

## EU funds for public and environment-friendly transport<sup>1</sup>

### Comparison of transport measures and allocations in the draft Operational Programmes of CEE countries for the 2007-2013 period

#### 1. Introduction: EU objectives and funding for transport

The renewed **EU Sustainable Development Strategy** adopted in June 2006 includes the following objectives for transport in Europe:

- **Decoupling economic growth and the demand for transport** with the aim of reducing environmental impacts.
- Achieving a balanced **shift towards environment friendly transport modes** to bring about a sustainable transport and mobility system.
- Modernising the EU framework for **public passenger transport** services to encourage better efficiency and performance by 2010.

Pursuing these objectives and the promotion of sustainable public transport as an alternative to growing individual car transport are especially crucial in order for Europe to meet its commitments on tackling climate change and reducing greenhouse gas emissions.

**Structural and cohesion funds (SF/CF)** have a central role to play in realising the EU's objectives.

In the 2007-2013 period, the EU will distribute 308 billion euros in SF/CF (in 2004 fixed prices). Approximately half of this amount will go to the ten central and eastern European member states (CEE-10). In per capita terms, CEE countries will receive significantly more than what the Marshall Plan entailed after the World War II. Almost 50 billion euros, i.e. approximately 30% of the total for CEE countries, is planned to be invested in transport.

SF/CF are the EU's main common financial muscle to promote its goals in the transport sector. If the EU does indeed want to promote sustainable transport and tackling climate change, its transport funding through SF/CF must be systematically focused on urban and regional public transport, traffic management, cycling, rail transport, and inter-modal infrastructure shifting freight from road to rail.

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<sup>1</sup> The briefing paper was prepared by CEE Bankwatch Network and Friends of the Earth Europe and is supported by the International Association of Public Transport (UITP). The analysis is being continuously updated based on new drafts of Operational Programmes. For updates and further information, contact: Martin Konečný, CEE Bankwatch Network / Friends of the Earth Europe, e-mail: [martin.konecny@foeeurope.org](mailto:martin.konecny@foeeurope.org), phone: +32 2 542 01 85.

## 2. Cohesion policy and sustainable transport

The role of public and environmentally-friendly transport within the cohesion policy has been strengthened in several ways in the 2007-2013 policy framework:

- The new **general regulation for cohesion policy** and namely the **earmarking** provision, based on which an increased share of the funds will be targeted towards the promotion of the Lisbon agenda. The promotion of clean urban transport as well as railways, multimodal transport and intelligent transport systems are included among the promoted Lisbon categories of expenditure, which should receive more focus in the 2007-2013 period.<sup>2</sup>
- The new **Cohesion Fund regulation** clearly incorporates clean urban transport and public transport as well as other environmentally-friendly transport investments into the scope of assistance from the Fund.<sup>3</sup>
- The **Community Strategic Guidelines for Cohesion 2007-2013** include the promotion of “environmentally sustainable transport networks, particularly in urban areas” among the priorities for funding. “This includes public transport facilities (including park-and-ride infrastructures), mobility plans, ring roads, increasing safety at road junctions, soft traffic (cycle lanes, pedestrian tracks).”<sup>4</sup>
- The Communication “**Cohesion Policy and cities: the urban contribution to growth and jobs in the regions**” stresses the need to “improve the affordability, efficiency and effectiveness of public transport, as well as linking the different transport modes” and to “promote the use of cycling, walking and other alternative and ‘soft’ forms of transport” as part of an integrated transport strategy for urban areas.<sup>5</sup>

However, section 5 of this briefing shows that the above-mentioned EU commitments in favour of public and environmental-friendly transport are only poorly reflected in the CEE countries’ draft spending plans for EU funds – the **Operational Programmes (OPs)**. The OPs define how exactly the EU funds will be used in the member states and regions in the 2007-2013 period.

