

# *Manifesto for a Post-COVID-19 Recovery Towards Smarter and More Sustainable Transport*

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## Highlights

In Fall 2019 we published our [Manifesto for the next five years of EU regulation of transport](#) as an input for the incoming European Commission, and the Directorate General for Mobility and Transport (DG MOVE), in particular. It contained our ideas and recommendations for how to further advance the *Single European Transport Area* (SETA).

It is fair to say that, of all the EU policy areas, transport was probably most dramatically hit by the recent COVID-19 pandemic, both internally and across the Member States. But, at the same time, the past three months have also demonstrated how crucial a well-functioning transport sector is for each country and for the EU as a whole. As a matter of fact, transport is foundational for the very functioning of a country and of Europe, be it in times of crises, or not.

Against the backdrop of the pandemic we, at the Transport Area of the Florence School of Regulation, have concluded that our original Manifesto needed updating, not so much in terms of its objectives, but rather in terms of making sure that proposed objectives are not sidelined, rolled back or even abandoned. We remind readers of the EU's overarching objective - to achieve a decarbonised SETA by making optimal use of both market and funding instruments as well as of digitalisation.

Because of the virus, national priorities have come to overshadow common European interests. These fragmented approaches have thrown us back to pre-SETA times, and sometimes even beyond, and greener modes of transport appear to be less of a priority at the present, especially, if judging by the allocation of State aid, for which the main beneficiaries have been the aviation and the automotive sectors. It is our contention that the original agenda towards a digital and decarbonised SETA remains not only valid, but is needed more than ever before.

POLICY BRIEF



In this Post-COVID-19 Manifesto we therefore set out to examine the response to the crisis in matters of transport at this stage and to make recommendations as to how main recovery measures can be turned into opportunities for furthering the SETA.

This Manifesto is structured in the same way as our original Manifesto. In the first part, we will highlight both the threats to an integrated European transportation area and the opportunities that arise from the various recovery measures, which would not only bring it back on track but, furthermore, accelerate it. In the second and third parts of this Manifesto we look at how digitalisation can and should be used to that effect and how decarbonisation of European transport can be further developed, to the benefit of the SETA and in line with the Commission's [European Green Deal agenda](#).

## Past and Future of the Single European Transport Area

The overarching political objective of the European Union in the area of transport, namely the construction of a Single European Transport Area (SETA), has been put at risk as a result of the pandemic, in particular because of the asymmetric political response from different Member States. There is indeed a very real risk of losing the progress achieved over the past 30 years, both in terms of the construction of a single transportation market and in terms of harmonising corresponding rules about market opening and access, not to mention environmental protection and cohesion.

Clearly, the response to the COVID-19 crisis has been led by the Member States. This has been the case for the closing of borders, for the specific restrictions to transport and then, for the support provided to selected transport companies particularly affected by the demand shock, including State aid and even nationalisations.

The COVID-19 crisis has triggered the most drastic closure of borders between Member States since the adoption of the Treaty of Rome and actually, since WWII. Member States almost completely banned passenger cross-border services during the peak of the pandemic. While it is obvious that restrictions to mobility were necessary, the unavoidable tensions and lack of coordination regarding border closures have

created asymmetries across the Union. Today, there is overwhelming agreement that there is an urgent need for a more systematic, more harmonised approach to the management of transport between EU Member States.

Specific restrictions in the provision of transport services have been decided at national levels. Overall, Member States have imposed drastic reductions in the provision of these services during the confinement. Other restrictions are being decided by the various Member States on a more permanent basis in order to ensure social distancing. Supply of public transport is being severely limited. Disparate rules are being applied in different Member States. This disparity in legislation is also true in the various transport modes: from fewer restrictions in aviation to more restrictions on trains and buses. Again, there seems to be agreement that a more uniform approach, across Member States and across transport modes, would be desirable, so as to ensure clarity for both transport operators and users throughout the EU.

The shocks in both supply and demand have led to widespread State aid so as to support transport operators in various manners. This support has been highly asymmetric, with asymmetries between Member States, between transport modes and even between business models in the same transport mode. These asymmetries have been particularly pronounced between Member States. Some Member States are striving to be faster and more generous in the provision of aid to transport undertakings. Other Member States, mostly those with weaker public finances, are more restrictive in providing aid to transport companies. The consequences of this will only become visible after the crisis.

