

Trans European Transport Networks - the Problems of Delivery

Roger Vickerman

Centre for European, Regional and Transport
Economics

University of Kent, Canterbury, UK

*International Conference on Economic
Integration in the Enlarged EU
Wrocław, Poland, 17-18 April 2008*

University of
Kent

Overview

- Transport infrastructure as a tool of integration
- TENs a critical part of EU Transport Policy
- Progress slow leading to need for review
- Much of the emphasis in EU on identifying the Community interest in new links: competitiveness and cohesion.
- At regional or local level high-level improvements can have mixed impacts
- Wider economic benefits of high level transport infrastructure improvements elusive
- Issues for policy making and appraisal

TENs development

- Essen projects 1994
 - 14 high level projects – all in advanced state o planning
 - Political nature of choice – modes and countries covered
- Consolidation, development and TINA
 - More strategic phase – need to extend to Central and Eastern European countries, including links to Russia
 - Networks (2001): 75200 km of roads, 78000 km of railways, 330 airports, 270 international seaports, 200 inland ports + Galileo satellite navigation system.
- Lack of completion, need for renewal
 - 2003 only 2/14 Essen projects complete, only 5/14 expected complete by 2007 (Van Miert Group)
 - But 16 more priority projects added + ‘Motorways of the Sea’
- The funding gap
 - Cost ~ €600bn
 - EU funds €23.2bn + EIB €6.6bn

Trans-European transport network (TEN-T) Priority axes and projects

- Railway axis
Berlin–Verona/Milan–Bologna–Naples–Messina–Palermo
- High-speed railway axis
Paris–Brussels–Cologne–Amsterdam–London
- High-speed railway axis of south-west Europe
- High-speed railway axis east
- Betuwe line
- Railway axis Lyons–Trieste–Divača/
Koper–Divača–Ljubljana–Budapest–Ukrainian border
- Motorway axis Igoumenitsa/Patras–Athens–Sofia–Budapest
- Multimodal axis Portugal/Spain–rest of Europe
- Railway axis Cork–Dublin–Belfast–Stranraer
- Malpensa airport
- Øresund fixed link
- Nordic triangle railway/road axis
- United Kingdom/Ireland/Benelux road axis
- West coast main line
- Galileo
- Freight railway axis Sines/Algeciras–Madrid–Paris
- Railway axis Paris–Strasbourg–Stuttgart–Vienna–Bratislava
- Rhine/Meuse–Main–Danube inland waterway axis
- High-speed rail interoperability on the Iberian peninsula
- Fehmarn belt railway axis
- Motorways of the sea
- Railway axis Athens–Sofia–Budapest–Vienna–Prague–
Nuremberg/Dresden
- Railway axis Gdansk–Warsaw–Brno/Bratislava–Vienna
- Railway axis Lyons/Genoa–Basle–Duisburg–Rotterdam/Antwerp
- Motorway axis Gdansk–Brno/Bratislava–Vienna
- Railway/road axis Ireland/United Kingdom/continental Europe
- 'Rail Baltica' axis Warsaw–Kaunas–Riga–Tallinn–Helsinki
- 'Eurocaprail' on the Brussels–Luxembourg–Strasbourg
railway axis
- Railway axis of the Ionian/Adriatic intermodal corridor
- Inland waterway Seine–Scheldt

Priority axes and projects	Priority project numbers
 Road	 13 Road project
 Rail	 6 Railway project
 Inland waterway	 8 Multimodal project
 Motorway of the Sea	 30 Inland waterway project
 Airport project	 21 Motorway of the sea
 Port project	 10 Airport
Trans-European transport network	 15 Galileo
 Rail	
 Road	
 Inland waterway	

Van Miert Recommendations

- Van Miert High Level Group (2003)
- Carry out priority projects by 2020
- Cost
 - Priority projects: €235 billion (0.16% of GDP), total cost of network: > €600 billion,
 - Member States invest < 1% GDP in transport infrastructure and only one-third of this TENs
 - EU share in funding TENs only about €20 billion 2000-2006.
 - Need to develop the financing capacity of EIB
 - Conflict between investment needs and constraints on public expenditure
- Organisational problems
 - Cross-border projects held up through difficulty of coordination
 - Guaranteeing funding for priority projects

Guidelines for action 2007-13

- Priority to **the 30 projects of European interest**, located in Member States and regions eligible under the Convergence objective. Other projects supported where strong case in terms of contribution to growth and competitiveness. Cross-border links merit special attention.
- Complementary investment in **secondary connections** important in context of an integrated regional transport and communications strategy to ensure that regions benefit from opportunities created by the major networks.
- Support for **rail infrastructure** should seek to ensure greater access and enhance the creation of an EU-wide interoperable network.
- Promoting environmentally sustainable **transport networks**.
- Attention should be paid to improving the **connectivity** of landlocked territories to the Trans-European network (TEN-T). In particular, harbours and airports should be connected to their hinterland.
- More attention should be paid to developing the “**motorways of the sea**” and to short-sea shipping as a viable alternative to long-distance road and rail transport.
- Also links beyond the EU to neighbouring states via 5 key corridors

The five major transnational axes



Policy conflicts in TENs

- Lack of clarity in responsibility
 - TENs an EU concept but responsibility for decisions with member states, local/regional government or private sector
 - only matters on which cross-border agreement is needed (i.e. the strictly international elements of the TENs) should be resolved at EU level.
 - need for institutional structures to enable multi-level decision-making and their policing
- EU level transport policy addresses two fundamental concerns
 - development of a world class competitive economy (Lisbon Agenda)
 - increased cohesion within and between the member states
- National level takes decisions and coordinates funding
- Problems
 - Horizontal conflicts with other policy areas
 - Vertical conflicts through policy refraction

