



European Commission  
DG TREN

# Update of the Cost-Benefit Assessment of the Externalisation of the Management of Community Financial Support to the TEN-T Networks

Final Report

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European Commission  
DG TREN

Update of the Cost-Benefit  
Assessment of the Externalisation  
of the Management of Community  
Financial Support to the  
TEN-T Networks

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## List of Abbreviations

Abbreviation	Meaning
CBA	Cost-Benefit Assessment/Analysis
CF	Cohesion Fund
COA or CoA	Court of Auditors
DG	Directorate-General of the European Commission
DG ADMIN	DG Administration
DG ECFIN	DG Economic and Financial Affairs
DG ENV	DG Environment
DG MARKT	DG Internal Market
DG REGIO	DG Regional Policy
DG TREN	DG Transport and Energy
DO	Desk Officer
EAR	European Agency for Reconstruction
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIF	European Investment Fund
EPSO	European Personnel Selection Office
ERDF	European Regional Development Fund
FAC	Financial Assistance Committee for TEN-T
FTE	Full Time Equivalent
GIS	Geographical Information System
ITS	Intelligent Transport System
ISPA	Instrument for Structural adjustment for Pre-Accession
LOI	Letter of Interest
MIP/MAP	Multi-annual Indicative Programme/Multi-Annual Programme
MS	Member State of European Union (EU)
NPV	Net Present Value
PMO	Personnel Management Office
PPP	Public-Private Partnership

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<b>Abbreviation</b>	<b>Meaning</b>
PSR	Project Status Reports
TA	Technical Assistance
TEN-T	Trans-European Network - Transport
TENTEA	TEN-T Executive Agency

## Executive Summary

The Commission is supporting financially development of the Trans-European Transport Network (TEN-T) in EU since more than 20 years. The management of this financial support has been carried out by the Commission services, namely the Directorate-General for Transport and Energy (DG TREN).

The EU budget allocated to TEN-T has been increasing gradually over the time. Although DG TREN management and monitoring of the funds and TEN-T projects supported have improved over years, the human resources allocated for these tasks remained relatively modest. The reports from the Courts of Auditors regularly pointed out the lack of specialised and adequate staff resources available to DG TREN and its associated consequences: the low quality of the evaluation of applications for funding submitted to DG TREN as well an inadequate level of technical monitoring of the TEN-T projects and an important financial back-log in the financial execution of the budget.

Following the adopted Community Regulation (EC 58/2003) laying down the statute for executive agencies, DG TREN launched (in 2005) a Cost-Benefit Assessment of the potential externalisation of the management of the Community financial support to the Trans-European Transport Network (TEN-T).

Based on the positive results from a Cost-Benefit Assessment on the potential externalisation of the management of the Community financial support to the TEN-T issued in April 2005, the Commission established on 26 October 2006, the Trans-European Transport Network Executive Agency with an initial duration limited to 31 December 2008.

The recruitment of the Agency staff started mid-2007 and the Agency should reach a total of 44 staff end 2007.

The main task of the Agency is to manage the remaining open project and financial decisions related to the period 2000-2006 which represents 444 open decisions and payment appropriations of 947 million EURO in 2007 - co-called RAL (Reste à Liquider).

Further to the adoption of the EU Financial Framework for the period 2007-2013, the new TEN Regulation was adopted on 20 June 2007 with increased indicative commitment appropriations for the TEN-T operational budget amounting 7.9 billion EURO. The new regulation increases level of support and

concentrate funding on the large priority projects part of the Multi-annual programme (MAP). It also promotes the use of new financial instruments and private sector participation.

In order to utilise the full benefits of the existing agency, DG TREN intends to extend its mandate and life-time in order to cover the current Financial Framework (2007-2013) and two years of project closure, i.e. until 31 December 2015.

For this purpose DG TREN requested an update to the previous CBA in order to assess the staff level required to carry on the tasks assigned to the Agency and to assess the potential benefit of the extension both qualitatively and quantitatively.

In order to be able to cope with the RAL and the new TEN-T Budget and to take over the full project cycle responsibility from DG TREN in terms of technical and financial management and monitoring as well as new tasks entrusted such as awareness and promotion of the TEN-T programme, supporting PPPs development and know-how and best practice dissemination, the existing TEN-T Executive Agency (TEN-TEA) will need to increase its human resources.

The study analyses in details the staff levels required from 2008 till 2015 to manage the TEN-T operational budget of 7.9 billion EURO in line with its extended mandate. The analysis also calculates the expected cost related to the staffing level required (Executive Agency option) and compares it to the in-house option which consists in keeping the TEN-T programme managed entirely by DG TREN staff.

The analysis demonstrates that the Agency should employ 99 staff and that the Executive Agency option should provide the Commission with substantial savings of 9.88 million EURO compared to the in-house option. The financial savings are mainly due to the difference between the salaries of TEN-TEA staff and Commission staff.

The analysis also insists on the qualitative improvements in evaluation and selection of project applications and technical and financial monitoring and management of the TEN-T projects, that will be generated by the TEN-TEA due to the ability it has to hire specialised staff fully dedicated to TEN-T management tasks.

The study concludes that the Commission should extend the mandate of the existing TEN-T Executive Agency and provides specific recommendations for accompanying measures based on the experience gained from other existing executive agencies and expectations from stakeholders and beneficiaries of TEN-T support.

The table below presents the financial findings of the study comparing the Executive Agency option and the in-house option.

<b>Operational budget</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
2000-2006 RAL - Million €	947	800	450	100	10				
2007-2013 Commitment appropriations - Million €	817	936	1015	1048	1228	1343	1528		
<b>Inhouse Option (DG TREN)</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Number of Staff</b>	<b>70</b>	<b>123</b>	<b>123</b>	<b>123</b>	<b>123</b>	<b>123</b>	<b>123</b>	<b>98.4</b>	<b>61.5</b>
<i>Officials/Temporary agents</i>	62	112	112	112	112	112	112	89.6	56.0
<i>Contractual Staff</i>	8	11	11	11	11	11	11	8.8	5.5
<b>Cost</b>	<b>1,939,500</b>	<b>14,394,579</b>	<b>15,019,870</b>	<b>15,674,199</b>	<b>16,358,958</b>	<b>17,075,604</b>	<b>17,825,667</b>	<b>14,888,600</b>	<b>9,716,267</b>
Staff Cost	1,554,500	11,634,459	12,204,547	12,802,570	13,429,896	14,087,961	14,778,271	12,401,925	8,131,012
Overheads	385,000	2,760,120	2,815,322	2,871,629	2,929,061	2,987,643	3,047,396	2,486,675	1,585,255
<b>Executive Agency Option</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Number of Staff</b>	<b>81</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>103.2</b>	<b>64.5</b>
Executive Agency	44	99	99	99	99	99	99	79.2	49.5
<i>Temporary Agents (Seconded officials from EC)</i>	6	8	8	8	8	8	8	6.4	4.0
<i>Temporary Agents recruited by Ex. Agency</i>	17	32	32	32	32	32	32	25.6	16.0
<i>Contractual Staff</i>	21	59	59	59	59	59	59	47.2	29.5
DG TREN (Officials)	37	30	30	30	30	30	30	24.0	15.0
<b>Cost</b>	<b>2,085,750</b>	<b>13,873,281</b>	<b>12,932,192</b>	<b>13,480,242</b>	<b>14,053,435</b>	<b>14,652,967</b>	<b>15,280,094</b>	<b>13,630,789</b>	<b>10,231,053</b>
DG TREN Staff	878,750	4,454,790	3,136,143	3,289,814	3,451,015	3,620,114	3,797,500	3,186,862	2,089,386
Executive Agency Staff	761,500	6,523,731	6,843,394	7,178,720	7,530,477	7,899,471	8,286,545	7,335,583	6,160,098
Overheads	445,500	2,894,760	2,952,655	3,011,708	3,071,942	3,133,381	3,196,049	3,108,343	1,981,569
<b>Cost difference between the two options</b>	<b>-146,250</b>	<b>521,298</b>	<b>2,087,678</b>	<b>2,193,957</b>	<b>2,305,523</b>	<b>2,422,637</b>	<b>2,545,573</b>	<b>1,257,811</b>	<b>-514,786</b>
<b>Discounted Net Present Value - 2007</b>	<b>9,884,774</b>								

## 1 Introduction

The Community contribution to the funding of projects developed as part of the Trans-European Network for Transport (TEN-T) is currently being managed by the services of the Commission, DG TREN.

Following the adopted Community Regulation (EC 58/2003) laying down the statute for executive agencies, the Directorate-General for Transport and Energy (DG TREN) launched, in 2005, a study for a Cost Benefit Assessment (CBA) of the potential externalisation of the management of the Community financial support to the TEN-T.

Based on the positive results from the above-mentioned CBA issued in April 2005, the Commission established on 26 October 2006, the Trans-European Transport Network Executive Agency with an initial duration limited to 31 December 2008.

The main task of the Agency is to manage the remaining open projects and financial decisions<sup>1</sup> related to the period 2000-2006.

In order to utilise the full benefits of the Agency, DG TREN intends to extend the duration covering the current Financial Perspective (2007-2013) and two years of project closure following the end of this period, i.e. until 31 December 2015. For this purpose DG TREN needs to update the previous CBA that should take into account the new TEN Regulation and budget adopted on 20 June 2007. The TEN-T budget as decided in the financial perspectives 2007-2013 shall be the sole basis for this updated assessment.

This updated CBA is commissioned by DG TREN under contract no. ETU/TREN/05ADM/S07.44385/2005/ECORYS. Both the initial study and this revision were carried out by COWI as member of the ECORYS consortium.

Readers should note that the report presents the views of the Consultant, which do not necessarily coincide with those of the Commission.

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<sup>1</sup> The remaining budget (Reste A Liquider) was 947 MEURO on 5/10/2007 representing 444 open decisions

## 1.1 Objectives and Scope of Study

The previous assessment (June 2005) analysed the organisational and the financial consequences of the possible externalisation of the management of the Community funds devoted to TEN-T within the framework and priorities set by the TEN Guidelines, in particular, the rationale and the cost-effectiveness of establishing an Agency. Furthermore, the previous study analysed the impacts of a significant increase in the budget allocated for TEN-T under the 3 budgetary scenarios, as well as a widening of the tasks assigned to the Commission as detailed in the amended new draft financial regulation.

The present update of the study will be based on the recent TEN-T developments as specified by DG TREN: adoption of the new Financial Perspective 2007-13, the amended new TEN Regulation and their impacts on the management of the TEN-T budget for the 2 options: "in-house" management and externalisation (Executive Agency option). Therefore and in line with the ToR, the 2005 study will be updated taking into account the following elements and new developments since the original study:

- The initial assessment covered three different scenarios with regard to the TEN-T budget (0.7 billion EURO, 2 billion EURO and 4 billion EURO per year). The budget as defined in the Financial Perspective 2007-13 (7.9 billion Euro operational budget for the period) will be the only scenario in the updated assessment.
- The CBA will be based on the extension of the Agency until 2015, incorporating costs and benefits of its continuity and of closing down the Agency.
- The updated CBA will be based on 2007 EU personnel costs for both the different categories of internal and external staff and will take into account the objectives of the optimal human resource management in accordance with the Guidelines for the implementation and the functioning of Executive Agencies financed from the general budget of the European Communities, 30 May 2006.
- In addition to a substantial increase of the budget appropriation, the new TEN Regulation includes a number of new provisions as compared to the former legal basis for TEN-T funding. The corresponding impact on the TEN-T budget shall be assessed, in particular:
  - a) The increase in funding rates and the need to concentrate funding especially for TEN-T priority projects (MIP projects), on sections which promise the highest European value added which will have implication for DG TREN and the Agency in terms of the number of decisions to be managed, work load and organisation required by a more in depth understanding of the overall priority axes and more complex monitoring and appraisal of the projects.

- b) The high priority given to traffic management/ intelligent transport systems (ITS) and railway interoperability projects. This will also imply a very intense and pro active management given their technical and organisational complexity ITS projects and have consequences of the profiles of the staffing required to appraise and monitor these projects.
  - c) The special attention given to new forms of Community support aiming to promote public-private partnership solutions such as grants for works in the framework of availability payment schemes as well as Loan Guarantee Instrument and Risk Capital Facility in close collaboration with European Investment Bank (EIB). This will imply requirement for more comprehensive technical, financial and legal expertise to provide support to potential beneficiaries and be on a level paying field with private (Infrastructure Equity funds) and multilateral financing institutions.
- The updated assessment will be based on the latest decisions of the Commission regarding sharing of responsibilities between DG TREN and TENEA. Certain tasks initially foreseen for externalisation in the 2005 CBA will remain within DG TREN, particularly the European Coordinators secretariats and high-level coordination of Community funding under TEN-T with funding from other sources. TENEA staff will be providing the required technical and financial support to facilitate and implement this coordination at project level.
  - The updated assessment will take due account of expectations of Members of European Parliament (e.g. Committee on Transport and Tourism, Committee on Budgets), European Court of Auditors (CoA) and the public for an enhanced quality of the TEN-T budget management and, through the Agency, a more pro active role of the Commission in efficient and effective promotion of the TEN-T priority axes.
  - The assessment will analyse the usefulness of including additional indicators to consolidate the study and strengthen the sensitivity analysis based on the selected indicators or parameters as discussed with DG TREN.

## 1.2 Study Implementation

In order to address the Terms of Reference (ToR) part of the team involved in the original studies will be mobilised to update and revise the study produced and submitted in June 2005.

The initial Work Order was signed on the 4th June 2007, and the study commenced officially with the briefing meeting held in DG TREN on 11th June 2007 with key officials dealing with TEN-T.

The study team, as defined in the proposal, comprises the following experts:

*Table 1.1 - Study Team Composition*

<b>Position</b>	<b>Name</b>
Team Leader	Mr. Raphaël Zayat
Evaluation expert, CBA, TEN-T	Mr. Martin Rune Jensen
Researcher	Ms. Bianca Holdford
Quality Assurance	Mr. Arne Kvist Rønne

## **2 Background**

The present chapter summarises the background of the present study, and is intended to provide the unfamiliar reader with the context of the Cost-Benefit Assessment (CBA), covering i.e. an outline of the TEN-T programme, the present management and a summary of the legal basis for an externalisation.

### **2.1 The TEN-T Programme and its Objectives**

#### **2.1.1 Introduction**

Transport was one of the Community's first common policy areas and since the Treaty of Rome entered into force in 1958, transport policy has concentrated on removing barriers at the borders between Member States to facilitate the free movement of persons and goods.

In 1982, the Council approved a one-year Regulation on the financing of transport infrastructure projects. The creation of this specific budget line, dedicated to the financing of transport infrastructures, while limited at this stage to land modes only, was the seed for continuing action in the field of infrastructure of Community Interest.

Having started out as an annual programme granting 10 million EURO, expressed in ad hoc Regulations, the total support granted by the Transport Infrastructure Programme had grown, and amounted to 702 million EURO for the ten years 1982-92 and 385 million EURO for the one year 1993-94. The budget line supported infrastructure projects presented by the Member States to the Transport Infrastructure Committee and included, from 1990 onwards, in the tri-annual and later bi-annual programs in the field of transport infrastructures defined by the Commission. Over this period, the maximum amount of support was 25 percent of the total cost of projects and 50 per cent of the total cost of studies.

Thus, EU support for Member States transport infrastructure projects has evolved over time, starting as a limited yearly financial instrument, supporting very specific land transport projects in some Member States, becoming by 1995, under Regulation 2236/95 amended by Regulation 1655/99, a financial support measure available to all Member States and all transport modes, and

with a primary focus on the fourteen Priority Trans-European Projects (the Essen Projects).

Besides the evolution of the financial instrument granting aid to the transport infrastructures in Europe, the developments described below contributed to the definition and development of a Trans-European Network policy for Transport:

- The 1993 White Paper on Growth, Competitiveness and Employment presented the financing of TENs as a critical issue needing a global solution which would encompass:
  - the adoption of the TEN guidelines, prepared by the Commission;
  - the adoption and implementation of the new general rules for the granting of Community financial aid in the field of trans-European transport and energy networks, and other innovative financing schemes;
  - improvement in the coordination of Commission procedures aiming at increasing the efficiency of the financial instruments; and
  - the creation of the Christophersen group to identify priority projects and accelerate their implementation.
- The adoption of the Maastricht Treaty gave a legal basis to the Commission's actions in the field of TENs (Title XII) by:
  - proposing a transport infrastructure policy based on guidelines defined at a European level; and
  - defining the different possibilities for financial support of the MS projects by the Union.
- In July 1996 the European Parliament and Council adopted Decision N° 1692/96/EC on Community guidelines for the development of the trans-European transport network (TEN-T). These guidelines comprise roads, railways, inland waterways, airports, seaports, inland ports and traffic management systems which serve the entire continent, carry the bulk of the long distance traffic and bring the geographical and economic areas of the Union closer together. These guidelines present a general reference framework for the implementation of the network and identification of projects of common interest. The time horizon to complete the network was 2010. The maps in Annex I of Decision 1692/96/EC illustrate the outline of the trans-European transport network as planned for 2010. The guidelines also included a list of 14 projects to which the Essen European Council (1994) attributed particular importance.
- More recently, the Commission White Paper "European transport policy for 2010 : time to decide" Transport Policy White Paper, is proposing:
  - an Action Plan aimed at bringing about substantial improvements in the quality and efficiency of transport in Europe;
  - a strategy designed to gradually break the link between constant transport growth and economic growth in order to reduce the pressure on the environment and prevent congestion while maintaining the EU's economic competitiveness;

- a series of 60 measures to develop a transport policy for Europe's citizens including to concentrate its funding on the missing links of in particular rail corridors giving priority to freight, the trans-European high-speed passenger rail network, including airport connections and infrastructure with genuine potential for transferring goods from the roads to the railways;
- Finally, the Commission Growth Initiative and its programme Quick-start realised in December 2003, set an ambitious framework for accelerating investment also in selected TEN-T projects.

### **2.1.2 The TEN-T Objectives**

The legal basis of the current TEN-T programme is defined by the following four main papers:

- Decision 884/2004/EC of the European Parliament and of the Council of 29 April 2004 and amending Decision No 1692/96/EC on Community guidelines for the development of the trans-European transport network;
- Regulations (EC) No 680/2007 of the European Parliament and of the Council of 20 June 2007 laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks and,
- Commission Decision C(2001) 2654 final of 19/09/2001 establishing an Indicative Multi-annual Programme;
- Commission Decision of October 2006 establishing the Tran-European Network Executive Agency pursuant to Council Regulation EC No 58/2003.

#### ***Decision of the European Parliament and of the Council of 29 April 2004 and amending Decision No 1692/96/EC on Community guidelines for the development of the trans-European transport.***

The objectives and scope of the TEN-T were defined in Decision No. 1692/96/EC of the European Parliament and of the Council of the European Union of 23 July 1996 (the Guidelines).

The Guidelines define the objectives and scope of the TEN-T and describe the priorities and the characteristics of the networks for each transport mode. The description is general and is supplemented by maps of the various networks. Generally, the networks are extensive and give room for a large number of possible TEN-T projects. The Guidelines also present the priorities and broad lines of measures envisaged, and identify projects of common interest. They explain that TEN-T is to be established gradually by 2010 by integrating transport in-

infrastructure networks throughout the Community in accordance with the outline plans and specifications annexed to the Guidelines.

The objectives can be summarized as sustainable mobility of persons and goods, while helping to achieve the Community's objectives in respect of the environment and competition. They cover all modes of transport and optimal use of existing capacities. The network covers the whole territory of the Community to facilitate access in general, to link peripheral regions to the central regions and to interlink the major conurbations and regions. It includes transport infrastructure, traffic management systems and positioning and navigation systems.

The priorities are widely spread. They include bottlenecks, missing sections and major routes, but also include infrastructure for access to the network, making it possible to link peripheral regions to the central regions, and integration of environmental concerns into the design and development of the network. Other key priorities are optimisation of the capacity and efficiency of existing infrastructure, interconnection points and intermodal platforms, improved safety and network reliability and systems for the management and control of network traffic and user information which allow optimising the use of infrastructure.

### ***Revision of the TEN-T Guidelines***

The Guidelines included an article on revision. Before 1 July 1999, and every five years afterwards, the Commission shall submit a report to the European Parliament and the Council, indicating whether the Guidelines should be adapted to take account of economic and technological developments in the transport field, in particular in rail transport.

Revised Guidelines were proposed to the Parliament and the Council in 2001 (introducing 20 Priority Projects) and 2002 (together with request for increased EU support) without reaching agreement. Consequently a High-Level Group on the TEN-T (Van Miert Group) was set-up by the Commission to undertake an in-depth revision of the Guidelines that was proposed again to the Parliament and the Council in October 2003 and adopted on 24 April 2004.

