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12th Florence Intermodal Forum Investing into transport infrastructures: where to focus?

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Highlights

The first 'Community Guidelines' for the development of the trans-European network were adopted in July 1996. These guidelines incorporated a 'Master Plan', detailing the connection of major national road, rail and waterway networks between Member States, with the aim of relieving major European bottlenecks by addressing issues such as capacity restrictions and cross-border incompatibility.

The guidelines were amended in 1999 to include rules for the granting of EC and EU funding of Trans-European Transport Network (TEN-T) projects. These TEN-T guidelines incorporated a series of flagship 'Priority Projects' and allocated priority status according to their strategic importance and/or significant scale. In 2009, the EC took the decision to launch a TEN-T policy review, with a view to further developing TEN-T policy ahead of the (then upcoming) budgetary period, 2014 to 2020. The review assessed successes and failures of TEN- T policy between 1996 and 2009.

In 2014 a new set of TEN-T guidelines were introduced, thus setting out a clear path forward for investment and action between 2014 and 2030.

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This new policy is built upon the concept of an integrated, multimodal, core network of corridors, linking major nodes through key rail, road, inland waterway, maritime and air transport connections.

To support the transition to a cleaner, greener and smarter mobility in line with the European Green Deal and the Sustainable and Smart Mobility Strategy, the Commission also proposed to revise the TEN-T Regulation of 2013. Accordingly, the Commission made its initial legislative proposal for a revised regulation in December 2021.

The new TEN-T regulation was adopted at the end of 2023 and it aims to make the EU's transport network safer, more sustainable, faster, and more convenient for its users. To address the missing links and modernize the entire network, quality standards should be increased. The Smart and Sustainable Single European Transport Area requires not only a strong political will but even more so substantial investments. The challenges European transport has been facing as of lately are unprecedented (Covid-19 and the war in Ukraine, to name a few). This is in addition to the ongoing challenges of digitalisation and decarbonisation.

From "network" to "system": vision, governance, and finance

Matthias Finger, Juan Montero

Over the past 30 years the European Union is building a coherent European network on top of the existing national networks in all the transport modes. Connecting existing national transport infrastructures by promoting cross border links is often neglected in national investment plans, yet is essential for realizing the single European market, in transport, as in all other sectors. EU funds have been and continue to be fundamental for the roll-out of the EU-wide transport network, even though EU funds are and will always only be a fraction of the total investment in the European transport infrastructure.

The past: building the "network"

Building a Trans-European Network for Transport (TEN-T) is before all a vision, the first time explicitly formulated in Regulation 1315 in 2013 (the so-called TEN-T Regulation), even though it was already preceded by the three years earlier Regulation 913 to build a European Rail Network for Competitive Freight, the so-called rail freight corridors. Being broader, this vision entails the creation of a core network linking major cities, maritime and inland ports, airports, and terminals, to be completed by 2030 and a comprehensive network connecting all regions of the EU to this core network to be completed by 2050. Both networks comprise railways, inland waterways, short sea shipping routes, and roads. Such a vision can of course not be implemented at once, so one has to take a stepwise approach and set priorities. In the past, the focus was basically on the links, especially the cross-border links. Consequently, core network corridors in the different transport modes were identified as the backbone of the TEN-T's core network, from east to west and from north to south along all the important traffic axes.

In terms of governance, nine core network corridors and two horizontal priorities – the European Rail Traffic Management System (ERTMS) and the Motorways of the Sea (MoS) –were institutionalized. Each of them is managed by a "European Coordinator", thus in fact creating a new, albeit quite weak, governance structure. Indeed, these 11 European Coordinators are basically "facilitators", whose role it is to coordinate the relevant stakeholders, i.e., regions, cities, infrastructure managers of all transport modes, ports, airports and terminals, including the Member States that are affected by these 9 corridors and these 2 priorities. Typically, these Coordinators are concerned with issues of standardization, modal integration, interoperability, interconnection, and of course the development of the related infrastructures.

