

# Commissioner Bulc

SUMMIT 100 SPEECH

SLOVENIA

**CHECK AGAINST DELIVERY**

## *Welcome*

**(slide 1)**

Ladies and Gentlemen, Distinguished guests,

I am truly honoured - honoured and delighted – to be addressing you here today. This is an important, high-level event that is not only continuing to take place annually, but is reaching new records each year. And this is also an event I hold close to my heart. I was twice an active participant at this summit, and one of its early supporters as a member of the Slovene Management Association.

Such an event is a special mission:

- It allows us to share and receive hands-on learning,
- It allows us to learn from one another's experiences directly,  
and
- Most importantly, it allows us to sow the seeds of cooperation, which is needed to get the best return on all types of investment.

The English expression "There's Strength in Numbers" is very true when it comes to South East Europe. When we come together to collaborate, we are much stronger: as a market, as an employer. We are much stronger as an integrated economy. We are a bridge between different worlds.

And so, I accepted with great pleasure the invitation to be the keynote speaker at this most important regional business summit. As the European Union's Commissioner for Transport I have responsibility for developing Transport across the whole of the European Union and for development of **Single European Transport Area**. This task also includes the responsibility to provide better connections and strategic alignments with EU neighbours, such as the Western Balkans, as well as with the world.

**Transport is an enabler.** It is an essential part of citizens' life and business life cycles. It facilitates daily trade and business on a large scale all across the continents. Therefore, our economy, no matter what region we are talking about, depends heavily on transport. **If transport stops, everything stops.**

So let's take a closer look at why developing smart, innovative, sustainable, safe and reliable transport is essential.

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**Transport is a vital part of GDP.** It accounts for 5% of the GDP of the EU. Moreover, **investments in transport ignite further GDP growth.** This growth offsets our public debt. In the new study from October 2014, published in the World Economic Outlook report, IMF is examining the macroeconomics effects of public infrastructure investment in a large number of countries. One of the **most striking findings of the study** is that “an increase of **1 percentage point of GDP in investment**

**spending raises the level of output by 0.4 percent in the same year and by 1.5 percent four years after the increase.”**

In other words, by spending more today on infrastructure, countries in this region can actually improve the state of their finances. Both, by means of additional income resulting from the multiplier effects across a large number of economic sectors, and by means of savings on the future repairs and maintenance costs.

**Transport also generates jobs, both in the operational and construction phases. The creation of jobs and growth is priority of this new Commission and is President Juncker’s key goal.** Across the EU and the South East of Europe, Transport is directly responsible for 1 in 20 jobs. These are only the jobs directly related to transport. In addition, there are another 4 million jobs in the car manufacturing and sales industry. With new levels of integrating solutions based on digitalisation and new business models, we can expect emergence of even more value added employment opportunities.

### **Transport generates business**

Contrary to what one might think in an industry with many prominent names, SMEs dominate the sector. Approximately 9 out of 10 transport companies have less than 9 employees. It also accounts for a large proportion of expenditure. For example, it accounts for 13% of consumers' expenditure. Moreover, cost effective transport network is

essential to **attract inward investment into this region, since it is in most cases an important part of the basic costs.**

## ***New commission priorities***

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The European Commission is fully aware of the transport impact on economy, so it is dedicating 24.4 billion euro for **The Connecting Europe Facility or CEF. An investment** programme to support the development of a high-performance, sustainable and efficient interconnected trans-European transportation network and 1.2 billion euro for Research and Development under Horizon 2020. This represents a total of **25.2 billion euro in the period 2014-2020.**

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**However, today one of the most exciting investment initiatives of new European Commission is EFSI or European Fund for Strategic Investment,** initiated by President Juncker. The timing at present, to discuss its potential opportunities could not be better, as the political agreement between the European institutions was reached on the 27th of May. The vote in European Parliament is expected on June 24th. You will hear more details about it tomorrow, with prominent panellists, and with European Investment Bank President, Mr Hoyer. I would just like to underline that Juncker Investment plan has the objective of redirecting a total investment of 315 billion euro into EU market. This fund is about to close the investment gap in EU where investment in 2013 was some

15% below the pre-crisis peak in real terms, even 60% in some EU Member States. It will be for the first time that the EU will engage large-scale private investments, and encourage participation of financial institutions such as insurance companies, pensions and investment funds. Transportation will contribute 2,1 billion EUR to this plan from the CEF mechanism and additionally from Horizon 2020.

