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## **WORKING DOCUMENT**

on ECA Special Report 10/2020 (Discharge 2019): EU transport infrastructures: more speed needed in megaproject implementation to deliver network effects on time

Committee on Budgetary Control

Rapporteur: Andrey Novakov

## Summary of contents

The European Court of Auditors (“the Court”) audited the European Commission’s management of eight cross-border transport megaprojects in thirteen Member States. For the purposes of the audit, these megaprojects are any EU co-funded transport infrastructure with an estimated total cost of over EUR 1 billion. These projects are key missing links for connecting national networks to create seamless European transport corridors and deliver a transformational socio-economic benefit ensuring greater interoperability. The total estimated cost of the selected Transport Flagship Infrastructures (TFIs) was EUR 54,0 billion, of which the EU has paid EUR 3,4 billion to the date of the Special Report.

The Court found that the core network is unlikely to be operational by 2030, as was planned in 2013. The delays in the construction and putting into operation of these megaprojects put at risk the effective functioning of five out of nine TEN-T corridors. The Court found examples of poor planning and inefficient implementation. While the Commission’s oversight of the timely completion of the network has weaknesses and is distant, the Commission has a tool that can be built upon to improve performance. The Court made a number of recommendations to improve the sound financial management and to support the long-term planning, management and supervision of these multi-billion euro investments.

## The Court’s audit scope and approach

The Court assessed whether the Commission has ensured that EU co-funded cross-border TFIs on the EU core transport network are well planned and efficient. To do so, the Court analysed: whether the Commission has ensured that processes applied in Member States for delivering TFIs will lead to completed and operational core network corridors by 2030; whether the planning of TFIs is of good quality, robust and transparent; whether the implementation of TFIs is efficient; and whether the Commission’s supervision of EU co-funded investments in actions which are part of TFIs is adequate.

The Court selected eight TFIs with cross-border impact on seven out of nine core network corridors. The audit involved 13 Member States and covered road and rail infrastructure, inland waterways, and combinations of rail and road, and maritime and rail infrastructure. Their total cost was EUR 54,0 billion; the amount of EU co-funding allocated to the eight selected TFIs has been EUR 7,5 billion to the date of the audit, of which EUR 3,4 billion had already been disbursed. The Court also audited 17 underlying actions part of the TFIs.

The following eight TFIs were audited:

- 1) *Rail Baltica*: a rail line connecting Estonia, Latvia and Lithuania to Poland and enabling a link to Finland (on the North Sea Baltic corridor);
- 2) the *Lyon-Turin link*: a cross-border rail link connecting France and Italy (on the Mediterranean corridor);
- 3) the *Brenner Base Tunnel*: a cross-border rail link connecting Austria and Italy (on the Scandinavian-Mediterranean corridor);
- 4) the *Fehmarn Belt fixed link*: a rail/road connection between Denmark and Germany (on the Scandinavian-Mediterranean corridor);
- 5) the *Basque Y* and its connection with France: a high-speed rail connection linking up

- Vitoria in Spain to Bordeaux in France (on the Atlantic corridor);
- 6) the *Seine-Scheldt link*: originally an inland waterway link between the rivers Seine and Scheldt, evolving into an inland waterway network in France and Belgium (on the North Sea Mediterranean and Atlantic corridors);
  - 7) the *A1 motorway in Romania* (on the Rhine-Danube corridor);
  - 8) the *E59 railway line in Poland* and its connection to the ports of Szczecin and Swinoujscie (on the Baltic-Adriatic corridor).

To assess the sound financial management of the investments, the Court has also analysed the additional ancillary infrastructure that needs to be completed before the TFI can be considered to be operating at full capacity.

### The Court's main findings and recommendations

The Court considered that it is likely that six of the eight TFIs analysed will not be able to operate at full capacity by 2030, including access lines, as planned in 2013. Since the TFIs and their access lines are key links in the core network corridors, it is therefore also unlikely that the connectivity of the EU core transport network will reach its full capacity by 2030, which implies that neither the EU transport network, nor the expected network effects will be delivered by that time. Moreover, not all rail TFIs will be compliant with the minimum requirements of the TEN-T Regulation for rail freight by 2030. Nevertheless, even if corridors will not operate at full capacity by 2030, for example because of construction delays, there may already be some positive effects from their ongoing implementation.

Member States have different national priorities, which may or may not coincide with investments required on EU transnational corridors. The TEN-T Regulation, although legally binding, contains provisions, which allow Member States to diverge from the plan to be achieved by the 2030 deadline. Member States also have different procedures for carrying out works and different speeds of implementation. The Commission is responsible for the sound financial management of the EU co-funding to support the construction of TFIs. However, to oversee the timely completion of the network by the Member States, the Commission has limited legal tools to enforce EU priorities. In fact, it has not yet used those tools, apart from a few implementing acts, even where it is already known that certain corridors are unlikely to operate at full capacity by 2030. The delays in the construction and operation of the TFIs put at risk the effective functioning of five of the nine TEN-T corridors.

