

About the EEA

The express industry is a fast-growing business sector which not only provides vital services for the European economy, but which also plays a large role in making the global marketplace a reality.

Being a multi-modal operator, the express industry is impacted by issues which cut across a broad range of policy sectors. The European Express Association (EEA) represents express delivery companies and associations, both large and small, in Europe. By communicating on behalf of the express industry with one single voice, the EEA works to ensure that policy-makers fully understand the challenges we face as an industry and as a result, that policy is implemented in a way which maximises the benefits for all involved.

Experts from the member companies of the EEA would be delighted to discuss any elements of this report in greater detail with interested policy-makers and stakeholders.

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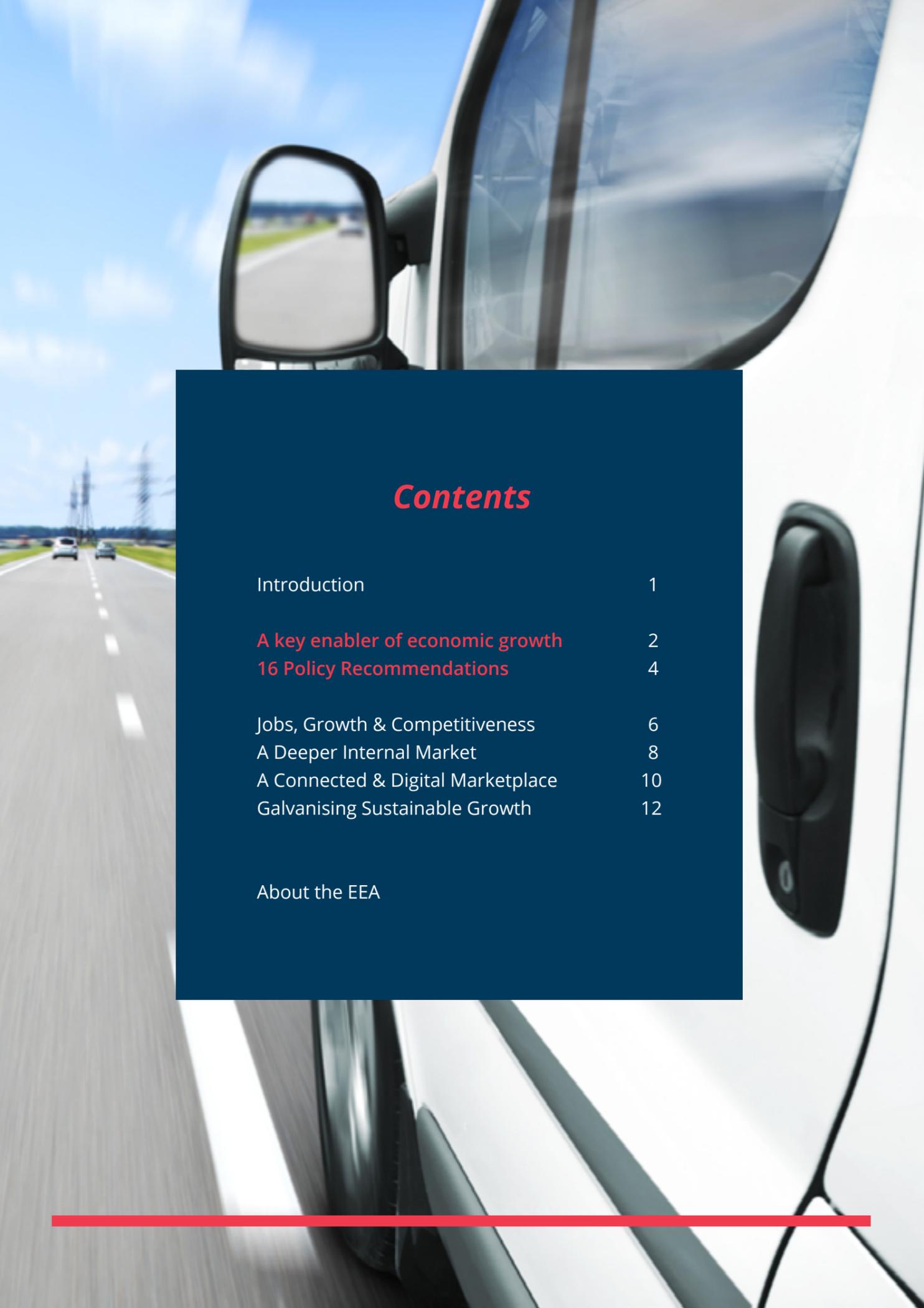
You can find more about the express sector on the EEA website, including reports on:

