

Mid-term review of the White Paper on Transport

Time for pragmatism, re-balance towards competitiveness and necessary framework conditions implementation

The European dimension of transport and its contribution to competitiveness, growth and employment

Transport is the perfect example of what the European dimension can bring. One cannot look at transport and logistics in an isolated way or with a national perspective only. A well functioning and regionally balanced European market is the basis for the European transport policy.

Mobility of goods and persons is an essential component of the competitiveness of European economy and industry and has to be improved to support economic growth and employment.

Transport is a “non value adding” but needed service to paper companies and its costs has to be minimised. Globalisation and the steady growth in world pulp and paper products trade are increasing customers demand for a fast and just-in-time delivery of goods. To fulfil those demands and remain competitive, companies are dependent on user-oriented, cost-efficient, high-quality and reliable transport networks. The industry therefore requires a wide range and choice of competitive transport options to meet its existing and future needs. In the end, productivity in terms of price, quality and reliability will decide on the utilisation of the various modes.

That’s why it is essential to base transport policy on the needs of the users, to consider the entire transport chain and to place logistics at the centre of the current and future EU’s strategy.

Without a strong and determined action from the EU and an active partnership from the Member States to improve mobility, all the efforts from the industry to make the distribution chains efficient, safe and environmentally friendly would be greatly disturbed.

The European pulp & paper industry case

The European pulp & paper industry makes use of the three basic modes: rail, road and water. As the trend has been to locate facilities close to raw materials, water and energy sources, finished products often need to be transported lengthy distances to reach markets and clients within the EU or even overseas.

As with many industry sectors, road is the main mode of transport for European distribution and, due to the customers demands, this will continue. A vast majority of the 250 million tonnes of the paper industry raw materials and finished products is transported on the road in Europe. Around

55% of road transport concern long distance trips, 30% regional distance and the remainder local distance¹. Road transport provides flexible services regarding departure time and destination, and it is the fastest transport mode for distances up to about 500 km. Alternative modes of transport, e.g. rail offer often low cost-efficiency, low quality of services and a fragmented network. The ongoing deterioration of the service supplied has caused rail freight to lose market share mainly to the benefit of road transportation.

External logistics accounts for around 10% of the yearly turnover and further cost increases are expected in the coming years due to stricter safety standards, increasing social legislation and factors such as road-pricing, Eurovignette and fuel taxation. Innovation, smart solutions and rationalisation in transportation and warehousing have therefore a great impact on the European pulp & paper industry profitability. Achieving a 5% cost reduction in the area of logistics can result in a 0.5% to 1% total cost reduction according to some estimates.

Investment localisation and market developments have an important impact on trade, therefore on transports too and vice-versa. The market developments and the competitiveness of the pulp and paper industry will drive the flow of raw materials and finished products. Reciprocally, increasing transport costs, road-congestion, additional administrative requirements and even more stringent legislation have contributed to threaten the European pulp & paper industry's competitiveness and sustainability over the recent period. It might drive investments out of Europe, in emerging and competing countries where market expansion is much more dynamic. If pulp & paper companies cannot get their raw materials and goods into, around or out of the EU in ways that suit them the most, why would they continue to choose to base their operations in Europe in the first place?

The mid-term review of the White Paper on Transport and the recent evolution

In 2001, the European Commission published a White Paper on Transport, which main objectives were to decouple transport growth from economic growth, shifting the balance between transport modes from road to railway, maritime and inland waterway by 2010, internalise the external costs of transport through taxation systems and make transport systems more efficient and safer.

Some progress has been made in all modes of transport since then, but not quickly enough and there is still a long way to go. Actually, one can notice a real contrast between the White Paper objectives and the recent developments, particularly regarding the use of the various transport modes. The persistent lack of infrastructure is impacting negatively on the economic growth of Europe.

In June 2006, the Commission released a review of the White Paper - "Keep Europe moving – sustainable mobility for our continent", acknowledging that if the 2001 objectives are still relevant, the context defining Europe's transport policy has changed over the last 5 years - enlarged Europe, rising oil prices, climate change commitments, increased security requirements and globalisation - and requires a new 'tool box'.

The impact assessment of the review clearly states that *"policy orientation should best focus on offering a high level of mobility to people and businesses throughout Europe, protect environment, employment, the citizen and the passenger, innovate to support mobility and protection by increasing efficiency and sustainability of the transport sector and strengthening the role of EU at the international level"*.

