COMMERCE ON THE MOVE

RECOMMENDATIONS FOR AN EFFICIENT AND SUSTAINABLE EU FREIGHT TRANSPORT POLICY
Added value of EU action:
Commerce supports the implementation of TEN-T network corridors, which we believe will help facilitate the transport of goods down the value-chain and throughout the EU.

Source: European Commission
Commerce is, by its very nature, reliant on transport to deliver goods to its customers across Europe. Retail & wholesale companies are important users of logistics operators and often work with freight forwarders and others in the logistics-chain to ensure the timely delivery of goods.

The sector uses more than 33 million commercial freight vehicles in the EU, and transported more than 1,700bn ton-kilometres (tkm) of freight by road in 2011. This figure rises to over 3,700bn tkm of goods when other modes of transport are included.

Transport will play an increasingly important role because of the sector’s transformation driven by the expansion of the digital economy. Customers are asking for more personalized (faster) delivery and retailers are developing new services (i.e. click-and-collect, one day delivery services etc.) to respond to customers’ demands. Policy-makers should keep these new trends in mind when developing (transport) policy for the years to come. More information on EuroCommerce’s policy asks on e-commerce can be found in our Manifesto “Shopping for Growth”, and on our website www.eurocommerce.eu.

This publication is intended to address some of the most pressing issues facing the commerce sector in this area, as well as making recommendations to policy-makers on how to deliver better results for the benefit of consumers, business, and the economy as a whole.

With this work, we aim to promote dialogue with industry stakeholders and public authorities at the local, regional, national and European level, in order to achieve a more efficient and sustainable EU freight transport policy.

Baroness Neville-Rolfe, DBE, CMG
President

Christian Verschueren
Director-General
Retailers and wholesalers have long integrated sustainability into their activities to cut costs, optimise flows of goods and reduce the negative environmental impacts of transport.

However, many challenges remain. Further action is required to guarantee the safety of personnel and the security of freight during transport. Guarantees from the public authorities that investments can reach their full potential, and that legislation will be correctly enforced in the Member States must also be provided.

A commitment from policy-makers to allocate funds more appropriately, and dedicate more political attention, to developing freight transport policy is also essential. Passenger transport has long been a political priority for the EU, and European decision-makers should now focus equal attention and efforts on freight transport.

The commerce sector upholds the principle of subsidiarity and the rights of Members States, and local authorities to enact their own legislations. However, this division of powers between the EU and its Member States inevitably leads to a lack of clarity and harmonisation in transport policy. This greatly hampers efficiency and leads to uneven implementation of transport legislation in the EU, which creates inequalities between national markets.

The commerce sector is faced with recurring difficulties to gain access to city centres when looking to deliver freight at local and regional level. EuroCommerce therefore calls on policy-makers to launch a broad consultation on the minimum level of legislative harmonisation that could be achieved at the local and regional level, in the EU Member States on issues such as green zones and access restrictions. This could ensure that, when companies deliver to different towns, they spend less time and resources on the planning of deliveries.

Today, the commerce sector still predominantly relies on road when delivering freight. EuroCommerce’s members support the development of all modes of transport (roads, railways, maritime, etc.). Each mode should be free to develop and modernise in the way that best meets their needs. Different solutions will be required for different markets: what may be applicable in remote areas of Scandinavia might not work as well in congested urban centres in central and southern Europe.

Retailers and wholesalers will continue to invest in research and development, but they need the right framework, guarantees and stability to ensure that they can develop and deploy effective solutions to existing and future challenges.

As the commerce sector adapts its processes to respond to new constraints and challenges (including e-commerce), it must be part of the dialogue with all those involved in the logistics and supply chain. Further efforts should also be made to spread best practices throughout Europe to maximise the benefits of improved logistics because, when it can be demonstrated that higher investments costs can lead to lower operational costs, EuroCommerce supports such investments.
The following aspects are developed hereafter:

- An Effective EU Transport Legislation
- Road Pricing and the Internalisation of External Costs
- Urban Logistics
- Co-modality and Modes of Transport
- Safety and Security
To ensure efficient logistics operations, the commerce sector needs the right operational framework. Legislation is crucial, but its scope must be properly assessed and considered.

Before reviewing environmental targets, thresholds and generally making legislation more stringent, public authorities must act to ensure the implementation and enforcement of existing EU transport legislation in Member States. This is a key priority for the commerce sector and a starting point to achieve more efficient logistics.