The Economic Impact of Express Carriers in Europe, Oxford Economics, November 2011
European Modular System (EMS) Paper, NEA, March 2010
Delivery Makes E-Commerce a Reality, EEA infographic, 2013
EMS Forum brochure on European Modular System, November 2013
EEA factsheet on Aircraft Noise, June 2012
EEA Factsheet on Groundhandling, August 2012

From Recovery to Prosperity A five year European policy framework

*Recommendations for policy-makers from
the European express delivery sector*

2014



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About the EEA

Introduction

The European Union (EU) has entered a new phase, pushed by its own institutional renewal and moved by external global dynamics.

The EU 2014-2019 executive is tasked with consolidating Europe's recovery and working with EU Member States and a new European Parliament to drive forward agendas that focus beyond 2030.

Externally, the global economic downturn has set a new norm for growth rates, and even emerging markets and resource rich countries have experienced slowing growth. At the same time, environmental concerns are growing, driven by an increasing frequency of natural disasters with significant local impacts. Furthermore, geopolitical changes in the Middle East, Southeast Asia, and Eastern Europe are forcing difficult strategic decisions for Europe's leaders.

Against this backdrop, Europe's policy-makers are faced with the challenge of designing a policy framework that will drive forward Europe's recovery over the next five years. Such a framework has already been enshrined in an initial ten-point "Agenda for Jobs, Growth, Fairness and Democratic Change" presented by the new Commission President Jean-Claude Juncker in July 2014.

The express sector can play a critical role in assisting the EU in its efforts. Simply put, express delivery connects Europe with the world. Integrators, such as DHL, FedEx, TNT and UPS, made more than 269 million intra-EU deliveries in 2010 and connect the EU with over 90% of the world within 72 hours. Today, express delivery services are used to deliver around €4 trillion worth of goods, equivalent to 16% of European businesses' sales revenue, projected to increase to over 20% by 2020. In short, it has the growth potential in the era of e-commerce and global value chains to greatly support the EU's economic mission.



As the EU moves from Recovery to Prosperity, the following platforms would enable the express delivery sector to support the EU's new agenda:

<p>➔ The EU pursues growth strategies through global trade negotiations to open markets for goods and services, providing increased export and investment opportunities, and opening markets for Small and Medium-sized Enterprises (SMEs) that rely on express delivery as their logistics services.</p>	<p>➔ The EU embraces the changes brought by new digital technologies to traditional services, which allow seamless interface through the express services from e-commerce to front door delivery, enabled through higher exemption rates for low-value shipments and a truly unified eCustoms system.</p>
<p>➔ The EU perfects the internal market, developing unified customs and security procedures, completing the single transport market through the full liberalisation of road and rail and the unification of Europe's skies for air transport, enabling the express sector to compete and innovate.</p>	<p>➔ The EU leads the world in the area of sustainable growth, providing for energy efficiency and optimal capacity utilisation at all points of transport and express delivery services.</p>

These broader themes have already been highlighted by the new European Commission President as critical focus points going forward.

This report looks at each of these priority areas in more depth from the perspective of the express sector. It provides recommendations for policy-makers, as they map out their agendas for the coming five years and beyond.

