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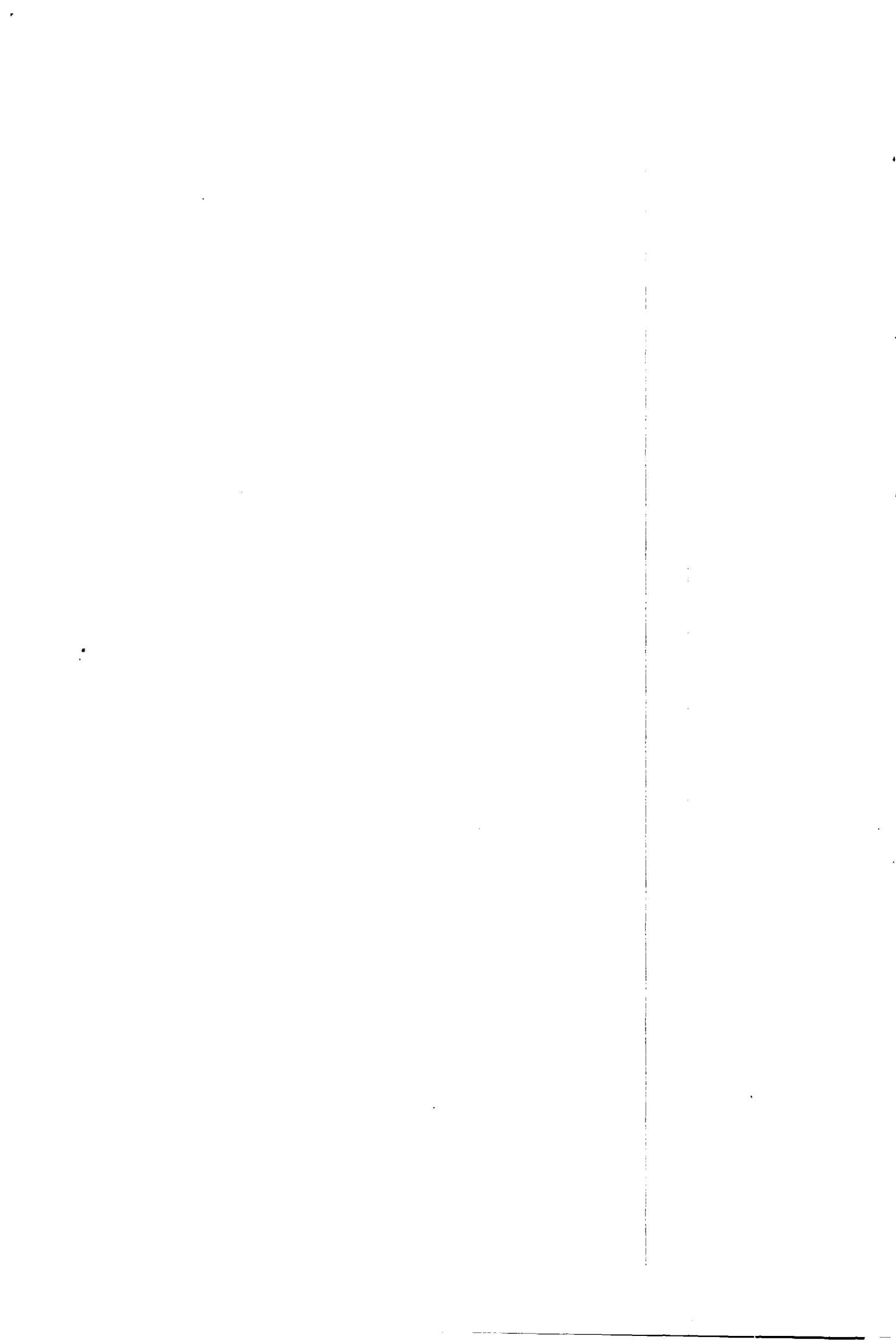
Report

on behalf of the Committee on Regional Policy and Transport

on the principles of the Common Transport Policy and on the communication from the Commission of the European Communities to the Council (Doc. 226/73) on the development of the Common Transport Policy

Rapporteur: Mr K. Heinz MURSCH

PE 33.985/fin.



At its sitting of 12 February 1973 the European Parliament authorized the Committee on Regional Policy and Transport to draw up a report on the principles of the common transport policy.

At its meeting of 3 April 1973 the committee appointed Mr Guldberg rapporteur. Following Mr Guldberg's appointment in December 1973 as the Danish Foreign Minister and his resignation from the European Parliament, the committee appointed Mr Mursch rapporteur on 23 January 1974.

The Commission of the European Communities forwarded the following relevant documents to the European Parliament for its information:

- 'The development of the common transport policy (Commission working document)', Doc. COM (73) 850 final of 30 May 1973;
- 'Commission memorandum on transport as an instrument of regional policy and planning at Community level', Doc. SEC (72) 3827 final of 31 October 1972.

On 24 October 1973 the Commission of the European Communities adopted a 'Communication from the Commission to the Council on the development of the common transport policy' (Doc. COM (73) 1725 final). By letter of 7 November 1973 the President of the Council forwarded this communication to Parliament with a request for its opinion. The communication was printed and distributed as Working Document 226/73.

At its sitting of 12 February 1974 the European Parliament referred the document to the Committee on Regional Policy and Transport. The committee had already decided at its meeting of 23 October 1973 to use its earlier report as an opinion on the Commission's communication.

The committee considered the Commission's communication and this report at its meetings of 23 October 1973, 7 November 1973, 12 December 1973, 4 June 1974, 18 and 19 June 1974 and 2 and 3 July 1974.

The motion for a resolution and explanatory statement were adopted with one vote against at the meeting of 3 July 1974.

The following were present: Mr James Hill, chairman; Mr Mursch, rapporteur; Mr Delmotte, Mr Johnston, Mr Marras, Mr Mitterdorfer, Mr Nyborg, Sir John Peel (deputizing for Lord Mansfield), Mr Pêtre, Mr Pounder and Mr Schwabe.

CONTENTS

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
Communication from the Commission of the European Communities	12
B. EXPLANATORY STATEMENT	95
Introduction	
Chapter I: The introduction of a common transport policy is essential to the Community: transport problems are worse than customs barriers	98
Chapter II: It is essential to establish a coherent transport policy, based on common principles, for all modes of transport: no modern system can be created in small stages	106
Chapter III: Capacity policy	128
Chapter IV: Price policy	137
Chapter V: Harmonization of cost factors	142
Chapter VI: General comments on the Commission's communication	146
ANNEX I: Decision on the basic principles of the system for the common organization of the transport market, adopted by the Council on 22 June 1965	152
ANNEX II: Decision on capacity policy, adopted by the Council on 19/20 October 1966.....	157
ANNEX III: Decision on certain measures in the area of the Common Transport Policy, adopted by the Council on 14 December 1967	159
ANNEX IV: Council resolution of 7 December 1970 on cooperation between railway undertakings	162

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

MOTION FOR A RESOLUTION

on the principles of the common transport policy, embodying the opinion of the European Parliament on the communication from the Commission of the European Communities to the Council on the development of the common transport policy

The European Parliament,

- having regard to the communication from the Commission to the Council on the development of the common transport policy¹,
- having been consulted by the Council (Doc. 226/73);
- having regard to the report of its Committee on Regional Policy and Transport (Doc. 215/74),
- wishing to see further Community development towards Economic and Monetary Union,
- having regard to the undeniable fact that such development will not be possible without the introduction of a common transport policy,
- recognizing that the small steps so far taken by the Communities in this area are by no means adequate for the creation, in the transport sector, of the necessary prerequisites for a genuine economic union,
- having regard to the fact that already, through the lack of a common transport policy, economic decisions are constantly leading to the mis-directed use of capital and labour, to an imbalanced regional distribution of economic activities and to structural distortions of the European economy since, now that customs barriers have been removed, transport costs play much the same role in international trade as customs duties did previously,
- having regard to the need to restore the confidence of the public and the sectors of the economy concerned in the achievement of a common transport policy, a confidence badly shaken by developments during the years that have elapsed since the foundation of the Community,

¹ COM(73) 1725 final of 24 October 1973.

1. Calls for the immediate introduction of a coherent common policy for transport by rail, road and inland waterway;
2. Requests the Council of Ministers to apply Article 84(2) of the EEC Treaty without delay so that sea and air transport can also, insofar as is necessary, be included in this coherent common transport policy since, if it does not do so, any such policy is bound to remain fragmentary, at least since the accession of Denmark, Ireland and the United Kingdom to the Community and also calls for the development of a common sea port policy;
3. Welcomes the fact that, in its communication of 24 October 1973, the Commission submitted a comprehensive concept of a common transport policy and approves its basic approach;
4. Requests the Commission to incorporate the following amendments and additions in its communication;
5. Requests the Commission also to submit to the Council, on the basis of the communication so amended, a proposal for a decision enabling the Council to approve the principles of the communication as a whole without discussing all the individual details thereof;
6. Urges the Council to adopt the said decision and so restore the confidence of the public and those concerned in the establishment of a common transport policy;
7. Urges the Commission also to submit to the Council without delay proposals for the general discussion and adoption of the first-stage (up to 1976) measures envisaged in the timetable of the communication and requests the Council, after consulting Parliament on all details on which it has not yet delivered an opinion, to hold a prolonged meeting during which it will take decisions on these proposals;
8. Requests the Commission to take into consideration the following principles and procedures in its further proposals to the Council:
 - I. Two-stage plan for introducing the common transport policy
 - (a) The transitional period envisaged in the Commission's communication for the introduction of the common transport system will take place in two stages. The first stage will cover the period from 1974 to 1976 (see Section IV); the second will begin in 1977 and finish in 1983 or earlier, with the ultimate introduction of Economic and Monetary Union.
 - (b) The measures for the first stage should be adopted by the Council at one of its meetings in the near future (before mid-1975) and it must be ensured that all the necessary legal acts can come into effect by 31 December 1976.

- (c) At the same meeting, the Council should draw up a list of objectives for the second stage, giving a description of the final stage of the common transport policy planned for the time when Economic and Monetary Union comes into effect in sufficiently binding terms to enable those affected to plan accordingly.
- (d) An action programme for the second stage will be submitted by the Commission by the end of 1975 and adopted by the Council by the end of 1976, early enough for the measures planned for the second stage to be adopted and implemented gradually from 1977 onwards.

II. Basic principles of the common transport policy

The measures taken during the two introductory stages and the future common transport policy after the common transport market has come into being must be guided by the following basic principles:

- (a) Transport policy must be integrated rationally into the Community's overall economic and social plan, due regard naturally being given to the distinctive features of the transport sector.
- (b) Transport policy must help to create conditions conducive to the establishment of Economic and Monetary Union by allowing the greatest possible freedom of movement of persons, goods and information (establishment of a common market in transport).
- (c) Transport policy must be geared to the objectives of the common regional policy.
- (d) In formulating transport policy the transport market - in other words the market for the transportation services provided by the various modes of transport - must be treated as a unit, and the European transport infrastructures as a single coherent network with adequate provision for all areas of the Community.
- (e) Competition between the modes of transport and between individual undertakings within each of them should stimulate progress, and should if necessary be kept under control by transport policy measures regulating capacity and pricing.
- (f) Within the above limits defined by transport policy, users should have a free choice between the competing means of transport.
- (g) To ensure that the free choice enjoyed by the transport user has a favourable influence on the economy as a whole, all artificial distortions in costs as between undertakings in different branches of transport and in different countries must be removed, which means that discrimination in social, technical and fiscal provisions must be eliminated.

- (h) Transport undertakings must cover their overall costs in full (principle of economic viability) and all decisions on public investment in the transport sector must be based on this principle. Departures from the economic viability principle for reasons of social or regional policy or for any other overriding considerations will be inevitable. In such cases proposals should be made for financing from public funds. Any transport undertakings adversely affected should be compensated.

III. Establishment of a common transport market

At the end of the second stage a common transport market must exist, characterized by the following:

- (a) Freedom of establishment for transport undertakings throughout the territory of the Community. Where access to the market is restricted by quotas or subjective access criteria, such restriction must be based on common principles and the citizens of all Member States must have equal access to the market.
- (b) Complete freedom of movement for transport workers. Where access to the occupation of transport worker is subject to examinations or diplomas these must be based on uniform principles, they must be mutually recognized and citizens of all Member States must be guaranteed equal access to training courses and examinations.
- (c) Freedom to supply services must be established in the transport sector. Trans-frontier transport and international transport from and to the sovereign territory of a Member State operated by Community transport undertakings should not be subject to more stringent capacity controls than domestic transport in the various countries. The same applies to permission for Community transport undertakings to operate in a Member State where they are not resident. Shipping operated by Community undertakings must enjoy freedom on all European inland waterways and third countries should be permitted to operate on the basis of reciprocity.
- (d) The restrictions on transport between parts of a Member State by ships flying the flag of another Member State must be abolished.
- (e) A common air transport policy must be developed through multilateral negotiations on landing rights and air route planning within the Community and in relation to third countries.
- (f) Cooperation between railway systems should be promoted by setting up a permanent umbrella organization of the nine state railways, within which the various bodies concerned can work towards progressive harmonization of fares, freight charges and conditions of carriage, ending of the splitting up of freight, and especially bulk freight, at the frontier, technical harmonization, joint planning of equipment procurement and removal of all obstacles at frontier crossings, particularly by speeding up formalities.

IV. Measures during the first stage

- (a) The Council should, at a prolonged meeting before mid-1975, adopt the following proposals put forward by the Commission in its programme of priorities, on which Parliament has already delivered its opinion, in certain cases some considerable time ago:
- Regulation of the Community quota for the trans-frontier road haulage.
 - Authority to negotiate on bus and coach traffic with third countries.
 - Arrangements for the laying up of inland waterway vessels.
 - Arrangements for access to work and freedom of establishment in transport.
 - Ratification of the AETR¹ and provisions supplementing Regulation No. 543/69 (harmonization of certain social legislation relating to road transport).
 - Harmonization of driving licences.
 - Finalization of maximum permissible dimensions and weights for lorries.
 - Harmonization of provisions on the technical inspection of motor vehicles.
 - First step towards the harmonization of motor vehicle taxes.
 - Adoption of the system of payment for the use of transport infrastructures.
 - Common regulation of the financial relations between states and railways.
 - Initial steps towards a common air transport policy.
- (b) By the beginning of 1975 the Commission should submit proposals for the following measures, to enable the Council to adopt them by mid-1975:
- Development of the consultation procedure on infrastructures with the aim of progressing from a mere exchange of information to permanent cooperation through consultation meetings, drawing up joint infrastructure programmes and in particular developing effective joint decision-making machinery for long-term invest-

¹ Economic Commission for Europe, Committee on Internal Transport: 'European agreement on the work of vehicle crews engaged in international road haulage (AETR)', Geneva, 19.4.1962.

ment projects, such as the Channel Tunnel, the tunnel through the Alps, the introduction of new transport techniques, discouragement of private motoring in favour of the use of public transport, etc.

- Overall proposal for capacity control in road haulage, in particular replacement of bilateral quotas by the Community quota, harmonization of procedures for capacity control of road haulage within Member States and procedures for possible abolition of quota restrictions, although it is essential to keep open the possibility of reintroducing them in the event of market disturbances.
- Overall proposal for capacity control in inland waterway transport, with a Community procedure for capacity control, since the laying-up arrangement cannot, on its own, solve the problem in all situations.
- Overall proposal for the regulation of prices for the carriage of goods by all modes of transport at both domestic and international levels, based on the greatest possible freedom in fixing prices whilst ensuring publicity of prices and providing for common procedures to enable effective action to be taken quickly in the event of market disturbances.
- Extension of the harmonization of social legislation to transport by inland waterway and rail, as well as to air and sea transport.
- First steps towards a common sea transport policy.

(c) The Commission should by the end of 1975 submit to the Council official proposals on the following issues, to enable the Council to adopt the necessary legislation by mid-1976:

- Road safety programme, including the draft of a uniform European road traffic code, incorporating the harmonization results achieved so far by the ECE and ECTM.
- Improvement of transport statistics to enable them to be used as an instrument of transport policy, particularly in connection with forward-planning projects under the infrastructure policy and market surveillance for the purpose of capacity and price regulation.
- Creation of joint financing instruments for infrastructure projects in which the Community interest greatly outweighs the interest of the states concerned, particularly in connection with the closure of gaps in the transport infrastructure network at the Community's internal frontiers.
- Joint research programme for new transport techniques.

- Joint programme for the promotion and harmonization of vocational training for all modes of transport.

V. Measures during the second stage

- (a) Simultaneously with the preparation of the measures to be taken during the first stage the measures for the second stage must also be prepared, to enable the Council to adopt a precise timetable for the second stage by the end of 1976.
 - (b) The measures to be taken in the second stage are defined as the difference between the list of aims stated above and the state of the common transport policy achieved in the first stage.
 - (c) It is already clear, however, that the following problems in particular will have to be solved during the second stage:
 - Final implementation of the system of payment for the use of transport infrastructures.
 - Harmonization of motor vehicle taxes and oil taxes.
 - Completion of the technical harmonization of means of transport.
 - Completion of the common air and sea transport policy.
 - (d) The ultimate aim must be the establishment of a common transport market by the end of the second stage.
9. Appeals to the economic interests involved, the governments and, through them, the European public, to take proper account in future of the fact that the construction of Europe cannot progress further and that even the partial successes already achieved, such as the customs union, will be jeopardized if they are not backed up by a common transport policy, and that, therefore, transport policy is not something which concerns only the transport market and those engaged in it, but has far-reaching and long-term effects on all aspects of economic life and the economic union;
10. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

Communication from the Commission
of the European Communities to the
Council on the development of the
Common Transport Policy

Development of the common transport
policy

Introduction

1. The time has come to give a new impetus to the development of the common transport policy.

Since the general guidelines defined by the Council in 1965 and 1967, there have been substantial changes, both in economic and geographical terms and as regards society's requirements. Considerable changes have also occurred in the transport industry. The enlargement of the Community has given a new dimension to the action to be taken at Community level in transport matters, within the Nine, because of changes in traffic flows and the means of transport used, and in relation to non-member countries. The common transport policy must make a substantial contribution to the attainment of the objectives laid down in particular by the Summit Conference in October 1972, which place growing emphasis on the human factor, on regional development and on protection of the environment.

Preamble

A. The current state of the common
transport policy

Unchanged

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But there can be no conceivable transition to Economic and Monetary Union unless a functional common transport policy is established at the same time.

The common transport policy has not made striking progress in recent years. The practice of adopting at intervals partial and limited measures extracted from the Commission's proposals slows its development. The Community needs, on the contrary, to work out an overall approach enabling it to respond, in the medium and long terms, to the requirements of a society and an economy which are in the midst of profound change.

2. The guiding principle behind the concept of the common transport policy, as it was developed by the Commission in its 1961 Memorandum, was that transport undertakings and users should benefit from the advantages of competition. The measures proposed since then, which have only been adopted in part, are aimed at this objective. Some of them are intended to bring closer the conditions of competition between transport undertakings and transport modes.

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2. The guiding principle behind the concept of the common transport policy, as it was developed by the Commission in its 1961 Memorandum, was that transport undertakings and users should benefit from the advantages of competition. The measures adopted since then are aimed at this objective. Some of them are intended to bring closer the conditions of competition between transport undertakings and transport modes.

Others are intended to organize the transport market, whose operating rules should be as close as possible to those of a free market economy.

Unchanged

Furthermore, the common transport policy should underpin the customs union and exclude any discrimination between producers and consumers in the Common Market that might arise as a result of transport policy rules.

This approach should now be followed up and extended to take account of current economic and political developments, including the working out of structural policies for the Community. The common transport policy should contribute to the implementation of these policies.

Unchanged

3. The Council already has before it a working document by the Commission's staff¹, which was intended to serve as the basis for a dialogue with the Council with a view to defining more closely the role of the common transport policy in the enlarged Community. The Commission now presents a communication on the objectives and action which it considers essential if transport is to meet the requirements of the new economic entity.

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¹ Doc.COM(73) 850 of 30 May 1973

3. (New) After a long period of slow progress towards a common transport policy, the public in general and the transport undertakings, transport workers and transport users in particular have largely lost faith in the ultimate emergence of such a policy. And yet the cooperation and confidence of the administrative departments and individuals concerned must be regained, and this will only be possible if the Community's plans for the coming years are clear.

4. The Commission recognizes the differences of interest and of opinion which exist in transport matters. It believes that a dialogue between Community institutions, first of all within the Council and then through exchanges of views with the European Parliament and the Economic and Social Committee, could help to resolve these difficulties.

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In addition, the Commission regards these dialogues and exchanges of views as a useful means of obtaining the necessary information for deciding on the contents and order of priority of the measures to be taken. The Commission will present to the Council proposals for common rules within the context of the long-term objectives and guidelines and the programme for action in the short term set out in this communication.

4. It would therefore be useful to decide on the contents and order of priority of the measures to be taken. The Commission will present to the Council proposals within the context of the long-term objectives and guidelines and the programme for action in the short term (1974-1976) set out in this communication.

The Council, for its part, should quickly adopt those measures whose examination is sufficiently far advanced.

5. This communication refers in Part I to the changes which have taken place in the transport sector and in society itself (Chapter I), goes on to set out the requirements which the common transport policy must meet (Chapter II) and the role of the public authorities (Chapter III), and describes a Community transport system which would meet the needs of economic union (Chapter IV). In Part II, the communication sets out a programme of action (Chapter V).

Part One: Analysis, Objectives and instruments

Chapter I: Analysis of the development of the transport sector

A. The existing tendency towards expansion

6. Community transport accounts for about 6% of GNP (both transport and communications), as compared, for example, with agriculture's 5%. If own-account transport operations and transport by private car are also included, the figure is nearly 15%.

The share of transport in total investment by firms in the enlarged

The Council should quickly adopt those action programme measures which the Commission will shortly submit in the form of a general proposal.

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5. (New) The communication is based on the following analysis of current developments in the transport sector:

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B. The existing tendency towards expansion

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Community can be estimated at between 15% and 20%. Transport accounts for 40% of gross fixed asset formation by the public authorities, the percentage of whose total expenditure which went towards transport infrastructure doubled between 1960 and 1970.

In the nine Member States transport's share of final energy consumption can be estimated at 16% (13% of which is accounted for by road transport alone).

The total numbers employed in transport in the nine Member States can be put at several million, including 1.3 million employed by the railways.

7. The development of the transport sector over the last ten years shows a marked expansion. Total goods traffic within the Six increased by 42% between 1963 and 1970. Unchanged

Total national goods traffic for the Six can be estimated for 1970 at more than 6,000 million tons. In addition, their internal transport of crude oil by pipeline was over 95 million tons in the same year. Unchanged

Transport by private car in the Nine almost doubled over this period, to reach about a million million passenger/kilometres in 1970. At the same time the number of private cars also doubled to a figure of more than 55 million, or one car for every 4.5 people. Unchanged

In contrast, public passenger transport, other than air transport (where the number of passenger/kilometres increased by 163% between 1963 and 1971), has increased hardly at all.

The individualization of transport, that is the shift from public to private transport, is one of the main reasons why the share of expenditure on transport and communications in private consumption within the Six increased from 8.5% in 1961 to 11% in 1971.

8. Transport has made a substantial contribution to the growing interpenetration of national economies within the Community. Trade between Member States has increased sevenfold since 1957 at current prices, and the ratio between trade and GNP has risen from 4.24% to 8.82%.

International goods traffic between Member States by the three forms of inland transport and by sea transport reached in 1970 342 million tons for the Six and some 420 million tons for the Nine, after growing at 10% per annum in the period 1963-1970. In addition, international traffic by pipeline of almost 71 million tons of crude oil took place between the six Member States in 1970.

Unchanged

The individualization of transport in recent decades, that is the shift from public to private transport, is one of the main reasons why the share of expenditure on transport and communications in private consumption within the Six increased from 8.5% in 1961 to 11% in 1971. This trend will continue if no action is taken to counteract it. There is no doubt that it has been encouraged until recently by neglect of public transport at national and local authority level.

Unchanged

Unchanged

The growth in international transport has been accompanied by improvements in transport infrastructures linking the Member States and the removal of a large number of obstacles to traffic across the borders. This should not however be allowed to obscure the fact that the transport infrastructures still have many shortcomings and that many obstacles still remain which call for large-scale financial action.

9. Any record of the development of transport over the last few years would be incomplete if it failed to refer to the loss of human life, to the injuries, and to the social cost of the expansion of transport.

Unchanged

In road transport in particular, one of the consequences of expansion has been that 60,000 people are killed and 1,500,000 injured each year in road accidents in the nine countries.

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Quite apart from environmental problems, the cost to the community of meeting the needs of public transport has continued to grow. For example, the aggregate deficits of the national railways of the Six, after deduction of costs met by the States, rose in 1971 to 1,400 million units of account, ten times as high as in 1960.

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In most member countries the state bears high costs in support of the transport sector, particularly for inland waterway, road transport, air transport and sea transport infrastructures.

B. Considerations affecting future development

10. The factors behind the expansion of the transport sector will continue to exert an influence during years to come. This will be true of the quantitative factors, such as the growth of the gross national product and the increasing interpenetration of national economies within the EEC. It must also be true in the case of the qualitative factors, such as the desire of transport users for constantly improving services corresponding more and more to their personal requirements, and the development of new transport techniques.

11. Nevertheless, certain factors cast doubt on the wisdom of simply extrapolating the trends observable in transport in recent decades.

