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## REPORT

on the report from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on the Trans-European Networks 1999 annual report pursuant to Article 16 of Regulation 2236/95 laying down general rules for the granting of Community financial assistance in the field of Trans-European-Networks (COM(2000) 591 - C5-0255/2001 - 2001/2120(COS))

Committee on Budgets

Rapporteur: Francesco Turchi



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## PROCEDURAL PAGE

At the sitting of 2 July 2001 the President of Parliament announced that she had referred the report from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on the Trans-European Networks 1999 annual report pursuant to Article 16 of Regulation 2236/95 laying down general rules for the granting of Community financial assistance in the field of Trans-European-Networks, pursuant to Rule 48 of the Rules of Procedure, to the Committee on Budgets as the committee responsible and the Committee on Industry, External Trade, Research and Energy, the Committee on Regional Policy, Transport and Tourism and the Committee on Budgetary Control for their opinions.

The Committee on Budgets appointed Francesco Turchi rapporteur at its meeting of 22 March 2001.

It considered the draft report at its meeting of 27 November 2001.

At that meeting it adopted the motion for a resolution unanimously, with 2 abstentions.

The following were present for the vote: Terence Wynn, chairman; Francesco Turchi, rapporteur; Kathalijne Maria Buitenweg, Carlos Costa Neves, Gérard M.J. Deprez (for Ioannis Averoff), Den Dover, Göran Färm, Salvador Garriga Polledo, Neena Gill, Catherine Guy-Quint, Jutta D. Haug, Anne Elisabet Jensen, Armin Laschet, Juan Andrés Naranjo Escobar, Giovanni Pittella, Bartho Pronk (for Reimer Böge), Encarnación Redondo Jiménez (for Jean-Louis Bourlanges), Heide Rühle, Giacomo Santini (for James E.M. Elles), Ioannis Souladakis (for Paulo Casaca), Per Stenmarck, Ralf Walter and Brigitte Wenzel-Perillo.

The opinions of the Committee on Industry, External Trade, Research and Energy and the Committee on Regional Policy, Transport and Tourism are attached; at its meeting of 10 July 2001, the Committee on Budgetary Control decided not to deliver an opinion.

The report was tabled on 29 November 2001.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

## MOTION FOR A RESOLUTION

**European Parliament resolution on the report from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on the Trans-European Networks 1999 annual report pursuant to Article 16 of Regulation 2236/95 laying down general rules for the granting of Community financial assistance in the field of Trans-European-Networks (COM(2000) 591 - C5-0255/2001 - 2001/2120(COS))**

*The European Parliament,*

- having regard to the Commission's report entitled 'Trans-European Networks – 1999 Annual Report' (COM(2000) 591 – C5-0255/2001),
  - having regard to the Gothenburg European Council conclusions, and more specifically to paragraph 29 thereof,
  - having regard to the White Paper on European transport policy,<sup>1</sup>
  - having regard to the proposal for a decision of the European Parliament and the Council amending Decision No 1692/96/EC on Community guidelines for the development of the Trans-European transport network,
  - having regard to Rule 47(1) of its Rules of Procedure,
  - having regard to the report of the Committee on Budgets and the opinions of the Committee on Industry, External Trade, Research and Energy and the Committee on Regional Policy, Transport and Tourism (A5-0439/2001),
- A. whereas the trans-European networks account for almost half of total goods and passenger traffic in the European Union, and therefore they could and should play a key role in promoting sustainable transport, strengthening economic development and revitalising employment;
- B. whereas the share of TEN activities financed under the general budget has gradually been reduced from 1997 to 1999; whereas the appropriation concerned should be increased, not least in view of the huge challenges which the sector will be called upon to meet in years to come,
- C. whereas roads currently make up 79% of passenger transport, compared with 6% for rail and 5% for air; whereas road traffic congestion already amounts to 0.5% of Community GDP, and, if nothing is done, it is estimated that this ratio will reach 1% of Community GDP by 2010, amounting to EUR 80 billion a year; whereas it is estimated that enlargement will further increase transport flows in the new Member States, particularly in the frontier regions,
- D. whereas the European Council in Gothenburg called for a sustainable transport policy, which would tackle rising volumes of traffic and levels of congestion, noise and pollution

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<sup>1</sup> White Paper on European transport policy for 2010: time to decide, COM(2001) 370, 12.9.2001.

and encourage the use of environment-friendly modes of transport as well as the full internalisation of social and environmental costs,

