

Obtaining EU Funding for the Development of Intermodal Transport in Poland

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New changes and a new way of obtaining EU funding emerged in the intermodal transport sector in 2004-2006 and 2007-2013. The new economic situation requires changes of the ways of obtaining EU funding to subsidise projects involving the development of intermodal transport in Poland. Intermodal transport projects are one type of investment projects that increase safety and promote environmentally friendly solutions in transport. The article is an analysis of the available sources of EU funding for intermodal transport projects. The objectives and priorities of funding projects within two financial perspectives are presented. The article also looks at the principles of Poland's policy on implementing such projects subsidised by the EU.

Keywords: obtaining EU funding, intermodal transport, effectiveness, projects.

1. INTRODUCTION

The majority of investment projects subsidised by the EU involve the use of effective and modern transport techniques. Priority is given to projects that increase safety and promote environmentally friendly solutions in transport. Best practices are employed in both the process of designing and carrying out transport projects, through the use of cost-effective, socially and environmentally friendly solutions and technologies. Since transport projects are long-term projects, the use of state-of-the-art technology is not recommended, but it is necessary. The above approach is reflected in the architecture of operational programmes in the current and future financial perspectives. In addition to projects involving the construction of hard infrastructure, complementary projects that involve the purchase of modern services and equipment are and will be supported. The objectives of this are to meet transport needs and to provide top-quality transport services. The best example of activities that respond to the above objectives are intelligent transportation systems (ITS), intermodal transport and municipal (public) transport projects. Such projects are implemented through national programmes such as the Sectoral Operational Programme – Transport, the

Infrastructure and Environment Programme and the Eastern Poland Programme, as well as through certain regional programmes.

Intermodal transport is usually defined as the carriage of goods by rail, sea or inland or inland waterways over the main part of the route, with the use of road carriage in the initial and final parts of the route. Intermodal freight transport involves the transportation of freight without any handling of the freight itself when changing modes. The reason for combining different modes of transport in a single transport chain is to obtain the optimal solution during transportation and, consequently, optimize the costs to access adequate infrastructure. There are many types of combined transport. They differ technically, but they have something in common, namely one packing list for the entire route. Such transport may be performed in a number of ways:

- the carriage of containers on container well cars, by road or by sea;
- the carriage of trailers using tractor units, on “piggyback” railway flatcars or by sea;
- the carriage of tractor using low-loader wagons or by sea;
- the carriage of rail cars by sea.

Multimodal transport is performed by a single operator and includes all available technologies

and modes of transport in the carriage of goods on a door-to-door basis, and goods can change unit loads on the route.

When it comes to rail transport, Eurostat classifies intermodal transport as follows: containers (several types), road vehicles and trailers. In the case of maritime transport, intermodal transport includes the carriage of goods in containers and in the autonomous mobile units (trucks, semi-trailers) [1]. Supporting the importance of intermodal transport is, above all, expected to reduce transport costs by improving its organisation and through the use of the most effective modes of transport. Much attention is given to the social and environmental costs of the different modes of transport modes, such as energy consumption and emissions of pollutants. In this case, benefits of intermodality are connected with using its most efficient branches, such as long-distance sea or river transport, which reduces the importance of road transport as the most ecologically harmful and the most energy-consuming mode of transport [2].

However, intermodality requires standardized means of shipping products, such as containerization, which reduces the time and costs of cargo handling. Thus, the integration of transport modes results in choosing the most productive means of transport and minimising the cost of handling and storing goods. As a result, intermodal transport facilitates supply chain management while generating significant positive externalities [3].

The general circumstances for the development of intermodal transport in Polish conditions are reinforced by the following factors:

- Poland's central location at the crossroads of transport routes linking Western Europe with Eastern and Northern (transit potential); The main part of the transit is the rail intermodal transport on the West - East - West route in adequate wagon trains or by transporting single wagons. Intermodal transport on the North - South-North route usually involves the transport of containers between Polish seaports and domestic intermodal terminals or logistics centres. This is why Poland should try to take advantage of its geographical location for North - South and East - West transport, promoting its ports and cooperation with Scandinavian countries,

Germany, the Czech Republic, Slovakia, Austria and Italy;

- rapidly growing economy and trade with EU countries (which stimulates the growth of goods in intermodal transport, container transport in particular);
- Poland's transport infrastructure and transport systems are far less developed than in the EU-15;
- changes in demand for transport in favour of highly processed products with high susceptibility to intermodal transport technologies;
- reserves of transport capacity of Polish rail transport as a consequence of a decline in freight usually transported by rail. This creates a great opportunity for railway operators to take over part of intermodal transport from the road transport sector;
- poor condition of the road network in Poland [4].

