

EUROPEAN SHIPPERS' COUNCIL

THE ORGANIZATION OF TRANSPORT USERS IN EUROPE

MEMORANDUM ON EUROPEAN TRANSPORT POLICY

The European Shippers' Council (ESC) represents the interests of European industry as users of freight transport services in all modes of freight transport (deep sea shipping, short sea shipping, air transport, road transport, rail and inland waterways, both within Europe and overseas). Shippers are primarily producers of goods and services which they market, sell and distribute to their customers.

This paper addresses the concerns of shippers and demands a number of actions, each of which the European Commission and governments have a key role in delivering:

IMPROVING THE QUALITY OF TRANSPORT

- 1 securing infrastructure needs
- 2 securing the supply chain
- 3 making short sea shipping an attractive alternative for shippers

LIBERALISATION AND DEREGULATION OF TRANSPORT MARKETS

- 4 open up the rail market
- 5 reform of liner shipping
- 6 improving market access to port services

FOCUS ON QUALITY IN THE ROAD SECTOR

- 7 road transport reduction through the European Modular System
- 8 harmonisation of contract clauses
- 9 road safety, social protection and fair competition
- 10 correct charging for the use of infrastructure

The importance of transport

Globalisation and the steady growth in world trade is increasingly demanding from industry a rapid and time-sensitive delivery of goods. To satisfy those demands and to remain competitive, companies are increasingly dependent on user-oriented, high quality and reliable transport networks.

Europe's transport infrastructure is under pressure from rising traffic levels both on road and rail. With surging levels of imports from the Far East, Europe's limited maritime infrastructure is also under severe pressure for the first time. Journey times and the number of unplanned incidents of congestion are rising and reliability falling. Pressure for improved delivery performance standards imposed by production requirements and customers are putting greater strains on existing logistics operations. Products are competing for market share. Products must compete on price and quality and there is a persistent drive to cut costs at every stage in the supply chain - including the logistics chain.

Industry needs logistics solutions that can cope with the pressures put on them from governments, the public, competitors, customers and the supply chain itself. They want to be able to make a choice out of various logistic options. They want to be able to make modal comparisons or comparisons between operators on particular routes. The amount of road-based logistics services they use varies, but the reliability of road freight is coming into question. Companies are facing an uncertain future as regards the reliability and costs of road freight services to supply their factories, warehouses, outlets and their customers.

When coming to review its 2001 Transport White Paper the Commission should choose to become the champion of informed modal choice not enforced modal shift. Much of the pressure on road freight stems from the attempt by the European Commission to raise the regulatory burden on road freight in order to increase costs, reduce flexibility and compel transport users to consider other options. These other options are not yet available to industry. The positive effects of rail freight liberalisation will take many years to be felt, but the pressures on road freight from new regulations such as the Working Time Directive and drivers' hours rules, congestion, and road user charging are immediate. Combined with fuel price increases and shortages of qualified, experienced drivers ESC believes the current strategy to achieve modal shift is a dangerous one for European business.

Moreover, regulators should be seeking to improve performance and flexibility in every mode of transport and never reduce it. The policy is therefore a negative one. The successes of liberalised road transport - most notably its focus above all on the customer - should emulated by other modes not penalised.

Further deregulation of transport markets remains the cornerstone of ESC policies to improve the competitiveness of European shippers and the efficiency of transport services.

“The true value, the true meaning of transport of goods is as large as the economy itself, as our welfare and our wellbeing. Transport of goods is both ancillary to economic activity as well as the absolute and fundamental precondition there fore. No economic activity would be meaningful or useful if there were no proper transport of the goods that result from that activity.”

Dick van den Broek-Humphreij, ESC Chairman

1. securing infrastructure needs

European shippers are increasingly worried about Europe's transport infrastructure which is overloaded with high levels of congestion slowing cargo flows, which limits the capacity of the transport system. In general the rise in customer demand leads to the increase in (road) transport, both of freight and passengers, resulting in only more congestion. Whilst the Commission's policy is to promote genuine mobility and limit environmental damage by promoting transport modes which are perceived as having unused capacities, such as the waterways and short sea shipping, transport users are being confronted with congestion in the major container ports and connections which sometimes forces them to again use road transport rather than an intermodal transport solution. Therefore, transport infrastructure, both in ports and in the hinterland connections requires urgent investment in order to cope with increasing freight volumes and to facilitate intermodal transport.

