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Washington looks to have come under pressure from Boeing to take on EU governments for their support for European rival Airbus.

BRUSSELS – Less than two months after Boeing CEO Harry Stonecipher promised at a meeting with Wall Street analysts to “raise the rhetoric” over state aid for Airbus (see *EUi Transport Report*, 24 May 2004), US trade representative Robert Zoellick has called on Brussels to end European subsidies to the aircraft maker. The success of commercial planes developed by Airbus made the company no longer eligible for government support, Zoellick said last week. Under a non-binding agreement dating back to 1992, governments may provide launch aid of up to one third of the developments costs of a new aircraft. Boeing, which has not launched a new model in 14 years, has been rapidly losing its supremacy to Airbus. **Page 4**

US warns of new al-Qaeda attacks on transport

Extremists are planning a large-scale attack in the US that could be timed before the November presidential elections, officials say.

WASHINGTON D.C. – Latest intelligence received by US agencies suggests that terrorist groups may seek to influence the outcome of the presidential elections in November with a large-scale attack on transport. “They are focusing on what they perceive to have been successful attacks in Madrid, as far as the impact on the electoral process there and the outcome of that election,” a senior US intelligence official told reporters in Washington last week. The Madrid bombings, which killed nearly 200 people, are believed to have helped unseat Spain’s conservative government. Madrid had supported the US war effort in Iraq by deploying Spanish troops. The Socialist opposition, which won in an upset, kept its campaign promise and withdrew the troops. US officials are particularly concerned that attacks could come during the Democratic National Convention in Boston this month or in New York a month later during the Republican convention. In the latest warning issued last week US Homeland Security Secretary Tom Ridge said: “based on the attack in Madrid ... we know that they have the capability to succeed.” Some of the current concern grew from investigations of recently arrested terror suspects in England and Italy. **Page 6**

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Naval War College
USA

“With the advent of an operating Galileo system, several market changes will likely occur.”

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Transport vulnerable to cyberattack

The growing dependence of transport on information technology is leaving transport IT systems increasingly exposed to cyberattack, experts warn.

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European Parliament
Plenary Session

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INTERVIEW

The view from across the Atlantic “With the advent of an operating Galileo system, several market changes will likely occur”

Joan Johnson-Freese
 Chair, National Security Decision Making Department
 Naval War College, Rhode Island, USA

EU Intelligence: The US and European Union have ended a three-year dispute over rival satellite navigation networks. Under a deal signed by both sides, Europe’s Galileo system and the Pentagon’s Global Positioning System (GPS) will not end up as competitors but will be interoperable, with consumers having access to both. It is no secret that given the enormous importance of GPS with hundreds of millions of users worldwide, the US sees Galileo as a serious rival to GPS. Do you see the deal as having forced the US to finally cede leadership in civil navigation to Europe?

Joan Johnson-Freese: Since the U.S. GPS system is up and fully operating, and Galileo remains to be built and launched, I don’t see the deal struck between the EU and the US as the US ceding leadership in civil navigation to Europe. I see the deal as beneficially allowing both the United States and Europe to each pursue its own goals, which are sometimes overlapping and sometimes not. In this case, while GPS was built and created primarily to fulfill military needs (and came close to having its funding cut by Congress at one point, because Members did not see a clear need...), and then secondarily found to have a huge civilian application market, Europe clearly wants to switch the priorities, but still maintain both as well. While the United States recognized Europe’s prerogative to do that, I think it wanted to make sure that its priorities could still be achieved as well. The five years of negotiations that it took to reach a deal satisfactory to both parties evidences the political and technical difficulties involved, and both sides commitment to reach accommodation.

EU Intelligence: The US frequently criticises European states for relying on the US for security. But for many Europeans, Galileo is a way to free them from American military influence without having to increase military spending. And stressing Galileo’s civilian nature makes the project more palatable to the European public. Can this double-strategy work?

