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DEVELOPMENT OF THE TRANS EUROPEAN TRANSPORT NETWORKS

UNICE OPINION

INTRODUCTION

The current time horizon to complete the Trans European Transport Networks is 2010. Unfortunately, work is not advancing as rapidly as expected when the idea of Trans European networks was launched (only 3 of the 14 priority projects as defined by the 1994 Essen European Council have been finished). In October 2001, the Commission proposed a new amendment to the TEN-T guidelines to tackle the new challenges facing transport and to help to meet the objectives of the new transport policy as described in the White Paper on a European transport policy for 2010. It aims mainly at removing bottlenecks in railway infrastructure. The intention of the Commission is to revise the TEN-T Guidelines more fundamentally in 2004, to take account of enlargement and expected changes in traffic flows. A communication on this may be presented to the October Transport Council, on the basis of the recommendations by the High-Level Group chaired by Mr van Miert. At the same time, the Commission has published a Communication on “Development of the Trans European Transport Networks” (COM 2003 132 final), dealing with innovative funding solutions and interoperability of electronic toll collection systems. Since the Van Miert report and this communication substantially overlap, we will address both publications in this position paper on the development of the Trans European Transport Network. We will first comment on the TENs priority projects, and subsequently deal with the finance problem, project execution and interoperability of the networks.

TRANS EUROPEAN TRANSPORT NETWORKS’ PRIORITY PROJECTS

An efficient, complete and interoperable transport system is of utmost importance to reap the benefits of further market integration, enlargement and international trade liberalisation; hence the importance of investing in Trans European Transport Networks. However, transport infrastructure alone is not enough, European business needs well-functioning and competitive transport services to operate on that infrastructure.

UNICE considers that the TENs priority projects should be selected on the basis of a thorough analysis of existing and expected international trade and transport flows, directing the investments to those bottlenecks and corridors where they are most needed. This is especially important bearing in mind the difficulty of finding public funding for large infrastructure projects – and the corresponding need to involve private finance. It would have the additional advantage of allowing an objective choice of those projects with most European added-value. And indeed some of the proposed projects may qualify as such, but a serious shortcoming of the Van Miert Group’s work is that it selected those national projects with most European added value amongst the proposed national projects. However, the starting point should not be national projects but an analysis of what is most important for Europe as a whole. New TENs projects should serve broader single market objectes and EU funds should not simply be used as a substitute for national spending. The priority projects

Union of Industrial and Employers’ Confederations of Europe – Union des Confédérations de l'Industrie et des Employeurs d'Europe
Rue Joseph II 40/Bte 4 - B-1000 Brussels - VAT BE 536.059.612 - Tel. +32(0)2 237.65.11 - Fax +32(0)2 231.14.45 - E-mail: main@unice.be - Website: //www.unice.org

should facilitate trade and transport between the member states of the enlarged Union and contribute to the integration of the new Member States in the internal market, paying close attention to the north-south corridors as well. The Commission will now conduct a detailed impact assessment of the recommended programme. At the same time the Van Miert Group has asked for more detailed analysis of traffic flows in the enlarged EU. But since the time span of the new priority projects covers almost 20 years, it is difficult to understand why both have not been done beforehand? Doing things backwards inevitably leads to sub-optimal results.

UNICE considers that the whole transport system needs to be optimised, requiring a multi-modal approach focused on integrating all of them. UNICE would like to draw attention here to the dominant importance of road and waterways transport (especially short-sea shipping), as can be seen from EUROSTAT statistics on the split in modal market shares[1] in goods transport. UNICE is critical of the heavy emphasis in the White Paper EU Transport Policy and in the recently published Van Miert report (**Text of the Van Miert report**) on railway infrastructure. Although both the Commission and the Van Miert Group recognise and stress the importance of working on the interoperability of the national networks and market-opening, it remains to be seen whether and how fast the quality of railway transport will improve. Because it is ultimately the transport users, the shippers, who will determine the market share of railway transport. What guarantee do we have that they will actually make use of the very expensive new or upgraded railway connections recommended by the Van Miert Group? Investments in rail infrastructure and the liberalisation process should go hand in hand.

Infrastructure and bottlenecks in road transport, short-sea, and inland-waterways should equally receive priority. Likewise, when connecting the candidate countries to the trans-European networks, a substantial part of the Community funds should be spent on roads, which are vital to connect their economies to the EU countries, and to make a success of enlargement. UNICE would also welcome the recognition of European pipelines as part of the Trans European Transport Network, allowing new olefin pipeline projects to be taken into account for possible EU support.

The inclusion of the “motorways of the sea” in the priority projects recommended by the Van Miert High-Level Group is welcomed by UNICE, especially considering the importance of short-sea shipping for peripheral areas and for the future Mediterranean free trade area. Possible development work could include traffic management and information systems, development of port operations, development of containers and unitised cargo handling, smoother customs operations, information systems for intermodal transports, etc. In this context, UNICE would like to draw attention to the key importance of the Commission communication on the promotion of short-sea shipping (COM 2003 155) and its proposed directive on intermodal transport units.

