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TRANSPORT, LOGISTICS and COMPETITIVENESS Seminar 22 September 2006

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CONCLUDING REMARKS: EK'S VIEW ON LOGISTICS AND COMPETITIVENESS

Minister Huovinen, distinguished guests, ladies and gentlemen,

It is my pleasure on behalf of the Confederation of Finnish Industries – EK to make concluding remarks for this very interesting seminar. Most of the important issues have been discussed already from different perspectives. Just before me Tom Noonan was giving a very comprehensive view of European industry's opinion and expectations. For me it is very easy to agree with his comments.

However, I will still add few comments and I try to concentrate in issues, which we here in Finland see important.

As you well know, Finland is a remote country. Distances within the country are rather long and we have long, hard winters. The sea even here in southern Finland is covered by ice for few months every winter and we need to operate a fleet of icebreakers.

Finland is like an island far from the main markets. Finland's economy is heavily dependent on foreign trade, EU – area being the main market. Fastest growth of our foreign trade is in Russia and in the Far East.

The logistic costs of Finnish companies are high, even double compared with competitors in other EU countries. And those costs are increasing.

Finland has a special position as a major transit traffic route between the EU and Russia, and between the EU and Asian countries. Fast growth of Russian and Asian economies is increasing rapidly the border traffic between Finland and Russia. This means growth opportunities for Finnish logistic companies. But at the same time there are problems with border crossings, an unfair competitive position of Russian trucking companies, double railway tariff systems etc. These problems need to be solved between Finland and Russia – and the EU as well.

Finnish industry welcomes the review of European Transport Policy



Logistics is a very important for the competitiveness of Finnish industries. EK has been supporting the initiative of Finnish government to take logistics as main theme of the transport policy during the Finland's Presidency of the European Council. We are also pleased to see the new approach of European Commission as presented in the Mid-Term Review of the 2001 White Paper and the Communication on logistics.

The objectives of sustainable mobility in the European Transport policy remain valid, as well described here by Mr. Karamitsos. However, the Commission is now underlining more the Lisbon agenda for growth and jobs. This is a very much welcome approach.

The growth of the economy means growth of transport and logistics. Road transport, short sea shipping and aviation are the fastest growing transport modes. According to the Commission shifts to more environmentally friendly modes must be achieved where appropriate, especially on long distance. Mobility must be disconnected from its negative side effects and each mode's own potential need to be optimized. The concept of co-modality has been taken to describe the efficient use of different modes on their own and in combination. Freight transport logistics has to be in the heart of European Transport policy.

From the Finnish industry point of view this approach looks promising. More than 80 % of Finnish foreign trade is transported via sea. 14 % of the value of foreign trade goes via air freight. From the domestic transport 70 % is road, 24 % railway and 6 % waterways. We emphasize a balanced development of transport modes; they all have their own role in the logistic system.

Ladies and gentlemen,

Let me bring up few issues included in these papers for Transport Policy and Logistics, and which are of special importance for Finnish industry:

- The Commission is making a correct statement by saying, that developing logistics is a business-related activity and a task for industry. Nevertheless, the authorities have a clear role in creating the appropriate framework conditions and keeping logistics on the political agenda.
- The Communication on Logistics is discussing the right issues. As such it is, however, not helping us very much. After consultations the Commission is planning to publish an Action Plan for Freight Transport and Logistics in 2007. We hope that this will be thoroughly discussed with the European industry.
- Completion of the single market for transport is necessary. Many issues still need to be done. Implementation of railway packages is at very early phase in many countries. Port service directive has been turned down twice and the future is open. Liner conference exemption is under discussion etc.
- High cost of transport is an important issue. The Commission is planning to introduce smart charging for infrastructure. It is important, that in case any new charges or taxes will be introduced, old charges need to be removed accordingly. If the purpose of new charges is to finance the infrastructure, earmarking of charges collected is a necessity. For instance in Finland the money collected as



charges and taxes from the transport system every year is five times the amount invested in infrastructure. And why should the charging only concern the goods traffic?

- Sufficient financing of infrastructure is a key issue in many EU countries and on EU level as well. With good reasoning the industry can say, that congestion on European roads is a sign of lacking infrastructure capacity. That can be helped through innovations, which improve the efficiency of infrastructure use, like Euro Modul System in road transport.
- Short Sea Shipping and intermodality are important issues for development of sustainable transport system. Most of the Finnish foreign trade goes via Short Sea Shipping cross the Baltic Sea and is using different modes combined.
- Energy is increasingly important issue in the society. The Commission is emphasizing the role of transport accounting for some 71 % of all oil consumption in the EU and is planning to come forward this autumn with an Action Plan on Energy Efficiency. The industry is ready to discuss energy issues and wants to remind, that good development has been achieved in the industry via voluntary energy saving programs and technological development.
- Emission trading has been discussed as well. There are plans to include aviation as the first part of the transport sector in the EU emission trading scheme. Aviation is global business and impact analysis has to be done carefully before any actions. Our experience from emission trading in other sectors is mainly negative, costs are increasing.
- Last but not least. We have to take care of the education of our people. There already is shortage of labour. Research and development in transport area is widely based on public funding, which today is not sufficient, at least not in Finland. Very important target for the development work is ICT-technology.

Ladies and gentlemen,

The list of important issues is much longer than I have been able touch today. There will most likely be opportunities to discuss these subjects later as well.

Let me finish by saying that my most important message is a good and open exchange of opinions and views between industry and the authorities. Regulation is needed, but we all together need to work towards the future, where the regulative framework is supporting the competitiveness of European industries. We need right actions.

Thank you for your attention.