- **But please note, it is not only about big infrastructure projects.** There will be many potential opportunities for SMEs with special part of 75 billion EUR, dedicated to them. It is expected that around 185 000 mid-size companies will be able to gain from this instrument.

Besides financial mechanisms there have been two additional exciting EC initiatives, with a great potential for transportation and for business, launched just recently:

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1. On the 6<sup>th</sup> of May this year, the **European Commission launched the Digital Single Market, or DSM**, lead by Vice President Ansip and Commissioner Oettinger. The Digital Single Market Strategy will be built on three pillars:
  - a. **Better access** for consumers and businesses to online goods and services across Europe
  - b. Creating the **right conditions** for digital networks and services to flourish
  - c. Maximizing the **growth potential** of our European Digital Economy – this requires investment in ICT infrastructures and technologies such as Cloud computing and Big Data,

I am very excited. The DSM marks a new departure in the development of Intelligent and Connected or Smart Transport Systems. **It presents also a big opportunity for SMEs to get involved with new services, solutions and products.**

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2. The second initiative that **the European Commission launched in February this year is the Energy Union** led by Vice President Štefčovič and in close cooperation with Commissioners Arias-Cañete, Moedas and myself. The Energy Union aims to provide a secure, affordable and climate-friendly energy for citizens and businesses with five mutually-reinforcing and closely interrelated dimensions. These are:
  - a. Energy security, solidarity and trust;
  - b. A fully integrated European energy market;
  - c. Energy efficiency contributing to moderation of demand;
  - d. Decarbonising the economy, and
  - e. Research, Innovation and Competitiveness

Since EU transport uses 34% of all energy in the EU, these five dimensions will make a big difference for my portfolio.

## ***Challenges***

Ladies and Gentleman,

The opportunities are here, promising tools are at place to further stimulate EU recovery, growth and jobs. Now, let's have a look at this region.

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South East Europe has already achieved a lot, but the aim should be to be among the most competitive regions in the world. As it is indicated from the data of World Economic Forum (WEF) competitiveness report from 2014 the region must aim to go beyond **Efficiency driven** countries, towards **Innovation-driven** ones, where of course, the efficiency is a given layer.

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There is a similar situation in transport, where some countries from SEE are in much better position compared to some EU countries. But the reality is that road corridors are not finished and often obsolete. Railways needs modernisation. Aerial connectivity holds big improvement potential in integration of regional airlines and modernisation of local airports. Last but not least connectivity among the ports should be enhanced. A very good case is the North Adriatic Port Association as a key player, that could compete in a highly competitive market. And above all, all these different modes need to support each other and be aligned in their development plans.

Furthermore, there is little point in building a motorway to the border, if the road on the other side is resembles little more than a country lane. What is also the point in investing in high-speed rail and trains, if the trains designed to do 300 km/h an hour can only do 60 km/h through

neighbouring countries? So, the key word here is cooperation, alignment, joined planning – something that still waits to be empowered.

## ***Specific Challenges in South East Europe***

Allow me to elaborate a bit deeper three major challenges, as I see them, in South East Europe.

### **1. Integrated planning and programming.**

Neighbouring countries do not coordinate or communicate with each other their plans in a sufficient way. I am thinking about the lack of coordination in recent **Montenegro – Serbia** railway investments. We must change the mentality in the region. The deficit in cross border transport infrastructure is creating bottlenecks. This region cannot afford bottlenecks in its logistics services.

### **2. Financing.** In order to develop major infrastructure projects, private investors need to be reasonably certain that they will see a return on their investment. For that a predictable and transparent business environment is needed: regulations framework and investment rules.

### **3. Sustainable Transport:** Finally, although there is still investment needed in roads, I am inviting all to think about the most **sustainable modes of transport**. Now is an opportunity to build



and create a modern, e.g. well managed, and clean transport system.

