



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 14.7.2004
COM(2004) 478 final

2004/0157 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**establishing the second “Marco Polo” programme for the granting of Community financial assistance to improve the environmental performance of the freight transport system
("Marco Polo II")**

(presented by the Commission)

EXPLANATORY MEMORANDUM

INTRODUCTION AND SUMMARY

Europe's transport system faces considerable challenges in the next decade. It will be a huge battle to find the necessary money for long-term investment into transport infrastructures, and to fend off the collapse of our road freight transport system. The forecast increase of road freight by 2013 is more than 60% in the European Union, and a doubling is foreseen for the 10 new member states by 2020. The results are congestion, environmental degradation, accidents, and a danger of loss of competitiveness of European industry, which needs to rely, for the management of its supply chains, on cost-efficient and reliable transportation systems.

Road freight transport is also fully dependent on fossil fuel, which makes the transport system vulnerable to the changing global supply patterns. Fossil fuel is a major CO₂ contributor. A more energy efficient transport system is therefore in the interest of the Union, both in terms of better environmental performance, and in terms of a more robust transport economy.

In this situation, a stronger reliance on intermodality is necessary. Intermodality makes better use of existing infrastructure and service resources through integrating short sea shipping, rail and inland waterway into the logistics chain. One thus does not have to wait for a better transport system until the necessary large-scale network infrastructures are in place. Intermodality provides, today, a policy option for avoiding the collapse of the road freight transport system.

True to its practical nature, European intermodality policy features already a market-oriented programme to shift freight off the road towards the more environmentally friendly modes: the Marco Polo Programme (2003 – 2006) under Council and Parliament Regulation 1382/2003, endowed with a budget of 100 million EUR. Concretely, this programme aims to shift the average yearly increase of international road freight towards short sea shipping, rail and inland waterway.

Responding to the big challenges mentioned above, a renewed and adapted "Marco Polo II" Programme is proposed for the next financial perspectives (2007 – 2013). Relying on the proven mechanisms of the current programme, the Commission proposes two new types of action: Motorways of the Sea and Traffic Avoidance actions. They should actually lead to a reduction in international road freight, much desired by our citizens and industrial transport users alike. Marco Polo II also enlarges the scope of the programme to all neighbours of the European Union. It stresses the role of rail freight and clarifies the scope for certain infrastructure measures.

Based on an independent ex-ante evaluation, the Commission proposes an overall budgetary envelope of 740 million EUR for the period 2007 – 2013, i.e. roughly 106 million EUR per year. This will shift more than 140 billion tonne-kilometres of freight off the road (equivalent to 7 million truck journeys of 1000 kilometres) and will reduce CO₂ emissions by 8400 million kg.

In terms of avoided environmental damage and less accidents, less energy consumption and less infrastructure damage, the benefits are forecast to be about 5 billion EUR. 1 Euro subsidy given in Marco Polo II will thus generate more than 6 Euro in terms of social & environmental benefits to our society.

I INTERMODALITY: A NECESSITY FOR A BETTER TRANSPORT SYSTEM

1. Europe's transport system faces considerable challenges in the decade to come. Two key figures make this clear. In the long term, about 600 billion EUR will be needed to complete the necessary infrastructures to create a trans-European network. At the same time, road freight transport, the current backbone of European logistics, is set to increase, by 2013, by more than 60% in the enlarged European Union, and a doubling is foreseen for the 10 new member states by 2020. It will be a huge battle to find the necessary money for long-term investment into transport infrastructures and to fend off the impending collapse of our road freight system.
2. Thus, as of now, it is essential *to make better use of existing infrastructure and service resources*.
3. This is the *raison d'être* of intermodality: linking the alternatives to road transport – short sea shipping, rail and inland waterway – better into the supply chain to increase their use, waiting neither for the future set-up of strategic infrastructures, nor for the road freight system to have collapsed.
4. Intermodal policy is a sensible initiative to take off the pressure on the road freight sector. This is good for road transport, but also for society at large. For the alternatives to road freight transport are less polluting, cause less accidents and have still ample capacities. Based on common sense, intermodality policy thus proposes, with relatively little financial effort, practical and immediately effective ways to make our transport system better. It is therefore not surprising that the European Council of Gothenburg of June 2001 has declared that measures helping modal shift from road transport to more environmentally friendly modes are at the heart of the policy for sustainable transport.
5. However, intermodal transport is a complex transport option, involving various actors with various business models, in a fragmented and small-scale environment, often still separated by modal cultures and along national lines. The Commission recognises that it is in the first place the task of market operators to improve intermodal transport within markets, whose access is free and where the rules of free competition and supply and demand prevail. However, in order to fully unleash the potential of intermodal transport, the willingness to take risks inherent in switching from road to the alternative modes, needs to be stimulated. Many transport companies are operating today in markets in full restructuring. Their margins are low, planning is difficult, and the future uncertain. Therefore, practical and market-oriented support programmes need to be devised to help the intermodal sector take risks and respond to the challenge: achieving a sustained and large modal shift, in line with the targets set in the Commission White Paper of 2001. These were to at least keep, by 2010, the modal parts at their levels of the turn of the century.
6. Besides this strong policy-oriented rationale, there is another emerging reason to fully focus on intermodal options. Today, Europe's industry maintains or increases the competitiveness of its Europe-based production largely by advanced logistics, optimising production and distribution, and creating value in the process. These sophisticated supply chains are increasingly vulnerable to the decreasing reliability and increasing costs of road freight. Intermodal logistics will thus have to become a prime occupation for Europe's production industry, if we want to maintain

productive assets and processes in Europe. Focussing on intermodal logistics will also create ample opportunity for highly-skilled labour and process excellence, shielded from delocalisation. Stronger than its predecessor programmes, the new version of the Marco Polo programme is a standing invitation to the supply chain organisers to join the efforts for a sustainable and competitive transport system.

II. THE PRESENT MARCO POLO PROGRAMME: FIRST ENCOURAGING LESSONS

7. Already in 1997, the Community set up a market-oriented support programme to start-up new intermodal services which shift freight off the road, the Pilot Actions for Combined Transport (PACT) under Council Regulation 2196/98. This programme could count on a budget of 35 million EUR for a five-year period. An external evaluation of the programme showed that the money spent on start-up subsidies created real value in terms of savings of external costs, such as less pollution, less accidents, less congestion, resulting from the modal shift. On the basis of a Commission proposal of February 2002, Council and Parliament decided, in July 2003, on the creation of the “Marco Polo” programme, based on Regulation 1382/2003. This programme, endowed with a budget of 100 million EUR for the period 2003 – 2006, has very concrete objectives: help shift the anticipated increase of international road freight to the alternative modes. The objectives of the programme are thus measurable, and the benefits can be clearly demonstrated.
8. The first selection procedure for the Marco Polo programme (2003-2006) was launched in October 2003. Its results demonstrate the added value of a Community-wide support programme for concrete market-based intermodal actions. With the 15 million EUR provided by the Community budget, new services shifting freight off the road will be triggered. According to the forecasts, the modal shift achieved will be even higher than the expected yearly increase of international road freight, estimated at about 12 billion tonne-kilometres.¹ Thus the central objective of the Marco Polo programme will be clearly met. Second, in terms of monetary value, the environmental benefits forecast to be achieved with the subsidy – in terms of less pollution, less CO₂, less accidents – are several times higher than the subsidy given. Finally, the Marco Polo programme expects the project participants to finance a large part – at least 65% - of the project costs themselves, which creates investments in the market. As a result of the 2003 selection procedure, with 15 million EUR subsidy, projects amounting to more than 360 million EUR total value will be launched.
9. On the negative side, the oversubscription of the programme is evident. In the 2003 selection procedure, the Commission received eligible proposals requesting 182 million EUR subsidies, for an overall budget of 15 million EUR. The funding ratio is thus under 10%. This is bad. Such low funding ratios may discourage companies to submit good proposals, as they fear they may be wasting their time preparing the submissions.
10. One can thus conclude that the mechanisms and objectives of the current Marco Polo programme are sound, and should be largely continued also for the next financial perspectives. One can also conclude that the budgetary means of the programme are

¹ Tonne-kilometre: the transport of one tonne of freight over a distance of one kilometre;

largely insufficient to fund all good proposals. This means lost opportunities to the detriment of a better transport system.

III. EX-ANTE EVALUATION AND STAKEHOLDERS' CONSULTATION

11. A group of independent experts conducted the ex-ante evaluation of the renewal of the Marco Polo II programme for the period 2007 – 2013, on the basis of currently applicable best practices in evaluation techniques and frameworks. The experts reviewed the market needs, best European practices in funding programmes and placed a strong emphasis on budget needs, impact assessment and cost-effectiveness. Stakeholder consultations were also part and parcel of this evaluation, finalised in June 2004.
12. The current proposal takes full account of the evaluation and recommendation of the independent experts. The financial statement, annexed to the present proposal, provides ample testimony to this fact.
13. The following main conclusions should be retained:
 - a) To achieve the long-term key objectives of the Marco Polo II programme, it is necessary to expand the scope of the Programme, with a corresponding cost-effective increase in budget.
 - b) The Marco Polo II proposal, when reviewed against alternative instruments, has significant intrinsic strengths. Its structure, based on direct grants to companies for setting up intermodal services, viable in medium-term, is the most efficient way of public funding for intermodal transport currently available.
 - c) The Marco Polo II proposal is fully compatible with other EU and Member States initiatives.
 - d) Given the concrete and ascertainable objectives of the Marco Polo II programme, the necessary budget can be objectively calculated and structured in a way to generate multiple benefits for society.

IV. THE PROPOSAL FOR A SECOND PROGRAMME 'MARCO POLO II' (2007 – 2013)

14. The proposal for a renewed Marco Polo programme does not fundamentally change the nature and procedures of the programme. Indeed, the three current types of action – modal shift, catalyst, and common learning actions – are maintained under basically the same funding conditions and requirements as in the current programme. However, there are two new features. They are necessary to ensure that Marco Polo fully meets its overall strategic objectives in the framework of a sustainable transport policy:
 - a) **Wider Geographic Scope**
15. Today, Europe – and not just the “EU 25”, the Union of 25 Member States – is heading towards an integrated transport market, including further candidates for

enlargement. But also EFTA and EEA countries as well as Eastern neighbours, especially Russia, Belarus, and the Ukraine, the Balkans, and the Mediterranean Region are part of an emerging large integrated market for transport services. Production and supply chain patterns do not stop at the border of EU 25.

16. In order to provide for a better environmental performance of the transport system within the EU, intermodal options and alternatives to road transport must also be considered outside the EU. It has been shown that it is quite difficult to consider alternatives to road transport in the EU, once the freight is put on a long-distance truck outside the EU. The current proposal allows therefore the possibilities for companies of the “Wider Europe” to participate, provided their countries, neither members of the European Union nor accession candidates, have concluded a specific agreement with the Union, also clarifying their contribution to the programme budget.

b) New Action Types

17. In line with the objectives spelt out in the Transport White Paper of 2001, the current Marco Polo programme sets out to shift the average yearly increase of international road freight transport to the alternative modes. This objective, while already ambitious, cannot be the final goal of our intermodal policies. Indeed, the European citizen and industry are not satisfied with a road transport system, in which, today, 0.5% of European gross domestic product are wasted in congestion. They are not satisfied with a transport system that is almost entirely dependent on, increasingly imported, fossil fuels and is responsible for rapidly increasing emissions of CO₂ - one of the greenhouse gases responsible for climate change.

