Position Paper

The Voice of Freight Forwarders and Customs Agents in Europe

CLECAT Response to
Review of 2001 White Paper on European Transport Policy

Brussels, December 28th 2005

CLECAT was established in 1958 in Brussels, where it represents 27 national organisations of European multinational, medium and small freight forwarders and Customs agents, thus being the largest and oldest institution of its kind.

Our companies employ millions and contribute to a sizeable portion of GDP in Europe and other continents, in some cases vying for the top spot among the activities of the worlds most advanced economies (e.g. Dubai, Hong Kong, Singapore). In the EU a number of countries regard logistics as an important factor in their trade balance (Holland, Denmark, Greece, etc.). Our companies work at all levels of the business, local, regional, international and intercontinental. Whilst regional solutions are sometimes contemplated, the industry generally prefers actions and measures that can reflect on the entire spectrum of their activities and are compatible with international standards.

Our interest in commenting on the WP mid term review is considerable as our companies are the main actors in freight transport related services all over the world, handling well in excess of half of the world transportation. In some sectors, like airfreight, Logistic service providers control in excess of 90% of the cargo. This element however limits our observations to the freight sector and we have no competence for passenger services. However, as regards freight and cargo our constituency covers well in excess of half of all cargo moved into, out of or within Europe.

Please find below CLECAT's response to the 10 questions issued as part of the Mid-term review of the 2001 White Paper on European Transport Policy. CLECAT as a European Association could obviously not respond to the questions requiring descriptions of the effect of the White Paper on individual countries so an overall European Perspective is provided instead.

In view of the breadth of this exercise some Clecat Members[1] may wish to submit additional observations pertaining to their regional or structural peculiarities, whilst they all agree on the content of this collective EU-level submission.

Shifting the balance between modes, traffic relief and safety improvements

1. Do you observe a halt in the decline of rail, in particular for freight? What role is played by rail policy?

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[1] List available on our website www.clecat.org

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As correctly pointed out in the list of achievements of the WP, the deployment of ERTMS and strides towards harmonisation of driver licensing are eventually heading in the right direction, but this comes at least ten years too late. Some have observed that whilst we have been able to build a common market for EU trade to thrive, this is true only on the road and a number of obstacles are still confining the activities of rail services within the boundaries of national or regional markets.

The European Commission should play a more active role in supervising all the member states to ensure that competition is really fair. In order for rail freight levels to grow, innovation is required. Companies are not going to choose rail freight just because they feel it is more environmentally friendly. They will only choose rail solutions if they are either as efficient or more efficient than road solutions.

Creative and innovative thinking is required. The sector needs to look at ways of improving efficiency wherever possible. There is for example probably a need to take a look at the technical features and the operations of marshalling yards, for the rail to be able to handle wagons more efficiently.

We feel European Institutions should strongly encourage initiatives for rail service undertakings to embrace a forward thinking attitude to focus on areas where rail can offer a competitive advantage (e.g. in alpine transit, holiday, week end and continental-size services), rather than devoting energy to artificially penalising other modes of transport.

Our sector hoped that the I and II rail packages would have opened the rail market to accredited users, who had the intention of gaining access to the tracks without necessarily becoming railway operators in the sense of providing traction. This was not the case and we regard this as a missed opportunity. The recent trend to allow “authorised applicants” to take on the rail is showing some good intentions and we do not see any reasons why it should be resisted by any undertaking seriously intending to embrace competition and strive for quality.

The full separation of rail infrastructure from rail freight operations is necessary and this principle needs to be fully enforced. This issue needs to be dealt with by the Commission. Issues such as quality could be left to the market, where a trend to negotiate quality based agreements is now emerging.

As an additional observation, politicians may wish to take note of the fact that rail freight services have gained market share or have been able to contain or stop their decline solely in those markets, which have embraced early liberalisation and enjoy a fair degree of competition today.

2. How is road transport developing in particular international transport and cabotage after the enlargement?

Since the adoption of the 2001 White Paper, road vehicles have become less polluting and more efficient and consequently it is no great surprise that the sector has seen its market share grow.

Cabotage has become common experience in the EU-15, however it must be noted that its use has not turned the tables. Its use is more significant, naturally, in transit countries than in the periphery, but it is rarely exceeding 5% of the total. In terms of the development of cabotage between the EU 15 and the accession countries, given the 2+2+1 agreement, it will be a further four years before cabotage will be in a position to develop completely and at least another year before its development can be gauged. It should also be noted that there is a certain level of

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uncertainty about the extent of the right to freely provide occasional cabotage services in an EU country other than the one in which the haulier is established and the exact conditions under which such activities may be carried out.

