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# **TRANS-EUROPEAN NETWORKS**

## **1997 REPORT**

**From the Commission to the European Council**

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### **1. INTRODUCTION**

As part of its Conclusions on growth, competitiveness and employment, the Brussels European Council in December 1993 asked the Commission to submit to it each year in December a report on progress being made on the trans-European networks (TEN). This report fulfils that mandate. The detailed annual report, pursuant to Article 16 of the TEN financial regulation, will be published in early 1998, as soon as out-turn figures are available. The current report gives an overall indication of progress to date, identifies the main areas where problems have been identified, and deals briefly with future challenges, including enlargement.

### **2. PROGRESS ACHIEVED, PROBLEMS ENCOUNTERED**

The main developments concerning TEN in 1997 were:

#### **2.1 Progress on specific projects**

Several Member States continue to give a high priority to TEN projects and concrete and encouraging progress has been made this year on dozens of TEN projects throughout the Union. On the 14 "Essen transport projects", the overall position is mixed (see table 1). Construction has begun on 11 of the projects, with part or all of four close to completion. Five of those which had encountered technical /authorisation delays have now resolved them though financing could remain a problem for some of them. There are continuing problems on at least four of the projects, with a combination of financing and technical / authorisation difficulties. To give a few examples:

- (1) On 1 June actual construction work began on the Betuwelijn between Rotterdam and the Ruhr.
- (2) On 3 October the Italian and French governments agreed an ECU 55 million three-year study programme on the Lyon - Trieste HST.
- (3) Official launch of the Dublin - Belfast "Enterprise" Rail Service on 21 October, with a consequent reduction of travelling time to 1 hour 55 minutes.
- (4) On 14 December a new section of the Belgian High-Speed Train (HST) will become operational, knocking a further 20 minutes off the travelling time between Brussels and Paris and London.
- (5) Most of the 28 Euro-ISDN projects funded in 1995 and 1996 are progressing satisfactorily and 10 of them are due to be completed before the end of 1997.
- (6) Most of the work concerning the Essen gas projects - the introduction of natural gas to Greece, Spain and Portugal and the Algeria - European Union gas pipeline, has already been completed.

- (7) The Italy - Greece electricity link is making progress.

## **2.2 Legal aspects:**

- (1) modification of Article 129 C in the Amsterdam Treaty to facilitate further the financing of projects from the private sector, together with extension of co-decision to cover all aspects of TENs legislation;
- (2) adoption of the telecommunications Guidelines<sup>1</sup>;
- (3) updating the list of TEN energy projects of common interest and of their specifications<sup>2</sup>;
- (4) The Commission plans to make before the end of the year proposals to revise the TEN transport Guidelines on ports and interconnection points.
- (5) Progress on the European Company Statute, following the report of the Davignon Group. Adoption of the statute would facilitate the creation of suitable legal entities as a framework for constructing and running major projects, particularly those which cross national boundaries.

## **2.3 Financing**

- (1) Table 2 gives an overall view of Community financing for the TEN since 1993; the figures for 1997 cover only the first ten months of the year.
  - (a) The TEN budget lines' indicative financial reference amount was fixed at ECU 2 345 million for the period 1995-99; to date ECU 1 388 million has been committed. As regards the 14 "Essen projects" in the transport sector, ECU 783,5 million has been committed, of which ECU 211 million in 1997.
  - (b) The Union's other relevant financial instruments have continued to make substantial contributions in 1997: to date, ECU 1 901 million from the Cohesion Fund and ECU 436,2 million from the European Regional Development Fund (ERDF).
  - (c) As regards the EIB, it has signed so far this year loans of ECU 4 344 million, with ECU 2 665 million for transport, of which ECU 1 401 million for the 14 "Essen projects". The EIF has signed so far loan guarantees of ECU 273,75 million.
- (2) Public / private partnerships (PPP)
  - (a) In June the High-level group on PPP, made up of personal representatives of transport ministers and influential figures from the private sector

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<sup>1</sup> Decision 1336/97 of 17 June 1997; OJ L183/12

<sup>2</sup> Decision 1047/97 of 29 May 1997; OJ L152/12 and JO L225 of 15 August 1997

published its recommendations on how public/private partnerships could help accelerate implementation of TEN transport projects<sup>3</sup>.

