

EUROPEAN TRANSPORT POLICY: AN OVERVIEW

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This briefing provides an introduction to European Union transport policy. It provides an overview of the key organisations involved in transport policy making at a European level. It also summarises the legislative and administrative framework, examines the main policy documents and, using two case studies considers the possible effects for transport in Scotland.

Further, more detailed, briefings on specific issues in transport policy will be produced throughout the Parliamentary Session.

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KEY POINTS OF THIS BRIEFING

- Strategic European transport policy is set out in a White Paper, published by the European Commission on 12 September 2001, entitled "[European Transport Policy for 2010: Time to decide](#)"
- The White Paper focuses on 13 key areas of development, the broad aims of which are:
 - to open up and create a European market while safeguarding the quality and security of services
 - to ensure the sustainable development of transport by promoting those methods that cause the least pollution, by promoting energy-efficient technologies and by improving public transport services
 - to develop major Trans-European road, rail and water networks
 - to reform air traffic management and reduce congestion in the skies
 - to improve safety
 - to support the effective application of Community transport legislation by the candidate countries
 - to develop international co-operation
- The European Union also regulates government support to transport operators and the designation of particular air and sea routes as "public service obligations"

INTRODUCTION

The Treaty of Rome, the treaty establishing the European Community, agreed in 1957, made provision for a common European transport policy. However, the creation of such a policy was prevented by years of debate on what form that policy should take.

During 1982-83 the European Parliament brought a case against the Council of Europe for failure to act on its treaty obligations to create a common European transport policy and in 1985 the European Court of Justice (ECJ) ruled in the European Parliament's favour. The ECJ judgment obliged the Council to move more substantially on a common transport policy, particularly in those areas where transport services needed to be opened up to intra-Community competition.

The European Commission eventually published the first White Paper on the future development of the common transport policy in December 1992, which concentrated on the opening of Member States' transport markets to competition.

This briefing outlines the key organisations involved in developing the common transport policy, identifies key policy documents and initiatives made since the publication of the second White Paper in 2001 and highlights areas of particular relevance to Scotland, using short case studies.

COMPETENCE OF THE EUROPEAN UNION IN TRANSPORT POLICY

Title V: Transport, Article 70 of the Treaty Establishing the European Community states:

“The objectives of this Treaty shall, in matters governed by this title, be pursued by Member States within the framework of a common transport policy.”(European Commission 2002a)

This Title gave the Council the power to make regulations governing:

- the operation of transport between member states
- conditions for the operation of freight carriers in countries other than their own
- measures to improve transport safety
- any other appropriate provisions

Derogations from these rules may be granted where they would cause undue hardship to particular regions of the EU.

The Council can only exercise these powers after following a procedure laid out in Article 251 of the Treaty, which involves seeking the opinion of the European Parliament and consulting with the Committee of the Regions and the Economic and Social Committee.

KEY INSTITUTIONS AND ORGANISATIONS

There are three major European Union (EU) institutions involved in making transport policy and legislation:

The European Commission: The European Commission is the politically independent institution that represents and upholds the interests of the EU as a whole. The term “Commission” is used in two senses. First, it refers to the Members of the Commission, i.e. the team of 20 men and women appointed by the member states to run the institution and take its decisions. Secondly, the term “Commission” refers to the institution itself and to its staff. The Commission has four main roles:

- to propose legislation to Parliament and the Council
- to manage and implement EU policies and the budget
- to enforce European law (jointly with the Court of Justice)
- to represent the EU internationally, for example by negotiating agreements between the EU and other countries

Loyola de Palacio is the European Commissioner responsible for transport, in addition to energy. She is supported by the Directorate-General for Energy and Transport, commonly referred to as DG TREN, based in Brussels, which is made up of some 1000 officials. In addition to developing EU policies in the energy and transport sectors, DG TREN manages the funding programmes for trans-European networks and their technological development and innovation.

