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**Consultation Paper**  
**European Commission**  
**Directorate General for Energy and Transport**  
**Directorate for Inland Transport**

**The Marco Polo Programme**

**A New Promotion Concept for**  
**Alternatives to Road Transport**

## Introduction and Summary

With this consultation paper, the inland transport services of the Directorate General for Energy and Transport of the European Commission are seeking the views of interested parties on a future promotion programme for alternatives to road freight transport. This programme will be named “Marco Polo.”

The paper first presents lessons learnt in the current PACT programme, which comes to an end in 2001 (A). An external evaluation of the programme also brings important insights as to future directions for promotion activities aimed at transferring freight from road to other modes (B). In order to optimise promotion, it is necessary to assess the developments in the different market segments and pinpoint specific difficulties (C). Based on this analysis, a new promotion programme is proposed (D). Its main goal is to help shift, in an optimal way, freight from road to other, more environmentally friendly modes. The programme thus aims to support one key transport policy direction outlined in the Commission White Paper “The European Transport Policy – the hour of choice: control or congestion?” (2001).

Like PACT, Marco Polo intends to support commercial actions in the market for transport services. It is therefore different from the support given through research and development programmes and the Trans-European Network programme. Marco Polo will foster modal shift projects in all segments of the freight market, not only in combined transport. However, taking into account the principle of subsidiarity, it will focus in international, rather than national, projects. The programme should also support actions involving countries neighbouring the EC, especially accession candidates.

Three main orientations are foreseen:

- Start-up support for new non-road transport services, which should be viable in the mid-term;
- Support for launching services or facilities of strategic European interest;
- Stimulating replication, and forging common goals, based on projects executed in the market.

The main objective of Marco Polo is to help shift an amount of cargo corresponding to the anticipated growth of international road haulage, to other modes. The programme will support the major policy initiatives in the freight sector foreseen for the horizon 2010, and should therefore be in place until that date. Mechanisms for flexibility will be introduced, which should allow reaction to changing market trends not foreseen today.

## **A. The PACT Programme 1997 to 2001**

1. In order to propose the most efficient and effective promotion programme on Community level, it is important to properly evaluate the promotion programme currently running. Some features of the PACT programme have shown their value. Others need to be abandoned or adapted to the changes in the market and the new policy requirements.

### **Objectives and assumptions of the PACT programme**

2. The PACT Programme set out to increase the use of combined transport by supporting market-driven innovative initiatives in the combined transport services sector. The increased use of combined transport is seen as a means to make the transport system more sustainable.
3. Actions have to relate to combined transport, as defined in Art. 2 of Council Regulation 2196/98. They have to be international in terms of geography and consortium. Further, innovation in terms of technology and/or route is required. Supported actions should not distort competition between non-road modes.
4. The budget for the PACT-Programme is relatively modest, as it amounts to 35 million EUR for the five year period of its existence, out of which 23.6 million EUR was committed by the end of 2000. A further 7.5 million EUR are scheduled to be committed in 2001. To markedly increase the use of combined transport with such a budget, it is necessary that the actions financed are acting as a pilot for the market. They should thus have a “snow-ball” effect or a “replication potential”. Thus, their effect would be multiplied, with corresponding modal shift effects.
5. The programme also assumes that combined transport can be economically viable and competitive vis-à-vis road on its own after a relatively short period of start-up aid.

### **Quantitative results**

6. In the period 1997 to 2000, PACT funded 106 actions amounting to a total of 19.6 million EUR. The following table gives an aggregate repartition of funds to the different modes (in million EUR, actual payments, rounded):

	<b>Rail</b>	<b>Inland waterway (IWW)</b>	<b>Short sea shipping (SSS)</b>	<b>Rail-SSS</b>	<b>Rail-IWW</b>	<b>Sea-River</b>	<b>Tri-modal</b>	<b>TOTAL</b>
<b>EUR 1997 – 2000</b>	8.5	1.9	3.7	2.9	0.75	0.85	0.925	<b>19.6</b>

7. If one compares the actual payments with the money reserved in the budget for the different years and modes (the “commitments”), the following table applies:

	<b>Rail</b>	<b>IWW</b>	<b>SSS</b>	<b>Rail-SSS</b>	<b>Rail-IWW</b>	<b>Sea-River</b>	<b>Tri-modal</b>	<b>Total 1997 – 2000</b>
<b>Commitments</b>	10.6	1.9	4.7	3.5	1.2	0.85	0.925	<b>23.675</b>
<b>Payments</b>	8.5	1.9	3.7	2.9	0.75	0.85	0.925	<b>19.6</b>
<b>Difference</b>	2.1	0	1.0	0.6	0.425	0	0	<b>4.025</b>

8. Decommitments (budgeted money not spent) indicate that a project could not deploy its full operational scope envisaged at the beginning of an action. Large scale decommitments are done in case of unsuccessful projects. The percentage of decommitments has increased over the period 1997 - 1999: it was 13% in 1997, 20% in 1998, and reached 33% in 1999.

