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HAVE THE MARCO POLO PROGRAMMES BEEN EFFECTIVE IN SHIFTING TRAFFIC OFF THE ROAD?

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(pursuant to Article 287(4), second subparagraph, TFEU)

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GLOSSARY

Ancillary infrastructure: The necessary and sufficient infrastructure to achieve the goals of the funded actions (Marco Polo II Regulation (EC) No 1692/2006, Article 2(h)). As Marco Polo projects are transport services projects, ancillary infrastructure should merely be adjustments to existing infrastructure that are necessary so that the transport service envisaged can be carried out.

Deadweight: Deadweight occurs where funding is provided to support a beneficiary who would have made the same choice in the absence of aid. In such cases, the outcome cannot be attributed to the policy, and the aid paid to the beneficiary has had no impact. Thus the share of expenditure which generates deadweight is ineffective by definition, because it does not contribute to the achievement of objectives.

DG Mobility and Transport: European Commission's directorate-general for mobility and transport.

EACI: Executive Agency for Competitiveness and Innovation. In March 2008, this agency took over the daily project management of Marco Polo.

Interoperability (of the trans-European rail system): The capability to operate on any stretch of the rail network without any differences, by focusing on making the different technical systems on the EU's railways work together and avoiding operational and infrastructure barriers.

Marco Polo actions: The Marco Polo programmes fund the following five types of actions:

1. Catalyst action: action under Marco Polo I and II (MP I and MP II) aimed at overcoming significant structural barriers in the freight transport market which prevent the market from functioning satisfactorily;
2. Modal shift action: MP I and II actions to shift freight from road to rail, inland waterways and short sea shipping or a combination of these transport modes;
3. Motorways of the sea action: MP II action aimed at modal shift by introducing a door-to-door service which shifts freight from long road distances to a combination of short sea shipping and other modes of transport;
4. Traffic avoidance action: MP II action aimed at avoiding traffic rather than shifting it, by focusing on the modification of production/distribution processes to achieve shorter distances, higher loading factors, fewer empty runs, reduction of waste flows, reduction of volume and/or weight or any other effect leading to a significant reduction of freight traffic on the road;
5. Common learning action: MP I and II action designed to deliver modal shift indirectly by enhancing knowledge in the freight logistics sector and fostering advanced methods and procedures for cooperation in the freight market.

Marco Polo Programme Committee: Management committee consisting of the different representatives of the EU Member States and observers from participating third countries dealing with transport services.

Multimodal transport: The carriage of goods by at least two different modes of transport, such as road, rail, inland waterway or short sea shipping, from point of departure to destination.

Tonne-kilometre (tkm): The transport of one tonne (1 000 kg) of cargo over a distance of 1 kilometre. Since 2009, the rules have allowed tare to be included in the tkm shifted under the Marco Polo programmes.

EXECUTIVE SUMMARY

I.
Since 2003, the Marco Polo programmes have financed transport service projects that shift freight transport from road to rail, inland waterways and short sea shipping. The first Marco Polo programme (Marco Polo I) had a budget of 102 million euro and ran between 2003 and 2006. The current Marco Polo II programme runs from 2007 to 2013 and has a substantially larger budget of 450 million euro. The aim of the scheme was to reduce international road freight traffic, thereby improving the environmental performance of freight transport, reducing congestion and increasing road safety.

II.
The European Court of Auditors assessed whether the Commission had planned the programmes, and was managing and supervising them, in such a way as to maximise their effectiveness, and whether the funded projects were effective.

III.
The Court found that the programmes were ineffective in as much as they did not attain their output targets, they had little impact in shifting freight off the roads and there are no data to assess the expected benefits of diminishing the environmental impact of freight transport, easing congestion and improving road safety.

IV.
The mechanism used for programme payments made EU-funding disbursements conditional upon results, the selection procedure ensured that only high-quality projects were selected and these projects usually provided greater benefits for the broader community. However, there were not enough relevant project proposals put forward because the market situation and the entry conditions discouraged operators from taking advantage of the scheme. In addition, there was uncertainty about the limited quantities reported shifted, and half of the audited projects were of limited sustainability. Furthermore, projects would have started even without EU funding (deadweight).

V.
Whilst the daily management of the programmes improved over time, the Commission did not carry out a sufficient analysis of market needs to assess the potential to achieve the policy objectives, and corrective actions could have been taken earlier. However, important programme weaknesses persist.

VI.
Given the results of the current programmes, the Court recommends the Council, the European Parliament and the Commission to consider discontinuing EU funding for transport freight services following the same design as the Marco Polo programmes ('top-down supply-push') which led in particular to the weaknesses identified in this report (insufficient market uptake, absence of evidence of achieving the objectives, high administrative burden, poor sustainability and deadweight) and making continuation of such funding conditional upon an *ex ante* impact assessment showing whether and to what extent there is an EU added value. This would imply making a detailed market analysis of the potential demand and taking up the experience and best practices of Member States similar national support schemes. Only in the event of a positive assessment as to a meaningful EU action in this area, the Court recommends that the Commission take a series of actions to strengthen performance in future schemes.

INTRODUCTION

THE MARCO POLO PROGRAMMES AND MULTIMODALITY

1. Multimodality is about using two or more different transport modes to complete a single freight transport operation. Multimodal transport has generally been considered to be environmentally more sustainable as it reduces 'road-only' transport operations. Increasing the use of multimodality has therefore been one of the EU's main transport policy objectives for many years[1].

2. As part of this policy, in 2003 the EU legislator established a first Marco Polo programme (Marco Polo I, with a budget of 102 million euro) that ran between 2003 and 2006. It was followed by the current Marco Polo II programme (2007–13), which has a substantially larger budget of 450 million euro and extended scope. The objective was to counter the rise in international road freight transport by shifting the expected aggregate increase to railways, inland waterways and short sea shipping, or a combination of those transport modes. This was meant to reduce the environmental side-effects of freight transport, ease road congestion and improve road safety and contribute to efficient and sustainable mobility (see ***Figure 1***).

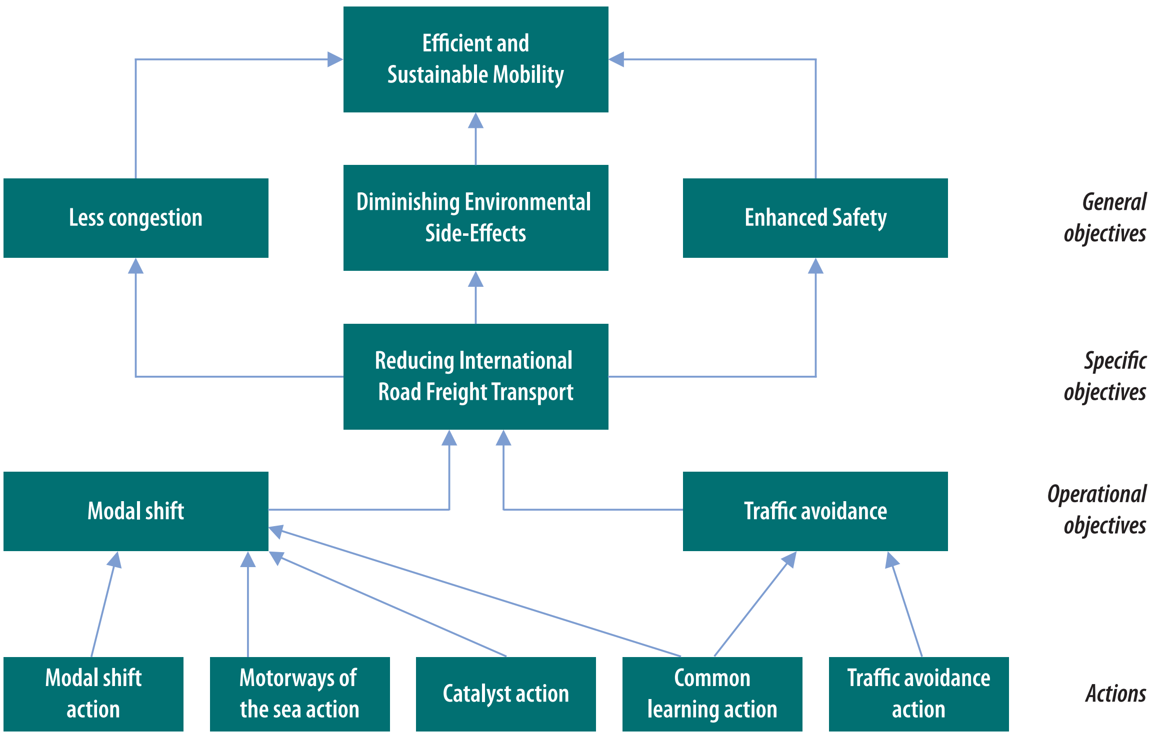
3. For the period after 2013, the Commission has proposed continuing EU support for freight transport services, by promoting 'the deployment of innovative transport services or new combinations of proven existing transport services, including through the application of "Intelligent transport systems" and the establishment of relevant governance structures[2]'. In the absence of an *ex ante* assessment, it is however not yet known how these broad objectives will be implemented, what are the specific objectives and priorities as well as the amount of funding deemed necessary.

[1] The 1992 White Paper 'The future development of the common transport policy' (COM(92) 494 final of 2 December 1992) saw shifting the balance between modes of transport as a main objective. The 2001 White Paper 'European transport policy for 2010: Time to decide' (COM(2001) 370 final of 12 September 2001) confirmed the importance of revising the respective shares of transport modes to increase the sustainability of the European transport system. Intermodal transport was to be encouraged by investing in good connections between sea, inland waterways and rail. The main objective of the 2011 White Paper 'Roadmap to a Single European Transport Area — Towards a competitive and resource-efficient transport system' (COM(2011) 144 final of 28 March 2011) is to reduce greenhouse gas (GHG) emissions by limiting the growth of road congestion and establishing efficient multimodal links.

