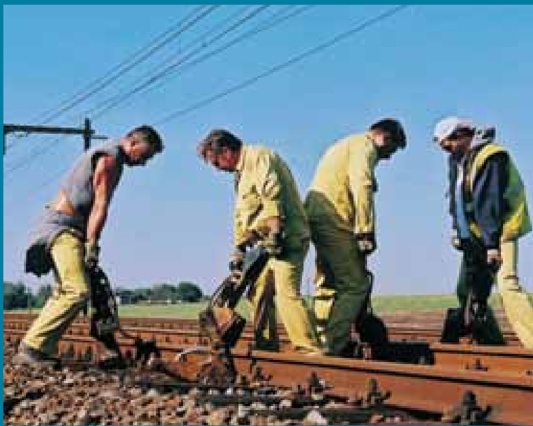
Finding the Funds






European Rail Infrastructure Managers
EIM

CER
The Voice of European Railways

Finding the Funds

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Contents

Foreword

The financial crisis has pushed Europe's railways to seek new and innovative sources of financing to fund the development of high performing, sustainable and customer focussed rail networks.

A great deal of funding is available from the various institutions of the European Union (EU). Efficient use of this EU funding is absolutely crucial as the economic downturn has put severe restrictions on the amount of public money that governments are able to invest in the rail networks, although the situation very much differs from one country to another. Cooperation among all rail stakeholders is crucial to making the best use of the funds available. This is why this year, Finding the Funds is jointly published by the European Infrastructure Managers (EIM) and the Community of European Railway and Infrastructure Companies (CER).

Currently, EU funds come from a variety of sources, such as the Trans-European Networks programme, the European Investment Bank, the Marco Polo programme and EU regional development and cohesion funds. These EU funds are often supplemented by private investors or national governments.

The aim of this fourth edition of the Finding the Funds brochure is to help railways obtain their fair share of EU funds, while calling on the EU to simplify funding procedures (along the lines of the Marco Polo programme) and to allow projects to make use of a combination of funding options. Indeed the major flight disruptions caused by a volcanic ash cloud in April 2010 highlighted the need to improve rail infrastructure for the benefit of European citizens.

In addition, EIM and CER are calling for European transport funding to put greater emphasis on sustainability. EU funding procedures should be linked to environmental performance, with more environmentally friendly modes of transport (such as rail) having an advantage when applying for funding. The upcoming White Paper on the Future of Transport should enshrine this as the guiding principle of the future transport policy.

The brochure is a follow up to the 3rd edition published in 2009, with updates on developments in EU policy and funding instruments. A CER-EIM joint project, this brochure aims to help both rail infrastructure companies and railway operators to have a clear understanding of how they can benefit from EU funding, in order to ensure that Europe's railways can continue to offer safe, sustainable, efficient and customer focussed services.

We hope you find the brochure informative, and most importantly, useful in identifying sources of funding for your railway projects. The EIM and CER teams will be more than happy to discuss potential funding sources for member companies' projects.

To conclude, we would like to express our gratitude to contributors who have given their time and expertise to ensure the successful completion of this brochure. Our special thanks go to Antonio Cancian, whose interview provided added value to this publication.

We wish you an enjoyable and informative read.

Michael Robson
Secretary General
EIM

Johannes Ludewig
Executive Director
CER

Cohesion and Structural Funds

The Structural Funds and the Cohesion Fund are the financial instruments of European Union (EU) Regional Policy, which is intended to narrow the development gap between regions. For the transport sector the following two funds are relevant:

- European Regional Development Fund (ERDF - Structural)
- Cohesion Fund

Definition of the funds

European Regional Development Fund

ERDF[1] priorities (including financing of transport infrastructure) are as follows:

- **Objective 1 - Convergence:** Transport investments, including Trans-European Transport Networks (TEN-T) and integrated city-wide strategies for clean urban transport that contribute to the improvement of access and quality of passenger and goods services. ERDF aims at promoting inter-modal systems and reducing environmental impacts by achieving a more balanced modal split.

- **Objective 2 - Regional competitiveness and employment:** Promoting clean and sustainable public transport, and strengthening secondary networks by improving links to the Trans-European Transport Network.

- **Objective 3 - Territorial cooperation:** Improving accessibility, including investments in cross-border sections of TEN-T. Improving local and regional access to national and trans-national networks and platforms. Enhancing interoperability of national and regional systems.

Cohesion Fund

The Cohesion Fund[2] is a structural instrument that helps Member States to reduce economic and social disparities, especially between regions. Formally speaking, the Cohesion Fund is not a «Structural Fund», but as the programming is since 2007 done in an integrated manner with the ERDF, the distinction is not very relevant for beneficiaries. Assistance from the fund will be granted in the following areas:

- TEN-T, in particular priority projects of common interest

- Areas related to sustainable development which clearly present environmental benefits:
  in the transport sector: rail, river and sea transport, inter-modal transport systems and their interoperability, management of road, sea and air traffic, clean urban transport and public transport.

How to apply

For infrastructure managers, the procedure for obtaining funds is twofold:
Ministerial level: Programming phase
Infrastructure Managers: Implementing phase

Programming Phase

The Programming Phase consists in the broad allocation of the regional funds planned by the European Commission and the Member State itself. It can be beneficial for infrastructure managers to intervene upstream in the process of defining the sectors for which funds will be allocated. This will be done in the Operational Programmes (see point 3 below).

The following steps are planned for 2007-2013 programming period:

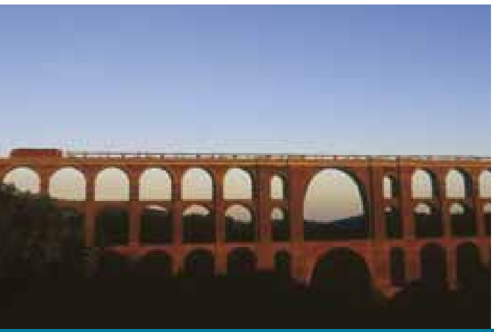
1. Community Strategic Guidelines
2. National Strategic Reference Framework
3. Operational Programmes
4. Sectoral Operational Programme Transport (SOPT)

1) In October 2006 the Council adopted a new strategic document for the Regional Policy: "Community Strategic Guidelines on Cohesion 2007-2013" (CSGs).[3]

   The Cohesion Policy is outlined in the new regulations covering the period 2007-2013, while the principles and priorities regarding its implementation are highlighted in the Community Strategic Guidelines.[4]

1 Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999, OJ L210, p. 1-11
2 Council Regulation (EC) No 1084/2006 of 11 July 2006 establishing a Cohesion Fund and repealing Regulation (EC) No 1164/94, OJ L210, p. 79-81.

3 Council Decision of 6 October 2006 on Community strategic guidelines on cohesion (2006/702/EC), OJ L 291, p. 11-32.
4 On p.16 of the Strategic Guidelines a greater support for rail infrastructure, more specific to interoperability, track fees and ERTMS was mentioned.



2) Each Member State uses the Strategic Guidelines as the basis for drafting its national strategic priorities and planning for 2007-2013, the so called National Strategic Reference Frameworks (NSRFs). Respecting the terms of the guidelines, the Member States need to define how the funds will be spent. The European Commission strongly supports this approach, particularly for the Convergence Objective.[5]

3) Operational Programmes follow the National Frameworks. Subject to a formal agreement between the European Commission and the Member States, they provide indicative financial allocations. Together with a list of the major projects (> € 50 m), the Operational Programmes include:

- Priorities
- Outline of the measures
- Financial plan
- Implementing provisions

4) The Sectoral Operational Programme - Transport (SOPT) is one of seven operational programmes under the "Convergence" Objective. The SOPT elaborates upon the objectives of the National Strategic Reference Framework (NSRF), establishing priorities, goals and the allocation of funds for development of the transport sector. In parallel to the SOPT, a Regional Development OP has been developed. Both programmes are included in a common development strategy in order to achieve a coherent transport system providing for spatial cohesion and interoperability within European Union transport systems.

   The application starts with a diagnosis of the transport sector in the country. During the implementation process the SOPT is managed centrally by the Ministry in charge of Transport and Infrastructure. The implementation arrangements include all the entities in charge of railway transport, which carry out the implementation of individual projects. However, the Ministry is in charge of handling the project selection (i.e. control, monitoring, payment validation and confirmation).

[5] Council Regulation of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999, (EC) No 1083/2006, OJ L 210, p. 25-78.

Implementing Phase

The starting point is the adoption of the Operational Programme by the European Commission. Thereafter, it continues with the management and implementation of the project by the Infrastructure Manager.

The implementing phase includes three steps:

1) Once the Operational Programme has been approved and adopted by the European Commission, each Member State will appoint for each programme a Managing Authority.[6] The functions of this body[7] are in general to select operations, evaluate, audit, monitor and inform the Commission on the operational programme in accordance with the principles of sound financial management. The Managing Authority needs to detail the eligible measures, which are the ones of interest for Infrastructure Managers, as the individual projects for which they are asking financing must comply with them.

2) Once the measures have been detailed, a provisional calendar of expenditures needs to be prepared for each individual project.

3) After the selection of the measures to be financed, the Managing Authorities have the responsibility to inform potential project promoters of the assistance that is available through, for example, public calls for tender. The Structural Funds general provisions provide for the possibility of a Managing Authority transferring management of a programme or sub-programme to an intermediary body[8] entrusted with a public-interest mission. This could be a local authority, a regional development body or a non-governmental organisation with experience in administrative and financial management.

[6] This is a national, regional or local public authority or a public or private body designated by the MS to manage the OP (art. 59)
[7] See art. 60 of the Structural Funds general provisions for more details.
[8] This is any public or private body or service which acts under the responsibility of the managing authority, or which carries out duties on behalf of such an authority vis-à-vis beneficiaries implementing operations (art. 2 Structural Funds general provisions).

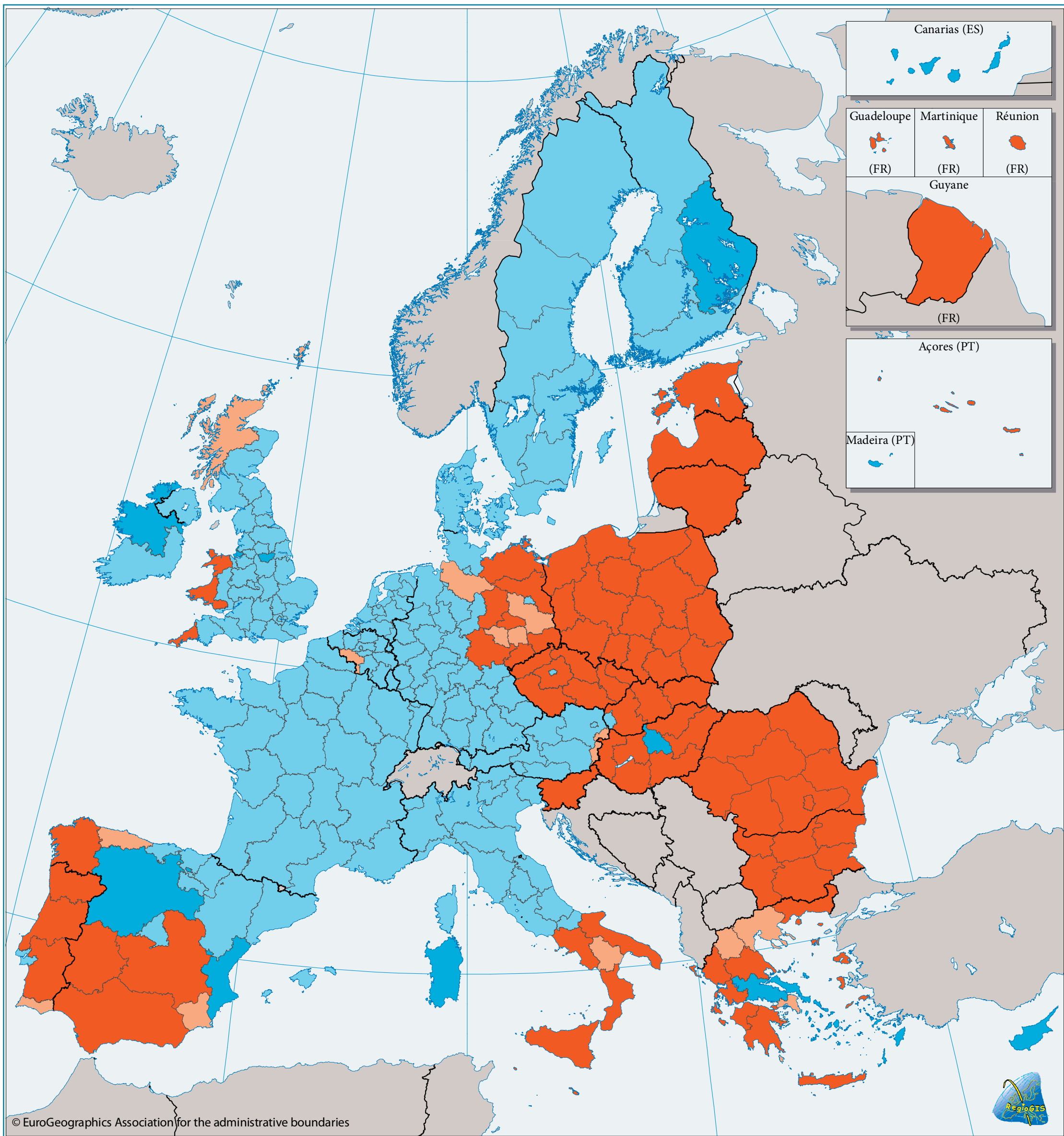
Summary of Structural and Cohesion Funds

The following table explains the several objectives which identify both the eligible areas and the funding instruments:

	Financial Instruments		Co-financing rate	
	Structural Funds (€ bn)	Cohesion Fund (€ bn)	Structural Funds (€ bn)	Cohesion Fund (€ bn)
Objective 1 **Convergence:** Aims to accelerate the convergence of the least developed Member States and regions by improving growth and employment conditions.	**European Regional Development Fund (ERDF):** Areas where GDP < 75% EU average; Plus the 'phasing out' and the 'phasing in' regions. **177,1 + 12,5 + 10,4**	Areas where GDP < 90% EU average. **61,6**	75% of public expenditure part-financed by the ERDF. The ceiling can be raised to 80% where the eligible regions are located in a Member State covered by the Cohesion Fund, and can even be raised to 85% in the case of remote regions. 50% of public expenditure part-financed in the outermost regions (a new additional allocation from the ERDF to compensate for excess costs).	85% of public expenditure part-financed by the Cohesion Fund.
Objective 2 **Competitiveness and Employment:** Aims to accelerate the convergence of the least developed Member States and regions by improving growth and employment conditions.	**European Social Fund (ESF): Four priorities:** o to improve the adaptability of workers and businesses, o to increase social inclusion, o to improve access to employment o to implement reform in the fields of employment and inclusion. **38,7**		Up to 50% for public expenditure. The ceiling is raised by 85% for remote regions.	
Objective 3 **Territorial Cooperation:** This new Objective aims to strengthen cross-border, transnational and interregional cooperation.	**ERDF** In case of networks of cooperation and exchange of experience , the entire territory of the EU is eligible. **7,75**		75% of public expenditure.	