In the first half of 2007, the European Commission will review and approve several hundred OPs submitted by the member states. Within two months of the receipt of an OP, the Commission can request changes.<sup>6</sup>

The Commission should use this opportunity to ensure strong, systematic and well-targeted support for urban and regional public transport, traffic management, cycling, rail transport and inter-modal infrastructure shifting freight from road to rail throughout all the member states and in the CEE countries in particular. Given the large amounts of resources at stake, transport developments over the entire upcoming seven-year period will largely depend on the choices being made now in the OPs. If public and environmentally-friendly transport do not receive a central place in the OPs now, Europe and especially CEE countries will miss a major opportunity to shift towards sustainable transport patterns. Seven more years may be lost to unsustainable, road-based transport growth.

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<sup>2</sup> See Article 9(3) and Annex IV of the general regulation for cohesion policy 1083/2006.

<sup>3</sup> See Article 2(b) of the Cohesion Fund regulation 1084/2006.

<sup>4</sup> COM 2006(386), chapter 4.1.1.

<sup>5</sup> COM 2006(385), chapter 3.1.

<sup>6</sup> Article 32 of the general regulation for cohesion policy 1083/2006 states:

*“4. The Commission shall appraise the proposed operational programme to determine whether it contributes to the goals and priorities of the national strategic reference framework and the Community strategic guidelines on cohesion. Where the Commission, within two months following the receipt of the operational programme, considers that an operational programme does not contribute to the achievement of the objectives of the national strategic reference framework and the Community strategic guidelines on cohesion, it may invite the Member State to provide all necessary additional information and, where appropriate, to revise the proposed programme accordingly.*

*5. The Commission shall adopt each operational programme as soon as possible but no later than four months following its formal submission by the Member State and not before 1 January 2007.”*

### 3. Benefits of public passenger transport

Modernising public transport is an essential policy to avoid congestion, accidents, noise, pollution, energy use and land take resulting from individual car transport.

Experience around the world shows that it is not possible in the long term to solve congestion problems by building more roads, as they encourage ever more car traffic and thus also undermine public transport (see in this context also Annex 2 - "The vicious circle of urban decline").

Buses and trams consume 3 times less energy and produce 3 times less CO<sub>2</sub> emissions per passenger than private cars.<sup>7</sup> A study in 50 cities worldwide brought evidence that passenger transport in cities with a high density and a high share of public transport consumes several times less energy per inhabitant compared with cities relying on private car. The study also proved that energy consumption was reduced in cities where the share of public transport increased over several years, and vice versa.<sup>8</sup> Another study in the UK has shown that it should be possible to reduce transport's contribution to climate change by 60% by 2030; high-quality public transport is at the centre of that scenario.<sup>9</sup>

Public transport is also safer: the number of seriously injured and killed people per driven passenger-kilometres is 10-20 times lower for collective transport than for cars. In cities, public transport uses valuable urban space much more economically than cars: transport from home to work by a personal car, including parking, requires 20 times more space-time than by bus or tram. In addition, cars lead to congestions which cost annually billions of euros of damage to Europe's economy and are responsible for the fact that air quality and noise standards are not being met in many cities. The development of public transport, the limiting of private cars and the creation of pedestrian zones have been shown to reinvigorate cities and increase sales in shops.<sup>10</sup>

Public transport is not only important for cities and suburban commuters. For rural areas, it is a necessary precondition of their social and economic viability. The mobility of large categories of people who do not have access to a car – usually lower-income or older people, women, children – is totally dependent on public transport.

### 4. Transport advantages of the CEE countries

CEE countries can still avoid the vicious circle – familiar across western Europe – of ever increasing car dependency, noise and air pollution, urban sprawl, chronic congestion, and further road building. The share of passengers transported by public transport in the CEE countries is still considerably higher than in the old EU member states (see Chart 1), although it has declined in favour of personal cars in recent years. Similarly, the share of freight transported by rail is also still significantly higher.