UNICE appreciates the attention paid in the Van Miert report to projects connecting neighbouring countries such as Norway, Switzerland, the Balkans, Russia, and the Mediterranean. Only trough physical transport infrastructures it will be possible to create a “wider Europe”.

Finally, UNICE emphasises the importance of dealing with the problem of border crossings and welcomes the attention paid to this in the Van Miert report. It is obvious that the facilitation of trade and traffic flows brought about by the new proposed projects will be useless if border crossings continue to act as bottlenecks.

[1] Expressed in tonne kilometres, the market share of road transport in the year 2000 was 43,8%, short-sea shipping accounted for 41.3%, rail transport for 8.1%, inland waterways for 4.1% and pipelines for 2.1%. EU Energy and Transport in Figures, Statistical pocketbook 2002, Eurostat.

FINANCING THE NETWORK

The total cost of projects for the Trans-European Transport Network (based on the Community guidelines adopted in 1996) is put at € 400 to 500 billion (€ 600 billion until 2020 including the new priority projects recommended by Van Miert). It is obvious that at the current rate of investment the deadline of 2010 will not be met, as can be seen from the fact that only 3 of the 14 priority projects as defined by the 1994 Essen European Council have been finished to date. In the past few months several initiatives have been presented to overcome the finance problem. The Commission published its Communication on Funding the Trans European Transport Network and approved its "Initiative for growth", stressing the importance of a quick realisation of the TENs. Italy's Economy and Finance Minister Tremonti proposed a series of financing solutions to raise capital from the private sector and the High-Level Group chaired by Mr van Miert also made recommendations in the area of finance. Considering the importance of the Trans European Transport Networks for the European economy and faced with this variety of initiatives, UNICE calls – in addition to the ongoing Consultation on the revision of Decision No 1692/96/EC on Community guidelines for the development of the TEN-T - for a European debate between interested parties (e.g. financial institutions, private sector, national administrations) to identify the most effective mix of financing instruments to overcome the difficulties that were encountered during the realisation of the original priority projects. Below we will comment on some of the proposals that have been suggested so far.

Conditional Community funding

UNICE considers there is a need to obtain – before a project is selected - a firm finance commitment from the Member State(s) involved. Additionally, it should be possible to withdraw the Community funding if project implementation is not realised within a given time limit. UNICE therefore warmly welcomes the Van Miert recommendation to make Community funding dependent on project progress. A "TEN Agency" should monitor the progress in realisation of all the priority projects and have the power to withdraw funding in case of unjustified delays in the works.

Public Private Partnerships

In UNICE's opinion, the striking lack of progress in realisation of the Essen projects, also illustrates the urgent need for more effective Public Private Partnerships (PPP)[2]. In the current public deficit situation of most developed and developing countries, private financing becomes a means for public action. PPP is also an alternative to privatisation for dismantling infrastructure or service monopolies. PPP constitutes a mechanism for having a range of suppliers delivering public services, bringing new sources of innovation and management and creating a healthy competitive pressure on all providers to improve their performance.
However, additional efforts are urgently required to devise financing instruments that facilitate these private-public partnerships.

UNICE supports the Van Miert Group's call to promote PPPs, to set up new guarantee mechanisms and to develop the EIB's financing capacity through various financial engineering techniques. The Commission announced in its Communication "Developing the Trans European Transport Network" a green paper on public private partnerships and European public contracts law. UNICE also welcomes this initiative and urges the Commission to come forward rapidly with the green paper. Concerning the Commission's

[2] For more details on UNICE's views on public private partnerships, see UNICE's position paper on "Promoting public private partnerships" (25/02/2002), which can be downloaded from UNICE's website (www.unice.org).

proposals regarding PPP in the same communication, UNICE would like to point out the following.

Future Commission initiatives to promote PPP need to recognise clearly that there are two distinct questions that public authorities need to address in designing any infrastructure project - the "funding" and the "financing" arrangements. Different combinations of funding and financing are possible and this range of PPP options and models needs to be more clearly acknowledged. Hence PPPs should not be defined narrowly as entailing the combination of private capital finance plus road user charges as the funding mechanism and all of the demand or volume risk transferred to the private sector.

Concerning the proposed update of the regulatory framework for PPPs, UNICE agrees that the current regulatory framework needs to be better understood.
However, UNICE would also like to draw attention to the pace of innovation in PPPs and the diversity of projects and models used. Any new regulations should avoid to put a break on innovation and should be flexible enough to avoid that.

Regarding the Commission's statement that private financing is more expensive than public financing, UNICE would like to point out that this is not necessarily the case. UK experience, for example, has shown - by allocating risks to those best handled to manage them - much improved value for money using PPPs, as compared with conventional procurement methods.

UNICE would like to emphasise the importance of the arrangement mentioned by the Commission to offer financial compensation to the operator should traffic levels fall below forecasts. Having ceilings and floors for such contracts is part of efficient risk allocation to those best placed to manage them, and insulates private operators from factors beyond their control - which if not provided for would lead the private sector to charge higher premiums undermining its potential to offer value for money.

