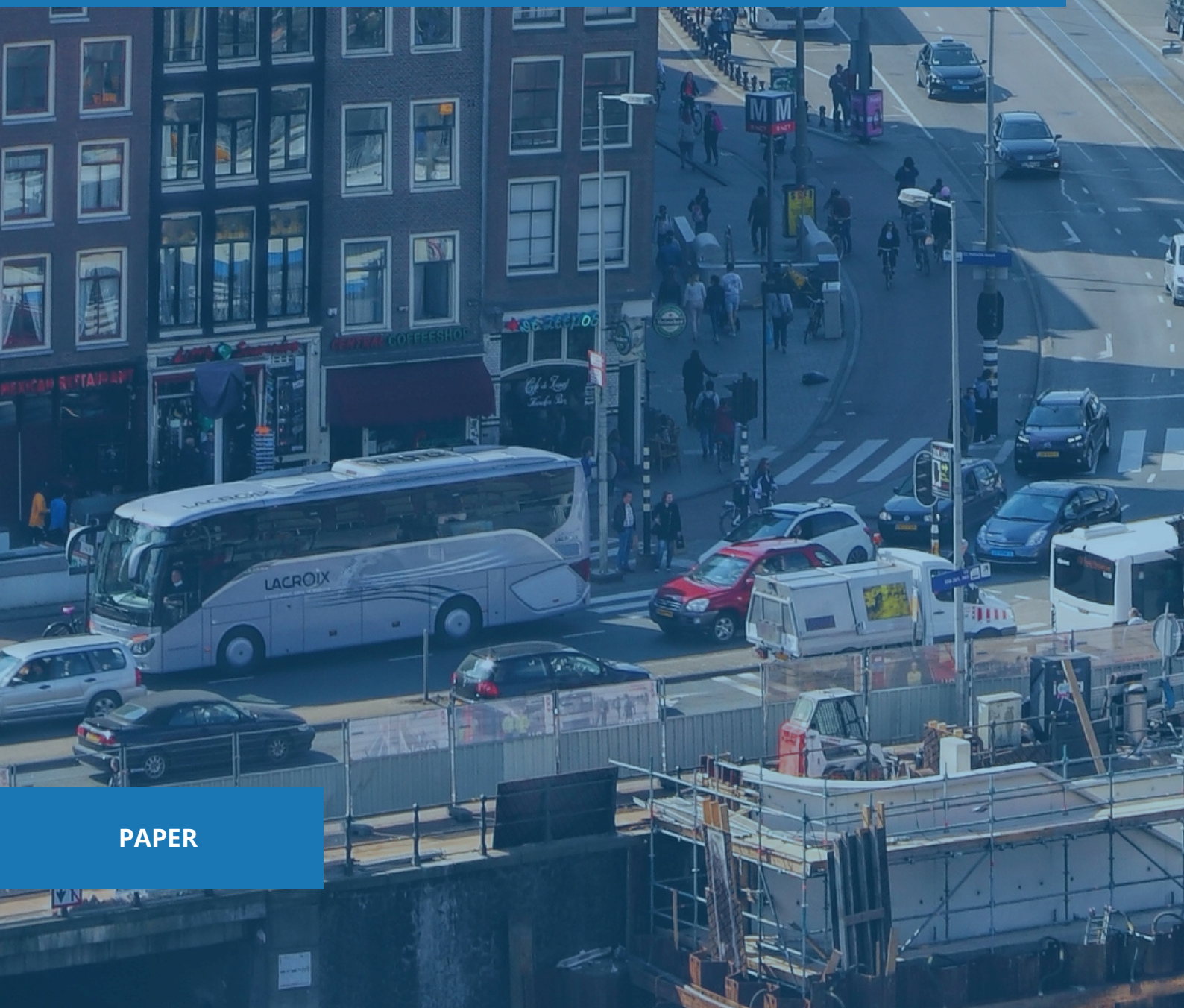


POLIS

CITIES AND REGIONS FOR TRANSPORT INNOVATION

Climate, Cohesion & Competitiveness
The Transport Cocktail for a prosperous Europe

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PAPER

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Foreword

The world is changing, and the European Union does not hold all the cards, and what is more, competitiveness has become the new policy mantra in the Brussels Bubble. But what does it really mean? How can it genuinely help? And what does it really require? We must frame this debate well, or key decisions on EU policy and investment could push us in the wrong direction.

Europe's competitiveness depends not only on what Europe produces, but also on how people, goods, skills, energy, and innovation move through its territories. Within this frame, transport represents much more than a sector of the European economy, as it is actually part of the infrastructure through which every other sector operates.

Cities and regions sit at the centre of this system: they plan and manage much of the infrastructure, procure mobility services and equipment, regulate access to public space, connect workers and businesses to opportunity, and increasingly provide the environments in which new mobility technologies are tested and deployed. POLIS members, in particular, are market makers, economy builders, and innovation drivers in urban and regional mobility. Through innovative and sustainable mobility, they help create a more competitive Europe.

Reality shows that competitiveness means teamwork, as all actors rely on an ecosystem, and that ecosystem does not exist in a vacuum: it is rooted in concrete territories, connected by transport and mobility systems. Good connections are therefore not simply an outcome of a competitive economy: they are one of its foundations.

That is why cities and their transport systems have been engines of European competitiveness for centuries, and why current EU policy discussions need a reality check. Betting funds that are dedicated to competitiveness primarily on large industrial actors, while locking cohesion funding into national government packages (as currently foreseen in the National and Regional Partnership Plans approach) that do not fully recognise local and regional needs, will not deliver the competitive Europe we need.

‘Climate, Cohesion & Competitiveness: The Transport Cocktail for a prosperous Europe’ builds on constructive discussions between our members (local and regional governments and transport authorities) and key industry and research stakeholders.

These discussions take place through our Leadership Summits, Political Group meetings, focused policy dialogues, and many EU-funded research and development projects.

This policy paper can be read alongside the POLIS policy paper 'Beyond Declarations: Delivering Urban Mobility Innovation in the Next MFF'. This in-depth policy paper addresses the debate regarding the FP10 and the European Competitiveness Fund (ECF) by highlighting how cities and regions contribute to, and are crucial for, urban mobility research and innovation.