[2] Article 38 of COM(2011) 650 final/2 of 19 December 2011.

FIGURE 1

MARCO POLO II PROGRAMME OVERVIEW AND OBJECTIVES (EX ANTE EVALUATION REPORT ON MP II, ECORYS, 15 JUNE 2004, P. 1)



MANAGEMENT OF THE MARCO POLO PROGRAMMES

4. The Marco Polo programmes are centrally managed by the Commission. Project applications are received via annual calls for proposals and evaluated according to the funding conditions and eligibility, selection and award criteria. Initially DG Mobility and Transport[3] was responsible for the programmes in their entirety, however since March 2008, the Executive Agency for Competitiveness and Innovation (EACI) has managed the actual implementation of the scheme. Tasks are shared between DG Mobility and Transport and the EACI as follows:

(a) DG Mobility and Transport is responsible for programme management, which includes priority-setting, drafting and adoption of the annual work programme, drafting of documents for the annual call for proposals and publication of the call in the Official Journal, relations with the Member States' authorities, evaluation of the programme's implementation and impact, and supervision of the EACI's management activity;

(b) The EACI advises potential applicants, receives, opens and evaluates project proposals, negotiates contract details with applicants, prepares Commission decisions for the awards of grants, receives periodic project reports, monitors projects, makes payments to beneficiaries and reports to the Commission.

[3] At that time called 'Directorate-General for Transport and Energy'.

5. The rationale behind Marco Polo was that market and regulatory failings discourage operators from setting up alternatives to road transport. The aim of the programmes is therefore to compensate transport operators for the initial losses on new or upgraded transport services that shift traffic from the road. The EU subsidy is calculated as the lowest amount out of: (i) one euro (before call 2009) or two euro (as of call 2009) for every 500 tkm shifted off the road; (ii) 35 % of the eligible costs (50 % for common learning actions); (iii) the cumulative deficit for the entire duration of the action. An example is given in ***Box 1***.

6. In order to achieve the modal shift objective, different types of actions are foreseen (modal shift actions; catalyst actions and motorways of the sea actions, see the glossary) but the Marco Polo II programme also funds projects which aim at encouraging higher efficiency in international (mainly intra-EU) freight transport (the traffic avoidance actions).

BOX **1**

AN EXAMPLE OF CALCULATION OF THE MP SUBSIDY AMOUNT

If a Marco Polo project would have been selected on the basis of the 2009 call and realised a modal shift of 600 million tkm and if this project had eligible costs of 35 million euro (including 4 million euro in ancillary infrastructure investments), ineligible costs of 9 million euro and generated 41 million euro in revenue, the following subsidy calculation would apply:

Amount 1: applying the contribution rate for the 2009 call of 2 euro/500 tkm gives an EU contribution for the volume shifted off the road of ***2,4 million euro***;

Amount 2: applying the maximum intervention rate of 35 % of the 35 million euro in eligible costs gives a second figure of ***12,25 million euro***;

Amount 3: the operation generated 41 million euro in revenue and 44 million euro in costs (both eligible and ineligible), giving a loss of ***3 million euro***.

In this case, the subsidy would be limited to ***2,4 million euro***, which is the lowest of the three amounts.

7. The programme also covers projects which do not directly provide a modal shift (as part of the common learning actions) as well as other expenditure (up to 5 % of the budget). As such, between 2009 and 2012, around 11,8 million euro in subsidies[4] have gone to:

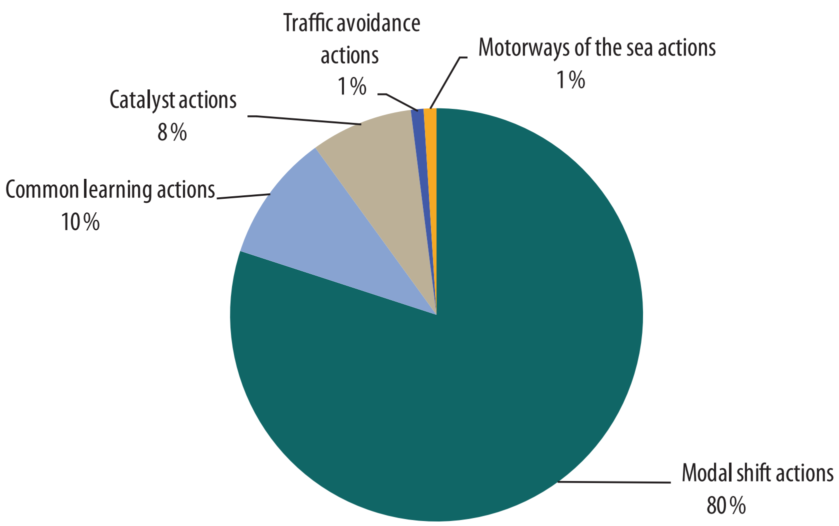
— Projects implemented as part of the common learning action, which aim to deliver a modal shift indirectly by enhancing knowledge in the freight logistics sector and fostering advanced methods and procedures for cooperation in the freight market. Around 8,1 million euro was paid out by the end of 2011 for 16 projects;

— Accompanying measures, launched to support current actions and further development of the programme. These measures included communication activities to promote the programme, studies on inland waterways transport services and single wagonload traffic and also a contribution to a European programme for the support of Short Sea Shipping (for which 3,7 million euro was paid).

8. Out of the five types of actions the programme financed, projects of the modal shift action type are the core of the programmes and represent 80 % of the grant agreements signed (see ***Figure 2***).

FIGURE 2

USE OF MARCO POLO PROGRAMMES FUNDING PER ACTION TYPE (ANNUAL ACTIVITY REPORT, EACI 2010, 5.4, POINT 1)



[4] This represents 12,5 % of the amounts paid out of the programmes.

AUDIT SCOPE AND APPROACH

9. The objective of the Court's audit was to find out whether the Marco Polo programmes were effective. It did this by assessing whether the Commission had planned the programmes, and was managing and supervising them in such a way as to maximise their effectiveness. The Court also assessed whether a number of funded projects had achieved their objectives.

10. The audit covered Marco Polo I and the ongoing Marco Polo II up to July 2012. The work combined a range of audit procedures: examination of files, interviews, analysis of impact assessments, evaluations and survey results and a review of evaluations of project proposals. The Court also assessed the information available within DG Mobility and Transport on the support schemes implemented in the Member States, surveyed the national transport services support schemes existing at the time of the audit and interviewed selected national authorities participating in the Marco Polo Programme Committee during project audits.

11. This work was supplemented by interviews with relevant entities and on-site verification of the achievements of 16 completed projects of the 'modal shift' action type (the core of the programme, see paragraph 8 above) in Belgium, Germany, France, Italy, Luxembourg and the Netherlands (see ***Annex I*** for project content and performance details). ***Box 2*** provides a short description of two audited projects.

12. The 16 audited projects represented 19,5 million euro in commitments and 11,4 million euro in payments. Half of them were approved under MP I, the other half under MP II. Four were short sea shipping projects, one was a rail/inland waterways combination, and the remaining 11 were rail projects. Fourteen beneficiaries of the 16 projects were consortia of major transport companies, national railways companies or international shipping lines.

BOX 2

EXAMPLES OF AUDITED MARCO POLO PROJECTS

(a) Sirius 1 was a rail project carrying natural mineral water from the French production plant to various logistics platforms in Germany. The aim was to improve capacities and customer service and to support the company's carbon footprint target (40 % reduction between 2008 and 2012 on direct responsibility scope and all brands).

© European Court of Auditors

Loading water on trains at the production plant of S.A. des Eaux Minérales d'Evian.

(b) Gulf Stream is a short sea shipping project offering a sea alternative for freight traffic between northern Spain and southern England. It is a roll-on/roll-off service operating return sailings every weekend between the Spanish port of Santander and Poole on the English south coast to overcome the weekend ban on trucks using the French national road network.

© BAI SA Brittany Ferries Port du Bloscon

Trucks leaving the ship, carrying their freight to destination over the weekend.

OBSERVATIONS

THE PROGRAMMES HAVE NOT BEEN EFFECTIVE

OUTPUTS FAR BELOW EXPECTATIONS ...

13. The legislation had set quantified annual targets for the modal shift that both programmes were to achieve. For MP I, the annual target was 12 billion tkm. For MP II, the annual target was increased to 'a substantial part' of 20,5 billion tkm[5] on the basis of a proposal for a 740 million euro funding envelope that was to include infrastructure support. Despite the fact that the amounts for infrastructure were rejected in the course of the legislative procedure, the original target was mostly maintained.

14. A comparison between the targets set and the reported programme achievements demonstrates continued and significant underperformance (see ***Table 1***).

15. The reported modal shift data are final only for MP I, where they indicate that 22,1 billion tkm of freight was shifted from the road to other modes of transport. Although this result equates to removing from the road 1 230 000 truck journeys of 1 000 km (the distance from Berlin to Paris) each carrying 18 tons of freight[6], it still represents only 46 % of the programme target.

16. Between 2007 and 2010, MP II achieved only 23,9 % of the committed traffic shift (see ***Table 1***). Even though MP II is still running, it will not fully shift the targeted substantial part of 20,5 billion tkm/year because there has been insufficient response to the yearly calls for project proposals. Therefore, the programme funding made available will not allow the target to be achieved, even if all projects themselves were to be entirely successful.