- E. whereas the Commission in its White Paper on European transport policy highlights the continued existence of bottlenecks, particularly in international corridors in which North-South trans-European traffic is highly concentrated, in natural barriers such as the Alps and the Pyrenees, on the outskirts of major urban and trading centres in which long-distance, regional and local traffic meets and is concentrated, as well as on a number of EU borders, in particular those with the accession countries,
  - F. whereas the completion and effective operation of the internal market in gas and electricity are inevitably linked to the further development of the trans-European networks,
  - G. whereas environmental arguments should not serve as a pretext for obstructing this aim, hence the need for appropriate solutions to be devised,
  - H. whereas in some Member States liberalisation has been carried out in a limited manner without taking account of reciprocity,
  - I. whereas the increase in demand and in cross-border trade following the opening of the market could lead to network overload,
  - J. whereas a well-integrated network is a fundamental prerequisite for security of energy supply,
  - K. whereas the prospect of enlargement of the European Union calls for the creation of a connection between the energy networks of the candidate countries and those of the European Union,
  - L. noting the dependence of the EU on external resources for its energy supply, and stressing, therefore, the importance of extending energy networks and of developing external cooperation measures in general in areas such as the Baltic Sea, the Black Sea, the Balkans and the Mediterranean,
1. Considers that the Commission has implemented satisfactorily the appropriations and remarks stated in the 1999 budget; notes that 1999 was a crucial year as it led to the modification of the TEN financial regulation, the approval of the financial framework for the period 2000-2006, the establishment of ISPA, and the emergence of Galileo as a completely new and important TEN project;
  2. Welcomes the fact that the proportion (47%) of transport TEN appropriations used on feasibility studies and related activities – which was criticised in resolution A5-0076/2000 – has been reduced within one year to 28%, since a larger number of projects are now at the completion stage;
  3. Notes the factual character of the report and regrets that it contains neither a historical analysis of the preceding years, nor forecasts regarding priorities in the field of trans-European networks; deplores also the fact that the annual report contains relatively little information on the qualitative assessment of TEN projects; urges the Commission to attach

in its future evaluations more detailed information on the original plans, timetables and results of each project; considers that this would improve the transparency and monitoring of TENs;

4. Regrets the fact that the information on investment in transport TENs included in the Commission's report is broken down by transport mode only for budget line B5-700 and the Cohesion Fund; calls on the Commission to provide information on investment in transport via the Structural Funds, EIB loans, the financial instruments for third countries and other public and private programmes that is also broken down by transport mode;
5. Calls on the Commission to ensure that Member States make real progress towards the completion of the single market by fully transposing the gas and electricity liberalisation directives;
6. Calls on the Commission to submit as soon as possible its proposal for a revision of the guidelines applicable to trans-European energy networks, which should seek to achieve the optimum operation of energy networks in the framework of the internal market in energy, taking due account of its future enlargement;
7. Hopes that the Commission text will contain projects of environmental interest such as to reduce the losses on the networks;
8. Calls on the Commission to clarify its position on the Synergy programme, given that the completion of gas or electricity network connection projects in the candidate countries or other third countries meets a vital need of the European Union, as the Commission noted in its report;
9. Notes the delay in a number of projects, particularly in the field of electrical energy, and calls on the Member States to take all the necessary measures to overcome the difficulties involved, particularly the environmental difficulties; the European Union should, where necessary, provide adequate funding to that end;
10. Suggests that in the future, the financial evaluation of TENs should also include information on activities financed through the local, regional and national budgets as well as private sources, in order to provide a global view of the development in this sector and to check whether the Member States have fulfilled their promises by providing the necessary funding to the TEN projects;
11. Considers that the financial resources available for TENs seem far too limited considering the current and future challenges faced by the transport sector; welcomes the fact that the amendments made by Parliament and the Council to the financial regulation (Regulation (EC) No 2236/95), whereby the Community grants financial aid for the trans-European networks, increase the total appropriation compared with the amount allotted in the period from 1995 to 1999; points out, however, that the appropriation is modest, given the immense challenges that the sector will be called upon to meet in years to come and also the percentage of TEN funding provided by EIB loans, which in 1999 proved to be more than  $\frac{3}{4}$  of the total funding;
12. Calls on the Commission to formulate the funding rules in such a way that the disbursement of tranches of funding for projects takes place only after a report has been issued by the

beneficiary on the proper utilisation of the appropriations already received, and to append to its reports a summary – with timetable – setting out original plans, achievements in practice and proposed completion, in order to permit greater transparency, better monitoring and improved scope for planning;

13. Points out that the constant increase in road traffic runs contrary to the objectives of transport TENs and sustainable development; considers that attention should be focused increasingly on the interoperability and promotion of rail networks, in particular by pursuing cross-border cooperation; welcomes the guidelines to that effect proposed by the Commission in the White Paper on European transport policy up to 2010;
14. Considers it appropriate to develop initiatives aimed at optimising the network capacity and promoting integration between different modes of transport, as well as at revitalising rail, short sea shipping and the use of inland waterways;
15. Therefore calls for priority to be given to the promotion of those projects which clearly demonstrate positive and long-term effects on the environment and employment and which help to remove bottlenecks in the trans-European transport network, particularly in rail and combined transport;
16. Urges the Commission to strengthen the development and promotion of intelligent transport systems aiming at a more efficient use of infrastructure, the removal of bottlenecks through better traffic management and high quality information services, and the enhancement of transport safety and efficiency; calls on it accordingly to treat the Galileo satellite navigation programme as a matter of the utmost importance;
17. Refers to the TINA report, according to which the construction of a future transport TEN network in 11 candidate countries in central and eastern Europe by 2015 would require a financial support of EUR 92 billion; points out that the current financial perspective foresees an amount of EUR 7 billion under the framework of ISPA up to 2006, and that only EUR 3.64 billion would be available for transport infrastructure projects in heading 7; calls for a thorough reflection on the ambitions and priorities for TEN networks in the candidate countries and the financial envelope to be allocated;
18. Is of the opinion that Member States must pay back the funds allocated by the EU for a given project if that project has not been completed;
19. Instructs its President to forward this resolution to the Council and Commission.