The revised Guidelines introduce the following amendments:

- a new list of priority projects integrating the networks of the new 10 Member States. 10 new Priority Projects are added to the list of priority projects proposed in 2001, including new forms of support for the development of trans-national projects for motorways of the sea. The estimated cost to complete these 30 projects is estimated to be around 225 billion EURO by 2020;
- a "European interest" label is granted to these projects giving them priority to use the Community resources available in accordance with the rules applicable to the Community financial instruments for the networks; in particular, this label provides for the Member States to carry out, prior to the

authorisation of projects, coordinated evaluation and public consultation procedures or a common transnational enquiry in the case of certain cross-border sections;

- a mechanism aiming at closer operational and financial coordination between the Member States for certain projects or groups of projects declared to be of European interest, with the designation of "European Coordinators";
- the deadline for completing the trans-European network is extended to 2020.

***EC Regulations laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks***

**The 2000-2006 Programming period: Council Regulation (EC) 807/2004**

The rules for Community support to the TENs (the TEN financial regulation) were initially defined in Council Regulation (EC) No 2236/95 of 18 September 1995. It was then amended to cover the period from 2000 onwards by Council Regulation (EC) 1655/1999 of 19 July 1999. The latest amended Regulation 807/2004 in force in the previous programming period followed the conclusions and recommendations of the Van Miert High-Level Group (see below) and was adopted on 21 April 2004. The regulation established that Community support can be granted to projects of common interest, identified within the framework of the Guidelines (see below). The TEN financial regulation set out eligibility and selection criteria for projects and studies, forms of aid, control provisions and monitoring and evaluation arrangements for supported projects and studies. Community support could be given in one or more of the following forms:

1. Co-financing of studies, including preparatory studies, feasibility studies and evaluation studies
2. Interest rate subsidies (max 5 years duration)
3. Support for loan guarantees
4. Direct investment support (grant)
5. Risk capital participation (max 1% of TEN budget)
6. Combinations of the above five types of support.

The levels of support defined in Regulation 2236/95 have been maintained, i.e. maximum 50% of the total study cost and up to 10% of total investment cost of projects. However, Community aid could possibly reach 20% of total investment in the case of:

- the Satellite positioning and navigation system (Galileo).
- cross-border sections of the Priority Projects started before 2010 (missing links) and used by long distance transport services (mainly railways and motorways of the sea). This would cover projects in one Member State, the benefits of which accrue mainly to other member States.

The budgetary resources allocated by the Commission for the 2000-2006 period amounts to 4.6 billion EURO of which 4.17 billion EURO were earmarked for Transport.

The Regulation clearly indicated the preference of the European Union for environmentally friendly transport mode as it stresses that at least 55 % of the budget should be devoted to rail (including combined transport) and a maximum 25% to roads.

Taking account of the principles of the Sound and Effective Management 2000 programme, the Regulation introduced a genuine multi-annual approach with:

- Inclusion of provisions for a “multi-annual indicative programme” (MIP), the purpose of which is to give a clear indication of planned spending on major projects and on other significant categories of projects (see below). No more than 75% of the TEN-T budget can be allocated to the MIP, i.e. 3.127 billion EURO
- Inclusion of improved control and “sanction” mechanisms (including “n+2” rule<sup>2</sup> and maximum two Decisions can be opened at the same time for a given project)

The Regulation also introduced the Commission’s willingness to promote the recourse to private sources of funding and PPP initiatives in TEN-T projects. The adoption of the MIP should also be seen as a way to guarantee private investors that EU funding will be committed to long-term investments projects such as the TEN-T.

In appropriate cases, budgetary commitments to long-term projects with high financing requirements should be annually committed by instalments, based on the initial Commission decision to finance the project (MIP). Commitment appropriations related to the Financial perspectives 2000-2006 period are generating disbursements after 2006. As of 5/10/2007, the backlog, number of open decisions and remaining TEN-T budget to paid out was as follow:

*Table 2.1 - Remaining Budget and number of open Decisions*

Date	5/10/2007	1/1/2008	1/1/2009	1/1/2010	1/1/2011
<b>Remaining Budget (RAL)[million EURO]</b>	947	800	450	100	10
<b>No. of Open Decisions</b>	444	400	270	140	10

**Source: DG TREN.** Figures are accurate for the 5/10/2007 (SINCOM). All other figures are indicative, as they are estimates based on past experience.

<sup>2</sup> The assistance granted to a project on which work has not begun within two years from the date of its expected start as indicated in the EU decision shall be cancelled.

### ***Framework Commission Decision C(2001) 2654 final of 19/09/2001***

As mentioned above, the adoption of a Multi-annual Indicative Programme for granting EU support to TEN-T for the period 2001-2006 was a Commission signal of a firm financial commitment to support the priority projects through annual commitments. It is intended to give sufficient incentive and a guarantee to potential investors or project promoters so that a certain level of funding will be provided by the Community throughout the implementation phase of the projects.

The Decision provides that a maximum of 3.13 billion EURO can be allocated to the different components of the indicative multi-annual programme; this corresponds to 75 % of 4.17 billion euros. The Decision defines (once for the whole period) the list of eligible projects. It also gives an indicative breakdown of allocation of Community support committed to:

- The 11 remaining Essen Priority Projects to be achieved with 1.3 billion EURO
- Galileo with 550 million EURO
- Projects of Common interest or Coherent group of projects (i.e.: ITS, removal of railway bottlenecks, etc) with 0.9 billion EURO

The MIP functions as a planning instrument for the elaboration of the annual draft decisions of the Commission (Annual Financial Decision for a MIP project) without involving the TENs Financial Assistance Committee. It was introduced in order to recognize and deal with the longer-term nature of some TEN projects by providing a framework in which the decisions can be made for the allocation of the TEN-T budget. Thus, Member States are given an indication of the likely allocation of funds over a period of several years, in advance. The need for this longer-term perspective results directly from the particular nature of the transport infrastructure projects themselves. In general, they require long periods of consultation, preparation and implementation, but only begin to make any financial returns at a much later stage.

Call for inclusion of new projects in the MIP can only take place in the context of a revision of the MIP (mid-term review by 2004) or the establishment of a new MIP after 2006.

For the programming period 2007-2013, the MIP will be replaced by a Multi-Annual Programme (MAP), which is currently under discussion and will be made available in the coming months.

***The 2007-2013 period: Regulation (EC) No 680/2007 of the European Parliament and of the Council of 20 June 2007***

Further to the adoption of the EU financial Framework for the period 2007-2013, the Commission presented on 14/7/2004 a proposal for a new European Parliament and Council Regulation amending further Council Regulation 2236/95 – COM 52204) 475 final. With this new proposal the Commission was proposing a major increase of the budget for the trans-European transport and energy networks (TEN) and modification of the rules for the granting of financial aid that should foster the public and private investments in energy and transport infrastructures and technologies in an enlarged Europe.

In the transport sector, the proposed regulation provided for a budget of 20.35 billion EURO, focuses aid on a limited number of projects<sup>3</sup> and argued to authorise maximum level of EU aid as follow:

- TEN-T priority projects: up to max 50% for studies (including geological investigations) and 30% for construction works; this ceiling being increased to 50% of the costs of cross-border projects as an incentive in exceptional cases.
- Other projects of common interest: up to max 50% for studies and 15% for construction works; this ceiling being increased in exceptional cases to 50% of the costs of projects linked to: the deployment of interoperable systems, security or safety systems.

In addition, the proposal suggested that the granting of aid to beneficiaries will be subject to compliance with the objectives of modal shift and interoperability. In addition to direct grants, interest rate rebates on loans, participation to risk capital funds, it proposed that EU support also provides for loan guarantees to cover risks after the construction phase. It also foresees a clarification of the respective role of the Commission and of the Member States in the management of the aid and explicitly provided the possibility for the Commission to delegate the management of the TEN-T programme to an Executive Agency.

**The new TEN-T financing Regulation** finally adopted by the European Parliament and approved by the Council's common position on the 23rd May 2007 provides for a more modest budget but nonetheless constitutes a relative<sup>4</sup> increase compared to the previous period. In total, the financial envelope for the implementation of this Regulation for the Period 2007-2013 shall be 8,168 billion EURO of which 8,013 billion shall be for transport and 155 million for energy.

The regulation also introduced a number of other changes namely:

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<sup>3</sup> Primarily the works on 30 TEN priority projects (costing a total of 225 billion EURO) decided by Parliament and the Council on 29 April 2004 and programmes to deploy the European air traffic and rail management systems. It was proposed that TENT-T financial commitments will gradually increase from 900 million EURO in 2007 to respectively 2 344 million EURO in 2009, EURO 3 544 million EURO in 2011 and 4 931 million EURO in 2013.

<sup>4</sup> Since 2007, the 12 new member states are also eligible to TEN-T funding

**New Definitions:** Two new terms are introduced into the new regulation namely "project of European Interest" and "Cross-border section" which recognise the trans-border nature of transport and energy networks in a united and enlarged Europe and its neighbours.

The terms "loan guarantee instrument" and "availability payment schedules" are also introduced as both terms and financial instruments.

**Project Eligibility:** Under the new regulation, Article 3 allows transport related project which have a cross border component to receive community financial aid so long as there is an agreement between the Member State and third country concerned.

**Project Selection:** In contrast to the old regulation, under the selection of projects in the field of transport the new regulation gives special attention to priority projects, projects which eliminate bottle necks and projects contributing to the improvement of the quality of services, safety and security of users. Under the energy domain, it gives additional attention to the development of networks which will help to reduce the isolation of less favoured areas and island regions.

**Methods of Community Financial aid:** Articles 2 and 6 introduce the most significant changes to the regulation. Two new forms of granting for community aid are integrated into the regulation, namely, the loan guarantee instrument and grant for works in the framework of availability payment schemes:

- **Loan Guarantee Instrument** - this is issued by the European Investment Bank (EIB) for a stand by credit liquidity facility provided to projects of common interest in the field of transport. The duration of these guarantees must not be more than 5 years following project commencement. Only in duly justified cases can it be of 7 years. In terms of its contribution from the EU's general budget, the loan guarantee must not exceed 500 EURO million.
- **Grant for works for availability payment schemes (for PPP):** financing schemes for transport infrastructure projects built and operated by a private investor who could receive periodic payments after the construction phase for the infrastructure service provided

In addition, the total amount of financial aid granted has also changed to the following rates:

Proposed Regulation	Adopted Regulation
<b>Studies</b> - 50% of total eligible cost of studies whatever the project of common interest concerned	No change

Proposed Regulation	Adopted Regulation
<p><b>Works</b> - priority projects in the field of transport</p> <p>a maximum of 30% of total eligible cost of works, exceptionally trans-frontier sections of projects included in TEN-T programme can benefit from a maximum grant of 50% of total eligible costs provided they started before 2010</p>	<p>Works priority projects in the field of transport</p> <ul style="list-style-type: none"> <li>• a maximum of 20% of the eligible costs</li> <li>• a maximum of 30% of eligible costs for cross border sections provided the MS provide EC with all necessary financial guarantees</li> </ul>
<p><b>Works</b> - priority projects in the field of energy</p> <p>a maximum of 20% of the total eligible costs of works</p>	<p>Works - projects in the field of energy</p> <p>a maximum of 10% of the total eligible costs</p>
<p>For projects in the domain of transport: a maximum of 15% of the total eligible costs of works (except for projects linked to deployment of interoperable systems of safety and security).</p> <p>The rate may reach a maximum of 50% adjusted to relation to the benefits of other MS</p>	<p>For projects in the field of transport (other than priority projects): a maximum of 10% of eligible costs.</p>

The European Rail Traffic Management System (ERTMS)<sup>5</sup> has, in addition been added to the new regulation. Track-side equipment receives a maximum of 50% of the eligible costs of studies and works as does on board equipment for costs of developing and making prototypes and costs of series equipment for the installation of ERTMS on rolling stock.

Road, air, inland waterway, maritime traffic and coastal traffic management systems receive a maximum of 20% of the eligible costs of works.

The foreseen indicative commitment appropriations for the TEN-T operational budget to be managed by TEN-TEA for the 2007-2013 period are broken-down as follow:

<sup>5</sup> This is the initiative from EC to create a unique signalling standard as a cornerstone for the achievement of the interoperability of the trans-European rail network. It has two major functional aims: a) Ensures safe operation of the trains in the network and b) Deals with the traffic and infrastructure management issues to enable the optimisation of the capacity of the lines and the utilisation of the fleet.

Table 2.2 -TEN-T operational budget for 2007-2013

million EURO	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
CA	817,4	936	1.015,1	1.048,2	1.228,2	1.343,2	1.528,2	-	-	7.916,3

***Commission Decision of October 2006 establishing the Tran-European Network Executive Agency pursuant to Council Regulation EC No 58/2003***

In October 2006, the Trans-European Transport Network Executive Agency (TENTEA) was created by the Commission's Decision C(2006)5034 in accordance with Council Regulation (EC) No. 58/2003 (which lies down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes). It clearly sets out the rationale for having such an agency as well as its roles and responsibilities. The exposé des motifs foresees that the TENTEA should operate during the period 2006-2008 with a total staff of 44 persons and mainly deal with the financial management and monitoring of the 444 open Decisions from the 2000-2006 that represents a back-log of approximately 947 million EURO. The TENTEA staff should reach 99 staff to implement the 2007-2013 budget.

## 2.2 Present Management of TEN-T budget

While the TEN-T budget line has supported an increasing number of individual projects and studies in Member States, up to now the staff dedicated to its management has not grown in the same proportion. Although the bulk of the TEN-T selected projects' funding has been provided by the European Investment Bank, in the form of loans, and by the Structural and Cohesion Funds, in the form of grants, as was mentioned above, money from the TEN-T budget line is intended to be instrumental in helping these projects through their initial phases and all over the European Union.

In its latest report on the management of TEN-T, the CoA<sup>6</sup> highlighted that TEN-T appropriations that represented 54% of the 2004 DG TREN budget was managed by only 5% of DG TREN staff (or 55 Full Time Equivalent- FTE). In 2004, 459 TEN-T actions or open Decisions were managed by 18 Desk Officers (DO) – in FTE- which corresponds to an average of 26 projects per DO.

### 2.2.1 Co-ordination of the TEN-T Programme

For the time being, TENTEA is in the process of recruiting staff and is not yet fully operational. The management and monitoring of TEN-T projects today is still performed “in-house” by DG TREN staff as of the 2004-2006 period.

<sup>6</sup> Special report 6/2005 on TEN-T, p14

DG TREN is divided into eleven directorates of which four deal specifically with Transport. Directorate B is responsible for TEN policy and projects; E deals with inland transport (including Satellite Navigation Systems); F with air transport; G with maritime transport; the financial activities related to managing the current TEN budget, negotiating the next year's budget and financing for the medium term, and reviewing and auditing previous spending are shared between Directorates R and B.

The TEN-T funding programme is co-ordinated and managed by Unit B2 of DG TREN. This Unit deals with organising the initial selection of projects, their day-to-day administration (involving contact with Member States and Project Promoters) and, through the Financial Assistance Committee and the Multi-annual Indicative Plan, the general allocation of funds, and overall policy and direction of the TEN-T programme. Daily financial management and control of all TEN-T projects is performed by the Unit B3 with interaction of R1 Unit (counter-weight with ex-ante approval).

Thus Units B2 and B3 deal with the financing and management of support to TEN projects. In 2007, these 2 units totalised 53 staff. Within the unit B2, Desk Officers have been allocated responsibility for specific Member States. The Desk Officers also work closely with the modal Directorates (E, F & G). In addition to their geographically-based specialisations, they also have specific horizontal responsibilities, for areas such as PPPs, links with the Cohesion Fund and ERDF etc. The Desk Officers maintain an informal dialogue with Member States and other relevant parties, which ensure the efficient functioning of the more formal institutions of the TEN-T programme, such as the Financial Assistance Committee.

Partly triggered by reports from the CoA, DG TREN is continuously trying to improve its tools and procedures for the management and monitoring of the co-financed projects. A new access database for the monitoring of TEN-T projects expenditure and work progress is under development and will complement an integrated IT system (PMS) for the follow-up and monitoring of all DG TREN Decisions and Contracts that has been developed recently. Calls for proposals, application forms, and guidance manuals are available and can be submitted on-line. Information on projects and TEN-T decisions are accessible and updated on DG TREN intranet.

Since 2000 DG TREN has developed its own manual for contractual and financial procedures. The entry into force of the new EU Financial Regulation has called for tighter financial and control procedures and a yearly updating of the DG TREN manual which includes a section dedicated to commitment and management of TEN-T grants. A working group composed of representatives from Unit R1 and the operational Directions has been established and meets regularly in order to discuss how to improve the procedures (simplification and adaptation to the new Financial Regulation) of TEN-T management from the legal and financial point of view.

### **2.2.2 The TEN-T Annual Programme cycle**

As mentioned previously, the CoA performed an in-depth analysis of the management of the TEN-T budget as well as a detailed break-down of the different tasks related to the TEN-T project cycle. A flow chart describing the different tasks related to the management and monitoring of TEN-T applications and Decisions and the proposed split of responsibility between DG TREN and TENTEA is presented in Appendix A.

The right column corresponds to the comprehensive set of tasks to be carried out by TENTEA under its extended mandate after 2008. The current mandate of TENTEA is limited to the ones delineated by the dotted line box.

### **2.2.3 The Financial Assistance Committee**

The TEN-T Financial Assistance Committee (FAC) is a Council body which provides a forum for discussion and adoption of the Decisions for the allocation of the annual TEN-T budget. The Committee is chaired by the Commission (DG TREN but includes representatives of other Commission Directorates) and is composed of representatives from the Member States (MS), usually from transport or other ministries, and invites to its debates interested third parties, such as the EIB and Community of European Railways or specific experts. The representatives of the Member States participating in the Committee are mostly involved with political or strategic issues related to TEN-T in their country, but not in the daily management of the projects receiving grants. The Committee meets regularly to discuss and vote on budget allocations of non-MIP projects. Member States' national representatives are thus also involved in initial project proposal and sponsorship (through contacts with DG TREN Desk Officers), and in the direction and policy of the programme as a whole, through membership of the FAC. The Commission is providing the secretariat for the Committee and hosting the meetings.

Although some MS were in favour of a TEN-T fund managed on the model of the EU Regional funds e.g. decentralised management and monitoring by the beneficiaries with DG TREN (ex-post) control, all the MS interviewed support the creation of the TENTEA and the extension of its mandate.

All interviewed MS agree that there is a need to improve the functioning and management of the TEN-T funding instrument. The main problems raised relate mainly to:

- the lack of transparency in selection of applications that are seen to be decided more on political grounds than on the projects own merits;
- the lack of clear guidance and guidelines for applicants on cost or project eligibility, or answers that are not consistent over time;
- unclear and recurrent reporting procedures requesting applicants or beneficiaries to produce the same data in different formats without proper explanation.

MS have therefore expressed some expectations on the role and task of TENTEA that can be summarised as follows:

- Simplify and streamline reporting procedures (e.g. coordination with DG REGIO regarding selection, reporting and monitoring when TEN-T sections of some corridors are involved) thus reducing the administrative burden for applicants (most particularly where multi-annual Decisions and commitments are concerned) and enhancing transparency;
- Improve/clarify coordination (including programming and political priority) with other DGs when looking at project in corridors benefiting from different EU supports;
- TENTEA will allow improvement of management capacity and efficiency of TEN-T and will thus need to be accountable for it and demonstrate its capabilities through achievements;
- TENTEA should liaise more regularly with beneficiaries in MS, provide replies to MS and take into account their opinions;
- TENTEA should reduce the delay in selection of applications and modification of decisions;
- TENTEA should help to promote TEN-T in MS and provide best practices.

Concerns and pre-conditions for the extension of TENTEAs mandate were also pointed out by some MS:

- TENTEA should be more transparent and coherent in its actions than DG TREN;
- there should be a clear split of tasks and responsibilities between the Agency and DG TREN with a clear indication to applicants of who to contact and for what;
- TENTEA should have a clear set of objectives so it is clear and transparent to the MS how TENTEA will use the TEN-T budget and how it will implement and manages TEN-T project cycle in order to avoid delays in selection, payment, etc;
- TENTEA should primarily focus on project management and demonstrate its added-value before being allocated any new tasks;
- Programming and evaluation of projects should be kept in DG TREN.

#### **2.2.4 The selection of TEN-T interventions**

To become a TEN-T intervention, a project proposal must typically go through the following process:

The MIP projects: the Project Status Reports (PSR) submitted annually for the MIP projects are considered as an application to the EU to continue the granting of aid to a MIP project. The Desk Officers will assess the PSR and propose a level of grant for the subsequent year based on the progress achieved by the project (against the planning) and its capacity to absorb the EU grant. As a result, the Commission adopts (or not) an Annual Commission Decision of Granting Community Aid (to a MIP Project) without involving the FAC. No more than 2 Decisions can remain open at any time for the same MIP project or study.