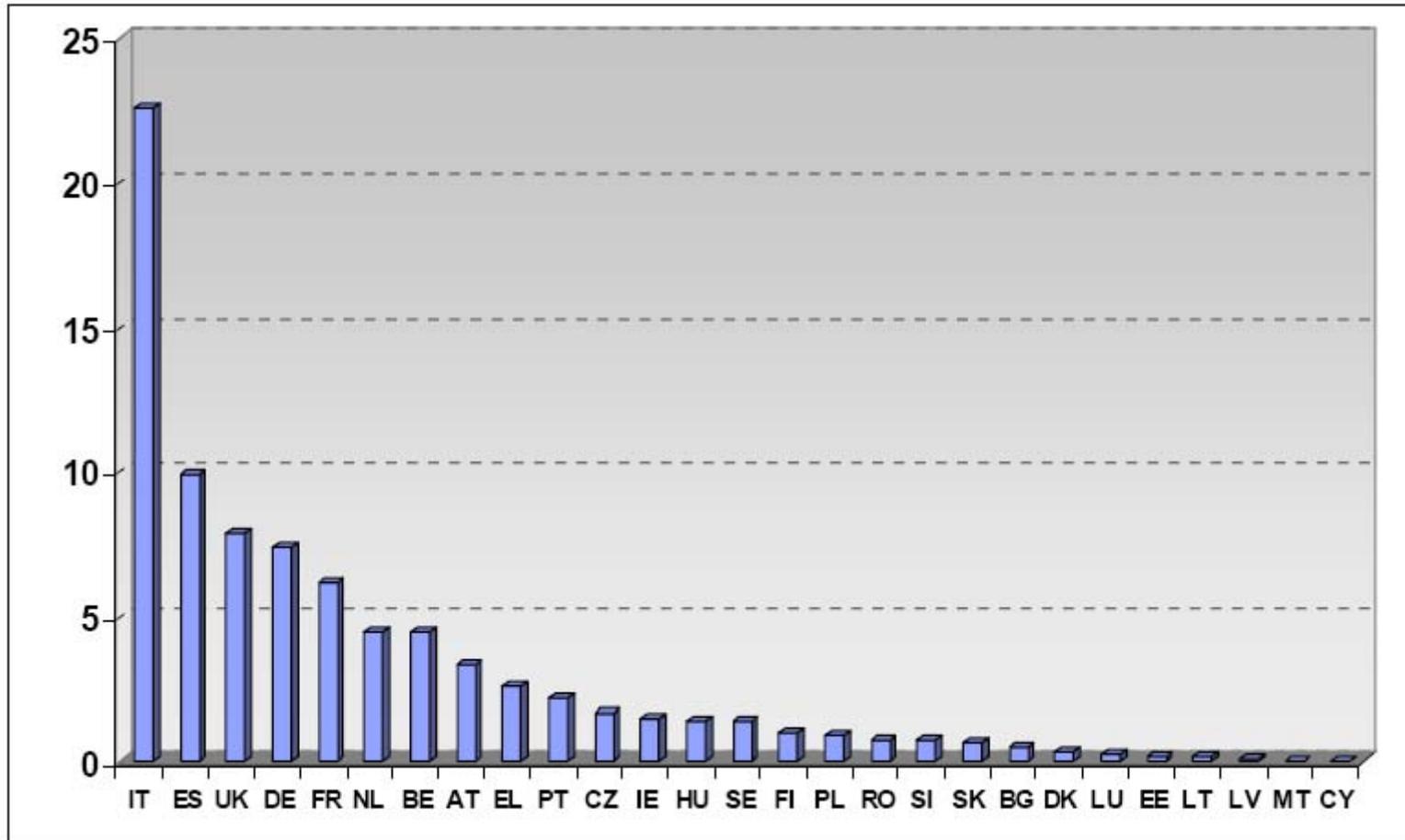
Appraising TENs Projects

- EU-wide issues: added value to the EU of the network and of any link.
 - Integration effect in terms of contribution to economic growth
 - Cohesion impact
 - Redistribution and the ‘two-way road’ effect
 - Empirical evidence:
 - increase in welfare from completion of the TENs typically < 4 per cent of regional GDP
 - only 1/10 change in relative accessibility
 - can be negative
 - Regions may campaign for projects which harm them
 - EU may be promoting projects which ultimately promote economic divergence
 - The policy structure fails to establish a clear dialogue between the different levels of government to reduce asymmetric information problem

