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COHESION AND TRANSPORT

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1. Introduction

1. Transport plays a key role in efforts to reduce regional and social disparities in the European Union and in the strengthening of its economic and social cohesion as confirmed in the Commission's first Cohesion Report (1996). The objective of this Communication is to consider ways in which the Common Transport Policy (CTP) and EU structural policies financed notably by the Structural Funds and Cohesion Fund can promote a more balanced and sustainable development of the Union's territory, notably by improving the situation of peripheral or weaker regions and disadvantaged social groups¹.
2. The Common Transport Policy aims to promote efficient and sustainable transport systems that meet the needs of both people and business. Policy choices which set frameworks at the Union level for transport infrastructure development and service provision clearly have implications for the relative accessibility of regions and for their competitiveness and economic development prospects, and these aspects are being integrated into the CTP. The Community also contributes to the establishment and development of the trans-European transport infrastructure network, including the financial support provided by the TEN-transport budget line. At the same time, through the Structural and Cohesion Funds, as well as through the European Investment Bank within its field of activity, the Union is directly involved in co-financing investments in the provision and modernisation of transport infrastructure and in measures to ensure its most effective use in its weaker regions, in the context of broadly based development programmes to promote regional convergence². These contribute in a fundamental way to the integration of European territory as a whole.
3. This Communication suggests ways in which efforts in the two policy fields can be combined to make a more effective contribution to the development of the weaker regions and the opportunities available to disadvantaged groups and hence to improving economic and social cohesion. The starting point is recognition of the need for greater coordination in the future development of the CTP and EU regional policies, respectively, beginning from the stage of their conception. On this basis, a number of concrete recommendations are made for the development of the European transport system, focusing on the achievement of the following objectives:
 - improving regional economic development prospects, competitiveness and employment;
 - contributing to balanced development in the Fifteen and creating conditions favourable to the integration of new Member States;

¹ Article 129B puts emphasis on the role of the TEN to make available to all EU-citizens the advantages generated by the internal market, especially by the provision of better links from the periphery to the centre of the EU-territory. The Amsterdam Treaty strengthens the need for special attention to be given to ultra-peripheral regions by EU policies.

² This particularly concerns the weakest regions (Objective 1) where development is lagging behind and with the lowest levels of GDP per head, generally less than 75% of the Community average. The Union also assists areas affected by industrial decline (Objective 2 of the Structural Funds), rural problems areas (Objective 5b) and areas of very low population density (Objective 6). The latter, located mainly in the more prosperous Member States, have much lower needs in terms of infrastructure provision.

- promoting sustainable mobility and ensuring the availability of transport services to those without the use of private cars and those with impaired mobility.

2. Cohesion and Transport

2.1 The reduction of interregional disparities and the role of transport

4. The geographical imbalances within the European Union are considerable, with a centralisation of population and economic activity in some areas - accompanied by high costs in terms of congestion, pollution and urban sprawl - and depopulation in others. Particular accessibility problems are encountered by the Union's peripheral and island regions. The First Cohesion Report confirmed a strong association between geographical peripherality and relatively low standards of living as measured by regional GDP per head. This is a relationship that holds across a Union composed of countries and regions of quite different historical experience. While the explanation is undoubtedly complex, it seems clear that even in the age of information technology, transport facilities for both passengers and freight are often critical for regional competitiveness and prosperity.
5. The long-term link between levels of economic development and transport is generally uncontested. An efficient European transport system is essential for economic development and to enable citizens of the Union, economic operators and regional and local communities to derive full benefit from an area without internal frontiers. However, certain other factors imply that the link requires close examination. First, for certain kinds of economic activity, the transport of freight accounts for a relatively small part of total production costs³ and accordingly its influence on the location of economic activity may not be decisive.
6. Secondly, while improved transport facilities generally make a less developed region more attractive for investment by increasing access to inputs and to markets for outputs, and by facilitating business travel, there are instances where improvements in transport have made it easier for firms in more developed regions to supply goods and services directly to poorer ones, with the potential to hinder the latter's economic development prospects (although it is always difficult to assess the level of development which would have occurred in the absence of the investment). An extreme example of an area which combines a relatively high transport endowment with lagging development is the Mezzogiorno, while the opposite could be said to apply to Ireland or the Nordic regions⁴.
7. It is clear that investment in transport alone will not lead to the reduction of development disparities. The success of improvements in transport depends on complementary efforts to ensure that the disadvantaged regional economies are in a better position to seize the opportunities created. The evidence suggests that in such a context, carefully selected investments in transport infrastructure in Greece, Spain, Ireland, and Portugal have had positive long-run effects on private investment and economic development in the regions, although there may be wide variations in final impact.⁵

³ In most cases transport costs represent less than 5% of the total production cost

⁴ In Italy, it has been argued that improved transport during the 1950s, and reduced delivery costs, between North and South removed a key factor sheltering firms in the South from northern competition and helped to accelerate de-industrialisation.

⁵ See, for example, LSE: "Study of the socio-economic impact of projects financed by the Cohesion Fund (1997). Study financed by the European Commission.

2.2 Employment and Transport

8. Transport can contribute to employment in a number of ways. First, investment in transport infrastructure contributes to employment in both the long-run and the short-run. Short-run effects, which arise during the construction phase, are easiest to measure. This is often one of the attractions of public investment in transport infrastructure. While the short-term boost to employment is welcome, especially in high unemployment regions, it is not the primary objective of investment in transport infrastructure, which is to secure long-run gains in the form of increased competitiveness and the creation of durable employment. It is the latter which are the main concern of the Union's cohesion policies. This means that, in the context of the regional programmes, a careful assessment has to be made of the contribution of investment in transport to competitiveness and employment compared to alternative investments in fields such as SMEs, R&D and human resources.
9. Secondly, efficient transport systems are essential for the operation of the labour market to ensure the widest access of workers to employment. Some of the unemployment in Europe derives from the friction in the labour market which results from poorly planned transport systems which can be an obstacle to the mobility of unemployed workers even over comparatively short distances, for example, within a single conurbation. It is increasingly recognised that provision for non-private car users is fundamental in this respect, as well as having important efficiency and environmental benefits. The key concern here is often not the provision of new transport infrastructure, but the provision of transport services (particularly public transport).

