RESOLUTION (EU) 2020/1857 OF THE EUROPEAN PARLIAMENT

of 14 May 2020

with observations forming an integral part of the decision on discharge in respect of the implementation of the budget for the Shift2Rail Joint Undertaking for the financial year 2018

THE EUROPEAN PARLIAMENT,

— having regard to its decision on discharge in respect of the implementation of the budget of the Shift2Rail Joint Undertaking for the financial year 2018,

— having regard to Rule 100 of and Annex V to its Rules of Procedure,

— having regard to the opinion of the Committee on Transport and Tourism,

— having regard to the report of the Committee on Budgetary Control (A9-0055/2020),

A. whereas the Shift2Rail Joint Undertaking (the 'Joint Undertaking') was established in June 2014 for a period of 10 years by Regulation (EU) No 642/2014 ([1]);

B. whereas the founding members are the European Union, represented by the Commission, and rail industry partners (key stakeholders, including rail equipment manufacturers, railway companies, infrastructure managers and research centres) with the possibility that other entities may participate in the Joint Undertaking as associated members;

C. whereas the objectives of the Joint Undertaking are to achieve a Single European Railway Area; to enhance the attractiveness and competitiveness of the European railway system; to ensure a modal shift from road transport; and to maintain the European rail industry's leading position in the global market;

D. whereas the Joint Undertaking started to work autonomously in May 2016;

General

1. Notes that the report of the Court of Auditors (the "Court") on the Joint Undertaking's annual accounts for the financial year 2018 (the "Court's report") finds the annual accounts to be presented fairly, in all material respects, with regard to the Joint Undertaking's financial position on 31 December 2018 and the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with its financial regulation and with the accounting rules adopted by the Commission's accounting officer;

2. Acknowledges that the Court's report states that the transactions underlying the annual accounts of the Joint Undertaking for the financial year 2018 are, in all material respects, legal and regular;

3. Notes that the maximum Union contribution to the activities of the Joint Undertaking is EUR 450 000 000, to be paid from Horizon 2020; notes that the industry members of the Joint Undertaking are to contribute resources of at least EUR 470 000 000, consisting of at least EUR 350 000 000 for in-kind and cash contributions to the operational activities and administrative costs of the Joint Undertaking and at least EUR 120 000 000 of in-kind contributions to the Joint Undertaking's additional activities;

4. Notes that effective communication is an essential component of successful Union-financed projects; considers it to be important to increase the visibility of the achievements of the Joint Undertaking and the disseminate information on their added value; calls on the Joint Undertaking to pursue a proactive communication policy by disseminating the results of its research to the public, such as by means of social media or other media outlets, thus raising public awareness of the impact of Union support, with particular regard to market uptake;

([1]) Council Regulation (EU) No 642/2014 of 16 June 2014 establishing the Shift2Rail Joint Undertaking (OJ L 177, 17.6.2014, p. 9).

5. Asks the Court to assess the soundness and reliability of the methodology for calculating and valuing in-kind contributions. The assessment shall evaluate the design and the robustness of the guidance for the implementation of the in-kind contribution procedure in order to assist in the planning, reporting and certification process of the in-kind contributions;

Budget and financial management

6. Notes that the final 2018 budget available for implementation included commitment appropriations of EUR 84 756 000 and payment appropriations of EUR 71 890 204; stresses that the utilisation rates for commitment and payment appropriations were 100 % and 82,3 % respectively which represent a low level, especially for payment appropriations; notes that lower than expected payment appropriations' implementation is due to a pending legal decision concerning the membership of the Joint Undertaking; notes the low (63.4 %) rate of implementation of payment appropriation in Title 2 (administrative expenditures, representing 3 % of the Joint Undertaking's budget) due to delays in invoicing by the suppliers under multi-annual framework contracts; notes, moreover, that most of the payments made by the Joint Undertaking in 2018 were interim payments for the Horizon 2020 projects selected under the 2015 and 2016 calls for proposals, as well as pre-financing payments for Horizon 2020 projects selected under the 2018 calls for proposals;