[5] Article 1 of Regulation (EC) No 1692/2006 of the European Parliament and of the Council of 24 October 2006 establishing the second Marco Polo programme for the granting of Community financial assistance to improve the environmental performance of the freight transport system (Marco Polo II) and repealing Regulation (EC) No 1382/2003 (OJ L 328, 24.11.2006, p. 1) stipulates that the programme should achieve: '(…) a traffic shift that is a substantial part of the expected yearly aggregate increase in international road freight traffic, measured in tonne kilometres (…)'. According to Recital 2 of the same regulation, the yearly aggregate increase in international road freight traffic was estimated at the level of 20,5 btkm, Recital 4 of the same regulation indicates that the programme should help to shift 'at least the expected increase in international road freight traffic, but preferably more'.

[6] *Source:* EACI presentation at the MP Info Day, 28 June 2012.

… AND LITTLE IMPACT IN SHIFTING FREIGHT OFF THE ROADS

17. The programme support for MP I was supposed to shift at least the expected aggregate increase in road freight traffic as early as 2003. For MPII, the aim was changed to become shifting 'a substantial part' of the expected aggregate increase in road freight traffic. Based on data provided by the Commission (DG Eurostat), ***Figure 3*** shows that, in 2003, the roads bore 46 % of total freight transport in the EU, while maritime transport, rail and inland waterways accounted for 38 %, 11 % and 3,5 % respectively. By 2010, road transport had increased its overall share to 50 % of all freight transport, while maritime transport had decreased to 33 % and rail and inland waterways remained respectively at 11 % and 4 %.

TABLE **1**

TARGETED, COMMITTED AND REPORTED VOLUMES OF FREIGHT SHIFTED FROM THE ROAD BY THE MARCO POLO PROGRAMMES IN BILLION TKM (COURT CALCULATIONS BASED ON COMMISSION AND EACI DOCUMENTATION[1])

	Annual target	Committed shift[2]	Reported shift (by EACI)	% achieved[3]
MP I				
2003	12,00	12,40	7,25	58,51
2004	12,00	14,38	6,33	43,99
2005	12,00	9,53	4,95	51,94
2006	12,00	11,40	3,55	31,17
MP I Total	**48,00**	**47,71**	**22,08**	**46,28**
			average for MP I	46,00
MP II	[4]			
2007	20,50	27,83	10,02	36,00
2008	20,50	16,33	3,40	20,82
2009	20,50	15,68	2,82	17,98
2010	20,50	14,15	3,40	24,03
2011	20,50	13,70	0,00	0,00
MP II 2007–11	**102,50**	**87,69**	**19,64**	**22,40**
			average for MP II 2007–10 (31.12.2012)	19,16
Grand total	150,50	135,40	41,72	

1 Using the latest data available of 31.12.2012.
2 Quantities planned to be shifted on the basis of the grant agreements signed by the Commission and, since March 2008, EACI.
3 Reported versus committed shift quantities.
4 For MP II the annual target should be a 'substantial part' of 20,5 billion tkm.

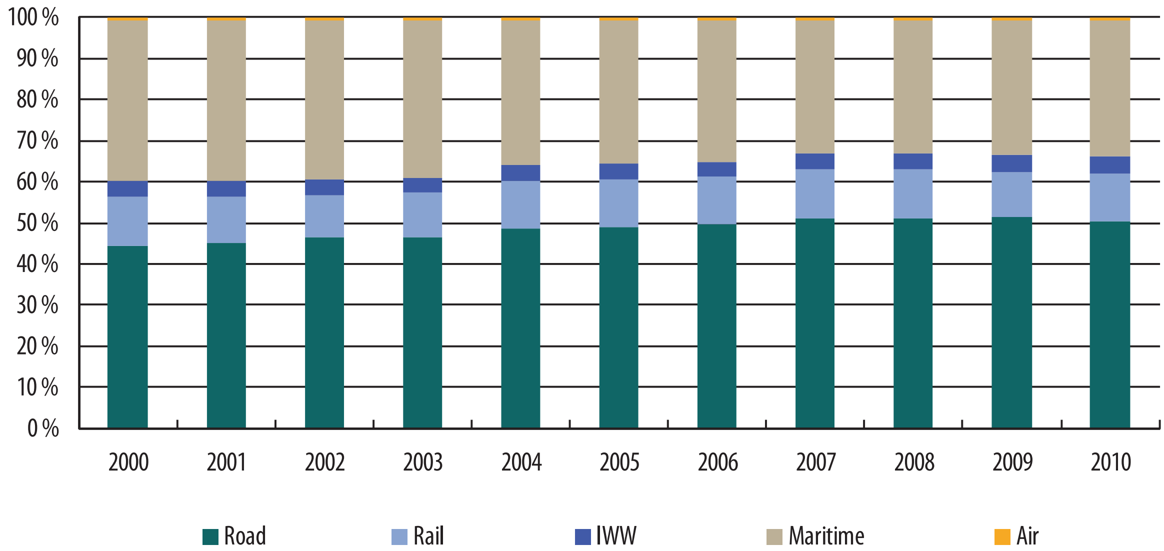
18. As a result of the financial and economic crisis that began in 2007, transport volumes in general have declined. Some transport modes have recorded severe losses: rail transport having fallen by 17,9 % and inland waterways traffic by 10,6 %[7]. When faced with the crisis, road transporters reduced their prices to keep their vehicles on the road. This provided both disincentives to switch to non-road modes and incentives to switch from non-road to road-only transport operations (reverse modal shift) and highlighted the cyclic vulnerability of the current programme design.

19. The reported modal shift of 22,1 billion tkm obtained for MP I represented only 0,3 % of all EU international road freight transport and around 25 % of the increase in EU international road haulage for the same period. The main reason for this is that the growth in international road freight transport between 2003 and 2006 (113,7 billion tkm) was much higher than originally forecasted (48 billion tkm).

[7] *Source:* Eurostat 'Statistics in Focus' 13/2012, 21.2.2012.

FIGURE 3

USE OF TRANSPORT MODES FOR INTRA-EU, NATIONAL AND INTERNATIONAL, FREIGHT TRANSPORT OVER TIME (DATA PROVIDED BY EUROSTAT TO THE COURT)



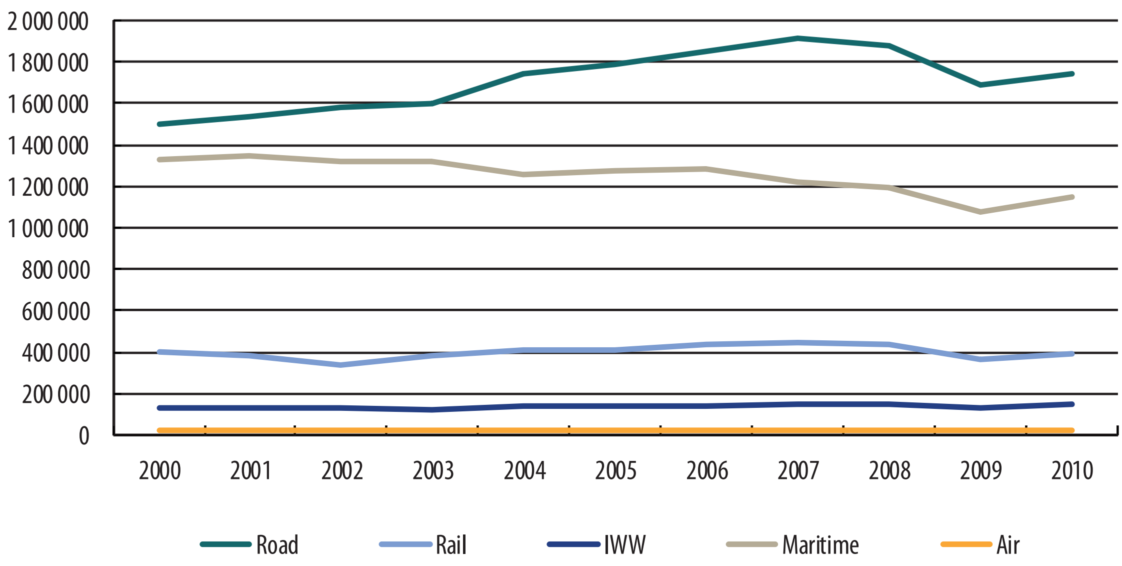
Source: Eurostat.

20. With regard to MP II, at the time of the audit, only a few projects had been completed and it was too early to make a final assessment of their effectiveness and potential impact. However, given the available budgetary appropriations and their limited take-up, it is unlikely that the programme will have a significant impact on shifting traffic off the road (see ***Table 2***).

21. Road freight transport remains the dominant mode while rail and inland waterways are still at very modest levels. ***Figure 4*** shows that, prior to 2007, road freight transport volumes increased year on year, that between 2007 and 2009 transported volumes dropped for all modes as a result of the crisis and that, as of 2009, there was a clear recovery in transported volumes, mainly on the road freight and maritime legs whereas rail and inland waterways did not manage to increase their share.

FIGURE 4

EU FREIGHT TRANSPORT BY MODE IN MILLION TKM (FIGURE 3 DATA PRESENTED AS A PERCENTAGE SHARE BY TRANSPORT MODE)



Source: Eurostat.

THE REAL IMPACT CANNOT BE ASSESSED

22. The programme funding was supposed to support the policy goals of diminishing the environmental side-effects of freight transport, easing road congestion and improving road safety. The Court took note of the Commission's estimates that, for each euro invested in the Marco Polo I programme, environmental benefits worth 13,30 euro were generated[8].