Budget

The new Structural Funds Regions



Structural Funds 2007- 2013:Convergence and Regional Competitiveness Objectives

- Convergence Regions
- Phasing-out Regions
- Phasing-in Regions
- Competitiveness and Employment Regions

0 1,000 Km

Position as of October 2006. Regional boundaries in Bulgaria and Romania are indicative only

The following table provides a more complete overview of the amount of funding from the Structural and Cohesion Funds that will be awarded to the eligible Member States for rail transport projects.

The sources of information are the competent national Ministry of every listed Member State and the DG REGIO website.[9]

Regional Policy funding represents a key issue in the framework of the EU budget revision (see section 3.4). More than €45bn from the structural and cohesion funds will be spent on transport in the new Member States. However, only around one third of it will be spent on rail transport, while road projects still benefit from more than 50% of the total EU funds allocated to transport projects.[10] Rail transport is often seen as a secondary priority in comparison with road transport. Although it is quite understandable that new Member States also need to develop their road infrastructure, they should not neglect rail transport, as it is the most sustainable transport solution.

	Total CF Budget (in € billion)	General Transport figures (in € billion)	Specific Rail Sector Figures (in € billion)
Poland	22.18	ERDF: 2.6 Cohesion Fund: 17.1	ERDF: 0.63 Cohesion Fund: 5
Hungary	8.64	ERDF: 1.67 Cohesion Fund: 4.53	Cohesion Fund: 2.20
Czech Republic	8.81	ERDF: 1.17 Cohesion Fund: 4.6	Cohesion Fund: 2.58
Romania	6.55	ERDF:1.28 Cohesion Fund: : 3.28	ERDF: 0.56 Cohesion Fund: 1.29
Slovakia	3.9	ERDF: 0.88 Cohesion Fund: 2.3	ERDF: 0.09 Cohesion Fund: 1.25
Lithuania	2.3	ERDF: 0.63 Cohesion Fund: 0.88	ERDF: 0.02 Cohesion Fund: 0.54
Slovenia	1.41	ERDF: 0.22 Cohesion Fund: 0.69	Cohesion Fund: 0.45
Latvia	1.54	ERDF: 0.31 Cohesion Fund: 0.85	Cohesion Fund: 0.14
Estonia	1.15	ERDF: 0.10 Cohesion Fund: 0.52	ERDF: 0.005 Cohesion Fund: 0.13
Bulgaria	2.28	ERDF: 0.37 Cohesion Fund: 1,25	Cohesion Fund: 0.46

9 http://ec.europa.eu/regional_policy/country/prordn/index_en.cfm

10 http://www.foeeurope.org/press/2007/April11_MK_EU_cash_climate_clash.htm

Ex post evaluation of 2000-2006 transport Cohesion policy

In April 2010, DG REGIO published the final report on "Ex post evaluation of cohesion policy programmes 2000-2006 co-financed by the European Fund for Regional Development (Objective 1 and 2) Work package 5a: Transport,"[11] carried out by British independent consultant Steer Davies Gleave.

The main objective of the study was to evaluate the contribution of the European Fund for Regional Development (ERDF) to the development of the EU transport system. This evaluation covered the 25 Member States existing in 2006.

The following findings related are worth mentioning:

- 96% of ERDF co-financed investment in the rail network was undertaken within the EU15. In Greece and Spain, the ERDF co-funded improvements on 20% of the rail network. In Portugal, Italy and Germany, such improvements accounted for 8%, 4% and 2%, respectively of these countries' networks. Overall, Objective 1 regions represented some 95% of all rail improvements, accounting for up to 100% of works undertaken in Germany, Greece, Italy, Portugal, Spain and the UK.
- In total 2,201km of new high speed rail lines have been built across the EU in the programming period, all within the EU15, and 13% of these were constructed as a result of ERDF co-financed projects in Italy and Spain. 27% of new high speed lines in Spain and 25% of those in Italy were co-financed with ERDF resources.
- Overall, while the ERDF contributed to the construction of over 3,000 km of rail line, the total network length across the EU25 actually fell by some 1,500 km.
- Rail investment undertaken has not always contributed effectively to the improvement of rail services. For example, customer satisfaction has increased as a result of the enhancement of services resulting from capacity improvements in some regions, but some projects, for example in Greece and elsewhere, have not delivered benefits.

[11] http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2006/wp5a_final_report.pdf

Conclusions

The evidence on the impact of rail investment reinforces the need for a more rigorous approach to the development of strategic options and prioritisation of rail schemes within managing authorities.

The consultant suggests that the future use of ERDF resources in financing high speed rail projects should be considered particularly carefully. The potential for substantial reductions in journey time needs to be set against the following considerations:

- While high speed rail lines can substantially reduce journey times between major cities, the impacts in terms of economic development at intermediate points along the route are less clear;
- High speed rail often competes with aviation and investment in new lines may divert traffic from air to rail, depending on the characteristics of the route in question. The appropriate means of improving transport through a given corridor should be considered holistically, taking account of demand patterns as well as existing services;
- The costs of constructing new high speed lines are high when compared with the costs of other types of rail-based investment; and
- Member States seeking to invest in high speed lines as part of the development of the EU strategic rail network have access to other sources of finance, in particular the TEN-T budget.

Reform of the Cohesion policy

In 2010 national governments will start to discuss the EU's budget plans for 2014 and beyond. The EU regional development policy might face an uncertain future because member states that pay more than they receive are likely to put severe pressure to reduce spending compared to the 2007-2013 period.

On 27 April 2009 Fabrizio Barca (Italian ministry of economy and finance) published the report "An agenda for a reformed cohesion policy", prepared at request of Danuta Hubner, EU Commissioner for Regional Policy. The report highlights that "value for money" is the top priority for wealthiest member states. Regional funding will have to prove its worthiness in the implementation of projects.

According to the report, in order to be more efficient tomorrow's regional policy should be:

- **Simpler:** the Committee of the Regions adopted an opinion in April saying that the Commission "must step up its efforts" on streamlining administration and that "only if procedures are simplified significantly can infrastructure projects be implemented and paid for quickly. EU Commissioner for Transport Tajani put forward the same message, referring to the revision of the Marco Polo Programme in April.
- **Greener:** the fight against climate change should be a core objective of the regional police because potentially climate change could perpetuate the gap between rich and poor regions. This would result in a defeat for the EU regional policy.
- **More transparent:** referring to widespread corruption and opaque management of EU funds in Bulgaria and Romania, the European Parliament called on EU institutions to "apply the principle of zero tolerance in connection with cases of misuse of Community funds, fraud and corruption" and urged the Commission to ensure "that unduly paid amounts are recovered".

Barca report suggests that cohesion policy should concentrate around 65% of its funding on three or four core priorities such as climate change, innovation, migration and social inclusion, rather than focussing on such traditional sectors of regional development as transport infrastructure.

However, transport infrastructure can still play a key role to meet the climate change objectives: the report highlights that 11,6% of the budget goes on building motorways, roughly the same amount that is spent on renewables, energy efficiency, railways and cycle paths. Therefore, a turnaround to greener transport investment will be needed in order to move to a low carbon economy based on lower energy consumption and reduced CO2 emissions.

Examples

Upgrade of a Romanian local rail line strategically vital for Europe

A key section of the Trans-European Network Transport is being rehabilitated and upgraded in Romania, on the railway line between the town of Câmpina and the Carpathian resort of Predeal. Scheduled to end in 2010, the project will improve commercial rail services regionally and develop combined sea-rail transport.

The 48 km section was built in the 19th century and needs extensive work to bring it up to modern international standards. When this is done, the line should yield an economic rate of return of around 11-12%.

New infrastructure installed

The Prahova Valley section between Câmpina to Predeal is part of the railway line between Bucharest and Braşov. It is an important link between two main regions of Romania (Bucharest and Transylvania) and part of the Trans-European Network Transport (TEN-T) priority axis 22, which links the Eastern EU countries by rail and is the only connection from south-east Europe to the heart of the EU.

Guided by Romanian Railways (CFR), the project aims to upgrade the Câmpina to Predeal section, which is around 100 km from Bucharest. The section is part of the three main national and international railway lines that make the connection between the Black Sea in the south of the country, including Bucharest, with the central and northern parts of Romania and beyond. It also crosses the country's most important tourist area. Three-quarters of the project's total funding comes from the EU.

Much of the infrastructure on this section of railway line is very old, including the riveted metal bridges and brick culverts. Moreover the electrical installations, signalling and interlocking system are damaged on many parts of the line due to lack of maintenance and repair. Work is proceeding to address these challenges, although there have been some delays in implementation of the contract.

Faster, better travel

When this new project is completed in 2010, the rehabilitated Câmpina - Predeal section will allow higher speed travel than today, up to 160 km/h for passenger trains and 120 km/h for freight. Station platforms along the section will also have been improved according to European technical standards.

Line maintenance and repairs will be reduced, while comfort and safety should be much improved, encouraging more people and freight to use this rail line. Such improvements should also promote more intermodal (sea and rail) travel on this TEN-T route.

EU contribution: € 149,610,000
Total cost: € 214,979,400

Intercity link upgrade in Poland

Poland is engaged in a nationwide effort to improve rail transport. One major project is modernisation of the 132 km rail line between Warsaw and Łódź, the country's two largest cities. When completed by 2013, it will speed up journey times, increase passenger safety, and reduce rail transport's impact on the environment.

The work includes track replacement, infrastructure improvements and environmental protection measures. A new high-speed route, from Warsaw to Wroclaw, will soon be built to complement this line.

Two stages

The national rail network covers some 23 500 km, mostly managed by Polish State Railways (PKP SA). Under the 2004 to 2006 National Development Plan, Poland has been modernising its intercity lines and those which are part of key European rail routes.

Like many intercity lines across the nation, the one between Poland's capital, Warsaw, and its second-biggest city, Łódź, urgently needed upgrading. With European co-funding that covers 75% of the total eligible cost, a project was started to improve this line and its infrastructure. The main goals were to boost train speeds and curb the negative impact on the local environment.

Design and construction work is divided into two stages, lasting a total of six years. Now completed, the first stage covers a 62.8 km section from Skierniewice to Łódź Widzew. The slightly longer stage two, from Skierniewice to Warsaw, will see the construction of over 69 km of track and is expected to end in 2013.

Faster, quieter and greener

With stage one completed, the Warsaw – Łódź line has two new tunnels for pedestrians. Four bridges, six viaducts and 37 railway level crossings have also been modernised.

Environmental protection structures were installed over more than nine kilometres. These include jointless rails and a layer of stone ballast to reduce train noise. Other new facilities both at stations and along the line help to prevent pollution of underground water and protected zones. Engineers have also created passages and bridges for animals to cross the line safely.

While the modernisation process has caused some disruption to normal rail service, a recent passenger survey showed that almost 70% view this process as 'good or very good'. Once the entire 132-km line has been modernised, trains will run much faster than they do today, at up to 160 km/hr. Travel times from Warsaw to Łódź have been reduced from an average of 55 minutes to an average of 36 minutes. As a result, passenger satisfaction has increased and the attractiveness and competitiveness of the Łódzkie and Mazowieckie regions has been enhanced. It may also help to shift some regional road transport to rail.

EU contribution: € 161,170,000

Trans-European Transport Networks (TEN-T)

Legal basis

The Treaty on the functioning of the European Union provides the legal basis for the Trans-European Networks (TENs) in Chapter XV, Articles 170, 171 and 172. The European Union aims at promoting the development of Trans-European Networks as a key element for the creation of the Internal Market and the reinforcement of Economic and Social Cohesion. This includes enhancing the interconnection and interoperability of national networks as well as the access to such networks.