Therefore, the next Marco Polo programme must take the quantum leap towards an overall *reduction of international road freight transport*. It does by relying on the previous approach strengthened further in two ways:

Motorways of the Sea

18. The Transport White Paper of 2001 introduced the idea to provide for high-quality logistics services based on short sea shipping transport, which could be compared, because of their quality features, to road motorways, and called them “Motorways of the Seas”. This would endow maritime transport with further capacities to compete with through road transport, and thus help modal shift. Art. 12a of the new TEN-T Guidelines adopted on 29 April 2004 delimitates this concept further as regards the network infrastructure to be set up. The Marco Polo programme should dovetail with the concept. Therefore, the Commission proposes appropriately ambitious goals for Motorways of the Sea services. For example, Motorways of the Seas should be set up between France and Spain to avoid the road bottleneck of the Pyrenees, and similar initiatives come to mind between Italy and Spain.
19. Given the large-scale set up for such Motorways of the Sea, the Marco Polo projects should do more than the already existing catalyst or modal shift actions. These intend to shift the expected increase of road traffic to the alternative modes. Rather, the Motorways of the Sea actions should simply lead to *less road traffic over time on a given corridor*. This high Community added-value and clearly visible benefit to the European citizen warrants a high Community contribution, based on carefully set up

projects by large consortia involving shippers, transport operators and infrastructure providers. Art. 5(2) in conjunction with Article 2(i) clarify the concept.

Traffic Avoidance Actions

20. Reliance on intermodal transport will not structurally affect the growth in transport *demand*. If successful, it will spread out the growth of demand more evenly. In that sense intermodal transport policy does not yet address the following challenge, which we have to face for a sustainable transport system: How are we going to manage the demand for transport without affecting our competitiveness and well being?
21. It is time to include more actively the production sector and logistics systems into a coherent strategy for sustainable development actions. The production, supply and order patterns need to be improved, in order to increase the transport intensity of industrial production. Therefore, the Commission proposes the traffic avoidance actions. Industry itself has started to address this issue, largely to streamline its supply chains and to reduce distribution and transport costs of road transport. There is thus a striking compatibility of interest between efficiency-enhancing measures of the industry and the political will to reduce the negative effects of transport by simply avoiding transport.
22. Two features of the action, as spelt out in Article 5(4), are noteworthy. First, there is a quantitative objective also here: reduction of tonne- or vehicle kilometres by 10% in a given supply chain. This reduction must not be caused by reduction of production or employment, so as to avoid paying a premium to companies closing down factories.

c) Clarifications

23. The proposal further features two important clarifications, one regarding priority actions in the railway sector, the other clarifying the scope for infrastructure funding under the Marco Polo programme.

Creating rail synergies

24. In line with the overall intermodality strategy, a specific emphasis is proposed for all actions in the freight railway sector making better use of existing infrastructures. Examples include setting up international rail freight networks with fast freight trains on dedicated tracks for consumer goods or express mail. One can also think about increased load factors due to new logistics approaches and new technological solutions. Art. 5(1) spells this out.

Funding for ancillary infrastructures

25. The current Marco Polo programme already features some limited funding for so-called “ancillary infrastructures”. These are infrastructures, which are necessary and sufficient to achieve the objectives of the service-related actions targeted by the Marco Polo programme. The first call of the current Marco Polo programme has shown that the demand in industry for such infrastructures assisting the success of the services is considerable. Consequently, the current proposal introduces some

flexibility. Annex II to the proposal gives time- and project-related criteria for eligible infrastructure measures and also clarifies that there can be no accumulation between TEN-T and Marco Polo funding for the same infrastructure item.

26. There is no overlap in this type of demand-led funding for infrastructures and the funding instrument of the TEN-T programme. Indeed, the programmes are intrinsically different in their approach to funding. TEN-T is an instrument to construct a European *infrastructure* network, with long-term goals such as development of the internal market and economic and social cohesion. These considerations are largely absent from Marco Polo. It is a market-oriented, demand driven instrument focussing on sustained modal shift achieved by transport *services*. The beneficiaries of Marco Polo are exclusively undertakings striving to achieve short- and mid term commercial goals, while Member States and public authorities play a predominant role in the TEN-T.
27. Projects financed under Marco Polo are less costly and their implementation period is much shorter compared to TEN-T projects. The construction of a railway tunnel, for instance, across the Pyrenees, would take at least 15 years and cost several billion euros compared to a maritime service co-financed in the framework of a Motorways of the Sea project funded under Marco Polo.

V COMMENTS ON THE ARTICLES

Article 1 spells out the objective of the Programme. The article is almost identical with the Article 1 of the current regulation. However, it states that “preferably more” than the expected yearly aggregate increase of international road freight traffic should be shifted to the more environmentally friendly modes.

Article 2 provides definitions of the most used terms of the Regulation. The main changes relate to definitions concerning new actions “Motorways of the Sea” and “Transport Avoidance”.

Article 3 deals with the geographic scope of the Programme. It now clearly states that also countries which are neither Member States nor Accession Candidates can participate in the programme, provided they neighbour the European Union and conclude the appropriate agreements.

Article 4 explains the eligible applicants and is identical to the Article 4 of the existing Regulation.

Article 5 lists the five eligible actions. Apart from the two new types of actions, special attention is drawn to catalyst actions in the railway market. The current action types are left nearly unchanged. As Article 5(6) explains, the technical conditions for funding, scope and intensity of the subsidy, contract duration and thresholds and dissemination obligations are set out in Annex I to the Regulation, inspiring itself very largely from the existing Programme. Annex II, also mentioned in Article 5(6), clarifies the conditions for ancillary infrastructure funding.

Article 6 explains that detailed rules for submission and selection of projects shall be issued by the Commission, in order to allow for the necessary flexibility and adaptation of rules.

Article 7 clarifies the role of State aid and Marco Polo funding, respectively.

Article 8 and Article 9 relate to the submission and evaluation of proposals in the selection rounds.

Article 10 makes reference to the management committee procedure, the standard comitology rules for programme management.

Article 11 gives the financial reference amount for the next financial procedures. Based on the thorough assessment in the ex-ante evaluation, an amount of 740 million EUR is proposed for the seven year period 2007 – 2013, which equals roughly 106 million EUR per year.

Article 12 provides for a global amount for accompanying measures and for the independent evaluation of the implementation of the Regulation.

Article 13 spells out rules protecting the Communities' financial interests.

Article 14 spells out information obligations of the Commission towards the Committee, and also proposes that the Commission come forward with an evaluation report of the current Marco Polo I programme by 30 June 2007.

Article 15 stipulates the repeal of Regulation 1382/2003, the legal basis for the Marco Polo programme from 2003 onwards. This regulation has an intended life span until 2010 (*see* Article 1 of Regulation 1382/2003). In order to avoid confusion about the applicable instrument after 31 December 2006, it is necessary to repeal Regulation 1382/2003 from the moment of applicability of the new instrument, which is 1 January 2007. In line with general legal principles, the actions funded under Regulation 1382/2003 will continue to be governed by the rules and instruments of that Regulation, even if their operational and financial life time extends to a point in time after 31 December 2006.

Article 16 regulates the entry into force of the Regulation. In order to avoid that Regulation 1382/2003 and the new instrument co-exist, which could give rise to application problems, the entry into force of the new instrument should dovetail with the repeal of Regulation 1382/2003. Therefore, Article 16 provides that the new Regulation enters into force on 1 January 2007.

ANNEX COMMUNITY ADDED-VALUE, SUBSIDIARITY AND PROPORTIONALITY

- *What are the objectives of the planned measure in relation to the Community's obligations?*

Under Art. 71(1)(c) of the Treaty, the Community's transport policy includes measures to improve transport safety and the adoption of any other appropriate provision. Further, under Art. 2 and 3(1)(l) of the Treaty, the Community has the obligation to promote the improvement of the quality of the environment through an environmental policy.

The objective of the planned measure is to combat road freight congestion and improve the environmental performance of the freight transport system, by making more efficient use of short sea shipping, rail and inland waterway. The planned measure should help to at least shift the aggregate expected increase of the growth of international road freight transport to short sea shipping, rail and inland waterway. This will contribute to increased transport safety and to a better environmental performance of the whole transport system.

- *Does the measure fall within the Community's exclusive competence or is competence shared with the Member States?*

According to Art. 71(1) of the Treaty, the competence is shared with the Member States. Art. 80(2) is the legal basis needed to include the maritime sector in the programme.

- *What is the Community dimension of the problem?*

Congestion caused by road freight is a problem facing, to varying degrees, all Member States. A large percentage of road freight transport, about 20%, is international. This segment presents the highest growth rates. Member States, on their own, cannot resolve, in an optimal way, the problems related to the constant increase in international road freight. In fact, internationally oriented projects, executed by international consortia are much better in a position to achieve the heavy and sustained modal shift needed for a balanced transport system in the European Union. National measures will reach their limits much faster and will simply not be able to achieve a similar impact. Therefore, there is a clear Community dimension of the problem.

The planned measure also foresees financial assistance for projects aiming at reducing market barriers. It thus contributes to achieving the internal market for the transport sector.

A practical instrument needs to be developed on Community level to ensure that short sea, rail and inland waterway are not suffering in their competitiveness from the fact that road freight transport does not pay the full costs that it generates for society.

- *Can the objectives not be adequately achieved by the Member States?*

On a purely national or regional level, the objective of reducing road congestion can be adequately tackled by Member States. However, reducing the level of congestion

caused by international road freight cannot be achieved by the Member States in a satisfactory way. Here, there is a need for a Community initiative. If the promotion of international non-road freight services is left to Member States alone, the danger of unacceptable distortions of competition resulting from un-coordinated and possible double funding is especially great.

- *What is the most effective solution, that achieved by Community means or that achieved by national means? What specific added value is contributed by the planned Community measure and what would be the cost of taking no action?*

As stated above, Community means are more effective for reducing international road freight than Member States' measures alone. The specific added value of the planned measure is that it will provide a framework, for transport and logistics industry, to tackle structural problems, which impede the functioning of the internal market for transport. No other actual or planned measure provides such a framework. There is no other Community programme which offers support for improving the performance of the logistics market, leading to a better environmental performance of transport.

Without this Community intervention, we are forecast to have an increase of more than 140 billion tonne-kilometres of international road freight on European roads during the next financial perspectives (2007 – 2013). This can also be translated into more than 7 million truck journeys over a distance of 1000 kilometres, a typical international road transport distance in Europe. If the Community can help shifting these millions of truck journeys off the road with the help of the indicated budget, each EUR spent as a Community subsidy will generate environmental benefits in terms of saved external costs (pollution, accidents etc.) of around 6 EUR.

- *Are the means of Community action proportionate to the objectives?*

The objective of the planned measure is to contribute directly and immediately, in the market for freight transport and logistics services, to easing road congestion and to improving the environmental performance of freight transport.

