

European Communities

EUROPEAN PARLIAMENT

Working Documents

1983 - 1984

3 May 1983

DOCUMENT 1-254/83

REPORT

drawn up on behalf of the Committee on Transport

on the proposal from the Commission of the European Communities to the Council (Doc. 1-1185/82 - COM(82) 846 final) for a Decision on the commercial independence of the railways in the management of their international passenger and luggage traffic and on the commercial policy of the railways

Rapporteur: Mr V. GABERT

PE 78.896/fin.

On 12 October 1981 the motion for a resolution tabled by Mr COTTRELL on 30 September 1981 on railway fares (Doc. 1-554/81) was referred to the Committee on Transport.

At its meeting of 28 October 1981 the Committee on Transport decided to prepare a report on this topic and, at its meeting of 27 November 1981, appointed Mr Volkmar GABERT rapporteur.

The Committee on Transport held an initial exchange of views on this subject at its meeting of 30 April 1982.

By letter of 7 May 1982 the Commission of the European Communities forwarded to the European Parliament the text of a communication submitted to the Council on an action programme for international railway cooperation (COM(82) 237 final).

At its meeting of 1 December 1982, the Committee on Transport heard the views of the chairmen of the European Community's ten railway undertakings.

On 14 December 1982 the Commission submitted a report on the progress of the Commission's work on international railway cooperation (COM(82) 848 final).

By letter of 20 December 1982 the President of the Council requested the European Parliament to deliver an opinion on the proposal from the Commission for a Council Decision on the commercial independence of the railways in the management of their international passenger and luggage traffic (COM(82) 846 final). On 7 February 1983 the President of the European Parliament referred this proposal to the Committee on Transport.

At its meeting of 17 February 1983 the Committee on Transport decided to incorporate all the items listed above in Mr GABERT's report and to change the title accordingly.

The Committee on Transport considered the Commission's proposal and the draft report at its meeting of 25 April 1983.

At its meeting of 26 April 1983 the committee decided unanimously to recommend that Parliament adopt the Commission's proposal unchanged. The committee then unanimously approved the motion for a resolution as a whole.

The following took part in the vote: Mr Seefeld, chairman; Mr Carossino and Mr Kaloyannis, vice-chairmen; Mr Gabert, rapporteur; Mr Albers, Mr Buttafuoco, Mr Cardia, Mr K-H. Hoffmann, Mr Klinkenborg, Mr Loo (deputizing for Mr Lagakos), Mr Martin, Mr Moorhouse, Mr Ripa di Meana, Mr Scamaroni and Mr Vandewiele.

The report was submitted on 27 April 1983.

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

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities for a Council Decision on the commercial independence of the railways in the management of their international passenger and luggage traffic and on the commercial policy of the railways

The European Parliament,

- having regard to the proposal from the Commission to the Council¹,
- having been consulted by the Council (Doc. 1-1185/82),
- having regard to the motion for a resolution on railway fares tabled by Mr Cottrell (Doc. 1-554/81),
- having regard to the communication from the Commission to the Council on an action programme for international railway cooperation (COM(82) 237 final),
- having regard to the report by the Commission to the Council on the progress of the Commission's work on international railway cooperation (COM(82) 848 final),
- having regard to the recommendation by the Commission to national railway undertakings on the definition of a high-quality international passenger transport system²,
- having regard to the report by the Committee on Transport (Doc. 1-254/83),
- having regard to the vote on the Commission's proposal,
- whereas:

¹ OJ No. C 23, 28.1.1983, p. 12

² OJ No. L 381, 31.12.1982, p. 38

- A. in its Decision of 20 May 1975 on the improvement of the situation of the railway undertakings¹, the Council referred inter alia to the need for the Community's railway undertakings to be allowed sufficient independence in their commercial management,
- B. in this decision, the Council in particular ruled that the railway undertakings should be free to fix their prices in accordance with national and Community rules on transport rates and conditions,
- C. with regard to the international carriage of goods within the Community, the Council, in its Decision of 19 July 1982², laid down how the principle of the free fixing of rates by the railway undertakings was to be applied and instructed the Member States to adopt all the necessary provision by 1 January 1983,
- D. a similar decision by the Council on the commercial independence of the railways in the management of their international passenger and luggage traffic is thus appropriate,
- E. the problems of the European Community's railway undertakings cannot however be solved simply by allowing commercial independence,
- F. the efforts of the Commission to promote cooperation between the railway undertakings deserve support,
1. Welcomes the initiatives taken by the Commission to give concrete form to the long demanded principle of commercial independence for the railways;
 2. Considers that the Community's railway undertakings should follow certain common guidelines in exercising their commercial independence;
 3. Welcomes in this connection the fact that the Commission announced in its action programme of 7 May 1982 a series of measures intended to improve cooperation between railways in the Community and has already started to implement some of these;

¹ OJ No. L 152, 12.6.1975, p. 3

² OJ No. L 234, 9.8.1982, p. 5

4. Encourages the Commission to carry on with this programme;
5. Calls upon the railway undertakings in the Community to take account of the Commission's proposals and recommendations in this area and, in exercising their commercial independence, to
 - agree upon an international transport tariff system for all the railways in the Community
 - create an international system of rail links meeting all the requirements of modern travel as regards speed, comfort, frequency of trains and network planning, insofar as adequate returns on such investments can be obtained;
 - make unceasing efforts to improve still further their cooperation in the running of services in order to achieve maximum speed and safety for both passenger and goods traffic while keeping costs to a minimum;
6. Reminds the Community's railway undertakings to exercise their commercial independence at all times in accordance with the rules and basic principles of the common market;
7. Urges the Commission to see to it that the railway undertakings take no action liable to damage intra-Community trade and calls upon the Commission to take suitable action in the event of violations;
8. Stresses that the move to commercial independence must be accompanied by steps to improve the financial situation of the railway undertakings;
9. Considers that the separate accounting already practised by one railway undertaking for
 - (a) own economic activity,
 - (b) performance of public service tasks and
 - (c) infrastructure provisionshould be applied by all railways, since this would represent a first step towards the long overdue solution of the central problem of the railways, namely fair charging of infrastructure costs for all modes of transport;
10. Regards it as essential, following the withdrawal of its 1971 proposal, that the Commission submit to the Council as soon as possible a new proposal on charging infrastructure costs for all modes of transport;

11. Instructs its President to forward to the Council, the Commission and the Group of Ten railway undertakings in the European Communities the Commission's proposal as voted by Parliament and the corresponding resolution as Parliament's opinion.

EXPLANATORY STATEMENTI. Action programme for international railway cooperation (COM(82) 237 final)

1. The need for further improvement of cooperation between railways is generally recognized¹. The action programme submitted by the Commission to achieve this goal comprises a set of measures to be taken by the Commission, the Member States and the railway undertakings respectively. The proposed measures concentrate on the following areas:
 - (a) abolition or modification of legislation in the Member States standing in the way of improved cooperation between railways;
 - (b) definition of the role and tasks of the railway undertakings in international transport;
 - (c) intensification of cooperation between the railways in the running of services.
2. It would not be practical for specific problems of rail administration to be regulated at the European level since this would only add to the already excessive bureaucracy. The Commission therefore deserves support in its effort to create the conditions, through framework provisions, proposals and recommendations, to enable the railway undertakings to find appropriate solutions to their problems themselves.
3. In this respect, it is of decisive importance for the Member States and the Community's railway undertakings to cooperate together in solving these problems.
4. In December 1982, the Commission reported to the Council on the progress of its work in implementing the action programme for international railway cooperation. In accordance with this programme, the Commission submitted its proposal for a decision

¹ Cf. the report by Volkmar GABERT on the future of the Community rail network (Doc. 1-982/81), paras. 1 & 45, and the Council Resolution of 15 Dec. 1981 on Community rail policy (OJ C 157, 22 June 1982, p.1)

on commercial independence for the railways¹ and its recommendation for a high-quality international passenger transport system². A series of measures are to follow in the first half of 1983.