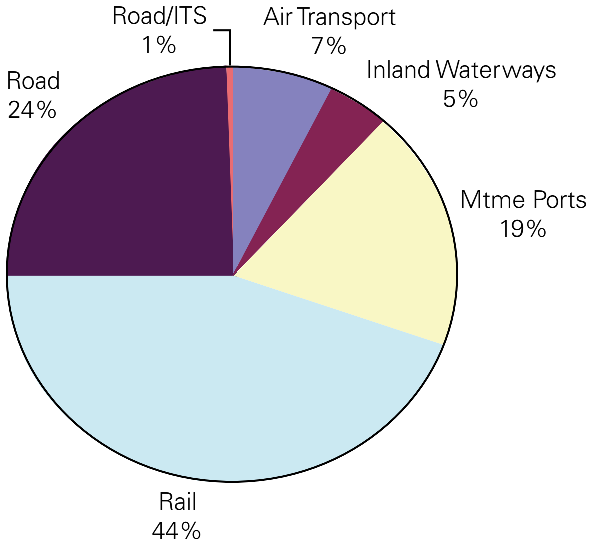
In the Community Guidelines[12] for the development of the TEN-T, the European Parliament and the European Council laid down a general reference framework for the implementation of the network and identification of projects of common interest.

Objectives of the TEN-T:

- Ensure mobility of persons and goods;
- Offer users high-quality infrastructure;
- Combine all modes of transport;
- Allow the optimal use of existing capacities;
- Be interoperable in all its components;
- Cover the whole territory of the Community;
- Allow for its enlargement to EFTA Member States, countries of Central and Eastern Europe and the Mediterranean countries.

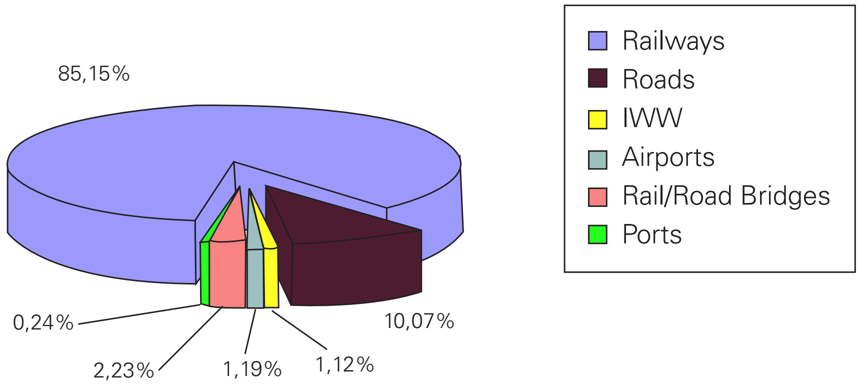
The function of the TEN-T is to set up modern and effective infrastructure and related services and to link European regions and national networks. TEN-T covers the European (high-speed) railway network, road and intermodal transport and waterways and seaports. Intelligent transport management systems, like ERTMS, also fall into this category.

Distribution of the selected TEN-T projects for the annual programme 2007 by transport mode



[12] Decision of the European Parliament and of the Council of 23 July 1996 on Community guidelines for the development of the trans-European transport network, No 1692/96/EC, OJ L 228 , 09.09.1996 p. 1-104.

Modal distribution of the total PP cost[13]



Priority networks

Within the TEN-T there are in total 30 priority axes and projects. Each project corresponds to an international corridor and comprises a number of sections on which works are due to be completed within an agreed timetable. The list includes specific projects endorsed in 1994 by the Essen European Council, two-third of which are railway projects.

European coordinators

In July 2005 the first six European coordinators were designated by the Commission to evaluate progress and make recommendations for TEN-T Priority Projects (cross-border sections, groupings of projects on the same priority axis or the whole axis). These coordinators encourage cooperation with users and operators, promote the projects amongst private investors and financial institutions (including the EU) and inform the EU on progress achieved so that, if necessary, measures can be set up to overcome any possible difficulties. The European coordinators have been appointed so far for the priority axes 1, 3, 6, 17, 18, 19, 21 27 and 30 and for the implementation of the European Rail Traffic Management System (ERTMS).

In the fourth annual report (October 2009)[14] the European Transport Coordinators put forward the following recommendations:

- Putting the European economic and environmental interest first;
- Taking full account of the interests of an enlarged European Union and putting the European internal market at the service of Europe's place on the global market;
- Taking a fresh look at financing difficulties of infrastructure projects and change decision makers' mindsets from too much attention for the short to medium term to taking full account of the interest of the long term sustainability of the European internal market;
- Ensuring the mobilisation of enough financial leverage to complete the planned projects and ensuring that all financial instruments and all EU funds available for transport infrastructure are used in a coordinated manner to reach this goal;
- Involving all relevant stakeholders in infrastructure projects at an early stage so as to avoid costly oversights and delays;
- Ensuring coherence between the comprehensive project approach and EU co-funding;
- Looking at transport and transport modes as part of one logistical chain that can ensure seamless door-to-door transport and to improve the quality of service of all modes;
- Including intermodal nodes in the TEN-T network in order to improve, where necessary with financial support, the intermodality of the network;
- Direct European co-financing with priority to investments enabling each mode to form an optimal link in the logistics chain;
- Urgently tackling the lack of interoperability along many European transport networks and removing

[13] DG TREN, TEN-T Implementation of the Priority Projects Progress Report, May 2008
[14] http://ec.europa.eu/transport/infrastructure/european_coordinators/2009_en.htm

main bottlenecks, notably at cross border sections;
- Ensuring regulatory stability for the market and enforcing current European and national legislation;
- Better coordinating policy and enforcement efforts throughout the different layers of public administration.

Priority project 1: rail link Berlin-Palermo. The European Commission, after consulting the European Parliament and the Member States, who both strongly supported the Commission, made a reservation of € 960 million of the € 5.1 billion envelop for priority project 1, Berlin-Palermo. The vast majority of this amount (€ 786 million) should be invested into the Brenner Base Tunnel project, which would make it, in turn, one of the biggest beneficiaries of the TEN-T budget.

Priority Project 3: South-West European high speed link. The financing mechanisms for major transport infrastructures vary from one Member State to another. In some cases, the main source of funding is the State, while in other cases the financial arrangements for a project are complex and involve not only the State but also the infrastructure manager and the regions. The speed of completion of this type of infrastructure therefore differs substantially from one Member State to another, particularly because the authorisation procedures differ a great deal between France and Spain, for example.

Priority project 6: railway axis Lyon-Ukrainian border. The Coordinator, the project countries and other involved partners will be looking very closely at making quick progress with some modal shift issues. Special focus will be put on the developments on the eastern part of PP6, to ensure that trains will be able to drive without undue obstacles to the Ukrainian border.

Priority project 17: railway axis Paris-Strasbourg-Suttgart-Wien-Bratislava. During 2008–2009, the four participating Member States, i.e. France, Germany, Austria and Slovakia, have made further major efforts towards the completion of this project. The current preparatory work between Baudrecourt and Vendenheim, the official start of work on the Kehl Bridge in July 2008, the signature of the "Stuttgart 21" financing agreement and the "Twin City Declaration," as well as the break-through of the Lainzer Tunnel and the Wienerwald Tunnel are examples which show the efforts made with high investments. These results along the length of the railway axis convey the image of a concrete project which – barring a few individual stretches – can be completed by 2015.

Priority project 27: Rail Baltica. The most important element in evaluating the situation for the project in the year 2008-09 was the credit crisis and the resulting economic downturn and recession. Although Poland was affected along with all EU Member States, the current recession has affected the Baltic States in a particularly harsh way. Whether the crisis will have a fundamental effect on the project or not remains to be seen, but clearly budgetary difficulties and the restrictions on the provisions of credit worldwide may result in difficulties in implementing the project as originally conceived.

ERTMS (European Rail Traffic Management System)

ERTMS is a tool to establish an integrated and intelligent railway transport system in Europe which has a special place within the TEN-T. It allows for reduced transport costs and improved punctuality and safety, thus leading to an increase in European railways competitiveness.

Freight transport will benefit significantly from ERTMS combined with other measures such as the elimination of bottlenecks and the harmonisation of operational rules. Freight volumes are expected to increase by 55% along certain corridors while travel time is expected to be reduced by 20%. Furthermore, reliability of freight transport is expected to increase by 26%. All of this can contribute to make rail a more attractive option for freight transport.

Three priority criteria are given for trackside equipment:

1. Contribution to the coordinated deployment of ERTMS in Europe (proposals submitted jointly by Member States and organisations involving Infrastructure Managers from different Member States);

2. Support ratio: the total amount of EU support requested over the number of kilometres fitted;

3. Priority order:
a) freight corridors
b) high speed corridors
c) TEN priority projects
d) rest of TEN network
e) other lines.

The TEN-T programme finances 6 European rail freight corridors:

- Corridor A «Rotterdam – Genoa»
- Corridor B «Stockholm – Naples»
- Corridor C "Antwerp – Basel/Lyon"
- Corridor D "Valencia – Budapest"
- Corridor E "Dresden – Constanta"
- Corridor F: "Aachen-Terespol"

2009 Annual report of coordinator Karel Vinck

Around EUR 260 million have been granted within the 2007 call for proposals.

A second call was launched at the end of March 2009 to award the remaining EUR 240 million. The projects can be co-funded at a maximum rate of 50%.

Furthermore, the installation of trackside ETCS is mandatory for co-financing requests aiming at:

- building up new high speed lines or at significantly upgrading control command and signalling systems (CCS) of existing high speed lines
- implementing conventional rail investments located on priority projects or co-financed through the Structural and Cohesion Funds for more than 30% of the total cost. In these cases, ETCS is mandatory when the project involve a new CCS or a significant upgrade of the CCS already in use.

The report concludes that testing remains very important over the long term to ensure full interoperability among the ERTMS products of different manufacturers as well as among cross border ETCS installations.

Financial issues related to ERTMS are also dealt with in the Corrigendum to EC Regulation 881/2004 of the European Parliament and of the Council of 29 April 2004 establishing a European Railway Agency. In particular, article 21.a) states that with regard to ERTMS equipment which was placed in service before 23 April 2008 or whose installation or upgrading was at an advanced stage of deployment on that date, the Agency shall prepare an assessment report which shall identify:

- *the additional costs to be borne by early implementers as a consequence of the introduction of the version adopted by the Commission on 23 April 2008;*
- *all possible mechanisms, including financial ones, to support the migration from the earlier versions to the version adopted by the Commission on 23 April 2008.*

Freight used along transport corridors

Corridor	Route lenght (km)	% Freight/total Units of transport (including passengers)
ETRMS corridor		
A Rotterdam - Basle - Genoa	2 574	59%
B (Naples) - Bologna - Vernoa - Munich - (extended towards Berlin - Hamburg - Copenhagen - Stockholm)	3 467	51%
C Antwerp - Basle/Lyon	1 680	67%
D Valencia - Barcelona - Lyon - Turin - Trieste - Ljubljana	2 220	47%
E Dresden - Prague - Brno - Vienna - Budapest	1 621	75%
F Aachen - Berlin - Warsaw	1 934	76%
Others	33 814	53%
Total	**47 309**	**56%**

Updated map of ERTMS corridors

Source: Karel Vinck activity report 2008-2009

Other financial aid

Article 7 of the TEN Financial Regulation addresses the combination of Community funding:

"The Commission shall ensure the coordination and the coherence of projects co-financed in the framework of this Regulation with related actions benefiting from other Community contributions and financial instruments as well as EIB operations."

In the attached Statement the Commission is very clear:[15] it allows no accumulation of aid from different sources of Community funding for the same phase of a project. This means that projects that receive funding from, for example, the Structural Funds and/or Cohesion Fund cannot benefit from the TEN-budget.

It has been estimated that a large part of the Cohesion Fund and ERDF will be directed to the Trans European Transport Networks. This amounts to approximately € 45 bn.

[15] 16549/06 ADD 1, 8.12.06 (Addendum)

Two possibilities for combining TEN-funding with other Community funds within one project are therefore available:

1. Funding for different phases of a project. For example receiving TEN-funding for the preparatory phase (studies) of a project and receiving financial assistance from Cohesion Fund for the actual construction of the infrastructure. Another example could be the funding of research (within FP7) within a project together with TEN-funding, as long as the different funds relate to different phases of a project.
2. Funding for different geographical sections of a project. These different sections can either be co-financed by Structural Funds/Cohesion Fund or TEN-funding.

Loan guarantee instrument for TEN-T projects (LGTT)

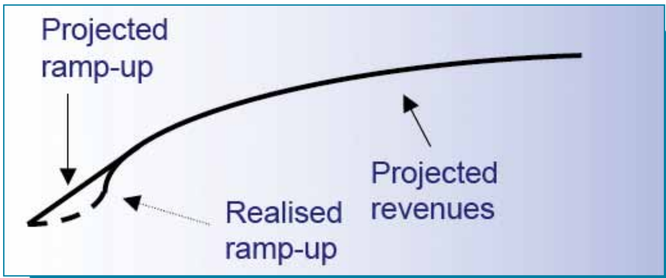
LGTT is a financial instrument set up and launched jointly by the European Commission and the European Investment Bank (EIB) on January 2008, which

aims at facilitating geater participation by the private sector involvement in the financing of Trans-European Transport Network infrastructure.

LGTT is financed with a capital contribution of € 1 bn (€ 500 m each from the Commission and the EIB) which is intended to support up to € 20 bn of senior loans.

