

## Mid-Term Review of the 2011 Transport White Paper

Combined Transport is the system of transport, which brings to success the European concept of *comodality*, the cooperation of different modes to fulfil a single transport mission, by effectively combining the flexibility of road transport in urban environments with the environmental sustainability, safety and reliability offered by sustainable modes like rail, inland navigation or coastal navigation to cover longer distances. Road-Rail Combined Transport alone, based on the use of intermodal loading units<sup>1</sup> (ILUs), performs about 11% of continental transport-chains in Europe<sup>2</sup> today, a figure which UIRR, the International Union for Road-Rail Combined Transport, believes could and should be considerably higher.

The EU Transport White Paper of 2011<sup>3</sup> (TWP2011) must be commended, and UIRR greeted it with enthusiasm<sup>4</sup>, as the Paper expressed correctly the premises and the objectives along which European transport policy should be formed. Moreover, bulk of the measures foreseen would have indeed taken us closer to achieving these objectives. However poor execution meant that the progress in the past five years was weaker than one would have expected. Most painfully the measures foreseen to be implemented by 2016 concerning "smart pricing and taxation" have not progressed.

In this paper UIRR, as the industry association for Road-Rail Combined Transport, has formulated its recommendations on how to enhance the aims and the implementation measures of the TWP2011 from the primary perspective of optimising long(er) distance freight transport in Europe.

### Summary

The ultimate aim of the EU Transport White Paper should be to make European transport economically and ecologically sustainable while ensuring that all mobility needs are fulfilled, not curtailed. A secondary goal of European transport policy could be to contribute towards the economic paradigm-shift that the Union needs to find the growth path it lost since the 2009 economic crisis.

These should be achieved through the following 4 means:

- **Management by objectives**<sup>5</sup> - actions driven by clearly defined *transport policy objectives*
- **De-politicisation of transport** - both investment and sector management should be done along the market principle
- **Return to the basics** - the fundamental mission of the Commission is to propose - clever - regulation, and then to assist implementation and provide proficient enforcement
- **Innovation is not a magic fix-for-all** - regulation, implementation and enforcement, as the fundamental mission of transport policymaking, should not be replaced by the promotion of innovation, and the (false) hope that technology-progress will solve what policymaking seems to be failing at.

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<sup>1</sup> ILU = containers, swap-bodies and semi-trailers

<sup>2</sup> UIRR estimation of CT tonne-kilometres based on EUROSTAT, UIC and UIRR statistics

<sup>3</sup> COM(2011) 144 - 28 March 2011

<sup>4</sup> <http://www.uirr.com/en/media-centre/press-releases-and-position-papers/2011/mediacentre/416-welcoming-the-transport-white-paper.html>

<sup>5</sup> **Management by objectives** (MBO), also known as *management by results* (MBR), is a process of defining objectives within an organization so that management and employees agree to the objectives and understand what they need to do in the organization in order to achieve them.

## Premises and aims

"Curbing mobility is not an option" should be the basic premise for every European transport politician. European transport policy should begin from here, and then strive to find the means by which to place the Union's transport sector from its presently unsustainable path - while fulfilling this mission - onto one that will ensure long-term ecological and social sustainability, thus contributing to maintaining Europe as one of the world's most liveable places.

TWP2011 defined transport policy objectives, which remain valid to this very day:

- (i) reduce the overall carbon footprint of the transport sector,
- (ii) curb the oil dependency of Europe,
- (iii) improve the poor environmental performance of transport,
- (iv) reduce the hefty price of congestion, coupled with the need to
- (v) make transport ever safer and more secure (fewer fatalities, injuries and material damage).

UIRR proposes to complement this list with **the need for improvements in pro-rata energy-efficiency, land-use, labour-intensity and quality of jobs in transport, while realising fewer accidents.**

The promotion of European companies as "world leaders in infrastructure, logistics, traffic management systems and manufacturing transport equipment" (Para 8-9), on the other hand, should be a consequence of right policies (clever regulation) for the aforementioned, rather than a self-standing policy objective in itself.

Similarly, the notion that "infrastructure shapes mobility" (Para 10) should be reversed from an objective "to maximise positive impact on economic growth" to that of an implementation measure that should carry us closer to the real transport policy objectives. Subsequently - if transport policy is done properly - it not only could, but will contribute to economic growth, and even more to improvement of the Union's economic competitiveness.

