

## Research for TRAN Committee – Relaunching transport and tourism in the EU after COVID-19 Part V: Freight transport

### KEY FINDINGS

- International trade fell by 19% in the second quarter of 2020 compared to the year before, due to the effects of COVID-19 on the global economy, which affected the revenues and viability of the freight transport sector.
- Road and rail freight transport performed better than freight transport via ocean and air.
- Measures undertaken by the EU to tackle the crisis include financial relief measures, the Green Lane initiative and the suspension of administrative and regulatory requirements for road, rail and air freight transport operators.
- The digital transformation of the industry was accelerated during the pandemic, in order to comply with recommendations to reduce physical contact and to capitalise on the demand for online shopping.
- The EU and national policy makers should continue to incentivise digital innovation, as well as provide a clear legal framework for the use of disruptive vehicles such as drones and digital technologies.
- State aid rules need to be reviewed to impose stricter criteria on competition, connectivity or minimum levels of services. For example, operational aid under the current State Aid Guidelines for Railway Undertakings can potentially distort the freight market, as rail freight can thrive where its competitive advantages are fully utilised; subsidies should instead be targeted on areas such as infrastructure use or multimodality.
- The harmonisation of policies regulating urban freight and rail freight transport should be carried out across the usual geographical boundaries. For instance, urban freight regulations should be harmonised with the regional level and rail freight regulations should apply beyond national and EU borders.

The present document is the executive summary of the thematic briefing on Relaunching transport and tourism in the EU after COVID-19 - Part V: Freight transport. The full study, which is available in English can be downloaded at: <https://bit.ly/33NsmYU>

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The outbreak of COVID-19 put a strain on the freight transport sector. International trade fell by 19% in the second quarter of 2020 compared to the year before, displaying the crisis experienced by the freight sector. Goods flows were not only impaired by border closures but also by the supply chain disruptions caused by lockdowns.

The maritime and aviation sectors were hit the hardest by the pandemic. For instance, the closure of ports and shortages in seafarers worldwide paralysed freight

transport by ocean. The aviation sector was similarly slowed down by airports shutting down and border closures. A significant number of air transport companies converted passenger aircrafts into cargo aircrafts to accommodate the rising demand in goods transport. Despite this strategic initiative, the recovery of air flights has not outpaced the effects of airport closures and grounding of aircrafts during the pandemic.

In contrast, road and rail freight transport have performed relatively better compared to freight by other modes. Whilst the share of increase of rail transport remains small in contrast to road transport, in 2020 rail freight operations continued almost without interruptions, notwithstanding lockdowns and restrictions. Urban deliveries experienced, on the one hand, a substantial increase in revenue due to the growth of e-commerce. On the other hand, the increase in demand was not met with sufficient capacity by logistics operators in the short term, resulting in delays and disruptions.

To relieve some of these burdens from the freight transport industry, the EU undertook a series of initiatives. Apart from substantial fiscal measures to support the sector, the “Green Lane” initiative was pivotal in ensuring the continuous flow of essential goods by road transport through border crossings between EU Member States. This measure has now been extended to include other modes of transport too. To address constraints on rail freight, the EU has temporarily suspended some administrative requirements related to access charges and certification. This reduced the bureaucratic procedures railway operators would have to comply with and allowed Member States more flexibility to support them financially. The situation faced by air transport operators was improved by waiving certain administration-related conditions and slot obligations. In contrast, in the maritime sector, the EU primarily focused on the repatriation of seafarers, enacting guidelines to guarantee the workers’ protection and support while they were stranded away from home due to border closures.

The crisis generated by the pandemic accelerated and intensified several ongoing trends in the freight transport sector. On a positive note, the digital transformation of the industry has remarkably accelerated, resulting in more automation and less human contact, which improved hygienic conditions and efficiency in the transport chains in the short term. It also allowed for more resilience in the sector against disruptions.

The lockdowns implemented in cities across the EU generated a drastic increase in demand for e-commerce, which prompted many physical stores to also open online stores to remain active. This contributed to the surge of new kinds of services, such as the 10-minute delivery service. The growth in urban deliveries also induced demand for parcel lockers, pick-up and drop-off points, and alternative vehicle types, such as cargocycles, which may improve the industry’s sustainability in the future.

At the same time, COVID-19-related disruptions to freight transport negatively affected the industry. For instance, worldwide lockdowns resulted in more trade regionalisation. This phenomenon impairs the international flow of goods, decreasing worldwide trade and making the supply chain more vulnerable and costly. The establishment of freight corridors should work against trade regionalisation and, hopefully, will continue to play a crucial role in reducing transport barriers and encouraging trade development.

Altogether, the impacts of COVID-19 on freight transport can be tackled by recommendations targeting the most important stakeholders. Firstly, digitalisation should be favoured due to its surging importance for guaranteeing higher efficiency with fewer face-to-face contacts. Adoption of innovations, such as information and communication technologies (ICT) and increased data-sharing among companies, can provide a solid springboard to grow companies' resilience. EU policy makers should draw up plans that offer specialised funding for all businesses intending to invest in digital technologies and skills.

However, high-tech products, such as drones or autonomous vehicles, may not be sufficiently integrated into companies' day-to-day operations if they are not properly regulated by the authorities. For this reason, the EU should devise clear regulatory frameworks that allow companies to invest in digital solutions with a high degree of legal certainty.

State aid guidelines should also be revised to support the recovery and growth of the transport sector without distorting competition. For example, rail freight transport may only face road freight competition if it develops in a market-forces driven environment. State aid is fundamental to ensure that competition does not detriment stakeholders, but should be subject to a strict review to avoid being used more than necessary.

EU policy makers should keep some of the guidelines and protocols introduced in the Green Lanes initiative, such as the fast-track procedure for TEN-T border crossings, with the objective of decreasing regulatory burdens for transport operations and guaranteeing the international free flow of goods. The shortage of truck drivers may be tackled through policies to increase the attractiveness of the road freight transport labour market.

Finally, policies for urban and rail transport at the city level should be harmonised with those regulating the regional and national levels. This would provide a coherent legal framework, reduce unpredictability, increase city resilience and provide legal certainty for companies intending to work with intermodal transport.

## Further information

This executive summary will be available in the following languages: English, French, German, Italian and Spanish. The study, which is available in English, and the summaries can be downloaded at: <https://bit.ly/33NsmYU>

More information on Policy Department research for TRAN: <https://research4committees.blog/tran/>



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