As regards to transport modes, important asymmetries can also be observed. Aviation and the automotive sector have been the biggest beneficiaries of State aid. In the air transport sector, for instance, over €30 billion (as of 12<sup>th</sup> June 2020) has gone to airlines. In France alone, on the other hand, a €5 billion loan guarantee to the Renault group was approved to mitigate the economic impact of the Coronavirus outbreak<sup>1</sup>. In all this, systemic considerations, be they for a sector (aviation, urban transport) or for the entire mobility chain, have been totally lacking.

1. [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_779](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_779)



Other transport modes such as railways and urban transport have received less or no support. Railways were probably considered to be less in need of State aid because they were already State-owned, while urban or regional operators (i.e., bus, rail, airports) were not considered of national importance.

State aid has not been homogenously distributed in each transport mode either. National champions with traditional business models have typically received more support, while new entrants (for example, low cost air carriers) have received less or no support. On the flip side, analyses of the aviation sector have shown that the low-cost and alternative business model carriers have proven to be more resilient to the effects of the crisis as compared to incumbent players, which, in turn, could provide an alternative explanation for the disproportionate allocation of State aid.

Needless to say, all these asymmetries constitute a major threat to the SETA as originally conceived. Not only are some competitors receiving an undue advantage, thus distorting competition inside a sector or across the different transport modes, but State aid is often contradicting the traditional objectives of the EU's transport policies: players receiving more State aid are typically those still aligned along national borders, while newcomers and urban transport operators, which are not structured along national borders, are granted nothing. Furthermore, these asymmetries are also playing against the EU's objectives which favour more carbon neutral transport modes: typically, aviation and automakers are receiving more support than railways and urban public transport. Finally, asymmetric State aid is playing against cohesion policy, thus strengthening undertakings based in Member States that are financially more solid.

Overall, this is not a positive evolution, for transport users or for Europe. In what follows, we will thus make recommendations as to the way post-COVID-19 recovery measures can and should be used to strengthen, rather than to weaken the SETA.

### ***Better Plan for Crises Situations***

In light of the uncoordinated border closures between the Member States, a more coordinated and better planned approach to crises situations is obviously needed. The Commission has responded proactively in the form

of so-called 'green lanes' for freight transport, thus guaranteeing the circulation of goods and the availability of supplies along the TEN-T Network. Building on this experience of the 'green lanes', a more systematic approach for managing border closures and openings in case of future crises seems absolutely necessary. This necessity has already been acknowledged by the German Council Presidency, who have announced the intention of setting up a European emergency pandemic plan for freight transport.

### ***Harmonise National Restrictions***

The COVID-19 crisis has revealed more generally, serious limitations in the EU transport legislation when it comes to facing exceptional circumstances. EU transport legislation has rightly focused on eliminating restrictions to the provision of transport services. But less to no attention has been devoted to the harmonisation among the Member States of the restrictions that are required under exceptional circumstances. As a consequence, EU legislation does not have, on the one hand, provisions for Member States, for transport service providers and for infrastructure managers when it comes to measures that may be adopted when facing exceptional circumstances. On the other hand, certain caveats and exceptions that exist in the EU framework allow Member States to introduce restrictions, but there are no provisions for harmonising or coordinating such restrictions, so as to have the EU transport system react in a coherent way to these very exceptional circumstances. Resilience should thus become a much more relevant objective of the EU transport regulatory framework. It thus seems advisable to review the different transport Regulations and Directives with the aim of introducing instruments to face crises in a more harmonised way in the future. Enhanced coordination will also be needed among transport operators when it comes to the implementation of alternative protective measures for social distancing. Currently there are huge discrepancies in the measures adopted across and within Member States as well as across transport modes, ranging from legal requirements to mere recommendations for the wearing of masks, for instance.



### ***Support Transport Operations, not just Infrastructure Development***

In the past, the actions of the Union have been focused on the improvement of infrastructures, particularly cross-border infrastructures and infrastructure in territories benefiting from cohesion funds. COVID-19 has shown that infrastructure itself is not enough and that the existing network of transport services is delicate and deserves protection. Therefore, EU funds could and should also support cross-border services, for example by funding public service obligations (PSOs) defined at the EU level, as well as services under PSOs in Member States, at least as long as the necessity of the services is demonstrated within the framework of a coherent, smart and sustainable plan.