7. Observes that, out of EUR 411 200 000 (including EUR 158 900 000 as the maximum of the Union cash contribution, and the industry members' cash contribution to the Joint Undertakings' administrative costs of EUR 6 500 000) by the end of 2018, the Joint Undertaking had made commitments of EUR 84 756 000 and payments of EUR 59 155 000 for the implementation of its first wave of projects; this shows that the Joint Undertaking has currently signed interdependent multiannual grant agreements and procurement contracts for the implementation of 39 % of the Joint Undertaking's research and innovation programme, in line with the Joint Undertaking's multi-annual work programme;

8. Welcomes the fact that out of EUR 350 000 000 of contributions to be made by the industry members to the operational activities and administrative costs of the Joint Undertaking, by the end of 2018, i.e. four months after the Joint Undertaking had launched its first Horizon 2020 projects, the industry members had reported in-kind contributions of EUR 63 700 000 for operational activities, of which EUR 21 700 000 had been certified; moreover, notes that out of EUR 120 000 000 of contributions to be made by the industry members to additional activities of the Joint Undertaking, the industry members had reported in cash contributions of EUR 6 500 000 for other activities outside of the Joint Undertaking's work plan;

9. Observes that by the end of 2018, the total contributions from industry members amounted to EUR 252 300 000, compared to the Union's cash contribution of EUR 158 900 000;

10. Notes that, in 2018, the Joint Undertaking signed 17 grant agreements resulting from the calls for proposals of 2018, and that the value of the research and innovation activities of those calls for proposals amounted to EUR 152 600 000, to be co-funded by the Joint Undertaking up to a maximum of EUR 77 300 000; notes that the other members agreed to limit their request for co-funding to 44,44 % of the total project costs, which is the lowest overall for Horizon 2020 Framework Programme; notes with regret that only 76 small and medium-sized enterprises (SMEs) participated to the 2018 call (120 in 2017) and 40 SMEs (50 in 2017) were retained for funding (21,6 % of all retained participants for funding);

Performance

11. Notes that the third set of key performance indicators will be developed on the basis of first Horizon 2020 results due to the nature of the projects; in addition, takes note that the Joint Undertaking continued the development of a key performance indicators model to measure the contribution of the research and innovation activities to its Regulation; notes that this work is still ongoing and the first results were presented to the governing board in December 2018;

12. Observes that the management cost ratio (administrative/operational budget) remains below the 5 %, thus pointing to rather lean and efficient organisational structure of the Joint Undertaking;

13. Takes note that the Joint Undertaking helped to create continuity and shared common vision for rail research within the railway community; notes that, in addition, the Joint Undertaking has helped to build trust between players that would otherwise not have the opportunity to share ideas and common interests outside a commercial situation; observes that the presence of rail operators in the Joint Undertaking should be strengthened over time;

14. Notes that the Joint Undertaking should contribute to addressing the challenges faced by the rail sector focusing on the needs of the rail system and of its users, including in Member States that do not have a railway system within their territory; observes that in order to do that, the Joint Undertaking is implementing the Shift2Rail Programme, and research and innovation activities in the railway sector in Europe, through the collaboration between stakeholders and Member States; notes that particular attention should be given to promoting concrete measures for the removal of remaining technical obstacles to enhancing interoperability and to actions supporting a more integrated, efficient and safe Union railway market, with the ultimate aim of realising the Single European Railway Area;

15. Notes that the Joint Undertaking launched the 2018 call for proposals for grants restricted to its members, as a lump sum funding scheme; however, the financial experts involved in the grant evaluation phase revealed some relevant deviations in the financial proposals; the Joint Undertaking used the grant preparation phase to analyse the beneficiaries' explanations for the deviations and to correct the lump sum if justified; calls on the Joint Undertaking to continue to strengthen the financial data in its beneficiary database and to disclose important financial experts' comments in the evaluation summary report; takes note of the Joint Undertaking's reply that all legal and financial aspects of the Commission Decision C(2017)7151 ([2]) have been strictly followed-up, and that the Authorising Officer has ensured that all the comments of the experts, technical and financial, have been taken in due consideration; moreover, taking into account the recommendation of the Court, the overall process will be further enhanced in the 2019 call for proposals;