9. If one looks at the overall success rate of the financed actions between 1997 and 1999, the percentage is as follows:

- Highly successful: 11%
- Successful: 38%
- Partially successful: 33%
- Not successful: 19%

10. Three relevant conclusions can be drawn from this analysis:

- Rail and the short sea projects were confronted with higher risks than projects involving inland waterway. About 20% of the money foreseen for rail and short sea projects could not be spent, because the actions had to be terminated without success or had to be scaled down.
- It seems difficult to launch and maintain innovative intermodal actions in the market.
- The commercial success of new services is not always guaranteed even with initial public financing. However, start-up aid can contribute, to a large extent successfully, to transport projects becoming viable on their own.

## **B. The External Evaluation of the PACT Programme**

11. In line with Art. 13 of Council Regulation 2196/98, the Commission requested an external evaluation of the PACT programme for the period 1997 to 1999. This evaluation was finished in December 2000. The most relevant conclusions of the evaluation in the present context are as follows:

- Most operational measures supported by the PACT programme are cost-effective in terms of avoided carbon dioxide emissions, even without replication.
- Commercial viability of the intermodal projects is difficult to achieve, even with the start-up support provided by PACT. This is due to the challenging market conditions for combined transport in Europe.
- Asking for technological or logistics innovation in conjunction with achieving commercial viability under current market conditions may expose projects to inordinate risk and ultimate failure.
- Receiving Community funding was of course important to the project partners. However, beneficiaries reported that the commitment created by the PACT contract with the Commission and the political and operational support provided through the programme was essential for reaching the goals of the project.
- Project results are not adequately disseminated in support of the programme objectives, such as replication and policy assessment.

12. The evaluation recommended:

- Stopping the funding of feasibility studies as precursors to operational projects. Instead, some funding should be allocated to fund generic studies aimed at market enablement.
- Strengthening the dissemination aspects of the promotion programme through the development of a targeted programme-level strategy, which would also encourage more widespread replication of pilot actions.
- The evaluation also suggested to generate some large-scale projects which could help lower the market barriers for intermodal transport in Europe.

## **Conclusion**

13. The PACT Programme has provided evidence that setting up new intermodal services in Europe is fraught with high risk. Community funding for start-up of new operations seems therefore still appropriate. Community funding can also be envisaged as a good policy option, because the limited funding of start-up measures in intermodal transport is cost-effective for society at large. If the supported action stays viable, the positive effects of the subsidy continue, even after the subsidy itself has stopped. Finally, the close contractual relationship between the Commission and the beneficiary allows for individualised arrangements to reach the objectives, and produces good results in terms of monitoring and steering of projects. The funding should therefore continue to be based on contracts.
14. As there is evidence that requiring innovation on top of starting new services may “overload” the project objectives, one should dissociate innovation funding from start-up aid. To further maximise cost-effectiveness of Community funding, stronger dissemination mechanisms should be integrated into the future programme.

## **C. Identifying Objectives: Current Market Developments and Needs**

15. This section identifies market developments and needs, which a new programme should take into account for optimal effectiveness.
16. The non-road modes to be considered for an intermodal promotion programme are short-sea transport, rail and inland navigation. Freight transport by air is more polluting than road transport. The airspace is also plagued by congestion. Therefore, a transport promotion programme intended to help reduce pollution and congestion in Europe should not promote air transport.