### ***Use Recovery Instruments for Transport***

The Commission has proposed a [Recovery Plan for Europe](#). It includes a reinforced, long-term budget for the EU for the period 2021-2027, but also a new recovery instrument of €750 billion for the period 2021-2024. The New Recovery Instrument should provide funds for transport, as transport has been one of the sectors that has been hardest hit by the COVID-19 crisis, not only during the confinement period, but also going forward, as social distancing requires special measures for transport service providers and for the managers of transport infrastructures. The Commission has already admitted that transport companies will be among those with a larger liquidity shortfall by December 2020. This is of major relevance, as transport is a basic service supporting the rest of the economic and social activities more generally. It is, in our opinion, a priority to ensure the financial viability of the transport industry. The following instruments proposed by the Commission can and should thus also be used to support transport operations:

- The European Recovery and Resilience Facility (€560 billion) for grants and loans by implementing Member States' national recovery and resilience plans defined in line with the objectives of the European Semester;
- REACT-EU: Recovery assistance for cohesion amongst the territories of Europe (€55 billion);

- Next Generation EU funds (€55 billion) to support the green transition to a climate-neutral economy;
- Enhanced InvestEU Programme, including a Strategic Investment Facility (€30 billion);
- New Solvency Support Instrument to support equity of viable companies (€31 billion).

### ***Use Recovery Funds to Counterbalance the Asymmetries Created by the Member States***

In terms of advancing the harmonised goals of the SETA, the new recovery instrument could and should also counterbalance the asymmetries generated in the transport sector by the various national responses to the crisis. In this way support could be provided to those players that have been left out, often as they operate cross-border or service less resilient territories. More generally, the money should be used to support the European perspective, the Single Market and the integrated mobility system across all transport modes.

### ***Condition State-aid to the Goals of the SETA***

Overall, the COVID-19 crisis is triggering an array of public interventions in the transport sector at national and sometimes even at EU levels, often in the form of financial support, which are, unfortunately, rolling back years of effort towards an integrated European market and mobility system. Yet, already existing EU legislation provides tools to control State aid and can certainly be applied in order to decide how these EU funds should be used. These tools, in our opinion, should be used to see that the allocation of funds align with the goals set for the industry, namely the smart and sustainable SETA. In this regard, the Commission's Directorate General for Competition (DG COMP), in particular, plays a fundamental role. DG COMP has published a Communication on the temporary framework for State aid measures to support the economy in the current COVID-19 outbreak,<sup>2</sup> as well as three specific documents on State aid for air, land and maritime transport. While each case of course has to be decided according to the legislation and the merits of each individual aid and company, it is important to keep a balance between all

2. Adopted on 19 March 2020, OJ C(2020) 1863) with amendments on 3 April and 8 May





the cases in order to guarantee a level playing field across the EU. In this way equilibrium between Member States, a balance between the different transport modes, and a balance inside each transport mode can be upheld.

### **Condition National Recapitalisation Measures to the Goals of the SETA**

The Commission has been particularly clear in the conditioning of recapitalisation measures (nationalisations). On the one hand, *‘large undertakings must report on how the aid received supports their activities in line with EU objectives and national obligations linked to the green and digital transformation’*.<sup>3</sup> Moreover, *‘If the beneficiary of a COVID-19 recapitalisation measure above EUR 250 million is an undertaking with significant market power on at least one of the relevant markets in which it operates, Member States must propose additional measures to preserve effective competition in those markets. In proposing such measures, Member States may in particular offer structural or behavioural commitments’*.<sup>4</sup>

In terms of commitments, it is important to note that they have to be offered by the Member State granting the aid, not by the undertaking, as in the case of mergers. This broadens the scope of the commitments, as they are not limited to the activity of the company, but can be extended to the whole ecosystem where the company is active, and, in particular, to legislative measures ruling the ecosystem. In our previous Manifesto, we underlined how liberalisation was more advanced in the provision of services than in the management of transport infrastructure. Commitments could also be extended to the legislation on infrastructure management, even if the State aid is directed to a service provider.

### **Use Recovery Funds to Further the Digitalisation and Decarbonisation of the SETA**

The new EU funds for transport should be used wisely, not only to support the industry, but also to ensure that it advances in line with the goals set for the industry: the single market, digitalisation and the green transition (see below). Some of these recovery instruments could and should even be used to diminish the investment gaps for

the green and digital transitions in transport. It has been calculated that, out of the green transition investment gaps, transport represents €120 out of the €470 billion, and certainly a fair share of the digital transformation investment gap of €125 billion.<sup>5</sup>

The COVID-19 pandemic is going to strongly influence the path taken by the European transport sector and the subsequent progress made towards the Green Deal objectives. Imminent EU and national fiscal recovery packages will thus be decisive in determining whether the current mobility system becomes more integrated, smarter and more sustainable. In this regard, the Sustainable Taxonomy, EU Green Bond Standard, and Paris-Aligned and Climate Transition Benchmarks, developed by the EU Technical Expert Group on Sustainable Finance (TEG), are key tools that should guide public and private sector recovery plans in the COVID-19 aftermath, as well as the Commission’s Recovery Package.<sup>6</sup>

The post-COVID-19 period will be one marked by a serious shortfall in private investment, with many companies facing liquidity issues. Despite this, the private sector will continue to play a decisive role in shaping a sustainable recovery path. Corporate and investor strategies that do not clearly align with the EU’s climate and environmental objectives are not only putting themselves at greater financial risk (i.e., stranded assets), but may also possibly derail overall progress on the Green Deal agenda. It will be crucial that private sector recovery plans are transparent and clear on their alignment with the EU decarbonisation and digitalisation transitions.