- (b) This was followed in September by publication of two Communications from the Commission, one explaining how it proposed to implement the recommendations addressed to it<sup>4</sup> and the other clarifying its recommendations on the application of the competition rules to new transport projects<sup>5</sup>.
  - (c) The October Transport Council gave broad endorsement to the Commission's approach.
- (3) Following the Amsterdam European Council the EIB has established its Amsterdam Special Action Programme. In the case of TEN projects the EIB can now raise its lending ceiling from 50% to 75% of the cost of a project when necessary. The EIB will also provide funds for feasibility and other studies to facilitate the launching of TEN projects and will better adapt its loans to their cash flow characteristics. In this respect the Bank is examining the possibilities of providing long-term loans capable of accommodating a higher risk profile, as recommended in the report of the High-level Group on PPP.
  - (4) Publication of the Commission's "Agenda 2000"<sup>6</sup> confirmed as a priority the financing of TENs in the EU15 in the next financial perspective period, together with the extension of those networks to the applicant countries.

#### **2.4 Enlargement and external relations**

- (1) "Agenda 2000" underlined the important role of TEN in creating new links with the Central and Eastern European candidate countries, as part of the pre-accession strategy, and in order to support the development of an enlarged single market.
- (2) The Third Pan-European Transport Conference in Helsinki in June confirmed the approach to infrastructure investment based on multi-modal transport corridors, endorsed one new corridor, and developed the concept of Transport Areas.
- (3) The Transport Infrastructure Needs Assessment (TINA), the aim of which is to identify priorities for investment in what will become an extended transport TEN, achieved its full speed and a provisional report will be available in early 1998.
- (4) The Commission sent two communications to the European Parliament and the Council on connecting the Union's transport and energy networks with those of its neighbours<sup>7</sup>.

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<sup>3</sup> Final report of the High-level Group on public / private partnership financing of TEN transport projects (VII/321/97)

<sup>4</sup> COM(97) 453

<sup>5</sup> JO C298 30 September 1997

<sup>6</sup> Bulletin of the European Union, Supplement 5/97

<sup>7</sup> COM (97) 125 26 March 1997

COM (97) 172 23 April 1997

- (5) The Energy Networks Conference in Berlin in December highlighted the importance of networks development not only for the Community energy supply, but also for international cooperation and development generally.

## **2.5 Problems encountered and solutions proposed**

The record of progress on specific projects shows that this has fallen some way below initial expectations. This is particularly true of some of the Essen transport projects which require significant public sector grant support.

There is a perennial argument about whether delays in these projects result from the shortage of finance or from administrative problems. For many projects, there is a real shortage of public grant finance to cover the gap between economic and financial viability, and this gap clearly has to be filled before the EIB or the private sector are in a position to commit finance. Secondly, though there are, inevitably, administrative and technical problems with a number of projects, putting in place a firm and credible financing structure is the prerequisite for creating the momentum to overcome these problems.

That is why the Commission has recommended <sup>8</sup> that, for each of the "Essen projects", the Member States concerned, in liaison with the Commission, should establish a firm timetable and financing plan to provide the demonstration of political commitment to implementation that is essential to create the necessary momentum for decisive action on individual projects, and to create confidence that networks benefits will be captured. This has now been endorsed by the Luxembourg European Council on employment.

The work on PPPs, discussed below, is also intended to help attract complementary finance and reduce the need for public sector subsidy by improving project quality. The priority now is to develop innovative approaches, involving Public Private Partnerships, to accelerate suitable priority projects.

In addition, a number of key electricity TEN projects continue to be held up because of administrative problems, due primarily to delays in the granting of construction authorisations. These problems are generally the result of local opposition.

## **3. THE EMPLOYMENT POTENTIAL OF TEN**

As set out in the Commission Communication "Community policies in support of employment"<sup>9</sup> TEN have an important role in a medium term employment strategy because efficient transport, telecommunications and energy infrastructures are vital for EU competitiveness, and thus for long-term growth and sustainable jobs. EU industry needs efficient transport systems, telecommunication networks, and energy supply both to keep costs down and to allow it to provide better service. Though it is their medium term impact on competitiveness that is crucial in job creation terms, they also create significant

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<sup>8</sup> SEC(97) 2168, p. 12

<sup>9</sup> SEC(97) 2168

numbers of temporary jobs during the construction phase. More specifically, for the information society, there is a need for sustained effort by the private and public sectors to broaden the market, in particular in areas of public interest. It is also urgent to enhance the quality of Internet-based generic services, supporting in particular the development of multimedia satellite services

#### **4. FINANCING THE TEN**

##### **4.1 Public / private partnerships**

As mentioned above, the High-level Group on public / private partnerships in TEN transport projects published its report in June. Following the October Transport Council, the priority is for Member States to identify projects suitable for a PPP approach. The Commission, the European Investment Bank and the European Investment Fund are committed to assisting Member States in putting together PPPs as quickly as possible, in order to accelerate completion of the trans-European transport network.

