THE FUTURE OF TRANSPORT

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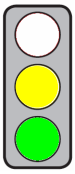
MAIN ISSUES

Objective of the Communication: In preparation for a White Paper scheduled for 2010, the Commission intends to instigate a debate on transport policy until 2060.

Groups Affected: Traffic participants, infrastructure providers, developers of complex IT solutions



Pros: (1) The continued liberalisation of the transport sector and greater regulation of transport through pricing are suitable means for enhancing the efficiency of the transport sector.
(2) Open norms support the interoperability of the transport system.

Cons: The Commission's Communication does not reveal a consistent strategy for limiting the negative environmental impact of transport.

CONTENT

Title

Communication COM(2009) 279 of 17. June 2009: **A sustainable future for transport: Towards an integrated, technology-led and user-friendly system**

Brief Summary

- **Object of the Communication**
  - With its Communication the Commission is preparing the ground for a White Paper to be submitted next year on transport policy from 2010 to 2020. Since structural changes in transport policy require long-term implementation periods, the Commission is already planning for the period up till 2060.
  - In view of the current EU transport strategy until 2010, the Commission recognises that progress has been made in the realisation of the Trans-European Transport Network (TEN-T), the reduction of air and marine pollution, a reduction in the number of victims of road accidents and in strengthening passenger rights and improving working conditions in the transport sector.
  - The Commission is satisfied neither with developments with respect to energy consumption and greenhouse gas (GHG) emissions nor with the slow speed - in their opinion - at which transport is being shifted to "more efficient modes". Furthermore, the Commission does not see any progress being made in the field of decoupling transport growth from GDP growth, which it deems desirable.
- **Framework conditions for future transport policy**
  The Commission assumes the following conditions for transport policy:
  - Ageing: By 2060 the Commission expects the number of people aged 65 or more to have increased from currently 17% to 30%. Since more public resources will be spent on pension payments, health care and nursing, less money will be available for infrastructure. Moreover, there will be a scarcity of labour , as is already being experienced in some segments of the transport sector.
  - Immigration: The Commission projects that by 2060 the EU population will have grown through immigration by 56 million; this might partially mitigate the effects of ageing on the labour market.
  - Climate change: According to the Commission, transport plays a major role in reducing GHG emissions.
  - Energy: The Commission expects oil to become more expensive and there to be an increased use of renewable energies. However, it assumes that the transition process will be delayed by the long life span of vehicles and the establishment of supporting infrastructures.
  - Urbanisation: According to the Commission, urban transport accounts for 40% of CO_2 emissions in road transport. The further growth of urban areas will increase congestion and air pollution.
  - Global trends: The Commission expects transport outside the EU to increase significantly. More transport – 3 billion cars are expected worldwide by 2050 – will impede sustainable economic activity because it contributes significantly to dwindling available resources.
- **Policy targets of the Commission**
  - **Integrated transport network:** The Commission is striving for an "optimal" functioning of the transport system, in which the individual parts of the network are fully integrated and interoperable.
    - Instead of establishing new infrastructures, the use of existing infrastructures should first be optimised through efficient management, maintenance and intelligent transport systems (ITS) in order to save costs.
    - At the intersections on busy roads and in urban areas, "intermodal platforms" should facilitate the shifting between different transport modes.
    - Where there is a high volume of traffic, separate infrastructures for passengers and freight should be established. Alternatively, the Commission is considering "smart priority rules" for the competitive use of one transport mode.

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- By 2018 a "Maritime Space without Barriers" is to be fully implemented with the aim of making especially intra-European short sea shipping more attractive.
- Passenger flights and high-speed rail should be better integrated.

– **Funding:** The Commission assumes that the costs for the extension and maintenance of general transport infrastructures as well as the shift towards low emission drive technology will have to be borne increasingly by the transport users themselves.
- The total costs for the extension and maintenance of infrastructures in road transport are currently at 1.5% of GDP. However, energy taxes (currently at 1.9% of GDP) will in fact drop the more energy is derived from renewable resources.
- External costs should be borne by the transport users of the respective transport mode ("polluter should pay" principle). The Commission estimates that the volume of such "internalisation of external costs" will reach 2.6% of GDP. It says that such procedures represents infrastructure scarcity and set incentives for choosing the economically and ecologically best option regarding passenger and freight transport.
- In 2008 the Commission already proposed a strategy on the internalisation of external costs, in particular on the emission trade in aviation as of 2012 and the internalisation fees for heavy goods vehicles (Communication COM(2008) 435).

