

Report of the Working Group

**Examining the desirability of a
Northern Dimension Partnership on
Transport and Logistics**

20 June 2008 (final)

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1 Introduction

Following its renewal, as decided by the Northern Dimension Summit in November 2006, the Northern Dimension is today a common policy between the EU, Russia, Norway and Iceland. The Summit approved a new Northern Dimension Policy Framework Document and a Political Declaration. In the latter the Partners *i.a.* asked the Northern Dimension Senior Officials to examine the desirability of a Northern Dimension Partnership on Transport and Logistics, inviting for this purpose also experts and international financing institutions. This request was based on the experience of the existing Northern Dimension partnerships and a desire to explore if new partnerships could bring value added to the Northern Dimension.

In their meeting in St. Petersburg on the 21 November 2007, the Northern Dimension Senior Officials agreed to set up a Working Group to examine the desirability of setting up the new Partnership (see the terms of reference in annex 1). The Steering Group will finalise the details with a view to the final decision to be taken by the Northern Dimension ministerial meeting in the autumn of 2008.

The launch meeting of the Working Group took place in Oslo on 27 February 2008. The members of the Group included the Northern Dimension partners. The major International Financial Institutions (IFI) active in the region also participated. Several individual EU Member states took also part in the meetings as well as experts from Belarus as observer. To prepare this report, the Group met 4 times: on 27 February in Oslo, Norway, on 15 April in Helsinki, Finland, on 14 May in St. Petersburg, Russia and on 18 June in Warsaw, Poland. The European Commission has acted as the secretariat of the Working Group.

The Working Group has carefully studied the status of existing transport cooperation structures in the Northern Dimension region with a special focus on those that express the common priorities of the Northern Dimension partners. Its work builds in particular on the following three exercises:

- The work carried out by the High Level Group chaired by Loyola de Palacio, former Vice-President of the European Commission, on improving major transport connections between the EU and its neighbours, involving 53 members among which the Northern Dimension partners Russia and Norway as well as the EU;
- The work carried out under the EU-Russia transport dialogue, in particular by the working group on *Transport strategies, infrastructure and PPPs* and well as by its sub-group on *Transport logistics problems*.
- The results of the expert group seminar, organised by the Nordic Investment Bank (NIB) and building on the recommendations of the High Level Group, to explore the potential role of a Partnership on transport and logistics.

In addition, the Working Group takes note of the exploratory talks between the European Commission and Belarus on transport policy. The Working Group has also heard a number of experts, including in particular the Chairs of the Pan-European Corridors II (Berlin-Moscow) and IX northern part (Helsinki-St Petersburg-Moscow) as well as the Barents Euro-Arctic Transport Area (BEATA).

2 Northern Dimension policy

Following the decision at the Summit in November 2006, the Northern Dimension was transformed into a genuinely common policy between its four partners. The Northern Dimension forms the regional reflexion of the Four Common Spaces between the EU and Russia with the participation of Norway and Iceland when appropriate. The Northern Dimension offers a functioning platform for mutually beneficial cooperation across the region to address common challenges.

The Northern Dimension spans a vast geographical area covering the northern EU Member states, Norway, Iceland, Northwest Russia, the Baltic Sea Region, Barents Region and the Arctic. USA and Canada are observers and the policy encourages expert level cooperation with Belarus. The Northern Dimension covers a range of cooperation sectors and it contributes in increased coordination and synergy between various actors in the region.

The Northern Dimension provides a common framework for the promotion of dialogue and concrete cooperation in addressing challenges and opportunities in Northern Europe. The two existing Northern Dimension partnerships, the Environmental Partnership and the Partnership in Public Health and Social Well-being, are the most notable examples of concrete Northern Dimension cooperation. The Northern Dimension aims at addressing the special regional development challenges of northern Europe, including *i.a.* insufficient transport and border crossing facilities.

The main regional organisations active in the Northern Dimension are: the Council of the Baltic Sea States (CBSS), the Barents Euro Arctic Council (BEAC), the Arctic Council (AC) and the Nordic Council of Ministers.

3 Transport cooperation in the Northern Dimension region

3.1 Development of trade and traffic

Trade and traffic flows in the Northern Dimension region are considerable already today and the international traffic flows are among the highest in Europe. Recent studies forecast that rapid growth in trade flows and freight transport will continue; whilst 75% of Norway's trade is with the EU, trade between the EU and Russia is expected to grow 2.6% per year and at some border crossing points current traffic growth exceeds 10%.

Maritime transport is well developed in the Northern Dimension region. Whilst it accounts for more than half of the overall international traffic volumes in the region, its share exceeds 80% for Norway's and Iceland's foreign trade. As to land transport, international traffic by rail and to a lesser extent by road is particularly important for trade between the EU and its North-Eastern neighbours, Russia and Belarus.

The most important transport connections for international trade in the Northern Dimension region are between Berlin and Moscow, between Russia and the Baltic countries and Finland. In the longer term, the so called North-East-West link in the Barents region is also forecast to become an interesting option for freight between Asia and North Europe and even North America.

3.2 *Transport cooperation involving Northern Dimension partners*

3.2.1 **The High Level Group**

The High Level Group was set-up in 2004 to look at how to better connect the EU with the neighbouring countries in the North, North and South East as well as in the South around the Mediterranean Sea. The Group was chaired by Loyola de Palacio, former Vice-President of the European Commission, and its members included 27 countries neighbouring the EU, among which Norway and Russia. The EU Member states participated also as well as the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the World Bank. The Group delivered its report to the European Commission a year later in December 2005.

The report of the High Level Group expressed the common priorities and commitment of the participating countries in the transport sector. In particular the Group recommended to:

- Focus cooperation on a limited number of **major transnational Axes** connecting the EU and the neighbouring countries and serving international trade and traffic. The Northern Dimension region is concerned by the Northern Axis and the Motorways of the Atlantic, Baltic and Barents Seas.
- Look at all types of bottlenecks that unnecessarily delay traffic flows along the Axes. The measures to remove such bottlenecks should include **infrastructure projects and horizontal measures** such as interoperability, traffic management systems, safety and security, customs procedures, procurement, environment and social aspects of transport.
- Further assess the economic, environmental and social **feasibility** of a number of infrastructure projects put forward by its members and to work together on innovative **financing schemes** for their implementation.
- Strengthen the existing **regional cooperation frameworks** to ensure synchronised and effective implementation of the identified projects and measures along the major Axes, including IFI coordination.