(a) Problems of growth

12. The expansion of the transport sector has many positive sides, but the growth must conform to the requirements imposed by the good of society. It

C. Considerations affecting future development

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Unchanged

is increasingly running up against inescapable limits which arise from economic and technological developments in highly industrialised countries with dense populations. Congestion is tending to nullify the effects of increases in transport capacity and to increase social costs to a disproportionate degree. At the same time public passenger transport is often in decline, and this makes the situation worse.

Natural resources (available land, energy) are gradually becoming scarcer, which increases the significance of the waste which can result from a wrong choice between different transport techniques designed to satisfy the same ends. The need to protect mankind more effectively from the points of view of the environment (pollution and noise, for example), and of safety entails costs which often exceed the advantage gained by the transport user.

Attempts are being made to solve this problem by banning motorized road traffic from town centres, creating special bus lanes, and increasing investment in road transport, park-and-ride facilities, etc.

Natural resources (available land, energy) are gradually becoming scarcer; in particular, the era of cheap energy is over. This increases the significance of the waste which can result from a wrong choice between different transport techniques designed to satisfy the same ends. The need to protect mankind more effectively from the point of view of the environment (pollution and noise, for example), and of safety, entails costs which often exceed the advantage gained by the transport user.

The development of the transport sector is inevitable and necessary, but the development needs to take forms which do the least damage to the community.

(b) Changes in economic geography

13. Europe's economic geography has changed considerably following the need to rely more and more on external sources of raw materials (oil, iron ore, non-ferrous metals), a tendency which has been encouraged by the fall in relative terms of bulk sea transport costs.

The importance of the sub-soil as a factor in the siting of industry has declined. The role of transport as a factor affecting regional development has been reinforced by the accelerated expansion of industrial growth areas and by the widening of the range of potential industrial areas, though these zones do not necessarily coincide with the less developed regions.

With continuing general economic growth, further development of the transport sector is inevitable and essential; however, this development must take forms which have the least damaging side effects on the community.

(b) Changes in economic geography

Unchanged

In recent years there has been a relative decline in the importance of the old European industrial regions which depend chiefly on coal and ore deposits. The combination of cheap raw materials from overseas and cheap energy and hence also cheap transport, has made transport an even more important factor in regional policy development. The number of areas potentially suited to industrialization has increased, but it must

be remembered that these are by no means always found in the poor regions. With the increasing rises in the cost of energy and raw materials from overseas this trend will again be at least partially reversed and with their own raw materials and the attraction of a large population the old industrial regions will regain some of their importance.

(c) New transport techniques

Unchanged

14. As new methods of transport are developed, the harmonious integration of the various elements into a single system is more and more difficult to achieve. The appearance of improved techniques alongside existing ones may well give a wider choice to the user, but it may at the same time worsen congestion problems and bring the risk of wasted resources. The different techniques should be genuinely complementary to prevent their multiplication from producing only a slight gain for society. The problem of the penetration of urban areas by inter-urban traffic flows is an example of this.

In view of all these problems it is particularly important to coordinate at European level technical research and tests on new transport techniques and to set up the machinery necessary for taking joint decisions on the introduction of fully developed new modes of transport and to integrate them in the European transport network.

C. National transport policies and the needs of economic union

15. The Member States are well aware of the evolution referred to above. They are starting to deal with it by revisions of their own transport policies. The governments of some Member States are currently developing plans of this kind. But to the extent to which the intervention of the public authorities in transport is confined to the national or bilateral level, there is a risk of increasing the 'compartmentalization' of national transport policies, a compartmentalization which is still with us despite fifteen years of efforts to implement a common transport policy.

D. The needs of economic union

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This compartmentalization of national transport policies is not compatible with a customs union. Obstacles to transport are worse than customs barriers. A common market let alone an economic union is even less likely to succeed unless obstacles to transport between the Member States are eliminated together with distor-

16. Intervention by the public authorities in transport is clearly necessary. However, the divergences between the various interventions of the authorities at national level and the related rigidity of national transport arrangements led the authors of the EEC Treaty in 1957 to provide for a common transport policy for the Common Market. But the objectives which the Council laid down between 1965 and 1967 by a series of key decisions have only been achieved to a very partial extent.

17. With a view to achieving some liberalization of the transport market, the common transport policy envisaged a harmonization of competitive conditions (particularly social and fiscal conditions) within each mode of inland transport and between modes. But although a number of proposals have been made, not enough harmonization has so far been achieved even to lead several Member States to accept a certain degree of market liberalization in road transport, the mode of transport where liberalization seemed the most urgently required.

tions of competition arising from differences in national legislation.

16. Intervention by the public authorities in transport is clearly necessary. However, the divergences between the various interventions of the authorities at national level and the rigidity of national transport arrangements led the authors of the EEC Treaty in 1967 to provide for a common transport policy for the Common Market. Unfortunately the 1961 proposals from the Commission and the European Parliament on the development of an overall concept were not accepted. Between 1965 and 1967 the Council adopted no more than a few outline decisions representing the lowest common denominator of what the various Member States at that time wanted. And even these decisions were implemented only in very limited spheres.

Unchanged

18. It is enough to recall the situation which exists in international road transport between Member States. Depending on the journey in question, transport for hire or reward is either free, or subject to authorization, or subject to permits granted within a quota system. The nature of the authorization varies from one type of journey to another (period of validity, freedom to pick up a return load, etc.). The basis for international transit within the Community varies from state to state. Own account transport is sometimes free, sometimes subject to quotas. The arrangements for combined transport are inadequately developed and are not harmonized as between Member States. It is important to emphasize that by virtue of article 75 of the Treaty, common rules applying to international transport, and the conditions under which non-resident transport undertakings may be allowed to engage in national transport activities within a Member State, should have been drawn up during the transitional period.

Unchanged

19. The efforts which have been made to eliminate impediments to trade and to create a common transport market have not fully succeeded, and the common transport policy is in an impasse.

Unchanged

20. To ensure that transport makes an effective contribution to the pursuit of society's well-being in economic union, it is necessary to find the way forward. Measures should be taken through the common transport policy to prevent purely national action, however justified it may appear, from leading to the retention of existing, or even the creation of new, impediments to the progress of economic integration.

Unchanged

At present there is even a danger that the lack of progress in the transport policy will again jeopardize Community achievements in widely varying areas.

21. The difficulties which must be resolved in order to achieve harmony between economic growth and the quality of life can only find genuine and economically acceptable solutions at Community level. The creation of Community transport arrangements will, for example, contribute to dealing with traffic congestion and the disequilibria resulting from changes in economic geography. In particular, new techniques of high speed transport require a Community network.

21. The difficulties which must be resolved in order to achieve harmony between economic growth and the quality of life can only find genuine and economically acceptable solutions at Community level. Economic union is unthinkable without a common transport policy, and a common transport market is a necessary component of economic union.

22. At the same time, in order that these new techniques should be developed effectively, so that the different means of transport are complementary, it is advisable to arrive at Community choices in the context of research, manufacture and installation of the new techniques.

23. To sum up, the common transport market has not yet been achieved. To prevent the situation from worsening, the Community needs to define the aims of its common transport policy.

Chapter II: Objectives and scope of the common transport policy

A. Objectives of a common transport policy

(a) The Treaty of Rome¹

24. Pursuit of the general objectives of the Treaty within the framework of a common transport policy, as envisaged in Articles 3(e) and 74 of the Treaty, requires the progressive introduction of coherent Community transport arrangements capable of

22. Deleted here, but see also Sec. 14 and Sec. 34.

23. To sum up, the common transport market has not yet been achieved. To prevent the situation from worsening, the Community needs to define the aims of its common transport policy now and to achieve these aims as and when economic union is developed.

I. Objectives and scope of the common transport policy

A. Objectives of a common transport policy

(a) The completion of the framework established by the Treaty of Rome

24. Unchanged

¹ The Treaty of Paris, setting up the ECSC, also includes provisions about transport (article 70), but directed only to the interests of coal and steel consumers: it does not envisage a common policy for coal and steel transport though some transport measures have been taken, such as direct international tariffs.

meeting the requirements of economic union and of society at the least cost to the community. On the effectiveness of these arrangements will depend in large measure the optimum utilization of factors of production and development in the interests of improving living and working conditions¹. The specific objectives of the 'Transport' title of the Treaty of Rome (articles 75 to 84) remain the basis of action in this field, due account being taken also of the fact that the general provisions of the Treaty apply to all sectors of transport, to the extent that derogations are not expressly envisaged and without prejudice to special dispositions drawn up within the framework of the common transport policy.

25. The purposes of the Treaty for the transport sector have not yet been achieved; Community action must, therefore, as in the past, continue to remove remaining impediments to the free circulation of transport services and harmonize the framework within which the activities of the different transport modes and undertakings are exercised. It must also provide instruments enabling the play of market forces to be corrected where required (e.g. tariffs and capacity control).

¹ Preamble of Treaty of Rome

25. The purposes of the Treaty for the transport sector have not yet been achieved. Nor has the Treaty yet been amplified by the establishment of principles governing the common transport policy. The Community has hitherto concentrated - although not yet successfully enough - on the elimination of discrimination contrary to the Common Market, the removal of obstacles impairing freedom to supply transport services and the harmonization of the general framework within which the various transport modes and undertakings operate. The Community has also attempted to provide instruments enabling the play of market forces to be corrected where required (e.g. tariffs and capacity control).

But this concept of the common transport policy must be widened. To rest content with ensuring the proper functioning of transport activities is no longer enough if the developments described in the previous chapter are to be faced effectively. The public authorities of the Member States and the Community should, in close collaboration, put right the deficiencies which can be seen today.

26. It is in no way a matter of rejecting the guidelines of the common policy followed thus far, particularly that which regards the market economy as an effective means of allocating resources. It is rather a matter of complementing them with guidelines aimed at organizing transport's contribution to the attainment of the objectives defined by the heads of State and Government in Paris in October 1972.

Unchanged

26. It is in no way a matter of rejecting the guidelines of the common policy followed thus far, particularly those which regard the market economy as the effective means of allocating resources. It is rather a matter of complementing them with a long-term development policy aimed at organizing transport in such a way that the objectives defined at the Paris and Copenhagen Summit Conferences may be attained.

The tasks of the common transport policy may therefore be summarized as follows:

1. Elimination of all remaining sources of distortion to competition.
2. Market Regulation (harmonization of overall framework, capacity policy, price policy).
3. Liberalization (common transport market).
4. Long-term development policy aimed at a community transport system.

(b) Contribution of transport policy towards the attainment of the objectives of the Paris Summit Conference (October 1972)

27. Transport must contribute to overall development within the framework of the guidelines adopted by the Paris Summit, which stressed the need to:

- strengthen the Community by forming an economic and monetary union as the basis of social progress and as a remedy for regional disparities;
- enable disparities in living conditions to be reduced by means of economic expansion (improvements in the quality of life and in standards of living);
- pay special attention to non-material values and to protecting the environment;
- develop international trade with all countries, taking into account the interests of the developing countries.

The Heads of State and of Government thus emphasized the need to make Community action meet the needs of its peoples. This 'human face' which must be given to Europe accentuates the socio-economic character of Community action and of the Community policies through which that action must be expressed.

(b) Contribution of transport policy to the attainment to the objectives of the Paris (October 1972) and Copenhagen (December 1973) Summit Conferences

27. Transport must contribute to overall development within the framework of the guidelines adopted by the Paris and Copenhagen Summit Conferences, which stressed the need to:

- strengthen the Community by forming an economic and monetary union as the basis of social progress;
- abolish the disparities between individual regions by introducing a common regional policy;
- enable disparities in living conditions to be reduced by means of economic expansion (improvements in the quality of life and standards of living);
- pay special attention to non-material values and protecting the environment;
- develop international trade with all countries, taking into account the interests of developing countries.

The Heads of State and of Government thus emphasized that Community measures did not end with the establishment of the Common Market but should be geared more to the human needs of the Member States. The 'human face' which must be given to Europe accentuates the socio-economic character of Community action and of the Community policies through which that action must be expressed.

The common transport policy must, indeed, constitute a factor for social progress making, on the one hand, the best possible response from the Community's standpoint to transport needs and, on the other, a contribution to improving the living and working conditions of those employed in the sector.

28. While making its contribution to these general aims, the common transport policy must, while retaining its special characteristics, move in the direction of closer links with the other Community policies through which the aims are also pursued. It should be implemented, like these other common policies, 'with due regard for the parallels between the progress of monetary union on the one hand and the convergence of economic policies and the development of joint action in the regional, structural and social fields on the other'¹, with a view, especially, to making an active contribution to a more balanced development of the regions.

29. The paragraphs which follow give examples of some of the connections between transport and Community policies and measures in other fields. The Commission is not yet able to describe in every detail the links between the common transport policies and those other policies. So it

Unchanged

28. Unchanged

29. The paragraphs which follow deal with the interdependence of transport policy and other Community global and sectoral policies. Generally speaking it must be borne in mind that the main way in which transport can help to attain objectives in other sectors and to realize the

¹ Resolution of the Council and of the Representatives of Member State Governments, 21 March 1972. OJ No. C 38 of 18 April 1972, p.3.

confines itself, for the present, to suggesting some general considerations and giving some examples. However, it must be emphasized that the main contribution which transport can make to the attainment of the objectives of the Paris Summit is to be efficient and to operate at the lowest cost to the community.

Community's general policy is by being efficient and operating at the lowest cost to the Community. The inclusion of transport in the general policy does not mean upsetting the equilibrium in the transport sector to the advantage of other sectors.

ba) The interdependence of the policy of economic union and transport policy

29a. It should be emphasized that a European Common Market has been made possible and inevitable by developments in transport technology over the past hundred years. Obstacles to transport have direct effects on the smooth functioning of the Common Market. Transport restrictions and all distortion of competition arising from transport policy rules are therefore incompatible with the essence and existence of a common market. It is essential for the development of the common transport policy that we should spell out at the outset exactly what a common market implies as far as the liberalization of transport is concerned. The Treaty of Rome did not do this and it must be done now. International transport obviously cannot be brought under less strict rules than transport within the individual countries, but similar rules must be adopted. For this purpose the individual countries' rules on internal transport should be harmonized on the scale required to

draw up common rules for international transport.

Liberalization in the transport sector cannot be divorced from the harmonization of transport legislation; the two must proceed together at the same pace. Each represents an important contribution of the transport policy to the functioning of the Common Market and of economic union, which are based on the principles of free movement and non-discrimination. These principles must also be made to apply to transport.

29b. Progress towards economic union and the development of the common transport policy must be closely synchronized if progress in economic and monetary policy is not to be thwarted by a lagging transport policy.

(bb) The interdependence of external economic policy and transport policy

(See Sec. 37 of the Commission's text.)

29c. Internal transport policy must be supplemented by a transport policy on trade with third countries, in the same way as the customs union has a duty free internal market together with a common external tariff.

29d. The common transport policy must play its part in opening up the Community to the outside world. External economic policy must be supplemented by an external transport policy. First and foremost, this implies satisfactory expansion of

transport infrastructures providing links with neighbouring countries and ports and the expansion of the ports themselves.

29e. A common air and sea transport policy is an essential complement to the common external economic policy. Air and sea transport form the technical basis for Community trade with the rest of the world. The Community can no longer conclude trade and sea transport agreements and general association and trade agreements under the banner of economic and monetary union without taking transport problems into account; and in future no further agreements should be made with third countries on transport questions without taking the common transport policy into account.

29f. Although such a policy does not run counter to the Community's cooperation in transport policy matters with third countries in Europe and the rest of the world, it does make it necessary to gear the common transport policy to the transport policy pursued by the Community at world level and within the framework of other international organizations. The Community must in this way work towards international agreements in those fields in which cooperation interests necessarily go beyond the framework of the Community. Moreover, the Community must make an effort to ensure that third countries adopt the measures necessary to guarantee freedom of movement at international level and it must itself grant such freedom of movement to third

countries. Free transit from one member state to another through third countries and from one third country to another through the Community represents only one aspect of these objectives, but one which should form part of the common transport policy.

(bc) The interdependence of fiscal policy and transport policy

(See sec. 32-33 of the Commission's text)

29g. The Member States' fiscal and transport policy are in many ways interconnected and interdependent. Transport accounts for such a large proportion of the national budgets of all states that it may rightly be said to have a considerable influence on fiscal policy. Moreover, all Member States have taken over a very large share of the financial responsibility for transport. In the first place, the major railway companies have been nationalized in all Member States, and secondly the states have taken over financial responsibility for road transport and inland waterway infrastructures, and in some cases also for air transport and sea transport infrastructures. It is just as unthinkable to take transport policy decisions without considering their effects on the budgets of the Member States as it is to take fiscal policy decisions without regard for their effects on the transport market.

(See sec. 32 of the Commission's text)

29h. Within the framework of the Commission's proposals for a common system of charging for the use of transport infrastructures¹, specific

¹ Doc. COM (71) 268 final.

taxes must become instruments of that tariffication. Insofar as these taxes fall on commercial vehicles or their fuel, their structure and level should be determined exclusively as a function of the factors related to infrastructure costing in order to create equal conditions of competition.

These measures, which must fit into the overall context of harmonizing excise duties on mineral oils, must allow the dismantling of fiscal barriers in this field. These measures do not prevent the imposition of supplementary taxes on private cars or their fuel.

(See sec. 33 of the Commission's text)

29 i. Goods transport is, according to the terms of the first Council Directive, of 11 April 1967, on turnover taxation¹, compulsorily subject to the common system of VAT. The draft sixth directive, which the Commission forwarded to the Council on 29 June 1973², envisages the extension of this system to passenger transport, except for international sea and air transport, which are temporarily exempted until 31 December 1976.

In order to avoid distortions of competition between modes of transport within a single Member State, it is desirable that the same rate of VAT should apply to all transport modes.

¹ OJ No. 71 of 14 April 1967
² Doc. COM (73) 950 fin.

29j. Since the transport market can be regarded as a largely integrated competitive market, the taxation must be neutral as regards competition. The taxation of one transport mode with a view to financing the infrastructure investment or deficits of another transport mode is contrary to the concept of an integrated transport sector.

Undercovering of infrastructure costs is permissible in exceptional cases; for example, in order to compensate for the accumulated need for investments in local public transport. The general State budget should be used for financing. At all events, transport infrastructure planning must be linked with the system for raising funds to cover infrastructure costs.

ba) Transport and regional policy

30. Public investment in transport infrastructure is an essential basis for the development of structural policies, particularly regional policy and planning. A common transport policy, covering the field of infrastructure investment, should contribute not only to developing the less favoured regions but also to reducing congestion in overcrowded areas.

Regional planning cannot be achieved simply by shaping transport networks. Means of financing them must be available at Community level. Proposals to this end have already been made by the Commission¹. Moreover, the Com-

bd) The interdependence of regional policy and transport policy

30. Public investment in transport infrastructures is an important factor in structural economic development, particularly as regards regional policy and planning. A common transport policy, covering the field of infrastructure planning, must evolve common criteria as a means of contributing to the development of the less-favoured regions in general and of reducing congestion in overcrowded areas. In particular, common criteria should be adopted to determine the extent to which the rest of the transport policy, (i.e. over and above infrastructure planning) is to contribute to regional policy objectives

¹ Doc. COM(73) 1170 final, 25 July 1973

munity's transport arrangements should make a general contribution to the mobility of labour.

The Commission recalls that it has already forwarded to the Council an aide-memoire on transport as a means of furthering regional policy and regional planning on a Community scale; this includes a more detailed description of the role of transport in this field.¹

bb) Transport and social policy

such as the mobility of labour and other production factors. Conversely, every regional development plan must contain practical proposals on transport for the region concerned. As regards financing, money from the regional fund or other regional policy appropriations should never be deducted from the general transport infrastructure budget.

Deleted

be) The interdependence of social policy and transport policy

30a. Almost all countries expect transport to make a considerable contribution to social policy, fares being subject to certain social requirements. Some of these arrangements are purely social in nature, as for example, fare reductions for war victims and industrial invalids or pensioners. Others are intended to increase the mobility of workers using shuttle services or moving from one area to another. The advantages here lie both with the beneficiaries and with their employers. The common transport policy must keep a continuous check on these matters (as it already does) since the financing of such fare reductions may cause considerable distortions of competition in the transport market.

¹ Doc. SEC(72) 3827 final, 31 October 1972.

31. Quite apart from the application to the transport sector of the common rules on the free movement of labour within the Community, working conditions as well as the make-up of vehicle crews constitute an important factor affecting the competitive conditions which determine the costs of transport undertakings. Their harmonization in the cause of social progress, for the three forms of inland transport, is thus an essential contribution to the proper functioning of the common transport market. Some harmonization of working conditions should also be envisaged for air and sea transport and for ports.

31. The Community's social policy will have significant effects on transport. The common rules on the free movement of labour within the Community must also be fully applied in the transport sector. In the same way, general social harmonization will also affect the transport sector. Everything done within the framework of the social action programme as regards employment, working conditions, vocational training, social security, industrial safety and industrial hygiene, is important for the transport sector. However, there are also some specific social policy measures, for example, the make-up of vehicle crews, driving breaks, crew training and other provisions, which affect the transport sector alone. These provisions, which have already been adopted for several important areas, are designed to promote transport safety, social harmonization, and the harmonization of the competitive conditions under which the transport undertakings operate in the various States. The harmonization of these conditions on the basis of social progress in respect of all methods of transport makes an important contribution to the smooth running of the common transport market and is a prerequisite site for freedom of movement within this common transport market.

In addition to problems of competition in transport, which have both social and safety aspects, other matters in the area of social policy proper also affect the common transport policy. Social policy in transport, within the general programme of social action, covers in particular the fields of employment, working conditions, vocational training, social security and industrial health and safety.

Deleted

In the case of employment, it is right to emphasize that technical development in transport and adaptation by transport undertakings may bring problems which need to be solved, with particular reliance on retraining, in a cooperative spirit and with full respect for the right to work. If necessary, the Social Fund should be called upon to finance the necessary readaptation for transport workers.

Deleted

All these objectives should be pursued by means of concertation with both sides of industry.

unchanged

bc) Transport and fiscal policy

Deleted (see paragraph 29 h above)

32. Within the framework of the Commission's proposals for a common system of charging for the use of transport infrastructure¹, specific taxes should, to the extent that they need to be retained, become instruments of that tarification. In so far as these taxes fall on commercial vehicles or their fuel, their structure and level should be deter-

¹ Doc. COM(71) 268 final

mined exclusively as a function of factors related to infrastructure costing.

These measures also have links with the question of harmonizing duty on mineral oils and must satisfy the criteria of that harmonization and, in particular, allow the dismantling of fiscal barriers in this field. The measures do not prevent the imposition of supplementary taxes on private cars or their fuel.

33. Goods transport is, according to the terms of the first Council Directive, of 11 April 1967, on turnover taxation¹, compulsorily subject to the common system of VAT. The draft sixth Directive, which the Commission forwarded to the Council on 29 June 1973², envisages the extension of this system to passenger transport, except for international sea and air transport, which are temporarily exempted until 31 December 1976.

As passenger transport usually has the character of final consumption it is desirable, with a view to avoiding distortions of competition between modes of transport within a single Member State, that the same rate of VAT should apply to all transport modes.

¹ OJ No. 71, 14 April 1967.

² Doc. COM(73) 950 final.

Deleted (see paragraph 29h above)

Deleted (see paragraph 29i above)

Deleted (see paragraph 29i above)

(see paragraph 35 of the Commission's text)

bf) The interdependence of environmental policy and transport policy

33a. The development of transport raises serious environmental problems, particularly from the point of view of noise, pollution, vibration and traffic congestion. These problems are growing increasingly serious in urban areas.

The Community action programme¹, adopted in July 1973, includes measures in these fields. Some provisions under the common transport policy, particularly as regards the carriage of dangerous goods, technical harmonization (maximum permissible dimensions and weights, lead content of petrol, exhaust gases, noise levels, etc.) and the allocation of infrastructure costs will also provide solutions. However, further measures may also be necessary and should reflect close coordination in the development of environmental and transport policies.

¹ Doc. COM(73) 530 fin. B and C of 10 April 1973.

bd) Transport and industrial policy

34. An efficient and economic Community transport system will increase competition and encourage specialization in all sectors of industry.

The existence of such a system, leading to a better knowledge of present and future demands for transport equipment, will make a marked contribution to the efforts which are in hand towards a restructuring of European industry, and will allow industry to derive the maximum benefit from an extended market. The transport sector is an important buyer of goods and services. It is in its interests that industry, in supplying the various means of transport, should be in a position to furnish equipment giving the best service at the lowest cost.

bg) The interdependence of industrial policy, technological policy and transport policy

34. Unchanged

The introduction of the common transport policy will undoubtedly modify many of the factors which go to determine industrial siting.

Unchanged

Transport technology is already a major concern of the Community's technology policy. Among the fields of technology policy which must be promoted are telecommunications, air transport technology, land transport technology, new rapid methods of transport, nuclear propulsion for ships, etc. Many 'key industries'

are bound up with the transport policy and it should not be forgotten that twice in the past, the transport sector has given considerable impetus to economic growth in the industrialized countries. The second half of the last century saw the railway boom and the first half of this century witnessed the automobile boom, which was scarcely affected by the Second World War, and is still making itself felt today. Transport policy decisions must obviously be coordinated with industrial and technology policy decisions.