The ultimate objective of European transport policy should therefore be the **gradual de-politicisation of transport-related decision-making**, the creation of a regulatory framework that enables the involvement of private capital into infrastructure development and services extended on this infrastructure - in parallel with limiting transport's demands on taxpayer funds.

- ✓ **Additional transport policy objectives:** a reduction in the number of accidents, improvements in pro-rata energy efficiency, land-use, labour-intensity and quality of jobs in transport and a gradual de-politicisation of transport-related decision making.
- ✓ **Removal from expressed policy objectives:** promotion of European companies in infrastructure, logistics, traffic management systems and manufacturing transport equipment; and infrastructure shaping mobility - as both of these should be consequences of implementation measures, not per se policy objectives.

## The regulatory framework of transport

A new approach to transport regulation should be adopted, which promotes market principles to replace politically driven transport sector development and management. Competition is based on technical merit and management excellence in every well functioning marketplace. The European Union should commit to the creation of a legal framework that would enable these to prevail in a fair and equal manner.

**Correct price signals** are a prerequisite to the proper functioning of any market; in transport this translates to *user-pays* and *polluter-pays* - two principles recognised for decades. *De-politicisation* of infrastructure development should be added as a third, as no market participant should be charged for the use of infrastructure that was devised on "pure political vision", without reasonable market demand and a rational business-plan promising a competitive return-on-investment. The progressive phasing out of subsidies to undesirable hydrocarbon energy, which - according to the IMF - amount to hundreds of billions of euros in the Union annually<sup>6</sup>, should be commenced without hesitation.

**The regulatory framework should reinforce the single European transport market** and give clear indications to market players, from technology providers through infrastructure managers to operators and ultimately the users regarding the rational path of business development to be followed. Clever regulation and adequate market oversight - providing proficient, equal and fair enforcement - are what would be needed to make this market function properly.

Collaboration between the political decision-maker and industry is essential for the development of technical and procedural standards. Statutory procedures linked to safety and security - like customs reporting, traffic worthiness testing, registration obligations, or obtaining of permits - should be optimised and charged on a cost-basis. Taxation affecting transport should be devised in a transparent, mode-neutral and non-discriminatory manner.

Transport should be turned into a principally market-based sector of the economy, where business risks become calculable and thus private capital can be accessed, and any politically motivated (societal) need is fulfilled via market-conform means, which guaranties the optimal use of taxpayer funding.

The European Commission together with the European legislators - the European Parliament and the Council - should engage in the bringing about of the regulatory changes needed to reinforce the emergence of a genuine European transport market. The **policy-maker should refrain from choosing the winning transport modes, technologies or solutions**, and leave it to the market, which is much better equipped to do this - but only in case the regulatory environment enables its rational functioning.

Consequently, only market-conform objectives such as the development of TEN-T Corridors, ports and airport connections, implementation of modernised support systems (like SESAR, Galileo, ERTMS, etc.), reducing transport fatalities (and accidents!) to a "near-zero level", or the "full application" of the *user-pays* and *polluter-pays* principles should be upheld.

Modal-shift, for instance, should be rather retained as the most important KPI showing progress of transport greening efforts.

- ✓ **Correcting price signals:** reform the EU fuel excise duty regime, implement mandatory distance-based road tolling - reform of the Eurovignette Directive, reinforce requirements for greatest marginal benefit and ROI-based infrastructure development - one that follows market demand, devise framework to extend commensurate temporary compensatory subsidies to transport modes found to be disadvantaged by the status quo - to last until the imbalance is corrected.
- ✓ **Transform the regulatory framework to reinforce the single European transport market:** refrain from choosing preferred transport modes, technologies or solutions - allow the fairly functioning market to decide instead, ensure market oversight through proficient, equal and fair enforcement of rules, cooperate with industry to devise technology and process standards, enable the optimisation of statutory - administrative - procedures and place their charging on a cost-basis.

<sup>6</sup> <http://www.imf.org/external/pubs/ft/wp/2015/wp15105.pdf>

## Attaining the emission reduction target

The energy efficiency of transport output (per tonne-kilometre), and not simply "vehicles across all modes", should be made a prime policy objective. This should be encouraged in a dual manner: on the one hand through horizontal measures (modal-shift from inherently less efficient transport technologies towards those capable of delivering greater pro-rata energy efficiency), as well as through vertical measures sticking with transport mode- and vehicle-specific energy efficiency improvement targets (KPIs). Liberating transport policy objectives from the straightjacket of vertical silos - the need to solve modal problems within that particular transport modality - could deliver quick wins.