II. Commission proposal concerning the commercial independence of the railways in passenger and luggage traffic (COM(82) 846 final)

5. Although the principle of the commercial independence of railway undertakings has already been adopted by the Council, in its decision of 20 May 1975 on the improvement of the situation of the railway undertakings,³ it has not yet been put into practice.
6. As regards international goods traffic, the Council has now created the conditions, in its decision of 19 July 1982⁴ on the fixing of rates, for practical measures to implement this principle. The natural thing to do would therefore be to introduce a similar scheme for international passenger and luggage traffic. This is the purpose of the Commission proposal discussed here.
7. However the problems of passenger transport by rail are not identical with those of goods transport. In some Member States, public service considerations play a major role in the former - though more for local transport than for long-haul transport, which in fact constitutes the major part of international traffic. As the separate accounts system introduced by the Deutsche Bundesbahn⁵ shows, long-haul passenger transport by rail can be operated to cover costs and be regarded as part of the railway's own economic activity. There are therefore no compelling reasons for refusing to allow the railways commercial independence in the management of their international passenger and luggage traffic.

¹ OJ C 23, 28 January 1983, p.12

² OJ L 381, 31 December 1982, p.38

³ OJ L 152, 12 June 1975, p.3

⁴ OJ L 234, 9 August 1982, p.5

⁵ The principle of this system was explained by the Chairman of the Bundesbahn, R.M. GOHLKE, at the Committee on Transport's meeting of 1 December 1982.

8. The granting of commercial independence to the railways cannot however be regarded as a panacea for all the rail sector's current problems. Furthermore, at the Community level such a step would also entail certain problems, which should not be overlooked.
9. The first priority is to improve the financial position of the railways to ensure that commercial independence is economically successful. The root problem of the railway undertakings, undercapitalization, will however take time to cure. On the other hand, an approach feasible in the medium term would be to create equitable conditions for competition between the various modes of transport by introducing an infrastructure charging system to cover all the modes of transport. This would certainly benefit the railway undertakings.
10. Worth considering therefore is the system introduced by the German Bundesbahn for separate accounts covering own economic activity, the provision of a public service on behalf of the state and the provision of infrastructure, respectively. Such separate accounting thus ensures that the infrastructure costs and the public service costs can be clearly differentiated and hence forms a suitable basis for the harmonization of the conditions of competition for transport at the Community level. It would therefore be a step in the right direction if all the railway undertakings were to adopt this separate accounting system.
11. Problems could arise at the Community level as a result of the commercial independence of railways, since the railway undertakings have differing, and to some extent competing, economic interests in e.g. frontier regions and international transport. Given this conflict of interests, commercial independence may result in decisions being taken that do not accord with a common transport market, for example, railways may keep international trains within their own networks for as long as possible and international fares may often be less favourable than internal fares, because the progressive reduction in fares relative to

distance is calculated anew for each network.

12. So long as the management of the railways was seen as a part of government policy, action could be taken against measures detrimental to intra-Community trade, such as those above under Article 30 of the EEC Treaty. Should however the railway undertakings decide to exercise their commercial independence in taking or maintaining measures detrimental to intra-Community trade, the Commission must then consider how to combat these. One possibility in particular would be the strict application of the provisions on competition contained in the EEC Treaty in conjunction with the Council Regulation 1017/68 applying rules of competition to transport by rail, road and inland waterway¹, to counter prohibited agreements or abuse of a dominant position in the market. If this approach proves to be impractical, the Commission should prepare a proposal for suitable Community rules.

