

Special Report

Effectiveness of EU-supported public urban transport projects



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Luxembourg: Publications Office of the European Union, 2014

ISBN 978-92-9241-658-4
doi:10.2865/30848

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Printed in Luxembourg

Special Report**Effectiveness of
EU-supported public
urban transport projects**

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

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Annex I — EU urban transport policy: successive documents issued over the last decade

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Reply of the Commission

Cohesion Fund (CF): The CF provides financial assistance to increase economic and social cohesion in Member States with a per capita GNP of less than 90 % of the EU average by financing environment and transport projects.

European Regional Development Fund (ERDF): The ERDF provides financial assistance to promote economic and social cohesion between the regions of the EU. ERDF interventions are mainly implemented through operational programmes involving a large number of projects.

Managing authority: A national, regional or local public authority or a public or private body designated by the Member State to manage an operational programme.

Operational programme (OP): A Commission-approved programme of EU-funded investments by a Member State, which takes the form of a coherent set of priorities comprising multiannual measures under which projects are co-financed.

Operator: A public or private firm running a mode of transport according to an operating contract signed with the project promoter. It usually receives subsidies to cover financial losses resulting from operations.

Programming period: The multiannual framework within which structural action expenditure is planned and implemented. The programming periods covered in this report are 2000–06 and 2007–13.

Promoter: A public legal person who is the beneficiary of ERDF or CF support to build a transport infrastructure or a related IT system. The mode of public transport and the equipment resulting from the project are often run by an operator other than the beneficiary.

I
The proportion of the European population residing in urban areas is expected to increase from 73 % in 2010 to 82 % by 2050. Meanwhile, European cities need to enhance mobility and to reduce congestion, accidents and pollution through local mobility policies. The EU allocated 10,7 billion euro between 2000 and 2013 to co-finance projects helping cities to implement urban transport such as metros, trams and buses.

II
The Court assessed whether the projects were implemented as planned, provided services that meet user needs and were used as much as expected. The Court audited the performance of 26 public urban transport projects directly in 11 cities in five Member States. The Court concludes the following.

- (a) In general, infrastructure and vehicles for most projects were implemented in accordance with project specifications (paragraph 20). Significant delays affected four urban transport projects (paragraphs 21 and 22) and three projects had significant cost overruns (paragraphs 23 to 25).
- (b) Once completed, almost all the projects audited met users' needs (paragraphs 26 to 34). However, a comparison between planned use at specific dates and actual use shows that two thirds of the projects were underutilised (paragraphs 35 to 38). This implies underperformance in terms of economic and social benefits (reductions in pollution and congestion etc.) which is generally not followed up by the promoters or the national authorities (paragraphs 42 to 46). It may also imply financial imbalances for the public authorities that have to ensure the sustainability of the urban transport concerned (paragraphs 47 and 48).

- (c) The underutilisation of public transport is mainly due to weaknesses in project design and mobility policy. Several could have been addressed at the project planning stage (paragraphs 39 to 41).

III

The Court recommends that the Commission should:

- (a) for projects subject to its approval, require that management tools will be put in place to monitor the quality of the service and the level of user satisfaction once the project is operational;
- (b) for projects subject to its approval, require that a minimum number of result indicators with related targets are included in the grant agreements and are subsequently measured;
- (c) for projects subject to its approval, require that the estimation of the number of expected users is more rigorously analysed and that the choice of the mode of transport is supported by a quantified comparison of different transport options;
- (d) for projects subject to its approval, require that urban transport projects are included in a sound mobility policy;
- (e) require that the aspects mentioned under points (a) to (d) are also addressed by the Member States' authorities when managing EU-funded urban transport projects.

The main urban transport challenges in Europe

01

The proportion of the European population living in urban areas increased from 71 % in 2000 to 73 % in 2010. This trend is expected to continue, reaching 82 % by 2050¹.

02

European cities are increasingly facing transport-related problems. The migration of city dwellers to the suburbs is leading to settlement structures with long travel distances. This phenomenon of urban sprawl goes hand in hand with an increase in car ownership and commuter traffic.

03

Enhancing mobility while reducing congestion, accidents and pollution is a challenge common to all major cities. According to the Commission², transport congestion in and around urban areas costs nearly 100 billion euro each year, or 1 % of the EU's GDP, due to delays and pollution. In addition, one in three fatal accidents happens in urban areas. Urban mobility accounts for 40 % of all CO₂ emissions from road transport and up to 70 % of other pollutants. Noise in urban areas is also a serious and growing problem, mainly due to road traffic.

EU policy on urban transport

04

Over the last decade, the Commission has issued several policy papers on urban transport (see **Annex I**). According to a Commission communication the objective of sustainable urban transport is freedom of movement, health, safety and quality of life for current and future generations, as well as environmental efficiency and inclusive economic growth, access to opportunities and services for all, including less affluent, elderly or disabled citizens³.

05

To this end, the Commission supports research, encourages better management and disseminates good practices such as the establishment of urban mobility plans fostering modal shift, i.e. a reduction in the use of private cars and increased usage of public transport, as well as non-motorised cycling and walking.

- 1 United Nations, Department of Economic and Social affairs, Population Division, 'World urbanisation prospects: the 2011 revision' (<http://esa.un.org/unpd/wup/index.htm>).
- 2 The data indicated in this paragraph are included in the Commission's Green Paper 'Towards a new culture for urban mobility', COM(2007) 551 final of 25 September 2007.
- 3 COM(2004) 60 final of 11 February 2004, p. 45.