3. Policies to develop Europe's regional accessibility and cohesion

3.1 The Union's Structural and Cohesion Funds and the EIB

10. Improving economic and social cohesion is one of the Union's central objectives. Since the reform of the Structural Funds in 1988, it has led to a considerable increase in the allocation of Union resources for the promotion of investment in capital and human resources in order to eliminate the development gaps. The statistical evidence shows that the weakest regions of the Union - eligible under Objective 1 of the Structural Funds - have considerable investment deficits compared to the rest of the Union, with major gaps in economic infrastructure, including transport (see annex). Infrastructure deficits also exist in other assisted regions situated in the more prosperous Member States, especially in the more remote and peripheral regions.
11. Union support has attempted to redress the gaps, situating its efforts in broad, strategic development programmes aimed at accelerating investment in key infrastructures, supporting improvements in human resources and improving the general business environment. Since 1989, actions under the European Regional Development Fund (ERDF) - the largest of the four Structural Funds and the major source of Union finance for infrastructure investment - have been coordinated with those under the other Funds in the realisation of the development programmes.
12. Since 1993, the Structural Funds have been complemented by the Cohesion Fund, which supports investment projects in trans-European transport networks, as well as investment in environmental infrastructure.

13. The ERDF participates in the financing of investment in transport infrastructure in the least developed regions designated as Objective 1 (where, as a general rule, GDP per capita is below 75% of the EU average). This has included a direct contribution to the development of the TEN.
14. The strategic plans for the assisted regions, known as Community Support Frameworks (CSFs), lay down the priorities and the guidelines for the investments in transport infrastructures. Outside the CSFs, certain programmes organised at the initiative of the Commission, such as REGIS (for outermost regions) or INTERREG (cross-border co-operation), also support investment in transport infrastructure.
15. During the first programming period, 1989-1993, in Objective 1 CSFs the Structural Funds (ERDF) devoted some ECU 8 billion (1994 prices) to investment in transport infrastructure (almost 50% of a total of ECU 16.2 billion for investment in basic infrastructure). For the present period, 1994-99, some ECU 13.7 billion has been provided for investment in transport in the Objective 1 regions. Of this, some 70% is intended for roads and motorways, 16% for railways, 3% for airports, 5% for ports and 4.5% for other transport-related actions (developing intermodal transport, public transport as well as transport studies).
16. With regard to the Cohesion Fund, some 50% of the finance available support projects to improve transport infrastructure, with an exclusive focus on the TEN in accordance with the terms of the Treaty. The Cohesion Fund presently intervenes in four countries, (Greece, Spain, Ireland and Portugal), investing more than ECU 5 billion between 1993 and 1999 to develop important TEN links⁶ - some 69% for roads and motorways, 23% for railways, 4.4% for airports, 3% for ports and 0.5% for VTS.
17. As result of the effort since the 1989, the Structural Funds and Cohesion Fund have been a major source of finance in the development of Europe's transport infrastructure, while contributing to improving the accessibility of its peripheral and remote regions, although catching up will remain a long-term challenge (see statistical tables). At the same time, it is recognised that the transport needs of the weaker regions of the Union are not the same as those of the stronger regions; it is neither necessary nor desirable to seek to reproduce the transport systems of the latter in the former, for example, with regard to the balance between the different modes. The reduction of unfavourable environmental impacts of transport and the promotion of a shift towards the more environmentally friendly modes of transport must also be encouraged in the peripheral and remote areas.
18. The EIB also contributes through its lending to the fulfilment of the economic and social cohesion objectives of the Community. Regional development is one of the top priorities of the EIB since its inception. Two thirds of the Bank's lending are directed to regional objectives, of which a large part - about one third - to financing transport infrastructure projects (see Annex IV). EIB action is carried out in close co-ordination with the Structural and Cohesion Funds and TEN budget. In particular one quarter of the EIB's lending for regional development projects includes co-financing operations with the Structural Funds.

⁶ The Cohesion Fund and the ERDF are helping to develop TEN priority projects with regard to the Greek motorways, the Portugal/Spain intermodal links, the Ireland/UK/Benelux road corridor, HST South, the Cork/Dublin/Belfast rail link.

3.2 Spatial planning at European level: the ESDP

19. The regional policies of the Union contribute to overcoming the problem of uneven development in Europe. Additional and complementary efforts are, however, required at the transnational level in order to promote a more balanced development across the territory as a whole. This applies in particular to transport, where the history of separate national development has resulted in a network which has many inconsistencies at European level, involving incompatible systems and technical standards as well as duplication and waste. The need for a more coherent transport system at European level, which simultaneously promotes more balanced use of the territory, has been recognised by the Union in the Treaty itself with regard to trans-European networks, as discussed in section 3.3 below.
20. Transport is also an essential element in the European Spatial Development Perspective (ESDP). The first official draft was endorsed at the Noordwijk informal Ministers meeting in June 1997 as a reference document setting up guidelines for an integrated and common approach to spatial planning at EU level. The ESDP reinforces Community transport and cohesion goals by identifying the need for improved accessibility and a more efficient and sustainable use of infrastructure, and providing support for the development of the Community's weaker regions.
21. Cooperation between all levels of government and the private sector is regarded as essential to maximising the ESDP's usefulness as a tool for promoting development. The strategic approach to spatial development proposed by the ESDP seeks to influence the long-term future. To be effective, all the relevant actors should be involved in producing a coherent joint vision for the development of Europe's territory.