23. However, the available data on road congestion and on traffic accidents do not allow the real impact to be assessed as Eurostat has no agreed official methodology and no harmonised statistical data on road congestion, and the data on traffic accidents are incomplete. Moreover, although it is generally acknowledged that alternatives to road-only transport usually provide greater benefits for the broader community, the real leverage level is likely to be much lower. This is because of the fact that, between 2004 and 2010, the Marco Polo calulcator data[9] used were outdated and therefore inaccurate. Since 2004, road transport has gradually become cleaner as a result of research and innovation[10]. This was not taken into account by the Commission for its calls from 2005 to 2010. It was only in the 2011 call that new coefficients and a new methodology were used when quantifying the impact of freight transport by rail, inland waterways and short sea shipping. In some cases, these are not much more beneficial than the road-only option (see ***Annex II***). For example: there is no longer much difference between road-only transport and diesel trains, small barges or conventionally fuelled roll-on-roll-off passenger ('Ro/Pax') ships sailing at 20 to 23 knots. As soon as Ro/Pax ships exceed a speed of 23 knots, it would even be better for the environment to carry the freight by truck.

8 EACI presentation at the MP Info Day, 28 June 2012.

9 The 'Marco Polo calculator' is an automated spreadsheet providing a comparison of the theoretical external costs pertaining to environmental factors (such as air pollution, climate change, noise) and to socioeconomic factors (like accidents, congestion and infrastructure). The calculation is expressed in euro per tkm, between the 'road-only' transport solution and the alternative multimodal transport solution applied for (rail, inland waterways and short sea shipping).

10 'Ex ante evaluation report on MP II', Ecorys, 15 June 2004, p. 56: 'when comparing modern truck engines with outdated or high-speed ship engines, road transport might prove to be the environmentally favourable option'.

NOT ENOUGH RELEVANT PROJECT PROPOSALS PUT FORWARD …

24. The projects funded through this programme are one of the few examples where EU funding has to be disbursed on the basis of results. The Court recognises that the EACI has procedures which allow EU funds to be spent on projects that best meet the selection criteria. However, there are usually not enough high-quality projects proposed (only in 2004, the available resources were committed in full, see ***Table 2***).

25. Thus, the MP programmes have problems in absorbing their appropriations. Of the 101,8 million euro in financial support available for MP I, only 41,8 million euro (41 %) was paid[11]. MP II has a programme budget of 450 million euro, of which only 77,8 million euro (25 % of the available budget) had been paid, mainly as advances, by end-2012. It is therefore likely that a significant amount of funding will remain unused and not serve the general objectives set.

[11] This included payments of 1,4 million euro for two projects implemented as part of the Catalyst action which did not support modal shift: the EU funding was paid for the conversion of a locomotive and for drafting project implementation reports.

TABLE 2

OVERVIEW OF PROJECTS AND FUNDS AVAILABLE, COMMITTED AND PAID UNDER THE MARCO POLO PROGRAMMES, IN MILLION EURO (COURT CALCULATIONS BASED ON DOCUMENTATION FROM THE COMMISSION AND EACI[1])

	No of projects	Budget available	Funds committed	% committed versus total budget	Funds paid	% paid versus total budget
MP I						
2003	13	15,0	13,0	86,7	7,3	48,7
2004	12	20,4	20,4	100,0	12,3	60,3
2005	15	30,7	21,4	69,7	12,8	41,7
2006	15	35,7	18,9	52,9	9,4	26,3
MP I Total	55	101,8	73,7	77,3	41,8	41,1
MP II						
2007	20	58,0	45,4	78,3	18,7	32,2
2008	28	59,0	34,4	58,3	9,9	16,8
2009	21	66,3	61,9	93,4	23,2	35,0
2010	30	64,0	52,2	81,6	17,1	26,7
2011	18	56,9	33,6	59,1	8,8	15,5
MP I Total	117	304,2	227,5	74,1	77,7	25,5
Grand total	172	406,0	301,2		119,5	

[1] Using the latest data available of 31.12.2012.

... BECAUSE THE MARKET SITUATION AND THE CONDITIONS TO ENTER DID NOT ENCOURAGE OPERATORS TO TAKE ADVANTAGE OF THE SCHEME

26. In addition to the change in market situation (see paragraph 18), a significant reason for the low take-up of appropriations is that getting support from MP programmes has proved to be long, risky, complicated and costly:

(a) It took the beneficiaries audited two years on average to obtain access to the scheme (from the date of the first project idea to arrive at signature of the grant agreement). Within this period, it took them on average one year from the date of closing the call until the date of signature of the grant agreements. They unanimously considered this to be too long a wait in a volatile business environment. The Court found that on several occasions customers were lost in the meantime. As changes to initial routes, to the products transported or to the starting points and destinations were not permitted by the Commission and the EACI for reasons of equity of treatment and fair competition, 53 of the 154 projects selected (or 34 %) between 2003 and 2010 were 'non-starters or early terminators'. They represented 64,2 million euro in commitments and 3,7 million euro in payments;

(b) Ancillary infrastructure investments remain entirely at the beneficiary's own risk: although the legislation allows for the possibility of partial finance for such infrastructure, the funding mechanism usually only provides a subsidy by volume of tkm shifted and in practice renders it impossible for the programme to co-finance infrastructure investments;

(c) The programme conditions are considered by the operators to be too complex for the reality of everyday business, which explains why many beneficiaries used consultants to prepare the paperwork[12];

(d) Participation in the MP programmes is also costly[13]: based on the travel expenses of the staff made available by the consortium members, the consultancy fees and the costs of the man-months worked by the beneficiaries' staff, the average cost of preparing an application, for the 16 beneficiaries audited, was 105 000 euro.

[12] Of the 16 projects audited, 14 beneficiaries, or 87 % used consultants.

[13] Recital 4 to Regulation (EC) No 1692/2006 and Recital 8 to Regulation (EC) No 923/2009 of the European Parliament and of the Council of 16 September 2009 amending Regulation (EC) No 1692/2006 (OJ L 266, 9.10.2009, p. 1) indicated an expectation that many small and medium sized enterprises (SMEs) would participate in the programme. As a result of the programme's complexity, the high costs and the high thresholds below which there would be no co-funding, only 24 % of MP beneficiaries were SMEs (*Source:* EACI data).

UNCERTAINTY ON HOW MUCH TRAFFIC ACTUALLY SHIFTED OFF THE ROAD ...

27. Column 4 of ***Table 1*** gives figures for the reported volumes of freight shifted off the road. The audit was unable to obtain assurance that they were reliable. Firstly, where existing services were upgraded, the freight volumes declared as having been transported on the same route before the project start were accepted by EACI without any checks (these quantities are deducted at project completion so that the increase in modal shift can be calculated). Secondly, the first ex post financial audits of reported volumes of modal shift, which EACI completed only in 2011, revealed errors[14] and one case of reporting based on gross weight rather than net weight.

28. The Court's audit of 16 projects revealed that only one project had exact figures for the quantities weighted on arrival at the terminals. In six cases, the tool used to record the net weight was not available for on-the-spot testing and for the nine remaining projects, this tool demonstrated a limited reliability of the audit trail and the increased risk of overpayments. For example, in one project no indication of weight was given on the transport document (CMR[15]), and in another the tests to compare the weight registered in the system with the weights stated on the corresponding CMRs gave no match and the beneficiary was not sure whether he had reported gross or net weights to the EACI.

... AND HALF OF THE AUDITED PROJECTS ARE OF LIMITED SUSTAINABILITY ...

29. As funding one-off operations that are not sustainable would serve little purpose, the financed projects are expected to become viable during their lifetime, i.e. within a maximum of three years, and continue in operation afterwards. Although the Regulations specifically invoke sustainability as one of the funding conditions[16], this has neither been taken up in the grant agreements signed nor has sustainability been checked after project completion.

[14] In one report an error of 20 % was identified ex ante by EACI.

[15] The CMR waybill is a document used in international road freight transport, based on the 'Convention on the Contract for the International Carriage of Goods by Road' (a United Nations Convention, signed in Geneva on 19 May 1956).

[16] Article 5(1)(a) of Regulation (EC) No 1382/2003 of the European Parliament and of the Council of 22 July 2003 on the granting of Community financial assistance to improve the environmental performance of the freight transport system (Marco Polo Programme) (OJ L 196, 2.8.2003, p. 1) and Annex I to Regulation (EC) No 1692/2006.

30. Moreover, the difficult operational environment particularly for railways has contributed to poor sustainability. Beneficiaries setting up railway services have faced high operational risks and, while in operation, have experienced difficulties with national railway companies because of unforeseen maintenance works, rail and port strikes and the absence of interoperability. In one of the projects audited, this led to the cancellation of 20 % of planned departures over the entire project period; in another, during the third year of operation, there were 44 incidents causing delays in delivery and service disruptions lasting more than a week; in a third project the beneficiary was compelled to make four locomotive changes along the route from its Romanian production plant to its distribution centre in the North of Italy.

31. Many beneficiaries of the programme have therefore decided to terminate projects well before the end of their contracts, and many of those completing a project either terminated or significantly changed the scope of the service after the project financing had ended. For 6 of the 16 projects audited by the Court, the subsidised service was no longer operational at the time of the audit (because of insufficient volumes or because one of the partners withdrew or went bankrupt) and two others continued but were reduced in scope.

… AND PROJECTS WOULD HAVE BEEN STARTED EVEN WITHOUT EU FUNDING

32. The evidence from the Marco Polo projects audited by the Court demonstrated that the EU funding allowed them to start the projects earlier, to increase the scale of the service or to have an earlier return on their investment.

33. However, the audit also found serious indications of deadweight as:

— 13 of the 16 beneficiaries audited confirmed that they would have started and run the transport service even without a subsidy;

— The evaluator Ecorys indicated that 'the majority of the projects would also have started without subsidy'[17]

— The Commission as a manager of the programme, indicated in its most recent report to the European Parliament and the Council[18] that '42 % of beneficiaries stated that their projects would definitely have gone ahead without MP funds'.