2. THE ESSENCE OF OPERATIONAL PROGRAMMES IN THE DEVELOPMENT OF INTERMODAL TRANSPORT

The basic plans for the development of intermodal transport in Poland are contained in four strategic government documents:

- National Development Plan for 2004-2006 [5];
- National Development Strategy 2007-2015 [6];
- The National Strategic Reference Framework 2007-2013 [7];
- National Transport Policy for 2006-2025 [8].

These documents highlight the need to encourage and ensure adequate resources for the development of a modern system of intermodal transport in Poland. An important aim of the Polish Government in the EU funds programming period of 2007-2013 is to spend approx. EUR 258 million as part of the Infrastructure and Environment Operational Programme (including EUR 112 million as part of the Structural Funds) and approx. EUR 65 million as part of the Regional Operational Programmes for the development of intermodal transport. It should be noted that the start of EU support for the development of intermodal systems in Poland was the Sectoral Operational Programme

– Transport (SOP – T), which was implemented under the National Development Plan for 2004–2006. It gave the opportunity for entities operating in the intermodal transport market to obtain financing for such projects as the construction or modernisation of container terminals and logistics centres.

The Sectoral Operational Programme – Transport (SOP – T) belongs to a group of operational programs which support the *National Development Plan/Community Support Framework for 2004–2006*. *The Ministry of Infrastructure had been managing the whole operational programme since 2004. In 2006, the Ministry of Regional Development took over its powers and the Ministry of Transport, which replaced the Ministry of Infrastructure, became an Intermediate Body.*

Projects for intermodal transport were carried out with the SOP-T, which was funded by the European Regional Development Fund (ERDF), concentrated under Measure 1.3. Development of intermodal systems. The scope of Measure 1.3 was divided into two sub-measures:

- Sub-measure 1.3.1 Construction of logistics centres;
- Sub-measure 1.3.2 Construction of container terminals.

The beneficiaries of the projects implemented under those sub-measures were entrepreneurs pursuing business activities in the area of intermodal transport in the Republic of Poland. At this point, it is important to highlight the list of eligible costs, co-financed by the European Regional Development Fund:

- the purchase or improvement of lifting and handling equipment;
- the purchase or improvement of ICT systems and logistics equipment and systems related to intermodal transport, as well as expenses for their implementation;
- infrastructure used solely for intermodal transport;
- design and documentation;
- promoting projects [9].

The maximum level of financial support from public funds was 30% of eligible costs / including 15% from the ERDF / in the case of purchase of lifting and handling equipment, and 50% of eligible costs / including 25% of the ERDF / for other expenses. In order to finance the rest of the investment project, the beneficiaries were expected

to pay a high enough down payment. According to the original objectives of the operational programme, the publically projected financial support for Measure 1.3 was EUR 31.6 million. Of this amount, EUR 23.7 million (75%) came from the European Regional Development Fund (from the centrally controlled part), and EUR 7.9 million (25%) was the national contribution [10]. These funds were meant to support the construction of a logistics centre and 4-5 combined transport terminals.

The projects to be subsidised were supposed to be selected in a competition, according to the principles of transparency, fairness, quality and efficiency. The Intermediate Body was responsible for this competition. The following specific criteria were also determined, as they were as a prerequisite for obtaining funding:

- location in the network of logistics centres and intermodal terminals;
- increasing the level of freight turnover;
- stimulating the serviced area, including urban areas
- use of the existing rail capacity, including the stimulation of existing transport networks, including the broad-gauge line (LHS);
- intensification of international connections of Polish industrial and distribution centres;
- a financial structure of the project which enables cost-effective investment [11].

In specifying the SOP-T priority on intermodality, special emphasis was put on transportation in intermodal freight containers, which is a few times lower in Poland than it is in the EU-15. They pointed out the necessity to modernize the infrastructure of intermodal terminals and to construct logistics centres to increase the volume of goods transported using intermodal transport [12].

The SOP-T programme is continued in the new programming period of 2007–2013 as the Infrastructure and Environment Operational Programme (OPIE), financed by the European Regional Development Fund. Under Priority 7 of this program, special emphasis is put on developing environment-friendly forms of transport, notably as a substitute for road transport. Hence the specific objective of increasing the share of intermodal freight transport in general [13].