In order to encourage the take-up of best practices by retailers and wholesalers, a favourable policy environment and guarantees of legal stability are also essential. Companies need legal certainty that local rules are not going to change suddenly after they make major investments (ie. in new lorries and equipment which have to comply with local noise legislation). They need to be sure that they will get enough time for a necessary return on their investment, before the equipment becomes obsolete.

The commerce sector is also continuously looking for new solutions to current and upcoming challenges. As it invests substantial sums of money in research and innovation, the sector should retain the freedom to research and develop innovative solutions, without burdensome regulatory restrictions.

In order to improve the sustainability of its transport operations, IKEA has recently decided to phase out the use of all wooden pallets globally, and switch instead to more environmentally friendly paper pallets and loading ledges. These new lighter and thinner pallets and ledges can support the same weight as wooden pallets while increasing the loading capacity of each truck, thus improving fuel consumption, and the impact on the environment.

These types of business-led solutions are preferred, rather than a top-down regulatory approach in which public authorities favour certain solutions and impose them on the sector without consulting stakeholders.

Ensuring that a wide range of solutions and good practices are available is fundamental. The variety of issues that need to be addressed to move towards a more sustainable logistics chain means that hauliers cannot apply the same solutions everywhere (ie. bike deliveries, pooling of deliveries, etc.). There is no “one size fits all” approach for the commerce sector’s logistics operations.

Evidently, it is essential to involve retailers and wholesalers in discussions with policy-makers. The commerce sector therefore calls for continued involvement and consultation of stakeholders when decision-makers are planning legislation that may directly affect commerce’s transport and logistics operations.

**Recommendations**

1. When the European Commission suggests reviewing existing legislation, it should also publish an ‘enforcement assessment’ to determine how effectively current laws have been enforced in EU Member States. This assessment, produced alongside the traditional ‘impact assessment’, would benefit everyone by providing greater clarity, and ensure greater cooperation between the EU and its Member States.

2. The fitness checks introduced by the Commission in some areas of transport policy should be extended to all transport policy areas.

3. While it recognises that subsidiarity must be respected, commerce suggests to launch a broad reflexion on a minimum level of legislative harmonisation at local level in the EU Member States as regards access restrictions to city centres. Differences in local legislation can hinder efficient logistics operations and a variety of access rules, driving restrictions, environmental zones, etc. means more logistics operations and fewer opportunities to plan ahead, often resulting to less efficient operations.
Road pricing is an important but very sensitive issue for the commerce sector and it should be addressed accordingly by public authorities, in cooperation with all actors in the logistics chain. EuroCommerce members cannot accept that charges are added to road transport and transport users if no alternatives exist and if no advantages are gained from a charging system. The commerce sector would never advocate the introduction of new charges, as this will always result in increased costs for logistics operators, without efficiently influencing transport patterns or delivering sustainable transport.

‘User pays’ and ‘polluter pays’ principles

Although the commerce sector does not support adding new road charges to the cost of transport operations, EuroCommerce members do not generally oppose the ‘user pays’ principle and the integration of the ‘polluter pays’ principle as regards air and noise pollution, as long as the revenues generated are earmarked for transport-related issues.

Priority in allocating these revenues should be given to:
> the development and maintenance of transport infrastructure, especially roads;
> funding for research and innovation in transport;
> reducing transport-related taxes (i.e. vehicle taxes, fuel duties).

These revenues should, however, not be used for fiscal consolidation or used to fund non-transport related issues.
While the commerce sector is willing to pay its share of the cost when using transport infrastructure and for the impact of transport on the environment, the financial burden should not fall entirely on commercial vehicles.

### Congestion charging

As regards access to city centres, due to the inherent limitations of urban infrastructure, most commerce companies are already managing their freight flows through logistics and consolidation centres located on the outskirts of urban areas, thus efficiently reducing the number of vehicles on the roads. Retailers such as REWE Group have adopted an integrated fleet and planning management system to further optimise the loading of trucks and reduce the number of journeys.

Commerce supports the use of logistics centres, which play a vital role in increasing efficiency of operations. The role of these local hubs is crucial and the commerce sector supports the development of fruitful public-private partnerships.

The commerce sector also considers that obliging only commercial vehicles to pay congestion charges is inefficient and discriminatory, since it is proven that passenger cars are the main contributors to congestion. Where congestion charging applies on the EU inter-urban network, EuroCommerce considers that these charges should apply to all vehicles.

### Recommendations

4. Public authorities should look at alternative solutions and avoid imposing additional taxes on road transport, even when it is argued that these would be balanced by a reduction in other taxes. Past experience has clearly shown that taxes have never been reduced sufficiently to compensate for new or higher road charges.