[17] 'Evaluation of the Marco Polo I programme', Ecorys, 7 November 2007, paragraph 3.6.

[18] COM(2012) 675 final of 21 November 2012, p. 6.

34. This is explained by the fact that (i) the transport of heavy goods over long distances would use sea, rail or inland waterways for cost reasons anyway, especially if shipments can be planned in advance, and (ii) MP funding covers such a small part of the total project cost that it cannot be seen as a real incentive (in the 16 projects audited by the Court, the subsidy covered only 2,8 % of the amount invested by the beneficiaries).

DAILY MANAGEMENT OF THE SCHEME HAS GRADUALLY IMPROVED ...

35. In line with the normal practice of the Commission, the EACI's work is guided by an Annual Work Programme (AWP) approved by the Commission. The Commission supervises the daily management of the MP programmes through the EACI's quarterly reports, quarterly and biannual coordination meetings and quarterly steering committee meetings. A dedicated full-time policy officer from the Commission has regular contacts with EACI management and staff and participates in working meetings and, occasionally, in site visits. The EACI produces Annual Activity Reports (AAR) comparing actual performance with the AWP.

36. The Court found that the EACI has improved its MP project management over time by, among other things, (i) tightening the project selection procedure to ensure that only high-quality projects are selected, (ii) organising a helpdesk and functional mailboxes for potential applicants which the beneficiaries audited considered useful and effective, (iii) contributing to the knowledge base of the Commission through analytical reports, (iv) regularly monitoring the funded projects and (v) reducing payment delays.

... BUT THERE WAS INSUFFICIENT ANALYSIS OF MARKET NEEDS ...

37. The MP programmes were designed to provide EU funding to partially compensate for the considerable outlay incurred by setting up new, or developing existing, transport services, in the expectation that increasing the supply of these services would create market demand ('top-down supply-push'[19]).

[19] 'Ex ante evaluation report on MP II', Ecorys, 15 June 2004, Chapter 6.3.

38. The structure of both MP programmes was based on a Commission proposal[20] using the outcome of a consultation of stakeholders organised before each of the programmes started.[21]

39. However, the Court does not consider this to be sufficient as operators will only change from road-only transport to other transport modes under normal market conditions if the circumstances (usually costs, time, reliability, volumes to be shipped and proximity of terminals) require such a change. To design a successful transport services support programme, therefore, there should have firstly been an analysis of why multimodal transport services were not being created, or developed, under normal market conditions, and how to overcome the potential obstacles or barriers hampering or preventing the creation or development of such services.

40. Since 2007, the potential for effectiveness of the MP programmes has further declined as a result of external causes: the financial and economic crisis has reduced overall transported volumes (see paragraph 18), and decisions by national railway companies to stop single-wagon deliveries for reasons of internal costs have had the immediate effect of obliging smaller companies to reconvert multimodal shipments to road-only transport. Moreover, a reverse modal shift (from ship to road) can now be expected because of recently adopted legislation[22].

… AND CORRECTIVE ACTION COULD HAVE BEEN TAKEN EARLIER

41. A 2007 evaluation report[23] cited a number of problems related to the first Marco Polo programme, such as inappropriate thresholds, inflexibility in the rules on tkm, and unclear and complex rules for the submission, selection and contracting of projects. However, the Commission, through its project and programme monitoring, was aware of delays in project implementation and difficulties to achieve the target earlier (since March 2006).

[20] COM(2002) 54 final of 4 February 2002.

[21] Eg. see 'Ex ante evaluation report on MP II', Ecorys, 15 June 2004, Chapters 2 and 7.

[22] Fuel costs for shipping will substantially increase from 2015 as a result of new sulphur rules and new general sulphur limits adopted in September 2012. This will return part of the freight currently carried by ships to the road. *Source:* European Maritime Safety Agency (EMSA) 'Technical report', 13.12.2010 and COM(2011) 439 final of 15 July 2011.

[23] 'Evaluation of the Marco Polo I programme', Ecorys, 7 November 2007.

42. The 2008 impact assessment (IA)[24] provided for a number of possible options to improve the programmes by including a full revision of the legal basis, stopping the programme or introducing changes into MP II. The Commission's proposal was limited to budgetary and technical amendments to MP II[25] (such as doubling the subsidy amount, considering empty containers and vehicle weight as eligible freight quantities, lowering thresholds and increasing flexibility) in an attempt to increase the attractiveness of the programme. However, these measures did not remedy the important programme weaknesses highlighted above.

43. Nor did the Commission make an in-depth assessment of the Member States' national schemes supporting multimodality with a view to deriving lessons for a possible redesign of the MP programmes. The Court considers that there are lessons to be learned from national programmes that work on the demand side with limited administrative outlay by paying lump sums direct to road transport operators that decide to shift their trucks or containers from road to ship or rail (e.g. 'Ecobonus' and 'Ferrobonus' in Italy[26]). In one country (Austria), the national schemes also contribute to infrastructure investments in the ratio of expected modal shift to volumes actually shifted.

[24] SEC(2008) 3022 of 10 December 2008, Option C.

[25] Regulation (EC) No 923/2009.

[26] The Italian administration managed both programmes with a budget of 235 million euro (out of which 193,5 million euro was paid out, an uptake rate of 82,3 %) with 15 FTE employees and at a cost of no more than 970 000 euro/year, which brings the administrative cost to 1,2 % of the total programme budget.

CONCLUSIONS AND RECOMMENDATIONS

44. The Marco Polo programmes are part of the transport policy objective to develop alternatives to the road-only transport of freight within the EU. The Court found the programmes to be ineffective inasmuch as (i) the targets set were only reached to a very limited degree, (ii) they had little impact in shifting freight off the roads, and (iii) there are no data to assess the expected benefits of diminishing the environmental impact of freight transport, easing congestion and improving road safety.

45. The mechanism used for programme payments made EU funding disbursements conditional upon results and the projects usually provided greater benefits for the broader community. However, there were not enough relevant project proposals put forward because of the market situation and the dissuasive conditions for the business environment (namely length of procedures, risks, complexity and administrative costs). In addition (i) there is uncertainty about how much traffic was actually shifted off the road, (ii) the funded services (projects) were in many cases significantly reduced in scope or discontinued and (iii) there is evidence that many projects would have started even without EU funding.

46. The daily management of the programmes has improved over time. Among other things, a sound project selection methodology ensures that only high-quality projects are selected. However, the Commission did not perform an adequate market analysis to assess the potential for success, did not consider new developments and did not take timely corrective action to tackle the programme's ineffectiveness.

RECOMMENDATIONS

The Council, the European Parliament and the Commission should:

(a) Consider discontinuing EU funding for transport freight services following the same design as the Marco Polo programmes ('top-down supply-push') which led in particular to the weaknesses identified in this report (insufficient market uptake, absence of evidence of achieving the objectives, high administrative burden, poor sustainability and deadweight).

(b) Make possible continuation of funding such projects conditional upon an *ex ante* impact assessment showing whether and to what extent there is an EU added value. This would require a detailed market analysis of the potential demand from the operators and the taking into account of best practices of similar national support schemes. Only in the event of a positive assessment as to a meaningful EU action in this area, the Commission should in particular:

(i) set realistic targets of freight volumes to be shifted from the road; regularly review the programme outputs and results and take prompt action to remedy shortfalls in respect of the targets set;

(ii) make EU funding conditional upon results (for example, pro rata payments for volumes recorded shifted off the road);

(iii) assess the needs, limits and conditions for infrastructure and equipment support so as to share part of the risk with operators who build facilities to increase multimodal transport;

(iv) pursue measures to effectively tackle the technical, operational and infrastructure barriers that could be detrimental to the effectiveness of the projects, for example concerning cross border rail traffic;

(v) ensure that adequate data are available to demonstrate the performance achieved by the funded actions;

(vi) reduce, preferably to six months, the time necessary for project selection and contracting;

(vii) make sustainability of projects for at least three years after completion a necessary condition;

(viii) tackle the phenomenon of deadweight, by addressing it when evaluating the projects.

This Report was adopted by Chamber II, headed by Mr Harald NOACK, Member of the Court of Auditors, in Luxembourg at its meeting of 24 April 2013.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA
President

ANNEX I

DETAILS OF PROJECTS SAMPLED

Projects audited	Call	Country	Short description of project content
MP I			
AIN	2003	Belgium	Improve intermodal barge and rail transport to and from the port of Antwerp: increase the frequency of existing services or start up new services in anticipation of congestion problems resulting from road works planned on the Antwerp Ring.
DUE LOKO-MOTION	2003	Germany	Project supplying rail traction services and interoperable through-traction with new multi-current locomotive for a rail-road block train service between Munich (Riem, Germany) and Cervignano del Friuli (Italy).
BRIDGE OVER EUROPE	2004	The Netherlands	Multimodal (short sea/train/road) connection with the Iberian peninsula, with main focus on 45-foot container equipment, offering a viable and cost-effective alternative to South–NorthSouth road transport by trailer.
BASS	2005	Germany	Project to increase the sea transport proportion of the overall goods traffic volume between western and central Europe on one hand and the Baltic States and the Community of Independent States (CIS) on the other.
NEPOL EXPRESS	2005	Germany	Project to run a regularly scheduled rail connection between Rotterdam (Netherlands) and Poznan-Franowo (Poland).
LUNA	2006	Italy	Combined rail shuttle service linking Italy, Germany and the Scandinavian market via Switzerland.
RAIL	2006	Belgium	The project concerns two rail routes: to/from Golbey (FR) and to/from the north of Spain (Tarragona/Barcelona) via the rail/road terminal in Le Boulou (FR), connected with each other via a rail hub.
LORRY RAIL	2006	Luxembourg	A North–South intermodal rail service for the transport of unaccompanied trailers between rail terminals at Bettembourg (Luxembourg) and Le Boulou (Perpignan) using special technology.