Joan Johnson-Freese: Dependence is a difficult position for any country to sustain for a prolonged period. While economic savings may result from dependence, costs accrue in other ways, such as planning uncertainty and feeling

subject to the influence of others. With the increased instances of the US use of GPS as a military force enhancer, I think Europe felt that 1) US-Europe security goals will not always be the same 2) that even US-European definitions of “security” and how to deal with it appear to be becoming increasingly different (I find it interesting that European documents stress security in more economic development terms versus the more militaristic view from the US), and that consequently 3) US military ownership of what Europe and others consider a global utility for civilian applications would likely be unworkable in the long term. Together, these realizations seem to have provided the political impetus and commitment in Europe to move forward with a very expensive, high tech program that it might not have otherwise. That Galileo will also provide Europe with enhanced military capabilities, without having to rely on the largess of the United States, makes the program additionally attractive.



EU Intelligence: In terms of economic importance, satellite positioning technology as a public good will rank beside water and energy distribution in the decades ahead. What potential is there for new trade disputes between Europe and the US, such as American companies complaining about being unfairly cut out of Galileo-related business?

Joan Johnson-Freese: As I mentioned earlier, satellite positioning technology is already among the first (with the internet) of what will likely be a growing number of “Global Utilities”. American companies have to date reaped the rewards of being dominant in the global export of receivers. With the advent of an operating Galileo system, several market changes will likely occur, and some of them may well be offsetting. Since the GPS and Galileo systems will be compatible, market competition will clearly occur. The size of the market, however, will, I believe, continue to grow as new uses for the technology are identified, and become commercially commonplace. The potential for trade disputes comes, most likely, from the subsidization issue. How Europe will choose to approach that issue, knowing a response from the US would certainly be forthcoming, remains to be seen.

AVIATION

Boeing has been rapidly losing its supremacy to Airbus

Brussels is examining several options to rectify existing bilaterals

"The civil aviation market has run into considerable turbulence"

TUI has threatened to leave Hannover

Direct awards or contracts are in breach of EU rules

US slams Airbus subsidies

(Continued from page 1.) Airbus surpassed the American aircraft maker in jet sales for the first time last year. Construction of the new A380, the largest passenger aircraft ever made, is well advanced and likely to further put pressure on Boeing's sales. The 1992 agreement had outlived its purpose, Zoellick said. His remarks come two weeks before the start of the Farnborough Air Show, the biennial gathering of the world aerospace industry. Speaking to Wall Street analysts in May, Stonecipher accused Airbus of "abusing" the agreement and vowed to "raise the level of rhetoric."

EU sees no open skies breakthrough before next year

BRUSSELS – EU transport commissioner Loyola de Palacio has ruled out any open skies deal with Washington before the US presidential elections. Brussels was unlikely to obtain further concessions before February 2005, she told EU transport ministers at an informal Council meeting in Amsterdam last week. The Commission meanwhile was examining several options to rectify the current situation in which EU countries with bilateral open skies agreements effectively defied a 2002 court ruling which said that these deals broke EU single market rules. De Palacio would not say whether the options being examined might include legal action. Ireland last month started its own bilateral talks with the US as it became clear that the negotiations had reached a dead-lock over US ownership of airlines and cabotage rights for EU airlines. EU transport ministers and European airlines have rejected concessions made by the US so far, saying they offered no meaningful access for EU carriers. Both sides are set to resume negotiations on a series of technical issues in September.

Dutch EU presidency to focus on EU aviation policy

AMSTERDAM – Volatility in the air transport sector, structural changes stemming from the entry of new carriers from the new EU member states and the rapid growth of low cost carriers will be a priority for the Dutch EU presidency over the next six months, Dutch transport minister Karla Peijs has said. "The civil aviation market has run into considerable turbulence recently," Peijs told an informal meeting of EU transport ministers in Amsterdam last week. "It would therefore seem extremely sensible to me to look at the consequences of these current developments for European aviation policy."

TUI mulls strategy to counter easyJet

HANNOVER - European tour operator TUI has signalled that it may increase capacity at its home base at Hannover airport in a move to fend off competition from budget carrier easyJet. TUI, which operates its own low cost carriers, L'Tur and Hapag-Lloyd Express, has threatened to abandon its base and with it 1,100 jobs if Europe's second largest no-frills carrier gets landing rights there. Hanover is banking on budget flights to help expand the airport, which is currently the eighth-biggest in Germany with about five million passengers annually. easyJet started to expand aggressively in Germany earlier this year with two new hubs serving a wide network to numerous European destinations.