“Congestion is dangerous to European prosperity. With the present increase in transport demand in combination with falling investments in European infrastructure, we risk the development of a new logistical concept, namely “just-after-time”. If this happens, which I hope not, I am convinced that this concept will be extraordinary detrimental to European economy. But the risk is there.”

Rune Landin, Chairman ESC Inland Transport Council

2. open up the rail market

Liberalisation of the rail freight industry has come quite a long way in some EU member states but has only inched forward in other countries. The implementation of the first and second railway packages has not yet had the impact the European Commission, and certainly industry at large had hoped for. ESC stresses that priority should be given to adequate implementation of the first and second railway package as the prime means to improve service performance in the railway freight sector.

Many believe the rail freight industry is too complex and generally lacks a customer focus and determination to deliver the goods come what may. All these factors, and more, indicates a very real issue that must be addressed by the rail freight service providers if they are to win new freight contracts from existing and new customers. The rail sector needs further incentives and pressure in order to overcome its national orientation and to compete successfully with other modes. The rail freight service providers

need to convince industry that it can perform well, that it can be reliable, that it can integrate seamlessly into the logistics and supply chain and is cost effective and competitive. Customers must justify the freight logistics services they buy on performance first and foremost. With pressures on companies always to reduce costs they must also justify their purchases on grounds of cost competitiveness compared with integrating other freight services into the logistics and supply chain.

ESC supports in principle the wider use of service performance indicators as a basic component in rail freight contracts. However, it would be inexplicable to rail freight users that prescriptive standard contracts are forced upon them where today they can freely negotiate them and simply change from provider when service performance is unsatisfactory. The ESC does therefore not support the proposed compensation clauses on quality within the Third Railway package.

3. making short sea shipping an attractive alternative for shippers

Short sea shipping makes an important contribution to alleviate the flow of traffic on the European road network. It needs to become an intermodal door-to-door concept that is able to attract large cargo volumes. Many efforts have been made to find solutions for the existing bottlenecks: less administrative burdens, abolishment of customs procedures and more efficient inspections.

ESC believes that the so-called “Motorways of the Seas” could add further options to service providers, but these services must be above all attractive to shippers and developed on a commercial basis. Demand for such services must be assessed correctly before infrastructure or other investments are made. Identifying where short sea shipping can act as a congestion by-pass or a support on particularly congested transport corridors will be an important criterion for success. The Motorway of the Sea approach remains a concept as long as it is not “bought into” by shippers who need to see the operational benefits for their supply chains.

BEST PRACTICES AND SERVICE PERFORMANCE INDICATORS (SPI's)

It is too often the case that policy makers and service providers (be they shipping lines, railway companies or indeed ports) are concerned with the way their physical assets are performing per se rather than the service they are providing. Shippers consider that SPI's are important in order to give confidence that for example short sea shipping can provide a reliable alternative to existing tried and tested transport methods, such as road transport. The ESC has in close cooperation with the maritime industries developed a set of SPI's for short sea shipping.

Industry has heavily invested in the development of best practice and other pro-competitive business tools such as performance indicators and benchmarking to promote efficient and sustainable transport, logistics and infrastructure systems. These instruments optimise transport movements and limit the negative impacts of transport. The Commission should extend these initiatives along with other incentives to tackle congestion, improve efficiency and to promote alternative modes of transport.

4. reform of liner shipping

For too long the majority of deep sea container shipping has been protected by regulations that have distracted it from the reality of changing customers needs trading in global markets.

The European Commission has reviewed the situation of liner shipping and decided that it is time to remove the protection given it under a Council Regulation in 1986. The current block exemption Regulation 4056/86 allows conferences to collectively set freight rates and surcharges and to jointly manage capacity when transporting goods between the European Union and respectively the Far East and the United States, as well as between the EU and other regions.