	Call	Country	Short description of project content
MP II			
GULF-STREAM	2007	France	Project to provide a direct maritime link between Poole (south coast of the United Kingdom) and Santander (northern Spain) for use by trucks that cannot drive through France because of weekend bans on the French mainland.
ITABEL EXPRESS	2007	Italy	Regular block train connection from Pescara (central/southern Italy) to Mechelen (Belgium) for household appliances.
SIRIUS 1	2007	France	Project for the supply of water by train between the French production plant and the German market.
VIKING RAIL	2007	Germany	Rail shuttle between Germany and Sweden to link car parts suppliers located in Germany with the manufacturing site in Gothenburg.
EURO-REEFER RAIL	2008	The Netherlands	Railway service for refrigerated container transport of dairy products and other perishables with daily departures from Genk (Belgium) to Busto Arsizio (Italy); Zabrze (Poland) to Salzburg (Austria) and Piacenza and Padova (Italy); Busto Arsizio (Italy), Slawkow (Poland) and Budapest (Hungary) to Zeebrugge (Belgium); Munich (Germany) to Duisburg (Germany); and Herne (Germany) to Norrköping (Sweden).
KTS	2008	Italy	Block train to link various manufacturing plants in Germany, Slovakia and Romania to a distribution centre in San Vito al Tagliamento (Italy).
OFE	2008	Belgium	Project to operate a regular railway corridor for containers from Zeebrugge and Antwerp (Belgium) to Ottmarsheim (France).
SCADAE	2008	Italy	Project to set up a direct service from the Adriatic ports of Koper (Slovenia), Venice, Ravenna and Ancona (Italy) to Thessaloniki (Greece), Istanbul and Izmir (Turkey).

ANNEX II

COMPARISON OF THE MP CALCULATOR COEFFICIENTS OVER TIME[1]

Transport mode	Subtypes	2003 call[2]	2004 call[3]	2011 call modal shift only[4]			
Road		0,024	0,035	0,018			
Rail	Diesel	0,012	0,015	0,015			
	Electric			0,004			
Inland water ways	1 000–1 500T	0,005	0,010	0,014			
	1 500–3 000T (incl. mixed/ unknown)			0,013			
	>3 000T			0,010			
				Conventional fuel[5]	LNG	Seawater scrubbing	Freshwater scrubbing
Short sea shipping	General/bulk	0,004	0,009	0,007	0,000	0,004	0,004
	Container ship			0,005	0,000	0,003	0,003
	Ro/Pax (<17kn)			0,005	0,000	0,003	0,003
	Ro/Pax (17–20kn)			0,009	0,000	0,005	0,005
	Ro/Pax (20–23kn)			0,013	0,001	0,008	0,008
	Ro/Pax (>23kn)			0,020	0,001	0,011	0,011

1 *Source:* EC/EACI data compiled by the Court.
2 *Source:* 2003 call for proposals (OJ C 245, 11.10.2003, p. 52).
3 *Source:* 2004 call for proposals (OJ C 255, 15.10.2004, p. 8).
4 See 2011 call for proposals (OJ C 309, 21.10.2011, p. 12).
5 The coefficients decrease further if low-sulphur fuel is used.

REPLY OF THE COMMISSION

EXECUTIVE SUMMARY

III.

The programmes have delivered important modal shift. Marco Polo is about giving limited incentives for switching from road transport solutions to more complex and difficult to implement intermodal systems. The already completed Marco Polo I programme (MP I) achieved minimum 22 billion tkm spending 41 % of the budget; the final results for Marco Polo II programme (MP II) are not yet available because it is still running.

The main quantifiable target of MP I was 'to shift the expected yearly aggregate increase' in international road freight traffic. MP II is expected to shift 'a substantial part' of this increase.

Given the overall budget allocated to Marco Polo by the legislative authority and the size of the programme against the EU transport sector (MPI represented only 0,01 % and MPII around 0,05 % of the EU budget), the Commission did not expect a significant change of the balance between the modes at EU level.

Marco Polo allows for quantification of the programme's results, expressed in terms of modal shift. By using the MP Calculator (footnote 9 of the Court's observations) it is possible to estimate environmental benefits and external cost savings delivered by the programme. This is an exceptional feature of Marco Polo.

IV.

The programmes have an exceptional mechanism, in that the funding disbursements are conditional upon results. This ties the financial appropriations strongly to the programme's general objectives, including a quantification of the modal shift achievements.

The programme aims at striking the balance between the requirements of the Financial Regulation and the funding rules decided on by the European Parliament and the Council in the regulations establishing the Marco Polo programmes and the needs of business. The entry conditions were designed to reflect the result-based features of the programme and to ensure appropriate levels of administrative control. These entry conditions were revised and modified over the life cycle of Marco Polo in order to facilitate the access to the programme.

REPLY OF THE COMMISSION

Marco Polo projects were particularly sensitive to the economic crisis. This is one of the reasons behind lower than desired number of projects supported by the programme.

Since 2010, EACI introduced complementary audit certificates, which gave additional certainty for the freight transported by Marco Polo projects. This is one of the corrective measures introduced during the lifecycle of the programme.

The Commission considers that the funded transport services were of satisfactory sustainability. The external evaluations performed on the Marco Polo programmes (Ecorys, 2007 and Europe Economics, 2011) show that in general the majority of services (72 % according to Europe Economics) continue in some form following the end of the grant agreement (adapting to changing market conditions).

The beneficiaries confirmed that MP subsidy allowed their projects to start earlier and increase their scale.

V.
The Commission would like to point out that:

(1) for MP I a relevant market analysis was performed in the framework of the public consultation process and for Marco Polo II an *ex ante* evaluation was carried out in 2004;

(2) based on the policy feedback, the programmes were subject to relevant and timely amendments and modifications over their entire life cycle[1];

(3) corrective actions were introduced in a timely fashion and in accordance with the standard practices and existing procedures.

[1] Regulations 1382/2003, 1692/2006, 923/2009 and a number of changes introduced ad hoc within the legal mandate established by the abovementioned regulations.

VI.
The Commission takes note of the recommendation.

As regards the 'weaknesses' identified in this report, the Commission recalls its position as provided in the replies to paragraphs 15, 16, 26, 27, 31 and 33.

The Commission is aware that the Marco Polo programme suffered from a number of shortcomings. However, it is equally of the opinion that the MP programmes have been able to help the European transport industry to test innovative solutions and shift a non-negligible amount of traffic off the congested EU roads with a small fraction (from 0,01 % to 0,05 %) of the EU budget.

For the future, the Commission considers it advisable to provide EU support for innovative freight transport services in order to pursue the EU transport policy objectives (integrated inter-modal services, reducing congestion, reducing environmental impact, innovative solutions, new markets and technologies) and to ensure the best interests of the EU citizens benefiting from them.

No dedicated funding regulation for Marco Polo III has been proposed for the 2014–20 programming period, a general framework for a support of the freight transport services was included in the Commission's proposals for the new Trans-European Transport Network (TEN-T) guidelines and the Connecting Europe Facility (CEF) already in 2011.

Any future development of detailed actions in the area of freight transport services under the general framework stipulated in the TEN-T guidelines, will be based on a dedicated *ex ante* assessment. including relevant market analysis and taking due account of experience and best practices of national support schemes. The Court's recommendation will be considered in this context.

However, it is up to the legislative authorities to finally determine the future framework of this scheme in the context of the MFF, CEF and TEN-T.

REPLY OF THE COMMISSION

OBSERVATIONS

14.
As concerns the 'significant underperformance', the Commission considers that the outcome of the programmes should also be looked at in the light of changes in market situations and the challenges of the economic crisis. According to the figures presented in Table 1, in Marco Polo I (i.e. before the economic crisis) the targets set corresponded to the estimated market uptake (committed shift) by the industry. Moreover, for Marco Polo II, the amount of committed shift also corresponds to the substantial part of the expected increase of 20,5 btk. In addition, according to Table 1 it can be observed that in the first year of Marco Polo II the amount of committed shift is higher than 20.5 btk.

15.
The Commission considers 22,1 billion tkm removed from the European roads as a substantial achievement of the MPI programme, particularly in view of 41 % of the budget spent.

Since the majority of projects continue after the end of the funding period, they are likely to generate additional modal shift/traffic avoidance (see reply to paragraph 31).

The programme delivered also complementary benefits. On the basis of the Marco Polo Calculator (see footnote 9 of the Court's observations), the modal shift of 22,1 billion tkm has brought up to 434 million euro of environmental benefits and external costs savings. Comparing this with the budget paid to projects with a modal shift objective (32,6 million euro), the Commission considers that each euro invested has generated even 13,3 euro of environmental benefits.

16.
As regards the 'insufficient response' to the yearly calls for project proposals, the Commission draws the attention to the adverse effects of the economic crisis, which started in 2008, on business. Moreover, the intermodal transport solutions are more complex than the road-only transportation of cargo. Launching a complex project in a dramatically worsening economic climate bears additional risks. This has led to a lower uptake of the programme than originally expected, before the crisis struck. At the same time, the importance of supporting intermodal freight transport has not diminished, and the political objectives of the Marco Polo programme have remained valid.

Common reply to paragraphs 19 and 20
The Commission did not expect a change of the balance between the modes at the EU level given the modest size of the MP programme:

- MPI: 102 million euro, which represented around 0,01 % of the EU budget for the financial perspective 2000–06;
- MPII: 450 million euro, which represents around 0,05 % of the EU budget for the financial perspective 2007–13.