In terms of financing, the Connecting Europe Facility (CEF) is the most important infrastructure financing instrument supporting energy, telecom and transport projects. Of the 30 billion € allocated for the period 2014-2020, 22 billion € went to transport, of which 16 billion € to rail. Most of the financed or co-financed projects pertained to connectivity, i.e., mostly cross-border connections (links) as well as the removal of congestions (along the TEN-T core network, such as for example the Brenner base tunnel between Austria and Italy). Besides connectivity, the main other objectives pursued by such financing quite logically pertain to lowering emissions and modal shift.

The future: building the "system"

What is the next step? Formally, this next step is initiated by a revision of the TEN-T Regulation as proposed by the Commission in December 2021, a revision which is currently in its final stages. Of course, the overall objectives – connectivity, decarbonization – remain valid, but resilience has in the meantime emerged as an objective of equal importance. Concrete changes pertain to the definition of an intermediate step, i.e., the definition of an extended core network (2040), in between the core network (2030) and the comprehensive network (2050), as well as the merger between the rail freight corridors and the European Transport Corridors. However, we detect an interesting evolution in the underlying vision, namely the evolution from a network to a systems approach: while the development of lines remains important, much more emphasis is now placed on nodes, namely trans-shipment terminals, multimodal transport hubs and "urban nodes". Consequently, cities now become an integral part of this European transport or rather "European mobility system", and they will have to

develop sustainable urban action plans to promote zero-emission mobility. The vision is now clearly one of a networked system with not only links but also nodes. Needless to say, that such a systemic view is much more in line with the idea of (systemic) resilience, the ever more important role played by (system-wide) digitalization of transport, and the inevitable synergies with other systemic infrastructures, especially energy.

This is a much more powerful vision for Europe than simply “remediating the missing links”. It is also a vision that better corresponds to the newly emerging reality of Europe: rather than being a Europe of the nation-states and the regions, it is a vision of an urbanized Europe, an integrated urban system with urban nodes (cities, or rather metropolitan areas) connected to each other by multi-modal links. However, this vision still remains to be translated into corresponding governance arrangements: instead of managing each of the links, the so-called Transport Corridors, separately, European transport system governance needs to evolve towards what we already know in aviation, namely network management as performed by a “network manager”, a mandate given by the Commission to Eurocontrol. Interestingly, this idea of a more appropriate governance structure was already floated during one of our Florence Forums back in March 2021 under the label “Eurocontrol of rail”. We think that it would be worthwhile exploring this idea further, yet perhaps from a more multimodal perspective.

As this vision will (inevitably) become ever more widespread and ever more accepted, funding priorities will necessarily (have to) evolve. The focus will (have to) be put on these elements which are most directly and most effectively contributing to the European mobility system’s performance, namely the system’s efficiency, sustainability and resilience. These elements will most probably be (urban) nodes as well as system management tools. The results of such funding will without doubt be even more effective if accompanied by corresponding governance mechanisms.

Main Takeaways from the Discussions

Natalia Gortazar Enrich

TEN-T is a long-standing policy introduced in the 90´s with the aim to improve European cross-border transport. Member States had been building their transport networks for their own national purposes and without taking into account developments on the other side of their borders. As Europe was trying to become ever more integrated, this turned out to be a very inefficient "patchwork" of networks, with different technical standards and different operational rules.

The development of a Trans-European Transport Network must be seen as an attempt to overcome this fragmentation, initially thanks to a list of 30 priority projects belonging to different transport modes. But this list also lacked coherence, as these projects were not necessarily linked to each other.

As of 2013 the individual project approach evolved into a more network oriented one: the focus was put on the design of a trans-European network, prioritizing interconnection and interoperability, i.e., making sure that the same standards were applied throughout the network. It also became clear that implementing interoperability required deadlines, such as 2030 for the core network and 2050 for the comprehensive network. It also required a new approach because the modal shift was not really taking place either. For this reason, the EU started to concentrate its efforts on intermodality. Many governance tools to support the coordination and implementation of the TEN-T network were subsequently put into place, such as in the case Transport Corridors under the leadership of the European Coordinators.

