



Position paper on “Sustainable Mobility Strategy”

FEPORT welcomes the opportunity to provide its views on the upcoming “Sustainable Mobility Strategy”. Developments and challenges that the transport sector is facing in relation to climate change and COVID-19 call for a change of paradigm and a more holistic approach.

The significant and destabilising impact the pandemic is having (and will continue to have) on the global economy and all forms of transport and mobility represents a unique opportunity to reconfigure post-COVID transport policy.

Prior to the pandemic, much of the emphasis was on transport demand Management, Smart Mobility, Intelligent Transport and Mobility Management approaches to transport policy.

Given budgetary constraints and political considerations, all policies were meant to mitigate the negative externalities of transport noise, emissions, congestion and accidents via a wide range of policy instruments, technological innovations, incentives and pricing mechanisms to support modal shift and to modify individual and corporate consumer behaviour. However, in the face of the growing climate emergency and current global public health crisis, these approaches alone will be inadequate in a post-COVID world.

Our contribution will focus on the freight and logistics sector and will not tackle passenger mobility. However, we believe that mobility cannot be addressed by studying passenger or freight in isolation. Decision makers must address both together and identify if policies, infrastructure and energy sources really serve both and not one of the sectors.

The corona crisis is an opportunity like no other for us to rethink our mobility system holistically. In the past months, governments, companies, investors, and civil society to find ways to partner and seek solutions to shared problems. Such cooperation will be necessary going forward to craft more resilient freight systems to face the crises to come.

Policy makers’ role will also be crucial to undertake the review of outdated pieces of regulations that do not provide the expected benefits, distort competition between different actors of the logistics chain or hamper the emergence of new models of cooperation. Fiscal incentives,

facilitation in accessing credit and loans to invest in sustainable equipment and innovative solutions will remain helpful tools to encourage transport and logistics operators to collaborate.

The post COVID-19 world will also call for recovery plans that will combine repairing the damage brought by the pandemic with existing sustainability initiatives. Such an approach will be important to keep momentum going as the world rebuilds. Conceiving policies that will support ecosystems instead of individual transport sectors certainly represent an innovative and sustainable avenue to explore.

Freight transport and logistics in a post-COVID world

In this challenging time, the long-term need to decarbonise freight transport could be understandably considered a lesser priority for public and private stakeholders. However, as the Corona crisis will pass but the climate crisis will not, it will be essential to look at the implications of the Corona crisis for freight transport decarbonisation.

It is anticipated that on the short-term freight transport demand will drop along with the lower economic activity across multiple sectors. This leads to a significant but possibly only short-term climate benefit at the cost of **severely negative consequences for freight transport enterprises and for the millions of people working in the sector.**

The potential economic effects of COVID-19 (recession, lesser consumption, and production) may decrease demand for freight transport for a longer period than for passenger transport as the latter might quickly rebound when the health crisis is over.

In mid- to long-term, the supply chain limitations experienced during COVID-19 may lead to changes in the geography of international trade as certain industries choose to source more of their products from suppliers in less distant countries or in their own countries. Such a 'nearshoring' or 'reshoring' strategy with less trans-continental and more regional or local supply chains will shorten the average transport distance.

Shorter freight transport distances imply less fuel consumption and thus less CO2 emissions. However, this benefit could be compromised when a more carbon-intensive transport mode is used for the main haul (e.g. reverse modal shift from shipping to long-distance road).

The social-distancing pushes digitalisation of life and work and with that the dematerialisation of the economy. The reduction in transport demand may be offset however by increasing energy demand for computer servers used by more and more companies.

With interrupted global supply chains, 3D printing gains more attention. For example, the technology is being quite extensively used in the manufacture of face visors and components for ventilators.

As demand for passenger trains scales down, more infrastructure capacity is temporarily available for freight trains. In "normal" times, such space on the rail is a key bottleneck for rail freight.

Observers note a solid and growing demand for intermodal rail freight within Europe as well as on the transcontinental new silk road connection.

On the other hand, mid- to long-term, supply chain reorganization (e.g. a reinforced nearshoring trend) may lower demand on certain high-density routes and thus lower the opportunity of railways/shipping.

Governments consider massive stimulus programs to restart their economies, with probably significant spending on infrastructure. **There are plenty of investment opportunities in promoting an integrated, multimodal system for freight and logistics (e.g. intermodal interfaces like port and rail terminals).** Investments in these areas not only makes sense in light of the above-mentioned expected evolutions but also considering jobs that may be created for the citizens leaving close to ports.

Some industries and goods are currently in high demand (e.g. food and pharmaceutical products) and thus generate higher transport volumes, whereas the opposite occurs in many industries which either produce less or have shut down temporarily.

Companies are forced to relax the just-in-time principle and maintain higher inventory levels to protect themselves from supply chain disruptions. This will help to avoid that trucks run around half-empty and thus improve logistics efficiency.

Large corporations will continue to demand for greener freight transport services. These big players have corporate climate targets which they are unlikely to abandon. Therefore, the pressure on transport and logistic service providers in developed markets to increase efficiency and to reduce emissions will remain in the mid to long term.

The crisis has generally improved the conditions for supply chain collaboration. To save costs and to facilitate supply chains, logistics enterprises now have a higher incentive to share their logistics assets. It is important that **rules of governance with respect to digital data sharing are adopted in a near future** as this will certainly contribute to accelerate the pace of cooperation between stakeholders who are still reluctant to share data while **avoiding risks of monopoly or dominant position of some actors.**

The port ecosystems of the future

The traditional port business model is outdated in an era of digitalization and enhanced connectivity with the hinterland. Getting firms to engage in “co-creation” via the development of industrial ecosystems is the future for ports.