THE EUROPEAN EXPRESS SECTOR

→ A key enabler of economic growth through next day delivery



€10.3 billion

generated to EU GDP by the express sector



€4 trillion

worth of goods is delivered by express delivery services; equivalent to **16% of European businesses sales revenue**. By 2020, this proportion is expected to increase to over 20%



90%

Express delivery companies are able to connect EU Member States with 90% of the world economy within 72 hours

96%



of EU27 companies indicate they use express delivery services because they need next-day and guaranteed delivery

47%

of companies believe they would be very badly affected if no next-day delivery services were available



3 billion

is contributed to the EU27 public finances by the express delivery industry



579,000 EU jobs & €23.4 billion

of EU27 GDP are supported by the European express delivery industry



The express delivery industry directly employs

272,000 +

If allowed to grow in-line with demand, by 2020 the express industry is expected to directly employ a total of

300,000 people

16 Policy Recommendations for The New Start for Europe

Jobs, Growth & Competitiveness

1.

Stimulate business expansion, especially for SMEs, and inward investment through modernised, simplified and harmonised EU customs procedures for import and export of goods

2.

Ensure flexibility in the declaration of goods at the first point of entry into the EU to avoid complexity and excessive and costly administration

3.

Pursue binding commitments on delivery services in multi-lateral and bi-lateral trade negotiations to allow European business to flourish globally

A Deeper Internal Market

4.

Drive forward the Single Transport Market, through liberalisation of transport modes and rationalisation of European airspace

5.

Ensure effective implementation in the liberalisation of the postal services sector while avoiding unnecessary administrative burdens on the express sector

6.

Ensure a truly Single Market regime for customs

7.

Harmonise air transport cargo security standards to stimulate trade and investment and reduce complexity for business

8.

Focus on the acceptance of EU security and customs controls by third countries

A Connected & Digital Marketplace

9.

Drive the development of e-commerce through better integration of all the solutions offered by express operators and e-retailers

10.

Raise *de minimis* levels on shipments into the EU to encourage e-commerce, boost SMEs and expedite delivery services

11.

Maintain the use of paperless declaration systems for businesses transiting goods through or within the EU

Galvanising Sustainable Growth

12.

Support the cross-border use of European Modular Systems between neighbouring and consenting Member States

13.

Provide for meaningful incentives to help with the take-up of innovative solutions which enable emissions reductions

14.

Ensure greater liberalisation of the road market in Europe through full cabotage liberalisation to maximise transport resources

15.

Push forward the completion of the Single European Sky to increase efficiency of Europe's airspace

16.

Ensure the correct application of the Balanced Approach on aircraft noise

Part 1

Jobs, Growth & Competitiveness

Creating the conditions for economic growth and employment has been at the core of Europe's mission since the Treaty of Rome. In response to the weak economic conditions of the past five years, the EU has pursued this task with reinvigorated purpose.

Following the 2014 European elections, Jean-Claude Juncker, the Commission President for 2014-2019, reaffirmed his commitment to job creation and growth policies in his first address to the European Parliament. Within this context, the reinvigoration of Europe's industrial base through greater investment is central to Europe's competitiveness. Likewise the freeing up of SMEs through cutting red-tape both at European and at national level are core priorities. As noted by Commission President Juncker: *"SMEs are the backbone of our economy, creating more than 85% of new jobs in Europe and we have to free them from burdensome regulation."*

The express sector has developed into a major economic enabler for SMEs in Europe through rapid and reliable delivery services. SMEs typically do not have their own transport delivery infrastructure and therefore rely on express as a connector to the European and global market place. In fact, nearly half (43%) of SMEs in Europe report that without next-day delivery services that express provides, they would probably lose orders. A study conducted by Oxford Economics reports that 15% of SME sales revenues depend on express delivery. The role that the express sector can play in supporting policy-maker efforts to galvanise SMEs in the EU is therefore clear.