These recommendations have since been endorsed under the EU-Russia Transport Dialogue (see ch. 3.2.2) as well as by the European Community and Norway:

- In June 2007, the **EU Council of Transport Ministers** welcomed both the further extension of the axis approach and the emphasis placed on the horizontal measures. It requested the Commission to put forward proposals for practical implementation of this approach and for strengthening the organisational structure and the coordination framework of the axes.
- Bilateral discussions with **Norway** in autumn 2007 have also confirmed the relevance of the High Level Group's recommendations as the basis for cooperation in the Northern Dimension region. Norway is also part of the EU's trans-European network policy given its status as a country of the European Economic Area (EEA).

3.2.2 EU-Russia transport dialogue

The EU-Russia transport dialogue was established in 2005 under the EU/Russia Common Spaces and five technical working groups were created: Transport strategies, infrastructure, PPPs; Road and rail; Transport security; Waterborne transport; and Aviation.

As agreed by both parties, the aims of the working group on *Transport strategies, infrastructure and PPPs* include *i.a.* the implementation of the recommendations of the de Palacio High Level Group both as regards the identified transnational Axes and the horizontal measures, including trade and border crossing facilitation. In its meeting in January 2008, the working group concluded that "both sides welcomed the Working Group that is being set up to examine the possibilities of setting up the Northern Dimension Partnership on Transport and Logistic. Both sides agreed that the Partnership should provide the functions of the regional steering group and secretariat for the Northern Axis and that they would work together towards this aim".

In 2006, an *ad hoc* group on transport logistics was created as a sub-group of the one on *Transport strategies, infrastructure and PPPs* to look in more detail into delays occurring at the borders of the European Union and Russia. The mandate of the group was to examine the situation, establish the causes, and to make recommendations to resolve the problems. The Group presented its final report in summer 2007 and made a series of recommendations to be taken up by the permanent working groups. The report was transmitted to Mr Barrot, European Commission Vice-President, and Mr Levitin, Russian Minister of Transport, in autumn 2007. The Group's recommendations (summarised in annex 2) range from customs and operational border crossing procedures to promotion of intermodal transport, technical and administrative interoperability and to compatible traffic management systems.

3.3 Expert meeting organised by the NIB

As a preparation for the examination by the Northern Dimension Senior Officials of the desirability of such a new Partnership, the Nordic Investment Bank (NIB), in agreement with the Northern Dimension Steering Group, organised an Expert Meeting in Brussels on 15 June 2007 to discuss the potential role, content and additionality of such a Partnership. 38 experts from the European Commission and EU member States, Russia, Norway and Iceland, NIB, EIB, EBRD and the World Bank Group attended the meeting.

The vast majority of participants found the idea of establishing a Partnership worthwhile to explore and the potential benefits promising enough for the concept to meet the test of "desirability". The participants stressed, however, the importance, in the subsequent process, to define precisely the scope and role of a Partnership as well as its targets and modalities, in order to avoid duplication and overlaps and instead ensure additionality, complementarity and effectiveness.

The experts agreed that there appeared to exist good opportunities for such an additional role, in particular as a tool to support implementation of Northern Axis and associated projects. Both regional, cross-border and local projects may in a pan-regional perspective pay off significantly for all the region's stakeholders. A new Partnership should build on existing resource bases and institutions, but seek to bring in new forms of cooperation to enhance resource mobilisation and allocation through collaboration between the International and National Financial Institutions, the European Commission and national agencies.

4 Recommendations of the Working Group

4.1 *Desirability of the Partnership*

In light of the on-going cooperation in the Northern Dimension region, **the Working Group is of the opinion that the establishment of a Northern Dimension Partnership on Transport and Logistic is highly desirable and timely.** It considers that the Partnership would bring additional impetus and substance and thus it would also be a means to further develop and advance the general principles and objectives of the Northern Dimension policy. The Northern Dimension is a unique approach to regional cooperation, which will enable partners and stakeholder to address common challenges on an equal footing in true Partnership.

The overall objectives of the Northern Dimension Policy should remain the key building blocks for the Partnership. **The Working Group emphasises that the Northern Dimension is a genuine joint policy between its partners and this joint nature should remain at the core of the development and implementation of the Partnership.** The Northern Dimension also forms the regional reflection of the Roadmaps for the Four Common Spaces agreed between the EU and the Russia. Relevant sections of these Roadmaps will provide further elements for the Partnership to draw from. **The Working Group also underlines the importance of the Four Regional Councils as Participants of the Northern Dimension policy** and considers that they might have an important role to play with regard to certain issues covered by the Partnership.

While the Partnership would address in particular the objectives of the Northern Axis it should also, in line with the Northern Dimension approach, cover those issues which fall outside the Axis and which the partners consider to be in their joint interest. **The Working Group recommends that the Partnership should therefore be perceived as the practical implementation of the Northern Dimension Policy and a method of its further advancement in the region.**

In the development of the Partnership due account should be taken of the experiences gained from the existing two Northern Dimension Partnerships (NDEP and NDPHS). The Partnership should therefore seek to secure a sound financial base and seek to involve in its activities a wide range of key stakeholders in the region. The Transport and Logistic Partnership does not need to replicate the models established in the context of the existing Partnerships but the Working Group is of the opinion that valuable lessons and inspiration can be gained from them, for instance on the role of the International Financing Institutions (IFI).

4.2 *Objectives for the Partnership*

In the light of the ongoing cooperation in the Northern Dimension area (summarised in ch. 3), the Working Group considers that the Northern Dimension Transport and Logistics Partnership should be set up to supervise this cooperation and mobilise its funding. In particular, the Partnership should:

- Work together to improve the major transport connections between the Northern Dimension partners to stimulate sustainable economic growth at the local/regional and global level by focusing on a limited number of priorities that reflect both Northern Dimension regional and national priorities in a balanced way.

- Accelerate the implementation of transport or logistics infrastructure projects along the major transnational connections, and facilitate the approval of projects of mutual interest, through concerted project preparation and by offering faster access to a coordinated financial pool within the geographical scope of the Northern Dimension Partnership.
- Accelerate the removal of non-infrastructure related bottlenecks including in particular the horizontal measures identified by the High Level Group and the recommendations of the *ad hoc* working group on logistics problems.
- Set up effective structures to monitor the implementation of the proposed projects and measures, to identify new bottlenecks and to make recommendations for their removal, also including, when relevant to international or other *fora*.