## **Smart Transport**

Digitalisation will continue to transform the transport sector. In the absence of the power of many of the above outlined measures, it may well be the most powerful force; indeed, it may also be the only force aiming towards a more integrated European as well as towards a more multi-modal mobility system. Technologies, such as artificial intelligence (AI), automation, electrification of transport and others, create as many opportunities

3. Ibid. p. 18.

4. Ibid. p. 23.

5. Commission Staff Working Document Identifying Europe’s recovery needs

6. [https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/200426-sustainable-finance-teg-statement-recovery\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200426-sustainable-finance-teg-statement-recovery_en.pdf)



to increase efficiency for the benefit of the user and the overall competitiveness of the European economy, to increase safety and to reduce CO<sub>2</sub> emissions. Overall, technology provides many new instruments to accelerate the SETA. However, such digital technological dynamics as applied to transport should not simply be left to market forces and national interests; rather it should be channeled to serve the SETA and thus be accompanied by a corresponding regulatory framework. Current financial recovery, conditioning and regulatory instruments can and should thus be used to support the technological power for the SETA.

### **Digitalisation for Better Coordination**

We have already seen how digitalisation can contribute to efficiently managing social distancing, which is an exceptional challenge for the transport industry. It forces new habits, new ways to use transport infrastructures, new ways to provide services and new intermodal solutions for passengers. Digital technologies can be used by transport operators to adapt their services to the new circumstances, communicate changes to passengers and enforce the new rules. Passengers can use digital technologies to identify the new conditions for transport and adapt their mobility habits, thus fully exploiting multimodality. Boosting Digital Automatic Coupling technologies can also be the basis for a revolution of rail freight and, at the same time, resolve capacity challenges of rail infrastructures. This is directly linked to automated train operations and therefore, to improved end-to-end rail-based transport solutions.

However, digitalisation cannot be an isolated exercise on the part of each player. The full benefit of digitalisation can only be exploited by coordinating the disparate digitalisation efforts of the different players: infrastructure managers, service providers, passengers, shippers and public authorities. Clearly, a systemic view is in order here. Indeed, supporting a coherent European digital response to COVID-19, both by applying financial recovery measures to it and by conditioning, would undoubtedly make the transport system more resilient and efficient for the future.

### **Data Sharing**

The current crisis is also a good opportunity to accelerate data sharing if properly supported, conditioned and regulated. The coordinated digitalisation of transport requires standardised data to flow across the different transport ecosystems, if digitalisation is to be fully exploited. Business-to-Business data exchanges, particularly between infrastructure managers and transport service providers, is necessary for a more resilient and efficient SETA. Transport actors can drastically improve their efficiency through better coordination, thanks to technology. Digital port calling in maritime transport, a faster implementation of the European Railway Traffic Management System (ERTMS) in railways, and a new Air Traffic Management (ATM) system based on higher levels of automation, virtualisation and enhanced data analysis can significantly improve European transport.

Reluctance by the different operators to digitalise and share data with other industry players often alludes to the strategies of players hoping to protect their market power. Actually, obstacles to data sharing are often the reflection of the refusal to better coordinate with other actors, for instance, in the provision of access to infrastructure services. More sector specific measures for transport could and should therefore be introduced in the EU Data Strategy.

Business-to-Customer data exchanges, often connected to the commercialisation and ticketing of services, are usually perceived as being delicate, as they can modify the *status quo* to the benefit of new digital actors and to the detriment of traditional players who are heavily investing in the provision of transport services. Data sharing for the full display of information for passengers and shippers, so they can better decide on their travel plans seems a right objective and a balanced obligation to be imposed upon traditional players, if they benefit from public funding.