## **EXPLANATORY STATEMENT**

### **1. Background**

The Commission has submitted its 1999 annual report on the Trans-European Networks (TENs), as required by Article 16 of Council Regulation No 2236/95. The report provides a general outlook on Community assistance in the three main areas of TENs (transport, energy and telecommunications), which are financed either through the general budget (chapter B5-7, ERDF and the Cohesion Fund), or through other Community sources (EIB and EIF).

The main purpose of Community assistance is to help to surmount the financial obstacles which may arise when a project gets under way. It is intended primarily to promote feasibility studies related to projects of common interest, to grant interest rebates or contributions to meet loan guarantee costs, and to award direct grants. It may also be used to finance measures aimed at encouraging and facilitating partnership between the public and private sectors or for venture capital formation.

According to the Commission, 1999 was a pivotal year, as it included the modification of the TEN financial regulation, the approval of a EUR 4.6 billion financial framework for the period 2000-2006 and the emergence of Galileo as a completely new and significant TEN project. In addition, the European Parliament and Council established ISPA (Instrument for Structural Policies for Pre-accession), which received a budget of EUR 7 billion for the period 2000-2006. Approximately 50% of this money should be used to finance major transport infrastructure works in the applicant countries in central and eastern Europe.

Transport projects represented 85% of all TEN-related expenditure, whereas telecommunications covered only 10% and energy a mere 5% of all costs. Consequently, the rapporteur proposes to concentrate on the development in the transport sector, which will have an important role in the Community for years to come.

### **2. Financial and budgetary remarks**

The European Investment Bank continued to cover the lion's share in Community financing of TENs. In 1999, EIB loans for TEN-related projects amounted to a total of EUR 8,277 million, out of which EUR 5,977 million went to projects in the transport sector, EUR 2,126 million to telecommunications and EUR 174 million to energy projects (see annex).

Part of Community funding for transport TENs came as loan guarantees from the European Investment Fund (EUR 266 million), and as grants from the Cohesion Fund (EUR 444 million) and the European Regional Development Fund. The rest of the activities were financed through the general budget (EUR 497 million, out of which EUR 266 million went to the 14 Essen priority projects).

Looking at the 1999 budget, it turns out that the Commission was able to commit most of the appropriations dedicated for TENs: the rate of implementation was nearly 100% for transport TENs, 100% for energy and telecommunication projects and 90% for telematic networks.

The picture is similar when looking at the budgetary remarks. The remarks under B5-70 stipulate that a minimum of 55% of appropriations should be used for investments in railways, whereas roads should get a maximum of 25%, and traffic management and telematics a maximum of 15%. Moreover, a maximum of 60% of commitment appropriations was to be used for the Essen priority projects.

It seems that the Commission fulfilled all these requirements. In 1999, it directed the greater part of the available resources (58%) on the 14 priority projects including rail traffic management (see table below).

	<b>Support 1999</b>	<b>%</b>	
	(Million EUR)	<b>1999</b>	<b>1998</b>
14 specific projects confirmed by the Essen European Council (includes EUR 22.8 million for rail traffic management)	288	58	64
Traffic management (all modes except rail)	45	9	11
Other important projects of common interest (other than the 14 specific projects)	164	33	25
<b>TOTAL</b>	<b>497</b>	<b>100</b>	<b>100</b>

Similarly, more than 60% of Community spending on transport continued to be allocated to rail projects (64% in 1999 as compared to 66% in 1998). Road projects received 17% and traffic management projects 9% of transport TEN appropriations (see table below).

	<b>Support 1999</b>	<b>%</b>	
	(Million EUR)	<b>1999</b>	<b>1998</b>
Rail (including traffic management)	318	64	66
Road	86	17	13
Inland waterways	18	4	2
Sea/Ports	3	1	2
Airports	29	5	6
Traffic management (all modes except rail)	43	9	11
<b>TOTAL</b>	<b>497</b>	<b>100</b>	<b>100</b>

At the same time, the share of TEN activities financed under the EU budget (TEN budget lines, as well as grants from ERDF and the Cohesion Fund) continued to decline: Community funding reduced from 34.0% in 1997 to 27.7% in 1998 and 16.5% in 1999.

In 1999, TEN budget lines covered only 7% of funding for transport projects, and even less for energy (5%) and telecommunications (1%). The European Investment Bank was responsible for over ¾ of Community funding for TEN projects.

On the other hand, it should be kept in mind that TEN budget lines exercise an important catalysing role as they provide for feasibility studies, loan guarantees and interest subsidies, without which the projects would not be launched. Moreover, the amounts reflect only the funding coming from Community sources. Funding by the Member States and private sources are not included.