Once a year following a call for proposal for non-MIP projects advertised on the DG TREN web-site, proposals are received in the form of applications for projects or studies by the official bodies in the member states. These applications are assessed by the relevant Desk Officer and a number of measures are selected. These selected applications are presented by DG TREN to the Financial Assistance Committee that votes hereon. The final decisions are then announced by the Commission later in the year. The Decision for non-MIP projects generally covers a longer period than the MIP Decisions.

#### **2.2.5 TEN-T Management Task Definition and staff level**

The tasks and internal work flows related to the TEN-T management are numerous and complex, and difficult to map to any degree of precision.

The definition of tasks can be addressed from two different angles: 1) discipline driven (type of staff, i.e. technical, financial, legal etc.); and, 2) output driven (objectives, i.e. evaluation of proposals etc.).

In the previous CBA, it was agreed to define the tasks based on the output driven approach, which has the added advantage of highlighting the number of resources used to achieve a given objective and thus also the internal prioritisation of resources between given outputs.

To this end, the recent Audit of the TEN-T budget line by the Court of Auditors (CoA) provides an excellent basis for a task definition. The CoA study<sup>7</sup> includes a very detailed system description of work flows related to the TEN-T management, divided into 13 sub-systems. On the basis hereof, the Consultant defined 14 main tasks as a representation of the activities related to TEN-T management.

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<sup>7</sup> See also Appendix B for COA flow chart of tasks and table matching task definitions and flow chart

Together with the Steering Group, a first estimate of the distribution of the FTE positions for the defined tasks was discussed based on findings derived from the interviews held within DG TREN.

The tasks are defined (and resources allocated) in such a way that management decisions are centred in Task 1 "Policy & Decision Making"; e.g. evaluation of proposals is carried out at Desk Officer level, including initial prioritisation of proposals in Task 3, after which the decision is made in the evaluation committee (Director level) and considered as part of Task 1.

The below table presents the consolidated estimate of the main tasks for the TEN-T management within DG TREN, including the number of FTE positions involved in each of these. While largely based on the Consultant's and Steering Committee estimates, the definition of tasks and resource use is seen as the best possible description of the present TEN-T management - given the available information.

Task	Estimates based on 2006/2007 staff requirements	FTE
1	<b>Policy &amp; Decision Making.</b> The <u>14 FTE</u> positions indicated by the Steering Committee was assessed, and found to be on the right level taking into consideration the organisation chart and actual staffing in B2.	<b>14</b>
2	<b>Invitation to Member States, Reception and Evaluation of TEN-T Proposals.</b> It was found that once the policy decision had been made (Task 1), the work involved in issuing the invitations and receiving and recording the proposals was quite limited - estimated at 1.5 person months in all.  Proposals for non-MIP projects are normally submitted and received once a year as well as Project Status Reports (PSR) for the MIP projects and the period allowed for evaluation is typically 6 weeks - followed by a rather extensive round of discussions and co-ordination between Desk Officers (DO) to establish the recommended list of projects to be presented to the evaluation committee.  Assuming that 17 DO are more or less involved full time in evaluation for two periods of 6 weeks, coupled with invitation and receipt of proposals, the combined effort for -estimated as <u>approximately 2.8 FTE</u> .	<b>2.8</b>
3	<b>TEN-T FAC Committee.</b> Apart from participation in the actual meetings, the task involves preparatory work and reporting from the meetings. The task is estimated at <u>1.1 FTE</u> .	<b>1.1</b>
4	<b>Adoption of Proposals.</b> Following TEN-T FAC approval, the adoption comprises inter-service consultation, preparation of final dossier including annexes and possible later revisions. The task involves input from DO, financial, legal and secretarial staff. Assuming some 120 new proposals a year of about 1 week, and adding revisions and secretarial support, it is estimated that the task involves <u>5.8 FTE</u> .	<b>5.8</b>
5	<b>Financial Commitment, Contract and Disbursement.</b> Bearing in mind that it is much the same staff involved in each of the three tasks, and having had difficulties distinguishing one from the other, it was decided to merge the three tasks. From the interviews, it was found that Unit A1 spends maximum 2 FTE from the financial cell, 0.8 FTE from the legal cell and some 0.5 FTE on general management and co-ordination. Unit B4 spends maximum 3 FTE from financial, 0.5 FTE for legal issues and 2 FTE for general administration. These maximum include the required inputs from Desk Officers and secretarial support necessary to achieve these tasks. It is estimated that <u>8.8 FTE</u> are used on these tasks.	<b>8.8</b>
6	<b>Project Monitoring.</b> The task comprises the routine annual monitoring (technical and financial) as well as the closing of completed projects. The time spent by DO varied considerably, but it is estimated that the 17 DO	<b>12.9</b>

Task	Estimates based on 2006/2007 staff requirements	FTE
	spend on average 30% of their time on routine monitoring. In addition hereto is the closing of an average 100 projects/decisions a year, requiring a further estimated 2*4 FTE for technical and financial input respectively. In total, the Project Monitoring is estimated as requiring <u>approximately 12.9 FTE</u> .	
7	<b>Audit.</b> The present task covers project audits and not internal audits. The audit cell of Unit A1 comprises 4 auditors who spend approximately 20% of their time on TEN-T, to which should be added secretarial support, which brings the total resource use to some <u>1.6 FTE</u> . It is emphasised that meeting the annual audit targets with this staffing level is only possible due to the existence of the Audit Framework Contract, where most of the audits are outsourced and only the reports have to be reviewed.	<b>1.6</b>
8	<b>Procurement of Services.</b> Covers all procurement of external services which is kept in DG TREN, i.e. assistance during evaluation of proposals, audits and other TEN-T related studies and is considered marginal in term of FTE as it is mixed with other functions in DG TREN.	<b>0</b>
9	<b>Budgeting.</b> The three staff in the budget and evaluation unit spends approximately 10% of their time on TEN-T related matters. However, when adding contributions from other units and DO, it is estimated that <u>2.2 FTE</u> are spend on budgeting.	<b>2.2</b>
10	<b>Controlling &amp; Reporting.</b> Comprises the various independent checks in the approval process, as well as inter-service consultation from e.g. DG REGIO and answering queries from other institutions. The resource use is estimated at <u>3.2 FTE</u> .	<b>3.2</b>
11	<b>Filing and Archiving.</b> Comprises printing, registration and circulation of in- and outgoing documents, as well as database registration of project progress. The estimated resource use is <u>2.2 FTE</u> .	<b>2.2</b>
12	<b>Programme Evaluation.</b> The task comprises regular evaluation and accumulation of experience gained for future management decisions. The resource use is estimated at <u>2.2 FTE</u> .	<b>2.2</b>
13	<b>IT Support &amp; Human Resources.</b> Initially, only IT support for development of new tools and systems were included. However, it has been decided that the substantial usage of the Human Resource Department will be included under this task. The IT support to TEN-T management currently corresponds to <u>2 FTE</u> , whereas the ratio of TEN-T staff to the HRD gives an <u>additional 1.2 FTE</u> .	<b>3.2</b>
14	<b>European Coordinator –Secretariat.</b> Since 2004, DG TREN has already taken the first step towards improving coordination of TEN-T initiatives benefiting different member states situated on the same TEN-T corridor, through the nomination 6 of "European Co-ordinators" aiming at coordinating and fostering cooperation. DG TREN is providing support to the European Co-ordinators. This support team is made up to <u>10 FTE</u> , 3 FTE dealing with financial issues and 7 FTE with more political issues.	<b>10</b>
<b>Total FTE:</b>		<b>70</b>

*Table 2.3 - FTE staff levels allocated to the management of TEN-T in DG TREN in 2006/2007(output driven tasks)*

The previous CBA assessed that 70 FTE staff were working on the management of TEN-T in DG TREN and these figures were used to estimate the staff levels required in case of externalisation to a TEN-T Agency (see 4.1).

## 2.3 Other TEN-T Stakeholders

### 2.3.1 European Investment Bank (EIB).

The EIB is the main EU financial institution. Thanks to its high credit rating, the Bank borrows on the best terms available on the capital markets world-wide and lends to the Member States and their financial institutions. Its purpose is to make large, long-term loans, acting as a financial instrument supplementary to the private sector.

An important task of the EIB is the assessment of projects throughout Europe, with the Bank's approval acting as a guarantee of quality to the private sector. Potentially, it has more resources than the Commission to perform in-depth studies of potential projects and is much less influenced by political pressures. Thus, the EIB may also undertake in-depth evaluations for other EU funding institutions, such as the Structural and Cohesion Funds. The cooperation and the role of the EIB in the management of EU funds has been increasing over the recent years. The relation to TEN-T projects, the EIB, with its JASPERS facility, is playing a key role in preparing financially mature transport projects in the new Member States to be presented for Structural and Cohesion funding.

One third of the Bank's total activity is in transport networks, with more than half of this in TEN-T projects. The extent of the Bank's involvement in the funding of transport infrastructure is thus much wider than the requirements of qualification for TEN-T interventions. Looked at from another angle, this means that whether or not a proposal is sponsored by the TEN-T programme makes little difference to the EIB when they are considering whether or not to finance it. However, given the Bank's policy objectives of funding viable projects whilst meeting the aims of the EU, TEN-sponsored projects are still more likely to receive funding through the EIB than through a commercial source.

In the period 2002-2006, EIB loans for TEN projects have amounted to 35.8 billion EURO.

The European Action for Growth, approved by the EU in December 2003, seeks to mobilise investment in areas of on-going structural reform, stimulate growth, create jobs and promote the creation of a knowledge-based economy, as outlined in the Lisbon Strategy of March 2000. Giving new impetus to the implementation of the TENs policy was an integral part of this initiative.

Under the European Action for Growth initiative, the EIB committed to increasing its dedicated TENs Investment Facility (TIF) contribution, introducing a priority lending facility of 75 billion EURO for TEN-T until 2013.

In addition to the dedicated TENs Investment Facility (TIF), the EIB utilises a number of products to finance TEN projects:

- Structured Finance Facility whereby the EIB can assume a greater degree of credit risk in the financing of projects.

- A new proposed Loan Guarantee Instrument for TENs (LGGT) . The purpose of this instrument, introduced by the new TEN-T Regulation, is to assist in the financiability of TENs projects via the assumption of the traffic revenue ramp-up risk in the early years of the project. The guarantee instrument will be funded in equal amounts by the European Union (500 million EURO from TEN-T) and the EIB (500 million EURO).

One of the main obstacles to private sector participation in transport infrastructure investments is low private sector appetite to assume traffic revenue risk. Conventional stand-by facilities typically provide for construction costs overruns.

However, the banking / capital markets do not generally provide facilities for early operation risk and when available, such facilities are typically senior or super-senior and therefore increase the cost of senior debt. Projects are deferred or less robust in cases where early operational risk cannot be externalised.

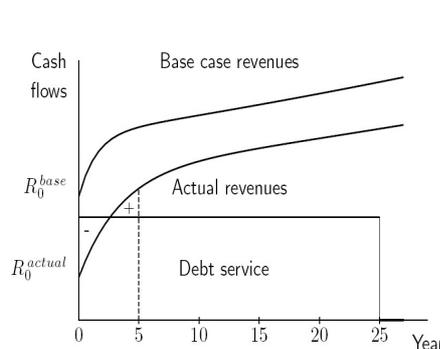
LGGT is designed to mitigate risk during the ramp-up period of a project.

Guarantee will provide security for standby credit facilities aimed at covering post construction risks during the early operational phase. Most green field projects are non-investment grade unless supported or guaranteed by government/public authorities or credit enhanced.

TENs Guarantee proposal is both additional and innovative in view of its subordination to senior debt and proposal to manage portfolio of near investment grade projects. The TENs Guarantee will be issued in favour of stand-by facilities to cover shortfalls due to traffic/revenues/costs /net cash shortfalls lower than predetermined levels during the ramp-up period of up to 5 years from completion of project construction.

The TENs Guarantee does not relieve shareholders, contractors, operators and other risk parties from their obligations for construction and long-term market risks; business or legal risks or equity risks as dividend distribution ranks lower than repayment of the stand-by facilities.

Risk premium to be applied to cover « expected and unexpected loss » calculated on each investment project according to its merits



Revenue shortfall during ramp-up - stand-by-facility drawn to cover debt service;

If stand-by-facility can be repaid during the 5-year ramp-up, guarantee not called;

If revenues are insufficient to repay the stand-by-facility during the 5-year ramp up, the guarantee is called – guarantee is then repaid during project life from revenues left over after senior debt service.

Source: EIB

The EIB also works to actively promote public-private partnerships (PPPs) for use in TEN projects. The amended TEN-T Regulation of 1999 introduced a new financial instrument known as the Risk Capital facility (RCF). The purpose of RCF was to provide for risk-capital participation in Community aid for projects with the overall aim to help facilitate the implementation of TEN projects.

The Regulation stipulates that the management of the Community contribution will be ensured by the EIB<sup>8</sup>. A co-operation Agreement (CA) was signed by the Commission and EIB in which EIB agrees to manage the RCF and to undertake all investment activities in its own name on behalf of, and at the risk of the Commission. The European Commission has made available 46 million EURO, under the management of the EIB, for this facility. 25 million EURO has been allocated for the purpose of co-investments with a private infrastructure investment fund, the Galaxy Fund (GF)<sup>9</sup>.

It is anticipated that the cooperation between the Commission and EIB will intensify, in the 2007-2013 period at programme level, whereas at project level TENTEA and EIB staff will coordinate directly (e.g. project appraisal).

*EIB appraisal of Transport projects*

As a borrower on the markets whose remit is to support viable projects helping to achieve the objectives of the European Union, the EIB attaches special importance to appraisal of projects put to it. This viability assessment is done from the economic, technical, environmental and financial points of view. Projects are usually examined by the EIB's teams of engineers, economists and financial analysts cooperating closely with the promoter. Some external experts can be appointed for specific projects. A site visit is organised so the appraisal team can discuss in details the project parameters with the promoter.

This examination focuses on the eligibility of the project, i.e. whether it conforms to the EU objectives which the EIB is responsible for promoting. The detailed project appraisal undertaken by EIB examines the value added brought by EIB on the projects, its impact on the sector in general, its technical soundness and the promoter's capacity to implement the project, the investment and operational costs, the project's impact on environment, the financial return (including tariffs) and the economic benefits of the project and a risk analysis identifying the financial viability of the borrower and guarantor of the project.

EIB loans have to be covered by sovereign or first class commercial guarantees. Finance and Transport ministries are used to working with the EIB and to providing guarantees for these operations. Public sector banks are also used to co-financing with the EIB.

Financing infrastructure has been for many years a public sector activity. The market advantages of the EIB from the loan pricing point of view are that it is not looking for a profit margin and that it considers all Member States as if they had the same credit rating, which means that Member States with weak economies have an incentive to work with EIB.

This confidential appraisal enables the promoter to benefit from the experience and know-how acquired by the EIB in dealing with a wide range of projects in all Member States of the Union. After completion of the appraisal the decision to grant a loan is taken by the EIB's Board of Directors.

Once finance has been provided for a project, its progress is monitored regularly mainly through the disbursement conditions and the loan repayments. The Bank can thus assist with any of the projects or promoters additional requirements, while ensuring compliance with the aims of its financing decision.

<sup>8</sup> Initially EIF. For further details on RCF management see also final report on Mid-term/Final Evaluation of RCF, COWI, 2005

<sup>9</sup> Of this amount 3 million EURO has to date been disbursed to provide mezzanine debt to ALIS, a project company that holds a concession for the A28 Rouen – Alençon tolled motorway.

All completed projects are subject to ex-post analysis and some projects or group of projects are subject to ex-post evaluation performed by EIB with external consultants.

### 2.3.2 DG Regional Policy (DG REGIO)

DG Regional Policy provides support for transport in the Member States mainly through the Convergence objective via 2 funds:

- the ERDF (European Regional Development Fund), under development strategies prepared by the States and regions;
- the Cohesion Fund (CF)

The Cohesion Fund was established under the Maastricht Treaty to strengthen economic and social cohesion in the Union, by providing financial contributions to environmental projects and transport infrastructure in EU countries with GDP below 90 percent of the Community average. The Fund uses the TEN-T programme as the general framework for its actions in the field of transport. DG TREN is involved in the selection process among the relevant applications (the Cohesion Fund routinely sends them the transport applications it receives) and also has, in principle, a power of veto over final decisions. Until the latest reform of the EU Regional Fund, half of the Cohesion Fund expenditure was allocated to transport, and the other half to environmental projects. The transport spending was allocated exclusively to the TEN-T network. The Cohesion Fund Regulation (article 9) stipulates that its support cannot be cumulated with other Regional Funds and that the total support allocated to a project by the fund and other Community sources cannot exceed 90% of the total cost of the project.

The Cohesion Fund also provides a much higher level of support, normally 85 percent<sup>10</sup>, than does the TEN-T budget line. The Cohesion Fund is by far the largest contributor to the Trans-European Transport Network in the beneficiary countries concerned (giving on average about 1 billion EURO per year to transport infrastructure).

From 1994 to 1999, 8 billion EURO were invested in transport projects in the Union's least developed countries. The total Cohesion Fund budget for 2000-06 amounted to 18 billion (1999 prices) and about 1 040 million EURO a year (1999 prices) was made available by ISPA for infrastructure projects in the field of environment and transport in the New Member States.

The Structural Funds have also represented a major source of funding of the TEN. The European Regional Development Fund (ERDF) was established in

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<sup>10</sup> Support provided by the CF is less than 85% if the project generates revenues. The present value of the revenues expected is deducted from the total cost before the calculation of the level of EU support.

1975 to reduce regional imbalances in the EU. Indeed, the ERDF's aims include helping develop both infrastructure and businesses, and the TEN-T programme is seen as compatible with both of these. As is also the case for the Cohesion Fund, the Structural Funds' interest in TEN-T is its impact on economic and social cohesion, and on the disparities between centre and periphery. This is seen as complementary to the objectives of DG TREN in its operation of the programme.

ERDF has made a major contribution to funding transport infrastructure in the regions it supports<sup>11</sup>. During the first programming period (1989 to 1993), the Structural Fund (ERDF) devoted some 8 billion EURO at 1994 prices to investment in transport infrastructure in Objective 1 assisted regions.

During the previous financing period (1994/1999), around 15 billion EURO in ERDF funds were spent on developing transport in Europe.

In the period 2007-2013, cohesion policy will benefit from 35.7% of the total EU budget or 347.41 billion EURO (current prices). 81.54% of this amount will be dedicated to the Convergence policy. Indicatively 75 billion EURO will be dedicated to transport with approximately 40 billion to support TEN-T projects.

### **2.3.3 DG Environment (DG ENV)**

DG Environment's role is primarily to monitor the implementation of the EU Environmental legislation. This includes making the other Commission services aware of the Community legislation in the field of Environment by explaining its aims and rationale, and assisting in the better understanding of the environmental legislation. DG ENV has an agreement with the Structural and Cohesion Funds, stipulating that DG ENV should receive, assess and endorse the "Environment" part of their application forms, since DG ENV is familiar with the contentious areas and issues to be checked in these regions. Ensuring a project's Environmental Impact Assessment conformity is DG TREN's responsibility. However, DG ENV will inform DG TREN should it become aware (through NGOs, the press, etc.) that a project may experience a setback due to environmental constraints which could delay the project.

### **2.3.4 DG Economic and Financial Affairs (DG ECFIN)**

DG ECFIN acts as an advisor to DG TREN, and the other Directorates involved in the TEN projects and in Structural Funds, on all forms of financial assistance other than grants. This includes guarantees, risk capital bonds and interest-rate support. It also forms the main point of contact between the Commission and the EIB<sup>12</sup> and EIF, and gives advice on dealing with these institu-

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<sup>11</sup> ERDF support is not provided to projects but to programmes which are managed by Member States or Regions. This means that project support management is not in the hands of the Commission, which has therefore sometimes difficulties in knowing what TEN projects are financed by ERDF.

<sup>12</sup> The Director General of ECFIN is a member of the Board of Directors of the EIB.

tions. Although DG ECFIN has a representative attending the TEN-T Financial Assistance Committee, it does not assess individual projects, but can object officially to them. In general, they try to encourage the wider use of non-grant financial instruments.

### **2.3.5 DG Internal Market (DG MARKT)**

Building an efficient and reliable transport network within the EU contributes to free and easy movement of goods and persons within the single market.