### **Short Sea Shipping**

17. Maritime transport services between Member States have been liberalised in the Community since the 1980's. Further, the principle of free maritime cabotage has been in force since 1993. The last temporary derogation for cabotage (certain island services in Greece) will expire in 2004.
18. In the 1990's short sea shipping grew by 27 % while road transport grew by 35 %. Especially in transport between Member States - where 50 % of goods are today carried on the road - short sea shipping has the greatest growth potential.
19. To become a real success, intermodal short sea shipping should be as easy to use as single road transport. It should be managed and commercialised through one-stop shops.
20. Any obstacles hampering the optimal development of short sea shipping need to be tackled as a matter of priority. The major obstacles identified so far belong to the following categories:
  - The image of short sea shipping needs to become that of a dynamic element in an intermodal chain. The obvious way to deal with this is distribution of information on the use of the mode and its modern capabilities.
  - Interoperability is still not achieved today in intermodal chains making use of short sea shipping. The lack of uniformity in intermodal loading units, lack of logistics management, difficulties in organising intermodal chains and the price of door-to-door short sea shipping are a few examples.
  - The complexity of documentary and administrative procedures is a fact in the every-day life of short sea shipping, and does not help its competitiveness vis-à-vis road.
  - Ports are irreplaceable interconnection points between land and sea. They need to work optimally and give high level of service to all users. Also, hinterland connections are vital for short sea shipping. But also here, the state of play is not yet allowing optimal intermodal short sea shipping chains. Importantly, many ports are still focussing their services on the needs and requirements of deep sea shipping. This results in sub-optimal conditions for short sea.

## **Rail**

21. Since 1 July 1993, international combined transport services by rail have access rights to other Member States' networks. However, in practice, rail freight transport is still today characterised by a juxtaposition of national infrastructures and services.
22. The most notable result of this unsatisfactory situation is the lack of interoperability in terms of equipment, infrastructure, communication systems and operational rules across the various national networks. In commercial terms, it is the strong position of the former national railways in their territory. Linked with low rates of return in the industry, this creates strong barriers to entry. High differences in the rail infrastructure charging systems and the lack of a European traction market (traction services and locomotives) constitute further impediments to rail market development.
23. Especially international rail freight services currently display quality problems in terms of punctuality and flexibility. In the end of the year 2000, the punctuality of international combined transport trains on the central European trans-alpine routes was down to 50%. Every second train is now delayed. The lack of a European market strategy by the railway undertakings frustrates, for instance, attempts to co-operate in order to put in place European-wide schemes for exchanges operational data or modern and performing tracking and tracing systems. The railway undertakings consequently have difficulties to ensure a quality level that meets the customers' requirements leading the clients to abandon rail in favour of road haulage.
24. However, the regulatory framework for the European railways is going to change substantially since the European Parliament and the Council agreed on a set of rail infrastructure Directives in February 2001. International rail freight service providers will have open access to the trans-European rail freight network (TERFN) during a transitory period. At the latest from 2008 onwards access will be open to the whole European rail freight network. The European Directives further harmonise the conditions of access to the European rail infrastructure, for instance for train path allocation, infrastructure charging, and the issuing of railway licenses and safety certificates. On the other hand, market access for domestic rail freight services and passenger services still remains regulated by national legislation.
25. The regulatory changes towards market opening are likely to have a profound impact on the structures of the rail sector. A number of railway undertakings enter into various forms of co-operations up to structural mergers to position themselves better in an opening market. They also tend to concentrate on the most profitable market segments in order to improve the financial performance.

## **Inland navigation**

26. Market access for inland waterway has been open since January 2000. Intermodal inland waterway services have seen strong growth rates, especially along the seminal Rhine waterway system. There are also promising signs of a further

rationalisation in the sector, such as the setting up of inland waterway hub-and-spoke systems or short distance inland navigation services.

27. Lack of harmonisation of technical regulation for inland waterway vessels and of boatmaster certificates throughout the Community's waterway networks still remain obstacles to the functioning of the Single Market in this sector. Further, numerous bilateral agreements between Member States and third countries restrict the opportunities for inland waterway and have the potential to hinder freedom to provide services in this sector.
28. The lack of interchangeable equipment between inland waterway, rail and short sea, especially concerning loading units, limits the competitiveness of inland waterway in the intermodal transport chain. Also, the inland ports need to change to become logistics platforms where interconnection between several modes is improved. Finally, similar to short sea shipping, inland waterway needs to present itself in a more dynamic light.

### **The intermodal terminal sector**

29. The EC terminal market is today fully liberalised under the Treaty rules on freedom of establishment and freedom to provide services. However, most terminal operators still operate regionally or locally.
30. While large-scale facilities, sometimes coupled with new rapid transshipment technologies, have not brought the efficiency gains expected, small-scale and relatively cheap terminals have had success. It is important to adapt terminal size and outlay to its function (regional, international, hub).
31. Various studies have shown that there is still room for improvements in terminal operations. This concerns the actual handling, pre- and post-haulage and the communication systems with the modes.