Infrastructure development projects should also be evaluated from the perspective of how much do they serve the reaching of the prime energy efficiency objective of transport.

Targeted energy efficiency improvements in transport, as well as the reductions in overall carbon footprint should be broken down to the level of each Member State, and then these Member States should be invited to draw up their multi-year transport emission reduction programmes. Such a measure could contribute towards preventing the likes of The Hague District Court's ruling, which obliged the state to reduce greenhouse gas emissions (25% on the 1990 basis until 2020)<sup>7</sup>.

The key performance indicators (KPIs) that show progress in this area and the statistical data capturing needed to deliver these, should also be devised by the European legislator so as to ensure homogeneous methodology and ultimate comparability.

- ✓ **The right indicator:** energy efficiency of transport (per tonne-kilometre) should be the main driver - with horizontal target for modal-shift and vertical targets for improvements within modes and vehicle-categories. Base the evaluation of infrastructure development projects also on how well they serve the overall transport energy efficiency aims.
- ✓ **Implementation through Member State level implementation plans:** drafted along EU legislated homogeneous and comparable structures, and measured by similarly standardised KPIs and statistical data collection.

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<sup>7</sup> <http://www.euractiv.com/sections/sustainable-dev/dutch-court-orders-state-slash-greenhouse-emissions-315699>

## A Single European Transport Area (SETA)

The legislative work in progress for SETA to emerge should be continued. The heterogeneous status-quo achieved through various modal legislations - especially when comparing the different modes - has to be brought on a common footing through horizontal legislation of common topics to ensure comparability, equality and fairness in a range of areas, such as (i) access to and charging for the use of infrastructure, (ii) working conditions, (iii) mandatory government services, (iv) security, (v) user rights, (vi) market and regulatory oversight, (vii) safety supervision, etc. A truly Single European Transport Area can only be achieved this way.

Several actions are needed within the rail sector:

- (i) The process to homogenise track access charging principles and categories must begin.
- (ii) A mechanism should also be found to make annual track access charge changes predictable over a prolonged period, which is an important prerequisite for private capital investment.
- (iii) Europe-wide infrastructure service categories (train-path categories much alike to postal services) need to be defined with guaranteed minimum quality attributes - initially along the 9 rail freight corridors - to assist the emergence of better quality<sup>8</sup>.
- (iv) European level traffic priority rules need to be declared to create fairness in traffic management.
- (v) Transparently functioning mechanisms are needed to systematically channel user insight (market expectations) to rail infrastructure managers.
- (vi) Negotiations to harmonise track access agreements, including their contents - the rights, obligations and liabilities of the contracting partners - must be started under the coordination of the European Commission.

The European institutions should devote meaningful resources to aiding the implementation and monitoring the enforcement of Union legislation within the Member States, as SETA's emergence could substantially be accelerated this way.

- ✓ **Horizontal legislation could enhance a common approach across modes:** to ensure comparability, equality and fairness in a range of areas, such as access to and charging for the use of infrastructure, working conditions, mandatory government services, security, passenger and user rights, market and regulatory oversight, safety supervision, etc.
- ✓ **The Single European Railway Area requires some additional regulatory work:** harmonisation in track access charging, definition of European train-path categories and traffic management rules, standardisation of track access agreements.
- ✓ **Meaningful EU resources devoted to aid and monitor Member State compliance:** could be another effective way to catalyse the emergence of SETA.

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<sup>8</sup> <http://postandparcel.info/64353/news/european-postal-service-quality-surpasses-eu-objectives/>

## Innovating for the future

Technology development and innovation should not be viewed as a magic fix for all. It should not replace the fundamental mission of the European Commission of proposing regulation, aiding its implementation and supervising its enforcement throughout the Union. Most of European transport's problems could be solved through a coordinated implementation of existing regulations and standards, which will in most cases spawn the necessary private capital interest and innovation by market players.

EU innovation-promotion and funding support should be focused on subjects, which advance the achievement of overriding transport policy objectives, such as the reduction of transport's carbon footprint and a drastic improvement of its pro-rata energy efficiency, the reinforcement of SETA, assisting the determination of the financial burden of externalities (to be internalised), as well as supporting better infrastructure charging, improved safety and security, etc.