We all know that, in times of change, clear thinking, sound purpose, and healthy cooperation are essential. After all, one must be smart to become strong: it does not work the other way around.

Karen Vancluysen
Secretary General of POLIS Network



Executive summary

European competitiveness depends not only on the strength of its industries, but also on the ability of its territories to connect people, businesses, skills, infrastructure and innovation. **Transport** is central to this capacity: it is not a single industry, but an **interconnected system of markets, services, infrastructure, and technologies** that enables everyday economic and social activity across Europe.

This paper argues that **a competitive European economy requires a competitive regional transport market**. While industrial research, technological development, and manufacturing remain essential, they are not sufficient on their own. **Innovation must also be purchased, deployed, integrated, and scaled in real-world conditions**. Cities and regions are central to this: they shape transport infrastructure and services, influence demand through public procurement, coordinate investment, and create the conditions in which new mobility solutions can reach users and markets.

Local and regional authorities contribute to European transport competitiveness through three interconnected roles: as **economic builders** that shape the conditions in which businesses operate, workers access employment, and regional economic ecosystems develop; as **market makers** that create demand, influence industrial development, and help emerging technologies become commercially viable through procurement and the organisation of public services; and as **innovation drivers** that provide the institutional capacity and real-world environments needed to move innovation from research and demonstration to deployment at scale.

The paper further argues that **competitiveness cannot be pursued separately from climate action and social cohesion**, as all three objectives are deeply interconnected. **Climate resilience** protects Europe's long-term economic capacity; **accessible transport** enables people and businesses to participate in economic life; and **energy-efficient mobility systems** strengthen strategic autonomy and reduce exposure to external shocks. The greatest opportunities lie in developing synergies between these objectives rather than treating them as competing priorities.

The **regional transport market offers concrete opportunities to advance all three**: addressing transport poverty through accessible and affordable mobility alternatives; scaling up the deployment of European-made electric buses through coordinated demand and industrial capacity; developing autonomous transport

services where they respond to real mobility needs; and supporting European businesses across the cycling value chain.

Europe's transport competitiveness will depend on **connecting industrial ambition with the territories where mobility systems are built, operated, and experienced**. This requires a policy approach that recognises local and regional authorities not merely as implementers or end-users, but as strategic partners in economic development, market creation, and innovation.

The paper therefore calls for European policy and funding frameworks that **strengthen cooperation across levels of government**, mobilise regional capacity, support cross-border collaboration, and provide a stable direction for investment. The ultimate goal of competitiveness is, therefore, to mobilise the actors and ecosystems through which European competitiveness itself can be realised.

1. Bigger, or better?

This paper addresses two sides of the European mobility market. For European industry, it highlights the role of cities and regions not only as public authorities, but also as customers and, as previously mentioned, market-makers, infrastructure providers, and deployment partners.

For European policymakers, it highlights why competitiveness policy cannot focus only on industrial production and research and development while overlooking the territorial systems through which mobility solutions are purchased, deployed, and used.

For POLIS and its members, this also implies a responsibility: cities and regions need to strengthen their capacity to work collectively with industry, research, and other stakeholders to shape markets and accelerate deployment.

1.1. A moment of truth

The European Union faces major challenges which are reaching a tipping point.

Extreme climate events are becoming more frequent and intense, and their cascading effects threaten our safety and our economy. Inequality fuels growing discontent and feeds populist forces that threaten democracy and the EU itself. At the same time, amid a major geopolitical realignment, other countries hold a tight grip on critical materials[1] and digital technologies,[2] threatening to stall Europe's industrial transition.

This is one of those critical moments where we will see whether our **EU stays true to its values** and continues to deliver on its mission, or delays, waters down, and walks back on key commitments for cohesion, climate, and innovation due to a lack of vision and simplistic policies, forgetting lessons learned and dismantling progress already made.

We must therefore ensure decision-making remains **true to evidence** and committed to constructive and balanced deliberation. As climate reality comes knocking, tactics of delay and short-term thinking are the true threats to Europe's long-term prosperity.

1.2. Why the regional level matters

Local and regional governments are **very concerned**, and that should concern everybody as well. They are on the **frontline of Europe's challenges** and will be among the first to shoulder the consequences: from repairing the damage wrought by extreme climate events to helping workers and regional suppliers transition when a factory closes (or, as often happens, moves offshore).

They are a **key actor for EU governance and action**, with their own democratic legitimacy. Geographical integration within Member States does not imply political subordination to national governments*. Local and regional leaders must invest political capital (and shoulder political risk) to advance European goals through measures on the ground. This is where EU policy ultimately has to deliver.

And they have always been at the **forefront of solutions**, connecting and mobilising a wide range of stakeholders around concrete regional needs and opportunities. They know that downgrading their role and locking funding into envelopes for national governments and large industrial 'champions' could be a **strategic blunder**.

The transport system makes this particularly clear: indeed, it is an indispensable tool for enabling social life and supporting economic activity. Almost **98% of the total road and street network** in the EU falls under the jurisdiction or functional classification of local and regional authorities.[3]

Local and regional governments therefore carry enormous responsibility for planning, building, maintaining, and managing transport infrastructure. They are also **responsible for much of the infrastructure that enables walking and cycling**. Yet they must execute these responsibilities in the context of constrained budgets due to austerity policies, limited EU funding, and problematic revenue models for transport investment and operations.

Why is the 'Europe of the Regions' walking backwards into a 'Europe of the national governments'? Fragmentation is the opposite of what we need. We must not let our future be shaped by simplistic ideas, old mistakes, and populist narratives. Clearly, there is much need for sound and well-grounded thinking.

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[*] Recent experience in Hungary, with the previous government led by Viktor Orbán, should serve as a warning. Because the City of Budapest was led by an opposing coalition, the national government tried to create a parallel development agency to absorb EU funding, and launched major infrastructure projects far from the priorities of the City's Sustainable Urban Mobility Plan.