It was established as part of the OPIE programme that the main barrier to the development of intermodal transport in Poland is underdeveloped infrastructure particularly container terminals and logistics centres on railway lines and in seaports. The insufficient quality of railway infrastructure and of the services offered by the railways was also noted. Particular emphasis was put on the need for the development of Intelligent Transport Systems (ITS), which should enable greater coordination of activities within and between different transport branches. Compared to the previous operational programme SOP-T, the period of Measure 7.4 OPIE is twice as long, when the funds are twenty times bigger. Particular attention was given to the introduction of modern management techniques. The introduction of a minimum size of projects does not seem to be a binding constraint, since none of the projects approved under Measure 1.3 SOP-T was below this threshold. An important change is the extension of the list of beneficiaries such as seaports, container terminal operators and logistics centres (Table 1).

Table 1. Intermodal Project support forms in the programming periods of 2004-2006 and 2007-2013

Specification	Sectoral Operational Programme Transport (SOP – T)	Infrastructure and Environment Operational Programme
Measure	Measure 1.3 Development of intermodal systems, implemented under Priority 1 sectoral sustainable development of transportation	Measure 7.4 Development of intermodal transport, implemented under Priority 7 Environmentally-friendly transport
Programming Period	2004-2006	2007-2013
Duration	2004-2008, first call for proposals in September 2005	By 2008 there was no call for proposals.
Managing Institution	Ministry of Regional Development	Ministry of Regional Development
Intermediate Body	Ministry of Infrastructure (Ministry of Transport)	Ministry of Infrastructure
Implementing Institution	Ministry of Infrastructure (Ministry of Transport)	Centre for EU Transport Projects (CEUTP) (Unit under the Ministry of Infrastructure)

Subject	construction of rail and port logistics centres and intermodal transport terminals	Construction of public container terminals and logistics centres on railway lines and in seaports; -introduction of modern management techniques in the terminals and centres.
Source of EU funds	European Regional Development Fund (ERDF)	Cohesion Fund (CF)
Allocation of Public Funds	EUR 13.8 million (including EUR 7.9 from the ERDF)	EUR 252.18 million (including EUR 112.26 from the FS)
Minimum Value of Projects	No lower limit	PLN 20 million
Maximum share of funding for eligible expenditure	50 %, reduction to 30% for projects involving the purchase of equipment)	50 %, reduction to 30% for projects involving the purchase of equipment)
Beneficiaries	entrepreneurs pursuing business activities in the area of intermodal transport in the Republic of Poland	- operators of container terminals and logistics centres; - seaports management authorities; - entrepreneurs pursuing business activities in the area of intermodal transport.

Source: *Przewidywany wpływ projektów SPOT dotyczących rozwoju transportu intermodalnego na zwiększenie wielkości przewozów ładunków transportem intermodalnym*, Instytut Badań Strukturalnych, Warsaw 2008 p.16.

3. RESULTS OF THE PROJECTS COMPETITION UNDER MEASURE 1.3.SOP-T

The first call for proposals was announced on 5 September 2005, and the closing date for potential beneficiaries to submit their grant applications accompanied by appropriate documentation was 30 September 2005. Within this period, the Ministry of Infrastructure received eight applications, including one submitted after the deadline. Because the European Commission failed to approve the appropriate programme of state aid, the competition was conditional.

The evaluation process took a very long time – 18 months - since the signing of the first financing agreement [14]. The main reasons for such a long delay in the preparations for the verification process and its final implementation were

- An implementing regulation concerning eligibility of expenditure and amount of state aid was released in September 2006, so a year after the first call for proposals and after that the European Commission was able to notify a programme of support for the development of intermodal system [15];
- changes in the management structure of SOP-T, which, at the initial stage of implementation of the measure 1.3, led to inaccurate separation of powers between the Ministry of Transport and Construction and the Ministry of Regional Development;
- a long process of evaluating proposals due to
 - a) limited resources of the EU MT Funds Department, which is responsible for the evaluation of project documentation,
 - b) an additional – formal and substantive analysis of the proposals carried out by an external consultancy firm,
 - c) a repeated need for applicants to correct certain parts of their documentation.