4.3 Geographical scope of the Partnership

4.3.1 Focus on the Northern Dimension region

Whilst the Working Group underlines that the future Partnership should operate in the Northern Dimension region, at the same time it considers that it is important for the Partnership to take due account of major international trade and traffic flows and to ensure continuity and coherence along the relevant branches of the Northern Axis.

In particular, the railway connection between Moscow and Berlin, which passes through Belarus, is of major importance already today for freight by rail. On the corresponding road corridor, conditions for transit via Belarus determine the choice or not of this corridor by road carriers in so far as these decisions reflect perceived or real problems; there is thus a clear need to find solutions to overcome them. Also transport flows between the Baltic countries and Belarus are of growing importance. **The Working Group therefore proposes to invite Belarus to participate in the technical work to be carried out under the Partnership.**

4.3.2 Cooperation with other regional structures and corridors

The Working Group considers that it is also important to ensure close coordination between the Partnership and other transnational corridors and regions to take due account of trade with other main partners beyond the Northern Dimension region. **The Working Group therefore proposes that the Partnership establish a dialogue and contacts with such major corridors** when planning of projects and measures on such corridors may have implications to the Northern Dimension region. The relevant countries could exceptionally be invited to take part as observers on an *ad hoc* basis in the meetings and work of the Partnership when issues of relevance for them are on the agenda.

4.4 Identification of bottlenecks and type of projects

4.4.1 Infrastructure projects

The Working Group is of the opinion that **the Partnership should focus on major projects having cross border implications and that are of particular relevance for international flows**, in particular those between the Northern Dimension partners. All modes of transport should be included as well as relevant telematics and logistics processes. Infrastructure projects located on the Northern Axis or the Motorways of the Seas meet this requirement.

The partners have already identified several important infrastructure projects that address major bottlenecks along these corridors. These have been taken up in the High Level Group project lists and later on in the expert meeting organised by the NIB. More recently, additional project proposals have been made reflecting changes in traffic patterns or the emergence of new bottlenecks. **Whilst highlighting the indicative nature of these lists, the Working Group recommends to use them as the initial basis for the work of the Partnership** (see annex 3).

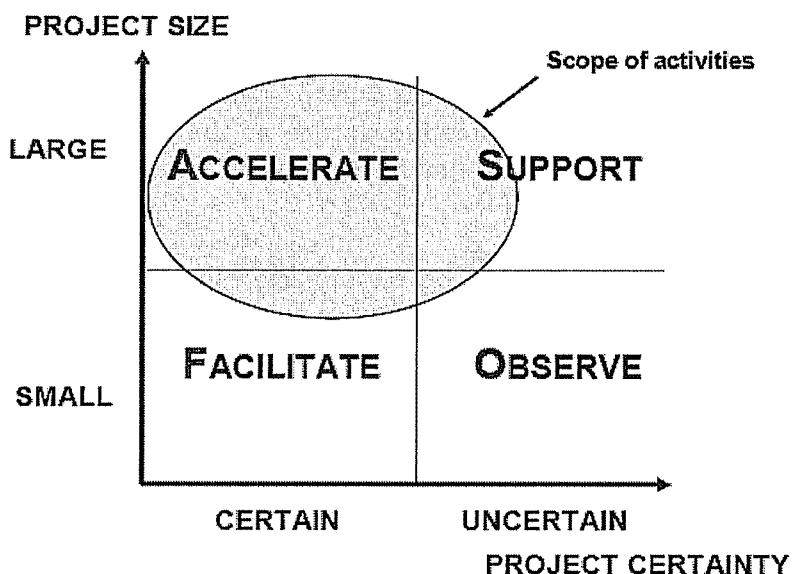
Although the focus of the Partnership should be on projects along major transnational corridors, the **Working Group acknowledges that in some cases it would be desirable to also look at projects with a more sub-regional or local focus as far as they contribute to the development of common objectives**. Such projects should be of interest to at least two of the Northern Dimension partners and clearly contribute to better regional integration, improving access to major transnational corridors or logistic centres, and to facilitating contacts between people and business across borders.

As a first step, the priority given to the projects in national transport plans should be ensured and the economic, environmental and social feasibility and value-for-money of the projects should be verified or, if necessary, assessment studies should be launched. **The Group emphasises the importance of using an appraisal methodology that meets the highest international standards** when determining priorities and in any event before investment recommendations are taken within the Partnership. It is also important that the projects respect relevant international legislation and conventions and that environmental assessment, public procurement procedures etc. are carried out in accordance with IFI's funding rules and best international standards and practice.

The Working Group emphasises that the project list needs to be regularly and systematically updated, by mutual agreement, to reflect changes in the global and regional economies and the ensuing current and forecast transport demand across modes. **The Group therefore recommends that a coherent approach be developed for the identification of bottlenecks and prioritisation of projects** with the aim of removing the bottlenecks in a synchronised and cost-effective manner. These could be in line with the study on the Northern Axis¹ and the methodology proposed by the High Level Group, respectively. The Working Group notes that over time this could lead to the development of transport master plans for the whole region covering all transport modes.

The role of the Partnership in contributing to the implementation of infrastructure projects is summarised in the figure below (source: NIB):

¹ See <http://www.ten-naxis.info/> for details.



4.4.2 Horizontal measures

In many cases, obstacles and bottlenecks occur, especially at borders, due to the lack of policy and administrative interoperability and harmonisation. Common market rules, that reflect the best international practice, and seamless logistic processes are important for the development of international trade and exchanges and the implementation of the priority axes and projects. The diversity in signalling, information and telecommunication systems used in the countries of the Northern Dimension region constitutes a major obstacle to the integration of the different national transport and logistics systems.