In this respect, the transport sector of CEE countries is still closer to the ideal of a balanced modal split of the EU's Common Transport Policy. In 2001, the EU White Paper on Transport thus concluded: *"Every effort must therefore be made to convince the [CEE countries] of the need to maintain the railways' share of the freight market at a high level, with a target of around 35% for 2010."*

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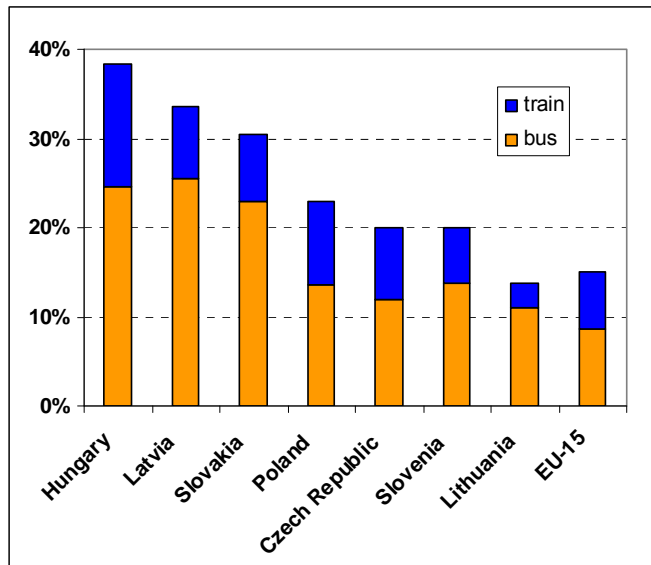
<sup>7</sup> Based on average occupancy rates, which are 1.2 persons for a car and 16 persons for a bus. "The role of public transport to reduce greenhouse gas emissions and improve energy efficiency. UITP, 2006.

<sup>8</sup> Mobility in Cities Database project. UITP, 2005.

<sup>9</sup> "Looking over the horizon. Visioning and Backcasting for UK Transport Policy" Bartlett School of Planning, University College London and Halcrow Group for Department for Transport, January 2006.

<sup>10</sup> *Better mobility in urban areas*. UITP, 2003.

**Chart 1. Share of public passenger transport in CEE countries relative to old EU-15 (2002)**



Source: Eurostat 2005

However, the CEE advantage in the transport sector has eroded over the last 15 years. There has been a massive shift of freight and passengers from rail and public transport to road. Car ownership has exploded and public transport use has decreased considerably<sup>11</sup>.

According to the European Environment Agency, a big part of the explanation for this development lies in the under-financing of public transport and railways in the CEE countries and the prioritisation of investments for road infrastructure.<sup>12</sup> In other words, the switch from rail and public transport to cars and trucks is being subsidised by public funds.

In the 1990s, funding for public transport was cut back in the cities of central and eastern Europe. In Budapest, municipal subsidies to the public transport company were reduced by two thirds between 1990 and 2000.<sup>13</sup> The result has been higher fares and a lack of funds for the renewal of vehicles, encouraging a switch to private car use.

The number of cars per person is already higher in the Czech Republic, Lithuania and Slovenia than in one of Europe's richest countries, Denmark.<sup>14</sup> Increased wealth thus does not need to be correlated with increased car mobility and all its negative impacts. In the German city of Freiburg, 60% of all trips are made using public transport, cycling or walking - thanks to careful urban development planning, high-quality service and pricing.

As a result of increasing car and truck traffic, transport has been the fastest growing source of greenhouse gas emissions in the CEE countries. While overall greenhouse gas emissions have fallen in the new EU member states, emissions from the transport sector have increased by 35% within a single decade, 1995-2004, and are the main cause of the overall emissions rising now again.<sup>15</sup> Modernising public transport is an important policy that can curb this trend.

<sup>11</sup> In Poland, the car fleet increased from 5.26 million in 1990 to 9.28 million in 1999, while public transport use fell by almost 50%.

<sup>12</sup> *Paving the way for EU enlargement*. European Environment Agency, 2002.

<sup>13</sup> *Heading down dead ends: Transport sector financing in Central and Eastern Europe*. CEE Bankwatch Network, 2004.

<sup>14</sup> In 2004, there were 373 cars per 1000 inhabitants in the Czech Republic, 384 in Lithuania and 456 in Slovenia, compared to 354 in Denmark. Eurostat, 2006: "Nearly one car per two inhabitants in the EU25 in 2004".