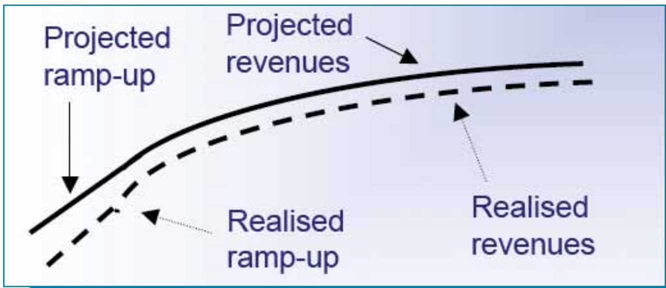
The LGTT partially covers high levels of revenue risk in a project's early operating stages ('ramp-up phase'), consequently improving significantly the financial viability of a project.

Traffic shortall during ramp-up



Source: EIB presentation

Traffic shortfall throughout project life



In practice LGTT works as an EIB guarantee, the risk capital for which is jointly provided by the EIB and the EC in favour of commercial banks which will provide Stand-By-Credit Facilities (SBF). The SBF can be drawn on by the project company in case of unexpected reductions in traffic income of the project during the initial ramp-up period of operation in order to assure service of its senior credit facilities. The SBF will benefit from a guarantee from the EIB and will be available for use in the initial ramp-up period only.[16]

Some relevant details:

- The guarantees may not exceed 5 years after the starting date of operation of a project (in some special cases up to 7 years).
- The EIB manages the EU contribution to the loan guarantee instrument on behalf of the Community.
- Applications for risk coverage under the loan guarantee instrument shall be addressed to the EIB according to the EIB's standard application procedure and shall carry out the approval procedure according to its usual rules and criteria.

[16] For more details see: http://www.eib.org/attachments/press/2008-005-fact_sheet_en.pdf

How to apply

The Commission prepares calls for proposals based on the multi-annual or annual work programmes. The multi-annual work programme in the field of transport shall apply to priority projects in road, air, rail, inland waterway, coastal and maritime traffic management systems. The amount of the financial framework must lie within a range of 80-85% of the € 8 bn TEN-T budget. For the period 2001-2006, € 515 m were granted to projects identified in the Multi-annual Indicative Programme (MIP). € 105m have been allocated to projects complementing projects financed by the MIP but which are less ambitious.

The annual work programme in the field of transport shall apply the criteria for granting of financial aid to projects of common interest not included in the multi-annual programme.

To assess the quality of projects, the following criteria are used:

1. Maturity of the project;
2. Stimulative effect of the Community intervention on public and private finance;
3. Soundness of the financial package of the project;
4. Direct or indirect socio-economic effects, in particular on employment, competitiveness and growth;
5. Impact on sustainable transport and the promotion of transport policy aspects.

Proposals of projects of common interest, complying with the conditions set out in a call, may be submitted either:

- by the Member State(s) concerned, or
- by the public or private undertakings or bodies directly concerned by the project, with the agreement of the Member State(s) concerned, or
- by the European or international organisations concerned (in which Member States are represented as members).

The TEN-T Executive Agency

Created in 2006 and based in Brussels, the Trans-European Transport Network Executive Agency (TEN-T EA) is entrusted with the management of the Community funds available for the promotion of the Trans-European Transport Network.

Thanks to its new mandate, approved in July 2008[17], the Agency's lifetime has been extended until 31 December 2015. It takes over total management of the 2007-2013 TEN-T projects. It is responsible for:

- ensuring the technical and financial management of projects and events co-financed under the trans-European transport network's budget;
- collecting, analysing and transmitting to the Commission all information required for the implementation of the trans-European transport network, as well as assisting the Commission with TEN-T network programming;
- providing technical support to project promoters and the financial institutions responsible for managing the loan guarantee instrument for the TEN-T projects;
- providing any technical and administrative support requested by the Commission;
- setting up accompanying measures to contribute to the efficiency and effectiveness of the TEN-T programme in order to maximise its European added value.

While DG MOVE will continue to address all policy-making and institutional tasks related to the TEN-T, the Agency will be in charge of turning the policy into practice, by:

- checking the eligibility of the proposals: (arrived on time, are complete, signed by the applicant, approved by the Member State, in compliance with EU legislation applicants financial and technical capacity to carry out the project etc.);
- conducting the external evaluation:
  - all proposals are reviewed independently by at least three external experts;
  - the external experts meet in a "consensus meeting" to reach a consensus recommendation and score for each proposal.

The evaluation process carried out by the Agency is based on the following guiding principles:

[17] COMMISSION DECISION of 11 July 2008 amending Decision No 2007/60/EC as regards the modification of the tasks and the period of operation of the Trans-European Transport Network Executive Agency

- **Objectivity:** each proposal should be evaluated as it is on paper
- **Accuracy:** assessment is made against the official award criteria - nothing else!
- **Consistency:** the same standard of judgment applies to each proposal

Projects are evaluated against four blocks of award criteria:

- **Relevance:** the project shall meet the objectives of the call as well as EU's transport priorities, as defined by the TEN-T guidelines. Moreover each action should have a direct positive contribution to the TEN-T network.
- **Maturity:** it is evaluated from a technical and financial point of view. Political commitment from all stakeholders involved and advancement of procurement and administrative procedures (such as public consultations, building permits, Environmental Impact Assessment) are also key maturity criteria.
- **Impact**
  - Anticipated direct and indirect socio-economic effects (as reflected in the results of ex-ante evaluation(s), socioeconomic and/or cost/benefit analyses): impact on traffic growth, multimodal split, interoperability, regional or national competition, service quality, safety, regional and/or local development and land use, impact on neighbouring regions, competition
  - Impact on the environment (works only), notably rebalancing of transport modes in favour of the most environmentally friendly modes and measures of prevention, mitigation and monitoring.
- **Quality:** it encompasses completeness and clarity of the proposal description of the planned activities coherence between objectives, activities and planned resources and soundness of the project management process.

Golden rules for successful applications for TEN-T funds

1. Need high level company support – no incentive for local teams

Because the TEN-T funding requirements require projects to be financially mature, the local project teams may already have basic funding in place; they might not see the bigger picture and the benefits from EU funding. Getting TEN-T funding does put additional work and reporting requirements on a project: If they are not concerned where funds come from, or don't want to change the details of their own delivery programme (one of the things that TEN-T looks to do is speed up the implementation of scheme) then you need to be able to promote the activity as a company-wide benefit.

2. Delegate – too much work for one person!

The TEN-T application paperwork is difficult and lengthy. Attempting to do more than one form at a time is a big effort and you should think about the resources you need – they are best coming from within the local project where people are familiar with the scheme you are writing about.

3. Go to the conference

The TEN-T conference is important for getting a clear understanding of the assessment processes, problems people are having with applications and the Commission's priorities. As well as helping you pick the right projects it will help with the filling in of the forms.

4. Keep reading website – guidance changes!!!

The TEN-T website has a Q&A document for assisting with completing the paperwork, but it keeps changing as the Commission and Agency deal with more issues people raise – go back and check it regularly.

5. Need government support in Commission committee meetings

At the end of the day, the Finance Committee meeting of member states has to agree the final list of projects – if yours is in there pushing for your scheme to be included, it can't hurt!

6. Need government support for inter-modal competition at home

Each Member State is only going to get a certain share of the funds available – so if your country is putting forward lots of projects from other modes you are competing against them as much as you are other countries' rail schemes – and possibly more so. Try and get a consensus on the national mix of projects before you waste the time of too many people.

7. Use regional and local government for support

Showing a project is integrated with other modes and regional transport plans helps, and many government regions have their own lobbying abilities.

8. Lobby MEPs and Agency directly

The Transport Committee has to review the list of projects and maintain a continuous oversight of the role of the TEN-T agency. Big projects might be ones the MEPs want to show their support for, and members of the transport committee can help put across the message that key projects are deserving of consideration.

9. Warn Environment bodies in advance

Possibly the most difficult box on the form to cross-off is the inclusion of certificates from your Water Framework Directive and Natura2000 bodies. Speak to them as soon as possible and get them to provide the certificates as soon as you think the project will be a candidate – if you leave it too late the lack of a certificate could get a project rejected.

Garry White
Head of European Affairs
Network Rail

From golden rules to reality

Felixstowe-Nuneaton Route Work

This project aims to upgrade the Priority Axis 26 (railway/road axis Ireland/United Kingdom/continental Europe) from the port of Felixstowe to the West Midlands and connections with Priority Axis 14 (West Coast Main Line) at Nuneaton. This will facilitate the movement of international traffic by rail between the port and other UK regional distribution centres in the Midlands, North East, North West and Central Scotland.

The route work, which involves 29 sub-activities, will upgrade loading gauge capability specifically to enable the movement of 9' 6" containers on one metre high flat bed wagons - the most economical means of moving containers by rail within the UK. It will also provide increased capacity for intermodal freight services (to meet port forecasts up to 2030, and for a better loading/utilisation of intermodal services to 85% loading per train).

This increased capacity will:

- improve the network resilience for the movement of containers by rail from the port of Felixstowe
- increase rail mode share
- avoid additional intermodal services being routed via London (with consequential passenger benefits in the London area)
- support environmental sustainability
- reduce road congestion on the A14 corridor
- support regional policy objectives for transport, economic vibrancy and employment

Total project cost covered by this Decision: € 46,171,928
National budget: € 36,937,928
EU contribution: € 9,234,000 (20% of the total)
Beneficiary: United Kingdom of Great Britain and Northern Ireland
Implementing body: Network Rail (infrastructure) Ltd
Start date: July 2009
End date: December 2011

Other TEN-T related initiatives

- **TEN-T Information days.** Every year, the European Commission organises an information event in order to provide an update on the implementation of the TEN-T projects: key players from the European institutions present their views on the priorities and objectives, as well as the projects and prospects for TEN-T. Practical information on financing opportunities and on the preparation of proposals is also provided.

  Compared to previous editions, the 2009 TEN-T Days had a remarkable political significance. National delegations from 47 countries and transport stakeholders participated in the event hosted by the Italian government on 21 and 22 October in Naples. The title of the conference "Building bridges between Europe and its neighbours" is revealing of the Commission's wish to go beyond the geographical borders of Europe in order to enhance cooperation with non-EU developing countries.

  On financing of TEN-T infrastructure, stakeholders agreed that a major involvement of private investors is desirable to speed up the implementation of TEN-T projects. The unanswered question is how transport infrastructure projects can be made attractive to private investors in light of the current financial downturn. The European Commission and the European Investment Bank highlighted the efforts being made by the EU Institutions to promote PPPs.

  Amongst the conclusions of the conference, the following are worth mentioning as they are of direct interest to the rail sector:
    - There is a wide agreement on taking public investment in infrastructure out of the Maastricht parameters (3% national deficit/GDP).
    - TEN-T should ensure territorial cohesion for all the European citizens.
    - High Speed Rail is a great opportunity to make EU transport more sustainable as it leads to reduced pollution, accidents and energy consumption.
    - PPPs will lead to more transparency and better management of EU funds. The Commission will look into the possibility of establishing an EU guarantee fund.

- The TEN-T Guidelines will next be reviewed in 2011. In preparation for this, the European Commission published a **Green Paper**[18] at the beginning of 2009. The Commission document opened a period of public consultation by putting forward the following key messages:
    - Future TEN-T policy needs to build on past achievements and ensure continuity of the previously agreed approach. At the same time, it needs to be open for new approaches to respond to future political, economical, environmental and technological challenges and opportunities.
    - In order to respond to both the need for efficient and competitive transport services and to contribute to climate change objectives, the TEN-T policy needs to strengthen the integration of the network (combination of modes, optimal interconnection, and integration of intelligent transport systems to ensure efficient infrastructure use).
    - Community action in the field of the TEN-T requires a stronger focus on "European added value." Therefore, TEN-T policy and planning ambitions and instruments for their implementation need to be better aligned.
    - TEN-T financing remains a key issue where Member States need to make stronger commitments. Community grant instruments need to be combined in the most effective way, public-private partnership approaches need to be further stimulated and the efficiency of existing and the need for new instruments should be reviewed.
    - Non-financial instruments to support TEN-T implementation need to be strengthened and complemented as necessary (strengthening of the role of European coordinators, need for "corridor coordination," "open method of coordination" as

[18] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52009DC0044:EN:HTML:NOT

means to monitor and stimulate Member States' action in relation to TEN-T implementation).

- A TEN-T network that should be the basis for efficient, safe, secure and high quality freight and passenger transport services at co-modal level and contributing to the Community's climate change objectives, will also have to integrate relevant developments in other sectors of EU transport policy, such as the Action Plan for the deployment of Intelligent Transport Systems in Europe, and the Greening Transport Package that contains a set of measures to make transport more sustainable.
  The role of transport infrastructure "at the service of transport services" is strengthened, with main emphasis being placed on stronger network integration as basis for efficient and competitive co-modal services for passengers and freight.
- The Commission proposes three conceptual options for TEN-T planning which entail different requirements concerning the instruments. Within the framework of these options, the Commission proposes a "core network" concept which 1) goes from disconnected priority projects to a priority network and 2) includes a "conceptual pillar" which caters for a broad range of projects that may be identified in an evolving way on the basis of pre-established specifications and criteria. The latter pillar is expected to reflect the need for more flexibility and business orientation in the transport sector and to respond to short and medium term needs (in addition to the long-term needs of the traditional TEN-T approach).