### **Information technologies**

32. Today, there is a proliferation of electronic communication and information systems. Some systems are closed and just give access to a restricted number of users. Others tend to be more open. To a certain extent, the variety of the systems has been mitigated by the setting up of repositories which can translate various messages and render them interoperable. But still, data exchange, essential in the intermodal transport chain, is too complex and cumbersome.
33. In recent times, the trend has gone away from fixed installations along the infrastructure to track and trace equipments and goods. Rather, satellite-controlled information systems have shown to be more reliable, flexible and cheaper than other options.

### **The road freight sector**

34. Free market access to the EC road freight sector has been achieved on 1 July 1998. The full introduction of market forces has given the road freight sector a

further boost to become more innovative and competitive in terms of equipment and service performance. Further, road transport has benefitted from changed global production patterns, which favour rapid and flexible means of transport with relatively limited unit capacity. Conversely, these changes have added new challenges for the competitiveness and continuing viability of intermodal services. Last, road freight transport does not pay the full costs it causes to society, which produces a further, unfair, competitive advantage. The data shown above concerning the performance of PACT projects clearly indicate that intermodal services have suffered from the growing competitiveness of road.

35. The international rail combined transport sector has fared worst under the competitive pressure from road. Prices for international rail transport went sharply up since 1998, and quality decreased. As a result, rail freight has lost further clients to road transport. Short sea shipping and inland waterway have sustained continued considerable growth rates also throughout the end of the 1990s.

### **Conclusion**

36. One can draw four conclusions from the previous overview.

- First, the regulatory framework for access to the non-road freight transport markets is to a large extent in place or in progress.
- Second, many factual, commercial and operational barriers exist in all road-alternatives and have to be overcome to unleash the full potential of these markets.
- Third, in order to provide high-quality intermodal transport chains, also modal deficiencies and problems must be addressed.
- Fourth, current production and distribution patterns request flexible, versatile and rapid transport solutions. Road transport can offer this to a large extent. Flexibility, versatility and speed are, by the very structure of the modes, not the core virtues of rail, inland waterway and short sea shipping.

### **D. The Marco Polo Programme: a new promotion concept for alternatives to road transport**

#### **Policy Context**

37. Since 1975, combined transport policy has endeavoured to encourage a modal shift from road to rail, inland waterway and, later, short sea shipping. The motivation behind this policy has been and still is the improvement of the environmental performance and a better safety record of the whole transport system. Coping with the negative impacts of growing road traffic is one of the central current and future challenges of the common transport policy.

38. Total road freight transport in Europe is set to grow by about 50% until 2010. This means a foreseen growth of 60 billion tkm per year. It translates into further

congestion, pollution and accidents. This is not acceptable. Coping with this growth implies using alternatives to road transport more intensively and systematically than hitherto. The policy of modal shift is even more topical today than 25 years ago. The Commission White Paper “The European Transport Policy – the hour of choice: control or congestion?” (2001) therefore proposes concrete and effective measures to combat transport congestion. The Marco Polo programme is one key instrument to achieve this objective in the freight transport sector.

39. The central challenge is: can the non-road modes absorb 60 billion tkm more per year and thus limit the growth of road transport considerably or even reduce it? A sensible Community programme for the support of alternatives to road freight transport must take up this challenge and must lead to actual and sustained shifts from road freight to the less congested and more environmentally friendly modes. The goals of the Marco Polo programme should be to shift the whole aggregate growth of international road freight transport to more environmentally friendly modes.
40. In proposing the continuation of the promotion of modal shift activities, the Commission also takes into account Council Resolution 2000/C/56/01 of 14 February 2000 on the promotion of intermodality and intermodal freight transport. This resolution asks the Commission to propose a programme continuing the promotion of alternatives modes, after the end of the PACT programme.

### **Scope of the Marco Polo programme**

#### *Not only combined transport*

41. Compared to PACT, Marco Polo should be broadened in scope. As the objective is to move, in aggregate, the total growth of international road freight transport to alternative modes, the programme must be able to address all segments of the freight market. Therefore, not only combined transport options should be considered. Opportunities abound for modal shift in the bulk, conventional, or unimodal containerised transport segments. For instance, large quantities of chemicals and even fossil fuels are transported long-distance by road, not necessarily in containers. This segment must be targeted. If projects aim to simply eliminate road totally, eg in the factory-to-factory logistics process, using private sidings for rail or inland waterway, then this is a sensible proposition that the new promotion programme cannot afford to ignore.