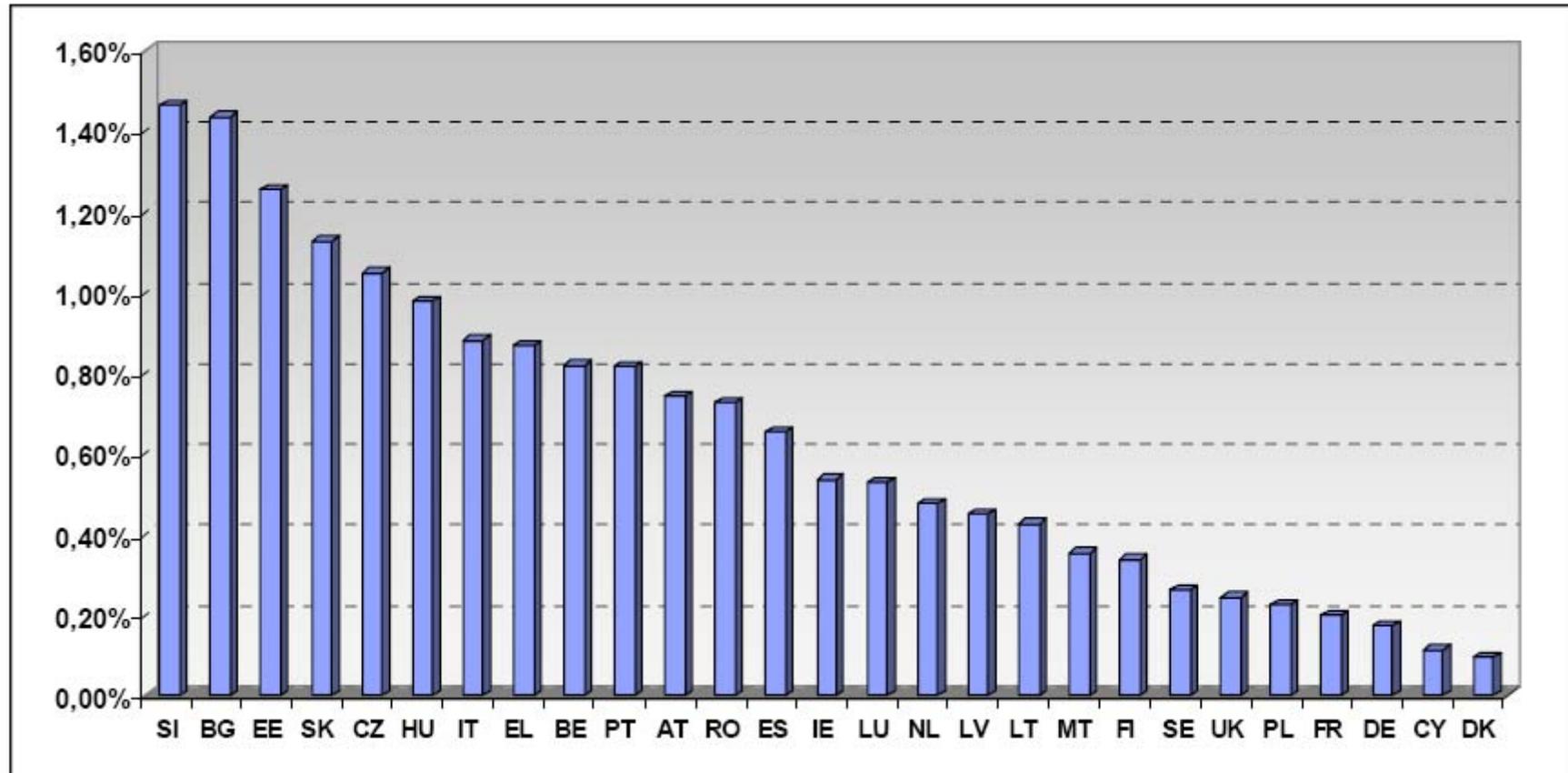
Evaluation of 2000-06 period

- Effectiveness
 - Predictability combined with flexibility
 - Value attached to not losing the funding was key factor in on-time implementation
 - 2004 Revision acted as additional performance incentive.
 - But tendency of mature projects with high national commitment to self-select, frequently projects would have proceeded anyway and may exclude cross-border projects
- Lack of effectiveness
 - Encouraging public-private partnerships.
 - Instability of the management procedures affected the effectiveness, efficiency and relevance of the programme.
 - Minimising the administrative burden and the need to demand accountability and transparency were controversial.
- Streamlining procedures
 - More emphasis on indicators which make it possible to evaluate impacts ex post.
 - Challenge for individual projects whose full benefit depends on completion of other projects, and often on the full implementation of the complete TEN-T project of which they are part.

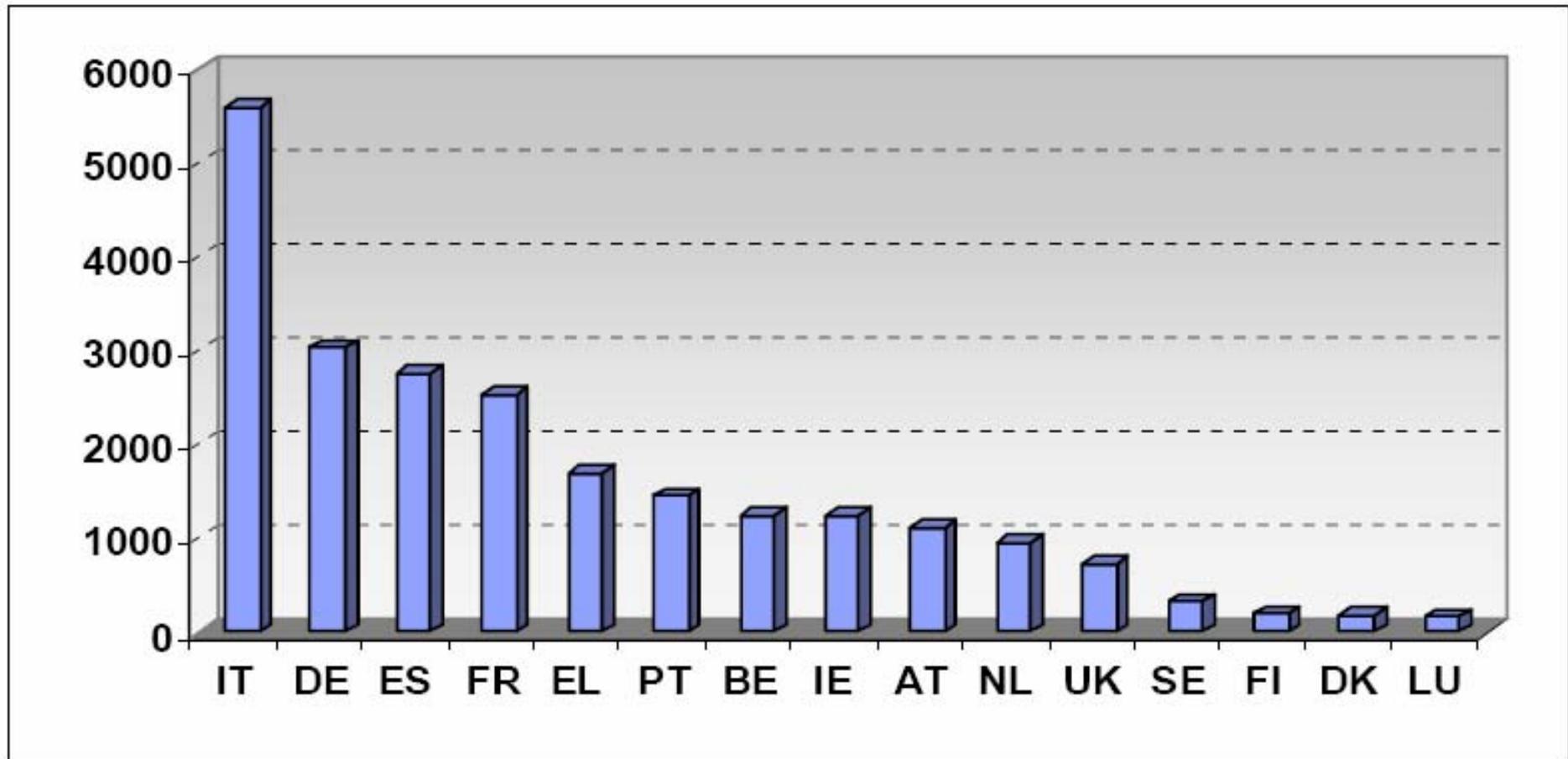
Investments in TEN-T, EU-27 per country, 2002/03, €bn