Currently, the Council and Parliament are negotiating with the Commission about a revision of the TEN-T Regulation. The aim is to accelerate the modal shift from road to rail (by including some standards to allow a higher throughput of rail freight and improving terminals), and to introduce additional elements such as climate resilience, maintenance and responses to geopolitical challenges. Indeed, climate events such as floods are becoming more and more repetitive and intense and have a huge impact on the network. Therefore, it is urgent we improve our knowledge on how to cope with them. Along with the climate issue, the geopolitical landscape has also affected the EU. In fact, the Russian-Ukrainian conflict has triggered the revision of the corridors. Finally, maintenance is also becoming a relevant topic, as the network is ageing and needs ever more maintenance to keep up.

Of course, all the aforementioned policy objectives require investments. In this sense, the EU has developed several tools such as the taxonomy initiative, Social Climate funds, Resilience Recovery Fund (RFF), Innovation Fund, Horizon for Research, and the Connecting Europe Facility (CEF).

Despite the successful implementation of CEF-1, the available funds are insufficient to meet the current transport needs, and there is a danger that without the necessary economic resources and investment tools, even the previous initiatives become useless.

Finally, in light of the parliamentary elections scheduled for 2024, DG MOVE is carrying out a "reflection" exercise so as to have clear ideas to be presented to the new political leadership. The intention is to present a report including: (i) a list of the projects and their related funding needs (cross border projects alone represent about 200 bn euros approximately), and an (ii) assessment of the benefits of investing in transport infrastructures for the European Economy. It is in this context that the 12th Florence Intermodal Forum on Investments into Transport Infrastructures took place. The Forum was structured into four sessions each of which is briefly summarized below.

Session A: Building the trans-european network for a single market: what is missing?

The first session of the Forum was aimed at having a general discussion on the most crucial issues in today´s European Transport Industry.

The True Network Approach

Despite the efforts over the past years, most of the participants agreed on the lack of a true network approach. Governments are still focusing primarily on their particular national needs, thus perpetuating the fragmented patchwork of networks.

There is nothing wrong with national Governments looking after their own interests, but the question remains at to who looks after the European and the cross-border interests? According to some participants, the problem also arises because of a lack of real commitment at the national level. It was said that the European countries should aim higher and go beyond the "lowest common denominator", i.e., aiming at a full network approach.

Participants representing the Eastern countries at the Forum also stressed the need to make up for the delays in the development of high-speed rail in their respective territories. Also, when building a completely new high-speed infrastructure, these countries should be adopting a network approach from the very beginning.

Hubs and Multimodality

From a passenger perspective, the most relevant issue is to ensure seamless travel across modes, across operators, and across borders. In order to achieve this goal, "hubs" are an extremely useful instrument improving connectivity not only between the modes but also with the local transport network. Indeed, the advantage with long-distance rail is that it ends up in city centers.

The UNECE (UN Economic Council), for example, is currently identifying these already existing stations which could qualify as international railway hubs, not only looking at the current amount of customers but also at the potential of railway demand in a given city.

With regards to multimodality, shippers highlighted the need to make multimodality more attractive for them. Also, it takes time for them to prepare for multimodality, along with the fact that they would need incentives to evolve their business models towards a more multi-modal approach. Providing transport-related information to the customer (just as it is done with the manufacturing process) could be an interesting example of establishing an incentive to increase multimodal operations.

Multimodality is also complex because of the sharing of data it involves. This has been addressed in the TEN-T regulation. However, most of the stakeholders agreed that there are still many aspects that would need to be further developed.

Capacity as a major issue

Along with the previous elements, the topic of maximizing capacity was identified as one of the major concerns. While it is clear that a truly European network is needed, participants also recognized that, in many cases, the problem is not the lack of infrastructure, but the lack of systems (digitalization) capable of fully exploiting the already existing infrastructure. In other words, capacity management is pivotal because the industry´s long term competitiveness is at risk.

Additionally, the need to establish the right incentives was underlined. If the aim is to fully exploit the infrastructure, we should ask ourselves two relevant questions: first, is the European network ready to cope with the increase in capacity needs? Second, do European Infrastructure Managers and relevant stakeholders have the right incentives to actually take advantage of the increased capacity?

