

**BDI**BDI/BDA The German
Business Representation

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BDI Demands: Midterm Review of the White Paper on Transport

Introduction

With its 2011 White Paper on transport the European Commission adopted the goal of a resource-efficient Europe to be implemented across sector boundaries. The EU Commission has set itself four goals to be achieved by the year 2050, consisting of reducing dependence on imported oil, cutting transport-related CO₂ emissions by 60 percent, creating a European single market for transport and boosting efficiency in transport. The BDI gives its fundamental support to the principles of the Commission. In the upcoming midterm review the task must now be to examine the progress made and to assess the current situation in the transport sector, along with the trends, priorities and goals that were identified in the year 2011. What remains true is that any restrictions on mobility are to be ruled out as an option. In the view of German industry, the analysis must now focus on the following issues.

1. The presentation of a stable and competitive transport system

(a) Growing competition between international transport markets

An explicit welcome must be given to the fact that the newly-elected Commission headed by President Juncker has set out the goal that once again maintaining the competitiveness of the modes of transport in Europe should be given top priority.

- Transport policy at the German, European and international level is one of the key parameters determining growth, competitiveness, efficiency and employment.
- In order to perform well, German enterprises are dependent on good roads, railways, waterways and open airspace. That is why German industry pursues a clear approach that adopts a neutral position with regard to transport modes. German industry demands and welcomes an integrated transport concept that integrates the strengths of all modes of transport and makes the best possible use of them.
- Transport policy must set itself the goal of efficient co-modality. The task of coping with the continued growth in transport will need to call on all modes of transport in equal measure. The central task is therefore to increase efficiency, both for each transport mode individually and in combination. That is why the smooth and efficient interlocking of different modes of transport should be promoted. Investment in transport infrastructure should be concentrated on the important transport corridors and guarantee the best possible use of national and EU resources on the basis of a cost-benefit analysis.
- The Commission has clearly recognised that air transport in the EU is exposed to excessive burdens which impair the role of the EU as a “global air transport hub”.
 - Aviation in itself acts as a stimulant for economic growth in Europe. This creates jobs and advances Europe in the world. If this is also to be guaranteed in future, framework conditions for fair competition in international air transport are required.
 - The principle of user funding is firmly anchored in aviation, meaning that aviation finances itself and its infrastructure.

**(b) Challenges for the aviation sector**

- Every year, aircrafts carry goods worth over 200 billion euros to and from Germany alone, especially to and from the growth markets overseas. In terms of value, the proportion of exports to these countries delivered by air freight has already exceeded 30 percent.
- Above all, it is the goods produced by the key branches of industry – mechanical and plant engineering, pharmaceutical, chemical and automotive – that are carried by air to and from Europe/Germany. In order to be able to continue to fulfil this important economic function in the future, the economic framework conditions for aviation in Germany and Europe must be substantially improved. It is clear that the relocation of air transport flows from Germany and Europe to other regions of the world on account of the growth of new competitors from outside Europe, some of which are in receipt of state support, is not only a problem for the location regarding air transport but also the location as a whole with regard to production.
- Forecasts envisage air transport growing at around five percent annually in the long term. Yet a close scrutiny of these growth forecasts reveals that this growth is predicted to take place above all in other regions around the world, such as Asia or the Middle East. Here airlines and airports have been recording double-digit growth rates for years. In contrast, European enterprises are at best achieving moderate growth and are even losing market shares in the international competition. Germany has now slumped to last place for growth in air transport.
- There is also justifiable cause for concern regarding Europe's function as a hub for aviation: the quality of connections offered by European airports and airlines is coming under increasing economic pressure on account of interchange opportunities in countries outside Europe. However, these direct connections are a decisive location factor in the age of globalisation, especially for German industry, where goods with critical delivery deadlines are concerned.
- The BDI notes that the aim of strengthening air transport by implementing the measures proposed in the White Paper has not been fully achieved. Here, a need for further efforts is identified:
 - The proposals in the White Paper with regard to slot regulation, ground handling services and airport capacity were not appropriate for achieving the goal desired: increasing capacity is primarily brought about by suitable infrastructure and competitive operating times or a genuine Single European Sky. Non-European competitors have clearly seen their advantage here: by means of huge state investment running into billions, e. g. by the construction of vast airports such as in Istanbul or Dubai, enormous capacities are being created at the expense of other locations.
 - European aviation also has a social responsibility. Employment is provided not only for highly qualified personnel but also for staff who have not had any specific training. However, these high standards do not apply in equal measure in all competitor regions.
 - The BDI explicitly welcomes the analysis of the EU Commission in its communication [COM (2012) 556] with regard to the, in some cases, dramatic developments and distortions of competition in the international air transport market.