3. What is the situation of intermodal/combined transport in your country? What is the position of inland waterway transport (if there is any in your country)?

CLECAT as a European Association is better placed to speak on behalf of the general situation across the EU as opposed to focussing on a particular country. In terms of intermodal transport involving the use of rail there is still considerable shortfall in the efficiency of the service available.

Since the adoption of the 2001 White paper, maybe because of it, modern road vehicles are less polluting, the road haulage sector has become more efficient and the service has generally improved its quality. This being the case it is no wonder that it has gained in market share, as the same innovative and proactive approach has not been evident to a sufficient degree in the rail freight sector or in combined transport. Some efficiency has also been gained in the maritime and inland waterway sectors.

The problem is not so much the road but the failure of rail freight to offer the same level of efficiency as the road. This unwanted result is due to the fact that whilst everyone was very busy building a common market since 1993, the rail market has been very busy preserving borders and divisions that de facto hamper competition.

The question whether combined transport is economically viable has been raised several times in recent years and it is generally accepted that combined transport needs to be subsidised. This is probably not true, or perhaps not entirely true. Combined transport has generally failed to see the necessary synergies to contain its costs by actively cooperating with other actors of the logistic chain. Synergies and alternative business models may actually contribute to filling a gap that was filled by aid so far.

Freight Forwarders and logistic providers could make more extensive use of combined transport, as long as an equitable cooperation scheme could be identified. In such scenario they might use rail traction confidently and avail themselves of marshalling yards and intermodal terminals for parallel logistic activities.

4. Are there any developments in congestion and pollution on the main axes, in air transport, in the cities, in particularly sensitive areas?

There are consistent developments, at least in congestion, in the sense that congestion is growing exponentially as our sector had predicted for over a decade. Nothing that would alleviate congestion has ever been contemplated, as private cars and own account transports are not targeted by any restraining policy, besides at local level.

Little or no infrastructure has been built or modernised in recent years. The dream of "decoupling" has turned into a bitter nightmare. All this has produced more and more congestion, nearing a point of standstill. Even though they were predictable then and are verified now, these unwanted results do not seem to divert some policymakers from obstinately targeting freight transport, instead of mobility as a whole, and private movements mainly.

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In terms of pollution in urban areas, private cars generate 90% of CO_2 emissions. In addition to this in terms of congestion the ratio of private cars to trucks is such that they occupy far more space and thus create far more congestion.

The Eurovignette directive could have provided an opportunity to reduce the level of private cars causing congestion in urban areas and thereby reduce pollution and congestion, but private cars are outside the scope of the directive. It is hard to value an infrastructure charging system, which does not levy the category of road vehicle that generates the most pollution and contributes the most to congestion. It should also be noted in the major European Cities, heavy goods vehicles are not allowed in the centres, and therefore they are certainly not a cause of congestion. Improving the level of public transport is the best means of reducing congestion and pollution; the problem for governments is finding the finance to make the necessary improvements to public transport systems. Tolling private cars would allow governments to generate sufficient revenue to fund improved services. This approach if adopted would be consistent with the ‘polluter pays’ principle, which is supposedly underpinning EU transport policy although this is not borne out in the Eurovignette.

5. What are the trends as regards road safety?

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The financial and economic situation of the transport sectors

6. What is the financial situation of companies within the various modes, including infrastructure managers? How is the industrial structure evolving?

The logistics market has seen two major changes in recent years. Post offices and Railway undertakings have made efforts to differentiate and extend respectively their services. This action caused a series of major M&A's that are still continuing. Logistic service providers entered the production and value chain and have become main partners in the creation of quality services. This tendency has allowed for a lot of innovation and for the creation of brand new small and medium enterprises, which are starting to grow.

We are sorry to hear that a number of people have failed to realise that transport has ceased to be "economic friction" just after the Stone Age and logistics is now one of the main drivers in the global economy, with trends of growth often exceeding 5% even in Europe, where growth is stagnating.

In our sector, only companies that have not been able to innovate and remained anchored to their parochial, often road-only related market seem to suffer from dwindling revenues and seem to face competition from the east with greater difficulty.

7. How are infrastructure investments developing, in particular on the corridors of the trans-European network? What are the financing perspectives of public budgets and charging? Will these perspectives allow the completion of the priority corridors by 2020?

