

Comments on the Green Paper on the Future of the TEN-T Policies

CEE Bankwatch Network

Introduction

CEE Bankwatch Network welcomes the Green Paper on the Future of the TEN-T Policies as a document, which to a large extent reflects the problems connected to the TEN-T development practice so far and opens the space for thinking about the optimal set up for the future. We welcome the intention of the paper's authors that:

“Any approach towards such a network should, as a starting point, build on common agreement on clear goals and on a transparent and objective planning methodology. These should take account in particular of major traffic flows, both within the Community and with other parts of the world, of cohesion objectives through connections between regions with different levels of development and different territorial features, of connection to pools of economic development, of the "value of efforts already spent" on TEN-T development, of environmental objectives, of other Community policy objectives (e.g. competition), of progressive efforts towards more efficient infrastructure use, of the diversity of Member States' situations, and of the sharing of planning responsibility at Community and national level.”

In this respect we provide a further brief list of steps, approaches and issues that we think should not be omitted when preparing the TEN-T concept for the future period:

1. A thorough assessment of the what the TEN-T concept should look like is necessary

Such an assessment should not be focused only on the passive accommodation of the network to the traffic volume forecasts. It should take into account the prediction of profound changes in the transport sector due to the expected significant increase in price of petrol products, and reflection of the external costs of the transport in its price (through appropriately tailored distance-based charging systems for example). The need to contribute to the climate commitments of the EU also has to be incorporated into the thinking. Last, but not least, lessons must be learned from the economic crisis, that has brought into question numerous “business as usual” concepts, which in the transport sector were based on forecasts of a constant increase of transport volumes which needed to be dealt with somehow.

All together the TEN-T concept must therefore not be created in an isolated manner, but also needs to reflect the wider context of the development of transport and other sectors, where the tendency to cover the “real costs” of the activities that would contribute to the harmonization of conditions between rail, road, waterways as well as air traffic will be increasingly important. Significant impacts on the demand side and shifts between the transport modes can be expected.

Therefore, prioritizing by the EU on the future of the transport infrastructure sector must without doubt reflect the need for “smart” investments that will focus on contributing to the goals that go beyond the business as usual mass transport infrastructure development approach, and that will not jeopardize the EC goals in such areas as combating climate change or implementing Europe’s Sustainable Development Strategy. Future TEN-T investments need to contribute to decreasing car dependency, noise and air pollution, urban sprawl and chronic congestion.

2. Alternative scenarios and their SEA assessment are necessary

It is therefore clear that **alternative scenarios of the TEN-T to the current concept are necessary**, that would approach various mobility needs, including incorporating also the influence that an appropriate level of charging would have on transport demand and mobility shifts.

Indispensable to this - in order to select the best possible scenario for the future period, that would be followed - is that the various alternative **TEN-T development concepts need to undergo SEA on the EU level**.

The issue of **demand management shall be elaborated further**: as apparent from the EEA analysis¹, external factors have to be taken into consideration.

Key external sectors for transport demand consist of retail, leisure/tourism, business, education, and industry. Strong links between these external factors/ sectors and transport demand were observed, suggesting the importance of policies to target the non-transport sectors to manage transport demand. There is a need to tackle climate change through an analysis of transport demand, but there are strong links between different systems. These links are sometimes easy to distinguish, for example in terms of how school policies affect travel behaviour, and how food consumption is directly linked to freight transport, but the link between transport demand and other sectors can be less clear cut, for example the relation between trends in tourism and business models and the aviation infrastructure.

Issues to ensure proper assessment of transport effects:

On the EU level, integration of transport planning into impact assessments in local, regional and urban development plans should be once again emphasised.

A review of the effectiveness of existing Impact Assessment tools taking transport effects into account may give a further indication of effective policy instruments. This should take place on the European level, like the ex-ante evaluation and Impact Assessment for new initiatives with budgetary implications for the Community Budget (EC, 2006d) as well as national applications of the Environmental Impact Assessment and the Strategic Environmental Assessment. Furthermore, there has to be further research into whether Transport Impact Assessments and Policy Impact Assessments could be a key instrument for achieving more sustainable transport strategies and managing transport demand.