#### *Geographic scope*

42. The PACT Programme had focussed, because of its relatively small budget, its support on the territory of the Community. However, there is increasing demand for support to intermodal and other non-road freight projects also in the countries adjacent to the European Union. In the context of the coming enlargement, it is essential that the support to transport infrastructures, which the European Union is already giving today, is accompanied by support for non-road transport service projects. This will accelerate the integration of the enlargement candidate countries, which already now are beginning to see signs of growing congestion

and pollution caused by road transport. Therefore, the Marco Polo programme should also be able to assist projects linking non-EU countries with the European Union.

### **Delimitation to other support initiatives**

#### *On Community level*

43. Like the PACT programme, the Marco Polo programme will be geared towards promoting commercially oriented services in the transport market. Neither research and development nor infrastructure measures are its focus. For these activities, appropriate programmes exist already. An overlap with their instruments should be avoided.
44. On the other hand, the optimal performance of a transport service may require certain ancillary measures, which may extend beyond funding service-related activities or items. One should not refuse requests for funding for such items on the formal ground, that they imply some infrastructure works or are contingent on specific demonstration activities. It would be unhelpful to refer applicants asking for funding of ancillary measures concerning the actions covered by the new programme to other programmes. Their procedures, cycles and funding instruments are not geared towards short- or medium term actions in the market.

#### *On Member States' level*

45. Marco Polo should set out the strategic road-map for fostering alternatives to road transport in the coming years. This does not exclude that Member States support intermodal transport financially or through specific regulatory instruments. However, such support must be in line with the State aid rules of the EC-Treaty.
46. Experience suggest that unilateral national measures, even when in line with the requirements of the EC Treaty, are often operationally suboptimal, especially in intermodal freight transport. The strength of this type of transport lies in the long-distance segment. It will therefore often be of an international nature. Thus, if one Member State embarks on an ambitious regime to foster the construction of new intermodal terminals or railway sidings, but the infrastructure at the end of the link in the other Member States is old-fashioned, the results are far from optimal.
47. Therefore, the Marco Polo programme should also offer guidance as to the type of financing that can be regarded in the "common interest" within the meaning of the State aid rules of the Treaty. This approach has already been successfully implemented in the current State aid concerning the combined transport sector, taking the PACT programme as a guideline. The projects identified in the programme could benefit from co-financing by the Member States, within the foreseen aid ceiling, in order to speed up their success. On the other hand, projects not mentioned or covered by the programme would have to face thorough scrutiny whether they are in the common interest and necessary.

## **Types of intervention**

48. The Marco Polo programme should feature three main support targets. They are based on the experiences and the evaluation of the PACT Programme, the perceived market needs and should concretely support overriding transport policy goals:

- start-up aid for new non-road transport services;
- catalyst actions steered by the Commission;
- stimulating replication and forging common goals.

## **Start-up aid for new non-road transport services**

49. Setting up new non-road transport services is, by its very nature, more risky than setting up new road services. Regular maritime, rail and inland waterway services need a load factor of about 70 to 90% to stay viable. In order to compete with road, a transport service must be offered regularly, more than once a week, and ideally, daily. As a very general rule of thumb, a minimum of about 200 containers on a short sea ship, 50 containers on an inland barge and 25 containers on a train are needed to ensure commercial viability of such services. The logistics and financial challenge to gather the necessary load every day is evidently much higher than organising a daily truck service with one or two consignments. In order to make the switch from road to other modes, potential users need to be convinced that the intermodal service is frequent, regular and will stay in the market. When an intermodal service is launched, the public therefore often adopts a “wait and see” attitude before relying on it. Regular and frequent intermodal services are consequently loss-making for their start-up time.

50. Due to the very keen competition from the road market and changing production and distribution patterns, setting up intermodal services has even become more risky in recent years. Policy will work on providing a fairer intermodal competitive environment. However, this is a long-term regulatory goal. Today, if market actors’ willingness to take risks is not stimulated beyond the traditional commercial incentives, traffic will stay on road. Taking into account the key transport policy objective to combat congestion outlined in the Commission’s White Paper of 2001 mentioned above, this is not an acceptable policy option.

51. The start-up aid provided for by PACT has shown that operators are willing to take a commercial risk for setting-up new non-road transport services, if some Community funding can be provided for. Most importantly, the evaluation of the PACT programme has indicated that Community funding for non-road transport services, if properly calculated and executed, can bring forth net savings for society at large.

