

European transport policy: Issues for the new mandate

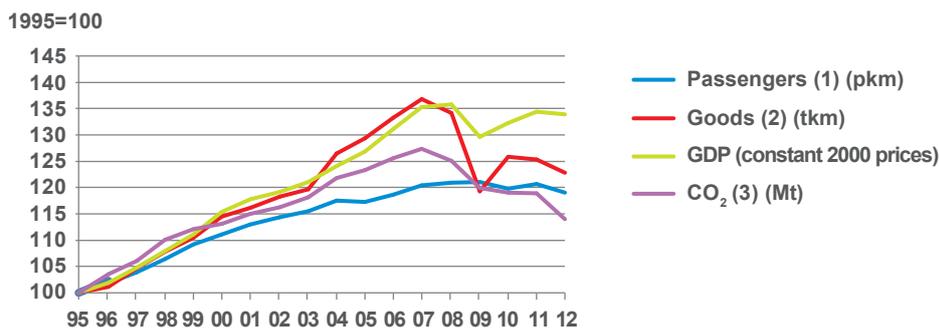
Christine Raynard and François Viellard¹

The mobility of passengers and goods is a historical pillar of European integration. In 2011, a White Paper by the European Commission predicted strong growth in traffic by 2050 (up to 50% for passengers and 80% for freight). While recent figures indicate a decline in the sector (for the most part due to the economic crisis), the quality of transport infrastructure remains a major competitive advantage for Europe that must be preserved in all of its dimensions – technological, social, environmental, energy, safety, etc.

The initiatives taken by the European Commission for its 2014-2019 mandate could focus on four priorities² :

- The opening-up of the sector to competition requires the introduction of a common social platform for the various modes of transport and a true industrial strategy that takes into account the durability of transport companies in the Union.
- The decoupling of economic growth and greenhouse gas emissions depends primarily on the introduction of a credible carbon price signal over time, more extensive research on engine technologies, and more support for clean vehicles in urban environments.
- The sharp reduction in the number of accidents on European roads requires a strong political commitment: the wide spread deployment of radars, exemplary penalties for driving under the influence of alcohol or drugs, and the creation of a European Road Safety Agency responsible for coordination.
- The construction of high value-added infrastructure must continue, financially supported by subsidies and innovative financial instruments.

EU28: Passengers and goods traffic, GDP and CO₂ emissions in transport



(1) Private cars, two-wheeled vehicles, buses and coaches, trams and underground trains, trains, flights and maritime transport within the EU. (2) Road, rail, navigable inland waterways, oil pipelines, air and maritime routes within the EU. (3) Travel in international holds included.

Source: *EU Transport in Figures, Statistical pocketbook 2014*.

English version of « La politique européenne des transports : quels enjeux pour la nouvelle mandature ? », *La Note d'analyse*, n°20, December 2014

1. Sustainable development Department

2. This is a summary of the issues addressed in *La politique européenne des transports : quatre enjeux pour la nouvelle mandature*, France Stratégie's report, edited by Claude Gressier. www.strategie.gouv.fr/publications/politique-europeenne-transports.

In the Treaty of Rome signed in 1957 establishing the European Economic Community (EEC), European transport policy featured as a structuring objective. And yet it has been at a standstill for almost thirty years. Indeed, at that time the weight of Member States in transport was overwhelming: governments set or standardised fares for air, rail, river, and road transport, and determined air services, technical standards, and passenger rights.

For re-launching European integration, the European Council adopted the Single European Act in 1985 providing for the establishment of an internal market by 1 January 1993. That same year, the Court of Justice of the European Communities ruled that the European Council failed to open the transport sector to competition. As a result, a European transport policy was developed from 1986 and throughout the 1990s based on five main axes (see table below).

The creation of an effective transport network is a foundation of European policy, both as an instrument of the freedom of movement for citizens and trade. As the European Parliament starts a new five-year mandate in Strasbourg, new challenges must be overcome in order to reinforce Europe's assets, both to ensure closer cohesion between Member States and to maintain the EU position in the world. This summary identifies four priorities:

1) Opening up markets to competition while ensuring reciprocity and social equity;

2) Promoting the energy transition in transport;

3) Continuing improvements in road safety;

4) Meeting demand for transport and mobility.