EU support for urban transport projects

06

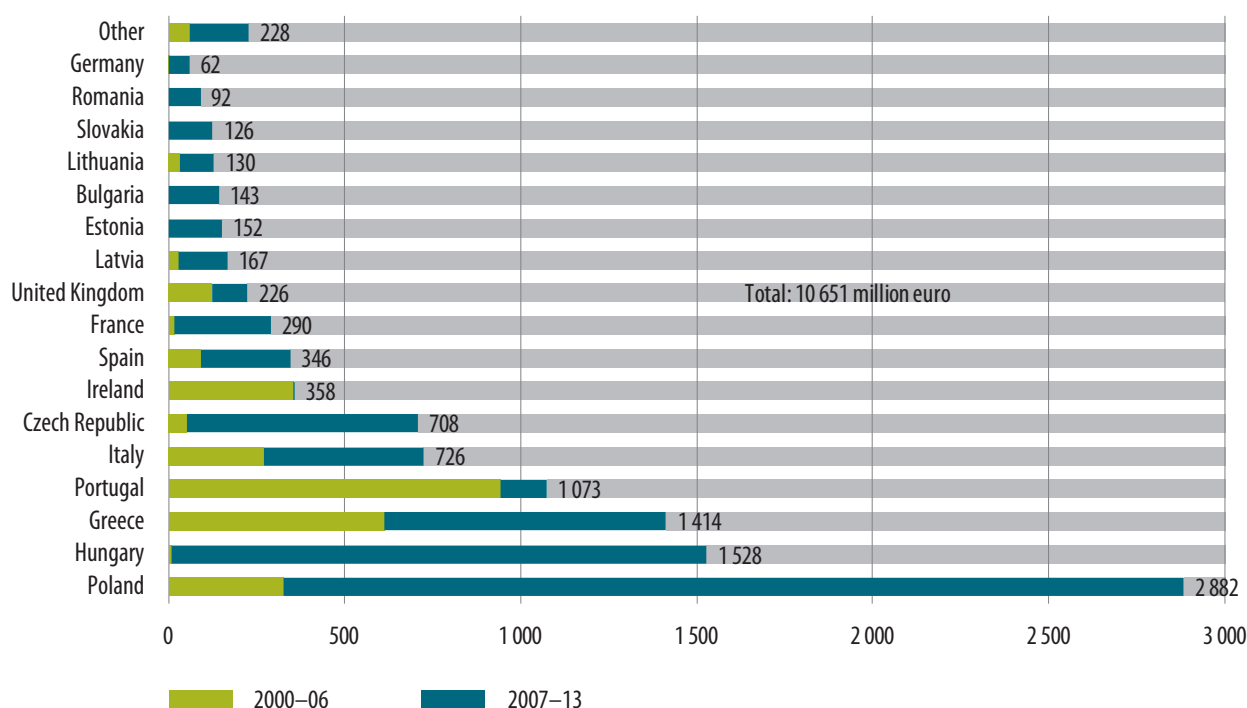
The European Regional Development Fund (ERDF) and the Cohesion Fund (CF) may co-finance urban transport projects in eligible regions of the Member States. The EU contribution, for urban transport projects, typically represents up to 85 % of the related eligible expenditure.

07

The EU funding allocated to urban transport for the 2000–06 and 2007–13 periods totals 10,7 billion euro, i.e. 2,9 billion euro and 7,8 billion euro, respectively. The total breakdown by Member State is provided in **Figure 1**.

Figure 1

Total ERDF and CF funding allocated to urban transport for the 2000–06 and 2007–13 programming periods (million euro)



Source: ECA calculation based on European Commission data.

08

Co-financed urban transport projects are included in the operational programmes (OPs) implemented by the Member States under shared management arrangements. In particular:

- (a) the Commission negotiates and approves OPs proposed by Member States, and allocates EU funding;
- (b) the Member States manage the OPs, implementing them by selecting projects, and then overseeing and assessing these projects;
- (c) the Commission assesses national management and control systems, monitors the implementation of OPs, commits the EU financial contributions and pays them on the basis of approved expenditure;
- (d) the Commission is required to approve specific individual projects submitted by the Member States. For the 2000–06 programming period the Commission's approval was needed for every CF project, irrespective of the total cost, and ERDF projects whose total cost⁴ exceeded 50 million euro. For the 2007–13 programming period, one change made was that CF projects below 50 million euro⁵ were no longer subject to Commission approval.

09

The two Commission directorates-general (DGs) which play a significant role in the area of urban transport are:

- (a) DG Regional and Urban Policy, which is responsible for the part of the EU budget that co-finances urban transport projects. As part of its appraisal of specific projects, it consults other DGs, in particular DG Mobility and Transport;
- (b) DG Mobility and Transport which is responsible for EU transport policy.

- 4 Total cost as stated in the grant application for each project.
- 5 From 1 January 2007 to 25 June 2010, the threshold was 25 million euro in the case of environment projects.

Audit scope and approach

09

10

The main objective of this performance audit was to assess the implementation and effectiveness of public urban transport projects co-financed by EU structural funds (hereafter referred to as 'projects').

11

The Court addressed the following questions.

- (a) Were the projects implemented as planned in the grant applications?
- (b) Did the services provided by the projects meet user needs?
- (c) Did the projects achieve their objectives in terms of utilisation?

12

The audit covered a sample of 26 projects⁶ co-financed by the ERDF or the CF during the 2000–06 and 2007–13 programming periods. The selected projects are located in 11 cities in five Member States — Spain, France, Italy, Poland and Portugal. The EU funding allocated to urban transport in these five countries (5,3 billion euro) represents 50 % of the total EU funding (10,7 billion euro). The sample includes projects that consisted of creating, extending or modernising railways (three), metros (eight), light metros⁷ (four), trams (six) and one bus project. They range from a single line or a simple section to a whole network. The sample also includes four smaller IT projects relating to operating, information or ticketing systems (see *Annex II*).

13

For the 2000–06 and 2007–13 programming periods, the projects subject to the approval of the Commission represented 66 % and 78 % respectively of the total ERDF and CF funding allocated to urban transport (see paragraph 8(d)). The audit sample included 17 projects which were subject to this approval process. The remaining nine projects, including the four smaller IT projects, were approved by the managing authorities in the Member States.

14

At the time of the audit, 20 of the 26 projects were completed and operational. Three were not completed, two were partially completed and operational, and one was recently completed but was not yet operational.

15

In order to identify audit standards and good practice in the area of urban transport, the Court consulted representatives of several organisations with expertise in the area of urban transportation, including the UITP⁸ (Union Internationale des Transports Publics), the CERTU⁹ (Centre d'Études sur les Réseaux, les Transports, l'Urbanisme et les constructions publiques) and Polis¹⁰.

- 6 The selection criteria were: project cost, project type and planned implementation dates.
- 7 Light metro is an intermediate system between tram and metro. It can be regarded as a medium-capacity rapid transit system.
- 8 UITP is the international network for public transport authorities and operators, policy decision-makers, scientific institutes and the public transport supply and service industry.
- 9 CERTU is responsible for carrying out studies in the fields of urban networks, transport, urban planning and public facilities on behalf of the French state or for the benefit of local authorities, public bodies, companies entrusted with public-service commissions or the relevant professions (Decree 94-134 of 9 February 1994).
- 10 Polis is a network of European cities and regions working together to deploy innovative technologies and policies for more sustainable mobility.

Audit scope and approach

16

For each project, the audit team met representatives in the Member States of the relevant managing authority, project promoters in receipt of EU grants (usually local authorities) and operators (public or private companies) managing the mode of transport. They also used the co-financed facilities themselves and visited operating and maintenance centres.

Photo 1

Light metro in Portugal



© Metro Transportes do Sul.

Were the projects implemented as planned in the grant applications?

17

When assessing whether the projects were implemented as planned in the grant applications, three aspects were considered by the Court, namely compliance with the provisions of the grant decisions in terms of physical implementation, timing and budget.

18

Four projects were completed before a grant was requested¹¹ and were therefore excluded from the analysis. Another project was excluded because it was initially scheduled for completion in 2015. In addition, a number of other projects were not considered under each of the three criteria due to delays or non-finalisation of the total project costs.

19

Finally, for this question, the audit covered 18 projects regarding physical implementation (paragraph 20), 21 concerning the respect of planned completion deadlines (paragraphs 21 and 22) and 19 in relation to total costs incurred (paragraphs 23 to 25).

