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NEXT GENERATION EU: PRIORITY AREAS FOR ROAD TRANSPORT TO DRIVE RECOVERY

Your Excellency,

The EU faces an important challenge in agreeing on the Next Generation EU investments, in particular prioritising support to sectors, such as road transport, that are most impacted by COVID-19 and fundamental to driving economic and social prosperity across Europe.

During the peak of the pandemic, road transport operators kept essential goods and people moving, preventing a major collapse of the food and medical supply chains. Nevertheless, the economic impact on road transport operators has been enormous.

- **Goods transport:** The estimated impact of the pandemic on annual operator revenue in the EU in 2020 is at least €64 billion (-17% vs 2019[1]). This is due to transport restrictions, border and health controls, disruptions in global supply chains, liquidity issues related to payment delays and closure of production facilities in many sectors, leading operations to be down by as much as 50% during the pandemic.
- **Passenger transport**: With travel restricted in many areas, the estimated impact of the pandemic in the EU is an €81 billion loss in operator revenue in 2020 (-57% vs 2019)[2]. This is due to bans on passenger transport, restriction of people's freedom of movement and mistrust in the health conditions of public transport during the crisis. The most serious impact has been on cross-border travel, both scheduled and tourist coach services, with operations down by as much as 100% during the pandemic.

Thus, we urge the EU to provide clarity and targeted support to road transport companies. Without well-functioning road transport services and the supply chains and mobility networks they drive, there is a serious risk that broader economic and social recovery across Europe will be impeded.

With regard to the proposed "Next Generation EU" budget of €750bn, IRU is calling for the allocation of at least 10% of the foreseen budget, i.e. **€75 billion, to commercial road transport,** through the related instruments under the Next Generation EU plan. Support is urgently needed to help goods and passenger transport operators survive in order to help

[1] IRU research based on a survey which ran between 1 and 30 April 2020.
[2] IRU research based on a survey which ran between 1 and 30 April 2020.

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drive immediate economic recovery across the EU and to empower the road transport sector to accelerate decarbonisation and digitalisation efforts to help deliver the green deal and make the EU a stronger and more resilient digital and economic powerhouse.

IRU has identified three priority areas with the highest need for EU-funding support: 50% of the budget should be used for decarbonisation efforts (clean vehicles and fuels), 30% for digitalisation and 20% should be reserved for infrastructure investments.

1. **DECARBONISATION (50% - € 37.5 billion)**
    - **Fleet renewal (buses, coaches and trucks):** The development of vehicle fleets running on alternative fuels, covering both new and second-hand vehicles, has to be accelerated. To illustrate the challenge: approximately 310,000 trucks were purchased by European road transport operators in 2019. One of the alternative fuel options for operators are battery electric vehicles. However, this option is, on **average, €200,000 more expensive than a standard EURO** VI truck. Assuming all trucks sold annually were battery electric vehicles, it woul**d cost the sector €62 billion** over a one year period. Over seven years, this would represent an investment need of **€434 billion.**
    - **Charging and refuelling infrastructure:** For both goods and passenger transport, investments should be focussed on logistics hubs, loading and unloading points, parking areas as well as bus and coach terminals. Investments in and development of renewable and e-fuels are crucial for longer distances (coaches and trucks).

2. **DIGITALISATION (30% - € 22.5 billion)**
    - **Technology upgrades**: Operators must equip their fleets with digital solutions. For example, within the next five to six years, all commercial vehicles above 2.5 tonnes used in international transport must be equipped with a smart tachograph. Bearing in mind the estimated costs of up to EUR 15.9 billion[3] for retrofitting the current fleet by 2020, we expect even higher costs for operators when switching to the smart tachograph version 2, due to the higher cost of the device and the higher number of vehicles involved in this upgrade.
    - **Digital infrastructure:** Operators must develop their digital infrastructure, such as software which creates a foundation for data exchange, enabling interoperability with other operators and digital service providers, such as eCMR, for goods transport and Mobility as a Service vendors for passenger transport services.
    - **Digital skills and jobs:** There is an unprecedented need for the training of drivers to develop their digital skills and adapt to new technologies, such as autonomous vehicles. Hence, investing in e-learning and related tools and modules is key.

3. **INFRASTRUCTURE (20% - € 15 billion)**
    - **Parking:** Upgrading existing and building new safe and secure truck parking areas along the comprehensive TEN-T network will lead to better working conditions and enhance road safety. Currently, there are only 300,000 available truck parking spaces in the European Union, a significant 100,000 shortfall of the total demand for overnight parking and regular rests. Less than 3% of the existing parking capacity are certified and labelled safe and secure. To upgrade the current network of parking spaces to acceptable levels, a minimum investment of up to € 6 billion will be required[4]. **Building a new parking is estimated to be as much as €7 million**[5], depending on the location and size. For the 100,000 additional truck parking spaces needed to meet the daily demand across Europe, **a budget of €7 billion would** therefore be required.
    - **Passenger terminals**: Collective passenger transport should become more attractive by investing in coach terminals and connecting intercity and tourism

[3] According to the EP study Retrofitting Smart Tachographs by 2020: Costs and benefits.
[4] According to data from CEF Study, CBA OF A SAFE AND SECURE PARKING AREAS FOR TRUCKS and IRU calculations.
[5] According to an estimate from the European Secure Parking Organisation.

services by bus and coach with local mobility services to further boost the decarbonisation of transport.

SME Access to Funding
The EU road transport sector is made up of about 900,000 operators, approximately 80% of which are small and medium sized enterprises with limited administrative resources. Funds and support mechanisms, including the *InvestEU* and the *Solvency Support Instrument*, should be made easily accessible to SMEs with clear guidelines. IRU is particularly concerned that SMEs might encounter difficulties accessing EIB loans, as they might not have the capabilities to apply (these loans mainly target large projects).

Road transport is the backbone that keeps the European economy moving. Therefore, IRU hopes that the instruments under the Next Generation EU umbrella will allow the road transport industry to recover rapidly, to prevent bankruptcies within the next months and continue its crucial role in driving European recovery, prosperity and sustainability.

Yours sincerely,

Umberto de Pretto
Secretary General