The ESC is looking forward to the positive results of this review process which should bring more competition in the maritime sector to the benefit of Europe's overall economy and of exporting firms in particular.

“Shippers believe that an efficient, complete and interoperable transport system is of utmost importance to reap the benefits from further market integration, enlargement and international trade liberalisation; hence the importance of investing in Trans European Transport Networks. However, transport infrastructure alone is not enough, European business needs well-functioning and competitive transport services to operate on that infrastructure.”

Filip Beckers, Chairman ESC Maritime Transport Council

5. improving market access to port services

The liberalisation of port services provides shippers with the best opportunity yet to improve working practices and operational procedures within European ports, boost the role of ports as transport network hubs and create competition in and between ports. Greater efficiency stimulated by market competition in dockside activities such as cargo handling is essential in facilitating the rapid turn around of ships in port. This will go some way to giving short sea shipping the competitive edge it requires to capture greater transport market share.

The ESC would favour a Directive on market access to port services which would aim to boost the competitiveness of EU ports and contribute to the reduction of congestion and environmental pollution by promoting inter alia maritime transport. The defense used by many for not having this Directive is that there is competition between ports. The fact that major ports hold strategic positions on the main trade/shipping lanes means, however, that once committed to a given port a line and their customers are stuck with the service levels of the port. As many do not have a great deal of flexibility on the choice of ports there should be choice of port services in the port to improve service levels.

6. securing the supply chain

The European Commission will soon propose new legislation on supply chain security. The ESC is an important stakeholder in the consultation process. ESC has emphasised on the need for an extensive impact assessment of new regulation for risks and

measures in the EU supply chain to make this priority a reality. It is unlikely that the Commission will propose legislation making extra security measures compulsory for shippers. The ESC would support this; nevertheless, if shippers are to be attracted to a voluntary scheme, incentives for investing in security need to be evident. From experience gained with air freight security, it is unlikely that large numbers of companies and their contracted hauliers, freight forwarders and agents would join a regime without very obvious and immediate cost benefits, such as lower port and shipping line security charges, and lower insurance premiums.

The ESC is promoting a ‘known cargo’ approach as a means to avoid the possible development of practices more restrictive and costly to trade. This approach is all about the security of the cargo, and that it is not just the shipper that has responsibility for making wider acceptance and combined with some form of customs-trade validation process might well be central to the European Commission's thinking on security and future legislation.

A further major obstacle will be the liability of the different parties in the chain and their individual limits of liability: if this is not addressed and clarified it will be a substantial deterrent to companies volunteering to participate in any known cargo regime.

ESC has urged governments to consider the wider implications of security measures, not just on the individual modal operators and service providers, but on the rest of industry. Security against terrorism is a partnership; all in the chain have a responsibility to share the costs of security and not simply pass them on to the next in the chain. There is no escaping the fact that security will add a further line in the accounts of companies involved in international trade. The trick will be to ensure that the costs are minimised and do not impede trade or the overall economic viability of conducting international business.

7. road transport reduction through the European Modular System

The ESC has called for a wider use of the European Modular System (EMS) for road transport, because it can contribute substantially to accommodate the growth of transport volumes. The possibility of using longer vehicles gives companies a tool for more efficient use of transport. The consequence of using the so-called ‘modular combinations’ is not only additional loading capacity and thus less trips, but also a reduced fuel consumption for the same amount of goods (per tonne-kilometre). These modular combinations also provide a useful tool for greater use of combined transport (combined use of rail and road). Improved performance of long haulage transport could achieve a win-win situation for society and industry in terms of road congestion, levels of emissions, noise, road safety and transport efficiency.

If EMS was more widely used on European roads, it would mean that two trucks could do the work for which presently three trucks are needed. It is thus obvious that the modular concept is good from a transport efficiency angle. It also good for the environment with fewer emissions of NOx, particles, carbon oxide, hydrocarbons and CO2. Congestion is eased and the number of trucks in transport minimised, also promoting safety. The modular concept is in line with EU-legislation. It is lacking national implementation presently preventing European countries to utilise the benefits of the modular concept. The ESC is supporting trials which are currently conducted by several Member States and is looking forward to positive results for further implementation.