The Council of the European Union: Formerly known as the Council of Ministers, this institution consists of government ministers from all the EU countries. Which ministers attend which meeting depends on the subjects to be discussed. For example if the Council is to discuss transport issues the meeting will be attended by the Transport Minister from each EU

country under the title of “Transport, Telecommunications and Energy Council”. The Council’s key responsibilities are:

- to legislate on a wide range of EU issues, a power sometimes shared with the European Parliament through the co-decision procedure, which is outlined below
- to co-ordinate the broad economic policies of the Member States
- to conclude international agreements with one or more States or international organisations
- to manage the EU budget jointly with the European Parliament
- to make decisions regarding the common foreign and security policy
- to co-ordinate the activities of Member States and adopt measures in the field of police and judicial cooperation in criminal matters

Italy currently holds the six month rotating presidency of the Council, until 31 December 2003. The priorities of the Italian presidency, including those relating to transport, are set out in [“Europe: citizens of a shared dream”](#) (Council of Europe 2003).

The European Parliament: The European Parliament has 626 directly elected members, 87 from the UK, of which eight represent a single Scotland wide constituency. The number of Members per state is laid down by the Treaties. In the Chamber, Members sit in political rather than national groupings. The European Parliament currently has seven political groups, plus some 'non-attached' Members.

The European Parliament has three main roles:

- It shares with the Council the power to legislate
- It exercises democratic supervision over all EU institutions, and in particular the Commission. It has the power to approve or reject the nomination of Commissioners, and it has the right to censure the Commission as a whole
- It shares with the Council authority over the EU budget - at the end of the procedure it adopts or rejects the budget in its entirety

The European Parliament’s [Committee on Regional Policy, Transport and Tourism](#), commonly known as RETT, has responsibility for scrutinising:

“a common transport policy (Articles 70 to 80 of the EC Treaty), incorporating rail, road and inland waterway transport and maritime and air transport, in particular:

- (a) the creation of a European transport network, and in particular the establishment and development of trans-European networks in the transport infrastructure sector (Articles 154 to 156 of the EC Treaty);
- (b) the drafting of common rules applicable to international transport;
- (c) discrimination, harmonisation and coordination in the transport sphere;
- (d) the European Union’s policy on ports and airports;” (European Parliament 2003)

The Committee has 58 members, of whom six are from the United Kingdom, although none of these are members representing Scotland.

A fuller description of the structure and role of these three institutions, and other, European organisations is available in the SPICe briefing [“An introduction to EU policy-making structure and procedures”](#) (Killen 2001).

In addition to these three policy-making institutions the advisory [Committee of the Regions](#) (CoR) is of direct relevance to Scotland and Scottish governance. One MSP and one member of the Scottish Executive sit on the Committee along with a representative of Scottish local government. The CoR has 222 members who are all appointed for a four year term by the Council, acting on proposals from the member states. Established by the 1991 Maastricht Treaty, the CoR must be consulted by the European Commission and/or European Council when new proposals are made in areas which have repercussions at regional or local level, including transport and Trans-European Networks.

The CoR organises its work through six specialist Commissions, made up of CoR members. Each Commission examines the detail of proposals on which the CoR is consulted and draw up a draft opinion, which highlights where there is agreement with the proposals, and where changes are needed. The draft opinion is then discussed at one of the five annual CoR plenary sessions and will be adopted as the CoR position following a simple majority vote in favour. It is then sent on to the Commission, Parliament and Council for their consideration.

LEGISLATIVE AND ADMINISTRATIVE FRAMEWORK

CONSULTATION AND CO-DECISION

Where proposals for EU transport legislation are likely to have a major impact on a particular region it will be subject to the 'consultation' procedure, otherwise it is subject to the co-decision procedure. These procedures are outlined briefly below.

Consultation: Under the consultation procedure legislative competence rests with the Council. The Commission sends its legislative proposal to both the Council and Parliament but it is the Council that officially consults Parliament. In some cases, consultation is compulsory because the legal basis requires it and the proposal cannot become law unless Parliament has given its favourable opinion. In other cases consultation is optional and the Commission will simply suggest that the Council should consult Parliament.