By addressing these issues, the transport network will contribute to the competitiveness of the European economy.

ISSUE ONE: OPENING UP MARKETS TO COMPETITION WHILE ENSURING RECIPROCITY AND SOCIAL EQUITY

Opening up transport markets to competition has been a crucial aspect of European policy for some twenty years, and consumers have been its main beneficiaries. To a large extent, this clearly-identified objective has been met: this is best illustrated by the democratisation of air travel. Admittedly, there is not full competition in all modes of transport, and some sectors are still regulated. However, before agreeing on new access to markets, in particular in international air services and road freight transport, European policy must consider the social impacts and the consequences for European companies. The aim is to ensure that the expected benefits for consumers are not achieved at the expense of damage to businesses that could lead to their closure.

The five axes of European transport policy during the 1990s	Actions and results
Definition of a blueprint for European transport infrastructure in the Maastricht Treaty.	The creation of a trans-European transport network since the early 1990s.
A desire to boost rail freight <i>via</i> a series of measures to liberalise this sector.	The first guidelines for an open European network appeared between 1991 and 1996; the network was fully opened up in 2006.
Gradual liberalisation of road freight transport.	Gradual elimination of compulsory tariffs and the opening up of the market to competition. The opening up of domestic markets to foreign companies is still subject to control.
The pursuit of common social and fiscal standards.	Limited progress: high expectations, particularly regarding social components.
The pursuit of fair and efficient pricing in transport.	Control of road tolls; liberalisation of air traffic (resulting in the emergence of low-cost airlines) and rail traffic.



A European social platform that benefits companies and their employees

In economic terms, transport is caught in a scissor movement: operating costs are high, while the market is subject to downward pressure on the prices paid by users. This price war can be healthy: in road transport, a greater liberalisation of cabotage³ would reduce the cost of this activity, increasing consumers' purchasing power and opening up new opportunities for employment in Eastern European countries.

However, given the current state of the European Union, the European Parliament has emphasised that *"if further harmonisation is not achieved, there is a serious risk that, given the significant national differences in social legislation, the success of road hauliers [...] will not be a result of their relative economic efficiency, but rather their ability to gain access, legally or illegally, to the most favourable working conditions"*⁴. The lower profitability of road hauliers in Western Europe and the reduction in employment are direct consequences of this. Better harmonisation of working and driving times, as well as of remuneration and social costs must therefore be sought before any extension of cabotage. This must be accompanied by a simplification of the rules governing this activity and greater control. The deployment of the "smart" tachograph (with GPS) from 2018 will help in achieving this objective. The creation of a European Road Safety Agency, which has been called for by numerous players in the sector, would also result in more effective and better coordinated monitoring of road transport and cabotage rules in particular. Finally, the gradual spread of a minimum wage in different European countries would constitute an important step towards fairer competition between companies, but in itself would not be enough. The use of drivers from outside the European Union (Georgia, Moldavia, Turkey, China, and the Philippines) must also be monitored.

One priority goal is the harmonisation of social conditions in road freight transport as a prerequisite for any extension in the liberalisation of road cabotage. Excessive distortions of competition are detrimental to the consolidation of companies and their self-financing capacity, and also affect employment.

The social issue is not limited to road transport: the practices of certain low-cost airlines are also warrant examination, when regulatory texts exist but are circumvented at times. Particular vigilance is required in relation to non-European personnel from countries with low wage costs if the air transport sector is to avoid a situation

reminiscent of that of employees of flags of convenience in the maritime sector.

Strong European companies in a structured and fair competition

The opening up of the sector to competition has led to the disappearance of most national airlines and the formation of three main European airline groups: Air France-KLM, Lufthansa, and IAG (British Airways-Iberia), each of which is part of a global alliance. These airlines are now established as international "majors". However, they now face a threat in the form of access to the European market by more efficient airlines from Asia, the Gulf countries, and North America. For Europe, the risk is that it will lose control of its long-haul network, with direct links being replaced by connections in hub cities outside Europe and provided by companies that can withdraw access to them. As a consequence, the Commission must ensure the future of European airlines and not increase access to the exclusive benefit of increasingly powerful non-European airlines.

