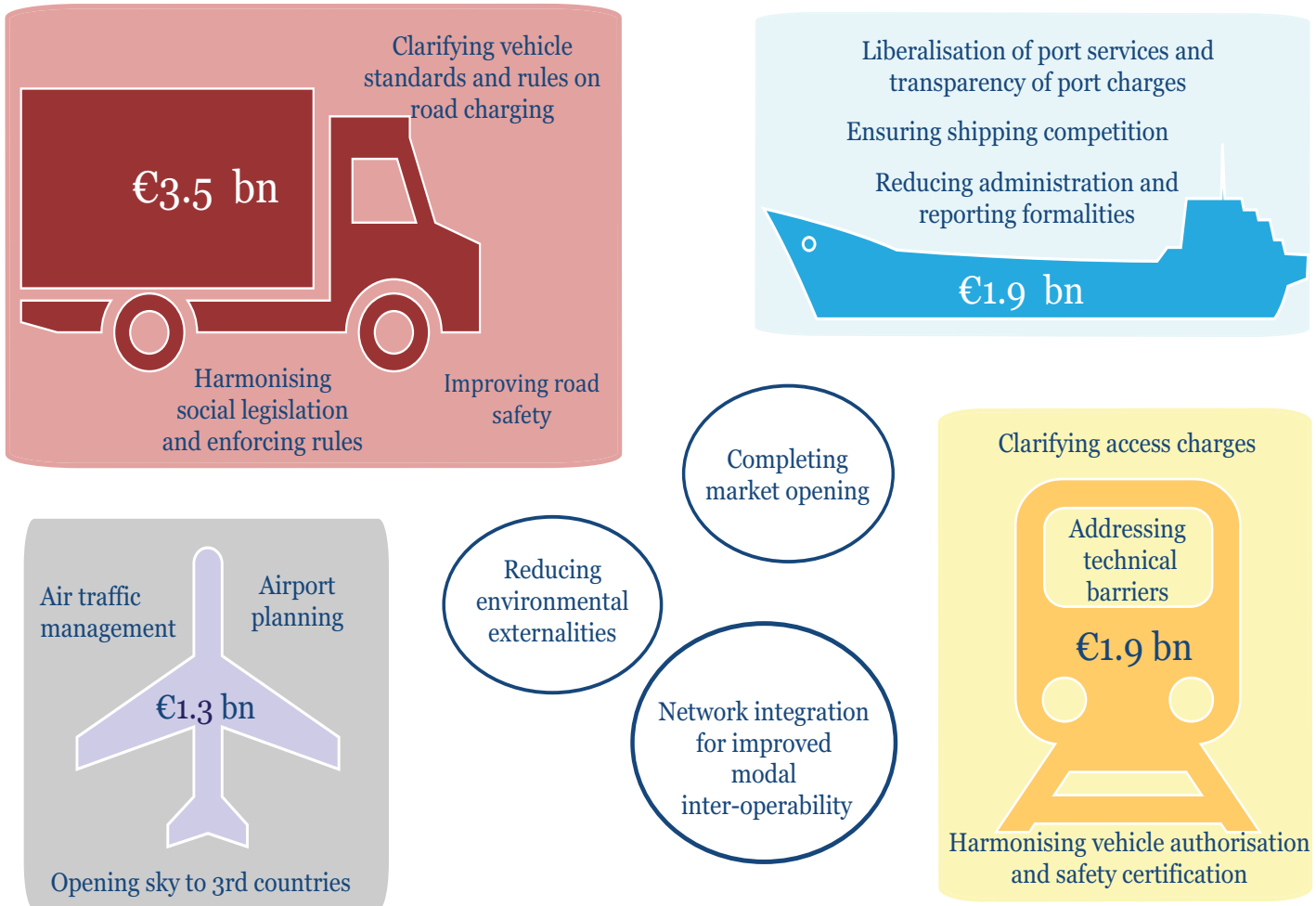
The Cost of Non-Europe in Transport

Potential annual savings and efficiency gains in transport: at least €8.6 billion

Transport is a vital component of the EU economy with huge untapped potential. The sector suffers however from remaining barriers, gaps and market inefficiencies that create substantial costs and that could be addressed through further action at EU level.

