

THE IMPACT OF INADEQUATE TRANSPORT INFRASTRUCTURES ON THE FUNCTIONING OF THE INTERNAL MARKET

CLIENT: *European Commission - DG XV (Finance and Internal Market)*

YEAR: *1995-1996*

DESCRIPTION OF ACTIVITIES:

The study is one of the 30 studies awarded by EC Directorate General XV - Financial Affairs and Internal Market - in the "1996 Review" launched by the Commission to monitor early impacts of the 1992 Programme and to recommend further action to achieve a truly competitive Internal Market in the European Union.

The objective of the study - one of the few ex-ante assessments in the Review - was to understand up to which extent inadequate performance of transport systems may affect the free circulation of goods, services and people in the Union and/or further widen regional imbalances.

The Commission also asked for such impacts to be measured by means of comparing present performances of transport systems with those that can be achieved in case of different degrees of completion of the two main transport programmes of the European Union: Trans-European Transport Networks (TENs) and Common Transport Policies (CTP).

The international consortium in charge of completing the study is led by TRT Trasporti e Territorio in association with A.T. Kearney and Marcial Echenique & Partners.

Scenario design

Two alternative scenarios - partial integration and full integration - were designed to assess the impacts of improved transport performances against a **reference scenario**.

Each scenario, including the reference one, was designed using a common set of assumptions about the likely evolution of macro-economic variables and demographic development in Europe.

A number of current trends in transport demand and supply were also assumed to continue until year 2005, quite independently from policies that may be implemented in the next ten years at either national or European level. Each scenario is then characterised by a specific combination of infrastructure investment and transport policies.

The **reference scenario** describes a situation in which only those investment schemes and transport policies that are completed should be "easily" implemented by

Member States also in absence of an European framework.

Within the same policy framework assumed in the reference scenario, the **partial integration scenario** describes a situation in which the 14 "first priority" TEN projects are successfully put into operation in year 2005.

A further increase in the performances of transport systems is described in the **full integration scenario** in which the completion of the 14 TENs priority projects is combined with the adoption of the key policy measures in the EU agenda, focusing on those specifically designed to introduce competition also in transport markets and to implement the principle "user pays" for the actual cost of transport (including congestion).

Modelling

The MEPLAN model was used to compare transport and economic performances associated with each scenario: a multiregional and multisectorial strategic transport and regional economic model explicitly designed to consider the demand for transport services as an economic input and to desegregate transport costs and attributes that enter the production costs of different economic operators located in different regions. The model represented the 15 member states at approximately the NUTS1 level with 60 zones and the rest of Europe with 20 zones.

The regional economic model estimated disaggregated trade and passenger demand patterns among regions within the EU and among the EU and other 20 external economic zones.

Main inputs to the regional economic model were population-based consumption and investment and export related demands, existing production capacity by economic sector in each region and the generalised cost of transport among regions.

The transport model represented both passenger and freight transport for 10 transport modes. Intermodal functions were also described.

Attributes of both transport supply and demand in the strategic multimodal transport network were described in a desegregated way to enable explicit treatment of

the specific sensitivity of freight and passenger flows to the variation in cost and quality of service.

Operational analysis and improved cost/price functions

To identify main sources of inefficiencies as perceived by transport carriers and suppliers, a careful operational analysis was completed by AT Kearney. Integrated with evidence available from the systematic

monitoring of transport and logistic excellence both in Europe and out of Europe, a number of interviews with opinion leaders have been completed to ensure a broad industry vision on both present and future perspectives.

Assessment of Impacts

To identify "the cost of non Europe" in the transport sector, a broad range of impacts have been assessed on both (direct) transport performances and economy.