The rapporteur considers that the financial evaluation of TENs should be improved so as to include information on activities financed through the local, regional or national budgets as well

as private resources, which currently cover over 80% of overall costs. In the future, the Commission should attach to the annual report a summary, with a timetable, setting out original plans, achievements in practice and proposed completion, in order to permit greater transparency and better monitoring, and to improve the scope for planning.

### **3. Qualitative assessment**

The budgetary remarks also specify that "the use of appropriations should be geared to a sustainable transport policy, encouraging those modes which are most environment-friendly and making the best possible use of existing infrastructures, in particular through intermodal and modal traffic management projects."

Furthermore, the Community measures were to "promote the interconnection and interoperability of national networks as well as access to these networks, taking into account the need to link island, landlocked and peripheral regions of the Community with its central regions". The establishment of a trans-European transport network was thus supposed to contribute "to the effective and harmonious operation of the internal market and to improving economic and social cohesion."

The annual report provides relatively little information on the qualitative assessment of TEN projects. However, some of these questions were raised at a conference organised by the EIB in February 2001 in Strasbourg.<sup>1</sup> According to former transport Commissioner Henning Christophersen, the initiation and completion of transport projects has taken much more time than expected due to cumbersome planning procedures and a lack of cross-border coordination. In several cases, Member States have had different priorities, whereby transport authorities have had difficulties to get their acts together. The notion of public-private partnership is still to a large extent an unproven concept.

The rapporteur considers that time has come to tackle the negative effects of road congestion. According to the White Paper on European transport policy,<sup>2</sup> roads make up already 44% of the goods transport market compared with 41% for short sea shipping, 8% for rail and 4% for inland waterways. The predominance of road is even more marked in passenger transport, road accounting for 79% of the market, while air with 5% is about to overtake railways, which have reached a ceiling of 6%.

In addition to the negative impact on the environment and public health, road congestion is beginning to threaten the economic competitiveness of the Community. A recent study on the subject shows that the external costs of road traffic congestion alone amount to 0.5% of Community GDP. The Commission estimates that if nothing is done, road congestion will increase significantly by 2010. Consequently, the costs attributable to congestion would increase by 142% to reach EUR 80 billion a year, which is nearly 1% of Community GDP.

According to the White Paper, part of the reason is that transport users do not cover the full costs they generate. Indeed, the price structure generally fails to reflect all the costs of infrastructure, congestion, environmental damage and accidents. This in turn would speak in

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<sup>1</sup> "Development of Trans-European Transport Networks: the Way Forward", organised by EIB in Strasbourg on 14 February 2001.

<sup>2</sup> White Paper on European transport policy for 2010: time to decide, COM(2001)370, 12.9.2001.

favour of introducing user charges in Europe. However, this will be possible only if and when the Community can provide a valid alternative to the road users.

In June 2001, the Gothenburg European Council placed shifting the balance between modes of transport at the heart of the sustainable development strategy. The rapporteur considers that this would be all the more necessary in view of the challenges posed by the future enlargement. According to the White Paper, enlargement will generate an explosion in transport flows in the new Member States, particularly in the frontier regions. Economic growth will almost automatically generate greater needs for mobility, with estimated increases in demand of 38% for goods services and 24% for passengers. The Commission considers that the saturation of the major arteries combined with accessibility of outlying and very remote areas and infrastructure upgrading in the candidate countries will require massive investments in sustainable transport networks.

In this respect, the Commission published a Transport Infrastructure Needs Assessment (TINA) report in October 1999, in which it identified the necessary components for a future transport TEN network in the territory of 11 candidate countries in Central and Eastern Europe. The total costs of constructing this network were estimated to amount to EUR 92 billion, out of which EUR 37 billion would go to the railway sector, EUR 44 billion to the road network, EUR 1.5 billion to the inland waterways network and EUR 9.5 billion for other networks, such as airports, river ports, seaports and other terminals. According to the Commission, about  $\frac{3}{4}$  of the costs for the rail and road components of the network will be given priority in the Community's financing schemes through the Instrument for Structural Policies for Pre-accession (ISPA) and the European Investment Bank (EIB).

However, looking at the current financial perspective, it seems obvious that EIB would have to cover most of these needs. The Commission estimates that ISPA can provide financial assistance of around EUR 520 million per year for transport infrastructure projects in the 10 applicant countries in central and eastern Europe. This amounts to EUR 3.64 billion during the period 2000-2006. Consequently, the rest of the required EUR 60 billion would have to come from EIB.

#### **4. Conclusions**

The rapporteur considers that the Parliament should give recognition to the Commission for the satisfactory implementation of TENs appropriations and remarks stated in budget 1999. At the same time, he regrets that the annual report contains very little information on other sources of funding apart from those financed from the general budget and the EIB. This problem should be solved in future reports.

The rapporteur believes that the annual evaluation of TENs should lead to a revision of strategies if current policies do not produce expected results. This seems to be confirmed in the Commission's White Paper on European transport policies, which points out that the constant increase in road traffic runs contrary to the objectives of transport TENs and sustainable development. This is partially due to the lack of cross-border cooperation which undermines the interoperability and promotion of rail networks. Based on the Commission's assessment, it seems obvious that the Community should shift its emphasis from the Essen priority projects and country-specific infrastructure projects to cross-border and transit projects so as to enable the construction of good transit routes within the Community.