The scope adopted by the co-legislators allowed only for, respectively, in the MPI programme to shift 'the expected yearly aggregate increase in international road freight traffic' (which actually was much higher than forecasted figures), and in the MPII programme to shift 'a substantial part of the expected yearly aggregate increase in international road freight traffic'.

Therefore the Commission considers that the achievements were significant as concerns the specific objectives of the programme.

23.
ESTAT does not collect data on road congestion and this activity is not included in the Annual Statistical Work Programme. As for data on traffic accidents, the Council decided on the creation of a Community database on road accidents (CARE) in 1993[2]. ESTAT's yearly table on accidents is as complete as realistically possible.

As for the data provided by the Marco Polo Calculator, the Commission considers that the Calculator was as good as the underlying methodologies and data available and it was updated as soon as the methodological approach for valuation of external costs had been agreed at the Commission level[3].

2 Council Decision 93/704/EC (OJ No L329 of 30.12.1993, pp. 63–65).

3 The 2008 handbook on estimation of external costs in the transport sector and the Communication 'Greening transport package'.

REPLY OF THE COMMISSION

Concerning the real leverage level of the programme the Commission estimates it to be 13 euro of enviromental benefits obtained per 1 euro invested. In addition it should also be noted that:

— while the road transport has gradually become cleaner, there was also technological progress reported by the other modes. Therefore, the difference between the old and new coefficients results not only from better performance of the road transport but also from a revised methodology taken up in the calculator after 2008 (e.g. CO_2 price, differentiation concerning types of vessels, fuels, new technologies, electric/diesel trains, etc.).

— some costs coefficients have not been included in the calculator due to technical difficulties with their valuation and implementation in practice (e.g. missed opportunity costs for road infrastructure).

Finally, even though the gap between the road and the other transport modes has decreased, overall, non-road transport is still more environmentally friendly than haulage of cargo by trucks. According to the calculator, only one category representing non-road mode delivers worse results than the road transport.

Therefore the Commission considers that the calculator provides a good indication of the environmental benefits of the MP programme.

25.
The financial and economic crisis is one of the major factors hampering uptake of the programme and affecting the conditions of starting and running Marco Polo projects, thus leading to lower absorption of appropriations.

It is also acknowledged that there are projects, which due to MP funding, generate profit or achieve break-even point earlier than foreseen in the applications. Since the programmes may not pay more to projects than the total deficit experienced over the funding period (non-profit rule — see also paragraph 5), in some cases the subsidies granted to such projects were reduced or even withdrawn. This situation, although positive, also contributes to lower use of available funds.

26. (a)
The time necessary to develop project ideas by the applicants is beyond the Commission’s control and should not be taken into account while calculating time to grant.

Given the importance of the time-to-grant indicator, the procedures in the programme were simplified (amending Regulation 923/2009). This allowed shortening the time-to-grant period (e.g. 209 days in 2011).

Concerning changes to the projects, the flexibility for some would mean unequal treatment for others, particularly those that chose not to apply or were unsuccessful. The need to ensure equal treatment and to avoid undue competition issues are among the basic principles while managing the programme.

As regards the number of ‘non-starters or early terminators’, Marco Polo is a market-driven programme, where market and economic conditions are important factors in the success of the projects. Since intermodal transport solutions are more complex than a pure road transportation system, the programme has been particularly sensitive to the economic crisis. The crisis was one of the main reasons explaining the number of unsuccessful projects.

26. (b)
The rules applicable for catalyst actions in Regulation 1382/2003 and original Regulation 1692/2006, partially allowed a direct reimbursement of expenses incurred for ancillary infrastructure and operational equipment (see e.g. projects Excite, Ocra).

Regulation 923/2009 simplified the rules for funding for all the actions on the basis of three elements: modal shift/traffic avoidance (with the exception of common learning actions), eligible costs and cumulative deficit over the funding period.

Therefore, while it is mostly the investor that bears the risk of infrastructure investments, in the past a beneficiary could obtain partial reimbursement of expenses incurred for the infrastructure for a project settled on the basis of eligible costs.

REPLY OF THE COMMISSION

26. (c)
The programme aims at striking the right balance between the requirements of the Financial Regulation and the funding rules decided on by the European Parliament and the Council in the regulations establishing the Marco Polo programmes and the needs of business.

26. (d)
Relevant costs related with project development are normally incurred by companies also in the situation where they run their businesses without public support. It is a standard practice that a certain level of investment (e.g. in organisation and project management) should be made in any case to start a new project.

27.
Since 2010, EACI introduced complementary audit certificates, which gave additional certainty for the freight transported by Marco Polo projects. The Commission is aware however, that these new rules introduced additional requirements for the beneficiaries thus increasing administrative burden for them.

The Commission reported in its AAR a residual error rate of 1,9 % for MPI and 2,9 % for MPII.

29.
Given the specificity of the Marco Polo projects (commercial actions), the issue of sustainability is adequately addressed during the proposals' evaluation process (as a part of credibility and viability analysis). Indeed, any stricter rules (in particular those conditioning the payment of the subsidy on the sustainability of the projects) are unrealistic to implement or control and would undoubtedly discourage applicants from the programme due to increased business risk in case market conditions are changed.

30.
This finding clearly illustrates how complex the business environment is for the Marco Polo funded projects and how appropriate the approach taken is with respect to sustainability.

It also shows what Marco Polo is about, i.e. to give limited incentives for switching from relatively easy, cheap and non risky road transport solutions to more complex and difficult to implement intermodal systems.

31.
The external evaluations performed on the Marco Polo programmes (Ecorys, 2007 and Europe Economics, 2011) show that in general the majority of services (72 % according to Europe Economics) continue in some form following the end of the grant agreement (adapting to changing market conditions). Taking into account the dynamic business environment, adverse economic climate since 2008 and complexity of intermodal solutions compared with road only transportation, the Commission considers this figure satisfactory.

This indicates that short-term funding has created long-term change even in the current evolving market conditions. As a result, programmes are expected to generate additional benefits in terms of modal shift/traffic avoidance and external costs savings after the contractual lifetime.

33.
The Commission considers that the programme has clearly an added value for the audited projects, because, despite the deadweight stated by 42 % of the surveyed beneficiaries, the EU funding allowed them to start earlier, to increase the scale of the service or to have an earlier return on investment.

The deadweight phenomenon is difficult to quantify since there might be a lot of factors which may affect the results e.g. sustainability issue (a question whether projects would have been sustainable without the subsidy), multiplication factor (bigger projects generating much more modal shift), increased credibility and visibility of the beneficiaries (EU project brand), benefits resulting from collaboration between partners (transfer of know-how, best practices) etc.

34.
The Commission would like to observe that:

(i) the programme supports modal shift, i.e. it does not pay for cargo already transported by sea, rail or inland waterways. It encourages the market to change habits and to shift the transport being actually transported on roads to the alternative modes.

REPLY OF THE COMMISSION

(ii) the limited incentives lead to a very high 'leverage' effect in the MP projects. Nevertheless, these amounts are important for beneficiaries usually operating on the small profit margin, in the situation where they are expected to compete for cargo with the relatively cheap road transport. Actually Marco Polo is foreseen to pay for initial losses and to help the beneficiaries 'survive' on the market in the most difficult start-up period.

37.
The programme is addressed both to freight forwarders/ logistics providers, dealing with the organisation of transport links in complex supply chains and to cargo owners or their representatives forming the demand side of the market. While the first category represents the main MP target group, there are number of successful projects submitted by shippers (including trucking companies)/manufacturers.

The Marco Polo target groups were e.g. analysed in '*Ex ante* evaluation report on MP II', Ecorys, Chapter 2.2 Needs assessment: http://ec.europa.eu/transport/facts-fundings/evaluations/doc/2004_marco_polo.pdf

38.
The Marco Polo I programme was based on the results of the PACT programme (supporting combined transport), complemented with analyses and consultations with main European transport associations.

The Marco Polo II programme was supported by an *ex ante* study.

39.
Before the programmes started, the Commission had performed the analysis of obstacles hampering creation and development of intermodal services for all the modes of transport and proposed specific types of intervention to address these modal deficiencies and problems. The Commission refers here to the Consultation Paper developed by the Commission in 2001 and distributed to the stakeholders for the needs of public consultations as well as to the *ex ante* study for Marco Polo II, which included a relevant market survey analysis, lessons learnt from MP I, needs assessment and a dedicated stakeholder consultation.

40.
These issues have always been a major concern for the Commission which undertook the following measures:

— modifications were introduced to the design of Marco Polo II programme (increased funding intensity, Amending Regulation 923/2009) during its lifecycle to make it more attractive and to further encourage the sector to switch from roads to SSS, rail and IWT;

— specific solutions were proposed under the MP annual work programmes and calls for proposals to address the problem of potential modal backshift in SSS and rail transport (e.g. political priorities and incentives for innovative SSS-services and single wagonload traffic);

— medium and long term measures have been identified and proposed at the Commission level to address new requirements as regards the sulphur limits in maritime transport, e.g. Sustainable waterborne transport toolbox[4];

41.
The figures of the modal shift expected by the projects selected under the calls 2003 and 2004 were higher than modal shift targets set for the MPI programme (12 btkm annually) with respectively 12,4 and 14,4 billion tkm. There was no data available giving reason to suspect that the actual modal shift figures would have been lower than this forecast.

The first official report highlighting certain problems was indeed the external evaluation of MP I performed in 2007. However, the conclusions of the ECORYS evaluation were more balanced, and indicated a rather good effectiveness and high leverage of the programme: http://ec.europa.eu/transport/facts-fundings/evaluations/doc/2007_marco_polo_1.pdf

[4] See 'Pollutant emission reduction from maritime transport and the sustainable waterborne transport toolbox', SEC(2011) 1052 final.