Italy taken to court over helicopter buys

BRUSSELS – The European Commission has lodged a complaint against Italy with the European Court of Justice over a series of helicopter purchases that were awarded without tender to Italy's Augusta. Such direct awards or contracts are in breach of the EU Directive on the procurement of supplies (93/36/EEC), says the Commission. Although the Directive does allow direct award of contracts without the publication of a tender notice in certain specific circumstances, none of these conditions were met in the case of Italy. A study published by the Commission in February found that greater competition in public procurement had reduced prices paid by EU governments for works, supplies and services by 30%.

AVIATION BRIEFS

Russia to lower duties on foreign aircraft?

MOSCOW – Russia may finally lower duties on foreign aircraft, transport minister Igor Levitin has indicated. Following a ministerial meeting on civil aviation last week, Levitin said he will start a review of the current tax regime which slaps up to 40% in duties on foreign aircraft imported into Russia. Analysts say the move is linked to Russia's quest to join the World Trade Organisation (WTO).

UK seeks to protect slots at congested airports

LONDON – The Department for Transport (DfT) has launched a consultation on how and when regional air services to London should be protected by government. The consultation seeks views from UK residents, regional bodies and the aviation industry on what criteria should be used for imposing Public Service Obligations (PSOs) in certain circumstances. This would guarantee a minimum level of air services on existing routes from UK regional airports to London and would allow landing and take off slots at congested London airports to be ring-fenced for those services, the DfT says. The consultation will end on 8 October 2004.

Call on governments to make aviation pay

LONDON - Airport expansion is on a collision course with targets to reduce greenhouse gases and avoid the worst consequences of climate change unless aviation plays its full role in reducing greenhouse gases, says a new report published by the University of York. The authors suggest seven specific actions to counter the environmental impact of aviation, such as ending the tax-free status of aviation fuel, an environmental charge for flying, banning night time flights, increasing the use of public transport for access to airports and use of electronic media as a substitute for a proportion of air trips.

LOGISTICS

Europeans give thumbs down to postal services

BRUSSELS – Europeans are increasingly unhappy with the quality of postal services, a European Commission report has found. Prices for items other than standard mail are perceived as high and the overall quality of service is seen at best as stable when not deteriorating. “The ‘bureaucratic’ style of postal services and poor customer service are sources of strong dissatisfaction,” says the report. “Postal services are the only sector where quality improvements could induce switching the service provider more than price cuts. This confirms the importance of quality in this sector where markets will progressively open to competition.” In terms of meeting quality standards for first class cross-border mail in the EU, set out in Directive 97/67/EC, most countries, except Greece, meet the targets. There is no EU standard for the quality of domestic mail but postal services in Greece, Spain and France “perform relatively worse” than in the rest of the EU, the report says. “Country-specific factors due to the particular social and geographic characteristics of these countries are not the only ones to be blamed for the relatively poor performance in these countries.”

“Poor customer service is a source of strong dissatisfaction”

Postal giants here to stay, says report

BERLIN – The abolition of postal monopolies will not necessarily lead to full-scale liberalisation in the postal sector, according to a study by German industry body BvDP. In an assessment of the status of postal services liberalisation in 32 countries, including all EU members, Norway, Switzerland, the US, Canada, New Zealand, Japan and China, the study found that postal markets around the globe are being increasingly opened up to competition. There was a North-South divide in the EU, however, as some postal operators continued to hold monopolies over large parts of the market. Under EU competition rules, all postal markets must be fully open to competition by 2009. Going by the experience with the gradual opening of the European postal market so far, some postal operators however look likely to dominate the market even in a fully liberalised sector, the study concludes.