The Commission's current approach seems to partly contradict these requirements. On 19 September 2001, it adopted a decision on the indicative multiannual programme for the funding of the transport TENs over the period 2001-2006. According to this proposal, nearly half of the funds would continue to go to the large infrastructure projects endorsed by the 1994 Essen European Council, whereas 20% would be reserved for the Galileo programme and the remaining 30% would be available for railway bottlenecks, cross-border projects and so-called Intelligent Transport Systems.

The rapporteur considers that the Parliament should revise the Commission's plans and propose a shift of emphasis from the Essen priority projects to other transport TEN projects so as to meet the existing and future challenges caused by increased mobility, and to develop a truly sustainable transport policy within the Community. This would require a greater emphasis on the development and promotion of intelligent transport systems, aiming at a more efficient use of infrastructure, the removal of bottlenecks through better traffic management and high quality information services, the enhancement of transport safety and efficiency, as well as the introduction of user charges which would better reflect the costs to society of using different modes of transport. However, this will depend on whether the Community can provide a valid alternative to the road users.

Last but not least, the rapporteur proposes a revision of funds available for transport TENs by using some of the margin available under heading 3 (see table below). This would seem justified if the Community ever intends to achieve the objective of sustainable transport policy.

#### **Margin available under heading 3**

(in € million, adjusted to current prices with estimated inflation of 2% per year)

	<b>2001</b>	<b>2002 **</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Total 2003-2006</b>
FP ceiling for heading 3	6.272	6.558	6.810	7.065	7.325	7.601	
Other policies heading 3	2.312	2.435	2.406	2.454	2.503	2.553	
RTD costs	3.920	4.055	4.055	4.310	4.500	4.635	17.500
Total costs in heading 3 *	6.232	6.490	6.461	6.764	7.003	7.188	
Margin under heading 3	40	68	349	301	322	413	1.385

\* Assuming that the financial envelope for the 6th framework programme for research and technological development (RTD) is adopted as proposed by the Commission and other activities under heading 3 are maintained at the current level without any increases.

\*\* As proposed in PDB 2002.

## Community financing of TEN projects in 1999

(million EUR)

Sector	Type of assistance	Instrument	1993-1995 <sup>1</sup>	1996 <sup>5</sup>	1997 <sup>5</sup>	1998 <sup>5</sup>	1999 <sup>5</sup>
<b>Transport</b>	Loans	EIB <sup>2-3</sup>	7 666	3 504	4 943	4 415	5 977
	Loan guarantees	EIF <sup>6-7</sup>	161	303	55	71	266
	Grants	ERDF <sup>7-4</sup>	999	2 639	527	n.a.	n.a
		Cohesion Fund	2 995	1 221	1 251	1 337	444
	Grants, interest rate subsidies, loan guarantees and co-financing of studies	TEN budget line B5-700	625	280	352	474	497
		(Of which the 14 specific projects)	362	211	211	305	266
<b>Energy</b>	Loans	EIB <sup>6-7</sup>	1 822	1 176	854	393	174
	Guarantees	EIF <sup>6-7</sup>	220	270	4	5	0
	Grants and co-financing of studies	Structural Funds	764	1 265	277	n.a.	355
		TEN budget line B5-71	12	9	24	19	29
<b>Telecommunications</b>	Loans	EIB <sup>6-7</sup>	4 295	1 626	1 880	3 434	2 126
	Guarantees	EIF <sup>6-7</sup>	175	9	276	230	123
	Financial contributions	Structural Funds	295	173	n.a.	n.a.	387 <sup>5</sup>
	Co-financing of feasibility and validation studies	TEN budget line B5-720	45	16	27	28	21
<b>Telematic Networks</b>	Grants	TEN budget line B5-721	119	44	47	24	31

NB: n.a. = not available

<sup>1</sup> Money committed.

<sup>2</sup> Signed contracts.

<sup>3</sup> TEN and TEN-related projects.

<sup>4</sup> Usually includes appropriations committed for the period 1996-1999.

<sup>5</sup> TEN-related projects only.



18 October 2001

## **OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY**

for the Committee on Budgets

on the Commission report entitled 'Trans-European Networks 1999 Annual Report' pursuant to Article 16 of Regulation 2236/95 laying down general rules for the granting of Community financial assistance in the field of Trans-European Networks  
(COM(2000) 591 – C5-0255/2001 – 2001/2120 (COS))

Draftsman: Hervé Novelli

### **PROCÉDURE**

The Committee on Industry, External Trade, Research and Energy appointed Hervé Novelli draftsman at its meeting of 11 July 2001.

It considered the draft opinion at its meetings of 17 September and 15 October 2001.

At the latter meeting it adopted the following conclusions unopposed with 4 abstentions.