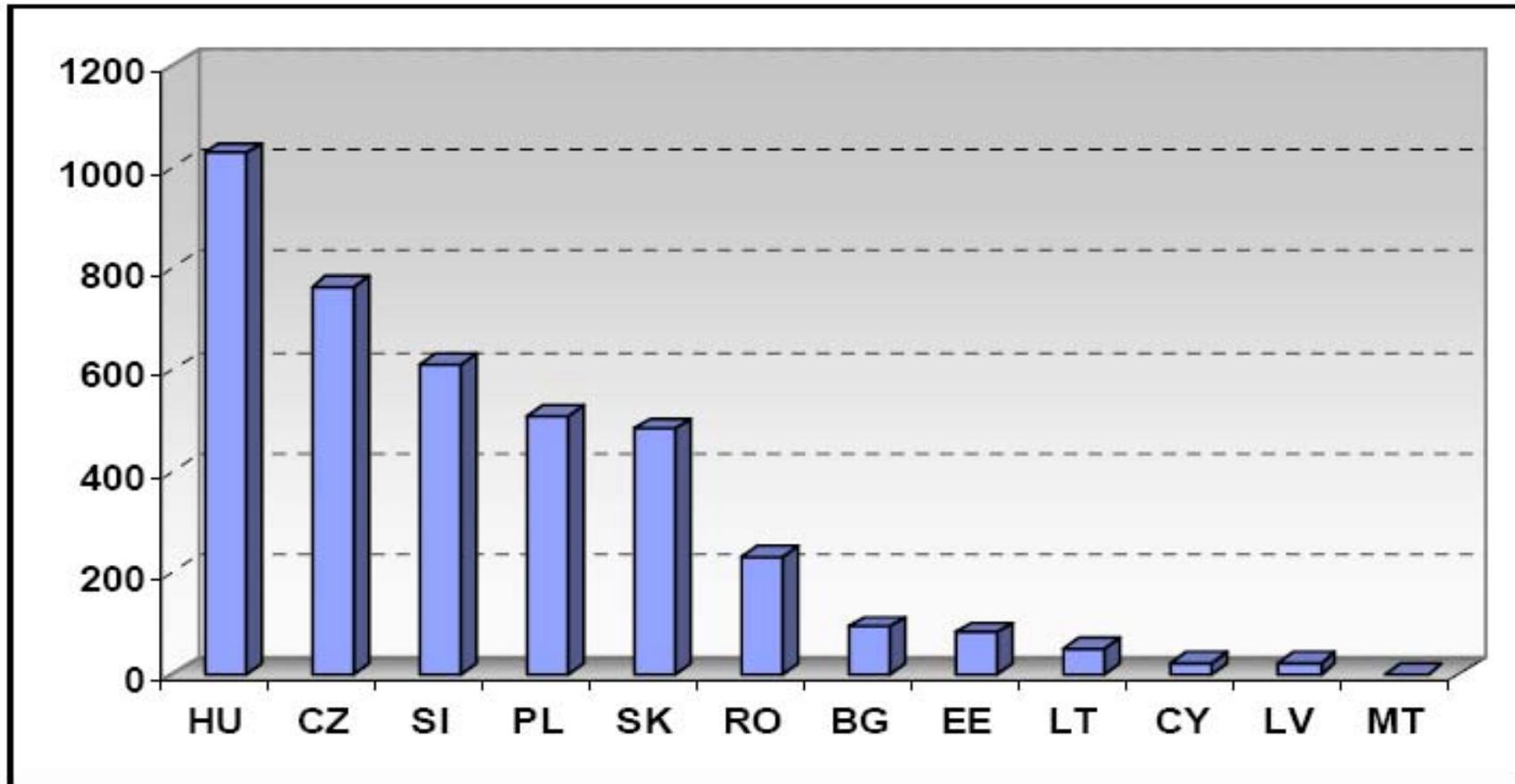
Investments in TEN-T, EU-27 per country, 2002/03, av. % GDP



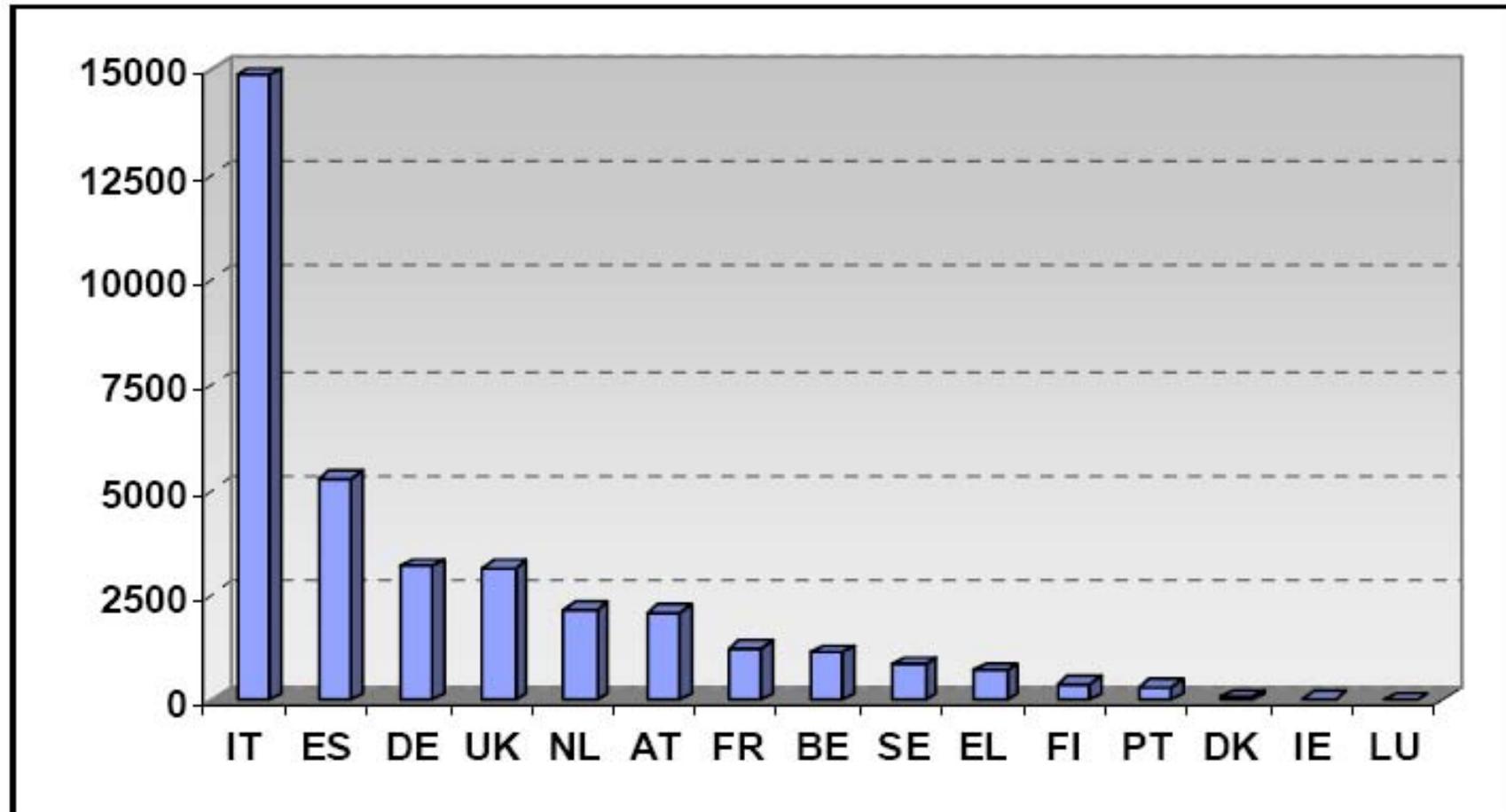
Investment in TEN-T road network, EU-15 per country, 2002/03, €mn