At another level, transport undertakings need to have at their disposal as soon as possible the main instruments of industrial policy in order to benefit, in the same way as other enterprises, from conditions enabling them to adapt to the scale of the European market and to the advantages of an integrated economic area. This will mean, in particular, creating forecasting methods designed to adjust capacity to demand, to help workpeople to adapt to new conditions, to adapt plant and equipment to these conditions and to ease the restructuring of businesses.

Deleted

be) Transport and environmental policy
35. The development of transport raises serious problems as regards the environment, particularly from the point of view of noise, pollution, vibration and traffic congestion. These problems are magnified in urban areas.

Deleted(see, however, paragraph 33(a))

The Community action programme¹ adopted in July 1973 includes measures in these fields. Some provisions under the common transport policy, particularly as regards the carriage of dangerous goods and the allocation of infrastructure costs, will also provide solutions. However, further measures will be necessary and should reflect close coordination in the development of environmental and transport policies.

Delete (see, however, paragraph 33(a))

bh) The interdependence of agricultural policy and transport policy

35a. Of considerable importance for the Community is also the interdependence of agricultural policy and transport policy. As a result of decisions on infra-structure investments and systems of payment for the use of transport infrastructures, transport policy affects cultivation and the sale of agricultural products, both being dependent on a satisfactory expansion of the area transport system and of agricultural infrastructures. Not only industry but also agriculture will benefit from the common regional policy and be dependent on the transport policy aspects of this regional policy.

35b. Conversely, various aspects of the common agricultural policy affect the transport sector. The price policy in the agricultural sector provides for the fixing by the Community of certain basic prices at main consumer centres and for producer prices to be derived by subtracting transport costs from these basic prices. As this price policy is pursued in the

¹ Doc. COM(73) 530 final B and C of 10 April 1973

agricultural sector, certain conclusions have to be drawn for the transport policy: the agricultural policy makes certain demands on the transport policy. It cannot be denied that the transport policy will represent a threat to the common agricultural market just as the dangers inherent in the inadequacies of the European monetary policy cast a shadow over the agricultural market. Coordination of the development of the common transport policy with that of the agricultural market is therefore a matter of considerable urgency.

bf) Transport and energy policy

36. There are also close links between transport policy and energy policy. On the one hand, the various means of transport are great consumers of energy. On the other, they are responsible for delivering fuels, mainly oil and coal, which are an important element in internal goods traffic and account for the major part of goods traffic by sea.

bi) The interdependence of energy policy and transport policy

Unchanged

As the raw materials from which energy is obtained, e.g. coal and petroleum, are bulk goods, transport represents a considerable cost factor in energy production and energy distribution. Transport policy decisions on tariff questions and other questions affecting tariffs are therefore extremely important to the energy industry.

Energy policy is very much affected by decisions on technical harmonization

in the transport sector (lead content of petrol, emission gases, vehicle dimensions and weights etc.). Basic transport policy decisions, which influence the distribution of business among the various modes of transport, also have a considerable effect on the energy industry.

36a. Conversely, price and tax policies in the energy sector may substantially affect transport. The public became well aware of the interdependence of the two sectors when governments introduced bans on driving and speed restrictions as practically the only and, at any rate, the first energy-saving measures to be taken in view of the expected oil crisis.

It will be right to develop these policies together and to pursue research in the field of new fuels, so that action taken can bring improvement not only to transport but also to the energy situation.

Unchanged

bg) Relations with non-member states

37. The common transport policy must play its part in opening up the Community to the outside world. Independently of the measures which may be taken within the framework of the common commercial policy, transport policy should help towards the conclusion of international agreements on transport matters in areas which necessarily go wider than the Community framework, for example the use of new transport techniques or of combined transport. Further, it must look

Delete (see, however, paragraphs 29c to 29f)

towards the adoption by non-member states of the necessary measures to permit free movement across frontiers. The free passage of member states' traffic through third countries is only one of the aspects of this policy objective.

The special problems of sea and air transport will remain of particular concern to the Community, which must defend its own interests without harming those of non-member countries.

B. Scope of the common transport policy; main lines of action

38. To meet the requirements discussed above, it is necessary to pursue actively the setting up of Community transport arrangements which consist not only, as was mainly the case in the past, of measures of organization of the transport market, but also, in particular, of action in relation to transport infrastructure.

Delete (see, however, paragraphs 29c to 29d)

B. Scope of the common transport policy and principal measures to be taken under it

38. To meet the requirements outlined above, a community transport system must be implemented. A common transport system of this kind must not consist solely of a market organization like that decided on by the Council of Ministers in 1965 but also include infrastructural measures.

Infrastructural measures, however, should not mean simply coordination of construction planning of the major European transit routes (as advocated by the Commission) and the closing of gaps in the infrastructural network at the Community's internal frontiers, which are of only regional importance (as advocated by Parliament in various reports). To achieve a modern transport policy, an infrastructural policy must ensure that decisions on infrastructures are important basic decisions for the development of the capacity of the various modes of transport.

This new direction for the common transport policy will be determined more than in the past by the need for the public authorities to make a choice between various potential solutions, especially in the field of infrastructure - where, especially, the requirements of regional planning and of the environment must be respected.

39. Within the framework of such coherent arrangements for the whole Community, the coordination of infrastructures, a continued effort to reduce transport costs and a common transport market operating as freely and as fairly as possible constitute necessary elements in the interpenetration of the economies of the member states.

40. These Community transport arrangements should be introduced by stages, taking account of the rhythm of other action intended to lead gradually to economic and monetary union during the present decade.

38a. Infrastructure planning must therefore be coordinated within the framework of the common transport policy. The first step in this direction may be the joint development of decision-making criteria for the construction of new transport facilities. At the same time, the common system of payment for the use of transport infrastructures will represent an important step towards a common infrastructure policy.

The course taken in the future will be determined more than in the past by the need for the public authorities to make a choice between various potential solutions, especially in the field of infrastructure policy.

The tasks existing in the fields of regional planning and environmental protection also indicate the correctness of taking greater account of infrastructure policy in the common transport policy.

39. Unchanged

40. Unchanged

41. Such a policy, planned in a flexible way, will enable the Community to meet the needs of all sections of the public, including improving the quality of life, and to shoulder its responsibilities towards the various groups concerned:

- transport users, with the objective of providing freedom of choice, though without running counter to the community's interests by the provision of an excessive range of means of transport;

- transport producers (transport undertakings), with the objective of obtaining optimal use of the factors of production by permitting specialization of tasks within a more integrated system, healthy competition and the creation of instruments for continuous adaptation;

- people employed in transport, who should be able to work in conditions comparable to those of industry.

41. Unchanged

- transport users, with the objective of ensuring freedom of choice within limits to be set by the transport policy, though without running counter to the community's interests by the provision of an excessive range of means of transport; a further objective is the maximum possible elimination of distortion of competition and artificial distortions of costs which have an adverse effect on the transport user's freedom of choice (without prejudice to measures decided on common principles and favouring public over private transport);

- transport producers (transport undertakers), with the objective of obtaining optimum use of the factors of production, with healthy entrepreneurial development, i.e. the profitability of independent undertakings, as the basis for increased efficiency.

Specialization of tasks may be promoted within the framework of the infrastructure policy, but should otherwise be left to a fair form of competition. As part of an integrated system, healthy competition should not be allowed to run to excesses, and instruments allowing continuous supervision of the market must be created;

- unchanged

Chapter III: The roles of the public authorities and of transport undertakings

42. The broader objectives of the common transport policy require a greater degree of intervention by the public authorities. This intervention should be at market level only where the proper functioning of the market calls for the application of correctives, particularly in the event of crises or of imbalance between supply and demand. But the interventions of the public authorities in the creation and continuous adaptation of the transport network should, more than in the past, be made within the framework of the common transport policy, particularly in the field of infrastructures, or to satisfy society's requirements in such areas as safety or the environment. Thus this policy, which until now was applied mainly at the level of the transport undertaking, will in future increasingly be conducted at the level of the public authorities.

43. The introduction of an integrated system at Community level does not imply the systematic centralization of decision-making. The Community institutions will be able to restrict themselves to defining the framework

Freedom of movement, improvement of professional training and of work safety and progress towards harmonization of social regulations must characterize the social policy specifically designed for the transport industry.

II. The roles of the public authorities and of transport undertakings

42. the objectives of the common transport policy outlined above require a greater degree of intervention by the public authorities in Europe, but this must comprise infrastructure policy as well as organization of the transport market. Intervention by the public authorities should be at market level only where the proper functioning of the market calls for the application of correctives, particularly in the event of crises or of imbalances between supply and demand. In the field of infrastructure the transport network must be adapted to society's requirements. Apart from the provision of optimum transport services, safety and environmental protection in particular must be taken into account. In future, therefore, the common transport policy must be applied at the level not only of private and public undertakings but also of the public authorities.

43. Unchanged

within which the public authorities of the Member States will take decisions as regards the development of the networks (infrastructure), the introduction of new technology and the adaptation of organizational methods (international transport). In this respect, the common rules could probably very often be formulated as simply a harmonization of national arrangements, in the form of Directives leaving the Member States with the responsibility of giving effect to the principles laid down by Community institutions. The necessary arrangements for enforcement will of course have to be made.

44. The operating structures of transport undertakings do not always correspond to the requirements of a new distribution of tasks between public authorities and operators. Within the framework of Community transport arrangements, the direct responsibilities for operating, infrastructures and development (technical research) will have to be distinguished more clearly. The public authorities are bound to be responsible for shaping the infrastructures. They should also follow closely research into new technologies.

44. The operating structures of transport undertakings do not always correspond to the requirements of a generally advantageous distribution of tasks between public authorities and operators. Within the framework of Community transport arrangements, the direct responsibilities for operating, infrastructures and development (technical research) will have to be distinguished more clearly. Infrastructural planning must take place at the level of the public authorities. They should also follow closely

Decisions concerning investment in plant and equipment, on the other hand, should so far as possible be taken at the level of the transport undertaking, and action by the public authorities in this connection should be limited to protecting the general interest. For their part, the public authorities should attach great importance to extending to the whole Community the right to tender for public procurements. It may be desirable to encourage the grouping of orders, so as, on the one hand, to obtain for buyers the most attractive prices and the widest standardization of equipment; and, on the other, to enable manufacturers to increase their competitiveness through the widening of their market.

45. Costs laid on transport firms in the public interest should give rise to compensation. Other interventions in the financial interest of transport undertakings should not be made unless they conform to Community provisions on aids.

46. The costs of using transport infrastructure, which include external costs, should be imputed, with a view especially to ensuring the optimum allocation of resources. The system of cost allocation proposed by the Commission will have beneficial effects

research into new technologies. Research should receive public assistance, and the necessary decision-making machinery for the joint introduction of new techniques must be created as Community level.

Unchanged

45. Unchanged

46. Unchanged

as regards the approximation of conditions of competition and a better use of land. It will help to relieve congestion in urban areas, rationalize transport needs and encourage the use of new means of transport more capable of satisfying geographical and environmental requirements.

The correct allocation of infrastructure costs may sometimes lead to a considerable increase in the financial burden to be borne by some users. This is the logical consequence of the method chosen, which tends to discourage uses whose external cost is too high in relation to the advantage sought.

The choice of a system of allocating costs does not, however, preclude the use of other measures by the public authorities (priority for public transport, prescribed routes, prohibition of certain categories of traffic, etc.).

Unchanged

The choice of a system of allocating costs for the use of infrastructures does not, however, mean that public authorities should take the development of demand, i.e. revenue from infrastructure payments, as the exclusive basis for their investment decisions. No such limitation of the freedom of decision within the framework of infrastructure policy is planned.

For reasons of transport safety, environmental protection and congestion problems, the public authorities may be compelled to take measures aimed at producing a certain change of emphasis in the transport sector. For example they may have to give priority to public transport and other measures aimed at relieving the congestion caused by private transport (provisions for the compulsory use of certain routes, one-way streets, bans on certain categories of transport and at certain times, etc.).

47. For goods transport, the common transport market will function freely subject to the essential corrective measures. As regards passenger transport, the public authorities will be obliged to intervene, especially in urban areas, and measures in favour of public services are not to be ruled out.

47. The above measures will apply to goods transport within very narrow limits so that the latter can function freely; the public authorities will only take certain corrective measures. In passenger transport, however, pressing requirements will compel the public authorities to take certain measures in favour of public services. This applies in particular to urban areas.

The revolutionary developments in private motoring over the last fifty years have resulted in the present almost intolerable situation characterized by congestion in urban areas, increasing numbers of road accidents and increasing environmental pollution. Part of this development is due to the neglect of public transport services, which do not always have the necessary investment funds. Hence, the strict requirements to cover infrastructure costs cannot be enforced in local public transport until the accumulated need for investment has been met. This accumulated need should not however be financed out of the general budget (or out of the tax revenue from other modes of transport).

47a. It should however be remembered that the steep increase in private motoring over the last fifty years has meant that the entire pattern of housing development in all Member States has been largely geared to the private motor car.

As regards long-distance transport, it should be remembered that entire holiday regions are dependent on the private motor car. A change

Chapter IV: Field of application and instruments of the common transport policy

A. Sketch of Community transport arrangements

48. In order to attain the objectives set out in Chapter II, the common transport policy must take into consideration all forms of transport. It should be conceived and applied as a coherent whole, taking into account not only all means of inland transport (including pipelines and new techniques) but also the complex role of the ports and the importance of sea and air transport in the enlarged Community. Special attention should be paid to the growing interdependence of the various transport techniques, as shown by the progressive development of combined transport.

from private motoring to public transport can only be successfully achieved if steps are taken to ensure that housing patterns and holiday habits are geared to this change. Without such an adaptation process, which is naturally long term in nature, any attempts in this direction are doomed to failure and will result in a gigantic waste of public funds (construction of underground railways that no one will use, etc.).

III. Field of application and instruments of the common transport policy

A. Sketch of Community transport arrangements

48. In order to attain the objectives set out in section I, the common transport policy must take into consideration all forms of transport. It should be conceived and applied as a coherent whole, taking into account not only all means of inland transport (including pipelines and new techniques) but also the complex role of the ports and the importance of sea and air transport in the enlarged Community. Special attention should be paid to the growing interdependence of the various transport techniques, as shown by the progressive development of combined transport.

49. Forecasts of transport supply and demand will have to be drawn up regularly to help the Community institutions to define the framework referred to in paragraph 43. These forecasts will help to prevent investment errors and the exhaustion of natural resources and will also enable the public authorities in the Member States, transport firms and transport users to improve their decision-making.

49. Unchanged

50. As regards infrastructure investment, the forecasts will lead to the drawing up of a master plan for the network of Community significance. This plan will show those transport links which are of significance to the Community as regards both functions and traffic, and will define the organizational bases of the network.

50. Unchanged

There should be an adequate procedure for enabling Community institutions to see that investment decisions fit into this plan.

Unchanged

Appropriate instruments of financing and cooperation must be developed, in order to make an effective contribution to the implementation of projects which go beyond the national frame of reference.

Unchanged

The Commission believes that the pooling of experience of the assessment of infrastructure schemes will lead progressively to the development of comparable methods within the Community.

Unchanged

The Commission attaches considerable importance to the work already undertaken in this context by some international intergovernmental

Unchanged

organizations. It considers it necessary for the Community to exchange information and consult with these organizations, within which the Member States should take common action where the Community interest is involved.

51. In order to allocate the cost of using transport infrastructures the Commission has proposed a charging system based on marginal social cost plus the constraint of budgetary equilibrium. Such a system may start by being fairly approximate and be made more precise as knowledge improves. To apply it would not exclude recourse to supplementary measures to the extent that the objectives in view were not achieved.

52. The size of transport firms, especially in road and inland waterway transport, should be adapted to the requirements of an enlarged market. It will be necessary to encourage research into the optimum sizes for such firms and to determine the ways in which they can cooperate, within the framework of a structural policy, and with proper respect for the regulation on competition.

53. As for the railway undertakings, the solution of their financial problems and the definition of their future role must be among the main tasks of the common transport policy. The financial rationalisation which the Member States have

51. Unchanged

52. Unchanged

53. As for the railway undertakings, the solution of their financial problems and the definition of their future role must be among the main tasks of the common transport policy. The financial rationalization which the Member States have undertaken

undertaken at Community level should be pursued by the effective implementation of Article 8 of the Council's Decision of 13 May 1965. In parallel, more vigorous cooperation should be developed on technical and commercial matters, tending gradually to bring the undertakings closer together and perhaps leading to the setting-up of European units. In addition to the measures already proposed, study should be given to what more fundamental reforms might be applied to the current structures of railway undertakings so as to enable them to play a full part in future transport arrangements. In particular, examination should be given in this context to the question whether they should be placed, in respect of responsibility for their infrastructure, in a situation comparable to that of the other forms of transport.

54. It is undeniable that the enlargement of the Community lends special importance to the role of sea and air transport. In the light of the results of Community studies, the Commission may submit to the Council proposals for any action which it thinks necessary.

at Community level should be pursued by the effective implementation of Article 8 of the Council's decision of 13 May 1965. In parallel, more vigorous cooperation should be developed on technical and commercial matters, tending gradually to bring the undertakings closer together and subsequently leading to the creation of an unbureaucratic joint-European railway organization. In addition to the measures already proposed, study should be given to what more fundamental reforms might be applied to the current structures of the railway undertakings so as to enable them to play a full part in future transport arrangements. The railways must remain jointly responsible for the planning and financing of their infrastructures (under the authority of the Minister of Transport). They must retain the advantage of own planning; they will no longer be at a financial disadvantage in comparison with their competitors when the latter are subject to the system of payment for transport infrastructure costs.

54. It is undeniable that the enlargement of the Community lends special importance to the role of sea and air transport. The Commission of the Communities has already submitted proposals on air transport amounting to a partial application of Article 84 (2) of the EEC Treaty.

Partial application of Article 84 (2) is also absolutely essential in the field of sea transport. The

Community is already active in four spheres of sea transport policy or has been affected by recent developments although the sea transport problems cannot be integrated within the framework of the common transport policy:

- freedom of movement for sea-going personnel,
- sea transport clauses in trade agreements concluded by the Community;
- UNCTAD negotiations between the Member States on sea transport questions,
- support of dockyard industries.

It is high time that these Community activities were backed up by a transport policy. In addition the following areas are in urgent need of Community action;

- social harmonization in the sea transport field,
- common action as regards safety provisions and insurance provisions in sea transport,
- common procedure against flag protectionism and common attitude for promoting sea transport in developing and associated states,
- common procedure with regard to the problem of flags enjoying tax privileges,
- common representation in international organizations,
- abolition of coastal shipping restrictions between the Member States.

The Commission of the Communities must immediately submit proposals on

the above to the Council of Ministers.

55. The objective of allowing the transport market to function freely within the framework laid down by the public authorities involves the removal of all impediments. This requires, in particular, free movement of transport services, the removal or reduction of frontier and fiscal formalities, freedom of establishment, etc. It also requires the harmonization of competitive conditions. And it involves the introduction of mechanisms for regulating transport capacity in case of need (temporary laying-up, scrapping, etc.)

55. Unchanged

56. In addition to action already in hand at Community level, the Community should make a contribution to action by Member States and international organizations with a view to improving safety in transport, especially road safety.

56. Unchanged

57. There should be coordination and cooperation in research into new transport techniques, including cooperation with other international organizations.

57. Unchanged

As already emphasized, the Community should, in particular, develop decision-making machinery for the introduction of new transport techniques insofar as these involve new infrastructures.

B. Transitional period

58. It will be several years before these Community transport arrangements are completed. During a transitional period it will be necessary to bear the following particular points in mind:

- existing transport infrastructure does not favour the exploitation of the comparative advantages of each mode of transport;
- methods of allocating social costs have not yet been worked out for each mode of transport, and the specific taxes have not yet been harmonized;
- the position of the railways has not yet been put right, particularly as regards the financial relations between railway undertakings and the States.

59. During this transitional period, therefore, the public authorities will continue to intervene in the organization of the market as regards capacity and transport rates and conditions. But the scale of these interventions will constantly decline as the Community transport arrangements are brought into operation and progressive improvements are made to the free operation of the market.

At the same time, balanced progress in the harmonization of competitive conditions should continue to be made.

B. Transitional period

58. Unchanged

59. Unchanged

60. Among the Community measures to remain in force, to be adapted or to be taken during the years ahead, some are intended to prepare for the completion in due course of the transport arrangements advocated, especially in the following areas:

- infrastructure investment;
- energy policy;
- regional policy and planning¹
- environmental protection (the attack on nuisances)

Substantial progress will have to be made here during the transitional period.

PART II - PROGRAMME OF WORK

Chapter V : ACTION REQUIRED

A. General considerations

61. The Commission hopes that the Council will discuss in depth the aims and principles set out in this Communication and which will constitute the framework of the proposals which the Commission expects to present to it with a view to implementing the common transport policy. For this purpose, an initial exchange of views should take place at the next meeting of the Council of Ministers responsible for

60. unchanged

unchanged

IV. PROGRAMME OF WORK

delete

A. Development of the transport policy up to 1983

61. New impetus will be given to the development of the common transport policy only if the Council meets in the very near future to fix in a manner that is binding on the Member States the basic principles and objectives for the common transport policy on the basis of this Communication.

¹

The Commission's proposal of 25 July 1973 on the setting-up of the regional development fund envisages, inter alia, the formulation of regional development programmes which should include investment in infrastructure.

transport. The Commission also proposes to take all appropriate contact for this purpose with the European Parliament, the Economic and Social Committee and the Transport Advisory Committee (Article 83 of the EEC Treaty).

62. The considerations advanced in this Communication will serve as the basis for defining a programme of work related to measures to be taken during the next ten years. This programme should be drawn up in the light of the objectives set out in Part I of the Communication and thus make clear the place of these measures in the implementation of Community transport arrangements.

It seems, nevertheless, neither practicable nor advisable to describe at this stage all the measures, with their contents, which will be needed in order to arrive at the final stage. That is why at this stage the Commission limits itself to drawing up an action programme for the period 1974-1976 which takes account of policy requirements, of the state of current work in the Community's institutions, and of the degree of urgency of the measures proposed. Further work, to be begun or pursued after 1976, will be defined during this period for the following stage.

62. At the same time the programme of work proposed here must be fixed so that those concerned can act accordingly. The programme of work will cover the years 1974 to 1983, i.e. a decade. It must be synchronized with progress made in establishing the economic and monetary union, but will be, disregarding changes necessitated by synchronization, binding on the Commission and Council.

It would, however, appear impracticable (although advisable) to fix at the present time all the measures, and all the details thereof, required if the final stage is to be reached. For this reason an action programme will be established for the years up to 1976, with only the objectives set for the final stage. The action programme for the achievement of these objectives and the required proposals for legal acts by the Council should be submitted early enough before 1976 to allow work to begin on implementing the second and final stage immediately as the first ends.

At least the measures included in the three year action programme could be categorized in relation to the objectives which have been established. It would be possible, for example, to divide them up into three categories, depending on whether they are measures mainly at the level of the public authorities aimed at objectives in the public interest, measures at the level of the transport undertaking aimed at setting up a transport market operating in conditions of healthy competition, and measures in the social field concerning transport workers. The interests of transport workers are of course to be pursued by all these measures.

delete

In the first category (at the level of the public authorities) could come, for example, measures related to investment in and charging for the use of infrastructure.

delete

In the second category (at the level of the transport undertaking) would figure, for example, measures related to capacity control, transport rates and conditions and conditions of access to the profession.

delete

The third category (transport workers) would include measures to harmonize working conditions in transport as well as measures related to training for transport work.

delete

However, it has seemed preferable to adopt a form of presentation which takes more account of the procedural requirements bearing on work in and between the various Community institutions. The Commission has therefore in the end adopted the following categorization:

delete

- measures which should be the subject of initiatives by the Commission within the period in question;
- measures which are already the subject of Commission proposals and should be adopted by the Council as a matter of priority;
- measures which should be studied by the Commission, which will decide on follow-up action in the light of the results.

63. For 1974/76 the Commission advocates a programme of actions to be pursued in parallel. The details given later in this chapter include only the most important elements. This does not of course mean that the Commission believes that it would no longer be of interest to examine other proposals. It reserves the right to modify its proposals as necessary or to consider the case for withdrawing certain of them.

63. unchanged

64. The action programme presented below is to a different timetable from that annexed to the Communication forwarded to the Council on 8 November 1971¹, and on which the Council has in any case only taken decisions in relation to 1972. The Commission believes that the new timetable is justified by the arguments advanced in this paper.

64. unchanged

¹

Doc. SEC (71) 3923 final of
5 November 1971

65. Some of the measures described will have a permanent character and will remain in force when the Community transport arrangements have been established. Measures in this category consist either of measures already in force and which conform to the principles adopted - such as those relating to the rules of competition or to the harmonization of competitive conditions between transport modes and undertakings - or of measures still to be taken. Other measures of an interim character should also be taken, as required, in order to ease the movement towards the future transport arrangements. These latter measures will concern, in particular, capacity control and the regulation of transport rates and conditions, and will be withdrawn from time to time to the extent that they are incompatible with the principles of the final arrangements.

B. Programme 1974 - 1976

66. In accordance with the categorisation adopted in paragraph 62 above, the Commission proposes the following programme:

- (a) Initiatives by the Commission within the period in question

65. unchanged

B. Action programme up to 1976

66. delete

- (a) Proposals to be submitted by the Commission by the beginning of 1975 so that they can be adopted by the Council before mid-1975

67. The action in question is new action which the Commission proposes to take and which in its view is of particular importance. In addition, the Commission proposes to present, by virtue of Article 149 of the Treaty, proposals to amend some of its earlier proposals already before the Council, with a view to adapting them to the principles and objectives defined in this Communication.