3.3 Cohesion and the Common Transport Policy

22. The evolution of the Common Transport Policy (CTP) demonstrates an increasing appreciation of its role in regional and social development and in European cohesion. The CTP was initially driven by the recognition of the fundamental role of transport in the achievement of the European Union's internal market providing for the free-flow of goods and services, labour and capital across the national frontiers between the Member States. With the signing of the Maastricht Treaty, additional emphasis was placed on the development of a trans-European Transport Network (TEN), on contributing to economic and social cohesion and on the sustainability of transport systems in environmental terms. The CTP can contribute to reducing regional disparities and improving economic and social cohesion in a number of ways, creating many opportunities for establishing positive synergies with policies financed under the Structural and Cohesion Funds, as discussed in the following sections.

The trans-European Transport Network (TEN) Policy

23. An integrated Europe with a single market requires a comprehensive network of modern transport links across its territory, connecting all of its major population centres, and this is reflected in the TEN chapter of the Treaty. The Treaty also highlights the particular importance of such trans-European networks in transport in order 'to link island, landlocked and peripheral regions with the central regions and to the rest of the Community'. The Union supports projects of common interest by cofinancing feasibility studies and by providing loan guarantee fee subsidies, interest subsidies and, under

certain circumstances, direct grants. Some ECU 1.8 billion is planned for TEN for the period 1995-1999.

24. The Structural and Cohesion Funds have also represented a major source of funding for the development of the TEN. During the current programming period, 1994-1999, the ERDF will have contributed some ECU 3.5 billion and the Cohesion Fund some ECU 5 billion, to the realisation of TEN projects. During the period 1994-1997, the EIB concluded finance contracts for loans for TEN transport projects totalling ECU 14.2 billion. Meanwhile at the end of 1997 the European Investment Fund had provided since the beginning of its activity in 1994 ECU 510 million in guarantees for TEN transport projects. In its Agenda 2000 proposals to establish a framework for the future financing of the Union's policies, the Commission stressed that 'the continued development of the trans-European networks will serve to enhance both sustainable development and the internal cohesion of the Union by tying regions closer together'⁷.
25. In 1996, the European Parliament and the Council adopted Community guidelines for the development of the Trans-European Transport Network. These guidelines define the network so that it covers the whole territory of the Union. It should improve accessibility, with a focus on the links between island, landlocked and peripheral regions and the main centres, as the Treaty requires, as well as connecting the major conurbations and regions of the Community. One of the priorities is the integration of environmental concerns into the design and development of the network. In response to a mandate in the TEN guidelines, the Commission is currently examining methodologies for the strategic environmental assessment of the TEN.
26. Needs in peripheral regions have been taken into account in designing the Trans-European Network. In view of the key role played by air transport in remote regions, particular attention has been given to smaller airports located on islands, notably those dependent on tourism, and in remote areas in Nordic and southern Member States. Many of the peripheral regions have long coastlines and islands so that incorporating maritime transport into an overall integrated transport network is particularly important. A weakness, however, has often been the lack of efficiency in the ports where the intermodal connections take place. A proposal to reinforce the role of ports in the TEN has now been put to the Council and the European Parliament.
27. The completion of TEN in transport clearly represents a necessary condition for spatial integration and raising accessibility. However, studies confirm that to ensure the maximum benefit from the TEN their development must be integrated into a broader strategy⁸. Among the conclusions reached on their effects are:
 - the medium-sized cities in centrally located regions and located on the TEN nodes or corridors tend to obtain the major accessibility gains. Many cities on high-speed rail and motorways networks can expect a significant improvement in their physical accessibility;
 - the main metropolitan areas are also major beneficiaries from TEN implementation but to a lesser extent than the medium-sized cities. This reflects the already well developed transport infrastructure in those regions.

⁷ European Commission (1997): 'Agenda 2000 : for a stronger and wider Union'

⁸ Accessibility Study on the Peripheral Regions of the Community Territory: ICON indicator 1995 & 2020, MCRIT Barcelona, November 1994

- for peripheral and remote regions to gain the maximum benefit from the TEN, complementary investment in secondary networks will be required.
28. Such issues have been a major preoccupation in the preparation of integrated EU regional programmes under the Structural Funds which have sought to combine support for TEN projects falling on the territory of the assisted regions with support for investment in the local networks.

Public transport

29. Local and regional passenger transport has an important role in the efficient operation of the labour market and in economic development as well as a service to consumers. In Europe's urban areas, public transport can help to achieve the Community's environmental objectives for example with respect to noise and air quality and to improve quality of life and social cohesion by reducing the isolation of deprived residential districts and improving the accessibility of city centres in need of regeneration. Public transport is also particularly important to those in rural areas without access to private cars. In addition, efforts to make public transport more user-friendly help to widen the options open to those with impaired mobility.
30. Public transport therefore has a complementary role in the Union's general efforts to combat social exclusion. Estimates suggest that up to 40% of European households do not have access to private cars, so that the availability of public transport systems is a necessity for the mobility of a large section of the population, including those with impaired mobility, and for their access to employment opportunities. Against this background, investments in public transport can contribute to different policy objectives at the same time (e.g. improved mobility in particular for less favoured social groups, reduction of congestion and of CO2 emissions) and should be given more attention, supported where appropriate by the Structural Funds.
31. The Communication and Action Programme on the Citizens' Network underlines the importance of alternatives to the use of the private car and, more generally, to ways and means to fulfil the potential of public passenger transport in Europe.