The Working Group underlines that policy harmonisation, technical and administrative interoperability is a key element facilitating cross-border traffic and a major factor in the reduction of transport and logistic costs. Transport infrastructure should also be supported by integrated traffic management systems as well as by efficient and compatible procedures, including at border crossing points and customs. **The Working Group is of the opinion that the Partnership's role should be to identify non-infrastructure related bottlenecks, to propose measures to relevant *fora* in view of removing them and to monitor the implementation of such measures in a systematic way.**

To do this, the Partnership should develop and agree a coherent approach for the identification of bottlenecks as well as for their assessment and prioritisation as well as effective monitoring. The recommendations of the EU-Russia ad hoc group on logistics problems as well as the horizontal measures identified by the High Level Group should be used as the starting point. However, **the Working Group emphasises that, given their broad and general nature, many of the horizontal measures should be agreed upon and implemented by structures created for this purpose.** These include e.g. the EU-Russia common spaces and in particular the EU-Russia transport and customs dialogues, which look at regulatory measures both in transport and customs, or the EEA agreement with Norway that covers all legislation relevant for the EU internal market.

4.5 Institutional set-up and financing

Effective monitoring of the implementation of the projects and measures requires a strong coordination framework and institutional set-up with adequate technical and administrative support structures. The Working Group takes note of the several regional or sub-regional organisations that already exist and touch upon transport, including the Council of the Baltic Sea States (CBSS), the Barents Euro Arctic Council (BEAC), the Arctic Council (AC) and the Nordic Council of Ministers. In addition, the steering groups and secretariats of BEATA and the Pan-European Corridors II and IX are examples of structures that have been set up specific for transport policy and infrastructure development. Finally, the EU-Russia transport dialogue constitutes an important forum for cooperation and policy harmonisation.

The Working Group acknowledges the useful work carried out by the existing structures and the valuable experience they have gained. At the same time it stresses the need to streamline work and to avoid overlap. Having carefully studied the details and functioning of existing cooperation structures in the Northern Dimension region but also elsewhere, **the Working Group proposes the following three-level institutional structure for the Partnership, composed of the relevant transport policy and decision makers:**

- High Level Meetings to take strategic decisions
- A Steering Group to monitor the implementation of the projects and measures
- A permanent Secretariat to provide administrative and technical support.

4.5.1 High Level Meetings

The High Level Meetings, comprised of highest level Transport Officials, would take strategic decisions on the future development and priorities of the Partnership. These would in particular concern modifications or adjustments, when relevant, to the coordination framework as well as to the definition of transnational Axes, the lists of infrastructure projects and horizontal measures and their further development based on recommendations of the Steering Group. **The Working Group suggests these meetings be organised at the level of Ministers at regular intervals to give political impetus to the Partnership; when useful, deliverables can be put on the table.**

4.5.2 Steering Group

The Steering Group, comprised of Senior Officials, would monitor the implementation of the Partnership and ensure that the set objectives are met and the agreed projects and measures are carried out as planned. To do this it would develop effective tools and agree on common methodologies and master plans for the Northern Dimension area, including assessment of bottlenecks, proposals and prioritisation of projects and measures in view of their removal.

The Steering Group would be the instance to decide to set up *working groups or task forces* at expert level involving all or some of the partners to look into technical issues in more detail. More specifically, **the Working Group proposes that the following thematic working groups are created: border crossing facilitation, maritime safety and ports, financing.**

The Steering Group may also decide to set-up sub-regional groups that could bring together a wider range of regional or even local authorities and stakeholders and that would focus at resolving problems of regional and local relevance. One example of such a sub-regional group could be BEATA, which was set-up in 1994 with the aim to promote international co-operation in the development of a regional transport network in the Barents region.

Both the thematic and sub-regional groups would report to the Steering Group and implement the relevant recommendations of the High Level Meetings and the Steering Group.

4.5.3 Secretariat

A Secretariat should be set up to provide administrative and technical support to the Steering Group and the High Level Meetings in their task to monitor the implementation of the Partnership. It would also prepare the meetings of the Steering Group and the High Level Meetings and provide the logistics for these meetings.

The Secretariat would support the Steering Group by facilitating communication between the partners; by preparing and updating the annual and multi-annual plan for the implementation of projects and measures; and by collecting data on the relevant transnational connections as well as projects and measures. To do this, it would develop, under the guidance of the Steering Group, and of the High Level Meetings, if necessary, a set of jointly agreed regional objectives and priorities, tools to forecast trade and traffic relevant for the region and a coherent methodology for identification and prioritisation of projects and measures for achieving them, leading in the longer term to regional master plans.

The Secretariat would also have responsibility for maintaining contacts with other regions and corridors having an impact on the Partnership as well as with the relevant international agencies and donor or lending organisations active in the region.

4.5.4 The role of the Financial Institutions

The capacity of the countries to mobilise the necessary funding, both at the national level and internationally, will be the key factor for successful implementation of the Partnership and the investments along the transnational corridors. The role of the International Financial Institutions (IFI), such as the Nordic Investment Bank (NIB), the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the World Bank Group as well as relevant National Financial Institutions (NFI) will be crucial in mobilising the necessary funding. **The Working Group therefore invites the IFIs, in liaison with the NFIs, to reflect upon a new collaborative arrangement to advance the common objectives within the Partnership.**

Investments in the transport sector are particularly complex. They are characterised by lengthy planning and implementation phases and benefit streams that are typically spread over many decades. Also, as traffic volumes are low and dispersed in the peripheral areas of the Northern Dimension region, financial profitability of the projects may be lower than in more dense regions. Whilst the involvement of the public sector in financing remains crucial, the private sector can provide a valuable contribution through public-private-partnerships (PPP). The Northern Dimension partners and the Financial Institutions have gained a lot of valuable experience in setting-up PPP projects and exchange of best practice and lessons learnt would be mutually beneficial. **The Working Group recommends that the thematic working group on financing (see ch. 4.5.2) organises regular meetings and seminars to look at issues relevant for PPPs, including *i.a.* public procurement, user charging and guarantees schemes.**

4.5.5 Finalisation of institutional arrangements

The Working Group recommends that the Partnership be established at the 2008 Northern Dimension Ministerial Meeting. It should be formalised in a legal instrument, to be signed at an appropriate level by the end of May 2009. This instrument should in particular

confirm the objectives, scope and institutional set-up of the Partnership, as set out in this report, and also establish the size and location of the permanent Secretariat and arrangements for sharing the financial costs of the Partnership.

The Working Group emphasises in this context the importance of sustainable, sufficient and long-term financing of the coordination structure.

The Working Group recommends that the target date for full operation of the Partnership should be 1 January 2010. An interim solution should also be developed allowing preparatory work under the Partnership to begin without delay in early 2009, pending the finalisation and entry into force of the institutional arrangements.