- The announcement of the so-called Aviation Package with a communication on boosting the competitiveness of European aviation is also welcomed by German industry.
- For the very reason that air transport is not subject to the WTO rules, there is a need for global and fair framework conditions for international aviation. European airlines and airports are at a disadvantage since the strict (European) rules on competition and on consumer and environmental protection only apply to them. The BDI and its members fully endorse these framework conditions. However, the European aviation industry has to compete with non-European competitors, often half state-owned or quasi-state enterprises – for which no such rules apply. Fair competition has two dimensions:
 - i. “internal”: EU policy and the policy of the member states should be critically assessed with a view to strengthening the competitiveness of the European air transport industry: to include the abolition of national go-it-alone moves in regulations (e.g. the air passenger tax in Germany, Austria or the United Kingdom, one-sided restrictions in operating times) or EU solo efforts (EU-ETS in air transport),
 - ii. “external”: since there are no WTO rules in force, aviation agreements have an important part to play in safeguarding fair competition. In this light the “Fair Competition Clause” is an important step in the right direction.
- The EU Commission should make both dimensions the object of its measures to bolster the competitiveness of European air transport.

(c) Challenges for rail transport

- With direct and indirect value creation amounting to 143 billion euros (in the reference year 2012) European railways make a major contribution to Europe’s economic performance. In addition, the European rail services employ 1.06 million members of staff and create a further 1.21 million jobs at suppliers and service providers. With regard to the manufacture of rolling stock and rail-related equipment, the European rail industry takes first place in international competition with a market share of around 20 percent. Not least, good rail transport connections are indispensable for sustained economic growth.
- However, the future confronts the rail sector with numerous challenges which call for an appropriate reaction. Declining state expenditure on rail infrastructure as a result of the growing pressure to consolidate public sector budgets jeopardises the maintenance of the existing infrastructure. Technical obstacles such as complicated licensing procedures impede cross-border transports and consequently the single European rail market as well. Ever since the financial crisis it is particularly rail freight transport, being dependent on the state of the economy, that is suffering from the drop in demand for transport services, whereas factor costs have continued to rise significantly.

2. Switch to low carbon emissions transport

- The BDI supports the goal of making transport even more sustainable and efficient. The proper instruments for this are innovations in transport and their rapid market penetration but not transport restrictions and transport avoidance.



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- Here, the policy-makers have the central tools available to them in the form of investing in efficient infrastructures, promoting innovative technologies and shaping the right framework conditions for investment by industry.
- Smart transport systems and networked modes of transport can make a major contribution to improving transport flows and in the process reducing greenhouse gas emissions, especially in areas of high density populations. These systems can only achieve their best possible effect in a single European transport area. European innovation strategies (SES/ SESAR, ERTMS, SafeSeaNet, ITS Action Plan and RIS) are important approaches. In the process current technological developments must not be devalued. Existing interfaces must be linked and cross-border administrative, technical and legal barriers must be dismantled.
- In the case of the introduction throughout Europe of an electronic road charging system, the harmonising of electronic toll systems and suitable framework conditions for tracking technologies such as RFID, industry should be included in the process of further development. This makes it possible to take account of existing developments.
- The EU should support research and development through the harmonising of intermodal information services, the secure interoperability of applications and systems, the proper temporary support of key technologies during their market launch and through the dissemination of examples of best practice. In the case of many technologies, standardisation in the EU is still at the development stage. Internationally valid uniform standards are urgently needed in order to achieve early market penetration in Europe and to be able to prevail in the world market.
- It is right for the digital upgrading of the TEN-T infrastructure to be supported by CEF investment. An ambitious practical implementation is decisive.
- With regard to European emissions trading in aviation, within the framework of the stop-the-clock proposals, the BDI has taken up a clear position with its demand for the suspension of the European ETS in aviation until the introduction of an international system. The issue is that distortions of competition at the expense of EU carriers must be avoided. If in 2016 a system is put forward at ICAO level scheduled to be implemented from 2020 onwards, then this demand is still in force:
 - No isolated EU solution in emissions trading in European air transport.
 - No state-induced distortions of competition in European air transport.
 - The use of international uniform market-based instruments for climate protection in aviation, also to be applied to national aviation.
 - No duplication at national, EU and international level. This means that should there be a Market Based Measures (MBM) System at ICAO level, then the EU-ETS is to be abolished.
- Shipping accounts for around three percent of global CO₂ emissions. In the view of German industry the key to cutting emissions further is to be found in efficient processes and technical innovations. The following is required:
 - To an even greater extent than so far ports should create incentives for shipping lines to promote the use of ships that are as efficient and environmentally-friendly as possible. The possibility of a scale of charges should be considered, for example



in the form of a system of rewards and penalties under which there would be lower rates for ships that comply with certain environmental criteria.