Integration of carbon emissions consequences through carbon management must be one of the issues analyzed in the design and assessment of national and European strategies. The discourse in the policy field of sustainable consumption and production is crucial for developing an overall strategy (EEA, 2008c).

¹ Beyond transport policy — exploring and managing the external drivers of transport demand, EEA Technical Report no. 12/2008

Inland navigation issue:

Since the development of **inland navigation** is sometimes mentioned as one of the tools for making freight transport more in line with environmental requirements, we are stressing numerous problematic aspects of this subsector:

Though in total numbers inland waterway transport represents only around 1-2 percent of the traffic volumes in the forecasts, it has an important role to play in some areas, particularly the lower reaches of big rivers. However navigation aspects must never justify the deepening, straightening and damming of free-flowing rivers and other fatal disruptions of wetland ecosystems.

The transport function of rivers has to be balanced against all their other benefits and services including the support of valuable ecosystems, flood protection, recreation, fishing, and provision of drinking water, which are all threatened by the transformation of rivers into shipping canals.

It is possible to improve navigation on rivers without costly and destructive engineering works - through the technological improvement of ships and more precise water level forecasting. Instead of investing large quantities of EU money into adapting rivers to deeper and deeper ships, ships should be adapted to rivers.

Finally, inland navigation will not help reduce the number of trucks on motorways. Water transport usually does not compete with road transport for the same type of freight, while it does compete more directly with rail transport.

Other aspects that new TEN-T scenarios need to reflect:

No TEN-T projects in air traffic should be taken into account unless kerosene is taxed and VAT is charged for air tickets and thus the air traffic prices better reflect the real costs. Such a change would also influence demand side forecasts for this subsector.

All projects must contribute to the EC target to decrease GHG emissions by 20 percent by 2020.

3. Financing of the EU TEN-T projects

- public investments only for well grounded climate-beneficial projects,
 - PPP under strict scrutiny only,
 - private investments not to be encouraged as an obligatory model.
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- **Public investments** should be provided only for projects that bring clear contributions to the fulfilment of the EU environmental agenda. At the same time the sectors that are heavily subsidized (directly or indirectly via external impacts that are not covered) should not be eligible for the public funding at all, unless it is ensured that such a subsidy is clearly in line with the priorities of the EU climate agenda and/or its Sustainable Development Strategy.

Here we refer to the EEA reports on direct subsidies for the transport sector and on external drivers of transport demand ^{2,3}.

Transport contributes to environmental problems such as climate change, air emissions and noise and is at the same time favoured by significant subsidies. An EEA report identifies European transport subsidies worth at least EUR 270 to 290 billion a year. Road transport receives EUR 125 billion in annual subsidies, most of it as infrastructure subsidies, assuming that taxes on road transport are not regarded as contributions to finance infrastructure. Aviation, as the mode with the highest specific climate impact, gets significant subsidies in the form of preferential tax treatment, in particular exemptions from fuel tax and VAT, which add up to EUR 27 to 35 billion per year. Rail is subsidised with EUR 73 billion per year and benefits the most from other on-budget subsidies. For water-borne transport, EUR 14 to 30 billion in subsidies have been identified.

Some of these subsidies, particularly those in road sector and aviation, are clearly counterproductive from the point of view of achieving the environmental goals of the EU. Therefore, TEN-T policy should be focused on enhancing such transport measures, that contribute to the win-win situation of providing mobility while not endangering the achievement of environmental targets.

CEE Perspective

Since CEE Bankwatch Network is focused on **the situation in Central and Eastern Europe** – new member states as well as those with candidate or neighbour status - we would also like to turn our attention to this region. It is a fact that focusing on road transport in the Central and Eastern European region has contributed to a decrease in public and railway transport⁴.

The EU's official sustainable development strategy insists on reducing the growth of transport, shifting it from road to rail and modernising public transport. Yet the CEE countries are planning to spend twice as much EU funds for roads than for railways in the 2007-2013 period, while funding for public urban transport is set to be marginal. The EIB's investments have been even more biased in favour of roads in recent years.