It should be noted that prior to the decision to subsidise projects, the Steering Committee decided to reduce the amount funding allocated to Measure 1.3 SOP-T. Government funding was reserved in the state budget for the following year for the following projects: expansion of a container terminal at the station Małaszewicze; construction of a container terminal at the station of Poznań-Franowo; construction of a container terminal in Łosośna and construction of a logistics centre Euroterminal in Slawków. These projects successfully completed the initial stages of evaluation and went through further verification steps. A total of EUR13.8 million (including EUR7.9 million from the ERDF) was reserved. This meant a reduction in the allocation of funds for Measure 1.3 by more than 56per cent [16]. After this correction, the sum for the Measure 1.3 was exhausted and further calls for projects were no longer planned. Allocation thus fell from EUR 31.6million to EUR 13.8million

Two of four projects that were approved in the first call were not implemented under the SOP-T. In the case of the container terminal in Łosośna, a decision was taken to subsidise the project. However, the decision was withdrawn due to

failure to provide evidence of the beneficiary's ability to finance its own contribution. The second case which was not implemented under the SOP-T was the construction of a container terminal at the station Poznan Franowo, also proposed by PKP Cargo SA. The applicant resigned because of the excessively long process of evaluating the application. The delay in verifying the application made it impossible to complete the project before closing the operational programme. At the same time, during the evaluation of the application, the costs of construction projects significantly increased, which completely obsoleted the financial assumptions of the project. Therefore, using the released funds, the subsidy for the modernization of the terminal PKP Cargo SA in Małaszewicze increased and a second call for proposals was carried out in September 2007. There were four potential beneficiaries competing for the remaining PLN 5million. Finally, two projects obtained funding: the second phase of CZHS.A.'s project in Slawków and the modernisation of the cargo handling terminal at the Southern Slawków station, proposed by PKP LHS. An important criterion in considering the projects entered in the competition was the applicants' readiness for a quick start of the investment process and the possibility of completing and settling up all the declared tasks before the substantive closure of the SOP-T.

As a result of two calls for proposals that took place with a 2-year-long interval between them, subsidies were awarded to four investment projects, which means that eight submitted projects did not receive any support under Measure 1.3. The reasons why they were rejected are presented in Table 2.

Table 2. Intermodal transport projects that did not receive any financial support under the SOP-T

Project Name	Applicant	Reasons why the project was not implemented under the SOP-T
First call for proposals (grant applications submitted in September 2005)		
Modernization transshipment terminal at the Wólka near Małaszewicze	Trade-Trans Sp. z o.o. (a freight-forwarding company)	The terminal was to operate as a transshipment facility for loose materials so it was not qualified as an intermodal terminal.
Construction of a transshipment centre in	Trade-Trans Sp. z	The centre was to operate as a

Dorohusk	o.o. (a freight-forwarding company)	transhipment facility for loose materials so it was not qualified as an intermodal centre.
Construction of a road-rail container terminal based on the cross-border transhipment terminal in Łosośna	Centrum Logistyczne w Łosośnej Sp. z o.o. (a logistics center)	The decision was made to subsidise the project, but it was withdrawn, because the beneficiary was not able to submit a letter of a bank promise of a loan confirming his ability to finance his own contribution.
Construction of an intermodal Terminal in Kutno – a logistics centre and container handling	Nijhof-Wassink sp. z o.o.	The application was rejected at the formal verification stage due to a number of deficiencies in the documentation that the applicant failed to correct.
Construction of a container rail terminal in Poznan-Franowo	PKP Cargo S.A.	Due to an excessively long process of evaluating the application, it was impossible to carry out the project under the SOP-T (a considerable increase in the costs of construction works and an excessively demanding schedule).
Construction of the Wrocław Logistics Centre	TRANS-PORT Zygmunt Sieńko	The application was submitted after the deadline for applications.
Second call for proposals (grant applications submitted in September 2007)		
Stage 2 of the construction of a road-rail container terminal in Łosośna	Centrum Logistyczne w Łosośnej Sp. z o.o. (a logistics center)	Problems with financing the beneficiary's contribution (as above)
Preparing a conceptual plan for logistics processes and a functional plan for an IT system for a terminal and a network of container terminals	PKP Cargo S.A.	Doubts as to the eligibility of expenditure and the expected life of the project results

Source: *Przewidywany wpływ projektów SPOT dotyczących rozwoju transportu intermodalnego na zwiększenie wielkości przewozów ładunków transportem intermodalnym*, Instytut Badań Strukturalnych, Warszawa 2008, p.51.

Narrowing the substantive scope of the projects in Southern Slawków and Małaszewicze as well as the risk of their non-execution can have a significant impact on the final use of public funds (the national contribution and ERDF's funds) for Measure 1.3 of the SOP-T. In the case of Southern Slawków, the subsidy amount could be retained, because the share of public funds in eligible expenditure was, in accordance with the grant award agreement, 21%, which is considerably lower than the upper limit of 50%. Therefore, the relative share of state aid may be increased.