1.3. Propositions for prosperity

This policy paper starts from **four propositions**:

First, the regional transport market* enables the daily activity of EU businesses and households. Because of this strategic position, targeted investments in its efficiency can produce improvements in connected domains**. **A competitive regional transport market is a prerequisite for a competitive EU**.

Second, competitiveness is, first and foremost, about cooperation. It does not happen in a vacuum, nor through the sole force of any one industry. It has deep roots in a **territorial ecosystem** that combines private and public actors, knowledge networks and transport systems, creative entrepreneurs and supportive local governments.

Third, it is critical to **seek synergies, and not trade-offs**, between cohesion, climate, and competitiveness policies. Lack of progress on one front can block or delay advances in others, and, most importantly, these synergies unlock key opportunities for EU businesses.

Fourth, local and regional governments are not end-of-the-line consumers of whatever the industry decides to manufacture. As **economic builders**, **market makers**, and **innovation drivers**, they combine diverse roles that are critical for the transitions we need. They weave the helix.

These propositions also point to the central question behind the title of this chapter.

One thing is clear: growth *per se* will not fix our issues. **We must get better**.

We cannot rely on free access to critical materials; we must catch up on digital technologies; and we must prepare for increasingly extreme climate events. We must become more efficient. For that, we must improve our markets, and that includes our transport market.

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[*] The regional and local transport markets are both important. Because using both words in every instance could make the text cumbersome for the reader, we opted to use only the word 'regional', which is also the one closest to the concept of Functional Urban Area.

[**] In Systems Thinking this is called a leverage point, which is a place in a system where a small shift in one thing can produce big changes in everything. For more, cf. Donella H. Meadows (2008), 'Thinking in Systems: a primer'.

2. The transport market

Transport is not one **market**, but a set of interconnected markets shaped by purpose (the movement of people or goods), mode (road, rail, aviation, and others), and scale (global, European, regional, and local).

These markets have **long and increasingly interconnected value chains**: manufacturing and servicing vehicles, building and managing infrastructure, producing and distributing energy, operating public transport, providing mobility and logistics services, and attracting private investment for new transport businesses.

The regional transport market deserves special attention. It is not a subsidiary market, but a primary market in its own right. It enables the everyday activity of European households and businesses, and represents a major cost component for both*.

Because transport is deeply connected to the wider economy, **improvements in its efficiency** generate benefits well beyond the transport system itself. **Energy** efficiency reduces costs for businesses and households, accelerates the uptake of renewable energy, and strengthens Europe's energy independence[4] while reducing our vulnerability to foreign energy shocks.[5] **Space** efficiency reduces infrastructure and construction costs for housing (shared and sustainable mobility reduce the need for underground parking, and can reduce new housing construction costs by up to 20%),[6] and partial reallocation of road and on-street parking space to green elements unseals urban land, reducing both the heat island effect and the need for costly upgrades of public drainage systems. **Time** efficiency increases the productivity of existing transport resources: for example, higher commercial speeds can allow a bus fleet to operate at higher frequencies and carry more passengers. Congestion, by contrast, represents a major source of time loss and economic cost at network level**.

[*] For example, in the EU logistics costs represent about 10-15% of the final value of products. It is estimated that about half of these costs could be saved if obstacles were removed. These obstacles are in particular high administrative burden and inefficient transport chains, lack of transport infrastructure and the non-completion of the internal transport market. Cf. European Commission (2026), "State of the Union: Logistics" (In Systems Thinking this is called a leverage point, which is a place in a system where a small shift in one thing can produce big changes in everything. For more, cf. Donella H. Meadows (2008), 'Thinking in Systems: a primer').

[**] This is a major challenge for the EU's Trans-European Transport Network (TEN-T), as improvements in the links will produce little overall gains if the congestion is not reduced in the urban nodes.

The reverse is also true: an inefficient regional transport market weighs on businesses and households, increases public costs, and makes Europe more vulnerable to external shocks. It can also make it harder for better and more efficient solutions to emerge.

2.1. What moves us

Like any market, the **regional transport market** combines demand, supply, and the conditions through which they interact. **Demand** reflects diverse needs: access to employment and education, the provision and use of public and private services, and movement of different types of goods. **Supply** includes both vehicle ownership and transport services of passengers and goods. These options compete not only for demand, but also for key resources such as public space, infrastructure, and investment.

The **marketplace**, where supply and demand interact, is shaped by much more than prices. Transport, digital and energy networks, land-use patterns, public investment, procurement, regulation, and access to infrastructure all influence which solutions can reach users and at what cost. This matters for European competitiveness because the transport industry is broader than the automotive industry.

Automotive remains a major European industry and an important part of the future of mobility. However, **European mobility competitiveness cannot be equated with the competitiveness of vehicle manufacturing alone**. Rail, public transport, cycling, logistics, infrastructure, energy, digital mobility and transport services are also part of Europe's mobility-related industrial base. Together, they form an ecosystem in which different technologies, business models and services interact.

The question, therefore, is not simply whether one mode or industry is competitive. It is whether the **transport market as a whole** is able to deliver efficient, affordable, resilient and innovative solutions, and whether European companies have the conditions to develop, deploy and scale those solutions.

2.2. A market in transition

For several decades, European transport systems have given private car ownership[7] and use a predominant position. Road infrastructure, public space, investment

patterns, and urban development have mostly been shaped around a car-centric model, with other forms of mobility facing structural disadvantages. This has affected the efficiency with which Europe uses energy, space, infrastructure, and public resources, and has influenced the conditions under which alternative transport solutions can develop.

At the same time, the **transport market is changing**. Energy, space, and material efficiency, digitalisation, demographic change, and climate pressures are altering transport demand and creating opportunities for different vehicles, services, infrastructures, and business models.

The transition also has an important industrial and employment dimension. With 13,6 million jobs,[8] the automotive sector remains a major source of European employment and industrial capability, and its transition should protect existing manufacturing jobs, while diversifying economic activity and creating new jobs across transport services, infrastructure, energy, technology, maintenance, logistics, and other mobility-related sectors*.