Most projects were physically implemented

20

In 14 projects, infrastructure, equipment and rolling stock were implemented in accordance with the project specifications, while very minor discrepancies were noted for three cases. For one other project about a third of the 70 information panels delivered in 2008 had still not been installed. The municipalities concerned withheld the required permission for various reasons, e.g. some required payment of a fee.

Four infrastructure projects had significant implementation delays

21

Eight projects met their deadline and seven were delayed by 9 months or less.

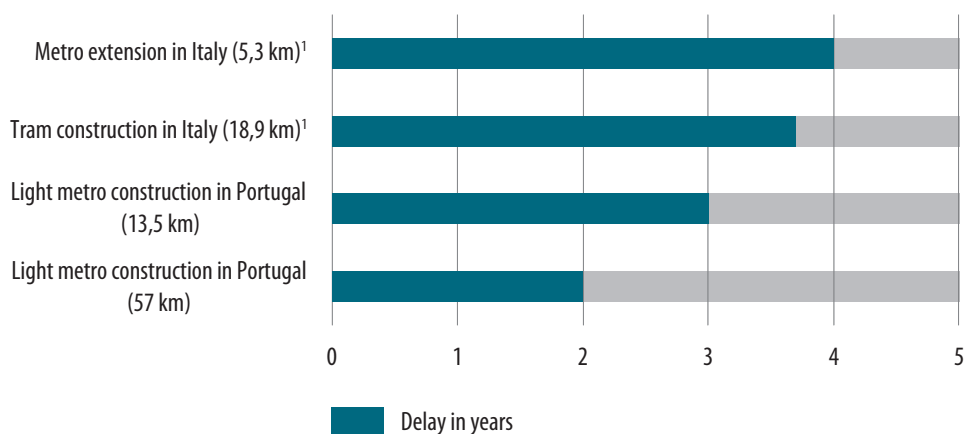
22

Six projects were significantly behind schedule, including four infrastructure projects (see **Figure 2**), with delays of between 2 and 4 years based on the latest forecasts. Examples of significant delays affecting projects are outlined in **Box 1**.

11 For the EU to fund completed projects raises the risk of deadweight, and therefore of the EU added value of such funding. The Court notes that this issue has been addressed by the Commission in the legislative proposals for the 2014–20 financial framework.

Figure 2

Infrastructure projects with significant implementation delays



¹ Forecasts.

Source: ECA calculation based on promoters' data.

Box 1

Examples of significant delays affecting projects

- The full commissioning of a light metro (Portugal) took place in November 2008, 3 years after the initial planned date. The main reason was the difficulty in making the necessary land available, even though it was owned by the municipalities.
- The first line of a tram project (Italy) was completed in February 2010 with a slight delay of 3 months. Two additional lines were initially planned to be implemented by June 2012. Following the holding of a referendum, the route was dramatically modified in order to avoid crossing the historic city centre. This resulted in the postponement of the implementation by a period of 4 years.

Three projects exceeded their initial budget by more than 20 %

23

Nine projects were completed within their initial budget.

by at least 20 %. The main factors causing cost overruns were technical difficulties due to soil conditions, archaeological findings, administrative problems, contract price revisions, or modifications of the project. Examples of cost overruns that affected projects are given in **Box 2**.

24

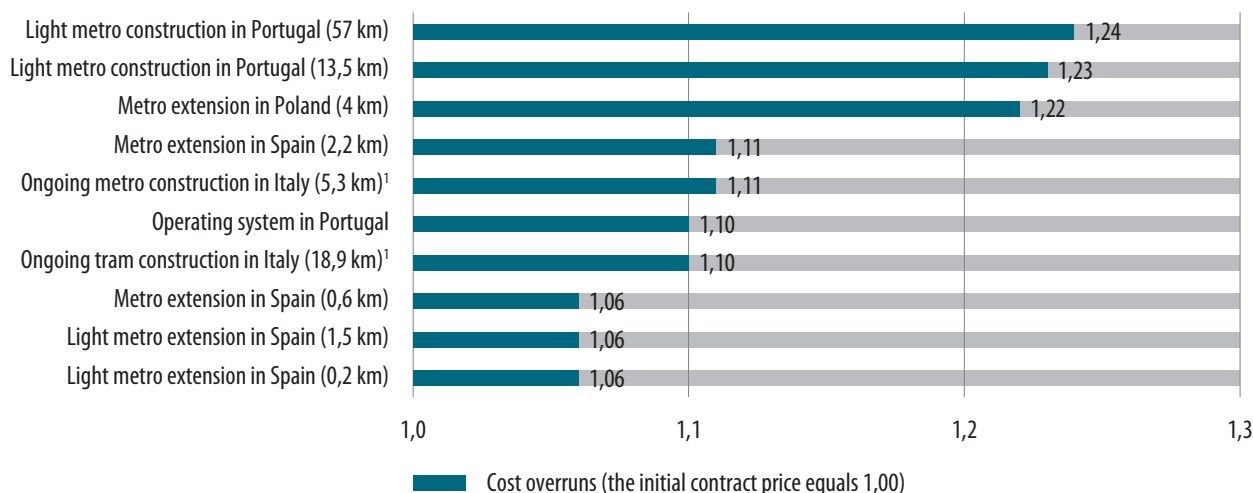
Ten projects exceeded their initial budget (see **Figure 3**): eight completed projects, and two ongoing projects which should have been completed by the time of the audit. Three completed projects had significant cost overruns exceeding their initial budget

25

The cost overruns related to these projects may increase the financial burden for public authorities in the Member States, but they do not affect the total EU grant amount payable (see paragraphs 47 and 48).

Figure 3

Projects with cost overruns



¹ Forecasts.

Source: ECA calculation based on promoters' data.

Box 2

Examples of cost overruns that affected projects

- A metro extension (Poland) encountered a series of difficulties which increased the costs by 47 million euro (+ 22 %). These include the occurrence of particularly unfavourable ground conditions; an exceptional rise in the prices of services and building materials; the redesign of the roofs of buildings further to new legislative standards; the use of modern vibration isolation methods; and a change in the designated function of a building.
- The total cost of a light metro (Portugal) was 399 million euro, i.e. 75 million euro (+ 23 %) more than the initial budget. The cost overrun was borne by the state budget and corresponds to 48 million euro in price revisions and additional works, and 27 million euro to compensate the operator for loss of income over 3 years due to delays in releasing public land (see first example of **Box 1**).

Did the services provided by the projects meet user needs?

26

Twenty-one projects were reviewed under this heading (paragraphs 26 to 34), including one tram project where only one line out of three was operational. The remaining five projects were not operational at the time of the audit.

27

Based on surveys reviewed and on other feedback from project promoters and operators, public transport services are satisfactory for users when they are punctual, frequent, reliable, comfortable, safe, clean, easily accessible, affordable and provide appropriate information. Operators' monitoring indicators and user satisfaction surveys were reviewed in order to assess whether the services provided by the projects met user needs. Aspects of the accessibility of public transport were also considered.

