



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, .... 2005

**MEMORANDUM TO THE COMMISSION FROM PRESIDENT BARROSO  
IN AGREEMENT WITH MR BARROT**

**Implementing the trans-European networks**

## Summary

Modern infrastructure is an important factor for the competitiveness of the European Union. Extending and improving European infrastructure is a key element in relaunching the Lisbon strategy for growth and employment.

By making it possible to transport goods and persons between Member States more quickly and more easily, the trans-European transport network has a crucial role to play in stimulating the internal market and improving cohesion in Europe.

On 29 April 2004 the European Parliament and the Council adopted a Decision establishing the trans-European transport network, which includes 30 priority projects to be completed by 2020. The priority projects alone will mean mobilising investments of €25 billion; the overall investment required for the whole trans-European network is €600 billion.

Raising this amount of money is a huge task. To make a contribution which has some chance of making a difference, on 14 July 2004 the Commission proposed a budget of €20 billion for the trans-European networks for 2007-2013<sup>1</sup>. This is considerably more than the current budget, but is the strict minimum required. It might not even be enough to complete all the projects in accordance with the timetable set by Parliament and the Council. The applications for funding received by the Commission under the current budget already indicate that there are enough mature projects to absorb the budget proposed easily.

A budget increase of this size means that management methods will have to be completely reconsidered. To manage the budget, up to 120 officials will be required, i.e. almost twice the current number, with highly specialised knowledge in different fields according to the specific nature of each major project. If it is not possible to recruit extra staff with the required flexibility, the only solution is to set up an executive agency to which the Commission will delegate the technical and administrative management tasks involved in managing the cofinancing granted to the trans-European network. For information and to make things clearer, the draft decision setting up this executive agency is attached as an annex.<sup>2</sup>

The implementation of several major projects of a transnational nature also requires closer coordination between Member States along the corridors concerned to synchronise the work schedules more closely and to reach agreement on the distribution of funds and the exact routes to be followed. As provided for in the Decision of the European Parliament and the Council, the Commission may in such cases designate "European Coordinators". It is proposed to designate a first set of six European Coordinators to facilitate the coordination, along the relevant corridors, of six priority projects which are in urgent need of such assistance.

All existing Community instruments must be used to mobilise the investment required: the trans-European network budget but also structural financial instruments and European Investment Bank loans. It is necessary to provide the impetus and policy steering required for successful coordination of these interventions, including funding of the trans-European energy and communications networks.

It is therefore proposed that the Commission:

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<sup>1</sup> [COM \(2004\) 475](#)

<sup>2</sup> Without the financial statement, which must be validated by the competent departments

- authorises transmission to the Committee for Executive Agencies of the draft Commission Decision establishing a "Trans-European Transport Network Executive Agency", to which management of the cofinancing granted to the trans-European transport network will be entrusted, as well as the corresponding financial fiches and the cost-benefit analysis;

- requests to the services to table the project establishing a Trans-European Transport Network Executive Agency following of the opinion of the Committee for Executive Agencies;

- adopts the draft decision nominating a first set of six European Coordinators for the trans-European network and to authorise Vice-President Barrot to send mission statements to the persons nominated;

In this context, the President hereby informs the Commission of his decision:

- to create a steering group of the Members of the Commission, led by to the Vice-President in charge of transport and composed by the Commissioners in charge of the information society, environment, economic affairs, regional policy, budget and energy;

- to give authority to the Vice-President to define a common approach to better coordinate the different Community initiatives supporting the implementation on the trans-European transport, energy and communications networks

- to give the mandate to this steering group led by the Vice-President, to present, by the end of 2006 at the latest, a report on this new method and the outlook for 2007-2013.

## **1. TRANSEUROPEAN NETWORKS: LEGAL AND BUDGETARY FRAMEWORK**

### **1.1. A new legal and budgetary framework**

The European Union needs modern infrastructure to improve its competitiveness. Developing and improving this infrastructure is a key element in relaunching the Lisbon strategy for growth and employment.