What is the most suitable act for achieving the objectives? (Recommendation, financial support, mutual recognition, legislation, etc.).

Financial support, based on a Parliament and Council Regulation, is the most suitable act for achieving these objectives. The regulatory framework for the EU transport market is today largely in place. There is now a need for practical and financial support to industry to overcome the structural barriers in the market. Furthermore, tailored financial support can ensure that short sea, rail and inland waterway are not suffering in their competitiveness from the fact that road freight transport does not pay the full costs that it generates for society.

In the case of legislation, is the scope, duration or intensity greater than what is necessary?

The scope of the intended instrument is enlarged compared to the current Marco Polo programme. The enlarged substantial scope is necessary to achieve the ambitious modal shift goals and launch a trend to overall road transport reduction. The duration

of the planned measure has been fixed for 2007 – 2013, in line with the next financial perspectives.

As a rule, Community financial support has to be based on Parliament and Council Regulation. The planned measure foresees the formulation of essential rules concerning financial assistance, without going into excessive details. Detailed implementing rules of the Commission will be issued according to Art. 6 of the Regulation.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**establishing the second “Marco Polo” programme for the granting of Community financial assistance to improve the environmental performance of the freight transport system
("Marco Polo II")**

Text with EEA relevance

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 71(1) and 80(2) thereof,

Having regard to the proposal from the Commission²,

Having regard to the opinion of the European Economic and Social Committee³,

Having regard to the opinion of the Committee of the Regions⁴,

Acting in accordance with the procedure laid down in Article 251 of the Treaty⁵,

Whereas:

- (1) The Commission White Paper on the Common Transport Policy of September 2001 stresses the development of intermodality as a practical and effective means to achieve a balanced transport system, and proposes the development of Motorways of the Sea, high-quality integrated intermodal maritime options, as an important element in this strategy. At its meeting in Gothenburg on 15 and 16 June 2001 the European Council declared that shifting the balance between the modes of transport is at the heart of the sustainable development strategy. Furthermore, at its meeting on 15 and 16 March 2002 the European Council stressed the necessity to reduce the congestion in the traffic bottlenecks in several regions, mentioning in particular the Alps, the Pyrenees and the Baltic Sea – an indication that the maritime lines of sea motorways are an integral and important part of the Trans European Network for Transport. A market-driven funding programme for intermodality is a central instrument to further develop intermodality and should specifically support the set-up of Motorways of the Sea.

² OJ C [...] [...], p. [...]

³ OJ C[...] [...], p. [...]

⁴ OJ C [...] [...], p. [...]

⁵ Opinion of the European Parliament of ..., Council Common Position of ... and Decision of the European Parliament of ...

- (2) If no decisive action is taken, total road freight transport in Europe is set to grow by more than 60% by 2013. The effect would be an estimated growth of international road freight for the period 2007-2013 of 20.5 billion tonne-kilometres per year for the 25 Member States of the European Union, with negative consequences in terms of accidents, congestion, reliability of the supply chain and logistics processes and environmental damage.
- (3) In order to cope with this growth in road freight transport, short sea shipping, rail and inland waterway must be used even more than today, and it is necessary to stimulate further powerful initiatives from the transport and logistics sector to decrease road congestion.
- (4) The programme established by Regulation (EC) No 1382/2003 of the European Parliament and of the Council of 22 July 2003 on the granting of Community financial assistance to improve the environmental performance of the freight transport system (Marco Polo Programme)⁶ should therefore be enhanced by new actions, targeting an actual reduction of international road transport. The Commission therefore proposes a stronger programme, hereinafter referred to as the "Marco Polo II Programme", or "the Programme", to enhance intermodality, reduce road congestion and to improve the environmental performance of the freight transport system within the Community. To achieve this objective, the Programme should support actions in the freight transport, logistics and other relevant markets. It should help to shift at least the expected aggregate increase in international road freight traffic, but preferably more, to short sea shipping, rail and inland waterways or to a combination of modes of transport, in which road journeys are as short as possible. The current Marco Polo programme under Council and Parliament Regulation (EC) No 1382/2003 should then be replaced.
- (5) The Marco Polo II Programme will feature different types of action, which should contribute to measurable and sustained modal shift and better co-operation in the intermodal market. As a step further, actions under the Marco Polo II Programme should also contribute to an actual reduction in international road freight transport.
- (6) Actions to be funded under the Marco Polo II Programme must be international in geographic scope. In order to reflect the European dimension of the actions, projects should be submitted by undertakings established in different countries, in the form of a consortium submitting an action.
- (7) Applicants should be able to submit new or, where appropriate, existing projects which best match current market needs. Suitable projects should not be discouraged by any over-rigid definition of allowable actions.
- (8) There may be cases in which the benefits of developing an existing service may be at least equal in terms of additional modal shift, quality and environmental and viability advantages to those of starting up a new service involving considerable expense.
- (9) To be transparent, objective and clearly delimited, aid for the launch of modal shift actions should be based on cost savings for society brought about by use of short sea shipping, rail and inland waterways, instead of road transport alone. For this reason,

⁶ OJ L 196, 2.8.2003

the Regulation provides for an indicative amount of financial assistance of EUR 1 for each shift of 500 tonne-kilometres of road freight.

- (10) The results of all actions of the Programme should be adequately disseminated, in order to ensure publicity and transparency.
- (11) During the selection procedure and during the lifetime of actions, it is necessary to ensure that the actions chosen make real contributions to the common transport policy and do not cause distortions of competition contrary to the common interest. The Commission should therefore evaluate the implementation of both Programmes. It should present the evaluation report on the results achieved by the Marco Polo Programme for the period 2003-2006 not later than 30 June 2007.
- (12) Since the objective of the Marco Polo II Programme cannot be sufficiently achieved by the Member States and can therefore, by reason of the scope of the Programme, be better achieved at Community level, the Community may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.
- (13) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission⁷.
- (14) This Regulation establishes a financial framework for the entire duration of the programme, which is to be the principal point of reference for the budgetary authority, within the meaning of point 33 of the Interinstitutional Agreement of 6 May 1999 between the European Parliament, the Council and the Commission on budgetary discipline and improvement of the budgetary procedure.
- (15) In order to safeguard continuity and transparency of the Marco Polo programme, transitional provisions should be laid down concerning contracts and selection procedure.

⁷ OJ L 184, 17.7.1999, p. 23.

HAVE ADOPTED THIS REGULATION:

CHAPTER I GENERAL PROVISIONS

Article 1 Subject matter

This Regulation establishes a financing instrument, hereinafter referred to as the "Marco Polo II Programme", or "the Programme" in order to reduce congestion, to improve the environmental performance of the transport system and to enhance intermodal transport, thereby contributing to an efficient and sustainable transport system. The duration of the Programme shall be from 1 January 2007 to 31 December 2013.

Article 2 Definitions

For the purposes of this Regulation, the following definitions shall apply:

- (a) "action" means any project executed by undertakings, which contributes to reducing congestion in the road freight transport system and/or to improving the environmental performance of the transport system in the territories of the Member States or participating countries;
- (b) "accompanying measure" means any measure which seeks to prepare for or to support current or future actions, inter alia dissemination activities and project monitoring and evaluation, and the collection and analysis of statistical data; measures devoted to the commercialisation of products, processes or services, marketing activities and sales promotion are not "accompanying measures";
- (c) "ancillary infrastructure" means the necessary and sufficient infrastructure to achieve the goals of actions, including freight-passenger installations.
- (d) "catalyst action" means any innovative action aimed at overcoming Community-relevant structural barriers in the market for freight transport which impede the efficient functioning of the markets, the competitiveness of short sea shipping, rail, or inland waterways, and/or the efficiency of transport chains making use of these modes, including the modification or creation of the necessary infrastructure; for the purpose of this definition, "structural market barrier" shall mean any non-regulatory, factual and non-temporary impediment to the proper functioning of the freight transport chain;
- (e) "common learning action" means any action aimed at improving cooperation for structurally optimising working methods and procedures in the freight transport chain, taking into account the requirements of logistics;
- (f) "close third country" means any country not a member of the Community, or a candidate country for accession to Community, with a common border with the

Community or with a coastline on a closed or semi-closed sea neighbouring on the European Union;

- (g) "consortium" means any arrangement by which at least two undertakings execute together and share the risk concerning an action;
- (h) "modal shift action" means any action directly, measurably, substantially and immediately shifting freight from road to short sea shipping, rail, inland waterways or a combination of modes of transport in which road journeys are as short as possible, without being a catalyst action;
- (i) "motorways of the sea action" means any innovative action directly shifting freight from road to short sea shipping or a combination of waterborne with other modes of transport in which road journeys are as short as possible, including the modification or creation of the ancillary infrastructure, to timely implement a very large volume, high frequency intermodal waterborne transport service, and including non-road hinterland freight transport for integrated door-to-door services;
- (j) "traffic avoidance action" means any innovative action integrating transport into production logistics to timely avoid a large percentage of freight transport by road while maintaining overall production output and production workforce on EU territory, including the modification/creation of the ancillary infrastructure and equipment;
- (k) "preparatory measure" means any action in preparation for a catalyst, motorway of the sea or traffic avoidance action, such as technical, operational or financial feasibility studies and equipment tests;
- (l) "tonne-kilometre" means the transport of a tonne of freight, or its volumetric equivalent, over a distance of one kilometre;
- (m) "undertaking" means any entity engaged in an economic activity, regardless of the legal status of the entity and the way in which it is financed;
- (n) "vehicle-kilometre" means the movement of a truck, loaded or empty, over a distance of one kilometre;

Article 3 *Scope*

1. The Programme shall cover actions:
 - (a) involving the territory of at least two Member States, or
 - (b) involving the territory of at least one Member State and the territory of a close third country.
2. Where an action involves the territory of a third country, costs arising in the territory of that country shall not be covered by the Programme, except in the circumstances set out in paragraphs 3 and 4.

3. The Programme shall be open to participation by countries, which are candidates for accession. Participation shall be governed by the conditions laid down in the Association Agreements with those countries, and on the basis of the rules laid down in the decision of the Association Council for each country concerned.
4. The Programme shall also be open to participation by EFTA and EEA countries and close third countries, on the basis of supplementary appropriations in accordance with procedures to be agreed with those countries.

CHAPTER II

ELIGIBLE APPLICANTS AND ACTIONS

Article 4

Eligible applicants and beneficiaries

1. Projects shall be submitted by a consortium of two or more undertakings, established in at least two different Member States or in at least one Member State and one close third country.
2. Undertakings established outside one of the participant countries referred to in Article 3(3) and (4) may be associated with the project, but may under no circumstances receive Community funding under the Programme.

Article 5

Eligible actions and funding conditions

1. The following actions shall be eligible for funding under the Programme:
 - a) catalyst actions, in particular those aiming at improving synergies in the rail sector by better use of existing infrastructures deserve specific attention.
 - b) motorways of the sea actions; such actions shall use as a rule the trans-European networks as defined in Decision 1692/96/EC of the European Parliament and Council, as amended;⁸
 - c) modal shift actions, including, where appropriate, the additional modal shift brought about by the development of an existing service;
 - d) traffic avoidance actions;
 - e) common learning actions.
2. The specific funding conditions and other requirements for the various actions are set out in Annex I of this Regulation. The funding conditions for ancillary infrastructures within the meaning of Art. 2(c) are set out in Annex II of this Regulation.