In launching this review the Commission made the point that, "the measures envisaged by the White Paper have already been put in place, such as for example:" A list was then provided of the infrastructure projects already enacted, however some of the items on the list have just been started and the list concludes with "and other proposals in preparation". In CLECAT's view the focus should be on the rapid development of infrastructure. Improved infrastructure facilitates an improved and more efficient supply chain, which in turn contributes to greater competitiveness.

In respect of the needs and the challenges Clecat regards the current proposal as being neither sufficient to build or maintain infrastructure to meet demand, nor focussed enough on the transport infrastructure to avoid an "empty coffer" result in the end. This would substantially impede EU economic competitiveness, because our trade is now considerably conditioned by the performance of our logistics.

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Priorities for the future

8. What actions of the White Paper need to be reinforced? What are the new actions to be added in which new fields?

The focus should be placed on making services possible, by creating the conditions for better infrastructure and quality of service through fostering competition.

This requires funding being made available for the completion of the trans-European transport network. The Commission needs to be vigilant to ensure that all service providers enjoy a level playing field by abating dominant positions and strongly resisting any attempts to restore them.

In terms of improving rail freight service quality, in addition to blocking anti-competitive behaviour a bolder approach to making the railway infrastructure available to users is probably needed. The "authorised applicant" approach seems to be a good attempt at making the railway market more transparent.

Measures such as the adaptation of the technical features of marshalling yards already mentioned in response to question one in this consultation need to be undertaken. If rail freight is to be developed it has to become price-competitive against other modes and an innovative and entrepreneurial attitude has to be fostered within the sector.

A discussion has recently emerged whether dedicated corridors should be reserved to freight, in order to avoid conflict with passenger trains. Whilst we do not have a final view on this item, we cannot ignore that a few pilot trials could indicate whether such a measure could deliver results, as and if it was applied more extensively.

We feel the issue of synergies must be explored by making marshalling yards and intermodal terminals available to an ampler range of providers, e.g. logistics providers, freight forwarders, road hauliers, in order for them to find business friendly solutions that would result in more extensive use of rail in the EU.

9. Which should be the priority actions between now and 2010 (congestion limitation, new technologies, trans-European network, charging, focus on the corridors, new actions on urban transport)?

One would be tempted to say: everything. However, port, road, and terminal infrastructure development should be focussed on. Rail infrastructure needs to be properly assessed and there are numerous studies that show that a much more extensive use of the rail is possible. The development of efficient infrastructure or the availability of longer and smarter timing in using existing infrastructure will reduce levels of congestion and improve the efficiency of the supply chain. The removal of barriers to competition in the rail freight sector should be accelerated in order to facilitate its development. It is well known that the I and II packages are not uniformly implemented all over Europe and their perfect implementation is now a minimum requirement, after almost a generation of debates. Removing the borders that still exist in the EU rail market (in contrast to what has happened on the road) and preventing technical or social barriers obstructing extensive competition on the rail would greatly contribute to enhancing the level of rail services all over the Union.

10. What new additional actions between now and 2010 on safety issues (maritime, aviation, road)?

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Conclusions

The European Commission acknowledges, "*the regulatory framework in which businesses operate is a key factor of their competitiveness, growth and employment performance*". It has therefore committed to "*ensure that the regulatory environment is simple and of high quality*". It stems from this commitment (so-called "better regulation") that legislative intervention should not hinder business practices that prove efficient. This is also of paramount importance in view of the contribution transport and logistics can make to the Lisbon Agenda. The following are two examples of developments, which CLECAT feels, do not correspond with the 'better regulation' agenda.

- Impacts of possible modification of Council Regulation 4058/89, where CLECAT expressed its adamant opposition to any attempt to regulate freight rates and reminded the Commission that it should not try to impose behaviours on the market that may run the risk of distorting its freedom.
- Freight Integration Action Plan (now ISIC), which, save for the commendable initiative on training, is ill appreciated by professionals and users alike, all afraid that it may actually show counterproductive results, with direct adverse effects on transport and logistics performance and consequently on EU competitiveness as a whole.

In conclusion CLECAT strongly encourages the Commission to abandon any action designed to artificially steer the transport and logistic market and to take a look instead at the imperfect implementation of existing rules.

The EU institutions need to seriously address the three main problems of the EU logistic market:

- Congestion mainly caused by an exaggerated use of private or own account mobility,
- Persisting difficulties in establishing a real pan-European competitive transport market,
- Insufficient or inadequately maintained transport infrastructure;

if they want to drive our continent into a sustainable and possibly prosperous future.

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