DG MARKT monitors the implementation of public procurement directives<sup>13</sup> based on the principles of transparency, equal treatment, proportionality and mutual recognition. All TEN-T financed projects must adhere to these Directives as they involve the public works tenders and contracts launched by the beneficiaries of TEN-T grants. DG MARKT also analyses the phenomenon of PPPs with regard to Community law on public procurement and concessions. It has recently issued a Green Paper to examine and put to public consultation the question of whether the Community needs to intervene through legal and other instruments to ensure that the economic operators in the Member States have better access to the various forms of public private partnership in a situation of legal certainty and effective competition.

## **2.4 Basis for Externalisation**

The following is a summary of the Council Regulation on Executive Agencies relevant for the present study.

### **2.4.1 Role of an Executive Agency**

Executive Agencies under the European Commission are a new structure within the European Community and are governed by Framework Regulation (EC) No. 58/2003 laying down the statute of Agencies<sup>14</sup>.

The role of an Agency is to handle Community programmes fully or partly. The Agencies are established by the Commission and can only operate within the area entrusted to them. The Agencies may not have any political or programming tasks as these tasks lie with the Commission<sup>15</sup>. The main objective of out-

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<sup>13</sup> Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts

<sup>14</sup> COUNCIL REGULATION (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes

<sup>15</sup> tasks assigned to the institutions by the Treaty which require discretionary powers in translating political choices into action may not be outsourced.

sourcing certain management tasks to Executive Agencies is to achieve the goals of Community programmes more cost effectively.

The Commission has the responsibility of the operation of the Agencies and has to control the operation of the Agencies. The Agencies can be based in Brussels or Luxembourg and will have a limited lifetime linked to the lifetime of the programme it manages.

Council Regulation (EC) No. 58/2003 *"lays down the statute of executive agencies to which the Commission, under its own control and responsibility, may entrust certain tasks relating to the management of Community programmes"*. The central features of these agencies are autonomy and dependence. They are autonomous in that they have their own legal personality and ability to adopt acts, and are dependent in that they are set up solely to carry out tasks entrusted to them by the Commission.

The role of the TEN-T Executive Agency is enshrined within the Commission Decision of 26th October 2006 establishing the Trans-European Network Executive Agency pursuant to Council regulation (EC) No. 58/2003. Its role is to handle the implementation of Community projects so that the Commission can focus on core activities which cannot be outsourced. It may not have any political or programming tasks, as these tasks lie outside its remit. The main objective of outsourcing certain management tasks to Executive Agencies is to achieve programme cost efficiency and a higher level of staff expertise.

The TEN-TEA is to work under the supervision of the Commission and provide regular reports on its activities. It will be managed by a steering committee as well as a director appointed by the Commission. The Agency is based in Brussels and was set up for a period starting 1 November 2006 ending December 2008.

#### **2.4.2 Tasks**

The task of the Agencies is to implement programmes as well as management of individual projects including control of performance, evaluation of projects and preparation of programme evaluation.

The Agencies will operate independently, with the ability to enter into agreements and establish contracts when managing projects, and with their own budget line.

In the field of Trans-European Networks, the Executive Agency is responsible for the implementation of projects which do not require any decision making powers such as establishing priorities, programme evaluation, adoption of financial decisions and legislative monitoring. More specifically, the TEN-TEA will have the following tasks:

- Management of the preparatory phases of financial assistance to projects of common interest and the supervision of their implementation;

- Ensuring better coordination of the financial assistance provided by the different community instruments for priority projects which also receive funding under the Structural Funds, the Cohesion Fund and the EIB<sup>16</sup>;
- Technical assistance to project promoters and the development of common evaluation methods;
- Where the Commission has delegated its responsibility, the Agency is responsible for the adoption of the budget implementation instruments for income, expenditure and implementation;
- The collection, analysis and reporting to the Commission of the information required for the implementation of the TEN;
- Any additional technical and administrative support requested by the Commission.

The TENTEA will receive a subsidy which will be entered in the general budget of the European Communities taken from the Community action under the field of Trans-European Networks. The Agency will implement its operating budget according to Commission Regulation (EC) No. 1653/2004.

### **2.4.3 Management Structure**

An Executive Agency has a Legal personality (public service role), but the Commission should maintain real control over the operations of an Executive Agency, and in particular its governing bodies.

An Agency is managed by a steering committee and its director is appointed by the Commission. Members of the steering committee and the director are nominated for the Agency's duration (i.e. 2006-2008).

The steering committee is made up of 5 members with the appointment's duration being dependent on the duration of the programme. Representatives can come from different departments depending on the programme needs and at least one should be from a horizontal DG.

The agency's director must be a seconded Commission official. His/her appointment is for an initial duration of 4 years which can be modified depending on the programme duration. The Commission has the power to remove, after consultation with the steering committee, the director from office.

The director is responsible for preparing the steering committee's work and participating in its work without having voting rights. He/she is responsible for the drafting of: the work programme, annual management plan, the budget, annual

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<sup>16</sup> In order to minimise the risk of double financing as pointed out in the CoA report and in order to share the knowledge and the expertise available in DG REGIO and EIB.

activity report and ensuring the steering committee receives all the necessary information, in particular that which is related to internal control standards.

Commission departments are to be given appropriate representation if the agency manages one or more programmes for which several DGs are responsible for. They can be represented by one or more members or by observers.

An Agency adopts its own work programme in order to carry out the tasks under the Community programme for which it is responsible. The Steering Committee and the Commission have to approve the work programme.

The Commission is responsible for the work of the Agencies. The DG in charge of the programme in question will be responsible for monitoring the work and ensuring the operation of the Agency.

Thus, TENTEA programme is centrally managed by its parent DG - DG TREN. The implementation of community programmes is entrusted to the Agency, but the Commission is responsible for its activities and must monitor it to make sure that it is operating properly. There is to be a regular monitoring of the Agency's work by means of reports, tables and meetings.

#### **2.4.4 Staffing**

In order to be efficient, an Agency will consist of:

- seconded Community officials hired by the agency as temporary staff within the meaning of Article 2(a) of the Conditions of Employment of Other Servants (CEOS) to positions of responsibility;
- temporary staff within the meaning of Article 2(a) of the CEOS who are directly hired externally
- contract staff according to Article 3a of the CEOS;
- interim staff;
- seconded national experts, if decided by the steering committee.

**Community Officials** seconded as temporary staff members to an Executive Agency within the meaning of Article 2(a) of the CEOS to positions of responsibility (management posts or posts in which the holder can commit the agency, in particular legally or financially). A post is blocked in the parent DG for each official seconded to the agency. An exception applies where the institutions can show that the resources are necessary for other new tasks. The total number of officials seconded to the agency in the interests of the service must not exceed 33% of the total temporary staff employed by the executive agency, with a minimum number of 6 officials in small agencies.

Temporary staff has to be seconded from the parent DG of the Agency. If a candidate comes from another DG s/he will have to be transferred to the parent DG and then seconded to the agency. When a position of responsibility is to be filled by an official seconded in the interest of the service, officials must be of

at least the same grade as that specified in the vacancy notice for the post to be filled and the officials must belong to the function group of the post published in the agency. His/her post will be frozen during the secondment period. Once the secondment period is over, the official returns to his/her post with the same grade he/she had before the move. A secondment to an Agency therefore does not have any affect on an official's rate of promotion.

All other temporary staff are filled externally.

**Temporary Agents** are directly hired externally for highly specialised jobs or temporary tasks. The selection procedure involves an interview and vacancies are advertised on the internet. (Article 2(a) of the CEOS (AT2a)).

Given the limited lifetime of the agency, it is advised, as stated in the guidelines for the establishment and operation of executive agencies financed by the general budget of the European Communities that the executive agency concludes two contracts of a specific duration corresponding to the agency's lifetime before considering contracts of indefinite duration. If a contract is of indefinite duration, a clause expressly states that it will automatically expire if the agency's lifetime is not extended.

**Contract Agents** can be hired to work in the Commission's DGs dealing with other tasks than manual and administrative support tasks. Contract Agents must have passed pre-selection exams and must be selected from the CARL database. The initial contract of contract staff may be conducted for a term leading up to the expiry date for the executive agency provided for in the Commission decision, with a maximum of five years. Any renewal after the first extension of contract will be for indefinite period. (Article 3a of the CEOS (AC3a)).

However, if a contract is of an indefinite duration, a clause expressly states that it will automatically expire if the agency's lifetime is not extended.

**In some cases, the Agency employs Interim staff** provided by a manpower agency and in exceptional circumstances, staff under other private law contracts for specific one-off duties.

**Seconded National Experts** are typically seconded from the civil services of EU countries. They bring their experience of the issues they are used to dealing with to the Commission, and take back to their home administration the knowledge of EU issues which they acquire during their period of secondment.

Providing external/temporary staff to the Agency is of central importance to its efficient functioning and management, as it allows highly specialised staff to be recruited for a specific period of time and in line with the Agency's needs and limited lifetime. As they are temporary, they provide a degree of flexibility for human resource management which is not possible with official staff. They provide the means for an Agency to focus on specialised tasks and management and not be involved in the daily requirements of policy development. In effect, is the high quality of the personnel that helps add value to the Agency. Externalisation of tasks to an Agency provides the best way of dealing with resource

constraints as it enables the pool of specialised labour to be accessed at a lower cost.

Having said this, it is important to bear in mind that the need to attract high quality staff is an important factor for the success of the Agency. The CBA of the Competitiveness and Innovation Framework Programme (2007-2013)<sup>17</sup> carried out in 2006 showed that the quality of candidates for posts including those of a high technical nature has been good. In addition, it was found that the Agency solution provided savings to the budget as most of the staff were less expensive than official staff. Savings were thus achieved when the maximum number of tasks were externalised.

#### **2.4.5 Infrastructure**

Human resource services should be provided by the Commission DG ADMIN, European Personnel Selection Office (EPSO) and Personal Management Office (PMO) subject to the rates applying to existing agencies.

Office and office equipment can be supplied by the Commission without organising procurement procedures, subject to the charge paid by existing Agencies.

Using the Commission supply and services for office infrastructure and human resource management ensures that the Agency is fully compliant with the Commission procedures and systems.

#### **2.4.6 Operating budget**

As an Agency has a legal personality, it has its own operating budget. This covers its operating expenditure which is governed by the standard financial regulation for the Executive Agencies.

The revenue for an Agency's operating budget comes from an annual subsidy awarded by the budgetary authority on a proposal the Commission makes on the basis of the agency's draft budget.

Forecasts of revenue and expenditure are prepared for each financial year. The forecasts include the establishment plan of the executive agency consisting only of temporary posts and specifying the number, grade and category of the staff employed by the executive agency during the financial year concerned:

(a) the resources in terms of appropriations and jobs required to run the Executive Agency;

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<sup>17</sup> Cost Benefit Analysis of the externalisation of the certain tasks regarding the implementation of the Competitiveness and Innovation Framework Programme (2007-2013) through an executive Agency, by Technopolis, December 2006.

(b) planned secondments of officials from the Commission to the Executive Agency;

(c) administrative resources freed by transferring tasks from the Commission departments to an Executive Agency, and the re-allocation of those freed administrative resources.

The revenue and expenditure of an Executive Agency's operating budget shall be in balance.

#### **2.4.7 Examples of externalisation and outsourcing**

Over the years, the EU has created a number of decentralised bodies to undertake specific EU activities that needed develop specific or technical know-how in certain well-defined fields. At present, 22 European Agencies have been created<sup>18</sup>. In addition hereto, the Commission has also put in place specialised administrative offices to carry out specific duties to the benefit of all Commission services e.g. European Personnel Selection Office (EPSO).

More recently, the Executive Agency for Public Health Programme (PHEA), the Education, Audiovisual and Culture Executive Agency (EACEA) and the Executive Agency for Competitiveness and Innovation (EACI) were created.

In 2003, DG TREN created its first Executive Agency, under Commission Decision of 23 December 2003 setting up an executive agency, the "Intelligent Energy Executive Agency" (IEEA), to manage Community action in the field of energy. It covers the period 2004-2008 with a maximum staff of 68.

The Mid-term evaluation of the Intelligent Energy-Europe Programme tends to indicate that the IEEA has been efficient in the management of its programme.

Presently, the IEE programme is managed by the Executive Agency for Competitiveness and Innovation (EACI) previously known as IEEA. This Agency will now be in charge of the IEE<sup>19</sup>, CIP and Marco Polo II programmes that are mainly supporting SMEs.

IEEA experience and lessons learned from acting as "pilot Executive Agency" will certainly be used by DG TREN and the TEN-TEA Director during the current setting-up phase of the TEN-TEA.

Initially, the director of the IEEA had very few guidelines in connection with starting-up, so guidelines and mainstreamed procedures were developed along the way based on EU applicable regulations (Staff, Financial, etc.). However, it

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<sup>18</sup> Although some of them are called European Centre or Foundation. Three Agencies are connected to DG TREN namely ERA (European Railway Agency), EMSA (European Maritime Safety Agency) and EASA (European Aviation Safety Agency) as well as the European GNSS Supervisory Authority (GSA). These are not executive agencies

<sup>19</sup> Intelligent Energy Europe, Competitiveness and Innovation Programme

should be noted that, since the IEEA has been created, guidelines and *vade mecum* were set up to streamline the process of setting up an agency.

Started with 7 members of staff, IEEA counts at present 46 staff – including 5 seconded (3 HoU, Director, Financial controller) 11 Temporary Agents and 30 Contract Agents. Team Leaders are Temporary Agents and the Project Officers who do the bulk of the work, are contract agents. Project Officers tend to be in their 30s and have good experience of and knowledge of the subject matter. The Agency's staff is composed of 16 different nationalities (of which 4/5 are from new Member States -NMS). They have a good geographical and gender balance. Recruiting staff from NMS has been somewhat difficult.

Some of the key issues found in connection with implementing the IEEA/EACI are listed below:

### **Staffing and Recruitment**

- The Agency did not have a problem with staffing; the agency receiving several hundred applications for the posts advertised.
- The Agency also had to recruit temporary staff at entry level posts irrespective of their experience and seniority. Attention should be paid to that as the grading should be comparable to the type of work the person carries out.
- Many people see it as a good opportunity to come to Brussels and to join an EC organisation.

### **Relationship with DG TREN**

- The agency has a very good relationship with DG TREN, the parent DG.
- It is important that this relationship remain close. Both sides need to make an effort for this to be possible. So far this has been very positive. The EACI has even issued guidelines for effective communication with the parent DG.
- The Director is also involved in regular liaison meetings which take place 4 times a year with Directorate D of DG TREN. The agenda is agreed on in advance and minutes are taken.
- Geographical separation has not been a problem. Of course, the closer the agency is located to the parent DG the better, but it does not present a problem.

### **Leasing and supply agreements**

- The EACI has its own legal personality and thus is responsible for organising the leasing of the building in which its staff works. Presently, EACI staff is located in Tour Madou and is renting its premises from the OIB (Office Infrastructures et Logistique – Bruxelles) at a price dependent from the number of m<sup>2</sup> occupied. The OIB is not in a position to negotiate a deal for them and it is unclear if the agency should have this role in the future when it expands and needs more office space.
- The computers, furniture, etc. for the Agency are bought through a supplier FWC.

- The Agency is in charge of paying the staff salaries and buying materials, etc. The Agency has separate bank accounts and which have to be closed at the end of each year.

### **Success factors and how they were achieved**

- Experience so far shows that the programmes/projects are managed better with the Agency than if they had remained in DG TREN, as the Agency does not have a back-log of open decisions any more.
- The IEEA is able to provide better project management by streamlining, simplifying procedures and by carrying out a risk assessment (this is an advantage to both the beneficiary and to the agency).
- The IEEA has reduced the number of bank guarantees, eliminated performance guarantees, decreased the number of progress reports and have no payment delays. As a result, programme management is less heavy and the agency is concentrates on the management of the programme. This in turn places smaller burden on its clientele which are SMEs.
- The agency has also achieved greater visibility by improving its website, simplifying contracts, going out in the field and visiting projects and having info days. They have also achieved a record number of applicants which means that better projects can be selected, providing better value for money for the EU taxpayer.
- The Agency seeks help on the annual evaluation of the calls for proposals. It contracts between 80-90 external experts. This is a good system because the Agency benefits from specialised outside expertise (technical and financial) that allows the Agency to deal with a peak in work load in a timely manner and with guarantee of independence and objectivity.

#### **TOP 5 challenges for the TENTEA:**

##### **1. Recruitment and Training**

- Employ good staff – the agency is only as good as its staff,
- Stick to the rules, don't try any shortcuts,
- Involve the Head of Units in the staff selection,
- Be sure to have job descriptions etc.
- In house training in procedures is necessary and is the responsibility of the agency.

##### **2. Relationship with the parent DG**

- It is essential to have a good relationship with the parent DG, their help is needed especially in the starting up phase (i.e recruitment). In the case of TENTEA, a good relationship must be maintained with Directorate B.

##### **3. Steering Committee**

- It is important to have a good steering committee, as it is the governing board. It is also important to gain its confidence.

##### **4. Set up service level agreements – relationships with other DGs**

- The Agency has to set-up service level agreements with: OIB, PMO (Pay Master Office), DG Budget, DG Admin, DIGIT, DG Translation.

##### **5. Office space**

- Office space is a key issue not to be underestimated. The EACI moved into the Madou Tower in May 2006. With its imminent staff expansion, it will probably have to move again next year. There could be there links with the TENTEA.

#### **2.4.8 Benefits and risks of externalisation**

The externalisation of an Executive Agency provides important non-monetary **benefits** namely:

##### **1. Flexibility in human resources management**

Temporary staff provides a flexibility that official staff does not. Staff can be recruited for a specific period of time and in line with the Agency's needs and limited lifetime.

##### **2. Staff Specialisation**

The Agency helps increasing the level of performance by gathering specialist staff with a high degree of specialisation, expertise and better adequacy of the skills required.

##### **3. Enhanced Focus on Policy**

With the creation of the Agency, staff at DG TREN will be released from administrative burden related to TEN-T management and will be better able to concentrate on more technical and policy related aspects of their work and far less of administrative procedures.

##### **4. Focus on Management**

The creation of an Agency enables a focus on specific skills in programme management and allows for improvements in programme management thereby producing concrete results. The ability to focus on management and not be in-

involved in the daily requirements of policy development is a strong factor. Nonetheless, there is a need to separate activities into "pure policy" and "pure management" while maintaining smooth coordination between the two.

## **5. Awareness raising**

An Executive Agency is expected to allow for a stronger dissemination and valorisation of project results. Further, the sharing of work with DG TREN will consolidate administrative procedures.

Despite the advantages, there are also risks associated with the externalisation of the Agency that should be mitigated. These include:

### **1. Ability to attract highly specialised staff**

Lower salaries and different conditions compared to those of permanent Commission staff, as well as the temporary nature of the job offered, could discourage potential applicants with the necessary highly specialised technical background. While there is some evidence of this in the experience of the IEEA, there is a concern that the labour market is volatile, with associated risks of the financial and professional costs of high staff turnover. Although the option of using temporary and contract agents would help mitigate the resource constraints, the Agency would rely on short term staff with high level of turnover and therefore a high level of overhead and its associated risk. In addition, a high turnover means loss of know-how and the need to recruit and train replacements.

### **2. Need for Staff training**

Past experience has suggested that an important requirement for new staff in the agencies is training; in particular training in the Commission's administrative and financial systems and procedures. The organisation of this training must be recognised as it is time consuming and can constitute a significant expense especially in the setting up period.

### **3. Disincentive for permanent staff to be seconded**

Seconded officials, who would like to work in the Executive Agency, must have at least the same grade as the post published by the agency. His/her post will be frozen during the secondment period and cannot be filled during his/her absence. This does not make it attractive for Heads of Unit to "lose" staff to the Agency, even if it adds value to the person's experience. This disincentive may hinder Commission staff, who possesses a specialisation in an area beneficial to the Agency, to be transferred to the Agency.

Officials seconded in the interests of the service are entitled to a dual career during their secondment, this means that they have both a career within the agency (eligibility for promotion) while pursuing their career within the Commission. An official on secondment retains his post, his right to advancement to a higher step and his eligibility for promotion.

### **4. Phasing out of the agency implies lay-off's and associated costs**

The phasing out of the agency may also bring about some unexpected costs which must be kept in mind. Among these are the unemployment insurance

which must be paid to temporary and contract staff, as well as the closing down of project files, etc.

### **5. Loss of networks**

It is inevitable that any new Agency will be physically separate from its parent DG, which might lead to reduced communication with the DG. In turn, this could reduce the knowledge flow between implementation and policy and programme design.

There is a concern that, due to the fact that the Agency will be carrying out the administrative tasks related to the projects, DG TREN will lose contact with Member States and the networks that have been established over the years. This link is necessary if policy is to be developed. Therefore, it is important that there is a high degree of communication between the Agency and DG TREN and that DG TREN is aware of and able to influence the work being carried out.

