

A Better Transportation System for Better Logistics

1. Introduction

Transportation is just one part of complex international supply chains. However, today, with growing challenges in our European transportation system, we must avoid that transportation becomes the weakest link in the chain, and threatens the efficiency of conception, production, and distribution of our products.

This is the reason why people responsible for logistics and supply chains have a keen interest in understanding today's transportation challenges. As the final user of freight transport, they want to participate in the debate and in new ideas on the future of the European transport system.

The transportation system, and transport policy, is well advised to better understand the requirements of modern logistics today. Responding to the challenge of smoother, more efficient transportation for increasingly sophisticated supply chains will

improve the overall performance of the transport system. It will eliminate waste and thus gives an opportunity, by responding more intelligently to transport demand, to reduce the negative impacts of transport.

Because the logistics sector is of such fundamental importance to transportation, and logistics cannot work without transportation, I am delighted to be able to speak to you today on transport policy. I will address the *main points and priority actions in the White Paper* on European Transport Policy for 2010.

2. The New European Transport Concept

We have experienced a successful opening-up of the transport market over the last ten years. It has brought positive effects on the mobility of people and goods. But this development has led to a situation where the modal split is marked by a continuous predominance of road traffic, both for freight and passenger transport:

- the congestion is growing on the main European transport system, including towns and airports,
- the harmful effects on the environment and public health are persisting.

In addition to that, *the challenges of enlargement* are compelling us to make new choices in order to promote a

transport policy with a more balanced, smarter and more environment-friendly mobility system.

The White Paper proposes to tackle this situation by gradually breaking the link between transport growth and economic growth. The aim is to slow the increase of road transport to 38% until 2010, instead of 50%. This latter figure will be obtained if the current trend continues unabated.

3. The Three Main Action Priorities

The approach of the White Paper aims to slow down the growth of road freight transport, and *stimulate the growth of short sea shipping, rail and inland waterway transport*. As a result, emphasis is laid on

- *shifting in the balance between transport modes*
- *eliminating bottlenecks*
- *bringing transport policy closer to users' needs*

4. Key logistics requirements for intermodal solutions

The expected increase in road freight of 38% until 2010 will far outstrip the existing and planned capacity in road infrastructure. Road delays and congestion will therefore probably get worse. We **must** make maximum use of alternative modes to allow the movement of goods necessary to sustain and develop our

economic activities for the well-being of Europe's citizens. This is the core *raison d'être* of our intermodal policy.

Our actions in the field of intermodality and logistics are geared towards a better performance of intermodal transport. The alternatives to road freight, beneficial for society because they cause less accidents, are less congested and less polluting, need to provide a real alternatives to today's high logistics requirements for transportation solutions. I wish to draw your attention today to four major actions currently executed:

- Organising a competitive and efficient transport network,
- The challenge of rail freight,
- Realising the potential of short sea shipping,
- The advanced information and communication systems,
- The Marco Polo Programme.

4.1 Organising a competitive and efficient transport network

One of the major tasks of the European Union is the creation of a single transport market, and that can only be achieved by successfully *building and developing trans-European networks*. The creation of trans-European transport networks will contribute *to increasing the efficiency and capacity of transport infrastructures*, as well as the implementation of priority measures of technical harmonization and

interoperability of systems. This is easier said than done. The Commission will come forward with a radical overhaul of the TEN concept in autumn this year.

In order to improve the efficiency of the intermodal transport chain, the Commission has proposed, in April 2003, a *directive of the European Parliament and the Council on Optimal Intermodal Loading Units*. A loading unit, which is better suited for all modes – road, short sea shipping, rail and inland waterway -, is of particular importance for the supply chain. Its use will not be mandatory. However, it will have a strong effect on the performance of the overall transport chain, and at the same time drive down logistics costs. I'm confident that the logistics industry will see the benefits of such units and use them widely.

In this context, Europe's transport users, and especially those wanting to use intermodal transport, need truly intermodal *freight integrators*. These freight integrators must respond to the need of door-to-door high quality freight transport in line with modern logistics requirements. The integrators should be able to rely, for each transport order, on the optimal combination of modes, and the road transport involved in these chains should be as short as possible. At the end of this year, the Commission

will propose an action plan on how to foster the emergence of freight integrators.