The Court found that the planning of some key elements of the eight TFIs needs improvement and that there was a risk that traffic forecasts were overoptimistic, and half of the forecasts were not coordinated well and differed significantly also due to them being performed in different years and time frames. Cost-benefit analyses were carried out for constituent parts of TFIs. However, for all eight TFIs, none of these cost-benefit analyses were used properly as a decision-making tool for whole TFIs. There was no cost-benefit analysis covering all of the proposed work for an overall TFI before providing EU co-funding.

In terms of stakeholder involvement, the Court found some good practices, but also cases where stakeholders could have been better included. The Court considers that the Commission is not visible enough in this process to promote EU added value.

The Court found that the implementation of TFIs is not efficient. The average construction time of the eight selected TFIs is 15 years. The practice of co-funding smaller parts of TFIs in artificial competition with other projects that are not part of a TFI leads to duplication of efforts, and risks a loss of oversight, while there are no competence centres within the Commission for steering and guiding project promoters so as to increase the efficiency and effectiveness of EU co-funding for TFIs.

Across all eight TFIs, changes in design and scope over time have to date led to cost increases of EUR 17,3 billion (or 47 %) compared to initial cost estimates. There are also high levels of bureaucracy. There have been very long delays: for the main parts of the TFIs, without taking into account the time needed for their connecting infrastructure, the average delay in entering into operation has been 11 years. This has significant consequences for safety, and puts the efficiency of EU co-funding at risk. The Court also noted that EUR 1,4 billion of EU co-funding had already been withdrawn compared to the original allocations for 17 audited actions.

The Commission's oversight of the completion of the core network corridors by the Member States is distant. To oversee progress, it uses an information system to coordinate and support the policy, and relies on the help of the European Coordinators, who have few resources and limited powers to allow them to perform effective supervision. Under shared management, where the primary responsibility for implementation lies with the relevant Managing Authority, the Court also found cases of suboptimal use of EU money.

The Commission links EU co-funding for projects exclusively to outputs. It does not collect information on the results and the degree of success of investments at TFI level (i.e. whether and when the TFI will achieve its expected results).

The Commission has recently started to use implementing decisions. These are a step forward to closer Commission oversight of the completion of core network corridors by the Member States, through the delivery of TFIs. However, these decisions do not yet include clear rules on the responsibility of all parties, including the Commission; they also have weaknesses in terms of tackling all critical issues, do not consider the anticipated results, and do not require an ex post evaluation in order to learn from past experiences.

To support sound financial management when providing EU co-funding to TFIs, the Court recommends that the Commission should:

- revise and apply the current tools to enforce the long-term planning;
- require better analysis before deciding to provide EU co-funding for megaprojects (similar to TFIs);
- strengthen its management practices in relation to EU co-funding for actions that are part of megaprojects (similar to TFIs); and
- further develop the implementing decision tool by proposing such a decision for each cross-border TFI and strengthen the role of European Coordinators.

#### The Commission's replies to the Court

The Commission notes that good progress has been achieved towards the completion of the

TEN-T core network. The Commission has put many efforts to ensure that the cross border projects considered in the Court's report are being realised. They are all very complex projects, needing the close and continuous cooperation between Member States. Commission interventions, which are not necessarily only of legal nature, have often been decisive to ensure that these projects are going to be implemented. The EU financial support provided to the projects has been decisive also for the long-term engagement and creating a stable environment for the project implementation. The Connecting Europe Facility has been a crucial tool for the implementation of the cross border projects. Cohesion Fund and ERDF have allowed implementation of transport infrastructure projects to strengthen the economic, social and territorial cohesion. The Commission has ensured and monitored that the funding rules for the respective EU funds are correctly applied.

The Commission notes that the concept of "TFIs" (or "megaproject"), which is used in the Court's report, does not find any correspondence in any basic act, ongoing and upcoming programmes or in any operational definition at EU level. The Commission recognises that such major infrastructure projects take a long time. This is true for all transport infrastructure investments of such size, but even more understandable for the cross border projects assessed in this audit (involvement of several Member States, budgetary discussions, technical complexity of realisation of tunnels or green-field projects, administrative complexity of permit granting procedures, etc.). As projects mature during the preparatory steps, it is normal that they evolve in terms of scope, alignment, technical parameters, etc., based also on the valuable input received during the public consultations. It is equally normal that these adaptations of the project lead to changes in socio-economic costs and benefits. The assessment of any deviations in cost and of the timely implementation should therefore be made only as from the final investment decision and not at an earlier stage.

