

EUROPEAN PARLIAMENT

Working Documents

1980 - 1981

24 June 1980

Document 1-267/80

REPORT

drawn up on behalf of the Committee on Transport

on the report by the Commission to the Council
on the objectives to be pursued in the long term
and the measures to be taken to promote partial
or total integration of railway undertakings at
Community level

Rapporteur: Mr R. COTTRELL

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PE 64.544/fin.

On 23 April 1979 the Commission submitted to the Council a report on the objectives to be pursued in the long term and the measures to be taken to promote partial or total integration of railway undertakings at Community level, (COM(79) 205 final).

By letter of 3 October 1979 the President of the European Parliament authorized the Committee on Transport to draw up a report on this matter.

On 31 October 1979 the Committee on Transport appointed Mr COTTRELL rapporteur.

The Committee discussed the draft report at its meetings of 27 November 1979, 1 February, 25 April and 17/18 June 1980.

At its meeting of 18 June 1980 the Committee unanimously adopted the motion for a resolution and explanatory statement.

Present: Mr Seefeld, Chairman; Miss Roberts and Mr Carossino, Vice-Chairmen; Mr Cottrell, Rapporteur; Mr Albers, Mr Baudis, Mr Gabert, Lord Harmar-Nicholls, Mr Janssen van Raay, Mr Klinkenborg and Mr Moreland.

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A

The Committee on Transport hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the report by the Commission to the Council on the objectives to be pursued in the long term and the measures to be taken to promote partial or total intergration of railway undertakings at Community level

The European Parliament,

- having regard to the report by the Commission of the European Communities (COM(79) 205 final),
 - having regard to the Council Resolution of 7 December 1970 on cooperation among railway undertakings,
 - having regard to Article 11 of Council Decision No. 75/327/EEC of 20 May 1975,
 - having regard to the report of the Committee on Transport (Doc 1-267/80),
1. Approves the broad lines of the Commission report and supports its implied rejection of total integration at this stage;
 2. Emphasizes that, given their relatively low energy consumption, 'soft' impact on the environment and suitability both to automated technology and combined transport, the railways have a potentially important contribution to make towards the furtherance of the general economic and social objectives of the Community;
 3. Invites the Commission to provide a detailed analysis of the advantages to be derived from increased cooperation among European railway undertakings, and notes that measures must also be taken to counter the distortions of competition which confront the railways;
 4. Therefore urges the Commission, in cooperation with the Group of Nine, to undertake further comprehensive studies with a view to:
 - (i) establishing a long-term programme for the Community railway network, and showing the technical advances and essential infrastructure developments projected over that period;
 - (ii) identifying the particular problems for Community railway undertakings arising from the accession of new Member States;

5. Requests the Commission to examine possible ways of promoting the coordination of:
 - (i) railway investment and finance within the European Community (also encompassing the possibility of private capital funding of such projects as electrification, inter-city passenger services and intra-community freight services);
 - (ii) the technological advance of railway operations leading to greater operational efficiency;
 - (iii) the commercial and operational structures of networks, especially in the goods market (including common goods wagons and tariffs), in order to facilitate cross-barrier traffic;
 - (iv) all other areas in which there exists a "community of interest" among the railway undertakings of the Member States;
6. Considers unacceptable, moreover, that the Commission only intends to report again to the Council "around 1985" on "the establishment of common bodies";
7. Calls upon the Commission to report back to the European Parliament by the end of 1981 on its conclusions with regard to the promotion of the coordination advocated above, and on the advisability of its submitting a proposal to the Council to this effect;
8. Requests the Commission to inform Parliament of progress achieved hitherto with regard to the implementation of Article 15 (1) and (2) of Council Decision No. 75/327/EEC of 20 May 1975 concerning the financial balance of railway undertakings and public service obligations;
9. Calls upon the Commission to submit a general communication to the Council without delay declaring its intention to initiate progress on Community railway policy, in the light of the above considerations and within the framework of an overall common transport policy;
10. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENT

PART I:

INTRODUCTION

1. The Commission has undertaken to place the integration of the railway systems of the EEC in the context of the long-term objectives of the common transport policy, with reference to railway industry policy in general, and to link integration with measures for cooperation between the various undertakings. The idea of partial or total integration has already been the subject of a Council Resolution (7 December 1970) on cooperation. What was at that time the 'Group of Six' EEC railway systems devoted considerable attention to this concept in its report to the Council on cooperation, which was presented in 1972, and to which the Council replied in 1973. There was a subsequent report by the Commission to the Council in December 1977 on the progress made in the preparation of a programme of cooperation among the various railway undertakings.
2. Enlargement of the Community has equally resulted in the expansion of the Group of Six railway systems to Nine, following the accession to the Treaties by the United Kingdom, Denmark and the Republic of Ireland. The railway systems of the United Kingdom and Ireland were the first members of the Community network to be physically divorced from the systems operating on the mainland of Europe. In addition, the Irish railways operate to a different track gauge and those in the United Kingdom, while sharing the standard track gauge in Europe, have a different and smaller loading gauge.
3. The further enlargement of the Community, on 1 January 1981 with the accession of Greece, will incorporate a tenth railway network into the Community which, whilst sharing the Common European gauge, is divorced by land from the other Member States of the Community.
4. The operating objectives of the European railway systems and - to a certain extent, their commercial performance - have been fundamentally affected by the world energy situation, especially since the disturbance in the Middle East in 1973 and consequent rises in the price of oil.
5. Over the same period, various Member States encountered difficulties with investment in state industries and since the Nine railway systems are all state-owned, these difficulties have been reflected in the level of railway investment from the public sector. Whilst spending on capital equipment is likely to reach record levels this year, a considerable content is due to the effects of inflation.

6. The second biennial report on the economic and financial situation of the EEC railway undertakings (COM(79) 447 final) was published on 7 September 1979 and illustrated many of the difficulties the undertakings have been facing.
7. This report included among its observations that whilst progress had been made to improve the business and commercial planning of the railway undertakings, there still remained 'a long way to go before all the railways in the Community use business and financial planning as an effective and dynamic business management tool'.
8. The Commission again expressed the view in this report that cooperation among railway activities should be given high priority, because it considered that through such cooperation the railways could be relieved of some of the disadvantages of their strict national structure and character and so play a fuller and more profitable rôle in the wider European network.
9. This report, together with the report on integration published on 20 April 1979 (COM(79) 205 final), shared the conclusion that the railways have been less successful, particularly in the freight sector, in developing cross-frontier traffic in a competitive rôle, compared with other transport operations.
10. The report on the economic and financial situation of the undertakings instanced the following examples where improvements could and should be made:
 - (i) commercial policy and greater autonomy in pricing arrangements, together with financial balance as an objective;
 - (ii) promotion of combined transport techniques, aiming at greater road/rail cooperation;
 - (iii) facilitation in frontier crossing;
 - (iv) planning and joint implementation of joint infrastructure and investment projects.
11. A crucial point which was clearly made in the report on the economic situation of the railway undertakings was a decline, relative to other transport operations, in the share of traffic carried by railways. The transparency of this statement would require considerable analysis of the three main methods of movement in land-based transport operations (rail, road and waterway) and to date, it is clear that adequate work in this area has not been done. There would be no need to doubt, however, an assumption of general trends.

12. It is equally clear that commercial performance is related to the level of investment and since the railways have suffered, relatively speaking, compared to the development of alternative transport modes (which do not always rely upon state financing), a parallel can be drawn. Mention should also be made here of the need for measures to offset the distortions of competition from which the railways suffer.

PART II :

THE ADVANTAGES OF RAILWAYS

The advantages of railways, especially with regard to their contribution to Community objectives, may be instanced as follows:

- Productivity increasing with traffic
- Economy in fuel use and energy supply
- Speed
- High levels of safety
- An evolving technology particularly suited to latest developments in automation
- A 'soft' impact on the environment
- With passengers especially, direct 'city-to-city-centre' appeal
- Adaptability to cooperation with other transport modes

These advantages may be further sub-divided as follows:

- in the passenger sphere
 - fast inter-city links, offering a competitive rôle over road at almost any distance and over air at up to 650 kilometres at least
 - overnight services
 - an attractively cheap transport mode over any distance (especially longer journeys) for those whom speed is not the essential attraction, i.e. students.
 - car-carrying services
 - commuter services in densely-populated urban areas
- in the freight sphere
 - rapid transit of single commodity loads
 - ideal mode for full-train (liner) operations between private sidings or specialized depots
 - combined transport (containers)
 - energy-efficient movements of heavy freight, i.e. 'merry-go-round' movement of coal to power stations, steel to ports, etc.