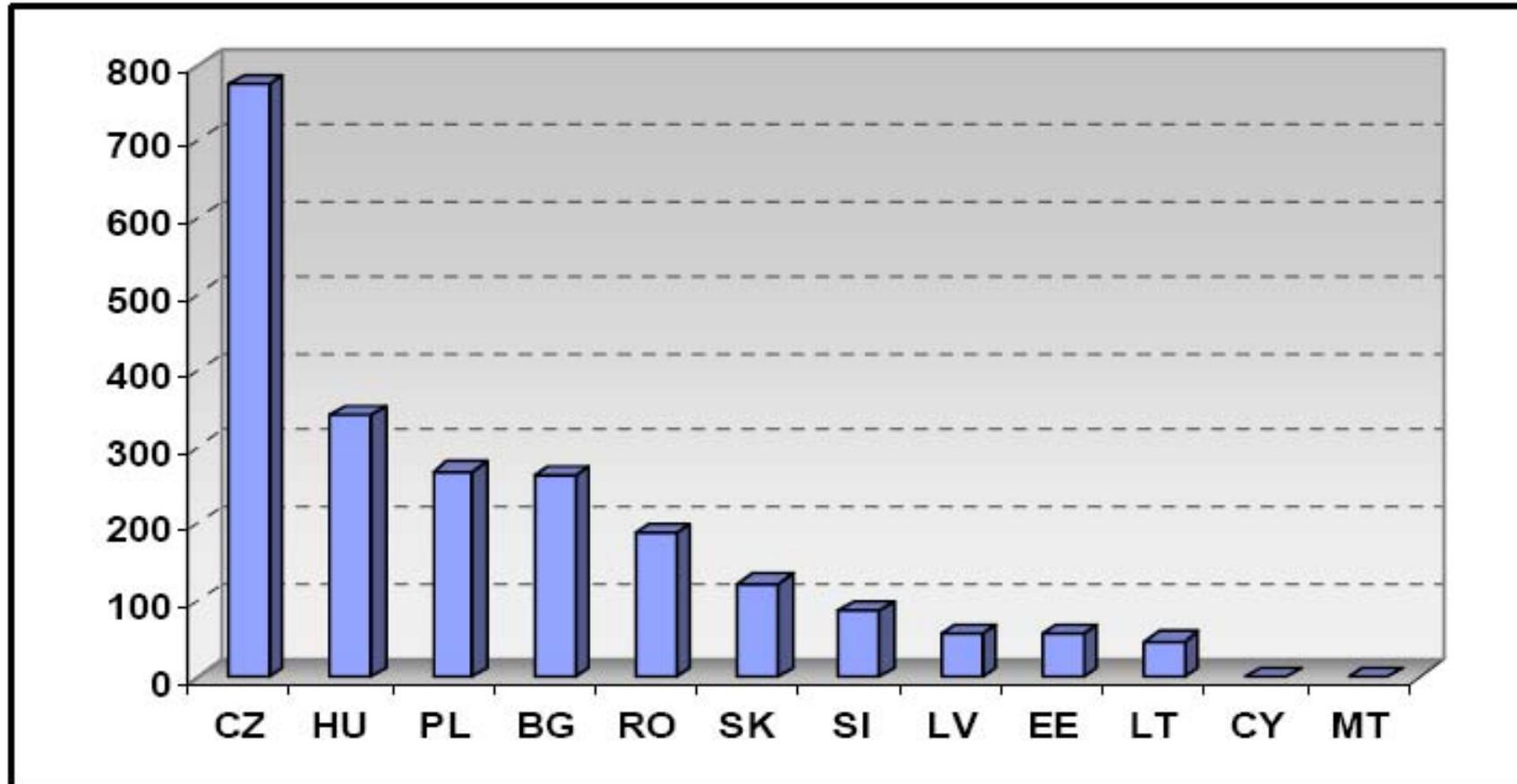
Investments in TEN-T road network, EU-10 and EU-2 per country, 2002/03, €mn



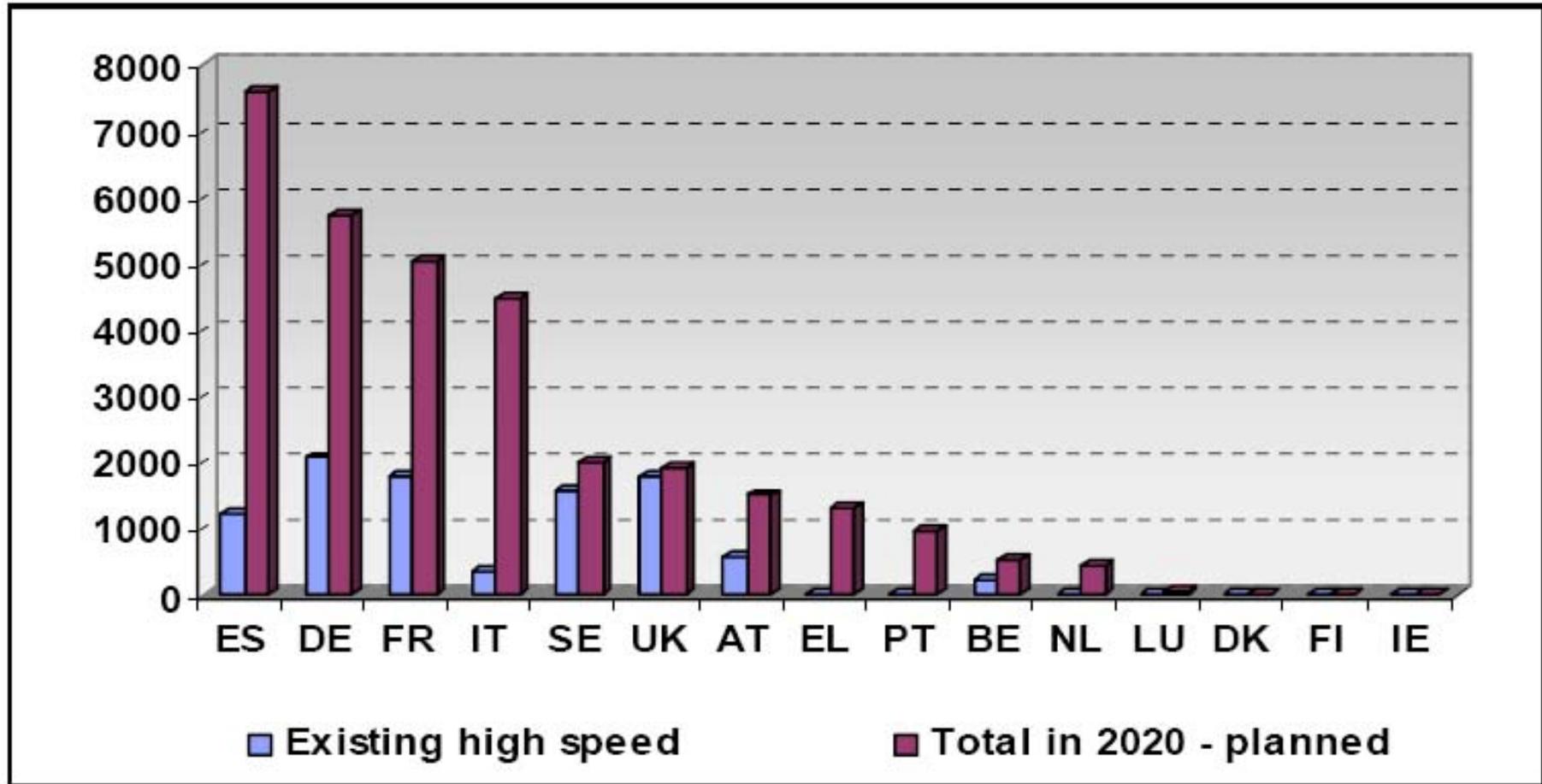
Investment in TEN-T rail network, EU-15 per country, 2002/03, €mn