European Metropolitan High- Speed Network

During this session, the German Infrastructure Manager, presented some entrepreneurial reflections about the further development of a European Metropolitan high-speed rail network. Together with another stakeholder, DB had carried out a study which was able to simulate multi-modal demand in the EU by 2050. Its main conclusion is actually quite simple: if all of Europe's metropolitan regions were linked by a high-speed rail network at hourly intervals at least, the volume of high-speed rail traffic could be tripled by 2050.

The need of a positive narrative for freight

Following DB's "vision" for a European Metropolitan High-Speed passenger development, it became even more obvious that a corresponding vision and narrative for freight was missing. The conclusion reached was that the freight sector is not able to convey the message of how transformative investments in transport can be.

Resilience towards Political Instability is needed

Being a transport operator with today´s political landscape can be, it was argued, quite challenging. Oftentimes operators invest time and money planning a project, only to be confronted with the fact

that the project is withdrawn because of a change in the orientation of the government. Apart from the time wasted, this also has a negative impact in the industry´s capacity to attract private investors.

Session B: Sustainable and Smart Transport: what are investment priorities?

This session was devoted to the issue of funding with a particular focus on the narratives that can be leveraged to attract such funding. This led to a heated debate because, on the one hand, investors are apparently eager to invest in the transport industry, but on the other hand, transport operators find it difficult to access these funds.

It was underlined that one needed to first understand what is happening at a macroeconomic level. Current cost of capital is very high, which means that investors will be expecting higher returns from investments in infrastructure in order to compensate. Also, when we move further up along the risk curve, we find that there are less and less resources to support high risk assets. This is precisely when governments or the EU should come in so as to bring the costs down, either through the provision of guarantees, or through equity.

According to GIIA (Global Infrastructure Investment Association), an association representing pension funds, insurance companies, as well as sovereign and wealth funds, the transport industry is indeed an attractive opportunity for institutional investors because such investments are generally low risk. GIIA has recently carried out a survey in which 50% of the investors had stated they were looking for projects to deploy 1bn equity over the next 5 years.

Transport operators however were surprised, given that they experience difficulties to partner with institutional investors. It turned out that the difficulty was not in the availability of resources, but in the broader financing condition; as a matter of fact, there are three aspects that would make investors feel more comfortable.

First, investors need regulatory stability and predictability. They need rules that are easily understandable and implementable. The regulatory framework should be a way of “de-risking” investments, specially at a national level, where European targets are not always swiftly implemented.

Secondly, investors demand an easier administrative framework with less burdens. They would appreciate to see efforts (at a national and European level) to simplify and speed up the process up with initiatives such as a “one stop shop”.

Thirdly, and especially if we are talking about cross border projects, investors need increased synergies between public and private investments. This would allow to close the existing gap between what an investor needs in order to cover for the higher risks, and what government is willing to provide.

A substantial part of the discussion was also devoted to the role of the European Investment Bank (EIB) as a “the second best”. Assuming we live in an imperfect world in which private capital is not sufficient to fund existing investment needs, the role of the EIB is crucial because it helps in the deployment of projects. Not only does it help private investors to improve their risk adjusted returns (through different funding solutions), but also it provides promoters with technical assistance in the design and the preparation phases, which is one of the most critical phases within a project’s implementation.

Additionally, the EIB underlined the need to have regulations to be long-term and stable. Allocating money properly has always been EIB´s key challenge. As resources are limited, money should carefully be directed towards the most efficient projects in terms of policy objectives. However, the constant evolution of targets makes the allocation exercise more and more complex. As of today, the bank´s main priorities are the following: TEN-T completion, safety, accessibility, multimodality, resiliency, shared mobility and the environmentally friendly perspective.

Industry operators took this opportunity to express their concern about the lack of clarity with regards to the financial sector requirements. In their opinion, the gap between the transport sector and the financial sector needs to be urgently bridged. Transport operators, in turn, emphasized their desire to better understand what specific aspects need to be modified in order to satisfy the requirements of institutional investors.