The railway in the rural environment offers less obvious appeal, but should not be discounted according to advantages in particular situations.

PART III:

SCOPE OF INTEGRATION

1. The scope of the integration which might be proposed must be considered at various levels. In its purest form, this would amount to the formation of a centralized European railway network, which would entail the complete sharing of all assets, equipment and common powers of management entrusted to a single operating body. This is unlikely to be a practical or attainable proposition and would most likely not be considered a desirable objective by the Member States or the railway undertakings themselves.
2. Partial integration, at various levels, or in various areas where direct advantages might be seen to result.
3. The Commission does not favour total integration and this view is shared by the committee. He does not see that any direct advantages would result from the application of such a proposal and considers in fact that it would distinctly worsen the railways' opportunity to compete efficiently with other transport modes. Centralization on such a scale would lower management efficiency and lead to inefficiency in decision-taking.
4. Therefore, the committee suggests that amplification of integration should be sought in the areas where direct advantage would result. This could be instanced briefly as follows:
 - technical cooperation
 - investment promotion and management towards the achievement of common objectives
 - a set of common cross-frontier tariffs (though the committee recommends that under no circumstances should the undertakings lose control over strictly internal tariffs, where distinct problems arise over competition with other modes)
 - development of particular cross-frontier traffic, i.e. a high-speed Community-wide freight movement system
 - the railways' contribution to the development of a common transport policy
 - cooperation with the non-EEC railway systems whose rôle in international railway operations is vital, i.e. Switzerland and Austria and with the accession of Greece and Yugoslavia

- the creation of a joint EEC pool of rolling stock to operate certain kinds of services, i.e. fast international freight trains, beyond the level which has already been achieved
- particular attention to the development of the main inter-axial European rail routes, though in some cases they may operate partially outside the territory of Member States.

PART IV:

CURRENT LEVELS OF INTEGRATION

1. The Group of Nine is the principal forum for railway cooperation within the Community. It is a functioning and practical organization and it is impossible to contemplate any serious programme of integration which did not have the full support of the Group. It actively promotes the technical and commercial development of the network, but since it has no financial structure of its own, what can be achieved depends upon the measure of individual infrastructural assistance from the Member States who own the railway systems.
2. The level of integration in the freight sphere, which ought to provide the widest opportunity for development, especially on mainland Europe, is surprisingly disappointing. EUROP maintains a pool of 300,000 freight wagons, with a headquarters in Berne. There are the TEEM and INTER-FRIGO networks. Whilst the companies are content with the operation of the pooling system so far, it has failed to halt the loss of traffic to other modes and this is to be regretted. The INTER-FRIGO and INTER-CONTAINER services, covering twenty-two networks but not those of Ireland and Northern Ireland, are important and significant developments, but the full potential has yet to be exploited. The committee shares the view of the Commission that IF and IC lack sufficient decision-making powers to share as true examples of 'integration' and it would wish to see, within the sphere of railway operation within the EEC, the rôle of such developments dramatically expanded.
3. EUROFIMA, based in Basle, obtains funds on the capital market to service the ECMT companies, with the exception of the British and Irish networks. Again, this is an obvious example of the desperate need for closer integration within the EEC and the committee will deal with this point in detail below.
4. The IUR (International Union of Railways) seeks to standardize technical operating conditions and clearly therefore performs a valuable rôle in harmonizing operating standards between the Group of Nine and other European railway systems.

5. In addition, the various railways within the EEC operate pools of passenger rolling stock and cooperate in the operation of international high-speed passenger train services, including the TEE (Trans-Europe Express) network. The committee considers there has been insufficient attention given to the development of international passenger train services in the Commission's document on integration, particularly with regard to the distances over which railways are competitive with air. It regrets that the Commission has given insufficient attention to the developments of High Speed Trains (HST) and Advanced Passenger Trains (APT) in the United Kingdom, which permit rapid acceleration of achievable speeds on largely existing infrastructures. This obviates the need for costly new developments, which through expense alone, are bound to be confined to certain selected areas and therefore unlikely to benefit the EEC network in general. The committee recommends that the Commission pay further attention to developments in the United Kingdom, especially since the European Investment Bank is currently funding development of the HST system. It also disagrees fundamentally with the Commission's proposition that the development of a high-speed-network implies the necessity to 'cut back considerably' on the number of stations served. Drastic surgery performed on the British (and Irish) railway networks in the past has proved to be regretted at a later date and it is perfectly possible to combine first level (i.e. feeder) services. A reduction in the number of passenger-generating points leads to lack of incentive by potential users, coupled with inconvenience and unnecessary duplication of modes.