The one way subsidy street: Disproportionate spending on new motorways has been a constant in transport financing in the CEE region over the last 15 years. As motorway fees cover only a minimal part of their costs, public funds spent on them are in fact subsidising increasing volumes of car and truck traffic. At the same time, public transport and railways have suffered from chronic under-investment, leading to higher fares and a lack of funds for the improvement of services. The result has been a loss of their competitiveness vis-à-vis car and truck transport. It is no surprise that CO2 emissions from the CEE transport sector have surged by 35 percent over the last ten years.

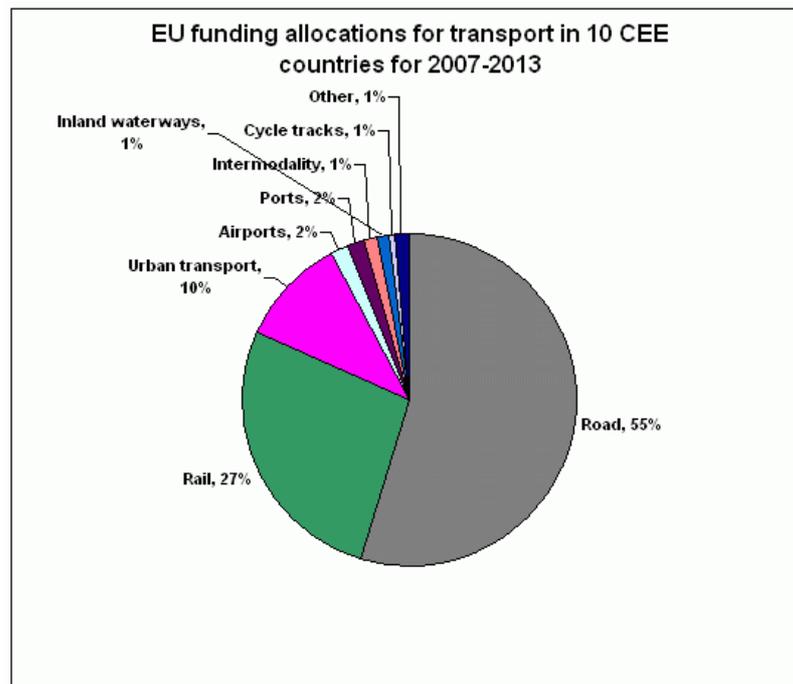
Improving quality of life does not need to mean more cars: Despite all this, the share of freight transported by rail and of passengers transported by public transport is still considerably higher in the new member states than in the old ones. The CEE countries

² Size, structure and distribution of transport subsidies in Europe, EEA Technical Report no. 3/2007

³ Beyond transport policy — exploring and managing the external drivers of transport demand, EEA Technical Report no. 12/2008

⁴ Faster ... but smarter or more destructive? Mapping controversial anti-crisis paths for EU and EIB funding in central and eastern Europe, <http://www.bankwatch.org/billions/projects-transport.html>.

still have a chance to make the right transport choices where western Europe got it wrong in the past: car dependency, noise and air pollution, urban sprawl and chronic congestion can all be avoided with the help of smart investment from EU funding. Increased quality of life does not need to be correlated with increased car dependency. Proof of this can be found in the German city of Freiburg, where 60% of all trips are made using public transport, cycling or walking – thanks to careful urban development planning, high-quality service and appropriate pricing.



Source: EC 2008

- **Public-private partnerships:** Drawing on the experience in the transport sector in Central and Eastern Europe we see private involvement in infrastructure development (particularly toll motorways) in the form of **Public-Private-Partnerships as problematic**. Public-Private Partnerships are too often used in our region as a way to move investments off of the government balance sheet, and their use is therefore often not based on a comparison of whether the PPP approach would bring real benefits compared to public financing. PPPs are likely to result in more expensive infrastructure overall because financing the private sector is usually more expensive than financing the public sector; the private sector expects to make a significant profit; and the preparation of PPPs is usually long and costly in itself. PPPs do not make extra money available, but just spread out the payments over a longer period than a public sector loan would, thus restricting future decision-makers' budget choices. Ultimately risks connected to public infrastructure are untransferrable as it is in no-one's interest that a project company fails, and if it does, the public sector anyway has to bear the costs.