### **3 Assessment Methodology**

The recruitment of TENTEA staff has just started and by last quarter of 2007 the first employees are expected to be in place and to start the management of open TEN-T projects. The management of TEN-T is at present wholly integrated within DG TREN, and while a substantial and demanding responsibility, it is just one of many tasks entrusted to DG TREN. In light of the increased political focus on the TEN-T network, and the expected substantial increase in Community financial support to the network in the coming years, DG TREN is in the process of preparing itself for the additional tasks and responsibilities.

Following the favourable opinion of the Regulatory Committee on Executive Agencies of 16 November 2005 the TEN-T Executive Agency was created on the 26th October 2006 under Commission Decision 2007/60/EC. In order to make full use of the benefits of the Agency and to be able to manage the substantially increased budget under the new Financial Perspectives effectively, the Commission intends to extend its duration to cover the entire current financial perspective until 2013 and an additional 2 years foreseen for project closure (December 2015).

The previous CBA of TENTEA covered the full duration of the Agency, but did not reflect the recent policy developments especially those with regard to the new TEN Regulations.

The present update of the CBA will address the following issues:

- Assessment of the present cost of the TEN-T management and extrapolation, it taking into account the 2007-2013 budget;
- The new tasks to be allocated to the TENTEA and the need of additional staff updated costs of personnel (both external and internal);
- Expectations expressed by the Member States, Members of the European Parliament, the European Court of Auditors;
- Identification of the activities of DG TREN related to TEN-T implementation that can be outsourced efficiently, taking into account the future working relation between the Agency (in charge of the project implementation) and the Commission (in charge of programming) at each stage of the TEN-T projects;

- Estimation and comparison of benefits and costs of the two options in terms of improved/simplified coordination, procurement procedures, impacts on human resources, proximity to final beneficiary and projects stakeholders, visibility of Community as project promoter, etc.

### **3.1 Overall Approach**

The first step in the CBA is to define as precisely as possible the present tasks related to the TEN-T Management within DG TREN, the number and type of staff involved and the resulting overall cost of management.

The above is termed the "Baseline Situation" and will be defined on the basis of the 2007 situation in terms of budget, staffing, number and type of projects. For each of the two options (i.e. in-house option and Executive Agency option) the future organisational set-up and cost will be extrapolated from the Baseline Situation, taking into account the tasks that are to be externalised.

The main quantifiable benefits are expected to be derived from savings in staff costs resulting from the Agency's possibility of relying heavily on contract staff recruited on market conditions. However, a number of other factors of a more qualitative nature will also influence the CBA. Such factors include simplification of procedures and shortening of lines communication and flexibility of recruitment to target actual requirements. The CBA will attempt to quantify these factors and take them into account in the extrapolation for the future management in both scenarios.

In addition to the above "business as usual" considerations, the CBA will address the Commission's future ambition level for TEN-T management, which include aspects such as:

- Quality and level of project monitoring;
- Scope of Commission involvement in project preparation;
- Visibility and promotion of the TEN-T programme;
- Activities not presently undertaken by DG TREN that could be included for the benefit of the TEN-T programme.

The impact of the above will be used to assess the future organisational set-up and staffing requirements for each of the two options and enable a cost-benefit analysis under the assumption that the TEN-TEA mandate will be extended to manage the 2007-2013 TEN-T appropriations.

### **3.2 Data Collection**

The data collection phase comprised a combination of gathering and review of existing available background information, and interviews of relevant key officials and stakeholders as outlined in the following.

### **3.2.1 Relevant previous studies**

In order to establish and understand the background and scope of the present management of TEN-T, the following main background information was collected for review:

- The new TEN Regulation;
- Previous CBA of the TEN-T programme;
- Relevant EC Regulations, hereunder the Financial Regulation, the Staff Regulation and the Regulation for Executive Agencies;
- Court of Auditors Special Report No 6/2005 on the Trans-European Network for transport (TEN-T) together with the Commission replies.

A complete list of background information collected and studied is attached in Appendix D.

### **3.2.2 Interviews**

While the background information provides an understanding of the TEN-T programme and its management, the study will also take into account of the experience and opinion of the main actors and stakeholders involved.

Interviews were carried out with Members of the Court of Auditors, Commission Services, Members of the European Parliament, the EIB and Member States. Interviews aimed to collect and understand the different points of view on the executive agency mandate, expectations, criticisms and concerns that were expressed.

A complete list of background information collected and studied is attached in Appendix D.

## **3.3 Data Analysis and Consolidation**

On the basis of data collected and interviews carried out, the following analysis was performed.

### **3.3.1 Baseline Situation**

The first step in the analysis consisted in establishing and describing the present baseline situation within DG TREN, which was used as basis for projecting the future organisational requirements under the various budget assumptions and the two options. The activities included:

- Mapping of the key DG TREN activities and tasks related to the TEN-T management, including the workflows connected herewith;
- Identification of the number of staff within DG TREN (equivalent full time positions) presently involved in the management of TEN-T;
- Distribution of identified staff across the activities performed.

The above required close co-ordination with DG TREN, in order to understand the present workload related to each task and to lead to an understanding of the present prioritisation of the TEN-T administration.

On the basis of the background documentation and initial discussions with the Steering Committee the Consultant established a first estimate of the Baseline Situation. The estimate has been verified and refined on the basis of the interviews.

### 3.3.2 Externalisation Potential

The externalisation potential of each task identified in the Baseline Situation has been assessed, taking into account:

- the requirement of the Regulation on Executive Agencies, specifying that no activity may be externalised when political decision making implies discretionary powers;
- the potential efficiency and quality gains derived from the creation of a dedicated Agency.

### 3.3.3 Additional TEN-T management tasks

On the basis of the background information, the interviews and the Consultant's appreciation of the workings of the TEN-T programme, the analysis identified tasks not presently carried out by DG TREN that in the future could be carried out by DG TREN or an Agency to the benefit of the TEN-T Programme.

Initially, these were expected to relate to the visibility of the TEN-T programme, but could also relate to the scope of Commission involvement in the preparatory and monitoring phases.

### 3.3.4 The two options studied

The above analysis facilitated an extrapolation of the Baseline Situation towards the two options to be investigated:

- 1 **In-house option;** to continue the present management of TEN-T as a wholly integrated function within DG TREN, albeit with additional staff and resources; or
- 2 **Executive Agency option;** to create a dedicated Executive Agency responsible for the management of the Community financial support to TEN-T.

For each of the two options, the analysis provided an estimate of the future organisational set-up in terms of required staff and other resources. In the definition of the two options the type of staff to be employed is estimated (i.e. Commission staff versus contract staff) in accordance with the relevant regulations.

### 3.3.5 Financial Data

One of the main justifications for the creation of an Executive Agency is expected to be the overall monetary savings on the Commission budget. It was therefore imperative to establish realistic average figures for the annual cost of:

- Commission officials;
- Relevant categories of temporary staff in accordance with the new staff regulations;
- Overhead costs related to fringe benefits, office rent, security, IT, office supplies, communication, etc.

The above required figures were established based on data provided by DG ADMIN.

### 3.3.6 Cost-Benefit Analysis

An Executive Agency is typically created to manage and oversee a specific project or range of projects (MIP) with a given lifetime - normally 3 to 5 years. The TEN-T programme is, however, somewhat different in this respect, in that it includes a large number of projects to be implemented over a non-defined period of time. The present TEN-T horizon is 2020, whereas the current financial framework is defined until 2013.

The CBA is highly dependant on the lifetime of the Agency investigated, and in agreement with the study Steering Group, it has been decided to assume an 8 year period for the CBA calculations, starting from 2007.

Although the TEN-TEA was officially created October 2006, the recruitment of its staff started in last quarter of 2007 and because the new financial perspectives covers the period 2007-2013, it was decided to undertake the revised Cost-Benefit Assessment assuming that the Agency will slowly start to operate by the end 2007 and be fully operational during the course of 2008.

On the basis of the future organisational requirements for each scenario, and the agreed financial data, the CBA presents a discounted Net Present Value (NPV) for the new TEN-T budget assumptions.

In addition to the financially measurable benefits, the CBA also addresses the non-quantifiable benefits from creating an Executive Agency.

## 4 Steps and Results of the Updated CBA

### 4.1 2007 Baseline Situation

In order to calculate the CBA, a baseline situation is defined reflecting the TEN-T management in 2007. This year is a transition year, as the newly created TEN-TEA is starting its activity and recruiting staff who is progressively taking over the old 2000-2006 files (the so-called back-log or RAL).

As explained in 2.2.5., the previous CBA analysed tasks and staff numbers related to the management of TEN-T in DG TREN and assessed the staff levels (in FTE) employed in 2006 and 2007.

In the table 4.1 below, the In-house option shows the level of staff that would be available in DG TREN to manage the TEN-T in 2007, i.e. 70 FTE staff members which corresponds to the baseline situation defined in the previous CBA.

The staff figures included in the Executive Agency option and derived from the previous CBA, show the total staff involved with the TEN-T management will include:

- Staff from the Executive Agency (44 FTE)
- Staff remaining in DG TREN to deal with policy and decision making (14 FTE as in the in-house option),
- Staff remaining in DG TREN to provide support to the European Coordinators on political issues (10 FTE)
- Staff in DG TREN supervising the activities of the Agency (4 FTE).

The following table summarises the staff scenario for 2007 used in the subsequent cost-benefit assessment:

		FTE in 2007		
		In House Option	Executive Agency Option	
No.	Activity Title	DGTREN Staff	Agency Staff	DGTREN Staff
1	<i>Policy &amp; Decision Making</i>	14,0	0,0	14,0
2	Invitation to Member States, Reception and Evaluation of TEN-T Proposals	2,8	0,0	2,8
3	TEN-T FAC Committee	1,1	1,0	0,1
4	Preparation of Commission Proposals	5,8	6,0	0,0
5	Financial Commitment, Contract and Disbursement	8,8	8,8	0,0
6	Project Monitoring and evaluation	12,9	17,2	0,0
7	Audit	1,6	1,0	0,6
8	Procurement of Services	0,0	0,0	0,0
9	Budgetting	2,2	0,0	2,2
10	Controlling & Reporting	3,2	4,0	0,0
11	Filing and Archiving	2,2	1,0	1,2
12	Programme Evaluation	2,2	0,0	2,2
13	IT Support and Human Resource	3,2	5,0	0,0
14	<i>European Coordinator - Secretariat</i>	10,0	0,0	10,0
15	<i>Supervision of Agency by DG TREN</i>			4,0
			44	37
<b>Total</b>		<b>70</b>		<b>81</b>

Table 4.1: Staffing Level for 2007

Compared to the in-house option that will continue to require 70 FTE by 2007 to cope with all tasks assigned to DG TREN in connection with the management of the TEN-T, the Executive Agency option would require 81 FTE (44 FTE in the Executive Agency while keeping 37 FTE in DG TREN).

The Agency is initially focussing its efforts in taking over the back-log related to the 2000-2006 RAL. This implies hiring appropriate staff able to get rapidly a complete and clear overview of the technical and financial situation of the open projects, contact and visit the project stakeholders, determine action plans and schedule in order to monitor, finalise and liquidate the projects. This initial period will also require additional staff to take over and implement the IT systems and project data bases in the Agency and deal with recruitment.

The increases also indicate that 2007 is a transitional year in reaching 2008 staff level and the actual planned recruitment for 2007. These differences in activities N° 4-6-10-13 during the transition year 2007 will be levelled out by 2008.

## 4.2 Assumptions for the Update and Definition of Options

The methodology to estimate the present TEN-T staffing is based on the previous 2005 version of this CBA. Following discussions in the Steering Group, it was confirmed that all TEN-T activities should be considered for externalisation (except Galileo and Marco Polo which benefit from separate budget lines). It was also agreed that the Secretariat of the TEN-T Coordinators should remain in DG TREN.

In order to calculate the costs and benefits, for the Commission, of extending the mandate of the Executive Agency for the management of TEN-T, the number of staff required from 2008 to 2013 to manage annually the new TEN-T will be extrapolated from the baseline situation described above for the following two strategic TEN-T options:

- **in-house option;** Management directly by DG TREN with in-house staff;
- **Executive Agency option;** Management via an external Executive TEN-T Agency under the supervision of DG TREN.

Further in order to meet the demand for increased delivery of services and improved quality of current tasks, two new TEN-T management tasks are defined in the following sections and presented in the final overview table at the end of the Chapter.

### 4.2.1 General Assumptions

The following general assumptions have been made on the basis of information, data and impressions gathered during the interviews carried out with key DG TREN staff:

- 1 The staffing requirement can be described as a function of the increase in the number of open projects per year, and (for evaluation) the number of applications received. Taking into account the backlog from the 2000-2006 remaining budget, and the concentration of the support on the priority projects during the new financial period, the number of active projects is expected to be higher in 2008-2009 than in 2007 and this variation is the parameter used to assess staffing levels needed in TEN-TEA.
- 2 One of the main changes in the management of the 2000-2006 TEN T budget to the management of the 2007-2013 TEN T budget is the requirement of increased services (e.g. particularly improved quality of monitoring and evaluation, controlling and reporting etc.) and the addition of new tasks (know how and best practises; awareness and promotion). The impact hereof on staff level is significant if the expectations are to be met.
- 3 It is assumed that the on-going recruitment and preparation process for the existing executive Agency will allow full operation by the end of 2007 or

beginning 2008, and extended operations by end 2008. The re-allocation of DG TREN staff previously involved with TEN-T Management and not transferred<sup>20</sup> to the Agency is assumed to require 6 months, i.e. 6 months salary and overheads for such staff must be taken into consideration during externalisation.

- 4 The period for new co-financing commitments under the budget scenario is 2007 to 2013. The projects co-financed in 2013 will be definitively closed and paid by 2015, and as a result, the number of active projects and the staff dealing with these will gradually decrease from 2013 to 2015.
- 5 The MIP (MAP) has been revised and includes the 30 priority corridors as defined in the new guidelines dated 21 April 2004.
- 6 TEN-T support will focus on measures mainly benefiting the European priority projects (works) and will mainly support horizontal or specific studies (including preparatory works i.e. geotechnical investigations) directly linked to the priority corridors and to strategic and technical development of the TEN-T including its further extension.
- 7 The Commission will seek to increase the co-financing ratio (to be) closer to the maximum thresholds allowed, in order to provide an incentive to enhance the development of the TEN-T network.
- 8 The externalisation of tasks to an Agency will free up resources in DG TREN, but the savings are partly offset by a need to supervise the Agency. It is assumed that DG TREN will need 4 FTE as additional personnel to supervise the work of the Agency in 2007 and 6 FTE by 2008.
- 9 The new tasks identified below - will for reasons of comparison be applicable for both the in-house and the Executive Agency option.
- 10 It is assumed that the staff involved reflects the average distribution between categories of DG TREN staff dealing with TEN-T management: AD =50%, AST =50%. It was further assumed that the DG TREN officials currently represent 90% of the staff against 10% represented by external/contractual staff.

#### **4.2.2 Externalisation Potential**

The Regulation on Executive Agencies stipulates that an externalisation of certain tasks must reflect a clear separation between programming (Commission's core business) and implementation of the project, where no political decision making implying discretionary powers is involved.

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<sup>20</sup> This assumption is made for the sake of the calculation as in reality DG TREN staff should be freed gradually over e.g. 2 years in which they continue to work on different files.

Task 1: Policy and Decision Making obviously describes the programming and policy making (including decisions) that by its nature has to remain within DG TREN, and therefore cannot be externalised. This encompasses the chairing and management of the TEN-T FAC Committee and the different evaluations of the TEN-T programme.

The definition of the remaining tasks - or more precisely the allocation of resources to each - assumes **that all the "groundwork" is done under each of these, whereas the actual approval** - where such is required (e.g. approval of list of recommended proposals) - **is included under Task 1** as described in table 4.2. On the basis hereof, all other tasks are assumed to be externalised apart from the Secretariat of the European Coordinators (Task 14).

Apart from these two identified limitations (Policy making and European Coordinators) it is the Consultant's assessment that all other tasks can be fully externalised without creating undue problems for the co-ordination between DG TREN and the Agency.

#### 4.2.3 Tasks of the Current and Extended TEN-T Agency

TENTEA is assumed to be mandated to carry out the tasks outlined above and indicated as having an externalisation potential of 100%. Considering the increase of the budget available to TEN-T over the period 2007-2013, the previous version of the CBA identify additional tasks not presently carried out by DG TREN that could be carried out by DG TREN or TENTEA -in case of externalisation- to the benefit of the TEN-T Programme, namely:

- Awareness and promotion of TEN-T;
- TEN-T GIS Database;
- Coordination of TEN-T further extension outside EU;
- Know-how and Best Practice (incl. PPP);
- Enhanced Evaluation of proposals;

On the basis of discussion held during interviews with DG TREN, it was agreed that from the 5 tasks above, only the first and the fourth were not already part on the current mandate of the TENTEA<sup>21</sup> as created in October 2006. Therefore only these two should be considered new tasks to be entrusted to the extended TENTEA from the end 2008.

It is also clear from the interviews that the staff requirements are estimated to increase up to a factor 3 depending on the specific tasks in order to meet the requirements of managing the 2007-2013 TEN T budget. The increased requirements for improved services are particularly foreseen in terms of monitor-

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<sup>21</sup> Or to DG TREN if TENTEA is closed down by the end of 2008

ing and evaluation, controlling and reporting and IT expertise to support the TEN T information and accounting databases.

If the new tasks of TENTEA are staffed adequately, they would help to generate a qualitative improvement in the overall management of the TEN-T programme while bringing state-of-the-art skills and techniques at all stages of the project cycle allowing DG TREN to be in a better position to:

- promote the TEN-T programme and its objectives;
- support and advise the Member States and project promoters during identification and preparation of project application;
- disseminate best practice and advise promoters on how to appraise and evaluate the technical, environmental, financial and institutional aspects of the projects presented for funding.

The new tasks, as well as staffing requirement, are defined and explained hereafter. The main tasks to be assigned to the current and the extended Agency are presented at the end of this Chapter.

#### **4.2.4 Awareness and Promotion of TEN-T Programme**

While it is likely that all (or most) transport administrations in the respective MS are aware of the TEN-T programme, this is not the case for potential private promoters and the public in general. Creating an Executive Agency for TEN-T will in itself contribute to an added visibility of the TEN-T programme. However, regardless of whether an agency is created or not, it is the view of many DG TREN staff, that something should be done to create an awareness of the Commission contribution to TEN-T - particularly so with the recent added political interest.

From the interviews conducted, it was indicated that DG TREN would be willing to take first step towards promoting TEN-T and launch a debate on the issue of TEN-T within the Member States. In support hereof, and to ensure a higher visibility of the TEN-T programme, the Agency (or DG TREN) could be expected to provide:

- Presentation of the Community policy and support to the TEN-T programme (eg : TEN-T Days, specific workshops fostering use of new financial instruments, TEN-T PPPs, etc);
- Publication and dissemination of TEN-T related issues, i.e. prognosis, statistics, country/project achievements.

It is estimated that the Agency could achieve the above objectives with an addition of maximum of 5 FTE staff over the period 2008-2013.

#### 4.2.5 Know-How & Best Practice Unit

At present, and given the available resources, DG TREN's involvement in TEN-T projects is essentially limited to an evaluation of proposals and selection of projects for Community assistance through the policy decisions, followed by monitoring of the projects and a verification of the expenditure to ensure that Community funds are spent in accordance with the objectives.

From the interviews and discussions held, it is apparent that DG TREN would like to be more involved earlier in the projects; i.e. in the definition of project, financial engineering aspects and organisational set-up. Such involvement would depend on the acceptance and experience level of the Member State(s) in these subjects. However, it is clear that DG TREN can play an important role in accumulating and disseminating the experience from a wide range of projects and countries that could be beneficial in future projects.

To facilitate the discussions in Member States and possibly improve the decision process and effectiveness of implementation, the creation of a "Know-how & Best Practice Unit", that Member States or Project Promoters could draw upon when required, could be envisaged. This unit could usefully assist in mapping the competence and experience available in DG TREN and within the other Community Institutions funding TEN-T projects such as DG REGIO and the EIB<sup>22</sup>. The unit would also serve as a valuable backstopping and helpdesk for Desk Officers during evaluation and monitoring of projects. Issues to be addressed could include:

- Ex-post analysis of MS evaluation methods to elaborate guidelines or best practice, which may also be used to promote a more consistent approach by both Member States and Commission services dealing with TEN-T;
- Development of know-how and best practice in financial (including, innovative financing, PPPs, guarantees) and legal engineering as well as technical standards;
- Promotion of basic principles of the transport policy applicable to TEN-T (legislation, interoperability, security, etc.) and elaboration of check lists for compliance with Community policies within e.g. competition, environmental protection, transport, award of public contracts, etc;
- Regular feed-back sessions with DO and MS with the view of improving the efficiency of TEN-T procedures and standard documents associated herewith;
- Provide a helpdesk for project promoters explaining, among others, the use of financial instruments introduced by the new Regulation.

