Moving*), the Commission appears to have understood the contradiction and is moving to address it. Now the real challenge is for all of us to follow words with actions.

When I say all of us, I mean of course authorities (Member State Government's, regional authorities, the European Parliament and Commission etc.) and industry. Because in my, and industry's view, the Commission has also recognised a second important point in its June communication and that is that *“any approach should be market-oriented, including social and environmental dimensions”* (page 2). The Commission has stated clearly and categorically that *“developing freight transport logistics is primarily a business-related activity and a task for industry”* (page 3). We agree with this and, as demonstrated by the organisation of the Conference, European business is enthusiastic about playing its part.

The Commission also states that *“authorities [also] have a clear role to play in creating the appropriate framework conditions and keeping logistics on the political agenda”* (page 3). We agree with this and would like to gently remind the Authorities that actions speak louder for words. I believe that what business wants from the EU now is a lot more of the former and an awful lot less of the latter.

Both industry and authorities have clear roles to play in making logistics contribute to *“increasing European competitiveness and prosperity in line with the renewed Lisbon agenda on growth and jobs”* (page 2).

However, and lets be absolutely clear about what we mean, for this initiative to be successful there needs to be close, consistent and most importantly constructive two-way communication between industry and authorities. The last thing Europe needs is for industry to head in one direction and authorities in another. We have started on the right footing with the Finnish Government's initiative and the Commission's logistics communication. We need to work closely to together to ensure we continue in the same vein in relation to the practical development and speedy implementation of effective transport solutions.

I met the Mr. Ruete, the Director General of the DG for Energy and Transport, and some of his senior colleagues, in the UNICE offices at the beginning of this month and he expressed the view that the Annex to the White Paper Mid-term Review is among the most important aspects of the entire document. I was encouraged by this and look forward to decisive follow through action.

IV. Industry's suggestions (for focus etc.)

With the Commission initiative in mind and the foreseen *Logistics Action Plan* in 2007, I would like to highlight a number of points which we as industry believe needs particular attention paid to:

- *Define what we mean by 'logistics':* it needs to be defined very early in this process what exactly we mean by *logistics*. Depending on who you talk to, one receives a different interpretation of what logistics is. There is no agreed definition of what the expression means. The Commission has made an attempt to define logistics as: "*the process of planning, implementing and controlling the movement of raw-materials, half-finished products and finished goods. These should arrive in time at the right destination and retain the right quantities and quality, while respecting the level of services selected for the process. The process should minimise the burden on the environment and optimise the long-term economic performance of the undertaking*" (page 12, impact assessment annex to June Logistics communication)... but not everyone agrees with this... do we as industry agree with this definition? A clear, unambiguous definition of what we mean by *logistics* is, perhaps, a necessary first step.
- *A global perspective needs to be adopted.* Focus on Europe is very important. Focus on integrating the new Member States into what actually develops is equally important. But most important I believe is that logistical developments in Europe have to be made in a global context. The Commission states that "*developing freight transport logistics is primarily a business-related activity and a task for industry*" (page 3). Well many companies are in the process of moving, if they have not already, from being international companies to global companies. The logistical solutions which we put in place must recognise this fact.
- *Personnel:* thought must be given to how we ensure that the logistical industry is one which school leavers to experienced professionals choose to enter. It is not exactly a high profile sector. However if we achieve even a fraction of what we ambitiously aim at achieving then we are going to need new, highly skilled personnel to make it work.

And even at a more basic level, truck driving is a profession that is seeing major labour shortages in some of our more developed economies. Perhaps, however, the solution here lies in simply making sure that the available pool of personnel is facilitated where they are needed – a mobility of labour issue,

- *Educate to change habits and mind-sets:* Improved education of the consumer/driver/user has to be promoted. Improving how we do thing could in the long run prove as valuable to achieving our goals 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 logistics sphere. It is also a first step in changing current habits and mind sets on logistics.

Statistical data: in order to benchmark what we do and to accurately analyse the current situation we need to ensure accurate statistical data and indicators are collected. We need to also establish a uniform methodology to evaluate such indicators (from both an internal and external EU perspective).

V. Conclusion: Industry's expectations

Let me conclude by repeating that from an industry perspective we believe that the Finnish Government's initiative and the European Commission communication on freight logistics in Europe are steps in the right direction. In particular we fully agree with the Commission's assertion that "*logistics measures are indispensable for maintaining and increasing European competitiveness and prosperity in line with the renewed Lisbon agenda on growth and jobs*". Facilitating all modes of transport is also vital if Europe is to make a meaningful improvement in this vital area. As I have said already, the real challenge now is for all of us to follow words with actions and to ensure that these actions deliver results.