⁸ OJ L 228, 9.9.1996, p.1.

3. The political priority targets to be taken into consideration in the selection procedure for catalyst actions and common learning actions shall be established and, if necessary, reviewed, in accordance with the procedure referred to in Article 10(2).

Article 6
Detailed rules

Detailed rules concerning the procedure for submission and selection of actions under the Programme shall be adopted in accordance with the procedure referred to in Article 10(2).

Article 7
State Aid

Community financial assistance for the actions covered by the Programme shall not exclude those actions being granted State aid at national, regional or local level, insofar as such aid is compatible with the State-aid arrangements laid down in the Treaty and within the cumulative limits established for each type of action in Annex I to this Regulation. The total aid granted in the form of State aid and Community financial assistance in respect of ancillary infrastructure shall not exceed 50% of eligible costs.

CHAPTER III **SUBMISSION AND SELECTION OF ACTIONS**

Article 8
Submission of actions

Actions shall be submitted to the Commission according to the detailed rules issued under Article 6. The submission shall contain all the elements necessary to enable the Commission to make its selection in accordance with Article 9.

Article 9
Selection of actions for financial assistance

Submitted actions shall be evaluated by the Commission. When selecting actions for financial assistance under the Programme, the Commission shall take account of the following:

- (a) the objective referred to in Article 1;
- (b) the conditions set out in Annexes I and II;
- (c) the contribution of the actions to reducing road congestion;
- (d) the relative environmental merits of the actions, including their contribution to reducing negative environmental effects caused by short sea shipping, rail and inland waterway. Specific attention will be paid to projects going beyond legally binding environmental requirements.

- (e) the overall sustainability of the actions.

The decision to grant financial assistance shall be adopted in accordance with the procedure referred to in Article 10(2).

The Commission shall inform the beneficiaries of its decision.

CHAPTER IV FINAL PROVISIONS

Article 10 Committee

1. The Commission shall be assisted by a committee.
2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof.

The period laid down in Article 4(3) of Decision 1999/468/EC shall be three months.

3. The Committee shall adopt its rules of procedure.

Article 11 Budget

The financial framework for the implementation of the Marco Polo II Programme, for the period 1 January 2007 to 31 December 2013, shall be EUR 740 million.

Annual appropriations shall be authorised by the budgetary authority within the limits of the financial perspective.

Article 12 Reserve for accompanying measures and Programme evaluation

Up to 5% of the budget provided for in this Regulation shall be set aside for accompanying measures and independent evaluation of the implementation of Article 5.

Article 13 Protection of the Communities' financial interests

1. The Commission shall ensure that, when actions financed under this Regulation are implemented, the financial interests of the Community are protected by the application of preventive measures against fraud, corruption and any other illegal activities, by effective checks and by the recovery of the amounts unduly paid and, if irregularities are detected, by effective, proportional and dissuasive penalties, in accordance with Council Regulations (EC, Euratom) No 2988/95 and (Euratom, EC)

No 2185/96, and with Regulation (EC) No 1073/1999 of the European Parliament and of the Council.

2. For the Community actions financed under this Regulation, the notion of irregularity referred to in Article 1 of Regulation (EC, Euratom) No 2988/95 shall mean any infringement of a provision of Community law or any breach of a contractual obligation resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, by an unjustified item of expenditure.
3. Contracts and agreements as well as agreements with participating third countries resulting from this regulation shall provide in particular for supervision and financial control by the Commission (or any representative authorized by it) and audits by the Court of Auditors, if necessary on-the-spot.

Article 14 *Evaluation*

1. The Commission shall inform the Committee at least once a year concerning the financial execution of the Programme and give an update of the status of all actions financed under the Programme.
2. The Commission shall present to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions an evaluation report on the results achieved by the Marco Polo Programme for the period 2003-2006 by 30 June 2007.

Article 15 *Repeal*

Regulation (EC) No 1382/2003 is repealed, with effect from 1 January 2007. Contracts related to actions within the framework of Regulation (EC) 1382/2003 shall continue to be governed by those rules until their operational and financial closure. The entire evaluation and selection procedure for the year 2006 shall also be governed by Regulation (EC) 1382/2003, even if that procedure ends in the year 2007.

Article 16 *Entry into force*

This Regulation shall enter into force on 1 January 2007 and shall apply from that date.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

ANNEX I: Funding conditions and requirements according to Article 5 (2)

<i>Type of Action</i>	A. Catalyst	B. Motorways of the Sea	C. Modal shift	D. Traffic Avoidance	E. Common Learning
	Art. 5(1)(a)	Art. 5(1)(b)	Art. 5(1)(c)	Art. 5(1)(d)	Art. 5(1)(e)
1. Funding conditions	(a) the catalyst action will achieve its objectives within a period of a maximum of 60 months, and stay viable after that period, as forecast by a realistic business plan; (b) the catalyst action is innovative on a European level, in terms of logistics, technology, methods, equipment, products, infrastructure or services rendered; (c) the catalyst action is expected to lead to an actual, measurable and sustainable modal shift from road to short sea shipping, rail, inland waterways.	(a) the motorways of the sea (MoS) action will achieve its objectives within a period of a maximum of 60 months, and stay viable after that period, as forecast by a realistic business plan; (b) the MoS action is innovative on a European level, in terms of logistics, technology, methods, equipment, products, infrastructure or services rendered; specific regard will be given to high quality of service, simplified procedures and inspections, meeting safety and security standards, good access to the ports, efficient hinterland connections, and flexible	(a) the modal shift action will achieve its objectives within a period of a maximum of 36 months, and stay viable after that period, as forecast by a realistic business plan; (b) the modal shift action will not lead to distortions of competition in the relevant markets, in particular between alternative modes of transport to road transport alone or within each mode, contrary to the common interest; (c) the modal shift action proposes a realistic plan setting out the specific stages by which it seeks to achieve its objectives;	(a) the traffic avoidance action will achieve its objectives within a period of a maximum of 60 months, and stay viable after that period, as forecast by a realistic business plan; (b) the traffic avoidance action is innovative on a European level, in terms of integration of production logistics into transport logistics; (c) the traffic avoidance action aims at encouraging higher efficiency in international freight transport in the European markets without impeding economic growth by	(a) the common learning action will lead to the improvement of commercial services in the market, in particular promoting and/or facilitating road traffic avoidance or modal shift off the road to short sea shipping, rail and inland waterways, through improving co-operation and sharing of know-how and lasts for a maximum of 24 months; (b) the action is innovative on a European level; (c) the action will not lead to distortions of competition in the relevant markets, in particular between modes of transport alternative to road transport alone or within

<i>Type of Action</i>	A. Catalyst	B. Motorways of the Sea	C. Modal shift	D. Traffic Avoidance	E. Common Learning
	Art. 5(1)(a)	Art. 5(1)(b)	Art. 5(1)(c)	Art. 5(1)(d)	Art. 5(1)(e)
	(d) the catalyst action proposes a realistic plan setting out the specific stages by which it seeks to achieve its objectives and identifies the need for Commission steering assistance; (e) the catalyst action will not lead to distortions of competition in the relevant markets, in particular between modes of transport alternative to road transport alone or within each mode, to an extent contrary to the common interest; (f) when the action requires reliance on services provided by third parties not part of the consortium, the	and efficient port services; (c) the MoS action aims at encouraging very large volume, high frequency intermodal services for freight transport by short sea shipping with the possibility of combined freight-passenger services; the action also encourages hinterland connections by rail and inland waterways; (d) the MoS action is expected to lead to an actual, measurable and sustainable modal shift higher than the predicted growth rate of freight transport on the road route, from road to short sea shipping and inland waterways. (e) the MoS action proposes a realistic plan setting out the specific	(d) when the action requires reliance on services provided by third parties not part of the consortium, the applicant submits proof of a transparent, objective and non-discriminatory procedure for selection of the relevant services.	focussing on modification of the production and/or distribution processes, thereby achieving shorter distances, higher loading factors, less empty runs, reduction of waste flows, reduction of volume and/or weight or any other effect leading to a significant reduction of freight traffic on the road, while at least maintaining overall production output and production workforce on EU territory; (d) the traffic avoidance action is expected to lead to an actual, measurable and sustainable traffic avoidance of at least 10 percent of the freight volume measured in tonnes-kilometres or vehicle-kilometres;	each mode contrary to the common interest; (d) the common learning action proposes a realistic plan setting out the specific stages by which it seeks to achieve its objectives and identifies the need for Commission steering assistance.

<i>Type of Action</i>	A. Catalyst	B. Motorways of the Sea	C. Modal shift	D. Traffic Avoidance	E. Common Learning
	Art. 5(1)(a)	Art. 5(1)(b)	Art. 5(1)(c)	Art. 5(1)(d)	Art. 5(1)(e)
	applicant submits proof of a transparent, objective and non-discriminatory procedure for selection of the relevant services.	stages by which it seeks to achieve its objectives and identifies the need for Commission steering assistance; (f) the MoS action will not lead to distortions of competition in the relevant markets, in particular between modes of transport alternative to road transport alone or within each mode, to an extent contrary to the common interest; (g) when the MoS action requires reliance on services provided by third parties not part of the consortium, the applicant submits proof of a transparent, objective and non-discriminatory procedure for selection of the relevant services.		(e) the traffic avoidance action proposes a realistic plan setting out the specific stages by which it seeks to achieve its objectives and identifies the need for Commission steering assistance; (f) the traffic avoidance action will not lead to distortions of competition in the relevant markets, in particular concerning modes of transport alternative to road transport, to an extent contrary to the common interest; (g) When the traffic avoidance action requires reliance on services provided by third parties not part of the consortium, the applicant submits proof of a transparent, objective and	

<i>Type of Action</i>	A. Catalyst	B. Motorways of the Sea	C. Modal shift	D. Traffic Avoidance	E. Common Learning
	Art. 5(1)(a)	Art. 5(1)(b)	Art. 5(1)(c)	Art. 5(1)(d)	Art. 5(1)(e)
				non-discriminatory procedure for selection of the relevant services.	
2. Funding intensity and scope	(a) Community financial assistance for catalyst actions shall be limited to a maximum of 35% of the total expenditure necessary to achieve the objectives of the action and incurred as a result of the action, including preparatory measures and ancillary infrastructure. Such expenditure shall be eligible for Community financial assistance, to the extent to which it relates directly to the implementation of the action. Expenditure incurred on or after the date of the submission of an application under the selection procedure shall be eligible for	(a) Community financial assistance for MoS actions shall be limited to a maximum of 35% of the total expenditure necessary to achieve the objectives of the action and incurred as a result of the action, including preparatory measures and ancillary infrastructure. Such expenditure shall be eligible for Community financial assistance, to the extent to which it relates directly to the implementation of the transport service. Expenditure incurred on or after the date of the submission of an application under the selection procedure shall be eligible for Community	(a) Community financial assistance for modal shift actions shall be limited to a maximum of 35% of the total expenditure necessary to achieve the objectives of the action and incurred as a result of the action. Such expenditure shall be eligible for Community financial assistance to the extent to which it relates directly to the implementation of the action. Expenditure incurred on or after the date of the submission of an application under the selection procedure shall be eligible for Community financial assistance provided that final approval for Community funding is given. A contribution towards the costs of	(a) Community financial assistance for traffic avoidance actions shall be limited to a maximum of 35% of the total expenditure necessary to achieve the objectives of the action and incurred as a result of the action, including preparatory measures and ancillary infrastructure and equipment. Such expenditure shall be eligible for Community financial assistance, to the extent to which it relates directly to the implementation of the action. Expenditure incurred on or after the date of the submission of an application under the selection procedure shall	(a) Community financial assistance for common learning actions shall be limited to a maximum of 50% of the total expenditure necessary to achieve the objectives of the action and incurred as a result of the action. Such expenditure shall be eligible for Community financial assistance, to the extent to which it relates directly to the implementation of the action. Expenditure incurred on or after the date of the submission of an application under the selection procedure shall be eligible for Community financial assistance provided that final approval for Community funding is given.