The unit would comprise a mix of professional disciplines, covering i.e. economics and finance, EIA, legal and technical matters, and would consist of approximately 5 FTE positions over the period 2008-2013.

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<sup>22</sup> Thus addressing remarks of the CoA on use of EIB competences during the evaluation process

Typically, PPP projects require financial experts with banking background and financial appraisal techniques, lawyers with disciplined project management techniques, knowledge of PPP arrangements (concessions, BOT, etc.), as well as state aid and guarantee issues, and engineering experts in infrastructure project management with sound knowledge of procurement issues and risk assessment.

The Executive Agency should be able to attract these specialists in order to play a significant role in the early stages of the projects and discuss these crucial issues with the promoters and its' financial, legal and technical advisors. This will allow the Agency to work with the wider project team to ensure that the legal and contractual aspects of the project are co-ordinated with the financial, engineering and design aspects, while respecting open market access and competition and EU citizen interest. An early involvement of the Agency in the conception and management structure of the project, will offer DG TREN the possibility to intervene, when necessary, in the implementation of the project and optimise the use of TEN-T funding.

#### **4.2.6 Tasks Assigned to TEN-T Management**

Based on the discussion developed in the previous paragraph, the table 4.2 below summarizes the main tasks currently performed by:

- the existing Agency in charge of executing the remaining TEN-T budget related to the 2000-2006 commitments, in the right column
- and those to be performed by the extended Agency that will also need to deal with TEN-T commitment appropriations for 2007-2013 (presented in *italic*), in the left column

No.   Title	Main tasks assigned to the Existing Agency to deal with the RAL 2000-2006 TEN-T BUDGET staff (44 FTE)	Main tasks assigned to the Existing Agency to deal with the RAL 2000-2006 TEN-T BUDGET staff and 2007-2013 Budget (99 FTE)
1   Policy and Decision Making	<i>not externalised</i>	<i>not externalised</i>
2   Invitation to Member States, Reception and Evaluation of TEN-T Proposals		Publication of annual call for proposals Appraisal of project proposals on the basis of award criteria
3   Preparation of Commission Proposals	Preparation of draft commission decision Identification of need for modification. Preparation of draft modification decisions as necessary	Preparation of draft COM Decision on annual work programme Administrative support for ISC preparation and conduct Administrative support for committee preparation and organisation; committee secretariat Elaboration of preliminary overall annual funding proposal Administrative support for ISC preparation and conduct (e.g. in case of open env. Questions)
4   TEN-T FAC Committee Secretariat	Administrative support for ISC preparation and conduct Administrative support for committee consultation as necessary (substantial changes)	Administrative support for committee preparation and organisation. Presentation of appraisal results Administrative support for ISC preparation and conduct Administrative support for committee consultation as necessary (substantial changes)
5   Financing Commitment, Contract and Disbursement	Implementation of decisions granting aid; tech/fin follow up decision; on the spot controls; analysis of progress reports; treatment of intermediary/final payments claims; administrative support to beneficiaries; insure proper coordination in other community funding	Implementation of decisions granting aid; tech/fin follow up decision; on the spot controls; analysis of progress reports; treatment of intermediary/final payments claims; administrative support to beneficiaries; insure proper coordination in other community funding
6   Project Monitoring	Implementation of decisions granting aid; tech/fin follow up decision; on the spot controls; analysis of progress reports; treatment of intermediary/final payments claims; administrative support to beneficiaries Insure proper coordination in other community funding	Reporting/technical advice to COM for briefings and correspondence Management of study contracts (ToR, contract conclusions, steering of study, evaluation results; Communication of results to EC)
7   Audit	Audit of project and project expenditures	Audit of project and project expenditures
8   Procurement of Services		Management of study contracts (ToR, contract conclusions, steering of study, evaluation results; Communication of results to EC) Monitoring Budget execution
9   Budgeting		Monitoring Global commitment
10   Controlling and Reporting	Reporting/technical advice to COM for briefings and correspondence	Reporting/technical advice to COM for briefings and correspondence Reception of applications, registration, opening, establishment of compliance with formal, eligibility and selection criteria
11   Filing and Archiving	Keeping project files and electronic data base for all funding decisions	Introduction into electronic project management system/database Keeping project files and electronic data base for all funding decisions Technical and financial input to support Studies (strategic, evaluation, etc) and technical assistance on COM's request
12   Support to Programme Evaluation		
13   IT Support and Human Resources	HRM, IT system maintenance and electronic data base for all funding decisions	HRM, IT system maintenance and electronic data base for all funding decisions
14   European Coordinator - Secretariat	<i>not externalised</i>	<i>not externalised</i>
15   Supervision of Agency by DG TREN	<i>not externalised</i>	<i>not externalised</i>
16   Awareness and proactive promotion of TEN-T		Information activity on TEN-T, TEN-T-Days, etc
17   Helpdesk and best practise, know how		Helpdesk and best practise, know how

Table 4.2 - TEN-T related management tasks assigned to the Agency (based on CoA flow chart)

### 4.3 2008-2013 Situation: In-house and Executive Agency options

For the period 2008-2013, it is assumed that the Agency has been fully staffed with 44 staff and is managing the TEN-T open Decisions from the period 2000-2006 the so called RAL<sup>23</sup> presented in Table 2.1. DG TREN is still in charge on the management of the TEN-T budget to be committed for the period 2007-2013 based on the new TEN-T regulation reflecting the willingness of the Member States and the Commission to speed up the implementation of the Priority Projects while concentrating EU support.

Bearing in mind the trend to concentrate support to fewer but larger TEN-T projects and increasing the co-financing ratio to create a higher incentive for implementation by MS, it is assumed that even with a TEN-T budget that has almost doubled, the total number of open/active projects in a given year will only increase by 25% in the period 2007-2013, i.e. a maximum of 500. Assuming a higher incentive for implementation of works and studies, it is expected that the number of project applications received and to be evaluated will increase by 50%.

In order to improve the quality of the TEN-T management and promote new TEN-T instruments, the two new tasks as defined in section 4.2 are created and staffed while increased staff is allocated on project management and monitoring (both financial and technical) and on improving management systems (IT, HRM).

It is assumed that if the TEN-TEA mandate is extended, and that the staff level will reach a maximum of 99 over the new programming period.

The impacts of these assumptions on the in-house option and the Executive Agency option are detailed below.

#### Required Staff levels 2008-2013 (In house option and Executive Option)

In order to accommodate the expected increase of applications and projects and the demand for enhanced quality in certain activities (most notably monitoring and evaluation), it is anticipated that the staff level required will evolve as follows:

Task and Impact of Increased budget on Staff level	FTE Staff by 2008-2013
<b>1. Policy &amp; Decision Making.</b> The time and effort needed for the additional decision-making in DG TREN will not increase proportionally to the number of projects. It is estimated that no extra FTE will be needed	14
<b>2. Invitation to Member States. Reception and Evaluation of TEN-T Proposals.</b> The staffing requirement for this task will increase in direct proportion to the increase in the number of applications and PSR submitted (increased by 50%).	4.2
<b>3. TEN-T FAC Committee Secretariat.</b> This task will require no addi-	1.1

<sup>23</sup> RAL, Reste à Liquider estimated at 947 million EURO and representing 444 open decisions in 2007.

Task and Impact of Increased budget on Staff level	FTE Staff by 2008-2013
tional staff	
<b>4. Adoption of Proposals.</b> The staffing requirement for this task will increase in proportion to the increase in the number of open projects (increased by 50%).	8.7
<b>5. Financial Commitment. Contracts and Disbursement :</b> The staffing requirement for this task will increase less than proportionally to the increase in the number of open projects, or by about 20%	10.6
<b>6. Project Monitoring:</b> In order to deliver better results and avoid huge back-log, a particular effort will be made in term of increased staffing. More project monitoring and evaluation (both technical and financial) will be required and the quality hereof needs to be enhanced - to deal with this increased budget, requirements in the financial regulation and to set up routines and procedures, facilitate coordination with other Community institutions.	38.7
<b>7. Audit:</b> Particular attention will be dedicated to procedures and audits to pave the way to cope with monitoring and reporting on an increased budget line.	2.7
<b>8. Procurement of Services.</b>	pm
<b>9. Budgeting :</b> This task will not require additional staff	2.2
<b>10. Controlling &amp; Reporting:</b> In order to deliver better results and avoid a huge back-log, a particular effort will be made in terms of increased staffing.	6.7
<b>11. Filing and Archiving:</b> This task will not require additional staff	2.2
<b>12. Support to Programme Evaluation:</b> idem 10, and the requirement for enhanced quality of evaluations.	4
<b>13. IT Support and Human Resources.</b> The IT personnel will increase substantially as well the staff dealing with HR, in order to improve management capacity.	8
<b>14. European Coordinators – Secretariat</b>	10
<b>15. Supervision of the Executive Agency by DG TREN:</b> In the Executive Agency option a total 6 FTE are estimated to be needed for supervisory tasks of the Agency	(6)
<b>16. Awareness and promotion of TEN-T.</b> This is a new task to be undertaken by the agency, as earlier described (section 4.3) it is estimated to necessitate 5 FTE	5
<b>17. Know-How &amp; Best Practise:</b> as earlier described (section 4.3)	5
<b>TOTAL STAFFING (In house option/Exec. Agency Option)</b>	<b>123 (129)</b>

Table 4.3: Expected Staff 2008-2013 situation

In both the In-house option and the Executive Agency option it is foreseen that the level of staff required from 2008 will be 123 FTE, which represents an increase of 53 FTE compared to the baseline situation of 2007.

The increase in staff reflects the increased requirements as a consequence of the TEN-T budget increase, requirements for enhancement of certain activities as per the Financial Regulation (e.g. monitoring and evaluation). In the Executive Agency option an additional 6 FTE are needed for DG TREN supervisory activities bringing the total number of staff to 129 for this option. Thus for the operational tasks of TEN-T administration both options will require the same number of staff (apart from supervision of the agency).

The below table summarises the staff levels for the In-house option and the Executive Agency option for the period 2008-2013.

		FTE in 2008-13		
		In House Option	Executive Agency Option	
No.	Activity Title	DGTREN Staff	Agency Staff	DGTREN Staff
1	<i>Policy &amp; Decision Making</i>	14.0	0.0	14.0
2	Invitation to Member States, Reception and Evaluation of TEN-T Proposals	4.2	4.2	0.0
3	TEN-T FAC Committee	1.1	1.1	0.0
4	Preparation of Commission Proposals	8.7	8.7	0.0
5	Financial Commitment, Contract and Disbursement	10.6	10.6	0.0
6	Project Monitoring and evaluation	38.7	38.7	0.0
7	Audit	2.7	2.7	0.0
8	Procurement of Services	0.0	0.0	0.0
9	Budgeting	2.2	2.2	0.0
10	Controlling & Reporting	6.7	6.7	0.0
11	Filing and Archiving	2.2	2.2	0.0
12	Programme Evaluation	4.0	4.0	0.0
13	IT Support and Human Resource	8.0	8.0	0.0
14	European Coordinator - Secretariat	10.0	0.0	10.0
15	Supervision of Agency by DG TREN			6.0
16	Awareness and promotion of TEN-T	5.0	5.0	0.0
17	Helpdesk and best practise, know how	5.0	5.0	0.0
			99	30
<b>Total</b>		<b>123</b>		<b>129</b>

Table 4.4: Staff Levels 2008-2013

## 4.4 Financial Background Data and Assumptions

The financial data gathered has been provided and verified by DG TREN, DG BUDGET and DG ADMIN. In addition, it has been extracted or compared to the financial definitions included in the recent Commission Decision on the establishment of the Agency for Intelligent Energy Europe, the recent Cost Benefit Assessment of the Cultural Executive Agency (EAC), and the Commission staff regulations.

### 4.4.1 Staff Cost and Overhead for Logistical Support

In order to compare the cost of externalisation of the TEN-T administration, average staff costs are used for three types of Commission staff: Commission officials (fonctionnaires), temporary staff and contractual staff.

DG TREN is presently staffed by approximately 90% Commission officials (fonctionnaires) and 10% contractual staff. This distribution is used to calculate the average DG TREN staff cost for the in-house option.

For the Agency the staff allocation is based on the available organisational charts developed for the Agency, which define the number of Commission Official, temporary staff and contractual staff in 2007, and for 2008 to 2013, which has to reflect the establishment plan adopted by the budget authority.

<b>Average salary level incl benefits, 2007 *</b>	<b>Euro/Year</b>
Commission Officials/Temporary staff	95,000
Contractual staff	41,000
<b>Overhead for logistical support, 2007*</b>	
Average cost per staff member	22,000

\* Figures from DG TREN/DG BUDGET

*Table 4.5: Commission Staff Salary and Overheads, 2007*

The average annual overhead costs per Commission staff member to cover logistical support (i.e. office rent, security, HMR, IT and office supplies) has been defined as EURO 22,000 in 2007 (figure provided by DG BUDGET). It is assumed that the amount spent on logistical support is the same in the Agency as in the Commission.

### 4.4.2 Salary and interest rates

The salaries are adjusted each year with an adaptation rate reflecting general price increases and an average staff promotion rate (echelon rate). For the purpose of this calculation, the echelon rate has been translated into an average yearly rate (2.6%). Echelon increase are normally applied every second year.

<b>Yearly salary increase and promotion rates</b>	<b>Rates</b>
Adaptation	2.30%
Echelons	2.60%
Total	4.90%

<b>Discount and inflation rates</b>	
Interest rate (discount rate)	5.00 %
Inflation rate	2.00 %

*Table 4.6: Salary and interest rates*

In the previous CBA, the discount rate used was given in the DG BUDGET publication "A Handbook for Impact Assessment in the Commission"<sup>24</sup>. This figure/document has not been updated since 2002. Meanwhile, the ECB interest rate has increased by approximately 1 percentage point and in a recent guideline from DG REGIO<sup>25</sup> it is recommended to use 5% as a discount rate. Consequently, the discount rate used in this updated CBA has been increased from 4% to 5%. The discount rate is used when calculating the Net Present Values. Based on recent DG ECFIN indicators<sup>26</sup>, an inflation rate of 2% is used to estimate the future value of overheads (office and logistical support).

#### **4.4.3 Assumptions**

The period analysed is 2007 to 2015 with funding of new projects ending in 2013. 2007 is considered the reference year of TEN-TEA. All prices and rates (staff costs, office cost, interest rates and inflation rates) are updated accordingly.

The in-house option staff levels of the former CBA have been maintained: 70 in-house staff in 2007. For the Executive Agency option, staff composition and cost reflects the actual organisation and staff chart flows in 2007 and in 2008. This means that the CBA is based on actual staffing plans and only one scenario is needed.

In 2007, the Executive Agency option is based on 44 staff in the Agency and 37 staff in DG TREN dealing with policy and decision making, European coordinators, supervision of the agency and staff still involved in TEN dossiers until they have been fully handed over in 2008.

For 2008-2013, the Executive Agency option is based on 99 staff in the Agency and 30 staff in DG TREN (policy and decision making, European coordinators and supervision of the agency). The increase in staff reflects the increased quality of existing tasks particularly monitoring and evaluation, and provision of new activities. A corresponding increase of staff occurs for the in-house option in which enhancement of task/activities is foreseen as well.

<sup>24</sup> A Handbook for Impact Assessment in the Commission, DG Secretariat General, Ref: SEC/2002/1377.

<sup>25</sup> The New Programming Period 2007-2013, GUIDANCE ON THE METHODOLOGY FOR CARRYING OUT COST-BENEFIT ANALYSIS, Working Document No. 4, 8/2006.

<sup>26</sup> DG ECFIN Spring forecast 2007.

#### 4.4.4 Phasing in costs

The Agency is established in 2007 based on 44 staff. However due to recruitment and the start-up period during 2007, cost levels of the Executive Agency option and in-house options will only be weighted with 25% in 2007.

Costs associated with Commission staff reallocation as a consequence of the creation of the Agency and staff secondment will take place in 2008. DG TREN cannot immediately reallocate resources, therefore a cost equivalent to 6 months salary including benefits and overhead, is included in 2008 for each staff reallocation. This essentially concerns staff who are in charge of the transition period, including the handover of files and training of new Agency staff.

The staff required to be reallocated are DG TREN staff not transferred to the Agency or remaining in DG TREN dealing with TEN-T (policy and decision-making or supervision of the Agency).

The number of staff to be reallocated are estimated using the number of Commission Officials in the baseline (62 FTE) subtracting the staff transferred to the agency and the staff remaining in DG TREN dealing with TEN-T.

	<b>Number of staff</b>
DG TREN staff (Commission Officials/Fonctionnaires)	62
- transferred to Agency (frozen posts)	8
- remaining in DG TREN	30
Number of staff to be reallocated (freed posts)	24
Cost in EURO at 2008 prices	1,465,140

*Table 4.7: Cost of staff reallocation in 2008 for the Executive Agency option*

The theoretical number of staff to be reallocated is estimated to 24 FTE in 2008 resulting in an additional phasing in cost of 1.47 million EURO.

#### 4.4.5 Phasing out costs

The period analysed is 2007 to 2013, followed by a two year phasing out period, in order to follow up and close the remaining open projects.

In 2014, the workload is estimated to decline by 20% compared to 2013 reflecting that tasks related to invitation to Member States, reception, evaluation and adoption of proposals, including related services, are no longer necessary.

In 2015, the impact of closing projects is estimated to reduce the workload of the TEN-T administration to approximately 50% of the 2013 staff level. By the end of 2015 the Agency is closed (Any remaining open project would be dealt with internally by DG TREN in both options).

The Commission has unemployment commitments to contractual and temporary staff. In order to incorporate these into the CBA the equivalent of three months salary is added for each contractual and temporary staff leaving the

Agency during the period 2014-2015. The three month salary equals an average unemployment period of 5 months at 60% salary compensation.

<b>Current prices</b>	<b>2014</b>	<b>2015</b>
Phased out Temporary staff, no.	6.4	25.6
3 month salary, EURO	<b>212,457</b>	<b>891,472</b>
Phased out Contractual staff, no.	11.8	47.2
3 month salary EURO	<b>169,057</b>	<b>709,365</b>
<b>Total costs EURO</b>	<b>381,515</b>	<b>1,600,837</b>

Table 4.8: Cost of redundant temporary and contractual staff 2014-2015

During the phasing out period 2014-2015 it is assumed that the overheads costs (office capacity and logistics) will exceed the actual requirements by 25%, as staff are phased out or reallocated to the Commission. It is recommended that the office rental/lease contracts foresee the possibility of a phasing out period otherwise the overcapacity may increase. A more efficient overhead administration may lower this figure.

The following phasing out costs has been estimated in current prices:

<b>Office cost</b>	<b>2014</b>	<b>2015</b>
Over capacity	25%	25%
Office cost	2,001,470	1,275,937
Additional 25% costs	<b>500,367</b>	<b>318,984</b>

Table 4.9: Cost of office overcapacity during the phasing out period

## 4.5 Cost-Benefit Analysis

The aim of the Cost Benefit Assessment is to estimate the economic impact of carrying out the TEN-T administration in an Executive Agency as compared to the continuation of TEN-T administration in DG TREN (in-house option).

The Net Present Value represents (savings in 2007 prices) the difference in costs between externalisation of the TEN-T administration to an Executive Agency and continuing the TEN-T administration in DG TREN.

$$NPV = \sum_{j=1}^n \frac{values_j}{(1 + rate)^j}$$

NPV = Net Present Value

n = 8 (years)

rate = 5 %

values = yearly cost difference between in-house and Executive Agency option

All costs are initially estimated in 2007 prices and thereafter adjusted for yearly price increases, and respectively, the inflation rate for logistical support, and

the adaptation and promotion rates for staff costs. Costs are discounted at 2007 prices using the discount rate.

After discussion with the CoA, it was decided to consider only one financial indicator, the NPV, in the present analysis. As suggested in the ToRs, the Internal Rate of Return (IRR) was also calculated. Due to the fact that the setting-up of the Agency does not take into account an initial investment by the Commission, nor a residual value at the end of the life period of the Agency, the figure provided by the IRR was over 100 % and was thus not considered as a relevant indicator for the present analysis.

#### 4.5.1 Externalisation of the 7.9 billion EURO TEN-T Operational Budget

The CBA is based on the assumption that the management of the annual TEN-T budget of 7.9 billion EURO is externalised to an Executive Agency compared to a situation in which the administration is carried out in-house by DG TREN.

The Table below presents a summary of the estimated staff levels and defines the costs associated herewith on the basis of the financial data in section 4.4.