Public services

32. The liberalisation of the European Union's transport sector under the CTP, to create an open and competitive market, has been embedded in a legislative framework which seeks to provide the conditions which will ensure the availability and affordability of transport services for all European citizens. The liberalisation of services in the absence of an appropriate regulatory framework could result, firstly, in the under-provision of services to less-densely populated, rural or remote regions and, secondly, in the establishment of a system of preferences between transport modes which is inefficient and unsustainable over the longer-term. There is thus the danger that the efforts of the Union under its regional programmes to develop new opportunities for such areas could be seriously undermined. The Union has explicitly recognised in the new Treaty agreed in Amsterdam in June 1997 that market forces alone are not always sufficient by the inclusion of a reference to the importance of services of general economic interest 'in promoting social and territorial cohesion'.
33. From a cohesion point of view, an important consideration is to ensure that the CTP creates frameworks that enable the maintenance of transport services, which are less profitable in purely financial terms, but have a high socio-economic value. Where

transport services are unable to recover the operating costs, at least in the short-term, public service contracts may be necessary for regional development or social reasons.

34. At the same time, there is a need for caution in the definition of public services and the allocation of public service contracts. Such contracts must be granted through procedures, which are transparent, objective, and, from the point of view of the allocating authority, neutral. In some instances, the granting of unlimited and exclusive rights to individual operators in the land transport sector has not been a guarantee of service quality.
35. EU frameworks for public service contracts currently in operation include those in the maritime sector in relation to the provision of often less profitable services for island communities. Member States are permitted to link the granting of *cabotage* rights to the establishment of public service rules, which oblige the shipping companies concerned to operate regular services to, from or between islands⁹. In the air transport sector Member States may impose public service obligations to guarantee provision on routes serving peripheral or less-developed regions or on other non-profitable routes considered vital for the economic development of the region concerned¹⁰. Public service obligations have already been applied on more than 120 individual routes.

Fair and efficient pricing of Transport

36. An important issue is that of the pricing of transport services. To help to ensure an efficient allocation of resources, the prices paid should reflect the true cost of resources consumed. These should not just concern the private costs involved but include the external costs associated with environmental damage from transport, losses due to traffic congestion, accidents, etc. (the so-called externalities). This is recognised in the Commission's White Paper on transport infrastructure charging, which advocates that infrastructure charges should normally reflect marginal costs at the point of use and that the external costs of transport should be internalised through appropriate combinations of taxes and tolls. This is seen as the best way to ensure efficient transport and sustainable mobility over the longer term for the benefit of all regions and economies of the Union.
37. The more efficient use of transport will lead to reduced transport costs for the whole of society and to reduced costs for some producers. However, in some instances, transport costs may rise. This may particularly be the case for producers located in peripheral areas, dependent on a single mode of transport, and selling over long distances to the major markets at the centre in competition with local producers. Some peripheral regions may therefore wish to take steps to promote the competitive position of such producers, by helping them to adapt production structures in favour of products with higher value to weight ratios and by improving the quality and diversity of major transport systems, supported where appropriate by the Structural Funds and Cohesion Fund. In general however, the White Paper, which takes account of Cohesion issues¹¹, suggests that where there is little infrastructure and congestion in rural or peripheral regions, charges reflecting these costs would be low, so there is no reason to believe that, as a general

⁹ Council Regulation 3577/92. In addition, the guidelines on state aid to maritime transport allow, under certain conditions, direct assistance to shipowners to cover operating losses incurred from public service obligations concerning scheduled services to ports serving peripheral regions of the EU or routes with low traffic density considered vital for the economic development of these regions.

¹⁰ Council Regulation 2408/92

¹¹ The White paper recognises that the effect of changes in transport prices on peripheral or less developed areas needs to be examined. Such charges would be differentiated so that regions with less congestion and pollution would be less affected. In those instances where there would be concern that higher transport user charges would impede the economic development of peripheral or less developed areas, there may be a case for flexible and gradual implementation of price reforms.

rule, peripheral and less developed regions would be adversely affected by the application of a marginal cost charging scheme. Moreover, as highlighted above, the system is likely to generate significant overall benefits, which would also accrue to economically less developed regions.

Transport System Integration and Intermodality

38. A key characteristic of a successful transport network resides in its capacity to combine different transport modes into a coherent transport system for the movement of passengers and freight. The geographical situation of most of the poorer Member States is such that more than one mode of transport is often needed to ensure connections with the centre especially for the movement of freight. In the Communication on Intermodal Freight Transport (1997)¹², the Commission identified opportunities for the development of intermodal transport which could offer new choices to operators and shippers and greater cost-effectiveness over long distances. Many of the bottlenecks identified in the transport system are of direct relevance to the peripheral regions of the Union. As a further measure to promote intermodal transport, the Commission has adopted a proposal to integrate seaports, inland ports and intermodal terminals in the TEN¹³.

Public and Private Financing

39. There is a long tradition of public financing of transport infrastructure and related services, although experience differs from Member State to Member State. Over time, however, there has been a tendency for more involvement by the private sector reflecting a desire to introduce more market discipline, sometimes through privatisation, and to reduce pressure on public budgets. By mixing public with private financial resources and management, the viability of projects can often be enhanced. Private sector participation will be determined by the prospect of suitable revenues within acceptable limits of uncertainty, and the allocation of risks between public and private sector has to be carefully considered¹⁴.
40. Transport infrastructures co-financed under the Structural Fund and Cohesion Funds have sought to maximise the use of alternatives to grants, including the loans of the European Investment Bank, in order to increase the leverage achieved by scarce Union resources, and to raise efficiency. Where projects are non-revenue generating, or where the returns accrue over the long-term, conditions, which are often found in the least developed regions, there may be little alternative to classical grant finance. The Commission, with the EIB, the EIF and others, is examining how to extend the use of private finance in all areas including in those with limited experience of such financing.

