

Development of

Trans-European Transport Networks:

the Way Forward

TENS



More than EUR 40 billion in EIB loans for transport TENs



One of the fourteen priority projects determined by the 1994 Essen Council came to its completion in July 2000, when the Öresund rail/road fixed link connecting Malmö (Sweden) and Copenhagen (Denmark) opened for traffic.

The EIB has been a major financing source for the Öresund link with a loan amount totalling some EUR 1.4 billion.

In 1993, the EU Member States agreed in the Maastricht Treaty on the need to develop trans-European networks (TENs) for transport, energy and telecommunications as a common European objective. The development of trans-European transport networks was seen, in particular, to be of vital importance for the social and economic integration of the Union and for the development of its less favoured regions. In 1996, the Council and the Parliament approved the guidelines that set the framework for their development.

The TENs policy pursues the optimisation of interregional transport services at the European level through a multi-modal approach, interoperability between Member States and the use of intelligent transport systems for each major transport mode. The policy focuses, in countries with consolidated networks, on the improvement of the quality of services and the elimination of bottlenecks, mostly through the creation of European high-speed and freight railway networks. In peripheral areas with insufficient infrastructure, the thrust is in the construction of new links to allow their economic development. The TENs also focus on the connections of the

EIB loans to transport TENs (EU 1993-2000)

	EUR million
Rail	9 727
Roads	13 488
Major mixed rail/road links	2 508
Other (airports, ports, etc.)	4 750
Total	30 473

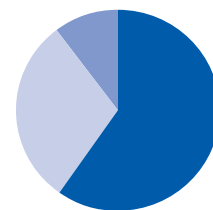
EU with its neighbours, especially Accession and Mediterranean Countries.

The development of TENs is supported with Community grants, through cohesion and regional funds, and with financing from the EIB. Since 1993, as requested by the European Council, the EIB has stepped up lending for TENs through a range of financing instruments to support public sector investment as well as private and public private partnership (PPP) projects. The Bank has also been the main financier of infrastructure located in the 10 pan-European corridors defined at the pan-European Transport Conferences of Crete (1994) and Helsinki (1997).

Between 1993 and 2000, the EIB has financed TENs transport projects with a total cost of EUR 144 billion, approving loans for EUR 43.6 billion of which EUR 30.5 billion have already been signed. In the Accession Countries, the EIB has signed transport infrastructure loans for EUR 5.8 billion.

The European Commission as well as the Parliament have underlined the need to maintain the requisite level of investment in transport infrastructure to insure adequate services. PPPs as well as conventional public or private investment are the keys to carrying forward the TENs investment programme. The experience in project finance accumulated by the EIB over the years has been particularly useful in TENs projects involving the private sector.

Trans-European Networks 1993 - 2000: 50.9 billion in contracts signed



Transport	30.5
Telecommunications	15.2
Energy	5.2

EIB "TENs" Window main features:

Priority objective

Role of catalyst/early involvement:

- Structuring of PPPs
- Allocation of project risks
- Providing funds for feasibility studies
- Bringing in other investors
- Financial engineering of repayments
- Equity and guarantees for private promoters

Long term maturities:

- 25 years and even longer

Co-financing with capital markets and commercial banks

To make a network out of a patchwork

The European Commission and the EU Member States are studying new transport priorities with a view to updating the current Community guidelines for the development of transport TENs approved by the European Council and Parliament in 1996. The aim is to establish new guidelines with revised transport needs and priorities up to 2020.

Integration of the transport system in an enlarged Union ...

Europe must tackle the congestion and capacity problems that are restraining long-distance mobility and trade, a key feature of the Single Market. The Member States need further investments to adapt their transport networks to the needs of Europe. Though much of this investment will continue to be done by the public sector, Europe also needs to adopt a more commercial approach to transport investment and operation, including private participation to crystallize technological and operational improvements. It is also essential to make better use of existing infrastructure and implement adequate pricing mechanisms to internalise the external costs of transport, thus giving incentives to the cleaner transport modes and inducing more efficient use of an infrastructure network that is increasingly difficult to expand.