Sustainable financing

On the one hand, the majority opinion of the forum regarding CEF was very positive: it is a flexible, a manageable and always an efficient tool when a project is not going well. All participants agreed that CEF plays an essential role in making projects happen, i.e., projects which otherwise would have been very difficult to implement. However, it was also emphasized that CEF funds are not sufficient to cover current market needs. For a Western country, CEF amounts to 2-3% of the annual need in infrastructure, so even if it was multiplied by three, it will still not be a "complete game changer".

This points to the conclusion that additional sustainable financing tools are needed. During the Forum, some participants advocated for a Concession Scheme as a possible solution. In their opinion, a Toll System, as applied in the case of highway financing, allows for high investments (over a sustainable period of time) without investors taking too much of a risk. Also, Concessions can deliver safe, congestion-free and inclusive mobility. However, the Concession Scheme was received with certain skepticism as it has not always worked well in the past.

Imbalance of investments: rail vs road

It was stated that there is a clear imbalance in the structure of the transport investments over the past 30 years, whereby the majority of the budget is clearly being allocated to the road sector. For example, in Poland, from 1995-2021, every 1€ spent on rail equaled 6 € spent on road. As a consequence, the Polish rail network has shrunk by 19%. This is alarming for the entire rail sector, but specially for countries such as Poland where most of the lines are co-funded by EU. The conclusion was that the Commission should be more assertive when negotiating the financing within the shared management funds.

The lack of flexibility associated with European funds was also a source of complaint by some participants to the Forum, as this lack of flexibility is a barrier to accessing European funds. Polish representatives attending the Forum underlined that the amount of time to comply with the requirements set out in the Cohesion Funds is unacceptable. More specifically, at the level of the Council of Ministers 13 documents had to be produced within a period of 2 years, just in order to access these funds.

Session C: Financing New Public Policy Objectives: for which objectives could investments be mobilized?

The scope of this third session was to identify and discuss new public policy objectives and priorities in order to attract more investment in the European transport sector.

One of the first points discussed was the number of priorities and targets currently on the table. Many of the participants agreed on the need to reduce and simplify the overall funding scheme. The current legal texts contain an almost endless list of objectives including sustainability, interconnectivity, multimodality, security, resilience, cohesion, technology, innovation and social benefits, among others. This leads to confusion and inefficiency. According to some stakeholders, the more objectives the less you achieve in terms of tangible results.

In this exercise to simplify the targets, some participants believed that the industry should concentrate firstly on the deployment of the TEN-T network, which is vital for the European economy. The problem is finding (i) funds and (ii) good narratives. In terms of narratives, it is first paramount to convey a positive message about all the concrete results that have already been achieved thanks to the current investments. An example would be the number of passengers in Poland, which is constantly increasing on a daily basis.

In terms of new public policy objectives, it was pointed out that despite the importance of European and national security issues, security as an investment target is often neglected. In the view of many stakeholders, the new geopolitical situation requires (i) an enhanced NATO Eastern flank (for the EU security), (ii) cross border links to be completed (for providing TEN-T Network connectivity), and (iii) an identification of transport investments in terms of dual use (military-civil mobility).

In addition, the need to prioritize intermodal connection was also stressed. Intermodal Connections to ports, airports, terminals and urban nodes are indeed fundamental. Products coming from North

America, Asia, and the rest of the world normally arrive at the core ports and airports, which therefore would need to be strengthened first.

Together with the intermodal objective, participants also engaged in a discussion around the importance of the decarbonization objectives within the industry. The Leasing of Rolling Stock industry provided an example of how this objective could make growth possible at an affordable price.

According to a study carried out by many rolling stock industry players, (i) rail and electricity is a winning combination, (ii) battery/electric technology is a game changer, and (iii) if this technology was to be deployed at a large scale in Europe, cost of electrification could significantly be reduced. Additionally, it was highlighted that decarbonization could also contribute to other objectives such as building new capacities, digitalization, acceleration of ERTMS deployment, as well as making funds available for solving bottlenecks.