##### **4.2 Role of the EIB and the EIF**

The EIB and the EIF have crucial roles to play in financing TEN. The Commission therefore welcomes the recommendation of the Amsterdam European Council to the EIB to step up its lending to TEN projects. The Commission welcomes the action the EIB plans to take to that end, in particular as regards very long-term loans, reduced dependency on third-party guarantees and innovative financial instruments, *inter alia* for high technology applications for SMEs, education, health and environment.

##### **4.3 Closer coordination of TEN financial instruments**

It is widely acknowledged that closer coordination is needed between the various sources of Union financial support for TEN. This requires co-ordination efforts at both Community and national/regional level. As far as the Community level is concerned, a TEN co-ordination group has been set up, made up of staff from the Commission, the EIB and the EIF. The issue of co-ordination also needs to be taken into account when the various financial instruments are revised in the course of 1998.

#### **5. LOOKING AHEAD: AGENDA 2000**

##### **5.1 EU15**

As emphasised in "Agenda 2000", there is a need for on-going and indeed increasing Union financial support for TEN projects in both the present and future Member States. For the EU15, the next financial period will see many of the key projects enter their main construction phase. This will entail higher overall spending than in the period 1994-99 during which the Community mainly financed preparatory works. There will also be a need for financial support in areas such as combined transport and intelligent transport systems.

Greater involvement by the EIB, the development of public/private financing and recourse to other forms of aid than grants are all essential. These instruments can reduce but not

eliminate the need for public subsidies. "Agenda 2000" therefore confirms that additional funding must be found beyond present appropriations.

Alongside financing decisions, the policy framework for TENs will also have to be reviewed. For TEN Transport this is foreseen in 1999, and the Commission sees a strong case for concentrating support on missing links and cross-border projects, based on a more rigorous assessment of the trans-European benefits of particular projects. Approaches to strategic environmental assessment of the TEN will also be further developed. A further revision of the TEN energy list of projects of common interest will very probably need to be undertaken in the new year also.

## **5.2 Enlargement**

TEN also have a vital role to play in ensuring the success of enlargement. In the pre-accession period it will be essential to make progress in developing and promoting access to the infrastructure that will become the extended TEN. The fact that the pre-accession strategy embraces all 10 applicant countries is important from a TEN policy point of view, since it only makes sense to look at transport, telecommunications and energy systems and networks on a pan-European level, planning for an integrated market supported by integrated networks. The proposed pre-accession structural assistance and the large infrastructure facility in the re-oriented PHARE will be crucial in this respect.

Urgent needs for the development and upgrading of transport infrastructure are already apparent in the applicant countries and they are bound to increase with the expected further important rise of flows. This has been identified as one of the major challenges for the success of the enlargement process. Without such investment, severe problems of traffic congestion are likely to arise, affecting the Union's overall traffic and policies.

A considerable, though smaller, shortfall in telecommunications investment in the applicant countries is likely to generate demand for Union funding to ensure the continuity of networks and to modernise services. To this end the Commission intends to identify a list of projects which would help the applicant countries meet the TEN-Telecom objectives.

In the energy sector, there will be a certain need for Union financial support to diversify energy supplies, especially of natural gas and make them as secure as possible.

In all these cases, it will be important to ensure that Community grant finance is only made available where projects cannot be financed through other means, because of a lack of financial viability.