<i>Type of Action</i>	A. Catalyst	B. Motorways of the Sea	C. Modal shift	D. Traffic Avoidance	E. Common Learning
	Art. 5(1)(a)	Art. 5(1)(b)	Art. 5(1)(c)	Art. 5(1)(d)	Art. 5(1)(e)
	Community financial assistance provided that final approval for Community funding is given. A contribution towards the costs of movable assets shall be contingent on the obligation to use such assets for the duration of the assistance, principally for the action, as defined by the subsidy agreement. (b) The funding conditions for ancillary infrastructure are set out in Annex II	financial assistance provided that final approval for Community funding is given. A contribution towards the costs of movable assets shall be contingent on the obligation to use such assets for the duration of the assistance, principally for the action, as defined by the subsidy agreement. (b) The Community financial assistance, except for preparatory measures and transport infrastructure, determined by the Commission on the basis of the tonne-kilometres shifted from road to short sea shipping, rail, inland waterways, shall initially be set at EUR 1 for each shift of 500 tonne-kilometres of road freight. This indicative	movable assets shall be contingent on the obligation to use such assets for the duration of the assistance, principally for the action, as defined by the subsidy agreement. (b) The Community financial assistance, except for transport infrastructure, determined by the Commission on the basis of the tonne-kilometres shifted from road to short sea shipping, rail, inland waterways shall initially be set at EUR 1 for each shift of 500 tonne-kilometres of road freight. This indicative amount could be adjusted, in particular, in accordance with the quality of the project or the real environmental benefit obtained. (c) In accordance with the	be eligible for Community financial assistance provided that final approval for Community funding is given. A contribution towards the costs of movable assets shall be contingent on the obligation to use such assets for the duration of the assistance, principally for the action, as defined by the subsidy agreement. (b) The Community financial assistance, except for preparatory measures, transport infrastructure and equipment, shall initially be set at EUR 1 for every avoidance of 500 tonne-kilometres or 25 vehicle-kilometres of road freight. This indicative amount could be adjusted, in particular,	(b) The funding conditions for ancillary infrastructure: not applicable.

<i>Type of Action</i>	A. Catalyst	B. Motorways of the Sea	C. Modal shift	D. Traffic Avoidance	E. Common Learning
	Art. 5(1)(a)	Art. 5(1)(b)	Art. 5(1)(c)	Art. 5(1)(d)	Art. 5(1)(e)
		amount could be adjusted, in particular, in accordance with the quality of the project or the real environmental benefit obtained. (c) In accordance with the procedure referred to in Article 10(2), the Commission may re-examine, from time to time as necessary, the developments concerning the items on which this calculation is based and, if necessary, adapt the amount of Community financial assistance accordingly. (d) The funding conditions for ancillary infrastructure are set out in Annex II.	procedure referred to in Article 10(2), the Commission may re-examine, from time to time as necessary, the developments concerning the items on which this calculation is based and, if necessary, adapt the amount of Community financial assistance accordingly. (d) The funding conditions for ancillary infrastructure: not applicable.	in accordance with the quality of the project or the real environmental benefit obtained. (c) In accordance with the procedure referred to in Article 10(2), the Commission may re-examine, from time to time as necessary, the developments concerning the items on which this calculation is based and, if necessary, adapt the amount of Community financial assistance accordingly. (d) The funding conditions for ancillary infrastructure are set out in Annex II.	
3. Form and duration of subsidy	Community financial assistance for catalyst actions shall be granted	Community financial assistance for MoS actions shall be granted on the	Community financial assistance for modal shift actions shall be granted on	Community financial assistance for traffic avoidance actions shall	Community financial assistance for common learning actions shall be

<i>Type of Action</i>	A. Catalyst	B. Motorways of the Sea	C. Modal shift	D. Traffic Avoidance	E. Common Learning
	Art. 5(1)(a)	Art. 5(1)(b)	Art. 5(1)(c)	Art. 5(1)(d)	Art. 5(1)(e)
agreement	on the basis of subsidy agreements, with appropriate provisions for steering and monitoring. As a rule, the maximum duration of these agreements shall be 62 months. Community financial assistance shall not be renewable beyond the stipulated maximum period of 62 months.	basis of subsidy agreements, with appropriate provisions for steering and monitoring. As a rule, the maximum duration of these agreements shall be 62 months. Community financial assistance shall not be renewable beyond the stipulated maximum period of 62 months.	the basis of subsidy agreements. As a rule, the maximum duration of these agreements shall be 38 months. Community financial assistance shall not be renewable beyond the stipulated maximum period of 38 months.	be granted on the basis of subsidy agreements, with appropriate provisions for steering and monitoring. As a rule, the maximum duration of these agreements shall be 62 months. Community financial assistance shall not be renewable beyond the stipulated maximum period of 62 months.	granted on the basis of subsidy agreements, with appropriate provisions for steering and monitoring. As a rule, the maximum duration of these agreements shall be 26 months. Community financial assistance shall not be renewable beyond the stipulated maximum period of 26 months.
4. Contract value threshold	The minimum indicative subsidy threshold per catalyst action shall be EUR 3 000 000.	The minimum indicative subsidy threshold per MoS action shall be 2 billion tonne-kilometres of modal shift or, in proportion to the indicative amount per euro of subsidy, EUR 4 000 000.	The minimum indicative subsidy threshold per modal shift action shall be 500 million tonne-kilometres of modal shift or, in proportion to the indicative amount per euro of subsidy, EUR 1 000 000.	The minimum indicative subsidy threshold per traffic avoidance action shall be 500 million tonne-kilometres or 25 million vehicle-kilometres of freight traffic avoided or, in proportion to the indicative amount per euro of subsidy, EUR 1 000 000.	The minimum indicative subsidy threshold per common learning action shall be EUR 250 000.

<i>Type of Action</i>	A. Catalyst	B. Motorways of the Sea	C. Modal shift	D. Traffic Avoidance	E. Common Learning
	Art. 5(1)(a)	Art. 5(1)(b)	Art. 5(1)(c)	Art. 5(1)(d)	Art. 5(1)(e)
5. Dissemination	The results and methods of catalyst actions shall be disseminated, as specified in a dissemination plan, in order to help achieve the objectives of this Regulation.	The results and methods of MoS actions shall be disseminated, as specified in a dissemination plan, in order to help achieve the objectives of this Regulation.	Specific dissemination activities for modal shift actions are not foreseen.	The results and methods of traffic avoidance actions shall be disseminated, as specified in a dissemination plan, in order to help achieve the objectives of this Regulation.	The results and methods of common learning actions shall be disseminated, as specified in a dissemination plan, in order to help achieve the objectives of this Regulation.

ANNEX II:
Funding conditions for ancillary infrastructure according to Art. 2(c) and 5(2) of the Regulation

- (1) Community financial assistance for ancillary infrastructure shall be eligible for funding under the Programme provided that the following conditions are satisfied
 - a) the action requires infrastructure works for the timely implementation of a transport service shifting freight off the road, or, avoiding freight traffic on the road;
 - b) the infrastructure works are completed within 18 months from the starting date of the action; for traffic avoidance actions the delay may be up to 24 months.
 - c) the transport service or traffic avoidance starts within 3 months from the completion of the infrastructure works; additionally for traffic avoidance actions the agreed total avoidance is achieved within the duration of the subsidy agreement.
 - d) the respect of relevant Community legislation, in particular concerning the environment.
- (2) The maximum duration of the agreement established for each type of action referred to in Art. 5 may be extended by the time required to complete the infrastructure works, but in any case not longer than a total period of 74 months.
- (3) Where funding for infrastructure has been requested under this programme, funding from other Community programmes, and specifically funding under the TEN-T Guidelines decision, for the same infrastructure item is excluded.

LEGISLATIVE FINANCIAL STATEMENT

Policy area: Promoting the Competitiveness, Security and Environmental Sustainability of EU Transport and Energy Network

Activity: Inland, Air and Maritime Transport Policy (06 02)

TITLE OF ACTION: REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ESTABLISHING THE SECOND “MARCO POLO” PROGRAMME FOR THE GRANTING OF COMMUNITY FINANCIAL ASSISTANCE TO IMPROVE THE ENVIRONMENTAL PERFORMANCE OF THE FREIGHT TRANSPORT SYSTEM ("MARCO POLO II")

1. BUDGET LINE(S) + HEADING(S)

EX-06.0207 : Programme Marco Polo

EX-06.01 04 01 : Programme Marco Polo – dépenses pour la gestion administrative

2. OVERALL FIGURES

2.1. Total allocation for action (Part b): € 740 million for commitment.

The decision by the legislative authority is taken without prejudice of the budgetary decisions taken in the context of the annual procedure.

2.2. Period of application:

(2007 – 2013)

2.3. Overall multiannual estimate of expenditure:

a) Schedule of commitment appropriations/payment appropriations (financial intervention)
(see point 6.1.1)

€ million												
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Commitments	29	47	95	124	124	142	142	0	0	0	0	703
Payments	8	24	47	76	98	109	129	100	40	36	36	703

b) Technical and administrative assistance and support expenditure (see point 6.1.2)

€ million												
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Commitments	1	3	5	6	6	8	8	0	0	0	0	37
Payments	1	3	5	6	6	8	8	0	0	0	0	37

€ million												
Subtotal a+b	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Commitments	30	50	100	130	130	150	150	0	0	0	0	740
Payments	9	27	52	82	104	117	137	100	40	36	36	740

c) Overall financial impact of human resources and other administrative expenditure (*see points 7.2 and 7.3*)

€ million (<i>to three decimal places</i>)												
Commitments	1.865	1.865	1.865	1.865	1.865	1.865	1.865	0	0	0	0	13.055
Payments	1.865	1.865	1.865	1.865	1.865	1.865	1.865	0	0	0	0	13.055

€ million (<i>to three decimal places</i>)												
Total a+b+c	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Commitments	31.865	51.865	101.865	131.865	131.865	151.865	151.865	0	0	0	0	753.055
Payments	10.865	28.865	53.865	83.865	105.865	118.865	138.865	100	40	36	36	753.055

2.4. Compatibility with financial programming and financial perspective

[X] Proposal is compatible with the Communication by the Commission concerning 2007-2013 of 10 February 2004 (COM(2004)101).