Operational budget	2007	2008	2009	2010	2011	2012	2013	2014	2015
2000-2006 RAL - Million €	947	800	450	100	10				
2007-2013 Commitment appropriations - Million €	817	936	1015	1048	1228	1343	1528		
Inhouse Option (DG TREN)	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Number of Staff</b>	<b>70</b>	<b>123</b>	<b>123</b>	<b>123</b>	<b>123</b>	<b>123</b>	<b>123</b>	<b>98.4</b>	<b>61.5</b>
Officials/Temporary agents	62	112	112	112	112	112	112	89.6	56.0
Contractual Staff	8	11	11	11	11	11	11	8.8	5.5
<b>Cost</b>	<b>1,939,500</b>	<b>14,394,579</b>	<b>15,019,870</b>	<b>15,674,199</b>	<b>16,358,958</b>	<b>17,075,604</b>	<b>17,825,667</b>	<b>14,888,600</b>	<b>9,716,267</b>
Staff Cost	1,554,500	11,634,459	12,204,547	12,802,570	13,429,896	14,087,961	14,778,271	12,401,925	8,131,012
Overheads	385,000	2,760,120	2,815,322	2,871,629	2,929,061	2,987,643	3,047,396	2,486,675	1,585,255
Executive Agency Option	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Number of Staff</b>	<b>81</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>103.2</b>	<b>64.5</b>
Executive Agency	44	99	99	99	99	99	99	79.2	49.5
Temporary Agents (Seconded officials from EC)	6	8	8	8	8	8	8	6.4	4.0
Temporary Agents recruited by Ex. Agency	17	32	32	32	32	32	32	25.6	16.0
Contractual Staff	21	59	59	59	59	59	59	47.2	29.5
DG TREN (Officials)	37	30	30	30	30	30	30	24.0	15.0
<b>Cost</b>	<b>2,085,750</b>	<b>13,873,281</b>	<b>12,932,192</b>	<b>13,480,242</b>	<b>14,053,435</b>	<b>14,652,967</b>	<b>15,280,094</b>	<b>13,630,789</b>	<b>10,231,053</b>
DG TREN Staff	878,750	4,454,790	3,136,143	3,289,814	3,451,015	3,620,114	3,797,500	3,186,862	2,089,386
Executive Agency Staff	761,500	6,523,731	6,843,394	7,178,720	7,530,477	7,899,471	8,286,545	7,335,583	6,160,098
Overheads	445,500	2,894,760	2,952,655	3,011,708	3,071,942	3,133,381	3,196,049	3,108,343	1,981,569
<b>Cost difference between the two options</b>	<b>-146,250</b>	<b>521,298</b>	<b>2,087,678</b>	<b>2,193,957</b>	<b>2,305,523</b>	<b>2,422,637</b>	<b>2,545,573</b>	<b>1,257,811</b>	<b>-514,786</b>
Discounted Net Present Value - 2007	9,884,774								

Table 4.10: Definition of costs associated with externalisation

Administration of TEN-T in the Executive Agency Option requires 81 FTE, of which 44 are in the Agency and 37 remain in DG TREN responsible for policy and decision making, European coordinators secretariat and supervision of the agency. The staff level will remain equivalent to 70 FTE if TEN-T is administered in the In-house Option.

By 2008, the Executive Agency will be fully operational and have taken over the full administration of TEN T, excluding the European Coordinators Secre-

tariat and policy and decision making. In particular services related to evaluation and monitoring of TEN-T projects will be enhanced as a response to the call for improved quality of the services delivered by the TEN-T administration. This is the case for both the in-house option and the Executive Agency option.

Consequently, the full number of staff in 2008 will be 123 in the In-house Option and 129 in the Executive Agency Option (including 6 staff for supervision of the Agency). The Agency will employ 99 FTE.

The cost of the TEN-T administration is 1.9 million EURO in 2007 (only weighted 25%) for the In-house Option, increasing to 14.4 million EURO in 2008 and 15.0 million EURO in 2009 reflecting price increases, adaptation and promotion rates.

The cost of the Executive Agency Option is 2.1 million EURO in 2007 (only weighted 25%) increasing to 13.9 million EURO in 2008 including staff reallocation costs and 12.93 million EURO in 2009. The development in costs reflects increased services provided by 2008, as well as price and salary increases.

Compared to the in-house option the cost savings of the Executive Agency Option is negative in 2007 (-0.15 million EURO in 2007), 0.52 million EURO in 2008 and 2.1 million EURO in 2009.

The savings reflect the decline in staff costs by employing relatively more contract staff than permanent Commission staff. The accumulated cost savings for the entire period 2007 to 2015 is 9.88 million EURO calculated in 2007 prices.

#### 4.5.2 Sensitivity Analysis

This section presents the outcome of changing the basic parameters used to calculate the CBA. The Net Present Value of the costs savings (NPV) has been recalculated by changing each financial parameter (interest rate, inflation rate and salary increment rate) individually to estimate the impact on the NPV. In addition, the impact of changing the staff composition has been measured.

The interest rate used as discounting rate in the calculation of NPV is 5%. Table 4.11 illustrates the impact on the NPV of increasing or decreasing the interest from 1% to 9%, keeping all other parameters constant. Increasing the interest rate to 9% only reduces the NPV by approximately 20%. In other words, the NPV is not very sensitive to changes in the interest rate.

Interest rate of 5% used in CBA					
Interest rate	1.0%	3.0%	5.0%	7.0%	9.0%
NPV in million Euro	12.04	10.90	9.88	8.99	8.20

Table 4.11: Impact on NPV by changes in interest rate

The inflation rate used in the calculations is 2%. The inflation rate is only used to regulate overheads and, as illustrated in the table 4.12, the impact on NPV by changes in the interest rate is minor.

Inflation rate of 2% used in CBA				
Inflation Rate	1.0%	<b>2.0%</b>	4.0%	8.0%
NPV in million Euro	9.96	<b>9.88</b>	9.73	9.36

Table 4.12: Impact on NPV of changes in inflation rate

The sensitivity of changing the adaptation and echelon rates used to regulate the salaries is larger than the inflation rate, but still relatively insignificant for this CBA, as illustrated in table 4.13.

Salary rate of 4.9% used in CBA (2.3 adaption/2.6 echelon)				
Salary Rate	2.5%	<b>4.9%</b>	7.5%	10.4%
NPV in million Euro	8.85	<b>9.88</b>	11.12	12.42

Table 4.13: Impact on NPV by changes in adaptation and echelon rates

In Appendix C, the CBA is presented using constant 2007 prices without the use of interest and inflation rates or salary increment rates. The outcome is a financial sustainability (costs savings) of 10.5 million EURO. This is approximately the same level as the NPV.

To finalise the sensitivity analysis the impact of recruiting relatively more or less contractual staff is estimated in table 4.14. In the Executive Agency Option 60% of the staff recruited in the Agency have the status as contractual staff with a significant lower salary level than temporary staff or seconded staff. Changing this ratio to 45% reduces the NPV to 4.47 million EURO and increasing the ratio to 75% increases the NPV to 15.69 million EURO.

Staff level 2008-13	Scenario 45% Contractual	<b>Scenario 60% Contractual</b>	Scenario 75% Contractual
Contractual staff	45	<b>59</b>	74
Seconded officials	8	<b>8</b>	8
Temporary agent	46	<b>32</b>	17
Total agency staff	99	<b>99</b>	99
NPV 2007 EURO million	4.47	<b>9.88</b>	15.69

Table 4.14: Impact on NPV of changes in temporary /contract staff ratio

Thus, the NPV is sensitive to the staff composition in the Agency. Should it for some reason not be possible to recruit enough contractual staff the NPV may decrease to close to zero. Employing relatively more contractual staff than initially planned would increase the NPV and thereby the associated economical gains.

However, consideration should prevail on actual staff requirements who should be experienced or trained in the current DG TREN administrative procedures of TEN-T, and be able and ready to streamline (simplify) these procedures, otherwise the economic benefits could be counterweighted by a lower quality of the TEN-T administration.

## 5 Conclusions and Recommendations

The present Cost-Benefit Analysis compared two strategic options for the future management of the TEN-T programme (incl. possibly improvement hereof) from 2007/2008 until 2013 with a phasing out period until 2015. The options are:

- 1 **In-House Option:** the new TEN-T programme with current and newly recruited staff for both present and possible new tasks remains in DG TREN. This option has to be addressed taking into account the past difficulties<sup>27</sup> encountered by DG TREN to managing the previous (and smaller) TEN-T budget and the fact that the EU budgetary authorities are reluctant to agree to increase administrative cost of the Commission, and thus the staffing volume and expenses. In addition, it worth stressing the difficulties the Commission has experienced in hiring specialised staff through the normal channels (i.e concours laureate lists) that provide reserve lists of staff with more general profiles.
- 2 **Executive Agency Option:** the existing Executive Agency is extended, comprising a combination of staff transferred from DG TREN and newly recruited temporary and contract staff. The option takes into consideration that not all tasks can be externalised and that DG TREN must maintain a certain staff level to carry out TEN-T related policy and decision making, including supervision of the Agency and support to European Coordinators.

The main purpose of the study was to provide DG TREN with enough elements to substantiate a management decision in favour of one of the two options or an in-between solution with only partial externalisation of the TEN-T programme management for the period after 2008.

Through an analysis of the present management situation (termed "Baseline Situation") and an extrapolation hereof, the study has estimated the number of FTE staff required in the Agency and DG TREN, respectively, to manage the TEN-T programme.

Furthermore, and on the basis of discussions with key DG TREN staff and other stakeholders, the study identified new tasks that should be considered for

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<sup>27</sup> As highlighted in the CoA report.

inclusion in the future TEN-T management, as from 2008 in application of new provisions of the TEN-T Regulation - whether in DG TREN or in the Agency:

- awareness and promotion of TEN-T Programme;
- knowledge-based TEN-T management (know-how and best practise).

The results of the Cost-Benefit analysis can broadly be summarised as follows:

Summary of CBA Findings	Situation 2007		Situation 2008-2013	
	In-house	Externalisation	In-house	Externalisation
Baseline Situation - Staff Level in FTE	70	N/A	70	N/A
TEN-T Budget	2000-06 open Decisions		Old and New Decisions	
TENTEA Estimated staff level in FTE	70	44	123	99
- Of which : new tasks	-	-	10	10
DG TREN: Estimated staff in FTE	-	37	-	30
NPV including new tasks ( in million EURO)	9,88			

Table 5.1: Summary of CBA findings

Based on the assumptions agreed upon with DG TREN and the analysis conducted, the outcome shows that the Executive Agency option has a positive NPV - cost savings of 9.88 million EURO - if TENTEA is mandated full responsibility for the entire management of the TEN-T project cycle including new tasks (promotion, best practices) which implies a qualitative improvement in the management of the TEN-T programme by the Agency, reflecting the increased TEN-T budget.

The above achieved cost savings (positive NPVs) by externalisation of the TEN-T programme are mainly due to the external staff cost structure and a combination of qualitative improvements.

Apart from the direct and measurable benefits reflected in the NPV, the decision on whether to externalise the TEN-T management should also take into consideration the non-quantifiable benefits expected from externalisation in comparison to a situation of internal management by the Commission.

The expected advantages generated by the creation of the Executive Agency are as follows:

- The Executive Agency will allow effective and flexible implementation of the externalised tasks. Indeed, the Agency will be able to recruit transport specialists (technical, environmental, economical and financial) with specific hands-on knowledge of transport appraisal, monitoring and manage-

ment experience as and when required. The employment rules and procedures of the Agency will introduce a more flexible human resources management policy allowing performance-based employment and a better match between skills required and actual staff competences. However, the requirement by DG ADMIN to hire Agency staff at the lower grade position (entry level post) could be a disincentive for senior and experienced technical staff to apply to TENTEA.

It should be stated that the recruitment policy within the agency must be in line with that of the Commission under which the choice of grades depends on the minimum number of years of professional experience required, within the limit authorized by the establishment plan of the agency. Besides, other incentives exist that allow the Agency to attract candidates such as a right to have a career.

- The agency will concentrate all the expertise required for the management of the TEN-T programme in one clearly identified set-up. The staff recruited will be dedicated only to their tasks and fully focussed to pursue their assigned management objective. Thus, the Agency will be more likely to achieve economies of scale compared to direct management of the TEN-T programme by scattered DG TREN units and this will reinforce the coordination between all the stakeholders interested or involved in the management of the projects.
- The separation of the programming and financial management tasks and the improved focus on financial management in the Agency will make it possible to simplify, and create more efficient procedures, for the adoption of financial decisions and considerably reduce (and avoid) payment delays to beneficiaries as well as financial back-log.
- The creation of the Agency should also result in a closer collaboration with the final beneficiaries that will be facilitating the implementation of financial decisions. It should also help to bring more effective coordination of Community interventions from various funds on the priority corridors and provide better guarantees on the execution of the budget. The Agency, through its specialised staff, is likely to have more and better project evaluation and project monitoring tools and skills through enhanced evaluation methods and will act as a knowledge centre gathering best practices and experiences also from other DGs, Member States and IFIs. This should help the Agency to create, as early as possible, a constructive dialogue with the project promoters and better assess the maturity and viability of the project ideas.
- The creation of a TEN-T Agency will by itself contribute to an added visibility of the TEN-T programme, due to an effective separation between the management of the funds by the Agency, and of programming and monitoring by the Commission. This, coupled with the employment of dedicated staff to undertake targeted awareness raising and promotion campaigns showing the impacts and benefits of the EU intervention will, substantially

improve the visibility of TEN-T programme in the Member States and in the general public, and in the long term contribute to its efficiency.

- Programming will remain the key competence of the Commission and key management positions within the Agency will be filled by civil servants of the Commission seconded to the Agency. This will allow the Commission to maintain a suitable level of know-how inside DG TREN. The temporary agents will participate and benefit from the qualitative jump provided by the recruitment of specialised staff by the Agency and this knowledge will be capitalised and will be cross-fertilised in DG TREN and within the Commission in general.
- The added focus and visibility of the TEN-T programme management are likely to have a positive effect on the pace of project implementation, but also on the disbursement of EU commitments.
- Finally the extension of the TEN-TEA mandate will build upon and optimise the current TEN-TEA

Based on the above-mentioned results and considerations, the study recommends that DG TREN extends TEN-TEA's mandate for the management of the TEN-T programme after 2008.

Irrespective of a positive decision by DG TREN to pursue the Agency option after 2008, it is important that, as of September 2007, DG TREN and the newly appointed TEN-TEA Director, manage to further detail the tasks to be externalised, to select and recruit the staff in order to fill the positions of the simplified (2007) and extended (2008) organigrammes of TEN-TEA.

The Agency will be judged on its results and should be considered administratively sound and, managerially responsive, and should be provided with:

- a clear mandate and centralised responsibility of Agency Director to organise the Agency in line with specific needs and on-going changes;
- the possibility to hire qualified and experienced staff;
- autonomy and empowerment of staff;
- clear devolution of responsibility and accountability of the staff for the performance of the programmes and projects (fostered entrepreneurial attitude);
- close monitoring of progress towards realisation of the objectives.

It is also important for DG TREN to clearly define the model of organization that best guarantees efficient management of the Agency. We believe that Agency should not replicate the current DG TREN TEN-T administrative set-up, but should model an entrepreneurial organisation, which is considered one of the most effective models for delivering results. However, the goals and objectives of the organisation and the work groups must also be meaningful, effective and well-articulated. Without well-defined goals and objectives, the senior management of the Agency would have difficulty in establishing clear direction and would be vulnerable to the risk that the efforts of programme man-

agers and other human resources may be spent on activities and projects that do not have top priority. The design of clear strategies, goals and objectives is the foundation for setting achievable targets.

The pre-requisite for the implementation of an Agency organisational structure is therefore:

- Programme managers must have broad skills for managing programmes and activities, and for making the decisions needed to produce the expected results;
- The management, at all levels of the Agency, need to fully embrace the strategies, goals and objectives of the TEN-T programme to ensure that action programmes and action plans are appropriate;
- Clear lines of communications should be established between the Agency and DG TREN as well as existing DG TREN Agencies when needed<sup>28</sup> ;
- The control and supervision functions by DG TREN should be clearly defined and explained to DG TREN and Agency staff ;
- TEN-T stakeholders (Member States, other DGs, IFIs) should be given a clear picture of the respective duties of DG TREN and the Agency;
- Methodology and indicators to measure efficiency gains derived from TEN-TEA (cash and non-cash), and the added value of Agency, should be designed in order document future evaluation of TEN-TEA performances.

Finally, a set of general and pragmatic recommendations are outlined below for review and further action:

- The Commission should ensure that when making leasing arrangements for the TEN-TEA's building, that a flexibility clause is inserted in the lease so that it does not have to bear the costs associated with an empty, underused building capacity during the phasing out period;
- The Agency's remit, tasks and responsibilities must be clearly defined in order to avoid any work being duplicated, and confusion for the beneficiaries, Member States and the Commission on roles and work distribution;
- Job descriptions must be tailored for the Agency's needs. There may be a difficulty in recruiting seconded staff (i.e. DG TREN staff). At the personnel level and by speaking to Commission officials it is possible to ascertain that there is confusion as to how the secondments work. Careful explanation and communication is needed at this level;
- It is important to establish good cooperation between the Agency and DG TREN, especially during the start up phase;
- A recurrent concern expressed by DG TREN staff interviewed was the loss of contact between DG TREN, who is responsible for policy, and the Agency, who is strictly administrative, could ultimately impact on the quality of the policy being drawn up. In order not to lose contact between DG TREN (policy making body) and the Agency, it is important to ensure that there is a line of communication, a liaison. Suggestions which came up during the interviews included:

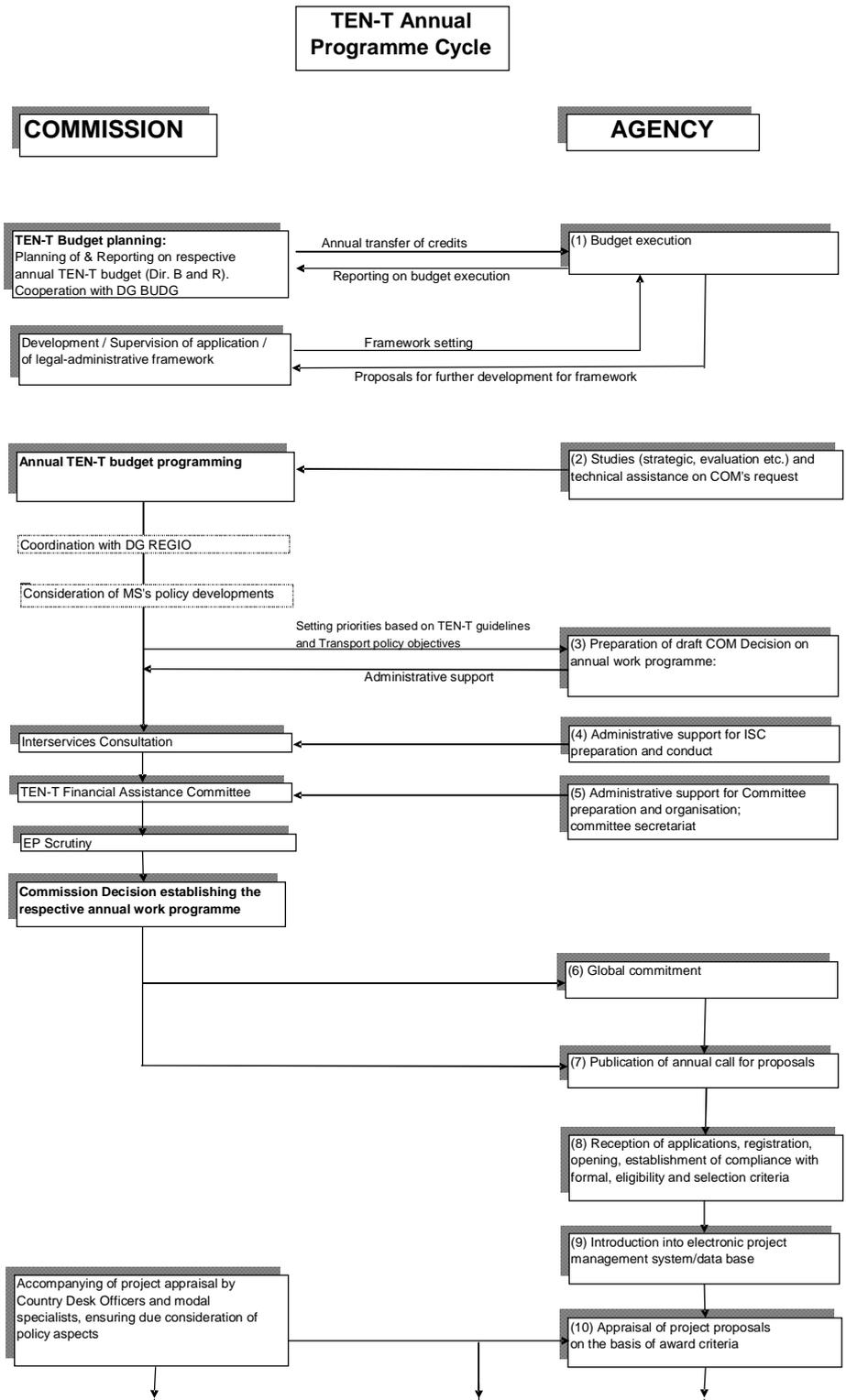
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<sup>28</sup> E.g. with ERA, which also deals with technical assessment of applications related to ERTMS.