<sup>15</sup> *Greenhouse gas emission trends and projections in Europe 2006*. European Environment Agency report no. 9/2006.

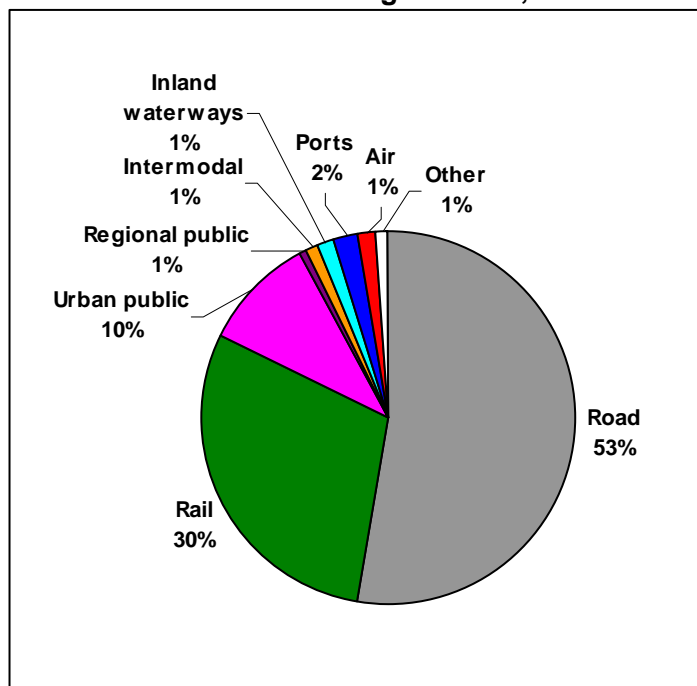
A relatively higher proportion of passenger trips are still made by public transport in CEE countries in comparison to western European cities<sup>16</sup>. Most citizens in CEE countries keep using public transport in their everyday lives. There are still extensive public transport systems in CEE cities. For example, there are fifty tram systems in the CEE region, which is the highest concentration in Europe. Most CEE cities do have plans to modernise public transport networks and rolling stock but have been limited by the lack of funds. Therefore, many of them have been waiting for the support from EU funds and the realisation of their projects is dependent on it.<sup>17</sup> If this does not realise now, the quality and attractiveness of public transport services is likely to deteriorate, resulting in further declines in the share of public transport and shifts towards private car use.

## 5. Breakdown of transport allocations for 2007-2013

Altogether, 42 billion euros of EU funding is allocated for transport in the Operational Programmes of the ten CEE countries for 2007-2013, not counting additional few billions for transport in the regional OPs in Poland, Czech Republic and Hungary.<sup>18</sup> Chart 2 shows the breakdown of this amount according to different transport modes; chart 3 compares the planned distribution of the transport funding in individual countries.<sup>19</sup>

Taken together, the CEE countries plan to invest much more EU funds into roads and motorways than into any other transport mode. More than 22 billion euros - over one half of all transport funding - is to be invested in roads and motorways. The share of roads is likely to be even higher, if the additional transport funding through regional OPs was calculated in. Less than one-third of the transport funding (approx. 12 billion euros) is to be invested in railway infrastructure and only one-tenth (approx. 4 billion EUR) in public passenger transport.

**Chart 2. Breakdown of EU funds for transport in CEE-10 countries according to mode, 2007-2013**



Around one billion euros is to be invested in maritime and river ports, while inland waterways, airports and inter-modal transport infrastructure should each receive half a billion euros. As for the inter-modal infrastructure, it remains to be seen to what extent these logistical centres will actually help to move freight from road to rail and to what extent they will simply facilitate and stimulate growing transport volumes for all modes, including for example air transport.