2.5. Financial impact on revenue:⁹

[X] Proposal has no financial implications (involves technical aspects regarding implementation of a measure)

3. BUDGET CHARACTERISTICS

Type of expenditure		New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
Non-comp	Diff/	YES	YES	YES	Heading 1A

4. LEGAL BASIS

Art. 71 and 80 of the EC-Treaty

⁹ For further information see a separate guidance paper

Regulation / of the European Parliament and of the Council, establishing the second “Marco Polo” programme for the granting of Community financial assistance to improve the environmental performance of the freight transport system ("Marco Polo II").

The financial envelope of the Programme can cover also expenses related to preparatory, follow-up, monitoring, audit and evaluation actions, which are directly required for managing the Programme and for achieving its objectives, in particular, studies, meetings, information and publication actions, (expenses linked to information networks aiming at the exchange of information), as well as all other expenses for administrative and technical assistance, to which the Commission can turn to, for managing the Programme.

5. DESCRIPTION AND GROUNDS

5.1. Need for Community intervention

5.1.1. Objectives pursued

If nothing is done, total road freight transport in Europe is set to grow by about 60% by 2013. The effect would be an estimated growth of international road freight in the period 2007-2013 would be 20.5 billion per year for the 25 Member States of the European Union, with negative consequences in terms of accidents, congestion, reliability of the supply chain and logistics processes and environmental damage. The external costs to society and the environment of the additional 20.5 billion tonne-kilometres on roads has been estimated at nearly 1 billion € per year. This is not acceptable.

Table: Forecast and target level of international road transport in EU-25 (in billion tonne-kilometres)¹⁰.

	2006	2007	2008	2009	2010	2011	2012	2013
Road transport	1,762	1,813	1,864	1,915	1,966	2,019	2,073	2,126
International road transport	696	717	737	757	777	798	819	840
Off the road target		20.2	20.2	20.2	20.2	21.0	21.0	21.0

Coping with this growth implies using alternatives to road transport more intensively and systematically than hitherto. The Marco Polo II Programme is based, as well as its predecessor programme Marco Polo, on the Commission White Paper on Transport of 12 September 2001, but takes the concept of modal shift to less congested and more environmentally friendly modes of transport one significant step further in impact.

Marco Polo II is conceived to overcome the dominant legal barrier to Community funded modal shift: the problem of undue distortion of competition apparent in non-innovative

¹⁰ Taken from ECORYS ex-ante report, where these estimations of freight transport growth have been derived from the PRIMES model that has been presented by the European Commission in the *European Energy and Transport Trends to 2030* report. The PRIMES model distinguishes 3 modes for freight transport (road, rail and inland waterways) and is one of the very few models with a wide geographical coverage (30 European countries) for freight transport forecasts.

actions, such as the pure modal shift actions “just taking freight off the road without overcoming a market barrier”. Community support to such actions quickly leads to a stringent saturation effect over the lifetime of the programme, because the easy large-volume modal shift actions are proposed and funded at the first selection rounds, but then successively competition aspects only permit to fund market-niche actions. This effect makes it impossible to achieve the projected annual modal shift.

The quantifiable objective of the Marco Polo II Programme is to shift at least the whole aggregate growth of international road freight transport to short sea, rail and inland waterway modes, without being inhibited by the saturation effect. In total 144 billion tonnes-kilometres in the period 2007-2013.

This is achieved through two basic measures: (a) moving the centre of gravity of the programme from pure modal shift to innovative modal shift actions, and (b) introduction of traffic avoidance actions.

The increase in annual budgets from EUR 25 million for Marco Polo I to EUR 106 million for Marco Polo II stems directly from (1) the overall objective for the modal shift (annually 20.5 billion tkm) and (2) the widening of EC-support for ancillary infrastructure to move the programme’s emphasis to innovative action types (incl. traffic avoidance). Concretely the Marco Polo II Programme proposes five different types of actions.

The pure modal shift actions and the common learning actions are taken over from the predecessor programme without modification. The modified catalyst actions as well as the newly introduced Motorways of the Sea and traffic avoidance actions significantly enlarge and encourage variety and potential impact of innovative solutions through widening the definition of ancillary infrastructure. Effectively, the market-driven service-bound approach is maintained, while support for infrastructure works limited to implement the non-road service or totally avoid any traffic is added.

In view of globalisation of the markets and in particular the importance of a seamless, efficient transport interface to the neighbour countries of the European Union the geographical scope for full participation of all close third countries is offered, subject to the conclusion of specific agreements.

The five types of actions:

1. Catalyst actions should tackle structural market barriers through setting up of concrete innovative services. In order to increase efficiency of infrastructure utilisation, catalyst actions aiming at achieving synergies in the rail sector deserve specific attention. Integrated freight-passenger services are eligible for support. There is Community support for ancillary infrastructure, if such works are limited to implementation of the service.
2. Motorways of the Sea actions are based on the catalyst action concept, but combine it with a concrete very large modal shift objective. They focus on high quality, high frequency maritime transport with matching efficient, preferably non-road hinterland connections. There is Community support for ancillary infrastructure, if such works are limited to implementation of the service.

3. Modal shift actions do not need to be innovative. They just shift freight off the road, and as much as possible. There is no Community support for any infrastructure.
4. Traffic avoidance actions are also based on the catalyst action concept, combine it with a large modal shift objective, but additionally require an integrated approach to transport and production logistics. Under stringent conditions, there is Community support for ancillary infrastructure, if such works are limited to the avoidance of traffic.
5. Common learning actions are concerned with improving the co-operative spirit, the sharing of know-how and the increase of knowledge in the logistics sector.

The estimated effect of the different actions can be summarised as follows:¹¹

ACTION ¹²	Immediate impact on traffic shift (< 1.5 years)	Short term effect (1.5 - 3 years)	Medium term effects (4 – 7 years)	Impact on structural change	ACTION IMPACT (max = 12)
Catalyst	LOW/ MEDIUM	MEDIUM/ HIGH	HIGH	HIGH	10/12
Motorways of the Sea	LOW ¹³ / MEDIUM	HIGH	HIGH	HIGH	10.5/12
Modal shift	MEDIUM/ HIGH	MEDIUM	MEDIUM/ LOW	LOW	7/12
Common learning	NIL/LOW	LOW/ MEDIUM	MEDIUM/ HIGH	MEDIUM/ HIGH	7/12
Traffic avoidance	NIL/LOW ¹⁴	MEDIUM/ HIGH	HIGH	HIGH	9/12
PROGRAM IMPACT (max = 15)	6/15	11.5/15	13/15	12.5/15	

Long term effects (more than 7 years) are expected to be similar to medium term effects.

There are basically two groups of actions: (a) high impact: catalyst, Motorways of the Sea and traffic avoidance actions with 9-10.5 points; and (b) lower impact: modal shift and common learning actions with 7 points. Modal shift actions, despite their lower overall impact, are still of great importance due to their unique feature of having an immediate impact, - an essential element of the Marco Polo intervention.

¹¹ Points attributed: “3” is given for high effect/impact, “2” for medium effect/impact, “1” for low and “0” for no effect/impact.

¹² Impact of action type averaged over lifetime of the programme, i.e. including saturation effect.

¹³ Low immediate impact due to infrastructure works preceding start of service.

¹⁴ No or low immediate impact due to infrastructure works preceding traffic avoidance.

As further explained below, the allocation of funding to the different intervention reflects, to a large degree, the impact they are intended to have in the market place. The saturation effect for the modal shift actions is included in the assessment.

5.1.2. Measures taken in connection with the ex-ante evaluation

5.1.2.1 Key features of the ex-ante evaluation:

The ex-ante evaluation of the Marco Polo II Programme has been carried-out by a consortium lead by ECORYS through a designated Framework Contract on Impact Assessment and Ex-ante Evaluations of DG-TREN. The evaluation was conducted between 15 April and 15 June 2004. Two interim and the draft final report were delivered on 30 April, 13 May and 03 June 2004, respectively. Given the short project duration, a focused step-by-step approach is followed, based on a two-weekly reporting cycle, followed each time by a meeting with the Commission.

The methodology of the Marco Polo II ex ante evaluation is based on the European Commission document ex-ante evaluation – a practical guide for preparing proposals for expenditure programmes. This document provides a complete overview of steps to be carried out. For specific, more in-depth guidelines on impact assessment, use is made of the document a handbook for impact assessment in the Commission – How to do an Impact Assessment.

Consultants used their own databases, but have also co-operated closely with DG TREN experts involved in Marco Polo and Marco Polo related areas. All documentation and evaluations of PACT, Mini-Call for Catalyst Actions 2002 and the first selection round of Marco Polo Programme (2003-2006) were provided. A stakeholders' consultation exercise is carried out as part of the ex ante evaluation. Main stakeholders identified are representatives of modal or sub-sector associations. An overview of all documentation and stakeholders consulted as input for the evaluation is given in the ex-ante report in Annexes 1 and 9, respectively.

The ex-ante report is available on the Marco Polo website at http://europa.eu.int/comm/transport/marcopolo/index_en.htm

5.1.2.2 Findings and lessons learnt from the ex-ante evaluation:

The ex-ante evaluation resulted in the following main conclusions:

1. To achieve the long-term key objectives of the Marco Polo programme, it is necessary to expand the scope of the Programme, with a corresponding cost-effective increase in budget.
2. The Marco Polo II proposal, when reviewed against alternative instruments, has significant intrinsic strengths. Its structure, based on direct grants to companies for setting up intermodal services, viable in medium-term, is the most efficient way of public intervention for intermodal transport currently available.
3. The Marco Polo II proposal is coherent with and complementary with other EU and Member States initiatives, including the Trans European Network (TEN) programme.

4. Given the concrete and ascertainable objectives of the Marco Polo programme, the necessary budget can be objectively calculated and structured in a way to generate multiple benefits for society. In fact Marco Polo II provides value for money: the funding scenario favoured by the ECORYS experts, the “base case” with about 50% of the actions being of the innovative type (catalyst, Motorway of the Sea and traffic avoidance), results in EUR 5 billion of saved external cost for a programme budget of EUR 820 million, calculated over the contract duration alone. Of course viable actions will continue to save externalities beyond the end of their contract with the Community. Further benefits to society are: (a) creation of high-skilled jobs, mostly permanently bound to local infrastructure on EU-territory, (b) very large private investments in services and infrastructure through typical public-private-partnerships with the private sector being the main contributor, (c) more efficient use of energy, (d) higher utilisation factors of non-road transport infrastructure and (e) direct benefits through shifting freight off the road allowing better movement¹⁵ of passenger vehicles – a relief to all citizens of the European Union.

In the prediction of success rates for supported actions the Commission uses about 10% higher figures than the evaluators (see column 4 of table “Overview on distribution and impact of actions” in point 5.2). This permits to decrease the number of actions by 10%, which in turn decreases the budget of EUR 820 million recommended by the evaluators to EUR 740 million in the proposal. Consequently, the probability to reach the modal shift objective of 144 billion tkm is lower, but still acceptable. Any further reduction of budget would denature the proposal.