Overall, there was a wide consensus on the impact of the energy transition in the transport infrastructure (parking stations will need to be restructured, off shore farms will need to be built, etc.) and the opportunity to use this impact as a way of mobilizing funds from the energy to the transport sector.

After discussing the objectives of intermodality, decarbonization and safety, the issue of competitiveness was also raised. Indeed, the objective of boosting the competitiveness of Europe has become somewhat neglected given all the other recently raised objectives of sustainability and security. In the view of many participants, staying competitive should however be a priority and a concern still today.

It was therefore concluded that we need a combination of public and private funds. But if we remove competitiveness from the equation, there is a risk that institutional investors will be less attracted. Together with the issue of security, sustainability, intermodality, etc., Europeans should therefore not forget competitiveness as a fund-raising argument.

Finally, and linked to this subject, in the view of some participants, the industry should also strive to lower its costs. From an investor perspective cost is a key factor. A very illustrative example are the wagons. In Europe the cost of one wagon stands at approximately 120.000 €, while in countries like India the cost is around 20.000 €. In this sense, it was pointed out that a further analysis of costs could be helpful with a view to increase Europe's competitiveness.

Session D: The way forward: are there new institutional entities that could solicit investments?

The aim of the last session was to examine if there are other institutional entities that could leverage investments with a particular focus on urban nodes and corridors.

Urban nodes are urban areas (a core city plus the peri-urban surrounding the cities) where the different components of transport infrastructure are interconnected with each other, and also connected with the regional and local transport infrastructure. In this sense, the revised TEN-T regulation strives for improved integration of the approximately 424 urban nodes, aiming to strengthen innovation to enhance Europe's transport capacity, sustainability, and competitiveness.

The revision of the legislation recognizes the increasing importance of urban nodes in order to achieve the ambitious EU decarbonization targets, something highly appreciated by the stakeholders. However, in the views of many, and under the current legislation, there are many obligations, requirements and implications that are not clear and can make the complying process extremely complicated for cities and regions. The conclusion was that there is a need to bring more clarity to the definitions, the requirements and the governance structure of urban nodes.

With regards to fundable projects within an urban node, one has to take into account that the larger the node the more complex the funding will become, as there will be more stakeholders involved along the process. For this reason, and in order to avoid the fragmentation of funding, it would be a good idea if the nodes with stronger governance structures could manage funds for an entire metropolitan area. This would allow to bring together all the existing funds currently scattered across the different stakeholders involved. An example of a

“good practice” institution can be found in Île-de-France, as it is an integrated transport authority that manages the funds for the entire region.

The potential of corridors for leveraging funds was also discussed. Despite having been created already back in 2013, corridors are still relevant entities that bring trust, innovation and reliability to the industry. In the view of a corridor representative, one of the key aspects to consider is the fact that corridors do plan, and coordinate at a European level. Being able to fully exploit a cross border project requires indeed a joint European effort.

An illustrative example of the cooperation needed can be seen in the construction of the Fehmarn Belt tunnel: a new tunnel being built between Denmark and Germany, connecting Scandinavia and continental Europe. More concretely, the tunnel will allow to run 1050-meter-long trains which could potentially duplicate passenger and freight traffic by 2029. The tunnel is an excellent initiative because it is a “piece in the puzzle” to reach the 2050 goals. Yet, many questions remain: is the German side prepared to run 1050-meter trains? Will the Swedish side be prepared to take care of this type of trains all the way to the North? And the answer is no. The Fehmarn Tunnel project demonstrates the need to coordinate the planning of cross border projects, including the forecasts in terms of capacity, infrastructure, communication, investments, legal matters, traffic management and contingency planning, which does not happen necessarily, even it is an EU project.

The positive side to these unexpected planning complications, was being able to realize that by coordinating, all stakeholders were more ready to take care of the potential of the tunnel. Therefore, creating a forum/debate/platform/communication channel where stakeholders together have an overview of the new potential and jointly work to maximize the effects is absolutely crucial.