On the contrary, disguising the obligation imposed on transport services providers to sell their services through digital platforms as ‘data sharing’ could unbalance the equilibrium between traditional and digital actors in favor of cream-skimming and to the detriment of the financial viability of infrastructures and operations. The terms for platforms and aggregators to become distributors of



transport services should be commercially negotiated. Compulsory commercialisation of transport service through digital platforms should only be imposed on traditional players under exceptional circumstances and only when the regulation of platforms is mature enough to avoid abuses by ‘winner-take-all super-intermediaries’. Air transport provides the right model in this regard, wherein widespread data sharing co-exists with a long-lasting regulation of the activity of the intermediaries (i.e., Computerised Reservation Systems).

### ***Towards a Digitally-Deepened SETA***

In our previous Manifesto we stressed how digitalisation can support, accelerate and deepen the construction of the SETA. Fragmented systems with thousands of transport service providers and infrastructure managers, such as the scenario in the current European transport area, can and should be integrated, not only at the infrastructure and at the service layers, but also at the new data layer (on top of both of them).

Integration at the infrastructure and at service layers has proven elusive. Since the construction of the SETA was initiated back in the 1980s, obstacles continue to be observed at many levels. Liberalisation has proven effective in removing barriers to better transport services, but it has not delivered in terms of creating competition between players active in all the European territory. Legacy national service providers have not evolved into continental companies, and newcomers are too weak to provide service in all the territory. The COVID-19 crisis has made this limitation all too evident. The fragmented and nationalistic response to COVID-19 has significantly set us aback.

Liberalisation of the infrastructure layer has proven impossible, as infrastructures are often natural monopolies - at least the scope of competition is limited there. The construction of a regulatory framework substituting the pressure of competition was the alternative, but Member States have often blocked the adoption of a fully coherent and effective regulatory framework for transport infrastructure.

Digitalisation clearly appears as the new opportunity for the construction of the SETA. The network of infrastructure managers, under the right access regulation and participating in the network of service

providers in competition, even within a geographically limited reach, can be coordinated at the data layer so as to provide passengers and shippers a seamless experience across the EU. The objective is to create a network of networks at the data layer. We believe that the COVID-19 crisis can accelerate the digitalisation of transport infrastructure and service providers and the adoption of digital technologies by European citizens, but only if digitalisation is properly framed, regulated, funded and conditioned.

### **Sustainable Transport**

The Green Deal in general and Sustainable Transport in particular should remain the overarching objectives, also in the post-COVID-19 era. In light of the fact that this sustainable transport agenda is seriously jeopardised by the current responses to the crisis, we would like to reiterate that the objectives laid out by the Commission in terms of reducing the sector’s CO<sub>2</sub> footprint as well as tackling air- and noise-pollution stemming from its operation, should be upheld. Furthermore, EU recovery funds, authorisations and harmonisation efforts should all be focused on furthering, as opposed to weakening, Europe’s sustainable transport agenda. Let us recall this sustainable transport agenda, mode-by-mode, as well as indicate how post-COVID-19 recovery measures should be used to advance it.

#### ***Giving a Boost to Rail***

The shift of passenger and goods transport to rail constitutes a key pillar of the EU transport decarbonisation strategy. What is more, the higher safety and reliability of rail freight have been brought to light more prominently during the COVID-19 pandemic, where rail has offered efficient cross-border cargo connections carrying large volumes of essential goods and medical supplies using minimal human resources. To promote a modal shift, the cross-financing of rail infrastructure with road tolls should therefore be supported in the revision of the [Eurovignette Directive](#) on road charging. If adequately designed, the Directive could enable the fair and efficient use of road transport infrastructures and could moreover, help generate revenue for reinvestment in clean technologies and infrastructures, such as rail. We argue that the current crisis should not deter the revision



of the Eurovignette Directive. What is more, improved connections of South-Eastern European Mediterranean ports to the European core network should be further supported, in light of their importance in supplying goods from transcontinental shipments.

Similarly, passenger and high-speed rail are likely to grow in significance as the aviation sector undergoes restructuring and short-haul flights become increasingly replaced by high-speed rail. In fact, according to UBS Research, Europe's high-speed rail market is set to grow by 10% each year this decade. According to the [2011 Transport White Paper](#), high speed rail should absorb a significant share of the medium distance traffic (300 to 1000 km), triple the length of the existing high-speed rail network by 2030 and complete a European high-speed rail network by 2050. There is thus a need to promote climate-friendly transport modes to reduce externalities and to foster the creation of a European high-speed network that is interoperable, linking European capitals and major cities, while connecting urban nodes and airports.

