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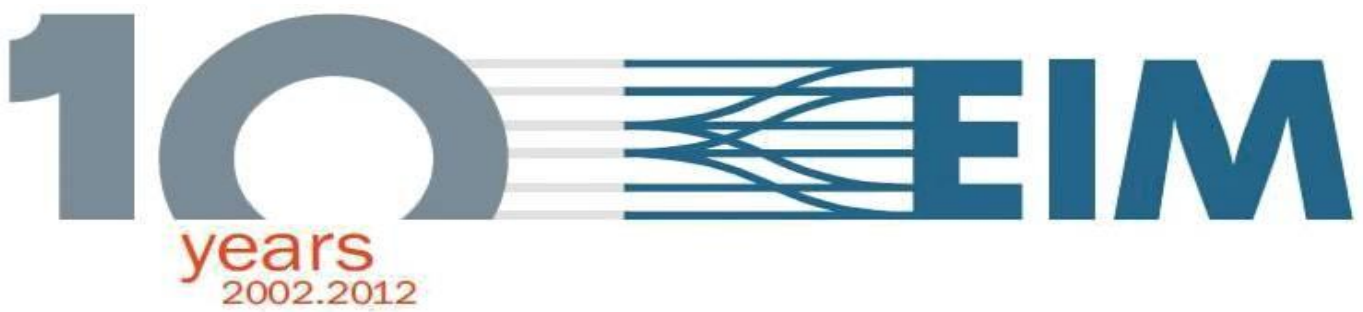


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May 2012

THE MAKING OF AN INTER-CONNECTED EUROPE: EIM POSITION PAPER ON THE REVISED TEN-T AND CEF



INTRODUCTION

European rail is once again embracing change. On 19 October 2011 the European Commission (EC) proposed a dual regulation: a review of the Union guidelines for the development of the Trans-European Network for Transport (TEN-T) and a proposal for a financial framework labelled the Connecting Europe Facility (CEF). The proposals are dedicated to the establishment of a genuinely inter-connected European transport network linking (by 2030-2050) the key European cities, ports and airports in a multimodal fashion with rail at its core. Not only are the proposals timely, they are strategic: they set out a clear long-term vision and implementation tools for a seamless inter-connection across the entire European continent.



Yet, what are TEN-T and CEF really about? What do they mean in practice and how will they affect rail? What follows next is the position of the European Rail Infrastructure Managers (EIM) on TEN-T and CEF.



TEN-T: revision by design not default



EIM welcomes the Commission's overarching political commitment to create an interoperable European rail network by means of a core and a comprehensive network. The design of these networks builds on lessons learned from the existing TEN-T Guidelines: a national patchwork of infrastructure will be replaced by an all-encompassing comprehensive network (due 2050) with its most strategic parts feeding into the core network underpinned by 10 major transport corridors, the backbone for the future multimodal network (due 2030). EIM is pleased with the plan for a future core network connecting Europe in a multimodal fashion, with rail at its core, involving:



- 86 main European ports with rail and road links
- 37 key airports with rail connections into major cities
- 15,000 km of railway line upgraded to high speed
- 35 major cross-border projects to reduce bottlenecks.



It is noteworthy that the revised TEN-T is in line with the 2011 Transport White Paper and the objectives of Europe 2020, contributing significantly to the making of an inter-connected Europe that is also competitive and sustainable, placing Europe on track with the latest global transport infrastructure trends. China is moving ahead with the development of a 10 000 mile high speed rail network by 2020; India too has made unprecedented progress in rail development; whilst Brazil is in the process of consolidating its rail systems. In this context, EIM recognises the revised TEN-T as a positive step in making European rail a significant actor and welcomes its potential extension to the EU's neighbourhood, Eastern Partnership and third countries.



CEF: a facilitator but not a guarantor



In order to facilitate the implementation of the TEN-T core and comprehensive networks, the EC proposed for the next budget period of 2014-2020 a Connecting Europe Facility (CEF) of 31.7 B€ out of which 10 B€ would be ring fenced from the Cohesion Fund. With higher EU funding rates dedicated to rail projects targeting bottlenecks, cross-border missing links and lower carbon footprints, CEF has potential to enable quicker and easier construction of a genuinely inter-connected Europe.



The proposed 31.7 B€ is ambitious in the light of the financial crisis as well as in comparison to the earlier financial perspective for the 2007-2013 period. Yet, at the same time, it is in stark contrast with EC estimates according to which the TEN-T alone will potentially require 500 B€ by 2020, whilst the very completion of the core TEN-T network will require 250 B€ by 2020. This

places an excessive burden on infrastructure managers - especially as the CEF is paired with TEN-T that would place financial burdens on parties concerned far beyond 2020.



