

4<sup>th</sup> May 2005)**UNICE COMMENTS ON THE EUROPEAN COMMISSION'S PROPOSAL  
FOR A REGULATION LAYING DOWN THE RULES FOR FINANCIAL AID IN  
TRANS EUROPEAN NETWORKS (COM(2004) 475)**

On 14 July 2004, the European Commission adopted proposals for a Regulation of the European Parliament and of the Council determining the general rules for the granting of Community financial aid in the field of the Trans-European transport Networks and amending Council Regulation (EC) n° 2236/95

UNICE is the leading independent organisation representing European business. We speak for more than 20 million companies, the vast majority of which are small and medium-sized. Altogether, these companies provide employment for more than 110 million people and have a total turnover of around €18,000 billion. As such, when commenting on this proposal, UNICE will focus its comments on what primarily and most directly affect our constituents the most.

The EC is currently attempting to reinforce and speed up the realisation of the Trans European Network –Transport (TEN-T) by reinforcing its financial tools. This is especially relevant given the approval of the new priority projects list in spring 2004<sup>1</sup>. The EC proposes an increase of the rate of EU co-financing, while at the same time foreseeing a larger TENs budget line within the new EU financial framework to be adopted in 2006.

The financial resources allocated until 2006 to the TEN-T (€600 million per annum) are highly insufficient. This is one of the main reasons for the long delay in completing the priority projects which were first decided upon in 1996 (only three of fourteen have been completed).

The new priority projects need €225 billion to be completed, 140 of which is to be invested during 2007-2013 period. To achieve this, an increase of the budget is needed for an effective and concrete realisation of the TEN projects. The EC foresees, in its proposal on the new EU financial perspectives<sup>2</sup>, an increase of up to €20 billion for the TEN-T budget line (€2.9 billion per annum until 2013) allowing an higher co-financing rate – of up to 50% in some cases.

**THE CREATION OF A TRANSPORT NETWORK OF TRANS EUROPEAN DIMENSION IS A  
COMPETITIVENESS FACTOR FOR THE EU**

Without an **efficient transport system and transport network** the completion of the Internal Market and its effective, efficient functioning are threatened, together with EU growth, employment and wealth. Therefore the construction of the TEN-T infrastructure projects, aiming at meeting the challenges of the enlarged EU, the strengthening of EU competitiveness, the dynamic of the internal market and the EU growth potential requires **adequate financial measures in order to be completed on time.**

<sup>1</sup> Decision No 884/2004/EC of the European Parliament and of the Council of 29<sup>th</sup> April 2004 amending Decision No 1692/96/EC on Community guidelines for the development of the trans-European transport network

<sup>2</sup> New proposal for growth and jobs under the next financial framework 2007-13, Commission Press Release, IP/05/389, 6<sup>th</sup> April 2005.

In the last years a striking imbalance existed between the European Union's Transport Policy objectives – as stated in the Transport White Paper<sup>3</sup> of 2001 - and the budget provided for their realisation. An **increased budget, as proposed by the Commission, is crucial to give momentum to the completion of the TEN-Ts** and is therefore positively supported by UNICE. Furthermore, UNICE urges the European Parliament and the Council to provide the necessary means to realise the transport projects which they themselves defined as being of European interest.

However, **responsibility and genuine financial commitment from Member States** are a pre-condition for the TEN-T to become reality. Clear commitment must be given by all Member states within their multi-annual budgets to also try and attract private investments to the projects.

The TEN-Ts will only become a reality, if efforts – together with interoperability, intermodality, the liberalisation of the railway sector and a competitive system of infrastructure charging- are **coordinated at the EU level (and overcome narrow national interests)**.

To ensure the effective realisation of the TEN-T priority projects, the Commission proposes reserving the right to delegate the management of the program to an executive agency. Mandatory powers and a clear mandate must to be given to this institution to avoid new administrative burdens and/or obstacles.

**AN EFFICIENT TRANSPORT INFRASTRUCTURE IS A PRECONDITION FOR PRIVATE INVESTMENT AND ENTREPRENEURIAL ACTIVITIES**

A Member States' infrastructure, being **one of its most important factors of production**, is a critical requirement to its competitiveness. An incomplete or ineffective transport network can heavily affect business; on the other hand a better infrastructure leads to better interconnection between companies, cost reduction and therefore an increase of the competitiveness.

Public investment in infrastructure has a **positive effect on the economy**. In the current public deficit situation of most developed and developing countries, private financing becomes a means for public action. Public Private Partnerships (PPPs) are an alternative to privatisation for dismantling infrastructure or service monopolies. They constitute a mechanism for having a range of suppliers delivering public services, bringing new sources of innovation and management and creating healthy competitive pressure on all providers to improve performance. In addition to the boost PPPs give to private investment, they also lead to more employment and leverage of real income.

Consequently the Commission and the Member States should double their efforts to **attract private capital and promote PPPs** in order to increase the catalyst effect of Community support. UNICE supports the Commission's proposal<sup>4</sup> to increase the funding to 30% for all projects and 50% for selected cross boarder projects. However, it is important to have a further clarification about the criteria to be used to access the different financing rates.

The regulation refers to a new guarantee fund, covering commercial risks specific to TEN-Ts projects in the post construction phase. This instrument should provide leverage for the financing and accelerate the creation of private financial structures. While on one hand this

<sup>3</sup> European transport policy for 2010: time to decide – COM (2001) 370

<sup>4</sup> Regulation laying down general rules for the granting of Community financial aid in the field of TEN transport and energy networks and modifying Regulation 2236/95 – COM (2004) 475

instrument appears very interesting there is a lack of information regarding the details of the proposal. Clarification of this issue must be forthcoming as quickly as possible.

**THE EU NEEDS TO LOOK AT THE TRANSPORT SYSTEM AS A WHOLE**

Although UNICE has always been critical of the heavy emphasise on railway projects in the TEN-Ts projects, UNICE has no option but to accept the fact that the European Parliament and the Council have chosen 30 priority projects of which 22 are railway projects.

UNICE does acknowledge the fact that it takes many years to build railway infrastructure and today is a good moment to start enlarging the capacity with a view to the recently decided market liberalisation. In this context the adequate implementation of the second railway package is of utmost importance.

However, UNICE would like to stress that the TEN-Ts network does not consist of the priority projects alone. The rest of the TEN-Ts network deserves much more attention and funding than it receives today. Furthermore, UNICE considers that the overriding project evaluation criterion should be the creation of maximum added value for the transport system as a whole. An automatic preference for railway infrastructure risks excluding too many projects that potentially contribute to more efficient logistics and a better functioning, more sustainable transport system.

Road is still by far the biggest transport mode in the EU. While investments in other modes are needed to balance the transport system, attention has to be given to modes linking the pre-enlargement and the new Member States. Road is still the fastest link and has to be used to boost competitiveness in the short term. Investing in alternative modes such as rail and waterways will assure a long term transport balance and sustainability.

**EU FUNDING FOR CROSS BORDER SECTIONS IS A NECESSARY INCENTIVE FOR INVESTMENT AND GROWTH**

Cross-border sections are key for the Trans European connection of the transport systems. However, national authorities are often reluctant to finance these projects or sections due to the complexity of their execution that require high coordination efforts between two or more different countries. UNICE welcomes the strong emphasis and increased funding percentages to the cross border sections as announced by the Commission.

The complexity of the cross border sections constitutes and even greater obstacle to private investment. UNICE therefore urges Member States and the Commission to develop a long term concept to overcome the legal and technical obstacles to increased and more efficient investment in this area.

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