Northern European postal markets are the most advanced

“They had people ready to operate”

US warns of new al-Qaeda attacks on transport

(Continued from page 1.) “They had people ready to operate, and they had the munitions and the ability to conduct a terrorist attack,” Ridge said. However, the Bush administration has no immediate plans to raise the threat level from its current yellow, or elevated, level, he added. According to the senior intelligence official, there is intelligence indicating that terrorists are looking at various transportations systems. “Looking at some past al-Qaeda plans, as well as their capabilities and their attacks overseas, we’re concerned about Vehicle Borne Improvised Explosive Devices — VBIEDs, truck bombs — and similar types of vehicle borne explosives, given al-Qaeda’s long history of successful attacks overseas,” the official said. “These types of means of attack can be used to go against different types of infrastructure targets, such as tunnels, bridges, other types of targets that would lend themselves to that type of targeting.” Despite the numerous security enhancements that have been made, al-Qaeda continues to pursue capabilities that can use aircraft, either as a weapon or to target, he added.

Transport vulnerable to cyberattack

More than 800,000 hazmat shipments occur daily in the US

WASHINGTON D.C. – The growing dependence of transport infrastructure on information technology is leaving transport IT systems increasingly exposed to cyberattack, experts warn. A special study by the US Transportation Research Board (TRB) highlights several different forms of such attacks, from bringing down an information system with a “denial-of-service” attack to releasing hazardous materials by remote control. The bombs set off in Madrid in March, which killed nearly 200 people, were triggered by a device linked to a mobile phone.

More than 800,000 hazmat shipments occur daily in the US. Terrorist could try to bring weapons of mass destructions into the country by disguising it as ordinary freight, the study says. “They could exploit vulnerabilities in transportation information systems to mask and track their shipments, thus reducing the risk of detection. This approach is likely to become more attractive to terrorists as physical security requirements become more stringent.”

While all major industries are vulnerable to such cyberattacks, the freight and logistics industry appears to offer unusual potential for both economic and physical damage from terrorist cyberattacks, the TRB says. “The Internet is used increasingly as the primary communication method among transportation partners or transportation carriers and their customers. Freight transportation has benefited from a revolution in logistics based largely on improved communications through the Internet. In supply chain management and the optimization of logistics, the ability to transmit data across the Internet reliably is critical.”

US streamlines terror information processing

“The primary nerve center for real-time threat monitoring”

WASHINGTON D.C. – The US Department of Homeland Security has launched a Homeland Security Operations Centre (HSOC) to act as a single clearinghouse for security intelligence processing. The unit is “to serve as the primary, national-level nerve center for real-time threat monitoring, domestic incident management, and vertical and horizontal information sharing efforts,” a DHS statement said. The centre includes the Homeland Security Information Network for Critical Infrastructure (HSIN-CI), an internet-based counterterrorism communications tool to relay real-time information to critical infrastructure owners and operators. HSIN-CI has the capacity to send alerts and notifications at a rate of 10,000 simultaneous outbound voice calls per minute, 3,000 outbound simultaneous faxes per minute and 5,000 outbound simultaneous e-mails per minute.

EU leaders talk security

LONDON – Home affairs ministers from the big five EU countries - the UK, France, Spain, Italy and Germany – met near Sheffield in Northern England last week to co-ordinate new anti-terror measures. EU leaders in June pledged to come up with a strategy to protect critical infrastructure within the next six months. The measure is part of a larger package of security measures committing national governments to assess their capabilities in preventing and coping with the consequences of a terrorist attack.

LOGISTICS BRIEFS

EU road transport prices rise

BRUSSELS – Costs for road transport in Europe last year rose twice as fast as prices for rail and postal services, according to European Commission figures. Road transport costs increased 3.4% while average prices in air transport dropped 1%. For the period 1996-2001, the figures show a 5% fall in employment in water transport while air transport added 23.2%.

US security agency urged to get CFO

WASHINGTON D.C. – More than a year after the creation of the Department of Homeland Security (DHS), the most costly government revamp in US history, the DHS does not have a presidentially appointed Chief Financial Officer and is not required to comply with the requirements of the Federal Financial Management Improvement Act (FFMIA). Both would help “increase the likelihood that the financial management challenges at DHS will be overcome” says a report by the General Accounting Office, the Congressional watchdog. The DHS has a fiscal year 2004 budget of nearly \$40 billion and more than 180,000 employees.