REPLY OF THE COMMISSION

42.
'Targeted revision of the legal basis' was the option pursued as a result of the *ex ante* assessment. This option addressed main recommendations of the 2007 ECORYS evaluation report and guaranteed that any changes proposed to the programme would be adopted swiftly in order to be implemented as soon as possible. A major revision of the programme with policy implications was discarded simply to avoid amendments being adopted too late in the lifespan of the programme (2007–13).

Finally, the Regulation 923/2009 entered into force only from the 2010 call for proposals on. Therefore it is too early to assess the long-term effects brought by the amendments.

43.
The Commission acknowledges the potential advantages of programmes like Ecobonus but, at the same time, is aware that there could also be disadvantages (e.g. administrative burden and costs, sustainability, efficiency, effects on the competition, etc.), especially if such programmes were to be implemented at the EU level, in all the EU Member States. The EU-based programmes have a different nature in the sense that they need to be justified on grounds of subsidiarity. They need to address problems, which cannot be addressed by the Member States themselves and achieve objectives, which are not possible to achieve at the national level. There are also significant differences between the Member States in terms of geographical location, freight flows, infrastructure availability, modes used, etc.

While there was no legal obligation for the Commission to 'make in-depth analysis of national support schemes to derive lessons for a possible redesign of the MP programmes', the Commission, in order to ensure synergy and to avoid duplication between different funding instruments at the EU and the Member States level, made an inventory of the national support schemes and carried out a relevant analysis (*Ex ante* evaluation report on MP II, Chapter 5 'Analysis of European Added Value').

CONCLUSIONS AND RECOMMENDATIONS

44.
The Commission considers that given their very ambitious objectives, the programmes may be considered less effective than desired but nevertheless they have delivered substantial modal shift expressed in billions of tonne kilometres. Marco Polo is about giving limited incentives for switching from relatively easy, cheap and non risky road transport solutions to more complex and difficult to implement intermodal systems.

(i) Marco Polo I achieved minimum 22 billion tkm, which represents 46 % of the target[5]. Marco Polo II is still running, hence final results are not yet available.

(ii) the main quantifiable target of the programmes is 'to shift the expected yearly aggregate increase (a substantial part of it for MPII) in international road freight traffic'. Given the overall amount of the Marco Polo budget (MPI represented around 0,01 % and MPII around 0,05 % of the EU budget) and the size of the programme against the EU transport sector, the Commission did not expect any significant change of the balance between the modes at the EU level.

(iii) Marco Polo allows for quantification of the programme's results, expressed in terms of modal shift. By using the MP Calculator (footnote 9 of the Court's observations) it is possible to estimate environmental benefits and external cost savings delivered by the programme. This is an exceptional feature of Marco Polo.

45.
The programme has a unique mechanism at the EU level, making the funding disbursements conditional upon results. This enables the financial appropriations to be used in line with the programme's objectives.

The conditions for the business environment are not 'dissuasive'. The programme aims at striking the right balance between the requirements of the Financial Regulation and the funding rules decided on by the European Parliament and the Council in the regulations establishing the Marco Polo programmes and the needs of business. Over 650 companies have been supported so far and the economic crisis is one of the main reasons behind the lower than desired uptake of the programme.

[5] For achieving this 41 % of the budget was spent.

REPLY OF THE COMMISSION

Marco Polo is about giving limited incentives for switching from relatively easy, cheap and non-risky road transport solutions to more complex and difficult to implement intermodal systems. Therefore Marco Polo projects were particularly sensitive to the economic crisis. This is one of the reasons behind lower than desired number of projects supported by the programme. As regards:

(i) since 2010, EACI introduced complementary audit certificates, which gave additional certainty for the freight transported by Marco Polo projects;

(ii) the majority of them continue after the funding period generating additional modal shift;

(iii) the deadweight issue in the Marco Polo programme is difficult quantify since there might be a lot of factors which may affect the results. The Commission considers that the programme has clearly an added value for the audited projects, because, despite the deadweight stated by 42 % of the surveyed beneficiaries, the EU funding allowed them to start earlier, to increase the scale of the service or to have an earlier return on investment.

46.
For Marco Polo I a relevant market analysis was performed in the framework of the public consultation process and for Marco Polo II a fully-fledged *ex ante* evaluation was carried out in 2004.

Based on the policy feedback, the programmes were subject to relevant and timely amendments and modifications over their entire life cycle.

Corrective actions were introduced in a timely fashion and in accordance with the standard practices and existing procedures.

Recommendation (a)
The Commission takes note of the recommendation.

As regards the ‘weaknesses’ identified in this report, the Commission recalls its position as provided in reply to paragraphs 15, 16, 26, 27, 31 and 33.

The Commission is aware that the Marco Polo programme suffered from a number of shortcomings. However, it is equally of the opinion that the MP programmes have been able to help the European transport industry to test innovative solutions and shift a non-negligible amount of traffic off the congested EU roads, with a small fraction (from 0,01 % to 0,05 %) of the EU budget.

For the future, the Commission considers it advisable to provide EU support for innovative freight transport services in order to pursue the EU transport policy objectives (integrated inter-modal services, reducing congestion, reducing environmental impact, innovative solutions, new markets and technologies) and to ensure the best interests of the EU citizens benefiting from them.

No dedicated funding regulation for a Marco Polo III has been proposed for the 2014–20 programming period, but a general framework for a support of the freight transport services has been included in the Commission’s proposals for the new Trans-European Transport Network (TEN-T) guidelines and the Connecting Europe Facility (CEF) already in 2011.

Any future development of detailed actions in the area of freight transport services under the general framework stipulated in the TEN-T guidelines will be based on a dedicated *ex ante* assessment.

However, it is up to the legislative authorities to finally determine the future framework of this scheme in the context of the MFF, CEF and TEN-T.

REPLY OF THE COMMISSION

Recommendation (b)
The Commission agrees on the need for an *ex ante* impact assessment, taking due account of best practices of national support schemes.

As explained under point (a), this analysis can only be carried out after that the legislative process for the MFF, CEF and TEN-T has been completed. This process will provide the framework for the Marco Polo follow-up.

Since this *ex ante* analysis will be a basis for the design of the instrument supporting freight transport services, the Commission considers that some of the following recommendations are premature at this stage.

Recommendation (b) (i)
As mentioned under the previous paragraphs, the design of the Marco Polo programme type of actions under the new TEN-T programme has not been determined yet and will result from the policy framework setting and the *ex ante* assessment. The Commission agrees on the need to set realistic targets for the new instrument and to take prompt actions to remedy shortfalls if necessary. Nevertheless, the focus of the follow-up of the Marco Polo programme will not necessarily remain on modal shift and its targets will not necessarily be set in respect to the volumes shifted off the road.

Recommendation (b) (ii)
The funding mechanism for the follow-up of the Marco Polo programme type of actions will result from the policy context and be based on the *ex ante* analysis.

Recommendation (b) (iii)
Such an assessment will be carried out in the context of the abovementioned *ex ante* analysis.

Recommendation (b) (iv)
The proposals for TEN-T guidelines and CEF identify the bottlenecks and interoperability as some of the main objectives of the EU intervention in the area of transport.

Recommendation (b) (v)
The Commission accepts to ensure that adequate data are available to demonstrate the performance achieved by the funded actions.

Recommendation (b) (vi)
Efforts will be made to further reduce the time needed for project selection and contracting in line with the Financial Regulation.

Recommendation (b) (vii)
Making sustainability of projects for at least three years after completion a necessary condition is unrealistic to implement or control in the context of the volatile business environment. This would discourage applicants and increase substantially the business risk in case market conditions are changed.

Recommendation (b) (viii)
Risks related to the deadweight phenomenon and the efficient ways to tackle it will be addressed in the abovementioned *ex ante* analysis.

European Court of Auditors

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Have the Marco Polo programmes been effective in shifting traffic off the road?

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SINCE 2003, THE MARCO POLO PROGRAMMES HAVE FINANCED PROJECTS THAT SHIFT FREIGHT TRANSPORT FROM ROAD TO RAIL, INLAND WATERWAYS AND SHORT SEA SHIPPING SO AS TO REDUCE INTERNATIONAL ROAD FREIGHT TRAFFIC, IMPROVE THE ENVIRONMENTAL PERFORMANCE OF FREIGHT TRANSPORT, REDUCE CONGESTION AND INCREASE ROAD SAFETY. GIVEN THE MANY WEAKNESSES OBSERVED, THE COURT CONSIDERS THE PROGRAMMES NOT TO BE EFFECTIVE (THEY DID NOT ATTAIN THEIR OUTPUT TARGETS AND HAD NO IMPACT IN SHIFTING FREIGHT OFF THE ROADS; THERE ARE NO DATA TO ASSESS THE EXPECTED BENEFITS; THERE WERE NOT ENOUGH PROJECT PROPOSALS; THE LIMITED QUANTITIES REPORTED SHIFTED ARE UNCERTAIN; MANY PROJECTS WERE OF POOR SUSTAINABILITY AND WOULD HAVE STARTED EVEN WITHOUT EU-FUNDING). THE COURT THEREFORE SUGGESTS DISCONTINUING THE MARCO POLO PROGRAMMES AND, IN ORDER TO STRENGTHEN PERFORMANCE IN POSSIBLE FUTURE TRANSPORT SERVICES SUPPORT SCHEMES, THE COURT MAKES FUNDING CONDITIONAL UPON A DETAILED EX ANTE ASSESSMENT OF THE POTENTIAL DEMAND, AND ONLY IF SUCH A POTENTIAL EXISTS, PRESCRIBES CLEAR RULES AND CONDITIONS TO RESPECT FOR FUTURE FUNDING.

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