

Input of CEE Bankwatch Network to the consultation on the future TEN-T Network Policy

1. Introductory comments

Despite the effort given to the preparations before the paper, its content indicates that the process of formulation of a coherent vision as well as identifying necessary detailed steps to implement it is only at an early stage. While an attempt was made to make the paper consistent, a lot of questions remain in this regard. In this context **we recommend that the clear outcomes which the new TEN-T policy should deliver must be defined**. It is necessary to avoid the situation of having endless goals with numerous sets of activities and measures without clear targets. What does the EU at the present time want to achieve with such a network? Slightly more efficient business as usual? A decarbonised network? By when? Involving what ratio of modes? Fuelled by what? With external costs paid by whom?

A set up with no clear overall vision would undermine the achievement of the EU2020 and de-carbonization goals in the transport sector. Moreover it would be extremely difficult to attain the required delivery of the best value for the (limited) amount of money available. We consider this point very important, especially if the idea of an integrated financing framework is to be taken seriously. The drivers for investment have to be set narrowly enough. Clear and strict criteria have to be in place to select just a handful of projects and measures, which will be eligible for TEN-T money pooled with the Cohesion Fund and EIB loans.

What is surprisingly missing in the paper and the expert groups' outputs so far in the process (except for the rather symbolic reference to distance-based road charging) is the entire issue of demand side measures and investments into the maintenance of the already existing network.

It is clear from the consultation papers that demand side measures and modal shift are not welcomed by many in the road sector, which comes as no surprise at all, however **the goal of policy-making is to bring the best outcome overall, not to be held ransom to groups with a direct interest in expanding road transport**. Demand management measures must be at the core of the assessment of the final set up of the TEN-T. For such a goal it is necessary to assess scenarios of future transport needs and favour measures based on the Avoid, Shift and Improve approach – thus focused on prevention and on stimulating a shift to

more environmentally friendly transport, that will contribute to de-carbonization and will meet other environmental, social, but also financial imperatives. Such measures should achieve extra scores in the detailed assessments of the planned activities that are necessary. The consultation paper gives the impression that EC is concentrating only on the “Improve” aspect, without having concretely specified the idea of how to link it with the need to fulfill environmental goals.

What is also missing in the EC paper is any mention about the SEA process on the EU level for the new TEN-T scheme. An SEA or SEA-like process undertaken by the Commission, would in fact be an incentive to submit a clear proposal of how the future TEN-T scheme will look (preferably outlining more than just one option). Such a process would also contribute to filtering the input to the TEN-T strategy and could limit the danger that an endless wish list of projects is created, coming from the member states and EU, many of which either do not contribute to the de-carbonization goal at all, or are not realistically viable in the next one or two decades (often the projects suffer from both weaknesses).

An SEA would also contribute to the setting up of clear screening criteria to be used for the proposed measures and individual projects to pass to a higher level of consideration: those criteria need to be clearly linked to the following aspects:

- Contribution to the de-carbonization of the sector (a credible methodology to assess the GHG aspects of the measures and projects must be in place),
- Compliance with the EU2020 goals,
- Respect for the NATURA 2000 sites,
- Respect for human settlements (e.g. eliminating noise, fragmentation aspect).

Only such measures and/or schemes that pass the exercise should be able to continue to a further level of consideration (where also other aspects, based on the other criteria of a Multi-Criterial Analysis, would be considered).

Candidate countries and neighbouring partnerships

The document says that consideration will be given also to the integration of transport networks in the candidate countries, as well as to those in the European Neighbourhood, into the TEN-T. In this case ways must be found to eliminate “double standards” and to ensure that the basic provisions of the TEN-T reflect EU legislation and policy goals (EU 2020) when considering the required measures in non-EU countries.

This particularly applies to environmental standards. Neighbouring countries are often keen to build infrastructure before defining their Natura 2000 networks or other protected areas and before implementing SEA legislation. Such practices must not be condoned by the TEN-T policy.

2. TEN–T revision Q and A section

THE METHODOLOGY FOR TEN-T PLANNING

Q: Are the principles and criteria for designing the core network, as set out above, adequate and practicable? What are their strengths and weaknesses, and what else could be taken into account?

Though the paper (including the background documents of the expert groups) is promising in terms of the need for a methodology of how the concrete projects will be assessed in order to prioritize, what is missing is the idea of how the structure of planning will work in reality, where both member states as well as the EC will be involved. This is a question regarding the big “strategic” priority projects, as well as for a number of rather local projects that would contribute to the strengthening of the “core” network.

We also refer to our comments above: that the principles for the core network have not sufficiently taken the need for demand management and modal shift into account, nor more specifically the EU 2020 and de-carbonisation policy goals.

Q: To what extent do the supplementary infrastructure measures contribute to the objectives of a future-oriented transport system, and are there ways to strengthen their contribution?