In all cases, Parliament can:

- approve the Commission proposal
- reject it
- ask for amendments

If Parliament asks for amendments, the Commission will consider all the changes Parliament suggests. If it accepts any of these suggestions it will send the Council an amended proposal. The Council examines the amended proposal and either adopts it as it stands, amends it further or rejects it. However, if the Council decides to reject the Commission proposal, this decision must be unanimous.

Co-decision: In the co-decision procedure, Parliament and the Council share legislative power. The Commission sends its proposal to both institutions. They each read and discuss it twice in succession. If they cannot agree on it, it is put before a conciliation committee, composed of equal numbers of Council and Parliament representatives. Commission representatives also attend the committee meetings and contribute to the discussion. Once the committee has reached an agreement, the agreed text is then sent to Parliament and the Council for a third reading, so that they can finally adopt it as law.

KEY LEGISLATION AND POLICY

The European Commission published a White Paper "[European Transport Policy for 2010: Time to decide](#)" on 12 September 2001. This set out the framework for all EU level transport policy, including some 60 specific measures to be taken at a European level. It also set out an action programme for the period until 2010, with milestones along the way. There will be a mid-term review of the White Paper in 2005, to check whether targets are being met and whether adjustments need to be made.

The policies in the White Paper can be summarised under 13 key headings. The following section outlines these policies and examines action taken by the EU to date and proposed future action. It uses two case studies to highlight how these high level policies could affect transport in Scotland and the UK. It is important to note that while this section highlights key European transport policy it is not an exhaustive list of European level transport policy developments.

REVITALISING THE RAILWAYS

The Commission proposes the revitalisation of rail transport, particularly rail freight, by introducing competition between railway companies, stating that:

“The arrival of new railway undertakings could help to bolster competition in this sector and should be accompanied by measures to encourage company restructuring that take account of social aspects and work conditions”. (European Commission 2001)

The Commission’s priority is to open up the individual national rail systems of members states, not only for international freight services but also for cabotage¹ on the national markets (to avoid trains running empty) and for international passenger services. The opening-up of the markets can only happen with further harmonisation of the technology used by individual national rail infrastructure and operating companies.

On 15 March 2003 the “First Rail Package” was introduced across the European Union. This “Package” is made up of three Directives, i.e. 2001/12, 2001/13 and 2001/14, which were adopted by the Council of the European Union on 26 January 2001, the main points of which were:

- The separation of essential functions on the basis of a specific, exhaustive list of tasks that have to be assigned to an independent railway authority to ensure the principle of non-discrimination between competing railway undertakings. In the UK this role is already performed by the Strategic Rail Authority (SRA)
- The establishment of an independent rail regulator in each country to ensure fair and non-discriminatory access conditions for all railway undertakings. In the UK this role is already performed by the Rail Regulator
- Guaranteed access rights to the Trans-European rail freight network to all licensed rail operators providing international rail freight services on this network and meeting the national safety requirements
- The setting of charges for the use of infrastructure using the principle of charging on the basis of marginal cost. Track access charges in the UK are set by the Rail Regulator

¹ If a vehicle delivers goods to a point in a foreign country, and then picks up a new load for delivery to a second point *within* that country, the action is referred to as cabotage.

- The establishment of transparent and fair rules and procedures for the allocation of train paths. This task is already undertaken in the UK by the SRA.

During 2002 the European Commission submitted proposals for a “[Second Rail Package](#)” to the European Parliament and Council, under the co-decision procedure, which contained five key proposals:

- Developing a common EU approach to rail safety
- Bolstering the fundamental principles of interoperability
- Setting up a European Railway Agency
- Extending and speeding up opening of the rail freight market, full network competition by 2006
- EU to join the Intergovernmental Organisation for International Carriage by Rail (OTIF)

The European Parliament adopted the second package in its first reading on 14 January 2003. The Council adopted its common position on the proposals on 26 June 2003. The proposals will soon be sent to the European Parliament for a second reading to obtain an agreement on the points where divergences exist between the Council and the Parliament.

How could these changes affect rail freight transport in Scotland?