Table 1: 14 Essen projects

PROJECT	LENGTH (km)	COST (MECU)	AUTHORISATIONS/ SITUATION	TECHNICAL	FINANCING	STAGE	COMMENTS
1) High Speed train/combined transport North-South	930	20 000	Building permissions progressively awarded for sections; technical studies to be launched for Brenner base tunnel		Partly secured; some difficulties remain	Berlin-Leipzig: work well under way; Leipzig-Nürnberg: work started on sections	Brenner Tunnel still at study stage
2) Paris -Brussels-Köln/Frankfurt-Amsterdam-London (PBKAL)	830	17 000	Some delays; now all sections on track		Partly secured; some difficulties remain. PPP possible for NL section	Construction work well under way on Belgian and German sections; started on Dutch section, to be launched on UK section in 1998	Some delays, but most non-financial problems resolved. Brussels-Paris HSL nearly completed
3) High Speed Train South	1 450	13 000	Procedures completed for some sections; technical studies launched for others		Partly secured; some difficulties remain	Construction work under way on 2 sub-projects of Madrid-Barcelona section.	International section at study stage, some sections blocked
4) HST Paris eastern France-south-western Germany (TGV Est)	617	5 500	Final phase of technical studies (Avant-projet détaillé) to be launched for French part; permissions available for D part		Difficulties remain with French part	Final technical studies delayed on French part (still to be launched)	Awaiting political decision on next stage of technical studies
5) Betuwe Line	160	3 800	Remaining administrative procedures at an advanced stage		PPP scheme under consideration	Preliminary work started on port railway line	Very early stage of construction, after delays
6) High Speed Train / Combined Transport - Lyon-Turin-Trieste	785	16 000	Advanced stage of tech. studies on Lyon-Montmédián, Torino-Venezia; administr. authorisation procedures launched		Partly secured; some difficulties remain	Studies	Franco-Italian summit on 3 October launched next study programme for internat. section
7) Greek Motorways	1 640	6 400	Work on-going on several sections; building perm. awarded, technical studies and tendering procedures under way for others		Three PPP-schemes on PATHE	Initial work under way for three PPP-schemes on PATHE, and some others	Substantial support from ERDF and Cohesion Fund
8) Multimodal link Portugal-Spain - Europe		3 800	Procedures completed for certain sub-projects; technical studies under way for others		Subst. support from ERDF and Cohesion F. expected; some difficulties remain	Work on sections of Linha do Norte (rail) and Lisboa-Valladolid (road) under way; studies on further projects	Large range of separate sub-projects, of which several still at study stage
9) Conventional rail link Cork-Dublin-Belfast-Larne-Stranraer	502	238	All completed		Some difficulties remain in NI section	Cork-Dublin-Belfast section completed; remainder to be completed by 2000	Largely completed thanks to ERDF and Cohesion Fund support
10) Malpensa Airport		1 050	On track		Financing in place	Construction work well under way	To be opened in 1998 (1. phase)
11) Öresund Fixed road/rail Link	60	3 700	On track		Financing in place	Construction work on most of project	On time, completion by 2000
12) Nordic Triangle Multimodal corridor	1 700	9 000	Building permissions being awarded for one section; technical studies under way for others		Partly secured; some difficulties remain	Work under way on E 18 and E 6 roads and main rail axes in Finland and Sweden	Large range of separate sub-projects
13) Ireland-UK-Benelux road link	1 455	3 000	Authorisation delays now resolved 'Studies on various sections under way		Uncertainties remain	Construction work on Scottish section; studies elsewhere	Decisions on construction Newry-Dundalk section coming soon
14) West Coast Main Line	850	2 200	Studies under way		Financing secured	Construction work started to modernise line	Partnership between private infrastructure and service companies, with public subsidy

Table 2: COMMUNITY FINANCING OF THE TEN IN 1997 (million ECU)

Sector	Type of assistance	Instrument	1993-1994 <sup>10</sup>	1995 <sup>10</sup>	1996 <sup>10</sup>	1997 <sup>10 11</sup>	TOTAL to date
TRANSPORT	Loans	EIB <sup>12 13</sup>	4 028	3 310	3 021	2 665	13 024
		(of which 14 specific projects)	2 959	1 603	1 189	1 401	7 152
	Loan guarantees	EIF <sup>12 13</sup>	75,9	85,2	303	0	464,1
	Grants	ERDF <sup>13 14</sup>	884,0	115,0	2 639	436,2	3 638
		Cohesion Fund	1 887,0	1 108	1 088	1 901	5 984
Grants, interest rate subsidies, loan guarantees and co-financing of studies	TEN budget line B5-700	385	240	280	352	1 257	
	(of which 14 specific projects)	180	181,5	211	211	783,5	
ENERGY	Loans	EIB <sup>12 13</sup>	1 077	745	1 176	497	3 495
	Guarantees	EIF <sup>12 13</sup>	207,7	11,90	270	3,75	493,35
	Grants	ERDF <sup>13 14</sup>	675,7	87,8	1 265	?	2 028,5
	Co-financing of studies	TEN budget line B5-710	0	12,2	8,9	24	45,1
TELECOMMUNICATIONS	Loans	EIB <sup>12 13</sup>	3 787,8	506,6	1 626	1 182	7 102,4
	Guarantees	EIF <sup>12 13</sup>	156,1	19,40	9	270	454,5
	Grants	ERDF <sup>13 14</sup>	294,7	0	173	?	467,7
	Co-financing of feasibility and validation studies	TEN budget line B5-720	21,9	22,6	16,1	25,4	86
TELEMATIC NETWORKS	Grants	TEN budget line B5-721	71,8	47,36	44	25,4	188,5

<sup>10</sup> Moneys committed;

<sup>11</sup> January - October 1997

<sup>12</sup> Signed contracts.

<sup>13</sup> TEN and TEN-related projects.

<sup>14</sup> Usually includes appropriations committed for the period 1996-1999.

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# DOCUMENTS

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