– **Technological trends:** According to the Commission, technological progress plays a key role in meeting the "challenges" in the transport sector.
- Low emission and zero-emission vehicles are to contribute to climate protection and reduce oil dependency.
- The Commission advocates EU-standardised technical norms, which enable every competitor to develop further system components ("open norms") and should make it possible for transport systems to be designed in such a way that they are interoperable, safe and user-friendly and allow for maximum freedom in commercial use.
- Intelligent transport systems (ITS) and traffic management systems for rail and aviation (ERTMS or SESAR) should provide for an efficient use of networks and improve safety.
- The leadership of EU companies in the development of innovative transport systems and drive technology is, according to the Commission, a "key factor" in the overall competitiveness of the EU. Investments in research and development should therefore be fostered – e.g. through the European "Green Cars" initiative, the development of intelligent transport systems or the development of smart grids for electric transport or hydrogen distribution networks.

– **Internal market:** The Commission wishes to avoid the risk of operators subsidising their operations in liberalised markets through money generated from business areas protected against competition. Therefore it demands the completion of the internal market for transport services and in particular:
- administrative simplification,
- new rules for opening up the markets in the rail sector and an effective enforcement of existing legislation,
- harmonised environmental constraints with high level standards, effective supervision of the competition and uniform protection of workers' conditions and users' rights.

– **Environment:** The Commission is calling for the more economical consumption of non-renewable resources such as fossil fuels and an updated EU policy for the reduction of pollution and noise emissions.

– **Labour market:** The Commission assumes that in certain transport sectors jobs will disappear. According to the Commission, it is important that "such change is well anticipated and managed" by the EU. Working conditions should be maintained or improved and should not result in a "race to the bottom".

– **Quality:** The number of road fatalities is to be further reduced and the protection of passenger rights and access to remote regions is to be improved. Persons with reduced mobility should be supplied with comprehensive "comfortable transport solutions".

– **Global targets:** EU transport policy is to be oriented towards global EU interests, in particular
- the integration of neighbouring countries such as candidate countries and North Africa into an international transport co-operation in the form of interconnecting the major transport axes,
- actively supporting EU standards and transport systems such as ERTMS and SESAR in international forums to add to their global standing.

Statement on Subsidiarity

The Commission states that the EU role in regulating urban transport is "limited".

Political Background

In 2001 the Commission submitted a White Paper proposing a strategy for European transport until 2010 [COM(2001) 370]. That programme was updated in 2006 within the framework of a mid-term review [COM(2006) 314; cp. CEP Policy Brief (in German only)]. For 2010 the Commission has announced a new White Paper.
In April 2009 the public consultation period for a revision of the TEN-T policy ended [cp. CEP Policy Brief].
The Commission deems several areas of the existing liberalisation of the European transport markets unsatisfactory. Therefore, in 2008 it instituted infringement proceedings in 24 cases due to a lack of implementation. Several critics accuse the Commission of not having instituted such proceedings at a much earlier time since the implementation deadline expired in 2003.
The EU has adopted new legislation on emission standards for new vehicles in order to implement environmental targets in the transport sector [Regulation (EC) No. 443/2009; cp. CEP Policy Brief]. In line with the climate change and energy package adopted on 25. June 2009 [cp. four CEP Policy Briefs], for 2020 the binding target to increase the total use of renewable energy resources in energy supply and transport by 10% was set [Directive 2009/30/EC]. The trade with CO_2 emission rights, which is already practice in the field of electrified rail transport, should be extended to aviation as of 2012. The Commission is also considering integrating maritime transport. Finally, the EU promotes projects embracing environmentally sound transport systems, such as the "Green-Car" initiative [COM(2008) 800].

Options for Influencing the Political Process

Leading Directorate General:	DG Energy and Transport
Public Consultation Procedure:	Any interested party is invited to submit a statement of opinion. The procedures ends on 30. September 2009; http://ec.europa.eu/transport/strategies/2009_future_of_transport_en.htm