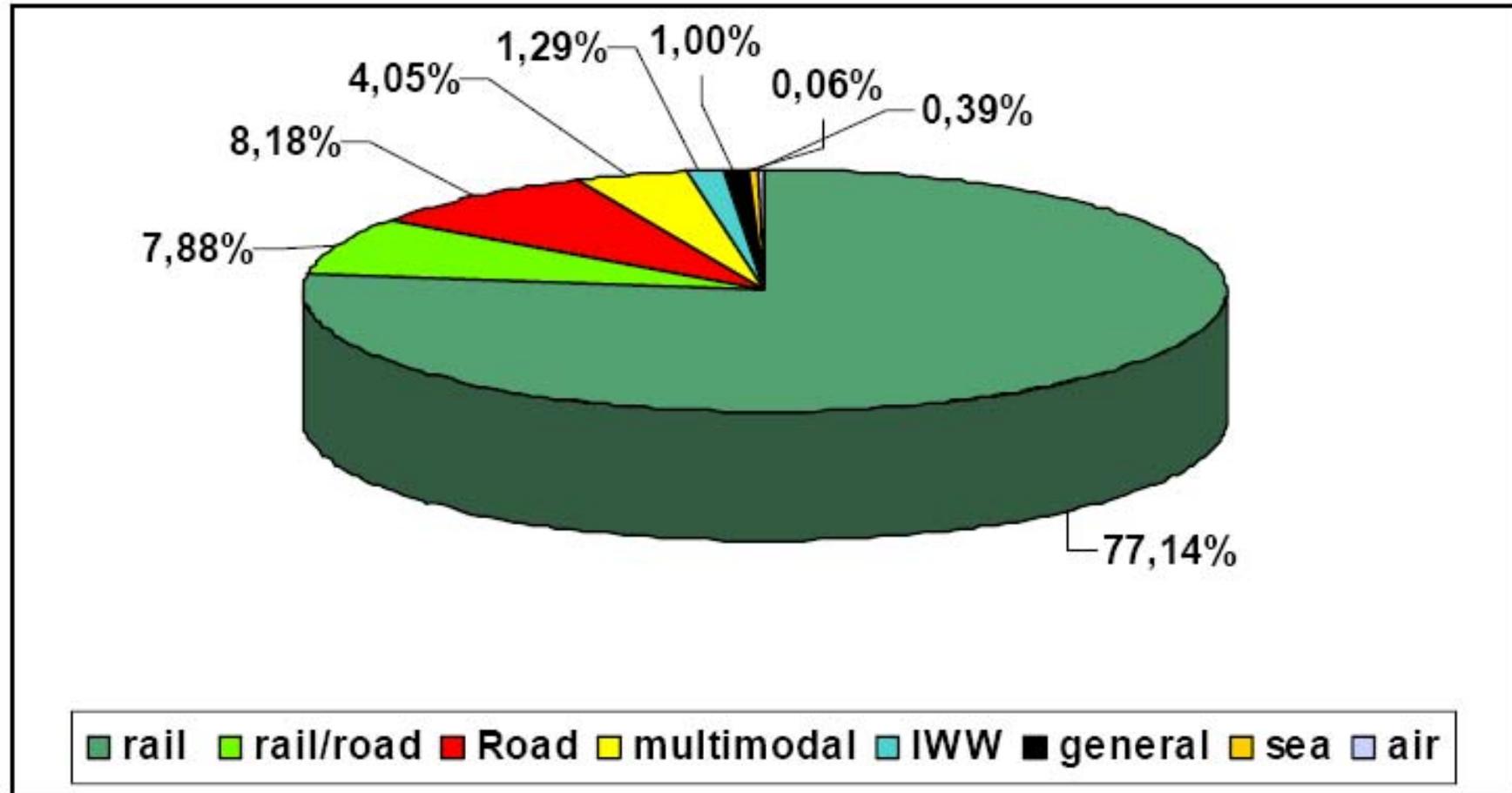
Investments in TEN-T rail network, EU-10 and EU-2 per country, 2002/03, €mn



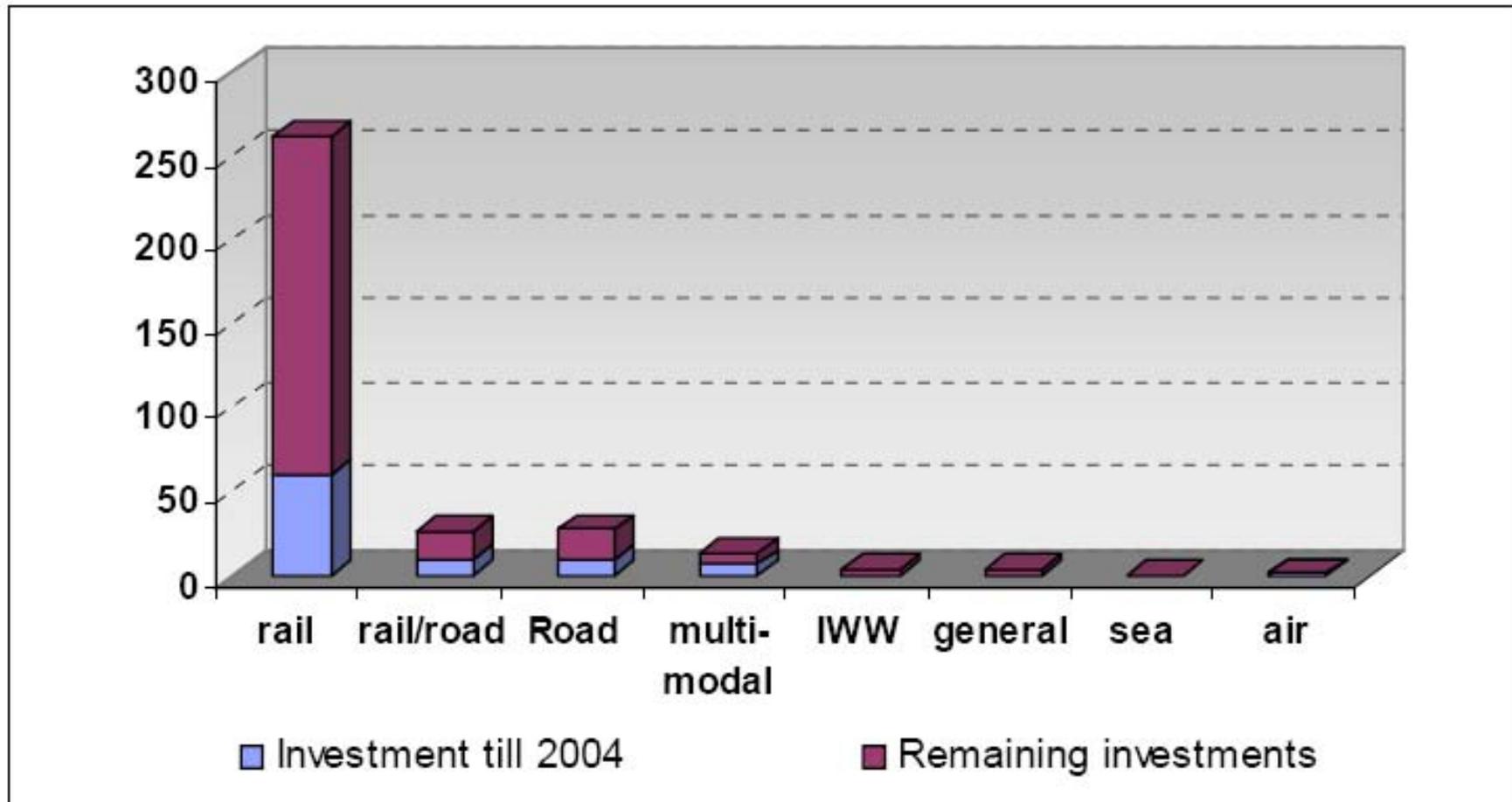
Development of TEN-T HSR lines, EU-15, 2003-20 per country, km