What is more, just before the arrival of COVID-19, a growing number of rail operators were starting to reintroduce night-train services in response to growing public demand. Facilitating this modal-shift from air to rail will require public authorities, rail companies, as well as airlines and airports to work closely together to develop high-speed train links between key cities where traffic volumes justify it, and to boost investments which will improve infrastructure and frequency. The French government recently announced that its financial support to Air France-KLM was pre-conditioned on a set of sustainability criteria, which include a commitment to reduce greenhouse gas emissions by 50% by 2030 and to halve domestic flight emissions by 2024. In short, the Commission's recovery package should provide an important stimulus for rail, while supporting the aviation sector's decarbonisation objectives. Having said that, measures to promote modal shift should ensure that the carbon intensity per passenger-kilometre of travel is reduced, taking into account the full cost of building transport infrastructure.

Transport infrastructure policy at EU level, and in particular the Trans-European Transport Network (TEN-T) policy, is a fundamental instrument for the promotion of important transport projects. Adequate

resources should thus be committed for the timely completion of the TEN-T core network by 2030, in particular for cross-border projects and their access routes.

Notwithstanding the positive long-term outlook for rail, in the immediate term, ridership and demand are likely to drop for both mainline and urban rail passenger services due to the need to comply with social distancing rules and the general limitation of movement. According to a [study by SCI Verkehr](#), in a scenario where governments re-introduce lockdown measures due to a virus resurgence in autumn, a reduction of 40% in passenger traffic for 2020 as a whole can be expected, while rail freight transport across Europe might decline by nearly 20%. The net result of these trends would be a significant reduction in the funding available for investment, which, in turn would have a negative impact on vehicle procurement volumes.<sup>7</sup> In light of this, it is paramount that the new Multiannual Financial Framework (MFF) prioritises the development of an efficient rail network in line with the Green Deal objectives. In this regard, the budget allocated under the new Connecting Europe Facility (CEF) should be expanded, supported by an ambitious Cohesion Policy and a strong Horizon Europe Framework Program to ensure the extension of the Shift2Rail Joint Undertaking. The implementation and timely installation of the EU's new standard, the ERTMS, will be key to supporting cross-border rail travel by ensuring inter-operability between the different markets. In this regard, a focus should also be on the funding of European Train Control System (ETCS) on-board units.

### *An Opportunity for Structural Changes in Aviation*

Aviation emissions in Europe have increased by 10% between 2014 and 2017, and before the onset of COVID-19, were projected to grow by a further 21% by 2040.<sup>8</sup> The growth in aviation emissions has been faster than the increase in flights, due to larger aircraft flying longer routes, more than offsetting the increases in aircraft efficiency. The European Green Deal stresses the need to curb the sector's CO<sub>2</sub> footprint while improving air quality

7. <https://www.railwaygazette.com/business/covid-19-crisis-is-hitting-the-rail-industry-hard-consultancy-finds/56457.article>

8. EASA, EEA, EUROCONTROL: European Aviation Environmental Report 2019: <https://ec.europa.eu/transport/sites/transport/files/2019-aviation-environmental-report.pdf>





near airports by tackling the emission of air pollutants by airplanes and airport operations. In addition, aircraft-related noise levels continue to pose a serious health risk for communities living close to airports and, thus, also need to be tackled. At the same time, aviation directly and indirectly provides more than 12 million jobs and makes a €700+ billion contribution to the economy.<sup>9</sup> It is, therefore, clear that, while restoring air connectivity will be important for economic recovery post-COVID-19, such a move will be decisive as to whether Europe is placed on a path to climate-neutral growth. A more systemic approach and a close cooperation between national governments, airports and airlines will be essential for ensuring that the sector's growth is compatible with the Green Deal agenda.<sup>10</sup> National and EU support should therefore be conditioned on such a systemic approach, as opposed to playing each aviation actor – airlines, airports, ATM – against each other.

The completion of the Single European Sky (SES) remains a key and long overdue policy objective. Today, sub-optimal aircraft routing because of fragmented airspace increases flight time, fuel burn and emissions. The next set of SES proposals, which the Commission's Green Deal communication has promised to deliver, must serve the goals of increasing network performance, balancing capacity and demand, and, in doing so, recognise the importance of a systemic approach in aviation.

COVID-19 has already prompted EU leaders to temporarily suspend the 'use-it-or-lose it' rules under the [Slot Regulation](#), thereby enabling airlines to retain rights over their slots without having to run 'ghost flights' and unnecessarily waste jet fuel. While this measure was certainly necessary during the height of the crisis, it will need to be toned down now as air traffic starts to recover in order to avoid a strengthening of legacy airlines at the expense of newcomers. As mentioned earlier, the latter have emerged as being more resilient and are driving new business models and new technology. More generally, ensuring that the most efficient users of airports and airspace have access to airport slots is important. A reform of the Slot Regulation needs to ensure that competitive

policy tools exist to promote transparency and efficiency in airport slot utilisation.