The gains that could be achieved from addressing the identified issues in the four modes of transport - rail, road, air and maritime - are estimated to amount to at least 8.6 billion euro annually. While the four sectors show similarities in terms of market fragmentation and lack of competitiveness, each sector requires its own approach to reform.

This document summarises the main elements that constitute the Cost of Non-Europe in the transport sector.



EPRS | European Parliamentary Research Service
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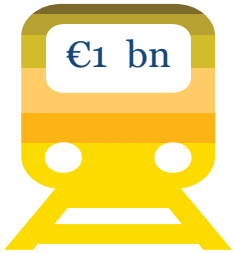
Members' Research Service and European Added Value Unit
PE 551.331

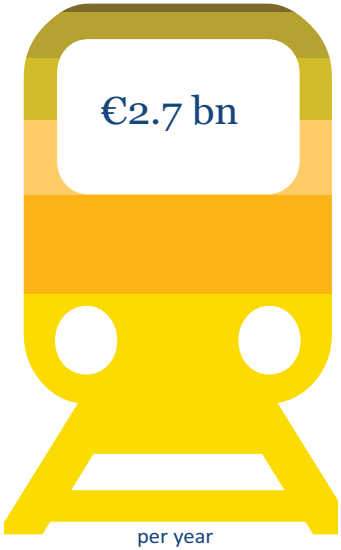
Rail: a fragmented market and infrastructure

Direct quantified gains

Cautious scenario		Optimal scenario
1	Vehicle & safety certification	1
2	Passenger rights	4.5
3	Unrestricted access to commercial services	6
4.2	Standardisation of rolling stock	7.3
2.7	Access to infrastructure	9.7
10	Open tendering to Public service contracts	25



per year



per year

Further gains from making the EU rail fully inter-operable

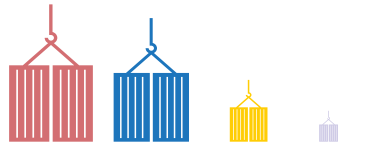
The historical development of rail systems within national borders results in many differences in Europe's railway networks, including different track and loading gauges, electrification and signalling systems, and train designs. These remain the main obstacle to a single market in the rail sector, since the availability of trains that can cross borders is limited.

There are huge constraints to upgrading rail infrastructure to remove borders for trains, and so the process must therefore be implemented in steps. However, the long-term benefits of a truly European rail market could be up to 10 times those quantified here, i.e. between 10 and 27 billion euros annually, taking into account the cost of upgrading rail infrastructure.

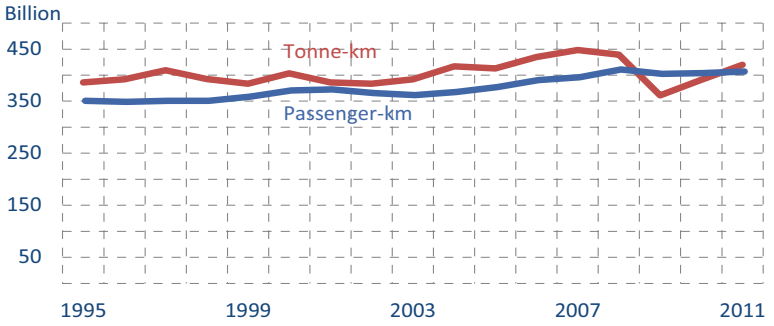
Different electrification systems across Europe