Comments by Participants

Comment from Harvey Chandler, Head of Policy and Public Affairs- Global Infrastructure Investor Association

Financing TEN-T: The role of private investors

Completing the multimodal EU Trans-European Network for Transport (TEN-T) requires significant capital investments in new and existing infrastructure across Europe, spanning rail, road, aerospace, and waterborne sectors.

With a projected €1.5 trillion needed by 2050, including interim targets for 2030 and 2040 for the core and extended-core network respectively, its vital that a greater level of private capital is mobilized in addition to public commitments. Whilst significant levels of private investment have already been secured, including over €30 billion in 114 greenfield transport projects since 2020, much more is needed. A look at the current pipeline shows over €82 billion of projects seeking investment, with rail projects alone accounting for nearly €22 billion of that amount. With that figure set to rise substantially in the coming years many challenges still impact the bankability of projects.

Private infrastructure investors, such as pension funds, insurers and fund managers which GIIA represents, are playing a pivotal role investing in EU transport infrastructure, bringing substantial capital, expertise and a long-term investment horizon well-suited to transport infrastructure investments. Their focus on sustainability and innovation drives modernization and efficiency in transport projects, which is essential to meeting the EU's extensive infrastructure and environmental goals.

However, several steps need to be taken to further promote investments in TEN-T infrastructure, ensuring that projects are bankable. This is particularly relevant for greenfield and brownfield infrastructure that is a central component of completing the trans-european transport network. Steps needed include lowering the risks associated with regulations and funding and financing frameworks, whilst ensuring projects are of a sufficient size to attract institutional capital, as set out below:

Set up a true enabling regulatory framework for investment

The first step that needs to be taken is to address regulatory barriers to investment, including greater harmonisation of rules that govern cross-border transport projects and investments. Whilst the TEN-T network corridors and horizontal priorities offer a much welcomed approach to harmonised thinking, further work is needed to provide consistent regulations and planning practices for transport projects across borders. Fundamentally, infrastructure investors seek regulatory stability and predictability, which requires an environment free from regular changes, whilst providing clear guidelines and parameters for any necessary adjustments.

Whilst there is a current emphasis on supporting certain sectors within TEN-T where gaps have been identified, it's important that the EU maintains a technology-neutral and multimodal approach to transport, and supporting infrastructure. This not only provides for added certainty at a crucial time when investments in the decarbonisation of all transport infrastructure is needed, but also ensures greater long-term resilience across the network.

Make infrastructure funding more streamlined, whilst fostering public-private partnerships

To mobilise higher levels of capital in infrastructure investments, the EU and Member States should work to streamline the approach to financing and funding infrastructure. Key steps needed include simplifying funding structures to clarify objectives and conditions of different instruments, whilst enhancing synergies between public and private investments. Streamlining access to funds is crucial, including making application processes more efficient and attractive to a wide range of private investors.

Diversifying funding models at EU and Member States' levels is also essential, ensuring that a full range of innovative revenue models can be considered for different TEN-T aligned infrastructure projects. A strong focus on public-private partnerships (PPPs) should nonetheless be maintained given the history of it being a successful model for financing transport investments, drawing together private investment and public funds, whilst ensuring appropriate risk sharing between parties.

Existing funding instruments to align with these strategies and designing the post-2027 EU financial framework with an emphasis on PPPs will lay a foundation for sustainable infrastructure development. Additionally, expanding private investment facilitation instruments like InvestEU and maintaining innovative funding models, such as those used for the Recovery and Resilience Facility, are vital to closing funding gaps, as is the Connecting Europe Facility (CEF) which plays an important role in certain TEN-T projects.

Support a strong infrastructure project pipeline

Further to funding and financing changes, establishing a robust project pipeline is key to attracting substantial private investment. This involves promoting a large volume of sustainable, large-scale transport projects, that align with EU and Member States' policy objectives.

Such projects should be reinforced where possible by the use of implementation tools like Important Projects of Common European Interest (IPCEIs) and Projects of Common Interest (PCIs) which provide additional regulatory and administrative certainty. Streamlining regulatory processes, particularly in permitting, will also help speed up the realisation of projects.

