

Why CEF-T programme Freight Transport Services is no improvement compared to predecessor Marco Polo

By Vincent van den Bosch, March 30, 2016

Rationale for EU funding

The European Commission adopted the PACT¹ regulation (1998) and Marco Polo programmes (2003 and 2008) to promote the sustainability of Europe's freight transport operations, e.g. by shifting freight from road transport to other modes (modal shift actions) and by avoiding unnecessary transport (traffic avoidance projects). In this respect, inland waterways, short sea shipping and rail transport were and are the main alternatives to unimodal road transport. Generally these modes produce less pollution (per ton km) and cause less congestion on their networks than road transport.

In the Multiannual Financial Framework 2014-2020 Marco Polo was not to be continued. Instead, a successor scheme for freight transport services was to be fully integrated within the framework of the revised Trans-European Transport Network programme and implemented via the Connecting Europe Facility (CEF). The CEF is a dedicated instrument for financing EU policies in the area of transport, energy and telecommunication. The Marco Polo successor became the Priority of Freight Transport Services within the CEF-T Annual Work Programme (hereafter: FTS). FTS was to take account of lessons learned from the past (Marco Polo), be aligned with actual market needs and address relevant failures in the freight transport market.

Marco Polo critical aspects

Especially at the end of its existence, Marco Polo was faced with heavy criticism, further investigated and bundled by the European Court of Auditors (ECA) in their Report dated 16 July 2013. The audit found, Marco Polo programmes, aimed at shifting freight away from the roads, have been ineffective and should be discontinued in their current design:

- the programmes were ineffective as they did not meet the targets, little impact was achieved in shifting freight off the roads and there were no data to assess the achievement of the policy objectives (e.g. environmental benefits);
- there were not enough relevant project proposals put forward because the market situation and the programme rules discouraged operators from taking advantage of the scheme. Half of the audited projects were of limited sustainability.

¹ Pilot Actions Combined Transport

- there were serious indications of “deadweight”: projects would have gone ahead even without EU funding. 13 Of the 16 beneficiaries audited confirmed they would have started and run the transport service without funding.
- there were no reliable data to assess benefits on the environmental impact of freight transport, road congestion or road safety.

Given the results of Marco Polo, the ECA recommended discontinuing EU funding for transport freight services following the design of the Marco Polo programmes.

The European Commission, DG MOVE², took the warnings very seriously and it looked as if the heritage of Marco Polo was to be eradicated.

CEF-T programme Freight Transport Services

The first FTS call for proposals within the CEF-T Annual work programme had final submission date of 26 February 2015 and a budget of € 25 million. It was the only call till present as the 2nd call is expected for the end of this year, two years later.

Proposed actions to be selected under this priority were works representing regular transport services and logistics concepts in the market place.

Proposals actions were assessed on several aspects, however, the main were relevance in the light of a TEN-T definition for *EU added-value*³ and the contribution of a proposed action to at least two specific objectives listed in the freight transport services priority, being: 1) Better integration between modes, 2) Better balance between modes, 3) Improved efficiency of supply chains and 4) Improved efficiency of fleets. Sustainable freight transport services should focus on the core network corridors.

The action types to be funded were, in short:

1. Modal shift to more sustainable modes
2. Upgrade of multimodal services
3. Optimisation of supply chains' management and tools to e.g. improve loading factor, reduce empty runs
4. Better efficiency through collaboration
5. Traffic avoidance
6. Technical improvements to the fleets
7. Efficient fleet operations

Let's take a closer look at other elements of the CEF-T FTS priority. A quick analysis of the application forms, the CEF-T and TEN-T regulations as well as the call's results taught me the following:

² Directorate General for Mobility and Transport

³ Definition of Article 3(d) of the Regulation on TEN-T Guidelines

Eligible project costs

Marco Polo offered funding for operations, that is, for performed activities during a specific project period. Equipment use for instance receives funding on basis of amortization, lease or rent during a specific period. CEF-T predominantly offers funding for investments, that is, for purchase, construction and/or establishment costs. To applicants, who for the majority have experience with the predecessor programme Marco Polo, the difference in eligible project costs and its specific applicability is confusing.

Distortion of competition

The issue of distortion of competition is insufficiently dealt with. In view of the problems with Marco Polo (many projects receiving funding whereas there were already existing combined transport services on same routes in the market place), directions should be provided to the applicants as to the *means and level* of demonstration of non-distortion or insignificant distortion. The call text just mentions “The applicants should clearly demonstrate that EU support will not lead to a distortion of competition in the freight service market”, which is as strict as under Marco Polo. Instead, applicants should have to classify their service in terms of type of cargo, the geographical location (specific route), specialty or innovation if applicable and then should have to declare whether or not similar competing services are present on the market.