Quick wins to reduce red tape and increase SME competitiveness

SMEs have fewer resources at their disposal than large companies and are more readily hindered by red tape and regulatory inconsistencies. This of course limits their ability to expand across borders both inside Europe and globally to create additional value and jobs. It is important therefore to find the low-hanging fruit that can help clear a path allowing business, especially SMEs, to flourish. One core area of focus relates directly to the ability of business, especially SMEs, to move their goods and products across EU

borders. For example, **harmonised entry and exit conditions for goods** as outlined in the EU's Union Customs Code would enable companies to carry out the process of centralised customs clearance in one Member State, even though the shipments may physically move directly to a destination in/to another Member State. Dealing with one responsible customs authority for all EU customs clearance would offer significant cost benefits and efficiencies for businesses, especially SMEs, as well as customs authorities and consumers in the EU.

At the same time, overly rigid customs systems will certainly add complexity, administrative burden and costs to European businesses without providing benefits for a safety and security risk assessment. An example being the mandatory requirement for a harmonised system code in the **declarations to be submitted for risk analysis purposes before a shipment arrives in the EU**. The provision of a harmonised systems code is an effective tool for fiscal risk assessment, but not for risk assessment for security and safety purposes. Flexibility in the system needs to be maintained so that, for instance, the existing systems for a description of the goods can be retained.

These types of approaches may not be headline grabbers, but they are critical to the day-to-day operations of any European company wishing to generate wealth, create jobs and be more competitive internationally. At the same time, the realisation of full uniformity of customs procedures can increase Europe's attractiveness for investors from abroad, which in turn would create jobs and clearly contribute to economic prosperity of the continent.



"In the era of global value chains, deeper and stronger express delivery services allow for greater economic possibilities".

Günter Verheugen,
Former Vice President and
European Commissioner for
Enterprise and Industry

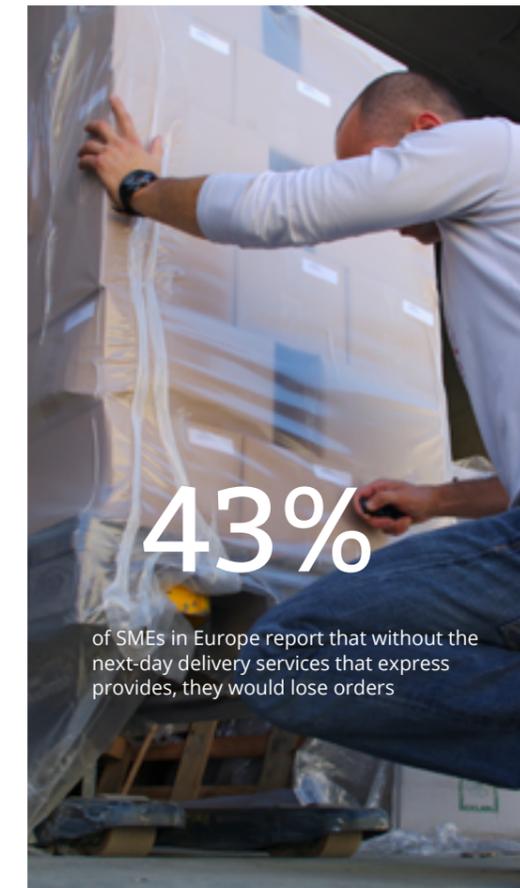
Putting open global markets at the centre of Europe's growth

Express delivery services allow companies to engage in international trade and global value chains. Trade facilitation agreements at the WTO, binding commitments on delivery services at the WTO's **Trade in Services Agreement (TISA)** talks, and bi-lateral commitments to market access with the United States in the **Transatlantic Trade and Investment Partnership (TTIP)** negotiations will further enable European producers – especially SMEs – to more readily benefit from global supply chains.

Today, trade is increasingly in intermediate goods which often rely on express delivery to meet just-in time production processes. Increased demand for European exports – external demand to GDP – is essential during a period of weak public and private demand. Nearly 15% of output in the EU satisfies final demand in other regions, suggesting that European companies are well placed to increase their output by supplying demand outside of the EU.