Additionally, fostering closer cooperation between the European Commission, Member States, and private investors, especially for complex TEN-T cross-border projects, is essential. A sector-specific approach, catering to the unique needs of different transport sectors such as rail, waterborne and aviation, ensures the development of necessary infrastructure and technology. This strategic focus will effectively draw in significant private capital, vital for achieving the ambitious goals of completing the TEN-T network.

Comment by Irmtraut Tonnforf, Director Communications & Marketing, HUPAC

Investing in rail infrastructure. Capacity, productivity and resilience for more freight

Climate challenge, road congestion, driver shortage - there are many good reasons to shift more freight onto rail. The European targets are clear: to double rail freight by 2050, and individual Member States such as Germany have set even more ambitious targets. Can we achieve the goal? Why is the modal split not moving more quickly towards rail? How can we get more freight on the rails?

Let's start by putting some figures on the table. In 2022, Hupac carried about 1.1 million intermodal shipments on the European rail network. My colleagues managed around 40,000 trains in coordination with our rail partners and with dozens of terminals. And literally every day they have to deal with several traffic disruptions. The reasons? Infrastructure and signal problems, terminal problems, irregularities with loading units, accidents, bad weather, strikes, and more. The consequences? In recent years, we have seen a dramatic increase in irregularities. Punctuality - defined as a train arriving less than 60 minutes late - has dropped below 50%. Many trains have delays of six hours or more, resulting in a significant waste of resources at all levels. In fact, production today requires more rail cars, more locomotives, more terminal capacity. And yet, despite all our efforts, we are losing about 10-20% of the planned trains, and if we continue at this rate, we will run out of economic viability.

Let's face it: there is a huge discrepancy between political will and daily reality. Capacity has not developed in line with traffic growth. Today, we run our trains on an infrastructure that needs to be renewed and upgraded. Our requirements? Train length 740 m, train weight 2000 t with one locomotive, P400 profile on the core network as well as on redundant lines to ensure the resilience of the rail system.

Capacity planning must be in line with policy objectives. The good news is that today's problems are largely recognized. Many countries have launched major construction programs and are investing in rail as the climate-friendly transport system of the future. We applaud these initiatives and urge policy

makers not to lose sight of the specific needs of the freight transportation industry.

However, during the years in which the corridors are being upgraded, we must guarantee a good service for European logistics despite the restrictions caused by the construction work. The partial or total closure of lines, with reduced capacity and long detours, leads to additional costs that the market can't bear in many cases. Some countries have adopted measures to help overcome these difficult periods by providing compensation for diversions and loss of capacity. This is a good solution that deserves some attention from policy makers. We should not take the risk that rail freight operators will be forced to give up and disappear from the market before the network is upgraded. A reverse modal shift from rail to road would be the worst service we could provide to our customers and our society.

FSR Transport

The Florence School of Regulation (FSR) is a project within the European University Institute (EUI) focusing on regulatory topics. It works closely with the European Commission, and is a growing point of reference for regulatory theory and practice. It covers four areas: Communications and Media, Energy (Electricity and Gas), Transport, and Water.
The FSR-Transport Area's main activities are the European Transport Regulation Forums, which address policy and regulatory topics in different transport sectors. They bring relevant stakeholders together to analyse and reflect upon the latest developments and important regulatory issues in the European transport sector. These Forums inspire the comments gathered in this European Transport Regulation Observer. Complete information on our activities can be found online at: fsr.eui.eu

Robert Schuman Centre for Advanced Studies

The Robert Schuman Centre for Advanced Studies (RSCAS), created in 1992 and directed by Professor Erik Jones, aims to develop inter-disciplinary and comparative research on the major issues facing the process of European integration, European societies and Europe's place in 21st century global politics. The Centre is home to a large post-doctoral programme and hosts major research programmes, projects and data sets, in addition to a range of working groups and ad hoc initiatives. The research agenda is organised around a set of core themes and is continuously evolving, reflecting the changing agenda of European integration, the expanding membership of the European Union, developments in Europe's neighbourhood and the wider world.

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