These challenges coexist with the need to integrate the poorly endowed transport systems of the Accession Countries. Substantial investments, both in

the Accession and the transit Countries, are necessary to cope with the traffic increase likely to result from the extension of the Single Market.

The Transport Infrastructure Needs Assessment (TINA), under the auspices of the Commission has produced schemes for the development of road, rail and inland waterway networks for extending transport TENs to the Accession Countries. The exercise has clearly shown the urgent need for rehabilitation and development of transport infrastructure. It has estimated that the total investment needed to upgrade the long-distance transport system to EU standards is, at least, EUR 90 billion. More than half of the amount

” Over the years, we have been striving - in collaboration with the Member States and industries - to make a Network out of a patchwork. These activities will continue and expand within the present Union and as an essential component of successful Enlargement. A Single Market and integrating Community urgently needs the benefit of efficient physical and technical Transport Networks. ”

Neil Kinnock, Transport Commissioner, in 1999 in his foreword to the book "Going trans-European" by Mateu Turró, Economic Adviser at the EIB's Projects Directorate.

is foreseen for road networks, and some EUR 30 billion for the rail network.

This will require investment of some 1.5% per annum of the region's expected GDP over time. The present investment levels of EUR 2 to 3 billion per year will have to be increased to some EUR 10 billion by 2005-2010 to respond to demand



In the transport sector in Accession Countries, the EIB has provided a EUR 10 million loan for the recently renovated passenger terminal at the Tallinn international airport in Estonia.

pressure and to provide adequate services for the Community and economic growth. In the longer term, the Commission has estimated that EUR 258 billion would be needed to enhance transport networks to acceptable standards.

The national budgets of Accession Countries may be unable, for some time, to allocate the funds needed for the development of their transport infrastructure. International support, in particular from the EU, will be provided for this priority objective. The Community, through ISPA (Instrument for Structural Policies for Pre-Accession) and the EIB, will be a key player in the financing of the extension of TENs.

As of 2000 and up until accession, the Community grants for transport infrastructure on the main corridors in the CEECs will be channelled through ISPA. These grants should take approximately 50% of the EUR 7 billion assigned to ISPA for 2000-2006.

The EIB, which has an overall mandate to lend up to EUR 18 billion to Accession Countries in the medium term expects to devote between 40 and 50% of this amount to transport projects.

EIB's criteria for investment in TENs is that the projects must meet the strategic policy objectives of the EU and of the Member States as well as Accession Countries. All projects must be economically and technically viable and meet the environmental standards



One example of a PPP to which the EIB has contributed: construction of the motorway tunnel under the Elbe river in Hamburg.

required by the EU and the Member States.

... the development of PPPs ...

The European Union is giving strong political support to the increased involvement of the private sector in the development of public infrastructure. The Agenda 2000 programme, in which the EU's budgetary priorities for 2000-2006 have been agreed, encourages private financing and management for the TENs programmes for transport, energy and telecommunications.

Member States are also increasingly interested in private sector involvement in the development of transport infrastructure to meet the requirements for an improved quality of services whilst remaining within the public sector deficit benchmarks set out in the EMU framework. Another reason is the positive contribution to be expected from the private sector in terms of management, risk assessment and cost effectiveness.

Public sector finance, and in many cases capital or operating

subsidies, will nevertheless remain a core element when the economic benefits of the investments cannot efficiently be captured through passenger or user tariffs.

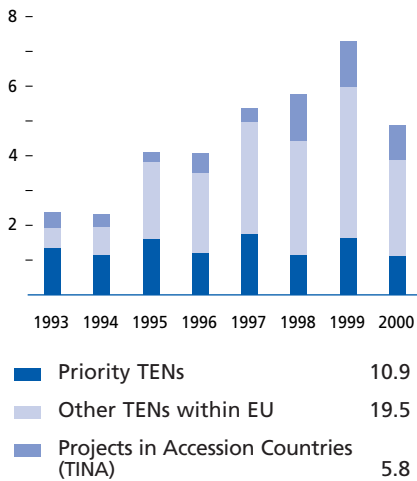
EU grants and EIB loans are an important complement to private and public sector investment. The EIB works extremely closely with project promoters and can act in an advisory capacity to the public authorities. It can also contribute to the financing of feasibility studies. The EIB is also developing an increasing range of financial instruments through which it can participate as a guarantor of senior and subordinated debt and to share agreed risks. By taking on more project risk, the EIB has responded to a long-standing request by the Commission, Member States and the private sector to play a more catalytic role in infrastructure development.