Responses to the public consultation highlighted the following points related to TEN-T financing:[19]

A high number of contributors suggested meeting the financial needs of TEN-T through increased participation of users in the costs of construction and operation. Revenue generated from Eurovignette, EU ETS, EIB loans and infrastructure charging was put forward as possible user-based sources of TEN-T financing. The restructuring of track access charges and the signing of multiannual contracts between the government and the rail infrastructure company would be needed to mobilise private funds.

[19] http://ec.europa.eu/transport/infrastructure/consultations/doc/2009-07-31_summary_report_green_paper_on_future_ten-t_networks.pdf

In order to analyse a number of issues of particular relevance for future TEN-T development more thoroughly, the Commission set up six expert groups which have been working between November 2009 and April 2010 on the following subjects:

1. The development of a methodology for the geographical part of the network
2. The integration of transport and TEN-T policy
3. Intelligent transport systems and new technologies
4. Connection of TEN-T with third countries
5. Financing
6. Legal issues and non financial instruments

In May 2010 the Commission launched a second public consultation aimed at refining the available policy options that have been emerging from the contributions made in 2009 by EU institutions and a wide range of stakeholders, contributions that were further elaborated in these expert groups.

Regarding the involvement of the private sector, responses were fairly divided. Those advocating the involvement of private investment mainly pointed to insufficient public spending behaviour. Private investment would be an ideal supplement to public funds. Sharing knowledge and expertise in designing major transport projects or setting up and running PPPs. Those sceptical about private involvement cited the inability of peripheral regions to attract private investment and the inexperience of several countries. Similarly, some argued that PPPs were not suitable for all projects as a 'passepartout' solution but needed to be assessed on a case-by-case basis. Respondents sceptical about private-sector participation stated that private involvement within the rail sector would only be effective in a few specific projects, e.g. high-speed rail. One respondent suggested taking into account the sometimes conflicting results obtained by private investors when evaluating the socio-economic costs and benefits of infrastructure projects.
Project financing through Eurobonds remains controversial. Whereas some respondents view this possibility as incentive for strengthening the existing financial platforms, others argue that the EU would go beyond its mandate and escape parliamentary control. The rail sector suggested addressing the difference in construction life cycle between road and rail projects. Road projects usually need 2 to 3 years, whereas rail projects typically need 6 to 8 years for completion. Thus, rail projects would often be impeded because they did not fit into the 7-year budget period of TEN-T.

- **The European Parliament initiative report:** On 22 April 2009 the European Parliament adopted an own initiative report from Eva Lichtenberger (Greens, AT) on the Green Paper on the future of TEN-T policy.[20]

MEPs support the creation of a TEN-T network consisting of a comprehensive network, based on the current TEN-T maps, and an intermodal "core network." This network should reflect the needs for intermodal connections for citizens and freight, giving priority to more sustainable transport modes.
Of particular interest to the railway sector are the following points of the report:

- The Parliament calls on the Commission to seek to ensure that the expansion of rail freight transport is intensified with a view to higher network efficiency and faster transport;
- MEPs focus on the need to boost the efficiency of existing infrastructure within TEN-T projects in the short term.
- The Parliament agrees with the Commission that investing in transport infrastructure is one key way of tackling the economic and financial crisis. In this regard, the Parliament also notes that more research and development is needed on best practice in transport infrastructure financing and its positive impact on competitiveness, with focus on PPP projects.
- The Parliament asks the Commission to set out a selection of examples of regional trans-border rail connections, which have been dismantled or abandoned, favouring especially those which could interconnect with TEN-T.

- **The European Economic Recovery Plan (EERP):[21]** In the 2009 calls for proposals launched by the Commission in March 2009, € 500 million of TEN-T funds have been brought forward under the European Economic Recovery Plan, as a response to the economic and financial crisis Europe is facing. This ad hoc work programme is intended to support works which can start in 2009 or 2010 and be largely implemented over this two-year period. The EERP was endorsed by the European Council on 11-12 December 2008, in response to the financial crisis that has been affecting Europe since 2008. It sets out how Member States and the European Union can coordinate their policies and provide new stimulus to the European economy. It has two priorities, which can be summarised as follows:
  - New projects of common interest (as defined in Article 7 of the TEN Guidelines), which are sufficiently mature to be largely implemented in 2009 and 2010;
  - Ongoing projects or parts of a project, which are progressing satisfactorily and where the work phase could be accelerated over 2009 and 2010 through the injection of new Community funds.

Example

Railway line Seinäjoki-Oulu[22]

The project involves the main railway connection between southern and northern Finland, which is heavily used for both passenger and freight traffic. It provides access to the multimodal corridor Narvik-Haparanda-Tornio-Vartius-St. Petersburg and the Barents Euro-Arctic transport area.
Presently this single-track railway is facing capacity and structural problems. There are also over hundred level crossings on the line which create a safety issue and affect the maximum speed limit of the track.
The project consists of a variety of structural, electrical, safety and capacity measures and improvements on the line. The overall objective is to improve the competitiveness of the railway traffic by cutting down the journey times, by increasing the axle load for freight traffic and by providing sufficient capacity and high level services.

Total project cost:€ 93 million
Total EU contribution:€ 9.3 million (10% of the total)
National budget: € 83.7 million

Beneficiary: Republic of Finland
Implementing body: Finnish Rail Administration (RHK)

[20] http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P6-TA-2009-0258&language=EN&ring=A6-2009-0224
[21] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0800:FIN:EN:PDF
[22] http://tentea.ec.europa.eu/en/ten-t_projects/ten-t_projects_by_country/finland/2007-fi-91101-p.htm

Public Private Partnerships (PPPs)

PPPs are risk-sharing relationships between a public agency and a private sector entity, with the aim of carrying out infrastructure projects or providing services for the public. As opposed to privatisation and subcontracting, in a PPP there is balanced sharing of risks and responsibilities. PPPs in transport infrastructural projects generally involve concession or Build-Operate-Transfer (BOT) contracts, which usually entail a mix of construction, operation, commercial and financial issues. Design-Build-Finance-Operate (DBFO) and Design-Build-Operate-Transfer (DBOT) are variations of PPPs schemes.

The long-term accessibility of funds for rail infrastructure managers is seldom guaranteed, as it often depends on the chosen national framework for the rail sector, and on political choices. It is therefore important that all financing opportunities, including PPPs, are explored to create a basis for the execution of as many infrastructure projects as possible. For example, PPPs could help overcome the financial gap of about € 30 bn of the TEN-T projects in the period 2007-2013.

The effects of the crisis

Market reductions in the availability of bank lending and deterioration of the financial conditions for PPP lending have had a major negative impact on PPP projects. Some Member States have reduced or suspended their PPP programmes. Others are taking supportive measures, such as state guarantee schemes, public sector debt facilities and modification of the management of procurement. The European Economic Recovery Plan supported the use of PPP solutions during 2009 and 2010 in order to accelerate public spending during the crisis. Other challenges related to setting up PPPs need to be addressed as well, notably:

- Important transaction costs.
- Lack of specific skills within the public sector, involving the preparation, conclusion and management of contracts.
- Uncertainty due to possible changes in the policy of countries.

EU legislative situation

The European Commission wants PPPs to play a major role in the development of Trans-European Transport Networks, and in innovation and R&D.

Legislation is not specifically designed for PPPs, but for general processes of contracting. In 2009, the following Commission publications addressed the issue of further involving private investors in transport infrastructure projects:

- **The Green Paper on TEN-T policy review:**[23] it states that the role of the private sector in project delivery could also be intensified where appropriate. Community instruments supporting public-private partnerships should be further developed where efficiency gains can be expected. The European Public-Private Partnership Expertise Centre is expected to help further disseminate experience and encourage the broader development of public-private partnership schemes.
  The exchange of best practice promises a number of opportunities for the facilitation of project implementation – in the field of the management of major projects, public-private partnership approaches, and consideration of environmental aspects in infrastructure planning.
- **The Communication on "Mobilising private and public investment for recovery and long term structural change":**[24] the drop in Public Private Partnerships (PPPs) having achieved financial close in the first 9 months of 2009 is about 30% from 2008, both in volume and number.

The Communication states that the EU is keen to mobilise PPP solutions through the Structural Funds, the European Investment Bank (EIB) and TEN-T instruments:

- **Structural Funds:** according to DG REGIO only seven Member States have so far designed projects that bring Community funding into PPP structures. This is mostly due to the perception that combining EU and national rules, practices and timetables is very complex.

[23] http://ec.europa.eu/transport/infrastructure/basis_networks/guidelines/doc/green_paper_en.pdf
[24] http://ec.europa.eu/growthandjobs/pdf/european-economic-recovery-plan/ppp_en.pdf

- **The TEN-T instruments** introduced under the current TEN Financial Regulation can be seen as a political commitment by the EU to secure more favourable financing conditions. These are namely:
  - Loan Guarantee instrument for TEN-T projects (LGTT) in which EIB is a risk-sharing partner for rail infrastructure PPPs.
  - Construction cost based grant in the framework of availability payment schemes
  - Provision of risk capital – equity participation in TEN-T projects that aims at promoting private investment in infrastructure projects through contribution of equity or quasi-equity via TEN-T focused infrastructure funds. It covers up to 1% of TEN budget (€ 80 million).

The way forward

In the near future, the Commission intends to build a better cooperation framework between public and private sector and undertake five concrete actions to overcome the obstacles to the development of PPPs and promote their use.

1. Setting up a PPP group of experts and stakeholders to discuss issues and further ideas related to PPPs.
2. Increasing the funding available for PPPs.
3. Ensuring that there is no discrimination in the allocation of public funds, where Community funding is involved.
4. Proposing a more effective framework for innovation.
5. Proposing a legislative instrument on concessions, based on the ongoing Impact Assessment.

European PPP Expertise Centre (EPEC)

The European PPP Expertise Centre (EPEC) was launched by the European Investment Bank (EIB) and European Commission on 16 September 2008. EPEC is a collaboration between the EIB, European Union Member and Candidate States and the European Commission which is designed to strengthen the organisational capacity of the public sector to engage in Public Private Partnership (PPP) transactions.
EPEC allows PPP taskforces in EU Member and Candidate countries to share experience and expertise, analysis and best practice relating to PPP transactions.

EPEC will undertake the following activities:

- **The Collaborative Network Activities** provide a structured approach to identifying best practice in issues of common concern to members who implement PPP policies and programmes.
- **A Helpdesk** service complements the Network Activities to provide a demand-led, rapid response facility for Members and to facilitate contact between EPEC Members to encourage further partnership. An availability payment scheme is where the private sector receives payment based on ensuring that the service or capacity in infrastructure is made available irrespective of actual traffic or use. Such a scheme encourages the private sector to manage the maintenance program to avoid disruption to users. Therefore, under an availability payment scheme the private contractor is compensated by a periodic payment based on lane availability, level of service or similar demand independent indicators.
- **Policy and Programme Support** to Members, including the European Commission, covers a wide range of non-project specific support for PPP development.

Information regarding PPP

- European Investment Bank (EIB):
  Offers financing solutions, including a "loan guarantee instrument" to facilitate and encourage the financing of priority cross-border transport infrastructure projects through PPPs.
- Joint Assistance to Support Projects in European RegionS (JASPERS):
  JASPERS offers technical assistance to new Member States and acceding countries, e.g. on how to set up PPPs in the context of Cohesion Fund/ERDF large infrastructure projects (> € 50 m) (see also chapter 8).
- DG Mobility & Transport (DG MOVE):
  DG MOVE actively promotes the use of PPPs, by aiming at harmonising the PPP framework conditions at EU level and defining financial instruments together with the EIB. Currently, its "informal PPP exchange" brings together experts and stakeholders to debate about the major issues at stake.
- TEN-T Executive Agency:
  Provides technical and financial management of projects co-financed under the trans-European transport networks' budget.
- National PPP expertise centres:
  These are organised as separate entities or as government agencies, and provide detailed information on national rules and procedures for PPP trajectories.

- OECD Report: Transport Infrastructure Investment
  The purpose of the OECD Joint Transport Research Centre report is to examine the elements to be considered by governments in choosing the appropriate models for the provision of transport infrastructure, providing key messages and recommendations.
- European PPP Report 2009[25]
  The report provides an overview of the state of European PPP market in 2009 and examines the status of the PPP projects in the EU, including those dealing with rail infrastructure.

A word with…Antonio Cancian

Antonio Cancian, a native of Treviso, in the north east of Italy, was elected to the European Parliament last year and now sits with the EPP political group. He is a full member of the committee on Transport and Tourism and a substitute member of the committee on industry, research and energy. He has a degree in mechanical engineering from the University of Padua. He is a founder partner, chairman and managing director of Poolinvest, a group operating in the innovative high-tech sector. Before joining the European Parliament he was municipal councilor and then councilor with special responsibilities for Mareno di Piave (Treviso) and mayor of Mareno di Piave between 1987 and 1992. He was a member of the Christian Democrat Group in the Italian parliament during the 9th parliamentary term.

Mr Cancian, what is your general judgment on the European transport policy as it developed in the last years and what is your view on its future?

We are today in the middle of the process of reprogramming the transport policy for the period 2010-2020: we are dealing with different dossiers, among which we have the TENs, the Transport White Paper, the recast of the first railway package, the liberalisation of passenger transport in the domestic markets. Regarding in particular the transport policy that concerned the creation and implementation of transport corridors, I have to say that I don't fully agree with everything that has been done so far. The main shortcoming of the corridor planning has been the fact that every corridor cannot be only – for example – a "transport" corridor, or an "energy" corridor. Each infrastructural project should integrate different "flows": transport, energy, telecom flows. These flows should then intersect where the main junctions are – and with "junction" I mean any possible hub: ports, airports, any other intermodal hub. Moreover, a rethinking on the on-the-field realization of these projects is essential.