By making it possible to transport goods and persons between Member States more quickly and more cheaply, the trans-European transport network has a crucial role to play in stimulating the internal market and improving cohesion in Europe. It also contributes to restoring the balance between transport modes on major routes and thus to sustainable development. According to Commission studies, completion of the trans-European transport network would result in extra growth which could reach 0.2% to 0.3% of gross domestic product, potentially corresponding to a million permanent new jobs. Completion of the network would also lead to a reduction in greenhouse gas emissions of around 4%, bringing the Union closer towards achieving the Kyoto Protocol objectives.

On 29 April 2004 the European Parliament and the Council adopted Decision No 884/2004/EC establishing the trans-European transport network to be completed by 2020. In particular, the Decision adopts a list of 30 priority projects. The list comprises the 14 projects already adopted in 1994 by the Essen European Council and adds 16 new major priority projects to be carried out in the enlarged Union.

These projects require the coordinated mobilisation by Member States of investments totalling €25 billion by 2020, from the €600 billion needed for the whole network. The work will be spread out over several financial perspective periods; for 2007-2013 alone, the investment required for priority projects is around €140 billion.

To fund this investment the three possible sources of funding will have to be combined in the best possible way. These are: national budgets, user contributions from infrastructure charging<sup>3</sup> and the Community budget, through the trans-European network budget and also the Cohesion Fund and Structural Funds in regions which are eligible.

As indicated in the reasons for the proposal for a regulation of 14 July 2004 on the trans-European networks in the framework of the financial perspective, aid from the Community budget has a particularly important role to play compared to funding from other sources. Community aid is more stable over time and has a powerful release effect for transnational links which the Member States are reluctant or unwilling to fund. The trans-European network budget in particular has the major advantage of concentrating aid on the sections the Member States have most difficulty funding alone because the benefits are shared by neighbouring countries, such as cross-border sections.

If the aid is not sufficient, these priority projects will have to be postponed or many of them cancelled, in particular the cross-border sections. It is to avoid this that the Commission

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<sup>3</sup> The Commission's estimates count on a user contribution of around 20% from direct or indirect charges (increase in road tolls cofinancing rail links across the Alps).

regulation proposes a trans-European network budget of approximately €20 billion for 2007-2013, which is considerably more than the current budget.

## **1.2. A structure able to manage the immediate financial requirements of trans-European network projects**

The future trans-European network budget is considerably larger than the present budget. However, this is the strict minimum required. It might not even be enough to complete all the projects in accordance with the timetable set by the European Parliament and the Council if the Member States and users do not provide their share of the funding.

The budget proposed by the Commission represents on average less than 15% of the investment required between 2007 and 2013 for the priority projects alone. Mature projects could now already absorb several times the budget available, as is evident from cofinancing applications already submitted by the Member States and information sent by the Member States to the Commission (also see annex).

- The 2001 requests of support, at the same cofinancing rates, would have been capable to absorb three times the budget available.

- In 2004 the expenditure announced by the Member States for only 7 of the 30 priority projects showed capacity to absorb €1.6 billion if the cofinancing rate had been 30% as proposed by the Commission on 14 July. This would have been more than four times the budget actually granted (€380 million).

- After a survey in the Member States on the timetable for work in progress and planned for the 30 priority projects, the Commission drew up a schedule of the funding required each year for each project until 2020. Together, this totals approximately €140 billion for 2007-2013, and will increase substantially between 2007 (€17 billion) and 2010 (€25 billion).

## **2. NEW STRUCTURES**

### **2.1. An Executive Agency to manage the projects**

The Commission, in its present organisational form and with its current resources, might find it difficult to handle the financial and technical management of a budget that has more than tripled.

Since it is impossible to allocate the resources required, the Commission, in its Communication of 10 February 2004 on the framework of the financial perspective<sup>4</sup> had expressly mentioned *offices or executive agencies* as an *alternative to in-house direct management* and simplification with *one instrument per policy area* to avoid duplication of instruments and provide beneficiaries with a *one-stop-shop*.

Moreover, it is essential to improve coordination along the entire route of each priority project to achieve completion of the whole corridor by 2020, including the cross-border sections. These sections have several handicaps: specific technical constraints and extra costs when crossing natural barriers (crossing mountain ranges, the Baltic sea in winter, etc) and less

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<sup>4</sup> COM (2004)101 "Building our common future: policy challenges and budgetary means of the enlarged Union 2007-2013".

commitment from the national authorities. The resulting delays on these sections considerably reduce the benefits the Union can draw from completing the transnational routes.