Discussions took place on 24 June 2003 between Network Rail and IKEA Rail, a subsidiary of the major furniture retailer. IKEA Rail sought to obtain paths for dedicated trains to deliver its products direct from Sweden to terminals in Britain, possibly including Mossend in Lanarkshire.

IKEA Rail already has agreements with rail regulators and network managers in Sweden, Germany and Denmark to run their own trains on the networks of those countries.

IKEA ran its first open-access international train between Almhult in Sweden and Duisburg in Germany on 27 June 2002. This initial service runs ten times per week and is the first of what IKEA hope will be a Europe wide network of services. IKEA states that it “*is investing in its own trains to reduce the environmental impact of its activities, assure delivery reliability and reduce costs*”. Each train consists of a locomotive and 15 carriages, which can carry the same as 60 HGVs.

In response to consultation on the Second Railway Package, English, Welsh and Scottish Railways (EWS), the only UK freight operating company to operate trains between the UK and continental Europe, welcomed most of the proposals. It raised some concerns, however, stating:

“The Commission rightly states that “quality is the key to attaining the desired shift of balance between modes” but it should accept that the measures proposed in the Second Railway Package must all tackle rail’s uncompetitiveness. Proposals to improve safety, environmental performance and inter-operability will be futile if they raise rail’s overhead costs and make it less competitive instead.” (English, Welsh & Scottish Railway 2002)

IMPROVING QUALITY IN THE ROAD TRANSPORT SECTOR

Since 1 January 1993, any road transport operator wishing to carry out an operation between Member States must hold a Community license, issued by their home Member State. This document gives them free access to the whole of the EU. To obtain such a licence operators

must meet a number of conditions laid down partly by EU common rules and partly by the Member States themselves.

The White Paper states that the Commission will propose legislation allowing harmonisation of certain clauses in contracts in order to protect carriers from pressure to reduce prices to unsustainable levels by users, who can take advantage of the very fragmented nature of the road haulage market. These changes would enable operators to revise their tariffs in the event of a sharp rise in fuel prices. Other measures to harmonise and tighten up inspection procedures will be introduced in order to put an end to the practices preventing fair competition.

At present there are no major legislative proposals stemming from the White Paper's policies on road haulage before the European Parliament or Council, although the European Commission produced a proposal ([COM\(2001\) 573FINAL](#)) to harmonise social legislation relating to road transport in 2001.

The [UK Freight Transport Association](#) supports the measures in the White Paper:

“...aimed at enhancing the competitiveness of the road freight sector. FTA recognises the need to harmonise checks and enforcement sanctions by the end of 2001 in order to promote an efficient and uniform interpretation, application and control of existing road transport legislation. FTA also supports the Commission's proposals to harmonise vehicle taxes and duties in order to create a competitive level playing field for the road freight industry.

FTA believes that efforts to reduce congestion and pollution should focus primarily on the private car user. Congestion charging and infrastructure charging schemes if introduced should bear primarily upon the private car. Assessments and operator surveys conducted in the UK show that there is limited scope for commercial vehicle operators to make significant changes in their operations in response to congestion charges.” (Freight Transport Association 2003)

The European Commission (2003a) introduced a proposal, [COM\(203\)488](#), on 23 July 2003 with the aim of aligning national systems for road user charging and road tolls across Europe. The proposed framework covers the trans-European road network and any other road to which traffic may be diverted from the trans-European road network and which is in direct competition with certain parts of that network. It would apply to all vehicles exceeding 3.5 tonnes used for goods transport.

PROMOTING TRANSPORT BY SEA AND INLAND WATERWAY

The White Paper proposes the revival of short-sea shipping through the creation of “sea motorways”, which would involve developing better connections between ports and the rail and inland waterway networks, together with improvements in the quality of port services. Certain shipping links (particularly those providing a way round bottlenecks, e.g. the Alps and Pyrenees) will become part of the trans-European network, which is currently limited to roads and railways.

The Commission proposes to further reduce the use of ports and flags of convenience through collaboration with the International Maritime Organisation and the International Labour Organisation. The Commission also proposes introducing legislation setting minimum social rules to be observed in ship inspections and to develop a European maritime traffic management system. The Commission also intends to propose a directive on the tonnage-based taxation system, modelled on the legislation being developed by certain Member States.