The Commission underlines that the cross border projects are on their way to be realised by 2030. Further efforts are needed, and the Commission will continue to engage closely with the relevant parties. It has planned to propose a revision of the TEN-T regulation in 2021; to take stock of the progress achieved and if necessary adjust the tools in order to achieve the objective of a fully functioning and interoperable TEN-T network by the deadlines set. The Commission acknowledges that there is a high risk for some of the TFIs not to operate at full capacity in 2030, which is not a requirement of the TEN-T regulation. The Commission underlines that most of the TFIs will be operational by then and that the TEN-T requirements will be fulfilled.

### The Rapporteur's observations and recommendations

The European Parliament,

- Welcomes the Court's Special Report 10/2020 "*EU transport infrastructures: more speed needed in megaproject implementation to deliver network effects on time*", and the observations and recommendations made by the Court therein;
- Supports the overall objective of the EU transport infrastructure policies, aiming to build a modern integrated transport system that strengthens the EU's global competitiveness and is able to meet the challenges linked to road safety, sustainable, smart and inclusive growth, by ensuring a well-functioning infrastructure that can transport people and goods efficiently, safely and sustainably; Notes with concern the Court's conclusion

that even though good progress has been achieved, it is likely that six out of the eight audited TFIs will not be able to operate at full capacity by 2030, including access lines, as planned in 2013;

- Affirms that transport megaprojects (TFIs) are crucial for addressing bottlenecks and eliminating missing links on the EU core network corridors;
- Notes that since the TFIs and their access lines are key links in the core network corridors, it is also unlikely that the connectivity of the EU core transport network will reach its optimal capacity by 2030; the Commission underlines that however most of the TFIs will be operational by then, fulfilling the TEN-T requirements;
- Notes that according to the Court, the Commission has not yet used the legal tools available to enforce EU priorities, apart from a few implementing acts, even where it is known that certain corridors are unlikely to operate at full capacity by 2030; In this regard, encourages the Commission to further develop the implementing decision tool by proposing such a decision for each cross-border TFI, and to strengthen the role of the European Coordinators;
- Encourages the Commission to consider a way in which it could be more visible in the stakeholder involvement process even though this is not its direct responsibility but could be extremely beneficial in promoting EU added value of TFIs;
- Notes with concern the Court's observation that for all the eight TFIs audited, none of the cost-benefit analyses were used properly as a decision-making tool for whole TFIs and that there was no cost-benefit analysis covering all of the proposed work for an overall TFI before providing EU co-funding;
- Notes that the Commission links EU co-funding for projects exclusively to outputs, and does not collect information on the results and the degree of success of investments at TFI level (i.e. whether and when the TFI will achieve its expected results);
- Calls on the Commission to require better analysis before deciding to provide EU co-funding for megaprojects similar to TFIs, and to strengthen its management practices in relation to EU co-funding for actions that are part of such megaprojects;
- Notes that different priorities and procedures of the Member States impact the speeds of implementation of TFIs; furthermore, the TFIs require multiple assessments to be conducted, often falling under several jurisdictions given the size of the projects at national, regional or local level;
- Welcomes the Union's ambition to complete the missing cross-border links and stresses that cross-border TFIs have to be equally supported by the involved Member States; the Commission and the Member States hold joint responsibility for ensuring that the core network corridors deliver the expected results;
- Notes that more efforts are needed to reduce bureaucracy and administrative burdens both at the national level and Union level;
- Acknowledges the Commission's further efforts to ensure that the projects considered

in the Court's report are being realised by 2030, but encourages the Commission to implement the Court's recommendations in full and calls on the Commission to revise and apply the current tools available to enforce the long-term planning and successful implementation of megaprojects similar to TFIs;

- Regrets that there have been very long delays in the implementation of the projects: for the main parts of the TFIs, without taking into account the time needed for their connecting infrastructure;
- Notes, however, the efforts made by the Commission to advance the realisation of the TEN-T network and to simplify procedures;
- Encourages the Commission to establish a European Fast Track for the infrastructure projects along the core TEN-T network. The fast track should comprise of three pillars:
  - Binding *ex ante* consultations between the Member States and the Commission, prior to the submission of the projects application forms. This should shorten the procedure time by allowing the Member States to address potential negative observations by the Commission services as early as possible;
  - Accelerated environment impact assessment procedure and approval by the Commission in order to further reduce the application-to-implementation times;
  - Common EU-wide minimum standards for financial and economic assessment of the projects (i.e. economic viability, maturity, return on investment). This should bring clarity, uniformity and should avoid audit problems since the Major Projects provisions are no longer available in the Common Provisions Regulation for the 2021-2027 period.
- Affirms that transport is a crucial condition for the good functioning of the Union economy; therefore, effective and transparent use of the EU budget continues to be crucial for completing the missing links and for building safer, more efficient and sustainable transport sector, while promoting multimodality and rail transport;
- Proposes the consideration of contingency measures and funding flexibility in the event of *force majeure* circumstances such as crises in order to allow for the continued implementation and completion of key projects; such provisions should consider the good practice as laid down in the Coronavirus Response Investment Initiative in the context of delayed implementation, while safeguarding the sound financial management.