"Allowing the use of longer trucks, already common practice for years in Sweden and Finland, simultaneously decreases congestion, greenhouse gas emissions, road wear and transport costs, without compromising road safety".

Rune Landin, Chairman ESC Inland Transport Council

8. harmonisation of contract clauses in carriage of goods by road

In the 2001 White Paper on EU Transport Policy, the European Commission stated its intention to develop a legislative initiative to harmonise and make compulsory minimum contract clauses in road transport to protect road hauliers from sudden and steep increases in fuel prices. The idea behind this is that sudden fuel price increases – in a very competitive market – would incentivise road hauliers to circumvent social and safety legislation in order to avoid losing their clients.

ESC believes that minimum contract clauses to oblige companies to compensate for changes in fuel prices or other costs would hamper the workings of the internal market and it would put a brake on the positive effects of competition. A mandatory standard contract would also create unnecessary administrative burden as well as an enforcement problem. The problems the sector is struggling with will only be perpetuated by protective measures such as these.

9. road safety, social protection and fair competition

ESC fully recognises the importance of efforts made by the European Commission in support of road safety, social protection and fair competition. A level playing field amongst member states enhances intra-European trade and will lead to the completion of the internal market.

European industry depends upon the unparalleled flexibility and cost efficiency of the road transport sector. A number of European initiatives support this aim but another series of proposed regulations create administrative burdens for the industry.

ESC is therefore pleased with the intended harmonisation of driving licenses. ESC is less pleased with the extra requirement for vehicles in category B (with a maximum weight of 3500 kilograms) which creates an additional burden for the industry.

In relation to the Revision of the Drivers Hours Regulation 3820/85 ESC believes that the proposed amendments will seriously damage the flexibility and efficiency of the industry. This will therefore

impact upon the transport costs and overall competitiveness of shippers. ESC feels that there is no need to change the existing regulations because drivers already have a rule on drivers' hours.

The introduction of the Working Time Directive for the road transport sector in March 2005 will be the biggest change the road transport industry has seen in over 40 years. The implications for the industry will be closely monitored after the 23rd March, but ESC fears a direct price increase for transport users. It will also effect the times at which factories organise the arrival and despatch of trucks. For example, instead of asking for 0800h or 1700h arrivals, when road traffic congestion is normally at its worst, more efficient use of driver time will be achieved by re-scheduling deliveries during less congested periods of the day. Vehicle loading and unloading times will also become more critical. Industry players have to become smarter over the way inland haulage is organised, if major increases are to be avoided.

Also the Commission's proposal for enforcement of drivers' hours would require drivers to keep 28 days worth of records for their hours driven for verification by enforcement authorities at the road site. However, it is our view that it is more important for employers to be able to monitor their drivers periods of work on a weekly basis, not least because this form of supervision in the interest of road safety is certain to be more regular than irregular road side checks.

10. correct charging for the use of infrastructure

ESC has welcomed the Commission's initiative to revise the legislative framework for charging of heavy goods vehicles for infrastructure use. It has the merit of wanting to steer the individual national initiatives on road pricing. Additionally, the section on allocation of revenues will prevent the use of infrastructure charging merely to boost state income. However, the proposal does seem to leave too much room for manoeuvring to the Member States, and might end up legitimising a patchwork of different systems and causing an increase in overall transport costs in Europe.

A major problem is that Member States cannot offset the cost increase caused by new road infrastructure charges by reducing fuel excise duties (except for the UK). As long as this option does not exist, the proposal is unacceptable. A second major shortcoming of the proposal is that private cars are left untouched. If and when road tolls are introduced they should cover all vehicles.

EU toll systems must remain cost neutral. Tolls should not be about creating additional financial burdens for the road freight industry. It should be about offering road users opportunities to reduce their overall costs by adopting environmental and socially responsible behaviour. The ESC believes that tolls can have no effect on reducing congestion unless they are applied to all motor vehicles (including private cars).

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