The rail sector has been slower to open up to competition, not only due to competition – which it has long experienced – from other means of transport, in particular road transport, but also due to cooperation between national operators to provide cross-border connections. The governance of rail systems is evolving, and the Commission must provide rail companies with the visibility needed as soon as possible to enable them to prepare for new market conditions.

This gives rise to two priorities:

- Organise competition in intercontinental air transport (in particular from Asia and Gulf countries), taking the interests of European airlines and airports into account;
- Promptly adopt the fourth railway package, which has already been discussed at length, to enable players in the sector to anticipate technical, institutional, and economic changes.

Strict rights for passengers to claim for compensation, without excessive financial penalties

The quality of European companies' service and competitiveness must improve harmoniously, i.e. within a framework that allows them to build a stable economic model while preserving their self-financing capacity. The incentive to provide customers with a better service must be supported at all times.

3. The option for a European transport company to deliver goods between two points in a Member State in which it is not based.

4. www.europarl.europa.eu/meetdocs/2014_2019/documents/tran/dv/cone_roadrail_/cone_roadrail_en.pdf.

However, the increase in the sale of tickets online has led to the emergence of abusive practices:

- IP tracking, whereby prices are increased according to the number of hits on a website by web users located using their IP address;
- Overbooking, and therefore the unjustified refusal to board passengers, when the principles of yield management⁵ are pushed to the limit.

Passengers who receive poor service – or even no service at all – by a failing carrier are entitled to cover or compensation. However, the cost of this cover has an impact on the economic model of European transport companies. Given the amounts at stake, this should be carefully calculated, as should the inconvenience suffered by passengers. What compensation should be given for a loss, so as not to lose the customer without excessively penalising the transport company? According to which standards of fair competition between modes of transport? At what cost for European companies faced with non-EU operators?

Already in progress, work on compensation to passengers must be conducted in order to ensure a balance between stakeholders, operators, and customers in accordance with service quality standards. In particular, there is a need to encourage transport companies to provide greater assistance to their customers, in particular in the event of disruption, but without losing sight of the financial burden that this could represent for companies.

ISSUE TWO: SPEED UP THE ENERGY TRANSITION IN TRANSPORT

This issue covers three main challenges on which the European Union has committed its worldwide place in the years to come: its energy independence, the competitiveness of its economy, and the quality of its environment. These issues are not limited to the European continent alone. Europe has every interest in occupying a leadership role in international bodies that address these issues.

A sustained effort to promote the energy and environmental transition

Transport has a major role to play in the environmental transition. In 2008, greenhouse gas emissions in France were close to 1990 levels. However, over the same period emissions generated by transport rose by more than 20%.

This increase in CO₂ emissions from transport is first and foremost linked to the increase in traffic, even though the correlation tends to blur. Priority should therefore be given to decoupling the growth of traffic and the increase in its emissions, something that notably requires an ambitious research and development policy that is targeted and coordinated: innovation must allow the transport sector to continue its economic growth while at the same time significantly reducing its emissions⁶. The decoupling of economic growth and environmental expectations involves a reduction in fuel consumption. New emerging models based on the functionality-based economics and a diversified range of services, such as the new use of car sharing⁷, contribute to achieving this objective.

In order to ensure the success of this decoupling, the following actions must be taken:

- Improve energy performance, which requires an increase in (and therefore funding for) top-level research into engine and propulsion systems, the materials and design of vehicles, and alternative fuels. Hybrid and electric vehicles are promising. Particular attention must be paid to the aviation sector, even though the volumes involved are much lower than those for road transport, due to the total dependence of aircraft on oil. All of this is determined by changes in all individuals' behaviour with regard to modes of consumption;
- The introduction of new infrastructure and innovative traffic management systems, as well as the optimal use of existing networks thanks to new technologies. The fluidity of traffic is a source of savings in fuel consumption and goes hand in hand with improved productivity in transport systems. New technologies will allow the introduction of integrated, high-performance traffic information and management systems⁸;

5. The constant adjustment of prices according to supply and demand, in order to maximise profitability.

6. According to the White Paper on EU transport policy for 2050 published in March 2011, the European strategy aims to reduce its greenhouse gas emissions by 60% compared with 1990 levels by 2050, with an interim objective of a 20% reduction in emissions compared with 2008 levels by 2030. The transport sector, a major and still growing source of GGEs, must reduce its emissions by at least 60% compared with 1990 levels by 2050. To achieve this objective while at the same time increasing mobility, the strategy defines objectives and solutions (modal report, optimisation of current modes of transport, etc.) according to type of travel (urban, interurban, and long distance).