The measures concern:

68. - Infrastructure investment.

The consultation procedure on investment in transport infrastructure provided for by the Council's Decision of 28 February 1966 has made possible an improved exchange of information between Member States on infrastructure plans of Community interest. Its application should, however, contribute in a more effective way to better coordination of investment decisions.

Pending the realisation of measures contributing effectively to the establishment of Community transport arrangements, the objectives of this consultation procedure will not be attained unless the projects which are made known are placed within the framework of general infrastructure programmes and examined from the standpoint of the Community's transport needs. It is essential for the procedure to be applied in this way at a time when major projects with a marked significance for the European transport network - such as the Channel Tunnel proposal - are coming forward.

67. unchanged

unchanged

68. unchanged

unchanged

The Commission will take the initiative of holding regular consultative meetings on programmes of infrastructure development.

It would in its view not be necessary to amend the 28 February 1966 Decision unless the approach proposed did not lead to the intended results

69. - Transport safety

Action and research in this area are justified by the pressing need to increase safety: studies are in progress of the case for developing a number of proposals, for example on the carriage of dangerous goods by road.

70. - Sea transport

The Commission will shortly take an initiative in this context, on the subject of studies of the possibilities for Community action.

unchanged

These meetings and this consultation procedure will include discussion of investigations, the promotion of research and the preparation of decision-making machinery for the introduction of new transport techniques.

unchanged¹

69. unchanged

On the conclusion of its investigations the Commission should submit an overall proposal, which will also include the draft of a common highway code.

70. - Sea transport

Before the end of 1974 the Commission should take an initiative in this context to introduce action at Community level within the meaning of paragraph 54.

The appropriate committee of the European Parliament will shortly be submitting a report drawn up by Mr Seefeld on this subject.

¹ Acting on a report by Mr Seifriz (Doc. 7/65), the European Parliament delivered its opinion on this question as long ago as 23 March 1965.

70a. - Ports

The Commission will continue with action in relation to ports in order to determine the scope for Community action.

70a. - Ports

Before the end of 1974 the Commission will submit proposals to permit Community action in the sphere of ports policy and in particular define the principles by which the interests of ports are to be taken into account in the overall transport policy. Like the railway undertakings, the ports of the Community could be called upon to settle certain Community problems by cooperating on an autonomous basis¹.

In this context, it may be noted that the Commission has already examined, in the context of energy policy, the problems of investment in oil port installations.

delete

71. - Harmonization of working conditions and of the make-up of crews in inland waterway transport

71. unchanged

- Harmonization of working conditions in the railways

These measures, of permanent character¹, will extend to those sectors the harmonization of competitive conditions in the field of working arrangements, in conformity with the Council Decision of 13 May 1965

unchanged

¹

The words 'permanent' and 'interim' are used as in para. 65 above.

¹

The European Parliament delivered its opinion on this subject on 29 November 1967 and 17 April 1972 in connection with the reports drawn up by Mr Seifriz (Doc. 140/67) and Mr Seefeld (Doc. 10/72).

COMMISSION'S COMMUNICATION

OPINION

72. - Regulation on the control of capacity in road haulage¹.

72. unchanged

Community action in this field takes the form of various measures concerning:

unchanged

- (i) decisions on the arrangements for Community quotas after 31 December 1974, when Regulation 2829/72 is due to expire;
- (ii) capacity control for international road haulage between Member States, which is for the most part carried out under permits granted within the framework of bilateral quotas.

These measures, of interim character, and still based on the idea of permit quotas, should give way progressively to the supervision of capacity, intervention being limited to cases of serious market disequilibrium. The measures would amend the proposals already presented by the Commission.

unchanged¹

¹

O.J. No. C 72 of 5 July 1972, Page 6.

¹

See the opinions delivered by the European Parliament on 10 October 1972, 12 December 1972 and 4 June 1973, acting on various reports by Mr Giraud (Doc. 156/72, Doc. 220/72 and Doc. 81/73) and the earlier reports by Mr Bech (Doc. 43/64), Mr Jozeau-Marigné (Doc. 25/68) and Mr Riedel (69/69).

73. - Regulations concerning rates and conditions for carriage of goods¹

73. unchanged

Here too, several measures are involved, concerning:

unchanged¹

- (i) the adjustment of the tariff arrangements in force to take account, in the light of experience, of certain practical requirements;
- (ii) determination of the arrangements to apply after 31 December 1974.

The system to be implemented by these Regulations should be designed to take into account its close interdependence with the system of capacity control and should prepare the way for the progressive removal of all constraints on the formation of transport rates. The measures would amend the proposals already presented by the Commission.

unchanged²

(b) measures already proposed by the Commission and which should be adopted by the Council with high priority

(b) measures already proposed by the Commission and which should be adopted by the Council during a marathon meeting before the end of 1974

¹ Doc. COM (63) 168 and O.J. No. L 194 of 6 August 1968, page 1.

¹ The European Parliament delivered its opinion on this subject on 13 November 1972, acting on a report by Mr Durieux (Doc. 165/72).

² The European Parliament delivered its opinion on the Commission's original proposals on 18 June 1964, 19 January 1966 and 27 June 1966, acting on reports drawn up by Mr Posthumus (Doc. 36/64) and Mr de Gryse (Doc. 115/65 and Doc. 78/66).

These measures have been listed in the light of the importance of the objective, the state of preparations for their adoption and the time required for the remaining work.

delete

All these measures have long since been ready for a decision; Parliament has delivered its opinion. The Council of Ministers should adopt all these proposals by way of compromise at a marathon meeting to be held in the second half of 1974.

74. - Regulation on the Community quota for road goods transport between Member States¹.

74. unchanged¹

This proposal is intended to adjust the Community quota with a view to taking more account of the new Member States' interests in relation to their shares in Community permits.

75. - Directive on the weights and dimensions of commercial road vehicles and on certain additional technical requirements concerning such vehicles².

75. unchanged²

This Directive, which will certainly be of a permanent nature, is very important for the harmonization of conditions of competition in transport. It will remove one of the

¹ Doc. COM (73) 198 final of 13 March 1973

² OJ No. C90 of 11 September 1971, page 25

¹ The European Parliament delivered its opinion on this subject on 4 June 1973, acting on a report drawn up by Mr Giraud (Doc. 81/73)

² The European Parliament delivered its opinion on this subject on 18 November 1971, acting on a report drawn up by Mr Richarts (Doc. 173/71)

barriers to trade between Member States, will greatly help vehicle manufacturers and could make a contribution to the protection of the environment and to road safety.

76. - First Directive on the adjustment of national taxation systems for commercial vehicles¹.

This Directive of permanent character, and which has already been discussed at length by the organs of the Council, will enable a start to be made on harmonization and will make possible an approach to realistic pricing within the road transport sector. It will be maintained within the extended framework of the system of charging for the use of infrastructure, of which it is the first stage.

77. - Amendment of the first Directive on the carriage of goods by road between Member States².

The amendments proposed by the Commission are intended to adapt this measure, which was adopted in 1962, to political and economic changes in the Community, in particular by extending the liberalization measures to own-account transport operations.

76. unchanged¹

77. Delete, because already adopted by the Council (see report drawn up by Mr James Hill (Doc. 127/73) and Parliament's resolution of 19 September 1973).

¹ OJ No. C95 of 21 September 1968, page 41

² Doc. COM (72) 1358 final of 13 November 1972

¹ The European Parliament delivered its opinion on this subject on 7 May 1969 acting on a report drawn up by Mr Bousquet (Doc. 18/69).

78. - The ratification as soon as possible by Member States of the European agreement concerning the work of crews of vehicles engaged in international road transport (AETR) and its simultaneous application in all the states are important both for social progress and for transport policy in a geographical area wider than that of the Community. The Commission will seek to ensure simultaneity of action by the Member States.

78. unchanged¹

79. - The negotiation of an agreement in respect of certain inland waterways on the implementation of regulations on the temporary laying-up of vessels for the transport of goods.

79. unchanged²

The conclusion of these negotiations will make it possible to create a market regulator for use in the event of overcapacity. The application of the regulator should provide experience which would make it possible better to define subsequent measures of a permanent character. An effort is therefore needed with a view to the rapid conclusion of the negotiations in progress.

¹ The European Parliament delivered its opinion on this subject on 10 June 1971, 18 November 1971 and 16 November 1973, acting on reports drawn up by Mr Kollwelter (Doc. 59/71); Mr Cousté (Doc. 170/71) and Mr Seefeld (Doc. 197/73)

² The European Parliament delivered its opinion on this subject on 8 May 1972, acting on a report drawn up by Mr Meister (Doc. 29/72).

80. - Decision on the harmonization of the rules governing the financial relations between railway undertakings and the states¹. 80. unchanged¹

This measure is needed to allow the railways to be put on a sound financial footing. With a view to speeding its adoption, the Commission will at the appropriate moment invite the Council to settle certain questions of principle raised by this proposal (such as those of financial equilibrium, legal personality and the independence of the governing bodies).

At a later stage, having undertaken the necessary consultation, the Commission will present the proposals which then seem to it desirable in relation to possible reforms to the structure of railway undertakings.

81. - Draft Decision on the initial elements of a study of air transport², relating to the improvement of scheduled services within the Community, concertation on tariff policy between Member States and concertation on the policy for developing services with non-Member States. 81. unchanged²

¹ OJ No. C106 of 23 October 1971, page 42

² OJ No. C110 of 18 October 1972, page 6

¹ The European Parliament delivered its opinion on this subject on 13 June 1972, acting on a report drawn up by Mr Fallér (Doc. 49/72)

² The European Parliament delivered its opinion on this subject on 16 March 1973, acting on a report drawn up by Mr Noël (Doc. 328/72 and Doc. 195/72)

82. - Regulation supplementing Council Regulation (EEC) No. 543/69 of 25 March 1969 concerning certain social legislation relating to road transport¹.

82. unchanged¹

The pursuit of regulatory measures for social harmonization in transport requires first of all action to strengthen the practical application of Regulation No. 543/69 itself. This action will be supported by adoption of the supplementary measure proposed. These measures have a permanent character and should be put into effect as soon as possible.

unchanged

83. - Regulation (or Directive) on the conditions governing the right to engaged in the occupation of carrier².

83. unchanged²

This is a measure of permanent character, to which the Commission attached a great deal of importance because it should both make possible the adoption of the Directives on right of establishment in the transport sector and create the conditions for the liberalization envisaged.

¹ Doc. COM (72) 846 final of 24 July 1972

² OJ No. 254 of 20 October 1967, p. 3
Doc. COM (69) 452 final -
OJ No. C95 of 21 September 1968,
p. 38

¹ The European Parliament delivered its opinion on this subject on 16 November 1973, acting on a report drawn up by Mr Seefeld (Doc. 197/73)

² The European Parliament delivered its opinion on this subject on 30 September 1968, 21 January 1969 and 20 April 1971, acting on reports drawn up by Mr de Gryse (Doc. 116/68), Mr Boertien (Doc. 186/68) and Mr Lautenschlager (Doc. 31/71)

84. - Approximation of the laws of Member States concerning roadworthiness testing of motor vehicles and their trailers¹

84. unchanged¹

Harmonization of laws concerning motor vehicle driving licences²

unchanged²

These two categories of measure, of permanent character, are part of Community action to improve road safety in order to allow the mutual recognition of the documents concerned in the case of these two items: the importance of this aim makes it urgent to examine these two proposals.

unchanged

¹ OJ No. C119 of 16 November 1972, p.1

² OJ No. C119 of 16 November 1972, p.9

¹ The European Parliament delivered its opinion on this subject on 14 February 1974, acting on a report drawn up by Mr Herbert (Doc. 343/73)

² The European Parliament delivered its opinion on this subject on 22 April 1974 acting on a report drawn up by Mr Herbert (Doc. 45/74)

85. - Decision on the introduction of a common system of charging for the use of transport infrastructure¹.

This permanent system is aimed at the optimum use of infrastructures from the Community's point of view and makes an important contribution to harmonizing conditions of competition. Since the study of this matter, which is of prime importance for the final period, must take an appreciable time, special attention should be paid to this work.

86. - Decision on the opening of negotiations for an agreement between the EEC and certain third countries on the rules to be applied to the international carriage of passengers by coach and bus².

This measure is very important for the development of relations with non-Member States, in an area which has already been regulated so far as transport between Member States is concerned.

¹ O.J. No. C 62 of 22 June 1971, p. 19

² Doc. COM (72) 1685 of 4 January 1973

85. unchanged¹

unchanged

86. Delete, because already adopted by the Council (see report drawn up by Mr van der Gun (Doc. 82/73).

delete

¹ The European Parliament delivered its opinion on this subject on 16 November 1973, acting on a report drawn up by Mr Kollwelter (Doc. 195/73)

(c) measures which should be the subject of study by the Commission.

(c) Measures to form the subject of study by the Commission, which will submit appropriate proposals to the Council before the end of 1975 so that the Council can take a decision before mid-1976

87. - The Commission will investigate suitable means of developing the system of transport statistics so as to provide the necessary information for the studies to be carried out and so as to obtain statistical data on transport supply and demand, with special reference to forecasting.

87. unchanged

88¹. In the fields of infrastructure investment and the choice of technical solutions the Commission will employ the results of COST Action 33, together with a parallel study designed to forecast the main flows of freight traffic. This work, which should be completed in 1976, will allow the Community to achieve, within the framework of a master plan of the main transport links of Community interest, the harmonious development of the transport system. To facilitate cooperation in this area, the Commission will pursue with the help of Member States, work designed to improve the assessment of infrastructure projects...

88. unchanged

It will be appropriate to examine what instruments of financing and cooperation should be developed, at the appropriate time, to permit the common implementation of schemes of Community interest.

unchanged

¹ Numbering of Doc. 226/73 incorrect

COMMISSION'S COMMUNICATION

89. - The Commission will continue and develop its work in liaison with other Community policies and action, especially in the field of research into new transport techniques, the environment, regional policy and energy policy.

90. - The Commission will study the problems involved in the adoption of Community standards for professional training in the transport industry

To achieve this programme will require a considerable effort from all Community institutions and the adoption of the most efficient working methods, in the interest of making real progress with the common transport policy, not only in the pursuit of aims established in the past but also now in new directions.

This progress is especially necessary in order to:

- achieve a common transport market, particularly by speeding up action designed to allow the free circulation of transport services in healthy competitive conditions;
- establish a Community transport network through the drawing up of a master plan on the basis of a comparison of national infrastructure investment programmes and through the adoption of arrangements for charging for the use of infrastructure;
- encourage cooperation and complementarity between transport modes and networks.

OPINION

89. The Commission will continue and develop its work in liaison with other Community policies and action and submit an appropriate programme before the end of 1975. This applies in particular to research into new transport techniques, the environment, regional policy and energy policy.

90. The Commission will also study the problems involved in professional training in the transport industry and submit a programme on this subject before the end of 1975.

delete (see Section C below)

delete (see Section C below)

Community transport arrangements arrived at in this way will contribute to the attainment of the aims of the Paris Summit conference which emphasized the need for an economic and monetary union. In this connection transport policy, like other structural policies, and as a factor in social progress, must make a particular contribution to economic growth as well as to a more balanced development of the regions and thus to better living conditions.

delete (see Section C below)

C. Action programme for the years 1977 to 1983

91. For the second phase of the introduction of the common transport policy, i.e. for the years 1977 to 1983, a detailed action programme cannot and need not be submitted at this stage. This programme must however, be available before mid-1976 so that the Council can take a decision on it before the end of 1977.

92. As, however, the introduction of a common transport policy is intended to be the result of activities in the years 1977 to 1983, it is possible to describe the final situation being aimed at. This will be done in the following paragraphs.

93. However, it should first be pointed out that depending on the state of development in the years 1974 to 1976, the Commission may of course submit new proposals for action which it not at present planned to take until the second phase.

94. It is also important to note that the dates given for the second transitional phase, i.e. 1977 to 1983, must be synchronized with progress made towards economic and monetary union. This means that, in accordance with paragraph 8 (Ia) of the resolution it should be brought forward if economic and monetary union is achieved earlier. The goal of the synchronization is that when the final obstacles to trade in the Common Market in the fields of commercial policy, tax policy, monetary policy, etc. have fallen, the final obstacle in the field of transport policy must also have disappeared, i.e. a common transport market must be able to function at that time.

- (a) Establishment of a common transport market as one of the major objectives of European unification policy

95. While optimum efficiency in the organization of the transport industry is a general goal and must be a transport policy objective in every country throughout the world, regardless of the European unification policy, and must therefore be a major concern in the shaping of European policy, the really specific European objective of the common transport policy is the establishment of a common transport market, i.e. the elimination of all obstacles to the free exchange of transport services between the Member States and the

elimination of distortions of competition of all kinds between transport undertakings and transport users, in other words as far-reaching elimination as possible of the economic significance of frontiers between Member States for the transport industry.

96. There cannot of course be complete freedom in international transport, even within the framework of a common transport market. The creation of a situation similar to an internal market for trade between the Member States cannot be taken to mean that international transport will be subject to less stringent rules than transport within individual States, and in fact the rules on international transport must be approximately equivalent to those governing internal transport.

97. The common transport market that is to be set up can therefore be described as follows:

With regard to road transport, Article 75 (1) (a) and (b) of the EEC Treaty should be implemented in such a way that access to the international transport and coastal shipping market is arranged in the same way as in the Member States.

In the case of inland waterway shipping freedom of movement and freedom to advertise for cargoes must be established for international transport and coastal shipping on all interconnected waterways in Western

Europe. In sea-shipping the reservations with regard to coastal shipping existing between the Member States must be abolished.

In the air transport sector negotiations on landing rights and route planning in Europe must be held on a multilateral basis. As regards railways, the establishment of a common market presupposes the existence of ever closer cooperation, terminating in the setting up of a European-wide controlling organization.

Transport undertakings must be given real freedom of establishment so that citizens of all Member States have equal access to the market throughout the Community, and there must be genuine freedom of movement for transport personnel.

(b) The principle of non-discrimination as an important characteristic feature of the common transport market

98. As in the other sectors of the economy, the principle of non-discrimination must be fully enforced in the transport sector. This means that transport undertakings must apply transport conditions which assure all transport users and goods of equal treatment.

99. This will include the application in full of Articles 79 and 80 of the EEC Treaty and of the bans on discrimination set out in Article 70 of the ECSC Treaty and, in addition, the analogous application of Articles 7 and 100 of the EEC Treaty.

100. Prohibition of discrimination in the broadest sense of the term also involves the abolition or adaptation of all statutory rulings which may lead to distortion of competition between transport undertakings or transport users from different Member States.

(c) Harmonization of Member States' transport regulations as a necessary component of the common transport market

101. The creation of a situation similar to an internal market for transport between the Member States will obviously be impossible if arrangements in the various Member States vary to too great an extent. A clearly ascertainable measure of harmonization of the transport regulations of the Member States is therefore a logical precondition for the establishment of a common market (although time is not an essential factor).

102. The problem of whether there must be harmonization before there can be freedom of movement or whether the reverse is the case, has long since been solved at European level: there must be uniform progress towards freedom of movement and harmonization. Each small step forward towards total harmonization makes possible a small step forward towards total liberalization, and each small step forward towards liberalization necessitates a certain measure of harmonization.

While the common transport policy is being introduced, the Community must make sure that at each stage of development an approximate balance is maintained between the two sets of measures. If this is not done, temporary market imbalances will arise and individual transport undertakings will enjoy temporary competitive advantages, which they will have to forfeit again later, and this might lead to the misdirection of economic forces. On the other hand, the approach to achieving this balance should not be too timid as otherwise the process of introducing the common policy will come to a standstill.

103. It is precisely in this context that the necessity arises for as accurate an advance description of the final state of the common market as possible so that the various Member States and transport undertakings are able to recognize and appraise temporary imbalances.

104. Harmonization of the Member States' transport regulations covers the whole of the transport policy. Sub-paragraphs (d) to (g) below describe the characteristic features essential to the common transport market.

(d) Infrastructure policy

105. The infrastructure policy in the common transport market must be characterized by the following features:

- There must be a common system of payment for the use of transport infrastructures.

- The consultation procedure with regard to infrastructure planning must allow effective coordination of investment policy which is based on forecasting and regards investment policy as a fundamental part of policy on the capacity of the various modes of transport. Only if common investment planning meets these requirements can it be coordinated with other Community objectives in the fields of regional policy, environmental protection, etc.
- The Community as such must have the means to solve specifically European problems, namely the uniform organization of the European long-distance transport network and the closing of existing gaps at the internal frontiers of the Community. As the latter factor in particular is frequently of less interest to the Member States concerned than to the Community as a whole, the Community should also have the means of using its own funds for financing purposes.

(e) Capacity policy and access to the market

106. As already stated in paragraph 105 above, the capacity of the various modes of transport is affected most strongly by infrastructure policy. In an integrated transport system, in which the transport sector is regarded as a single entity, infrastructure policy for the various carriers, capacity policy and regulations on

access to the market must therefore be satisfactorily coordinated.

107. In detail, the following will have to be achieved by the end of the transitional phase:

- The criteria for permission to conduct business in the various Member States, i.e. expertise, diplomas, credit-worthiness, reliability and formalities must be harmonized. Anyone complying with these subjective criteria must also be allowed to participate in international transport and coastal shipping. Uniform application of these criteria must also be achieved in practice.
- Systems for the quantitative regulation of capacity by restricting the number or weight of vehicles should also be harmonized, and a Community mechanism must be created which permits joint control of continuing adjustment to the market situation. The quantitative regulation of capacity in international transport and coastal shipping must not be more restrictive than arrangements within the individual Member States. If in a given economic situation Member States should refrain from a quantitative restriction of capacity, the same must apply to international transport and coastal shipping.

108. Transport regulations on inland waterway shipping, road transport, air transport and sea transport to which the terms capacity policy and access to the market can be applied are accompanied by legislation regulating the territorial monopolies of the railways and the burdens imposed on them as well as the financial relationship between the railways and States. Harmonization of this legislation must be a characteristic feature of the final state of the common transport market.

109. For the purposes of an integrated transport policy the Member States should be able in the common transport market to implement by common criteria or through coordinated political intervention a railway infrastructure policy which must be the nucleus of the long-term capacity policy in the transport sector. In this connection, it will be possible to take account in the long-term of new technical developments as well as developments in the fields of pollution control and energy supplies.

(f) Price policy

110. In its final state, the common transport policy must be characterized by a common price policy system, which makes for adequate transparency of the market and allows adequate control to ensure observance of the prohibition of discrimination. To this end, a common system of pricing and of

price publicity must be introduced for all modes of transport and in all Member States to govern national and international transport.

111. In the case of road transport which can be allowed a large measure of price freedom without the danger of the market being disturbed, the common transport policy should be limited to a system of a posteriori publication of prices. However, where public authorities do not fix prices, it should be possible to take measures against price developments so that joint action can be taken in times of crises.

(g) Harmonization of cost factors

112. Distortions in the conditions of competition between the transport undertakings of the Member States must be eliminated by means of common regulations as far as this is necessary for the common transport market:

- Tax harmonization: specific transport taxes, i.e. mineral oil and vehicle taxes, must in all the Member States be harmonized and made part of the system of payment for the use of transport infra-structures.

- harmonization of social legislation:
the specific social regulations governing the transport sector, such as regulations on driving time, breaks, make-up and training of driving crews, must be worded and applied uniformly throughout the Community. This uniformity must apply to all modes of transport, and it must be ensured that each mode of transport is governed by the same regulations.
- Technical harmonization:
admissible vehicle dimensions and weights must be uniform in all Member States. All other vehicle construction regulations must be uniform where they may substantially affect competition between automotive manufacturers or transport undertakings in the various Member States. In addition to construction regulations, other safety regulations must be uniform. In particular, a uniform European highway code is of considerable importance for the functioning of the Common Market and for road safety. Account should be taken in this connection of what has already been achieved by other international organizations.

113. In summary, it can be said that by the end of the second phase a common transport system must have been created so that in the ensuing period all that is needed is continuing supervision of the transport market and possible adjustment to new

experience or new developments.
The objective must be to complete in the second phase, i.e. within about 10 years from now, the edifice of a common European transport policy.

EXPLANATORY STATEMENTIntroduction

1. Until 1972 the Commission of the European Communities tended to defend its policy of proceeding by small stages and to place its hopes in the long-term success of such a policy. However, in his speech to the European Parliament on 5 June 1973, the Commissioner responsible, Vice-President SCARASCIA MUGNOZZA, conceded on behalf of the Commission that in the twelve years of its existence the Community had not succeeded in evolving a common transport policy.
2. Mr SCARASCIA MUGNOZZA stated that: 'without wishing to detract from the progress already achieved, particularly when it is viewed in relation to existing difficulties, we must nevertheless frankly and objectively admit that very few of the aims of the Common transport policy have been achieved'.
3. In fact, the few Community legislative acts adopted in the transport sector since 1958 within the framework of the EEC and since 1953 within the framework of the ECSC cannot be taken for a coherent common transport policy.
4. The aim laid down in Articles 3e and 74 of the EEC Treaty has therefore not yet been reached, and it must be admitted that in this field the Community of Six fell far short of the Treaty objectives.
5. Moreover, no agreement has yet been reached on the principles of a common transport policy. This agreement is necessary since the articles of the EEC Treaty relating to transport stipulate merely that a common transport policy should be adopted and give no indication of the form such a policy should take.
6. This gives the three countries that joined the Community in January 1973 the opportunity to participate from the beginning in the necessary new attempt to formulate a transport policy.
7. The European Parliament, like its predecessor the Common Assembly of the ECSC, has repeatedly pressed for a speeding-up of work in the transport policy

field. While the Commission was unable to give the Council of Ministers any clear guidelines for a transport policy and while the Council of Ministers itself repeatedly failed in its efforts to formulate such a policy, the members of the European Parliament, by adopting two fundamental reports (known as the 'Kapteyn reports' after the rapporteur¹), evolved guidelines for a transport policy at the outset and these have since served as a basis for all work by the European Parliament in this field.