Freight transport within the EU27

2005-2011

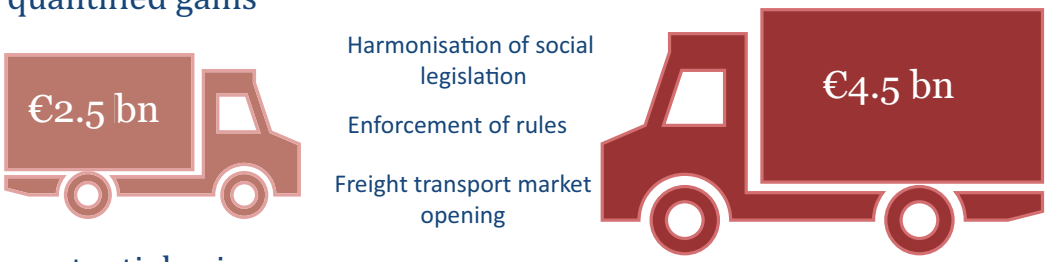


Passenger and freight rail transport in the EU27



Road: an integrated market with a lot of potential

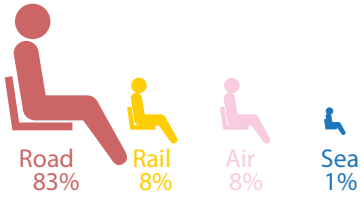
Direct quantified gains



Further potential gains

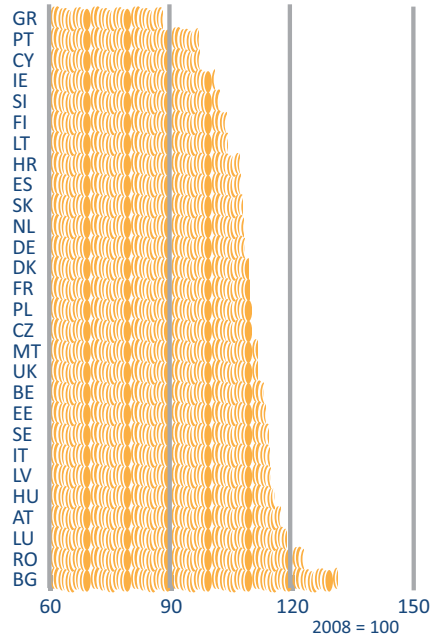
Passenger transport within the EU-27

Modal distribution 2005-2011

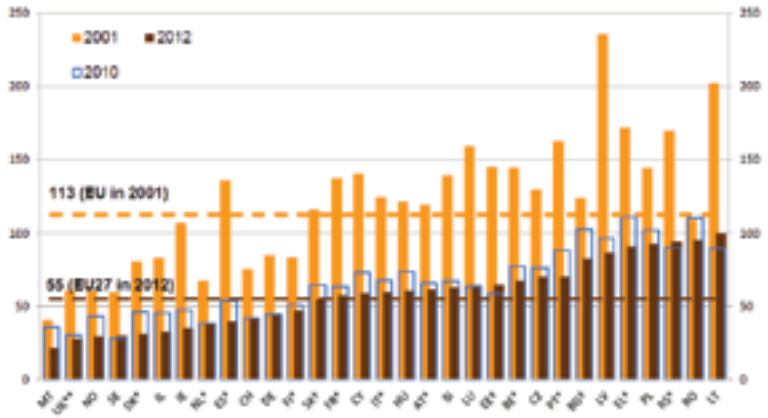


Differences in transport labour costs in 2013

Wages and salaries index



Road deaths per million inhabitants



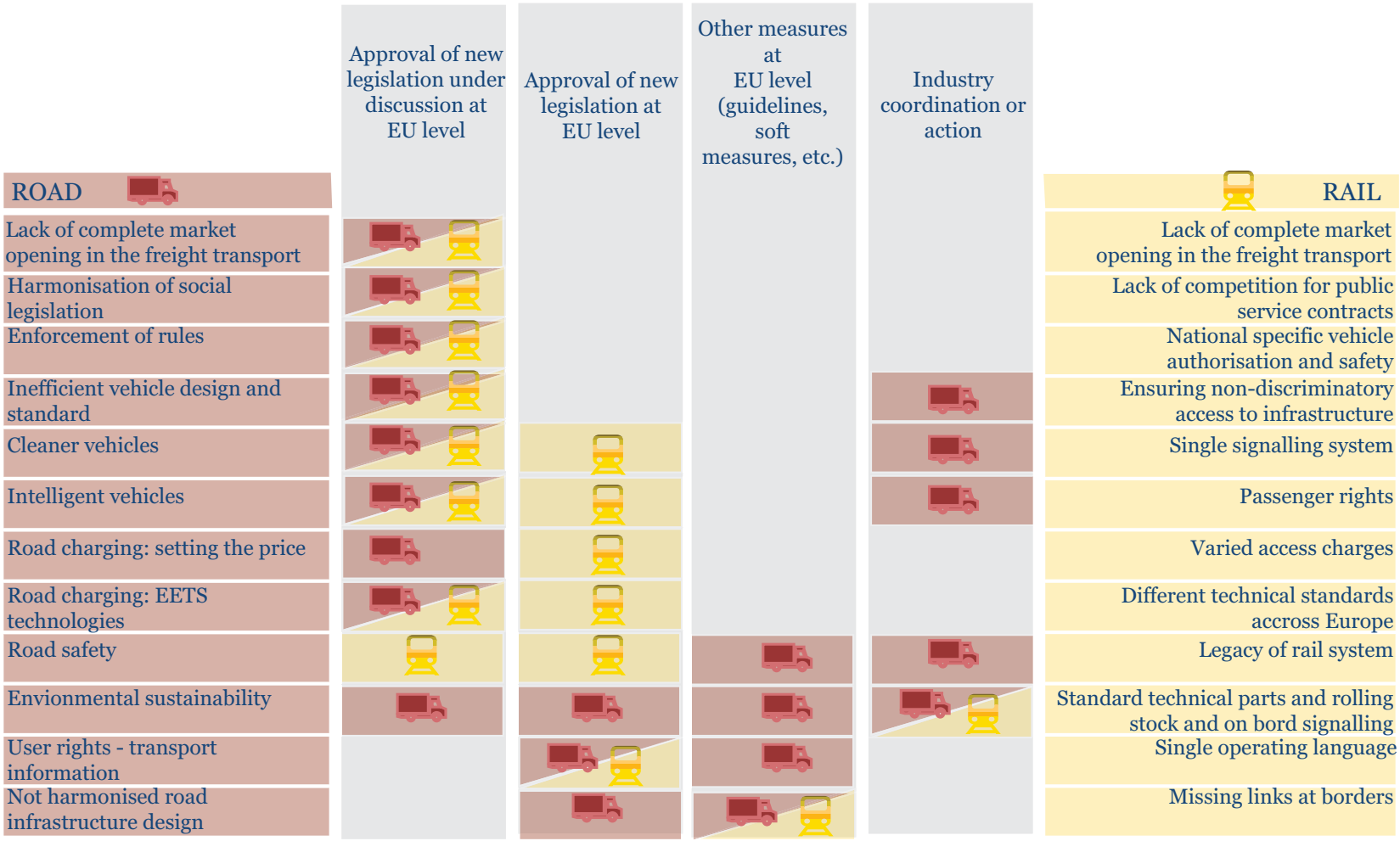
Further challenges for road transport

The Single Market in the road transport sector is relatively advanced. Nevertheless concerns remain due to the lack of sufficient market opening, incomplete harmonisation of social and employment standards and enforcement rules. Addressing these gaps would bring quantifiable benefits of between 2.5 and 4.5 billion euros a year.