Transport, environment and cohesion

41. Protecting the environment is a common objective of transport and cohesion – as well as many other – policies at the EU level. For EU cohesion policies, the environment is recognised both as a factor in the attraction of new investment to the regions and a source of new opportunities via, for example, the development of clean technologies. In the implementation of EU structural policies, the environmental impact of projects,

¹² Com (97) 243 final of 29.5.97

¹³ Com (97) 681

¹⁴ e.g. the private company builds the infrastructure and the state (or the user, or shared) pays the usage of the infrastructure, proportionally to the volume of traffic of the road.

including those in the transport sector, must be assessed in accordance with the principles of sustainable development and in accordance with Community law.

42. Meanwhile, Community transport policy has increasingly emphasised sustainable mobility, which is consistent with the general objective of cohesion as successive Green, and White papers have pointed out¹⁵. Most of the environmental pollution and congestion problems occur in the core European regions - although many of the urban centres and tourist areas in the poorer regions also have considerable problems. The peripheral and less-developed regions generally enjoy unique environmental advantages, which could be maintained provided that appropriate steps are taken now, including improvement in public transport and traffic management together with carefully selected infrastructure development.
43. Road traffic volumes for both passengers and freight have increased enormously in the last 25 years and are still growing¹⁶. This has been a major source of pollution¹⁷. Rail, inland waterway and maritime transport tend to have relatively lower levels of emissions. Emissions from air transport are growing fast along with demand. Limiting the environmental impacts could therefore be assisted by a modal shift to more environment-friendly forms of transport. This will require a combination of different policy measures as discussed in Section 4 below.
44. A particular priority is to make the most effective use of existing capacities throughout the transport system, which is necessary not only for efficiency reasons but also to ensure environmental sustainability.

The external dimension: relations with the CEEC and Mediterranean countries

45. The enlargement of the Union to the east is one of its top policy priorities, governing its activities in all fields. Meanwhile, the Union is developing new relationships with neighbouring countries notably on the southern rim of the Mediterranean. With the development of closer external links, new challenges arise for improving territorial integration and economic and social cohesion.
46. In the run-up to enlargement, and beyond, a significant increase in traffic volumes between the new member countries and the Union is expected. For the CEECs themselves, the challenge is one of integrating them successfully into the Union at the beginning of the next century, achieving an appropriate balance between transport

¹⁵ European Commission (1996): A strategy for revitalising the Community's railways. White paper. COM(96)421;
European Commission (1997): Communication on Trans-European Rail Freight Freeways. COM(97)242;
European Commission (1997): Communication on "Intermodality and intermodal freight transport in the European Union - A system's approach to freight transport - Strategies and actions to enhance efficiency, services and sustainability", COM(97)243;
European Commission (1995): Communication on "The Development of Short Sea Shipping in Europe: Prospects and Challenges", COM(95)317;
European Commission (1995): "Towards fair and efficient pricing in transport policy- options for internalising the external cost of transport in the European Union" - Green Paper, COM(95)691;
European Commission (1997): Green Paper on sea ports and maritime infrastructure, COM(97)678.

¹⁶ Goods transport has grown by 70% and passenger transport by 110% since 1970. This was the result of the high development of road haulage (+156%) while rail-cargo decreased by 22% between 1970 and 1995. While the share of road in the modal split grew from 48.5% in 1970 to 72.3% in 1995, and is still growing, rail haulage's percentage share fell from 31.8 to 14.4% in the same period [source: EUROSTAT, EU-Transport in figures, N°2/1997].

¹⁷ It is estimated that transport accounts for 25% of the EU-output of carbon dioxide, which is the most important producer of the "greenhouse" gases (car-traffic accounts for 12-13%). These emissions grew 76% in the eighties and are expected to grow by 25% in the present decade. But emissions of other gases and particles such as nitric-oxide are also polluters (transport contributes 58% of the total emissions).

modes. For the CEECs, as well as for the neighbouring countries on the southern rim of the Mediterranean, transport will be a key factor in facilitating the development of trade relationships.

47. With regard to future links with the CEECs, the basic orientations for the development of a pan-European transport network were the subject of a joint understanding at Helsinki (at the third Pan-European Transport Conference in 1997), establishing 10 priority transport corridors linking East and West and improving the connections within the CEEC region. With enlargement, these corridors will form the basis of expanded TEN for which the preparatory work is being undertaken in the context of the ongoing Transport Infrastructure Needs Assessment ('TINA'). An interim report setting out an outline network has now been completed. Meanwhile, under structural policies, the Commission has put forward to the Council and parliament a proposal for a new instrument in support of structural assistance in the new Member States during the pre-accession period (ISPA) concentrating resources on infrastructure projects – and by analogy with the Cohesion Fund - in transport and the environment, during this phase. The contribution under ISPA will provide support for transport infrastructure to promote sustainable mobility. It will include interconnection and interoperability of national networks and the TEN as well as improving the access to these networks. The new transport projects would be designed to help to ease the full integration of new members into the Union early in the next century and to underpin the development of competitive market economies. It will also assist the candidate countries to gain familiarity with Union procedures under structural policies.