- Under the aegis of the IMO, in addition to the efficiency standard, a global system for emissions reduction should be installed. Financial incentives can make a further contribution to a more climate-friendly maritime transport. Owing to the international nature of maritime shipping, a global agreement under the auspices of the IMO is an absolute precondition. Experiences from air transport demonstrate that an isolated European solution cannot work and can lead to massive conflicts with third countries. Unilateral action by the EU is therefore the wrong approach.
- Inland navigation is an integral part of sustainable shipping. It can contribute to relieving pressure on road and rail and especially in hinterland transport from and to sea ports it has an important part to play. On account of the very long life cycle of inland vessels (45 years on average for the engines) regulations which make technical adjustments necessary should be introduced with a proper sense of proportion and not lead to additional burdens being imposed on this mode of transport.
- Effective environmental protection begins with the efficient use of scarce resources. Political support is necessary in order to bring about the necessary investment and solutions for increasing efficiency.
- That is why German industry supports the EU Commission in its approach to create a uniform procedure for recording and depicting the CO₂ emissions of commercial vehicles with the help of the simulation model VECTO. This is a way of raising market transparency still further. Since fuel costs account for a substantial part of the cost of using vehicles, this increases the incentives for acquiring vehicles that are especially efficient in terms of fuel consumption. There is therefore no need for any additional regulation for CO₂ emissions in commercial vehicles.
- When international competition is taken into consideration, national go-it-alone measures are counterproductive. Instruments like emissions trading should be agreed at the international level for transport carriers that operate on an international basis.
- The EU should continue to press ahead with research and development of innovative propulsion systems and fuels, especially by means of pilot projects and examples of best practice. The setting up of the necessary recharging and fuelling infrastructure remains a central task. The directive on the deployment of alternative fuels infrastructure (2014/94/EU) provides a good foundation which must be speedily implemented by the member states. This process must also be closely monitored by the EU Commission.
- In order to continue improving the energy efficiency of transport, it is also vital to make use of the potential of innovative vehicle concepts. These include longer freight trains and long trucks. The EU should evaluate experiences in the member states (e.g. in the German field trial) and, if so desired by the member states involved, open up options for long trucks to be used across borders with legal certainty. The goal here is to continue to guarantee the compatibility of transport combining road and rail.



3. Greater balance in transport policy

- The best possible networked transport infrastructure is the backbone for growth and sustainable mobility. The approach of creating a favourable framework for efficient co-modality should therefore continue to be pursued (e. g. by the enhanced integration of airports into rail networks or the integration of inland navigation etc.).
- Logistics is the third largest branch of industry in Germany and at the European level achieves a market volume of around 900 billion euros. It thus accounts for up to ten percent of gross value creation. Promoting the seamless and efficient interlocking of different modes of transport is part of the process. In the view of the BDI, giving preference to individual modes of transport must be rated as mistaken. On the contrary, based on the principle of co-modality each mode of transport must be employed in a fair competitive environment in ideally networked transport systems on the basis of their respective strengths and efficiency advantages. In order to create a fair competitive environment, over the next five years the EU Commission should focus even more closely on the approximation of important framework conditions between the modes of transport.
- German industry demands a strict evaluation of transport projects referring to need and benefit in accordance with national and European priorities. In view of the macroeconomic importance of mobility, it must be ensured that adequate consideration is given to freight transport vis-à-vis passenger transport, the available know-how of all interest groups is called upon and that members of the public directly affected are included in transparent procedures.