EIM supports the allocation of 10 B€ from the Cohesion Fund (CF) to the CEF, not merely because it seems in line with the legal basis governing TEN-T (Article 171, TFEU)¹ but also in order to make financially achievable the delivery of the TEN-T core and comprehensive networks to the required standards. However, EIM also recognises that such ring-fencing raises at least two concerns of its members operating in eligible countries. First, a 10 B€ reduction of the CF necessarily predetermines the priorities of the fund which may not be aligned with how eligible countries may wish to channel monies. Secondly, as part of CF is transferred to the CEF, applications for funding are subject to the eligibility criteria of the latter which are narrower for eligible countries than the rules of the former. There is a need to find a balanced approach to both (a) the 10 B€ allocation process from CF to CEF and (b) the coordination of funds with one another, so as to ensure that one fund by no means prejudices the other. Special conditions of countries that still benefit from CF must be carefully taken into account.

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In order to accelerate the development of TEN-T core and comprehensive networks, CEF is accompanied by a provision for an enhanced role of project bonds and other financial instruments in line with the revised lending policy of the European Investment Bank (EIB). EIM looks forward to the pilot phase 2012-2013 of the Europe 2020 Project Bond Initiative and deems it a timely and critical element facilitating TEN-T implementation in times of financial crisis. At the same time, EIM has some reservations about the usage of financial instruments because they might increase the indebtedness of the rail infrastructure managers.

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Higher co-funding or enhanced usage of financial instruments notwithstanding, the primary financial responsibility for the implementation of the core and comprehensive networks alongside the full appreciation of the CEF is in the hands of the Member States, regions and local authorities themselves. As such, the CEF is a necessary facilitator, but not a guarantor, of effective implementation of the projects.



2020 / 2030 / 2050 TIMESCALES: dealing with the Juggernaut²

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It was in 1975 that the idea behind the TEN-T first emerged within the Tindemans Report.³ But it was not until 1985 that it gained ground with the creation of a single market. Over the years the development of TEN-T has been rather slow. If history lessons are ever learned, they should be learned properly. Binding deadlines provide impetus and instil discipline when they are set alongside clear goals and a realistic schedule. Today, whilst the former seems to be fixed, the latter is somewhat lacking. With all due respect to the principle of strictly-bound deadlines, EIM raises some questions: how could one make legal and financial commitments to a deadline that is 30-40 years away? Would it not be risky to lay down a final date for the TEN-T completion in times of financial uncertainty?



Seen in this light, EIM considers the deadlines for the implementation of the core (year 2030) and comprehensive networks (year 2050) so far-off that they should be set as targets rather than binding requirements, for at least two reasons. First, they cover a budgetary impact beyond the current financial perspectives and secondly, socio-economic costs / benefits of the rail projects are not static but vary, impacting the implementation date accordingly. EIM deems it



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¹ Consolidated Version of the TFEU, Official Journal of the European Union, Article 171, Paragraph 1, Indent 3. 'In order to achieve the objectives of [trans-European networks] referred to in Article 170, the Union [...] may also contribute, through the Cohesion Fund set up pursuant to Article 177, to the financing of specific projects in Member States in the area of transport infrastructure.' <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:083:0047:0200:en:PDF>

² A powerful, overwhelming and unstoppable force

³ Bulletin of the European Communities, Report by Mr Leo Tindemans, Prime Minister of Belgium, to the European Council, Supplement 1 / 76, 1975

necessary to measure project implementation by their maturity and the availability of the financial resources.



EIM embraces the review of the TEN-T core network implementation by 31 December 2023 by the Commission but draws attention to the potential disconnect between TEN-T (2030-2050) and CEF (2020) timetables. Funding commitments under CEF are only available until 31 December 2020, whereas in order to ensure the continuity of investments, a commitment to further funding beyond 2020 is a prerequisite when it comes to realising the objectives of TEN-T within the proposed implementation deadlines (2030-2050). EIM invites to reflect on potential ways of providing an outlook on further funding by CEF after 2020, for example, by adding a clause in the CEF ensuring that appropriations could be / will be entered in the budget beyond 2020.



TECHNICAL REQUIREMENTS: socio-economically fit



The new TEN-T Guidelines outline technical requirements for rail infrastructure for both the comprehensive and the core network, some of which seem to go beyond those enshrined in the Technical Specifications for Interoperability (TSIs), incurring high costs to rail infrastructure managers risking to create a 'capabilities-expectations gap.'