POLICY RECOMMENDATIONS FOR THE NEXT FIVE YEARS

- 1 Stimulate business expansion, especially for SMEs, and inward investment through modernised, simplified and harmonised EU customs procedures for import and export of goods
- 2 Ensure flexibility in the declaration of goods at the first point of entry into the EU to avoid complexity and excessive and costly administration
- 3 Pursue binding commitments on delivery services in multi-lateral and bi-lateral trade negotiations to allow European business to flourish globally



43%
of SMEs in Europe report that without the next-day delivery services that express provides, they would lose orders

Part 2

A Deeper Internal Market

The 2014 high-level policy objectives of Commission President Juncker outlined the European Commission's new vision for both a deeper and fairer internal market, with a strengthened industrial base. Specifically, a priority for the EU is to "complete the internal market in products and services and make it the launch pad for our companies and industry to thrive in the global economy." The transport and, specifically, the global express industry can play an important role in meeting this objective.

A Single Transport Area as a Catalyst

The Union's future priorities place great importance in investment in transport infrastructure, especially in industrial centres, as a means to boost jobs, growth and investment in the EU.

Undoubtedly prosperity in the EU is directly linked to the ability to move goods and products efficiently across the bloc. The effective **liberalisation of transport modes**, especially in the road, rail and airport ground handling sectors are critical steps in this process. Likewise, the acceleration of the **Single European Sky** project is fundamental to the consolidation and ultimate completion of the internal market as well as the elimination of indiscriminate constraints to express services, such as night flight bans, which could reduce EU GDP by €30 billion a year.

At the same time, new initiatives need to be coupled with consistent implementation of existing laws. The **Postal Market liberalisation** process has been a substantial achievement of the Single Market, and Europe today has the world's most progressive postal market. However disparities of transposition at national level risk minimising the overall benefits that liberalisation can provide. Pressure must therefore be maintained to ensure that rules are applied consistently and correctly across the EU, while avoiding unnecessary administrative burdens.

Maximising the Customs Union

The cornerstone of the prosperous EU internal market is its **Customs Union**, a fundamental policy objective since the inception of the European Economic Community in 1958. Uniform EU customs procedures help facilitate European trade and increase Europe's attractiveness for investors globally.

Today the EU still faces the challenge of applying common rules across all its Member States, ensuring the flow of goods and