To tackle these problems, they must first be accurately diagnosed with top-flight technical and financial expertise.

For these reasons, it is proposed to set up a Trans-European Transport Network Executive Agency which will be established under Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes. The agency will be set up in two stages. Its size will initially be set to manage the Community financial assistance allocated for TEN-T for the present financial perspective period. As soon as the new financial perspective (2007-2013) is known, the number of staff will be adapted accordingly.

The idea of an Agency is not new. In a communication published in 2003 the Commission had already had accepted the idea of setting up a European structure which could perform *catalyst and leverage functions*.<sup>5</sup> The European Parliament had stressed on several occasions the need for a European Fund.

Its decisive advantage is that it will be able to recruit large numbers of experts who have experience in dealing with major projects, such as engineers and financial experts, to monitor and check the different financing phases.

It will allow simplification, which is a thread that runs through the financial perspective. Management by an agency will be much more efficient than in-house direct management by the Commission. This outsourcing will considerably reduce operating costs while ensuring highly efficient management.<sup>6</sup> The agency will be able to draw on the expertise of agencies specialised in air, maritime and rail safety; it will also be able to benefit from the expertise of the EIB, which it will be working with.

The agency will have the following tasks:

- technical and financial management of projects cofinanced under the trans-European networks budget;
- providing the Commission with technical expertise for trans-European transport network programming;
- checking that projects cofinanced by the Commission are in conformity with the transport policy rules (safety, interoperability) and principles (boosting capacity for rail freight) applicable to trans-European network infrastructure;
- assisting the project promoters with financial engineering and the setting up of appropriate legal structures, notably European Companies;<sup>7</sup>
- providing the European project coordinators with administrative and technical support (see paragraph 2.2);

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<sup>5</sup> COM (2003) 132 "Innovative funding solutions – interoperability of electronic toll collection systems", 23/04/2003

<sup>6</sup> As shown in the cost/benefit analysis

<sup>7</sup> Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE)

The agency will manage the funds under the trans-European networks budget but, in the medium term, when it has reached cruising speed, it could also, in cases justified by the technical complexity of the projects and scale of the investment to be made, coordinate, along their entire route, priority projects also supported by other Community funds such as the Cohesion Fund and the European Regional Development Fund. Without affecting the specific nature of each fund the agency would thus simplify matters for the authorities responsible for these projects and ensure that funds are used in the best possible way.

The agency will only be entrusted with certain tasks. Clearly, tasks which involve implementing policy choices with a margin of discretion, such as setting priorities, programming and evaluation, will continue to be the Commission's responsibility.

## 2.2. The first European Coordinators

Work on the major trans-European network projects has been hindered by lack of funding but also, for some projects, problems of coordination between Member States, whether improving the synchronisation of work timetables or reaching agreement on the distribution of funds and the exact route to be followed.

As provided for in Decision No 884/2004/EC of the European Parliament and of the Council, in such cases the Commission can designate a "European Coordinator" to facilitate coordination. The coordinator would help arrange the financial package, promote joint evaluation methods and report to the Commission, Parliament and the States concerned on progress made and problems encountered.

There are several objective criteria which show whether the coordination difficulties affecting some projects are serious enough to jeopardise completion in accordance with the timetable set by Parliament and the Council, and therefore justify the designation of a "European Coordinator". The most important ones are:

- delays observed on key cross-border sections;
- absence of firm agreement on timetable and route between the countries concerned;
- lack of funding for key sections;
- the need to associate a broad range of players such as industry and regional authorities.