5. Congestion charging for freight vehicles is not an efficient solution to road congestion, either on European motorways or for access to city centres. Public authorities should look instead - in partnership with the private sector - for solutions that could have a greater impact on sustainable transport.

6. Retailers and wholesalers are constantly looking for alternative solutions and more environmentally friendly technologies. Support and incentives from public authorities to encourage a wider take-up of cleaner vehicles in city centres is welcomed.
A greater focus and political commitment from policy-makers is needed to address issues relating to urban freight logistics. The development of passenger transport has been a key priority for EU transport policy and the commerce sector asks that the same consideration is given to the movement of goods in urban environments.

Moving and delivering goods in high-density urban areas efficiently is a key challenge for the commerce sector. Inadequate infrastructure, congestion and access restrictions are just some of challenges hampering efficient logistics operations in city centres. While the commerce sector supports the development of all modes of transport (railways, roadways, maritime, etc.), it also recognises that roadways continue to be the most efficient, reliable and available option for last mile deliveries.

Particular attention should therefore be paid to ensuring that the road infrastructure in city centres is suitable for delivering cargo. Too often, retailers and wholesalers have to cope with impractical structures (low bridges, narrow streets, passageways and roundabouts) which hamper efficient deliveries, thus blocking the traffic and inevitably causing congestion.

To address these issues, the commerce sector is working on improving load factors, reducing empty miles through backhauling, minimising fragmentation of urban freight deliveries and pooling deliveries for different retail and wholesale companies – including for SMEs. Kaufland has improved its logistics processes by enhancing the return flows of empty pallets and by optimising load management to use cargo trucks to their full capacity. After delivering their goods to stores, many trucks pick up empty pallets in order to return them to Kaufland’s distribution centers. In cooperation with its hauliers, Kaufland has now optimised the return trips, by using the full capacity of each truck. This way the number of return trips was reduced while transporting the same volumes, allowing Kaufland to save nearly 3m transport km in less than one year (March 2012-3 compared to year before).

Companies are also switching to cleaner technologies when possible, and promoting a wide range of good practices to ensure timely freight delivery.

Retail companies such as Royal Ahold and Sonae have fleets of cleaner and more environmentally friendly vehicles such as electric vans and hybrid vehicles at their disposal, which they use when relevant.

The promotion by public authorities of ‘off-peak deliveries’ is also crucial to increase efficiency of logistics operations. To avoid congestion at peak-times, commerce companies spread their deliveries throughout the day, and retail companies such as Colruyt Group, El Corté Ingles, REWE Group, Lidl and Mercadona have voluntarily introduced or started testing night-time deliveries at local level – with great success.

Practical aspects of freight distribution must also be addressed. Deliveries to small shops and supermarkets in urban areas suffer from a lack of parking spaces for loading and/or unloading. These parking areas are sometimes taken by illegally parked private vehicles and action is necessary to ensure their optimal use.

**Recommendations**

7. **Loading and unloading areas should be introduced more widely in city centres**, and subject to adequate enforcement. This requires political commitment as well as improved cooperation between local authorities.

8. **Introducing a EU-quality label/certificate for ‘quiet equipment’** (for night-time deliveries), as already exists in the Netherlands, is supported by the commerce sector.

9. **Public-private cooperation and partnerships in developing and maintaining consolidation and distribution centres** should be encouraged, as using these local hubs can significantly boost the efficiency of deliveries to city centres (particularly for parcel delivery).

10. **The European Commission’s willingness to find solutions and address industry concerns is welcomed**, but close cooperation with stakeholders is essential. **An advisory group, with a strong focus on supply-chain management and logistics** could be set up, with representatives from Member States, and stakeholders organisations, to address unanswered questions relating to e-commerce and parcel delivery.
### FREIGHT TRANSPORT

**EU VS. OTHER MAJOR COUNTRIES**

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<td>180</td>
<td>4936</td>
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### TRANSPORT GROWTH (EU-27)

**YEAR 1995 = 100**

Notes: (1) Passenger cars, powered two-wheelers, buses & coaches, tram & metro, railways, Intra-EU air, Intra-EU sea. (2) Road, rail, inland waterways, oil pipelines, Intra-EU air, Intra-EU sea. GDP: at constant year 2000 prices and exchange rates.

Source: European Commission
The commerce sector always aims to use the most efficient and competitive type of transport available. Unfortunately, for long-distance deliveries, the alternatives to road freight transport are often unreliable, lack interoperability, and barriers remain that prevent their efficient take-up.