The promotion of cleaner and safer vehicles and the achievement of road safety targets are further challenges which remain. Additional gains have been estimated at between 10 and 12 billion euros per year.

Different types of intervention: road and rail

The gaps identified for the road and rail sectors would require different types of intervention: while some issues can be better dealt with by 'soft' coordination of Member States policies and actions, the EU should not shy away from the necessary specific regulation.



Air transport: preparing the market for the challenges of globalisation

Direct quantified gains

Complete Single Market

Market opening and harmonisation

Internalisation of environmental externalities

Improved infrastructure and cross-border links

Geographical balance

Enhanced competition

Shorter travel length through North-South rebalancing

Improved efficiency

Lower operational costs, travel time and fuel consumption

Expected annual savings between €0.9 and 1.8 bn

Reduced environmental impact

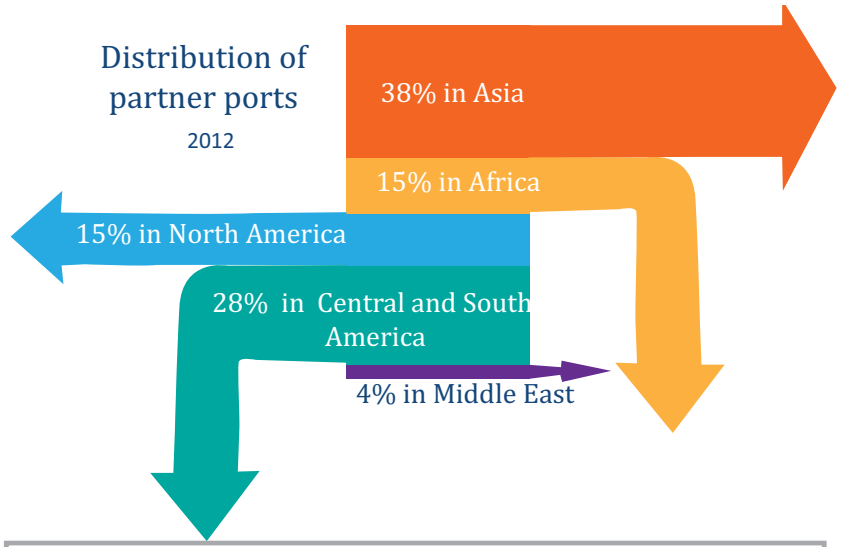
Benefits of completing the single market in air

