T&E **Memorandum**

Addendum

ITALIAN PRESIDENCY PRIORITIES

The Italian Presidency has recently made public its priorities for the Ecofin Council, unveiling the first details of a so-called "European Action for Growth". The Presidency intends to boost economic growth in the EU by revitalising the European economy through significant public investments in, among others, transport infrastructure.

ITALY'S ECOFIN PRIORITIES

• The Italian presidency identifies five broad areas facing considerable challenges: economic growth, the external dimension of the union, the intergovernmental conference, financial services and taxation.

• The Italian Presidency links the issue of growth to the perceived need to boost public spending in infrastructure and thus in transport infrastructure. This, it says, is in order to close the investment gap between the European Union and the United States and provide the Europeans with a social model based on public goods within a market economy.

• It also advocates a new, Trans-European, scale of priorities for infrastructure investment and claims the need to finance them through a European Financing Facility, with European Investment Bank capital.

EVALUATION

• The Presidency's argument is that the revitalisation of the European economy must rely on public investment in infrastructure and transport. This is not supported by the available evidence on the impact of transport on the economy. In 1999 for instance, the British government's SACTRA report warned that there is no automatic link between transport growth and economic growth. Moreover, statistics on transport and GDP in EU countries show that transport volumes have grown faster than economic growth in the last decades.

• The scale of transport projects should be a deterrent rather than a criterion for investing in new infrastructure. Large-scale projects such as those on the TEN-T priority list are a highly politicised issue and receive all the attention of the European Commission and Member States. More potentially-sustainable projects, of a smaller scale, are thus likely to be cut off from traditional sources of funding. They will have to rely on scarce funding from local and national authorities, while large amounts of public money are wasted on projects of uncertain economic value, with potential to do harm.

• Pledging financial resources for infrastructure building as an a priori method of aiding economic growth ignores the body of evidence on transport and economy. Moreover, it translates into a "green light" for politically motivated decisions to proceed with no more than lip-service to serious assessment of their likely impacts.

RECOMMENDATIONS

• The Italian Presidency should reconsider its proposed solutions for revitalising the European economy by focusing on issues such as decoupling transport and economic growth, fair pricing for infrastructure use and encourage more efficient use of resources.

• In the transport sector, investment priorities should be on properly maintaining and managing the existing infrastructure. Investments are needed in public transport, especially in urban areas rather than in Trans-European projects. Other sectors of the economy might also be better placed to receive investments with a full state guarantee.

• The priority projects identified by the van Miert group should in the first instance be submitted for a full, EU-level Impact Assessment, including assessments of the social, economic and environmental impacts. At the very least, the priority projects should be subject to a strategic environmental assessment.

• The involvement of the European Investment Bank in large-scale investment projects should be limited. The bank is already under heavy criticism for its lack of transparency and the dubious quality of its environmental assessments. Granting a zero-risk factor would only worsen the situation.

• The Ecofin Council should take responsibility and push for soft policy measures such as the pricing directive, rather then direct investments in infrastructure.

This paper is an addition to T&E's Memorandum to the Italian Presidency, (T&E03/3).

For more details on T&E's position on the relationship between transport and economy, see, "Transport, Infrastructure and the Economy - *Why new roads can harm the economy, local employment, and offer bad value to European taxpayers*" (T&E 00/6). It is available on request from the T&E Secretariat and on the T&E website, http://www.t-e.nu.