



Report on EIM Funding Seminar 24 November 2006

Summary

The EIM kick-off meeting on funding was attended by DG TREN and the financial, planning and/or funding experts from 10 IM organizations¹. The objective was:

- *getting to know each other*
- *exchanging experiences and best practices*
- *receiving information on funding issues from DG TREN and EIM.*

EIM presented several EU funds and the existing and upcoming funding opportunities for IM's (for example regional funds, FP7, Marco Polo II) as well as the outcomes of the funding questionnaire. The latter one showed a clear interest for the assistance of EIM on funding matters (i.e. a hotline) and for getting more information from the other experts, from EU institutions and on PPP's.

During the tour de table every expert shortly presented his/her national situation. It showed that most of the funding still comes from the government. At EU level the TEN-T budget is the most popular fund. DG TREN gave a general presentation on the past, present and future financing of the TEN-T. ProRail and BV presented their best practices on funding. It showed that ProRail is a good example on how to apply for EU funds and BV addressed the existing difficulties in the process of applying for TEN-T funds. During the part on PPP's, DG TREN elaborated on the PPP instruments in the new TEN financial regulation. Network Rail and RFF presented 3 recent PPP projects.

¹ AZP, BV, Infrabel, JBV, NR, ProRail, RAVE, REFER, RFF and RHK

1 List of participants

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2 Summary on presentations

2.1 Part I Introduction by the Secretariat

The EIM Secretariat gave presentations on the following 3 subjects: EU financial perspectives, EU Funding opportunities and an overview on the outcomes of the EIM questionnaire. The first two presentations contained a brief overview of what the (financial) funding possibilities could be in the field of transport (in some cases even rail) in the new budgetary framework for the period 2007-13. These opportunities included Regional funding (i.e. ERDF, Cohesion Fund), R&D funding (7th Framework Programme), TEN-T budget, Marco Polo II and the new Competitiveness and Innovation framework Programme (CIP). Opportunities can also be found in using the structure of PPP or loans from the EIB. Technical assistance programmes such as JASPERS and CORDIS were briefly mentioned.

All participants filled in the questionnaire on funding and the main conclusions and outcomes have been presented. Some general conclusions are:

- cooperation on and application for EU funds (e.g. TEN-T funds) mostly goes through the government and not the IM;
- experts communicate and give follow-up on funding within their companies but without any formal plan;
- the TEN-T budget is (and will be) largely used by EIM members (in cooperation with their Member States); other funding possibilities that could be used in the future are for example the ERDF funds, PPP's and the EIB loans;
- the Framework Programmes for R&D were and are surprisingly not very popular to apply for;
- half of the members have experienced unsuccessful applications;
- the main difficulties in applying for funding were identified in the field of public procurement, bureaucracy and limited time frames
- the experts want EIM to help them in various ways to tackle the difficulties they face:
 - by bringing experts together
 - being updated on the latest EU developments in the field of funding
 - creating a funding hotline
 - providing better views on PPP's
 - having contacts with EU institutions.

2.2 Part II Tour de Table

Every participant introduced himself and his activities relating to funding.

The main comments from participants include:

AZP: focus on Cohesion and TEN-T funds. No official strategy regarding funding but information on funds available for rail infra. Until 2013 they will invest about € 400 m from Cohesion Fund in rail projects (within TEN-T).

JBV: not an EU-member, so no EU-funds; the funding comes from state budget, no focus on PPP's, state funding is yearly approx € 635 m.

REFER: focused on process of allocation of funds from the government to the IM and explained how to influence government in the allocation procedure.

RAVE (responsible for high speed lines in Portugal): construction of 3 different high speed lines (600 km in the next 10 years), including a new bridge over the Tagus River, with global investment costs of approximately € 10 bn. Wish to use PPP-structure to develop projects.

Network Rail: Funding from train operators & the government which is laid down in a 5 year-plan. Also focus on large projects like Olympic Games, Scotland etc.

Prorail: Main funding (approx. 90% in '05) through national funds: € 947 m (incl. TEN-T budget for the large scale investments like Betuweline). Revenues from user fees: € 164 m. Various other EU-funding schemes (TEN-T, FP's, Interreg) are applied for (mostly with partners in a consortium) at different

ministries and EC-DGs for issues like technological development (i.e. R&D), environment and sustainable energy, cultural heritage, modal split etc. The Design, Build, Finance & Maintenance Contract of the HSL-Zuid is the largest PPP contract in the history of the Ministry of Transport.

RHK: Only 1 operator in Finland and the return on the track fees is €60-80 m./year, so most funds come from the state budget. They are investigating the use of PPP's at this moment but not in rail yet.

Infrabel: Total rail investment last year was €970 m. of which €650 m. was directed to Infrabel. €16 m. came from EU funding. Trying to influence state for funding issues. Now Infrabel is involved in two PPP-projects.

Banverket: Is a state authority and yearly spends €1 bn. (2/3 for investments and 1/3 for maintenance) and receives only €50 m. on track fees. TEN-T budget consists of 5-10% of the state budget. No real focus on direct EU funds or on EIB loans. For the next 15 years, €10 bn. will be invested in rail.

RFF: The track access charges do not cover maintenance of the track (€2,7 bn each year). Additionally, RFF invests €1 bn in heavy maintenance/renewal works and €1,7 bn in network development. So the funding comes mainly from public (national together with local) funds, but also from PPP's.