6. The physical contact between seven of the nine European railway systems has ensured many years of technical and commercial cooperation. Those of the United Kingdom and Ireland have been relatively isolated. In the the case of the UK, there has been tenuous contact via train ferry systems and in fact there is considerable increase currently in this traffic. But no ferry system will ever prove a satisfactory substitute for a permanent fixed link between the railways of the UK and the Continent. There are problems within the UK network regarding admission of the larger Berne Gauge rolling stock from the Continent and the full advantages of integration, which might follow the construction of a rail tunnel between Britain and France, cannot be exploited until the majority of heavily-used axial routes in the UK are converted to the wider loading gauge.

The situation with Ireland is quite different, since the two railway networks operating on the island both use broad gauge (5ft 0½in) as distinct from the European standard (4ft 8½in). Apart from a little movement of containers, there is very little contact between the Irish and European networks.

PART V:

THE SEARCH FOR PRACTICAL INTEGRATION

- the Commission's action programme.

1. Cooperation measures. There are four specific measures suggested here under the short and medium term action programme. The committee believes that introduction of 'additional types of wagons' into the Europ pool is not, in itself, sufficient and attention should be given to the possibility of designing a common set of 'Euro-wagons' aimed at attracting traffic of the kind which railways are best suited to handle, and that these should run as a 'Euro-fleet' through a subsidiary of the networks organized at Community level.
2. The revenue pool put forward to develop through international tariffs has certain difficulties with regard to the accession of new Member States (Greece, Portugal, Spain) and railways operating in the territory of non-Member States. It believes this needs further study.
3. Studies are suggested to establish common areas in three specific areas of freight transport. The committee believes these studies are useful, in themselves, but also believes that the finance available might be put to better use, i.e. the study of a possible 'European Railway Agency' detailed below.
4. Commercial and operating policy. Under the Commission's auspices, a survey is proposed of the inter-city passenger network including the possibility of organizing services at a Community level. Again, the committee believes that such a study would be useful in itself, but of considerably greater value if scrutiny were made of the most economic means of introducing high-speed trains to the majority of inter-axial routes, speed being the main factor likely to attract passengers in this area.
5. Under the IUR's auspices, two projects are outlined to improve passenger services, being:
 - (i) the introduction of clearer distinctions between various categories of passenger trains. This would clearly be of considerable value, since at present one country's definition of an express train is quite unlike another's;
 - (ii) proposals for improving rail services across frontiers, to be put forward by the ad hoc working party on the carriage of international passengers by road, are due to be studied in depth. One would obviously wish to see the scale of the proposals before making comment.

6. Combined rail/road operations. This is clearly a vital area and the committee welcomes the Commission's programme of consultation with the appropriate organizations. It is clear that opportunities lie, as the Commission suggests, in:

- joint implementation of agreements
- improvements and cooperation in the areas of tariffs, investment strategy (types of wagons, track and loading gauges, methods of transshipment)
- development of close links with Community laws to make sure there is no administrative hindrance to development of the traffic.

A special study is proposed to define the conditions needed to establish an international road-rail company. The committee is hesitant on the value of this concept, believing that the development and expansion of the EUROP pool into a EURO-fleet of rolling stock best answers this case.

A further study is proposed on the carriage of new motor vehicles. The committee feels this is quite unnecessary and an area best left to the competence of the appropriate railway authorities.

7. Infrastructure planning. It is the committee's strong belief that there can be no useful discussion of any method of integration without proper reference to investment and infrastructure development. Railways depend entirely on development and improvement of the network for their survival and, as the Community expands, this will become a matter of even greater importance. Bearing in mind the Commission's proposals on difficulties in transport infrastructures, already published, the committee welcomes the initiative thus made but considers that special attention must be given by the Commission to the elimination of handicaps to railway developments.

