

FIEC contribution to the debate on the future of EU transport policy: Infrastructure at heart of EU transport policy

FIEC is the European Construction Industry Federation, representing via its 33 national Member Federations in 28 countries (26 EU & EFTA, Croatia and Turkey) construction enterprises of all sizes, i.e. small and medium-sized enterprises as well as “global players”, carrying out all forms of building and civil engineering activities.

I. Introduction:

In the framework of the current debate launched by the European Commission on the future of EU transport policy, it is acknowledged by all stakeholders that the transport sector will have (and has already) many challenges to meet in the coming 20 to 30 years. These challenges are altogether environmental, social and economic.

Among those numerous challenges, the following ones are worth being mentioned:

- ageing of the population (need to better access transport infrastructure and territories);
- new ways of life;
- congestion and pollution;
- energy consumption nearly completely dependent to fossil fuels;
- need for closer EU cohesion (economic, social and territorial);
- etc.

Further to these examples, one of the main challenges for the transport sector is the continuous increase of transport demand through the years. The volume of transportation of passengers is projected to increase at a rate of 1,4% per year between 2005 and 2030, whereas the volume of freight transport is projected to increase by 1,7% per year during the same period of time¹.

As economic growth and social activities are closely interconnected with (dependent of) transportation, transport services will have to stay in adequacy with this strong demand from EU citizens and businesses. At the heart of transport services, transport infrastructure has here a major role to play to meet this challenge.

Moreover, above these mentioned long-term challenges, the **current context of financial and economic crises** should not be forgotten. In this context, transport infrastructure has been put in the middle of the EU Recovery Plan and of most of national recovery plans. Investing in (transport) infrastructure means altogether: boosting the real economy recovery in the short term AND developing a necessary “Europe without barriers” on the long term.

As suggested by the *Transvisions* study² commissioned by DG TREN, the future of the EU transport policy should rely upon an optimal combination of policy instruments: technology development, regulatory and economic and participatory instruments and selective investments in infrastructures.

Of course, these various factors interact with each other. For example, investment in new transport infrastructure is also a driver of technological progress for the advantage of the transport sector as a whole. Likewise economic instruments such as pricing schemes are more effective in modifying behaviour in the presence of valid transport alternatives. And infrastructure pricing is more socially acceptable if improvements in infrastructure are gained from it.

¹ European Energy and Transport – Trends to 2030, update 2007

² Report on Transport Scenarios with a 20 and 40 Year Horizon, March 2008

II. Infrastructure at the heart of transport policy to meet the identified challenges:

Considering the needs and advantages to invest in transport infrastructure, it is worth mentioning that the 2001 White Paper on the transport policy and moreover its 2006 mid-term review are still documents of reference. FIEC welcomes the fact that many proposals contained in these two publications have been successfully implemented. This is for example the case with the implementation of the TEN-T European Agency, the TEN-T coordinators, the loan guarantee instrument (LGTT) of the EIB and the recently set up European PPP Expertise Center (EPEC – in collaboration with the EIB and the Commission).

Some other proposals of great relevance still remain up to date and especially the **co-modality** approach of the Commission (i.e. the efficient use of different modes on their own and in combination with the targeted result of an optimal and sustainable utilization of resources) which should be further developed, in combination with the **intermodality** approach, namely the interconnections of all existing transport modes to make more fluid passengers and freight journeys. This should not lead to an inconsiderate modal shift from road to alternative modes, as such a modal shift firstly requires heavy investment in the considered alternative modes which cannot be achieved in the short term, and secondly as each mode of transport has the potential to improve in sustainability and is more specifically adapted for a certain type of transportation.

Main priorities for the future:

1) Development of an integrated approach of transport, urban and territorial development through sustainable development planning:

Considering the ongoing and continuous increase of demand for transportation, the second aspect of the question, after the adaptation of transport services to respond to this demand, is the control/management of this demand through a deep reflection, at the EU and in particular at national and regional level, on the best possible territorial planning.

It is highly needed that Member States and local authorities work on sustainable development planning, which would take into account altogether development of urban areas (with business and social activities), the coherence and cohesion of the whole territory and the transport needs. Such planning would help rationalize the development of infrastructure in general, and consequently of transport infrastructure.

2) Optimisation / modernization of existing transport infrastructure:

Although the increase demand for transport leads to envisage the construction of necessary new transport infrastructure, the future EU transport policy should maintain its promotion of the optimization of the existing infrastructure of the various transport modes. This is proven to be the best cost-efficient solution.

This optimization means first of all the maintenance and renovation of the infrastructure, and then its optimization and adaptation to the current economic, social and environmental challenges. This implies to increase their capacity, to make them more accessible to people and to make them more energy efficient.

Considering EU intervention in favour of Intelligent Transport Systems (ITS), FIEC feels that it should be strictly limited to deploying decisive traffic management systems and infrastructure of European strategic interest such as Galileo, EGNOS and ERTMS, which would not have emerged with the single support of private and public national initiatives.