Feedback from operators' monitoring indicators was positive

28

Eighteen of the projects included indicators (e.g. punctuality, cleanliness of vehicles and information for travellers) which were set and monitored by operators and showed that the services offered by the projects were in line with the related targets set. The type and level of indicators varied between projects being basic and of limited value in some cases. Shortcomings in the services provided were identified in two cases (see **Box 3**).

Observations

Photo 2

Train in Poland



Source: ECA.

Box 3

Shortcomings affecting the services offered

- An increase in the number of trains with a delay of more than 5 minutes impacted negatively the punctuality of a metro line (Italy). The audit also noted that there was no train timetable available for the public, either in stations or on the trains. There were no electronic displays of expected waiting times in any of the four metro stations resulting from the project. When a delay occurred, there was no public announcement or visual display to inform users.
- The number of trains (Poland) circulating on the EU co-financed rail track was 25 % lower than planned (three trains instead of four per hour). This was due to the limited capacity of the connecting rail track in the city centre, which led to congestion.

29

Such indicators enable transport operators to take remedial action as necessary in order to improve the service provided to users. They can also be useful for operators in terms of operational efficiency. For example, in seven cases they led to an adjustment of transportation services to the actual demand.

30

In five cases, indicators which linked the remuneration of the transport operator to the quality of the service provided were contractually required by the project promoter. This is good practice and an example is provided in **Box 4**.

Box 4

Example of good practice linking remuneration to quality of service

One metro operating contract (Portugal) has a wide range of indicators and targets relating to the service offered. They reflect the service offered, delays, functioning escalators, level of brightness, cleanliness of stations and vehicles, and the number of failures and signal problems. At first, the related targets were not met. The deficiencies mainly concerned punctuality, and occasionally cleanliness and the number of failures. This led to monthly penalties for the operator, ranging from 10 000 euro to 30 000 euro per month. The situation gradually improved and the target levels were consistently achieved for all indicators.

User satisfaction surveys, when available, had positive results

31

User satisfaction surveys help to measure the quality perceived by users and are carried out with a view to giving the possibility of improving transport services. They can highlight the most satisfactory aspects and any concerns that need to be addressed. They can also show changes in the level of user satisfaction over time, and sometimes provide interesting comparisons between the various lines of a single network.

32

User satisfaction surveys were available for nine of the audited projects. The scores of the different surveys indicated a high level of satisfaction of public transport users.

Transport services were generally accessible

33

Based on a physical inspection, project stations and vehicles were generally easily accessible to pedestrians, push-chairs and wheelchairs.

34

Based on a review of publicly disclosed information (e.g. Internet) all the service providers for the audited projects offer special discount fares to favour access for certain classes of user such as students and jobseekers.

Did the projects achieve their objectives in terms of utilisation?

35

Six projects were excluded from the assessment of this question due to their level of implementation. Paragraphs 36 to 48 therefore concern 20 projects.

36

Apart from meeting user needs (see paragraphs 28 to 34), the most important aspect to consider when assessing the performance of public transport is the level of usage, generally expressed in numbers of passengers, trips, kilometres travelled or rate of occupancy. The modal shift, e.g. people who change their mode of transport from private car to tram, can also provide an indication of the success of public transport.

Few projects have as many users as expected

37

Targets and the corresponding data on the usage levels were available for 12 of the projects audited. A comparison between planned use at specific dates and actual use shows that only two reached the set target (see **Box 5**). The other 10 projects, including nine infrastructure projects, failed to meet their targeted utilisation level demonstrating a dramatic rate of underutilisation in some cases (see **Figure 4**).

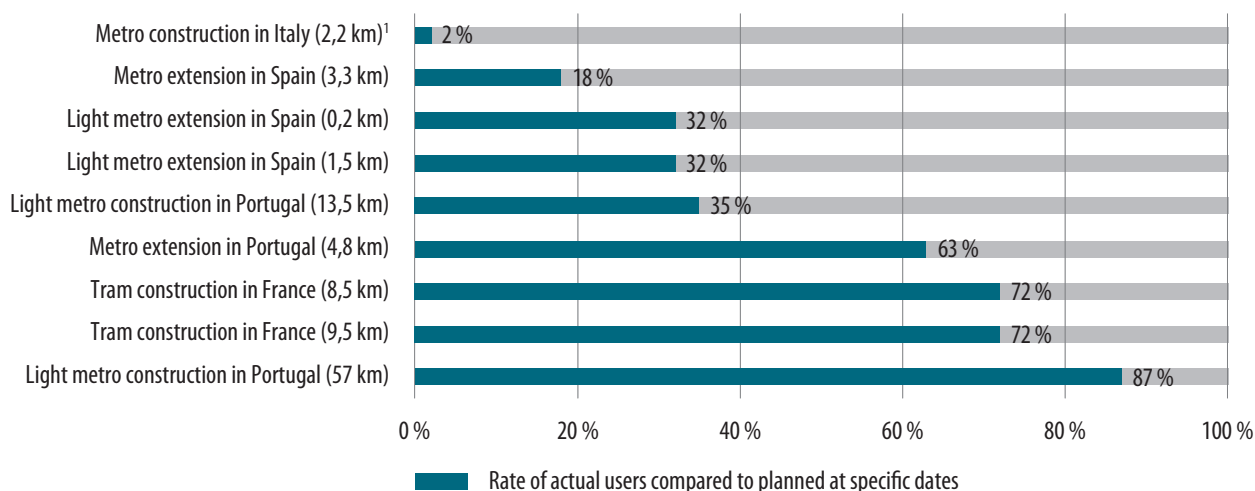
Box 5

Two projects for which targets and data were available and which met their objectives

- A new tram line (Italy) had 12,2 million passengers in 2012, i.e. 113 % of the target (10,8 million). According to its promoter, this result was mainly the result of good coordination with the bus network and integration of fares.
- The annual number of trips on a bus network (France) was 99,2 % of the assumption for 2011 used in a socio-economic analysis carried out in 2009. It increased by 12 %, from 4,3 million in 2008 (the year the project became operational) to 4,8 million in 2011 (the most recent measurement).

Figure 4

Infrastructure projects with fewer users than forecast



1 According to the promoter, the situation should improve with the completion of other sections of this metro line.

Source: ECA calculation based on promoters' data.

38

For the remaining eight projects without targets or corresponding data, the Court used other sources of information to determine whether their

utilisation was satisfactory. For four of these projects, evidence of good performance was noted (examples in **Box 6**) while the other four showed evidence of poor performance.

Box 6

Examples of projects for which targets were not available but where signs of good performance were noted

- One project consisted of modernising two stretches of tramway (Poland). For one stretch, data before and after the project showed an increase in passengers of 49 % at rush hours, and 29 % on a working day.
- For the new stretch of another tramway project (Poland), data showed that there were 2 500 passengers per hour at rush hours, and 35 700 per working day, which is considered satisfactory according to an available indicative benchmark¹².