Dead-weight

This issue (meaning, the funded transport service would have started and run even without funding) is insufficiently dealt with in the application forms. The *CEF-T Guide for Applicants* states in this respect on the *added value of EU funding on the financing of the proposed Action (...)*: “Describe how the potential granting of Union financial assistance under the CEF budget would have a stimulating/leverage effect on the financing of the proposed Action and the commitment of the different stakeholders and, in contrast, the negative impact the absence of CEF funding would have. Examples could include: attraction of other funding, acceleration of the works, lower interest rates from the banks, higher quality standards and stability at national level”. The answer to such question could go in many directions other than substantiating without financial support the project would not be able to start.

Easy access/ SME friendliness

The issue of easy access is insufficiently dealt with. The FTS conditions are strictly in line with the CEF Regulation and the TEN-T Guidelines, meaning:

- There are no specific entrance conditions for SMEs. The recommended € 1 million funding threshold discourages SMEs. With a funding percentage of 20%, the investment should then be at least € 5 million. Added to that, the mandatory financial capacity calculation prevents the participation of start-up companies.
- In a project with applicants from different member states, the obligation to retrieve consent from all involved state governments

hampers easy access.

- Information on funding conditions and criteria is found in different publications and in different wordings in CEF Regulation, TEN-T Guidelines, Annual Work Programme, Call text, Guide for applicants, Frequently Asked Questions and so on. This doesn't quite support an easy grasp of the content matter. A single point of access or key document for all significant applicant information in clear, easy readable language is called for.

EU added value/ Monitoring

In the 2014 FAQ list there was the question: *How should the EU-added value be calculated under "Support for sustainable freight transport services", as a follow-up of the Marco Polo II programme. Are there any calculation tools or parameters as there were under Marco Polo?* The answer was: *No, there are no particular tools available.*

It's difficult to understand why not one or more calculation tools to calculate the environmental benefit of a proposed action were made available. These methods could be the avoidance of road ton kilometers or vehicle kilometers as Marco Polo did, the reduction of CO₂ emission and so on.

- Even when these would not quite represent reality, they still would offer a clear and transparent measurement method, enabling the comparison of projects amongst each other. Most if not all national funding schemes in Europe, Canada and the United States use such calculation methods.
- They would also help determining the contribution of FTS, together with other programmes, to White Paper Transport 2011 targets like shift of 30% of road freight over 300 km to other modes such as rail or waterborne transport by 2030, and more than 50% by 2050.

However, in one of my meetings with the EC it was said, the evaluation should leave open the opportunity for political assessment of proposed actions.

Results of first FTS call

There can't be any conclusion other than the results have been very poor. In 2015, only 5 submitted project proposals were recommended for funding for a total maximum EU contribution of € 5.9 million. This is less than a quarter of the available budget of € 25 million, which was already way below the average annual Marco Polo II budget of € 61 million. In the Marco Polo II period 2007-2013, annually an average of 24.5 contracts were awarded and an average budget of € 46.4 was committed.

Remarkably, three of the five projects came from DB Schenker Rail.

Conclusion

The CEF-T programme Freight Transport Services' first call scores worse than Marco Polo on the major ECA comments:

- Effectivity of the programme in terms of environmental impact of freight transport, road congestion or road safety cannot be measured at all as the tools are lacking;
- A very low amount of relevant project proposals are put forward;
- There is no solution for the issue of *deadweight*.

Epilogue

For the sake of transport operators I sincerely hoped the FTS set-up would be improved in the calls for proposals to come. Fortunately, due to the complexity of the first FTS call DG MOVE decided to simplify its setup. For instance, the division in 7 action types to be funded will be abandoned. As for eligible project costs, the choice will be for investments only, that is, for purchase, construction and/or establishment costs. Funding on operational costs will no longer be possible. The next call for proposals is expected for November this year.

Marco Polo statistics

	Call 2003	Call 2004	Call 2005	Call 2006	Call 2007	Call 2008	Call 2009	Call 2010	Call 2011	Call 2012	Call 2013
Budget in M€	15	20,4	30,7	35,7	56	59	62	64	56,90	64,6	66,7
Committed in M€	13	20,4	21,4	18,9	45	34	66,33	53,34	35,35	48,3	42,7
Proposals	92	62	63	48	55	46	70	101	50	54	54
Request in M€	182,4	109,7			93	73	224,1	235	103,6		
Contracts	13	12	15	15	20	28	22	31	18	26	27
Average grant	1	1,7	1,4	1,3	2,25	1,32	3,02	1,78	1,86	1,86	1,58
Planned modal shift in B tkm	12,4	14,4	9,5	11,5	27	17	54,36	13,85	36		
Environmental benefit in M€	204	324	245	241	665	374					
Saved external costs per € funding	15,7	15,9	11,4	12,7	14,8	11,0					

Source: presentations by EACI project officers on consecutive Marco Polo Info days.
Marco Polo I 2003-2006, Marco Polo II 2007-2013