As regards other ITS projects not directly related to the infrastructures themselves, the EU's role is to support research and demonstration projects, and ensure interoperability and safety through EU norms and regulations.

3) Reinforcement of comodality/intermodality: interconnecting the various transport modes:

Another priority, which concerns here both new and old infrastructure, consists in strongly and quickly improving the interconnections between the various modes of transport. This priority has two aspects: firstly, realize a tight European network of transport infrastructure, and secondly, integrate all modes of transport in this network.

The improvement of currently under loaded modes of transport is namely highly necessary to improve in particular the transport of freight. For instance, by 2030 inland navigation is projected to account for 9,6% of total freight activity (11,4% in 2005).³

For this purpose, the EU and Member States should promote the creation of intermodal platforms which would link-up airports with railway stations and/or sea and inland ports and consequently allow an easier interconnection of nerve centers. Taking this need of closer interconnections into account leads to take into account all modes of transport; each mode being more specifically adapted for a specific use.

This should however not lead to the underestimation of other modes of transport generally considered as “less environmentally friendly”. FIEC considers that an intermodal approach, where each mode of transport is developed where appropriate, is the only sustainable solution. This intermodal approach should consider the advantages of each mode and favor their development accordingly. Most important is then to ensure the interconnection of the various modes, and co-modality.

For examples, it is not an option to preclude motorway projects in regions with poor road network, or smaller road projects like urban bypasses, especially when in these cases they offer new intermodal connections for passengers of freight.

4) Removal of bottlenecks and investment in cross-border sections:

Fighting against the bottlenecks and boost the realization of cross-border sections were the two major goals targeted by the Commission while preparing the allocation of the TEN-T budget for the 2007-2013 multi-annual financial programming period. These goals should also be two of the priorities of the EU future transport policy.

The EU should increase its role in transport matters through its transport policy where it can have the most efficient added-value. Removing bottlenecks and moreover investing in cross-border sections are two examples of projects which need the EU to be a lever.

³ European Energy and Transport – Trends to 2030, update 2007

III. Financing existing and future transport infrastructure:

Meeting these challenges and developing solutions is, in any case, impossible without financing means. This is a key without which nothing is possible. However, this is also surely one of the hardest challenges.

The starting point is here that public money is insufficient to cover the entire costs of transport infrastructure. The current financial and economic crises make this situation even worse.

Following this statement the first reaction from all involved European, national and local stakeholders should be to avoid wasting money in inconsistent transport projects.

Some non-financial instruments have proven to be very helpful and should be further developed:

- **Better coordination of projects at EU level** (e.g. role of TEN-T coordinators, recent set up of TEN-T EA, TEN-T funds and structural funds, etc.) and **more consistency in priorities given at EU and national level** (in particular as regards TEN-T projects);
- **Binding commitments of Member States which benefit from EU funding**
- **Simplification and improvement of procedures for projects preparation and procurement;**

Secondly, the following financial instruments should be further promoted:

- Encourage PPP schemes where they bring a real added value: PPPs remain a sound solution to help finance projects and better design them in order to take into account the infrastructure life-cycle.
- Encourage a deeper involvement of the EIB in financing of infrastructure (cf. loan guarantee instrument (LGTT), support of more PPP projects, namely with the help of the EPEC, etc.). The EIB should continue to show more readiness to take risks.
- Further develop the recently set up "Fonds Marguerite", which will amongst others finance transport infrastructure.
- Strongly increase the TEN-T budget which has been cut down to 8 billion € for the 2007-2013 financial framework while the Commission had proposed to provide around 20 billion €.
- Increase EU funding through Cohesion and Structural funds.
- Set up a Eurobond, in form of a "European sovereign debt funds", as proposed by MEP Costa, chairman of the TRAN committee, or of common management of national loan emissions and national debts, with the aim of reducing the burden of the debt on national budgets. In this respect, FIEC welcomes the on-going discussions over such a scheme⁴ and believes such a system should definitely be related to investment debt, especially for the TENs
- Increase the contribution of users/polluters to more sustainable transport infrastructure through infrastructure and urban charging, as well as through the internalization of external costs (cf. "Eurovignette III" proposal), with the consequent earmarking of revenues created to transport infrastructure.
- Earmark also ETS incomes to more sustainable transport infrastructure.

Most important instrument: the concentration of (public) resources/financing (TEN-T budget, Structural and Cohesion Funds, EIB loans...) on EU key projects with socio-economic and European added value (e.g. concentration of the TEN-T multi-annual budget on cross-border sections and bottlenecks, as well as environmentally friendly modes).

The relative evolution of the different modes of transport observed since 2001, demonstrates that the indicators based on traffic forecasts are largely insufficient. Other quantitative criteria, such as the threshold of 0.15% of GDP as it relates to the costs of a project for those countries concerned or otherwise yielding a sufficiently high rate of economic return (about 6%), should be strictly applied.

⁴ Cf. also Written Declaration by Mario Mauro and Gianni Pitella on the use of Eurobonds as a new strategy to support growth (8/10/2008)