8. In view of the lack of progress in the Community these reports both remain as important as ever, but they should be reviewed since they were written over twelve years ago and the Community has in the meantime been enlarged.

9. The Council of Ministers has itself been very close to agreement on the fundamental questions of the transport policy on two occasions, namely at its 171st meeting of 22 June 1965 and at its 194th meeting of 19 and 20 October 1966. Unfortunately, however, the 'empty chair crisis' intervened with the result that, through no fault of the ministers of transport, the impetus was lost and no practical measures were forthcoming from the results of these two meetings.

10. The results of these two Council meetings were not recorded in the Official Journal, being communicated to the public only in the form of Council press releases which are now virtually inaccessible. In view of this the two relevant press releases have been reproduced in Annexes I and II to this report. These also form a basis for further work and for the present report.

11. On 13/14 December 1967, at its 17th meeting after the merger of the Executives, the Council adopted a further general decision which this time was published in the Official Journal (OJ No.322 of 30.12.1967). Since the three Council decisions are still binding to the same extent on the Council today, provided they are not repealed, and since they must be considered together, the third decision has also been appended to this report (Annex III)².

¹ European Coal and Steel Community. Common Assembly. Financial Year 1957/58. First extraordinary part-session: 'Report on behalf of the Committee on Transport on the coordination of European transport', by Mr P. J. Kapteyn, rapporteur. Doc. No. 6/1957-58, November 1957.

European Parliament, working documents 1961/62: 'Report on behalf of the Transport Committee on questions relating to the Common Transport Policy within the framework of the European Economic Community', by Mr P. J. Kapteyn, rapporteur. Doc. 106, 11 December 1961.

² See Commission's answer to Written Question No. 122/74

12. On 24th October 1973 the Commission issued a 'Communication from the Commission of the European Communities to the Council on the development of the Common Transport Policy' (Doc. COM (73) 1725 final, distributed in the European Parliament as Working Document 226/73). This communication was forwarded by the Council to the European Parliament with a request for its opinion. The Communication represents the Commission's attempt to formulate a new transport policy.

13. An attempt will be made, on the basis of the three Council decisions of 1965, 1966 and 1967, the two fundamental reports of Parliament, (of 1957 and 1961) existing fragmentary legislation and Commission proposals, to give a general idea of a common transport policy for the Europe of the Nine. To this end three chapters have been devoted to capacity policy, price policy and the harmonization of cost factors respectively.

14. These are preceded by a further two chapters. The first explains once again why a common transport policy is an absolute necessity for the European Economic Community and why it is impossible to move towards Economic and Monetary Union without such a common policy.

The second explains why a common transport policy must be more than a patchwork of numerous minor measures and can only be evolved in the form of legislation cast in a single mould on the basis of a modern overall plan for all modes of transport.

Chapter 1

The introduction of a common transport policy is essential to the Community: transport problems are worse than customs barriers

15. Unfortunately, neither the public nor politicians are sufficiently aware of the great importance of transport for our economic progress in general and for the European Community in particular.

This is one of the reasons why transport policy is often left to a small group of specialists in which the representatives of those undertakings directly affected, i.e. the various transport organizations, predominate, with the result that in many cases too little emphasis is placed on economic interests as a whole.

This applies at national level and, to an even greater extent, at European Community level.

16. A particularly interesting feature of this situation is that in many cases the very people who see transport as a public service and would like to bring it into the context of every conceivable national and economic objective, do not recognize that for the major economic aim of European cooperation a large number of conditions must be met in the field of transport policy in order to permit normal free trade between countries without discrimination.

17. Another possible reason for the difficulties affecting European transport policy is that, in comparison with the enormous extent of internal transport activities international transport accounts for only a small proportion of the total traffic volume¹. For this reason, the attention of politicians and the general public is directed too much towards internal transport. Many legislative provisions are geared too much to internal transport, international transport being taken into account only by supplementary regulations and provisions for exceptional cases.

¹ In 1970 internal transport, including sea transport, within the six Member States, accounted for 83% of the total tonnage and international transport for only 17%. (Source: 'How much traffic will there be by 1980', Lecture by R. Peeters, Symposium, International Executive Centre, Rome 1973).

Such international transport, however, is of paramount importance to the construction of Europe. In fact, the percentage of the overall volume accounted for by international transport may have remained small, to the detriment of trade, productivity and welfare, simply as a result of customs barriers and traffic problems at the frontiers.

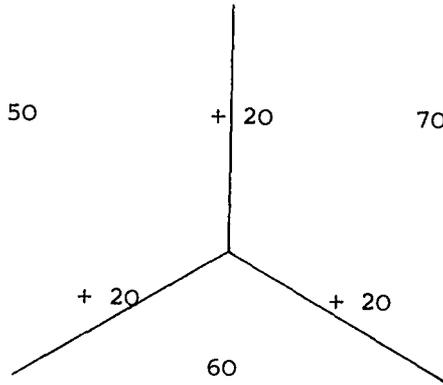
18. There is much talk of the removal of customs barriers; and the advantages of monetary union for an expansion of the market are widely known and recognized by the general public. However, a fact which is unfortunately less generally known and ignored even by ministries and cabinets is that, in the absence of provisions made within the framework of a transport policy, there is a risk that all customs measures and attempts at monetary agreements will meet with failure or will be bound to lead to incorrect results.

European transport policy specialists must make it clear to the population at large and to export interests that as customs and monetary barriers are removed, so the obstacles to transport now hidden behind them will become increasingly apparent.

19. Since these arguments are unfortunately largely unrecognized, it would seem necessary to make a full comparison of the relationship between customs barriers and transport problems.

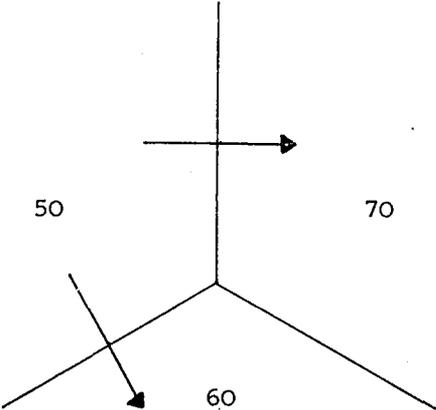
20. If three neighbouring countries produce a certain product at widely varying prices, e.g. 50, 60 and 70 u.a. (units of account), there will be no trade between these countries if imports are subject to a customs duty of 20 u.a. at each frontier (Diagram I).

Diagram I



If a customs union is now concluded between the three countries, the product concerned will then obviously be exported from the cheapest country to the other two. In the long term all production will be transferred to this country (Diagram II).

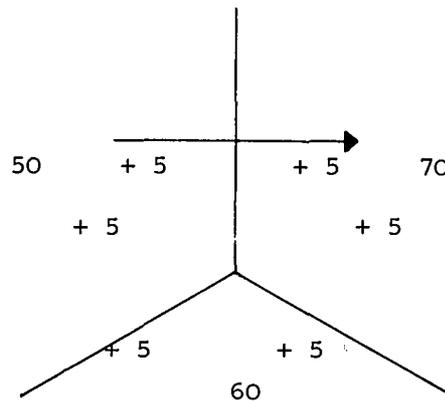
Diagram II



As a result of the advantages of large-scale operations the production costs in the cheapest country will now probably decrease considerably, from 50 to perhaps less than 45 u.a. The advantage derived from the common market by the two cheaper countries amounts to 5 and 15 u.a. respectively, rising to as much as 25 u.a. in the most expensive country.

21. The above example was based on conventional customs policy arguments, which do not take transport costs into account, since they treat each country as an abstract point in space. In fact, transport costs are of no consequence when trade is impeded by high customs barriers. If we assume that the costs of transport amount to 5 u.a. from each production centre to each frontier and another 5 u.a. from there to the point of consumption, the situation as shown in Diagram I would not change. There would be no trade. The result would remain the same even if the transport costs were manipulated.

Diagram III



Under normal circumstances, production in the second country for its own market will now continue under the protection of transport costs ($50 + 5 + 5 = 60$), but only until the cheapest country can reap the benefits of mass production. At this point transport policy will again come into its own, unless the customs union is protected by a common transport policy.

For example, if the product could only be transport by lorry, the second country could protect itself against competition from the cheapest country by failing to provide an adequate quota for road traffic crossing the border, by declining to improve roads to the border or by increasing rail tariffs for imports. The cheapest country could retaliate by lowering its transport charges, improving its roads to the borders, etc.

22. The above theoretical examples should have made it abundantly clear that 'transport problems become apparent after the removal of customs barriers'.

The examples illustrated in the diagrams are highly simplified. However, anyone who thinks that they are purely theoretical and bear no relation to reality should take note, for instance, of the 'lorry war' between the Netherlands and the Federal Republic of Germany, which has almost taken on the classic aspect of an economic war since the Community has not yet fulfilled its task and no common transport policy exists.

23. In reality, the situation is of course much more complex and is often far from straightforward, as a result of which the interests of the various parties involved are frequently misjudged and therefore damaged.

24. Admittedly, the effects of transport policy measures are more difficult to assess than those of customs measures. This is one of the reasons why discrimination on the basis of transport policy should as far as possible be avoided as an instrument for controlling trade between the Member States. Such discrimination is imprecise and largely unpredictable since it may give rise to unexpected side effects or long-term results.

25. Hence, the only course open to the Community is to base its Common transport Policy on the principle of non-discrimination and to endeavour to ensure that as far as possible natural cost advantages apply everywhere and artificial advantages or disadvantages are eliminated.

26. This principle applies not only to the relationship between the transport policy and internal Community trade but also to the relationship between this policy and regional policy. It is a principle of the Community that the advantages of a large-scale market should be reaped in all quarters so that a high level of productivity is obtained which will allow exceptions to be made for certain individual objectives. In the same way, the general objective of a transport policy should also be to increase productivity. When a high level of productivity is reached, it is easier to make exceptions and corrections to improve regional distribution. Moreover, there is no doubt that individual regional policy measures will produce better, quicker and clearer results within the framework of a transport economy geared wholly to productivity than they would within the framework of a general subsidy-based economy in which no one knows who really gets what and in which regional subsidies to the remoter areas are not sufficient to counteract the subsidising (let alone the natural cost advantages) of industry in the conurbations.

27. Let us suppose, for example, that an unprofitable road is built in a remote district, reducing the cost of deliveries of raw materials to a glass factory and permitting the skilled workers resident in the area to remain in their jobs. At the same time, an unprofitable local railway is subsidized in a conurbation in which the glass factory's strongest competitors are suffering from a lack of manpower. This makes it possible for the industry to recruit labour from outside. These men will then settle, at no expense to the industry, in the suburban slums fostered by the subsidized local transport. The right hand does not know what the left hand is doing.

28. It is of crucial importance, if any progress is to be made in the common transport policy, to ensure that the public, the interested parties and those responsible for economic policy understand the relationships between these factors.

29. Moreover, recognition of the role of transport policy in general economic policy is essential to any progress by the Community towards Economic and Monetary Union and even to the continuing existence of the Customs Union.

30. It is to be hoped that those responsible for general economic policy will place pressure on the people concerned with European transport policy, who have been at loggerheads for 20 years. Such pressure is necessary since it is obvious that no agreement will be reached without it.

31. In modern industrialized countries the transport sector employs about 5 or 6% of the work force and also accounts for about 5 or 6% of the national product. In countries where geographical conditions make transport difficult the overall economic burden of transport costs is somewhat greater.

Expenditure on transport services is also somewhat higher in countries like the Netherlands which, in terms of geography and transport, are particularly well situated with respect to other countries and therefore export many transport services. Current trends show that in the course of European cooperation the proportion of the national product accounted for by transport will slowly increase since more cooperation means more division of labour and more division of labour means more transport. Even if unnecessary transport activities can be avoided here and there in the course of European cooperation, the volume of traffic is nevertheless bound to increase in the long term.

32. However, although this quantitative view in itself constitutes a powerful argument, it would be quite wrong to estimate the importance of transport from this standpoint alone. A smoothly functioning transport economy is a prerequisite for everything else. The progress of European unification and the safeguards of our prosperity are much more dependent on transport questions than the public at present seems to realize.

Chapter II

It is essential to establish a coherent transport policy, based on common principles, for all modes of transport: No modern system can be created in small stages

33. Since practically all the Member States' existing transport systems are regarded as unsatisfactory and wide consideration is being given to reform, this appears to offer the Community an opportunity to contribute to the rationalization of economic policy in all Member States by working out a modern, coherent transport policy.

34. It is generally recognized that economic activity represents a huge complex consisting of interrelated components and that any attempt to pursue economic policies without taking this fact into account is bound to act to the detriment of the quality of life. This is true especially of transport. The transport sector must be integrated rationally into the economy as a whole. It is especially important within the transport sector to establish a properly integrated approach to transport policy, so that the same principles, adapted to the particular requirements of the market sectors, are applied to all modes of transport. Even though various modes of transport may establish a degree of monopoly in some market sectors, they nevertheless have to compete on others whilst some people may deny the existence of a genuine transport market as such, and claim that in reality there is a separate market for rail transport, another for road transport, and so on, which overlap only in very limited sectors, such a view lacks dynamism. In fact, those who subscribe to such an approach generally forget to make proper allowance for infrastructure policy or to take technical development sufficiently into account in long-term planning.

35. Modern transport policy must integrate transport into the economy as a whole and must be based on principles valid for all modes of transport.

36. Any other approach not only leads to loss of productivity, but is, moreover, incapable of producing the desired result, namely a well-ordered transport sector. Even a small-scale programme for a European transport policy is doomed to failure if it takes insufficient account of the overall relationship between the various aspects of transport policy.

37. For example, it is impossible to lay down regulations on quotas for international road transport until the dimensions and weights of lorries have been brought under control. However, is it really possible to regulate dimensions and weights without simultaneous harmonization of taxes?

Put another way, would not simultaneous action on quotas and taxes greatly facilitate agreement on dimensions and weights? The tax issue, of course, has a crucial bearing on the entire question of payment for the use of transport infrastructures, which, in turn, vitally affects the issue of dimensions and weights, as well as numerous other problems.

38. Many such examples might be quoted. Mr SEEFELD's report¹ called attention to the relationship between ports policy and many, indeed practically all facets of transport policy for rail, road and inland waterways.

¹ Report on behalf of the Transport Committee on ports policy within the framework of the European Community, rapporteur: Mr H. SEEFELD, Doc. 10/72 of the European Parliament's working documents, 12 April 1972

39. Even if one abandoned the hope that European common transport policy could have a major rationalizing effect on the overall transport policy in every Member State, and assumed to be feasible only the minimum absolutely essential to the operation of the Common Market, it would still be necessary to create a Community legislative system based on certain fundamental principles, rather than make piecemeal changes following the path of least resistance. Any such transport policy must remain essentially fruitless, as is patently clear from the transport policy of the Six in recent years.

40. The common transport policy should therefore be based on certain fundamental principles designed to facilitate the integration of transport into the economy as a whole. Such an approach already imposes certain restrictions on the creative ideas of those responsible for transport policy. A whole series of possible solutions are immediately excluded. The economic systems of all the Member States of the Community may be described as state-controlled competitive systems, and the Common Market is based on a similar system. It would not be feasible to depart from this system in the sphere of transport. Admittedly, this does not bring us very far forward, since the point to be resolved is just how much control should be applied and just how much scope for competition should be allowed.

41. At any event, there is no point in getting embroiled in a controversy on ideological principles without taking into account the practical implications of these principles.

Unfortunately it is precisely in the field of transport policy that sharp disagreement arises between warring factions, the one crying for 'more competition', the other for 'more controls'. In practice, however, both sides want fundamentally the same thing, for 'more competition' in one country with a relatively high level of control may well amount to the same as 'more controls' in another country with relatively free competition.

42. This remark should not be taken to mean that one need not face the difficulties which exist squarely or fail to recognize their true nature. Moreover, it would be wrong to base this report on ill-founded optimism, but on the other hand it would be just as wrong to take an excessively gloomy view of the situation.

43. At all events, it is essential to establish certain basic transport policy principles in order to arrive at a coherent Community legislative system.

44. On the basis of the above consideration, the essential principles of the common transport policy are as follows:

- (1) Transport policy must be integrated rationally into the Community's overall economic plan, and due regard must of course be given to the peculiarities of this sector.
- (2) Transport policy must help to create conditions conducive to the establishment of the economic and monetary union by allowing the greatest possible freedom of movement of persons, goods and information.
- (3) In formulating transport policy it is necessary to consider the transport market, in other words the market for the transportation services provided by the various modes of transport, as a unit and the European transport infrastructures as a single cohesive network.
- (4) Competition between the modes of transport and between individual undertakings within each of them should provide the impetus for progress, and should itself be simultaneously maintained and kept under control by regulations on capacity and pricing.
- (5) Within the above limits defined by transport policy, users should have a free choice between the competing means of transport.
- (6) To ensure that the free choice enjoyed by the transport user has a favourable influence on the economy as a whole, it is essential to remove all artificial distortions in costs as between undertakings in different branches of transport and in different countries, which means that discriminating factors in social, technical and fiscal regulations must be eliminated.
- (7) Transport undertakings must cover their overall costs in full (principle of economic viability) and all decisions on public investment in the transport sector must be taken with an eye to the resulting gain for the economy as a whole.
- (8) Departures from the economic viability principle for reasons of social or regional policy or for any other overriding considerations should only be permitted if funds can be earmarked and made available to compensate any transport undertakings adversely affected.

44. Each of these basic principles calls for a brief comment:

1. Overall economic plan

45. Transport policy cannot be applied in a vacuum. However much the special characteristics of transport may be emphasized, it is essential to adapt transport policy to the needs of the economy as a whole.

46. It is true that in every Member State public participation in the total assets is much greater in the transport sector than in other branches of the economy (industry or agriculture). This is due to the fact that almost the whole infrastructure is under public ownership (roads, inland waterways, railways, air and sea ports), and in all the countries most of the railway systems are publicly operated for overriding technical reasons.

There is a tendency in the privately owned sector (road transport, inland waterways, maritime transport) to cut-throat competition, owing to the fact that the 'means of production' are mobile and can compete in various places at various times, that transport services are not a commodity which can be manufactured and placed in storage, so that the marginal costs of the transport services are in many cases very low, and finally that the marginal costs applicable to transport on a return journey fall to practically zero where the costs for the outward and return journeys are covered by the revenue from the former.

47. These facts are not enough, however, to divorce the transport sector entirely from the economy as a whole. As long as competition is the decisive instrument of control in industry and agriculture, competition must also play its part in the transport sector. The state must in fact take regulatory measures in order to maintain competition, whilst at the same time guarding against cut-throat excesses on the one hand and monopoly situations on the other. This must be achieved in the transport sector like in any other branch of the economy, obviously using appropriate instruments. In any event, no good can come of a situation where a transport sector subject to sharp competition has to contend with a state-run transport operation.

48. It is extremely important to distinguish clearly between passenger and goods traffic in this context. In the passenger sector, the transport service, which is partially in public and partially in private hands, faces very strong competition from private, owner-driven cars. It is therefore right to distinguish between passenger and goods traffic. At the same time the measures taken in the realm of transport policy must not disrupt the economic system as a whole.

49. The problem here concerns the economic system, and must not, under any circumstances, be confused with everyday problems of economic policy. The incorporation of the transport sector in the overall economic plan does not mean that it should become an instrument of control serving every kind of economic objective. On the contrary, it can function satisfactorily in the context of a generally market-oriented economy only if it is free from such burdens.

50. In the days of railway monopoly, rail charges were a favourite economic instrument (because of the monopoly situation, this did no harm and did not lead to deficits). Consequently, there is still a tendency in many quarters to pursue every possible kind of economic objective with the aid of transport policy manipulations, to the detriment of the transport undertakings. Such practices must produce disorder and grave economic consequences in a field so exposed to sharp competition as transport.

51. At the same time every government feels obliged to pursue overriding economic objectives with all the instruments at its disposal. Such objectives generally relate to social policy, regional policy and defence. However, in any attempt to pursue such objectives with the aid of transport policy instruments it is essential to take into consideration the peculiarities of the transport sector. One of these peculiarities - in contrast, say, to another economic instrument, namely finance policy - is the fact that the transport sector is made up of thousands of independent

marine transport undertakings, tens of thousands of road transport undertakings and railway companies which provide employment for well over one million workers in the nine Member States. It is just not feasible to resort to this instrument in the same way as one might use a tax levy to attain some economic objective.

52. The first principle of a modern transport policy, namely rational integration into the overall economic plan, must therefore be taken in conjunction with the eighth and last of the principles listed: If transport policy measures are taken in order to achieve economic objectives outside the transport market, then it is necessary to ensure that the transport market is not disrupted, that the transport undertakings and transport workers do not bear the cost; in other words, any financial losses sustained by transport undertakings in such situations must be made good from the general public funds.

53. This principle of the rational integration of the transport sector into the economy as a whole, and of transport policy into the general economic system, applies especially also to the particular problems of the common transport policy into the overall structure of European economic policy. Since the Treaties of Paris and Rome have established Community economic policy on the basis of fair competition secured by limited state intervention, the transport sector must also operate under the same system of rules. Since the European Community has set out to improve the quality of life of the citizens of its Member States by raising productivity through the creation of a Common Market and an increase in division and movement of labour, the common transport policy must in the first instance serve to facilitate the achievement of these two objectives. This requirement is of such importance to the common transport policy that a separate heading is devoted to this item (see following section).

2. Principle of the freedom of movement

54. From the point of view of satisfactory functioning of the Common Market alone, a transport policy is needed that will remove frontier barriers and establish the greatest possible freedom of movement for persons, goods and information.

55. Public opinion at present seriously underestimates the barriers to free movement resulting from the provisions of the Member States' transport regulations.

56. In Chapter I it was pointed out that frontier barriers connected with transport policy played no decisive role so long as movement was in any case impeded by customs regulations. The transport barriers concealed

behind the customs barriers are now becoming apparent. Their importance will, however, considerably increase when the Community develops into an economic and monetary union. The Member States are one by one discarding the instruments used in the past to regulate economic competition between them. The tendency now is for these instruments to be employed by common action at the external frontiers of the Community. This internal economic 'disarmament' means that movement between Member States is increasingly controlled by competition. Customs duties, trade quotas, currency restrictions and other measures and trade barriers are disappearing. Are barriers created by transport policy measures to remain? The great danger for the functioning of the Common Market is that, if this category of trade barrier becomes the last one to survive, it will assume decisive importance. In the absence of all other economic instruments, competition in industrial and agricultural products in the Member States may be decided by the availability of goods transport quotas or by the construction of a canal or motorway across a frontier to link the goods warehouse with the point of consumption so as to remove a gap in the transport network at the frontier.

57. The common European transport policy will therefore be evaluated according to the additional freedom of movement across frontiers that it provides.

58. Regardless of the method used to regulate transport markets, it is important that it should be as similar as possible for all the Member States. At any rate, the regulations of the various Member States must be harmonized at least to an extent as would render unnecessary all kinds of compensatory measures at the frontiers which might restrict the freedom of movement of goods, persons and information.

59. In transport, as in the economy as a whole, there is some substance to fears that the customs union, and especially the economic and monetary union, i.e. the total elimination within the Community of economic regulators, may lead to undesirable developments in the regional distribution of the Community's economic activities. Total freedom of movement and far-reaching reliance on competition as an instrument of progress could lead to increasing concentration of economic activity in the industrial centre in north-west Europe between the United Kingdom and the Ruhr. The Paris Summit Conference rightly coupled progress towards economic union with the creation of adequate regional policy instruments. The establishment of a Regional Development Fund is just one of the measures reflecting the policy of cooperation of the Member States. Moreover, the Member States' regional policy measures are to be coordinated, which not only means that countries will no longer be working against each other but should also mean the weeding out of all aspects of the economic system and economic legislation of the Member States that promote excessive concentration of the economy.

60. Transport policy, too, has a part to play in this process. Raising productivity must remain the primary objective, but it will also be necessary to eliminate all elements in transport policy tending to promote concentration of economic activity and not helping to increase productivity.

61. Furthermore, transport policy can also make an active contribution to regional policy. It might be desirable to support measures to promote regions by lowering transport charges or constructing unprofitable transport infrastructures. In such cases, due regard must, of course, be given to the eighth of the above principles. Measures of this type should only be employed if competition between transport undertakings and modes of transport is not distorted and if any losses suffered by transport undertakings are made good from the general exchequer.

62. Exceptions are conceivable in isolated cases. In principle, however, freedom of movement must remain the aim of the common transport policy.

63. The establishment of a large measure of freedom of movement clearly depends on a number of postulates relating to the organization of the transport market. Establishment of freedom of movement must go hand in hand with approximation of the conditions of competition of the transport undertakings, i.e. harmonization of fiscal, social, technical and other regulations affecting competition. Harmonization of these regulations is essential not only as part of the establishment of freedom of movement, but also to remove differences in structure between the Member States which distort competition and affect the competitive position of shippers in various countries.