So I am inviting you that when you think Strategy for South East Europe, think sustainable modes, and alternative, renewable fuel sources. It is worth pointing out the successful work that has been ongoing in Slovenia with regard to electric car clusters. This is an example of South East Europe taking the lead on a European scale with a great potential for the future.

**I believe that a rising tide lifts all boats.** I urge you therefore to work together. Be willing to cooperate and to make joint commitments. It will not only benefit your neighbours, but your own people and businesses too.

The **Feniks International Construction Consortium** is a great encouragement. This is a good model of cooperation, and one that can be emulated in other sectors, such as for electrification of transport, for example.

## ***EU Action: Programmes and Funding for SEE***

**Let us quickly look at the actions the EU has done so far in the region:**

**The Berlin Process, which** started 9 months ago, and the Western Balkans 6 (WB6) ministerial meeting which took place in Brussels in the late April, built on the substantial work in terms of definition of the "core"

network for the South East Europe, as an extension of the TEN-T EU transport backbone

The **Commission recognises this effort** as a renewed opportunity to improve connectivity within the South East Europe region, as well as with the EU. The next steps will be the identification of short term "horizontal" and medium term infrastructure priorities.

Commissioner Hahn, Commissioner Cretu and I are very keen to carry out a joint exercise between the Commission services and our partners in the region. There is no need to re-invent the wheel. The work done by **SEETO, the South-east Europe Transport Observatory** – among others - in the recent past is basis for all this.

Setting up the **Western Balkan 6** initiative was a first step in the right direction. Now the priority projects need to be financed in a sustainable way. We will jointly look for the best mechanism to support you in your efforts.

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The **European Union is working closely with the governments of the Western Balkans and the European Investment Bank** to provide a source of funding. One such example is the European Western Balkans Joint Fund or EWBJF under the Western Balkans Investment Framework (WBIF). From 29 billions invested, transport and Private Sector Development are attracting most investments (27%).

The current call for the Connecting Europe Facility (CEF) for the year 2015 was **40 million euro, however the number of proposals**

**received was very low.** Contrary to the CEF for the EU core network call for 11,9 billion EUR, that finished on 3 March 2015, where we have 3x oversubscription. CEF is a co-financing project. Money for the region is provided by the EU, but private funding must be sought. This private funding does not have to be found within the [Balkan] country – it can be sought from any company or organisation established as a legal entity within the EU.

**The WBIF or Western Balkan Investment Framework** supports socio-economic development and EU accession across the South East of Europe through the provision of finance and technical assistance for strategic investments. This provides financing loans of **1.4 Billion euro between 2014 and 2020** for projects which are at the 'ready-to-go' stage.

**In addition,** the European Union's **Instrument for Pre-accession,** administered by DG NEAR and my colleague Commissioner Hahn **has allocated 800 million euro** for projects in the Balkans for the period 2014 to 2020. About half of this figure is destined for transport related projects.

Ladies and Gentlemen:

This was financial part but now, lets see how the development of Smart and Innovative transport could link up with my vision and my priorities for the development of European transport. **My vision for transport is clear:** One, Single European Transport Area. The passenger must be able to make one single payment, for one electronic ticket whether they travel from Skopje to Stockholm from Ljubljana to Lisbon, and no matter how many connections there are or how many different transportation

modes she or he will use. Businesses should have access to integrated logistics solutions at an affordable price and have full access to data bases.

**My mission** is predictable, affordable, well-connected and sustainable transport that serves the needs of EU public. However, any solution designed to support the vision and mission should at the same time be driven by 4 core content drivers:

- decarbonisation
- digitalisation
- internationalisation
- and humanization of the transport.

Not to explain the full details I would invite you to watch a very short video:

**\*\*VIDEO TO BE SHOWN HERE.\*\***

I hope that transport is about people, sustainability and resilience. Allow me, to quote Commissioner Mimica, as he said last week during our lunch with of Ban Ki-Moon Secretary-General of UN:

"If it's not about sustainability its not development. If it's not about resilience it's not development. If it's not about gender equality, it's not development."