The case is different with the Małaszewicze project– the planned funding was 47 % of eligible costs. It means that every single narrowing of the substantive scope leads to a reduction in financial support.

If the tender procedures for selecting general contractors in the risky projects are carried out smoothly enough, and if it is possible to determine the size of the unused funding more precisely, there is a chance for shifting funds for the Euroterminal in Slawków.

4. OBSTACLES TO PROJECT IMPLEMENTATION

There were numerous obstacles to the implementation of Measure 1.3. They resulted in serious delays at all the stages of implementing the Measure and consequently led to lower-than-assumed implementation, reducing its impact on the intermodal transport market. In the first call for proposals, it was very difficult to select those to be subsidised. The proposal for calls was announced despite the absence of certain implementing rules required for signing the related co-financing agreement, particularly state aid regulations. It was one of the main factors that caused a significant delay in the signing of co-financing agreements. This resulted in the obsolescence of the investment plans and reduced the time required for the implementation of projects under Measure 1.3. Other factors that lengthened the process of project evaluation were organizational changes at the IB and the MI (resulting in an unclear division of responsibilities and powers) and insufficient human resources at the IB at the application evaluation stage. The extension of the competition procedure was also affected by market participants' weak preparation for the competition. In the first call for projects, the projects had a number of procedural and substantive defects. As a result, despite the relatively high number of

submitted projects, the support sufficient to achieve the product indicators planned under Measure 1.3 was not granted. This problem was compounded by the SOP-T IB's insufficient information policy and by a very short time for the receipt of applications for subsidies (19 days from the announcement of the competition). The short time limit for submitting proposals, compared to an almost 18-month-long period of project evaluation, seems to be the SOP-T IB's mistake, which caused a strong preference for projects of large enterprises, which were well considered and fully documented at the time of the competition announcement. The contracting for funds in the first call was incomplete, which reduced the financial allocation for Measure 1.3. It seems necessary to point out that although the SOP-TIB's activities had a major impact on the quality of the selection process and the conditions of the subsequent implementation of projects by the applicants, the main cause of the incomplete contracting are supply-side factors on the side of the beneficiaries who were notable to propose formally and substantively correct investment projects. However, there is no doubt that better information about the programme and the required documents and, first of all, much longer time to prepare the applications or, for example, a two-step selection procedure, would guarantee more formally and substantively correct applications, and thus a better allocation of funds.

Due to the significant limitation of the substantive scope of Measure 1.3, the risk of significantly reducing the impact of the SOP-T on intermodal transport services is higher. While initially, in the SOP-T, the financial allocation under Measure 1.3. was EUR 31.6 million, in 2006 it decreased to EUR 13.8 million (approx. PLN 58 million), and now it appears that the total support granted will amount to approx. PLN 43.2 million, which account for approx. 33 per cent of primary and 74 per cent. of reduced financial allocation (assuming the failure of the project - LHS Southern Slawkow and only partial implementation of PKP Cargo Małaszewicze).

In conclusion, while the direction of the impact of the SOP-T is correct, a number of internal and external barriers, combined with limited resources and short deadlines for implementation of the programme caused only a small effect of the programme on the intermodal transport market in Poland. It should also be noted that a full and definitive analysis of the impact of the SOP-T will be possible after all the investment projects are

completed and the streams of intermodal transport created by the projects are established permanently.

Moreover, it should be noted that two projects complementary to each other and already completed under Measure 1.2. had a significant contribution to the development of intermodal transport in Poland. The objectives of these projects are the construction of a logistics centre and the development of infrastructure for a container base in Szczecin. Although the names of these projects are not 'intermodal' by name, their implementation has a large impact on the intermodal transport in the port of Szczecin. A very important issue is the implementation of new projects in the field of intermodal transport through the Infrastructure and Environment Programme. To date, twenty project financing agreements have been signed for a total amount of EU funding of EUR 450 million. As in the case with ITS, the greatest support for the development of intermodal transport was possible under the Infrastructure and Environment Programme. Currently, the second call for proposals is being completed, so new investment projects in this area will be subsidised by the EU. The objective of the projects selected for funding under this category is to increase the importance of this mode of transport in total freight transport. This will be done mainly by increasing the efficiency of the existing terminals and constructing new ones. They will contain state-of-the-art technical equipment, which will enable the delivery of top-quality transport services to the end users.

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