PPPs for motorways seem to be especially problematic, as the traffic levels in CEE are often lower than predicted, making it increasingly normal for concessionaires either to demand government guarantees for toll incomes, which means that the public sector is then bearing the risk and part of the justification for private involvement is removed. In other cases where this is likely to be a problem, availability fees are being used, which also involves almost no risk for the private partner, and does not involve direct tolls so

there is no 'user-pays' principle in operation unless it is carried out through fuel tax or some other means.

CEE Bankwatch therefore recommends that PPPs should not be actively promoted but rather scrutinized carefully where plans for their use exist.

We refer to our recent publication *Never Mind the Balance Sheet* where the set of recommendations is available on pp. 47-50.⁵

- **Private sector involvement in infrastructure should not be further encouraged by the EU.** This is a matter for member states to decide. The EU is supposed to be neutral on the involvement of the private sector in public services - "*Community law on public contracts and concessions is neutral as regards the choice exercised by Member States to provide a public service themselves or to entrust it to a third party.*"⁶ We are already concerned that the EC is promoting PPPs through the European PPP Expertise Centre, yet where the European Investment Bank is involved in financing PPPs it often does not appear to be checking the quality or even existence of affordability analyses, value for money analyses and public sector comparator calculations.

4. National steps need clear EC guidance and oversight

The experience with the implementation of the TEN-T projects on the national level so far shows a lack of strategic approach. Deficiencies in the proceedings are typical and the ineffectiveness of the public expenditures on projects that are either badly designed or not justified at all is often striking. It is therefore essential that EC oversees closely how the projects are prepared and implemented.

The problem lies not only in the fact that the projects are driven by the national objectives: "national objectives" are often driven by landowners' or other lobbies' objectives. Not only does this in some cases cause environmental or other harm, but we must also take into account the "missed opportunity" that results from resources being pumped into projects which hardly bring any benefit, while money is lacking where it could really contribute to the required positive changes.

From this point of view the **existence of well justified national transport infrastructure development strategies and multi-criterial analysis of priority projects** that will apply for funding from TEN-T or other EU budgets, or that will be labelled as part of the TEN-T scheme **is a must.**

At the same time the **progressive provisions of current TEN-T** that national governments or constructing agencies tend to evade where possible must not be abandoned: namely the provisions on big capacity TEN-T projects like **motorways not crossing urban areas, the requirement not to mix transit and urban transport within TEN-T schemes plus basic safety measures (for tunnels) should be kept in place.**

It is also a fact, that in a number of cases coordination between member states on cross-border projects or projects with transnational importance does not work effectively. In the case of the TEN-T Corridor 25, namely its south Moravian section between Brno (CZ) and

⁵ *Never Mind the Balance Sheet*. The dangers posed by public-private partnerships in central and eastern Europe. CEE Bankwatch Network, November 2008. http://bankwatch.org/documents/never_mind_the_balance_sheet.pdf

⁶ European Commission Green Paper on public-private partnerships and Community law on public contracts and concessions, COM/2004/0327 final, 2004.

Vienna (A) for example the EC assistance via JASPERS more or less failed, because the JASPERS experts were effectively sidelined by national lobbies. Such cases show that **much stronger oversight is necessary and the institute of project coordinators appointed by the EC with a clear mandate could be beneficial**. The institute itself is in the current TEN-T provisions already, but not used as intensively as is needed.

We also offer an idea for potential **TEN-T project “ex-ante certification”** in order to ease access to funding from the TEN-T and/or EU budget. A set of criteria should be developed and fulfilled before the project would become “certified” as TEN-T and thus get the green light for funding. Such criteria would need to include proof that the project makes transport sense (or is socially beneficial for other well argued reasons), does not cause unnecessary harm to the environment and neighboring settlements, meets the safety requirements, that its operation will contribute to combating climate change and that it is the best available option to contribute to improvements in transport services.

SEA on the TEN-T concepts is necessary **both on the EU level** in order to identify the environmentally most beneficial TEN-T scenario, **as well as on the national level** for more detailed national strategies. **Ensuring this is an inevitable step to turn the current TEN-T concept into one that would be based on truly smart planning and investments.**

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