7. Report by France Stratégie, *Quelle France dans dix ans?*, June 2014.

8. ERTMS, European Rail Traffic Management System, SESAR, Single European Sky Air Traffic Management Research.



- The upstream definition of common standards for the provision of alternative fuels (including electricity for cars) at European level is a prerequisite for the development of such systems⁹;
- The adoption of encouraging and ambitious emissions standards. Whereas CO₂ emissions and air pollutants concern all modes of transport (trains to a lesser extent), only private vehicles and light commercial vehicles are, for the moment, subject to binding standards. Such standards could be set at European level for heavy goods vehicles, even if the profession is not in favour of such a move. Externalities produced by these emissions could be internalised by a carbon price signal, such as higher fuel prices and tolls;
- In the aviation sector, following the actions of the EU, the International Civil Aviation Organization (ICAO) has given itself three years to put in place an international system for the exchange of emission quotas. In view of this commitment that it must endorse, the Commission has suspended the initiative it had taken to integrate international flights into its ETS: depending on the decisions to be taken by the ICAO in 2016, the European Commissioner for Transport will have to manage the suspension of the measure after 31 December 2016, in agreement with ICAO and the international air travel community.

ISSUE THREE: CONTINUING IMPROVEMENTS IN ROAD SAFETY

The quality of a transport system rests first and foremost on safety. Safety, which is monitored on a constant basis, is considered good in Europe when it comes to travel by train, plane, and ship. Despite encouraging progress however, travel by car remains a weak point. Each year, 25,000 people die on European roads. However, the number of fatalities has halved in ten years, demonstrating that a proactive policy bears fruit and is worth pursuing. The improvements seen in France in the last ten years are the product of significant political commitment, compliance with the highway code, the development of controls (in particular the use of radars), and tougher penalties.

Future improvements lie in the coordination of actions and controls between Member States. This mission could be entrusted to a European Road Safety Agency.

ISSUE FOUR: MEETING DEMAND FOR TRANSPORT AND MOBILITY

This issue relates to the definition, construction, maintenance, and operation of roads in response to traffic flows. The financing of studies and works is an area where European policy increase its relevance.

Investment in infrastructure: A choice between need and financial pressure

European transport networks have been subject to successive plans, depending on the need for modernisation and development. In the latest phase, priority has been given to nine trans-European corridors that span the entire continent, from the Rhine to the Danube, from the Adriatic to the Baltic, and from the Mediterranean to the North Sea. It is on these corridors that investment projects must focus. To this end, the EU has prepared a set of measures designed to provide financial support to the most relevant of these projects. Initiatives must now be developed by Member States, according to the investment to which each is able to commit.

Financing the TEN-T (Trans-European Transport Network)

The EU will finance certain infrastructure projects for the TEN-T for the period 2014-2020 through the Mechanism for Interconnection in Europe (MIE)¹⁰, the Cohesion Fund, and the European Regional Development Fund (ERDF). With a total budget of 33.242 billion euros, the MIE also aims to speed up investment in energy and telecommunications. The transport sector alone will receive 26.25 billion euros over the next seven years, of which 11.305 billion euros will be allocated to countries eligible for the Cohesion Fund.

This amount has been increased threefold compared with 2007-2013. For 2014-2020, total investment for the central network of the TEN-T is estimated at 250 billion euros (500 billion for the overall network). Projects that represent high added value for Europe (the reduction of traffic bottlenecks, railway interoperability, and missing and deficient cross-border connections) will account for 80% of the resources allocated to transport. The central network and, in particular, the nine corridors, will therefore primarily benefit from this allocation of funds.