12 2 500 passengers for a tramway is consistent with the capacity spectrum established by the UITP for various modes of urban transport (http://www.btrust.org.za/library/assets/uploads/documents/2_Resource%20docs_Making%20the%20Right%20Choice.pdf).

Several causes of underutilisation could have been tackled

39

The main factors over which the promoter and/or local authorities had direct influence¹³ and which led to underutilisation of the projects audited can be classified in two categories: insufficiencies in project design (insufficient feasibility studies including overestimation of users) and, more importantly, weaknesses in mobility policy (lack of coordination between modes of transport and with parking policy, absence of urban mobility plan).

40

These factors affected the utilisation rates of 11 of the 14 projects which were assessed as being underutilised (paragraphs 37 and 38)¹⁴. Seven projects were approved by the Commission and four by the Member States'. **Box 7** provides examples.

41

The causes of underutilisation could have been subject to a more thorough analysis during the project design and planning phase.

- 13 An external factor which may have impacted the utilisation of urban transport projects is the international economic and financial crisis.
- 14 As projects can be affected by multiple causes, a total of 23 occurrences were identified for these 11 projects.

Box 7

Examples of causes of underutilisation

- For a light metro (Portugal) of 58 stations replacing part of a bus network, the estimation of users was claimed by the promoter to be overstated by about 30 % because of the lack of a reliable system for counting bus users. The feasibility study had identified parking policy as crucial to achieving the expected demand and transfer from individual to collective transport. However, P + R parking at both ends of the north-south line and a terminal station for the bus outside the city were still lacking. Furthermore, parking spaces were available at attractive prices in the city centre (the price in the city centre is the same as the P + R price, to which the price of a metro ticket should be added). The utilisation of the metro network is below expectations in terms of the number of passengers (87 %), the number of passengers switching from other modes of transport (55 %) and the occupancy rate (62 %). The occupancy rate for the last three stations of a line is below 5 %.
- A new metro station (Spain) was constructed in response to strong public demand for an end to social isolation. The analysis of mobility needs prior to the project did not include a quantified comparison of different transport options. The number of users represents only 18 % of the target.
- A new tram network (France) had 8,3 million passengers per year, i.e. 72 % of the target (11,6 million). Simultaneously, the use of private cars increased from 60 % of trips in 1997 to 65 % in 2011, whereas the objective of the urban mobility plan was already to reduce the figure to 59 % in 2005. According to the transport authority, demand for the tram is affected by the poor quality of the transportation services offered by the bus network and by an inadequate parking policy. The number of parking spaces in the city centre increased by 17 % between 2005 and 2012, while it was already considered excessive in the 2005 *plan de déplacement urbain* (urban transport plan).

Observations

Underutilisation may affect the achievement of expected benefits ...

42

The grant application for every project submitted to the Commission for approval includes expected benefits, other than the level of use, such as reductions in air pollution, noise, congestion, accidents and oil consumption, which in turn should have a wider positive impact on the environment, public health, growth and employment, in particular through reduced congestion.

43

These expected benefits are estimated by the project promoters on the basis of a key indicator such as the number of passengers switching from private cars to public transport. Therefore, if the utilisation rate for public transport projects does not meet the targets set, such benefits may also be affected.

... which is not monitored ...

44

The expected benefits are taken into account in the social-economic assessment. They are an important factor for the decision to invest public money in urban transport projects, which are by nature financially non-viable.

45

While initially estimated, there was no systematic follow-up to determine the actual expected benefits achieved for the projects concerned.

46

Nevertheless, the auditors noticed in two of the cities they visited that a set of indicators on aspects influenced by the co-financed projects was established and subsequently monitored.

Photo 3

Tram in Italy



Source: ECA.

... and it may also increase the financial burden for the public authorities

47

For all audited projects which are by nature not financially viable, operational revenue did not fully cover running and maintenance costs with the deficit being funded by public subsidies¹⁵.

48

For the 14 underutilised projects, the fewer number of users than initially forecast led to lower revenue from ticket sales. This was offset by a public subsidy that was higher than planned, except in one case where the actual operational revenues exceeded expectations because of tariff increases.

¹⁵ For example, public subsidies represent 9 % of the annual budget for one light metro, 66 % for another one (against an expected 0 %), 68 % for a tram, and 75 % for a bus network.

Photo 4

Tram and bus in France



Source: ECA.

49

The overall conclusion of the audit is that despite being implemented satisfactorily and generally meeting user needs, EU co-financed urban transport projects are often underutilised, which has an impact on their overall performance.

Project implementation

50

For most projects, the infrastructure, equipment and rolling stock were implemented in accordance with project specifications (paragraph 20).

51

Significant delays of between 2 and 4 years based on latest forecasts were encountered for four projects. Delays were due to natural or historic obstacles, late modifications, coordination problems and delays in making land available (paragraphs 21 and 22).

52

Three projects had significant cost overruns in excess of 20 % due to delays, technical difficulties, administrative problems and a lack of coordination (paragraphs 23 to 25).

Services provided by the projects

53

Indicators monitored by the transport operators and user satisfaction surveys, where available, indicate that the projects do meet user needs. However, not all audited projects benefited from the application of such management tools. Some good practices were identified, such as the inclusion of indicators in the operating contract between the promoter and the operator whose remuneration is then linked to the results achieved. The facilities and services provided by the projects were generally easily accessible (paragraphs 26 to 34).

Utilisation of the projects

54

40 % of the projects assessed lacked utilisation targets and/or data. This prevented measurement of the project utilisation rate, which is a key performance indicator for assessing the performance of public transport projects (paragraph 37).

55

When information on utilisation was lacking, the Court gathered various other data in order to reach a conclusion about project performance. Overall, the Court considers that two thirds of the projects are underutilised (paragraphs 37 and 38).

Conclusions and recommendations

56

Two main factors over which the promoter and/or the local authorities have a direct influence, leading to underutilisation of most of the projects audited are weaknesses in project design and weaknesses in mobility policy (paragraphs 39 to 41).

57

Having fewer passengers than expected also implies underperformance in terms of economic and social benefits (e.g. pollution and congestion). However, this is generally not followed up by the promoters or the national authorities (paragraphs 42 to 46). This also implies that there may be a need for additional public funding in order to ensure the financial sustainability of the urban transport projects concerned (paragraphs 47 and 48).

Recommendation 1

The Commission should, for projects subject to its approval, require that management tools will be put in place to monitor the quality of services and the level of user satisfaction once a project is operational, such as:

- (a) a minimum set of indicators with related targets to be included in operating contracts and, where possible, a link between the operator's remuneration and the results achieved;
- (b) user satisfaction surveys, which would enable appropriate action to be taken so as better to meet users' expectations.