A liberalised and integrated European market in air transport would improve the organisation of transport services and lead to a more balanced distribution of entry and exit of intercontinental flows. This would mean lower fares and better service for passengers and more competitive carriers. The efficiency gains have been estimated between 0.9 and 1.8 billion euros.

Top airports in the EU28
(passengers carried in 2013)

Maritime transport: geographical rebalancing of flows

Direct quantified gains



Complete Single Market	Improved efficiency
Market opening and harmonisation	Lower operational costs, travel time and fuel consumption
Internalisation of environmental externalities	
Improved infrastructure and cross-border links	
Geographical balance	Expected annual savings between €1.3 and 2.6 bn
Enhanced inter continental competition	Reduced environmental impact
Shorter travel length through North-South rebalancing	

Benefit of completing the single market in maritime transport

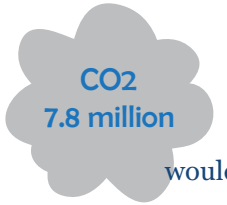
Emerging Asian economies have redefined world maritime trade, and today Europe's trade with Asia is four times bigger than the traffic to and from North America. However, northern European ports still hold the largest market share in Europe, despite the shorter routes to southern European ports.

The completion of the single market in maritime transport, including the internalisation of environmental costs, would lead to a gradual rebalancing of trade among northern and southern ports, based on minimising costs. This in turn would make European maritime transport more efficient in terms of operational costs and energy consumption. Gains would be in the range of 1.3 and 2.6 billion euros.

Results from other assesments

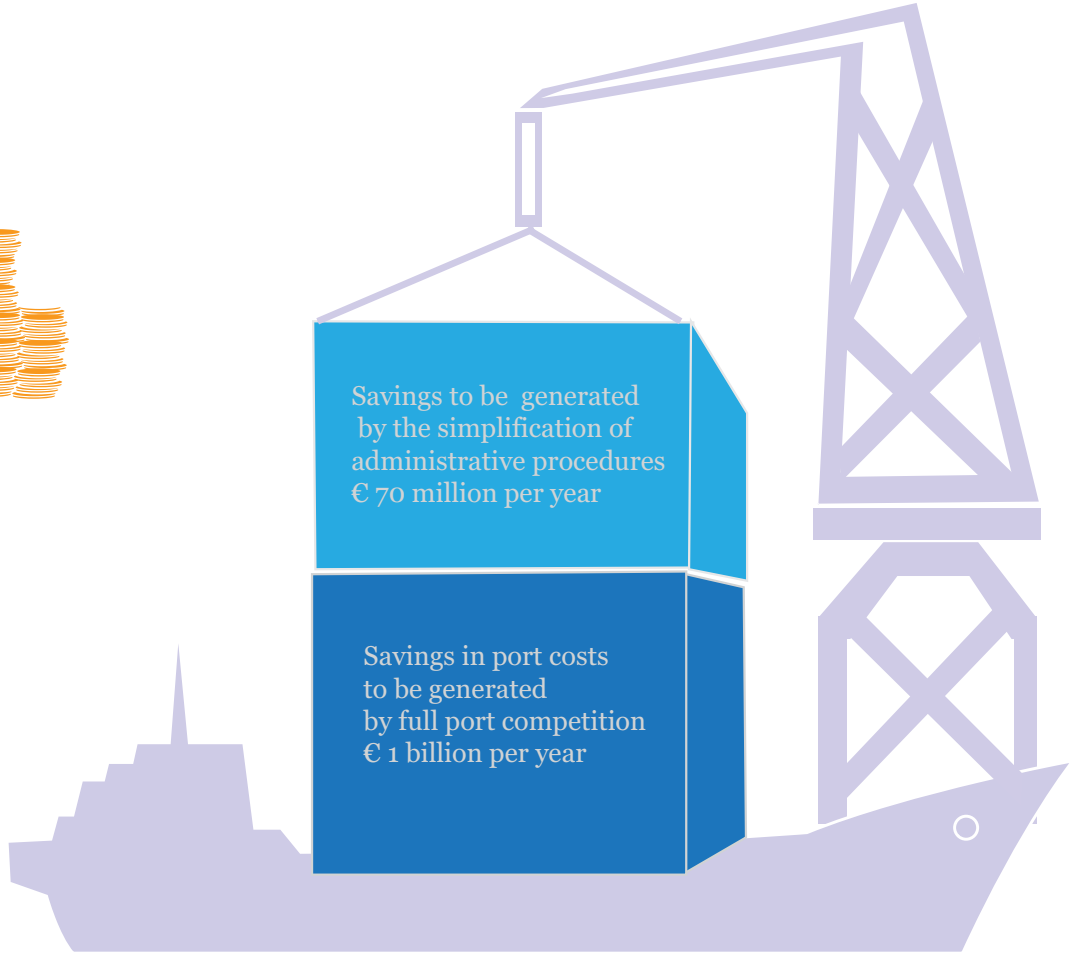
Missing integration and harmonisation of air transport system:

European operating costs
€2 to 3 bn higher than those of the USA[1]



Single European Sky[2]
would have saved in 2012 alone €4.5 bn
and 7.8 million tonnes CO2

Full port competition with elimination of customs and other administrative procedures[3]



[1] EUROCONTROL (2012) US/Europe comparison of ATM_Related Operationnal Performance 2010
[2] Commission Staff Working Document SWD(2013)206final
[3] Commission Staff Working Document SWD(2013)181

The transport sector is a vital component of the EU economy and an important generator of employment, but it also faces difficulties, namely in terms of competitiveness and environmental sustainability, exacerbated by the recent economic crisis.

Since its inception, transport policy has pursued the aim of integration and removal of barriers, be they technical, administrative or regulatory, in view of creating a Single Market for transport. It is indisputable that substantial progress has been achieved. However, issues associated with the implementation of new legislation in the Member States, stakeholders' opposition and vested interests have meant that 20 years of regulatory actions have not created a sufficiently open market. The transport sector still has significant potential that can be tapped through further action at EU level.

In the rail sector, the main barriers identified include non-transparent public procurement, problems with non-discriminatory access to infrastructure for new entrants, a multiplicity of authorisation and certification regimes across the EU, insufficient separation between infrastructure and service management, differences in access charges and enormous diversity in technical standards both for trains and rail infrastructure.

The road transport sector is significantly more advanced. Nevertheless, concerns remain due to the lack of sufficient market opening, incomplete harmonisation of social and employment standards and enforcement rules, as well as differences in the promotion of cleaner and safer vehicles and in the achievement of road safety targets.

Notes

Country codes: Austria (AT), Belgium (BE), Bulgaria (BG), Croatia (HR), Cyprus (CY), Czech Republic (CZ), Denmark (DK), Estonia (EE), Finland (FI), France (FR), Germany (DE), Greece (GR), Hungary (HU), Ireland (IE), Italy (IT), Latvia (LV), Lithuania (LT), Luxembourg (LU), Malta (MT), Netherlands (NL), Poland (PL), Portugal (PT), Romania (RO), Slovakia (SK), Slovenia (SI), Spain (ES), Sweden (SE), United Kingdom (UK), European Union (EU28).

Sources: Map on page 2 from Railway Technology. Chart on page 3 from ETSC. All other statistics from Eurostat.

This document updates an earlier one published in January 2015 (PE 545.723).

In the air and maritime transport sectors, new policies and legislative initiatives are needed to prevent discriminatory access to infrastructure, to clarify public service obligations, to prevent stateaid and cross-subsidies creating unjustified market distortion, and to make progress on integrated traffic management. At a more strategic level, there is a need to advance in the overall regulation of ports and airports, the internalisation of environmental externalities for maritime and air transport, and to ensure the consistency of decentralised and privatised infrastructure investments.

The gains that can be achieved from enhanced actions to fill the gaps and create a fully integrated and more efficient transport sector have been estimated at 8.6 billion euros annually.

The calculations of the costs and benefits rely on conservative assumptions. While the exact extent of final benefits is not possible to assess as it will depend on a multitude of various factors, it will be somewhere between the minimum and maximum impact estimated for each sector. For the purpose of this study, the mid-point values are retained for further computations.

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