16. Notes that, according to the 2018 annual activity report of the Joint Undertaking, the key performance indicators regarding gender balance for that year show a very low percentage of women - only 15 % - on the board, while they made up 34 % of the Joint Undertaking representatives and 40 % of the Scientific Committee;

Personal selection and recruitment

17. Notes that in 2018, the Joint Undertaking recruited two seconded national experts in accordance with the Staff Establishment Plan, and with the agreement of the budget authority, recruited a third one for a one-year secondment in order to replace one Programme Manager;

18. Notes that at the end of 2018, the Joint Undertaking's staff consisted of 22 members out of the 23 who were foreseen in the Staff Establishment Plan;

Internal Control

19. Notes that the Joint Undertaking has set up reliable *ex ante* control procedures based on financial and operational desk reviews and that the Common Audit Service of Directorate-General for Research and Innovation of the Commission (the "common audit service") is responsible for the *ex post* audit of Horizon 2020 project cost claims; notes, moreover, that the situation at the end of 2018 showed that the most important internal control standards were largely implemented with some actions remaining to be completed in 2019, in particular, the revision of the key performance indicator model;

20. Takes note that the residual error rate for the Horizon 2020 Programme was below the materiality threshold according to the Court, amounting to 0,97 %; takes into consideration that at the end of 2018, the Joint Undertaking could base its error rate calculation on four *ex post* audit reports, one related to the risk based audit and three related to the Joint Undertaking representative sample;

([2]) Commission Decision C(2017)7151 of 27 October 2017 on authorising the use of reimbursement on the basis of a lump sum for the eligible costs of actions under the Horizon 2020 Framework Programme for Research and Innovation and under the Research and Training Programme of the European Atomic Energy Community (2014- 2018).

21. Acknowledges the fact that the internal audit service performs the role of internal auditor of the Joint Undertaking and that, in this respect, it reports to the governing board and the executive director indirectly; notes that the first audit mission established a risk profile of the Joint Undertaking with the objective of establishing a triennial internal audit plan; observes that the internal audit service strategic internal audit plan 2017-2019 was presented in June 2017; moreover, in accordance with this audit plan, the internal audit service, in 2018, carried out a limited review of the implementation of internal control standards; observes with satisfaction that of the five recommendations to management to address the shortcomings identified that had not yet been fully implemented, only one still required implementing actions in 2019;

22. Notes with regret that, at the end of 2017, the Commission's common Horizon 2020 grant management and monitoring tools had not finished the specific developments needed for the processing of the Joint Undertaking's in-kind contributions; however, notes that in-kind contributions have been validated by the executive director in 2018;

23. Observes that the Commission's interim evaluation on the Joint Undertaking's operating activities under Horizon 2020 covering the period from 2014 to 2016 was carried out; notes that an action plan has been prepared and adopted by the governing board in June 2018; takes into consideration that not all recommendations raised in the interim evaluation will be addressed under the current financial framework programme; however, notes that some actions included in the action plan have already been initiated, while others are expected to be implemented by 2020;

Others issues

24. Insists on the importance of the cooperation between the Joint Undertaking and the Union Agency for Railways (ERA); notes the involvement of ERA in meetings of the Joint Undertaking's governing board and in the groups that drafted the multi-annual action plan; notes that the Joint Undertaking assessed the requests for research and innovation coming from ERA in order to avoid overlapping activities and to maximize the efficiency of use of the public funding;

25. Notes that, in 2018, one Associated Member became a wholly-owned subsidiary of a founding member, as a result the founding member's representation in the governing board increased; observes that the provisions of the Joint Undertaking's current legal framework do not sufficiently address corporate acquisitions among the Joint Undertaking's industry members and the implications they might have on the balanced representation of members in the governing board; takes note of the Joint Undertaking's reply that the legal framework established within the Joint Undertaking does not allow an increase in the influence of a founding member on the decision-making process and overall governance; notes that the finding of the Court will be considered in any possible amendment to the regulation;

26. Notes that the interim evaluation of the Joint Undertaking was completed in the timeframe set by its legal framework; notes with regret that it could not provide the best added value for the Joint Undertaking's decision-making process at this early stage of its activities; takes note of the Joint Undertaking's reply that the evaluation took place early in the life of the joint Undertaking but this was a requirement in compliance with the Joint Undertaking regulation and the overall Horizon 2020 programme;