Recommendation 2

The Commission should, for projects subject to its approval, require that a minimum number of result indicators with related targets are included in the grant agreements and are subsequently measured, so that:

- (a) the utilisation rate of public transport, which is a key performance indicator for this type of project, is monitored and assessed;
- (b) expected benefits such as a reduction in pollution, noise and congestion, and better road safety, are monitored and assessed.

Recommendation 3

The Commission should, for projects subject to its approval, require that the estimation of the number of expected users is more rigorously analysed and that the choice of the mode of transport is supported by a quantified comparison of different transport options.

Conclusions and recommendations

Recommendation 4

The Commission should, for projects subject to its approval, require that the projects are included in a mobility policy which:

- (a) addresses the consistency of all modes and forms of transport, including parking policy, in the entire urban agglomeration;
- (b) demonstrates that it is a priority and the most appropriate project;
- (c) indicates to what extent it will contribute to its overall objectives (e.g. modal shift).

Recommendation 5

The Commission should also require that the aspects mentioned under recommendations 1 to 4 are addressed by the Member States' authorities when managing EU-funded urban transport projects.

This Report was adopted by Chamber II, headed by Mr Henri GRETHEN, Member of the Court of Auditors, in Luxembourg at its meeting of 5 February 2014.

For the Court of Auditors



Vítor Manuel da SILVA CALDEIRA
President

EU urban transport policy: successive documents issued over the last decade

01

White paper 2001: European transport policy for 2010: Time to decide, COM(2001) 370 final.

02

Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: Towards a thematic strategy on the urban environment, COM(2004) 60 final.

03

Communication from the Commission to the Council and the European Parliament on thematic strategy on the urban environment, COM(2005) 718 final.

04

Communication from the Commission to the Council and the European Parliament: Keep Europe moving — Sustainable mobility for our continent. Mid-term review of the European Commission's 2001 Transport White Paper, COM(2006) 314 final.

05

Communication from the Commission: Action plan for energy efficiency: realising the potential, COM(2006) 545 final.

06

Commission Green Paper: Towards a new culture for urban mobility, COM(2007) 551 final.

07

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Action plan on urban mobility, COM(2009) 490 final.

08

White paper: Roadmap to a single European transport area — Towards a competitive and resource-efficient transport system, COM(2011) 144 final.

Overview of audited projects at the time of the audit

Country/ City	Project	Operational since	Total final ³ cost	Eligible cost (A)	EU grant		Project approved by COM or MS ⁴
			million euro		% of (A)		
Spain							
Barcelona	Extension of metro Line 3 by 0,6 km and one station	May 2001	82,5	19,3	5,5	28,5 %	MS
	Extension of metro Line 3 by 2,2 km and two stations	Sep 2008	106,9	40,5	9,6	23,7 %	MS
	Extension of light metro Line 11 by 1,5 km and two stations	Dec 2003	51,8	22,7	6,8	30,0 %	MS
	Extension of light metro Line 11 by 0,2 km and two stations	Dec 2003	56,9	16,7	4,4	26,3 %	MS
Madrid	Extension of metro Line 11 by 3,3 km and one station	Oct 2010	167,6	113,9	50,3	44,2 %	COM
France							
Le Havre	Construction of a 13 km tram route	Not yet ²	394,7	249,5	10,0	4,0 %	COM
	Operating and information system	Partially	1,9	0,7	0,3	47,1 %	MS
Val de Sambre	Construction of a 8,4 km bus lanes	Dec 2008	88,7	50,7	15,9	31,4 %	COM
Valenciennes	Construction of a 9,5 km tram route, section 1	Jul 2006	263,7	106,1	5,1	4,8 %	COM
	Construction of a 8,5 km tram route, section 2	Sep 2007	67,8	45,4	7,5	16,5 %	COM
Italy							
Florence	Construction of a 18,9 km tram route for Lines 1, 2 and 3	Partially	688,0	159,9	53,3	33,3 %	COM
	Information system	May 2012	0,3	0,3	0,1	33,3 %	MS
Naples	Extension of metro L1 by 5,3 km and six stations	Not yet	1 524,0	1 015,0	507,0	50,0 %	COM
	Construction of 2,2 km and four stations for Metro L6	Feb 2007	140,9	122,3	61,2	50,0 %	COM
	Extension of metro L6 by 3,3 km and four stations	Due 2015	643,0	173,1	86,5	50,0 %	COM
Poland ¹							
Krakow	Modernisation/rebuilding of 4 km and purchase of 24 trams	May 2008	63,7	51,9	25,7	49,5 %	COM
	Construction/rebuilding of 5,4 km and purchase of 24 trams	Jun 2011	107,2	92,0	54,2	58,9 %	COM
Warsaw	Extension of 4 km and four metro stations, Line 1	Oct 2008	261,7	189,8	80,1	42,2 %	COM
	Modernisation of 14 km rail connection to airport	Sep 2008	65,1	52,5	13,7	26,1 %	MS
	Extension of 2 km rail connection to airport with tunnel	Not yet ²	91,5	72,1	50,5	70,0 %	COM
	Purchase of 13 trains for the rail connection to airport	Nov 2011	86,2	69,7	41,1	59,0 %	COM

Country/ City	Project	Operational since	Total final ³ cost	Eligible cost (A)	EU grant		Project approved by COM or MS ⁴
			million euro		% of (A)		
Portugal							
Lisbon	Extension of metro Line B by 4,8 km and five stations	Mar 2004	295,1	266,0	100,0	37,6 %	COM
	Construction of 13,5 km of light metro with 19 stations	Nov 2008	352,9	265,0	79,5	30,0 %	COM
Porto	Construction of 57 km of light metro with 58 stations	Mar 2006	1 962,0	890,4	320,2	36,0 %	COM
	Integrated ticketing system	Dec 2005	11,2	8,1	4,4	54,3 %	MS
	Operating and information system	Dec 2006	11,2	9,7	5,3	54,6 %	MS
Total	26 projects audited		7 586,50	4 103,30	1 598,23	39,6 %	

1 Amounts for Polish projects were converted using an average exchange rate of 1 EUR= 4 PLN.

2 These two projects were operational by the end of 2012.

3 Figures in italics correspond to amounts approved at the project application stage.

4 COM = Commission; MS = Member State.

Executive summary

II (a)

The Commission welcomes the Court's assessment that the implementation of most projects was in accordance with the project specifications.

The Commission welcomes that 15 out of the 21 projects analysed were operational on time or with a delay of 9 months or less, which the Commission considers to be slight for this type of project. Some delays in major infrastructure projects are often unavoidable.

The Commission considers that the delays in the four projects quoted were due to specific reasons out of the control of the project promoter and the Commission.

The Commission points out that the EU budget is not affected since cost overruns have to be covered by the national budget. It considers that many of the cost overruns were due to technical difficulties beyond the control of the project promoters.

II (b)

The Commission welcomes the results of the audit concerning the users' need.

There was significant underutilisation of infrastructure in five of the audited projects, with a utilisation rate of under 35 % of the expected data. For the other audited projects the utilisation rate is above 60 % of expected users.