64. Independently of the regulation of the transport market and of all issues of cost, freedom of movement of transport across national borders remains in itself a major objective of European cooperation, as important as the elimination of trade barriers.

65. The regulations governing transport across national frontiers should be neither more nor less stringent than those governing internal transport within the Member States.

3. Principle of the unity of the transport market and of the transport network

66. A modern approach to transport cannot involve separate policies for every mode of transport, but must recognize the overall interrelationship of the market for transport services. It is true that not all modes of transport compete with each other in all market sectors, but they are all so intimately interlinked in many ways through competition that it would be out of the question to subject different market sectors to different

regulations.

67. The same is true in connection with the territorial extent of the market for transport services. A modern transport policy presupposes that the entire territory of the Community is regarded as a single 'common market' for transport services. From the territorial standpoint it is true that certain market sectors could be delimited between which no direct competition exists, but this situation is partly attributable to national frontiers and partly to a lack of infrastructures, which in turn is often brought about through national frontiers.

68. Taken overall, all regional transport markets are so closely inter-linked owing to the mobility of the means of transport that market disequilibria in one area will rapidly affect other areas. Hence new Community corrective measures applicable to the whole area must be developed.

69. Thus, if the freedom of movement across frontiers essential to the operation of the Common Market and especially the economic and monetary union is established, it is all the more important to consider the transport market as an entity in terms of the market sectors and regions involved. More specifically, establishment of freedom of movement demands that equal treatment be given to all undertakings and regions involved in the future common transport market.

70. The principle of the unity of the transport market also requires that the European transport network of all modes of transport should be regarded as a single unit. This not only implies technical harmonization of the transport infrastructures, but also rules out the possibility of applying different transport policy standards to different sections of the transport network (the Rhine regulations provide a notable example).

71. One of the main corollaries of the principle of the unity of the transport network is that the primary function of investment must be to close gaps in the transport network at intra-Community frontiers.

4. Principle of competition

72. The Community's economic system is based on a market economy in which competition is the instrument of progress, in which limited state intervention is used to maintain the requisite control over competition and in which the state takes over in most fields of the economy where technical or other reasons prevent the application of the competition principle.

73. It is such considerations which lead to the virtually total withdrawal from the competitive system of large sectors of human activity, for example hospitals and schools. There are those who would like to think of the entire

field of transport together with schools and hospitals as a kind of state infrastructure.

74. This approach, however, fails to take into account an important consideration: whereas hospitals provide services direct to the end consumer and schools influence the economic productivity of the population with a delay of only one generation, transport services are production factors that directly influence the productivity of the entire economy and have a direct effect on competition in industry, commerce, agriculture and other activities.

75. In other words, whereas questions of private or state organization of schools and hospitals or of greater or lesser 'competition' between schools and hospitals have no effect on the functioning or productivity of the economy as a whole, the contrary is true of the transport sector.

76. In the transport sector, therefore, the same principle must be applied as in the other sectors of the economy, namely competition. Any attempt to bring the transport sector largely under state control would quickly reveal (as has been borne out in various countries) that this is feasible only if planning methods are introduced in transport-using industries, such as agriculture, which allow planning of transport demand.

77. At the same time, there are a few sectors in which, for purely technical reasons, the competition principle cannot be applied. Just as in most local authorities only one telephone network, only one gas supply system and only one electrical supply system are allowed, because access to several competitors would immediately lead to cut-throat competition and a probability of an unbalanced market, so in practically every country transport infrastructures, in other words railway tracks, roads, canals, sea-ports and airports, are excluded from the competition principle and placed under public control or else licensed out to public or semi-public monopolies.

78. In contrast to municipal supply systems for electricity, gas, telephones, water and sewage, each of which serves only one purpose, railways, roads and waterways carry thousands of different goods, making it necessary to bring the transport operation itself under the competitive system, even though the infrastructure is in the hands of the state.

79. Public passenger transport is also practically always excluded from the competitive system. Here again, if one may draw the comparison, only one type of goods is carried, namely people. Nevertheless, it is impossible to arrive at a monopoly situation since large-scale competition from the private car user as a form of own account transport is undoubtedly here to stay. Nowhere has a satisfactory solution been found to the regulation of this transport market. Quite plainly, however, before catastrophic developments in city traffic ultimately leave no alternative other than strict rationing, full use must be made of two possibilities: first, investigations

must be made to ascertain whether private car users everywhere bear the real and full costs and, second, public passenger transport must at last be given the investment capital needed to keep cities alive.

80. This by no means complete survey shows very clearly that there can be no question of establishing a fully competitive system in the transport market. The entire infrastructure and certain modes of transport, especially regular transport services, must remain separate. In all countries the railways enjoy a regional monopoly.

Nevertheless, the managements of railways and regular transport services should draw certain conclusions from the fact that these two modes of transport have to face vigorous competition from others. They cannot be run like state monopolies, but must be adapted to the competition.

The situation is similar in the case of the infrastructure. The fact that the railways, roads and waterways are in public ownership must not lead to a situation where competition between inland waterway, road and rail transport is regulated unilaterally by means of investment decisions or indeed exposed to arbitrary, unplanned cost distortions. In planning infrastructures, the state must try to maintain a neutral effect on competition between the various modes of transport, or at any rate to use infrastructure planning as a regulator only within the framework of a deliberate overall plan adapted to general economic planning, taking into account competition between the different modes of transport.

5. Principle of free choice by the user

81. Just as free choice by the consumer is one of the fundamental principles of the Community's present economic system, free choice of means of transport by the user must be the decisive factor in competition between the various modes of transport, undertakings and transport forms.

The only possible way of assessing what is in the public interest is to allow consumers to do so through their decisions on where to place their custom. Similarly, there is no better or more correct way of deciding between a large number of different transport possibilities than to allow the transport user, in other words the customer, to make this choice.

82. The transport user makes his decision not only on the basis of the different prices quoted, but also as a function of a wide range of factors, often difficult to evaluate, which may be put under the heading of quality of the transport offered and include safety, reliability, frequency, speed, divisibility, cleanliness, convenience and so on. The best means of transport is often neither the cheapest nor the fastest. The ability to supply additional services, such as collection of invoiced prices on delivery, advertising, etc., may result in a means of transport that is not the cheapest being the most advantageous, in other words the one best suited to the particular needs of the transport user.

83. Free choice on the part of the transport user not only means that he should be able to decide between the services offered by transport contractors; the principle also implies that he should be entitled, whenever he considers it to be to his advantage, to undertake the transport operation himself. There can be any number of reasons why an undertaking may prefer to use its own works transport rather than contract its shipments out to commercial firms. In all Member States works transport accounts for a significant proportion of the traffic carried by the roads and inland waterways.

In the field of passenger transport, the user has a free choice between a public service, e.g. rail, bus or airline, or the use of his own car or aircraft.

Transport policy must use free choice as a regulator in competition between undertakings, but it must also ensure that the user is able to take his custom away from the market by switching to works transport.

84. The principle of free choice of the means of transport by the user can obviously produce the right results from the overall economic standpoint only if the criteria by which the user makes his decision correctly reflect the overall cost. Consequently, the principle of free choice is meaningless unless it is taken in conjunction with the next point, namely the need to get the costing right.

85. In municipal transport, a free choice by the user between the private car and public transport services can produce the right results only if the quality of the public service offered is truly competitive. In assessing the cost-effectiveness of the investments required, it must be remembered that the public transport system has suffered criminal neglect over the past 50 years and that such mistakes cannot be made good in a short time.

6. Removal of all artificial cost distortions

86. The prices and other terms of transport which the various transport

undertakings can offer the user, and also the costs that would be incurred by the user if he should decide to opt for works transport, are based on the cost components which go to make up the overall cost of a given transport operation.

87. These cost components may be summarized as follows:

- Labour
- Capital cost of the means of transport
- Maintenance of the means of transport
- Energy
- Infrastructures

The cost structure of all these items is governed by certain market processes. Labour costs are determined by employers and unions through wage negotiation. Capital costs are decided by prices in the motor industry and by interest rates, which are in turn determined by the machinery of the credit market. The costs of maintenance depend on the price of a variety of goods and services, each of which has its own market. Energy costs are based on the cost of coal, petrol, diesel fuel etc. All the factors mentioned so far have their own market on which (except for the motor vehicle market) the transport sector is by no means the only customer and on which the suppliers cannot be considered in isolation from the other markets making up the economy as a whole.

88. Every one of these cost components can be increased or reduced by legislation: for example, labour costs might be raised as a consequence of regulations on the number of drivers required to operate a vehicle. Capital and maintenance costs can be appreciably influenced by technical regulations governing the licensing of vehicles and by safety regulations relating to conditions under which vehicles are operated. In some cases fuel taxes have the effect of increasing energy costs many times over.

89. Whilst legislation influences the other cost components in many ways, the effects of legislative and administrative measures on the costs of transport infrastructures assume special importance, firstly because particularly large sums are involved, and secondly because the entire infrastructure is state-owned, which means that the state must pass on a given share of the cost to the user, the policy adopted being either more or less arbitrary depending on the approach taken.

The European Community is working out a system of payments for the use of transport infrastructures. The European Parliament has delivered its opinion on this subject, in the KOLLWELTER report¹. Whatever the system eventually adopted, it must not result in artificial distortion of costs between the various modes of transport.

90. The same applies to all the other cost components. Whenever legislative measures are taken which affect the cost or some other important aspect of the conditions under which means of transport operate, care must be taken to ensure that they do not distort competition, in other words the effect of any such measures must be the same on all modes of transport.

91. Firm steps must, of course, be taken to counteract any possible misconception that the state might seek to establish the same conditions of competition for the various transport undertakings: This would be contrary to all economic principles and the general interests of the Community. Natural differences in cost, in other words those arising from the normal market effects on the component costs, should in fact be allowed to come into play in competition and help to determine the user's choice.

92. In this connection it may be pointed out that legislation can also influence the competitive position of the various transport undertakings by imposing certain requirements on them. Such requirements may be connected with price policy, capacity policy to regulate the market within a transport branch, or they may be based on regional or social policy decisions, e.g. in the case of social pricing for passenger traffic, etc. In all these cases the Community's transport policy must comply with the following principle:

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Doc. 195/73

in the first place the transport policy instrument associated with such requirements should be used with care and as sparingly as possible. For example, before the transport market becomes involved it is as well to establish whether the same objectives cannot be attained by financial policy measures. Secondly, transport undertakings should be compensated for any loss of income. Thirdly, and in the present context this is the most important point, such a system involving imposed requirements and cost refunds should not be applied in a manner that would distort the competitive relationship between the various transport undertakings.

For example, regional policy considerations may cause the railways to adopt, by way of exception, a low scale of charges, leading to loss of revenue whilst at the same time providing railways with a high level of traffic. The loss of revenue is made good from state funds. Road transport cannot offer comparably low charges, so that it loses business, but receives no compensatory payments.

7. Principle of economic viability

93. No matter how painstaking the efforts to regulate the transport sector in such a way that it can make the best possible contribution to the economy as a whole, and no matter how precise the schemes for distributing transport infrastructure costs or how well balanced the coordination measures, they will all be useless if transport organizations are not obliged to observe the principle of economic viability, i.e. if large deficits remain 'below the line' and are simply paid for out of state funds.

94. Despite appearances, this applies not only to the railways, which at present show extremely high and annually increasing deficits in almost all Member States. It also applies to other modes of transport when infrastructure costs are taken into account. Admittedly, any road transport or inland-waterway organization has to cover its operating costs to avoid bankruptcy. However, from the general economic point of view, the other modes of transport also fail to make an optional contribution to the economy as a whole if they are run on unprofitable lines.

95. The public has now become so accustomed to the enormous deficits on the railways that many people consider them normal. But they are not normal! They are the expression of an incredible distortion of our economy and an incredible misdirection of economic forces.

96. This misdirection arises from the fact that the price level is kept low by means of state subsidies. Because of this, the demand for transport services is higher than it would be if every transport undertaking had to cover its costs fully. This means that transport activities are excessive in our society at present. At first glance it may appear that no harm could come of this. However, the reverse is true and this fact should be extremely disconcerting to anyone who is not indifferent to the overall wellbeing and the quality of life of the population. The price of transport services is certainly included in the statistical national product but we derive no benefit. If transport activities are excessive and on account of this no kindergartens, for example, can be built because public funds are needed to cover the railway deficit, the quality of life suffers.

97. This fundamental argument, which unfortunately is not often taken into account, should perhaps be explained in a little more detail.

Transport services are predominantly production requisites; they rarely represent consumer products in themselves.

Not even in tourist traffic, the cost of which finds expression in the consumer expenditure of the persons concerned, do transport services in themselves raise the quality of life. They are simply a means to an end. In fact, they enhance the quality of life in themselves only in the relatively rare instances when people go for a drive to enjoy the countryside, for example, or take a cruise. Even the tourist who flies to the south regards the journey as a means to reach the sun and not as an end in itself (no matter how good the service on the plane might be).

98. Goods traffic as a whole is a prerequisite of the highly complex production process of our economy with its division of labour. Personal transport, too, serves to get people to work and to other productive activities.

99. If the cost of transport as a means of production is artificially reduced by state subsidies, it will in many cases be used instead of other prerequisites that can be replaced by transport operations.

If the price of milk is artificially reduced our quality of life will improve since we ourselves and our children will drink more milk. An increase in transport activities simply brings more noise and more exhaust fumes.

100. However, it is impossible to say what further effects will make themselves felt on the economy. Once subsidized milk has been drunk it is off the market and one need only consider the effects of such subsidies on agriculture. Subsidized transport services, however affect thousands of other products influencing the markets in such products manufacturing and production methods, and hence having repercussions at both ends of the production process.

101. The effects of subsidized transport on our economy as a whole have not been investigated. It could well be, however, that some of them are by no means as beneficial as the reduction of the price of milk.

102. If it takes 100 man-hours to manufacture a certain product in a given place under the technical conditions which prevail there and if it takes 120 man-hours to manufacture the same product elsewhere, there will be no trade if the costs of transporting the product from one centre to the other are the equivalent of the costs of 30 man-hours. However, if the railways are allowed to run at a deficit of one thousand million with the result that they can sell their transport services at a price equivalent to only 20 man-hours, production will cease at the first place and will be concentrated at the second.

Result: 20 man-hours per unit of output have been subsidized by transport services.

Is this an advantage for the economy as a whole? Obviously not if it causes unemployment in one place and an excessive concentration of industry in the other.

103. Although there is no adequate information on this subject, it may be assumed that a heavily subsidized transport system promotes the division of labour and hence increases the size of enterprises and the concentration of the economy.

104. A greater division of labour obviously contributes to higher productivity and thus to an improvement in the quality of life. This is only true, however, if the increased division of labour is not offset by excessive disadvantages in other fields or if, instead of being based on

technical progress, it is based on incorrect assessments, false pricing and distorted geographical distribution in the economy.

105. For example¹, all observers of the regional policy situation in Denmark are agreed that the high concentration of industry and other economic activity around Copenhagen is not beneficial to the country. Thinking centres on the problem of how to encourage development, particularly on the peninsula of Jutland, and thus bring about a more uniform distribution of economic activity throughout the country.

One explanation for the imbalance is that the Baltic Sea, with its high transport costs, divides Denmark like a customs barrier. Demands have been made, on the basis of this argument, for a bridge or a tunnel to overcome the division. However, even if such an expensive tunnel or bridge were built, the cost barrier would remain if a toll were then charged for its use. Many people argue that for regional policy reasons, use of the tunnel or bridge should be free. However, this might not result in intensified economic development in Jutland. It is possible, that, as many people fear, all centres of production would try to exploit the advantages of the concentration around Copenhagen and use the cheaper system of transport to supply Jutland from that city.

106. Thus, there is some doubt as to whether it is beneficial to the economy as a whole to deviate from the principle of economic viability. In all countries in which the railway deficit reaches huge proportions large quantities of goods are shifted about which would remain where they were if the costs of the operations had to be met in their entirety.

In many cases the reduction of transport costs might make the working of minor deposits of raw materials profitable, in many others it might prevent the processing of such raw materials on the spot or even make their working unprofitable. We can only speculate on which factor is predominant.

107. The principle of economic viability is the only fixed reference point. If it is abandoned, increasingly complicated safeguard measures will become necessary. These can be carried to a certain point which can be defined fairly accurately. It will be possible to take counter-measures against undesirable effects until these effects, together with the counter-measures, become so complicated that the situation loses all clarity and precise determinations can no longer be made. From this point on, we have to give up. Moreover, no one can criticize the distorted system any more because it is no longer possible to adduce any evidence of the damage that has been done, the effects can no longer be isolated and the causal relationships can no longer be discovered.

¹ Mr Guldberg called attention to this example

8. Departures from the principle of economic viability

108. Although the common European transport policy should adhere rigidly to the principle of economic viability in defining the basic structure of the transport sector, it would be senseless not to allow exceptions.

109. These deviations from the principle of economic viability should, however, be subject to certain important conditions:

- they should only be allowed when effects can be predicted and would recognizably be undesirable.
- they should be permitted only in a form which would not distort competition between different modes of transport and organizations using the same form of transport.
- they should be authorized by the State in respect of transport undertakings only if the funds to cover the resulting deficit are made available at the same time.
- exceptions for regional policy objectives should be allowed only on a temporary basis and only in the context of a regional plan together with other measures which make success seem likely in the foreseeable future.
- exceptions from the principle of economic viability should only be made on the basis of joint decisions within the framework of the common transport policy and under jointly established conditions.

All in all, exceptions to the principle of economic viability should be allowed only if they are true exceptions. They should not form part of a system.

Conclusions

110. It is possible on the basis of a solid framework of principles of this kind, to formulate a common transport policy whose component parts are mutually complementary.

It is therefore necessary for the Member States to agree on the basic aims of the common transport policy since otherwise controversy will flare up again at every small step taken.

111. Every single stage in the formulation of the common transport policy will mean the elimination of many possible solutions if only those measures can be accepted which are consistent with the principles of the policy.

112. It would be even better if the Community could evolve an overall plan for a comprehensive transport policy programme. After the failure of its memorandum of 1961 and its action programme of 1962 the Commission of the Communities unfortunately gave the Council the

initiative in this connection. The Council has therefore adopted several important fundamental decisions of its own accord which have never been submitted to Parliament for its opinion and which, since they were not prepared on the basis of Commission proposals, show all the disadvantages one would normally expect from documents worked out at diplomatic conferences. However, these documents are extremely important since, as decisions of the Council of Ministers, they are binding on the Community and the new Member States cannot simply ignore them.

113. We refer here to the Council Decisions of 22 June 1965, 20 October 1966 and 14 December 1967; only the last of these was published in the Official Journal. All three are appended to this report as Annexes I, II and III.

114. Analysis of these reports is particularly enlightening in that it shows that on 22 June 1966 the Council of Ministers did not deal with the capacity problem and took one and a half years to establish that no price policy could be worked out without also taking decisions on the approach to capacity policy. The Council of Ministers had to recognize this fact on 20 October 1966 since it became apparent that the implementation of the previous decisions had failed through lack of a capacity policy. At that time, however, the Commission had made no proposals on this subject. The Commission therefore had to request them to do so.

115. Your committee is of the opinion that the Commission should never again allow itself to be manoeuvred into such a position. Under the Treaty, the Commission has the sole right to submit proposals. Without such proposals the Council can neither act nor take any decisions. However, when the situation reaches such a point that the Council confers upon the Commission the task of submitting proposals, the latter loses its most powerful lever. In the case of transport policy, the result of this is that the Commission has to submit an overall plan to the Council. If this overall plan is accepted by the Council and Parliament it will be possible to use it as a weapon for the implementation of individual Commission proposals.

116. At all events, your committee is convinced that the policy of proceeding by small stages failed in the Europe of the Six and should not be continued in the Europe of the Nine.

117. For such a fundamental discussion and a decision not only on the basic principles of the transport policy but also on an overall plan of future transport objectives in the Common Market, the Council will need time and probably a series of meetings or, better still, a continuous session.

118. The time and energy required will prove to have been well spent if it obviates the need to return to basics every time individual measures come under consideration. In any case, experience since 1958 has shown clearly that there is absolutely no other way to a sensible and rational common transport policy.

Chapter III

Capacity policy

119. Starting from the principles outlined in the previous chapter, the Community must come up with a clear concept of the future shape of the transport sector in the framework of Economic and Monetary Union, and, just as important, an equally clear picture of the methods to be used to achieve that objective.

120. Transport policy may be broken down into, firstly, basic legislation aimed at regulating structures, secondly, regulation of the everyday processes of the common transport market and, thirdly, limited and exceptional measures. In any overall plan it is essential that these three aspects of transport policy be carefully coordinated in order to end the present situation where too often the right hand (structural policy) does not know what the left hand (regulation of market processes) is doing. In view of the need for such coordination - the objective being a coherent transport policy - what follows has not been arranged according to these three aspects, but according to the three major sectors in which action must be taken: capacity policy, price policy and removal of discrimination in the factors affecting competition. Since the aim of the common transport policy is a common transport market, with trans-frontier transport subject to conditions as close as possible to those governing transport within each Member State, there is no sub-division into international and domestic transport. Similarly, there is no classification according to the various modes of transport, for in a modern transport policy in which the transport sector is regarded as a single whole, any regulating measures should have an equivalent effect on all modes of transport.

121. To take capacity policy first, it is important to acknowledge something which has often been overlooked in the past, namely that the most important decisions concerning the capacity of the various transport modes are taken in the context of infrastructure policy. A modern approach to transport policy must start with infrastructure planning on the premise that the capacity of the transport industry is basically determined by the infrastructure network as a whole.

122. Bearing this in mind, the Community's capacity policy can be broken down into the following:

- (a) Infrastructure: Planning the capacity of the transport network
- (b) Vehicles: Regulating the capacity of the vehicle fleet
- (c) Undertakings: Regulating access to the market
- (d) Manpower: Regulating access to occupations in transport

- (e) Areas served: Regulating access to transport in certain areas

Each of the above points calls for comments explaining and supplementing the requests put forward in the motion for a resolution.

(a) Infrastructure

123. In the long term, a common transport policy can only lead to similar transport structures in all Member States if it embraces a common long-term infrastructure plan. The capacity of the various modes of transport is largely predetermined by government decisions on infrastructures. At the very least, it must be accepted that infrastructure building policy substantially restricts the possibilities of influencing capacity through action on market processes. The construction of several thousand kilometres of new motorways or several hundred kilometres of new canals considerably boosts the capacity of the modes of transport concerned, even if the tonnage of the vehicles remains the same. The carrying capacity of a state railway system is decisively affected by the availability or otherwise of adequate investment funds. In an economic community it is unthinkable that Member States should pursue conflicting policies on such fundamental issues. The joint consultation procedure employed hitherto should therefore be replaced by a long-term planning body, within which the appropriate authorities of the Member States could, as a first step, compare their methods and exchange ideas on future developments. This would be followed by a second stage in which common methods would be mapped out and long-term policies approximated.

124. As far as individual construction projects are concerned, the existing consultation procedure should in the first instance be improved in such a way as to provide full and early information on large projects whose planning covers a long period (channel tunnel, bridges across the Baltic, tunnels through the Alps). Moreover, the Commission should be allowed to propose negotiations not only between Member States, but also with third countries. Such negotiations should then be conducted by the Commission (e.g. in connection with the tunnel through the Alps, requiring negotiations with Switzerland, Austria and Yugoslavia).

125. A particularly important Community objective - and one to which Parliament has repeatedly called attention¹ - should be to close the gaps in the transport infrastructure network linking the Member States. Investment funds under the budget of the Communities should be allocated to the Commission specifically for this purpose.

¹ See Müller-Hermann report, Doc. 90/60, and Seifriz report, Doc. 7/65

Closure of these gaps in the transport network would increase considerably the capacity of the carriers concerned to provide international transport between the countries of the Community. The use of Community funds appears necessary because in many cases projects are of greater interest to the Community than to the frontier regions or even the countries in which the transport routes concerned are situated.

Even without Community funds, satisfactory progress could be made in this area if the Community had the authority to promote European projects under the common infrastructure policy, on the basis of cost-sharing not according to the proportion of the route situated in each country, but according to the benefit derived by the various countries from the project. This principle is illustrated by the financing of the canalization of the Moselle.

126. A subject which the Community cannot afford to ignore, although at the present moment it does not yet appear to be ripe for discussion, is the development of new, fast means of transport. Joint research under the Community's industrial policy may well be important and money-saving, but it is far more important that the Community should take prompt measures to establish decision-making machinery to prevent differing technical systems being chosen, with the erection of new technical barriers between the countries of the Community.

In the case of colour television it is now too late to do anything. However, although it is regrettable that cultural exchange should be impeded by lack of technical coordination, we are dealing here with luxury goods intended for the ultimate consumer. In the transport sector, which supplies services to the rest of the economy and whose costs therefore have a general impact, untold damage would be done if the Community proved incapable of making a common choice.

127. Apart from the consultation procedure pursuant to Decision No. 161 of 28 February 1966 (OJ No. 42 of 8 March 1966), the Community has already developed certain other instruments which could be used to promote the infrastructure policy:

- organization of an inquiry into infrastructure costs in respect of transport by rail, road and inland waterway, pursuant to Decisions No. 389 of 22 June 1964 (OJ No. 102 of 29 June 1964), No. 270 of 13 May 1965 (OJ No. 88 of 24 May 1965) and No. 108 of 27 January 1970 (OJ No. L 23 of 30 January 1970).
- introduction of an accounting system for expenditure on transport infrastructures, pursuant to Regulation No. 1108 of 4 June 1970 (OJ No. L 130 of 15 June 1970).