The pandemic should also be seen as an opportunity to enact longer-term structural changes in the aviation sector. Just as for the entire transport sector, there is a need to internalise the external costs of aviation through the taxation of aviation fuels. This, in turn, will be key to incentivising the production and deployment of Sustainable Aviation Fuels (SAFs), which remain very costly today. The uptake of SAFs will have to accelerate significantly, in particular for long-haul flights which cannot be replaced by rail. In fact, IATA expects half of the industry's CO<sub>2</sub> emission reductions towards the 2050 objectives to be achieved through the uptake of sustainable biofuels and synthetic fuels. Electric and hybrid powered aircraft, on the other hand, will have increasing short-haul applications. Here, the recast of the [Energy Taxation Directive](#) could be an opportunity to close existing loopholes (i.e., current tax exemptions for aviation fuels) with a view to ensuring more efficient pricing of air travel and fostering a level playing field between transport modes.

The revision of the Slot Regulation could, furthermore, be used to prioritise slots for quieter aircraft and/or aircraft running on SAFs, whereas a modulation of airport charges on the basis of environmental criteria, by means of reforming the [Airport Charges Directive](#), could help to encourage the uptake of SAFs, while alleviating congestion at airports. As already acknowledged by a number of national governments, short-haul flights can and should be substituted by rail trips where possible and the provision of multi-modal travel information through the ongoing reform of the [Air Services Regulation](#) could help to encourage consumers to make these choices. This shift from air to rail should be an attractive option for air carriers too, given that it stands to free up limited airport slots, which, in turn, can be allocated to more profitable long-haul routes.

Particular attention should be paid to the deployment of SAFs as well as to R&D in new aircraft propulsion systems, including electric and hybrid aircraft. While legislation may tilt the market toward a preferred technology, general R&D support should allow for the development of non-distortive aid for the technology that most effectively abates carbon emissions. Consideration should be given to the most effective environmental

9. ACI Europe: Sustainability Strategy for Airports, 2019: <https://www.aci-europe.org/downloads/resources/aci%20europe%20sustainability%20strategy%20for%20airports.pdf>

10. International Transport Forum: Restoring air connectivity under policies to mitigate climate change, 2020: <https://www.itf-oecd.org/sites/default/files/air-connectivity-covid-19.pdf>



options for the future of EU Emission Trading System (ETS) for aviation in the context of the implementation of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) in Europe.

### *Rethinking Urban Mobility*

Cities are home to roughly 70% of the EU's population and often serve as major hubs for international business and movement. While this makes urban areas particularly prone to spreading the virus, many cities have shown a high degree of innovation in dealing with the crisis, especially when it comes to urban mobility. This has manifested itself in the form of policies targeting re-allocation of space to pedestrians, micro-mobility and other types of clean urban mobility. The Commission, we think, should also view this crisis as an opportunity to further its urban mobility agenda.

Among other things, COVID-19 has helped to expose some of the shortcomings of existing business models and regulatory approaches vis-à-vis micro-mobility. Electric scooter and bike operators are confronted with poorly designed regulations and levied charges, which has led to multiple operators scaling down operations in order to limit expenditures. The Commission's Recovery Package can be an important driver for urban mobility by unleashing the potential of the Urban Mobility Windows in Cohesion Funding and InvestEU. This will be crucial to securing new cycling infrastructure to underserved parts of Europe and for Mobility-as-a-Service (MaaS) solutions to cities – the combination of cycling, public and individual transport in one, offering clean transport-on-demand services to remote regions.

The increased levels of tele-working and flexible working hours, which are likely to prevail in the post-confinement period, could initially help to alleviate crowding in public transport, while reducing congestion-related emissions during peak hours. However, it is reasonable to expect that public transport will continue to operate at lower levels for some time, resulting in revenue losses for public transport operators. In China, an increase in private car use was reported where people replaced trips previously taken by public transport, taxis and car sharing. A similar development in Europe could, of course, risk coming into conflict with EU climate and sustainability objectives. In light of this, despite the urgency of addressing short-term health and safety issues, policy makers should

not sideline objectives linked to reducing the transport sector's environmental footprint.