As regards the various issues raised in this section, the Working Group prepared a paper setting out options suggested by participants. These options do not reflect the final view of the Working Group. Participants agreed to pursue informal discussions on these issues with a view to facilitating future work on the preparation of the legal instrument and launch of work under the Partnership.

5 Conclusion and summary of the recommendations

The Working Group's recommendations are summarised as follows:

- The establishment of a Northern Dimension Partnership on transport and logistics is highly desirable and timely.
- The Partnership should be perceived as the practical implementation of the Northern Dimension Policy and a method of its further advancement in the region as well as regional embodiment of the relevant EU-Russia Dialogues, in particular the Transport Dialogue.
- The Partnership should focus on the Northern Dimension region; it should cover all modes of transport including road, rail, inland waterways, aviation, maritime as well as Motorways of the Seas.
- Belarus should be invited to participate in the technical work to be carried out under the Partnership.
- The Partnership should focus on both infrastructure and non-infrastructure related bottlenecks with the view to improving transport connections and logistic processes between the countries concerned.
- Whilst the Partnership should primarily focus on the implementation of a limited number of projects on major transnational connections (the Northern Axis), it should also consider projects that contribute to the development of common objectives and which are of interest to at least two of the partners.
- A three-level institutional structure should be set-up consisting of High Level Meetings, a Steering Group supported by expert working groups and a permanent Secretariat, building on existing structures, when relevant.

- The Partnership should be based on an appropriate legal form to be finalised by May 2009, with a view to entering into full operation on 1 January 2010.

Having completed its work, as defined in the terms of reference, the Working Group herewith submits its report to the Northern Dimension Steering Group's consideration in view of the meeting of the Northern Dimension Ministers later in autumn 2008.

Draft Terms of Reference

Working Group to examine the desirability of a Northern Dimension Partnership on Transport and Logistics

1 General Scope and Context

Following its renewal, as decided by the Northern Dimension Summit in November 2006, the Northern Dimension is today a common policy between the EU, Russia, Norway and Iceland. The Summit approved a new Northern Dimension Policy Framework Document and a Political Declaration. In the latter the Partners *i.a.* asked the Northern Dimension Senior Officials to examine the desirability of a Northern Dimension Partnership on Transport and Logistics, inviting for this purpose also experts and international financing institutions. This request was based on the experience of the existing Northern Dimension partnerships and a desire to explore if new partnerships could bring value added to the Northern Dimension.

The Nordic Investment Bank organised an expert workshop in summer 2007 involving the European Commission and Northern Dimension partner countries and building on the High Level Group's recommendations. The participants found the idea of establishing a Partnership worthwhile to explore further and stressed the need to ensure additionality, complementarity and effectiveness of the Partnership.

In their meeting in St. Petersburg on the 21 November 2007, the Northern Dimension Senior Officials agreed to set up a Working Group to examine the possibilities of setting up the new Partnership. The Steering Group will finalise the details with a view to the final decision taken by the Northern Dimension ministerial meeting in the second half of 2008.

In its task, the Working Group could make use of the transport recommendations, which a High Level Group of the EU and its neighbours, including Russia and Norway, adopted in 2005. These recommendations focussed on the development of 5 major transnational of which two, namely the Northern Axis and Motorways of the Baltic and Barents Seas, are of relevance to the Northern Dimension area. They have been endorsed also by the EU-Russia Transport Dialogue (working group on Transport strategies, infrastructure and PPPs), as well as the European Community (Council conclusions).

2 Objective and tasks

The objective of the Working Group is to examine the desirability of setting-up the Northern Dimension Partnership on Transport and Logistics, as requested by the Northern Dimension Senior Officials. The Group should discuss the general scope and role of the Partnership, its complementarity to the existing formats of cooperation in the ND area, its value added as well as outline the overall targets and practical modalities for the Partnership by taking into consideration the current and possible future transport and logistics priorities of the four Northern Dimension Partners; *i.a.* it should make recommendations on:

- The geographical scope of the Partnership in line with the Northern Dimension policy objectives.
- The role of the Partnership in identifying bottlenecks and in defining priority projects to remove them, the type of infrastructure projects to be considered including horizontal measures.
- How to deal with smaller scale infrastructure projects with a more regional/local nature.
- The Partnership's possible role in monitoring and coordination of relevant Northern Dimension infrastructure initiatives and horizontal measures.
- Ways and means of organising and financing the Partnership if its desirability is established by the Group.

The Working Group will associate the existing regional and international organisations and fora in the discussions, when relevant.

The Working Group may decide to invite independent experts to report on specific issues.

3 Working methods

The members of the Working Group will be experts from the Northern Dimension partner countries: the European Union, Iceland, Norway and the Russian Federation. Interested EU Member states may participate in the Working Group and Belarus may take part as an observer.

The International as well as National Financial Institutions active in the Northern Dimension region, and which contribute to supporting the policy, will also be invited to participate in the Working Group.

The Working Group will meet three times during spring 2008 or when necessary. The working language will be English.

Each party will cover its own costs, including travel and accommodation expenses, incurred in the course of the above mentioned activities.

The Northern Dimension partners will be kept regularly informed of progress. The Working Group will deliver its report to the ND Steering Group in June 2008.

Annex 2

Summary of the recommendations of the ad hoc working group on EU-Russia logistics problems

1. Recommendations concerning infrastructure

1.1. Long-distance infrastructure:

1.1.1. In following up the work of the 'De Palacio' High Level Group, and as underlined in the recent European Commission Communication on the way forward², early exploratory discussions should take place with neighbouring countries concerned regarding the development of the Northern Axis³ as well as, where appropriate, the Central Axis⁴.

1.1.2. The Group also noted the importance of coherent development of infrastructure links further eastwards, so as to ensure the operability of long-distance intermodal links between Europe and the Far East.

The Group recommended that, as appropriate, further developments in both areas should be reviewed in the permanent working group on Transport Strategy, Infrastructure and Public Private Partnerships.

1.2. Border crossing infrastructure: The Group believes that priority should be given to those border crossings which are part of major axes for EU-Russia traffic.

1.2.1. On the basis of the inventory of border crossings (table in annex) further work is needed to prioritise the development needs of the main border crossings, taking into account recent developments and trends in traffic demand. In this respect, the Group considered that priority should at this stage be given to pilot actions at three border crossing points:

- Vaalimaa-Torpjanovka (FI/RU),
- Narva-Ivangorod (EE/RU),
- Terehova-Burachki (LV/RU).