What do you mean exactly?

I think we have to follow two main concepts. The first one is the one of Public-Private-Partnerships (PPP). Without PPP there will be never enough resources engage in big projects such as the rail infrastructural ones. It is not true that these projects are not remunerative. Profit is possible and the private investors can find attractive to invest in these projects. Many people say that corruption is one of the main problems in this kind of investments, and although this can be sometimes true, this cannot be generalized and the few rotten apple cannot spoil the entire basket of good opportunities.

And the second concept?

The second essential thing we need is new financial instruments, new European budgetary policies. We don't need several funds, several sources of funding. What we need is a "single box," a single TEN fund that contains all the funding that come from the main credit institutions, that contains – why not? – Eurobonds and – together – all the possible private investments. The aim of this single entity should be to contribute to finance the works for the single TEN segments that we want to realize.
Summing up, there are four main pillars that have to support the European transport policy in the next decade: intermodality, total liberalisation of the market, PPP and new budgetary policies realised through a new single, concentrated and dedicated fund.

[25] http://www.eib.org/epec/infocentre/documents/FINAL%20FINAL%20EUROPEAN%20PPP%20REPORT%202009.pdf

Examples

The Tours-Bordeaux High Speed Line[26]

On 30 March 2010, RFF kicked off the negotiation with a consortium led by VINCI for the concession of the High Speed Line between Tours and Bordeaux. The project is a key link for the European rail network in order to connect South Atlantic regions with the Northern Europe High Speed network.

The project will be implemented in the framework of RFF commitment for the Grenelle de l'Environnement which will see the construction of 2000 km new railway lines by 2020. The implementation of the project is expected to bring economic, environmental and social benefits.
For financial reasons, The project is divided into two branches:

- Angoulême-Bordeaux
- Tours-Angoulême

The concession

The 302 kilometre HSL between Tours and Bordeaux has been split into two tranches but will be contracted together. The government will finance more than 50% of the total cost, divided equally between central government and local governments of the partner regions. The government will guarantee up to 80% of commercial debt. The EIB and Caisse des Dépôts et Consignations (CDC), will also contribute to the project financing. The remaining funds are to be put up by RFF and the concessionaire.
The winning consortium will design financing, construction and maintenance for 50 years in this concession. In return, it will benefit from track access charges paid by companies using the railway line.
Work could begin in mid-2011, year of recovery for a provision in 2016.

The project: facts and figures

- 340 km of new lines, 302 km of which are high speed lines.
- Total investment: € 7.2 bn.
- Direct and indirect creation of 60000 new jobs.
- Travel time saving: Paris-Bordeaux in 2:05 hours by 2016 (current travel time: 3 hours)
- 3.6-5 million more passengers/year
- Freeing + 20% capacity for freight on existing lines
- Freeing capacity for 400-550000 passengers on existing lines

[26] http://www.lgvsudeuropeatlantique.org/default.asp?sX_Menu_selectedID=left_AF923569&part=

Spain's greatest public-private collaboration strategic framework

In April 2010, the President of the Spanish Government, José Luis Rodríguez Zapatero together with the Ministry of Public Works and Transport, José Blanco, presented the Extraordinary Infrastructure Plan (PEI).

The PEI envisages an investment of €17 billion and 70% of this amount will be assigned to railways. The objective is to revitalize economy and employment through investment in transport infrastructure. This plan is Spain's greatest public-private collaboration strategic framework.

Plan Objectives

Through this plan, the Government, financial entities and industry companies have come together in order to reactivate economy and employment through investments in transport infrastructures. The plan advances investments in 2010 and 2011 that would otherwise have been postponed. Investments worth €17 billion will be released equivalent to 1.7% of GDP.

Job creation will be promoted, both short term for infrastructure construction and long term for conservation and maintenance tasks, once the construction has been completed A change in productive model will be promoted and sustainable mobility will be furthered and therefore:

- Economic, social and territorial sustainability of our transport system will be enhanced.
- Transport costs will be reduced and economy efficiency and competitiveness will also improve.
- Railway transport will be boosted. Approximately 70% of investments will be assigned to railways

Approximately 30% of investments will be allocated to improve road infrastructures Safety enhancement is reinforced, guaranteeing the conservation and maintenance of transport infrastructures in optimum conditions. The profits of the concessionary will depend on the reliability of the infrastructures, and this will underpin conservation and maintenance commitment.

The investment will be met by companies, the Official Credit Institute (OCI), the European Investment Bank (EIB) and other financial entities. In exchange for their efforts, the companies will share in the profits from the operation of the infrastructure.

The investment represents an innovative public-private collaboration and will enable the current economic difficulties to be navigated while containing costs and allowing investment to continue.

LIFE + Programme

LIFE + (2007-2013) is the EU's financial instrument supporting environmental and nature conservation projects throughout the EU, as well as in some candidate, accession and neighbouring countries.

In the LIFE + Regulation,[27] urban environment is mentioned among the principal objectives of the programme. In this regard, the transport sector can be part of a more integrated approach and can contribute to improve the implementation of existing Community environmental policy and legislation.

Objectives

The programme has the following three objectives:
- Implementation, update and development of the EU environment policy and legislation
- Contribute to sustainable development
- Support 6th environment action plan

Only actions bringing a European added value and complementary to those that can be financed under other Community funds in 2007-13 can be financed.

The ideal proposal:
- is highly visible;
- is technically and financially sound;
- incorporates the dissemination of knowledge;
- allows evaluation of technical and economic viability of large scale introduction;
- is driven by the goal to seek new environmental solutions.

Who may participate

Proposals may be presented by legal entities established in the Member States of the European Union, such as NGOs, private non commercial, industrial and commercial firms and local authorities. Under LIFE + Environmental Policy and Governance the participation of public authorities at regional or local level is particularly encouraged.

[27] Regulation (EC) N. 614/2007 of the European Parliament and of the Council of 23 May 2007 concerning the Financial Instrument for the Environment (LIFE +)

Best practice and/or demonstration

LIFE + Environmental Policy and Governance projects must either be demonstration or innovative projects.

A **"demonstration"** project puts into practice, tests, evaluates and disseminates actions/methodologies that are new or unfamiliar in the project's specific context (geographical, environmental, socio-economical), and that should be more widely applied elsewhere in similar circumstances.

An **"innovative"** project applies a technique or method that has not been applied or tested elsewhere and that offers potential environmental advantages compared to current best practices.

Eligibility of costs

For action grants, the maximum rate of co-financing shall be 50 % of eligible costs. However, by way of exception, the maximum co-financing rate for LIFE+ Nature and Biodiversity may be up to 75 % of eligible costs in the case of projects concerning priority habitats or species.

To be considered **eligible**, costs must:
- be provided in the provisional budget of the proposal;
- correspond to actions that are technically and financially coherent and feasible and which provide value for money; and be directly linked to and necessary for carrying out the proposal covered by the decision;
- be actually incurred during the project's lifetime, as defined in the grant agreement, be recorded in the beneficiaries' accounts or tax documents, and be identifiable and controllable.

How to prepare a project proposal

In order to be eligible for LIFE + funds, project proposals:
- Shall be related to one of the following components:
  1. Nature and biodiversity: projects that contribute to the implementation of the

EU's Birds and Habitats Directives, and that contribute to the EU's goal of halting the loss of biodiversity
2. Environment Policy and Governance projects that offer significant environmental benefits, for example process or efficiency improvements..
3. Information and Communication: projects that spread information about environmental issues, such as climate change and conservation and fire prevention.

- Must take place within the European Union.
- Shall not overlap with other EU funding programmes.

When preparing the proposal, the following main types of eligible actions must be clearly distinguished:

- **Preparatory actions**
  Preparatory actions must produce practical recommendations and/or information which can be implemented and be used without requiring further preparatory work.
  In general, and amongst others, preparatory actions:
  - should not be research actions;
  - should be of limited duration (i.e. should be significantly shorter than the project duration):
  - should be clearly related to the objective(s) of the project.

- **Implementation phase**
  These are the core actions of the proposals; they should always be *innovative and/or demonstration actions*.

  The actual impact of these actions must be monitored during the project.

- **Communication and dissemination actions (obligatory)**
  LIFE+ Environment Policy & Governance projects must include a significant set of actions to disseminate the results of the project so that the knowledge gained is actively communicated to those stakeholders that may best make use of it and apply the lessons from the project.

These typically include:
  - information activities regarding the project to the general public and stakeholders aimed at facilitating the implementation of the project;
  - awareness and dissemination actions aimed at publicising the project and its results both amongst the general public and stakeholders.

- **Project management and monitoring (obligatory)**
  This typically involves:
  - Project management, activities undertaken by the beneficiaries for the management of the project and for meeting the LIFE+ reporting obligations;
  - Monitoring and evaluating the effectiveness and the environmental benefit of the main project actions;
  - Training, workshops and meetings for the beneficiaries' staff, where these are required for the achievement of the project objectives;
  - The participation in and the organisation of networking (for example, with other LIFE projects) and information platforms related to the project objectives (including at international level where justified).

Combining with other EC funding instruments

Since LIFE + Environmental Policy and Governance projects must either be demonstration or innovative projects, there should not be any significant high risk of overlapping with the main scope of other EU funding instruments, except with the Competitiveness Innovation Framework Programme.

LIFE + Environmental Policy and Governance will primarily focus on projects that are submitted by public sector applicants and that are not market oriented. The Competitiveness Innovation Framework Programme will instead finance market oriented activities related to environmental technologies and eco-innovation.

Example

Conception and qualification by UIC of a LL composite material to substitute cast iron brake shoes on existing wagons, to decrease noise

Project Background

In 2006, a Commission Decision 2006/66/EC was adopted setting out the technical specifications for inter–operability relating to the "rolling stock–noise" of the trans–European conventional rail system.

This decision aimed to reduce noise due to rail traffic. In 2007, the Commission furthermore launched a communication campaign entitled "Rail noise abatement measures addressing the existing fleet".

Currently, some 600 000 freight cars run night and day through Europe. Rolling noise is currently measured by railway operators or regional authorities in those freight corridors most subject to noise nuisances.

Project objectives:

- Conducting a technical assessment by 2012 of an innovative substitute brakeshoe. This assessment is to be carried out by the International Union of Railways (UIC);
- Demonstration of the safety and economic performance, as well as the noise reduction effectiveness, of the brake substitute by equipping a fleet of some 100 freight carriages;
- Reduction of noise by a factor of 2 to 4 compared with current levels;
- Decrease of the carbon footprint of Europe's freight sector by supporting a shift from road to rail traffic;
- Creation of rolling noise maps for each Member State.

Beneficiary: Faiveley Transport SA, France
Total Budget: € 4.209.587
LIFE contribution: € 1.848.468
Implementation: Jan 2009 to Dec 2012
Website: http://www.decibell-faiveley.eu/en

The role of the EIB

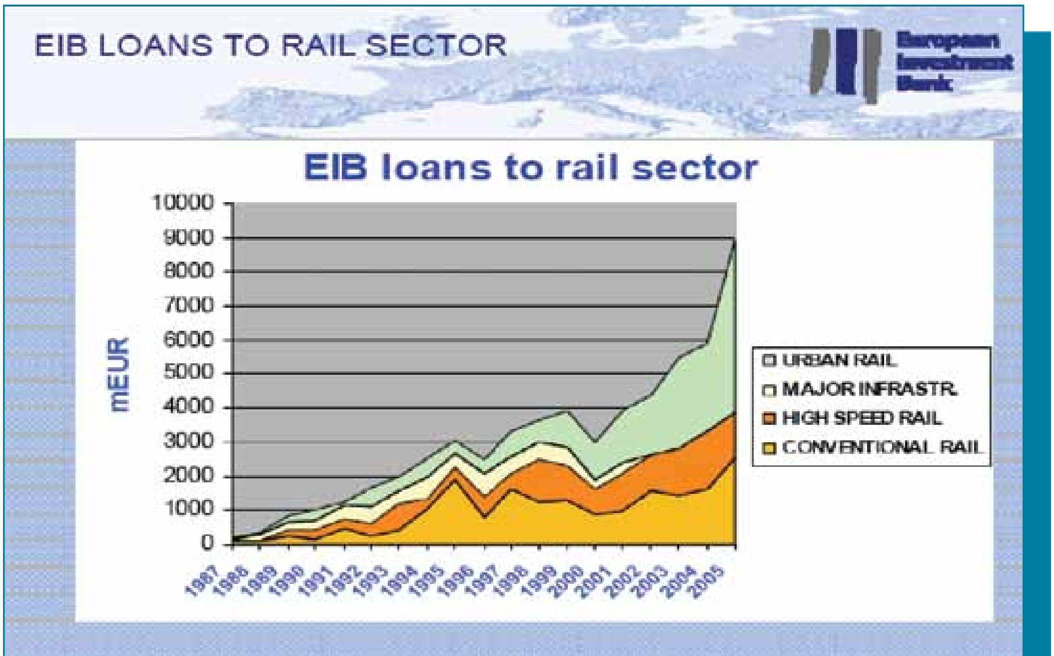
Past and future experiences

The implementation performance of the projects evaluated in the past ten years by the European Investment Bank (EIB) is mixed. With few exceptions, the performance did not hold up to expectations. In particular, weaknesses were identified in project scope, implementation schedule, costs and project output.