52. The Marco Polo programme will therefore continue to provide for start-up aid for new non-road transport services, under the following conditions:

- According to its business plan, the transport service must be viable after a maximum funding period of three years;
- The transport service must take freight from road, and not from other environmentally friendly modes;
- The service may propose traffic shifts in all segments of the freight haulage market; it must, however, concern an international route.
- Wherever possible, services performed for the applicant and necessary to achieve the objectives of the project should be retained on the basis of a tender in order to achieve maximal cost-efficiency;
- The support takes the form of an environmental premium. The amount of the premium is calculated on the measurable environmental benefit resulting from the modal shift away from road. It may be reviewed from time to time.
- The support must be used to cover project-related costs and may not be more than 30% of total project costs.
- The beneficiary must provide proof of actual shifts, and will have to pay back a proportion of the subsidy, if he does not meet his goals.

### **Catalyst actions steered by the Commission**

53. As shown above, market access to the inland waterway and maritime sector is largely achieved, and considerable progress is made in the railway sector in this respect. However, despite growing possibilities for market access, private initiative is not always able to tackle all existing factual market barriers on its own or only relying on its own financial resources. Intermodal transport is a risky business. The commercial rewards, in terms of rates of return, for trying to overcome structural impediments and imperfections, are often too limited to convince entrepreneurs to take such major risks. Thus, there are still many obstacles, which have to be solved by using political *and* commercial strategies simultaneously.
54. The PACT programme did not provide the instruments to help overcome structural deficiencies in the market. Thus, the PACT subsidy was sometimes used only to “cure the symptoms”, but not to attack core problems of running efficient transport chains. For example, an unforeseen price increase by a railway company could, at once, annihilate the whole benefit of a PACT subsidy in a combined transport action. The market structure would not allow the PACT beneficiary to choose another railway operator. The project, while promising, would have to be abandoned. This was obviously a sad result for the project. It was also unsatisfactory for the programme management, which had committed a budget for this project, often to the detriment of another good project, which had not been chosen in the selection procedure.
55. In such a situation, a “catalyst action” would tackle the lack of choice in the railway sector, and, for instance, set up, with the help of the Community, an independent railway service guaranteeing price stability or performance.
56. The Marco Polo programme thus should support actions in the market, which act as a catalyst to structural change. The support will, of course, be financial, in order to stimulate risk-taking by private entrepreneurs. However, the Commission will also guide and steer these catalyst actions. Commission officials will accompany

the progress of these projects. If problems occur, which cannot be resolved by operational or commercial means alone, steering committee meetings involving all commercial partners, but also public bodies and other stakeholders, will decide on the appropriate short term actions.

57. The difference between the actions mentioned here and the start-up aid is as follows: start-up projects will typically occur in situations where markets function already reasonably well. Their goal is to maximise traffic shift. They will thus typically be commercially robust, but not necessarily innovative. Catalyst actions, as described above, will contribute to a better structural functioning of the market. Their goal is not to maximise traffic shift, but to overcome market barriers with the help of the Community. Catalyst actions will be able to address market barriers not only in the, technically speaking, intermodal sector. They should also tackle structural problems in the different modes. This, in turn, will benefit the performance of the intermodal transport chain.
58. By contrast to the start-up actions, the catalyst actions will have to be innovative on a European scale, either in terms of logistics concepts or in terms of technology used. They will also be larger in funding size and will, due to their possible complexity, require more intensive steering and possibly more time to achieve their objectives.
59. The other difference is the scope of the catalyst actions. While start-up projects will be limited to transport services, catalyst actions do not necessarily need to be confined to the transportation of goods, in the sense of their physical movement. Catalyst actions may also be performed in other markets, whose functioning is essential for an improved transport performance of the non-road modes. Experience has shown that some Government assistance may be needed in order to allow markets to start functioning according to market principles. The setting-up of pools for the Europe-wide introduction of innovative or interoperable equipment, or setting up Europe-wide tracking systems could figure as an example of such actions.
60. The funding conditions for catalyst actions are as follows:
  - The action relates to commercial services in the non-road transport market and its ancillary sectors. It should be viable in the medium term, ie up to five years.
  - The project should be international in nature, both concerning the service or product, and the proposing consortium.
  - The action intends to tackle a structural impediment in the market, proposes a plan with concrete milestones towards its objectives and identifies the need for Community steering functions.
  - The project must not lead to unacceptable distortions of competition with non-road modes. In this respect, effects on existing services resulting from introducing competitive elements into monopolistic market structures would be acceptable.
  - Community support would amount to 30% of all costs caused by the implementation of such a project. Total duration of financing would not exceed more than 5 years.