When the major trans-European network projects are examined in the light of these criteria, it can be seen that the following six are in urgent need of assistance to facilitate the coordination of work along the corridors concerned:

Projects	Sections concerned identified by Parliament and the Council (date set for completion)
Priority project No 1 (whole corridor)	- <i>Halle/Leipzig-Nuremberg (2015)</i>
"Berlin-Verona/Milan-Bologna-Naples-Messina-Palermo rail link"	- <i>Nuremberg-Munich (2006)</i> - <i>Munich-Kufstein (2015)</i> - <i>Kufstein-Innsbruck (2009)</i>

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	- <i>Brenner Tunnel (2015), cross-border section</i>
	- <i>Verona-Naples (2007)</i>
	- <i>Milan-Bologna (2006)</i>
	- <i>Rail/road bridge over the Strait of Messina-Palermo (2015)</i>
Priority project No 3 (whole corridor)	- <i>Lisbon/Porto-Madrid (2011)</i>
	- <i>Madrid-Barcelona (2005)</i>
"South-west European high-speed rail link"	- <i>Barcelona-Figueras-Perpignan (2008)</i>
	- <i>Perpignan-Montpellier (2015)</i>
	- <i>Montpellier-Nîmes (2010)</i>
	- <i>Madrid-Vitoria-Irun/Hendaye (2010)</i>
	- <i>Irun/Hendaye-Dax, cross-border section (2010)</i>
	- <i>Dax-Bordeaux (2020)</i>
	- <i>Bordeaux-Tours (2015)</i>
Priority project No 6 (Corridor V)	- <i>Lyon-St Jean de Maurienne (2015)</i>
"Lyon-Trieste-Divaca/Koper-Divaca-Ljubljana-Budapest-Ukranian border rail link"	- <i>Mont-Cenis Tunnel(2015-2017)</i>
	- <i>Bussoleno-Turin (2011)</i>
	- <i>Turin-Venice (2010)</i>
	- <i>Venice-south Ronchi -Trieste-Divaca (2015)</i>
	- <i>Koper-Divaca-Ljubljana (2015)</i>
	- <i>Ljubljana-Budapest (2015)</i>
Priority project No 17 (whole corridor)	- <i>Baudrecourt-Strasbourg-Stuttgart (2015), including Kehl Bridge</i>
	- <i>Stuttgart-Ulm (2012)</i>
"Paris-Strasbourg-Stuttgart-Vienna-Bratislava rail link"	- <i>Munich-Salzburg (2015)</i>
	- <i>Salzburg-Vienna (2012)</i>
	- <i>Vienna-Bratislava (2010)</i>

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Priority project No 27 (whole corridor)	- <i>Warsaw-Kaunas (2010)</i>
"Rail Baltica-Warsaw-Kaunas- Riga-Tallinn – Helsinki rail link"	- <i>Kaunas-Riga (2014)</i> - <i>Riga-Tallinn (2016)</i>

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Horizontal project: "Rail corridors and deployment of the ERTMS traffic management system"	<i>Development of an interoperable rail network on the corridors which make up the 20 000 km core network already defined by the Commission on which ERTMS is deployed</i>
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Decision No 884/2004/EC of the Parliament and of the Council provides that the remit of a European Coordinator normally relates to a single project but may, if necessary, be extended to cover the whole of a major route (corridor). For the industrial project to deploy a single rail traffic management system (ERTMS), the coordinator will give priority to certain routes, starting with the Rotterdam-Milan-Genoa corridor in view of its importance for intra-European freight.

The draft Commission Decision attached nominates six people for a four-year period: Karel Van Miert, Etienne Davignon, Loyola de Palacio, Péter Balázs, Pavel Telicka and Karel Vinck.

All the above persons meet the requirements of Article 17(a)(2) of Decision No 884/2004/EC with respect to experience of European institutions and knowledge of issues relating to the financing and evaluation of major projects. The six names are proposed to the College after consulting the European Parliament and in agreement with the Member States concerned, as provided for in the Decision of Parliament and the Council of 29 April 2004.

For reasons of independence, the Commission requires that the persons designated are not nationals of the countries concerned by the projects.

It should be stressed that later, as other projects develop and difficulties may arise, other coordinators will be designated.

### **3. COORDINATION BETWEEN COMMISSIONERS TO IMPLEMENT THE TRANS-EUROPEAN NETWORKS**

The trans-European transport, telecommunications and energy networks are funded from different budget lines: the trans-European network budget but also the Structural Funds and the Cohesion Fund.