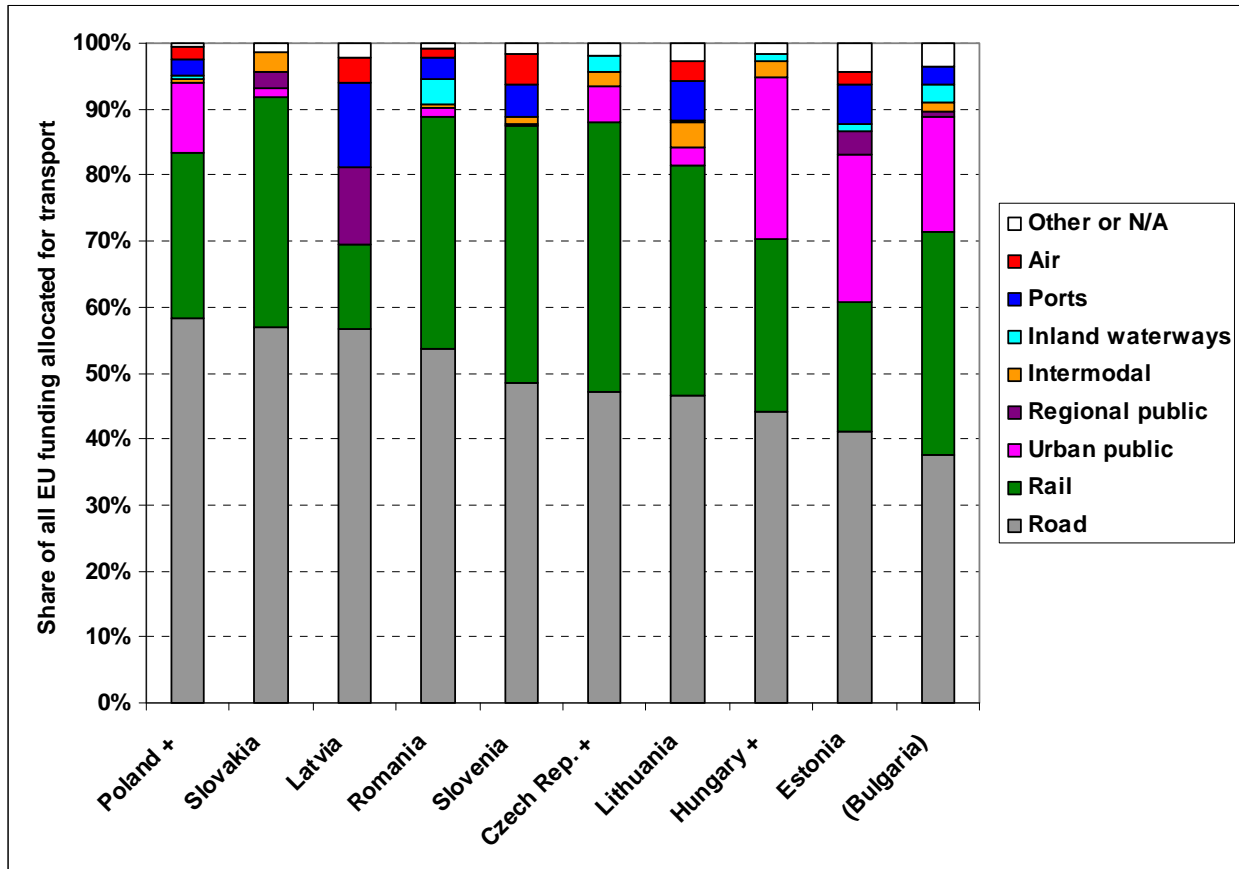
<sup>16</sup> In 2000 even those EU cities with the highest share of public transport boardings per year and per person (Stuttgart 484 and Vienna 472) showed weaker performance than the capitals of the new member states (Prague 907; Budapest 815). Source: UITP -The Millennium Cities Database.

<sup>17</sup> *Tram Systems in Central and Eastern Europe: Achievements and future needs*. UITP, 2006.

<sup>18</sup> Figures in fixed 2004 prices and without national co-financing. Poland, Czech Republic and Hungary, will distribute a minority of their EU funds through regional OPs. This regional funding is not included in this analysis and the charts. However, it can be estimated that the inclusion of regional transport allocations would raise the total transport allocation in CEE-10 countries to between 45 and 50 billion euros.