In addition to these aims for sea-borne traffic the Commission aims to reinforce the position of inland waterway transport through the creation of 'waterway branches' to compliment the sea motorways. These policy measures would be complimented by a fuller harmonisation of:

- technical requirements for inland waterway vessels
- boatmasters' certificates
- social conditions for crews

On 7 April 2003 the European Commission (2003b) published a Communication entitled '[Programme for the Promotion of Short Sea Shipping](#)', which also included a proposed Directive on Intermodal Loading Units, normally referred to as containers. The aim of the Directive is to create a Europe wide standard container, which would allow easy transshipment of goods across the continent by sea, rail and road.

STRIKING A BALANCE BETWEEN GROWTH IN AIR TRANSPORT AND THE ENVIIRONMENT

The White Paper committed the Commission to introducing legislative proposals on air traffic control, effectively creating a single European air traffic control area, or "Single European Sky". This policy is to be accompanied by new regulations to reduce noise and pollution caused by aircraft.

The Commission has quickly taken forward the proposals for a Single European Sky, publishing draft legislation during 2002. The legislative package currently consists of four draft regulations, which cover:

- the framework for the creation of the Single European Sky
- the provision of air navigation services
- the organisation and use of airspace
- the interoperability of the European air traffic management network

Full texts of these draft regulations and details of their progress through the EU legislative process are available on the Commission's [Single European Sky](#) legislation web pages. The aim is to create a Single European Sky by 31 December 2004.

The Commission set out its strategy for reducing the effect of air transport on the environment in a Communication, "[Air Transport and the Environment. Towards meeting the Challenges of Sustainable Development](#)" (European Commission 1999). This set out the Commission's priorities for reducing air and noise pollution through policy and technical developments.

Since the publication of the communication and the White Paper a new directive, [2002/30/EC](#) (European Commission 2002b), has come into force which contains four key elements:

- reduction of airplane noise at source, e.g. by phasing out noisiest planes
- land-use planning and management measures to reduce impact of air operations on environment
- noise abatement operational procedures at airports
- operating restrictions, e.g. night time flight bans

Following the tragic events of 11 September 2001 and the consequent downturn in demand for air travel the European Commission (2003c) launched a consultation on the regulation of the European market for air travel, see "[Consultation paper with a view to revision of Regulations](#)

[No 2407/92, 2408/92 and 2409/92 of 23 July 1992 \(the "third package" for liberalisation of air transport\)](#)". The consultation closes on 30 September 2003.

INTERMODAL FREIGHT TRANSPORT

The White Paper highlights the importance of 'intermodal' freight transport, i.e. freight which is transported using two or more modes of transport in an integrated transport chain, in reducing the reliance on road transport. The White Paper identified two key priorities:

- increasing the technical harmonisation and interoperability between systems, particularly containers and freight loading units
- the use of the Community support programme 'Marco Polo' to support innovative initiatives, e.g. sea motorways

The Marco Polo programme, which became operational in 2003, aims to support the freight transport industry to achieve sustained modal shifts of road freight to short sea shipping, rail and inland waterways. The Commission originally proposed a budget of €115m for 2003–2007, although this may be cut to €75m for 2003-2006 following discussion between EU institutions. The programme aims to provide:

- start-up support for new non-road freight transport services, which should be viable in the mid-term
- support for the launch of freight services or facilities of strategic European interest
- support for co-operative behaviour in the freight logistics market

The Marco Polo programme has the support of the transport and logistics industry. Freight Forward Europe (a body representing nine of Europe's largest logistics firms) states:

"FFE fully supports the Marco Polo Programme provided that it respects the balance between a fruitful cooperation of the market players and the competitive dimension of the logistics industry." (Freight Forward Europe 2003)

TRANS-EUROPEAN NETWORK – TRANSPORT (TEN-T)

The trans-European transport network is the name given by the Commission to a programme for the construction, modernisation and interconnection of Europe's major transport infrastructures.