4. The Way Forward

4.1 Competitiveness and Employment: maximising the effectiveness of the Community's contribution

48. The Community's structural policies will continue to focus on promoting economic and social cohesion, with sustainable transport systems and services as one of the important components. Business must have access to markets, supplies and a well-trained workforce, and people need good passenger transport services for access to jobs, training, and social activities. However, as set out in the Commission's proposed new ERDF Regulation, the emphasis on transport will vary: investment in major transport projects in regions where there are significant gaps in infrastructure (especially cohesion countries, Objective 1 and peripheral regions) will continue. But transport spending from the Structural Funds in other regions is likely to focus more on small infrastructures linked to business development and to some upgrading and improvement in the use of existing facilities. In all cases, the priority attached to developing transport systems with the help of the Structural Funds should be evaluated according to their impact on growth, competitiveness, environment and the creation of durable employment opportunities in the context of integrated development programmes for the regions concerned. In this context, initiatives will be undertaken under the ERDF and the Cohesion Funds in EUR(15) to promote an increased proportion of investments in rail, combined transport, ports, maritime transport and public transport by taking better account of environmental and Common Transport Policy objectives and thereby improving the modal split reflected by current spending patterns¹⁸. In the evaluation of proposals for regional development programmes by the Member States, the Commission will further promote intermodal transport as well as urban public transport.

¹⁸ see statistical annexes

49. The overall economic and social return over the long-term - giving appropriate weight to the employment effects - will continue to condition the Commission's support for large-scale projects under the Structural Funds and in the appraisal of projects under the Cohesion Fund. To ensure the most effective results, the regional transport priorities should be determined in partnership with the relevant actors at the regional and local level.
50. More can be done to improve the effectiveness of Community instruments and the Commission will seek to:
- strengthen the leverage effect of EU grants under the Structural and Cohesion Funds and the TEN budget, by promoting the use of forms of finance other than grants encouraging greater participation of private and loan finance. Innovative ways of organising public support for transport should be further examined, building on work already undertaken by the High-Level Group on Public-Private Partnerships in the financing of TEN projects, which examined how Public-Private Partnerships (PPPs) could accelerate the implementation of the TEN. The Commission set out how those recommendations will be implemented in a Communication¹⁹, which was endorsed by the Council in October 1997;
 - promote a balanced approach to transport infrastructure priorities and properly take into account trans-regional effects. Roundtables to examine this will be organised beginning in 1999 and will be made up of European, national and regional participants. This exercise could provide information useful to the preparation of the next generation of the regional development strategies supported by the Structural Funds and will take account of the work taking place on the European Spatial Development Perspective. In this context, the ESDP has emphasised intermodality and combined transport systems as well as recognised the opportunities offered by European ports for coastal and short sea shipping;
 - as envisaged in Agenda 2000, improve co-ordination between the Community budget instruments, both for the EU15 (the Cohesion Fund, the Structural Funds and the TEN transport budget line) and, in the wider European and extra-European context (PHARE, TACIS, MEDA, ISPA) as well as with other EU instruments financing transport infrastructure in the Fifteen and abroad (EIB and EIF).

4.2 Linking up the Union: implementing the TEN

51. Developing a transport network that supports the cohesion of the Union with special emphasis on remote and peripheral regions will remain a priority throughout the Union, not only for the Structural Funds and Cohesion Fund but also for the TEN-transport budget line itself, which has no geographic limitations.

The effectiveness with which peripheral regions are linked into the TEN network depends not only on investment in the region concerned, but also in adjacent regions and countries, through which effective links must pass. By its nature, the TEN-transport budget line is designed to take account of these types of situation, by helping in the financing of infrastructure in one country where some of the main benefits accrue to the Community as a whole. This will be a priority for the next financing period, 2000-2006 for which the Commission envisages Community TEN budget needs of around 5 billion ECU.

¹⁹ COM (97) 453 of 10 September 1997

52. In order to ensure the most effective use of infrastructure, special efforts will be devoted to ensuring that transport infrastructure systems are compatible with one another (or 'inter-operable') and that different modes are integrated. Particular attention will be placed on the "intelligent" use of infrastructure and on the links between the long distance TEN and local, secondary networks. These issues will be priorities for the report on the revision of the TEN guidelines due next year.

For island and many peripheral regions, ports represent an essential element of a multi-modal network, and the Commission's proposal to revise the TEN Guidelines, currently before Council and EP, would integrate ports more fully into the TEN-transport network.

Extending the TEN in an enlarged Union

53. In its Agenda 2000 document, the Commission recognises that the successful integration of the new Member States into the Union's single market will depend in large part on the development and modernisation of their transport networks. A long-term programme of investment will be a priority, already beginning in the pre-accession phase. In this respect, Agenda 2000 indicated that though national budgets will have to bear the major share, and the international financial institutions will have an important role to play, substantial grant support will also be needed from the Union particularly for TEN-related corridors.

Up to 1997, the PHARE programme has already allocated around ECU 1 billion to transport infrastructure. From 1998, the large-scale infrastructure facility as part of the re-orientation of the PHARE programme will begin supporting priority investment projects in the countries of Central and Eastern Europe. As indicated, the Commission has proposed the creation of a structural instrument for pre-accession to operate from the year 2000 (ISPA), which will finance transport infrastructure (notably, but not exclusively, the extended TEN) and the environment. These efforts would help in the development of the pan-European transport network in the CEECs, while contributing to cohesion in the wider European context.