The following were present for the vote: Carlos Westendorp y Cabeza, chairman; Nuala Ahern, vice-chairman; Peter Michael Mombaur, vice-chairman; Konstantinos Alyssandrakis, Felipe Camisón Asensio (for Jaime Valdivielso de Cué), Concepció Ferrer, Francesco Fiori (for Umberto Scapagnini), Christos Folias, Jacqueline Foster (for Roger Helmer), Per Gahrton (for Yves Piétrasanta), Neena Gill (for Glyn Ford), Michel Hansenne, Rolf Linkohr, Caroline Lucas, Eryl Margaret McNally, Erika Mann, John Purvis, Mechtild Rothe, Jacques Santer (for Giles Bryan Chichester), Konrad K. Schwaiger, Claude Turmes (for Nelly Maes), W.G. van Velzen and Alejo Vidal-Quadras Roca.



## SHORT JUSTIFICATION

The Commission has submitted its 1999 Annual Report on the Trans-European Networks to the European Parliament, the Council, the Economic and Social Committee, and the Committee of the Regions in accordance with Article 16 of Council Regulation (EC) 2236/95 of 18 September 1995 laying down general rules for the granting of Community financial assistance in the field of Trans-European Networks.

Community funding for TENs takes the form of the following types of aid:

- loans from the European Investment Bank (EIB);
- guarantees loans from the European Investment Fund (EIF);
- subsidies and co-financing of studies (from the structural funds and from the TEN budget heading B5-71).

### A. The energy sector

In 1999, new EIB loans were approved for the gas and electricity networks amounting to EUR 134 m; the cumulative amount since 1993 was EUR 6 054 m. In 1999, contracts were signed for EUR 174 m for interconnection projects linking Italy with Greece and Spain with Morocco, for the 'Portgas' project in Portugal and for the 'Ruhrgas Netra' project in Germany. This last figure is to be compared with the EUR 393 m for 1998.

Progress has been made in seven of the ten priority energy projects designated by the December 1994 Essen European Council. In the field of energy, the principal sections of the five gas projects became operational during this period. This involves the principal gas pipelines Algeria - Morocco - Spain and Russia - Belarus - Poland - HAVE and the new gas networks in Greece, in Portugal and in the south and the west of Spain.

As regards the five electric projects, the situation is less favourable. One project became operational (connection between northern Portugal and Spain) and a second project is in the active construction phase (the Italy - Greece interconnection). The three other projects have not overcome the difficulties facing them as regards administrative authorisations (for the France – Italy and France – Spain projects) or as regards viability/financing (for the connection between eastern and western Denmark).

According to the Commission, these priority projects which are being held up are mainly in frequently visited, protected or inhabited areas. Since the networks in question are overhead electricity cable networks planned for valleys (in the Pyrenees or the Alps), environmental problems arise. In these cases, the Commission has proposed studies on alternative routes. At any rate it must be remembered that the subsidiarity principle must be observed and that the Member States or their federal subdivisions (Länder) have responsibility for this area.

Regarding external relations, the TEN-Energy Guidelines already identify a good number of gas or electric connection projects which require work in applicant countries or non-Member countries. The study of these projects, as well as the efforts to achieve energy cooperation at regional level (in the areas of the Baltic, the Balkans, the Black Sea and the Mediterranean) continued benefiting in 1999 from Community financial support under the TEN-Energy programme (see Annex V - the list of the projects funded in 1999), the Synergy programme and the horizontal assistance programmes (PHARE, TACIS and MEDA).

The Commission has announced that it will submit an infrastructure plan towards the end of this year. This plan will set out general guidelines for TENs, identifying priority lines for reducing infrastructure overload. The Commission will also propose measures for improving the management of networks without constructing new lines, particularly by improving existing networks.

With a view to the completion of the single market in energy, it will be essential to update the priorities for the TENs in this way. In particular there will be a need for a common networks policy.

## **B. The telecommunications sector**

In 1999, the EIB granted loans for trans-European telecommunications networks not covered by the guidelines on the trans-European telecommunications network, including EUR 2 400 m in new loans and EUR 2 126 m in commitments (EUR 3 434 m in 1998). The funding contracts signed from 1993 accounted for a total of EUR 12 985 m.

Of the 80 TEN-ISDN-Telecom projects for 1999, 35 were completed by the end of the year. In addition there were 28 projects co-funded by TEN-Telecom, as part of joint-calls in the areas of multimedia and tourism SMEs.

A technical evaluation was carried out of 39 projects with the help of independent experts.

## **CONCLUSIONS**

The Committee on Industry, External Trade, Research and Energy calls on the Committee on Budgets, as the committee responsible, to incorporate the following points in its motion for a resolution:

- A. whereas the completion and effective operation of the internal market in gas and electricity are inevitably linked to the further development of the trans-European networks,
- B. whereas environmental arguments should not serve as a pretext for obstructing this aim, hence the need for appropriate solutions to be devised,
- C. whereas in some Member States liberalisation has been carried out in a limited manner without taking account of reciprocity,