Delays in the implementation of projects might lead also to delays in the achievement of targets concerning utilisation.

Public transport is the backbone of sustainable urban transport and contributes to a high degree of social inclusion. As such, support from public authorities is often an intended necessity.

II (c)

The Commission acknowledges the identified causes of underutilisation. However, transport is a derived demand and has a strong link with the economic situation. The possible impacts of the international economic and financial crisis were not predictable when analyses have been carried out at the design and planning phase. One of these impacts is on the mobility needs, which may have contributed to the underutilisation, as the significant slowdown of demand in urban mobility could not have been foreseen during the project preparation phase.

Furthermore, the crisis has impacted the financial situation of the cities and possibly their ability to maintain and subsidise public services with a negative impact on the utilisation. In any case, all projects were audited early in their lifetime and additional measures can still be taken to increase utilisation in the future.

III (a)

In relation to recommendations 1 to 4, the Commission underlines that the appraisal and adoption procedure for major projects for the 2014–20 programming period will allow for an early, upstream review of the projects by experts specialising in project management, CBA analysis and technical/engineering issues. The Commission is preparing delegated and implementing acts that will define various quality elements that need to be respected by all major projects. In addition, CBA guidance will be issued that will include practical recommendations for specific sectors and case studies to allow the beneficiaries to orientate their projects towards the best EU added value.

All the projects subject to the approval of the Commission have to go through a quality review, which will be carried out on the basis of a set of criteria, either by the Commission or by independent experts (Jaspers paid from the technical assistance of the Commission or other entities nominated by Member States and agreed by the Commission).

Reply of the Commission

The new cohesion policy framework is geared towards result orientation, and this also has an impact on the way major projects are appraised by the Commission. In the application form (which will be issued in the form of a Commission implementing act), there will be a separate section where the projects need to present expected contributions to results and output indicators in the priority axis.

The Commission will propose, in the delegated act for quality review, conditions that Member States have to fulfil and confirm in the quality review report. This also includes feasibility and reliability of the demand analysis, justifying the need for the project and the overall capacity of the project facilities.

In line with the regulatory framework for the new programming period, all projects will include, where relevant, common output indicators. Result indicators will be agreed during the negotiation process of the programmes and will be set at the priority axis level, and then subsequently monitored during the implementation period. However, the specific modalities of the evaluation and monitoring system, and in particular the contracting arrangements between the managing authorities and the operators, will be among the competences of the managing authority, as stated in Article 125(3)(c) of Regulation (EU) No 1303/2013. Where appropriate, the Commission will recommend that major projects have a minimum set of indicators and performance-based remuneration for the operator.

Where relevant to the project objectives, the Commission will recommend that project promoters carry out user satisfaction surveys.

III (b)

Through the quality review of the projects the Commission will ensure that projects subject to its approval will clearly present their contribution to the result indicators for monitoring progress.

The utilisation rate is not part of the common indicators requested to be monitored by Member States. However, the Commission will insist during the negotiations on the programmes on the inclusion, where relevant, of 'utilisation rate of public transport' in the operational programmes dealing with public transport and consequently in their monitoring system done by Member States.

The Commission agrees with the Court that monitoring of the contribution of projects is essential for verifying the correct implementation of the programme. The managing authorities need to undertake evaluation (in line with evaluation plans) of the impact of the EU-funded projects on the achievement of targets of the priority axis, but not in the grant agreement. Subsequently, the results achieved will be included and assessed in the annual and final implementation reports due to be submitted by Member States for each operational programme, when these elements are included as result indicators for the operational programme.

III (c)

The Commission will ensure through the quality review of the proposals that the main alternatives have been analysed and the best option was selected for the implementation, including justification of the option chosen.

It will also ensure that the demand analysis (or business plan in case of productive investment), was based on reliable estimates and in line with the main demographic trends and developments in the respective sector to justify the need for the project and the overall capacity of the project facilities.

III (d)

All major projects will have to demonstrate their contribution to objectives set at programme level to promote sustainable multimodal urban mobility as set out in Article 5(4)(e) of Regulation (EU) No 1301/2013 (the ERDF regulation) and Article 4(a)(v) of Regulation (EU) No 1300/2013 (the Cohesion Fund regulation).

III (e)

The Commission agrees that these aspects should be addressed by the managing authorities and will promote this practice.

Observations

20

The Commission welcomes the Court's assessment that most projects' implementation was in accordance with the project specifications.

21

The Commission welcomes that 15 out of the 21 projects analysed were operational on time or with a delay of 9 months or less, which the Commission considers to be slight for this type of project. Some delays in major infrastructure projects are often unavoidable.

The Commission considers that significant delays were due to specific, unavoidable circumstances related to the individual projects, such as archaeological findings, the need for additional soil consolidation or a change in political leadership. Neither the project promoter nor the Commission services could have foreseen such causes.

Box 1 — second indent

The original track design of the Italian tram project referred to by the Court had been approved after public consultation. The political changes in the municipality and the following referendum in 2010 resulted in the modification of the original design for lines 2 and 3. Neither the project promoter nor Commission services could have foreseen this circumstance.

24

The Commission is always concerned about cost overruns since they might affect the economy of a project. However, in large infrastructure projects additional costs are often difficult to avoid, despite accurate planning, surveys and soil inspections (see examples in Box 2).

25

The Commission points out that the EU budget is not affected since cost overruns have to be covered by the national budget.

28

The Commission welcomes the finding that services offered by the projects were, in 18 out of 21 audited cases, monitored and in line with the related targets set.

Box 3 — first indent

The finding on the metro line in Italy referred to by the Court can be explained by the fact that the metro line and the complementary information system have not yet been completed. By 2015 the current insulated section will be part of the greater metro network.

Box 3 — second indent

For the finding on the train project in Poland referred to by the Court, the Commission acknowledges that the frequency of trains does not correspond to the assumptions used for the design of the project. The Commission will bring the matter to the Polish authorities in the framework of programme monitoring and will enquire as to the reasons for this modification.

Box 4

The Commission welcomes the identification of good practices by the Court. The Commission will prepare guidance on cost-benefit analysis for the 2014–20 programmes that will include a case study on urban transport.

32

The Commission welcomes that all available surveys showed a high level of satisfaction with the services provided.

Common reply to paragraphs 33 and 34

The Commission welcomes the positive finding.

37

The Commission is of the opinion that the beneficiaries should give greater importance on the definition of key performance indicators.

There was significant underutilisation of infrastructure in five of the audited projects, with a utilisation rate of under 35 % of the expected data. For the Italian project, the situation should improve at the end of 2015 once the line is incorporated into the network as planned.

For the other audited projects the utilisation rate is above 60 % of expected users.

Delays in the implementation of projects might also lead to delays in the achievement of targets concerning utilisation.

See reply to paragraphs 39 and 40.