4.3 Promoting accessible, sustainable transport services

54. To safeguard regional cohesion, it is important to guarantee the availability of transport services, which have a high socio-economic value to the regions even if the services concerned are less profitable in purely financial terms. It is for this reason that the Union attaches great importance to the maintenance of services of general interest as reflected in the Amsterdam Treaty. Similar considerations also apply to the position of the many people who do not have complete access to private cars, where accessible and affordable public passenger transport is essential for full participation in society - both for work and leisure. The promotion of public transport and non-motorised forms of transport (cycling and walking) also brings environmental benefits which may disproportionately benefit low income groups because they depend on these forms of transport for mobility and because they are more likely to live in city centres, near busy roads and therefore suffer the consequences of air and noise pollution, and accidents.
55. In view of the fundamental regional and social issues concerned, the Commission will ensure that the principle of public services in general, and public transport in particular, are fully recognised in its own policies²⁰. In particular, the Commission will:

²⁰ As set out, for example, in "The Citizen's network - Fulfilling the potential of public passenger transport in Europe - Green Paper of the European Commission, COM(95)601.

- continue its efforts to introduce new contractual arrangements for public services, updating the previous arrangements allowing state aid exemptions in support of public service obligations in accordance with Article 77 of the Treaty. The contracts should permit public support for loss-making services which are important for regional or social reasons, without infringing state aid rules, but under clearly defined conditions: the public contribution must be limited to the additional costs of the public service obligation while exclusive operating rights must respect the necessary transparency and objectivity. The Commission is examining how to extend the use of this approach to land transport modes;
- monitor the effectiveness of public service rules in transport in view of the need to achieve a balance between removing remaining impediments to competition in transport in the context of the internal market and ensuring adequate levels of service in the interest of equality of opportunity and cohesion;
- use the results of its current study of existing public service rules and practices in land transport to bring forward proposals for a more transparent, effective and targeted system, which better serves the needs of less advantaged regions and social groups;
- ensure that proposals with regard to public service rules reflect the importance of transport networks which are coherent across the different modes;
- encourage Member States, in preparing regional plans under the Structural Funds, to examine possibilities offered by more sustainable local and regional transport systems, including the balance between different modes.

Statistical Annexes

I. Infrastructure and transport mode indicators

INFRASTRUCTURE and TRANSPORT MEANS INDICATORS	OTHERS AVERAGE (1)	COHESION AVERAGE (2)	EU-15
INFRASTRUCTURE			
Motorways [(km/km ²)*10 ³]	16,3	11,7	15,2
Railways [(km/ km ²)*10 ³]	56,0	24,5	48,2
Railways (km/million inhab.)	441,3	309,4	418,8
High Speed Rail Network [(km/km ²)*10 ⁶]	794,9	590,5	744,5
Inland waterways [(km/km ²)*10 ³]	12,4	0,0	9,3
TRANSPORT MEANS			
Motorization (N° cars/1000 inhab.)	450,6	316,8	428,0
Buses & coaches (units /1000 inhab.)	64,6	134,4	71,7
Goods vehicles [(units/ GDP unit) *10 ³]	2,2	6,9	2,7
Rail wagons (units/ GDP unit)	94,6	67,0	91,7

(1) all the MS except the cohesion countries

(2) the four cohesion MS: Ireland, Spain, Portugal and Greece

[source: DG XVI based on the EUROSTAT "EU Transports in figures" - 2nd issue 1997]

II. THE FINANCING OF THE EUROPEAN REGIONAL DEVELOPMENT FUND IN THE FIELD OF TRANSPORT

A. The period 1994-1999 (indicative data)

Table 1

OBJECTIVE 1(1)

(in MECU)

Member States	Germany	%	France	%	UK	%	Ireland	%	Spain	%	Italy	%	Greece	%	Portugal	%	Belgium	%	Netherlands	%	Total	%
			(3)																			
Roads and highways	129,00	100,00	175,00	60,98	40,80	29,35	906,50	64,48	5 008,70	82,44	707,68	38,64	1 950,00	78,13	846,00	60,91	60,95	69,85	28,00	96,55	9 722,03	70,76
of which TEN					40,80	29,35	316,65	22,51			249,09	13,59	907,00	36,34								
Railways			5,00	1,74	61,80	44,46	72,45	5,15	526,80	8,67	971,50	53,04	329,00	13,18	337,71	24,31	5,31	6,08			2 309,57	16,81
of which TEN					61,80	44,46	72,45	5,15			791,00	43,19	215,00	8,61								
Airports			57,00	19,85	4,20	3,02	47,78	3,40	212,90	3,51	5,00	0,27	16,00	0,64			12,95	14,84			355,83	2,52
of which TEN							47,78	3,40			5,00	0,27	1,20	0,05								
Ports			50,00	17,42	17,00	12,23	93,21	6,63	298,78	4,92	40,00	2,18	145,00	5,81	68,38	4,92					712,29	5,18
of which TEN							72,19	5,13					40,00	1,60								
Others (2)					5,40	3,88	279,16	18,85	28,30	0,47	107,40	5,86	6,00	0,24	134,50	9,68	8,06	9,24	1,00	3,45	689,82	4,15
Formation																						
Technical assistance					9,80	7,05	7,03	0,50					50,00	2,00	2,41	0,17					69,24	0,50
Other measures																						
Total Transport	129,00	100,00	287,00	100,00	139,00	100,00	1 466,53	100,00	6 073,40	100,00	1 831,68	100,00	2 496,00	100,00	1 389,00	100,00	87,26	100,00	29,00	100,00	13 738,77	100,00

(1) programmed commitments for the period 1994-99 (estimation)

(2) public transport, intermodality, etc

(3) including the Community Initiative REGIS

(source: DG XVI)

Table 2

OBJECTIVE 2 (1)

(in MECU)