RAILWAYS

New lifeline for Alstom approved

BRUSSELS - Shareholders of French industrial group Alstom have backed a €2.5 billion state-backed rescue plan which won final approval from EU regulators last week. The deal, hammered out in a series of meetings between French finance minister Nicholas Sarkozy and EU competition commissioner Marion Monti, includes a €1.7 billion rights issue and a separate debt-for-equity swap of up to €700 million. The French government, which has been fighting to keep its industrial champion in French hands, will have a sizeable stake in the company for up to four years. During this time Paris will have to find industrial partners for the company and share investment and decision-making with the private sector on a 50:50 basis. Alstom will further have to sell off assets worth €1.6 billion, including its freight locomotive business in Valencia, Spain, its transport division's business in Australia and New Zealand and its industrial boilers business. “These important measures permit the re-establishment of sound competition conditions,” EU Competition Commissioner Mario Monti said in a statement. In addition to the divestments, France gave “substantial commitments” to open up its market for railway equipment, the Commission said. “France has undertaken to take specific measures to facilitate the award of public works contracts for railway equipment in France.” The decision also forbids any new acquisitions in transport by Alstom for the next four years.

Eurotunnel outlines preliminary rescue plan

LONDON – Eurotunnel, the Anglo-French operator of the Channel Tunnel, has announced a new pricing policy accompanied by a cost savings plan of €40 million annually in a move to halt the operator's deteriorating finances. The plan is the first strategy paper produced by the new management and comes 90 days after the company's previous board was ousted by disgruntled French shareholders. The new board has vowed to keep the company clear from damaging price wars with the Channel ferries, a key plank of the old management's strategy, and to price its shuttle services in line with fluctuations in demand. The new pricing system will be part of a new framework on its relations with train operators, Eurotunnel said. The company further hopes to slightly boost revenues from passenger traffic within 12 to 18 months. A long-term rescue plan is to be presented in October, said Eurotunnel Group chief executive Jean-Louis Raymond. “Eurotunnel's recovery is becoming possible; we have identified the conditions that need to be met, but time is short,” he said. Negotiations with creditors over the medium to long-term restructuring of Eurotunnel's €9 million debt are to continue in October.

The French government has four years to give up its stake in Alstom

A detailed plan is due in October

75% of Europeans would be happy to use local transport more often

Passengers weary of 'profit-making' operators

BRUSSELS – 50% of Europeans would be happy to pay higher fares for transport in exchange for faster train services, direct flights and better on-board service in trains. But many feel that all they are getting, even from private operators, are higher fares and a lousy service. According to a European Commission report, “the transformation of rail operators into private ‘profit-making’ companies has led to changes which caused massive dissatisfaction in the Netherlands, in the United Kingdom and in Germany.” Overall, 75% of Europeans are reluctant to use railways and local transport more often because of poor performance and low quality of service, the report says. In addition, consumers expect little to change with increasing competition in urban transport, fearing mainly confusion over new and more complex pricing schemes.

ROAD TRANSPORT

Nearly 70% of fleet managers operate four marques or less

European fleet managers seek to cut costs

LONDON – As competition heats up in the European fleet market, fleet end-users are looking towards new suppliers for better deals. In a survey of 650 fleet managers in Europe by market research company Datamonitor, over 20% of respondents said they are considering changing their fleet supplier within the next 3 years. The focus on cost cutting is likely to benefit vehicle manufacturers, as the lower the number of marques operated in a fleet, the greater the savings in vehicle acquisition, Datamonitor says. According to the survey, nearly 70% of fleet managers operate four marques or less, and 15% operate just one marque in their fleet. The analysts believe that the trend towards less marques will continue for the next few years. Some 45% of respondents are planning to review their choice of marques within the next 2 years, with value of money being high on the agenda in their purchase plans. However, vehicle manufacturers also face several challenges in the market. According to the survey, 70% of fleet managers considered a fleet leasing company to be their primary fleet provider. This conclusion was further reinforced by the fact that 50% of fleet managers never had any contact with the vehicle manufacturer. Over 50% of fleet managers considered that a vehicle manufacturer's product line-up was not extensive enough to be seriously considered for their fleet.

RAILWAYS BRIEFS

EU takes 6 to court over interoperability

BRUSSELS – The European Commission has lodged a complaint with Europe's top court against Germany, France, Greece, Italy, the UK and Sweden for failure to comply with EU legislation on the interoperability of the trans-European conventional rail system. The deadline for writing the legislation into national law passed in April 2003. The new rules are a cornerstone in the liberalisation of the European railway sector and regulate areas such as design, construction, upgrades and maintenance as well as working conditions and professional qualifications of staff to ensure the interoperability of the rail system.