We can see that there are many dimensions to prosperity.

## ***The Way Forward – Potential Solutions (EU & SEE)***

Allow me now to summarize five potential opportunities for both, the EU and the South East of Europe:

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- 1. Construction and Investment**
- 2. Digitalisation and Intelligent Transport**
- 3. Decarbonisation of the Transport Network**
- 4. Developing Smart Cities**
- 5. Internationalisation**

### **1. Construction of the corridors and transport networks**

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I have addressed this topic previously, but let me stress one more time that the **European Union's TEN-T** programme sets out the backbone network where we need to invest.

**Looking to roads**, the completion of motorway sections **Vukosavlje-Karuse** and **Karuse – Banlozi** has big potential for improving the network. **Additionally** the completion of the **Belgrade Ring Road** could be another construction priority.

But it is not all about road construction.

**On the rail network**, the Rehabilitation and modernization of rail line between Sarajevo and Podlugovi as well as sections between Dobož and Maglaj and Jelina to Zenica will provide clear benefits.

And on **our rivers** - the Rehabilitation and improvement of the Sava river waterway is another project with huge potential. With this project, navigation on the Sava River will become more predictable in terms of availability of the fairway for vessels, more reliable in terms of logistics and transport planning, and more competitive in relation to other comparable modes of transport.

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## **2. Digitalisation, Intelligent Transport System, SMEs.**

My second point is on the potential of technology in our transport network. Intelligent Transport Systems provides a massive opportunity for SMEs in the EU and in this region. In future, we will need **to learn how to use our existing (and expensive) infrastructure more efficiently**. Its solutions and services can lead the way.

The European Union, through its Digital Single Market Strategy is working to provide **interoperable infrastructure and common standards, for example, standards for electrification of transport, seamless new protocol for digital solution: tolling systems, congestion management, etc.**

We need energetic and innovative companies on board to provide solutions.

**In the Horizon 2020 programme, between 2014 and 2020, the EU is investing 80 billion euro** in research and development of new solutions.

We are moving rapidly towards the '**internet of things**', where objects are communicating with each other, either directly or as a contribution to a big database, for the use in other applications. Digitalisation provides so many opportunities for **innovative businesses**, to develop complete solutions, such as **Car 2 Car, Car 2 Infrastructure, Car 2 People** solutions and whole new industries related to autonomous vehicles, allowing independent and high quality life to ageing population.

In the future, *and I refer to the not-too-distant future*, the general focus will be on passengers and companies using, rather than owning modes of transport. **We will enhance the discussion on new models, such as shared economy, and** I am inviting you all to join us on CIVITAS conference in October in Ljubljana to discuss the topic "**Sharing the City**".

### **3. Decarbonisation and Electrification of the Transport Network**

My third point is on Decarbonisation and Electrification of the Transport Network.

It is this generation's responsibility to think about smart, innovative and green transport solutions. The European Union has already set itself the target of **60% decrease of CO2 emissions from transport by 2050** (comparing to 1990). To do this, we will need to shift some of our current transport patterns onto transport modes which are more sustainable. Currently efforts are made to shift as much cargo traffic as possible to rail.

The **Shift2Rail** project in the EU, for example, is a new public-private partnership in the rail sector, established under Horizon 2020, to provide

a platform for **coordination** of research activities with a view to driving innovation in the rail sector in the years to come.

Alternative fuels are urgently needed to break the over-dependence of European transport on oil. Transport in Europe is 94 % dependent on oil, 84 % of it being imported, with a bill up to 1 billion euro per day, and increasing costs to the environment. Electrification seems to be an important strategic orientation with experiences from Ireland and Norway paving the way.

Key role in decarbonisation will play again digitalisation, and in both regards, operationally and from investment view. Great potential also lies in Horizon 2020: new propulsion systems, energy storage systems, batteries, advanced management solution, and more.

On the 18<sup>th</sup> of June, European Commissioners Arias Cañete, Bieńkowska and I, we are holding a high-level conference in Brussels to discuss ways we can **decarbonise road transport**. I am looking forward to what solutions might be proposed, since road transport accounts for a fifth of EU CO<sub>2</sub> emissions.