In 1996 the EU adopted guidelines for the development of the trans-European transport network and identified 14 priority projects, three of which traverse or start/end in Scotland, namely:

- Conventional rail link Cork-Dublin-Belfast-Larne-Stranraer
- Ireland/United Kingdom/Benelux road link
- West Coast main line (rail)

A number of the 14 priority projects have now been completed and the Commission proposes the addition of six new projects, the only one of direct UK relevance being the development of the [Galileo global navigation and positioning system](#)².

² The Galileo programme is a joint European Commission and European Space Agency initiative, it will be the first global satellite positioning and navigation system designed specifically for civilian use. It consists of a constellation of 30 satellites operating at a height of 24000 kilometres, Galileo will feature full interoperability with the American GPS and Russian Glonass systems, both of which are designed for military use.

In 2004 the Commission intends to publish a review of the trans-European network with the aims of introducing sea motorways, developing airport capacity, linking the outlying regions of Europe more effectively and connecting the networks of the candidate countries³ to the networks of EU countries. Many of the proposals in the review are likely to be of interest to Scotland, which is on the north western periphery of Europe.

A European Commission proposal (2003a), COM(2003)488 would allow national governments to cross subsidise trans-European Network priority rail projects through road user charging in environmentally sensitive areas, e.g. mountainous regions.

IMPROVING ROAD SAFETY

There were 39,864 deaths on Europe's roads during 2001 (European Commission 2003d), a figure roughly equivalent to the population of Inverness (General Registrar of Scotland 2003).

The White Paper highlighted the slow progress in European level initiatives to improve road safety. For example discussions on a standard maximum EU-wide blood-alcohol level for drink driving offences have so far lasted 12 years without conclusion.

The European Commission (2003e) published a Communication entitled "[European Road Safety Action Programme](#)" on 2 June 2003. The main aim of the Communication is to halve the number of road deaths in the EU by 2010. The European Parliament has already endorsed this objective although the Council has not done so to date. The Commission proposes three main mechanisms for achieving this goal:

- encourage road users to improve their behaviour
- make vehicles safer, in particular through technical harmonisation and support for technical progress
- improve road infrastructure, in particular by defining best practices and eliminating accident black spots

The Communication includes a draft "European Road Safety Charter" which will be open to signature by "...everyone in authority, with decision-making powers, or acting in an economic, social or representative function".

ADOPTING A POLICY ON EFFECTIVE CHARGING FOR TRANSPORT

The White Paper highlights concerns that charging structures (i.e. taxation and infrastructure charges) for transport vary across Member States, which has a distorting effect on the operation of the transport market across the EU and also fails to encourage the use of the most energy efficient or environmentally friendly forms of transport. To redress these imbalances the White Paper develops policy proposals for:

- harmonisation of fuel taxation for commercial users, particularly in road transport
- alignment of the principles for charging for infrastructure use

The European Commission (2003a) introduced a proposal, [COM\(203\)488](#), with the aim of aligning national systems for road user charging and road tolls across Europe. The proposed framework covers the trans-European road network and any other road to which traffic may be

³ The following countries have applied to become members of the European Union: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey

diverted from the trans-European road network and which is in direct competition with certain parts of that network. It would apply to all lorries exceeding 3.5 tonnes used for goods transport.

The aim of this policy is to ensure:

“...that transport taxes and charges, in every mode of transport, should be varied to reflect the cost of different pollution levels, travelling times and damage costs as well as infrastructure costs - to apply the polluter pays principle and provide clear fiscal incentives to help achieve our goals of reducing transport's congestion, pollution, re-balancing the modal split and decoupling transport growth from economic growth. Getting transport operators to pay is fair, and helps make better use of the existing infrastructure capacity.” (European Commission 2003a)

RECOGNISING THE RIGHTS AND OBLIGATIONS OF USERS

The White Paper highlights the possibility that the Commission may consider extending the rights currently enjoyed by air passengers, under the [Air Passengers Rights in the European Union](#) (European Commission 2003f), to other modes of transport. This could cover rights to information, compensation for denied boarding due to overbooking and compensation in the event of an accident.