Common reply to paragraphs 39 and 40

The Commission acknowledges the identified causes of underutilisation. However, the possible impacts of the international economic and financial crisis were not predictable when analyses were carried out at the design and planning phase. One of these impacts is on the mobility needs, which may have contributed to the underutilisation, as the significant slowdown of demand in urban mobility could not have been foreseen during the project preparation phase. Furthermore, the crisis has impacted the financial situation of the cities and possibly their ability to maintain and subsidise public services, with a negative impact on utilisation. In any case, all projects were audited early in their lifetime, and additional measures can still be taken to increase utilisation in the future.

See reply to paragraph 37.

41

See reply to paragraphs 39 and 40.

Box 7 — third indent

The Commission acknowledges that better alignment of the bus services should have taken place together with a reduction of the parking places after the completion of the projects in France. Corrective measures are announced by the French public authorities in the end of 2013. They foresee to put in place new lines of public transport in order to expand the public network and to reduce parking places in the centre.

47

Public transport is the backbone of sustainable urban transport and contributes to a high degree of social inclusion. As such, support from public authorities is often an intended necessity.

Conclusions and recommendations

49

The Commission welcomes the overall audit result that projects generally meet user needs.

The Commission acknowledges the identified causes of underutilisation. However, transport is a derived demand and has a strong link with the economic situation. The possible impacts of the international economic and financial crisis were not predictable when analyses were carried out at the design and planning phase. One of these impacts is on the mobility needs, which may have contributed to the underutilisation, as the significant slowdown of demand in urban mobility could not have been foreseen during the project preparation phase. Furthermore, the crisis has impacted the financial situation of the cities and possibly their ability to maintain and subsidise public services, with a negative impact on utilisation. In any case, all projects were audited early in their lifetime, and additional measures can still be taken to increase utilisation in the future.

50

The Commission welcomes the Court's assessment that the implementation of most projects was in accordance with the project specifications.

51

The Commission welcomes that 15 out of the 21 projects analysed were operational on time or with a delay of 9 months or less, which the Commission considers to be slight for this type of project. Some delays in major infrastructure projects are often unavoidable.

The Commission considers that the delays in the four projects quoted were due to specific reasons out of the control of the project promoter and the Commission.

52

The Commission points out that the EU budget is not affected since cost overruns have to be covered by the national budget. It considers that many of the cost overruns were due to technical difficulties beyond the control of the project promoters (see paragraph 24).

53

The Commission welcomes the finding that services offered by the projects were, in 18 out of 21 audited cases, monitored and in line with the related targets set, that all available surveys showed a high level of satisfaction with the services provided and that facilities and services provided by the projects were generally easily accessible.

54

The Commission agrees that the beneficiaries should give greater importance to the definition of key performance indicators.

55

There was significant underutilisation of infrastructure in five of the audited projects, with a utilisation rate of under 35 % of the expected data. For one project, the situation should improve at the end of 2015 once the line is incorporated in the network as planned.

For the other audited projects the utilisation rate is above 60 % of expected users.

Delays in the implementation of projects might also lead to delays in the achievement of targets concerning utilisation.

56

See Commission reply to paragraph 49.

57

Public transport is the backbone of sustainable urban transport and contributes to a high degree of social inclusion. As such, support from public authorities is often an intended necessity.

Recommendation 1

In relation to recommendations 1 to 4, the Commission underlines that the appraisal and adoption procedure for major projects for the 2014–20 programming period will allow for an early, upstream review of the projects by experts specialising in project management, CBA analysis and technical/engineering issues. The Commission is preparing delegated and implementing acts that will define various quality elements that need to be respected by all major projects. In addition, CBA guidance will be issued that will include practical recommendations for specific sectors and case studies to allow the beneficiaries to orientate their projects towards the best EU added value.

All the projects subject to the approval of the Commission have to go through a quality review, which will be carried out on the basis of a set of criteria, either by the Commission or by independent experts (Jaspers paid from the technical assistance of the Commission or other entities nominated by Member States and agreed by the Commission).

The new cohesion policy framework is geared towards result orientation, and this also has an impact on the way major projects are appraised by the Commission. In the application form (which will be issued in the form of a Commission implementing act), there will be a separate section where the projects need to present expected contributions to results and output indicators in the priority axis.

The Commission will propose, in the delegated act for quality review, conditions that Member States have to fulfil and confirm in the quality review report. This also includes feasibility and reliability of the demand analysis, justifying the need for the project and the overall capacity of the project facilities.

Recommendation 1 (a)

In line with the regulatory framework for the new programming period, all projects will include, where relevant, common output indicators. Result indicators will be agreed during the negotiation process of the programmes and will be set at the priority axis level, and then subsequently monitored during the implementation period. However, the specific modalities of the evaluation and monitoring system, and in particular the contracting arrangements between the managing authorities and the operators, will be in the competences of the managing authority, as stated in Article 125(3) (c) of Regulation (EU) No 1303/2013. Where appropriate, the Commission will recommend for major projects to have a minimum set of indicators and performance-based remuneration for the operator.

Recommendation 1 (b)

Where relevant to the project objectives, the Commission will recommend that project promoters carry out user satisfaction surveys.

Recommendation 2

Through the quality review of the projects the Commission will ensure that projects subject to its approval will clearly present their contribution to the result indicators for monitoring progress.

Recommendation 2 (a)

The utilisation rate is not part of the common indicators requested to be monitored by Member States. However, the Commission will insist during the negotiations on the programmes on the inclusion, where relevant, of 'utilisation rate of public transport' in the operational programmes dealing with public transport and consequently in their monitoring system done by Member States.

Recommendation 2 (b)

The Commission agrees with the Court that monitoring of contribution of projects is essential for verifying the correct implementation of the programme. The managing authorities need to undertake evaluation (in line with evaluation plans) of the impact of the EU-funded projects on the achievement of targets of the priority axis, but not in the grant agreement. Subsequently, the results achieved will be included and assessed in the annual and final implementation reports due to be submitted by Member States for each operational programme, when these elements are included as result indicators for the operational programme.

Recommendation 3

The Commission will ensure through the quality review of the proposals that the main alternatives have been analysed and the best option was selected for the implementation, including justification of the option chosen.

It will also ensure that the demand analysis (or business plan in case of productive investment), was based on reliable estimates and in line with main demographic trends and developments in the respective sector to justify the need of the project and the overall capacity of the project facilities.

Recommendation 4

All major projects will have to demonstrate their contribution to objectives set at programme level to promote sustainable multimodal urban mobility as set out in Article 5(4)(e) of Regulation (EU) No 1301/2013 (the ERDF regulation) and Article 4(a)(v) of Regulation (EU) No 1300/2013 (the Cohesion Fund regulation).

Recommendation 5

The Commission agrees that these aspects should be addressed by the managing authorities and will promote this practice.

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The EU allocated 10,7 billion euro between 2000 and 2013 to co-finance projects helping cities to implement urban transport such as metros, trams and buses. In this report, the Court assessed whether projects were implemented as planned, provided services that meet user needs and were used as much as expected.



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ISSN 1781-9212-1241-LS8-V

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