<sup>19</sup> The charts 2 and 3 are based on indicative allocations in draft Operational Programmes available as of 26 February 2007.

**Chart 3. Comparison of EU funding allocations for transport in CEE-10 countries for 2007-2013<sup>20</sup>**



## 6. Allocations for public transport: inconsistent and insufficient

Chart 3 reveals major differences between the plans of the different countries (see also Annex - Table 1). As for urban and regional public transport, the chart demonstrates how incoherent the funding support in CEE countries will be in 2007-2013, unless the OPs are still subjected to substantial modifications.

Romania, Slovenia, Slovakia and Lithuania score the worst on public transport, planning only very meagre EU funding support for these sectors.

Relatively strongest EU funding support for public transport is planned in Hungary and Estonia. Estonia is a relatively positive example also in that it sets appropriate objectives and indicators in its OPs: Estonia aims to preserve the 35% share of public transport in total passenger kilometers and to increase the number of electric rail passengers by 50% and tram and trolleybus passengers by 35% by 2013. Unfortunately, such objectives and indicators are exceptional among the CEE countries.

<sup>20</sup> For Poland, Czech Republic and Hungary, the '+' signs indicate that there is additional funding for transport in their regional OPs, not included in the graph. Allocations in Bulgaria are still likely to change considerably in the next version of its OPs expected in March 2007.

Even where support for public transport is envisaged, it is rarely sufficient or comprehensive. In Poland, for example, the urban public transport priority leaves out the funding of environment-friendly new buses. Given that 50% of Polish urban buses are older than 10 years<sup>21</sup> as well as the outstanding share of bus transport in Poland compared to other public transport modes, such a situation is not acceptable.

The planned investments for public transport clearly fall short of the sort of action needed. Without further major modifications, the funding support for public transport in 2007-2013 will be inconsistent as there will be only a few projects here and there; and it will be insufficient as it will not match the existing needs. If the European Commission is intent on ensuring balanced and sustainable transport development in the CEE countries, the draft OPs need to be substantially revised. Support for the modernisation of urban and regional public transport infrastructure, rolling stock and services needs to be significantly strengthened across the CEE region. This pertains especially to the countries lacking any serious support for urban or regional public transport. They can do better, as the examples of countries with such support in their OPs show.

It may be the case that some countries plan to modernise their public transport using their national budget or other financial sources rather than EU funds. In any case, the Commission should require that the member states demonstrate how they will finance modernisation of their public transport.

## 6. Allocations for roads: a gross imbalance

Our analysis shows that instead of using EU funds to systematically improve public transport, the governments are planning to build roads. Taken together, more than a half of all EU funds for transport in CEE countries is to be invested in roads and motorways. Chart 3 shows that roads and motorways are to receive especially high shares of the funding in Poland, Slovakia and Latvia.

There is thus a gross imbalance in favour of one of the least efficient and least sustainable transport modes. The road-biased funding plans represent a continuation of the business-as-usual trend in transport financing, which has been analysed by CEE Bankwatch Network and is also apparent in the additional EU funding for roads coming from the TEN-T budget and from the European Investment Bank.<sup>22</sup>

Road infrastructure in CEE countries is not in a good shape and does require improvements. However, the same can be said for public transport and railways. Decision-makers must therefore strike the right balance, taking into account costs and benefits of various types of transport, including external costs and environmental impacts. Our analysis of the funding plans shows an unjustified bias in favour of roads and a neglect of public transport. This is certainly not the right balance.

A number of studies have undermined the widespread conviction that motorways are essential to regional development and employment creation. The economic impacts can just as often be positive as negative, depending on the specific local circumstances of a given region.<sup>23</sup> Decision-makers also need to take into account external costs of transport, such as accidents,

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<sup>21</sup> Source: IGKM (Polish Chamber of Urban Transport), *Tabor autobusowy w komunikacji miejskiej - analiza stanu*, 2006

<sup>22</sup> *Heading down dead ends: Transport sector financing in Central and Eastern Europe*. CEE Bankwatch Network, 2004.