5.1.2.3 Assessment of alternative delivery mechanisms:

The objective of the Marco Polo II programme is to shift at least the whole aggregate growth of international road freight transport to short sea, rail and inland waterway modes, without being inhibited by the saturation effect. In total 144 billion tonnes-kilometres in the period 2007-2013. This is a quantifiable and verifiable objective.

First, this objective cannot be reached by regulatory action alone. As further explained in the Explanatory Memorandum, regulatory action has made large progress in the last few years. However, it is now time to implement, in the market, the chances and opportunities resulting from the regulatory action. Again, the Explanatory Memorandum points out that given the high risks inherent to the exploitation of such opportunities, practical Community action is necessary to stimulate risk-taking.

Second, in terms of type of programme, an intervention into the transport and logistics service market has to be proposed. Programmes supporting studies would not achieve such concrete and important impacts in the market. Indeed, the evaluation of the PACT programme recommended discontinuation of feasibility studies. Research and development programmes can contribute to the preparation of a better functioning of markets through development of new technologies or spreading of research results. However, R&D funding does not intervene directly in the market and can therefore not steer the action to support directly a concrete policy output, namely the shifting of 20.5 billion tonne-kilometres per year. A similar argument prevails for the utilisation of pure infrastructure funding programmes to reach the above policy objectives. First, infrastructure projects do not yield immediate results in terms

¹⁵ Better movement of passenger vehicles if compared to a situation without a Marco Polo II programme.

of traffic shift, due to their relative long-term nature. Second, it is difficult, at this stage, to make an assessment of the concrete impact of an infrastructure on modal shift. To yield any impact, it will have to be used by transport services, which finally might not be the case, or at least not as much as predicted perhaps one decade before. This use cannot be concretely steered by the Commission, as such regulation of transport use and demand would violate fundamental principles of the market economy. Thus, a programme geared to put concrete services in the market first and then attach some support to ancillary infrastructure is the best delivery mechanism to achieve concrete modal shifts, especially when implemented as a public-private-partnership.

Third, the scope and concrete mix of interventions proposed by the Marco Polo programme show clear benefits when compared with other types of possible market intervention programmes for the logistics market. In the first place, its scope covers the whole of the international freight and logistics market. This assures the largest possible opportunity for modal shift. Second, by proposing five types of actions, Marco Polo also intends to cover the different needs of industry, in order to trigger the best proposals. The Explanatory Memorandum explains the differences and the linkage between the proposed actions. It is also important to see the reciprocal dynamic and the interaction between catalyst, Motorways of the Sea, modal shift, traffic avoidance and common learning actions.

Thus, especially compared with PACT-like interventions, which focus on one sector of the freight market only, and only allow one type of action, or Marco Polo I which is hindered by the saturation effect for pure modal shift actions, the Marco Polo II's mix of actions, with its emphasis on innovation, including traffic avoidance, will ensure cost effectiveness as well as optimal delivery and flexibility on the way to reach its objectives when compared to actual or possible alternatives, such as price/tax measures, pure infrastructure packages, strict legislation and pure promotion strategies. Additionally the Community subvention rate of maximum 35% was assessed to be optimal.

The ex-ante report concludes in the relevant chapter 4: "Marco Polo II has been reviewed against a series of alternative delivery mechanisms and risk categories and has, as currently conceived, significant intrinsic strengths. Marco Polo II is intended as a robust, practical and focused programme, which builds on the existing Marco Polo programme and has the merit of expanded scope to achieve the key objectives."

5.1.2.4 Expected results vs. costs

The expected results of the Marco Polo programme are a yearly aggregate shift of 20.5 billion tonne-kilometre freight from international road transport to short sea, rail, inland waterway and zero-traffic (traffic avoidance). The different Marco Polo interventions should also ensure that there will be a structural change in the sector, and that the sector will, through the quality improvements induced by the programme, become more competitive and viable on a medium/long term and sustainable basis. Within the financial perspective 2007-2013, the concrete goal is to achieve at least measurable shifts of 20.5 billion tkm per year, and of 144 billion over the programme's lifetime, in the 25 Member States.

The costs to the Community budget to achieve these results are calculated to be EUR 740 million for the actions plus EUR 13 million for human resources and other administrative expenditure (see point 2.3.c). This budget is cost-effective from various points of view.

Scientific evidence suggests that the yearly increase of international road freight of 144 billion tkm translates into extra costs to society of about EUR 5 billion.

1 € expenditure under Marco Polo would thus generate about EUR 6 in savings on external costs (EUR 4.980 billion / 0.753 billion). Additionally, private investments of at least EUR 1.4 billion ((0.740 billion / 35 %) - 0.740 billion) are triggered. Experience with Marco Polo I indicate, that in average the 35% ceiling is not reached by far. In fact in the first selection round EUR 15 million of Community subsidies triggered an investment of about EUR 360 million, i.e. the subsidy rate was about 4 %. However, this very low percentage can not be applied directly to Marco Polo II, because of the absence of infrastructure funding under Marco Polo I.

The management costs (staff, committee meetings, missions) of the Marco Polo II programme, assessed to be EUR 1.865 million per year, indicate a further improvement vis-à-vis the already very efficiently managed Marco Polo I programme when compared to the programme's budget. Concerning the number of management staff, the Commission follows here the recommendations of the ex-ante report of 12-14 persons, adding a secretariat of 3 persons. The resulting team of about 16 permanent staff will run the programme, including the contracts.

With the requested average yearly budget of Marco Polo is EUR 106 million this gives for the management costs a rate of only 1.8 %.

5.1.2.5 Value added by the Community intervention

In general:

As stated in the Explanatory Memorandum, Member States on their own are not able in an optimal way to encourage a further development of non-road freight transport, given that a large part of this transport is international in nature. This fact creates a need for Community intervention.

The Community intervention through the Marco Polo programme presents an instrument for risk-financing and structural quality enhancement in the logistics service sector, which is otherwise not available, neither on Community, nor on Member States' level.

The Community intervention in the form of modal shift and catalyst actions creates additional added value, because the actions to be subsidised should be viable on their own after three or four years of subsidisation respectively.

Finally, as explained above, the interventions under this programme should create a societal benefit in form of saved external costs.

Complementarity to Trans European Networks:

The Trans European Network programme focuses on the development of roads, railways, inland waterways, airports, seaports, inland ports and traffic management systems in order to strengthen the creation of the Internal Market and reinforce Economic and Social Cohesion within the Union. Marco Polo is a service-oriented programme, providing the opportunity to fund ancillary (i.e. small-scale) infrastructure that is supportive to the services, and making use of large scale infrastructure, such as developed under the Trans European Network

programme. In this respect the two programmes are complementary; the Trans European networks providing the infrastructure basis that are used by the Marco Polo initiated services.

Motorways of the Sea are a particular field of interest. As stated in the White Paper: ‘certain shipping links, particularly those providing a way around the bottlenecks in the Alps and Pyrenees, should be made part of the Trans European Network, just like motorways or railways’. The Trans European Network programme, on the hand, should ensure hinterland connections from and to the ports, integrating the Motorways of the Sea into the Trans European Network. On the other hand, Marco Polo, by supporting intermodal services to make use of the Motorways of the Sea, will contribute to raising a sufficient volume of traffic to validate the Motorways of the Sea.

This higher utilisation argument applies also to all non-road transport infrastructure investments European and national in the Short sea shipping, rail and inland waterways sectors.

The ex-ante report provides further details in chapter 5.

5.2. Action envisaged and budget intervention arrangements

The Marco Polo programme features five types of actions: modal shift actions, catalyst actions, Motorways of the Sea actions, traffic avoidance and common learning actions. The required information will be given for the five types of actions in turn:

1. Catalyst actions should tackle structural market barriers through setting up of concrete innovative services. They would change the way transport is being conducted in Europe. They will be complex in nature and require more time and effort to be successful than modal shift actions. In order to increase efficiency of infrastructure utilisation, catalyst actions aiming at achieving synergies in the rail sector deserve specific attention. Integrated freight-passenger services are eligible for support. There is Community support for ancillary infrastructure, if such works are limited to implementation of the service. In terms of meeting policy objectives, catalyst actions will have the highest impact.
2. Motorways of the Sea actions are based on the catalyst action concept, but combine it with a concrete very large modal shift objective. They focus on high quality, high frequency maritime transport with matching efficient, preferably non-road hinterland connections. There is Community support for ancillary infrastructure, if such works are limited to implementation of the service.
3. Modal shift actions do not need to be innovative. They just shift freight off the road, and as much as possible. There is no Community support for any infrastructure.
4. Traffic avoidance actions are also based on the catalyst action concept, combine it with a large modal shift objective, but additionally require an integrated approach to transport and production logistics. The frame is set to give Community support to innovative entrepreneurs to tackle the problem on how to decouple market from transport growth. Under stringent conditions, there is Community support for ancillary infrastructure, if such works are limited to the avoidance of traffic.

5. Common learning actions are concerned with improving the co-operative spirit, the sharing of know-how and the increase of knowledge in the logistics sector. Though not directly shifting freight off the road, they should facilitate achieving the modal shift objective of the programme. They will be geared towards prompting replication in the market.

Table: Overview on distribution and impact of actions¹⁶:

Actions	Average Number of projects per year	Number of projects (2007-2013)	Success rate of projects	Tonne-kilometre-shift (billion)	Tonne-kilometre-share	EC subsidy for services (mio EUR)	EC subsidy for infrastructure (mio EUR)	Total EC-subsidy cost (mio EUR)	Subsidy share
Catalyst (rail synergy)	5.5	38	55%	10.5	7%	37.9	55.8	94	13%
Catalyst (others)	5.5	38	83%	23.6	16%	56.9	100.7	159	21%
Motorway of the Sea	5.5	38	55%	42.0	29%	151.6	136.6	287	39%
Modal shift	16.5	115	83%	57.5	40%	138.3	0	138	19%
Traffic Avoidance	4.5	32	66%	10.5	7%	31.6	17.1	49	7%
Common Learning	4.5	32	83%	-	-	13.7	0	13	2%
Total	42	293		144.1	100%	430.0	310.2	740	100%

In summary, 293 outputs are envisaged for seven years (2007-2013), an average of 42 interventions out of 150 proposals submitted per year. This provides a success rate of one in three, which is essential to receive proposals from the best market players (see ex-ante report, chapter 7 “Stakeholders’ consultation”). With an average budget of EUR 106 million per year, the financial assistance intensity per output would be EUR 2.5 million. This would be in average about 2.5 times more than the average contract volume of Marco Polo I. The corresponding efficiency gains in management costs have been described above.

5.3. Methods of implementation

Because of the strong linkage of the programme to key transport policy objectives, the need to steer catalyst, Motorways of the Sea, traffic avoidance and common learning actions in view of helping achieve policy priorities, this programme will be directly managed by the Commission using regular staff and, in the framework of accompanying measures and programme evaluation, outside expertise.

¹⁶ Figures given for total programme lifetime 2007-2013, except for column 2.

6. FINANCIAL IMPACT

6.1. Total financial impact on Part b - (over the entire programming period)

(The method of calculating the total amounts set out in the table below must be explained by the breakdown in Table 6.2.)