He instances as follows the areas where consideration should be given:

- elimination of obstacles to free movement, i.e. Trans-Alpine routes, break-of-gauge difficulties at Spanish/French frontier, natural gaps in routes, i.e. Messina Straits, Great Belt in Denmark, the English Channel, lack of direct communication between UK and Ireland (suggesting a permanent connection by tunnel and reduction of all Irish railways to European standard gauge, allowing ultimately free rail movement between Ireland and the European railway network);

- development of a common electrification programme on the principal inter-axial routes, as a contribution not only to efficiency but also to energy conservation;
- special reference to infrastructural investment in the Greek railway network and land-bridge development via Yugoslavia;
- special reference to the problems of possible Spanish and Portuguese accession, taking into account gauge difference;
- special reference to the lack of Berne Gauge facility in the United Kingdom;
- a special study to be devoted to modernization of the entire European railway network in the long term, taking as its basis technological advances permitting use of automatic technology and ensuring that the European railway system receives full benefit from these advances.

3. The four studies conducted by the Commission covering

- (i) forecasting 1985/2000 measuring infrastructure developments for carriage of passengers and freight
- (ii) network of combined Community freightliner services
- (iii) utilization of existing capability and measures to reduce congestion
- (iv) the identification of Community interest in infra-structural development

should be regarded as foundation work contributing to the development of a long-term plan for the railway network.

9. Research and development. The Commission's study concentrating on combined transport techniques, whilst valuable in itself, clearly needs to go a great deal further to cover developments in future operating methods, as outlined above.

10. General problems: principally legal and administrative examinations covering difficulties in the way of future achievements of levels of integration - these are extremely useful and the committee commends in particular those concerned with problems arising from the participation of non-EEC railway networks and statutory rules at national level obliging the undertakings to seek certain levels of return on investment and operating factors.

PART VI :

CONCLUSIONS

1. The committee considers that the Commission has produced an extremely valuable report but that, rather like the Curate's Egg, it is only good in parts and suffers from a general sense of timidity. The Commission and (to a much greater extent, the Council) have paid lip service to the development of a common transport policy for many years. Progress has been disappointingly slow and your committee believes that this is because there has been insufficient identification of objectives. It is clear to the committee that the railways offer the best 'foundation' for a future common transport policy and that the time is now ripe to move towards the development of a true European railway policy to initiate long-overdue progress.
2. He believes that the Commission's report has really only touched upon the advantages of European railway cooperation, a phrase it prefers to 'partial integration', which implies something quite different. Yet it is clear that the exciting potential is in the Commission's mind, since the report itself discusses the possibility of a 'European Railway Agency' to ensure a certain degree of co-ordination. The committee regrets that the Commission's report does not discuss this possibility in greater detail.
3. The committee does not see how full advantage could be derived in the future, for the entire Community, of the railway network - without defining possible ways of promoting coordination.
4. The committee, whilst endorsing the majority of the proposals contained in the report, therefore urges the Commission, in cooperation with the Group of Nine :
 - (i) to initiate a study on technical advancement of the Community network in a long-term programme;
 - (ii) to initiate a study covering the major infrastructural developments which must be considered essential to the development of the network;
 - (iii) to initiate a study concerned with the problems of accession of future Member States;
 - (iv) to examine possible ways of promoting coordination in the following areas :
 - investment and financing for the development of the network, including private capital funding for high-return projects such as inter-city passenger trains, inter-Community freight transport and electrification

- management of a common-pool of Euro-wagons offering rapid inter-state movement of freight traffic
- management of a common tariff pool, as a kind of clearing-house, facilitating development of cross-frontier traffic
- financing of high-speed passenger-train developments
- the policy with regard to competing modes and development of cooperation
- administration of activities pertaining to the common interest of the network

(v) to make a general statement to the Council that the Commission proposes to initiate progress on the development of the common transport policy with a programme of action, as outlined above, concerning the development of the Community railway system.

5. The committee notes that the Commission proposes to report to the Council 'around 1985' on the establishment of 'common bodies' and considers that such a delay is not acceptable, given the uncertainty of the economic situation in general.
6. Finally, Parliament is reminded that, pursuant to Article 15(1) and (2) of Council Decision of 20 May 1975, "before 1 January 1980, the Commission shall submit to the Council proposals for achieving the financial balance of the railway undertakings" and "to take account of the obligations inherent in the concept of a public service to which railways could be subject".

The committee feels that the Commission might usefully be requested to inform Parliament on progress achieved with regard to the drawing up of these proposals.