Electric and hydrogen-powered buses have, in fact, been steadily growing across European cities and stand to reduce costs for our mobility systems – something that will be particularly important in what is going to be a budget- and spending-cautious aftermath of the pandemic. Recently, the cities of Bonn, Brussels, Dublin and Milan, together with civil society organisations, called on the Commission to support public transport as part of its COVID-19 recovery strategy through the creation of a **fund worth €3.5 billion** in support of zero-emission buses, including electric and hydrogen-powered buses, as well as cycle paths. EU investments, moreover, will be needed for the deployment of recharging infrastructure for zero-emission vehicles and for the creation of a dedicated social fund for the upskilling and reskilling of workers to further facilitate the transition – both of which have been promised in the Commission's recovery plan.

The implementation of congestion charges, on the other hand, can be an effective instrument to generate net-revenues for re-investment into sustainable mobility plans, such as cycling and other forms of clean urban mobility, thereby reducing congestion and improving air quality.<sup>11</sup> In addition, Urban Vehicle Access Regulations (or UVARs), which regulate vehicular access to urban infrastructure, can be a powerful tool to regulate space allocation and ensure that pedestrians, micro-mobility and clean vehicles are prioritised over private and conventionally-fueled vehicles. What is more, it is important that UVARs are not developed in isolation but form part of a broader framework, set out within a local or regional Sustainable Urban Mobility Plan (SUMP).

Making urban mobility in the EU more sustainable, however, will require coherent action across Member States' local authorities and other relevant stakeholders. In light of this, the recommendations provided to the Commission by the European Court of Auditors in their recent **Special Report on Urban Mobility** for the collection and subsequent publication of data on urban mobility by Member States, as well as for the pre-conditioning of funding to the existence of comprehensive SUMPs, should guide future EU work on

11. European Cyclists' Federation, Congestion Charges and Cycling, 2020: <https://ecf.com/sites/ecf.com/files/CONGESTION%20CHARGE%20internet.pdf>



urban mobility. While there have been clear limits to EU powers in the local and municipal spheres, SUMP and their linkage to EU funding offer a powerful instrument to foster a more coordinated approach across European cities, by incorporating current and incentivising future technological developments such as electrification, automation and ITS, MaaS, and shared- and micro-mobility. This, in turn, should be supported by EU-wide, methodically sound, and practically feasible Sustainable Urban Mobility Indicators (SUMI).

## Conclusion

The COVID-19 pandemic has brought about unprecedented challenges for the European transport sector. National priorities have prevailed at the expense of the common European interest, fragmented approaches have thrown us back to pre-SETA times, while greener modes of transport have appeared to be less of a priority. Yet, the original EU agenda of shifting towards a digital and decarbonised SETA remains not only valid, but is more needed today than ever before. In light of this, imminent EU and national fiscal post-COVID-19 recovery packages will have to be instrumental in counterbalancing potential asymmetries in national responses, while placing the transport sector on a path towards resilient, smart and sustainable recovery.

A well-functioning and agile transport system is key to guaranteeing the uninterrupted movement of passengers and goods, while supporting economic and social activities in general. In light of this, safeguarding the financial viability of the transport industry will be paramount to economy recovery post-COVID-19. One main lesson we can draw from the uncoordinated border closures between the Member States is the need for a collaborative and better planned approach to crises. Building upon the experience of the 'green lanes', a more systematic approach for managing border closures and openings will be needed in future. What is more, the concept of resilience should become enshrined into all future EU transport policy by means of reviewing relevant pieces of legislation.

Besides supporting infrastructural improvements, EU funds should support cross-border *services*, for instance, by funding PSOs defined at the EU level, as well as services under PSOs in Member States, as long as the necessity of

the services is demonstrated within the framework of a coherent, smart and sustainable plan. Existing EU tools should be taken advantage of in order to condition funds to the goals of a smart and sustainable SETA. The recently developed Sustainable Taxonomy, EU Green Bond Standard, and Paris-Aligned and Climate Transition Benchmarks should, moreover, guide public and private sector recovery plans in the COVID-19 aftermath, as well as the Commission's Recovery Package in order to ensure that the progress towards the Green Deal objectives is not sidelined.

Lastly, the pandemic has demonstrated the importance of digital tools and sustainable mobility in coping with the crisis. The use of digital tools can enable transport operators to adapt their services to the new circumstances and to communicate changes in real-time to passengers, while passengers can use them to make informed mobility choices, thus fully exploiting multimodality. On the other hand, the crisis has opened up the question of space regulation and its allocation to pedestrians and micro-mobility, as a greener and more individual way of travelling in line with social distancing regulations. The European Commission, national and local authorities should build upon this momentum in order to translate these temporary trends and positive side-effects into new and more permanent habits, ways of using transport infrastructures, ways of providing services and intermodal solutions for passengers.



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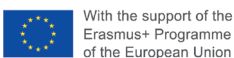
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