6.1.1. Financial intervention

Commitments (€ million)

Breakdown	2007	2008	2009	2010	2011	2012	2013	Total
Catalyst actions (rail synergy)	4	6	13	17	17	18	19	94
Catalyst actions (others)	6	11	21	28	28	32	33	159
Motorways of the Sea	12	20	38	50	50	61	59	287
Modal shift actions	5	9	19	24	24	28	28	138
Traffic avoidance	2	3	7	9	9	9	10	49
Common learning actions	1	1	2	2	2	2	3	13
Dissemination and accompanying measures	0	0	0	0	0	0	0	0
TOTAL	30	50	100	130	130	150	150	740

6.1.2. *Technical and administrative assistance, support expenditure and IT expenditure (commitment appropriations)*

According to Article 12 of the proposal the values given below indicate maximum figures, representing 5% of the budgetary envelope in point 2.1 of this financial statement.

€ million

	2007	2008	2009	2010	2011	2012	2013	Total
1) Technical and administrative assistance	1	3	5	6	6	8	8	37
a) Technical assistance offices								
b) Other technical and administrative assistance: - intra muros: - extra muros: <i>of which for construction and maintenance of computerised management systems</i>								
Subtotal 1								
2) Support expenditure								
a) Studies								
b) Meetings of experts								
c) Information and publications								
Subtotal 2								
TOTAL	1	3	5	6	6	8	8	37

6.2. Calculation of costs by measure envisaged in Part b (over the entire programming period)¹⁷

(Where there is more than one action, give sufficient detail of the specific measures to be taken for each one to allow the volume and costs of the outputs to be estimated.)

Commitments (in € million to three decimal places)

Breakdown	Type of outputs (projects, files)	Number of outputs (total for years 1...n)	Average unit cost	Total cost (total for years 1...n)
	1	2	3	4=(2X3)
<u>Catalyst Actions (rail synergy)</u>	Projects	38	2.474	94
<u>Catalyst Actions (others)</u>	Projects	38	4.184	159
<u>Motorways of the Sea</u>	Projects	38	7.553	287
<u>Modal Shift Actions</u>	Projects	115	1.200	138
<u>Traffic Avoidance</u>	Projects	32	1.531	49
<u>Common learning actions</u>	Projects	32	0.406	13
<u>Dissemination and accompanying measures</u>	Projects	0	0	0
TOTAL COST				740

If necessary explain the method of calculation

¹⁷ For further information, see separate explanatory note.

7. IMPACT ON STAFF AND ADMINISTRATIVE EXPENDITURE

7.1. Impact on human resources

Types of post		Staff to be assigned to management of the action using existing and/or additional resources		Total	Description of tasks deriving from the action
		Number of permanent posts	Number of temporary posts		
Officials or temporary staff	A	10; out of which 2 existing	0	10	Selection of projects, monitoring and evaluation of catalyst, MoS, traffic avoidance and common learning actions, dissemination activities
	B	3; out of which 1 existing	0	3	Technical contract management, monitoring of modal shift actions, database and website management
	C	3; out of which 1 existing	0	3	Secretarial support
Other human resources					
Total		16; out of which existing	0	16	

The number of staff follows directly chapter 12 of the Ex-ante Report, recommending 12 to 14 staff plus secretariat.

The requirements for human and administrative resources will be covered by the allocation assigned to the managing Directorate General in the frame of the annual allocation procedure.

The allocation of posts will depend partly on the internal organisation of the next Commission and partly on an eventual re-allocation of posts between services, following the new financial perspectives.

7.2. Overall financial impact of human resources

Type of human resources	Amount (€)	Method of calculation *
Officials	1.728.000	16 officials at standard costs 108.000 € each
Temporary staff	0	
Other human resources (specify budget line)	0	
Total per year	1.728.000	

The amounts are total expenditure for twelve months.

7.3. Other administrative expenditure deriving from the action

Budget line (number and heading)	Amount €	Method of calculation
Overall allocation (Title A7)		
A0701 – Missions	62.000	78 x 800 €
A07030 – Meetings		
A07031 – Compulsory committees – Advisory committee according to Art. 3 of Comitology Decision	75.000	3 x 25.000 €
A07032 – Non-compulsory committees ¹		
A07040 – Conferences		
A0705 – Studies and consultations		
Other expenditure (specify)		
Information systems (A-5001/A-4300)		
Other expenditure - Part A (specify)		
Total per year	137.000	

¹ Specify the type of committee and the group to which it belongs.

The amounts are total expenditure for twelve months.

The needs for human and administrative resources shall be covered within the allocation granted to the managing service in the framework of the annual allocation procedure

The amounts are total expenditure for twelve months.

I.	Annual total (7.2 + 7.3)	1.865.000 €
II.	Duration of action	7 years
III.	Total cost of action (I x II)	13.055.000 €

(In the estimate of human and administrative resources required for the action, DGs/Services must take into account the decisions taken by the Commission in its orientation/APS debate and when adopting the preliminary draft budget (PDB). This means that DGs must show that human resources can be covered by the indicative pre-allocation made when the PDB was adopted.

Exceptional cases (i.e. those where the action concerned could not be foreseen when the PDB was being prepared) will have to be referred to the Commission for a decision on whether and how (by means of an amendment of the indicative pre-allocation, an ad hoc redeployment exercise, a supplementary/amending budget or a letter of amendment to the draft budget) implementation of the proposed action can be accommodated.)

8. FOLLOW-UP AND EVALUATION

8.1. Follow-up arrangements

Follow-up and monitoring of the five types of actions envisaged by the Marco Polo programme will be as follows:

Innovative actions (catalyst, Motorways of the Sea, traffic avoidance): The granting of subsidies to these types of action will be based on the standard subvention contract of the European Communities. The various monitoring, information and auditing provisions of this contract will fully apply.

Further, the subvention contracts will also provide for steering powers of the Commission. On request of the Commission, or the beneficiaries, steering committees will be convened ad-hoc. As stated above, this close steering function will be an important feature of these innovative actions. Further, regular reporting obligations will be provided for. In line with the expected mission budget, each action will be monitored on spot several times during its life-time.

The objective of these innovative actions, while more complex than the one of the (pure) modal shift actions, can be clearly described by a comparison of the existing situation and the expected situation at the end of the project. Based on this description, concrete project objectives will be agreed upon. The project plan by the beneficiary will also have to provide work packages, with concrete sub-objectives and time tables, in particular for ancillary infrastructure works, if any. This will ensure that eventual problems and delays can be detected and remedied quickly.

All these actions will also feature a modal shift / traffic avoidance objective, which is easily verifiable.

Commission staff will be closely involved in these projects. Depending on the specific features of the project, “accompanying measures” for dissemination or monitoring of outputs should be included in the individual project’s work plan and budget.

In line with the recommendations of the external evaluation of the PACT programme and the ex-ante report of the Marco Polo II programme, post-contractual monitoring will be agreed upon, to verify the effects of the project on structural change and traffic shift / traffic avoidance after the termination of the subsidy.

Modal shift actions: The granting of subsidies to this type of action will be based on the standard subvention contract of the European Communities. The various monitoring, information and auditing provisions of this contract will fully apply.

Further, the subvention contracts will also provide for steering powers of the Commission. On request of the Commission, or the beneficiaries, steering committees will be convened ad-hoc. Regular reporting obligations will be provided for. In line with the expected mission budget, each modal shift action should be visited at least once in its life-time on the spot. This practice has been followed already in the PACT and Marco Polo I programmes, with good success.

The objective of these modal shift actions is straightforward: shift 500 tkm per 1 € support given from road to short sea shipping, rail, or inland waterway and achieve viability within a maximum of 36 months of support. The contract will therefore contain quantified objectives, whose attainment will be easily verifiable.

In line with the recommendations of the external evaluation of the PACT programme and the ex-ante report on the Marco Polo II programme, post-contractual monitoring will be agreed upon, to verify the effects of the projects in terms of traffic shift after the termination of the subsidy.

Common learning actions: The granting of subsidies to this type of action will be based on the standard subvention contract of the European Communities. The various monitoring, information and auditing provisions of this contract will fully apply.

Further, the subvention contracts will also provide for steering powers of the Commission. On request of the Commission, or the beneficiaries, steering committees will be convened ad-hoc. Further, regular reporting obligations will be provided for. Each common learning action should end with a work shop on the subject. This serves both dissemination purposes and a common understanding of what was achieved. Depending on the type of project, such workshops could also be an opportunity to agree of further implementation of the knowledge gained. One example could be the signing of an action plan, to be implemented under the auspices – not necessarily always with further funding – of the Commission.

The objective of the common learning actions can be clearly described by a comparison of the existing situation and the expected situation at the end of the project. Based on this description, concrete project objectives will be agreed upon. The project plan by the beneficiary will also have to provide work packages, with concrete sub-objectives and time tables. This will ensure that eventual problems and delays can be detected and remedied quickly.

In line with the recommendations of the external evaluation of the PACT programme and the ex-ante report of the Marco Polo II programme, post-contractual monitoring will be agreed upon, to verify whether the knowledge gained will be effectively applied in the market, and the effects of such application.

8.2. Arrangements and schedule for the planned evaluation

A thorough evaluation report on the Marco Polo I programme (2003-2006) is scheduled for the end of 2006, with the results being presented before 30 June 2007, according to Article 14 of the proposal (Marco Polo II). This evaluation will be able to build on information gained from four selection procedures, a number of modal shift and common learning projects already terminated, and catalyst actions already well under way.

The evaluation will focus on the impact of the Marco Polo I programme in terms of traffic shift. Stimulating traffic shift is the prime objective of the Marco Polo I programme. Besides, it will analyse the management and progress of the ongoing projects.

Based on Article 12 of the proposal, additional external evaluations will be carried-out on the Marco Polo II Programme. In line with the recommendations in chapter 11 of the Ex-ante Report, such an exercise will be implemented for Marco Polo II as a Mid-Term Evaluation in 2010 and an Ex-post Evaluation in 2015.

9. ANTI-FRAUD MEASURES

- As the contracts for all actions envisaged will be standard subvention contracts, the generally applicable anti-fraud measures will apply.
- Output will be clearly visible and measurable in all types of action. The types of subsidy will be straightforward: expenditure in investment, and costs arising from operations. These items can be verified in details, and there is enough material and knowledge through the PACT and Marco Polo I projects to make an informed assessment of the dangers of fraud.
- Furthermore, especially for catalyst, Motorways of the Sea, traffic avoidance and common learning actions, monitoring will be close, and project progress will be rigorously appraised by Commission staff. Special attention will be given to the proper execution of the ancillary infrastructure works, if any.
- On the spot visits will be a steady feature of all projects.
- Depending on the complexity of the projects, specific monitoring tasks can be entrusted to specialised staff or outside consultants, for instance for validating business plans, viability forecasts, and other accounting problems as well as construction problems.
- Like the PACT evaluation did, the external evaluation foreseen in 2006 should also evaluate the control systems and the budgetary execution of the various actions.
- Like the PACT and Marco Polo I programmes, Marco Polo II will feature transparent and focussed selection procedures, based on the presentation of objective and verifiable applications. Commission staff from various departments will be evaluating the proposals. The Member States' Committee will give an opinion on the funding proposal by the Commission. In order to further increase the transparency of the proposals, industry associations could be asked to comment on certain aspects of applications, such as their impact on competition.