UK rail safety system to save 38 lives and €877 million

LONDON - The Train Passenger Warning System (TPWS) has now been installed nearly across the entire UK rail network and is expected to remove around 70% of the ATP-preventable risk associated with Signals Passed At Danger (SPAD), according to the Commission for Integrated Transport, an independent body created to advise the government on integrated transport policy. Over a 25-year appraisal period, TPWS is expected to save 38 lives, at an average cost of £15.4million (€ 23.1 million) per life or over half a billion pounds sterling (£585.2 million, €877 million).

EU ready to take UK to court over vehicle seizures

BRUSSELS – The European Commission has started legal action against the UK over penalties imposed on vehicles returning from a tobacco and alcohol buying spree across the Channel. “The Commission has been following the situation over a long period of time, and we have had constructive exchanges of views with the UK authorities,” said EU internal market commissioner Frits Bolkestein. “Although there have been some positive developments, we still do not see eye to eye on the penalties applied for minor offences.

“The UK sanctions, which are based on the seizure of goods, and sometimes cars, quite often go too far and interfere with people exercising the rights given to them by the EU’s Internal Market to go shopping in other Member States. This is obviously not acceptable.”

The Commission has given the UK authorities two months to respond, the first step in EU infringement procedure before Brussels can take the country concerned to court. Under EU single market rules, All EU citizens have the right to buy excise goods in other Member States, pay the excise duty in the other member states and to bring these products home without any formalities and without having to pay taxes a second time, provided the goods are not for commercial use and that they transport the goods themselves.

However, if the goods are held for purposes other than private use, or if they are transported on behalf of a third party, the excise duties become due again outside the state of purchase. UK authorities reserve the right to seize any vehicle used for the transport of goods which they believe to be traded for profit. “The seizure of property is, by its very nature, a severe and intrusive sanction,” says the Commission. “The Commission considers that such seizures are disproportionate to the gravity of the offence in some situations and represent an obstacle to the free movement of goods subject to excise duties in the Internal Market.”

Drivers’ rewards help reduce crashes

WASHINGTON D.C. – There is a strong link between job change rate among professional drivers and crash involvement, new research suggests. Drivers who have changed jobs twice or more over two years are more likely to have a history of crashes than drivers who stay with a single employer, according to a study by the US Federal Motor Carrier Safety Administration (FMCSA). Companies hiring new drivers tend to underestimate the risk as high rates of turnover in the industry account for as much as 80% of the demand for commercial operators experienced by some carriers at any given time, says the FMCSA. “The tremendous demand for qualified truck drivers has placed a burden on companies’ recruiters. It has been reported that there is such a demand for truck drivers that some recruiters will hire unqualified drivers, if the alternative is having trucks sit idle in their lots.” Companies surveyed by the FMCSA said that since their safety incentive programmes were initiated, the incidence of insurance claims, workers’ compensation claims, and crashes have been reduced by 65%. Many safety-related incentive programs include recognition for passing certain milestones for “accident-free” miles driven. Rewards include bonuses, gifts, discounts at truck stops and bonus money that gets included in drivers’ paycheques. Other companies reward drivers who are crash free for a full year with a savings bond. “It would be expected that incentive programs that offer progressively increasing safety bonuses for longer periods of crash-free operation would give drivers a material reason for staying with their employers rather than moving to another place of work, where they would have to start again to accumulate safety credits,” the study concludes.

Analysts predict Eastern European car boom

FRANKFURT – The EU’s new member states in Eastern Europe are set become major production bases for car makers catering to the European market, according to estimates by Deutsche Bank Research. “The massive build-up and expansion of production capacities in the new EU member states will boost their share of motor manufacturing in the EU-25 from just over 8% to approx. 20% by 2014,” the analysts say. Over the next decade, passenger car output in Eastern Europe will grow nearly 10% a year while demand for cars in the new EU member states is set to push the number of new vehicle registrations up by 4.5% a year.