III. Recommendation on the definition of a high-quality international passenger transport system

13. The European Parliament has on numerous occasions urged the creation of high-quality links for international passenger transport. Its resolution of 9 March 1982² on the future of the Community railway network for example called for the launching of a study on the prospects for European high-speed railway lines. In its resolution of 14 October 1982³ on measures to promote institutional polycentrism, Parliament also called for improvements to the Brussels-Luxembourg-Strasbourg rail link in the form of more appropriate timetables, faster train speeds and the introduction of modern high-speed trains.
14. Particular consideration should be given to the problem that even though the national express train networks (e.g. 'Intercity', 'Corail') of the individual Member States extend to cities near frontiers, there is often no link with the express train network of the neighbouring country. This is illustrated by the two following examples:

¹ OJ L 175, 23 July 1968, p.1

² OJ C 87, 5 April 1982, p.43

³ OJ C 292, 8 November 1982, p.74

- (a) The western part of the EUREGIO is served by Dutch intercity lines and the eastern part by German intercity lines. Strangely, however, the Hengelo-Enschede-Gronau-Münster railway line is not used to link the two intercity networks¹.
- (b) In the Rhine plain, a French and a German main-line station are situated opposite each other on the left and right of the Rhine in Strasbourg and Offenburg respectively. Fast connections between the two stations to link with the express trains should be introduced to ensure problem-free transfers between the neighbouring express train networks.
15. In such cases, of which there are certainly many more, the railway undertaking should make determined efforts to improve matters. On account of the complex character of such measures however, the relevant decisions should be taken by the railway undertakings themselves, so the Commission's decision to issue a recommendation is correct approach.
16. Motion for a resolution on railway fares (Doc. 1-544/81)
- The aim of this motion for a resolution is to draw attention to the experiment known as the 'low price drive' conducted by the Swedish State Railways in 1979 and to propose the examination of the feasibility of such a model for the Community's railway services.
17. As a result of the variety of contacts they had last year with the Group of Ten railways, the members of the Committee on Transport are able to state with confidence that the railway undertakings of the European Community have thoroughly examined the Swedish low-price experiment.
18. On 22 December 1982, the acting chairman of the Group of Ten sent the rapporteur a study on this experiment approved by all the undertakings in the Group. The study shows that, in spite of an increase in the number of passengers, the Swedish State Railways would have suffered financial losses if not for substantial

¹ For details see the report by Mrs von ALEMANN on transfrontier transport policy in frontier regions, Doc. 1-1205/82.

state aid, and that such an experiment would not be feasible in the Community for the following reasons in particular:

- the Community's railway undertakings already have a considerably larger share of the market than the Swedish railways at the start of the experiment;
- compared with the Swedish State Railways, the Community's railways have less capacity reserves; there are even bottlenecks on some routes;
- the Community's railway undertakings are already successfully operating fare reduction schemes for certain population groups.

11. For these reasons, there is currently no need for the European Parliament to give its opinion on this matter.

MOTION FOR A RESOLUTION (DOCUMENT 1-554/81)
tabled by Mr COTTRELL
pursuant to Rule 47 of the Rules of Procedure
on railway fares

The European Parliament,

- aware of the necessity to improve the competitive position of railway systems within the European Community;
 - noting the concern of the Commission in this matter, including its recent proposals in the area of the financial accountability of railways;
 - repeating its view that a sound and efficient railway network is essential to the wellbeing of the future economy of the Community;
 - concerned however that the railways frequently lack both commercial incentives to attract new traffic and that in a time of recession, certain vital investment is deterred or delayed, thus affecting future performance of the railways;
1. Draws the Commission's attention to an initiative in SWEDEN, known as the 'low price drive', whereby passenger traffic has been increased by 35% and some five million passengers a year;
 2. Believes that a study of this initiative would be purposeful and worthwhile in terms of its possible application to railways within the Community;
 3. States that unless such an initiative is introduced by the railways of the Community, their competitive problems will worsen together with increasing reluctance by Member State governments to invest in modernization and development;
 4. Requests the Commission to:
 - (a) investigate the 'low price drive' undertaken by the Swedish State Railways,
 - (b) make the results of such a study available to the management of EEC railways' systems and the Group of Ten,
 - (c) consider the implications which might result from such a study in association with the railway networks of those Third Countries which operate in close association with the systems of the EEC and with international bodies,
 - (d) consider the impact of a 'low price drive' on the passenger network of the EEC railway systems with regard to the Commission's own proposals concerning the financial accountability of railways;
 5. Instructs its President to forward this resolution to the Council and Commission of the European Communities.