2.3 Part III Presentation of best practices

1. Joachim Schneider (JS), DG TREN: "Developing and Financing of trans-European transport rail networks - Perspectives and instruments to develop the railway systems".
JS gave background information on TEN-T and addressed the special place for rail in the TEN-T. Because of the large envelope coming from Regional Funds for the next years on TEN-T financing there is a need for better coordination between national/EU level and between TEN-funds/structural funds. The TEN-budget will focus on increasing the value for money through PPPs. Coming years there will be about €48 bn. available for TEN's from the Regional funds of which half will be directed to rail. The maximum funding portions within TEN budget are 20% for priority projects, 30% for their cross border sections and 50% for ERTMS.
Further remarks:
 - It is worth approaching the EP and Council to explain the IM's needs
 - More investment in road was made during 2004-06 just because there were *not enough* eligible rail projects available
 - EIM developed itself more on the communication field, which is therefore an important direct partner for IM's and for the EC.
 - At this moment: "DG TREN has the knowledge and DG Regio has the money". Hopefully a better redistribution will take place via Community Programmes.
2. Pieter Aaldring (PA), (ProRail): "ProRail's (Best) Practices regarding EU funding".
PA showed that ProRail has a broad view on EU funding. It is receiving money from various EU funds and will try to apply for even more in the future. The cooperation with the national government to apply for TEN-T funding (ERTMS, High Speed Line, EurOptirails etc) is well organised together with ProRail. Focus of PA is on the R&D Framework Programmes and other non special rail related EU funds. He stressed that being involved and play an active role in R&D projects will ensure know-how on processes and products in the future as well as an influence on the use of product developments in EU projects. ProRail is promoting the positive effect of proactive networking on a European level and emphasises a better coordination between national rail partners and EU-rail partners (forming more of a front on EU level).
3. Per Olof Lingwall (PL), (BV): "Experiences of EU Funding from Sweden"
BV has received funding from 3 different sources: Marco Polo, Structural funds and the TEN-T funds. The latter one is the most important source for bigger infrastructure projects and BV prepares the application for these funds. PL stressed that it is time to act on the preparation of high quality project proposals/applications for TEN-T budget and suggested reserving enough time as the application procedure and routines tend to be complex and time consuming. RFF and IB commented that DG TREN sometimes applies changes to these procedures even during the project application process.

- JS asked the experts to actually make comments/give feedback on the application forms for improvement (more specific on the content of the form).
- JS advocates the point of view from BV to allocate TEN-T financing payments directly to the beneficiaries instead of the governments.

2.4 Part IV Focus on PPP's

1. Joachim Schneider, DG TREN: "New TEN financial regulation: PPP instruments"
The PPP instruments within the new TEN financial regulation consist of the
 - a. TEN risk capital facility. The mid-term review of this instrument stated that it was not satisfactory. DG TREN will propose a new content and will use market consultation on the redesigning of this instrument. EIM will be consulted within this process.
 - b. Loan guarantee instrument. It is considered to have a large leverage effect on private investment. The EC and EIB each contribute € 500 m for the following 7 years.
 - c. EU contribution to availability payment schemes. Will try to solve the problem of loss of value in money when the payments are spread out over a large time scale.EIM already takes part in an Informal PPP exchange organised by DG TREN. Because the experts showed interest in the PPP structure for future large infrastructure projects, JS stressed that he will take this issue back to the Commission and will involve EIM in taking next steps.
2. Kiernan Doherty (KD), Network Rail: "Rail industry PFI in Great Britain- Evergreen II"
KD presented the background, structure, risks, financing and process development of this recent Evergreen project. He addressed some issues to consider for others schemes, for example the cost of involvement of banks, the existing complexity of Rail industry interfaces and setting milestones for payments.
3. Valerie Lisack, RFF: "Developing France's high speed rail network through PPP":
 - a. Nîmes-Montpellier Rail Bypass (PPP-PFI). This project started with approval of the French Government in May '05 and will be completed in 2012. Investment of € 1,2 bn will be needed. The Infrastructure Provider will design, construct, finance, integrate, commission, maintain and renew the infrastructure.
 - b. Sud Europe Atlantique High Speed Link (PPP-Concession). The project will start in Q4 '06 and will become operational in two phases (2013 and 2016). The required investment is ca. € 4,8 bn. The concessionaire will finance, design, construct and maintain the link. It will also become the IM of this link, but this task will be carried out in relationship with RFF.

2.5 Part V Other possible funding issues

DW and RL presented Marco Polo II, FP7, ERTMS and gave examples of combining the funds.

The modal shift programme Marco Polo II has a budget of € 0,4 bn in the coming years and will start in January '07. This programme has a short term focus on modal shift actions in transport services and ancillary infrastructure mainly in the private sector.

The future R&D programme, FP7, will have a budget of approx € 0,5 bn. for rail related projects (FP7 consists of a total budget of € 54,2). The 1st call for proposals will be published on 22 Dec. '06 and contains some rail specific topics (i.e. ERTMS). Other areas apart from Transport could be interesting for rail, for example Security, Energy and ICT.

On ERTMS the coordinator K. Vinck proposed to split a budget of € 0,5 bn in two equal parts: to on-board equipment and to trackside equipment. From Cohesion Fund an equal contribution is expected. The co-financing rate for ERTMS will be up to 50% (applications are to be submitted before April '07 as they will use a first come first serve base).



3 Next steps

An indication of possible next steps:

- By year end: Distributing the review of the questionnaire analysis (incl. RFI and ADIF)
- By February: Update the EIM Brochure "Finding the Funds"
- By April: Setting up a hotline and organize a further meeting (for example with DG Regio)
- By June: Meeting with other IMs (Community of European Railway (CER), New Member States, Eastern countries)