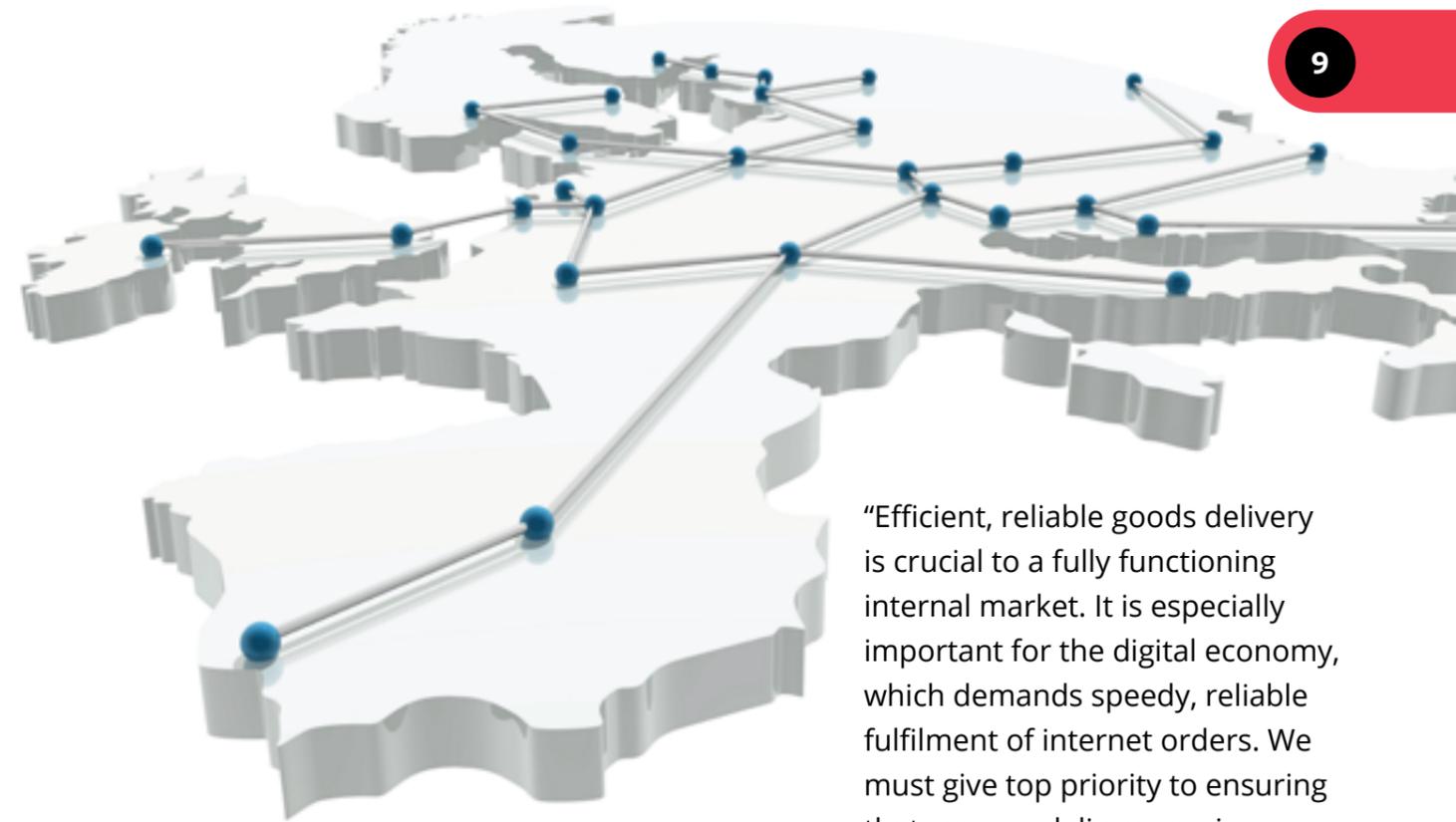
protecting people's health and safety. Express carriers, representing over 30% of customs clearances and some of the largest customs brokerage operations in the EU, are well-placed to spot the potential advantages that uniform procedures can bring.

As mentioned in the previous section, **harmonised entry conditions for goods** entering the Internal Market, as outlined in the Union Customs Code, would have a supremely beneficial impact on Europe's industrial base especially SMEs. Allowing of centralised customs clearance in one Member State, even though the shipments may physically move directly to another Member State would represent a truly Single Market regime and unlock enormous economic potential in the EU.

A Secure Internal Market

For the internal market to function effectively, it must be secure. Security procedures are a vital component of smooth-running operations across the cargo transport sector. Nowhere is this truer than in the express industry. **Harmonised security standards** hold the potential to simplify the movement of goods into the EU and enhance cargo security, impacting both cost-effectiveness and delivery time for the customer. This in turn encourages increased trade, investment and productivity in the EU.

As the internal market balances the flow of goods with the protection of its citizens, it also recognizes that trade and security are not mutually exclusive. They are both made more effective by focusing on increased **harmonisation and standardisation of security measures**, ongoing development of air cargo security screening technologies, and an approach that is threat-based, risk-managed and based on intelligence sharing. The "Authorised Economic Operator" Programme for instance, will also lead to the acceptance of EU security and customs controls by third countries, leading to 'one stop security' thus avoiding time in transit delays and significant additional cost through the duplication of inspection controls.



30%

of customs clearances in the European Union by Express carriers

"Efficient, reliable goods delivery is crucial to a fully functioning internal market. It is especially important for the digital economy, which demands speedy, reliable fulfilment of internet orders. We must give top priority to ensuring that express delivery carriers are able to operate seamlessly inside our common borders."