- D. whereas the increase in demand and in cross-border trade following the opening of the market could lead to network overload,
  - E. whereas a well-integrated network is a fundamental prerequisite for security of energy supply,
  - F. whereas the prospect of enlargement of the European Union calls for the creation of a connection between the energy networks of the candidate countries and those of the European Union,
  - G. noting the dependence of the EU on external resources for its energy supply; stressing, therefore, the importance of extending energy networks and of developing external cooperation measures in general in areas such as the Baltic Sea, the Black Sea, the Balkans and the Mediterranean;
1. Calls on the Commission to ensure that Member States make real progress towards the completion of the single market by full transposing the gas and electricity liberalisation directives;
  2. Calls on the Commission to submit as soon as possible its proposal for a revision of the guidelines applicable to trans-European energy networks, which should seek to achieve the optimum operation of energy networks in the framework of the internal market in energy, taking due account of its future enlargement;
  3. Hopes that the Commission text will contain projects of environmental interest such as to reduce the losses on the networks;
  4. Calls on the Commission to clarify its position on the Synergy programme, given that the completion of gas or electricity network connection projects in the candidate countries or other third countries meets a vital need of the European Union, as the Commission noted in its report;
  5. Notes the delay in a number of projects, particularly in the field of electrical energy, and calls on the Member States to take all the necessary measures to overcome the difficulties involved, particularly the environmental difficulties; the European Union should, where necessary, provide adequate funding to that end;
  6. Notes the factual character of the report and regrets that it contains neither a historical analysis of the preceding years, nor forecasts regarding priorities in the field of trans-European networks.

18 October 2001

## **OPINION OF THE COMMITTEE ON REGIONAL POLICY, TRANSPORT AND TOURISM**

for the Committee on Budgets

on the Report from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, entitled 'Trans-European Networks - 1999 Annual Report', pursuant to Article 16 of Regulation 2236/95 laying down general rules for the granting of Community financial assistance in the field of Trans-European-Networks (COM(2001) 591 – C5-0255/2001 – 2001/2120 (COS))

Draftsman: Helmuth Markov

### **PROCEDURE**

The Committee on Regional Policy, Transport and Tourism appointed Helmuth Markov draftsman at its meeting of 10 July 2001.

It considered the draft opinion at its meetings of 12 September 2001 and 10 October 2001.

At the latter meeting it adopted the following conclusions unanimously.

The following were present for the vote: Konstantinos Hatzidakis, chairman; Emmanouil Mastorakis and Rijk van Dam, vice-chairmen; Helmuth Markov, draftsman; and Emmanouil Bakopoulos, Rolf Berend, Hans Blokland (pursuant to Rule 153(2), for Alain Esclopé), Theodorus J.J. Bouwman, Carmen Cerdeira Morterero, Luigi Cocilovo (for Sir Robert Atkins), Gerard Collins, Danielle Darras, Garrelt Duin, Giovanni Claudio Fava, Fernando Fernández Martín (for Jacqueline Foster), Mathieu J.H. Grosch, Mary Honeyball, Juan de Dios Izquierdo Collado, Georg Jarzembowski, Dieter-Lebrecht Koch, Sérgio Marques, Erik Meijer, Josu Ortuondo Larrea, Karla M.H. Peijs, Wilhelm Ernst Piecyk, Samuli Pohjamo, Adriana Poli Bortone, Bartho Pronk (pursuant to Rule 153(2), for Margie Sudre), Alonso José Puerta, Reinhard Rack, Carlos Ripoll i Martínez Bedoya, Isidoro Sánchez García, Gilles Savary, Ingo Schmitt, Elisabeth Schroedter (for Reinhold Messner), Brian Simpson, Renate Sommer, Ulrich Stockmann, Helena Torres Marques (for Demetrio Volcic), Ari Vatanen and Mark Francis Watts.

## SHORT JUSTIFICATION

In 1999, 106 projects and studies were adopted within the TEN framework. The Commission proposed financial assistance totalling € 497 million under the TEN budget line. 58% of this amount was committed to 14 major projects (the "Essen" projects). The percentage spent on feasibility studies and technical support measures decreased from 47% in 1998 to 28% in 1999. This underlines the fact that several projects entered the construction phase.

The TEN budget line however, forms only a small part of the total financing of the TENs. The European Investment Bank committed € 5977 million in the form of loans; the European Investment Fund € 266 million and the Cohesion fund € 444 million.

According to the Annual report, progress in the Essen projects has been satisfactory in 1999. A clear timetable indicating the completion dates of the projects is however lacking in the report. Special mention should be made of the completion of the final section of the Øresund fixed link between Sweden and Denmark. The report does not mention in detail the progress made in the projects not included in the Essen-list.

The Commissions annual report shows that for several reasons 1999 has been a pivotal year for the Trans European Networks (TENs):

1. The European Parliament and the Council modified the **TEN financial regulation**, introducing a financial framework of € 4600 million for the period 2000-2006. This means a doubling of the € 2300 available for 1995-99. Approximately € 4170 million of this amount will be allocated to transport projects. The new financial regulation also introduced the concept of Multi-annual Indicative Programmes (MIP), indicating the level of future project support and thus enabling long term financing of large projects. Providing a long term perspectives is particularly important to facilitate Public Private Partnerships.
2. The European Parliament and the Council established the **ISPA** programme -Instrument for Structural Policies for Pre-Accession- with an annual budget of € 520 million for major transport infrastructure projects in central and eastern Europe applicant countries for the period 2000-2006.
3. The **Galileo** satellite navigation project emerged in 1999 as a key component of the TEN initiative. The modified TEN financial regulation makes it possible to increase the support level from the normal 10% to 20%.
4. Political agreement was reached on the **Trans-European Rail Freight Network**, defining a network for international freight services and forming part of a broader railway package aimed at liberalising and optimising railway services in Europe.

