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## **REPORT**

on the European Court of Auditors' Special Report No 6/2005 on the Trans-European Network for Transport (TEN-T)  
(2006/2238(INI))

Committee on Budgetary Control

Rapporteur: Margarita Starkevičiūtė

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on the European Court of Auditors' Special Report No 6/2005 on the Trans-European Network for Transport (TEN-T) (2006/2238(INI))

*The European Parliament,*

- having regard to the European Court of Auditors' Special Report No 6/2005 on the Trans-European Network for Transport (TEN-T), together with the Commission's replies<sup>1</sup>,
  - having regard to Article 248(4), second subparagraph, Article 276(3) and Article 280(5) of the EC Treaty,
  - having regard to the Committee on Budgetary Control working document on the issue<sup>2</sup>,
  - having regard to its resolution of 26 October 2006 on the draft general budget of the EU for the financial year 2007<sup>3</sup>,
  - having regard to Rule 45 of its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Transport and Tourism (A6-0022/2007),
1. Welcomes the close and constructive cooperation between the Commission and the Court of Auditors on the programme for a TEN-T;
  2. Welcomes the accurate analysis and clarity of the Special Report, and notes that it shares most of the Court of Auditors' concerns and endorses most of its suggestions;
  3. Notes the corrective actions taken by the Commission by, *inter alia*, modifying the governing Council regulations in 2004, with some of the Court's early findings being taken into consideration;
  4. Points out that the new 2007-2013 financial framework will have a considerable impact on the TEN-T, as the amount agreed upon is approximately 40% of that contained in the original Commission proposal of 14 July 2004 (COM(2004)0475), which proposed an amount of EUR 20 350 million for TEN-T for the period 2007 to 2013, whereas the financial framework made only EUR 8 013 million available; believes that, as a consequence, selecting, prioritising and ensuring efficient implementation of the projects will become even more important;
  5. Regrets the meagre increase in the appropriations available for TEN-T;
  6. Is concerned about the slow speed of implementation of the priority TEN-T projects;

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<sup>1</sup> OJ C 94, 21.4.2006, p. 1.

<sup>2</sup> PE 374.326v02-00.

<sup>3</sup> *Texts Adopted*, P6\_TA(2006)0451.

7. Is of the opinion that the Commission has to further improve cooperation with Member States when priority projects at national and EU level are selected;
8. Considers it important for projects which are not completed on schedule to be subject to more stringent checks, with a possibility for subsidies under the multi-annual indicative programme to be transferred to projects which are progressing more rapidly;
9. Stresses the importance of appropriate monitoring of the projects, including on-site checks by the Commission;
10. Welcomes, in this context, the first annual activity reports of the European coordinators<sup>1</sup>, and agrees with the Commission's finding that failure to complete the trans-European transport network as a whole would lead to a loss of economic competitiveness;
11. Calls on the Member States to develop an integrated transport network policy to ensure the proper functioning of the trans-European transport network and the efficiency of national networks and to support a European added-value approach rather than fighting for the principle of 'fair share';
12. Emphasises that the selection of European transport projects has to be based on comprehensive studies assessing the need for any particular project at a very early stage;
13. Notes that the presence of a European coordinator has in general had a positive impact on strengthening coordination between Member States and has highlighted the need to set up common planning and management structures;
14. Emphasises, therefore, that the money available under the 2007-2013 financial framework should be allocated with account being taken of the European coordinators' comments, analyses and recommendations;
15. Asks the Commission to clarify the procedure for the appointment of the European coordinators when setting up the regulatory framework for the content of their reports;
16. Is of the opinion that in the current financial environment preference should be given to cross-border sections of priority projects with high Community added-value and to certain major 'bottlenecks' in order to contribute significantly to the completion of a trans-European, interconnected and interoperable transport network; welcomes in this context the cooperation agreement with the European Investment Bank (EIB);
17. Calls on the Commission to continue its efforts to establish clear legal frameworks and procedures, to guarantee rigorous monitoring and thorough evaluation of projects and programmes, and to draw up a comprehensive list of clear criteria which allow for the prioritisation of projects in a transparent manner;
18. Stresses the need to clarify the definitions of the terms 'studies' and 'works' by

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<sup>1</sup> [http://ec.europa.eu/ten/transport/coordinators/index\\_en.htm](http://ec.europa.eu/ten/transport/coordinators/index_en.htm).

harmonising the structure for the description of works and by standardising technical and financial reporting;