<sup>23</sup> SACTRA, *The Standing Advisory Committee on Trunk Road Assessment, Transport and the Economy*, DETR, London, 1999.

damage to health, and climate change impacts, which are estimated at more than 7% of the EU's GDP.<sup>24</sup> External costs of road transport are especially high. If external costs are taken into account, road transport becomes a much less attractive option and the investment of public resources into road-building becomes even less justified.

In order to promote a balanced development of the transport sector in CEE countries that is in line with common commitments to avoid climate change, the EU should spend less on building roads and more on improving alternatives to the car, such as public transport.

## 7. Recommendations

During the review of the member states' Operational Programmes, the Commission should require that transport funding in each member state is focused on environment-friendly transport. The OPs should be revised to ensure the following:

- At least **75% of all transport funding** in each member state should be allocated for environmentally more friendly transport investments:
  - Public **urban** transport systems
  - Integrated **regional and suburban** public transport systems
  - **Railways** (infrastructure and passenger rolling stock)
  - **Inter-modal** infrastructure for shifting freight from road to rail
  - **Bicycle** lanes and paths
  - **Traffic management** systems
- Investments in **public transport** should cover improvements both in **infrastructure and rolling stock** and be part of integrated transport strategies including the enhanced **accessibility, frequency, quality, safety and environmental performance** of the public transport services
- Funding for roads should be primarily focused on the **rehabilitation of the existing road infrastructure** and safety improvements rather than the building of new roads and motorways
- **Strategic Environmental Assessments** of the OPs must be carried out properly including their climate change impacts and the OPs must be adapted according to the resulting SEA recommendations.

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<sup>24</sup> *External Costs of Transport*. INFRAS - Zurich /IWW Karlsruhe, October 2004.

Authors:



CEE Bankwatch Network is an international non-governmental organisation (NGO) with member organisations currently from 11 countries across the central and eastern European region. The aim of the network is to monitor the investments supported by the international financial institutions (IFIs) as well as by the European Union funds, and to propose constructive alternatives to their policies and projects in the region. [www.bankwatch.org](http://www.bankwatch.org)



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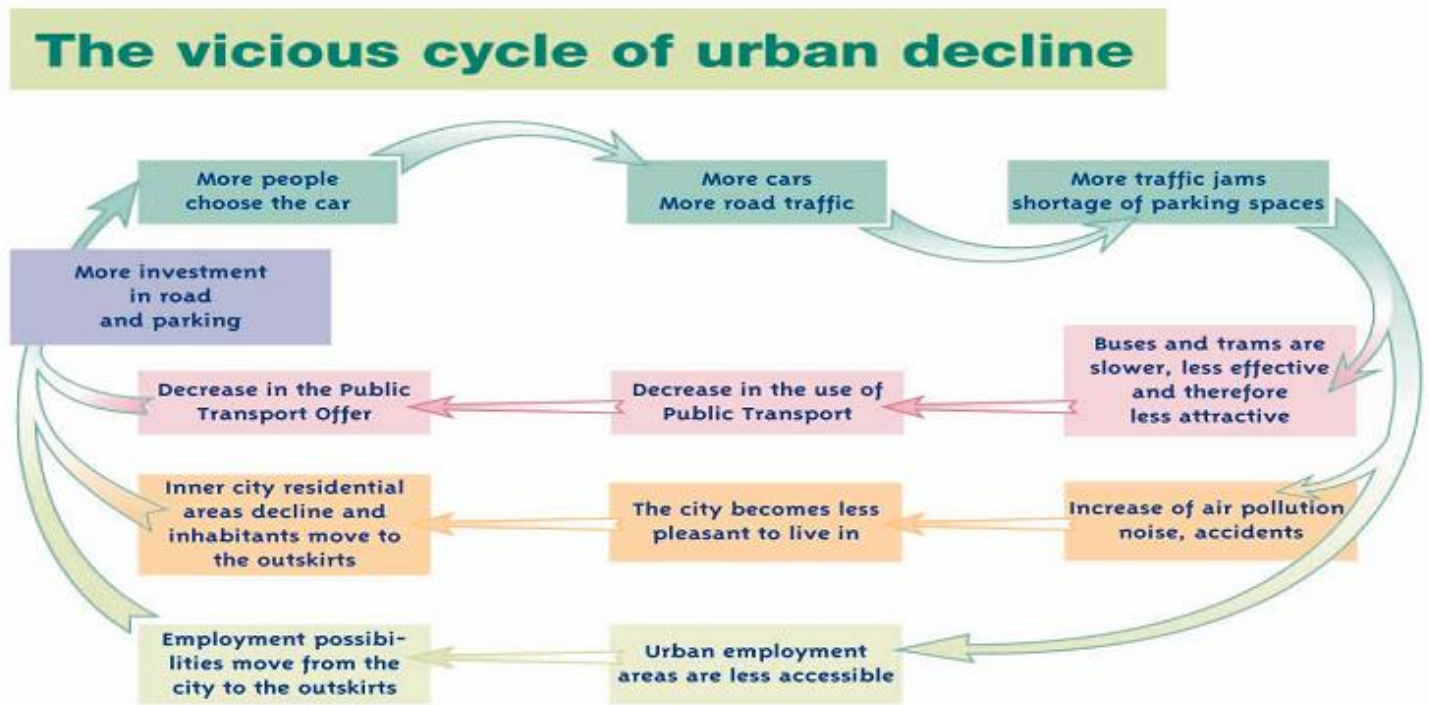
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## Annex 1. Comparison of measures and allocations for railways and public transport in the draft Operational Programmes of CEE countries