1.2.2. On the basis of an analysis of best practices, it would be desirable to create templates for the layout of traffic lanes and traffic management systems at border crossings based on their size and capacity.

1.2.3. The Group recognised that border crossing infrastructure as well as basic transport infrastructure such as rail lines, roads, and rolling stock, require periodic maintenance. The Group recommends that this maintenance be planned well in advance and all interested parties informed of future work and of possible alternative routes for use during the works. Such planning should normally be agreed between parties on both sides of the border. Where emergency repairs are necessary and unavoidable, they should be limited in time and scope so as to cause the least possible disruption to cross border traffic.

² Guidelines for Transport in Europe and the neighbouring countries, COM (2007) 32

³ As identified by the High Level Group.

2. Recommendations concerning the management of cross border traffic

2.1. Procedural issues:

2.1.1. Making improvements to border crossing infrastructure is in itself desirable. However to maximise the benefit there is also a need to develop simplified procedures at border crossings and to ensure that identified best practices are transferred to all crossings. These issues will need to be discussed in all appropriate fora with customs experts and other agencies involved in border control. They should be implemented in the first place on the basis of pilot schemes at the priority border crossings identified under point 1.2.1, based *inter alia* on close cooperation between stakeholders at the local level on both sides of the border. The procedural improvements should include:

- The implementation of legislative, administrative and procedural measures to improve the flow of goods at the border, and in particular of Federal Law 266.
- Measures related to border staffing and, in particular:
 - the availability of sufficient number of border staff,
 - recourse to joint inspections wherever possible,
 - the organisation of border checks in a continuous manner without breaks for change of shifts,
 - insofar as possible, the performance at the border of only those checks needed, using a single contact point ("one-window service"),
 - further strengthening the on-going fight against corruption, by all concerned authorities.
- Measures related to information exchange and, in particular:
 - greater recourse to the electronic exchange of customs and consignment information, thereby avoiding the need for obligatory recourse to commercial operators for intermediate customs declaration services,
 - the mutual recognition of weight certificates,
 - the elimination or reduction to an absolute minimum of requests for additional ad-hoc documents,
 - the making available of information on changes in practices or documents in good time before their introduction.
- Whenever possible, customs authorities should define and publish the data content, elements and interfaces of the forthcoming electronic customs clearance; such information should be given to the industry for piloting purposes as early as possible.
- Encouraging shippers and cargo owners to select border crossing points on the basis of up to date information on traffic flows and delays.
- Allowing the maximum possible flexibility to shippers to choose the location of customs clearance, as between border posts and inland entrepôts, or between different inland entrepôts.

2.1.2. Concerning road transport outside the border crossing areas:

- The creation of a simplified procedure for the authorisation of abnormal loads which would apply equally to all hauliers.
- Procedures for issuing permits for overweight vehicles should be harmonised as regards delivery times and costs.
- A joint review should be undertaken of the application of the ADR-agreement, with a view to the avoidance of requests to provide documents on the transport of dangerous goods in addition to those required by agreement.

The Group noted the desirability of procedures for roadside checks performed by traffic police, their frequency and the time taken, being the same for all operators, domestic and EU, with repeated checks on the same vehicle being avoided.

2.1.3. Concerning rail transport:

- The Common CIM/SMGS Consignment Note for the carriage of goods by rail should be introduced as widely as possible and generally accepted for customs purposes. To the extent possible, this should be done in parallel with processing by electronic means.
- The compliance of the OSJD railway law with the EU railway and competition legislation as well as COTIF annexes should be thoroughly reviewed for all relevant areas of operations, with a view to possible harmonisation.
- The technical interoperability between the 1435-mm and 1520-mm track width networks as well as between the EU- and non-EU broad gauge systems should be improved, through further work by the European Railway Agency-OSJD Contact Group on the possible convergence of EU- and non-EU broad gauge system issues.
- The approval process of trains with automatic track gauge changing system should be facilitated through the development of harmonised technical regulations concerning the use of such trains on the territory of the states concerned.
- A competitive, non-discriminatory and market based tariff system for the EU-Russia and EU-Asia railway connections should be put in place.

2.2 TIR Carnets: It is recommended that a joint review be undertaken as soon as possible, with a view to a joint initiative, in the framework of the UN-ECE and the IRU, aimed at improving the operation of the TIR carnets system. Special attention should be given in this respect to the question of customs convoying.

2.3 Information and training:

2.3.1 Information of stakeholders

- Attention should be given to improving the information available to hauliers and operators on border crossing procedures and documentation.
- In accordance with existing best practice, and using ITS technology, real time information exchanges on traffic conditions and delays should be developed for the main transport axes, and in particular at border crossings.
- Workshops should be organised where the public authorities and private operators, including drivers, could identify problems and propose solutions as well as sharing best practices.

2.3.2 Training issues

- Consideration should be given to developing specific training in the area of border crossing procedures for both drivers and border personnel.
- Higher education courses in transport logistics and transport management in both the EU and Russia should be encouraged to cover modern best practices in this field.
- Particular attention will also be needed to training of inland waterways personnel, in the context of the opening of inland navigation to international vessels.
- The work carried out by Finland and Russia in developing a multilingual glossary of terms should be consolidated and developed to cover other languages. (Exact terms will facilitate electronic information exchange).

3. **Recommendations concerning long distance multi-modal links**

- Competitive door to door tariffs, responsive to global market conditions, are vital for the development of these links. Tariffs, when subject to regulatory action, should be transparent and without discrimination between competing routes on the territories of different participants. Additional regulated or obligatory charges, such as "guarding fees", should be avoided wherever possible and eliminated in the longer term. Exchanges of information on the establishment of tariffs should be encouraged.
- Non-discriminatory mechanisms should be developed to ensure that all competing operators can have access, on an equal basis, to block trains running over the entirety of the Asia-Europe link. The Group considered this to be an important element in developing the competitiveness of the link.
- The development of multi-modal terminals is of great importance particularly with regard to the opening of inland waterways in the Russian Federation to international traffic. Wherever possible these should have common specifications. Such terminals could be located in free economic zones.

4. Recommendations for future work

The group was established on an ad hoc basis, in order to analyse the various problems and to recommend possible solutions and/or ways to develop solutions. It has to be recognised that its mandate is too short in time and, in many instances, too restricted, to allow it to resolve the various problems. Accordingly, it also makes a number of recommendations on how future work on the different problems identified should be pursued further and future developments monitored.