In addition to standard forms of financing (subsidies and public procurement), funding will also be provided using

9. For the latest EU developments in this area, see http://europa.eu/rapid/press-release_IP-14-440_fr.htm?locale=fr

10. Regulation (EU) no. 1316/2013 of the European Parliament and Council of 11 December 2013 establishing the Mechanism for Interconnection in Europe, amending Regulation (EU) no. 913/2010 and repealing Regulations (EC) no. 680/2007 and (EC) no. 67/2010, <http://eur-lex.europa.eu/legal-content/FR/ALL/?uri=CELEX%3A32013R1316>.

innovative financial instruments designed to facilitate access to loans (guaranteed cash flow for transport infrastructure, bond issues) and equity (the Marguerite equity fund). Thanks to the support of the European Investment Bank (EIB), these financial instruments will be able to attract private and public funds by reducing the risk posed by projects and providing investors with more guarantees. As part of the European Investment Plan, the so-called "Juncker plan", the European Fund for Strategic Instruments (EFSI) should allow a number of transport projects to be financed in accordance with EU objectives, and could commence operations by 2017.

It is crucial to ensure the effectiveness of logistics in Europe as it is an important factor for growth. These logistics relies in particular on ports, which must therefore receive adequate investment, as must their connections with their hinterland. It is also important to monitor the development

of multimodal logistics platforms, as well as the integrated management of freight rail corridors.

In order for these logistics to be environmentally viable, there must be a combined European transport support mechanism using rail, waterways, and sea routes.

At present, infrastructure projects (road, rail, or waterways) are inextricably linked to the ability of national governments to provide the required funds for the investment in the trans-European network. With regards to France, several projects already exist. The development of new transport infrastructure could be encouraged by the EIB taking a greater risk in the form of a Eurobond issue for a European project or group of projects, domestic borrowing in derogation of the criteria of Maastricht or, in certain cases, increasing the amount paid by users for use of said infrastructure.



CONCLUSION

During the 2014-2019 mandate of the European Parliament, transport policy must address the four priority issues set out in this summary and described in detail in the associated report. This will require the following challenges to be overcome.

- 1) The continued opening-up of the transport sector to competition requires that all players apply the same rules and, in particular, that an industrial policy taking into account the situation of European transport companies and a common social platform for different modes of transport be established. As such, a policy of social harmonisation is essential in road freight transport before structural changes can be introduced to market access. In rail transport, the rapid adoption of the “fourth package” should finally allow each player to understand the rules that will govern its operations, and to prepare for them. In air travel, the granting of traffic rights with the European Union to non-European companies should only be envisaged within the framework of fair competition.
- 2) The 60% reduction in greenhouse gas emissions in the transport sector by 2050 requires to set a carbon price signal that will be predictable over time; a boost to top-level European research in engines and new vehicles; and the gradual restriction of vehicle use in urban areas to clean vehicles by a deadline yet to be established, e.g. 2030. This reduction will also require a change in our own behaviour.
- 3) The decrease in the number of deaths on European roads is a result of both communication efforts and strong action: the widespread deployment of radars, a crackdown on driving under the influence of alcohol or drugs, and the harmonisation of codes of conduct between countries. A European Road Safety Agency could be created to facilitate the exchange of information on traffic violations in Europe, manage shared databases in particular in relation to accidents, and harmonise highway codes.
- 4) Finally, efforts must continue to build transport infrastructure that provides high added value for Europe: the reduction of traffic bottlenecks, railway interoperability, and missing and deficient cross-border connections. Such investment could be made possible with the help of subsidies and innovative financial instruments designed to facilitate access to loans and equity. Some countries, in particular France, must allocate a larger share of their investment to the maintenance and upgrading of their networks.

Some of these projects are already under way but must be completed, while others still face obstacles that must be overcome. These have been addressed in the past but without sufficient interaction between the Directorates-General of the European Commission; working as a team with closer interaction between departments, as required by the new President of the European Commission, meets an expectation so often expressed.

The issues to tackle have been deliberately limited to four priorities on which efforts must focus, avoiding a drift towards issues where the application of the principle of subsidiarity turns out to be more effective. Urban mobility, for example, is a matter first and foremost of local policy. Renewed interest among the citizens of Europe in the European integration will depend on the progress made on issues where Europe is expected to make progress. The attractiveness of the European Union in part depends on this, as it relies in particular on the quality of its transport network.

Keywords: mobility, intermodality, energy transition, infrastructure, competition.

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Press contact:
Jean-Michel Roullé,
Head of publications and
communication unit
+33 (0)1 42 75 61 37
jean-michel.roulle@strategie.gouv.fr



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