The objective should therefore not be to preserve a particular market structure at all costs, but to ensure that Europe has a transport market capable of adapting, innovating and creating value through the transition.

Because of this, the transport service sector stands to absorb much of the disposable income currently locked in private vehicle ownership. This is an appealing proposition to **attract private investment**, mobilising the vast volume of savings available in the EU's economy.

A growing transport services sector also stands to absorb jobs in repair and servicing, in sales and rental, in energy and technology, and in the construction, conversion, maintenance and management of infrastructure. These jobs **cannot be offshored**, as manufacturing jobs have been, and they will have to comply with EU regulations, thus protecting EU businesses from unfair competition from abroad.

Demographic ageing is also a key factor in this transition process. Over one-third of the transport workforce is aged 50 to 64, and will retire in the coming years. Thus, growing demand for transport services will be compounded by higher demand for

[*] Consider, for example, how Autonomous Vehicle technology will deeply change auto insurance sales. On this, cf. Andreas Herrmann, Walter Brenner & Rupert Stadler (2018), 'Autonomous Driving: How the Driverless Revolution Will Change the World'.

workers in that sector, and the burning question on the horizon may be, perhaps, not how to save jobs in vehicle manufacturing, but how to ensure workers will be available for the growth in transport services (and skilled workers, because technology plays a growing part).

2.3. Transition by design, or by disaster?

A major transport transition is already underway, and cities and regions have reoriented their mobility policies towards a multimodal future. The question is whether Europe and its industry will choose to successfully embrace this paradigm shift and turn it into a source of competitiveness or expose itself to increasing vulnerability by slowing down this transition and scaling back previously agreed targets.

A systemic approach is essential: **the regional transport market is an interconnected system**, in which changes in infrastructure affect services, services influence demand, demand creates opportunities for businesses, and investment, regulation, and public acceptance determine whether new solutions can scale.

This creates opportunities for positive reinforcement. More efficient and sustainable transport can reduce costs for households and businesses, creating new demand and business opportunities. New demand can attract private investment and strengthen supply chains. Better services can, in turn, make further changes easier to implement.

The **EU holds a key tool to support this transition**: the TEN-T network will increase connectivity, strengthening the EU's Single Market and enabling further efficiency gains; its new multimodal hubs for passengers and freight will create many opportunities for new local- and regional-scale transport services, and the Sustainable Urban Mobility Plans being developed for its 431 urban nodes will create strategic and structural opportunities for investment in new transport businesses (and jobs).

This is where cities and regions become critical to the competitiveness of the European transport industry: **they can shape demand**, provide infrastructure, coordinate investment, procure services, create deployment environments and bring public and private actors together. The competitiveness of European transport therefore depends not only on what European industry can invent and manufacture, but on the ability of European territories to create the conditions in which those solutions can be deployed, adopted and scaled. That is where the regional transport market becomes a strategic lever for European competitiveness.

3. It takes a region

Markets do not make transitions on their own.[9] The State is not just a reactive fixer of market failures: public policy can shape markets, direct investment, and **create conditions for new forms of value to emerge**.[10]

The transport transition is a particularly clear example that requires infrastructure, industry, energy, digital technologies, public services, investment, and citizens to work together in concerted solutions in specific places. This is why the territorial level matters.

Local and regional governments have **'skin in the game'**: they are responsible for many of the conditions that determine whether transport systems work, whether businesses and workers can connect to one another, and whether new mobility solutions can move from demonstration to deployment; they use their statutory powers and democratic legitimacy to match the European and national 'top-down' objectives with the 'bottom-up' realities of places and communities. They are economic builders, market makers, and innovation drivers, and not mere implementers.

This is also why underestimating the role of local and regional governments in EU funding and policy instruments for transport, cohesion, industry, and innovation would be a major strategic blunder. The challenge is not to centralise more, but to mobilise the actors who can make European ambitions real.

3.1. Economic builders

Europe's strategic challenges are not only about the speed at which companies innovate, but also about the territories and environments in which industries generate, spread, scale, and create sustainable **value in the long run**. Europe's industrial and transport challenges are therefore deeply territorial.

There is a path dependency in the development of regions and cities. Past investments, infrastructure, industrial specialisation, and institutional arrangements shape the opportunities available in the future. Transport systems are an important part of the equation: they influence where companies locate, where talent can be

found, where workers can find employment, and whether clusters of activity can develop into wider innovation networks.

Accessibility is one of the most important determinants of regional economic performance: regions with high **multimodal accessibility** have significantly better employment accessibility and innovation potential than less connected regions.[11] The reverse is also true: areas with poor connectivity continue to be at a disadvantage in economic terms[12] and have **fewer opportunities** to access employment, benefit from knowledge spillovers, and be attractive for investments. This is particularly relevant in the context of Europe's green and digital transition. Building batteries, charging points, clean vehicles, digital mobility platforms, and decarbonising industry are not isolated technological advancements: they go hand in hand with the technical capacity of local systems to absorb and masterfully deploy these systems.

For European competitiveness, this is fundamental. Competitiveness is surely shaped by how much investment Europe makes, but **where, through whom, and through which territorial systems** that investment is deployed matters just as much.

Local and regional governments do not simply build transport infrastructure; they **build accessibility** for workers and employers, for customers and suppliers, and for universities and research centres. Through street design, road management, public transport integration, logistics planning, traffic management, and active mobility networks, public authorities craft how territories function as **connected economic systems**. Indeed, public authorities are not simply infrastructure providers: they are **builders of economic ecosystems**.

Public investment in urban transport infrastructure is one of the most important tools through which governments influence the development of a particular territory. Research indicates that, for every €1 spent on public transport, around €5 remains in the local ecosystem.[13]

Île-de-France, France

The Grand Paris Express is delivering 200 km of new automated metro lines and 68 stations across 130 municipalities in the Île-de-France region, with an estimated cost of €35-42 billion, including a €1 billion loan from the European Investment Bank.[14]

By creating direct connections between suburban municipalities, the network is reconfiguring the metropolitan labour market. 42 new stations are located within 800 metres of disadvantaged neighbourhoods.[15] A spatial general equilibrium analysis of the project[16] has identified that benefits go beyond simple travel time savings: there are productivity effects, resulting from a reduction in road congestion and job agglomeration through increased accessibility.