The EIB expects that its new Structured Finance Facility, with its risk and availability-related pricing mechanisms, will be used extensively in the coming years to invest in the development of public transport and transport TENs. ■

Besides infrastructure for TENs, (such as the UK high-speed Channel Tunnel Rail Link) the EIB has financed, between 1993 and 2000, European investments in rolling stock, aircraft and ferries for EUR 4 billion. Loans for public transport in cities (metro, tramway) have amounted to EUR 5.6 billion.



EIB loans to basic transport infrastructure 1993 - 2000: EUR 36.2 billion



Loans signed 1993-2000 for transport TENs projects (EUR million)

	Priority Projects			Other TENs			Total
	Roads	Railways	Other	Roads	Railways	Other	
Belgium		1,469		217		74	1,760
Denmark	360	719		227	1,380	94	2,779
Germany				864		712	1,577
Greece	1,882					1,042	2,923
Spain	1,571			1,062	577	962	4,172
France		408		2,868	619	180	4,074
Ireland	38		11			16	65
Italy	20	350	312	697	2,303	198	3,880
Netherlands			50			361	411
Austria					107		107
Portugal	909	199		2,239		149	3,496
Finland	369	250		39	312	149	1,119
Sweden	664	245			147		1,056
UK	81	1,027		509	870	439	2,926
EFTA	30			97			127
Total	5,924	4,666	373	8,818	6,315	4,377	30,473

EIB financing operations in support of Trans-European Transport Networks plus key road and rail corridors in neighbouring countries 1993-2000



This is the EIB



The European Investment Bank (EIB) is the financing institution of the European Union.

The EIB provides long-term finance for capital investment giving concrete expression to the Union's objectives, especially: regional development; creation of trans-European transport, telecommunications and energy transfer networks; promotion of SMEs; development of health and education infrastructure and services; environmental protection and urban renewal; and security of the Union's energy supply base.

The Bank also finances operations outside the Union in the framework of Community development aid and cooperation policies benefiting some 150 countries around the world.

The EIB, whose shareholders are the Member States of the Union, raises its resources on the capital markets (by issuing AAA-rated bonds).

The Board of Governors, the EIB's highest decision-making body, is composed of Ministers, usually the Finance Minister, nominated by each Member State.

The EIB in 2000

In 2000, EIB financing for projects supporting European Union policy objectives totalled EUR 36 billion (up 13% on 1999). EUR 30.6 billion went to projects within the EU Member States and close to EUR 3 billion to those in the Accession Countries, while lending in other countries ran to over EUR 2.4 billion. To fund these activities, the EIB borrowed EUR 29 billion on the world's capital markets.

Highlights in 2000:

- the new "Innovation 2000 Initiative" (i2i) underpinning a European economy based on knowledge and innovation;
- substantial increase in finance for SMEs and environmental projects;
- vigorous support for less advanced regions, which received over two thirds of individual loans granted within the EU;
- 24% growth in lending to the Accession Countries and buoyant activity in other countries neighbouring the EU.

Key data 2000

in EUR billion

Loan contracts signed	36.0
In the Union	30.6
Outside the Union:	
- Accession Countries	2.9
- Other countries	2.4
Loans outstanding	198.9
Borrowings	29.0
Borrowings outstanding	159.9
Balance sheet total	219.2
Subscribed capital	100.0
- of which paid in	6.0

EIB Conference

This publication was produced on the occasion of the Conference "Development of Trans-European Transport Networks: the Way Forward" in Strasbourg on 14 February 2001.

As the leading source of banking-sector finance for trans-European transport infrastructure, the European Investment Bank (EIB) wished to contribute to the debate on new transport priorities.

Speakers and participants included representatives of the European Commission, the European Parliament, transport authorities within and outside the EU as well as transport-sector operators and industrialists. The conference brought together some 200 participants from all EU Member States and from Accession Countries.

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