19. Considers it essential, when selecting and assessing projects, to draw on the experience of external experts and the EIB and to promote the exchange of experience and information with the DG REGIO;
20. Urges the Commission to establish a clear and transparent division of institutional responsibilities and to define a framework for the coordination of activities between DG REGIO and DG TREN with a view to avoiding double-financing of the same projects; considers it good practice to have clear agreements in place between the Member States and the Commission on the separation of funding from different EU sources;
21. Advocates a single entity for managing the projects by focusing on the main activity, in the process maintaining centralised information, facilitating better monitoring by the Commission and improving the coordination of the different legal, administrative and technical issues between the Member States involved; believes that a single entity responsible for managing the projects could reduce the risk of double funding;
22. Notes that payments from the Commission have taken excessive time to reach the final beneficiary; calls therefore for money to be paid out swiftly and efficiently; in this context direct payment flow from the Commission to the beneficiary could be a better solution;
23. Considers the coordination of TEN-T projects to be essential, particularly in the case of cross-border projects, and hopes that the establishment of the TEN-T Executive Agency, which has now been announced by the Commission, may contribute to the implementation of the TEN-T projects;
24. Points out that Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes<sup>1</sup> requires, in its Article 3(1) a cost-benefit analysis, taking into account a number of factors, before the establishment of an executive agency can be requested; regrets that the Commission was not in a position to present the European Court of Auditors with a satisfactory cost-benefit analysis of the establishment of an executive agency at the outset; remains, together with the European Court of Auditors, doubtful with regard to the quality of the revised version of the cost-benefit analysis concerning the externalisation of the management of Community financial support to the TEN-T networks; for the future, calls on the Commission to seek a positive opinion on cost-benefit analyses from the European Court of Auditors before forwarding a request for the establishment of an executive agency to the budgetary authorities;
25. Regrets that DG TREN's establishment plan does not reflect more adequately the fact that 54% of its budget concerns TEN-T, but that only 5% of its staff work in that area;
26. Stresses the use of modern project monitoring systems (GPS) and the sharing of best

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<sup>1</sup> OJ L 11, 16.1.2003, p. 1.

practices for project implementation monitoring systems;

27. Notes, in this context, the projected creation of an executive agency in 2007 which, according to the Commission, will be staffed by eight seconded officials from the Commission, 32 temporary staff (agency) and 48 contract staff; also notes that the cost of setting up the agency is estimated at EUR 78.6 million;
28. Underlines the fact that (co-)financing of TEN-T should take place transparently and that therefore regular information to the European Parliament and citizens should be guaranteed;
29. Calls on the European Court of Auditors to verify, at the appropriate time before 2009, the effectiveness of executive agencies and report back to the Committee on Budgetary Control;
30. Instructs its President to forward this resolution to the Council, the Commission and the European Court of Auditors.

## EXPLANATORY STATEMENT

### 1. The Trans-European Network for Transport (TEN-T) 2000 - 2006

The Community contributes to the establishment of trans-European networks in the area of transport (TEN-T) to promote cohesion, interconnection and interoperability of national networks as well as access to such networks across the European Union. To achieve this, the Community finances infrastructure projects and studies for roads, railways, inland waterways, airports, ports, satellite navigation and traffic management systems.

Budgetary expenditure on TEN-T increased from € 182 million in 1993 to € 661 million in 2005. The budget for the period 2000 to 2006 allocated by the Directorate-General for Energy and Transport (DG TREN) is € 4 425 million (out of a total budget of € 4 875 million).

Community financial assistance may take one or more of the following five forms: cofinancing of studies, direct grants to investments or works, interest subsidies on loans granted by the European Investment Bank (EIB) or other financial bodies, contributions towards fees for guarantees for loans from the European Investment Fund (EIF) or other financial institutions, or risk capital participation for investment funds or comparable financial undertakings.

### 2. Audit scope, objectives and approach

The Court's audit assessed the extent to which the Commission's management system - including the design and implementation of the legal framework, administrative procedures and internal control system - was conducive to the economic, efficient and effective implementation of TEN-T.

The specific audit objectives were to ascertain the extent to which:

- a) the allocation of Community financial aid, the forms of aid and the rules applicable to the financial participation of the Community permit effective implementation of TEN-T;
- b) the Commission financing decision and the administrative procedures, and their implementation, were adequate to carry out transparent evaluation, selection and monitoring of projects without entailing inefficiencies;
- c) the organisational structure and staff resources foster efficient management of TEN-T actions;
- d) the Commission's mechanisms for the coordination of transport infrastructure projects financed by the Community were appropriate to detect cases of overfunding or double funding.