Malcom Harbour, Former Chair of the European Parliament Committee for the Internal Market and Consumer Protection

POLICY RECOMMENDATIONS FOR THE NEXT FIVE YEARS

- 4 Drive forward the Single Transport Market, through liberalisation of transport modes and rationalisation of European airspace
- 5 Ensure effective implementation in the liberalisation of the postal services sector while avoiding unnecessary administrative burdens on the express sector
- 6 Ensure a truly Single Market regime for customs
- 7 Harmonise air transport cargo security standards to stimulate trade and investment and reduce complexity for business
- 8 Focus on the acceptance of EU security and customs controls by third countries



Part 3

A Connected & Digital Marketplace

The European economy is increasingly tied to digital developments across multiple areas, from payments to data protection and e-commerce. The EU is committed to the advancement of digital markets, notably through the Europe 2020 Strategy, which established a Digital Agenda to update the rules of the Single Market for the digital era. Furthermore, the promotion of “A Connected Digital Single Market” will be a continued focus of the next Commission, with the potential to “generate up to €250 billion of additional growth in Europe [...]”

Strengthening the e-commerce transaction platform

Within this broader agenda the modernisation and simplification of consumer rules for online and digital purchases will be central. The express sector has been providing fully integrated cross border delivery solutions for many years and supports growth through e-commerce. In fact, 30% of e-commerce sales depend on express, and the sector delivers more than 450 million packages each year connecting large companies and SMEs to all regions of the Single Market.

Simply put, e-commerce is highly dependent on reliable next-day delivery services as a fulfilment component of the transaction between buyer (consumer) and supplier (e-retailer). Express operators rely on customer’s satisfaction and they are aware of the highly competitive market in which they operate. As a result, it is their main interest to offer competitive solutions to meet the needs of their customers. Of course, the express operators are not alone in the e-commerce market and e-retailers also play an important role, not least because they are directly involved in the relationship with the end-consumer. Therefore a **better integration of all the solutions offered by express operators and e-retailers** will be key to resolving the bottlenecks identified by the Commission in the development of e-commerce.

Raising *de minimis* to facilitate e-commerce and boost SMEs

With the development of e-commerce being a priority for the EU and with a desire to make shipping more efficient, there is a need to **review the “*de minimis*” threshold** and bring it in line with the new reality of the European economy. The *de minimis level* is the value under which shipments are not subject to duty and taxes or formal customs procedures.

Establishing a higher *de minimis* value would reduce overall compliance costs, shorten delivery times, and encourage low-value imports, especially direct purchases by consumers and SMEs from foreign suppliers. Raising the level would therefore remove barriers to entry for SMEs that use online sites to market their products and express services to deliver the products.

Reduce red tape through paperless eCustoms

Harmonised **electronic and paperless systems** governing the movement of goods into, out of and across the EU are fundamental to a digital and connected Single Market. Despite this, paper-based systems persist and continue to add unnecessary burden on businesses, potentially creating delay for the European consumer.

For example, shipments in transit under the supervision of customs within or across the EU have historically been controlled via paper-based transit documents. In recent years the basic transit procedure has been made paperless using the **New Computerised Transit System (NCTS)** as a means of communication between customs administrations. NCTS originally aimed at avoiding the need for shipments to be accompanied by paper and allowed for electronic airlines manifests to be used to replace individual transit documents.

However, within the implementation process of the Union Customs Code, this simplified procedure risks not being maintained and an accompanying paper document is to be required. This would add unnecessary costs and bureaucracy and constitutes a significant hindrance to European businesses dependent on time sensitive next day deliveries. **Electronic customs systems**, especially pre-existing ones, should be retained wherever possible.

30%

of e-commerce sales depend on express, and the sector delivers more than 450 million packages each year.



“In a world in which traders have discovered that time is literally money, an efficient supply chain in all its aspects is essential for countries to access the complex trading networks in global value chains. Reducing time, costs and uncertainty along the supply chain is beneficial for the economic growth of any modern state.”