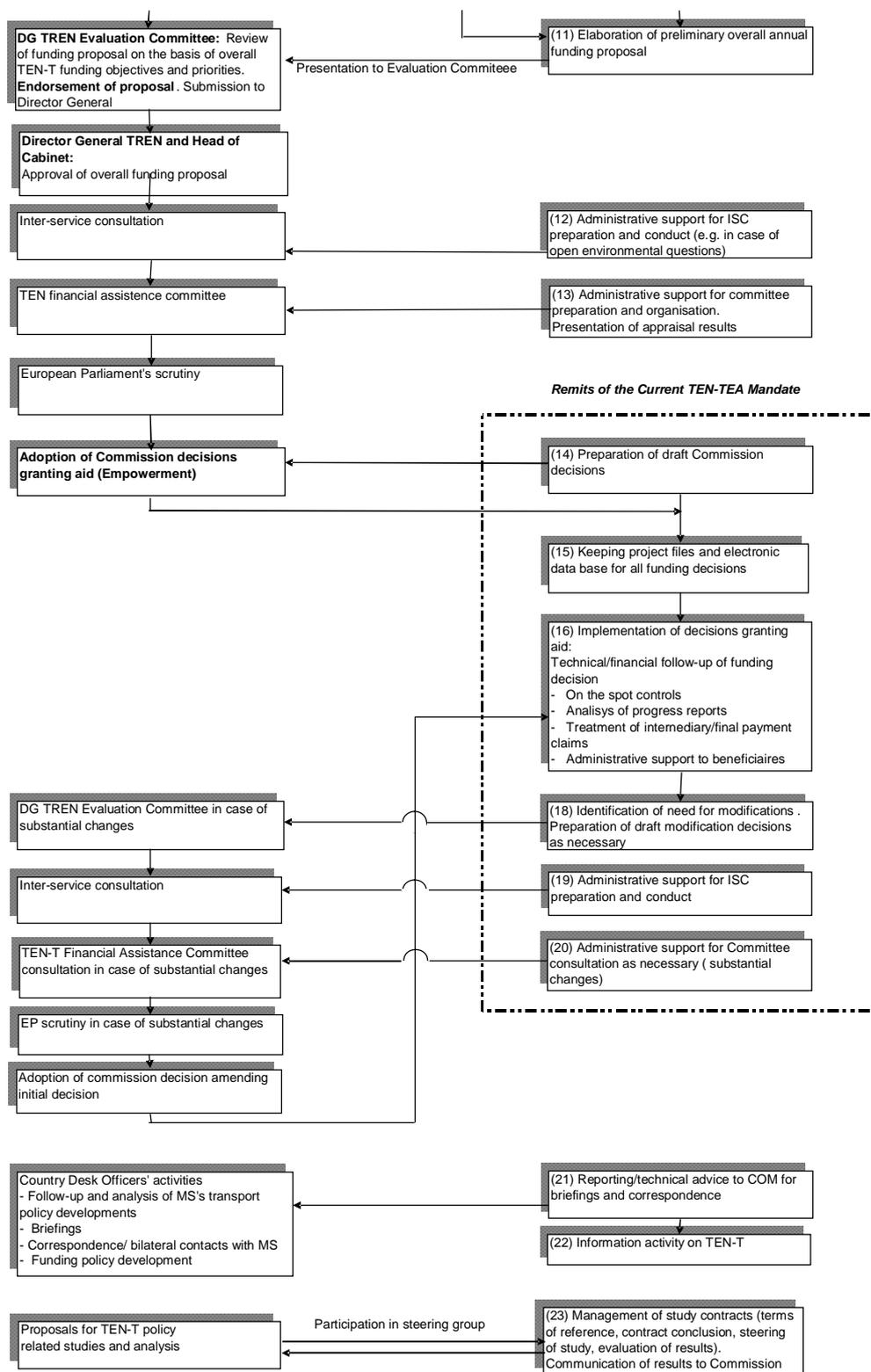
- In the case of the EACI (former Intelligent Energy Agency), the Director participates on a weekly basis in the Directorates meeting. This is a good way for the Director and DG TREN to keep abreast of news, latest developments, issues and problems.
- The Agency and the relevant units/directorates in DG TREN should make an effort to ensure that they include each other in e.g. meetings and workshops.
- It would be useful to have a person allocated to be the contact point between the DG TREN and the Agency. For example, the Agency will be working a lot with units B, G, E and F. A person from each directorate could be nominated to be the point of contact and even attend weekly meetings if need be.
- The EACI produces newsletters and has a communication division - it could be useful to learn form this set up, and apply it to the new Agency.

Attention should be paid to the coherence between tasks offered and grade at which staff can be recruited. In order to attract and recruit specialist staff, they must be hired at a grade that corresponds to their level of experience rather than at the lowest grade (entry level posts). However, an executive agency is a public body created by a Commission decision. Therefore, its recruitment policy must comply with the provisions in the Conditions of employment of other civil servants of the European communities.

## Appendix A: Flow chart of tasks related to TEN-T management and split between DG TREN and TENEA



(continued)



In this table, the tasks related to TEN-T management as defined in Chapter 4 are matched with the tasks identified with the tasks of TENTEA as presented in CoA flow-chart presented on previous pages. These tasks will be carried out by TEN-TAE with an extended mandate and when fully operational. The tasks that are part of **current** TENTEA mandate are presented in bold.

Title of Tasks as used in CBA	Tasks of TENTEA as defined in CoA flow chart (page above)
Policy and Decision Making	
Invitation to Member States, Reception and Evaluation of TEN-T Proposals	(7) Publicaiton of annual call for proposals
Preparation of Commission Proposals	(10) Appraisal of project proposals on the basis of award criteria (3) Preparation of draft COM Decision on annual work programme  (4) Administrative support for ISC preparation and conduct  (5) Administrative support for committee preparation and organisation; committee secretariat  (11) Elaboration of preliminary overall annual funding proposal  (12) Administrative support for ISC preparation and conduct (e.g.in case of open env. Questions)  (14) <b>Preparation of draft commission decision</b>  (17) <b>Identification of need for modification. Preparation of draft modification decisions as necessary</b>
TEN-T FAC Committee Secretariat	(13) Administrative support for committee preparation and organisation. Presentation of appraisal results  (18) <b>Administrative support for ISC preparation and conduct</b>  (19) <b>Administrative support for committee consultation as necessary (substantial changes)</b>
Financing Commitment, Contract and Disbursement	(16) <b>Implementation of decisions granting aid: tech/fin follow up decision; on the spot controls;analysis of progress reports;treatment of intermediary/final payments claims; administrative support to beneficiaries</b>
Project Monitoring	(16) <b>Implementation of decisions granting aid: tech/fin follow up decision; on the spot controls;analysis of progress reports;treatment of intermediary/final payments claims; administrative support to beneficiaries</b>  (20) Reporting/technical advice to COM for briefings and correspondence  (22) Management of study contracts (ToR, contract conclusions, steering of study, evaluation results;Communication of results to EC)
Audit	
Procurement of Services	(22) Management of study contracts (ToR, contract conclusions, steering of study, evaluation results;Communication of results to EC)
	(1) Budget execution
Budgetting	(6) Global commitment
Controlling and Reporting	(20) Reporting/technical advice to COM for briefings and correspondence
Filing and Archiving	(8) Reception of applications, registration, opening, establishment of compliance with formal, eligibility and selection criteria  (9) Introduction into electronic project management system/database  (15) Keeping project files and electronic data base for all funding decisions
Programme Evaluation	(2) Studies (strategic, evaluation, etc) and technical assistance on COM's request
IT Support and Human Resources	(15) <b>Keeping project files and electronic data base for a ll funding decisions</b>
European Coordinator - Secretariat Supervision of Agency by DG TREN	
Awareness and proactive promotion of TEN-T Enhanced evaluation	(21) Information activity on TEN-T

## Appendix B: DG TREN and TENEA staff figures

DG TREN staff in 2007: Horizontal services and those dealing with transport issues.

Unit	No. Staff
Directorate R - Resources	3
R.1 Financial Resources, Evaluation and coordination of agencies	40
R2. Human resources and informatics	58
R3. Information and communication, document management	40
<b>TOTAL</b>	<b>141</b>
Directorat A - General Affairs	4
A.1 Planning and coordination, interinstitutional relations	17
A.2 Economics analysis, impact assessment and climate change	19
A.3 International relations, enlargement	17
A.4 Internal market and competition	16
A.5 Services of general economic interests, users rights and infringements	18
<b>TOTAL</b>	<b>91</b>
Directorat B - Trans-European Networks Energy and Transport	4
B.1 TEN Policy and technological development	20
B.2 TEN Transport project management	19
B.3 TEN Project Evaluation and financial management	34
TREN BCCE cellule coordonnateurs RTE	9
<b>TOTAL</b>	<b>86</b>
Directorate E - Inland Transport	4
E.1 Land transport policy	11
E.2 Rail transport and interoperability	18
E.3 Road safety	14
<b>TOTAL</b>	<b>47</b>
Directorate F - Air transport	5
F.1 internal market, air transport agreements and multilateral relations	19
F.2 Single sky and modernisation of air traffic control	14
F.3 Air safety	14
F.4 Infrastructures and airports	10
<b>TOTAL</b>	<b>62</b>
Directorate G - Logistics, innovation, co-modality and maritime transport	5
G.1 Maritime transport policy, regulatory questions, maritime safety and seafarers	21
G.2 Maritime transport policy, internal market, ports, short sea shipping, inland waterways	22
G.3 Logistics, innovation, intelligent transport and co-modality	21
G.4 Clean transport and urban transport	13
G.5 Satellite navigation system (Galileo)	12
<b>TOTAL</b>	<b>94</b>
<b>TOTAL</b>	<b>521</b>

Staff planning of TENTEA

<b>Organigramme 2007</b>		<b>Extended version 2008</b>
<b>Units</b>	<b>No. of staff</b>	<b>No. of staff</b>
Director + staff	3	4
HoS data collection and dissemination	2	3
Internal Audit Surveillance	1	2
Comptable/controlle interne et procedure	3	4
Resources	16	29
Road and rail transport	10	22
Air waterbourne transport, logistics, innovation and comodality	9	19
Horizontal Matters, GIS and monitoring	0	16
<b>TOTAL</b>	<b>44</b>	<b>99</b>

Source : DG TREN

## Appendix C: CBA result at constant price

In the below Table the CBA is presented at constant 2007 prices.

### Constant Prices - 2007

Operational budget	2007	2008	2009	2010	2011	2012	2013	2014	2015
2000-2006 RAL - Million €	947	800	450	100	10				
2007-2013 Commitment appropriations - Million €	817	936	1015	1048	1228	1343	1528		
Inhouse Option (DG TREN)	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Number of Staff</b>	<b>70</b>	<b>123</b>	<b>123</b>	<b>123</b>	<b>123</b>	<b>123</b>	<b>123</b>	<b>98.4</b>	<b>61.5</b>
Officials/Temporary agents	62	112	112	112	112	112	112	89.6	56.0
Contractual Staff	8	11	11	11	11	11	11	8.8	5.5
<b>Cost</b>	<b>1,939,500</b>	<b>13,797,000</b>	<b>13,797,000</b>	<b>13,797,000</b>	<b>13,797,000</b>	<b>13,797,000</b>	<b>13,797,000</b>	<b>11,037,600</b>	<b>6,898,500</b>
Staff Cost	1,554,500	11,091,000	11,091,000	11,091,000	11,091,000	11,091,000	11,091,000	8,872,800	5,545,500
Overheads	385,000	2,706,000	2,706,000	2,706,000	2,706,000	2,706,000	2,706,000	2,164,800	1,353,000
Executive Agency Option	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Number of Staff</b>	<b>81</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>103.2</b>	<b>64.5</b>
Executive Agency	44	99	99	99	99	99	99	79.2	49.5
Temporary Agents (Seconded officials from EC)	6	8	8	8	8	8	8	6.4	4.0
Temporary Agents recruited by Ex. Agency	17	32	32	32	32	32	32	25.6	16.0
Contractual Staff	21	59	59	59	59	59	59	47.2	29.5
DG TREN (Officials)	37	30	30	30	30	30	30	24.0	15.0
<b>Cost</b>	<b>2,085,750</b>	<b>13,311,000</b>	<b>11,907,000</b>	<b>11,907,000</b>	<b>11,907,000</b>	<b>11,907,000</b>	<b>11,907,000</b>	<b>10,234,150</b>	<b>7,317,550</b>
DG TREN Staff	878,750	4,254,000	2,850,000	2,850,000	2,850,000	2,850,000	2,850,000	2,280,000	1,425,000
Executive Agency Staff	761,500	6,219,000	6,219,000	6,219,000	6,219,000	6,219,000	6,219,000	5,248,150	4,201,300
Overheads	445,500	2,838,000	2,838,000	2,838,000	2,838,000	2,838,000	2,838,000	2,706,000	1,691,250
<b>Cost difference between the two options</b>	<b>-146,250</b>	<b>486,000</b>	<b>1,890,000</b>	<b>1,890,000</b>	<b>1,890,000</b>	<b>1,890,000</b>	<b>1,890,000</b>	<b>803,450</b>	<b>-419,050</b>
<b>Financial sustainability €</b>		<b>10,174,150</b>							

## Appendix D: List of Background Documentation

1. COUNCIL REGULATION (EC, EURATOM) No 1995/2006 of 13 December 2006 amending Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities
2. COUNCIL REGULATION (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes
3. COMMISSION DECISION of delegating powers to the Agency [...] with a view to performance of tasks linked to implementation of the Community programme [...] comprising in particular implementation of appropriations entered in the Community budget
4. Communication to the Commission - Guidelines for the establishment and operation of executive agencies financed by the general budget of the European Communities, 2006
5. Q&A on the legislative package of EU programmes for the financial programming period 2007-2013
6. COM(2007) 135 final, COMMUNICATION FROM THE COMMISSION, Trans-European networks: Towards an integrated approach {SEC(2007) 374}
7. REGULATION (EC) No 1159/2005 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 6 July 2005 amending Council Regulation (EC) No 2236/95 laying down general rules for the granting of Community financial aid in the field of trans-European networks
8. Regulation (EC) No 680/2007 of the European Parliament and of the Council of 20 June 2007 laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks
9. TEN-T Regulation: COMMON POSITION adopted by the Council on 22 March 2007 with a view to the adoption of a Regulation of the European Parliament and of the Council laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks
10. COMMISSION DECISION of 23 May 2007 establishing a draft of the multi-annual work programme for grants in the field of trans-European Transport network (TEN-T) for the period 2007-2013
11. COMMISSION DECISION of 25 May 2007 establishing a draft of the annual work programme for grants in the field of trans-European Transport network (TEN-T) for 2007

12. COMMISSION DECISION of 26 October 2006 establishing the Trans-European Transport Network Executive Agency pursuant to Council Regulation (EC) No 58/2003
13. DECISION No 884/2004/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 29 April 2004 amending Decision No 1692/96/EC on Community guidelines for the development of the trans-European transport network
14. Proposal for a DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on a procedure for prior examination and consultation in respect of certain laws, regulations and administrative provisions concerning transport proposed in Member States
15. COURT OF AUDITORS SPECIAL REPORT No 6/2005 on the trans-European network for transport (TEN-T) together with the Commission's replies, OJ C 94, 21/4/2006
16. Reponse de la DG ECFIN a la CIS relative a l'acte de création de l'Agence Exécutive RTE-T - Consultation interservices sur la création d'une agence exécutive du réseau transeuropéen de transport
17. Cost Benefit Assessment of the externalisation of the certain tasks regarding the implementation of the Competitiveness and Innovation Framework Programme (2007-2013) through an executive Agency, by Technopolis, December 2006
18. Externalisation arrangements for "Intelligent Energy for Europe" Programme A cost-effectiveness assessment", Eureval C3E, December 2002
19. Supplementary Cost Benefit Assessment for the ERC Executive Agency, Final Report, Technopolic, September 2006
20. Cost benefit analysis for the Research Executive Agency, Revised Report January 2007 version 7.4
21. TENTEA Tableau des effectifs modifié 25-01-2007
22. Spring Forecast of Economic Trends 2007- ECFIN
23. Key ECB interest rates
24. Salary levels 2007 for EU functionaries, temporary and contractual staff
25. Staff Regulation of Officials of the European Communities and Conditions of Employment of other servants of the European Communities, 1/5/2004

26. Legislative financial statement for the setting up or extension of the lifetime of an executive agency
27. Flow chart TENT annual project cycle, CoA
28. Réponse de la DG ECFIN a la CIS relative a l'acte de création de l'Agence Exécutive RTE-T
29. Cooperation Agreement between the European Community and the European Investment Bank in respect of the loan guarantee instrument for TEN-T projects
30. TEN-T Objectives and Priorities, LGTT - Power Point Presentation by EIB
31. Combining EU Grant Funding with Public Private Partnership, Vienna May 2007, Gerry Muscat
32. Working Document No.2 on the European Union and its agencies. Executive Agencies - first reflections and future prospects, Committee on Budgets, Rapporteur: Jutta Haug, 10th April 2007
33. Report on the European Court of Auditors' Special Report No 6/2005 on the Trans-European Network for Transport (TEN-T), Committee on Budgetary Control, Rapporteur, Margarita Starkevičiūtė, 31st January 2007
34. Committee on Budgets, Section 5 - Executive Agencies, Tuesday, 17th July 2007, page 26
35. Mid Term Evaluation of the Multiannual Programme for Action in the Field of Energy "Intelligent Energy - Europe, 2003-2006
36. Setting Key Targets for Executive Agencies: A Guide, HM Treasury , UK, 2003

### Interviewees

#### **DG TREN Staff**

Gudrun Schulze - Project/Process Officer, Unit B2, Project management TEN Transport, DG TREN

Marcus Roman Parra - Deputy Head of Unit, R1 Financial Resources and Coordination of agencies, DG TREN

Mr. Augusto Bonnucci: Director of Directorate R, Resources of DG TREN

Mr. Dirk Beckers - Head of Unit, R1 Financial Resources and Coordination of agencies, DG TREN and Newly appointed Director of the TEN-T Executive Agency

Jonathan Scheele Director, B2 Trans-European networks at DG TREN

Filomane Lomartire, Unit A2 Economic analysis, Impact assessment, Evaluation and Climate change, Evaluation Officer, DG TREN

Keith Keen, Unit G3 Logistics, innovation, intelligent transport and modality, Policy Officer, DG TREN

Willy Maes, Unit G3, Logistics, innovation, intelligent transport and modality, head of Section, DG TREN

Sanna Kuukka, Directorate B Coordinators Cell RTE, Policy Co-ordinator, DG TREN

Christian Faure, Unit E2, Rail transport and interoperability, Programme Manager, DG TREN

Milosz Momot, Unit B1, TEN policies & technological development, Policy Officer, DG TREN

Olivier Lefebvre, Unit R1, Cellule Budget, Budget Officer - Coordinator budget / reporting, DG TREN

### **Horizontal DGs**

Martin Schauer, Unit D1, Financial Regulations, Legal Officer, DG BUDGET

David Chmelik, Unit A6, Allocation of human resources, Budget Officer - Budget rapporteur (A grade) for the allocation of human resources, DG BUDGET

Sandy Roupioz, Unit A1, General policy, agencies and co-ordination, HRM Assistant- Personnel Policy and Processes - Secteur AGENCE - suivi de la politique du personnel et mise en oeuvre du statut au sein des agences, DG ADMIN

### **Existing Executive Agency - EACI**

Patrick Lambert, Directorate D, Director of EACI, New and renewable sources of energy, Energy efficiency & Innovation, DG TREN

### **Members of the European Parliament**

Ines Ayola Sender, Member of Budgetary and Transport Committee

### **Member State Representatives**

Nick Milford, Trans-European Network Policy and Programme, Europe International and Better Regulation Division, Department for Transport, UK

Rosa Estevez, Trans-European Network Policy and Programme, Europe International and Better Regulation Division, Department for Transport, UK

Milena Karpinska, Department for Cohesion Fund Ministry of Transport, Poland

Natasa Stor, Advisor, Ministry of Transport, Slovenia

Mr. Marc Strauss, French Representative to the TEN-T FAC