Finally, the Community system of payment for the use of transport infrastructures will provide important common elements for the development of the common infrastructure policy. In its opinion on the Commission's proposals on payment for the use of transport infrastructures, the European Parliament has already urged that the system of payment should be supplemented by a common infrastructure policy (see Kollwelter report, Doc. 195/73, sec. 33). The system of payment and infrastructure planning must be developed hand in hand.

128. To prevent any misunderstanding it must, however, be made clear that this interdependence between the system of payment and infrastructure planning must not lead to a sterile policy whereby each year the revenue taken is applied to new construction projects, allowing events to dictate progress. Construction planning must be regarded as the active instrument which it must represent for the Community's development.

(b) Vehicles

129. Technical regulations applicable to vehicles, such as maximum permissible dimensions and weights, safety regulations, etc., affect the capacity of the various modes of transport. Many of these technical regulations are closely related with infrastructure policy, e.g. the size of inland waterway vessels depends on the characteristics of the waterways. In some cases, infrastructure is the determining factor (transport by inland waterways and roads), whereas in others infrastructure decisions are governed by the technical development of vehicles (airports and seaports). This underlines the need for the common European transport policy to come to grips with the relationship between infrastructure planning and vehicle development, a problem that has never been satisfactorily solved at national level.

130. Apart from policy on the technical development of vehicles, the key to a well-ordered transport market is the policy adopted as to the number of authorized vehicles or the total tonnage of the vehicle fleet within each mode of transport.

131. In its communication the Commission proposes to solve all the problems by the simple method of abolishing all quota or other quantitative restrictions (sec. 72 of the communication). The Commission thus intends to go back on its earlier proposals, which involved a quota system at least for road haulage.

132. Most of the Community countries at present apply quota systems of one kind or another to domestic and trans-frontier road haulage, so that the Commission's proposal will mean fundamental changes for these countries.

133. Existing quota systems were based on the argument (and experience) that in road haulage there is a tendency to cut-throat competition which would reduce freight charges to such a low level that the road haulage undertakings could no longer survive, at the same time leading to unfair competition with the railways.

134. The Commission is, however, clearly hoping that active infrastructure policy, more stringent subjective controls (see under (c), undertakings) and other changes in the conditions of competition for undertakings (including railways) will bring about a situation in which the market process will lead to market equilibrium.

135. Your committee does not rule out this possibility. From the European standpoint the removal of all quotas and restrictions as to areas served would be the simplest solution, since it would do away with the difficult special measures for trans-frontier transport. It must be pointed out, however, that such a system could only operate if numerous conditions were fulfilled, and that without this removal of quotas would lead to chaos.

136. As far as quotas are concerned, therefore, everything depends on the policy pursued. The Commission would have to lay down precise conditions for every single measure it takes. For example, bilateral quotas would be gradually replaced during the transitional period by the Community quota, which would then presumably be increased until it eventually loses its effect. However, each step along this road must be accompanied by certain measures to harmonize cost factors: quotas can only be removed when a fair balance has been achieved between undertakings in the various Member States in the field of specific transport taxes and social and technical regulations.

Your committee feels it is particularly important that the intermediate stages along the road to complete removal of quotas should be planned in such a way as to allow progress to be arrested at any point, in other words so that each of the intermediate stages could, if necessary, be kept in force for a prolonged period if it should be found that further reduction in controls might lead to market imbalances.

137. Moreover, the reduction in quotas for international transport must at no stage of the transitional period allow the situation to arise where trans-frontier transport is subjected to less stringent controls than domestic transport within the Member States.

138. Your committee considers it extremely important that, simultaneously, with the various stages towards increasing and ultimately abolishing quotas, the Commission should propose a system allowing governments to step in at any time and reintroduce quotas, at least as a temporary measure, if market disturbances should occur. Such a system of market control must be established

in the Member States on a uniform basis and must be accompanied by Community machinery allowing rapid coordination with the market-regulating authorities of the Member States and also embracing a joint supervisory body responsible for trans-frontier transport.

139. In the domain of capacity policy based on quotas or other quantitative controls on the number of vehicles, the Community has adopted the following measures:

- the first Directive of 23 July 1962 on the establishment of certain common rules for international transport (OJ No. 70 of 6 August 1962), as amended by Directive No. 426 of 19 December 1972 (OJ No. L 291 of 28 December 1972) and Directive No. 149 of 4 March 1973 (OJ No. L 84 of 28 March 1974), lifted quota restrictions on certain types of carriage in the vicinity of frontiers and on trans-frontier carriage by small lorries.
- certain rules relating to authorizations for the carriage of goods by road between Member States were standardized by Directive No. 269 of 13 May 1965 (OJ No. 88 of 24 May 1965).
- Regulation No. 117 of 28 July 1966 (OJ No. 147 of 9 August 1966) contains certain rules for the international carriage of passengers by coach and bus.
- the most important measure hitherto is the experimental introduction of a Community quota for the carriage of goods by road **between** Member States by Regulation No. 1018 of 19 July 1968 (OJ No. L 175 of 23 July 1968 and L 233 of 24 September 1968), as amended by Regulation No. 2829 of 28 December 1972 (OJ No. L 298 of 31 December 1972).
- the Commission has also received authority to negotiate with Switzerland on an arrangement for the laying up of vessels used for Rhine navigation. This arrangement could mark the beginning of a capacity policy in inland waterway navigation. Many people doubt whether such an arrangement could on its own solve the capacity problem in this transport sector. It is probable that here again it will be necessary to make provision, at least as a temporary and safety measure, for direct intervention by the authorities.

140. Taken over all, very little headway has been made so far in Community legislation in this field and the Commission must submit its proposals quickly if there is to be a hope that with the establishment of Economic and Monetary Union the abolition of quotas will contribute to the freedom to supply services between Member States.

(c) Undertakings

141. The Member States' provisions on access to the occupation of transport contractor have a considerable effect on the capacity available in the transport sector.

142. In road and inland waterways transport it is possible to have provisions concerning knowledge of the trade, personal integrity and creditworthiness of persons wishing to set up or operate an undertaking. Evidence of knowledge of the trade might take the form of examinations or previous experience in the trade. Member States' regulations in this field are extremely diverse. Some harmonization may be necessary before a common capacity policy becomes feasible.

143. Freedom of establishment for transport undertakings in the countries of the Community will have to be implemented on the basis of the Community law on establishment and backed up by mutual recognition of diplomas.

144. In the case of the railways different problems arise, connected with the licensing of state and private railways and the question of the financial relations between the railways and the Member States. These problems are not normally considered primarily in the light of their effect on available capacity, but a modern transport policy, under which the transport sector is regarded as a unit, must also take into account the effect on the capacity of the railways of state policies relating to the provision of capital.

With some other modes of transport it would be advantageous if the Community were to draw up common rules for access to the market. In inland waterway transport and the air charter business, for example, it seems at present far too easy in some countries to create new capacity, which then enters the transport market as a competitor of dubious merit.

145. The Community has so far made no progress in this field although the Commission has submitted some proposals. However, Regulations No. 1192 of 26 June 1969 on the normalization of accounts (OJ No. L 156 of 28 June 1969) and No. 1107 of 4 June 1970 on aids (OJ No. L 130 of 15 June 1970) have an important bearing on the management structure of railways. Article 8 of harmonization Decision No. 271 of 13 May 1965 (OJ No. 88 of 24 May 1965) will also affect the management structure of railways¹.

The Commission has submitted a large number of proposals on access to the market in transport by road and inland waterways, but very few of them have been adopted by the Council. In this connection see in particular the Tegryse (Doc. 116/68), Boertien (Doc. 186/68), Lautenschlager (Doc. 31/71) reports of the European Parliament.

¹ See report by Mr Faller, Doc. 49/72

(d) Manpower

146. The capacity of the transport sector can also be restricted through manpower policies. In the first place provisions governing the number of crew members required for certain vehicles can restrict capacity, and in addition access to the occupation of transport worker or other occupations in the transport sector is subject to various vocational training provisions.

147. The Community exerts an influence on these factors, particularly through its policy on the freedom of movement of workers. The recognition of diplomas and driving licenses and access to training courses are essential to the satisfactory implementation of the freedom of movement of workers. The question of access for foreign pilots to employment with a national airline has already resulted in a case being brought before the European Court of Justice (case 167/73).

The Community has made some progress in the field of social provisions connected with road transport: Regulation No. 543 of 25 March 1969 (OJ No. L 77 of 29 March 1969), as amended by Regulations No. 514 and 515 of 28 February 1972 (OJ No. L 67 of 20 March 1972). The Commission has not yet submitted any proposals for corresponding arrangements in the case of the other modes of transport.

148. To summarize, it should be pointed out that the provisions governing manpower are naturally not suitable for controlling transport capacity, but it must be realized that this factor has a structural influence on capacity.

(e) Areas served

149. If the Community should one day abolish quota restrictions on commercial road haulage, separation into various transport areas would, in fact, become pointless. In certain circumstances, however, it might be desirable to retain the distinction between short-distance and long-distance road haulage, in which case subjective access criteria could be applied instead of quantitative restrictions. In some countries, several years' experience in short-distance work is required for access to long-distance haulage. Since fears have been expressed in various quarters that abolition of price controls in road transport could lead to poorer coverage of transport services, it is worth considering whether access to the market might not be based on a breakdown broader than short-distance and long-distance haulage. Regional licences might, for example be based on a four-tier haulage system: short-distance, regional, national and Community quota. Short-distance and regional haulage could be made subject to a statutory obligation to provide transport services analogous to that applied to the railways.

The problems arising for the railways in connection with this obligation will be solved automatically when the railways are allowed to introduce charges more commensurate with costs and are given adequate commercial freedom.

150. As regards inland waterway transport, the entire interlocking west-European network of inland waterways should be regarded as a single transport area and all restrictions affecting trans-frontier transport and coastal shipping should be removed. It would, therefore, be pointless to distinguish between short-distance and long-distance transport in the case of the inland waterways.

151. To conclude the discussion on capacity policy, your committee is prepared to endorse the Commission's intentions to reduce quota restrictions or abolish them altogether, provided that the authorities at all times retain (or acquire) freedom to take action (coordinated at European level) to safeguard market equilibrium in crisis situations, and that each transitional stage in the process of removing quotas is planned in such a way that if need be it could be maintained indefinitely.

Chapter IV

Price policy

152. Price policy and capacity policy must be carefully coordinated. Every step taken by the Community towards the abolition of quota restrictions on transport capacity must be accompanied by appropriate measures in the price policy sector. For example, if quota restrictions are lifted from road haulage, the railways must be given far greater commercial freedom in fixing their prices than in the past.

153. A particularly simple method of bringing price and capacity policies into play is, of course, complete pricing freedom of price and total abolition of quota restrictions, which the Commission appears to be proposing as the eventual situation for the common transport policy (see sec. 72 and 73 of the Commission communication).

154. By this change in attitude, i.e. by abandoning the bracket rate proposal, the Commission comes closer to the previous proposals by the Transport Committee of the European Parliament, as set out in the 1961 report by Mr Paul J. Kapteyn (Doc. 106/61). According to these proposals, every transport contractor would be completely free to fix his own prices, although two principles would be applied for the purpose of market control: firstly, publication of prices and secondly, the maintenance of a lower limit defined in terms of costs.

155. Your committee is prepared to go along with the Commission in its policy of greater market freedom in the transport sector, provided that not only these two conditions, but also two other conditions are fulfilled: as in the case of capacity policy, every stage of the transitional period must be planned in such a way that it could be retained indefinitely if need be, and, as a safety precaution, the authorities must retain the freedom to intervene on the transport market in order to regulate prices.

A few comments are called for on each of these four points:

(a) Publication of prices

156. A system of free pricing does not necessarily mean that rates are kept secret. In the interests of general market transparency, prevention of unjustified discrimination, as well as general confidence in the fairness of the system, price publishing arrangements should be adopted for all modes of transport. Transport undertakings which decide to draw up a schedule of charges even under a free pricing system should be obliged to make it public, any changes being notified to the authorities. In the case of the other modes of transport, a system of subsequent publication of price variations should be developed along the lines of stock-exchange quotations. The

practical arrangements for price publication could be left to the authorities responsible for keeping the market under review.

157. The same authorities could also be made responsible for the other aspects of price supervision. To ensure coordination at European level, national or regional authorities should forward their price reports to a European body, which could, if necessary, propose joint European measures.

(b) Lower price limits

158. Publication of prices should prevent the transport user from being asked to pay excessive rates. Setting a lower price limit can prevent competition from assuming unfair or cut-throat forms.

According to the proposals contained in the Kapteyn report of 1961, this lower price limit could be defined in terms of the costs of each undertaking. This would not involve the fixing of minimum prices by the authorities, but simply the adoption of certain rules for calculating prices on the same basis as legislation on unfair competition. The lower limit would be calculated on the basis of the specifically defined marginal costs of the transport operation concerned. The authorities would confine themselves to dealing with complaints and making random checks. Any undertaking offering unusually low prices might be asked to prove that its prices were not below the lower limit.

(c) Transitional stages

159. In several of the countries of the Community the introduction of total freedom in fixing prices marks a change in the structure of the transport sector, which had remained intact since the crisis legislation after 1929. The final stage of the common transport policy will be reached after 1979, which means that an era in road transport policy extending over more than fifty years is coming to an end. For the railways, the change is even more marked, since in most countries they have done nothing since the days of monopoly control in the last century to adjust to the opportunities of greater commercial freedom and sharper competition. In the case of the railways the era now coming to an end will have lasted over a century.

It is clearly impossible to predict all the factors that will emerge from such a radical change in price policy. Your committee therefore once again emphasizes that the switch to the new pricing system must be planned in such a way that the development process can be halted at any of the intermediate stages. The sectors of the economy affected by the process cannot, after all, be expected, for the sake of experiment, to accept exposure to the risk of chaos out of sheer determination to develop the system. It would also be unwise to launch a European transport policy which

would have to return to the point of departure the moment a difficulty arose during an intermediate stage.

160. Your committee is therefore prepared to endorse the Commission's movement towards pricing freedom only if a sufficient number of transitional stages is provided for, and if each of these stages is so well thought out that it could become a permanent arrangement.

161. Another condition to be borne in mind when planning the transitional stages is that at no time may competition between the various modes of transport be slanted in an undesirable direction. This is not to say that the present situation with all its distortion of competition must be retained at all costs; on the contrary, one of the objectives of the common transport policy must be to put competition on a sounder footing than it is today, but it would be unacceptable if, during the transitional stages, first one and then another mode of transport acquired a privileged position and was encouraged to make investments that might very well prove to be superfluous during the next transitional phase.

(d) Intervention possibilities

162. Since, as has already been pointed out, it is impossible to predict accurately future trends in all the factors involved, and since even after the common transport policy has assumed its ultimate shape extraneous factors such as economic crises and other events may temporarily affect the balance of the transport market - which in turn would result in undesirable fluctuations in prices - the authorities must keep open the possibility of intervening in the market process at any time with price regulations. The essential here is not to wait for imminent chaos before embarking on the necessary legislative measures. The legislation required must be ready so that action can be taken quickly if it proves necessary.

Moreover, experience shows that the very fact of the authorities being in a position to act in this manner has a salutary effect on free market prices, since all those concerned know from the outset that they must not push things too far and that excessive exploitation of short-term imbalances does not pay.

163. The authorities must be able to act on a European scale, in other words action must be coordinated at European level, and in addition there must be a European body that can keep the market under surveillance and propose measures.

164. Summarizing, it may be said that the Commission's proposal of achieving within the foreseeable future a situation characterized by free price formation and relatively free access to the market, has much to offer from the European

standpoint: a whole range of very complex problems would vanish at a stroke, including all those connected with the removal of disparities between national and international arrangements or with transitions between two different national arrangements for the purpose of international transport. Many problems connected with the Mannheim Act, for example, would simply disappear, since the Commission's new proposal is tantamount to extension of the Rhine arrangements to all of the Community's waterways.

165. In addition to the considerable broadening of the scope for market freedom, there are certain possibilities of control, some of which have already been referred to in this chapter. These possible controls can no doubt be accepted even in those areas where they are new by those who attach particular importance to greater freedom, for they are, in fact, the price that has to be paid for it.

166. The next chapter deals with other conditions that have to be met before the proposed organization of the European transport markets becomes attainable. It goes without saying that it would be necessary to remove the remaining distortions in the conditions of competition between the various modes of transport and between the transport undertakings in the various countries. In other words, Community policy-makers face an enormous task, consisting in the harmonization of transport legislation insofar as it affects costs. It should be emphasized, however, that the reference to 'conditions' in the first line of this paragraph does not mean that all the harmonization measures have to be taken before the smallest step is made to bring about the common market in transport or the market organization: such an approach would very quickly end in total stagnation. The right solution here is that harmonization and market regulation should move forward together, step by step. If, in a given transitional stage, it should prove that progress in one of these areas has fallen behind, then efforts can be made to move faster in that area and slower in the other, but on the whole a balance should at all times be maintained between improvement of freedom of competition and harmonization of the conditions of competition.

167. At the very least, we must know at any time where the development is to lead, so that those affected can be sure that any delays which may arise do not produce a standstill. For the same reason, it is also necessary to define precisely the ultimate situation to be attained by the Community, both in respect of harmonization and in respect of market regulation. Only then will affected groups be able to prepare themselves and only then will those concerned, and even the governments of the Member States, be able to accept certain measures. For example, governments which in the course of harmonization must increase the costs of their transport undertakings can only carry through such a measure on a national scale if they can explain at the same time how much more freedom is to be attained through the

harmonization measures. Governments which must expose their transport undertakings to sharper competition than previously are in a better position to explain this if they can clearly demonstrate to those affected that competition from the other countries will no longer enjoy the advantage of appreciably lower taxes, social charges, technical requirements, etc.

Chapter V

Harmonization of cost factors

168. Harmonization is not an end in itself. The officials in Brussels have often been accused of harmonization mania because they have not always succeeded in explaining to the public, and especially the people directly affected, the objectives underlying the individual harmonization measures. There are two major aims behind the harmonization of cost factors in the transport legislation of the Member States: firstly, the transport costs borne by industry and agriculture in the Member States should not give rise to artificial distortion of competition, and, secondly, harmonization is necessary in order to create as free a common transport market as possible.

This second point should be repeatedly brought home to transport undertakings, for every step towards harmonization brings them one step closer to greater market freedom.

169. Questions of harmonization are usually classified under the following major headings:

- charging for the use of transport infrastructures,
- tax harmonization,
- technical harmonization,
- harmonization of social legislation,
- harmonization of state interventions.

A few comments will be made under each heading.

(a) Charging for the use of transport infrastructures

170. The most important problem in harmonization is to evolve a common system of payment for the use of transport infrastructures. The importance of this problem derives from its magnitude. Of all the factors included in the costs of every transport undertaking, charges for the use of transport infrastructures represent the largest single item. The Committee on Regional Policy and Transport commented on this aspect in its recent report by Mr Kollwelter (Doc. 195/73) and on 16 November 1973 Parliament adopted a resolution on the basis of this report, reference to which is recommended.

171. It is worth recalling yet again that there can be no common transport policy and no common transport market without a common system of payment for the use of transport infrastructures. Since, as explained in this report, there can be no Economic and Monetary Union without a common transport policy, it will be clear that the system of payment for the use of transport infrastructures is one of the important issues in European politics. This needs emphasizing, because, quite obviously, Community measures in this area will

entail particularly important changes in the Member States' transport legislation, tax legislation and budget regulations.

(b) Tax harmonization

172. The task of devising a common system of charging for the use of transport infrastructures is closely linked with tax harmonization, since the specific transport taxes, as well as certain direct charges for the use of infrastructures, should be used to cover the cost of infrastructures. In other words, an appropriate tax system is essential for a satisfactorily functioning infrastructure cost system.

173. Your committee stresses that the Commission's present proposals, on which Parliament delivered an opinion on 7 May 1969 (OJ No. C63 of 28 May 1969) on the basis of a report by Mr Bousquet (Doc. 18/69), are far from adequate. The initial approximation of the bases of assessment of vehicle tax must be followed by an approximation of the rates of this tax (as part of the system of payment for the use of transport infrastructures), and in addition it is essential to harmonize the rates of tax on oil.

174. Your committee also asks the Commission to consider what part a ton/kilometer tax might play in the system of payment for transport infrastructures. A tax of this kind, levied on actual performance and the actual burden on the infrastructure might well produce fairer conditions of competition (whereas vehicle tax and, particularly, oil tax presumably promote transport with excessively large vehicles).

(c) Technical harmonization

175. Many aspects of technical harmonization, i.e. harmonization of legislation on the technical provisions governing authorization of vehicles and the development of other transport installations, may be of greater importance for establishing the common market for the motor industry and related activities than for transport undertakings and the transport market.

The Community must, however, quickly find a solution to one problem, namely the harmonization of the provisions governing the maximum permissible dimensions and weights in road haulage. In this sector ~~the~~ ridiculous situation has arisen where some of the Member States have already decided on a maximum axle weight of eleven tons while others are prepared to accept the ten-ton axle. The whole incomprehensible dispute thus hinges at the moment on one single ton. So long as there was disagreement over whether the weight should be eight or thirteen tons, it could be readily appreciated that far-reaching effects on road construction costs, competition for the railways, traffic safety, etc, were involved. No such serious arguments can now be adduced as between ten tons and eleven tons. It is now high time for the

implementation of Parliament's resolution (OJ No. C 124 of 17 December 1971) based on the report by Mr RICHARTS (Doc. 173/71). Since the maximum axle weight is a factor to which the motor industry and the transport sector have to adapt on a long-term basis, and since it will not be possible to change this value at a moment's notice, a decision on it should be taken as soon as possible. From the standpoint of European transport policy there can be no further arguments that would sway the balance towards the ten-ton or the eleven-ton axle. It is scarcely conceivable that any technical expert report could now show that one or other of the alternatives was distinctly superior. From the European standpoint it is now immaterial what compromise is arrived at between ten and eleven tons, but whatever the decision it must be taken quickly. The worst thing would be if the decision were postponed even further.

176. At this point, your committee wishes to endorse the Commission's proposal to work out a coherent Community traffic safety programme in the framework of technical harmonization.

(d) Harmonization of social legislation

177. Like the technical regulations, the specific social provisions applicable to the transport sector are very closely related to safety.

The guiding principle of European social policy, namely that harmonization should be accompanied by progress, finds dual application in the transport sector in that the aims are not only to improve working conditions but also traffic safety.

178. On the basis of the harmonization directive of 1965 (Directive 271 of 13 May 1965, OJ 88 of 24 May 1965), the Commission has put forward a number of proposals for the harmonization of the specific social provisions governing road transport, on which Parliament has delivered its opinion on the basis of a series of reports (Laan report, Doc. 31/67, Faller report, Doc. 101/69, Kollwelter report, Doc. 59/71, Cousté reports, Doc. 170/71 and 268/71, and Seefeld reports, Doc. 88/73 and 197/73). The only regulations to be enacted so far are Regulation No. 543 of 25 March 1969 on driving and rest periods (OJ L 77 of 29 March 1969), as amended by Regulations No. 514 and 515 of 28 February 1972 (OJ L 67 of 20 March 1972) and Regulation No. 1463 of 20 July 1970 (OJ L 164 of 27 July 1970) on recording equipment.

179. Your committee welcomes the Commission's proposal whereby common social provisions are now to be worked out for the remaining modes of transport.

(e) Harmonization of state interventions

180. Apart from the harmonization projects referred to so far, the Community has the further task of seeking out in the transport legislation of the

Member States all state measures which could distort competition from one country to another and from one mode of transport to another. Such measures include in particular railways legislation and the question of aid to transport undertakings.

181. The Community has already made significant progress in this area. Nevertheless, the results of the Community measures taken so far are still not fully apparent because the factors involved require a long time to take effect. The Community has adopted the following legislation:

- Regulation No. 1191 of 26 June 1969 on action by Member States concerning the obligations inherent in the concept of a public service in transport by rail, road and inland waterway (OJ L 156 of 28 June 1969); see reports by Mr Riedel, Doc. 203/67, and Mr Mursch, Doc. 28/73.
- Regulation No. 1192 of 26 June 1969 on common rules for the normalization of the accounts of railway undertakings (OJ L 156 of 28 June 1969); see report by Mr Faller, Doc. 150/68.
- Regulation No. 1107 of 4 June 1970 on the granting of aid to transport by rail, road and inland waterway (OJ L 130 of 15 June 1970); see report by Mr Richarts, Doc. 41/67.

Furthermore, the Commission has already submitted proposals for the harmonization of the provisions governing the financial relations between railway undertakings and the state (see report by Mr Faller, Doc. 49/72)

182. To summarize, it may be said that Parliament welcomes every step taken by the Commission towards harmonization of transport legislation by the Member States, since it is aware that the functioning of a common transport market is dependent on these harmonization measures.

183. In connection with harmonization measures, your committee wishes to draw general attention to an important point, namely the supervision of the implementation and application of Community provisions in the Member States. Even when the same laws apply in all the countries, harmonization has not been achieved if there are large differences as to compliance and supervision. The Community must therefore try not only to ensure that Member States apply its rules uniformly, but also in certain cases, whenever it appears necessary, to provide for Community supervisory procedures. In some instances, the European Court of Justice may have a part to play in approximating legislation.