The project is expected to contribute approximately €100 billion to GDP over the long term (equivalent to around €4 billion annually), alongside an estimated reduction of 27.6 million tonnes of cumulative CO_2 emissions by 2050.[17]

Bologna, Italy

From January 2024, Bologna introduced a 30 km/h blanket speed limit on 70% of its built-up area (close to 90% of the densest neighbourhoods), while retaining 50 km/h limits on major and more trafficked arterial roads.[18]

The measure, named Città 30, was accompanied by investments in public space that started at €24 million and now exceed €35 million, €18.9 million of which included safer junctions and crossings, school streets, pedestrian squares, footways, and cycle lanes that were built by early 2026.[19]

The results reported by Bologna point to improvements extending beyond road safety. Comparing the first two years of Città 30 (2024 and 2025) with 2022 and 2023, the city recorded 17 fewer road deaths, 348 fewer people injured, and 709 fewer collisions. In addition, the most serious emergency call-outs dropped by 22.2%, and in 2024, for the first time in over thirty years, no pedestrian was killed in Bologna.[20]

The estimated reduction in the social cost of road crashes approaches €66 million over the two years.

3.2. Market makers

Cities and regions also shape the local, national, and international markets through **public procurement**, purchasing goods and services to deliver public services. The scale is significant, as public procurement across the EU accounts for approximately 14% of GDP,[21] equivalent to more than €2 trillion of annual purchasing power.[22]

Urban mobility is one of the main items of **capital expenditure** (CapEx) in public procurement tenders, including rolling stock*, buses, charging infrastructure, depots, ticketing systems, digital platforms, maintenance services, road construction materials, traffic management systems, and cycling infrastructure.

In the **bus market** alone, public procurement accounts for more than 70% of total demand across Europe.[23] What public authorities decide to buy therefore influences what manufacturers produce and which technologies become commercially viable.

The rapid adoption of zero-emission buses demonstrates this market-shaping power. Between 2021 and 2025, 49% of new city buses were zero-emission—well above the 20.6% target[24] established by the EU's Clean Vehicles Directive.[25] In 2025, six out of ten new city buses registered in the EU were zero-emission,[26] while twelve Member States reached 90% zero-emission city bus procurement.[27]

Cities and regions are therefore not passive recipients of industrial innovation: they lead by example, creating the demand that allows innovation to become a market. The same applies to transport services (as OpEx). Through operating contracts, procurement, and targeted support (e.g., co-payment of carpooling or Demand-Responsive Transport**), the public sector provides key incentives to **transport business innovation**.

When local and regional government demand is sufficiently large, repeated, and coordinated, it can send a clear **directional signal to industry**. Predictable demand reduces uncertainty, fosters stable regulatory frameworks and pipelines, helps supply chains develop and, most importantly, can **attract private investment** into emerging businesses and technologies.

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[*] 'Rolling stock' means all the wheeled vehicles that move on a railway, including both powered and unpowered cars.

[**] Demand-Responsive Transport (DRT), a flexible public transport service that adjusts its routes and schedules according to passenger requests, instead of running on fixed timetables. Particularly adequate for low-density areas and off-peak times.

Public procurement is consequently a **potential instrument of industrial policy, innovation policy, and regional development**. Its strategic value lies in its scale, as well as its ability to pursue several objectives simultaneously: decarbonisation, social inclusion, public health, innovation, competitiveness, and, ultimately, territorial cohesion.

Public procurement of the future of transport sits at the **crossroads of industrial and regional development.**

London, United Kingdom

The economic effects of transport investment can also be visible at the neighbourhood level. Indeed, between 2014 and 2018, Transport for London rebuilt streets in a series of town centres, widening footways, reducing traffic dominance, and creating places to sit. Researchers at UCL compared the improved streets with similar streets that had not been upgraded.[28]

The number of people walking rose by 93%, while stationary activity—people entering shops, stopping at cafés, or sitting on benches—increased by 216%. Retail rental values rose by 7.5%, and retail vacancy fell by 17%. Office rents increased by 4%.[29]

Transport for London estimates a benefit-to-cost ratio of 13:1 for walking and cycling schemes, and has found that people who walk, cycle, or use public transport spend 40% more each month in local shops than people who drive.[30]

The point is not that every transport investment will produce the same results, but that transport decisions shape the economic conditions of places.

Madrid, Spain

Electric buses have been on the market for a long time, but the decision to scale them up at the local bus fleet level lies in the hands of public authorities.

Madrid's municipal transport operator, EMT, decided to scale up electric buses as a fossil-fuel-free alternative through a succession of procurement cycles, each one pulling the market further in one direction.

In December 2022, the city retired its last diesel vehicle, becoming the first major European capital, by population and fleet size, to operate an exclusively low- and zero-emission bus network.[31]

The transition did not stop there: backed by a €50 million European Investment Bank loan covering 250 electric and 10 hydrogen buses, and by two further tender rounds launched at the end of 2025, EMT is on course for a fully electric fleet by 2030, and in late October 2026, EMT Madrid approved a €937.86 million budget for 2027 that funds 65 additional electric buses.

3.3. Innovation drivers

The competitiveness challenge is increasingly a deployment challenge. The Draghi report on the future of European Competitiveness[32] highlights Europe's difficulty in scaling, commercialising, and deploying innovation, particularly in sectors linked to the green and digital transitions. Europe has strong research and innovation capacity, but too often **struggles to turn that capacity into products, services, and systems operating at scale**.

Transport illustrates the problem clearly. **Technology alone does not transform transport**. New solutions require infrastructure, investment, integration, regulation, operational capacity, and public acceptance—and these conditions need to work together.

Electric fleets, for example, require charging infrastructure, depot adaptation, and energy-grid coordination. Multimodal digital platforms require integrated ticketing, shared data environments, and interoperability between public and private operators. Demand-Responsive Transport requires territorial demand aggregation and operational coordination.