However, the current system of compensation for air passengers has not been universally welcomed by the airline industry. Ray Webster, Chief Executive of budget airline easyjet considers:

“Levels of compensation should be related to the fares that passengers have paid - flat-rates only mean that the high fare traditional airlines have to sell fewer seats to afford the compensation. It also breaches the EU's own rules by only being applied to one form of transport” (Easyjet 2003)

DEVELOPING HIGH-QUALITY URBAN TRANSPORT

The White Paper commits the Commission to encouraging the exchange of good practice in public transport operation and infrastructure provision. One way the Commission provides support for such schemes is through the [CIVITAS Initiative](#), which aims to achieve a radical change in urban transport through a combination of new technology and innovative policy instruments. At present 19 European cities are participating in four CIVITAS pilot projects. The only UK city involved is Winchester, which is participating in the [Miracles project](#) alongside Rome, Barcelona and Cork. The EU is providing €50m funding towards these four projects over four years. The results of these projects will be independently assessed and will form the basis for recommendations on best practice.

How could programmes such as CIVITAS benefit Scotland?

A Scottish city could benefit directly from CIVITAS funding. The European Commission issued a call for CIVITAS II funding during June 2003 which will remain open until December 2003. The successful bids should involve medium sized cities, defined as cities with less than 500,000 inhabitants, and focus on energy efficiency, alternative fuels and accessibility and security. The proposals will be evaluated in early 2004 and contracts signed by the end of 2004. The project is expected to last 4 years and the EU will contribute €50m.

Even if no Scottish city takes part in a bid for funding, or takes part in an unsuccessful bid, they will be able to benefit from the best practice guidance that will be produced following the analysis of the first phase of the CIVITAS programme.

PUTTING RESEARCH AND TECHNOLOGY AT THE SERVICE OF CLEAN, EFFICIENT TRANSPORT

The [6th Framework Programme for Research, Technology Development and Demonstration \(2002-2006\) \(FP6\)](#) was formally launched by the European Commission on 17 December 2002. This is the Union's main instrument for the funding of research in Europe. It is open to all public and private entities, large or small, with an overall budget of €17.5 billion covering the period 2003 – 2006.

The main transport related objectives of the programme are:

- Improved fuel efficiency and reduced emissions: cutting CO2 emissions and developing and validating zero-emission vehicles
- Improved performance - increasing safety, reliability, maintainability, availability, operability, energy efficiency and adaptability
- Improved system competitiveness: reducing both time to market and development costs

One of the initial research projects for the programme was "Research to support the European Transport Policy", bids to carry out the research were invited by 15 April 2003 and the budget available was €39m.

MANAGING THE EFFECTS OF GLOBALISATION

The White Paper outlines the Commission's aims for the EU of opening up global transport markets to competition while maintaining the quality of transport services and the safety of users. This will be achieved through the ongoing process of World Trade Organisation negotiations. The Commission plans to reinforce the position of the EU in international organisations, with the aim of safeguarding Europe's interests at a world level, by obtaining full EU membership of the International Maritime Organisation, the International Civil Aviation Organisation and the Danube Commission.

DEVELOPING MEDIUM AND LONG-TERM ENVIRONMENTAL OBJECTIVES FOR A SUSTAINABLE TRANSPORT SYSTEM

The Commission considers the White Paper to be just the first stage in mapping out a more long term strategy for developing an environmentally sustainable transport system. The Commission has been working in co-operation with the Council with the aim of making European transport policy more sustainable. In doing so, it has used an expert group consisting of officials from transport ministries and environment ministries in the Member States. A monitoring tool has been put in place, known as the TERM mechanism (Transport and Environment Reporting Mechanism, details of which can be found on the [European Commission's Sustainable Transport website](#)) to establish a baseline for decisions on sustainable transport policy.

OTHER EU TRANSPORT RELATED POLICIES

In addition to the 13 policy areas outlined above, the European Union has competence in several other areas related to the provision of transport services. Two of the most important are public service obligations and state aid for transport services, the role of the EU in regulating these functions is briefly explained below.