(a) Reviving rail transport

- With regard to rail, the White Paper on transport contains the following recommendations in particular:
 - 30 percent of road freight over 300 kms should be transferred to rail or shipping by the year 2030;
 - 50 percent of road freight over 300 kms should be transferred to rail or shipping by the year 2050;
 - The major part of passenger transport over medium distances should be done by rail by the year 2050.
- In order to achieve these goals, the European Commission proposes the creation of a Single European Transport Area through the elimination of technical, administrative and legal barriers to market access, further improvements in networking between the modes of transport with greater integration of rail and modern infrastructure, smart pricing and funding along with a further liberalisation of rail passenger transport. The focus on these areas must be explicitly welcomed from the rail point of view.
- However, five years after the publication of the White Paper on transport, the interim balance with regard to the implementation of these measures is sobering. In the years to come the focus should lie on the following points:

1.) Securing a modern rail infrastructure: The basis for efficient European rail transport is efficient European rail infrastructure. In addition to the adequate provision of resources for maintenance, work must go on with the continued expansion of the trans-European rail network, in particular the comple-



tion of the nine rail freight transport corridors as part of the TEN-T core network. According to calculations by the European Commission, by the year 2020 around 250 billion euros will have to be invested in the EU's transport infrastructure alone in order to remove bottlenecks and remedy missing links in the core network. The current EU financial framework envisages a mere 26 billion euros for the period 2014 – 2020. An adequate allocation of resources for the Connecting Europe Facility (CEF) should be ensured for the next financing period after 2020.

2.) Creating a Single European Rail Area (ERA): In order for an ERA to be created, the liberalisation of the national rail passenger transport markets should be further advanced, vehicle licensing procedures simplified and accelerated and cross-border interoperability raised. In this respect with the “re-cast” of the first railway package and the liberalisation and technology dossiers of the fourth railway package, the European Commission has initiated constructive approaches. In the coming years the task should be to implement these initiatives. This is the only way to remedy existing competitive deficits in the member states. New regulatory measures should be enacted only on condition that they demonstrably promote the competitive development, cost efficiency and innovative capacity of rail transport and ensure infrastructure investment.

3.) Strengthening competitiveness through true-cost pricing: The rise in factor costs (energy charges, extra costs for rolling stock as a result of freight cars retrofitted with “silent” brakes, obligatory equipment related to the European Train Control System, ETCS) confronts rail transport with great challenges. In order to prevent rail from falling further behind the competition, the sector is itself making huge efforts to bring about a clear and sustainable improvement in quality and efficiency. These include boosting productivity for both plant and personnel, but also improvements in the supply and quality of services. On the other hand, at the political level suitable framework conditions must be created to support the freight services in their endeavours, e. g. by giving support from public funds for the additional costs for rolling stock or by introducing measures to support single wagonload traffic at EU level. In addition, in order to ensure that the various modes of transport are efficiently used by customers in line with their various strengths, there must be equal framework conditions among the transport modes.

(b) Maritime transport

Sea ports present a gateway to the world for Europe and for Germany. Around 90 percent (by weight) of the goods traded by the EU member states with the rest of the world are transported by sea. 60 percent of global maritime transports pass through a European port in the course of their voyage. Maritime transport thus safeguards value creation by German and European industry.

In order to be able to retain its export strength in the future, German industry is highly dependent on an efficient, conceptionally networked system of sea ports, inland ports and waterways. Along with needs-based investment in the maintenance and expansion of infrastructure in Europe, optimising the maritime supply chain is absolutely essential. The following is to be done:

- The BDI is committed to free and fair competition between ports and within ports themselves. Competition alone offers the guarantee that the shipping industry will be able to call on high quality, reasonably-priced access to international maritime transport. Competition generates efficient solutions and must not be distorted by subsidies. At the same time, long-term planning security must be created for the often huge investment required for the infrastructure and superstructure of the ports.
- The BDI also advocates a critical scrutiny of the next extension of the block exemption regulation for liner shipping consortia.



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- The necessary framework conditions must be created for the use of alternative propulsion systems, such as the use of liquid natural gas (LNG), in global maritime transport. These conditions include the creation of a globally harmonised supply infrastructure along with agreement on uniform safety standards.
- In order to avoid distortions of competition in fixing sulphur thresholds in marine fuels, consideration should be given to extending the SECA areas to the Mediterranean.
- Attention should be paid to attaining the same conditions in maritime transport on a global basis. Before any regional provisions are decreed in Europe, the goal should be to achieve agreement at the IMO level.