In each case, the 'magic ingredient' is rarely the technology, but rather the **institutional capacity** to deploy technology at scale in real markets.

That capacity is strongly rooted at the local and regional level*.

Cities and regions can act as:

- **Lead customers** for emerging mobility technologies, providing early demand that can anchor private investment;
- **First deployers** of new systems, taking on initial implementation risks that private actors cannot bear alone;
- **Regulatory testbeds**, creating controlled environments in which novel services can be trialled, evaluated, and improved;
- **Demand aggregators**, pooling the requirements of dispersed users, municipalities, and operators into coherent market signals;
- **Convening platforms**, bringing public authorities, industry, research institutions, and users into the sustained cooperation so needed for successful scaling.

This is not a disposable 'appendix' to innovation policy: it is part of the **innovation mechanisms and ecosystem** through which European competitiveness will be sustained, or lost, over the coming decade.

Research on mission-oriented innovation[33] has shown how public actors can steer investment, absorb early-stage uncertainty, and aggregate demand to make new technologies economically viable. Research on regional innovation systems[34] similarly shows that knowledge and innovation spread unevenly, relying on proximity, repeated interaction, institutional trust, shared infrastructure, and real-world experimentation, particularly at local and regional levels.

Transport provides a particularly strong illustration because its technologies are embedded in physical places. Deployment requires streets, stations, depots, charging infrastructure, data systems, contracts, regulations, and users. Cities and regions bring these elements together. This has a direct competitiveness implication. If Europe's competitiveness gap is increasingly a deployment gap, as the Draghi Report and the wider EU competitiveness debate point out, then closing that gap depends on supporting and growing the institutional capabilities of the territories where deployment **actually occurs**.

Europe's mobility-related industries, including automotive, rail, public transport, cycling, and logistics, form some of the continent's most substantial industrial bases.

[*] The future of Transport needs 'engineering, innovation, and innervation', with the latter meaning the deliberate stimulation of connections between potential users and the new services, a task for which locality is key. Cf. Pete Dyson & Rory Sutherland (2021), 'Transport for Humans: Are we nearly there yet?'.

Their competitive position in the next decade will depend not only on companies' research and development, but also on whether European cities and regions can fulfil their role in providing the deployment environments in which those companies can generate, launch, refine, and scale innovations in real-world conditions.

Baden-Württemberg, Germany

Baden-Württemberg demonstrates how this role can extend beyond individual projects to the transformation of an entire industrial ecosystem. Since 2010, e-mobil BW, the State Agency for New Mobility Solutions and Automotive, has worked as a platform connecting local governments, industry, universities, research institutes, and non-profit organisations to foster the industrialisation, market launch, and deployment of zero-emission, connected and automated mobility solutions.

Through strategic dialogue, these actors develop, monitor, and adjust a roadmap for the transition of the automotive industry. This has brought tangible outcomes, including battery-cell research and pilot production, fast-charging points and hydrogen filling stations, and reskilling programmes for suppliers affected by the transition away from internal-combustion engines.

This example demonstrates how regional coordination can connect industrial policy, research, infrastructure, investment, and workforce transition around a shared market transformation.

Leuven, Belgium

Since September 2025, the City of Leuven, the Flemish public transport operator De Lijn, and partners from across Belgium have cooperated on the use of autonomous shuttles in mixed urban traffic.

In January 2026, two autonomous shuttles started running as a regular public transport service on a 4-kilometre route connecting the Station of Leuven to

the main university campus of KU Leuven. The service is integrated into the regular public transport network, uses standard public-transport ticketing, and operates within existing safety, accessibility, and accountability requirements.

At the same time, KU Leuven researchers are studying safety, integration, and user behaviour, feeding findings back into operational adjustments and the wider European evidence base on autonomous mobility.

Here, the city is not simply a recipient of technology developed elsewhere, but is part of the process through which that technology is tested, integrated, evaluated, and made usable in a real transport system.

4. Competitiveness means cooperation

The examples above illustrate a common principle: territorial competitiveness does not emerge from isolated investments, individual technologies, or the actions of single institutions—it depends on connecting them.

Cities and regions create the conditions for this to happen, bringing together infrastructure, industry, research, investment, public services, and people around shared objectives. They connect different levels of governance and align public and private interests, helping translate strategic ambitions into practical solutions.

This **coordinating role** is essential to Europe's wider competitiveness agenda: the competitiveness of Europe's transport and mobility industries therefore depends not only on the performance of individual businesses, but also on the **strength of the ecosystems** in which they operate.

This raises a broader question: **what does competitiveness really mean, and what does it take to achieve it?**

European competitiveness has become the 'Holy Grail' of European policy. As the term has acquired almost mythical status in the Brussels bubble, it is easy to lose sight of its original meaning and, more importantly, its **true implications**.

'Competitiveness' derives from the Latin *competere*, which originally meant **'to strive together'**.[35] Over time, the term became commonly associated with rivalry and competition, yet ask any top-performing athlete what competitiveness means to them, and you may find that striving together—or cooperating, if you will—remains central to their understanding of it.

The same applies to economic performance: businesses depend on infrastructure, skills, institutions, suppliers, customers, and markets that no single actor can develop alone.

The World Economic Forum defines competitiveness as the **set of institutions, policies, and factors** that determine a country's level of productivity. Its basic requirements include institutions, infrastructure, the macroeconomic environment, health, and primary education.[36]

For transport, this means looking beyond the performance of individual industries to the territorial conditions that enable them to operate, innovate, and grow.

4.1. Deeply connected

Over the past six years, the European Union has built one of the **most ambitious transformation agendas** in its history.

Through the Green Deal, the European Climate Law, the 'Fit for 55' package, the Just Transition Mechanism, the Recovery and Resilience Facility, and, more recently, the Emissions Trading System II and the Social Climate Fund, it has not only established environmental targets, but also **set out a broader economic and societal direction**: to modernise the economy, reduce strategic dependencies, accelerate innovation, and ensure that no territory is left behind in the transition.