PUBLIC SERVICE OBLIGATIONS

Direct State Aid aimed at covering operating losses is, in general, not compatible with the principles of the single European market. However, state subsidy of ferry and air routes designated as public service obligations (PSO) is permitted. A PSO is defined as any obligation imposed upon a carrier to ensure the provision of a service satisfying fixed standards of continuity, regularity, capacity and pricing, which standards the carrier would not assume if it were solely considering its economic interest.

Under EU Regulations member states have the legal authority to impose a PSO in respect of scheduled air and ferry services on routes serving peripheral or development regions within their jurisdiction. They can also impose PSOs on cross-border routes. The rationale for imposing a PSO should be based on the fact that the maintenance of regular air or ferry services is considered vital for the economic development of the region where the airport or port is located. Where a member States wishes to create a PSO a public invitation to tender must be published in the *Official Journal of the European Communities*. The deadline for submitting tenders is one month after the day of publication.

The invitation to tender covers the following points:

- the minimum service levels in terms of capacity, frequency and scheduling which an air operator would need to satisfy
- any limits on the level of fares or specific fare types and rules, which must be adhered to
- rules concerning any amendments and termination of the contract, in particular those which cover termination of the contract as a result of unforeseeable changes in costs and demand
- the length of the contract (up to a usual maximum of three years)
- penalties imposed on the operators in the event of failure to comply with the PSO terms and conditions

Initially, carriers are invited to tender for the PSO on the basis of no financial compensation (subsidy). If no carrier is willing to provide the level of service and fares without subsidy, the awarding authority then re-issues the tender, this time offering subsidy and limiting access to one carrier for a period of three years. Selection of the submissions by the relevant public authority takes into consideration the adequacy of the services offered, the fares to be charged to passengers and the level of subsidy required, if any. Selection must be made two months after the submission of proposals, so that other Member States have sufficient time to submit comments.

STATE AID

As mentioned above there are strict European rules governing the award of state aid, particularly in relation to transport operations. Article 87 of the Treaty Establishing the European Community (European Commission 2002a) prohibits any aid granted by a Member State or through State resources in any form which distorts or threatens to distort competition by

favouring certain firms or the production of certain goods. The aid in question can take a variety of forms, including:

- grants
- interest relief
- tax relief
- state guarantee or holding
- provision by the state of goods and services on preferential terms

By giving certain firms or products favoured treatment to the detriment of other firms or products, state aid can seriously disrupt normal competitive forces. State aid that distorts competition in the Common Market is prohibited by the Treaty Establishing the European Community. However, exceptions to this ban are allowed where:

- the aid has a social character, granted to individual consumers
- aid is intended to make good the damage caused by natural disasters or exceptional occurrences
- the aid is designed to:
 - promote the economic development of underdeveloped areas (regarded as particularly backward in accordance with Community criteria) - this includes the designations of PSOs to such areas
 - promote the execution of an important project of common European interest or to remedy a serious disturbance in the economy of a Member State
 - facilitate the development of certain activities or areas
 - promote culture and heritage conservation

In the last two cases, such aid must not affect trading conditions and competition in the Community to an extent that is contrary to the common interest. Exclusive authority for scrutinising the state aid schemes of EU governments was conferred on the European Commission by the Member States. The Commission's role is to monitor proposed and existing state aid measures by Member States to ensure that they are compatible with EU state aid legislation and do not distort intra-community competition. The Commission has the power to require that aid granted by Member States which is incompatible with the Common Market to be repaid by the recipients. The Commission have adopted a number of "guidelines" or "frameworks" to clarify its state aid policy in the following areas:

- Regions lagging behind in terms of development
- Research & development
- Employment
- Protection of the environment
- Rescue and restructuring of firms in difficulty

The Commission has also adopted a number of "block exemption" regulations for state aid to:

- Small and medium-sized enterprises
- Aid for training
- Aid for employment

Aid granted in conformity with all the conditions set out in these regulations is automatically considered compatible with the single market.

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