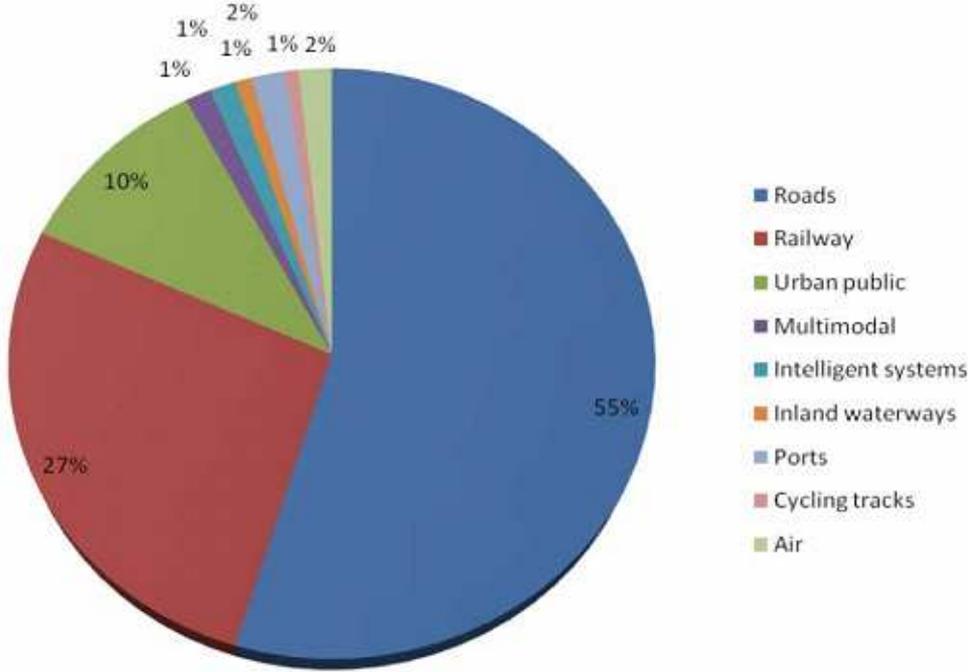
The supplementary infrastructure measures shall be at the basis of the investments, because of their potential to achieve the required goals. An important aspect is that very often such measures do not generate new transport, but rather contribute to the modal shift and behavioral changes, although more precise analysis of exact goals and methods of reaching them would be necessary.

Q: What specific role could TEN-T planning in general play in boosting the transport sector's contribution to the "Europe 2020" strategic objectives?

Although the contribution to the EU2020 goals, as well as a general need for the de-carbonization of the transport sector is widely mentioned in the paper, the paper's all-embracing character does not at the moment allow real assessment of its potential for its contribution to these goals. Some of the measures proposed in fact contradict the goals: be it support for hub airports of intercontinental importance, or the whole road sector in Central and Eastern Europe: a special note is present in the conclusions of one of the expert groups, that while road investments should not be a TEN-T issue in the old member states, for the CEE region investments in the road sector might still be in place. This is however a deeply misconceived attitude: CEE member states are clearly among those most reluctant in contributing to the EU2020 goals: this is clear from their national plans. It is not only the energy sector, but also the growth of GHG emissions from the transport sector in the CEE countries, that is undermining the EU2020 strategy.

The current financing period can serve as a good example: Altogether, EUR 55 billion – 73% of the total EU funds transport funding – is allocated for transport in the Operational Programmes of the CEE10 countries for 2007-2013. This includes transport measures in all national OPs – not only in the specific OP Transport. Less than one-third of the transport

funding (EUR 15 billion) is to be invested in railway infrastructure and only one-tenth (EUR 5.7 billion) in urban public transport. The biggest piece of the pie – 55% – goes for road construction (including motorways, national, regional and local roads). Approximately EUR 1 billion is to be invested in ports, another EUR 1 billion in air, whereas inland waterways are to receive EUR 0.5 billion. Multimodal transport as well as intelligent transport system is to receive together only EUR 1.5 billion whereas cycling tracks will receive approximately EUR 0.4 billion.¹ The exact breakdown is presented in the chart.



Source: CEE Bankwatch Network, 2008. Calculations are based on the financial allocations in the Operational Programmes for CEE-10 approved by the European Commission.

For the period 2007–2013 CEE countries are planning to spend twice as much EU funds for roads as for railways, while funding for public urban transport is set to be marginal.

In these countries the Cohesion Fund’s contributions to the transport sector are not based on any assessment of the GHG emissions aspect of individual projects and measures neither during their construction, nor operation. If the TEN-T strategy is serious about decarbonization of the sector, GHG criteria must be present. It is hardly imaginable that the road sector in the CEE would qualify for integrated investment funding if the environmentally desirable investments were truly taken into account.