*Michael Joseph Ferrantino,
Lead Economist at the World Bank*

RECOMMENDATIONS

- 9 Drive the development of e-commerce through better integration of all the solutions offered by express operators and e-retailers
- 10 Raise *de minimis levels* on shipments into the EU to encourage e-commerce, boost SMEs and expedite delivery services
- 11 Maintain the use of paperless declaration systems for businesses transiting goods through or within the EU

€ 250 billion

of additional growth in Europe can be generated through “A Connected Digital Single Market”.

Part 4

Galvanising Sustainable Growth

Sustainable growth is one of the key overarching goals of the EU and is central to the Commission's future policy priorities. Further limiting emissions from the transport sector is a core element of ambitions in this regard.

The 2011 White Paper on the Future of Transport envisions a 50% reduction of emissions from the transport sector by 2050. At the same time, transport can play a key role in sustaining Europe's economic recovery, given its accepted role as a catalyst for Europe's own economic development. It is therefore imperative that policies are adopted that help foster both the environmental performance as well as economic performance of the sector. The two are not mutually exclusive.

Encouraging innovative solutions

Given the high pressure on improving the sustainability of the transport sector, the express industry, responsible for 269 million intra-EU cross-border deliveries in 2010, is by definition critical to developing sustainable solutions in the transport of goods. Innovative industry initiatives have the greatest potential to lead to efficient solutions, generating both cost reductions and sustainability benefits.

Express delivery services operate with high frequencies and volumes on a determined network, for instance between air hubs and road hubs. The use of the **European Modular System (EMS)** or "ecocombis" for such hub-to-hub operations on suitable road infrastructure and on trans-border routes would have the effect of significantly reducing congestion, fossil fuel use, and exhaust gas emissions. EMS can require up to 15% less energy per tonne-km of freight transport, in comparison to normal Heavy-Duty Vehicles. Trials in the Netherlands showed that through EMS transport CO₂ emissions can be lowered by 11%. The environmental benefit is accompanied by a cost reduction for the transport operators in a range between 25% and 40%.

Next day deliveries, a core feature of express services, can only be guaranteed by overnight transportation, which may require night

flights. The express sector has therefore invested greatly in the last decade for the reduction of noise from aircraft and continues to cooperate with airports to minimise the noise impact of airport operations. The express sector is working to apply the International Civil Aviation Organisation (ICAO) **Balanced Approach** of 2001, which establishes a mechanism by which airports develop specific noise management plans.

The express sector supports high and realistic **emissions standards for vehicles** at European level. Alongside this, a more "out of the box" approach can incentivise the take-up of innovative and sustainable vehicles. In short, the stick should be accompanied by the carrot. For example, financial (e.g. credits with low interest rates) and in-kind incentives at EU and national level (e.g. allowing energy efficient vehicles to use bus lanes) should be encouraged for technologies that enable a reduction in energy consumption (for example EURO VI vehicles, ITS devices and electric hybrid vans).

Using existing resources to the maximum

Sustainability is not just about innovation, it is about using the existing resources that Europe has at its disposal. It is estimated today that up to 30% of trucks running on European roads are empty. For the express sector, **full cabotage liberalisation**, which would allow trucks to load and unload anywhere in the EU, ensuring optimum use of capacity, enhancing the efficiency of European supply chains, reducing costs and limiting emissions.

At the same time, the realisation of a **Single European Sky (SES)** would have significant benefits on the efficiency and sustainability of express operations, leading to an overall CO₂ reduction of up to 12% for European aviation. The SES should therefore be achieved at the earliest opportunity.



15%

less energy per tonne-km of freight transport, through the European Modular System in comparison to normal Heavy-Duty Vehicles.

POLICY RECOMMENDATIONS FOR POLICY-MAKERS

- 12** Support the cross-border use of European Modular Systems between neighbouring and consenting Member States
- 13** Provide for meaningful incentives to help with the take-up of innovative transport solutions which enable emissions reductions
- 14** Ensure greater liberalisation of the road market in Europe through full cabotage liberalisation to maximise transport resources
- 15** Push forward the completion of the Single European Sky to increase efficiency of Europe's airspace
- 16** Ensure the correct application of the Balanced Approach on aircraft noise