- 4.1 The permanent working group on Transport Strategy, Infrastructure and Public Private Partnerships should monitor implementation of recommendations 1.1, 1.2.1 and 1.2.3. For point 1.2.1, it should continue the work begun in the ad hoc group, taking into account the on-going work of the EU-Russia joint working group on customs and cross border co-operation. .

It should also review on a continuing basis the overall implementation of the ad hoc group's recommendations, and report on this annually to ministers within the permanent dialogue.

- 4.2 The permanent working group on Road and Rail Transport should discuss the implementation of recommendations 2.1.2, 2.1.3, 2.2, 2.3 and 3.
- 4.3 The group recognised that the funding of different elements for improvement of traffic flows would need to draw on a number of sources, both public and private, within the EU and in Russia. It noted that, in line with normal practice, infrastructure improvements at border crossings themselves generally had to be funded by the public sector.

The Group drew attention to the possibilities offered by the new Community "European Neighbourhood and Partnership Instrument" (ENPI). This instrument emphasises the importance of Cross-Border Cooperation Programmes, which may be used to contribute to infrastructure improvements at some border crossings. The group also noted that a specific project dealing with cooperation in border management was currently being considered by the Commission in the context of the preparation of the 2007 ENPI National Programme for the Russian Federation.

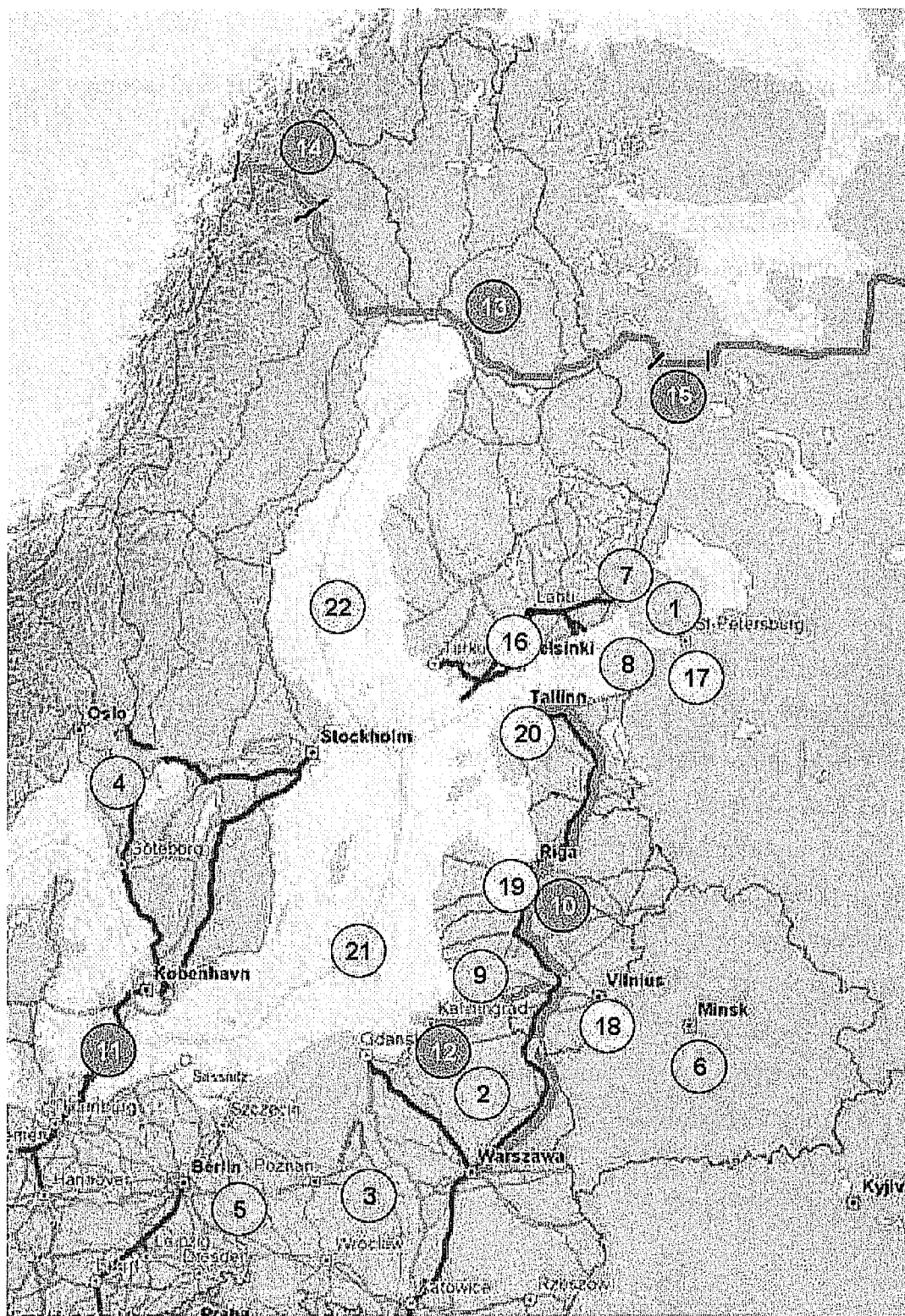
- 4.4 The Group believes that the multifaceted nature of the issues related to crossing borders require a cross disciplinary approach, involving transport, customs and border police experts. This new approach would apply in particular to the implementation of recommendations 2.1.1, 2.2 and 2.3, but without duplicating the work of the customs co-operation working group mentioned in 4.1. It also noted in this respect that the creation, on the Russian side, of the new Single Authority for Border Infrastructure Management would reinforce the effectiveness of this approach.
- 4.5 The Group also recognised the contribution to the achievement of these recommendations in the work being undertaken on related issues in multilateral fora, particularly the UN-ECE, and in the Northern Dimension and other EU-sponsored initiatives, including in the Caucasus region, as well as in bilateral fora.

- 4.6 Finally, the Group recognised the importance of maintaining the involvement of the various stakeholders, both public and private, in the future work on implementing its recommendations. In particular, it welcomed the proposal for a conference of private sector representatives, to take place after the discussion at ministerial level, in the permanent transport dialogue, of the group's report. It also recognised that the implementation of many of the recommendations would require expert participation from interested EU Member States.