- The action should underpin and enforce priority transport policies, especially the ones indicated in the Commission Transport Policy White Paper of [27 June 2001]. Examples could include:
  - ⇒ Making use of legally available opportunities to offer international non-stop railway services without change of locomotives and with appropriately trained driving teams; this could include the commercial use of cost-efficient and innovative interoperable equipment, rolling stock, communication systems and infrastructures;
  - ⇒ Introduction of high speed freight trains on international routes to develop state of the art competitive concepts in the high quality end of the freight market;
  - ⇒ Maritime services featuring frequent and regular departures with adapted port services (“maritime highways”) to relieve congestion in ecologically sensitive regions;
  - ⇒ High quality, well integrated inland waterway services on the route Black Sea – North Sea Ports;
  - ⇒ Improving user access, connections and logistics opportunities in the inland waterway sector;
  - ⇒ Quantum progress in organisation and technology of “rolling motorways”, especially in ecologically sensitive regions, such as mountains;
  - ⇒ Setting up locomotive pools for international use and equipment pools for tri-modally compatible intermodal loading units;
  - ⇒ Setting up reliable transport and logistics information systems, allowing open and non-discriminatory access to all potential users at low cost;
  - ⇒ Setting up European training centres for rail transport professionals and train drivers.

### **Stimulating replication and forging common goals**

61. Freight transport today is an integrated part of the supply chain. Operators must manage this in a network approach. Operating in a network means co-operation. This is especially true of intermodal transport. It is a more complex transport option than its main competitor, road. Certain deeply rooted business cultures, the fragmentation of the market and the intense commercial pressure resulting from the road freight transport are not always conducive to simultaneous co-operation and competition in the market for non-road freight transport.
62. On the other hand, the non-road freight sector is constantly producing, through exemplary co-operative ventures, innovative ideas and commercial successes are to be noted. The question for a Community programme seeking to ensure a large-

scale sustainable modal shift is: is there a way in which it could contribute to a better proliferation of good ideas and an improvement in the co-operative mentality of the sector?

### *Replication*

63. In general, the key to ensure a consistent improvement in business practices and co-operative performance is as old as markets themselves: emulation of good ideas. One answer to impediments to the free circulation and easy replication of good ideas can be the Government-sponsored dissemination of results. This is a standard feature of national and EC research and development programmes. As stated above (point 4), the PACT programme largely assumed that good modal shift ideas would be replicated in the market. This was one reason why it proposed only a relatively limited budget for its goal to increase the use of combined transport.
64. However, in fact, replication was quite limited. The main reason was that the supported action was conducted in the core business of the beneficiary. The latter thus did not have a strong interest in emulation by other companies, as this would have limited its competitive advantage stemming from the innovative actions. Second, as many PACT projects were route-related and had thus very specific features, their replication potential was low. Further, there was no programme-level dissemination strategy.
65. If the new programme wants to foster replication of cost-effective modal shift actions efficiently, it must thus address two issues: (1) Avoidance of overlap with existing dissemination instruments; (2) Identification of projects which lend themselves to replication.
66. Dissemination is today part and parcel of the ongoing transport-related research and development programmes. This dissemination is largely done through thematic networks. Government and Commission officials and representatives of industry are represented in the networks. By their nature, these networks are focussed on the dissemination of research activities. Some transport research is based on demonstration projects, which do not only purport to demonstrate the technical, but also the operational and financial feasibility of new ideas.
67. In order to avoid duplication, the Marco Polo programme will focus on dissemination of results and ways to achieve these, concerning commercial projects in the market beyond their demonstration phase.
68. As said above, not all commercial projects lend themselves to dissemination. However, some types of commercial projects can have a high replication value. The following types come to mind:
  - Today, an increasing number of production companies, large transport users in their own right, seeks to make better use of alternatives to road freight transport. They are willing to change their logistics systems or seek new ways of co-operation with transport providers. Such user-led projects could lend themselves well to dissemination, as transport users do not compete in the field of provision

of transport services. Rather, they may have an interest that other transport users share with them the alternative transport option. This will result in economies of scale.