EuroCommerce supports any action, policy or regulatory measure designed to end distortions of competition between modes of transport. This should create a more level playing field, increase efficiency and reduce costs.
As a major transport user, the commerce sector supports co-modality and considers that further efforts to address the interoperability between different types of transport modes are required. The commerce sector supports improvements to aerodynamics and road safety. We also welcome the recent legislative reinterpretation by the European Commission of Directive 96/53/EC. This reinterpretation allows for the use of the European Modular System for cross-border traffic between Member States which have preliminarily authorised its use or trial at national level.

Improved cooperation between modes, in particular between railways and road, could significantly improve sustainability. Utilising rail services allows commerce to transport products across the EU in the most sustainable way, taking thousands of trucks off the road each year, and reducing carbon emissions. These problems affect freight distribution, logistics operations, and the prices paid by the commerce sector. Tesco currently has five trains running six days a week in the UK thus saving more than 14 million road miles and 15,000 tonnes of CO₂ per year.

However, key issues such as the technical harmonisation of equipment should be addressed, while fair and efficient competition in the railway sector must also be guaranteed.

The commerce sector has serious concerns about the current state of the railway market in Europe. Although the European Union introduced legislation in 2007 liberalising EU rail freight transport for both national and cross-border operations, it is still immensely complicated for railway companies to enter another market. Competition between railways companies is allowed by law, but remains difficult to achieve in practice.

Where it makes sense, the commerce sector is also making use of air freight to source fresh and exotic products from distant countries. In the heart of Germany, in Groß Gerau near Frankfurt, METRO LOGISTICS operates an ultra-modern and efficient logistics centre for the handling, quality control and bundling of fresh fish. A small percentage of the freight arrives via the Frankfurt International Airport. This offers the advantage that deliveries of exotic species, lobsters as well as other exclusive fish varieties arriving can be processed in Groß Gerau for speedy delivery to the markets on the same day.

This mode of transport (aviation) is now also used by commerce in a selective manner when shipping express parcels across the EU. Retailers are adapting to new challenges and channels (e-commerce), and looking to deliver to customers in the most time-efficient manner.

### Recommendations

11. Aerodynamic improvements to trucks and trailers are supported by the commerce sector. These changes should ideally be accompanied by other measures such as eco-driving training and the use of driver assistance systems (Intelligent Transport Systems) as they represent efficient means of cutting the fuel consumption.

12. EuroCommerce fully supports the objectives of the Marco Polo programme to ease congestion in city centres and foster the switch to greener and alternative modes of transport for freight transport deliveries. Commerce supports the integration of the Marco Polo programme, and the future funding of projects within the revised TEN-T programme to ensure a harmonised and coordinated implementation of EU Transport policy. However, further work is required by the European Commission to improve the interoperability of systems.

13. The commerce sector would greatly benefit from a harmonisation of processes and standards to ensure a truly efficient European railway market. Commerce underlines the importance of continuing to involve interested stakeholders in this process.

14. The lack of implementation of European legislation on competition in the railway sector must be addressed to ensure fair and transparent competition which would, in turn positively influence logistics operation costs.
Action is needed to ensure the safe delivery of freight in Europe. When a crime is committed, the authorities at all levels in the EU must cooperate to defeat cross-border criminals. The commerce sector supports the profiling of freight - through harmonized risk assessments, security certificates and compliance criteria - as this is considered more efficient and less costly than screening and monitoring freight along the whole chain. The latter would not only be too costly and impossible to implement in practice, but would also hamper the free flow of trade.

The sector welcomes measures introduced by public authorities such as secure lorry parks and greater collaboration between national police forces as these are crucial for safe and secure freight transport.

**Recommendations**

15. Greater attention should be devoted to the issues of supply-chain security on European roads, and fight against stolen goods in the European Commission Advisory Group for land transport security. A close network of national authorities is essential.

16. The European Commission should continue to support projects relating to safe, secure and quality parking spaces on European highways and public funding for such projects should be increased.

17. A single contact point for each Member State should be created to ensure that relevant issues can be tackled nationally while also being discussed at EU level. Commerce companies would greatly benefit from such a helpdesk which could coordinate activities between national and EU level.
4 key requests from retail and wholesale to policy-makers

1. A harmonisation of requirements which meet our needs for green zones and access restrictions in the EU Member States.

2. A level playing field between the different modes of transport, and efforts to increase co-modality in particular between railways and road.

3. A level playing field between passenger transport and freight transport, and a commitment from policy-makers to focus on the latter.

4. Guarantees that the commerce sector is consulted when legislation impacting our sector is developed.