4.2 The challenge of rail freight

A number of factors explain *why rail freight has lost competitiveness* compared to road haulage. However, the most important reason for the customers' dissatisfaction with rail freight services is *the mediocre and still worsening service quality*. This is especially true for the quality of international services.

The objective of the rail freight sector must be to regain an image of a reliable, high quality service in order to compete successfully and to participate in the growth of the freight transport market. We, at the Commission, are convinced that opening international and domestic rail freight markets and the ensuing competition will provide the incentives necessary for improvements of service quality and product innovation.

The Commission has made appropriate proposals, which are currently being discussed in the legislative procedure.

4.3. Realising the potential of short sea shipping

Surrounded by seas, and being blessed with an active shipping and ports sector, the Union has every interest to fully exploit the

potential of short sea shipping. Already today, shipping carries about 40% of freight in Europe, and has witnessed the steepest growth rates – even higher than road. Shipping is reliable, has ample capacity, and its environmental impact is quite low. Besides, in terms of accidents, it has an excellent track record.

We cannot afford to leave this potential untapped. Short sea shipping must become more integrated into the intermodal transport chain. It must be managed through one-stop shops, and it must become as competitive as road. In May of 2002, the Ministers of Transport have re-affirmed their commitment to developing this mode. An action plan on how to promote this mode further has been proposed in April 2003.

4.4 Advanced information and communication systems

The proper functioning of the logistics chain requires **well-performing information and communication systems**. Thus, means of transport synchronize their activities and the transported goods reach their destination on time and in full transparency of information.

The European Union supports such developments in many different ways, in particular within the framework of *the Galileo Programme* for satellite navigation. The application of this

Programme in terms of positioning are wide-ranging and concern a number of industrial sectors.

A performing information system is also at the heart of our initiatives to increase **transport security**. The ongoing policy actions concerning transport security should not be an ad-hoc reaction to terrorist or other criminal activities. Of course, the impact of security measures on supply chains must be duly taken into account. But, more positively, we should take this necessary exercise as an opportunity to make the whole transport chain safer, more secure and more transparent. This will especially require an intermodal approach to security, and an extra effort on the performance of information systems. I know that the supply chain, as client of the transportation providers, is eagerly waiting for such a system. We can use the security initiatives to speed up this development with the help of the logistics sector.

Finally, despite some commercial set backs, **e-commerce** is here to stay, and is continuing to grow. The transport and logistics sector is currently discovering and developing the enormous possibilities and challenges of this powerful tool. We will have to ensure that intelligent use of e-commerce will lead to sustainable transport patterns and excellence in transport demand management.

4.5 The Marco Polo Programme

In February 2002, the Commission has proposed the *Marco Polo* programme. This programme will extend the scope of the PACT programme from combined transport to *a wider concept of intermodality*.

We want to make the term “intermodality” a reality, by helping entrepreneurs to realise innovative intermodal projects, which will change the way intermodal transport is being performed in Europe. If the alternatives to road freight want to play a larger role in the supply chain, they will have to further improve their quality and performance. The discussions with Parliament and Council have been fruitful, and the new programme is foreseen to become operational this summer.

The Marco Polo programme will also be a suitable framework to develop and apply the concept of “motorways of the seas” to decongest Europe’s road system, especially in sensitive regions such as the Pyrenees and the Alps.

5. Conclusion

Transportation policy should be a policy for the supply chain, and supply chain parties should play an active part in this. All the transportation issues that I have mentioned have an effect on

the overall performance of the supply chain. The logistics sector is therefore invited to help shape the policies that the Union is about to adopt and implement.

Your input as users and ultimate shapers of transportation systems is valuable to the process. I know that your associations are already very active, and many large producers are taking an increasing interest in transport issues. That is welcome. Concretely, for the Commission's next initiative concretely dealing with logistics issues, the action plan on the "freight integrator", your views and input are especially needed.

Thank you for your attention.

CM/MM/ST

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