It should be noted that 20% of investment in priority projects is for work in countries eligible for Cohesion Fund assistance. In eligible regions, structural financial instruments also have an important role to play in cofinancing access links to priority projects (whose completion increases the profitability of priority projects) and in general contributing to the development of the trans-European networks.

When the projects are actually implemented, close monitoring by the Commission is required to ensure that environmental protection requirements are taken into account.

In addition, when building transport infrastructure, the question often arises as to whether electric power lines should be laid at the same time to improve links between isolated national markets and avoid blackouts.

The amount of Community funding at stake, the need for good coordination and consistency between financial instruments, the importance of completing the trans-European network on time for successfully giving fresh impetus to the Lisbon strategy, are all factors requiring close in-house coordination at the Commission.

Likewise, improved coordination with the EIB, which has committed itself to stronger support for trans-European network priority projects, is crucial.

There has always been in-house coordination of trans-European networks at the Commission, by the Directorate-General for transport and energy. However, in view of the significant Community dimension of the transport sector and its interconnection at European level, which is also the case for other sectors (energy, telecommunications, etc), and the financial implications, a policy steering group is now needed to strengthen this coordination.

To provide the political impetus required, the President of the Commission has asked the Vice-President responsible for transport, in association with the Commissioners concerned, to set up a steering group to reflect on the way to improve the contribution of the trans-European networks to the structuring of the internal market, the harmonious development of the Union and the strengthening of growth in Europe, in order to ensure the consistency of policies affecting the development of the trans-European networks and in particular the consistency of the Commission's financial contributions with one another and with EIB loans.

This steering group will involve the Commissioners most directly concerned, in particular the Commissioners responsible for transport, information society and telecommunications, energy, regional policy, the budget, and the environment and the Commissioner responsible for economic and monetary affairs.

The objectives will be:

- to ensure consistency when devising policy affecting the development of the trans-European networks and to ensure that projects are managed with due regard for other Community policies, notably environmental protection, territorial cohesion and access to Services of General Economic Interest (SGEI); these questions could be dealt with in a Green Paper;
- to ensure that the Commission's financial contributions from the trans-European network budget, the Cohesion Fund and the Structural Funds are well coordinated, notably in the programming of assistance for 2007-2013;
- to maximise synergies between Community financing, EIB loans and national financing, including those observed when implementing major economic policy guidelines;
- to draw up a report on this new method of implementing the trans-European networks, one year after the coordinators are nominated (see paragraph 2.2);

At the President's request, this steering group will be led by Mr Barrot and it will prepare, by 2006 at the latest, a communication on progress made, the prospects for 2007-2013.

## ANNEX

### TEN-TRANSPORT : AN IMMEDIATE CAPACITY OF ABSORPTION

A range of projects are in existence currently **that are sufficiently mature to absorb a much greater budget than is currently available under the budget line for TEN-T.**

The three points set out below provide conclusive evidence of this:

1. The table below shows the initial requests for co-financing from Member States under the “Multi-Annual Indicative Programme for 2001-2006” (framework decision 2001)<sup>8</sup>.

**As it can be seen, the 2001 requests of support, at the same cofinancing rates, would have been capable to absorb three times the budget available.**

Total requests for co-financing < 10% of the cost (millions €)	Proposed Support (million €)	% of requests accepted
8,309	2,781	33%

2. The second table (below) covers 7 of the 30 ‘Priority Projects’. It is based on the estimate of costs made by the Member States in their request for co-financing in the context of the revision of the Multi-Annual Indicative Programme (MIP) for 2004-2006.

The estimates in fact represent a **low range of costs** as for certain major projects the Member States did not make a new request and not all sections of projects are covered. As can be seen, in 2004 the total cost of these sections of the Priority Projects exceeded 5.4 Billion €

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<sup>8</sup> The proposed support corresponds to 75% of the available budget for the period - the maximum allowed by the Regulation EC N° 2236/95.