The legally binding objective of climate neutrality by 2050, alongside the intermediate target of reducing net greenhouse gas emissions by at least 55% by 2030, was never designed as an environmental agenda in isolation. It was conceived as a **model for economic transformation**[37]. This broader ambition is important to remember when considering Europe's competitiveness agenda today.

Today, Europe faces a convergence of structural pressures: industrial transformation, demographic ageing, energy volatility, supply-chain disruptions, infrastructure bottlenecks, and increasing exposure to climate-related risks.

These challenges are often discussed separately through the language of productivity and efficiency, emissions reduction, investment attractiveness, or regional development. In practice, they are **deeply connected**.

A region that struggles to adapt its industrial base may also struggle to reduce emissions. A **territory** facing weak accessibility, labour shortages, or declining connectivity may find it harder to attract investment, deploy innovation, or retain talent. Where territorial disparities deepen, economic dynamism, public trust, and the capacity to manage transitions can weaken simultaneously.[38] Conversely, climate adaptation and decarbonisation measures can generate stronger economic returns where infrastructure systems, institutions, and workforce capacity are **aligned**.

This is why Europe's transition cannot be understood through sectoral indicators alone. It must also be understood **territorially**.

4.2. Shaping access and opportunity

Territories do not compete only through costs, tax regimes, or labour productivity. They also compete through their ability to **connect** people to opportunities, companies to supply chains, workers to skills, and innovation to real-world deployment.

Geography shapes how quickly new technologies diffuse, where investment concentrates, and which communities are able to participate in economic transformation.

Thus, competitiveness does not only depend on individual companies, but also on the **spatial organisation of opportunity**. Transport systems are central to this organisation: they shape access to jobs, where companies can grow, how innovation scales, and whether the economic, social, and environmental benefits of transition translate into value for different territories.

Europe's climate transition is therefore also a territorial transition. Its success depends on aligning competitiveness, cohesion, and climate action, rather than pursuing them through separate policy logics.

5. Synergies, not trade-offs

Transport operates at the **intersection of three strategic priorities**:

- **Climate**, because decarbonising transport is essential for net-zero pathways;
- **Cohesion**, because accessibility determines who can participate in economic and social life;
- and **Competitiveness**, because connectivity determines whether territories can attract investment, innovation, and productive activity.

The economic implications are measurable. According to the European Court of Auditors, congestion and inefficient urban mobility systems cost the European economy approximately €180 billion every year, equivalent to more than 1% of EU GDP.[39]

At the same time, a recent analysis suggests that urban mobility transitions could deliver up to €177 billion in net societal and economic benefits by 2030, generating more than €3 in returns for every euro invested under certain implementation scenarios.[40]

The strategic challenge is therefore not simply to manage trade-offs between these priorities, but to identify and develop the synergies between them.

5.1. Connected challenges

Competitiveness cannot be assessed solely in terms of short-term economic returns, with climate action and social cohesion treated as separate objectives whose costs can be compensated for later. All three are **intertwined** and shape the conditions for long-term economic performance.

Economic forecasts and business plans cannot look only at projected demand, technological trends or short-term cost efficiency while assuming that 'all other conditions remain stable'. Three connections are particularly important:

- **Climate resilience is a core component of competitiveness**.[41] Global warming has deep economic implications: because of it, extreme climate events will become more frequent and intense over the coming decades.[42] Their cascading

effects,[43] including infrastructure damage, energy volatility, supply chain disruptions, insurance retreat*, and growing public debt, will increasingly shape the global economy. Resilient transport and infrastructure systems are therefore part of Europe's long-term economic capacity.

- **Cohesion supports economic participation and productive capacity**. Growing inequality can weaken purchasing power, discourage the acquisition of labour skills at critical operational levels, impoverish the intellectual capital that fuels innovation**, and undermine sound governance.[44] Accessibility and inclusion are therefore not separate from competitiveness; they help determine who can contribute to and benefit from economic activity.
- **Energy efficiency strengthens strategic autonomy**. Moving away from fossil fuels requires more than just cleaner vehicles: it also requires a transition away from energy-intensive transport systems. Europe's energy dependency relates to the sources of energy it imports, but also to how much energy it consumes. Expanding renewable energy while allowing avoidable consumption to rise, limits the benefits of that investment. More efficient mobility systems can help reduce energy demand, while fair and accessible alternatives make the transition more politically and socially sustainable.

Long-term competitiveness is not a choice between competitiveness, climate, and cohesion. Europe needs to find a way to make all three work.

5.2. New opportunities

Transport innovation holds great potential, and a clear public purpose provides a solid foundation for productive public-private cooperation.

[*] 'Insurance retreat' refers to insurers reducing or withdrawing coverage in response to rising climate risks, through market withdrawal, reduced coverage, or higher premiums. This widens the climate insurance protection gap, leaving more climate-related losses uninsured and increasing pressure on the public sector. For more, cf. European Central Bank (n.d.), 'The climate insurance protection gap' (The future of Transport needs 'engineering, innovation and innervation', with the latter meaning the deliberate stimulation of connections between potential users and the new services, a task for which local is key. Cf. Pete Dyson & Rory Sutherland (2021), 'Transport for Humans: Are we nearly there yet?'); London School of Economics/ School of Sustainability (2026), 'How is insurance underwriting impacted by climate change?' (The future of Transport needs 'engineering, innovation and innervation', with the latter meaning the deliberate stimulation of connections between potential users and the new services, a task for which local is key. Cf. Pete Dyson & Rory Sutherland (2021), 'Transport for Humans: Are we nearly there yet?').

[**] When inequality goes up, the upper class is more eager to engage in pure conspicuous consumption to signal their belonging to the 'winners crowd', cf. Alessio Terzi (2022), 'Growth for Good: Reshaping Capitalism to Save Humanity from Climate Catastrophe'.