Similarly to transport infrastructure development projects, the overall energy efficiency and emission-reduction objectives in transport should be used as a determining input when formulating the Union's research and development project calls.

EU initiated and funded innovation should not be explicitly driven by the desire to reinforce the European industry, or any of its particular participants. These companies should be content with benefiting of a transport policy-objective driven EU innovation programme.

- ✓ **Technology development and innovation is not a magic fix for all:** innovation should not divert the European Commission from its primary mission of proposing regulation, as well as facilitating its implementation and enforcement.
- ✓ **The transport policy-objective drive behind EU innovation should be reinforced:** the European institutions should refrain from implicitly promoting technologies, solutions or market players through the Union's innovation programme. R&D project calls should be clearly linked to overriding transport policy objectives that are devised in a mode-, solution- and technology-neutral manner.

## Modern infrastructure, smart pricing and funding

Underinvestment<sup>9</sup>, and the consequent deficiencies of the EU transport infrastructure - delayed maintenance, capacity shortages, bottlenecks and interoperability barriers - are a great problem, but also present a tremendous opportunity. Infrastructure development could emerge as one of the engines of economic growth as very large sums may and should be sunk into upgrading the infrastructure, and this spending should be a *no brainer*<sup>10</sup> - if done well its returns are certain to be positive.

The new TEN-T Guidelines and the CEF Transport programme are well designed, and together with the European Fund for Strategic Investments could kick-start the necessary corrections to the continent's transport infrastructure. The methodology for market driven investments developed by Network Rail<sup>11</sup> could serve as a positive example.

Infrastructure charging in case of every mode should comprise every component of building, maintaining and operating the infrastructure of every transport mode. Internalisation should be thorough, encompassing the entire range of costs to society. Subsidies - extended either in the form of cash transfers, or through uncharged externalities, or undercharged infrastructure access - should be transparently quantified and adequately compensated until reaching a neutral comparative balance between all modes. These compensations, just like the subsidies themselves<sup>12</sup>, should be gradually phased-out within a foreseeable adjustment period.

After the adoption of several mode-specific pieces of legislation in this regard, wherever it is possible, horizontal optimisation on a marginal benefit basis should be the determining factor when deciding which components of the infrastructure should be developed. Transport policy objectives should provide the beacon to set the direction, to be followed by market demand and ultimately return-on-investment projections when defining projects.

- ✓ **Transport infrastructure development**, if done cleverly, is a *no-brainer* - a material contributor to the sustainable fulfilment of transport's mobility mission, and through this, as well as the extensive construction projects, to the economy itself.
- ✓ **Infrastructure charging and subsidies**: all inclusive calculation methodology, quantification of every form of subsidy and equalisation until the balance of modes is achieved, and a strategy for the gradual phasing-out of both subsidies and their temporary compensations.
- ✓ **Horizontal optimisation of development resources** should be done on a marginal benefit basis comparing all modes and driven by the supreme European transport policy-objectives.

<sup>9</sup> <http://www.internationaltransportforum.org/statistics/StatBrief/2015-07-Spending-Infrastructure.pdf>

<sup>10</sup> <http://bruegel.org/2014/10/infrastructure-investment-is-a-no-brainer/>

<sup>11</sup> [https://www.networkrail.co.uk/Developing\\_rail\\_freight\\_in\\_Control\\_Period\\_5.aspx](https://www.networkrail.co.uk/Developing_rail_freight_in_Control_Period_5.aspx)

<sup>12</sup> <http://www.imf.org/external/pubs/ft/wp/2015/wp15105.pdf>

## The external dimension

Intercontinental Combined Transport, providing connections between Europe and Asia, is a rapidly growing segment of CT. A result driven collaboration between the EU and the CIS countries operating a 1520mm gauge rail network, as well as neighbouring Turkey, and other Asian countries including China is essential.

Besides negotiating the mutual acceptance of harmonised railway operating standards among as many of these participants as possible and as widely as feasible, the European Union should also strive to work towards the streamlining and harmonisation of the government handled administrative procedures that presently weigh on the competitiveness of these transport chains (e.g. customs procedures as well as rail safety-related rules and inspections).

- ✓ **Strive for the proliferation of common railway standards and harmonised administrative procedures:** among the countries of Asia, the CIS countries of 1520mm network and the Union.

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