The EIB has outlined the following problem areas for the majority of railway projects that have been financed:

- Weak project preparation resulting in significant implementation delays and increased project costs;
- Imprecise definition of project output;
- Unsystematic risk analysis;
- External benefits (mainly environmental) used to justify a project where data were difficult to quantify.

The identification of projects from the EIB was based on regular contacts with the railway companies concerned. The types of projects identified as apt to be financed were closely related to the priorities identified by the railway companies themselves, i.e. modernisation, rehabilitation and setting up of new lines for high-speed rail passenger transport. In order to make things easier and facilitate the contact between the EIB and the railway companies themselves, the EIB has developed Railway Project Appraisal Guidelines (RailPag), to provide a common framework for the appraisal of railway projects across the EU.



Source: EIB website

How to apply in for EIB loans

A full list of products and services offered by the EIB can be found on the EIB website in the "Products" section. The EIB finances projects in most sectors. To be eligible projects must contribute to EU economic policy objectives.

No special formalities are involved for the submission of applications to the EIB for individual loans. Project promoters are required simply to provide the Bank's Operations Directorate with a detailed description of their capital investment together with the prospective financing arrangements.

Initial contacts to discuss a proposed project can be in any form, by telephone, fax, e-mail or letter. The project promoter should provide sufficient information to allow the EIB to assess whether the project adheres to EIB lending objectives and has a well-developed business plan.

Special Case: Projects under € 25 million:

For projects where the total cost is under € 25 million, the EIB provides intermediated loans (credit lines) to local, regional and national banks.

The lending decision for EIB loans via credit lines remains with the financial intermediary. Promoters interested in EIB financing for projects under € 25 million should contact the banks and other intermediaries involved directly with a detailed description of their capital investment together with the prospective financing arrangements.

The EIB adheres to strict environmental and procurement policies.

Potential promoters should ensure that their project adheres to these conditions.

JASPERS: the new technical assistance partnership

Definition of the programme

JASPERS (Joint Assistance to Support Projects in European Regions) is a technical assistance facility that the European Commission, the EIB and the EBRD will place at the disposal of 12 beneficiary Member States free of cost.

JASPERS main characteristics

- Technical assistance will be offered from the early stages of project development to the final stage.
- JASPERS will focus on the new Member States and on large (infrastructure) projects supported by the EU funds costing more than €50m in transport and other fields.
- Ensure proper planning and coordination. The work of JASPERS will be organised each year according to an Action Plan specific to each country. This will be drawn up by JASPERS staff and agreed by the Commission (DG REGIO) and the Member State involved.
- The countries will request assistance directly from JASPERS management in Luxembourg or from the new regional offices in Bucharest, Vienna and Warsaw.

How to apply

- The Managing Authority acts as a central coordinator for each country.
- Project preparation: The Managing Authority in the Member States can request assistance directly from JASPERS in Luxembourg or from regional offices.
- Project appraisal: When an application for assistance has been received, DG REGIO can request assistance from JASPERS in Luxembourg.

Financing TEN projects

In addition to the dedicated TENs Investment Facility (TIF, introducing a priority lending facility of € 75 bn for TEN-T until 2013) the EIB has the following instruments to finance TEN projects and promote PPPs:

- Structured Finance Facility whereby the EIB can assume a greater degree of credit risk in the financing of projects.
- Risk Sharing Finance Facility (RSFF) is built on the principle of credit risk sharing between the European Community and the EIB and extends therefore the ability of the Bank to provide loans or

guarantees with a low and sub-investment grade risk profile.

- The TENs Loan Guarantee Instrument, with the purpose of assisting TENs by supporting senior debt credit quality and guaranteeing stand-by credit facilities that can be drawn on in the event of revenue shortfalls in the early years of a project ("ramp-up traffic risk").The guarantee instrument will be equally funded by the European Commission and the EIB. They will both contribute € 0,5 billion.

The EIB also works to actively promote public-private partnerships (PPPs) in TEN projects.

Marguerite Fund

The Marguerite Fund is a pan-European infrastructure equity fund for long term institutional investors to finance the implementation of strategic European policy objectives and projects in the Transport, Energy, Climate and Renewables sectors. The fund is planned to have an initial capital of € 600 million and other investors have been invited to join in a First Closing by March 3, 2010. The Fund volume is targeted at € 1.5 billion for final closing in 2011.

How to apply

All EU 27 countries are eligible for the Marguerite fund.

Total project size should be minimum € 200 million and 50 million for renewable energy projects. The fund may not be a majority shareholder, therefore 50% or more must be held by other entities. The minimum investment amount is € 10 million.

The Initial Closing period has started on 3 December, and will end on 4th March; investments will therefore not be made before that date.

More importantly, the fund's Board is currently in the process of selecting the key persons of the management team. This will still take a few weeks or months. It will be the task of this management team to identify and appraise investment opportunities, and present them to the investment committee. The fund's management team will be the institutional interlocutor as soon as it is set up and operational, which should happen during the second quarter of 2010.

Examples

Turkey: Istanbul–Ankara high-speed railway

The European Investment Bank is continuing to offer strong support to transport infrastructure projects in Turkey by extending a EUR 850 million loan to the country's State Railways (TCDD). The sovereign loan will enable TCDD to build the country's first high speed railway along the Istanbul-Ankara corridor, connecting the two most populous cities of the country.

The loan is a key element of the State Railways' long-range plans to significantly improve connections between the Capital and key areas of economic activity in the country in an efficient and commercially oriented way and responding to rising demand for railway services. The company operates a country-wide network of some 11.000 km of which major parts are in need of rehabilitation and upgrading. In addition to the railways, TCDD manages locomotive, wagon and coach manufacturers and repair workshops as well as the seven largest ports of the country.

Süleyman Karaman, Director General of TCDD, said this loan will help to modernise one of the most used lines benefiting millions of both domestic travellers and tourists. The average age of the existing rail track is making refurbishment and new investments imperative.

Transport infrastructure is of paramount importance for a well performing economy, Matthias Kollatz-Ahnen, EIB Vice-President responsible for Turkey said. The EIB has a strong track record in this sector and we want to build on that, he added.

This flagship project - whose total cost is EUR 2.6 billion - is implemented in parallel to assistance of the European Commission to TCDD in the context of the Turkish Rail Sector Re-Structuring and Strengthening Project, which aims at establishing the legislative and institutional framework of the Turkish rail sector in accordance with the EU rules and regulations.

In addition, this Turkish high-speed railway line project is strongly supportive of key strategic objectives of EU policy and is a continuation of the Pan-European Corridor IV. Since 2004, the EIB has committed close to € 3.5 bn to Turkey. A major investment being the Marmary project, which foresees a rail tunnel beneath the strait for the first time, supported by the EIB in 2005 with loans totaling € 1.05 billion.

This brings the EIB's total number of projects in Turkey to 119, with a total Bank commitment of € 7.5 bn in all key economic sectors of the country.

The Bank is currently developing new projects in various priority areas in the public sector as well as in private business. The EIB has also a successful history of cooperation with a network of some 19 commercial banks for the funding of SMEs and small infrastructure projects.

Proposed EIB finance: € 650 - 850 million
Total cost: Approx. € 2.5 billion

ÖBB Unterinntal

Construction of a 40 km section of 2-track high-speed line on the Brenner railway axis (Berlin-Palermo TEN-T Priority Project No. 1) between Kundl/Radfeld and Baumkirchen in the Lower Inn Valley in Tyrol (Austria).

The project will remove an existing bottleneck on the TEN 1 corridor and allow an increase in rail traffic through the present Brenner Pass route. In addition, the project will reduce operating and maintenance costs, allow travel time savings, improve safety and reduce environmental effects. The general increase in speed, comfort and quality of service will reinforce the attractiveness of rail transport compared to alternative modes, thereby reducing energy consumption and environmental pollution.

Proposed EIB finance: €1.000 million
Total cost: € 2.300 million

MARCO POLO II

Definition of the programme

Marco Polo II[28] (2007-2013) is an instrument for financial assistance that stimulates combined transport competitiveness. The overall objectives are the reduction of road congestion and the improvement of the environmental performance of the whole transport system by shifting freight from road transport to short sea, rail and inland waterways transport. The Marco Polo funds can only support projects that include international routes.

The first Marco Polo programme entered into force in August 2003 with a budget of €102m. It was replaced in January 2007 by the current Marco Polo II[29] programme, which will be running until 2013. The total amount available for funding under Marco Polo II is € 400m.

More information can be found through the Marco Polo website[30] (or email: EACI-MARCO-POLO-HELPDESK@ec.europa.eu).

Five types of activities are financed

- Modal shift actions: moving freight from road to short sea, rail and inland waterways transport.
- Catalyst actions: to change the way non-road freight transport is conducted.
- Common learning actions: to enhance knowledge in the freight logistic sector and foster advanced methods and procedures of co-operation in the freight market.
- Traffic avoidance actions: may include the modification or creation of ancillary infrastructure and equipment; integrate transport into production logistics to avoid a large percentage of freight transport by road without adversely affecting production output or workforce.
- Motorways of the Sea actions.

[28] 'Regulation (EC) No 1692/2006 of the European Parliament and of the Council of 24 October 2006 establishing the second Marco Polo programme for the granting of Community financial assistance to improve the environmental performance of the freight transport system (Marco Polo II) and repealing Regulation (EC) No 1382/2003 (1)', OJ L 328, 24.11.2006, p.1.
[29] 'Regulation (EC) No 1692/2006 of the European Parliament and of the Council of 24 October 2006 establishing the second Marco Polo programme for the granting of Community financial assistance to improve the environmental performance of the freight transport system (Marco Polo II) and repealing Regulation (EC) No 1382/2003 (1)', OJ L 328, 24.11.2006, p.1.
[30] http://ec.europa.eu/transport/marcopolo/home/home_en.htm#

A more efficient programme through a revised Marco Polo II

The Marco Polo programme had the objective to shift off the roads the estimated aggregate growth of international road transport in Europe (which is estimated to be 12bn tonnes km every year). However, the objective of the Marco Polo I programme were not reached because:

- not enough contracts have been signed;
- the initial objectives of existing contracts have not been met.

Even though the Marco Polo II programme differed from Marco Polo I in budget and in scope, allowing third countries to participate and creating two new action types (Motorway of the Sea and Traffic Avoidance), it needed some substantial changes to avoid facing the same kind of problems as the Marco Polo I programme.

Therefore, following a public consultation carried out mid 2008, the Marco Polo II Regulation was amended with the objective to increase the effectiveness of the Marco Polo I programme. On 9 October 2009 Regulation 923/2009 amending the Marco Polo II Regulation (Regulation 1692/2006) was published in the Official Journal[31]. The revision focuses on the introduction of four kinds of measures:

1. Measures facilitating the participation by small and micro enterprises, i.e. single undertakings are allowed to apply for funding;
2. Measures lowering the threshold for eligibility to 60 million tonne-kilometres (or its volumetric equivalent) of modal shift per year;
3. Measures raising funding intensity from 1€ to 2€ for each shift of 500 tonne-kilometres of road freight;
4. Measures simplifying the Programme's implementation and administrative procedures.

The outcome of the public consultation was generally in line with EIM's views. There is indeed a wide

[31] Regulation (EC) No 923/2009 of the European Parliament and of the Council of 16 September 2009 amending Regulation (EC) No 1692/2006 establishing the second 'Marco Polo' programme for the granting of Community financial assistance to improve the environmental performance of the freight transport system (Marco Polo II) can be downloaded from here: http://ec.europa.eu/transport/marcopolo/documents/docs_en.htm

consensus on considering ancillary infrastructure as an eligible cost in the modal shift actions and on including the weight of the motorised transport unit in the calculation of modal shift.

On the other hand, in order to achieve better results, the threshold for traffic avoidance should be higher than 10% for cars. Moreover a lower eligibility threshold (100 million tonne km) for modal shift would be desirable because modal shift is actually the main goal of the programme.

As a first concrete measure in response to the 2008 public consultation, under the 2009 Call the Marco Polo funding intensity will increase from €1 to €2 for each 500 tonne km shifted.

On 23rd April 2009, the European Parliament plenary voted on the revision of the Marco Polo Programme to improve the efficiency and the environmental performance of the freight transport system.

In order to increase the effectiveness of the programme and make it more attractive for potential applicants, MEPs adopted a number of modifications to the current Regulation (EC) 1692/2006. Some of them are of particular interest to rail infrastructure managers:

- All prerequisites for funding of ancillary infrastructure were deleted. Therefore there are fewer conditions and administrative burdens for applications from rail infrastructure managers.
- The threshold for costs related to ancillary infrastructure was increased up to 20% of the total eligible costs for catalyst, modal shift and traffic avoidance actions (amendment proposed by EIM). This means that more money will be available for infrastructure, thus IMs will be able to play a more important role within consortia applying for funding.
- More flexible conditions for the implementation of the projects take also into account "an extraordinary economic downturn"

The revision was then confirmed by the Council and entered into force as of the next call for Marco Polo funds in 2010.

Ancillary infrastructure

Marco Polo II also supports a series of ancillary infrastructure measures which are "necessary and sufficient to achieve the goals of the respective actions", including freight-passenger installations. Under the revised Marco Polo II programme, ancillary infrastructure is considered as an eligible cost in the modal shift action. According to the new funding conditions and requirements, the eligible costs related to ancillary infrastructure shall not be higher than 20% of the total eligible costs for the action.