- Some PACT projects have begun to develop models of co-operation, where data to be disseminated are neutralised and aggregated by an independent project manager. At the same time, such data can still provide valuable insight for third parties. The future programme would encourage the further development of such “confidentiality shields”, which still allow concrete lessons and replication models.
- Finally, the Commission would require that the catalyst actions described above disseminate as much as possible their results and the ways to achieve them. Evaluation and dissemination would go hand in hand with progress in the action. In return for substantial financial and political help in overcoming structural market barriers, the partners of a catalyst actions should give information on the project which will enable other market participants to make use of the experience gained. Indeed, without dissemination and replication, catalyst actions will not fully reach their objectives.

#### *Forging common goals*

69. The described actions link commercial projects with dissemination activities, in order to enhance the replication of good ideas in the market. However, the intermodal sector may wish to avail itself of some Community support for help in attaining ambitious goals on the basis of common action plans for transport services in the market. A precursor of this line of support was a PACT project jointly developed by the European combined transport operators with their railway partners. The parties analysed together, on the basis of common criteria, the reasons for quality problems in international combined transport. A “manual” was presented at a workshop. It listed the problems and relatively easy short-term solutions to many of the problems. The PACT project stopped at this point. The Marco Polo programme, however, should give industry an opportunity to ask for Commission endorsement and financial assistance for translating action plans and manuals into reality.

70. Such possibility may at first glance look interventionistic. However, PACT experience has shown that mutual trust and co-operative spirit in the fragmented and complex intermodal sector must sometimes be built up, where acrimonious business relationships with ill-defined responsibilities prevailed before. In these instances, a neutral “honest broker” role of the Commission can greatly contribute to building better working relationships between the parties and the achievement of ambitious goals. Further, many PACT beneficiaries had the view that the PACT support created higher than usual commitment in the consortia to attain the envisaged objectives (*see* above point 11). There thus seems to be a real need for commitment-building support.

71. The overall objective of these “actions forging common goals” is to achieve a level of co-operation in the non-road freight sector which is necessary to optimise work methods and procedures. Obviously, beyond this stage, competition between operators will be needed to improve services and products. Mature industries, also in the transport sector, have achieved a good balance between necessary co-

operation concerning largely technical matters, work flows and procedures, while leaving the essential service provision to the field of competition.

#### *Priority fields of action*

72. The Commission would like to foster replication and common achievements especially in the following fields:

- Short-sea shipping treatment in port pairs;
- Co-operation between railways and inland waterway;
- New co-operation and capacity management models (slot-charter, container pools) in rail transport;
- Catalyst actions mentioned above;
- In terms of target groups, a special effort should be made related to operators and practices in the countries planning to adhere to the European Union;

#### *Funding Conditions*

73. Dissemination projects and projects forging common goals should be fostered under the following conditions:

- The project must relate to commercial services in the market, which are viable in the mid-term.
- The project must be innovative on a European level.
- The project must not distort competition contrary to the common interest.
- The application should assess the replication potential, define the target audience and propose a dissemination plan.
- Funding intensity would be up to 30% of the specific costs related to implementing the commercial service, and up to 100% of the dissemination activities.

74. The Commission will furthermore ensure a strong programme-level evaluation and dissemination of all the activities fostered. A Web-based Information Centre is planned.

#### **Formal and procedural aspects of the new programme**

75. The Marco Polo programme will be based on a Parliament and Council Regulation, according to Art. 71 of the EC-Treaty. This regulation will set out the objectives, the scope, the intensity, and the types of support to be given.

76. The programme's foremost objective is to support effectively mid-term transport policy goals tackling the problem of increased road traffic. In line with the policy horizon of the Commission White Paper on the Future European Transport Policy of [23 May 2001], it should thus be oriented towards the time horizon 2010. Taking into account that the programme can be in place by 2003, a seven year duration is proposed. Such a length is necessary especially in view of measuring the success in the difficult areas of "catalyst actions" and "replication and common goal actions". Such actions may take several years to reach their specific objectives and some further time to deliver sustained modal shift results.
77. In order to nevertheless retain the necessary flexibility to react to market conditions, specific key themes will be proposed every two years for the catalyst actions and the projects fostering replication and forging common goals. An in-depth mid-term review should be provided for. Ongoing internal evaluations and, from time to time, external evaluations, especially with regard to achieving the programme objectives of sustained modal shift, will also feature.
78. In line with statutory requirements, a management committee composed of representatives of Member States will assist the Commission in its decisions, where appropriate. The Committee should also assist the Commission in defining specific key themes, as mentioned above.

## CALL FOR COMMENTS

The services of the Directorate General for Energy and Transport of the European Commission call for interested parties to comment on the consultation paper, until **18 July 2001**.

Comments should be sent to:

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