The Court also verified whether, and to what extent, the Commission has taken corrective action with respect to its previous observations on TEN-T.

A total of 72 TEN-T actions were sampled for compliance testing of the Commission's internal controls. To allow broad conclusions to be drawn, the sample provided coverage of all transport modes and of all EU-15 Member States and represents over € 577 million in expenditure. Out of these 72 actions, 35 were audited on the spot.

### 3. The findings of the European Court of Auditors (ECA)

#### 3.1. Allocation of Community financial aid

- *Slow implementation of TEN-T priority projects*: Only three out of 14 priority projects decided on in 1994 and 1996 have been completed so far, while an additional five priority projects, and major parts of three others, are expected to be finalised by the 2010 deadline; in particular, cross-border sections of TEN-T projects are facing delays as these sections receive less priority at national level and require greater coordination efforts by the Member States concerned; delays are mainly due to insufficient financing at European and Member State level and to a lack of coordination between the different sources of EU, national or regional public funds;
- *Budget allocation insufficiently focused on cross-border sections*: It would appear that budget allocation is mainly driven by handing back their 'fair share' of EU money to Member States and, therefore, lacks prioritisation; in addition, only nine out of 118 multiannual indicative programme (MIP) infrastructure project sections cover more than one Member State; the ECA claimed that the Commission did not give adequate funding priority to cross-border projects, whereas the Commission argued that projects were proposed and agreed upon by Member States; the Commission also highlighted insufficient financial means at European and Member State level;

#### 3.2. Legal framework and administrative procedures

- Not until 2002 did the Commission start to notify beneficiaries of the scope, timing, form and financial conditions for TEN-T financial aid, and even then not in a systematic manner; as a consequence, reporting was not standardised and evaluation was difficult;
- Lack of standardised model project status reports, for technical and financial reporting by beneficiaries, made it difficult to evaluate projects;
- 'Studies' and 'works' should be unambiguously defined to prevent the risk of errors;
- The annual application, evaluation and selection procedure for TEN-T financial aid in the MIP sector was complex; priority for the MIP sector delayed allocations for the non-MIP sectors; forms in use until 2004 did not oblige applicants to provide all the information required in the TEN financial regulation;
- In general, the Court found weaknesses in evaluation and monitoring; as a result money might have been allocated without proper assessment of the legally required criteria;
- The Court also recommended extending the use of external experts in the evaluation process;

#### 3.3 Organisational structure and staff allocation



- In 2004 the TEN-T budget represented 54% (€ 672 million out of € 1 243 million) of the budget managed by the Directorate-General for Energy and Transport (DG TREN); however, TEN-T activities were managed by only 5% of DG TREN's staff (55 out of 1009 full-time staff); project officers managed an average of 26 actions in 2004;
- Regular staff often lacked relevant professional experience;

#### 3.4. Coordination of EU transport infrastructure funding

- Legal provisions governing financing from different EU funding sources were incomplete in the past;
- The terminology used in project applications and evaluation was unclear and inconsistent;
- DG TREN only made limited use of expertise from other Commission departments or the EIB for evaluation purposes.

20.12.2006

## **OPINION OF THE COMMITTEE ON TRANSPORT AND TOURISM**

for the Committee on Budgetary Control

on the European Court of Auditors' special report No 6/2005 on the Trans-European Network for Transport (TEN-T)  
(2006/2238(INI))

Draftsman: Jaromír Kohlíček

### **SUGGESTIONS**

The Committee on Transport and Tourism calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Regrets the niggardly increase in the appropriations available for TEN-T;
2. Welcomes the accurate analysis and clarity of the report, since it shares most of the Court of Auditors' concerns and endorses most of its suggestions;
3. Is concerned at the slow speed of implementation of the priority TEN-T projects;
4. Considers that TEN-T subsidies should be concentrated on fewer projects with a higher average financing rate so as to enhance the leverage effect of EC funding, and should give greater priority to cross-border routes;
5. Considers that, in allocating TEN-T subsidies, rather than the principle of "fair shares" for the individual Member States, the only criteria used should be those set out in the TEN-T financing regulation and in the TEN-T policy guidelines;
6. Considers that the Member States should give the highest priority to implementing the most important projects, and that all necessary financial and technical measures should be taken to ensure that the selected projects are realised;
7. Considers it important for projects which are not completed on schedule to be subject to more stringent checks, with a possibility for subsidies under the multi-annual indicative programme to be transferred to projects which are progressing more rapidly;