Cost of the Priority projects (M€)			Potential assistance under various rates of support.			
	2004	2005	10%	30%	10%	30%
PP1 Berlin-Vérone	870	770	87	261	77	231
PP2 PBKAL	790	460	79	237	46	138
PP3 TGV Sud	190	340	19	57	34	102
PP4 TGV Est	1.050	930	105	315	93	279
PP6 Lyon-Turin-Trieste	1.200	1.150	120	360	115	345
PP12 Nordic Triangle	400	520	40	120	52	156
PP14 WCML	920	1.070	92	276	107	321
<b>Total</b>	<b>5.420</b>	<b>5.240</b>	<b>542</b>	<b>1.626</b>	<b>524</b>	<b>1.572</b>

The table also shows a simulation of the situation under various rates of co-financing, the existing 10%, and the proposed rate of 30%, for the period 2004-2005<sup>9</sup>.

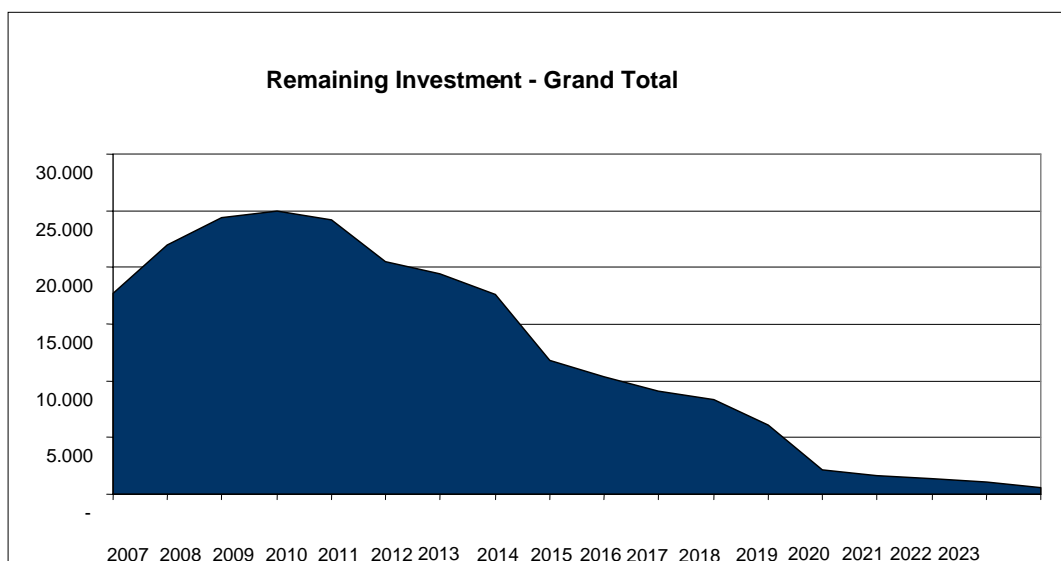
**It can be observed that in 2004 only for a part of the Essen priority projects the potential assistance could have been in the range of 540 M € to 1.6 billion € (based on the rate of assistance of 10 or 30%) although in practice only 380 M € has been provided.**

The figures for 2005 are of the same order of magnitude.

These estimates illustrate the validity of the figures that were put forward in the context of the Commission's proposals for the financial perspectives 2007-2013, which identified the need for progressive increase in the funding during the period to meet rising needs.

3. In order to provide a concrete illustration of the investments requirements, an enquiry with the Member States on the timing of the work underway and forecast for the duration of the 30 Priority projects, was undertaken. The Commission then established an annual estimate of financing requirements to 2020: this gives the profile of investments shown below.

<sup>9</sup> The 30% rate has been systematically applied to all sections of the « Priority Projects »



The diagram shows very clearly that for the period 2007-2013 that the maximum need for support falls in the middle of the period covered by the Financial Perspectives. **It also shows that the investments requirements in the period 2007-2013 amount to around 140 B € and that they increase considerably between 2007 ( 17 B €) and 2010 ( 25 B €)** ; this is due notably to the fact that major projects such as the Brenner and the Mont Cenis Alpine projects get underway and can absorb very large amounts of investment.: this is illustrated by the table below:

#### Mont Cenis Tunnel

Section	<i>Lyon-Chambéry</i>	<i>International Section</i>	<i>Bussoleno-Turin</i>
Cost (2007-2013) (en M€)	2.600	2.900	1.350
Maximum rate of support (%)	<b>30%</b>	<b>50%</b>	<b>30%</b>
Maximum amount of support. (M€)	780	1.450	405