¹ *Forest and paper industry: long distance > 250km, regional 50-250km, local < 50km – source: Volvo, 2006*

The European pulp & paper industry welcomes this mid-term review and considers it as a pragmatic and balanced step in the right direction, opening new opportunities for policy developments and decisions. It welcomes the priority of boosting a competitive, secure, safe and environmentally friendly mobility, the choice to look for the optimisation of existing transport modes by improving the performance of each transport mode, i.e. safer, more effective, more environmentally friendly and energy efficient, the promotion of 'co-modality' and the emphasis on logistics and innovation.

However, the overall competitiveness of the industry has not received the importance it deserves. A modern and pragmatic transport policy framework has to play a positive role in improving European industry's competitiveness and contribute to the Lisbon agenda of making Europe the most competitive economy in the world. Announced measures and actions have to be screened through the prism of competitiveness, according to better regulation principles.

Actually, one can expect many measures announced such as external costs internalisation, infrastructure charging, more stringent safety requirements, etc. to increase freight transport costs significantly for the transport companies and subsequently for the shippers, adding to the energy price increase.

A well functioning modern transport infrastructure is vital for sustainable economic development. Significant investments in infrastructure are therefore necessary. At the same time this should not substantially increase transport costs to the European industry and by doing so affect European competitiveness. Adding to the costs will simply add to attractiveness of overseas production options and significantly harm EU-based industry's competitiveness.

No single mode of transport can serve all the transport needs of shippers no matter how desirable individual modes may be from a social and environmental point of view. One role of the EU must be to establish the appropriate policy framework to ensure that each mode is able to exploit its full potential in a freely competitive transport market, for the benefits of all users and society as a whole. Liberalisation promotes a healthier market and provides a better and more efficient quality of service while controlling costs and increasing productivity.

The European pulp & paper industry's key priorities in the transport area

General comments

Legislation development in the area of transport should support the competitiveness of the pulp & paper industry and secure the basis for a fair competition to non-European based companies. It is essential for the European pulp & paper industry:

- To secure sustainable transportation and mobility throughout Europe and into the world by ensuring a cost-efficient and high-quality logistics network;
- To promote fair competition between and within transport modes, to promote all modes of transport equally and to develop efficient logistical systems across Europe to allow companies to have the free choice of transportation modes and combination of modes;
- To speed up the implementation of the existing EU legislation. The proposal from Commission President Barroso to scrap some existing legislation as a means of cutting down on red tape and bureaucracy looks more than promising;

- The European Commission should now accelerate the standardisation and interoperability of transport equipment and systems throughout the Member States to increase productivity. The improvements are needed in technical, social environmental, fiscal and safety related issues. Also compatibility of logistics services should be improved;
- Member States need to do more to facilitate intermodal connections both within national boundaries and across borders and to further develop interoperability between systems;
- To cope with increasing freight volumes and to facilitate intermodal transport, to promote investment in infrastructure and infrastructure facilities and better use the existing infrastructure to remove bottlenecks and have available transit ways (Alps, Pyrenees, Baltic sea, etc.), and to target investments in key corridors. Infrastructure both in ports and in the hinterland connections requires urgent investment. Increasing financial means is crucial to the success of a EU transport policy;
- To promote best suited trucks, trains and wagons, ships, hubs and equipment available and benefit from modern and harmonised IT-systems in order to allow constant control and supervision of the logistics chain;
- To secure that additional security measures don't result in significantly increasing costs for the companies, in imposing trade barriers within the EU and its Member States or creating distortion of competition with transport systems outside or at the border of the EU.

Road

Highways and roads have become the infrastructure of mass transport. The volume of traffic motorways carry is so huge that rail simply can not offer a significant relief, no matter how much public money will be spent. The importance of road as such is not enough acknowledged. It is essential:

- To increase investments in infrastructure particularly in remote and forest areas to facilitate wood procurement but also in urban areas to facilitate collection of used paper from households, shops, offices and industries;
- To secure that infrastructure charging is based on fair prices and applied according to the actual usage and development costs of all transport modes, is efficient and contribute to high quality road infrastructure. Road charging should not be used to support any non-transport related investments or expenses or to subsidise rail network, i.e. revenue generated from roads has to be used to improve road infrastructure. Infrastructure charging should not be used as a mean to limit the growth of transport but rather to maintain and further develop the infrastructure. There is a real risk that the introduction of truck charging increases freight transport cost by road all along the supply chain without bringing any effective solution to road congestion by trucks. 'Smart charging' as called by the European Commission has to be smart also from a cost point of view. Tolls varying according to the time of the day won't limit the use of road infrastructure and change its intensity since companies often have no real choice regarding timing and deadlines given by the customers. If there is no realistic opportunity to change to an alternative mode, the risk is simply to raise the costs for industry;
- To actively promote and support the European Modular System² (EMS) - broadly used in Finland and Sweden - since it offers a cost effective solution for European shippers and

² See CEPI position 'Road transportation: the need for higher capacity and longer trucks' – 2006. More information can be obtained about the European Modular System on request.