How to apply according to the new rules of the revised Marco Polo II Regulation

Following a call for tender,[32] projects can be directly submitted by a single undertaking or a consortium of two or more undertakings, established in Member States or participating countries, i.e. candidate countries, EFTA/EEA countries as well as others due to their geographical proximity (so called "closed countries").established in at least two different Member States or in at least one Member State and one neighbouring third country. However, only costs arising on the territories of EU Member States or countries which have concluded "special agreements"[33] (e.g. Memorandum of Understanding) with the EU are eligible for Marco Polo funding.

Undertakings established outside one of the participant countries referred may be associated with the project, but may under no circumstances receive Community funding under the Programme.

A Marco Polo grant may be given in addition to other public funding, as long as this does not constitute illegal state aid, and as long as the combined public subsidy does not exceed the maximum subsidy rate of eligible costs. This rate cannot exceed 35% for all respective actions, except for the common learning action that can be financed up to 50% of the cost of the project. However, requesting a Marco Polo grant for eligible costs of an action that is already Community funded is not permitted (no double financing is allowed).

[32] Calls for project proposals for Marco Polo II will be published in the first quarter of each year as from 2007 on.
[33] As of January 2010, Croatia, Iceland, Liechtenstein, and Norway have concluded special agreements with the EU for full participation in the Marco Polo II programme

[34] Annex II of the Marco Polo II Regulation

Example of projects selected in the 2009 calls

BFI

Description: A railway connection transporting temperature-regulated fresh and frozen food between markets in Sweden and Denmark and the Italian market.
Partners: (TX Logistik AG (Germany), Bring Frigoscandia A/S (Denmark)
EU contribution: € 4.134.668

Car Shuttle

Description: A rail shuttle service in weekly loops for the transport of finished vehicles, between Amsterdam (Netherlands), Strasswalchen (Austria), Budaörs (Hungary) and Born (Netherlands), and after one year of operation another loop between Amsterdam (Netherlands), Dabrowa Górniciza (Poland), Žilina (Slovakia) and Born (Netherlands).
Partners: Koopman InterRail B.V. (Netherlands), Lagermax Autotransport GmbH (Austria)
EU contribution: € 1.466.701

ITAFRA shuttle

Description: A door-to-door rail transport service for the white-goods industry between the production sites in Italy and warehouses in France.
Partners: T.O. Delta S.p.A. (Italy), Stark Logistic International GmbH (Germany)
EU contribution: € 2 063 625

Financing of rolling stock

Introduction

"The fleet of locomotives and carriages used for passenger transport is ageing and in some cases worn out, especially in the new Member States. In 2005, 70% of the locomotives (diesel and electric) and 65 % of the wagons of the EU-25 were more than 20 years old. Taking only the Member States which joined the European Union in 2004, 82 % of locomotives and 62 % of wagons were more than 20 years old in 2005. According to the information at its disposal in 2008, the Commission estimates that the annual rate of renewal of the fleet is around 1%."[38] The general conditions of many European railway industries are therefore reflected by the status of their fleet. Obviously, quality of rolling stock has a direct impact on rail transport quality, competitiveness and efficiency, thereby contributing to the right modal shift in a sustainable European environment.

Operators in the European Union can opt for various means to provide enhanced quality services with modern rolling stock. On the one hand, they can have recourse to the growing leasing market or participating in pooling systems. In both these cases, the fleet will not belong to them. Operators can also opt to purchase rolling stock with financial support from EU funding mechanisms. This chapter contains some brief information relating to the possibilities to apply for EU funds for the renewal of the rolling stock fleet.

How to apply

In order to be able to apply for EU funds, the purchase and renewal of rolling stock must contribute to so-called 'objectives of common interest' which are compatible with the common market. The European Commission guidelines list all such objectives.

1) Aid to offset costs relating to public service obligations and in the framework of public service contracts: regulation 1370/2007[39] sets out the legal framework for public financing of loss making public service transport. The conditions for public service transport must be detailed in a contract.

In this context, public authorities may decide to finance rolling stock necessary for the provision of the required services. All details must be included in the public service contract and comply with regulation 1370/2007. If these conditions are met, there is no need to notify the aid for the financing of rolling stock. It should be noted, however, that such financing of rolling stock will be based only on the national/regional budget. In order to benefit from EU funds in addition to national funds, the schemes presented below will have to be applied.

2) Regional aid: In the case of regional aid for initial investment, "expenditure on the purchase of transport equipment (movable assets) is not eligible for aid for initial investment."[40] However the Commission considers that a derogation should be made from this rule with regard to rail passenger transport. This is due to the specific characteristics of this mode of transport, and in particular to the fact that it is possible that the rolling stock in this sector may be permanently assigned to specific lines or services. Subject to certain conditions, defined below, the costs of acquisition of rolling stock in the rail passenger transport sector can be admissible expenditure.

This derogation applies to any kind of investment in rolling stock, whether initial or for replacement purposes, so long as it is assigned to lines regularly serving a region eligible for aid under Article 87(3)(a) of the Treaty,[41] an outermost region or a region of low population density within the meaning of points 80 and 81 of the regional aid guidelines.[42] In the other regions, the derogation applies only to aid in the case of initial investment. For aid for investment for replacement purposes, the derogation applies only when all the rolling stock for which the aid is used is more than 15 years old.

In addition, such a derogation has to be made subject to four conditions, which have to be met all together:

[38] Communication from the Commission Community guidelines on State aid for railway undertakings (2008/C 184/07).
[39] Regulation 1370 on public passenger transport services by rail and by road and replacing Council Regulations 1191/69, (OJ L 156 , 28/06/1969) and 1107/70 (OJ L 130 , 15/06/1970).

[40] See the Communication from the Commission Community guidelines on State aid for railway undertakings (2008/C 184/07).
[41] to see if a region is eligible for aid the 'Regional Aid maps 2007 – 2013' should be consulted at http://ec.europa.eu/competition/state_aid/regional_aid/regional_aid.html.
[42] See the Communication from the Commission Community guidelines on State aid for railway undertakings (2008/C 184/07).

1. the rolling stock concerned must be exclusively assigned to urban, suburban or regional passenger transport services in a specific region or for a specific line serving several different regions;
2. the rolling stock must remain exclusively assigned to the specific region or the specific line for at least 10 years;
3. the replacement rolling stock must meet the latest interoperability, safety and environmental standards;
4. the Member State must prove that the project contributes to a coherent regional development strategy.

Also, the granting of the aid may be made subject to the obligation on the recipient undertaking to sell under normal market conditions all or part of the rolling stock it is no longer using, so as to allow its further use by other operators; in this case the proceeds from the sale of the old rolling stock will be deducted from the eligible costs.

3) Aid for coordination of transport: this type of aid concerns in particular the aid for promoting interoperability, greater safety, the removal of technical barriers or the reduction of noise pollution. The aid applies for rolling stock for both passenger and freight transport and any new rolling stock should meet interoperability, safety and environmental standards and noise requirements. The aid intensity can be up to 50% of the total investment.

5) Aid for restructuring railway undertakings: when restructuring, a railway undertaking may plan to finance part of its fleet. To be eligible for restructuring aid the railway undertaking has to meet the following conditions:

- must demonstrate its firm difficulty
- has to ensure return to a long-term viability and the existence of a restructuring plan (which will describe the need for renewed rolling stock)
- the aid must be limited to the minimum and include an own contribution of the undertaking
- the "one time, last time" principle applies.

It is worthy to be said that even though the financing of rolling stocks is in theory possible under this specific aid regime, in practice most of the funds will be allowed to be devoted more to rescuing the firm rather than to renewing the fleet.

6) Aid for environmental protection: this aid concerns both the acquisition of new rail rolling stock and the retrofitting. Intensity can reach 50% for large enterprises, 60% for medium enterprises and 70% for small enterprises.

Examples

Czech Republic: Ceske Drahy, the state owned railway operator – acquired EMUs and DMUs (currently unknown number) for regional rail transport ordered at regional level. The total estimated cost is about €300M with co-funding through ERDF on the basis of 7 regional operational programs for 14 regions. Total allocated support of about €130M on the basis of PSO contracts to be concluded shortly (40 % funding limitation on the basis of the conditions of a Commission state aid decision).

Latvia: PASAZIERU VILCIENS (PV), state owned railway company: 35 EMUs (suburban rail services) + 10 DMUs (regional rail services), current total estimated cost of 210 M EUR, partly funded by EU-grant (cohesion fund) on the basis of the operational programme: "infrastructure and services".

Poland: 3 different interested beneficiaries

- PKP Intercity - 20 high speed EMUs for intercity rail services, current total estimated costs of €400M, to be co-financed from OP Infrastructure & Environment;
- PKP Regional Railways - 20 EMUs for regional rail transport, current total estimated cost of €350M, to be co-financed from OP Infrastructure & Environment;
- Mazovian Railways - 16 EMU top be co-financed from Regional Ops.

Sustainable future of transport financing

Communication on a Sustainable Future for Transport

In 2001, the European Commission issued a White Paper[35] setting an agenda for the European transport policy throughout 2010. This programme was updated in the mid-term review of 2006[36]. Approaching the end of the ten-year period, the Commission decided that is was time to look further ahead and prepare the ground for later policy developments.

The Commission ran a debate from January to March 2009 to gather the contributions from all interested parties to submit their own views on the future of transport, as well as high level conferences.

This led to the publication, in June 2009, of a communication on "a sustainable future for transport: Towards an integrated, technology-led and user friendly system" (COM(2009)279/4)[37]. The communication takes into account the trends in the main transport drivers up to the middle of the century and the related challenges; the paper anticipates the importance of each of them in order to try to shape the future of transport.

An initiative report from the European Parliament due in July 2010 will also address the issue of the future of transport.

Towards the financing of sustainable transport?

The transition towards a low carbon economy and the "decarbonisation of transport," which is high on the Commission's agenda, will impose a substantial overhaul of the transport system. This will require considerable and well coordinated funding, which will add to the pressure already placed by the current economic crisis and other societal factors (e.g. ageing) on public finances.

The communication of the Commission refers to a number of financing resources which, if allocated to environmentally friendly mode of transport, would promote the development of a sustainable transport:

[35] COM(2001) 370
[36] COM(2006) 314
[37] http://ec.europa.eu/transport/publications/doc/2009_future_of_transport_en.pdf

1. Revenues from public budget

- Energy taxes on road transport and private car
- Tolls and charges for infrastructure use ("the user pays" principle)

2. Internalisation of external costs

- Inclusion of the aviation sector in the European Emission Trading Scheme from 2012
- Introduction of internalisation charges for heavy goods vehicles, i.e. revision of the Eurovignette directive. The paper highlights that, while it is estimated that road transport external costs reach 2.6% of the GDP, these costs are generally paid by all citizens, loosing the benefits of price signals and not respecting the polluter pays principle.
- Actions from Member States and international organisations to ensure that users' costs include relevant externalities.

3. Self-financing of the sector

- Congestion charges, i.e. costs of infrastructure scarcity

The Commission is expected to publish a White Paper in the course of 2010, giving clear priorities for the development of transport, and indications on the instruments that will help for developing a sustainable transport in Europe.

Extract from CER-EIM-UNIFE position paper on "A sustainable future for transport"

Investment and government support

Alongside the environmental crisis, the world is struggling with the effects of the economic downturn. As with the threat of climate change, the economic crisis requires urgent action in the transport sector through investment in sustainable projects. This will not only stimulate economic growth and create green jobs but respond to the urgent need to put transport in Europe on a sustainable track.

Railways should launch innovative, customer focussed initiatives that enable the EU to make the case for additional government investment in rail transport. Where necessary, the EU should provide financial support.

Further development of the European high speed rail network (in particular in the framework of the TEN-T Policy) should remain a priority, as reliable and rapid rail connections induce modal shift from air and road to rail. High speed lines offer the best alternative to short haul flights as the Madrid-Barcelona line or the Eurostar and Thalys services demonstrate. This also reduces energy consumption and CO2 emissions from transport.

Efficient movement of goods within Europe and across its borders is critical to achieving our vision for sustainable freight transport. Such efficiency is threatened by capacity bottlenecks in rail infrastructure. Investment should be concentrated on reducing these bottlenecks.

On the other hand, not only should rail investments be increased, but infrastructure managers should be provided with sufficient means to maintain their network and prevent any further deterioration of rail infrastructure, which is a problem in many member states.

Multi Annual Contracts and Agreements (MACs) should continue to be encouraged by the EU but should reflect the specific situation in each member state. Multi Annual Contracts and Agreements can increase the financial stability of infrastructure managers and set strong incentives for increasing cost efficiency. Planning certainty helps infrastructure managers to achieve efficiency in the long run. MACs should become binding to ensure the adequate maintenance of rail infrastructure in all member states, so as to achieve a high performing network that meets customers' needs.

Investment must also be better coordinated. For example, TEN-T funding should continue to foster market-based rail projects and EU regional aid should become more focussed on environmentally friendly transport modes as well as enhancing the EU's territorial cohesion. Another important point is the reinforcement of the participation of the private sector in the financing of large investments, via public-private partnership (PPPs).

Investment in rail and market opening are prerequisites for the creation of a level playing field and fostering the overall modal share of rail transport. Government support is also required for compensating operators for meeting public service obligations. There are major gaps in many countries in this regard.

European Rail Infrastructure Managers EIM

CER The Voice of European Railways

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