Take, for example, the Commission's requirement for a full-scale deployment of the European Rail Traffic Management System (ERTMS) with an expectation to enhance interoperability. According to current estimates, the cost to rail infrastructure managers for the deployment of ERTMS for the entire comprehensive and core networks could be extremely high. Similarly, in some cases in the comprehensive network, full electrification could prove economically unviable, yet no derogation on uneconomical dimensions exists in the proposal.



At this stage, the stakes are political.



For EIM, finding a solution to the right balance between the expectations and the capabilities seems rather obvious. As a first step, it is vital for the technical standards to be in absolute compliance with the TSIs and specified in a consistent fashion. Raising standards beyond the TSIs or applying them inconsistently should be avoided by all possible means.

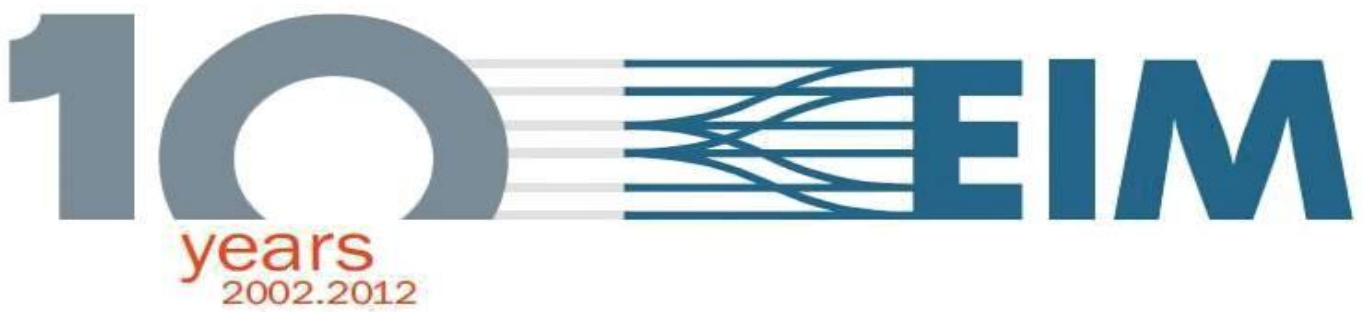


As a second step, socio-economic cost / benefit analyses should be introduced alongside the possibility of derogations under the TSIs - allowing flexibility, particularly in cases where the costs of meeting rigorous EU technical requirements have a negative socio-economic impact on rail infrastructure. EIM strongly believes that it is necessary to put the costly TEN-T technical requirements in context. Governments across Europe - including the EU - encounter 'infrastructure financing gaps' due to an increasing demand for transport infrastructure investments with shrinking public finances. It only takes a quick look at the reports by the Organisation for Economic Co-operation and Development (OECD), the World Bank (WB) or the EIB to realise the fragile financial situation. And yet - and this is most important - the CEF proposal of 31.7 B€ for the 2014-2020 period is in stark contrast with the investment requirement of approximately 500 B€ for TEN-T. This begs for immediate focus on infrastructure investments with cost effective socio-economic benefits.



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CORE NETWORK CORRIDORS: less is more

European rail corridors are at the heart of making rail networks inter-connected. Past experiences show that the establishment of rail corridors can be particularly effective when measured not by the quantity of corridors created, but by wisely building on the existing corridor systems, effectively choosing quality over quantity. The alignment of six ERTMS corridors with nine rail freight corridors is a case in point. EIM deems such consolidation crucial taking a significant leap forward and integrating - fully and consistently - the rail freight corridors (Regulation (EU) No 913/2010) into the core network corridors. The proposed Annex I - outlining the lists of corridors - could be amended accordingly.

Amendment of Annex I thereby avoids the unnecessary duplication and / or increase of new administrative and management structures, and related costs. For example, as per Regulation (EU) No 913/2010, rail infrastructure managers already constitute part of the management board of the freight corridors. Full integration of 'freight - core network corridors' would therefore be a natural step, ensuring that work carried out to establish the rail freight corridors is dutifully included when developing the core corridors.

CONCLUSION

European rail can be invested with new vitality and challenges can be met. EIM strongly believes in the success of the TEN-T and CEF proposals and espouses progressing this legislation and strengthening the foundations of a future single European rail area. If we succeed in this in the present circumstances, European rail could be at the heart of making a genuinely inter-connected Europe a reality.

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