Annex 3

Nonexclusive and indicative list of transport infrastructure investments till 2013 (source: background document, prepared for the NIB seminar in 2007)

1. WSHD road in St. Petersburg, Russia
2. Via Baltica in North-Eastern Poland
3. A1 Motorway completion from Gdansk, Poland
4. E6 (Gothenburg) and E18 (Stockholm) roads, Norway
5. S3 Swinoujscie-Szczecin-Wroclaw road, Poland
6. IXB Corridor Kiev-Minsk-Vilnius-Klaipeda road LT,BY,UA
7. Border crossing road in SE Finland and NW Russia
8. St. Petersburg-Tallinn road Estonia, Russia
9. Road bridge to Sovetsk (Kaliningrad) LT, RU
10. Rail Baltica Rail LT, LV, EE, PL
11. Fehmarn Belt related rail projects DE, DK
12. IXD Rail Corridor Kaunas-Kaliningrad LT,RU
13. Barents Link; Northern East-West Corridor Rail RU, FI, SE, NO
14. Kiruna-Narvik rail improvement SE, NO, (FI, RU)
15. Ledmozero-Kotschkoma rail link RU (FI, SE, NO)
16. Helsinki-Vantaa airport enlargement FI
17. St. Petersburg (Pulkovo) airport development RU
18. Vilnius airport enlargement LT
19. Riga airport enlargement LV
20. Tallinn airport and runway enlargement EE
21. Motorway of the Sea projects Maritime Baltic Sea Region
22. Icebreaker investment(s) EE, RU, FI



Project section numbers

- Road project
- Railway project
- Multimodal project
- Inland waterway project
- Motorway of the sea
- Airport

TEN-T network

- TEN-T Road
- TEN-T Railway
- TEN-T Inland waterway

TEN-T priority projects

- Road
- Railway
- Inland waterway
- Motorway of the sea

Information on current Commission's GIS

The core DGTREN GIS system is a geodatabase using Oracle 9i and ESRI ArcSDE 8.3. This geodatabase has two important reference networks: a general Euroglobalmap network and the TEN network (trans-European transport network).

The Euroglobalmap network contains the roads, railway and ferry lines of the Eurogeographics Euroglobalmap v. 1.0. It contains all railway lines, and all regional or national roads. Information can be referenced to this network using the unique identifier for each of the network edges.

The TEN network contains the road, railway and inland waterway links that make up the Trans European Networks. The TEN links are routes: they are associated with a measure so that features can be positioned along the links using linear referencing. Linear referencing is a technique in which (e.g.) a line feature is specified by ID of the route, and the positions of the start and the end of that line feature along the route (expressed in terms of the associated measure). In case of the TEN Links the associated measure is percentage of length.

The information should be referenced or linked to the TEN network, and not the Euroglobalmap network.

Linear referencing techniques should be used for linking to the TEN network.

Metadata is integrated with the Geodatabase and describes the meaning of all database objects to the level of attribute domain values. A complete UML data model is available that describes the design of the database.

The following diagrams show an extract of the database model, concerning specifically the TEN network :

Diagram 1 : TENLinks

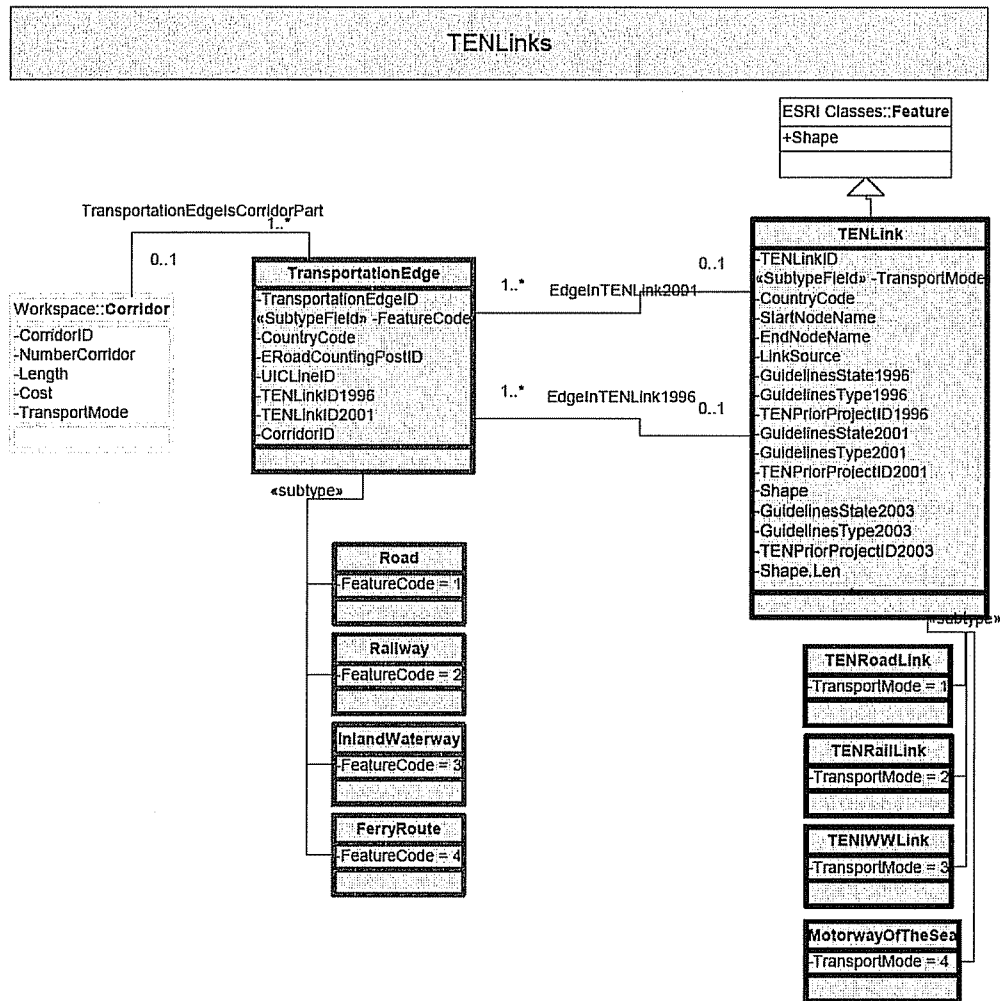


Diagram 2 : TENAirports&Ports