Member States	Germany	%	Spain	%	France	%	Italy	%	Austria	%	Sweden	%	Finland	%	Denmark	%	Belgium	%	Netherlands	%	Total	%	
Roads and highways			326,86	65,50	60,00	45,80									0,12	3,82			9,80	19,92	386,58	51,26	
of which TEN															0,12	3,82					0,12	0,02	
Railways			69,49	16,14	13,00	9,92													2,30	4,68	95,79	12,38	
of which TEN																							
Airports	13,50	41,21													0,20	6,37	5,00	56,09			18,70	2,42	
Ports			33,02	6,62	52,00	39,69	24,64	70,30							2,82	89,81	3,92	43,91	1,05	2,13	117,44	15,18	
Others (2)	19,26	58,79	58,54	11,74	6,00	4,58	10,40	29,70	3,00	100,00										33,72	68,55	130,93	16,92
Training																							
Technical assistance																							
Other measures											4,90	100,00	7,00	100,00					2,32	4,72	14,22	1,84	
Total Transport	32,78	100,00	498,71	100,00	131,00	100,00	35,04	100,00	3,00	100,00	4,90	100,00	7,00	100,00	3,14	100,00	8,92	100,00	49,19	100,00	773,88	100,00	

(1) where data is available, including final commitments in 1994-96 and programmed commitments in 1997-99

(source: DG XVI)

(2) public transport, intermodality, etc

Table 3

OBJECTIVE 5b (1)

(in MECU)

Member States	Germany	%	France	%	Sweden	%	Finland	%	Total	%
Roads and highways	15,84	100,00	43,00	100,00					58,84	82,51
<i>of which TEN</i>										
Railways										
<i>of which TEN</i>										
Airports										
Ports										
Others (2)										
Training										
Technical assistance										
Other measures					4,90	100,00	7,57	100,00	12,47	17,49
Total Transport	15,84	100,00	43,00	100,00	4,90	100,00	7,57	100,00	71,31	100,00

(1) estimated commitments for the period, where data is available

(2) public transport, intermodality, etc

(source: DG XVI)

Table 4

ALL OBJECTIVES (1)
(data without Breakdown)

(in MECU)

Member States	Germany	%	Austria	%	Sweden	%	Finland	%	Total	%
Roads and highways	44,20	81,82							44,20	68,67
<i>of which TEN</i>										
Railways	1,74	3,22							1,74	2,70
<i>of which TEN</i>										
Airports										
Ports										
Others (2)	5,66	10,48							5,66	8,79
Training										
Technical assistance										
Other measures	2,42	4,48	1,48	100,00	4,90	100,00	3,96	100,00	12,76	19,83
Total Transport	54,02	100,00	1,48	100,00	4,90	100,00	3,96	100,00	64,36	100,00

(1) estimated commitments for the period, which may include Community Initiatives such as INTERREG II A

or other programmes for which data has not been broken down by objective

(2) public transport, intermodality, etc

(source: DG XVI)

**B. The financing of the European Regional Development Fund in the field of transport:
the period 1989-1993**

**Objective 1 (Community Support Frameworks)
(expenditure in million ECU 1994 prices)**

Member State	Payments 1989-93		
	Transport Infrastructure Investment	Total ERDF expenditure	Transport as % of total
SPAIN	3 290.0	10 115.0	32.5
GREECE	1 500.0	8 245.0	18.2
PORTUGAL	1 415.0	8 910.0	15.9
IRELAND	832.0	4 588.5	18.1
ITALY	511.0	8 531.5	6.0
UK	314.0	1 516.5	20.7
FRANCE	220.0	1 218.5	18.1
TOTAL	8 082.0	43 125.0	18.7

[Source: DG XVI, CSFs 1994-99]

**III. The Financing of trans-European transport infrastructure by
the TEN Budget line**

Modes	Support in the period 1995-1998 (MECU)	%
Rail (including combined transport)	827	62
Road	175	13
Inland waterways	14	1
Sea/Ports	24	2
Airports	56	4
Traffic management (all modes)	248	18
TOTAL	1344	100

[Source: DG VII]

IV. The Financing of Transport Infrastructure by the Cohesion Fund

(Commitments for TEN Transport Projects by Member State and mode)

Member State	Transport sector	Commitments 1993-97	
		MECU	%
SPAIN	TOTAL	3 059.8	100.0
	roads	2 214.8	72.4
	railways	746.2	24.4
	ports	0.0	0.0
	airports	73.2	2.4
	VTS (1)	25.3	0.8
PORTUGAL	TOTAL	1013.8	100.0
	roads	742.2	73.2
	railways	158.2	15.6
	ports	51.4	5.1
	airports	62.0	6.1
	VTS (1)	0.0	0.0
GREECE	TOTAL	884.4	100.0
	roads	456.9	51.7
	railways	253.4	28.7
	ports	71.0	8.0
	airports	103.0	11.6
	VTS (1)	0.0	0.0
IRELAND	TOTAL	510.5	100.0
	roads	377.8	74.0
	railways	91.0	17.8
	ports	36.5	7.1
	airports	3.3	0.6
	VTS (1)	2.0	0.4
TOTAL	TOTAL	5 468.2	100.0
	roads	3 791.7	69.3
	railways	1 248.8	22.8
	ports	158.9	2.9
	airports	241.5	4.4
	VTS (1)	27.3	0.5

(1) VTS: vessel traffic systems for maritime surveillance

Source: Annual Report of the Cohesion Fund 1997

V. The Financing of Transport Infrastructure by the EIB
 (individual loans and credits on global loans)

Year	Area	MECU	%
1989-93	TOTAL ACTIVITY	17 809.0	100.0
	Objective 1	5 598.0	31.4
	Objective 2 + 5b	5 016.0	28.2
	Total 1+2+5b	10 614.0	59.6
1994-1997	TOTAL ACTIVITY	25 035.0	100.0
	Objective 1	7 820	31.2
	Objective 2+ 5b+6	8 222	32.8
	Total 1+2+5b+6	16 042	64.0

Source: EIB

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