The regional transport market offers several opportunities to develop solutions that advance climate, cohesion, and competitiveness goals together. For example:

- **Addressing transport poverty**: Households and microenterprises in lower-density suburban, peri-urban, and rural areas often need to cover longer distances. Because conventional mass public transport has intrinsic limitations in these areas,[45] forced car ownership is common. High fuel consumption can make these households and businesses extremely sensitive to fuel price increases. Cycling and shared mobility services—carpooling, carsharing, and demand-responsive transport—can expand access while reducing the cost and resource intensity of mobility*.
- **Scaling up electric buses**: Regional authorities need EU bus manufacturers to supply large numbers of electric buses within relatively short timeframes and at affordable prices. Economies of scale can lower costs and delivery times, but require EU manufacturers to expand production and strengthen supply chains. Public procurement can support this process by generating a level of demand that reduces the risk, but this will only work if EU manufacturers also do their part.
- **Deploying autonomous vehicles**: Autonomous vehicle technology alone does not determine its value; its application within a transport system is what makes the difference. Demand-Responsive Transport (DRT)[46] is a potential and concrete use case, particularly where conventional public transport is difficult to provide efficiently. Public authorities can help create the conditions for deployment by aggregating demand, coordinating services, and establishing long-term frameworks for cooperation with European technology developers. With sustained public commitment, these partnerships can reduce deployment risks, attract private investment, and support the development of affordable, scalable services**.
- **Supporting a continent-wide renaissance of cycling**: Investment in cycling infrastructure, safe streets, and integrated mobility systems can improve access to everyday destinations while supporting European businesses across the cycling value chain. Cities and regions are essential to this process because they shape the infrastructure, regulations and public-space conditions that determine whether cycling becomes a viable option for more people.

For Europe, the implication is clear: competitiveness, cohesion, and climate action are not parallel objectives. The strongest opportunities lie in identifying and developing the synergies between them. **Where can we find these synergies, and how can we strengthen them?**

[*] Transport Justice (and its threshold, as defined by Martens) is a strong concept for structuring a solid and competitive market. Cf. Karel Martens (2017), 'Transport Justice: Designing Fair Transportation Systems'.
[**] The cultural shift makes ride-sharing in AVs acceptable. Cf. Lawrence Burns (2018), 'Autonomy: The Quest to Build the Driverless Car – and How It Will Reshape Our World'.

6. Let local lead

European cities and their regions have long been at the crossroads of international transport, trade, ideas, and business. Their economic ecosystems and transport systems continue to shape Europe's prosperity. An effective approach to the interconnected challenges of climate, cohesion, and competitiveness must therefore recognise the role of the regional transport market and the authorities responsible for shaping it.

1

The regional transport market is of critical importance to Europe.
It enables the everyday social life and economic activity of all households and businesses across the EU, and its efficiency impacts them directly. Because it connects multiple sectors and creates opportunities for innovation and investment, a competitive regional transport market is a prerequisite for the competitiveness of the wider European economy.

2

Transport is a system, and it must evolve.
The regional transport market has been distorted by the market power of individual car ownership and use. EU transport policy needs a 'Galilean moment' to acknowledge that the automotive industry is not the centre of our transport system around which all must gravitate. It is part of a larger system, and it must evolve.

3

Competitiveness is, first of all, about cooperation.
Competitiveness does not happen in a vacuum, nor by the sole force of any single industry or level of government. It is built and sustained by regional ecosystems, which combine entrepreneurs, transport systems, and local and regional authorities. Believing competitiveness emerges otherwise is magical thinking.

4

We need synergies, not trade-offs.
Cohesion and climate action are a prerequisite for the success of transport competitiveness policies, because a lack of progress on one front will block or delay advances in others, but also, and most importantly, because that is where the best opportunities lie for European industries and businesses.

5

Subsidiarity is not subordination.
National governments cannot fully represent the needs and insights of local and regional governments, much less their capacity to mobilise local actors and resources. Geographic integration does not imply political subordination. This is key for the pursuit of EU goals, which involve political risk and the investment of political capital, and require a triangulation between the European, national, and regional levels of governance.

6

We need to mobilise, not centralise.
Using the EU's Recovery and Resilience Facility as a 'guiding example' for EU financial frameworks and funding instruments, locking all funds in envelopes for national governments and large industrial 'champions' will be a strategic blunder. The RRF was conceived for an emergency, not for long-term development: to inject money into the economy and spend one's way out of recession, one can even throw money out the window. Long-term development requires funding approaches that mobilise local and regional capacity and connect public investment with the businesses, institutions, and communities that make change possible.

7

Avoid fragmentation.
Fragmentation in corporate law and taxation is already a major obstacle to the single market, and EU funding instruments should not add to these obstacles. If all funding instruments are simply channelled through national governments, cross-border EU cooperation and business innovation will become harder, and European added value will be lost.

8

Stand firm.
Undermining progressive policies by delaying or diluting their effects also seriously undermines innovation. It pulls the rug from under those who have invested and worked hard to meet new requirements, while rewarding those who have dragged their feet. Policy consistency is essential to ensuring that investment and innovation are not penalised*.

[*] As Abraham Lincoln reportedly said: 'Be sure to put your feet in the right place, then stand firm.'

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About POLIS

POLIS is the leading network of European cities and regions advancing transport innovation. We are committed, specifically, to innovations that can make urban, suburban, and rural mobility more sustainable, safe, and equitable.

POLIS draws its expertise from a valuable network of decision makers, field practitioners, and researchers, who are working for local and regional governments and transport authorities, public research organisations, and private non-profit and for-profit organisations, from advocacy to mobility service providers.

We build on the results of EU-funded projects and on the input of thematic Working Groups that address key transport challenges, to link innovation and public policy guidance on urban and regional mobility with European policy development.

Karen Vancluysen
Secretary General
Ivo Cré
Director of Policy & Projects

AUTHORS/CONTRIBUTORS
Pedro Homem de Gouveia
Senior Policy Advisor
Jorge Manso García
Policy and Project Manager
with the support of **Fanny Boccioli**
Project Manager

EDITOR/DESIGNER
Alessia Giorgiutti
Communications and Membership Lead

Contact

POLIS
Rue du Trône 98, B-1050
Brussels, Belgium
Tel +32 (0)2 500 56 70
polis@polisnetwork.eu
www.polisnetwork.eu

Pedro Homem de Gouveia
pgouveia@polisnetwork.eu