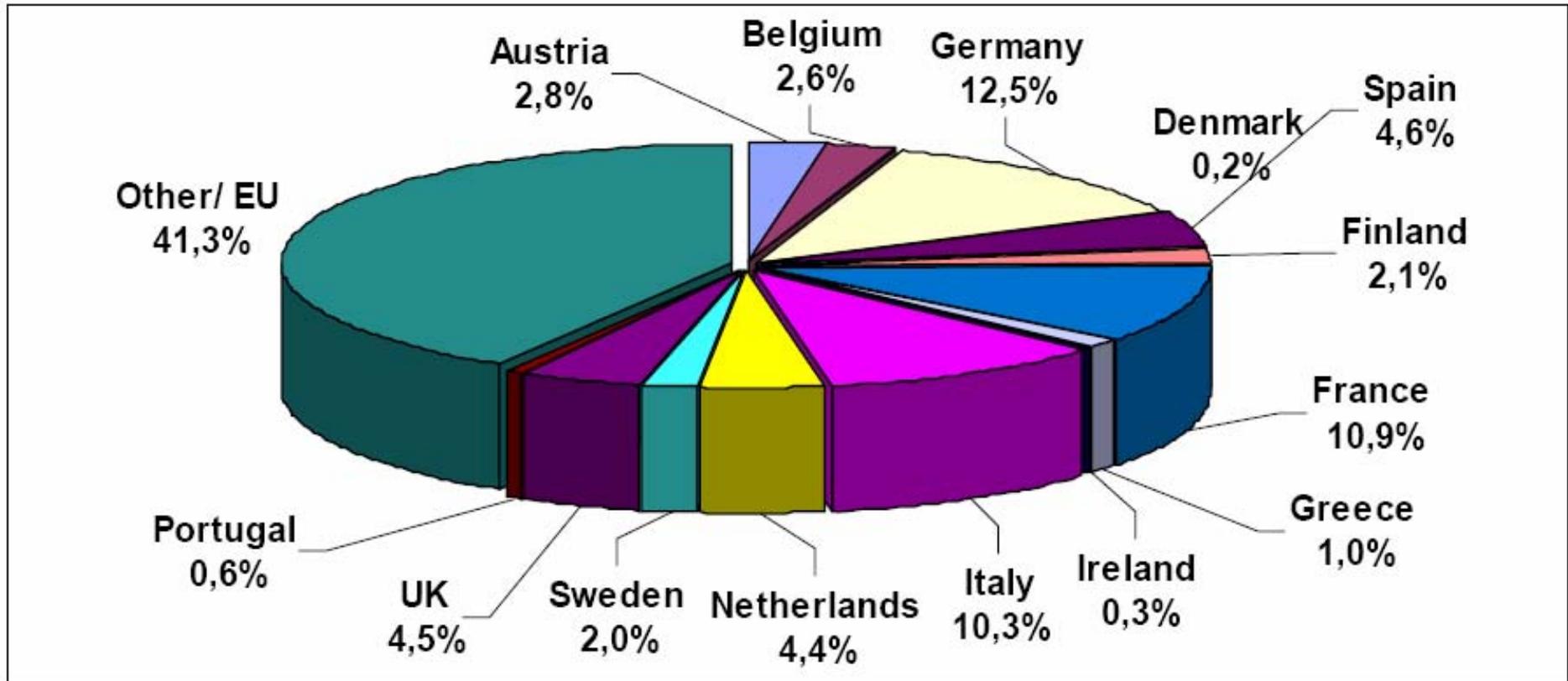
Modal split of investments in priority projects, EU-27, 2004–20



