Telecommunications: trans-European networks, guidelines (rev. Decision 1336/97/EC Annex I)

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This Special Report 9/2000 from the Court of Auditors examines the development and implementation of EU policy concerning the trans-European-network-telecommunications programme (hereafter referred to as TEN-telecom) and the related measures ('Trans-European telecommunications networks' (ECU 115 million in financial commitments from 1993 to 1998). This audit by the Court of Auditors examined how far the Commission has succeeded in implementing this policy and its coordination with related measures in the research programme and in the Structural Funds. In its conclusions, the Court recommends that the Commission should provide the Council and the Parliament with details of the TEN-telecom actions and its assessment of the extent to which their objectives have been achieved. In each case where aid is granted for near-market feasibility studies and pilot projects, it needs to be clearly shown that the specific objectives of these types of action are well justified, and that they are unlikely to be achieved without EU subsidy. At the same time consideration should be given to a closer linking between the telematic research, development and demonstration activities (RTD) co-financed through the research programme and the near market projects supported through TEN-telecom, including an assessment of the scope for further improvements in efficiencies if the RTD-telematic projects and the related market-validation activities were managed together. The Court notes that the telecommunications sector is currently very competitive and expanding rapidly without substantial public subsidies from any source, in response to the liberalisation of the sector and the development of mobile communications. Furthermore, in commercial terms, telecommunications companies are amongst the largest companies in Europe, with ready access through the markets to investment funds of all types. The Commission should ensure that it closely monitors the technical developments in this fast-moving field to better focus its expenditure in order to maximise its impact. The Court believes that the Commission should develop new guidance for the Structural Fund interventions in the field of telecommunication, where liberalisation, privatisation and increased competition are key developments. The TEN general rules, which were conceived to promote infrastructure projects, though not applicable to the Structural Funds, can provide a basis for this reorientation, by allowing direct grants to investment only in duly justified cases and by favouring Community aid in the form of interest subsidies and loan guarantees. In addition, the coordination between financing under TEN-telecom and financing from the Structural Funds, EIB and EIF should be intensified, so that the necessary complementarity and synergy between the different types of instrument may be achieved. In its 1999 report to the Council the Commission itself stressed this necessity. The issue of interconnection and interoperability will have an increasingly important role to play especially with regard to the development of new links with the central and east European candidate countries. The trans-European aspect of the TEN policy will need to be evaluated in this light. The Commission should carry out more on-the-spot checks to ensure that the execution of TEN-telecom projects and the results achieved are in accordance with the rules and objectivesidentified in the contracts. In response to the Court's observations, the Commission made it clear that an in-depth evaluation of the action will take place from May to September 2000, where the specific issues to be evaluated are the following: relevance of the action's objectives, priorities and implementing measures; the effectiveness and impact of the action; its efficiency and cost-effectiveness; its utility and sustainability; causal links from resources used through to activities and presumed impacts (the intervention logic); lessons to be learnt in terms of legal base, resources and delivery mechanisms for possible future interventions of similar type. The Commission will then submit proposals for revision of the guidelines on the basis of such an evaluation and technical developments. Without pre-empting political decisions, critical points for revision could be the following: - the action would be clearly differentiated from what is covered by the research. A segmentation into three distinct domains would be proposed, where the nature of actors involved, the market potential and business definition, the investment perspectives and financial packages are different: the public-service domain, the global-service domain, and the growth-enhancing service domain addressing the risk capital

market, - the action would be more focused. Annex 1 to the present guidelines provides for both too large and too complex area coverage. A simplified scheme would be proposed, building on priority actions of the eEurope initiative, - the work programme would remain sufficiently general to reflect technology changes and new market trends in the definition of calls for proposals, - the structuring of projects and related Community support would also be made clearer, - greater emphasis would need to be placed on the trans-European dimension of the action, - the external dimension would also have to be considered, allowing primarily for participation of associated countries within the framework of their agreements with the European Community, and of countries from the EEA. Beyond project monitoring, reviews and controls which are made on the basis of contractual specifications, more on-the-spot checks could be made with appropriate resources devoted to them. These checks could replace some of the annual reviews which take place in Brussels.