

## **FERRMED conference, 12 November 2015**

### Concluding remarks

The future pattern of global logistics is affected by geography, geoeconomics, geopolitics, the march of technology, and by public policy. I will look at all of these in turn.

We cannot change geography. Except, of course, that we do when we build or extend the Panama or Suez canals. We do also when we build tunnels, such as the Lyon/Torino link or when we build artificial islands as port extensions. These all impact on transport routes. And the melting of the Arctic ice will create new route possibilities, although no one here today sees that as a game changer.

We have heard much about geoeconomics today, in the form of predictions of future trade flows. But geoeconomic predictions are notoriously difficult to get right. Who would have thought four or five years ago that the Russian economy would be in decline, and that Brazil would be in such trouble?

Will China continue to be the most dynamic economy in Asia or will it accumulate problems? The answer to this question is the key to the future of the Silk Road routes by land and sea.

We can be fairly sure that Europe will continue to grow, but slowly. But will it continue to export far more, and far more expensive, cars to China than it imports?

Will Africa become a power in the global economy? Nobody here had much enthusiasm for that idea.

Geopolitical developments are even more difficult to predict.

Will European relations with Russia continue to deteriorate? This is hugely important for the Eurasian rail routes.

Will turmoil in the Middle East ever become so bad that it threatens trade through the Straits of Hormuz?

Will the flexing of Chinese muscles in the South China Sea lead to problems for maritime trade routes?

I think that those planning long-term investments in transport infrastructure will need a crystal ball to answer all these questions.

It may be easier to predict technological developments.

There will surely soon be automated convoys of trucks on our motorways.

There will be longer and heavier trains.

There will be even larger ships, requiring deeper water ports. This will lead to further concentration on core networks and ports.

And information and communications technology will play an ever bigger role in making logistics more efficient.

We have spent some time today talking about the new Silk Road between China and Europe, the Chinese “One Belt, one Road” concept. But we have actually discussed three different, and important land routes.

The first is the further development of the trans-Siberian rail route, partly through innovations in IT and administrative procedures.

Then there is the One Belt rail route to China through central Asia. This is where there is planned to be heavy Chinese investment in infrastructure.

Third there are the plans for the extension of the broad-gauge Russian rail system into the heart of Europe from Kosice to Vienna.

What is clear is that Central Asia, China and Russia are all eager to press forward with these projects. Why should the EU be in favour of them?

I think partnering with China on these projects is essential to continuing to be pulled along by its growth dynamic.

And partnering with Russia on rail projects provides an excellent cooperative project at a time when our geopolitical relations are strained.

One underlying topic in our discussions has been competition between transport modes, in particular maritime and rail. But I think we have seen that this is limited, because different types of freight use different modes in function of both their costs and the time they take.

There is clearly competition between ports, in particular between Southern and Northern Europe. We have seen that this is crucially dependent on the quality of their hinterland connections and highlighted the importance of the completion of the Mediterranean rail corridor in integrating the Iberian peninsula into the European network and of the Lyon/Torino tunnel for East/West routes.

The public policy interest here is surely to help to ensure that logistics continues to drive European growth. It should help all modes to achieve their full potential. This means identifying and dealing with problems in all modes:

- The e-maritime project needs to be brought to a successful conclusion, to allow more efficient data exchange and cut costs on maritime routes
- Standardisation across countries needs to be driven forward for rail. This applies to administrative procedures just as much as for physical equipment and infrastructure. And we have seen that this is not just a job for governments. FERRMED continues to play an important role in this regard
- Of course the TEN-T network needs to be transformed from an iconic map into a fully functioning system. We have heard that new multimodal terminals will be important here. And the Commission has given us very encouraging news on how quickly this is being driven forward.
- And finally a question has been raised as to whether the growing market power of shipping companies vis-à-vis other actors in European logistics is not distorting the market in such a way as to actually increase the overall cost of shipping goods. This might be an interesting question for DG COMP to examine.

We are all agreed that large investments are needed. But we also heard that China will be investing ten times as much in the Silk Road as Europe will in TEN-T, so it is not surprising that Pierre Gramegna this morning referred to an “investment gap” in Europe. We have the Connecting Europe Facility and the Juncker investment fund. But it is clear that we cannot simply rely on government funding for infrastructure.

We have also heard of successful private investment in logistics projects.

It seems to me that the conclusion is clear:

- European public funds are insufficient.
- We should welcome third country participation in transport financing. If the UK can accept Chinese investment in nuclear power infrastructure, why should it not invest in logistics in Europe?

- Private entrepreneurship backed by public sharing in risk-taking seems a good way forward. And this is exactly what the guarantees under the Juncker plan will provide. It is also what Mr Goncharov suggested for the Kosice-Vienna route.

We should therefore not just rely on the European Commission to work on the future of European logistics. The private sector can also show the way forward. And that is precisely what FERRMED has done with this conference.

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