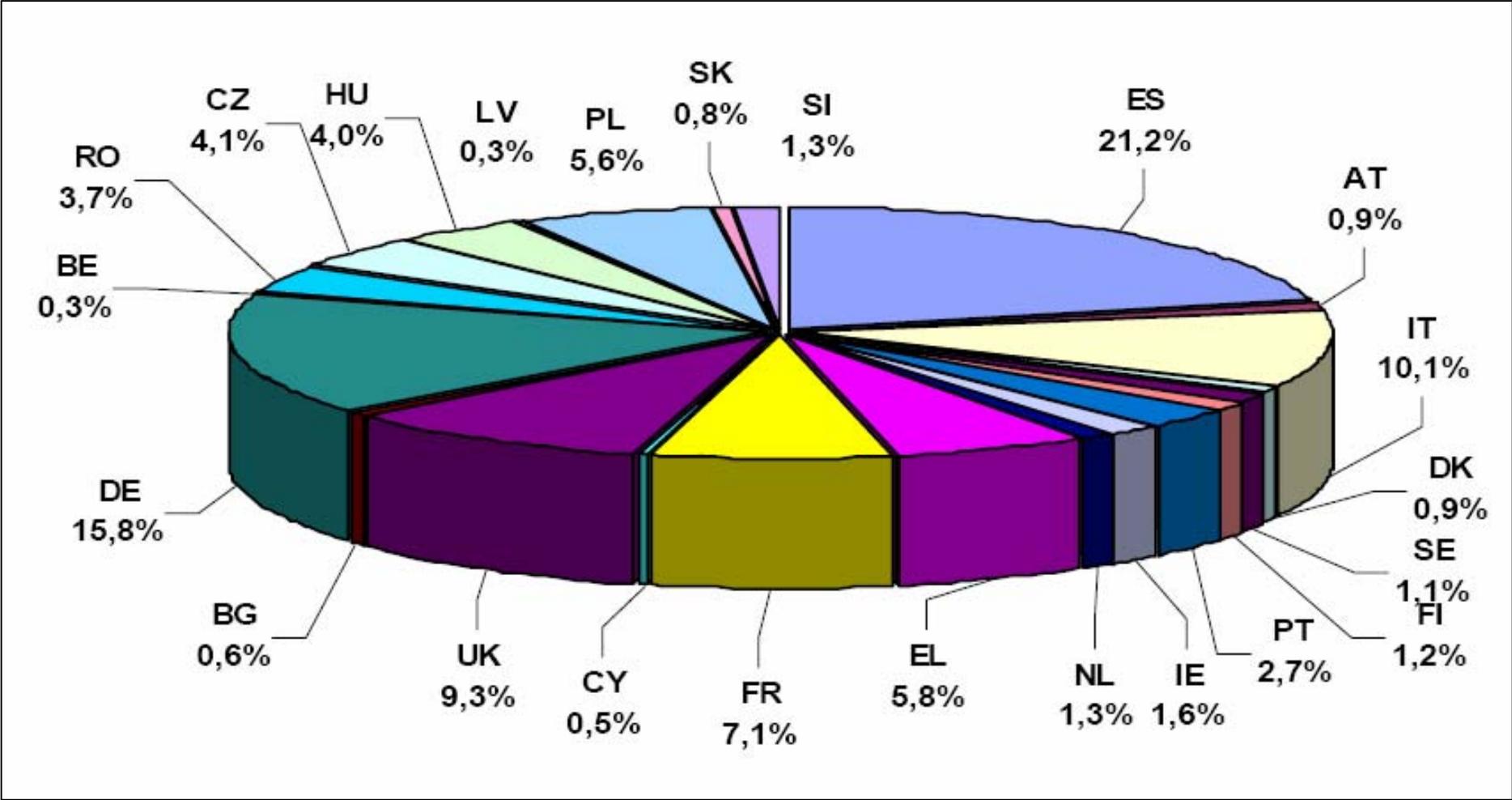
Investments in priority projects per mode – effected till 2004 and remaining



Distribution of TEN-T budget support by country, 2002-03



Distribution of EIB loans by country, 2000-03



Reasons why implementation lagging

- Budget
 - EU contribution (2000-06) around €20 billion (5 to 6% of the investments needed)
 - EIB has lent around EUR 50 billion in the same period.
 - Member States need to find majority of funding - in 2003 Member States put €15 to €20 billion into TEN-T projects, <0.3% GDP
 - Lack of success in implementation of infrastructure charging
- Difficulty of coordination
 - Projects, especially cross-border projects, face difficulty of coordinating timetables, financial planning and administrative procedures.
 - Countries define programming priorities
 - Countries more inclined to invest in connections to European core than in missing links towards more peripheral countries.
- Poor project preparation
 - Projects not fully developed by promoters before application for TEN-T budget.
 - Environmental aspects of projects not always sufficient
 - Risk assessment needs improvement
- Non-optimal institutional setting
 - More attention needed to institutional and organizational setting of a project (e.g. (de)regulation, market access)

Critical factors for implementation

- Financial resources
 - TEN-T budget for 2007-2013 is around € 8 billion
 - Cohesion Fund for 2007-2013 estimated around € 54 billion - around half of this (€ 27 billion) will be spent on priority projects.
 - EIB loans around € 6-8 billion per year, around € 42-56 billion over the period.
 - Scope for PPP unknown,
- Budget needed is around €126 billion in 2007-2013
 - Financing gap - € 91 billion needs to be financed by Member States (through EIB loans, national budgets or potential PPPs). Assuming rate of expenditure from 2000-06 maintained remaining gap of €12-26 billion
- Prioritisation
 - Administrative and organizational capacity limited makes it important to prioritise
 - Distinction between priority axes/projects and other TEN-T projects needs to be clearer
 - Need to focus Community activity on reducing bottlenecks on major trans-European routes to complement national projects
 - Focus investment on cross-border sections, which often do not have priority from a national point of view
- Coordination
 - To encourage cooperation with users and operators of TEN-T projects,
 - To promote projects amongst private investors and financial institutions

Regulatory and policy conflicts

- Vertical conflicts
 - Nested principal agent problem
 - Defining objectives and targets
 - Monitoring effort
- Horizontal conflicts
 - Jurisdictional boundaries
 - Inconsistency with market areas, especially labour markets, and transport flows
 - Liberalisation and rent-seeking
 - Efficiency in a multi-agency world

Regulatory and policy conflicts

- Regulatory capture and double asymmetry
- Transactions costs and regulatory competition (rent capture)
- Tax competition analogies
 - Tax, standards and public goods provision
 - The ‘race to the bottom’ problem
 - Tax competition and transit traffic
 - Competitive tolling and the ‘beggar my neighbour’ problem
 - Redistribution between residents and non-residents: relative mobility of factors of production

Measuring wider economic effects

- Summary of effects
 - Impact on competition in the affected regions,
 - Impact on the ability to gain benefits from the change in market power through agglomeration,
 - Impact on linkages, particularly backward linkages such as the labour market.
- Results
 - Large changes in accessibility may lead to only small changes in GDP/welfare in large networks
 - Ambiguity over relative influence of road and rail
 - Wider benefits may be additional 10-20% (SACTRA) or as high as 30-40% (Elhorst et al.) of direct benefits
 - Possibly higher than earlier theoretical studies had suggested
 - But impacts not always positive
 - Distribution of impacts critical

Local impacts

- Spillover issues
 - May be more difficult to identify than global
 - Depend on local connectivity
 - Introduction of competition between station locations
- Objective and performance issues
 - Need for services not to abandon existing communities
 - Conflict between metropolitan needs for fast links and areas in-between for connectivity
 - Dealing with by-passed locations
 - Border 'shadow' areas

Some conclusions

- Lack of clarity in responsibilities
 - TENs an EU concept
 - Decisions rest with lower levels or private sector
- Models of policy
 - Intergovernmental/state-centric model
 - only cross-border elements resolved at EU level.
 - Federal/multi-level governance model
 - functions assigned to level where most efficiently administered
 - needs institutional structures for decision-making and policing
- EU transport policy has two fundamental concerns
 - Contribution to development of competitive economy (Lisbon Agenda)
 - Increased cohesion within and between the member states
- Main problem areas
 - Horizontal conflicts between policy authorities
 - Vertical conflicts through policy refraction