My belief is that technology, change in behaviour and new stimulating regulatory frameworks are three key components in decarbonisation. Moreover, the challenge of decarbonising our transport network also provides new business models and opportunities for companies operating both inside and outside the EU.

#### **4. Smart Cities – The Cities of the Future.**



In Cities and in urban area 85% of Europe GDP is generated. The solutions linked to sustainable and smart cities are valued **at 1,3 trillion in 2030 on global scale**. It is a huge business potential but it is also an emergency as cities are evolving very fast. In Europe, many cities and communities are experimenting with new ways of organising citizens' input, including the creation of physical and digital spheres of interaction in the form of innovation districts or zones. I very much favour this kind of action.

Allow me to mention one programme which has been particularly successful - The **European Innovation Partnership**, or EIP.

It provides a forum for cities facing particular challenges to come together and work together. Working together with over 3000 partners, the EIP is finding comprehensive solutions cities right across Europe. Now let us look at an EIP commitment from the cities of Novi Sad and Banja Luka:

Integrated intelligent infrastructure will be deployed in city of **Banja Luka**, city of Novi Sad and major key points on route between cities (350km). Project will demonstrate new connected vehicles concept based on inexpensive smart city building block which can be incorporated into vehicle as well. Driving assistance which will be available to drivers will increase roads safety and optimize existing transportation system.

Another programme is CIVINET. The Slovenia-Croatia programme was established in 2013 as a network of cities, towns and other stakeholders from two neighbouring countries that deals with sustainable mobility planning and traffic management. The objective of the network is knowledge sharing and good practice exchange as well as

implementation of partner projects. CIVINET Slovenia-Croatia currently comprises 55 members: 25 from Slovenia, 21 from Croatia and nine members from Bosnia & Herzegovina, Macedonia, Montenegro and Serbia. CIVINET Slovenia-Croatia is, like other similar networks, supported by the European Commission through CIVITAS CAPITAL project.

The very successful case is City of Ljubljana. Ljubljana has been awarded by several EU awards for Urban mobility and is the Green Capital of Europe for 2016. I would like to take this opportunity to invite you all, not only the cities but also business, to build smart and inclusive. I am strongly encouraging collaboration, joint commitments and I hope to see some encouraging results at the beginning of October when Ljubljana will host, as already mentioned, the largest annual event for urban mobility – the CIVITAS conference. I have invited also VP Šefčovič to join us in Ljubljana, as well as, some ministers. I am sure that it will be another important meeting point to make concrete actions.

## **5. Internationalisation. Opening up to China. Silk Road.**

My fifth and final point is that of internationalisation.

The South East of Europe perfectly located as a gateway region, and has huge potential.

The region is:

A gateway to European Union.

A gateway to Asia.

A gateway to the Middle East and Asia.

The Silk Road, a route stretching from South East Europe to the Far East could be given greater consideration. It represents a serious effort to connect efficiently **Europe and Asia by land**. With greater connectivity, the potential for tourism and trade with these regions is enormous. I will visit China at the end of September in order to further assess the potentials and ways for moving forward between Asia and Europe.

## ***Conclusion***

Ladies and Gentlemen,

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I am coming to a close. I hope I have given you some food for thought. I do not have all the solutions. We can achieve great things by sharing ideas, collaborating and co-creating together. I would like to underline that The European Union stands ready to be your partner.

Joint regional bold commitments and synchronisation of actions have the biggest potential for success.

- Building on the work that has already been done,
- Continuing to develop the natural geographic advantage this wonderful region has,
- And looking towards sustainable, modern and smart solutions.

I am confident that this region has a bright, stable and successful future.

I hope that you will leave this Summit 100 meeting with a renewed confidence in the region. The potential is there, and great work is already being done.

I hope also, that you have gained some insights into the opportunities that are there, and the investment choices which are to be made.

Decarbonisation, Digitalisation, and Internationalisation are challenges.

But let us grab them and together turn them into opportunities, for the benefit of citizens, business, the region and the world.

Thank you.