Chapter VI

General comments on the Commission's communication

1. General comments on the procedure adopted

184. For its first step towards the proposed resuscitation of the common transport policy, the Commission has chosen the form of a communication to the Council. Such a communication is an unofficial document, and does not represent an official action by the Commission in accordance with the Treaty. The purpose behind this approach is, first of all, to encourage exchanges of view at all levels, as is pointed out in sec. 4 of the communication.

185. The Council agreed to the Commission's wish and consulted the European Parliament on the communication, although it was not obliged to do so. Furthermore, the communication from the Commission does not oblige the Council to take any action or put in hand any legislation. To put it bluntly, the Council could take the European Parliament's opinion together with the Commission's communication and bury them in some drawer without even discussing them, and certainly without taking any practical steps leading to the common transport policy.

186. This was the fate suffered by the communication's predecessor, namely the Commission's 1961 memorandum¹. The European Parliament finds it impossible to ignore this earlier experience in considering the present communication.

The Council discussed the Commission's memorandum at three meetings in June and November 1961 and February 1962. It finally concluded that the political line advanced was on the whole acceptable, but was not sufficiently specific to allow decisions to be taken. It therefore requested the Commission to submit an overall action programme together with timetable. The Commission responded, acting in great haste, by drawing up an action programme on which the European Parliament also adopted an extensive report².

¹ Memorandum on the basic orientation of the common transport policy, working documents of the European Parliament, Doc. 105/1961. See report by Mr Müller-Hermann, Doc. 18/1962.

² Report by Mr Brunhes, Doc. 132/62

The action programme was discussed by the Council at six meetings between June 1962 and March 1963. However, as far as can be judged from the information released, the Council was reluctant to accept the action programme on the grounds that it consisted simply of a catalogue of measures and the corresponding deadlines, and failed to indicate the substance of these measures. Whereas the memorandum had been too philosophical, the action programme was dismissed as a mere collection of data and consigned to the files. The Commission was requested to submit practical proposals for the implementation of the common transport policy in the form of official proposals for regulations and decisions.

The discussion on the memorandum had ended without the Council fixing the general guidelines of the transport policy; the discussion on the action programme passed without any decision being taken. The policy of proceeding by small stages began, as did the period during which the whole fundamental discussion on transport policy repeatedly broke down on the tiniest detail, so that no decision was ever taken.

187. The Commission's communication is threatened with the same danger which caused the memorandum to founder. Your committee therefore proposes that the Commission should supplement its communication by an official proposal for a declaration of intent in the form of a Council resolution, to provide a pointer to future policy. Only when the Council is in a position to reach agreement on such a resolution, which would then be published in the Official Journal and which would be binding for the purpose of the Community's future work, only then is there any sense in working out an overall plan for development of the common transport policy.

188. In the foregoing motion for a resolution, therefore, not only are comments made on the communication, but in addition the text of the communication is subjected to detailed scrutiny and revision.

189. The Council has already on a number of occasions adopted such resolutions and published them in the Official Journal. Some of them are annexed to this report. It is particularly important to point out that these Council resolutions were often not drawn up by the Commission but by the Committee of Permanent Representatives, and that the European Parliament had no opportunity to consider them before publication, something which constitutes a curtailment of Parliament's powers and which should not be tolerated in the future.

190. In any case, your committee takes the view that everything possible should be done to ensure that the dialogue between the institutions of the Community now started by the Commission should lead directly to practical results.

191. The practical outcome of the dialogue must be a kind of supplement to the EEC Treaty, in other words it must state the guidelines for the transport policy of the next decade, that is the guidelines for the ultimate state of the Community, which unfortunately appear only in very fragmentary form in Articles 74-84 of the Treaty.

192. To emphasize the point once again, your committee does not want the Council simply to file away the Commission's communication and to return to the policy of progress by small stages; it wants the Council to restore to the public its confidence in the realization of the common transport policy by adopting an appropriate resolution at one of its forthcoming meetings.

193. This can be done in one of two ways: firstly, the Commission could draw up an official proposal for such a resolution, on which Parliament would again have to be consulted; secondly, the Council could quite simply make the whole of the Commission's communication into a Council resolution. In that case fresh consultation of Parliament would not be necessary. The procedure adopted in this case (communication from the Commission - consultation of Parliament - Council resolution) would be analogous to the procedure adopted in the case of legislation (Commission proposal - consultation of Parliament - adoption of regulation, etc., by Council). However, if the Council resolution departs too much from the Commission's communication, so that ultimately the Council would be deciding on a text prepared by the transport group of the Permanent Representatives, then Parliament would have to be consulted yet again.

2. General comments on the text of the Commission's communication

194. The present new beginning calls for a general plan and not simply a patchwork system, for the common transport policy. Does the Commission's communication meet this requirement?

195. The Commission's analysis of the present situation and foreseeable developments in the transport sector (Chapter I) is generally accurate. However, the introduction and Section C of Chapter I devote too little attention to the common transport policy's importance for the further development of Economic and Monetary Union. Secs 1 and 20 of the text move too quickly from a description and reasoned statement of concept to the idea that the transport policy should help to improve the quality

of life in general and environmental protection in particular. These ideas are a re-formulation of the old concept that transport policy should be fitted into the general pattern of economic and social policy. They are generally valid in each individual country, with or without Europe. However, the main argument for the common European transport policy is the part it will play in building the Economic Community; yet although the title of Section C refers to the requirements of economic union, the subject is very quickly passed over in the text.

196. Chapter II, which deals with the objectives and scope of the common transport policy, also fails to make good this omission. The subject is mentioned in sec 27, but here too the real contribution of the transport policy to economic union is given cursory treatment, this time in favour of the regional policy, apparently because the latter was mentioned in the summit conference communique and transport policy was not. A large amount of space is then devoted to the relationship between transport policy and regional policy, social policy, fiscal policy, industrial policy, environmental policy, energy policy and trade policy, but there seems to be insufficient intellectual grasp of the various factors involved to serve as a basis for practical action. Some sections deal with the contribution transport policy can or should make to other sectors of the economy, others with the contribution of these sectors to the regulation of the transport market and others again with the harmonization, pure and simple, of different rules. In fact, they should all deal with all three problems, i.e. with the interdependence of the transport policy and the other sectors.

197. If Chapter II is to fulfil its purpose, therefore, it should be given a more practical content and a new section added on the importance of the transport policy for Economic and Monetary Union.

198. The criticism that the communication should have gone further towards formulating practical decisions is illustrated particularly clearly by the sum total of what is said about sea transport and ports.

The following passages deal with this subject:

Sec 31: 'some harmonization ... should be envisaged ...'

Sec 37: '...will remain of particular concern to the Community, which must defend its own interests without harming those of non-member countries.'

Sec 48: '...the complex role of the ports and the importance of sea and air transport in the enlarged Community' must also be taken into account.

Sec 54: '...the Commission may submit to the Council proposals for any action which it thinks necessary.'

Sec 70: '...will shortly take an initiative in this context on the subject of studies of the possibilities for Community action ... and will continue with action in relation to ports in order to determine the scope for Community action ...'

Thus, while sea transport and ports are referred to in six places in the report, there is no mention of practical plans in this sector. It is just as difficult for the European Parliament as it must be for the Council of Ministers to adopt a position on such vague indications.

199. Hence, although the communication could as a whole form the basis for a Commission proposal for a Council resolution on the further development of the transport policy, several sections must first be given a much more practical content.

200. Chapter III of the communication draws a line between the responsibility of the public authorities and that of the transport undertakings involved in the transport market. It is undoubtedly important as a first step to clarify this demarcation.

201. A large number of amendments to this chapter and Chapter IV, which deals with the scope and methods of the common transport policy, have therefore been proposed in the motion for a resolution.

202. Chapter V contains the action programme proper. This is divided into:

1. The Action programme for 1974-1976, and
2. The Action programme for 1974-1983.

However, very little is said about the 1974-83 programme. So little, in fact, that a superficial reading leaves the impression that there is a missing Section C after Section B (Sec 91). The present report therefore, seeks to raise several points on which the Commission should give more details in its final proposal for a Council resolution.

Generally speaking, Section B, i.e. the programme for 1974/76, deals almost exclusively with matters on which the European Parliament has already adopted a position. However, Parliament should again be consulted on those cases in which the Commission intends to modify its proposals substantially as a result of recent developments and because of the enlargement of the Community. The Council should

not spend three years on these proposals, which have already been under discussion for a long time, but should adopt them at a lengthy sitting during the second half of 1974 or at the beginning of 1975.

203. Your Committee would finally like to say that, regardless of any individual criticisms, it congratulates the Commission on having submitted a communication of this kind to the Council at this time; it would also add that on the whole and as a whole, the communication has much to commend it and holds out the promise that despite everything a common transport policy will yet be achieved in the next ten years, thus avoiding a total defeat for the Community in this sector.

Council Decision of 22 June 1965¹

(based on the communication by the Council Secretariat
Doc. 828/65 (AG 228))

The Council of the European Communities held its 171st meeting on Tuesday 22 June 1965, with Mr Marc JACQUET, Minister of Public Works and Transport of the French Republic, in the chair, and in the presence of Mr Lambert SCHAUS, Member of the EEC Commission.

The governments of the Member States were represented by the following:

Belgium - Mr BERTRAND, Minister of Transport: the Federal Republic of Germany - Mr SEEBOHM, Federal Minister of Transport: France - Mr JACQUET, Minister of Public Works and Transport: Italy - Mr JERVOLINO, Minister of Transport: Luxembourg - Mr BOUSSER, Minister of Transport: the Netherlands - Mr POSTHUMUS, Secretary of State for Transport and Water Resources.

At this meeting, which was mainly concerned with transport questions, the Council discussed the following problems:

ORGANIZATION OF THE TRANSPORT MARKET

The Council agreed on a solution for the common organization of the goods transport market on roads, railways and inland waterways. This solution lays down the guidelines for a system which will later be set out in detail in a regulation.

At its meeting of 10 December 1964 the Council had decided it would be impossible to try and reach a unanimous agreement on the Commission's proposal for a regulation on the introduction of a rate-bracket system for goods transport by rail road and inland waterway. On this occasion the Council had asked the Commission to attempt to find solutions to the problems that had arisen when the above proposal was being discussed.

In view of these circumstances, at the Council meeting of 9 March 1965 the Commission submitted, in support of its proposal, a statement setting out the possibilities which might enable the Council to reach agreement.

On the basis of this information, the Council found a solution which all the delegations approved, and the Commission declared itself in agreement with the main points. The solution was a general outline which would enable the Council to express its views on a draft regulation at a later meeting.

¹Official translation not available in English

1. Definition of the system

The system approved by the Council was based on a common organization of the goods transport market and an approximation of the conditions under which the national markets operate.

A. Common organization of the transport market

The common organization of the transport market was to be introduced in stages; the first lasting three years, the second ending on 31 December 1972. Before expiry of the second stage, a decision would be taken on the organization of the final stage, and the conditions of its entry into force.

The main features of the system were outlined in the description of the first two stages; solutions to certain major problems, for example the opening and differentiation of brackets, relations with certain third countries etc., must be defined when the texts were drawn up at a later date.

Later provisions would apply to transport covered by the Treaty establishing the European Coal and Steel Community, where no special measures were laid down in this Treaty and its implementing regulations.

B. Approximation of operating conditions of markets

In the first two stages the conditions under which the markets operate must be approximated, particularly in the following areas:

1. Within three years of the introduction of the system:

- (a) Regulations governing access to the carrying profession and to the operation of transport undertakings (investigation of professional suitability, financial resources etc.) and determination of funds for controlling transport capacity and establishment of criteria for using these funds;
- (b) Definition of rules concerning vertical and horizontal agreements. These rules should enable transport undertakings to build up units of a reasonable technical and economic scale;
- (c) Common solution for any problems connected with specific non-governmental aid which affects transport prices and distorts conditions of competition;
- (d) Common solution to the problem of allocating infrastructure costs.

2. By 31 December 1972:

- Financial stability of railways in the light of the standardization of accounts and solution of problems connected with state aid (regional planning, support tariffs etc.).

The Council had also, in its decision No. 65/271/EEC of 13 May 1965 set out a timetable for implementing the harmonization of conditions of competition; this timetable would continue to apply.

C. Escape clause

In the regulation on the implementation of the system an escape clause was to be included, laying down a Community procedure on the basis of which the individual Member States could take the necessary intervention measures in the transport market as part of their general transport policy, in the event of their national economy being jeopardized by developments in that market.

II. Features of the common organization

The common organization was characterized by the following features:

- application of a compulsory or, where appropriate, a reference tariff system;
- a system of publishing rates, prices and transporting conditions;
- the setting up of a committee to keep the market under supervision.

1. Tariff system

For certain categories of transport there was a compulsory bracket rate. This system did not preclude special agreements outside the bracket; the agreements must be justified and published.

For other categories of transport a reference tariff system would be introduced, which permitted free price formation. Reference tariffs, as well as any prices and transport conditions diverging from these tariffs, must be published.

These compulsory and reference tariffs were to be drawn up on the basis of criteria to be determined by the Council. The tariffs would be sanctioned by the individual Member States in the case of national transport and by agreements between the Member States in the case of international transport.

2. Publication

The compulsory and reference tariffs would be published by Member States.

Between the conclusion of the agreement and the time the transport treaties entered into force prices and conditions which deviated from the compulsory or reference tariffs must be notified to the bodies responsible for publishing these prices and conditions in the various Member States.

The organization of publication would be facilitated by the creation of bodies to ensure that supply coincided with demand in the transport sector at all times (freight exchanges, freight offices etc.).

3. Committee for supervision of the market

A committee for supervision of the market, consisting of government experts, and presided over by a Commission representative, would

- collect all the necessary information on rates prices and other factors relevant to the assessment of the market,
- assist the Commission, according to procedures to be determined, in the exercise of the tasks assigned to it by the Council, in particular the drawing up and supervision of rates, the justification of special agreements, and publication;
- prepare regular reports on market trends.

III. Setting up the common market organization

1. First stage

The provisions relating to this stage applied only to trans-frontier transport between Member States.

The following regulations would apply for the different categories of transport:

- (a) Inland Waterways
 - reference tariff system
- (b) Railways
 - compulsory tariff system

To justify special agreements outside the brackets special account would be taken of the need for the railways to be able to compete with other forms of transport; these agreements must contribute towards the profitability of the railways.

- (c) Roads
 - compulsory tariff system for distances over 50 km.

In the case of domestic transport Member States could either maintain the existing regulations for the three forms of transport or amend these regulations to align them with the regulations laid down for the second stage.

2. Second stage

The provisions laid down for the second stage applied to domestic and trans-frontier transport between Member States:

- (a) the reference tariff system would apply to the following:
 1. trans-frontier inland waterway transport
(as in the first stage);
 2. the domestic and trans-frontier transport of certain bulk goods,
to be specified by the Council;
 3. Other domestic transport, to be specified by the Member States.

For all transport subject to the reference tariff system, railway undertakings must balance their budgets; a proportion (to be determined) of their fixed costs must be allocated for this purpose.

On the other hand, if the governments imposed exceptionally low tariffs on the railways for reasons unconnected with transport, these tariffs would have to be regarded as public costs; they would have to be entered separately in the accounts and financially balanced.

(b) The compulsory tariff system would apply to:

1. trans-frontier rail transport and trans-frontier road transport over distances of more than 50 km. with the exception of the transport of certain bulk goods specified in paragraph 2(a);
2. domestic transport not subject to the reference tariff above a certain distance; the prices for transport over distances between 50 km and this distance must be published.

The Council had asked the Committee of Permanent Representatives to give further consideration to the Commission's proposals and any amendments the latter considered necessary, in collaboration with the Commission and in the light of the opinions of the European Parliament and the Economic and Social Committee, in order that the system described in the attached report could be finally established and a proposed text in the form of a regulation submitted to the Council at a future meeting.

Council Decision of 20 October 1966

(based on the Communication by the Council Secretariat
Doc. 1173/66 (AG 278))

On Wednesday 19 and Thursday 20 October 1966 the Council of the European Communities held its 194th meeting, with Mr S. A. POSTHUMUS, Secretary of State for Transport and Water Resources of the Kingdom of the Netherlands, in the chair, and in the presence of Mr Lambert SCHAUS, Member of the EEC Commission.

The governments of the Member States were represented by the following:

Belgium - Mr BERTRAND, Minister of Transport; Germany - Mr SEEBOHM, Federal Minister of Transport; France - Mr PISANI, Minister of Equipment and Public Works; Italy - Mr SCALFARO, Minister of Transport; Luxembourg - Mr BOUSSER, Minister of Transport; The Netherlands - Mr POSTHUMUS, Secretary of State for Transport and Water Resources.

The Council discussed the following questions:

At this meeting the Council made a thorough examination of the points arising in the amended proposal for a regulation on the introduction of a rate-bracket system for the transport of goods by rail, road and inland waterway. In this connection there was also an exchange of views on the general outlines of the common transport policy.

Following this discussion the Council adopted the following resolution:

'The Council,

Considering that the studies which have been undertaken as a result of the agreement of 22 June 1965 must be widened in scope in order to make possible a more accurate definition of the relative importance of the regulation on rate brackets and of certain other regulations to be adopted in the context of this agreement, and thus to enable a solution to be found to the disagreement which has arisen in the Council over the whole problem of rate brackets;

Considering that the necessity of preventing the abuse of dominant positions, or ruinous competition, from leading to a serious disturbance of the transport market has been unanimously recognized;

Invites the Commission to propose within a short time, measures relating to capacity in road and inland water transport, as well as to entry to the profession;

Instructs the Committee of Permanent Representatives to examine, as soon as possible, the Commission's proposal relating to the rules of competition, the question of safeguard measures, and also the Commission's communication on the International Rhine Navigation Union plan and regulations concerning the capacity of inland water transport;

Emphasizes the necessity for rapid implementation of the Council decision of 13 May 1965 on the harmonization of conditions of competition and also the necessity for a solution to the problem of the apportionment of infrastructure costs, possibly by the adoption of a provisional interim solution.'

Council Decision of 14 December 1967¹

on certain measures in respect of the common transport policy

(67/790/EEC)

'THE COUNCIL OF THE EUROPEAN COMMUNITIES -

Having regard to the Commission memorandum of 10 February 1967 on the common transport policy following the Council resolution of 20 October 1966,

Having regard to the Italian Government's memorandum of 21 September 1967 advocating a fresh start to the negotiations on the common transport policy,

Considering that, in the transport field, it is important to take with all possible speed certain measures connected with the entry into force of the customs union while continuing to draw up measures on a longer term basis;

Considering that the purpose of these initial measures must be both to harmonize the conditions of competition within the setting of the Council decision of 13 May 1965 on the harmonization of certain provisions affecting competition in rail, road and inland waterway transport, the methods of application of which must be put into effect at the earliest opportunity, and to approximate cost structures;

Considering that provisions for the Community organization of the market in goods transport by road as well as a programme of measures to ensure further progress with the common transport policy should be decided on before 1 July 1968;

1. Agrees, on the basis of the Commission's proposals:

(i) to draw up at its next session on transport affairs, and at the latest within six months, the text of Community rules on the harmonization of certain social provisions in the road transport field;

(ii) to adopt the following measures before 1 July 1968:

(a) application of competition rules to transport;

(b) rules on aids in the transport field;

(c) implementation of the provisions of Article 1 sub (a) and (b) and of the aforesaid Council decision of 13 May 1965;

¹ OJ 322 of 30 Dec. 1967

(d) establishment of a Community quota of 1200 licences for three years in respect of goods transport by road;

(e) introduction of a rate-bracket system for the road haulage of goods between the Member States;

(f) setting up of specialized committees to discharge the duties (especially market supervision) devolving upon them in pursuance of the foregoing measures;

2. (a) Takes note of the declaration of the Commission according to which the latter will put forward:

(aa) before 1 February 1968, amendments to the proposed regulation of 18 March 1964 concerning the abolition of double taxation on motor vehicles in the international transport field and to the proposed directive of 20 July 1966 regarding the standardization of provisions relating to the duty-free import of fuel in the tanks of commercial vehicles. The objects of these amendments will be:

(i) with regard to double taxation, to adopt a provisional solution based on the principle that the vehicles are subject to the taxes payable in the Member State in which they ply, in proportion to the period they remain on its territory;

(ii) with regard to the duty free import of fuel, to allow 50 litres, to be increased as the Council decides whenever a substantial approximation of the domestic taxes on diesel oil is effected.

(bb) before 1 July 1968, proposals concerning the first measures to be taken to introduce a rate system for the use of infrastructures and comprising in particular:

(i) the harmonization of the structures of taxes on commercial vehicles, taking into account the provisions of Article 2 of the above-mentioned Council decision of 13 May 1965 in such a way as to reflect the individual shares of the various categories of vehicles in the costs occasioned for the countries by use of the infrastructures;

(ii) the establishment of permanent, standard accounting of expenses relating to infrastructures in respect of each of the modes of transport in every Member State.

(cc) before 1 January 1971, proposals concerning the adaptation of the bilateral quotas for the road haulage of goods between Member States, taking into account the results obtained through the measures listed under (aa) and (bb) above;

(b) Approves the time-table and the general line of approach laid down under (a) above;

(c) Takes cognizance of the Commission's declaration that before 1 July 1968 it will put forward proposals relating to the gradual approximation of domestic taxes on diesel oil.

3. Emphasizes, with due regard to the conclusions of the seminars on railway problems, the need to put without delay the economy and finances of the railways on a sound basis and consequently to adopt before 1 January 1969;

(i) a regulation concerning action by Member States with regard to obligations inherent in the concept of public service, based on the Commission's proposal of 26 May 1967;

(ii) a regulation concerning the standardization of railway accounts on which the Commission will submit a proposal to it before 1 March 1968.

4. Instructs the Committee of Permanent Representatives to prepare the implementation of point 1 of the present decision. The Committee is invited to make an interim report to the Council in readiness for its coming session on transport problems and to annex thereto the drafts of instruments to be enacted in this field.'

Council Resolution of 7 December 1970¹

on cooperation between railway undertakings

'THE COUNCIL OF THE EUROPEAN COMMUNITIES -

on the basis of the statements by the French and Dutch Governments at the Council meeting of 4 June 1970 on cooperation between railway undertakings in the Member States,

in consideration of the following reasons:

The smooth operation of transport throughout the Community is an essential factor in the satisfactory development of the Common Market.

In view of adjustments to the new scale of the transport market and in the interests of greater competitiveness and improved profitability, the railway undertakings must cooperate more closely with each other in the technical, commercial and operational fields.

It is also incumbent on the Member States to eliminate any difficulties arising from the implementation of the objectives of this resolution and the crossing of borders, in the areas for which they are responsible, without prejudice to the measures to be taken in regard to financial relations between the State and the railway undertakings.

It is the responsibility of the railway undertakings, under the terms of their administrative autonomy, to decide on the measures they consider most appropriate for developing cooperation.

In view of the existing close commercial and technical relations between the railway networks of the Member States and the neighbouring States, greater cooperation between the railway undertakings in Member States does not preclude cooperation on a wider scale.

1. Urges the Member States' railway undertakings gradually to introduce closer coordination and cooperation at the technical as well as commercial and operational level:

A. Technical:

1. urges the railway undertakings to increase their cooperation in the operation of railway networks and trans-frontier transport, in order to reduce their prime costs;
2. proposes that, to this end, the railway undertakings should continue with their efforts to achieve a progressive technical uniformity both in the standardization of rolling stock and in finding uniform technical solutions, in particular for the automatization of the rail services, safety systems and

¹Official translation not available in English.

automatic control, and also in the development and introduction of new transport techniques;

3. calls upon the railway undertakings to pursue their efforts in coordinating their orders for equipment;
4. suggests that the undertakings should investigate the possibilities of extending joint financing for certain equipment;

B. Commercial and operational:

1. recommends that the railway undertakings should gradually increase their cooperation by working out common measures, particularly in the field of trans-frontier transport;
2. urges the undertakings to continue their efforts in regard to the establishment of international direct tariffs, which are better suited to the requirements to trans-frontier transport;
3. proposed that the reciprocal use of rolling stock should be extended in whatever manner seems most appropriate;
4. calls upon the undertakings to seek practical solutions to the problem of making door-to-door transport on the main trans-frontier routes faster and more flexible;
5. proposes that, to this end, combined trans-frontier goods transport - for example by means of block trains - and trans-frontier fast connections for passenger transport should be extended;
6. urges the railway undertakings to make rational use of staff, plant and equipment in the frontier areas of their operational networks, in order to avoid duplication;
7. suggests that the railway undertakings examine the possibility of setting up international companies or organizations for the operation of certain domestic and trans-frontier transport services;
8. invites the railway undertakings to investigate whether a closer integration of networks is possible - possibly by setting up a common commercial organization providing a trans-frontier through transport service based on common tariffs, thus enabling prices to be adjusted to market fluctuations within a very short period;

II. Hopes that the Member States, in collaboration with the Commission will take appropriate action to eliminate any difficulties within

their spheres of responsibility which may hinder the implementation of the objectives defined above, and any problems connected with the crossing of frontiers by rail;

- III. Calls upon the railway undertakings in the Community to coordinate as far as is necessary with the undertakings of other European States in the framework of the IRCA; close cooperation with the Austrian and Swiss railway undertakings is particularly important in this context;
- IV. Urges the undertakings to submit a joint annual report to the Council on the progress of their cooperation.'