“We still do not see eye to eye on the penalties applied”

Safety incentive programmes have reduced claims and crashes by 65%

Eastern Europe could take 20% of the EU car production market

ROAD TRANSPORT BRIEFS

Car makers pledge action for sustainable development

GENEVA – Global car makers have committed themselves to reducing greenhouse gas emissions, road accidents and congestion by 2030. A report pooling four years of research and signed by 12 international automotive and energy companies last week sets out seven goals to meet growing demand for mobility whilst reducing the impact of transport on society and the environment. The side effects of the way freight is currently moved around the globe “could be sufficiently adverse to inhibit transport systems from performing their vital economic and social roles,” the report warns. The 12 signatories are BP, DaimlerChrysler, Ford, General Motors, Honda, Michelin, Nissan, Norsk Hydro, Renault, Shell, Toyota and Volkswagen.

UK to test congestion-free lanes

LONDON – The UK government has announced a pilot scheme to cut congestion and improve journey times on motorways by creating dedicated lanes which will be reserved for vehicles carrying 2 or more people. Called high occupancy vehicle (HOV) or carpool lanes, the scheme aims to encourage drivers to share cars. “I hope that drivers will be encouraged to consider car pooling to take advantage of the new lanes,” said secretary of state for transport Alistair Darling. “It works elsewhere. There is no reason why it can’t work here as well.”

SHIPPING

Commission rules on Belgian tonnage tax scheme

BRUSSELS – The European Commission has concluded an investigation into several tax measures enacted by Belgium in support of its maritime sector. The ruling closes a number of gaps in Belgium’s tonnage tax scheme which was incorporated into the country’s tax law in 2002 with some elements still pending Brussels’ approval. Under the scheme Belgium may grant a reduced rate €0.05 per hundred tonne tranche for ships above 40,000 tonnes to new ships and vessels flying non-EU flags. Belgian companies or branches that manage ships on behalf of third-party owners can also take advantage of the tonnage tax regime. However, the Commission rejected a planned 50% relief for ships under five years old and a planned 25% relief for ships between five and ten years old. The Commission also turned down a deduction from the flat-rate tonnage-based tax of losses from other divisions in a shipping company if those losses could not have been deducted from the profits of any other division of the company. The scheme may also not be applied to income from business not directly related to maritime transport. The Commission further objected to a special depreciation scheme for vessels not suited for maritime transport.

Maritime security measures fail to inspire

PARIS – A discussion paper by the OECD on how to increase transparency in vessel ownership and control as part of the fight against terrorism has drawn a scant response from just 8 parties. The paper is follow up on a first report published last year which found that there are many mechanisms available to ship owners who wish to hide their identities, and that these are freely available in many shipping registers (see *EUI Transport Report*, 9 June 2003). Building on the discussion paper, the OECD in a second report proposes a range of measures to increase transparency in the ownership and control of ships that could be taken by jurisdictions and shipping registers, such as targeting ships where ownership is obscure, co-ordinated action against flag states that promote/permit anonymity, restricting access to ports only to flags and ships where ownership and control is known and ensuring that nationality requirements are closely monitored. “The reality is that if there is a serious escalation of risk involving the maritime sector, or worse, if an incident actually occurs, then it may well be inevitable that governments may resort to such responses,” the report concludes.

Brussels has rejected tax benefits considered too generous

Just 8 parties replied to the OECD’s discussion paper

Shipping slow to wake up to terrorist threat, report says

LONDON – The shipping industry is facing a new breed of maritime terrorist, whose skills evolve from a conventional piracy base, but whose aims and goals are more sinister, and whose potential to wreak havoc with the global supply chain is still largely unrecognised, a new report suggests. “The importance of the growth rate in piracy lies not in the quantity, but in the quality of the attacks,” says a report published by Aegis, a London-based security analysis firm. “There are increasing signs that piracy is becoming more organised, more intensive, more ambitious and better connected.” Piracy is growing at 20% per annum, thriving on a combination of vulnerable, undermanned ships carrying dangerous cargoes and sailing in unpoliced waters. International security measures such as the ISPS code, which came into force on 1 July, and the US Container Security Initiative, all help raise awareness of the security issue, but cannot hope to solve this fundamental problem in their own right, the report says. “High value cargoes sail the world with minimal protection. There is a long culture which tolerates convenience at the expense of strict legality. Ownership structures exist to diffuse responsibility and risk. Polyglot seafarers with uncertain personal IDs - often drawn from countries plagued with Islamist radical violence - crew vessels sailing under flags of convenience.”