✓ included | ± partly included | ✗ not included

	Rail infrastructure	Regional public transport	Urban public transport	Other
<b>Czech Republic</b>	✓ 1124km reconstructed or modernised + 12 reconstructed junctions €2,359m	± In regional OPs	± Prague metro (10km extension): ~ € 300m + more in regional OPs	✓ Traffic management in Prague
<b>Estonia</b>	✓ €133m	✓ Regional passenger rail & public transport info-systems: €25m	✓ Electric transport in Tallinn (incl. rolling stock) €130m + OP Living Environment: urban transport €22m	
<b>Hungary</b>	✓ 366km newly built or modernised: €1,641m	± In regional OPs	✓ Metro (Budapest), tram, suburban railway, P&R, B&R (42km of of constructed or improved fixed-track network): €1,546m	
<b>Lithuania</b>	✓ 200km newly built or reconstructed: €566m	✗	± OP Cohesion Promotion: new, less polluting urban buses: €41m	
<b>Latvia</b>	✓ €135m	± Modernisation of Riga suburban commuter railway system (infrastructure, rolling stock, also city trams): €122m		✓ Traffic safety in municipalities € 27m
<b>Poland</b>	✓ 1,566km modernised: €4,869m	± In regional OPs	✓ Complex projects for 9 metropolitan areas: infrastructure and rolling stock for urban railway, tram, metro, trolleybus; P&R, B&R (550km of modernised networks): €2,121m + more in regional OPs	✓ Intelligent transport systems € 88m
<b>Romania</b>	✓ 180km rehabilitated or upgraded + 18 stations modernised: €1,957m	✗	± OP Regional Development: urban transport rolling stock: €63m	✓ Traffic safety € 178m ✓ Reducing environmental impacts € 12m
<b>Slovakia</b>	✓ 138km modernised: €1,255m	± Regional passenger railways (new rolling stock – 50 units): €89m	± OP Environment: eco-optimisation of public transport (10 projects): €54m	✓ OP Regional development: Bicycle paths € 2m
<b>Slovenia</b>	✓ 428km constructed or modernised: €398m	✗	✗ Single ticket project for public transport €3m	✓ Bicycle paths € 5m
<b>(Bulgaria)</b>	✓ ~€ 555m	± OP Regional Development: Intra-regional public transport services (new buses, stations, info-systems...): €17m	✓ Sofia metro extension: €240m OP Regional Development: Infrastructure and rolling stock (bus, tram, trolleybus) for urban areas: €112m	

## Annex 2. The vicious circle of urban decline



Source: *Better Mobility in Urban Areas*. UITP, 2003.