There is an undeniable and perfectly justifiable need for businesses to buy into the reduce-reuse-recycle concept, regardless of industry. Ports and the firms established upon port complexes are no more immune to this.

Private port companies and terminals are expanding their business to include the production of renewable energies and the provision of warehousing to other customers as well as intermodal services. More interestingly still, a new co-creative set-up via the development of so-called “industrial ecosystems” offers not only eco-friendly business opportunities but also enables profiting from innovative interfirm collaboration aimed at enhanced energy and resource efficiency along the way.

The need for ports to operate in a more environmentally-friendly way is by no means a passing trend – the pressure to reduce emissions and reuse waste as effectively as possible originates from regulations and a rising level of socio-political demand of the stakeholders involved.

The development of “industrial ecosystems” has emerged as an innovative and strategic option for improving resource productivity, corporate environmental performance, and competitive advantage.

Industrial ecosystems usually comprise networks of legally autonomous firms, which, in most cases, are physically interconnected by pipelines that use one another’s residual energy and chemical effluents as input for their own production process.

Key strategic levers for port stakeholders to cooperate find their rationale in the fact that all share infrastructure and bundled services such as power supply, waste water processing etc...

Infrastructure sharing also allows knowledge and expertise sharing. Indeed, the development of industrial ecosystems may be further enhanced through, for instance, bringing together firms present on the complex via innovation platforms dedicated to energy efficiency, engaging in enhanced mapping of intra-port streams of energy and raw materials (thereby exploring new potential interfirm energy and resource exchanges), investing in open research and development facilities, and linking up with knowledge providers.

The allocation of land and, above all, its subsequent use, besides investments in physical and knowledge infrastructure, are crucial to the success of industrial ecosystem development and, in turn, of a port complex in general. Port authorities need to be more supportive of private initiatives aiming at raising a port’s sustainable competitiveness. The role and contribution of private port operators and terminals should be valued.

Rotterdam and Hamburg are not the only standout case of port complexes working effectively in the spirit of innovative ways of intercompany collaboration aimed at enhanced resource productivity. Antwerp (Belgium) and Kalundborg (Denmark) are other cases in point, as are multiple in-land sites within other European ports.

Private port companies are prepared to act in a more open and collaborative spirit with a view to sharing know-how and encouraging new ways of enhancing resource productivity by, for instance, experimenting with different environmental regulations and compliance systems. Business associations representing port-related firms can be strategic partners in this endeavour.

The creation and management of industrial ecosystems represents a major opportunity for previously stand-alone companies to create added value, become more energy-efficient, reduce feedstock costs, and lower emissions and waste disposal levels and, by doing so, become more innovative. For energy hub ports and those located near residential areas, the eco-interests of such a set-up is even more attractive still, despite some of the initial uncertainty organisations may have about embarking upon a multi-organisational collaboration rather than “going it alone”.

The future of industrial ecosystems can also encompass strategic efforts of separate port complexes collaborating in a way similar to that which separate companies within the same port have so far managed with success. In this way, industrial ecosystems may cross the border of a single port complex, benefitting both the port complexes involved and the surrounding urban areas.

However, what emerges very clearly already at this stage of research and actual business practice is that the business model upon which port authorities and private companies operate is no longer a satisfactory option to create a sustainable competitive advantage. **Regulatory frameworks and competition rules need to be rethought to support innovative models. It is not the role of the EU regulator to grant competitive advantage to one actor of the maritime logistics chain at the expense of others through exemptions to cartel rules and State Aid ones.**

Partnering with other companies within and beyond the port complex in the form of industrial ecosystems carries certain challenges but ultimately fewer risks than going it alone. **It will also require that policy makers work hand in hand with all port stakeholders to better understand the new dynamics of value chains and propose relevant accompanying measures and policies.**

Expectations from policy makers

Transport infrastructure investments must not be limited to roads but also include investments in other modes of transport such as rail and inland waterways. **Investments into intermodal connections are crucial for realizing an integrated intermodal transport and logistics system and for maximizing the synergies and sustainability benefits of all modes of transport.**

Port ecosystems represent a fantastic opportunity to attract industries and manufacturing centres into the vicinity of ports. Multimodal logistic infrastructures in ports can transform the role of ports be it on the seaside or on the hinterland side. Policy makers should work hand in hand with all port stakeholders to better understand the new dynamics of value chains to ultimately propose relevant accompanying measures and policies.

The COVID-19 crisis has shown how essential transport and logistics workers are. **Member States should not forget it and invest in the human capital of people employed or interested in the transport and logistics industry to enhance their profiles.** This will help the economy over time through lowered logistic costs and environmental benefits.

New models of cooperation between industry players could mitigate the crisis impacts but business model upon which port authorities and private companies operate is no longer a satisfactory option to create a sustainable competitive advantage. **Therefore, regulatory frameworks and competition rules need to be rethought to support innovative models. Such a process can be facilitated by revising the regulations that are either outdated and which do not produce the expected benefits or adverse effects for other sectors.**

Fiscal incentives, facilitation in accessing credit and loans for fleet renewal remain helpful tools to encourage operators to collaborate but governments can also support collaboration between logistics enterprises by facilitating multi-stakeholder collaboration and knowledge exchange. In this respect, it is important that **rules of governance with respect to digital data sharing are adopted in a near future** as this will certainly contribute to accelerate the pace of cooperation between stakeholders who are still reluctant to share data while avoiding risks of monopoly or dominant position of some actors.