Aegis analysts believe that the volatility of insurance premiums has created a culture of under- or non-reporting of incidents. Regulation is blunted by a lowest-common-denominator approach while the narrow margins of shipping are used as an excuse to avoid correcting these problems and little investment is made in equipment or training. “At the same time most of the world’s trade moves through a number of crucial chokepoints where decisive action could restrict or even block traffic. If one factors in the world’s reliance on Just-In-Time logistics systems and the volatility of markets, and the shipping industry is not only full of easy targets – it is full of strategically important targets.”

Short sea shipping growing on par with road freight

BRUSSELS – European short sea shipping is experiencing a boom, according to the latest figures published by the European Commission. Short distance water transport grew 25% between 1995 and 2002, at the same pace as road freight. The mode accounts for about 40% of all tonne-kilometres in Europe, slightly less than the share of road transport which stands at 45%. Brussels has launched a series of measures to promote short sea shipping as an environmentally friendly alternative to road freight, including the Marco Polo Programme which aim at getting 12 billion tonne-kilometres of freight off the road each year, as well as streamlined customs procedures and standardised facilitation forms for ships calling at EU ports.

“Piracy is becoming more organised, more ambitious and better connected”

Short sea shipping in Europe grew 25% in just seven years

SHIPPING BRIEFS

EU sues five countries for missing bulk carrier deadline

BRUSSELS – The European Commission is taking Belgium, France, Italy, the Netherlands and Finland to court for failure to comply with EU maritime legislation on safe loading and unloading of bulk carriers. The deadline for the new legislation designed to reduce the risk of potential damage to a ship’s structure during loading and unloading passed in August last year.

Australian police ill-prepared for terrorist attack - minister

MELBOURNE - The port of Melbourne is extremely vulnerable to terrorist attack as police do not have the capability, training or experience to deal with maritime terrorism threats, Australian police minister Andre Haermeyer has warned. His comments came as Australia’s new Maritime Transport Security Act, entered into force. Haermeyer has criticised the government for not providing naval vessels to guard the port of Melbourne. At other Australian ports, security vessels are patrolling the area adjacent to cruise ships and tankers.

LOUNGE

20% of UK managers effectively work seven days a week

UK managers running on empty, says survey

LONDON – UK managers are overworked, put business ahead of family, and work within a negative culture, according to a survey by the Chartered Management Institute and staffing company Adecco. Questioning over 1,500 managers, the survey found UK businesses failing to understand the wants and needs of their most important assets while workplace energy is dropping dangerously low.

According to the survey, 20% of managers work an extra 14 hours more than they're paid for, effectively equating to a seven day week. Almost half (43%) feel that they are overloaded with work. 4 in 10 managers admit to missing family commitments because of work pressure.

One in four people think their organisation has an 'authoritarian' culture with 28% feeling exploited and 30% believe that their organisations responds to change in an ad hoc, haphazard and often difficult to understand way.

However, 56% managers say they would be happy to work long and hard if they are given a sense of achievement in their work and are helped to achieve their goals. 61% class 'sense of purpose' as the biggest motivating factor. Only 12% see pay as the main motivator.

One in three managers want flexible working initiatives. The most popular idea is to introduce compressed working weeks (39 %) and career breaks (32 %). However, despite the enthusiasm for these new flexible benefits only a few people (around 6 % and 5 % respectively) believe these will ever be brought in by their organisations.

The volume of work has adverse effects on employee energy levels. Around one third (35%) admit to having no energy on weekday evenings because of work and 24% of people admit using the weekend solely to recover from work.

Many managers feel that there is a negative management style operating in their organisation with most crying out for open and receptive management but not getting it. 34 % believe the prevailing management style is bureaucratic, and 31 % believe it is reactive.

Despite the time and effort spent by managers in trying to develop effective communications strategies, less than one-third of respondents expressed satisfaction with the communications.

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