8. Considers it essential, when selecting and assessing projects, to draw on the experience of external experts and the EIB and to promote the exchange of experience and information with the DG for Regional Policy;
9. Stresses the importance appropriate monitoring of the projects and on-site checks by the Commission;
10. Considers the coordination of TEN-T projects to be essential, particularly in the case of cross-border projects, and hopes that the establishment of the TEN-T Executive Agency which has now been announced by the Commission may contribute decisively to the implementation of the TEN-T projects;
11. Underlines the fact that (co-)financing of TEN-T should happen transparently and therefore regular information to the European Parliament and citizens should be guaranteed.

## PROCEDURE

<b>Title</b>	The European Court of Auditors' special report No 6/2005 on the Trans-European Network for Transport (TEN-T)
<b>Procedure number</b>	2006/2238(INI)
<b>Committee responsible</b>	CONT
<b>Opinion by</b> Date announced in plenary	TRAN 28.9.2006
<b>Enhanced cooperation – date announced in plenary</b>	
<b>Drafts(wo)man</b> Date appointed	Jaromír Kohlíček 9.10.2006
<b>Previous drafts(wo)man</b>	
<b>Discussed in committee</b>	23.11.2006    18.12.2006
<b>Date adopted</b>	19.12.2006
<b>Result of final vote</b>	+:            44 -:            0 0:            2
<b>Members present for the final vote</b>	Gabriele Albertini, Robert Atkins, Inés Ayala Sender, Etelka Barsi-Pataky, Paolo Costa, Michael Cramer, Arūnas Degutis, Petr Duchoň, Christine De Veyrac, Saïd El Khadraoui, Emanuel Jardim Fernandes, Roland Gewalt, Luis de Grandes Pascual, Mathieu Grosch, Ewa Hedkvist Petersen, Stanisław Jałowiecki, Georg Jarzembowski, Dieter-Lebrecht Koch, Rodi Kratsa-Tsagaropoulou, Jörg Leichtfried, Bogusław Liberadzki, Eva Lichtenberger, Erik Meijer, Robert Navarro, Seán Ó Neachtain, Josu Ortuondo Larrea, Willi Piecyk, Reinhard Rack, Gilles Savary, Renate Sommer, Dirk Sterckx, Ulrich Stockmann, Gary Titley, Georgios Toussas, Armando Veneto, Marta Vincenzi, Corien Wortmann-Kool, Roberts Zīle
<b>Substitute(s) present for the final vote</b>	Zsolt László Becsey, Johannes Blokland, Nathalie Griesbeck, Zita Gurmai, Anne E. Jensen, Sepp Kusstatscher, Zita Pleštinská, Vladimír Remek
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	
<b>Comments (available in one language only)</b>	

## PROCEDURE

<b>Title</b>	The European Court of Auditors' Special Report No 6/2005 on the Trans-European Network for Transport (TEN-T)
<b>Procedure number</b>	2006/2238(INI)
<b>Committee responsible</b> Date authorisation announced in plenary	CONT 28.9.2006
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	TRAN 28.9.2006
<b>Not delivering opinion(s)</b> Date of decision	
<b>Enhanced cooperation</b> Date announced in plenary	
<b>Rapporteur(s)</b> Date appointed	Margarita Starkevičiūtė 25.1.2006
<b>Previous rapporteur(s)</b>	
<b>Discussed in committee</b>	27.11.2006      20.12.2006
<b>Date adopted</b>	29.1.2007
<b>Result of final vote</b>	+    17 -    0 0    0
<b>Members present for the final vote</b>	Inés Ayala Sender, Paul van Buitenen, Mogens N.J. Camre, Paulo Casaca, James Elles, Christofér Fjellner, Ingeborg Gräßle, Dan Jørgensen, Rodi Kratsa-Tsagaropoulou, Nils Lundgren, Hans-Peter Martin, Jan Mulder, Margarita Starkevičiūtė, Alexander Stubb
<b>Substitute(s) present for the final vote</b>	Jens-Peter Bonde, Daniel Caspary, Joel Hasse Ferreira
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	
<b>Date tabled</b>	29.1.2007
<b>Comments (available in one language only)</b>	