Finally, UNICE would like to stress the importance of the "competitive dialogue", which is essential to keep the process cost-effective.

More and better coordinated public investment

Investments in Trans European Transport Networks raise growth potential in line with the Lisbon strategy. Therefore they deserve more and more efficiently used financial means.

The Commission states in its Communication on "Developing the Trans European Transport Network" that whatever the principal method of funding, whether it is public or private, the size, complexity and cross-border nature of the main Trans-European Transport Network projects mean there is a need for better definition of priorities and coordination of funding.

UNICE would certainly applaud a better definition of priorities/more effective coordination between different Community instruments (TENs, structural funds), European Investment Bank loans and national infrastructure funding.

UNICE furthermore warmly supports the call of the Van Miert Group on the Member States to "go beyond a purely national logic which has led – apart from a few, all too rare exceptions – to their excluding funding for any infrastructure outside their territory".

UNICE welcomes the call of the Van Miert Group to re-examine the Commission proposal to increase the threshold of Community support from 10 to 20% (i.e. for certain vital cross-border sections) and to make extended use of Community guarantees on loans for Trans European Transport Network projects.

Definition of a Community framework for charging for infrastructure use

The Commission states in its Communication on Developing the Trans European Transport Network that a Community framework for infrastructure charging would increase the efficiency of infrastructure use, thereby making infrastructure more profitable and attractive to investors. It would help to improve service quality by financing maintenance costs. Reflecting the generated costs of transport more accurately could in some well-defined cases enable investments to be recouped. Revision of the Eurovignet directive would enable a Community approach to be taken to the question of infrastructure charging and it would define the conditions for implementing the cross-financing evoked in the Transport White Paper. The Van Miert Group also stresses the need of a stable Community framework for infrastructure charging.

Road charges must not result in an extra financial burden on road users, unless it is used for new infrastructure or expansion of existing infrastructure. UNICE considers that cross-financing is not desirable in principle and should only be allowed in exceptional cases (if and when expanding road capacity is impossible, e.g. in some cases in sensitive regions such as the Alps) and that the project to be cross-financed is a real and economically sound alternative for the infrastructure that is to generate the funds. There should be clear guarantees that the users of the existing infrastructure will benefit from the alternative. Furthermore, UNICE finds it difficult to understand that the Commission has published a proposal (i.e. revision of the Eurovignet directive) for road infrastructure charging for heavy goods vehicles only, without simultaneously proposing equivalent measures for passenger traffic and the other transport modes[3]. UNICE calls on the Commission to deliver on its own statements on fair and efficient charging by presenting a framework directive for all modes of transport, as announced in the White Paper on EU Transport Policy.

PROJECT EXECUTION

UNICE supports the consideration of the Van Miert Group that it is necessary for coordination – not just financial but also operational – between the States concerned by projects on a single axis to be strengthened and institutionalised.

Even more important is the recommendation of the Group to put an end to superimposing national procedures relating to assessment of the environmental and socio-economic impact of a project. UNICE supports the suggested development of joint procedures for trans-national enquiries, involving a single enquiry in the different States concerned.

Concerning the idea of both the Commission and the Van Miert Group on the potential positive role that could be played by the European Company Statute in the execution of cross-border projects, UNICE certainly hopes this will be the case, while recalling two important weaknesses of the European Company Statute[4]:

- it does not include an agreement on a suitable tax regime

[3] For more details on infrastructure charging we refer to UNICE's position paper dated 20/02/2003, which can be downloaded from UNICE's website (www.unice.org).
[4] For detailed UNICE comments on the European Company Statute please consult UNICE's full position paper dated 29 March 2001, which can be downloaded from UNICE's website (www.unice.org).

- it harmonises only limited aspects of company law and falls short of providing companies with a genuine Community law instrument, creating fifteen different statutes

UNICE therefore reiterates its call on the EU institutions to pursue their efforts to improve the attractiveness of the European Company Statute.

INTEROPERABILITY OF NETWORKS AND PAYMENT SYSTEMS

UNICE appreciates the attention both paid by the Commission and the Van Miert Group to the importance of interoperable networks. This applies not only to interoperability of national networks of an individual transport mode, such as rail transport. Europe needs a fully integrated and interoperable transport system, interconnecting current and future member states, ports, airports with roads and rail, etc. And this goes beyond hard infrastructure. It also concerns technologies. In that context, UNICE welcomes the Commission proposal (COM 2003 132 final) to arrive at interoperability between the different electronic toll collection systems. It is of utmost importance for making efficient use of the Trans European Transport Network. However, interoperability should not only apply to toll collection systems, but also to other box technologies such as the digital tachograph and commercial applications. Business needs an open system architecture where different services can be added subsequently without any problems and further costs. These devices must be able to deal with all upcoming future applications (i.e. not only toll collecting).Concerning the phasing-out of microwave systems, UNICE would like to stress that this is less important than having compatible systems. If and when the advantages of the new systems based on satellite technology become apparent, microwave systems will no doubt be phased out at national level, but UNICE questions the need for mandatory phasing-out and considers the deadlines proposed by the Commission as highly and perhaps excessively ambitious.

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