### Assessment

In 1999 there has been a clear shift from feasibility studies to grants for the construction phase. Most of the projects continued to make satisfactory progress. By bringing down the percentage of feasibility studies to 28%, the Commission has reacted in a satisfactory way to the corresponding request of Parliament<sup>1</sup>.

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<sup>1</sup> EP Report on the TEN Annual report 1998, A5-0076/2000

At present less than 5% of the TEN financing comes from the EU and about 95% from the Member States. It is therefore regrettable that the report does not touch upon the sources of finance other than the EU budget and the EU loans. Effective co-operation concepts are necessary to guarantee adequate funding of projects and earning-capacity. Private commitment, e.g. in the form of "Design, Build, Finance, Operate" (DFBO) or other PPP contracts can be instrumental. In the longer run, the implementation of a charging framework for all transport modes is necessary to guarantee project funding.

#### ***Division between transport modes***

	<b>1999</b>	<b>1998</b>
Rail (including traffic management)	64% (318 meuro)	66%
Road	17% (86 meuro)	13%
Inland Waterways	4% ((18 meuro)	2%
Sea/Ports	1% (3 meuro)	2%
Air Transport	5% (29 meuro)	6%
Traffic Management (all modes except rail)	9% (43 meuro)	11%

Looking at the division of the commitments between the various transport modes, we see that the bulk of the TEN-budget line (81%) is committed to rail and road projects (for the other budget sources the percentage for road projects is even higher). Only 5% of the budget is devoted to waterborne transport (inland waterways, short sea shipping, ports). The Commission should therefore encourage the Member states to table concrete proposals to explore the potential of these relatively environmentally friendly transport modes and to link them to the rest of the network. Earlier this year Parliament and Council agreed on the criteria for inland ports and seaports to form part of the TEN-Transport, thus paving the way for concrete proposals in this area.

#### ***Intelligent Transport Systems***

Technological innovations sometimes benefit transport policy (teleworking reducing traffic jams), but can also be harmful (internet sales leading to individual just-in-time deliveries, causing more traffic). The Commission should place more emphasis -both within and outside the TEN-framework- on the development and promotion of intelligent (transport) systems aiming at a more efficient use of infrastructure and on policy measures slowing down the growth of transport demand.

The European Parliament asks the Commission to take the above mentioned priorities into account in its revision of the TEN-guidelines.

## CONCLUSIONS

The Committee on Regional Policy, Transport and Tourism calls on the Committee on Budgets, as the committee responsible, to incorporate the following points in its motion for a resolution:

1. Welcomes the fact that the proportion (47% ) of the TEN appropriations used on feasibility studies and related activities – which was criticised in resolution A5-0076/2000 – has been reduced within one year to 28%, since a larger number of projects are now at the completion stage; also calls on the Commission to provide in its forthcoming reports detailed information on the progress of projects which are not on the ‘Essen list’;
2. Criticises the Commission for failing once again in 1999 to take into consideration the instructions in budget heading B5-700, which stated that the share of appropriations used for commitments on the 14 priority projects should not exceed 50%, although it did succeed in reducing the share from 64% in 1998 to 58% in 1999;
3. Reiterates and underlines its critical comments to the Commission, and its calls made in respect of the previous year, on the inclusion in future of information on contributions by national, regional and local bodies and by the private sector to the completion of TEN projects, since 95% of funding does not come from the EU; looks therefore to the Member States and to regional and local authorities to provide the Commission with the necessary information in good time;
4. Regrets the fact that the information on investment in TEN-Transport included in the Commission’s report is broken down by transport mode only for budget line B5-700 and the Cohesion Fund; calls on the Commission to provide information on investment in transport via the Structural Funds, EIB loans, the financial instruments for third countries and other public and private programmes that is also broken down by transport mode;
5. Calls on the Commission to formulate the funding rules in such a way that the disbursement of tranches of funding for projects takes place only after a report has been issued by the beneficiary on the proper utilisation of the appropriations already received, and to append to its reports a summary – with timetable – setting out original plans, achievements in practice and proposed completion, in order to permit greater transparency, better monitoring and improved scope for planning;
6. Calls on the Commission to step up its commitment to the use of intelligent transport systems, since this will create the conditions for reducing congestion, accidents and pollution and improving traffic management;
7. Calls on the Member States and the Commission to ensure that the share of the budget spent on environmentally acceptable modes of transport, namely rail (on which expenditure fell from 66% in 1998 to 64% in 1999), waterways and ports is increased; to this end calls for the balance between investment in rail and roads within the Cohesion Fund to be readjusted, given that over the 1993-99 period 56.5% of total investment went to roads and 33.9% to rail;
8. Calls on the Commission to provide evidence that reducing the number of studies and restricting financial support for traffic projects to those worth at least EUR 500 00 does not

result in an inability to meet the objectives and priorities of linking the frontier, remote, enclave and island regions to the central areas of the Union.