¹ Konecny and Medarova-Bergstrom, Do EU Funds Contribute to Climate Change Abatement in New Member States?, CEE Bankwatch Network and FoEE, June 2008

TEN-T IMPLEMENTATION

In which way can the different sources of EU expenditure be better coordinated and/or combined in order to accelerate the delivery of TEN-T projects and policy objectives?

There are many projects in CEE that hardly make any transport, but also economic and social sense (or it has been proven they do not make sense, but they are still being promoted) and road (or rather the motorway ones) are at the forefront. Often, this deficiency is based on poor attitudes to planning at the strategic level and exaggerated expectations of the potential to secure necessary financial resources. Just pooling the resources of the Cohesion fund, TEN-T fund, EIB loans, PPP schemes and the potential of drawing resources from user charging will not help. The existing plans are simply far from any expectable financial reality, not even considering their other impacts.

Q: How can an EU funding strategy coordinate and/or combine the different sources of EU and national funding and public and private financing?

Q: Would the setting up of a European funding framework adequately address the implementation gap in the completion of TEN-T projects and policy objectives?

Another issue to solve is the cooperation between member states and the EC. Experience shows that in transport investments MS often have their own agenda which does not necessarily fit with the goals agreed on the EU level. The main aim is to use the EC's pocket. This is troublesome, because there is no guarantee that reliable plans will be provided in terms of what core and comprehensive part of the TEN-T within their territory are relevant and in which they seriously intend to invest. In order to have this process coordinated, the process of the preparation of the new financing period (planning the new Transport Operational Programmes or similar schemes for post 2013) is an opportunity, assuming the EC will approach seriously the importance of creating a meaningful TEN-T concept for the future. A clear indication needs to be given to the MSs, regarding what main criteria will be in place for having a project financed.

We welcome the planned discussions between the EC and member states regarding the elements of the Comprehensive network. The public must be involved in this process via its representation in the planning and monitoring structures for the use of the EU funds, through an SEA or SEA-like process at the EU level and in other relevant bodies or processes that may be in place (implementation of the partnership principle).

We also see a role for the EC in clarifying the conditions for the involvement of the EIB in the implementation of the TEN-T policy vis a vis the goal of greenhouse gas reduction. As a matter of fact, the EIB record in this field is very poor, and its investments in the transport sector so far (even under its new transport policy after 2007) rather favour GHG intensive transport means:

- Lending for road transport (not including car manufacturing or R&D) increased from around EUR 3 billion in 1996 to almost EUR 7 billion in 2009, while lending for urban public transport peaked in 2005 at just under 5 billion and since then has decreased dramatically, at around EUR 2 billion in 2009. Lending for rail has gradually increased but in 2009 was at around EUR 4 billion, far below road lending. The situation is

particularly pronounced in central and eastern Europe where in 2006-2009 more than two-thirds of the EIB's transport lending was for roads.

Taking into account the current financial scarcity the paper also, though carefully, praises the potential of using PPP models. Here, we provide a summary of the concerns that have to be taken into account when PPPs are being considered:

Public-private partnerships: Drawing on the experience in the transport sector in Central and Eastern Europe we see private involvement in infrastructure development (particularly 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 the government balance sheet, and their use is 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 untransferable 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.
- An additional concern is the low capacity within public administrations in CEE to undertake a thorough assessment of pros and cons of any PPP project, and to secure that the public interest is protected.

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

We refer to our publication *Never Mind the Balance Sheet* where a full set of recommendations is available on pp. 47-50.²

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*

²Never 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

*service themselves or to entrust it to a third party.*³ We are already concerned that the EC is promoting PPPs through the European PPP Expertise Centre and the EC Communication on PPPs, 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.

THE LEGAL AND INSTITUTIONAL FRAMEWORK OF THE TEN-T POLICY REVIEW

Q: In which way can the TEN-T policy benefit from the new legal instruments and provisions as set out above?

A cross sectoral approach is necessary in order to define what constitutes the public interest in the sector. Obviously, environmental legislation and goals (EU2020) and further de-carbonization targets that will be necessary must not be overruled by unwise strategic decisions of today. The need is to look for a double dividend: a transport system that will both serve people and will become rapidly less and less environmentally harmful.

An integrated funding framework approach is an important tool as well. It could truly contribute to more systematic planning and activities based on common criteria. At the moment it is not rare that a clash of priorities is in place. For example a project, where the EC is not involved due to the bad environmental prospects is in the EIB's portfolio, though legislative requirements for the both institutions are the same. PPP tenders are in some cases called for such projects by the member states, where due to various deficiencies (environmental, economic prospects) no financing can be realistically expected from the EC. In such a way, taking into account also the co-financing role of the national budgets, the availability of public financial resources is deteriorating without any clear beneficial prioritisation in place.

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³European Commission Green Paper on public-private partnerships and Community law on public contracts and concessions, COM/2004/0327 final, 2004.