4. A Single European Transport Area

(a) Completion of the trans-European transport network

- It is only with the development of a single European transport area that Europe has a secure and value-creating future. In aviation there is an urgent need for the creation of a single European airspace, the Single European Sky (SES). This goal has the support of the BDI since the Single European Sky makes it possible to achieve significant increases in efficiency, capacity and safety in aviation, to make an important contribution to climate protection and to make major cost economies running into billions.
- German industry also continues to give its backing to the rapid implementation of the Blue Belt since in the view of the BDI the measures proposed by the Commission are well suited to making maritime transport within Europe considerably more efficient. Ships transporting goods within the single market from one EU member state to another are subjected to the same formalities in an EU port as ships from overseas. This means major unnecessary administrative efforts, redundant checks and additional costs. The BDI therefore recommends that the “SafeSeaNet” should be adopted in the regular operations of the Blue Belt and that maritime transport in the single market should be freed from bureaucratic obstacles.
- The BDI supports the concept of a European core network (TEN-T). In addition, the links between sea ports and inland ports as well as connections with the hinterland should be optimised. The clear goal of completing the EU-wide TEN-T core network by the year 2030 should be adhered to. Since the funding allocated by the EU falls a long way short of being adequate, the main burden is to be borne by the member states.

(b) Acceptance of political guidelines for an efficient change in transport policy

- User-pays financing is endorsed in principle, provided that it is ensured that within the framework of the financial circuits 100 percent of the revenues accrue to the mode of transport in which they are imposed,
- “on top”, meaning that they actually do increase investment in the respective infrastructure and do not merely take the place of previously budget-financed investment,
- that the state does not retreat from its responsibility for infrastructure policy as part of its duty to provide public services,



- and that extra burdens for industry and consumers are avoided, since a further rise in state-administered impositions on mobility has a negative effect on Europe's international competitiveness as a location for industry and logistics.
- Fundamental issues should be debated without any predetermined outcome. Impact assessments and cost-benefit analyses which take all essential aspects into account should be given top priority. In contrast, interference in detailed matters that are the preserve of entrepreneurial responsibility have no place on the EU's agenda, since this only generates more and more bureaucratic costs and inefficiency and thus runs counter to customer requirements.

(c) Market opening and social consequences

- Within the framework of its investment plan for Europe (European Fund for Strategic Investments, EFSI) the Commission is examining rules which constitute an obstacle to investment. Here, mention must be made of such matters as national solo initiatives like the German air transport tax, restrictive operating times and the isolated solution with ETS. It must also be guaranteed that transport projects are also eligible for promotion when it comes to fleshing out the EFSI.

(d) Cross-border transport

- A further relaxation of the cabotage provisions in road haulage progressing towards their complete abolition boosts competitiveness and permits the efficient use of resources.
- National go-it-alone initiatives such as the EKAER system for recording road transports in Hungary impede cross-border road transport in Europe and are thus damaging for the single market. What is required is a coordinated approach which gives all players in the market enough time for preparation.

5. Placing the user at the centre of transport policy

(a) Safety in road transport

- What is necessary for the continued steady improvement in transport safety in Europe is an integrated approach which takes account of vehicle, driver and infrastructure in equal measure.
- Looking at vehicle technology, systems of networked and automated driving open up whole new potentials for improving transport safety. Here the task is to create the right framework conditions in Europe. Naturally, the requirements of data protection and security must be taken into account in this process.
- Efficient periodic vehicle monitoring is also part of a comprehensive package of measures. This also applies to driver training and to driver safety training.
- It falls within the responsibility of the state for infrastructure that, for example, accident black spots should be eliminated through construction measures and better road markings and that highways should be kept in a good state of maintenance. In this case, the EURO RAP programme offers helpful insights into the safety level of sections of highways.

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- According to the wishes expressed by the Commission, the revision demanded in the White Paper of the EU rules on air passenger rights should establish a fair balance between consumer and industry interests. It is right to seek this goal. Proper heed must be paid to achieving a fair balance between the interests of consumers and industry. International divergent standards on passenger rights are a competitive factor. European airlines must not be put at a disadvantage in this area.

(c) Air freight safety

- A reliable and competitive air freight safety system is absolutely vital for German industry. At the same time, safety has top priority in air transport. The BDI therefore supports the EU concept of the “secure supply chain” which permits both efficient and secure handling of air freight. It is precisely in air freight transport that often complex logistical processes are involved which are extremely time-sensitive. However, different interpretations of the EU rules on the secure supply chain in the member states lead to distortions of competition and indicate that the legal foundations are in need of clarification. Clarifying and revising the text of the regulation and making it more concrete can considerably enhance the legal security and the practicality of the rules. Logistical processes which have not so far been adequately taken into consideration and which are necessary for German industry, such as the origin of air freight at regulated agents, must be revised as quickly as possible.

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