ASSESSMENT

Economic Impact Assessment

Ordoliberal Assessment

The principle problem of the Communication is that only very vague tendencies and declarations of intent as to the public consultation are stated therein. This is because the Commission does not wish to anticipate the White Paper on transport with concrete policy actions proposals. **It is therefore questionable whether the public consultation, which is reasonable in principle, can lead to usable results.**
Moreover, the Commission tends to steer clear of the more controversial issues of EU transport policy. For instance, it does not address the current debate on authorising 25-m-HGV (Gigaliner or EuroCombi), although this issue has substantial and long-term impacts, for example on competition between the single transport modes and infrastructure development.
However, a positive factor that must be recognised is that the Commission gives a very clear commitment to the further liberalisation of the European transport markets. In particular, one danger that the Commission rightly points out, that companies might try to gain a competitive advantage on liberalised markets by using cross-subsidisation from protected market areas, needs to be confronted.
The Commission's reference to the increasing scarcity of public resources is justified. The increased demand for investments in the transport sector requires new funding schemes in the form of user fees in order to extend and maintain infrastructures.
Furthermore, **it is appropriate to develop EU standardised open norms for the transport sector at EU level,** since they facilitate a cross-national use of transport networks.
A coordinated definition of norms might, on the one hand, impede the development of technically better alternatives, but EU-wide, applicable general norms would also ensure planning reliability. This improves the setting for further innovation.
On the other hand, the Commission's references to industrial policy in relation to the fostering of certain technologies in the transport sector, such as the "Green Car" initiative, are to be seen sceptically. For in as far as these technologies actually have economic potential in the future it is precisely the private investors who will recognise this. However, if they consider the economic risk to be too high, it is not clear why the taxpayer should take the risk. Moreover, there is the danger that distortion of competition might be at the expense of non-subsidised technology developments.

Impact on Efficiency and Individual Freedom of Choice

Macroeconomic efficiency is enhanced when – as is intended – **transport is regulated through prices** which reflect the actual scarcity of resources. This facilitates transport utilization which is in accordance with the needs and priorities of single transport users. **In sharp contrast to this stands the Commission's renewed consideration of politically preset "smart" priority rules** in the case of competitive interests regarding the use of freight and passenger transport, as it recently proposed for the rail networks [Proposal COM(2008) 852; cp. CEP Policy Brief]. Instead, the Commission should be consistent in trusting in the steering

effect of prices and waive political solutions for scarcity problems; it should further consider establishing separate infrastructures for passenger and freight transport.
The Communication lacks a clear strategy for the reduction of polluting effects resulting from the transport sector. For instance, there is no reference made at all as to how transport should contribute to the politically adopted decision to reduce CO_2 emissions by 20% throughout 2020. This is all the more problematic as possible CO_2 reductions, for example in industrial production and private households, might be averted by transport modes which are not subject to the rules on emission rights trade. This is also true if – as desired by the Commission – the future volume of renewable energies in the energy supply of transport should increase.
Against this background, an integration of *all* transport modes into the emission rights trade is the only way to ensure the defined caps for CO_2 emissions. Moreover, the related distortion of competition, which is a result of some transport modes underlying emissions trading (electrified rail transport), or will underlie it (aviation), and others not (maritime and road transport), could be removed. **However,** in such a case **existing environmentally related costs would have to be lifted** in order to avoid any double burdens and a new distortion of competition.
With the integration of all transport modes, the politically preset CO_2 reduction target in Europe could be reached efficiently. However, it is not guaranteed that there will be a global reduction in CO_2, since the reduced demand for fossil fuels in Europe due to decreased prices has led to an increase of demand in other parts of the world. The EU could, however, act as a role model for states which have not yet taken any efforts to reduce pollution and which might then strive to follow the European example.

Impact on Growth and Employment

CO_2 reduction incurs high costs. Depending on the extent to which the transport sector contributes to this, it has to expect negative growth and employment effects.
Vice versa, efficient use of the transport infrastructure can increase the division of labour in Europe, which has a positive impact on growth and employment.

Impact on Europe as a Business Location

A transport system that fully integrates all transport modes facilitates efficient passenger and freight transport and thus increases the attractiveness of Europe as a business location.

Legal Assessment

Legal Competence

In as far as the measures discussed in the Communication target the establishment of a common transport policy, the legal competence follows from Art. 71 TEC. If the focus, however, is environmental policy, then Art. 175 TEC has to be considered as the legal competence for the Communication. Furthermore, the EU is entitled to "contribute" to the establishment and extension of the trans-European network (Art. 154 – 156 TEC). The power to plan and establish transport infrastructures, however, is subject to Member States, irrespective of the competence norm.

Subsidiarity

The Communication presents a wide range of transport policy related measures, if not actually very concrete, **for intra-state** long-distance transport and even for urban **transport.** If the Commission continues in such a way it will infringe the principle of subsidiarity.

Proportionality

As the discussed measures remain very vague, an assessment of proportionality is not possible.

Compatibility with EU Law

Unproblematic.

Compatibility with German Law

Unproblematic.

Possible Future EU Action

In 2010 the Commission will submit a White Paper on European transport policy up till 2020.

Conclusion

Steering the transport market through prices which reflect scarcity is – as well as its advanced liberalisation – an appropriate means to enhance efficiency in the transport sector. However, politically set priority rules in the case of competitive interests in single networks are in contradiction to that target. The introduction of EU harmonised norms deserves to be supported; it will improve the interoperability of the transport network. A strategy from the Commission to limit the negative environmental effects of transport is not identifiable. An integration of all transport modes in CO_2 emissions trading would be desirable.