27. Observes that the staff turnover rates for the last two years were entirely caused by turnover of contract agents; welcomes the steps taking by the Joint Undertaking to cope with this situation; notes that the Joint Undertaking made use of interim staff services, which represented about 17 % of its total staff; takes note on the Joint Undertaking's reply that the main reasons for this stem from the current staff establishment plan structure, which does not allow the Joint Undertaking to offer the same favourable contractual conditions as those offered by other bodies and institutions; notes that soft measures have been put in place to reduce high levels of turnover; calls on the Commission to follow up this point;

Transport and Tourism

28. Highlights that the objectives of the Joint Undertaking are to achieve a Single European Railway Area and to enhance the attractiveness and competitiveness of the Union railway system; points out that the rail mode of transport will be key in the future Union actions to promote a shift to low-emission mobility and tackling negative externalities; stresses that the Joint Undertaking needs to be given the necessary financial, material and human resources to reach these key objectives and to contribute to a real modal shift;

29. Notes that the Joint Undertaking is a public-private partnership established in 2014 under the Horizon 2020 Framework Programme; notes that the Shift2Rail Programme is jointly funded through contributions of the Union (through the operational budget of the Joint Undertaking) and in-kind contributions from the other members, i.e. the eight founding members (other than the EU) and the nineteen associated members;

30. Notes that during 2018, the Joint Undertaking has progressed towards achieving its targets, delivering the Shift2Rail Programme implementation ensuring an effective and efficient sound financial management; notes that 2018 saw the progress of the research and innovation activities launched in previous years that are now well on track and largely proceeding at a rapid pace; notes that new wave of research and innovation activities (Call 2018) started at the year end; notes that it is estimated that the total project cost of the activities performed in 2018 will amount to EUR 83 400 000;

31. Stresses the need to increase the attractiveness of rail for transport operators and passengers in order to achieve a lasting shift from road to rail, and notes that the next five years will be critical for the success of rail and that the Joint Undertaking plays a key role in making rail cheaper, more efficient and more attractive;

32. Stresses that points, or faulty points, alone account for 25 % to 30 % of all maintenance on the rail network and are responsible for a significant part of infrastructure costs; welcomes the Joint Undertaking's efforts to increase the reliability of the system and reduce costs;

33. Welcomes the Joint Undertaking's objectives of halving the life-cycle costs of the rail system, doubling capacity and improving reliability and punctuality by 50 %; calls for the Joint Undertaking to have at its full disposal the human and financial resources necessary to achieve these objectives;

34. Welcomes the Joint Undertaking's efforts to introduce Automatic Train Operation (ATO); warns that the road transport sector has made greater progress with automation;

35. Welcomes the Joint Undertaking's decision to propose to its governing board, as part of the annual working programme 2018, the adoption of the lump sum grant, which was subsequently implemented through the lump sum pilot scheme in the call for members part of the 2018 call;

36. Considers that, in order to ensure the legal clarity of the decision-making process and of the overall governance of the Joint Undertaking, it is of utmost importance to clarify the provisions of the legal framework of the Joint Undertaking regarding corporate acquisitions among its industry members and their consequences for the membership of the governing board; therefore invites the Council to address this issue possible by adopting amendments to Council Regulation (EU) No 642/2014;

37. Notes that in 2018 the Joint Undertaking launched 14 representative audits on its population and one risk based audit (in addition to the 15 representative audits and one risk based audit launched in 2017) bringing the direct coverage of the Joint Undertaking's audits to EUR 4 660 000; notes that the overall detected error rate for the three representative audits and the risk-based audit finalised by 31 December 2018 is 0,94 % on a simple average and 1,19 % on a weighted average; notes that all other error rates (representative and residual), although limited in respect their coverage, are also below the targeted threshold of 2 %;

38. Welcomes the continued implementation of the Joint Undertaking's anti-fraud strategy 2017 - 2020, which did not result in any cases of 'close monitoring due to an assessment of high risk of fraud' or in any files being sent to OLAF for investigation.