European competitiveness. It is excellent from a transport efficiency point of view and offers also other advantages, e.g environmental and intermodal benefits. It does not require major investments in equipment and could be introduced fast. EMS is applicable to about 40% of the European heavy truck fleet, i.e. about 300,000 European trucks. It is also good for developing intermodal transport since it is built on using standard ISO 20 and 40 feet containers, and Euro containers 45 feet, common also on rail freight and in maritime transport;

- To encourages increased maximum gross weight limits for truck and trailers. In Member States these limits range from 40 tonnes to 60 tonnes and most countries allow 44 tonnes for intermodal container transport – even 60 tonnes in Finland and Sweden. Low weight limits lead to additional costs and hinder smooth transport of goods throughout the EU. Heavier loading contributes to road safety since it means fewer trucks on the road, less road-congestion and also less pollution. The lack of homogeneity of maximum dimensions in the various EU member states affects the interoperability of the fleets, creates barriers to the competition, increases the cost of transport and ultimately contributes to pressure on the infrastructures and the environment by increasing the traffic;
- For Member States to reduce fuel duties to lower the impact of sustained high fuel prices and limit market distortion vis-à-vis its global competitors;
- To harmonise containers and trailers to promote combined transport and to support the development of important logistics platforms;
- To eliminate generic restriction to road traffic from new regulations such as the Working Time Directive and drivers' hours rules and to rather address shortages of qualified and experienced drivers.

Rail

Railway packages have been launched over the recent period to boost rail transport. Liberalisation of the rail freight has come quite a long way in some EU Member States but has been very slow in others; the positive effects of rail freight liberalisation will take many years to be felt. To optimise rail transport and improve competitiveness and quality of services, it seems essential:

- To substantially increase investments in infrastructure for railroad and thus to secure infrastructure funding in the long run;
- To secure the full implementation of the 1st and 2nd railway packages and progress with the 3rd package;
- To speed-up liberalisation in the railways by better identifying the various market obstacles and promote full and open access to operators. Effective liberalisation has materialised in some countries with new entrants – practical results have been obtained in some Member States such as the UK and Sweden. Greater operational efficiency and lower prices would improve rail's ability to compete with other modes;
- To ensure full separation between rail-infrastructure managers and rail-operators;
- To ensure full interoperability and stimulate operators to address functional problems which hamper the development of intermodal operations and encourage innovative solutions;
- To implement dedicated rail networks for freight.

Water

Overall competitiveness in the maritime and waterway area has to be achieved through enhanced competition. Ports have 'to become poles for growth instead of potential transshipment bottlenecks'. The use of inland navigation - barging - remains limited mainly because of under capacity and a lack of network integration. Therefore, it seems necessary:

- To go ahead with the implementation of the competition rules to maritime transport in order to make the liner industry more responsive to its customers. The European Commission's proposal to repeal the block exemption of liner conferences from the EC Treaty competition rules' ban on restrictive practices was welcome;
- To better integrate short sea shipping in the intermodal transport chain. Short sea shipping services have to allow more flexibility and become more attractive;
- To promote competition within and between the ports and allow transparent access to port services to increase global efficiency. Efforts to promote cost-efficient port services should be encouraged;
- To increase port capacity and develop efficient terminal systems between sea and land based transports to improve hinterland connections to deal with growing trade volumes;
- To develop inland-navigation capacities and further integrate inland waterways in transport networks at European level.

The European pulp & paper industry counts on an open dialogue between the European Commission and all the transportation stakeholders in the months to come to address transport-related challenges with a view to contribute to improved competitiveness and overall sustainability.

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The European pulp and paper industry key figures:

- It is composed of 830 companies and 1,220 mills
- It has a turnover of 75 billion Euro and a value added of 25 billion Euro
- It employs some 270,000 people directly and provides indirect employment to 1.8 million people
- It produces some 100 million tonnes of paper and 45 million tonnes of pulp
- It represents 29% of the world production
- It exports 15 million tonnes of paper, around 15% of its production
- Some 56% of the paper and board consumed is recycled
- It is part of the Forest-Based Industries, which has a turnover of 375 billion euros, i.e. 6.5% of the European manufacturing industry's turnover